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November 13, 2019

Subject: Management's Discussion and Analysis for Nine Months Ended September 30, 2019

To The President  
The Stock Exchange of Thailand

**Management's Discussion and Analysis**  
**Consolidated Financial Statements**  
**For nine months ended September 30, 2019**

**Overall Group Performance**

**Table 1: Overall Financial Performance**

**Unit: million baht**

	Jan-Sep 2018	%	Jan-Sep 2019	%	Change	% YoY
Revenue	380.50	100.0%	440.78	100.0%	60.28	15.8%
Cost	217.33	57.1%	238.03	54.0%	20.70	9.5%
Gross Profit	163.17	42.9%	202.75	46.0%	39.58	24.3%
SG&A	58.51	15.4%	83.78	19.0%	25.27	43.2%
EBIT	104.66	27.5%	118.97	27.0%	14.31	13.7%
Share of Gain in Associates	-	-	0.51	0.1%	0.51	-
Interest Expenses	0.48	0.1%	0.35	0.1%	(0.13)	(27.0%)
EBT	104.18	27.4%	119.13	27.0%	14.95	14.3%
Tax	10.02	2.6%	12.78	2.9%	2.76	27.5%
Net Profit After Tax	94.16	24.7%	106.35	24.1%	12.19	12.9%

**Revenue from service**

The Humanica Group of Companies ("HUMAN" or the "Company") delivered a revenue of 440.78mb (Q3 2018: 380.50mb), an increase of 60.28mb or 15.8%. For Q3 2019, revenue from HR Solutions contributed 53.07mb or 17.8% to our growth year-on-year upon consolidating the result of our newly acquired subsidiary, Tiger Soft (1998) Company Limited ("TigerSoft"). Revenue from our Financial Solutions marginally increased by 0.60 mb or 0.8%.

Our overall recurring revenue grew 13.6% to 333.27mb (Q3 2018: 293.32mb), of which recurring revenue in HR Solution increased by 35.35mb or 14.2%. The acquisition of TigerSoft changes the composition of recurring vs non-recurring revenue for HR Solutions as the business model of TigerSoft is heavy weighted in non-recurring revenue. As a result of consolidation, non-recurring revenue increased by 17.72mb or 35.5%, reversing from a dip in non-recurring revenue in previous quarters.

Recurring revenue from Financial Solutions increasing by 4.60mb or 10.2% but offset by the reduction in non-recurring revenue by 4.00mb or -12.6%.

### **Other Income**

Other income has increased by 6.60mb or 116.6% to 12.26mb (Q3 2018: 5.66mb) as a result of realized gains on investments, interest income from convertible bonds, as well as return from investing surplus cash in money market products.

### **Cost of Services**

Our cost of service increased by 20.70mb or 9.5% to 238.03mb (Q3 2018: 217.33mb). The slower growth in cost of services helps to widen our gross margin to 46.0% (Q3 2018: 42.9%)

### **Gross Profit**

As a result of overall improvements in productivity, we achieved a gross profit of 202.75mb (Q3 2018: 163.17mb), an increase of 39.58mb or 24.3%.

### **Selling and Administration expense**

Selling and administration expense (“SG&A”) closed at 83.78mb (Q3 2018: 58.51mb), increased by 25.27mb or 43.2% . SG&A consists of mainly indirect staff costs, office rental and depreciation & amortization. The increase in SG&A is mainly attributed to the consolidation of TigerSoft’s result, higher rental and computer cost as we have expanded our office space, as well as, 2.78mb of exchange losses booked as a result of strengthening of Thai Baht.

### **Net profit after Tax**

The net profit after tax closed at 106.35mb (Q3 2018: 94.16mb), improving by 12.19mb or 12.9% due to a combination of reasons including consolidating the result of TigerSoft, increase in revenue and other income but partially offset by higher SG&A.

