

06 February 2018 | 4QFY17 Results Review

## Bursa Malaysia Berhad

*Breaching the RM200m mark, a first after ten years*

***Downgrade to NEUTRAL***

***Unchanged Target Price (TP):RM11.25***

### INVESTMENT HIGHLIGHTS

- **Bursa's 12MFY17 PATAMI of RM223.m was within ours and consensus' estimates**
- **Its 4QFY17 earnings are boosted up by key segment**
- **We maintain our earnings forecast**
- **Downgrade to Neutral with unchanged TP of RM11.25**

**Results met our expectation.** Bursa's 12MFY17 net earnings of RM223.0m were in line with our expectation, coming in at 101.3% and 100.6% of ours and consensus' full year estimates. Bursa's PATAMI grew by +15.2%yoy due to higher securities trading revenue, which expanded by +21.9%yoy to RM259.6m. This is further supported by notable improvement in cost-to-income ratio to 45.0%, -1.6ppts yoy for FY17.

**Trading segments showing its dominance.** Bursa's FY17 operating revenue saw an increase of +10.4%yoy to RM522.1m. This was in parallel with its 4QFY17 where operating revenue reached RM130.0m (+15.5%yoy). Securities trading activities primarily contributed to bulk of its topline improvement. We noted that the annual ADV traded (OMT) for FY17 was RM2.3b. Meanwhile, we saw upward support to FY17's earnings from Listing and Issuer Services (+15.4%yoy) as well as Depository Services (+8.6%) segments. For FY17, ADC traded remained flat at 57, 816 contracts in comparison to the same period last year. However, the demand for FCPO continued to be strong recording a growth of +5.9%yoy to 49, 161 contracts.

**Operating expenses was up by single digit.** Operating expenses grew by +6.0%yoy to RM250.4m for FY17. It was mainly resulted by the increase in staff cost. Higher expenses were also seen in service fees and marketing. Despite the increase, cost-to-income ratio registered an improvement due to better growth rate in total revenue of 9.9% to RM556.8m in FY17 in comparison to total cost, which grew +6.0%yoy to RM 250.4m.

**Impact on earnings.** As the results came in within our expectations, we maintain our FY18 earnings estimates while introducing our FY19 earnings forecast.

### RETURN STATS

Price (5 February 2018)	RM10.88
Target Price	RM11.25
Expected Share Price Return	+3.40%
Expected Dividend Yield	+3.90%
<b>Expected Total Return</b>	<b>+7.30%</b>

### STOCK INFO

KLCI	1853.07
Bursa / Bloomberg	1818 / Bursa MK
Board / Sector	Main / Finance
Syariah Compliant	No
Issued shares (mil)	RM537.5 mil
Par Value (RM)	RM0.50
Market cap. (RM'm)	RM5,848.0m
Price over NA	7.72x
52-wk price Range	RM8.08-RM11.02
Beta (against KLCI)	0.96x
3-mth Avg Daily Vol	1.06m
3-mth Avg Daily Value	RM10.78m
Major Shareholders (%)	
Capital Market Dvlp	18.64
KWAP	13.59
EPF	7.12

#### 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

**Dividend.** Bursa announced a second interim dividend of 18.5sen/share for FY17, which amounted to RM99.4. In totality, the amount of dividend paid out in FY17 is 38.5sen/share (53.5sen/share including special dividend). This implies a pay-out ratio of circa 93.0% (historically, 93-95%) of its FY17 earnings and a dividend yield of 3.5%.

