

23 February 2024

No. ZEN 2567-003  
 Subject Management Discussion and Analysis for the 4<sup>th</sup> quarter of 2023 and the year ended 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 4<sup>th</sup> quarter of 2023 and year ended 2023, as follows:

## Business Overview

The overview of Thai economy in the 4<sup>th</sup> quarter of 2023 particularly driven by private consumption, which was supported by increased consumer confidence index, as well as continuous job employment and income growth. However, foreign demand slowed down due to a slower-than-expected recovery in the service sector. This was partly due to the slow recovery of Chinese tourists, a group that spends more than tourists from other nationalities, resulting in a reduction in tourism revenue. Additionally, the Chinese economy and the global electronics industry have not fully recovered. Regarding inflation, although it decreased in 2023, there is an increasing trend expected in 2024 due to the risks of El Niño phenomenon and higher global energy prices than expected. Financial conditions remained somewhat tight compared to the previous quarter, with increasing borrowing costs for the private sector due to fluctuations in commercial bank lending rates following interest rate policy changed in the 3<sup>rd</sup> quarter of 2023.

For the Company's operating results in the 4<sup>th</sup> quarter of 2023, the Company had a total revenue of THB 1,062Mn, an increase of THB 116Mn or 12% compared to the same period last year. This was mainly due to an 8% 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 72% increase in revenue for retail business came from adding capacity for Seasoning and Seafood business to support business growth.

For the year ended 2023, the Company's total revenue was THB 3,945Mn, an increase of 532Mn or 16% from the year ended 2022. The net profit of the entire group was THB 177Mn, an increase of THB 5Mn or 3% and the net profit attributable to the Parent Company was THB 158Mn, an increase of THB 4Mn or 2% compared to the same period last year.

## Financial Performance Summary

Statement of Income (THB Mn)	4 <sup>th</sup> Quarter (Oct-Dec)				The year ended period			
	2022	2023	Change		2022	2023	Change	
Revenue from Sales and Service (Main Revenue)	938	1,048	110	12%	3,383	3,915	532	16%
Other Income	8	14	6	85%	30	30	1	2%
<b>Total Revenue</b>	<b>946</b>	<b>1,062</b>	<b>116</b>	<b>12%</b>	<b>3,413</b>	<b>3,945</b>	<b>532</b>	<b>16%</b>
Cost of Sales and Service	513	618	104	20%	1,838	2,239	401	22%
Selling Expenses	213	248	34	16%	853	984	132	15%
Administrative Expenses	138	134	(4)	(3%)	477	468	(9)	(2%)
<b>Total Expenses</b>	<b>865</b>	<b>999</b>	<b>134</b>	<b>16%</b>	<b>3,167</b>	<b>3,691</b>	<b>524</b>	<b>17%</b>
<b>Profit/(Loss) from Operating Activities</b>	<b>81</b>	<b>63</b>	<b>(18)</b>	<b>(22%)</b>	<b>246</b>	<b>254</b>	<b>8</b>	<b>3%</b>
Finance Costs	7	12	5	72%	33	42	9	29%
Share of Loss of Associate Accounted for Using Equity Method	1	-	(1)	(100%)	2	-	(2)	(100%)
<b>Profit/(Loss) before Tax Expenses</b>	<b>74</b>	<b>51</b>	<b>(22)</b>	<b>(30%)</b>	<b>211</b>	<b>212</b>	<b>1</b>	<b>0%</b>
Tax Expenses (Income)	13	7	(5)	(41%)	39	34	(4)	(11%)
<b>Net Profit/(Loss) for the Period</b>	<b>61</b>	<b>44</b>	<b>(17)</b>	<b>(28%)</b>	<b>172</b>	<b>177</b>	<b>5</b>	<b>3%</b>
<i>Profit/(Loss) of Parent Company</i>	<i>55</i>	<i>38</i>	<i>(17)</i>	<i>(31%)</i>	<i>154</i>	<i>158</i>	<i>4</i>	<i>2%</i>
<i>Minority Equity Profit/(Loss) of Subsidiaries</i>	<i>6</i>	<i>6</i>	<i>(0)</i>	<i>(5%)</i>	<i>18</i>	<i>20</i>	<i>1</i>	<i>7%</i>

In the 4<sup>th</sup> quarter of 2023, the Company opened 24 new restaurants, 18 of which are owned by the Company, the other 5 of which are domestic franchises and 1 of which are international franchise. For the year ended 2023, the Company opened 57 new restaurants, 38 of which are owned by the Company, the other 17 of which are domestic franchises and 2 of which are international franchises.

