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February 25, 2021

Subject: Management's Discussion and Analysis for Year Ended December 31, 2020

To The President
The Stock Exchange of Thailand

Management's Discussion and Analysis
Consolidated Financial Statements
For Year Ended December 31, 2020

Overall Group Performance

Table 1: Overall Financial Performance

Unit: million baht

	Jan-Dec 2019 (Restated)	%	Jan-Dec 2020	%	Change	% YoY
Total Revenues	613.86	100.0%	740.34	100.0%	126.48	20.6%
Cost of sales and services	(335.26)	(54.6%)	(384.96)	(52.0%)	(49.70)	14.8%
Gross Profit	278.60	45.4%	355.38	48.0%	76.78	27.6%
SG&A	(121.85)	(19.8%)	(160.25)	(21.6%)	(38.40)	31.5%
Operating Profit	156.75	25.5%	195.13	26.4%	38.38	24.5%
Share of Profit in Associates	1.93	0.3%	0.93	0.1%	(1.00)	(51.8%)
Interest Expense	(0.43)	(0.1%)	(8.36)	(1.1%)	(7.93)	(1,844.2%)
EBT	158.25	25.8%	187.70	25.4%	29.45	18.6%
Tax	(14.53)	(2.4%)	(22.84)	(3.1%)	(8.31)	(57.2%)
Net Profit After Tax	143.72	23.4%	164.86	22.3%	21.14	14.7%

Total Revenues

Total Revenues, including sales and service revenue and other income, increased by 126.48mb or 20.6% to 740.34mb (FY 2019: 613.86mb). Of which, sales and services grew by 120.29mb or 20.1% and other income increased by 6.19mb or 43.2%.

Sales and Services revenue:

For the FY 2020, The Humanica Group of Companies ("HUMAN" or the "Company") delivered sales and service revenue of 719.81mb (FY 2019: 599.52mb), an increase of 120.29mb or 20.1%. Revenue from HR Solutions contributed 117.05mb or 23.6% to our growth YoY while Financial Solutions revenue contributed

3.24mb or 3.1% growth YoY. The growth in HR Solutions is largely because of the consolidation of the result of our subsidiary, Tiger Soft (1998) Company Limited (“TigerSoft”) only from July 2019 in last financial year. On a year-over-year basis, TigerSoft contributed an increase of 80.50mb to HUMAN’s sales and service revenue, together with an organic growth of 36.54mb or 8.5%, bringing an increase of 117.04mb to HR Solutions.

Our overall recurring revenue grew by 32.91mb or 7.3% (18.44mb or 4.2% excluding TigerSoft) while non-recurring revenue grew by 88.06mb or 59.0% (22.02mb or 24.3% excluding TigerSoft).

Other Income:

Other income increased by 6.19mb or 43.2% to 20.53mb (FY 2019: 14.34mb). We reported increase in dividend income from our investment portfolio and increase in interest income from additional investment in convertible notes by combined 2.77mb or 33.2%. Our other non-recurring income also increased by 4.35mb, largely from additional government grants received by our overseas subsidiaries. This was partially offset by unfavorable change in realized & unrealized gain / loss on investment.

Cost of Sales and Services

Overall cost of sales and services increased by 49.70mb or 14.8% to 384.96mb (FY 2019: 335.26mb), 52.88mb of which came from the consolidation of TigerSoft and additional amortization of software (know-how) from fair value adjustment from purchase price allocation on TigerSoft’s acquisition (2H 2019 vs. FY 2020 impact). Excluding the effect of the consolidation of TigerSoft, HUMAN managed to slightly lower cost of sales and services, in line with our mid-term target to improve gross margin.

Gross Profit

We reported gross profit margin of 48.0%, an improvement from 45.4% in FY 2019, and achieved a gross profit of 355.38mb (FY 2019: 278.60mb), an increase of 76.78mb or 27.6%. The consolidation of TigerSoft and related purchase price allocation effect contributed an incremental gross profit of 27.99mb. (FY 2020: 55.52mb vs. 2H 2019: 27.53mb). Excluding the impacts from the consolidation of TigerSoft and related purchase price allocation, HUMAN’s gross profit would grow 48.79mb or 19.4%, at a rate higher than its organic growth in total revenue.

