

Bursa Malaysia Berhad

(1818 | BURSA MK) Financial Services | Other Financials

Maintain NEUTRAL
Revised Target Price: RM5.90
 (from RM6.50)

Some improvement in 4QFY19 but it wasn't enough

KEY INVESTMENT HIGHLIGHTS

- Slightly below expectations on higher than expected IT expenses
- Some improvement in operating revenue in 4QFY19
- However, operating expenses grew at faster pace
- Final dividend of 10.4sen, full year dividend at 20.8sen
- Revising FY20 and FY21 earnings forecast by -11.3% and -9.4% respectively
- Maintain NEUTRAL with revised TP: RM5.90 (from RM6.50)

Slightly below expectations. Bursa posted its FY19 PATAMI which was a shade below our expectations at 94.0% of our full year estimates. Meanwhile it was within consensus' at 95.1%. The variance was due to our underestimation of other operating expenses.

Some improvement in revenue in the 4QFY19. Operating revenue in 4QFY19 improved slightly by +1.3%yoy and +4.4%qoq. The quarter saw better securities and derivatives trading revenue which grew +1.9%yoy and +7.3%yoy respectively.

However, operating expenses grew at faster pace. While revenue improved, total operating expenses grew +14.2%yoy to RM65.9m. Main reason was the higher IT expenses which rose +26.2%yoy to RM10.1m.

Not enough to turn the full year. Operating revenue in FY19 fell -8.2%yoy while total revenue contracted -8.6%yoy. It was weighed down by lower securities and derivatives trading revenue which decreased -12.4%yoy and -5.8%yoy respectively. The annual average daily traded value (ADVT) went down -19.3%yoy to RM1.93b. Meanwhile, for derivative market, the lower derivatives trading revenue was due to lower guarantee and collateral management fees.

Islamic capital market turned in 4QFY19. BSAS trading revenue fell -6.3%yoy in FY19 due -30.2%yoy decline in 4QFY19. We understand that the lower BSAS trading revenue came from the impact of volume-based pricing despite growth in its ADV.

Earnings estimates. We are revising our FY20 and FY21 earnings forecast downwards by -11.3% and -9.4% respectively to take into account the higher operating expenses.

Recommendation. The uncertainties surrounding the global economy continue to have an effect to Bursa's earnings. Furthermore, the recent outbreak of the coronavirus has weigh heavily on the market. We believe that these external uncertainties will not dissipate in the near future. Therefore, we believe that Bursa's prospect remains unexciting. We maintain NEUTRAL call on Bursa with revised **TP of RM5.90 (from RM6.50)**. Our TP is based on pegging FY20 EPS to PER of 23x.

RETURN STATISTICS

Price @ 30 th January 2020 (RM)	5.68
Expected share price return (%)	+3.9
Expected dividend yield (%)	+3.7
Expected total return (%)	+7.6

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-6.7	-4.1
3 months	-6.7	-2.9
12 months	-22.2	-15.2

KEY STATISTICS

FBM KLCI	1,545.59
Syariah compliant	Yes
Issue shares (m)	807.48
Estimated free float (%)	73.68
Market Capitalisation (RM'm)	4,592.30
52-wk price range	RM5.68 - RM7.4
Beta vs FBM KLCI (x)	0.83
Monthly velocity (%)	23.84
Monthly volatility (%)	11.20
3-mth average daily volume (m)	0.62
3-mth average daily value (RM'm)	3.76
Top Shareholders (%)	
CAPITAL MARKET DVLP FUND	18.59
Kumpulan Wang Persaraan Diperbadan	12.82
Employees Provident Fund Board	6.41

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INVESTMENT STATISTICS

Financial year ending 31 st December (in RM'm, unless otherwise stated)	2017A	2018A	2019A	2020F	2021F
Revenue (RM'm)	556.8	550.0	502.5	516.4	520.6
EBITDA (RM'm)	329.7	330.1	256.3	299.5	304.0
Pre-tax Profit (RM'm)	305.9	308.2	255.8	268.5	278.0
PATAMI (RM'm)	223.0	224.0	185.9	206.8	214.0
EPS (sen)	27.7	27.7	23.0	25.6	26.5
EPS growth (%)	15.2	0.1	-17.0	11.5	3.5
PER (x)	20.5	20.5	24.7	22.1	21.4
Dividend (sen)	26.1	27.8	20.8	20.5	21.2
Dividend Yield (%)	4.6	4.9	3.7	3.6	3.7

Source: Company, MIDFR

3QFY19 RESULTS SUMMARY

FYE Dec (RM'm)	4Q19	4Q18	3Q19	YoY Chg	QoQ Chg	FY19	FY18	YoY Chg
Operating revenue	122.7	121.0	117.5	1.3%	4.4%	480.1	523.3	-8.2%
Other income	6.7	7.9	5.2	-15.4%	28.5%	22.4	26.7	-16.3%
Total revenue	129.3	128.9	122.7	0.3%	5.4%	502.5	550.0	-8.6%
Staff costs	-32.3	-28.9	-32.8	11.8%	-1.6%	-133.7	-135.3	-1.2%
Depreciation and amortisation	-5.4	-5.4	-5.2	-0.6%	4.4%	-20.8	-22.0	-5.4%
Other operating expenses	-28.2	-22.8	-19.7	23.6%	43.0%	-91.7	-84.0	9.1%
EBITDA	68.7	77.1	70.0	-10.9%	-1.9%	256.3	308.7	-17.0%
Pre-tax profit	63.3	71.7	64.8	-11.7%	-2.4%	255.8	308.2	-17.0%
Taxation	-17.7	-18.0	-16.4	-1.6%	8.0%	-66.2	-77.6	-14.6%
Minority interest	0.0	-1.8	-1.3	-100.0%	-100.0%	-3.7	-6.6	-43.7%
PATAMI	45.6	51.9	47.1	-12.1%	-3.3%	185.9	224.0	-17.0%
EPS (sen)	5.6	6.4	5.8	-12.5%	-3.4%	23.0	27.7	-17.0%
Key Matric	4Q19	4Q18	3Q19	+/- ppts	+/- ppts	FY19	FY18	+/- ppts
Cost-to-income ratio	51.0%	44.3%	47.0%	6.6	3.9	49.0%	43.9%	5.1
EBITDA margin	53.1%	59.8%	57.1%	-6.7	-3.9	51.0%	56.1%	-5.1
PATAMI margin	35.2%	40.2%	38.4%	-5.0	-3.2	37.0%	40.7%	-3.7
Effective tax rate	28.0%	25.2%	25.3%	2.9	2.7	25.9%	25.2%	0.7

Segments breakdown

Operating revenue	4Q19	4Q18	3Q19	YoY Chg	QoQ Chg	FY19	FY18	YoY Chg
Securities trading revenue	59.2	58.1	55.8	1.9%	6.0%	232.8	265.8	-12.4%
Derivatives trading revenue	20.5	19.1	18.5	7.3%	11.2%	72.3	76.7	-5.8%
Bursa Suq Al-Sila (BSAS)	2.9	4.1	3.5	-30.2%	-18.5%	14.0	14.9	-6.3%
Listing and issuer services	14.3	14.9	14.5	-3.9%	-1.2%	54.0	60.1	-10.1%
Depository services	10.5	10.3	10.3	1.0%	1.9%	41.9	42.2	-0.6%
Market data	10.0	9.0	9.5	10.9%	4.9%	38.6	36.2	6.5%
Member services and connectivity	5.3	5.4	5.4	-2.8%	-1.8%	21.5	21.8	-1.5%

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.