

16 July 2015 | 2QFY15 Results Review

## Bursa Malaysia Berhad

*Benefitting from the market volatility*

**Maintain BUY**  
**Increased Target Price (TP): RM9.45**  
*(previously RM9.04)*

### INVESTMENT HIGHLIGHTS


- Bursa's 1HFY15 PATAMI came in line with ours and consensus expectations at RM96.5m with stronger derivatives and BSAS trading revenue and stable operating expenses.
- Announced an interim dividend of 16.5sen per share representing a payout of 91.0%.
- We make no changes to earnings forecast.
- Maintain BUY with an increased TP of RM9.45 after rolling over valuation period into FY16.

**1HFY15 earnings within expectation.** Bursa's 1HFY15 numbers were within our and consensus expectations with its PATAMI of RM96.5m (+4.9%yoy) accounting for 47% and 48% of respective earnings estimate. The improved results were attributed to higher topline contribution from stronger derivative and BSAS trading revenue. In line with a stronger operating revenue while cost remained stable, cost-to-income ratio improved slightly to 46.3% (-1.4ppts).

**Market volatility contributed to higher trading activity for derivatives.** Although the stock market has been volatile recently due to uncertainties in Europe and slowdown in China's economy, Fitch rating and local political uncertainties, this had not halt the Company's other segments to grow during 2Q15. In 2Q15, ADC traded for FCPO and FKLI both grew significantly by +15%yoy to 39,983 and 10,122 contracts respectively. Strong growth was also seen from BSAS' trading revenue to RM3.8m (+109%yoy) which was due to higher conversion of bank deposits to Murabaha. Meanwhile, the increase in stable revenue was led by higher listing fees of RM14.9m (+4.9%yoy) in 2Q15 contributed by improvement in IPO and corporate exercises.

**Interim dividend of 16.5sen.** A single-tier interim dividend of 16.5sen was declared in previous corresponding period. This represents 91.0% dividend payout of 1HFY15 earnings.

**Impact on earnings.** As the results fell within our expectation, we make no changes to our FYs forecast at this juncture.

**Recommendation.** Hence we maintain our **BUY stance** with an increased **target price (TP) of RM9.45 per share** after rolling over our valuation into FY16. We derive our TP based on FY16F eps of 41.1sen pegged to its 3-year quarterly historical average PER of 23x. We believe the share price has now bottomed out on the back of prospective growth of strong derivative trading activities and stable revenue division. 

### RETURN STATS

Price (15 July 2015)	RM8.10
Target Price	RM9.45
Expected Share Price Return	+16.7%
Expected Dividend Yield	+4.8%
<b>Expected Total Return</b>	<b>+21.5%</b>

### STOCK INFO

KLCI	1,726.26
Bursa / Bloomberg	1818 / BURSA MK
Board / Sector	Main / Finance
Syariah Compliant	No
Issued shares (mil)	534.6
Par Value (RM)	0.50
Market cap. (RM'm)	4,330.4
Price over NA	6.99x
52-wk price Range	RM7.78 – RM9.00
Beta (against KLCI)	0.72x
3-mth Avg Daily Vol	0.40m
3-mth Avg Daily Value	RM3.33m
Major Shareholders (%)	
Capital Market Dvlp	18.74
Ministry of Finance	16.12
EPF	6.11

#### Abbreviations used:

- ADV = Average Daily Value
- ADC = Average Daily Contract
- FCPO = Crude Palm Oil Futures
- FKLI = FBMKLCI Futures
- BSAS = Bursa Suq Al-Sila
- OMT = On Market Trade
- DBT = Direct Business Transaction
- SR = Stable Revenue

## INVESTMENT STATISTICS

FYE Dec	FY13	FY14	FY15F	FY16F
Revenue (RM'm)	475.0	503.8	530.6	561.9
EBITDA (RM'm)	280.5	297.0	310.3	326.2
Pre-tax Profit (RM'm)	245.6	271.8	278.9	294.9
PATAMI (RM'm)	173.1	198.2	204.3	219.1
EPS (sen)	32.5	37.2	38.3	41.1
EPS growth (%)	14.5	14.3	3.1	7.3
PER(x)	25.3	21.8	21.2	19.7
Dividend (sen)	52.0	54.0	36.4	39.0
Dividend Yield (%)	8.4	6.6	4.5	4.8

