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February 26, 2020

Subject: Management's Discussion and Analysis for Year Ended December 31, 2019

 To The President  
 The Stock Exchange of Thailand

**Management's Discussion and Analysis**  
**Consolidated Financial Statements**  
**For Year Ended December 31, 2019**

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

Unit: million baht

	Jan-Dec 2018	%	Jan-Dec 2019	%	Change	% YoY
Revenue	523.23	100.0%	613.86	100.0%	90.63	17.3%
Cost	285.52	54.6%	332.39	54.1%	46.87	16.4%
Gross Profit	237.71	45.4%	281.47	45.9%	43.76	18.4%
SG&A	97.62	18.7%	120.70	19.7%	23.08	23.6%
EBIT	140.09	26.8%	160.77	26.2%	20.68	14.8%
Share of Gain in Associates	-	-	1.94	0.3%	1.94	-
Interest Expenses	0.63	0.1%	0.43	0.1%	(0.20)	(31.7%)
EBT	139.46	26.7%	162.28	26.4%	22.82	16.4%
Tax	17.71	3.4%	15.30	2.5%	(2.41)	(13.6%)
Net Profit After Tax	121.75	23.3%	146.98	23.9%	25.23	20.7%

**Revenue from service**

For the full year of 2019, The Humanica Group of Companies ( " HUMAN " or the " Company " ) delivered a revenue of 613.86mb (2018: 523.23mb), an increase of 90.63mb or 17.3% . Revenue from HR Solutions contributed 98.06mb or 24.7% 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 decreased by 14.32mb or -12.1%.

Our overall recurring revenue grew 11.4% to 449.58mb (2018: 403.58mb), of which recurring revenue in HR Solution increased by 41.65mb or 12.2%. 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 on non-recurring revenue. As a result of consolidation, non-recurring revenue increased by 37.97mb or 33.8% increase year-on-year.

Recurring revenue from Financial Solutions increasing by 4.35mb or 7.0% but offset by the reduction in non-recurring revenue by 18.67mb or -33.3%.

### **Other Income**

Other income has increased by 6.89mb or 84.9% to 15.01mb (2018: 8.12mb) 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 43.87mb or 16.4% to 332.39mb (2018: 285.52mb). The growth in cost of services was in line with the growth in revenue. As the end of 2019, we have slightly improved the gross margin from 45.4% to 45.9%.

### **Gross Profit**

As a result of overall improvements in productivity, we achieved a gross profit of 281.47mb (2018: 237.71mb), an increase of 43.76mb or 18.4%.

### **Selling and Administration expense**

Selling and administration expense (“SG&A”) closed at 120.70mb (2018: 97.62mb), increased by 23.08mb or 23.6% . 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, 4.14mb of exchange losses booked as a result of strengthening of Thai Baht.

### **Net profit after Tax**

The net profit after tax closed at 146.98mb (2018: 121.75mb), improving by 25.23mb or 20.7% 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-Dec 2018		Jan-Dec 2019	
	Million	%	Million	%
	Baht		Baht	
<b>1. <u>HR Solutions</u></b>				
1.1 Human Resources and Payroll Outsourcing services	237.36	45.4%	257.09	41.9%
1.2 Income from software and human resources system	159.63	30.5%	212.30	34.6%
1.2 Income from sales of hardware	-	-	25.66	4.2%
<b>Total revenues from HR solutions</b>	<b>396.99</b>	<b>75.9%</b>	<b>495.05</b>	<b>80.6%</b>
<b>2. <u>Financial Solutions</u></b>				
2.1 Enterprise Resource Planning (ERP)	98.94	18.9%	80.77	13.2%
2.2 Accounting & Finance Outsourcing	19.18	3.7%	23.03	3.8%
<b>Total revenue from financial solutions</b>	<b>118.12</b>	<b>22.6%</b>	<b>103.80</b>	<b>16.9%</b>
<b>3. <u>Other income</u><sup>1</sup></b>	<b>8.12</b>	<b>1.6%</b>	<b>15.01</b>	<b>2.4%</b>
<b>Total revenues</b>	<b>523.23</b>	<b>100.0%</b>	<b>613.86</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 80.6% of our revenue while Financial services representing 16.9% and other income representing a small 2.4%.

### **HR Solutions**

Revenue from HR Solutions closed at 495.05mb (2018: 396.99mb) , increasing by 98.06mb or 24.7% . This increase is mainly due to taking in the half-year 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 hardware, such as clock devices to deliver bundled solution to clients together, Humanica and Tiger will be able to offer a suitable HR technology to every segment of the market from small to large corporations.

We will leverage on Tiger’s strong presences and excellence reputation in the SME segment and introduce additional features such as modern employee self-services bundled with payroll outsourcing at a competitive rate. We hope to serve the SMEs in providing quality services to help them with payroll compliance work at affordable rate.

## Financial Solutions

Revenue from Financial Solutions contributed 103.80mb (2018: 118.12mb), 14.32mb or 12.1% less than last year. We had a drop of 18.17mb in the implementation revenue from our ERP division due to resource constraints which delay the delivery of the product. The dip in ERP was partially compensated by an increase in the accounting and financial outsourcing of 3.85mb, representing an increase of 3.8%

We have been appointed by Oracle Netsuite as a reseller in second half of 2019. This collaboration brings new opportunities for clients who prefer a cloud-based ERP solution. Netsuite is the market leader in Cloud ERP and we believe this collaboration will enhance our market share in ERP business in the near future.

### The recurring and non-recurring income:

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

HR Solutions	Jan-Dec 2018	%	Jan-Dec 2019	%	%YoY
Revenues-Recurring	341.48	86.0%	383.13	77.4%	12.2%
Revenues-Non Recurring	55.51	14.0%	111.92	22.6%	101.6%
<b>Total Revenues</b>	<b>396.99</b>	<b>100.0%</b>	<b>495.05</b>	<b>100.0%</b>	<b>24.7%</b>

Financial Solutions	Jan-Dec 2018	%	Jan-Dec 2019	%	%YoY
Revenues-Recurring	62.10	52.6%	66.45	64.0%	7.0%
Revenues-Non Recurring	56.02	47.4%	37.35	36.0%	(33.3%)
<b>Total Revenues</b>	<b>118.12</b>	<b>100.0%</b>	<b>103.80</b>	<b>100.0%</b>	<b>(12.1%)</b>

<b>Grand Total Recurring</b>	<b>403.58</b>	<b>78.3%</b>	<b>449.58</b>	<b>75.1%</b>	<b>11.4%</b>
<b>Grand Total Non-Recurring</b>	<b>111.53</b>	<b>21.7%</b>	<b>149.27</b>	<b>24.9%</b>	<b>33.8%</b>
<b>Grand Total Revenues</b>	<b>515.11</b>	<b>100.0%</b>	<b>598.85</b>	<b>100.0%</b>	<b>16.3%</b>

Overall, the Company's recurring revenue decreased from 78.3% in 2018 to 75.1% this year, while non-recurring revenue increased to 24.9% from 21.7%.

The switch in the composition of revenue between recurring and non-recurring income are due to the consolidation of TigerSoft's result. Tiger's business model is heavy weighted on non-recurring revenue due to the on premises sales for its software and the sales of hardware.

Non-recurring revenue in the HR Solution grew 56,41mb but was partially offset by a dip in ERP's implementation revenue of 18.67mb, netting an increase of 37.74mb or 33.8%. Both HR Solutions

and Financial Solutions continued its year-on-year growth momentum on recurring income by 12.2% and 7.0% respectively.

## 2. Financial position

**Table 4: Overall Financial position**

	As of Dec 31, 2018	%	As of Dec 31, 2019	%	Change YoY	% YoY
<b><u>Assets</u></b>						
Cash	111.34	9.1%	159.47	11.6%	48.13	43.2%
Current investments	100.00	8.2%	83.07	6.1%	(16.93)	(16.9%)
Trade & Other receivable	118.32	9.6%	138.82	10.1%	20.50	17.3%
Inventory	-	-	9.42	0.7%	9.42	-
Other current Asset	2.14	0.2%	4.50	0.3%	2.36	110.3%
Other long-term investments	569.79	46.4%	558.38	40.7%	(11.41)	(2.0%)
Non-Current asset	325.20	26.5%	419.12	30.8%	93.92	28.9%
<b>Total Assets</b>	<b>1,226.79</b>	<b>100.0%</b>	<b>1,372.78</b>	<b>100.0%</b>	<b>145.99</b>	<b>11.9%</b>
<b><u>Liabilities</u></b>						
Current liability	77.35	6.3%	118.33	8.6%	40.98	53.0%
Non-Current liability	29.96	2.4%	57.26	4.2%	27.30	91.1%
<b>Total liabilities</b>	<b>107.31</b>	<b>8.7%</b>	<b>175.59</b>	<b>12.8%</b>	<b>68.28</b>	<b>63.6%</b>
<b>Net Assets</b>	<b>1,119.48</b>	<b>91.3%</b>	<b>1,197.19</b>	<b>87.2%</b>	<b>77.71</b>	<b>6.9%</b>
<b>Equity</b>	<b>1,119.48</b>	<b>91.3%</b>	<b>1,197.19</b>	<b>87.2%</b>	<b>77.71</b>	<b>6.9%</b>

### (a) Total assets

Total asset as at December 31, 2019 stand at 1,372.78mb, an increase of 145.99mb or 11.9%. 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 48.13mb or 43.2% due to cash flow generated from operations and good working capital management.

### (b) Total Liabilities

Total liability as of December 31, 2019 was 175.59mb, increasing by 68.28mb or 63.6%, 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 December 31, 2019 was 1,197.19mb, increasing by 77.71mb or 6.9% YoY, mainly contributed from operating profits.

**3. Cash Flow Statement**

Million Baht	Jan-Dec 2018	Jan-Dec 2019
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	200.85	200.06
Cash Flow from Investing (CFI)	(123.10)	(62.03)
Cash Flow from Financing (CFF)	(54.16)	(87.48)
Decrease in translation adjustments	(0.40)	(2.41)
Net increase (decrease) in cash and cash equivalents	23.19	48.14

**Cash Flow from Operating Activities**

CFO as of December 31, 2019 was 200.06mb, closing at the same amount 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 December 31, 2019 was -62.03mb due to purchase of shares in TigerSoft.

**Cash Flow from Financing Activities**

CFF as of December 31, 2019 was -87.48mb, 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