SILVERLAKE AXIS LTD.
(Company Registration No. 202133173M)
(Registered in Singapore)

FINANCIAL HIGHLIGHTS AND BUSINESS UPDATES - FOR IMMEDIATE RELEASE

Silverlake Axis records RM563.6 million in revenue year-to-date ending 31 March 2023 (“9M FY2023”), representing our highest 9M revenue over a 5-year period and a growth of 6% over prior year

Singapore, 15 May 2023 – Singapore Exchange Mainboard listed Silverlake Axis Ltd. (“SAL” or the “Group”), 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 provided financial and operational updates on a voluntary basis for the financial period ended 31 March 2023.

- Revenue and Gross Profit increased 6% to RM563.6 million and RM333.8 million respectively, contributed by growth in all revenue segments.
- Recurring revenue from insurance ecosystem transactions and services grew 38% to RM39.0 million compared to RM28.2 million recorded in the same period last year.
- Profit After Tax (“PAT”) of RM133.9 million was comparable with RM134.8 million recorded last year.
- All segments of our business recorded growth.
- We continue to manage our cash prudently with stable total cash-at-hand of RM550 million that gives us 10 comfortable months of OPEX coverage.
- Year-to-date total contracts closed amount to RM540.8 million, which is a 38% growth over prior year.
- Secured our first multi-million 10-year core and channels digital banking MÖBIUS deal with a client in Malaysia.
- Our current opportunities and deals pipeline remain robust at total gross value of RM1.8 billion. We achieved our highest recorded contract wins in a single quarter (Q3 FY2023) amounting to RM258.6 million. Further, there are RM260.5 million in deals that have a high probability of closure in the coming months.
- The Group’s secured FY2023 revenue or revenue backlog remains at a comfortable level. Further, we are building strong backlog going into FY2024 with the recent contract wins.

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FINANCIAL HIGHLIGHTS
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2023

	Nine months period ended 31 March		
	2023 Unaudited RM	**2022 Unaudited RM**	**Change %**
Revenue	563,584,322	530,423,384	6
Gross profit	**333,828,331**	**315,425,757**	**6**
Other income	3,122,666	4,357,919	(28)
Operating expenses	(168,625,188)	(141,959,391)	19
Profit before tax	**175,467,392**	**179,989,233**	**(3)**
Income tax expense	(41,538,578)	(45,211,802)	(8)
Profit for the period	**133,928,814**	**134,777,431**	**(1)**
EBITDA*	**203,293,862**	**207,607,200**	**(2)**
Basic earnings per share (sen)	**5.33**	**5.04**	**6**
Diluted earnings per share (sen)	**5.33**	**5.03**	**6**

* Earnings Before Interest, Taxes, Depreciation and Amortisation

REVENUE BY BUSINESS ACTIVITIES

	Nine months period ended 31 March		
	2023 Unaudited RM	**2022 Unaudited RM**	**Change %**
Software licensing	63,267,168	60,910,632	4
Software project services (professional services)	66,458,781	65,978,194	1
Maintenance and enhancement services	373,315,658	367,621,242	2
Sale of software and hardware products	18,710,281	6,564,346	185
Insurance ecosystem transactions and services	38,969,939	28,179,559	38
Retail transactions processing	2,862,495	1,169,411	145
Total	**563,584,322**	**530,423,384**	**6**
Delivered through:			
• Cloud computing	11%	13%	(2%)
• Software-as-a-Service	7%	5%	2%

Group revenue grew 6% to RM563.6 million, compared to RM530.4 million recorded in 9M FY2022.

Across the board, we recorded increased revenues in all segments of our business:
- Software licensing +4%
- Software project services (professional services) +1%
- Maintenance and enhancement services +2%
- Sale of software and hardware products +185%
- Insurance ecosystem transactions and services +38%
- Retail transactions processing +145%

Project related revenue comprising software licensing and software project services (professional services) increased 2% from RM126.9 million to RM129.7 million in 9M FY2023. The increase was largely contributed by the sale of new software licenses and implementation services in Thailand, UAE, Malaysia and Brunei. In addition, progressive project revenue recognised from on-going secured projects remained at a stable level.

Total recurring revenue (maintenance and enhancement services, insurance ecosystem transactions and services, and retail transactions processing) increased 5% from RM397.0 million to RM415.1 million in 9M FY2023. Recurring revenues contributed approximately 75% of total Group revenue and has consistently remained the key revenue driver for the Group.

- Maintenance revenue increased 4% to RM191.1 million and we anticipate this will grow as new maintenance contracts will commence when current projects are completed and successfully handed over to the clients. Enhancement services revenue of RM182.2 million was 1% lower than 9M FY2022 mainly due to the timing and progress of contracts fulfilment and delivery. We anticipate this will be recognised and booked in the following quarter.

- Insurance ecosystem transactions and services recorded a significant 38% increase from RM28.2 million to RM39.0 million.

