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February 25, 2022

Subject: Management's Discussion and Analysis for Year Ended December 31, 2021

To The President  
The Stock Exchange of Thailand

**Management's Discussion and Analysis**  
**Consolidated Financial Statements**  
**For Year ended December 31, 2021**

**Overall Group Performance**

**Table 1: Overall Financial Performance**

Unit: million baht

	Jan-Dec 2020	%	Jan-Dec 2021	%	Change	% YoY
Total Revenues	740.34	100.0%	770.49	100.0%	30.15	4.1%
Cost of Sales and Services	(384.96)	(52.0%)	(398.26)	(51.7%)	(13.30)	(3.5%)
Gross Profit	355.38	48.0%	372.23	48.3%	16.85	4.7%
SG&A	(160.25)	(21.6%)	(176.95)	(23.0%)	(16.70)	(10.4%)
Operating Profit	195.13	26.4%	195.28	25.3%	0.15	0.1%
Share of Profit in Associates	0.93	0.1%	0.01	0.0%	(0.92)	(98.9%)
Interest Expense	(8.36)	(1.1%)	(9.34)	(1.2%)	(0.98)	(11.7%)
EBT	187.70	25.4%	185.95	24.1%	(1.75)	(0.9%)
Tax	(22.84)	(3.1%)	(20.62)	(2.7%)	2.22	9.7%
Net Profit After Tax	164.86	22.3%	165.33	21.5%	0.47	0.3%

**Net Profit attributable to:**

Owner of the Parent	165.75	22.4%	169.81	22.0%	4.06	2.4%
Non-Controlling Interests	(0.89)	(0.1%)	(4.48)	(0.5%)	(3.59)	(403.4%)

**Total Revenues**

Total Revenues, including sales and service revenue and other income, increased by 30.15mb or 4.1% to 770.49mb (2020: 740.34mb). Of which, sales and services grew by 8.88mb or 1.2% and other income grew by 21.27mb or 103.6%.

#### Sales and Services revenue:

For 2021, The Humanica Group of Companies (“HUMAN” or the “Company”) delivered sales and service revenue of 728.69mb (2020: 719.81mb), an increase of 8.88mb or 1.2%. Revenue from HR Solutions contributed 616.90mb, Financial Solutions revenue contributed 111.18mb and Life and non-life insurance broker revenue 0.61mb, up from 612.09mb, 107.71mb and 0.01mb respectively year-on-year.

#### Other Income:

Other income increased by 21.27mb or 103.6% to 41.80mb (2020: 20.53mb). 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 13.30mb or 3.5% to 398.26mb (2020: 384.96mb) which mostly came from expenses for cloud service,

#### Gross Profit

We reported a gross profit margin of 48.3%, a slightly increase from 48.0% in 2020, and gross profit of 372.23mb (2020: 355.38mb), an increase of 16.85mb or 4.7%. 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 176.95mb (2020: 160.25mb), an increase of 16.70mb or 10.4%, with SG&A% of total revenues inching up to 23.0% (2020: 21.6%). These increases are mainly attributed to increase in staff cost, office space expansion and in-house cloud service, one-off item expense which are the write-off of interest receivable on investment in convertible notes about 5.00mb and impairment in convertible note amounting to 8.65mb.

#### 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 165.33mb (2020: 164.86mb), increasing by 0.47mb or 0.3% with overall net profit margin down to 21.5% (2020: 22.3%) mainly due to an increasing in cost of sales and services and selling and administration expense.

## 1. Revenue Structure

Table 2: The break down revenue by business entities.

Type of Revenue	Jan-Dec 2020		Jan-Dec 2021	
	Million Baht	%	Million Baht	%
<b>1. HR Solutions</b>				
1.1 Human Resources and Payroll Outsourcing services	266.41	36.0%	259.52	33.7%
1.2 Income from software and human resources system	269.92	36.5%	293.03	38.0%
1.2 Income from sales of hardware	75.76	10.2%	64.35	8.4%
<b>Total revenues from HR solutions</b>	<b>612.09</b>	<b>82.7%</b>	<b>616.90</b>	<b>80.1%</b>
<b>2. Financial Solutions</b>				
2.1 Enterprise Resource Planning (ERP)	85.36	11.5%	90.09	11.7%
2.2 Accounting & Finance Outsourcing	22.35	3.0%	21.09	2.7%
<b>Total revenue from financial solutions</b>	<b>107.71</b>	<b>14.5%</b>	<b>111.18</b>	<b>14.4%</b>
<b>3. Life and Non-Life Insurance Broker</b>				
3.1 Income from life and non-life insurance broker	0.01	0.0%	0.61	0.1%
<b>Total revenues from life and non-life insurance broker</b>	<b>0.01</b>	<b>0.0%</b>	<b>0.61</b>	<b>0.1%</b>
<b>Total revenue from sales and services</b>	<b>719.81</b>	<b>97.2%</b>	<b>728.69</b>	<b>94.6%</b>
<b>3. Other income<sup>1</sup></b>	<b>20.53</b>	<b>2.8%</b>	<b>41.80</b>	<b>5.4%</b>
<b>Total revenues</b>	<b>740.34</b>	<b>100.0%</b>	<b>770.49</b>	<b>100.0%</b>

<sup>1</sup> 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 3 business units, HR Solutions, Financial Solutions and Life and Non-Life Insurance Broker with HR Solutions representing 80.1% of our revenue, Financial Solutions representing 14.4%, life and non-life insurance broker representing 0.1% of our revenue and other income representing 5.4% of our revenue.

### HR Solutions

Revenue from HR Solutions closed at 616.90mb (2020: 612.09mb), increasing by 4.81mb or 0.8%. This increase is mainly due to non-recurring revenue 8.91mb or 4.5%, offset by 4.10mb or -1.0% 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 111.18mb (2020: 107.71mb), increasing by 3.47mb or 3.2%. 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-Dec 2020	%	Jan-Dec 2021	%	%YoY
Revenues-Recurring	414.59	67.7%	410.49	66.5%	(1.0%)
Revenues-Non Recurring	197.50	32.3%	206.41	33.5%	4.5%
<b>Total Revenues</b>	<b>612.09</b>	<b>100.0%</b>	<b>616.90</b>	<b>100.0%</b>	<b>0.8%</b>

Financial Solutions	Jan-Dec 2020	%	Jan-Dec 2021	%	%YoY
Revenues-Recurring	67.91	63.0%	68.00	61.2%	0.1%
Revenues-Non Recurring	39.80	37.0%	43.18	38.8%	8.5%
<b>Total Revenues</b>	<b>107.71</b>	<b>100.0%</b>	<b>111.18</b>	<b>100.0%</b>	<b>3.2%</b>

Life and Non-Life Insurance Broker	Jan-Dec 2020	%	Jan-Dec 2021	%	%YoY
Revenues-Recurring	-	-	-	-	-
Revenues-Non Recurring	0.01	100.0%	0.61	100.0%	6,000.0%
<b>Total Revenues</b>	<b>0.01</b>	<b>100.0%</b>	<b>0.61</b>	<b>100.0%</b>	<b>6,000.0%</b>

<b>Grand Total Recurring</b>	<b>482.50</b>	<b>67.0%</b>	<b>478.49</b>	<b>65.7%</b>	<b>(0.8%)</b>
<b>Grand Total Non- Recurring</b>	<b>237.31</b>	<b>33.0%</b>	<b>250.20</b>	<b>34.3%</b>	<b>5.4%</b>
<b>Grand Total Revenues</b>	<b>719.81</b>	<b>100.0%</b>	<b>728.69</b>	<b>100.0%</b>	<b>1.2%</b>

Overall, the Company's recurring revenue proportion decreased from 67.0% in 2020 to 65.7% this year, while non-recurring revenue proportion increased from 33.0% in 2020 to 34.3%.

Recurring revenue reported an overall decline of 4.01mb or -0.8%, 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 12.89mb or 5.4%, from the increase in implementation from new projects in both HR solutions and financial solutions.

### 3. Financial position

**Table 4: Overall Financial position**

Unit: million baht

<u>Assets</u>	As of Dec 31, 2020	%	As of Dec 31, 2021	%	Change YoY	% YoY
Cash and cash equivalents	246.80	15.5%	334.59	18.9%	87.79	35.6%
Current financial assets	227.77	14.3%	50.10	2.8%	(177.67)	(78.0%)
Trade & Other receivable	126.25	7.9%	128.57	7.3%	2.32	1.8%
Current contract assets	30.35	1.9%	35.80	2.0%	5.45	18.0%
Inventory	14.98	0.9%	14.55	0.8%	(0.43)	(2.9%)
Other current Asset	7.23	0.5%	7.91	0.4%	0.68	9.4%
Non-current financial assets	392.29	24.6%	634.15	35.9%	241.86	61.7%
Right to use assets	128.83	8.1%	136.03	7.7%	7.20	5.6%
Non-Current asset	417.16	26.3%	428.31	24.2%	11.15	2.7%
<b>Total Assets</b>	<b>1,591.66</b>	<b>100.0%</b>	<b>1,770.01</b>	<b>100.0%</b>	<b>178.35</b>	<b>11.2%</b>
<b><u>Liabilities</u></b>						
Current liability	151.10	9.5%	155.68	8.8%	4.58	3.0%
Non-Current liability	173.70	10.9%	176.70	10.0%	3.00	1.7%
<b>Total liabilities</b>	<b>324.80</b>	<b>20.4%</b>	<b>332.38</b>	<b>18.8%</b>	<b>7.58</b>	<b>2.3%</b>
<b>Shareholders' equity</b>	<b>1,266.86</b>	<b>79.6%</b>	<b>1,437.63</b>	<b>81.2%</b>	<b>170.77</b>	<b>13.5%</b>
<b>Total liabilities and Shareholders' equity</b>	<b>1,591.66</b>	<b>100.0%</b>	<b>1,770.01</b>	<b>100.0%</b>	<b>178.35</b>	<b>11.2%</b>

**(a) Total assets**

Total assets as of December 31, 2021 stand at 1,770.01mb, an increase of 178.35mb or 11.2%. The increase was mainly due to an increase in investment in associates 36.00mb, expansion of office space 7.20mb, cash and cash equivalents 87.79mb and financial assets 64.19mb.

**(b) Total Liabilities**

Total liability as of December 31, 2021 was 332.38mb, increasing by 7.58mb or 2.3%, mainly due to recognition of liabilities under finance lease agreement according to TFRS16.

**(c) Shareholders' equity**

Total shareholder's equity as of December 31, 2021 was 1,437.63mb, increasing by 170.77mb or 13.5% YoY, contributed from operating profits attributable to owner of the parent 169.82mb 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 67.58mb.

#### 4. Cash Flow Statement

Unit: million baht

	Jan-Dec 2020	Jan-Dec 2021
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	240.08	242.88
Cash Flow from Investing (CFI)	(45.26)	(36.55)
Cash Flow from Financing (CFF)	(108.19)	(126.42)
Increase in translation adjustments	0.69	7.88
Net increase in cash and cash equivalents	87.32	87.79

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

CFO for 2021 was 242.88mb. 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 2021 was -36.55mb 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 2021 was -126.42mb, 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