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August 13, 2020

Subject: Management's Discussion and Analysis for Six Months Ended June 30, 2020

To The President  
The Stock Exchange of Thailand

**Management's Discussion and Analysis**  
**Consolidated Financial Statements**  
**For six months ended June 30, 2020**

**Overall Group Performance**

**Table 1: Overall Financial Performance**

**Unit: million baht**

	Jan-Jun 2019	%	Jan-Jun 2020	%	Change	% YoY
Revenues	273.96	100.0%	355.64	100.0%	81.68	29.8%
Cost of sales and services	(147.42)	(53.8%)	(190.73)	(53.6%)	(43.31)	29.4%
Gross Profit	126.54	46.2%	164.91	46.4%	38.37	30.3%
SG&A	(48.13)	(17.6%)	(69.08)	(19.4%)	(20.95)	43.5%
Operating Profit	78.41	28.6%	95.83	26.9%	17.42	22.2%
Share of Profit in Associates	0.15	0.1%	1.10	0.3%	0.95	633.3%
Interest Expense	(0.25)	(0.1%)	(4.05)	(1.1%)	(3.80)	(1,520.0%)
EBT	78.31	28.6%	92.88	26.1%	14.57	18.6%
Tax	(7.74)	(2.8%)	(10.10)	(2.8%)	(2.36)	(30.5%)
Net Profit After Tax	70.57	25.8%	82.78	23.3%	12.21	17.3%

**Total Revenues**

Total Revenues include sales and service revenue and other income, increased by 81.68mb or 29.8% to 355.64mb (1H 2019: 273.96mb). Of which, sales and services grew by 78.56mb and other income gained 3.12mb.

**Sales and Services revenue**

For the 1H 2020, The Humanica Group of Companies ("HUMAN" or the "Company") delivered sales and service revenue of 346.35mb (1H 2019: 267.79mb), an increase of 78.56mb or 29.3%. Revenue from HR Solutions contributed 87.66mb or 41.0% to our growth year-on-year, largely because we

consolidate the result of our subsidiary, Tiger Soft (1998) Company Limited (“TigerSoft”) only from July 2019. For the 1H 2020, TigerSoft contributed 68.08mb to HUMAN’s sales and service revenue. Revenue continue to grow for HR Solution at 19.58mb but was partially offset by a decrease in our Financial Solutions decreased by 9.10mb to 45.11mb (1H 2019: 54.21mb) or 16.8%.

Our overall recurring revenue grew by 24.15mb or 11.0% to 243.00mb (1H 2019: 218.85mb while non-recurring revenue grew by 54,41mb to 103.35mb (1H 2019: 48.94mb).

#### Other Income:

Other income increased by 3.12mb to 9.29mb or 50.6% (1H 2019: 6.17mb). We reported increase in dividend income from our investment portfolio and increase in interest income from additional investment in convertible notes by 1.25mb or 30.6%. Moreover, our overseas subsidiaries in received additional government grants amounting to 2.06mb.

#### Cost of Sales and Services

Overall cost of sales and services increased by 43.31mb or 29.4% to 190.73mb (1H 2019: 147.42mb), including 44.63mb from TigerSoft post acquisition. Excluding the addition of cost of sales and services from TigerSoft, HUMAN managed to slightly lower cost of sales and services. The overall growth in cost of sales and services was in line with the 29.3% growth in sales and services revenue.

#### Gross Profit

We had a slightly improved gross profit margin of 46.4% from 46.2% in 1H 2019 and achieved a gross profit of 164.91mb (1H 2019: 126.54mb), an increase of 38.37mb or 30.3% . TigerSoft contributed gross profit of 24.21mb for the 1H 2020. Excluding the impact from the consolidation of TigerSoft, HUMAN’s gross profit would grow 13.99mb or 11.1%.

#### Selling and Administration Expense

Selling and administration expense (“SG&A”) closed at 69.08mb (1H 2019: 48.13mb), an increase of 20.95mb or 43.5%, with SG&A% of revenue inching up to 19.4% (1H 2019: 17.6%). The consolidation of TigerSoft added 17.78mb to the overall SG&A increase. Excluding the impact from the consolidation of TigerSoft, SG&A would increase by 3.17mb or 6.6%, mainly attributed to one-offs in professional fees, expenses related to office space expansion, and increase in staff cost, partially offset by lower FX loss.

