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November 14, 2022

Subject: Management's Discussion and Analysis for Nine Months Ended September 30, 2022

To The President  
The Stock Exchange of Thailand

**Management's Discussion and Analysis**  
**Consolidated Financial Statements**  
**For nine months ended September 30, 2022**

**Overall Group Performance**

**Table 1: Overall Financial Performance**

Unit: million baht

	Jan-Sep 2021	%	Jan-Sep 2022	%	Change	% YoY
Total Revenues	571.62	100.0%	738.48	100.0%	166.86	29.2%
Cost of Sales and Services	(296.49)	(51.9%)	(380.44)	(51.5%)	(83.95)	28.3%
Gross Profit	275.13	48.1%	358.04	48.5%	82.91	30.1%
SG&A	(125.87)	(22.0%)	(182.97)	(24.8%)	(57.10)	45.4%
Operating Profit	149.26	26.1%	175.07	23.7%	25.81	17.3%
Share of Profit in Associates	0.86	0.2%	(2.06)	(0.3%)	(2.92)	(339.5%)
Interest Expense	(7.10)	(1.3%)	(9.03)	(1.2%)	(1.93)	27.2%
Losses on measuring financial assets	(2.79)	(0.5%)	(10.66)	(1.5%)	(7.87)	281.7%
Earning before Tax and Extraordinary Item	140.23	24.5%	153.32	20.7%	13.09	9.3%
Impairment of Convertible Note	-	-	(38.54)	(5.2%)	(38.54)	-
Earning before Tax	140.23	24.5%	114.78	15.5%	(25.45)	(18.1%)
Tax	(15.95)	(2.8%)	(10.40)	(1.4%)	5.55	(34.8%)
Net Profit After Tax	124.28	21.7%	104.38	14.1%	(19.90)	(16.0%)

**Net Profit attributable to:**

Owner of the Parent	127.59	22.3%	105.88	14.3%	(21.71)	(17.0%)
Non-Controlling Interests	(3.31)	(0.6%)	(1.50)	(0.2%)	1.81	(54.5%)

For our Q3 2022 performance, as compared to Q3 2021, Humanica Group of Companies (“Humanica” or the “Company”) was adversely impacted by the impairment we have taken on our investment on convertible bonds in CXA of 38.54mb, losses on valuation of financial assets of 10.66mb, one-time expenses related to the acquisition of DataOn group of companies of 5.88mb and cost associated with the introduction of a 5-year Employee Stock Option Plan (ESOP) of 5.22mb, totaling 60.30mb.

Before accounting for the above costs, comparatively, our earnings before tax would have been 175.08 for 9M 2022 (9M 2021: 140.23mb) an increase of 34.85mb YOY or 24.85%. Of which, the consolidation of DataOn group since May 2022 brings a EBT of 39.02mb. Humanica’s organic EBT for the 9M 2022 decreased by a small 4.17mb, attributed to a decrease in exchange gain.

In summary, Humanica grew organically by 33.24mb in revenue or 6.1% in 9M 2022. Before accounting for the various items mentioned earlier, operational EBT remains the same as 9M 2021. The expected contribution to EBT from the growth was offset by higher hosting costs as we transit from private cloud solution to public cloud solution, moving from capital expenditure to operation expenditure.

We expect our EBT to improve in Q4 2022 as we reduce overlapping costs as we transit our hosting solutions and book more project revenue.

### **Total Revenues**

Total Revenues, including sales and service revenue and other income, increased by 166.86mb or 29.2% to 738.48mb (9M 2021: 571.62mb). Of which, sales and services grew by 171.65mb or 31.7% and other income decreased by 4.79mb or 16.3%.

Sales and Services revenue:

For 9M 2022, the Company delivered sales and service revenue of 713.90mb (9M 2021: 542.25mb), an increase of 171.65mb or 31.7% in Revenue from HR Solutions contributed 623.58mb while Financial Solutions revenue contributed 88.78mb and Life and non-life insurance broker revenue was 1.54mb, up from 463.86mb, 77.92mb and 0.47mb respectively year-on-year.

