

14 November 2023

No. ZEN 2566-014  
 Subject Management Discussion and Analysis for the 3<sup>rd</sup> quarter of 2023 and 9-months period 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 3<sup>rd</sup> quarter of 2023 and 9-months period ending 30 September 2023 (or 9-months period of 2023), as follows:

## Business Overview

The overview of Thai economy in the 3<sup>rd</sup> quarter of 2023 expanded at a slower pace because of foreign demand from the export sector and the tourism sector that recovered slower than expected which are partly due to the slow recovery of the Chinese economy and the global electronics cycle. In addition, the Bank of Thailand raised the policy interest rate to 2.50 percent per year from the assessment of the risk of inflation, although it will decrease in 2023, it is likely to increase in 2024, partly due to unclear government policies and rising food costs from the El Niño phenomenon. Meanwhile, the private sector's borrowing costs tend to increase in line with the policy interest rate. The exchange rate of the baht against the dollar weakens following the monetary policy direction of the US Federal Reserve. All these factors will affect the investment atmosphere and economic activities in the future.

For the Company's operating results in the 3<sup>rd</sup> quarter of 2023, the Company had a total revenue of THB 1,004Mn, an increase of THB 93Mn or 10% compared to the same period last year. This was mainly due to an 11% increase in the revenue of the restaurant business from model adjustments, brand development and various promotions to meet the needs of customer targets. In addition, a 58% increase in revenue for retail business came from adding capacity for Seasoning and Seafood business to support the business growth.

For the 9-months period of 2023, the Company's total revenue was THB 2,883Mn, or a 17% increase from the 9-months period of 2022. The net profit of the entire group was THB 134Mn, an increase of THB 22Mn or 20% and the net profit attributable to the Parent Company was THB 120Mn, an increase of THB 21Mn or 21% compared to the same period last year.

## Financial Performance Summary

Statement of Income (THB Mn)	3 <sup>rd</sup> Quarter (Jul-Sep)				9-months period (Jan-Sep)			
	2022	2023	Change		2022	2023	Change	
Revenue from Sales and Service (Main Revenue)	900	999	99	11%	2,445	2,867	422	17%
Other Income	11	4	(7)	(61%)	22	16	(6)	(25%)
<b>Total Revenue</b>	<b>911</b>	<b>1,004</b>	<b>93</b>	<b>10%</b>	<b>2,468</b>	<b>2,883</b>	<b>415</b>	<b>17%</b>
Cost of Sales and Service	480	569	89	18%	1,324	1,621	297	22%
Selling Expenses	236	256	20	9%	639	737	97	15%
Administrative Expenses	118	116	(3)	(2%)	339	334	(5)	(1%)
<b>Total Expenses</b>	<b>834</b>	<b>941</b>	<b>106</b>	<b>13%</b>	<b>2,303</b>	<b>2,692</b>	<b>390</b>	<b>17%</b>
<b>Profit/(Loss) from Operating Activities</b>	<b>76</b>	<b>63</b>	<b>(13)</b>	<b>(17%)</b>	<b>165</b>	<b>191</b>	<b>26</b>	<b>16%</b>
Finance Costs	8	11	2	29%	26	30	5	18%
Share of Loss of Associate Accounted for Using Equity Method	1	-	(1)	(100%)	1	-	(1)	(100%)
<b>Profit/(Loss) before Tax Expenses</b>	<b>68</b>	<b>52</b>	<b>(15)</b>	<b>(22%)</b>	<b>138</b>	<b>161</b>	<b>23</b>	<b>17%</b>
Tax Expenses (Income)	13	7	(7)	(48%)	26	27	1	3%
<b>Net Profit/(Loss) for the Period</b>	<b>54</b>	<b>46</b>	<b>(9)</b>	<b>(16%)</b>	<b>112</b>	<b>134</b>	<b>22</b>	<b>20%</b>
<i>Profit/(Loss) of Parent Company</i>	<i>51</i>	<i>40</i>	<i>(11)</i>	<i>(21%)</i>	<i>99</i>	<i>120</i>	<i>21</i>	<i>21%</i>
<i>Minority Equity Profit/(Loss) of Subsidiaries</i>	<i>3</i>	<i>6</i>	<i>2</i>	<i>65%</i>	<i>12</i>	<i>14</i>	<i>2</i>	<i>13%</i>

In the 3<sup>rd</sup> quarter of 2023, the Company opened 18 new restaurants, 13 of which are owned by the Company, the other 5 of which are domestic franchises. For the 9-months period of 2023, the Company opened 33 new restaurants, 20 of which are owned by the Company, the other 12 of which are domestic franchises and 1 of which is an international franchise.

