



Company report

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BURSA MALAYSIA

(BURSA MK EQUITY, BMYS.KL)

29 July 2020

A record high DATV for securities market

HOLD

(Downgraded)

Rationale for report: Company results/update

Price	RM10.04
Fair Value	RM9.30
52-week High/Low	RM10.98/RM4.32

Key Changes

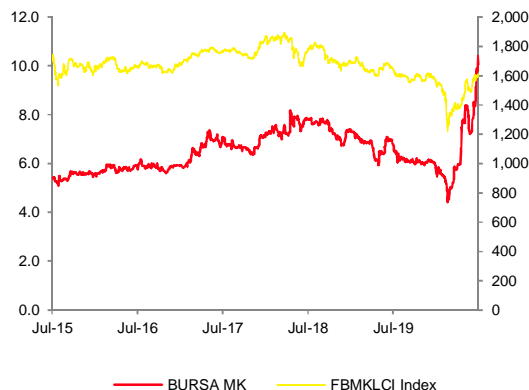
Fair value	↑
EPS	↓

YE to Dec	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	502.5	655.0	588.8	615.8
Core net profit (RM mil)	186.4	315.2	265.6	281.4
FD Core EPS (sen)	23.1	39.1	32.9	34.9
FD Core EPS growth (%)	(17.0)	69.1	(15.7)	6.0
Consensus Net Profit (RM mil)	-	255.1	228.4	227.0
DPS (sen)	20.8	35.5	30.6	32.4
PE (x)	43.4	25.7	30.5	28.8
EV/EBITDA (x)	28.4	17.7	20.9	19.8
Div yield (%)	2.1	3.5	3.0	3.2
ROE (%)	22.8	40.7	33.3	34.4
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	808.0
Market Cap (RMmil)	8,111.9
Book Value (RM/share)	0.94
P/BV (x)	10.7
ROE (%)	22.8
Net Gearing (%)	-
Major Shareholders	Capital Market Dev Fund (18.6%) Kumpulan Wang Persaraan (11.4%) EPF (5.8%)
Free Float	64.3
Avg Daily Value (RMmil)	44.4

Price performance	3mth	6mth	12mth
Absolute (%)	74.0	73.7	47.6
Relative (%)	48.3	67.4	51.1



Investment Highlights

- We downgrade our call on Bursa Malaysia (Bursa) to HOLD from BUY with a revised fair value of RM9.30/share (previously RM8.20/share) due to high valuation of the stock which is already trading at a PE of over 30x. We tweak our FY20/21 earnings by +4.1%/-2.6% after adjusting our daily average trading value (DATV) and effective clearing fee rate assumptions for the securities market. We now expect a DATV of RM3.0/RM2.5bil for the securities market in FY20/21 (previously RM2.8/RM2.5bil). We are now pegging the stock to a PE of 28.0x based on the average of the listed stock exchanges regionally (previously 24.0x).
- Bursa reported a strong 2Q20 earnings of RM86mil (+33.2% QoQ) on the back of higher securities trading revenue with a strong DATV of RM3.8bil vs. RM2.5bil in the preceding quarter. It was slightly lower than our expected profit of RM90–91mil for the quarter due to higher staff costs.
- 6M20 net profit of RM151mil surged 62.0% YoY mainly driven by higher securities and derivatives trading revenue of RM188.2mil (+59.7% YoY) and RM48mil (+44.3% YoY) respectively. Cumulative earnings were within expectation, accounting for 49.8% of our projection. However, it beat consensus estimates, making up 59.2% of street numbers.
- 6M20 DATV for equities was RM3.1bil, higher than RM2.0bil in 6M19. Also, the effective clearing fee rate rose to a record high of 2.62bps in 6M20 vs. 2.42bps in 6M19 on the back of higher retail investors' participation. The number of new CDS accounts skyrocketed 99.6% YoY to 167,321 while the retail DATV soared to RM1bil in 6M20 vs. RM495mil in 6M19.
- In 2Q20, we continued to see foreign fund outflows of RM8.6bil from the securities market, comprising RM2.6bil, RM3.0bil and RM3.0bil in Apr, May and June 2020 respectively. The persistent net selling by foreign investors resulted in a net outflow of funds of RM16.3bil in 6M20. Nevertheless, this was offset by the net buying of securities by local institutions which included trades of investment traders (IVT) and retail investors.
- The percentage of retail participation leapt to 33.0% in 6M20 vs. 25.0% in 2019. Meanwhile, the percentage of institution participation stood at 67.0%. IVT trades were classified under local institutions. The percentage of contribution of IVT trades to DATV of local institutions increased to 43.89% in June 2020 from 26.65% in Mar 2020 (see Exhibit 6).

