

24 February 2022

No. ZEN 2565-004
Subject Management Discussion and Analysis for the 4th quarter of 2021 and the full year ended 31 December 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 4th quarter of 2021 and the full year ended 31 December 2021, as follows:

Business Overview

As the COVID-19 epidemic situation has continued to improve, which has led to the easing of the Government’s restriction measures and the re-opening of the country for foreign tourism since 1 November 2021, the Thai economy in the 4th quarter of 2021, as a result, recovered from the previous quarter. The overall Thai economic activities have picked up, in line with the Consumer Confidence Index trend, which has been improved from 40.6 in the 3rd quarter to 45.0 in the 4th quarter of 2021. The Thai economy in 2021 expanded at 1.6 percent.

The Company’s business operations in the 4th quarter of 2021 improved in the same direction as the Thai economy. The Company’s sales improved by more than double compared to the previous quarter and by 16% compared to the same period last year. This was the result of the gradual lifting of the lockdown measures by the government, together with, the Company’s efforts in promotions to increase dine-in traffics and the continuing focus on maximizing delivery and retail sales figures. These company actions, along with the careful management of all costs and expenses, resulted in the Company making a net profit, by turning from the continuous net loss in the 2nd and 3rd quarters to a net profit, of THB 10 Mn in the 4th quarter of 2021. However, when compared to the same period of the previous year, the net profit decreased by 35% due to the Company’s one-time assets impairment loss with the amount of THB 18.1 Mn. If excluding such the item, in the 4th quarter of 2021, the Company would have made a net profit of THB 28.5 Mn from normal operations.

The severe COVID-19 outbreak (Delta Strain) during the 2nd and 3rd quarters of the year was the major cause of the Company’s losing revenue from the restaurant business in 2021. Due to a temporary ban of dine-in services, leaving only takeaway and delivery, and the subsequent 100% closing of the shopping malls, the overall business performance of the Company was slightly lower than that of 2020. The Company’s revenue decreased by 3% and resulted in a net loss of THB 88.5 Mn baht. (If excluding one-time assets impairment loss with the amount of THB 13.3 Mn, in 2021, the Company would have made a net loss of THB 74.9 Mn from normal operations.)






Important Events during 2021

- To expand the retail business, established a joint venture company, Zen & Kosoom Interfoods Co., Ltd. (ZKC), with a major seasoning manufacturer from Maha Sarakham Province on 25 March 2021.
- Launched new application, “Zen Group Sookciety” in May 2021.
- All restaurant brands under the group are “SHA” standard certified.
- Received 3 awards from “Thailand Franchise Award 2021” from the Department of Business Development, Ministry of Commerce. Kiang brand won “Franchise Shining Star 2021” award. Tummour won “Best Large Franchise” and “Best Food Franchise” awards.
- Selected to be included in Thailand Sustainability Investment Index 2021 from the Stock Exchange of Thailand from the determination to develop business operations for the sustainable growth.

Experience Beyond Food

Business Strategy

The year of 2022 will be another challenging year for the company due to the risk factor of the COVID-19 outbreak that is still happening throughout the country. The new strain of the "Omicron" virus that has been spreading in many countries may hurt the Thai recovery. The rising of raw material and transportation costs due to global inflation threats is also another challenging factor. To be prepared and able to overcome such challenges, the company has set up the core business strategies, the 5 Pillars of Business Operations: ZEN Group, for coping with the current situation, creating future business growth, and profiting sustainably in the 2022 year and the following years to come:

