

systems

INVESTOR'S BRIEFING 9M 2024

Dated: 25th October 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

Strong QoQ Performance

| PKR (Millions) | | | | | | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|------------|-------------|------------|
| Description | | Q2-24 | Q3-24 | Q3-23 | Variance | | | |
| | | Actual | Actual | Actual | Vs. Q2 - 2024 | | Vs. SPLY | |
| | | | | | Amount | %age | Amount | %age |
| Revenue | | 15,829 | 17,286 | 14,145 | 1,457 | 9% | 3,142 | 22% |
| Cost of sales | | 12,230 | 12,907 | 10,149 | 677 | 6% | 2,758 | 27% |
| Gross Profit | Amount | 3,599 | 4,379 | 3,995 | 781 | 22% | 384 | 10% |
| | %age | 23% | 25% | 28% | | | | |
| Operating Profit | Amount | 1,874 | 2,360 | 2,108 | 485 | 26% | 252 | 12% |
| | %age | 12% | 14% | 15% | | | | |
| Other Income | | 171 | 186 | 179 | 15 | 9% | 7 | 4% |
| Share of loss from associate | | 18 | 18 | 61 | 0 | 0% | -43 | -70% |
| EBITDA | Amount | 2,323 | 2,728 | 2,616 | 404 | 17% | 112 | 4% |
| | %age | 13% | 16% | 18% | | | | |
| Profit before tax | Amount | 1,889 | 2,430 | 1,980 | 542 | 29% | 450 | 23% |
| | %age | 12% | 14% | 14% | | | | |
| Profit after tax | Amount | 1,672 | 2,189 | 1,853 | 516 | 31% | 336 | 18% |
| | %age | 11% | 13% | 13% | | | | |
| EPS | | 5.73 | 7.49 | 6.36 | 1.76 | 31% | 1.13 | 18% |
| US\$ (Millions) | | | | | | | | |
| Description | | Q2-24 | Q3-24 | Q3-23 | Variance | | | |
| | | Actual | Actual | Actual | Vs. Q2 - 2024 | | Vs. SPLY | |
| | | | | | Amount | %age | Amount | %age |
| Revenue | | 56.9 | 62.1 | 48.6 | 5.2 | 9% | 13.5 | 28% |
| Cost of Revenue | | 44.0 | 46.4 | 34.9 | 2.4 | 5% | 11.5 | 33% |
| Gross Profit | | 12.9 | 15.7 | 13.7 | 2.8 | 22% | 2.0 | 15% |
| Operating Profit | | 6.7 | 8.5 | 7.2 | 1.7 | 26% | 1.2 | 17% |
| EBITDA | | 8.4 | 9.8 | 9.0 | 1.4 | 17% | 0.8 | 9% |
| Profit before tax | | 6.8 | 8.7 | 6.8 | 1.9 | 29% | 1.9 | 28% |
| Profit after tax | | 6.0 | 7.9 | 6.4 | 1.8 | 31% | 1.5 | 23% |
| \$ Rate (Avg.) | | 278.03 | 278.31 | 290.96 | | | | |

