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CBG 002/2025

21 February 2025

Subject Management discussions and analysis for the fiscal year ended 31 December 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 the fiscal year ended 31 December 2024 in comparison with the corresponding period last year as follows:

Consolidated financial performance for the fiscal year of 2024

1. Revenue from sales

Total revenue from sales in 2024 was THB 20,964 million, up by +11% YoY. Of which, revenue from sales of our branded own products was THB 12,190 million, up by +9% YoY, driven by the strong growth in domestic sales of Carabao Dang energy drinks. This growth is attributed to a continuously increasing market share, supported by the company’s continued core strategy of maintaining a retail selling price of 10 Baht. Additionally, the company expanded its distribution strategy, broadening its coverage through partnerships with small wholesalers including increasing the number of distribution partners for energy drinks through the product portfolios of alcoholic beverage distributors to expand its extensive and comprehensive network and enhancing distribution channels. Furthermore, revenue from 3rd party products for distribution was THB 7,621 million, up by +18% YoY. The increase was mainly due to the distribution of alcohol beverages. Revenue from other product segments was THB 860 million, down by -11% YoY, which was mainly due to significant supplying packaging materials including glass bottles, aluminum cans and various packaging materials, to Carabao beer and Tawandang beer producers in Q3/2023, in preparation for new product launches in Q4/2023.

Revenue from sales by product group Unit: THB million	4Q2023	3Q2024	4Q2024	%YoY	%QoQ	2023	2024	%YoY
Branded products by own manufacture 1/	2,896	3,020	3,432	+19%	+14%	11,196	12,190	+9%
Branded products by 3rd party's manufacture 2/	59	79	72	+22%	(8%)	232	293	+26%
3rd party's products for distribution	2,088	1,824	2,251	+8%	+23%	6,458	7,621	+18%
Others	273	175	222	(19%)	+27%	967	860	(11%)
Total	5,316	5,098	5,977	+12%	+17%	18,853	20,964	+11%

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



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

Revenue from sales by geography Unit: THB million	4Q2023	3Q2024	4Q2024	%YoY	%QoQ	2023	2024	%YoY
Domestic	3,911	3,849	4,590	+17%	+19%	13,457	15,352	+14%
Overseas	1,405	1,249	1,387	(1%)	+11%	5,396	5,612	+4%
CLMV	1,201	1,010	1,293	+8%	+28%	4,639	5,000	+8%
China	-	-	-	N.A.	N.A.	88	-	N.A.
UK	46	56	32	(30%)	(43%)	189	195	+3%
Others	159	183	62	(62%)	(66%)	480	417	(13%)
Total	5,316	5,098	5,977	+12%	+17.2%	18,853	20,964	+11%

1.1) Revenue from sales of branded own products amounted to THB 12,190 million, up by +9% YoY. Portions between domestic and overseas were at 54:46.

(1.1.1) Domestic sales were THB 15,352 million, up by +14% YoY, 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 emphasize the strengths of the products and pricing strategies, along with consumer promotions in convenience stores such as Carabaodang 2-bottle offer for 18 Baht, 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 +11% YoY.

(1.1.2) Overseas sales were THB 5,612 million, up by +4% YoY were mainly due to the decrease in overseas sales to the CLMV countries, which significantly contributed to overseas sales, rebounded strongly in both Cambodia and Myanmar. Furthermore, overseas sales to Vietnam have shown a continuous upward trend in sales after collaborating with new local partners who possesses strong market expertise and the capability to ensure comprehensive product distribution across the country.



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1.2) Revenue from sales of 3rd party products for distribution amounted to THB 7,621 million, up by +18% YoY. Key contributing factors included the variety, quality, and distinctiveness of products which resulted in the continuous increase in the alcohol products' popularity. Also, the effective distribution coverage in all distribution channels, along with the strategy of using beer products as a marketing tool, the alcohol beverage segment has grown and strengthened further.

The company has established a "beer" strategy focusing on two main approaches:

1. Building consumer popularity to create a customer base by targeting on-trade segments (Pubs, Bars, and Restaurants in major cities), events, and concerts, as well as the Carabao Cup. This aims to highlight the strengths of the products and increase brand awareness of "Carabao Beer" and "Tawandang Beer," making them widely known and accessible to consumers.
 2. Developing partners to expand popularity and product distribution widely and comprehensively, ensuring that consumers can easily find and purchase the products.
- 1.3) Revenue from sales of branded OEM products amounted to THB 293 million, up by +26% YoY. Such an 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 an 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 860 million, down by -11% 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. The decrease was due to Carabao beer and Tawandang beer manufacturers placing large packaging orders in preparation for new product launches in Q4/2023.

2. Gross profits and gross profits margin

Gross profits in 2024 were THB 5,721 million, up by +17% YoY, which was equivalent to the gross profits margin of 27% compared to 26% 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 (2024: 36%, 2023: 34%). Mainly caused by the gross profits margin from sales of branded own products have improved when compared to the previous year (2024: 39%, 2023: 36%). 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 and packaging, particularly cullet prices to reduce costs. Additionally, the 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 company enhanced manufacturing efficiency by optimizing the production process for glass bottles (Weight Reduction) and aluminum cans (Thickness Reduction) to further reduce packaging costs.



