

11 August 2023

No. ZEN 2566-011
 Subject Management Discussion and Analysis for the 2nd quarter of 2023 and 1st half 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 2nd quarter of 2023 and 6-months period ending 30 June 2023 (or 1st half of 2023), as follows:

Business Overview

The Thai economy in the 2nd quarter improved since an increase in domestic spending, and the main supporting factors were the tourism sector and private consumption growth according to the recovery of private income which is in line to the domestic situation. In addition, inflation tends to decrease, and the labor market continues to recover. This results in an increase in consumer confidence. However, due to the economic recovery after the COVID-19 situation has been resolved, many new restaurants are emerging and are gaining popularity among the young consumer generation. Also, the political situation that has caused delays in establishing the government, resulting in the preparation of the annual budget for 2024, and the disbursement of the investment budget from the government will be delayed as well, which will affect investment and economic activities in the future.

For the Company's operating results in the 2nd quarter of 2023, the Company had a total revenue of THB 967Mn, an increase of THB 102Mn or 12% compared to the same period last year. This was mainly due to a 23% increase in revenue of restaurant business from model adjustments, brand development and various promotions to meet the needs of customer targets. In addition, the seasoning retail business has installed new bottling machines, improved workspace, and offices to support factory standards and growth. For the frozen seafood and raw materials retail business has expanded cold storage and warehouse to support the increasing customer base and business growth.

For the 1st half of 2023, the Company's total revenue was THB 1,880Mn, or a 21% increase from the 1st half of 2022. The net profit of the entire group was THB 88Mn, an increase of THB 31Mn or 54% and the net profit only attributable to the Parent Company was THB 80Mn, an increase of THB 32Mn or 65% compared to the same period last year.

Financial Performance Summary

Statement of Income (THB Mn)	2 nd Quarter (Apr-Jun)				1 st Half (Jan-Jun)			
	2022	2023	Change		2022	2023	Change	
Revenue from Sales and Service (Main Revenue)	859	961	102	12%	1,545	1,867	322	21%
Other Income	6	6	0	(4%)	12	13	1	4%
Total Revenue	865	967	102	12%	1,557	1,880	323	21%
Cost of Sales and Service	466	543	77	16%	844	1,052	208	25%
Selling Expenses	215	250	35	16%	404	481	77	19%
Administrative Expenses	114	102	(12)	(11%)	221	219	(2)	(1%)
Total Expenses	795	895	100	13%	1,468	1,752	284	19%
Profit/(Loss) from Operating Activities	69	72	2	3%	89	128	39	45%
Finance Costs	9	10	1	15%	18	20	2	12%
Share of Loss of Associate Accounted for Using Equity Method	(0)	-	0	100%	(1)	-	1	100%
Profit/(Loss) before Tax Expenses	60	62	2	2%	70	108	38	55%
Tax Expenses (Income)	11	12	1	7%	13	20	7	58%
Net Profit/(Loss) for the Period	49	50	1	1%	57	88	31	54%
<i>Profit/(Loss) of Parent Company</i>	<i>44</i>	<i>46</i>	<i>2</i>	<i>3%</i>	<i>48</i>	<i>80</i>	<i>32</i>	<i>65%</i>
<i>Minority Equity Profit/(Loss) of Subsidiaries</i>	<i>5</i>	<i>4</i>	<i>(1)</i>	<i>(20%)</i>	<i>9</i>	<i>8</i>	<i>(1)</i>	<i>(6%)</i>

In the 2nd quarter of 2023, the Company opened 10 new restaurants, 5 of which are owned by the Company, the other 4 of which are domestic franchises and 1 of which is an international franchise. For the 1st half of 2023, the Company opened 15 new restaurants, 7 of which are owned by the Company, the other 7 of which are domestic franchises and 1 of which is an international franchise.

As of 30 June 2023, the Company's total restaurants reached 327 branches, 157 of which are equity-owned branches, 161 of which are domestic franchised branches and 9 of which are international franchised branches.

