

12 May 2023

No. ZEN 2566-009
 Subject Management Discussion and Analysis for the 1st quarter of 2023
 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 1st quarter of 2023, as follows:

Business Overview

The Thai economy continued to recover in 2023 after the disruption caused by the COVID-19 epidemic, especially in the tourism and service sectors which have fully opened the country, resulting in an increase in the number of tourists compared to the same period last year. Additionally, the government announced measures to reduce the cost of living and stimulate the economy, in line with the improved Consumer Confidence Index (CCI) which rose from 47.9 in the 4th quarter of 2022 to 52.7 in the 1st quarter of 2023.

The Company’s performance in the 1st quarter of 2023 reflected the positive direction of the Thai economy. The Company’s total revenue was THB 913Mn, representing an increase of 32% compared to the same period last year due to the Company’s business plan has focused on creating positive same-store growth and expanding the franchise business both domestically and internationally, along with the growth of the commercial retail business. As a result, the Company’s restaurant and retail revenues increased by 41% and 58%, respectively, compared to the same period last year.

Financial Performance Summary

Statement of Income (Million Baht)	1 st Quarter			
	2022	2023	Change	
Revenue from Sales and Service (Main Revenue)	686	906	220	32%
Other Income	6	7	1	12%
Total Revenue	692	913	221	32%
Cost of Sales and Service	378	509	131	35%
Selling Expenses	189	231	42	22%
Administrative Expenses	106	116	10	10%
Total Expenses	673	856	183	27%
Profit/(Loss) from Operating Activities	19	57	38	194%
Finance Costs	9	10	1	9%
Share of Loss of Associate Accounted for Using Equity Method	0	-	0	100%
Profit/(Loss) before Tax Expenses	10	47	37	376%
Tax Expenses (Income)	2	9	7	385%
Net Profit/(Loss) for the Period	8	38	30	374%
<i>Profit/(Loss) of Parent Company</i>	<i>4</i>	<i>34</i>	<i>30</i>	<i>716%</i>
<i>Minority Equity Profit/(Loss) of Subsidiaries</i>	<i>4</i>	<i>4</i>	<i>0</i>	<i>11%</i>

In the 1st quarter of 2023, the Company opened 5 new restaurants, 2 of which are owned by the Company and 3 of which are franchised branches.

As of 31 March 2023, the Company’s total restaurants reached 339 branches, of which 157 are equity owned branches (46% of total) and 182 are franchised branches (54% of total).

Financial Performance Analysis

1. Total Revenue

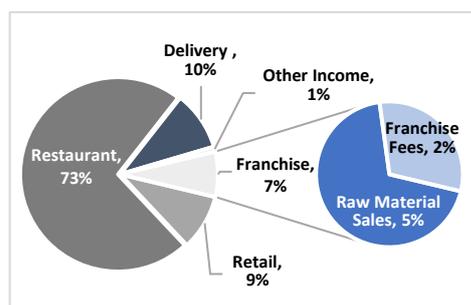
Revenue (Million Baht)	1 st Quarter			
	2022	2023	Change	
Revenue from Sales of Goods				
▪ Revenue from Restaurant Business	502	706	204	41%
▪ Revenue from Food Delivery & Catering	68	47	(21)	(31%)
▪ Revenue from Raw Material Sell to Franchise	36	32	(4)	(11%)
▪ Revenue from Retail Commercial	64	101	37	58%
Total Revenue from Sales of Goods	670	886	216	32%
Franchise Fees Income	16	20	4	24%
Revenue from Sales and Service (Main Revenue)	686	906	220	32%
Other Income	6	7	1	12%
Total Revenue	692	913	221	32%

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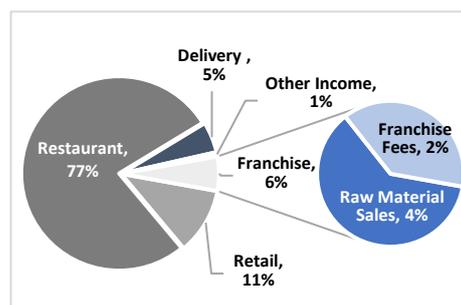
In the 1st quarter of 2023, the Company's total revenue was THB 913Mn, as increase of THB 221Mn or 32% from the same period of 2022, and the 1Q23 Same Store Sales Growth (SSSG) was 12.5%. This was due to changes in revenue from various business operations as follows:

- **Revenue from Restaurant Business** increased by THB 204Mn or grew 41%, because of eating out more which is partly driven by the government's tax measures "Shop Dee Mee Kuen" to encourage more spending. And with measures to promote tourism, more foreign tourists have come to eat in our restaurant as well. In addition, our new branches opened during the 3rd-4th quarter of 2022 have fully operated and help drive revenue to grow more than the same period last year.
- **Revenue from Food Delivery & Catering** decreased by THB 21Mn or 31% caused from the recovery of restaurant business. However, 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 Raw Material Sell to Franchise** decreased by THB 4Mn or 11% mainly due to the decrease in the number of franchise branches (especially Khiang brand), however the raw material purchasing rate of the franchisees remains close to the previous year.
- **Revenue from Retail Commercial** increased by THB 37Mn or grew 58% from the same period last year, mainly due to full revenue recognition of King Marine Foods Co., Ltd. for the whole quarter, from the company's investment of 51% in March 2022.
- **Franchise Fees Income** increased by THB 4Mn or 24%, driven by an increase in initial and renewal fees income and higher royalty and marketing fees income collected from franchisees, consequent to their business recovery.

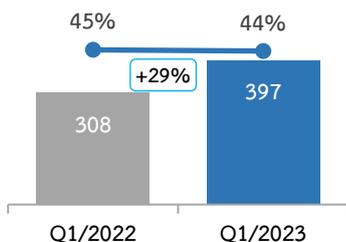
Revenue Structure of Q1/2022



Revenue Structure of Q1/2023



2. Gross Profit



Gross Profit (Million Baht)	1 st Quarter			
	2022	2023	Change	
Revenue from Sales & Service	686	906	220	32%
Cost of Sales & Service	378	509	131	35%
Gross Profit	308	397	89	29%
Gross Profit Margin (%)	45%	44%	(1%)	

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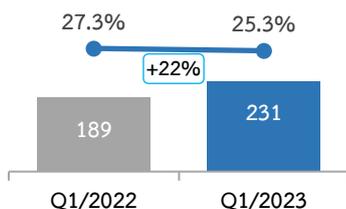
Gross Profit is derived from revenue from sales and service (main revenue) less cost of sales and service.

Cost of Sales and Service mainly consists of raw material cost, staff cost (kitchen area), rent, service fees and utilities (kitchen area). In the 1st quarter of 2023, the Company's total cost of sales and service increased by 35% from the same period last year, in line with the higher revenue from the restaurant business and retail commercial business.

In the 1st quarter of 2023, the Company's **gross profit** was THB 397Mn, an increase of THB 89Mn or 29% from the same period last year and **gross profit margin** was 44% or decreased 1% from 1st quarter of 2022, mainly due to an increasing proportion of retail commercial business, which has a lower gross margin than restaurant business.

However, the Company has continued efficient cost management including creating menus and organizing promotions for each brand to suit the cost of raw materials.

3. Selling Expenses



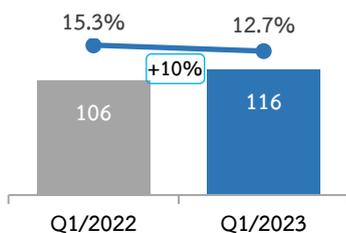
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In the 1st quarter of 2023, the Company's selling expenses were THB 231Mn, an increase of THB 42Mn or 22% from the same period last year, mainly due to

- an increase in rent, service fee and utilities because the rate returned to normal, and from an increase in number of branches owned by the Company.
- Staff and benefit expenses (dining area) were increased according to the increase in number of new branches opening.

As a percentage of total revenue, selling expenses decreased from 27.3% in the 1st quarter of 2022 to 25.3% in the same period of 2023.

4. Administrative Expenses

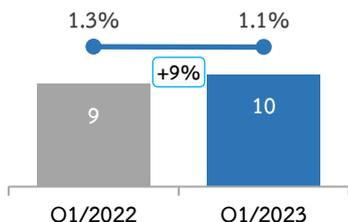


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In the 1st quarter of 2023, the Company's administrative expenses were THB 116Mn, an increase of THB 10Mn or 10% from the same period last year. This increase was in line with the Company's business growth due to the support team's expenses increasing, and a recognition of the subsidiaries' expenses.

As a percentage of total revenue, administrative expenses decreased from 15.3% in the 1st quarter of 2022 to 12.7% in the same period of 2023.

