

hSenid Business Solutions PLC Half-yearly Investor Forum 2H FY2023



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| | 2 | Finance and strategy update | Nilendra Weerasinghe, CFO |





Business overview

Sampath Jayasundara Chief Executive Officer



HBS at a Glance

\$10 Bn+ TAM

Market Opportunity APAC and MEA

\$2.3 Mn Exit ARR*

*Annualised Recurring Revenue as at end FY2023

~\$0.5 Mn Subscription Revenue Backlog

Expected to realise upon implementation

~\$4.8 Mn in Cash

Earmarked for product/market growth with prudent capital allocation



Seamless Connection to Third-Party Systems
OpenAPIs to connect to third-party ERP, Accounting and
other software solutions



Geared to Handle Large and Complex Organisations Leading Banks, Insurance Companies and local bluechips and MNCs in Manufacturing, Hospitality and Retail



1,600 Global Customers
Operating across 40+ countries and 20+ industries



1 Mn+ Global Users Churn maintained at a healthy rate of < 5%



370 Employees Across 5 Global Offices
Over 22 Non-Sri Lankan employees in the workforce

Offering a comprehensive range of HRIS solutions



On Premise



Cloud















Social







Key Business Updates Product and Talent

Product development

- Obtained cloud security certification for PeoplesHR product (ISO 27017 certification on top of ISO 27001 obtained in 1HFY23)
- Launched a comprehensive dashboard with enterprise analytics
- Launch of workforce planning module
- Relaunch of recruitment module with significant feature enhancements
- RPAs for payroll automation and reconciliation

Key talent hires

- Thushara Dissanayake joined in 4QFY23 as Chief Delivery Officer
- Luxsho Logan joined in 1QFY24 as VP of Global Sales
- Further additions of country head level sales leaders in key markets
- Total head count now at 370; no further additions in areas other than sales
- High staff turnover showing signs of stabilisation
- Significant escalation in talent spend was required to improve retention; Resulting margin erosion to be addressed through repricing program



Key Business Updates Sales and Marketing

- Undergoing transformation as a "Sales-led" organisation
 - Revamp of sales team and new hires brought in to fill country specific responsibilities
 - Strengthening of local sales teams in key markets
 - Focus on adoption of sales automation tools to achieve scale
- Market development activities
 - Sole / joint events with Channel Partners
 - Aggressive lead generation campaigns
 - Brand awareness building in key focus markets

PeoplesHR received recognition from leading software review portals in the APAC region in 2H FY23











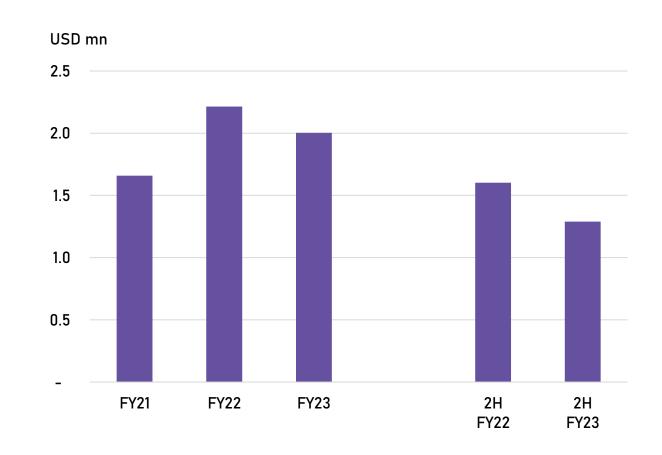






New Deal Bookings

- USD 2 Mn in New deal closures down 10% in FY23 compared to FY22
 - O Increased scrutiny in IT procurement and delays in purchase decisions owing to business uncertainty has led to longer sales cycles
- Channel Partners accounted for ~48% of new deal bookings in FY23 (22%† for FY22)
- Regionally, Sri Lanka and APAC accounted for ~59% of new deals in FY23
- PHR Cloud accounted for ~60% of new deals during FY23





