

30 October 2018 | 3QFY18 Results Review

Bursa Malaysia Berhad

A new peak but within expectations

INVESTMENT HIGHLIGHTS

- **Bursa's 9MFY18 PATAMI of RM172.2m came in within expectations**
- **Recorded highest 9-month operating revenue and ADV traded in the Securities Market since listing**
- **No change to our earnings forecast for FY18 and FY19**
- **Maintain NEUTRAL with unchanged TP of RM7.57**

Within expectations. Bursa's cumulative 9MFY18 earnings grew by +2.6%yoy to RM172.2m despite 3QFY18 earnings fell -2.7%yoy. This translated to 72.5% and 71.6% of ours and consensus full year estimates respectively. The 9MFY18 earnings growth was due to higher operating revenue which increased by +2.6%yoy to RM402.3m. Notably, Bursa had once again recorded a new high of nine-month operating revenue since listing and this was mainly supported by higher securities trading revenue which moderated the weak derivatives trading revenue.

Securities trading segment underpinned the growth. The revenue from securities trading respectively climbed +8.8%yoy in 3QFY18 to RM61.2m and +6.5%yoy in 9MFY18 to RM207.7m. This was due to the ADV growth momentum in July, August and September which increased by +19.2%yoy, +20.7%yoy and +2.0%yoy. We believe that there was possible an increased in trading interest after the sell down post GE14. ADV in 3QFY18 of RM2.2b was the highest for the past 7 years. While for 9MFY18, the growth was attributed to record high nine-month ADV of RM2.5b post listing, growing by +10.5%yoy which underpinned by higher foreign trades. Foreign ownership in Malaysian securities market stood at 23.6% as at September 2018 and it was relatively stable, ranging between 23.4% to 24.2% up to 3QFY18. Moving forward, we foresee continued momentum in this segment until end of FY18 period whereas the pace will be moderated in FY19.

Persistent drag on derivatives trading activities. The derivatives trading revenue both in 3QFY18 and 9MFY18 dropped by -4.8%yoy to RM18.8m and RM57.6m respectively. Recall that the underperformance had been seen in the previous two quarters. The decline in revenue was caused by a lower number of ADC registered at 55,779 in 9MFY18 which declined by -5.2%yoy as hit by the volatility of FCPO's underlying. Accordingly, this had led to a drop of -7.0ppts yoy in FCPO, from 85% in the same period last year in which FCPO was a major contributor (circa 85%) of the total derivative trading volume in FY17.

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

RETURN STATS

Price (29 October 2018)	RM7.55
Target Price	RM7.57
Expected Share Price Return	+0.3%
Expected Dividend Yield	+3.6%
Expected Total Return	+3.9%

STOCK INFO


KLCI	1,683.73
Bursa / Bloomberg	1818 / Bursa MK
Board / Sector	Main / Finance
Syariah Compliant	No
Issued shares (mil)	RM807.5mil
Market cap. (RM'm)	RM6,096.4m
Price over NA	9.08x
52-wk price Range	RM6.25-RM8.12
Beta (against KLCI)	0.86x
3-mth Avg Daily Vol	1.14m
3-mth Avg Daily Value	RM8.80m
Major Shareholders (%)	
Capital Market Dvlp	18.61
KWAP	13.57
EPF	7.15

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

Similarly, BSAS revenue fell -12.9%yoy and -7.4%yoy in 3QFY18 and 9MFY18 to RM3.4m and RM10.8m respectively. We believe this trend might hold for a while given the current challenging geopolitical environment.

Earnings estimates. We maintain our FY18 and FY19 earnings forecast given the results were in line with our expectations.

Recommendation. We maintain our **NEUTRAL** call on Bursa with unchanged **TP** of **RM7.57**. The unchanged TP is based on FY19EPS of 29.8sen pegged to PER of 25x. The increased securities trading activities YTD have been positive for Bursa. However, we remain cautiously optimistic of the growth in FY19 due to ongoing internal and external uncertainties. Nevertheless, we believe that there are a few moderating factors such as potential paring down of government's stake in companies which may bring greater liquidity and volume to the capital market, and the continued expansion of its BSAS platform into African and Central Asian countries. These may provide support for Bursa growth next year. 

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>	-	-		240.6	248.2
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)	31.7	32.5	28.2	26.5	26.2
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



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Source: Bloomberg, MIDFR

2QFY18 RESULTS SUMMARY

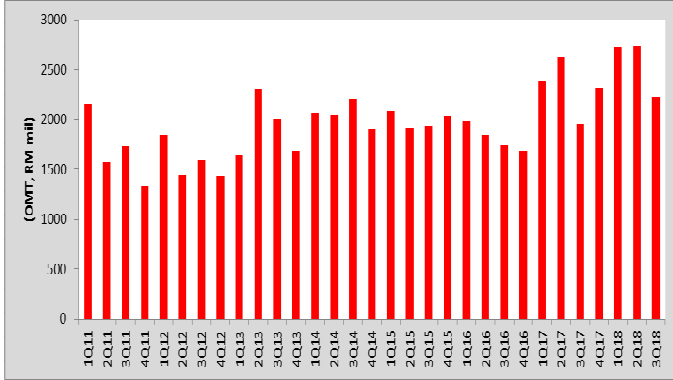
FYE Dec (RM'm)	3Q18	3Q17	2Q18	YoY Chg	QoQ Chg	9M18	9M17	YoY Chg
Operating revenue	123.2	122.6	134.3	0.4%	-8.3%	402.3	392.1	2.6%
Other income	6.6	7.6	6.3	-13.1%	5.4%	18.8	23.6	-20.1%
Total revenue	129.8	130.3	140.6	-0.3%	-7.6%	421.1	415.6	1.3%
Staff costs	-35.4	-31.8	-36.2	11.6%	-2.0%	-106.4	-100.2	6.2%
Depreciation and amortisation	-5.5	-5.9	-5.5	-7.3%	0.2%	-16.5	-18.0	-8.2%
Other operating expenses	-19.8	-21.4	-18.9	-7.4%	4.9%	-61.2	-65.7	-6.9%
EBITDA	74.5	77.0	85.4	-3.3%	-12.8%	236.9	231.7	2.3%
Pre-tax profit	69.0	71.1	79.9	-3.0%	-13.7%	236.5	231.3	2.3%
Taxation	-17.5	-18.0	-20.0	-2.6%	-12.7%	-59.5	-58.3	2.1%
Minority interest	-1.3	-1.5	-1.6	-16.1%	-22.5%	-4.8	-5.2	-7.3%
PATAMI	50.2	51.6	58.2	-2.7%	-13.8%	172.2	167.8	2.6%
EPS (sen)	6.2	9.6	7.2	-35.4%	-13.9%	21.3	31.2	-31.7%
Key Matric	3Q18	3Q17	2Q18	+/- ppts	+/- ppts	9M18	9M17	+/- ppts
Cost-to-income ratio	46.8%	45.3%	43.1%	1.4	3.7	43.7%	44.3%	-0.5
EBITDA margin	57.4%	59.1%	60.7%	-1.8	-3.4	56.3%	55.7%	0.5
PATAMI margin	38.7%	39.6%	41.4%	-0.9	-2.8	40.9%	40.4%	0.5
Effective tax rate	25.4%	25.3%	25.1%	0.1	0.3	25.2%	25.2%	0.0

Segments breakdown								
Operating revenue	3Q18	3Q17	2Q18	YoY Chg	QoQ Chg	9M18	9M17	YoY Chg
Securities trading revenue	61.2	56.2	70.3	8.8%	-12.9%	207.7	195.0	6.5%
Derivatives trading revenue	18.8	19.8	19.7	-4.8%	-4.7%	57.6	60.5	-4.8%
Bursa Suq Al-Sila (BSAS)	3.4	3.9	3.5	-12.9%	-1.1%	10.8	11.7	-7.4%
Listing and issuer services	14.2	17.1	15.3	-16.5%	-6.8%	45.2	45.4	-0.4%
Depository services	10.5	11.1	10.8	-5.5%	-3.1%	31.8	31.4	1.2%
Market data	9.8	8.8	8.9	10.6%	9.4%	27.2	25.9	4.8%
Member services and connectivity	5.2	5.7	5.7	-8.1%	-8.9%	16.4	16.1	1.8%

Source: Bloomberg, MIDFR

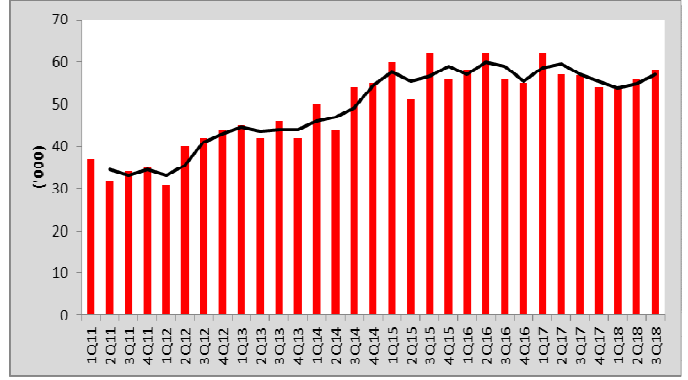
APPENDICES

Figure 1: Securities Market Trading Activity



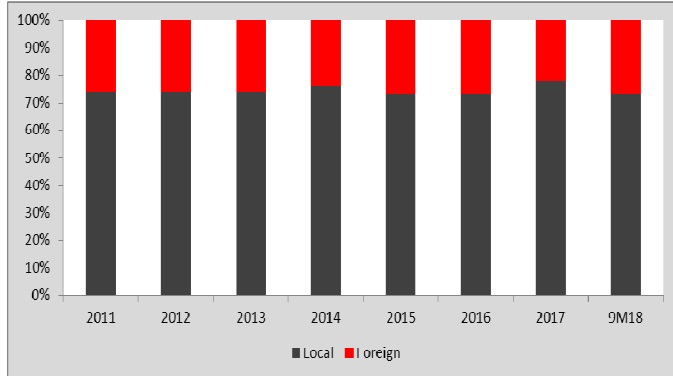
Source: Bloomberg, MIDFR

Figure 2: Average Daily Contracts Traded



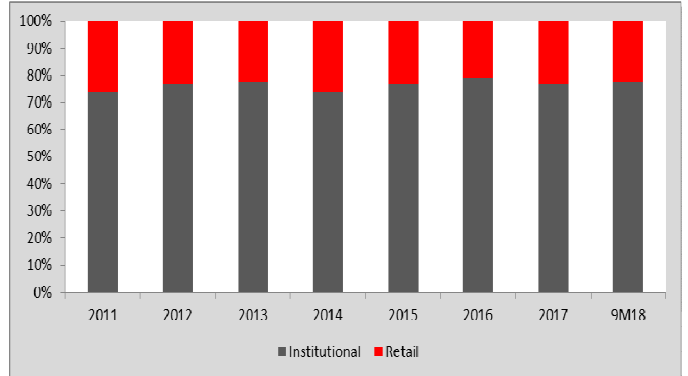
Source: Bloomberg, MIDFR

Figure 3: Securities Market Trading Participation



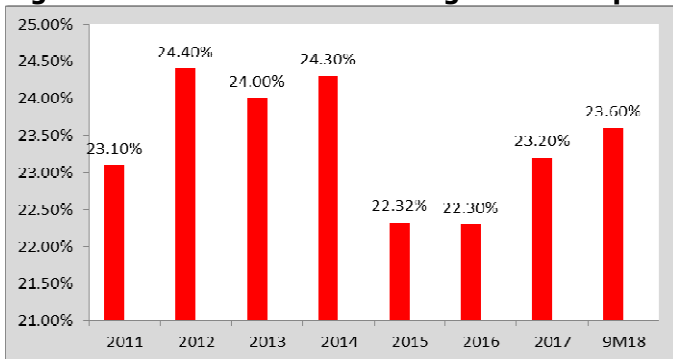
Source: Bloomberg, MIDFR

Figure 4: Securities Market Trading Participation



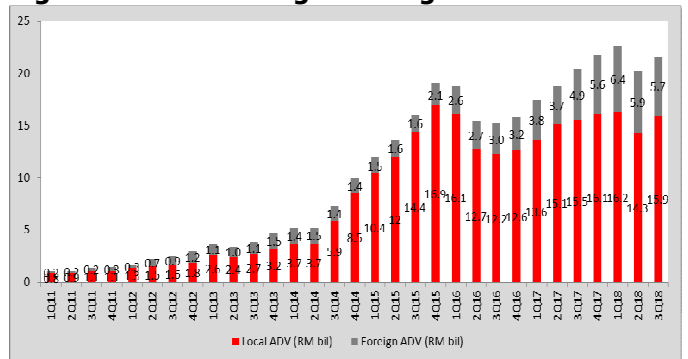
Source: Bloomberg, MIDFR

Figure 5: Securities Market Foreign Ownership



Source: Bloomberg, MIDFR

Figure 6: BSAS Average Trading Value



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.