#### Interest Expense

Increase in interest expense was mainly a result of the adoption of TFRS16 Leases this year.

## Net profit after Tax

The net profit after tax closed at 82.78mb (1H 2019: 70.57mb), improving by 12.21mb or 17.3% with overall net profit margin decreasing to 23.3% (1H 2019: 25.8%). Excluding the impact from the consolidation of TigerSoft's result, the Company would report net profit after tax of 77.53mb (net profit margin of 27.0%), an increase of 6.96mb or 9.9%.

### 1. Revenue Structure

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

Type of Revenue	Jan-Jun 2019		Jan-Jun 2020	
	Million Baht	%	Million Baht	%
1.1 Human Resources and Payroll Outsourcing services	129.28	47.2%	134.47	37.8%
1.2 Income from software and human resources system	84.30	30.8%	131.81	37.1%
1.2 Income from sales of hardware	-	-	34.96	9.8%
<b>Total revenues from HR solutions</b>	<b>213.58</b>	<b>78.0%</b>	<b>301.24</b>	<b>84.7%</b>
<b>2. <u>Financial Solutions</u></b>				
2.1 Enterprise Resource Planning (ERP)	42.09	15.4%	34.15	9.6%
2.2 Accounting & Finance Outsourcing	12.12	4.4%	10.96	3.1%
<b>Total revenue from financial solutions</b>	<b>54.21</b>	<b>19.8%</b>	<b>45.11</b>	<b>12.7%</b>
<b>3. <u>Other income</u><sup>1</sup></b>	<b>6.17</b>	<b>2.3%</b>	<b>9.29</b>	<b>2.6%</b>
<b>Total revenues</b>	<b>273.96</b>	<b>100.0%</b>	<b>355.64</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 12.7% and other income representing a small 2.6%.

### HR Solutions

Revenue from HR Solutions closed at 301.24mb (1H 2019: 213.58mb, increasing by 87.66mb or 41.0%). 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 1H 2020, we have completed a couple of significant projects contributing to higher recurring revenue going forward. Revenue from overseas markets has also improved YoY but was offset with the reduction in non-recurring revenue.

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. We saw a pick up in the hardware sales as Tiger was agile in offering advance clocking devices that incorporate temperature control during the Covid era. Together, Humanica and Tiger will be able to offer a suitable HR technology to serve SMEs in providing quality services to help them with payroll compliance work at affordable rate.

### Financial Solutions

Revenue from Financial Solutions contributed 45.11mb (1H 2019: 54.21mb), decreasing by 9.10mb or 16.8%. Business in the ERP segment remains soft due to the weaker market outlook.

With the ability to offer both SAP Business 1 and Oracle Netsuit for the more cloud savvy customers, we believe we will be well position to pick up businesses when the market sentiment improves.

### The recurring and non-recurring income:

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

HR Solutions	Jan-Jun 2019	%	Jan-Jun 2020	%	%YoY
Revenues-Recurring	185.14	86.7%	209.15	69.4%	13.0%
Revenues-Non Recurring	28.44	13.3%	92.09	30.6%	223.8%
<b>Total Revenues</b>	<b>213.58</b>	<b>100.0%</b>	<b>301.24</b>	<b>100.0%</b>	<b>41.0%</b>

Financial Solutions	Jan- Jun 2019	%	Jan- Jun 2020	%	%YoY
Revenues-Recurring	33.71	62.2%	33.85	75.0%	0.4%
Revenues-Non Recurring	20.50	37.8%	11.26	25.0%	(45.1%)
<b>Total Revenues</b>	<b>54.21</b>	<b>100.0%</b>	<b>45.11</b>	<b>100.0%</b>	<b>(16.8%)</b>

<b>Grand Total Recurring</b>	<b>218.85</b>	<b>81.7%</b>	<b>243.00</b>	<b>70.2%</b>	<b>11.0%</b>
<b>Grand Total Non- Recurring</b>	<b>48.94</b>	<b>18.3%</b>	<b>103.35</b>	<b>29.8%</b>	<b>111.2%</b>
<b>Grand Total Revenues</b>	<b>267.79</b>	<b>100.0%</b>	<b>346.35</b>	<b>100.0%</b>	<b>29.3%</b>

Overall, the Company's recurring revenue decreased from 81.7% in 1H 2019 to 70.2% this year, while non-recurring revenue increased to 29.8% from 18.3%. 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 heavily weighted on non-recurring revenue due to the on premises sales of its software and the sales of hardware.

