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CBG 027/2023

10 November 2023

Subject Management discussions and analysis for 3-month period ended 30 September 2023

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 September 2023 in comparison with the corresponding period last year as follows:

### Consolidated financial performance

#### 1. Revenue from sales

Total revenue from sales amounted to THB 4,707 million, remaining unchanged both YoY and QoQ, of which, revenue from sales of our branded own products was THB 2,798 million, down -14% YoY and -7 QoQ mainly from overseas sales. Moreover, Revenue from 3<sup>rd</sup> party products for distributions was THB 1,450 million, up +22% YoY, as a combined result of effective coverage through our cash van operations as well the selection of the products. Furthermore, Revenue from other product segments such as packaged raw materials for 3<sup>rd</sup> party, showing significant growth at +254% YoY and +128% QoQ.

Revenue from sales by product group Unit: THB million	3Q2022	% to total	2Q2023	% to total	3Q2023	% to total	%YoY	%QoQ
Branded products by own manufacture 1/	3,266	70%	3,017	64%	2,798	59%	(14%)	(7%)
Branded products by 3rd party's manufacture 2/	132	3%	64	1%	61	1%	(53%)	(4%)
3rd party's products for distribution	1,184	25%	1,452	31%	1,450	31%	+22%	(0%)
Others	113	2%	174	4%	398	9%	+254%	+128%
<b>Total</b>	<b>4,695</b>	<b>100%</b>	<b>4,707</b>	<b>100%</b>	<b>4,707</b>	<b>100%</b>	<b>+0%</b>	<b>+0%</b>

Note: 1/ Energy Drinks, Zinc-contained Drinks, and Functional Drinks

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

The Company will have new products for the 3rd party distribution segment, including Carabao beer and Tawandang beer, produced by 3rd party. These products will be available in both bottle and can formats, distributed through our strong network of traditional trade channels and effective coverage through our cash van operations. As a result, the company is anticipated to enhance the company's revenue and profitability in the 3<sup>rd</sup> party's products for the distribution segment starting from 4Q2023. Moreover, under the operations of Asia Pacific Glass Packaging Co., Ltd.



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("APG"), Asia Can Manufacturing Co., Ltd. ("ACM"), and Asia Packaging Manufacturing Co., Ltd. ("APM"), which are the Company subsidiaries, will produce and supply the packaging materials including glass bottles, aluminum cans, cartons, trays, and shrink films, to the 3<sup>rd</sup> party, specifically Carabao beer and Tawandang beer producers, for the production and distribution of their products in the market.

Revenue from sales by geography Unit: THB million	3Q2022	% to total	2Q2023	% to total	3Q2023	% to total	%YoY	%QoQ
Domestic	3,071	65%	3,202	68%	3,545	75%	+15%	+11%
Overseas	1,624	35%	1,505	32%	1,162	25%	(28%)	(23%)
CLMV	1,340	29%	1,291	27%	953	20%	(29%)	(26%)
China	133	3%	41	1%	38	1%	(71%)	(7%)
UK	57	1%	56	1%	48	1%	(16%)	(13%)
Others	94	2%	117	2%	123	3%	+29%	+4%
<b>Total</b>	<b>4,695</b>	<b>100%</b>	<b>4,706</b>	<b>100%</b>	<b>4,707</b>	<b>100%</b>	<b>+0%</b>	<b>+0%</b>

1.1) Revenue from sales of branded own products amounted to THB 2,798 million, down by -14% YoY, and -7% QoQ. Domestic and overseas portions were at the ratio of 59:41, respectively.

(1.1.1) Domestic sales were THB 1,650 million, up by +8% YoY, as a result of the Company continued strategy of maintaining a retail selling price of 10 Baht, contributing to the cost of living reduction for the Thai people and the engagement of marketing activities under the campaign "Carabao Great Thai Good Career Project" to support job creation and careers opportunities for Thai people by collaborating with Thairath TV channel for communications which has been extended until the end of 2023. Additionally, the Company continues to draw strength from its diversified product distribution, pricing strategies, and consumer communication approaches. As a result, both domestic sales of branded own products and market share have gradually increased.

