2QFY22 Results Review (Below) | Friday, 29 July 2022

Bursa Malaysia Berhad

(1818 | BURSA MK) Financial Services | Other Financials

***Maintain* BUY**

***Revised* Target Price: RM7.60**

(from RM7.45)

Dragged by 2QFY22 but expected to rebound

KEY INVESTMENT HIGHLIGHTS

- **Earnings a share below expectations at 42.4% of full estimate**
- **Lower trading value led to lower trading revenues**
- **Interim dividend of 15sen was announced**
- **Revising FY22/FY23/FY24 earnings to take into account lower trading revenue**
- **Maintain BUY as trading activities expected to rebound with revised TP of RM7.60**

Below expectation. Bursa Malaysia Bhd (Bursa) saw its 1HFY22 earnings declined -39.4%yoy. This was below our expectation coming in at 42.4% of our FY22 estimate. The variance was due to weaker than expected 2QFY22 revenues.

Revenues dragged by weakness in 2QFY22. Total revenue in 1HFY22 fell -26.0%yoy driven by lower revenue in 2QFY22 which fell -8.1%qoq. This was due to lower ADV for OMT and DBT which fell -16.8%qoq to RM2.23b. Trading velocity was also lower by -6ppt to 30%.

Other segments supported revenue. The decline in trading revenue in 1HFY22 was moderated by growth in other segments. Derivatives trading, Bursa Suq Al-Sila, Market Data and Member Services & Connectivity revenues grew +6.2%yoy, +14.4%yoy, +18.3%yoy and +14.9%yoy respectively. Meanwhile, listing revenue was down only by -1.1%yoy.

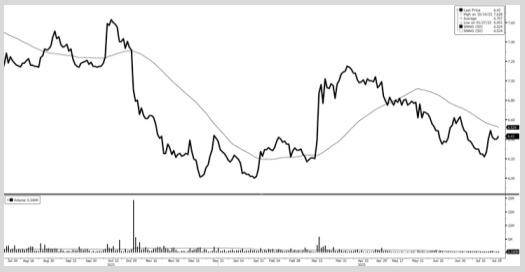
OPEX continue to fall. OPEX fell by -1.8%yoy to RM143.5m in 1HFY22. This was due to lower manpower cost which declined by -4.9%yoy to RM78.0m. In terms of the trend, it seems that OPEX trended downwards as 2QFY22 OPEX fell -2.5%qoq to RM70.8m.

Earnings estimate. We revise our FY22/FY23/FY24 earnings downwards by -5.0%/-7.5%/-5.2% to take into account of the weakness in 2QFY22.

Recommendation. We have seen the weakness in trading activities in 1HFY22 due to volatility caused by US Fed's hawkish stance and geopolitical issues. However, we expect that trading activities will rebound once the dust settles and the expectation that the US Fed will reduce the pace of its hike. This will improve sentiment and market valuation going forward. Furthermore, we have seen interest from foreign investors starting to return this year. We believe the recent share price decline means that the stock is currently undervalued. Therefore, we are maintaining our **BUY** call on the stock. However, we revised our **TP to RM7.60** (from RM7.45) as we rollover our valuation to FY23. We peg FY23 EPS to PER of 20x.

RETURN STATISTICS	
Last closing price (RM)	6.43
Expected share price return (%)	+18.2
Expected dividend yield (%)	+5.0
Expected total return (%)	**+23.2**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-2.0	-4.4
3 months	-3.0	-0.9
12 months	-15.4	-14.0

KEY STATISTICS	
KLCI	1,491.2
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issued shares (mil)	809.30
Estimated free float (%)	69.96
Market capitalisation (RM'm)	5,203.79
52-wk price range (RM)	RM6.15 - RM7.85
Beta vs FBMKLCI (x)	0.82
Daily velocity (%)	1.74
Daily volatility (%)	16.00
3-mth average daily volume (m)	0.41
3-mth average daily value (RM'm)	2.71
Top Shareholders (%)	
CAPITAL MARKET DVLP FUND	18.57
Kumpulan Wang Persaraan Diperbadan	11.02
Employees Provident Fund Board	9.66

