

MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Registration No.: 200001022382 (524989-M))

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Share buybacks on the rise

KUALA LUMPUR: Listed companies have stepped up share buybacks in June as compared to May, following the sharp correction in the local bourse amid rising risk factors driving prices of many firms lower.

According to filings on the stock exchange, the number of local corporates buying their own shares from the open market rose to 43 in June to date from 34 in May after the benchmark FBM KLCI fell some 134 points or 8.5% to 1,436 points yesterday.

While in May the share buybacks were undertaken by mainly the lower liners, June has seen buybacks by bigger names like IJM Corp Bhd and AMMB Holdings Bhd, the filings showed.

Rakuten Trade Sdn Bhd head of equity sales Vincent Lau explained that the increase in share buybacks was likely because of management viewing their share price as at "attractive and cheap" levels amidst the market downturn.

"The shares of companies are undervalued or below the net tangible assets per share.

"They may have given out shares as dividend-in-specie.

"Hence, there is now an opportunity for the companies to buy back some of their shares as the market fell to a multi-year low," he said.

He expects more share buybacks in the

second half of the year, as the market is anticipated to remain volatile amid external uncertainties.

Among the corporates that spent heavily on share repurchases were Yinson Holdings Bhd, Kenanga Investment Bank Bhd, IJM Corp and Power Root Bhd.

Echoing similar views, a broker anticipates more listed companies continuing to undertake share buybacks.

This is as some companies were currently trading below their fundamental price.

"I will be surprised if they don't continue with the share buybacks.

"It also makes sense for them to support their share price levels," added the broker.

Minority Shareholders Watchdog Group chief executive officer Devanesan Evanson said companies doing the buyback reckoned that the share prices were at a "screaming bargain".

He noted that a key option with buying back shares was to resell them at a higher price.

"Collateral to this is that such buybacks are a show of confidence in the listed companies and that the shares are worth much more than the market price.

"The buyback is a sign that the company is prepared to put its money where its mouth

is," he added.

However, Evanson noted that listed companies that faced turbulence in their share price due to a gloomy business outlook should be wary of undertaking such buybacks.

This was because they did not know where the share price bottom was.

"They may end up with substantial shares bought at high prices and find that the share price has dwindled to exceptionally low prices with scant visibility of it attaining the prices which they had paid," he said.

Evanson described this circumstance in the stock market parlance as "catching a falling knife".

He pointed out that shares in listed companies that did not face such turbulence tend to trade "range-bound".

He added that they may be more suitable for buybacks.

"There may be some visibility as to where the bottom may be," said Evanson.

The major controlling shareholders have also stepped up the buying of shares, the exchange filing revealed.

Substantial founder-owners of rubber glove stocks were notable buyers, after almost all of the counters fell drastically in the past 18 months. – *By Zunaira Saieed*