

11 November 2022

No. ZEN 2565-012

Subject Management Discussion and Analysis for the 3rd quarter of 2022 and the 9th month period ended 30 September 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 3rd quarter of 2022 and the 9th month period ended 30 September 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 3rd quarter of 2022, the Company's revenue increased 154% compared to the same period of last year. This was driven by the 266% increase in Restaurant revenue from the Company's efforts to adjust the business models and promotion strategies to increase dine-in traffics together with the company's efficient management of costs and expenses; as a result, the company can deliver a net profit of THB 54 Mn, turning from a net loss of THB 60 Mn for the same period last year (an increase of THB 114 Mn YoY).

Financial Performance

Statement of comprehensive income	3 rd Quarter				9 Months-Period			
	2021	2022	Change		2021	2022	Change	
Unit: Million Baht								
Revenue from sales of goods and services (Main Revenue)	346	900	554	160%	1,443	2,445	1,002	69%
Other income	12	11	(1)	(12%)	31	22	(9)	(29%)
Total revenues	359	911	552	154%	1,475	2,468	993	67%
Costs of sales of goods and services	237	480	244	103%	844	1,324	480	57%
Selling expenses	104	236	131	126%	460	639	179	39%
Administrative expenses	82	118	37	45%	268	339	71	27%
Total expenses	423	834	412	97%	1,572	2,303	731	46%
Profit (loss) from operating activities	(64)	76	141	219%	(97)	165	262	270%
Finance costs	10	8	(2)	(19%)	28	26	(2)	(8%)
Share of loss of associate accounted for using equity method	0	1	0	17%	1	1	0	12%
Profit (loss) before income tax expense	(75)	68	143	190%	(126)	138	264	209%
Tax expense (income)	(15)	13	28	191%	(28)	26	54	194%
Profit (loss) for the year	(60)	54	114	190%	(99)	112	210	213%

In 3rd quarter of 2022, the Company opened 12 new restaurants, 8 of which are owned by the Company and 4 of which are franchised branches. For 9 Months-Period of 2022, the Company opened 27 new restaurants, 16 of which are owned by the Company and 11 of which are franchised branches.

As of 30 September 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

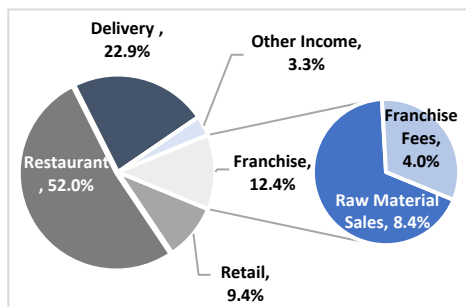
	3 rd Quarter		9 Months-Period	
	2021	2022	2021	2022
Number of New Equity branches opened during period	3	8	4	16
Number of Equity Branches at Period End	144	146	144	146
Number of New Franchise branches opened during period	12	4	32	11
Number of Franchise Branches at Period End (Branch)	206	210	206	210
Total number of new branches opened during period	15	12	36	27
Total number of branches at the end of the period	350	356	350	356
Same Store Sales Growth: SSSG (%) ⁽¹⁾	-32.5%	+75.2%	-7.3%	+39.9%

