



SILVERLAKE AXIS LTD

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

PRESS RELEASE - FOR IMMEDIATE RELEASE

Compared to FY2020, Silverlake's Q2 FY2021 revenue decreased by 16% to RM160.5 million and for 1H FY2021, revenue decreased by 13% to RM308.4 million. The Q2 FY2021 revenue is the highest compared to the preceding 3 pandemic impacted quarters.

Similarly, Q2 FY2021 Profit Before Tax ("PBT") decreased by 26% to RM56.1 million and for 1H FY2021, PBT decreased by 21% to RM105.4 million. The Q2 FY2021 PBT is the highest compared to the preceding 3 pandemic impacted quarters.

Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") for Q2 FY2021 is RM68.8 million, a decrease of 25% and for 1H FY2021, it decreased by 18% to RM135.7 million, resulting largely from a number of one-off administrative expenses incurred. Similarly, EBITDA for Q2 FY2021 is also the highest of the 3 preceding quarters.

- *Group revenue at RM160.5 million in Q2 FY2021 was 16% lower than Q2 FY2020, with slowdown in project related revenue segments. 1H FY2021 revenue at RM308.4 million was 13% lower from 1H FY2020, caused largely by deferment of larger ticket size projects as a result of the pandemic.*
- *Software project services revenue decreased 7% to RM12.7 million and license revenue decreased 38% to RM14.3 million for the quarter; 1H FY2021 software licensing revenue decreased 48% to RM22.2 million and project services revenue decreased 10% to RM29.9 million.*
- *Recurring revenue from maintenance and enhancement segments remain stable at RM123.0 million in Q2 FY2021 compared to RM123.7 million in Q2 FY2020 and 1H FY2021 booked RM236.1 million compared to RM236.5 million in 1H FY2020, consistently representing above 75% of total revenue in Q2 FY2021 and 1H FY2021.*

- ***Software-as-a-Service (“SaaS”) for insurance processing decreased by 10% to RM9.0 million in Q2 FY2021 as COVID-19 affected the claims volume and for 1H FY2021, it decreased by 10% to RM17.8 million.***
- ***For 1H FY2021, we closed over RM180 million worth of new contracts, where revenue is expected to be recognised substantially in the subsequent two quarters of this financial year. Total contracts closed in 1H FY2021 is RM60 million more than the total contracts signed in 2H FY2020.***
- ***We have an operating cash flow of RM78 million in 1H FY2021 and a healthy cash balance of circa RM500 million.***

Singapore, 10th February 2021 – 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.

Q2 FY2021 Results Review

Group revenue of RM160.5 million in Q2 FY2021 was 16% lower compared with RM190.7 million recorded in Q2 FY2020 and this was mainly due to lower contribution from project related revenue segments and sale of software and hardware products. The COVID-19 pandemic has affected the Group's ability to close larger size deals in this revenue segment. However, this is balanced to some extent by growth of incremental smaller ticket size projects.

Recurring revenue segments comprising ***maintenance and enhancement services, and SaaS*** fell 1% to RM132.1 million, and now account for 82% of Group revenue in Q2 FY2021.

- Revenue from ***maintenance and enhancement services*** remain stable at -1% from RM123.7 million in Q2 FY2020 to RM123.0 million in Q2 FY2021 due to a continuing trend of incremental enhancements undertaken by our client base. 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.

- Revenue from SaaS for **insurance processing** decreased by 10% from RM10.0 million in Q2 FY2020 to RM9.0 million in Q2 FY2021. Insurance processing activities were impacted by the reduced mobility that impacted transaction volumes due to the second wave of COVID-19.

Project related revenue comprising software licensing and software project services declined 27% to RM26.9 million in Q2 FY2021. Lower progressive revenue recognised mainly due to key projects nearing completion or projects being delayed at requests of customers. Slower conversion of larger size deals in Q2 FY2021 has made this segment a challenge for FY2021.

The lower revenue recorded led the Group's gross profit growth to be 14% lower at RM100.4 million in Q2 FY2021. However, the gross profit margin improved from 61% to 63% with the implementation of cost management initiatives.

Selling and distribution costs reduced by 18% from RM9.7 million in Q2 FY2020 to RM8.0 million in Q2 FY2021 as a result of tightening costs during the pandemic period.

Administrative expenses increased by 22% from RM29.9 million to RM36.4 million in Q2 FY2021 mainly due to foreign currency exchange loss recorded from translation of bank balances and receivables denominated in foreign currencies and from the cost of Silverlake Axis Ltd. Performance Share Plan in Q2 FY2021.

Finance costs decreased by 60% from RM8.7 million to RM3.5 million in Q2 FY2021 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 ("SISG Group") as required by IFRS. Lower interest expense on revolving credit drawn-down in Q2 FY2021 has also led to the overall decrease in finance costs.

As a result of the above, the Group's PBT declined from RM76.0 million to RM56.1 million in Q2 FY2021 with a reduction in EBITDA from RM92.3 million to RM68.8 million in Q2 FY2021.

Income tax expense decreased from RM23.2 million in Q2 FY2020 to RM21.5 million in Q2 FY2021 mainly due to lower withholding tax on overseas revenue in the current financial period as compared to the previous corresponding period.

As a consequence of these factors that contributed to the decline in profitability as well as tax expense, the Group reported a Profit After Tax ("PAT") of RM34.6 million, a decline of 34% from RM52.8 million in Q2 FY2020.

1H FY2021 Results Review

Group revenue of RM308.4 million in 1H FY2021 was 13% lower than the RM355.5 million recorded in 1H FY2020 due to lower contributions from all major revenue segments. Large ticket size projects and deals have been deferred, project related services continue to be a challenge and remain impacted by COVID-19. In addition, Silverlake Japan Ltd. has ceased its operations in Q1 FY2021 following the termination of the last customer contract for credit and cards processing in late FY2020.

Recurring revenue segments comprising ***maintenance and enhancement services, and SaaS*** remained a key revenue driver for the Group and contributed 82% of Group revenue in 1H FY2021.

- The Group managed to sustain the stable revenue from ***maintenance and enhancement services*** amidst COVID-19 pandemic lockdown in multiple countries.
- 1H FY2021 ***SaaS Insurance processing*** revenue declined by 10% to RM17.8 million mainly due to lower claims processing activities. The communities in various countries have reduced mobility during the current pandemic period which led to significantly lower traffic volume and hence fewer motor accident claims.
- Revenue from ***SaaS for 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 SME market.

Project related revenue comprising software licensing and software project services declined 31% from RM75.6 million in 1H FY2020 to RM52.1 million in 1H FY2021.

- The markets remained soft for bookings of larger license deals. As a result, ***software licensing*** revenue decreased by 48% to RM22.2 million in 1H FY2021.
- ***Software project services*** segment recorded lower progressive revenue in 1H FY2021. Revenue from this segment declined 10% to RM29.9 million. This is due to key projects nearing completion or projects being delayed at requests of customers. However, the decrease in 1H FY2021 was somewhat mitigated by smaller scale contracts for SIBS tactical modernisation and technology refresh contracts secured in Indonesia and Malaysia in 2H FY2020.

Sale of software and hardware products recorded significantly lower revenue of RM2.0 million in 1H FY2021 as compared to RM20.4 million in 1H FY2020. There were sizeable hardware sales delivered to support the technology refresh contract of banks in Malaysia in 1H FY2020 whereas sale of hardware

products in 1H FY2021 could be affected by the deferment of capital expenditure during the pandemic period.

Despite a decrease of gross profit from RM221.6 million in 1H FY2020 to RM191.8 million in 1H FY2021, the Group was able to maintain a healthy gross profit margin of 62% in both 1H FY2021 and 1H FY2020.

Finance income was lower as yields reduced on deposits with financial institutions in 1H FY2021 as compared with 1H FY2020.

Other income of RM8.3 million in 1H FY2021 was 9% higher than the RM7.6 million reported in 1H FY2020 as 1H FY2021 recorded RM3.9 million government subsidies and office rental concession from Singapore, Latvia, Malaysia and Hong Kong to support businesses, RM1.5 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.

There was a 18% reduction in selling and distribution costs from RM19.1 million to RM15.7 million in 1H FY2021 as a result of tightening costs during the pandemic period.

Administrative expenses increased by 6% from RM63.8 million to RM67.4 million in 1H FY2021 mainly due to foreign currency exchange losses and the cost of Silverlake Axis Ltd. Performance Share Plan in 1H FY2021.

Finance costs decreased by 28% from RM17.1 million to RM12.2 million in 1H 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 drawn-down.

As a result of the above, the Group's PBT declined from RM132.8 million to RM105.4 million in 1H FY2021 with a reduction in EBITDA from RM164.9 million to RM135.7 million in 1H FY2021.

Income tax expense increased from RM32.8 million in 1H FY2020 to RM37.9 million in 1H FY2021. The increase was mainly due to the expiry of pioneer status of a Malaysian subsidiary during Q1 FY2020, reversal of deferred tax assets from the utilisation of unused tax losses of a subsidiary, as well as higher withholding tax on overseas revenue in 1H FY2021 as compared with 1H FY2020.

The Group reported a PAT of RM67.5 million, a decline of 32% from RM100.0 million in 1H FY2020.

Prospects

The market landscape continues to remain challenging despite some initial euphoria on vaccine development and deployment. Optimism that this would bring about a quick economic recovery has diminished and the reality is that it may be a long haul before we get back to pre-COVID-19 levels. Some countries are still experiencing increased levels of COVID-19 cases and most are still actively operating under varying levels of restrictions and controls in movements. The business climate remains uncertain and, in our view, this will likely be the case for the most part of this year.

Our customers are still hesitant to take bold steps to invest in transformational big ticket IT projects. The prevailing approach remains to retain their existing technology investments and incrementally add on or upgrade to what they have. Spend in this area is showing momentum and strong growth for the Group, given our large footprint and coverage in Asia. Our focus in the near and medium term is to work closely with our customers to help them optimise on their existing Silverlake solution investments – to provide the enhancements and extended capabilities that they need as they ride through this period of uncertainty.

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.

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