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Gross profits by product group	4Q2023	3Q2024	4Q2024	%YoY	%QoQ	2023	2024	%YoY
Unit: THB million								
Branded products by own manufacture 1/	1,087	1,202	1,327	+22%	+10%	3,983	4,760	+20%
Branded products by 3rd party's manufacture 2/	11	15	13	+21%	(15%)	37	50	+34%
3rd party's products for distribution	172	171	202	+17%	+18%	603	704	+17%
Others	70	43	54	(23%)	+27%	256	207	(19%)
Total	1,341	1,431	1,597	+19%	+12%	4,879	5,721	+17%

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 in 2024 were THB 2,349 million, down by -12% YoY, representing 11% of the SG&A to total revenue from sales which gradually decreased compared to 14% from the previous year, as a result of the cost planning including marketing, sales promotion, and operational costs, to maximize efficient core strategy consistently.

Additionally, sponsorship fees were down by -17% 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.

Meanwhile, administrative expenses increased by +8% YoY, primarily due to employee expenses, as all employees contributed to driving the company's strong growth and achieving the targets.

Selling and Administrative expenses	4Q2023	3Q2024	4Q2024	%YoY	%QoQ	2023	2024	%YoY
Unit: THB million								
Selling expenses	384	401	376	(2%)	(6%)	1,870	1,499	(20%)
Sponsorship fees	3	50	47	+1556%	(6%)	234	194	(17%)
Selling without sponsorship fees	381	351	329	(14%)	(6%)	1,636	1,305	(20%)
Administrative expenses	180	175	289	+61%	+65%	790	850	+8%
Total SG&A	564	576	665	+18%	+15%	2,660	2,349	(12%)



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4. Financial expenses

In 2024, financial expenses were THB 146 million, down by -21% YoY, due to declining financial leverage resulting from loan repayments, facilitated by improved cash collection from trade receivables and more efficient inventory management. As a result, the company's cash flow generation capability improved and more efficient working capital management, despite the trend of rising in line with the Bank of Thailand's policy rate over the recent period.

5. Corporate income tax expenses

In 2024, corporate income tax expenses were THB 619 million, up by +84% YoY, representing the effective tax rate of 18% versus 15% in the previous year. The result of the expiration of tax privileges granted under the investment promotion for the APG's glass bottle, which ended during the current year.

Not to mention, the Company recognised to reduce the carrying amount of deferred tax assets amounting to Baht 427 million in the Company's separate financial statements in 4Q/2024. Since the Company reviewed the carrying amount of its deferred tax assets (in its separate financial statements) as of the reporting date and determined that it is no longer probable that sufficient taxable profit will be available to allow all of the deferred tax assets to be utilised. The reduction of the carrying amount of deferred tax assets is a non-cash item therefore there is no impact on the Company's cashflow management. Also, it has no impact on the Company's consolidated income statement.

6. Net profits and net profits margin

In 2024, net profits attributed to shareholders were THB 2,843 million, up by +48% 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. Also, financial expenses decreased due to the company's cash flow generation capability improved and more efficient working capital management.



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

Assets

Total assets as of 31 December 2024 and 31 December 2023 were THB 18,378 million and THB 19,544 million, respectively. A decrease of THB 1,166 million was derived mainly from (1) THB 758 million decrease in account receivables and other receivables, and (2) THB 385 million decrease in property, plant and equipment.

Liabilities

Total liabilities as of December 2024 and 31 December 2023 were THB 5,287 million and THB 8,231 million, respectively. Current liabilities were THB 4,185 million (including current liabilities from financial institutions of THB 2,156 million), down by THB 98 million, whereas non-current liabilities were THB 1,102 million (including non-current liabilities from financial institutions of THB 526 million), down by THB 2,846 million. A decrease of THB 2,944 million was derived mainly from (1) THB 1,555 million decrease in long-term loans from financial institutions and net of current portion, (2) THB 1,143 million decrease in short-term loans from financial institutions, and (3) THB 505 decrease in trade and other payable.

The company still maintains its credit rating of the company's unsubordinated and unsecured debentures at "A" with "Stable" 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 31 December 2024 and 31 December 2023 were THB 13,091 million and THB 11,312 million, respectively. An increase of THB 1,779 million took into account mainly the net profits generated during the current year including the Company paid THB 500 million of dividend from 2023 income and THB 600 million of interim dividend for 2024. During Q4/2024, the non-controlling interests in the subsidiaries (with a 30% of shareholding) increased by THB 70 million from the acquisition of a new subsidiary, ACCV Co., Ltd. (a subsidiary of Carabao Holdings (Hong Kong) Limited), which is engaged in the manufacture and distribution of beverages in Myanmar.



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ESG Highlights

Carabao Group has been rated **AA** in ESG Ratings, reflecting its commitment to sustainable development.

Carabao Group, a leader in the energy drink sector, has been assessed with an **AA** rating in the SET ESG Ratings by the Stock Exchange of Thailand, placing it among the top 80 companies in 2024. This is an upgrade from its **A** rating in 2023. The company has been selected as a sustainable stock for three consecutive years, demonstrating its ongoing dedication to conducting business efficiently and responsibly in the areas of environment, society, and governance. This effort aims to drive continued business growth, deliver strong long-term returns, and contribute to the sustainable development of Thailand.

This year's improved score, both overall and across all three dimensions (governance and economy, environment, and society), particularly in the environmental dimension, where Carabao Group achieved a perfect score of 100 points, highlighting the company's efforts and success in becoming a World class product, World class brand. It not only shows increased business performance but also responsible operations according to international standards, reducing negative environmental impacts while creating positive value for society.

Yours sincerely,

Pongsarn Klongwathanakith

(Pongsarn Klongwathanakith)

Chief Financial Officer