



Company report

BURSA MALAYSIA

(BURSA MK EQUITY, BMYS.KL)

29 Jun 2020

A robust 2Q20 with short selling ban further extended

BUY

(Maintained)

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Rationale for report: Company update

Price **RM7.28**
 Fair Value **RM8.20**
 52-week High/Low **RM8.55/RM4.32**

Key Changes

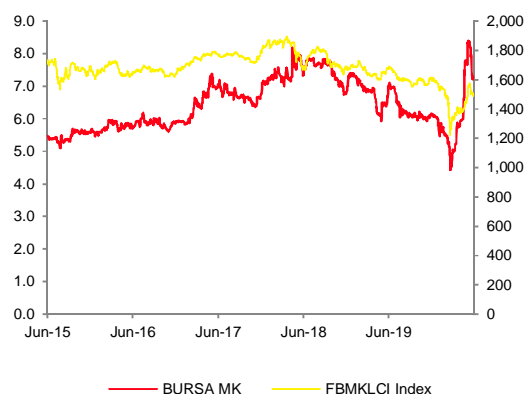
Fair value **↑**
 EPS **↑**

YE to Dec	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	502.5	637.9	598.7	615.8
Core net profit (RM mil)	186.4	302.8	272.8	281.4
FD Core EPS (sen)	23.1	37.5	33.8	34.9
FD Core EPS growth (%)	(17.0)	62.4	(9.9)	3.2
Consensus Net Profit (RM mil)	-	232.0	217.4	219.4
DPS (sen)	20.8	34.1	31.4	32.4
PE (x)	31.5	19.4	21.5	20.9
EV/EBITDA (x)	20.3	13.2	14.5	14.1
Div yield (%)	2.9	4.7	4.3	4.4
ROE (%)	22.8	39.1	34.2	34.4
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	808.0
Market Cap (RM mil)	5,882.0
Book Value (RM/share)	0.94
P/BV (x)	7.7
ROE (%)	22.8
Net Gearing (%)	-
Major Shareholders	Capital Market Dev Fund (18.6%) Kumpulan Wang Persaraan (12.8%) EPF (6.0%)
Free Float	62.6
Avg Daily Value (RM mil)	28.2

Price performance	3mth	6mth	12mth
Absolute (%)	47.1	18.2	4.0
Relative (%)	32.7	27.9	16.9



Investment Highlights

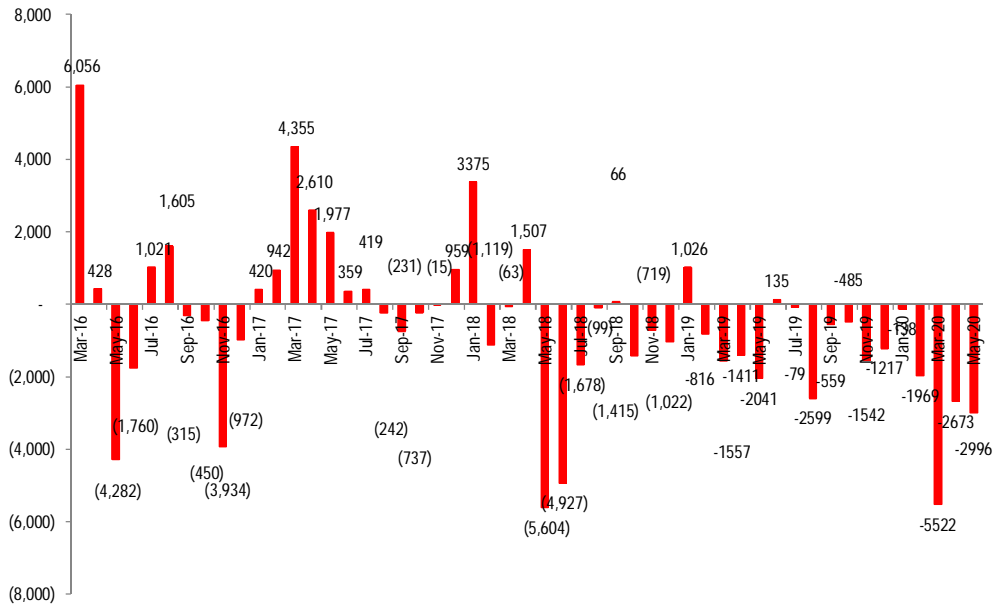
- We maintain our BUY recommendation on Bursa Malaysia (Bursa) with a revised fair value of RM8.20/share (previously: RM6.40/share). We rolled over our valuation to FY21. Our FY20/21/22 earnings have been raised by 17.2%-43.4%, factoring in higher daily average trading value (DATV) of RM2.8/2.5/2.65bil for the securities market. Also, we have increased our assumptions for the average daily contracts (ADC) traded for derivatives in FY20/21/22 to 65,000/67,600/69,628. We continue to peg the stock to a PE of 24.0x (5-year historical average PE).
- The continued volatility will augur well for the securities and derivatives market.
- Bursa is likely to release its 2Q20 results in the final week of July. We expect a robust 2Q20 earnings of RM90-91mil which will be higher than 1Q20's RM65mil. This is based on a record DATV for equities of RM3.8bil in 2Q20, significantly higher than the preceding quarter. YTD (Jan to May 20), the effective clearing fee rate rose to a record 2.69bps vs. 2.30bps in FY19 on higher retail investors' participation.

