

11 August 2022

No. ZEN 2565-010
 Subject Management Discussion and Analysis for the 2nd quarter of 2022 and the 1st half of 2022
 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 2nd quarter of 2022 and the 1st half of 2022, as follows:

Business Overview

The overall Thai restaurant business shows clearer signs of recovery after the opening of the country for tourism and the increasing in domestic demand from the lessen of consumers’ concerns over the spreading of COVID-19.

For the operating results in the 2nd quarter of 2022, the Company's revenue increased 69% compared to the same period of last year. This was driven by the 85% increase in Restaurant revenue from the Company's efforts to adjust the business models and promotion strategies to increase dine-in traffics, and by the Retail food business, of which the revenues grew more than 5 times after investing in Zen & Kosum Interfoods Co., Ltd. (a seasoning manufacturer) in April 2021 and King Marine Foods Co., Ltd. (a frozen seafood distributor and wholesaler) in March 2022. (The joint investment in these two companies is one of the Company's key strategies to diversify risks and strengthen the Company's business through mergers and acquisitions activities (M&A.)) Together with the company's efficient management of costs and expenses; as a result, the company delivers a net profit of THB 49 Mn, turning from a net loss of THB 67 Mn for the same period last year (an increase of THB 116 Mn QoQ.)

Performance

Statement of comprehensive income	2 nd Quarter				1 st Half			
	2021	2022	Change		2021	2022	Change	
Unit: Million Baht								
Revenue from sales of goods and services (Main Revenue)	500	859	359	72%	1,097	1,545	448	41%
Other income	11	6	(5)	(46%)	19	12	(8)	(40%)
Total revenues	511	865	354	69%	1,116	1,557	441	40%
Costs of sales of goods and services	309	466	157	51%	607	844	237	39%
Selling expenses	181	215	33	18%	356	404	48	13%
Administrative expenses	91	114	24	26%	186	221	35	19%
Total expenses	581	795	214	37%	1,149	1,468	319	28%
Profit (loss) from operating activities	(70)	69	139	199%	(33)	89	121	371%
Finance costs	11	9	(2)	(19%)	18	18	(0)	-
Share of loss of associate accounted for using equity method	1	0	(0)	(10%)	1	1	(0)	(9%)
Profit (loss) before income tax expense	(81)	60	142	174%	(51)	70	121	236%
Tax expense (income)	(14)	11	25	176%	(13)	13	26	198%
Profit (loss) for the year	(67)	49	116	173%	(39)	57	96	249%

In 2nd quarter of 2022, the Company opened 10 new restaurants, 6 of which are owned by the Company and 4 of which are franchised branches. For 1st half of 2022, the Company opened 15 new restaurants, 8 of which are owned by the Company and 7 of which are franchised branches.

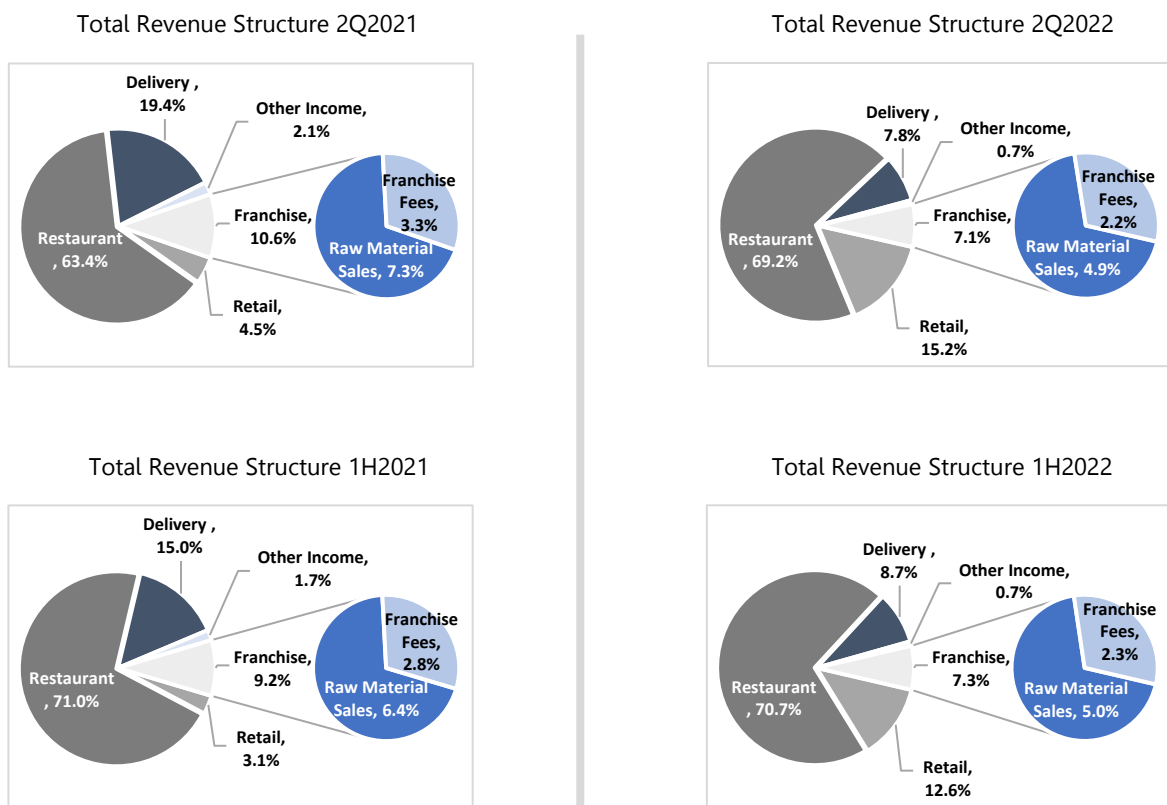
As of 30 June 2022, the Company's total restaurants reached 356 branches, of which 146 are equity-owned branches (41% of total) and 210 are franchise branches (59% of total).

