



PAKISTAN EQUITY | IT | COMPANY REPORT

SYSTEMS LIMITED

Treading a path towards digital tomorrow

25 Mar 2026

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SYS TP PKR 170.46/share; Upside of 30%

Key Ratios					
	CY23A	CY24A	CY25E	CY26F	CY27F
EPS	5.9	5.1	7.4	9.7	12.3
EPS YoY	31%	-14%	47%	30%	27%
Price Earnings	14.9	17.2	17.0	13.5	10.6
Price to Book	4.7	3.6	4.3	3.7	3.0
Dividend Yield	1.4%	1.4%	1.4%	1.7%	2.2%
Gross Margins	25.1%	23.4%	26.7%	26.8%	27.0%
EBITDA Margins	18.5%	15.3%	17.5%	17.9%	18.0%
Net Margins	16.3%	11.1%	13.7%	14.5%	15.1%
ROE	31.4%	21.0%	25.6%	27.3%	28.0%
ROA	19.5%	13.8%	18.2%	20.1%	20.6%

Source: Company Accounts, Growth Securities

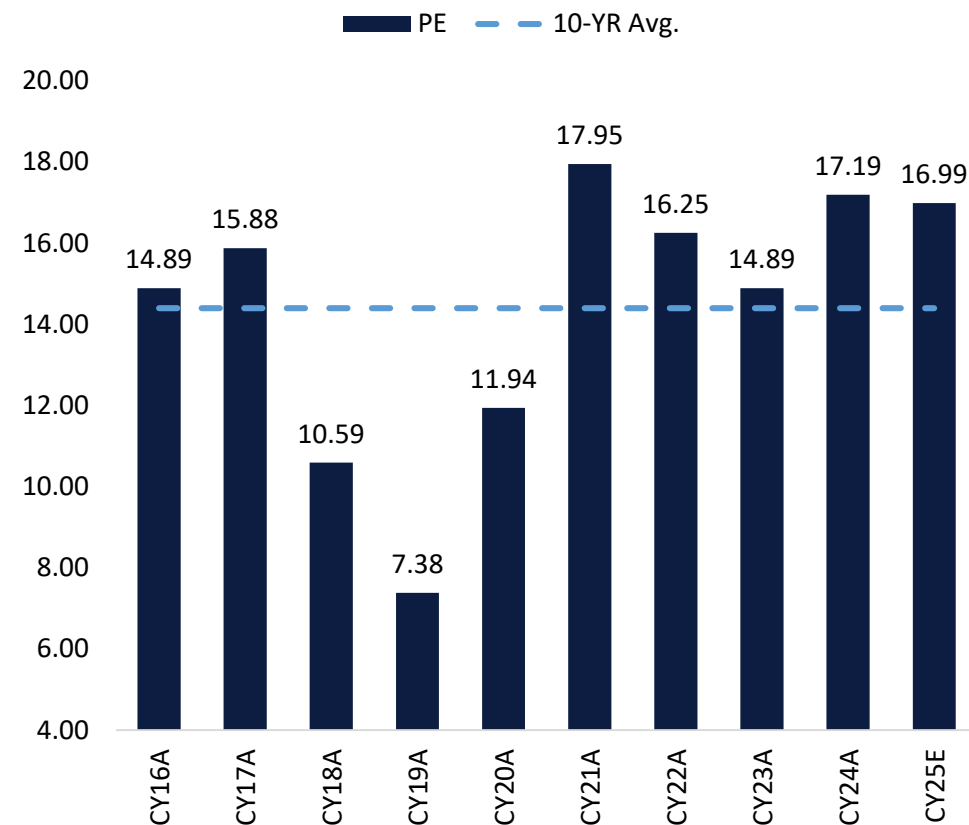
- We initiate coverage on Systems Limited (SYS) with a 'Buy' rating and Dec'26 target price (TP) of PKR 170.46/share which provides an upside of 30% from last closing price of PKR 130.70/share (24 Mar 2026).
- We expect SYS to post EPS CAGR of 21% for the next five years (CY26-30) and revenue CAGR of 17% for the same period.
- SYS Dividend Yield (DY) is expected at of 1.7%, and 2.2% for CY26F and CY27F.
- Our investment case for the company rests on the following factors:
 - **1) Outperforming IT Sector:** IT Exports of Pakistan have increased at a 10-YR CAGR (CY16-25) of 19%. SYS Export revenue has increased at a CAGR of 30% for the same period. As a result SYS export share is expected to increase to 6.1% in CY25 compared to 2.7% in CY16. We expect SYS export revenue CAGR at 12% from CY26-30.
 - **2) Regional diversification to continue:** In CY24, 59/21/13/8% of the company's revenue was derived from Middle East, North America, Pakistan, Asia Pacific & Europe. SYS is expected to explore further regions for growth and expand on current portfolio.
 - **3) Gross Margins to remain higher:** In 9MCY25 SYS Gross Margins have improved to 26.7% compared to 23.4% in CY24. Going forward we expect margins at avg. 27%.
 - **4) Acquisition strategy for inorganic growth:** SYS has recently acquired Confiz Ltd, a firm with 700+ employees delivering solutions to Fortune 100 clients globally. This acquisition is expected to generate synergies for SYS by enhancing revenue by 5-6%.
 - **5) Valuation:** We have valued SYS using Discounted Cash Flows (FCFE) approach where we have used risk-free rate of 12.0% (10-Year PIB), risk premium 6%, and beta of 1.02. SYS is trading at CY26/27F PE of 13.5/10.6x compared to last 10-YR average PE of 14.40x. Company is also trading at a discount to Frontier and Emerging Market IT services companies which are trading at average of 25.2x (See Appendix A).

