

TRG Pakistan (TRG)

2QFY18 LPS at Rs0.6, flat YoY (1HFY18 LPS Rs1.9 vs. LPS of Rs1.4 in 1HFY17)

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Higher cost of services dent bottom-line

TRG: Financial highlights (Consolidated)							
Rsmn	2QFY18	2QFY17	YoY	QoQ	1HFY18	1HFY17	YoY
Sales	12,734	8,000	59%	18%	23,534	16,670	41%
Cost of Services	11,303	6,805	66%	20%	20,738	14,117	47%
Gross profit	1,430	1,195	20%	5%	2,796	2,553	10%
Administrative expense	1,883	1,812	4%	-32%	4,635	3,981	16%
Other Income	178	93	92%	219%	233	368	-37%
Other charges	26	37	-30%	-24%	61	83	-27%
Finance cost	432	281	54%	4%	849	640	33%
Share of Profit from Associates	7	(20)	-135%	58%	11	(41)	-127%
Profit/(Loss) before Tax	(726)	(862)	NM	NM	(2,503)	(1,824)	NM
Taxation	178	7	2469%	-216%	25	13	92%
Profit/(Loss) after Tax	(905)	(868)	NM	NM	(2,528)	(1,837)	NM
Owners of Holding Company	(338)	(304)	NM	NM	(1,047)	(738)	NM
EPS	(0.6)	(0.6)			(1.9)	(1.35)	

Source: PSX, Company Accounts, Topline Research

- TRG reported consolidated loss of Rs338mn (LPS Rs0.6), almost flat compared to last year. Loss was mainly attributable to increase in fixed costs of companies under TRG's subsidiary, The Resource Group International Limited (TRGIL).
- Revenues were up by impressive 59% YoY. We believe that one of the reasons that supported revenue growth was excellent performance from its subsidiary, Afiniti (provides call routing solutions for contact centers using artificial intelligence).
- Further, the company's strategy to place IBEX Global, Digital Globe Services, e-Telequote and iSky subsidiaries under a common entity IBEX Holdings have started to bear fruits in terms of revenues as it offers a 'full customer lifecycle solution' to large corporate clients.

Higher cost of services dent bottom-line

- Financial charges grew by 54% YoY in 2QFY18 mainly owing to increase in the companies 'long term debt' - which the company borrowed to fund its growth initiatives (purchase of software licenses and properties & equipments), we believe.
- Moreover, TRG through its notice on PSX, dated Feb 26, 2018 has informed that the company has filed a registration statement with the United States Securities & Exchange Commission for listing of its indirect subsidiary IBEX Holdings Limited (to be listed during 1H2018). This was one of the reasons that led to increase in Admin expenses in 2QFY18, +4% YoY (+16% YoY in 1HFY18) as the company might have incurred IPO related costs.
- We flag 1) delays in listing of TRG's indirect subsidiaries, 2) investors' lack of appetite/understanding for the stock due to its unique ownership structure, 3) lack of data to value subsidiaries, and 4) inherent risk in technology companies, as key risks.

TRG: Key Numbers					
	FY13A	FY14A	FY15A	FY16A	FY17A
EPS	5.5	-3	-3.1	-1.5	-8
Earnings Growth	NM	NM	NM	NM	NM
PE at Rs36.8	5.4	NM	NM	NM	NM
Dividend Yield	0%	0%	0%	0%	0%
ROE	NM	NM	NM	NM	NM
PBV	6.1	10.1	10.0	6.8	NM

Source: Company Accounts, Topline Research

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Under Weight	< Weight in KSE-100 Index

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