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

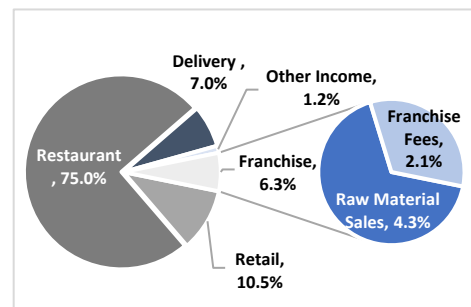
Company's Income Statement Analysis

Total Revenue

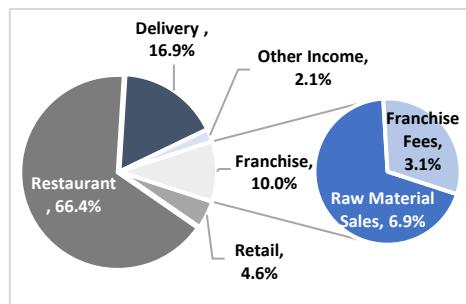
Total Revenue Structure 3Q2021



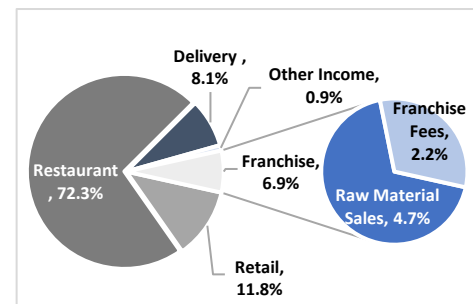
Total Revenue Structure 3Q2022



Total Revenue Structure 9M2021



Total Revenue Structure 9M2022



Remark: Percentage of Total Revenue

Revenues	3 rd Quarter				9 Months-Period			
	2021	2022	Change		2021	2022	Change	
Unit: Million Baht								
Revenue from sales of goods	332	881	549	165%	1,398	2,391	994	71%
▪ Revenue from Restaurant Business	186	683	496	266%	979	1,783	805	82%
▪ Revenue from Food Delivery & Catering	82	64	(18)	(22%)	249	200	(49)	(20%)
▪ Revenue from Sales of Raw Material	30	39	9	29%	102	117	15	15%
▪ Revenue from Retail Commercial	34	96	62	184%	68	291	223	326%
Franchise Fees Income	14	19	5	33%	46	54	8	18%
Revenue from sales of goods and services (Main Revenue)	346	900	554	160%	1,443	2,445	1,002	69%
Other Income	12	11	(1)	(12%)	31	22	(9)	(29%)
Total Revenue	359	911	552	154%	1,475	2,468	993	67%

3Q2021 VS 3Q2022

In the 3rd quarter of 2022, the company's total revenue was THB 911 Mn, an increase of THB 552 Mn or 154% from the same period of 2021, and 3Q22 SSSG was +75.2%. This was due to the change in revenue from various business operations as follows:

- **Revenue from Restaurant Business** increased by THB 496 Mn or 266% after ending COVID-19 control measures and customer return to eating out more. Also, the company got good results from new branches opening in potential locations.
- **Revenue from Food Delivery & Catering** decreased by THB 18 Mn or 22% due to, during the 3rd quarter of last year, the government's order to shut down of shopping malls for 2 weeks (20 Jul – 2 Aug 2021), and afterward, limitation of restaurants operating hour to control the spreading of COVID-19. 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 to Franchisee** increased by THB 9 Mn or 29% caused by franchisees' sales increased (same as company), resulting to more purchases of raw materials from the company.
- **Revenue from Retail Merchandise** increased by THB 62 Mn or 184% mainly due to the investment in King Marine Foods Co., Ltd. in March 2022, a seafood retailer, and the launching of new products and the selling through both modern trade and online channels of Zen & Kosum Interfoods Co., Ltd.
- **Franchise Fees Income** increased by THB 5 Mn or 33%, 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 1 Mn or 12%. This decrease was mainly due to (1) lower amortized of membership fee income and (2) lower revenue from setting up new franchise branches.

9M2021 VS 9M2022

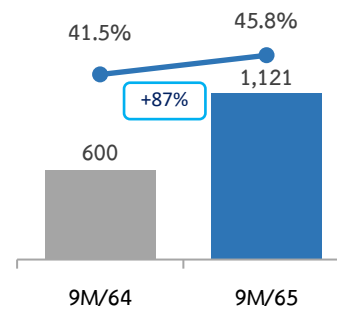
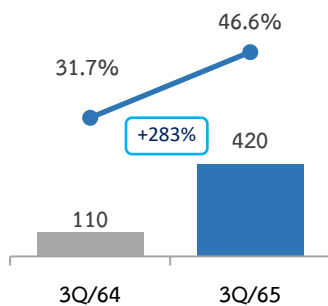
For the 9 Months-Period of 2022, the Company's total revenue was THB 2,468 Mn, an increase of THB 993 Mn or 67% from the same period of 2021, and 9M22 SSSG was +39.9%. This was due to the changes in revenue from various business operations as follows:

