

SYS has announced its CY19 result where it posted profit after tax of Rs1.4bn (EPS: Rs11.05) as compared to profit after tax of Rs1.0bn (EPS: Rs8.18) in same period last year, up by 35.1% YoY.

The company has posted the revenue of Rs5.3bn against Rs3.8bn in SPLY, recording a growth of 42.2% 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 been expanded to 33.2% in CY19 as compared to 31.3% in CY18 on account of favorable exchange rate and higher retention income during the period.

Despite increase of 29.3% YoY in SG&A expenses in CY19, the SG&A expenses to sales ratio has declined to 10.2% as compared to 11.3% during SPLY.

Finance cost has been increased by 107.9% YoY to Rs39mn in CY19 as compared to Rs19mn in SPLY on account of higher working capital requirement.

The effective taxation has been decreased to 2% as compared to 4.3% during SPLY.

SYS is currently trading at CY20E PE of 9.06x. Furthermore, it is also trading at a CY20E PB of 2.03x which offers a discount of 42% relative to its historical 5-year average of 3.48x. We have a **BUY** stance on the script with a DCF based Dec-20 TP of Rs159 which provides an upside potential of 71%. Furthermore, it also offers a dividend yield of 2% which makes a total return of 73%.

Rupees' millions	4QCY19	4QCY18	YoY	CY19	CY18	YoY
Net Sales	1,542	1,159	33.1% ▲	5,349	3,761	42.2% ▲
Cost of Sales	1,056	740	42.7% ▲	3,572	2,583	38.3% ▲
Gross Profit	486	418	16.1% ▲	1,776	1,179	50.7% ▲
SG&A Expenses	164	113	45.5% ▲	548	424	29.3% ▲
Other Expenses	59	88	32.7% ▼	139	118	17.5% ▲
Other Income	35	221	84.3% ▼	343	438	21.7% ▼
Operating Profit	298	439	32.2% ▼	1,432	1,074	33.3% ▲
Finance Cost	14	6	128.7% ▲	39	19	107.9% ▲
Profit Before Taxation	283	433	34.5% ▼	1,393	1,055	32.0% ▲
Taxation	-5	30	117.8% ▼	29	46	37.4% ▼
Profit After Taxation	289	402	28.2% ▼	1,364	1,009	35.1% ▲
Earnings Per Share	2.34	3.26	28.2% ▼	11.05	8.18	35.1% ▲
Dividend	2.25	2.00		2.25	2.00	
Bonus	0%	10%		0%	10%	
Closing Period: 23 May 20 - 29 May 20						
Gross Margin	31.5%	36.1%	4.6% ▼	33.2%	31.3%	1.9% ▲
SG&A Expenses to Sales	10.6%	9.7%	0.9% ▲	10.2%	11.3%	1.0% ▼
Other Expenses to Sales	3.8%	7.6%	3.7% ▼	2.6%	3.1%	0.5% ▼
Other Income to Sales	2.2%	19.1%	16.8% ▼	6.4%	11.6%	5.2% ▼
Effective Taxation	-1.9%	7.0%	8.9% ▼	2.0%	4.3%	2.3% ▼
Net Margin	18.7%	34.7%	16.0% ▼	25.5%	26.8%	1.3% ▼

Source: ACPL Research, Company Financials

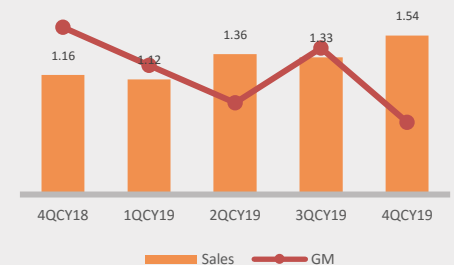
Key Statistics

Symbol	SYS
TP - Dec 20	159.00
LDPCP	93.19
Upside	71%
Free Float (mn)	74
Market Cap. (Rs.mn)	11,503

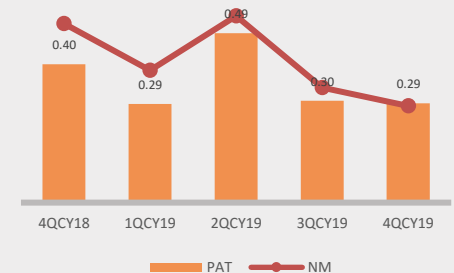
SYS vs KSE 100



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	6,164	7,462	8,913	9,358
Cost of sale	1,507	1,883	2,049	2,583	3,572	4,205	5,120	6,135	6,442
Gross profit	757	797	862	1,179	1,776	1,959	2,342	2,778	2,917
Distribution expenses	70	37	114	47	100	101	124	153	161
Administrative expenses	262	251	287	377	448	533	632	741	778
Research and development expenses	29	2	-	-	-	-	-	-	-
Other expenses	20	31	88	118	139	185	224	267	281
Other income	92	33	118	438	343	189	230	276	290
Operating Profit	468	509	492	1,074	1,432	1,330	1,592	1,892	1,986
Finance cost	2	3	11	19	39	41	34	28	24
Profit before taxation	466	506	481	1,055	1,393	1,289	1,558	1,864	1,963
Taxation	13	- 9	8	46	29	20	24	28	30
Profit after taxation	453	515	473	1,009	1,364	1,269	1,534	1,835	1,933
EPS	3.67	4.17	3.84	8.18	11.05	10.28	12.43	14.87	15.66