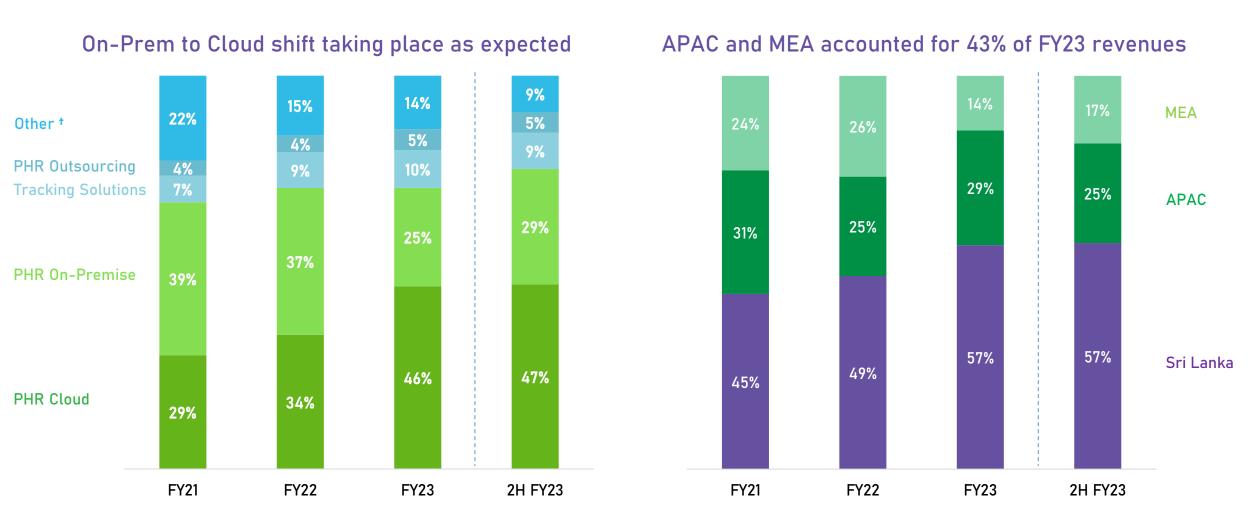


Financial & strategic update

Nilendra Weerasinghe Chief Financial Officer



Quest to be the Most Preferred HR Tech Player in APAC and MEA



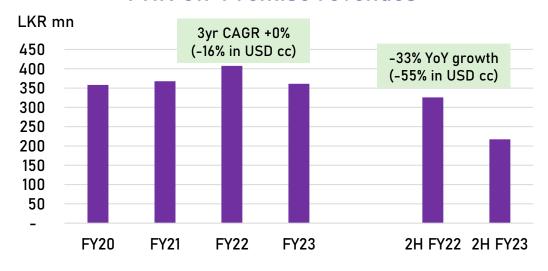
[†] Includes non-core revenues of Mobile Software and Staffing Solutions, and nascent yet growing new revenue segments such as PeoplesHR Turbo and Marketplace

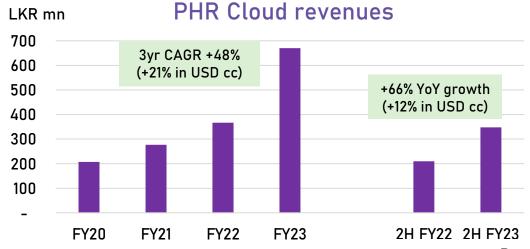


Business Segments PHR On-Premise and Cloud

- PHR On-Premise revenues stabilising in LKR terms owing to:
 - Lower invoicing on Government of Uganda (GoU) project as it moves towards subsequent phases
 - Shift in business mix towards the SaaS offering
- Shift in business mix towards SaaS offering is primarily due to:
 - Migration of existing on-prem clients to the cloud
 - Higher share of cloud deals in new business
 - Demand for on-premise solutions mainly coming from Africa and select South Asian markets
- Update on GoU project:
 - Phase II commenced in 2H FY23
 - Phase II completion expected in Q3FY24

