

# Humanica PCL (HUMAN TB)

## New software and markets to support earnings growth

# BUY

Share Price THB 9.25  
 12m Price Target THB 14.00 (+54%)  
 Previous Price Target THB 14.00

### Strong profit growth and cheap valuation; BUY

We reiterate our BUY call (DCF-based TP of THB14.0) due to core EPS CAGR of 25% in FY22-24E and strong quarterly earnings momentum in FY23E. We forecast healthy core profit in 2Q23E (+61% YoY, +3% QoQ); QoQ profit growth should accelerate in 3-4Q23E on the back of implementation of Workplaze projects. The company plans to report 2Q23 results on 15 Aug. HUMAN is trading at 1-year-forward PE of 26x, 2 s.d. below its 5-year mean of 38x. Key risk is a recession in Thailand or Indonesia.

### Eyeing accelerating QoQ profit growth in 3-4Q23E

We forecast 2Q23E core profit of THB67m (+61% YoY, +3% QoQ) on THB311m revenue (+35% YoY, +3% QoQ). The strong YoY growth should be supported by i) employment recovery, and ii) full-quarter consolidation of DataOn. Then, we expect QoQ profit growth to accelerate in 3-4Q23E due to revenue from its new software, Workplaze (software development completed in Mar 2023). The implementation of Workplaze projects should boost 2H23E core profit to THB158m (+30% YoY, +20% QoQ).

### ASEAN countries to support long-term growth

We forecast FY22-24E CAGR of 25% for core EPS (a turnaround from FY20-22 CAGR of 2.2%), supported by growth from Thailand and Indonesia. In Indonesia, the industry has plenty of room to grow thanks to the large addressable market of 66m waged and salaried employees (vs 12m in Thailand) and low market penetration of 9%, based on our estimate. Also, HUMAN is planning to acquire a 49% stake in a company in the Philippines, a country with 31m employees, implying upside risk to our forecasts from FY24E onwards.

### HR consulting business, another upside risk

Following consultancy requests from clients, HUMAN finally decided to establish Humanica Consulting Services (60% stake). While most HR service providers in Thailand are recruitment and outsourcing agencies, Humanica Consulting plans to provide a full-spectrum HR-as-a-Service, ranging from people strategy advisory to digital HR transformation (applying software automation and data analytics to HR processes).

### Company Description

HUMAN is a provider of software as a service and business outsourcing in Thailand and Indonesia, specialising in HR solutions.

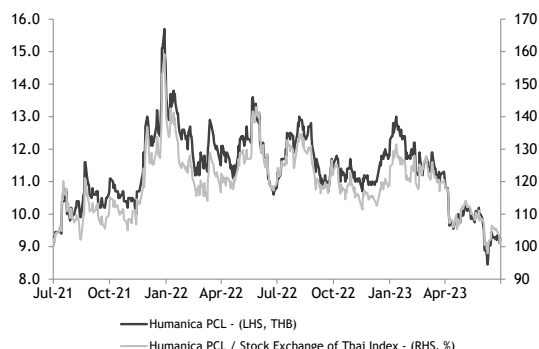
### Statistics

52w high/low (THB)	13.00/8.45
3m avg turnover (USDm)	0.3
Free float (%)	65.0
Issued shares (m)	867
Market capitalisation	THB8.0B USD236M

### Major shareholders:

Soontorn Dentham and family	30.3%
Viko Technologies	21.2%
South East Asia UK (Type A) nominees	3.2%

### Price Performance



	-1M	-3M	-12M
Absolute (%)	(7)	(17)	(14)
Relative to index (%)	(5)	(14)	(15)

Source: FactSet

FYE Dec (THB m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	729	1,046	1,334	1,495	1,641
EBITDA	266	336	454	515	584
Core net profit	172	218	289	339	385
Core EPS (THB)	0.25	0.25	0.33	0.39	0.44
Core EPS growth (%)	4.6	(0.2)	32.4	17.2	13.6
Net DPS (THB)	0.16	0.18	0.27	0.31	0.35
Core P/E (x)	48.4	44.1	27.8	23.7	20.9
P/BV (x)	5.8	2.8	2.3	2.2	2.2
Net dividend yield (%)	1.3	1.6	2.9	3.4	3.8
ROAE (%)	12.6	6.7	8.3	9.4	10.5
ROAA (%)	10.2	7.7	7.3	8.3	9.2
EV/EBITDA (x)	30.4	27.5	16.6	14.5	12.6
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	316	373	385
MIBG vs. Consensus (%)	-	-	(8.6)	(9.2)	0.0

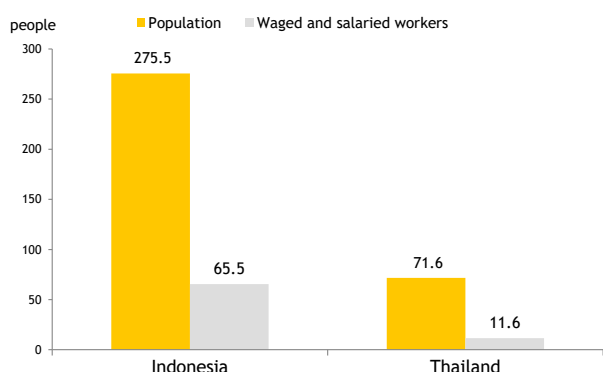
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## Value Proposition

- HUMAN is a provider of software as a service (SaaS) and business outsourcing, specialising in HR solutions. Its flagship software Humatrix can automate admin work related to payroll, benefit and tax processing.
- In May 2022, HUMAN merged with DataOn group, a leading HR-solution provider in Indonesia, via a share swap. Given 62m salaried and waged workers in Indonesia (vs only 11m in Thailand), the potential growth of HR solutions in the Indonesian market is much larger.
- Since HUMAN and DataOn have become one entity, software developers from the two sides plan to combine their strengths in HRM, HRD and employee benefits to develop a new flagship software called Workplaze.

