

SYS has announced its 2QCY20 result where it posted profit after tax of Rs1.0bn (EPS: Rs8.34) in 1HCY20 as compared to profit after tax of Rs779mn (EPS: Rs6.31) in same period last year, up by 32.1% YoY.

The company has posted the revenue of Rs3.4bn against Rs2.5bn in SPLY, recording a growth of 36.7% YoY. We note that this growth is attributed to the higher maintenance contracts and higher exports owing to competitive USD/PKR parity.

Gross margin has slightly been expanded to 34.2% in 1HCY20 as compared to 33.3% in 1HCY19 on account of and higher retention income during the period.

SG&A expenses have grown by 23.6% YoY to Rs322mn as compared to Rs261mn during SPLY.

Finance cost has been increased by 29.7% YoY to Rs21mn in 1HCY20 as compared to Rs16mn in SPLY on account of higher working capital requirement.

The effective taxation has slightly been increased to 2% as compared to 1.7% during SPLY.

SYS is currently trading at CY20E PE of 12.3x. Furthermore, it is also trading at a CY20E PB of 3.79x which offers a discount of 48% relative to its historical 5-year average of 7.31x. We have a **HOLD** stance on the script with a DCF based Jun-21 TP of Rs226 which provides an upside potential of 15%.

Rupees' millions	2QCY20	2QCY19	YoY	1HCY20	1HCY19	YoY
Net Sales	1,764	1,362	29.6% ▲	3,389	2,479	36.7% ▲
Cost of Sales	1,123	920	22.0% ▲	2,230	1,654	34.8% ▲
Gross Profit	642	442	45.3% ▲	1,158	825	40.5% ▲
SG&A Expenses	137	138	0.5% ▼	322	261	23.6% ▲
Other Expenses	2	59	95.9% ▼	17	63	73.3% ▼
Other Income	42	268	84.4% ▼	252	308	18.1% ▼
Operating Profit	544	513	6.1% ▲	1,071	809	32.5% ▲
Finance Cost	11	12	6.9% ▼	21	16	29.7% ▲
Profit Before Taxation	533	501	6.4% ▲	1,050	793	32.5% ▲
Taxation	12	8	48.9% ▲	21	13	58.0% ▲
Profit After Taxation	521	493	5.7% ▲	1,029	779	32.1% ▲
Earnings Per Share	4.22	3.99	5.7% ▲	8.34	6.31	32.1% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	36.4%	32.4%	3.9% ▲	34.2%	33.3%	0.9% ▲
SG&A Expenses to Sales	7.8%	10.1%	2.4% ▼	9.5%	10.5%	1.0% ▼
Other Expenses to Sales	0.1%	4.3%	4.2% ▼	0.5%	2.5%	2.0% ▼
Other Income to Sales	2.4%	19.7%	17.3% ▼	7.4%	12.4%	5.0% ▼
Effective Taxation	2.3%	1.6%	0.6% ▲	2.0%	1.7%	0.3% ▲
Net Margin	29.5%	36.2%	6.7% ▼	30.4%	31.4%	1.1% ▼

Source: ACPL Research, Company Financials

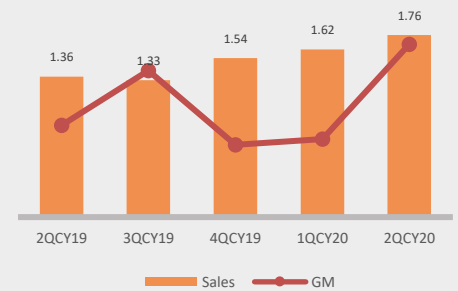
Key Statistics

Symbol	SYS
TP - Jun 21	226.00
LDCP	195.73
Upside	15%
Free Float (mn)	74
Market Cap. (Rs.mn)	24,160

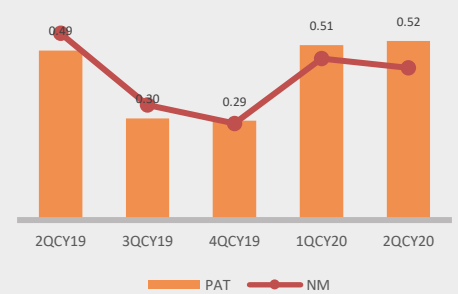
SYS vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	CY15	CY16	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Net sales	2,263	2,680	2,911	3,761	5,349	6,632	8,206	10,071	10,575
Cost of sale	1,507	1,883	2,049	2,583	3,572	4,413	5,520	6,833	7,175
Gross profit	757	797	862	1,179	1,776	2,219	2,686	3,238	3,400
Distribution expenses	70	37	114	47	100	118	152	196	206
Administrative expenses	262	251	287	377	448	527	631	748	786
Research and development expenses	29	2	-	-	-	-	-	-	-
Other expenses	20	31	88	118	139	33	41	50	53
Other income	92	33	118	438	343	507	552	683	717
Operating Profit	468	509	492	1,074	1,432	2,049	2,414	2,927	3,073
Finance cost	2	3	11	19	39	44	36	30	25
Profit before taxation	466	506	481	1,055	1,393	2,005	2,378	2,897	3,048
Taxation	13	-	9	8	29	41	48	59	61
Profit after taxation	453	515	473	1,009	1,364	1,964	2,329	2,838	2,986
EPS	3.67	4.17	3.84	8.18	11.05	15.91	18.87	22.99	24.19

