



18 February 2019

No. ZEN 2562-008  
 Subject Management Discussion and Analysis for 9-months period ending 30 September 2018 (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 9-months period ending 30 September 2018, as follows:

**Analysis of 9-Months Financial Performance**

**Revenues**

Revenues	9-Months Accounting Period			
	2017		2018	
	THB Mn	% <sup>(1)</sup>	THB Mn	% <sup>(1)</sup>
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
<b>Total Revenue</b>	<b>1,826.3</b>	<b>100.0</b>	<b>2,226.3</b>	<b>100.0</b>

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

For the 9 months ending 30 September 2017 and 2018, total revenue increased from THB 1,826.3 Mn to THB 2,226.3 Mn respectively. 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 which itself was the major contributor of the Group’s revenue.

For the 9 months ending 30 September 2017 and 2018 revenue from sales and service made up 96.7% and 96.2% of total revenue respectively.

For the 9 months ending 30 September 2017 and 2018, revenue from sales and service was THB 1,766.1 Mn and THB 2,142.0 Mn respectively. This was an increase of THB 375.9 Mn or 21.3% and was mainly due to (1) increased number of branches, (2) the positive same-store-sales growth and (3) the increased sales of raw material to franchisees.

Franchise fees income increased from THB 39.0 Mn in 2017 to THB 49.3 Mn in 2018, an increase of THB 10.3 Mn or 26.5%. This increase was mainly due to the (1) the increased number of franchise branches and (2) adjustment increasing the royalty and marketing fee rates for those franchisees renewing their franchise contracts.



Other income grew from THB 21.2 Mn in 2017 to THB 35.0 Mn in 2018, 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**

For the 9 months ending 30 September 2017 and 2018, the cost of sales and service increased from THB 1,368.5 Mn to THB 1,659.9 Mn respectively, 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**

For the 9 months ending 30 September 2017 and 2018, selling expenses increased from THB 68.0 Mn to THB 81.4 Mn respectively, **stable at 3.7% of total revenue during both years**. This was an increase of THB 13.4 Mn or 19.7% and the main factor for the increase was increased marketing expenses

### **Administrative Expenses**

For the 9 months ending 30 September 2017 and 2018, administration expenses were THB 310.9 Mn and THB 332.4 Mn respectively, **17.0% and 14.9% of total revenue respectively**. This was an increase of THB 21.5 Mn or 6.9% and was mainly due to staff increases to support the future business expansion and higher accrued staff bonus.

### **Finance Expenses**

For the 9 months ending 30 September 2017 and 2018, financial expenses increased from THB 17.5 Mn to THB 18.9 Mn respectively, **an increase of THB 1.4 Mn or 7.9%**. This was due to increased interest expense itself due to increased short-term borrowing over the 9 months period from financial institutions for use as working capital.

### **Tax Expenses**

Income tax expense increased from THB 12.2 Mn in 2017 to THB 25.1 Mn in 2018 respectively, an increase of THB 12.8 Mn or 104.9%. This was mostly due to higher profit from Japanese and Thai restaurants businesses.

### **Net Profit**

For the 9 months ending 30 September 2017 and 2018, the net profit increased from THB 49.2 Mn to THB 108.7 Mn respectively **with profit margin increasing from 2.7% to 4.9% and this was an increase of THB 59.5 Mn or 121.0%**. 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