



SILVERLAKE AXIS LTD.

(Registered in Singapore)

(Company Registration No. 202133173M)

FINANCIAL HIGHLIGHTS AND BUSINESS UPDATES - FOR IMMEDIATE RELEASE

Silverlake Axis recorded RM189.2 million in revenue in the first quarter ended 30 September 2023 (“Q1 FY2024”) and achieved EBITDA of RM64.4 million

Singapore, 15 November 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 30 September 2023.

- Overall, there was a marginal increase in revenue to RM189.2 million; with strong growth from two (2) key major segments of our business – maintenance and enhancement services, and project services (professional services).
- Total recurring revenue comprising maintenance and enhancement services, insurance ecosystem transactions and services, and retail transactions processing grew 12% to RM138.6 million compared to RM123.4 million recorded in the same period last year.
- Project services revenue grew 137% compared to prior year as a result of strong revenue flow coming from a series of projects closed in FY2023, in particular from core banking delivery projects for six (6) new named banks which are all proceeding as planned.
- RM35.8 million or 19% of total Group revenue was delivered via cloud computing, an increase of 107% compared to RM17.3 million or 9% in the same period last year.
- Software-as-a-Service (“SaaS”) revenue increased 45% to RM18.9 million compared to RM13.1 million recorded in the same period last year. SaaS currently constitute 10% of the total Group revenue, 3% higher than Q1 FY2023.
- Profit After Tax (“PAT”) for the first quarter was RM48.9 million, the highest compared to the last three (3) preceding quarters but lower than Q1 prior year due to one large software licensing contract recognised then.
- We continue to manage our cash prudently with stable total cash-at-hand of RM561 million that gives us 10 months of OPEX coverage.
- Total contracts closed in Q1 FY2024 amounted to RM124.5 million, 8% lower than prior year but momentum remains strong for more deal closures in the coming quarters.

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FINANCIAL HIGHLIGHTS**FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023**

	First Quarter ended 30 September		
	2023 Unaudited RM	2022 Unaudited RM	Change %
Revenue	189,189,906	187,973,646	1
Gross profit	107,461,056	110,136,666	(2)
Other income	2,321,380	6,434,894	(64)
Operating expenses	(57,928,845)	(51,083,444)	13
Profit before tax	55,611,950	66,933,495	(17)
Income tax expense	(6,723,127)	(9,350,968)	(28)
Profit for the period	48,888,823	57,582,527	(15)
EBITDA	64,437,839	76,756,032	(16)
Basic earnings per share (sen)	1.93	2.28	(15)
Diluted earnings per share (sen)	1.93	2.28	(15)

REVENUE BY BUSINESS ACTIVITIES

	First Quarter ended 30 September		
	2023 Unaudited RM	2022 Unaudited RM	Change %
Software licensing	13,242,474	38,912,017	(66)
Software project services (professional services)	33,079,560	13,942,247	137
Maintenance and enhancement services	123,738,412	109,168,398	13
Sale of system software and hardware products	4,294,536	11,716,775	(63)
Insurance ecosystem transactions and services	13,662,177	13,342,470	2
Retail transactions processing	1,172,747	891,739	32
Total	189,189,906	187,973,646	1
Delivered through:			
• Cloud computing	19%	9%	10%
• Software-as-a-Service	10%	7%	3%

Group revenue grew 1% to RM189.2 million, compared to RM188.0 million recorded in Q1 FY2023.

Total recurring revenue (maintenance and enhancement services, insurance ecosystem transactions and services, and retail transactions processing) achieved double-digit growth of 12% from RM123.4 million to RM138.6 million in Q1 FY2024. Recurring revenue contributed 73% of total Group revenue and has consistently remained the key revenue segment for the Group.

- Maintenance revenue increased 8% to RM67.7 million, a consistently growing revenue segment as new maintenance contracts will commence when current projects are completed and successfully handed over to the clients. Q1 FY2024 rebounded with strong enhancements and change request revenue as we continue to guide our customers in modernising their core platforms; and are quite widespread coming from clients in South East Asia, Middle East and Europe in Q1 FY2024. The enhancement services revenue of RM56.0 million recognised this quarter was 21% higher as compared to the same period last year.
- Insurance ecosystem transactions and services revenue increased 2% from RM13.3 million to RM13.7 million in Q1 FY2024. This segment comprises revenue from the processing of motor and non-motor claims (“eClaims”), the processing of insurance policies (“ePolicy”), TrueSight suite of productivity & analytics solutions, and integration and maintenance services (where required), and these solutions contribute approximately 75%, 11%, 8% and 6% respectively to the total insurtech revenue in Q1 FY2024.

