

AHL Brief Note: Technology & Communication Systems Limited Corporate Briefing Takeaways

Management Conference Call

The management of SYS held a corporate briefing session today to discuss the financial performance during 9MCY24 and future outlook.

Brief Takeaways

- To recall Systems Limited (SYS) unveiled the financial result for 9MCY24 posting a consolidated profit after Tax (PAT) of PKR 5,432mn (EPS: PKR 18.6) against PKR 7,146mn (EPS: PKR 24.5) in 9MCY23, down by 24% YoY. Whereas, consolidated earnings in 3QCY24 clocked in at PKR 2,188mn (EPS: PKR 7.5), up by 18% YoY.
- In 3QCY24, the company recorded highest-ever topline, gross profit, and operating profit, marking a 28% YoY growth in USD-based revenue.
- The management shared that the company generates 13% of its revenue from its top client, followed by 27% from its top 5 clients, 36% from its top 10 clients, and 48% from its top 20 clients.
- SYS's revenue stream is highly USD-based at 93%, with the remaining 7% in PKR, while operating costs are split between 60% PKR and 40% foreign currency.
- The recent appreciation of the PKR impacted margins negatively, diverging from SYS's initial assumption of continued PKR depreciation.
- The company's updated strategy now places a greater emphasis on operational optimization to lessen reliance on currency fluctuations.
- Systems Limited (SYS) posted an improved gross margin of 25% in 3QCY24, up from 23% in 2QCY24, driven by the monetization of previously unbillable projects and stable fixed costs, aided by better overhead absorption from increased billable work.
- The company has witnessed a significant rise in large client contracts, particularly within the USD 3-5mn range.
- In 2024, SYS onboarded 10 new large enterprise clients and formed eight new channel partnerships, strengthening its organic growth and service credibility. The company's active client base expanded to 251, up from 236 in the previous year.
- The focus on growth remains firmly in Saudi Arabia, where SYS sees vast opportunities due to its relatively small market share. Additionally, the company aims to turn around its Pakistan operations by making them profitable, transitioning from previous loss-making endeavors.
- The management aims to make Pakistan operations profitable, moving away from previously loss-making activities.
- SYS's long-term vision focuses on organic growth over inorganic strategies, reflecting a commitment to sustainable and steady expansion.

Muhammad Abrar

D: +92 21 38280264

UAN: +92 21 111 245 111, Ext: 255

muhammad.abrar@arifhabibltd.com

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