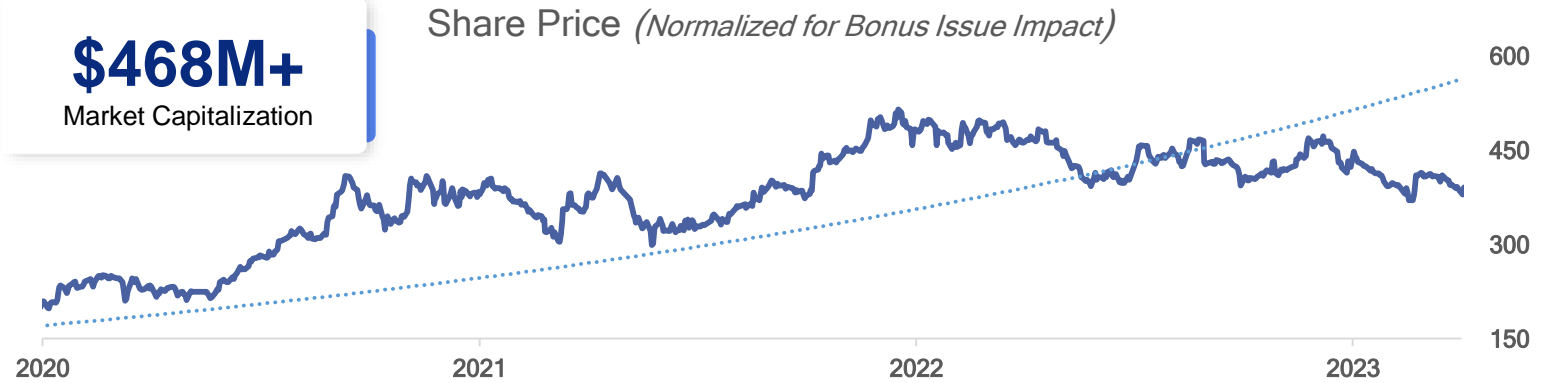
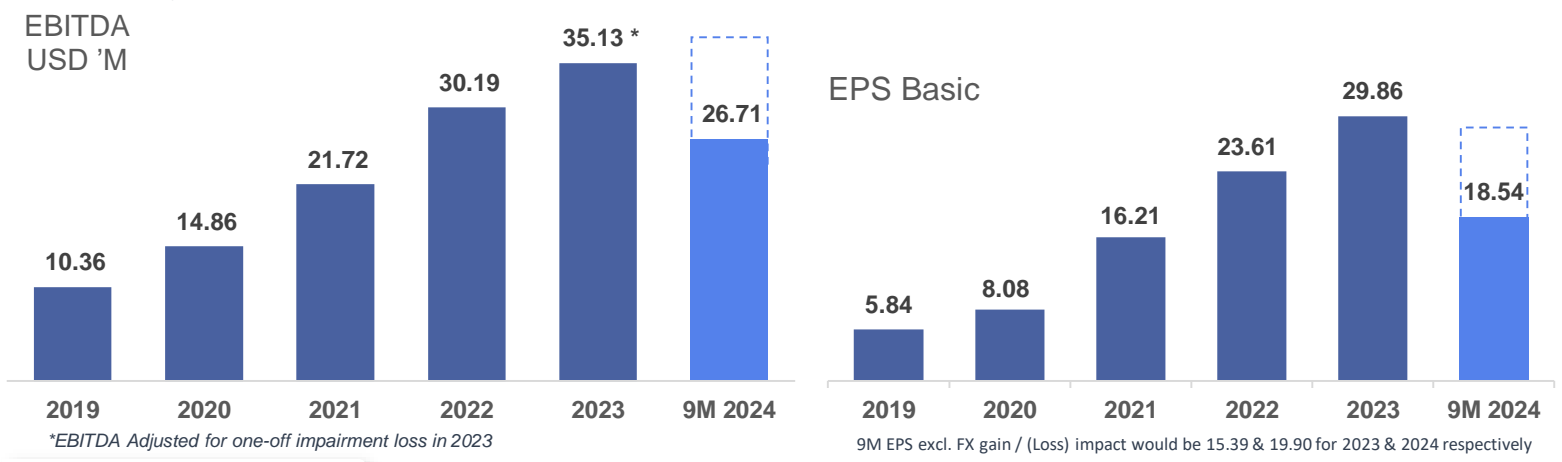
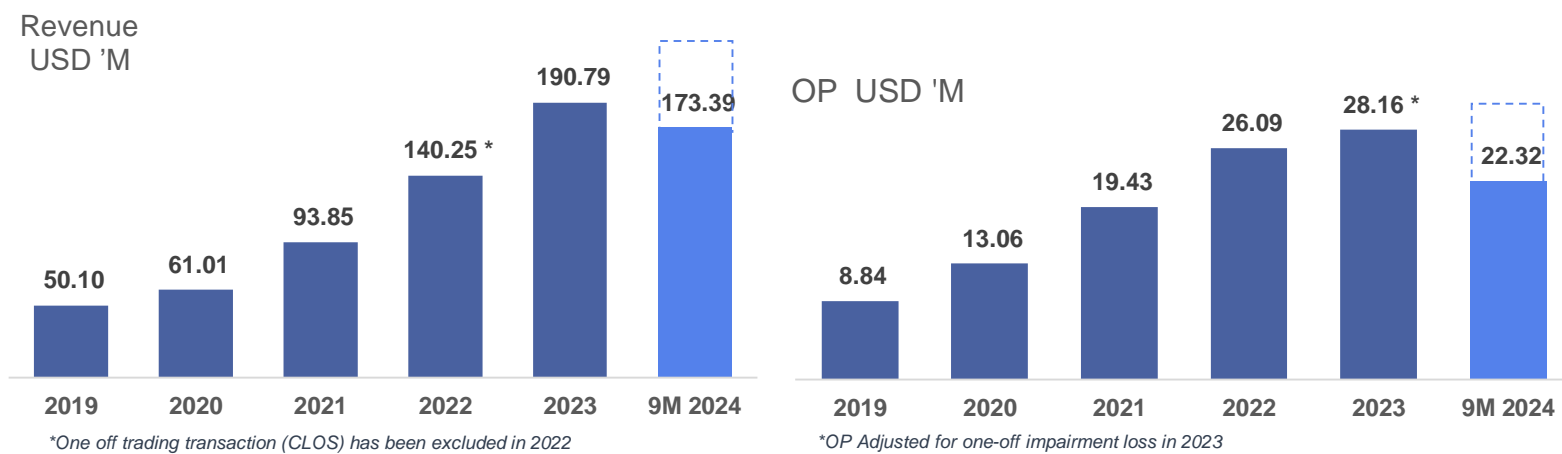
Quarter 3 Performance (at Constant Rate)

| Description | | PKR (Millions) | | |
|------------------------------|---------------|----------------|------------------|---------------|
| | | Q3-23 | Q3-24 | Q3-24 |
| | | Actual | At constant rate | Actual |
| Revenue | | 14,145 | 18,017 | 17,286 |
| Cost of sales | | 10,149 | 13,142 | 12,907 |
| Gross Profit | Amount | 3,995 | 4,875 | 4,379 |
| | %age | 28% | 27% | 25% |
| Operating Profit | Amount | 2,108 | 2,819 | 2,360 |
| | %age | 15% | 16% | 14% |
| Other Income | | 179 | 186 | 186 |
| Share of loss from associate | | 61 | 18 | 18 |
| EBITDA | Amount | 2,616 | 3,195 | 2,728 |
| | %age | 18% | 18% | 16% |
| Profit before tax | Amount | 1,980 | 2,888 | 2,430 |
| | %age | 14% | 16% | 14% |
| Profit after tax | Amount | 1,853 | 2,642 | 2,189 |
| | %age | 13% | 15% | 13% |
| EPS | | 6.36 | 9.02 | 7.49 |
| \$ Rate (Avg.) | | 290.96 | 290.96 | 278.31 |

Growth & efficiency levers

- ~10 new enterprise customers signed this year
- Almost all of the existing enterprise customers have shown growth
- ~8 new channels and partnerships have been signed
- Overall efficiency improvement
- Indirect overheads reduction as a percentage of revenue

