



AmInvestment Bank

Company report

BURSA MALAYSIA

(BURSA MK EQUITY, BMYS.KL)

28 Apr 2021

Strong securities trading revenue in 1Q21

BUY

(Maintained)

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Rationale for report: Company results/update

Price	RM8.40
Fair Value	RM10.70
52-week High/Low	RM10.88/RM5.68

Key Changes

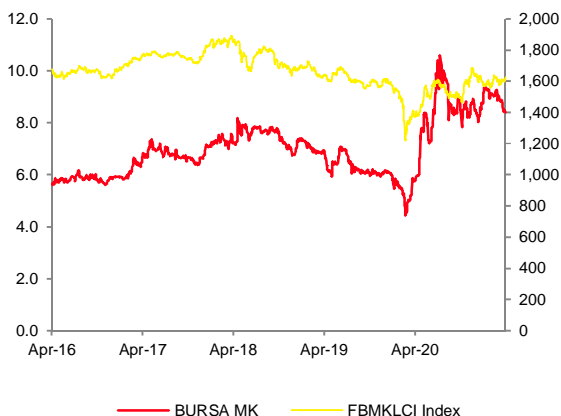
Fair value	↔
EPS	↔

YE to Dec	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	799.0	774.3	709.4	663.1
Core net profit (RM mil)	378.3	366.6	324.6	287.2
FD Core EPS (sen)	46.8	45.5	40.3	35.6
FD Core EPS growth (%)	102.3	(2.8)	(11.4)	(11.5)
Consensus Net Profit (RM mil)	-	334.8	301.8	296.3
DPS (sen)	51.0	42.2	37.3	33.0
PE (x)	18.0	18.5	20.9	23.6
EV/EBITDA (x)	12.0	12.4	14.0	15.8
Div yield (%)	5.5	4.6	4.1	3.6
ROE (%)	45.5	40.1	34.6	29.9
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	808.7
Market Cap (RM mil)	6,793.5
Book Value (RM/share)	1.11
P/BV (x)	7.5
ROE (%)	45.5
Net Gearing (%)	-
Major Shareholders	Capital Market Dev Fund (18.6%) Kumpulan Wang Persaraan (11.2%) EPF (4.8%)
Free Float	70.2
Avg Daily Value (RM mil)	22.4

Price performance	3mth	6mth	12mth
Absolute (%)	(3.5)	(0.1)	46.6
Relative (%)	(6.3)	(8.0)	23.7



Investment Highlights

- We maintain our BUY recommendation on Bursa Malaysia (Bursa) with an unchanged fair value of RM10.70/share. We continue to peg the stock to FY22 PER of 26x, in line with the average of listed stock exchanges regionally.
- Bursa 1Q21 net profit of RM121mil (+15.8% QoQ; +87.5% YoY) came in slightly above our expectation of RM116mil. This was on the back of higher-than-projected stable revenue and lower operating expenses. We deemed the 1Q21 net profit, which accounted for 33.0% of our estimate, to be within expectation. Against consensus projection, it made up 36.1% of street numbers.
- 1Q21 saw higher operating revenue of RM228mil (+56.7% YoY) underpinned by stronger securities trading revenue (+72.8% YoY), BSAS trading revenue (+0.5% YoY) and improved stable revenue (listing, depository and subscription fees for market data).
- In 1Q21, DATV (of on-market transactions) for equities continued to be robust at RM5.1bil vs. 4Q20 and 1Q20's RM4.8bil and RM2.5bil respectively. DATV of domestic institutions, retail and foreign institutions climbed to RM2.2bil, RM2.0bil and RM0.8bil respectively. Retail investors' DATV remained high with YTD net buy position of RM5.4bil. The number of retail investors' CDS accounts surged 114% YoY to 85,699 in 1Q21.
- On a monthly basis, DATV for Jan 2021, Feb 2021 and Mar 2021 was RM5.0bil, RM5.2bil and RM5.0bil respectively.
- Trades from retail investors accounted for 40.0% of the DATV while that from institutions made up the remaining 60.0%.
- The economic recovery remains uneven. Hence, volatility is likely to still persist in the market though it is not as high as the previous year. This, coupled with the extension of the temporary restrictions on the RSS and PDT short sale, are envisaged to be supportive of trading in securities.
- March 2021 saw lower outflow in foreign funds from the securities market of RM34mil vs. -RM835mil and -RM867mil in Jan 2021 and Feb 2021 respectively.

