



# Financial Results

16 months ending 30 June 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 contracts such as insurance policies and loans products

# What happened during the 16 month financial period

The complexity of some implementation projects was greater than expected

The decline in the demand for IT consulting services by financial service providers was greater than expected

We took actions to address these issues

# What actions did we take?

What impact did our actions have during the past 4 month period?

We exited loss making projects

- This increased our profitable implementation capacity

We focused on cost containment

- Our costs stabilised and balanced with our revenue generating ability

We optimised the group structure

- This simplified our group structure and reduced our overhead costs

We redesigned our operational methodologies

- Our improved implementation and client management methodologies are working well and have enabled us to successfully complete three implementations

## In addition ...

We are positive about opportunities, especially in life assurance

- We have a good sales and farming pipeline

We are making good progress with the ABSA project

- Phase 1 of the ABSA project is now live

We increased software rental and support revenue

- Software rental revenue increased by 6% (excluding license fees)
- Support revenue increased by 42%

We increased the quality of our software rental revenue by converting clients to Exergy

- Two client conversion projects completed, one nearly complete and another one beginning

# Operational focus for the period ahead

Focus on SilverBridge's new implementations to ensure that we deliver on time and on budget

Look after our existing customer base

Continue to build and convert our pipeline

Cost containment

Entrench operating structure

# Strategic focus for the period ahead

Focus on our current markets in life assurance and loans

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



# Integrated reporting - Self evaluation

## *Strong points*

### **Strengths**

- Financial services expertise
- Customisable products and services
- Implementation track record
- Exergy brand awareness
- Ability to service small and large clients

### **Opportunities**

- Software for an increasingly mobile and online environment
- Packaged IP for partners
- Track record in Africa
- Competition to Exergy and loans are struggling

