

05 May 2023

Bursa Malaysia Bhd

The Start of Moderate ADVs

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1QFY23 net profit of RM56.2m (-17% YoY) was within expectations. Securities ADV continued to demonstrate sequential softness, which we anticipate will pick up with hopes that macros will consistently perform. Meanwhile, supportive IPO performance and new income streams could pan out favourably in the medium term. Maintain MARKET PERFORM and TP of RM6.25.

1QFY23 met expectations. The reported net profit of RM56.2m was within expectations, making up 25% of our full-year forecast and 24% of consensus full-year estimates. No dividend was declared this quarter, as the group typically pays biannually.

YoY, 3MFY23 operating revenue declined by 6% owing to softness in trading revenue from the securities market (-15%). Period ADV closed at RM2,144m (3MFY22: RM2,598) as trading sentiment cooled. That said, this was an 11% increase from 4QFY22's RM1.936m as overall activities grew more encouraging. Meanwhile, derivatives trading also declined 8% as commodity prices were less volatile. Cost-to-income ratio rose to 51.3% (+7.4ppt) as new business segments and product launches triggered higher depreciation and operating expenses. Overall, this led to 3MFY23 net profit coming in at RM56.2m (-17%).

Working to stimulate tepid markets. We reckon that securities ADV may continue to be slow as participation did not pick up meaningfully despite: (i) a more stable domestic political landscape, (ii) better economic performance, and the (iii) reopening of China's borders. That said, the traction from recent IPOs could continue to fuel retailers' interest, with BURSA indicating a pipeline of 39 IPOs this year. Meanwhile, the group is working on new efforts to drive non-trading revenue such as the launch of the Bursa Gold Dinar and a new debt fund-raising platform with RAM. Its inaugural carbon credit auction in Mar 2023 could also serve as a platform for sustainable revenue in the near term. For now, our FY23F pre-tax profit falls within the group's target of RM295m–RM326m.

Forecast. Post-results, our earnings were slightly tweaked from 1QFY23's inputs. In terms of ADV, we maintain our FY23F assumption of RM2,211m with FY24F at RM2,400m backed by higher participation.

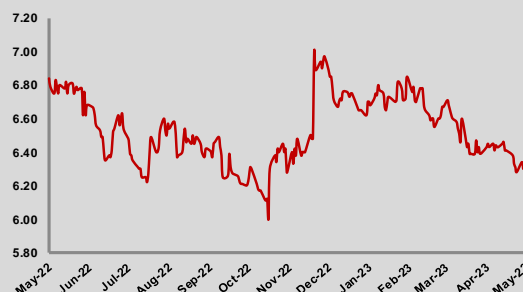
Maintain MARKET PERFORM and TP of RM6.25 based on an unchanged 20.0x FY24F PER, in line with global exchange peers' average. Risk-reward ratios appear fair as a lack of strong medium-term catalysts to deliver earnings surprises is cushioned by its solid ROE and stable dividend prospects. There is no adjustment to our TP based on ESG with a 3-star rating as appraised by us.

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

MARKET PERFORM ↔

Price : RM6.30
Target Price : RM6.25 ↔

Share Price Performance



KLCI	1,425.99
YTD KLCI chg	-4.6%
YTD stock price chg	-5.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BURSA MK Equity
Market Cap (RM m)	5,098.6
Shares Outstanding	809.3
52-week range (H)	7.00
52-week range (L)	6.00
3-mth avg daily vol	345,390
Free Float	70%
Beta	0.9

Major Shareholders

Capital Market Development Fund	18.6%
Kumpulan Wang Persaraan	11.0%
Employees Provident Fund	10.1%

Summary Earnings Table

FY Dec (RM m)	2022A	2023F	2024F
Operating Revenue	585.3	608.6	644.1
Operating Profit	294.9	288.7	320.0
Profit Before Tax	310.0	308.4	339.4
Net Profit	226.6	227.5	251.9
Consensus (NP)		236.1	246.2
Earnings Revision (%)		0.2	-0.4
EPS (sen)	28.0	28.1	31.1
EPS growth (%)	-36.2	0.4	10.7
DPS (sen)	26.5	27.0	30.0
BVPS (RM)	0.97	0.98	0.99
ROE (%)	28.3	28.8	31.6
PER (x)	22.5	22.4	20.2
Price/Book (x)	6.5	6.4	6.4
Net Gearing (x)	-0.6	-0.3	-0.3
Dividend Yield (%)	4.2	4.3	4.8