Included in the Revenue was the sales and service revenue in HR Solutions from Dataon group of 138.41mb for 25 May to 30 September 2022. Humanica’s post-acquisition organic growth for HR Solutions was 21.31mb or 4.6%, 10.86mb or 13.9% for Financial Solutions and 1.07mb or 227.7% for Brokerage. Overall organic increase was 33.24mb or 6.1%.

Other Income:

Other income decreased by 4.79mb or 16.3% to 24.58mb (9M 2021: 29.37mb). We reported decrease in gain on FX from the same period last year.

### **Cost of Sales and Services**

Overall cost of sales and services increased by 83.95mb or 28.3% to 380.44mb (9M 2021: 296.49mb) of which came from the consolidation of DataOn group amounting to 60.19mb. Cost of Sales and Services prior to accounting for DataOn increased 23.76mb or 8.0% mainly due to higher hosting cost as we transit from capital expenditure model to operating expenditure model for our hosting cost amounting to 20.20mb,

### **Gross Profit**

We reported a gross profit margin of 48.5%, an increase from 48.1% in 9M 2021, and gross profit of 358.04mb (9M 2021: 275.13mb), an increase of 82.91mb or 30.1%. DataOn group contributed gross profit of 80.99mb and a gross profit margin of 57.4% for 25May to 30 September 2022. Excluding the impact from the consolidation of DataOn group, HUMAN's gross profit would have increased by 1.92mb or 0.7% due to deteriorating gross profit margin because of higher hosting costs.

### **Selling and Administration Expense**

Selling and administration expense ("SG&A") closed at 182.97mb (9M 2021: 125.87mb), an increase of 57.10mb or 45.4%, with SG&A% of total revenues increased to 24.8% (9M 2021: 22.0%). These increases are mainly attributed to increases in one-off item expenses which are the professional fee of acquisition of DataOn Group amounting to 5.88mb, the expense related to the warrants for a 5-years Employee Stock Option Plan (ESOP) amounting to 5.22mb and the consolidation of DataOn group's result amounting to 39.44mb.

### **Interest Expense**

Interest expenses increased by 1.93mb or 27.2% to 9.03mb (9M 2021: 7.10mb) of which came from the consolidation of DataOn group amounting to 2.53mb due to recognition of Accounting Standard No. 16 on Lease Agreements.

### **Impairment of Convertible Note (Non-Operating Expense)**

In Q3 2022, the Company provided additional provision for a impairment of Convertible Note issued by CXA Group Pte Limited ("CXA") for USD 1.1 million or 38.54mb as CXA's liquidity issue and the recent decision by CXA to halt discussion on merger with a potential investor brings a material uncertainty on their ability to continue as a going concern. The provision of additional impairment has effectively written off our entire investment, except for a committed receivable from the sales proceed of CXA's China brokerage businesses. This expense is one-off item and will not affect the Company's normal operation or business.

### **Net profit after Tax**

The net profit after tax closed at 104.38mb (9M 2021: 124.28mb), decreasing by 19.90mb or 16.0% with overall net profit margin down to 14.0% (9M 2021: 21.7%) mainly due to the unrealized loss on investments amounting to 10.66mb, one-off expenses on professional fee related to acquisition of DataOn amounting of 5.88mb, warrants expense on ESOP amounting of 5.22mb and impairment of convertible note amounting of 38.54mb, totaling 60.30mb.

## 1. Revenue Structure

Table 2: The break down revenue by business entities.

