

Foundation Alert

SYS: EP Systems secures US\$11mn in funding for OneLoad

Event

- Systems Limited (SYS PA) announced today that its subsidiary EP Systems Pvt Ltd (which owns OneLoad) has secured funding of US\$11mn.

Impact

- Systems Limited subsidiary EP Systems Pvt Ltd (which owns OneLoad) has secured funding of US\$11mn for its OneLoad project from Sarmayacar and Sharooq Partners (Abu Dhabi-based VC firm).
- Systems Limited owns 44.60% of EP Systems limited which then owns OneLoad, a digital platform and payment system for retailers in Pakistan. OneLoad also facilitate micro-retailers to easily connect with suppliers, leverage working capital options, and accept digital payments.
- EP Systems revenue for CY17/18/19/2021 clocked in at Rs77/194/316/358/405mn with gross margins of 13/26/29/39/45%.
- OneLoad is currently engaged in services involving recharge facilities. In early 2021, company received approval of SBP to operate as Electronic Money Institution (EMI) that would increase its range of services given improved connectivity with the banking system.
- We expect OneLoad to continue to penetrate and increase its user base as company currently has approximately 48.5K active retailers and conducted Rs17.9bn worth of transactions in CY21.
- OneLoad's financial impact on Systems Limited profitability remains immaterial in current scenario. While company would benefit in the long run if they add service of debit cards issued by OneLoad, as discussed by management in earlier briefings.
- Furthermore, in CY21 OneLoad secured financial capital from the Bill & Melinda Gates Foundation and in early CY20 company has also secured US\$2.91mn investment from International Finance Corporation (IFC).

Outlook

- We have an "Underperform" stance on the scrip with Dec-22 TP of Rs262/sh as stock is currently trading at significant premium to the market despite increase in business risk. Systems business risk has increased as it has changed its strategy to expand into new geographies through its associates (common directorship) instead of its 100% owned subsidiaries outside Pakistan.

Fig 01: E-Processing Systems key financial operational highlights

	CY17	CY18	CY19	CY20	CY21
Revenue (Rs mn)	77	194	316	358	405
COGS	67	143	223	218	222
Gross Profit	10	51	93	140	183
Gross Margin	13%	26%	29%	39%	45%
Active Retailers	9,859	21,000	31,879	38,077	48,542
Gross Merchandise value (Rs bn)	2,233	5,581	9,677	11,347	17,922

Source: Company Accounts, Foundation Research, August 2022

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Important disclosures:

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Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.