(1.1.2) Overseas sales were THB 1,148 million, down by -28% YoY and -23% QoQ, mainly due to the decreased sales in CLMV and China. Of which, Cambodia was impacted by economic and seasonal factors. Myanmar was affected by uncertainties in import license permissions and seasonal factors. To address these challenges, the Company plans to invest in a joint venture to establish manufacturing facilities in Myanmar to resolve uncertainties in importing products and capitalize on cost savings in transportation. However, the Company remains cautious about the risks associated with the uncertain situation in Myanmar. Investments have been made with a relatively minimal investment, closely monitoring the risks. Furthermore, China is experiencing limited recovery. In contrast, Vietnam has shown sales growth, driven by promotional activities from our distributor. Afghanistan and the Central Eastern countries have shown a gradually upward trend in sales from the corresponding period last year. Additionally, the Company has



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expanded its product sales to new countries resulting from showcasing products at the Thaifex exhibition early this year.

Our overseas sales in the UK market managed under our subsidiary, namely Intercarabao Company Limited ("ICUK") amounted to THB 48 million, down by -16% YoY and -13 QoQ due to the economic slowdown. However, the gross profit margins have consistently improved due to the introduction of new flavor products, new packaging designs, and new product-launched isotonic sports drinks which have aligned with consumer demands in the UK market.

- 1.2) Revenue from 3<sup>rd</sup> party products for distribution amounted to THB 1,450 million, up by +22% YoY. Key contributing factors included the variety and quality of products. Of which, a continuous increase in the popularity of the products. The Company carried more products in the portfolio as well as effectiveness in managing our fleet of over 300 cash vans to access over the retailers countrywide.
- 1.3) Revenue from sales of branded OEM products amounted to THB 61 million, down by -53% YoY, of which drinking water and 3-in-1 have been increased by +8% YoY. Drinking water has recorded an all-time high for the second consecutive quarter whereas the coffee RTD product had no sales as it was undergoing a product redesign and new formula development, which expected to be re-launched by the end of this year.
- 1.4) Revenue from other sales amounted to THB 398 million, a significant increase of +254% YoY, +128% QoQ. Mainly caused by the manufacture and sales of glass bottles by APG and aluminum cans by ACM to our customers in preparation for the launch of new products in 4Q2023.

## 2. Gross profits and gross profits margin

Gross profits amounted to THB 1,262 million, down by -7% YoY, which was equivalent to gross profits margin of 27% compared to 29% in the previous year, resulting from sugar prices that went up and the changing of product mix. whereas gross profits of branded own products gradually improved compared to the previous quarter resulted from the decrease in main raw materials and packaging price.

Gross profits by product group	3Q2022	GPM	2Q2023	GPM	3Q2023	GPM	%YoY	%QoQ
Unit: THB million								
Branded products by own manufacture 1/	1,206	37%	1,062	35%	996	36%	(17%)	(6%)
Branded products by 3rd party's manufacture 2/	15	11%	9	14%	11	18%	(25%)	+26%
3rd party's products for distribution	92	8%	145	10%	145	10%	+58%	+0%
Others	47	41%	44	25%	110	28%	+136%	+151%
<b>Total</b>	<b>1,360</b>	<b>29%</b>	<b>1,260</b>	<b>27%</b>	<b>1,262</b>	<b>27%</b>	<b>(7%)</b>	<b>+0%</b>



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Note: 1/ Energy Drinks, Zinc-contained Drinks, and Functional Drinks  
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### 3. Selling, general and administrative (SG&A) expenses

SG&A expenses amounted to THB 655 million, down by -20% YoY and -8% QoQ, representing the SG&A to total revenue from sales ratio of 14% which gradually decreased compared to the corresponding period last year.

Thanks to the cost-saving program this year.

Selling and Administrative expenses Unit: THB million	3Q2022	% to sales	2Q2023	% to sales	3Q2023	% to sales	%YoY	%QoQ
Selling expenses	557	12%	494	11%	479	10%	(14%)	(3%)
Sponsorship fees	66	1%	76	2%	80	2%	+21%	+5%
Selling without sponsorship fees	491	10%	418	9%	399	8%	(19%)	(5%)
Administrative expenses	258	5%	218	5%	176	4%	(32%)	(19%)
<b>Total SG&amp;A</b>	<b>815</b>	<b>17%</b>	<b>712</b>	<b>15%</b>	<b>655</b>	<b>14%</b>	<b>(20%)</b>	<b>(8%)</b>

Selling expenses amounted to THB 479 million, down by -14% YoY, resulting from the efficient strategy and cost management that aligned with the planning. In terms of proportion to total revenue from sales, selling expenses represented 10% versus 12% a year ago.