Selling and Administration Expense

Selling and administration expense (“SG&A”) closed at 160.25mb (FY 2019: 121.85mb), an increase of 38.40mb or 31.5%, with SG&A% of total revenues inching up to 21.6% (FY 2019: 19.8%). The consolidation of TigerSoft along with additional amortization of customer relationship from fair value adjustment from purchase price allocation on TigerSoft’s acquisition added 29.59mb to the overall SG&A increase (FY 2020 vs. 2H 2019 impact). Excluding these impacts, SG&A would increase by 8.81mb or 8.8%. These increases are mainly attributed to increase in staff cost, one-offs in professional fees, and expenses related to office space expansion, partially offset by favorable FX gain / loss included as part of SG&A.

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 164.86mb (FY 2019: 143.72mb), growing by 21.14mb or 14.7% with overall net profit margin inching down to 22.3% (FY 2019: 23.4%) mainly due to TFRS 16 adoption and FV adjustment effect from the acquisition of TigerSoft. Excluding the impacts from the consolidation of TigerSoft's result, additional amortization from software (know-how) and customer relationship (net of tax), and TFRS16 adoption, the Company would report net profit after tax of 168.31mb (net profit margin of 28.4%), an increase of 30.62mb or 22.1% from FY 2019 (net profit after tax of 137.88mb and net profit margin of 25.2%).

1. Revenue Structure

Table 2: The break down revenue by business entities.

Unit: million baht

Type of Revenue	Jan-Dec 2019		Jan-Dec 2020	
	Million Baht	%	Million Baht	%
1. <u>HR Solutions</u>				
1.1 Human Resources and Payroll Outsourcing services	257.09	41.9%	266.41	36.0%
1.2 Income from software and human resources system	212.30	34.6%	269.93	36.5%
1.2 Income from sales of hardware	25.66	4.2%	75.76	10.2%
Total revenues from HR solutions	495.05	80.6%	612.10	82.7%
2. <u>Financial Solutions</u>				
2.1 Enterprise Resource Planning (ERP)	81.44	13.3%	85.36	11.5%
2.2 Accounting & Finance Outsourcing	23.03	3.8%	22.35	3.0%
Total revenue from financial solutions	104.47	17.1%	107.71	14.5%
3. <u>Other income</u>¹	14.34	2.3%	20.53	2.8%
Total revenues	613.86	100.0%	740.34	100.0%

¹ Other income consist mainly of interest income, dividend income and realized & unrealized gain on investment.

In Table 2 , The Company's revenue structure comprises 2 business units, HR Solutions and Financial Solutions with HR Solutions representing 82.7% of our revenue, Financial Solutions representing 14.5% and other income representing a small 2.8%.

HR Solutions

Revenue from HR Solutions closed at 612.10mb (FY 2019: 495.05mb), increasing by 117.05mb or 23.6%. This increase came from both the consolidation of TigerSoft's result and organic growth of existing business in HR technology and services in Thailand and overseas markets. In FY 2020, we have completed significant projects, both upgrading projects from existing clients and implementation projects for new clients, contributing to higher recurring revenue base going forward.

Revenue from SMEs were slower than our expectation due to the impact of Covid, but we saw a pick up in the hardware sales as TigerSoft was agile in offering advance clocking devices that incorporate temperature control during the Covid era. 4Q 2020 also showed sign of recovery in software sales and implementation revenue at TigerSoft.

Financial Solutions

Revenue from Financial Solutions contributed 107.71mb (FY 2019: 104.47mb), increasing by 3.24mb or 3.1%. Business in the ERP segment were largely soft during the year due to Covid situation however started to pick up pace in 4Q 2020.

With the ability to offer both SAP Business One and Oracle Netsuit for the more cloud savvy customers, we believe we will be well-positioned to pick up businesses when the market condition improves next year.

The recurring and non-recurring income:

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

Unit: million baht

HR Solutions	Jan-Dec 2019	%	Jan-Dec 2020	%	%YoY
Revenues-Recurring	383.13	77.4%	414.59	67.7%	8.2%
Revenues-Non Recurring	111.92	22.6%	197.51	32.3%	76.5%
Total Revenues	495.05	100.0%	612.10	100.0%	23.6%

Financial Solutions	Jan-Dec 2019	%	Jan-Dec 2020	%	%YoY
Revenues-Recurring	66.45	63.6%	67.91	63.0%	2.2%
Revenues-Non Recurring	38.02	36.4%	39.80	37.0%	4.7%
Total Revenues	104.47	100.0%	107.71	100.0%	3.1%

Grand Total Recurring	449.58	75.0%	482.50	67.0%	7.3%
Grand Total Non- Recurring	149.94	25.0%	237.31	33.0%	58.3%
Grand Total Revenues	599.52	100.0%	719.81	100.0%	20.1%

Overall, the Company's recurring revenue proportion decreased from 75.0% in FY 2019 to 67.0% this year, while non-recurring revenue proportion increased from 25.0% in FY 2019 to 33.0% this year. The change in

the composition of revenue between recurring and non-recurring income is due to the consolidation of TigerSoft's result (2H 2019 vs. FY 2020 impact). Tiger's business model is heavily weighted on non-recurring revenue from the on-premises sales of its software and the sales of hardware.