Cash flow based and historical valuations

Cash Flow Based Valuation (FCFE)

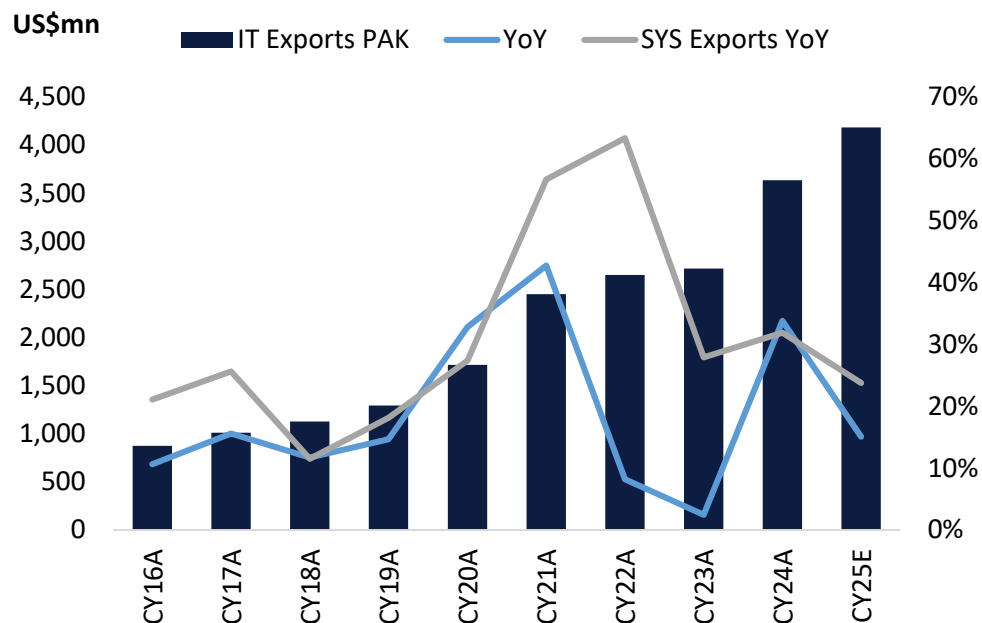
PKRmn	CY26F	CY27F	CY28F	CY29F	CY30F
Net Income	14,294	18,165	21,789	24,719	27,536
Add: Depreciation	1,928	2,136	2,438	2,667	2,907
▲ in Working Capital	(1,819)	(4,868)	(4,897)	(4,379)	(4,321)
Capital Expenditure	(2,473)	(2,559)	(2,734)	(2,830)	(2,930)
Add: Net Borrowing	1,131	646	643	503	480
Free Cash Flow to Equity	13,061	13,519	17,239	20,681	23,672
Discount Factor	0.0	1.0	2.0	3.0	4.0
Discounted FCFE	13,061	11,445	12,356	12,549	12,160
PV of Future Cash Flows	61,572				
PV of Terminal Value	189,580				
Equity Value	251,151				
Outstanding shares (mn)	1,473.40				
Value/Share (PKR)	170.46				