## *Pressure points*

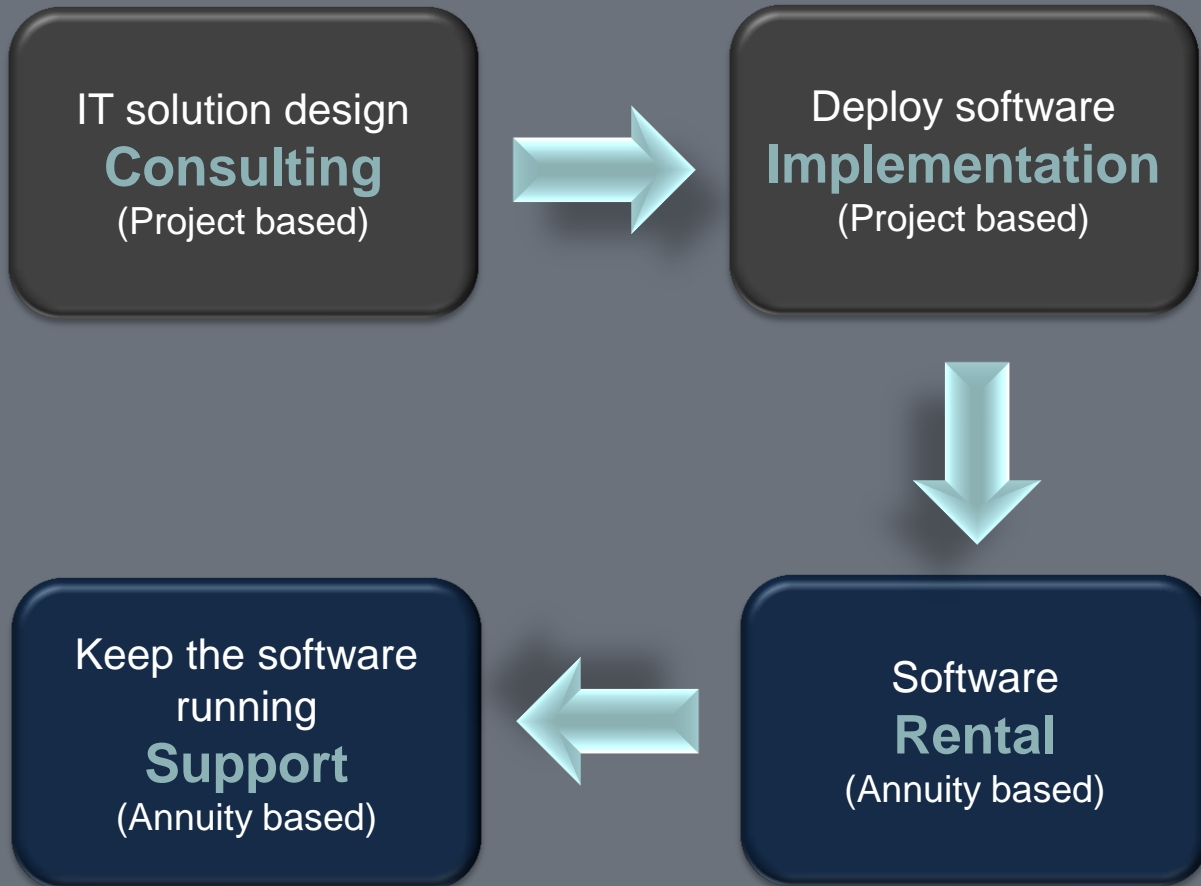
### **Challenges**

- Relatively small company
- Providing a specialist service at a reasonable price
- Complexity of translating business objectives to IT solutions

### **Pressures**

- Contracts that we recently had to exit
- Staff discomfort due to the above, as well as due to the organisational transformation
- Threat of staff being poached
- Impact of the economic crises and the resultant pressure on margins

# Operational model

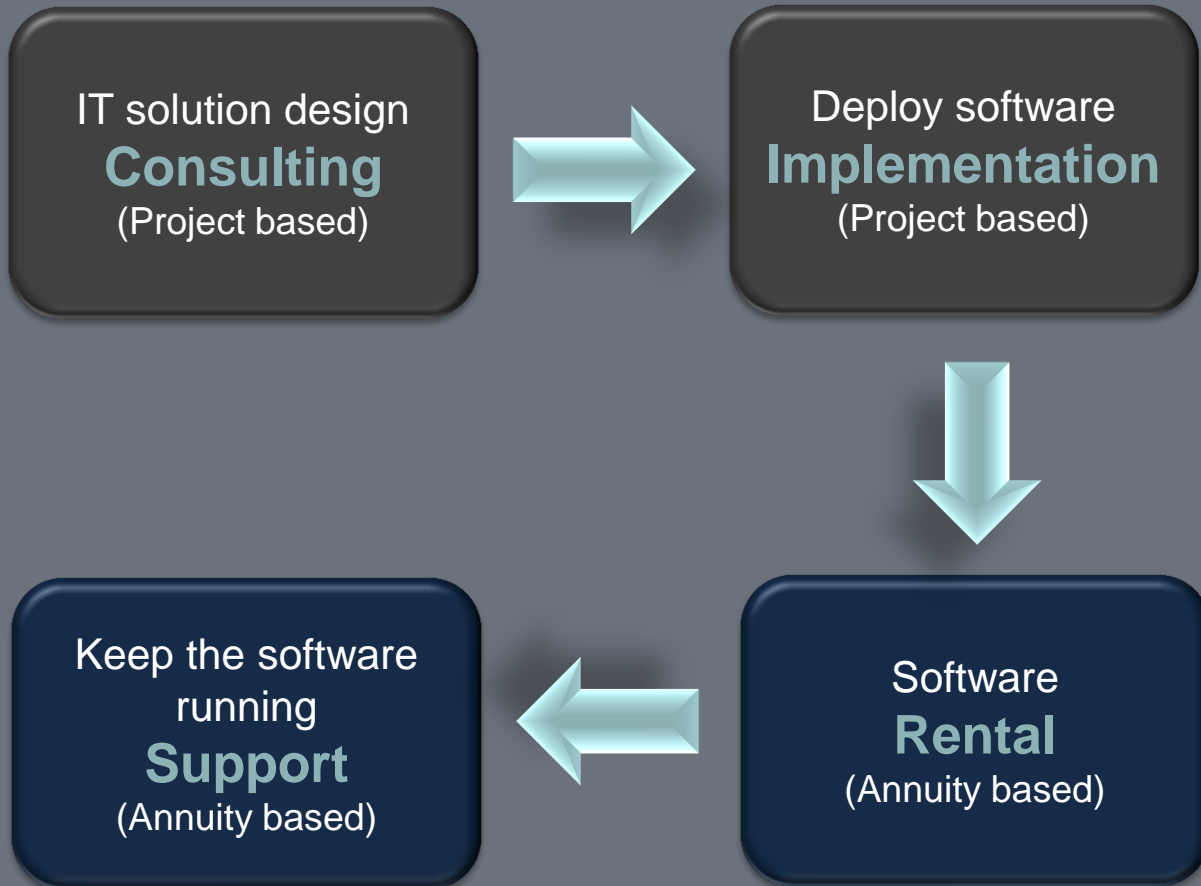


# Consulting

- Redesigned our operating model and integrated Ones & Zeros into SilverBridge
- Limited revenue from remaining consulting projects
- Consulting skills now focused on solutions design within the implementation segment

