

Corporate Exercises Mastery

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Who's Ian Tai?

Content Producer of KCLau.com

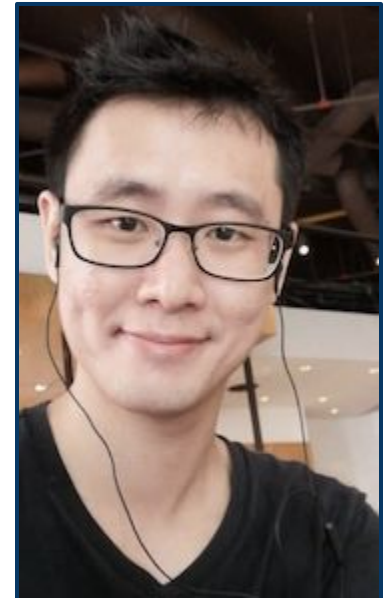
- Written 100+ Articles on KCLau.com
- Regular Webinar Host & Presenter.

Co-Founder of DividendVault.com

- We 'manufacture' competent Dividend Investors who can build & manage their own Dividend-Paying Stock Portfolios savvily and independently.

Dividend Investor

- Invest primarily for Dividend Income.
- Averaging 4%-8% in Dividend Yield per annum.



Corporate Exercises:

1. Bonus Issue
2. Share Split
3. Share Consolidation
4. Rights Issue

What is Bonus Issue?

Scenario:

On 29 January 2021, Public Bank Bhd (PBB) has completed its bonus issue where it issued 4 bonus shares for every 1 existing PBB share held by shareholders.

Thus, its stock price had dropped from RM 20.95 a share to RM 4.19 a share.

Question:

So, is Public Bank Bhd (PBB) now cheaper at RM 4.19 a share on 29 January 2021 as compared to RM 20.95 a share on 26 January 2021?

Bonus Issue: Impact to Shareholders

Let's say, Mr. Tan owns 10,000 shares of Public Bank Bhd (PBB) On 27 January 2021, PBB's stock price is RM 20.95 a share. On 29 January 2021, PBB had completed the bonus issue where it issued 4 bonus shares for every 1 existing share. The stock price of PBB has been adjusted to RM 4.19 a share.

Number of Shares (before Bonus Shares)

= 10,000 existing shares

Number of Shares (after Bonus Shares)

= 10,000 existing shares + 40,000 bonus shares (4 bonus shares x 10,000)

= 50,000 shares

Bonus Issue: Impact to Shareholders

Let's say, Mr. Tan owns 10,000 shares of Public Bank Bhd (PBB) On 27 January 2021, PBB's stock price is RM 20.95 a share. On 29 January 2021, PBB had completed the bonus issue where it issued 4 bonus shares for every 1 existing share. The stock price of PBB has been adjusted to RM 4.19 a share.

Investment Value (before Bonus Shares)
= 10,000 existing shares x RM 20.95
= RM 209,500.

Investment Value (after Bonus Shares)
= 50,000 existing shares x RM 4.19
= RM 209,500.

**No Change in
Investment Value**

Bonus Issue: Impact to Shareholders

In 2020, PBB has reported RM 4,871.7 million in shareholders' earnings.

Before its bonus issue, PBB's number of shares issued is 3,882.1 million.
After its bonus issue, PBB's number of shares issued is 19,410.7 million.

Earnings per Share 2020 (before Bonus Shares)

= RM 4,871.7 million / 3,882.1 million

= RM 1.255 a share

Earnings per Share 2020 (after Bonus Shares)

= RM 4,871.7 million / 19,410.7 million

= RM 0.251 a share

Bonus Issue: Impact to Shareholders

Before its bonus issue:

PBB's stock price is RM 20.95 a share.
EPS 2020: RM 1.255 a share.

P/E Ratio

= Stock Price / EPS
= RM 20.95 / RM 1.255
= 16.69

After its bonus issue:

PBB's stock price is RM 4.19 a share.
EPS 2020: RM 0.251 a share.