- **Revenue from Restaurant Business** increased by THB 805 Mn or 82% after ending COVID-19 control measures and customer return to eating out more. Also, the company got good results from new branches opening in potential locations.
- **Revenue from Food Delivery & Catering** decreased by THB 49 Mn or 20% due to during the 2nd and 3rd quarter of last year had many COVID-19 control measure e.g., eat-in seating limitation, shutting down of shopping malls for 2 weeks and restaurants operating hour limitation. 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 15 Mn or 15% due to franchisees' sales increased (same as company), resulting to more purchases of raw materials the company.
- **Revenue from Retail Merchandise** increased by THB 223 Mn or 326% from the investment in King Marine Foods Co., Ltd. in March 2022, a seafood retailer, and the launching of new products and the selling through both modern trade and online channels of Zen & Kosum Interfoods Co., Ltd.
- **Franchise Fee Income** increased by THB 8 Mn or 18%. 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 9 Mn or 29%. This decrease was mainly due to (1) lower amortized of membership fee income and (2) lower revenue from setting up new franchise branches

Gross Profit and Gross Profit Margin	3 rd Quarter				9 Months-Period			
	2021	2022	Change		2021	2022	Change	
Unit: Million Baht								
Revenue from Sales of Goods and Services	346	900	554	160%	1,443	2,445	1,002	69%
Costs of Sales and Service	237	480	244	103%	844	1,324	480	57%
Gross Profit	110	420	310	283%	600	1,121	522	87%

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 3rd quarter and the 9 Months-Period of 2022, the total cost of sales and services increased by 103% and 57%, respectively, from the same period of the previous year, in line with the higher revenue from the restaurant business and retail commercial business.



3Q2021 VS 3Q2022

In the 3rd quarter of 2022, the gross profit was THB 420 Mn, an increase of THB 310 Mn or 283% from the same period of 2021, and the gross profit margin increased from 31.7% in the 3rd quarter of 2021 to 46.6% in the 3rd 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 COVID-19 preventive restrictions and finally ending the control measures in 3rd quarter of this year
- good raw material cost management by creating new seasonal and festive menus and launching promotions for each brand to suit the cost of raw materials, including the use of some raw materials together in many brands according to the principle of economies of scale. This makes purchasing in a large quantity of raw materials at more economical price.
- 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

9M2021 VS 9M2022

In the 9 Months-Period of 2022, the gross profit was THB 1,121 Mn, an increase of THB 522 Mn or 87% from the same period of 2021, and the gross profit margin increased from 41.5% in the 9 Months-Period of 2021 to 45.8% in the 9 Months-Period 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 COVID-19 preventive restrictions and finally ending the control measures in 3rd quarter of this year
- good raw material cost management by adjusting buffet menu price in beginning of this year, creating new seasonal and festive menus and launching promotions for each brand to suit the cost of raw materials, including the use of some raw materials together in many brands according to the principle of economies of scale. This makes purchasing in a large quantity of raw materials at more economical price.
- 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 marketing expenses and commission paid to delivery operators, staff expenses (service area), rental, service fees and utilities (service area),

3Q2021 VS 3Q2022

In the 3rd quarter of 2022, selling expenses were THB 236 Mn, an increase of THB 131 Mn or 126% from the same period of 2021. This increase was mainly due to

- Marketing expenses increased from marketing and promotional activities after ending the preventive measures to control the spreading of COVID-19
- The commission cost was decreased according to decreasing of delivery sales, compared to last year
- an increase in rental, service fee and utilities because 1) more new branches opening, and 2) in the 3rd quarter of last year, the company got discounts from landlords due to could not open full-time operation according to COVID-19 preventive measures

However, in overall, the company had been more efficient in selling expenses management. As a percent of total revenue, selling expenses decreased from 29.1% in 2021 to 25.8% in the same period of 2022.

9M2021 VS 9M2022

In the 9 Months-Period of 2022, selling expenses were THB 639 Mn, a decrease of THB 179 Mn or 39% from the same period of 2021. This increase was mainly due to

- Marketing expenses increased from marketing and promotional activities after ending the preventive measures to control the spreading of COVID-19
- The commission cost was decreased according to decreasing of delivery sales, compared to last year
- an increase in rental, service fee and utilities because 1) more new branches opening, and 2) in the 3rd quarter of last year, the company got discounts from landlords due to could not open full-time operation according to COVID-19 preventive measures

However, in overall, the company had been more efficient in selling expenses management. As a percent of total revenue, selling expenses decreased from 31.2% in 2021 to 25.9% in the same period of 2022.