Administrative expenses amounted to THB 176 million, down by -32% YoY, representing 4% of total revenue from sales which gradually decreased compared to the corresponding period last year.

### 4. Financial expenses

Financial expenses amounted to THB 51 million, up by +70% YoY, +17% QoQ, as a result of higher finance costs that went in line with the Bank of Thailand's policy rate.

### 5. Corporate income tax expenses

Corporate income tax expenses amounted to THB 80 million, down by -22% YoY, representing the effective tax rate of 13% versus 18% a year ago. As a result of obtaining tax privileges through investment promotion.

### 6. Net profits and net profits margin

Net profits attributed to our shareholders amounted to THB 530 million, up by +11% YoY, +10% QoQ, resulting from the increasing of sales and cost reduction.



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Consolidated financial position as of 30 September 2023 in comparison with the same as of 31 December 2022

#### Assets

Total assets as of 30 September 2023 and 31 December 2022 were THB 19,567 million and THB 20,039 million, respectively. A decrease of THB 472 million was derived mainly from (1) THB 613 million decrease in inventories, and (2) THB 222 million increase in Property, plant & equipment.

#### Liabilities

Total liabilities as of 30 September 2023 and 31 December 2022 were THB 8,862 million and THB 9,474 million, respectively. A decrease of THB 612 million was derived mainly from (1) THB 1,893 million decrease in short-term loans from financial institutions, (2) THB 526 million increase in debentures and net of current portion, (3) THB 698 million increase in long-term loans from financial institutions. And (4) THB 227 increase in Trade and other payable.

#### Shareholders' equity

Total shareholders' equity as of 30 September 2023 and 31 December 2022 were THB 10,705 million and THB 10,565 million, respectively. An increase of THB 140 million took into account mainly the net profits generated during the period and the Company paid THB 400 million of interim dividend.

#### Carabao's "World class product, World class brand" with Sustainability

With the vision of "World-Class Products, World-Class Brand," sustainability is a concern for our Company. The Company place great importance on conducting our business in alignment with principles that consider the environment, society, and corporate governance. Our goal is to earn the trust of stakeholders as a World-Class Brand. The Company is conscious of the potential negative impacts our operations might have on society and the environment. In response, the Company has formed a dedicated team for sustainable development. This team operates under a charter that outlines our responsibilities for long-term sustainable progress and stands as a commitment to the society and the environment that drives us to act responsibly through our initiatives for the highest societal and environmental responsibilities.

Nowadays, the urgent issue of climate change is a shared responsibility that requires collective effort. Climate is threatened by the condition of global warming, necessitating genuine and ethical collaboration. Our Company is well aware that production, transportation, and distribution contribute significantly to greenhouse gas emissions. The Company has taken steps to gather data from various areas to analyze methods for reducing greenhouse gas emissions. And aim to increase the proportion of renewable energy sources compared to conventional ones. Currently, the Company is utilizing clean and alternative energy by installing solar power systems on the factory



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roof. The installed capacity is 5 megawatts, starting production in 2022 with an additional 5-megawatt installation in 2023 for total 10 megawatts, enabling us to generate electricity from renewable sources.

For society, amidst the ongoing recovery from the COVID-19 pandemic, Thailand continues to face economic challenges. Moreover, the impact of increased raw material costs has led to caution in spending among the majority of the population. In response, our Company has engaged in marketing activities that help create jobs and careers for our customers. We've distributed taxis and motorcycles as prizes to support various occupations, businesses, and facilitate traveling. Furthermore, the Company has made appropriate donations of funds and goods to various organizations and continued strategy of maintaining a retail selling price of 10 Baht, contributing to the cost of living reduction for the Thai people.

Good corporate governance place great importance on the Company. The Company aims to emphasize the clear division of powers, responsibilities, and accountability, creating transparency and audibility. Effective corporate governance stems from various policies such as corporate governance policy, code of conduct, anti-corruption measures, and risk management policy. We've established a structure to oversee operations and the relationship between the Company's board, management, employees, and shareholders. This structure aims to enhance competitiveness, sustainable growth, and create long-term value for the Company and its shareholders.

Yours sincerely,

*Pongsarn Klongwathanakith*

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(Pongsarn Klongwathanakith)

Chief Financial Officer