Meanwhile, derivatives trading revenue will be softer QoQ in 2Q20 due to the lower number of contracts traded for FCPO and FKLI. This is attributed to the shorter number of trading days in May 20 coupled with more stable CPO prices and securities market in the quarter.

- On the securities market, DATV (on OMT basis) for equities climbed to RM3.8bil in 2Q20 (1 April until 23 June 2020) vs. RM2.5bil in 1Q20. This has resulted in a YTD DATV for equities of RM3.1bil.
- During 2Q20 (Apr–May 2020), we continued to see foreign fund outflows from the securities market. The outflow was RM2.6bil and RM3.0bil in Apr and May 2020 respectively. The persistent net selling by foreign investor resulted in a net outflow of funds of RM13.3bil in the first 5 months of 2020. Nevertheless, this was offset by the net buying of securities by local institutions and retail investors. The percentage of local retail participation leapt to 34.25% as at 10 June 2020 vs. 22.67% in Mar 2020. Meanwhile, the percentage of local institution participation stood at 31.02% on 10 June 2020. Trades of investment traders (IVT) were classified under local institutions. The percentage of contribution of IVTs' trades to DATV of local institutions rose from 26.65% in Mar 2020 to 37.11% and 46.97% in Apr and May 2020 respectively (see Exhibit 5).