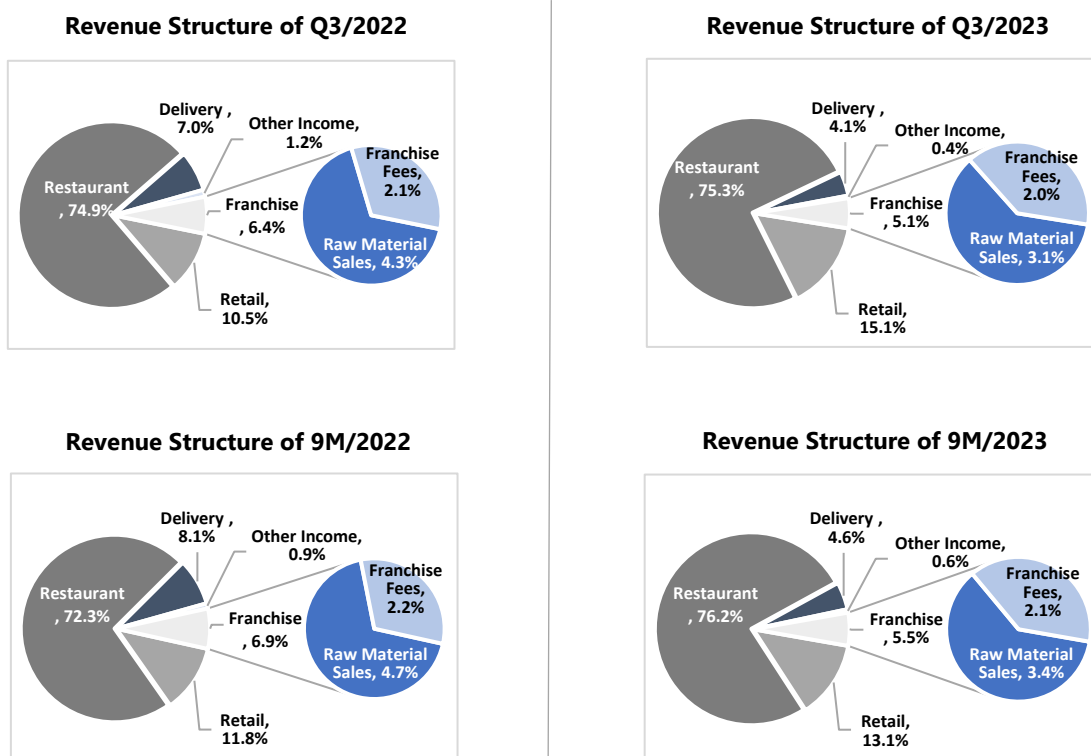
As of 30 September 2023, the Company's total restaurants reached 329 branches, 166 of which are equity-owned branches, 154 of which are domestic franchised branches and 9 of which are international franchised branches.

Branch Expansion and SSSG	3 <sup>rd</sup> Quarter (Jul-Sep)		9-months period (Jan-Sep)	
	2022	2023	2022	2023
Number of New Equity branches opened during period	8	13	16	20
Number of Equity branches at period end	146	166	146	166
Number of New Franchise branches opened during period	4	5	11	13
Number of Franchise branches at period end	210	163	210	163
<b>Total number of new branches opened during period</b>	<b>12</b>	<b>18</b>	<b>27</b>	<b>33</b>
<b>Total number of branches at the end of the period</b>	<b>356</b>	<b>329</b>	<b>356</b>	<b>329</b>
<b>Same Store Sales Growth: SSSG (%) <sup>(1)</sup></b>	<b>75.2%</b>	<b>(4.5%)</b>	<b>39.9%</b>	<b>3.1%</b>