Source: Company Accounts, Growth Securities



Source: PSX, Company Accounts, Growth Securities

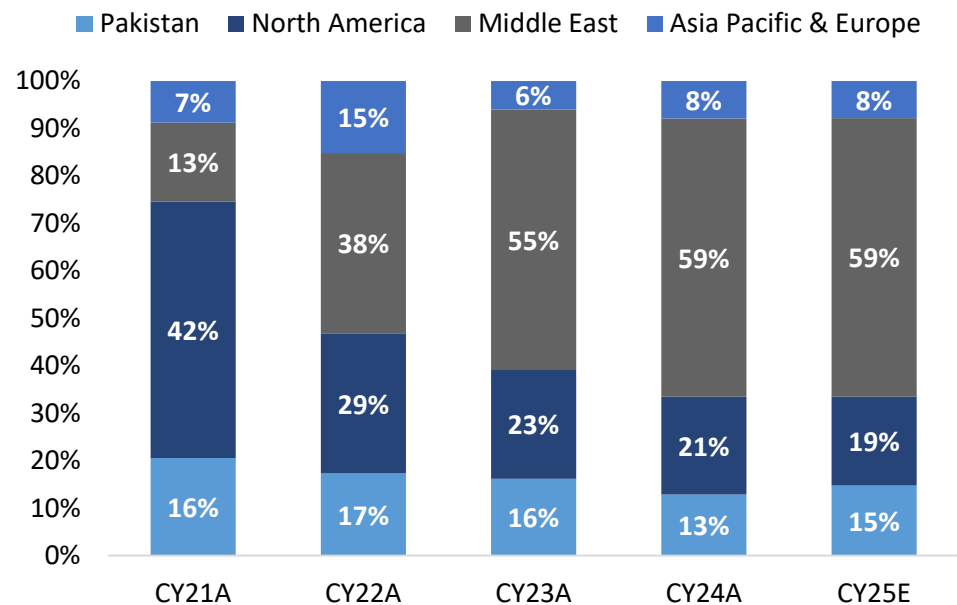
Outperforming the IT Sector of Pakistan



Source: SBP, Company Accounts, Growth Securities

- IT Exports of Pakistan have increased at a 5-YR and 10-YR CAGR of 20% and 19% respectively to reach US\$ 4,182mn. On YoY basis IT exports increased by 15% in CY25.
- This impressive growth in the Technology sector of Pakistan has been led by talented and cost effective IT resources of the country.
- On average IT resources of Pakistan are 15-40% cheaper than comparative regional countries such as India, Philippines, Thailand etc. This cost differential allows labor arbitrage for IT sector of the country.
- IT sector of Pakistan comprises an ecosystem of 600k+ IT professionals, which includes 300k+ freelancers. Universities of the country are producing 75k+ IT graduates annually. Country has the 3rd largest English speaking population globally which supports foreign client dealing. SECP has 26k+ registered IT/ITeS & Allied companies.
- SYS has historically outperformed the growing IT sector of Pakistan, with export sales increasing at a 5-YR and 10-YR CAGR of 40% and 30% respectively to reach US\$ 254mn by CY25E.
- Outperformance has been achieved by quality client engagement which has seen active clients reach 181 by 2QCY25 compared to 167 in CY24. Company also has a growing workforce of highly qualified employees which reached 7,967 by CY24 end.
- Consequently export share of SYS has increased to 6.1% in CY25E compared to 2.7% in CY16. Going forward we expect export revenue of the company to increase at a 5-YR CAGR of 12% to US\$ 441mn by CY30F.
- In PKR terms export revenue is expected to increase at a 5-YR CAGR of 17% to PKR 154.4bn by CY30.
- Overall revenue of the company is expected to increase at a 5-YR CAGR of 12% to US\$ 496mn by CY30. In PKR terms revenue is expected to increase at a 5-YR CAGR of 17% to PKR 173.7bn.

