

# Singapore Company Guide

## Silverlake Axis

Version 6 | Bloomberg: SILV SP | Reuters: SLVX.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

14 Feb 2020

### BUY

Last Traded Price ( 13 Feb 2020): S\$0.37 (STI : 3,220.09)  
Price Target 12-mth: S\$0.48 (30% upside) (Prev S\$0.57)

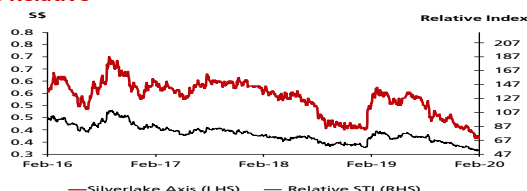
#### Analyst

Lee Keng LING +65 6682 3703 leekeng@db.com

#### What's New

- 2QFY20 results in line; higher tax rate to be the norm
- Growth from recurring income segments offset weaker revenue from project related divisions
- Larger projects on hold, to be replaced by smaller ones
- Cut FY20-21F earnings by 8-13%; maintain BUY with a lower TP of S\$0.48

#### Price Relative



#### Forecasts and Valuation

| FY Jun (RMm)             | 2018A  | 2019A | 2020F | 2021F |
|--------------------------|--------|-------|-------|-------|
| Revenue                  | 542    | 681   | 700   | 733   |
| EBITDA                   | 167    | 277   | 311   | 332   |
| Pre-tax Profit           | 147    | 285   | 261   | 302   |
| Net Profit               | 134    | 246   | 186   | 213   |
| Net Pft (Pre Ex.)        | 134    | 190   | 186   | 213   |
| Net Pft Gth (Pre-ex) (%) | (84.2) | 41.7  | (2.4) | 15.1  |
| EPS (S cts)              | 1.67   | 3.05  | 2.31  | 2.65  |
| EPS Pre Ex. (S cts)      | 1.67   | 2.36  | 2.31  | 2.65  |
| EPS Gth Pre Ex (%)       | (84)   | 42    | (2)   | 15    |
| Diluted EPS (S cts)      | 1.67   | 3.05  | 2.31  | 2.65  |
| Net DPS (S cts)          | 2.92   | 1.81  | 1.38  | 1.59  |
| BV Per Share (S cts)     | 6.50   | 7.36  | 8.18  | 9.29  |
| PE (X)                   | 22.2   | 12.1  | 16.0  | 13.9  |
| PE Pre Ex. (X)           | 22.2   | 15.7  | 16.0  | 13.9  |
| P/Cash Flow (X)          | 20.5   | 9.2   | 19.3  | 12.8  |
| EV/EBITDA (X)            | 15.0   | 8.8   | 7.7   | 6.9   |
| Net Div Yield (%)        | 7.9    | 4.9   | 3.7   | 4.3   |
| P/Book Value (X)         | 5.7    | 5.0   | 4.5   | 4.0   |
| Net Debt/Equity (X)      | CASH   | CASH  | CASH  | CASH  |
| ROAE (%)                 | 16.0   | 44.0  | 29.7  | 30.4  |
| Earnings Rev (%)         |        | 0     | (13)  | (8)   |
| Consensus EPS (S cts)    |        | N/A   | 2.65  | 2.78  |
| Other Broker Recs:       |        | B: 1  | S: 0  | H: 2  |

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P

### Healthy margins despite higher tax

**Maintain BUY with lower S\$0.48 TP.** We cut FY20-21F earnings for Silverlake (SAL) by 8-13% on higher tax rate assumption and lower project related revenue. Even though tax rate ahead is expected to be high at c.29%, net margin is still in excess of 20%. We continue to like Silverlake for its high recurring revenue proportion that forms at least 60% of total revenue, and high gross margins of c.60% with attractive yield of c.4%, on a 60% payout ratio.

**Larger projects on hold, to be replaced by smaller ones.** There is an increasing trend to spend on incremental enhancements as opposed to the larger one-off projects. Though the deal pipeline is healthy at c. RM1.5bn, the award of larger contracts in excess of RM100m has been slow. To close the gap, the group is targeting smaller contracts of c.RM10m each and these include digital contracts which are generally smaller in size. With these smaller contracts, orderbook backlog is maintained at close to RM300m.

**Where we differ:** We remain optimistic on SAL's business given its market leader position in the core banking solutions, and Insurtech.

**Potential catalyst:** Securing more and bigger value contracts.

#### Valuation:

**Maintain BUY with lower TP of S\$0.48.** We reduced our FY20F/21F earnings by 13%/8%, mainly on higher tax rate assumption and lower project related revenue. As such, our TP is reduced to S\$0.48 (vs S\$0.57 previously), still pegged to peers' average of 21x, and based on SAL's FY Jun 20F earnings.

#### Key Risks to Our View:

Slowdown in IT spending which could lead to lower orderbook; concerns on corporate governance issues.

