Carabao Annual Report ...
PDF

You are a forensic equity analyst. Identify red flags and accounting risks in the attached financial statements and MD&A section of Carabao, including revenue recognition, segment reporting, leases, related parties, contingencies, stock-based comp, goodwill/intangibles across the income statement, balance sheet and cash flow statement.

Thought for 9m 32s >

Here's how I'd look at Carabao's 2024 report with a forensic hat on, structured by topic and tied back to IS / BS / CF where relevant.

I'll separate **"hard" risks** (things that could directly distort earnings/cash) from **"soft" risks** (judgment-heavy areas you'd want to probe with management).

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1. Revenue recognition & receivables

1.1 Policy vs business reality – heavy promotions, tiny accruals (soft→medium risk)

Accounting policy

Revenue from sales of goods is recognised at a point in time when control passes to the customer, usually on delivery, and is measured **net of returns, discounts and price promotions**. Carabao Annual Report 2024

Facts that matter:

- 2024 revenue from sales: **THB 20,964m** vs THB 18,853m in 2023 (+11.2%).
  Carabao Annual Report 2024
- Carabao emphasises aggressive trade marketing, price promotions and campaigns (e.g. domestic distribution via DCM, heavy on cash vans / retail activation).
  Carabao Annual Report 2024
- Yet **provision for trade discounts and promotions** is only **THB 8.7m** in 2024 (down from 18.4m in 2023) – tiny versus revenue. Carabao Annual Report 2024

For an FMCG beverage company with intense trade spend, a promotions provision of **≈0.04% of sales** is unusually low. Either:

- most discounts are correctly netted directly against revenue (acceptable), **or**
- future rebates/bonuses are being under-accrued, boosting current-year revenue and margins.

👉 **Analyst angle:** Ask for a breakdown of trade spend:

- how much is netted from revenue vs recorded in SG&A, and
- how they estimate year-end accruals for rebates, listing fees, volume bonuses.

1.2 Receivables quality and related-party exposure (medium risk)

Receivables profile

- Trade receivables – **related parties:** THB **456.3m** (2024) vs 391.4m (2023).
- Trade receivables – **unrelated parties:** THB 705.9m (2024).
- Allowance for ECL on trade receivables: **THB 21.2m**.
- Total trade & other receivables (net): **THB 1,434.1m** (2024) vs 2,192.0m (2023).
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Separately, total trade and other **receivables from related parties (incl. other receivables)** at group level are **THB 592.4m** (2024), down from 684.4m (2023). These are largely with "related companies (related by shareholders and directors)".
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Red-flag characteristics:

- **~40% of total receivables (592m of 1,434m)**