

SYS has announced its 1QCY23 result where it posted a profit after tax of Rs3.64bn (Diluted EPS: Rs12.53) as compared to a profit after tax of Rs1.07bn (Diluted EPS: Rs3.68) in the same period last year, up by 2.41x YoY amid a surge in IT exports, depreciation of PKR and an increase in other income.

The company has posted a revenue of Rs6.87bn against Rs4.07bn in SPLY, recording a growth of 68.8% YoY. We note that this growth is attributed to the higher maintenance contracts and higher exports. The gross margin has improved to 33.1% as compared to 30.6% during SPLY.

SG&A expenses have grown by 28.5% YoY to Rs0.53bn as compared to Rs0.41bn during SPLY. Finance cost has increased by 2.48x YoY to Rs103mn as compared to Rs30mn in SPLY on account of higher interest rates. Lastly, the effective taxation has increased to 4.0% as compared to 1.8% during SPLY.

SYS is currently trading at CY23E PE of 12.99x. Further, the scrip is also trading at CY23E PB of 4.82x which offers a discount of 62% relative to its 3-Year historical average of 12.74x. We maintain our BUY stance with a DCF-based Dec-23 TP of Rs600 which provides an upside of 32%. Further, the scrip also provides a dividend yield of 1.76% which makes the total return of 34%.

Rupees' millions	1QCY23	1QCY22	YoY	CY22	CY21	YoY
Net Sales	6,873	4,072	68.8% ▲	20,645	11,904	73.4% ▲
Cost of Sales	4,943	2,846	73.7% ▲	13,890	7,912	75.5% ▲
Gross Profit	1,930	1,226	57.5% ▲	6,755	3,991	69.3% ▲
SG&A Expenses	526	409	28.5% ▲	1,791	1,170	53.1% ▲
Other Expenses	-21	29	172.6% ▲	89	4	1950.8% ▲
Other Income	2,413	335	620.8% ▲	1,977	620	218.7% ▲
Operating Profit	3,838	1,123	241.9% ▲	6,849	3,437	99.3% ▲
Finance Cost	103	30	248.4% ▲	225	84	166.4% ▲
Profit Before Taxation	3,735	1,093	241.7% ▲	6,624	3,353	97.6% ▲
Taxation	96	25	282.8% ▲	325	32	918.5% ▲
Profit After Taxation	3,640	1,068	240.8% ▲	6,300	3,321	89.7% ▲
Earnings Per Share	12.53	3.68	240.8% ▲	21.70	11.44	89.7% ▲
Dividend	0.00	0.00		5.00	5.00	
Bonus						
Gross Margin	33.1%	30.6%	2.5% ▲	32.7%	33.5%	0.8% ▼
SG&A Expenses to Sales	8.0%	10.6%	2.6% ▼	8.7%	9.8%	1.2% ▼
Other Expenses to Sales	0.7%	-0.7%	1.4% ▲	0.4%	0.0%	0.4% ▲
Other Income to Sales	3.6%	6.3%	2.6% ▼	9.6%	5.2%	4.4% ▲
Effective Taxation	4.0%	-1.8%	5.8% ▲	4.9%	1.0%	4.0% ▲
Net Margin	25.4%	26.8%	1.4% ▼	30.5%	27.9%	2.6% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	SYS
TP - Dec 23	600
LDCCP	454.92
Upside	32%
Free Float (mn)	189
Market Cap. (Rs.mn)	132,112

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	CY20	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Net sales	7,514	11,904	20,645	27,491	35,126	43,166	51,829
Cost of sale	4,716	7,912	13,890	19,770	25,252	31,022	37,138
Gross profit	2,798	3,991	6,755	7,721	9,874	12,144	14,691
Distribution expenses	119	189	271	253	474	583	699
Administrative expenses	500	981	1,521	1,852	2,626	3,227	3,875
Research and development expenses	-	-	2	-	-	-	-
Other expenses	135	4	89	- 440	375	461	553
Other income	273	620	1,977	4,674	5,445	5,612	5,442
Operating Profit	2,317	3,437	6,849	10,731	11,843	13,485	15,005
Finance cost	50	84	225	412	448	482	511
Profit before taxation	2,267	3,353	6,624	10,319	11,396	13,004	14,493
Taxation	73	32	325	156	206	259	320
Profit after taxation	2,194	3,321	6,300	10,163	11,190	12,745	14,174
EPS	7.56	11.44	21.70	35.01	38.55	43.91	48.83

