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Subject: Management's Discussion and Analysis for Six Months Ended June 30, 2022

 To The President
The Stock Exchange of Thailand

Management's Discussion and Analysis
Consolidated Financial Statements
For six months ended June 30, 2022

Overall Group Performance
Table 1: Overall Financial Performance

Unit: million baht

	Jan-Jun 2021	%	Jan-Jun 2022	%	Change	% YoY
Total Revenues	382.65	100.0%	429.77	100.0%	47.12	12.3%
Cost of Sales and Services	(193.77)	(50.6%)	(222.16)	(51.7%)	(28.39)	14.7%
Gross Profit	188.88	49.4%	207.61	48.3%	18.73	9.9%
SG&A	(87.66)	(22.9%)	(98.22)	(22.9%)	(10.56)	12.0%
Operating Profit	101.22	26.5%	109.39	25.5%	8.17	8.1%
Share of Profit in Associates	0.43	0.1%	(2.61)	(0.6%)	(3.04)	(707.0%)
Interest Expense	(4.75)	(1.2%)	(5.13)	(1.2%)	(0.38)	8.0%
Gain (loss) in on investment	2.80	0.7%	(18.09)	(4.2%)	(20.89)	(746.1%)
EBT	99.70	26.1%	83.56	19.4%	(16.14)	(16.2%)
Tax	(11.78)	(3.1%)	(10.49)	(2.4%)	1.29	(11.0%)
Net Profit After Tax	87.92	23.0%	73.07	17.0%	(14.85)	(16.9%)

Net Profit attributable to:

Owner of the Parent	90.64	23.7%	74.08	17.2%	(16.56)	(18.3%)
Non-Controlling Interests	(2.72)	(0.7%)	(1.01)	(0.2%)	1.71	(63.0%)

Total Revenues

Total Revenues, including sales and service revenue and other income, increased by 47.12mb or 12.3% to 429.77mb (6M 2021: 382.65mb). Of which, sales and services grew by 43.79mb or 11.9% and other income increased by 3.33mb or 22.8%.

Sales and Services revenue:

For 6M 2022, The Humanica Group of Companies (“HUMAN” or the “Company”) delivered sales and service revenue of 411.84mb (6M 2021: 368.05mb), an increase of 43.79mb or 11.9%. Revenue from HR Solutions contributed 350.10mb, Financial Solutions revenue contributed 60.56mb and Life and non-life insurance broker revenue 1.18mb, up from 313.17mb, 54.76mb and 0.12mb respectively year-on-year.

Included in the Revenue from HR Solutions was the sales and service revenue from DataOn group of 35.12mb for 25 May to 30 June 2022 post acquisition Organic growth for HR Solutions was 8.67mb or 2.8%.

Other Income:

Other income increased by 3.33mb or 22.8% to 17.93mb (6M 2021: 14.60mb). We reported increases in gain on FX and dividend income.

Cost of Sales and Services

Overall cost of sales and services increased by 28.39mb or 14.7% to 222.16mb (6M 2021: 193.77mb) of which came from the consolidation of DataOn group amounted of 15.77mb. Cost of Sales and Services prior to accounting for DataOn increased 12.62mb or 6.5% mainly due to higher hosting cost as we transit from capital expenditure model to operating expenditure model for our hosting cost amounting to 14.51mb.

Gross Profit

We reported a gross profit margin of 48.3%, a slight decrease from 49.4% in 6M 2021, and gross profit of 207.61mb (6M 2021: 188.88mb), an increase of 18.73mb or 9.9%. DataOn group contributed gross profit of 20.31mb and a gross profit margin of 56.3% for 25May to 30 June 2022. Excluding the impact from the consolidation of DataOn group, HUMAN’s gross profit would have slightly decreased by 1.58mb or 0.8% due to an increase in hosting expenses.

Selling and Administration Expense

Selling and administration expense (“SG&A”) closed at 98.22mb (6M 2021: 87.66mb), an increase of 10.56mb or 12.0%, with SG&A% of total revenues remaining consistent at 22.9% (6M 2021: 22.9%). These increases are mainly attributed to increase in one-off item expenses which are the professional fee of acquisition of DataOn Group amounting to 5.67mb, the expense that related to the warrants for a 5-years Employee Stock Option Plan (ESOP) amounting of 2.61mb and the consolidation of DataOn group’s result amounted of 11.62mb.

Interest Expense

Interest expenses increased by 0.38mb or 8.0% to 5.13mb (6M 2021: 4.75mb) of which came from the consolidation of DataOn group amounting to 0.75mb due to recognition of Accounting Standard No. 16 on Lease Agreements.

Net profit after Tax

The net profit after tax closed at 73.07mb (6M 2021: 87.92mb), decreasing by 14.85mb or 16.9% with overall net profit margin down to 17.0% (6M 2021: 23.0%) mainly due to the unrealized loss on investments

amounting to 18.18mb, one-off expenses on professional fee related to acquisition of DataOn and warrants expense on ESOP amounting of 2.61mb.

1. Revenue Structure

Table 2: The break down revenue by business entities.

Type of Revenue	Jan-Jun 2021		Jan-Jun 2022	
	Million Baht	%	Million Baht	%
1. <u>HR Solutions</u>				
1.1 Human Resources and Payroll Outsourcing services	130.78	34.2%	144.13	33.5%
1.2 Income from software and human resources system	152.87	40.0%	182.64	42.5%
1.2 Income from sales of hardware	29.52	7.7%	23.33	5.4%
Total revenues from HR solutions	313.17	81.9%	350.10	81.4%
2. <u>Financial Solutions</u>				
2.1 Enterprise Resource Planning (ERP)	44.33	11.6%	50.55	11.8%
2.2 Accounting & Finance Outsourcing	10.43	2.7%	10.01	2.3%
Total revenue from financial solutions	54.76	14.3%	60.56	14.1%
3. <u>Life and Non-Life Insurance Broker</u>				
3.1 Income from life and non-life insurance broker	0.12	-	1.18	0.3%
Total revenues from life and non-life insurance broker	0.12	-	1.18	0.3%
Total revenue from sales and services	368.05	96.2%	411.84	95.8%
3. <u>Other income</u>¹	14.60	3.8%	17.93	4.2%
Total revenues	382.65	100.0%	429.77	100.0%

¹ Other income consist mainly of interest income, dividend 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 81.4% of our revenue, Financial Solutions representing 14.1%, life and non-life insurance broker representing 0.3% of our revenue and other income representing 4.2% of our revenue.

HR Solutions

Revenue from HR Solutions closed at 350.10mb (6M 2021: 313.17mb), increasing by 36.93mb or 11.8%. This increase is mainly due to recurring revenue 45.85mb or 22.4% from software and human resources system offset by a decrease in non-recurring revenue 8.92mb or 8.2% from non-recurring income.

We registered stronger growth in recurring SaaS and service revenue in Thailand, Singapore and Malaysia, while we have capacity constraints which impact our ability in delivering non-recurring income.

Financial Solutions

Revenue from Financial Solutions contributed 60.56mb (6M 2021: 54.76mb), increasing by 5.80mb or 10.6%. We gained more clients from Oracle Netsuite 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-Jun 2021	%	Jan- Jun 2022	%	%YoY
Revenues-Recurring	204.94	65.4%	250.79	71.6%	22.4%
Revenues-Non-recurring	108.23	34.6%	99.31	28.4%	(8.2%)
Total Revenues	313.17	100.0%	350.10	100.0%	11.8%

Financial Solutions	Jan- Jun 2021	%	Jan- Jun 2022	%	%YoY
Revenues-Recurring	33.39	61.0%	33.57	55.4%	0.6%
Revenues-Non-recurring	21.37	39.0%	26.99	44.6%	26.3%
Total Revenues	54.76	100.0%	60.56	100.0%	10.6%

Life and Non-Life Insurance Broker	Jan- Jun 2021	%	Jan- Jun 2022	%	%YoY
Revenues-Recurring	-	-	0.62	52.5%	-
Revenues-Non-recurring	0.12	100.0%	0.56	47.5%	366.67%
Total Revenues	0.12	100.0%	1.18	100.0%	883.33%

Grand Total Recurring	238.33	64.8%	284.98	69.2%	19.6%
Grand Total Non-recurring	129.72	35.2%	126.86	30.8%	(2.2%)
Grand Total Revenues	368.05	100.0%	411.84	100.0%	11.9%

Overall, the Company's recurring revenue proportion increased from 64.8% in 6M 2021 to 69.2% this year, while non-recurring revenue proportion decreased from 35.2% in 6M 2021 to 30.8%.

Recurring revenue reported an overall increase of 46.65mb or 19.6%, driven by income from software and human resources system from the recovery of many companies from COVID-19.

Non-recurring revenue declined 2.86mb or 2.2%, from the decrease in implementation, customization fees and change requests 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 Jun 30, 2022	%	Change YoY	% YoY
Cash and cash equivalents	334.59	18.9%	418.65	10.7%	84.06	25.1%
Current financial assets	50.10	2.8%	52.82	1.4%	2.72	5.4%
Trade & Other receivable	128.57	7.3%	213.45	5.5%	84.88	66.0%
Current contract assets	35.80	2.0%	36.04	0.9%	0.24	0.7%
Inventory	14.55	0.8%	11.89	0.3%	(2.66)	(18.3%)
Other current Asset	7.91	0.4%	21.85	0.6%	13.94	176.2%
Non-current financial assets	634.15	35.9%	569.42	14.6%	(64.73)	(10.2%)
Right to use assets	136.03	7.7%	190.21	4.9%	54.18	39.8%
Unallocated costs of business acquisition	-	-	1,865.38	47.8%	1,865.38	-
Non-Current asset	428.31	24.2%	516.28	13.3%	87.97	20.5%
Total Assets	1,770.01	100.0%	3,895.99	100.0%	2,125.98	120.1%
<u>Liabilities</u>						
Current liability	155.68	8.8%	239.53	6.1%	83.85	53.9%
Non-Current liability	176.70	10.0%	264.47	6.8%	87.77	49.7%
Total liabilities	332.38	18.8%	504.00	12.9%	171.62	51.6%
Shareholders' equity	1,437.63	81.2%	3,391.99	87.1%	1,954.36	135.9%
Total liabilities and Shareholders' equity	1,770.01	100.0%	3,895.99	100.0%	2,125.98	120.1%

(a) Total assets

Total assets as of June 30, 2022 stand at 3,895.99mb, an increase of 2,125.98mb or 120.1%. The increase was mainly due to unallocated costs of business acquisition from DataOn group 1,865.38mb and higher trade receivables, cash and cash equivalents and rights to use assets, upon the consolidation of DataOn group.

(b) Total Liabilities

Total liability as of June 30, 2022 was 504.00mb, increasing by 171.62mb or 51.6%, mainly due to recognition of various unearned revenue and lease liabilities from consolidation of DataOn group.

(c) Shareholders' equity

Total shareholder's equity as of June 30, 2022 was 3,391.99mb, increasing by 1,954.36mb or 135.9%, mainly due to newly issued ordinary shares of the Company, at an offering price of 10.60 baht per share to the DataOn group totaling 1,986.90mb for acquiring shares of INI, DOI and SGA and contributed from operating profits attributable to owner of the parent 76.69mb offset by recognition of a decrease in fair value of financial assets through other comprehensive income of 44.0mb.

4. Cash Flow Statement

Unit: million baht

	Jan-Jun 2021	Jan-Jun 2022
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	89.59	63.78
Cash Flow from Investing (CFI)	(60.80)	104.95
Cash Flow from Financing (CFF)	(69.21)	(87.29)
Increase in translation adjustments	3.45	2.62
Net increase in cash and cash equivalents	(36.97)	84.06

Cash Flow from Operating Activities

CFO for 6M 2022 was 63.78mb. 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 2022 was 104.95mb mainly due to cash receive from acquisition of DataOn group offset with additional investment in associated companies and financial assets.

Cash Flow from Financing Activities

CFF for 6M 2022 was -87.29mb, due to finance lease payment and dividend payout 68.00mb. 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