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CBG 029/2024

9 August 2024

Subject Management discussions and analysis for 3-month period ended 30 June 2024

To Directors and Manager

The Stock Exchange of Thailand

We, Carabao Group Public Company Limited, are pleased to submit management discussions and analysis regarding consolidated financial performance and position of the Company and subsidiaries (the "Company" or "CBG") for 3-month period ended 30 June 2024 in comparison with the corresponding period last year as follows:

### Consolidated financial performance

#### 1. Revenue from sales

Total revenue from sales was THB 4,954 million, up by +5% YoY. Of which, revenue from sales of our branded own products was THB 2,900 million, down by -4% YoY but growing by +2% QoQ. This growth was driven by improved domestic sales of Carabao Dang energy drinks following the sales strategy with partners to maintain optimal inventory levels, as well as a continuous increase in market share. Furthermore, revenue from 3<sup>rd</sup> party products for distribution was THB 1,723 million, up by +19% YoY. The increase was mainly due to the distribution of alcohol beverages. Revenue from other product segments was THB 261 million, up by +50% YoY, which was mainly derived from producing and supplying the packaging materials including glass bottles, aluminum cans and various packaging materials, to the 3rd parties and Carabao beer and Tawandang beer producers.

Revenue from sales by product group Unit: THB million	2Q2023	% to total	1Q2024	% to total	2Q2024	% to total	%YoY	%QoQ
Branded products by own manufacture 1/	3,017	64%	2,838	58%	2,900	59%	(4%)	+2%
Branded products by 3rd party's manufacture 2/	64	1%	72	1%	70	1%	+10%	(3%)
3rd party's products for distribution	1,452	31%	1,823	37%	1,723	35%	+19%	(6%)
Others	174	4%	202	4%	261	5%	+50%	+29%
<b>Total</b>	<b>4,707</b>	<b>100%</b>	<b>4,935</b>	<b>100%</b>	<b>4,954</b>	<b>100%</b>	<b>+5%</b>	<b>+0.4%</b>

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	2Q2023	% to total	1Q2024	% to total	2Q2024	% to total	%YoY	%QoQ
Domestic	3,202	68%	3,414	69%	3,499	71%	+9%	+2%
Overseas	1,505	32%	1,521	31%	1,455	29%	(3%)	(4%)
CLMV	1,291	27%	1,364	28%	1,333	27%	+3%	(2%)
China	41	1%	-	-	-	0%	N.A.	N.A.
UK	56	1%	53	1%	54	1%	(4%)	+3%
Others	117	2%	104	2%	68	1%	(43%)	(35%)
<b>Total</b>	<b>4,707</b>	<b>100%</b>	<b>4,935</b>	<b>100%</b>	<b>4,954</b>	<b>100%</b>	<b>+5%</b>	<b>+0%</b>

1.1) Revenue from sales of branded own products amounted to THB 2,900 million, down by -4% YoY. Portions between domestic and overseas were at 50:50.

(1.1.1) Domestic sales were THB 1,445 million, down by -5% YoY but growing by +10% QoQ, driven by an increase in sales of Carabaodang energy drinks. The company continued core strategy of maintaining a retail selling price of 10 Baht, contributing to the cost-of-living reduction for the Thai people along with marketing activities under the campaign "Carabao Great Thai Good Career Project" to support job creation and career opportunities for Thai people by collaborating with Thairath TV channel for communications, and continued this campaign for the 3rd consecutive year. The efficiency of comprehensive distributions, consumer communication approaches that emphasizes the strengths of the products and pricing strategies, while the main competitors have increased their selling prices to 12 baht along with introducing new products including Carabao beer and Tawandang beer, this has had a positive impact on the brand recognition of "Carabaodang" being widely known and accessible to young adults and working-age consumers. This has helped to increase awareness and drove domestic sales of Carabao beverages, resulting in a continuous increase of market share, up by +10% YoY.

(1.1.2) Overseas sales were THB 1,455 million, down by -3% YoY were mainly due to the decreased sales in China, Afghanistan, and the Middle Eastern countries. However, overseas sales to the CLMV countries, which significantly contributed to overseas sales, rebounded and grew by +3% YoY. The company collaborated with local partners and conducted promotional activities in Cambodia, Myanmar, and Vietnam in various effective and efficient activities, such as organizing promotional campaigns, supporting boxing events, organizing concerts, and giving away product samples.



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- 1.2) Revenue from sales of 3<sup>rd</sup> party products for distribution amounted to THB 1,723 million, up by +19% YoY. Key contributing factors included the variety and quality of products which resulted in the continuous increase in the alcohol products' popularity. Also, the effective distribution coverage in all distribution channels, including distribution through over 300 cash vans to access over the retailers nationwide, and extensive distribution networks nationwide through traditional trade channels at the district distribution level along with the strategy of using beer products as a marketing tool, the alcohol beverage segment has grown and strengthened further.
- 1.3) Revenue from sales of branded OEM products amounted to THB 70 million, up by +10% YoY. Such increase mainly resulted from RTD coffee which had stopped selling since Q1/2023 due to new product development and redesign. In December 2023, the company re-launched the new RTD coffee which is instant coffee drink made from freshly roasted coffee beans with an affordable retail selling price of 15 Baht.
- 1.4) Revenue from other sales amounted to THB 261 million, up by +50% YoY. Mainly caused by the manufacture and sales of glass bottles, aluminum cans, and various packaging materials to customers under the operations of APG ACM and APM, aligning with sales and new products launched by customers.