#### At A Glance

|                               |           |
|-------------------------------|-----------|
| Issued Capital (m shrs)       | 2,637     |
| Mkt. Cap (S\$m/US\$m)         | 976 / 704 |
| Major Shareholders (%)        |           |
| Goh Peng Ooi                  | 66.5      |
| Ntasian Discovery Master Fund | 5.0       |
| Free Float (%)                | 28.5      |
| 3m Avg. Daily Val (US\$m)     | 0.67      |

**GIC Industry :** Information Technology / Software & Services



Live more, Bank less

## WHAT'S NEW

### 2QFY20 results in line; higher tax rate to be the norm

**2QFY20 results in line.** Silverlake (SAL) reported 2QFY20 revenue of RM190.7m (+13% y-o-y, +16% q-o-q). Net profit of RM52.8m was down 22% y-o-y (+12% q-o-q) due to higher tax rate of 31% vs 17% in 1Q20 and 14% for FY19. 2QFY20 revenue and net profit accounted for 26% and 25% of our forecast respectively, and 49%/50% for 1HFY20, in line. DPS of 0.35cts was declared in 2QFY20, slightly lower than the 0.45cts in 2QFY19.

**Higher tax rate to be the norm.** Going forward, tax rate is expected to be in the high 20+%, due to the expiry of pioneer status of a Malaysian subsidiary effective 1QFY20, higher taxable income from certain subsidiaries as well as higher withholding tax on overseas revenue.

**Growth from recurring income segments.** Recurring revenue segments of maintenance, enhancement services and Software-as-a-Service (Insurtech) rose 5% to RM133.8m, and accounted for 70% of group revenue in 2QFY20. 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.

**Weaker revenue from project related divisions.** 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.

Sales of software and hardware products was strong, benefitting from new contracts secured, while credit and cards processing was weak following the termination of an outsourcing contract.

### Revenue by business segment

| Business segment                       | 2QFY20<br>(RMm) | Y-o-Y<br>(%) | Q-o-Q<br>(%) |
|--|-----------------|--------------|--------------|
| Software licensing                     | 23.1            | 17           | 19           |
| Software project services              | 13.6            | -28          | -30          |
| Maintenance and enhancement services   | 123.7           | 4            | 10           |
| Sale of software and hardware products | 18.7            | 2802         | 1001         |
| Credit and cards processing            | 1.5             | -43          | -5           |
| Software-as-a-Service (Insurance)      | 10.1            | 24           | 4            |
| <b>TOTAL</b>                           | <b>190.7</b>    | <b>13</b>    | <b>16</b>    |

Source: Company; DBS Bank

**Lower gross margins due to product mix.** Gross profit margin declined to 61% from 64% in 1QFY20 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.

**Larger projects on hold, to be replaced by smaller ones.** The deal pipeline remains healthy as Asian financial institutions and corporations continue to invest in Information Technology (IT) to improve their competitive edge. However, despite a healthy pipeline of c. RM1.5bn, the award of larger contracts in excess of RM100m has been slow. To close the gap, SAL is targeting smaller contracts of c. RM10m each and these include digital contracts which are generally smaller in size. There is an increasing spend on incremental enhancements as opposed to the larger one-off projects.

The group announced that it has secured two contracts to deliver innovative and transformative digital economy solutions and two license renewals and maintenance support contracts to two of its existing customers for 1HFY20. With these contracts, orderbook backlog is close to RM300m.

**Cut FY20-21F earnings by 8-13%; maintain BUY with lower TP of S\$0.48.** We reduced our FY20F/21F earnings by 13%/8%, mainly on higher tax rate assumption and lower project related revenue. We now assume tax rate of 29% for FY20F and FY21F, vs 14% in FY19. As such, our TP is reduced to S\$0.48 (vs S\$0.57 previously), still pegged to peers' average of 21x, and based on SAL's FY Jun 20F earnings.

