

systems

INVESTOR'S BRIEFING FY 2023

Dated: 28th March 2024

www.systemsltd.com



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At a glance

Systems Limited is a leading global digital transformation IT consulting and services provider, boasting **a global team of over 7000 innovative minds**. We pioneer the creation of cutting-edge enterprise solutions, shaping our clients' digital footprint for enduring growth and profitability. Our ardor lies in tailoring scalable, efficient products and services to surmount customer challenges. Our people stand as both our pledge and strategy for steering worldwide digital engagement. As tech service experts, we foster open idea exchange, fueling our advancement and proficiency through strategic investments in our team.



Specialization



Digital



Data & AI



Cloud

Industry Focus



Telco



BFSI



Retail & CPG



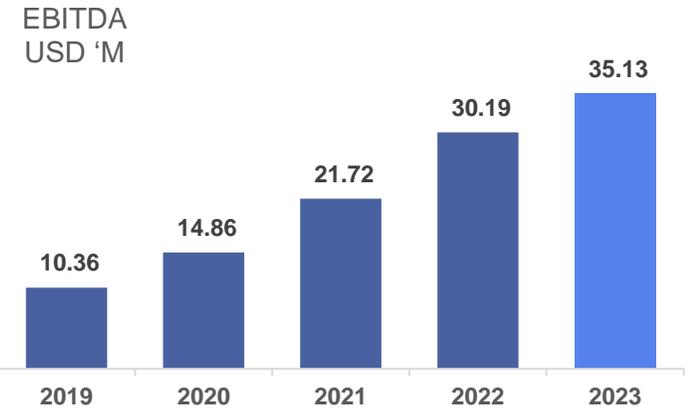
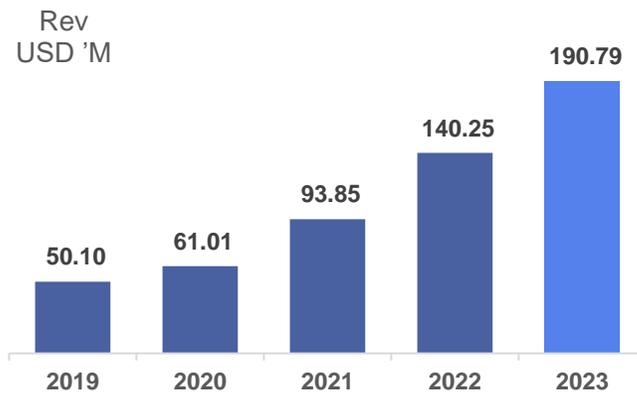
Pharma



Government

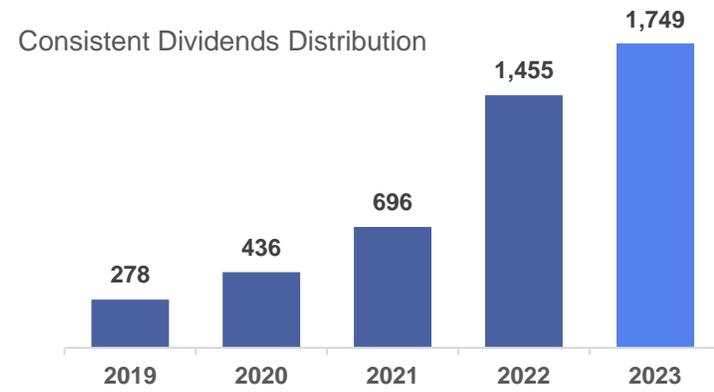
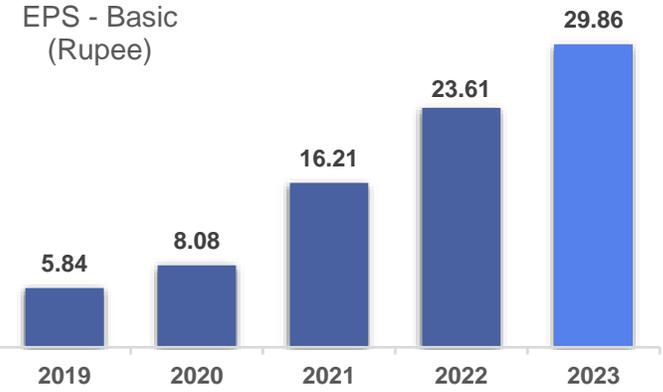
Key Stats & Market Overview

