

ANNEXURE A – RESEARCH REPORT PUBLISHED TO
ASCERTAIN THE VALUE OF ORDINARY VOTING SHARES OF
hSENID BUSINESS SOLUTIONS LIMITED



RESEARCH REPORT



NDB INVESTMENT BANK LIMITED
Lead Managers to the Issue



CT CLSA CAPITAL (PVT) LIMITED
Co-Managers to the Issue

September 21, 2021

The preparers of the Research Report possess the requisite expertise to prepare reports of
this nature involving a company quoted on the Colombo Stock Exchange

September 21, 2021

Board of Directors,
hSenid Business Solutions Limited,
No. 50, Ward Place,
Colombo 7

Dear Sir/Madam,

Research Report on the Valuation of hSenid Business Solutions Limited

We, NDB Investment Bank Limited, as the Lead Managers to the Issue and C T CLSA Capital (Private) Limited, as the Co-Manager to the Initial Public Offering (hereinafter collectively referred to as "Managers to the Issue") of hSenid Business Solutions Limited (hereinafter referred to as "hBS" or the "Company"), wish to submit the enclosed Research Report in accordance with Section 3.1.4.c (ii) of the Listing Rules of the Colombo Stock Exchange.

We have carried out a detailed analysis of the business operations of hBS to arrive at the fair value of hBS's shares as at July 31, 2021 based on three valuation methodologies and the results have been summarised below.

Valuation Method	Per Share Value (LKR)
PRIMARY VALUATION Discounted Cash Flow (DCF) Valuation	14.71
SECONDARY VALUATION – Method 1 Trailing Enterprise Value-to-Revenue (EV/R) Relative Valuation	25.21
SECONDARY VALUATION – Method 2 Trailing Price-to-Earnings (P/E) Relative Valuation	23.67

We are of the view that hBS's shares would have a fair value of LKR 14.71. The valuation obtained via the Secondary Valuation Techniques of LKR 25.21 per share and LKR 23.67 per share have not been used for the purpose of supporting the fair value due to potential differences in the markets considered and the differences in the size of peer operations, although such valuations could be realised by hBS in the medium to long term on the back of Company's strong global footprint. A Net Asset Value based valuation was disregarded for this valuation exercise as it does not capture the earnings capacity of the Company (Refer Section 6.0 in Page 119 for a more detailed justification).

Considering the need to offer an upside to potential investors and the healthy marketability of Shares, we recommend an Issue Price of LKR 12.50 per share, for the purpose of the IPO.

The detailed Research Report is enclosed herewith for your reference.

Thank you.
Yours faithfully,

Sgd.
Darshan Perera
Director/ Chief Executive Officer

Sgd.
Zakir Mohamedally
Chief Executive Officer

NDB INVESTMENT BANK LIMITED

C T CLSA CAPITAL (PVT) LIMITED

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1 LIST OF ABBREVIATIONS

List of abbreviations	
ADB	Asian Development Bank
ADP	Automatic Data Processing, Inc.
AI	Artificial Intelligence
APAC	Asia-Pacific Region
APEC	Asia-Pacific Economic Cooperation
B2B	Business-to-Business
Bn	Billion
CAGR	Compound Annual Growth Rate
CSR	Corporate Social Responsibility
DCF	Discounted Cash Flow
FCFE	Free Cash Flows attributable to Equity holders
GDP	Gross Domestic Product
hBS	hSenid Business Solutions Limited
HCM	Human Capital Management
HRIS	Human Resource Information System
HRO	Human Resource Outsourcing
HR	Human Resource
ICT	Information and Communication Technology
IPO	Initial Public Offering
IT	Information Technology
LKR	Sri Lanka Rupees
Mn	Million
NDBIB	NDB Investment Bank Limited
P/E	Price-to-Earnings
PaaS	Platform-as-a-Service
R&D	Research and Development
RPA	Robotic Process Automation
SaaS	Software-as-a-Service
SME	Small and Medium Enterprise
USD	United States Dollar
WHO	World Health Organisation

2 OVERVIEW - hSENID BUSINESS SOLUTIONS LIMITED

2.1 Company Snapshot

hSenid Business Solutions Limited (hBS or the Company), incorporated in 2005, is a Sri Lankan based Human Capital Management software vendor and solutions provider. Its business operations were initiated under hSenid Software International (Private) Limited, headed by Mr. Dinesh B Saparamadu, in 1997 with the aim of supplying high quality software products and services to a global subscriber base. hBS has a wide portfolio of solutions aimed at fulfilling the entire gamut of HCM needs of SME and large enterprise customers. This includes hBS’s flagship product PeoplesHR® which is offered under both an “On-Premise” and Cloud-based Software-as-a-Service (SaaS) implementation. Additional solutions include Human Resource Tracking Solutions to monitor employee activity in modern work environments and Human Resource Outsourcing Services.

Today, hBS serves over 1,300 clients across more than 20+ different industries and 40+ countries including world renowned multinational companies and government organisations. hBS also utilises a unique combination of Data Analytics, Artificial Intelligence (AI) and AI powered Predictive Analytics, Intelligence Automation, Internet of Things (IoT) and other cutting-edge technologies to provide their clients with people-centric solutions that are customisable, adaptive and relevant.

Over the past 16 years hBS has been carrying out its global operations via **hSenid Business Solutions (India) Pvt Ltd.** which is focused on the large market opportunity in India, **hSenid Software (Singapore) Pte Ltd.** which is primarily involved in the distribution of mobile software solutions, computer software development, maintenance and consultancy and, **PeoplesHR Australia Pty Ltd.** which provides cloud software subscription, maintenance and consultancy services.

Figure 2.1 Group Structure

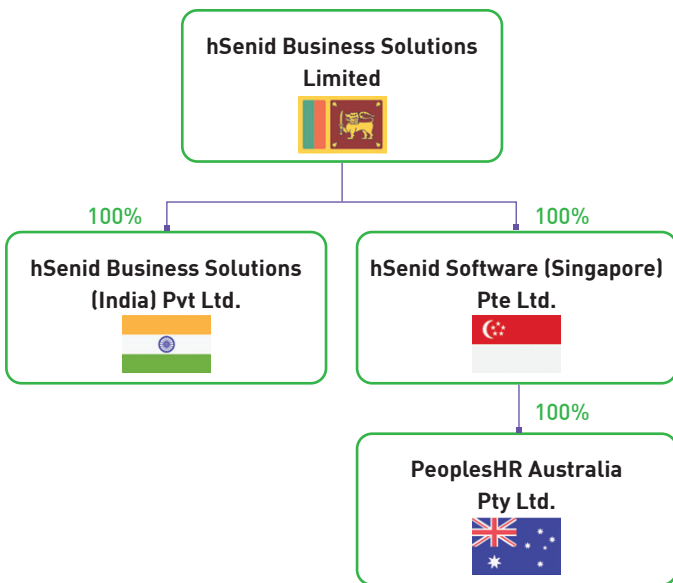
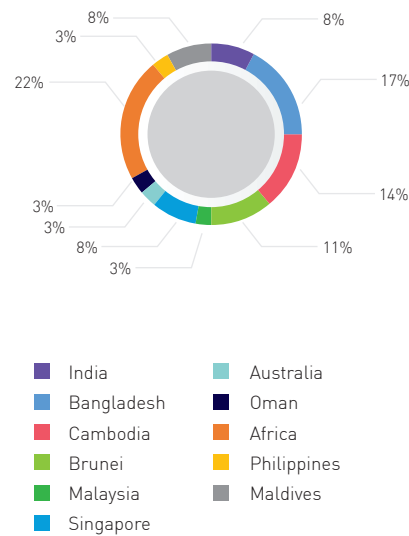






Figure 2.2 Partner Network Breakdown



In addition to its own subsidiaries, the majority of selling and distribution of hBS’s software solutions take place via wide-spread partner networks consisting of system integrators across the globe which allows the Company to gain clients at an exponential pace. The Company currently has 50 partners who provide selling and implementation services in their regions. Further, hBS has established partnerships with organisations such as Microsoft, Xero and Acumatica enabling the Company to tap into their respective partner networks to achieve wider distribution and scale.

2.2 Product portfolio

Table 2.1 Products and Services of hBS

	<p>PeoplesHR is a people-centric customisable HCM System with more than 25 modules that align with technological and workplace requirements to provide a unique user experience in managing talent.</p>
	<p>The PeoplesHR solution can be deployed either On-Premise or via cloud storage under a SaaS model and is provided under the PeoplesHR On-Premise and PeoplesHR Cloud brand names, respectively.</p>
	<p>A lower cost version of the software was also launched recently under the brand PeoplesHR Turbo primarily targeting the SME sector in selected countries. PeoplesHR Turbo is aimed at customers who could deploy the product on their own with minimal customisation or implementation support.</p>
	<p>hBS Tracking Solutions provides solutions to track, secure and manage assets of companies whether it is employees, locations or objects. These include tracking, access automation, security, time and attendance management, crowd control and management, and facial access control.</p>
	<p>hBS HRO is the outsourcing arm of hBS and offers clients the flexibility to either outsource all HR related functionalities or selected aspects based on their requirement. These services are not limited to hBS users, as the company is flexible in importing and exporting data from any other system as well.</p>
	<p>PeoplesHR Marketplace is hBS's breakthrough Platform-as-a-Service (PaaS) offering and is a global marketplace to link hBS users with third party application software providers. PeoplesHR Marketplace enables HR divisions and PeoplesHR users to access a wide variety of pre-approved third party applications which integrate seamlessly with the PeoplesHR platform. Current offerings include CRM software, digital health, accounting software and other value added HR services such as onboarding, e-learning, enterprise social networking etc.</p>

The PeoplesHR solution is hBS's flagship product with revenue from On-Premise implementations currently exceeding SaaS revenues. However, in line with recent trends towards cloud based infrastructure, hBS expects a significant increase in SaaS implementations leading to cloud based revenues overtaking On-Premise in the near future. PeoplesHR On-Premise has been predominantly chosen by Governments and large scale organisations which have internal technology infrastructure and expertise.

Further, hBS plans to expand its PaaS offering, PeoplesHR Marketplace as a method of building a global network of HCM solutions and complimentary applications which will allow it to maximise the network effect resulting in increased cross sell revenues and upselling for its own offerings as well as generating a new source of revenue through commission income from vendors. This is also expected to increase the level of client 'stickiness' of PeoplesHR HCM solutions due to strong integration and value enhancement offered by the applications on the Marketplace.