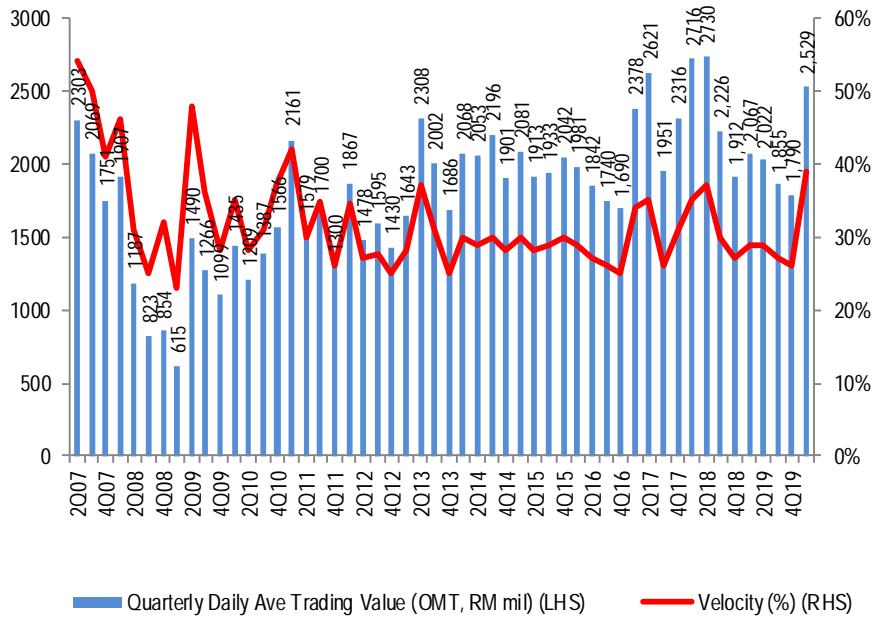
- On 26 June, Bursa and the Securities Commission (SC) have further extended the suspension of short selling (intraday short selling, regulated short selling and intraday short selling by proprietary day traders) in the securities market until 31 Dec 2020. This is the second extension since the suspension began on 24 Mar 2020.
- Amidst the continuing volatility and uncertainties surrounding the development on Covid-19 pandemic, the further suspension on short selling is expected to limit the downside risk on the securities market. This will in turn provide more stability and confidence to investors.
- With the further suspension on short selling, it is not unrealistic to envision the extension of the temporary flexibility accorded for share margin accounts which will expire on 30 Sept 2020. The suspension of short selling and the flexibility on share margin accounts are seen as essential measures to encourage retail participation in the securities market which has surged to a high recently.
- YTD, there are 9 new listings in the securities market (Main Market: 3, ACE Market: 2 and LEAP Market: 4). As a comparison, 2019 saw a total of 30 IPOs (Main Market: 4, ACE market: 11 and LEAP Market: 15). These included 2 ETFs on the Main Market.
- On the 50% rebate on annual listing fees applicable to smaller listed companies (market cap < RM500mil) and those reporting losses at group level, the impact is around RM6mil per annum (<5%) on Bursa's earnings.
- The average total contracts traded for derivatives was lower for 2Q20 (Apr–May 2020) at 66,595 compared to 85,578 in 1Q20. QTD, average daily contracts (ADC) traded for FCPO and FKLI was 51,804 and 14,588 respectively (1Q20: 69,194 and 15,072).
- For BSAS, there remain challenges with the adoption of volume-based pricing which saw large volumes traded at shorter term tenures, thus attracting lower revenue.
- The stock's foreign shareholdings declined to a low of 14.7% in May 2020. Meanwhile, foreign ownership of the securities market slipped to 21.7% in May 2020 compared to 22.3% in March 2020.

EXHIBIT 1: MONTHLY FOREIGN INFLOW / OUTFLOW TO SECURITIES MARKET (RM MIL)