- The number of new listings were 6 in 1Q21 vs. 7 in 1Q20. Under the Pernerka stimulus package, announced on 17 March 2021, a 12-month waiver of listing fees will be granted to companies seeking IPO on the Main, ACE and LEAP Markets. This is expected to further attract more companies to list on the local market.
- In terms of derivatives trading, the average total contracts traded fell to 80,338 contracts in 1Q21 vs. 85,578 in 1Q20. The decline was due to lower average daily contracts (ADC) traded for FCPO and FKL1 at 67,245 and 12,745 respectively.
- Opex in 1Q21 rose by 9.2% YoY largely contributed by provisions of variable costs for employees and the continuation to provide for the SST on digital services of RM3.2mil. Recall in 4Q20, Bursa booked a conservative RM13.6mil in provisions for the potential tax charges on digital services after the recent change in the scope of the SST. This was despite clarifications still being sought from tax authorities on the matter.
- Foreign ownership of the securities market slipped to at 20.3% in Mar 2021 vs. 20.7% in Dec 2020 while the stock's foreign ownership was 19.8%.

EXHIBIT 1: ESG RATING

Overall	★	★	★	★	
Board composition	★	★	★		
Employee welfare and environmental protection	★	★	★	★	
Corporate social responsibility	★	★	★		
Earnings quality	★	★	★	★	
Balance sheet strength	★	★	★	★	
Accessibility & transparency	★	★	★	★	

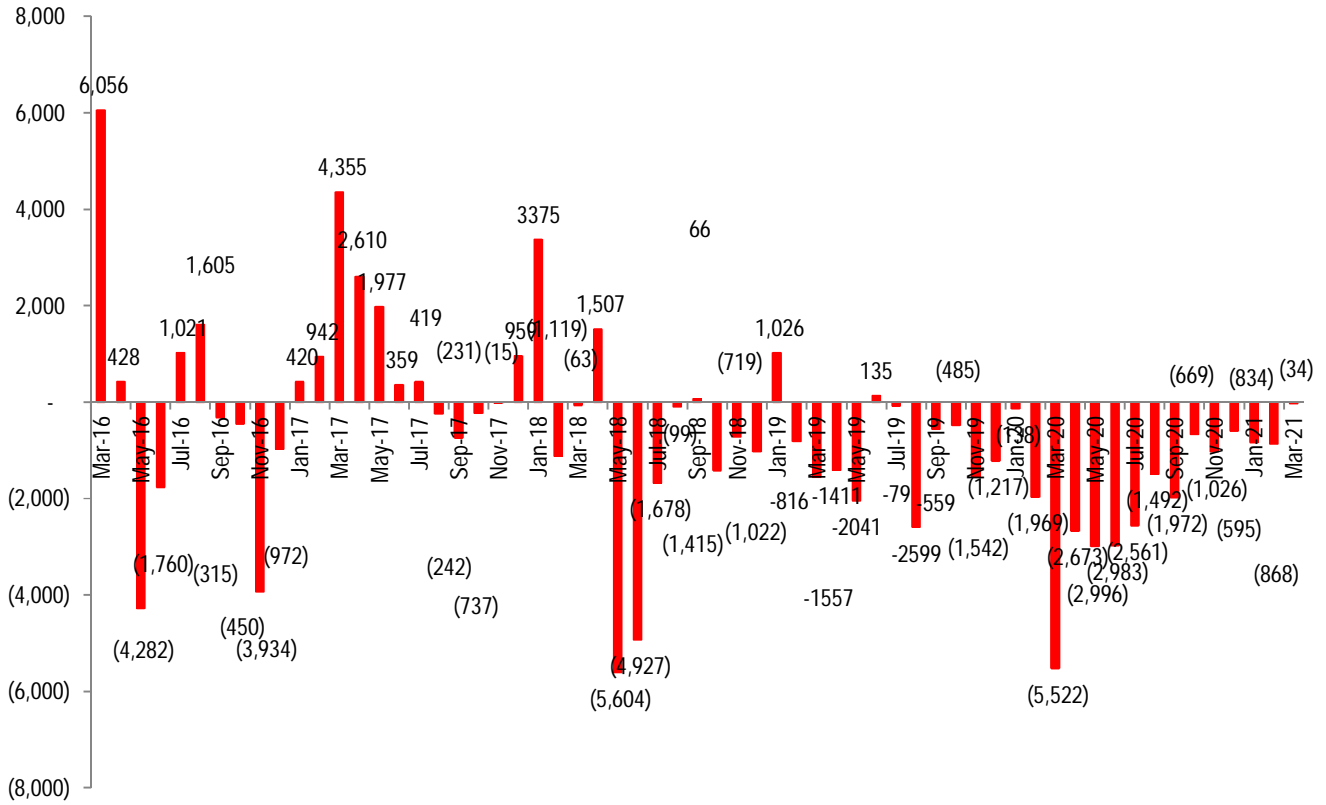
We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

