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May 15, 2023

Subject: Management's Discussion and Analysis for Three Months Ended March 31, 2023

 To The President  
The Stock Exchange of Thailand

**Management's Discussion and Analysis**  
**Consolidated Financial Statements**  
**For three months ended March 31, 2023**

**Overall Group Performance**
**Table 1: Overall Financial Performance**

Unit: million baht

	Jan-Mar 2022	%	Jan-Mar 2023	%	Change	% YoY
Total Revenues	185.87	100.0%	311.42	100.0%	125.55	67.5%
Cost of Sales and Services	(100.32)	(54.0%)	(150.74)	(48.4%)	50.42	50.3%
Gross Profit	85.55	46.0%	160.68	51.6%	75.13	87.8%
SG&A	(40.78)	(21.9%)	(83.27)	(26.7%)	42.49	104.2%
Operating Profit	44.77	24.1%	77.41	24.9%	32.64	72.9%
Share of Profit in Associates	(0.35)	(0.2%)	(0.87)	(0.3%)	(0.52)	148.6%
Interest Expense	(2.17)	(1.2%)	(3.43)	(1.1%)	(1.26)	58.1%
Losses on measuring financial assets	(6.01)	(3.2%)	(1.19)	(0.4%)	4.82	(80.2%)
Earning before Tax	36.24	19.5%	71.92	23.1%	35.68	98.5%
Tax	(2.19)	(1.2%)	(9.83)	(3.2%)	(7.64)	348.9%
Net Profit After Tax	34.05	18.3%	62.09	19.9%	28.04	82.4%

**Net Profit attributable to:**

Owner of the Parent	34.65	18.6%	62.41	20.0%	27.76	80.1%
Non-Controlling Interests	(0.60)	(0.3%)	(0.33)	(0.1%)	0.27	(45.0%)

**Total Revenues**

Total Revenues, including sales and service revenue and other income, increased by 125.55mb or 67.5% to 311.42mb (Q1 2022: 185.87mb). Of which, sales and services grew by 120.14mb or 66.3% and other income increased by 5.40mb or 119.2%.

#### Sales and Services revenue:

For Q1 2023, The Humanica Group of Companies (“HUMAN” or the “Company”) delivered sales and service revenue of 301.49mb (Q1 2022: 181.34mb), an increase of 120.14mb or 66.3% in Revenue from HR Solutions contributed 273.89mb while Financial Solutions revenue contributed 27.10mb and Life and non-life insurance broker revenue was 0.50mb, up from 157.12mb, 23.59mb and 0.63mb respectively year-on-year.

Included in the Revenue was the sales and service revenue in HR Solutions from DataOn group of 86.02mb. Humanica’s post-acquisition organic growth for HR Solutions was 30.75mb or 19.6%, 3.51mb or 14.9% for Financial Solutions and decreased 0.13mb or 20.6% for Brokerage. Overall organic increase was 34.13mb or 18.8%.

#### Other Income:

Other income increased by 5.40mb or 119.2% to 9.93mb (Q1 2022: 4.53mb). We reported an increase in realized gain on investment from our investment portfolio and interest income from investment in bonds.

#### Cost of Sales and Services

Overall cost of sales and services increased by 50.42mb or 50.3% to 150.74mb (Q1 2022: 100.32mb) of which came from the consolidation of DataOn group amounting to 33.01mb. Cost of Sales and Services prior to accounting for DataOn increased 17.42mb or 17.4% which mostly came from expenses for staff cost.

#### Gross Profit

We reported a gross profit margin of 51.6%, an increase from 46.0% in Q1 2022, and gross profit of 160.68mb (Q1 2022: 85.55mb), an increase of 75.13mb or 87.8%. DataOn group contributed gross profit of 55.75mb and a gross profit margin of 62.8%. Excluding the impact from the consolidation of DataOn group, HUMAN’s gross profit would have increased by 19.37mb or 22.6% due to growth in human resources and payroll outsourcing services, income from software and human resources system and financial solutions.

#### Selling and Administrative Expense

Selling and administrative expenses (“SG&A”) closed at 83.27mb (Q1 2022: 40.78mb), an increase of 42.49mb or 104.2%, with SG&A% of total revenues increased to 26.7% (Q1 2022: 21.9%). The consolidation of DataOn group’s result amounting to 35.97mb along with additional amortization of customer relationship from fair value adjustment of purchase price allocation on DataOn group’s acquisition added 7.19mb to the overall SG&A increase. Excluding these impacts, SG&A would decrease by 0.67mb or 1.6%.

#### Interest Expense

Interest expenses increased by 1.26mb or 58.1% to 3.43mb (Q1 2022: 2.17mb) of which came from the consolidation of DataOn group amounting to 1.45mb due to recognition of Accounting Standard No. 16 on Lease Agreements.

