SILVERLAKE AXIS LTD.

(Company Registration No. 202133173M)
(Registered in Singapore)

PRESS RELEASE - FOR IMMEDIATE RELEASE

On a half year period ended 31 December 2022 ("1H FY2023"), Silverlake Axis Ltd. ("SAL" or the "Group") recorded revenue of RM392.3 million, a growth of 9% over the prior year*.*

Key positive financial metrics for 1H FY2023 include:

- 9% increase in revenue to RM392.3 million.
- 6% increase in Gross Profit to RM229.4 million.
- 5% increase in Profit After Tax ("PAT") to RM99.7 million.

Margins were at comfortable ranges for the half year – Gross Profit Margin at 58%, Net Profit Margin at 25%, and Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") Margin at 37%.

Singapore, 14 February 2023 – Singapore Exchange Mainboard listed SAL, a leading enterprise technology, software, and services company with focus in the financial services industry and serving 40% of the top 20 largest banks in South East Asia, today announced its results for the six months ended 31 December 2022.

1H FY2023 Results Review

Group revenue grew 9% to RM392.3 million in 1H FY2023, compared to RM358.5 million recorded in 1H FY2022. The Group achieved EBITDA of RM146.5 million as compared to RM149.5 million in 1H FY2022, a slight decrease as a result of higher cost due to the higher inflationary environment and tight labour market that we are operating in. However, our Group's PAT has increased 5% to RM99.7 million in 1H FY2023.

RM42.8 million or 11% of total Group revenue was delivered via cloud computing compared to RM45.5 million or 13% in 1H FY2022, marginally lower by 2% compared to the same period last year but should increase as more and more of our customers are looking at cloud-based solution options.

Revenue from Software-as-a-Service (“SaaS”) was RM26.1 million, an increase of 57% compared to RM16.6 million in the prior year. SaaS currently constituted 7% of total Group revenue which is a 2% increase as compared to last year.

Project related revenue *comprising* ***software licensing and software project services (professional services)*** remain robust and has increased by 18% from RM82.2 million to RM96.9 million in 1H FY2023.

- Software licensing revenue increased by 39% from RM40.3 million to RM56.0 million in 1H FY2023, largely contributed by a broad base of new software license sales across SAL product lines particularly in Thailand, Indonesia, and United Arab Emirates (“UAE”).

- Software project services (professional services) revenue of RM40.9 million was marginally lower by 2% as compared to prior year as the progression of actual project delivery varies from quarter to quarter. For the ongoing implementation of two new MÖBIUS contracts secured in prior year, one has been completed and went live this quarter while the other is near completion and will be entering maintenance mode sometime in mid-2023. Furthermore in 1H FY2023, there was additional revenue recognised from recently closed contracts from countries such as Thailand, UAE, and Malaysia, hence bringing project services revenue to a level comparable to 1H FY2022.

- The Group adopts the revenue recognition standard in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) which mandates recognition of project revenue on a percentage of completion method whereby revenue is recognised based on the progression of actual project completion. Based on this, revenue from recently closed deals and projects will be recognised in future periods as work progresses.

Total recurring revenue (maintenance and enhancement services, insurance ecosystem transactions and services, and retail transactions processing) increased 3% from RM270.4 million to RM278.1 million in 1H FY2023. Recurring revenue contributed more than 70% of total Group revenue and has consistently remained the key revenue driver for the Group.

- Maintenance revenue grew 3% to RM127.6 million whilst enhancement services revenue in 1H FY2023 was 5% lower at RM122.2 million. The increase in maintenance revenue was from the commencement of new maintenance contracts upon completion and cutover of several implementation projects. The revenue from enhancement services in 1H FY2023 was lower but is temporary as we will direct more resources to fulfil our enhancement services contract backlog in the second half.

- Post pandemic, insurance ecosystem transactions and services increased 51% to RM26.3 million from RM17.5 million in 1H FY2022.

    (i) Revenue from vehicle claims processing ("eClaims") has surpassed pre-COVID-19 level in all the major countries that we operate in. Claims volume has shown a significant increase in countries such as Malaysia, Singapore, and Indonesia. Our recent entry in Japan and UAE are doing well with sizeable volume increase in eClaims.

    (ii) Revenue from the processing of insurance policies ("ePolicy") saw double-digit growth in 1H FY2023 in Hong Kong, Singapore, and Indonesia.

    (iii) Revenue from TrueSight suite of productivity & analytics solutions continue to rise quarter to quarter with onboarding of more customers in the automotive and e-commerce platform industry.

    (iv) Revenue from the integration services rendered to support eClaims and ePolicy activities in 1H FY2023 was higher as a result of higher requests and demands from Hong Kong and Thailand customers.

- Revenue from retail transactions processing increased 172% to RM1.9 million in 1H FY2023. There were higher subscriptions for our cloud-based retail solution, AgoraCloud, from our retail and pharmaceutical customers in Malaysia and Singapore.

Sale of software and hardware products recorded higher revenue of RM17.3 million in 1H FY2023 as compared to RM5.9 million in the same period last year as customers invested into hardware upgrades to enhance their technology infrastructure to support core banking systems installed by the Group.

