

Investor Briefing 3Q2022 Results

Kenanga Investment Bank Berhad



13 Dec 2022

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Key Highlights 3Q2022

RM181.8 m (+2.7%)

Revenue

+RM4.9 mil
vs. 2Q2022

RM17.4 m (-14.5%)

Profit before Tax

-RM2.9 mil
vs. 2Q2022

RM5.7 m (-69.2%)

Profit after Tax

-RM12.9 mil
vs. 2Q2022

0.76 sen (-69.8%)

EPS

-1.8 sen
vs. 2Q2022

RM1,010.3 m

Shareholders' Equity

as of 30 Sep 2022

2.2% (-70.3%)

Annualised ROE¹

-5.2 p.p
vs. 2Q2022

- ▶ Revenue increased mainly contributed by higher management fee income from Investment & Wealth Management Segment
- ▶ However, PBT declined as compared to previous quarter due to higher operating and credit loss expenses
- ▶ Despite that, the Group remains the largest and fastest growing retail stockbroker with retail segment share up by 1.6p.p QoQ to 29.6% in 3Q2022
- ▶ Effective after the market closing on 16 Dec 2022, KIBB will be officially included in the FTSE4Good index series

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.

Key Highlights 9M2022

RM543.6 m (-18.3%)

Revenue

-RM121.8 mil
vs. 9M2021

RM59.1 m (-44.5%)

Profit before Tax

-RM47.4 mil
vs. 9M2021

RM41.3 m (-52.3%)

Profit after Tax

-RM45.2 mil
vs. 9M2021

5.59 sen (-52.9%)

EPS

-6.3sen
vs. 9M2021

RM1,010.3 m

Shareholders' Equity

as of 30 Sep 2022

5.3% (-53.4%)

Annualised ROE¹

-6.0 p.p
vs. 9M2021

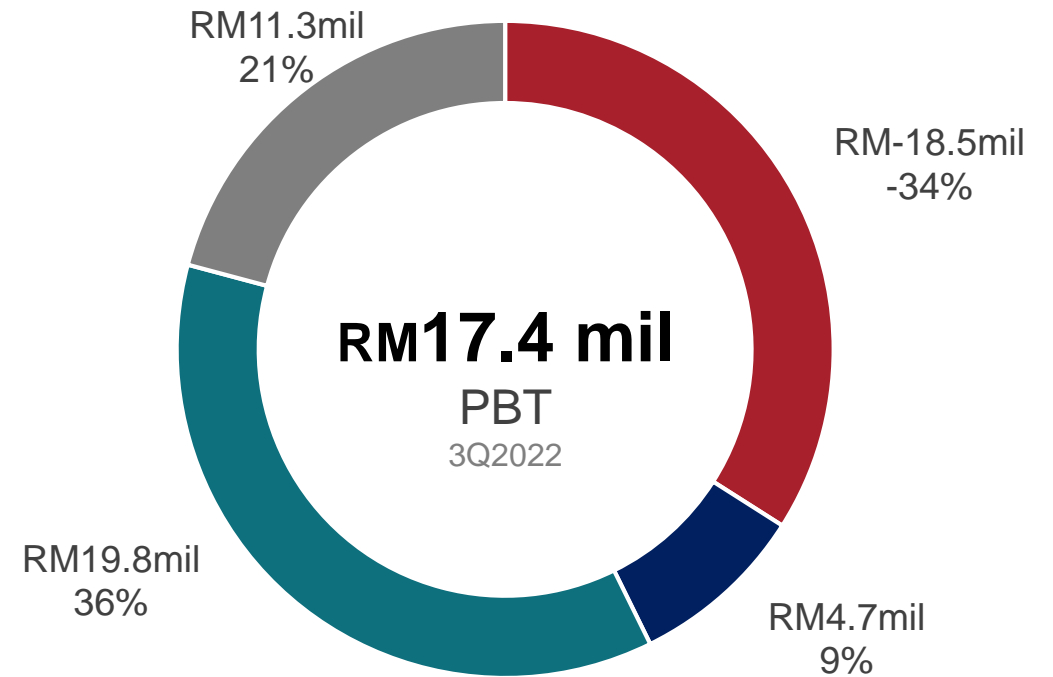
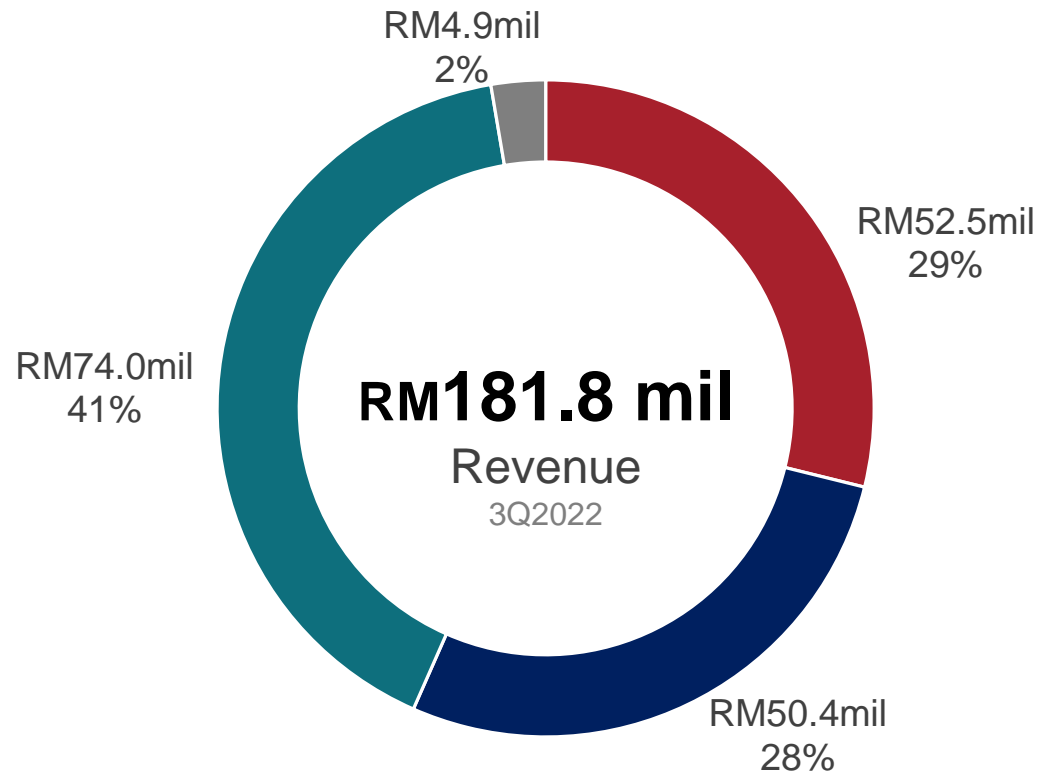
- ▶ Revenue and PBT declined mainly due to lower brokerage fee income as Bursa ADV declined from RM7.3 bil in 2021 to RM4.4 bil as at YTD Sep 2022
- ▶ However, lower revenue is partially mitigated by higher management and performance fee income from Investment & Wealth Management Segment
- ▶ Nevertheless, our retail segment share has increased by 4.1p.p YoY to 27.6% in 9M2022

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

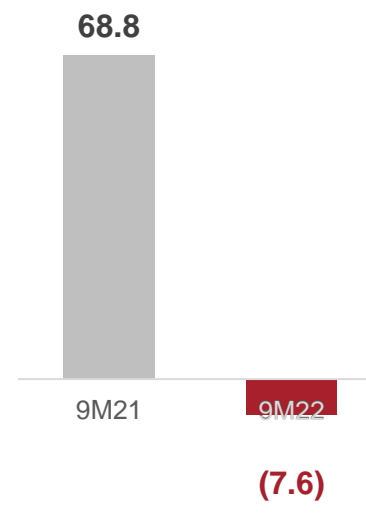
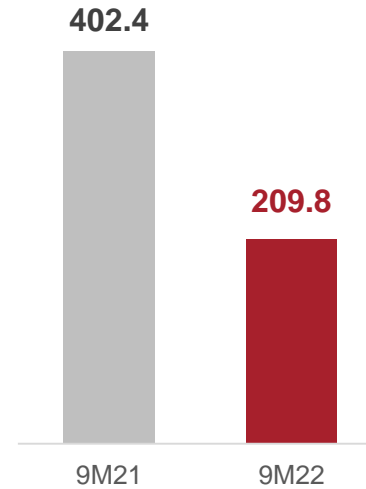
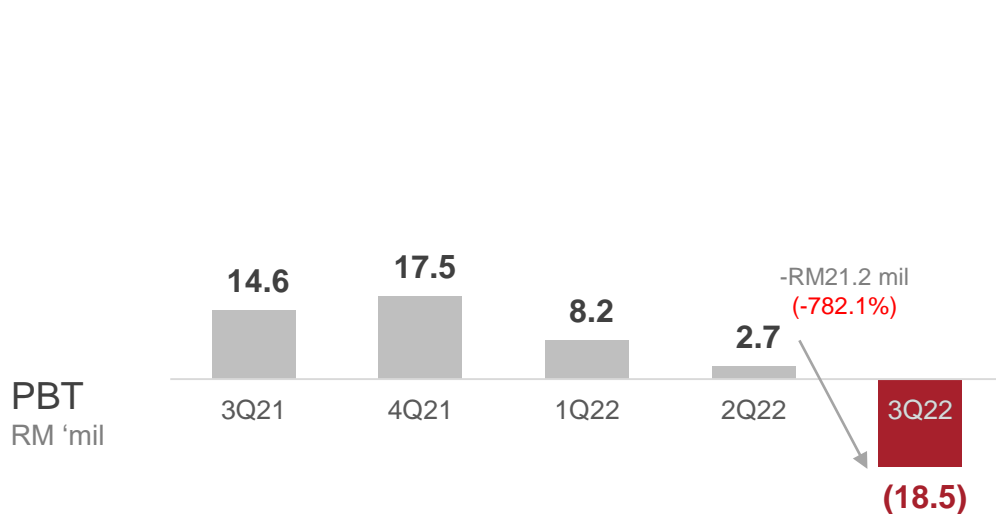
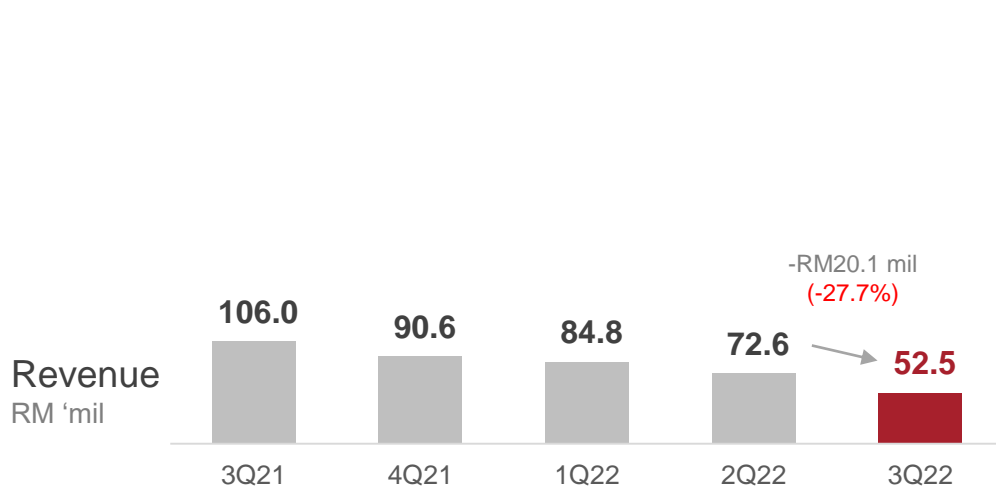