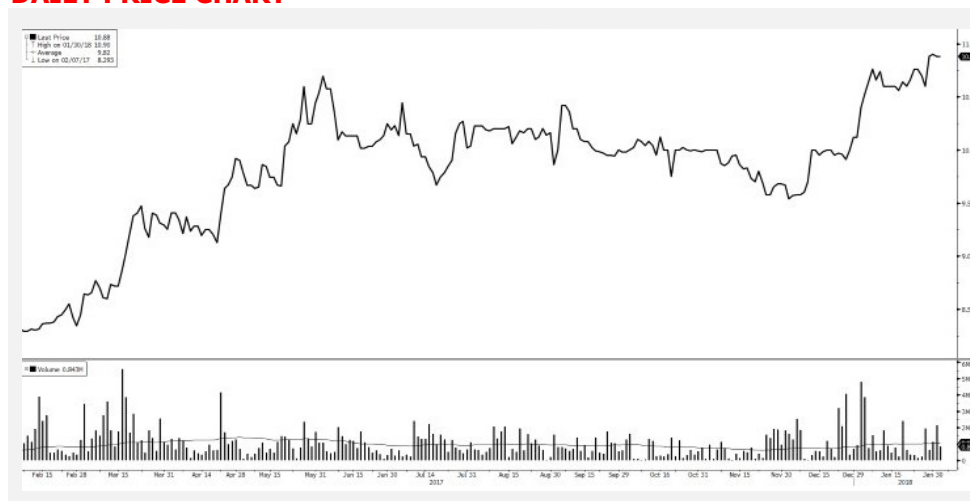
**Recommendation.** We continue to like Bursa based on its consistent earnings generation, stemming from the robust trading activities. The encouraging earnings growth of FY17, we believe will enhance investors' sentiment in the local stock market. While the expectations of bigger IPOs in FY18 are on the rise, we opine that the existing economical structure will provide greater support to higher trading activities (the biggest revenue contributor), as with initiatives such the Mid & Small Cap Research Scheme (MidS) and Leading Entrepreneur Accelerator Platform (LEAPS) market. In terms of the macroeconomic perspective, we continue to be optimistic based on the strengthening of local economy with 5.4% GDP growth expectation, according to our in-house economic team. However, the positives have already been priced in for now, with FY18 PER of 24.6x, which an unchanged **TP** of **RM11.25**. This is pegging its FY18 EPS of 44.3sen to PER of 25x. Therefore, this constitutes a Neutral call for Bursa.

## INVESTMENT STATISTIC

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	518.5	506.8	556.8	574.8	599.5
EBITDA (RM'm)	302.5	294.8	329.7	352.6	370.1
Pre-tax Profit (RM'm)	278.8	270.6	305.9	324.2	343.3
PATAMI (RM'm)	198.6	193.6	223.0	237.5	251.6
<i>Vs. Consensus Estimate (RM'm)</i>	-	-	222.3	230.5	240.0
EPS (sen)	37.0	36.0	41.5	44.3	46.8
EPS growth (%)	-0.1	-2.7	15.3	6.8	5.7
PER (x)	29.4	30.2	26.2	24.6	23.2
Dividend (sen)	34.5	34.0	38.5	42.2	44.7
Dividend Yield (%)	3.2	3.1	3.5	3.9	4.1

Source: Company, MIDFR

## DAILY PRICE CHART



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Source: Bloomberg, MIDFR

## 4QFY17 RESULTS SUMMARY

FYE Dec (RM'm)	4Q17	4Q16	3Q17	YoY Chg	QoQ Chg	12M17	12M16	YoY Chg
Operating revenue	130.0	112.5	122.6	15.5%	6.0%	522.1	472.7	10.4%
Other income	11.2	11.2	7.6	-0.1%	46.2%	34.8	34.1	2.0%
<b>Total revenue</b>	<b>141.2</b>	<b>123.7</b>	<b>130.3</b>	<b>14.1%</b>	<b>8.4%</b>	<b>556.8</b>	<b>506.8</b>	<b>9.9%</b>
Staff costs	-37.3	-29.1	-31.8	28.2%	17.4%	-137.5	-128.6	7.0%
Depreciation and amortisation	-5.8	-6.1	-5.9	-4.9%	-2.5%	-23.8	-24.2	-1.8%
Other operating expenses	-23.4	-19.6	-21.4	19.1%	9.4%	-89.1	-83.4	6.8%
<b>EBITDA</b>	<b>80.5</b>	<b>75.0</b>	<b>77.0</b>	<b>7.3%</b>	<b>4.6%</b>	<b>306.4</b>	<b>294.8</b>	<b>3.9%</b>
<b>Pre-tax profit</b>	<b>74.8</b>	<b>69.0</b>	<b>71.1</b>	<b>8.4%</b>	<b>5.2%</b>	<b>305.9</b>	<b>270.6</b>	<b>13.0%</b>
Taxation	-17.4	-16.6	-18.0	4.7%	-3.4%	-75.7	-67.9	11.4%
Minority interest	-2.0	-2.2	-1.5	-9.8%	32.3%	-7.2	-9.0	-20.7%
<b>PATAMI</b>	<b>55.4</b>	<b>50.2</b>	<b>51.6</b>	<b>10.4%</b>	<b>7.4%</b>	<b>223.0</b>	<b>193.6</b>	<b>15.2%</b>
EPS (sen)	10.2	9.3	9.6	9.7%	6.3%	41.4	36.2	14.4%
<b>Key Matric</b>	<b>4Q17</b>	<b>4Q16</b>	<b>3Q17</b>	<b>+/- ppts</b>	<b>+/- ppts</b>	<b>12M17</b>	<b>12M16</b>	<b>+/- ppts</b>
Cost-to-income ratio	47.1%	44.3%	45.3%	2.8	1.7	45.0%	46.6%	-1.6
EBITDA margin	57.0%	60.6%	59.1%	-3.6	-2.1	55.0%	58.2%	-3.1
PATAMI margin	39.2%	40.5%	39.6%	-1.3	-0.4	40.1%	38.2%	1.8
Effective tax rate	23.2%	24.0%	25.3%	-0.8	-2.1	24.7%	25.1%	-0.4