The Group recorded a Gross Profit of RM229.4 million in 1H FY2023, 6% higher as compared to RM216.5 million recorded in the same period last year and achieved a gross profit margin of 58% in 1H FY2023, marginally lower than the 60% achieved in 1H FY2022.

Selling and distribution costs increased from RM17.8 million to RM23.0 million in 1H FY2023 mainly due to higher spending in marketing, business development and brand awareness, with focus on sales and leads generation to grow our sales pipeline.

Administrative expenses of RM80.9 million in 1H FY2023 was 17% higher than RM69.1 million recorded in the same period last year mainly due to higher accruals of SAL Executives' Performance Share Plan as a result of upward movement of SAL share price, higher foreign currency exchange loss on cash reserves as a result of the depreciation of USD against MYR in 1H FY2023, higher cost associated in investments in strategic internal initiatives to harness efficiencies across the Group, as well as higher investments in human resources management to attract talent and manage employee career growth and retention.

In aggregate, the Group achieved Profit Before Tax (“PBT”) of RM127.9 million and EBITDA of RM146.5 million in 1H FY2023.

Q2 FY2023 Results Review

Group revenue of RM204.3 million in Q2 FY2023 was comparable to RM206.5 million recorded in Q2 FY2022.

Recurring revenue (maintenance and enhancement services, insurance ecosystem transactions and services, and retail transactions processing) rose 7% to RM154.7 million, and account for 76% of Group revenue in Q2 FY2023 with additional contributions from new maintenance contracts that have become operational. Revenue from ***insurance ecosystem transactions and services*** increased 32% from RM9.8 million in Q2 FY2022 to RM13.0 million in Q2 FY2023. Insurance processing activities and volumes have rebounded to pre-COVID-19 levels and we are optimistic of the outlook for FY2023.

Project related revenue *comprising* ***software licensing and software project services (professional services)*** decreased 22% to RM44.1 million in Q2 FY2023 from RM56.6 million in Q2 FY2022 as the progression of actual project delivery varies from quarter to quarter.

The Group’s Gross Profit was RM119.3 million, a 7% decrease from RM128.7 million in Q2 FY2022 and achieved a gross profit margin of 58% as compared to 62% last year due to the change in revenue mix.

Overall expenses increased by 32% to RM62.2 million from RM47.2 million in Q2 FY2022; there was a 30% increase in selling and distribution costs from RM10.0 million to RM12.9 million in Q2 FY2023 and a 30% increase in administration expenses to RM47.5 million in Q2 FY2023 mainly due to higher foreign currency exchange loss recorded as a result of the depreciation of USD against MYR, higher accruals of SAL Executives’ Performance Share Plan as a result of upward movement of SAL share price, and higher cost associated in investments in strategic internal initiatives. As compared with Q2 FY2022, the Group had higher finance costs in Q2 FY2023 for the revolving credit facility drawdown for a corporate exercise executed in Q4 last year.

As a result of the above, the Group's PBT decreased from RM83.0 million to RM60.9 million in Q2 FY2023 with a decrease in EBITDA from RM92.1 million to RM69.7 million in Q2 FY2023. As a consequence of the above, the Group reported a PAT of RM42.1 million, a decrease from RM59.6 million in Q2 FY2022.

Prospects

Our key markets continue to exhibit strong growth, the pace of economic recovery and digital transformation continues to accelerate and the financial services sector continues to display remarkable resilience. Our market positioning continues to improve as evidenced by our order book and our approach to engagement with our customers.

We continue to execute our strategy and bring at scale a suite of innovative solutions that form the critical infrastructure base of the financial services industry. We also continue to invest in cloud, AI and other technologies to expand our suite of solutions and to ensure we have a strong future pipeline of products to excite our customers.

Based on the above positive metrics, we move into our FY2023 with momentum and purpose. The market continues to provide us with ample opportunity in growth of markets, customer segments and new entrants to digital financial services.

We close the half year with RM1.8 billion of transaction value that we are actively pursuing. In 1H FY2023, we had total contract wins of over RM275.0 million and this is encouraging. These numbers are indicative of the strength of our brand, our long-term relationships with customers and our regional distribution and scale.

“We continue to see strength in all our core revenue segments and we remain confident of our prospects going into the second half of the financial year. There continue to be multiple macroeconomic risks and local complexity that potentially can affect our growth trajectory; however, we are prepared and have the right mix of products and project delivery to meet these challenges. Our financial position remains robust and we are progressing well on the execution of our strategic plans.” said Mr. Andrew Tan, SAL’s Group Managing Director.

This press release should be read in conjunction with SAL’s 1H FY2023 results announcement released on 14 February 2023 to the Singapore Exchange.

About Silverlake Axis

Silverlake Axis Ltd. (“SAL”) is a leading enterprise technology, software, and services company with focus in the financial services industry and serving 40% of the top 20 largest banks in South East Asia. Across the globe, we serve more than 400 unique customers spread across 70 countries in Europe, Africa, the Indian subcontinent, Middle East, Asia, and the Americas. Founded in 1989, SAL has a recognised and proven track record of client retention and successful delivery of innovative and transformative solutions to its enterprise customers and their ecosystems.

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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