Fact Sheet

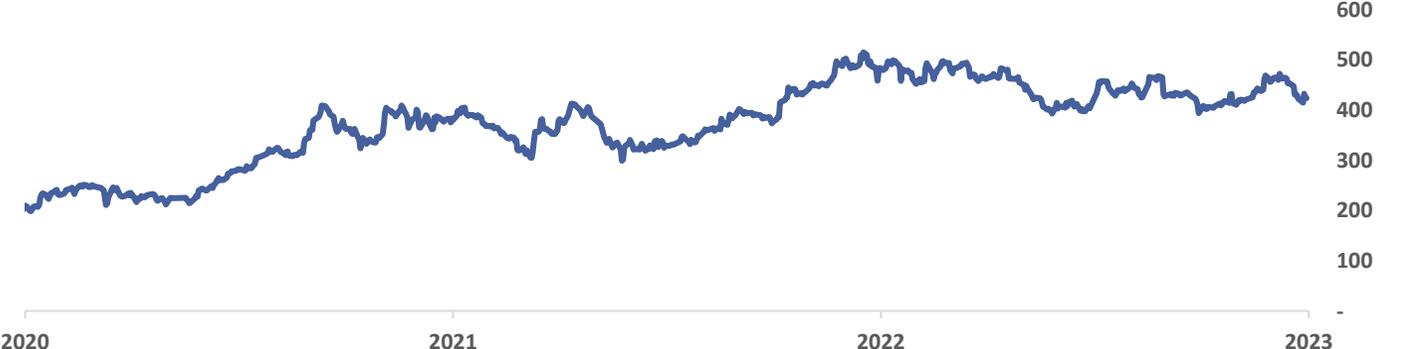


*One off trading transaction (CLOS) has been excluded in 2022

*EBITDA Adjusted for one-off impairment loss in 2023



Share Price (Normalized for Bonus Issue Impact)



Awards & Recognitions



temenos

MEA Delivery partner of the year



ASIAMONEY

Technology Partners



temenos



\$440 M+

Market Capitalization

7000+

Employees Globally

47+

Years in Business

235+

Global Active Clients

Investment Highlights / Value Propositions

Digital, data & AI, & cloud



We elevate possibilities and unlock new growth horizons through innovation, digital, data, AI, and cloud capabilities.

Emerging technologies



We amplify human possibilities through generative AI and deliver business and technical solutions leveraging Metaverse, AI/ML, AR/VR, etc.

Growth



Our innovative solutions and strategic prowess propel you towards unparalleled success, ensuring both rapid financial ascent and commanding market leadership.

Global presence



Leveraging our core engineering strength to accelerate digital transformation and empower enterprises, we operate in 16+ countries.

Domain expertise



We possess a formidable array of accelerators and business solutions meticulously designed to harness the full potential of our core engineering.

Recurring revenue



Through our unwavering commitment to delivering value, we have cultivated enduring relationships with our customers.

Employee ownership



At the heart of our success is a solid foundation of employee ownership as our employees are vested stakeholders, driving our collective vision with unparalleled dedication.

Insight-driven



We are insights-driven, user-centric, systematically tested, and have a financially impactful delivery model that delivers projects with immediate, substantial, and sustainable impact on customers' bottom line.

Consulting

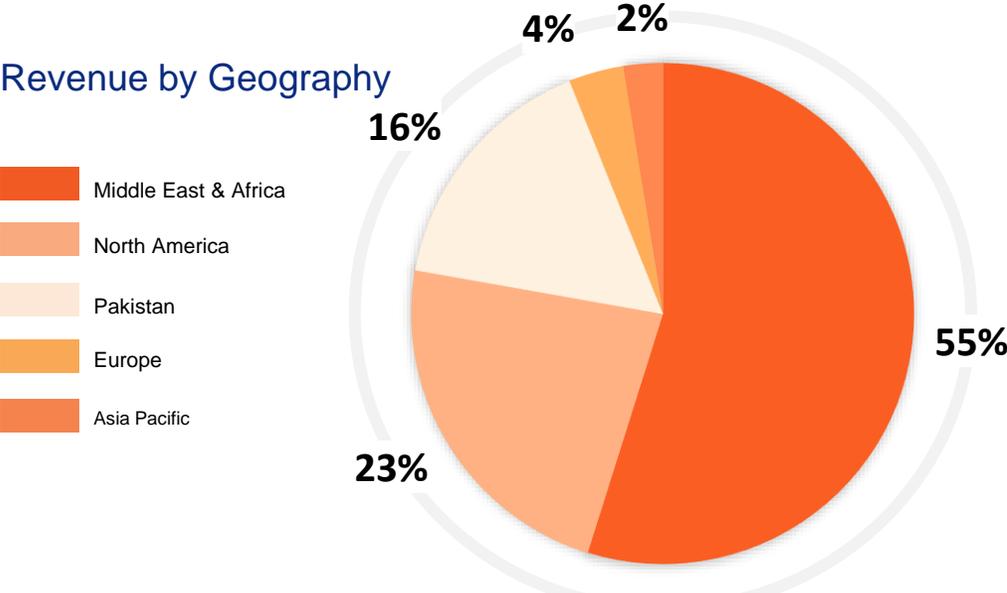


With a keen eye on market dynamics and a wealth of strategic insights, our consultants guide you towards greater levels of achievement, ensuring your business thrives in today's dynamic landscape.

Global Delivery Model

Our talent pool is characterized by its **global diversity** and **inclusivity**.

We take great pride in our workforce, recognizing them as our greatest asset. This fuels our commitment to nurturing a collective of highly educated IT professionals that is not only diverse and inclusive but also continually expanding.



