silverlake
SYMMETRY AT WORK

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

FINANCIAL HIGHLIGHTS AND BUSINESS UPDATE - FOR IMMEDIATE RELEASE

Silverlake Records an Increase in Revenue of 3% and Profit After Tax of 7% in Q1 FY2022

Singapore, 12 November 2021 - Singapore Exchange Mainboard listed Silverlake Axis Ltd. ("SAL" or the "Group"), a leading enterprise technology, software and services company focused on financial services 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 2021.

- Revenue increased by 3% to RM152.5 million driven largely by project services, and maintenance and enhancement in the banking segment.
- Profit After Tax for Q1 FY2022 of RM35.2 million was 7% higher compared to RM32.9 million in Q1 FY2021.
- The Group continues to see sustained momentum in maintenance and enhancement revenue segment with this recurring revenue increasing 4% to RM118.2 million in Q1 FY2022 compared to RM113.5 million in Q1 FY2021.
- Total expenses in Q1 FY2022 was 12% lower than Q1 FY2021.
- Total pipeline of potential deals we are pursuing at the end of Q1 FY2022 is valued at RM1.3 billion with RM122.6 million of contract wins closed in the quarter generating secured revenue/backlog of RM560 million.

FINANCIAL HIGHLIGHTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

	First quarter ended 30 September		
	2021 Unaudited RM	**2020 Unaudited RM Restated****	**Change %**
Revenue	152,476,528	148,240,750	3
Gross profit	**87,966,220**	**88,609,850**	**(1)**
Other income	2,142,674	5,799,322	(63)
Operating expenses	(42,554,911)	(48,239,515)	(12)
Profit before tax	**48,176,420**	**46,546,788**	**4**
Income tax expense	(12,977,171)	(13,631,222)	(5)
Profit for the period	**35,199,249**	**32,915,566**	**7**
EBITDA*	**57,483,576**	**64,183,118**	**(10)**
Basic earnings per share (sen)	**1.32**	**1.27**	**4**
Diluted earnings per share (sen)	**1.32**	**1.27**	**4**

* Earnings Before Interest, Taxes, Depreciation and Amortisation
** Please see Section “Restatement of Comparatives” for details

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REVENUE BY BUSINESS ACTIVITIES

	First quarter ended 30 September		
	2021 Unaudited RM	**2020 Unaudited RM**	**Change %**
Software licensing	5,385,602	7,985,890	(33)
Software project services	20,320,918	17,203,770	18
Maintenance and enhancement services	118,238,076	113,510,789	4
Sale of software and hardware products	584,972	559,267	5
Insurance ecosystem transactions and services	7,675,910	8,821,089	(13)
Retail transactions processing	271,050	159,945	69
Total	**152,476,528**	**148,240,750**	**3**
Delivered through:			
• Cloud computing	9%	6%	3%
• Software-as-a-Service	5%	6%	(1%)

Group revenue of RM152.5 million in Q1 FY2022 was 3% higher than RM148.2 million recorded in Q1 FY2021.

RM13.7 million or 9% of total Group revenue was delivered via cloud computing compared to RM9.0 million or 6% in Q1 FY2021.

Revenue from Software-as-a-Service ("SaaS") was RM7.2 million or 5% of total Group revenue compared to RM8.5 million or 6% in Q1 FY2021.

Total recurring revenue comprising maintenance and enhancement services, insurance ecosystem transactions and services, and retail transactions processing remain a key revenue driver for the Group and contributed 83% of total Group revenue in both Q1 FY2022 and Q1 FY2021.

- Maintenance revenue recorded a growth of 7% to RM60.2 million in Q1 FY2022. The increase was from new maintenance contracts becoming operative upon completion and cutover of several key implementation projects. Enhancement services revenue continued its momentum with an increase of 1% to RM58.0 million in Q1 FY2022.

- Insurance ecosystem transactions and services revenue of RM7.7 million in Q1 FY2022 was 13% lower than the RM8.8 million achieved in Q1 FY2021 resulting largely from varying degrees of lockdowns in the countries in which we operate in.

- Revenue from retail transactions processing has shown growth of 69% from RM0.2 million to RM0.3 million and this momentum is expected to continue as the Group pivots its retail solutions to SaaS for the larger SME market.

Project related revenue comprising software licensing and software project services increased by 2% from RM25.2 million to RM25.7 million in Q1 FY2022.

- Software licensing revenue decreased by 33% to RM5.4 million in Q1 FY2022 as a major license revenue from a banking deal that was closed in Q4 FY2021 was not recognised because of administrative delays in contract signing.

- Software project services revenue increased 18% to RM20.3 million in Q1 FY2022 mainly due to the ongoing implementation of two new MÖBIUS contracts which accounted for 27% of total project services revenue and progressive revenue contributed from other ongoing projects.

- 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.

The Group recorded a gross profit of RM88.0 million in Q1 FY2022, 1% lower than the RM88.6 million recorded in Q1 FY2021 and achieved a gross profit margin of 58% in Q1 FY2022 compared with 60% in Q1 FY2021. The lower gross profit margin in Q1 FY2022 was mainly due to a change in the revenue mix i.e., a lower revenue contribution from higher margin segments such as software licensing in Q1 FY2022 as compared to Q1 FY2021.

Other income of RM2.1 million in Q1 FY2022 was 63% lower than the RM5.8 million reported in Q1 FY2021. The decrease was mainly due to RM2.1 million in lower subsidies received from the Latvian, Singaporean and Malaysian governments as COVID-19 support, RM1.0 million dividend received from a quoted equity investment in Q1 FY2021 and RM0.8 million due to the reversal of expected credit losses on trade receivables collected in Q1 FY2021.

