

# Financial Results

Period ending **31 August 2010**



**SILVERBRIDGE**  
H O L D I N G S

# Agenda



- Overview
- Operations and segments
- Financial overview
- Questions
- Summary

# Overview



# The SilverBridge Group

## We do software in financial services

- We rent our own **software** for administration of contracts such as insurance policies
- We **implement and support** software
- We do IT **consulting**



# Challenges for the period

- **Delivery** problems on some of SDT implementation projects caused delay in revenue and led to additional costs
- Acczone **acquisition** not delivering on our expectations



# Positives from the period

- Good progress with ABSA and Sanlam reinsurance implementations
- ONZ migrated from single large consulting contract to multiple project engagements
- Increased rental and support revenue



# Operational focus for the period ahead

- Focus on SDT's **new implementations** to ensure that we deliver on time and budget
- Look after our **existing client base**
- Continue to build and convert our **pipeline**
- **Reposition** Acczone
- **Optimise** group structure

# Strategic focus for the period ahead

- Focus on our current **market** in life assurance, loans and banking
- Ensure that the group's offering meets our market's need for solutions that make their operations more **efficient**
- Make sure that our **investments** continue to build our competitive advantage



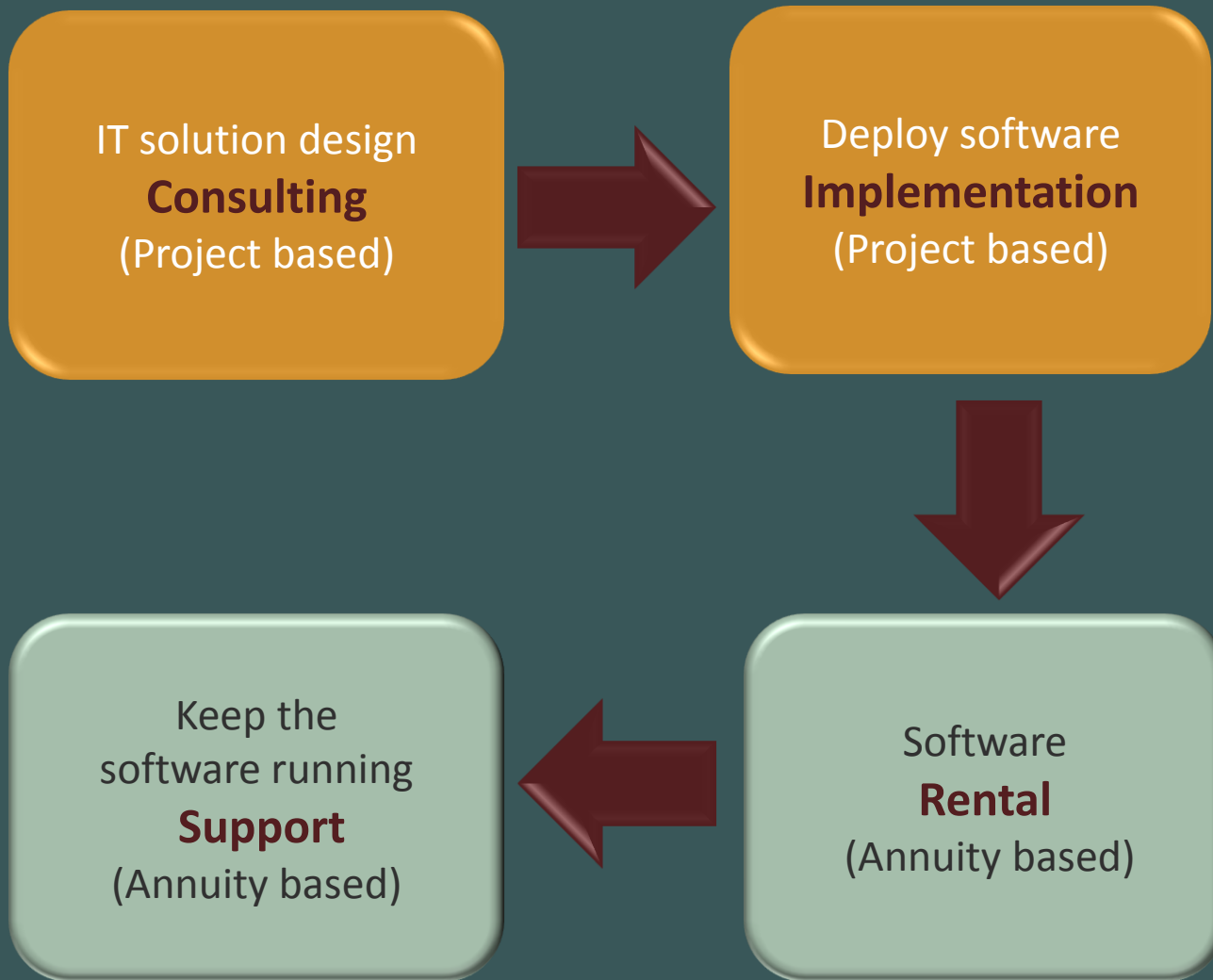
# Outlook

- Going forward, we will apply the lessons learned to improve our skills and **experience**
- New **implementations** are progressing well and will contribute to revenue in the period ahead
- **Annuity revenue** from new implementations will follow in the next year
- A new focus on expenses has put **costs** under control and we are looking at further optimisation of the group structure
- We are positive about **opportunities**, especially in life assurance