MEA	KSA	APAC	PK
UAE	Saudi Arabia	Australia	Lahore
Egypt	Bahrain	Singapore	Karachi
Qatar		Malaysia	Islamabad
South Africa			Faisalabad
Kenya			Multan
Bahrain			

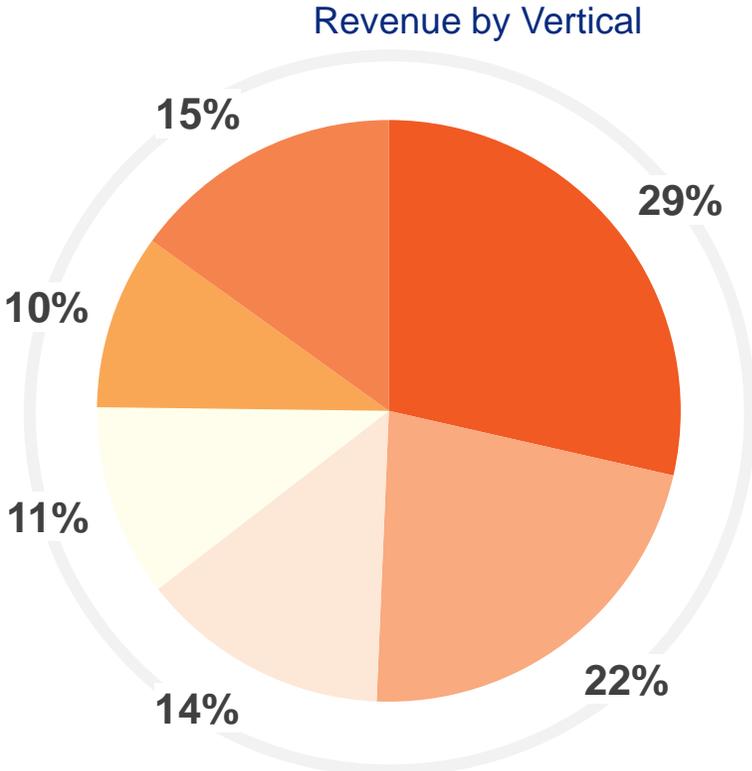
Total PS Headcount Dispersion (%)

	2019	2020	2021	2022	2023
Pakistan	95.00	93.02	93.12	90.36	86.28
Qatar	-	0.41	0.43	1.07	1.40
UAE	5.00	6.56	6.45	7.69	9.82
Egypt	-	-	-	0.55	2.13
Saudi Arabia	-	-	-	0.30	0.34
APAC	-	-	-	0.03	0.04

Target Market & Customers

We have a strong customer base in most of the industry verticals which not only minimizes our concentration risk but also gives us the competitive advantage by developing resources with cross industry knowledge.

Vertical	Customer Split *
BFSI	63
Retail & CPG	44
Technology	35
Public Sector	27
Health Care/Pharma	13
Manufacturing	12
Telco	10
Others	32



* Count based on customers with revenue >\$100K

Market Opportunity

The Cyber-Human Fusion

46% of organizations are planning to invest in human-computer interfaces (HCIs) in the next two years to facilitate seamless human-machine interaction, another crucial element of cyber-human fusion.

Source: International Data Corporation

Generative AI will take over

By 2025, the global market for generative AI is expected to reach \$26.8 billion, driven by its capabilities in content creation, personalized experiences, and automation

Source: McKinsey & Company

A new age of programming

By 2026, the no-code/low-code development market is forecast to reach \$45 billion, empowering developers and non-technical professionals to build AI-powered applications without extensive coding.

Source: Gartner

Sustainable tech is here to stay

They estimate that the global market for green data centers will reach \$64.1 billion by 2028, growing at a CAGR of 13.4%.

Source: Deloitte

The rise of AI

Impact

- 

Transition from growth to scalability
- 

Unit-level productivity enhancing overall organizational performance
- 

Reduced contextual dependence fuels innovation
- 

Increased efficiency and reduced cost

Emerging tech bring novel challenges

- 

Algorithm-driven enterprises require greater transparency and ethics
- 

Customers, inspired by GDPR, now want insight into how systems make decisions, driving the growth of Explainable AI (XAI) for transparency and bias mitigation



GenAI in action: Systems Limited's use cases



Financial Institutions

AI Use Case and Regulation Mapper

Using Gen AI, AML regulations can be mapped with the available data thus proactively highlighting red flags and providing resolutions.

Customer Service Agent

Customer interaction agent for general queries about services and products but also able to Xsell and upsell the banking products. Gen AI agents also can route human interaction to the most suitable representative for the customer to resolve problems or close the deal.

Customer Persona and Intelligent PFM

Using GEN AI to create customer persona and deliver relevant suggestions and offers to personal finance manager.



Telecom

Generate a Business model canvas and a new strategy to diversify the revenue lines and data monetization

Using Gen AI with considerations like region, competition, and other factors Gen AI can generate a Business model canvas for the company including approaches, requirements, revenue lines, and pricing strategies. This can be achieved by accumulating best practices globally with mapping of the local environment.

Customer Service Agent

Customer interaction agent for general queries about services and products but also able to Xsell and upsell the Telco products. Gen AI agents also can route human interaction to the most suitable representative for the customer to resolve problems or close the deal.

Financial Inclusion

In the case of financial inclusion, Gen AI can map regulator requirements and identify potential gaps between actual practice and regulations.



FMCGs

Smart Product Positioning Maps

Gen AI converts online data to actionable insights that ensure the products stand out in comparison to its competitors

Personalized Recommendations for consumers

GenAI can help provide customized suggestions for consumers according to their unique needs.

