

28 April 2021

Bursa Malaysia Bhd

Volatility to Continue

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Bursa continued to post robust performance with top-line surging YoY though it moderated QoQ. Average Daily Trading Value (ADV) exceeded expectation for the period in review given the slow efficacy of the vaccines globally which spurred trading interest in selective sectors. Retail participation remained robust while net foreign outflow has tapered slightly. Although FY21E earnings are raised slightly, we expect ADV to taper in FY22; thus, TP is reduced to RM8.80 as we roll over our valuation base to FY22E. Reiterate MARKET PERFORM.

Exceeded expectations. 1QFY21 PATAMI of RM121m came in above our/consensus expectations, accounting for 35%/36% of respective estimates. No dividend declared as expected as Bursa normally pays dividend only in the second and final quarter of each financial year.

Retail participation remained robust. 1QFY21 trading revenue surged +65% to RM173m driven by securities revenue (+93% to RM151m) offset by contraction in derivatives revenue (-16%) to RM23m. The equities Average Daily Trading Value (ADV) continued to hit fresh record high, at RM4.8b driven by retail investors (+193%) to RM2.01b vs. domestic institutions (+84%) of RM2.24b. Participation rate from retail investors remained high at 40% (FY20: 38%) with institutional investors at 60% (FY20:62%). Foreign participation remained resilient at 17% (FY20: 17%). Funds raised from listings & secondary market saw a 342% surge, driven primarily by the secondary market (+467%) to RM3.4b while fund raised from new listings was flattish at RM0.2b as number of new listings dropped by 1 to 6. Despite the positive JAW, CIR fell 12ppt to 30% due to higher staff costs (+14%).

QoQ, ADV remained robust at RM5.01b (+5%) with turnover velocity chalking 1ppt uptick to 70%. Trading revenue saw a moderate rise at +1% as securities market revenue saw a pedestrian rise of <+1%, offset by higher revenue from the derivatives market (+3%). Total net foreign outflow continued but receded by RM600m to RM1.7b.

Volatility still? We reiterate our view that 2021 will see a gradual tapering of trading activities albeit at lower quantum given the prevailing pandemic and slow efficacy of the vaccines. Apr 2021 ADV (as of 27th April) remained strong at RM4.0b but on a MoM basis, it contracted 20%. We however opined the market will see continued volatility ahead given the risks of further wave of the pandemic and potential new mutations. Given the low interest rate regime expected into 2022, domestic retailers' participation is expected to be robust and boosted by the wide availability of efficient online trading platforms. With the risk of new wave of pandemic coupled with challenging vaccine distribution, trading interests in healthcare, technology and industrial products, and services are likely to be sustained into 2H 2021.

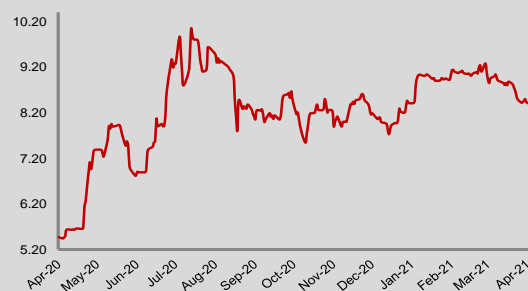
Post results, we raised our FY21E earnings by +9% as we enhanced our FY21E ADV to RM4.7b (from RM4.4b) with FY22E ADV coming in at RM3.7b (+4%). Our targeted payout ratio (c.92%) is maintained; thus, FY21E DPS is expected to be 44.0 sen (from 40.0 sen previously). However, we do not rule out a consecutive special dividend payment ahead, guided by previous years' payout when Bursa performed exceptionally well.

TP revised with call maintained. With the rollover in valuation to FY22E, TP reduced to RM8.80 (from RM9.65) as we applied a conservative 5-year mean PER of 19.3x (from 22.1x) to FY22E EPS of 45.0 sen. Dividend yield is still attractive at ~5%. Reiterate MARKET PERFORM.

MARKET PERFORM ↔

Price : RM8.49
Target Price : RM8.80 ↓

Share Price Performance



KLCI	1,606.68
YTD KLCI chg	-1.3%
YTD stock price chg	3.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BURSA MK Equity
Market Cap (RM m)	6,870.9
Shares Outstanding	809.3
52-week range (H)	10.88
52-week range (L)	5.68
3-mth avg daily vol	2,469,969
Free Float	78%
Beta	1.1

Major Shareholders

Capital Market Development Fund	18.6%
Kumpulan Wang Persaraan	11.2%
Employees Provident Fund	6.7%

Summary Earnings Table

FY Dec (RM m)	2020E	2021E	2022E
Operating Revenue	779	834	788
Operating Income	493	495	437
PBT	507	509	452
Net Profit (NP)	378	382	366
Consensus (NP)	360	335	302
Earnings Revision	-	9%	3%
EPS (sen)	47.0	47.5	45.4
EPS growth (%)	103.5	1.0	-4.3
DPS (sen)	51.0	43.7	41.8
BVPS (RM)	1.1	1.2	1.2
PER (x)	18.1	17.9	18.7
Price/Book (x)	7.6	7.3	7.1
Net Gearing (x)	-0.5	-0.6	-0.6
Dividend Yield (%)	6.0	5.1	4.9



