

21 October 2024

The General Manager
Pakistan Stock Exchange
Stock Exchange Building
Stock Exchange Road
Karachi

Subject: **FINANCIAL RESULTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024**

Dear Sir,

We have to inform you that the Board of Directors of the Company in their meeting dated: 21 October 2024 have approved the financial statements for the nine months period ended 30 September 2024 and recommend the following:

DIVIDEND

Nil.

BONUS SHARES

Nil.

FINANCIAL RESULTS

Financial results of the Company along with the directors report are attached hereto as **Annexure – A, Annexure B & Annexure - C**.

PERFORMANCE OVERVIEW

The Company (Standalone):

During nine months periods ended 30 September 2024, standalone revenue grew by 21% over same period last year from Rs. 23,075.54 million to Rs. 27,923.94 million. Gross profit decreased by 1% whereas operating profit decreased by 10%, mainly due to higher inflationary costs and



lower average exchange rate. However, the Company has started seeing improvement in margins resulting from optimization of costs and improving efficiency. As a consequence of rupee appreciation, net profit for the period has been impacted by an exchange loss of Rs 210.35 million compared to the Rs. 2,386.23 million exchange gain in September 2023 decreasing net profit by 38%, from 6,730.02 million to Rs. 4,196.67 million. Since the rupee has appreciated against the dollar in this period, the Company did not get the leverage on the wage inflation which has impacted the bottom line. However, the business continues to grow, and revenue has increased by 21% in USD terms.

The Group (Consolidated):

During the nine months period ended 30th September 2024, consolidated revenue grew by 29% from Rs. 37,333.78 million to Rs. 48,309.67 million. Gross profit and operating profit increased by 10% and 14% respectively. Net profit for the period decreased by 25% from Rs. 7,146.811 million to Rs. 5,431.82 million due to exchange loss against a considerably high exchange gain recorded in last year and also higher taxes with effective tax rate increasing to 10% vs 5% last year as UAE taxation is applicable from this year. Normalizing the impact of currency fluctuation, profit after tax showed increase of 20% from same period last year. Wage inflation adjustment has significantly offset the revenue growth.

Basic and diluted earnings per share increased by 20% after normalizing the impact of currency fluctuation.

For and on behalf of Systems Limited



Ali Ahmed Iftikhar
Company Secretary



SYSTEMS LIMITED
CONDENSED UNCONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE NINE MONTHS AND THREE MONTHS PERIODS ENDED SEPTEMBER 30, 2024

	Note	Nine Months Ended		Three Months Ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
		Rupees			
			(Restated)		(Restated)
Revenue from contracts with customers - net		27,923,948,435	23,075,540,270	9,873,005,925	8,865,092,625
Cost of revenue		(20,792,024,080)	(15,861,888,193)	(7,251,325,354)	(5,893,290,099)
Gross profit		7,131,924,355	7,213,652,077	2,621,680,571	2,971,802,526
Selling and distribution expenses		(554,362,217)	(444,379,138)	(181,090,413)	(168,559,994)
Administrative expenses		(1,786,281,667)	(1,647,329,264)	(633,950,565)	(622,753,083)
Research & development expenses		(223,783,744)	(197,934,567)	(75,268,613)	(86,737,793)
Impairment losses on financial assets		(246,281,537)	(121,933,508)	(9,151,726)	1,300,872
		(2,810,709,165)	(2,411,576,477)	(899,461,317)	(876,749,998)
Operating profit		4,321,215,190	4,802,075,600	1,722,219,254	2,095,052,528
Other income	11	428,699,682	2,757,916,049	176,630,198	111,714,346
Finance costs		(203,504,453)	(487,561,393)	(33,984,759)	(189,247,850)
Profit before taxation and levy		4,546,410,419	7,072,430,256	1,864,864,693	2,017,519,024
Levy		(335,529,128)	(355,184,047)	(120,613,753)	(109,404,005)
Profit before taxation		4,210,881,291	6,717,246,209	1,744,250,940	1,908,115,019
Taxation		(14,209,235)	12,776,481	(4,139,702)	-
Profit for the year		4,196,672,056	6,730,022,690	1,740,111,238	1,908,115,019
Earnings per share	12				
-Basic		14.33	23.14	5.95	6.55
-Diluted		14.25	22.96	5.93	6.50

The annexed notes 1 to 20 form an integral part of these condensed unconsolidated interim financial statements.

