

26 April 2018 | 1QFY18 Results Review

Bursa Malaysia Berhad

Securities revenue surged higher

INVESTMENT HIGHLIGHTS

- Bursa recorded strong quarterly earnings at RM63.8m
- Revenue from securities trading was the highest
- We make no changes to our FY18 and FY19 forecasts, earnings were in-line with expectation
- We maintain our **NEUTRAL** stance with an adjusted TP of **RM7.57** as we rollover our valuation to FY19.

1QFY18 earnings were within estimates. As expected, Bursa's earnings in 1QFY18 came in strong at RM63.8m, accounting for 26.9% of our FY18 full year forecast. However, it missed consensus at only 19.7% of full year estimates. Overall, the commendable earnings in the 1QFY18 were driven by its core trading business. This has led to higher overall operating revenue at +7.5%yoy to RM144.8m. Profits were also supported by lower overall expenses, which contracted -11.1%yoy in 1QFY18 to RM62.9m.

Bursa's biggest revenue segment surged. Trading business which contributed approximately 65% of Bursa's operating revenue, climbed higher by +13.5%yoy to RM76.3m in 1QFY18. We attributed the growth to higher ADTV recorded in the quarter at RM2.7b, growing by +15.9%yoy. The month of January saw the highest ADTV closed at RM3.2b, an increase of +84.3%yoy. Notably, the subsequent months of February and March saw ADTV eased gradually, reverting to its quarterly mean of RM2.7b. However, it is worth to note that ADTV in February remained in a growth trajectory, climbing by +10.9%yoy.

Derivatives trading was a drag... registering lower overall volumes of average daily contracts (ADC) traded at 54,000. This reflected a -12.9%yoy drop, leading to lower derivatives trading revenue of RM19.0m. According to the management, this was due to revision in guarantee fee and lower number of FCPO and FKLI contracts. Average Daily Contracts of FCPO contracted by -16.8%yoy to 44,157.

Impact on earnings. Given that earnings came in line with our expectations, we maintain our earnings forecasts for FY18 and FY19.

Valuation. Correspondingly, we maintain our **NEUTRAL** stance on Bursa with an adjusted **TP** of **RM7.57**, rolling over our valuation to FY19. The adjusted TP is based on FY19EPS of 29.8sen (adjusted following bonus shares issuance) pegged to PER of 25x. Looking at the projection for the whole year of 2018, we estimate ADTV to average at RM2.42b, with growth expectation of +4.6%yoy. Meanwhile in 2019, ADTV is expected to average at RM2.66b, an increase of +9.9%yoy respectively.

Maintain NEUTRAL
Adjusted Target Price (TP): RM7.57
(from RM7.50)


RETURN STATS	
Price (25 April 2018)	RM7.21
Target Price	RM7.57
Expected Share Price Return	+5.0%
Expected Dividend Yield	+3.9%
Expected Total Return	+8.9%

STOCK INFO	
KLCI	1,851.93
Bursa / Bloomberg	1818 / Bursa MK
Board / Sector	Main / Finance
Syariah Compliant	No
Issued shares (mil)	RM806.3mil
Market cap. (RM'm)	RM5,813.1m
Price over NA	7.59x
52-wk price Range	RM6.31-RM7.65
Beta (against KLCI)	0.89x
3-mth Avg Daily Vol	1.23m
3-mth Avg Daily Value	RM8.97m
Major Shareholders (%)	
Capital Market Dvlp	18.64
KWAP	13.59
EPF	7.02

Abbreviations used:
 ADV = Average Daily Value
 ADC = Average Daily Contract
 FCPO = Crude Palm Oil Futures
 FKLI = FBMKLCI Futures
 BSAS = Bursa Suq Al-Sila
 OMT = On Market Trade
 DBT = Direct Business Transaction
 SR = Stable Revenue

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Kindly refer to the last page of this publication for important disclosures

In terms of Bursa's operation, we are encouraged to see the initiation of a few developments in 1QFY18 which we believe will stimulate higher trading activities. Some of these include the future establishment of stock market trading link between Bursa Malaysia and Singapore Exchange (SGX) and the introduction of Intra Day Short Selling (IDSS). We believe the development prospect is good for Bursa, providing new growth engine to profitability. However, we are taking a step back to take into account the potential industry's headwinds such as geopolitical and market sentiment risks. Moving forward, we opine that ADTV will possibly trending down in the 2QFY18 based on the movement shown over the past years. Evidently, we saw consistent downtrend in June ADTV since CY10, with an average month-on-month drop of -9.7%. While we believe that while ADTV is likely to be softer in the next quarter, trading activities are expected to increase in 3Q providing support to Bursa's earnings towards the end of FY18 leading to our ADTV estimates of RM2.42b. 

INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	518.5	506.8	556.8	578.8	603.7
EBITDA (RM'm)	302.5	294.8	329.7	355.6	373.2
Pre-tax Profit (RM'm)	278.8	270.6	305.9	327.2	346.5
PATAMI (RM'm)	198.6	193.6	223.0	237.5	240.0
<i>Vs. Consensus Estimate (RM'm)</i>	-	-	222.3	230.5	240.0
EPS (sen)	24.6	24.0	27.7	29.5	29.8
EPS growth (%)	-33.5	-2.5	15.2	6.5	1.1
PER (x)	29.3	30.0	26.1	24.5	24.2
Dividend (sen)	28.2	29.9	26.1	28.0	28.3
Dividend Yield (%)	3.9	4.1	3.6	3.9	3.9

Source: Company, MIDFR

DAILY PRICE CHART



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Source: Bloomberg, MIDFR

1QFY18 RESULTS SUMMARY

FYE Dec (RM'm)	1Q18	1Q17	4Q17	YoY Chg	QoQ Chg	3M18	3M17	YoY Chg
Operating revenue	144.8	134.7	130.0	7.5%	11.4%	144.8	134.7	7.5%
Other income	5.9	8.0	11.2	-26.6%	-47.5%	5.9	8.0	-26.6%
Total revenue	150.7	142.7	141.2	5.6%	6.7%	150.7	142.7	5.6%
Staff costs	-34.8	-34.0	-37.3	2.4%	-6.7%	-34.8	-34.0	2.4%
Depreciation and amortisation	-5.6	-6.1	-5.8	-8.4%	-3.8%	-5.6	-6.1	-8.4%
Other operating expenses	-22.6	-23.8	-23.4	-5.1%	-3.5%	-22.6	-23.8	-5.1%
EBITDA	93.2	84.9	84.6	9.8%	10.1%	93.2	84.9	9.8%
Pre-tax profit	87.7	78.9	78.9	11.2%	11.2%	87.7	78.9	11.2%
Taxation	-22.0	-19.8	-17.4	10.9%	26.8%	-22.0	-19.8	10.9%
Minority interest	-1.9	-2.3	-2.0	-17.0%	-6.4%	-1.9	-2.3	-17.0%
PATAMI	63.8	56.8	59.5	12.4%	7.2%	63.8	56.8	12.4%
EPS (sen)	7.9	7.0	7.4	12.9%	6.8%	7.9	7.0	12.9%
Key Matric	1Q18	1Q17	4Q17	+/- ppts	+/- ppts	3M18	3M17	+/- ppts
Cost-to-income ratio	41.7%	44.7%	47.1%	-3.0	-5.3	41.7%	44.7%	-3.0
EBITDA margin	61.9%	59.5%	59.9%	2.3	1.9	61.9%	59.5%	2.3
PATAMI margin	42.3%	39.8%	42.1%	2.5	0.2	42.3%	39.8%	2.5
Effective tax rate	25.1%	25.2%	22.0%	-0.1	3.1	25.1%	25.2%	-0.1

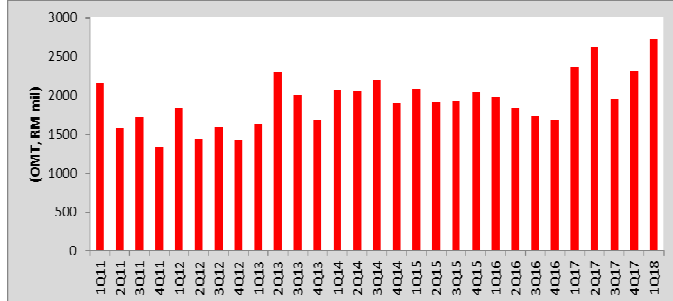
Segments breakdown

Operating revenue	1Q18	1Q17	4Q17	YoY Chg	QoQ Chg	3M18	3M17	YoY Chg
Securities trading revenue	76.3	67.2	64.6	13.5%	18.1%	76.3	67.2	13.5%
Derivatives trading revenue	19.0	21.2	20.1	-10.5%	-5.5%	19.0	21.2	-10.5%
Bursa Suq Al-Sila (BSAS)	4.0	4.0	4.1	0.1%	-4.0%	4.0	4.0	0.1%
Listing and issuer services	15.7	12.7	16.4	23.0%	-4.5%	15.7	12.7	23.0%
Depository services	10.5	9.8	10.9	7.3%	-4.0%	10.5	9.8	7.3%
Market data	8.5	8.6	8.6	-1.4%	-1.5%	8.5	8.6	-1.4%
Member services and connectivity	5.5	5.2	5.3	5.3%	3.1%	5.5	5.2	5.3%
Other	5.5	6.0	6.0	-7.9%	-8.0%	5.5	6.0	-7.9%