P/E Ratio

= Stock Price / EPS
= RM 4.19 / RM 0.251
= 16.69

Bonus Issue Doesn't Make a Stock Cheaper or Expensive

Bonus Issue:

So, if Bonus Issue doesn't make a stock any cheaper or expensive ..., why do stocks do bonus issue?

The minimum amount of shares to transact is 100 shares.

Minimum Investment Amount (before bonus issue)

= RM 20.95 x 100 shares

= RM 2,095

Minimum Investment Amount (after bonus issue)

= RM 4.19 x 100 shares

= RM 419

But, Bonus Issue makes a stock more 'Affordable'.

Bonus Issue vs Share Split

Presently, ABC Bhd's stock price is RM 10.00 a share.

Its earnings per share (EPS) is RM 1.00.

Scenario 1: Bonus Issue -

ABC Bhd decides to do 1:1 bonus issue, issuing 1 bonus share for every 1 existing share.

Scenario 2: Share Split -

ABC Bhd decides to do 1:1 share split, splitting 1 existing share into 2 shares.

Impact to Shareholders:

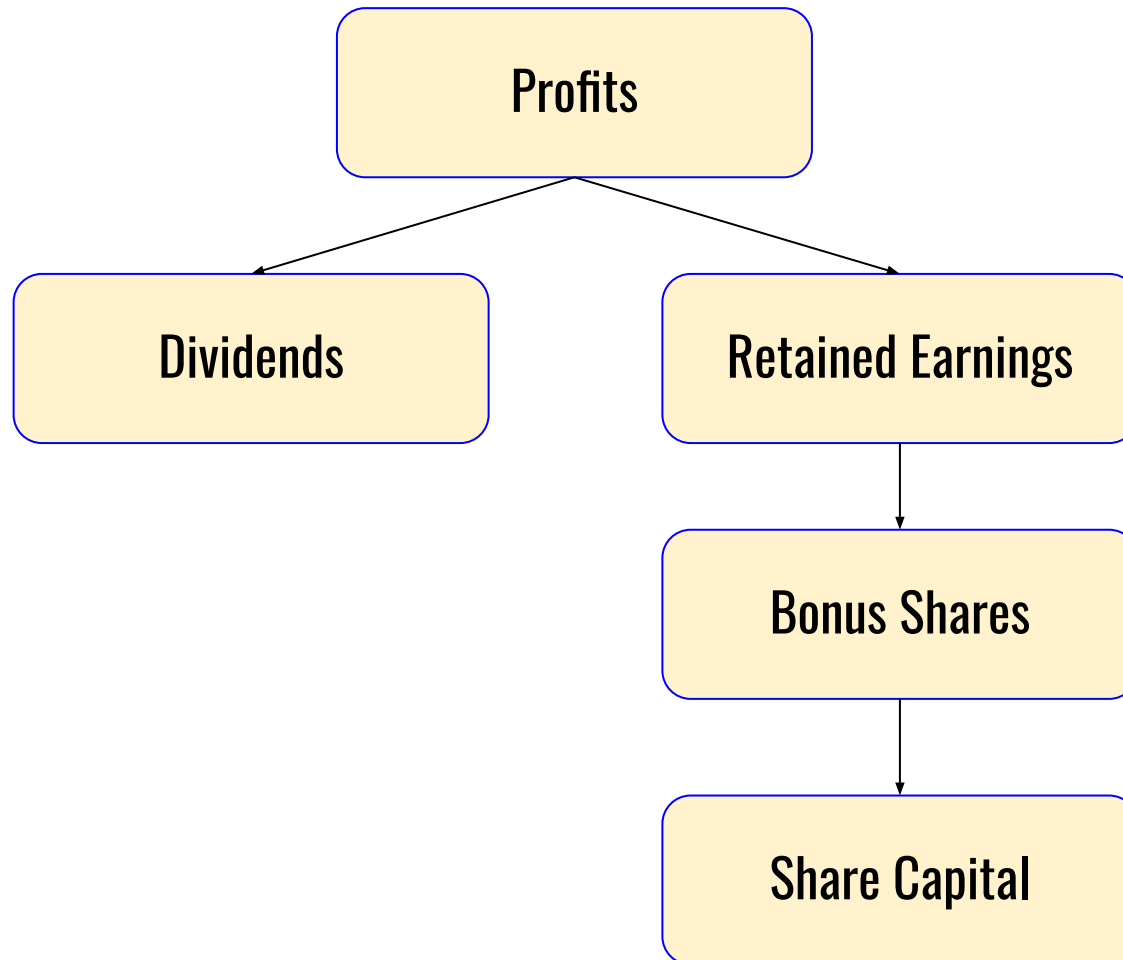
Impact	Bonus Issue	Share Split
Number of Shares	2 (issue 1 bonus share for 1 existing share)	2 (split 1 share into 2 shares)
Investment Value	RM 10.00	RM 10.00
Adjusted Stock Price	RM 5.00 (RM 10.00 / 2 shares)	RM 5.00 (RM 10.00 / 2 shares)
Adjusted EPS	RM 0.50 (RM 10.00 / 2 shares)	RM 0.50 (RM 10.00 / 2 shares)
P/E Ratio	10 (RM 5.00 / RM 0.50)	10 (RM 5.00 / RM 0.50)

