

Systems Preview – 4QCY22

Absence of exchange gain to dent earnings



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Systems Limited:

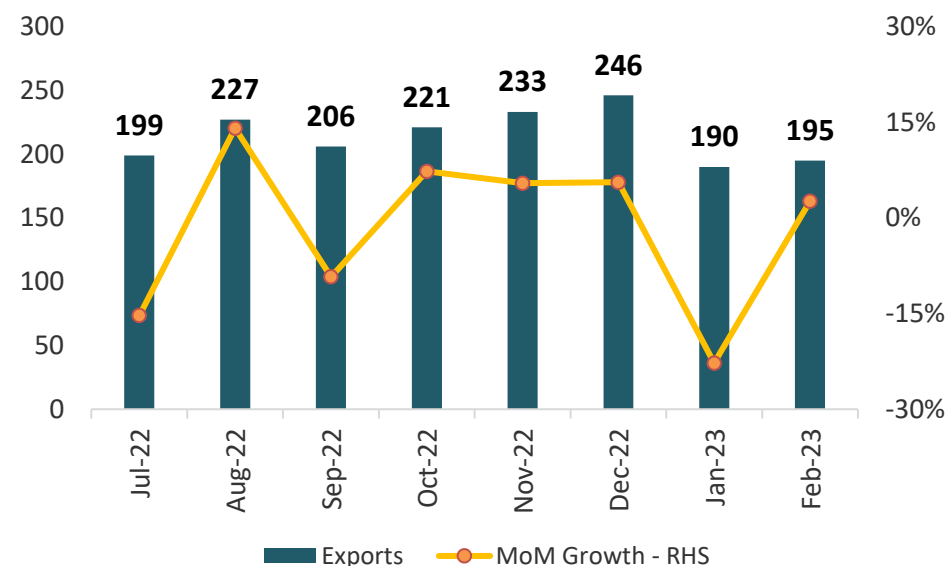
We preview earnings of Systems limited for 4QCY22, where the profitability of the company is expected to clock-in at PKR 1.9bn (EPS= PKR 6.5/sh), down by 11.7% QoQ.

The QoQ decline is mainly driven by absence of exchange gains, as the PKR appreciated by 0.7% 4QCY22. As a result, other income is likely to decrease by 77% on QoQ basis.

However, the topline is expected to increase by 12.6% on QoQ basis driven by hiring of new workers and better utilization. The opex is expected to remain elevated due to high inflation.

Despite decline in QoQ profitability, annual profit has increased by 60% and we expect the company to increase dividend to PKR 5/sh.

Pakistan IT exports momentum on the decline



SYS 4QCY22 earnings preview

PKR mn	4QCY22	3QCY22	QoQ	4QCY21	YoY	CY22	CY21	YoY
Sales	9,778	8,682	12.6%	4,780	104.6%	29,923	15,304	96%
COGS	6,784	5,977	13.5%	3,386	100.3%	20,569	10,314	99%
Gross profit	2,994	2,705	10.7%	1,394	114.8%	9,353	4,990	87%
Operating Expenses	1,036	1,043	-0.7%	541	91.6%	3,350	1,821	84%
Operating Profit	1,958	1,662	17.9%	853	129.6%	6,003	3,169	89%
Other income	174	754	-77.0%	285	-39.2%	1,909	653	192%
Loss from Associate	82	82	0.0%	67	22.3%	314	0	n.m
Finance cost	133	69	92.1%	28	380.1%	286	121	136%
Profit before tax	1,917	2,264	-15.3%	1,043	83.7%	7,312	4,434	65%
Taxation	19	114	-83.2%	-15	n.m	299	54	454%
Profit after tax	1,898	2,150	-11.7%	1,059	79.3%	7,013	4,380	60%
EPS	6.5	7.4	-11.7%	3.6	79.3%	24.2	15.1	60%
DPS	5.0	0.0	n.m	2.5	100%	5.0	2.5	100%
Gross margins	31%	31%				31%	33%	
Operating margin	20%	19%				20%	21%	
Net margin	19%	25%				23%	29%	

Source: Company Accounts, IIS Research

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