Source: Bloomberg, MIDFR

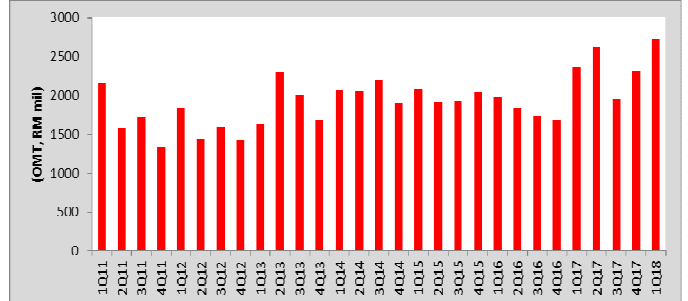
APPENDICES

Figure 1: Securities Market Trading Activity



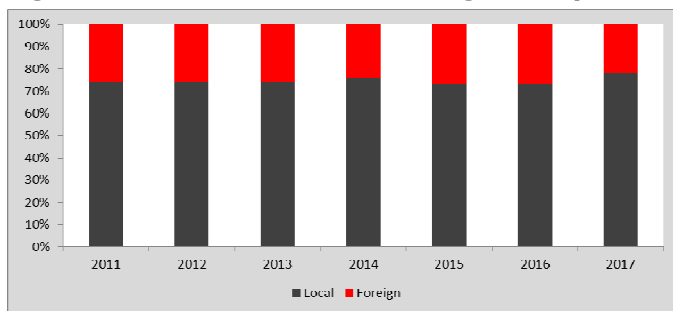
Source: Bloomberg, MIDFR

Figure 2: Average Daily Contracts Traded



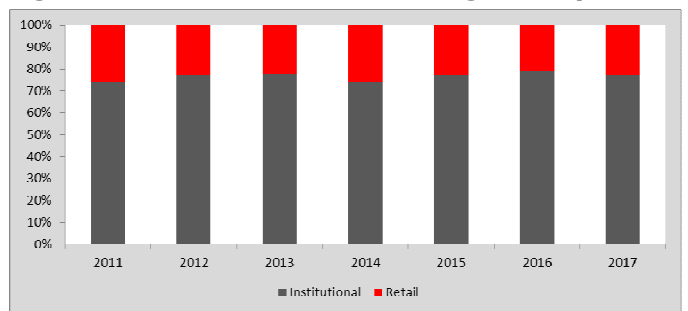
Source: Bloomberg, MIDFR

Figure 3: Securities Market Trading Participation



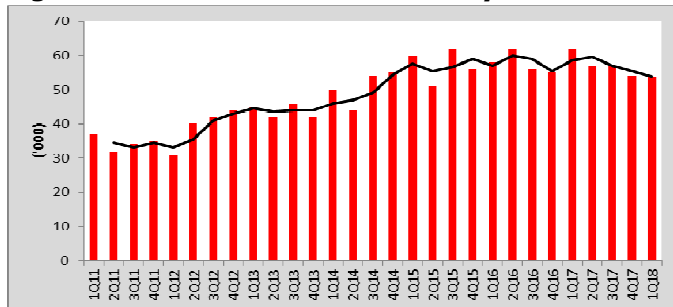
Source: Bloomberg, MIDFR

Figure 4: Securities Market Trading Participation



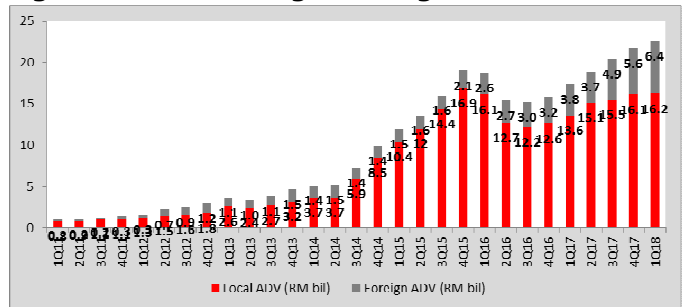
Source: Bloomberg, MIDFR

Figure 5: Derivatives Market Activity



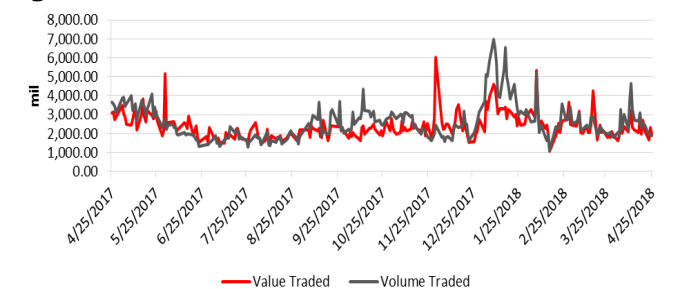
Source: Bloomberg, MIDFR

Figure 6: BSAS Average Trading Value



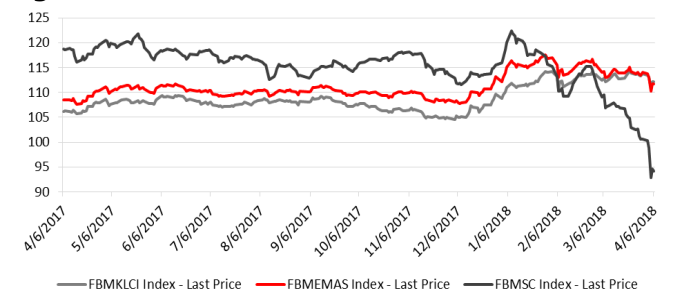
Source: Bloomberg, MIDFR

Figure 7: Value Traded vs Volume Traded



Source: Bloomberg, MIDFR

Figure 8: FBM Index



Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.