

6 May 2021

No. ZEN 2564-009  
Subject Management Discussion and Analysis for the 1<sup>st</sup> quarter of 2021  
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 2021, as follows:

### **Business Overview**

The Thai economy in the first quarter of 2021 was pressured by the domestic COVID-19 situation that impacted the country’s economic recovery momentum. Spending was boosted by the government’s stimulus measures and the export sector was supported by brightening global economic prospects. However, any potential Thai economic recovery over the rest of the year remains uncertain, depending on the domestic COVID-19 containment and the hope of getting a thorough vaccination program.

For the overall Group's business operations, in the first quarter of 2021, the company's total revenue contracted by 6.0% compared to the same period of the previous year due to the weak economy and the emergence of a 2<sup>nd</sup> epidemic situation, resulting in the decrease of dine-in sales from the pandemic control measures in endemic areas and consumers’ concerns over the situation. However, this was a relatively mild decline due to the company launching promotions to drive sales as much as possible via all channels. In particular, various promotions were used to increase dine-in traffic in restaurants which remains the main revenue source of the company and there was continued focus on maximising delivery and retail sales. These actions, along with careful management of all costs and expenses, resulted in the company making a net profit in the first quarter of 2021 of THB 28.5 Mn.

## Performance

Statement of comprehensive income	1st Quarter					
	2020		2021		Change	
	THB Mn	% <sup>(1)</sup>	THB Mn	% <sup>(1)</sup>	THB Mn	%
Revenue from sales of goods and services	633.6	98.4%	596.6	98.6%	-36.9	-5.8%
Other income	10.1	1.6%	8.5	1.4%	-1.6	-16.0%
<b>Total revenues</b>	<b>643.7</b>	<b>100.0%</b>	<b>605.1</b>	<b>100.0%</b>	<b>-38.5</b>	<b>-6.0%</b>
Costs of sales of goods and services	362.4	56.3%	298.2	49.3%	-64.2	-17.7%
Selling expenses	215.7	33.5%	174.6	28.9%	-41.0	-19.0%
Administrative expenses	112.0	17.4%	95.1	15.7%	-17.0	-15.2%
<b>Total expenses</b>	<b>690.1</b>	<b>107.2%</b>	<b>567.9</b>	<b>93.8%</b>	<b>-122.2</b>	<b>-17.7%</b>
<b>Profit (loss) from operating activities</b>	<b>-46.4</b>	<b>-7.2%</b>	<b>37.3</b>	<b>6.2%</b>	<b>83.6</b>	<b>-</b>
Finance costs	10.9	1.7%	7.0	1.2%	3.9	-35.6%
Share of loss of associate accounted for using equity method	-0.2	0.0%	-0.3	-0.1%	-0.2	101.9%
<b>Profit (loss) before income tax expense</b>	<b>-57.5</b>	<b>-8.9%</b>	<b>29.9</b>	<b>4.9%</b>	<b>87.4</b>	<b>-</b>
Tax expense (income)	-13.3	-2.1%	1.4	0.2%	14.7	-
<b>Profit (loss) for the year</b>	<b>-44.2</b>	<b>-6.9%</b>	<b>28.5</b>	<b>4.7%</b>	<b>72.7</b>	<b>-</b>