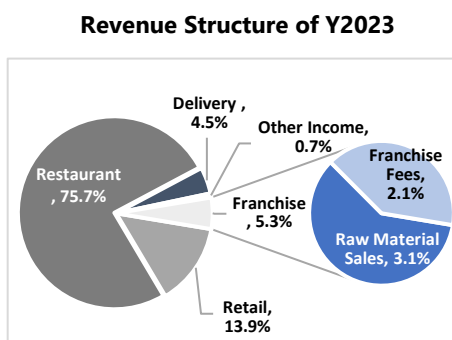
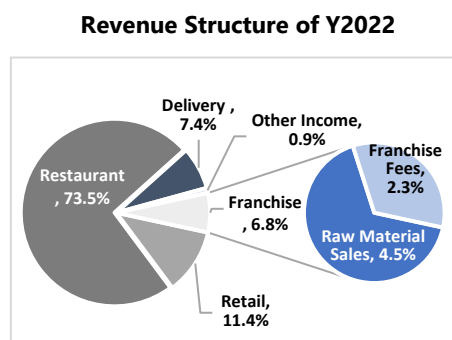
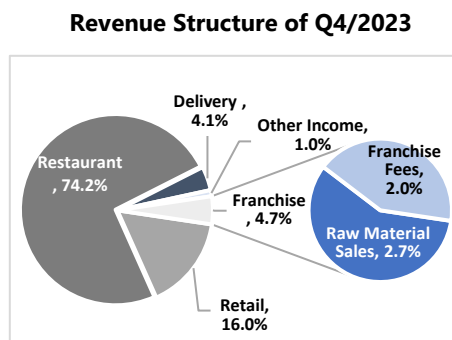
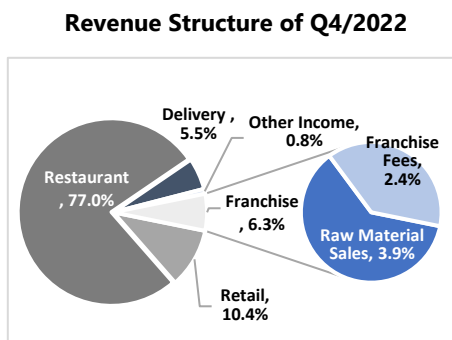
As of 31 December 2023, the Company's total restaurants reached 341 branches, 182 of which are equity-owned branches, 149 of which are domestic franchised branches and 10 of which are international franchised branches.

Branch Expansion and SSSG	4 <sup>th</sup> Quarter (Oct-Dec)		The year ended period	
	2022	2023	2022	2023
Number of New Equity branches opened during period	9	18	25	38
Number of Equity branches at period end	155	182	155	182
Number of New Franchise branches opened during period	9	6	20	19
Number of Franchise branches at period end	190	159	190	159
<b>Total number of new branches opened during period</b>	<b>18</b>	<b>24</b>	<b>45</b>	<b>57</b>
<b>Total number of branches at the end of the period</b>	<b>345</b>	<b>341</b>	<b>345</b>	<b>341</b>
<b>Same Store Sales Growth: SSSG (%) <sup>(1)</sup></b>	<b>0.4%</b>	<b>(7.9%)</b>	<b>25.5%</b>	<b>0.1%</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)	4 <sup>th</sup> Quarter (Oct-Dec)				The year ended period			
	2022	2023	Change		2022	2023	Change	
<b>Revenue from Sales of Goods</b>								
▪ Revenue from Restaurant Business	727	786	59	8%	2,509	2,983	474	19%
▪ Revenue from Food Delivery	52	42	(10)	(19%)	252	176	(76)	(30%)
▪ Revenue from Raw Material Sell to Franchise	37	30	(7)	(20%)	154	127	(27)	(18%)
▪ Revenue from Retail Commercial	98	169	71	72%	390	546	156	40%
<b>Total Revenue from Sales of Goods</b>	<b>914</b>	<b>1,027</b>	<b>113</b>	<b>12%</b>	<b>3,305</b>	<b>3,832</b>	<b>527</b>	<b>16%</b>
<b>Franchise Fees Income</b>	<b>24</b>	<b>21</b>	<b>(3)</b>	<b>(12%)</b>	<b>78</b>	<b>83</b>	<b>5</b>	<b>6%</b>
<b>Revenue from Sales and Service (Main Revenue)</b>	<b>938</b>	<b>1,048</b>	<b>110</b>	<b>12%</b>	<b>3,383</b>	<b>3,915</b>	<b>532</b>	<b>16%</b>
Other Income	8	14	6	79%	30	30	1	2%
<b>Total Revenue</b>	<b>946</b>	<b>1,062</b>	<b>116</b>	<b>12%</b>	<b>3,413</b>	<b>3,945</b>	<b>532</b>	<b>16%</b>

## YoY

In the 4<sup>th</sup> quarter of 2023, the Company had total revenue of THB 1,062Mn, an increase of THB 116Mn or 12% from the 4<sup>th</sup> quarter of 2022 but the Company's same store sales growth rate was -7.9%.

