

Investor Briefing 1Q2022 Results

Kenanga Investment Bank Berhad

10 June 2022

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Key Highlights 1Q2022

RM184.9 m (-18.2%)

Revenue

-RM41.2 mil
vs. 4Q2021

RM21.5 m (-48.4%)

Profit before Tax

-RM20.2 mil
vs. 4Q2021

RM16.9 m (-47.6%)

Profit after Tax

-RM15.4 mil
vs. 4Q2021

2.30 sen (-47.7%)

EPS

-2.1 sen
vs. 4Q2021

RM996.7 m

Shareholders' Equity

as of 31 Mar 2022

6.5% (-47.3%)

Annualised ROE¹

-5.8 p.p
vs. 4Q2021

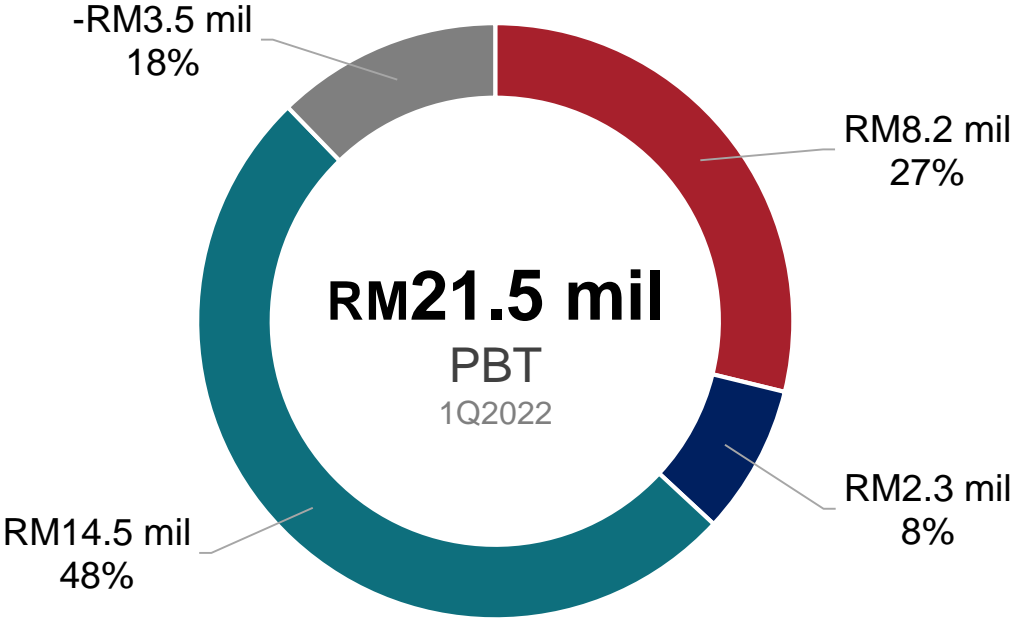
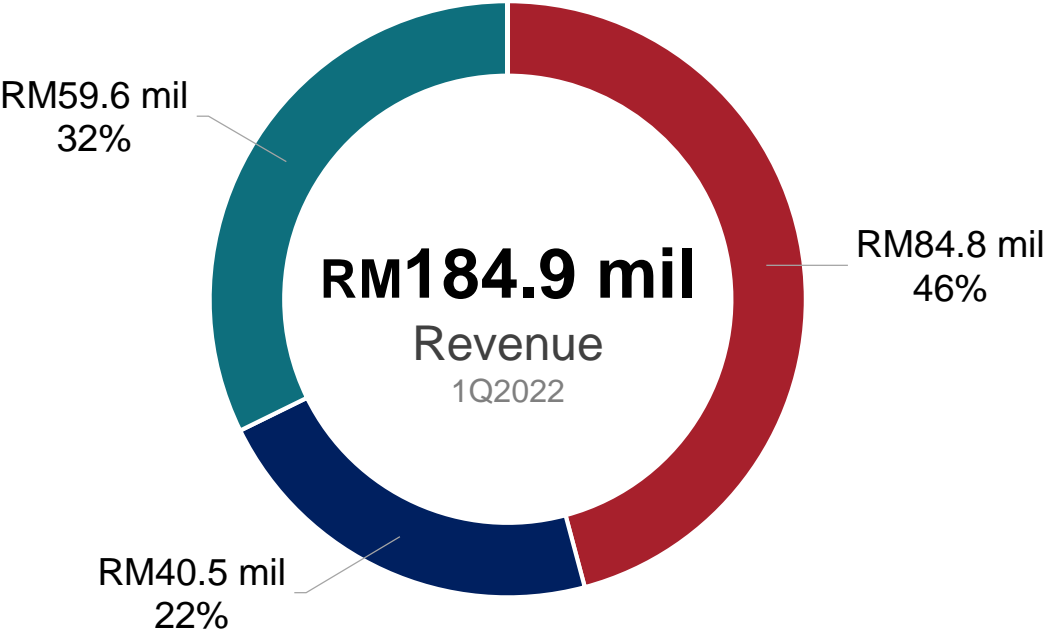
- ▶ Revenue declined mainly caused by lower brokerage fee income as Bursa ADV declined to RM5.4 bil on YTD Mar 2022 vs. FY2021 ADV of RM7.3 bil, as well as lower trading & investment income
- ▶ The Group remains the largest and fastest growing retail stockbroker with retail segment share up by 3.0% from 1Q2021 to 26.04% in 1Q2022
- ▶ The Group recorded lower PBT in 1Q2022 compared to 4Q2021 mainly due to lower trading and investment income and management fees income, partially mitigated by lower overheads
- ▶ Rakuten foreign share trading and Kenanga Digital Investing were launched in mid-January 2022 and mid-February 2022 respectively

¹ Annualised return on average shareholders' equities (ROE) is calculated by dividing annualised net earnings attributable to shareholders by average shareholders' equities of end of period.

