

15 April 2024

Bursa Malaysia

ADVs Fuelling Up

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We maintain our UP call but raise our TP to RM6.70 (from RM6.45). 1QCY24 average daily value (ADV) was better-than-expected on the back of higher trading sentiment in the local bourse. Anticipating positive momentum to be more supportive than CY23, we raise our ADV assumptions for CY24/CY25 to RM2.70b/RM2.75b (from RM2.40b/RM2.50b). This translated to stronger projected earnings, adjusting our FY24F/FY25F earnings by +6%/+4%.

1QCY24 ADV at RM2.92b (+35% QoQ, +36% YoY). While the period seems to be stronger compared to past years' low bases, ADV did come in stronger than expected against our earlier anticipated RM2.40b for the quarter. Stronger trading interest likely stemmed from expectations for: (i) more relaxed monetary policies globally, (ii) stronger recovery in exporting segments, and (iii) upbeat prospects in several strategic projects (i.e. data centres, mega infrastructure projects).

Better flows for 2024. We opine that the above themes could continue to drive trading sentiment for the remainder of the year. The biggest factor to cause a pause could be uncontrolled inflation from the upcoming targeted fuel subsidies, albeit its likely implementation in 2HCY24 may only translate to material impacts in CY25, if any. Street expectations on global interest rates are skewed to the downside. Disappointments from this could prove a surprise to trading markets as well but we do believe that it is also unlikely given a more dire need to stimulate growth throughout.

Forecast. Post update, we relook our ADV assumptions for the remainder of CY24/CY25. Following the more supportive ADVs now seen, we raise our ADV outlook to RM2.70b/RM2.75b (from RM2.40b/RM2.50b, respectively). This translates to a 6%/4% increase to earnings.

With regards to 1QCY24's upcoming core earnings, we project earnings to possibly report between RM70m-RM75m (which is stronger on both QoQ and YoY basis by c.30%, in line with the better ADV numbers).

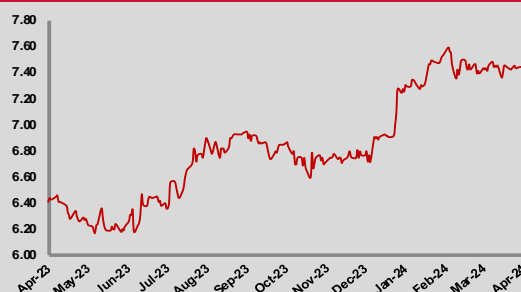
Maintain UNDERPERFORM with a higher TP of RM6.70 (from RM6.45). We raise our TP based on our revised FY25F EPS of 33.4 sen against an unchanged 20.0x PER, in line with its global financial exchange peers' average, and pre-pandemic valuations. Risk-reward ratios appear fair with the lack of strong medium-term catalysts to deliver earnings surprises cushioned by its solid ROE and stable dividend prospects. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us.

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

UNDERPERFORM ↔

Price : RM7.47
Target Price : RM6.70 ↑

Share Price Performance



KLCI 1,551.04
YTD KLCI chg 6.6%
YTD stock price chg 8.1%

Stock Information

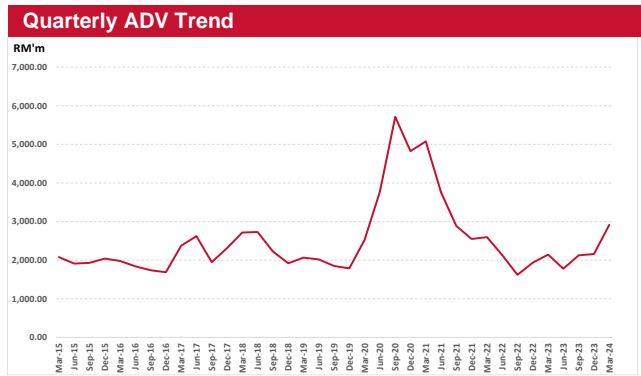
Shariah Compliant	Yes
Bloomberg Ticker	BURSA MK Equity
Market Cap (RM m)	6,045.5
Shares Outstanding	809.3
52-week range (H)	7.60
52-week range (L)	6.17
3-mth avg. daily vol.	836,636
Free Float	70%
Beta	0.9

Major Shareholders

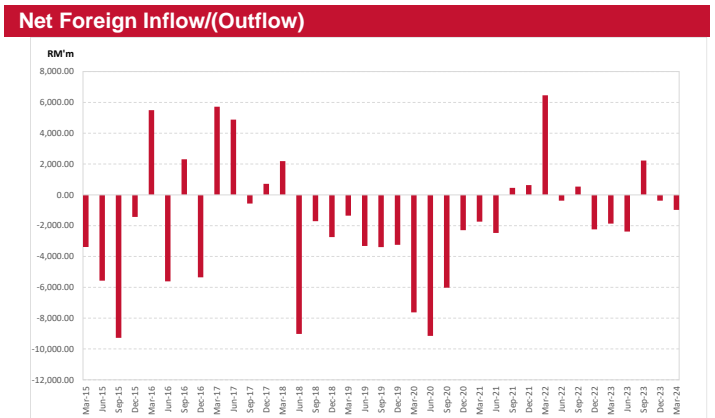
Capital Market Development Fund	18.6%
Employees Provident Fund	12.9%
Kumpulan Wang Persaraan	10.9%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Operating Revenue	592.8	694.1	699.8
Operating Income	300.3	342.2	343.8
Profit Before Tax	321.5	361.7	363.3
Net Profit	252.4	267.9	270.4
Core Net Profit	221.0	267.9	270.4
Consensus (NP)	-	256.5	264.6
Earnings Revision (%)	-	+5.9	+4.0
Core EPS (sen)	27.3	33.1	33.4
Core EPS Growth (%)	-2.5	21.2	0.9
NDPS (sen)	26.5	31.0	32.0
BVPS (RM)	0.97	0.99	1.00
ROE (%)	32.2	33.8	33.5
PER (x)	24.0	22.6	22.4
PBV (x)	7.7	7.5	7.4
Net Gearing (x)	-0.6	-1.5	-1.5
Net Div. Yield (%)	3.5	4.1	4.3