2 Overview - hSenid Business Solutions Limited

2.3 Use of IPO proceeds

hBS aims to become the most preferred HXM (Human Experience Management) Solutions provider in the APAC and African regions with a globally competent workforce and agile and AI driven product innovations.

Given the highly competitive nature of the global SaaS industry and particularly the business solutions space, continuous investment in research and development to improve the Company's HCM solutions is vital for its success and market acceptance. Further, hBS plans to expand its reach in the APAC region via focused efforts on partner development and mergers and acquisitions led growth. The latter is aimed at acquiring smaller regional players who provide HR services and core HR activities such as payroll, leave and attendance to their client bases but continue to use legacy technology. This inorganic growth strategy would accelerate hBS's growth in foreign markets.

Table 2.2- Use of IPO Proceeds

Description	Fund Utilisation (LKR)	Expected Utilisation Timeline
Product Development Initiatives		
Accelerate the Product Development Road Map	140 Mn	January 2022 - December 2023
Improvement of PeoplesHR Marketplace platform and related service layer	62 Mn	January 2022 - December 2023
Market Development Initiatives		
Partner acceleration journey and acquiring global Talent resources for Partner Development and Management	140 Mn	January 2022 - December 2023
Potential Strategic Acquisitions in APAC and East African Regions	350 Mn	April 2022 - March 2024
Total	692 Mn	

3 OVERVIEW – HUMAN CAPITAL MANAGEMENT SOFTWARE INDUSTRY

INVESTORS ARE ADVISED TO REFER THE INDUSTRY OVERVIEW SECTION OF THE PROSPECTUS [SECTION 7] IN ORDER TO GAIN AN UNDERSTANDING OF THE GLOBAL IT INDUSTRY, KEY IT MARKET TRENDS, THE SRI LANKAN IT INDUSTRY, AND THE NATURE OF THE HCM INDUSTRY, ITS KEY MARKET TRENDS AND ITS COMPETITIVE LANDSCAPE.

THE FOLLOWING LAYS OUT THE MACRO AND MICRO LEVEL ECONOMIC AND INDUSTRIAL FACTORS WHICH WERE ANALYSED IN DRIVING THE FORECASTS AND THE VALUATION OF hBS.

3.1 Regional Macro Factors

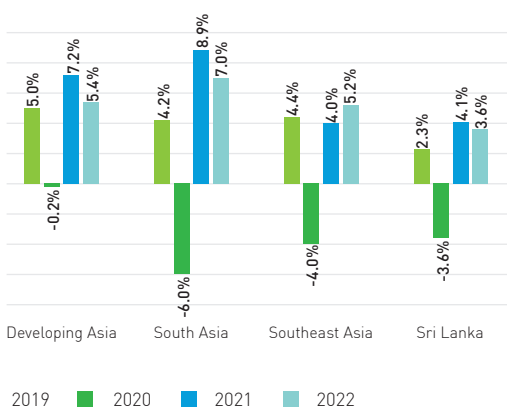
The B2B nature of the market offering makes the HCM Software market susceptible to macro-level factors such as economic growth and business conduciveness.

3.1.1 Asia

The economies of Asian countries (including APAC and Sri Lanka) which are undergoing a massive inoculation drive at present¹, are expected to rebound strongly post-pandemic.

As per ADB’s Asian Development Outlook published in 2021, the South Asian economy is expected to rebound with a GDP growth value of 8.9% in 2021 followed by a 7.0% growth in 2022, whilst the Southeast Asian economy is set to achieve successively higher growth rates in 2021 and 2022 (4.0% and 5.2% respectively). As a result, a growth in businesses and labour force is expected to support the regional economic uptrend, allowing for an expected increase in the demand for HCM Software.

Figure 3.1 - Forecasted Real GDP Growth



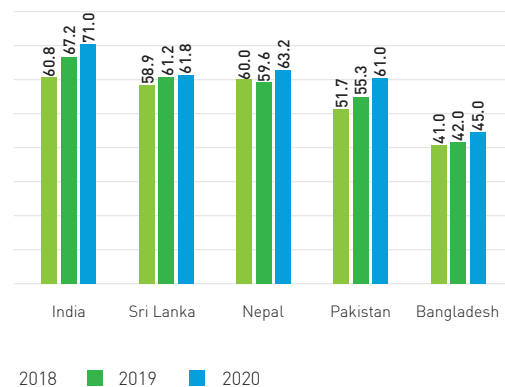
Source – ADB - Asian Development Outlook 2021

SMEs, which make up c. 97% of all enterprises and employs over 69% of the workforce across Asia’s economies², and which serves as the ‘backbone’ of many Asian economies, are expected to play a pivotal role in incubating this growth. This is a promising sign for Cloud-based HCM Software providers due to the growing popularity of Cloud-based IT services among SMEs owing to its low-cost deployment and ease of facilitating business scalability.

Side note - SMEs are systemically important in a Sri Lankan perspective as they account for more than 45% of the workforce whilst contributing to more than 50% of the GDP.³

Moreover, the organic business generation post-pandemic is to be further catalysed by the improving business conducive environment (as evidenced by the continuously improving Ease of Doing Business Scores) causing to increase the rate of adoption of HCM Software in the region.

Figure 3.2 - Ease of Doing Business Score - 2018 to 2020



Source: World Bank - Doing Business 2018, 2019, 2020

3.1.2 Africa

The African region, similar to Asia is stacked with economic growth potential and is also expected to experience a significant growth in population in the near future. The Sub-Saharan African economy (on which the pandemic had a relatively lesser effect when compared to the rest of the world) is expected to outperform the global economy by 2023, reverting back to the pre-pandemic norm, with the likes of Uganda, Rwanda and Kenya driving the regional growth.

Despite being relatively under-penetrated compared to other regions, the HCM software market is bound to gain from the resultant business generation, coupled with the increased adoption of ICT and the embrace of digitisation in the region.

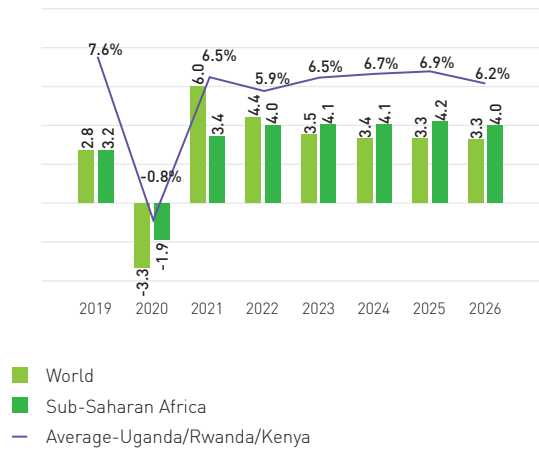
¹WHO, 2021, Over half a billion COVID-19 vaccine doses administered in WHO South-East Asia Region, as countries scale up vaccination efforts accessed via <https://www.who.int/southeastasia/news/detail/06-08-2021-over-half-a-billion-covid-19-vaccine-doses-administered-in-who-south-east-asia-region-as-countries-scale-up-vaccination-efforts> accessed on 8/8/2021

²ADB, Asia Small and Medium-Sized Enterprise Monitor, October 2020, accessed via <https://www.adb.org/publications/asia-sme-monitor-2020-country-regional-reviews> on 1/8/2021

³Ministry of Industry and Commerce, 2015, National Policy Framework for SME Development, accessed via http://www.industry.gov.lk/web/images/pdf/framew_eng.pdf on 8/8/2021

3 Overview – Human Capital Management Software Industry

Figure 3.3 - Forecasted Real GDP Growth (%)



Source: International Monetary Fund - World Economic Outlook Database (April 2021)⁴

3.2 Impact of COVID 19

Unlike other industries which were disproportionately hampered, the HCM industry was highly resilient in the face of the pandemic, managing to generate over USD 17 Bn in worldwide software revenue with an YoY growth of 7%.⁵ (Gartner)

With the imposition of pandemic-induced lockdowns in order to curb the spread of the virus, many businesses resorted to the Work-From-Home model and were forced to embrace digitisation in order to keep their operations running.⁶ As a result, the need for a more efficient and effective management of the ‘dispersed workforce’ arose, making HCM SaaS and other Cloud-based solutions highly sought after by businesses. Gartner research reveals that even amid the current cost constrained environment, where one-third of HR leaders plan for budget cuts this year, 90% still plan to either maintain or increase their investment in technology, particularly in Human Resource Management⁷.

Side note – HCM Solutions are able to (among other things); connect a ‘dispersed’ organisation (via the Cloud), monitor and keep track of employee performance, enable virtual collaborations, facilitate virtual recruiting and digital onboarding of employees, and facilitate learning and training.

⁴ International Monetary Fund - World Economic Outlook Database (April 2021), accessed via <https://www.imf.org/en/Publications/WEO/weo-database/2021/April> on 9/8/2021

⁵ Gartner, 2021, HCM Software Trends and Imperatives, 2021, accessed via <https://www.gartner.com/en/documents/4003478-hcm-software-trends-and-imperatives-2021> on 1/8/2021

⁶ Deloitte, 2020, The Acceleration of Digitization as a Result of COVID-19, accessed via <https://www2.deloitte.com/global/en/blog/responsible-business-blog/2020/acceleration-of-digitization-as-result-of-covid-19.html> on 1/8/2021

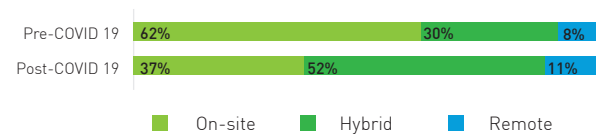
⁷ Gartner, 2021, Top 5 Strategic Technology Trends for HR in 2021, accessed via <https://www.gartner.com/smarterwithgartner/top-5-strategic-technology-trends-for-hr-in-2021> on 16/7/2021

⁸ <https://www.mckinsey.com/business-functions/people-and-organizational-performance/our-insights/what-employees-are-saying-about-the-future-of-remote-work> on 11/7/2021

⁹ The Business Research Company, 2021, Software as a service (SaaS) Global Market Report 2021: COVID 19 Impact and Recovery to 2030, accessed via <https://www.thebusinessresearchcompany.com/report-preview1.aspx?Rid=software%20as%20a%20service%20saas%20global%20market%20report> on 1/9/2021

It is likely that HCM Software will continue to be preferred over legacy systems that were in use by many businesses prior to the pandemic due to two broad reasons. One, being the growing popularity of a hybrid work model going forward, whereby flexibility is granted for employees to work on-premises as well as remotely, thus raising the need for HCM SaaS Solutions. The second being the irreversible embrace of digitisation, upon the recognition of its perks, by existing businesses and the firms of the future.