## Silverlake Axis

## Quarterly / Interim Income Statement (RMm)

| FY Jun                  | 2Q2019      | 1Q2020      | 2Q2020      | % chg yoy     | % chg qoq   |
|-------------------------|-------------|-------------|-------------|---------------|-------------|
| Revenue                 | 169         | 164         | 191         | 12.8          | 16.0        |
| Cost of Goods Sold      | (60.9)      | (59.2)      | (74.5)      | 22.3          | 25.8        |
| <b>Gross Profit</b>     | <b>108</b>  | <b>105</b>  | <b>116</b>  | <b>7.5</b>    | <b>10.4</b> |
| Other Oper. (Exp)/Inc   | (20.8)      | (42.1)      | (33.1)      | 59.1          | (21.4)      |
| <b>Operating Profit</b> | <b>87.3</b> | <b>63.1</b> | <b>83.1</b> | <b>(4.8)</b>  | <b>31.7</b> |
| Other Non Opg (Exp)/Inc | 0.0         | 0.0         | 0.0         | -             | -           |
| Associates & JV Inc     | (0.9)       | 0.97        | 0.42        | nm            | (56.3)      |
| Net Interest (Exp)/Inc  | (5.8)       | (7.3)       | (7.5)       | (29.5)        | (2.5)       |
| Exceptional Gain/(Loss) | 0.0         | 0.0         | 0.0         | -             | -           |
| <b>Pre-tax Profit</b>   | <b>80.6</b> | <b>56.8</b> | <b>76.0</b> | <b>(5.7)</b>  | <b>33.9</b> |
| Tax                     | (13.0)      | (9.6)       | (23.2)      | 78.0          | 142.9       |
| Minority Interest       | 0.0         | 0.00        | 0.01        | nm            | 302.3       |
| <b>Net Profit</b>       | <b>67.5</b> | <b>47.2</b> | <b>52.8</b> | <b>(21.8)</b> | <b>11.9</b> |
| Net profit bef Except.  | 67.5        | 47.2        | 52.8        | (21.8)        | 11.9        |
| EBITDA                  | 91.8        | 72.6        | 92.3        | 0.6           | 27.1        |
| <b>Margins (%)</b>      |             |             |             |               |             |
| Gross Margins           | 63.9        | 64.0        | 60.9        |               |             |
| Opg Profit Margins      | 51.6        | 38.4        | 43.6        |               |             |
| Net Profit Margins      | 40.0        | 28.7        | 27.7        |               |             |

Source of all data: Company, DBS Bank

**Silverlake Axis**

**CRITICAL DATA POINTS TO WATCH**

**Critical Factors**

**Contract wins**

Orderbook has improved, with order backlog of close to RM300m currently, and with potential for more orders. Silverlake can leverage on its market leader position to secure more contracts as financial institutions upgrade/enhance their systems to avoid being rendered obsolete by the rising Fintech trend.

More orders could be in the pipeline, albeit smaller ones, as customers move to equip themselves with the technology to face the challenges of digital disruptions and to compete effectively in the digital economy ecosystem. This should lead to an improvement in project-related revenues (non-recurring revenue) going forward, while we project the maintenance and enhancement services and insurance software-as-a-service (recurring revenue) to expand at high single digit of about 8% to generate a healthy increase in recurring revenues.

**Capital expenditure for financial institutions**

Financial institutions were conservative in FY16/FY17 amid tough market conditions. This trend has reversed, as they beef up their systems to ride on the Fintech wave. Financial institutions are going through enhancements to avoid being rendered obsolete by the rising Fintech trend. Technology spending by Asian financial institutions and corporations improved in FY18 with increased expenditure on scalable and transformative technologies. Worldwide Fintech spending is expected to grow at a CAGR of 4.1% during the 2015 to 2020 period. We expect Silverlake to ride on the Fintech trend and project revenue growth of close to 10% for FY20F and FY21F.

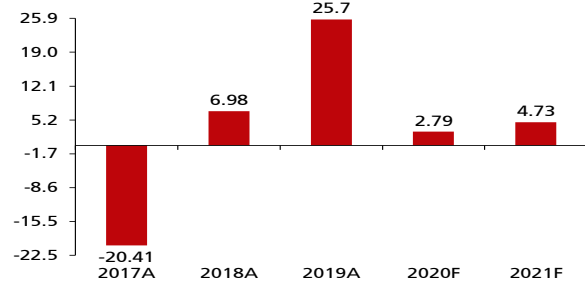
**M&A to strengthen SAL as Fintech innovation accelerator**

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. However, we would prefer not to have any interested party transactions (IPT). In the past, IPT with Chairman Mr Goh's private companies have raised concerns on corporate governance issues.

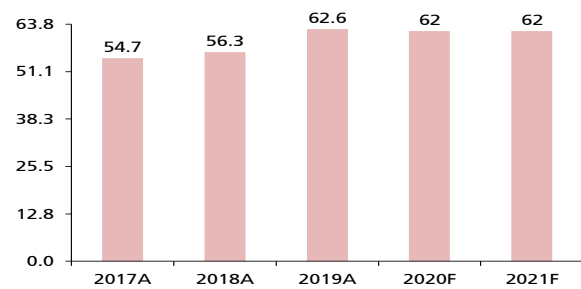
**Scaling up as an Insurtech market leader**

SAL's insurance arm, Merimen, generates high recurring income for the group. Going forward, Merimen's growth is expected to be driven by increased ecosystem participation and cross-selling opportunities. A continually changing regulatory and operational landscape in the insurance industry will provide opportunities to support growth for Merimen.