# Operations and segment overview



# Operational model

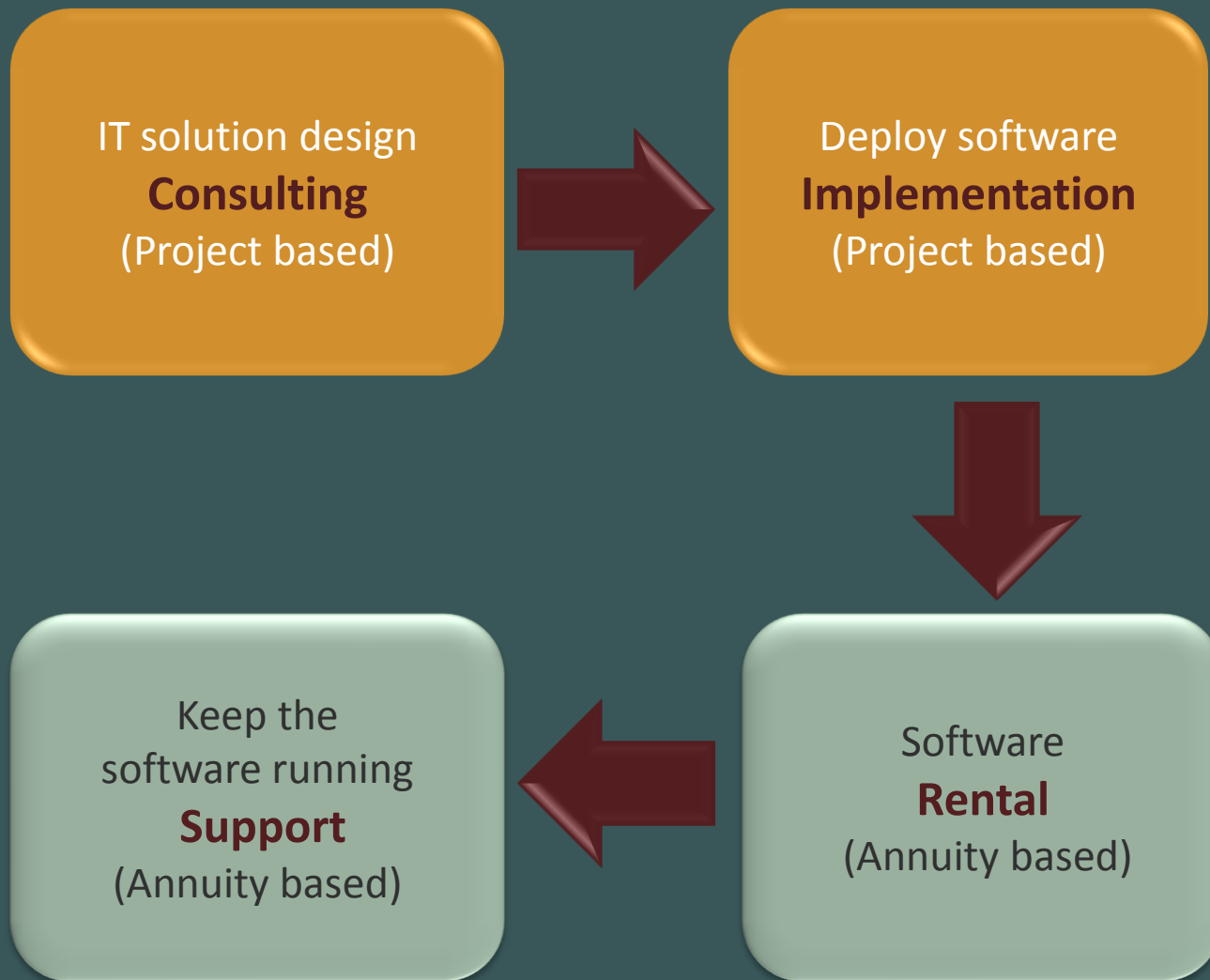


# Consulting

| R `000             | H1 2011 | Change | H1 2010 |
|--------------------|---------|--------|---------|
| Consulting revenue | 12 539  | (14%)  | 14 665  |
| Segment result     | 1 897   | (45%)  | 3 422   |
| Segment result %   | 15%     |        | 23%     |

- Market changed to smaller resource placement opportunities
- We expect it to continue for at least the next year
- Maintained positive pipeline
- In process of transitioning skills to life insurance industry