## 1. Revenue Structure

**Table 2: The break down revenue by business entities.**

Type of Revenue	Jan-Sep 2018		Jan-Sep 2019	
	Million	%	Million	%
	Baht		Baht	
<b>1. <u>HR Solutions</u></b>				
1.1 Human Resources and Payroll Outsourcing services	177.54	46.7%	192.46	43.7%
1.2 Income from software and human resources system	120.75	31.7%	146.25	33.2%
1.2 Income from sales of hardware	-	-	12.65	2.9%
<b>Total revenues from HR solutions</b>	<b>298.29</b>	<b>78.4%</b>	<b>351.36</b>	<b>79.8%</b>
<b>2. <u>Financial Solutions</u></b>				
2.1 Enterprise Resource Planning (ERP)	63.28	16.6%	59.74	13.6%
2.2 Accounting & Finance Outsourcing	13.28	3.5%	17.42	3.9%
<b>Total revenue from financial solutions</b>	<b>76.56</b>	<b>20.1%</b>	<b>77.16</b>	<b>17.5%</b>
<b>3. <u>Other income</u><sup>1</sup></b>	<b>5.66</b>	<b>1.5%</b>	<b>12.26</b>	<b>2.7%</b>
<b>Total revenues</b>	<b>380.51</b>	<b>100.0%</b>	<b>440.78</b>	<b>100.0%</b>

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

In Table 2 , The Company's revenue structure comprises 2 business units , HR Solutions and Financial Solutions with HR Solutions representing 79.8% of our revenue while Financial services representing 17.5% and other income representing a small 2.7%.

### **HR Solutions**

Revenue from HR Solutions closed at 351.36mb (Q3 2018: 298.29mb), increasing by 53.07mb or 17.8%. This increase is mainly due to taking in the result of TigerSoft, as well as, organic growth of existing business in HR technology and services in local and overseas markets. With the acquisition of TigerSoft, the Company is able to expand its business to complementary hardware, such as clock devices. TigerSoft also has a strong footing in providing HR system to SMEs customers, an attractive market segment that Humanica previously has low penetration rate.

### **Financial Solutions**

Revenue from Financial Solutions contributed 77.16mb (Q3 2018: 76.56mb), 0.60mb or 0.8% more than the same period last year. We saw a dip of 3.54mb in the implementation revenue from our ERP division due to resource constraints which should improve toward the end of the year. The dip in ERP was compensated by an increase in the accounting and financial outsourcing of 4.15mb.

**The recurring and non-recurring income:**

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

<b>HR Solutions</b>	<b>Jan-Sep 2018</b>	<b>%</b>	<b>Jan-Sep 2019</b>	<b>%</b>	<b>%YoY</b>
Revenues-Recurring	248.36	83.3%	283.71	80.7%	14.2%
Revenues-Non Recurring	49.93	16.7%	67.65	19.3%	35.5%
<b>Total Revenues</b>	<b>298.29</b>	<b>100.0%</b>	<b>351.36</b>	<b>100.0%</b>	<b>17.8%</b>

<b>Financial Solutions</b>	<b>Jan-Sep 2018</b>	<b>%</b>	<b>Jan-Sep 2019</b>	<b>%</b>	<b>%YoY</b>
Revenues-Recurring	44.96	58.7%	49.56	64.2%	10.2%
Revenues-Non Recurring	31.60	41.3%	27.60	35.8%	(12.6%)
<b>Total Revenues</b>	<b>76.56</b>	<b>100.0%</b>	<b>77.16</b>	<b>100.0%</b>	<b>0.8%</b>

<b>Grand Total Recurring</b>	<b>293.32</b>	<b>78.2%</b>	<b>333.27</b>	<b>77.8%</b>	<b>13.6%</b>
<b>Grand Total Non-Recurring</b>	<b>81.53</b>	<b>21.8%</b>	<b>95.25</b>	<b>22.2%</b>	<b>16.8%</b>
<b>Grand Total Revenues</b>	<b>374.85</b>	<b>100.0%</b>	<b>428.52</b>	<b>100.0%</b>	<b>14.3%</b>

Overall, the Company's recurring revenue remains constant at around 77.8% (Q3 2018: 78.2%) versus a non-recurring revenue of 22.2% (Q3 2018: 21.8%).

