

Ref: BC.022/2021

November 12, 2021

Subject: Management's Discussion and Analysis for Nine Months Ended September 30, 2021

To The President
The Stock Exchange of Thailand

Management's Discussion and Analysis
Consolidated Financial Statements
For nine months ended September 30, 2021

Overall Group Performance

Table 1: Overall Financial Performance

Unit: million baht

	Jan-Sep 2020	%	Jan-Sep 2021	%	Change	% YoY
Total Revenues	540.18	100.0%	568.83	100.0%	28.65	5.3%
Cost of Sales and Services	(294.13)	(54.4%)	(296.49)	(52.1%)	(2.36)	(0.8%)
Gross Profit	246.05	45.6%	272.34	47.9%	26.29	10.7%
SG&A	(105.28)	(19.5%)	(125.87)	(22.1%)	(20.59)	(19.6%)
Operating Profit	140.77	26.1%	146.47	25.7%	5.70	4.0%
Share of Profit in Associates	1.66	0.3%	0.86	0.2%	(0.80)	(48.2%)
Interest Expense	(6.28)	(1.2%)	(7.10)	(1.2%)	(0.82)	(13.1%)
EBT	136.15	25.2%	140.23	24.7%	4.08	3.0%
Tax	(14.82)	(2.7%)	(15.95)	(2.8%)	(1.13)	(7.6%)
Net Profit After Tax	121.33	22.5%	124.28	21.8%	2.95	2.4%

Net Profit attributable to:

Owner of the Parent	121.33	22.5%	127.59	22.4%	6.26	5.2%
Non-Controlling Interests	-	-	(3.31)	(0.6%)	(3.31)	-

Total Revenues

Total Revenues, including sales and service revenue and other income, increased by 28.65mb or 5.3% to 568.83mb (9M 2020: 540.18mb). Of which, sales and services grew by 17.74mb or 3.4% and other income grew by 10.91mb or 69.6%.

Sales and Services revenue:

For 9M 2021, The Humanica Group of Companies (“HUMAN” or the “Company”) delivered sales and service revenue of 542.25mb (9M 2020: 524.51mb), an increase of 17.74mb or 3.4%. Revenue from HR Solutions contributed 464.33mb while Financial Solutions revenue contributed 77.92mb, up from 455.36mb and 69.15mb respectively year-on-year.

Other Income:

Other income increased by 10.91mb or 69.6% to 26.58mb (9M 2020: 15.67mb). 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 increased by 2.36mb or 0.8% to 296.49mb (9M 2020: 294.13mb) which mostly came from expenses for cloud service.

Gross Profit

We reported a gross profit margin of 47.9%, an increase from 45.6% in 9M 2020, and gross profit of 272.34mb (9M 2020: 246.05mb), an increase of 26.29mb or 10.7%. 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 slightly increased.

Selling and Administration Expense

Selling and administration expense (“SG&A”) closed at 125.87mb (9M 2020: 105.28mb), an increase of 20.59mb or 19.6%, with SG&A% of total revenues inching up to 22.1% (9M 2020: 19.5%). These increases are mainly attributed to increase in staff cost, office space expansion and in-house cloud service, initial operating cost of new joint-venture Benix Limited about 6.25mb 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 124.28mb (9M 2020: 121.33mb), increasing by 2.95mb or 2.4% with overall net profit margin down to 21.8% (9M 2020: 22.5%) mainly due to an increasing in selling and administration expense.

1. Revenue Structure

Table 2: The break down revenue by business entities.

Type of Revenue	Jan-Sep 2020		Jan-Sep 2021	
	Million Baht	%	Million Baht	%
1. HR Solutions				
1.1 Human Resources and Payroll Outsourcing services	201.26	37.3%	195.08	34.3%
1.2 Income from software and human resources system	197.13	36.5%	217.16	38.2%
1.2 Income from sales of hardware	56.97	10.5%	52.09	9.2%
Total revenues from HR solutions	455.36	84.3%	464.33	81.6%
2. Financial Solutions				
2.1 Enterprise Resource Planning (ERP)	52.29	9.7%	63.15	11.1%
2.2 Accounting & Finance Outsourcing	16.86	3.1%	14.77	2.6%
Total revenue from financial solutions	69.15	12.8%	77.92	13.7%
Total revenue from HR and financial solutions	524.51	97.1%	542.25	95.3%
3. Other income¹	15.67	2.9%	26.58	4.7%
Total revenues	540.18	100.0%	568.83	100.0%

¹ Other income consist mainly of interest income, dividend income, gain on investment 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 81.6% of our revenue, Financial Solutions representing 13.7% and other income representing 4.7%.