# Operational model



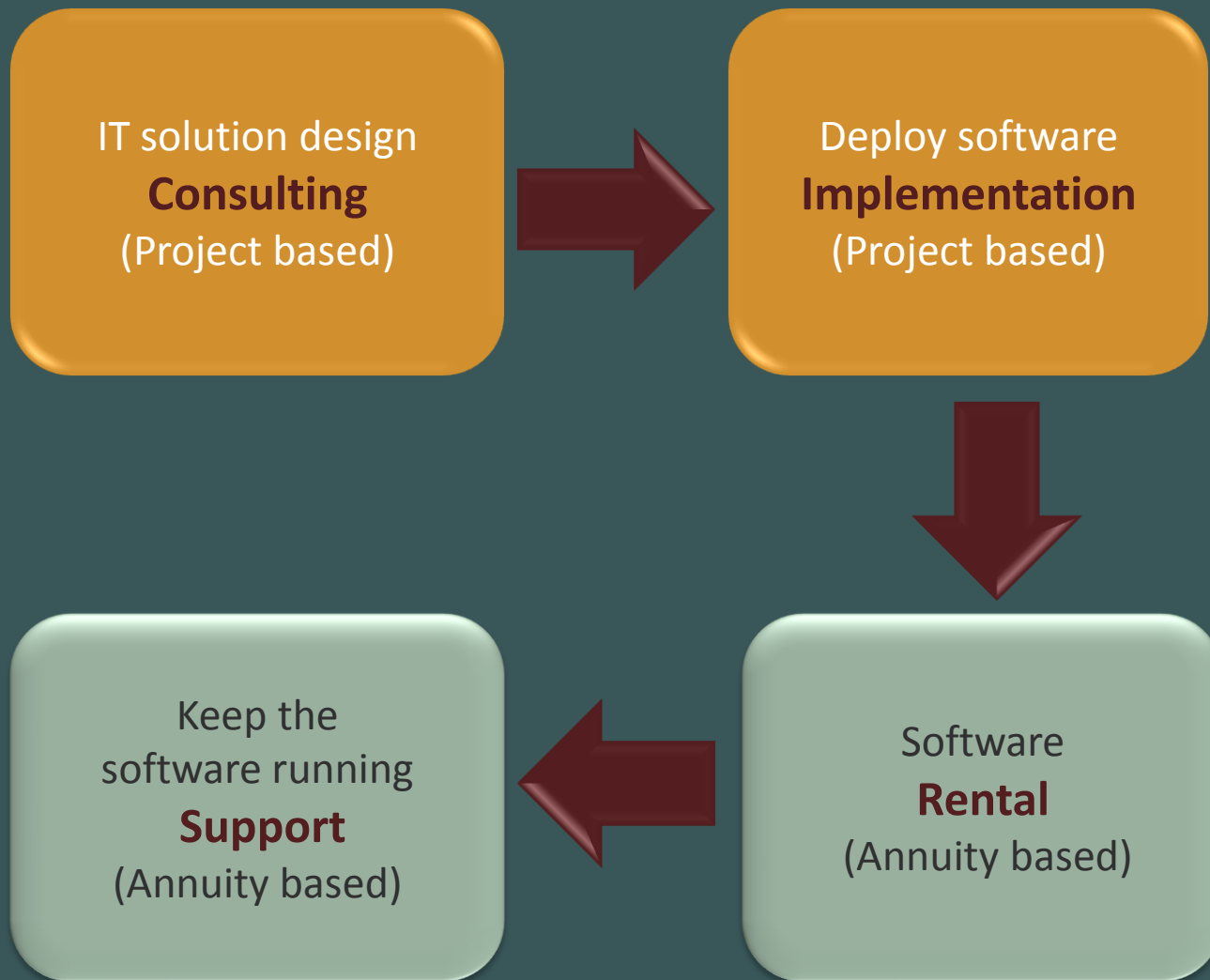
# Implementation

| R `000                 | H1 2011 | Change | H1 2010 |
|------------------------|---------|--------|---------|
| Implementation revenue | 19 396  | 9%     | 17 860  |
| Segment result         | (131)   | (104%) | 3 000   |
| Segment result %       | (1%)    |        | 17%     |

- SDT delivery challenges with multiple complex projects
- Higher level of skills required, stretch on specialist skills
- Delay in revenue recognition
- Contracted-in skills led to higher cost base
- Acczone increased the cost base without delivering expected revenue
- In process of developing new implementation methodology

- Retrenched 18 out of 100 in SDT – R 1.4m
- Retrenched 13 out of 26 in Acczone – R 350k