Figure 3.4 – Working models pre-COVID 19 and desired working models post-COVID 19 (% survey participants)



Source: McKinsey – Reimagine Work: Employee Survey, 2021 (Dec 2020 – Jan 2021 | Sample size: 5,043)⁸

Accordingly, Gartner (in the HCM Hype Cycle Report - 2020) estimates 60% of the global mid-market and large enterprises to have had invested in cloud deployed HCM suites for administrative HR and talent management purposes by 2025, whilst cautioning HCM vendors of potential gaps in functionalities that may arise in the future. This provides HCM vendors an opportunity to improve their offering, through cross-compatibility and innovation, in order to cater to its clients better.

3.3 The relevance of the Cloud

The growing popularity of SaaS and other Cloud-based solutions is likely to persist into the future, owing to the many inherent benefits it entails (inter alia low initial investment, absence of infrastructure maintenance, ubiquity and the quick deployment of Solutions). Accordingly, the global SaaS industry is set to grow at a CAGR of 12.5% from 2021 to 2025, generating USD 436.9 Bn in revenue by 2025.⁹ This overall boom in SaaS and cloud-based software is likely to trickle down to the HCM industry, with many businesses (specially SMEs) preferring such solutions over traditional, company-owned, server-client On-Premise solutions.

However, some entities will still demand for On-Premise HCM solutions. Large companies with sophisticated network infrastructure may decide to utilise their existing resources to accommodate an in-house HCM solution. Other systematically important institutions such as Governments and large banks

may be reluctant to make a switch to the cloud, and rely on an On-Premise solution, due to their risk averseness with regards to information security and data privacy.

3.4 Competitive Landscape

3.4.1 Prevailing Market Structure

The HCM industry is highly competitive and fragmented¹⁰, with the top 10 HCM vendors accounting for only 44.2% of the global HCM market¹¹, whilst the remainder of the market is made up of smaller vendors. This fragmented market structure has emerged as a result of the nature of the offering wherein enterprise software companies create and sell new software products as opposed to providing software services or being re-sellers of existing products. Because each new software maps to a single product among thousands, the market has supported thousands of enterprise software startups, giving rise to a large and growing number of Enterprise SaaS companies. Differences in HR practices across regions and the regulatory environment also limits the likelihood of a few dominant players emerging at the expense of the rest and allows several players to 'win' in their respective niches.

3.4.2 AI to Steer Competition

In response to overwhelming competition, leading HCM vendors incorporate emergent technology such as AI, Data Analytics and Robotic Process Automation into their products as a means of differentiating and gaining market share. Accordingly, some leading HCM companies have committed themselves to attain AI proficiency by substantially increasing their R&D budgets. As an example, Workday Inc, a leading HCM provider, increased its Product Development spending by a 5-year CAGR of 29.2% from January 2016 to January 2021.¹²

Whereas some leading HCM providers have taken on a more inorganic approach in attaining AI proficiency, by acquiring potential-laden nascent AI start-ups. In 2020, Cornerstone OnDemand Inc. acquired Clustree, a French tech company which developed an industry leading, AI-powered skills engine, for a purchase consideration of USD 18.5 Mn, with the intention of integrating Clustree's technology with Cornerstone's.¹³

3.4.3 Strategic Acquisitions by Leading HCM Providers

Further on the theme of strategic acquisitions; leading HCM providers have resorted to acquiring firms in order to further their products, reach and market share. The following table details some noteworthy acquisitions made by leading HCM providers in the recent past.

Table 3.1 – HCM related strategic investments by leading HCM providers (since 2018)

Acquired / Announced	Acquirer	Target	Description of Target
Apr-20	Cornerstone OnDemand, Inc.	Saba Software, Inc.	A provider of Talent Experience Solutions ¹⁴
Jan-20	Cornerstone OnDemand, Inc.	Clustree	An industry-leading, AI-powered skills engine and extensive skills ontology ¹³
Jun-19	ADP, Inc.	Softcom (Ireland) Limited	A payroll and HR services provider ¹⁵
Nov-18	Cornerstone OnDemand, Inc.	Grovo Learning Inc.	A leading provider of Microlearning Content ¹⁶
Sep-18	Oracle	Iridize	Platform for personalised and contextual user onboarding and training ¹⁷
Aug-18	ADP, Inc.	Celergo	Global Payroll Management Services ¹⁸

When analysing the strategic acquisitions listed above, it is observed that some were made with the intention of integrating the unique resources of the acquiree into the acquirer's Solutions, (e.g., The acquisitions of Cornerstone OnDemand, Inc. and Oracle) whereas some were focused on increasing market share by entering new markets (e.g., the acquisitions of ADP, Inc). This industry precedence therefore presents two unique approaches to inorganic growth that could be adopted by a growth savvy HCM provider.

¹⁰Mordor Intelligence, 2020, Human Capital Management Software Market - Growth, Trends, Covid-19 Impact, And Forecasts (2021 - 2026) accessed via <https://www.mordorintelligence.com/industry-reports/human-capital-management-software-market> on 8/8/2021

¹¹Apps Run The World, 2020, Top 10 HCM Software Vendors, Market Size and Market Forecast 2019-2024, accessed via <https://www.appsruntheworld.com/top-10-hcm-software-vendors-and-market-forecast/> on 22/8/2021

¹²S&P Capital IQ, 2021, accessed via <https://www.capitaliq.com> on September 15, 2021

¹³Tech.eu, 2020, French startup Clustree acquired by Cornerstone OnDemand for \$18.5 million accessed via <https://tech.eu/brief/french-startup-clustree-acquired-by-cornerstone-ondemand-for-18-5-million/> on 20/08/2021

¹⁴Cornerstone OnDemand, 2020, Cornerstone Completes Acquisition of Saba Software accessed via <https://www.cornerstoneondemand.com/company/news/press-releases/cornerstone-completes-acquisition-of-saba-software/> on 19/08/2021

¹⁵ADP, 2019, ADP Acquires Softcom (Ireland) Limited, Strengthening its International Direct Presence accessed via <https://uk.adp.com/about-adp/press-centre/2019-06-17-adp-acquires-softcom-ireland-limited-strengthening-its-international-direct-presence.aspx> on 13/8/2021

¹⁶Cornerstone OnDemand, 2018, Cornerstone Accelerates Momentum in Content with Acquisition of Grovo, accessed via <https://www.cornerstoneondemand.com/company/news-room/press-releases/cornerstone-accelerates-momentum-content-acquisition-grovo/> on 13/8/2021

¹⁷Oracle, 2018, Oracle Buys Iridize, accessed via <https://www.oracle.com/corporate/acquisitions/iridize/> on 16/8/2021

¹⁸PR Newswire, 2018, ADP Acquires Celergo, Strengthening Global Payroll Capabilities, accessed via <https://www.prnewswire.com/news-releases/adp-acquires-celergo-strengthening-global-payroll-capabilities-300689628.html> on 10/8/2021

4 SOURCES OF INFORMATION

The following sources were referred to when developing the Company overview, Industry overview, and the Forecasts and Valuation:

1. Unaudited Financial Statements of hBS for the period ended July 31, 2021
2. Audited Financial Statements of hBS for the Financial Years ended March 31, 2017, 2018, 2019, 2020 and 2021
3. Budgets and internal forecasts provided by the Management of hBS
4. Information on S&P Capital IQ Platform
5. Trading related information available on the Colombo Stock Exchange
6. Other publicly available information (which are given due credit wherever used)

The Managers to the Issue are of the view that the information sources listed above were adequate to carry out the equity valuation of hBS in a fair and reasonable basis to the best of their knowledge. Furthermore, it should be noted that the Managers to the Issue have not carried out an independent verification of the information provided by the Company. In addition, no information has come to the attention of the Managers to the Issue to believe that the facts and data set forth in the Report are incorrect.

5 FINANCIAL FORECASTS AND ASSUMPTIONS

The financial statements of hBS were forecasted based on the audited financial statements of the Company for the year ended March 31, 2021 and the unaudited financial statements of the Company for the period ended July 31, 2021. Management expectations, current trends in the segments in which hBS operates and the overall macro-economic outlook were considered when forecasting the Company's performance.

The Managers to the Issue have established that the assumptions used for forecasts given in this report are reasonable and fair to the best of their knowledge.

5.1 Revenue and Forecast Assumptions

hBS revenue increased marginally by 0.7% YoY in FY21 to LKR 961.5 Mn (cf. LKR 955.1 Mn in FY20) despite the impact of the Covid-19 pandemic, with PeoplesHR Cloud recording the highest YoY growth of 34.2% followed by modest growths of PeoplesHR OnPremise and Tracking Solutions. This growth was effectively offset by the de-growth of HR Outsourcing business and Mobile solutions business, in line with the Management view to focus on the core products. Total revenue is expected to grow at a 6 year CAGR of 22.6% from FY21 to FY27, on the back of the robust performance of PeoplesHR Cloud followed by PeoplesHR OnPremise.

It should be noted that 48.0% of total revenue consisted of recurring revenue items in FY21, which provides a platform for significant revenue growth as is common in the SaaS business model.