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY15	CY16	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Net sales	17.7%	18.4%	8.6%	29.2%	42.2%	24.0%	23.7%	22.7%	5.0%
Cost of sale	21.2%	25.0%	8.8%	26.1%	38.3%	23.5%	25.1%	23.8%	5.0%
Gross profit	11.3%	5.4%	8.1%	36.7%	50.7%	24.9%	21.0%	20.6%	5.0%
Distribution expenses	16.9%	-46.4%	205.0%	-59.0%	114.0%	18.3%	28.6%	29.2%	5.0%
Administrative expenses	32.1%	-4.1%	14.1%	31.5%	18.8%	17.4%	19.8%	18.6%	5.0%
Research and development expenses	1102.0%	-93.9%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other expenses	-13.1%	55.3%	183.2%	34.9%	17.5%	-76.1%	23.7%	22.7%	5.0%
Other income	138.9%	-64.0%	257.3%	269.7%	-21.7%	48.1%	8.8%	23.8%	5.0%
Operating Profit	7.5%	8.9%	-3.3%	118.2%	33.3%	43.1%	17.8%	21.2%	5.0%
Finance cost	-46.8%	51.5%	233.3%	75.9%	107.9%	12.4%	-17.4%	-16.8%	-16.2%
Profit before taxation	8.0%	8.7%	-4.8%	119.2%	32.0%	44.0%	18.6%	21.8%	5.2%
Taxation	213.5%	-170.5%	-188.0%	466.3%	-37.4%	43.6%	17.8%	21.2%	5.0%
Profit after taxation	6.0%	13.8%	-8.1%	113.3%	35.1%	44.0%	18.6%	21.8%	5.2%
EPS	6.0%	13.8%	-8.1%	113.3%	35.1%	44.0%	18.6%	21.8%	5.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
GP Margin	%	33.44	29.75	29.62	31.33	33.21	33.46	32.73	32.15	32.15
NP Margin	%	19.99	19.22	16.26	26.84	25.50	29.61	28.39	28.18	28.24
OP Margin	%	20.66	19.00	16.91	28.55	26.77	30.89	29.42	29.06	29.06
ROE	%	18.13	17.66	14.74	24.75	29.11	30.82	28.38	27.21	23.45
ROCE	%	18.08	17.60	14.69	24.64	26.66	28.78	26.83	25.98	22.54
ROA	%	15.85	16.23	12.36	20.19	21.12	22.82	22.38	22.39	20.03
Liquidity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Current	x	6.80	10.04	4.59	4.21	3.83	4.04	5.15	6.33	7.98
Acid-test	x	5.27	7.41	3.22	3.08	3.16	3.42	4.35	5.36	6.89
Cash to current liab.	x	0.41	0.74	0.73	0.44	1.48	1.90	2.49	3.16	4.48
Activity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Receivables Days		191	192	149	210	144	136	136	135	126
Payables Days		10	3	29	10	10	10	10	10	10
Operating Cycle		181	188	120	200	134	126	126	125	116
Investment Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
EPS		3.67	4.17	3.84	8.18	11.05	15.91	18.87	22.99	24.19
DPS		1.25	1.86	1.75	2.00	2.25	4.00	5.00	5.50	6.00
Div. Yield	%	0.64	0.95	0.89	1.02	1.15	2.04	2.55	2.81	3.07
Dividend Cover		2.93	2.24	2.19	4.09	4.91	3.98	3.77	4.18	4.03
BVPS		20.22	23.63	26.02	33.04	37.96	51.62	66.49	84.48	103.18
Payout	%	34.10	44.57	45.63	24.46	20.36	25.14	26.49	23.92	24.80
Retention	%	65.90	55.43	54.37	75.54	79.64	74.86	73.51	76.08	75.20
No. of Shares	'mn	123.43	123.43	123.43	123.43	123.43	123.43	123.43	123.43	123.43
P/E		53.39	46.91	51.04	23.93	17.71	12.30	10.37	8.51	8.09
Sales per share		18.34	21.71	23.58	30.47	43.33	53.73	66.48	81.59	85.67
P/BV		9.68	8.28	7.52	5.92	5.16	3.79	2.94	2.32	1.90
Price to Sales		10.67	9.01	8.30	6.42	4.52	3.64	2.94	2.40	2.28
Gearing Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Debt to Equity	%	0.51	0.58	6.85	11.81	17.33	17.64	11.03	7.01	4.64
Interest Cover		220.47	158.46	45.96	57.02	36.56	46.53	66.34	96.67	121.07

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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