## Net profit after Tax

The net profit after tax closed at 62.09mb (Q1 2022: 34.05mb), increasing by 28.04mb or 82.4% with overall net profit margin up to 19.9% (Q1 2022: 18.3%). DataOn group contributed net profit of 15.09mb. Excluding the impact from the consolidation of DataOn group, HUMAN's net profit would have increased by 12.95mb or 38.0% due to a growth in revenue.

## Revenue Structure

Table 2: The breakdown revenue by business entities.

Type of Revenue	Jan-Mar 2022		Jan-Mar 2023	
	Million Baht	%	Million Baht	%
<b>1. HR Solutions</b>				
1.1 Human Resources and Payroll Outsourcing services	71.69	38.6%	86.92	27.9%
1.2 Income from software and human resources system	74.61	40.1%	174.48	56.0%
1.2 Income from sales of hardware	10.82	5.8%	12.49	4.0%
<b>Total revenues from HR solutions</b>	<b>157.12</b>	<b>84.5%</b>	<b>273.89</b>	<b>87.9%</b>
<b>2. Financial Solutions</b>				
2.1 Enterprise Resource Planning (ERP)	18.98	10.2%	22.80	7.3%
2.2 Accounting & Finance Outsourcing	4.61	2.5%	4.30	1.4%
<b>Total revenue from financial solutions</b>	<b>23.59</b>	<b>12.7%</b>	<b>27.10</b>	<b>8.7%</b>
<b>3. Life and Non-Life Insurance Broker</b>				
3.1 Income from life and non-life insurance broker	0.63	0.3%	0.50	0.2%
<b>Total revenues from life and non-life insurance broker</b>	<b>0.63</b>	<b>0.3%</b>	<b>0.50</b>	<b>0.2%</b>
<b>Total revenue from sales and services</b>	<b>181.34</b>	<b>97.6%</b>	<b>301.49</b>	<b>96.8%</b>
<b>3. Other income<sup>1</sup></b>	<b>4.53</b>	<b>2.4%</b>	<b>9.93</b>	<b>3.2%</b>
<b>Total revenues</b>	<b>185.87</b>	<b>100.0%</b>	<b>311.42</b>	<b>100.0%</b>

<sup>1</sup> Other income consists of mainly of interest income, dividend income and realized gain on investment.

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 87.9% of our revenue, Financial Solutions representing 8.7%, life and non-life insurance broker representing 0.2% of our revenue and other income representing 3.2% of our revenue.

### HR Solutions

Revenue from HR Solutions closed at 273.89mb (Q1 2022: 157.12mb), increasing by 116.77mb or 74.3%. This increase is mainly due to recurring revenue 83.24mb or 73.3% from software and human resources system and payroll service and an increase in non-recurring revenue 33.52mb or 76.9% from implementation and license income. The recurring revenue of DataOn group is 59.28mb while non-recurring revenue is 26.75mb.

We registered stronger growth in recurring SaaS and payroll service revenue. In 2023, we recorded a strong growth from our overseas operations, and we remain positive in the development of Humanica's business in Asia in the near future.

### Financial Solutions

Revenue from Financial Solutions contributed 27.10mb (Q1 2022: 23.59mb), increased by 3.51mb or 14.9%. We gained implementation income, commission from Oracle Netsuite and maintenance income 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 2022	%	Jan-Mar 2023	%	%YoY
Revenues-Recurring	113.53	72.3%	196.77	71.8%	73.3%
Revenues-Non-recurring	43.59	27.7%	77.12	28.2%	76.9%
<b>Total Revenues</b>	<b>157.12</b>	<b>100.0%</b>	<b>273.89</b>	<b>100.0%</b>	<b>74.3%</b>

Financial Solutions	Jan-Mar 2022	%	Jan-Mar 2023	%	%YoY
Revenues-Recurring	15.87	67.3%	17.66	65.2%	11.3%
Revenues-Non-recurring	7.72	32.7%	9.44	34.8%	22.2%
<b>Total Revenues</b>	<b>23.59</b>	<b>100.0%</b>	<b>27.10</b>	<b>100.0%</b>	<b>14.9%</b>

Life and Non-Life Insurance Broker	Jan-Mar 2022	%	Jan-Mar 2023	%	%YoY
Revenues-Recurring	0.31	49.2%	0.38	74.4%	22.6%
Revenues-Non-recurring	0.32	50.8%	0.12	25.6%	(62.5%)
<b>Total Revenues</b>	<b>0.63</b>	<b>100.0%</b>	<b>0.50</b>	<b>100.0%</b>	<b>(20.6%)</b>

<b>Grand Total Recurring</b>	<b>129.71</b>	<b>71.5%</b>	<b>214.81</b>	<b>71.2%</b>	<b>65.6%</b>
<b>Grand Total Non- recurring</b>	<b>51.64</b>	<b>28.5%</b>	<b>86.68</b>	<b>28.8%</b>	<b>67.9%</b>
<b>Grand Total Revenues</b>	<b>181.34</b>	<b>100.0%</b>	<b>301.49</b>	<b>100.0%</b>	<b>66.3%</b>

Overall, the Company's recurring revenue proportion slightly decreased from 71.5% in Q1 2022 to 71.2% while non-recurring revenue proportion slightly increased from 28.5% in Q1 2022 to 28.8%.

