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March 1, 2023

Subject: Management's Discussion and Analysis for Year Ended December 31, 2022 (Revised)

To The President
The Stock Exchange of Thailand

Management's Discussion and Analysis
Consolidated Financial Statements
For Year Ended December 31, 2022

Overall Group Performance

Table 1: Overall Financial Performance

Unit: million baht

	Jan-Dec 2021	%	Jan-Dec 2022	%	Change	% YoY
Total Revenues	775.52	100.0%	1,073.49	100.0%	297.97	38.4%
Cost of Sales and Services	(398.26)	(51.4%)	(532.48)	(49.6%)	(134.22)	33.7%
Gross Profit	377.26	48.6%	541.01	50.4%	163.75	43.4%
SG&A	(168.30)	(21.7%)	(276.24)	(25.7%)	(107.94)	64.1%
Operating Profit	208.96	26.9%	264.77	24.7%	55.81	26.7%
Share of Profit in Associates	0.01	0.0%	(0.02)	(0.0%)	(0.03)	(300.0%)
Interest Expense	(9.34)	(1.2%)	(12.73)	(1.2%)	(3.39)	36.3%
Losses on measuring financial assets	(5.03)	(0.6%)	(3.98)	(0.4%)	1.05	(20.9%)
Earning before Tax and Extraordinary Item	194.60	25.1%	248.04	23.1%	53.44	27.5%
Impairment of Convertible Note	(8.65)	(1.1%)	(38.54)	(3.6%)	(29.89)	345.5%
Earning before Tax	185.95	24.0%	209.50	19.5%	23.55	12.7%
Tax	(20.62)	(2.7%)	(29.49)	(2.7%)	(8.87)	43.0%
Net Profit After Tax	165.33	21.3%	180.01	16.8%	14.68	8.9%

Net Profit attributable to:

Owner of the Parent	169.81	21.9%	180.91	16.9%	11.10	6.5%
Non-Controlling Interests	(4.48)	(0.6%)	(0.90)	(0.1%)	3.58	(79.9%)

For our 2022 performance, as compared to 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 3.98mb, one-time expenses related to the acquisition of DataOn group of companies of 5.88mb, cost associated with the introduction of a 5-year Employee Stock Option Plan (ESOP) of 7.83mb and realized loss on investment 12.24mb, totaling 68.47mb.

Before accounting for the above costs, comparatively, our earnings before tax would have been 277.97 for 2022 (2021: 185.95mb) an increase of 92.02mb YOY or 49.5%. Of which, the consolidation of DataOn group since May 2022 brings a EBT of 89.48mb.

In summary, Humanica grew organically by 76.37mb in revenue or 10.5% in 2022. Before accounting for the various items mentioned earlier, operational EBT grew marginally by 2.54mb compared to 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 As well as, our investment in preparing for the next stage of our growth such as venturing in Vietnam and upgrade our operational capability.

Total Revenues

Total Revenues, including sales and service revenue and other income, increased by 297.97mb or 38.4% to 1,073.49mb (2021: 775.52mb). Of which, sales and services grew by 317.50mb or 43.6% and other income decreased by 19.53mb or 41.7%.

Sales and Services revenue:

For 2022, the Company delivered sales and service revenue of 1,046.19mb (2021: 728.69mb), an increase of 317.50mb or 43.6% in Revenue from HR Solutions contributed 910.11mb while Financial Solutions revenue contributed 132.08mb and Life and non-life insurance broker revenue was 4.00mb, up from 616.90mb, 111.18mb and 0.61mb respectively year-on-year.

Included in the Revenue was the sales and service revenue in HR Solutions from Dataon group of 241.13mb for 25 May to 31 December 2022. Humanica’s post-acquisition organic growth for HR Solutions was 52.07mb or 8.4%, 20.90mb or 18.8% for Financial Solutions and 3.39mb or 555.7% for Brokerage. Overall organic increase was 76.36mb or 10.5%.

Other Income:

Other income decreased by 19.53mb or 41.7% to 27.30mb (2021: 46.83mb). We reported decrease in gain on FX and realized gain on investment from last year.

Cost of Sales and Services

Overall cost of sales and services increased by 134.22mb or 33.7% to 532.48mb (2021: 398.26mb) of which came from the consolidation of DataOn group amounting to 97.23mb. Cost of Sales and Services prior to accounting for DataOn increased 36.99mb or 9.3% mainly due to higher hosting cost as we transit from capital expenditure model to operating expenditure model for our hosting cost amounting to 22.91mb.

Gross Profit

We reported a gross profit margin of 50.4%, an increase from 48.6% in 2021, and gross profit of 541.01mb (2021: 377.26mb), an increase of 163.75mb or 43.4%. DataOn group contributed gross profit of 153.93mb

and a gross profit margin of 61.3% for 25May to 31 December 2022. Excluding the impact from the consolidation of DataOn group, HUMAN's gross profit would have increased by 36.99mb or 9.3% due to a growth in human resources and payroll outsourcing services, income from software and human resources system and financial solutions.

Selling and Administration Expense

Selling and administration expense ("SG&A") closed at 276.24mb (2021: 168.30mb), an increase of 107.94mb or 64.1%, with SG&A% of total revenues increased to 50.4% (2021: 48.6%). 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 7.83mb, realized loss on investment 12.24mb, losses on FX 4.00mb and the consolidation of DataOn group's result amounting to 73.16mb.

Interest Expense

Interest expenses increased by 3.39mb or 36.3% to 12.73mb (2021: 9.34mb) of which came from the consolidation of DataOn group amounting to 4.20mb due to recognition of Accounting Standard No. 16 on Lease Agreements.

Impairment of Convertible Note (Non-Operating Expense)

In Q32022, 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 180.01mb (2021: 165.33mb), increasing by 14.68mb or 8.9% with overall net profit margin down to 16.8% (2021: 21.3%) mainly due to the realized loss on investments amounting to 12.24mb, one-off expenses on professional fee related to acquisition of DataOn amounting of 5.88mb, warrants expense on ESOP amounting of 7.83mb and impairment of convertible note amounting of 38.54mb, totaling 64.49mb.

1. Revenue Structure

Table 2: The break down revenue by business entities.

Type of Revenue	Jan-Dec 2021		Jan-Dec 2022	
	Million Baht	%	Million Baht	%
1. HR Solutions				
1.1 Human Resources and Payroll Outsourcing services	259.52	33.5%	312.70	29.1%
1.2 Income from software and human resources system	293.03	37.8%	549.97	51.3%
1.2 Income from sales of hardware	64.35	8.3%	47.44	4.4%
Total revenues from HR solutions	616.90	79.6%	910.11	84.8%
2. Financial Solutions				
2.1 Enterprise Resource Planning (ERP)	90.09	11.6%	112.23	10.5%
2.2 Accounting & Finance Outsourcing	21.09	2.7%	19.85	1.8%
Total revenue from financial solutions	111.18	14.3%	132.08	12.3%
3. Life and Non-Life Insurance Broker				
3.1 Income from life and non-life insurance broker	0.61	0.1%	4.00	0.4%
Total revenues from life and non-life insurance broker	0.61	0.1%	4.00	0.4%
Total revenue from sales and services	728.69	94.0%	1,046.19	97.5%
3. Other income¹	46.83	6.0%	27.30	2.5%
Total revenues	775.52	100.0%	1,073.49	100.0%

¹ 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 84.8% of our revenue, Financial Solutions representing 12.3%, life and non-life insurance broker representing 0.4% of our revenue and other income representing 2.5% of our revenue.

HR Solutions

Revenue from HR Solutions closed at 910.11mb (2021: 616.90mb), increasing by 293.21mb or 47.5%. This increase is mainly due to recurring revenue 205.05mb or 50.0% from software and human resources system and an increase in non-recurring revenue 88.16mb or 42.7% from implementation income. The recurring revenue of DataOn group is 140.97mb while non-recurring revenue is 100.16mb.

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. In

2022, we recorded a strong growth from our overseas operations and we remain positive in the developing Humanica's business in Asia in the near future.

