



# Financial Results

6 months ending 31 December 2011



**SILVERBRIDGE**

# Agenda



Business overview

Operations and segments

Financial overview

Summary

Questions

# SilverBridge

We build software that enables financial services

We consult on the implementation of our software

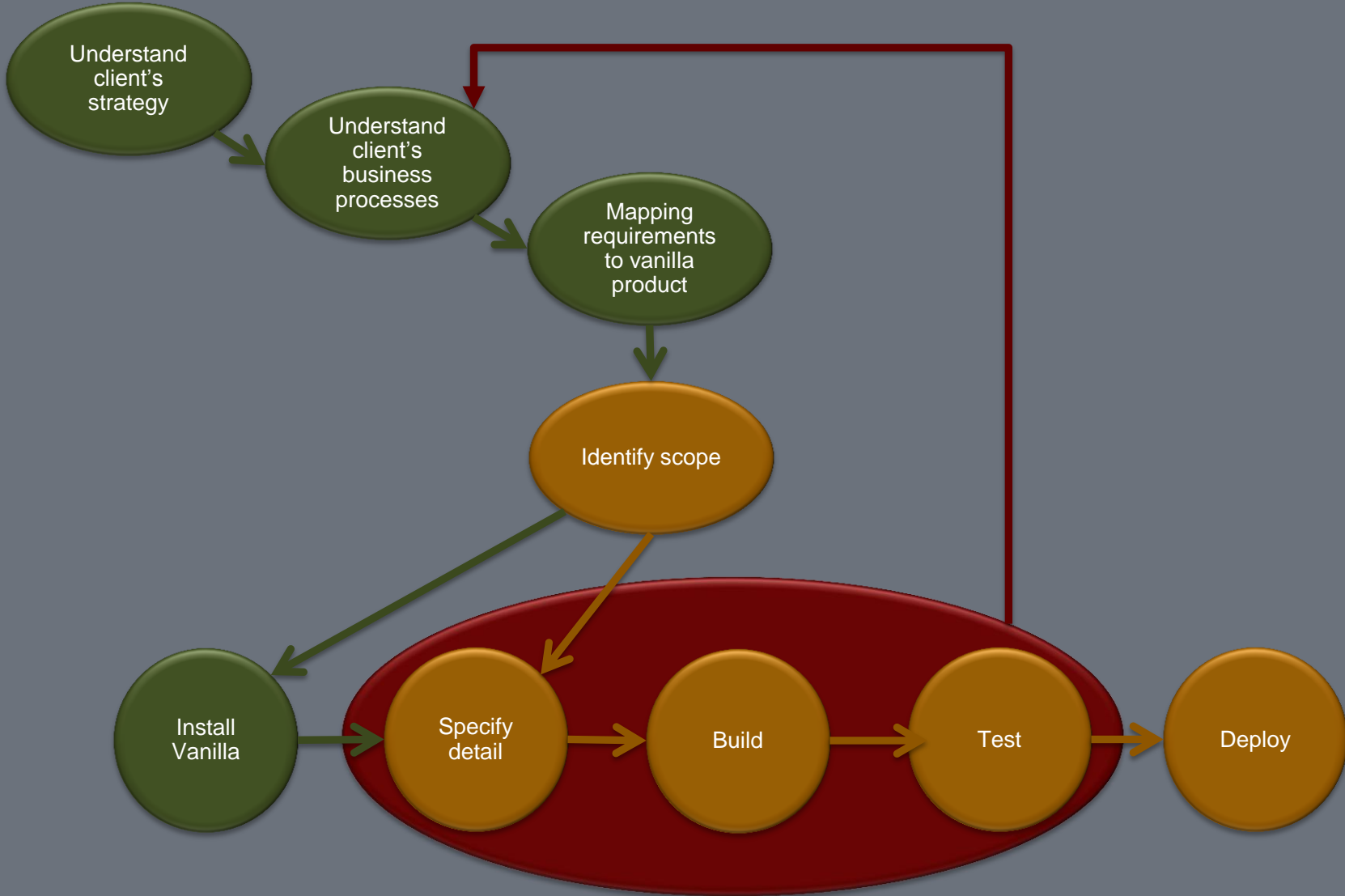
We implement and support our own software