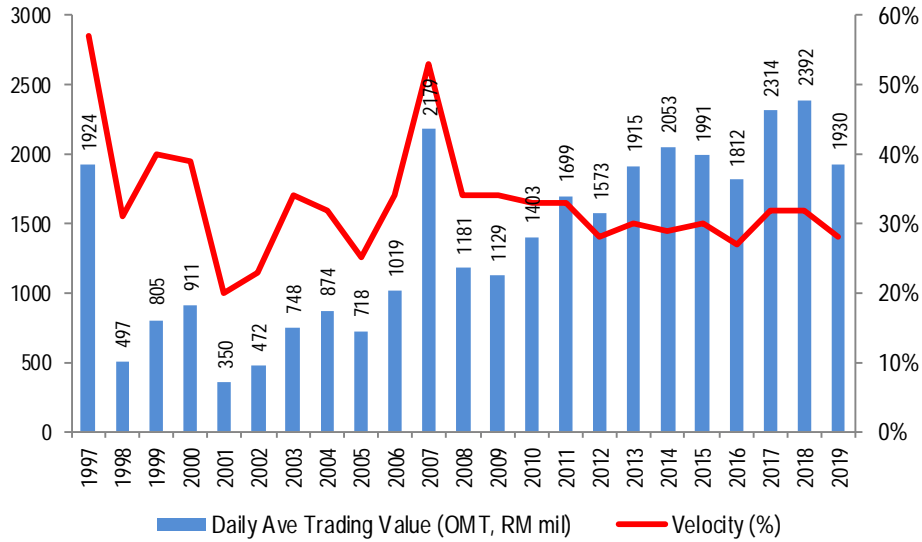
Source: Company, AmInvestment Bank Bhd

EXHIBIT 2: QUARTERLY ADV TRADED AND VELOCITY FOR SECURITIES MARKET



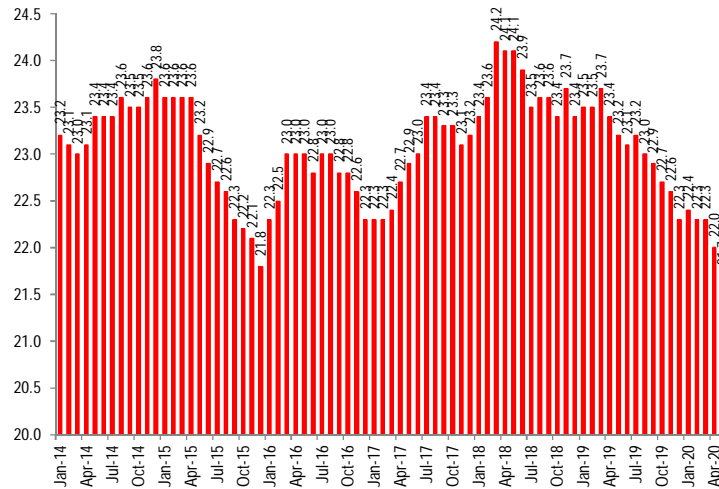
Source: AmInvestment Bank Bhd, Company

EXHIBIT 3: YEARLY ADV TRADED AND VELOCITY FOR SECURITIES MARKET



Source: Company, AmInvestment Bank Bhd

EXHIBIT 4: SECURITIES MARKET FOREIGN OWNERSHIP (%)



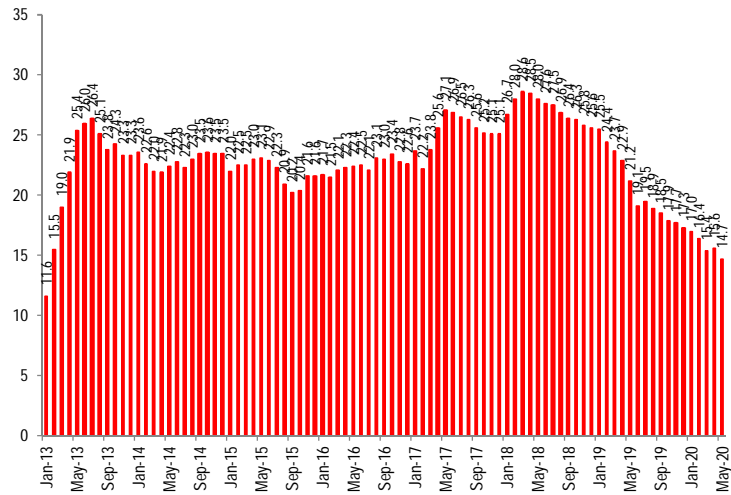
Source: Company, AmInvestment Bank Bhd

EXHIBIT 5: IVT'S CONTRIBUTION TO ADV

ADV RM Mil	Jan	Feb	Mar	Apr	May
Local Institutional	582.43	693.62	757.87	488.37	676.73
IVT	211.13	261.50	275.34	288.23	599.34
Total Local Insti	793.55	955.12	1,033.21	776.60	1,276.07
% Contribution	26.61%	27.38%	26.65%	37.11%	46.97%

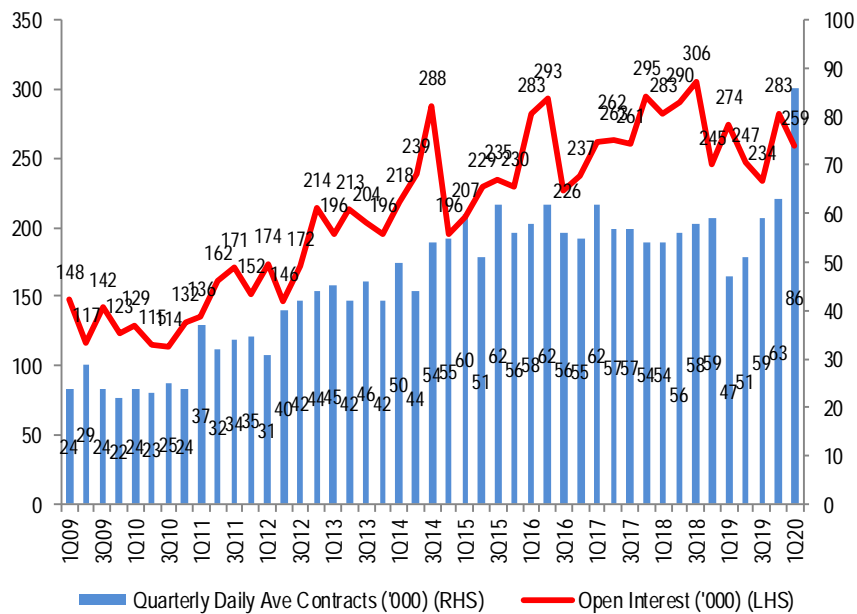
Source: Company, AmInvestment Bank Bhd

EXHIBIT 6: BURSA MALAYSIA'S FOREIGN SHAREHOLDINGS (%)