Fact Sheet



Awards & Recognitions

Technology Partners

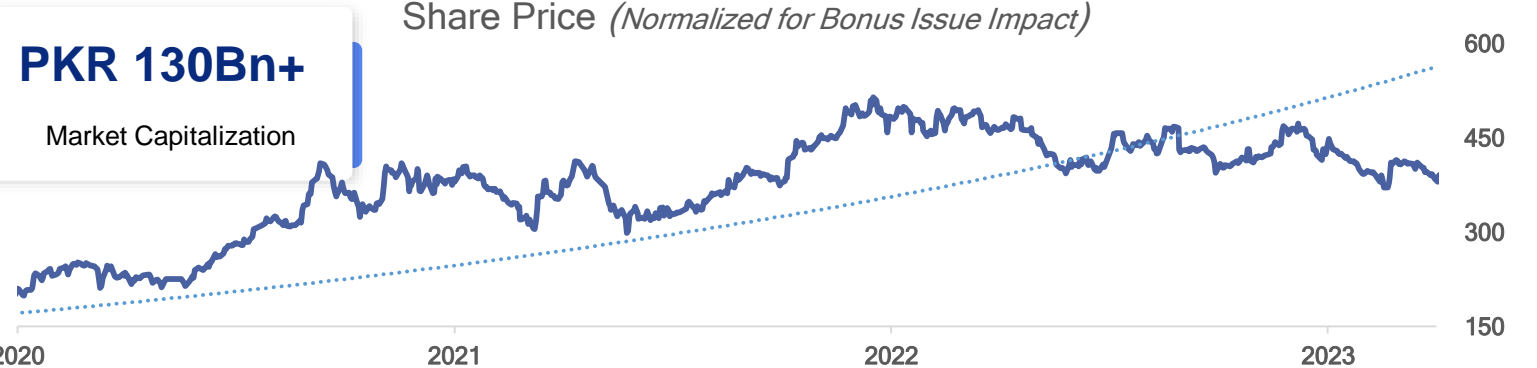
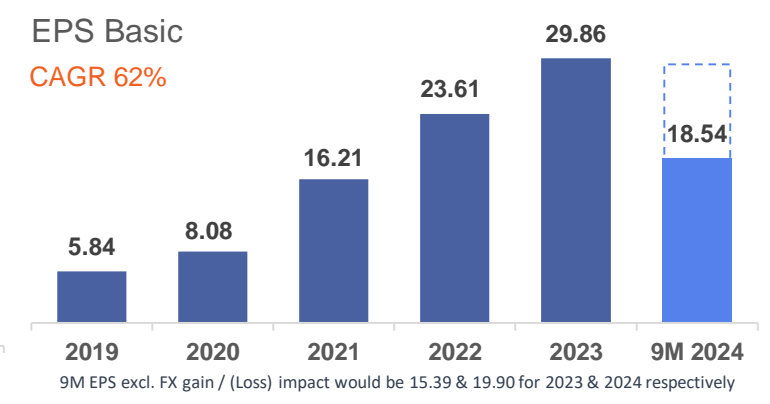
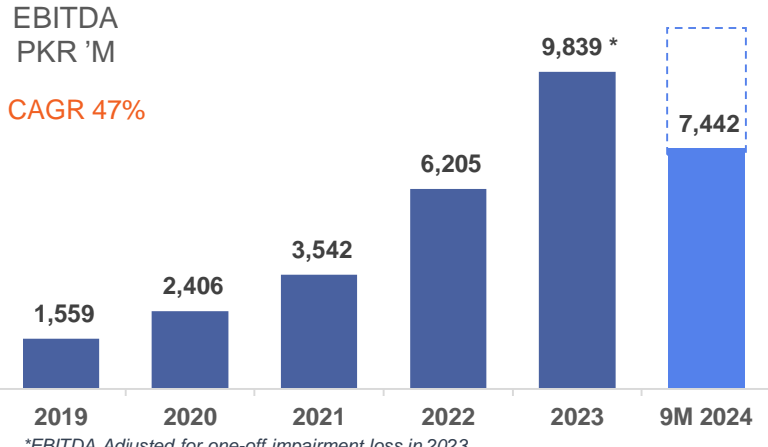
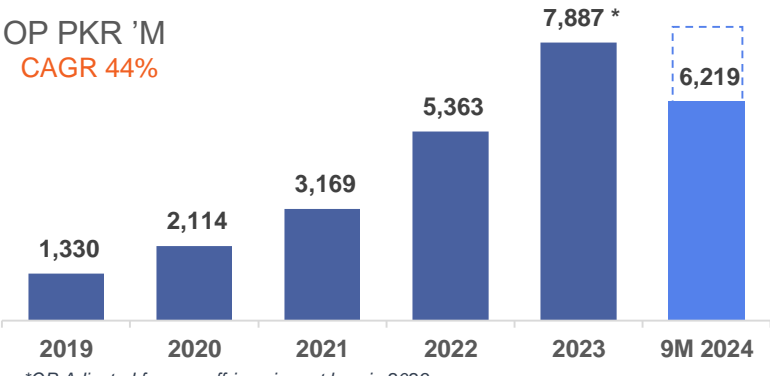
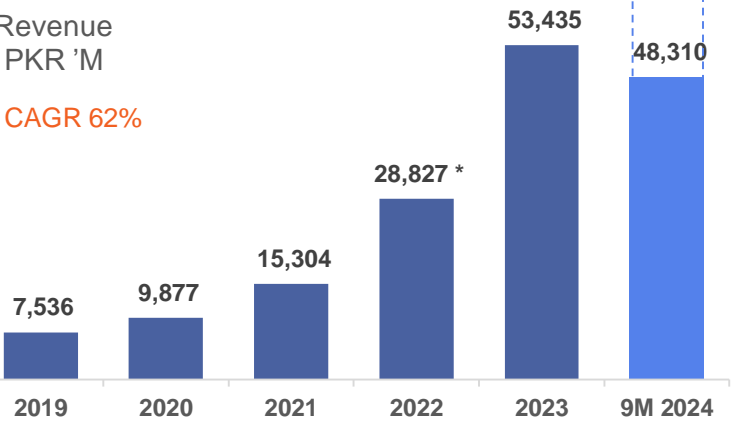
93%
FCY revenue