EXHIBIT 2: BURSA MALAYSIA RESULTS SUMMARY

Income Statement (RM mil, FYE 31 Dec)	1Q20	4Q20	1Q21	% QoQ	% Yoy
Operating Revenue	146	225	228	1.4%	56.7%
Other income	5	6	4	-27.6%	-18.2%
Gain on part disposal of a subsidiary	0	0	0		
Total operating income	151	231	232	0.7%	54.1%
Staff Costs	-34	-42	-39	-7.5%	14.5%
Depreciation & Amortisation	-6	-5	-5	0.0%	-6.9%
Other Operating Expenses	-24	-44	-25	-43.0%	5.4%
Profit From Operations	87	139	163	17.0%	86.7%
Finance Costs	0	0	0		
Profit Before Tax	87	139	163	17.0%	86.8%
Income Tax	-22	-34	-41	20.6%	84.8%
Minority Interests	0	0	0	na	na
Net Profit After Tax and MI	65	105	121	15.8%	87.5%
EPS (sen)	8.0	13.0	15.0	15.8%	87.5%
EBIT DA margin	61.6%	62.6%	72.4%	9.7%	10.8%
Pretax profit margin	57.8%	60.3%	70.1%	9.8%	12.3%
Cost to income	42.1%	39.6%	29.9%	-9.8%	-12.3%
ROE	34.8%	49.6%	58.2%	8.5%	23.4%
Equity Market					
Average daily trading value (RM bil) (OMT & DBT)	2.58	4.98	5.17	3.8%	100.4%
Velocity (%)	39.0%	69.0%	70.0%	1.0%	31.0%
Market capitalisation (RM bil)	1379.2	1816.8	1809.5	-0.4%	31.2%
Effective clearing fee rate (bps)	2.54	2.66	2.69	0.003%	0.02%
Derivatives Market					
Average daily contracts traded (ADC) for all types of derivative contracts	85,578	70,980	80,338	13.2%	-6.1%
ADC traded for FCPO	69,194	58,048	67,245	15.8%	-2.8%
ADC traded for FKLI	15,072	12,659	12,754	0.7%	-15.4%