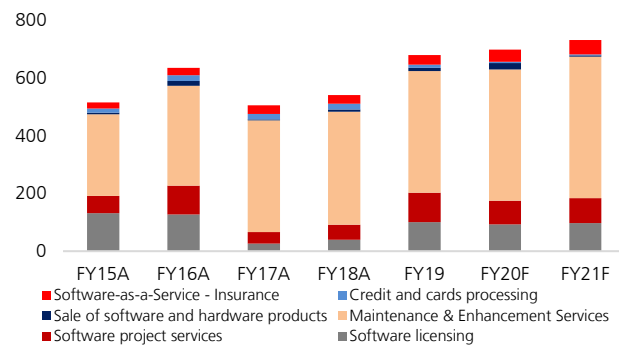
**Revenue growth (%)**



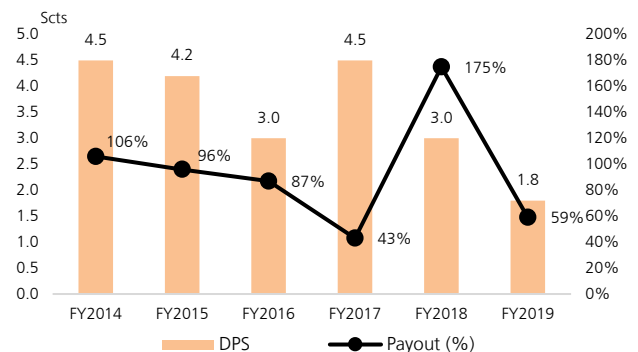
**Gross Margins (%)**



**Revenue Breakdown By Segment**



**DPS and dividend payout ratio**



Source: Company, DBS Bank

Silverlake Axis

Appendix 1: A look at Company's listed history – what drives its share price?



Source: Company, Bloomberg Finance L.P.

Share price to move in tandem with contract wins

In the chart as shown above, new contracts secured and recognised in the financial year are represented by the red bar. These contracts are non-recurring in nature. Generally, the share price tends to move about one year ahead of new contracts booked as at the end of each financial year. Thus, the two arrows (as represented by each coloured pair) moved in the same direction but with about a one-year time lag, with the share price as the leading indicator. However, new contracts clinched staged a rebound in FY June 18 and is expected to increase further, but the share price has yet to rebound in the same quantum. It is still locked in a downtrend formed since FY June 2015.

## Silverlake Axis

### Balance Sheet:

**Healthy net cash level to support dividend payout.** SAL's healthy net cash level has enabled the group to maintain an attractive dividend payout ratio of about 60%. We expect this trend to continue.

### Share Price Drivers:

#### Growing project orderbook

More orders could be in the pipeline, albeit smaller ones, as customers move to equip themselves with the technology to face the challenges of digital disruptions and to compete effectively in the digital economy ecosystem. This should lead to an improvement in project-related revenues going forward.

#### Potentially higher dividends

SAL's healthy net cash level has enabled the group to maintain an attractive dividend payout ratio of about 60%. We expect this trend to continue. This translates to dividend yield of c.4%. Furthermore, SAL has paid about half of the proceeds from the disposal of its stake in Global InfoTech (GIT) as dividend in FY18. SAL could potential pay a higher dividend when the remaining 8.3% stake in GIT is sold.

### Key Risks:

#### Slowdown in IT spending which could lead to a lower orderbook

A slowdown in this industry would lead to financial institutions cutting back on their spending on IT.

#### Concerns on corporate governance issues

Interested party transactions with Mr Goh's private companies over the past few years have raised concerns on corporate governance.

