SILVERLAKE AXIS LTD
(Incorporated in Bermuda)
(Company Registration No. 32447)

PRESS RELEASE - FOR IMMEDIATE RELEASE

Silverlake Records RM148.2 million Revenue in Q1 FY2021 and Achieves EBITDA* of RM66.9 million

Singapore, 13 November 2020 - Singapore Exchange Mainboard listed Silverlake Axis Ltd. ("SAL" or the "Group"), a leading enterprise technology, software and services company focused in financial services, today provided financial and operational updates on a voluntary basis for the financial period ended 30 September 2020.

- Underlying sustainable momentum in maintenance and enhancement revenue as customers continue to invest on incremental enhancements whilst deferring large capex spend.
- Software licensing and project implementation services continue to be a challenge and remain impacted by COVID-19 pandemic, revenue declined 35% as compared to Q1 FY2020.
- Total expenses in Q1 FY2021 decreased by 7% over Q1 FY2020 as a result of cost rationalisation activities implemented in the second half of FY2020 and less marketing spend during the current pandemic.
- EBITDA* in Q1 FY2021 of RM66.9 million was 8% lower as compared to RM72.6 million in Q1 FY2020, with comparable EBITDA margin, 45% in Q1 FY2021 as compared to 44% in Q1 FY2020.

FINANCIAL HIGHLIGHTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

	First quarter ended 30 September		
	2020 Unaudited RM	**2019 Unaudited RM**	**Change %**
Revenue	148,240,750	164,436,772	(10)
Gross profit	**91,604,134**	**105,232,008**	**(13)**
Other income	5,799,322	1,790,554	224
Operating expenses	(48,483,712)	(52,307,379)	(7)
Profit before tax	**49,296,875**	**56,761,662**	**(13)**
Income tax expense	(16,381,309)	(9,554,630)	71
Profit for the period	**32,915,566**	**47,207,032**	**(30)**
EBITDA*	**66,933,206**	**72,602,375**	**(8)**
Basic earnings per share (sen)	**1.27**	**1.78**	**(29)**
Diluted earnings per share (sen)	**1.27**	**1.78**	**(29)**

* Earnings before interest, taxes, depreciation and amortisation

SILVERLAKE AXIS LTD

(Incorporated in Bermuda)
(Company Registration No. 32447)

REVENUE BY BUSINESS ACTIVITIES

	First quarter ended 30 September		
	2020 Unaudited RM	**2019 Unaudited RM**	**Change %**
Software licensing*	7,985,890	19,454,730	(59)
Software project services*	17,203,770	19,437,007	(11)
Maintenance and enhancement services**	113,510,789	112,560,618	1
Sales of software and hardware products	559,267	1,671,743	(67)
Software-as-a-Service**			
- Insurance processing	8,821,089	9,681,623	(9)
- Retail	159,945	80,783	98
Credit and cards processing	-	1,550,268	(100)
Total	**148,240,750**	**164,436,772**	(10)

* Project related revenue ** Recurring revenue

Group revenue of RM148.2 million in Q1 FY2021 was 10% lower than the RM164.4 million recorded in Q1 FY2020 due to lower contributions from all revenue segments with the exception of maintenance and enhancement services. Large ticket size projects and deals have been deferred because of the ongoing COVID-19 pandemic.

Recurring revenue segments of maintenance, enhancement services and Software-as-a-Service recorded a marginal growth from RM122.3 million in Q1 FY2020 to RM122.5 million in Q1 FY2021. These recurring segments remained a key revenue driver for the Group and contributed 83% of Group revenue in Q1 FY2021.

Project related revenue comprising software licensing and software project services declined 35% to RM25.2 million in Q1 FY2021. Key projects closed in prior years are nearing completion, hence lower progressive revenue was recognised. In Q1 FY2021, the decrease was mitigated by progressive revenue contribution from the core banking implementation and retail automation contracts secured in Indonesia and Malaysia during FY2020. The Group adopts IFRS revenue recognition standard which mandates the recognition of project revenue on percentage of completion method whereby the revenue recognised may differ due to timing of revenue recognition.

Sale of software and hardware products is cyclical and recorded lower revenue in Q1 FY2021 as there was a sizeable contract delivered in Q1 FY2020.

