

SYS has announced its 1HCY22 result where it posted a profit after tax of Rs2.97bn (Diluted EPS: Rs10.03) as compared to a profit after tax of Rs1.35bn (Diluted EPS: Rs4.85) in the same period last year, up by 106.9% YoY amid a surge in IT exports.

The company has posted a revenue of Rs8.79bn against Rs4.99bn in SPLY, recording a growth of 76.1% YoY. We note that this growth is attributed to the higher maintenance contracts and higher exports. The gross margin has been squeezed to 32.2% as compared to 35.4% during SPLY.

SG&A expenses have grown by 76.0% YoY to Rs814mn as compared to Rs462mn during SPLY. Finance cost has been increased by 121.1% YoY to Rs79mn as compared to Rs36mn in SPLY on account of higher working capital requirements. Lastly, the effective taxation has been increased to 5.6% as compared to 2.3% during SPLY amid additional taxes imposed by the government of Pakistan.

SYS is currently trading at CY22E PE of 19.21x. Further, the scrip is also trading at CY22E PB of 6.34x which offers a discount of 59% relative to its 3-Year historical average of 15.34x. We maintain our BUY stance with a DCF-based Jun – 23 TP of Rs500 which provides an upside of 29%. Further, the scrip also provides a dividend yield of 2% which makes the total return of 31%.

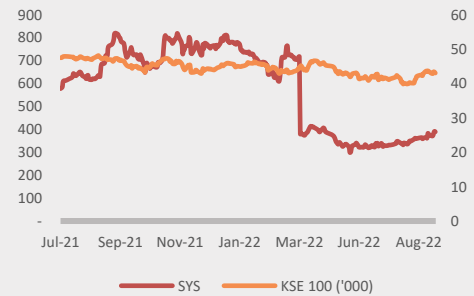
Rupees' millions	2QCY22	2QCY21	YoY	1HCY22	1HCY21	YoY
Net Sales	4,720	2,690	75.5% ▲	8,792	4,993	76.1% ▲
Cost of Sales	3,111	1,752	77.5% ▲	5,957	3,224	84.7% ▲
Gross Profit	1,609	937	71.7% ▲	2,835	1,768	60.4% ▲
SG&A Expenses	404	254	59.2% ▲	814	462	76.0% ▲
Other Expenses	-30	19	259.0% ▲	-2	-16	89.5% ▼
Other Income	678	194	249.6% ▲	1,013	94	976.7% ▲
Operating Profit	1,914	858	123.0% ▲	3,036	1,416	114.4% ▲
Finance Cost	50	21	140.9% ▲	79	36	121.1% ▲
Profit Before Taxation	1,864	838	122.5% ▲	2,957	1,381	114.2% ▲
Taxation	140	13	954.2% ▲	165	31	431.1% ▲
Profit After Taxation	1,724	824	109.1% ▲	2,792	1,350	106.9% ▲
Earnings Per Share	6.19	2.96	109.1% ▲	10.03	4.85	106.9% ▲
Dividend	0.00	0.00		-	0.00	
Bonus						
Gross Margin	34.1%	34.9%	0.8% ▼	32.2%	35.4%	3.2% ▼
SG&A Expenses to Sales	8.6%	9.4%	0.9% ▼	9.3%	9.3%	0.0% ▼
Other Expenses to Sales	-0.6%	0.7%	1.4% ▼	0.0%	-0.3%	0.3% ▲
Other Income to Sales	14.4%	7.2%	7.2% ▲	11.5%	1.9%	9.6% ▲
Effective Taxation	7.5%	1.6%	5.9% ▲	5.6%	2.3%	3.3% ▲
Net Margin	36.5%	30.7%	5.9% ▲	31.8%	27.0%	4.7% ▲

Source: ACPL Research, Company Financials

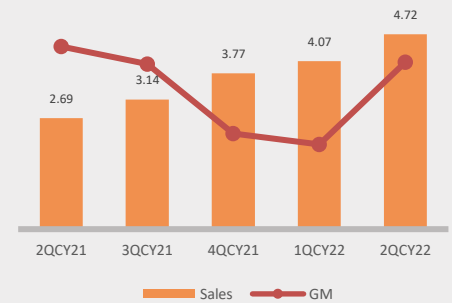
Key Statistics

Symbol	SYS
TP - Jun 23	500
LDCP	389.07
Upside	29%
Free Float (mn)	167
Market Cap. (Rs.mn)	107,449

