

26 July 2018 | 2QFY18 Results Preview

Bursa Malaysia Berhad

Expecting earnings to be within our estimates

Maintain NEUTRAL
Unchanged Target Price (TP):RM7.57

INVESTMENT HIGHLIGHTS

- **Bursa Malaysia (Bursa) is scheduled to release its 2QFY18 results on 30th July 2018**
- **ADTV traded increased in the quarter**
- **We make no changes to our FY18 and FY19 forecasts, as we expect earnings to be in-line with expectation**
- **We maintain our NEUTRAL stance with an unchanged TP of RM7.57**

2QFY18 earnings are expected to be within our estimates. Bursa is expected to release its 2QFY18 results on 30 July 2018. We expect profits to come in between RM65.0m and RM67.0m, with growth of around +2.3%yoy. We attribute the earnings expansion to stronger ADTV traded for securities market (OMT). Overall, we expect earnings to account circa 52.8% of the full year earnings forecasts.

Higher ADTV traded for securities market (OMT) in 2QFY18.

ADTV traded in 2QFY18 has increased to RM2.8b, a growth of +6.1%yoy. The month of May saw the highest ADTV closed at RM3.6b, posted an increase of +22.9%yoy from the same period last year. Notably, subsequent month of June saw ADTV to ease drastically, with average closing below its quarterly mean at RM2.5b. However, it is noted that ADTV in June still posted growth, climbing by +9.5%yoy. In terms of securities trading revenue, we estimated it will come in between RM77.0- RM81.0m for 2QFY18.

Lower contracts traded, but derivative revenue could be higher.

Revenue from derivatives trading is expected to record marginal growth, by approximately +2.7%yoy. We attribute this positive variance to strong improvement in FKL I contracts traded, which grew by +38.7%yoy. While the bulk of the contracts traded were composed of FCPO, we noted that FKL I contracts command higher trade fee. In terms of overall contracts traded, it shrunk by -3.5%yoy in 2QFY18.

Impact on earnings. We believe that earnings are still able to meet our full year forecast driven by our expectation of robust securities trading moving forward. All things considered, we maintain our FY18 forecast at this juncture.

RETURN STATS	
Price (25 July 2018)	RM7.86
Target Price	RM7.57
Expected Share Price Return	-3.7%
Expected Dividend Yield	+3.6%
Expected Total Return	-0.1%

STOCK INFO	
KLCI	1,763.78
Bursa / Bloomberg	1818 / Bursa MK
Board / Sector	Main / Finance
Syariah Compliant	No
Issued shares (mil)	RM807.5mil
Market cap. (RM'm)	RM6,346.8m
Price over NA	8.50x
52-wk price Range	RM6.31-RM8.20
Beta (against KLCI)	0.90x
3-mth Avg Daily Vol	1.48m
3-mth Avg Daily Value	RM11.47m
Major Shareholders (%)	
Capital Market Dvlp	18.61
KWAP	13.57
EPF	7.05

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

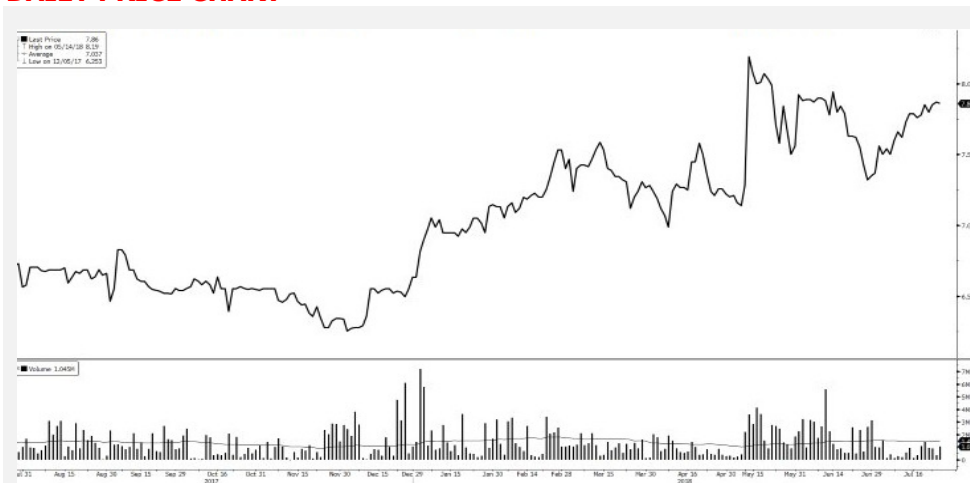
Valuation. Correspondingly, we maintain our **NEUTRAL** stance on Bursa with an unchanged **TP** of **RM7.57**. Our valuation is based on FY18EPS of 29.8sen pegged to PER of 25x. We estimate ADTV to average at RM2.52b, with a growth of +9.2%yoy in 2018. Meanwhile in 2019, ADTV is expected to average at RM2.66b, an increase of +5.3%yoy respectively. We believe the market environment in FY19 should encourage more trading activities, provided that more clarity is available, in terms of major economic direction by the new government. However, we believe that this have been factored in by investors. In addition, there is a possible downside risk stemming from external sector namely the US-China trade spat. 📈