How do we differentiate ourselves



Employer of choice

We attract and have access to the best and most diversified top talent.



Optimally scaled and skilled

We provide a personalized and laser-focus approach to our customers, regardless of their scale.



Employee ownership

Our values are shaped by our employees, and they help create a unique culture and a successful business approach, resulting in continued digital excellence.



Customer longevity

Most of our clients have been with us for decades, and this highly reflects our quality and timely delivery, and exceptional customer engagement.

recurring revenue from existing customers

93%

Top 5

of our customers have been with us for over 5 years

Pillars of our strategic plan

Skills and service offerings

Strong focus on building AI competency by building and developing a resource pool. The Company is also developing AI offerings for the BFS, Telco and Retail/CPG verticals.

Verticalization and Business Development

The Company has divided business development and delivery in 3 key verticals

BFS	Merging all core and non-core banking services under one-roof. Focusing to capitalize on the existing customer base by cross selling and upselling
Telco	<ul style="list-style-type: none"> - Increased focus on Digital Business Solution Services (BSS) - Market specific solutions and frameworks
Growth	All other services under 3 rd vertical serving public sector, pharma, retail , healthcare etc

Geographies & Inorganic Growth

Over the past couple of years, the Company has made significant investment in expanding into new markets and geographies. The Company is now working on maximizing the return on those investments.

Creating management structures that enable us to grow and perpetuate through Mergers & Acquisitions

Investment Priorities

Continued Profit Improvement, Healthy Cash Flow

- Strong cash flow generation allows attractive dividend payout, and flexibility for investment opportunities.
- Systems Limited has a history of investing its cash flow for the future growth. The current healthy cash flow position provides the company with an opportunity to re-imagine and re-think everything to touch new heights.
- The Company is also focusing on inorganic growth through acquisition with the focus of increasing export revenue. Evaluating businesses aligned with strategy, structure and culture of the company



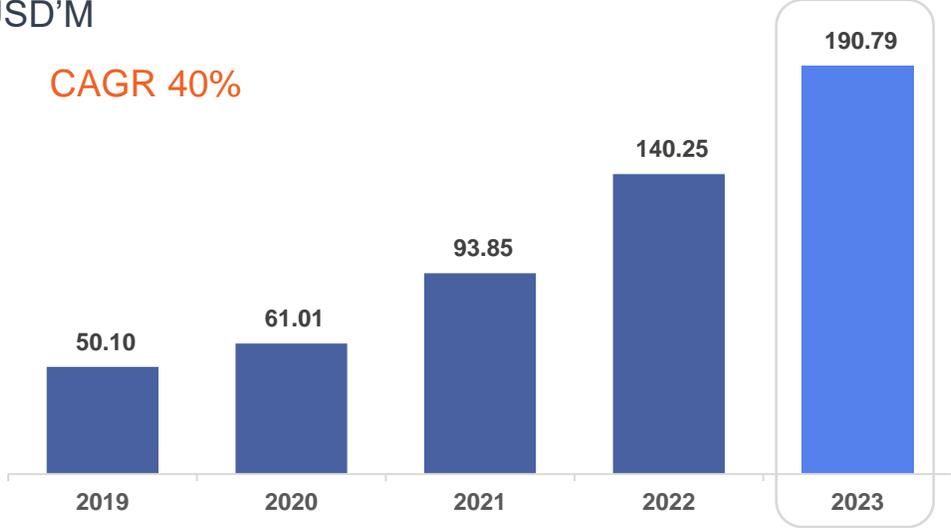
- **Investment in talent**
- **Diversification of talent pool among different locations**
- **Mergers & Acquisitions**
- **Strengthening current geographies**
- **New service offerings**