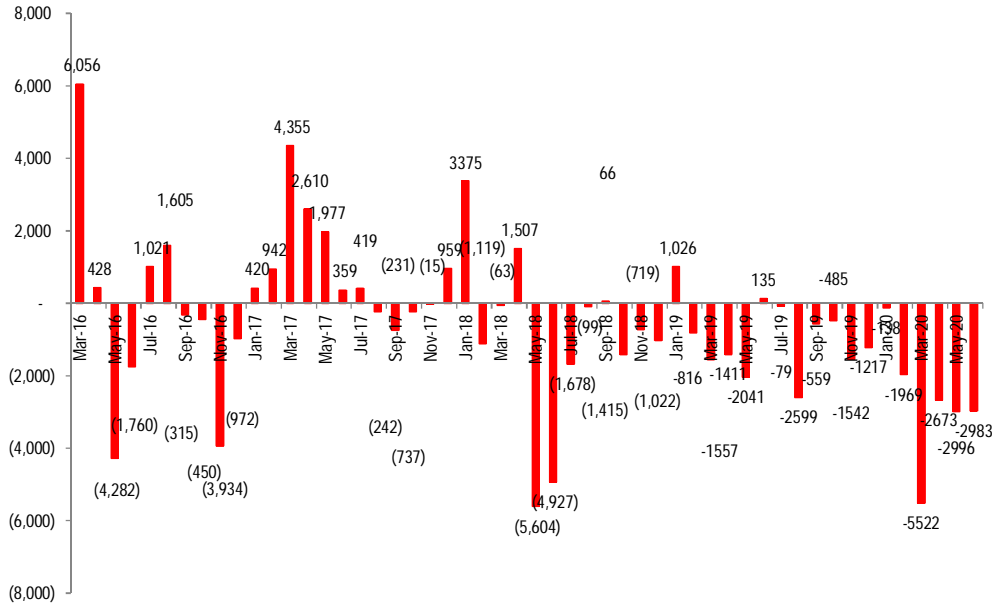
- 6M20 saw 9 new listings in the securities market (Main Market: 3, ACE Market: 2 and LEAP Market: 4). As a comparison, in 2019, there were 30 IPOs (Main Market: 4, ACE Market: 11 and LEAP Market: 15). These included 2 ETFs on the Main Market. In July 2020, there were 6 new listings (Main Market: 2, ACE Market: 3 and LEAP Market: 1). Meanwhile, in Aug 2020, there will be 2 new listings (ACE Market: 1 and Leap Market: 1).
- The average daily contracts (ADC) traded for derivatives climbed to 76,956 in 6M20 compared to 49,351 in 6M19. This was supported by higher ADC traded for the FCPO and FKLI at 61,125 and 15,042 respectively.
- For Bursa Suq Al-Sila' (BSAS), ADV rose to RM33bil in 6M20 vs RM30bil in 2019. However, there remain challenges with the adoption of volume-based pricing which saw large volumes traded at shorter term tenures, thus attracting lower revenue for 6M20.
- CI ratio improved to 38.5% in 6M20 vs. 49.0% in 6M19 attributed to higher revenue despite opex rising by 3.7% YoY as a result of staff and technology costs. In the near term, the allocation for capex is around RM20–25mil to improve digital platforms. Bursa is looking at a 3-year business plan for a potential revision of its capex allocation.
- The stock's foreign shareholdings declined to a low of 17.0% in June 2020. Meanwhile, foreign ownership of the securities market slipped to 21.4% in June 2020 compared to 22.3% in March 2020.
- An interim dividend of 17sen/share has been declared (payout of 91.0%) for 6M20. In terms of quantum, it was the highest interim dividend payment in the last 5 years. Management is still keeping to their dividend payout guidance of around 90.0% for FY20.
- Thus far, 3Q20 DATV for equities is still looking robust with the strong trading participation of retail participants and IVTs. Quarter to date (up until 27 July 20), we are still seeing a strong DATV for equities of RM5.3bil. Nevertheless, we expect the DATV to taper starting 4Q20 with the loan moratorium likely to end on 30 September. Borrowers will then be required to start servicing their loan repayments from 1 October 2020. This is expected to reduce the level of cash to be diversified to stocks in search for higher yields as seen recently. Also, the suspension of short selling and the flexibility on share margin accounts are seen only as temporary measures to encourage retail participation in the securities market. Our valuation is already based on FY21 earnings, and we do not expect these measures to continue moving into 2021.

