PAKISTAN
TECHNOLOGY

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REP-019

MARKET VISTA

SYS 3QCY26 Result Preview: Profitability to rise on higher revenue and other income

- **We expect Systems Limited (SYS) to post profit of PkR3.1bn (EPS: PkR2.0) in 3QCY26 vs PkR2.8bn (EPS: PkR1.8) in SPLY, up 10%YoY.**
- **We anticipate revenue to grow by 27%YoY on addition of Confiz, along with sustained momentum in the MEA & European markets.**
- **We expect exchange losses of PkR114mn in 3QCY26 on company's FCY assets, with the PkR appreciating 0.4%QoQ against US$.**
- **We have a 'BUY' stance on SYS with Dec'26 DCF target price of PkR277/sh due to increasing IT Exports, growth in MENA region, and strategic spending on M&A.**

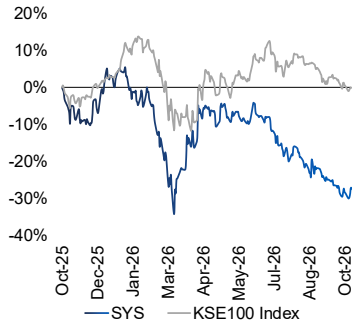
AKD Research
research@akdsl.com
+92-111-253-111 Ext: 639

Earnings Preview—3QCY26

EPS	3QCY26	YoY	QoQ	9MCY26	YoY
SYS	2.0	10%	1%	5.9	15%

Source: PSX & AKD Research

SYS vs. KSE100 Index



Source: PSX & AKD Research

SYS – expected EPS of PkR2.0 in 3QCY26: We expect Systems Limited (SYS) to post profitability of PkR3.1bn (EPS: PkR2.0) in 3QCY26, up 10%YoY from PkR2.8bn (EPS: PkR1.8) in SPLY. The growth is attributed to higher expected exports, as reflected by 18%YoY increase in the country's IT exports of US$1.2bn in 3QCY26, along with higher other income. Moreover, the acquisitions of BAT SAA Services and Confiz in CY25 have supported topline growth, while synergy realization for Confiz are expected to materialize in upcoming quarters. The growth in topline is expected to outweigh cost pressures.

Operating profit for the company is likely to stand at PkR3.4bn (operating margin: 13.1%) in 3QCY26, compared to PkR3.4bn in SPLY, up 2%YoY. Furthermore, finance cost is expected to clock in at PkR196mn vs. PkR80mn in SPLY (up 2x YoY) amid higher short term borrowings. Moreover, we expect other income to clock in at PkR207mn vs loss of PkR117mn in SPLY.

US, MEA & EU to power revenue surge: We anticipate revenue for the quarter to clock in at PkR26.2bn, up by 27%YoY/2%QoQ. The said annual growth is attributed largely to the addition of Confiz in the US segment, however, sustained momentum in other regions is also expected to contribute as Middle East continues to present significant growth opportunities despite the ongoing conflict, largely due to public sector adoption of agentic AI. Segment-wise, EU/US/MEA/Pakistan/APAC are anticipated to post revenue growth of 42%/37%/27%/15%/3%YoY, respectively. Notably, European region growth is due to low base in SPLY, while APAC saw a one-off project in 1H, which has already been accrued. Excluding the impact of the Confiz acquisition, we project topline growth of 17%YoY on an organic basis, while currency appreciation has weighed on growth.

Margins to contract amid cost inflation: Company's gross margins are expected to clock in at 25.0% in 3QCY26 compared to 29.7% in SPLY, with margin contraction attributed to i) absorption of cost inflation amid growth, and ii) PkR appreciation against the US$. On a sequential basis, margins are anticipated to decline 80bps.

PkR appreciation to yield FX losses: We expect exchange losses of PkR114mn in 3QCY26 on company's FCY assets, with the PkR appreciating 0.4%QoQ against the greenback during 3QCY26, ending the quarter at 277.1 PkR/US$, vs. appreciation of 0.9%QoQ witnessed in SPLY which led to exchange losses of PkR250mn in SPLY. However, other income is expected at PkR207mn on higher profits on deposits and non-financial assets.

Furthermore, finance cost for the company is expected to rise 2x YoY to PkR196mn amid higher borrowings due to elevated working capital requirements, despite broadly similar financing rates.

Investment Perspective: We have a 'BUY' stance on the stock with Dec'26 DCF target price of PkR277/sh. Our liking for the stock stems from i) increasing IT exports (up 20%YoY during 9MCY26), ii) improving gross margins given consolidation, iii) strong presence in MENA region to drive growth amid increased spending on IT, and iv) strategic spending on M&A.