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Results Highlights

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY23	FY22	Chg	FY22	Chg	FY23	FY22	Chg
Total trading revenue	89.6	84.3	6.3%	103.8	-13.6%	89.6	103.8	-13.6%
- Securities market	68.1	60.5	12.6%	80.4	-15.3%	68.1	80.4	-15.3%
- Derivatives market	21.5	23.8	-9.6%	23.3	-7.9%	21.5	23.3	-7.9%
Total stable revenue	61.1	55.8	9.5%	57.3	6.7%	61.1	57.3	6.7%
Operating revenue	150.7	140.1	7.6%	161.0	-6.4%	150.7	161.0	-6.4%
Other Income	5.8	5.6	3.5%	4.3	35.5%	5.8	4.3	35.5%
Total Income	156.5	145.7	7.4%	165.3	-5.3%	156.5	165.3	-5.3%
Less: Staff Costs	-40.7	-37.0	10.0%	-39.3	3.6%	-40.7	-39.3	3.6%
Less: Depreciation and amortisation	-7.9	-7.4	7.3%	-6.4	24.3%	-7.9	-6.4	24.3%
Less: Other operating expenses	-31.6	-33.6	-5.9%	-26.9	17.7%	-31.6	-26.9	17.7%
Less: Finance Costs	-0.1	-0.1	0.0%	-0.1	0.0%	-0.1	-0.1	0.0%
Profit before tax	76.1	67.6	12.6%	92.6	-17.8%	76.1	92.6	-17.8%
Less: Income tax expense	-20.0	-18.6	7.4%	-24.7	-19.0%	-20.0	-24.7	-19.0%
Net Profit	56.2	49.0	14.6%	68.0	-17.4%	56.2	68.0	-17.4%
EPS (sen)	6.9	6.1	14.6%	8.4	-17.4%	6.9	8.4	-17.4%
DPS (sen)	0.0	11.5		0.0		0.0	0.0	
Staff Costs-to-Income Ratio	26.0%	25.4%		23.8%		26.0%	23.8%	
Cost-to-Income Ratio	51.3%	53.5%		43.9%		51.3%	43.9%	
Effective Tax Rate	26.2%	27.5%		26.6%		26.2%	26.6%	
Market Statistics								
# of Trading Days	60	60	0.0%	61	-1.6%	60	61	-1.6%
Avg FBMKLCI (Index Points)	1,459	1,445	1.0%	1,577	-7.5%	1,460	1,555	-6.1%
Avg FBMKLCI Mkt Cap (RM b)	1,010	978	3.4%	1,040	-2.8%	999	1,027	-2.7%
Avg CPO 3 rd Month Forward Contract	3,963	4,025	-1.5%	5,604	-29.3%	4,463	4,599	-2.9%
Daily Avg Trading Value - Equity (RM m)	2,144	1,936	10.7%	2,598	-17.5%	2,144	2,598	-17.5%
Daily Avg Trading Volume - Equity (m shares)	3,435	2,913	17.9%	3,227	6.4%	2,880	4,442	-35.2%
Daily Avg Trading Volume - Index Futures (Contracts)	3,200	3,130	2.2%	2,881	11.1%	2,964	2,833	4.6%
Daily Average Trading Volume - CPO Futures (Contracts)	37,970	39,342	-3.5%	39,925	-4.9%	38,839	38,542	0.8%

Source: Company, Kenanga Research, Bloomberg

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
NON-BANK FINANCIAL INSTITUTIONS																	
AEON CREDIT SERVICE (M) BHD	OP	11.92	16.15	35.5%	3,043.3	N	02/2024	161.9	185.5	-1.0%	14.6%	7.4	6.4	1.1	15.5%	52.0	4.4%
BURSA MALAYSIA BHD	MP	6.30	6.25	-0.8%	5,098.6	Y	12/2023	28.1	31.1	0.4%	10.7%	22.4	20.2	6.4	28.7%	27.0	4.3%
CTOS DIGITAL BHD	OP	1.45	1.80	24.1%	3,349.5	Y	12/2023	4.4	5.3	14.1%	20.2%	32.6	27.1	5.4	17.0%	2.7	1.9%
LPI CAPITAL BERHAD	OP	12.06	14.70	21.9%	4,804.5	N	12/2023	79.6	85.0	7.5%	6.7%	15.1	14.2	2.1	14.2%	63.7	5.3%
SYARIKAT TAKAFUL MALAYSIA KELUARGA BHD	OP	3.21	4.15	29.3%	2,687.8	Y	12/2023	43.2	45.3	13.4%	4.9%	7.4	7.1	1.2	17.2%	17.0	5.3%
SECTOR AGGREGATE					18,983.6					5.5%	10.2%	13.4	12.1	2.2	15.5%		4.2%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workforce Safety & Wellbeing	★	★	★	★	
	Corporate Governance	★	★	★		
	Anti-corruption Policy	★	★	★		
	Emissions Management	★	★	★	★	
SPECIFIC	Cybersecurity/Data Privacy	★	★	★		
	Digitalisation & Innovation	★	★	★	☆	
	Financial Inclusion	★	★	★		
	Ethical Practices	★	★	★		
	Legal & Regulatory Compliance	★	★	★		
	Customer Experience	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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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