

SILVERLAKE AXIS LTD

(Incorporated in Bermuda)

(Company Registration No. 32447)

FINANCIAL HIGHLIGHTS AND BUSINESS UPDATE - FOR IMMEDIATE RELEASE

Silverlake Records RM449.4 million Revenue in 9M FY2021 and Achieves EBITDA* of RM195.2 million

Singapore, 11 May 2021 - Singapore Exchange Mainboard listed Silverlake Axis Ltd. ("SAL" or the "Group"), a leading enterprise technology, software and services company focused on financial services and serve 40% of the top 20 largest banks in South East Asia, today provided financial and operational updates on a voluntary basis for the financial period ended 31 March 2021.

- Profit After Tax in Q3 FY2021 of RM38.7 million was higher by 51% as compared to RM25.6 million in Q3 FY2020 although Profit After Tax in 9M FY2021 of RM106.2 million was lower by 15% as compared to RM125.6 million in 9M FY2020.
- EBITDA* in Q3 FY2021 of RM59.6 million was 11% higher as compared to RM53.4 million in Q3 FY2020 although EBITDA* in 9M FY2021 of RM195.2 million was 11% lower as compared to RM218.3 million in 9M FY2020.
- The Group continues to see a sustaining momentum in maintenance and enhancement revenue.
- Software licensing and project implementation services declined 32% as compared to 9M FY2020 but expect to gradually close the gap as the Group recognise revenue from recently closed projects in future periods.
- Total expenses in 9M FY2021 decreased by 10% over 9M FY2020 as a result of cost rationalisation activities implemented since the second half of FY2020; lower marketing activities during the current pandemic and the end of unwinding of discount on the contingent consideration payable for an acquisition.

FINANCIAL HIGHLIGHTS

FOR THE NINE MONTHS PERIOD AND THIRD QUARTER ENDED 31 MARCH 2021

	Nine months period ended 31 March			Third quarter ended 31 March		
	2021 Unaudited RM	2020 Unaudited RM	Change %	2021 Unaudited RM	2020 Unaudited RM	Change %
Revenue	449,387,996	506,782,139	(11)	140,909,423	151,660,202	(7)
Gross profit	276,518,046	304,214,780	(9)	84,806,567	82,769,030	2
Other income	10,783,999	8,700,138	24	6,346,198	2,281,744	178
Operating expenses	(133,239,269)	(147,939,938)	(10)	(41,752,194)	(49,182,900)	(15)
Profit before tax	155,270,025	169,611,471	(8)	49,881,284	36,826,803	35
Income tax expense	(49,021,829)	(44,032,569)	11	(11,159,751)	(11,262,938)	(1)
Profit for the period	106,248,196	125,578,902	(15)	38,721,533	25,563,865	51
EBITDA*	195,192,210	218,324,932	(11)	59,590,102	53,445,874	11
Basic earnings per share (sen)	4.12	4.77	(14)	1.50	0.97	55
Diluted earnings per share (sen)	4.12	4.77	(14)	1.50	0.97	55

* Earnings before interest, taxes, depreciation and amortisation

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REVENUE BY BUSINESS ACTIVITIES

	Nine months period ended 31 March			Third quarter ended 31 March		
	2021 Unaudited RM	2020 Unaudited RM	Change %	2021 Unaudited RM	2020 Unaudited RM	Change %
Software licensing*	28,192,872	52,501,002	(46)	5,928,720	9,953,013	(40)
Software project services*	42,054,947	51,223,132	(18)	11,973,364	18,201,196	(34)
Maintenance and enhancement services**	348,983,281	347,642,494	0	113,037,229	111,446,188	1
Sale of software and hardware products	3,081,013	21,598,220	(86)	1,092,315	1,213,805	(10)
Software-as-a-Service**						
- Insurance processing	26,561,007	28,839,876	(8)	8,685,802	9,120,732	(5)
- Retail	514,876	324,342	59	191,993	121,175	58
Credit and cards processing	-	4,653,073	(100)	-	1,604,093	(100)
Total	449,387,996	506,782,139	(11)	140,909,423	151,660,202	(7)

* Project related revenue

** Recurring revenue

Group revenue of RM449.4 million in 9M FY2021 was 11% lower than the RM506.8 million recorded in 9M FY2020.

Recurring revenue segments of maintenance and enhancement services, and Software-as-a-Service (“SaaS”) remained a key revenue driver for the Group and contributed above 83% of Group revenue in Q3 FY2021 and 9M FY2021.