### Population and labour market in 2022

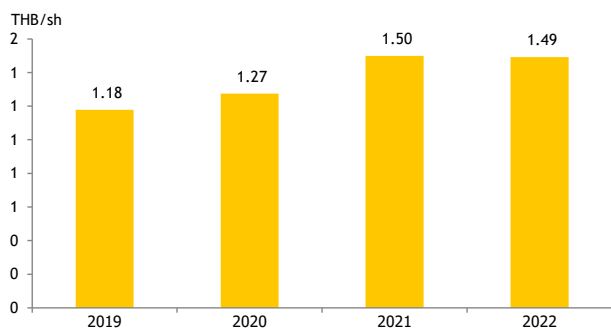


Source: Statista, World Bank, MST

## Financial Metrics

- HUMAN had no interest-bearing debt at the end of 2022. It only has lease liabilities related to the rent of office buildings and motor vehicles.
- The company’s cash and financial investments were worth THB1.3b, or THB1.49/sh.
- The lack of interest-bearing debt stems from strong cash flow from operations and low capex requirement.

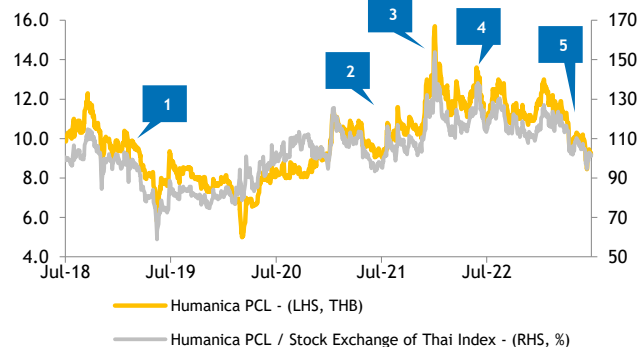
### Fully-diluted net-cash position per share



Source: Company, MST

## Price Drivers

### Historical share price trend



Source: Company, MST

1. Share price fell as hype around tech stocks began to fade. Note that the share price declined in 2018-19 despite core net profit growth of 29%/10% in FY18/19.
2. Revenue from project implementation began to resume thanks to easing Covid-19 restrictions.
3. Investors were excited about the proposed merger of HUMAN and DataOn group, a leading provider of HR solutions in Indonesia.
4. HUMAN finished merging with DataOn.
5. There were big sell-offs in small- and mid-cap stocks amid poor market sentiment, which was largely caused by political uncertainty.

## Swing Factors

### Upside

- Faster-than-expected adoption of cloud-based HR solutions in the Thai and Indonesian markets.
- Expansion into new countries such as Philippines, South Korea and Japan.

### Downside

- Reliance on key personnel (i.e. CEO, Chief Technology Officer and software developers) and partners (i.e. SAP and Oracle).
- Competition from foreign providers of HR solutions (i.e. Workday, SAP SuccessFactors, Oracle PeopleSoft and Darwin Box).
- A global recession, which could lead to corporate clients laying off employees.

Risk Rating & Score <sup>1</sup>	N/A
Score Momentum <sup>2</sup>	N/A
Last Updated	N/A
Controversy Score <sup>3</sup>	N/A

## Business Model & Industry Issues

- HUMAN is strong on the E or Environmental front. Its office building won LEED Award, Gold in 2021. LEED (Leadership in Energy and Environmental Design) is an internationally recognised green building certification. The company also has solid track record of software innovation, which could be beneficial to the environment as rising digital adoption usually leads to reduction of paper uses. Nevertheless, the company does not have data on greenhouse gas emission
- Its weak point seems to be in the S or Social area. The company had average training hour of only 0.72 per employee last year.
- Governance risk is that the company relies heavily on founder CEO Soontorn Dentham, who owns 30.1% of HUMAN shares. Mr. Soontorn is 64 years old, and the company has not disclosed any details of the succession plan to the public.

### Material E issues

- HUMAN and its landlord have redesigned the office building with a focus on energy saving, water efficiency and CO2 emission reduction. The building won LEED Award, Gold from SCG Building and Living Care Consulting in 2021. LEED (Leadership in Energy and Environmental Design) is an internationally recognised green building certification system, which aims to improve energy saving, water efficiency, CO2 emission reduction etc.
- HUMAN has used solar panels for electricity. In 2021-22, the solar panels accounted for 22% of the full-year consumption, up from 19% in 2019.
- HUMAN has a solid track record of software innovation. This is good for the environment because rising digital adoption usually leads to reduction of paper uses.
- In 2011, HUMAN launched a web-based version of its flagship software Humatrix. In 2020, it won Best Innovative Company Awards from the Stock Exchange of Thailand and launched Benix, Thailand's first employee benefit platform.

### Material S issues

- In 2020, HUMAN decided to drop the numeric label of its flagship software Humatrix because the company started upgrading the software several times a year. The company's mission is "to help the employees of our clients to work better and live happier".
- HUMAN organised 41 training courses for employees in 2021. The company had average 0.72 training hour per employee last year.
- HUMAN offers welfare loans with low interest rates; 36 employees have applied so far, resulting in total loan amount of THB2.25m.
- In response to waves of Covid-19 outbreak, HUMAN has spent THB778,500 on donations (i.e. cash and essential products).

### Key G metrics and issues

- HUMAN had seven board members in 2022, and one of them was a woman. Two board members, CEO Soontorn Dentham and CTO Gordon Enns, were the executive directors.
- The company had 20 people in the senior management team, 13 of which are women.
- The compensation to directors and management were THB41m (23% of FY22 net profit).
- The company's governance principles highly focus on the responsibilities and effectiveness of its leaders. The management team reviews the succession plan with the CEO annually.
- HUMAN keep upgrading/modernising its software with new modules by developing new applications and seeking new partners; this helps reduce the risk of its software becoming obsolete.

