



18 February 2019

No. ZEN 2562-004
 Subject Management Discussion and Analysis for nine-month period ending 30 September 2018
 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 of the 9-month period ending September 2018 for the period ended 30 September 2018, as follows:

Analysis of Nine-Month Financial Performance

Revenues

Revenues	Nine-Month Accounting Period			
	2017		2018	
	THB Mn	% ⁽¹⁾	THB Mn	% ⁽¹⁾
Revenue from Sales and Service	1,766.1	96.7	2,142.0	96.2
Franchise Fees Income	39.0	2.1	49.3	2.2
Other Income	21.2	1.2	35.0	1.6
Total Revenue	1,826.3	100.0	2,226.3	100.0

Remark: ⁽¹⁾ Percentage of Total Revenue

Most of the Group’s revenue was contributed by revenue from sales and service which made up 96.7% of sales in 9M17 and 96.2% in 9M18

Total revenue increased from THB 1,826.3 Mn in 9M17 to THB 2,226.3 Mn in 9M18. This was an increase of THB 400.0 Mn or 21.9% and was mainly due to the increased in revenue from sales and service. The reasons for the increase was mainly due to (1) increased number of branches, (2) the positive same-store-sales growth during 2017 and (3) the increased sales of raw material to franchisees.

Revenue from franchise fees increased from THB 39.0 Mn in 9M17 to THB 49.3 Mn in 9M18, an increase of THB 10.3 Mn or 26.5%. This increase was mainly due to (1) the increased number of franchise branches (2) adjustment increasing the royalty and marketing fee rates for those franchisees renewing their franchise contracts.

Other revenue grew from THB 21.2 Mn in 9M17 to 35.0 Mn in 9M18, an increase of THB 13.8 Mn or 64.9%. This increase was mainly due to (1) reversal of provisioning for decommissioning costs and (2) higher membership revenue.



Cost of Sales and Services

The cost of sales and service increased from THB 1,368.5 Mn in 9M17 to THB 1,659.9 Mn in 9M18, an increase of THB 291.3 Mn or 21.3%. This increase was mainly due to (1) the increase of raw material cost from both the restaurants which the company owns itself as well as franchise restaurants and (2) increased service cost of outsourced warehouse and logistics.

Selling Expenses

Selling expenses increased from THB 68.0 Mn in 9M17 to THB 81.4 Mn in 9M18, an increase of THB 13.4 Mn or 19.7%. The main factor for the increase was increased marketing expenses.

Administrative Expenses

Administration costs increased from THB 310.9 Mn in 9M17 to THB 332.4 Mn in 9M18, an increase of THB 21.5 Mn or 6.9%. This increase was mainly due to staff increases to support the future business expansion and higher accrued staff bonus.

Finance Expenses

Financial expenses increased during the period from THB 17.5 Mn in 9M17 to THB 18.9 Mn in 9M18 from increased short-term borrowing as working capital.

Tax Expenses

Income tax expense increased from THB 12.2 Mn in 9M17 to THB 25.1 Mn in 9M18, an increase of THB 12.8 Mn. This was mostly due higher profit from Japanese and Thai restaurants businesses.

Net Profit

The net profit increased from THB 49.2 Mn in 9M17 to THB 108.7 Mn in 9M18. The main reasons for the increase were (1) higher revenue from sales and service (2) higher revenues from franchise fees (3) increased efficiency in support functions due to economy of scale that resulted in staff expense increasing slower than the company revenue growth.



Analysis of Financial Position

Assets

As of 31 December 2017, and 30 September 2018, the Group had total assets of THB 1,588.9 Mn and THB 1,558.7 Mn respectively, a decrease of THB 30.1 Mn or 1.9%. The assets decreased mainly from a decrease in property, plant and equipment assets related to the reversal of provisions for decommissioning costs.

Liabilities

As of 31 December 2017, and 30 September 2018, the Group had total liabilities of THB 1,223.3 Mn and THB 1,123.8 Mn respectively a decrease of THB 99.5 Mn or 8.1%. The main factors in the decrease was (1) reversal of provisions for decommissioning costs and (2) a decrease in short term borrowing from financial institutions.

Shareholder Equity

As of 31 December 2017, and 30 September 2018, the Group had shareholders' equity of THB 365.6 Mn and THB 434.9 Mn respectively, an increase of THB 69.4 Mn. This increase in shareholders' equity was due to (1) operating profit during the period of THB 108.7 Mn and (2) increase in paid up capital in preparation for the company entering the stock market. The increase was offset by the company paying a shareholder dividend during the period of THB 124.3 Mn.

Please be informed accordingly,

Yours Sincerely,

(Mrs. Yupaphan Ekasittikul)
Chief Financial Officer