



## Bursa Malaysia Berhad

(1818 | BURSA MK) Financial Services | Other Financials

### Strong Momentum

#### KEY INVESTMENT HIGHLIGHTS

- Earnings beat our expectation
- Higher securities trading revenue
- Securities market saw a broad-based rebound
- Continued increased costs due to capacity building
- Interim dividend of 18sen per share
- Earnings estimate revised upwards
- Downgrade to NEUTRAL with revised TP of RM9.30

**Beat our expectation.** Bursa Malaysia Bhd (Bursa) posted 2QFY24 earnings growth of +5.5%yoy. As result, 1HFY24 earnings came in with a strong +17.4%yoy increase. This was above our expectation but within consensus at 60.9% and 52.6% of respective full year estimate. The variation was due to better-than-expected 1HFY24 revenue, at 60.8% of our FY24 revenue forecast.

**Strong revenue momentum continued.** Total revenue in 2QFY24 continued its strong momentum, as it grew +6.7%qoq and +38.3%yoy, due to strong operating revenue which grew +7.2%qoq and +39.6%yoy. This led to 1HFY24 total revenue and operating revenue growth of +28.6%yoy and +29.4%yoy respectively. Main driver for 1HFY24 revenue momentum was securities trading revenue which rose +52.6%.

**...in tandem with solid trading momentum.** Average Daily Value (ADV) (OMT) in 1HFY24 rose 66.8% to RM3.27b (1QFY24: +36.9%yoy to RM2.93b). All segments saw higher trading interest, especially foreign institutions where the ADV (OMT) from this segment increased +115%yoy to RM1.10b. Meanwhile, ADV (OMT) for domestic institutions, and retail grew +59.7%yoy to RM1.43b and +32.6%yoy to RM733m respectively. This was not entirely surprising given the volatility in global markets induced by the uncertainty on the timing of the US rate cuts.

**CIR slightly increased due to higher OPEX.** OPEX grew +35.3%yoy to RM177.8m with the main driver being higher staff costs (+13.2%yoy). Bursa continued to increase headcount to drive its new business and capacity building. We also note that 2QFY23 saw a reversal of RM27.7m which led to lower OPEX in 1HFY23. Normalising for this, 1HFY24 OPEX would have come in +11.8%yoy (which would still be significant). Nevertheless, with the better revenue, the cost-to-income ratio (CIR) was maintained below the 50% mark, at 45.9%.

**Transitioning into a Multi Asset exchange.** 1HFY24 saw Bursa launched Bursa Malaysia Dalian Commodity Exchange Soybean Oil Futures, Bursa Gold Dinar and SME X Platform amongst others. For its core business, it saw 21 IPOs. Other initiatives that were launched were to enhance its service offerings such as the Centralised Sustainability Intelligence (CSI) Solution which is a single source of data for ESG insights. We are positive about these initiatives but the impact to be more of medium to long term.

## Downgrade to NEUTRAL

(Previously BUY)

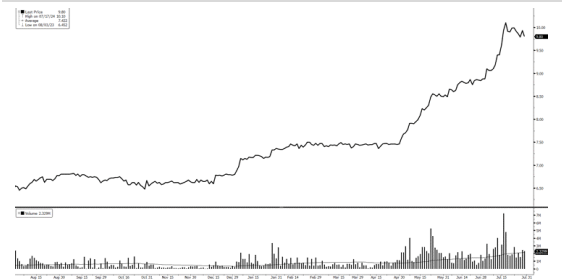
### Revised Target Price: RM9.30

(Previously RM8.20)

#### RETURN STATISTICS

Price @ 30 <sup>th</sup> July 2024 (RM)	9.80
Expected share price return (%)	-5.1
Expected dividend yield (%)	+3.5
Expected total return (%)	-1.6

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.9	9.4
3 months	10.9	28.4
12 months	46.1	32.2

#### INVESTMENT STATISTICS

FYE Mar	2024E	2025F	2026F
Revenue	694.1	741.1	758.5
Operating Profit	370.7	392.8	402.0
Profit Before Tax	370.7	392.8	402.0
Core PATAMI	289.1	302.4	309.5
Core EPS	35.7	37.4	38.2
DPS	33.9	35.5	36.3
Dividend Yield	3.5%	3.6%	3.7%

#### KEY STATISTICS

FBM KLCI	1,611.94
Issue shares (m)	809.3
Estimated free float (%)	72.3
Market Capitalisation (RM'm)	7,931.1
52-wk price range	10.1
3-mth average daily volume (m)	6.56
3-mth average daily value (RM'm)	RM6.56 -
Top Shareholders (%)	
Capital Market Dvlp Fund	18.6
KWAP	10.9
EPF	10.4


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

**Targets on track.** Based on its 1HFY24 performance, Bursa is on track to achieve its initial target for FY24. As such, it is revising its headline KPIs FY24 PBT target as follows:

Items		Previous headline KPIs	Revised headline KPIs	Our view
<b>Financial</b>	PBT	RM293m to RM323m	RM361m to RM379m	Achievable – Bursa is being conservative due to potential risk it sees to trading activities such as US elections and geopolitics.
	Non-Trading Revenue	Growth rate of 5%-7% from FY23	No change	
<b>Non-Financial</b>	IPO & IPO Market Capitalisation	42 IPOs & RM13.0b total IPO Market Cap	No change	
	Innovative Sustainability product/services launches	1. Renewable Energy Certificates 2. Centralised Sustainability Intelligence (CSI) Platform	No change	
	Reduction in organisation's carbon footprint	Reduction of $\geq 7.5\%$ of Scope 1 & 2 emissions from FY2022	No change	

**Earnings estimate.** We revised our FY24 and FY25 earnings forecast upwards by +13.3% and 15.5% respectively, considering the better-than-expected revenue.