<sup>1</sup>**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. <sup>2</sup>**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. <sup>3</sup>**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Quantitative Parameters (Score: 47)						
	Particulars	Unit	2020	2021	2022	BBIK TB (2022)
E	Scope 1	m tCO2e	N/A	N/A	N/A	N/A
	Scope 2	m tCO2e	N/A	N/A	N/A	N/A
	<b>Total</b>	<b>m tCO2e</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
	Scope 3	m tCO2e	N/A	N/A	N/A	N/A
	<b>Total</b>	<b>m tCO2e</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
	Scope 1 & 2 emission intensity	tCO2e/THBm	N/A	N/A	N/A	N/A
	Electricity usage per sqm of office space	kWh per sqm	83.7	71.6	76.4	N/A
	RE as % of electricity usage	%	N/A	22%	22%	N/A
	Water usage	cubic metre	4,961	4,606	4,330	N/A
	Use of paper at HQ	sheets	N/A	N/A	N/A	87,500
	Green building certified	sqm	5,400	6,392	6,392	N/A
S	% of women in workforce	%	59%	62%	51%	44%
	% of women in management roles	%	56%	60%	44%	57%
	% employee turnover	%	21%	44%	36%	33%
	Average training hours	hours/person/year	0.9	0.7	13.8	180.5
	Customer satisfaction score	score	N/A	N/A	N/A	N/A
	Cyber security and personal data incidents	number	N/A	N/A	0	0
G	Directors' and management's compensations as % of net profit	%	22.4%	22.0%	22.9%	89.5%
	CG score by National CG Committee	stars	3	3	4	5
	Top 10 employees salary as % of profit	%	18%	21%	22%	29.8%
	Independent director (tenure<10 years) as % of BoD	%	67%	67%	57%	44%
	Women directors on board	%	0%	17%	14%	11%

Qualitative Parameters (Score: 50)	
a) Is there an ESG policy in place and whether there is a standalone ESG Committee or is it part of risk committee?	<i>Yes, we have ESG policy. HUMAN does not have a standalone ESG committee but ESG is a part of the executive committee's goals.</i>
b) Is the senior management salary linked to fulfilling ESG targets?	<i>Yes.</i>
c) Does the company follow TCFD/GRI framework or any other framework for ESG reporting?	<i>Yes.</i>
d) Has the company been involved in controversies which have impacted their management/stock price performance	<i>No.</i>
e) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?	<i>Installation of roof-top solar, now 22% of electricity usage; company's employee shuttle service is fully electric; 2-wheeler electric charging stations for employees.</i>
f) Does carbon offset form part of the net zero/carbon neutrality target of the company?	<i>No.</i>

Target (Score: 75)			
Particulars	Target	Achieved in 2022	
ISO 27001 and 27701	Certify within 2024	ISO 27001 certified already and ISO 27701 is under audit	
IT security & data privacy training to all staffs	100%	100%	
Emission reduction target/net zero	N/A	N/A	
Generate Renewable energy to power all our clients' servicing servers by 2025	100%	22%	
<b>Impact</b>			
NA			
<b>Overall Score: 55</b>			
As per our ESG matrix, Humanica (HUMAN TB) has overall score of 55.			

ESG score	Weights	Scores	Final Score
Quantitative	50%	47	24
Qualitative	25%	50	13
Target	25%	75	19
<b>Total</b>			<b>55</b>

As per our ESG assessment, HUMAN's strong points in social and governance aspects outweigh the lack of data collection and long-term goals in the environmental aspects. The company's overall ESG score is 55, in-line with Maybank universe's average ESG rating of 50.

# 1. Forecast 2Q23E core net profit of THB67m (+61% YoY)

## 1.1 YoY increases in revenue and gross margin

We forecast 2Q23E core net profit of THB67m (+61% YoY, +3% QoQ) on the back of THB311m revenue (+35% YoY, +3% QoQ) and an increase in gross margin to 50% in 2Q23E from 47% in 2Q22. The strong YoY growth is supported by i) employee hiring recovery (HUMAN's recurring revenue is based on clients' employee headcounts) and ii) full-quarter consolidation of DataOn's financial statement.

**Fig 1: We forecast 2Q23E core net profit of THB67m (+61% YoY, +3% QoQ) on THB311m revenue (+35% YoY, +3% QoQ)**

Unit: THB m	2Q22	1Q23	2Q23E	YoY	QoQ	FY22	FY23E	YoY	6M23E as % of FY23E
<b>Sales and service income</b>	<b>230</b>	<b>301</b>	<b>311</b>	<b>34.7%</b>	<b>3.0%</b>	<b>1046</b>	<b>1334</b>	<b>27.5%</b>	<b>45.9%</b>
Cost of sales and services	-122	-151	-155	27.4%	3.0%	-532	-642	20.6%	47.6%
<b>Gross profit</b>	<b>109</b>	<b>151</b>	<b>155</b>	<b>42.9%</b>	<b>3.0%</b>	<b>514</b>	<b>692</b>	<b>34.6%</b>	<b>44.3%</b>
<b>SG&amp;A</b>	<b>-61</b>	<b>-83</b>	<b>-86</b>	<b>42.5%</b>	<b>3.6%</b>	<b>-294</b>	<b>-370</b>	<b>25.8%</b>	<b>45.9%</b>
Selling	-8	-6	-9	12.6%	47.9%	-39	-50	30.3%	30.8%
Admin	-52	-77	-77	47.2%	0.0%	-255	-319	25.1%	48.3%
<b>Operating profit</b>	<b>48</b>	<b>67</b>	<b>69</b>	<b>43.4%</b>	<b>2.2%</b>	<b>220</b>	<b>322</b>	<b>46.4%</b>	<b>42.4%</b>
Other income	10	8	11	3.6%	31.5%	14	18	33.1%	104.4%
Dividend income	3	2	2	-42.0%	0.0%	14	16	16.8%	22.0%
Loss on disposal of investment in associate									
Share of profit from investment in associates	-2	-1	-1	-61.4%	0.0%	0	4	-17491.3%	-43.6%
<b>EBIT</b>	<b>47</b>	<b>75</b>	<b>81</b>	<b>71.1%</b>	<b>7.0%</b>	<b>205</b>	<b>360</b>	<b>75.9%</b>	<b>43.3%</b>
Finance cost	-3	-3	-3	16.0%	0.0%	-13	-22	68.9%	31.9%
<b>EBT</b>	<b>44</b>	<b>72</b>	<b>77</b>	<b>74.8%</b>	<b>7.3%</b>	<b>192</b>	<b>339</b>	<b>76.4%</b>	<b>44.0%</b>
Income tax expenses	-8	-10	-11	31.7%	11.2%	-29	-53	81.0%	38.9%
<b>Net profit</b>	<b>36</b>	<b>62</b>	<b>67</b>	<b>83.6%</b>	<b>6.7%</b>	<b>163</b>	<b>289</b>	<b>76.9%</b>	<b>44.6%</b>
<b>Core net profit</b>	<b>41</b>	<b>65</b>	<b>67</b>	<b>61.3%</b>	<b>2.5%</b>	<b>218</b>	<b>289</b>	<b>32.4%</b>	<b>45.5%</b>
Gross margin (%)	47.1%	50.0%	50.0%			49.1%	51.8%		
SG&A to revenue (%)	-25.0%	-27.6%	-27.8%			-28.1%	-27.7%		
Effective tax rate (%)	-17.9%	-13.5%	-14.0%			-15.4%	-15.9%		
Core net margin	17.9%	21.5%	0.0%			20.9%	21.7%		