3Q2022 Segmental Breakdown



■ Stock Broking ■ Investment Banking ■ Investment Management ■ Others

Stockbroking Segment



vs. 2Q22

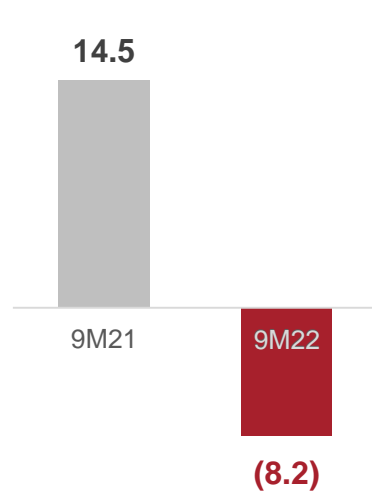
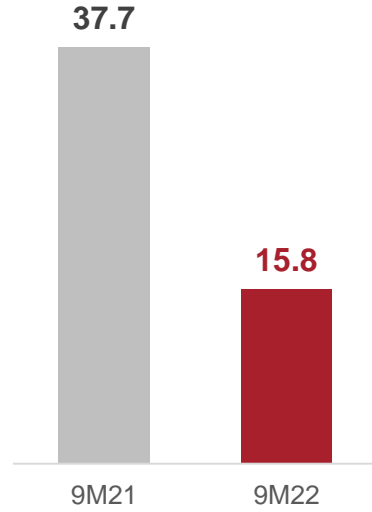
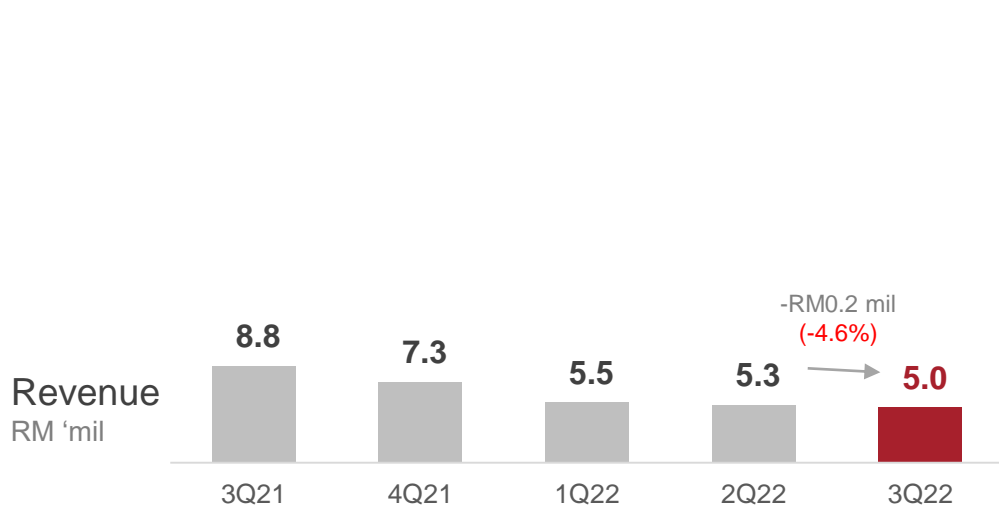
- **3Q22 Revenue and PBT** declined **QoQ** mainly from losses recorded in structured warrant trading due to sudden volatility in HSI Index. EB has suspended new issuance of HSI warrants pending review of its risk management policies over the HSI warrants
- As Bursa ADV continuously decline to RM3.5 bil in 3Q2022 (from RM4.5 bil in 2Q22), brokerage income reduced slightly compared to the previous quarter
- Retail segment share increased by 1.6p.p **QoQ** to 29.63% in 3Q2022

	RM 'mil	2Q22	3Q22
Gross brokerage		39.9	38.0
Trading & investment income		11.5	(7.6)
Interest income		17.6	17.9
Fee income		1.6	1.7
Others		2.0	2.4
REVENUE		72.6	52.5

vs. 9M21

- **Lower revenue and PBT** recorded for **9M22** as compared to the same period last year mainly due to reduced brokerage fee income as well as trading and investment income