For the year ended 2023, the Company had total revenue of THB 3,945Mn, an increase of THB 532Mn or 16% from the year ended 2022, and the Company's same store sales growth rate was 0.1%.

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

- **Revenue from Restaurant Business:** In the 4<sup>th</sup> quarter of 2023, the revenue increased by THB 59Mn or 8% from the 4<sup>th</sup> quarter of 2022, and for the year ended 2023, revenue increased by THB 474Mn or 19% from the same period last year. As a result of opening new branches have significantly contributed to the company's revenue. Moreover, rebranding of Laoyuan since mid-2023, along with marketing activities and sales promotions, has resulted in the revenue from this channel increasing from the same period last year.
- **Revenue from Food Delivery:** In the 4<sup>th</sup> quarter of 2023, revenue decreased by THB 10Mn or 19% from the 4<sup>th</sup> quarter of 2022, and for the year ended 2023, revenue decreased by THB 76Mn or 30% 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 4<sup>th</sup> quarter of 2023, the revenue decreased by THB 7Mn or 20% from the 4<sup>th</sup> quarter of 2022, and for the year ended 2023, revenue decreased by THB 27Mn or 18% from the same period last year mainly due to the decrease in the number of franchise branches.
- **Revenue from Retail Commercial:** In the 4<sup>th</sup> quarter of 2023, the revenue increased by THB 71Mn or 72% from the 4<sup>th</sup> quarter of 2022, and for the year ended 2023, revenue increased by THB 156Mn or grew 40% 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 4<sup>th</sup> quarter of 2023, the revenue decreased by THB 3Mn or 12% from the 4<sup>th</sup> quarter of 2022, but for the year ended 2023, revenue increased by THB 5Mn or 6% 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)	4 <sup>th</sup> Quarter (Oct-Dec)				The year ended period			
	2022	2023	Change		2022	2023	Change	
Revenue from Sales & Service	938	1,048	110	12%	3,383	3,915	532	16%
Cost of Sales & Service	513	618	104	20%	1,838	2,239	401	22%
<b>Gross Profit</b>	425	430	6	1%	1,546	1,676	130	8%
<b>Gross Profit Margin (%)</b>	<b>45.3%</b>	<b>41.1%</b>	<b>(4.2%)</b>		<b>45.7%</b>	<b>42.8%</b>	<b>(2.9%)</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 4<sup>th</sup> quarter of 2023, the Company's gross profit increased by THB 6Mn or 1% and for the year ended 2023, the Company's gross profit increased by THB 130Mn or 8% 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 4<sup>th</sup> quarter and the year ended 2023, decreased by 4.2% and 2.9%, 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 retail commercial business has increased because of the increase in raw materials price and production expense while the selling price remained the same.

## 3. Selling expenses



YoY

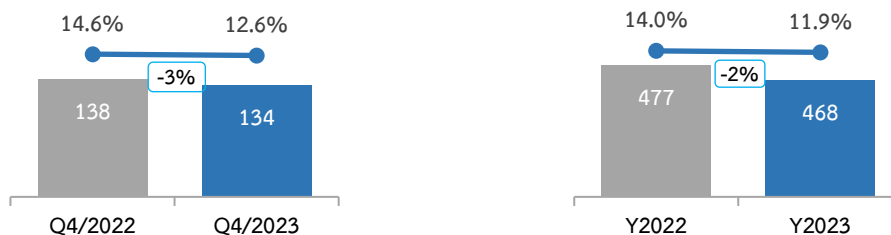
**Selling expenses** mainly consist of marketing expenses and commission paid to delivery operators, staff expenses (service area), rent, service fees and utilities (service area).

In the 4<sup>th</sup> quarter of 2023, the Company's selling expenses increased by THB 34Mn or 16% from the 4<sup>th</sup> quarter of 2022, and for the year ended 2023, the Company's selling expenses increased by THB 132Mn 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 result, a percentage of total revenue, selling expenses for the 4<sup>th</sup> quarter of 2023 increased by 0.7%, but for the year ended 2023, decreased by 0.1% from the same period last year.

#### 4. Administrative Expenses



YoY

In the 4<sup>th</sup> quarter of 2023, the Company's **administrative expenses** decreased by THB 4Mn or 3% from the 4<sup>th</sup> quarter of 2022, and for the year ended 2023, the Company's administrative expenses decreased by THB 9Mn or 2% 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 4<sup>th</sup> quarter and for the year ended 2023 decreased by 2% and 2.1% compared to the same period last year, respectively.