PHR On-Premise revenues

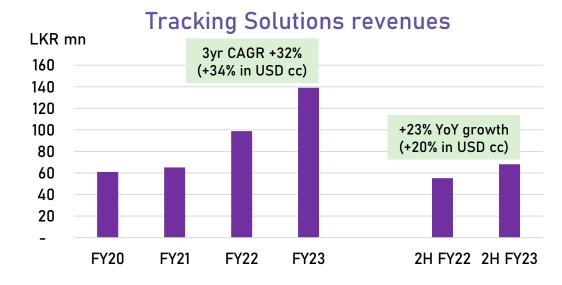




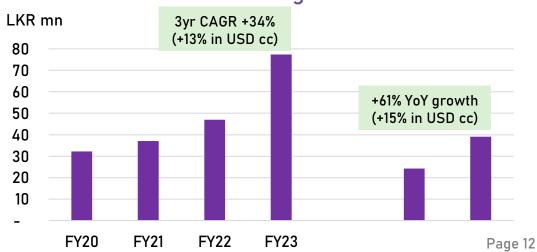


Business Segments PHR Outsourcing and Tracking Solutions

- Tracking Solutions maintaining strong momentum with packaged solutions in new HRIS deals
 - Growing demand for kiosks for attendance, meal, and visitor management
 - Machine and software replacement project for legacy clients in FY24
 - Expansion in select PeoplesHR markets to strengthen solution offering
- Payroll outsourcing business making steady progress with healthy growth in local and overseas clientele
 - Business strengthened post PeoplesHR branding
 - Continued expansion into new markets in APAC in FY24



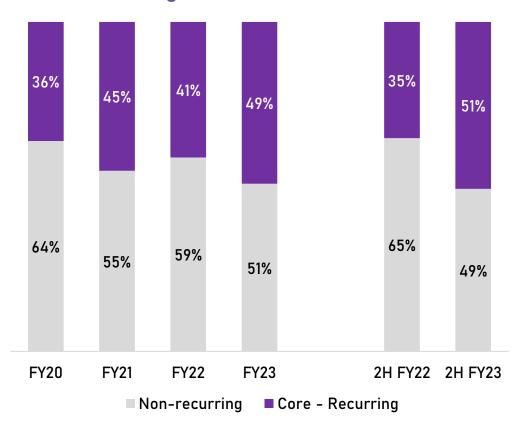




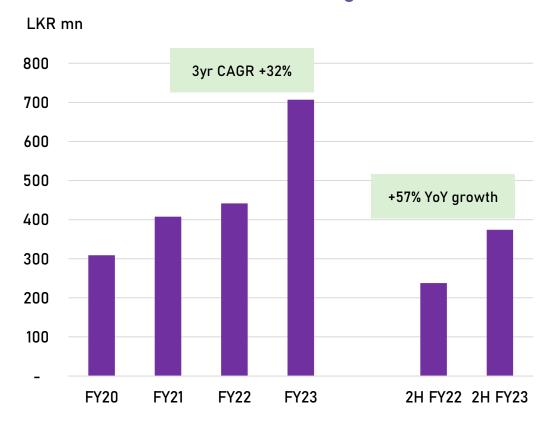


ARRs Grown at a CAGR of 32% in the Past 3 years

Core-recurring[†] revenues reached 49% in FY23



Annual core recurring revenues



LKR 751 Mn in Exit ARR** as at FY2023 | Net Revenue Retention Ratio of 97% and Gross Revenue Retention ratio of 96%



Revenue Drill Down

| All in LKR millions | FY20 | FY21 | FY22 | FY23 | 3Yr CAGR (in LKR / USD cc) | 2H FY23 | YoY growth (in LKR / USD cc) |
|---------------------------|------|------|-------|-------|-------------------------------|---------|---------------------------------|
| PHR On-premise | 359 | 374 | 408 | 362 | | 217 | |
| Implementation | 70 | 154 | 136 | 137 | | 88 | 88 71 -33% / -55% |
| Licensing | 186 | 110 | 162 | 116 | +0% / -16% | 71 | |
| Support [†] | 103 | 110 | 109 | 108 | | 58 | |
| PHR Cloud | 208 | 278 | 372 | 672 | | 348 | |
| Implementation | 41 | 86 | 111 | 173 | +48% / +21% | 86 | +66% / +12% |
| Subscription [†] | 167 | 192 | 261 | 500 | +40% / +21% | 262 | |
| Tracking Solutions | 61 | 65 | 99 | 139 | | 68 | |
| Devices Sales | 52 | 55 | 86 | 125 | +32% / +34% | 60 | +23% / +20% |
| Support [†] | 9 | 10 | 13 | 14 | +32% / +34% | 8 | |
| PHR Outsourcing | 32 | 37 | 47 | 77 | +34% / +13% | 39 | +61% / +15% |
| PHR Turbo and Marketplace | - | 0 | 1 | 6 | NM | 4 | NM |
| Core Revenue | 660 | 754 | 926 | 1,257 | +22% / +4% | 676 | +10 / -24% |
| Others** | 295 | 207 | 165 | 190 | -14% / -28% | 65 | -1% / -38% |
| Total Revenue | 955 | 961 | 1,091 | 1,447 | +15% / -4% | 741 | +9% / -25% |

