



SILVERLAKE AXIS LTD

(Incorporated in Bermuda)

(Company Registration No. 32447)

PRESS RELEASE - FOR IMMEDIATE RELEASE

Silverlake Records Steady Revenue in Q1 FY2020, With Good Growth From Recurring Segments

- ***Stable group revenue at RM164.4 million in Q1 FY2020, a marginal 1% decline from Q1 FY2019***
- ***Encouraging growth in recurring revenue segments representing 74% of total revenue for the period***
 - ***Maintenance and enhancement services grew 15% to RM112.6 million***
 - ***Software-as-a-Service for insurance processing rose 22% to RM9.7 million***
- ***EBITDA for Q1 FY2020 RM72.6 million, an 8% decline from Q1 FY2019***
- ***Dividend proposed of Singapore 0.3 cents per ordinary share***

Singapore, 14 November 2019 – 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 first quarter ended 30 September 2019.

Q1 FY2020 Results Review

The Group recorded a revenue of RM164.4 million in Q1 FY2020.

The recurring revenue from ***maintenance services, enhancement services and insurance processing*** rose 15% to RM122.2 million, increasing its share of group revenue to 74% in Q1 FY2020. Revenue from ***maintenance and enhancement services*** grew 15% to RM112.6 million for the quarter, contributed by the addition of new maintenance and enhancement contracts from a number of countries. Revenue from Software-as-a-Service for ***insurance processing*** increased by 22% from RM7.9 million in Q1 FY2019 to RM9.7 million in Q1 FY2020. This business benefited from a new pricing structure introduced in key markets for insurance processing activities, as well as additional revenue contribution from new products and services.

Project related revenue comprising ***software licensing and software project services*** totalling RM38.9 million in Q1 FY2020 declined 29% as compared to Q1 FY2019. This decline resulted largely from a number of core banking projects having reached the advance stages of completion. These are mainly projects from Thailand and Malaysia. Depending on the percentage of completion, revenue recognition fluctuates quarter to quarter on these contracts.

The Group recorded stable gross profit of RM105.2 million in Q1 FY2020, and the gross profit margin improved slightly to 64% from 63% due to higher margin achieved especially for recurring revenue segments compared to Q1 FY2019.

Overall expenses were higher by RM11.7 million (29%) compared to Q1 FY2019, contributed by ***administrative expenses*** (RM9.5 million) and to a lesser extent ***finance costs*** (RM2.2 million).

A large component on the increase in ***administrative expenses*** resulted from the incorporation of SIA X Infotech Group's ("XIT Group") expenses for the first time in Q1 FY2020 as well as foreign currency exchange losses for the quarter.

The increase in ***finance costs*** resulted from the unwinding of the discount allocated to the earn-out consideration recognised for the acquisition of Silverlake Investment Ltd. Group and XIT Group, and interest expense for a revolving credit facility.

Due to the higher aforementioned expenses, the Group recorded a lower profit before tax of RM56.8 million in Q1 FY2020, a 16% reduction from Q1 FY2019. Consequently, the Group's earnings before interest, taxes, depreciation, and amortisation ("EBITDA") of RM72.6 million in Q1 FY2020 was 8% lower compared to RM78.7 million achieved in Q1 FY2019 and this resulted in a decline of 3% in EBITDA margin to 44%.

The Group's effective tax rate rose from 14% in Q1 FY2019 to 17% in Q1 FY2020, mainly due to higher taxable income from certain subsidiaries and the expiry of pioneer status of a Malaysian subsidiary during Q1 FY2020.

As a result, the profit after tax attributable to shareholders declined 19% to RM47.2 million in Q1 FY2020.

Prospects

Despite market volatility and uncertainty, the deal pipeline remains healthy as Asian financial institutions and corporations continue to invest in Information Technology ("IT") to improve their competitive edge.

The Group expects stable project related activities and sees strong growth in two non-banking segments – insurance and retail, and remains optimistic on their prospects for the year.

The existing SAL's customer base remains resilient and due to the current cautious business environment, there is an increasing spend on incremental enhancements as opposed to the larger one-off projects.

The Group is also well positioned for new emerging opportunities created by continuing fintech disruptions and the emergence of the digital banks. "The Group remains active in responding to a healthy level of new business enquiries and requests for proposals from existing and potential customers," commented Mr. Andrew Tan Teik Wei, the Group Managing Director.

As the Group moves forward, a key focus is to expand through accretive acquisitions, collaborations and joint in-house development with clients. This will be accomplished by offering an innovative suite of products and services to a wider geography to serve new and existing customers.

This press release should be read in conjunction with SAL's Q1 FY2020 results announcement released on 14 November 2019 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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