7000+
Employees Globally

250+
Active Clients

~80%
Direct customers

Fact Sheet



Awards & Recognitions

temenos
MEA Delivery partner of the year

Technology Partners

93%
FCY revenue

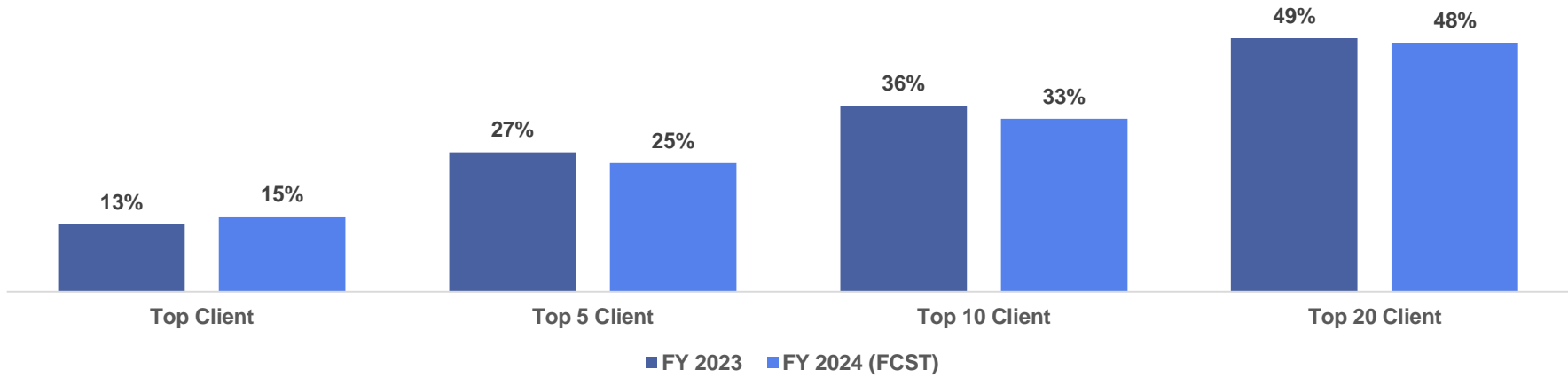
7000+
Employees Globally

250+
Active Clients

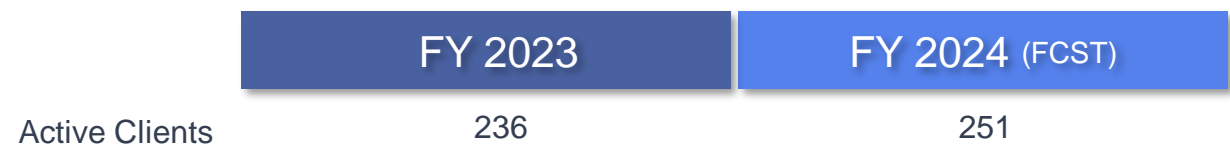
~80%
Direct customers

Client Composition 2024

Client Contribution to Revenue



Active Clients*



*Revenue above \$100k

Client Metrics

| | FY 2023 | FY 2024 (FCST) |
|------------------|---------|----------------|
| \$25m+ clients | - | 1 |
| \$10-25m clients | 1 | 1 |
| \$5-10m clients | 3 | 3 |
| \$3-5m clients | 4 | 15 |
| \$1-3m clients | 30 | 28 |
| \$0.5-1m clients | 43 | 48 |

*Revenue above \$500k

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

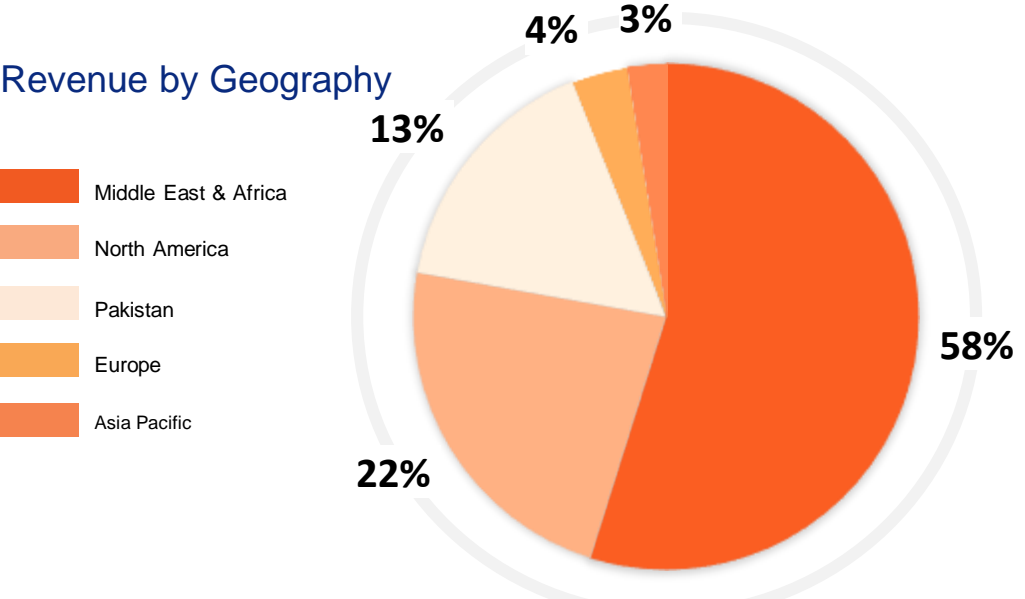


With a keen eye on market dynamics and a wealth of strategic insights, our consultants guide you towards greater levels of achievement, ensuring your business thrives in today's dynamic landscape.