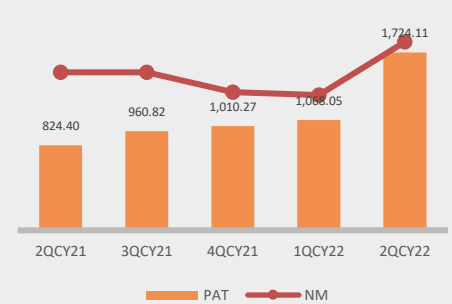
SYS vs KSE 100



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	CY19A	CY20	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	5,349	7,514	11,904	17,631	22,364	27,274	31,930
Cost of sale	3,572	4,716	7,912	11,895	15,115	18,469	21,667
Gross profit	1,776	2,798	3,991	5,736	7,249	8,805	10,263
Distribution expenses	100	119	189	247	313	382	447
Administrative expenses	448	500	981	1,393	1,767	2,155	2,522
Research and development expenses	-	-	-	-	-	-	-
Other expenses	139	135	4	3	4	5	6
Other income	343	273	620	2,028	1,516	1,849	2,165
Operating Profit	1,432	2,317	3,437	6,127	6,690	8,123	9,464
Finance cost	39	50	84	156	171	188	206
Profit before taxation	1,393	2,267	3,353	5,971	6,518	7,935	9,258
Taxation	29	73	32	333	125	155	183
Profit after taxation	1,364	2,194	3,321	5,637	6,393	7,780	9,075
EPS	4.90	7.88	11.93	20.25	22.97	27.95	32.60

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	42.2%	40.5%	58.4%	48.1%	26.8%	22.0%	17.1%
Cost of sale	38.3%	32.0%	67.8%	50.3%	27.1%	22.2%	17.3%
Gross profit	50.7%	57.5%	42.6%	43.7%	26.4%	21.5%	16.6%
Distribution expenses	114.0%	19.2%	59.0%	30.7%	26.8%	22.0%	17.1%
Administrative expenses	18.8%	11.5%	96.3%	41.9%	26.8%	22.0%	17.1%
Research and development expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other expenses	17.5%	-3.1%	-96.8%	-179.2%	26.8%	22.0%	17.1%
Other income	-21.7%	-20.4%	127.5%	226.8%	-25.2%	22.0%	17.1%
Operating Profit	33.3%	61.8%	48.3%	78.3%	9.2%	21.4%	16.5%
Finance cost	107.9%	27.4%	68.9%	85.5%	9.6%	9.7%	9.7%
Profit before taxation	32.0%	62.8%	47.9%	78.1%	9.2%	21.7%	16.7%
Taxation	-37.4%	157.2%	-56.6%	945.2%	-62.4%	23.9%	18.0%
Profit after taxation	35.1%	60.8%	51.4%	69.8%	13.4%	21.7%	16.7%
EPS	35.1%	60.8%	51.4%	69.8%	13.4%	21.7%	16.7%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	33.21	37.24	33.53	32.53	32.41	32.28	32.14
NP Margin	%	25.50	29.20	27.90	31.97	28.59	28.52	28.42
OP Margin	%	26.77	30.84	28.87	34.75	29.91	29.78	29.64
ROE	%	26.15	30.25	31.71	33.01	28.51	26.83	24.78
ROCE	%	25.39	28.85	30.77	36.97	31.05	28.65	26.10
ROA	%	20.31	22.31	21.79	28.79	24.96	23.63	21.99
Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	3.54	3.49	2.55	3.75	4.42	5.11	5.80
Acid-test	x	2.88	3.06	2.29	3.14	3.75	4.39	5.06
Cash to current liab.	x	0.81	0.71	0.37	0.38	1.00	1.66	2.36
Activity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Receivables Days		144	138	130	170	159	157	154
Payables Days		10	10	10	10	10	10	10
Operating Cycle		134	128	119	160	149	147	144
Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS		4.90	7.88	11.93	20.25	22.97	27.95	32.60
DPS		2.25	3.50	5.00	8.50	9.75	11.75	13.75
Div. Yield	%	0.58	0.90	1.29	2.18	2.51	3.02	3.53
Dividend Cover		2.18	2.25	2.39	2.38	2.36	2.38	2.37
BVPS		18.74	26.06	37.62	61.34	80.54	104.17	131.56
Payout	%	45.91	44.41	41.91	41.97	42.45	42.04	42.18
Retention	%	54.09	55.59	58.09	58.03	57.55	57.96	57.82
No. of Shares	'mn	278.37	278.37	278.37	278.37	278.37	278.37	278.37
P/E		79.39	49.37	32.61	19.21	16.94	13.92	11.93
Sales per share		19.21	26.99	42.76	63.34	80.34	97.98	114.71
P/BV		20.76	14.93	10.34	6.34	4.83	3.74	2.96
Price to Sales		20.25	14.41	9.10	6.14	4.84	3.97	3.39
Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	%	13.32	18.26	27.10	13.40	11.19	9.48	8.24
Interest Cover		36.56	46.42	40.77	39.18	39.02	43.20	45.89

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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Market Weight	Neutral
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