(CHAIRMAN)

(CHIEF EXECUTIVE)

(CHIEF FINANCIAL OFFICER)

SYSTEMS LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT OR LOSS ACCOUNT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2024 (UNAUDITED)

	Note	Nine Months Ended		Three Months Ended	
		September 30, 2024 Rupees	September 30, 2023 Rupees (Restated)	September 30, 2024 Rupees	September 30, 2023 Rupees (Restated)
Revenue from contract with customers - net		48,309,676,979	37,333,785,801	17,286,314,160	14,144,622,403
Cost of sales		36,799,557,288	26,849,671,765	12,907,113,960	10,149,499,020
Gross profit		11,510,119,690	10,484,114,036	4,379,200,199	3,995,123,383
Distribution expenses		1,491,449,820	1,460,755,306	617,417,217	506,171,130
Administrative expenses		3,432,354,408	2,975,301,467	1,267,384,004	1,131,608,366
Research & development expenses		220,177,701	197,934,567	72,244,951	86,737,793
Impairment losses on financial assets		147,022,966	383,056,960	62,302,901	162,526,370
		5,291,004,895	5,017,048,300	2,019,349,073	1,887,043,659
Operating profit		6,219,114,795	5,467,065,736	2,359,851,126	2,108,079,724
Other income	11	300,355,399	3,016,979,457	185,824,597	178,692,626
Share of loss from associate		56,369,952	284,050,620	18,000,000	60,554,928
Finance cost		384,501,227	653,875,388	97,406,087	245,733,713
Profit before taxation and levy		6,078,599,016	7,546,119,186	2,430,269,637	1,980,483,710
Levy		335,529,128	355,184,047	15,851,746	140,268,672
Profit before taxation		5,743,069,888	7,190,935,139	2,414,417,891	1,840,215,038
Taxation		311,240,669	44,123,335	225,908,000	(12,735,406)
Profit after taxation		5,431,829,219	7,146,811,803	2,188,509,891	1,852,950,443
Attributable to:					
Equity holders of the parent		5,431,786,778	7,146,330,566	2,188,480,345	1,852,800,331
Non-controlling interest		42,441	481,238	29,545	150,113
		5,431,829,219	7,146,811,803	2,188,509,890	1,852,950,443
Earnings per share:					
Basic earnings per share	12	18.54	24.57	7.49	6.36
Diluted earnings per share		18.44	24.38	7.46	6.31

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

(CHAIRMAN)

(CHIEF EXECUTIVE OFFICER)

(CHIEF FINANCIAL OFFICER)

DIRECTOR'S REVIEW REPORT – 30TH SEPTEMBER 2024

On behalf of the Board of Directors we are pleased to present the Standalone and Consolidated Financial Statements for the nine months ended 30th September 2024.

FINANCIAL RESULTS

Unconsolidated:

During nine months periods ended 30 September 2024, standalone revenue grew by 21% over same period last year from Rs. 23,075.54 million to Rs. 27,923.94 million. Gross profit decreased by 1% whereas operating profit decreased by 10%, mainly due to higher inflationary costs and lower average exchange rate. However, the Company has started seeing improvement in margins resulting from optimization of costs and improving efficiency. As a consequence of rupee appreciation, net profit for the period has been impacted by an exchange loss of Rs 210.35 million compared to the Rs. 2,386.23 million exchange gain in September 2023 decreasing net profit by 38%, from 6,730.02 million to Rs. 4,196.67 million. Since the rupee has appreciated against the dollar in this period, the Company did not get the leverage on the wage inflation which has impacted the bottom line. However, the business continues to grow, and revenue has increased by 21% in USD terms.

