

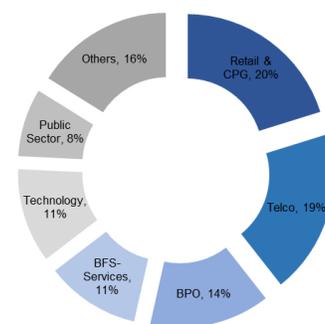


## SYS: 1QCY21 Analyst Briefing takeaways

- **Systems Limited held its analyst briefing yesterday to apprise about 1QCY21 financial results and company’s future outlook. To recall, company posted consolidated PAT of PkR602mn (EPS: PkR4.96) for 1QCY21 against PAT of PkR527mn (EPS: PkR4.28), up 14.2% YoY.**
- **Topline increased by 37%YoY during 1QCY21 where highest growth was witnessed in the Middle East region of 58% while Europe/North America/Pakistan registered growth of 43/43/29%.**
- **Company has recently entered into a partnership with SAP which is expected to add significantly to the topline and company is still investing and hiring resources to aid in materializing the full potential of this partnership. SAP plans to shift business to cloud from on-ground services.**
- **Acceptability of remote working has turned out to be a real bane and now the company is working towards making Pakistan an outsourcing destination for its customers in Middle East, providing an impetus to cash flows and margins.**
- **Overall, growth potential in all the regions remains intact where company specifically highlighted more opportunity for skilled offshore resources in the European market. Moreover, system ventures is another bright prospect through which various options are currently being explored to invest in.**

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Revenue by Verticals - 1QCY21



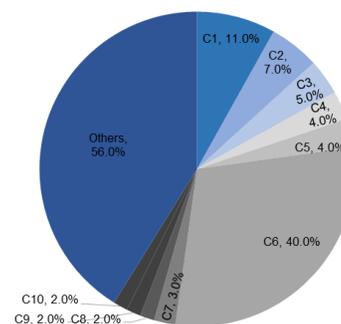
Source: Company Presentation & AKD Research

**1QCY21 result review:** Systems Limited held its analyst briefing yesterday to apprise about 1QCY21 financial results and company’s future outlook. To recall, company posted consolidated PAT of PkR602mn (EPS: PkR4.96) for 1QCY21 against PAT of PkR527mn (EPS: PkR4.28), up 14.2% YoY. On unconsolidated basis, PAT clocked in at PkR525mn against PkR505mn for 1QCY20, up 3%YoY. Net profit of the company increased despite recording an exchange loss of PkR152mn as PkR during the quarter appreciated by 4.4% against exchange gain of PkR168mn for 1QCY20. Finance cost of the company increased by 87%YoY to stand at PkR21mn while tax rate clocked in at 3.9% against 1.9% for 1QCY20.

**Middle East region outperforms:** Topline increased by 37%YoY during 1QCY21 where highest growth was witnessed in the Middle East region of 58% while Europe/North America/Pakistan registered growth of 43/43/29%. In dollar terms, company’s topline increased by 37%YoY to USD19.4mn. COVID-19 has only helped in accelerating growth further as resource count stands at 3604 as of 1QCY21 against 3287 for 4QCY20 while it stood at 2964 for 1QCY20. In this regard, an office has been opened up in Multan while management also hopes to establish offices in other parts of the country as remote work gains traction post COVID-19. The same was visible in the income statement as well with administrative expenses increasing by 11%YoY to PkR242mn. Margins from North America turned out to be the highest with PBT margin for the region standing at 34% while Europe/Middle East/Pakistan delivered PBT margin of 32/12/8% taking the overall PBT margin to 27% for 1QCY21.

**Digital, Data and Cloud to be the name of the game:** For future, management reiterated their vision of continuous focus on data, digital and cloud as they expect huge potential in these three areas. Company has recently entered into a partnership with SAP which is expected to add significantly to the topline and company is still investing and hiring resources to aid in materializing the full potential of this partnership. SAP plans to shift business to cloud from onground services. A new business unit has also been added, namely digital Infrastructure Services, whereby company plans to offer Infrastructure, Cloud and Security Services mainly to domestic market and existing customers initially. Acceptability of remote working has turned out to be a real bane and now the company is working towards making Pakistan an outsourcing destination for its customers in Middle East, providing an impetus to cash flows and margins. Overall, growth potential in all the regions remains intact where company specifically highlighted more opportunity for skilled offshore resources in the European market. Moreover, system ventures is another bright prospect through which various options are currently being explored to invest in.

Revenue by Top10 customers



Source: Company Presentation & AKD Research



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Sell	< 8.5% expected total return (Rf: 8.5%)



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