R `000	2010	% Change	2011 (12 m)	2011 (4 m)	2011 (16 m)
Consulting revenue	31 931	(38%)	19 940	502	20 442
Segment result	7 175	(97%)	190	(495)	(305)
Segment result %	22%		1%	(99%)	(1%)

# Operational model

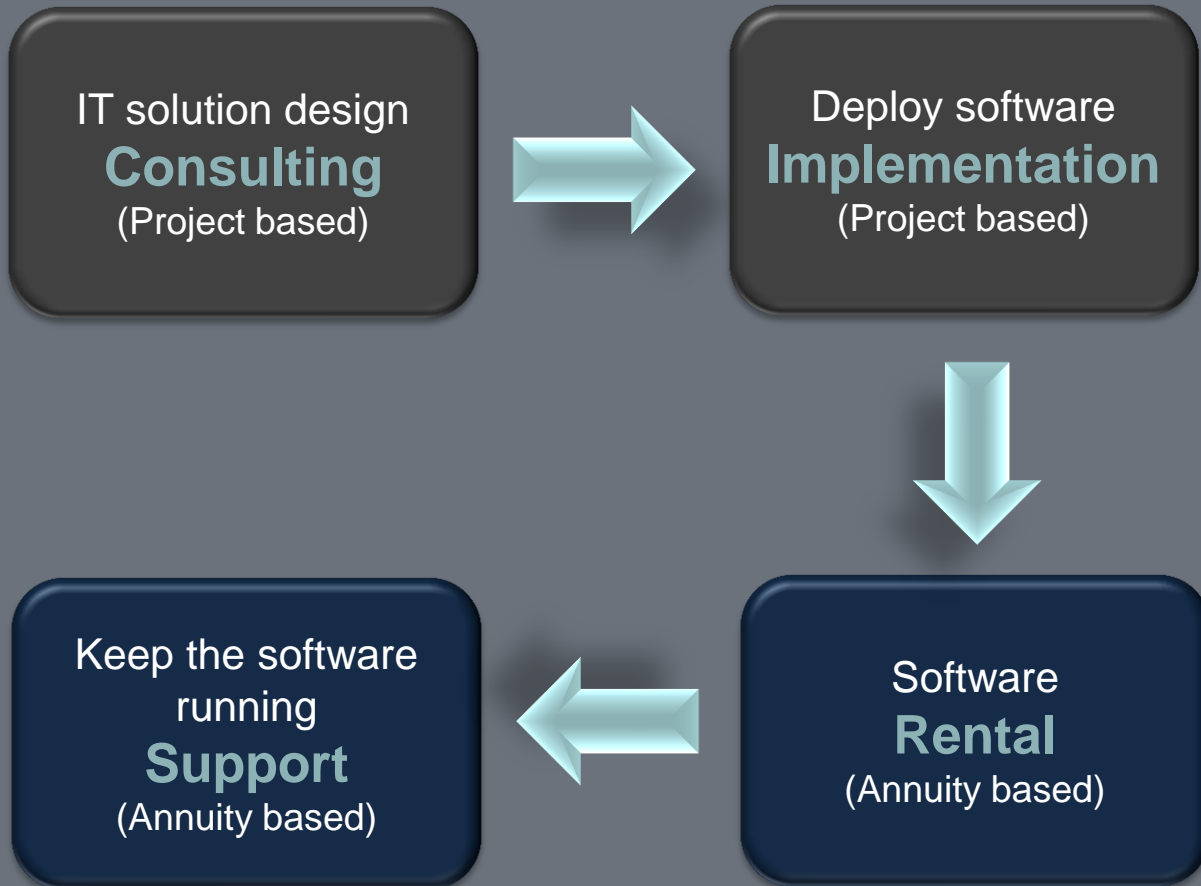


# Implementation

- Challenging projects exited - impacted the last 4 months as expected
- Ones & Zeros costs carried by the implementation segment with minimal revenue
- Investment in solution design work for a potential Tier 1 client
- Implemented new project management and costing systems
- Improvement in new financial year already seen – (July and August)

R `000	2010	% Change	2011 (12 m)	2011 (4 m)	2011 (16 m)
Implementation revenue	39 326	(18%)	32 237	10 107	42 344
Segment result	8 294	(88%)	1 008	(6 212)	(5 204)
Segment result %	21%		3%	(61%)	(12%)

# Operational model

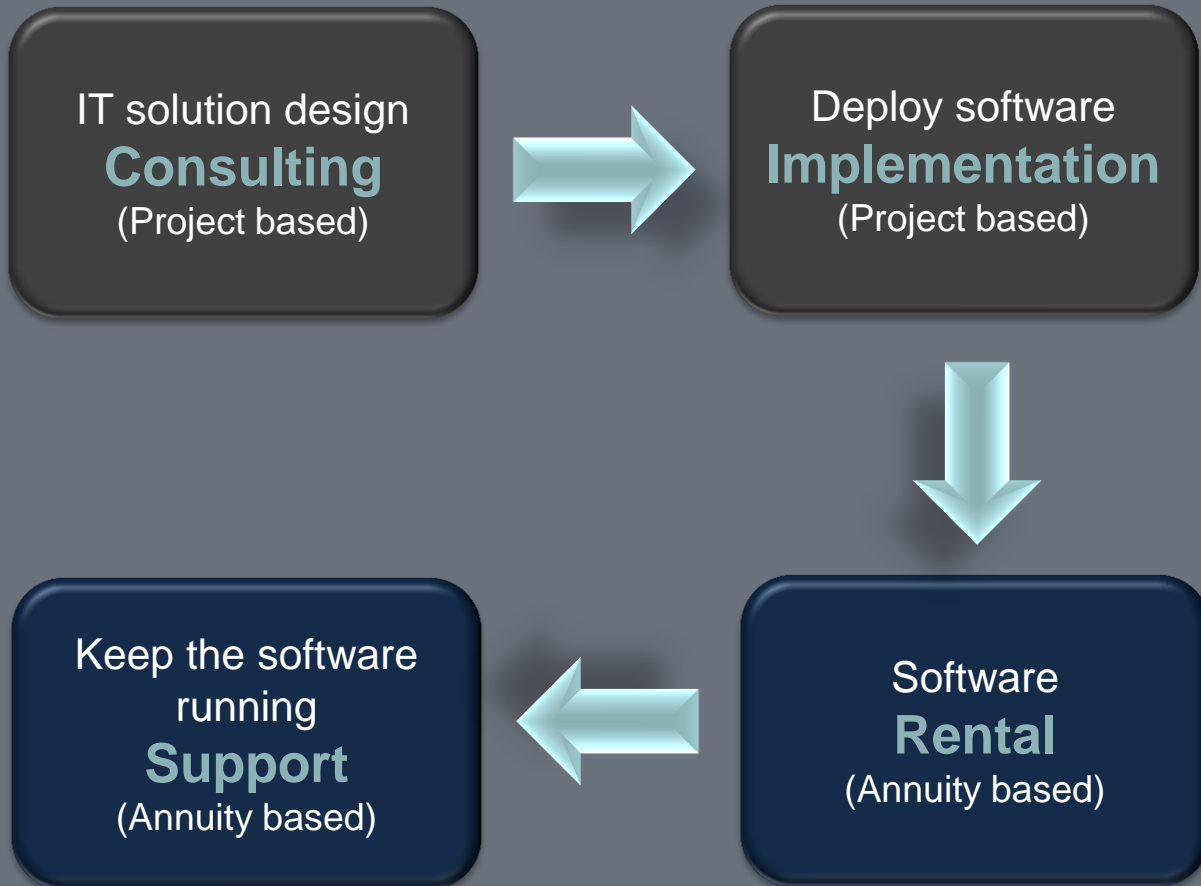


# Software rental and R&D

- Software license fees of R2.4 million received in last 4 months (R7.3 million for 16m period)
- Excluding software license fees, software rental has grown by 6% on an annualised basis
- Less was spent on R&D over the past 4 months

R `000	2010	% Change	2011 (12 m)	2011 (4 m)	2011 (16 m)
Software rental and maintenance	22 584	26%	28 425	10 884	39 309
R&D direct costs expensed	6 349		9 479	3 663	13 142
R&D capitalised	2 759		5 174	623	5 797

# Operational model





# Support

- 43% growth – new contracts added
- In the process of implementing new support management and costing systems
- Improvement in margins

R `000	2010	% Change	2011 (12 m)	2011 (4 m)	2011 (16 m)
<b>Support revenue</b>	12 667	38%	17 542	6 616	24 158
<b>Segment result</b>	1 081	(386%)	(3 095)	459	(2 636)
<b>Segment result %</b>	9%		(18%)	7%	(11)%

# Specific items

- Accounting treatment of change in cost of acquisition
- Acczone development product impaired – prudent approach
- Deferred tax assets reversed in Holdings and Acczone

R `000	2011 (12 m)	2011 (4 m)	2011 (16 m)
Impairment of goodwill - Acczone	(2 459)	(11 737)	(14 196)
Fair value adjustment of liability	-	11 737*	11 737
Impairment of goodwill – ONZ	(8 421)	-	(8 421)
Impairment of product	-	(4 719)	(4 719)
Deferred tax asset reversed - Acczone	-	(2 078)	(2 078)
Deferred tax asset reversed - Holdings		(4 743)	(4 743)
Net effect on Income Statement	(10 880)	(11 540)	(22 420)

\* Included in HEPS

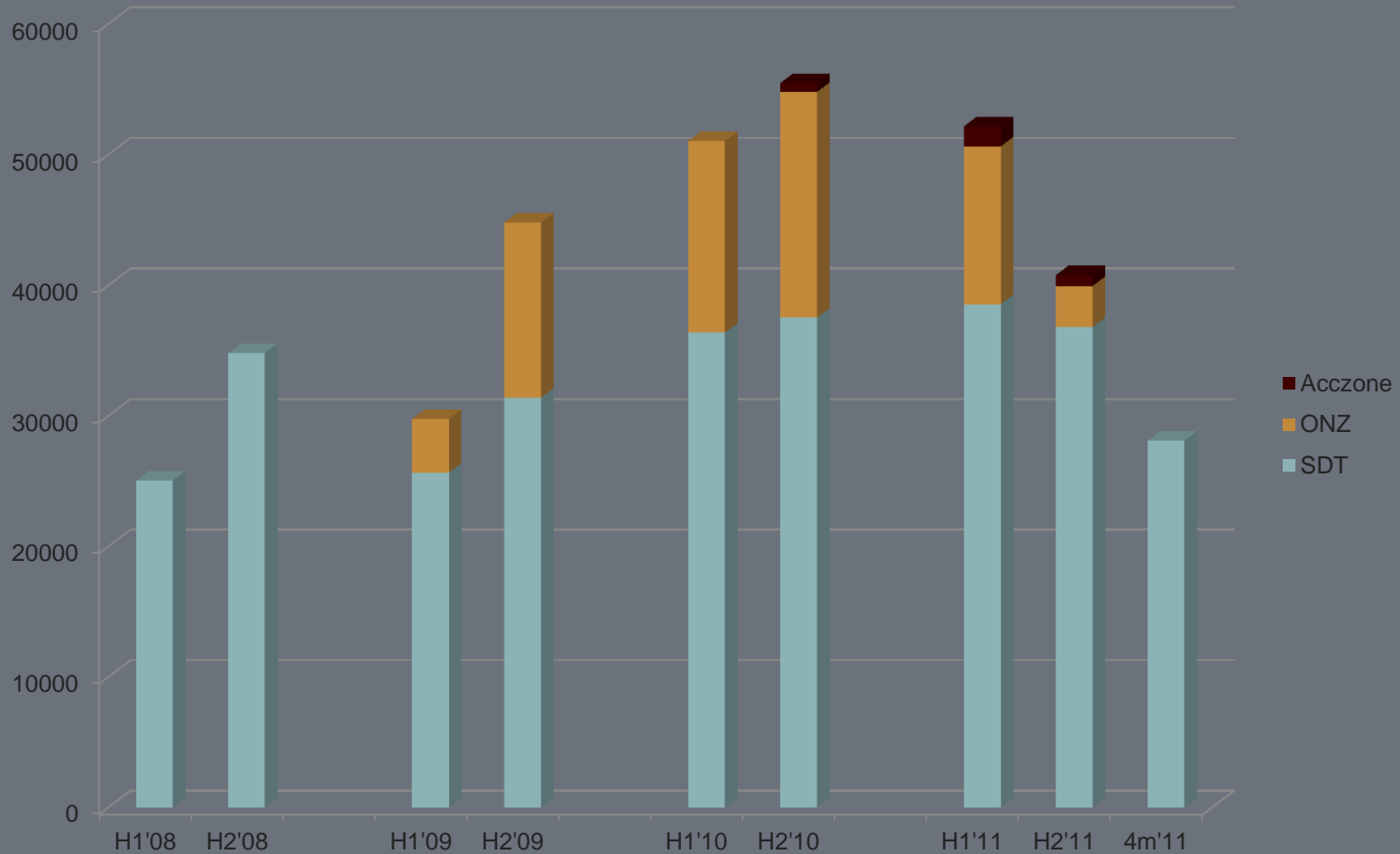
# Statement of comprehensive income

- Revenue for 16 months not as high as it should be:
  - specific challenging implementation projects
  - decline in consulting and
  - Acczone not delivering on expectations
- Revenue has improved in July and August

## *Period ended 30 June 2011*

R `000	2011 (16 months)	2010 (12 months)
Revenue	121 042	106 508

# Composition of revenue



# Statement of comprehensive income

- Cost base improvement in H2 has been maintained in the recent 4 months
- Corrective actions taken have been completed
- Further savings expected to come through in FY2012

## *Period ended 30 June 2011*

R `000	2011 (16 months)	2010 (12 months)
Revenue	121 042	106 508
EBITDA	973	25 062
Operating profit	(3 004)	21 679
Operating profit margin (%)	(2%)	20%

# Statement of comprehensive income

- Impairment and fair value adjustment affected the income statement
- Deferred tax reversals increased the effective tax rate
- HEPS inflated by fair value adjustment of liability (R11.737m) - adjusted HEPS -25 cps

R `000	2011 (16 months)	2010 (12 months)
Revenue	121 042	106 508
Operating (loss)/ profit	(3 004)	21 679
Operating profit margin (%)	(2)%	20%
Impairment of intangible assets	(27 689)	0
Fair value adjustment	11 737	0
Net finance income	348	494
Taxation	(5 656)	(6 012)
Minorities	(518)	(2 620)
Attributable (loss)/ earnings	(24 782)	13 540
Weighted average shares in issue	34 675	34 034
HEPS (cps)	8.49	39.7

# Statement of financial position - assets

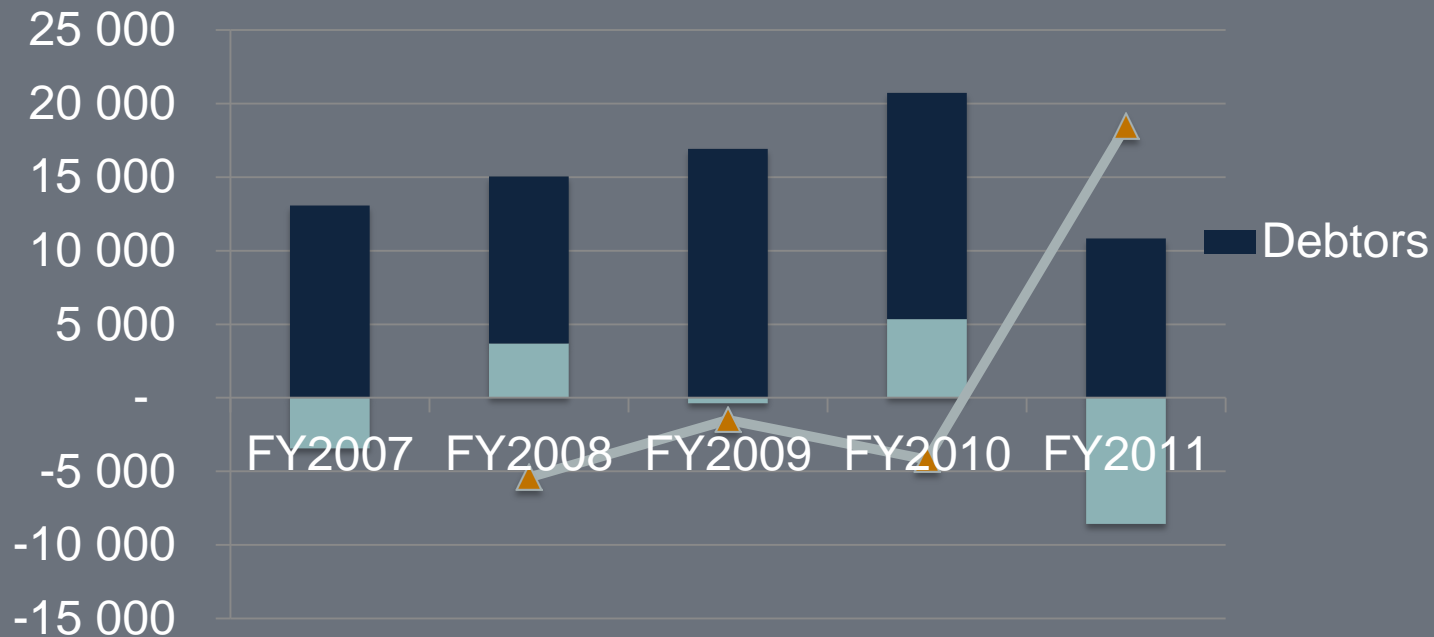
- Non current assets now only consists of “SDT” related assets
- Cash up from working capital management