Table 5.1 – Segment Revenue Breakdown

Segment Revenue(LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
PeoplesHR OnPremise	358.0	373.7	441.2	592.4	705.3	828.6	947.6	1,036.2
PeoplesHR Cloud	207.2	278.1	381.6	539.3	762.7	1,035.5	1,344.1	1,688.2
PeoplesHR Marketplace	0.0	0.2	5.2	11.3	21.7	74.6	138.1	187.7
HRO	133.3	96.7	49.2	48.9	50.7	52.5	54.4	56.4
hSenid Tracking Solutions	61.0	65.1	82.8	96.6	109.3	118.9	127.7	135.7
Mobile Software	193.7	147.5	151.0	154.0	157.8	159.7	161.3	162.2
Other	1.8	0.2						
Total Revenue	955.1	961.5	1,111.0	1,442.7	1,807.5	2,269.7	2,773.2	3,266.4
YoY%	15.6%	0.7%	15.5%	29.9%	25.3%	25.6%	22.2%	17.8%

Revenue – PeoplesHR OnPremise

Deal Bookings (USD Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	6 Year CAGR
New Deal Bookings	2.8	0.8	1.1	1.3	1.8	2.2	2.2	2.2	18.3%

The Company focuses its sales and marketing efforts to achieve new deal bookings which will convert to revenue recognised over a period of c. 12 months via a License Fee (c. 60% of deal value) and an Implementation Fee (c. 40% of deal value) in the case of the product OnPremise. As deals could be booked throughout the year, License and Implementation fee are recognised over a period of approximately two financial years. In addition, annually recurring maintenance revenue is estimated to be 17% of the entire licensing fee of a deal, net of client churn for the period forecasted.

As such, OnPremise reflects a business model where sales recognition (i.e. deal booking) differs from revenue recognition, as the value of the user is extracted over a period of time.

Table 5.2 - PeoplesHR OnPremise Revenue

Segment Revenue (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
License and Implementation	255.3	269.2	330.0	455.0	535.2	532.4	593.4	625.2
Recurring Maintenance	102.7	104.5	111.2	137.4	170.1	296.2	354.2	411.1
PeoplesHR On-premise	358.0	373.7	441.2	592.4	705.3	828.6	947.6	1,036.2
YoY%	69.7%	4.4%	18.1%	34.3%	19.1%	17.5%	14.4%	9.4%

5 Financial Forecasts and Assumptions

Company recorded a marginal YoY growth of 4.4% in this segment resulting in a revenue of LKR 373.7 Mn for FY21 (cf. LKR 358.0 Mn in FY20). Such marginal growth can be attributed to strong performance on the back of several high value deal bookings achieved in Sri Lanka and Africa (particularly Uganda), partially offset by weak performance in the APAC region as a result of the global pandemic and associated border restrictions. Segment revenue is expected to grow at a YoY rate of 18.1% in FY22, mainly on the back of recently winning a high value regional contract, existing backlog of revenue that will be incurred during the year from the Uganda government project, substantial new accounts achieved so far in Bangladesh, coupled with expected realisation of several high value accounts in the deal funnel during the year.

PeoplesHR OnPremise revenue is expected to grow at a 6 year CAGR of 18.5% during the forecast period. The 6 year CAGR in License and Set up fee is 15.1%. The marquee assignment for the Ugandan Government coupled with recent contracts initiated with a regional government in FY22 are expected to boost hBS credentials to help accelerate the OnPremise customer acquisition process, particularly when bidding for sensitive Government sector projects. In addition, hBS has strategically positioned itself well in the African market to capitalise on ample opportunities that arise with the expected rapid digitalisation, especially in large corporations which are better equipped to implement OnPremise solutions with lower costs, by using their existing networks and hardware infrastructure.

hBS's presence in countries such as the Maldives and Brunei, coupled with planned acquisition of strategic clients in the South East Asian region where the employee count per organisation is relatively high, is expected to further complement achieving the segment deal target of USD 2.2 Mn by FY27. In addition, the Company's planned partner network growth, is expected to further contribute to the achievement of OnPremise deal bookings and revenue targets forecasted.

Revenue – PeoplesHR Cloud

Deal Bookings (USD Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	6 Year CAGR
New Deal Bookings	0.3	1.0	1.2	1.4	1.7	2.0	2.1	2.2	13.4%

c. 50% of the value of an average PeoplesHR Cloud deal, consists of the set-up fee which is fully realised within c. 6 months of contract initiation. The remainder of the deal value is roughly equivalent to one year worth of monthly subscription fees and is continuously realised until the end of client life cycle.

This nature of SaaS revenue models support an exponential value curve, as the value of the user is extracted over a period of time, with the Company earning recurring subscription revenue every year with a minimal outlay of incremental costs and client turnover, rendering high profitability margins.

Table 5.3 - PeoplesHR Cloud Revenue

Segment Revenue (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Set-up Fee	36.2	86.3	118.9	149.0	192.0	233.4	265.3	292.8
Recurring Subscription	171.0	191.8	262.7	390.3	570.8	802.0	1,078.8	1,395.4
PeoplesHR Cloud	207.2	278.1	381.6	539.3	762.7	1,035.5	1,344.1	1,688.2
YoY%	8.8%	34.2%	37.2%	41.3%	41.4%	35.8%	29.8%	25.6%

PeoplesHR Cloud achieved a robust YoY growth of 34.2% to record a total revenue of LKR 278.1 Mn in FY21 (cf. LKR 207.2 Mn in FY20). This segment accounted for c.28.9% of the FY21 total Company revenue while growing at a strong 4 year CAGR of 34.2% from 2017-2021. The cloud based HR solution maintained a strong performance in all markets of hBS during the year. In addition, Recurring Subscription Revenue accounted for 69.0% of the total segment revenue in FY21, reflecting the exponential growth component that is evident in global SaaS business models.

Cloud revenue is expected to grow at a YoY rate of 37.2% in FY22, owing to recurring subscription revenue generated through existing accounts that were on boarded in FY21, coupled with strong expected performance in terms of realising high value deals in the current deal funnel, in Sri Lanka and the rest of APAC region. It should be noted that the Company has already achieved a substantial portion of the annual Cloud sales target for FY22, despite the evident seasonality in HCM industry where sales are generally loaded towards the second half of the financial year (mainly due to spending patterns in IT budgets).

Total segmental revenue is expected to grow at a 6 year CAGR of 35.1% during the forecast period to reach a value of LKR 1.7 Bn by FY27. The biggest driver of such growth; Recurring Subscription revenue is expected to grow at a 6 year CAGR of 39.2% from FY21 to FY27.

hBS has positioned itself well within rapidly growing countries with large employee bases in the APAC region and is in a prime position to capitalise the opportunities that arise as organisations turn towards Cloud based solutions in this digital era. Planned growth of partner network in the region is expected to create a network effect that will contribute towards achieving Company's sales and revenue forecast. In addition, the Company's launch of PeoplesHR Turbo which is primarily geared to cater a significant demand coming from low income SME clients in the APAC region (specially in India) is expected to support achieving the segment deal target of USD 2.2 Mn by FY27.

Revenue – PeoplesHR Marketplace

Table 5.4 - PeoplesHR Marketplace Revenue

Segment Revenue (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
PeoplesHR Marketplace	-	0.2	5.2	11.3	21.7	74.6	138.1	187.7
As a % of Cloud Subscription Revenue	-	0.1%	2.0%	2.9%	3.8%	9.3%	12.8%	13.5%

The recently launched one-stop online shop for all HR and related stakeholders; hBS Marketplace, is projected to reach a revenue of LKR 187.7 Mn by FY27 (which is c. 13.5% of Cloud subscription revenue and 5.7% of Total Revenue that year). This revenue component was forecasted as a percentage of cloud subscription revenue due to the ability for cloud users to incorporate additional services via the Marketplace.

Customer revenues are expected to be sticky and long term as a result of the business solutions that complement and add value to the PeoplesHR platform which are readily available on the Marketplace. Customers become entitled to hassle free value additions from global service providers and the multiplicative network effect is expected to soar from this segment with the onboarding of more services. Recurring subscription revenue is expected to form a majority of the total Marketplace revenue throughout the period, followed by Solution packaging model (i.e. Packaging of similar solutions as bundles for existing clientele such as recruitment, wellness, etc.), Selling Fee model (i.e. Charging for value added services & integrators), Freemium Model where revenue is based on free offers and trial periods and other methods of monetisation of such marketplaces.

Revenue – HRO

Table 5.5 - HRO Revenue

Segment Revenue (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Payroll Outsource	27.7	35.2	37.3	39.1	40.7	42.3	44.0	45.8
Resource Outsource	105.6	61.5	11.9	9.8	10.0	10.2	10.4	10.6
HRO	133.3	96.7	49.2	48.9	50.7	52.5	54.4	56.4
YoY%	(3.0%)	(27.5%)	(49.1%)	(0.6%)	3.6%	3.6%	3.6%	3.6%

hBS HRO accounted for c. 10.1% of the total FY21 revenue of the Company and de-grew at a YoY rate of -27.5%, rendering a segmental revenue of LKR 96.7 Mn (cf. LKR 133.3 Mn in FY20). The significant decrease in revenue is attributable to the discontinuation of a significant portion of the Resource Outsource/Staffing solution due to hBS' refocus on its business, leading to a LKR 44.1 Mn dip in segmental revenue for the year. The discontinuation is expected to impact FY22 revenue as well, after which a nominal growth of the solution revenue is expected.

It should be noted that the focal product in the segment; Payroll Outsource revenue increased at a 27.0% YoY to a value of 35.2 Mn during FY21. Product revenue has been forecasted on a YoY growth basis and is expected to grow at a marginal 6 year CAGR of 4.5%, reaching a value of LKR 45.8 Mn by FY27. With increasing outsource of complex HR functions of corporations (especially payroll), there is ample opportunity to grow in this sector within Sri Lanka as well as in foreign markets.

5 Financial Forecasts and Assumptions

Revenue – Tracking Solutions

Table 5.6 – Tracking Solutions Revenue

Segment Revenue (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Item Sales	51.2	56.2	74.2	87.5	98.0	107.8	115.4	122.3
Annual Maintenance	9.8	8.9	8.6	9.1	11.3	11.1	12.3	13.4
hSenid Tracking Solutions	61.0	65.1	82.8	96.6	109.3	118.9	127.7	135.7
YoY%	(9.8%)	6.8%	27.1%	16.8%	13.1%	8.8%	7.4%	6.2%

Segmental revenue increased at a healthy 6.8% YoY to achieve a total revenue of LKR 65.1 Mn in FY21 (cf. LKR 61.0 Mn in FY20). Sale of tracking systems formed 86.3% of the total segment revenue for the year while annual maintenance revenue of items sold, de-grew at a YoY rate of 8.4% to record a value of LKR 8.9 Mn in FY21.