Financial Review

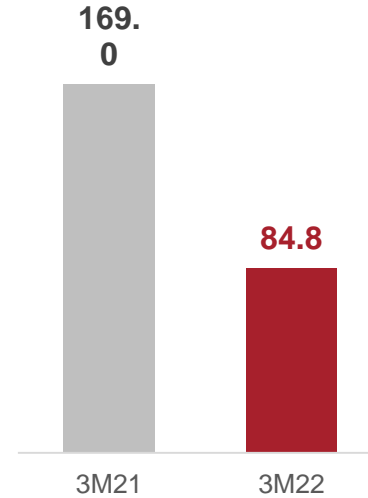
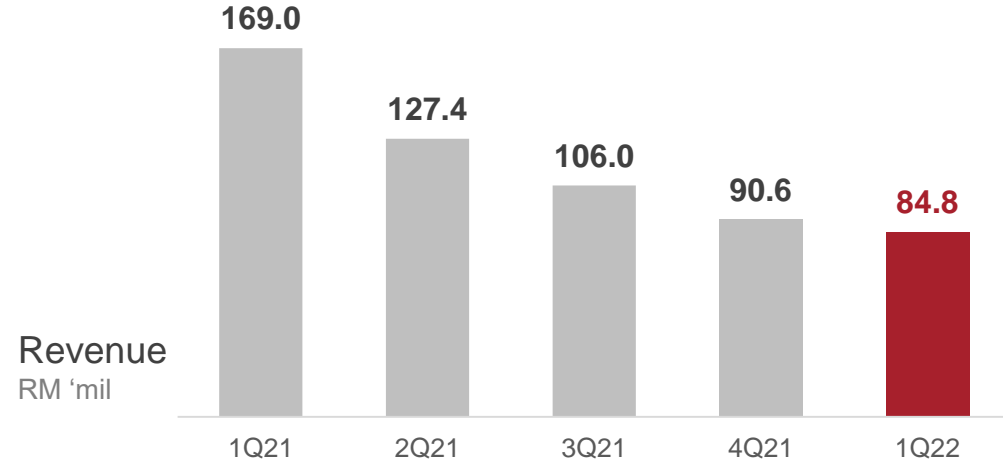


1Q2022 Segmental Breakdown



■ Stock Broking ■ Investment Banking ■ Investment Management ■ Others

Stockbroking Segment

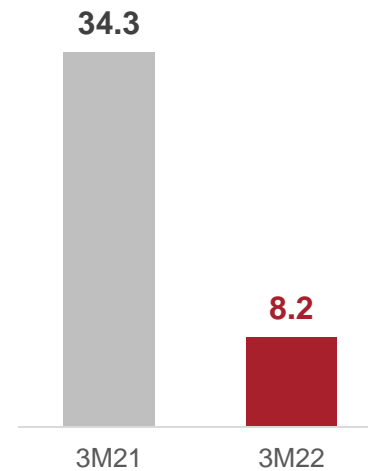
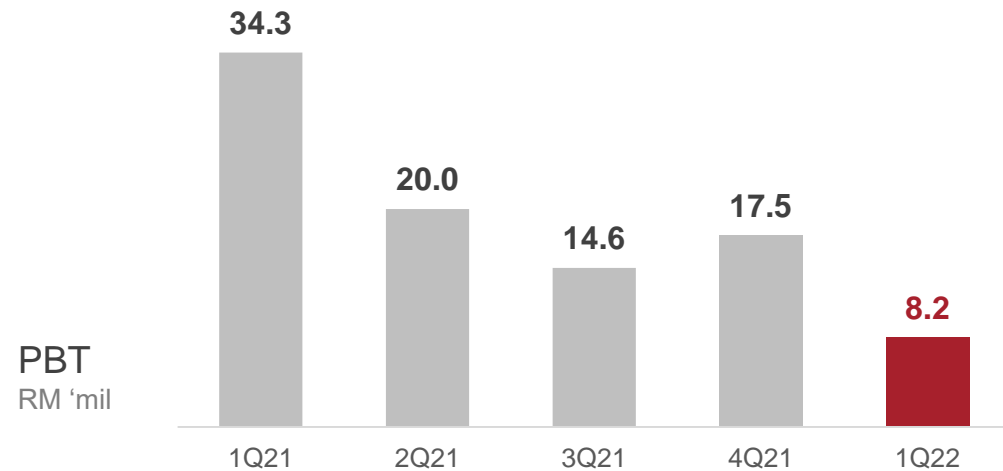


vs. 4Q21

- 1Q22 revenue and PBT declined QoQ mainly due to lower brokerage income and lower trading income generated from warrants activities

vs. 1Q21

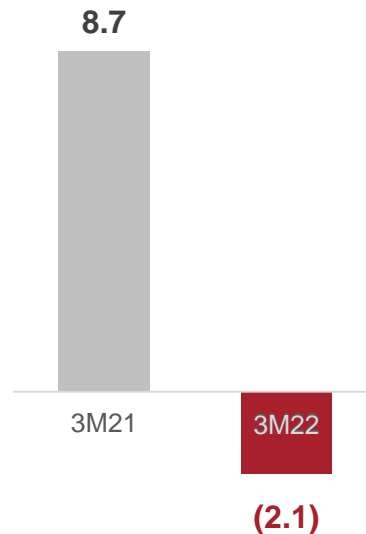
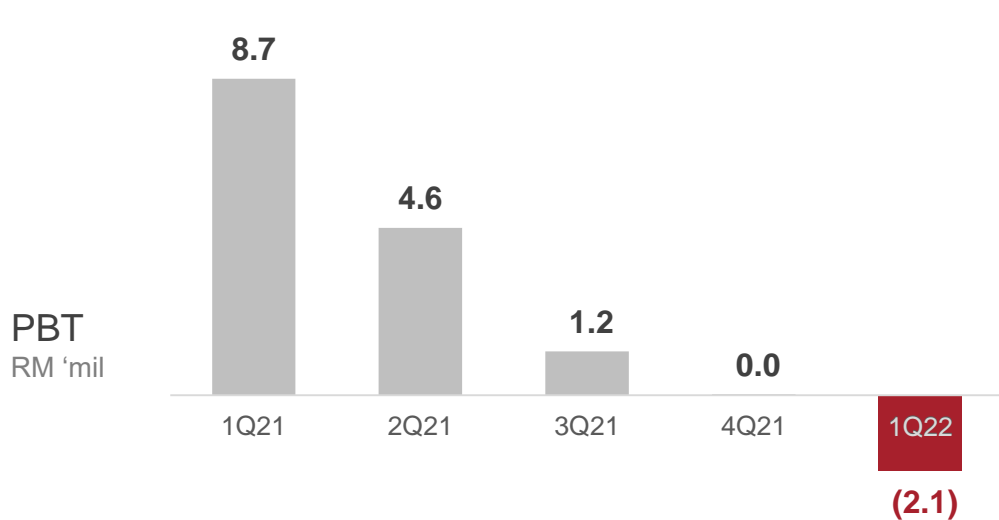
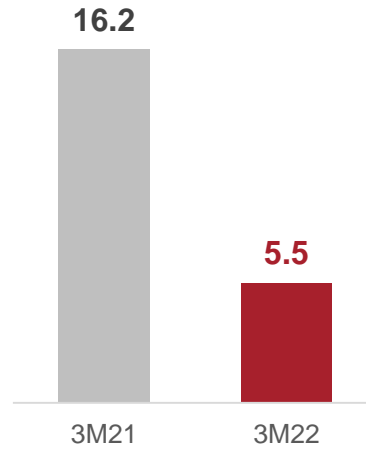
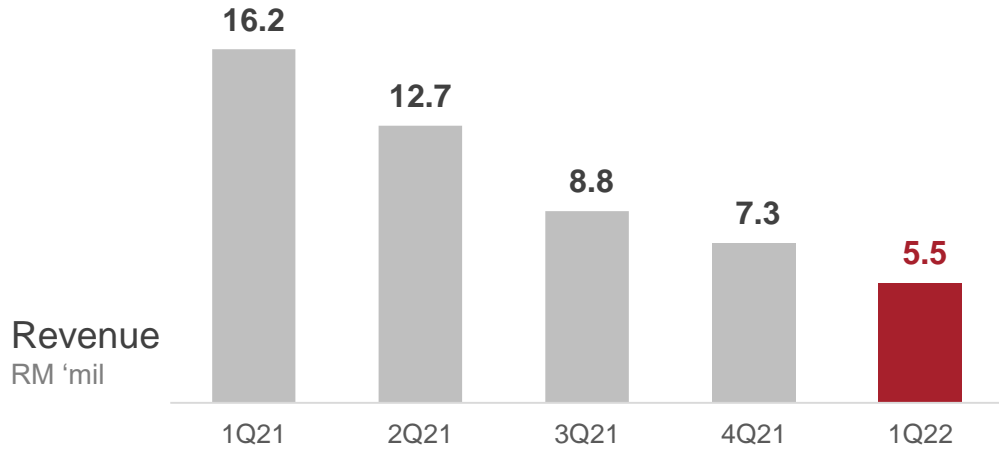
- 1Q22 PBT declined YoY as a result of a slower market as indicated by the decrease in Bursa average trading value (1Q22: RM5.4bil vs. 1Q21: RM10.3 bil) as many investors have taken a risk-off stance given the uncertainties that are plaguing the market currently



