

N2N CONNECT BERHAD

ACE Market | Technology



Established in 2000, N2N is a capital market managed services technology provider with a strong presence in the Asia-Pacific region. At present, N2N services over 300 brokers in over seven countries. The company’s guiding mission is to empower the capital market with technology, to make a difference and stand out in its industry.

Stock Code	0108
Market Cap (RM m)	358.50
Share Outstanding (m)	597.90
Current Price (RM)	0.60
52-week range (H)	0.92
52-week range (L)	0.58

[Company profile](#)

1. Could you give us a brief introduction to your company and history?

N2N is a leading global capital market technology provider, offering a range of capital market solutions in trading, information, and wealth & asset management, as well as the underlying network and infrastructure, managed services, and co-location & connectivity required.

Our over 190 people servicing more than 300 brokers in 7 countries help empower the capital market with technology— expanding their digital capabilities, and transforming their operations.

N2N was listed on the ACE Market of Bursa Malaysia on 29 September 2004.

2. Describe your recent financial performance.

For the third quarter ended 30 September 2021, we recorded revenue of RM 26.99 million, a profit after taxation of RM 0.75 million, and a core profit* of RM 2.96 million. Compared to the preceding year’s corresponding quarter, our softened numbers were largely due to lower gross profit margins from a decrease in transaction-based revenue and subscription revenue, higher operating expenses, lower operating income, and a higher share of associates’ losses. While our transaction-based revenue reflected the market’s reduced trading activity for the quarter, part of our operating expenses were mainly one-off expenses such as accounting for our Long-Term Incentive Plan, and litigation fee.

For the first 9 months of the fiscal year 2021, we recorded revenue of RM 87.23 million, a profit after taxation of RM 13.29 million, and a core profit* of RM 15.32 million. Compared to the preceding year’s corresponding period, our higher revenue was largely due to an overall increase in transaction-based revenue from heightened trading activity. The softened numbers for our profit after taxation and core profit were largely due to higher operating expenses, lower operating income, and a higher share of associates’ losses. Part of our operating expenses were mainly one-off expenses such as accounting for our Long-Term Incentive Plan, litigation fee, and the absence of a wage subsidy from the Hong Kong government compared to the previous year

* Core profit represents the profits of N2N excluding unrealised gains/losses on foreign exchange, one-off taxes and penalties, and non-recurring gains or losses, which are not expected to recur.

[N2N’s financial result for the third quarter ended 30 September 2021](#)

3. What is the Group’s dividend policy? Will the Group maintain or change its dividend policy?

N2N does not currently have a fixed dividend policy. However, we have always practiced issuing dividends after considering the level of available funds, the amount of retained earnings, capital

expenditure commitments, and other investment planning requirements. For the past couple of years, we have issued two dividend payouts a year which hovered around 1 sen each.

4. Going forward, what is your strategy for growth? Tell us about any new developments you are working on or exciting projects you have in the pipeline.

Moving forward, we have three main pillars for growth which come in the form of platforms targeted for different aspects of the capital market.

- 1) Asia E-Broker, which aims to provide investors with global trading and market data,
- 2) Asia Trading Hub, which aims to connect brokers and investment banks worldwide to help facilitate trade and communication, and
- 3) Asianext, which is to provide all capital market players a platform that would allow their products / services to ride atop our underlying technology and infrastructure.

Apart from this, with the recent introduction of Hundsun Technologies Inc as our major shareholder (with a 23.7% stake), we are looking to foster business opportunities in Greater China and further throughout the Asian region.

5. What are the major headwinds in your business currently?

The pandemic caused by the outbreak of COVID-19 has impacted the lives of nations, enterprises and individuals alike and it is no exception for us. However, due to the nature of the business and industry we are in, we are less vulnerable to the business risks faced by other sectors.

The main impact COVID-19 has on our business are travel restrictions reducing potential collaborative business opportunities and newly introduced government standard-operating-procedures affecting initially our day-to-day operations.

Apart from the challenges brought about from operating in a COVID-19 environment, one of the key challenges that is not unique to N2N within the industry, is the access to talented resources. To address this, we have been leveraging on regional development centres to constantly look for resources outside of Malaysia, which also helps to benefit N2N with cost-effective resources.

6. Tell us more about your efforts in the area of sustainability.

All of N2N's Sustainability and Corporate Social Responsibility efforts fall under our "LOVE PLAY CARE" initiative; representing LOVE for the environment, PLAY the role of the company well, and to CARE for the community and others.

LOVE is all about approaching sustainability from the ground up, which means looking after the planet we live on, reducing our carbon footprint, and combating climate change. To this end, we have organized re-planting activities to help make the world a greener place, continuously look to improve our waste management approach within N2N, partnered with organizations to help with the 3Rs (Reduce, Reuse, Recycle), and designed our workplace to be functional yet energy efficient.

