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August 10, 2021

Subject: Management's Discussion and Analysis for Six Months Ended June 30, 2021

To The President
The Stock Exchange of Thailand

Management's Discussion and Analysis
Consolidated Financial Statements
For six months ended June 30, 2021

Overall Group Performance

Table 1: Overall Financial Performance

Unit: million baht

	Jan-Jun 2020 (Restated)	%	Jan-Jun 2021	%	Change	% YoY
Total Revenues	355.64	100.0%	385.45	100.0%	29.81	8.4%
Cost of Sales and Services	(193.56)	(54.4%)	(193.77)	(50.3%)	(0.21)	(0.1%)
Gross Profit	162.08	45.6%	191.68	49.7%	29.60	18.3%
SG&A	(70.07)	(19.7%)	(87.66)	(22.7%)	(17.59)	(25.1%)
Operating Profit	92.01	25.9%	104.02	27.0%	12.01	13.1%
Share of Profit in Associates	1.10	0.3%	0.43	0.1%	(0.67)	(60.9%)
Interest Expense	(4.05)	(1.1%)	(4.75)	(1.2%)	(0.70)	(17.3%)
EBT	89.06	25.0%	99.70	25.9%	10.64	11.9%
Tax	(9.34)	(2.6%)	(11.78)	(3.1%)	(2.44)	(26.1%)
Net Profit After Tax	79.72	22.4%	87.92	22.8%	8.20	10.3%

Net Profit attributable to:

Owner of the Parent	79.72	22.4%	90.64	23.5%	10.92	13.7%
Non-Controlling Interests	-	-	(2.72)	(0.7%)	(2.72)	-

Total Revenues

Total Revenues, including sales and service revenue and other income, increased by 29.81mb or 8.4% to 385.45mb (6M 2020: 355.64mb). Of which, sales and services grew by 21.70mb or 6.3% and other income gained 8.11mb.

Sales and Services revenue:

For 6M 2021, The Humanica Group of Companies (“HUMAN” or the “Company”) delivered sales and service revenue of 368.05mb (6M 2020: 346.35mb), an increase of 21.70mb or 6.3%. Revenue from HR Solutions contributed 313.29mb while Financial Solutions revenue contributed 54.76mb, up from 301.24mb and 45.11mb respectively year-on-year.

Other Income:

Other income increased by 8.11mb or 87.3% to 17.40mb (6M 2020: 9.29mb). We reported increase in realized gain on investment from our investment portfolio, interest income from investment in bill of exchange and gain on foreign exchange.

Cost of Sales and Services

Overall cost of sales and services slightly increased by 0.21mb or 0.1% to 193.77mb (6M 2020: 193.56mb) which mostly came from expenses for cloud service. **Gross Profit**

We reported a gross profit margin of 49.7%, an increase from 45.6% in 6M 2020, and gross profit of 191.68mb (6M 2020: 162.08mb), an increase of 29.60mb or 18.3%. The improvement is mainly due to a growth in implementation revenue from both HR and financial solutions and other income while cost of sales and services had no significant change.

Selling and Administration Expense

Selling and administration expense (“SG&A”) closed at 87.66mb (6M 2020: 70.07mb), an increase of 17.59mb or 25.1%, with SG&A% of total revenues inching up to 22.7% (6M 2020: 19.7%). These increases are mainly attributed to increase in staff cost and increases in office space expansion and expenses relating to cloud hosting for in-house technology needs about 8.20mb, initial operating cost of new joint-venture Benix Limited about 4.40mb and one-off item expense which are the write-off of interest receivable on investment in convertible notes about 5.00mb.

Interest Expense

Increase in interest expense was mainly from new office leasing in Jan 2021 according to TFRS16 Leases.

Net profit after Tax

The net profit after tax closed at 87.92mb (6M 2020: 79.72mb), increasing by 8.20mb or 10.3% with overall net profit margin inching up to 22.8% (6M 2020: 22.4%) mainly due to an increasing in sales and service revenue.

1. Revenue Structure

Table 2: The break down revenue by business entities.

Type of Revenue	Jan-Jun 2020		Jan-Jun 2021	
	Million Baht	%	Million Baht	%
1. HR Solutions				
1.1 Human Resources and Payroll Outsourcing services	134.47	37.8%	130.78	33.9%
1.2 Income from software and human resources system	131.81	37.1%	152.99	39.7%
1.2 Income from sales of hardware	34.96	9.8%	29.52	7.7%
Total revenues from HR solutions	301.24	84.7%	313.29	81.3%
2. Financial Solutions				
2.1 Enterprise Resource Planning (ERP)	34.15	9.6%	44.33	11.5%
2.2 Accounting & Finance Outsourcing	10.96	3.1%	10.43	2.7%
Total revenue from financial solutions	45.11	12.7%	54.76	14.2%
Total revenue from HR and financial solutions	346.35	97.4%	368.05	95.5%
3. Other income¹	9.29	2.6%	17.40	4.5%
Total revenues	355.64	100.0%	385.45	100.0%

¹ Other income consist mainly of interest income, dividend income and gain on FX.

In Table 2 , The Company's revenue structure comprises 2 business units, HR Solutions and Financial Solutions with HR Solutions representing 81.3% of our revenue, Financial Solutions representing 14.2% and other income representing 4.5%.