# Operational model

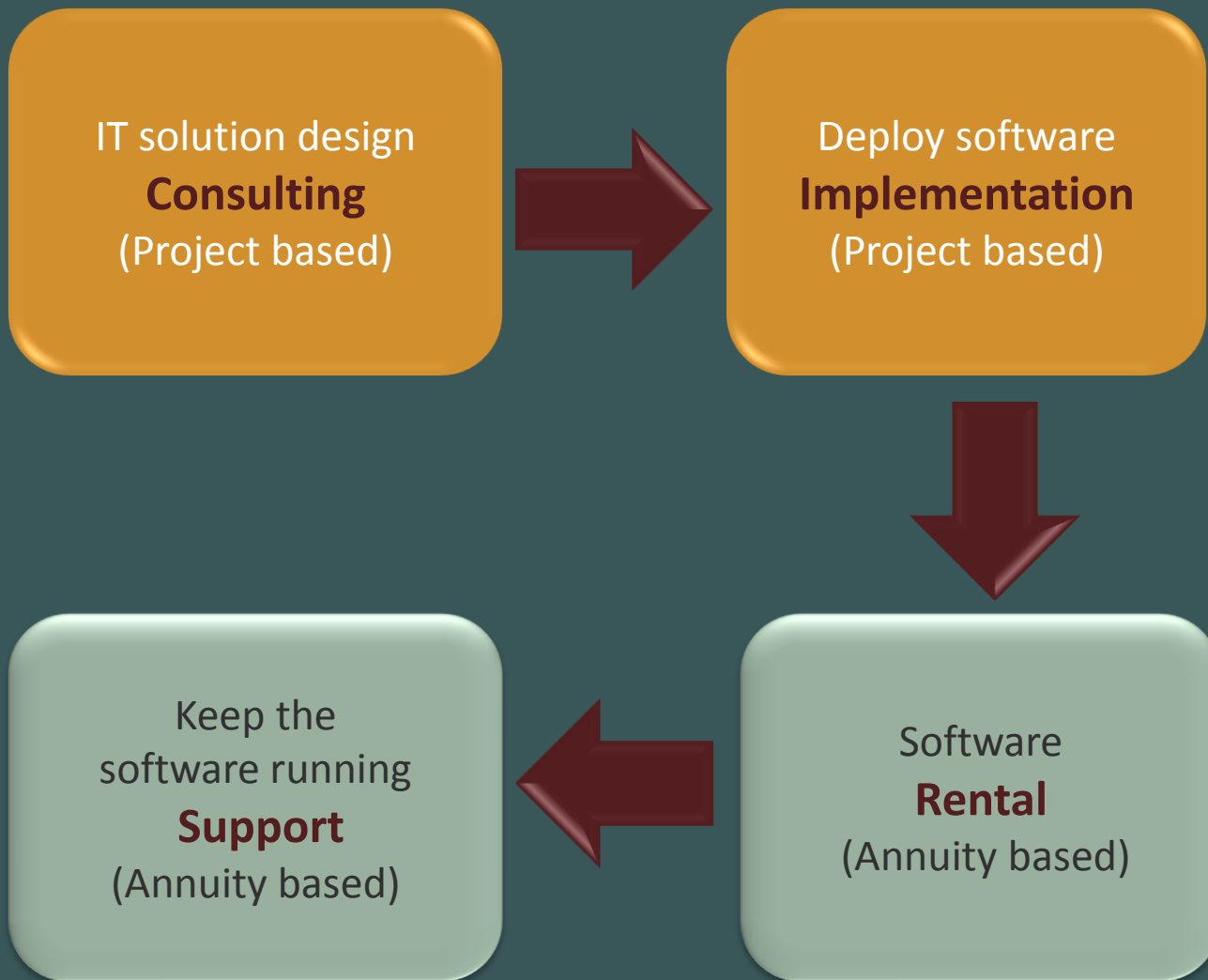


# Software rental and R&D

| R `000                          | H1 2011 | Change | H1 2010 |
|---------------------------------|---------|--------|---------|
| Software rental and maintenance | 12 892  | 15%    | 11 140  |
| R&D expensed                    | 5 308   |        | 6 083   |
| R&D capitalised                 | 2 300   |        | 411     |

- Maintained customers but with small growth in usage
- Delay in new rental from implementation challenges
- Total R&D increased as a result of Acczone software re-development

# Operational model



# Support

| R `000           | H1 2011 | Change | H1 2010 |
|------------------|---------|--------|---------|
| Support revenue  | 7 800   | 6%     | 7 375   |
| Segment result   | (3 049) | (262%) | 1 878   |
| Segment result % | (39%)   |        | 25%     |

- Reduction in ad hoc support from existing clients
- Signed first dedicated on-site support contract
- Acczone support unprofitable – will renegotiate contracts

# Financial overview



# Consolidated statement of comprehensive income

*Period ended 31 August 2010*

| R `000  | H1 2011 | Change | H1 2010 |
|---------|---------|--------|---------|
| Revenue | 52 162  | 2%     | 51 040  |

- Delay in revenue recognition
- SDT revenue slightly up on previous year
- ONZ revenue reduced by R 2.1m
- Small contribution by Acczone (R1.5m)
- Annuity streams supported income despite challenges with project revenue