[†] Recurring revenues; ** Includes non-core revenues of Mobile Software and Staffing Solutions, and nascent yet growing new revenue segments such as PeoplesHR Turbo and Marketplace



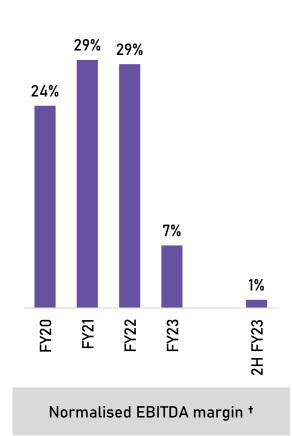
Cost of Sales Drill Down

| All in LKR millions | FY20 | FY21 | FY22 | FY23 | 3Yr CAGR | 2H FY23 | YoY growth |
|---|------|------|------|------|----------|---------|------------|
| On-site and third-party implementation costs [†] | 58 | 58 | 59 | 94 | +18% | 43 | +9% |
| Infrastructure costs** | 25 | 34 | 53 | 170 | +90% | 92 | +183% |
| Cost of devices sold | 25 | 28 | 54 | 64 | +38% | 33 | -9% |
| Mobile solutions related costs | 121 | 103 | 72 | 110 | -3% | 36 | +103% |
| Staff related costs | 236 | 225 | 236 | 369 | +16% | 211 | +85% |
| Total Cost of Sales | 464 | 448 | 473 | 807 | +20% | 415 | +73% |

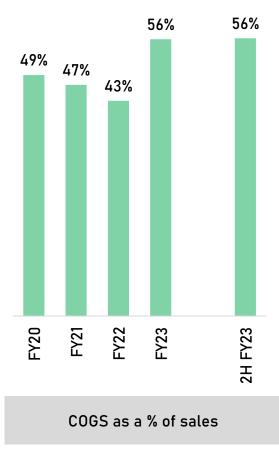
[†] Includes costs related to on-site implementations by hBS staff and channel partners; †† PHR Cloud



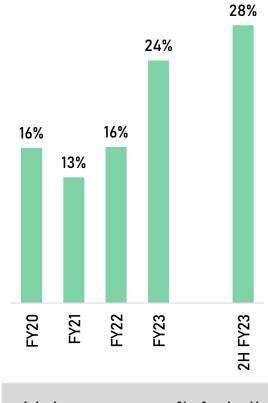
Analysis of Normalised EBITDA



Margin compression resulting from higher infrastructure costs and increased expenditure/investments going into new products/markets

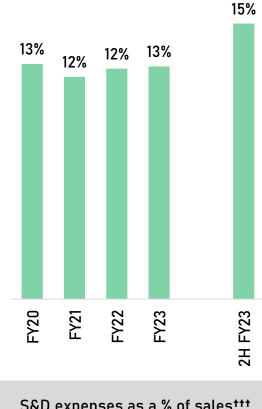


Primarily driven by higher infrastructure costs and tech team costs



Admin expenses as a % of sales**





S&D expenses as a % of sales***

Increased expenditure on global sales force and marketing expenditure to create market visibility and for lead generation

[†] Adjusted for D&A, Impairment of Trade Receivables, FX Impact | †† Adjusted for Amortisation of ROU Assets | ††† Adjusted for Impairment of Trade Receivables



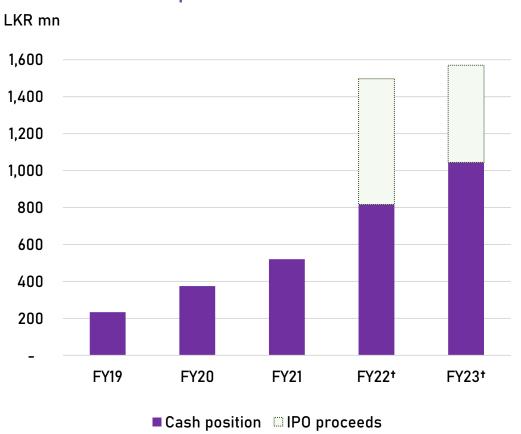
Summarized Income Statements

| In LKR millions | FY20 | FY21 | FY22 | FY23 | 2H FY23 |
|---------------------|------|------|-------|-------|---------|
| Revenue | 955 | 961 | 1,091 | 1,447 | 742 |
| Gross profit | 491 | 513 | 617 | 640 | 327 |
| Gross profit margin | 51% | 53% | 57% | 44% | 44% |
| Normalised EBITDA | 227 | 280 | 313 | 107 | 7 |
| EBITDA margin | 24% | 29% | 29% | 7% | 1% |
| FX gain | 11 | 27 | 287 | 71 | (123) |
| Net interest income | 4 | 3 | 27 | 188 | 120 |
| Profit before tax | 182 | 223 | 466 | 182 | (88) |
| PBT margin | 19% | 23% | 43% | 13% | -12% |
| Net profit | 168 | 209 | 454 | 184 | (75) |
| Net profit margin | 18% | 22% | 42% | 13% | -10% |
| EPS (LKR) | 0.78 | 0.96 | 1.93 | 0.66 | (0.27) |

