



13 May 2019

No. ZEN 2562-018
 Subject Management Discussion and Analysis for 3-months period ending 31 March 2019
 To The President
 The Stock Exchange of Thailand

We, ZEN Corporation Group Public Company Limited (“the Group”), are pleased to provide you our management discussion and analysis for the three months period ending 31 March 2019, as follows:

Analysis of 3-Months Financial Performance

Revenues

Revenues	3-Months Period Ending 31 March			
	2018		2019	
	THB Mn	% ⁽¹⁾	THB Mn	% ⁽¹⁾
Revenue from Sales and Service	697.6	97.4%	710.0	97.2%
Franchise Fees Income	13.0	1.8%	14.1	1.9%
Other Income	5.4	0.7%	6.3	0.9%
Total Revenue	716.0	100.0%	730.5	100.0%

Remark: ⁽¹⁾ Percentage of Total Revenue

For the three months ending 31 March 2018 and 2019, the Group’s total revenue increased from THB 716.0 Mn to THB 730.5 Mn respectively, an increase of THB 14.5 Mn or 2.0%. This was mainly due to increased revenue from sales and service which itself was the major contributor to the Group's revenue. During the three months ending 31 March 2018 and 2019 revenue from sales and service made up 97.4% and 97.2% of total revenue respectively.

For the three months ending 31 March 2018 and 2019, revenue from sales and service was THB 697.6 Mn and THB 710.0 Mn respectively. This was an increase of THB 12.4 Mn or 1.8% and was mainly due to (1) the opening of new branches, (2) increased sales of raw material to franchisees and (3) increased sales of retail merchandise.

Franchise fee income increased from THB 13.0 Mn in the three months ending 31 March 2018 to THB 14.1 Mn in the same period of 2019, an increase of THB 1.1 Mn or 8.5%. This increase was mainly due to the (1) the increased number of franchise branches (2) adjustment increasing the royalty and marketing fee rates for those franchisees renewing their franchise contracts.



Item	3-Months Period Ending 31 March	
	2018	2019
Net Number of New Branches Opened ⁽¹⁾ (Branch)	1	6
Number of Equity Branches at Period End ⁽¹⁾ (Branch)	103	116
Number of Franchise Branches at Period End (Branch)	130	143
Sales from Restaurant Business During the Period (THB Mn)	669.9	661.8
Same-Store Sales Growth: SSSG (%) ⁽²⁾	12.5%	-4.4%
Growth of Revenue from Restaurant Business (%)	26.0%	-1.2%

Remark: ⁽¹⁾ Outlets owned by the Group

⁽²⁾ Calculated based on total revenue from sales and service per total operating days of the same branch

For the three months ending 31 March 2018 and 2019, the Group's other income grew from THB 5.4 Mn to THB 6.3 Mn respectively, an increase of THB 1.0 Mn or 17.9%. This increase was mainly due to higher membership fee income.

Cost of Sales and Services

Item	3-Months Period Ending 31 March			
	2018		2019	
	THB Mn	% ⁽¹⁾	THB Mn	% ⁽¹⁾
Revenue from Sales and Service	697.6	98.2%	710.0	98.1%
Franchise Fee Income	13.0	1.8%	14.1	1.9%
Revenue from Main Businesses	710.6	100.0%	724.1	100.0%
Costs of foods and beverages	253.0	35.6%	263.5	36.7%
Other operating expenses	287.1	40.4%	294.1	40.6%
Costs of Sales and Service	540.1	76.0%	557.6	77.0%
Gross Profit (After deduct Costs of foods and beverages)	457.6	64.4%	460.6	63.6%
Gross Profit (After deduct Cost of Sales and Service)	170.5	24.0%	166.5	23.0%

Remark: ⁽¹⁾ Percentage of Revenue from main businesses

For the three months ending 31 March 2018 and 2019, the costs of sales and service increased from THB 540.1 Mn to THB 557.6 Mn respectively, an increase of THB 17.5 Mn or 3.2%. This increase was mainly due to (1) the increase of raw material cost from both the restaurants which the company owns itself as well as franchise restaurants and (2) increased service fee of outsourced warehouse and logistics.



The gross profit (after deduct costs of sales and service) decreased from THB 170.5 Mn in the three months ending 31 March 2018 to THB 166.5 Mn in the same period of 2019, a decrease of THB 4.0 Mn or 2.3%. The gross profit margin decreased from 24.0% in the three months ending 31 March 2018 to 23.0% in the same period of 2019 which was mainly due (1) change in sales mix with more contribution from brands with higher food cost (2) negative same-store sales growth of 4.4% and (3) increased service fee of outsourced warehouse and logistics.

Selling Expenses

For the three months ending 31 March 2018 and 2019, selling expenses decreased from THB 27.0 Mn to THB 21.5 Mn respectively, a decrease of THB 5.5 Mn or 20.4%. The main factor for the decrease was decreased marketing expenses due to more efficient cost management. As a percent of total revenue, selling expenses decreased from 3.8% in the three months ending 31 March 2018 to 2.9% in the same period of 2019.