5 pillars of business operations, ZEN Group	Restaurant Business 	<p>The situation of the COVID-19 epidemic in the past two years has severely affected the economic and social standing, made everyone's lives having to change to the New Normal and directly affected the restaurant business. During the period, the company has continuously strengthened the restaurant business, which is the primary source of revenue for the company, by doing as follows:</p> <ul style="list-style-type: none"> ▪ Increasing dine-in traffic via more effective marketing to meet the specific needs of the consumers. ▪ Focusing on improving branch operations and creating a sound internal audit system to ensure food safety, costs reductions and redundant work eliminations. ▪ Expanding new branches carefully, corresponding to the purchasing power and economic condition of the specific location. The focus is on the smaller store format outside a shopping center, in a densely populated location that can be accessed easily by the consumers. ▪ Turning around ZEN brand, one of the core brands of the Group, by expanding to new target customer segments. ▪ Selectively closing unprofitable branches.
	Franchise Business 	<p>Franchise business is one of the company's main strategies in expanding customer base to cover all customer segments and diversifying risks in business operations. With the minimum risk in company's investment, branches expansion can be easy and fast. The company has strengthened the franchise business as follows:</p> <ul style="list-style-type: none"> ▪ Continuously developing quality standards for management of the franchise business system; hence, increasing franchisees' confidence in opening franchise restaurants with the company. ▪ Developing new franchise store models and new brands as alternative for franchisees. ▪ Providing continuous support and care for the franchisees with various training courses and marketing activities to generate more revenues and profits for the franchisees.
	Delivery/ E-Commerce Business 	<p>From the rapid changes in consumer behavior, intense competitions, and the impact of temporary branch closures, the Company has also put an emphasis on making sales through online channels and using new technology to support the business operations. The customers can order foods via online platforms both through food delivery service providers (3rd parties' platforms) and the Company's own platforms via Call Center 1376, www.1376delivery.com, application "Zen Group Sookciety" and Line Official Account. The Company continues to strengthen food delivery business / E-Commerce to contribute for the revenue growth of the Company as described below:</p> <ul style="list-style-type: none"> ▪ Keep developing and improving online platforms for the easy, convenient, and quick uses by the consumers ▪ Expanding branches that only serve food delivery in the form of Cloud Kitchen to be able to serve customers in more areas. ▪ Keep launching new menus along with providing delivery promotions for all brands in the group to encourage more orders through this channel. ▪ Continue in developing delivery innovation to enhance better customers satisfaction, such as new packaging design that not only is beautiful, environmentally friendly, easy to open, but can also maintain food temperature and quality the same as dining-in our restaurants.
	Retail Business 	<p>Being a manufacturer and distributor of food products under the Company's own brand, the retail food business helps to diversify risks in business operations. The Company has strengthened the retail food business to contribute for more revenue and net profit margin to Zen Group, as follows:</p> <ul style="list-style-type: none"> ▪ Continuously developing and launching new products into the market ▪ Selling through partners and major distributors to facilitate distribution of products to consumers. ▪ Expanding sales through various e-commerce channels
	New Business 	<p>To create an exponential growth and be open for more business opportunities, the company has continuously been exploring for potential mergers/joint business partners with either restaurant or restaurant related businesses.</p> <p>Concurrently, on the other hand, the company has always been in planning, closely controlling and being very careful about the company's cash position to be able to cope with any sudden adjustment in business plans in every changing situation</p>

Performance

Statement of comprehensive income	4th Quarter				2020	2021	Change	
	2020	2021	Change					
Unit : Million Baht								
Revenue from sales of goods and services (Main Revenue)	659	765	106	16%	2,284	2,209	(75)	(3%)
Other income	13	15	3	20%	49	47	(3)	(6%)
Total revenues	672	781	109	16%	2,333	2,255	(78)	(3%)
Costs of sales of goods and services	333	399	66	20%	1,229	1,243	14	1%
Selling expenses	192	226	34	18%	733	687	(47)	(6%)
Administrative expenses	116	131	15	12%	421	398	(22)	(5%)
Total expenses	642	756	115	18%	2,383	2,328	(55)	(2%)
Profit (loss) from operating activities	30	24	(6)	(18%)	(50)	(73)	(23)	46%
Finance costs	7	9	2	40%	34	38	4	12%
Share of loss of associate accounted for using equity method	(1)	0	0	(33%)	(1)	(2)	(1)	45%
Profit (loss) before income tax expense	22	14	(8)	(35%)	(84)	(112)	(28)	32%
Tax expense (income)	6	4	(2)	(30%)	(21)	(23)	(2)	12%
Profit (loss) for the year	16	10	(6)	(37%)	(64)	(89)	(25)	39%