#### Exposure mainly in Asia

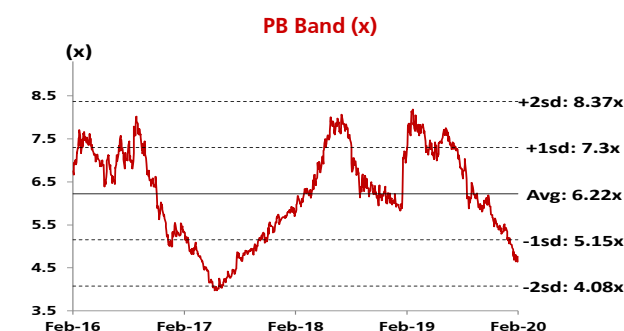
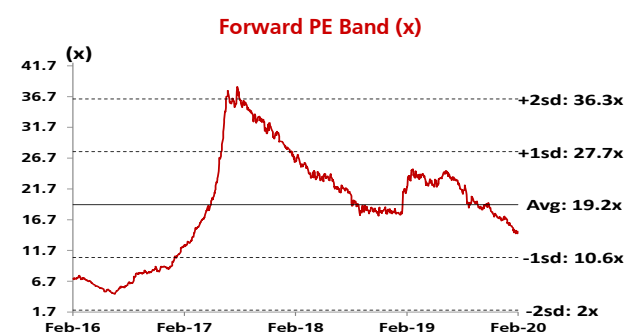
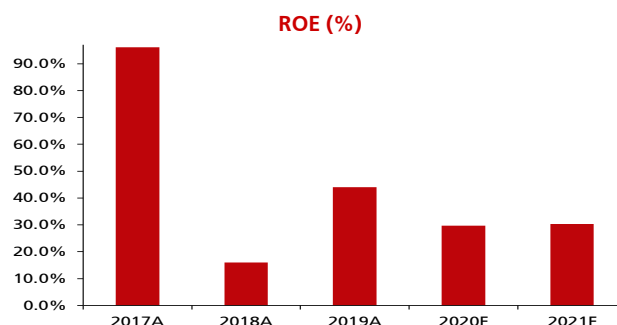
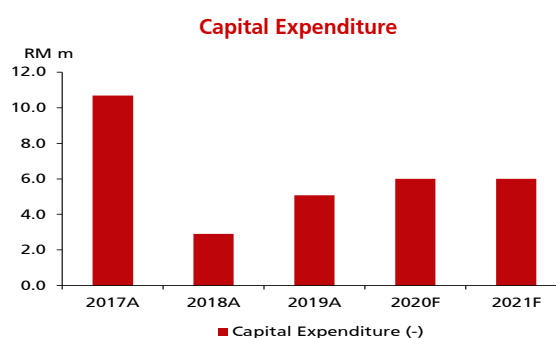
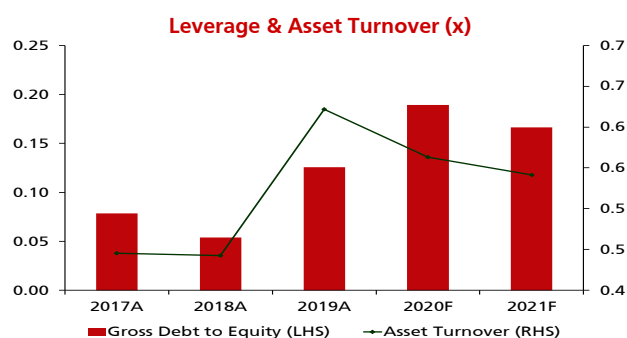
More than 90% of the total revenue is generated from Asia.

### Environment, Social, Governance:

As a technology service provider, e-waste treatment is of utmost importance. SAL has established an E-waste Policy to facilitate its in-house e-waste management, to reduce operational cost and increase resource efficiency. Processes and procedures have been instituted and are being constantly reviewed and revised to ensure effective corporate governance.

### Company Background

Silverlake Axis is the market leader in core banking software in ASEAN where it deploys its proprietary software to major organisations in banking, insurance, payments, retail and logistics industries. It is also an Insurtech market leader in providing collaborative and information exchange platform for the insurance industry.



Source: Company, DBS Bank

## Silverlake Axis

## Key Assumptions

| FY Jun             | 2017A  | 2018A | 2019A | 2020F | 2021F |
|--------------------|--------|-------|-------|-------|-------|
| Revenue growth (%) | (20.4) | 6.98  | 25.7  | 2.79  | 4.74  |
| Gross Margins (%)  | 54.7   | 56.3  | 62.6  | 62.0  | 62.0  |

## Segmental Breakdown

| FY Jun                    | 2017A      | 2018A      | 2019A      | 2020F      | 2021F      |
|---------------------------|------------|------------|------------|------------|------------|
| <b>Revenues (RMm)</b>     |            |            |            |            |            |
| Software Licensing        | 26.8       | 40.0       | 101        | 92.6       | 97.2       |
| Software Project Services | 389        | 51.8       | 103        | 82.3       | 86.4       |
| Maintenance &             | 39.1       | 392        | 422        | 456        | 492        |
| Sale of Software &        | 18.8       | 8.04       | 11.0       | 22.1       | 4.42       |
| Others                    | 3.43       | 19.6       | 11.0       | 5.49       | 2.75       |
| <b>Total</b>              | <b>506</b> | <b>542</b> | <b>681</b> | <b>700</b> | <b>733</b> |

