4QFY22 Results Review (Below) | Thursday, 02 February 2023

# Bursa Malaysia Berhad

(1818 | BURSA MK) Financial Services | Other Financials

**Maintain BUY**

**Revised Target Price: RM7.30**
*(Previously RM7.60)*

## Conservative FY23 targets

## KEY INVESTMENT HIGHLIGHTS

- **Earnings below expectations at 79.3% of full year estimate**
- **Lower trading value led to lower trading revenues**
- **Final dividend of 11.5sen was announced. Full dividend came to 26.5sen**
- **Revising FY23/FY24 earnings to take into account normalised retail trades and higher OPEX**
- **Maintain BUY with revised TP of RM7.30**

**Below expectation.** Bursa Malaysia Bhd (Bursa) saw its FY22 earnings declined -36.2%yoy. This was below our expectation coming in at 79.3% of our full year estimate. The variance was due to weaker than expected revenues while cost was higher than expected.

**Revenues fell from lower trading activities.** Total revenue in FY22 fell -21.4%yoy dragged by securities trading revenue which declined -40.5%yoy. This was due to lower ADV (OMT), contracting -41.5%yoy to RM2.07b as trades from domestic institutions and retail segment came lower by -37.5%yoy to RM965m and –58.8%yoy to RM550m respectively. In particular, we saw the normalisation of retail trades to pre-pandemic level. In our view, this was exacerbated by the volatility in global equities market induced by US Fed aggressiveness last year.

**Other revenue segments moderated the decline.** The decline in trading revenue was moderated by growth in other segments. Derivatives trading, Bursa Suq Al-Sila, Market Data and Member Services & Connectivity revenues grew +11.3%yoy, +17.8%yoy, +12.5%yoy and +6.4%yoy respectively.

**OPEX contained.** OPEX grew by only +1.4%yoy to RM292.7m in FY22. Higher depreciation, marketing, IT and service fees were moderated by lower manpower cost and other OPEX.

**Conservative targets for FY23.** The management disclosed its headline KPIs for FY23. Financial targets are PBT of RM295m to RM326m, non-trading revenue growth of 5-7%yoy, while non-financial targets are 39 IPOs with RM10b total IPO market cap, launch of new products such as Bursa Gold Dinar and ESG target to reduce ≥5% of scope 1 & 2 emissions. We believe that these targets are achievable given that it is very conservative especially on the PBT target given that external factors might be in favour to trading activities this year. However, OPEX growth is expected to be mid-single digit as it will be investing to support these targets.

**Earnings estimate.** We revise our FY23/FY24 earnings downwards by -19.6%/-17.1%to take into account of the normalisation of retail trades and higher OPEX.

| RETURN STATISTICS | |
|---|---|
| Price @ 31 Jan 2023 (RM) | 6.71 |
| Expected share price return (%) | +8.8 |
| Expected dividend yield (%) | +4.3 |
| **Expected total return (%)** | **+13.1** |

**SHARE PRICE CHART**



| Share price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | 0.9 | 1.6 |
| 3 months | 0.9 | 2.3 |
| 12 months | 7.2 | 9.1 |

| KEY STATISTICS | |
|---|---|
| KLCI | 1,485.50 |
| Syariah compliant | Yes |
| F4BGM Index | Yes |
| ESG Grading Band (Star rating) | ☆☆☆☆ |
| Issued shares (mil) | 809.30 |
| Estimated free float (%) | 69.61 |
| Market capitalisation (RM'm) | 5,430.40 |
| 52-wk price range (RM) | RM6.00 - RM7.16 |
| Beta vs FBMKLCI (x) | 0.89 |
| 3-mth average daily volume (m) | 0.59 |
| 3-mth average daily value (RM'm) | 3.98 |
| Top Shareholders (%) | |
| CAPITAL MARKET DVLP FUND | 18.57 |
| Kumpulan Wang Persaraan Diperbadan | 10.98 |
| Employees Provident Fund Board | 10.06 |

**ANALYST**
**Imran** Yassin Yusof
imran.yassin@midf.com.my
03-2173 8395

**Recommendation.** We opine the weakness in trading activities in FY22 was due to volatility in global markets caused by US Fed's hawkish stance and geopolitical issues. This may have led or exacerbated the normalisation of retail trades. However, we expect that the further pivot by the US Fed as it slower the pace and pause its rate hikes will improve sentiment and market valuation going forward. This will be a boost to global equities trading activities. In fact we have seen better performance in the mid and small-cap space with FBM70 index and FBM Small Cap index chalking +5.0% and 8.1% gains year-to-date respectively. Therefore, we are maintaining our **BUY** call on the stock. However, we revised our **TP to RM7.30** (from RM7.60) due to our earnings estimate revision. We also peg FY23 EPS to a higher PER of 24x (from 20x) which is closer to its historical PER.