Non-recurring revenue in the HR Solution grew 63.65m b, largely from the consolidation of TigerSoft's result, while ERP's implementation revenue decreased by 9.24mb, giving an overall increase of 54.41mb or 111.2%.

HR Solutions continued its year-on-year growth momentum on recurring revenue by 13.0% while Financial Solutions still maintaining a marginal growth of 0.4%.

## 2. Financial position

**Table 4: Overall Financial position**

	As of	%	As of	%	Change	% YoY
	Dec 31, 2019		Jun 30, 2020		YoY	
<b><u>Assets</u></b>						
Cash	159.47	11.6%	146.88	9.5%	(12.59)	(7.9%)
Current investments	83.07	6.1%	196.37	12.7%	113.3	136.4%
Trade & Other receivable	114.24	8.3%	130.87	8.5%	16.63	14.6%
Current contract assets	24.58	1.8%	26.11	1.7%	1.53	6.2%
Inventory	9.42	0.7%	21.82	1.4%	12.40	131.7%
Other current Asset	4.50	0.3%	7.39	0.5%	2.89	64.2%
Other long-term investments	558.38	40.7%	446.72	28.9%	(111.66)	(20.0%)
Right to use assets	-	-	140.27	9.1%	140.27	-
Non-Current asset	419.12	30.5%	427.47	27.7%	8.35	2.0%
<b>Total Assets</b>	<b>1,372.78</b>	<b>100.0%</b>	<b>1,543.90</b>	<b>100.0%</b>	<b>171.12</b>	<b>12.5%</b>
<b><u>Liabilities</u></b>						
Current liability	118.33	8.6%	139.61	9.0%	21.28	18.0%
Non-Current liability	57.26	4.2%	179.18	11.6%	121.92	212.9%
<b>Total liabilities</b>	<b>175.59</b>	<b>12.8%</b>	<b>318.79</b>	<b>20.6%</b>	<b>143.20</b>	<b>81.6%</b>
<b>Shareholders' equity</b>	<b>1,197.19</b>	<b>87.2%</b>	<b>1,225.11</b>	<b>79.4%</b>	<b>27.92</b>	<b>2.3%</b>
<b>Total liabilities and Shareholders' equity</b>	<b>1,372.78</b>	<b>100.00%</b>	<b>1,543.90</b>	<b>100.0%</b>	<b>171.12</b>	<b>12.5%</b>

### (a) Total assets

Total assets as of June 30, 2020 stand at 1,543.90mb, an increase of 171.12mb or 12.5%. The increase was mainly due to the adoption of TFRS 16 Leases, which gave rise to right to use assets from office lease agreement.

Working capital position also increased from 2019 year-end level, mainly trade and other receivables and inventory, which increased by 16.63mb (14.6%) and 12.40mb (131.7%), respectively.

Cash balance decreased by 12.59mb or 7.9% as lower balance was maintained for operation and more was put into money market investments.

**Total Liabilities**

Total liability as of June 30, 2020 was 318.79mb, increasing by 143.20mb or 81.6%, mainly due to recognition of liabilities under finance lease agreement according to TFRS16.

**(b) Shareholders' equity**

Total shareholder's equity as of June 30, 2020 was 1,225.11mb, increasing by 27.92mb or 2.3% YoY, mainly from profits during the period, less dividend payment.

**3. Cash Flow Statement**

	Jan-Jun 2019	Jan-Jun 2020
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	79.82	94.64
Cash Flow from Investing (CFI)	(23.08)	(48.45)
Cash Flow from Financing (CFF)	(43.79)	(58.08)
Decrease in translation adjustments	(1.56)	(0.70)
Net increase (decrease) in cash and cash equivalents	11.39	(12.59)

**Cash Flow from Operating Activities**

CFO as of June 30, 2020 was 94.64mb. 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 June 30, 2020 was -48.45mb mainly due to purchase of short-term investments and Capex.

### Cash Flow from Financing Activities

CFF as of June 30, 2020 was -58.08mb, mainly due to dividend payment of 40.80mb and finance lease payment of 17.4mb. 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