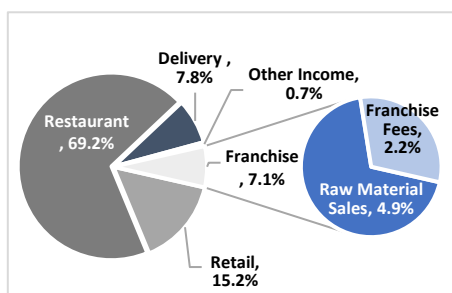
Branch Expansion and SSSG	2 nd Quarter (Apr-Jun)		1 st Half (Jan-Jun)	
	2022	2023	2022	2023
Number of New Equity branches opened during period	6	5	8	7
Number of Equity branches at period end	146	157	146	157
Number of New Franchise branches opened during period	4	5	7	8
Number of Franchise branches at period end	210	170	210	170
Total number of new branches opened during period	10	10	15	15
Total number of branches at the end of the period	356	327	356	327
Same Store Sales Growth: SSSG (%) ⁽¹⁾	+52.6%	+3.1%	+28.2%	+7.5%

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

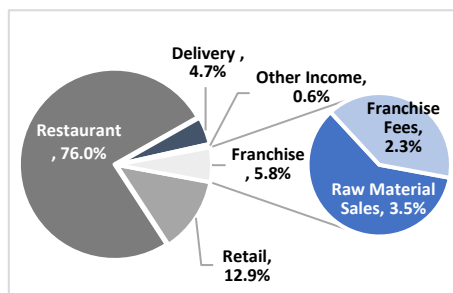
Financial Performance Analysis

1. Total Revenue

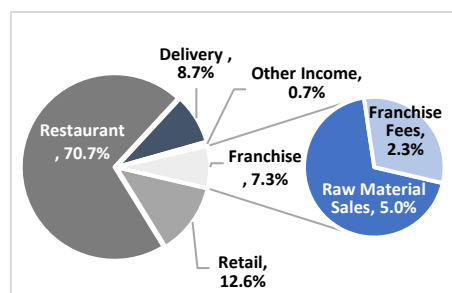
Revenue Structure of Q2/2022



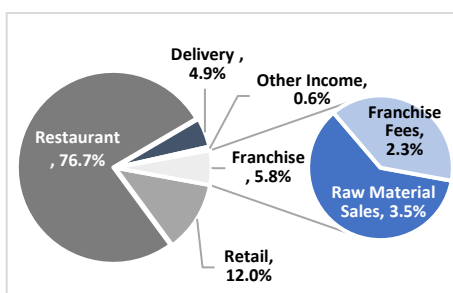
Revenue Structure of Q2/2023



Revenue Structure of 1H/2022



Revenue Structure of 1H/2023



Remark: Percentage of Total Revenue

Revenue (THB Mn)	2 nd Quarter (Apr-Jun)				1 st Half (Jan-Jun)			
	2022	2023	Change		2022	2023	Change	
Revenue from Sales of Goods								
▪ Revenue from Restaurant Business	599	735	136	23%	1,100	1,441	341	31%
▪ Revenue from Food Delivery	67	45	(22)	(33%)	136	92	(44)	(32%)
▪ Revenue from Raw Material Sell to Franchise	42	34	(8)	(20%)	78	66	(12)	(16%)
▪ Revenue from Retail Commercial	132	125	(7)	(5%)	196	226	30	15%
Total Revenue from Sales of Goods	840	939	99	12%	1,510	1,825	315	21%
Franchise Fees Income	19	22	3	18%	35	42	7	21%
Revenue from Sales and Service (Main Revenue)	859	961	102	12%	1,545	1,867	322	21%
Other Income	6	6	(0)	-4%	12	13	1	4%
Total Revenue	865	967	102	12%	1,557	1,880	323	21%

YoY

In the 2nd quarter of 2023, the Company had total revenue of THB 967Mn, an increase of THB 102Mn or 12% from the 2nd quarter of 2022, and the Company's same store sales growth rate was 3.1%.

For the 1st half of 2023, the Company had total revenue of THB 1,880Mn, an increase of THB 323Mn or 21% from the 1st half of 2022, and the Company's same store sales growth rate was 7.5%.