Rakuten Trade

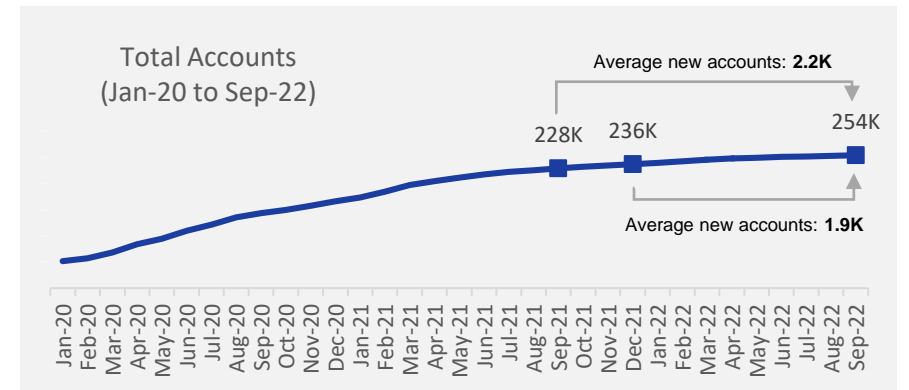


vs. 2Q22

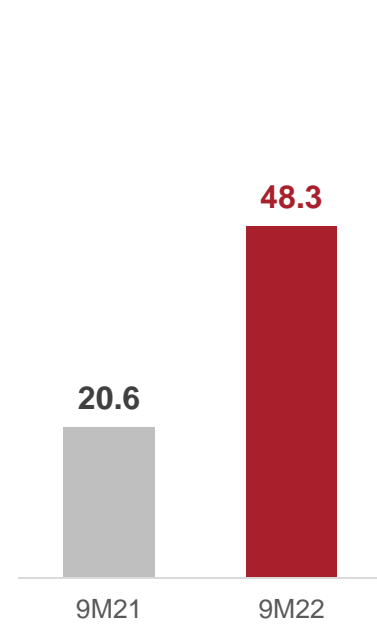
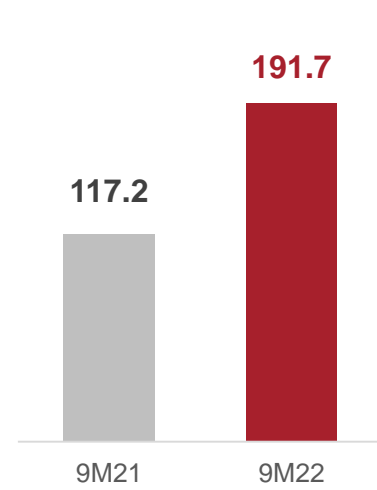
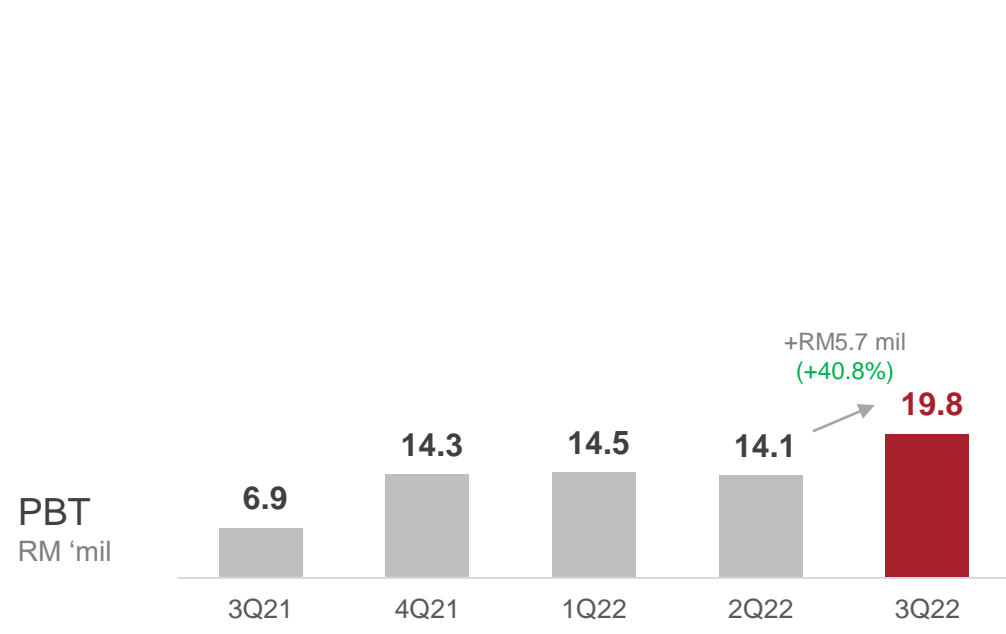
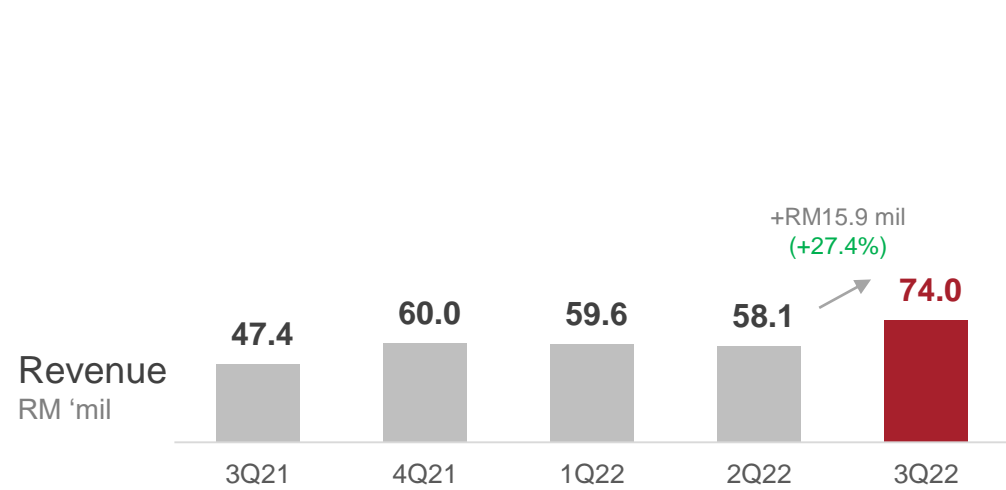
- **3Q22 revenue** declined slightly **QoQ** due to lower brokerage income from local trading activities which was partially mitigated by higher net interest income as a result of increased OPR
- **Higher LBT** recorded **QoQ** due to higher overhead costs and recognition of expected credit losses during the quarter. The credit loss arose from contra facilities which one counter has declined significantly that caused clients to make losses. The losses are expected to be mostly recovered as clients have reverted with repayment plans*

