

9 November 2021

No. ZEN 2564-015
Subject Management Discussion and Analysis for the 3rd quarter of 2021 and 9-month period ended 30 September 2021
To The President
The Stock Exchange of Thailand

We, Zen Corporation Group Public Company Limited (“the company”), are pleased to provide you our management discussion and analysis for the 3rd quarter of 2021 and 9-month period ended 30 September 2021, as follows:

Business Overview

The Thai economy in the 3rd quarter of 2021 was affected by the recent wave of the COVID-19 outbreak, and it has proved to be the most serious and wide-spread COVID-19 wave so far. The announcement of stricter pandemic control has a wide impact on the restaurant business; in consequence, together with sluggish domestic demand since June, the market value of the restaurant business may shrink to only THB 350 Bn (Kasikorn Research Center 05/07/2021). This is in line with the Consumer Confidence Index hitting a record low (in September 2021, Consumer Confidence Index dropped to 42.1) and a small number of foreign tourists due to tighter control of international travel restrictions.

For the overall Company's business operations, in the 3rd quarter of 2021, the severe COVID-19 outbreak resulted in a temporary ban of dine-in services, leaving only takeaway and delivery, then followed up with a 100% shopping mall closures enforcement (20 July 2021 – 1 Sep 2021) by the government. The total Company's revenue has decreased by 47% compared to the same period of 2020 and by 30% compared to the previous quarter. This has resulted in a net loss of THB 60 Mn in the 3rd quarter of 2021.

To deal with the situation, the Company has set up more than 5 cloud kitchens to support customer orders via online and delivery channels. In addition, since the easing of COVID-19 lockdown measures in early September, the Company has begun to drive in more revenues as much as possible via all channels such as through the launches of various promotions to increase dine-in traffics, and the continuing focus on maximising delivery and retail sales figures. Meanwhile, on the cost side, the company also has utilized the similar cost-saving initiatives, which were very effectively used during the previous COVID waves. The company has also continually placed an importance on maintaining efficient but high-quality services for our customers, with the very high emphasis on health and safety of our customers and employees. The majority of the Company's employees have been vaccinated, and regularly get COVID-19 tested using antigen test kit (ATK). It is expected that the Thai economy has already passed its lowest point; although, the recovery is still uncertain and entirely dependent on the Government's prevention and control measures of COVID-19, the Government's relief programs to aid consumers and business operators, and, foreign factors, number of tourists and the risk factors from the export sector.

The Company sincerely hopes that the COVID-19 epidemic situation will gradually improve. The more comprehensive vaccine procurement and distribution plans in Thailand, coupled with the measures to open the country for international tourism and the easing measures to stir up economic activities in the fourth quarter will help economic conditions to gradually recover. Given the recovery factors, the Company expects the similar returns in the 4th quarter of 2021 accordingly.



Performance

Statement of comprehensive income	3 rd Quarter				9 – Months Period			
	2020	2021	Change		2020	2021	Change	
Unit : Million Baht								
Revenue from sales of goods and services (Main Revenue)	664	346	(317)	(48%)	1,625	1,443	(182)	(11%)
Other income	16	12	(4)	(23%)	37	31	(5)	(15%)
Total revenues	679	359	(321)	(47%)	1,662	1,475	(187)	(11%)
Costs of sales of goods and services	333	237	(96)	(29%)	896	844	(52)	(6%)
Selling expenses	183	104	(79)	(43%)	541	460	(81)	(15%)
Administrative expenses	100	82	(19)	(19%)	304	268	(37)	(12%)
Total expenses	616	423	(194)	(31%)	1,741	1,572	(169)	(10%)
Profit (loss) from operating activities	63	(64)	(127)	(202%)	(79)	(97)	(18)	22%
Finance costs	8	10	2	29%	27	28	1	5%
Share of loss of associate accounted for using equity method	0	0	0	(110%)	(1)	(1)	(1)	106%
Profit (loss) before income tax expense	55	(75)	(130)	(237%)	(107)	(126)	(20)	18%
Tax expense (income)	9	(15)	(24)	(259%)	(27)	(28)	(1)	2%
Profit (loss) for the year	46	(60)	(106)	(232%)	(80)	(99)	(19)	24%

