



Bursa Malaysia Berhad

(1818 | BURSA MK) Financial Services | Other Financials

In Line with Expectations

KEY INVESTMENT HIGHLIGHTS


- Earnings were in line with ours and consensus' expectations
- Lower trading revenue led to lower earnings but pace have slowed
- Higher OPEX due to higher staff costs as Bursa is building capacity
- Dividend of 15 sen per share – within expectation
- No change in earnings estimate
- Maintain BUY with revised TP of RM7.50 (previously RM7.30)

In-line with expectations. Bursa Malaysia Bhd (Bursa) better 2QFY23 earnings growth coming in at +28.3%yoy (vs. 1QFY23: -17.4%yoy). As a result, 1HFY23 earnings came in +3.9%yoy higher. This was within our and consensus' expectations, coming in at 53.7% and 56.4% of respective full year estimate. The earnings growth in 2QFY23 was due to reversal in provisions for SST on digital services amounted to RM27.7m.

Trading revenues came lower again. Total revenue in 2QFY23 fell -4.8%yoy dragged by securities trading revenue which declined at a lower pace of -10.5%yoy to RM85.0m (vs. 1QFY23: -15.3%yoy). As such, 1HFY23 trading revenue declined -11.5%yoy. This was due to lower ADV (OMT), contracting -17.3%yoy to RM1.96b in 1HFY23 on the back of normalisation of retail trades to pre-pandemic level. Meanwhile, non-trading revenues increased +3.3%yoy to RM110.3m, moderating the trading revenue decline.

Higher recurring OPEX but for growth. OPEX fell by -8.5%yoy to RM131.3m but this was due to one-off reversal of provisions. Discounting this, OPEX actually grew +10.8%yoy. This was mainly due to higher staff costs on higher headcount for new business and capacity building.

Earnings estimate. We make no changes to our earnings estimate.

Recommendation. We opine the weakness in trading activities continued in 2QFY23 due to volatility in global markets caused by US Fed's actions and geopolitical issues. This may have led to or exacerbated the normalisation of retail trade. However, we expect that the US rate hike pause by the Fed will improve sentiment and market valuation going forward. This will be a boost to global equities trading activities. In fact, we have seen better performance in the month July already based on the performance of Bursa indices. Hence, we expect the situation to improve in 2HFY23. Therefore, we are maintaining our **BUY** call on the stock. We roll over our valuation to FY24 resulting with a revise **TP of RM7.50** (previously RM7.30) pegging our FY24 EPS to a PER of 23x. 

Maintain BUY

Revised Target Price: RM7.50
(previously RM7.30)

RETURN STATISTICS

Price @ 31 st July 2023 (RM)	6.71
Expected share price return (%)	+11.8
Expected dividend yield (%)	4.3
Expected total return (%)	+16.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.2	-1.7
3 months	4.2	3.7
12 months	1.7	4.6

INVESTMENT STATISTICS

FYE Mar	2023E	2024F	2025F
Revenue	663.1	685.6	702.0
Operating Profit	364.7	390.8	400.1
Profit Before Tax	338.2	364.7	373.5
Core PATAMI	246.9	266.3	272.6
Core EPS	30.5	32.9	33.7
DPS	29.0	31.3	32.0
Dividend Yield	4.1%	4.7%	4.8%

KEY STATISTICS

FBM KLCI	1,459.43
Issue shares (m)	Yes
Estimated free float (%)	809.30
Market Capitalisation (RM'm)	70.44
52-wk price range	5,430.40
3-mth average daily volume (m)	RM6 - RM7.1
3-mth average daily value (RM'm)	0.92
Top Shareholders (%)	
Capital Market Dvlp Fund	18.57
KWAP	10.98
EPF	10.09

2QFY23 RESULTS SUMMARY

FYE Dec (RM'm)	2Q23	2Q22	1Q23	YoY Chg	QoQ Chg	1HFY23	1HFY22	YoY Chg
Operating revenue	138.8	148.4	150.7	-6.4%	-7.9%	289.6	309.4	-6.4%
Other income	5.8	3.5	5.8	64.7%	0.1%	11.5	7.8	48.7%
Total revenue	144.6	151.9	156.5	-4.8%	-7.6%	301.1	317.2	-5.1%
Staff costs	(43.0)	(38.7)	(40.7)	11.1%	5.7%	-83.7	-78.0	7.3%
Depreciation and amortisation	(8.3)	(6.3)	(7.9)	31.0%	4.4%	-16.2	-12.7	27.6%
Other operating expenses	0.3	(25.8)	(31.8)	-101.2%	-100.9%	-31.5	-52.8	-40.4%
EBITDA	101.9	87.4	84.1	16.6%	21.2%	185.9	186.4	-0.2%
Pre-tax profit	93.6	81.1	76.1	15.5%	22.9%	169.8	173.7	-2.3%
Taxation	(17.4)	(21.6)	(20.0)	-19.6%	-13.1%	-37.3	-46.3	-19.3%
PATAMI	76.3	59.5	56.2	28.3%	35.8%	132.5	127.4	3.9%
EPS (sen)	9.4	7.3	6.9	28.8%	36.2%	16.3	15.7	3.8%
Key Metric	2Q23	2Q22	1Q23	+/- ppts	+/- ppts	1HFY23	1HFY22	+/- ppts
Cost-to-income ratio	35.3%	46.6%	51.3%	-11.4	-16.1	43.6%	45.2%	-1.6
EBITDA margin	70.5%	57.5%	53.7%	12.9	16.7	61.8%	58.8%	3.0
PATAMI margin	52.8%	39.2%	35.9%	13.6	16.9	44.0%	40.2%	3.8
Effective tax rate	18.5%	26.6%	26.2%	-8.1	-7.7	22.0%	26.6%	-4.6

Segments breakdown								
Operating revenue	2Q23	2Q22	1Q23	YoY Chg	QoQ Chg	1HFY23	1HFY22	YoY Chg
Securities trading revenue	57.8	66.8	68.1	-13.4%	-15.2%	126.0	147.2	-14.4%
Derivatives trading revenue	23.0	24.4	21.5	-5.9%	6.8%	44.5	47.7	-6.9%
Bursa Suq Al-Sila (BSAS)	4.3	3.8	4.5	12.5%	-5.6%	8.8	7.6	15.5%
Listing and issuer services	16.3	17.2	15.0	-5.2%	8.7%	31.3	34.1	-8.2%
Depository services	13.8	13.9	13.1	-0.8%	5.2%	26.9	28.3	-4.8%
Market data	17.4	16.5	15.6	5.5%	11.3%	32.9	31.2	5.6%
Member services and connectivity	6.3	5.9	6.1	8.2%	3.5%	12.4	13.3	-6.3%

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Operating Revenue	751.6	585.3	648.1	663.6	680.1
Other Income	15.9	18.0	15.0	22.0	21.8
Total Revenue	767.5	603.2	663.1	685.6	702.0
EBITDA	479.0	310.3	364.7	390.8	400.1
Profit Before Tax	478.4	310.0	338.2	364.7	373.5
Core PATAMI	355.3	226.6	246.9	266.3	272.6
Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin	62.4%	51.4%	55.0%	57.0%	57.0%
PBT margin	62.3%	51.4%	51.0%	53.2%	53.2%
PAT margin	46.3%	37.6%	37.2%	38.8%	38.8%

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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology