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May 12, 2021

Subject: Management's Discussion and Analysis for Three Months Ended March 31, 2021

To The President
The Stock Exchange of Thailand

Management's Discussion and Analysis
Consolidated Financial Statements
For three months ended March 31, 2021

Overall Group Performance

Table 1: Overall Financial Performance

Unit: million baht

	Jan-Mar 2020 (Restated)	%	Jan-Mar 2021	%	Change	% YoY
Total Revenues	182.47	100.0%	179.11	100.0%	(3.36)	(1.8%)
Cost of sales and services	(95.13)	(52.1%)	(96.81)	(54.1%)	1.68	1.8%
Gross Profit	87.34	47.9%	82.30	45.9%	(5.04)	(5.8%)
SG&A	(32.23)	(17.7%)	(41.79)	(23.3%)	9.56	29.7%
Operating Profit	55.11	30.2%	40.51	22.6%	(14.60)	(26.5%)
Share of Profit in Associates	0.42	0.2%	0.48	0.3%	0.06	14.3%
Interest Expense	(1.82)	(1.0%)	(2.34)	(1.3%)	0.52	28.6%
EBT	53.71	29.4%	38.65	21.6%	(15.06)	(28.0%)
Tax	(6.06)	(3.3%)	(4.59)	(2.6%)	(1.47)	(24.3%)
Net Profit After Tax	47.65	26.1%	34.06	19.0%	(13.59)	(28.5%)

Total Revenues

Total Revenues, including sales and service revenue and other income, decreased by 3.36mb or 1.8% to 179.11mb (3M 2020: 182.47mb). Of which, sales and services dropped by 4.34mb or 2.5%, partially offset by an increase in other income of 0.98mb or 11.1%.

Sales and Services revenue:

For 3M 2021, The Humanica Group of Companies ("HUMAN" or the "Company") delivered sales and service revenue of 169.30mb (3M 2020: 173.64mb), a decrease of 4.34mb or 2.5%. Revenue from HR Solutions

contributed 145.81mb while Financial Solutions revenue contributed 23.49mb, down from 151.81mb and up from 21.83mb respectively year-on-year.

Other Income:

Other income increased by 0.98mb or 11.1% to 9.81mb (3M 2020: 8.83mb). We reported increase in dividend income from our investment portfolio and an increase in interest income from additional investment in convertible notes..

Cost of Sales and Services

Overall cost of sales and services increased by 1.68mb or 1.8% to 96.81mb (3M 2020: 95.13mb) which mostly came from expenses for cloud service, resulting from partially shifting from private cloud hosting to public cloud hosting, hence, moving from capital expenditure to operating expenses in the long run.

Gross Profit

We reported a gross profit margin of 45.9%, a decrease from 47.9% in 3M 2020, and gross profit of 82.30mb (3M 2020: 87.34mb), a decrease of 5.04mb or 5.8%. The reduction is mainly due to a decline in sales and service revenue.

Selling and Administration Expense

Selling and administration expense ("SG&A") closed at 41.79mb (3M 2020: 32.23mb), an increase of 9.56mb or 29.7%, with SG&A% of total revenues inching up to 23.3% (3M 2020: 17.7%). These increases are mainly attributed to increase in staff cost, including initial operating cost of new joint-venture Benix Limited, increases in professional fees and expenses relating to cloud hosting for in-house technology needs.

Interest Expense

Increase in interest expense was mainly from new office leasing in Jan 2021 according to TFRS16 Leases.

Net profit after Tax

The net profit after tax closed at 34.06mb (3M 2020: 47.65mb), decreasing by 13.59mb or 28.5% with overall net profit margin inching down to 19.0% (3M 2020: 26.1%) mainly due to a reduction in sales and service revenue, increases in staff costs and hosting expenses and professional fees.

1. Revenue Structure

Table 2: The break down revenue by business entities.

Unit: million baht

Type of Revenue	Jan-Mar 2020		Jan-Mar 2021	
	Million Baht	%	Million Baht	%
1. HR Solutions				
1.1 Human Resources and Payroll Outsourcing services	68.92	38.5%	65.63	36.6%
1.2 Income from software and human resources system	69.07	38.5%	67.67	37.8%
1.2 Income from sales of hardware	13.82	7.7%	12.51	7.0%
Total revenues from HR solutions	151.81	84.7%	145.81	81.4%
2. Financial Solutions				
2.1 Enterprise Resource Planning (ERP)	16.29	9.1%	18.78	10.5%
2.2 Accounting & Finance Outsourcing	5.54	3.1%	4.71	2.6%
Total revenue from financial solutions	21.83	12.2%	23.49	13.1%
3. Other income¹	8.83	3.1%	9.81	5.5%
Total revenues	182.47	100.0%	179.11	100.0%

¹ Other income consist mainly of interest income, dividend income and gain on FX.

In Table 2 , The Company's revenue structure comprises 2 business units, HR Solutions and Financial Solutions with HR Solutions representing 81.4% of our revenue, Financial Solutions representing 13.1% and other income representing 5.5%.

HR Solutions

Revenue from HR Solutions closed at 145.81mb (3M 2020: 151.81mb), decreasing by 6.00mb or 4.0%. This decline came from a reduction in revenue of TigerSoft's result and a slowdown of business in HR technology and services in Thailand.