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY20	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Net sales	40.5%	58.4%	73.4%	33.2%	27.8%	22.9%	20.1%
Cost of sale	32.0%	67.8%	75.5%	42.3%	27.7%	22.8%	19.7%
Gross profit	57.5%	42.6%	69.3%	14.3%	27.9%	23.0%	21.0%
Distribution expenses	19.2%	59.0%	43.2%	-6.6%	87.6%	22.9%	20.1%
Administrative expenses	11.5%	96.3%	55.0%	21.8%	41.8%	22.9%	20.1%
Research and development expenses	0.0%	0.0%	0.0%	-100.0%	0.0%	0.0%	0.0%
Other expenses	-3.1%	-96.8%	1950.8%	-593.0%	-185.2%	22.9%	20.1%
Other income	-20.4%	127.5%	218.7%	136.4%	16.5%	3.1%	-3.0%
Operating Profit	61.8%	48.3%	99.3%	56.7%	10.4%	13.9%	11.3%
Finance cost	27.4%	68.9%	166.4%	83.3%	8.7%	7.6%	6.2%
Profit before taxation	62.8%	47.9%	97.6%	55.8%	10.4%	14.1%	11.5%
Taxation	157.2%	-56.6%	918.5%	-51.8%	31.7%	25.5%	23.5%
Profit after taxation	60.8%	51.4%	89.7%	61.3%	10.1%	13.9%	11.2%
EPS	60.8%	51.4%	89.7%	61.3%	10.1%	13.9%	11.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
GP Margin	%	37.24	33.53	32.72	28.09	28.11	28.13	28.34
NP Margin	%	29.20	27.90	30.52	36.97	31.86	29.53	27.35
OP Margin	%	30.84	28.87	33.18	39.03	33.72	31.24	28.95
ROE	%	30.25	31.71	35.28	37.09	29.76	25.88	29.53
ROCE	%	28.85	30.77	38.75	39.37	31.06	26.73	23.38
ROA	%	22.31	21.79	29.64	32.65	26.29	22.95	20.26
Liquidity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Current	x	3.49	2.55	3.51	5.13	5.91	6.54	7.04
Acid-test	x	3.06	2.29	2.89	4.30	5.05	5.66	6.15
Cash to current liab.	x	0.71	0.37	0.26	1.33	2.17	2.87	3.44
Activity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Receivables Days		138	130	181	163	160	157	156
Payables Days		10	10	10	10	10	10	10
Operating Cycle		128	119	171	153	150	147	145
Investment Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
EPS		7.56	11.44	21.70	35.01	38.55	43.91	48.83
DPS		3.50	5.00	5.00	8.00	9.00	10.00	11.25
Div. Yield	%	0.77	1.10	1.10	1.76	1.98	2.20	2.47
Dividend Cover		2.16	2.29	4.34	4.38	4.28	4.39	4.34
BVPS		24.99	36.08	61.52	94.41	129.56	169.64	165.39
Payout	%	46.31	43.70	23.04	22.85	23.35	22.77	23.04
Retention	%	53.69	56.30	76.96	77.15	76.65	77.23	76.96
No. of Shares	'mn	290.26	290.26	290.26	290.26	290.26	290.26	290.26
P/E		60.19	39.76	20.96	12.99	11.80	10.36	9.32
Sales per share		25.89	41.01	71.13	94.71	121.02	148.72	178.56
P/BV		18.20	12.61	7.39	4.82	3.51	2.68	2.75
Price to Sales		17.57	11.09	6.40	4.80	3.76	3.06	2.55
Gearing Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Debt to Equity	%	18.26	27.10	14.35	7.21	6.26	5.70	6.98
Interest Cover		46.42	40.77	30.50	26.07	26.46	28.00	29.34

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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