

## **Boursa Kuwait**

(Ticker – 827)

### **Research Note – September 2021**

## Stock Review: Boursa Kuwait (KSE Code: 827)

**Boursa Kuwait Securities Company**, engaged in the activity of a securities exchange. The Company focuses on operation of a securities exchange designed for matching bid and ask offers for securities, following the procedures of trading, and performing the usual functions of securities markets; the provision of design, development and processing of electronic data services related to the field of operating securities exchanges; the provision of support services for third parties' account in the field of securities exchange; the provision of financial matters related consultations and preparation of feasibility studies in the field of securities exchange, as well as the establishment or participation in the establishment of entities inside the state of Kuwait or abroad, of various legal forms within the scope of securities exchange markets business, among others.

### 1H -2021 Performance

REVENUE	EXPENSES	OPERATING PROFIT	NET PROFIT
<ul style="list-style-type: none"><li>KWD 14,876,509</li><li>↑ 119.86%</li></ul>	<ul style="list-style-type: none"><li>KWD (6,030,621)</li><li>↑ 93.45%</li></ul>	<ul style="list-style-type: none"><li>KWD 8,845,888</li><li>↑ 142.42%</li></ul>	<ul style="list-style-type: none"><li>KWD 9,804,832</li><li>↑ 74.12%</li></ul>
Note : Reclassification of Reversal of ECL to Non-operating Income			
VALUE TRADED	COST TO INCOME RATIO	OPERATING PROFIT MARGIN	EPS
<ul style="list-style-type: none"><li>KWD 6,468,265,401</li><li>↑ 53.41%</li></ul>	<ul style="list-style-type: none"><li>1H FY2021 40.54%</li><li>1H FY2020 46.07%</li></ul>	<ul style="list-style-type: none"><li>1H FY2021 59.46%</li><li>1H FY2020 53.93%</li></ul>	<ul style="list-style-type: none"><li>KWD 39.03</li><li>↑ 39.16%</li></ul>

**Boursa Kuwait continues to consolidate Kuwait Clearing Company K.S.C. (Closed) ("KCC")** as a subsidiary following the step-acquisition in July 2020, after the additional acquisition of 33,375,000 shares, thus bringing Boursa Kuwait's **total shareholding to 50%**.

A robust revenue improvement was recorded at approximately 120% to KWD 14.88 million from KWD 6.77 million a year earlier.

Expenses increased by approximately 93% to KWD 6.03 million from KWD 3.12 million in 2020, and this is primarily due to the consolidation of KCC as a subsidiary. Operating profit improved by approximately 142% to KWD 8.85 million, compared to KWD 3.65 million.

**Operating profit margin regained its upside trajectory at approximately 60%** compared to 53.93% in 2020. Operating revenue growth is mainly driven by KCC consolidation as well as a higher recorded share in the trading commission.

**\*Key Observations:** With an improved market sentiment and higher retail participation during 2021, both indicators of trading activity, traded value and volume, were up by 53.41% or KWD 6.47 billion and 100.31% or 41.74 billion shares respectively by the half year period.

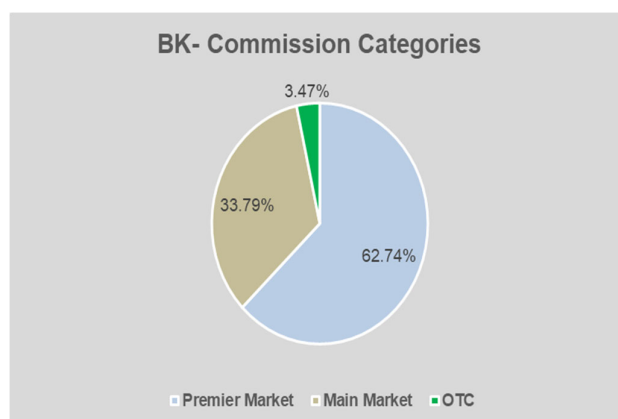
One of the key elements of growth in trading commission is the blended commission rate generated. Up to 30th June, 2021 the blended commission rate stood at 6.91 basis points compared to 6.28 basis points during the same period last year.

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The ratio of trading commission between the Premier, ten basis points, and Main, 15 basis points.

Markets were more balanced at 52.21% to 47.79% compared to 79.23% to 20.77% in 2020. **Main markets attract more commission at 15 basis points compared to ten basis points** for the Premier market.

