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May 13, 2020

Subject: Management's Discussion and Analysis for Three Months Ended March 31, 2020

 To The President  
 The Stock Exchange of Thailand

**Management's Discussion and Analysis**  
**Consolidated Financial Statements**  
**For three months ended March 31, 2020**

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

Unit: million baht

	Jan-Mar 2019	%	Jan-Mar 2020	%	Change	% YoY
Revenue	132.54	100.0%	179.21	100.0%	46.67	35.2%
Cost	(73.41)	(55.4%)	(93.71)	(52.3%)	(20.30)	27.7%
Gross Profit	59.13	44.6%	85.50	47.7%	26.37	44.6%
SG&A	(20.92)	(15.8%)	(28.47)	(15.9%)	(7.55)	36.1%
EBIT	38.21	28.8%	57.03	31.8%	18.82	49.3%
Share of Gain (Loss) in Associates	(0.40)	(0.3%)	0.43	0.2%	0.83	(207.5)%
Interest Expenses	(0.14)	(0.1%)	(1.82)	(1.0%)	(1.68)	(1,200.0)%
EBT	37.67	28.4%	55.64	31.0%	17.97	47.7%
Tax	(3.02)	(2.3%)	(6.44)	(3.6%)	(3.42)	(113.2)%
Net Profit After Tax	34.65	26.1%	49.20	27.4%	14.55	42.0%

**Revenue from service**

For the Q1 2020, The Humanica Group of Companies ("HUMAN" or the "Company") delivered a revenue of 179.21mb (Q1 2019: 132.54mb), an increase of 46.67mb or 35.2%. Revenue from HR Solutions contributed 43.22mb or 39.8% to our growth year-on-year upon consolidating the result of our subsidiary, Tiger Soft (1998) Company Limited ("TigerSoft") from July 2019. Revenue from our Financial Solutions increased by 1.31mb to 21.83mb (Q1 2019: 20.52mb) or 6.4%. Revenue from investment increased by 2.14mb to 5.57mb or 62.4% (Q1 2019: 3.43mb).

Our overall recurring revenue grew by 14.25mb or 13.0% to 123.51mb (Q1 2019: 109.26mb), of which recurring revenue in HR Solution increased by 13.52mb or 14.5%. Comparing to Q1 2019, the percentage of recurring revenue in HR Solution decreased from 85.8% to 70.3% due to the impact of the acquisition of TigerSoft which is heavily weighted towards non-recurring revenue. Consequently, TigerSoft pushed up our non-recurring revenue in HR Solution by 29.7mb to 45.09mb (Q1 2019: 15.39mb) or 193% increase year-on-year.

### **Other Income**

Other income has increased by 2.15mb or 62.4% to 5.57mb (Q1 2019: 3.43mb) as a result of realized gains on investments such as convertible notes as well as returns from investing surplus cash in money market products.

### **Cost of Services**

Our cost of service increased by 20.30mb or 27.7% to 93.71mb (Q1 2019: 73.41mb). The growth in cost of services was in line with the 35.2% growth in revenue.

### **Gross Profit**

As a result of cost of services growing at a slower rate than the growth in revenue, we achieved a gross profit of 85.50mb (Q1 2019: 59.13mb), an increase of 26.37mb or 44.6%. We have also improved the gross margin from 44.6% in Q1 2019 to 47.7%.

### **Selling and Administration expense**

Selling and administration expense (“SG&A”) closed at 28.47mb (Q1 2019: 20.92mb), an increase of 7.55mb or 36.1%. 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, and depreciation from finance lease agreement amounting to 3.02mb.

### **Net profit after Tax**

The net profit after tax closed at 49.20mb (Q1 2019: 34.65mb), improving by 14.55mb or 42.0% due to a combination of reasons including consolidating the result of TigerSoft, an increase in revenue and other income but partially offset by higher cost of services and SG&A. Overall, the net profit margin improved from 26.1% in Q1 2019 to 27.4%, in line with our mid-term target.

## 1. Revenue Structure

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

Type of Revenue	Jan-Mar 2019		Jan-Mar 2020	
	Million	%	Million	%
	Baht		Baht	
<b>1. <u>HR Solutions</u></b>				
1.1 Human Resources and Payroll Outsourcing services	64.97	49.0%	68.92	38.5%
1.2 Income from software and human resources system	43.62	32.9%	69.07	38.5%
1.2 Income from sales of hardware	-	-	13.82	7.7%
<b>Total revenues from HR solutions</b>	<b>108.59</b>	<b>81.9%</b>	<b>151.81</b>	<b>84.7%</b>
<b>2. <u>Financial Solutions</u></b>				
2.1 Enterprise Resource Planning (ERP)	15.08	11.4%	16.29	9.1%
2.2 Accounting & Finance Outsourcing	5.44	4.1%	5.54	3.1%
<b>Total revenue from financial solutions</b>	<b>20.52</b>	<b>15.5%</b>	<b>21.83</b>	<b>12.2%</b>
<b>3. <u>Other income</u><sup>1</sup></b>	<b>3.43</b>	<b>2.6%</b>	<b>5.57</b>	<b>3.1%</b>
<b>Total revenues</b>	<b>132.54</b>	<b>100.0%</b>	<b>179.21</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 84.7% of our revenue while Financial services representing 12.2% and other income representing a small 3.1%.

### **HR Solutions**

Revenue from HR Solutions closed at 151.81mb (Q1 2019: 108.59mb) , increasing by 43.22mb or 39.8%. This increase is mainly due to consolidation of TigerSoft's result, as well as, organic growth of existing business in HR technology and services in Thailand.

In Q1 2020, we have completed a couple of significant projects contributing to higher recurring revenue going forward. Revenue from overseas markets has improved YoY but was offset with the reduction in non-recurring revenue as we have recognized revenue of a big scale implementation job in Malaysia last year.

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. Leveraging on Tiger's strong presence and excellent reputation, we hope to serve SMEs in providing quality services to help them with payroll compliance work at affordable rate.

## Financial Solutions

Revenue from Financial Solutions contributed 21.83mb (Q1 2019: 20.52mb), slightly increasing by 1.31mb or 6.4%. Business in the ERP segment remains soft due to the weaker market outlook.

We have been appointed by Oracle Netsuite as a reseller in the 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-Mar 2019	%	Jan-Mar 2020	%	%YoY
Revenues-Recurring	93.20	85.8%	106.72	70.3%	14.5%
Revenues-Non Recurring	15.39	14.2%	45.09	29.7%	193.0%
<b>Total Revenues</b>	<b>108.59</b>	<b>100.0%</b>	<b>151.81</b>	<b>100.0%</b>	<b>39.8%</b>

Financial Solutions	Jan- Mar 2019	%	Jan- Mar 2020	%	%YoY
Revenues-Recurring	16.06	78.3%	16.80	76.9%	4.6%
Revenues-Non Recurring	4.46	21.7%	5.03	23.1%	12.8%
<b>Total Revenues</b>	<b>20.52</b>	<b>100.0%</b>	<b>21.83</b>	<b>100.0%</b>	<b>6.4%</b>

<b>Grand Total Recurring</b>	<b>109.26</b>	<b>84.6%</b>	<b>123.52</b>	<b>71.1%</b>	<b>13.0%</b>
<b>Grand Total Non-Recurring</b>	<b>19.85</b>	<b>15.4%</b>	<b>50.12</b>	<b>28.9%</b>	<b>152.5%</b>
<b>Grand Total Revenues</b>	<b>129.11</b>	<b>100.0%</b>	<b>173.64</b>	<b>100.0%</b>	<b>34.5%</b>

Overall, the Company's recurring revenue decreased from 84.6% in Q1 2019 to 71.1% this year, while non-recurring revenue increased to 28.9% from 15.4%. The change in the composition of revenue between recurring and non-recurring income is 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 29.70mb while ERP's implementation revenue increased by 0.57mb, giving an overall increase of 30.27mb or 152.5%. Both HR Solutions and Financial Solutions continued its year-on-year growth momentum on recurring income by 14.5% and 4.6% respectively.

## 2. Financial position

**Table 4: Overall Financial position**

	As of Dec 31, 2019	%	As of Mar 31, 2020	%	Change YoY	% YoY
<b>Assets</b>						
Cash	159.47	11.6%	214.94	14.1%	55.47	34.8%
Current investments	83.07	6.1%	148.34	9.7%	65.27	78.6%
Trade & Other receivable	114.24	8.3%	137.32	9.0%	23.08	20.2%
Current contract assets	24.58	1.8%	22.60	1.5%	(1.98)	(8.0%)
Inventory	9.42	0.7%	10.32	0.7%	0.90	9.6%
Other current Asset	4.50	0.3%	11.44	0.8%	6.94	154.2%
Other long-term investments	558.38	40.7%	417.70	27.5%	(140.68)	(25.2%)
Right to use assets	-	-	131.79	8.7%	131.79	-
Non-Current asset	419.12	30.5%	426.50	28.0%	7.38	1.8%
<b>Total Assets</b>	<b>1,372.78</b>	<b>100.0%</b>	<b>1,520.95</b>	<b>100.0%</b>	<b>148.17</b>	<b>10.8%</b>
<b>Liabilities</b>						
Current liability	118.33	8.6%	129.26	8.5%	10.93	9.2%
Non-Current liability	57.26	4.2%	169.62	11.2%	112.36	196.2%
<b>Total liabilities</b>	<b>175.59</b>	<b>12.8%</b>	<b>298.88</b>	<b>19.7%</b>	<b>123.29</b>	<b>70.2%</b>
<b>Shareholders' equity</b>	<b>1,197.19</b>	<b>87.2%</b>	<b>1,222.07</b>	<b>80.3%</b>	<b>24.88</b>	<b>2.1%</b>
<b>Total liabilities and Shareholders' equity</b>	<b>1,372.78</b>	<b>100.0%</b>	<b>1,520.95</b>	<b>100.0%</b>	<b>148.17</b>	<b>10.8%</b>

**(a) Total assets**

Total assets as of March 31, 2020 stand at 1,520.95mb, an increase of 148.17mb or 10.8%. The main reason for the increase is due from right to use assets according to TFRS16 from office lease agreement.

Cash surplus increased by 55.47mb or 34.8% due to cash flow generated from operations and good working capital management.

**(b) Total Liabilities**

Total liability as of March 31, 2020 was 298.88mb, increasing by 123.29mb or 70.2%, mainly due to recognition of liabilities under finance lease agreement according to TFRS16.

**(c) Shareholders' equity**

Total shareholder's equity as of March 31, 2020 was 1,222.07mb, increasing by 24.88mb or 2.1% YoY, mainly contributed from operating profits.

### 3. Cash Flow Statement

Million Baht	Jan-Mar 2019	Jan-Mar 2020
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	18.90	27.76
Cash Flow from Investing (CFI)	5.62	32.90
Cash Flow from Financing (CFF)	(1.61)	(6.53)
Decrease in translation adjustments	(0.18)	1.33
Net increase (decrease) in cash and cash equivalents	22.73	55.46

#### **Cash Flow from Operating Activities**

CFO as of March 31, 2020 was 27.76mb. 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 March 31, 2020 was 32.90mb due to selling of short-term investments.

#### **Cash Flow from Financing Activities**

CFF as of March 31, 2020 was -6.53mb, mainly due to finance lease payment and impact from the consolidation of TigerSoft. 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