

SILVERLAKE AXIS LTD

(Incorporated in Bermuda)

(Company Registration No. 32447)

PRESS RELEASE - FOR IMMEDIATE RELEASE

Silverlake's Q4 FY2020 revenue decreased by 17% to RM156.8 million, full year FY2020 revenue stable at RM663.7 million, a marginal 3% reduction from FY2019.

Earnings before interest, taxes, depreciation and amortisation ("EBITDA") at RM278.0 million for FY2020, a decrease of 16% as a result of lower non-operating other income and one-off restructuring charges.

Final Dividend proposed at SGD0.33 cents per share; full year dividend payout ratio of 40%.

- *Group revenue at RM156.8 million in Q4 FY2020 was 17% lower than Q4 FY2019, with slowdown in project related revenue segments. Full year revenue at RM663.7 million was 3% lower from FY2019.*
- *Software project services revenue reduced 34% to RM23.1 million and license revenue decreased 90% to RM3.6 million for the quarter; Full year FY2020 software licensing revenue down 44% to RM56.1 million and project services revenue down 28% to RM74.3 million.*
- *Continued robust growth momentum in recurring revenue segments, consistently representing above 70% of total revenue in Q4 FY2020 and FY2020.*
 - *Maintenance and enhancement services grew 8% to RM112.5 million in the quarter and 9% for full year to RM460.3 million.*
 - *Software-as-a-Service for insurance processing decreased by 30% to RM6.0 million in Q4 FY2020 as COVID-19 affected the claims volume but full year increased by 4% to RM34.7 million.*

- **EBITDA in Q4 FY2020 at RM59.6 million compared to RM88.2 million in Q4 FY2019 despite a 40% reduction in Other Income; FY2020 EBITDA at RM278.0 million as compared to RM332.5 million in FY2019.**

Singapore, 26 August 2020 – Singapore Exchange Mainboard listed Silverlake Axis Ltd (“SAL” or the “Group”), a leading provider of Digital Economy Solutions and Services to major organisations in Banking, Insurance, Retail, Government, Payment and Logistics industries, today announced its results for the fourth quarter and full year ended 30 June 2020.

Q4 FY2020 Results Review

Group revenue of RM156.8 million in Q4 FY2020 was 17% lower compared with RM189.3 million recorded in Q4 FY2019 and this was mainly due to lower contribution from project related revenue segments and Software-as-a-Service for insurance processing. The COVID-19 pandemic has affected the Group's ability to close deals timely due to changes in customers' priorities and lockdown measures which have restricted the mobility and therefore ability of employees to service customers optimally.

Recurring revenue segments comprising ***maintenance, enhancement services and Software-as-a-Service*** rose 5% to RM118.6 million, and now account for 76% of group revenue in Q4 FY2020. Revenue from ***maintenance and enhancement services*** grew 8% to RM112.5 million for the quarter, with additional contribution coming from new contracts secured in several ASEAN countries and Hong Kong. Revenue from Software-as-a-Service for ***insurance processing*** decreased by 30% from RM8.6 million in Q4 FY2019 to RM6.0 million in Q4 FY2020. Insurance processing activities were impacted by governments movement restriction orders that affected transaction volumes.

Project related revenue comprising software licensing and software project services declined 61% to RM26.7 million in Q4 FY2020. Lower progressive revenue recognised from major ongoing licensing and implementation contracts secured in Malaysia and Thailand led to the overall decrease in project related revenue in Q4 FY2020 as compared with Q4 FY2019. In Q4 FY2020, the decline was cushioned by new and smaller core banking implementation and retail automation contracts secured in Indonesia and Malaysia.

The lower revenue recorded led the Group's gross profit growth to be 28% lower at RM87.5 million in Q4 FY2020. However, the gross profit margin declined from 64% to 56% due to revenue mix with a lower proportion of revenue recorded from higher margin business segments. There was a significant 43% reduction in selling and distribution costs from RM10.5 million to RM6.0 million in Q4 FY2020 and a 15% reduction in administrative expenses to RM45.5 million in Q4 FY2020 as a result of fewer customer

contact activities and cost control measures undertaken by management. Finance costs increased 21% to RM8.6 million mainly due to the unwinding of discount on the contingent consideration payable.