**Recommendation.** Trading activities continues to be strong thus far this year. This is on the back of the expectation of US Fed rate cuts which has led to a "risk-on" mode in the global markets. 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. However, we believe that the positives have been largely priced in, with valuations slightly stretched. Hence, we are downgrading our recommendation to **NEUTRAL** (previously BUY). The stock has rallied strongly by +31.3% since our last report on 31 April 2024. Given the adjustments to our earnings estimates, we revised our **TP to RM9.30** (previously RM8.20) based on pegging FY25 EPS to a PER of 25x which is +1SD to its 2-year average PER. 

## 2QFY24 RESULTS SUMMARY

FYE Dec (RM'm)	2QFY24	2QFY23	1QFY24	YoY Chg	QoQ Chg	1HFY24	1HFY24	YoY Chg
Operating revenue	193.8	138.8	180.9	39.6%	7.2%	374.7	289.6	29.4%
Other income	6.1	5.8	6.5	6.0%	-6.1%	12.6	11.5	9.5%
<b>Total revenue</b>	<b>199.9</b>	<b>144.6</b>	<b>187.4</b>	<b>38.3%</b>	<b>6.7%</b>	<b>387.3</b>	<b>301.1</b>	<b>28.6%</b>
Staff costs	(49.3)	(43.0)	(45.5)	14.7%	8.5%	-94.8	-83.7	13.2%
Depreciation and amortisation	(8.7)	(8.3)	(8.6)	4.9%	0.3%	-17.3	-16.2	7.0%
Other operating expenses	(32.5)	0.3	(33.1)	<-100%	-1.8%	-65.6	-31.5	108.7%
<b>EBITDA</b>	<b>117.9</b>	<b>101.9</b>	<b>108.6</b>	<b>15.8%</b>	<b>8.6%</b>	<b>226.6</b>	<b>185.9</b>	<b>21.8%</b>
<b>Pre-tax profit</b>	<b>109.3</b>	<b>93.6</b>	<b>100.0</b>	<b>16.7%</b>	<b>9.3%</b>	<b>209.3</b>	<b>169.8</b>	<b>23.3%</b>
Taxation	(28.7)	(17.4)	(25.7)	65.1%	11.7%	-54.3	-37.3	45.5%
<b>PATAMI</b>	<b>80.4</b>	<b>76.3</b>	<b>75.0</b>	<b>5.5%</b>	<b>7.2%</b>	<b>155.5</b>	<b>132.5</b>	<b>17.4%</b>
EPS (sen)	9.9	9.4	9.3	5.3%	6.5%	19.2	16.3	17.8%
Key Matric	2QFY24	2QFY23	1QFY24	+/- ppts	+/- ppts	1HFY24	1HFY24	+/- ppts
Cost-to-income ratio	45.3%	35.3%	46.5%	10.0	-1.3	45.9%	43.6%	2.3
EBITDA margin	59.0%	70.5%	58.0%	-11.5	1.0	58.5%	61.8%	-3.3
PATAMI margin	40.2%	52.8%	40.0%	-12.5	0.2	40.1%	44.0%	-3.8
Effective tax rate	26.2%	18.5%	25.7%	7.7	0.6	26.0%	22.0%	4.0

Segments breakdown								
Operating revenue	2QFY24	2QFY23	1QFY24	YoY Chg	QoQ Chg	1HFY24	1HFY24	YoY Chg
Securities trading revenue	104.8	57.8	87.4	81.3%	19.9%	192.2	126.0	52.6%
Derivatives trading revenue	26.5	23.0	25.4	15.6%	4.5%	51.9	44.5	16.8%
Bursa Suq Al-Sila (BSAS)	4.5	4.3	4.3	6.0%	5.4%	8.8	8.8	0.3%
Listing and issuer services	16.8	16.3	16.3	3.3%	3.0%	33.1	31.3	6.0%
Depository services	15.9	13.8	15.5	14.9%	2.2%	31.4	26.9	16.6%
Market data	19.0	17.4	19.0	9.6%	0.1%	38.0	32.9	15.4%
Member services and connectivity	6.2	6.3	6.2	-2.1%	0.3%	12.4	12.4	-0.6%

Source: Company, MIDFR

## FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Operating Revenue	585.3	592.8	672.2	719.3	736.8
Other Income	18.0	23.7	22.0	21.8	21.7
Total Revenue	603.2	616.5	694.1	741.1	758.5
EBITDA	310.3	358.8	412.3	437.3	447.5
Profit Before Tax	310.0	321.5	370.7	392.8	402.0
Core PATAMI	226.6	252.3	289.1	302.4	309.5
Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin	51.4%	58.2%	59.4%	59.0%	59.0%
PBT margin	51.4%	52.1%	53.4%	53.0%	53.0%
PAT margin	37.6%	40.9%	41.7%	40.8%	40.8%

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Source: Bloomberg, MIDFR

### 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