We rent out our own software for administration of life insurance contracts

# Operational summary

- Absa implementation continues
- Significant investment in MMI project
- Secured new business in Nedgroup Life following system study
- We are doing business in a highly complex environment
  - Focus on creating efficiency tools and making implementations less complex
  - Focus on improving end to end implementation and support processes to improve quality
  - Adapting to dealing with Tier 1 clients
- Global expansion continues but with caution

# End-to-end implementation processes - SIM



# Strategic focus for the period ahead

Focus on our current markets in life assurance

Ensure that our offering meets the market's need for solutions that make their operations more efficient

Make sure that our investments build our competitive advantage

# Our position

## *Strong points*

### **Strengths**

- Financial services expertise
- Customisable products and services

### **Opportunities**

- Life insurance
- Mobile market
- Delivering through partners

## *Pressure points*

### **Challenges**

- Relatively small company
- Complexity of environment

### **Pressures**

- Retaining specialist skills
- Dealing with Tier 1 clients

# Introduction to financials

- We are pleased with the improvement in the results
- Improvement is below expectation due to our investment in adaptation to the Tier 1 market
- Operational and financial restructuring complete
- Hard work behind the scenes
- The results exclude any R&D capitalisation
- Continuing with major projects
- We are still securing new business
- Good flow of business from existing clients

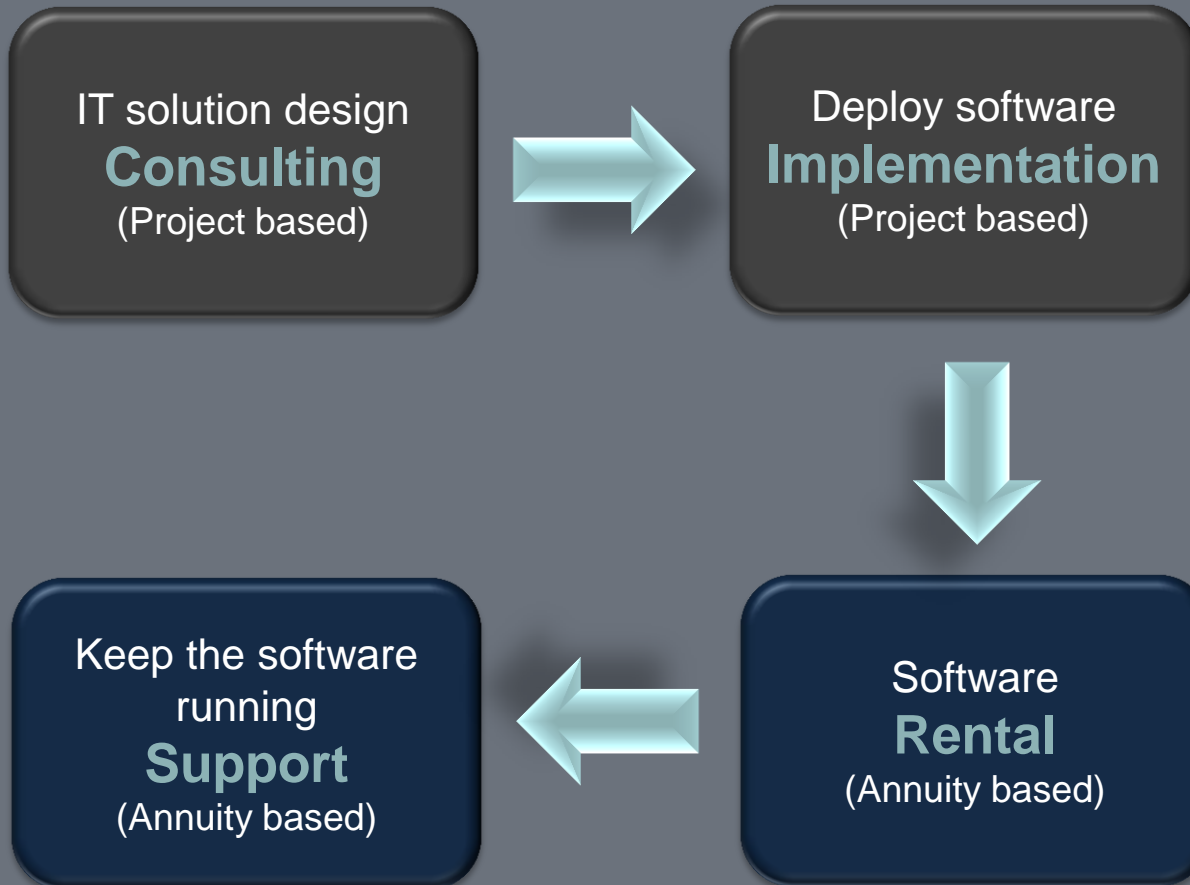


# Unallocated expense

## Reasons for reduction in unallocated expenses

- “Simpler group” resulted in cost savings
- Some savings still coming through
- Corporate cost savings of at least R1 million annualised
- Portion of corporate costs reallocated to the segments