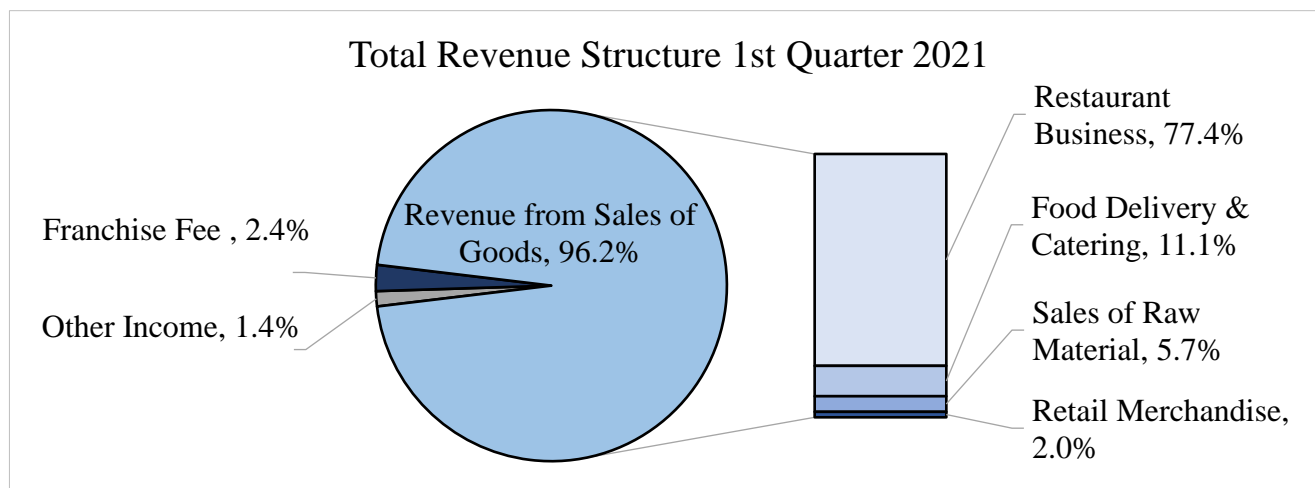
Remark: <sup>(1)</sup> Percentage of Total Revenue

Item	1st Quarter	
	2020	2021
Number of New Equity Branches Opened during period (Branch)	1	1
Number of Equity Branches at Period End (Branch)	172	145
Number of New Franchise Branches Opened during period (Branch)	14	6
Number of Franchise Branches at Period End (Branch)	183	199
<b>Same Store Sales Growth: SSSG (%) <sup>(1)</sup></b>	<b>-26.5%</b>	<b>-2.9%</b>

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

## Company's Income Statement Analysis

### Revenues



Revenues	1st Quarter					
	2020		2021		Change	
	THB Mn	% <sup>(1)</sup>	THB Mn	% <sup>(1)</sup>	THB Mn	%
Revenue from sales of goods	616.1	95.7%	581.8	96.2%	-34.3	-5.6%
▪ Revenue from Restaurant Business	518.7	80.6%	468.4	77.4%	-50.3	-9.7%
▪ Revenue from Sales of Raw Material	37.9	5.9%	34.3	5.7%	-3.6	-9.4%
▪ Revenue from Food Delivery & Catering	49.1	7.6%	67.1	11.1%	18.0	36.6%
▪ Revenue from Retail Merchandise	10.4	1.6%	12.0	2.0%	1.6	15.4%
Franchise Fee Income	17.5	2.7%	14.8	2.4%	-2.7	-15.6%
Revenue from sales of goods and services	<b>633.6</b>	<b>98.4%</b>	<b>596.6</b>	<b>98.6%</b>	<b>-37.0</b>	<b>-5.8%</b>
Other Income	10.1	1.6%	8.5	1.4%	-1.6	-15.8%
<b>Total Revenue</b>	<b>643.7</b>	<b>100.0%</b>	<b>605.1</b>	<b>100.0%</b>	<b>-38.6</b>	<b>-6.0%</b>

Remark: <sup>(1)</sup> Percentage of Total Revenue

In the 1<sup>st</sup> quarter of 2021, the company's total revenue was THB 605.1 Mn, a decrease of THB 38.6 Mn or 6.0% from the same period of 2020, and SSSG for the 1<sup>st</sup> quarter of 2020 was -2.9%. This was due to the change in revenue from various business operations as follows:

- **Revenue from Restaurant Business** decreased by THB 50.3 Mn or 9.7% which was mainly due to a direct consequence of the 2<sup>nd</sup> outbreak of COVID-19 in December 2020
- **Revenue from Sales of Raw Material** decreased by THB 3.6 Mn or 9.4% due to franchise branches also being affected by lower sales.
- **Revenue from Food Delivery & Catering** increased by THB 18.0 Mn or 36.6% from driving more sales through food delivery channels. This greatly reduced the impact of the reduction in income from dine-in. As a result, the percent of total revenue increased from 7.6% in the 1<sup>st</sup> quarter of 2020 to 11.1% in the same period of 2021.
- **Revenue from Retail Merchandise** increased by THB 1.6 Mn or 15.4% due to the expansion of retail food businesses through modern trade and online channels. As a result, the percent of total income increased from 1.6% in the 1<sup>st</sup> quarter of 2020 to 2.0% in the same period of 2021.
- **Franchise Fee Income** decreased by THB 2.7 Mn or 15.6%. This decrease was mainly due to a decrease in royalty and marketing fee income collected from franchise branches which themselves had lower revenue from epidemic situation of COVID-19. In addition, the company received lower initial membership fee income due to fewer new franchise branches opened when compared to the same period of previous year. In the 1<sup>st</sup> quarter of 2021, the company opened total 6 new franchise branches.
- **Other Income** decreased by THB 1.6 Mn or 15.8%. This decrease was mainly due to a decrease in net income from construction and set up of new franchise branches.

