

SILVERLAKE AXIS LTD

(Incorporated in Bermuda)

(Company Registration No. 32447)

PRESS RELEASE - FOR IMMEDIATE RELEASE

- *Full year FY2021 revenue at RM626.1 million was 6% lower from FY2020, largely caused by postponement of decisions on large ticket sized projects and re-baseline of existing projects at specific client requests. We are beginning to see these projects being tabled again for consideration during the latter part of second half FY2021 ("2H FY2021").*
- *For full year FY2021, Profit Before Tax ("PBT") decreased by 7% to RM186.7 million, Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") decreased by 12% to RM235.3 million and Profit After Tax ("PAT") decreased by 23% to RM143.1 million.*
- *After adjusting for one-off non-recurring expenses including remeasurement of put liability and derivative asset (put and call option for SIA X Infotech Group ("XIT Group") acquisition charged during FY2021 of over RM24.0 million), normalised PBT, EBITDA and PAT was RM228.4 million, RM266.0 million and RM184.8 million respectively for FY2021. On a normalised basis and compared with prior year, PBT, EBITDA and PAT increased by 3%, 4% and 7% respectively. The underlying business continues to show signs of strength and momentum.*
- *Software-as-a-Service ("SaaS") for insurance processing revenue was flat as e-claims revenue from Malaysia and Indonesia continued to be impacted by government mandated lockdowns in FY2021.*
- *Full year FY2021 software project services revenue decreased 12% to RM65.4 million and software licensing revenue decreased 29% to RM40.0 million due to large ticket deals being deferred for consideration to 2H FY2021.*
- *Recurring revenue from maintenance and enhancement segments for the full year was RM475.0 million compared to RM460.3 million in FY2020, an increase of 3% over FY2020, representing circa 80% of total revenue.*

- *For the full year, we closed a total of RM356 million deals as compared to RM273 million in the prior year, an increase of 30%.*

Q4 FY2021

- *Group revenue of RM176.6 million in Q4 FY2021 was 13% higher than Q4 FY2020, with all core revenue segments trending higher. The Group's Q4 FY2021 revenue of RM176.6 million is the highest recorded as compared to the last 5 preceding quarters.*
 - *Q4 FY2021 recurring revenue from maintenance and enhancement segment increased 12% to RM125.9 million compared to RM112.5 million in Q4 FY2020.*
 - *SaaS for insurance processing increased by 28% to RM7.7 million in Q4 FY2021 as compared to Q4 FY2020, despite lockdowns in various countries.*
 - *Software licensing revenue increased 231% to RM11.8 million and software project services revenue increased 1% to RM23.4 million for the quarter against Q4 FY2020.*
- *Normalised PBT, EBITDA and PAT for Q4 FY2021 after adjusting for one-off non-recurring expenses including remeasurement of put liability and derivative asset (put and call option for XIT Group acquisition charged during Q4 FY2021 of over RM24.0 million) is RM67.9 million, RM76.4 million and RM65.6 million respectively, an increase of 61%, 51% and 120% respectively over the prior year.*
- *For Q4 FY2021, we closed over RM100 million worth of new contracts as compared to RM44 million in Q4 FY2020.*

Singapore, 26th August 2021 – Silverlake Axis Ltd. (“SAL”) is a leading enterprise technology, software and services company focused in financial services and serving 40% of the top 20 largest banks in South East Asia. Founded in 1989, SAL has an impeccable track record of successful delivery of innovative and transformative solutions to its enterprise customers and their ecosystems. The Group has more than 370 enterprise customers in over 80 countries across Asia, Europe, Middle East, Africa and the Americas.

FY2021 Results Review

Group revenue of RM626.1 million in FY2021 was 6% lower than the RM663.7 million recorded in FY2020 due to lower contributions from project related revenue. However, the Group recorded 3% growth in maintenance and enhancement services revenue.

Recurring revenue segments comprising maintenance and enhancement services, and SaaS remained a key revenue driver for the Group and contributed 81% of total Group revenue in FY2021.

- The Group managed to sustain the stable revenue from maintenance and enhancement services despite all 4 quarters being impacted by the COVID-19 pandemic.
- Full year FY2021 SaaS for insurance and retail processing revenue were largely flat and declined by 1% to RM34.9 million in FY2021.