# Operational model

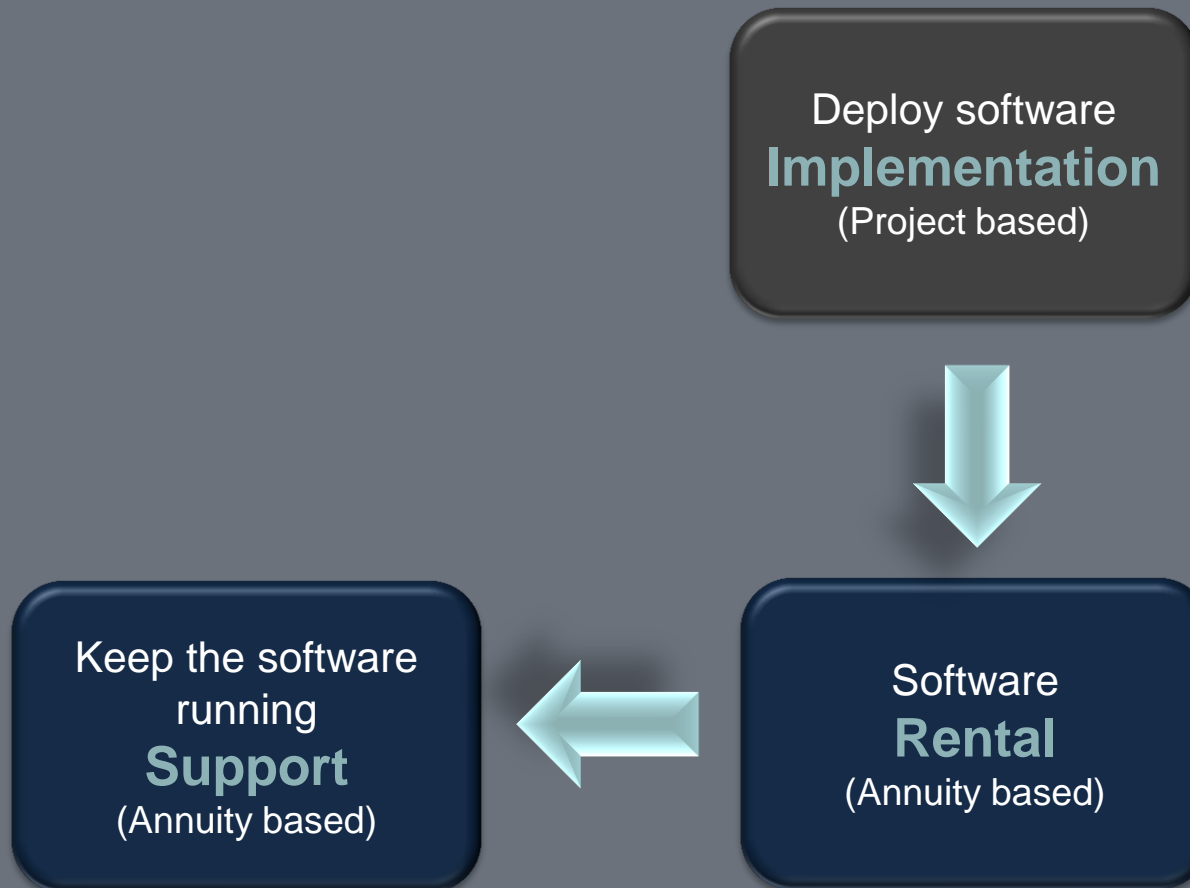


# Consulting

- Report for comparative reasons
- We moved consulting revenue to implementation
- We have almost replaced the revenue from this line of business

R `000	2012 (6 m)	2011 (6 m)	2011 (16 m)
Consulting revenue	660	12 539	20 442
Segment result	10	1 897	(305)