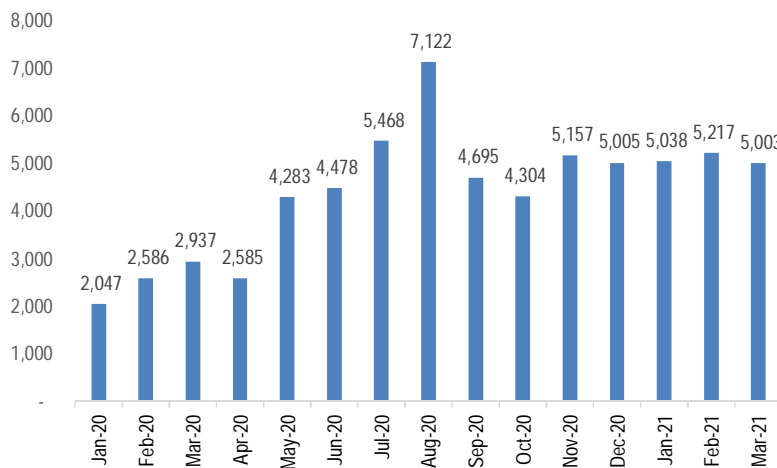
Source: Company, AmInvestment Bank Bhd

EXHIBIT 3: MONTHLY FOREIGN INFLOW / OUTFLOW TO SECURITIES MARKET (RM MIL)