We have a growth in non-recurring revenue in HR Solution of 17.72mb due to the consolidation of TigerSoft's result, but was partially offset by a dip in EPR's implementation revenue of 4.00mb, netting an increase of 13.72 mb or 16.8%. Both HR Solutions and Financial Solutions continued its year-on-year growth momentum on recurring income by 14.2% and 10.2% respectively.

## 2. Financial position

**Table 4: Overall Financial position**

	As of Dec 31, 2018	%	As of Sep 30, 2019	%	Change YoY	% YoY
<b><u>Assets</u></b>						
Cash	111.34	9.1%	122.99	9.2%	11.65	10.5%
Current investments	100.00	8.2%	70.32	5.3%	(29.68)	(29.7%)
Trade & Other receivable	118.32	9.6%	131.67	9.9%	13.35	11.3%
Inventory	-	-	8.32	0.6%	8.32	-
Other current Asset	2.14	0.2%	7.03	0.5%	4.89	228.5%
Other long-term investments	569.79	46.4%	565.23	42.3%	(4.56)	(0.8%)
Non-Current asset	325.20	26.5%	429.19	32.2%	103.99	32.0%
<b>Total Assets</b>	<b>1,226.79</b>	<b>100.0%</b>	<b>1,334.75</b>	<b>100.0%</b>	<b>107.96</b>	<b>8.8%</b>
<b><u>Liabilities</u></b>						
Current liability	77.35	6.3%	110.83	8.3%	33.48	43.3%
Non-Current liability	29.96	2.4%	57.90	4.3%	27.94	93.3%
<b>Total liabilities</b>	<b>107.31</b>	<b>8.7%</b>	<b>168.73</b>	<b>12.6%</b>	<b>61.42</b>	<b>57.2%</b>
<b>Net Assets</b>	<b>1,119.48</b>	<b>91.3%</b>	<b>1,166.02</b>	<b>87.4%</b>	<b>46.54</b>	<b>4.2%</b>
<b>Equity</b>	<b>1,119.48</b>	<b>91.3%</b>	<b>1,166.02</b>	<b>87.4%</b>	<b>46.54</b>	<b>4.2%</b>

**(a) Total assets**

Total asset as at September 30, 2019 stand at 1,334.75mb, an increase of 107.96mb or 8.8%. The main reason for the increase is due to higher trade receivables, inventory and cash on hand, upon the consolidation of TigerSoft.

Cash surplus increased by 11.65mb or 10.5% due to our cash flow generated from operations and good working capital management.

**(b) Total Liabilities**

Total liability as of September 30, 2019 was 168.73mb, increasing by 61.42mb or 57.2%, mainly due to the booking of revenue received in advance for new projects and recognition of various unearned revenue from consolidation of TigerSoft. The amount will be recognized progressively as revenue within a 12-month timeframe.

**(c) Shareholders' equity**

Total shareholder's equity as of September 30, 2019 was 1,166.02mb, increasing by 46.54mb or 4.2% YoY, mainly contributed from operating profits.

### 3. Cash Flow Statement

Million Baht	Jan-Sep 2018	Jan-Sep 2019
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	139.59	148.98
Cash Flow from Investing (CFI)	(104.83)	(48.88)
Cash Flow from Financing (CFF)	(52.68)	(86.11)
Decrease in translation adjustments	(0.48)	(2.33)
Net increase (decrease) in cash and cash equivalents	(18.40)	11.66

#### Cash Flow from Operating Activities

CFO as of September 30, 2019 was 148.98mb, higher than same period last year. 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 as of September 30, 2019 was -48.88mb due to purchase of shares in TigerSoft.

#### Cash Flow from Financing Activities

CFF as of September 30, 2019 was -86.11mb, mainly due to dividend payout. After IPO fund raising, the Company has no financing project as we have ample funds for a working capital and other investment plans.

Please be informed accordingly,

Yours sincerely,

Mr. Soontorn Dentham  
Chief Executive Officer