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%	15.2%	21.1%	19.4%	5.0%
Cost of sale	21.2%	25.0%	8.8%	26.1%	38.3%	17.7%	21.8%	19.8%	5.0%
Gross profit	11.3%	5.4%	8.1%	36.7%	50.7%	10.3%	19.5%	18.6%	5.0%
Distribution expenses	16.9%	-46.4%	205.0%	-59.0%	114.0%	0.9%	23.5%	23.5%	5.0%
Administrative expenses	32.1%	-4.1%	14.1%	31.5%	18.8%	18.8%	18.7%	17.2%	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%	33.0%	21.1%	19.4%	5.0%
Other income	138.9%	-64.0%	257.3%	269.7%	-21.7%	-44.8%	21.8%	19.8%	5.0%
Operating Profit	7.5%	8.9%	-3.3%	118.2%	33.3%	-7.1%	19.7%	18.8%	5.0%
Finance cost	-46.8%	51.5%	233.3%	75.9%	107.9%	4.2%	-17.2%	-16.6%	-15.9%
Profit before taxation	8.0%	8.7%	-4.8%	119.2%	32.0%	-7.4%	20.9%	19.6%	5.3%
Taxation	213.5%	-170.5%	-188.0%	466.3%	-37.4%	-30.1%	19.7%	18.8%	5.0%
Profit after taxation	6.0%	13.8%	-8.1%	113.3%	35.1%	-6.9%	20.9%	19.6%	5.3%
EPS	6.0%	13.8%	-8.1%	113.3%	35.1%	-6.9%	20.9%	19.6%	5.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY15A	CY16A	CY17A	CY18A	CY19E	CY20E	CY21E	CY22E	CY23E
GP Margin	%	33.44	29.75	29.62	31.33	33.21	31.78	31.38	31.17	31.17
NP Margin	%	19.99	19.22	16.26	26.84	25.50	20.59	20.56	20.59	20.66
OP Margin	%	20.66	19.00	16.91	28.55	26.77	21.58	21.34	21.23	21.23
ROE	%	18.13	17.66	14.74	24.75	29.11	22.36	22.07	21.65	19.37
ROCE	%	18.08	17.60	14.69	24.64	26.66	20.71	20.66	20.45	18.42
ROA	%	15.85	16.23	12.36	20.19	22.07	16.18	16.87	17.24	15.99
Liquidity Ratios		CY15A	CY16A	CY17A	CY18A	CY19E	CY20E	CY21E	CY22E	CY23E
Current	x	6.80	10.04	4.59	4.21	4.57	3.74	4.55	5.41	6.53
Acid-test	x	5.27	7.41	3.22	3.08	3.24	2.78	3.34	3.97	4.95
Cash to current liab.	x	0.41	0.74	0.73	0.44	0.25	0.68	0.78	0.98	1.67
Activity Ratios		CY15A	CY16A	CY17A	CY18A	CY19E	CY20E	CY21E	CY22E	CY23E
Receivables Days		191	192	149	210	218	199	204	203	191
Payables Days		10	3	29	10	10	10	10	10	10
Operating Cycle		181	188	120	200	208	189	194	192	180
Investment Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
EPS		3.67	4.17	3.84	8.18	11.05	10.28	12.43	14.87	15.66
DPS		1.25	1.86	1.75	2.00	2.25	2.10	2.50	3.50	5.00
Div. Yield	%	1.34	2.00	1.88	2.15	2.41	2.25	2.68	3.76	5.37
Dividend Cover		2.93	2.24	2.19	4.09	4.91	4.90	4.97	4.25	3.13
BVPS		20.22	23.63	26.02	33.04	37.96	45.99	56.32	68.69	80.85
Payout	%	34.10	44.57	45.63	24.46	20.36	20.42	20.11	23.54	31.93
Retention	%	65.90	55.43	54.37	75.54	79.64	79.58	79.89	76.46	68.07
No. of Shares	'mn	123.43	123.43	123.43	123.43	123.43	123.43	123.43	123.43	123.43
P/E		25.42	22.33	24.30	11.39	8.43	9.06	7.50	6.27	5.95
Sales per share		18.34	21.71	23.58	30.47	43.33	49.94	60.45	72.20	75.81
P/BV		4.61	3.94	3.58	2.82	2.46	2.03	1.65	1.36	1.15
Price to Sales		5.08	4.29	3.95	3.06	2.15	1.87	1.54	1.29	1.23
Gearing Ratios		CY15A	CY16A	CY17A	CY18A	CY19E	CY20E	CY21E	CY22E	CY23E
Debt to Equity	%	0.51	0.58	6.85	11.81	10.29	18.18	11.97	7.92	5.45
Interest Cover		220.47	158.46	45.96	57.02	36.56	32.59	47.09	67.06	83.70

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
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