## *Period ended 30 June 2011*

	2011	2010
Non Current Assets	17 406	42 582
Current Assets	34 028	42 153
Trade and other receivables	11 450	15 364
Cash and cash equivalents	16 500	14 432
Income tax receivable	5 548	5 700
Revenue recognised not yet invoiced	530	6 657
Total Assets	51 434	84 735

# Working capital

- Cash generated from working capital
- WIP moved to a net “deferred revenue” from a net “revenue recognised in advanced” position





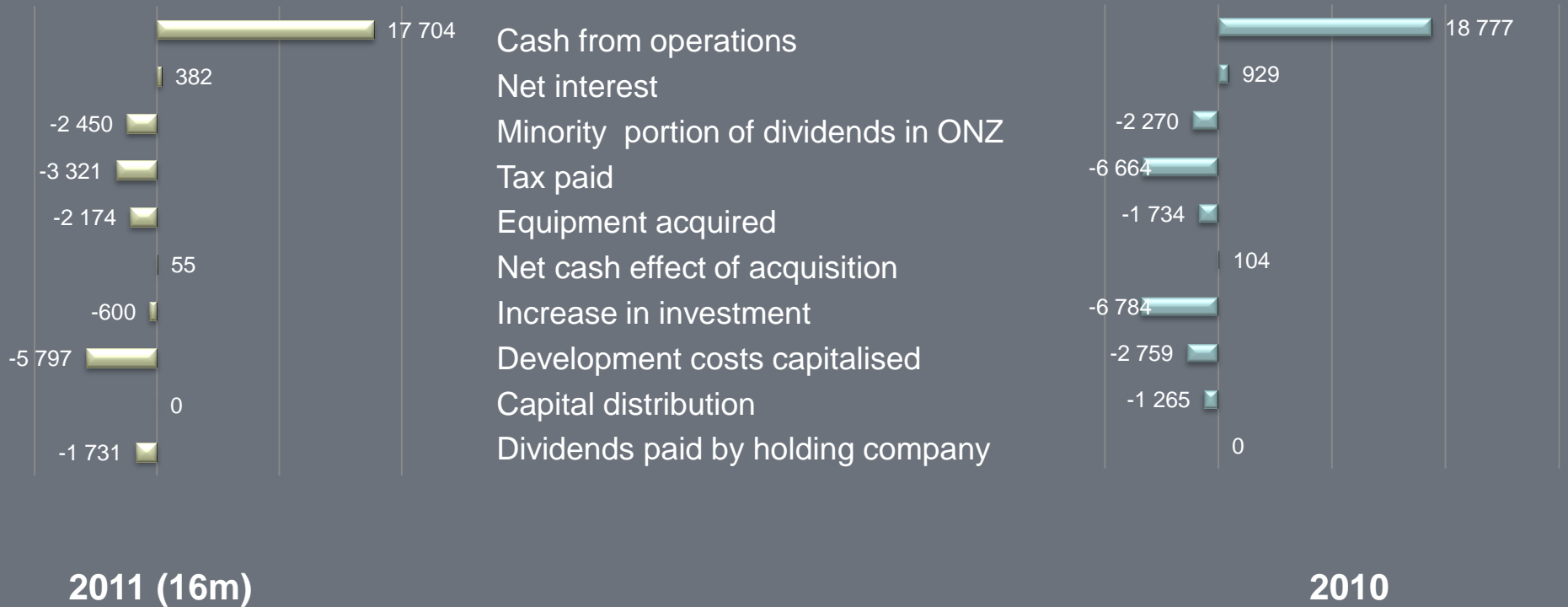
# Statement of financial position – Equity and liabilities