Are Bonus Issue the Same as Share Split?

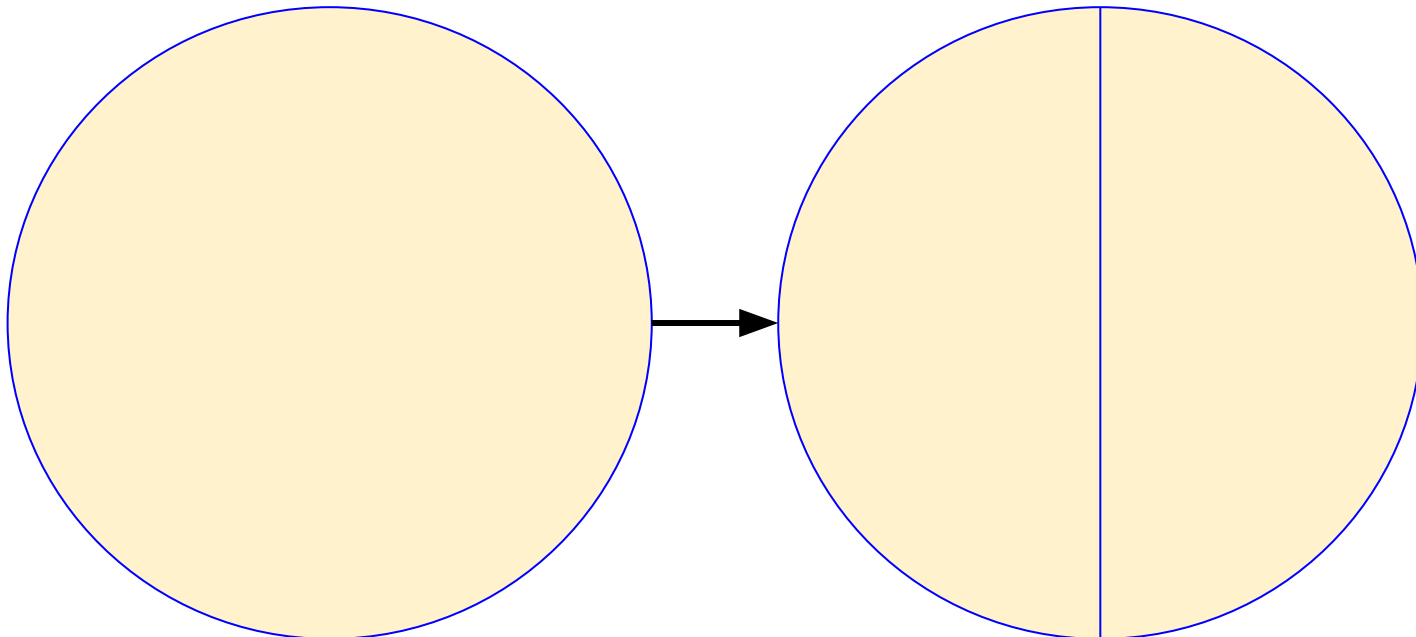
AEON Co. (M) Bhd

Annual Report 2014

What is Bonus Issue?