Source: Company, MST

Note that we have revised FY22 core profit down by 8% to account for additional amortisation expenses from DataOn's customer relationship. A purchase price allocation (PPA) exercise, which was completed by an independent appraiser in May 2023, suggested that HUMAN would have to amortise DataOn's capitalised customer relationship over a 5-year period starting in May 2022 (THB7.2m expense per quarter).

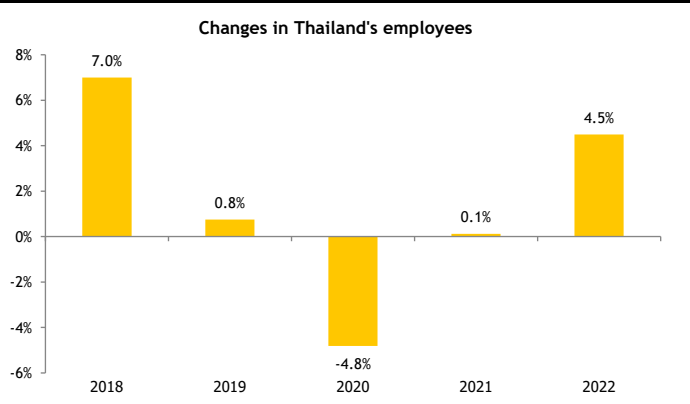
## 1.2 Strong employment trends in Thailand and Indonesia

Strong employment trends are positive for HUMAN (recurring revenue is based on client headcount) because i) existing clients tend to hire more employees, and ii) prospective clients are more willing to adopt digital HR solutions to manage growing headcount. We estimate HUMAN's client headcount grew by 10% YoY in 2Q23 supported by hiring growth in Thailand and Indonesia.

Thailand ended 2Q23 with 11.73m employees (+4% YoY), already higher than the pre-pandemic level of 11.69m employees in 4Q19. In Indonesia,

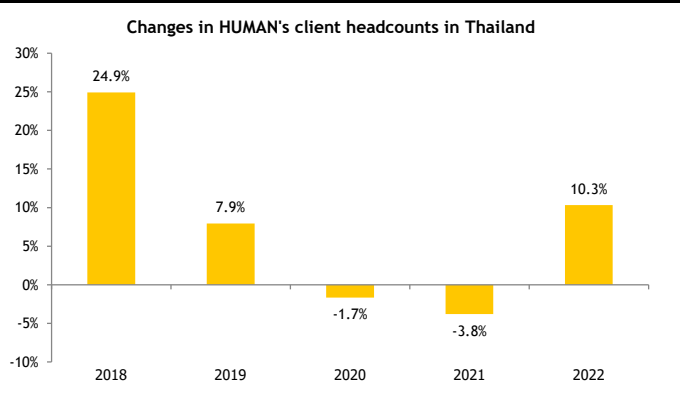
the number of employed people totaled 135.6m in Feb 2023 (+2% YoY), also higher than the pre-pandemic level of 128.8m in Aug 2019.

**Fig 2: Percentage change in Thailand’s number of employees**



Source: Social Security Office, MST

**Fig 3: Percentage change in HUMAN’s client headcount in Thailand**



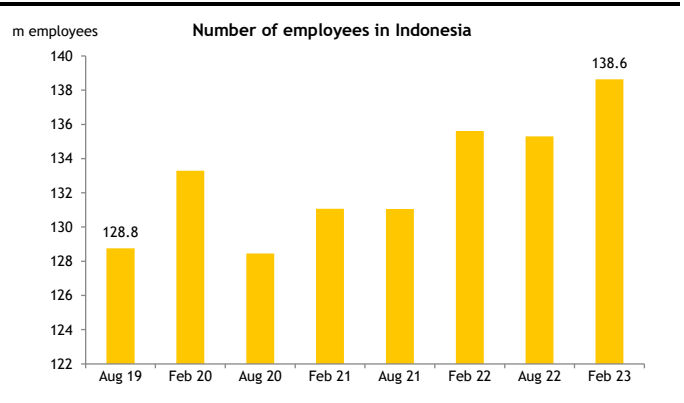
Source: Company, MST

**Fig 4: Thailand’s number of employees of 11.73m in 2Q23 (+4% YoY) already surpassed the pre-pandemic level in 4Q19**



Source: Social Security Office, MST

**Fig 5: Indonesia’s number of employees of 135.6m in Feb 2023 (+2% YoY) already surpassed the pre-pandemic level in Aug 2019**



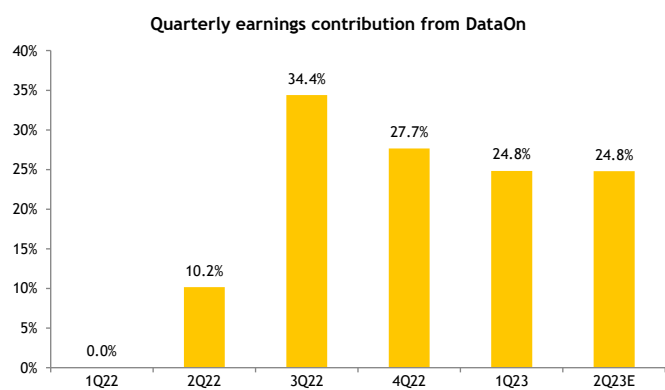
Source: Badan Pusat Statistik, MST

### 1.3 Higher profit contribution from DataOn

We expect DataOn to contribute c.25% of HUMAN’s core profit in 2Q23E, up from 10% in 2Q22, as HUMAN started consolidating DataOn’s financial statements from late-May 2022 onwards. Without DataOn, we forecast HUMAN’s organic core profit of THB50m in 2Q22E (+35% YoY, +3% QoQ).