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INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	2020A	2021A	2022E	2023F	2024F
Revenue (RM'm)	**778.8**	**767.5**	**682.3**	**691.6**	**714.2**
EBITDA (RM'm)	508.2	479.0	443.5	435.7	449.9
Pre-tax Profit (RM'm)	506.6	478.4	417.6	409.5	422.8
PATAMI (RM'm)	**377.7**	**355.3**	**285.6**	**307.1**	**321.3**
EPS (sen)	46.7	43.9	35.4	38.1	39.9
EPS growth (%)	103.0	-5.9	-19.4	7.5	4.6
PER (x)	14.6	18.2	16.9	16.1	14.6
Dividend (sen)	41.0	31.9	34.3	35.9	41.0
Dividend Yield (%)	6.4	5.0	5.3	5.6	6.4

Source: Company, MIDFR

2QFY22 RESULTS SUMMARY

FYE Dec (RM'm)	2Q22	2Q21	1Q22	YoY Chg	QoQ Chg	1HFY22	1HFY21	YoY Chg
Operating revenue	148.4	192.2	161.0	-22.8%	-7.9%	309.4	420.2	-26.4%
Other income	3.5	3.9	4.3	-11.1%	-17.7%	7.8	8.2	-5.5%
Total revenue	**151.9**	**196.1**	**165.3**	**-22.5%**	**-8.1%**	**317.2**	**428.4**	**-26.0%**
Staff costs	-38.7	-42.9	-39.3	-9.7%	-1.4%	-78.0	-82.0	-4.9%
Depreciation and amortisation	-6.3	-5.3	-6.4	18.6%	-0.9%	-12.7	-10.5	20.7%
Other operating expenses	-25.8	-28.5	-27.0	-9.5%	-4.5%	-52.8	-53.6	-1.4%
EBITDA	**87.4**	**124.6**	**99.0**	**-29.9%**	**-11.7%**	**186.4**	**292.6**	**-36.3%**
Pre-tax profit	**81.1**	**119.3**	**92.6**	**-32.0%**	**-12.5%**	**173.7**	**282.1**	**-38.4%**
Taxation	-21.6	-30.3	-24.7	-28.8%	-12.5%	-46.3	-71.7	-35.5%
PATAMI	**59.5**	**89.0**	**68.0**	**-33.2%**	**-12.5%**	**127.4**	**210.4**	**-39.4%**
EPS (sen)	7.3	11.0	8.4	-33.6%	-13.1%	15.7	26.0	-39.6%
Key Matric	**2Q22**	**2Q21**	**1Q22**	**+/- ppts**	**+/- ppts**	**1HFY22**	**1HFY21**	**+/- ppts**
Cost-to-income ratio	46.6%	39.1%	44.0%	7.5	2.7	45.2%	34.1%	11.1
EBITDA margin	57.5%	63.5%	59.9%	-6.0	-2.4	58.8%	68.3%	-9.5
PATAMI margin	39.2%	45.4%	41.1%	-6.2	-2.0	40.2%	49.1%	-8.9
Effective tax rate	26.6%	25.4%	26.6%	1.2	0.0	26.6%	25.4%	1.2

Segments breakdown								
Operating revenue	**2Q22**	**2Q21**	**1Q22**	**YoY Chg**	**QoQ Chg**	**1HFY22**	**1HFY21**	**YoY Chg**
Securities trading revenue	66.8	115.3	80.4	-42.1%	-17.0%	147.2	266.1	-44.7%
Derivatives trading revenue	24.4	22.4	23.3	9.1%	4.6%	47.7	44.9	6.2%
Bursa Suq Al-Sila (BSAS)	3.8	3.3	3.8	16.8%	-0.5%	7.6	6.7	14.4%
Listing and issuer services	17.2	18.7	16.9	-8.1%	1.7%	34.1	34.5	-1.1%
Depository services	13.9	14.4	14.4	-3.7%	-3.2%	28.3	30.0	-5.6%
Market data	16.5	12.3	14.8	33.8%	11.5%	31.2	26.4	18.3%
Member services and connectivity	5.9	5.8	7.4	0.7%	-21.3%	13.3	11.6	14.9%

Source: Company, 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 *rise* 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 *fall* 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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology