



18 February 2019

No. ZEN 2562-002
 Subject Management Discussion and Analysis for the Year as at 31 December 2017
 To The President
 The Stock Exchange of Thailand

We, ZEN Corporation Group Public Company Limited (“the Group”), are please to inform you our management discussion and analysis for the year as at 31 December 2017, as follow

Analysis of Financial Performance Full Year 2017

Revenues

Revenues	Accounting Year			
	2016		2017	
	THB Mn	% ⁽¹⁾	THB Mn	% ⁽¹⁾
Revenue from Sales and Service	2,158.1	98.9	2,425.0	96.4
Franchise Fees Income	15.1	0.7	56.5	2.2
Other Income	8.7	0.4	33.7	1.3
Total Revenue	2,181.9	100.0	2,515.2	100.0

Remark: ⁽¹⁾ Percentage of Total Revenue

Most of the Group’s revenue during 2016-2017 was contributed by revenue from sales and service which made up 98.9% of sales in 2016 and 96.4% in 2017.

Total revenue increased from THB 2,181.9 Mn in 2016 to THB 2,515.2Mn in 2017. This was an increase of THB 333.3 Mn or 15.3% and was mainly due to the increased in revenue from sales and service. The reasons for the increase was mainly due to (1) the opening of new branches, (2) the positive same-store-sales growth during 2017 and (3) the increased sales of raw material to franchisees.

Franchise fees income increased from THB 15.1 Mn in 2016 to THB 56.5 Mn in 2017, an increase of THB 41.4 Mn or 274.2%. This increase was mainly due to the (1) full year recognition of franchise fee and (2) the increased number of franchisee branches.

Other income grew from THB 8.7 Mn in 2016 to THB 33.7 Mn in 2017, an increase of THB 25.0 Mn or 287.4%. This increase was mainly due to (1) the increase in construction fees collected from franchisees during the setup phase and (2) increased in rebate revenue from suppliers.



Cost of Sales and Services

The cost of sales and service increased from THB 1,669.2 Mn in 2016 to THB 1,878.7 Mn in 2017, an increase of THB 209.5 Mn or 12.6%. This increase was mainly due to the increase of raw material cost aligning with the increase in revenue from sales of service and increased sales of raw material to franchisees.

Selling Expenses

Selling expenses increased from THB 56.2 Mn in 2016 to THB 86.7 Mn in 2017 and increase of THB 30.5 Mn or 54.2%. The main factors for the increase were (1) the increased in marketing expenses and (2) increased in spending on delivery services fee such as Food Panda.

Administrative Expenses

Administration costs increased from THB 328.6 Mn in 2016 to THB 423.5 Mn in 2017 and increase of THB 94.9 Mn or 28.9%. This increase was mainly due to staff increases in middle management recruited to support the future business expansion and acquisition of Thai food business completed in 4Q16.

Finance Expenses

Financial expenses increased during the period from THB 17.4 Mn in 2016 to THB 24.5 Mn in 2017 from increased short-term borrowing as financing for (1) the acquisition of Thai food business and (2) dividend payment.

Tax Expenses

Income tax expense decreased slightly from THB 20.9 Mn in 2016 to THB 20.1 Mn in 2017 a decrease of THB 0.8 Mn. This was mostly due to the loss from recently acquired Thai food business “Tummour” and premium Japanese food brand “Sushi Cyu”.

Net Profit

The net profit decreased from THB 89.6 Mn in 2016 to THB 81.8 Mn in 2017. The main reasons for the decrease were the increase in selling expenses related to the amortisation of the value of the franchise agreements purchased during the acquisition of Thai food business “Tummour” and the increased administrative expense related to the recruitment of staff to support the future business expansion.



Analysis of Financial Position

Assets

As of 31 December 2016, and 31 December 2017, the Group had total assets of THB 1,450.4 Mn and THB 1,588.9 Mn respectively an increase of THB 138.4 Mn or 9.5%. The assets increased mainly from (1) inventories linked to business expansion and (2) property, plant and equipment which expanded due to increased number of branches.

Liabilities

As of 31 December 2016, and 31 December 2017, the Group had total liabilities of THB 1,181.4 Mn and THB 1,223.2 Mn respectively an increase of THB 41.9 Mn or 3.6%. The main factors in the increase was (1) an increase in short term borrowing from financial institutions for the purpose of payment of shareholder dividend and (2) increased trade and other current payables due to payables to suppliers linked to the company selling raw materials to franchisees.

Shareholder Equity

As of 31 December 2016, and 31 December 2017, the Group had shareholders' equity of THB 269.1 Mn and THB 365.6 Mn respectively, an increase of THB 96.5 Mn. This increase in shareholders' equity was attributed to the company net profit during the period of THB 81.8 Mn.

Please be informed accordingly,

Yours Sincerely,

(Mrs. Yupaphan Ekasittikul)
Chief Financial Officer