	RM 'mil	4Q21	1Q22
Gross brokerage		56.3	51.6
Trading & investment income		12.7	5.4
Interest income		18.1	18.5
Fee income		1.8	2.0
Others		1.7	7.3
REVENUE		90.6	84.8

- Retail segment share increased by 3.0% from 1Q2021 to 26.04% in 1Q2022

Rakuten Trade

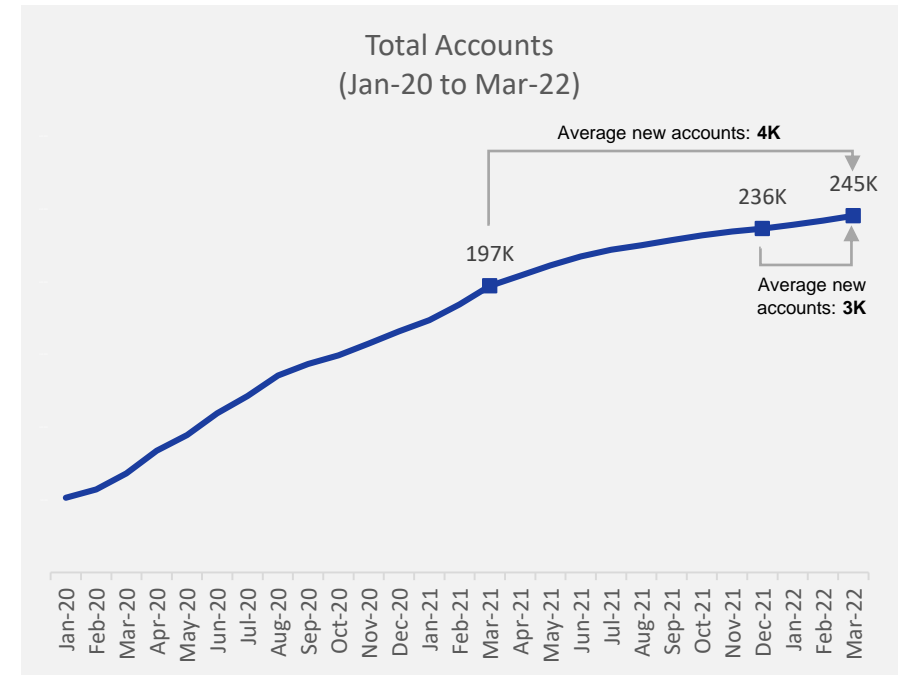


vs. 4Q21

- **1Q22 revenue** declined **QoQ** mainly due to lower brokerage and interest income
- **LBT** was recorded in **1Q22** due to lower revenue generated

vs. 1Q21

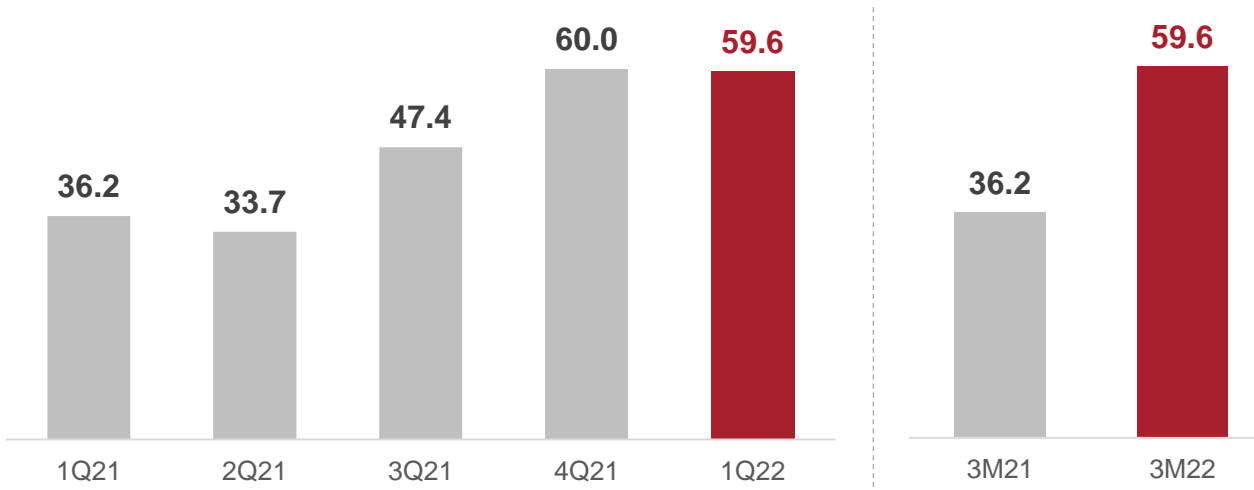
- **LBT** recorded in **1Q22** was mainly due to weaker market sentiments and lower trading value