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Post COVID-19 pandemic, the quarterly revenue has been trending consistently upwards. The Software-as-a-Service (“SaaS”) revenue from this segment continue to rise quarter to quarter and this is the highest quarterly revenue achieved.

- Retail transactions processing revenue of RM1.2 million was 32% higher as compared to Q1 FY2023. The growth in this revenue segment for the past three (3) years has been strong since the launch of our cloud-based retail solution – AgoraCloud in FY2021. It was first adopted by clients from the retail sector in FY2021 and subsequently extended to clients engaged in pharmaceutical industry. Over the years, there are increased usage and subscriptions to new modules of AgoraCloud from our existing base of six (6) clients and this has contributed higher revenue year-on-year.

In terms of **total non-recurring revenue** (software licensing, software project services (professional services) and sale of system software and hardware products), this revenue segment contributed RM50.6 million in Q1 FY2024, 22% lower compared to RM64.6 million achieved in prior year.

- Software project services (professional services) revenue increased 137% to RM33.1 million as a result of new revenue flow from services contracts closed in the prior year.
- Software license revenue, however declined 66% to RM13.2 million as license revenue in Q1 prior year included one large software licensing transaction from a client in Indonesia. Compensating for that large ticket license booking in Q1 prior year, we had major contributions from professional services from key core banking projects secured in the previous financial year – namely new MÖBIUS, SIBS and Symmetri core banking installations in Malaysia, Thailand, the Middle East and South Asia.
- Sale of system software and hardware products reduced 63% from RM11.7 million to RM4.3 million in Q1 FY2024. Hardware sale is seasonal in nature and dependent on clients’ data growth and upgrade requirements.
- 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.

RM35.8 million or 19% of total Group revenue was delivered via cloud computing, 107% higher than RM17.3 million recorded in the previous year. 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 SaaS grew 45% to RM18.9 million and now constitutes 10% of our total Group revenue in Q1 FY2024.

The Group recorded a gross profit of RM107.5 million in Q1 FY2024, 2% lower than prior year with an aggregate gross profit margin of 57%, lower than the 59% achieved in Q1 FY2023. This was due to a change in the mix of revenue segments. The proportion of software licensing revenue segment over total Group revenue of 7% in Q1 FY2024 was lower compared to 21% in the same period last year.

Other income was 64% lower in this quarter, a decrease from RM6.4 million to RM2.3 million in Q1 FY2024 as the Group recorded a lower foreign currency exchange gain on the cash reserves due to the fluctuation of foreign currencies in the current quarter compared to the same period last year.

The Group incurred total expenses of RM57.9 million in Q1 FY2024. This was 13% higher compared to RM51.1 million recorded in the same period last year but remained stable and comparable with Q3 and Q4 FY2023. However, the increase in total expenses of 13% is lower than the 19% growth in revenue excluding the one large software licensing transaction from Q1 FY2023.

- 82% cost increase was associated with annual salary increment post COVID-19 effected in Q3 FY2023 and the new headcounts added into the organisation during FY2023 to support business development and business expansion, sales and market coverage. Between Q1 of this year versus Q1 prior year, a total of 60 new headcounts was added into our payroll to cover new markets and strengthen our presence.
- The remaining cost increase was related to operating costs such as IT related expenses particularly in software subscription and support as well as laptop leasing for new headcounts and business travels due to economic recovery post pandemic.

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Overall, the Group's expense (selling, distribution, administrative and finance costs) over revenue ratio of 31% is below the industry benchmark of 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. We continue to monitor the expenses and are committed to execute our five-year strategy, transformation program and restructuring plan to remain competitive and to improve operational efficiency.

In aggregate, the Group achieved Profit Before Tax ("PBT") of RM55.6 million and Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") of RM64.4 million in Q1 FY2024.

Income tax expense decreased 28% from RM9.4 million to RM6.7 million in Q1 FY2024. The Group recognised higher deferred tax assets on the deductible temporary differences attributable to business transactions in Q1 FY2024 which offset part of the total tax expense contributed by lesser incentive and bilateral tax relief claimed in Q1 FY2024 as compared to the same period last year. As a result, the effective tax rate reduced 2% from 14% to 12% in Q1 FY2024.

As a consequence of these factors, the Group reported a Profit After Tax ("PAT") of RM48.9 million in Q1 FY2024 and achieved net profit margin of 26%. This is in line with industry benchmark of 20%.