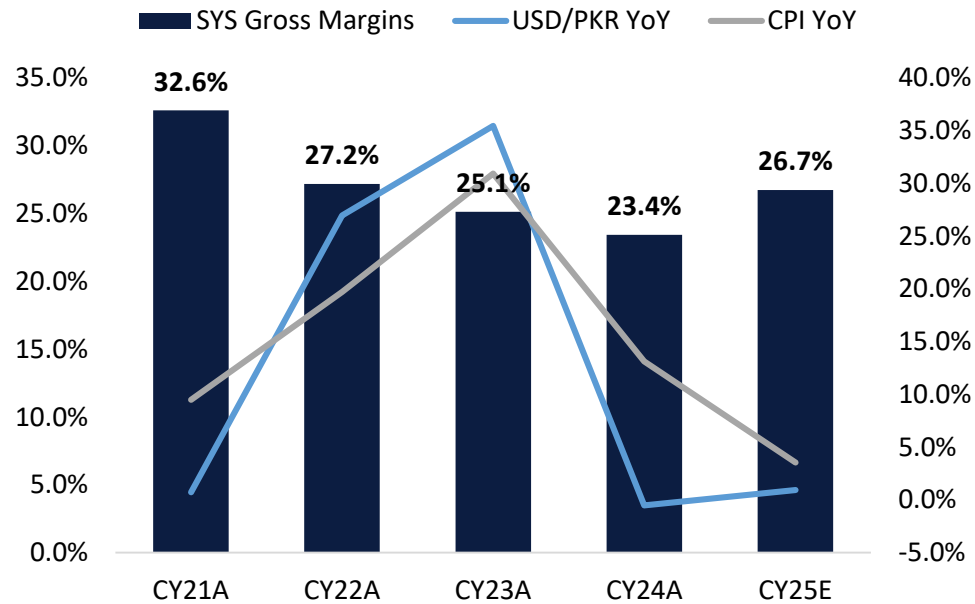
Diversification across geographies



Source: Company Accounts, Growth Securities

- Systems Limited through its various direct and indirect subsidiaries and associates operates in the regions of North America, Middle East & Africa, Asia Pacific, Europe, and Pakistan.
- In CY24, 59%, 21%, 13%, 4%, and 3% of the revenue was generated from Middle East, North America, Pakistan, Europe, and Asia Pacific.
- In 9MCY25, 58%, 20%, 15%, 5%, 4% of the revenue has been generated from Middle East, North America, Pakistan, Europe, and Asia Pacific.
- SYS operates internationally through various direct and indirect subsidiaries located in Qatar, Dubai, Bahrain, Kenya, Malaysia, Saudi Arabia, Egypt etc.
- Contracts are acquired globally and service is mostly delivered from resources based in Pakistan which account for ~83% of workforce.
- Middle East and Africa is the largest and fastest growing segment of the company. Region has delivered a 5-YR (CY21-CY25E) revenue CAGR of 138%. Contribution to overall revenue has increased from 13% in CY21 to 59% by CY25.
- IT spending in the Middle East and Africa region is approximated at US\$ 150-160bn by various entities such as Gartner and International Data Corporation. Middle East revenue is expected to increase to PKR 116bn (US\$ 332mn) by CY30.
- North America is currently the second largest region for the company. The segment is expected to grow at a 5-YR CAGR of 10% and reach PKR 24.2bn (US\$ 70mn) by CY30.
- Pakistan segment of the company comprises large blue-chip companies in the Telecom, Banking, Retail and Tech space. Growth is expected to be ~35% in CY25 but is expected to consolidate at a 5-YR CAGR of 10% and reach PKR 19.3bn by CY30.
- SYS entered the Asia Pacific region in CY22. Since then revenue has increased to PKR 2,300mn (US\$ 8.3mn) by CY24. Revenue from Asia Pacific region is expected to increase at a 5-YR CAGR of 20% to PKR 8.5bn (US\$ 24mn) by CY30.

