

SYS has announced its 9MCY22 result where it posted a profit after tax of Rs4.82bn (EPS: Rs17.3) as compared to a profit after tax of Rs2.31bn (EPS: Rs8.30) in the same period last year, up by 108.5% YoY amid a surge in IT exports and depreciation of PKR.

The company has posted a revenue of Rs14.80bn against Rs8.13bn in SPLY, recording a growth of 82% YoY. We note that this growth is attributed to the higher maintenance contracts and higher exports. The gross margin has been squeezed to 32.6% as compared to 34.9% during SPLY.

SG&A expenses have grown by 71.9% YoY to Rs1.33bn as compared to Rs0.77bn during SPLY. Finance cost has been increased by 129.3% YoY to Rs131mn as compared to Rs57mn in SPLY on account of higher working capital requirements. Lastly, the effective taxation has been increased to 5.2% as compared to 2.1% during SPLY amid additional taxes imposed by the government of Pakistan.

SYS is currently trading at CY23E PE of 15.52x. Further, the scrip is also trading at CY23E PB of 4.85x which offers a discount of 58% relative to its 3-Year historical average of 11.57x. We maintain our BUY stance with a DCF-based Jun – 23 TP of Rs600 which provides an upside of 39%. Further, the scrip also provides a dividend yield of 2% which makes the total return of 41%.

Rupees' millions	3QCY22	3QCY21	YoY	9MCY22	9MCY21	YoY
Net Sales	6,006	3,137	91.5% ▲	14,798	8,130	82.0% ▲
Cost of Sales	4,021	2,070	94.2% ▲	9,978	5,295	88.5% ▲
Gross Profit	1,985	1,067	86.1% ▲	4,821	2,835	70.0% ▲
SG&A Expenses	511	309	65.7% ▲	1,325	771	71.9% ▲
Other Expenses	52	47	10.8% ▼	51	31	64.3% ▲
Other Income	752	290	159.1% ▲	1,765	384	359.3% ▲
Operating Profit	2,174	1,001	117.1% ▲	5,210	2,418	115.5% ▲
Finance Cost	52	22	142.9% ▲	131	57	129.3% ▲
Profit Before Taxation	2,121	980	116.5% ▲	5,079	2,360	115.2% ▲
Taxation	97	19	417.5% ▲	262	50	425.9% ▲
Profit After Taxation	2,024	961	110.7% ▲	4,816	2,310	108.5% ▲
Earnings Per Share	7.27	3.45	110.7% ▲	17.30	8.30	108.5% ▲
Dividend	0.00	0.00		-	0.00	
Bonus						
Gross Margin	33.1%	34.0%	1.0% ▼	32.6%	34.9%	2.3% ▼
SG&A Expenses to Sales	8.5%	9.8%	1.3% ▼	9.0%	9.5%	0.5% ▼
Other Expenses to Sales	0.9%	1.5%	0.6% ▼	0.3%	0.4%	0.0% ▼
Other Income to Sales	12.5%	9.3%	3.3% ▲	11.9%	4.7%	7.2% ▲
Effective Taxation	4.6%	1.9%	2.7% ▲	5.2%	2.1%	3.1% ▲
Net Margin	33.7%	30.6%	3.1% ▲	32.5%	28.4%	4.1% ▲

Source: ACPL Research, Company Financials

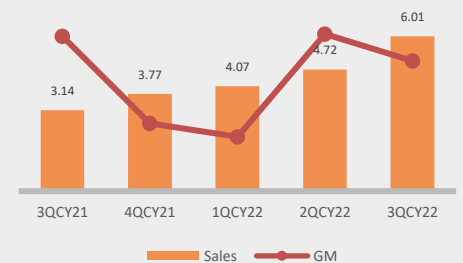
Key Statistics

Symbol	SYS
TP - Jun 23	600
LDPCP	431
Upside	39%
Free Float (mn)	167
Market Cap. (Rs.mn)	121,646