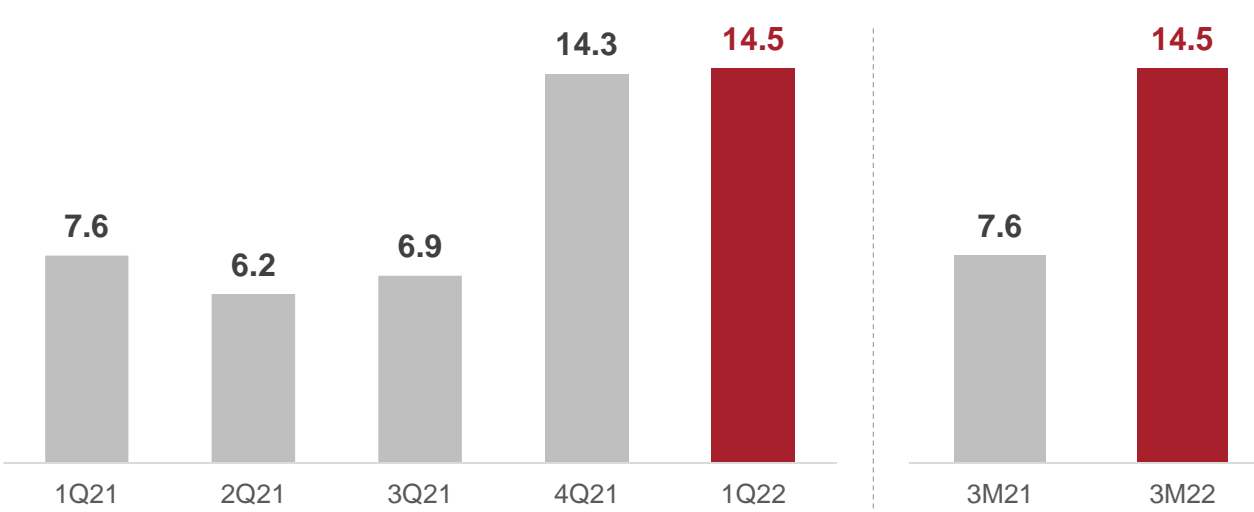
*adjusted for cost in relation to capacity building

Investment Management Segment

Revenue
RM 'mil



PBT
RM 'mil

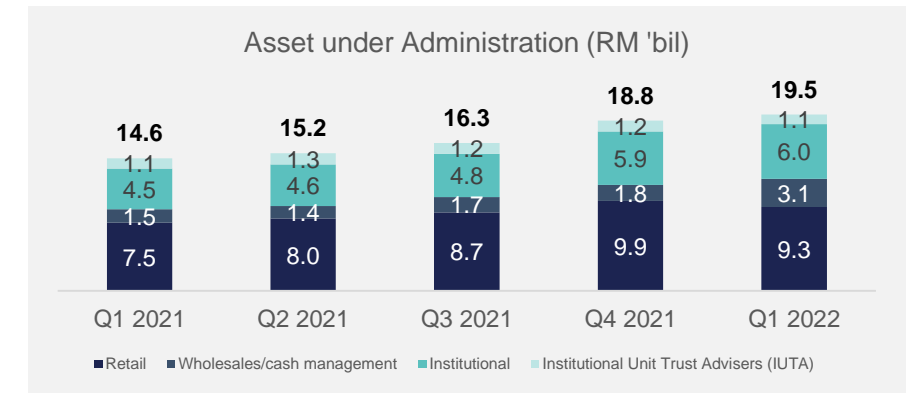


vs. 4Q21

- **1Q22 revenue** and **PBT** maintained **QoQ**
- **1Q22 AUA** grew to RM19.5 bil from RM18.8 bil in 4Q21 (RM0.7 bil or 3.7%) due to increase of UT sales and institutional mandates

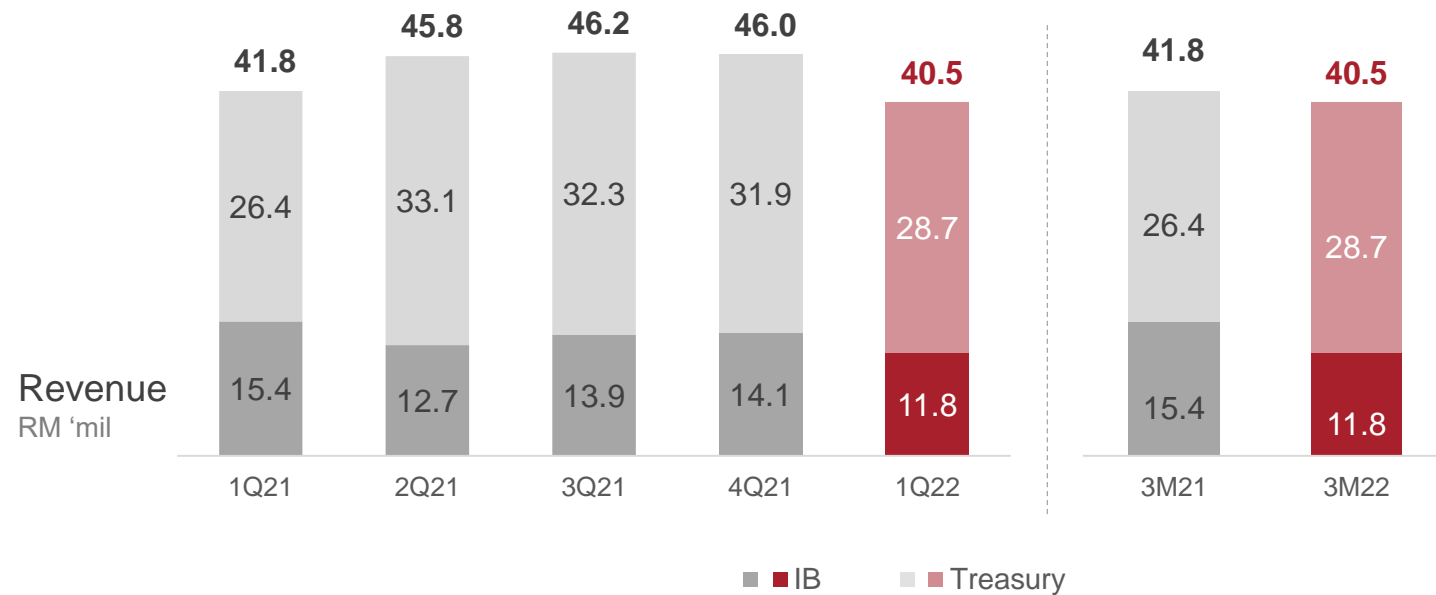
vs. 1Q21

- **1Q22 PBT** doubled **YoY** mainly due to higher management fee income generated on the back of increased AUA and sales agency force



