

15 July 2024

Bursa Malaysia

Backed by the Bull

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We upgrade our call to MP and raise our TP by 48% to RM9.90 as we refresh our valuations in accordance to regional averages. Thanks to 2QCY24's stronger-than-expected average daily value (ADV) readings, we raise our ADV outlook to RM3.5b/RM3.6b as we believe sentiment could sustain into the medium term, albeit still lower than CY20's pandemic-driven ADV of RM4.2b.

2QCY24 ADV at RM3.61b (+23% QoQ, +103% YoY). The period's ADV reported substantially better results owing to the past year's low base, also outpacing our initial projection of RM2.9b for the quarter. We saw stronger interests within the large cap space, fuelled by: (i) moderating expectations for looser monetary policies, (ii) investment themes heightened by news flow and developments on data centres and AI, as well as (iii) better prospects tied to Johor's economic prosperity.

Greater levels possible to be sustained. Led by the above, we opine more institutional and foreign investors could stay invested and seek trading opportunities from the progressive development of these themes. Meanwhile, the delayed expectations on global interest rate cuts could support a stronger equity performance view in the medium-term. That said, downside risks could come from higher-than-expected inflation spurred by the rationalisation of subsidies impacting overall spending and economic growth, hence hindering corporate earnings. This may also be tied to prolonged weakness in MYR.

Forecast. Post update, we relook at our ADV assumptions for the remainder of CY24/CY25 and raise our ADV outlook to RM3.5b/RM3.6b (from RM2.7b/RM2.75b, respectively). This translates to 18%/19% increase to earnings.

With regards to 2QFY24's upcoming core results, we project earnings to possibly report between RM80m-RM85m (which is stronger by 11% QoQ and 70% YoY fuelled by stronger ADV reports).

Upgrade to MARKET PERFORM (from UNDERPERFORM) with a higher TP of RM9.90 (from RM6.70). In addition to the higher earnings, we recalibrate our applied FY25F PER to 25x (from 20x), in line with its global financial exchange peers' average which have also seen appreciation in valuations. Current rates are also akin to pandemic levels (25x-26x PER), which we believe could be reflective of similar sentiment in line with heightened trading activities.

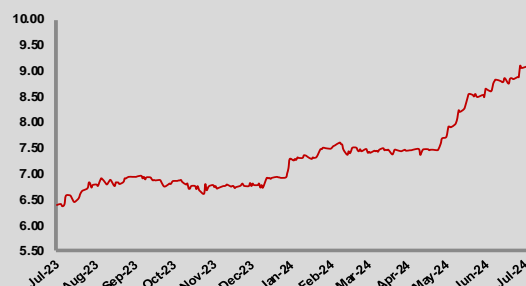
We also like BURSA as: (i) it serves as a proxy to participation in our local bourse, and (ii) its ROE accelerates in a market upcycle thanks to its lean cost structure.

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

MARKET PERFORM ↑

Price : **RM9.40**
Target Price : **RM9.90** ↑

Share Price Performance



KLCI 1,619.06
YTD KLCI chg 11.3%
YTD stock price chg 36.0%

Stock Information

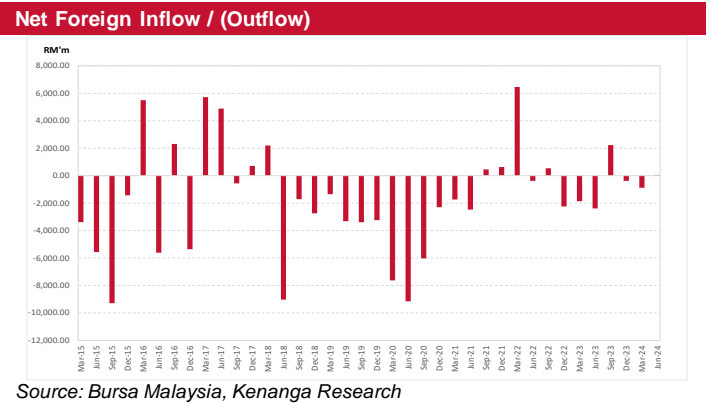
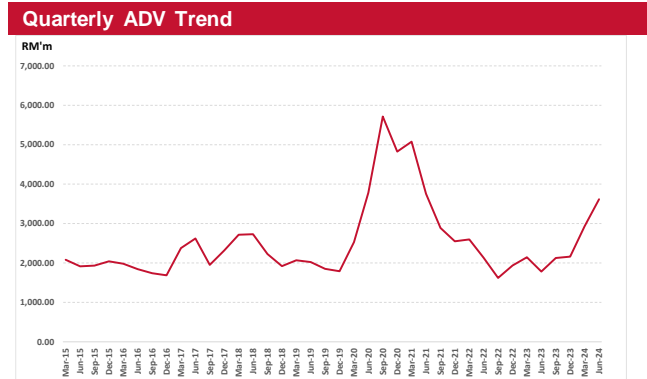
Shariah Compliant Yes
Bloomberg Ticker BURSA MK Equity
Market Cap (RM m) 7,607.4
Shares Outstanding 809.3
52-week range (H) 9.40
52-week range (L) 6.36
3-mth avg. daily vol. 1,728,134
Free Float 72%
Beta 0.9