AKD Securities Limited

SYS: Income Statement (consolidated)

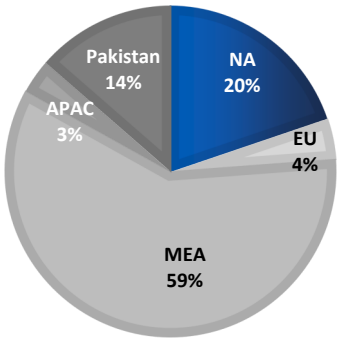
(PkRmn)	3QCY26E	3QCY25	YoY	2QCY26	QoQ	9MCY26E	9MCY25	YoY
Revenue	26,166	20,680	27%	25,738	2%	75,881	57,419	32%
Cost of Revenue	19,613	14,541	35%	19,088	3%	56,640	41,995	35%
Gross Profit	6,553	6,139	7%	6,650	-1%	19,242	15,424	25%
Gross Margins	25.0%	29.7%	-	25.8%	-	25.4%	26.9%	-
Operating Profit	3,435	3,373	2%	3,423	0%	9,974	8,487	18%
Other Income	207	-117	n.m	227	-9%	774	704	10%
Finance Cost	196	80	2x	174	12%	500	246	2x
ETR	11.0%	11.3%	-	13.0%	-	11.1%	10.0%	-
NPAT	3,058	2,792	10%	3,025	1%	9,108	7,944	15%
EPS (PkR)*	1.98	1.81	-	1.96	-	5.89	5.14	-

*EPS calculated @1,546mn shares

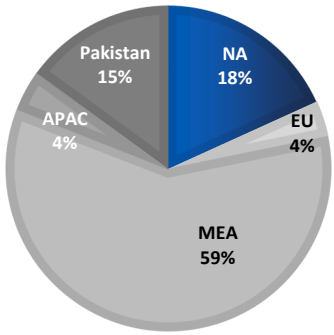
North America to surge on Confiz acquisition

...while Middle East remains the biggest contributor

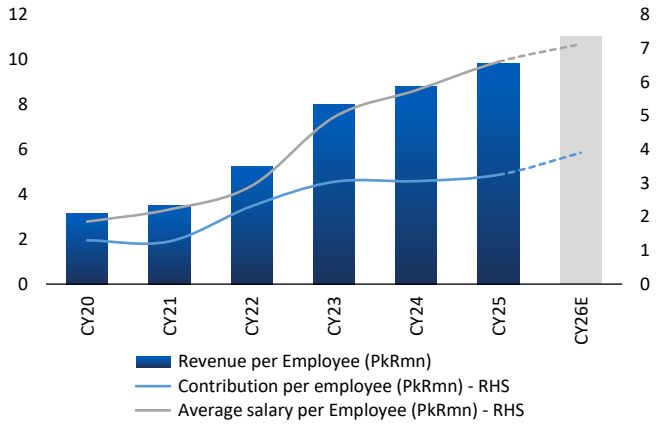
3QCY26E Revenue mix



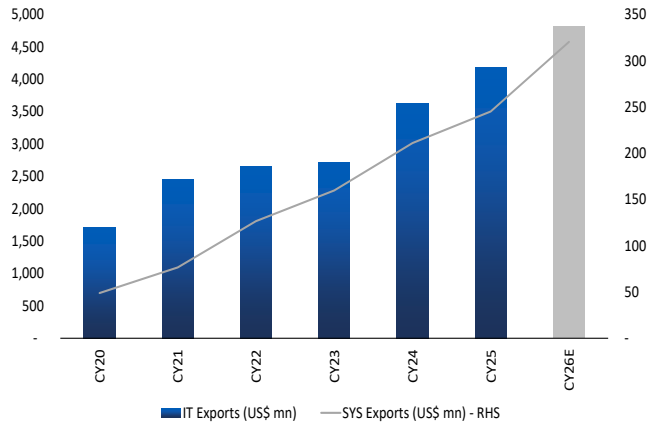
3QCY25 Revenue mix



Revenue & contribution per employee increases



...as SYS exports outpace country's IT exports



Source: SBP, PSX & AKD Research

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- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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NEUTRAL > 0% to < 15% expected total return

SELL < 0% expected total return

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AKD Securities Limited

602, Continental Trade Centre,
Clifton Block 8, Karachi, Pakistan.
research@akdsl.com