In 2021, the Company opened 43 new restaurants, 6 of which are owned by the Company and 37 of which are franchised branches, mostly with Khiang-brand. At the end of 2021, the Company's total restaurants reached 349 branches, of which 141 are equity-owned branches (40% of total) and 208 are franchise branches (60% of total).

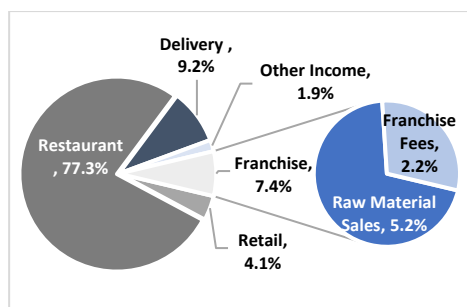
Branch Expansion

	4th Quarter		2020	2021
	2020	2021		
Number of New Equity Branches Opened during period	1	2	6	6
Number of Equity Branches at Period End	148	141	148	141
Number of New Franchise Branches Opened during period	15	5	50	37
Number of Franchise Branches at Period End (Branch)	198	208	198	208
Total number of New branches Opened during period	16	7	56	43
Total number of branches at the end of the period	346	349	346	349
Same Store Sales Growth: SSSG (%) (1)	-21.5%	+18.5%	-30.4%	+0.8%

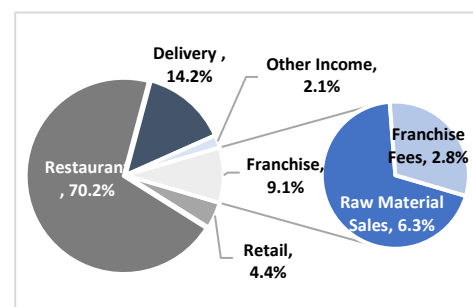
Remark: (1) Calculated based on total revenue from sales of food and beverages per total operating days of the same branch

Company's Income Statement
Total Revenue

Total Revenue Structure 4Q2021



Total Revenue Structure 2021



Remark: Percentage of Total Revenue

Revenues Unit : Million Baht	4th Quarter				2020	2021	Change	
	2020	2021	Change					
Revenue from sales of goods	639	748	110	17%	2,214	2,146	(68)	(3%)
▪ Revenue from Restaurant Business	536	603	70	13%	1,822	1,582	(240)	(13%)
▪ Revenue from Sales of Raw Material	38	41	3	9%	130	143	13	10%
▪ Revenue from Food Delivery & Catering	52	72	21	40%	212	321	109	51%
▪ Revenue from Retail Commercial	14	32	18	127%	50	100	50	100%
Franchise Fee Income	21	17	(3)	(15%)	70	63	(7)	(10%)
Revenue from sales of goods and services (Main Revenue)	659	765	106	16%	2,284	2,209	(75)	(3%)
Other Income	13	15	3	21%	49	47	(3)	(6%)
Total Revenue	672	781	109	16%	2,333	2,255	(78)	(3%)

4Q2021 VS 4Q2020

In the 4th quarter of 2021, the company's total revenue was THB 781 Mn, an increase of THB 109 Mn or 16% from the same period of 2020, and SSSG for the 4th quarter of 2021 was +18.5%. This was due to the change in revenue from various business operations as follows:

- **Revenue from Restaurant Business** increased by THB 70 Mn or 13% from promotional campaigns to boost dine-in traffic, especially buffet promotion from ZEN brand, which was well accepted since first launch in February 2021.
- **Revenue from Sales of Raw Material** increased by THB 3 Mn or 9% due to franchise branches also had higher revenue after the relaxation of pandemic control measures.
- **Revenue from Food Delivery & Catering** increased by THB 21 Mn or 40% from food delivery channels both through food delivery service providers and through the "Zen Group Sookciety" application, which consolidates all brands promotions/offers under the group companies together at a single place.
- **Revenue from Retail Merchandise** increased by THB 18 Mn or 127% 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 3 Mn or 15%. This decrease was mainly due to the company having a lower initial membership fee from a lower number of new franchise branches, 10 less compared to the same period of the previous year. However, in the 4th quarter of 2021, the company had higher net royalty & marketing fee income collected from franchise branches and renewal income compared to the same period of the previous year.
- **Other Income** increased by THB 3 Mn or 21% due to receiving compensation from the social security office on the exceptional basis.

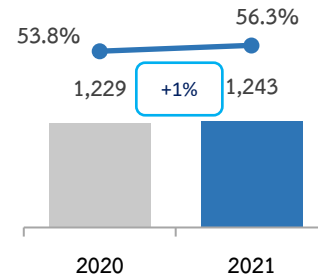
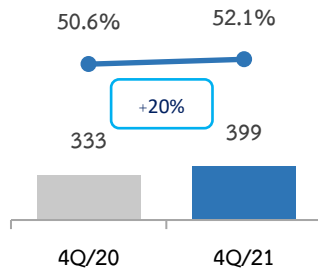
2021 VS 2020

For the full-year 2021, the Company's total revenue was THB 2,255 Mn, a decrease of THB 78 Mn or 3% from the same period of 2020, but SSSG for the year 2021 was +0.8%. This was due to the change in revenue from various business operations as follows:

- **Revenue from Restaurant Business** decreased by THB 240 Mn or 13% due to government's various pandemic control measures of COVID-19 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 13 Mn or 10% due to an increase in franchise branches.
- **Revenue from Food Delivery & Catering** increased by THB 109 Mn or 51% 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 50 Mn or 100% 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 7 Mn or 10%. This was mainly due to the lower net royalty and marketing fee income collection from the franchisees, who were also impacted by the COVID-19 epidemic situation. In addition, the Company received a lower initial membership fee income due to fewer new franchise branches opened when compared to the last year of 13 branches.
- **Other Income** decreased by THB 3 Mn or 6%. This decrease was mainly due to (1) lower revenue from setting up the system for franchisees and (2) lower amortized of membership fee income.

Costs of Sales and Service

Unit : Million Baht	4th Quarter				2020	2021	Change	
	2020	2021	Change					
Revenue from sales of goods and services	659	765	106	16%	2,284	2,209	(75)	(3%)
Costs of Sales and Service	333	399	66	20%	1,229	1,243	14	1%
Gross Profit	326	366	40	12%	1,055	966	(89)	(8%)


4Q2021 VS 4Q2020

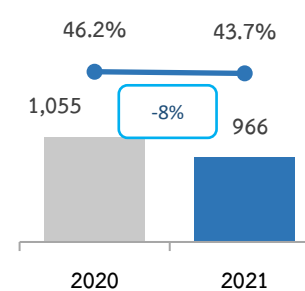
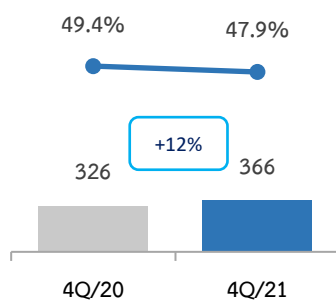
In the 4th quarter of 2021, the total costs of sales and services was THB 399 Mn, an increase of THB 66 Mn or 20% from the same period of 2020, which was mainly due to

- an increase in food cost varied to higher revenue from the restaurant business, especially from the ZEN brand buffet campaign, recently launched in 2021, coupled with the rising in raw material prices.
- an increase in staff cost (kitchen area) due to higher revenue.
- an increase in rental, service fees and utilities (kitchen area) as rental rates gradually returned to normal, varying to higher revenue.

