

System Ltd – key takeaways from interview...

Yesterday, CEO of SYS gave interview to Business Recorder wherein he highlighted few points which we also narrated in our call dated May 17, 2016 pertaining to their 'OneLoad' product i.e. mobile load could be utilized as currency and regarded as a payment solution in a populous country like Pakistan.

Some of the other takeaways are given hereunder:

- SYS already digitizing land records for Punjab & thus building centralized software. This system is regarded as largest in the South East Asian region.
- SYS is working on other domains in the public sector like ERP, integration, middle ware, e-commerce etc
- SYS maintaining payment gateway like easypaisa for Telenor; Given the fact that they invested in last 2.5 years for attaining secure payment methods.
- The product OneLoad has monetized the mobile load which is used as a currency and it is a smart e-payment solution and the fact that it has got the widest use in Pakistan's rural to urban culture of money transfer. It can help to revolutionize Pakistan's payment industry. SYS is working on its marketing and branding.

Other highlights... (transfer of coverage)

SYS is generating 80% of its revenue stream from exports of IT enabled services wherein major destinations remained GCC countries. To recall, IT companies in Pakistan enjoying tax exemption on exports.

SYS is now in the process of commercializing its 'OneLoad' product.

We see company quarterly revenues increasing (from Rs500mn q-o-q to Rs700mn, goind forward). We maintain that SYS annual net margin to remain around 18% - 20% thus enabling it to maintain earnings spree (earnings set to grow from Rs4.09 reported in CY15).

Digitalization of land records.....

Presently, government, especially in KPK & Punjab province, is investing on IT enable services for tracking & maintenance of documentation i.e. land records, which is being widely reported by media.

We expect SYS to be major beneficiary thus also expects to get good share in digitalization of land records.

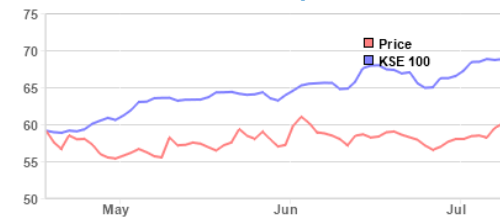
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- Price: Rs60.75
- 52 week Hi 80.47
- Low week 49.6
- **CY16 PE 12x**

Key note

- Enterprise Value Rs6.32bn
- Enterprise value per share Rs57.1/sh
- Receivables unsecured: Rs1.1bn
- SYS has subsidiary company viz. TechVista Systems FZ-LLC at Dxb Tech & media zone – a 100% owned subsidiary

Relative index: Room to perform



Exports driven revenue

In 1QCY16 SYS revenues grew by 20% on Y-o-Y basis.

1QCY16 P&L

Rs in mn	1QCY16	1QCY15	Chg
Revenue	645	536	20%
Gross Profit	189	180	4%
Operating profit	108	93	16%
Other income	11	21	-46%
Finance cost	(0.362)	(0.670)	-46%
PBT	119	113	5%
PAT	117	110	7%
EPS	1.06	0.99	7%

Source: Company accounts

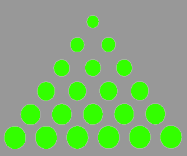
Analyst

Sayam Sohail Polani
0092 21 32461427

www.scstrade.com

under supervision from Head of Research

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