

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS



Investment Banking

With the strongly unfavourable market, the Investment Banking division eased its PBT to RM15.8 million in FY2022 compared to RM20.6 million the previous year.

In the equity capital market, the division was instrumental in the successful listing of a pawnshop operator, Pappajack Berhad on the ACE Market of Bursa Malaysia—the first of its kind to be listed on the Malaysian stock exchange, which underscores Kenanga's strength in bringing non-conventional listing aspirants to Bursa Malaysia. The division had also successfully listed a digital solution and application development specialist, Agmo Holdings Berhad on the ACE Market of Bursa Malaysia with a strong debut of 207.7% premium over its initial public offering (“**IPO**”) price. In the course of the year, the division also filed for the listing of another three (3) IPOs—Synergy House Berhad (ACE Market), Skyworld Development Sdn Bhd (Main Market), and Neptune Asia Services Sdn Bhd (Main Market)—which are targeted to list by 2Q FY2023. The division also advised on the reverse acquisition of G Neptune Berhad by Southern Score Sdn Bhd, raising a total of RM108.9 million in conjunction with the backdoor listing, and participated as Joint Underwriter in Yinson Holdings Berhad's RM1.2 billion rights issue, being one of the largest equity fundraisings in the market since the pandemic which was oversubscribed by 22.3%. The transaction was awarded 'The Edge Deals of 2022: Best Fundraising (Non-IPO)' award. In addition, the Investment Banking division was also the Joint Underwriter for the RM974 million Capital A's rights issue, winning the 'Best Debt Restructuring Deal of the Year 2022' at the Alpha Southeast Asia 16th Annual Best Deal & Solution Awards 2022.

In the debt capital market, the division acted as the Joint Lead Manager and played a significant role in the book building of the RM1.5 billion issuance under Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN)'s existing RM12.3 billion Sukuk Murabahah Programme, as well as Prasarana Malaysia Berhad's RM1.4 billion issuance under its two (2) existing Sukuk Murabahah Programmes.

Meanwhile in the area of corporate debt, the division was appointed as the Principal Adviser, Lead Arranger, Lead Manager and Shariah Adviser and Facility Agent for Gabungan AQRS Berhad's proposed Islamic Commercial Paper (“**ICP**”) and Islamic Medium-Term Note (“**IMTN**”) Programme of RM200 million in nominal value, as well as SkyWorld Capital Berhad's ICP and IMTN Programme of RM300 million in nominal value. The division also advised on Impiana Hotels Berhad's Redeemable Convertible Notes Programmes to raise funds for debt repayment and working capital; and Sarawak Cable Berhad's proposed issuance of Redeemable Convertible Debts with a total value of RM48.4 million.

In corporate banking, the division maintained a prudent management approach to monitor its portfolio's credit risk given the increasingly volatile macroeconomic environment. The division is growing its portfolio cautiously, by undertaking stringent credit assessments for all corporate lending prospects. As such, its loan portfolio currently stands at RM571 million as we cautiously grew in 2022.

In Islamic finance, the division's Shariah Committee continued its role as Shariah advisor to sukuk programmes established by debt capital market clients, including Gabungan AQRS Berhad and Skyworld Capital Berhad. It also assisted the Equity Broking division in developing a new Islamic Securities Selling and Buying Negotiated Transaction product which came on stream in August 2022.

Meanwhile, FY2022 PBT for the Group's Treasury business moderated to RM6.0 million, down RM3.1 million from the year before due to significantly lower interest income amidst a backdrop of rising interest rate scenario which adversely affected the bond market. The prudent stance in reducing its bond portfolio since 2021 has minimised the losses from the bond market and Kenanga's liquidity ratios remain healthy despite strong competition in the deposit market due to continuing efforts to diversify its client base. Treasury will continue its product diversification initiatives to increase profitability and achieve higher sales volume.