Type of Revenue	Jan-Sep 2021		Jan-Sep 2022	
	Million Baht	%	Million Baht	%
<b>1. HR Solutions</b>				
1.1 Human Resources and Payroll Outsourcing services	194.61	34.0%	226.80	30.7%
1.2 Income from software and human resources system	217.16	38.1%	360.96	48.9%
1.2 Income from sales of hardware	52.09	9.1%	35.82	4.9%
<b>Total revenues from HR solutions</b>	<b>463.86</b>	<b>81.2%</b>	<b>623.58</b>	<b>84.5%</b>
<b>2. Financial Solutions</b>				
2.1 Enterprise Resource Planning (ERP)	63.15	11.0%	73.92	10.0%
2.2 Accounting & Finance Outsourcing	14.77	2.6%	14.86	2.0%
<b>Total revenue from financial solutions</b>	<b>77.92</b>	<b>13.6%</b>	<b>88.78</b>	<b>12.0%</b>
<b>3. Life and Non-Life Insurance Broker</b>				
3.1 Income from life and non-life insurance broker	0.47	0.1%	1.54	0.2%
<b>Total revenues from life and non-life insurance broker</b>	<b>0.47</b>	<b>0.1%</b>	<b>1.54</b>	<b>0.2%</b>
<b>Total revenue from sales and services</b>	<b>542.25</b>	<b>94.9%</b>	<b>713.90</b>	<b>96.7%</b>
<b>3. Other income<sup>1</sup></b>	<b>29.37</b>	<b>5.1%</b>	<b>24.58</b>	<b>3.3%</b>
<b>Total revenues</b>	<b>571.62</b>	<b>100.0%</b>	<b>738.48</b>	<b>100.0%</b>

<sup>1</sup> Other income consist mainly of interest income, dividend income 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 84.5% of our revenue, Financial Solutions representing 12.0%, life and non-life insurance broker representing 0.2% of our revenue and other income representing 3.3% of our revenue.

### HR Solutions

Revenue from HR Solutions closed at 623.58mb (9M 2021: 463.86mb), increasing by 159.72mb or 34.4%. This increase is mainly due to recurring revenue 122.86mb or 40.0% from software and human resources system and an increase in non-recurring revenue 36.86mb or 23.5% from implementation income. The recurring revenue of DataOn group is 83.36mb while non-recurring revenue is 55.05mb.

We registered stronger growth in recurring SaaS and payroll service revenue while revenue from implementation income slowed down as we consolidate HR technology from Humanica and DataOn.

### Financial Solutions

Revenue from Financial Solutions contributed 88.78mb (9M 2021: 77.92mb), increased by 10.86mb or 13.9%. We gained implementation income 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-Sep 2021	%	Jan-Sep 2022	%	%YoY
Revenues-Recurring	307.10	66.2%	429.96	69.0%	40.0%
Revenues-Non-recurring	156.76	33.8%	193.62	31.0%	23.5%
<b>Total Revenues</b>	<b>463.86</b>	<b>100.0%</b>	<b>623.58</b>	<b>100.0%</b>	<b>34.4%</b>

Financial Solutions	Jan-Sep 2021	%	Jan-Sep 2022	%	%YoY
Revenues-Recurring	49.54	63.6%	49.65	55.9%	0.2%
Revenues-Non-recurring	28.38	36.4%	39.13	44.1%	37.9%
<b>Total Revenues</b>	<b>77.92</b>	<b>100.0%</b>	<b>88.78</b>	<b>100.0%</b>	<b>13.9%</b>

Life and Non-Life Insurance Broker	Jan-Sep 2021	%	Jan-Sep 2022	%	%YoY
Revenues-Recurring	-	-	0.92	59.7%	-
Revenues-Non-recurring	0.47	100.0%	0.62	40.3%	31.91%
<b>Total Revenues</b>	<b>0.47</b>	<b>100.0%</b>	<b>1.54</b>	<b>100.0%</b>	<b>227.66%</b>

<b>Grand Total Recurring</b>	<b>356.64</b>	<b>65.8%</b>	<b>480.53</b>	<b>67.3%</b>	<b>34.7%</b>
<b>Grand Total Non- recurring</b>	<b>185.61</b>	<b>34.2%</b>	<b>233.37</b>	<b>32.7%</b>	<b>25.7%</b>
<b>Grand Total Revenues</b>	<b>542.25</b>	<b>100.0%</b>	<b>713.90</b>	<b>100.0%</b>	<b>31.7%</b>

Overall, the Company's recurring revenue proportion increased from 65.8% in 9M 2021 to 67.3% while non-recurring revenue proportion decreased from 34.2% in 9M 2021 to 32.7%.