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

## Financial Performance Analysis

### 1. Total Revenue



Remark: Percentage of Total Revenue

Revenue (THB Mn)	3 <sup>rd</sup> Quarter (Jul-Sep)				9-months period (Jan-Sep)			
	2022	2023	Change		2022	2023	Change	
<b>Revenue from Sales of Goods</b>								
▪ Revenue from Restaurant Business	683	756	73	11%	1,783	2,197	414	23%
▪ Revenue from Food Delivery	64	41	(23)	(35%)	200	134	(66)	(33%)
▪ Revenue from Raw Material Sell to Franchise	39	31	(8)	(20%)	117	97	(20)	(17%)
▪ Revenue from Retail Commercial	96	151	55	58%	291	377	86	30%
<b>Total Revenue from Sales of Goods</b>	<b>881</b>	<b>979</b>	<b>98</b>	<b>11%</b>	<b>2,391</b>	<b>2,805</b>	<b>414</b>	<b>17%</b>
<b>Franchise Fees Income</b>	<b>19</b>	<b>20</b>	<b>1</b>	<b>5%</b>	<b>54</b>	<b>62</b>	<b>8</b>	<b>14%</b>
<b>Revenue from Sales and Service (Main Revenue)</b>	<b>900</b>	<b>999</b>	<b>99</b>	<b>11%</b>	<b>2,445</b>	<b>2,867</b>	<b>422</b>	<b>17%</b>
Other Income	11	4	(7)	(61%)	22	16	(6)	(25%)
<b>Total Revenue</b>	<b>911</b>	<b>1,004</b>	<b>93</b>	<b>10%</b>	<b>2,468</b>	<b>2,883</b>	<b>415</b>	<b>17%</b>

## YoY

In the 3<sup>rd</sup> quarter of 2023, the Company had total revenue of THB 1,004Mn, an increase of THB 93Mn or 10% from the 3<sup>rd</sup> quarter of 2022 and the Company's same store sales growth rate was -4.5%.

For the 9-months period of 2023, the Company had total revenue of THB 2,883Mn, an increase of THB 415Mn or 17% from the 9-months period of 2022, and the Company's same store sales growth rate was 3.1%.

This was due to changes in revenue from various business operations as follows:

- **Revenue from Restaurant Business:** In the 3<sup>rd</sup> quarter of 2023, the revenue increased by THB 73Mn or 11% from the 3<sup>rd</sup> quarter of 2022, and for the 9-months period of 2023, revenue increased by THB 414Mn or 23% from the same period last year. As a result of the domestic situation improving, more people went to eat out or dine-in at restaurants. Moreover, the Company has also adjusted the brand image and launched marketing activities including sales promotions, resulting in the revenue from this channel increasing from the same period last year.
- **Revenue from Food Delivery:** In the 3<sup>rd</sup> quarter of 2023, revenue decreased by THB 23Mn or 35% from the 3<sup>rd</sup> quarter of 2022, and for the 9-months period of 2023, revenue decreased by THB 66Mn or 33% from the same period last year due to the consumers shifted to eating out or dining-in restaurants more. However, the Company continues to focus on food delivery channels through food delivery service providers, our "Zen Group Member" application and 1376 call center, which have improved the operation to be Omni channel for working smoothly so that customers can use our service more conveniently and quickly.
- **Revenue from Raw Material Sell to Franchise:** In the 3<sup>rd</sup> quarter of 2023, the revenue decreased by THB 8Mn or 20% from the 3<sup>rd</sup> quarter of 2022, and for the 9-months period of 2023, revenue decreased by THB 20Mn or 17% from the same period last year mainly due to the decrease in the number of franchise branches.
- **Revenue from Retail Commercial:** In the 3<sup>rd</sup> quarter of 2023, the revenue increased by THB 55Mn or 58% from the 3<sup>rd</sup> quarter of 2022, and for 9-months period of 2023, revenue increased by THB 86Mn or grew 30% from the same period last year due to King Marine Foods Co., Ltd., has expanded its customer base resulting in increased purchase orders.
- **Franchise Fees Income:** In the 3<sup>rd</sup> quarter of 2023, the revenue increased by THB 1Mn or 5% from the 3<sup>rd</sup> quarter of 2022, and for the 9-months period of 2023, revenue increased by THB 8Mn or 14% from the same period last year due to the increase of initial fee income from the opening of new franchise branches was higher than the same period last year, and the increased revenue from royalty and marketing fees according to higher franchise revenue, compared to the same period last year.

## 2. Gross Profit

Gross Profit (Million Baht)	3 <sup>rd</sup> Quarter (Jul-Sep)				9-months period (Jan-Sep)			
	2022	2023	Change		2022	2023	Change	
Revenue from Sales & Service	900	999	99	11%	2,445	2,867	422	17%
Cost of Sales & Service	480	569	89	18%	1,324	1,621	297	22%
<b>Gross Profit</b>	<b>420</b>	<b>430</b>	<b>11</b>	<b>3%</b>	<b>1,121</b>	<b>1,246</b>	<b>125</b>	<b>11%</b>
<b>Gross Profit Margin (%)</b>	<b>46.6%</b>	<b>43.1%</b>	<b>(3.6%)</b>		<b>45.8%</b>	<b>43.5%</b>	<b>(2.4%)</b>	



YoY

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

**Cost of Sales and Service** consists of raw material cost, staff cost (kitchen area), rent, service fees and utilities (kitchen area).

In the 3<sup>rd</sup> quarter of 2023, the Company's gross profit increased by THB 11Mn or 3% and for the 9-months period of 2023, the Company's gross profit increased by THB 125Mn or 11% from the same period last year, in line with the higher revenue from the restaurant business and retail commercial business. However, the Company's gross profit margin in both the 3<sup>rd</sup> quarter and the 9-months period of 2023, decreased by 3.6% and 2.4%, respectively, compared to the same period last year due to

- 1) The sales mix of retail business has increased, which has a lower gross profit margin than restaurant business.
- 2) The cost of raw materials for both the restaurant business and the retail commercial business has increased because of supply shortages due to El Niño, which has led to an increase in food cost.

## 3. Selling expenses



YoY

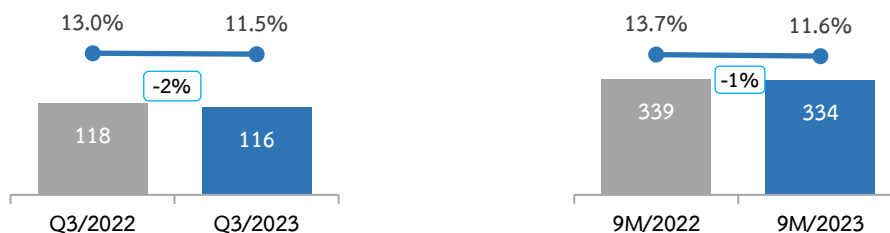
**Selling expenses** mainly consist of marketing expenses and commission paid to delivery operators, staff expenses (service area), rent, service fees and utilities (service area).

In the 3<sup>rd</sup> quarter of 2023, the Company's selling expenses increased by THB 20Mn or 9% from the 3<sup>rd</sup> quarter of 2022, and for the 9-months period of 2023, the Company's selling expenses increased by THB 97Mn or 15% from the same period last year due to

- 1) Rent, service fees, utilities costs, and Staff expenses (service area) increased according to the increase in the number of new company-owned branches.
- 2) However, commission expenses paid to food delivery operators decreased in line with the decrease in revenue from food delivery services.

As a percentage of total revenue, selling expenses for the 3<sup>rd</sup> quarter of 2023 decreased by 0.3%, and for the 9-months period of 2023, decreased by 0.4% from the same period last year.

#### 4. Administrative Expenses



YoY

In the 3<sup>rd</sup> quarter of 2023, the Company's **administrative expenses** decreased by THB 3Mn or 2% from the 3<sup>rd</sup> quarter of 2022, and for the 9-months period of 2023, the Company's administrative expenses decreased by THB 5Mn or 1% from the same period last year due to unnecessary cost control and lower staff cost due to the restructuring of internal support units in the last quarter.

As a result, the ratio of administrative expenses to total revenue of both the 3<sup>rd</sup> quarter and the 9-months period of 2023 decreased by 1.5% and 2.1% compared to the same period last year, respectively.