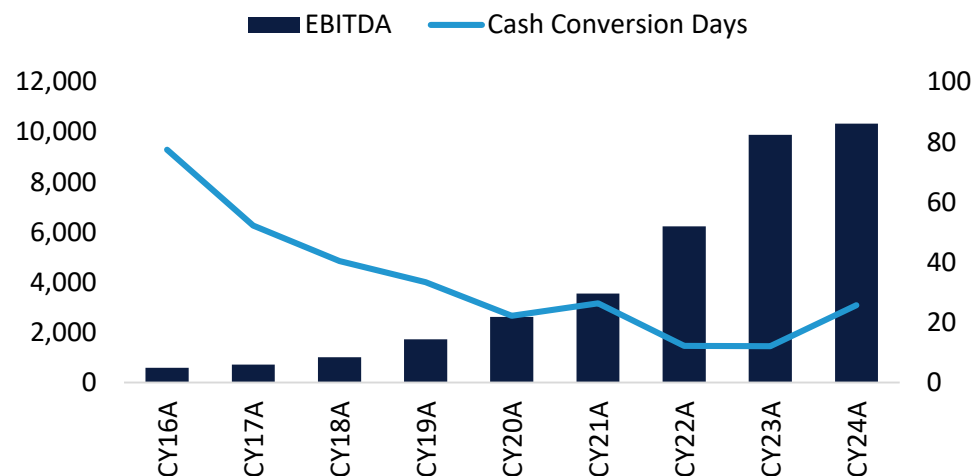
Improvement in Gross Margins



Source: SBP, PBS, Company Accounts, Growth Securities

- Gross Margins for company are expected to increase to 26.7% by CY25, compared to gross margins of 23.4% in CY24.
- SYS 5-YR and 10-YR average gross margins stand at 28.3% and 29.2% respectively.
- Going forward we have estimated gross margins to gradually improve to 27.6% by CY30 from 26-27% range currently.
- Gross margins have improved from CY24 levels due to lower inflation in Pakistan and renegotiation of contracts in Pakistan segment to account for higher employee costs.
- CY22 and CY23 were periods of high inflation in Pakistan with CPI averaging 19.7% and 30.9% respectively. CY23 was especially out of the norm with inflation reaching highest point of last 20-25 years.
- Therefore, SYS provided average annual appraisals in the region of 35-40% for the year CY24. Situation was exacerbated by PKR appreciation in the year which is negative for the company since over 90% of the revenue is generated in Foreign Currency.
- In CY24 and CY25 local Inflation has witnessed a slowdown. With CPI averaging 13.1% and 3.5% respectively. This means that company had to account for lower wage increase compared to CY24 in their budgeting.
- Since Salaries/Allowances account for 70-75% of Cost of Sales and 80-85% of workforce is based in Pakistan this scenario allows company to enhance margins.
- Another reason for margin improvement is Gross margins for Pakistan segment improving to average 11.3% in 9MCY25 from Gross Loss witnessed in CY24.
- SYS has gradually phased out or renegotiated its loss making contracts from the end of CY24 and start of CY25.
- Confiz acquisition is expected to contribute positively to margins of SYS from CY26. 5-YR average gross margins of Confiz stand at 35% compared to 28% of SYS.

Acquisition strategy for inorganic growth



Source: Company Accounts, Growth Securities

Confiz Limited Accounts

PKRmn	FY21A	FY22A	FY23A	FY24A	FY25A
Net sales	1,556	2,128	3,487	4,155	4,119
Gross profit	590	548	1,243	1,653	1,426
Operating profit	390	283	882	1,195	885
PBT	272	531	1,182	1,015	921
PAT	260	515	1,152	980	857
GPM	38%	26%	36%	40%	35%
OPM	25%	13%	25%	29%	21%
NPM	17%	24%	33%	24%	21%

