



## Bursa Malaysia Berhad

(1818 | BURSA MK) Financial Services | Other Financials

**Maintain BUY**

### Good End to the Year

**Revised Target Price: RM8.00**  
(Previously RM7.50)

### KEY INVESTMENT HIGHLIGHTS

- **Earnings was in line with our expectation**
- **Securities trading revenue saw turnaround in 4QFY23**
- **Higher OPEX due to higher staff costs as Bursa is building capacity**
- **Dividend of 14sen announced bringing total dividend to 29sen which is within expectation**
- **Earnings estimate for FY24/25 revised +3.1% upwards**
- **Maintain BUY with revised TP of RM8.00**

**Within expectations.** Bursa Malaysia Bhd (Bursa) continued its revenue recovery in 4QFY23 as it grew +7.5%yoy. This resulted in earnings to come in +21.5%yoy higher, and for FY23, +11.4%yoy. As such, FY23 earnings were within our expectations at 100.3% of our estimate. In addition, lower taxes also drove the better earnings which was due to recognition of capital allowances from prior years as deferred tax assets.

**Better second half revenue.** The recovery in revenue in 2HFY23 (3QFY23: +13.1%yoy, 4QFY23: +7.5%yoy) resulted in FY23 revenue posting +2.2%yoy higher. While overall trading revenue -1.0%yoy to RM373.3m, securities trading revenue rose +1.1%yoy due to turnaround in 4QFY23. While ADV (OMT) was relatively flattish, at -0.6%yoy to RM2,056m in FY23, it was due to decline in 9MFY23 (-4.3%yoy to RM2.02b), which meant there was complete turnaround in 4QFY23 leading to higher securities trading revenue.

**Robust non-trading revenue.** Meanwhile, non-trading revenues increased +5.4%yoy to RM219.5m. This was due to revenue growth in market data (+11.9%yoy to RM68.0m).

**Higher OPEX but for growth.** OPEX grew marginally by +0.6%yoy to RM294.5.6m but this was due to a one-off reversal of provisions amounting to RM23.6m in 2QFY23. Looking at 4QFY23, OPEX grew +8.8%yoy to RM84.9m. This was mainly due to higher staff costs on higher headcount for new business and capacity building.

**Outlook.** Bursa Malaysia is transitioning into a Multi Asset exchange with data and technology to deliver superior Customer Experience and increase value for our customers. This includes platforms such as Bursa Carbon Exchange and Bursa Gold Dinar. However, we expect the impact to be of medium to long term. In the short term, it will continue to be influenced by market vagaries.

**Earnings estimate.** We are tweaking FY24/FY25 our earnings estimate by +3.1% respectively as we take into account potential higher revenue.

**Recommendation.** We saw better trading activities in 2HFY23 on the back the expectation of US Fed rate pause. Going forward, we expect US rate cuts and domestic factors will influence trading activities. we are maintaining our **BUY** call on the stock with revised **TP of RM8.00** (previously RM7.50) pegging our FY24 EPS to a PER of 25x (from 23x) on an improved market outlook.

### RETURN STATISTICS

|  |              |
|--|--------------|
| Price @ 31 <sup>st</sup> January 2024 (RM) | 7.50         |
| Expected share price return (%)            | +6.7         |
| Expected dividend yield (%)                | +4.0         |
| <b>Expected total return (%)</b>           | <b>+10.7</b> |

### SHARE PRICE CHART



| Price performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1 month               | 8.4      | 4.2      |
| 3 months              | 8.5      | 6.0      |
| 12 months             | 11.6     | 9.6      |

### INVESTMENT STATISTICS

| FYE Mar           | 2024E | 2025F | 2026F |
|-------------------|-------|-------|-------|
| Revenue           | 637.4 | 653.8 | 671.1 |
| Operating Profit  | 331.4 | 340.0 | 349.0 |
| Profit Before Tax | 331.4 | 340.0 | 349.0 |
| Core PATAMI       | 255.2 | 261.8 | 268.7 |
| Core EPS          | 31.5  | 32.3  | 33.2  |
| DPS               | 30    | 31    | 32    |
| Dividend Yield    | 4.0%  | 4.1%  | 4.2%  |

### KEY STATISTICS

|                                  |                 |
|----------------------------------|-----------------|
| FBM KLCI                         | 1,512.98        |
| Issue shares (m)                 | 809.30          |
| Estimated free float (%)         | 67.84           |
| Market Capitalisation (RM'm)     | 6,069.74        |
| 52-wk price range                | RM6.16 - RM7.60 |
| 3-mth average daily volume (m)   | 0.56            |
| 3-mth average daily value (RM'm) | 4.03            |
| Top Shareholders (%)             |                 |
| Capital Market Dvlp Fund         | 18.6            |
| KWAP                             | 12.8            |
| EPF                              | 10.9            |

