

Bursa Malaysia Berhad

((1818 | BURSA MK) Financial Services | Other Financials

Maintain BUY

Market Reached a Milestone


Target Price: RM8.20

DEVELOPMENT

- Malaysian stocks reached a milestone as it hit RM2t in market capitalisation for the first time ever yesterday.
- This was due to broad gains in blue chip stocks and a slew of new listings.
- The FBM KLCI rallied for its fourth straight day to close above the 1,600 level for the first time in two years.
- The FBM KLCI closed at 1,605.68, its highest close since 8 April 2022.

OUR VIEW

- **Not surprising giving current market momentum.** We are not surprised by the latest development yesterday given the current momentum observed. Average daily volume on a year-to-date basis (as of 7 May 2024) came in at 4.19b shares, an increase of +28.7%yoy, surpassing 2022 and 2023 levels.
- **Highest trading volume since 2021.** Providing some context, the average daily volume in 2020 and 2021 were 7.32b and 5.71b shares respectively. However, we must recall that this was achieved during a period of global lockdown due to COVID-19 pandemic which saw higher retail investors participation. Since the reopening of the economy, the retail investors' participation has normalised. Therefore, we are positive of the latest milestone reached for the market and we expect that this will translate to better earnings for Bursa Malaysia.
- **Higher trading interest in 1QFY24.** Recall that Bursa Malaysia saw its 1QFY24 Average Daily Value ("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%yoy 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.
- **FBM KLCI the best performer thus far.** In terms of index performance, FBM KLCI saw YTD (as of 7 May 2024) gains of +10.4%, which makes it the best performing index in ASEAN thus far. Comparing to its other peers, only Japan's NIKKEI have outperformed with a gain of +16.0%. We believe that one of the factors is the support provided by local investors and the return of foreign funds in May. Although we observed foreign funds net outflow of -RM4.25b in period between Mar-24 and Apr-24, it has seen a net inflow of RM1.0b in May-24 thus far. We are sanguine on the prospect of foreign funds returning to Malaysian market on the back of US rate cuts and subsequent expectation of USD to weaken in light of this.
- **Transitioning into a Multi Asset exchange.** 1QFY24 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.
- **Maintain BUY.** 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

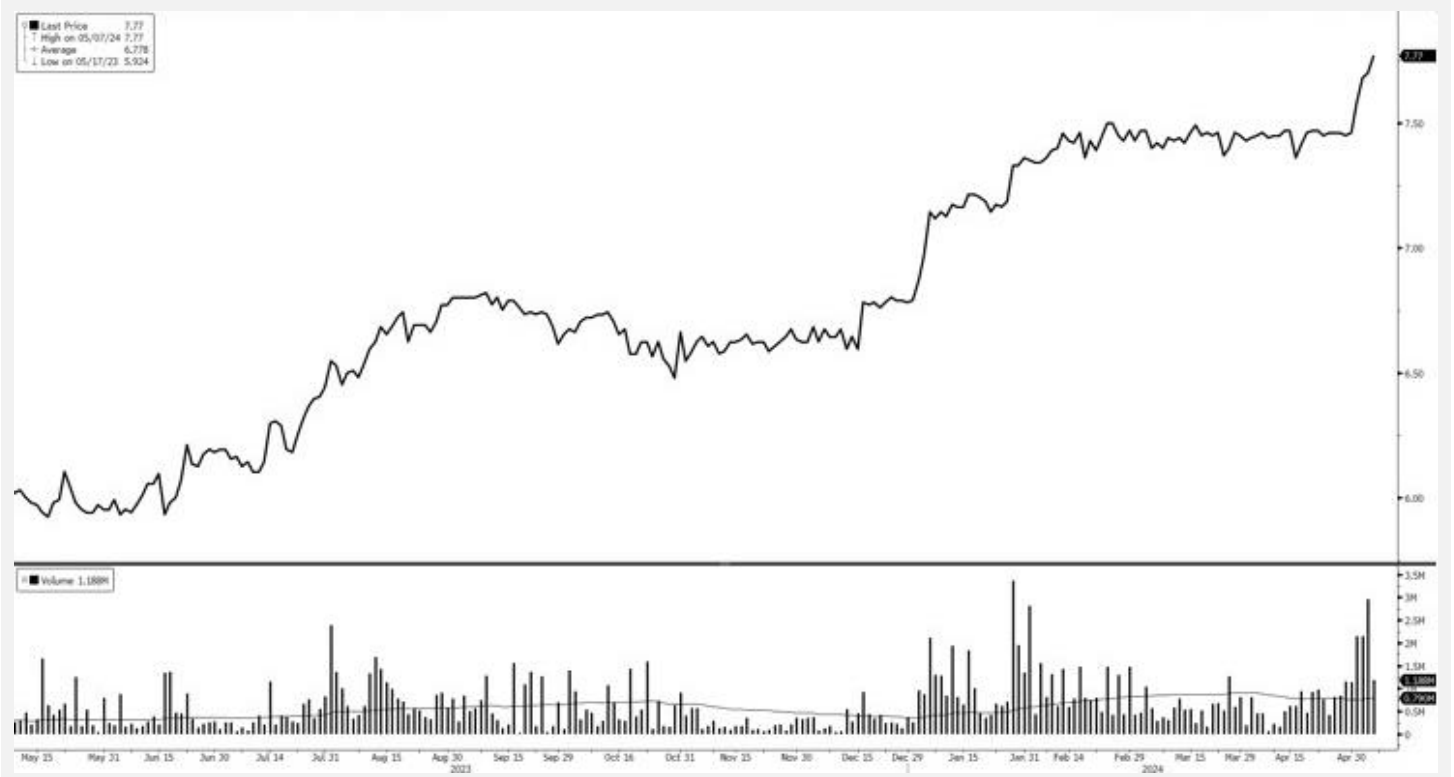
attractiveness. In the short-term though, the ongoing global and local developments will continue to influence the volatility and performance of the securities and derivatives markets, which at current juncture we are sanguine. Hence, we are maintaining our **BUY** call on the stock with an unchanged **TP of RM8.20**, pegging FY25 EPS to a PER of 25x. 

INVESTMENT STATISTICS

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

Source: Company, MIDFR

SHARE PRICE CHART



Source: Company, Bloomberg, MIDFR

Imran Yassin Yusof
imran.yassin@midf.com.my
 03-2173 8395

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
 (Bank Pelaburan)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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