Project related revenue comprising software licensing and software project services declined 19% from RM130.4 million in FY2020 to RM105.4 million in FY2021.

- The markets remained soft for bookings of larger license deals in the earlier part of FY2021 impacting new license revenue for the year. As a result, software licensing revenue decreased by 29% to RM40.0 million in FY2021.
- Similarly, software project services segment recorded lower progressive revenue in FY2021. Revenue from this segment declined 12% to RM65.4 million. This is due to key projects having been completed or nearing completion or projects being delayed at specific client requests. However, the decrease in FY2021 was somewhat mitigated by key projects for MÖBIUS and DSP Digital contracts secured in Thailand and Sri Lanka in 2H FY2021.

Sale of software and hardware products recorded lower revenue of RM10.7 million in FY2021 as compared with RM26.9 million in FY2020. FY2020 had several one-off revenue from hardware product sales.

Profitability

The Group recorded a gross profit of RM376.9 million in FY2021, 1% lower compared with RM379.6 million in FY2020 and gross profit margin rose from 57% in FY2020 to 60% in FY2021, as a result of higher margins from software project, maintenance and enhancement services.

There was a 9% reduction in selling and distribution costs from RM33.4 million to RM30.5 million in FY2021 as a result of cost control measures instituted by management during the pandemic period.

Administrative expenses of RM159.9 million were 15% higher than RM139.1 million reported in FY2020 mainly due to fair value adjustment on remeasurement of put liability for XIT Put Option and derivative asset for XIT Call Option.

Finance costs decreased by 62% from RM34.7 million to RM13.1 million in FY2021 mainly due to the end of unwinding of discount on the contingent consideration payable for the acquisition of Silverlake Investment (SG) Pte. Ltd. Group ("SISG Group") as required by IFRS, as well as lower interest expense on the revolving credit facility.

As a result of the above, the Group's PBT declined from RM201.4 million to RM186.7 million in FY2021 with a reduction in EBITDA from RM266.7 million to RM235.3 million in FY2021.

Income tax expense increased from RM16.8 million in FY2020 to RM43.7 million in FY2021. The increase was mainly due to the recognition of deferred tax assets on tax allowance claimable on the intellectual property ("IP") rights acquired in Singapore in FY2020 as well as higher withholding tax for dividend from Philippines and Thailand subsidiaries in FY2021.

The Group reported a PAT of RM143.1 million, a decline of 23% from RM184.7 million in FY2020.

Q4 FY2021 Results Review

Group revenue of RM176.6 million in Q4 FY2021 was 13% higher compared with RM156.8 million recorded in Q4 FY2020 and this was mainly due to higher project related revenue and maintenance and change request from customers.

Recurring revenue segments comprising maintenance and enhancement services increased 12% to RM125.9 million, and now accounts for 71% of group revenue in Q4 FY2021 due to higher enhancement request from our clients in Malaysia, Indonesia, Singapore and Thailand. This continuing trend of incremental enhancements is undertaken by our client base as the COVID-19 pandemic has seen a shift in IT spend of financial institutions from large capex type expenditure to focus more on incremental system enhancements.

Project related revenue comprising software licensing and software project services increased 32% to RM35.2 million in Q4 FY2021 mainly due to higher software licensing recognised during the quarter resulting from closure of new software licensing and software project services deals in Q4 FY2021.

Revenue from SaaS for insurance processing increased by 28% to RM7.7 million in Q4 FY2021 compared to Q4 FY2020. More e-claims revenue from Malaysia and Indonesia as government mandated lockdowns in FY2021 were not as prohibitive as compared to FY2020.

The higher revenue recorded led the Group's gross profit growth by 30% at RM108.5 million in Q4 FY2021. The gross profit margin improved from 53% to 61% with higher margin projects secured and better margins from maintenance and enhancement services segment.

Selling and distribution costs increased by 12% from RM6.0 million in Q4 FY2020 to RM6.8 million in Q4 FY2021 as higher marketing cost for group initiatives activities.

Administrative expenses increased from RM45.4 million to RM63.6 million in Q4 FY2021 mainly due to fair value adjustment on remeasurement of put liability for XIT Put Option and derivative asset for XIT Call Option at a total of RM24.1 million charged in Q4 FY2021.