What is Share Split?



What is Share Consolidation?

Scenario: Share Consolidation (SC)

Presently, ABC Bhd's stock price is RM 0.05 a share. It has issued 500 million ordinary shares and it decides to consolidate 10 existing shares into 1 new share. Thus,

Market Capitalisation (Before SC)

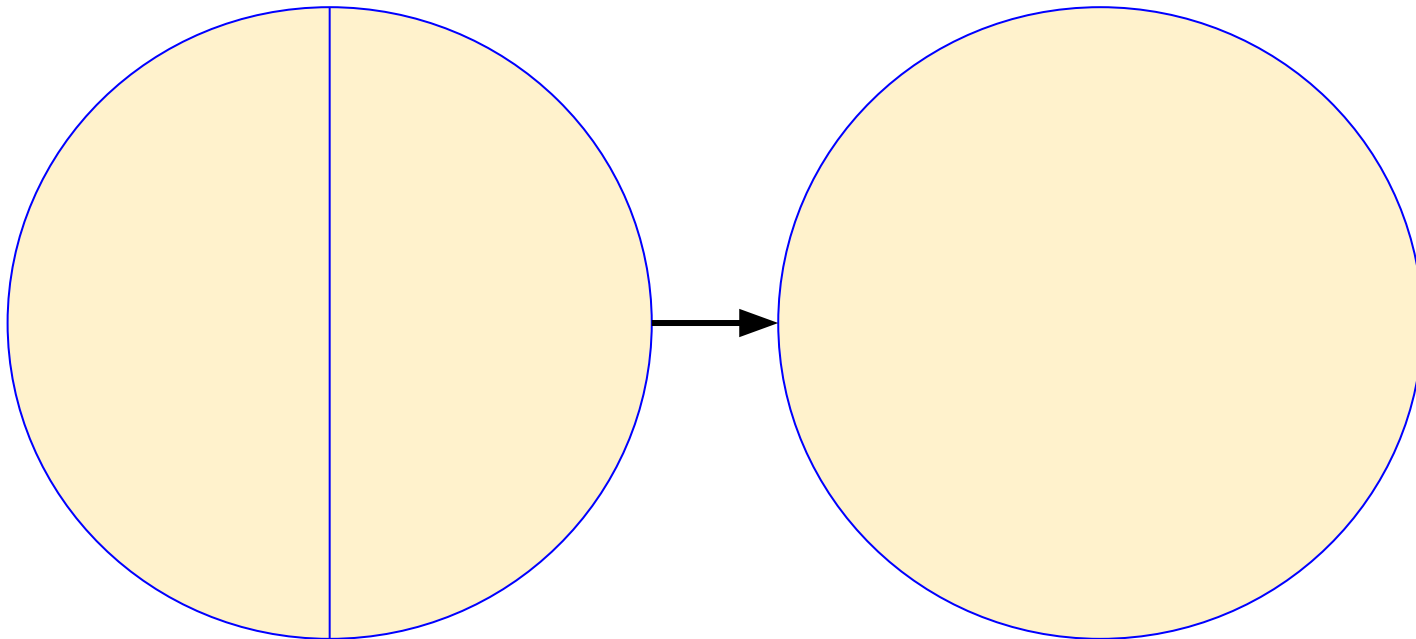
= Stock Price x No. of Shares
= RM 0.05 x 500 million shares
= RM 25 million

Market Capitalisation (after SC) remains at RM 25 million.