HR Solutions

Revenue from HR Solutions closed at 464.33mb (9M 2020: 455.36mb), increasing by 8.97mb or 2.0%. This increase is mainly due to non-recurring revenue 15.36mb, offset by 6.39mb 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 77.92mb (9M 2020: 69.15mb), increasing by 8.77mb or 12.7%. We gained more clients from Oracle Netsuit and booked implementation revenue of new projects from SAP Business One.

The recurring and non-recurring income:

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

Unit: million baht

HR Solutions	Jan-Sep 2020	%	Jan-Sep 2021	%	%YoY
Revenues-Recurring	313.49	68.8%	307.10	66.1%	(2.0%)
Revenues-Non Recurring	141.87	31.2%	157.23	33.9%	10.8%
Total Revenues	455.36	100.0%	464.33	100.0%	2.0%

Financial Solutions	Jan-Sep 2020	%	Jan-Sep 2021	%	%YoY
Revenues-Recurring	51.07	73.9%	49.54	63.6%	(3.0%)
Revenues-Non Recurring	18.08	26.1%	28.38	36.4%	57.0%
Total Revenues	69.15	100.0%	77.92	100.0%	12.7%

Grand Total Recurring	364.56	69.5%	356.64	65.8%	(2.2%)
Grand Total Non- Recurring	159.95	30.5%	185.61	34.2%	16.0%
Grand Total Revenues	524.51	100.0%	542.25	100.0%	3.4%

Overall, the Company's recurring revenue proportion decreased from 69.5% in 9M 2020 to 65.8% this year, while non-recurring revenue proportion increased from 30.5% in 9M 2020 to 34.2%.

Recurring revenue reported an overall decline of 7.92mb or -2.2%, 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 25.66mb or 16.0%, from the increase in 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 Sep 30, 2021	%	Change YoY	% YoY
Cash and cash equivalents	246.80	15.5%	352.93	20.8%	106.13	43.0%
Current financial assets	227.77	14.3%	69.32	4.1%	(158.45)	(69.6%)
Trade & Other receivable	126.25	7.9%	155.99	9.2%	29.74	23.6%
Current contract assets	30.35	1.9%	35.34	2.1%	4.99	16.4%
Inventory	14.98	0.9%	14.58	0.9%	(0.40)	(2.7%)
Other current Asset	7.23	0.5%	5.72	0.3%	(1.51)	(20.9%)
Non-current financial assets	392.29	24.6%	487.41	28.6%	95.12	24.2%
Right to use assets	128.83	8.1%	142.88	8.4%	14.05	10.9%
Non-Current asset	417.16	26.3%	436.35	25.6%	19.19	4.6%
Total Assets	1,591.66	100.0%	1,700.52	100.0%	108.86	6.8%
Liabilities						
Current liability	151.10	9.5%	148.23	8.7%	(2.87)	(1.9%)
Non-Current liability	173.70	10.9%	192.75	11.4%	19.05	11.0%
Total liabilities	324.80	20.4%	340.98	20.1%	16.18	5.0%
Shareholders' equity	1,266.86	79.6%	1,359.54	79.9%	92.68	7.3%
Total liabilities and Shareholders' equity	1,591.66	100.0%	1,700.52	100.0%	108.86	6.8%

(a) Total assets

Total assets as of September 30, 2021 stand at 1,700.52mb, an increase of 108.86mb or 6.8%. The increase was mainly due to an increase in trade receivable 29.74mb, investment in associates 36.00mb, expansion of office space 14.00mb, cash and cash equivalents 106.13mb and decrease in financial assets 63.33mb.

(b) Total Liabilities

Total liability as of September 30, 2021 was 340.98mb, increasing by 16.18mb or 5.0%, mainly due to recognition of liabilities under finance lease agreement according to TFRS16.

(c) **Shareholders' equity**

Total shareholder's equity as of September 30, 2021 was 1,359.54mb, increasing by 92.68mb or 7.3% YoY, contributed from operating profits attributable to owner of the parent 127.59mb offset by dividend payment 95.20mb and recognition of gain from sales and an increase in fair value of financial assets through other comprehensive income of 55.70mb..

3. Cash Flow Statement

Unit: million baht

	Jan-Sep 2020	Jan-Sep 2021
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	146.31	139.69
Cash Flow from Investing (CFI)	(10.26)	77.55
Cash Flow from Financing (CFF)	(101.11)	(118.12)
Increase in translation adjustments	2.01	7.01
Net increase (decrease)in cash and cash equivalents	36.95	106.13

Cash Flow from Operating Activities

CFO for 9M 2021 was 139.69mb. 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 9M 2021 was 77.55mb mainly due to received money from bill of exchange of 200mb offset with investment in associated companies and additional investment in financial assets.

Cash Flow from Financing Activities

CFF for 9M 2021 was -118.12mb, due to dividend payment of 95.20mb 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