As a result of the above, the Group's profit before tax declined from RM75.7 million to RM43.0 million in Q4 FY2020 with a reduction in EBITDA from RM88.2 million to RM59.6 million in Q4 FY2020. In Q4 FY2020, the Group has recorded a tax credit of RM16.0 million as compared to an income tax expense of RM8.2 million in Q4 FY2019. This is mainly attributable to the recognition of deferred tax assets on tax allowance claimable on the intellectual property rights acquired in Singapore in the current financial period. As a consequence of the above, the Group reported a profit after tax of RM59.1 million, a decline from RM67.4 million in Q4 FY2019.

FY2020 Results Review

FY2020 group revenue decreased by 3% compared with FY2019 and recorded an EBITDA of RM278.0 million, 16% lower than the RM332.5 million achieved in FY2019. The Group recorded a net profit attributable to shareholders of RM184.7 million in FY2020.

Recurring revenue segments comprising maintenance, enhancement services and Software-as-a-Service rose 9% to RM495.4 million in FY2020. A key strength of the Group, the continuing growth of these recurring segments has lifted their share to 75% of group revenue in FY2020.

Project related revenue decreased 36% from RM203.6 million in FY2019 to RM130.4 million in FY2020. Software licensing revenue decreased by 44% to RM56.1 million in FY2020 and revenue from software project services decreased from RM102.9 million in FY2019 to RM74.3 million in FY2020.

The Group recorded a gross profit of RM391.7 million in FY2020, 8% lower compared with RM426.1 million in FY2019. The Group's gross profit margin of 59% in FY2020 was lower compared with 63% in FY2019 mainly due to lower contribution from higher margin business segments such as software licensing and software project services in FY2020 as compared with FY2019.

Operating costs were well managed in FY2020 due to cost rationalisation activities implemented and fewer customer contacts, although the consolidation of SIA X Infotech Group ("XIT Group") and realised foreign currency exchange loss added to administrative expenses. Higher finance costs were incurred for IFRS accounting on the contingent consideration payable for the acquisition of Silverlake Investment (SG) Pte. Ltd. (formerly known as Silverlake Investment Ltd.) Group ("SIL Group") and XIT Group.

As a result of the above, the Group's profit before tax declined from RM284.7 million to RM212.6 million in FY2020 with a reduction of EBITDA from RM332.5 million to RM278.0 million in FY2020.

Income tax expense of RM28.0 million in FY2020 was 29% lower than the RM39.2 million recorded in FY2019. The decrease was mainly attributable to the recognition of deferred tax assets on tax allowance claimable on the intellectual property rights acquired in Singapore in the current financial year. The decrease was partially offset by higher tax expenses due to the expiry of pioneer status of a Malaysian subsidiary in Q1 FY2020 and this contributed to the decline in profitability, with the Group reporting a profit after tax of RM184.7 million, a decline from RM245.6 million in FY2019.

Prospects

Volatility and uncertainty have been the defining features of FY2020, with significant challenges to the business environment, beginning with US-China trade disputes closely followed by the COVID-19 pandemic which resulted in draconian movement restriction measures implemented in many of the markets the Group operates in. Despite this combination of circumstances, there was no material disruption to the Group's operations in FY2020 and the Group continued to deliver on existing contracts as well as securing a number of new contracts. A total of over RM250 million of new contracts were closed in FY2020, a testament to the resilience of the Group's businesses and its people. Large deals continue to be a challenge to close due to economic uncertainties. However, the Group's customers continue to implement smaller incremental projects and believe that this trend will continue through FY2021.

"In a period of increasing market uncertainties, the Group's majority revenue segments, comprising recurrent revenue from banking related maintenance and enhancement services as well as non-banking segments of insurance and retail remain buoyant with good prospects for growth," said Mr. Andrew Tan, SAL's Group Managing Director. "While we are pursuing growth, we will also review our operating expenses and seek to optimise our tax structure to improve the overall cost efficiency," added Mr. Andrew Tan.

In anticipation of a challenging operating environment, the Group has enhanced its customer proposition by launching its digital suite Mobius, as well as embarking on a five-year multi-pronged strategy to retain and protect the Group's existing customer base, to extend the Group's business/services to new and existing markets through both new products and new partnerships.

In the last ten years, the Group has undertaken seven acquisitions to broaden its suite of business enterprise software solutions and service offerings and strengthen its market position in new markets.

As this remains an effective strategy for expansion, the Group will continue to evaluate suitable business opportunities.

This press release should be read in conjunction with SAL's Q4 FY2020 results announcement released on 26 August 2020 to the Singapore Exchange.

About Silverlake Axis

Silverlake Axis Ltd (SAL) provides software solutions and services to the Banking, Insurance, Retail, Government, Payment and Logistics industries. 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 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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