## Income Statement (RMm)

| FY Jun                      | 2017A      | 2018A      | 2019A      | 2020F      | 2021F      |
|-----------------------------|------------|------------|------------|------------|------------|
| Revenue                     | 506        | 542        | 681        | 700        | 733        |
| Cost of Goods Sold          | (229)      | (237)      | (255)      | (266)      | (279)      |
| <b>Gross Profit</b>         | <b>277</b> | <b>305</b> | <b>426</b> | <b>434</b> | <b>454</b> |
| Other Opng (Exp)/Inc        | 675        | (143)      | (171)      | (147)      | (148)      |
| <b>Operating Profit</b>     | <b>952</b> | <b>162</b> | <b>255</b> | <b>287</b> | <b>307</b> |
| Other Non Opg (Exp)/Inc     | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| Associates & JV Inc         | (7.7)      | (15.9)     | (1.7)      | 0.0        | 0.0        |
| Net Interest (Exp)/Inc      | 2.80       | 1.51       | (23.8)     | (26.0)     | (6.0)      |
| Exceptional Gain/(Loss)     | 0.0        | 0.0        | 55.6       | 0.0        | 0.0        |
| <b>Pre-tax Profit</b>       | <b>947</b> | <b>147</b> | <b>285</b> | <b>261</b> | <b>302</b> |
| Tax                         | (101)      | (13.1)     | (39.2)     | (75.8)     | (87.2)     |
| Minority Interest           | 0.0        | 0.0        | 0.01       | 0.0        | 0.0        |
| Preference Dividend         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| <b>Net Profit</b>           | <b>846</b> | <b>134</b> | <b>246</b> | <b>186</b> | <b>213</b> |
| Net Profit before Except.   | 846        | 134        | 190        | 186        | 213        |
| EBITDA                      | 963        | 167        | 277        | 311        | 332        |
| <b>Growth</b>               |            |            |            |            |            |
| Revenue Gth (%)             | (20.4)     | 7.0        | 25.7       | 2.8        | 4.7        |
| EBITDA Gth (%)              | 205.1      | (82.7)     | 65.9       | 12.4       | 6.5        |
| Opg Profit Gth (%)          | 220.3      | (83.0)     | 57.7       | 12.8       | 6.7        |
| Net Profit Gth (Pre-ex) (%) | 208.9      | (84.2)     | 41.7       | (2.4)      | 15.1       |
| <b>Margins &amp; Ratio</b>  |            |            |            |            |            |
| Gross Margins (%)           | 54.7       | 56.3       | 62.6       | 62.0       | 62.0       |
| Opg Profit Margin (%)       | 188.1      | 29.8       | 37.4       | 41.1       | 41.8       |
| Net Profit Margin (%)       | 167.1      | 24.7       | 36.1       | 26.5       | 29.1       |
| ROAE (%)                    | 96.1       | 16.0       | 44.0       | 29.7       | 30.4       |
| ROA (%)                     | 74.4       | 11.0       | 22.4       | 14.9       | 15.8       |
| ROCE (%)                    | 85.1       | 13.9       | 24.5       | 19.8       | 19.3       |
| Div Payout Ratio (%)        | 43.0       | 175.0      | 59.3       | 60.0       | 60.0       |
| Net Interest Cover (x)      | NM         | NM         | 10.7       | 11.1       | 51.1       |

Mainly due to impairment loss by joint venture entity, Silverlake HGH

Fair value adjustment for past acquisitions

Accounting adjustments tax reversal, disposal gain

High payout ratio in FY18 from proceeds of GIT sale

Source: Company, DBS Bank

## Silverlake Axis

## Quarterly / Interim Income Statement (RMm)

| FY Jun                  | 2Q2019      | 3Q2019      | 4Q2019      | 1Q2020      | 2Q2020      |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue                 | 169         | 154         | 189         | 164         | 191         |
| Cost of Goods Sold      | (60.9)      | (63.1)      | (67.8)      | (59.2)      | (74.5)      |
| <b>Gross Profit</b>     | <b>108</b>  | <b>91.0</b> | <b>121</b>  | <b>105</b>  | <b>116</b>  |
| Other Oper. (Exp)/Inc   | (20.8)      | (23.8)      | (39.4)      | (42.1)      | (33.1)      |
| <b>Operating Profit</b> | <b>87.3</b> | <b>67.2</b> | <b>82.1</b> | <b>63.1</b> | <b>83.1</b> |
| Other Non Opg (Exp)/Inc | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Associates & JV Inc     | (0.9)       | (0.1)       | (0.4)       | 0.97        | 0.42        |
| Net Interest (Exp)/Inc  | (5.8)       | (6.2)       | (6.0)       | (7.3)       | (7.5)       |
| Exceptional Gain/(Loss) | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Pre-tax Profit</b>   | <b>80.6</b> | <b>60.9</b> | <b>75.7</b> | <b>56.8</b> | <b>76.0</b> |
| Tax                     | (13.0)      | (8.3)       | (8.2)       | (9.6)       | (23.2)      |
| Minority Interest       | 0.0         | 0.00        | 0.00        | 0.00        | 0.01        |
| <b>Net Profit</b>       | <b>67.5</b> | <b>52.6</b> | <b>67.5</b> | <b>47.2</b> | <b>52.8</b> |
| Net profit bef Except.  | 67.5        | 52.6        | 67.5        | 47.2        | 52.8        |
| EBITDA                  | 91.8        | 73.6        | 88.2        | 72.6        | 92.3        |

## Growth

|                             |      |        |      |        |      |
|-----------------------------|------|--------|------|--------|------|
| Revenue Gth (%)             | 1.4  | (8.8)  | 22.8 | (13.1) | 16.0 |
| EBITDA Gth (%)              | 16.5 | (19.7) | 19.8 | (17.7) | 27.1 |
| Opg Profit Gth (%)          | 18.5 | (23.0) | 22.1 | (23.1) | 31.7 |
| Net Profit Gth (Pre-ex) (%) | 16.6 | (22.0) | 28.1 | (30.0) | 11.9 |