Key Financial Highlights – Unconsolidated			
Particulars	Sept-24 (unaudited)	Sept-23 (unaudited)	Change
	Rs.	Rs.	%
Revenue	27,923,948,435	23,075,540,270	21
Gross Profit	7,131,924,355	7,213,652,077	-1
Operating profit	4,321,215,190	4,802,075,600	-10
Profit for the period	4,196,672,056	6,730,022,690	-38
Earnings per share (basic)	14.33	23.14	-38
Earnings per share (diluted)	14.25	22.96	-38

Other Income – Unconsolidated		
Particulars	Sept-24 (unaudited)	Sept-23 (unaudited)
	Rs.	Rs.
Other Income	639,054,140	371,680,351
Exchange Gain / (Loss)	(210,354,458)	2,386,235,698
	428,699,682	2,757,916,049

Consolidated:

During the nine months period ended 30th September 2024, consolidated revenue grew by 29% from Rs. 37,333.78 million to Rs. 48,309.67 million. Gross profit and operating profit increased by 10% and 14% respectively. Net profit for the period decreased by 25% from Rs. 7,146.811 million to Rs. 5,431.82 million due to exchange loss against a considerably high exchange gain recorded in last year and also higher taxes with effective tax rate increasing to 10% vs 5% last year as UAE is taxation is applicable from this year. Normalizing the impact of currency

fluctuation, profit after tax showed increase of 20% from same period last year. Wage inflation adjustment has significantly offset the revenue growth.

Basic and diluted earnings per share increased by 20% after normalizing the impact of currency fluctuation.

Consolidated			
Particulars	Sept-24 (unaudited)	Sept-23 (unaudited)	Change
	Rs.	Rs.	%
Revenue	48,309,676,979	37,333,785,801	29
Gross Profit	11,510,119,690	10,484,114,036	10
Operating profit	6,219,114,795	5,467,065,736	14
Profit for the period	5,431,829,219	7,146,811,803	-24
Earnings per share (basic)	18.54	24.57	-25
Earnings per share (diluted)	18.44	24.38	-24

Other Income – Consolidated		
Particulars	Sept-24 (unaudited)	Sept-23 (unaudited)
	Rs.	Rs.
Other Income	696,769,864	378,543,030
Exchange Gain / (Loss)	(396,414,465)	2,638,436,427
	300,355,399	3,016,979,457

PERFORMANCE BY SEGMENT – BY VERTICAL AND BY GEOGRAPHY

All vertical segments are aggressively growing, and the Company expects the margins to rationalize towards the latter half of the year.

	BFSI		Teico		Technology		Retail & CPG		Others		Total	
	Un-audited		Un-audited		Un-audited		Un-audited		Un-audited		Un-audited	
	Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenue - net	14,492,597,421	11,281,788,304	10,928,369,038	7,718,176,265	5,884,511,210	5,407,230,713	5,787,505,709	4,067,480,068	11,216,693,601	8,859,101,451	48,309,676,978	37,333,785,801
Cost of sales	(12,038,388,671)	(8,979,059,645)	(8,067,283,755)	(5,135,447,768)	(4,286,029,185)	(3,540,680,779)	(3,897,902,151)	(2,600,789,085)	(8,529,953,527)	(6,593,694,488)	(36,799,557,288)	(26,849,671,765)
Gross profit	2,454,208,750	2,302,728,659	2,861,085,283	2,582,728,497	1,618,482,025	1,866,558,934	1,889,603,558	1,466,690,983	2,686,740,074	2,265,406,963	11,510,119,690	10,484,114,036
Distribution expenses	(447,425,509)	(407,848,805)	(337,388,181)	(322,450,609)	(181,670,707)	(234,198,464)	(178,675,886)	(143,249,043)	(346,289,537)	(353,008,386)	(1,491,449,821)	(1,460,755,306)
Administrative expenses	(1,029,884,695)	(801,012,331)	(776,449,730)	(505,882,265)	(418,088,687)	(598,028,073)	(411,196,513)	(385,277,155)	(796,834,903)	(885,001,043)	(3,432,354,408)	(2,975,301,487)
Research and development expenses	(132,529,000)	(88,718,833)	(35,510,950)	(32,358,760)	(19,415,797)	(22,670,067)	(17,751,831)	(17,053,071)	(13,670,233)	(37,133,856)	(220,177,701)	(197,934,587)
Profit / (loss) before taxation and unallocated income and expenses	844,169,636	1,005,148,690	1,710,736,392	1,721,936,863	999,306,863	1,011,661,730	1,281,979,468	921,111,714	1,529,945,401	1,190,263,699	6,366,137,760	5,850,122,696
Other operating expenses											(147,022,966)	(383,056,060)
Other income (excluding exchange gain)											696,769,864	378,543,030
Exchange (loss) / gain											(396,414,465)	2,638,436,427
Share of loss from associates											(56,369,952)	(284,050,620)
Finance cost											(384,501,227)	(653,875,388)
Profit before taxation and Levy	6,078,599,015		7,546,119,186						6,078,599,015		7,546,119,186	
Levy											(335,529,128)	(355,184,047)
Profit before taxation	5,743,069,887		7,190,935,139						5,743,069,887		7,190,935,139	
Taxation											(311,240,669)	(44,123,335)
Profit after taxation	5,431,829,218		7,146,811,804						5,431,829,218		7,146,811,804	