Recurring revenue reported an overall growth of 32.92mb or 7.3%, driven by organic growth in our existing business in HR technology and services and the consolidation of TigerSoft's recurring revenue, and revenue increase from Financial Solutions. With respect to overall recurring revenue base, HR Solutions continued its year-on-year growth momentum by 8.2% while Financial Solutions maintained moderate growth of 2.2%.

Non-recurring revenue reported overall growth of 87.37mb or 58.3%, from both the aforementioned consolidation of TigerSoft's result and organic growth of 21.06mb or 23.0% mainly from implementation and outsourcing revenue in HR Solutions.

2. Financial position

Table 4: Overall Financial position

Unit: million baht

<u>Assets</u>	As of Dec 31, 2019 (Restated)	%	As of Dec 31, 2020	%	Change YoY	% YoY
Cash	159.47	11.6%	246.80	15.5%	87.33	54.8%
Current financial assets	83.07	6.0%	227.77	14.3%	144.70	174.2%
Trade & Other receivable	114.24	8.3%	118.44	7.4%	4.20	3.7%
Current contract assets	24.58	1.8%	30.35	1.9%	5.77	23.5%
Inventory	9.42	0.7%	14.98	0.9%	5.56	59.0%
Other current Asset	4.50	0.3%	15.07	0.9%	10.57	234.9%
Non-current financial assets	558.38	40.6%	392.29	24.6%	(166.09)	(29.7%)
Right to use assets	-	-	128.83	8.1%	128.83	-
Non-Current asset	421.93	30.7%	417.13	26.2%	(4.80)	(1.1%)
Total Assets	1,375.59	100.0%	1,591.66	100.0%	216.07	15.7%
<u>Liabilities</u>						
Current liability	116.20	8.4%	151.10	9.5%	34.90	30.0%
Non-Current liability	65.44	4.8%	173.70	10.9%	108.26	165.4%
Total liabilities	181.64	13.2%	324.80	20.4%	143.16	78.8%
Shareholders' equity	1,193.95	86.8%	1,266.86	79.6%	72.91	6.1%
Total liabilities and Shareholders' equity	1,375.59	100.00%	1,591.66	100.0%	216.07	15.7%

(a) Total assets

Total assets as of December 31, 2020 stand at 1,591.66mb, an increase of 216.07mb or 15.7%. The increase was mainly due to the adoption of TFRS 16 Leases, which gave rise to right to use assets from office lease agreement. Cash and financial assets also increased by 65.94mb YoY.

Total Liabilities

Total liability as of December 31, 2020 was 324.80mb, increasing by 143.16mb or 78.8%, mainly due to recognition of liabilities under finance lease agreement according to TFRS16.

(b) Shareholders' equity

Total shareholder's equity as of December 31, 2020 was 1,266.86mb, increasing by 72.91mb or 6.1% YoY, mainly from profits during the period, less dividend payment.

3. Cash Flow Statement

Unit: million baht

	Jan-Dec 2019	Jan-Dec 2020
Net cash provided by (used in)		
Cash Flow from Operating (CFO)	200.06	240.77
Cash Flow from Investing (CFI)	(62.03)	(45.75)
Cash Flow from Financing (CFF)	(87.48)	(108.39)
Decrease in translation adjustments	(2.41)	0.69
Net increase (decrease) in cash and cash equivalents	48.14	87.32

Cash Flow from Operating Activities

CFO for the FY 2020 was 240.77mb. 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 the FY 2020 was -45.75mb mainly due to Capex spending (PP&E and software) and additional investment in financial assets.

Cash Flow from Financing Activities

CFF for the FY 2020 was -108.39mb, mainly due to dividend payment of 81.60mb and finance lease payment (principal & interest) of 24.61mb. The Company has no current plan for 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