Source: Bursa Malaysia, Kenanga Research



Source: Bursa Malaysia, Kenanga Research

Income Statement

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Operating Revenue	752	585	593	696	698
- Securities market	443	264	267	383	385
- Derivatives market	87	97	90	80	80
- Other revenue	221	225	237	233	233
Operating Profit	466	295	300	343	343
Profit Before Tax	478	310	321	363	362
Taxation	-123	-83	-70	-94	-93
Minority Interest	0	0	1	0	0
Net Profit	355	227	252	268	269
Core Net Profit	355	227	221	268	269

Balance Sheet

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Fixed Assets	174	204	204	220	234
Intangible Assets	82	90	90	90	90
Other LT Assets	25	16	16	16	16
Receivables	62	66	66	77	78
Other Current Assets	3,562	3,487	3,487	3,499	3,499
Cash	499	447	447	1,188	1,198
Total Assets	4,342	4,244	4,244	5,012	5,037
Payables	3,432	3,369	3,369	4,127	4,141
ST Borrowings	1	1	1	1	1
Other ST Liability	68	66	66	66	66
LT Borrowings	7	7	7	7	7
Other LT Liability	18	15	15	15	15
Net Assets	817	787	787	796	807
SH Equity	817	784	784	794	804
Minority Interests	0	2	2	2	2
Total Equity	817	787	787	796	807

Cashflow Statement

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Operating CF	377	253	253	1030	300
Investing CF	122	83	83	-50	-50
Financing CF	-469	-257	-257	-240	-240
Change In Cash	29	79	79	741	10
Free CF	468	279	289	1074	343

Source: Kenanga Research

Financial Data & Ratios

FY Dec	2021A	2022A	2023A	2024F	2025F
Growth					
Turnover	-3.5%	-22.1%	1.3%	17.1%	0.8%
Operating Profit	-5.5%	-36.7%	1.8%	14.0%	0.5%
Profit Before Tax	-5.6%	-35.2%	3.7%	12.5%	0.4%
Net Profit	-6.0%	-36.2%	11.4%	6.1%	0.9%
Core Net Profit	-6.0%	-36.2%	-2.5%	21.2%	0.9%
Profitability					
Operating Margin	62.0%	50.4%	50.7%	49.3%	49.1%
PBT Margin	63.7%	53.0%	54.2%	52.1%	51.9%
Core Net Margin	47.3%	38.7%	37.3%	38.6%	38.6%
Effective Tax Rate	25.7%	26.9%	21.8%	25.9%	25.6%
ROA	9.4%	5.3%	5.9%	5.8%	5.4%
ROE	41.4%	28.3%	32.2%	33.8%	33.5%
DuPont Analysis					
Net Margin	47.3%	38.7%	37.3%	38.6%	38.6%
Assets Turnover (x)	0.2	0.1	0.1	0.1	0.1
Leverage Factor (x)	4.4	5.4	5.4	5.8	6.2
ROE	41.4%	28.3%	32.2%	33.8%	33.5%
Leverage					
Debt/Asset (x)	0.0	0.0	0.0	0.0	0.0
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
Net (Cash)/Debt	-491	-439	-439	-1,178	-1,209
Net Debt/Equity (x)	-0.6	-0.6	-0.6	-1.5	-1.5
Valuations					
Core EPS (sen)	43.9	28.0	31.2	33.1	33.4
NDPS (sen)	41.0	26.5	26.5	31.0	32.0
BV/share (RM)	1.0	1.0	1.0	1.0	1.0
PER (x)	17.0	26.7	24.0	22.6	22.4
Div. Yield	5.5	3.5	3.5	4.1	4.3
PBV (x)	7.4	7.7	7.7	7.5	7.4

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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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
NON-BANK FINANCIAL INSTITUTIONS																	
AEON CREDIT SERVICE (M) BHD	OP	6.95	8.55	23.0%	3,548.8	N	02/2025	83.4	85.8	0.5%	2.8%	8.3	8.1	1.2	15.4%	32.0	4.6%
BURSA MALAYSIA BHD	UP	7.47	6.70	-10.3%	6,045.5	Y	12/2024	33.1	33.4	6.1%	0.9%	22.6	22.4	7.5	33.7%	31.0	4.1%
CTOS DIGITAL BHD	UP	1.37	1.15	-16.1%	3,164.7	Y	12/2024	5.4	6.4	20.8%	17.7%	25.2	21.4	5.0	20.5%	3.8	2.8%
LPI CAPITAL BERHAD	OP	12.00	14.70	22.5%	4,780.6	N	12/2024	84.3	88.5	7.1%	5.0%	14.2	13.6	2.1	15.0%	75.9	6.3%
SYARIKAT TAKAFUL MALAYSIA KELUARGA BHD	MP	3.53	3.85	9.1%	2,955.7	Y	12/2024	43.2	45.3	13.4%	4.9%	8.2	7.8	1.3	17.2%	17.0	4.8%
SECTOR AGGREGATE					20,495					7.4%	4.7%	13.5	12.9	2.3	17.2%		4.5%

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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