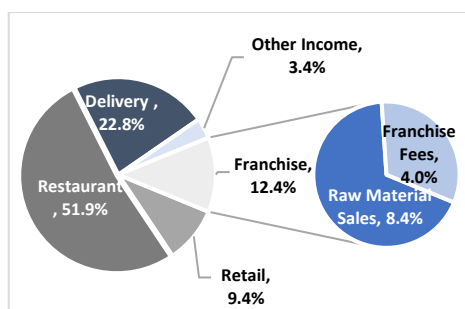
Branch Expansion

	3 rd Quarter		9 – Months Period	
	2020	2021	2020	2021
Number of New Equity Branches Opened during period	1	3	5	4
Number of Equity Branches at Period End	153	144	155	144
Number of New Franchise Branches Opened during period	11	12	35	32
Number of Franchise Branches at Period End (Branch)	190	206	190	206
Total number of New branches Opened during period	12	15	40	36
Total number of branches at the end of the period	343	350	343	350
Same Store Sales Growth: SSSG (%) (1)	-18.9%	-32.5%	-33.7%	-7.3%

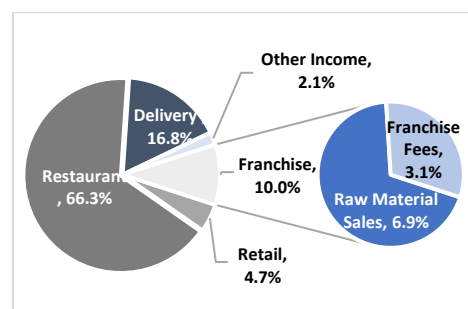
Remark: (1) Calculated based on total revenue from sales of food and beverages per total operating days of the same branch

Company's Income Statement Analysis
Total Revenue

Total Revenue Structure 3Q2021



Total Revenue Structure 9M2021



Remark: Percentage of Total Revenue

Revenues Unit : Million Baht	3 rd Quarter				9 – Months Period			
	2020	2021	Change		2020	2021	Change	
Revenue from sales of goods	645	332	(313)	(49%)	1,575	1,398	(178)	(11%)
▪ Revenue from Restaurant Business	552	186	(366)	(66%)	1,283	978	(305)	(24%)
▪ Revenue from Sales of Raw Material	38	30	(8)	(20%)	96	102	6	7%
▪ Revenue from Food Delivery & Catering	43	82	39	89%	160	248	88	55%
▪ Revenue from Retail Commercial	12	34	22	180%	36	69	33	90%
Franchise Fee Income	18	14	(4)	(23%)	50	46	(4)	(8%)
Revenue from sales of goods and services (Main Revenue)	664	346	(317)	(48%)	1,625	1,443	(182)	(11%)
Other Income	16	12	(4)	(23%)	37	29	(5)	(15%)
Total Revenue	679	359	(321)	(47%)	1,662	1,475	(187)	(11%)

3Q2021 VS 3Q2020

In the 3rd quarter of 2021, the company's total revenue was THB 359 Mn, a decrease of THB 321 Mn or 47% from the same period of 2020, and SSSG for the 3rd quarter of 2021 was -32.5%. This was due to the change in revenue from various business operations as follows:

- **Revenue from Restaurant Business** decreased by THB 366 Mn or 66% due to the COVID-19 pandemic control measure by shutdown shopping malls. The Company was unable to provide dine-in, take-away and delivery services to customers
- **Revenue from Sales of Raw Material** decreased by THB 8 Mn or 20% due to franchise branches also had lower revenue from pandemic control measures.
- **Revenue from Food Delivery & Catering** increased by THB 39 Mn or 89% from food delivery channels both through food delivery service providers and through the "Zen Group Sookciety" application, which consolidates all brands promotions/offersings under the group companies together at a single place.
- **Revenue from Retail Merchandise** increased by THB 22 Mn or 180% from the investment in Zen & Kosum Inter Foods Co., Ltd. and the launching of new products and selling through both modern trade and online channels.
- **Franchise Fee Income** decreased by THB 4 Mn or 23%. This decrease was mainly due to a decrease in royalty and marketing fee income collected from franchise branches, of which the revenue also got impacted from COVID-19. However, in the 3rd quarter of 2021, the company opened the total of 12 new franchise branches, resulting in higher initial membership fee and renewal income when compared to the same period of previous year.
- **Other Income** decreased by THB 4 Mn or 23% because, (1) in the 3rd quarter of 2020, the Company recorded profit from ROU Assets Amortization from branch closure and (2) lower amortized of membership fee income.