Source: MIDFR

## 2QFY15 RESULTS SUMMARY

FYE Dec (RM'm)	2Q15	YoY Chg	QoQ Chg	6M15	YoY Chg
Operating revenue	120.7	4.5%	0.7%	240.5	4.3%
Other income	6.4	-17.1%	-12.9%	13.7	-12.9%
<b>Total revenue</b>	<b>127.0</b>	<b>3.1%</b>	<b>-0.1%</b>	<b>254.1</b>	<b>3.2%</b>
Staff costs	-32.3	-0.7%	2.2%	-63.9	-1.8%
Depreciation and amortisation	-6.0	-6.0%	5.9%	-11.7	-8.8%
Other operating expenses	-19.2	4.3%	-16.3%	-42.2	6.3%
<b>EBITDA</b>	<b>75.5</b>	<b>4.6%</b>	<b>4.1%</b>	<b>148.0</b>	<b>4.6%</b>
<b>Pre-tax profit</b>	<b>69.5</b>	<b>5.6%</b>	<b>3.9%</b>	<b>136.3</b>	<b>5.9%</b>
Taxation	-18.4	3.1%	4.2%	-36.1	6.5%
Minority interest	-1.6	NA	NA	-3.7	NA
<b>PATAMI</b>	<b>49.5</b>	<b>5.6%</b>	<b>5.2%</b>	<b>96.5</b>	<b>4.9%</b>
EPS (sen)	9.2	4.9%	4.5%	18.0	4.7%
	<b>2Q15</b>	<b>+/- ppts</b>	<b>+/- ppts</b>	<b>6M15</b>	<b>+/- ppts</b>
Cost-to-income ratio	45.3%	-1.3	-2.1	46.3%	-1.4
Pre-tax margin	54.7%	+1.3	2.1	53.7%	1.4
PATAMI margin	39.0%	+0.9	1.9	38.0%	0.6
Effective tax rate	26.5%	-0.6	0.1	26.5%	0.2

## Segments breakdown

Operating revenue	2Q15	YoY Chg	QoQ Chg	6M15	YoY Chg
Securities trading revenue	58.5	-1.4%	1.7%	115.9	-0.4%
Derivatives trading revenue	19.5	21.5%	-4.7%	40.0	20.4%
Bursa Suq Al-Sila (BSAS)	3.7	92.8%	-0.8%	7.5	101.0%
Listing and issuer services	14.9	4.9%	37.7%	25.8	-5.4%
Depository services	10.3	1.7%	22.2%	18.7	4.6%
Market data	8.0	1.6%	-1.7%	16.2	9.3%
Member services and connectivity	5.5	-4.2%	10.9%	10.4	-6.1%
Other	0.2	17.2%	-96.8%	5.8	-5.3%

Source: Company, MIDFR

## KEY OPERATING REVENUE DRIVERS BY QUARTERS

	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
No. of trading days	59	63	61	63	59	63
FBM KLCI	1,849.2	1,882.7	1,846.3	1,761.3	1,830.8	1,706.6
Market capitalisation (RM'b)	1,719.1	1,770.4	1,774.1	1,651.2	1,737.5	1,659.0
Average daily trading value (OMT and DBT) (RM'b)	2.2	2.2	2.3	2.0	2.2	2.0
Average daily trading volume (OMT and DBT) (billion)	2.1	1.9	2.8	1.9	2.1	1.9
Effective clearing fee rate (bpts)	2.4	2.3	2.4	2.4	2.3	2.4
Velocity (%)	30	29	30	28	30	28
Number of IPOs	2	4	4	4	0	5
Number of new structured warrant listings	156	63	116	211	172	157
<b>Total funds raised:</b>						
-IPOS (RM'b)	1.9	2.8	1.0	0.2	0.0	2.9
-Secondary issues (RM'b)	5.5	8.0	3.5	1.4	6.0	2.1
Derivatives ADC	50,046	44,082	54,019	54,537	60,335	50,612
BSAS daily average trading value (RM'm)	5,100	5,135	7,243	9,869	11,874	13,598

Source: Company, MIDFR

## DAILY PRICE CHART



Source: Bloomberg, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.