Administrative Expenses



3Q2021 VS 3Q2022

In the 3rd quarter of 2022, administrative expenses were THB 118 Mn, an increase of THB 36 Mn or 44% from the same period of 2021. This increase was mainly due to

- an increase in employee and benefit expenses related with business growth
- recognition of the subsidiary's employee expenses
- an increase in bank fees from higher dine-in sales

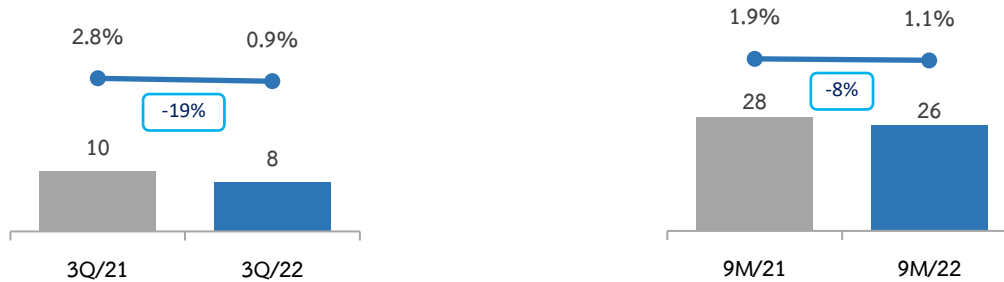
Although, the company's administrative expenses had increased, as a percentage of total revenue, administrative expenses was decreased from 22.8% in the 3rd quarter of 2021 to 12.9% in the same period of 2022

9M2021 VS 9M2022

In the 9 Months-period of 2022, administrative expenses were THB 339 Mn, an increase of THB 71 Mn or 26% from the same period of 2021. This increase was mainly due to

- an increase in employee and benefit expenses related with business growth
- recognition of the subsidiary's employee expenses
- an increase in bank fees from higher dine-in sales

Although, the company's administrative expenses had increased, as a percentage of total revenue, administrative expenses was decreased from 18.1% in the 9-Months-Period of 2021 to 13.7% in the same period of 2022

Finance Expenses

3Q2021 VS 3Q2022

In the 3rd quarter of 2022, finance expenses were THB 8 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.

9M2021 VS 9M2022

For the 9 Months-Period of 2022, finance expenses were THB 26 Mn, a decrease of THB 2 Mn or 8% 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.

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

3Q2021 VS 3Q2022

In the 3rd quarter of 2022, the company had a net profit of THB 54 Mn, turning from a net loss of THB 60 Mn or an increase of THB 114 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 -16.8% in the 3rd quarter of 2021 to 5.9% in the 3rd quarter of 2022.