- The Group continues to sustain revenue from maintenance and enhancement services in multiple countries for 9M FY2021 with an increase of 1% in Q3 FY2021.
- SaaS Insurance processing revenue of RM26.6 million in 9M FY2021 was 8% lower than the RM28.8 million achieved in 9M FY2020 mainly due to lower claims processing activities in which various countries have reduced mobility during the current pandemic period leading to significantly lower traffic volume and hence fewer motor accident claims. The decrease was partially offset by the positive contribution from a number of other activities; active cross selling of the TrueSight suite of productivity & analytics solutions to existing customers, increased revenue from subsidiaries in Thailand, Hong Kong and Vietnam, and an increased demand from ePolicy sales, particularly in Hong Kong.
- Revenue from SaaS retail is currently on the low end but is expected to increase in the coming quarters as the Group pivots to SaaS offerings to the larger SMEs market.

Project related revenue comprising software licensing and software project services declined 32% from RM103.7 million to RM70.2 million in 9M FY2021.

- Software licensing revenue decreased by 46% to RM28.2 million in 9M FY2021.
- Software project services segment recorded lower progressive revenue in 9M FY2021. Revenue from this segment declined 18% to RM42.1 million. This is due to key projects nearing completion or projects being delayed at requests of customers. However, the decrease in 9M FY2021 was somewhat mitigated by smaller scale core banking implementation contracts secured in Cambodia and Thailand.
- 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. Based on this, revenue from recently closed deals and projects will be recognised in future periods.

Sale of software and hardware products recorded significantly lower revenue of RM3.1 million in 9M FY2021 as compared to RM21.6 million in 9M FY2020. Hardware sales are seasonal by nature and dependent on the requirements and specification needed to support the smooth implementation of new or enhancement of existing system in place. There were sizeable hardware sales delivered to support the technology refresh contract of banks

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in Malaysia in 9M FY2020 whereas sale of hardware products in 9M FY2021 were from Africa and Malaysian customers.

Despite a decrease of gross profit from RM304.2 million in 9M FY2020 to RM276.5 million in 9M FY2021, gross profit margin improved from 60% to 62% in 9M FY2021 mainly due to better margin generated from maintenance and enhancement services.

Profitability measures in Q3 FY2021 as compared to Q3 FY2020 have improved substantially:

	Third quarter ended 31 March		
	2021 Unaudited RM	2020 Unaudited RM	Change %
Gross profit	84,806,567	82,769,030	2
Profit before tax	49,881,284	36,826,803	35
Profit after tax	38,721,533	25,563,865	51
EBITDA	59,590,102	53,445,874	11

Other income of RM10.8 million in 9M FY2021 was 24% higher than the RM8.7 million reported in 9M FY2020.

- 9M FY2021 recorded RM4.6 million government subsidies and office rental concession from Singapore, Latvia, Malaysia and Hong Kong to support businesses during the COVID-19 pandemic period, RM1.7 million from reversal of expected credit losses on trade receivables collected, RM1.0 million dividend from quoted equity investment, and RM0.4 million gain from investment in money market fund.
- 9M FY2020 recognised a gain of RM5.1 million arising from fair value adjustment on the contingent consideration for the acquisition of SIA X Infotech Group, RM0.4 million from reversal of expected credit losses on trade receivables collected, RM0.8 million dividend from quoted equity investment, and RM0.1 million gain from investment in money market fund.

Total expenses of RM133.2 million in 9M FY2021 were 10% lower as compared with RM147.9 million in 9M FY2020. The decrease was mainly due to the end of unwinding of discount on the contingent consideration payable for the acquisition of Silverlake Investment (SG) Pte. Ltd. (formerly known as Silverlake Investment Ltd.) Group as required by IFRS – IAS 37 Provisions, Contingent Liabilities and Contingent Assets in 9M FY2021, tightening costs during the pandemic period and higher reversal of allowance for unutilised leave in 9M FY2021. The decline was partially offset with the cost of Silverlake Axis Ltd. Performance Share Plan in 9M FY2021.

In aggregate, the Group's profit before tax declined from RM169.6 million to RM155.3 million in 9M FY2021 with a reduction in EBITDA from RM218.3 million to RM195.2 million in 9M FY2021.