vs. 9M21

- **LBT** recorded in **9M22** was mainly due to lower Bursa ADV caused by weak market sentiments



Investment & Wealth Management Segment

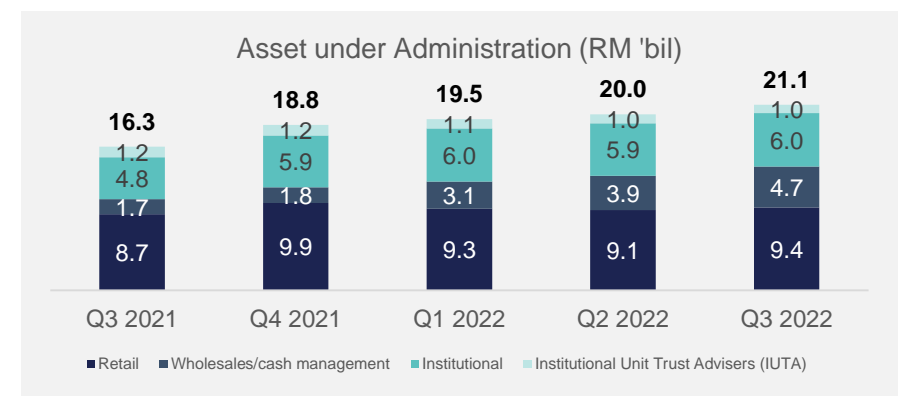


vs. 2Q22

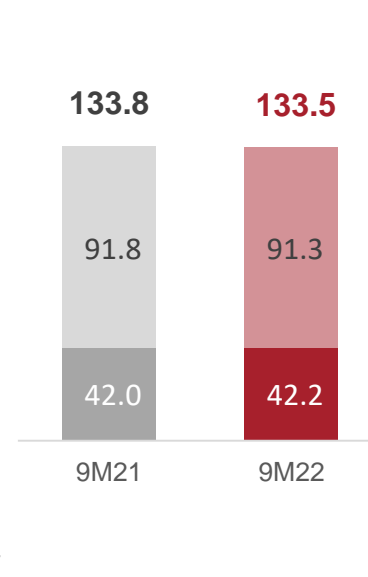
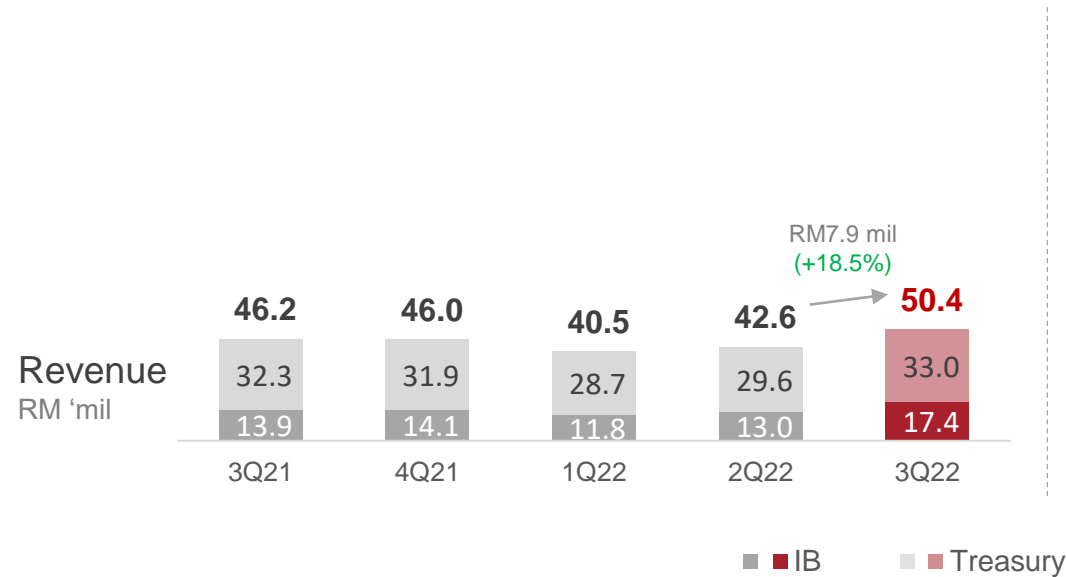
- **Revenue** increased in the current quarter due to higher management fee income and upfront fees received from alternative investment products while **PBT** increased by a lesser degree due to higher overheads
- **3Q22 AUA** grew 5.4% to RM21.1 bil **QoQ** due to increased sales from agency distribution force and Private Wealth channels

vs. 9M21

- **9M22 Revenue** and **PBT** increased prominently **YoY** mainly due to higher management and performance fee income generated on the back of increased AuA and sales agency force