### Costs of Sales and Service

Item	1st Quarter					
	2020		2021		Change	
	THB Mn	% <sup>(1)</sup>	THB Mn	% <sup>(1)</sup>	THB Mn	%
Revenue from sales of goods and services	633.6	100.0%	596.6	100.0%	-36.9	-5.8%
Costs of Sales and Service	362.4	57.2%	298.2	50.0%	-64.2	-17.7%
Gross Profit	<b>271.2</b>	<b>42.8%</b>	<b>298.4</b>	<b>50.0%</b>	<b>27.2</b>	<b>10.0%</b>

Remark: <sup>(1)</sup> Percentage of Revenue from main businesses.

In the 1<sup>st</sup> quarter of 2021, the total costs of sales and services was THB 298.2 Mn, a decrease of THB 64.2 Mn or 17.7% from the same period of 2020 which was mainly due to (1) the decrease of cost of food materials due to lower revenue from restaurant business (2) a decrease in staff cost (kitchen area) from cost-control measures during the COVID-19 crisis and (3) a decrease in rental, service fees and utilities negotiated with shopping malls and (4) a decrease in depreciation expense from branch closure.

### **Gross Profit and Gross Profit Margin**

In the 1<sup>st</sup> quarter of 2021, the gross profit was THB 298.4 Mn, an increase of THB 27.2 Mn or 10.0% from the same period of 2020 and the gross profit margin increased from 42.8% in the 1<sup>st</sup> quarter of 2020 to 50.0% in the same period of 2021 from efficient cost management to generate more profit, such measures having been intensively implemented since the 2<sup>nd</sup> quarter of 2020.

### **Selling Expenses**

In the 1<sup>st</sup> quarter of 2021, selling expenses were THB 174.6 Mn, a decrease of THB 41.0 Mn or 19.0% from the same period of 2020. This decrease was mainly due to (1) a decrease in staff cost (dine-in area) from the cost-controlling measures (2) a decrease in rental, service fees and utilities negotiated with shopping malls (3) reduced marketing spend compared to the previous year and (4) a decrease in depreciation expense from branch closure. As a percent of total revenue, selling expenses decreased from 33.5% in the 1<sup>st</sup> quarter of 2020 to 28.9% in the same period of 2021.

### **Administrative Expenses**

In the 1<sup>st</sup> quarter of 2021, administration costs were THB 95.1 Mn, a decrease of THB 17.0 Mn or 15.2% from the same period of 2020. This decrease was mainly due to (1) a decrease in staff expenses from the restructuring of the organization in the second quarter of 2020 (2) a decrease in rental and utilities due to the termination of warehouse rental and (3) a decrease of various expenses from cost control measure such as work from home policy to savings of utilities expense, traveling expense and overtime expense. As a percent of total revenue, administrative expenses decreased from 17.4% in the 1<sup>st</sup> quarter of 2020 to 15.7% in the same period of 2021.

### **Finance Expenses**

In the 1<sup>st</sup> quarter of 2021, finance expenses were THB 7.0 Mn, a decrease of THB 3.9 Mn or 35.6 % from the same period of 2020. This was due to the company recognized lower interest expenses on the lease liabilities relating to the Thai Financial Reporting Standard No. 16 "Leases" (TFRS 16).

### **Net Profit (Loss) and Net Profit (Loss) Margin**

In the 1<sup>st</sup> quarter of 2021, the net profit was THB 28.5 Mn, an increase of THB 72.7 Mn. The main reasons were effective cost and expenses management with improved efficiency. The net profit margin increased from -6.9% in the 1<sup>st</sup> quarter of 2020 to 4.7% in the same period of 2021. However, the reported net profit of THB 28.5 Mn includes an adjustment to the rental expense related to rental discount received according to the "Thai Financial Reporting Standard No. 16 (TFRS 16) - COVID19-related rent concessions", in the amount of THB 19.3 Mn. Excluding this adjustment, the net profit was THB 9.2 Mn with a margin of 1.5%.

