

TRG Pakistan (TRG)

FY17 AGM Meeting Notes

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TRG eyeing listings of its portfolio companies in US markets

- TRG Pakistan (TRG) held its 15th Annual General Meeting today to confirm minutes of EOGM, appoint auditors and approve accounts for year ended 30th , June 2017. Wherein, the management also shared their strategy and discussed the accounts in detail.
- TRG Pakistan sole holding TRG international (TRGI) will now only have 2 companies in its portfolio, Affiniti and IBEX. All companies apart from Affinti, including DGS, E-telequote would be merged into older IBEX. According to the management, this step has been taken due to the fact that cost of listing in U.S is very high so instead of listing these companies separately, it is better to list them as one consolidated entity. The management expects to list both these companies in US equity markets (either on NASDAQ or NYSE) in 2018.
- The management highlighted that 5x YoY jump in miscellaneous expenses in financial account of the company is related to one time buyback /delisting of shares of its subsidiaries IBEX and DGS from London Stock Exchange (LSE) AIM Capital market. The company in line with its strategy to list IBEX in US markets bought back the shares of both companies. In management's view both companies trading well below their fundamental value (even below their IPO prices)
- According to management both Affiniti and IBEX could get listed in US market on basis of either 1) multiple of sales and 2) multiple of it's earnings ratios.
- Affiniti, if it gets listed solely based on its Price/sales multiple (Affiniti is yet to generate net profit) can fetch a multiple of 8x to 10x. Management expects Affinti to be valued between US\$500mn to US\$700mn based on current revenue run rate of US\$70mn. This is based on its quarterly revenue of US\$17mn, which is growing at an average range of 20% to 30% on QoQ basis. Affiniti currently enjoys gross margin of 60%. If the company turns profitable in future, the valuation of the company could be much higher than the Prices/Sales of 10x as in the case of other technology companies in U.S . Affinti valuation could be in the range of US\$1.5 to 2bn as per the management.
- IBEX if it gets listed can fetch a valuation of US\$200mn to US\$250mn. Revenues of IBEX are anticipated to grow at an average rate of 10% going forward. This is relatively slow growing company compared to Affiniti.

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