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Pakistan Technology

SYS PA: 4QCY23 EPS clocked in at PKR5.29 – Below Expectation

Systems Limited has announced its 4QCY23 result, wherein the company has reported consolidated PAT of PKR1.54bn (EPS: PKR5.29) as compared to PAT of PKR1.47bn (EPS: PKR5.06) in SPLY, recording a meager increase of 5% YoY. The result came below our expectation where the major deviation stems from lower than expected gross margins.

- Revenue for the quarter clocked in at PKR16.1bn, up by 39%/14% YoY/QoQ. The increase in revenue is mainly led by significant growth in middle eastern market.
- Company's dollarized revenue clocked in at ~US\$57mn in 4QCY23 depicting a growth of ~9% YoY. Similarly, on QoQ basis dollarized revenue posted a growth of 17%.
- Gross margins clocked in at 22% during 4QCY23 vs. 27% recorded in preceding quarter, this decline is mainly attributable to negative margins in domestic market during the quarter.
- Other income for the quarter clocked in at PKR177mn during the quarter, down by 64%/1% YoY/QoQ, mainly due to absence of exchange gain.
- During the quarter company recorded PKR729 impairment loss on investment in associates. However, we await further clarity on this front.
- Finance cost increased by 60% YoY to clock in at PKR215mn, owing to elevated interest rates.
- Administrative expenses grew by 40% YoY, possibly due to inflationary pressure and increase in resource pool.
- Along with the result company announced dividend of PKR6.0/sh in 4QCY23.

SYS (PKR mn)	4QCY23	4QCY22	3QCY23	YoY	QoQ
Revenue	16,102	11,615	14,145	39%	14%
Cost of sales	12,559	9,338	10,290	34%	22%
Gross profit	3,543	2,277	3,855	56%	-8%
Gross Profit Margin	22%	20%	27%		
Distribution cost	281	289	453	-3%	-38%
Administrative expenses	1,007	718	1,132	40%	-11%
Other income	177	495	179	-64%	-1%
Finance cost	215	134	246	60%	-12%
Profit before taxation	1,734	1,546	1,980	12%	-12%
Taxation	191	72	128	166%	50%
PAT	1,542	1,474	1,853	5%	-17%
EPS	5.29	5.06	6.36		
DPS	6.00	5.00	-		

Source: Company Accounts, Insight Securities



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Valuation Methodology: To arrive at our period end target prices, ISL uses different valuation methodologies including

- 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

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

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