

02 May 2024

## Bursa Malaysia

### Active Market but Valuations Lofty

By Clement Chua | [clement.chua@kenanga.com.my](mailto:clement.chua@kenanga.com.my)

**BURSA's 1QFY24 results met expectations. We anticipate stronger comparative ADV in CY24 thanks to a more favourable trading environment. That said, we believe the positive landscape could have been priced in. We keep our forecasts relatively unchanged and maintain our TP of RM6.70 and UNDERPERFORM call.**

**1QFY24 within expectations.** BURSA's 1QFY24 net profit of RM75.0m made up 28% of our full-year forecast and 29% of consensus full-year estimate.

**YoY,** 1QFY24 operating revenue rose by 20% mainly thanks to stronger trading revenue from securities market, elevated by ADV of RM2.93b (1QFY23: RM2.14b). While operating expenses did increase, cost-to-income ratio improved to 46.5% (-4.7ppts) following the higher top line performance. All in, this led to 1QFY24 net earnings to report at RM75.0m (+34%).

**QoQ,** 1QFY24 operating revenue expanded by 20% for similarly stronger comparative ADV (4QFY23: RM2.16b). This then translated to a 35% growth in core profits, adjusting for 4QFY23's reversal of provisions.

**Outlook.** In spite of the earnings reporting in favourably, the group conservatively maintain its pretax profit target of RM293m-RM323m, which we believe could be easily achieved. We anticipate the trading environment for CY24 to be upheld by: (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). Our full-year ADV projection stands at RM2.70b, which reflects some easing in activities from 1QCY24's higher base as we anticipate some cooling off in foreign interest during the mid-year period.

**Forecast.** Relatively unchanged.

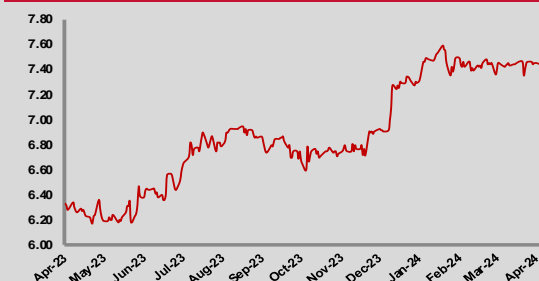
**Maintain UNDERPERFORM and TP of RM6.70.** Our TP is based on an unchanged 20.0x PER, in line with its global financial exchange peers' average, and pre-pandemic valuations. This is against our FY25F EPS of 33.5 sen. Risk-reward ratios appear fair with the lack of strong medium-term catalysts to deliver 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 (see Page 4).

**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 :** RM7.46  
**Target Price :** RM6.70 ↔

### Share Price Performance



KLCI	1,575.97
YTD KLCI chg	8.3%
YTD stock price chg	8.0%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BURSA MK Equity
Market Cap (RM m)	6,037.4
Shares Outstanding	809.3
52-week range (H)	7.60
52-week range (L)	6.17
3-mth avg. daily vol.	808,502
Free Float	70%
Beta	0.8

### Major Shareholders

Capital Market Development Fund	18.6%
Employees Provident Fund	13.1%
Kumpulan Wang Persaraan	10.9%

### Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
<b>Operating Revenue</b>	592.8	685.0	700.1
Operating Profit	300.3	337.3	339.0
Profit Before Tax	321.5	357.6	358.5
<b>Net Profit</b>	<b>252.4</b>	<b>268.1</b>	<b>270.9</b>
<b>Core Net Profit</b>	<b>221.0</b>	<b>268.1</b>	<b>270.9</b>
Consensus (NP)	-	257.9	266.2
Earnings Revision (%)	-	0.1	0.2
EPS (sen)	27.3	33.1	33.5
EPS Growth (%)	-2.5	21.3	1.0
DPS (sen)	26.5	31.0	32.0
BVPS (RM)	0.97	0.99	1.01
ROE (%)	32.2	33.8	33.5
PER (x)	23.9	22.5	22.3
Price/Book (x)	7.7	7.5	7.4
Net Gearing (x)	-0.6	-1.4	-1.6
Dividend Yield (%)	3.6	4.2	4.3