Segment result %	2%	15%	(1%)

# Operational model

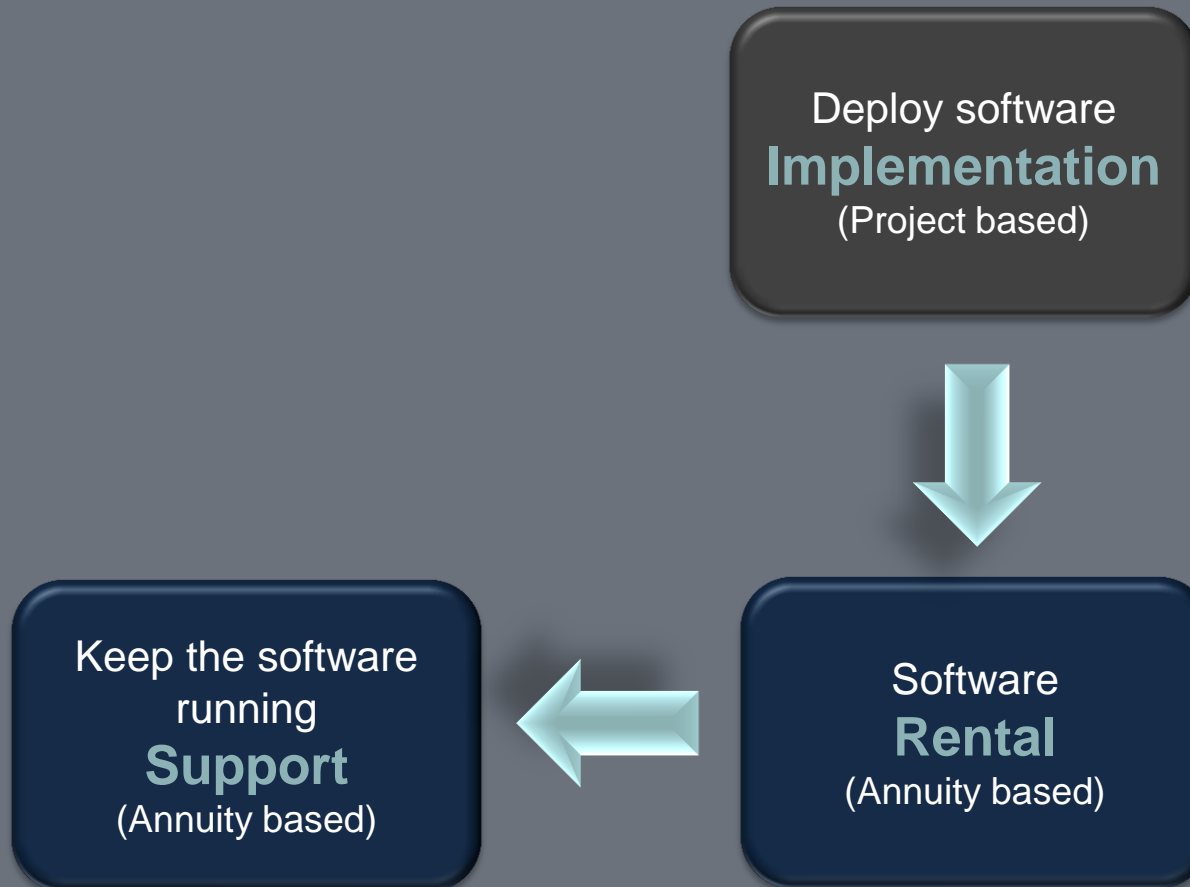


# Implementation

- Healthy revenue – progress on projects
- Corporate costs allocated to segments affected margins
- Solution design revenue from Nedgroup Life of R1.6m
- Adapting to pressure from Tier 1 projects – scope for further margin improvement