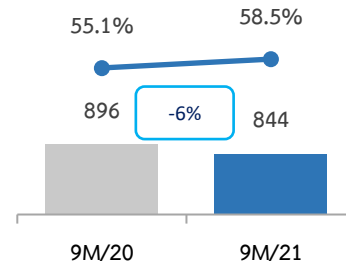
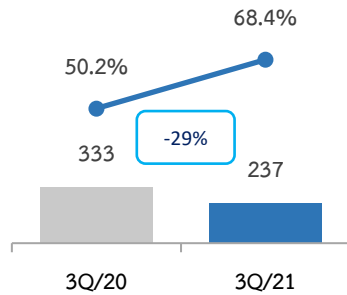
9M2021 VS 9M2020

For the first 9 months period of 2021, the Company's total revenue was THB 1,475 Mn, a decrease of THB 187 Mn or 11% from the same period of 2020, and SSSG for the first 9 months period of 2021 was -7.3%. This was due to the change in revenue from various business operations as follows:

- **Revenue from Restaurant Business** decreased by THB 305 Mn or 24% due to the pandemic control measure of COVID-19 by shutdown of shopping malls during the 2nd and 3rd quarter. The company was unable to provide dine-in, take-away and delivery services to customers.
- **Revenue from Sales of Raw Material** increased by THB 6 Mn or 7% due to higher number of franchise branches, 16 more compared to the same period of previous year.
- **Revenue from Food Delivery & Catering** increased by THB 88 Mn or 55% from driving more sales through food delivery channels. This greatly reduced the impact of the reduction in income from dine-in.
- **Revenue from Retail Merchandise** increased by THB 33 Mn or 90% the investment in Zen & Kosum Inter Foods Co., Ltd., and the launching of new products and selling through both modern trade and online channels.
- **Franchise Fee Income** decreased by THB 4 Mn or 8%. This was mainly due to the lower net royalty and marketing fee income collection from the franchisees, who were also impacted by COVID-19 epidemic situation. In addition, the Company received lower initial membership fee income due to fewer new franchise branches opened when compared to the same period of last year. In the first 9 months of 2021, the company opened total of 32 new franchise branches.
- **Other Income** decreased by THB 5 Mn or 15%. This decrease was mainly due to (1) in the first 9 months of 2020, the company recorded profit from ROU Assets Amortization from branch closure and (2) lower amortized of membership fee income.

Costs of Sales and Service

Unit : Million Baht	3 rd Quarter				9 – Months Period			
	2020	2021	Change		2020	2021	Change	
Revenue from sales of goods and services	664	346	(317)	(48%)	1,625	1,443	(182)	(11%)
Costs of Sales and Service	333	237	(96)	(29%)	896	844	(52)	(6%)
Gross Profit	331	110	(221)	(67%)	729	600	(130)	(18%)



3Q2021 VS 3Q2020

In the 3rd quarter of 2021, the total costs of sales and services was THB 237 Mn, a decrease of THB 96 Mn or 29% from the same period of 2020, which was mainly due to

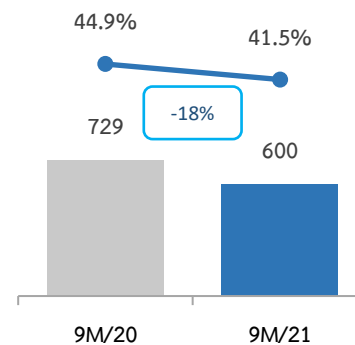
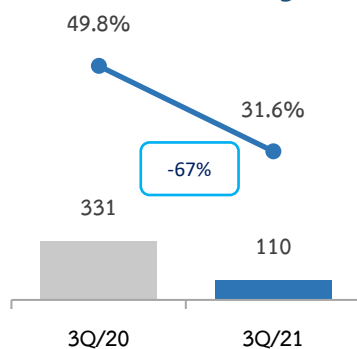
- a decrease in food cost due to lower revenue from restaurant business.
- a decrease in staff cost (kitchen area) due to lower headcount from temporary branches closures in malls during July and August 2021.
- a decrease in rental, service fees and utilities as the company negotiated for rental discounts from the landlords due to temporary branches closure.