Administrative Expenses

For the three months ending 31 March 2018 and 2019, administration costs increased from THB 112.8 Mn to THB 114.7 Mn respectively, an increase of THB 1.9 Mn or 1.7%. This increase was mainly due to staff increase to support the future business expansion. As a percent of total revenue, administrative expenses decreased slightly from 15.8% in the three months ending 31 March 2018 to 15.7% in the same period of 2019.

Finance Expenses

Financial expenses decreased during the period from THB 6.3 Mn in the three months ending 31 March 2018 to THB 3.5 Mn in the same period of 2019, a decrease of THB 2.8 Mn or 44.4%. This was mainly due to the utilization of proceeds from initial public offering to pay back loans from commercial banks.

Tax Expenses

Income tax expense decreased from THB 5.5 Mn in the three months ending 31 March 2018 to THB 1.0 Mn in the same period of 2019, a decrease of THB 4.5 Mn or 81.8%. This was due to expenses relating to the initial public offering being tax deductible.

Net Profit

For the three months ending 31 March of 2018 and 2019, the net profit increased from THB 24.1 Mn to THB 32.1 Mn respectively, an increase of THB 8.0 Mn or 33.2% and the net profit margin increased from 3.4% to 4.4%. The main reasons were (1) decreased marketing expenses (2) decreased income tax expense and (3) decreased financial expenses.



Analysis of Financial Position

Assets

As of 31 December 2018, and 31 March 2019, the Group had total assets of THB 1,564.0 Mn and THB 1,819.0 Mn respectively, an increase of THB 255.0 Mn or 16.3%. The assets increased mainly from an increase in cash and cash equivalents remaining from the proceeds of initial public offering after deducting the repayment of loans from commercial banks.

Liabilities

As of 31 December 2018, and 31 March 2019, the Group had total liabilities of THB 1,095.4 Mn and THB 467.5 Mn respectively, a decrease of THB 627.9 Mn or 57.3%. The main factor in the decrease was repayment of loans from financial institutions.

Shareholder Equity

As of 31 December 2018, and 31 March 2019, the Group had shareholders' equity of THB 468.6 Mn and THB 1,351.5 Mn respectively, an increase of THB 882.9 Mn. This increase in shareholders' equity was mainly derived from the share premium relating to the initial public offering at 955.4 million baht. Other major changes in the shareholders' equity during the period were (1) increased paid-up capital from THB 225.0 Mn to THB 300.0 in preparation for the initial public offering (2) payment of shareholder dividend of THB 101.3 Mn and (3) net profit of the company during the period of THB 32.1 Mn.

Cash Flow Analysis

Type of Cash Flow	3-Months Period Ending 31 March	
	2018	2019
	THB Mn	THB Mn
Net Cash from Operating Activities	36.8	24.3
Net Cash from Investments	(23.3)	(11.8)
Net Cash from Financing Activities	(36.3)	217.0
Increase (Decrease) in net cash and cash equivalents	(22.8)	229.5

Overall the company had an increase in net cash and cash equivalents during the three months ending 31 March 2019 of THB 229.5 Mn.

Net Cash from Operating Activities

The cash flows from operating activities was THB 24.3 Mn in the three months ending 31 March 2019, a decrease of THB 12.5 Mn compared to the same period in 2018. Operating profit increased by THB 8.0 Mn but this was offset mainly by an increase in working capital due to (1) account payables which decreased by THB 33.6 Mn in 2019 compared to a decrease of THB 24.2 Mn in 2018 (change of



THB -9.4 Mn) and (2) deferred income of initial fees decreased by THB 8.0 Mn in 2019 compared to an increase of THB 0.5 Mn in 2018 (change of THB -8.5 Mn)

Net Cash from Investments

The cash flows from investments increased from THB -23.3 Mn in the three months ending 31 March 2018 to THB -11.8 Mn in the same period of 2019, an increase of THB 11.5 Mn. This was mainly due to lower purchase of fixed assets in 2019 compared to 2018.

Net Cash from Financing Activities

The cash flows from financing activities increased from THB -36.3 Mn in 2018 to THB 217.0 Mn in 2019, an increase of THB 253.3 Mn. This was mainly due to (1) cash received from shareholders for share capital THB 975.0 Mn (2) repayment of short-term borrowings from financial institutions THB 630.0 Mn.

Liquidity and Capital Structure

As of 31 March 2019, the Group had a current ratio of 1.43, increase from 0.32 at end of 2018. This improvement was mainly due to a repayment of all short-term borrowing from financial institutions.

The debt-to-equity ratio improved to 0.35 at 31 March 2019 compared to 2.34 at the end of 2018. This improvement was mainly due to (1) the repayment of all short-term borrowings from financial institutions (2) increased shareholder equity derived from the initial public offering.

Please be informed accordingly,

Yours Sincerely,

(Mrs. Yupaphan Ekasittikul)
Chief Financial Officer