EXHIBIT 1: BURSA MALAYSIA RESULTS SUMMARY

Income Statement (RM mil, FYE 31 Dec)	2Q19	1Q20	2Q20	% QoQ	% Yoy	6M19	6M20	% Yoy
Operating Revenue	119	146	175	20.4%	47.8%	240	321	33.6%
Other income	5	5	5	-12.2%	-15.2%	10	10	-6.5%
Gain on part disposal of a subsidiary	0	0	0					
Total operating income	124	151	180	19.3%	45.0%	250	331	32.0%
Staff Costs	-35	-34	-36	5.1%	2.3%	-69	-70	2.1%
Depreciation & Amortisation	-5	-6	-5	-4.9%	2.9%	-10	-11	6.2%
Other Operating Expenses	-20	-24	-22	-5.8%	10.3%	-44	-46	5.6%
Profit From Operations	63	87	116	33.2%	83.2%	128	203	59.0%
Finance Costs	0	0	0			0	0	
Profit Before Tax	63	87	116	33.2%	83.4%	128	203	59.2%
Income Tax	-16	-22	-30	33.2%	87.8%	-32	-52	63.0%
Minority Interests	-1	0	0	na	na	-2	0	-100.0%
Net Profit After Tax and MI	46	65	86	33.2%	86.1%	93	151	62.0%
EPS (sen)	5.7	8.0	10.7	33.2%	85.8%	11.5	18.7	62.6%
EBIT DA margin	55.3%	61.6%	67.6%	6.0%	12.3%	55.1%	64.8%	9.7%
Pretax profit margin	51.0%	57.8%	64.6%	6.8%	13.5%	51.0%	61.5%	10.5%
Cost to income	48.8%	42.1%	35.4%	-6.7%	-13.5%	48.9%	38.5%	-10.5%
ROE	22.4%	34.8%	45.0%	10.2%	22.7%	21.2%	38.6%	17.4%
Equity Market								
Average daily trading value (RM bil) (OMT & DBT)	2.21	2.58	3.85	49.2%	74.2%	2.31	3.19	38.1%
Velocity (%)	29.0%	39.0%	62.0%	23.0%	33.0%	29.0%	50.0%	21.0%
Market capitalisation (RM bil)	1752.6	1379.2	1579.6	14.5%	-9.9%	1,752.6	1,579.6	-9.9%
Effective clearing fee rate (bps)	2.44	2.54	2.68	0.01%	0.02%	2.42	2.62	0.20%
Derivatives Market								
Average daily contracts traded (ADC) for all types of derivative contracts	51,309	85,578	67,748	-20.8%	32.0%	49,351	76,956	55.9%
ADC traded for FCPO	39,932	69,194	52,510	-24.1%	31.5%	38,595	61,125	58.4%
ADC traded for FKLI	9,455	15,072	15,009	-0.4%	58.7%	8,990	15,042	67.3%