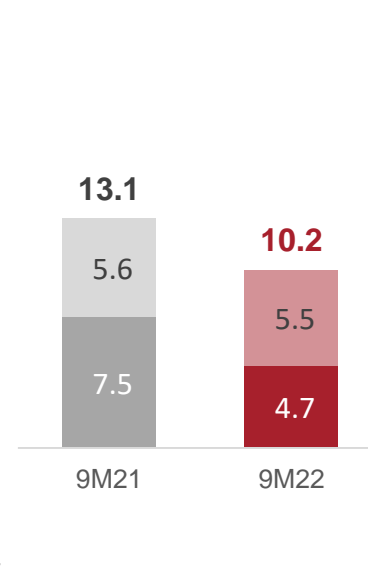
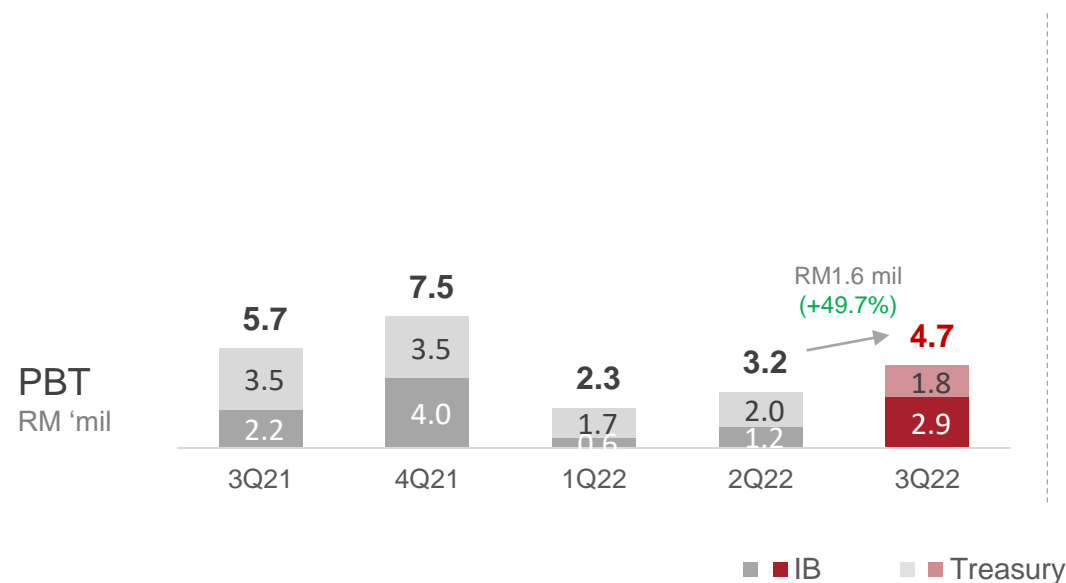
Investment Banking Segment



vs. 2Q22

- **3Q22 revenue** increased **QoQ** mainly due to increase in interest income and IB fee income
- **3Q22 PBT** increased by a lesser degree due to higher personnel cost and credit loss expense

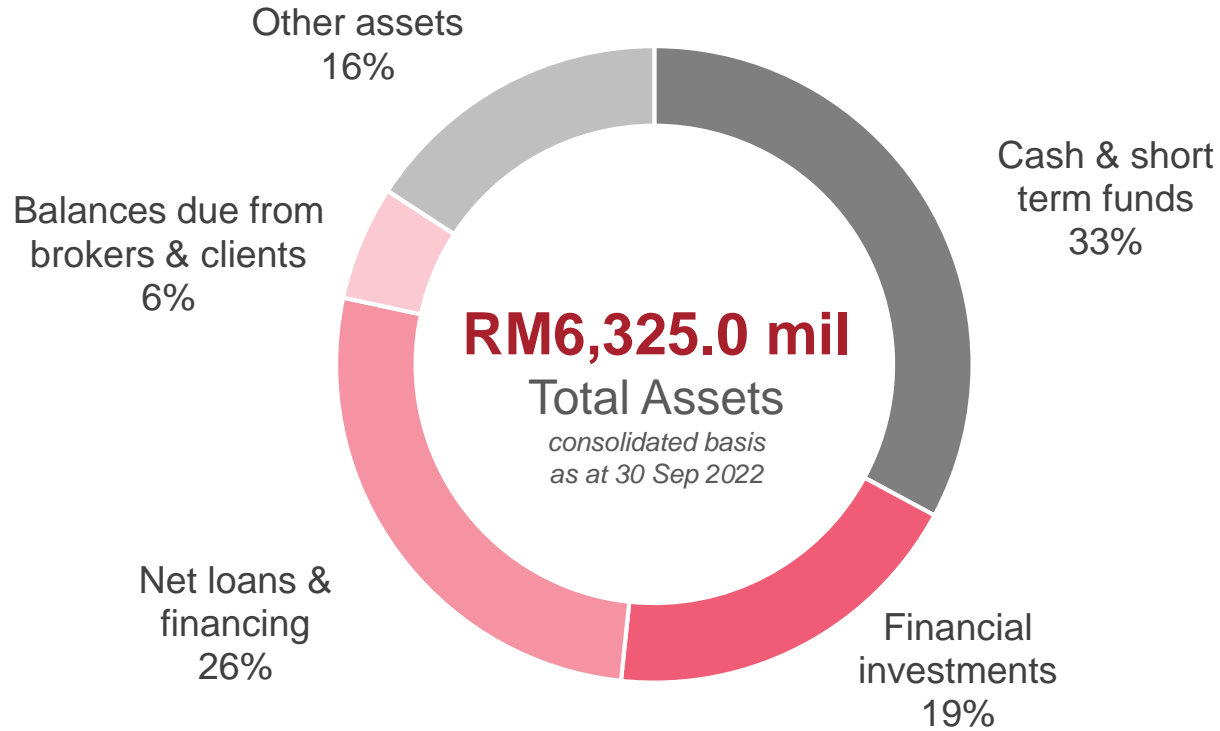
	RM 'mil	2Q22	3Q22
Interest Income		35.3	41.0
Fee income		5.0	6.9
Trading & Investment Income		0.8	0.9
Others		1.5	1.7
REVENUE		42.6	50.4



