

SYS: Eyes strong growth in the MENA region

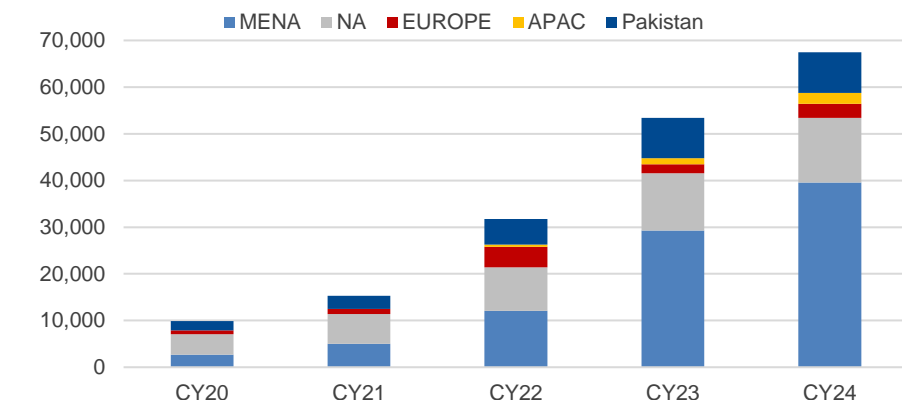
- SYS Limited (SYS) held its Analyst Briefing to discuss CY24 financial performance and outlook. On a consolidated basis, the company reported a 1.15x decline in EPS to Rs25.55, largely attributable to exchange losses. SYS also announced a stock split in the ratio of 5 shares for every 1 share held.
- SYS reported 26% YoY growth in revenue during CY24 where revenue contribution from MENA region (59% share in the revenue pie) jumped by 35% YoY led by timely expansions to exploit the growth opportunity in the region, mainly Saudi Arabia.
- Strengthening of workforce, diversification of labour with locations in MENA through Egypt and scaling its 'Capability Centers of Excellence' (COEs), should enable the company to achieve 26% YoY growth in revenues (CY25E) and gradually improve gross margins by up to 5% in the next few years, as per the management guidelines.

Strong Growth Momentum to Continue

System Limited (SYS) held its Analyst Briefing yesterday to discuss its CY24 financial performance and outlook. On a consolidated basis, the company posted an EPS of Rs25.55, reflecting a 1.15x YoY decrease, largely attributable to a 77% YoY drop in other income amid exchange losses (vs sizable fx gains in CY23). During the year, revenue contribution from MENA region (59% share in the revenue pie) jumped by 35% YoY led by timely expansions to exploit the growth opportunity in the region, mainly in Saudi Arabia.

Despite a 26% YoY increase in revenues in CY24, the company experienced a 2ppt YoY decline in gross margins to 24%, primarily due to PKR/US\$ appreciation. Management expects the margins to improve up to 5% over the next few years.

Geographic breakup of sales revenue (Rs mn)



Source: Company Accounts, JS Research

Prioritizing MENA growth amid domestic consolidations

SYS has strategically diversified its footprint across MENA, NA, APAC, and EU. In CY24, MENA sales grew 35% YoY, with Saudi Arabia identified as a high-growth market—where the investment of US\$100bn in AI by the government of KSA is

Syed Danyal Hussain

danyal.hussain@js.com

+9221 111-574-111 Ext: 3099

Bloomberg Code: SYS PA

Market Price: Rs502.73

Market Cap: Rs147bn, US\$525mn

1-yr ADTO: 0.4mn shares, Rs177mn, US\$0.6mn

1-yr High / Low: Rs631.57 / 379.48

Estimated free float: 175mn shares (60%)

SYS: Key Statistics (consolidated)

(Rs mn)	CY22	CY23	CY24
Sales	31760	53,435	67,473
Sales Growth	%	68%	24%
Gross Margins	27%	26%	24%
PAT	6,629	6,689	7460
EPS (Rs)	24.00	29.71	25.37
DPS (Rs)	5.00	6.00	6.00
P/E (x)	16.25	19.34	17.19
D/Y	1%	1%	1%

Source: Company Accounts, JS Research

expected to scale up KSA market to be substantially competitive to the UAE. Management aims to capitalize by expanding enterprise clientele and deepening market penetration. In CY24, the MENA region contributed 59% to SYS's top line, followed by 21% contribution of the NA region.

Regarding the US reciprocal tariff imposition, the management consider this as an opportunity for the company, where recessionary threats and inflation may force US clients to move to cost-efficient IT service providers, while SYS offers economical pricing than its regional peers (~30% cost advantage over Indian peers).

Strengthening Delivery Hubs and Workforce Diversification

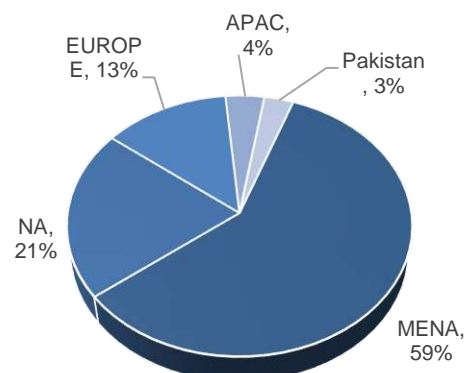
Management highlighted that SYS will continue scaling its 'COEs' to cater to rising demand for large-scale, cost-efficient delivery solutions. Containerized COEs have been established for key clients, with Pakistan acting as a regional delivery hub due to its cost advantage. 1) Higher reliance on cheaper local workforce (82%), 2) 80-100 monthly labour additions and 3) regional workforce diversification (mainly in MENA region by way of Egypt) to avoid communication barriers – enables the company to expand its business in the growing markets.