9M2021 VS 9M2020

For the first 9 months of 2021, the total costs of sales and services was THB 844 Mn, a decrease of THB 52 Mn or 6% from the same period of 2020, which was mainly due to

- a decrease in food cost due to lower revenue from restaurant business.
- a decrease in staff cost (kitchen area) due to lower headcount from temporary branches closures in malls during July and August 2021.
- a decrease in rental, service fees and utilities as the company negotiated for rental discounts from the landlords due to temporary branches closure.

Gross Profit and Gross Profit Margin



3Q2021 VS 3Q2020

In the 3rd quarter of 2021, the gross profit was THB 110 Mn, a decrease of THB 221 Mn or 67% from the same period of 2020. The main reasons were

- the loss of revenue from the restaurant business, which was affected by the epidemic of COVID-19
- an increase in packaging costs from more sales via delivery.

The gross profit margin decreased from 49.8% in the 3rd quarter of 2020 to 31.6% in the 3rd quarter of 2021

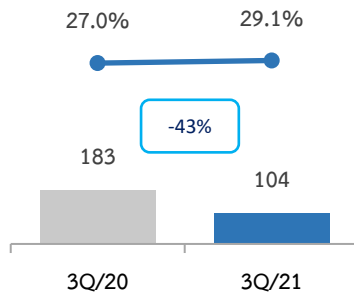
9M2021 VS 9M2020

For the first 9 months of 2021, the gross profit was THB 600 Mn, a decrease of THB 130 Mn or 18% from the same period of 2020. The main reasons were

- the loss of revenue from the restaurant business, which was affected by the epidemic of COVID-19
- an increase in packaging costs from more sales via delivery.

The gross profit margin decreased from 44.9% in the first 9 months of 2020 to 41.5% in the first 9 months of 2021.

Selling Expenses



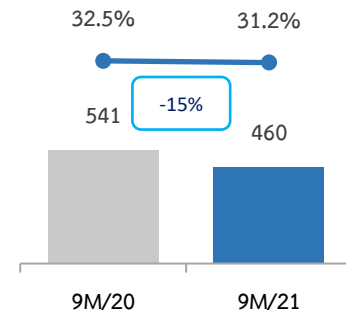
3Q2021 VS 3Q2020

In the 3rd quarter of 2021, selling expenses were THB 104 Mn, a decrease of THB 79 Mn or 43% from the same period of 2020. This decrease was mainly due to

- a decrease in staff cost (dine-in area) due to lower headcount from temporary branches closures in malls during July and August 2021.
- a decrease in rental, service fees and utilities as the company negotiated for rental discounts with the landlords due to the operating restriction and the temporary branches closure.

However, marketing expenses and commission expenses paid to delivery operators (Grab, Lineman, Food Panda and Gojek) were higher which were the consequence of the increase in delivery sales.

As a percent of the total revenue, selling expenses increased from 27.0% in the 3rd quarter of 2020 to 29.1% in the same period of 2021.



9M2021 VS 9M2020

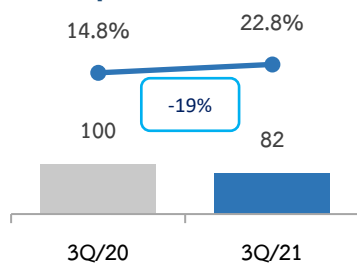
For the first 9 months of 2021, selling expenses were THB 460 Mn, a decrease of THB 81 Mn or 15% from the same period of 2020. This decrease was mainly due to

- a decrease in staff cost (dine-in area) due to lower headcount from temporary branches closures in malls during July and August 2021.
- a decrease in rental, service fees and utilities as the company negotiated for rental discounts with the landlords due to the operating restriction and the temporary branches closure.

However, marketing expenses and commission expenses paid to delivery operators (Grab, Lineman, Food Panda and Gojek) were higher which were the consequence of the increase in delivery sales.

Overall, the company had been more efficient in selling expenses management. As a percent of total revenue, selling expenses decreased from 32.5% in the first 9 months of 2020 to 31.2% in the same period of 2021.