Financial Solutions

Revenue from Financial Solutions contributed 132.08mb (2021: 111.18mb), increased by 20.90mb or 18.8%. 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-Dec 2021	%	Jan-Dec 2022	%	%YoY
Revenues-Recurring	410.49	66.5%	615.54	67.6%	50.0%
Revenues-Non-recurring	206.41	33.5%	294.57	32.4%	42.7%
Total Revenues	616.90	100.0%	910.11	100.0%	47.5%

Financial Solutions	Jan-Dec 2021	%	Jan-Dec 2022	%	%YoY
Revenues-Recurring	68.00	61.2%	67.15	50.8%	(1.3%)
Revenues-Non-recurring	43.18	38.8%	64.93	49.2%	50.4%
Total Revenues	111.18	100.0%	132.08	100.0%	18.8%

Life and Non-Life Insurance Broker	Jan-Dec 2021	%	Jan-Dec 2022	%	%YoY
Revenues-Recurring	-	-	2.48	62.0%	-
Revenues-Non-recurring	0.61	100.0%	1.52	38.0%	149.2%
Total Revenues	0.61	100.0%	4.00	100.0%	555.7%

Grand Total Recurring	478.49	65.7%	685.17	65.5%	43.2%
Grand Total Non- recurring	250.20	34.3%	361.02	34.5%	44.3%
Grand Total Revenues	728.69	100.0%	1,046.19	100.0%	43.6%

Overall, the Company's recurring revenue proportion slightly decreased from 65.7% in 2021 to 65.5% while non-recurring revenue proportion slightly increased from 34.3% in 2021 to 34.5%.

Recurring revenue reported an overall increase of 206.68mb or 43.2%, 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 110.82mb or 44.3%, 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 Dec 31, 2022	%	Change YoY	% YoY
Cash and cash equivalents	334.59	18.9%	586.17	15.0%	251.58	75.2%
Current financial assets	50.10	2.8%	24.23	0.6%	(25.87)	(51.6%)
Trade & Other receivable	128.57	7.3%	189.56	4.9%	60.99	47.4%
Current contract assets	35.80	2.0%	48.53	1.2%	12.73	35.6%
Inventory	14.55	0.8%	7.01	0.2%	(7.54)	(51.8%)
Other current Asset	7.91	0.4%	2.81	0.1%	(5.10)	(64.5%)
Non-current financial assets	634.15	35.9%	518.55	13.3%	(115.60)	(18.2%)
Right to use assets	136.03	7.7%	167.88	4.3%	31.85	23.4%
Unallocated costs of business acquisition	-	-	1,838.96	47.1%	1,838.96	-
Non-Current asset	428.31	24.2%	519.43	13.3%	91.12	21.3%
Total Assets	1,770.01	100.0%	3,903.13	100.0%	2,133.12	120.5%
Liabilities						
Current liability	155.68	8.8%	271.14	6.9%	115.46	74.2%
Non-Current liability	176.70	10.0%	210.32	5.4%	33.62	19.0%
Total liabilities	332.38	18.8%	481.46	12.3%	149.08	44.9%
Shareholders' equity	1,437.63	81.2%	3,421.67	87.7%	1,984.04	138.0%
Total liabilities and Shareholders' equity	1,770.01	100.0%	3,903.13	100.0%	2,133.12	120.5%

(a) Total assets

Total assets as of December 31, 2022 stand at 3,903.13mb, an increase of 2,133.12mb or 120.5%. The increase was mainly due to unallocated costs of business acquisition from DataOn group 1,838.96mb 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 December 31, 2022 was 481.46mb, increasing by 149.08mb or 44.9%, 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 December 31, 2022 was 3,421.67mb, increasing by 1,984.04mb or 138.0%, 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 180.92mb offset by recognition of a decrease in fair value of financial assets through other comprehensive income of 26.95mb and dividend payment of 120.05mb.

4. Cash Flow Statement

Unit: million baht

	Jan-Dec 2021	Jan-Dec 2022
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	242.88	246.88
Cash Flow from Investing (CFI)	(36.55)	188.45
Cash Flow from Financing (CFF)	(126.42)	(170.38)
Increase in translation adjustments	7.88	(13.37)
Net increase in cash and cash equivalents	87.79	251.58

Cash Flow from Operating Activities

CFO for 2022 was 246.88mb. 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 2022 was 188.45mb 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 2022 was -170.38mb, 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