BK has no plans to increase the trading commissions. The team plans to increase revenues from other sources rather than the trading commissions.



**What is in the Pipeline:** Work is underway to complete Phase 3.2 of market developments. BK team has already launched netting. **Tradable Rights Issues and margin lending for investment companies** have been officially launched in the market.

Also, the working layout is underway **to develop the CCP and the launch of the corporate fixed income trading board**, in addition to **the ETFs and enhancements to the brokerage model** in Kuwait where cash will be managed by qualified brokers, hence extending the margin facilities to their clients. Testing with the central bank and banks in Kuwait, along with potential clearing members, will start as of November of this year.

Trading Statistics									
TimeLine	January-21	February-21	March-21	April-21	May-21	June-21	July-21	August-21	Year 2021
Volume	6,047,722,123	6,043,400,538	4,719,911,291	7,523,857,937	9,112,587,269	8,261,118,000	4,347,494,079	6,804,951,060	52,861,042,297
Value	844,776,757	834,602,699	907,036,370	1,082,479,735	1,376,840,263	1,420,719,387	751,591,979	1,271,974,403	8,490,021,592
Deals	215,967	206,513	209,680	261,735	302,154	295,087	178,509	245,595	1,915,240
Average Trade Price in the Market	0.140	0.138	0.192	0.144	0.151	0.172	0.173	0.187	0.161

**Total traded value (YTD- August 2021)** is KWD 8.50 billion which means an average of KWD 53.46 million of Daily Value Trade.

**New Accounts Openings:** The rising trading activities, clearly stamp an increase in active accounts during the first half of '21 which resulted in an overall average increase of 39% compared to the first half of 2020.

**New IPOs:** Two companies were planning to list, of which one got listed on August 21. The listed entity is **Land United Real Estate Company**. The other is deemed to list soon is specializing in logistics.

**Netting, Margin Lending:** Given that netting has just been recently launched on 2nd May, BK is yet to see its impact on the overall revenues stream. For the margin lending and cash management services, it is assumed it will increase the buying power of investors once they're up and running.

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### Core Revenue Streams:

	Revenue Streams (KWD '000)														Total
	Subscription Fee		Trading Commission		Data		OTC & Brokerage		Clearing & Settlement		CDS & TICs		Others		
1H FY2021	3,405	22.89%	4,518	30.37%	153	1.03%	445	2.99%	2,754	18.51%	1,897	12.75%	1,704	11.45%	14,877
1H FY2020	3,471	51.29%	2,666	39.41%	134	1.98%	328	4.84%	-	0.00%	-	0.00%	168	2.48%	6,766
YoY	-1.88%	⬇️	69.43%	⬆️	14.40%	⬆️	35.85%	⬆️	-		-		914.01%	⬆️	119.86% ⬆️

### Non-Core Stream:

	Income Streams (KWD '000)										Total
	Rents		Interest Income		Shr of Results of Assoc.		Other Income		Investment Income		
1H FY2021	422	32.14%	443	33.77%	-	0.00%	353	26.89%	94	7.19%	1,313
1H FY2020	500	23.95%	227	10.85%	1,284	61.51%	77	3.70%	-	0.00%	2,088
YoY	-15.63%	⬇️	95.71%	⬆️	-100.00%	⬇️	357.50%	⬆️	-		-37.14% ⬇️