Administrative Expenses

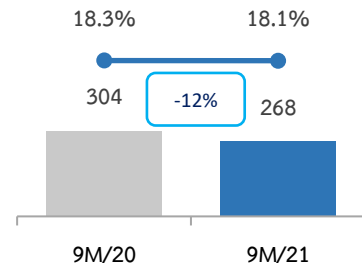


3Q2021 VS 3Q2020

In the 3rd quarter of 2021, administration costs were THB 82 Mn, a decrease of THB 19 Mn or 19% from the same period of 2020. This decrease was mainly due to

- a decrease in staff expenses from the reduction of contributions to Provident and Social Security Funds as affected by the COVID-19 during July-August 2021.
- a decrease in bank fees from lower dine-in services.
- a decrease in Loss from asset write-off (in the 3rd quarter of 2020 the company had written-off of a branch closure)
- a decrease in allowance for asset impairment.
- a decrease of various expenses from cost control measures such as a lower head office rental from negotiating with landlord and WFH policy to save utilities expense.

However, as a percentage of the total revenue, administrative expenses increased from 14.8% in the 3rd quarter of 2021 to 22.8% in the same period of 2021 due to the loss of revenue from the COVID-19 pandemic control measures in the country.



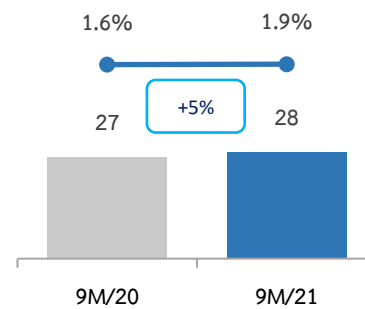
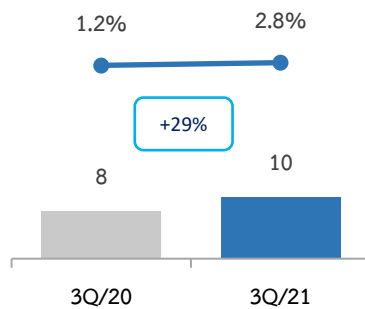
9M2021 VS 9M2020

For the first 9 months of 2021, administration costs were THB 268 Mn, a decrease of THB 37 Mn or 12% from the same period of 2020. This decrease was mainly due to

- a decrease in staff expenses related to the Legal Severance Pay and Employee Benefit.
- a decrease in Loss from asset write-off (in the first 9 months of 2020 the company had written-off of 13 branches closure and sold 7 branches of Khiang brand to franchisee).
- a decrease of various expenses from cost control measures such as a lower head office rental from negotiating with landlord, cancellation of warehouse rent and WFH policy to save utilities expense.
- a decrease in bank fees from lower dine-in services.

Overall, as a percentage of the total revenue, administrative expenses in the first 9 months of 2020 and 2021 were at the same level at 18.3% and 18.1%, respectively.

Finance Expenses



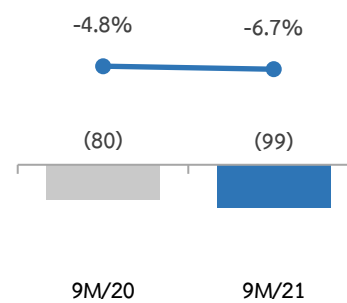
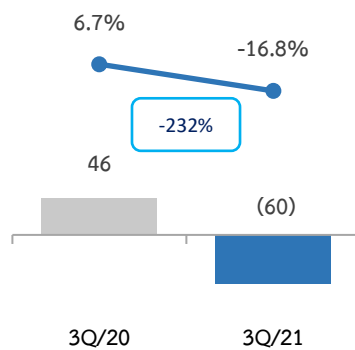
3Q2021 VS 3Q2020

In the 3rd quarter of 2021, finance expenses were THB 10 Mn, an increase of THB 2 Mn or 29% from the same period of 2020. This was due to the Company recognized lower finance expenses on the lease liabilities relating to the Thai Financial Reporting Standard No. 16 "Leases" (IFRS 16).

9M2021 VS 9M2020

For the first 9 months of 2021, finance expenses were THB 28 Mn, about the same as that of the period of 2020.