Recurring revenue reported an overall increase of 85.10mb or 65.6%, 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 35.05mb or 67.9%, mainly due to the impact of consolidation from the merger of DataOn on implementation, customization fees, change requests and license income from HR solutions. Non-recurring revenue for HR Solutions in Thailand was impacted due to resources constraints as we prepare for the transition of our new hosting solutions and the consolidation of our new technology for HR Solutions.

### Financial position

**Table 4: Overall Financial position**

Unit: million baht

<u>Assets</u>	As of Dec 31, 2022 (Restated)	%	As of Mar 31, 2023	%	Change YoY	% YoY
Cash and cash equivalents	586.17	14.7%	661.47	16.3%	75.30	12.8%
Current financial assets	24.23	0.6%	40.91	1.0%	16.68	68.8%
Trade & Other receivable	189.56	4.8%	197.78	4.9%	8.22	4.3%
Current contract assets	48.53	1.2%	53.15	1.3%	4.62	9.5%
Inventory	7.01	0.2%	6.06	0.1%	(0.95)	(13.6%)
Other current Asset	2.81	0.1%	17.81	0.4%	15.00	533.8%
Non-current financial assets	518.55	13.0%	500.05	12.3%	(18.50)	(3.6%)
Right to use assets	167.88	4.2%	163.12	4.0%	(4.76)	(2.8%)
Goodwill	1,896.34	47.6%	1,872.36	46.2%	(23.98)	(1.3%)
Non-Current asset	541.43	13.6%	538.18	13.3%	(3.25)	(0.6%)
<b>Total Assets</b>	<b>3,982.51</b>	<b>100.0%</b>	<b>4,050.89</b>	<b>100.0%</b>	<b>68.38</b>	<b>1.7%</b>
<b>Liabilities</b>						
Current liability	271.14	6.8%	299.43	7.4%	28.29	10.4%
Non-Current liability	229.20	5.8%	223.73	5.5%	(5.47)	(2.4%)
<b>Total liabilities</b>	<b>500.34</b>	<b>12.6%</b>	<b>523.16</b>	<b>12.9%</b>	<b>22.82</b>	<b>4.6%</b>
<b>Shareholders' equity</b>	<b>3,482.17</b>	<b>87.4%</b>	<b>3,527.73</b>	<b>87.1%</b>	<b>45.56</b>	<b>1.3%</b>
<b>Total liabilities and Shareholders' equity</b>	<b>3,982.51</b>	<b>100.0%</b>	<b>4,050.89</b>	<b>100.0%</b>	<b>68.38</b>	<b>1.7%</b>

**(a) Total assets**

Total assets as of March 31, 2023 stand at 4,050.89mb, an increase of 68.38mb or 1.7%. The increase was mainly due to higher trade receivables, cash and cash equivalents and current contract assets. The Company restated the financial position as of December 31, 2022 from fair value adjustment of purchase price allocation which were goodwill amounting to 1,787.72mb and customer relationship amounting to 130.62mb.

**(b) Total Liabilities**

Total liability as of March 31, 2023 was 523.16mb, increasing by 22.82mb or 4.6%, mainly due to recognition of various unearned income. From restated the financial position as of December 31, 2022, the Company had deferred tax liabilities from fair value adjustment of purchase price allocation amounting to 18.88mb.

**(c) Shareholders' equity**

Total shareholder's equity as of March 31, 2023 was 3,527.73mb, increasing by 45.56mb or 1.3%, mainly due to contributed from operating profits attributable to owner of the parent 62.41mb offset by recognition of a decrease in translation adjustments through other comprehensive income of 19.29mb. From restated the financial position as of December 31, 2022, the Company restated retained earnings amounting to 16.03mb and other components of equity amounting to 76.54mb.

**Cash Flow Statement**

Unit: million baht

	Jan-Mar 2022	Jan-Mar 2023
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	20.67	109.60
Cash Flow from Investing (CFI)	(97.78)	(22.34)
Cash Flow from Financing (CFF)	(8.01)	(12.86)
Net increase in cash and cash equivalents	(85.12)	74.40

**Cash Flow from Operating Activities**

CFO for Q1 2023 was 109.60mb. 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 2023 was -22.34mb mainly due to loan to an associated company and software development payment.

**Cash Flow from Financing Activities**

CFF for Q1 2023 was -12.86mb, 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