R `000	2012 (6 m)	2011 (6 m)	% Change	2011 (16 m)
Implementation revenue	20 567	19 396	6%	42 344
Segment result	(2 375)	(131)		(5 204)
Segment result %	(12%)	(1%)		(12%)

# Operational model

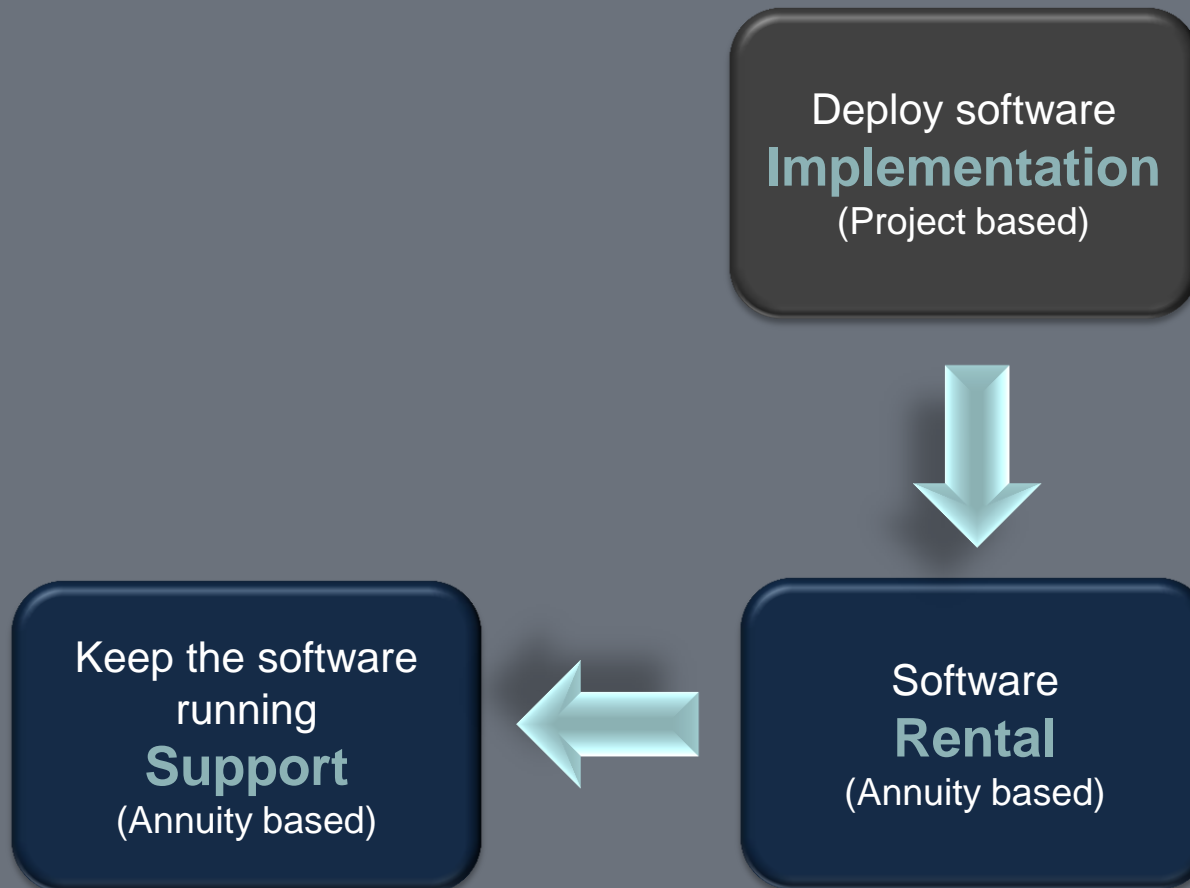


# Software rental and R&D

- Final license fee received
- Limited rental growth in existing contracts
- Growth from new rental contracts
- We see life insurance businesses in Africa struggling
- Development focused on creating efficiency tools – not capitalised