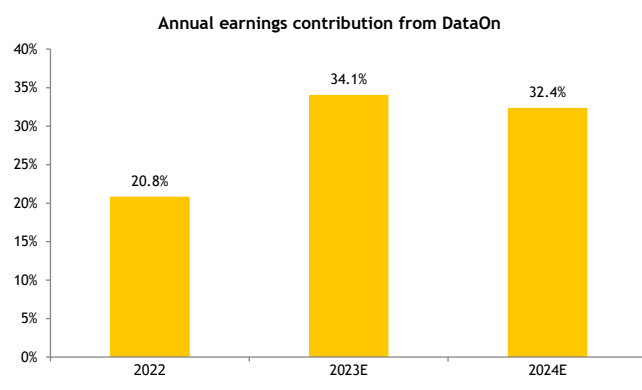
We forecast DataOn to contribute 34% of HUMAN’s core profit in FY23E (full-year consolidation of financial statements), up from 21% in FY22 (approximately seven months of consolidation).

**Fig 6: Quarterly earnings contribution from DataOn (% of HUMAN's core net profit)**



Source: Company, MST

**Fig 7: Annual earnings contribution from DataOn (% of HUMAN's core net profit)**



Source: Company, MST

## 2. Workplaze to boost 3-4Q23E profit

### 2.1 We expect QoQ profit growth to accelerate in 3-4Q23E

We expect strong YoY and QoQ growth in 3-4Q23E core net profit due to revenue from its new flagship software, Workplaze. HUMAN and its Indonesia-based subsidiary DataOn have largely completed the development of Workplaze in mid-Mar 2023, allowing the company to pitch the new software to existing and prospective clients. The project wins during 2-3Q23E will likely boost project implementation fees in 3Q23E.

We estimate 2H23E core profit of THB158m (+30% YoY, +20% QoQ), 56% of full-year forecast.

### 2.2 Workplaze is a product of HUMAN's and DataOn's collaboration

Workplaze, HUMAN's new flagship HR software, combines key strengths of HUMAN's Humatrix in HRM modules and DataOn's Sunfish HR in HRD modules, resulting in a well-rounded HR solutions. Workplaze also has localised features (management of complicated work shifts and compliance with local laws) and multi-country outsourcing capabilities in Thailand, Indonesia, Malaysia, Singapore and Vietnam.

**Fig 8: Old software vs new software**

Target group	Old software	New software in 2023
Large enterprises	Humatrix by HUMAN Sunfish HR by DataOn	Workplaze
Mid-sized enterprises	TigerSoft (on-premise installation)	TigerSoft (cloud-based)

Source: Company, MST

**Fig 9: Humanica and DataOn have combined their strengths to develop its new flagship Workplaze**

HR Management (HRM)	HR Development (HRD)	Employee Benefits
<ul style="list-style-type: none"> <li>Admin tasks</li> <li>Time and attendance</li> <li>Benefits and claims</li> <li>Payroll</li> <li>Compliance to local laws</li> </ul>	<ul style="list-style-type: none"> <li>Talent management</li> <li>Recruitment</li> <li>Performance management and training</li> <li>Organisational development</li> </ul>	<ul style="list-style-type: none"> <li>Insurance brokerage platform</li> <li>Flexi-benefit platform</li> </ul>
Humanica's strength	DataOn's strength	under development

Source: Company, MST



### 3. Upside risks from HR consulting and Philippines

#### 3.1 Entering HR consulting business with a new JV

On 26 Jun 2023, HUMAN established Humanica Consulting Services (THB10m paid-up capital) for HR consultancy and technology services. HUMAN invested THB6m in the company, resulting in a 60% stake. Management decided to set up this joint venture after a number of existing clients requested HR consulting services from HUMAN.

Humanica Consulting will focus on i) HR consulting, and ii) digital HR transformation services. In digital transformation services, the JV will apply software automation and data analytics to HR processes such as recruitment, performance management and learning. There will also be a complex data analytics model that combines data from Workplaze, ERP platform and CRM platform. We have not factored any profit contribution from Humanica Consulting Services in our model.

HR consulting, a sizable industry dominated by global players  
 The global HR advisory market was USD151b (according to the Business Research Company), and the market has been dominated by global advisory houses such as Deloitte, Bain & Company, Accenture, EY and Mercer. In Thailand, HUMAN is likely one of the first Thai companies to have entered the market, and we believe lower service fees (when compared to global consulting firms) and its existing client base in the HR software business will help the company grow in the HR consulting industry.

**Fig 10: HR consulting services**



Source: Company, MST

Yafo, a partner in Humanica Consulting Services  
 Yafo Private Limited (Singapore) holds the remaining 40% stake in Humanica Consulting Services and has two board directors (out of four board members) in Humanica Consulting.



The first director is Akshat Joshi, CEO and co-founder of Lighthouse Consulting. Lighthouse specialises in HR transformation, people analytics and digital HR solutions. Now, he is also a CEO of Humanica Consulting. Akshat's past experience include consultant roles at Deloitte and PwC.

The second director is Marcus Koh Shilong, Managing Principal and co-founder of PositiveLinks Asia. PositiveLinks is a boutique executive search firm that specialises in the fields of new technology, mobile, digital and management consulting.