Revenue from Item Sales has been forecasted on a YoY growth basis while Annual Maintenance Revenue was estimated as a percentage of historical Item Sales. Segment revenue is expected to grow at a YoY rate of 27.1% in FY22, mainly on the back of increased demand for Tracking Solutions driven by pandemic induced factors such as understanding critical health, vaccine, and safety risk information. In response, hBS has newly introduced Body Temperature Detection and Face Mask Access controls to their product portfolio. Total segment revenue is expected to grow at a robust 6 year CAGR of 13.0% during forecast period. It should be noted that hBS Tracking Solutions add value to the user by easily integrating the hardware component with the firm's HR software, which is not evident with traditional tracking solution hardware sellers.

Revenue – Mobile Software

Table 5.7 – Mobile Software Revenue

Segment Revenue (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
License and Set up	135.2	88.5	106.2	119.0	128.5	134.9	137.6	140.4
Maintenance	58.4	59.0	44.8	35.1	29.3	24.7	23.7	21.8
Mobile Software	193.7	147.5	151.0	154.0	157.8	159.7	161.3	162.2
YoY%	(5.8%)	(23.8%)	2.3%	2.0%	2.4%	1.2%	1.0%	0.5%

During FY21, hBS Mobile Software revenue decreased by 23.8% YoY to attain a revenue of 147.5 Mn (cf. -5.8% YoY; 193.7 Mn in FY20). The recent decline in revenue is a direct resultant of the Company's static growth strategy in respect of on boarding new clients and focus on core HCM business. The current situation is expected to persist during the forecast period and as a result the segment revenue is projected to grow at a marginal 6 year CAGR of 1.6%. Revenue from License and Set up fees has been forecasted on a YoY growth basis while Maintenance Revenue was estimated as a percentage of historical License and Set up fees.

Revenue – Geographical Growth

Table 5.8 – Geographical Revenue Breakdown

Revenue (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	6 Year CAGR
Sri Lanka	475.9	492.7	542.3	634.2	751.4	887.0	1,017.5	1,134.8	14.9%
Africa	197.9	230.4	228.0	330.4	390.7	475.8	600.1	715.8	20.8%
APAC	279.5	238.2	340.6	478.1	665.4	906.9	1,155.6	1,415.7	34.6%

Revenue generated from Sri Lanka is expected to grow at a 6 year CAGR of 14.9% depicting a robust performance from PeoplesHR Cloud followed by OnPremise segment. The African market is expected to be geared towards OnPremise growth and the current project work done on the Uganda government is expected to aid hBS customer acquisition in the region, with a considerable contribution expected from Maintenance revenue as well.

APAC region is estimated to grow at a 6 year CAGR of 34.6% over FY21-FY27 period, primarily owing to strong performance from the Cloud Segment where a substantial amount of recurring subscription revenue is projected. This will be further complemented by the introduction of PeoplesHR Turbo where ample opportunity exists in the region with a high number of SMEs and strong new account growth prospects in the region, as corporations in developing countries with outdated systems, switch towards SaaS solutions rapidly to adapt to the digital era of commerce.

5.2 Cost of Sales Forecast and Assumptions

The cost of sales for each line item (with the exception of staff related costs) was forecasted on a percentage of relevant revenue basis. Total cost of sales is forecasted to grow at a CAGR of 18.0 % during the forecast period. The differential in the growth rates of revenue and cost of sales stem from the improvement of GP, particularly as a result of the SaaS Business model where a significant revenue portion is recognised as Recurring Subscription Revenue every year with minimal additional costs.

Table 5.9 – Cost of Sales Breakdown

Cost of Sales (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Local Expenses	6.5	5.9	7.8	10.2	15.4	23.9	25.9	27.3
Own Expenses - Overseas	18.3	12.1	23.8	29.5	32.5	25.4	29.0	23.7
Third Party - Overseas	33.1	40.1	44.9	67.9	96.1	123.6	149.4	177.5
Gross Project Expenses	57.9	58.0	76.6	107.6	144.0	172.8	204.3	228.5
Royalty	120.5	102.9	98.1	100.1	102.5	103.8	104.9	105.4
Hosting	24.9	33.8	52.5	82.0	119.9	172.4	231.9	300.0
Cost of Sales - Hardware	24.5	28.1	37.1	43.8	49.0	59.3	63.4	67.3
Staff Related Expenses	236.2	225.1	216.5	263.2	313.2	372.2	437.0	505.2
Total Cost of Sales	464.0	448.0	480.8	596.7	728.6	880.5	1,041.5	1,206.3
As a % of Sales	48.6%	46.6%	43.3%	41.4%	40.3%	38.8%	37.6%	36.9%

In addition to SaaS contribution, the Company's ability to pass a significant portion of any incremental project costs (including implementation expenses) on to the end consumer is pivotal in maintaining its profitability at GP level.

Table 5.10 – Cost of Sales Assumptions

Cost of Sales	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Local Project Expenses - As a % of Local Implementation Revenue	10.1%	6.6%	10.0%	12.0%	15.0%	20.0%	20.0%	20.0%
Own Project Expenses - As a % of Foreign Implementation Revenue	*47.1%	*6.7%	10.0%	9.0%	9.0%	8.0%	8.0%	6.0%
Third Party Expenses - As a % of Foreign Implementation Revenue	*85.1%	*22.1%	18.9%	20.7%	26.6%	39.0%	41.3%	45.0%
Royalty paid to related party - As a % of Mobile Software Revenue	62.2%	69.7%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Hosting - As a % of Cloud Subscription Revenue	14.6%	17.6%	20.0%	21.0%	21.0%	21.5%	21.5%	21.5%
COS Hardware - As a % of Hardware Sales	47.9%	50.0%	50.0%	50.0%	50.0%	55.0%	55.0%	55.0%

**Ratios are unrepresentative of the historical norm, due to timing of implementation revenue from Uganda government project*

The Company expects to drive its revenue growth via a partnership strategy with partners encouraged to carry out the implementation on behalf of hBS. As such the proportion of partner related costs is expected to rise in comparison to both local and foreign implementation revenue. However, own costs incurred in relation to foreign project implementation (ticket costs, accommodation, per diem etc.) are estimated to decrease as a percentage of implementation revenue as more implementation is carried out by partners. Approximately 50% of foreign implementations are projected to be handled by third party partners in FY22 and gradually increasing to 60% by FY27, for a fee of 75% of the implementation revenue, which is in line with the historical norm and the Company expectations.

5 Financial Forecasts and Assumptions

Personnel expenses recognised under Cost of Sales mainly include salary and other related costs of implementation and support staff members. Staff expenses have been forecasted based on the required increase in the number of staff to sustain the expected implementations and support work during the forecasted period and an average annual increment per employee.

As per the Licence Agreement entered into by the Company with hSenid Mobile Solutions, a Royalty Fee of 65% of revenue has been expensed during the forecasted period. Furthermore, cost of hardware sold and operational expenses associated with hosting have also been estimated and displayed separately above.

5.3 Other Operating Expenses

5.3.1 Administrative Expenses

Administrative expenses primarily consist of personnel expenses and operational and maintenance expenses incurred in daily business activities.

Table 5.11 – Administrative Expenses Breakdown

Administrative Expenses (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Staff Related Expenses	84.4	78.1	99.4	128.0	151.0	182.2	212.9	241.7
Traveling and Transport	6.5	3.4	5.6	8.7	12.7	15.9	19.4	22.9
Consultancy Fees	4.0	6.7	6.7	10.1	12.7	15.9	19.4	22.9
Other Operating Expenses	18.5	18.3	19.7	22.4	25.2	28.7	32.5	36.3
Other Admin Expenses	*35.9	15.4	18.6	18.8	21.4	24.3	27.4	30.5
Total Admin Expenses	149.3	121.9	149.9	187.9	222.9	267.0	311.6	354.2

*Includes office rent expense which is excluded from subsequent years with the introduction of Right of Use adjustments.

Staff related expenses include salaries, EPF and ETF expenses, fixed allowances, gratuity charges, incentives etc. Other operating expenses includes costs incurred for telephone connections and internet, printing, and utility charges. Other administrative expenses include various service charges, legal and audit charges, insurance expenses and other such expenses.

Staff expenses have been forecasted based on the expected increase in the number of administrative staff and the average annual increment per employee in line with company strategy. Travelling, Consultancy fees and Other Operating and Administrative Expenses have been forecasted on either YoY growth or percentage of revenue basis as appropriate for each line item.

5.3.2 Selling and Marketing Expenses

Selling and Marketing expenses consist primarily of personnel expenses, commissions paid to partners and internal sales staff, the cost of incentives and promotions and other direct sales related expenses.

Table 5.12 – Selling & Marketing Expenses Breakdown

Selling & Marketing Expenses (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Staff Related Expenses	37.7	43.0	55.4	72.7	100.5	127.6	149.7	174.9
Impairment of Trade Receivable	25.2	22.2	14.7	21.6	35.3	42.1	49.6	50.3
Sales Commissions	34.3	38.0	41.2	65.8	93.7	132.3	172.6	217.6
Incentives	9.3	9.0	9.4	12.1	16.7	25.7	31.8	34.4
Business Promotion	14.3	2.6	15.1	19.3	26.7	32.9	36.3	39.3
Total Expenses	120.7	114.9	135.8	191.5	272.9	360.6	439.9	516.5
As a % of Deal Bookings	21.7%	31.6%	28.7%	31.6%	32.7%	35.1%	38.8%	42.1%

Internal sales staff count is estimated proportionately in line with the growth in deal booking, while accounting for the deal booking contribution expected from sales partners.

Deal proportion booked by internal sales staff is expected to be c. 50% of total deal bookings in FY22 and is expected to gradually decline to 40% by the end of the period as a result of increasing partner network and associated bookings. Internal staff commission rate is assumed to be at a rate of 5% of booked deal value, throughout the forecasted period. Commission earned by reselling partners is expected to be c. 25% of OnPremise License Fee of a deal and 30% of annual Cloud Subscription Fee during the forecast period (in line with the current and expected fee structure).

Impairment of Trade Receivable was estimated at a historical percentage of Gross Receivable balance while the other sales expenses have been forecasted on a percentage of deal booking basis.

5.4 Taxation

hBS' locally recognised business income is exempt from income tax as per the existing tax concessions and the same is projected in the forecast.

As per the tax concessions afforded to companies that list on the CSE before December 31, 2021 by the Inland Revenue Department (IRD), tax expense for income coming from Hardware Sales has been forecasted at an effective rate of 11% in FY22 (50% concession for the first financial year post listing), 14% from FY23 to FY25 and 22% thereafter. Financial Income is estimated to be fully taxed at 24% for the entire period.