Adjusted Stock Price (After SC)

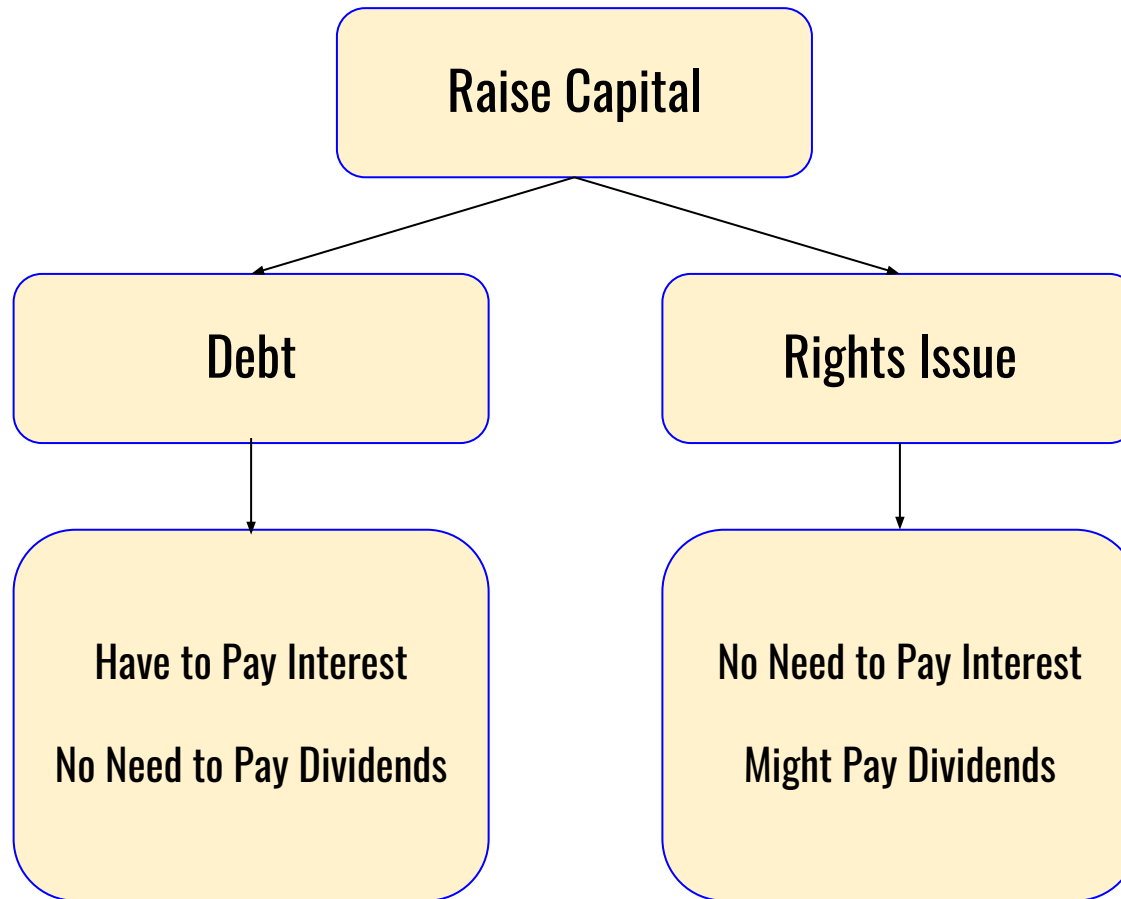
= Market Capitalisation (after SC) / New No. of Shares
= RM 25 million / 50 million shares
= RM 0.50 / share.

What is Share Consolidation?



What is Rights Issue?

Why Rights Issues?



Rights Issue: Impact to Shareholders

Let's say, Mr. Chin owns 10,000 shares of ABC Bhd. Its stock price is RM 3.00 a share.

ABC Bhd decides to raise capital via rights issue to fund its growth activities. Thus, the company offers shareholders the rights to subscribe to ABC Bhd's shares at RM 2.40 a share (20% from current price), where each shareholder is limited to purchasing a total of 1 right share for every existing 4 shares he holds.

What is the Maximum Number of Right Shares Mr. Chin Can Buy?