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 |

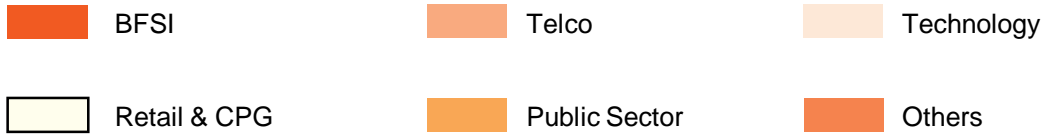
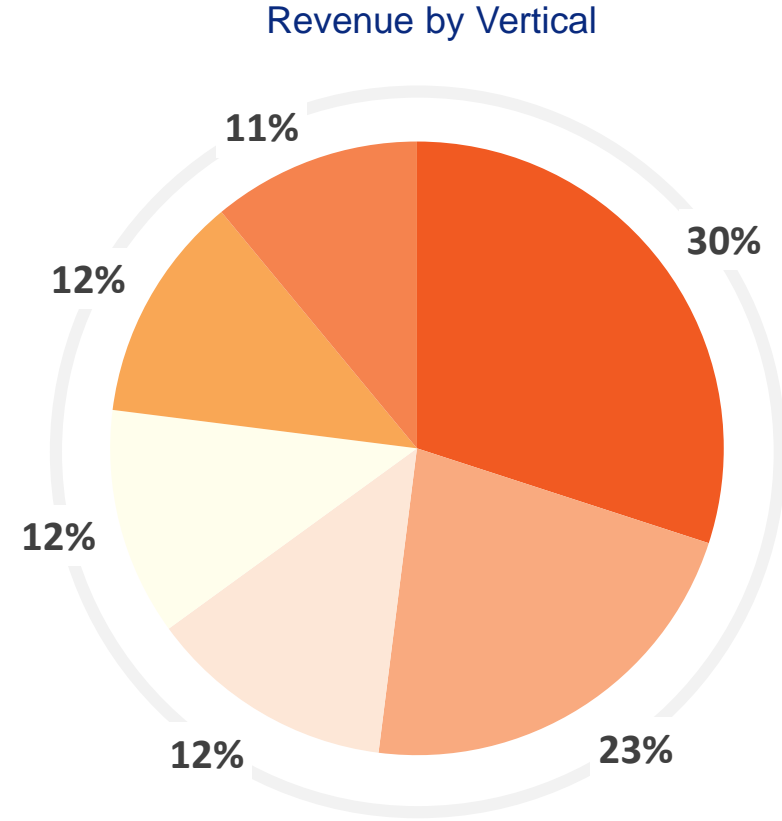
Total PS Headcount Dispersion (%)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 9M 2024 |
|--------------|-------|-------|-------|-------|-------|---------|
| Pakistan | 95.00 | 93.02 | 93.12 | 90.36 | 86.28 | 83.03 |
| Qatar | - | 0.41 | 0.43 | 1.07 | 1.40 | 1.26 |
| UAE | 5.00 | 6.56 | 6.45 | 7.69 | 9.82 | 11.18 |
| Egypt | - | - | - | 0.55 | 2.13 | 3.09 |
| Saudi Arabia | - | - | - | 0.30 | 0.34 | 1.16 |
| APAC | - | - | - | 0.03 | 0.04 | 0.28 |

Target Market & Customers 2024

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 | 68 |
| Retail & CPG | 43 |
| Technology | 48 |
| Public Sector | 30 |
| Health Care/Pharma | 9 |
| Manufacturing | 8 |
| Telco | 15 |
| Others | 30 |



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

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

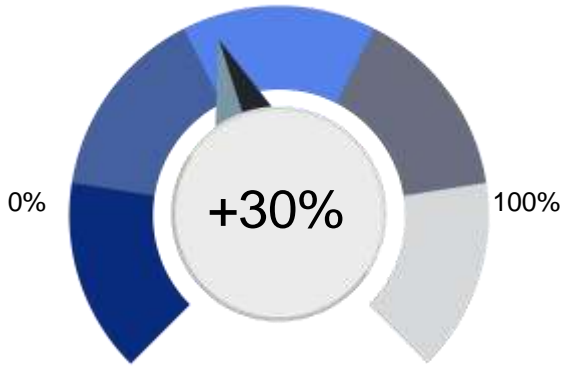


- **Investment in talent**
- **Diversification of talent pool among different locations**
- **Mergers & Acquisitions**
- **Strengthening current geographies**
- **New service offerings**