5.5 Working Capital

Table 5.13 – Working Capital Assumptions

Working Capital (Days)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Inventory Days*	167	218	220	215	210	205	203	200
Receivable Days	113	162	150	150	145	145	142	140
Payable Days	99	166	120	120	120	120	120	120

* Inventory days figure was calculated based on the Hardware Cost of Goods Sold

With the expected stable demand for tracking solutions, the current inventory levels are estimated to come down slightly throughout the forecasted period.

Receivables stem primarily from delayed customer payments which is the norm in the HRIS industry where significantly high trade receivables as a percentage of total revenue are evident.

The significant increase in the Trade Receivable Days figure in FY21 is attributed to project milestone completion invoices raised for a few large global projects. Current trade receivable levels partially adjusted for FY21 irregularity is expected in FY22 and gradually decreasing during the forecasted period, especially due to increased PeoplesHR Cloud business where multiyear project implementations do not occur.

hBS has primarily financed its working capital requirement via its strong cash position and trade payables historically and it is estimated that the total Trade Payable Days will revert to the expected long-term cycle towards the end of FY22.

5 Financial Forecasts and Assumptions

5.6 Borrowings

All existing long-term borrowings of hBS are projected to be repaid as per the existing repayment schedules during the forecast period. Company is expected to carry a zero loan balance by the end of FY23 and no additional financing is assumed due to the strong cash position of the Company and management expectations. Low gearing position of hBS is expected to provide flexibility to the management in funding future projects through debt financing obtained under favourable borrowing terms if any requirement arises.

Table 5.14 – Existing Loans

Bank	Loan Type	Date	Interest	Loan Amount (LKR Mn)	Current Outstanding 31.03.2021 (LKR Mn)	Monthly Installments remaining
Commercial Bank	Term Loan	July-20	4.0%	25.0	20.8	15
HNB	Term Loan	Feb-17	15.0%	27.0	2.8	5

5.7 Capital Expenditure

Salaries, wages and statutory contributions made for development staff of the Company is capitalised and amortised over a period of five years as per the recognised accounting policy. An aggressive development staff recruitment is forecasted specially in FY22, in line with the Company's strategic initiatives with regards to new product development.

Computer Equipment of hBS is expected to grow proportionately in line with the increase of staff growth and depreciated over 4 years, while other PPE maintenance CAPEX for Fittings and Office Equipment is incurred on an annual basis and depreciated over 5 and 4 years, respectively.

A sum of LKR 15 Mn is expected to be deployed in FY23 for the refurbishment of the office building located in Colombo.

5.8 Other Material Elements to Valuation

5.8.1 Exchange Rates

Following exchange rates have been considered in our forecast.

Table 5.15 – Exchange Rate Assumptions

Year ended 31st March	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
LKR/USD Average Exchange Rate	188	207	220	233	244	257	268
Depreciation Rate		10.0%	6.0%	6.0%	5.0%	5.0%	4.5%

6 VALUATION METHODOLOGY

NDBIB and CT CLSA utilised the Discounted Cash Flow (DCF) method as the primary valuation methodology in arriving at the value of hBS. In addition to the DCF method, a trailing Enterprise Value-to-Revenue (EV/R) method and trailing Price-to-Earnings (P/E) Relative Valuation were also carried out as secondary valuation to validate and support the primary valuation.

The value of a SaaS Solutions offering firm is heavily reliant upon the talent, skill and creative synergy of its workforce as well as the proprietary intellectual property and platforms it possesses and uses in order to differentiate itself from other market players. The use of a net asset based valuation method was therefore deemed redundant in this exercise since the books fail to capture most of the core competencies and resources that drive the value of a SaaS Solutions offering firm.

6.1 DCF Valuation Method

The DCF analysis takes into consideration the future free cash flows and their timing to arrive at the theoretical value of a firm. As such, a DCF analysis which was utilised to arrive at an intrinsic value for hBS in this valuation exercise, was deemed appropriate as it captures the business fundamentals of hBS as well as its growth prospects.

The following lays down the theoretical underpinnings of this method.

- The **Business Value** attributable to the Capital Providers of the firm is reflected by the summation of the present values of all future Free Cash Flows available to the providers of capital, discounted at an appropriate discount rate.
- The **Strategic Value** is arrived after adjusting the Business Value for any Non-Operating Assets and/or Liabilities.
- Accordingly, the Business Value attributable to shareholders is the summation of the Free Cash Flows attributable to Equity providers of the explicit period and the Free Cash Flows attributable to Equity providers of the implicit period, all discounted to the present at an appropriate Cost of Equity. (The present value of the implicit period is computed via a Terminal Value perpetuity formula for simplicity)

$$V_0 = \left[\sum_{t=1}^T \frac{FCFE_t}{(1+k_e)^t} \right] + TV_T$$

Where,

V_0 – Business Value attributable to Shareholders

T – Number of years in the explicit time period

t – Year

$FCFE$ – Free Cashflows to Equity Holders, which was calculated as follows;
 Net increase/(decrease) in cash and cash equivalents
 + Dividends paid
 (-) Interest Income net of taxes
 = $FCFE$

K_e – Cost of Equity, which was calculated using the Build-up method as follows;
 Risk-free rate
 + Corporate Risk Premium
 + Equity Risk Premium
 = Cost of Equity

TV_T – Terminal Value, (reflecting the present value of all implicit $FCFE$) which was calculated using Gordon's Growth Method as follows;

$$TV_T = \frac{FCFE_T (1+g)}{(k_e - g)(1+k_e)^T}$$

Where,

g – Long-term growth rate

$FCFE_T$ – Free Cash Flows attributable to Shareholders in the final year of the explicit period

6 Valuation Methodology

Accordingly, the following formula was used to derive the intrinsic value per share for hBS:

$$\text{Intrinsic Value per share of hBS} = \frac{V_0 + \text{Value of non operating assets}}{\text{Number of shares in issue}}$$

6.2 Trailing Enterprise Value-to-Revenue (EV/R) Relative Valuation Method

A number of hBS peers are still at the loss-making stage (refer Section 7.2) and as such EV/Revenue multiple is viable for comparison across peers as this method considers the top line of such companies and allows for comparison between different capital structures.

Therefore EV/Revenue peer multiple method was used to determine the relative valuation of the Shares of hBS based on the following formula:

$$\text{Enterprise Value of hBS} = \text{Revenue}_t \times \frac{\text{EV}}{\text{Revenue}} \text{ Multiple}$$

$$\text{Relative Value per Share of hBS} = \frac{\text{Enterprise Value of hBS} - \text{Net Debt}}{\text{Shares in Issue}}$$

Where,

Revenue_t – Revenue in the most recent 12 month period

EV/Revenue Multiple – Median EV/Revenue Multiple of the Peer Group

6.3 Trailing Price-to-Earnings (P/E) Relative Valuation Method

The trailing P/E multiple was utilised as a Market-based metric to gauge the relative value of a Share of hBS.

The P/E multiple is a measure of a firm's share price relative to its annual earnings per share. It technically conveys how much money an investor is willing to commit for one unit of firm earnings. A high P/E multiple may be reflective of anticipated earnings growth in the future. Hence, the P/E multiple is used as a supportive market-based measure to factor in the price and growth expectations of the industry to hBS based on its earnings.

Accordingly, the following formula was used in arriving at the relative value per Share of hBS.

$$\text{Relative Value per share of hBS} = \frac{\left[\text{Earnings}_t \times \frac{P}{E} \text{ Multiple} \right]}{\text{Shares in issue}}$$

Where,

Earnings_t – Earnings attributable to shareholders in the most recent 12 month period

P/E Multiple – Median P/E Multiple of the Peer Group

7 VALUATION OUTCOME

The assumptions used to arrive at the fair value of the Shares of hBS as per the methodologies given in Section 6.0 are detailed below. The DCF value per share set out herein, is subject to the viability of the said forecasts/assumptions made in Section 5.0 of this Research Report

7.1 DCF Valuation Method

The equity value of hBS was determined on a DCF analysis using the FCFEs of the entity, based on assumptions for cost of equity of 19% and terminal growth rate of 3.5%.

Year Ending 31 st March (LKR Mn)	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Net Change in Cash and CE	733.8	46.6	184.7	202.6	374.2	504.6
Add: Dividend	83.6	111.4	148.4	198.0	248.3	298.6
Less: Interest Income * (1-t)	(15.8)	(21.1)	(36.8)	(45.4)	(55.6)	(65.7)
	801.6	136.9	296.3	355.2	566.9	737.5
Terminal Value	-	-	-	-	-	4,924.9
Free Cash Flow to Equity	801.6	136.9	296.3	355.2	566.9	5,662.5

Valuation of hBS	LKR Mn (Except Per Share Values)
DCF Equity Value as at 31st July 2021	3,544.2
Net Non-Operating Assets as at 31 st July 2021	
Add: Other Current Financial Assets - FD	287.9
Add: Cash and Bank Balances	256.5
Less: Bank Overdraft	(17.4)
Post IPO Equity Value as at 31st July 2021	4,071.2
Post IPO Shares	276,695,376
DCF Value per Share (LKR)	14.71

The resultant Post IPO Equity Value of hBS is LKR 4,071.2 Mn. This equates to a per Share Equity Value of LKR 14.71.

Cost of Equity & Terminal Growth Rate

10 Year Treasury Bond	10.5%
Equity and Corporate Risk Premium	8.5%
Cost of Equity	19.0%
Terminal Growth Rate	3.5%

7.1.1 Sensitivity Analysis

		Cost of Equity				
		18.0%	18.5%	19.0%	19.5%	20.0%
Terminal Growth	2.5%	4,180	4,058	3,943	3,836	3,735
	3.0%	4,253	4,125	4,005	3,893	3,788
	3.5%	4,332	4,197	4,071	3,954	3,844
	4.0%	4,415	4,274	4,142	4,019	3,904
	4.5%	4,506	4,356	4,217	4,088	3,967

7 Valuation Outcome

7.2 Market Multiple Based Valuation

The Managers to the Issue used a set of peer companies in arriving at the relative valuation (which served as the Secondary Valuation method) for hBS. The Market Multiple Based Valuations set out herein of the Company, is dependent upon the relative size of the peer entities, geographies in operation, client portfolio, nature of the products offered etc. identified under Section 7.0 of the Research Report, in comparison to the Company.

