



SILVERLAKE AXIS LTD.

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

PRESS RELEASE - FOR IMMEDIATE RELEASE

On a half year period ended 31 December 2023 ("1H FY2024"), Silverlake Axis Ltd. ("SAL" or the "Group") recorded revenue of RM397.4 million, marginally higher than prior year.

Earnings for the 1H FY2024 include:

- 4% lower in Gross Profit to RM220.2 million.
- Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") of RM127.5 million.
- Achieved Profit Before Tax ("PBT") of RM110.2 million, a decrease of 14% as compared to 1H FY2023; and Profit After Tax ("PAT") of RM89.3 million, 10% lower than prior year.

Margins remained within comfortable ranges for the half year – Gross Profit Margin at 55%, Net Profit Margin at 22%, and EBITDA Margin at 32%.

Singapore, 15 February 2024 – Singapore Exchange Mainboard listed 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, SAL serves more than 400 unique clients in 70 countries across Asia, Europe, the Indian subcontinent, Middle East, Africa, and the Americas. Founded in 1989, SAL is recognised for its impeccable delivery track record and client retention and today announced its results for the six months ended 31 December 2023.

1H FY2024 Results Review

In 1H FY2024, Group revenue grew marginally to RM397.4 million, compared to RM392.3 million recorded in 1H FY2023. The Group achieved EBITDA of RM127.5 million and PAT of RM89.3 million in 1H FY2024, a decrease of 13% and 10% respectively as compared to previous year.

Total recurring revenue (maintenance and enhancement services, insurance ecosystem transactions and services, and retail transactions processing) achieved 7% growth from RM278.1 million to RM298.8

million in 1H FY2024. Recurring revenue contributed 75% of total Group revenue and has consistently been a key revenue contributor for the Group.

- Maintenance revenue recorded double-digit growth of 10% from RM127.6 million to RM139.8 million and enhancement services revenue increased 5% from RM122.2 million to RM128.1 million. These two revenue streams consistently grew at a steady rate but higher in 1H FY2024 as we revised maintenance rates for some clients upon maintenance renewal and we had new maintenance revenue recognition for projects that had been successfully completed and handed over to clients. Furthermore, clients continued to engage us to further enhance, modernise and provide up-to-date features in the platforms they acquired from us. The increase in 1H FY2024 maintenance and enhancement revenue as compared to 1H FY2023 were mainly derived from clients in South East Asia, Middle East and Europe.
- Insurance ecosystem transactions and services revenue increased 8% from RM26.3 million to RM28.6 million in 1H FY2024 particularly in countries such as Malaysia, Singapore and Indonesia. 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 contributed approximately 72%, 12%, 8% and 8% respectively to the total Insurtech revenue in 1H FY2024. With positive momentum in insurance sector, this revenue segment is expected to grow quarter to quarter.
- Retail transactions processing revenue of RM2.4 million was 24% higher as compared to 1H 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 the 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 RM98.5 million in 1H FY2024, 14% lower compared to RM114.2 million achieved in prior year.

- Software project services (professional services) revenue increased 56% to RM63.9 million as a result of strong revenue flow from services contracts closed. These projects were all proceeding as planned.

- Software licensing revenue, however declined 53% to RM26.5 million as license revenue in 1H prior year included one large software licensing transaction from a client in Indonesia. Compensating for that large ticket license booking in 1H prior year, we had major contributions from professional services from key core banking projects secured in the current and previous financial year – namely new MÖBIUS, SIBS and Symmetri core banking installations in Malaysia, Thailand, Indonesia and the Middle East; and digital identity and security software project implementation in Africa.
- Sale of system software and hardware products reduced 53% from RM17.3 million to RM8.1 million in 1H 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.

RM67.8 million or 17% of total Group revenue was delivered via cloud computing compared to RM42.8 million or 11% of total Group revenue in 1H FY2023, an increase of 58% compared to the same period last year 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") was RM38.5 million, an increase of 48% compared to RM26.1 million in prior year. SaaS currently comprises 10% of total Group revenue in 1H FY2024.

The Group recorded a gross profit of RM220.2 million in 1H FY2024, 4% lower than prior year with an aggregate gross profit margin of 55%, lower than the 58% achieved in 1H FY2023. This was due to a change in revenue mix. The proportion of revenue from higher margin business segment such as software licensing, was lower in 1H FY2024 as compared to the same period last year.

Finance income increased 82% from RM4.5 million to RM8.2 million in 1H FY2024 as a result of higher interest earned from deposits placed with financial institutions.

The Group incurred total expenses of RM119.5 million in 1H FY2024. This was 11% higher compared to RM107.6 million recorded in the same period last year.

Overall, the Group's expense (selling, distribution, administrative and finance costs) over revenue ratio of 30% 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 (5)-year strategy, transformation program and restructuring plan to remain competitive and to improve operational efficiency.

In aggregate, the Group achieved PBT of RM110.2 million and EBITDA of RM127.5 million in 1H FY2024.

Prospects

The first half of our financial year 2024 (July to December) has been punctuated by a series of market, economic and geopolitical events whose effects are wide-ranging and potentially may lead to headwinds for our business and our customer base. Interest rates continue to be held at prevailing rates and guidance from the US Federal Reserve is that any reduction in 2024 will likely be in the second half of calendar 2024. Higher interest rates have raised credit costs and put pressure on the balance sheet of our customers in banking and lead to higher non-performing loans which may curtail spending by our banking customers.

With heightened volatility, the risk is that the banking industry may revert to being cautious and begin to control operating costs and limit budgets in IT and transformation and this has impacted our sales cycle and there will be continued pressure and compression in margins for FY2024.

We close the half year with RM1.4 billion of transaction value that we are actively pursuing. In 1H FY2024, we had total contract wins of approximately RM240.0 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.

"Whilst the markets and customers we serve continue to remain robust and move with a positive momentum, this half year has been more challenging from a sales and delivery perspective. We are consistently monitoring the situation and adjusting our approach to bring tangible and relevant solutions at scale" said Mr. Andrew Tan, SAL's Group Chief Executive Officer.

This press release should be read in conjunction with SAL's 1H FY2024 results announcement released on 15 February 2024 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 clients in 70 countries across Asia, Europe, the Indian subcontinent, Middle East, Africa, and the Americas. Founded in 1989, SAL is recognised for its 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 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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