R `000	2012 (6 m)	2011 (6 m)	% Change	2011 (16 m)
Rental	14 760	10 353	43%	31 956
License fees	2 407	2 539		7 353
<b>Total software rental</b>	<b>17 167</b>	<b>12 892</b>		<b>39 309</b>
R&D expensed	6 089	3 386		13 142
R&D capitalised	0	2 300		5 797

# Operational model





# Support

- Revenue improvement
- Added new support contracts
- Corporate costs allocated to segments affected margin
- Margin will improve as we become more efficient

R `000	2012 (6 m)	2011 (6 m)	% Change	2011 (16 m)
Support revenue	9 184	7 800	18%	24 158
Segment result	(1 131)	(3 049)		(2 636)
Segment result %	(12%)	(39%)		(11%)

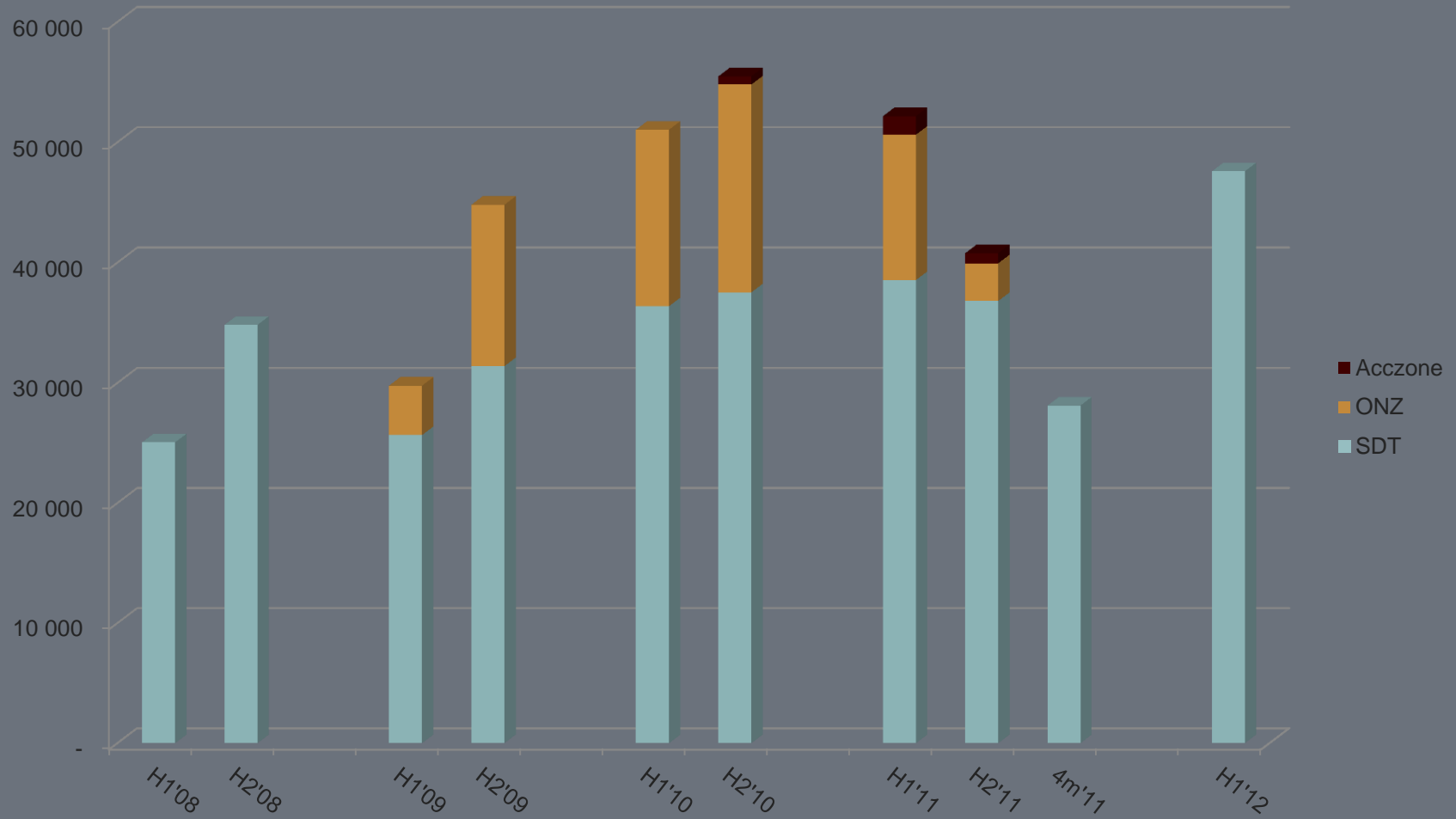
# Statement of comprehensive income

- Revenue improvement in delivery
- Growth in rental segment
- Consulting revenue almost replaced

## *6 Month period ended 31 December 2011*

R `000	6 months ended 31 December 2011	6 months ended 31 August 2010	2011 (16 months)
Revenue	47 578	52 162	121 042

# Composition of revenue



# Statement of comprehensive income

- Improvement in operating profit
- Corrective actions completed
- Cost savings coming through
- Company adapting to working in Tier 1 market
- Will take time but moving in the right direction

## *Period ended 31 December 2011*

R `000	6 months ended 31 December 2011	6 months ended 31 August 2010	2011 (16 months)
Revenue	47 578	52 162	121 042
EBITDA	4 596	3 000	973
Operating profit	3 103	1 553	(3 004)
Operating profit margin (%)	6%	3%	(2%)

# Statement of comprehensive income

- No abnormal items in income statement
- HEPS of 6.1 cps

R `000	6 months ended 31 December 2011	6 months ended 31 August 2010	2011 (16 months)
Revenue	47 578	52 162	121 042
Operating profit (loss)	3 103	1 553	(3 004)
Operating profit margin (%)	6.5%	3%	(2)%
Impairment of intangible assets	-	-	(27 689)
Loss on sale of associate	(76)		
Fair value adjustment	-	-	11 737
Net finance income	45	434	348
Taxation	(1 012)	(9)	(5 656)
Minorities	-	(842)	(518)
Attributable earnings (loss)	2 060	1 136	(24 782)
Weighted average shares in issue	34 675	34 675	34 675
HEPS (cps)	6.1	3.3	8.5

# Statement of financial position - assets

- Non current assets only consist of “SDT” related assets as per financial ye
- Significant reduction in “WIP”
- Ended period in good cash position
- Improvement of debtors days to 38 days from 46 days