Revenue from Software-as-a-Service insurance processing of RM8.8 million in Q1 FY2021 was 9% lower than the RM9.7 million achieved in Q1 FY2020 mainly due to lower claims processing activities. The communities in various countries have reduced leisure-related mobility during current pandemic period and the governments of Indonesia and Philippines have re-enforced movement restriction measures which led to significantly lower traffic volume and hence fewer motor accident claims.

Silverlake Japan Ltd. has ceased its operations in Q1 FY2021 following the termination of the last customer contract in late FY2020.

The Group recorded a gross profit of RM91.6 million in Q1 FY2021, 13% lower than the RM105.2 million recorded in Q1 FY2020 and achieved a gross profit margin of 62% in Q1 FY2021 as compared with 64% in Q1 FY2020. The marginal decrease in gross profit margin was mainly due to lower contribution from higher margin business segment such as software licensing in Q1 FY2021 as compared with previous corresponding period.

Other income of RM5.8 million in Q1 FY2021 was RM4.0 million higher than the RM1.8 million recorded in Q1 FY2020. The increase was mainly from the RM2.4 million government subsidies received from Latvia, Singapore, Malaysia as well as Hong Kong to support businesses during COVID-19 pandemic period, and reversal of expected credit losses on trade receivables collected in Q1 FY2021.

Total expenses in Q1 FY2021 were 7% lower as compared with Q1 FY2020 mainly as a result of cost rationalisation activities implemented in the second half of FY2020, reduced customer contact activities during pandemic period as well as lower foreign exchange loss recorded in Q1 FY2021 as compared to Q1 FY2020.

As a result of the above, the Group's profit before tax declined from RM56.8 million to RM49.3 million in Q1 FY2021 with a reduction in EBITDA from RM72.6 million to RM66.9 million in Q1 FY2021.

The increase in income tax expense from RM9.6 million in Q1 FY2020 to RM16.4 million in Q1 FY2021 was mainly due to the expiry of pioneer status of a Malaysian subsidiary in Q1 FY2020 and higher withholding tax on overseas revenue in the current financial period as compared to the previous corresponding period.

As a consequence of these factors and coupled with the higher tax expense, this led to the decline in profitability, and the Group reported a profit after tax of RM32.9 million, a decline of 30% from RM47.2 million in Q1 FY2020.

The Group has adopted half-yearly reporting following the amendments to Rule 705 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") which took effect from 7 February 2020. As such, the dividend payout (which is required to be accompanied by the financial statements for the period pursuant to Rule 704(25)) will be assessed on a half-yearly basis taking into consideration various factors including the expansion plans and funding requirements of the Group.

BUSINESS AND INDUSTRY OUTLOOK

Prospects for the coming year remain dominated by uncertainties due to COVID-19 and we foresee that this will effect both the industry economics and customer purchasing patterns. However, we expect to see improvements in the second half of our financial year as many countries and companies are working towards developing as well as testing vaccines and there has been positive news on this development.

The pandemic has caused deep structural changes in the industry. The drive towards digital, regulatory demands and cost efficiencies are forcing the industry to innovate and renovate their IT infrastructure. Our investment in MÖBIUS has positioned us to take advantage of these changes.

Core banking is the foundation of infrastructure and we have launched our next generation core banking platform MÖBIUS in August 2020 and we believe MÖBIUS will help future proof the investment of our customers against a fast-evolving technology landscape.

Large deals remain a challenge as pressure to conserve and extract efficiencies continue to be a defining theme, however we are well positioned to capitalise on incremental enhancements and the next wave of large ticket projects when the situation improves.

Our deal conversion in Q1 FY2021 was more than double that achieved in Q1 FY2020 and we see encouraging signs from customer enquiries from our installed base and from new accounts. As a consequence, our deal pipeline remains robust going into Q2 FY2021 without any significant attrition due to macroeconomic conditions.

SILVERLAKE AXIS LTD

(Incorporated in Bermuda)
(Company Registration No. 32447)

ABOUT SILVERLAKE AXIS

Silverlake Axis Ltd. ("SAL") is a leading enterprise technology, software and services company focused in financial services and serves 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 380 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.

CONTACT

Email: investor.relations@silverlakeaxis.com

Mr. Lee Teong Sang - Principal Consultant
Mr. Anil Singh Gill - Senior EVP, Strategic Finance & Risk