PLAY covers the way we operate as an organization; how we look after the interest of our employees, partners, shareholders and stakeholders alike. Following this, it is important that we continue to invest in robust cybersecurity and data protection, enhance our business ethics, and promote good corporate governance. Another important aspect we focus on are our employees. In an organization, our most valuable asset are our people, and for them, we promote inclusion and provide equal opportunity, have in place development training and leadership programs, as well as, benefits and entertainment to provide the best possible working environment.

CARE for the community and others means coming up with or participating in sustainable activities that benefit and raise the quality of all life on earth. Under CARE, we invented and organized inter-iversity stock challenges to help educate the younger generation about the capital market, conduct quarterly blood donations to give to those in need, and partnered up with organizations such as "Lovely Disabled Home" to help provide job opportunities to those with special needs.

7. What is your value proposition? What do you think investors may have overlooked about your business?

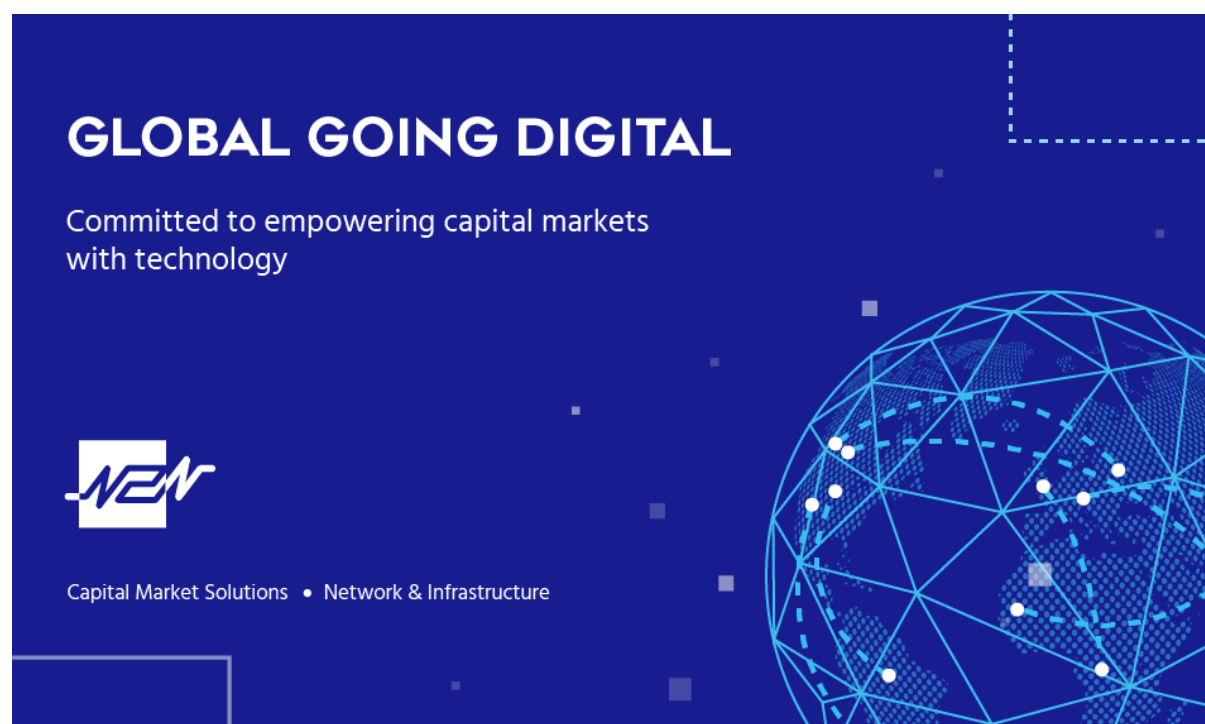
Over the years, we have built a robust model for earnings growth which includes reliable annual recurring revenue. We also have on-hand, actionable strategies for the greater expansion of our market share across the region, such as our Asia E-Broker, Asia Trading Hub and Asianext initiative.

8. What are the Group's plans for acquisitions and JVs?

We maintain a forward-looking approach when it comes to exploring collaborative opportunities with other businesses, be it in the form of a merger, acquisition or joint-venture. We currently do not have any plans that we can openly share, but we are looking at a few opportunities within the capital market space and outside.

9. Could you provide us an update on your application to transfer to the Main Market? Is there any tentative timeline?

We filed our application to the Securities Commission for our Main Board transfer sometime in June 2020. As of now, it is under consideration.



Corporate website: <https://www.n2nconnect.com/>
IR Contact: n2n_ir@n2nconnect.com

Prepared by Bursa Digital Research

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