The geographical segment analysis shows robust growth across all four segments. European and MEA segment is bouncing back showing an encouraging dollarized growth. The Company is rationalizing Pakistan segment as well by improving the quality of revenue bringing efficiencies and optimizing costs to improve the profitability in this segment as well. With the strategic actions that the Company is taking, the profitability across all segments is

expected to show a positive trend towards latter half of the year. Export sales of the Company are now roughly around 87% of total sales in line with Company's strategy to grow exports.

	North America		Europe		Middle East & Africa		Asia Pacific		Pakistan		Total	
	Un-audited		Un-audited		Un-audited		Un-audited		Un-audited		Un-audited	
	Nine months ended September		Nine months ended September		Nine months ended September		Nine months ended September		Nine months ended September		Nine months ended September	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenue - net	10,389,288,519	9,180,326,957	2,113,647,503	1,398,585,225	27,954,460,718	19,239,209,117	1,755,816,336	785,642,470	6,096,463,901	6,730,022,032	48,309,676,979	37,333,785,801
Cost of sales	(6,969,558,628)	(5,573,823,209)	(1,370,242,480)	(827,901,659)	(21,278,675,312)	(13,897,241,742)	#####	(496,669,824)	(6,035,599,933)	(6,054,035,330)	(36,799,557,288)	(26,849,671,765)
Gross profit	3,419,729,891	3,606,503,748	743,405,024	570,683,566	6,675,785,406	5,341,967,375	610,335,402	288,972,646	60,863,968	675,986,702	11,510,119,691	10,484,114,036
Distribution expenses	(217,403,061)	(81,471,398)	(43,570,418)	(12,572,855)	(998,762,809)	(997,434,911)	(146,917,821)	(48,217,815)	(84,795,712)	(321,058,328)	(1,491,449,821)	(1,480,755,307)
Administrative expenses	(887,628,857)	(1,078,365,142)	(177,872,397)	(153,885,425)	(2,062,898,308)	(1,504,050,963)	(66,592,389)	(57,951,279)	(237,462,457)	(181,248,657)	(3,432,354,408)	(2,975,301,466)
Research & development expenses	(93,345,357)	(75,019,850)	(18,707,631)	(11,492,085)	(63,787,399)	(58,315,153)	(7,928,968)	(7,876,197)	(36,408,347)	(45,231,283)	(220,177,701)	(197,934,567)
	(1,198,277,274)	(1,234,856,390)	(240,150,446)	(177,750,365)	(3,125,448,516)	(2,559,801,027)	(221,439,177)	(114,045,291)	(358,666,516)	(547,538,268)	(5,143,981,930)	(4,633,991,340)
Profit / (loss) before taxation and unallocated income and expenses	2,221,452,617	2,371,647,358	503,254,577	392,933,201	3,550,336,890	2,782,166,348	388,896,225	174,927,355	(297,802,547)	128,448,434	6,366,137,761	5,850,122,696
Other operating expenses											(147,022,968)	(383,056,960)
Other income (excluding exchange gain)											696,769,864	378,543,030
Exchange (loss) / gain											(396,414,465)	2,638,436,427
Share of loss from associates											(56,369,952)	(284,050,620)
Finance cost											(384,501,227)	(653,875,388)
Profit before taxation and Levy											6,078,599,016	7,546,119,186
Levy											(335,529,128)	(355,184,047)
Profit before taxation											5,743,069,888	7,190,935,139
Taxation											(311,240,669)	(44,123,335)
Profit after taxation											5,431,829,219	7,146,811,803