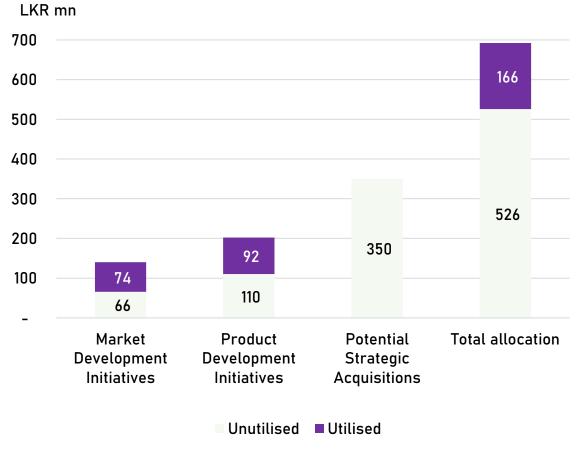


Cash Position and IPO Fund Utilization

Cash position at LKR 1.6 Bn



IPO fund utilization at 24%

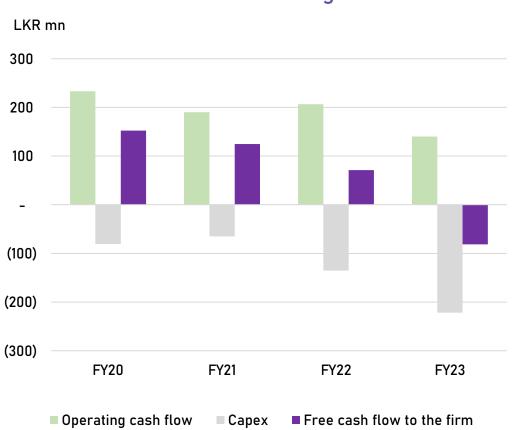


[†] Includes IPO proceeds excluding utilization for investments

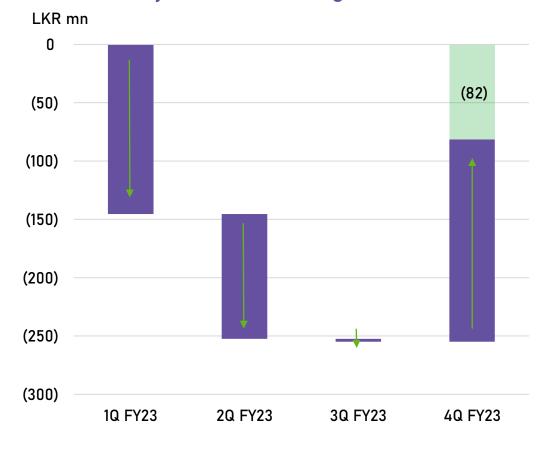


WC Discipline Improved in Q3-Q4 of FY23 to drive FCF Generation

Annual free cash flow generation



Quarterly free cash flow generation in FY23





Deep Dive on Margin Erosion

One part of the margin erosion is related to the business mix:

- When a software business pivots from an on-prem to SaaS model, this causes a natural erosion in margins
- However, the margins expand and normalise over time with the compounding effect of subscription revenues

The other part of the margin erosion is being fixed:

- Launch of repricing program from early June for existing projects to cover higher infrastructure costs
- Cloud cost optimisation project ongoing and expected to be completed by Q2FY24

Another part of the margin erosion is inevitable when growing:

- Primarily due to growth investments (people costs and marketing spend) being expensed in the P&L due to nature of the business and compliance with accounting rules
- Normalised EBITDA margins improve to 12% for FY23 (~6% for 2HFY23) when "capex-like" opex items are eliminated in the EBITDA calculation



Q&A Session

You can use the Q&A functionality in zoom to send in your questions; OR ALTERNATIVELY Click on the "Raise your hand" button to be given an opportunity to unmute your microphone and pose your questions.

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