Finance costs decreased by 96% from RM8.6 million to RM0.3 million in Q4 FY2021 mainly due to the end of unwinding of discount on the contingent consideration payable for the acquisition of SISG Group as required by IFRS as well as lower interest expense on revolving credit facility.

As a result of the above, the Group's PBT was flat at RM39.3 million to RM39.2 million in Q4 FY2021 with a reduction in EBITDA from RM55.8 million to RM47.7 million in Q4 FY2021.

In Q4 FY2021, the Group has recorded an income tax expense of RM2.3 million as opposed to an income tax credit of RM19.8 million in Q4 FY2020. Income tax credit in Q4 FY2020 was mainly due to the recognition of deferred tax asset on tax allowance claimable on IP rights acquired in Singapore.

As a consequence of higher tax expense and fair value adjustment on remeasurement of put liability for XIT Put Option and derivative asset for XIT Call Option, the Group reported a PAT of RM36.8 million, a decline of 38% from RM59.1 million in Q4 FY2020.

Prospects

We are cautiously optimistic in terms of the outlook of the market. The markets we operate in are still facing COVID-19 issues and while the economies of these markets are opening up gradually, we will continue to monitor any impact this will bring to our business. Despite the pandemic continuing to impact economies in the key markets we serve in, we are beginning to close more deals and see increased enquiries in our range of solutions and capabilities for the financial services market sector.

FY2021 was a year of two halves; the first half was where our customers delayed IT project spend particularly large ticket sized transformation deals. However, in the second half, what we are seeing in this digital age is that the customers are beginning to make IT investment decisions despite the ongoing pandemic.

The industry continues to evolve, the pace of change has accelerated due to the pandemic as banks grapple with complex, monolithic and inflexible systems that have failed to provide business insights and failed to deliver superior customer experience. The costs of maintaining these legacy systems continue to rise and so does the operational risk which is a cause of concern for many regulators and is being monitored closely by them. These industry dynamics form the basis of our value proposition and strategy as we continue to partner with our customers in their transformation.

MÖBIUS prospects remain increasingly buoyant with a first contract signed in Q4 FY2021 and prospects remain very encouraging. Our customers continue to entrust us with maintaining, supporting and providing them the long-term path to core modernisation and greater positioning for the new digital age.

There is strong deal momentum going into FY2022 and our engagement teams are liaising with existing and potential customers to cater to their requirements and provide them with a solution suite that suits their budget to remain competitive.

Execution remains our focus and we are largely tracking to plan, we continue to refine and pivot where necessary and we have seen good results in product and sales / marketing efficiency, collaboration and synergies. We remain deeply customer focused and we are able to offer them a number of solutions. Internally, we have driven a culture of governance and risk awareness and mitigation, we have a project to modernise and streamline our financial and management reporting. Our people remain our most valuable asset and we have invested in training and people strategy programs to ensure effective resource allocation and continuity as we execute projects and product innovation. Holistic compensation programs have been implemented to get the right mix of short and long-term alignment.

During the year, our governance ranking as measured by National University of Singapore saw us climb to 26th position from 111th a year earlier. We received 2 awards from the Edge Singapore for Most Profitable Company and Best in Sector Award for Software & IT Services; Technology Equipment sector in Billion Dollar Club (BDC) 2021. We also received The Asset Triple A Awards 2021 (Treasury, Trade, SSC and Risk management Awards) for “Best Liquidity and Investment Solution” in Information Technology sector and Best CFO of the year.

About Silverlake Axis

Silverlake Axis Ltd (SAL) leading enterprise technology, software and services company focused in financial services and serving 40% of the top 20 largest banks in South East Asia. Founded in 1989, SAL has an impeccable track record of successful delivery of innovative and transformative solutions to its enterprise customers and their ecosystems. The Group has more than 370 enterprise customers in over 80 countries across Asia, Europe, Middle East, Africa, and the Americas.

Under Axis Systems Holdings Limited, SAL was listed on the SGX-SESDAQ on 12 March 2003. It was renamed Silverlake Axis Ltd in 2006 following the acquisition of SAACIS, the company that owns the Silverlake Integrated Banking Solution (SIBS) and the listing was transferred to the Mainboard of the Singapore Exchange on 22 June 2011. For more information about SAL, please visit www.silverlakeaxis.com.

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