02 May 2024

## Results Highlights

	1Q	4Q	QoQ	1Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY24	FY23	Chg	FY23	Chg	FY24	FY23	Chg
<b>Total trading revenue</b>	<b>112.8</b>	<b>92.4</b>	<b>22.1%</b>	<b>89.6</b>	<b>25.8%</b>	<b>112.8</b>	<b>89.6</b>	<b>25.8%</b>
- Securities market	87.4	70.3	24.4%	68.1	28.3%	87.4	68.1	28.3%
- Derivatives market	25.4	22.1	14.9%	21.5	18.2%	25.4	21.5	18.2%
Total stable revenue	67.9	58.8	15.5%	61.1	11.1%	67.9	61.1	11.1%
<b>Operating revenue</b>	<b>180.7</b>	<b>151.2</b>	<b>19.5%</b>	<b>150.7</b>	<b>19.9%</b>	<b>180.7</b>	<b>150.7</b>	<b>19.9%</b>
Other Income	6.5	5.5	17.9%	5.8	13.0%	6.5	5.8	13.0%
<b>Total Income</b>	<b>187.2</b>	<b>156.7</b>	<b>19.5%</b>	<b>156.5</b>	<b>19.6%</b>	<b>187.2</b>	<b>156.5</b>	<b>19.6%</b>
Less: Staff Costs	-45.5	-44.0	3.4%	-40.7	11.7%	-45.5	-40.7	11.7%
Less: Depreciation and amortisation	-8.6	-8.6	0.4%	-7.9	9.3%	-8.6	-7.9	9.3%
Less: Other operating expenses	-33.0	-32.3	2.1%	-31.6	4.3%	-33.0	-31.6	4.3%
Less: Finance Costs	-0.1	-0.1	0.0%	-0.1	0.0%	-0.1	-0.1	0.0%
<b>Profit before tax</b>	<b>100.0</b>	<b>71.7</b>	<b>39.5%</b>	<b>76.1</b>	<b>31.3%</b>	<b>100.0</b>	<b>76.1</b>	<b>31.3%</b>
Less: Income tax expense	-25.7	-13.0	97.5%	-20.0	28.4%	-25.7	-20.0	28.4%
<b>Net Profit</b>	<b>75.0</b>	<b>59.6</b>	<b>26.0%</b>	<b>56.2</b>	<b>33.6%</b>	<b>75.0</b>	<b>56.2</b>	<b>33.6%</b>
<b>Core Net Profit</b>	<b>75.0</b>	<b>55.4</b>	<b>35.4%</b>	<b>56.2</b>	<b>33.6%</b>	<b>75.0</b>	<b>56.2</b>	<b>33.6%</b>
Core EPS (sen)	9.3	6.8	35.4%	6.9	33.6%	9.3	6.9	33.6%
DPS (sen)	15.0	15.0		0.0		15.0	0.0	
Staff Costs-to-Income Ratio	24.3%	28.1%		26.0%		24.3%	26.0%	
Cost-to-Income Ratio	46.5%	54.2%		51.3%		46.5%	51.3%	
Effective Tax Rate	25.7%	18.1%		26.2%		25.7%	26.2%	
<b>Market Statistics</b>								
# of Trading Days	60	63	-4.8%	60	0.0%	60	60	0.0%
Avg FBMKLCI (Index Points)	1,495	1,439	3.9%	1,459	2.5%	1,434	1,460	-1.8%
Avg FBMKLCI Mkt Cap (RM b)	1,055	996	5.9%	1,010	4.4%	1,006	999	0.6%
Avg CPO 3 <sup>rd</sup> Month Forward Contract	3,923	3,783	3.7%	3,963	-1.0%	3,783	4,463	-15.2%
Daily Avg Trading Value - Equity (RM m)	2,930	2,161	35.6%	2,144	36.6%	2,930	2,144	36.6%
Daily Avg Trading Volume - Equity (m shares)	4,244	3,349	26.7%	3,435	23.6%	4,244	3,435	23.6%
Daily Avg Trading Volume - Index Futures (Contracts)	4,511	3,650	23.6%	3,200	41.0%	3,271	2,964	10.4%
Daily Average Trading Volume - CPO Futures (Contracts)	43,460	36,985	17.5%	37,970	14.5%	39,119	38,839	0.7%

Source: Company, Kenanga Research, Bloomberg

02 May 2024

## 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)		
								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.	1-Yr. Fwd.	1-Yr. Fwd.	
<b>NON-BANK FINANCIAL INSTITUTIONS</b>																				
AEON CREDIT SERVICE (M) BHD	OP	7.11	8.55	20.3%	3,630	N	02/2025	83.4	85.8	0.5%	2.8%	8.5	8.3	1.3	15.4%	32.0	4.5%			
BURSA MALAYSIA BHD	UP	7.46	6.70	-10.2%	6,037	Y	12/2024	33.1	33.5	6.2%	1.0%	22.5	22.3	7.5	33.7%	31.0	4.2%			
CTOS DIGITAL BHD	UP	1.41	1.15	-18.4%	3,257	Y	12/2024	5.4	6.4	20.8%	17.7%	25.9	22.0	5.2	20.5%	3.8	2.7%			
LPI CAPITAL BERHAD	OP	12.00	15.00	25.0%	4,781	N	12/2024	95.2	92.0	20.9%	-3.4%	12.6	13.0	2.1	16.9%	85.7	7.1%			
SYARIKAT TAKAFUL MALAYSIA KELUARGA BHD	MP	3.70	3.85	4.1%	3,098	Y	12/2024	43.2	45.3	13.4%	4.9%	8.6	8.2	1.4	17.2%	17.0	4.6%			
<b>SECTOR AGGREGATE</b>					<b>20,804</b>					<b>10.5%</b>	<b>2.7%</b>	<b>13.3</b>	<b>13.0</b>	<b>2.4</b>	<b>17.7%</b>		<b>4.6%</b>			

Source: Kenanga Research

This section is intentionally left blank

**Stock ESG Ratings:**

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

☆ 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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
 Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