Source: PSX, Growth Securities

- Systems Limited has recently acquired Confiz Limited through a Share Swap arrangement where Confiz has been merged into SYS effective from Jan 01, 2026.
- SYS will issue ~57.58mn shares having face value of PKR 2/share to Confiz shareholders on the basis of a swap ratio of approximately 0.9975 ordinary shares of SYS for every 1 share of Confiz, of face value of PKR 10/share.
- In 3QCY25, Confiz Net Revenue stood at PKR 1,092mn whereas SYS Revenue for the same period stood at PKR 20,680mn. This means that SYS revenue would have been enhanced by 5.3% in 3QCY25 if Confiz had been merged into the company at that time.
- Confiz gross margins in 3QCY25 stood at 33.6% compared to SYS margins of 29.7%. This transaction is positive for SYS since issuance of 57.58mn additional shares will increase ordinary shares by 3.9% whereas Confiz will add incremental revenue of 5-6%.
- Confiz is principally engaged in the development and implementation of computer software and rendering of support and other IT related services globally.
- The company specializes in Cloud, Data & AI, software development, staff augmentation, and Microsoft Power Platform, along with Microsoft Dynamics 365 ERP and CRM. Confiz has a workforce of 700+ providing services to Fortune 100 companies based in the industry verticals of Retail, FinTech, and Consumer Goods.
- Confiz offers similar services and operates in similar verticals as SYS existing business therefore this transaction will provide synergies achieved in previous deals such as Treehouse Consulting and Ndc Tech.
- With a favorable regulatory environment for IT acquisitions, improving cash conversion cycle and strong EBITDA generation, SYS will continue to explore mergers and acquisitions to achieve synergies and grow inorganically.

Financial Summary

Income Statement					
PKRmn	CY23A	CY24A	CY25E	CY26F	CY27F
Net sales	53,436	67,472	79,721	98,772	120,168
Cost of sales	40,008	51,659	41,995	72,302	87,670
Gross profit	13,426	15,813	21,324	26,470	32,498
Dist. Exp.	1,451	2,482	2,871	3,634	4,421
Admin Exp.	3,983	4,767	6,199	7,057	8,585
Operating profit	7,993	8,564	12,254	15,780	19,492
Finance cost	869	465	328	555	600
Other Income	3,194	725	939	1,498	2,198
Other Exp.	261	564	580	634	671
Assoc. Profit/-Loss	777	119	112	118	123
Profit before tax	9,279	8,142	12,173	15,971	20,296
Taxation	591	682	1,218	1,677	2,131
Profit After Tax	8,688	7,459	10,956	14,294	18,165
EPS (PKR)	5.9	5.1	7.4	9.7	12.3
DPS (PKR)	1.2	1.2	1.8	2.3	2.9

Source: Company Accounts, Growth Securities

Balance Sheet					
PKRmn	CY23A	CY24A	CY25E	CY26F	CY27F
Non-Current Assets	17,151	16,091	18,651	18,500	19,792
Current Assets	33,515	41,360	44,069	61,109	77,055
Total Assets	50,666	57,451	62,720	79,610	96,847
Equity	32,332	38,731	46,973	57,898	71,782
Non-Current Liabilities	2,966	2,303	2,325	2,383	2,502
Current Liabilities	15,369	16,417	13,422	19,328	22,563
Total Equity & Liabilities	50,666	57,451	62,720	79,610	96,847

