



18 February 2019

No. ZEN 2562-006  
 Subject Management Discussion and Analysis for the Year as at 31 December 2017 (revised)  
 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	% <sup>(1)</sup>	THB Mn	% <sup>(1)</sup>
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
<b>Total Revenue</b>	<b>2,181.9</b>	<b>100.0</b>	<b>2,515.2</b>	<b>100.0</b>

Remark: <sup>(1)</sup> Percentage of Total Revenue

For the years ending 31 December 2016 and 2017, total revenue increased from THB 2,181.9 Mn to THB 2,515.2 Mn respectively. This was an increase of THB 333.3 Mn or 15.3% and was mainly due to the increased revenue from sales and service which itself was the major contributor of the Group’s revenue. During 2016 and 2017 revenue from sales and service made up 98.9% and 96.4% of total revenue respectively.

For the years ending 31 December 2016 and 2017, revenue from sales and service was THB 2,158.1 Mn and THB 2,425.0 Mn respectively. This was an increase of THB 266.9 Mn or 12.4% and was mainly due to (1) positive same-store-sales growth during 2017, (2) opening new branches and (3) 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 net construction fees collected from franchisees during the setup phase **which itself was related to the opening of new franchise branches** and (2) increased 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, **2.6% and 3.4% of total revenue during the two years respectively**. This was an increase of THB 30.5 Mn or 54.2%. The main factor for the increase was increased marketing expenses for example increased spending on food delivery services fees such as Food Panda.

### **Administrative Expenses**

Administration costs were THB 328.6 Mn in 2016 to THB 423.5 Mn in 2017, **15.1% and 16.8% of total revenue during the two years respectively**. This was an 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.

### **Finance Expenses**

Financial expenses increased during the period from THB 17.4 Mn in 2016 to THB 24.5 Mn in 2017, **an increase of THB 7.1 Mn or 40.8%**. This was due to **increased interest expense** from increased short-term borrowing as financing for (1) dividend payment and (2) the acquisition of Thai food business “Tummour.”

### **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 losses from recently acquired Thai food business “Tummour” and premium Japanese food brand “Sushi Cyu” **which were acquired in 2016 and 2017 respectively**.



### **Net Profit**

The net profit decreased from THB 89.6 Mn in 2016 to THB 81.8 Mn in 2017 with profit margin decreasing from 4.1% to 3.3% and this was a decrease of THB 7.8 Mn or 8.7%. 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) property, plant and equipment, (2) other intangible assets as a result of the acquisition of the Japanese restaurant brand “Sushi Cyu” and (3) branch rental deposits.

#### **Liabilities**

As of 31 December 2016, and 31 December 2017, the Group had total liabilities of THB 1,181.3 Mn and THB 1,223.3 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 of THB 142.8 Mn and (2) increased trade and other current payables of THB 122.4 Mn, offset by a decrease in dividend payable of THB 303.8 Mn.

#### **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 or 35.9%. This increase in shareholders’ equity was attributed to the company net profit during the period of THB 81.8 Mn and increase in surplus on businesses combination under common control of THB 13.4 Mn which was itself a result of the Group’s previous restructuring.

Please be informed accordingly,

Yours Sincerely,

(Mrs. Yupaphan Ekasittikul)  
Chief Financial Officer