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

- **Revenue from Restaurant Business:** In the 2nd quarter of 2023, the revenue increased by THB 136Mn or 23% from the 2nd quarter of 2022, and for the 1st half of 2023, revenue increased by THB 341Mn or 31% 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 2nd quarter of 2023, revenue decreased by THB 22Mn or 33% from the 2nd quarter of 2022, and for the 1st half of 2023, revenue decreased by THB 44Mn or 32% 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 2nd quarter of 2023, the revenue decreased by THB 8Mn or 20% from the 2nd quarter of 2022, and for the 1st half of 2023, revenue decreased by THB 12Mn or 16% from the same period last year mainly due to the decrease in the number of franchise branches.
- **Revenue from Retail Commercial:** In the 2nd quarter of 2023, the revenue decreased by THB 7Mn or 5% from the 2nd quarter of 2022, but for 1st half of 2023, revenue increased by THB 30Mn or grew 15% 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 2nd quarter of 2023, the revenue increased by THB 3Mn or 18% from the 2nd quarter of 2022, and for the 1st half of 2023, revenue increased by THB 7Mn or 21% 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)	2 nd Quarter (Apr-Jun)				1 st Half (Jan-Jun)			
	2022	2023	Change		2022	2023	Change	
Revenue from Sales & Service	859	961	102	12%	1,545	1,868	322	21%
Cost of Sales & Service	466	543	77	16%	844	1,052	208	25%
Gross Profit	393	418	25	6%	701	815	114	16%
Gross Profit Margin (%)	45.7%	43.5%	(2.2%)		45.4%	43.7%	(1.7%)	



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 2nd quarter of 2023, the Company's gross profit increased by THB 25Mn or 6% and for the 1st half of 2023, the Company's gross profit increased by THB 114Mn or 16% 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 2nd quarter and the 1st half of 2023, decreased by 2.2% and 1.7%, respectively, compared to the same period last year due to

- 1) The cost of raw materials for both the restaurant business and the retail commercial business has increased.
- 2) In the 2nd quarter and the 1st half of 2022 (previous year), the company-owned branches got a discount on rental and service due to the Covid-19 situation last year, while in the same period of 2023 (this year) the Company paid rental and service charges at normal rates.
- 3) Utilities costs in the 2nd quarter and the 1st half of 2023 were higher than the same period last year.

3. Selling expenses



YoY

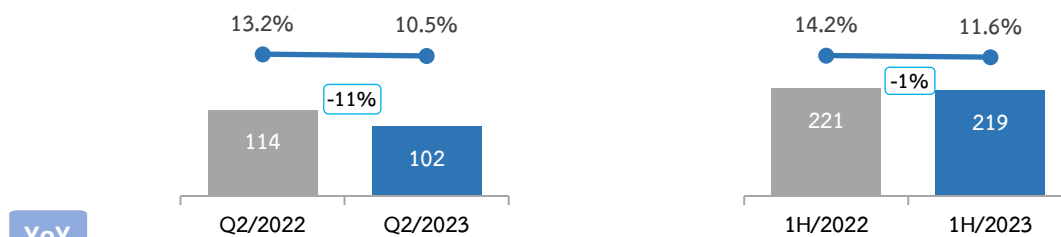
Selling expenses mainly consist of marketing expenses and commission paid to delivery operators, staff expenses (service area), rent, service fees and utilities (service area).

In the 2nd quarter of 2023, the Company's selling expenses increased by THB 35Mn or 16% from the 2nd quarter of 2022, and for the 1st half of 2023, the Company's selling expenses increased by THB 77Mn or 19% from the same period last year due to

- 1) Rent, service fees and utilities costs increased because of the return to normal rental rates and the increase in the number of the company-owned branches.
- 2) Staff expenses (service area) increased according to the increase in the number of new company-owned branches.
- 3) 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 2nd quarter of 2023, increased by 1.0%, but for the 1st half of 2023, decreased by 0.3% from the same period last year, respectively.

4. Administrative Expenses

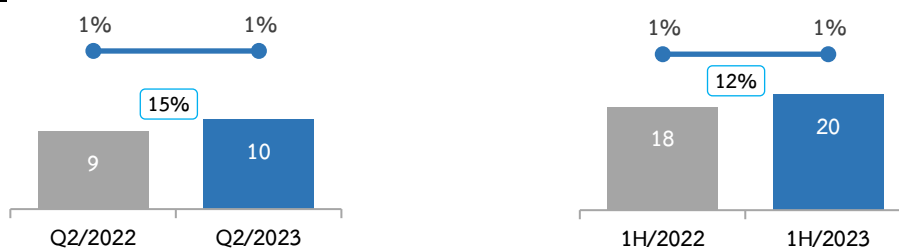


YoY

In the 2nd quarter of 2023, the Company's **administrative expenses** decreased by THB 12Mn or 11% from the 2nd quarter of 2022, and for the 1st half of 2023, the Company's administrative expenses decreased by THB 2Mn 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 2nd quarter and the 1st half of 2023 decreased by 2.7% and 2.6% compared to the same period last year, respectively.

