



hSENID Business Solution LTD Initial Public Offering

IPO DETAILS

Issue price	LKR 12.50/=
Issue Value	LKR 700 Mn
% of total shareholding	20%
IPO shares (Mn)	55.34
Post IPO shares (Mn)	276.70
Subscription open date	03/12/2021
Subscription close date	22/12/2021

SHAREHOLDING INFORMATION

Pre IPO	Ownership
hSenid Business Solutions Ltd	100%
Post IPO	Ownership
hSenid Business Solutions Ltd	80%
IPO Shareholders	20%

UTILIZATION OF IPO PROCEEDS

Strategic Acquisition and Product Enhancement.	692 Mn
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FUNDING PLAN

Product Development Initiatives	202Mn
Market Development Initiatives	140 Mn
Potential Strategic Acquisitions in APAC and East African Regions	350Mn

GROUP STRUCTURE



TOTAL RETURN (FORECASTED)

Capital Appreciation	50.08%
Dividend Yield	3.90%
Expected Total Return	53.98%

COMPANY OVERVIEW

hSenid Business Solutions Limited (hBS or the Company), incorporated in 2005, is a multinational software product company focused on the Human Capital Management (HCM) space. Today, hBS serves a global customer base comprising of 1,300+ clients across 20+ different industries and 40+ countries through its suite of HCM software products under both On-premise and Software-as-a-Service (SaaS) implementations. The Company comprises a strong team of 270+ highly talented and skilled professionals, led by long standing industry experts to provide its clients with people-centric solutions that are customisable, adaptive and relevant.

IPO HIGHLIGHTS

The IPO is expected to raise LKR 700 Mn for a 20% stake for hSenid. The funds raised through the IPO is expected aid the company in strategic acquisitions, product enhancement and market development Initiatives.

hSENID PRODUCT PORTFOLIO

Core products



Growth Products



hSENID PERFORMANCE HIGHLIGHTS

Financial Year	FY18	FY19	FY20	FY21
Revenue (LKR Mn)	750	826	955	962
<i>YoY Growth %</i>	23.42%	10.15%	15.64%	0.67%
Gross Profit (LKR Mn)	409	446	491	513
<i>YoY Growth %</i>	12.54%	8.89%	10.18%	4.57%
EBIT (LKR Mn)	92	141	178	219
<i>YoY Growth %</i>	229.52%	53.41%	26.43%	23.10%
Net Profit (LKR Mn)	75	137	168	209
<i>YoY Growth %</i>	267.31%	80.84%	22.82%	24.81%

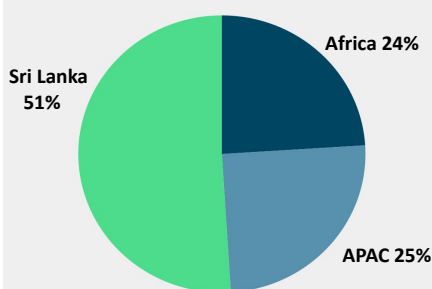
hBS revenue increased marginally by 0.67% YoY in FY21 to LKR 961.5 Mn (LKR 955 Mn in FY20) despite the impact of the Covid-19 pandemic, with PeoplesHR Cloud recording the highest YoY growth of 34.21% followed by modest growths of PeoplesHR On-Premise and Tracking Solutions. This growth was effectively 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.

Future Outlook

The competitive nature of the global SaaS industry, particularly in the business solutions space, investment in R&D and other initiatives that set the foundation for future success is vital. hBS has already started developing its product, marketplace, tech stack and partner strategy for the next 5 years. We expect a Top line Growth of 27.20% through FY2027E. The Company expects to carry out the major developments from January 2022 to December 2023. PeoplesHR Marketplace already has more than 25 partners on boarded for a few select sectors such as HR services, service add-ons and technical capabilities.



FY21 REVENUE CONTRIBUTION



hBS MARKET PRESENCE

hBS currently operates in more than 40 countries with the most valuable target markets. Since establishing its first foreign branch in Singapore in 2004, hBS has been a potent force in the region, and currently holds 18 years of experience in the field. hBS established its first branch in India in 2011 and has over a decade of experience in catering to its Indian clientele. hBS later opened its third foreign entity in Sydney, Australia in 2013 as a subsidiary of its Singaporean operations. Therefore hBS has a Defensive Revenue Model with over 90% Dollar Linked Revenue.

VALUATION SUMMARY

DISCOUNTED CASH FLOW VALUATION (DCF)

We estimate the group's bottom-line to grow at a 30.89% CAGR through FY2027E, growing from 303 LKR Mn in 2022E to 839 Mn by 2027E once the utilization IPO proceeds. Using DCF as the primary valuation method, **we have arrived at a price of LKR 18.76 a 50.08% upside to the IPO issue price of 12.50.** Adding the dividend yield communicated by the management of 3.9%, it adds up to an **Expected total return of 53.98%**.

Financial Year	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Revenue (LKR Mn)	1,083	1,333	1,661	2,114	2,697	3,431
YOY Growth %	12.62%	23.08%	24.60%	27.32%	27.58%	27.20%
Gross Profit (LKR Mn)	567	698	870	1,107	1,412	1,796
GP Margin	52.36%	52.36%	52.36%	52.36%	52.36%	52.36%
EBIT (LKR Mn)	333	389	472	600	792	1,036
EBIT Margin	30.80%	29.20%	28.43%	28.37%	29.36%	30.20%
EBITDA (LKR Mn)	378	440	528	661	859	1,109
EBITDA Margin	34.90%	33.03%	31.81%	31.27%	31.84%	32.32%
PAT(LKR Mn)	304	345	420	535	641	839
PAT Margin	28.05%	25.86%	25.29%	25.31%	23.76%	24.45%
EPS	1.10	1.25	1.52	1.93	2.32	3.03

FUTURE DIRECTION OF hSENID

Expanding Market Reach via New Initiatives

The Company has significant presence in the African region with a strong reputation for quality. hBS plans on leveraging on its near first mover advantage and its extensive network to grow exponentially into an unshakable market leader in this region. Further, hBS plans to expand its reach in the Indian sub-continent via strategic partnerships, mergers and acquisitions by acquiring smaller regional players.

Anticipated Product Innovation and Process Improvements via R&D

The Company's focus and investment in R&D will continue to yield results in terms of new product development, innovation and system improvements.

Possible Favourable Consequences of Remote Working

The rising incidence of remote working and some companies even deciding on making this a permanent shift, employers might seek advanced talent management software to ensure the effectiveness and wellbeing of its staff working at home. This will help to buoy the planned expansion and sales strategies.

Continuous Strengthening of Existing Partnership

hBS currently works with several global partners. It is assumed that the existing strong relationships that the company enjoys with its partners will continue going forward and that the company will also successfully foster new partnerships in areas of strategic interest.



PRICE TO EARNINGS (P/E) RELATIVE VALUATION METHOD

Company Name	Ticker	Forward EPS (LKR)	Share Price (LKR) at 29/11/2021	Forward PE
eChannelling PLC	COSE :ECL	0.47	11.00	23.56
Ramco Systems Limited	NSEI:RAMCOSYS	41.09	1001.26	24.37
Advanced Information Technology Public Company Limited	SET:AIT	24.64	236.08	9.58
Humanica Public Company	SET:HUMAN	2.89	62.55	21.65
Hilan Ltd	TASE:HLAN	54,562.99	1217,713.63	22.32
MEDIAN				22.32

Profit After Tax for 12ME 31st July 2021	175,619,296
Median P/E of the Peer Set (x)	22.32
Value of hBS (LKR Mn)	3,919,397,068
Post IPO Shares in Issue	276,695,376
Value per Share of hBS (LKR)	14.17

Based on the Forward P/E method, the Equity Value and the resultant per Share Equity Value of hBS stood at **LKR 3,919 Mn** and **LKR 14.17** respectively.

EQUITY RESEARCH TEAM

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