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 exit the first quarter of our financial year, we posted a commendable and defensive set of results; the key ASEAN markets we serve continue to provide opportunities and deal flows; however, we are mindful there are heightened risks in the global macroeconomic environment. In subsequent quarters, the uncertainty and volatility brought upon by persistently high inflation and a "higher for longer" monetary policy stance from central banks and weakness in commercial real estate and consumer credit may potentially affect many financial institutions adversely.

Adding uncertainty is the ongoing Ukraine war and the destabilisation in the Middle East over the last quarter that shows no signs of abatement and should there be any escalation, that might further affect the global economy adversely. Together the above two (2) factors have added a layer of additional uncertainty and volatility evidenced by the VIX index hitting its 2023 high in October 2023.

Despite this, we delivered growth in most revenue segments compared to the preceding quarter in FY2023 with a +137% growth in professional services, and in our recurring revenue segments we achieved a +13% in maintenance and enhancement. Our insurance and retail SaaS business had an encouraging quarter with stable revenues. This is a testament of the continuous trust and belief from our customers to provide banking solutions to their businesses.

We continue the strong momentum of closing deals with wins in Q1 FY2024 of RM124.5 million and a healthy deal pipeline we are actively pursuing of RM1.8 billion. Furthermore, we have over RM200 million in deals that are in advanced stages of negotiation or contracting with a high probability of closure in the coming quarters. Our average quarterly deal wins are now over RM100 million per quarter and these add revenue certainty to our future quarters as we deliver to these projects. With a renewed focus on market development in the Middle East and Eastern European markets, there are strong growth opportunities that are being prospected.

Our balance sheet remains strong with low gearing and circa RM560 million in available cash resources to weather any prolonged economic uncertainty.

IT spending for ASEAN remains cautiously optimistic with high single digit growth rates, and remains resilient.

Our key focus in the upcoming quarters will be on:

- To continue to re-position our product suite to enable IT transformation journeys of our customers;
- Continuous improvements in securing top talent and continued investment in our people;
- Collaborate with partners to aggressively expand market presence in Middle East, Africa and the Indian subcontinent;
- Offer competitive pricing for the right solutions and be customer focused;

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- QR – Expand our market share in the retail segment through our new SaaS product;
- Fermion – Extend existing relationships through new products and services, penetrate the life insurance market and banks through bancassurance and wealth management, and focus on SaaS core functionalities;
- XIT – Form strategic alliances with global system integrators to access new markets for Core Digital Identity products.

We observe a stable sales environment throughout FY2024 with positive pipeline development and progress made on large deals and two (2) new logo signings in the first quarter. Furthermore, we continue to extend services and increase share of wallet and value uplift for our existing customers. Our ongoing investments into research and development (“R&D”) and SaaS and Cloud are reaping benefits and we have new product features and launches for the upcoming year.

Our cloud native digital banking product MÖBIUS continues to be encouraging with new features and modules being added in and is now well on track for adoption by more Banks. More significantly, we are seeing increased MÖBIUS enquiries from non-Silverlake customers.

We are now able to address the following key requirements that we see from our customers and the financial services industry with our solutions suite.

1. Cloud-based solutions: A growing number of banks are adopting cloud-based solutions, which provide improved scalability, flexibility, and cost efficiency.
2. Artificial intelligence and machine learning: These technologies are being widely used in the banking sector to automate routine tasks and improve customer experiences and we are addressing this with our new “CloudLink” solution.
3. Open banking and API-based ecosystems: Open banking and APIs are enabling financial institutions to offer new products and services and increase customer engagement.
4. Cybersecurity: With increasing security threats and data breaches, financial institutions are investing in sophisticated cybersecurity solutions to protect their systems and customers’ sensitive information.

In November 2023, we held a Global customer event with over 140 participants from across the financial services and adjacent industries and a stellar cast of speakers and contributors with the spirit of networking and sharing, to harness the power of collective wisdom. The conversations created valuable connections helped to forge long-term partnerships that will contribute to our collective success.

Overall, in the Group, we continue to execute to our strategy and bring at scale a suite of innovative solutions that form the critical infrastructure base of the financial services and retail industry.

As we continue to execute to our market and product strategy, we maintain focus on the future sustainability of our business, and invest and work towards building and maintaining the foundation for our business and ensuring 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 customers in **70** countries across Asia, Europe, the Indian subcontinent, Middle East, Africa, and the Americas. Founded in 1989, SAL is recognised as a vendor with an impeccable delivery track record and client retention. SAL has many use cases and success stories in the 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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