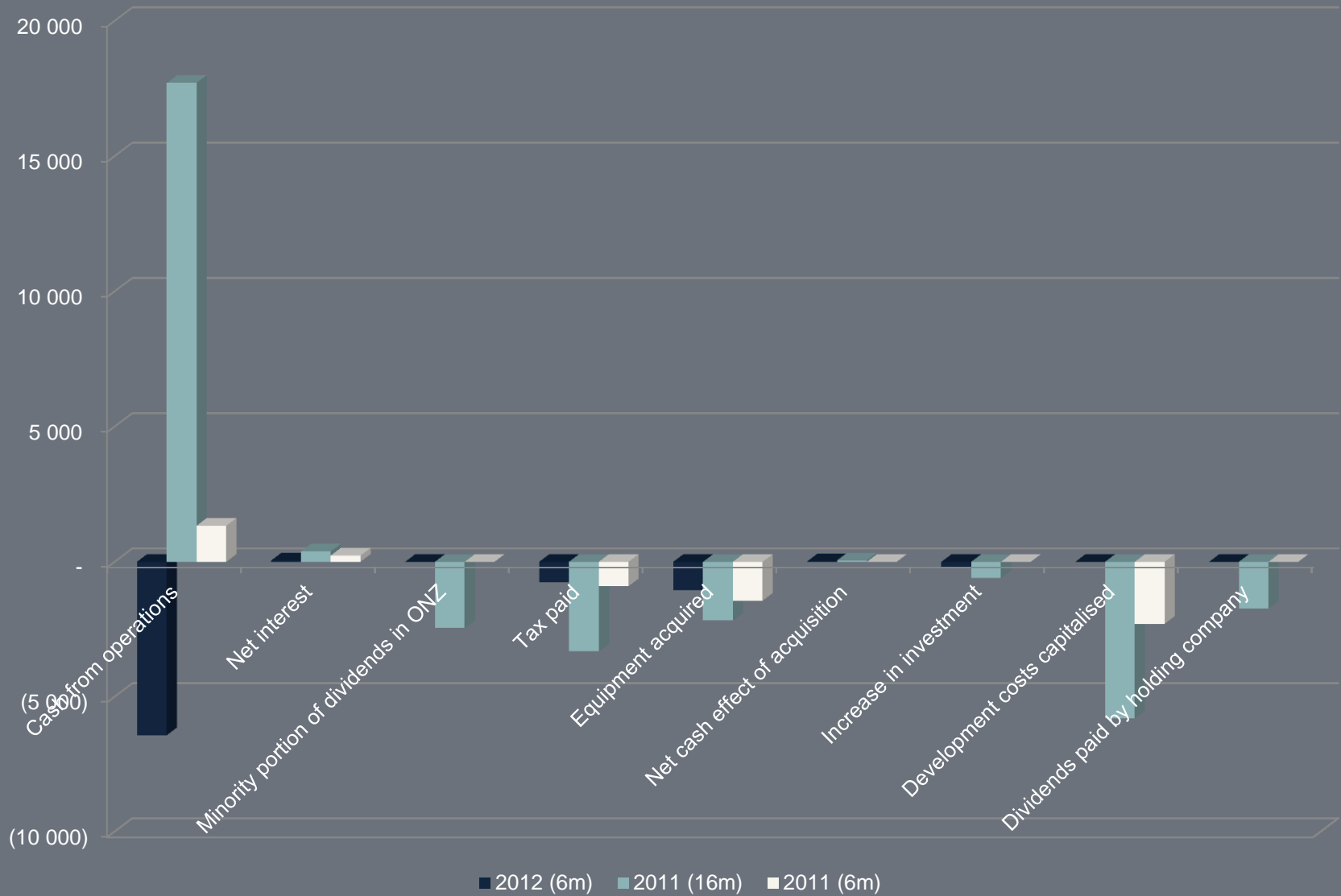
<i>Period ended 31 December 2011</i>	6 months ended 31 December 2011	6 months ended 31 August 2010	2011
Non Current Assets	16 015	37 376	17 406
Current Assets	25 597	42 187	34 028
Trade and other receivables	10 029	16 231	11 450
Cash and cash equivalents	8 130	11 353	16 500
Income tax receivable	6 122	5 804	5 548
Revenue recognised not yet invoiced	1 316	8 799	530
Total Assets	41 612	79 563	51 434

# Working capital

- Significant change in WIP
- Working capital managed very carefully



# Summarised cash flow statement





# Statement of financial position – Equity and liabilities

- Breakdown of liabilities reported in SENS

## *Period ended 31 December 2011*

R `000	6 months ended 31 December 2011	6 months ended 31 August 2010	2011
Equity	29 968	58 272	27 484
Non-current liabilities	40	0	0
Current liabilities	11 604	21 291	23 950
Total equity and liabilities	41 612	79 563	51 434

# Cash position



# Financial summary

- Results positive although turnaround slower than expected
- Cost savings coming through
- Adapting to servicing the Tier 1 market
- Healthy growth in software rental

# In conclusion

We are working in a highly complex environment

We have restructured, refocused, simplified – has realised cost savings

We are focusing on making implementations simpler and improving quality

We are busy with major projects and securing new business

# Questions