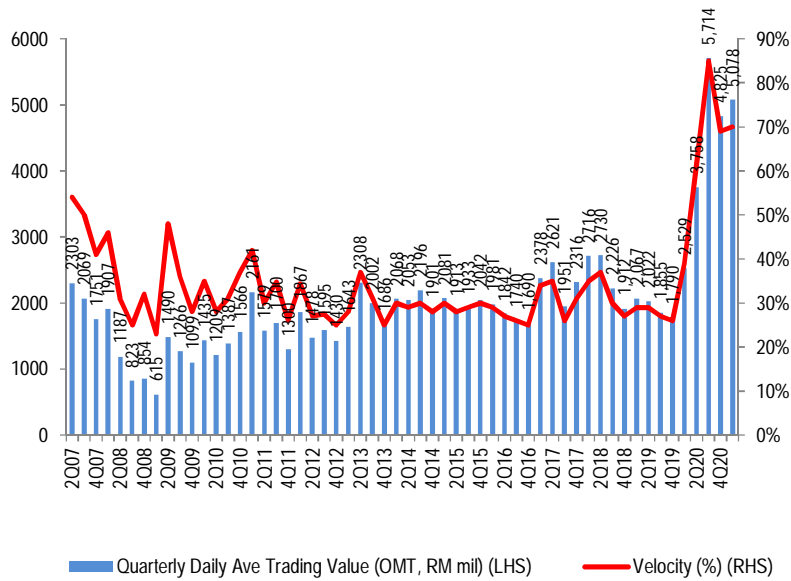
Source: Company, AmInvestment Bank Bhd

EXHIBIT 4: MONTHLY ADV TRADED FOR SECURITIES MARKET



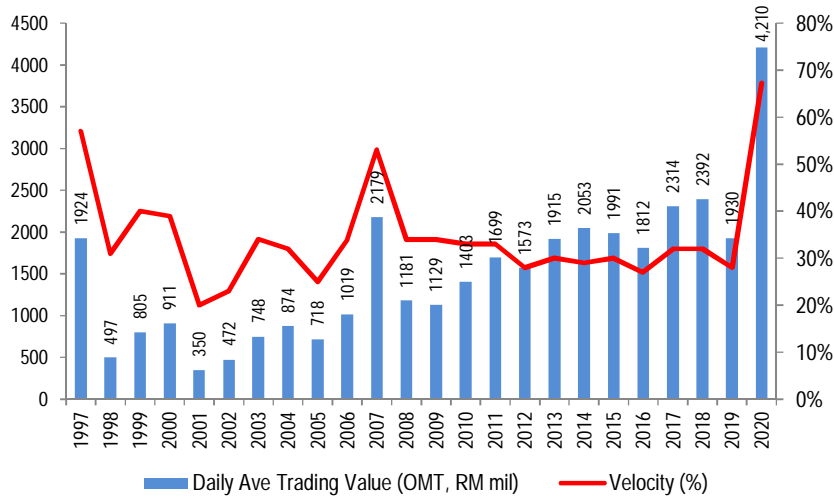
Source: AmInvestment Bank Bhd, Company

EXHIBIT 5: QUARTERLY ADV TRADED AND VELOCITY FOR SECURITIES MARKET



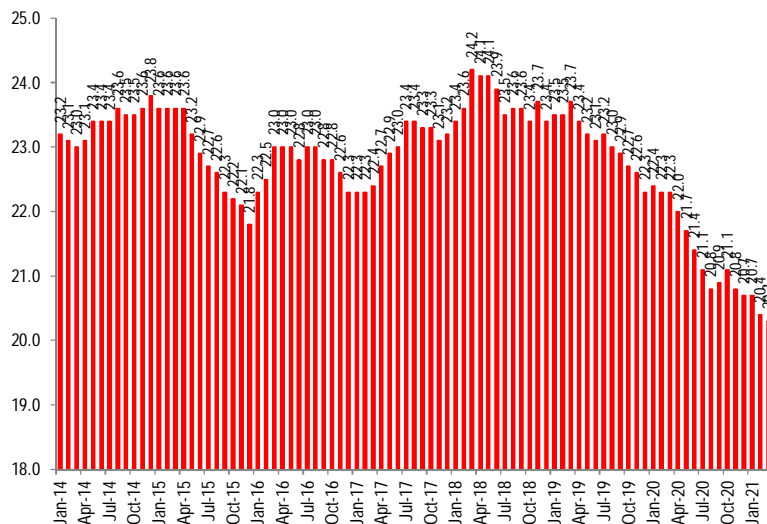
Source: AmlInvestment Bank Bhd, Company

EXHIBIT 6: YEARLY ADV TRADED AND VELOCITY FOR SECURITIES MARKET



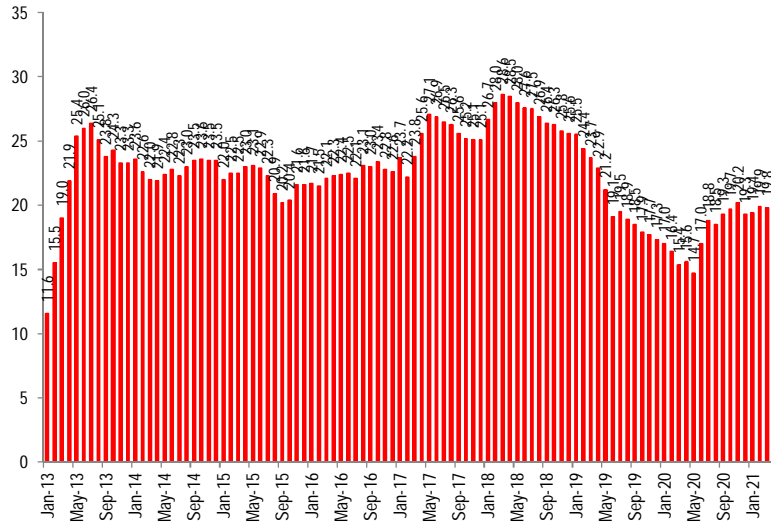
Source: Company, AmlInvestment Bank Bhd

EXHIBIT 7: SECURITIES MARKET FOREIGN OWNERSHIP (%)



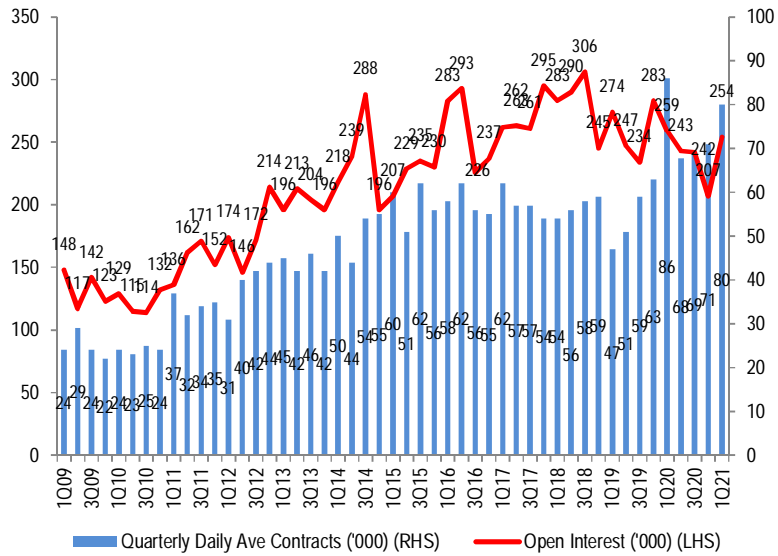
Source: Company, AmlInvestment Bank Bhd

EXHIBIT 8: BURSA MALAYSIA'S FOREIGN SHAREHOLDINGS (%)