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Risks to our call include: (i) lower-than-expected trading volume in the securities and derivatives markets, (ii) higher-than-expected opex, (iii) fewer initial public offerings, and (iv) lower-than-expected dividend payout

Results Highlights								
	1Q21	4Q20	QoQ Chg.	1Q20	YoY Chg.	3M21	3M20	YoY Chg.
FYE Dec (RM m)								
Total trading revenue	173.4	171.5	1.1%	104.8	65.5%	173.4	104.8	65.5%
- Securities market	150.9	149.7	0.8%	78.1	93.3%	150.9	78.1	93.3%
- Derivatives market	22.6	21.9	3.2%	26.7	-15.7%	22.6	26.7	-15.7%
Total stable revenue	54.6	53.3	2.5%	40.7	33.9%	54.6	40.7	33.9%
Operating revenue	228.0	224.8	1.4%	145.5	56.7%	228.0	145.5	56.7%
Other Income	4.3	5.9	-27.6%	5.2	-18.2%	4.3	5.2	-18.2%
Total Income	232.3	230.7	0.7%	150.8	54.1%	232.3	150.8	54.1%
Less: Staff Costs	(39.1)	(42.3)	-7.5%	(34.2)	14.5%	(39.1)	(34.2)	14.5%
Less: Depreciation and amortisation	(5.2)	(5.2)	0.0%	(5.6)	-6.9%	(5.2)	(5.6)	-6.9%
Less: Other operating expenses	(25.1)	(44.0)	-43.0%	(23.8)	5.4%	(25.1)	(23.8)	5.4%
Less: Finance Costs	(0.1)	(0.1)	-0.7%	(0.1)	0.0%	(0.1)	(0.1)	0.0%
Profit before tax	162.8	139.2	17.0%	87.1	86.8%	162.8	87.1	86.8%
Less: Income tax expense	(41.4)	(34.3)	20.6%	(22.4)	84.8%	(41.4)	(22.4)	84.8%
Less: Minority interest	-	-	-	-	-	-	-	!
PATAMI	121.4	104.9	15.8%	64.7	87.5%	121.4	64.7	87.5%
EPS (sen)	15.0	13.0	15.7%	8.0	87.7%	15.0	8.0	87.7%
DPS (sen)	-	34.0	-	-	-	-	-	-
Staff Costs-to-Income Ratio	16.8%	18.3%	-	22.7%	-	16.8%	22.7%	-
Cost-to-Income Ratio	29.9%	39.6%	-	42.1%	-	29.9%	42.1%	-
Effective Tax Rate	25.4%	24.7%	-	25.7%	-	25.4%	25.7%	-
Market Statistics								
# of Trading Days	60	64	-6.3%	63	-4.8%	60	63	-4.8%
Avg FBMKLCI (Index Points)	1,600	1,566	2.2%	1,470	8.9%	1,524	1,586	-3.9%
Avg FBMKLCI Mkt Cap (RM'bn)	1,035	1,016	1.8%	961	7.7%	995	1,016	-2.0%
Avg CPO 3 rd Month Forward Contract	3,576	3,169	12.9%	2,618	36.6%	2,913	2,358	23.6%
Daily Avg Trading Value - Equity (RM'mn)	5,078	4,825	5.3%	2,529	100.8%	4,840	2,049	136.2%
Daily Avg Trading Volume - Equity (mn shares)	8,454	8,972	-5.8%	3,342	152.9%	8,582	2,677	220.6%
Daily Avg Trading Volume - Index Futures (Contracts)	3,166	2,495	26.9%	3,099	2.2%	2,813	2,588	8.7%
Daily Average Trading Volume - CPO Futures (Contracts)	37,395	34,326	8.9%	38,762	-3.5%	35,118	38,534	-8.9%
<i>Source: Company, Kenanga Research</i>								

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.			
NON-BANK FINANCIAL INSTITUTIONS																		
AEON CREDIT SERVICE M BHD	12.62	3,222.0	N	02/2022	5.5%	11.5%	22.7%	12.4%	14.4	11.7	10.4	1.9	1.7	15.9%	2.9%	13.05	MP	
BURSA MALAYSIA BHD	8.49	6,870.9	Y	12/2021	7.1%	-5.5%	1.0%	-4.3%	18.1	17.9	18.7	7.6	7.3	41.7%	5.1%	8.80	MP	
LPI CAPITAL BERHAD	13.86	5,521.6	N	12/2021	2.9%	4.0%	2.4%	2.9%	16.4	16.0	15.6	2.7	2.5	16.3%	5.3%	15.10	OP	
SYARIKAT TAKAFUL MALAYSIA KELUARGA BHD	4.47	3,735.2	Y	12/2021	4.9%	1.7%	3.9%	-9.2%	10.2	9.8	10.8	2.5	2.2	23.3%	4.5%	6.00	OP	
Simple Average					5.1%	2.9%	7.5%	0.4%	14.8	13.9	13.9	3.7	3.4	24.3%	4.5%			

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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