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CBG 013/2564

12 November 2021

Subject Management discussions and analysis for the 3-month period ended 30 September 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 September 2021 as follows:

Overall and Major events in 3Q/2021 to present

1. The energy drink market in 3Q/2021 contracted by 15.2% YoY in terms of volume. Carabao Dang energy drink remained the 2nd largest brand, commanding 20.7% volume share which a little bit decrease from last quarter of 21.0% (according to the Nielsen’s final sales data to consumers).
2. The healthy shot market (largest market of functional drink) in 3Q/2021 contracted by 8.9% YoY in terms of volume. Woody C+ Lock remained the 2nd largest brand, commanding 9.0% volume share which which a little bit decrease from last quarter of 9.1% (according to the Nielsen’s final sales data to consumers).
3. The Delta variant of Covid-19 has become the dominant strain of Covid-19 in Thailand and the neighboring countries during 3Q/2021. Thai government therefore announced the lockdown almost 2 months resulting in a reduction in economic activities, so the overall consumer confidence index during July – September 2021 is at 36.7 – 42.1, lower than the same period in the last year and the last quarter. The CLMV was also experienced the Delta variant of Covid-19 and there were lockdowns in many cities.

Consolidated financial performance of the Group for 3Q/2021

1. Revenue from sales

Total revenue from sales in 3Q/2021 were THB 3,957 million, a decrease of THB 448 million or 10.2% YoY. The reasons are as follows:

Revenue from sales by product group Unit: THB million	3Q2020	% to total	2Q2021	% to total	3Q2021	% to total	%YoY	%QoQ
Branded products by own manufacture 1/	3,617	82%	3,939	79%	2,690	68%	-25.6%	-31.7%
Branded products by 3rd party's manufacture 2/	135	3%	139	3%	116	3%	-14.3%	-16.5%
3rd party's products for distribution	613	14%	799	16%	897	23%	46.3%	12.3%
Others	40	1%	118	2%	255	6%	535.3%	115.1%
Total	4,405	100%	4,995	100%	3,957	100%	-10.2%	-20.8%

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

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



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Revenue from sales by geography Unit: THB million	3Q2020	% to total	2Q2021	% to total	3Q2021	% to total	%YoY	%QoQ
Domestic	2,357	54%	2,473	50%	2,660	67%	12.9%	7.6%
Overseas	2,048	46%	2,522	50%	1,296	33%	-36.7%	-48.6%
CLMV	1,657	38%	1,942	39%	1,117	28%	-32.5%	-42.4%
China	133	3%	488	10%	19	0%	-85.2%	-96.0%
ICUK	30	1%	38	1%	60	2%	103.5%	58.9%
Others	229	5%	54	1%	99	3%	-56.7%	83.8%
Total	4,405	100%	4,995	100%	3,957	100%	-10.2%	-20.8%

1.1) Sales of branded products by own manufacture were THB 2,690 million, a decrease of THB 927 million or 25.6% YoY. The amount consisted of domestic and overseas sales at the proportion of approximately 52:48.

(1.1.1) The domestic sales were THB 1,393 million, a decrease of THB 176 million or 11.2% YoY due to sales of Carabao Dang energy drink decreased by 10.5% YoY and sales of Woody C+ Lock decreased by 23.8% YoY which corresponds to the Thailand's economy that was impacted severely by the Covid-19 pandemic.

(1.1.2) Overseas sales of energy drinks were THB 1,297 million, a decrease of THB 752 million or 36.7% YoY. The main overseas sales came from CLMV countries, accounting for 28% of total sales, European countries (ICUK) accounts for 2% of total sales and 2% from other countries of which the majority were orders from Yemen.

Export sales to CLMV countries, an existing and large international business base for the Company yet growth potential lying in each individual country. However, export sales to CLMV countries decreased by THB 539 million or 32.5% YoY due to the Covid-19 pandemic situation got worse in our neighboring countries, causing lockdown in many cities in each country especially in Vietnam and Cambodia. Moreover, our business partners in Myanmar rushed to purchase large quantities of goods in the last quarter and the border closure as well as currency fluctuations in Myanmar affecting domestic demand. As a result, the average monthly sales volume of the Company has decreased.

China is another market with great potential for growth as it is the world's number 1 highest population. However, sales to China in 3Q/2021 decreased by THB 113 million or 85.2% YoY due to our business partners started to order products in the last quarter to support future sales after the Covid-19 epidemic situation in China has improved and it was the high season in Q2. However, a new wave of the Covid-19 epidemic emerges in August 2021. Although the number of infections is small, the government has strict measures. In addition, there were floods and heavy rains in many areas.



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Sales export to European countries through subsidiary, Intercarabao Company Limited (“ICUK”), increased by THB 31 million or 103.5% YoY due to the Covid-19 epidemic situation in most of the European countries have improved especially the Covid-19 restrictions ease in the UK in July 2021. Moreover, ICUK has been doing the sales promotion to boost brand recognition.

- 1.2) Sales of 3rd party products for distribution were THB 897 million, an increase of THB 284 million or 46.3% YoY, consecutively grew year-on-year for over two years driven by the variety, quality and new products distributed as well as over the 300 cash vans distribution system covering direct access to over 180,000 retail stores nationwide.
- 1.3) Sales of branded product by 3rd party's manufacture were THB 116 million, an increase of THB 19 million or 14.3% YoY due mainly to an increase in sales of drinking water, Carabao RTD and 3-in-1 coffees.
- 1.4) Other sales were THB 255 million, increased by 535.3% YoY, most of which are sales of bottles to 3rd party under the operation of Asia Pacific Glass Company Limited (“APG”). The sales of existing products from our business partners grew continuously as well as continuously releasing new products. Therefore, there are increasing orders for glass bottles came to the company.