- Kenanga Digital Investing was launched in mid-February 2022

Investment Banking Segment

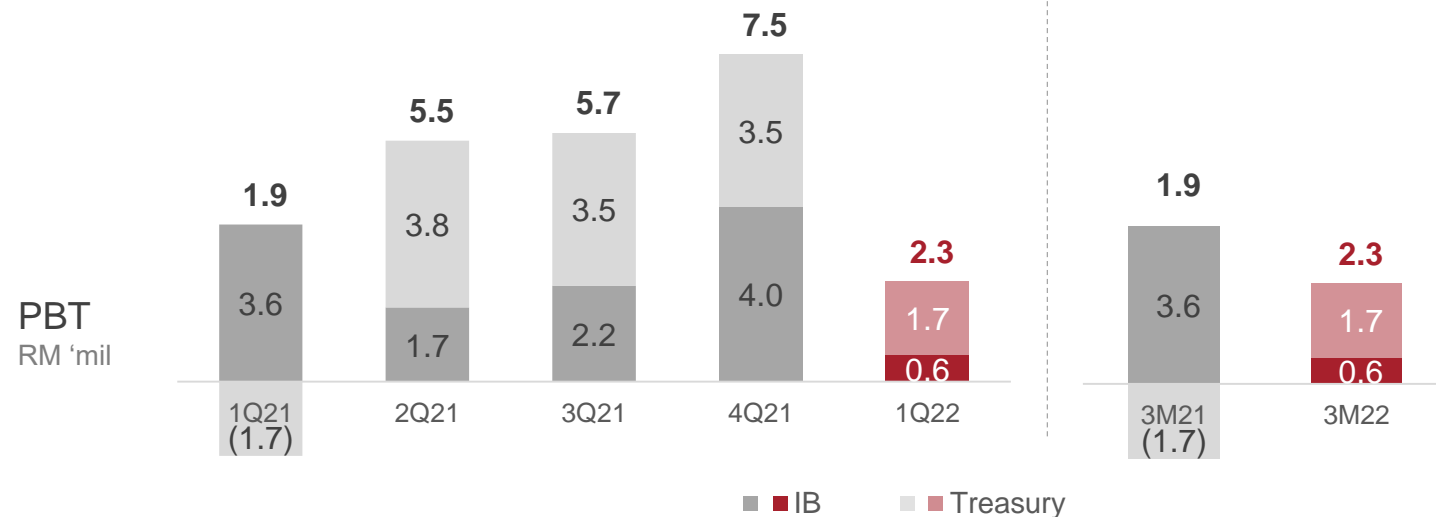


vs. 4Q21

- **1Q22 revenue** declined **QoQ** due to lower interest income, lower fee income, as well as lower trading & investment income compared to the previous quarter
- **1Q22 PBT** declined **QoQ** as a result of lower revenue generated

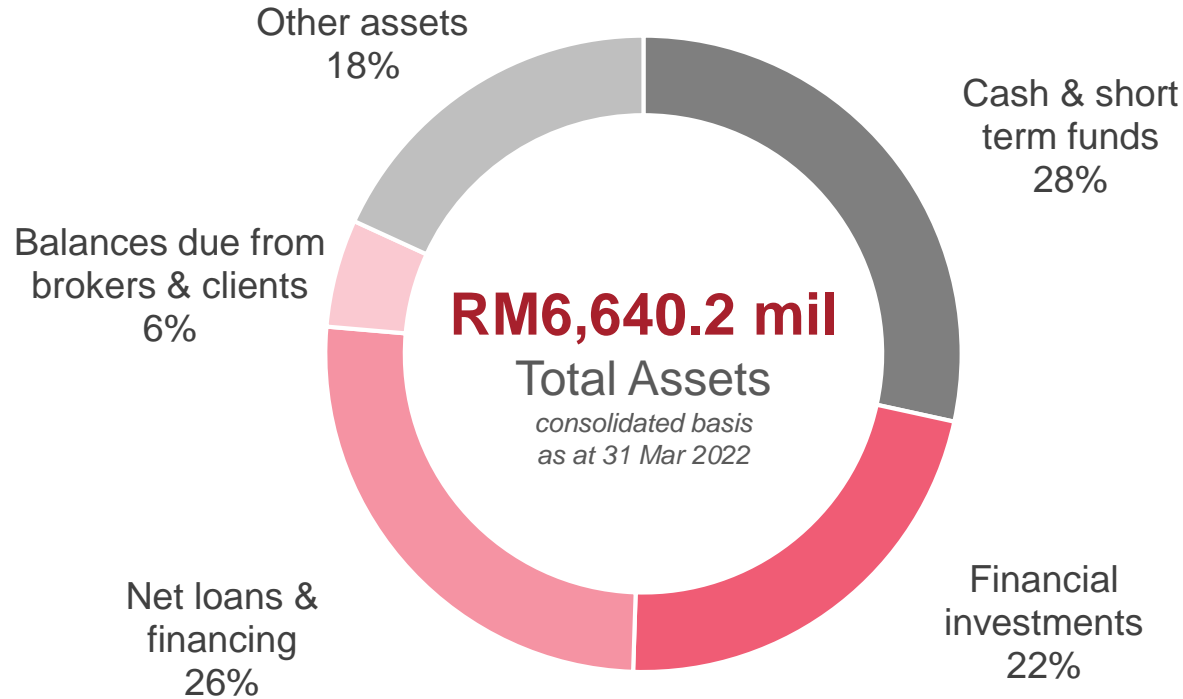
vs. 1Q21

- **1Q22 PBT** was slightly higher **YoY** despite lower IB fee income as treasury recorded a lower net trading and investment loss compared to 1Q21



RM 'mil	4Q21	1Q22
Interest Income	37.0	35.0
Fee income	5.9	4.1
Trading & Investment Income	1.8	0.4
Others	1.3	1.0
REVENUE	46.0	40.5

Balance Sheet Health



Cash & Short Term Funds

- Placed with highly rated financial institutions and BNM

Financial Investments

- 70% of financial investments are in fixed income securities

Net Loans & Financing

- Net impaired loans ratio of 3.3%
- Impaired loans with less than 100% security coverage are fully provided

A+

Credit Rating

Malaysian Rating Corporation Berhad

0.24x

Gearing Ratio

Borrowing over total equities

26.1%

Total Capital Ratio

BNM's minimum requirement: 10.5%

143.8%

Liquidity Coverage Ratio

BNM's minimum requirement: 100%

115.1%

Net Stable Funding Ratio

BNM's minimum requirement: 100%

Business Outlook

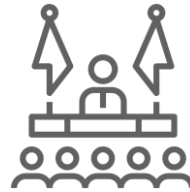


Market outlook 2022 – Expect headwinds in 2022



Lower Bursa market trading value

Due to the lack of investment catalysts
YTD Mar 2022 ADV: RM5.3 bil vs.
2021 ADV: RM7.3 bil



Global and domestic political uncertainties

Arising from tensions caused by the Russia-Ukraine crisis and the upcoming general election in Malaysia



Global inflationary concerns

Causing rising bond yields and aggressive monetary tightening cycle led by the U.S. Federal Reserve



Economic recovery gains traction

As more economic sectors resume their normal levels of productivity and the reopening of international borders

Outlook for the Rest of 2022

Stockbroking

- ▶ **Gross brokerage:**
 - ▷ The **market is expected to remain tepid** and trading activities will be influenced by the ongoing local political and geopolitical concerns
 - ▷ Rakuten Trade to continue attracting new customers and spur **account growth through its new growth driver – foreign share trading** which was launched in mid-January 2022
- ▶ **Interest income:** Portfolio remains at **RM1.2 bil** while **maintaining credit quality**
- ▶ **Trading & investment income:** Driven by structured warrants (**1Q22: RM3.4 mil**) and AI/Quant assisted trading

Investment Banking

- ▶ **Investment banking**
 - ▷ **1 Reverse take-over** (“RTO”) and **2 IPOs** in pipeline
- ▶ **Treasury**
 - ▷ Increasing optimism on domestic growth and risks of higher inflation are pointing towards expectations of further rate hikes by BNM. Amidst this backdrop, Treasury remains cautious in taking on risks in its portfolios.