Source: Company's Financials

### Market Developments Plans in a Conclusive Way:

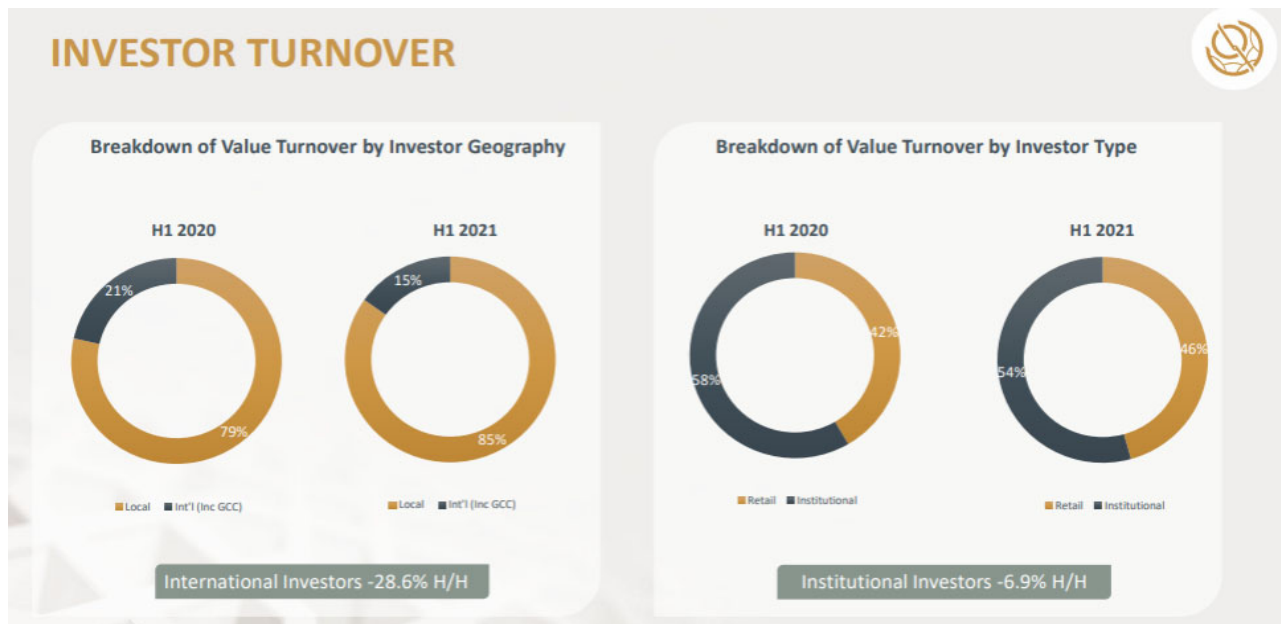


## MARKET DEVELOPMENTS

Diversifying product offerings, increasing accessibility and transparency of our Market while continuing improving infrastructures.

MD1	MD2	MD3.1	MD3.2	MD4
<ul style="list-style-type: none"> <li>• Ticks &amp; Price Limits</li> <li>• Settlement Cycle &amp; Corporate Actions</li> <li>• Market Makers</li> <li>• Randomized Closing Auction</li> </ul>	<ul style="list-style-type: none"> <li>• Market Segmentation</li> <li>• Circuit Breakers</li> <li>• OTC Platform</li> <li>• Boursa Kuwait Rulebook</li> </ul>	<ul style="list-style-type: none"> <li>• REITs</li> <li>• Intentional Crossing</li> <li>• Trade-at-Last</li> <li>• Closing Auction Amendment</li> <li>• Tender Offers</li> <li>• Swaps</li> <li>• Short-selling &amp; SLB</li> </ul>	<ul style="list-style-type: none"> <li>• Netting</li> <li>• Tradable Rights Issue</li> <li>• Margin Lending for IC</li> <li>• Cash CCP</li> <li>• Fixed Income</li> <li>• ETFs (Equity &amp; Commodity)</li> <li>• Margin Lending for QB</li> </ul>	<ul style="list-style-type: none"> <li>• Derivatives CCP</li> <li>• Derivatives (SSF &amp; IF)</li> <li>• Derivatives (Options)</li> </ul>
📅 2017	📅 2018	📅 2019	📅 2020-22	📅 2022-24

**Investing Pattern:** One of the most important trigger to understand, what is making the market to perform better



1. Local Investors share has gone up to 85% in Volume Terms whereas in Value Terms, institutional investors are dominating the major chunk.
2. The pie chart explains that investors are more interested in small and mid cap stocks, and that is why we can see the Main index components are major gainers in the year to date.

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### KEY FINANCIALS:

Boursa Kuwait

Income Statement

KWD	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Jun-21	Jun-20
Subscription Fees	3,783,075	2,849,042	3,624,741	3,499,588	7,265,465	6,983,112	3,405,482	3,470,805
Y-o-Y Growth			27.2%	-3.5%	107.6%	-3.9%	-1.9%	
% of Total Revenue	32.9%	65.1%	34.9%	33.7%	42.6%	27.5%	21.4%	39.3%
Share in Trading Commission	3,708,087	994,043	4,412,779	3,147,195	5,535,175	6,857,276	4,517,675	2,666,325
Y-o-Y Growth			343.9%	-28.7%	75.9%	23.9%	69.4%	
% of Total Revenue	32.3%	22.7%	42.4%	30.3%	32.5%	27.0%	28.4%	30.2%
Clearing, Settlement and Depository Fee						4,777,210	4,229,508	
Y-o-Y Growth								
% of Total Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	18.8%	26.6%	0.0%
Miscellaneous Fee				1,752,865	1,402,288	3,553,076	2,723,844	629,285
Y-o-Y Growth					-20.0%	153.4%	332.8%	
% of Total Revenue	0.0%	0.0%	0.0%	16.9%	8.2%	14.0%	17.1%	7.1%
Share of Result Assoc/ Net Investment Income	1,286,727	148,287	754,748	600,217	1,445,753	1,284,497	94,448	1,284,497
Y-o-Y Growth			409.0%	-20.5%	140.9%	-11.2%		
% of Total Revenue	11.2%	3.4%	7.3%	5.8%	8.5%	5.1%	0.6%	14.5%
Interest Income	2,185,926	49,165	169,636	253,004	497,618	548,591	443,308	226,509
Y-o-Y Growth			245.0%	49.1%	96.7%	10.2%	95.7%	
% of Total Revenue	19.0%	1.1%	1.6%	2.4%	2.9%	2.2%	2.8%	2.6%
Other Income + Rental Income	523,331	332,848	1,437,092	1,132,840	898,246	1,396,707	491,648	554,769
Y-o-Y Growth			331.8%	-21.2%	-20.7%	55.5%	-11.4%	
% of Total Revenue	4.6%	7.6%	13.8%	10.9%	5.3%	5.5%	3.1%	6.3%
<b>Total Revenue</b>	<b>11,487,146</b>	<b>4,373,385</b>	<b>10,398,996</b>	<b>10,385,709</b>	<b>17,044,545</b>	<b>25,400,469</b>	<b>15,905,913</b>	<b>8,832,190</b>
Staff Costs	11,222,038	3,313,772	3,905,288	7,905,203	7,038,557	10,289,329	5,906,761	3,107,343
Y-o-Y Growth			17.9%	102.4%	-11.0%	46.2%	90.1%	
% of Total Revenue	97.7%	75.8%	37.6%	76.1%	41.3%	40.5%	37.1%	35.2%
Consultancy Fee	2,478,435	48,778	126,624	-	-			
Y-o-Y Growth			159.6%					
% of Total Expenses	15.3%	1.1%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Other expenses/Reversal of ECL	405,006	1,082,076	1,691,224	-	47,949	(216,295)	(136,958)	10,127
Y-o-Y Growth			56.3%		-551.1%	-1452.4%		
% of Total Expenses	3.6%	32.7%	43.3%	0.0%	0.7%	-2.1%	-2.3%	0.3%
Amortization n Depreciation	2,127,926	85,786	422,501	26,710	61,962	70,889		
Y-o-Y Growth			392.5%	-93.7%	132.0%	14.4%		
% of Building		50.2%	35.1%	2.9%	2.9%	2.0%	0.0%	
<b>Total Expenses</b>	<b>16,233,405</b>	<b>4,530,412</b>	<b>6,145,637</b>	<b>7,931,913</b>	<b>7,148,468</b>	<b>10,143,923</b>	<b>5,769,803</b>	<b>3,117,470</b>
Taxes		48,000	175,297	100,467	304,325	2,672,115	331,278	83,536
Y-o-Y Growth			265.2%	-42.7%	202.9%	778.0%	296.6%	
% of Net Profit Before BoD Fee, Zakat	0.00%	-30.57%	4.12%	4.09%	3.08%	17.51%	3.27%	1.46%
Less: Minority Interest							1,968,620	-
<b>Net gain on Business Combination</b>						<b>13,223,871</b>		
<b>Net Profit for the period</b>	<b>(4,746,259)</b>	<b>(205,027)</b>	<b>4,078,062</b>	<b>2,353,329</b>	<b>9,591,752</b>	<b>25,808,302</b>	<b>7,836,212</b>	<b>5,631,184</b>
EPS - (Fils)	(79.10)	(3.42)	67.97	12.31	47.77	128.54	39.03	28.05