Financial Performance Overview

Strong Performance – FY2023

Revenue
USD'M

CAGR 40%



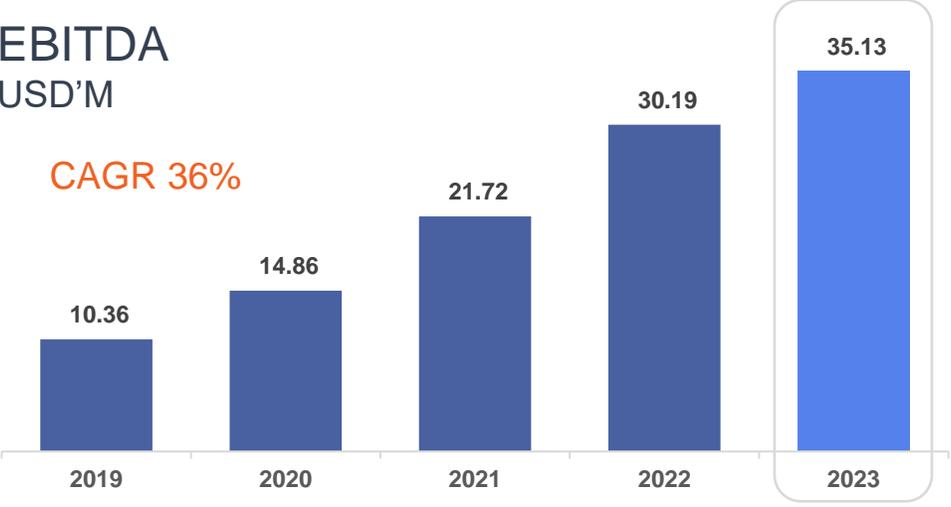
Operating Profit
USD'M

CAGR 34%



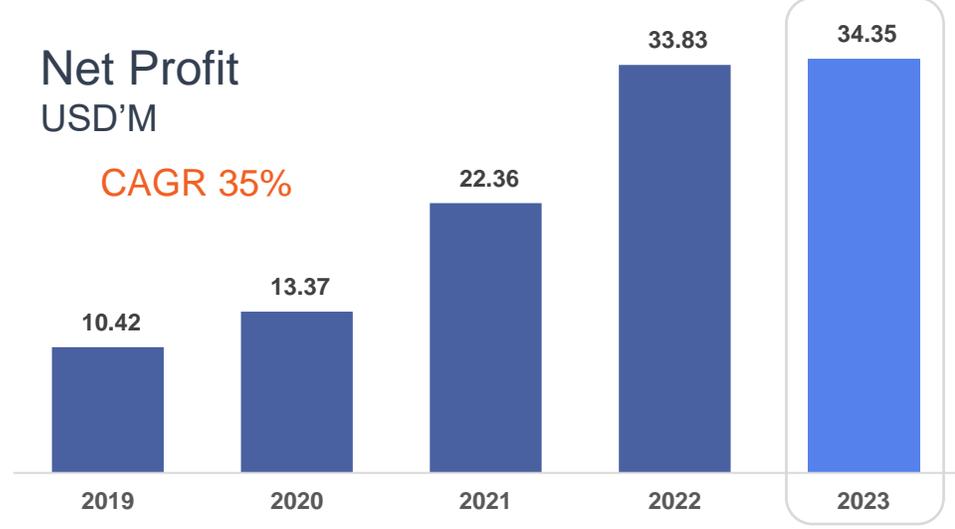
EBITDA
USD'M

CAGR 36%



Net Profit
USD'M

CAGR 35%



*One off trading transaction (CLOS) has been excluded in '2022.
 ** FY 2023 OP, NP & EBITDA are adjusted for one off impairment and share of loss from associate.

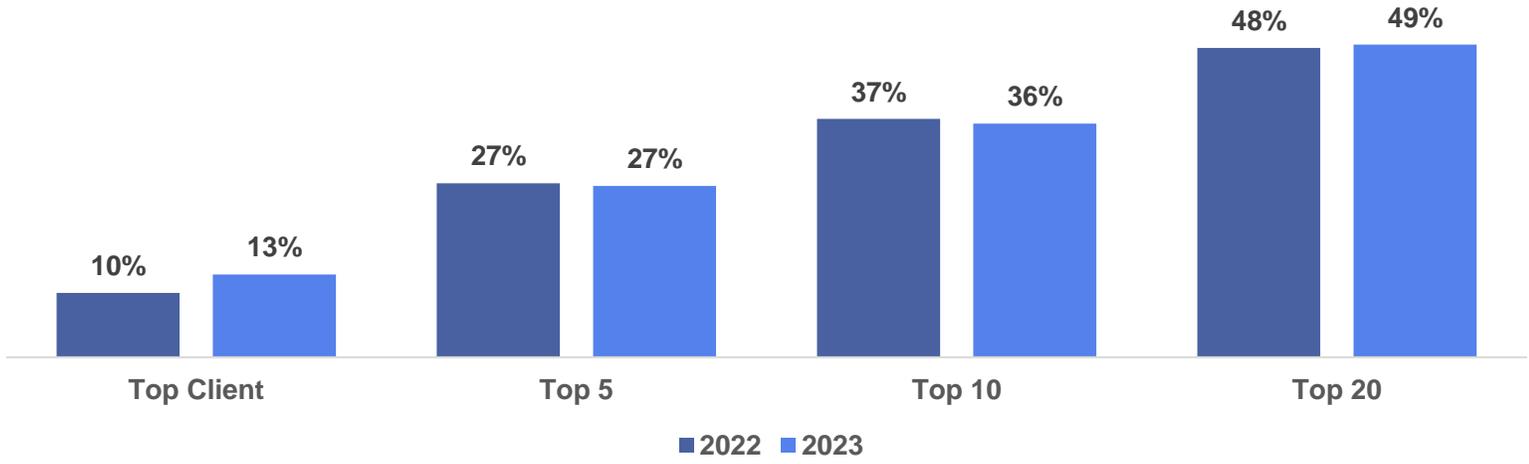
Benchmark Analysis

	Globant	FPT	EPAM	Infosys	TCS	Systems Ltd FY 2023
REV (USD 'M)	\$ 1,780.2	\$ 1,804.4	\$ 4,824.7	\$ 18,673.1	\$ 25,707.0	\$ 190.79
YOY growth %	37.3%	23.4%	28.4%	11.7%	17.6%	23.2%
GP Margin	37.6%	17.1%	31.9%	30.3%	40.2%	26.2%
OP Margin*	11.6%	15.4%	11.9%	21.1%	25.3%	15.4%
SG&A %	25.6%	23.0%	18.1%	9.2%	13.4%	10.3%
NP Margin*	8.4%	12.0%	8.7%	16.4%	20.0%	18.2%
No. of Employees	27,122	27,000	59,300	343,234	614,795	7,000+
PE Ratio	62.37	22.26	34.92	27.80	33.04	14.18
Trading Multiple based on Revenue	4.55	2.22	3.20	4.48	5.81	~ 2-2.5