We saw some pickup in revenue in TigerSoft in Q3 and Q4 2020 but the momentum slowed significantly in Q1 2021, in particular in the sales of HRMS solution to SMEs. Recurring revenue in HR solutions continue to be impacted by a few ceased jobs and overall reduction in the clients' headcount which impacted our recurring income.

Financial Solutions

Revenue from Financial Solutions contributed 23.49mb (3M 2020: 21.83mb), increasing by 1.66mb or 7.6%. Business in the ERP segment was largely soft in 3M 2021 and did not continue with the momentum in 4Q 2020 despite a small year-on-year increase from 3M 2020.

The recurring and non-recurring income:

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

Unit: million baht

HR Solutions	Jan-Mar 2020	%	Jan-Mar 2021	%	%YoY
Revenues-Recurring	106.72	70.3%	103.72	71.1%	(2.8%)
Revenues-Non Recurring	45.09	29.7%	42.09	28.9%	(6.7%)
Total Revenues	151.81	100.0%	145.81	100.0%	4.0%

Financial Solutions	Jan-Mar 2020	%	Jan-Mar 2021	%	%YoY
Revenues-Recurring	16.80	77.0%	16.21	69.0%	(3.5%)
Revenues-Non Recurring	5.03	23.0%	7.28	31.0%	44.7%
Total Revenues	21.83	100.0%	23.49	100.0%	7.6%

Grand Total Recurring	123.52	71.1%	119.93	70.8%	(2.9%)
Grand Total Non- Recurring	50.12	28.9%	49.37	29.2%	(1.5%)
Grand Total Revenues	173.64	100.0%	169.30	100.0%	(2.5%)

Overall, the Company's recurring revenue proportion decreased from 71.1% in 3M 2020 to 70.8% this year, while non-recurring revenue proportion increased from 28.9% in 3M 2020 to 29.2%.

Recurring revenue reported an overall decline of 3.59mb or -2.9%, driven by lower headcount of the client's employee population in our HR/Payroll outsourcing business as the economy continues to soften due to the prolonged impact of COVID-19.

Non-recurring revenue reported a marginal reduction of 0.75mb or -1.5%, from the reduction in software revenue of TigerSoft for SMEs contributing to a reduction in HR Solution of 3.00mb or -6.7%, partially offset by an increase in Financial Solution's non-recurring revenue of 2.25mb or 44.7%.

2. Financial position

Table 4: Overall Financial position

Unit: million baht

<u>Assets</u>	As of Dec 31, 2020	%	As of Mar 31, 2021	%	Change YoY	% YoY
Cash	246.80	15.5%	225.04	13.5%	(21.76)	(8.8%)
Current financial assets	227.77	14.3%	262.35	15.7%	34.58	15.2%
Trade & Other receivable	118.44	7.4%	135.43	8.1%	16.99	14.3%
Current contract assets	30.35	1.9%	29.56	1.8%	(0.79)	(2.6%)
Inventory	14.98	0.9%	17.80	1.1%	2.82	18.8%
Other current Asset	15.07	0.9%	14.71	0.9%	(0.36)	(2.4%)
Non-current financial assets	392.29	24.6%	389.93	23.4%	(2.36)	(0.6%)
Right to use assets	128.83	8.1%	153.11	9.2%	24.28	18.8%
Non-Current asset	417.13	26.2%	438.25	26.3%	21.12	5.1%
Total Assets	1,591.66	100.0%	1,666.18	100.0%	74.52	4.7%
<u>Liabilities</u>						
Current liability	151.10	9.5%	151.38	9.1%	0.28	0.2%
Non-Current liability	173.70	10.9%	199.20	12.0%	25.50	14.7%
Total liabilities	324.80	20.4%	350.58	21.1%	25.78	7.9%
Shareholders' equity	1,266.86	79.6%	1,315.60	78.9%	48.74	3.8%
Total liabilities and Shareholders' equity	1,591.66	100.00%	1,666.18	100.0%	74.52	4.7%

(a) Total assets

Total assets as of March 31, 2021 stand at 1,666.18mb, an increase of 74.52mb or 4.7%. The increase was mainly due to an increase in investment, trade receivable and expansion of office space.

(b) Total Liabilities

Total liability as of March 31, 2021 was 350.58mb, increasing by 25.78mb or 7.9%, mainly due to recognition of liabilities under finance lease agreement according to TFRS16.

(c) Shareholders' equity

Total shareholder's equity as of March 31, 2021 was 1,315.60mb, increasing by 48.74mb or 3.8% YoY, contributed from operating profits.

3. Cash Flow Statement

Unit: million baht

	Jan-Mar 2020	Jan-Mar 2021
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	27.76	48.41
Cash Flow from Investing (CFI)	32.90	(64.69)
Cash Flow from Financing (CFF)	(6.53)	(7.19)
Increase in translation adjustments	1.33	1.71
Net increase (decrease) in cash and cash equivalents	55.46	(21.76)

Cash Flow from Operating Activities

CFO for 3M 2021 was 48.41mb. 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 3M 2021 was -64.69mb mainly due to additional investment in financial assets.

Cash Flow from Financing Activities

CFF for 3M 2021 was -7.19mb, due to finance lease payment (principal & interest). 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