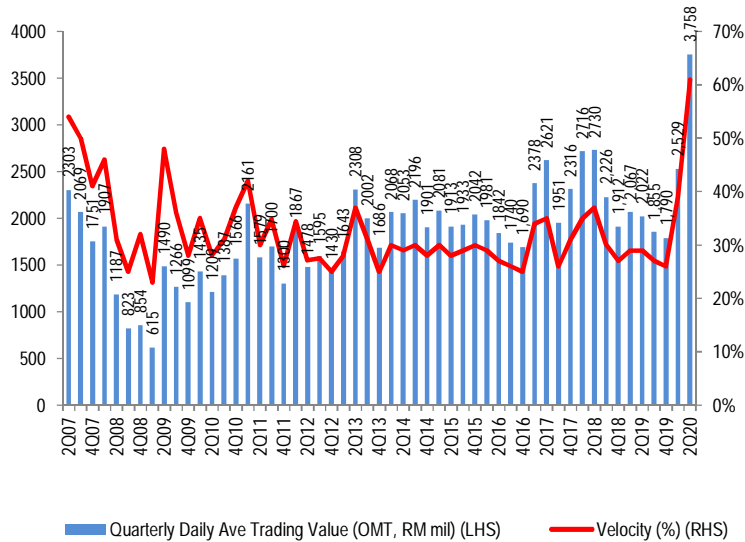
Source: Company, AmInvestment Bank Bhd

EXHIBIT 2: MONTHLY FOREIGN INFLOW / OUTFLOW TO SECURITIES MARKET (RM MIL)



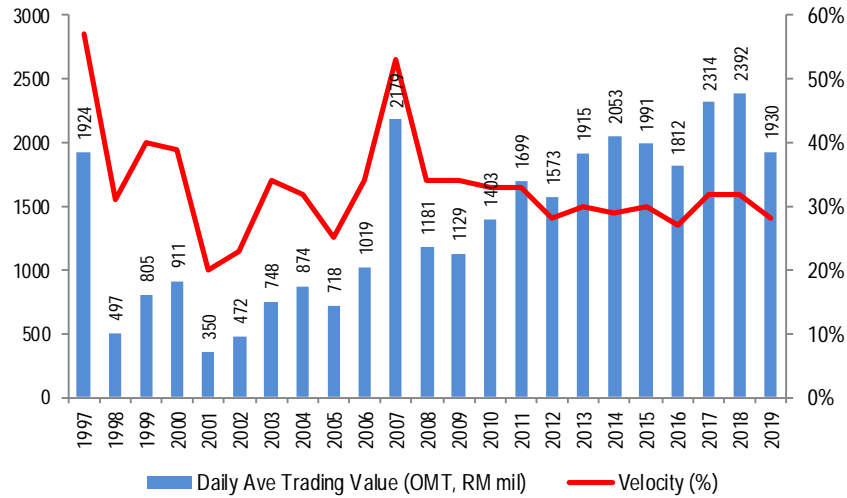
Source: Company, AmInvestment Bank Bhd

EXHIBIT 3: QUARTERLY ADV TRADED AND VELOCITY FOR SECURITIES MARKET



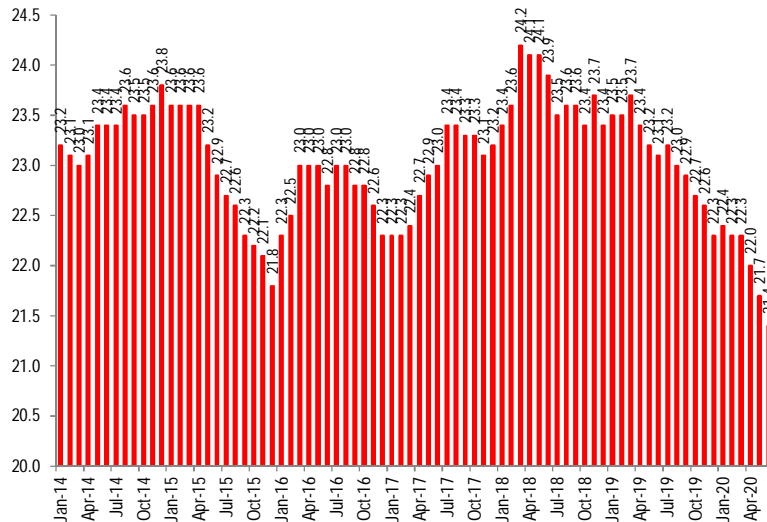
Source: AmInvestment Bank Bhd, Company

EXHIBIT 4: YEARLY ADV TRADED AND VELOCITY FOR SECURITIES MARKET



Source: Company, AmInvestment Bank Bhd

EXHIBIT 5: SECURITIES MARKET FOREIGN OWNERSHIP (%)