= 1 Right Share / 4 existing shares x 10,000 shares
= 2,500 Right Shares

Mr. Chin's Additional Investment

= Maximum Number of Rights Shares x Offer Price for Each Rights Shares
= 2,500 Rights Shares x RM 2.40
= RM 6,000.

Rights Issue: Impact to Shareholders

Let's say, Mr. Chin owns 10,000 shares of ABC Bhd. Its stock price is RM 3.00 a share.

ABC Bhd decides to raise capital via rights issue to fund its growth activities. Thus, the company offers shareholders the rights to subscribe to ABC Bhd's shares at RM 2.40 a share (20% from current price), where each shareholder is limited to purchasing a total of 1 right share for every existing 4 shares he holds.

Total Value of Mr. Chin's Investment (if he subscribed all Rights Shares)

= Existing Value of Mr. Chin's Investment + Mr. Chin's Additional Investment
= (10,000 shares x RM 3.00 a shares) + (2,500 Rights Shares x RM 2.40 a share)
= RM 30,000 + RM 6,000
= RM 36,000

Adjusted Theoretical Stock Price (After Rights Issue)

= Total Value / New Number of Shares
= RM 36,000 / 12,500 shares
= RM 2.88 / share

Thank you

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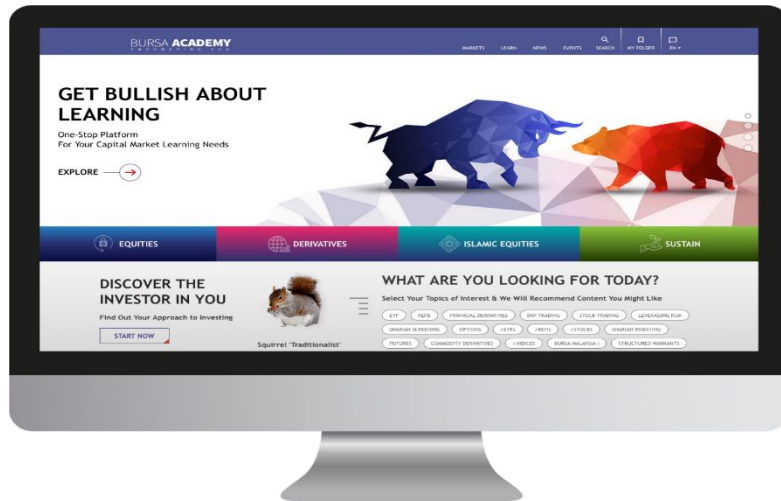


Q&A Session

Kindly write your questions in full sentences.

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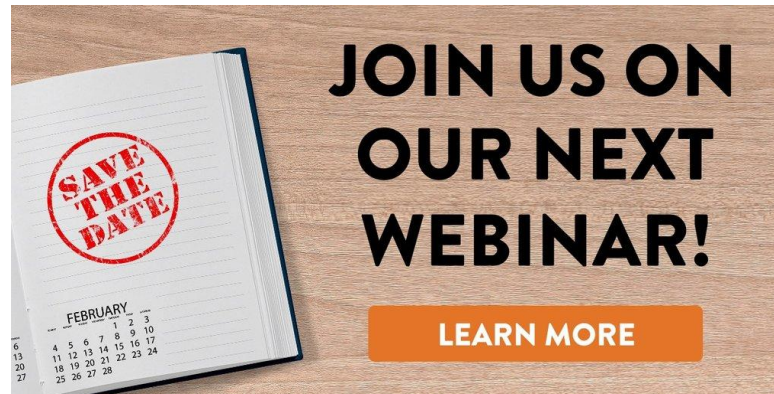
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Topic: Shariah-Compliant ETFs: Senjata Rahsia dalam Perangkaian Portfolio Anda

Date: 19 Mar 2021 (Fri)

Time: 8:30pm to 10:00pm

Registration:

https://us02web.zoom.us/webinar/register/6016153470701/WN_JDMp1lG8Sz-ePtOYRe5mnQ

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