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### Boursa Kuwait

#### Balance Sheet

KWD	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Jun-21
<b>Current Assets</b>						
Cash and cash equivalents	3,909,834	5,274,764	1,858,749	15,886,044	19,606,620	19,045,909
Y-o-Y Growth		34.9%	-64.8%	754.7%	23.4%	
% of Total Assets	19.09%	20.54%	7.26%	43.90%	18.82%	17.9%
Term Deposits	3,000,000	6,000,000	9,747,350	3,526,850	29,484,240	33,801,380
Y-o-Y Growth		100.0%	62.5%	-63.8%	NM	
% of Total Assets	14.65%	23.36%	38.07%	9.75%	28.31%	31.7%
Receivables and other debit balances	425,758	347,836	645,913	1,503,612	3,352,482	4,690,484
Y-o-Y Growth		-18.3%	85.7%	132.8%	NM	
% of Total Assets	2.08%	1.35%	2.52%	4.16%	3.22%	4.4%
<b>Total Current Assets</b>	<b>7,335,592</b>	<b>11,622,600</b>	<b>12,252,012</b>	<b>20,916,506</b>	<b>52,443,342</b>	<b>57,537,773</b>
<b>Non Current Assets</b>						
Financial Instruments, Debt and Cash@	12,752,886	12,673,259	11,938,559	12,814,632	6,778,902	4,059,928
Y-o-Y Growth		-0.6%	-5.8%	7.3%	-47.1%	
% of Total Assets	62.27%	49.34%	46.63%	35.41%	6.51%	3.8%
Intangible Assets	221,065	185,104	501,491	292,123	41,316,397	41,293,321
Y-o-Y Growth		-16.3%	170.9%	-41.7%	NM	
% of Total Assets	1.08%	0.72%	1.96%	0.81%	39.67%	38.8%
Property, Plant n Equipments	170,738	1,204,535	911,531	2,162,665	3,621,823	3,618,785
Y-o-Y Growth		605.5%	-24.3%	137.3%	67.5%	
% of Total Assets	0.83%	4.69%	3.56%	5.98%	3.48%	3.4%
<b>Total Non Current Assets</b>	<b>13,144,689</b>	<b>14,062,898</b>	<b>13,351,581</b>	<b>15,269,420</b>	<b>51,717,122</b>	<b>48,972,034</b>
<b>Total Assets</b>	<b>20,480,281</b>	<b>25,685,498</b>	<b>25,603,593</b>	<b>36,185,926</b>	<b>104,160,464</b>	<b>106,509,807</b>
<b>Liabilities and Shareholders Equity</b>						
Due to Related Parties	12,821,492	12,821,492	-	97,756	116,170	170,044
Y-o-Y Growth		0.0%			18.8%	
% of Total Assets	62.60%	49.92%	0.00%	0.27%	0.11%	0.2%
Payables	3,756,568	4,771,038	2,680,818	2,687,943	7,353,764	10,724,524
Y-o-Y Growth		27.0%	-43.8%	0.3%	173.6%	
% of Total Assets	18.34%	18.57%	10.47%	7.43%	7.06%	10.1%
<b>Total Current Liabilities</b>	<b>16,578,060</b>	<b>17,592,530</b>	<b>2,680,818</b>	<b>2,785,699</b>	<b>7,469,934</b>	<b>10,894,568</b>
<b>Non Current Liabilities</b>						
Terminal benefits	131,118	243,803	399,323	1,298,453	5,956,058	5,710,215
Y-o-Y Growth		85.9%	63.8%	225.2%	358.7%	
% of Total Assets	0.6%	0.9%	1.6%	3.6%	5.7%	0
<b>Total Non Current Liabilities</b>	<b>16,709,178</b>	<b>17,836,333</b>	<b>3,080,141</b>	<b>4,084,152</b>	<b>13,425,992</b>	<b>16,604,783</b>
Y-o-Y Growth		6.7%	-82.7%	32.6%	228.7%	
% of Total Assets	81.6%	69.4%	12.0%	11.3%	12.9%	15.6%
<b>Shareholders Equity:</b>						
Share Capital	6,000,000	6,000,000	19,121,500	20,077,575	20,077,575	20,077,575
Retained earnings & reserves	(2,228,897)	1,849,165	3,401,952	12,024,199	32,726,498	32,531,680
<b>Total Shareholders Equity</b>	<b>3,771,103</b>	<b>7,849,165</b>	<b>22,523,452</b>	<b>32,101,774</b>	<b>52,804,073</b>	<b>52,609,255</b>
<b>Non Controlling Interest</b>					<b>37,930,399</b>	<b>37,295,769</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>20,480,281</b>	<b>25,685,498</b>	<b>25,603,593</b>	<b>36,185,926</b>	<b>104,160,464</b>	<b>106,509,807</b>

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