Total expenses of RM42.6 million in Q1 FY2022 were 12% lower compared with RM48.2 million in Q1 FY2021. The decrease was mainly due to a decrease in finance costs as the unwinding of discount on the contingent consideration payable for the acquisition of Silverlake Investment (SG) Pte. Ltd. Group came to the end of its tenure.

In aggregate, the Group's Profit Before Tax increased from RM46.5 million to RM48.2 million in Q1 FY2022. However, Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") reduced from RM64.2 million to RM57.5 million in Q1 FY2022 primarily as a result of higher cost of sales due to the revenue mix in Q1 FY2022 as compared to Q1 FY2021 and lower other income in Q1 FY2022.

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

	First quarter ended 30 September		
	2021 Unaudited RM	**2020 Unaudited RM Restated****	**Change %**
Current income tax ("CIT") (Note (i))	14,260,288	11,662,928	22
Deferred tax ("DT") (Note (ii))	(1,283,117)	1,868,947	(169)
Foreign and withholding tax ("FWHT") (Note (iii))	-	99,347	(100)
Total income tax expense	12,977,171	13,631,222	(5)
% of CIT over Group's Profit Before Tax	30%	25%	5%
% of DT over Group's Profit Before Tax	(3%)	4%	(7%)
% of CIT and DT over Group's Profit Before Tax	27%	29%	(2%)

** Please see Section "Restatement of Comparatives" for details

(i) CIT represents amount expected to be incurred and paid to taxation authorities in respect of taxable income generated during the period. The effective CIT rate increased from 25% in Q1 FY2021 to 30% in Q1 FY2022 due to higher taxable income from certain subsidiaries.

(ii) The Group recorded a deferred tax income of RM1.3 million in Q1 FY2022 as compared to a deferred tax expense of RM1.9 million in Q1 FY2021 mainly due to the recognition of deferred tax assets on unused tax losses carried forward and advance maintenance fees of subsidiaries.

(iii) Foreign withholding tax is the tax levied on distributions from subsidiaries to the holding company.

As a consequence of these factors, the Group reported a profit after tax of RM35.2 million, an increase of 7% from RM32.9 million in Q1 FY2021.

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.

RESTATEMENT OF COMPARATIVES

The Group's subsidiaries engage businesses in different jurisdictions, hence there are taxes imposed on foreign sourced income. In the previous financial year end, it was clarified that part of these foreign and withholding taxes were derived or taxed on gross revenue and not based on taxable profits, therefore not considered as 'Income Taxes' in the consolidated income statement. The Group presented such withholding taxes as part of “Cost of Sales” in the consolidated income statement and comparative amounts have been restated to reflect the substance of these taxes.

The effects of the restatement on the prior year comparatives are summarised below.

30 September 2020	**As previously announced RM**	**Adjustment RM**	**As restated RM**
Gross profit	91,604,134	(2,994,284)	88,609,850
Operating expenses	(48,483,712)	244,197	(48,239,515)
Income tax expense	(16,381,309)	2,750,087	(13,631,222)

BUSINESS AND INDUSTRY OUTLOOK

Optimism is returning to most markets as countries prepare to enter into the endemic phase of the pandemic. We remain cautiously optimistic. Despite how the market will turn out, we are focused on executing our strategy and that is to offer compelling value propositions and solutions for our clients as they seek to engage trusted partners in their transformation journeys.

Since Q4 FY2021, there have been increased deal closure activities and the momentum has also carried through to Q1 FY2022. This quarter, we closed RM122.6 million versus RM83.3 million a year earlier or a 47% increase and one of the highest in a single quarter.

We expect full year FY2022 to be an improvement as we continue to keep the pace up in deal signings. Additionally, our maintenance and enhancement business continues to grow at a good pace.

In Banking, we shall focus on helping clients accelerate change and transformation post pandemic, with our modernised Silverlake Axis Integrated Banking Solution (“SIBS”) and newly launched 5th generation MÖBIUS. We shall continue from the success of our recent wins and position MÖBIUS in new markets and to new and existing customers to increase the share of wallet.

And in non-banking, our insurance and retail solutions business have been impacted over the last 18 months by the pandemic but we remain optimistic on the long-term potential of some of our non-banking business segments. In the insurance sector, our Fermion initiative has been repositioned and we are moving confidently as an end-to-end provider of cutting-edge digital insurance and bancassurance ecosystem solutions. For the retail industry segment, we have pivoted to a cloud and SaaS model that has been well received by our customers. In Malaysia, we signed the largest prescription pharmacy chain to the SaaS model and our focus going forward will be to offer this new cloud-based retail solution to the wider SME market in the region.

Today, we can connect everything digitally to Cloud Computing. We can see the future is in Cloud Computing as customers are increasingly moving to cloud environments and they are also asking for new service and payment models such as SaaS. We have changed and adapted to these new realities. All our solutions now are cloud-enabled and we are well positioned to offer SaaS to all our clients. Currently, 9% of our revenue are cloud-based and 5% are on the SaaS model. We foresee this metric will rise in the coming years.

Internally we continue to build our resiliency and strengthen our foundation, protecting our existing business and retaining customers and preserving liquidity. Execution of our internal transformation is in its second year and good progress has been made.

Our business is people centric and people are core to our business and the delivery of our services to customers. We are working to ensure the right skills and talent are present and motivated to deliver new innovations and projects to our customers.

We shall also continue to increase touch points with media, analysts and customers about SAL and our value propositions. This allows us to optimally position ourselves to a larger market and access them for growth.

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ABOUT SILVERLAKE AXIS

Silverlake Axis Ltd. ("SAL") is a leading enterprise technology, software and services company focused on financial services and serving 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 370 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 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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