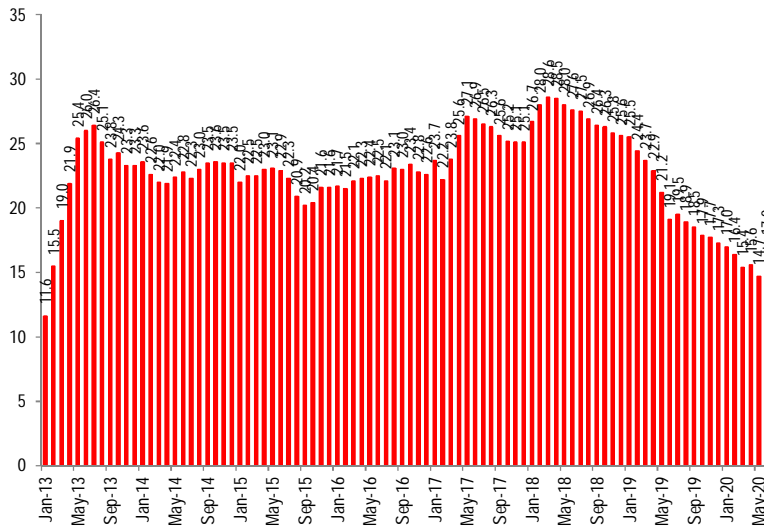
Source: Company, AmInvestment Bank Bhd

EXHIBIT 6: IVT'S CONTRIBUTION TO ADV (IN RM/MIL)

Segment	Jan	Feb	Mar	Apr	May	Jun
Local Institutional	582.4	693.6	757.9	488.4	676.7	831.7
IVT	211.1	261.5	275.3	288.2	599.3	650.5
Total Local Insti	793.6	955.1	1,033.2	776.6	1,276.1	1,482.2
% Contribution	26.61%	27.38%	26.65%	37.11%	46.97%	43.89%

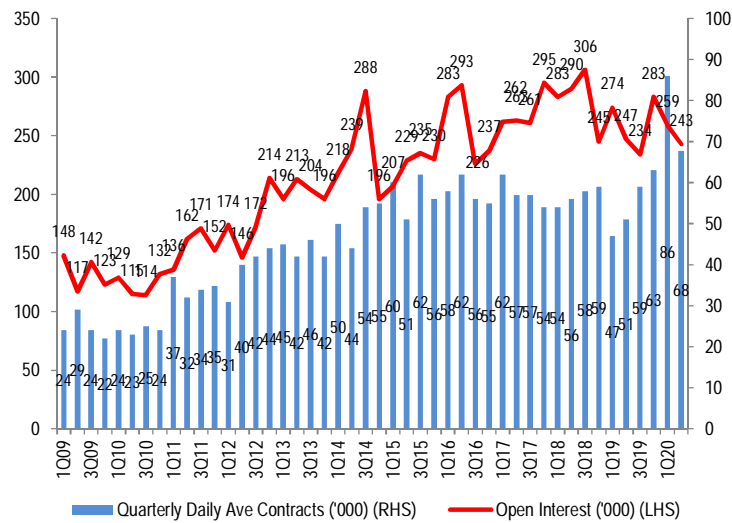
Source: Company, AmInvestment Bank Bhd

EXHIBIT 7: BURSA MALAYSIA'S FOREIGN SHAREHOLDINGS (%)



Source: Company, AmlInvestment Bank Bhd

EXHIBIT 8: DERIVATIVES MARKET – QUARTERLY ADC AND OPEN INTEREST



Source: Company, AmlInvestment Bank Bhd

EXHIBIT 9: STATISTICS ON BURSA MALAYSIA DERIVATIVES

Products	FTSE Bursa Malaysia KLCI Futures		Mini FTSE Bursa Malaysia Mid 70 Index Futures		Crude Palm Oil Futures		USD RBD Palm Oil Futures		GOLD Futures		Single Stock Futures		EXCHANGE TOTAL			NLT	EFRP
	Month	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	Included in Contract Volume		
Jan/20	231,499	32,334	27,920	264	1,260,693	257,874	10	5	36	135	2	0	1,536,961	326,445		32,189	0
Feb/20	262,509	30,684	23,765	47	1,436,959	253,856	5	0	34	130	16	0	1,728,398	319,540		28,037	0
Mar/20	455,535	21,973	4,258	0	1,661,570	211,873	0	0	38	124	78	11	2,126,068	259,154		16,423	0
Apr/20	304,872	29,792	0	0	1,197,634	217,411	0	0	33	47	21	1	1,504,168	263,431		8,336	0
May/20	249,484	33,001	0	0	770,901	206,847	0	0	8	47	1	0	1,026,437	256,877		8,016	0
Jun/20	331,187	28,096	0	0	1,129,534	196,289	0	0	24	40	0	0	1,466,541	243,382		16,119	0