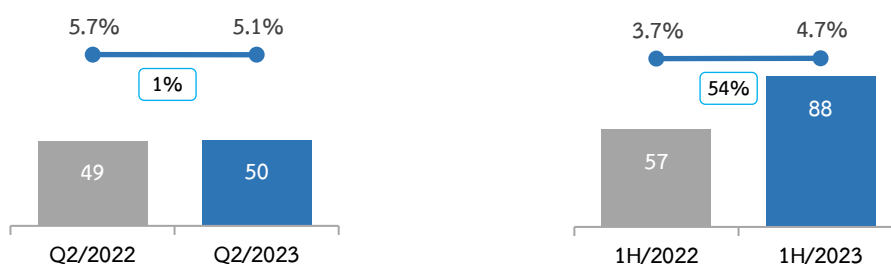
5. Finance Costs



YoY

In the 2nd quarter of 2023, the Company's **finance costs** increased by THB 1Mn or 15% from the 2nd quarter of 2022, and for the 1st half of 2023, the Company's finance costs increased by THB 2Mn or 12% 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)

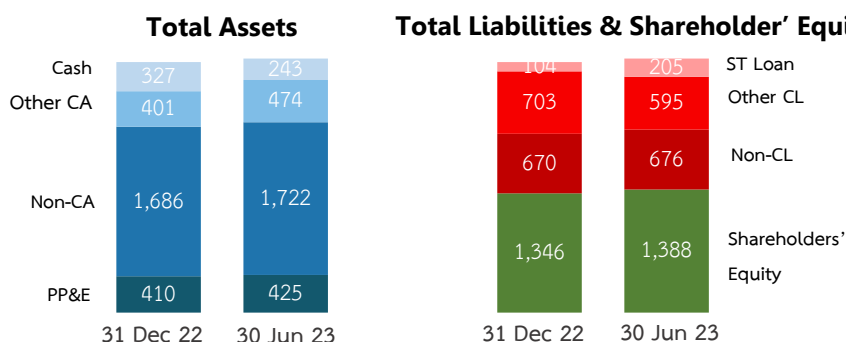


YoY

In the 2nd quarter of 2023, the Company's net profit was THB 50Mn increased by THB 1Mn or 1% from the same period last year. The net profit margin decreased by 0.6% from 5.7% in the 2nd quarter of 2022 to 5.1% in the 2nd quarter of 2023. Attributable to - Parent Company of THB 46Mn which increased from the same period last year by THB 2Mn or 3%.
- Minority Equity of Subsidiaries of THB 4Mn which decreased by THB 1Mn from the same period last year.

For the 1st half of 2023, the Company's net profit was THB 88Mn increased by THB 31Mn or 54% from the same period last year. The net profit margin increased by 1.0% from 3.7% in the 1st half of 2022 to 4.7% in the 1st half of 2023. Attributable to - Parent Company of THB 80Mn which increased from the same period last year by THB 32Mn or 65%.
- Minority Equity of Subsidiaries of THB 8Mn which decreased by THB 1Mn from the same period last year.

Financial Position Analysis



Assets

As of 31 December 2022, and 30 June 2023, the Company had total assets of THB 2,824Mn and THB 2,864Mn, respectively, an increase of THB 40Mn 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 June 2023, the Company had total liabilities of THB 1,478Mn and THB 1,476Mn, respectively, a decrease of THB 2Mn came from trade payables and accrued expenses decreased but there was an increase in short-term loan of a subsidiary.

Shareholders' Equity

As of 31 December 2022, and 30 June 2023, the Company had total shareholders' equity of THB 1,346Mn and THB 1,388Mn, respectively, an increase of THB 42Mn. This increase in shareholders' equity was mainly derived from (1) total profit of parent company during the period THB 32Mn (2) total profit of non-controlling interests from subsidiaries THB 8Mn and (3) surplus on business combination under common control THB 2Mn.

Liquidity and Capital Structure

As of 30 June 2023, the Company's current ratio was 0.90, the same level as the end of 2022. The debt-to-equity ratio as of 31 June 2023 was decreased to 1.06 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.
- Develop human resources by continuously organizing training for both office and branch staff. 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