Due to the absence of any SaaS and/or HCM vendors and any direct comparable peer under Information Technology sector classification on the CSE, it was necessary to identify a set of foreign listed companies in the sector in which hBS is operating (i.e., Global/Regional HCM Industry). Therefore, the chosen peer set predominantly consists of globally reputed enterprise solutions providers that commands a sizeable share of the HCM market in the regions hBS operates in, as well as other listed HCM Solutions Providers in the region. Despite offering a dissimilar product, eChannelling PLC (COSE:ECL.N0000) was included in the peer set due to its merit of being the only tech-related stock listed in the CSE prior to hBS.

Peer Company (Ticker)	Market Cap (USD Mn)	Net Income* (USD Mn)	P/E* (x)	Revenue* (USD Mn)	Enterprise Value (USD Mn)	EV/R* (x)
Ceridian HCM Holding Inc.	16,126.6	[28.56]	NM	912.1	16,969.6	18.6
Cornerstone OnDemand, Inc.	3,819.7	[98.68]	NM	830.0	4,815.5	5.8
Dareway Software Co.,Ltd.	776.0	9.7	80.00	79.9	701.4	8.8
eChannelling PLC	5.6	0.2	28.00	0.8	4.3	5.3
Hilan Ltd.	1,296.9	34.77	37.30	522.2	1,293.6	2.5
Humanica Public Company	223.2	3.84	58.13	23.1	215.4	9.6
MAYO Human Capital Inc	34.2	[3.19]	NM	4.8	34.7	7.4
PayGroup Limited	39.4	[0.23]	NM	11.5	31.6	2.7
Ramco Systems Limited	208.0	6.02	34.55	84.4	214.7	2.6
Workday, Inc.	66,922.8	[98.68]	NM	4,673.0	65,762.7	14.1
Median			37.3			6.6

Source: Capital IQ (<https://www.capitaliq.com>) accessed on September 15, 2021

* - trailing twelve months basis as at September 15, 2021. | All figures were sourced in USD.

7.3 Trailing Enterprise Value-to-Revenue (EV/R) Relative Valuation Method

Valuation of hBS	LKR Mn (Except Per Share Values)
TTM Revenue for 12ME 31 st July 2021	981.6
Median EV/Revenue of the Peer Set (x)	6.58
Enterprise Value of hBS (LKR Mn)	6,463.3
Less: Debt (as at 31 st July 2021)	[33.3]
Add: Cash (as at 31 st July 2021)	256.5
Add: Other Current Financial Assets - FD (as at 31 st July 2021)	287.9
Equity Value of hBS (LKR Mn)	6,974.5
Post IPO Shares in Issue	276,695,376
Value per Share of hBS (LKR)	25.21

Based on the Trailing EV/R method, the Equity Value and the resultant per Share Equity Value of hBS stood at LKR 6,974.5 Mn and LKR 25.21 respectively.

7.4 Trailing Price-to-Earnings (P/E) Relative Valuation Method

Valuation of hBS	LKR Mn (Except Per Share Values)
TTM Profit After Tax for 12ME 31st July 2021	175.6
Median P/E of the Peer Set (x)	37.30
Value of hBS (LKR Mn)	6,550.5
Post IPO Shares in Issue	276,695,376
Value per Share of hBS (LKR)	23.67

Based on the Trailing P/E method, the Equity Value and the resultant per Share Equity Value of hBS stood at LKR 6,550.5 Mn and LKR 23.67 respectively.

8 FORECAST STATEMENTS OF FINANCIAL PERFORMANCE AND KEY FINANCIAL METRICS

8.1 Forecast Statements of Profit or Loss

Year Ended 31st March (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Revenue	955.1	961.5	1,111.0	1,442.7	1,807.5	2,269.7	2,773.2	3,266.4
Cost of Sales	(464.0)	(448.0)	(480.8)	(596.7)	(728.6)	(880.5)	(1,041.5)	(1,206.3)
Gross Profit	491.0	513.5	630.1	846.0	1,078.9	1,389.2	1,731.7	2,060.0
Other Income	18.7	32.9	34.4	38.6	48.8	48.4	59.9	71.5
Selling and Marketing Expenses	(120.7)	(114.9)	(135.8)	(191.5)	(272.9)	(360.6)	(439.9)	(516.5)
Administration Expenses	(149.3)	(121.9)	(149.9)	(187.9)	(222.9)	(267.0)	(311.6)	(354.2)
Other Costs	(1.8)	(2.0)	(2.1)	(2.2)	(2.3)	(2.4)	(2.5)	(2.7)
EBITDA	237.9	307.6	376.7	503.1	629.6	807.6	1,037.6	1,258.2
Depreciation & Amortisation	(59.7)	(88.2)	(101.6)	(136.7)	(153.4)	(170.5)	(232.6)	(287.0)
EBIT	178.2	219.4	275.1	366.4	476.2	637.1	805.0	971.2
Finance Cost	(1.9)	(7.5)	(6.4)	(6.0)	(6.1)	(6.1)	(6.0)	(5.8)
Finance Income	5.6	11.0	20.8	27.7	48.4	59.7	73.1	86.4
Profit/(Loss) Before Tax	181.9	222.9	289.4	388.1	518.5	690.7	872.1	1,051.8
Tax (Expenses)/ Reversal	(14.2)	(13.7)	(10.8)	(16.9)	(23.9)	(30.8)	(44.5)	(56.4)
Profit/(Loss) for the Year	167.7	209.2	278.6	371.2	494.6	659.9	827.5	995.4

8.2 Forecast Statements of Financial Position

As at 31st March (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
PPE	9.6	9.5	13.2	32.6	35.6	40.8	45.2	49.7
Right of Use Assets	0.0	40.5	40.2	40.5	41.1	41.8	42.5	43.3
Intangible Assets	162.1	160.5	226.8	306.3	412.0	542.1	654.2	750.8
Goodwill on Acquisition	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Deferred Tax Assets	8.7	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Non-Current Assets	182.5	214.9	284.7	383.9	493.2	629.2	746.4	848.3
Inventories	13.9	19.7	22.3	25.8	28.2	33.3	35.3	36.9
Trade and Other Receivables	247.0	444.9	357.5	477.4	573.8	723.5	861.0	996.4
Advances and Prepayments	20.8	51.1	52.9	65.6	72.9	79.2	83.3	96.5
Other Financial Assets	155.8	258.8	388.8	504.9	632.6	794.4	970.6	1,143.2
Deposits Mortgaged	59.9	89.1	94.3	120.7	125.1	154.2	170.1	184.3
Cash and Bank Balances	159.7	172.4	776.2	706.7	763.7	804.5	1,002.5	1,334.5
Current Assets	657.1	1,035.9	1,692.0	1,901.2	2,196.4	2,589.2	3,122.9	3,791.8
Total Assets	839.5	1,250.8	1,976.7	2,285.1	2,689.6	3,218.4	3,869.3	4,640.1

As at 31st March (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Equity & Liabilities								
Stated Capital	225.8	224.0	922.7	922.7	922.7	922.7	922.7	922.7
Currency Translation Reserve	7.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Retained Earnings	330.3	527.5	679.5	939.4	1,285.6	1,747.5	2,326.8	3,023.6
Total Equity	563.9	769.3	1,620.1	1,879.9	2,226.1	2,688.0	3,267.3	3,964.1
Retirement Benefit	56.0	71.4	81.9	95.8	110.9	129.3	150.8	175.1
Bank Obligations	0.0	4.2	0.0	0.0	0.0	0.0	0.0	0.0
Operating Leases	0.0	24.2	22.0	21.4	19.6	16.5	11.9	5.6
Non-Current Liabilities	56.0	99.8	103.9	117.1	130.5	145.8	162.8	180.7
Trade and Other Payables	132.5	275.6	158.1	196.2	239.5	289.5	342.4	396.6
Income Tax Payables	14.8	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Deferred Income	59.1	59.0	59.0	59.0	59.0	59.0	59.0	59.0
Bank Obligations	13.2	19.5	4.2	0.0	0.0	0.0	0.0	0.0
Operating Leases	0.0	20.4	24.2	25.6	27.2	28.8	30.5	32.4
Current Liabilities	219.6	381.7	252.7	288.1	333.0	384.6	439.2	495.2
Total Liabilities	275.6	481.5	356.7	405.2	463.4	530.4	602.0	676.0
Total Equity and Liabilities	839.5	1,250.8	1,976.7	2,285.1	2,689.6	3,218.4	3,869.3	4,640.1

8.3 Key Financial Ratios and Metrics

YoY Growth Rates and Profitability Margins	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Revenue YoY Growth	15.6%	0.7%	15.5%	29.9%	25.3%	25.6%	22.2%	17.8%
Gross Margin	51.4%	53.4%	56.7%	58.6%	59.7%	61.2%	62.4%	63.1%
EBITDA Margin	24.9%	32.0%	33.9%	34.9%	34.8%	35.6%	37.4%	38.5%
EBIT Margin	18.7%	22.8%	24.8%	25.4%	26.3%	28.1%	29.0%	29.7%
Net Margin	17.6%	21.8%	25.1%	25.7%	27.4%	29.1%	29.8%	30.5%

Key Financial Ratios	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Return on Assets	22.9%	20.0%	17.3%	17.4%	19.9%	22.3%	23.3%	23.4%
Return on Equity	34.9%	31.4%	23.3%	21.2%	24.1%	26.9%	27.8%	27.5%
Return on Capital Employed	28.8%	25.2%	16.0%	18.3%	20.2%	22.5%	23.5%	23.4%
Gearing Ratio	2.3%	8.1%	3.0%	2.4%	2.1%	1.7%	1.3%	0.9%

9 INVESTMENT RISKS

This section highlights some of the risks that could be faced by the Company which in turn could affect its performance and share price.

9.1 Risks related to Macro-Environmental Factors

Market Risk

The main growth mechanism planned by hBS for the foreseeable future is market penetration and development in the APAC, African and other regions. While a large portion of the Company's revenues are currently generated in Sri Lanka, given these expansion strategies, a higher exposure to macro-economic risks from its target markets (which are primarily developing and emerging markets) is likely. Given the current state of economic and even political instability in certain target nations, hBS has an exposure to such market risks. However, since hBS provides HCM solutions to multiple regions and its operations are not physical asset heavy, hBS would be in a position to focus on other regions to mitigate risk.