## **Financial Position Analysis**

### **Assets**

As of 31 December 2020, and 31 March 2021, the company had total assets of THB 2,689.0 Mn and THB 2,627.5 Mn respectively, a decrease of THB 61.4 Mn or 2.3%. The assets decreased mainly from (1) the depreciation and amortization of assets and (2) from branch closure.

### **Liabilities**

As of 31 December 2020, and 31 March 2021, the company had total liabilities of THB 1,477.8 Mn and THB 1,387.7 Mn respectively, a decrease of THB 90.1 Mn or 6.1%. The main factor in the decrease was reduced liabilities under leases according to the Thai Financial Reporting Standard No. 16 (TFRS 16).

### **Shareholder Equity**

As of 31 December 2020, and 31 March 2021, the company had shareholders' equity of THB 1,211.1 Mn and THB 1,239.8 Mn respectively, an increase of THB 28.7 Mn or 2.4%. This increase in shareholders' equity was mainly derived from (1) Net profit during the period THB 28.5 Mn and (2) Disposal of discount on purchases of fixed assets from companies under common control THB 0.2 Mn.

### **Cash Flow Analysis**

Type of Cash Flow	For the Period Ending 31 March	
	2020	2021
	THB Mn	THB Mn
Net Cash from (used in) Operating Activities	(50.7)	119.0
Net Cash from (used in) Investing Activities	(25.7)	(16.0)
Net Cash from (used in) Financing Activities	(59.5)	(56.6)
Increase (Decrease) in Net Cash and Cash Equivalents	(135.9)	46.4

Overall, the company had an increase in net cash and cash equivalents during the period Ending 31 March 2021 of THB 46.4 Mn.

### **Net Cash from (used in) Operating Activities**

The cash flow from operating activities was THB 119.0 Mn in the 1<sup>st</sup> quarter of 2021, an increase of THB 169.7 Mn compared to the same period of 2020. This was mainly due to increased net profit of THB 72.7 Mn., and adjusted with following items (1) Differences on a granted concession which decreased by THB -19.3 Mn (2) Depreciation and Amortisation which decreased by THB -8.5 Mn (from branch closure) (3) Reversal of impairment loss on assets which decreased by THB -4.4 Mn and (5) Finance costs which decreased by THB -3.9 Mn (mostly related to Thai Financial Reporting Standard No. 16 (TFRS 16). Other notable cash flow changes were (1) Trade and other Current Payables which increased by THB 80.7 Mn (2) Accrued Expenses which increased by THB 47.1 Mn and (3) Other non-current assets which increased by THB 10.6 Mn.

### **Net Cash from (used in) Investing Activities**

The cash flows used in investing Activities increased from THB -25.7 Mn in the 1st quarter of 2021 compared to THB -16.0 Mn in the 1st quarter of 2020, an increase of THB 9.7 Mn. This was mainly due to decreased purchase of fixed assets in the 1st quarter of 2021 compared to the same period of 2020 by the amount of THB 14.5 Mn and decreased disposal of assets in 2021 compared to 2020 by the amount of THB 4.1 Mn.

### **Net Cash from (used in) Financing Activities**

The cash flows from financing activities increased from THB -59.5 Mn in the 1st quarter of 2021 to THB -56.6 Mn in the same period of 2020, an increase of THB 2.9 Mn. This was mainly due (1) a decrease in interest paid of THB 3.9 Mn and (2) and increase in payment of lease liabilities of THB 1.0 Mn which is related to Thai Financial Reporting Standard No. 16 (TFRS 16)

### **Liquidity and Capital Structure**

As of 31 March 2021, the company had a current ratio of 0.86, increased from 0.82 at end of 2020. This was mainly due to (1) an increase in cash and cash equivalents and (2) a decrease in liabilities under lease agreements.

The debt-to-equity ratio decreased to 1.11 as of 31 March 2021 compared to 1.22 at the end of 2020. This decrease was mainly due to (1) a decrease in liabilities under lease agreements and (2) an increase in shareholders' equity resulted from the increase of net profit.

Please be informed accordingly,

Yours sincerely,

(Mrs. Yupaphan Ekasittikul)  
Chief Financial Officer