Branch Expansion	2 nd Quarter		1 st Half	
	2021	2022	2021	2022
Number of New Equity branches opened during period	-	6	1	8
Number of Equity Branches at Period End	141	146	141	146
Number of New Franchise branches opened during period	14	4	20	7
Number of Franchise Branches at Period End (Branch)	208	210	208	210
Total number of new branches opened during period	14	10	21	15
Total number of branches at the end of the period	349	356	349	356
Same Store Sales Growth: SSSG (%) ⁽¹⁾	+31.2%	+52.6%	+7.7%	+28.2%

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



Remark: Percentage of Total Revenue

Revenues	2 nd Quarter				1 st Half			
	2020	2021	Change		2021	2022	Change	
Unit: Million Baht								
Revenue from sales of goods	483	840	356	74%	1,066	1,510	445	42%
▪ Revenue from Restaurant Business	324	599	275	85%	792	1,100	308	39%
▪ Revenue from Food Delivery & Catering	99	67	(32)	(32%)	167	136	(31)	(19%)
▪ Revenue from Sales of Raw Material	37	42	5	14%	72	78	6	9%
▪ Revenue from Retail Commercial	23	131	108	466%	35	196	161	461%
Franchise Fee Income	17	19	2	15%	31	35	4	12%
Revenue from sales of goods and services (Main Revenue)	500	859	359	72%	1,097	1,545	448	41%
Other Income	11	6	(5)	(46%)	19	12	(8)	(40%)
Total Revenue	511	865	354	69%	1,116	1,557	441	40%

2Q2021 VS 2Q2022

In the 2nd quarter of 2022, the company's total revenue was THB 865 Mn, an increase of THB 354 Mn or 69% from the same period of 2021, and SSSG for the 2nd quarter of 2022 was +52.6%. This was due to the change in revenue from various business operations as follows:

- **Revenue from Restaurant Business** increased by THB 275 Mn or 85% from the relaxation of COVID-19 restrictions.
- **Revenue from Food Delivery & Catering** decreased by THB 32 Mn or 32% due to the lockdown of shopping malls to control the spread of COVID-19 during the 2nd quarter of last year. During which period, the company drove more sales through delivery channels to compensate for the loss of revenue from restaurant business. At present, even though the restaurant business has recovered, the company continues to focus on and drive more sales through food delivery channels both through food delivery service providers and through the "Zen Group Member" application.
- **Revenue from Sales of Raw Material** increased by THB 5 Mn or 14% due to the business recovery of franchise restaurants, resulting in more purchases of raw materials from the company.
- **Revenue from Retail Merchandise** increased by THB 108 Mn or 466% from the investment in Zen & Kosum Interfoods Co., Ltd. In April 2021 and King Marine Foods Co., Ltd. in March 2022, and the launching of new products and the selling through both modern trade and online channels.
- **Franchise Fee Income** increased by THB 2 Mn or 15%, mainly because the company had higher net royalty and marketing fees income collected from franchisees, consequent to their business recovery.
- **Other Income** decreased by THB 5 Mn or 46%. This decrease was mainly due to (1) lower amortized of membership fee income and (2) lower revenue from setting up systems for franchisees.