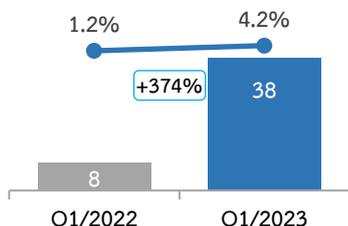
5. Finance Costs



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In the 1st quarter of 2023, the Company's finance costs were THB 10Mn, an increase of THB 1Mn or 9% from the same period of 2022. This was mainly due to an increase in the interest expenses of subsidiaries, and an increase in the interest rate of investment in subsidiaries. Partially offset by lower finance costs on the lease liabilities relating to TFRS-16.

6. Net Profit/(Loss)

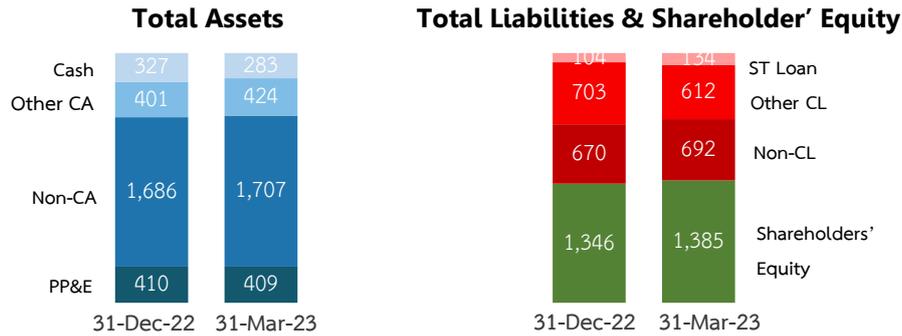


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In the 1st quarter of 2023, the Company had a net profit of THB 38Mn (which was contributed from Parent Company THB 34Mn and Minority Equity of Subsidiaries THB 4Mn), an increase of THB 30Mn or grew 374% from the same period last year.

The Company's net profit margin increased from 1.2% in the 1st quarter of 2022 to 4.2% in the 1st quarter of 2023.

Financial Position Analysis



Assets

As of 31 December 2022, and 31 March 2023, the Company had total assets of THB 2,824Mn and THB 2,823Mn respectively, a decrease of THB 1Mn mainly due to decreases of cash and cash equivalent, partially offset with increases of inventories and other current assets.

Liabilities

As of 31 December 2022, and 31 March 2023, the Company had total liabilities of THB 1,478Mn and THB 1,438Mn respectively, a decrease of THB 40Mn or 3% mainly due to decreases of trade payable and accrued expenses.

Shareholders' Equity

As of 31 December 2022, and 31 March 2023, the Company had total shareholders' equity of THB 1,346Mn and THB 1,385Mn respectively, an increase of THB 38Mn or 3%. This increase in shareholders' equity was mainly derived from (1) total profit of parent company during the period THB 34Mn, and (2) total profit of non-controlling interests from subsidiaries THB 4Mn.

Liquidity and Capital Structure

As of 31 March 2023, the Company's current ratio was increased to 0.95, compared to the end of 2022 at 0.90. The debt-to-equity ratio as of 31 March 2023 was decreased to 1.0, compared to the end of 2022 at 1.1.

Progress of Sustainable Development (ESG)

E: Environment

- Encourage waste segregation, reuse, and recycling to reduce the amount of waste sent to landfills through a campaign aimed at sorting waste. This can help reduce the amount of greenhouse gases produced.
- Set the plans to reduce energy consumption and provided guidelines for both office and restaurant branches.

S: Social

- Operate the FOOD FOR GOOD project for the second year to promote good nutrition for Thai children by making donations.
- Develop human resources by continuously organizing training for both office and branch staff. This includes employee recruitment in the 1st quarter of 2023. The Company has worked with educational institutions to provide students with the opportunity to work with the organization through cooperative and bilateral student projects.
- Support money to the Empowerment for Person with Disabilities Fund through the Jai-Dee Farm Project to support the disabled group.

G: Governance

- The Company is committed to ensure the accurate, complete, timely, transparent, through easy access channels, fair and reliable disclosure of important information, both financial and non-financial, relating to the company and its subsidiaries, and strictly comply with relevant laws and regulations.

Please be informed accordingly.

Yours sincerely,

(Mrs. Yupaphan Ekasittikul)
Chief Financial Officer