



Bursa Malaysia Berhad

(1818 | BURSA MK) Financial Services | Other Financials

Stronger Revenue in the Quarter

KEY INVESTMENT HIGHLIGHTS

- Earnings came in line with our expectation
- Non trading revenue moderate lower trading revenue
- Higher OPEX due to higher staff costs as Bursa is building capacity
- No change in earnings estimate
- Maintain BUY with unchanged TP of RM7.50

Within expectations. Bursa Malaysia Bhd (Bursa) maintained its good performance in 3QFY23 where earnings grew +20.3%yoy (vs. 2QFY23: +28.3%yoy). Resultantly, 9MFY23 earnings came in +8.6%yoy higher. This was within our expectations, coming in at 78.1% of our full year estimate. The earnings growth in 3QFY23 was due to higher revenue.

Non trading revenue moderate trading revenue decline. Total revenue for 9MFY23 was relatively flat with +0.5%yoy growth. However, revenue rebounded in 3QFY23 as it grew +13.1%yoy. Trading revenue came in lower by -0.8%yoy in 9MFY23 as securities trading fee fell -3.3%yoy due to contraction in ADV (OMT) by -4.3%yoy to RM2.02b. Nevertheless, 3QFY23 saw trading revenue rebound by +26.2%yoy. Meanwhile, non-trading revenues increased +5.0%yoy to RM164.9m, moderating the trading revenue decline. This was due to revenue growth in market data (+11.5%yoy to RM51.1m), member services and connectivity (+3.5%yoy to RM18.4m), and conference fees (>100%yoy to RM7.3m).

Higher OPEX but for growth. OPEX fell by -2.4%yoy to RM209.6m but this was due to a one-off reversal of provisions amounting to RM23.6m in 2QFY23. Looking into 3QFY23, OPEX grew +15.4%yoy to RM82.6m. This was mainly due to higher staff costs on higher headcount for new business and capacity building.

Earnings estimate. We are tweaking our revenue and OPEX estimates to be more in line with the results. However, this does not result in a change to our earnings estimate.

Recommendation. We saw better trading activities in 3QFY23 and we expect that this may continue once the US Fed decides to pause its rate hike, which will improve sentiment and market valuation going forward. However, we recognize the short-term risk coming from Middle East conflict. Nevertheless, we expect the conflict to be resolved at the current juncture. Hence, we expect the situation to continue improving. Therefore, we are maintaining our **BUY** call on the stock with unchanged **TP of RM7.50** pegging our FY24 EPS to a PER of 23x.

Maintain BUY**Unchanged Target Price: RM7.50**

RETURN STATISTICS

Price @ 31 st October 2023 (RM)	6.79
Expected share price return (%)	+10.5
Expected dividend yield (%)	4.3
Expected total return (%)	+14.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.7	-0.5
3 months	0.7	0.2
12 months	6.1	6.4

INVESTMENT STATISTICS

FYE Mar	2023E	2024F	2025F
Revenue	614.9	685.6	702.0
Operating Profit	362.8	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	29.0	30
Dividend Yield	4.3%	4.3%	4.3%

KEY STATISTICS

FBM KLCI	1,442.14
Issue shares (m)	Yes
Estimated free float (%)	809.30
Market Capitalisation (RM'm)	67.75
52-wk price range	5,495.14
3-mth average daily volume (m)	RM6.16 - RM7.1
3-mth average daily value (RM'm)	0.88
Top Shareholders (%)	
Capital Market Dvlp Fund	18.57
KWAP	12.85
EPF	10.92

3QFY23 RESULTS SUMMARY

FYE Dec (RM'm)	3Q23	3Q22	2Q23	YoY Chg	QoQ Chg	9MFY23	9MFY22	YoY Chg
Operating revenue	152.1	135.7	138.8	12.0%	9.6%	441.7	445.2	-0.8%
Other income	6.6	4.6	5.8	43.1%	14.7%	18.2	12.4	46.6%
Total revenue	158.7	140.4	144.6	13.1%	9.8%	459.8	457.5	0.5%
Staff costs	(40.9)	(40.1)	(43.0)	2.0%	-4.9%	(124.6)	(118.2)	5.5%
Depreciation and amortisation	(12.5)	(6.9)	(8.3)	82.1%	51.3%	(28.7)	(19.5)	46.7%
Other operating expenses	(29.1)	(24.5)	0.3	18.8%	<100%	(60.6)	(77.3)	-21.7%
EBITDA	92.5	75.6	101.9	22.4%	-9.2%	245.9	242.5	1.4%
Pre-tax profit	80.0	68.7	93.6	16.5%	-14.5%	249.8	242.4	3.0%
Taxation	(19.7)	(18.6)	(17.4)	5.8%	13.3%	(57.0)	(64.8)	-12.1%
PATAMI	60.3	50.1	76.3	20.3%	-20.9%	192.8	177.6	8.6%
EPS (sen)	7.5	6.2	9.4	21.0%	-20.2%	23.8	21.9	8.7%
Key Matric	3Q23	3Q22	2Q23	+/- ppts	+/- ppts	9MFY23	9MFY22	+/- ppts
Cost-to-income ratio	52.0%	51.0%	35.3%	1.1	16.8	46.5%	47.0%	-0.5
EBITDA margin	58.3%	53.8%	70.5%	4.5	-12.2	53.5%	53.0%	0.5
PATAMI margin	38.0%	35.7%	52.8%	2.3	-14.8	41.9%	38.8%	3.1
Effective tax rate	24.6%	27.0%	18.5%	-2.5	6.0	22.8%	26.7%	-3.9

Segments breakdown								
Operating revenue	3Q23	3Q22	2Q23	YoY Chg	QoQ Chg	9MFY23	9MFY22	YoY Chg
Securities trading revenue	70.4	55.8	57.8	26.2%	21.8%	196.4	203.0	-3.3%
Derivatives trading revenue	23.0	25.6	23.0	-10.1%	0.3%	67.5	73.4	-8.0%
Bursa Suq Al-Sila (BSAS)	4.0	4.2	4.3	-3.5%	-5.4%	12.9	11.8	8.8%
Listing and issuer services	15.8	17.3	16.3	-8.4%	-2.9%	47.1	51.4	-8.3%
Depository services	14.1	12.2	13.8	15.3%	1.9%	41.0	40.5	1.3%
Market data	18.2	14.6	17.4	24.3%	4.6%	51.1	45.8	11.5%
Member services and connectivity	6.0	6.0	6.3	-1.3%	-5.8%	18.4	19.3	-4.7%

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Operating Revenue	751.6	585.3	599.9	663.6	680.1
Other Income	15.9	18.0	15.0	22.0	21.8
Total Revenue	767.5	603.2	614.9	685.6	702.0
EBITDA	479.0	310.3	362.8	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%	57.0%	57.0%	57.0%
PBT margin	62.3%	51.4%	53.2%	53.2%	53.2%
PAT margin	46.3%	37.6%	38.8%	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