Recurring revenue reported an overall increase of 123.89mb or 34.7%, driven by income from software and human resources system consolidated from the merger with DataOn and expected uptick in demand for services as companies recover from COVID-19 situations.

Non-recurring revenue increased 47.76mb or 25.7%, mainly due to the impact of consolidation from the merger of DataOn on implementation, customization fees, change requests and license income from both HR solutions and financial solutions. Non-recurring revenue for HR Solutions in Thailand was impacted due to resources constraint as as prepare for the transition of our hosting solustions and the consolidation of our new technology for HR Solutions.

### 3. Financial position

**Table 4: Overall Financial position**

Unit: million baht

<u>Assets</u>	As of Dec 31, 2021	%	As of Sep 30, 2022	%	Change YoY	% YoY
Cash and cash equivalents	334.59	18.9%	500.08	12.8%	165.49	49.5%
Current financial assets	50.10	2.8%	12.85	0.3%	(37.25)	(74.4%)
Trade & Other receivable	128.57	7.3%	203.74	5.2%	75.17	58.5%
Current contract assets	35.80	2.0%	41.57	1.1%	5.77	16.1%
Inventory	14.55	0.8%	8.54	0.2%	(6.01)	(41.3%)
Other current Asset	7.91	0.4%	22.08	0.6%	14.17	179.1%
Non-current financial assets	634.15	35.9%	548.61	14.0%	(85.54)	(13.5%)
Right to use assets	136.03	7.7%	183.53	4.7%	47.50	34.9%
Unallocated costs of business acquisition	-	-	1,865.38	47.6%	1,865.38	-
Non-Current asset	428.31	24.2%	526.91	13.5%	98.60	23.0%
<b>Total Assets</b>	<b>1,770.01</b>	<b>100.0%</b>	<b>3,913.29</b>	<b>100.0%</b>	<b>2,143.28</b>	<b>121.1%</b>
<b>Liabilities</b>						
Current liability	155.68	8.8%	270.74	7.0%	115.06	73.9%
Non-Current liability	176.70	10.0%	263.52	6.7%	86.82	49.1%
<b>Total liabilities</b>	<b>332.38</b>	<b>18.8%</b>	<b>534.26</b>	<b>13.7%</b>	<b>201.88</b>	<b>60.7%</b>
<b>Shareholders' equity</b>	<b>1,437.63</b>	<b>81.2%</b>	<b>3,379.03</b>	<b>86.3%</b>	<b>1,941.40</b>	<b>135.0%</b>
<b>Total liabilities and Shareholders' equity</b>	<b>1,770.01</b>	<b>100.0%</b>	<b>3,913.29</b>	<b>100.0%</b>	<b>2,143.28</b>	<b>121.1%</b>

**(a) Total assets**

Total assets as of September 30, 2022 stand at 3,913.29mb, an increase of 2,143.28mb or 121.1%. 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 September 30, 2022 was 534.26mb, increasing by 201.88mb or 60.7%, 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 September 30, 2022 was 3,379.03mb, increasing by 1,941.40mb or 135.0%, 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 105.88mb offset by recognition of a decrease in fair value of financial assets through other comprehensive income of 17.71mb and dividend payment of 120.05mb.

**4. Cash Flow Statement**

Unit: million baht

	Jan-Sep 2021	Jan-Sep 2022
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	139.69	196.10
Cash Flow from Investing (CFI)	77.55	122.92
Cash Flow from Financing (CFF)	(118.12)	(149.74)
Increase in translation adjustments	7.01	(3.79)
Net increase in cash and cash equivalents	106.13	165.49

**Cash Flow from Operating Activities**

CFO for 9M 2022 was 196.10mb. 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 2022 was 122.92mb mainly due to cash receive from acquisition of DataOn group and disposal of financial assets offset with additional investment in associated companies and purchase of financial assets.

**Cash Flow from Financing Activities**

CFF for 9M 2022 was -149.74mb, due to finance lease payment and dividend payout 120.05mb. 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