1H2021 VS 1H2022

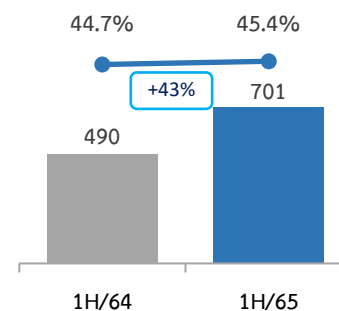
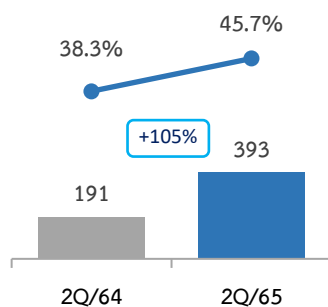
For the 1st half of 2022, the Company's total revenue was THB 1,557 Mn, an increase of THB 441 Mn or 40% from the same period of 2021, and SSSG for the 1st half of 2022 was +28.2%. This was due to the change in revenue from various business operations as follows:

- **Revenue from Restaurant Business** increased by THB 308 Mn or 39% from the relaxation of COVID-19 restrictions.
- **Revenue from Food Delivery & Catering** decreased by THB 31 Mn or 19% due to the lockdown of shopping malls to control the spread of COVID-19 during the 2nd quarter of last year. During which period, the company drove more sales through delivery channels to compensate for the loss of revenue from restaurant business. At present, even though the restaurant business has recovered, the company continues to focus on and drive more sales through food delivery channels both through food delivery service providers and through the "Zen Group Member" application.
- **Revenue from Sales of Raw Material** increased by THB 6 Mn or 9% due to the business recovery of franchise restaurants, resulting in more purchases of raw materials from the company.
- **Revenue from Retail Merchandise** increased by THB 161 Mn or 461% from the investment in Zen & Kosum Interfoods Co., Ltd. In April 2021 and King Marine Foods Co., Ltd. in March 2022, and the launching of new products and the selling through both modern trade and online channels.
- **Franchise Fee Income** increased by THB 4 Mn or 12%. This was mainly because the company had higher net royalty and marketing fees income collected from franchisees consequent to their business recovery.
- **Other Income** decreased by THB 8 Mn or 40%. This decrease was mainly due to (1) lower amortized of membership fee income and (2) lower revenue from setting up systems for franchisees

Gross Profit and Gross Profit Margin	2 nd Quarter				1 st Half			
	2020	2021	Change		2020	2021	Change	
Unit: Million Baht								
Revenue from Sales of Goods and Services	500	859	359	72%	1,097	1,545	448	41%
Costs of Sales and Service	309	466	157	51%	607	844	237	39%
Gross Profit	191	393	201	105%	490	701	211	43%

Gross Profit is derived from Revenue from Sales of Goods and Services less Cost of Sales and Services

In which the company's cost of sales and services mainly consists of raw material cost, staff cost (kitchen area), rental, service fees and utilities (kitchen area). In 2nd quarter and the 1st half of 2022, the total cost of sales and services increased by 51% and 39%, respectively, from the same period of the previous year, in line with the higher revenue from the restaurant business and retail commercial business



2Q2021 VS 2Q2022

In the 2nd quarter of 2022, the gross profit was THB 393 Mn, an increase of THB 201 Mn or 105% from the same period of 2021, and the gross profit margin increased from 38.3% in the 2nd quarter of 2021 to 45.7% in the 2nd quarter of 2022, which was mainly due to

- the recovery of revenue from various business operations, especially revenue from the restaurant business after the relaxation of restrictions to prevent the spread of COVID-19
- good raw material cost management and price adjustment to compensate for the higher raw material prices
- lower revenue mix from delivery sales channel which has a lower gross margin than the dine-in business
- higher revenue mix from retail commercial business which has a lower gross margin than restaurant business

1H2021 VS 1H2022

In the 1st half of 2022, the gross profit was THB 701 Mn, an increase of THB 211 Mn or 43% from the same period of 2021, and the gross profit margin increased from 44.7% in the 1st half of 2021 to 45.4% in the 1st half of 2022, which was mainly due to

- the recovery of revenue from various business operations, especially revenue from the restaurant business after the relaxation of restrictions to prevent the spread of COVID-19
- good raw material cost management and price adjustment to compensate for the higher raw material prices
- lower revenue mix from delivery sales channel which has a lower gross margin than the dine-in business
- higher revenue mix from retail commercial business which has a lower gross margin than restaurant business

Selling Expense


Selling expenses mainly consist of staff expenses. (Dining area), rental, service fees and utilities (dining area), marketing expenses and commission paid to delivery operators.