Strong QoQ Performance

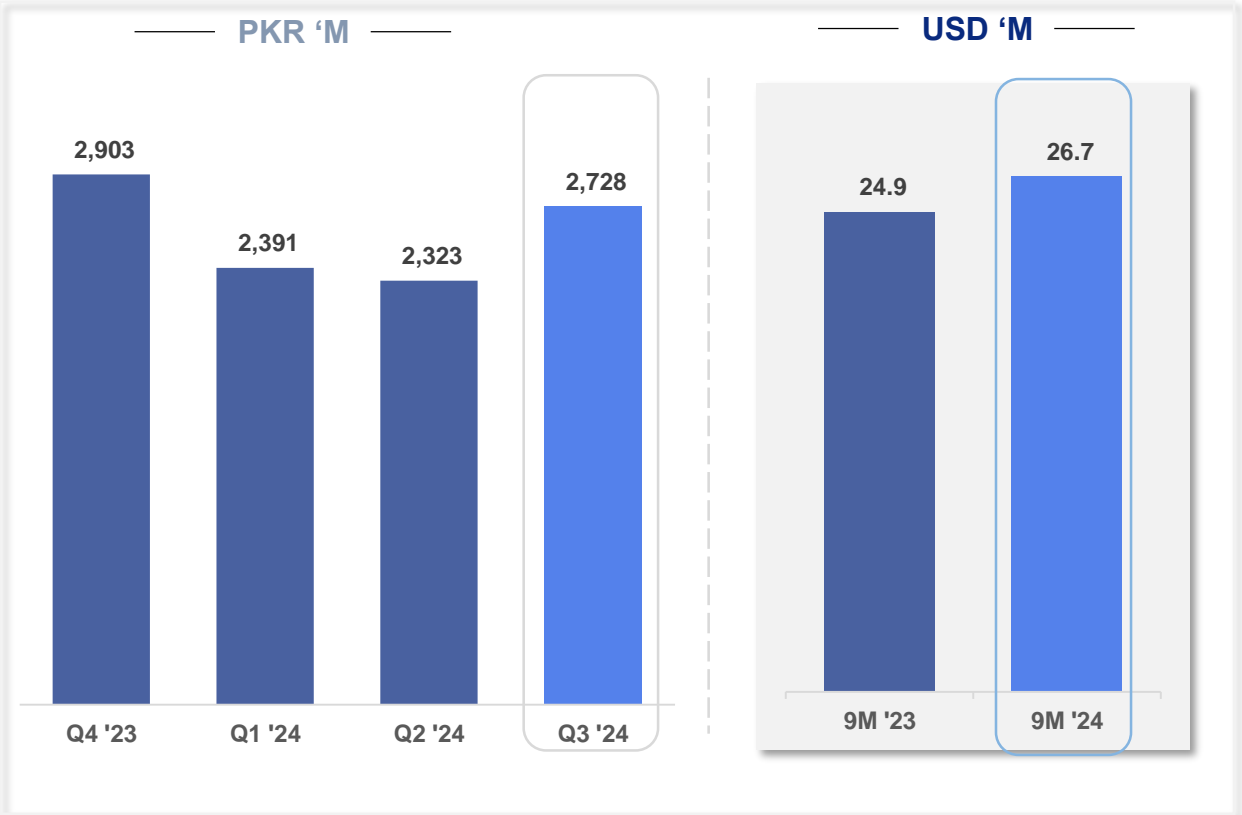
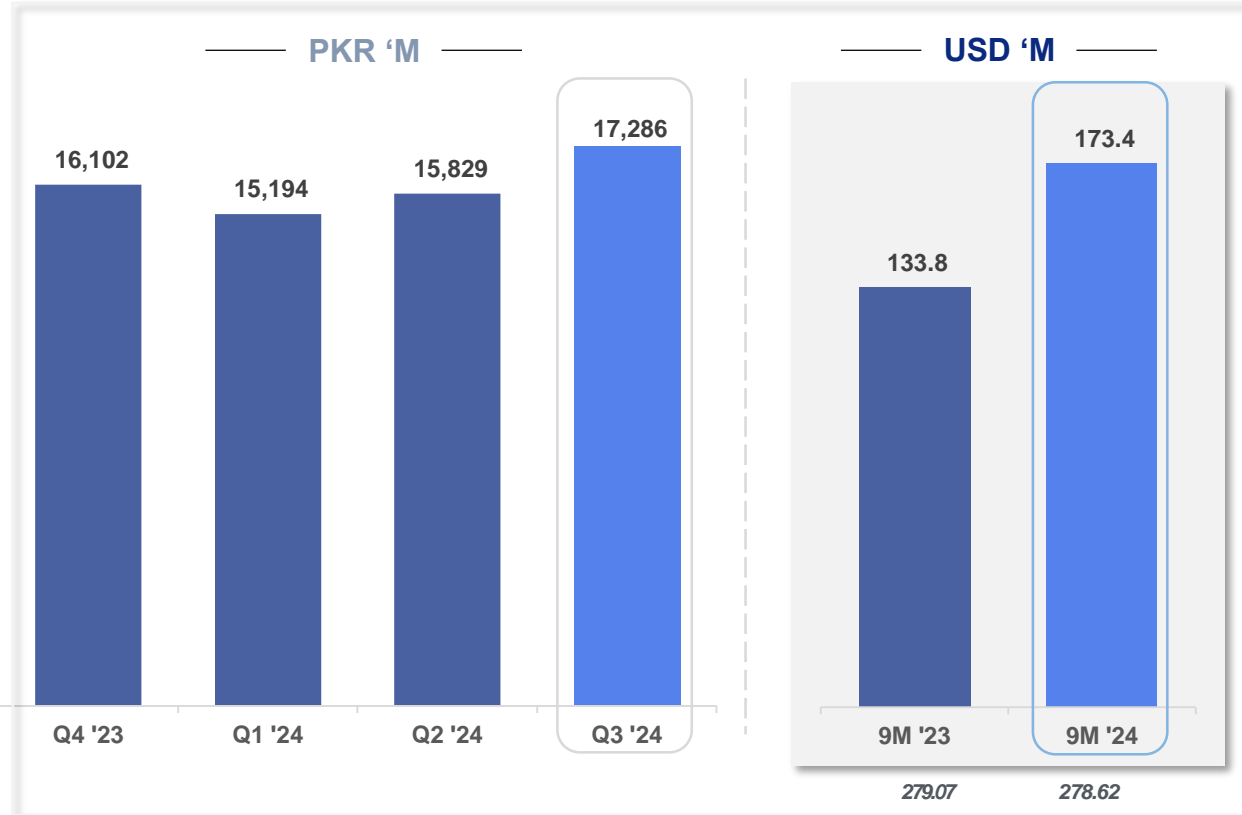
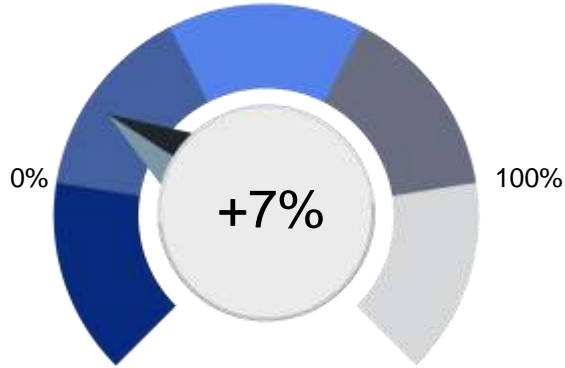
Revenue

9M '24 vs 9M '23 Growth (USD)



EBITDA

9M '24 vs 9M '23 Growth (USD)



