

Ref: BC.017/2022

May 12, 2022

Subject: Management's Discussion and Analysis for Three Months Ended March 31, 2022

To The President
The Stock Exchange of Thailand

Management's Discussion and Analysis
Consolidated Financial Statements
For three months ended March 31, 2022

Overall Group Performance

Table 1: Overall Financial Performance

Unit: million baht

	Jan-Mar 2021	%	Jan-Mar 2022	%	Change	% YoY
Total Revenues	179.11	100.0%	185.87	100.0%	6.76	3.8%
Cost of Sales and Services	(96.81)	(54.1%)	(99.75)	(53.7%)	(2.94)	3.0%
Gross Profit	82.30	45.9%	86.12	46.3%	3.82	4.6%
SG&A	(41.79)	(23.3%)	(47.36)	(25.5%)	(5.57)	13.3%
Operating Profit	40.51	22.6%	38.76	20.9%	(1.75)	(4.3%)
Share of Profit in Associates	0.48	0.3%	(0.35)	(0.2%)	(0.83)	(175.0%)
Interest Expense	(2.34)	(1.3%)	(2.17)	(1.2%)	0.17	(7.3%)
EBT	38.65	21.6%	36.24	19.5%	(2.41)	(6.3%)
Tax	(4.59)	(2.6%)	(2.19)	(1.2%)	2.40	(52.3%)
Net Profit After Tax	34.06	19.0%	34.05	18.3%	(0.01)	(0.1%)

Net Profit attributable to:

Owner of the Parent	35.64	19.9%	34.65	18.6%	(0.99)	(2.8%)
Non-Controlling Interests	(1.58)	(0.9%)	(0.60)	(0.3%)	0.98	(62.0%)

Total Revenues

Total Revenues, including sales and service revenue and other income, increased by 6.76mb or 3.8% to 185.87mb (Q1 2021: 179.11mb). Of which, sales and services grew by 12.04mb or 7.1% and other income decreased by 5.28mb or 53.8%.

Sales and Services revenue:

For Q1 2022, The Humanica Group of Companies (“HUMAN” or the “Company”) delivered sales and service revenue of 181.34 mb (Q1 2021: 169.30mb), an increase of 12.04mb or 7.1%. Revenue from HR Solutions contributed 157.12mb, Financial Solutions revenue contributed 23.59mb and Life and non-life insurance broker revenue 0.63mb, up from 145.75mb, 23.49mb and 0.06mb respectively year-on-year.

Other Income:

Other income decreased by 5.28mb or 53.8% to 4.53mb (Q1 2021: 9.81mb). We reported decrease in unrealized loss on investment from our investment portfolio, interest income and dividend income.

Cost of Sales and Services

Overall cost of sales and services increased by 2.94mb or 3.0% to 99.75mb (Q1 2021: 96.81mb) which mostly came from expenses for cloud service.

Gross Profit

We reported a gross profit margin of 46.3%, a slightly increase from 45.9% in Q1 2021, and gross profit of 86.12mb (Q1 2021: 82.30mb), an increase of 3.82mb or 4.6%. The improvement is mainly due to a growth in human resources and payroll outsourcing services and income from software and human resources system while cost of sales and services slightly increased.

Selling and Administration Expense

Selling and administration expense (“SG&A”) closed at 47.36mb (Q1 2021: 41.79mb), an increase of 5.57mb or 13.3%, with SG&A% of total revenues inching up to 25.5% (Q1 2021: 23.3%). These increases are mainly attributed to increase in one-off item expense which are professional fee of acquisition of DataOn Group amounting to 2.70mb and loss on FX amounting to 3.50mb.

Interest Expense

Interest expenses slightly decreased because this year the Company’s office rental space has not been expanded. Consequently, the Company has to recognize interest expenses in accordance with Accounting Standard No. 16 on Lease Agreements.

Net profit after Tax

The net profit after tax closed at 34.05mb (Q1 2021: 34.06mb), slightly decreasing by 0.01mb or 0.1% with overall net profit margin down to 18.3% (Q1 2021: 19.0%) 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-Mar 2021		Jan-Mar 2022	
	Million Baht	%	Million Baht	%
1. HR Solutions				
1.1 Human Resources and Payroll Outsourcing services	65.63	36.6	71.69	38.6
1.2 Income from software and human resources system	67.61	37.8	74.61	40.2
1.2 Income from sales of hardware	12.51	7.0	10.82	5.8
Total revenues from HR solutions	145.75	81.4	157.12	84.6
2. Financial Solutions				
2.1 Enterprise Resource Planning (ERP)	18.78	10.5	18.98	10.2
2.2 Accounting & Finance Outsourcing	4.71	2.6	4.61	2.5
Total revenue from financial solutions	23.49	13.1	23.59	12.7
3. Life and Non-Life Insurance Broker				
3.1 Income from life and non-life insurance broker	0.06	0.0	0.63	0.3
Total revenues from life and non-life insurance broker	0.06	0.0	0.63	0.3
Total revenue from sales and services	169.30	94.5	181.34	97.6
3. Other income¹	9.81	5.5	4.53	2.4
Total revenues	179.11	100.0%	185.87	100.0

¹ Other income consist mainly of interest income and dividend.

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 84.6% of our revenue, Financial Solutions representing 12.7%, life and non-life insurance broker representing 0.3% of our revenue and other income representing 2.4% of our revenue.

HR Solutions

Revenue from HR Solutions closed at 157.12mb (Q1 2021: 145.75mb), increasing by 11.37mb or 7.8%. This increase is mainly due to recurring revenue 9.81mb or 9.5% from human resources and payroll outsourcing services and non-recurring revenue 1.56mb or 3.7% from income from software and human resources system.

Financial Solutions

Revenue from Financial Solutions contributed 23.59mb (Q1 2021: 23.49mb), increasing by 0.10mb or 0.4%. We gained more clients from Oracle Netsuit and booked software 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-Mar 2021	%	Jan-Mar 2022	%	%YoY
Revenues-Recurring	103.72	71.2%	113.53	72.3%	9.5%
Revenues-Non Recurring	42.03	28.8%	43.59	27.7%	3.7%
Total Revenues	145.75	100.0%	157.12	100.0%	7.8%

Financial Solutions	Jan-Mar 2021	%	Jan-Mar 2022	%	%YoY
Revenues-Recurring	16.21	69.0%	15.87	67.3	(2.1%)
Revenues-Non Recurring	7.28	31.0%	7.72	32.7	6.1%
Total Revenues	23.49	100.0%	23.59	100.0	0.4%

Life and Non-Life Insurance Broker	Jan-Mar 2021	%	Jan-Mar 2022	%	%YoY
Revenues-Recurring	-	-	0.31	49.2%	-
Revenues-Non Recurring	0.06	100.0%	0.32	50.8%	433.3%
Total Revenues	0.06	100.0%	0.63	100.0%	950.0%

Grand Total Recurring	119.93	70.8%	129.71	71.5%	8.2%
Grand Total Non- Recurring	49.37	29.2%	51.64	28.5%	4.6%
Grand Total Revenues	169.30	100.0%	181.34	100.0%	7.1%

Overall, the Company's recurring revenue proportion increased from 70.8% in Q1 2021 to 71.5% this year, while non-recurring revenue proportion decreased from 29.2% in Q1 2021 to 28.5%.

Recurring revenue reported an overall increasing by 9.78mb or 8.2%, driven by human resources and payroll outsourcing services and income from software and human resources system from the recovery of many companies from COVID-19.

Non-recurring revenue declined 2.26mb or 4.6%, from the decrease in implementation from both HR solutions and financial solutions.

3. Financial position

Table 4: Overall Financial position

Unit: million baht

<u>Assets</u>	As of Dec 31, 2021	%	As of Mar 31, 2022	%	Change YoY	% YoY
Cash and cash equivalents	334.59	18.9%	249.94	14.0%	(84.65)	(25.3%)
Current financial assets	50.10	2.8%	99.94	5.6%	49.84	99.5%
Trade & Other receivable	128.57	7.3%	156.35	8.7%	27.78	21.6%
Current contract assets	35.80	2.0%	38.94	2.2%	3.14	8.8%
Inventory	14.55	0.8%	13.89	0.8%	(0.66)	(4.5%)
Other current Asset	7.91	0.4%	5.13	0.3%	(2.78)	(35.1%)
Non-current financial assets	634.15	35.9%	630.77	35.2%	(3.38)	(0.5%)
Right to use assets	136.03	7.7%	137.99	7.7%	1.96	1.4%
Non-Current asset	428.31	24.2%	458.47	25.6%	30.16	7.0%
Total Assets	1,770.01	100.0%	1,791.42	100.0%	21.41	1.2%
Liabilities						
Current liability	155.68	8.8%	148.14	8.3%	(7.54)	(4.8%)
Non-Current liability	176.70	10.0%	175.74	9.8%	(0.96)	(0.5%)
Total liabilities	332.38	18.8%	323.88	18.1%	(8.50)	(2.6%)
Shareholders' equity	1,437.63	81.2%	1,467.54	81.9%	29.91	2.1%
Total liabilities and Shareholders' equity	1,770.01	100.0%	1,791.42	100.0%	21.41	1.2%

(a) **Total assets**

Total assets as of March 31, 2022 stand at 1,791.42mb, an increase of 21.41mb or 1.2%. The increase was mainly due to an increase in investment in associates 37.80mb and financial assets 49.84mb.

(b) **Total Liabilities**

Total liability as of March 31, 2022 was 323.88mb, decreasing by 8.50mb or 2.6%, mainly from trade and other payables.

(c) **Shareholders' equity**

Total shareholder's equity as of March 31, 2022 was 1,467.54mb, increasing by 29.91mb or 2.1% YoY, contributed from operating profits attributable to owner of the parent

34.65mb offset by recognition of a decrease in fair value of financial assets through other comprehensive income of 3.68mb.

4. Cash Flow Statement

Unit: million baht

	Jan-Mar 2021	Jan-Mar 2022
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	48.41	20.94
Cash Flow from Investing (CFI)	(64.69)	(97.78)
Cash Flow from Financing (CFF)	(7.19)	(8.01)
Increase in translation adjustments	1.71	0.21
Net increase in cash and cash equivalents	(21.76)	(84.64)

Cash Flow from Operating Activities

CFO for Q1 2022 was 20.94mb. 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 Q1 2022 was -97.78mb mainly due to additional investment in associated companies and financial assets.

Cash Flow from Financing Activities

CFF for Q1 2022 was -8.01mb, due to 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