

Foundation Alert

TRG: Analyst Briefing Key Takeaways

Event

- TRG Pakistan Limited (TRG PA) held its Analyst briefing yesterday to discuss operational and business performance of the company. Following are the key takeaways of the briefing.

Impact

- To recall TRG Pakistan Limited (TRGP) reported profitability of Rs32mn (EPS 0.06) in 1QFY22 and total comprehensive income of Rs3.7bn mainly driven from effect of translation of net investment in foreign associates.
- TRG International (TRGI) is a wholly owned subsidiary of TRGP. TRGI further holds Afiniti and IBEX (NASDAQ: IBEX) with 30% holding.
- Afiniti has been able to depict more than 50% 10Y-CAGR by targeting large enterprises providing them AI-driven behavioral pairing technology.
- Afiniti revenue has increased to US\$238mn in FY21 as compared to US\$82mn in FY20. The increase in revenue was mainly due to onboarding of enterprise clientele.
- Afiniti platform holds more than 1 million daily interactions for global 100 clients and deployment of over 150 multiple technology platforms.
- Around 64% of the total global workforce of Afiniti is employed in Pakistan.
- Afiniti provides flexibility to scale up business model and is currently operating with operating margin of more than 70%.
- IBEX is a publically listed entity on NASDAQ providing outsourced customer interaction solutions. The management has been focusing on 'digital first' growth to drive overall revenue trajectory.
- In 1QFY22, IBEX revenue remained flat YoY at US\$108mn mainly due to shift in sales mix as drop in Legacy 3 segment was offset by higher share of Digital First segment.
- Company estimates that IBEX would post revenues of US\$474-482mn in FY22 compared to US\$444mn in FY21.
- Other than the operating business, sale proceeds of e-TeleQuote of US\$600mn translated into US\$250mn cash+deferred cash for TRGI after adjustment of liabilities, out of which TRGP is entitled to US\$119mn in cash+deferred cash.
- TRGI has formed a wholly owned SPV to purchase TRGP shares from the PSX to provide liquidity in the capital market and gain investor's confidence. The proceeds would serve to inject capital back into Pakistan and support investors.

Outlook

- To highlight, the stock is not in our formal coverage.

Analyst

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Table 1: TRG 1QFY22 financial highlights

Rs mn	1QFY22	1QFY21	YoY	QoQ
Interest income	4	60	-94 %	-90%
Administrative And General Expenses	10	5	100%	106%
Operating profits	(6)	55	-111%	-119%
Share of profit in equity accounted investee	44	917	-95%	-99.9%
Profit before taxation	38	972	-96%	-99.8%
Tax	7	155	-96%	-99.8%
PAT	32	816	-96%	-99.8%
EPS	0.06	1.50		

Source: Company Accounts, Foundation Research, Feb 2022

Table 2: TRG Key financial snapshot

Rs mn	FY16	FY17	FY18	FY19	FY20	FY21
Interest income	168	214	229	241	237	154
Operating Profit					3	122
Share of Profit in equity accounted investee					87	30,313
PBT	109	6	-217	2	90	30,435
Net Profit	97	5	-218	2	76	25,852
Equity investment at FVOCI	442	421	2,297	293	4,174	-1,348
Total comprehensive income	539	426	2,079	295	4,251	24,504
Share capital	7,330	7,330	7,330	7,330	7,330	7,330
Shareholders' equity	12,354	12,780	14,859	15,154	19,404	41,509
Long term investment	12,920	13,462	16,138	16,393	21,779	49,620
Total assets	13,850	15,234	17,777	17,974	23,363	50,230

Source: Company Accounts, Foundation Research, Feb 2022

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