Political and Economic Climate in Sri Lanka

The Government exerts a substantial influence on many aspects of the economy. As such, business and financial performance of hBS Group could be impacted by government policy and political instability. For example, as the predominant business income of hBS is IT and enabled services, the main business of hBS is tax exempt in Sri Lanka. Any changes to the tax regulations could impact the profitability of the hBS Group.

Impact of Covid-19

While hBS primarily works with software, the Company is also involved in the provision of access control systems which requires staff to be physically present at the clients' offices. Further, even customised software solutions may require initial systems analysis which should ideally be conducted in person. However, the Covid-19 situation has created a demand for temperature scanning and other safety related access control systems, which has mitigated the potential loss of the usual access control systems.

Due to the onset of Covid-19 and resulting lockdowns and travel restrictions, the Company's operations have been hampered by delaying in overseas project implementation which require initial implementation support (especially in the African region). Additionally, the prevailing global economic conditions caused by lockdowns have impacted almost all businesses including potential clients of the Company. Delays in sales decisions and partner development activities are likely to continue if the current economic situation is prolonged further. While there have been certain delays in implementation and sales decisions, the requirement to facilitate work from home has encouraged other entities to formalise their HR systems via a HCM solution.

9.2 Risks Related to the Existing Business of hBS and Future Plans

Strategic Risk

Strategic risk arises from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. As a company operating in the fast paced software and technology industry, hBS may be vulnerable to the risk of falling behind in terms of technological advancement and adoption. In order to attract and retain customers and compete against competitors, it must continue to invest significant resources in research and development to enhance information technology and improve existing services. However, hBS has identified this as a key requirement and will be investing time and money into keeping up with the latest technology.

Operational Risk

Operational risk is the risk pertaining to loss resulting from inadequate or failed internal processes, people and systems, or from external events including pandemic situations like COVID 19, which affect the operations and business continuity of the entity. Further, hBS understands that their growth plans may be subject to certain risks, especially given the current local and global economic environment vulnerabilities. Therefore, hBS has recognised the need to be prudent and the importance of strengthening risk management capabilities.

10 TRANSACTION TEAMS – NDBIB AND CT CLSA

10.1 NDBIB Team

Darshan Perera – Director/CEO, NDB Investment Bank Limited

Darshan is credited as being a dynamic team player, highly skilled in all aspects of financial and investment markets. He has to his credit, led teams that have successfully managed a large number of IPOs, M&As, and debt raisings and in doing so, introduced to the country new products and achieved record breaking results. Darshan is renowned in the industry as a corporate advisory specialist, specialising in areas of business due diligence, fund raising and restructuring. Darshan has also been instrumental in leading NDBIB to win numerous international and local awards for consecutive years.

Prior to joining NDBIB, Darshan held senior management positions in a number of large organisations and banking institutions, including serving as an Assistant Vice President at Vanik Incorporation. Darshan's career is enriched with a myriad of different academic disciplines. He holds a B.Sc. in Physical Science and an MBA from the University of Colombo. He is an Associate Member of the Institute of Bankers, Sri Lanka and of the Chartered Institute of Marketing, UK. He also holds the Chartered Institute of Management Accountants qualification.

Nilendra Weerasinghe – Chief Corporate Advisory Officer

Nilendra leads the Corporate Advisory team which is responsible for equity capital raisings, mergers & acquisitions and general advisory assignments. He has over twelve years of experience in investment banking and has been part of the NDBIB team for landmark M&A and IPO transactions. Nilendra has executed numerous transactions in multiple sectors including telecommunication, financial services, manufacturing, food and beverages, leisure, and agri business in Sri Lanka, the Maldives, Bangladesh and the Southeast Asian region. He has been involved in executing over LKR 28.0 Bn in equity capital raising and over LKR 36.0 Bn in M&A transactions. Nilendra has also been part of teams which executed key fund-raising initiatives via loan syndications and project financing.

His previous work experience includes Goldman Sachs in Singapore where he was involved in advising and raising equity funds via IPOs for clients in the Southeast Asian region. Nilendra is a CFA Charterholder, a graduate in Computer Science and Engineering with a first-class honours degree from the University of Moratuwa, an Associate Member of Chartered Institute of Management Accountants, UK (ACMA) and also holds an MBA in Strategy and Operations from the National University of Singapore.

Sujani Perera – Assistant Vice President - Corporate Advisory

Sujani has over ten years of investment banking experience at NDBIB. Since joining NDBIB, Sujani has engaged in a diverse range of capital market transactions including IPOs, M&As, rights issues, private placements, corporate restructurings, loan syndications, structured debt facilities and delistings for leading corporates spread across an array of industries, some of which have been milestone transactions for the Company and the country. Sujani is responsible for sourcing and advising clients with regard to capital market transactions, both in listed and unlisted space.

Sujani holds a B.Sc. (Hons) in Finance from the University of Sri Jayewardenepura and a Master of Financial Economics (Merit) from the University of Colombo. Sujani is also an associate member of Chartered Institute of Management Accountants, UK (ACMA).

Charith Udugama – Manager

Charith has over 5 years of experience in Investment Banking and has been involved in some of the key transactions executed by NDBIB, including local and foreign IPOs and other fund raisings, M&As and restructuring exercises.

Charith is a graduate in Civil Engineering from University of Moratuwa and is a CFA Charter holder. He is also a Passed Finalist of Chartered Institute of Management Accountants, UK (CIMA).

Sulakshana Hettiarachchi – Assistant Manager

Sulakshana joined NDBIB in 2021 and is engaged in a range of corporate advisory transactions including business valuations and M&As. Prior to joining NDBIB he was employed as a credit analyst at Moody's Analytics Knowledge Services (now Acuity Knowledge Partners) for 2 years.

Sulakshana holds a B.Sc. (Hons) in Finance from the University of Sri Jayewardenepura. He has also completed all three levels of the CFA programme and is a final level candidate of Institute of Chartered Accountants of Sri Lanka (ICASL).

Madhara Iddamalgodha – Management Associate

Madhara joined NDBIB in 2021 and is engaged in a range of debt capital market and corporate advisory transactions including debenture issues, securitisations, business valuations and M&As. Prior to joining NDBIB she has had internship and part time working experience in numerous fields including marketing and private equity.

Madhara has a B.Sc. in Finance, Accounting and Management with first-class honours from the University of Nottingham and is also a CIMA Passed Finalist (2017). She is currently a student at the University of Colombo pursuing a Masters in Economics.

10.2 CT CLSA Team

Zakir Mohamedally - COO – CT CLSA Holdings & CEO – CT CLSA Capital

Zakir has over 15 years of experience in the fields of Corporate Finance, Assurance and Advisory and joined the company in 2007. Prior to joining the CT CLSA Group, he was working with PricewaterhouseCoopers Sri Lanka.

Zakir is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) UK and is an Associate Member of the Chartered Institute of Management Accountants (CIMA) UK. He is also a member of the Institute of Certified Management Accountants of Sri Lanka and holds a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing (CIM) UK.

Ishan Eliyapura - Vice President

Ishan possess over 7 years of experience in the field of Investment Banking, Internal Audit and Assurance. Prior to joining CT CLSA Capital, he was attached to Ernst and Young Sri Lanka, a leading global firm of Chartered Accountants, where he held positions of Audit Trainee, Senior Accountant and Internal Audit Supervisor.

He is a passed finalist of Chartered Institute of Management Accountants (CIMA) UK and holds a B.Sc (Hons) in Business Management from the University College Dublin, Ireland.

Dushan Gomez - Vice President

Dushan has over 6 years of experience in the fields of Investment Banking and Equity Research. Prior to joining CT CLSA Capital, he was at NDB Investment Bank having played a key role in transactions ranging from M&A, IPOs, private placements, debt raisings, corporate restructurings and other advisory. Prior this, he was attached to Moody's Analytics Knowledge Services (now Acuity Knowledge Partners) where he supported the research team of a large European brokerage covering the F&B sector.

Dushan holds a MSc in Finance and Investment and BA (Hons) in Business Economics and Finance from the University of Nottingham UK.

Kalhara Kathriarachchi - Assistant Vice President

Kalhara counts over 5 years of experience in Consultancy and Investment Banking. Prior to joining CT CLSA Capital, he was attached to EQUILL (a venture capital fund) as Investment Lead. Prior to his stint at EQUILL, he was with the Strategy and Transaction division of Ernst and Young in Sri Lanka, where he engaged in M&A advisory services, share-buyback transactions and other consultancy services.

Kalhara holds a B.Sc. in Industrial Statistics (Special) from University of Colombo and a Masters of Financial Economics from University of Colombo. He is also a passed finalist of Chartered Institute of Management Accountants (CIMA) UK and is currently a CFA level 3 candidate.

Venkadesh Ramraj - Senior Associate

Venkadesh has over 7 years of work experience in Investment Banking, Deal Advisory and Financial Reporting. Prior to CT CLSA Capital, he held the position of Consultant in Transaction Services, KPMG, Sri Lanka. During his tenor in KPMG, he also participated in a three-month secondment program in the Advisory division of KPMG, Maldives. Venkadesh is a Member of the Association of Chartered Certified Accountants (ACCA), UK and is currently reading for a MSc in Applied Finance at University of Sri Jayawardenepura.

Harini Wijyaratnam - Associate

Harini counts over 3 years of experience in Equity Research and Financial Analysis. Prior to joining CT CLSA Capital, she was attached to Asia Securities as a Research Analyst and covered the Leisure and Healthcare sectors. Prior to this, she was at Comtrust Asset Management where she functioned as Financial Analyst.

Harini holds a B.Sc. in Finance (Special) from University of Sri Jayawardenepura. She is also a permanent affiliate of the Association of Chartered Certified Accountants (ACCA), UK with Sri Lankan Prizes for Financial Management and Audit & Assurance. She is an Associate member of the Chartered Institute for Securities and Investments (CISI), UK and is currently a CFA level 2 candidate.

11 DISCLAIMER

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The valuation presented herein is valid for a period of three months (03) from the date of the Prospectus i.e. November 23, 2021, however, subject to there being no material changes to the parameters impacting operations of hBS.