SYS: 3QCY26 Result Review - Earnings increase on sales growth & other income

Systems Limited (SYS) announced its 3QCY26 financial results today, wherein the company posted Profit after Tax (PAT) of PkR3.0bn (EPS: PkR2.0) compared to PkR2.8bn (EPS: PkR1.8) in SPLY, up 9%YoY due to growth in topline led by Confiz acquisition. Earnings came in line with our expectations.

- Company reported revenue of PkR26.8bn in 3QCY26, compared to PkR20.7bn in SPLY, up 29%YoY. The growth in topline is due to robust growth of 85%/41%/27%/26%/16%YoY in Europe/North America/Asia Pacific (APAC)/Middle East/Pakistan regions, respectively.
- The said growth in the North American region is primarily attributable to the Confiz acquisition, while Europe region is due to low base in SPLY.
- Gross margins clocked in at 24.8%, down 5.3ppts YoY/1.1ppts QoQ. Margins decreased due to PkR/US$ appreciation, along with annual wage adjustment due to fuel inflation.
- Finance cost increased 2x YoY to PkR195mn in 3QCY26, from PkR80mn in SPLY due to higher borrowings amid increased working capital requirements.
- Other income clocked in at PkR367mn attributable to higher profits on deposits & non-financial assets, vs loss of PkR200mn due to higher exchange losses in SPLY.
- Company booked impairment losses of PkR67mn vs. PkR309mn in SPLY.
- ETR for the quarter clocked in at 9.9% compared to 11.3%/13.0% during SPLY/2QCY26.
- 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, 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.

SYS: Income Statement (Consolidated)

(PkRmn)	3QCY26	3QCY25	YoY	2QCY26	QoQ	9MCY26	9MCY25	YoY
Revenue	26,776	20,680	29%	25,738	4%	76,492	57,419	33%
Cost of Revenue	20,145	14,458	39%	19,088	6%	57,173	41,911	36%
Gross Profit	6,631	6,223	7%	6,650	0%	19,319	15,508	25%
Gross Margins	24.8%	30.1%	-	25.8%	-	25.3%	27.0%	-
Operating Profit	3,198	3,457	-7%	3,423	-7%	9,737	8,571	14%
Other Income	367	-200	n.m	227	62%	934	621	51%
Finance Cost	195	80	2x	174	12%	499	246	2x
ETR	9.9%	11.3%	-	13.0%	-	10.7%	10.0%	-
NPAT	3,035	2,792	9%	3,025	0%	9,085	7,944	14%
EPS (PkR)	1.96	1.81	-	1.96	-	5.88	5.14	-
DPS (PkR)	-	-		-		-	-	

@1,546mn shares
Source: PSX & AKD Research

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- Discounted Cash Flow (DCF, DDM)
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