Pursuing Investments in AI, M&As & BPO Growth

Management reiterated its focus on investment in AI and M&A to support expansion and growth targets. They indicated potential acquisition opportunities at discounted valuations, though emphasis remains on pursuing only niche, value-accretive targets that align with sustainable long-term growth.

SYS has also entered the Business Process Outsourcing (BPO) segment, offering cost-effective shared services in areas such as accounting, HR, and legal support. The company is gaining strong traction in this space, leveraging its strategic positioning and access to quality talent at competitive costs.

Revenue by Geography %



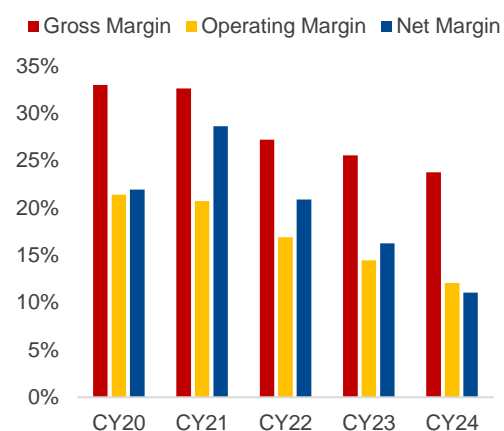
Source: Company Presentation, JS Research

SYS: Total Headcount Dispersion

(%)	CY22	CY23	CY24
Pakistan	90.36	86.28	81.62
Qatar	1.07	1.40	1.46
UAE	7.69	9.82	12.02
Egypt	0.55	2.13	3.19
Saudi Arabia	0.30	0.34	1.39
APAC	0.03	0.04	0.33

Source: Company Accounts, JS Research

SYS: Profitability Margins



Source: Company Presentation, JS Research

Disclosure

JS Global hereby discloses that all its Research Analysts meet with the qualification criteria as given in the Research Analysts Regulations 2015 ('Regulations'). Each Analyst reports to the Head of Research and the Head of Research reports directly to the CEO of JS Global only. No person engaged in any non-research department has any influence over the research reports issued by JS Global and/or no person engaged in any non-research department (other than the CEO) has any influence on the performance of the Research Analysts or on their remuneration/compensation matters.

The Research Analyst(s), author of this report hereby certify that all of the views expressed in this research report accurately reflect their personal, unbiased and independent views about any and all of the subject issuer(s) or securities, and such views are based on analysis of various information compiled from multiple sources, including (but not limited to) annual reports, newspapers, public disclosures, financial models etc. The given sources appear to be and consequently are deemed to be reliable for forming an opinion and preparation of this report. Such information may not have been independently verified or checked by JS Global or the Research Analyst, and therefore, all such information as given in this report may or may not prove to be correct. It is hereby certified that no part of the compensation of JS Global or the Research Analyst was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Rating System

JS Global Capital Limited uses a 3-tier rating system i.e. Buy, Hold and Sell, based on the level of expected return. Time horizon is usually the annual financial reporting period of the company.

'Buy': Stock will outperform the average total return of stocks in our universe

'Hold': Stock will perform in line with the average total return of stocks in our universe

'Sell': Stock will underperform the average total return of stocks in our universe

Target price risk

Company may not achieve its target price for various reasons including company specific risks, competition risks, sector related risks, change in laws, rules and regulations pertaining to the business of the Company as well as a change in any governmental policy. The results of operations may also be materially affected by global and country-specific economic conditions, including but not limited to commodity prices, prices of similar products internationally and locally, changes in the overall market dynamics, liquidity and financial position of the Company and change in macro-economic indicators. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company may enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Research Dissemination Policy

JS Global Capital Limited endeavours to make all reasonable efforts to disseminate research to all clients (without any preference, prejudice or biasness) in a timely manner through either physical or electronic distribution such as mail, fax and/or email.

Disclosure Pertaining To Shareholding/Conflict of Interest

The Research Analyst has not directly or indirectly received any compensation from the Subject Company for preparation of this report or for the views expressed herein, and the Subject Company is not associated with the Research Analyst in any way whatsoever.

No other material information (other than the one specifically disclosed in this report) exists (for JS Global as well as the Research Analyst) which could be a cause of conflict of interest in issuing this report.

Disclaimer of Liability

No guaranty, representation or warranty, expressed or implied, is made as to the accuracy, completeness, reasonableness, correctness, usability, suitability or purposefulness of the information contained in this report or of the sources used to compile the information contained in this report.

All information as given in this report may or may not prove to be correct, and is subject to change without notice due to market forces and/or other factors not in the knowledge of or beyond the control of JS Global or the Research Analyst(s), and neither JS Global nor any of its analysts, traders, employees, executives, directors, sponsors, officers or advisors accept any responsibility for updating this report and therefore, it should not be assumed that the information contained herein is necessarily complete, accurate, reliable or up-to-date at any given time.

The client is solely responsible for making his/her own independent investigation, appraisal, usability, suitability or purposefulness of the information contained in this report. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors who should seek further professional advice or rely upon their own judgment and acumen before making any investment. This report should also not be considered as a reflection on the concerned company's management and its performances or ability, or appreciation or criticism, as to the affairs or operations of such company or institution

Consequently, JS Global and its officers, directors, sponsors, employees, executives, consultants, advisors and analysts accept no responsibility or liability towards the Client, and assume no obligation to do (or not to do) anything with respect to the information contained in this report. Research Analyst(s) and JS Global shall also not be liable in any way and under any circumstances whatsoever for any loss, penalty, expense, charge or claim that may be suffered/incurred by the client as a result of receiving, using, or having complied and distributing this report.

Warning: This report may not be reproduced, distributed or published by any person for any purpose whatsoever. Action will be taken for unauthorized reproduction, distribution or publication.