

## Pakistan Technology

### SYS PA: 1QCY23 Analyst Briefing Takeaways

Systems limited held its analyst briefing today to discuss its financial performance, IT industry update and future outlook. We summarize the briefing as follows:

- SYS posted another stellar result wherein company's consolidated revenue grew by 108% YoY to reach at PKR31.8bn in CY22 as compared to PKR15.3bn in SPLY. Similarly, profitability was recorded at PKR6.6bn compared to PKR4.5bn in SPLY. In dollarized terms revenue grew by 65% YoY.
- Company's revenue has grown at a 5-year CAGR of 56%, whereas EPS is growing at a CAGR of 53%, due to growth in all geographical segments coupled with PKR devaluation.
- Global digital transformation market is expected to reach at US\$1trn by CY25, whereas, IT related spending in MEA region is expected to cross US\$100bn mark during CY23.
- During CY22 Middle East (ME) region remained the key contributor of revenue by contributing 42% in topline, followed by 33% of North America and 20% from Pakistan business. To note, Middle East's contribution in topline has increased to 47% during 1QCY23, amid higher spending on digitization and strong economic growth.
- Company's gross margins during CY22 clocked in at 27.2%, down by 5.4ppts which is due to one off transaction of trading rights of CLOS recorded during last quarter. Excluding this impact, gross margins clocked in at 30%. The decline in margins is attributable to heavy investment in mergers and acquisitions coupled with hiring and training necessary human resource.
- On growth front, management commented that its top 20 clients contributed about 48% of the total revenue during CY22 vs. 52% in SPLY. Whereas, the clients contributing more than US\$100k in System's topline grew from 129 to 191 in CY22.
- Digital services remained key contributor in business with the share of 78% followed by 18% of managed services and 4% of BPO services.
- During the CY22, SYS has added 1065 new IT professionals taking total number of IT professionals to ~4,532, wherein, 84% of head count is located in Pakistan.
- Management stated that 79% of revenue is dollarized, followed by 5% in EUR and only 16% in PKR. Whereas, 74% of costs were PKR denominated during CY22.
- Regarding further acquisitions, company stated that with PKR9.2bn liquid assets on balance sheet, SYS is looking for more strategic partnerships and collaborations to improve its recourses and growth front.

**REP-147**

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Analyst certifications and important disclosures are in the end.

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- Discounted cash flow (DCF)
- Relative Valuation (P/E, P/Bv, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

## Frequently Used Acronyms

<b>TP</b>	Target Price	<b>DCF</b>	Discounted Cash Flows	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DDM</b>	Dividend Discount Model
<b>SOTP</b>	Sum of the Parts	<b>P/E</b>	Price to Earnings ratio	<b>P/Bv</b>	Price to Book ratio
<b>P/S</b>	Price to Sales	<b>EVA</b>	Economic Value Added	<b>BVPS</b>	Book Value per Share
<b>EPS</b>	Earnings per Share	<b>DPS</b>	Dividend per Share	<b>DY</b>	Dividend Yield
<b>ROE</b>	Return on Equity	<b>ROA</b>	Return on Assets	<b>CAGR</b>	Compounded Annual Growth Rate

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