## 2. Gross profits and gross profits margin

Gross profits were THB 1,372 million, up by +9% YoY, which was equivalent to the gross profits margin of 28% compared to 27% the same period in the previous year while the changing of product mix as well as a higher proportion of revenue from lower margin of 3rd party products for distribution. Mainly caused by the gross profits margin from sales of branded own products have improved when compared to the same period in the previous year. Whereas the gradual increase in sugar prices, which is a key raw material according to market conditions, the company has been able to effectively manage other raw materials to reduce costs. Additionally, energy costs used in the production process have decreased compared to the same period in the previous year. Also, the increase in production volumes aligned with both domestic and overseas sales particularly in the CLMV countries, where sales recovered significantly. This resulted in reduced production costs due to economies of scale.

Furthermore, the reduction in raw material and energy costs, along with improved production efficiency, also resulted in better gross profits for other sales, particularly from APG's glass bottles, compared to the same period last year.



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Gross profits by product group Unit: THB million	2Q2023	GPM	1Q2024	GPM	2Q2024	GPM	%YoY	%QoQ
Branded products by own manufacture 1/	1,062	35%	1,103	39%	1,128	39%	+6%	+2%
Branded products by 3rd party's manufacture 2/	9	14%	12	17%	11	15%	+17%	(12%)
3rd party's products for distribution	145	10%	168	9%	164	9%	+13%	(2%)
Others	44	25%	38	19%	69	27%	+58%	+83%
<b>Total</b>	<b>1,260</b>	<b>27%</b>	<b>1,321</b>	<b>27%</b>	<b>1,372</b>	<b>28%</b>	<b>+9%</b>	<b>+4%</b>

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

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

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

Selling and administrative expenses were THB 533 million, down by -25% YoY, representing 11% of the SG&A to total revenue from sales which gradually decreased compared to 15% from the previous year, as a result of the cost planning including marketing, sales promotion, and operational costs, to maximize efficient core strategy consistently.

Meanwhile, sponsorship fees were down by -36% YoY, resulting from sharing the sponsorship rights of EFL to our beer brewing business partners, with 50% portion of the amount paid by the company to EFL for each season starting from the 2023/2024 season onwards.

Selling and Administrative expenses Unit: THB million	2Q2023	% to sales	1Q2024	% to sales	2Q2024	% to sales	%YoY	%QoQ
Selling expenses	494	11%	362	7%	360	7%	(27%)	(1%)
Sponsorship fees	76	2%	48	1%	49	1%	(36%)	+2%
Selling without sponsorship fees	418	9%	314	6%	311	6%	(25%)	(1%)
Administrative expenses	218	5%	213	4%	173	3%	(21%)	(19%)
<b>Total SG&amp;A</b>	<b>712</b>	<b>15%</b>	<b>575</b>	<b>12%</b>	<b>533</b>	<b>11%</b>	<b>(25%)</b>	<b>(7%)</b>

### 4. Financial expenses

Financial expenses were THB 37 million, down by -15% YoY, due to the repayment of loans as a result of receiving payments from trade receivables. This was despite the trend of rising in line with the Bank of Thailand's policy rate over the recent period.



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**5. Corporate income tax expenses**

Corporate income tax expenses were THB 158 million, up by +97% YoY, representing the effective tax rate of 19% versus 14% in the prior year.

**6. Net profits and net profits margin**

Net profits attributed to shareholders were THB 691 million, up by +43% YoY, resulting from the increase of sales, cost reduction, efficient operational expenses for the reasons mentioned above, and sharing EFL fee of the sponsorship rights to our beer brewing business partners for their marketing purposes.



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Consolidated financial position as of 30 June 2024 in comparison with that as of 31 December 2023

#### Assets

Total assets as of 30 June 2024 and 31 December 2023 were THB 18,514 million and THB 19,544 million, respectively. A decrease of THB 1,029 million was derived mainly from (1) THB 647 million decrease in account receivables and other receivables, (2) THB 246 million decrease in Cash and cash equivalents, and (3) THB 221 million decrease in property, plant and equipment.

#### Liabilities

Total liabilities as of 30 June 2024 and 31 December 2023 were THB 6,364 million and THB 8,231 million, respectively. Current liabilities were THB 4,632 million (including current liabilities from financial institutions of THB 2,502 million), down by THB 349 million, whereas non-current liabilities were THB 1,732 million (including non-current liabilities from financial institutions of THB 1,118 million), down by THB 2,216 million. A decrease of THB 1,867 million was derived mainly from (1) THB 875 million decrease in short-term loans from financial institutions, (2) THB 855 million decrease in long-term loans from financial institutions and net of current portion, and (3) THB 287 decrease in trade and other payable.

The company still maintains its credit rating of the company's unsubordinated and unsecured debentures at "A" level from TRIS Rating. The ratings reflect the company's ability to maintain its financial ratios and financial leverages. Furthermore, the company maintains a strong position in the domestic energy drink market with well-respected brands including effective coverage through distribution networks nationwide.

#### Shareholders' equity

Total shareholders' equity as of 30 June 2024 and 31 December 2023 were THB 12,150 million and THB 11,312 million, respectively. An increase of THB 838 million took into account mainly the net profits generated during the period and the Company paid THB 500 million of dividends for the previous year.

Yours sincerely,

*Pongsarn Klongwathanakith*

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(Pongsarn Klongwathanakith)

Chief Financial Officer