Investment Management

- ▶ Retail segment growth will be driven by the **continued growth in agency channels**. Agency force grew by **321 YTD**, bringing the **total number to 4,939**
- ▶ **Kenanga Digital Investing** set to expand our market reach and target the Un(der)-served and un(der)-invested market

Private Equity Investments

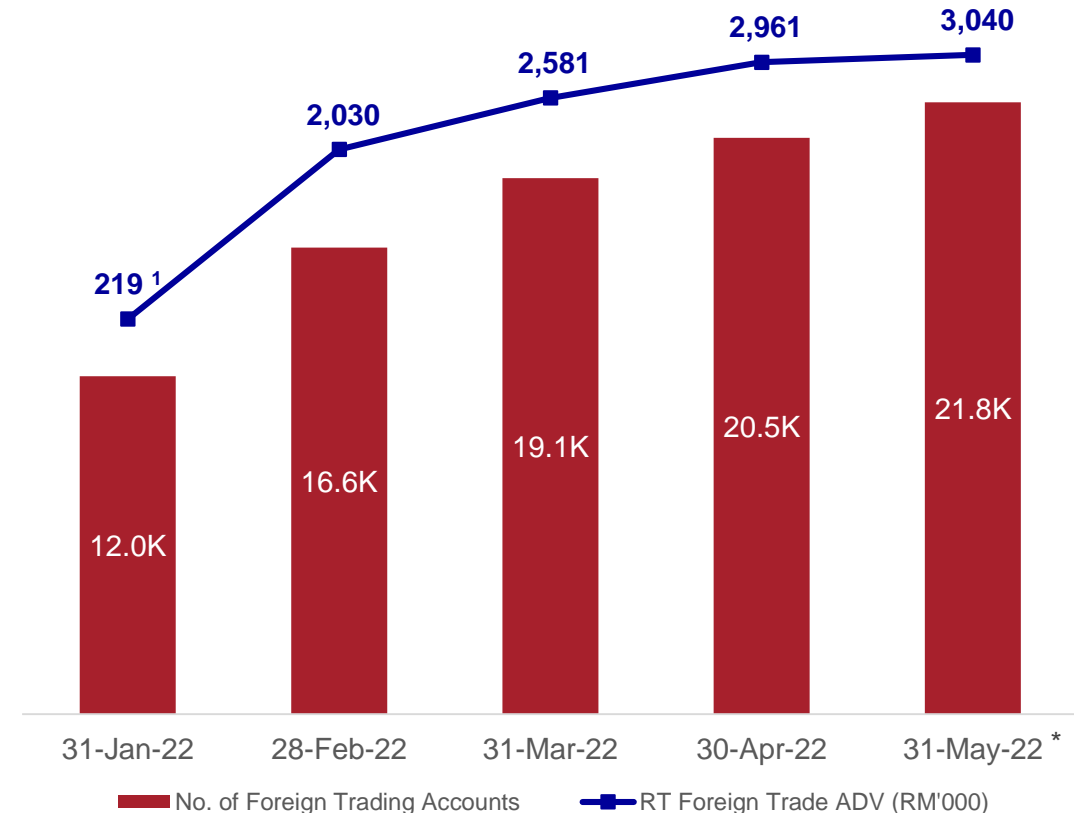
- ▶ **Positive results and track record** from our investments in private equity
 - ▷ Expect to record **investment gains** with the realization from one of our investments through RTO

New revenue stream – Foreign Share Trading by Rakuten Trade

Rakuten Trade

Strong growth in foreign share trading since launch

RT Foreign Trade ADV & No. of Foreign Trading Account



1. Rakuten Trade's Foreign Share Trading was launched in 13 January 2022

* Based on latest available data – 31 May 2022

New revenue stream – Digital Investment Management

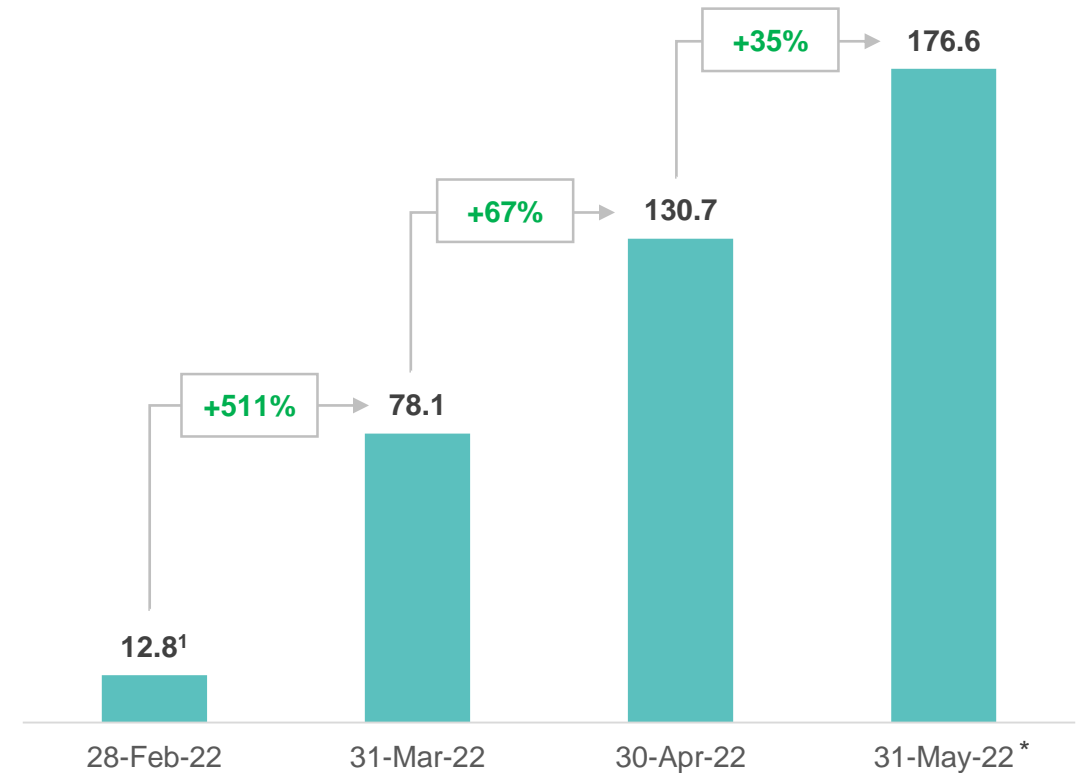
Kenanga Digital Investing
Surpassing RM170 mil in Asset
under Management within three
months since grand launch