2021 VS 2020

For the full-year 2021, the total costs of sales and services was THB 1,243 Mn, a slight increase of THB 14 Mn or 1% from the same period of 2020, which was mainly due to

- an increase in food cost 7% from the ZEN brand buffet campaign to drive sales, recently launched in 2021, coupled with the rising in raw material prices.
- However, when offset with the lower cost of sales of employees and rent, total costs of sales and service rose slightly at 1%:
- 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 (kitchen area) as the company negotiated for rental discounts from the landlords due to temporary branches closure.

Gross Profit and Gross Profit Margin

4Q2021 VS 4Q2020

In the 4th quarter of 2021, the gross profit was THB 366 Mn, an increase of THB 40 Mn or 12% from the same period of 2020. The main reason was

- the recovery of revenue from various business operations, especially revenue from the restaurant business

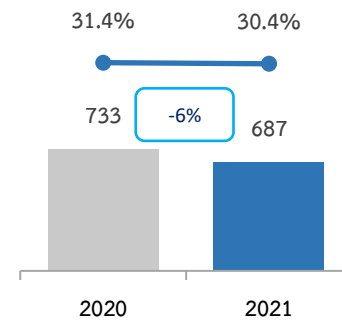
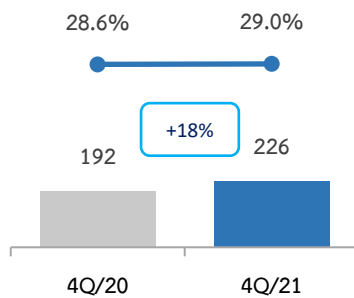
However, the gross profit margin decreased from 49.4% in the 4th quarter of 2020 to 47.9% in the 4th quarter of 2021, mainly due to a higher revenue mix from buffet sales compared to the same period last year.

2021 VS 2020

For the full-year 2021, the gross profit was THB 966 Mn, a decrease of THB 89 Mn or 8% 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 during the 2nd and 3rd quarters
- an increase in packaging costs from more sales via delivery channel.
- buffets promotion campaign in 2021, resulting in lower gross profit.

The gross profit margin decreased from 46.2% in 2020 to 43.7% in 2021.

Selling Expenses

4Q2021 VS 4Q2020

In the 4th quarter of 2021, selling expenses were THB 226 Mn, an increase of THB 34 Mn or 18% from the same period of 2020. This decrease was mainly due to

- an increase in staff expense (dine-in area) due to higher revenue.
- an increase in rental, service fees and utilities as rental rates gradually returned to normal, varying to higher revenue.

As a percent of the total revenue, in the 4th quarter of 2020 and 2021 selling expenses were about the same at 28.6% and 29.0%, respectively.

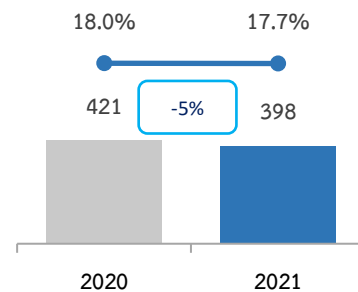
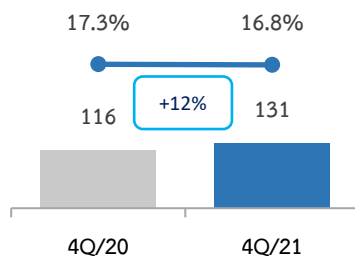
2021 VS 2020

For the full year of 2021, selling expenses were THB 687 Mn, a decrease of THB 47 Mn or 6% from the same period of 2020. This decrease was mainly due to

- a decrease in staff expense (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.

In overall, the company had been more efficient in selling expenses management. As a percent of total revenue, selling expenses decreased from 31.4% in 2020 to 30.4% in the same period of 2021.

Administrative Expenses

4Q2021 VS 4Q2020

In the 4th quarter of 2021, administration costs were THB 131 Mn, an increase of THB 14 Mn or 12% from the same period of 2020. This increase was mainly due to

- an increase in allowance for asset impairment. (in the 4th quarter of 2021 the company set impairment provision for low-performing assets)

However, as a percentage of the total revenue, administrative expenses decreased from 17.3% in the 4th quarter of 2020 to 16.8% in the same period of 2021 due to a recovery in restaurant business revenue.

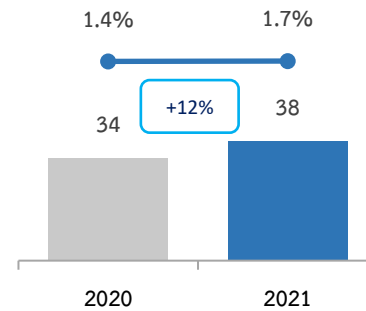
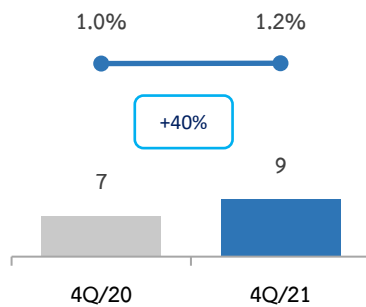
2021 VS 2020

For the full-year of 2021, administration costs were THB 398 Mn, a decrease of THB 22 Mn or 5% 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 2020 the company had written-off of 11 branches closure and sold 2 branches of Kiang brand to franchisee).
- a decrease of various expenses from cost control measures such as a lower head office rental from negotiating with the landlord, cancellation of warehouse rent and WFH policy for head office staffs to save utility expenses.
- a decrease in bank fees from lower dine-in services.

In overall, as a percentage of the total revenue, administrative expenses decreased from 18.0% in 2020 to 17.7% in 2021.

Finance Expenses



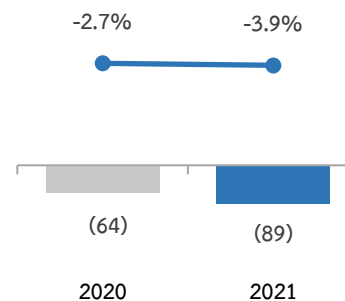
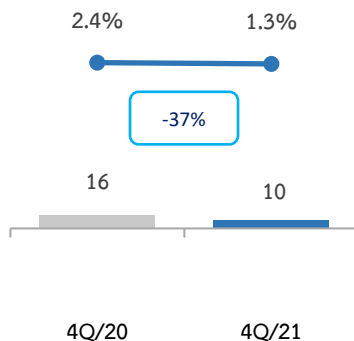
4Q2021 VS 4Q2020

In the 4th quarter of 2021, finance expenses were THB 9 Mn, an increase of THB 2 Mn or 40% from the same period of 2020. This was due to the Company recognized higher finance expenses on the lease liabilities relating to the Thai Financial Reporting Standard No. 16 "Leases" (IFRS 16).

2021 VS 2020

For the full-year of 2021, finance expenses were THB 38 Mn, an increase of THB 4 Mn or 12% from the same period of 2020. This was due to the Company recognized higher finance expenses on the lease liabilities relating to the Thai Financial Reporting Standard No. 16 "Leases" (IFRS 16).

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



4Q2021 VS 4Q2020

In the 4th quarter of 2020 and 2021, the net profit decreased from THB 16 Mn to THB 10 Mn respectively, a decrease of THB 6 Mn or 37%. This is mainly due to

- an increase in allowance for asset impairment. (in the 4th quarter of 2021 the company had one-time assets impairment loss with the amount of 18.1 Mn. If excluding such the item, in the 4th quarter of 2021, the Company would have made a net profit of THB 28.5 Mn from normal operations)

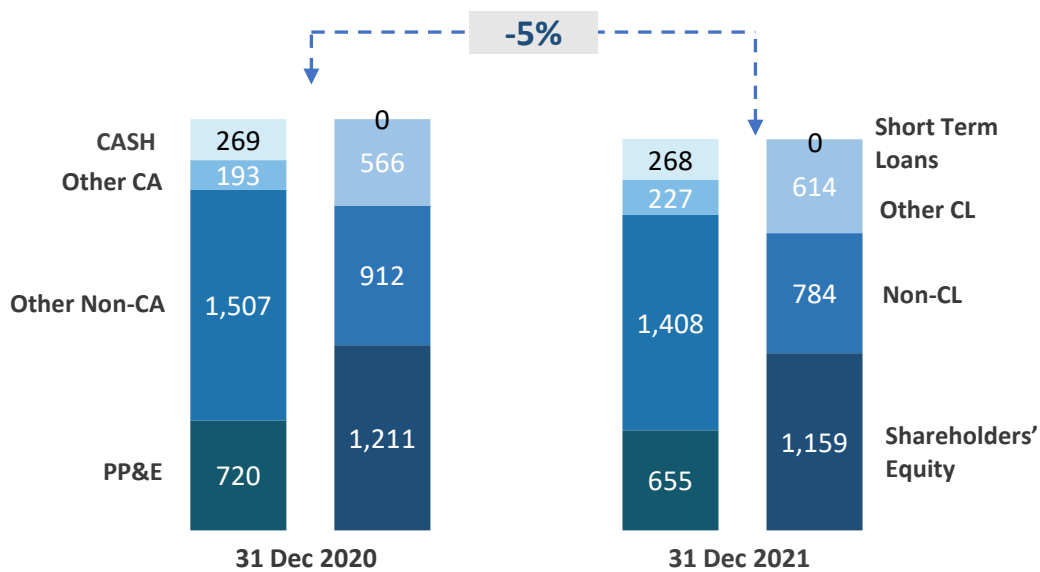
Net profit margin dropped from 2.4% in the 4th quarter of 2020 to 1.3% in the 4th quarter of 2021.

2021 VS 2020

In overall, for the full-year 2021, the Company had a net loss of 89 million, mainly due to

- the loss of revenue from the restaurant business, which was affected by the more severe and prolonged COVID-19 outbreak.
- an increase in allowance for asset impairment. (in 2021, the company had one-time assets impairment loss with the amount of 13.3 Mn. If excluding such the item, in 2021, the Company would have made a net loss of THB 74.9 Mn from normal operations)

The net loss margin rate increased from -2.7% in the 4th 2020 to -3.9% in 2021.

Financial Position Analysis

Assets

As of 31 December 2020, and 31 December 2021, the company had total assets of THB 2,689 Mn and THB 2,557 Mn respectively, a decrease of THB 132 Mn or 5%. The assets decreased mainly from right of use assets.

Liabilities

As of 31 December 2020, and 31 December 2021, the company had total liabilities of THB 1,478 Mn and THB 1,398 Mn respectively, a decrease of THB 80 Mn or 5%. The main factor for the decrease was from the reduction in liabilities under leases according to the Thai Financial Reporting Standard No. 16 (IFRS 16).

Shareholder Equity

As of 31 December 2020, and 31 December 2021, the company had shareholders' equity of THB 1,211 Mn and THB 1,159 Mn respectively, a decrease of THB 52 Mn or 4%. This decrease in shareholders' equity was mainly derived from (1) total loss during the period THB -86 Mn and (2) Acquisition of non-controlling interests from the acquisition of a subsidiary THB 34 Mn.

Liquidity and Capital Structure

As of 31 December 2021, the company had a current ratio of 0.80, decreased from 0.82 at end of 2020. This was mainly due to an increase in trade and other current payables.

The debt-to-equity ratio slightly decreased to 1.20 as of 31 December 2021 compared to 1.22 at the end of 2020.

Please be informed accordingly,

Yours sincerely,

(Mrs. Yupaphan Ekasittikul)
Chief Financial Officer