In the 4<sup>th</sup> quarter of 2023, the Company set up allowance for doubtful debt of franchise by THB 4.2Mn.

In the 4<sup>th</sup> quarter of 2022, the Company set up allowance for impairment in a closed joint venture by THB 5.6Mn and there was a reserve for employee benefits of a subsidiary by THB 2.5 Mn.

#### 5. Finance Costs



YoY

In the 4<sup>th</sup> quarter of 2023, the Company's **finance costs** increased by THB 5Mn or 72% from the 4<sup>th</sup> quarter of 2022, and for the year ended 2023, the Company's finance costs increased by THB 9Mn or 29% 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

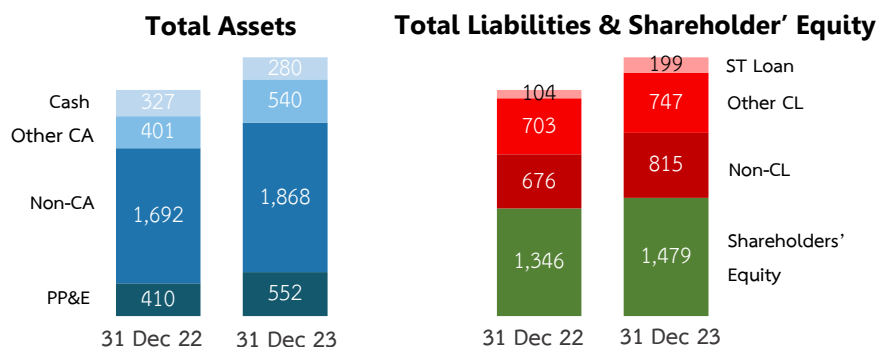
**In the 4<sup>th</sup> quarter of 2023, the Company's net profit was THB 44Mn** decreased by THB 17Mn or 28% from the same period last year. The net profit margin decreased by 2.3% from 6.4% in the 4<sup>th</sup> quarter of 2022 to 4.1% in the 4<sup>th</sup> quarter of 2023.

Attributable to - Parent Company of THB 38Mn which decreased from the same period last year by THB 17Mn or 31%.  
 - Minority Equity of Subsidiaries of THB 6Mn which same as last year.

**For the year ended 2023, the Company's net profit was THB 177Mn** increased by THB 5Mn or 3% from the same period last year. The net profit margin decreased by 0.6% from 5.1% in the year ended 2022 to 4.5% in the year ended 2023.

Attributable to - Parent Company of THB 158Mn which increased from the same period last year by THB 4Mn or 2%.  
 - Minority Equity of Subsidiaries of THB 20Mn which increased by THB 1Mn from the same period last year.

## Financial Position Analysis



### Assets

As of 31 December 2022, and 31 December 2023, the Company had total assets of THB 2,830Mn and THB 3,240Mn, respectively, an increase of THB 411Mn mainly due to inventories, other current assets, property, plant & equipment, increased while cash, cash equivalents, and other assets decreased.

### Liabilities

As of 31 December 2022, and 31 December 2023, the Company had total liabilities of THB 1,484Mn and THB 1,761Mn, respectively, an increase of THB 278Mn came from an increase in short-term loan of a subsidiary and trade payables, but accrued expenses decreased.

### Shareholders' Equity

As of 31 December 2022, and 31 December 2023, the Company had total shareholders' equity of THB 1,346Mn and THB 1,479Mn, respectively, an increase of THB 133Mn. This increase in shareholders' equity was mainly derived from (1) total profit of parent company during the period THB 112Mn (2) total profit of non-controlling interests from subsidiaries THB 19Mn (3) surplus on business combination under common control THB 2Mn.

### Liquidity and Capital Structure

As of 31 December 2023, the Company's current ratio was decreased to 0.87 compared to the end of 2022 at 0.90. The debt-to-equity ratio as of 31 December 2023 was increased to 1.19 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.
- Participate in greenhouse gas assessment project and certified from Greenhouse Gas Management Organization
- Participate in greenhouse gas offset project by purchasing carbon credits from the Biomass Power Plant, Betong Green Power

### S: Social

- Operate the FOOD FOR GOOD project for the second year to promote good nutrition for Thai children by making donations.
- Support the use of cage-free eggs by implementing them in ZEN, AKA, and On the Table Central Festival Chiangmai, ZEN Central Chiangmai Airport, and On the Table, totaling 20 branches in Bangkok.
- 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