2. Gross profit and gross profit margin

Gross profit in 3Q/2021 was THB 1,349 million, a decrease of THB 482 million or 26.3% YoY, representing gross profit margin of 34.1%, a decrease from 41.6% in 3Q/2020, due mainly to the product mix of the branded products by the Company's production lower to 68% of total sales compared to 82% in 3Q/2020 and higher proportion of distribution sales for 3rd party products which have lower margin, as well as the lower gross profit margin of the branded products by the Company's production.

Gross profits by product group Unit: THB million	3Q2020	GPM	2Q2021	GPM	3Q2021	GPM	%YoY	%QoQ
Branded products by own manufacture 1/	1,752	48.4%	1,777	45.1%	1,159	43.1%	-33.9%	-34.8%
Branded products by 3rd party's manufacture 2/	22	16.2%	21	14.9%	18	15.3%	-19.1%	-14.1%
3rd party's products for distribution	40	6.6%	60	7.5%	65	7.3%	62.7%	8.7%
Others	17	42.2%	43	36.5%	107	42.0%	532.1%	147.1%
Total	1,831	42%	1,901	38.1%	1,349	34.1%	-26.3%	-29.1%

The gross profit margin of branded products by the Company's manufacture was 43.1%, a decrease from 48.4% in 3Q/2020 due mainly to a decrease of the gross profit margin of overseas sales which resulted from an increase of raw material price such as sugar and aluminum coil. However, aluminum price from the London benchmark has dropped considerably since mid-October 2021.



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

Total selling and administrative expenses in 3Q/2021 were THB 739 million, an increase of THB 20 million or 2.8% YoY, representing 18.7% of total sales, decreased from 16.3% in 3Q2020 due to an increase of administrative expenses.

Selling and Administrative expenses Unit: THB million	3Q2020	% to sales	2Q2021	% to sales	3Q2021	% to sales	%YoY	%QoQ
Selling expenses	479	10.9%	485	9.7%	454	11.5%	-5.3%	-6.3%
Sponsorship fees	94	2.1%	63	1.3%	69	1.7%	-27.0%	9.3%
Selling without sponsorship fees	385	8.7%	422	8.4%	385	9.7%	0.1%	-8.6%
Administrative expenses	239	5.4%	284	5.7%	285	7.2%	19.0%	0.3%
Total SG&A	719	16.3%	769	15.4%	739	18.7%	2.8%	-3.8%

Selling expenses were THB 454 million, decreased by 5.3% from 3Q/2020, representing 11.5% of total sales, which increased from 10.9% in 3Q/2020.

(1) sponsorship fees were THB 69 million, decreased by 27% from 3Q/2020 due to sponsorship contract with Chelsea Football Club Limited (CFC) ended in June 2021 while the discount rate of sponsorship contract with English Football League (EFL) due to the Covid-19 pandemic ended in May 2021.

(2) selling expenses (exclude of the sponsorship fees to international footballs) were THB 385 million, closed to the amount of 3Q/2020, representing 9.7%, increased from 8.7% in 3Q/2020 due to lower sales in 3Q/2021.

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 EFL will end in May 2024.

Administrative expenses were THB 285 million, increased by 19% YoY due to increasing staff as per the human resources development plan.

4. Financial expenses

Financial expenses were THB 23 million, increased by 6.3% YoY, due to an increase of liabilities from the issuance of debentures worth 1,500 million baht in mid-July 2021

5. Corporate income tax expenses

Corporate income tax expenses amounted to THB 82 million, decreased by 57.2% YoY, representing the effective corporate income tax rate of 12.1% down from the ratio of 16.4% in 3Q/2020, due to lower operating income and APG's BOI benefit from increasing bottle sales.

6. Net profit and net profit margin

Net profit attributed to the Company's shareholders in 3Q/2021 were THB 601 million, a decrease of THB 368 million or 38.0% YoY due to lower overseas sales especially sales to CLMV resulting from the lockdown measures



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from the Covid-19 pandemic. As a result, the average monthly sales volume and gross profit margin of the Company decreased.

The net profit margin was 15.2% down from 22.0% in 3Q/2020 due to higher raw material price such as sugar and aluminum coil as well as lower sales.



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

Assets

Total assets as of 30 September 2021 and 31 December 2020 were THB 18,768 million and THB 17,087 million, respectively, an increase of THB 1,681 million due mainly to 1) accounts receivable increased by THB 599 million; and 2) Inventories increased by THB 472 million due to higher raw materials and packaging materials to support future sales.

Liabilities

Total liabilities as of 30 September 2021 and 31 December 2020 were THB 9,248 million and THB 6,929 million, respectively, an increase of THB 2,319 million, consisting of current liabilities of THB 6,445 million, an increase of THB 790 million, and non-current liabilities of THB 2,803 million, an increase of THB 1,529 million. The main reason for an increase in the liabilities was from short-term borrowings that increased by THB 1,880 million, and the debentures increased by THB 1,498 million.

Shareholders' equity

Total shareholders' equity as of 30 September 2021 and 31 December 2020 were THB 9,519 million and THB 10,157 million, respectively, a decrease of THB 638 million due to the company has paid higher dividends and the company had lower net profit during the 9M/2021.

Yours sincerely,

Pongsarn Klongwathanakith

(Pongsarn Klongwathanakith)

Chief Financial Officer