* Normalized for one-off impairment losses

Client Composition

Client Contribution to Revenue



Active Clients*



*Revenue above \$100k

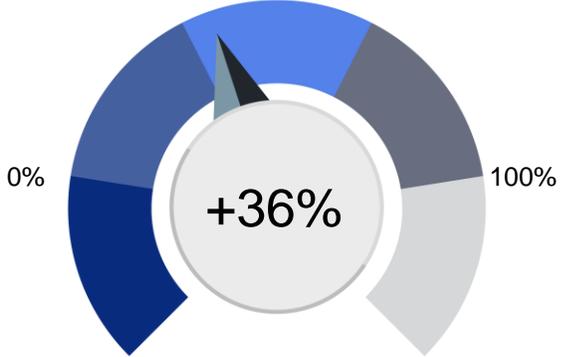
Client Metrics

	2022	2023
\$10m+ clients	1	1
\$5-10m clients	3	3
\$1-5m clients	19	34
\$0.5-1m clients	34	43

Strong 2023 Performance

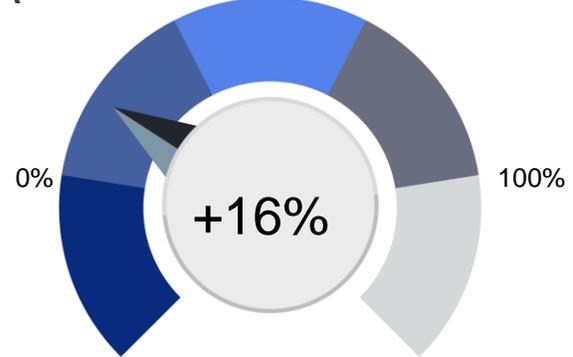
Revenue

FY '23 vs FY '22 Growth (USD)



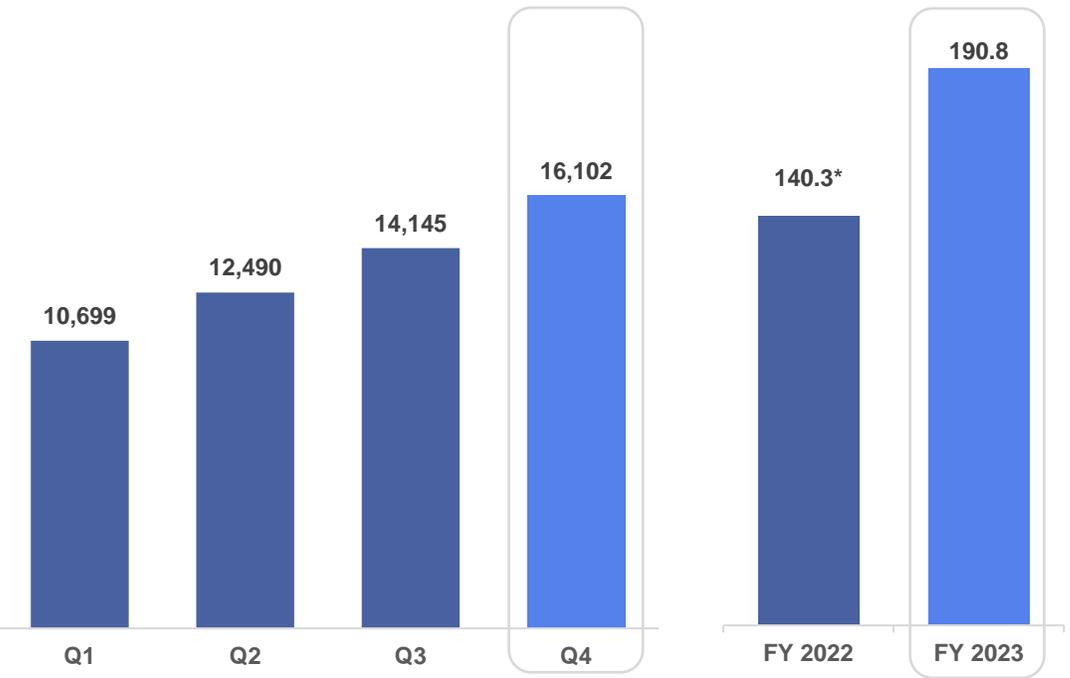
EBITDA

FY '23 vs FY '22 Growth (USD)