  (i) Revenue from vehicle claims processing ("eClaims") was 42% higher than prior year. This has surpassed pre-COVID-19 level in all the countries that we operate in, with claims volume showing a significant increase in countries such as Malaysia, Singapore and Indonesia which was 36% higher than prior year. Starting this financial period, we have expanded our eClaims business into Hong Kong and this will further strengthen and support our growth in this segment of our business. Our new operations in Japan and UAE are also doing well with sizeable volume increase in eClaims. Japan and UAE contributed 4% to total eClaims revenue as of this reporting period (versus 1% in the same period last year).
  (ii) Revenue from the processing of insurance policies ("ePolicy") recorded 19% growth in 9M FY2023 mainly in Hong Kong, Singapore, and Indonesia.
  (iii) Revenue from TrueSight suite of productivity & analytics solutions continue to rise quarter to quarter, with increased onboarding of clients in the automotive and e-commerce platform industry. 7% of total insurance ecosystem transactions and services revenue in 9M FY2023 are contributed from TrueSight sales, as compared to 5% in the same period last year.
  (iv) Revenue from the integration services rendered to support eClaims and ePolicy activities in 9M FY2023 was 7% higher as a result of higher requests and demands from Hong Kong and Thailand clients.

- Revenue from retail transactions processing increased 145% to RM2.9 million in 9M FY2023. There were higher subscriptions for our cloud-based retail solution, AgoraCloud, from retail and pharmaceutical clients in Malaysia and Singapore.

To support the smooth running of core banking systems installed by the Group, clients have invested into hardware upgrades to enhance their IT infrastructure. There were two major hardware deals closed and recognised as revenue in 9M FY2023. As a result, revenue from sale of software and hardware products have increased 185% from RM6.6 million to RM18.7 million in 9M FY2023.

RM63.3 million or 11% of total Group revenue was delivered via cloud computing. The revenue from this segment should increase over time as more and more of our clients are looking at cloud-based solution options to improve business and operational efficiency.

Revenue from Software-as-a-Service ("SaaS") grew 46% to RM39.1 million and now constitutes 7% of our total Group revenue in 9M FY2023.

The Group recorded a gross profit of RM333.8 million in 9M FY2023, 6% higher as compared to RM315.4 million recorded in the same period last year. Gross profit margin remained consistent at 59% in both financial periods.

Other income was 28% lower this year, a decrease from RM4.4 million to RM3.1 million in 9M FY2023, on account of removal of government COVID-19 support subsidies post pandemic. Another factor that contributed to the overall decrease in other income was the fluctuation of foreign currencies. The Group recorded foreign currency exchange loss on cash reserves this period as compared to a gain last year. The loss recorded this period amounted to RM6.2 million.

The Group incurred total expenses of RM168.6 million in 9M FY2023. This was 19% higher compared with RM142.0 million recorded in the same period last year. The increase in expenses was expected and was incurred given current inflationary environment and also to support long-term growth and sustainability of our business. Key breakdowns for the increase are:

- 50% cost increase is associated with addition of new headcounts into the organisation and increased business development and travel costs post pandemic. More headcounts were added to service the many new project contracts won and headcounts for business development, business expansion, support future sustainability and increasing sales and market coverage.

- 21% cost increase was attributable to finance costs incurred on a revolving credit facility (“RCF”) drawdown for a corporate exercise executed in Q4 last year which we did not have in the prior year.

- 17% cost increase was due to foreign currency exchange loss on cash reserves recorded during the period as a result of the fluctuation of foreign currencies.

- The remaining 12% cost increase was related to operating costs such as various professional services incurred, internal and external branding activities as markets opened up, and higher cost of SAL Executives’ Performance Share Plan as a result of upward movement of SAL share price.

Whilst expenses have increased, the Group had carefully managed this to ensure this is well supported and absorbed through corresponding revenue growth. Overall, the Group’s expense (selling, distribution, administrative and finance costs) over revenue ratio of 30% is below the industry benchmark of 35% to 40%. It is one of the key metrics used for cost monitoring to ensure the spending are within planned parameters to deliver the existing and future contracts.

In aggregate, the Group achieved Profit Before Tax (“PBT”) of RM175.5 million and EBITDA of RM203.3 million in 9M FY2023.

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

	Nine months period ended 31 March		
	2023 Unaudited RM	2022 Unaudited RM	Change %
Current income tax (“CIT”)	37,617,342	35,626,478	6
Deferred tax (“DT”)	3,870,450	7,107,868	(46)
Foreign and withholding tax	50,786	2,477,456	(98)
Total income tax expense	**41,538,578**	**45,211,802**	**(8)**
% of CIT over Group’s Profit Before Tax	22%	20%	2%
% of DT over Group’s Profit Before Tax	2%	4%	(2%)
% of CIT and DT over Group’s Profit Before Tax	24%	24%	(0%)

CIT represents amount expected to be incurred and paid to the taxation authorities in respect of taxable income generated during the year. The Group recorded an effective CIT rate of 22%, 2% higher than last year mainly due to higher chargeable income generated from certain subsidiaries.

