# Bursa Malaysia Berhad

(1818 | BURSA MK) Financial Services | Other Financials

## Setting Up a Solid Base for the Year

***Maintain* BUY**

***Revised* Target Price: RM8.20**

*(Previously RM8.00)*

## KEY INVESTMENT HIGHLIGHTS

- **Earnings withing expectations**
- **Higher securities trading revenue**
- **Securities market saw a broad-based rebound**
- **Continued increased costs due to capacity building**
- **No dividend as expected**
- **Earnings estimate maintained**
- **Maintain BUY with revised TP of RM8.20**

**Within expectations.** Bursa Malaysia Bhd (Bursa) posted 1QFY24 earnings growth of +33.6%yoy supported by robust revenue increase. The result came in within our and consensus' expectations at 29.4% and 29.1% of respective full year estimates.

**Strong revenue momentum...** Total revenue continued its uptrend left of from FY23, as it grew +19.7%yoy and +19.6%qoq. Operating revenue grew +20.0%yoy with trading revenue increasing +24.5%yoy to RM117.3m. More specially, securities and derivatives trading revenue rose +28.3%yoy and +18.2%yoy respectively.

**...stemmed from higher trading interest thus far.** The strong revenue growth stemmed from higher trading activities thus far this year. ADV (OMT) rose +36.9%yoy to RM2.93b as all segments saw higher trading interest, especially foreign institutions. ADV (OMT) for domestic institutions, retail and foreign institutions grew +22.8%yoy to RM1.25b, +7.4%yoyo to RM656m and +99.0%yoy to RM1.02b respectively. We are unsurprised by this given the buoyant sentiment for global risk assets on the expectations of US rate cuts in 2024.

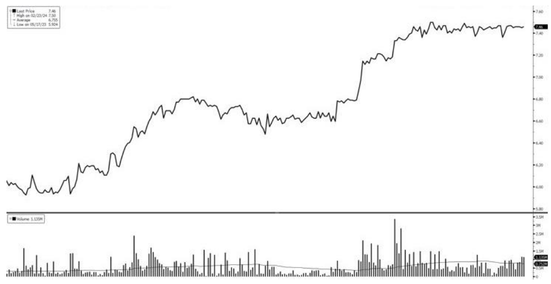
**Better CIR despite higher OPEX.** OPEX grew +8.6%yoy to RM87.1m with the main driver being higher staff costs (+11.7%yoy). Bursa continued to increase headcount to drive its new business and capacity building. Nevertheless, with better revenue, the cost-to-income ratio (CIR) fell below the 50% mark, to 46.5%.

**Transitioning into a Multi Asset exchange.** The quarter saw Bursa launching Bursa Malaysia Dalian Commodity Exchange Soybean Oil Futures, Bursa Gold Dinar and SME X Platform amongst others. For its core business, it saw 9 IPOs and listing of the first Business Trust. We are positive on these initiatives. However, we expect the impact to be more of medium to long term. As for the short-term, it will continue to be influenced by market vagaries.

**Outlook.** We expect good prospect for trading activities in Bursa Malaysia this year from a corporate earnings and valuation point-of-view. We expect robust economic growth and hence corporate earnings. We also expect that the expectations of US rate cuts will lead to positive sentiment, especially amongst foreign investors, and this will drive better market valuations.

| RETURN STATISTICS | |
|---|---|
| Price @ 30th April 2024 (RM) | 7.46 |
| Expected share price return (%) | +23.3 |
| Expected dividend yield (%) | +4.0 |
| **Expected total return (%)** | **+27.3** |

**SHARE PRICE CHART**



| Price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | 0.3 | -1.8 |
| 3 months | 0.1 | -4.4 |
| 12 months | 17.7 | 5.7 |

**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 | 1,575.97 |
| Issue shares (m) | 809.30 |
| Estimated free float (%) | 69.64 |
| Market Capitalisation (RM'm) | 6,037.37 |
| 52-wk price range | RM6.16 - |
| 3-mth average daily volume (m) | 0.83 |
| 3-mth average daily value (RM'm) | 0.00 |
| Top Shareholders (%) | |
| Capital Market Dvlp Fund | 18.57 |
| KWAP | 13.04 |
| EPF | 10.92 |

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**Targets on track.** Based on 1QFY24 performance, Bursa is on track to achieve its target for FY24. A recap of its FY24 targets as follows:

| Items | | Headline KPIs |
|---|---|---|
| **Financial** | PBT | RM293m to RM323m |
| | Non-Trading Revenue | Growth rate of 5%-7% from FY2023 |
| **Non-Financial** | IPO & IPO Market Capitalisation | 42 IPOs & RM13.0b total IPO Market Cap |
| | Innovative Sustainability product/services launches | 1. Renewable Energy Certificates<br>2. Centralised Sustainability Intelligence (CSI) Platform |
| | Reduction in organisation's carbon footprint | Reduction of ≥ 7.5% of Scope 1 & 2 emissions from FY2022 |

**Earnings estimate.** We have made no changes to our earnings estimates as the result were within our expectations.

**Recommendation.** We have seen better trading activities thus far this year on the back of the expectation of US Fed rate cuts. Bursa Malaysia is well-positioned to continue developing the marketplace and make further progress of its strategic plans. We expect that these initiatives may result in Bursa enhancing its trading platform and hence its attractiveness. In the short-term though, the ongoing global and local developments will continue to influence the volatility and performance of the securities and derivatives markets, which at current juncture we are sanguine. Hence, we are maintaining our **BUY** call on the stock with a revised **TP of RM8.20** (previously RM8.00) as we roll over our valuation to FY25, pegging FY25 EPS to a PER of 25x.

## 1QFY24 RESULTS SUMMARY

| **FYE Dec (RM'm)** | **1QFY24** | **1QFY23** | **4QFY23** | **YoY Chg** | **QoQ Chg** |
|---|---|---|---|---|---|
| Operating revenue | 180.9 | 150.7 | 151.2 | 20.0% | 19.7% |
| Other income | 6.5 | 5.8 | 5.5 | 13.0% | 17.9% |
| **Total revenue** | **187.4** | **156.5** | **156.7** | **19.7%** | **19.6%** |
| Staff costs | (45.5) | (40.7) | (44.0) | 11.7% | 3.4% |
| Depreciation and amortisation | (8.6) | (7.9) | (8.6) | 9.3% | 0.4% |
| Other operating expenses | (33.1) | (31.8) | (32.3) | 4.3% | 2.5% |
| **EBITDA** | **108.6** | **84.1** | **80.3** | **29.2%** | **35.3%** |
| **Pre-tax profit** | **100.0** | **76.1** | **71.7** | **31.3%** | **39.5%** |
| Taxation | (25.7) | (20.0) | (13.0) | 28.4% | 97.5% |
| **PATAMI** | **75.0** | **56.2** | **59.6** | **33.6%** | **26.0%** |
| EPS (sen) | 9.3 | 6.9 | 7.4 | 34.8% | 25.7% |
| **Key Matric** | **1QFY24** | **1QFY23** | **4QFY23** | **+/- ppts** | **+/- ppts** |
| Cost-to-income ratio | 46.5% | 51.3% | 54.2% | -4.8 | -7.6 |
| EBITDA margin | 58.0% | 53.7% | 51.3% | 4.3 | 6.7 |
| PATAMI margin | 40.0% | 35.9% | 38.0% | 4.1 | 2.0 |
| Effective tax rate | 25.7% | 26.2% | 18.1% | -0.6 | 7.5 |

| **Segments breakdown** | | | | | |
|---|---|---|---|---|---|
| **Operating revenue** | **1QFY24** | **1QFY23** | **4QFY23** | **YoY Chg** | **QoQ Chg** |
| Securities trading revenue | 87.4 | 68.1 | 70.3 | 28.3% | 24.4% |
| Derivatives trading revenue | 25.4 | 21.5 | 22.1 | 18.2% | 14.9% |
| Bursa Suq Al-Sila (BSAS) | 4.3 | 4.5 | 4.2 | -5.1% | 1.7% |
| Listing and issuer services | 16.3 | 15.0 | 18.5 | 9.0% | -12.0% |
| Depository services | 15.5 | 13.1 | 12.6 | 18.3% | 22.9% |
| Market data | 19.0 | 15.6 | 16.9 | 21.9% | 12.2% |
| Member services and connectivity | 6.2 | 6.1 | 6.4 | 1.0% | -4.0% |

*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 *rise* 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 *fall* 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