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August 15, 2023

Subject: Management's Discussion and Analysis for Six Months Ended June 30, 2023

To The President
The Stock Exchange of Thailand

Management's Discussion and Analysis
Consolidated Financial Statements
For six months ended June 30, 2023

Overall Group Performance

Table 1: Overall Financial Performance

Unit: million baht

	Jan-Jun 2022 (Restated)	%	Jan-Jun 2023	%	Change	% YoY
Total Revenues	429.87	100.0%	630.03	100.0%	200.16	46.6%
Cost of Sales and Services	(222.16)	(51.7%)	(298.90)	(47.4%)	(76.74)	34.5%
Gross Profit	207.71	48.3%	331.13	52.6%	123.42	59.4%
SG&A	(101.25)	(23.6%)	(170.59)	(27.1%)	(69.34)	68.5%
Operating Profit	106.46	24.8%	160.54	25.5%	54.08	50.8%
Share of Profit (loss) in Associates	(2.61)	(0.6%)	(3.84)	(0.6%)	(1.23)	47.1%
Interest Expense	(5.13)	(1.2%)	(6.86)	(1.1%)	(1.73)	33.7%
Losses on measuring financial assets	(18.18)	(4.2%)	(1.20)	(0.2%)	16.98	(93.4%)
Earning before Tax	80.54	18.7%	148.64	23.6%	68.10	84.6%
Tax	(10.05)	(2.3%)	(15.97)	(2.5%)	(5.92)	58.9%
Net Profit After Tax	70.49	16.4%	132.67	21.1%	62.18	88.2%

Net Profit attributable to:

Owner of the Parent	71.50	16.6%	133.27	21.2%	61.77	86.4%
Non-Controlling Interests	(1.01)	(0.2%)	(0.60)	(0.1%)	0.41	(40.6%)

Total Revenues

Total Revenues, including sales and service revenue and other income, increased by 200.16mb or 46.6% to 630.03mb (6M 2022: 429.87mb). Of which, sales and services grew by 197.03mb or 47.8% and other income increased by 3.13mb or 17.4%.

Sales and Services revenue:

For 6M 2023, The Humanica Group of Companies (“HUMAN” or the “Company”) delivered sales and service revenue of 608.87mb (6M 2022: 411.84mb), an increase of 197.03mb or 47.8% in Revenue from HR Solutions contributed 551.67mb while Financial Solutions revenue contributed 56.24mb and Life and non-life insurance broker revenue was 0.96mb, up from 350.10mb for HR Solutions and down from Financial Solutions and Life and non-life insurance broker 60.56mb and 1.18mb respectively year-on-year.

Included in the Revenue was the sales and service revenue in HR Solutions from DataOn group of 179.70mb. Humanica’s post-acquisition organic growth for HR Solutions was 56.98mb or 18.1% and decreased 4.32mb or 7.1% for Financial Solutions and 0.22mb or 18.6% for Brokerage. Overall organic increase was 52.44mb or 13.9%.

Other Income:

Other income increased by 3.13mb or 17.4% to 21.16mb (6M 2022: 18.03mb). 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 76.74mb or 34.5% to 298.90mb (6M 2022: 222.16mb) of which came from the consolidation of DataOn group amounting to 69.17mb (25 May - 30 June 2022: 16.31mb). Cost of sales and services prior to accounting for DataOn increased 23.88mb or 11.6% which mostly came from expenses for staff cost.

Gross Profit

We reported a gross profit margin of 52.6%, an increase from 48.3% in 6M 2022, and gross profit of 331.13mb (6M 2022: 207.71mb), an increase of 123.42mb or 59.4%. DataOn group contributed gross profit of 115.98mb and a gross profit margin of 62.6%. Excluding the impact from the consolidation of DataOn group, HUMAN’s gross profit would have increased by 27.22mb or 53.3% due to growth in human resources and payroll outsourcing services, income from software and human resources system.

Selling and Administrative Expense

Selling and administrative expenses (“SG&A”) closed at 170.59mb (6M 2022: 101.25mb), an increase of 69.35mb or 68.5%, with SG&A% of total revenues increased to 27.1% (6M 2022: 23.6%). The consolidation of DataOn group’s result amounting to 48.60mb along with additional amortization of customer relationship from fair value adjustment of purchase price allocation on DataOn group’s acquisition added 11.59mb to the overall SG&A increase. Excluding these impacts, SG&A would increase by 9.16mb or 10.5% which are mostly from staff cost amounting to 8.82mb and the expense related to the warrants for a 5-years Employee Stock Option Plan (ESOP) amounting to 2.61mb.

Interest Expense

Interest expenses increased by 1.73mb or 33.7% to 6.86mb (6M 2022: 5.13mb) of which came from the consolidation of DataOn group amounting to 2.19mb due to recognition of Accounting Standard No. 16 on Lease Agreements.

Net profit after Tax

The net profit after tax closed at 132.67mb (6M 2022: 70.49mb), increasing by 62.18mb or 88.2% with overall net profit margin up to 21.1% (6M 2022: 16.4%). DataOn group contributed net profit of 27.73mb (offset net profit from 25 May – 30 June 2022). Excluding the impact from the consolidation of DataOn group, HUMAN's net profit would have increased by 34.45mb or 52.4% due to a growth in revenue.

Revenue Structure

Table 2: The breakdown revenue by business entities.

Type of Revenue	Jan-Jun 2022		Jan-Jun 2023	
	Million Baht	%	Million Baht	%
1. HR Solutions				
1.1 Human Resources and Payroll Outsourcing services	144.13	33.5%	166.21	26.4%
1.2 Income from software and human resources system	182.64	42.5%	361.79	57.4%
1.3 Income from sales of hardware	23.33	5.4%	23.67	3.8%
Total revenues from HR solutions	350.10	81.4%	551.67	87.6%
2. Financial Solutions				
2.1 Enterprise Resource Planning (ERP)	50.55	11.8%	46.27	7.3%
2.2 Accounting & Finance Outsourcing	10.01	2.3%	9.97	1.6%
Total revenue from financial solutions	60.56	14.1%	56.24	8.9%
3. Life and Non-Life Insurance Broker				
3.1 Income from life and non-life insurance broker	1.18	0.3%	0.96	0.2%
Total revenues from life and non-life insurance broker	1.18	0.3%	0.96	0.2%
Total revenue from sales and services	411.84	95.8%	608.87	96.6%
4. Other income¹	18.03	4.2%	21.16	3.4%
Total revenues	429.87	100.0%	630.03	100.0%

¹ 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 87.6% of our revenue, Financial Solutions representing 8.9%, life and non-life insurance broker representing 0.2% of our revenue and other income representing 3.4% of our revenue.

HR Solutions

Revenue from HR Solutions closed at 551.67mb (6M 2022: 350.10mb), increasing by 201.57mb or 57.6%. This increase is mainly due to recurring revenue 144.89mb or 57.8% from software and human resources system and payroll service and an increase in non-recurring revenue 56.70mb or 57.1% from implementation and license income. The recurring revenue of DataOn group is 99.47mb while non-recurring revenue is 45.11mb.

We registered stronger growth in recurring SaaS and payroll outsourcing 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 56.24mb (6M 2022: 60.56mb), decreased by 4.32mb or 7.1%. We will close new projects and record revenue in the next quarter.

The recurring and non-recurring income:

Table 3: The break down revenue by recurring & non-recurring revenue.

Unit: million baht

HR Solutions	Jan-Jun 2022	%	Jan-Jun 2023	%	%YoY
Revenues-Recurring	250.79	71.6%	395.66	71.7%	57.8%
Revenues-Non-recurring	99.31	28.4%	156.01	28.3%	57.1%
Total Revenues	350.10	100.0%	551.67	100.0%	57.6%

Financial Solutions	Jan-Jun 2022	%	Jan-Jun 2023	%	%YoY
Revenues-Recurring	33.57	55.4%	36.26	64.5%	8.0%
Revenues-Non-recurring	26.99	44.6%	19.98	35.5%	(26.0%)
Total Revenues	60.56	100.0%	56.24	100.0%	(7.1%)