As compared with 9M FY2022, deferred tax expense decreased by 46% to RM3.9 million mainly due to lower utilisation of written-down allowance of intellectual property rights in 9M FY2023.

As a consequence of these factors, the Group reported a PAT of RM133.9 million in 9M FY2023, marginally lower by 1% as compared to RM134.8 million recorded last year.

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

As we enter calendar year 2023, Banks continue to partner with reliable and proven solution providers to drive their technology transformation agenda; which covers core banking modernisation or replacement, improving digital experiences for bank customers, enhancing data analytics capabilities, reducing operational costs and capex, driving greater internal digital innovation culture, digitising back-office functions and the innovative deployment of artificial intelligence (“AI”) applications to improve banking operations and customer service.

With Banks continuing to transform, the industry and the markets we operate in are also cognizant of external factors driving global political and economic uncertainty and impact to our region in Asia. Global growth is expected to slow in 2023, as rising interest rates and the Ukraine conflict weigh down on trade and activity. Global inflationary pressures, while showing signs of stabilising continues to remain high and Asia as a region, is no exception. The increasingly complex economic landscape is further exacerbated with strains in the U.S. and European banking sectors, creating further uncertainty. But despite challenges ahead for the world economy, there is a level of confidence that Asia, being a dynamic region, will ride through this with minimal disruption.

For our business, we have not seen substantial or major deterioration in terms of opportunities we are pursuing. Our total deals pipeline remains robust at RM1.8 billion. Potential deals where we have been shortlisted, in negotiation with clients or undergoing contracting currently stands at RM260.5 million, which bodes well for future financial years. However, clients are more cautious in making final purchase decisions. Negotiations and contracting are taking longer but nevertheless, the market and our clients continue to invest in proven partners and technology solutions that can positively contribute to their change agenda.

9 months into FY2023, SAL is holding steady and recorded RM563.6 million in revenue, a 6% growth over prior year. This is our highest 9M revenue achieved compared to the last 5 preceding years. On the profit front, we were able to hold steady and recorded profits comparable to last year's level on a year-to-date level. Net profit came to RM133.9 million.

As we progress into calendar year 2023, our major focus and activities will be on delivering our banking solutions to 6 new logo Banks – in ASEAN and the Middle East. 5 of the 6 new logo banks will go live in the next 6 months.

Our opportunities pipeline remains robust across all operating business units (for both banking and non-banking segments) as banks continue to invest in digital transformation to improve their competitiveness from payments to lending, and enhance and transform how customers do business with them.

- Amongst our installed base, clients continue to deploy budgets towards modernising and upgrading their core banking platforms and they look to us to provide specialist services to undertake these initiatives.

- Our new cloud native digital banking product MÖBIUS continues to gain market traction and market adoption. The first launch of the MÖBIUS monoline product went live in Thailand with great acclaim and publicity, and is on track for adoption by more banks, with growing enquiries from both SAL and non-SAL clients. We have begun to deploy resources to install this solution for our first MÖBIUS client in Malaysia with a 10-year contract to manage the solution for the Bank.

While cost overall has increased and impacted all businesses in the IT industry including the Group, we believe we are managing this dimension well. Our cost to revenue ratio of 30% is below industry benchmark of 35% to 40%. Our profit margins remain healthy and for YTD FY2023, gross profit margin at 59% and net profit margin at 24% are at very comfortable ranges and maintainable for the foreseeable future.

Some broad industry trends that we observe are:

- Accelerating momentum in digital banking rollout: The usage of digital banking services continues to expand and banks continue to invest in digital infrastructure to provide convenient, accessible, and secure services to their customers, enhancing customer experience and simplifying customer journey.

- Focus on customer experience: Banks are investing in technologies to enhance how customers interact with them, using data analytics and hyper personalisation and customisation.

- Platform and Eco-system Development: The fintech industry necessitates more collaboration and partnerships with fintech companies to offer new and innovative financial services products and offerings. We continue to evaluate partnerships and have a new partnership function to evaluate and manage strategic partnerships with fintech with collaborations to provide innovative complementary solutions for our clients.

- Financial wellness: Banks are starting to recognise the importance of financial wellness and are developing new products and services to help their customers manage their finances more effectively and increase customer lifetime value.

  We are investigating and evaluating AI, large language models and machine learning products and technologies to provide superior efficiency, improve risk management and provide superior customer service.

- Rising emphasis on sustainability and ESG: Banks are becoming more conscious of their impact on the environment and society, and are starting to integrate sustainability and ESG considerations into their operations and investment strategies.

We continue to execute to our market and product strategy, maintain focus on the future sustainability of our business with conscious and targeted investments in sales and marketing, internal ERP and CRM systems and above all, our continual investment into our people and culture as the foundation for the business and to ensure we have a seamless transition to the next phase of our growth.

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 clients 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 clients 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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