# Consolidated statement of comprehensive income

*Period ended 31 August 2010*

| R `000                      | H1 2011 | Change | H1 2010 |
|-----------------------------|---------|--------|---------|
| Revenue                     | 52 162  | 2%     | 51 040  |
| EBITDA                      | 3 031   | (70%)  | 10 182  |
| Operating profit            | 1 552   | (82%)  | 8 419   |
| Operating profit margin (%) | 3%      |        | 16%     |

- Costs increased due to delivery challenges for the period
- Corrective action taken should improve future financial performance
- R 1.75 million costs from retrenchments
- Acczone acquisition added to the cost base
- Pressure on profits from delayed revenue and increased costs

# Consolidated statement of comprehensive income

| R `000                           | H1 2011 | Change | H1 2010 |
|----------------------------------|---------|--------|---------|
| Revenue                          | 52 162  | 2%     | 51 040  |
| EBITDA                           | 3 031   | (70%)  | 10 182  |
| Operating profit                 | 1 553   | (82%)  | 8 419   |
| Operating profit margin (%)      | 3%      |        | 16%     |
| Net interest                     | 434     |        | 533     |
| Taxation                         | (9)     |        | (2 761) |
| Minorities                       | (842)   |        | (1 040) |
| Attributable earnings            | 1 136   | (78%)  | 5 151   |
| Weighted average shares in issue | 34 675  |        | 33 773  |
| HEPS (cps)                       | 3.28    | (78%)  | 15.02   |