- Impact of goodwill impairment also reflected in reduction in equity

*Period ended 30 June 2011*

R `000	2011	2010
Equity	27 484	57 792
Non-current liabilities	0	0
Current Liabilities	23 950	26 943
Total equity and liabilities	51 434	84 735

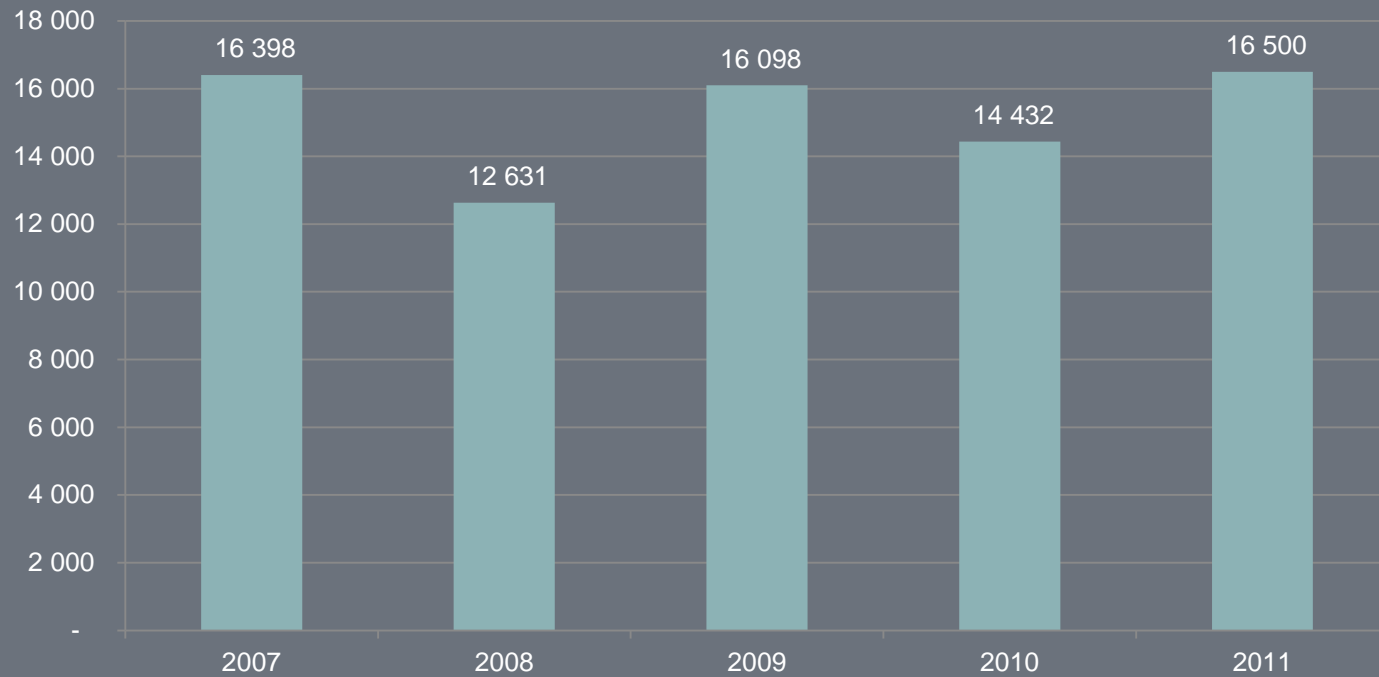
# Summarised cash flow statement



2011 (16m)

2010

# Summarised cash flow statement



Cash position

# Financial summary

- Corrective actions concluded in last four months with benefits expected to come through in FY2012
- Positive growth in software rental and support revenue
- Prudent approach in impairment of intangible assets and deferred tax assets
- Cash levels maintained through working capital management
- Positive implementation revenue growth and cost benefits seen in FY2012 (July and August)

# We are positive about the future

We exited loss making projects

We cut expenses

We optimised the way we work

We are positive about opportunities

We are making good progress with all our current projects

We increased rental and support revenue

# Questions

