TRG Analyst Briefing Takeaways

Thursday, February 10, 2022

Today, TRG held a briefing with analysts to discuss the performance of the company. Management also discussed future prospects. We summarize the conclusions as follows:

- The management started off by stating that they are seeking to make the company more transparent by taking measures to increase more share holders interaction
- TRG Pakistan primarily derives it's value through IBEX and Affinity where TRG Pakistan has a 18% holding in Affinity (8.9mn shares) & a 30% holding in IBEX (5.4mn shares)

IBEX

- Is a publicly listed company on Nasdaq (Since August 2020)
- The company is a global outsourcing company
- The company posted a revenue of $444mn in FY21 (CAGR 0f 14% for the last 10 years)
- The company expects to post revenue of $474-482mn in FY22
- The company's revenues are somewhat flat with in the 1QFY22 due to the slow down in company's Legacy (Telco) business
- The company transformed their business in 2016 where they started targeting high growth clients which have contributed to a 34% YoY growth to their revenues
- The company has a global outreach where they are located in 33 locations with 31,000 employees (7000 in Pakistan)
- The company's EBITDA at FY21 stood at around $66mn and they expect it to reach at around $69-70mn in FY22 due to future growth prospects

Vali Nagaria
Vali>nagaria@darson.com.pk
Tel: 021 32470758

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Afiniti

- Is a private company
- Uses Artificial Intelligence to understand individual behavioral patterns which further uses them to pair up optimal Agents and Clients to enhance customer satisfaction, Sales, Customer interaction & retention, etc.
- The company is a high revenue growth company with a CAGR of over 50%
- The company posted FY -21 revenues of $238mn and expects this revenue to grow at a high rate from FY23 going forward
- The company had flat revenues within FY18-20 but showed a growth of 300%+ since FY20-21
- The company operates at +70% gross margin business model which gives the company the confidence to continue their growth
- The company has a strong global foothold and has more than 1 million interactions daily through their software/s
- The company has 2500+ workforce of which around 1600 are located in Pakistan
- The company's valuation is roughly based on high growth mid cap software companies which are currently trading at 9-10x

e-TeleQuote

- The cash sale from e-Telequote fetched $600mn
- The share from that of TRGI was at $250mn & the share of TRGP Pakistan was at $119mn
- The funds are managed by TRGI (through a SPV) where the cash allocation has been fenced off for TRGP

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Risk Associated with Target Price:

Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices.

Rating System:

If;

- **Expected return >15%** - Buy Call
- **Expected Return is in between 0% to 15%** - Neutral/Hold Call
- **Expected Return <0%** - Sell Call

Valuation Methodology

To arrive at our period end target prices, DSL uses different valuation methodologies including:

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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TREC HOLDR: PAKISTAN STOCK EXCHANGE / PAKISTAN MERCANTILE EXCHANGE LTD.

CONTACT US

Management

MR. MALIK DIL AWAYZ AHMED , CFA	Chief Executive Officer	ceo@darson.com.pk	021-32471083 Ext(130)

RESEARCH TEAM

MR. YOUSUF SAEED, CFA	Head of Research	yousuf.saeed@darson.com.pk	021-32467224
MR. FAISAL SAJJAD	Research Analyst	faisal.sajjad@darson.com.pk	021-32470758 EXT(125)
MS. DEEPA JESWANI	Research Analyst	deepa.jeswani@darson.com.pk	021-32467224 Ext(111)
MR. VALI MUHAMMAD NAGARIA	Research Analyst	vali.nagaria@darson.com.pk	021-32470758 Ext(125)
MR. TALAL AHMED KHAN	Research Trainee	talal.ahmed@darson.com.pk	021-32470758 EXT(111)
MR. DILAWER JAWED	Technical Analyst	dilawer@darson.com.pk	021-32467224 Ext(125)
MR. IMRAN SHAFIQUE	Database Officer	imran.shafique@darson.com.pk	

EQUITIES SALES

BUSINESS DEVELOPMENT

MR. IMRAN RIZVI	Head of Business Dev.	imran.rizvi@darson.com.pk	021-32468912 Ext(202)

INSTITUTIONAL SALES

MR. M. YOUSUF BAGASRA	Head of Corporate Sales	muhammad.yousuf@darson.com.pk	021-32469677-680
MR. SANTOSH KUMAR	Inst. Corporate Sales	santosh.kumar@darson.com.pk	021-32471086-87
MR. MUHAMMAD FAISAL	Equity Trader	faisal.Ismail@darson.com.pk	021-32470764 Ext(128)

RETAIL SALES

MR. IRSHAD ZUBAIR	Head of Retail Sales	irshad.zubair@darson.com.pk	021-32468915 Ext(231)

Corporate Office

1. KARACHI
Room # 808, Business & Finance Centre, I.I. Chundrigar Road, Karachi.
UAN: 021 111 900 400, **Fax:** 021 32471088

Branch Network

2. KARACHI
Office No. 516, 5th Floor, PSX Building, Stock Exchange Road, Karachi.
Phone: 021-32425538

3. LAHORE
LSE BRANCH
Room No. 102, 1st Floor, LSE Building, Aiwan-e-Iqbal Road, Lahore.
Phone: 042-36309842 042-36314293

4. LIBERTY BRANCH
Office No. 404, 3rd Floor, Liberty Tower, Liberty Gulberg, Lahore.
Phone: 042-6366263, 6364208 042-5789705

5. GUJRANWALA
Office # 3, Main Block, 1st Floor, GDA Trust Plaza, G.T. Road, Gujranwala.
Phone: 0553-732963-64, 0321-6449554

6. DERA ISMAIL KHAN
2nd Floor, State Life Building, Near Skynet Courier Office, Circular Road, Dera Ismail Khan.
Phone: 0966-730906

7. SARGODHA
Office # 3, 1st Floor, Al-Munir Market, Liaquat Bazar, Sargodha.
Phone: 0483-701141, 0333-9804899

8. JHELUM
1st Floor, Metro Trade Centre, Near Shaloom Centre, Al-Markaz Road, Jehlum.
Phone: 0544-626087, 832289

9. FAISALABAD
Room No. 193-195, 1st Floor, City Mall, Chen One Road, Faisalabad.