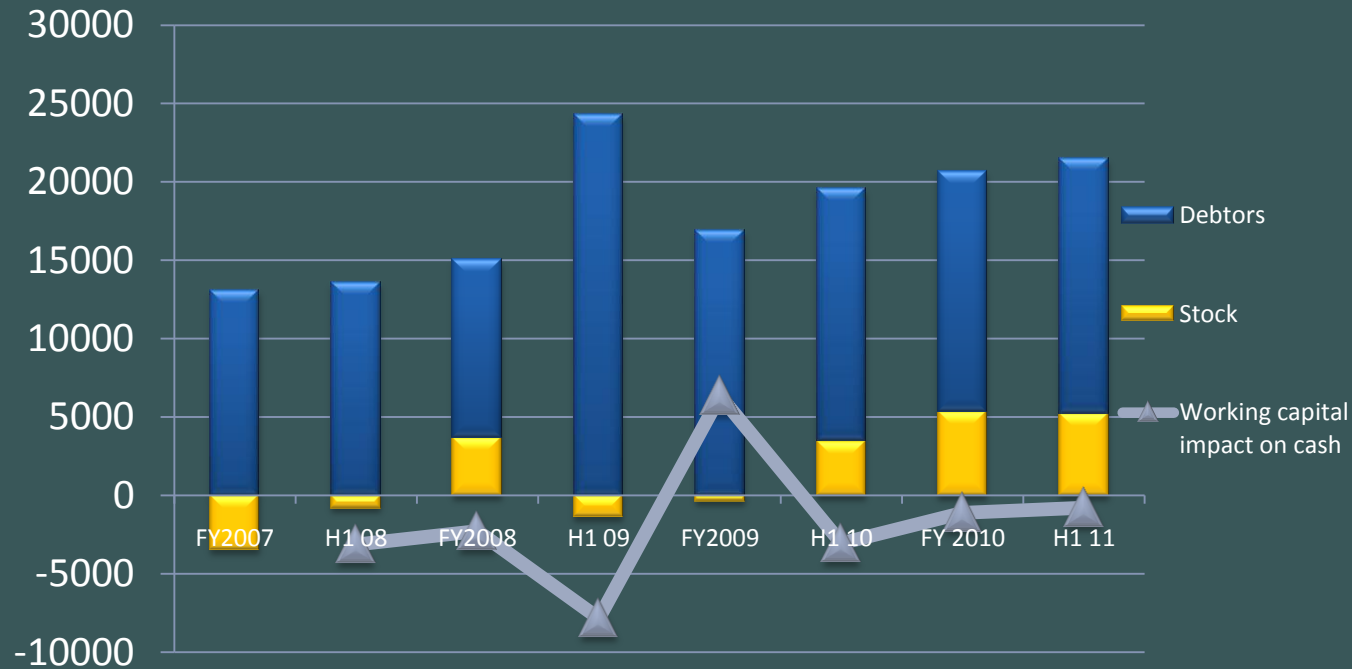
- Effect of delayed revenue and increase in costs affected EPS significantly

# Statement of financial position - Assets

| R `000                              | H1 2011 | H1 2010 |
|-------------------------------------|---------|---------|
| Non Current Assets                  | 37 376  | 27 388  |
| Current Assets                      | 42 187  | 42 729  |
| Trade and other receivables         | 16 231  | 16 096  |
| Cash and cash equivalents           | 11 353  | 14 219  |
| Income tax receivable               | 5 804   | 6 148   |
| Revenue recognised not yet invoiced | 8 799   | 6 266   |
| Total Assets                        | 79 563  | 70 117  |

- Downward adjustment on cost of acquisition affecting goodwill
- Cash affected by performance and Acczone acquisition
- Increased levels in WIP still due to ABSA – will only reduce after year end

# Working capital



**Stock = Revenue recognised in advance less deferred revenue**

- Working capital in line with year end
- WIP higher as result of ABSA project

# Statement of financial position - Equity and liabilities

| R `000                       | H1 2011 | H1 2010 |
|------------------------------|---------|---------|
| Equity                       | 58 272  | 46 707  |
| Non-current liabilities      | 0       | 0       |
| Current liabilities          | 21 291  | 23 410  |
| Total equity and liabilities | 79 563  | 70 117  |