## Margins

|                        |      |      |      |      |      |
|------------------------|------|------|------|------|------|
| Gross Margins (%)      | 63.9 | 59.0 | 64.2 | 64.0 | 60.9 |
| Opg Profit Margins (%) | 51.6 | 43.6 | 43.3 | 38.4 | 43.6 |
| Net Profit Margins (%) | 40.0 | 34.2 | 35.6 | 28.7 | 27.7 |

## Balance Sheet (RMm)

| FY Jun                        | 2017A        | 2018A        | 2019A        | 2020F        | 2021F        |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Net Fixed Assets              | 19.1         | 20.4         | 14.9         | 16.2         | 17.6         |
| Invt in Associates & JVs      | 0.0          | 9.67         | 8.62         | 8.62         | 8.62         |
| Other LT Assets               | 228          | 223          | 317          | 354          | 346          |
| Cash & ST Invt                | 701          | 498          | 623          | 702          | 803          |
| Inventory                     | 0.0          | 0.0          | 0.97         | 0.0          | 0.0          |
| Debtors                       | 145          | 139          | 134          | 138          | 145          |
| Other Current Assets          | 349          | 117          | 83.6         | 83.6         | 83.6         |
| <b>Total Assets</b>           | <b>1,441</b> | <b>1,007</b> | <b>1,182</b> | <b>1,302</b> | <b>1,404</b> |
| ST Debt                       | 89.3         | 25.4         | 11.3         | 11.3         | 11.3         |
| Creditor                      | 66.3         | 68.0         | 70.7         | 18.5         | 19.3         |
| Other Current Liab            | 79.7         | 115          | 140          | 197          | 208          |
| LT Debt                       | 1.60         | 2.93         | 63.1         | 113          | 113          |
| Other LT Liabilities          | 46.5         | 272          | 305          | 305          | 305          |
| Shareholder's Equity          | 1,158        | 523          | 592          | 658          | 747          |
| Minority Interests            | 0.10         | 0.08         | 0.06         | 0.06         | 0.06         |
| <b>Total Cap. &amp; Liab.</b> | <b>1,441</b> | <b>1,007</b> | <b>1,182</b> | <b>1,302</b> | <b>1,404</b> |
| Non-Cash Wkg. Capital         | 348          | 72.4         | 7.94         | 6.24         | 0.50         |
| Net Cash/(Debt)               | 610          | 470          | 549          | 577          | 679          |
| Debtors Turn (avg days)       | 116.2        | 95.6         | 73.3         | 71.0         | 70.4         |
| Creditors Turn (avg days)     | 100.1        | 113.7        | 109.7        | 67.2         | 27.1         |
| Inventory Turn (avg days)     | N/A          | N/A          | 0.8          | 0.7          | N/A          |
| Asset Turnover (x)            | 0.4          | 0.4          | 0.6          | 0.6          | 0.5          |
| Current Ratio (x)             | 5.1          | 3.6          | 3.8          | 4.1          | 4.3          |
| Quick Ratio (x)               | 3.6          | 3.1          | 3.4          | 3.7          | 4.0          |
| Net Debt/Equity (X)           | CASH         | CASH         | CASH         | CASH         | CASH         |
| Net Debt/Equity ex MI (X)     | CASH         | CASH         | CASH         | CASH         | CASH         |
| Capex to Debt (%)             | 11.8         | 10.3         | 6.8          | 4.8          | 4.8          |
| Z-Score (X)                   | 5.9          | 6.4          | 5.9          | 5.9          | 5.9          |

Include software development expenditure, proprietary software and goodwill from acquisitions