Life and Non-Life Insurance Broker	Jan-Jun 2022	%	Jan-Jun 2023	%	%YoY
Revenues-Recurring	0.62	52.5%	0.81	84.4%	31.0%
Revenues-Non-recurring	0.56	47.5%	0.15	15.6%	(73.2%)
Total Revenues	1.18	100.0%	0.96	100.0%	(18.6%)

	Jan-Jun 2022	%	Jan-Jun 2023	%	%YoY
Grand Total Recurring	284.98	69.2%	432.73	71.1%	51.8%
Grand Total Non- recurring	126.86	30.8%	176.14	28.9%	38.8%
Grand Total Revenues	411.84	100.0%	608.87	100.0%	47.8%

Overall, the Company's recurring revenue proportion slightly increased from 69.2% in Q2 2022 to 71.1% while non-recurring revenue proportion slightly decreased from 30.8% in Q2 2022 to 28.9%.

Recurring revenue reported an overall increase of 147.75mb or 51.8%, 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 49.28mb or 38.8%, 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 Jun 30, 2023	%	Change YoY	% YoY
Cash and cash equivalents	586.17	14.7%	576.63	14.2%	(9.54)	(1.6%)
Current financial assets	24.23	0.6%	47.41	1.2%	23.18	95.7%
Trade & Other receivable	189.56	4.8%	210.58	5.2%	21.02	11.1%
Current contract assets	48.53	1.2%	50.39	1.2%	1.86	3.8%
Inventory	7.01	0.2%	6.60	0.2%	(0.41)	(5.8%)
Other current Asset	2.81	0.1%	4.48	0.1%	1.67	59.4%
Non-current financial assets	518.55	13.0%	518.21	12.7%	(0.34)	(0.1%)
Right to use assets	167.88	4.2%	154.46	3.8%	(13.42)	(8.0%)
Goodwill	1,896.34	47.6%	1,949.46	47.9%	53.12	2.8%
Non-Current asset	541.43	13.6%	554.23	13.6%	12.80	2.4%
Total Assets	3,982.51	100.0%	4,072.45	100.0%	89.94	2.3%
Liabilities						
Current liability	271.14	6.8%	273.40	6.7%	2.26	0.8%
Non-Current liability	229.20	5.8%	218.93	5.4%	(10.27)	(4.5%)
Total liabilities	500.34	12.6%	492.33	12.1%	(8.01)	(1.6%)
Shareholders' equity	3,482.17	87.4%	3,580.12	87.9%	97.95	2.8%
Total liabilities and Shareholders' equity	3,982.51	100.0%	4,072.45	100.0%	89.94	2.3%

(a) Total assets

Total assets as of June 30, 2023 stand at 4,072.45mb, an increase of 89.94mb or 2.3%. The increase was mainly due to higher trade receivables and financial assets. The Company restated the financial position as of December 31, 2022 from fair value adjustment of purchase price allocation of DataOn group which were goodwill amounting to 1,787.72mb and customer relationship amounting to 130.62mb.

(b) Total Liabilities

Total liability as of June 30, 2023 was 492.33mb, decreasing by 8.01mb or 1.6%, mainly due to decreasing in lease liabilities. 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 June 30, 2023 was 3,580.12mb, increasing by 97.95mb or 2.8%, mainly due to contributed from operating profits attributable to owner of the parent 133.27mb and translation adjustments through other comprehensive income of 75.35mb offset by recognition of a decrease in fair value of financial assets through other comprehensive income of 11.20mb and dividend payment of 104.09mb. 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-Jun 2022	Jan-Jun 2023
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	63.17	179.85
Cash Flow from Investing (CFI)	104.95	(60.61)
Cash Flow from Financing (CFF)	(87.29)	(130.26)
Net increase in cash and cash equivalents	80.83	(11.02)

Cash Flow from Operating Activities

CFO for 6M 2023 was 179.85mb. 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 2023 was -60.61mb mainly due to software development payment.

Cash Flow from Financing Activities

CFF for 6M 2023 was -130.26mb, due to finance lease payment and dividend payout 104.09mb. 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