KEY FINANCIAL RATIOS

The decline in profitability ratios has been explained above. The sharp reduction in all net profitability-based ratios is due to the impact of unusually high exchange gain in same period last year.

Ratio Description	Standalone		Consolidated	
	Nine months ended 30 th Sept		Nine months ended 30 th Sept	
	2024	2023	2024	2023
Gross Profit Margin (%)	25.5%	31.3%	23.8%	28.1%
Operating Margin (%)	15.4%	20.8%	12.9%	14.6%
EBITDA Margin (%)	17.9%	23.2%	15.40%	18.2%
Pre-tax Margin (%)	16.2%	30.6%	12.6%	20.2%
Net Profit Margin (%)	15.0%	29.2%	11.2%	19.1%
Assets turnover (%)	73.1%	74.1%	93.1%	84.9%
Return on Equity (%)	13.6%	26.0%	14.9%	23.9%
Current ratio	3.48	2.49	2.56	2.05
Quick Ratio	2.75	2.13	1.53	1.38
Debtor Turnover (Days)	190	151	130	102
Debt: Equity (Ratio)	04:96	14:86	05:95	12:88
Interest Cover (Times)	21.15	16.60	16.17	14.50

FUTURE OUTLOOK

- The Company continues to invest in markets with significant growth potential, driving aggressive expansion in these regions. While 90% of the Company's business is conducted in USD to mitigate currency risk, and the exchange rate has remained stable and the Company is expecting it be in the same range in foreseeable future, rising inflation is exerting pressure on margins despite the strong growth. To counteract the impact on margins, the Company is actively optimizing and rationalizing costs, improving efficiencies, and negotiating rates when renewing old contracts. The results of these efforts have started to reflect in this quarter and are expected to continue going forward.
- With a solid pipeline in place and a strong backlog for the upcoming quarters, the Company is well-positioned to sustain future growth. This foundation is expected to ensure consistent performance in the periods ahead.
- Leveraging its strong regional presence, the Company has formed strategic partnerships with major players like Microsoft, signing agreements that are expected to generate new leads, accounts, and offerings. This presence has also attracted additional partners, opening up more business opportunities. Since much of the Company's business is partner-led, it is actively collaborating with other partners beyond Microsoft.
- The Company is strategically transitioning towards offering AI as a Service, aligning with technological advancements. This move aims to capitalize on the increasing demand for AI-driven solutions and position the Company as a leader in industry innovation. The Company is building accelerators for specific industries like BFSI, Pharma and will use these as references.
- The Company's geographic diversification continues to strengthen its resilience and growth prospects. The European market has shown stable growth, while the previously flat US market has begun contributing positively and the Company is expecting similar momentum in 2025 as well. The Middle East remains a key growth driver, with a focus on expanding enterprise customers and deepening market penetration. Meanwhile, the Company has strategically reduced its focus on the domestic market, with unprofitable contracts in Pakistan nearing completion, expected to improve segment profitability by year-end. Additionally, an increase in exports has further bolstered overall performance.

ACKNOWLEDGEMENT

The Board takes this opportunity to thank the Company's valued customers, bankers and other stakeholders for their corporation and support. The Board greatly appreciates the hard work and dedication of all the employees of the Company.

On behalf of the Board

Asif Peer

Chief Executive Officer

Date: 21st October 2024