

Ref: BC.014/2019

May 15, 2019

Subject: Management's Discussion and Analysis for Three Months Ended March 31, 2019

 To The President  
The Stock Exchange of Thailand

**Management's Discussion and Analysis**  
**Consolidated Financial Statements**  
**For three months ended March 31, 2019**

**Overall Group Performance**
**Table 1: Overall Financial Performance**

Unit: mb

	Q1 18	%	Q1 19	%	Change	% YoY
Revenue	131.45	100.0%	132.54	100.0%	1.09	0.8%
Cost	75.00	57.1%	73.41	55.4%	(1.59)	(2.1%)
Gross Profit	56.45	42.9%	59.13	44.6%	1.43	2.6%
SG&A	23.15	17.6%	20.92	15.8%	(2.23)	(9.6%)
EBIT	33.30	25.3%	38.21	28.8%	4.92	14.8%
Share of Loss in Associates	-		0.40	0.3%	0.40	
Interest Expenses	0.14	0.1%	0.14	0.1%	(0.01)	(4.9%)
EBT	33.16	25.2%	37.67	28.4%	4.52	13.6%
Tax	3.73	2.9%	3.02	2.3%	(0.71)	(19.0%)
Net Profit After Tax	29.43	22.3%	34.65	26.1%	5.22	17.7%

**Revenue from service**

The Humanica Group of Companies ("HUMAN" or the "Company") delivered a revenue of 132.54mb (Q1 2018: 131.45mb), a marginal increase of 1.09mb or 0.8%. For Q1 2019, revenue from HR Solutions contributed to an increase of 2.85mb or 2.7% to our growth year-on-year. On the other hand, revenue from our Financial Solutions decreased by 3.00mb or -12.7%, offsetting the growth in HR Solutions.

While the overall revenue growth is flat year-on-year, we continue our momentum in building recurring revenue, with the recurring revenue from HR Solutions growing by 9.78mb or 11.7% and recurring revenue from Financial Solutions increasing by 2.22mb or 16.0%. However, the growth in recurring revenue was insufficient to offset the reduction in non-recurring revenue.

HR Solution suffered a dip of 6.79mb or -30.6% due to the recognition of a one-off license fee for a big project in Q1 2018. Financial Solutions also registered a reduction in non-recurring income of 5.37mb or -54.6% as many EPR projects are in its early stages.

We expect the non-recurring revenue to pick up over the next few months as we progress into more advanced stages of our projects. We continue to see good pipeline in domestic demand in Thailand for both HR and ERP projects.

### **Other Income**

Other income has increased by 1.25mb or 57.3% to 3.43mb (Q1 2018 : 2.18mb) as a result of better returns from our investments, as well as improvements in surplus cash management where we have invested surplus cash in money market products giving a better yield.

### **Cost of Services**

While our revenue is stable compared year-on-year, our cost of service decreased by 1.59mb or -2.1% to 73.41mb (Q1 2018: 75.00mb). The reduction is mainly due to improved productivity. We are on track to improve our gross and net profits by ensuring that any increase in our costs is lower than our growth in sales.

### **Gross Profit**

As a result of overall improvements in productivity, we achieved a gross profit of 59.13mb (Q1 2018: 56.45mb), an increase of 2.68mb or 4.7%. This reduction in cost also contributed positively to a better gross profit margin at 44.6% (Q1 2018: 42.9%)

### **Selling and Administration expense**

Selling and administration expense (“SG&A”) closed at 20.92mb (Q1 2018: 23.15mb), decreasing by 2.23mb or 9.6% . SG&A consists of mainly indirect staff costs, office rental and depreciation & amortization. The decrease in SG&A is mainly attributed to lower office rental where the Company has entered into a long-term building lease. For Q1 2018, we have booked one-time expenses related to reinstatement of the offices before we returned our former offices to the landlords.

### **Net profit after Tax**

The net profit after tax closed at 34.65mb (Q1 2018: 29.43mb), improving by 5.22mb or 17.7% due to a combination of reasons including an increase in recurring revenue, better returns in investments, improved gross margin and lower SG&A.

## 1. Revenue Structure

**Table 2: The break down revenue by business entities.**

Type of Revenue	Q1 18		Q1 19	
	Million	%	Million	%
	Baht		Baht	
<b>1. HR solutions</b>				
1.1 Human Resources and Payroll Outsourcing services	60.16	45.8%	64.97	49.0%
1.2 Income from software and human resources system	45.58	34.6%	43.62	32.9%
<b>Revenues from HR solutions</b>	<b>105.74</b>	<b>80.4%</b>	<b>108.59</b>	<b>81.9%</b>
<b>2. Financial solutions</b>				
2.1 Enterprise Resource Planning (ERP)	20.04	15.2%	15.08	11.4%
2.2 Accounting & Finance Outsourcing	3.49	2.7%	5.44	4.1%
<b>Total revenue from financial solutions</b>	<b>23.53</b>	<b>17.9%</b>	<b>20.52</b>	<b>15.5%</b>
<b>3. Other income<sup>1</sup></b>	<b>2.18</b>	<b>1.7%</b>	<b>3.43</b>	<b>2.6%</b>
<b>Total revenues</b>	<b>131.45</b>	<b>100%</b>	<b>132.54</b>	<b>100%</b>

<sup>1</sup> Other income consist of interest income, dividend income and gain on investment.

In Table 2, The Company's revenue structure comprises 2 business units, HR Solutions and Financial Solutions with HR Solutions representing 81.9% of our revenue while Financial services representing 15.5% and other income representing a small 2.6%. Comparing year-on-year (YoY), HR Solutions grew at a higher rate than Financial Solutions, hence its weightage has steadily increased from 80.4% in Q1 2018 to 81.9% in Q1 2019.

### HR Solutions

Revenue from HR Solutions closed at 108.59mb (Q1 2018: 105.74mb), increasing by 2.85mb or 2.7%. This increase is in line with our expectations of the demand for HR technology and services in local and overseas markets.

### Financial Solutions

Revenue from Financial Solutions contributed 20.52mb (Q1 2018: 23.53mb), 3.01mb or 12.8% lesser than the same period last year. This reduction is mainly due to a slowdown in ERP business and a delay in booking revenue until a certain milestone has been achieved during the implementation stage.

**The recurring and non-recurring income:**

**Table 3: The break down revenue by recurring & non-recurring revenue**

<b>HR solutions</b>	<b>Q1 18</b>	<b>%</b>	<b>Q1 19</b>	<b>%</b>	<b>%YoY</b>
Revenues-Recurring	83.42	79.0%	93.20	85.8%	11.7%
Revenues-Non Recurring	22.18	21.0%	15.39	14.2%	(30.6%)
<b>Total revenues</b>	<b>105.60</b>	<b>100.0%</b>	<b>108.59</b>	<b>100.0%</b>	<b>2.8%</b>

<b>Financial Solutions</b>	<b>Q1 18</b>	<b>%</b>	<b>Q1 19</b>	<b>%</b>	<b>%YoY</b>
Revenues-Recurring	13.84	58.6%	16.06	78.3%	16.0%
Revenues-Non Recurring	9.83	41.4%	4.46	21.7%	(54.6%)
<b>Total revenues</b>	<b>23.67</b>	<b>100.0%</b>	<b>20.52</b>	<b>100.0%</b>	<b>(13.3%)</b>

<b>Grand Total Recurring</b>	<b>97.26</b>	<b>75.2%</b>	<b>109.26</b>	<b>84.6%</b>	<b>12.3%</b>
<b>Grand Total Non-recurring</b>	<b>32.01</b>	<b>24.8%</b>	<b>19.85</b>	<b>15.4%</b>	<b>(38.0%)</b>
<b>Gran Total Revenue</b>	<b>129.27</b>	<b>100.0%</b>	<b>129.11</b>	<b>100.0%</b>	<b>(0.1%)</b>

Overall, the Company continues to report a higher proportion of recurring income, improving from 75.2% in Q1 2018 to 84.6% in Q1 2019. Both HR Solutions and Financial Solutions grew its recurring income by 9.78mb and 2.22mb respectively as we continue to expand our customer base for recurring revenue.