vs. 9M21

- **9M22 revenue** declined **YoY** due to reduced interest and other income
- **PBT** showed a steeper decline **YoY** due to overall increase in overheads and credit loss expenses

Balance Sheet Health



Cash & Short Term Funds

- Placed with highly rated financial institutions and BNM

Financial Investments

- 68% of financial investments are in fixed income securities

Net Loans & Financing

- Net impaired loans ratio of 3.1%
- Impaired loans with less than 100% security coverage are fully provided

A+

Credit Rating

Malaysian Rating Corporation Berhad

0.21x

Gearing Ratio

Borrowing over total equities

25.8%

Total Capital Ratio

BNM's minimum requirement: 10.5%

223.0%

Liquidity Coverage Ratio

BNM's minimum requirement: 100%

116.1%

Net Stable Funding Ratio

BNM's minimum requirement: 100%

Business Outlook

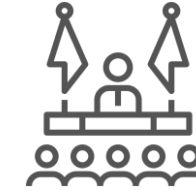


Market outlook 2022 – Expect headwinds in 2022



Lower Bursa market trading value

Due to the lack of investment catalysts
YTD Sep 2022 ADV: **RM4.4 bil** vs. 2021 ADV: **RM7.3 bil**



Global and domestic political uncertainties

Arising from tensions caused by the Russia-Ukraine crisis, China-Taiwan tensions 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:**
 - ▷ **Investors are expected to remain conservative** and trading activities will continue to be affected by uncertainty in the macroeconomic environment
 - ▷ Rakuten Trade to continue attracting new customers and spur **account growth as well as trading activities** through **foreign share trading** and the newly launched **foreign currency trust wallet**. Expect to **launch HK market products** by end-2022 or early-2023 to take advantage of possible upturn in the market from China's Covid Policy easing
- ▶ **Interest income:** Portfolio falls to **RM1.1 bil** while **credit quality remained**
- ▶ **Trading & investment income:** Conservative trading especially on ED as the Bank intend to minimize P/L volatility and review its ED exposure to HK Market

Investment Banking

- ▶ **Investment banking**
 - ▷ **In pipeline: 2 IPOs** in Main and ACE market respectively, targeted for listing in 2023
 - ▷ **Completed 1 RTO** for listing on ACE market in November 2022
- ▶ **Treasury**
 - ▷ Treasury will remain cautious in taking on risks in portfolios in view of the broadening inflation risks which points towards BNM continuing to tighten monetary policies in upcoming meetings
 - ▷ Look into investing in government bonds which give good yield for HTM book

Investment Management

- ▶ Retail segment will continue to grow with **enlarged agency force** while Institutional and Private Wealth channels are expected to grow with **new mandates and increased high-net-worth clientele**
- ▶ **AuA growth** will be driven by the expected market recovery and improvement in fund performances leading to **higher NAV valuations** and **management fees**
- ▶ **Kenanga Digital Investing** is set to expand our market reach and target the un(der)-served and un(der)-invested market

Private Equity Investments

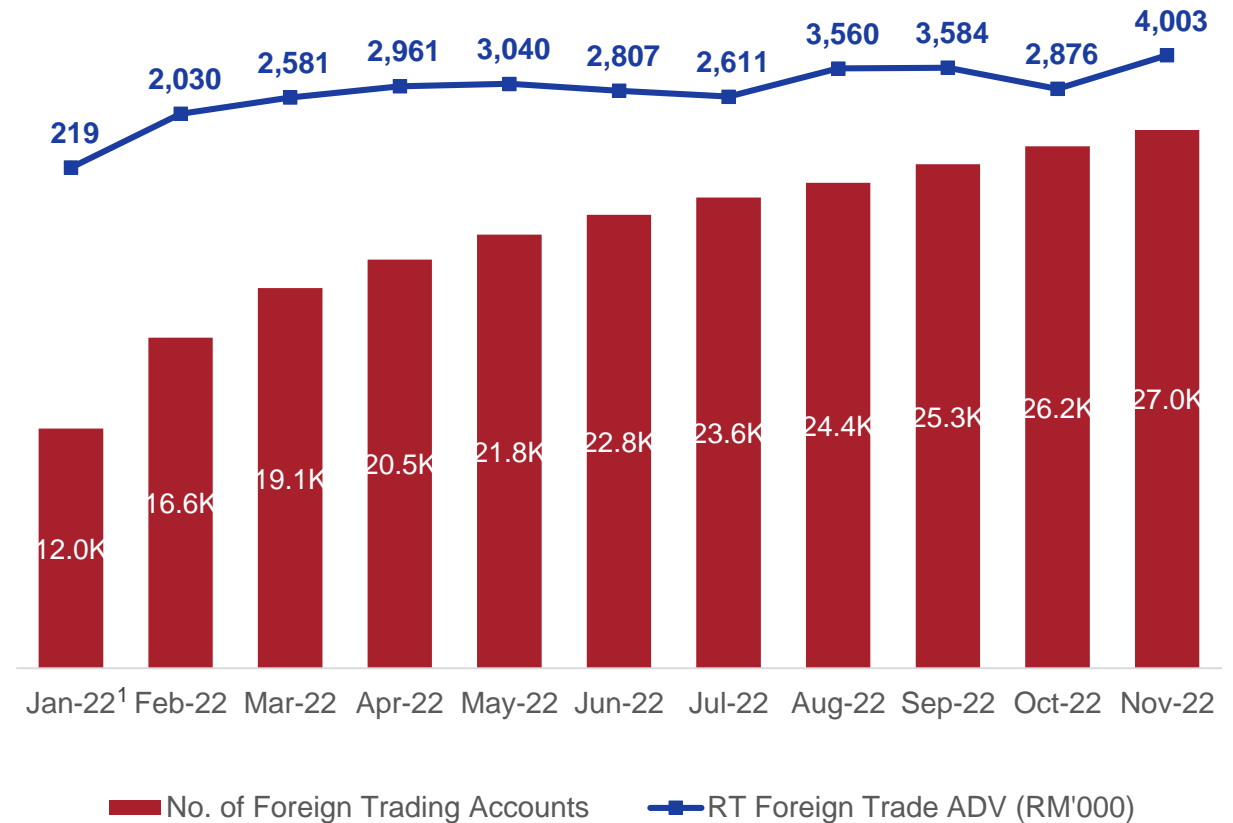
- ▶ **Positive results and track record** from our investments in private equity
 - ▷ No major revaluation, investment values stable, except for one quoted investment which has been MTM. The investment is fundamentally performing well though its share price is affected by market sentiments