The Group's income tax expense comprises the following components:

	Nine months period ended 31 March			Third quarter ended 31 March		
	2021 Unaudited RM	2020 Unaudited RM	Change %	2021 Unaudited RM	2020 Unaudited RM	Change %
Current income tax ("CIT") (Note (i))	37,870,088	39,502,903	(4)	13,818,535	12,342,409	12
Deferred tax ("DT") (Note (ii))	3,333,385	(3,348,500)	(200)	(5,201,751)	(3,993,952)	30
Foreign and withholding tax ("FWHT") (Note (iii))	7,818,356	7,878,166	(1)	2,542,967	2,914,481	(13)
Total income tax expense	49,021,829	44,032,569	11	11,159,751	11,262,938	(1)
% of CIT over Group's Profit Before Tax	24%	23%	1%	28%	34%	(6%)
% of DT over Group's Profit Before Tax	2%	(2%)	4%	(11%)	(11%)	0%
% of CIT and DT over Group's Profit Before Tax	26%	21%	5%	17%	23%	(6%)
% of WHT over Group's Revenue	2%	2%	0%	2%	2%	0%

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- (i) CIT represents amount expected to be incurred and paid to the taxation authorities in respect of taxable income generated during the period. The effective CIT rate increased from 23% in 9M FY2020 to 24% in 9M FY2021 mainly due to the expiry of pioneer status of a Malaysian subsidiary during Q1 FY2020. For Q3 FY2021, the effective CIT rate decreased from 34% in Q3 FY2020 to 28% in Q3 FY2021. This was mainly due to the overprovision of tax in prior year arising from foreign withholding tax claimed by a Malaysian subsidiary.
- (ii) Deferred tax income was RM3.3 million in 9M FY2020 compared with deferred tax expense of RM3.3 million in 9M FY2021 mainly due to the reversal of deferred tax assets recognised in previous financial years on:
- unutilised tax losses whereby a subsidiary has utilised the carried forward tax losses against taxable profit generated in 9M FY2021 resulting in the reduction of such tax losses carried forward available in future periods.
 - contract liabilities for a subsidiary with expired pioneer status. The subsidiary had recognised advance maintenance fees as revenue in 9M FY2021 as services were performed over that period. No such reversal of DT assets occurred in 9M FY2020 since the profits were still tax-exempted during pioneer status. Since the expiry of pioneer status, the advanced maintenance fees are now taxable.

Deferred tax income increased from RM4.0 million in Q3 FY2020 to RM5.2 million in Q3 FY2021, mainly due to the deferred tax assets recognised on advance maintenance fees.

- (iii) Foreign withholding tax is the tax levied on foreign sourced income as the Group secured contracts with customers from various jurisdictions.

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 RM106.2 million, a decline of 15% from RM125.6 million in 9M 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

The prospects for the industry and sectors that we primarily serve remain subdued as we enter the 6th straight quarter affected by COVID-19. With no clear end in sight despite some successes from mass vaccinations, we expect the next few quarters to be dominated by the continuing uncertainty. However, there are bright spots emerging in the following areas:

1. The industry has come to realise that there is no quick end to the pandemic and they have started to budget and plan for an expansionary future, a new normal with the virus being a part of the landscape for the foreseeable future. Banks are pursuing core transformation after some delay albeit they remain cost sensitive as budgets are being scrutinised carefully.
2. We have continued to refine and execute our strategy and we are seeing results across the Group with greater collaboration and sales focus. Cost and revenue synergies are forthcoming as the strategy is implemented.
3. Our product strategy has demonstrated some early success with the booking of our first DSP Digital upgrade contract and our MÖBIUS prospects remain strong with a robust pipeline and continued enquiries and contracting is underway for the first MÖBIUS Digital Core win for a tier one bank in the region. We have a strong core transformation option to offer our existing and new customers, an upgrade path with MÖBIUS.
4. We have also introduced a new pricing strategy as we pivot from upfront license and implementation fee structure to a build-operate-transform-transfer ("BOTT") model where we have clear multi-year recurring revenue. This allows us to continue to leverage the relationship with the customer and offer them a suite of products and services.
5. We are also engaged with potential digital banking prospects in Malaysia and there are opportunities of partnership and collaboration with several of them which is progressing well.

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.

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Our deal conversion in Q3 FY2021 was equivalent to that achieved in Q2 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 Q4 FY2021 without any significant attrition due to macroeconomic conditions.

ABOUT SILVERLAKE AXIS

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