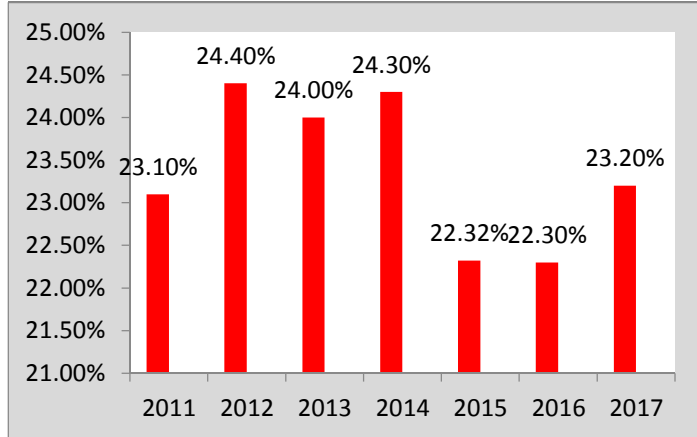
### Segments breakdown

Operating revenue	4Q17	4Q16	3Q17	YoY Chg	QoQ Chg	12M17	12M16	YoY Chg
Securities trading revenue	64.6	49.0	56.2	31.8%	14.8%	259.6	212.9	21.9%
Derivatives trading revenue	20.1	21.9	19.8	-8.2%	1.6%	80.5	88.7	-9.2%
Bursa Suq Al-Sila (BSAS)	4.1	3.9	3.9	6.6%	5.5%	15.8	16.4	-3.7%
Listing and issuer services	16.4	14.0	17.1	17.1%	-3.8%	61.8	53.5	15.4%
Depository services	10.9	9.8	11.1	11.6%	-1.5%	42.4	39.0	8.6%
Market data	8.6	8.8	8.8	-2.7%	-3.0%	34.5	35.3	-2.2%
Member services and connectivity	5.3	5.2	5.7	2.6%	-6.9%	21.4	21.0	1.9%