HR Solutions

Revenue from HR Solutions closed at 313.29mb (6M 2020: 301.24mb), increasing by 12.05mb or 4.0%. This increase is mainly due to license fee from TigerSoft and implementation revenue in HR solution, slightly offset by 4.21mb or -2.0% reduction in recurring revenue from payroll outsourcing business in Thailand due to client's businesses affected by COVID-19

Financial Solutions

Revenue from Financial Solutions contributed 54.76mb (6M 2020: 45.11mb), increasing by 9.65mb or 21.4%. We gained more clients from Oracle Netsuit and booked implementation revenue of new projects from SAP Business 1.

The recurring and non-recurring income:

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

Unit: million baht

HR Solutions	Jan-Jun 2020	%	Jan-Jun 2021	%	%YoY
Revenues-Recurring	209.15	69.4%	204.94	65.4%	(2.0%)
Revenues-Non Recurring	92.09	30.6%	108.35	34.6%	17.7%
Total Revenues	301.24	100.0%	313.29	100.0%	4.0%

Financial Solutions	Jan-Jun 2020	%	Jan-Jun 2021	%	%YoY
Revenues-Recurring	33.85	75.0%	33.39	61.0%	(1.4%)
Revenues-Non Recurring	11.26	25.0%	21.37	39.0%	89.8%
Total Revenues	45.11	100.0%	54.76	100.0%	21.4%

Grand Total Recurring	243.00	70.2%	238.33	64.8%	(1.9%)
Grand Total Non- Recurring	103.35	29.8%	129.72	35.2%	25.5%
Grand Total Revenues	346.35	100.0%	368.05	100.0%	6.3%

Overall, the Company's recurring revenue proportion decreased from 70.2% in 6M 2020 to 64.8% this year, while non-recurring revenue proportion increased from 29.8% in 6M 2020 to 35.2%.

Recurring revenue reported an overall decline of 4.67mb or -1.9%, driven by lower headcount of the client's employee population in our HR/Payroll outsourcing business as the economy continues to soften due to the prolonged impact of COVID-19.

Non-recurring revenue reported an increasing of 26.37mb or 25.5%, from the increase in software revenue of TigerSoft for SMEs and implementation from new projects in both HR solutions and financial solutions.

2. Financial position

Table 4: Overall Financial position

Unit: million baht

<u>Assets</u>	As of Dec 31, 2020	%	As of Jun 30, 2021	%	Change YoY	% YoY
Cash	246.80	15.5%	209.82	12.7%	(36.98)	(15.0%)
Current financial assets	227.77	14.3%	215.55	13.0%	(12.22)	(5.4%)
Trade & Other receivable	118.44	7.4%	148.02	9.0%	29.58	25.0%
Current contract assets	30.35	1.9%	39.10	2.4%	8.75	28.8%
Inventory	14.98	0.9%	17.64	1.1%	2.66	17.8%
Other current Asset	15.07	0.9%	5.27	0.3%	(9.80)	(65.0%)
Non-current financial assets	392.29	24.6%	424.40	25.7%	32.11	8.2%
Right to use assets	128.83	8.1%	147.21	8.9%	18.38	14.3%
Non-Current asset	417.13	26.2%	447.09	27.1%	29.96	7.2%
Total Assets	1,591.66	100.0%	1,654.10	100.0%	62.44	3.9%
<u>Liabilities</u>						
Current liability	151.10	9.5%	141.32	8.5%	(9.78)	(6.5%)
Non-Current liability	173.70	10.9%	194.81	11.8%	21.11	12.2%
Total liabilities	324.80	20.4%	336.13	20.3%	11.33	3.5%
Shareholders' equity	1,266.86	79.6%	1,317.97	79.7%	51.11	4.0%
Total liabilities and Shareholders' equity	1,591.66	100.0%	1,654.10	100.0%	62.44	3.9%

(a) Total assets

Total assets as of June 30, 2021 stand at 1,654.10mb, an increase of 62.44mb or 3.9%. The increase was mainly due to an increase in investment, trade receivable and expansion of office space.

(b) Total Liabilities

Total liability as of June 30, 2021 was 336.13mb, increasing by 11.33mb or 3.5%, mainly due to recognition of liabilities under finance lease agreement according to TFRS16.

(c) Shareholders' equity

Total shareholder's equity as of June 30, 2021 was 1,317.97mb, increasing by 51.11mb or 4.0% YoY, contributed from operating profits.

3. Cash Flow Statement

Unit: million baht

	Jan-Jun 2020 (Restated)	Jan-Jun 2021
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	94.64	92.39
Cash Flow from Investing (CFI)	(48.45)	(63.60)
Cash Flow from Financing (CFF)	(58.08)	(69.20)
Increase in translation adjustments	(0.70)	3.44
Net increase (decrease) in cash and cash equivalents	(12.59)	(36.97)

Cash Flow from Operating Activities

CFO for 6M 2021 was 92.39mb. 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 for 6M 2021 was -63.60mb mainly due to investment in associated companies and additional investment in financial assets.

Cash Flow from Financing Activities

CFF for 6M 2021 was -69.20mb, due to dividend payment of 54.40mb and finance lease payment. The Company has no current plan for a financing project as we still have ample funds from IPO fund raising for a working capital and other investment plans.

Please be informed accordingly,

Yours sincerely,

Mr. Soontorn Dentham
Chief Executive Officer