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## 4QFY23 RESULTS SUMMARY

| FYE Dec (RM'm)                | 4QFY23       | 4QFY22       | 3QFY23       | YoY Chg      | QoQ Chg       | FY23         | FY22         | YoY Chg      |
|-------------------------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|
| Operating revenue             | 151.2        | 140.1        | 152.1        | 7.9%         | -0.6%         | 592.8        | 585.3        | 1.3%         |
| Other income                  | 5.5          | 5.6          | 6.6          | -0.8%        | -16.5%        | 23.7         | 18.0         | 31.9%        |
| <b>Total revenue</b>          | <b>156.7</b> | <b>145.7</b> | <b>158.7</b> | <b>7.5%</b>  | <b>-1.3%</b>  | <b>616.5</b> | <b>603.2</b> | <b>2.2%</b>  |
| Staff costs                   | (44.0)       | (37.0)       | (40.9)       | 18.8%        | 7.4%          | (168.6)      | (155.1)      | 8.7%         |
| Depreciation and amortisation | (8.6)        | (7.4)        | (12.5)       | 16.8%        | -31.1%        | (37.3)       | (26.9)       | 38.5%        |
| Other operating expenses      | (32.3)       | (33.6)       | (29.1)       | -3.9%        | 10.9%         | (92.9)       | (110.9)      | -16.3%       |
| <b>EBITDA</b>                 | <b>80.3</b>  | <b>75.0</b>  | <b>92.5</b>  | <b>7.1%</b>  | <b>-13.2%</b> | <b>358.8</b> | <b>336.9</b> | <b>6.5%</b>  |
| <b>Pre-tax profit</b>         | <b>71.7</b>  | <b>67.6</b>  | 80.0         | <b>6.0%</b>  | <b>-10.4%</b> | <b>321.5</b> | <b>310.0</b> | <b>3.7%</b>  |
| Taxation                      | (13.0)       | (18.6)       | (19.7)       | -30.2%       | -33.9%        | (70.0)       | (83.4)       | -16.1%       |
| <b>PATAMI</b>                 | <b>59.6</b>  | <b>49.0</b>  | <b>60.3</b>  | <b>21.5%</b> | <b>-1.2%</b>  | <b>252.3</b> | <b>226.6</b> | <b>11.4%</b> |
| EPS (sen)                     | 7.4          | 6.1          | 7.5          | 21.3%        | -1.3%         | 31.2         | 28.0         | 11.4%        |
| Key Matric                    | 4QFY23       | 4QFY22       | 3QFY23       | +/- ppts     | +/- ppts      | FY23         | FY22         | +/- ppts     |
| Cost-to-income ratio          | 54.2%        | 53.5%        | 52.0%        | 0.7          | 2.1           | 48.5%        | 48.6%        | -0.1         |
| EBITDA margin                 | 51.3%        | 51.5%        | 58.3%        | -0.2         | -7.0          | 58.2%        | 55.9%        | 2.3          |
| PATAMI margin                 | 38.0%        | 33.6%        | 38.0%        | 4.4          | 0.0           | 40.9%        | 37.6%        | 3.4          |
| Effective tax rate            | 18.1%        | 27.5%        | 24.6%        | -9.4         | -6.4          | 21.8%        | 26.9%        | -5.1         |

## Segments breakdown

| Operating revenue                | 4QFY23 | 4QFY22 | 3QFY23 | YoY Chg | QoQ Chg | FY23  | FY22  | YoY Chg |
|----------------------------------|--------|--------|--------|---------|---------|-------|-------|---------|
| Securities trading revenue       | 70.3   | 60.6   | 70.4   | 15.9%   | -0.2%   | 266.6 | 263.6 | 1.1%    |
| Derivatives trading revenue      | 22.1   | 23.8   | 23.0   | -7.0%   | -4.1%   | 89.6  | 97.2  | -7.8%   |
| Bursa Suq Al-Sila (BSAS)         | 4.2    | 4.6    | 4.0    | -8.5%   | 4.5%    | 17.1  | 16.4  | 3.9%    |
| Listing and issuer services      | 18.5   | 16.7   | 15.8   | 10.9%   | 17.3%   | 65.6  | 68.1  | -3.6%   |
| Depository services              | 12.6   | 13.0   | 14.1   | -2.9%   | -10.2%  | 53.6  | 53.5  | 0.3%    |
| Market data                      | 16.9   | 15.0   | 18.2   | 13.0%   | -6.7%   | 68.0  | 60.8  | 11.9%   |
| Member services and connectivity | 6.4    | 6.5    | 6.0    | -0.4%   | 7.9%    | 24.9  | 25.8  | -3.6%   |

Source: Company, MIDFR

## FINANCIAL SUMMARY

| Income Statement (RM'm) | 2022A | 2023A | 2024E | 2025F | 2026F |
|-------------------------|-------|-------|-------|-------|-------|
| Operating Revenue       | 585.3 | 592.8 | 615.4 | 631.9 | 649.4 |
| Other Income            | 18.0  | 23.7  | 22.0  | 21.8  | 21.7  |
| Total Revenue           | 603.2 | 616.5 | 637.4 | 653.8 | 671.1 |
| EBITDA                  | 310.3 | 358.8 | 369.7 | 379.2 | 389.3 |
| Profit Before Tax       | 310.0 | 321.5 | 331.4 | 340.0 | 349.0 |
| Core PATAMI             | 226.6 | 252.3 | 255.2 | 261.8 | 268.7 |
| Profitability Margins   | 2021A | 2022A | 2023E | 2024F | 2025F |
| EBITDA margin           | 51.4% | 58.2% | 58.0% | 58.0% | 58.0% |
| PBT margin              | 51.4% | 52.1% | 52.0% | 52.0% | 52.0% |
| PAT margin              | 37.6% | 40.9% | 40.0% | 40.0% | 40.0% |

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