Source: Company, MIDFR

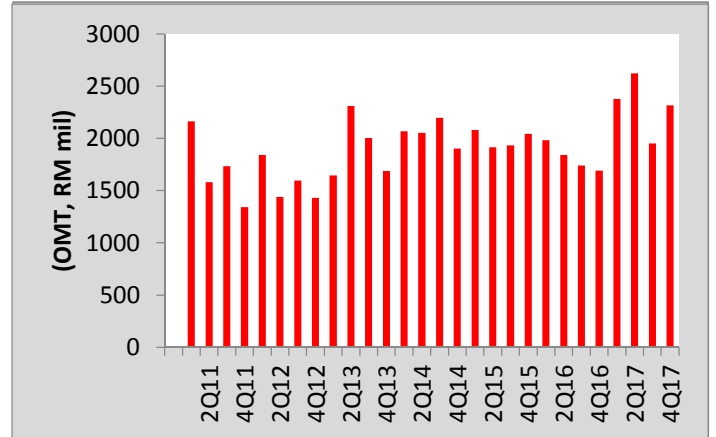
## APPENDICES

**Figure 1: Securities Market Foreign Ownership**



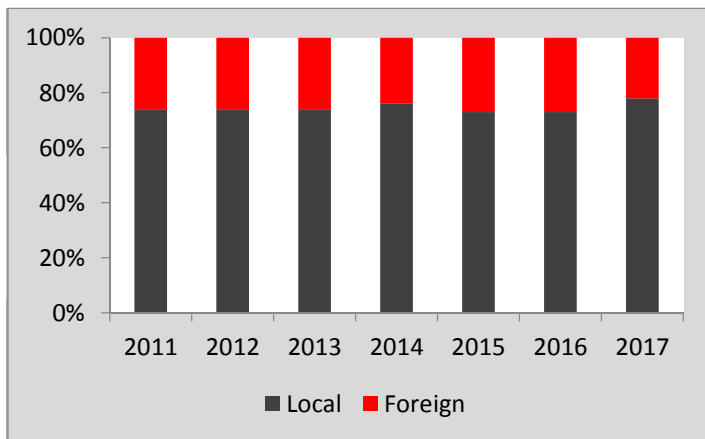
Source: Company, MIDFR

**Figure 2: Securities Market Trading Activity**



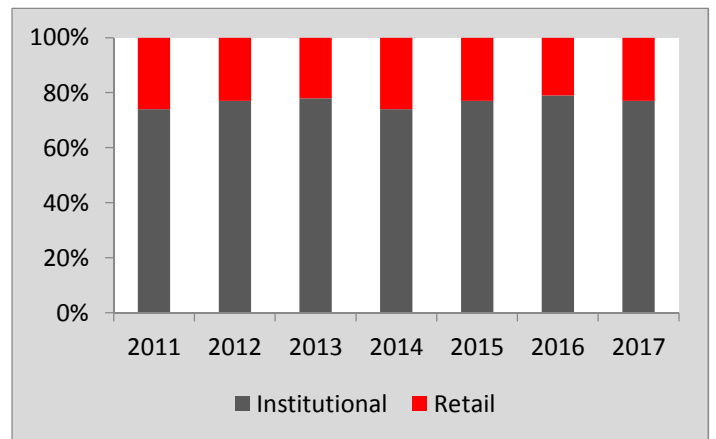
Source: Company, MIDFR

**Figure 3: Securities Market Trading Participation**



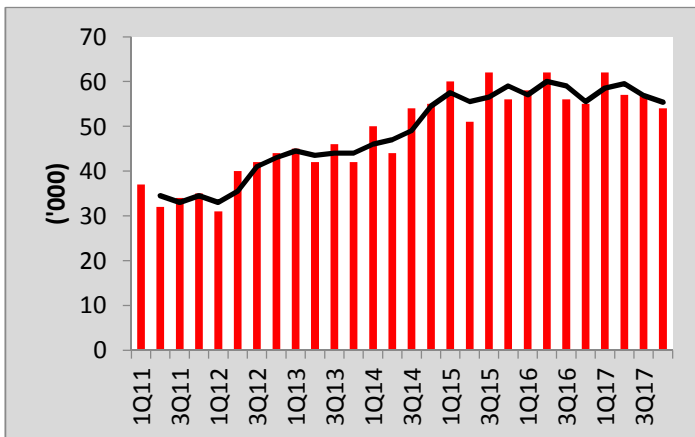
Source: Company, MIDFR

**Figure 4: Securities Market Trading Participation**



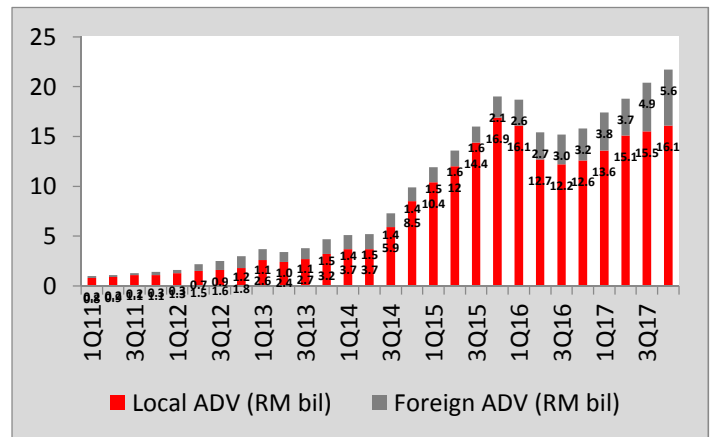
Source: Company, MIDFR

**Figure 5: Derivatives Market Activity**



Source: Company, MIDFR

**Figure 6: BSAS Average Trading Value**



Source: Company, 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.