PKR 'M

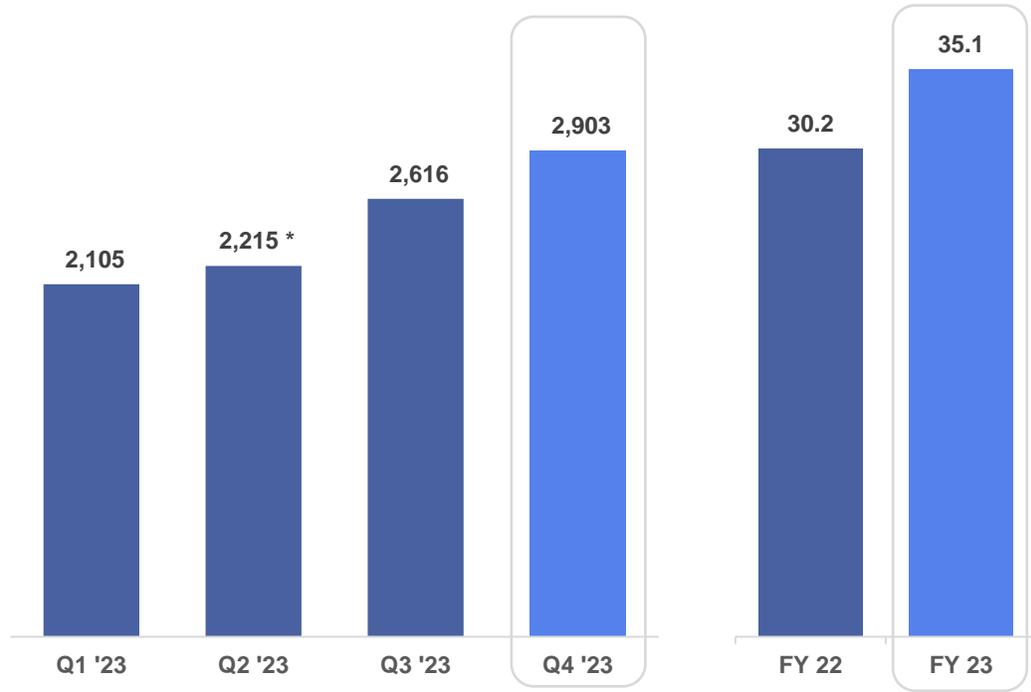
USD 'M



Avg USD rate

PKR 'M

USD 'M



*One off trading transaction (CLOS) has been excluded in FY'22.

*One off Impairment loss against Jomo has been excluded in Q2' 23

Commentary on Key Variances - Profit & Loss Statement FY 2023 (PKR 'M)

	For the Period Ended			
	Dec '31 2023	Dec '31 2022	Variance	Var. %
Revenue	53,435	31,760	21,676 ●	68%
Cost of Sale	(39,779)	(23,124)	(16,655) ●	72%
Gross Profit	13,657	8,636	5,020.4 ●	58%
GP Margin	26%	27%	-2% ●	-2%
Distribution expenses	(1,570)	(741)	(829) ●	112%
Admin. expenses	(3,983)	(2,484)	(1,499) ●	60%
Other operating expenses	(372)	(49)	(323) ●	660%
Total Operating Expenses	(5,924)	(3,273)	(2,651) ●	81%
Operating profit	7,733	5,363	2,370 ●	44%
OP Margin	14%	17%	-2% ●	-2%
Other income	3,194	2,230	964 ●	43%
Share of loss from associate	(48)	(324)	276 ●	-85%
Impairment loss on investment in associates	(729)	-	(729)	
Finance costs	(869)	(288)	(581) ●	202%
Profit before taxation	9,280	6,981	2,298 ●	33%
Taxation	(591)	(352)	(239) ●	68%
Profit after taxation	8,689	6,630	2,059 ●	31%
NP Margin	16%	21%	-5% ●	-5%

Commentary on Variance

Lower GP margin:

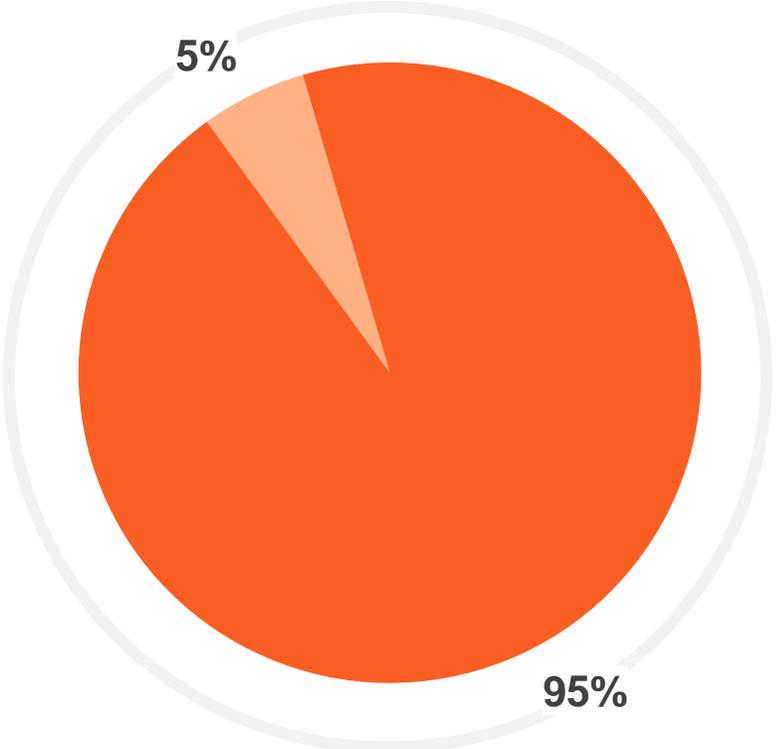
- Higher costs due to
 - inflationary adjustments in compensations.
 - Increased energy prices adversely impacted local & foreign traveling and company overheads costs.
 - Currency devaluation impacting onsite resource costs and licenses & subscriptions which are paid in USD (Average rate for 2023 **Rs 280/\$** vs **Rs 205/\$** in 2022.
 - High amortization cost (\$0.25m/month) of intellectual property (CMB) purchased by NDC during Q4 of 2022, full cost in 2023
 - WHT on payments from subsidiaries (foreign remittance) classified as COS.
 - Net addition in IT resources = ~ 1251 resources since 2022