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
Vs. Consensus Estimate (RM'm)	-	-	-	240.0	248.1
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)	31.9	32.7	28.4	26.7	26.4
Dividend (sen)	28.2	29.9	26.1	28.0	28.3
Dividend Yield (%)	3.6	3.8	3.3	3.6	3.6

Source: Company, MIDFR

DAILY PRICE CHART

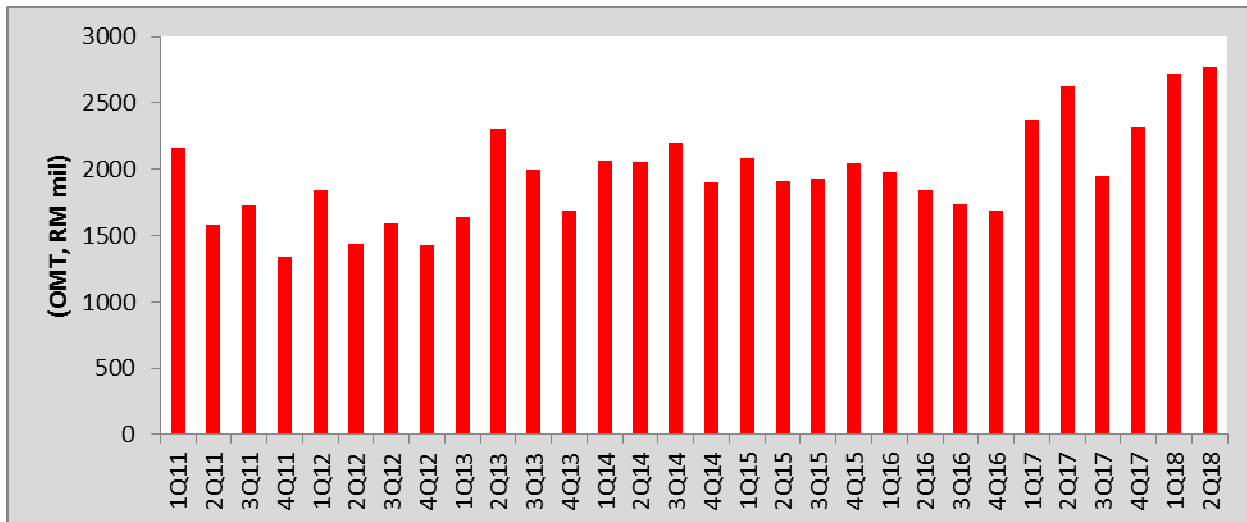


Danial Razak
 muhammad.danial@midf.com.my
 03-2173 8396

Source: Bloomberg, MIDFR

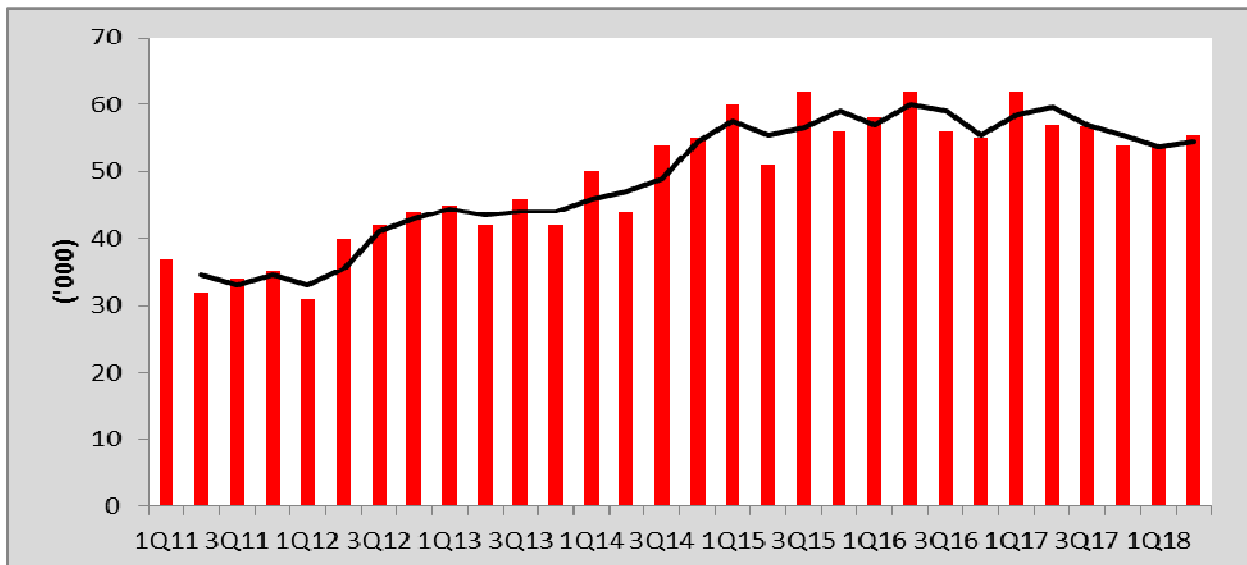
APPENDICES

Figure 1: Securities Market Trading Activity



Source: Bloomberg, MIDFR

Figure 2: Average Daily Contracts Traded



Source: Bloomberg, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).
(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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.