### 3.2 Planning to buy a 49% stake in a Filipino company

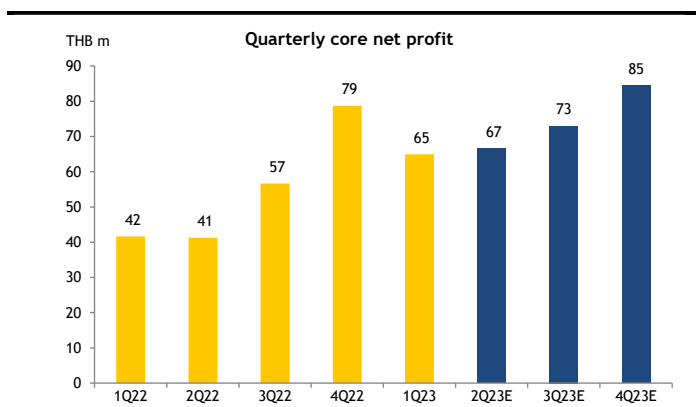
On 3 Jul 2023, HUMAN announced that it planned to acquire a 49% stake (USD1m investment) in a Philippines-based company, Sunfish DataOn Philippines (SDP), because HUMAN is aiming to increase its presence in the Philippines. Prior to the acquisition, SDP has already been a reseller and system implementer of DataOn's HR software, Sunfish HR. We estimate SDP to generate THB4m net profit in FY23E, which would translate to THB2m profit sharing for HUMAN. Nevertheless, profit contribution from SDP is not in our model yet.

## 4. Valuation and recommendation

### 4.1 Strong earnings growth and cheap valuation

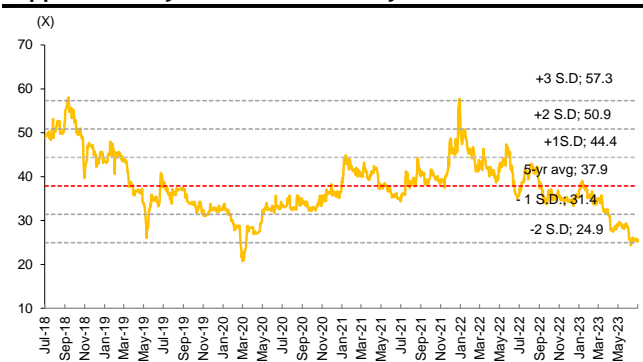
We have a BUY call on HUMAN due to i) FY23E core EPS growth of 32%, ii) strong quarterly earnings momentum, and iii) 52% upside to our DCF-based TP of THB14.0 (7.4% WACC, 3.6% TG). HUMAN is trading at 1-year-forward P/E of 26x, approximately 2 s.d. below its 5-year mean of 38x.

Fig 11: Quarterly core net profit



Source: Company, MST

Fig 12: HUMAN is trading at 1-year-forward P/E of 26x, approximately 2 s.d. below its 5-year mean of 38x

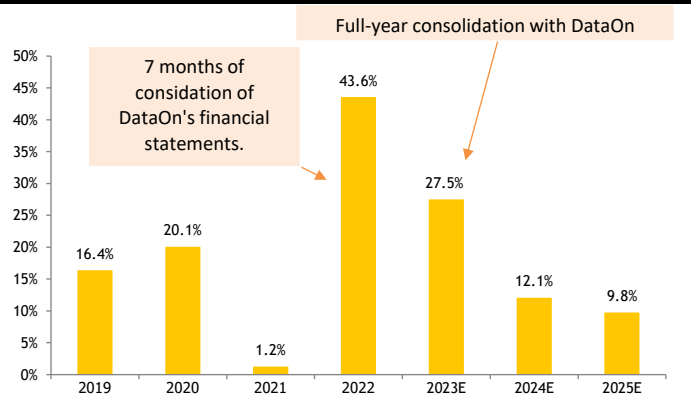


Source: Company, MST

32% core profit growth in FY23E

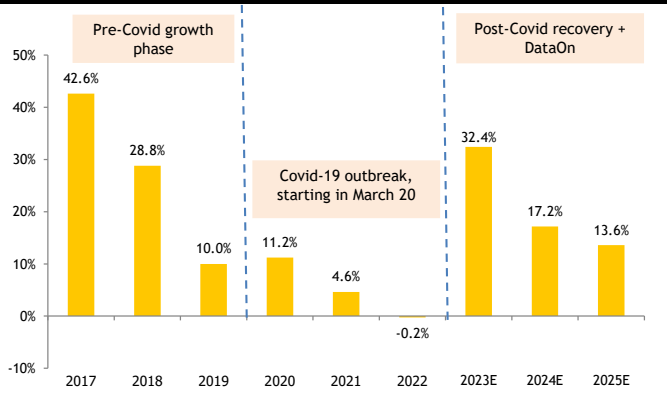
We forecast FY23E core net profit of THB289m (+32% YoY) and THB1.3b revenue (+28% YoY). The 28% revenue growth is supported by i) HUMAN's organic revenue growth of 11%, ii) DataOn's revenue growth of 12% and iii) full-year consolidation of DataOn's financial statements in FY23E (vs only 7 months of consolidation in FY22). In the long run, we forecast FY22-25E core profit CAGR of 21%.

Fig 13: Revenue growth



Source: Company, MST

Fig 14: Core EPS growth



Source: Company, MST

## 4.2 Key risks are employee recruitment and a recession

The risk of employee recruitment stems from shortage of skilled labour in the technology industry in Thailand and employee turnover at HUMAN. Insufficient amount of staff could limit HUMAN's growth potential (i.e. not enough salespeople to approach clients). Nevertheless, the recruitment problem has improved after the DataOn acquisition in May 2022, which resulted in an expansion of its software development team from c.100 employees to c.300 employees. The merger also gave HUMAN access to the Indonesian talent pool. Also, HUMAN saw a decline in its employee turnover rate to 36% in FY22 from 44% in FY21.

Another downside risk to our forecast is a recession in Thailand or Indonesia. HUMAN charges corporate clients on a per-employee basis, so employee layoffs by its clients could lead to lower revenue for HUMAN.