Source: Company Accounts, Growth Securities

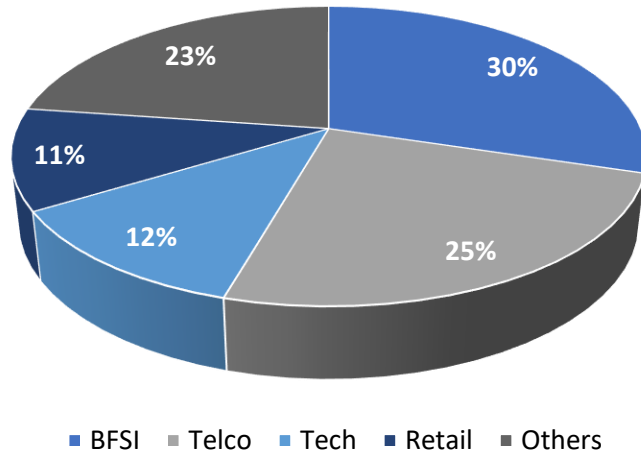
Appendix A: Relative Valuations

IT Services Firms Regional Peer Valuation*							
Company	Country	Gross Margins	Net Margins	P/E	P/S	EPS Growth	Sales Growth
Systems Limited	Pakistan	26%	13%	19.3	2.5	42%	18%
FPT Corp	Vietnam	37%	13%	14.1	1.9	15%	7%
Petrolimex IT	Vietnam	36%	9%	6.3	0.6	16%	10%
Genex Infosys	Bangladesh	45%	15%	10.7	1.7	-2%	-14%
IT Consultants	Bangladesh	49%	28%	10.8	3.0	-5%	5%
Dagang Nexchange	Malaysia	14%	NM	NM	0.8	NM	-5%
MY EG Services	Malaysia	79%	66%	6.7	4.5	35%	40%
PT WIR Asia	Indonesia	12%	3%	9.7	0.3	15%	3%
Indointernet Tbk.	Indonesia	45%	16%	70.4	11.5	-47%	-21%
Synnex	Thailand	4%	2%	10.5	0.2	31%	21%
Sabuy Tech	Thailand	34%	NM	NM	0.2	NM	-57%
Advantech	Taiwan	40%	15%	30.7	4.6	21%	22%
Systex Corp.	Taiwan	22%	5%	14.1	0.7	14%	17%
Dear U	Korea	NM	18%	66.0	11.7	-48%	1%
Ahnlab Inc	Korea	NM	18%	12.6	2.3	36%	3%
Tata Consultancy	India	40%	18%	17.2	3.2	-6%	-1%
Infosys Limited	India	29%	16%	17.0	2.8	-3%	4%
Shenzhen Farben	China	19%	2%	78.4	1.7	-23%	13%
Insigma Tech	China	18%	1%	NM	2.9	NM	-1%
Vantage Equities	Philippines	76%	21%	27.6	5.7	-76%	-44%
Average		33%	16%	25.2	3.2	-2%	0%

Source: Yahoo Finance, Investing.com *IT services from MSCI Asian Frontier and Emerging Markets, latest last twelve month nos. taken

Appendix B: Company Intro

Industry Wise Revenue



Source: Company Accounts, Growth Securities

SYS Technology Partners



- Systems Limited (SYS) is a global systems integrator specializing in AI-driven transformation, consulting services across AI, data, digital, cloud.
- SYS has a global footprint across 16+ countries through subsidiaries, associates and offices in Middle East & Africa, Saudi Arabia, UAE, Qatar and Asia Pacific.
- Company in CY24 generated 59%, 21%, 13%, 4%, and 3% of its revenue from Middle East & Africa, North America, Pakistan, Europe and Asia Pacific.
- In terms of industry verticals company mainly offers services to clients from Telecom, Banking and Financial Services, Public Sector, Health, Retail and Industry.
- SYS generates 30%, 25%, 12%, 11%, and 23% of its revenue from BFSI, Telecom, Technology, Retail and Others.
- Company has 7,500+ employees with 83.4%, 11.2%, 2.5%, 1.6%, 1.1%, and 0.2% based in Pakistan, UAE, Egypt, Qatar, Saudi Arabia and Asia Pacific.
- SYS has earned many global accolades including Asia Money Most Outstanding Company, Forbes Asia Best Under a Billion, and being among top global partners of Microsoft. Besides Microsoft, company has technology partnerships with brands such as IBM, Amazon Web Services, salesforce, SAP, temenos, and Red Hat etc.
- Company generates 93% of its revenue in Foreign Currency and rest in PKR. Cost break up of the company is 42% in Foreign Currency and 58% in PKR.
- As of 1HCY26, company had 181 active clients. Majority of clients generate revenue between US\$ 0.5mn to US\$ 5.0mn annually. 9 clients generate US\$ 5.0-10.0mn and 1 client each generates between US\$ 10.0-25.0mn and above US\$ 25.0mn.
- For future growth priorities of the company lie in AI and Generative AI revolution, Upskilling talent, Mergers and Acquisitions, Consolidating current geographies and working on new service offerings.

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Rating System and Valuation Methods

‘Buy’ – Total stock return > 15%

‘Hold’ – Total stock return > 0% and < 15%

‘Sell’ – Total stock return < 0%

Growth Securities (Pvt.) Limited uses different valuation methods such as 1) Discounted Cash Flow, 2) Relative Valuation (PE, PB, PS etc.), 3) Asset Based Valuation etc.

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