New revenue stream – Foreign Share Trading by Rakuten Trade

Rakuten Trade

- Strong growth in foreign share trading since launch¹
- Launched foreign currency trust wallet which allows customers to keep USD in trust². Expect to stimulate more trading in US stocks

RT Foreign Trade ADV & No. of Foreign Trading Account



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

2. Rakuten Trade's Foreign Currency Trust was launched on 30 August 2022

New revenue stream – Digital Investment Management

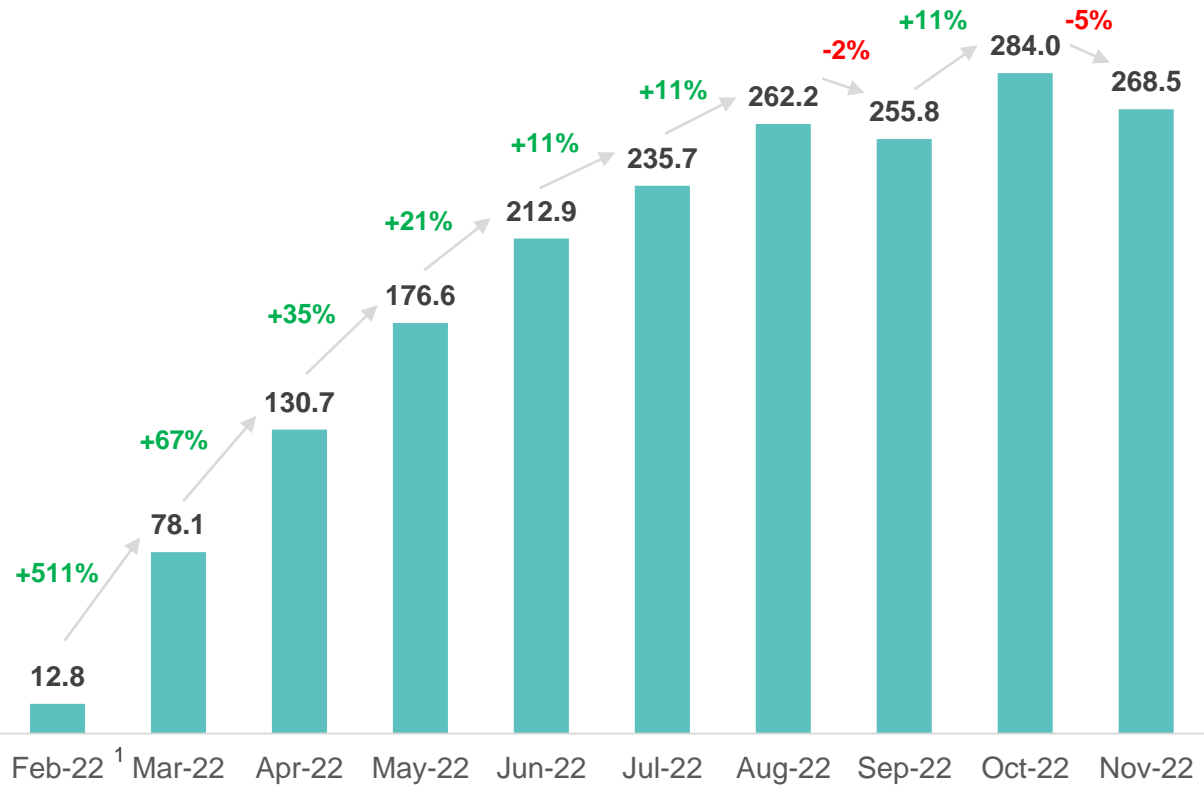
Kenanga Digital Investing
Surpassing RM260 mil in Asset
under Management within 9 months
since grand launch¹



>16,000

No. of accounts opened since
grand launch¹

Asset under Management (RM 'mil)



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Thank You

