

07 February 2018 | Corporate Update

Bursa Malaysia Berhad

Exciting times ahead

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

INVESTMENT HIGHLIGHTS

- **Stock market trading link between Bursa and Singapore**
- **Three-year waiver on stamp duty for MIDS stock**
- **We maintain our earnings forecast**
- **We maintain NEUTRAL with an unchanged TP of RM11.25**

Yesterday, trading activities in Bursa were suspended to make way for corporate announcements in regards with the local bourse. Following this, few important developments to boost local stock market activities were communicated, as below :

1. Establishment of stock market trading link between Bursa and SGX
2. Three-year waiver of the stamp duty on shares of mid and small cap companies traded on Bursa Malaysia beginning March 2018

Other measures:

1. Liberalisation of margin financing rules
2. Introduction of "trading specialist", a new category of traders who trade on their own account
3. Fee waiver of trading and clearing fees for six months
4. Introduction of intra-day short selling

Our view on stock market trading link. The new measures introduced were seen as a positive development for Bursa to boost its functions as the local stock exchange. Notably, the establishment of trading link between Singapore Stock Exchange and Bursa Malaysia will open doors for investors to access both stock markets, to trade and settle shares in a more convenient and cost-efficient manner. The linking of both stock market trades is planned to take off by the end of the year, which will connect markets with more than USD1.2t in value and about 1,600 listed companies. As of this writing, we believe around 57% of the combined listed entities are currently traded on Bursa Malaysia. Moving forward, the trading link will make it more convenient for investors to trade shares in the other stock market, and settle in local currency.

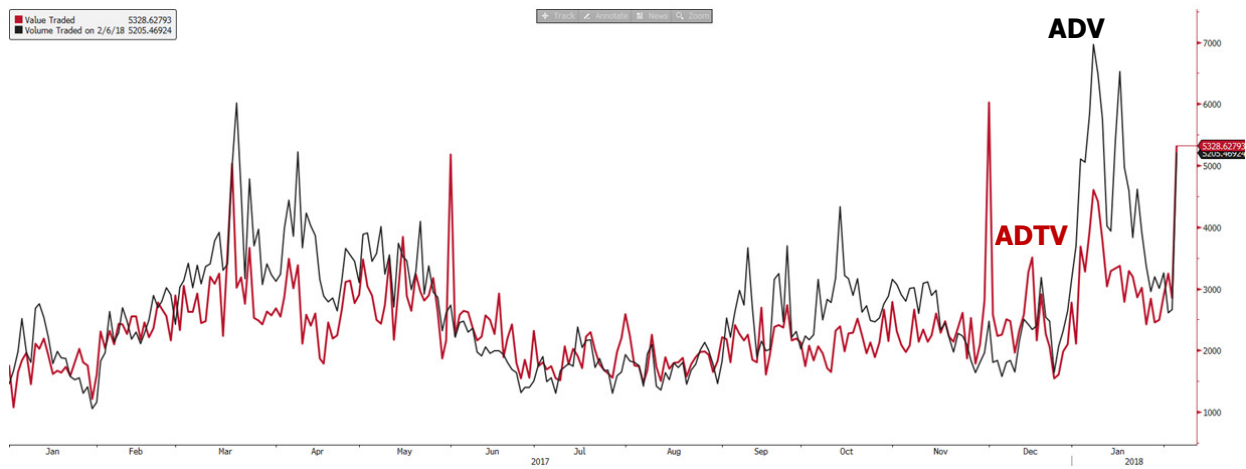
RETURN STATS	
Price (6 February 2018)	RM10.76
Target Price	RM11.25
Expected Share Price Return	+4.55%
Expected Dividend Yield	+3.90%
Expected Total Return	+8.45%

STOCK INFO	
KLCI	1812.45
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)	RM5,783.5m
Price over NA	7.63x
52-wk price Range	RM8.08-RM11.02
Beta (against KLCI)	0.96x
3-mth Avg Daily Vol	1.05m
3-mth Avg Daily Value	RM10.66m
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
 FKL = FBMKLCI Futures
 BSAS = Bursa Suq Al-Sila
 OMT = On Market Trade
 DBT = Direct Business Transaction
 SR = Stable Revenue

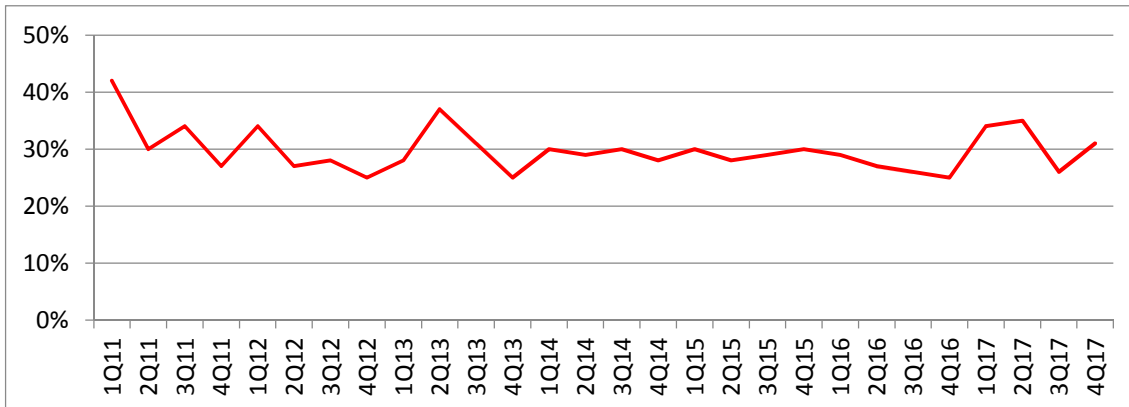
MIDS three-year waiver by government. Beginning March 2018, shares of mid and small cap companies traded on Bursa will be granted three-year waiver by the government. Following this exemption, we believe it will spur more interest among investors to trade shares in this segment which will lend further support to the improvement in trade velocity. Notably, we have seen that the interest of small and mid-cap stocks have gained interest based on comparative analysis of value vs volume traded in the market, where ADV went up by 52% from 1.6b shares/day in 2016 to 2.5b shares/day in 2017 compared to 28% increase in ADTV to RM2.3b/day (2016: RM1.8b).

ADTV vs ADV 2016-2017



Source: Bloomberg, MIDFR

Securities Market Trading Velocity



Source: Bloomberg, MIDFR

Intra-day Short Selling. Regulated short selling has been amended to allow all investors to conduct intra-day short selling. Notably, intra-day short selling is only permitted for licensed Proprietary Day Traders (PDT) in Bursa. Moving forward, we believe this will increase the trading participants of proprietary trading category, but we have yet to ascertain the impact on Bursa's bottom line as the requirements for "trading specialists" has yet to be announced.

Recommendation. Overall we are positive on the news supported by Bursa's consistent earnings generation, stemming from the robust demand of local 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 the existing economical structure to provide greater support to higher trading activities (the biggest revenue contributor). While waiting for further details on these new initiatives, we maintain our NEUTRAL call on Bursa to a an unchanged **TP** of **RM11.25**. This is pegging its FY18 EPS of 44.3sen to PER of 25x.

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

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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.