Source: Company, DBS Bank



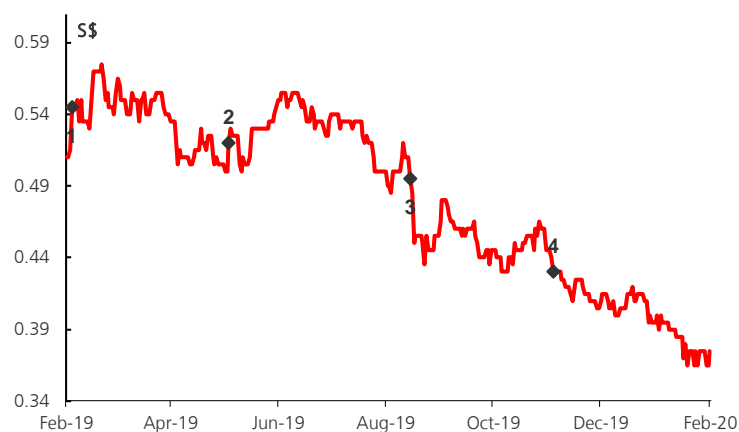
## Silverlake Axis

## Cash Flow Statement (RMm)

| FY Jun                  | 2017A        | 2018A        | 2019A         | 2020F         | 2021F        |
|-------------------------|--------------|--------------|---------------|---------------|--------------|
| Pre-Tax Profit          | 947          | 147          | 285           | 261           | 301          |
| Dep. & Amort.           | 18.3         | 21.3         | 24.0          | 24.0          | 24.0         |
| Tax Paid                | (101)        | (20.0)       | (40.2)        | (75.8)        | (87.2)       |
| Assoc. & JV Inc/(loss)  | 7.70         | 15.9         | 1.72          | 0.0           | 0.0          |
| Chg in Wkg.Cap.         | (224)        | 271          | 58.5          | (55.0)        | (5.7)        |
| Other Operating CF      | (431)        | (291)        | (3.6)         | 0.0           | 0.0          |
| <b>Net Operating CF</b> | <b>217</b>   | <b>145</b>   | <b>325</b>    | <b>155</b>    | <b>232</b>   |
| Capital Exp.(net)       | (10.7)       | (2.9)        | (5.1)         | (6.0)         | (6.0)        |
| Other Invt.(net)        | 2.83         | 0.0          | 16.2          | 0.0           | 0.0          |
| Invt in Assoc. & JV     | 0.0          | (0.8)        | (52.7)        | 0.0           | 0.0          |
| Div from Assoc & JV     | 0.0          | 0.20         | 0.0           | 0.0           | 0.0          |
| Other Investing CF      | 209          | 295          | (30.2)        | 0.0           | 0.0          |
| <b>Net Investing CF</b> | <b>201</b>   | <b>292</b>   | <b>(71.7)</b> | <b>(6.0)</b>  | <b>(6.0)</b> |
| Div Paid                | (237)        | (387)        | (152)         | (120)         | (124)        |
| Chg in Gross Debt       | 11.6         | 127          | 37.1          | 50.0          | 0.0          |
| Capital Issues          | 0.0          | 0.0          | 0.0           | 0.0           | 0.0          |
| Other Financing CF      | (17.5)       | (305)        | (17.9)        | 0.0           | 0.0          |
| <b>Net Financing CF</b> | <b>(243)</b> | <b>(564)</b> | <b>(133)</b>  | <b>(69.9)</b> | <b>(124)</b> |
| Currency Adjustments    | 20.4         | 11.2         | 17.7          | 0.0           | 0.0          |
| Chg in Cash             | 196          | (116)        | 138           | 78.6          | 102          |
| Opg CFPS (S cts)        | 5.48         | (1.6)        | 3.31          | 2.60          | 2.95         |
| Free CFPS (S cts)       | 2.56         | 1.76         | 3.98          | 1.85          | 2.81         |

Source: Company, DBS Bank

## Target Price &amp; Ratings History



| S.No. | Date of Report | Closing Price | 12-mth Target Price | Rating |
|-------|----------------|---------------|---------------------|--------|
| 1:    | 15 Feb 19      | 0.55          | 0.62                | BUY    |
| 2:    | 15 May 19      | 0.52          | 0.63                | BUY    |
| 3:    | 26 Aug 19      | 0.50          | 0.60                | BUY    |
| 4:    | 15 Nov 19      | 0.43          | 0.57                | BUY    |

Note: Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Lee Keng LING

DBS Bank recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

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**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

\*Share price appreciation + dividends

Completed Date: 14 Feb 2020 08:17:02 (SGT)

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**DBS Regional Research Offices**

---

**HONG KONG**

**DBS (Hong Kong) Ltd**

Contact: Carol Wu  
13th Floor One Island East,  
18 Westlands Road,  
Quarry Bay, Hong Kong  
Tel: 852 3668 4181  
Fax: 852 2521 1812  
e-mail: dbsvhk@dbs.com

**MALAYSIA**

**AllianceDBS Research Sdn Bhd**

Contact: Wong Ming Tek (128540 U)  
19th Floor, Menara Multi-Purpose,  
Capital Square,  
8 Jalan Munshi Abdullah 50100  
Kuala Lumpur, Malaysia.  
Tel.: 603 2604 3333  
Fax: 603 2604 3921  
e-mail: general@alliancedbs.com

**SINGAPORE**

**DBS Bank Ltd**

Contact: Janice Chua  
12 Marina Boulevard,  
Marina Bay Financial Centre Tower 3  
Singapore 018982  
Tel: 65 6878 8888  
Fax: 65 65353 418  
e-mail: equityresearch@dbs.com  
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**THAILAND**

**DBS Vickers Securities (Thailand) Co Ltd**

Contact: Chanpen Sirithanarattanakul  
989 Siam Piwat Tower Building,  
9th, 14th-15th Floor  
Rama 1 Road, Pathumwan,  
Bangkok Thailand 10330  
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Contact: Maynard Priajaya Arif  
DBS Bank Tower  
Ciputra World 1, 32/F  
Jl. Prof. Dr. Satrio Kav. 3-5  
Jakarta 12940, Indonesia  
Tel: 62 21 3003 4900  
Fax: 6221 3003 4943  
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