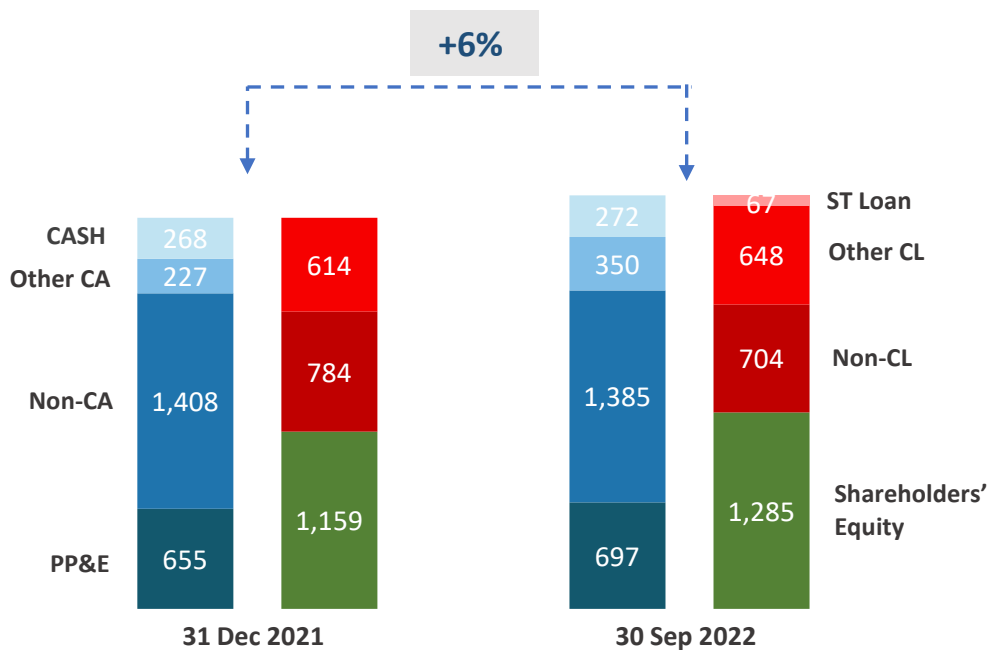
9M2021 VS 9M2022

In the 9 Months-Period of 2022, the company had a net profit of THB 112 Mn, turning from a net loss of THB 99 Mn or an increase of THB 210 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 -6.7% in the 9 Months-Period of 2021 to 4.5% in the 9 Months-Period of 2022.

Financial Position Analysis



Assets

As of 31 December 2021, and 30 September 2022, the company had total assets of THB 2,557 Mn and THB 2,704 Mn respectively, an increase of THB 146 Mn or 6% mainly due to increases of inventories and other current assets

Liabilities

As of 31 December 2021, and 30 September 2022, the company had total liabilities of THB 1,398 Mn and THB 1,419 Mn respectively, an increase of THB 21 Mn or 2% mainly due to an increase in current liabilities

Shareholder Equity

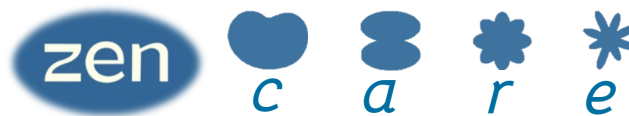
As of 31 December 2021, and 30 September 2022, the company had shareholders' equity of THB 1,159 Mn and THB 1,285 Mn respectively, an increase of THB 126 Mn or 11%. This increase in shareholders' equity was mainly derived from (1) total profit during the period THB 100 Mn. (2) deficient on business combination under common control THB 3 Mn. And (3) acquisition of non-controlling interests from subsidiaries THB 23Mn.

Liquidity and Capital Structure

As of 30 September 2022, the company had a current ratio was increased to 0.87, compared to the end of 2021 at 0.81. The debt-to-equity ratio slightly decreased to 1.10 as of 30 September 2022 compared to 1.21 at the end of 2021.

Progress of sustainable development of the organization (ESG)

The company has been selected as one of the 'Sustainable Stocks of Year 2022' in THSI (Thailand Sustainability Investment) in Agro & Food Industry from the Stock Exchange of Thailand. The company continues to push forward the ZEN CARE policy by focusing on the 3P, namely Planet Care - Caring for the Environment, People Care - Developing the Community and Society, Prosperity Care - Sustainable Economy through the restaurant to restore value to the environment in a sustainable way, in line with ESG (Environmental, Social, Governance), which is the heart of the organization's business standards through the following activities



ENVIRONMENT (PLANET)	SOCIAL (PEOPLE)	GOVERNMENT (PROSPERITY)
<p>Reduce the amount of greenhouse gas by purchasing carbon credits from greenhouse gas reduction projects that will be advantage for communities</p>	<p>The produce of community agriculture has been selected as one of the main ingredients of Tummour, Lao Yuan and Kiang shop. The produce of community agriculture comes with 3 special menus in 3 Thai brand restaurants under Zen Group</p> <p>Seedless Watermelon: Menu "Watermelon Smoothie" from Tummour, using 100% seedless watermelon from the farm by community enterprise groups Tha Uthen District, Nakhon Phanom Province</p> <p>Tofu: A special dish from Lao Yuan restaurant "Tofu" by bringing good things from Khlong Ngae Community, Songkhla Province</p> <p>Durian and Rice: Kiang has created a new menu. "Durian basil" by using durian sent directly from Chanthaburi, Rayong and Trat provinces and rice from Khok Nasai community, Saraburi</p>	<ul style="list-style-type: none"> - Safe packaging and recyclable portions are used to reduce waste by having all employees in the Zen Group help each other to sort the waste systematically to deliver to the loop project and separating plastic bottles to enter the process for further recycling - Make new employee uniforms under the concept of 'SAVE THE WORLD' by recycling over 230,000 PET plastic bottles into high-quality yarns by world-class factory. And then woven into cloth to sew a total of 6,100 staff-uniforms that feature comfortable and flexible wear

Please be informed accordingly,

Yours sincerely,

(Mrs. Yupaphan Ekasittikul)
Chief Financial Officer