~10,000

No. of accounts opened since
grand launch¹

Asset under Management (RM 'mil)



¹.KDI was launched in 15 February 2022

* Based on latest available data – 31 May 2022

Kenanga's transformation journey

Pre 2017

Organic Growth and M&As

- **Grow by acquisitions**
ECM, ING, Libra, IVCAP
- **Build and advance leadership/ranking in core businesses**
EB, IB, KIB
- **Build core competencies and management team**
- **Strengthen financial position**
capital ratios, credit rating, dividends

2017 - 2021

Digital and Digitalization

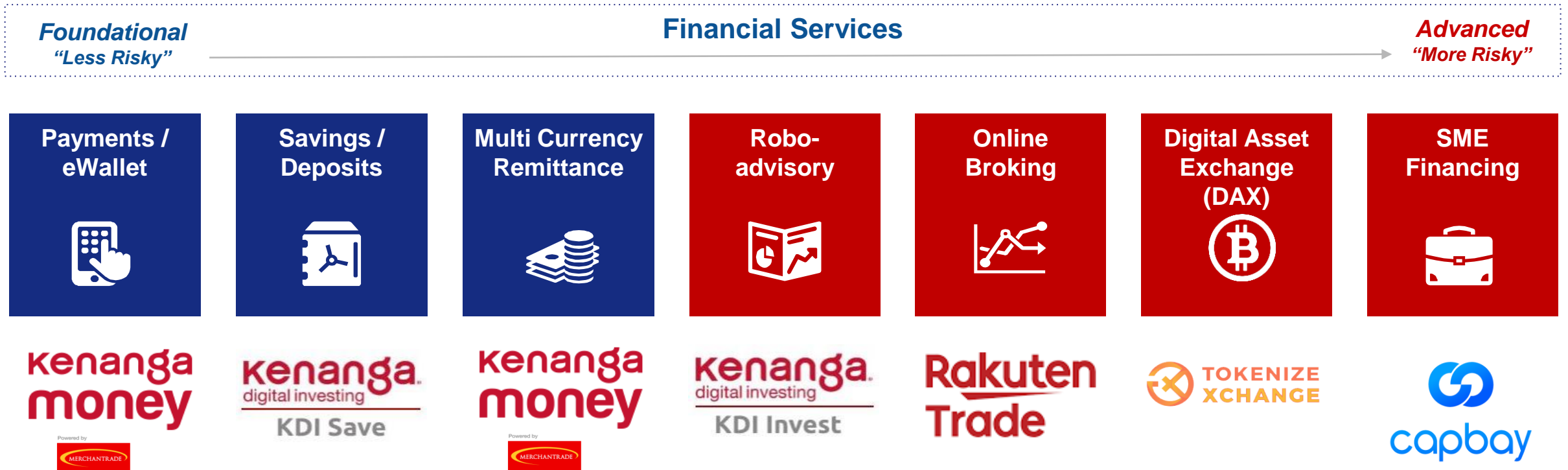
- **Establish strategic collaborations**
Rakuten, Japan, Pivot, Yuanta, CapBay, Merchantrade, Tokenize Xchange
- **Formation of Malaysia's first self-directed online broking platform**
Rakuten Trade
- **Build new digital business**
KDI, Margin Platform, Kenanga Money, KDF Active
- **Build digital competencies**
Group Digital Ventures
- **Digitalization**
Agency Portal (K2), new MHBOS, KIB Web, AI & Data Analytics, eKYC (Innov8tif), Cloud (AWS, Azure)

2022 - 2025

Further Scale and
Grow through
**Super App and
Ecosystem
Partnerships**

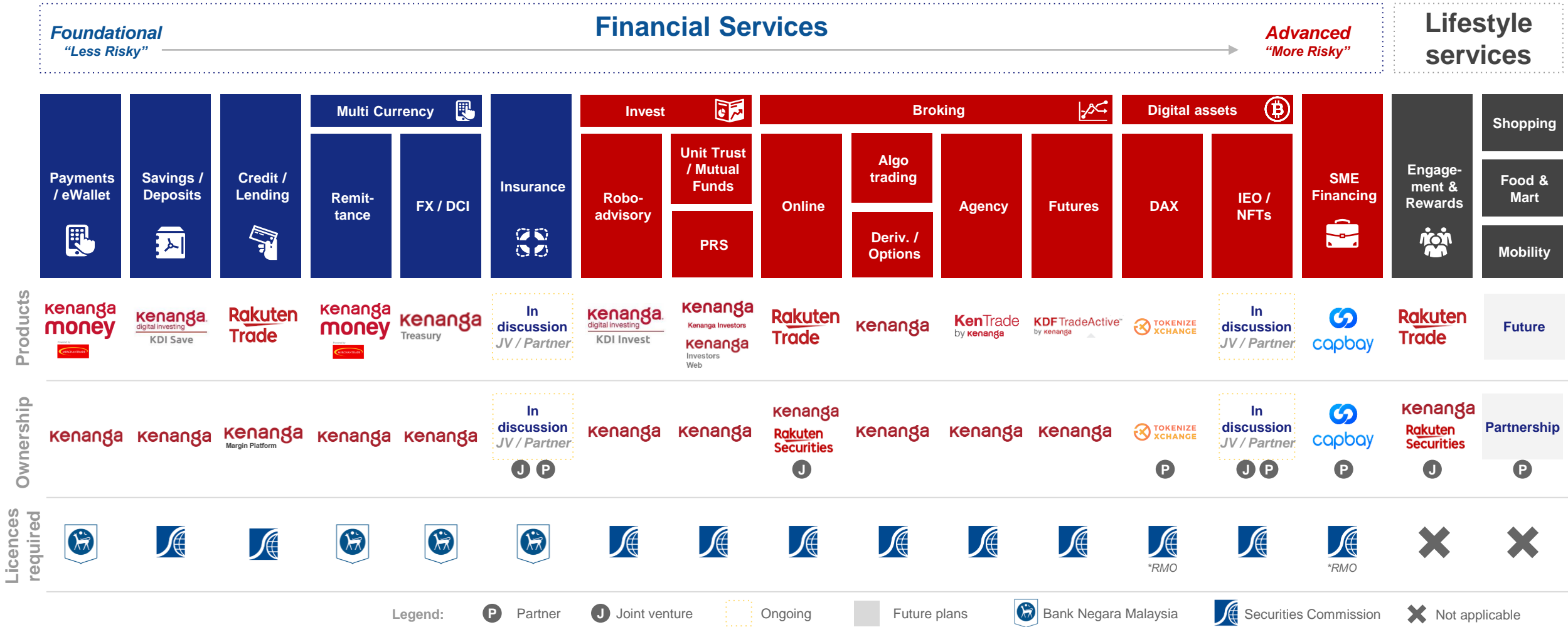
We offer a full spectrum of digital financial/wealth services to retail market

Kenanga has **leading positions and decades of experiences** in many of these services. Our wide spectrum of services will **not be easy to duplicate** as it will take time/effort especially with requirements of multiple specific regulatory licenses. This gives us **ample “coopetition”** opportunities.