For HR Solutions, we experienced a drop in non-recurring revenue as a result of booking a one-time license fee of around 12.00mb in Q1 2018 for a big project. When excluding this one-off license fee, the non-recurring revenue grew around 5.00mb compared to Q1 2018.

For Financial Solutions, as a result of acquisition of accounting outsourcing business in 2018, we have higher revenue contribution from accounting outsourcing services, hence improving our recurring revenue in Financial Solutions while ERP implementation have a slower quarter due to early stage of its projects.

## 2. Financial position

**Table 4: Overall Financial position**

	<b>As of Dec 31, 2018</b>	<b>%</b>	<b>As of Mar 31, 2019</b>	<b>%</b>	<b>Change YoY</b>	<b>% YoY</b>
<b><u>Asset</u></b>						
Cash	111.34	9.1%	134.07	10.4%	22.73	20.4%
current investment	406.79	33.2%	350.65	27.2%	(56.14)	(13.8%)
Trade & Other receivable	118.32	9.3%	153.42	11.7%	35.10	29.7%
Other current Asset	2.14	0.5%	3.01	1.4%	0.87	40.7%
Non-Current asset	587.39	47.9%	635.36	49.3%	47.97	8.2%
<b>Total Asset</b>	<b>1,225.98</b>	<b>100.0%</b>	<b>1,276.51</b>	<b>100.0%</b>	<b>50.53</b>	<b>4.1%</b>
<b><u>Liability</u></b>						
Current liability	77.35	6.3%	85.75	7.6%	8.40	10.9%
Non-Current liability	28.99	2.4%	30.10	2.3%	1.11	3.8%
<b>Total liability</b>	<b>106.34</b>	<b>8.7%</b>	<b>115.85</b>	<b>9.9%</b>	<b>9.51</b>	<b>8.9%</b>
<b>Net Asset</b>	<b>1,119.64</b>	<b>91.3%</b>	<b>1,160.66</b>	<b>90.1%</b>	41.02	3.7%
<b>Equity</b>	<b>1,119.64</b>	<b>91.3%</b>	<b>1,160.66</b>	<b>90.1%</b>	41.02	3.7%

### (a) Total assets

Total asset as at March 31, 2019 stand at 1,276.51mb, an increase of 50.53mb or 4.1%. The main reason for the increase is due to higher trade receivables resulted from higher seasonal billings for year end.

Cash surplus increased by 22.73mb or 20.4% due to our cash flow generated from operations and good working capital management.

### (b) Total Liabilities

Total liability as of March 31, 2019 was 115.85mb, increasing by 9.51mb or 8.9% due to the booking of revenue received in advance for new projects. The amount will be recognized progressively as revenue when the project reaches its milestone in the course of the project timeline.

### (c) Shareholders' equity

Total shareholder's equity as of March 31, 2019 was 1,160.66mb, increasing by 41.02mb or 3.7 % YoY, contributed from operating profits.

### 3. Cash Flow Statement

Million Baht	Q1 18	Q1 19
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	18.36	18.77
Cash Flow from Investing (CFI)	(24.24)	5.62
Cash Flow from Financing (CFF)	(2.17)	(1.48)
Decrease in translation adjustments	(0.34)	(0.18)
Net increase (decrease) in cash and cash equivalents	(8.39)	22.73

#### **Cash Flow from Operating Activities**

CFO as of March 31, 2019 was 18.77mb, consistent from last year. The management will consider using the surplus CFO in investment or any other activities to create better value for the Company.

#### **Cash Flow from Investing Activities**

CFI as of March 31, 2019 was positive 5.62mb. We actively invested surplus funding that we received from our IPO in a mutual fund in accordance with our investment policies which adopted a conservative asset allocation. The management will use the funds to focus on new M&As and software improvements in the near future.

#### **Cash Flow from Financing Activities**

CFF as of March 31, 2019 was -1.48mb, mainly due to pay out of the liability under the financial lease and hire purchase agreement. After IPO fund raising, the Company has no financing project as we have ample funds for a working capital and other investment plans.

Please be informed accordingly,

Yours sincerely,

Mr. Soontorn Dentham  
Chief Executive Officer