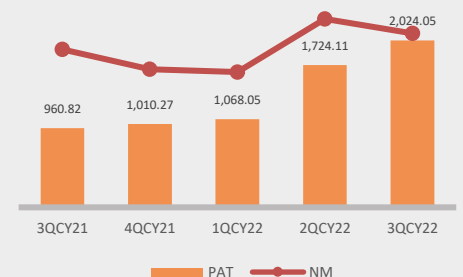
SYS vs KSE 100



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	19,925	25,688	31,879	38,026	40,753
Cost of sale	4,716	7,912	13,500	17,489	21,813	26,158	28,119
Gross profit	2,798	3,991	6,425	8,200	10,066	11,868	12,634
Distribution expenses	119	189	777	523	649	774	830
Administrative expenses	500	981	1,016	1,310	1,626	1,939	2,078
Research and development expenses	-	-	-	-	-	-	-
Other expenses	135	4	68	88	109	130	140
Other income	273	620	2,391	1,784	2,215	2,642	2,831
Operating Profit	2,317	3,437	6,955	8,063	9,896	11,666	12,417
Finance cost	50	84	175	192	211	231	254
Profit before taxation	2,267	3,353	6,779	7,871	9,685	11,435	12,163
Taxation	73	32	350	142	177	211	224
Profit after taxation	2,194	3,321	6,429	7,728	9,508	11,224	11,939
EPS	7.88	11.93	23.10	27.76	34.16	40.32	42.89

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY20	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Net sales	40.5%	58.4%	67.4%	28.9%	24.1%	19.3%	7.2%
Cost of sale	32.0%	67.8%	70.6%	29.5%	24.7%	19.9%	7.5%
Gross profit	57.5%	42.6%	61.0%	27.6%	22.8%	17.9%	6.5%
Distribution expenses	19.2%	59.0%	311.3%	-32.7%	24.1%	19.3%	7.2%
Administrative expenses	11.5%	96.3%	3.6%	28.9%	24.1%	19.3%	7.2%
Research and development expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other expenses	-3.1%	-96.8%	1468.1%	28.9%	24.1%	19.3%	7.2%
Other income	-20.4%	127.5%	285.4%	-25.4%	24.1%	19.3%	7.2%
Operating Profit	61.8%	48.3%	102.4%	15.9%	22.7%	17.9%	6.4%
Finance cost	27.4%	68.9%	107.9%	9.7%	9.7%	9.7%	9.8%
Profit before taxation	62.8%	47.9%	102.2%	16.1%	23.1%	18.1%	6.4%
Taxation	157.2%	-56.6%	999.6%	-59.4%	24.6%	18.7%	6.5%
Profit after taxation	60.8%	51.4%	93.6%	20.2%	23.0%	18.0%	6.4%
EPS	60.8%	51.4%	93.6%	20.2%	23.0%	18.0%	6.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
GP Margin	%	37.24	33.53	32.25	31.92	31.57	31.21	31.00
NP Margin	%	29.20	27.90	32.27	30.09	29.82	29.52	29.30
OP Margin	%	30.84	28.87	34.90	31.39	31.04	30.68	30.47
ROE	%	30.25	31.71	35.98	31.25	28.62	25.99	28.63
ROCE	%	28.85	30.77	39.23	33.22	29.93	26.89	22.87
ROA	%	22.31	21.79	30.28	26.70	24.79	22.79	19.79
Liquidity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Current	x	3.49	2.55	3.62	4.42	5.22	6.00	6.90
Acid-test	x	3.06	2.29	2.99	3.73	4.48	5.23	6.13
Cash to current liab.	x	0.71	0.37	0.34	1.07	1.82	2.58	3.55
Activity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Receivables Days		138	130	179	161	158	155	148
Payables Days		10	10	10	10	10	10	10
Operating Cycle		128	119	168	150	148	145	137
Investment Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
EPS		7.88	11.93	23.10	27.76	34.16	40.32	42.89
DPS		3.50	5.00	7.00	8.25	10.25	12.00	12.75
Div. Yield	%	0.81	1.16	1.62	1.91	2.38	2.78	2.96
Dividend Cover		2.25	2.39	3.30	3.37	3.33	3.36	3.36
BVPS		26.06	37.62	64.19	88.85	119.35	155.12	149.80
Payout	%	44.41	41.91	30.31	29.71	30.01	29.76	29.73
Retention	%	55.59	58.09	69.69	70.29	69.99	70.24	70.27
No. of Shares	'mn	278.37	278.37	278.37	278.37	278.37	278.37	278.37
P/E		54.68	36.13	18.66	15.52	12.62	10.69	10.05
Sales per share		26.99	42.76	71.58	92.28	114.52	136.61	146.40
P/BV		16.54	11.45	6.71	4.85	3.61	2.78	2.88
Price to Sales		15.97	10.08	6.02	4.67	3.76	3.15	2.94
Gearing Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Debt to Equity	%	18.26	27.10	14.34	11.36	9.28	7.83	8.90
Interest Cover		46.42	40.77	39.69	41.96	46.94	50.43	48.91

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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- II. Dividend Discount Model
- 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%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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