2Q2021 VS 2Q2022

In the 2nd quarter of 2022, selling expenses were THB 215 Mn, an increase of THB 33 Mn or 18% from the same period of 2021. This increase was mainly due to

- an increase in rental, service fees and utilities because the company received a rental discount from the dine-in lockdown to control the spread of COVID-19 in the 2nd quarter of last year.
- an increase in staff expense (dining area), varying to higher revenue.

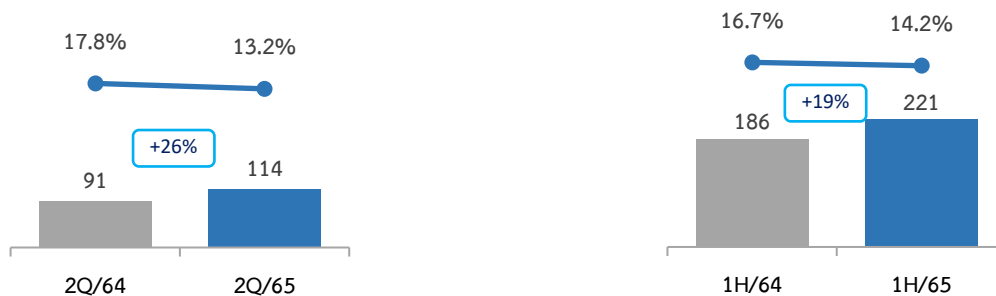
However, in overall, the company had been more efficient in selling expenses management. As a percent of total revenue, selling expenses decreased from 35.5% in 2021 to 24.8% in the same period of 2022.

1H2021 VS 1H2022

In the 1st half of 2022, selling expenses were THB 404 Mn, an increase of THB 48 Mn or 13% from the same period of 2021. This increase was mainly due to

- an increase in rental, service fees and utilities because the company received a rental discount from the dine-in lockdown to control the spread of COVID-19 in the 2nd quarter of last year.
- an increase in staff expense (dining area), varying to higher revenue.

However, in overall, the company had been more efficient in selling expenses management. As a percent of total revenue, selling expenses decreased from 31.9% in the 1st half of 2021 to 25.9% in the same period of 2022.

Administrative Expenses

2Q2021 VS 2Q2022

In the 2nd quarter of 2022, administration expenses were THB 114 Mn, an increase of THB 24 Mn or 26% from the same period of 2021. This increase was mainly due to

- an increase in staff expenses related to salary, bonus, and employee benefit.
- an increase in staff expenses from the recognition of the subsidiary's staff expenses.
- an increase in bank fees from higher dine-in services

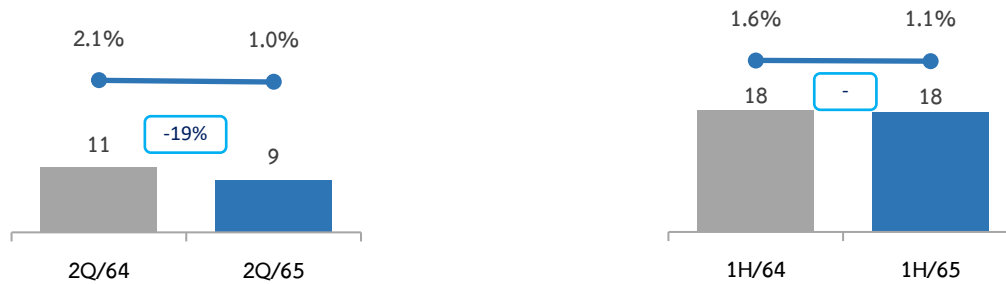
Although the company's administrative expenses had increased, as a percentage of the total revenue, administrative expenses decreased from 17.8% in the 2nd quarter of 2021 to 13.2% in the same period of 2022.

1H2021 VS 1H2022

In the 1st half of 2022, administration expenses were THB 221 Mn, an increase of THB 35 Mn or 19% from the same period of 2021. This increase was mainly due to

- an increase in staff expenses related to salary, bonus, and employee benefit.
- an increase in staff expenses from the recognition of the subsidiary's staff expenses.
- an increase in bank fees from higher dine-in services

Although the company's administrative expenses had increased, as a percentage of the total revenue, administrative expenses decreased from 16.7% in the 1st half of 2021 to 14.2% in the same period of 2022.

Finance Expenses

2Q2021 VS 2Q2022

In the 2nd quarter of 2022, finance expenses were THB 9 Mn, a decrease of THB 2 Mn or 19% from the same period of 2021. This was due to

- the Company recognized lower finance expenses on the lease liabilities relating to the Thai Financial Reporting Standard No. 16 "Leases" (TFRS-16).
- from the recognition of the subsidiary's interest expenses.

