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CBG 011/2564

13 August 2021

Subject Management discussions and analysis for the 3-month period ended 30 June 2021

To Directors and Manager

The Stock Exchange of Thailand

We, Carabao Group Public Company Limited (the “Company” or “CBG”), are pleased to submit management discussions and analysis regarding consolidated financial performance and position of the Company and subsidiaries (the “Company”) for the 3-month period ended 30 June 2021 as follows:

**Overall and Major events in 2Q/2021 to present**

1. The 3<sup>rd</sup> wave of COVID-19 began in mid-April 2021 after Songkran day. The government has announced the highest control areas in several provinces, but they did not announce the closure of the shopping mall. The Company have some measurements to help limiting the risk by allowing employees in the headquarters to work from home 100%, while the factories have strict control measures to prevent employees from COVID-19.
2. Launch Woody C+ Lock collagen mixed berry. On April 19, 2021, the Company has launched new flavor of functional drink, Woody C+ Lock collagen mixed berry, which is the first drink in Thailand with 2,000 milligrams of collagen along with 200% vitamin C content. The first flavor was lemon launched in March 2020 and the second was orange flavor launched in June 2020. The Company expects this new flavor will attract consumers in the beauty and health market and help increase the market share in functional drink.
3. Myanmar has imposed a ban on 5 Thai drinking products sent by land beginning on May 1, 2021. Those products are all beverage such as soft drinks, energy drinks, etc., coffee and tea, ready-to-drink coffee, sweetened milk, and fresh milk. However, these products can be exported via ship to Myanmar, resulting in a longer delivery time from less 1 week to 2 weeks. Therefore, orders were rushed in April before Myanmar imposing the ban because domestic demand increase after the COVID situation improved and after the coup for 3 months.
4. Asia Packaging Manufacturing company limited (“APM”) engaged in the manufacture and distribution of packaging such as film, carton box and label. It has started commercial operation in June 2021.
5. Issue 2-year debentures worth 1.5 billion baht. The Company issued debentures worth 1.5 billion baht in mid-July, maturity 2 years in 2023, fixed interest rate of 1.27% per annum, with interest payment every 6 months throughout the bond life. The main objectives are to use the money to pay off the short-term loan used to redeem the debentures due in June and to use as working capital for business operations.
6. New species of COVID-19 outbreak In Thailand started around mid-July causing the government to announce more stringent control measures. In Cambodia And Myanmar, there is also an increase in the number of infections in the countries. The new wave of COVID-19 may affect the economic recovery in each country and the Company's business operations.



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7. The energy drink market in 2Q/2021 increased by 3.8% from 2Q/2020 in terms of volume. Carabao Dang energy drink remained the 2<sup>nd</sup> largest brand, commanding 21.0% volume share.
8. The healthy shot market (largest market of functional drink) in 2Q/2021 increased by 6.5% from 2Q/2020 in terms of volume. Woody C+ Lock remained the 2<sup>nd</sup> largest brand, commanding 9.1% volume share which increased from 9.0% in 1Q/2021.

Consolidated financial performance of the Group for the 3-month period ended 30 June 2021 in comparison with the corresponding period last year ended 30 June 2020

#### 1. Revenue from sales

Total revenue from sales in 2Q/2021 were THB 4,995 million, an increase of 10.8% from 2Q/2020 due to higher sales of every product group.

Revenue from sales by product group Unit: THB million	2Q2020	% to total	1Q2021	% to total	2Q2021	% to total	%YoY	%QoQ
Branded products by own manufacture 1/	3,713	82%	3,150	78%	3,939	79%	6.1%	25.0%
Branded products by 3rd party's manufacture 2/	87	2%	111	3%	139	3%	58.8%	25.3%
3rd party's products for distribution	598	13%	706	18%	799	16%	33.7%	13.2%
Others	109	2%	63	2%	118	2%	8.3%	87.4%
<b>Total</b>	<b>4,508</b>	<b>100%</b>	<b>4,030</b>	<b>100%</b>	<b>4,995</b>	<b>100%</b>	<b>10.8%</b>	<b>23.9%</b>

Note: 1/ Energy Drinks, Sport Drinks, and Functional Drinks

2/ Drinking Water, 3-in-1 Coffee and RTD Coffee

Revenue from sales by geography Unit: THB million	2Q2020	% to total	1Q2021	% to total	2Q2021	% to total	%YoY	%QoQ
Domestic	2,288	51%	2,223	55%	2,473	50%	8.1%	11.3%
Overseas	2,219	49%	1,808	45%	2,522	50%	13.6%	39.5%
CLMV	1,800	40%	1,484	37%	1,942	39%	7.9%	30.8%
China	157	3%	210	5%	488	10%	210.3%	132.2%
ICUK	5	0%	24	1%	38	1%	691.8%	58.0%
Others	257	6%	89	2%	54	1%	-79.0%	-39.7%
<b>Total</b>	<b>4,508</b>	<b>100%</b>	<b>4,030</b>	<b>100%</b>	<b>4,995</b>	<b>100%</b>	<b>10.8%</b>	<b>23.9%</b>

1.1) Sales of branded products by own manufacture in 2Q/2021 were THB 3,939 million, increased by 6.1% from 2Q/2020. The amount consisted of domestic and overseas sales at the proportion of approximately 36:64.

(1.1.1) The domestic sales were THB 1,417 million, a decrease of 5.1% from 2Q/2020 due to sales of Carabao Dang energy drink decreased by 2.3% and sales of Woody C+ Lock decreased by 33.9% from 2Q/2020. However, both beverages recovered well from 1Q/2021.



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(1.1.2) Overseas sales of energy drinks were THB 2,522 million, an increase of 13.6% from 2Q/2020. The main overseas sales came from CLMV countries, accounting for 39% of total sales, China accounts for 10% of total sales and 2% from other countries.

Export sales to CLMV countries, an existing and large international business base for the Company yet growth potential lying in each individual country, increased by 7.9% from 2Q/2020 due to the low base in 1Q/2021 from the unrest in Myanmar since February and a lockdown in main cities of Cambodia owing an outbreak of COVID-19 causing orders to bounce in 2Q/ 2021. While sales to Vietnam have continued increasing because Carabao brand is more established in the country.

China is another market with great potential for growth as it is the world's number 1 highest population, and it is the first country who can control the COVID-19 outbreak. The Company had a 210% increase in sales from export to China from Q2/2020 because Carabao brand is more established in the country.

However, the situation of COVID-19 has worsened in many countries including Thailand because of the outbreak of the new species since late June which may affect the economic recovery in each country and the Company's business operations.

1.2) Sales of 3rd party products for distribution in 2Q/2021 were THB 799 million, increased by 33.7% from 2Q/2020, consecutively grew year-on-year for over two years driven by the variety, volume and quality of the products distributed as well as cash van distribution system covering direct access to over 180,000 retail stores nationwide.

1.3) Sales of branded product by 3rd party's manufacture in 2Q/2021 were THB 139 million, an increase of 58.8% from 2Q/2020 due mainly to an increase in sales of drinking water, Carabao RTD and 3-in-1 coffees.

1.4) Other sales were THB 118 million, an increase by 8.3% from 2Q/2020, most of which are sales of bottles to 3rd party under the operation of Asia Pacific Glass Company Limited ("APG"), which not only generate incremental revenue to the Company but also reduce the production costs of bottles for the Company's energy drinks and the vitamin C drink owing to economies of scales.

## 2. Gross profit and gross profit margin

Gross profit in 2Q/2021 was THB 1,901 million, increased by 3.7% from 2Q/2020, representing gross profit margin of 38.1%, a decrease from 40.7% in 2Q/2020, due mainly to the lower gross profit margin of the branded products by the Company's production, which is the core business contributing 79% of total sales.



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Gross profits by product group Unit: THB million	2Q2020	GPM	1Q2021	GPM	2Q2021	GPM	%YoY	%QoQ
Branded products by own manufacture 1/	1,733	46.7%	1,473	46.7%	1,777	45.1%	2.5%	20.7%
Branded products by 3rd party's manufacture 2/	16	17.9%	15	13.8%	21	14.9%	32.1%	35.0%
3rd party's products for distribution	43	7.2%	42	6.0%	60	7.5%	40.3%	41.7%
Others	42	38.5%	25	39.1%	43	36.5%	3.0%	75.1%
<b>Total</b>	<b>1,834</b>	<b>41%</b>	<b>1,555</b>	<b>39%</b>	<b>1,901</b>	<b>38%</b>	<b>3.7%</b>	<b>22.2%</b>

The gross profit margin of branded products by the Company's manufacture in 2Q/2021 was 45.1%, a decrease from 46.7% in 2Q/2020 due mainly to a decrease of the gross profit margin of both branded domestic and overseas sales which resulted from an increase of raw material price such as sugar and aluminum coil.