Source: Company, AmlInvestment Bank Bhd

EXHIBIT 7: DERIVATIVES MARKET: QUARTERLY ADC AND OPEN INTEREST



Source: Company, AmlInvestment Bank Bhd

EXHIBIT 8: STATISTICS ON BURSA MALAYSIA DERIVATIVES

Products	FTSE Bursa Malaysia KLCI Futures		Mini FTSE Bursa Malaysia Mid 70 Index Futures		FTSE Bursa Malaysia KLCI Options		Crude Palm Oil Futures		USD RBD Palm Oil Futures		Options on Crude Palm Oil Futures		Options on USD RBD Palm Oil Futures		GOLD Futures		Single Stock Futures		EXCHANGE TOTAL			NLT	EFRP
	Mth Volume	Mth-End Open Interest	Mth Volume	Mth-End Open Interest	Mth Volume	Mth-End Open Interest	Mth Volume	Mth-End Open Interest	Mth Volume	Mth-End Open Interest	Mth Volume	Mth-End Open Interest	Mth Volume	Mth-End Open Interest	Mth Volume	Mth-End Open Interest	Mth Volume	Mth-End Open Interest	Mth Volume	Mth-End Open Interest	Yearly Volume		
Dec19	225,628	28,786	21,929	241	233	0	1,002,585	228,997	14,909	10	7,100	24,850			59	130			1,278,443	283,014		31,412	842
Jan20	221,499	32,334	27,920	264	678	180	1,260,692	257,874	10	5	16,123	35,673			36	138	2		1,536,961	326,445		32,189	0
Feb20	262,509	30,684	23,765	47	610	0	1,436,959	253,856	5	0	4,500	34,823			34	130	16		1,728,398	319,540		28,037	0
Mar20	455,535	21,973	4,258	0	289	0	1,661,570	211,873	0	0	4,300	25,173			38	124	78	11	2,126,068	259,154		16,423	0
Apr20	304,872	29,792	0	0	658	357	1,197,634	217,411	0	0	950	15,923			33	47	21	1	1,504,168	263,431		8,336	0
May20	249,484	33,001	0	0	743	132	770,901	206,847	0	0	5,300	16,650			8	47	1	0	1,026,437	256,877		8,016	0

* Trading volumes include NLT/EFRP transactions.
 * Only key futures contracts trading activities shown above.