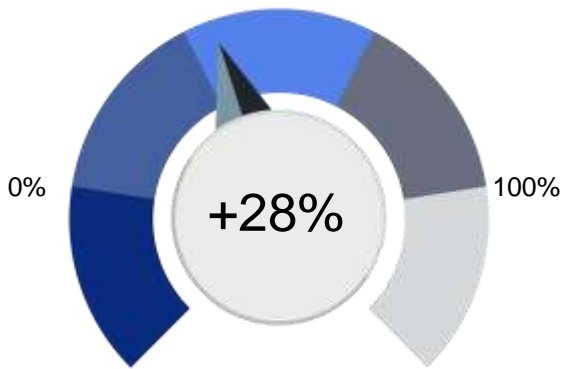
Avg USD rate

*One off Impairment loss against Jomo has been excluded in 9M '23

Strong QoQ Performance

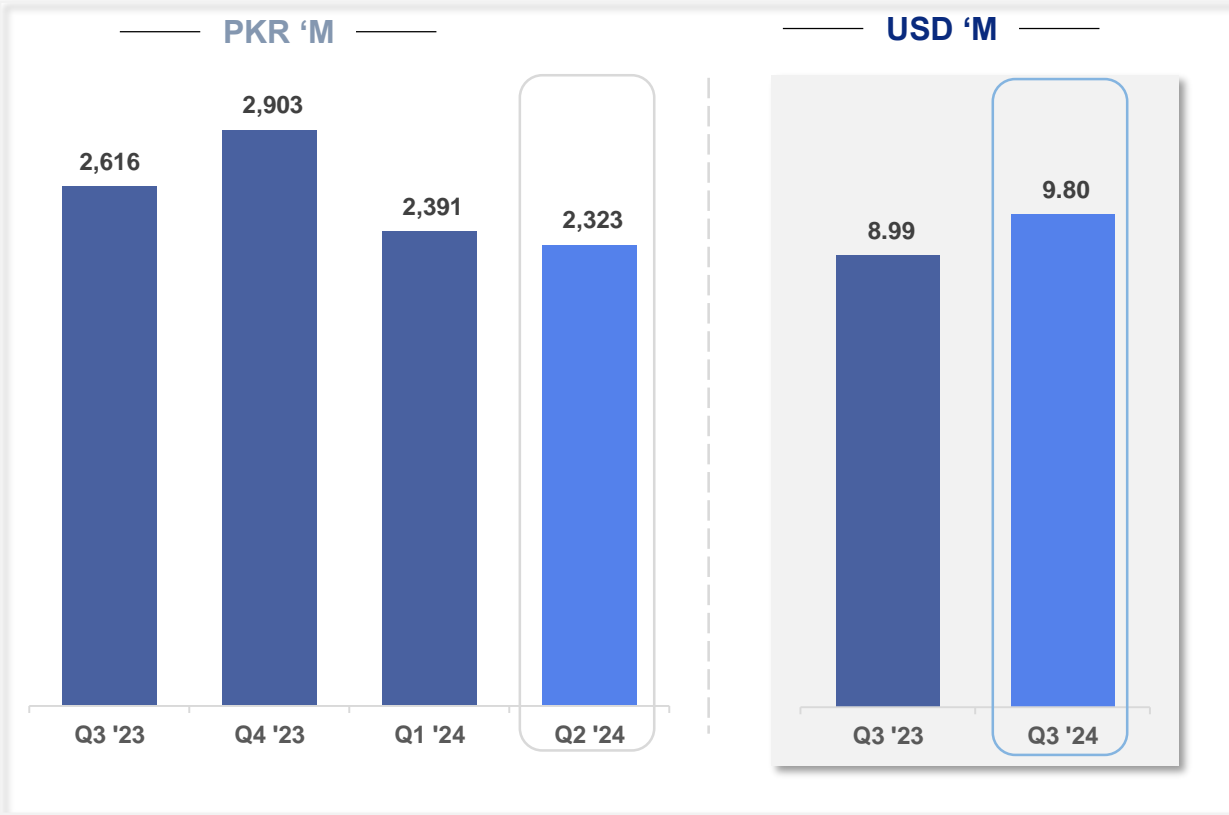
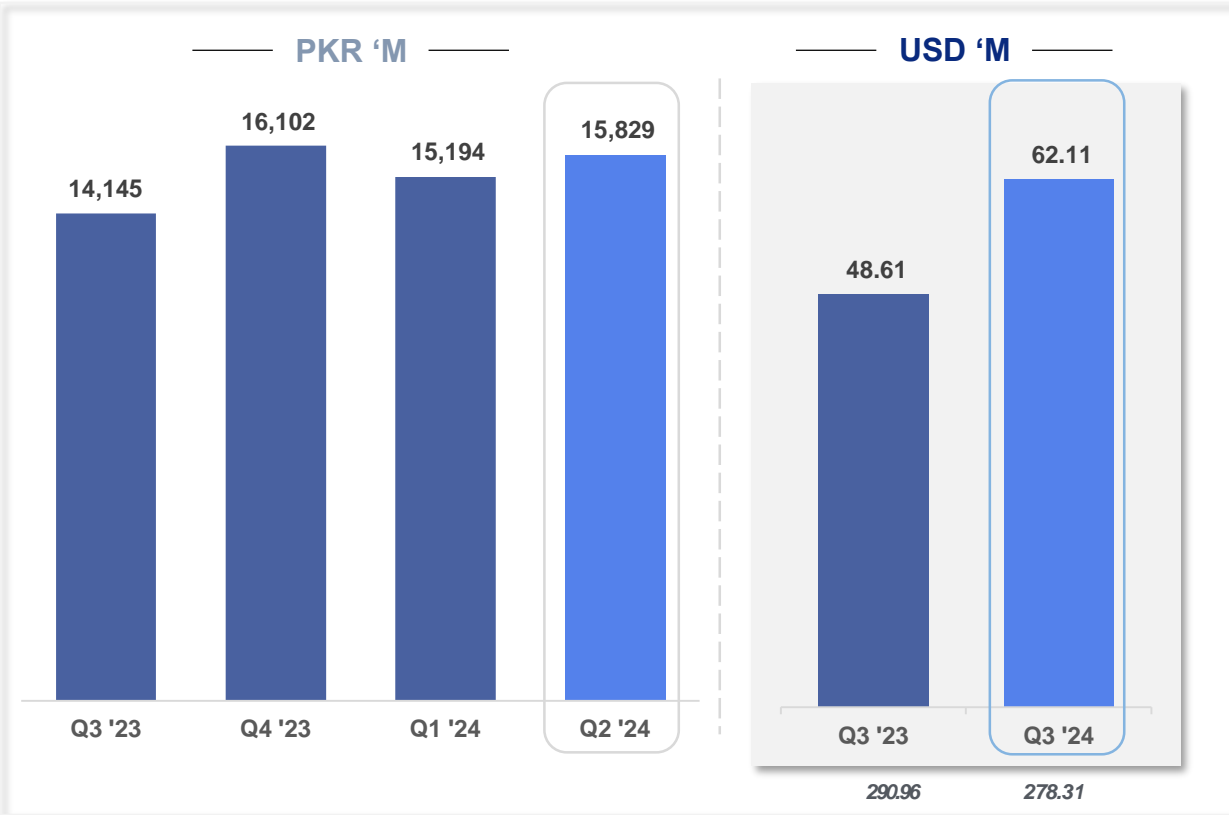
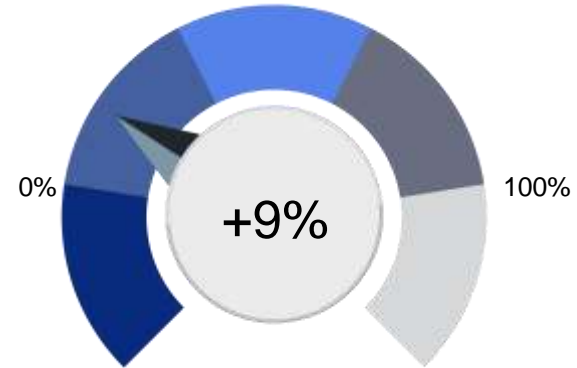
Revenue