#### 5. Finance Costs



YoY

In the 3<sup>rd</sup> quarter of 2023, the Company's **finance costs** increased by THB 2Mn or 29% from the 3<sup>rd</sup> quarter of 2022, and for the 9-months period of 2023, the Company's finance costs increased by THB 5Mn or 18% from the same period last year due to the Company recognized interest expenses of a subsidiary. However, as a percentage of total revenue, the finance cost was 1%, same ratio of the same period last year.

#### 6. Net Profit/(Loss)



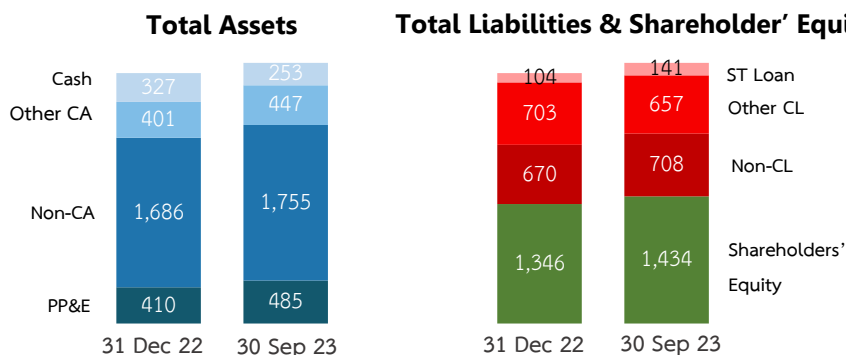
YoY

**In the 3<sup>rd</sup> quarter of 2023, the Company's net profit was THB 46Mn** decreased by THB 9Mn or 16% from the same period last year. The net profit margin decreased by 1.4% from 5.9% in the 3<sup>rd</sup> quarter of 2022 to 4.5% in the 3<sup>rd</sup> quarter of 2023. Attributable to - Parent Company of THB 40Mn which decreased from the same period last year by THB 11Mn or 21%.  
- Minority Equity of Subsidiaries of THB 6Mn which increased by THB 2Mn from the same period last year.

**For the 9-months period of 2023, the Company's net profit was THB 134Mn** increased by THB 22Mn or 20% from the same period last year. The net profit margin increased by 0.1% from 4.5% in the 9-months period of 2022 to 4.6% in the 9-months period of 2023.

Attributable to - Parent Company of THB 120Mn which increased from the same period last year by THB 21Mn or 21%.  
- Minority Equity of Subsidiaries of THB 14Mn which increased by THB 2Mn from the same period last year.

## Financial Position Analysis



### Assets

As of 31 December 2022, and 30 September 2023, the Company had total assets of THB 2,824Mn and THB 2,940Mn, respectively, an increase of THB 116Mn mainly due to inventories, other current assets, property, plant & equipment, and other assets increased while cash and cash equivalents decreased.

### Liabilities

As of 31 December 2022, and 30 September 2023, the Company had total liabilities of THB 1,478Mn and THB 1,506Mn, respectively, an increase of THB 28Mn came from an increase in short-term loan of a subsidiary, but trade payables and accrued expenses decreased.

### Shareholders' Equity

As of 31 December 2022, and 30 September 2023, the Company had total shareholders' equity of THB 1,346Mn and THB 1,434Mn, respectively, an increase of THB 88Mn. This increase in shareholders' equity was mainly derived from (1) total profit of parent company during the period THB 73Mn (2) total profit of non-controlling interests from subsidiaries THB 13Mn and (3) surplus on business combination under common control THB 2Mn.

### Liquidity and Capital Structure

As of 30 September 2023, the Company's current ratio was decreased to 0.88 compared to the end of 2022 at 0.90. The debt-to-equity ratio as of 30 September 2023 was decreased to 1.05 compared to the end of 2022 at 1.10.

## 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 up plans to reduce energy consumption and provided guidelines for both office and restaurant branches.
- Participate in the implementation of the organization's greenhouse gas assessment project.

### S: Social

- Operate the FOOD FOR GOOD project for the second year to promote good nutrition for Thai children by making donations.
- Support raw materials 'Cage Free' eggs and initiate use in ZEN Restaurant, AKA, and On the Table Central Festival Chiangmai and ZEN Restaurant Central Chiangmai Airport.
- 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