Net Profit (Loss) and Net Profit (Loss) Margin



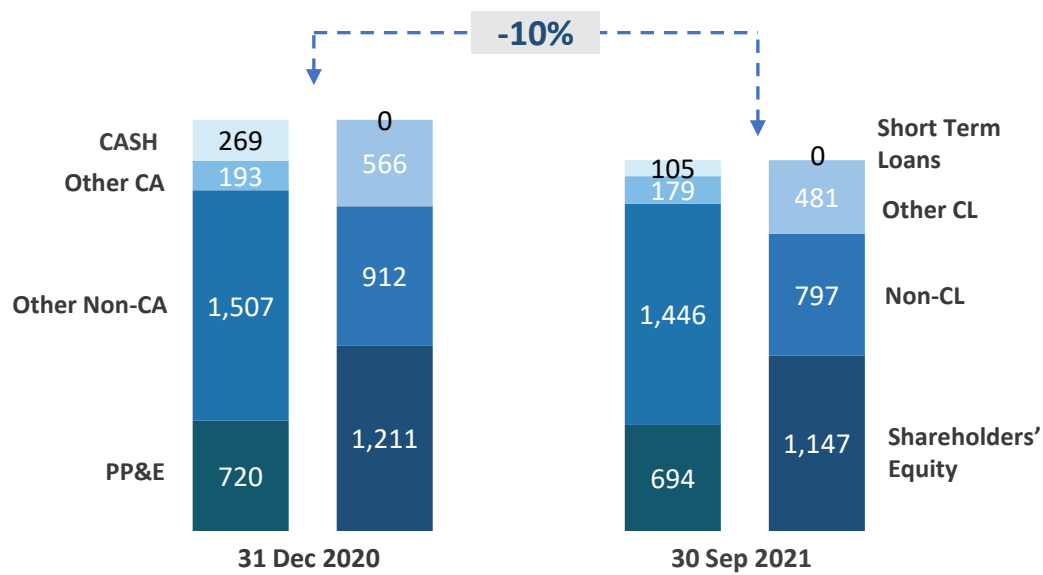
3Q2021 VS 3Q2020

In the 3rd quarter of 2021, the company had a net loss of THB 60 Mn. The main reason was the loss of revenue from the restaurant business which was affected by the epidemic of COVID-19. Net profit margin decreased from 6.7% to -16.8%.

9M2021 VS 9M2020

In overall, for the first 9 months of 2021, the company had a net loss of THB 99 Mn, a decrease of THB 19 Mn. The net loss margin was -6.7%

Financial Position Analysis



Assets

As of 31 December 2020, and 30 September 2021, the company had total assets of THB 2,689 Mn and THB 2,424 Mn respectively, a decrease of THB 265 Mn or 10%. The assets decreased mainly from (1) cash and cash equivalents and (2) right of use assets

Liabilities

As of 31 December 2020, and 30 September 2021, the company had total liabilities of THB 1,478 Mn and THB 1,278 Mn respectively, a decrease of THB 200 Mn or 16%. The main factor for the decrease was from the reduction in (1) liabilities under leases according to the Thai Financial Reporting Standard No. 16 (TFRS 16) (2) trade and other current payables and (3) accrued expenses.

Shareholder Equity

As of 31 December 2020, and 30 September 2021, the company had shareholders' equity of THB 1,211 Mn and THB 1,147 Mn respectively, a decrease of THB 64 Mn or 5%. This decrease in shareholders' equity was mainly derived from (1) total loss during the period THB -99 Mn and (2) Acquisition of non-controlling interests, in which the control power changes THB 36 Mn.

Liquidity and Capital Structure

As of 30 September 2021, the company had a current ratio of 0.59, decreased from 0.82 at end of 2020. This was mainly due to a decrease in cash and cash equivalents.

The debt-to-equity ratio decreased to 1.11 as of 30 September 2021 compared to 1.22 at the end of 2020. This decrease was mainly due to (1) a decrease in liabilities under lease agreements (2) a decrease in trade and other current payables (3) a decrease in accrued expenses and (4) a decrease in shareholders' equity resulted from the increase of net loss.

Please be informed accordingly,

Yours sincerely,

(Mrs. Yupaphan Ekasittikul)
Chief Financial Officer