OP margins:

- Additional cost of newly incorporated subsidiaries and NDC – Higher admin and marketing cost due to upfront investment in infrastructure and business development, will be rationalized with economies of scale
- One-off impairment adjustment of investment in JOMO
- Higher IFRS9 adjustment on receivables with current macro-economic conditions and future inflation projections from IMF
- Out of total other income, Rs 2.3bn (71%) is exchange gain. The remaining is coming from one off gain from Jugnu and disposal of assets.
- Share of loss coming from Jugnu has already offset investment. EP Systems will continue.
- One- off Impairment loss on investment in associate, adjusting the notional gain recorded in 2021.
- Significant increase in KIBOR/SBP policy rate resulted in higher finance cost.
- Super tax, higher WHT, tax on export revenue coupled with addition of corporate tax in KSA.

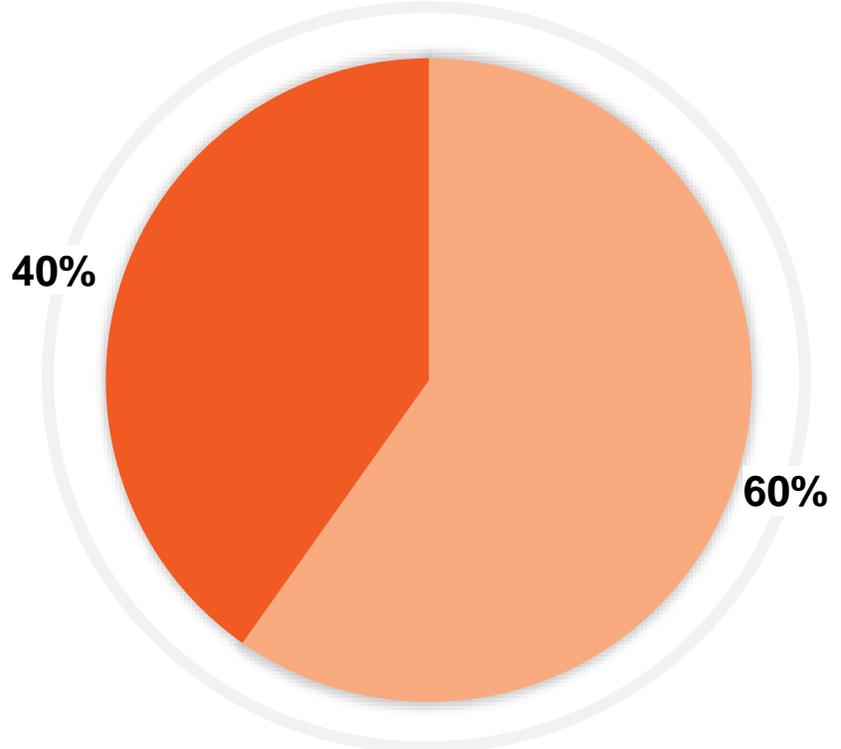
Currency Mix – 2023

By Revenue



FCY PKR

By Cost



FCY PKR

Environment, Social & Governance (ESG)



ESG Overview

Be Kind with the Environment

Key Indicators:

- Reduced electricity costs by moving data centres to cloud
- Controlled e-waste by donating laptops and computers
- Policy to reduce printing and use digital media as much as possible
- Raising employee awareness to control water wastage and electricity

Governance

Key Indicators:

- Independent Board & its committees promoting GRC
- Responsible tax practices
- Code of Conduct/ Business Ethics
- Related party transactions
- Cybersecurity and Data privacy

Be Kind to Employees

Key Indicators:

- Creating decent work space and sustainable income for 7,000+ employees
- Work from home policy to provide flexibility
- Spending huge amount on trainings & certifications
- Wellness programs and HSE awareness

Ensure Sustainable Financial Growth

Key Indicators:

- 68% increase in revenue
- 47% increase in operating profit
- 26% increase in EPS
- 29% Return on Equity
- Consistent dividend payout ratio
- Continuous development in products and services

Giving Back to the Society

Key Indicators:

- Initiated IT Mustakbil Program
- Setup schools for underprivileged children
- Donations to Hospitals
- Donation of laptops and computers to schools and universities
- Created Dost fund to provide financial support in case of any emergency

Q&A



The background features a low-angle shot of several modern glass skyscrapers reaching towards a blue sky with light clouds. A large, solid orange diagonal stripe runs from the top left towards the center. A white geometric shape, resembling a large triangle or a stylized 'A', is overlaid on the right side of the image, with its vertices pointing towards the top and bottom right corners.

Thankyou

systems

Get in touch

www.systemsltd.com