



SILVERLAKE AXIS LTD

(Incorporated in Bermuda)

(Company Registration No. 32447)

PRESS RELEASE - FOR IMMEDIATE RELEASE

Silverlake Q2 FY2020 Revenue Up 13% to RM191 Million, EBITDA Stable On Lower One-Off Other Income

- ***Group revenue at RM190.7 million in Q2 FY2020 was 13% higher than Q2 FY2019, with growth from recurring revenue segments and sale of software and hardware products***
- ***Encouraging growth continuing at recurring revenue segments, representing 70% of total revenue in Q2 FY2020***
 - ***Maintenance and enhancement services grew 4% to RM123.7 million***
 - ***Software-as-a-Service for insurance processing rose 24% to RM10.0 million***
- ***Sale of software and hardware products grew significantly to RM18.7 million***
- ***EBITDA in Q2 FY2020 stable at RM92.3 million compared to RM91.8 million in Q2 FY2019 in spite of 49% lower Other Income***
- ***Dividend proposed of Singapore 0.3 cents per ordinary share for Q2 FY2020***

Singapore, 13 February 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 second quarter and half year ended 31 December 2019.

Q2 and 1H FY2020 Results Review

The Group recorded a revenue growth of 13% to RM190.7 million in Q2 FY2020, with growth recorded from recurring revenue segments and sale of software and hardware products.

Recurring revenue segments of *maintenance, enhancement services and Software-as-a-Service* rose 5% to RM133.8 million, and accounted for 70% of group revenue in Q2 FY2020. Revenue from *maintenance and enhancement services* grew 4% to RM123.7 million for the quarter, with additional contribution coming from new maintenance contracts secured in several ASEAN countries. Revenue from Software-as-a-Service for *insurance processing* increased by 24% from RM8.0 million in Q2 FY2019 to RM10.0 million in Q2 FY2020. Insurance processing activities benefited from a new pricing structure introduced in key markets as well as additional revenue contribution from new productivity and analytics solutions.

Sale of software and hardware products increased to RM18.7 million in Q2 FY2020, benefited from new contracts secured.

Project related revenue comprising *software licensing and software project services* declined 5% to RM36.7 million. Software licensing recorded higher revenue with contribution from new banking contracts whereas software project services recognised lower progressive revenue from ongoing implementation contracts secured in Malaysia and Hong Kong. The Group adopts IFRS revenue recognition standard which stipulates revenue recognition on percentage of completion method and therefore project revenue differs from quarter to quarter.

Resulting from higher revenue, the Group's gross profit grew 8% to RM116.2 million in Q2 FY2020. However, the gross profit margin declined from 64% to 61% due to a change in revenue mix with a higher proportion of revenue recorded from lower margin segment such as the sale of software and hardware products. Without the one-off gain from land disposal in Q2 FY2019, Other Income declined 49% to RM6.5 million for the quarter.

Total expenses were higher by 21% for Q2 FY2020;

- **Selling and distribution costs** increased 40% or RM2.8 million, 23% was due to SIA X Infotech Group ("XIT Group") consolidation and the balance are increases in marketing, research and business development.
- **Administrative expenses** rose RM3.3 million or 12% mainly due to the consolidation of XIT Group.
- **Finance costs** rose RM2.2 million or 34% mainly due to IFRS related unwinding of discount on contingent consideration for the acquisition of Silverlake Investment Ltd. Group and XIT Group.

Due to lower Other Income and higher expenses, the Group's profit before tax of RM76.0 million in Q2 FY2020 was 6% lower than Q2 FY2019. However, the Group's EBITDA of RM92.3 million in Q2 FY2020 was stable compared to RM91.8 million achieved in Q2 FY2019.

The Group's tax expense increased to RM23.2 million in Q2 FY2020 due to higher taxable income from certain subsidiaries, expiry of pioneer status of a Malaysian subsidiary during Q1 FY2020 and higher withholding tax on overseas revenue. As a result of the higher effective tax rate, the Group's profit after tax attributable to shareholders declined 22% to RM52.8 million in Q2 FY2020. An interim dividend of Singapore 0.3 cents per ordinary share has been proposed for Q2 FY2020.

For the half year ended 31 December 2019, group revenue rose 6% to RM355.5 million but due to lower Other Income and higher expenses, EBITDA declined 3% to RM164.9 million and profit after tax attributable to shareholders dropped 20% to RM100.0 million as compared with 1H FY2019.

Prospects

Due to the ongoing trade disputes between China and the United States, the economies of countries in the Asia Pacific have continued to register slower growth and heightened market uncertainties. The spread of the COVID-19 coronavirus in recent months has further dampened business sentiments.

Under this cautious business environment, the existing level of enquiries remains active and the Group is working to convert them into firm orders. The Group expects the trend of customers increasing their spending on incremental enhancements, as opposed to projects, to continue. The Group is also taking the necessary precautionary measures in ensuring that the COVID-19 coronavirus has minimal impact to the Group's business and to the Group's ability to serve its customers. The Group is implementing its business continuity plans to minimise disruption to its operations and ensure that its business remains viable during the virus outbreak.

"In a period of increasing market uncertainties, the Group's majority revenue segments, comprising recurring revenue from banking related maintenance and enhancement services as well as non-banking segments of insurance and retail remain positive," 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 the last 10 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 Q2 and 1H FY2020 results announcement released on 13 February 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, Americas, Australia and New Zealand.

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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