

SYS has announced its CY22 result where it posted a profit after tax of Rs6.30bn (Diluted EPS: Rs21.7) as compared to a profit after tax of Rs3.32bn (Diluted EPS: Rs11.44) in the same period last year, up by 89.7% YoY amid a surge in IT exports and depreciation of PKR.

The company has posted a revenue of Rs20.65bn against Rs11.90bn in SPLY, recording a growth of 73.4% YoY. We note that this growth is attributed to the higher maintenance contracts and higher exports. The gross margin has declined to 32.7% as compared to 33.5% during SPLY.

SG&A expenses have grown by 53.1% YoY to Rs1.79bn as compared to Rs1.17bn during SPLY. Finance cost has been increased by 166.4% YoY to Rs225mn as compared to Rs84mn in SPLY on account of higher interest rates. Lastly, the effective taxation has been increased to 4.9% as compared to 1% during SPLY amid additional taxes imposed by the government of Pakistan.

SYS is currently trading at CY23E PE of 17.76x. Further, the scrip is also trading at CY23E PB of 5.41x which offers a discount of 58% relative to its 3-Year historical average of 12.93x. We maintain our BUY stance with a DCF-based Dec-23 TP of Rs600 which provides an upside of 30%. Further, the scrip also provides a dividend yield of 1% which makes the total return of 31%.

Rupees' millions	4QCY22	4QCY21	YoY	CY22	CY21	YoY
Net Sales	5,847	3,774	54.9% ▲	20,645	11,904	73.4% ▲
Cost of Sales	3,912	2,618	49.4% ▲	13,890	7,912	75.5% ▲
Gross Profit	1,934	1,156	67.3% ▲	6,755	3,991	69.3% ▲
SG&A Expenses	466	399	16.7% ▲	1,791	1,170	53.1% ▲
Other Expenses	39	-27	245.5% ▲	89	4	1950.8% ▲
Other Income	212	236	10.2% ▼	1,977	620	218.7% ▲
Operating Profit	1,639	1,019	60.8% ▲	6,849	3,437	99.3% ▲
Finance Cost	93	27	245.2% ▲	225	84	166.4% ▲
Profit Before Taxation	1,546	992	55.8% ▲	6,624	3,353	97.6% ▲
Taxation	62	-18	446.2% ▼	325	32	918.5% ▲
Profit After Taxation	1,484	1,010	46.9% ▲	6,300	3,321	89.7% ▲
Earnings Per Share	5.11	3.48	46.9% ▲	21.70	11.44	89.7% ▲
Dividend	5.00	5.00		5.00	5.00	
Bonus						
Closing Period: May 17, 2023 - May 23, 2023						
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	462
Upside	30%
Free Float (mn)	189
Market Cap. (Rs.mn)	134,128

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	CY22E	CY23E	CY24E	CY25E	CY26E
Net sales	7,514	11,904	20,645	29,584	38,407	47,949	53,981
Cost of sale	4,716	7,912	13,890	19,777	25,665	32,027	35,995
Gross profit	2,798	3,991	6,755	9,807	12,742	15,922	17,986
Distribution expenses	119	189	271	444	576	719	810
Administrative expenses	500	981	1,521	1,923	2,831	3,534	3,978
Research and development expenses	-	-	2	-	-	-	-
Other expenses	135	4	89	207	269	336	378
Other income	273	620	1,977	1,065	1,383	1,726	1,943
Operating Profit	2,317	3,437	6,849	8,298	10,449	13,059	14,763
Finance cost	50	84	225	440	450	446	423
Profit before taxation	2,267	3,353	6,624	7,858	9,999	12,613	14,340
Taxation	73	32	325	310	411	522	595
Profit after taxation	2,194	3,321	6,300	7,549	9,588	12,092	13,746
EPS	7.56	11.44	21.70	26.01	33.03	41.66	47.36

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY20	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Net sales	40.5%	58.4%	73.4%	43.3%	29.8%	24.8%	12.6%
Cost of sale	32.0%	67.8%	75.5%	42.4%	29.8%	24.8%	12.4%
Gross profit	57.5%	42.6%	69.3%	45.2%	29.9%	25.0%	13.0%
Distribution expenses	19.2%	59.0%	43.2%	64.0%	29.8%	24.8%	12.6%
Administrative expenses	11.5%	96.3%	55.0%	26.5%	47.2%	24.8%	12.6%
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%	131.8%	29.8%	24.8%	12.6%
Other income	-20.4%	127.5%	218.7%	-46.1%	29.8%	24.8%	12.6%
Operating Profit	61.8%	48.3%	99.3%	21.2%	25.9%	25.0%	13.0%
Finance cost	27.4%	68.9%	166.4%	96.0%	2.2%	-0.9%	-5.2%
Profit before taxation	62.8%	47.9%	97.6%	18.6%	27.3%	26.1%	13.7%
Taxation	157.2%	-56.6%	918.5%	-4.7%	32.9%	26.9%	14.0%
Profit after taxation	60.8%	51.4%	89.7%	19.8%	27.0%	26.1%	13.7%
EPS	60.8%	51.4%	89.7%	19.8%	27.0%	26.1%	13.7%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
GP Margin	%	37.24	33.53	32.72	33.15	33.18	33.21	33.32
NP Margin	%	29.20	27.90	30.52	25.52	24.96	25.22	25.46
OP Margin	%	30.84	28.87	33.18	28.05	27.21	27.24	27.35
ROE	%	30.25	31.71	35.28	30.45	28.51	26.99	31.51
ROCE	%	28.85	30.77	38.75	32.54	29.91	27.97	24.62
ROA	%	22.31	21.79	29.64	25.30	23.82	22.74	20.43
Liquidity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Current	x	3.49	2.55	3.51	3.91	4.43	4.94	5.50
Acid-test	x	3.06	2.29	2.89	3.25	3.73	4.22	4.80
Cash to current liab.	x	0.71	0.37	0.26	0.74	1.28	1.83	2.52
Activity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Receivables Days		138	130	181	168	161	158	151
Payables Days		10	10	10	10	10	10	10
Operating Cycle		128	119	171	158	151	148	141
Investment Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
EPS		7.56	11.44	21.70	26.01	33.03	41.66	47.36
DPS		3.50	5.00	5.00	6.00	7.50	9.50	11.00
Div. Yield	%	0.76	1.08	1.08	1.30	1.62	2.06	2.38
Dividend Cover		2.16	2.29	4.34	4.33	4.40	4.39	4.31
BVPS		24.99	36.08	61.52	85.40	115.89	154.35	150.31
Payout	%	46.31	43.70	23.04	23.07	22.70	22.80	23.23
Retention	%	53.69	56.30	76.96	76.93	77.30	77.20	76.77
No. of Shares	'mn	290.26	290.26	290.26	290.26	290.26	290.26	290.26
P/E		61.12	40.38	21.29	17.76	13.99	11.09	9.76
Sales per share		25.89	41.01	71.13	101.92	132.32	165.20	185.98
P/BV		18.49	12.80	7.51	5.41	3.99	2.99	3.07
Price to Sales		17.85	11.27	6.50	4.53	3.49	2.80	2.48
Gearing Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Debt to Equity	%	18.26	27.10	14.35	13.33	11.74	10.54	12.94
Interest Cover		46.42	40.77	30.50	18.86	23.24	29.29	34.93

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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SELL	Less than and equal to -5%

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