Major Shareholders

Capital Market Development Fund 18.6%
Kumpulan Wang Persaraan 10.9%
Employees Provident Fund 10.3%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Operating Revenue	592.8	788.5	812.8
Operating Income	300.3	398.2	405.1
Profit Before Tax	321.5	418.6	424.6
Net Profit	252.4	316.0	321.2
Core Net Profit	221.0	316.0	321.2
Consensus (NP)		283.5	292.7
Earnings Revision (%)		+17.9	+18.6
Core EPS (sen)	27.3	39.0	39.7
Core EPS Growth (%)	-2.5	43.0	1.7
NDPS (sen)	26.5	37.0	38.0
BVPS (RM)	0.97	0.99	1.01
ROE (%)	32.2	39.9	39.8
PER (x)	30.1	24.1	23.7
PBV (x)	9.7	9.5	9.3
Net Gearing (x)	-0.6	-1.2	-1.4
Net Div. Yield (%)	2.8	3.9	4.0



Income Statement

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Operating Revenue	752	585	593	789	813
- Securities market	443	264	267	503	533
- Derivatives market	87	97	90	55	40
- Other revenue	221	225	237	230	240
Operating Profit	466	295	300	398	405
Profit Before Tax	478	310	321	419	425
Taxation	-123	-83	-70	-103	-103
Minority Interest	0	0	1	1	0
Net Profit	355	227	252	316	321
Core Net Profit	355	227	221	316	321

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	88	90
Other Current Assets	3,562	3,487	3,487	3,509	3,512
Cash	499	447	447	980	1,151
Total Assets	4,342	4,244	4,244	4,815	5,003
Payables	3,432	3,369	3,369	3,924	4,098
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	803	816
SH Equity	817	784	784	801	814
Minority Interests	0	2	2	2	2
Total Equity	817	787	787	803	816

Cashflow Statement

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Operating CF	377	253	253	863	509
Investing CF	122	83	83	-50	-50
Financing CF	-469	-257	-257	-279	-288
Change In Cash	29	79	79	533	171
Free CF	468	279	289	916	562

Source: Kenanga Research

Financial Data & Ratios

FY Dec	2021A	2022A	2023A	2024F	2025F
Growth					
Turnover	-3.5%	-22.1%	1.3%	33.0%	3.1%
Operating Profit	-5.5%	-36.7%	1.8%	32.6%	1.7%
Profit Before Tax	-5.6%	-35.2%	3.7%	30.2%	1.4%
Net Profit	-6.0%	-36.2%	11.4%	25.2%	1.7%
Core Net Profit	-6.0%	-36.2%	-2.5%	43.0%	1.7%
Profitability					
Operating Margin	62.0%	50.4%	50.7%	50.5%	49.8%
PBT Margin	63.7%	53.0%	54.2%	53.1%	52.2%
Core Net Margin	47.3%	38.7%	37.3%	40.1%	39.5%
Effective Tax Rate	25.7%	26.9%	21.8%	24.7%	24.3%
ROA	9.4%	5.3%	5.9%	7.0%	6.5%
ROE	41.4%	28.3%	32.2%	39.9%	39.8%
DuPont Analysis					
Net Margin	47.3%	38.7%	37.3%	40.1%	39.5%
Assets Turnover (x)	0.2	0.1	0.1	0.2	0.2
Leverage Factor (x)	4.4	5.4	5.4	5.7	6.1
ROE	41.4%	28.3%	32.2%	39.9%	39.8%
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 (RM m)	-491	-439	-439	-972	-1,143
Net Debt/Equity (x)	-0.6	-0.6	-0.6	-1.2	-1.4
Valuations					
Core EPS (sen)	43.9	28.0	31.2	39.0	39.7
NDPS (sen)	41.0	26.5	26.5	37.0	38.0
BV/share (RM)	1.0	1.0	1.0	1.0	1.0
PER (x)	21.4	33.6	30.1	24.1	23.7
Div. Yield	4.4	2.8	2.8	3.9	4.0
PBV (x)	9.3	9.7	9.7	9.5	9.3

15 July 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)	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	7.45	8.55	14.8%	3,804.1	N	02/2025	83.4	85.8	0.5%	2.8%	8.9	8.7	1.3	15.4%	32.0	4.3%
BURSA MALAYSIA BHD	MP	9.40	9.90	5.3%	7,607.4	Y	12/2024	39.0	39.7	25.2%	1.6%	24.1	23.7	9.5	39.8%	37.0	3.9%
CTOS DIGITAL BHD	OP	1.44	2.00	38.9%	3,326.4	Y	12/2024	5.4	6.4	20.8%	17.7%	26.5	22.5	5.3	20.5%	3.8	2.6%
LPI CAPITAL BERHAD	OP	12.38	15.00	21.2%	4,932.0	N	12/2024	95.2	92.0	20.9%	-3.4%	13.0	13.5	2.2	16.9%	85.7	6.9%
SYARIKAT TAKAFUL MALAYSIA KELUARGA BHD	OP	3.76	4.35	15.7%	3,148.3	Y	12/2024	43.2	45.3	13.4%	4.9%	8.7	8.3	1.4	17.2%	17.0	4.5%
SECTOR AGGREGATE					22,818					13.9%	2.8%	14.2	13.8	2.6	18.3%		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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