## INVESTMENT STATISTICS

| **Financial year ending 31st December (in RM'm, unless otherwise stated)** | **2021A** | **2022A** | **2023E** | **2024F** | **2025F** |
|---|---|---|---|---|---|
| **Revenue (RM'm)** | **767.5** | **603.2** | **663.1** | **685.6** | **702.0** |
| EBITDA (RM'm) | 479.0 | 310.3 | 364.7 | 390.8 | 400.1 |
| Pre-tax Profit (RM'm) | 478.4 | 310.0 | 338.2 | 364.7 | 373.5 |
| **PATAMI (RM'm)** | **355.3** | **226.6** | **246.9** | **266.3** | **272.6** |
| EPS (sen) | 43.9 | 28.0 | 30.5 | 32.9 | 33.7 |
| EPS growth (%) | -5.9 | -36.3 | 8.9 | 7.9 | 2.4 |
| PER (x) | 15.3 | 24.0 | 22.0 | 20.4 | 19.9 |
| Dividend (sen) | 41.0 | 26.5 | 29.0 | 31.3 | 32.0 |
| Dividend Yield (%) | 6.1 | 3.9 | 4.3 | 4.7 | 4.8 |

*Source: Company, MIDFR*

## 4QFY22 RESULTS SUMMARY

| FYE Dec (RM'm) | 4Q22 | 4Q21 | 3Q22 | YoY Chg | QoQ Chg | FY22 | FY21 | YoY Chg |
|---|---|---|---|---|---|---|---|---|
| Operating revenue | 140.1 | 161.6 | 135.7 | -13.3% | 3.2% | 585.3 | 751.6 | -22.1% |
| Other income | 5.6 | 3.6 | 4.6 | 55.6% | 20.5% | 18.0 | 15.9 | 12.8% |
| **Total revenue** | **145.7** | **165.2** | **140.4** | **-11.8%** | **3.8%** | **603.2** | **767.5** | **-21.4%** |
| Staff costs | (37.0) | (38.9) | (40.1) | -5.0% | -7.9% | (155.1) | (157.9) | -1.8% |
| Depreciation and amortisation | (7.4) | (6.1) | (6.9) | 20.9% | 7.4% | (26.9) | (22.0) | 22.4% |
| Other operating expenses | (33.6) | (30.4) | (24.5) | 10.7% | 37.0% | (110.9) | (108.6) | 2.1% |
| **EBITDA** | **75.0** | **95.7** | **75.6** | **-21.7%** | **-0.8%** | **310.3** | **479.0** | **-35.2%** |
| **Pre-tax profit** | **67.6** | **89.6** | 68.7 | **-24.6%** | **-1.6%** | **310.0** | **478.4** | **-35.2%** |
| Taxation | (18.6) | (24.7) | (18.6) | -24.7% | 0.2% | (83.4) | (123.2) | -32.3% |
| **PATAMI** | **49.0** | **65.0** | **50.1** | **-24.6%** | **-2.2%** | **226.6** | **355.3** | **-36.2%** |
| EPS (sen) | 6.1 | 8.0 | 6.2 | -23.8% | -1.6% | 28.0 | 43.9 | -36.2% |
| **Key Matric** | **4Q22** | **4Q21** | **3Q22** | **+/- ppts** | **+/- ppts** | **FY22** | **FY21** | **+/- ppts** |
| Cost-to-income ratio | 53.5% | 45.6% | 51.0% | 7.9 | 2.5 | 48.6% | 37.6% | 11.0 |
| EBITDA margin | 51.5% | 58.0% | 53.8% | -6.5 | -2.4 | 51.4% | 62.4% | -11.0 |
| PATAMI margin | 33.6% | 39.3% | 35.7% | -5.7 | -2.1 | 37.6% | 46.3% | -8.7 |
| Effective tax rate | 27.5% | 27.5% | 27.0% | 0.0 | 0.5 | 26.9% | 25.7% | 1.2 |

| Segments breakdown | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Operating revenue** | **4Q22** | **4Q21** | **3Q22** | **YoY Chg** | **QoQ Chg** | **FY22** | **FY21** | **YoY Chg** |
| Securities trading revenue | 60.6 | 83.0 | 55.8 | -26.9% | 8.7% | 263.6 | 442.9 | -40.5% |
| Derivatives trading revenue | 23.8 | 21.5 | 25.6 | 10.6% | -7.2% | 97.2 | 87.3 | 11.3% |
| Bursa Suq Al-Sila (BSAS) | 4.6 | 3.9 | 4.2 | 19.3% | 10.3% | 16.4 | 14.0 | 17.8% |
| Listing and issuer services | 16.7 | 18.5 | 17.3 | -9.5% | -3.1% | 68.1 | 70.9 | -3.9% |
| Depository services | 13.0 | 13.9 | 12.2 | -6.6% | 6.6% | 53.5 | 58.2 | -8.1% |
| Market data | 15.0 | 14.5 | 14.6 | 3.4% | 2.6% | 60.8 | 54.0 | 12.5% |
| Member services and connectivity | 6.5 | 6.3 | 6.0 | 2.3% | 6.9% | 25.8 | 24.2 | 6.4% |

*Source: Company, MIDFR*

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD ("MIDF Investment") for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

| **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