Fig 15: We have a DCF-based target price of THB14.0 for HUMAN (7.4% WACC, 3.6% TG)

Unit: THB m	2023E	2024E	2025E	2026E	2027E	2028E	Terminal value
<b>Cash flow from operations after lease-related payment</b>	291	388	439	474	508	535	
<b>CAPEX</b>							
building improvement and equipment	-10	-8	-8	-8	-8	-8	
computer software	-52	-52	-50	-50	-45	-42	
<b>Total capex</b>	<b>-62</b>	<b>-60</b>	<b>-58</b>	<b>-58</b>	<b>-53</b>	<b>-50</b>	
Dividend income	16	16	16	16	16	16	
<b>Free cash flow to firm</b>	<b>245</b>	<b>344</b>	<b>397</b>	<b>432</b>	<b>470</b>	<b>501</b>	<b>13,659</b>
<b>Discount period</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
PV of FCFF	-	320	344	348	353	351	PV of terminal value 8,898
<b>Sum of PV of FCFF</b>		<b>10,964</b>					
Net debt/(cash)	-	623					
Other current and non-current investment		543					
<b>Equity value</b>		12,130					
# of shares		867.4					
<b>TP (THB/share)</b>		<b>14.00</b>					
Current price (THB/share)		9.25					
Upside to target price		51.4%					
Terminal growth		3.6%					
<b>Cost of equity</b>		<b>7.4%</b>					
Risk-free rate		3.00%					
Market return		10.40%					
Beta		0.60					
Debt weight		0% (net cash)					
Equity weight		100.0%					
<b>WACC</b>		<b>7.4%</b>					

Source: Company, MST

Fig 16: Peer comparison

Company	BB ticker	Market cap (USD m)	Market price		P/E ratio (x)		3-year core EPS CAGR	PEG (x) (FY23E P/E divided by 3-year EPS CAGR)	ROE		Dividend yield	
			Target price (local curr)	Market price (local curr)	FY23E	FY24E			FY23E	FY24E	FY23E	FY24E
			Bluebik Group	BBIK TB	371	120.0			116.0	45.0	29.7	59.4
I&I group	IIG TB	51	26.12	16.00	57.1	16.2	13.9	4.1	3.9	13.8	1.0	2.1
Beryl 8 Plus	BE8 TB	325	59.98	41.75	33.4	23.9	69.2	0.5	11.5	15.4	0.0	0.0
Ditto	DITTO TB	597	45.00	30.75	65.4	54.9	15.5	4.2	17.4	19.8	0.7	0.9
Humanica	HUMAN TB	236	14.00	9.25	27.8	23.7	17.7	1.6	8.3	9.5	2.9	3.4
Netbay	NETBAY TB	121	26.20	20.50	21.8	20.5	10.7	2.0	37.1	37.8	4.3	4.6
Thailand - average					41.8	28.2	31.1	2.2	16.7	19.4	1.6	2.0

120.0 = MST's target prices

Source: Company, MST

## 5. Above-average ESG score of 55

Based on our ESG 2.0 matrix, HUMAN receives a score of 55, higher than Maybank universe's average of 50. HUMAN's strong points in social and governance aspects outweigh the lack of data collection and long-term goals in environmental aspects.

### Environment

Strong environmental aspects include i) renewable energy accounting for 22% of total power consumption in FY21-22, ii) declining water usage FY21 (-7% YoY) and FY22 (-6% YoY) and iii) office space winning an LEED Award, Gold. LEED (Leadership in Energy and Environmental Design) is an internationally recognised green building certification system. HUMAN's weak point is its lack of data collection and long-term goals for greenhouse gas emissions.

### Social

Strong points on the social front are i) balanced workforce (51% of workers were female in FY22), ii) a big jump in average training hours per employee from 0.7 in FY21 to 13.8 in FY22, and iii) zero cyber incident in FY22. There were 464 attempts of cyberattack against HUMAN in FY22, and the company managed to successfully prevent all of them. Also, there was zero complaint on personal data.

### Governance

Strong points on the governance side includes i) low compensation to directors and management (only 23% of net profit in FY22), ii) an increase in CG score by the National CG Committee to 4 in FY22 from 3 in FY21 and iii) and increase in the proportion of female directors to 14% in FY22 from 0% in FY20.

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Key Metrics</b>					
P/E (reported) (x)	41.3	63.5	27.8	23.7	20.9
Core P/E (x)	48.4	44.1	27.8	23.7	20.9
P/BV (x)	5.8	2.8	2.3	2.2	2.2
P/NTA (x)	7.3	3.1	6.0	5.6	5.2
Net dividend yield (%)	1.3	1.6	2.9	3.4	3.8
FCF yield (%)	2.5	2.0	3.5	4.7	5.4
EV/EBITDA (x)	30.4	27.5	16.6	14.5	12.6
EV/EBIT (x)	44.3	39.5	22.2	18.8	16.0
<b>INCOME STATEMENT (THB m)</b>					
Revenue	728.7	1,046.2	1,333.9	1,494.8	1,640.5
EBITDA	266.2	335.6	454.0	515.3	583.6
Depreciation	(48.6)	(64.2)	(78.2)	(50.1)	(50.5)
Amortisation	(34.7)	(37.8)	(35.7)	(69.2)	(74.0)
EBIT	182.9	233.5	340.1	396.0	459.2
Net interest income / (exp)	(9.3)	(12.7)	(21.5)	(20.8)	(20.0)
Associates & JV	0.0	(0.0)	4.0	6.0	6.0
Exceptionals	0.0	(42.5)	0.0	0.0	0.0
Other pretax income	12.4	13.7	16.0	16.0	16.0
Pretax profit	186.0	192.0	338.5	397.3	461.1
Income tax	(20.6)	(29.5)	(53.4)	(61.9)	(79.7)
Minorities	4.5	0.9	3.9	3.4	3.4
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	169.8	163.4	289.1	338.7	384.8
Core net profit	171.5	218.3	289.1	338.7	384.8
<b>BALANCE SHEET (THB m)</b>					
Cash & Short Term Investments	334.6	586.2	622.9	711.6	815.2
Accounts receivable	128.6	189.6	238.5	267.3	293.4
Inventory	14.6	7.0	7.0	7.0	7.0
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	43.7	55.8	29.7	1.6	(26.6)
Intangible assets	301.6	297.4	2,191.6	2,174.4	2,150.5
Investment in Associates & JVs	63.7	105.3	99.4	94.6	95.9
Other assets	883.2	2,661.9	864.5	883.0	899.6
<b>Total assets</b>	<b>1,770.0</b>	<b>3,903.1</b>	<b>4,053.6</b>	<b>4,139.5</b>	<b>4,235.0</b>
ST interest bearing debt	0.0	0.0	0.0	0.0	0.0
Accounts payable	109.1	66.1	79.7	89.0	96.8
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	223.0	415.0	440.0	444.0	447.0
<b>Total Liabilities</b>	<b>332.4</b>	<b>481.5</b>	<b>519.6</b>	<b>532.7</b>	<b>543.4</b>
Shareholders Equity	1,432.0	3,414.7	3,548.6	3,624.6	3,712.9
Minority Interest	5.6	6.9	(14.5)	(17.9)	(21.2)
<b>Total shareholder equity</b>	<b>1,437.6</b>	<b>3,421.7</b>	<b>3,534.1</b>	<b>3,606.8</b>	<b>3,691.7</b>
<b>Total liabilities and equity</b>	<b>1,770.0</b>	<b>3,903.1</b>	<b>4,053.6</b>	<b>4,139.5</b>	<b>4,235.0</b>
<b>CASH FLOW (THB m)</b>					
Pretax profit	186.0	192.0	338.5	397.3	461.1
Depreciation & amortisation	83.4	102.0	113.9	119.2	124.5
Adj net interest (income)/exp	9.3	12.7	21.5	20.8	20.0
Change in working capital	8.7	(100.9)	(57.7)	(14.4)	(14.8)
Cash taxes paid	(31.3)	(41.1)	(53.4)	(61.9)	(79.7)
Other operating cash flow	(13.6)	64.7	(20.0)	(22.0)	(22.0)
Cash flow from operations	242.9	229.3	343.0	439.1	489.1
Capex	(38.2)	(34.6)	(62.0)	(60.0)	(58.0)
Free cash flow	204.7	194.7	281.0	379.1	431.1
Dividends paid	(95.2)	(120.0)	(190.8)	(255.1)	(293.1)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	0.0	0.0	0.0	0.0	0.0
Other invest/financing cash flow	(29.6)	159.4	(35.9)	(35.2)	(34.4)
Effect of exch rate changes	7.9	(13.4)	0.0	0.0	0.0
<b>Net cash flow</b>	<b>87.8</b>	<b>220.7</b>	<b>54.2</b>	<b>88.8</b>	<b>103.6</b>

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	1.2	43.6	27.5	12.1	9.8
EBITDA growth	1.6	26.0	35.3	13.5	13.3
EBIT growth	(0.6)	27.7	45.6	16.5	15.9
Pretax growth	(0.9)	3.2	76.4	17.3	16.1
Reported net profit growth	2.5	(3.8)	76.9	17.2	13.6
Core net profit growth	4.6	27.3	32.4	17.2	13.6
<b>Profitability ratios (%)</b>					
EBITDA margin	36.5	32.1	34.0	34.5	35.6
EBIT margin	25.1	22.3	25.5	26.5	28.0
Pretax profit margin	25.5	18.3	25.4	26.6	28.1
Payout ratio	64.1	95.6	80.0	80.0	80.0
<b>DuPont analysis</b>					
Net profit margin (%)	23.3	15.6	21.7	22.7	23.5
Revenue/Assets (x)	0.4	0.3	0.3	0.4	0.4
Assets/Equity (x)	1.2	1.1	1.1	1.1	1.1
ROAE (%)	12.6	6.7	8.3	9.4	10.5
ROAA (%)	10.2	7.7	7.3	8.3	9.2
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	(23.0)	2.8	20.8	22.1	21.9
Days receivable outstanding	61.0	54.7	57.8	60.9	61.5
Days inventory outstanding	13.3	7.3	3.9	3.5	3.2
Days payables outstanding	97.4	59.2	40.9	42.4	42.9
Dividend cover (x)	1.6	1.0	1.3	1.3	1.3
Current ratio (x)	3.7	3.2	3.2	3.3	3.4
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	5.3	8.1	7.8	7.8	7.8
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	19.6	18.3	15.8	19.1	22.9
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0
Capex/revenue (%)	5.2	3.3	4.6	4.0	3.5
Net debt/ (net cash)	(334.6)	(586.2)	(622.9)	(711.6)	(815.2)

Source: Company; Maybank IBG Research

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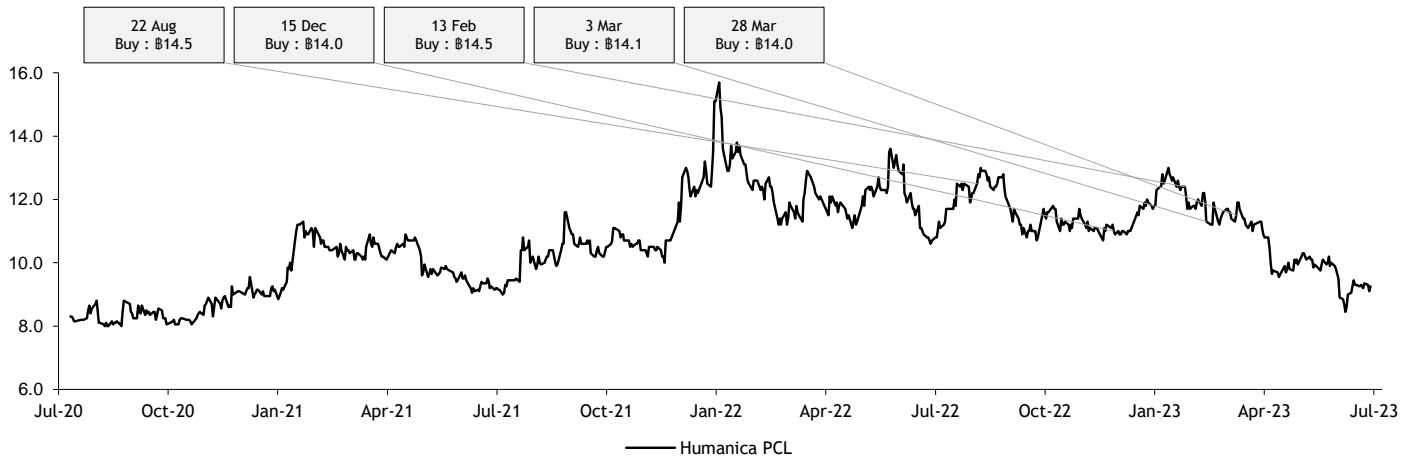
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## Historical recommendations and target price: Humanica PCL (HUMAN TB)



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