Q3 '24 vs Q3 '23 Growth (USD)



EBITDA

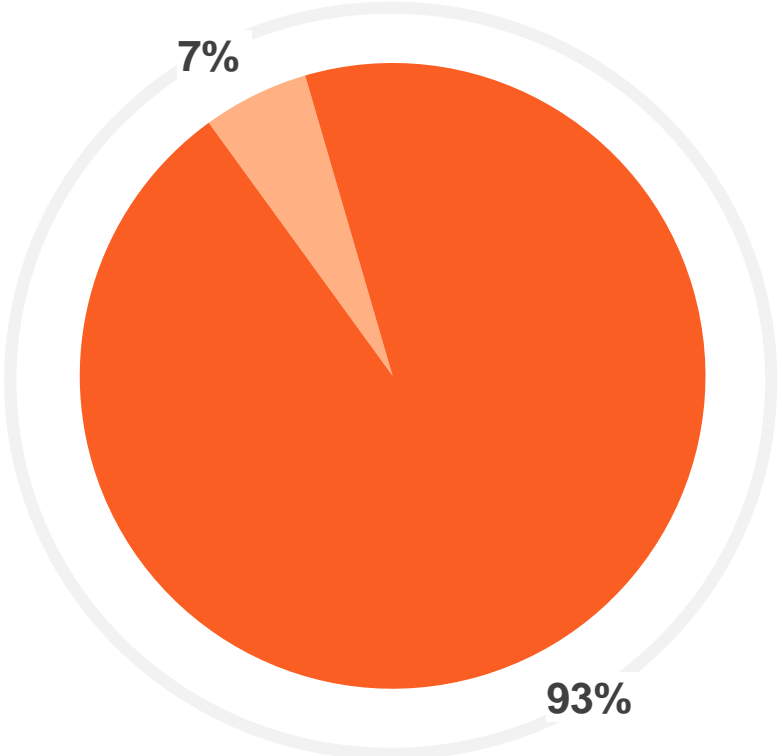
Q3 '24 vs Q3 '23 Growth (USD)



Avg USD rate

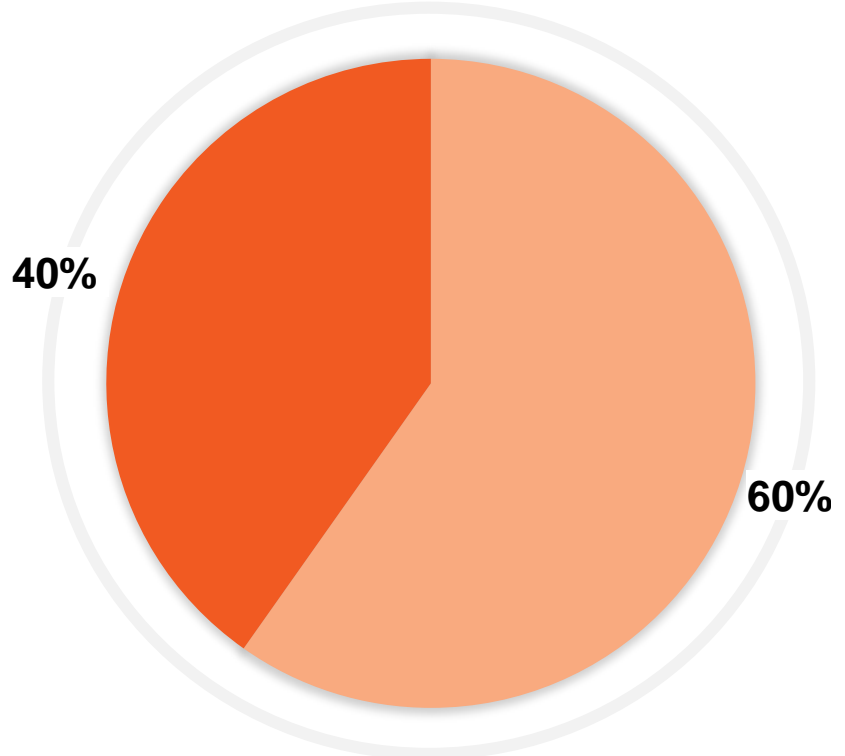
Currency Mix – 9M 2024

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:

- 29% increase in revenue
- 14% increase in operating profit
- Consistent dividend pay-out 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 top vertex pointing towards the top right and its base extending towards the bottom right.

Thankyou

systems

Get in touch

www.systemsltd.com