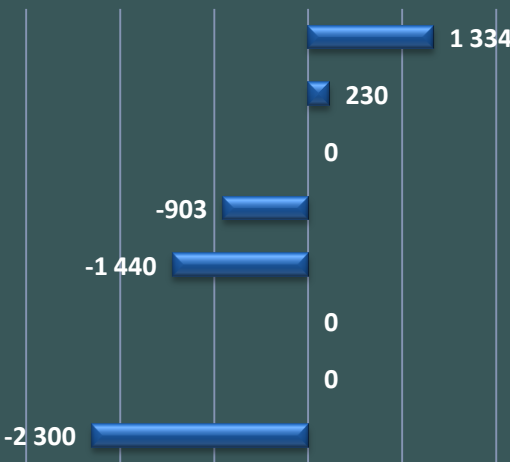
- Outstanding purchase consideration for Acczone reduced
- Liabilities include retrenchment provision and outstanding dividend payments

# Summarised Cash Flow Statement

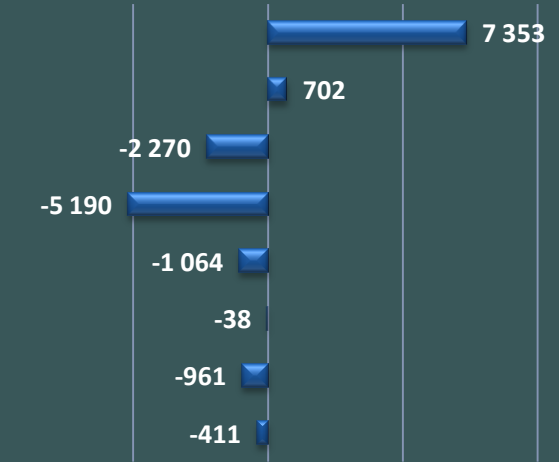
R `000

H1 2011

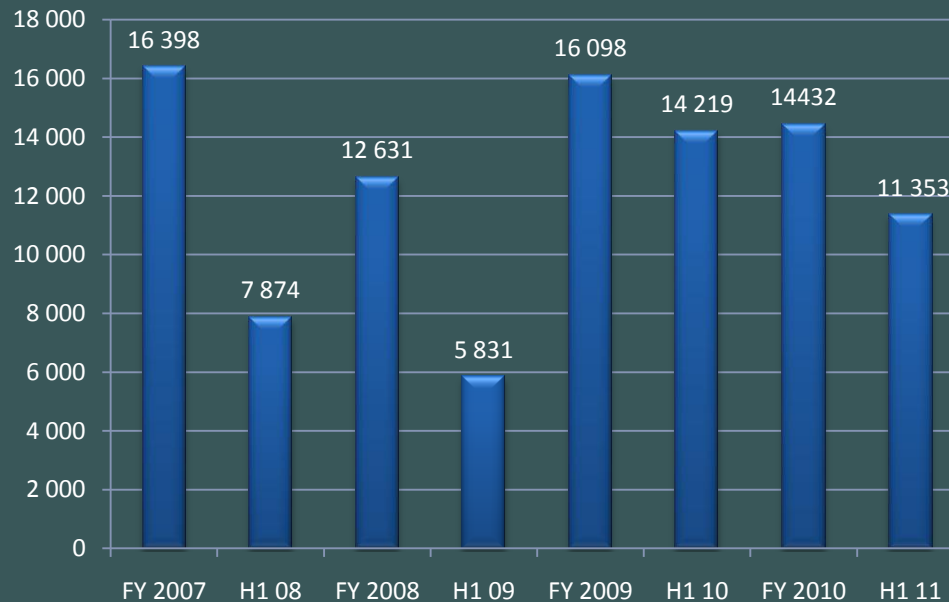
H1 2010



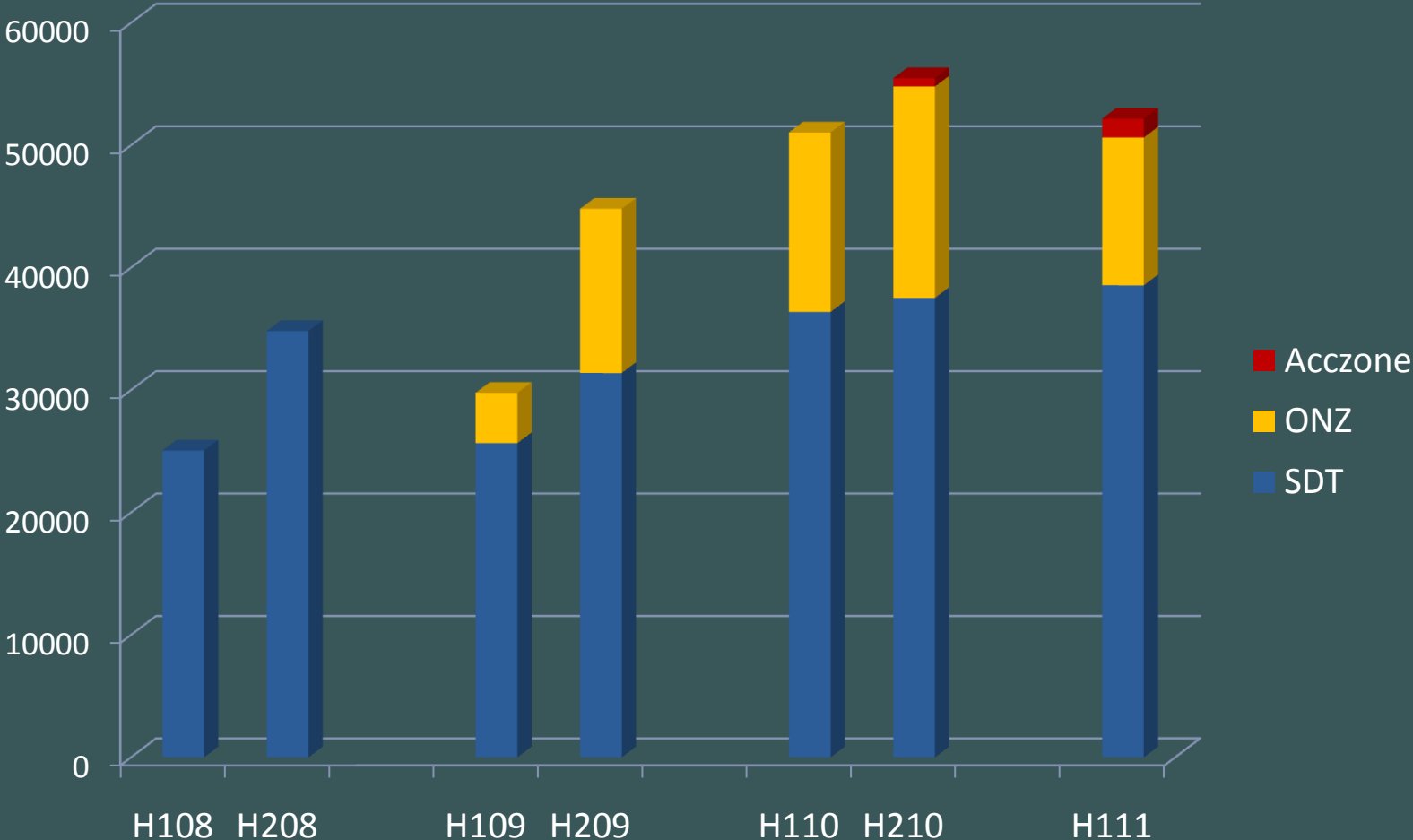
Cash from operations  
 Net interest  
 Minority portion of dividends in ONZ  
 Tax paid  
 Equipment acquired  
 Increase in investment  
 Capital distribution  
 Development cost capitalised



Cash balance



# Recent revenue track record



# Questions



# Summary

- Our focus on delivery has put **costs** under control
- We are **executing** on a number of large deals
- Our **pipeline** remains strong
- Going forward, we will apply the lessons learned to improve our skills and **experience**
- **Annuity revenue** from new implementations will follow in next year



The leading providers of financial services will change to offer their clients what they need, at an affordable price. SilverBridge will play a leading role in supporting them on this journey.



Thank you

SilverBridge Roadmap

