Bursa Malaysia Berhad

(1818 | BURSA MK) Financial Services | Other Financials

Within Expectations

***Maintain* BUY**

***Unchanged* Target Price: RM7.30**

KEY INVESTMENT HIGHLIGHTS

- **Earnings were within ours and consensus' expectations**
- **Lower trading revenue led to lower earnings but revenue decline was moderated by non-trading revenue**
- **Higher OPEX due to higher staff costs as Bursa is building capacity**
- **No change in earnings estimate**
- **Maintain BUY with unchanged TP of RM7.30**

Within expectations. Bursa Malaysia Bhd (Bursa) saw its 1QFY23 earnings declined -17.4%yoy. This was within our and consensus' expectations, coming in at 22.8% and 23.9% of respective full year estimate. The decline in earnings was due to normalization of trading revenues.

Lower trading revenues were moderated by non-trading revenue. Total revenue in 1QFY23 fell -5.3%yoy dragged by securities trading revenue which declined -15.3%yoy. This was due to lower ADV (OMT), contracting -17.7%yoy to RM2.14b as trades came in lower from all segments. However, we should note that operating revenues was still higher from pre-pandemic levels. We believe this is evident of the normalisation of retail trades to pre-pandemic level. Meanwhile, non-trading revenues increased +5.8%yoy to RM56.6m, moderating the revenue decline. This was due to higher market data (+5.7%yoy to RM15.6m), member services & connectivity (+3.9%yoy to RM6.1m) and conference & exhibition related income (>100%yoy to RM6.7m)

Higher OPEX to grow business. OPEX grew by only +10.6%yoy to RM80.2m in 1QFY23. This was mainly due to higher staff costs which rose +3.6%yoy to RM40.7m on higher headcount for new business and capacity building.

Earnings estimate. We make no changes to our earnings estimate.

Recommendation. We opine the weakness in trading activities continue to be a feature due to volatility in global markets caused by US Fed's actions and geopolitical issues. This may have led or exacerbated the normalisation of retail trade. However, we expect that the further pivot by the US Fed as it slows the pace and pauses 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 this year. Therefore, we are maintaining our **BUY** call on the stock with unchanged **TP to RM7.30** pegging our FY23 EPS to a PER of 24x.

RETURN STATISTICS	
Price @ 3rd May 2023 (RM)	6.30
Expected share price return (%)	+15.9
Expected dividend yield (%)	4.6
Expected total return (%)	**+20.5**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.0	-1.8
3 months	-1.4	-3.9
12 months	-7.9	3.4

INVESTMENT STATISTICS

FYE Mar	2023E	2024F	2025F
Revenue	663.1	685.6	702.0
Operating Profit	364.7	390.8	400.1
Profit Before Tax	338.2	364.7	373.5
Core PATAMI	246.9	266.3	272.6
Core EPS	30.5	32.9	33.7
DPS	29.0	31.3	32.0
Dividend Yield	4.6%	5.0%	5.1%

KEY STATISTICS	
FBM KLCI	1,425.99
Issue shares (m)	809.3
Estimated free float (%)	70.4
Market Capitalisation (RM'm)	5,098.6
52-wk price range	RM6.0 - RM7.1
3-mth average daily volume (m)	0.33
3-mth average daily value (RM'm)	2.15
Top Shareholders (%)	
Capital Market Dvlp Fund	1.68
KWAP	11.0
EPF	10.1

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1QFY23 RESULTS SUMMARY

FYE Dec (RM'm)	1Q23	1Q22	4Q22	YoY Chg	QoQ Chg
Operating revenue	150.7	161.0	140.1	-6.4%	7.6%
Other income	5.8	4.3	5.6	35.5%	3.5%
Total revenue	**156.5**	**165.3**	**145.7**	**-5.3%**	**7.4%**
Staff costs	(40.7)	(39.3)	(37.0)	3.6%	10.0%
Depreciation and amortisation	(7.9)	(6.4)	(7.4)	24.3%	7.3%
Other operating expenses	(31.8)	(27.0)	(33.6)	17.6%	-5.5%
EBITDA	**84.1**	**99.0**	**75.0**	**-15.1%**	**12.1%**
Pre-tax profit	**76.1**	**92.6**	**67.6**	**-17.8%**	**12.6%**
Taxation	(20.0)	(24.7)	(18.6)	-19.0%	7.4%
PATAMI	**56.2**	**68.0**	**49.0**	**-17.4%**	**14.6%**
EPS (sen)	6.9	8.4	6.1	-17.9%	13.1%
Key Matric	**1Q23**	**1Q22**	**4Q22**	**+/- ppts**	**+/- ppts**
Cost-to-income ratio	51.3%	44.0%	53.5%	7.4	-2.2
EBITDA margin	53.7%	59.9%	51.5%	-6.2	2.2
PATAMI margin	35.9%	41.1%	33.6%	-5.2	2.3
Effective tax rate	26.2%	26.6%	27.5%	-0.4	-1.3

Operating revenue	1Q23	1Q22	4Q22	YoY Chg	QoQ Chg
Securities trading revenue	68.1	80.4	60.6	-15.3%	12.4%
Derivatives trading revenue	21.5	23.3	23.8	-7.9%	-9.6%
Bursa Suq Al-Sila (BSAS)	4.5	3.8	4.6	18.5%	-2.0%
Listing and issuer services	15.0	16.9	16.7	-11.3%	-10.4%
Depository services	13.1	14.4	13.0	-8.7%	0.9%
Market data	15.6	14.8	15.0	5.7%	4.0%
Member services and connectivity	6.1	7.4	6.5	-17.7%	-5.4%

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Operating Revenue	751.6	585.3	648.1	663.6	680.1
Other Income	15.9	18.0	15.0	22.0	21.8
Total Revenue	767.5	603.2	663.1	685.6	702.0
EBITDA	479.0	310.3	364.7	390.8	400.1
Profit Before Tax	478.4	310.0	338.2	364.7	373.5
Core PATAMI	355.3	226.6	246.9	266.3	272.6

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin	62.4%	51.4%	55.0%	57.0%	57.0%
PBT margin	62.3%	51.4%	51.0%	53.2%	53.2%
PAT margin	46.3%	37.6%	37.2%	38.8%	38.8%

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 *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