Source: Company, AmInvestment Bank Bhd

EXHIBIT 9: PB BAND CHART

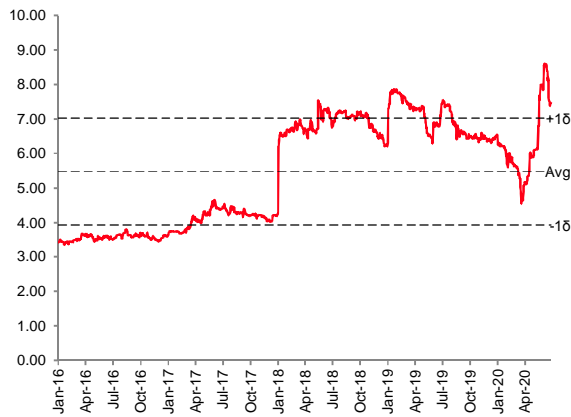


EXHIBIT 10: PE BAND CHART

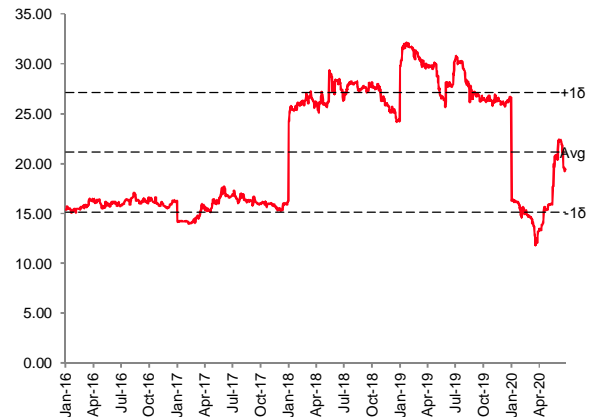


EXHIBIT 11: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	550.0	502.5	637.9	598.7	615.8
EBITDA	330.7	277.1	423.9	382.9	394.9
Depreciation/Amortisation	(22.0)	(20.8)	(25.5)	(23.9)	(24.6)
Operating income (EBIT)	308.7	256.3	398.4	359.0	370.3
Other income & associates	-	-	-	-	-
Net interest	-	-	-	-	-
Exceptional items	-	-	-	-	-
Pretax profit	308.7	256.3	398.4	359.0	370.3
Taxation	(77.6)	(66.2)	(95.6)	(86.2)	(88.9)
Minorities/pref dividends	(6.6)	(3.7)	-	-	-
Net profit	224.6	186.4	302.8	272.8	281.4
Core net profit	224.6	186.4	302.8	272.8	281.4
Balance Sheet (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Fixed assets	211.8	206.9	202.7	196.8	191.0
Intangible assets	43.0	43.0	43.0	43.0	43.0
Other long-term assets	348.1	217.0	231.6	247.2	264.0
Total non-current assets	602.9	466.9	477.3	487.0	498.0
Cash & equivalent	222.8	251.8	300.7	329.4	306.3
Stock	-	-	-	-	-
Trade debtors	38.6	42.3	42.3	48.2	48.2
Other current assets	1,562.3	1,560.1	1,529.0	1,509.4	1,747.7
Total current assets	1,823.7	1,854.2	1,871.9	1,887.1	2,102.2
Trade creditors	1,376.0	1,395.9	1,395.9	1,395.9	1,587.3
Short-term borrowings	-	-	-	-	-
Other current liabilities	140.9	134.9	136.4	138.3	147.8
Total current liabilities	1,517.0	1,530.8	1,532.2	1,534.2	1,735.1
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	22.2	29.5	29.0	32.7	38.3
Total long-term liabilities	22.2	29.5	29.0	32.7	38.3
Shareholders' funds	875.2	760.8	788.0	807.1	826.8
Minority interests	12.3	-	-	-	-
BV/share (RM)	1.09	0.94	0.98	1.00	1.02
Cash Flow (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Pretax profit	308.7	256.3	398.4	359.0	370.3
Depreciation/Amortisation	22.0	20.8	25.5	23.9	24.6
Net change in working capital	6.0	(3.1)	-	(8.3)	-
Others	(90.1)	(75.7)	(92.5)	(87.6)	(150.1)
Cash flow from operations	246.6	198.3	331.4	287.1	244.9
Capital expenditure	(66.3)	165.5	(13.1)	(14.5)	(17.1)
Net investments & sale of fixed assets	8.4	4.9	4.1	6.0	5.8
Others	45.1	(161.3)	-	-	-
Cash flow from investing	(12.8)	9.0	(9.0)	(8.5)	(11.3)
Debt raised/(repaid)	-	-	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(270.8)	(168.1)	(275.5)	(253.7)	(261.7)
Others	(10.9)	(9.7)	2.0	4.0	5.0
Cash flow from financing	(281.7)	(177.8)	(273.5)	(249.7)	(256.7)
Net cash flow	(47.9)	29.6	48.9	28.8	(23.1)
Net cash/(debt) b/f	271.2	222.8	251.8	300.7	329.5
Net cash/(debt) c/f	223.3	252.3	300.7	329.5	306.3
Key Ratios (YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue growth (%)	(1.2)	(8.6)	27.0	(6.1)	2.9
EBITDA growth (%)	0.1	(16.2)	53.0	(9.7)	3.1
Pretax margin (%)	56.1	51.0	62.4	60.0	60.1
Net profit margin (%)	40.8	37.1	47.5	45.6	45.7
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	25.1	25.8	24.0	24.0	24.0
Dividend payout (%)	120.6	90.2	91.0	93.0	93.0
Debtors turnover (days)	28	29	24	28	29
Stock turnover (days)	-	-	-	-	-
Creditors turnover (days)	843	1,007	799	851	884

Source: Company, AmInvestment Bank Bhd estimates

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