1H2021 VS 1H2022

For the 1st half of 2022, finance expenses were THB 18 Mn, the same as that of the 1st half of 2021.

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

2Q2021 VS 2Q2022

In the 2nd quarter of 2022, the company had a net profit of THB 49 Mn, a turn from a net loss of THB 67 Mn or an increase of THB 116 Mn from the same period last year. This is mainly due to

- the recovery of revenue from various business operations, especially revenue from the restaurant business and growth of retail business.
- More efficient cost management.

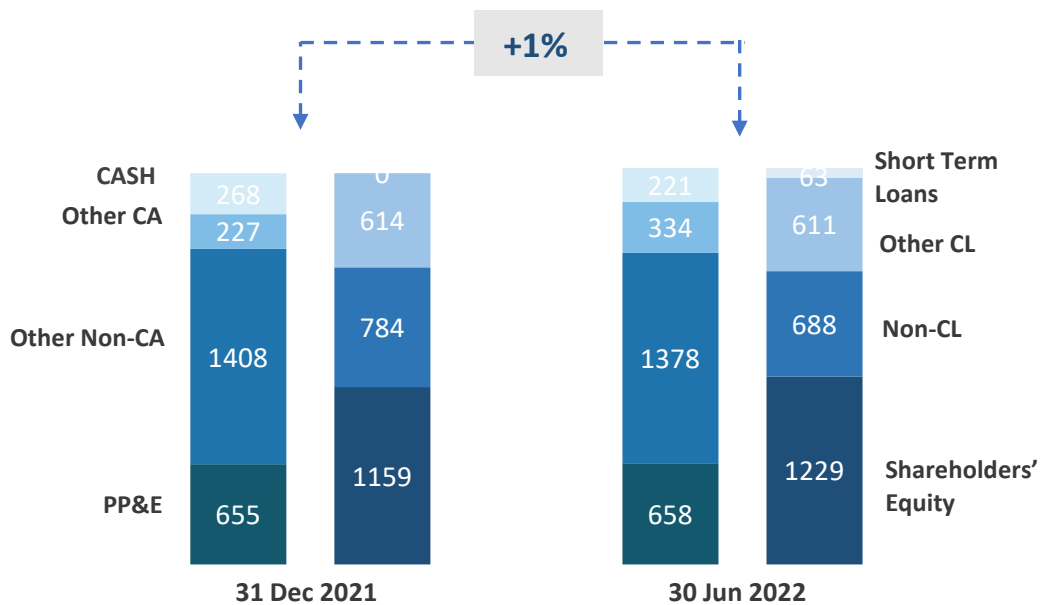
Net profit margin increased from -13.1% in the 2nd quarter of 2021 to 5.7% in the 2nd quarter of 2022.

1H2021 VS 1H2022

In the 1st half of 2022, the company had a net profit of THB 57 Mn, a turn from a net loss of THB 39 Mn or an increase of THB 96 Mn from the same period last year. This is mainly due to

- the recovery of revenue from various business operations, especially revenue from the restaurant business and growth of retail business.
- More efficient cost management.

Net profit margin increased from -3.5% in the 1st half of 2021 to 3.7% in the 1st half of 2022.

Financial Position Analysis

Assets

As of 31 December 2021, and 30 June 2022, the company had total assets of THB 2,557 Mn and THB 2,591 Mn respectively, an increase of THB 34 Mn or 1% mainly due to increases of inventories and other current assets

Liabilities

As of 31 December 2021, and 30 June 2022, the company had total liabilities of THB 1,398 Mn and THB 1,362 Mn respectively, an decrease of THB 36 Mn or 3% mainly due to an decrease in non-current liabilities

Shareholder Equity

As of 31 December 2021, and 30 June 2022, the company had shareholders' equity of THB 1,159 Mn and THB 1,229 Mn respectively, an increase of THB 70 Mn or 6%. This increase in shareholders' equity was mainly derived from (1) total profit during the period THB 48 Mn. (2) deficient on business combination under common control THB 2 Mn. And (3) acquisition of non-controlling interests from subsidiaries THB 20 Mn.

Liquidity and Capital Structure

As of 30 June 2022, the company had a current ratio slightly increase to 0.82, compared to 0.81 at the end of 2021. The debt-to-equity ratio slightly decreased to 1.11 as of 30 June 2022 compared to 1.20 at the end of 2021.

Please be informed accordingly,

Yours sincerely,

(Mrs. Yupaphan Ekasittikul)
Chief Financial Officer