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Consolidate the ecosystem with SuperApp

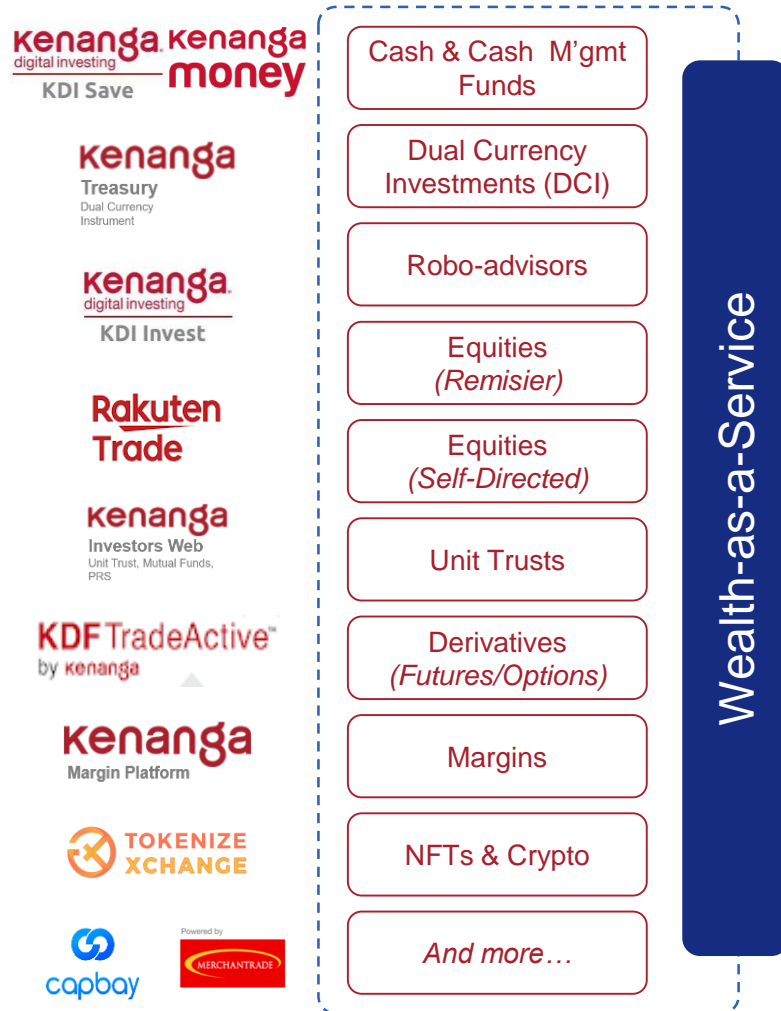
Kenanga's **SuperApp** will be a **one-stop centre** for our wide spectrum of digital financial & wealth offerings, complemented by lifestyle services



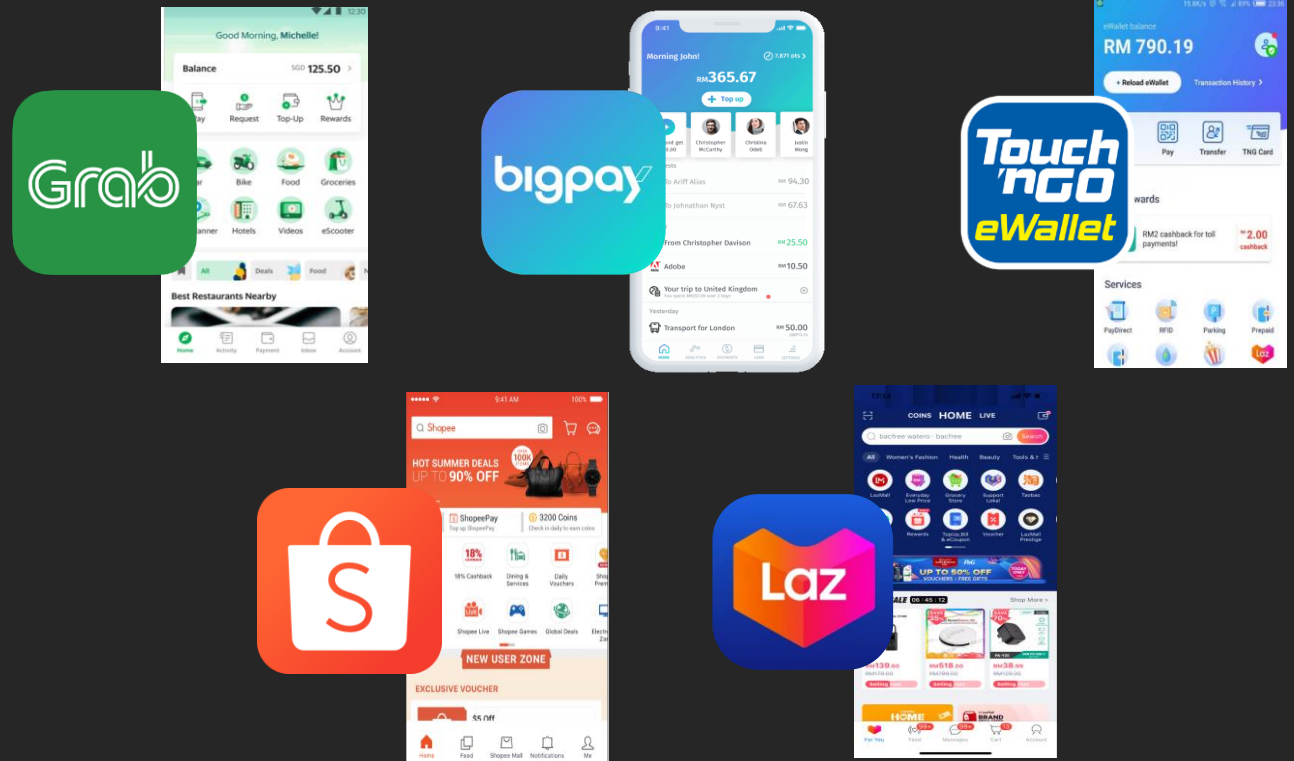
KENANGA WEALTHTECH PLATFORM

- Rakuten Trade**
- kenanga**
Investors Web
Unit Trust, Mutual Funds, PRS
- kenanga**
Treasury
Dual Currency Instrument
- kenanga**
digital investing
KDI Save
- kenanga**
digital investing
KDI Invest
- kenanga**
Margin Platform
- KDF TradeActive™**
by kenanga
- kenanga money**
- TOKENIZE XCHANGE**
- capbay**

Wealth-as-a-Service



Kenanga's **Wealth-as-a-Service** will allow ecosystem partners to have one or more our digital offerings to be offered on their platform via **API**, white-labelling and other forms



Partners shown are illustrative only



kenanga

Q&A