### 3. Selling, general and administrative (SG&A) expenses

Total selling and administrative expenses in 2Q/2021 were THB 769 million, an increase by 0.5% from 2Q/2020, representing 15.4% of total sales, decreased from 17.0% in 2Q/2020 due to an increase of total sales.

Selling and Administrative expenses Unit: THB million	2Q2020	% to sales	1Q2021	% to sales	2Q2021	% to sales	%YoY	%QoQ
Selling expenses	470	10.4%	474	11.8%	485	9.7%	3.0%	2.3%
Sponsorship fees	93	2.1%	72	1.8%	63	1.3%	-32.3%	-12.7%
Selling without sponsorship fees	377	8.4%	402	10.0%	422	8.4%	11.7%	5.0%
Administrative expenses	294	6.5%	252	6.3%	284	5.7%	-3.5%	12.6%
<b>Total SG&amp;A</b>	<b>765</b>	<b>17.0%</b>	<b>726</b>	<b>18.0%</b>	<b>769</b>	<b>15.4%</b>	<b>0.5%</b>	<b>5.9%</b>

Selling expenses were THB 485 million, an increase by 3.0% from 2Q/2020, representing 9.7% of total sales, which decrease from 10.4% in 2Q/2020.

- (1) sponsorship fees to Chelsea Football Club Limited (CFC) and English Football League (EFL) totaling THB 63 million, a decrease by 32.3% from 2Q/2020 due to a special discount of GBP 1.1 million granted by EFL for the 2020/21 season sponsorship fee which was first recognized in 4Q/2020 and will continue to the end of seasons in 2Q/2021 in view of that the Coronavirus pandemic caused football matches to run socially distanced and no attendance at matches allowed for the health safety.
- (2) selling expenses (exclude of the sponsorship fees to international footballs) were THB 422 million, an increase by 11.7% from 2Q/2020, representing 8.4% the same ratio as in 2Q/2020.

In relation to this, sponsorship fees for international footballs were recognized as expenses regarding on the payment terms, economic benefits, and beneficial period in which the company shall receive as stated in the contractual terms and conditions. Under the current terms, sponsorship contract with CFC was ended in June 2021, and the company has just renewed the EFL Sponsorship Agreement for an additional 2 years at the same annual fee which will end in May 2024.



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**4. Financial expenses**

Financial expenses were THB 21 million, decreased by 33.5% from 2Q/2020 largely due to the retirement of THB 1,700 million par value of bond in June 2020.

**5. Corporate income tax expenses**

Corporate income tax expenses amounted to THB 198 million, increased by 11% from 2Q/2020, representing the effective corporate income tax rate of 17.2% up from the ratio of 16.7% in 2Q/2020. The higher amount of income tax expenses was due mainly to higher operating income.

**6. Net profit and net profit margin**

Net profit attributed to the Company's shareholders in 2Q/2021 were THB 967 million, an increase by 9.7% from 2Q/2020, representing net profit margin of 19.4%, closed to 19.6% in 2Q/2020.

Net profit attributed to the Company's shareholders (Excluded FX gain and extra items) were THB 955 million, an increase by 8.4% from 2Q/2020 which is the company's record high. The main factor of the increase in profit came from the increase in the overseas sales, which the proportion rise to 50% of total sales.



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Consolidated financial position of the Company as of 30 June 2021 in comparison with that as of 31 December 2020

**Assets**

Total assets as of 30 June 2021 and 31 December 2020 were THB 18,220 million and THB 17,087 million, respectively, an increase of THB 1,134 million due mainly to 1) accounts receivable increased by THB 698 million due to an increase in total sales; and 2) land, buildings and equipment increased by 379 million baht due to the company has bought land and buildings in June.

**Liabilities**

Total liabilities as of 30 June 2021 and 31 December 2020 were THB 8,412 million and THB 6,929 million, respectively, an increase of THB 1,482 million, consisting of current liabilities of THB 7,074 million, an increase of THB 1,419 million, and non-current liabilities of THB 1,338 million, an increase of THB 64 million. The main reason for an increase in the liabilities was from short-term borrowings that increased by THB 2,345 million, while the debentures decreased by THB 1,090 million.

**Shareholders' equity**

Total shareholders' equity as of 30 June 2021 and 31 December 2020 were THB 9,809 million and THB 10,157 million, respectively, a decrease of THB 349 million due to the company has paid dividends totaling THB 1,500 million to the shareholders of the Company while the company had a net profit of THB 967 million in 2Q/2021.

Yours sincerely,

*Pongsarn Klongwathanakith*

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(Pongsarn Klongwathanakith)

Chief Financial Officer