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

Source: Company, AmlInvestment Bank Bhd

EXHIBIT 10: REGIONAL PEER COMPARISON

	Price	Market Cap (Mil in local currency)	PE20	PE21	PB20	PB21	ROE20	ROE21	Div Yield 20	Div Yield 21
ASX AU Equity	83.15	16,097	31.9	32.4	4.3	4.3	13.1	12.9	2.8	2.8
NZX NZ Equity	1.45	402	25.0	23.4	6.0	6.0	24.6	26.8	4.3	4.3
SGX SP Equity	8.3	8,873	19.5	20.9	7.5	6.9	39.5	33.9	3.8	3.8
388 HK Equity	363.2	460,478	43.7	38.2	9.7	9.2	22.9	25.0	2.1	2.4
SIMPLE AVERAGE			30.0	28.7	6.9	6.6	25.0	24.7	3.2	3.3

Source: AmlInvestment Bank Bhd, Bloomberg

EXHIBIT 11: PB BAND CHART



EXHIBIT 12: PE BAND CHART

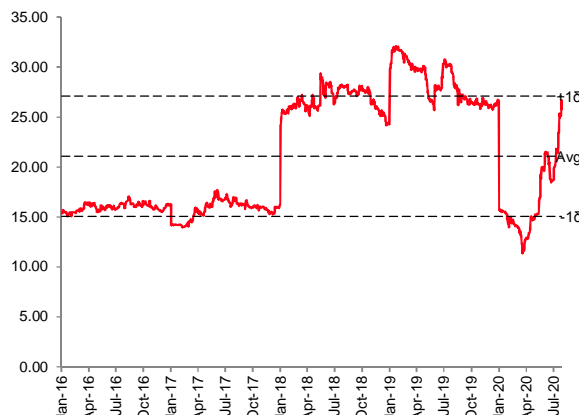


EXHIBIT 13: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	550.0	502.5	655.0	588.8	615.8
EBITDA	330.7	277.1	441.0	373.0	394.9
Depreciation/Amortisation	(22.0)	(20.8)	(26.2)	(23.6)	(24.6)
Operating income (EBIT)	308.7	256.3	414.8	349.5	370.3
Other income & associates	-	-	-	-	-
Net interest	-	-	-	-	-
Exceptional items	-	-	-	-	-
Pretax profit	308.7	256.3	414.8	349.5	370.3
Taxation	(77.6)	(66.2)	(99.5)	(83.9)	(88.9)
Minorities/pref dividends	(6.6)	(3.7)	-	-	-
Net profit	224.6	186.4	315.2	265.6	281.4
Core net profit	224.6	186.4	315.2	265.6	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	135.2	137.8	147.2
Total current liabilities	1,517.0	1,530.8	1,531.1	1,533.6	1,734.5
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	789.1	807.7	827.4
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	414.8	349.5	370.3
Depreciation/Amortisation	22.0	20.8	26.2	23.6	24.6
Net change in working capital	6.0	(3.1)	-	(8.3)	-
Others	(90.1)	(75.7)	(98.2)	(84.4)	(150.1)
Cash flow from operations	246.6	198.3	342.7	280.3	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)	(286.9)	(247.0)	(261.7)
Others	(10.9)	(9.7)	2.0	4.0	5.0
Cash flow from financing	(281.7)	(177.8)	(284.9)	(243.0)	(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	329.4
Net cash/(debt) c/f	223.3	252.3	300.7	329.4	306.3
Key Ratios (YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue growth (%)	(1.2)	(8.6)	30.4	(10.1)	4.6
EBITDA growth (%)	0.1	(16.2)	59.2	(15.4)	5.9
Pretax margin (%)	56.1	51.0	63.3	59.4	60.1
Net profit margin (%)	40.8	37.1	48.1	45.1	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	778	865	884

Source: Company, AmInvestment Bank Bhd estimates

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