Source: Company, AmInvestment Bank Bhd

EXHIBIT 9: DERIVATIVES MARKET: QUARTERLY ADC AND OPEN INTEREST



Source: Company, AmInvestment Bank Bhd

EXHIBIT 10: STATISTICS ON BURSA MALAYSIA DERIVATIVES

Product	FTSE Bursa Malaysia KLCI Futures		Mini FTSE Bursa Malaysia Mid 70 Index		Crude Palm Oil Futures		USD RBD Palm Oil Futures		GOLD Futures		Single Stock Futures		3-Month KLIBOR Futures		3-Year MGS Bond Futures		5-Year MGS Bond Futures		10-Year MGS Bond Futures		Crude Palm Kernel Oil Futures		USD Crude Palm Oil Futures		USD TIN 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	Mth Volume	Mth-End Open Interest	Mth Volume	Mth-End Open Interest	Mth Volume	Mth-End Open Interest	Yearly Volume	Included in Contract Volume	Included in Contract Volume		
Oct/20	264,207	24,636	0	0	1,257,873	203,730	0	0	5	24	0	0	0	0	0	30	110	0	0	0	0	0	0	0	0	0	1,527,354	243,338	10,248	0	0
Nov/20	294,771	27,615	0	0	1,346,714	181,093	0	0	5	22	0	0	0	0	0	40	110	0	0	0	0	0	0	10	0	1,648,865	226,914	21,540	406	0	
Dec/20	251,229	26,493	188	0	1,110,497	165,594	0	0	6	15	0	0	0	0	0	20	20	0	0	0	0	0	0	0	0	1,366,490	206,837	29,266	656	0	
Jan/21	255,297	29,422	182	0	1,359,177	185,010	0	0	1	13	1	1	0	0	0	0	20	0	0	0	0	0	0	0	0	1,617,054	226,603	3,275	1,000	0	
Feb/21	223,471	35,159	467	14	1,108,590	192,056	0	0	2	10	0	1	0	0	0	20	20	0	0	0	0	0	0	0	0	1,339,920	240,618	27,897	1,280	0	
Mar/21	286,442	37,701	941	8	1,566,912	196,903	0	0	1	10	0	0	0	0	0	30	30	0	0	0	0	0	0	0	0	1,863,312	254,340	27,217	1,757	0	

Source: Company, AmlInvestment Bank Bhd

EXHIBIT 11: SENSITIVITY OF EPS AND FAIR VALUE OF BURSA MALAYSIA TO ADV

ADV (RM bil)	2.3	2.5	2.7	2.9	3.1	3.3	3.5	3.7	3.9	4.1	4.3	4.5	4.7	5.0
EPS (sen)	28.1	30.1	32.1	34.1	36.1	38.1	40.1	42.1	44.1	46.1	48.1	50.1	52.1	55.1
Fair Value (RM/share) (26X PE)	7.3	7.8	8.3	8.9	9.4	10.3	10.4	10.9	11.5	12.0	12.5	13.0	13.5	14.3

Source: Company, AmlInvestment Bank Bhd

EXHIBIT 12: PB BAND CHART

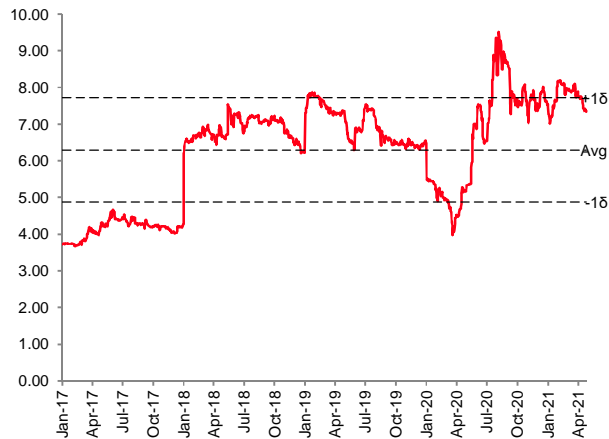


EXHIBIT 13: PE BAND CHART



EXHIBIT 14: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	502.5	799.0	774.3	709.4	663.1
EBITDA	277.1	528.6	509.1	452.7	404.4
Depreciation/Amortisation	(20.8)	(21.4)	(26.8)	(25.6)	(26.5)
Operating income (EBIT)	256.3	507.2	482.3	427.1	377.9
Other income & associates	-	-	-	-	-
Net interest	-	-	-	-	-
Exceptional items	-	-	-	-	-
Pretax profit	256.3	507.2	482.3	427.1	377.9
Taxation	(66.2)	(128.9)	(115.8)	(102.5)	(90.7)
Minorities/pref dividends	(3.7)	-	-	-	-
Net profit	186.4	378.3	366.6	324.6	287.2
Core net profit	186.4	378.3	366.6	324.6	287.2
Balance Sheet (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	206.9	197.4	191.8	186.3	180.9
Intangible assets	43.0	43.0	43.0	43.0	43.0
Other long-term assets	217.0	220.4	234.8	250.4	268.9
Total non-current assets	466.9	460.8	469.5	479.6	492.8
Cash & equivalent	251.8	439.0	461.7	440.0	419.2
Stock	-	-	-	-	-
Trade debtors	42.3	87.4	99.7	99.7	99.7
Other current assets	1,560.1	2,245.6	2,217.7	2,571.3	2,686.5
Total current assets	1,854.2	2,772.0	2,779.1	3,111.0	3,205.4
Trade creditors	1,395.9	2,068.7	2,068.7	2,352.3	2,352.3
Short-term borrowings	-	-	-	-	-
Other current liabilities	134.9	235.6	222.8	253.9	341.4
Total current liabilities	1,530.8	2,304.3	2,291.5	2,606.2	2,693.7
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	29.5	27.8	30.6	35.2	35.2
Total long-term liabilities	29.5	27.8	30.6	35.2	35.2
Shareholders' funds	760.8	900.8	926.5	949.2	969.3
Minority interests	-	-	-	-	-
BV/share (RM)	0.94	1.11	1.15	1.17	1.20
Cash Flow (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	256.3	507.2	482.3	427.1	377.9
Depreciation/Amortisation	20.8	21.4	26.8	25.6	26.5
Net change in working capital	(3.1)	(44.4)	(14.5)	-	-
Others	(75.7)	19.6	(119.1)	(105.6)	(92.7)
Cash flow from operations	198.3	503.8	375.5	347.1	311.8
Capital expenditure	165.5	11.5	(14.7)	(15.7)	(16.9)
Net investments & sale of fixed assets	4.9	9.5	5.7	5.5	5.3
Others	(161.3)	(111.5)	(6.9)	(61.7)	(60.8)
Cash flow from investing	9.0	(90.5)	(15.8)	(71.9)	(72.4)
Debt raised/(repaid)	-	-	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(168.1)	(412.5)	(340.9)	(301.9)	(267.1)
Others	(9.7)	186.8	4.0	5.0	7.0
Cash flow from financing	(177.8)	(225.6)	(336.9)	(296.9)	(260.1)
Net cash flow	29.6	187.7	22.8	(21.7)	(20.7)
Net cash/(debt) b/f	222.8	251.8	438.9	461.7	440.0
Net cash/(debt) c/f	251.8	439.5	461.7	440.0	419.2
Key Ratios (YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	(8.6)	59.0	(3.1)	(8.4)	(6.5)
EBITDA growth (%)	(16.2)	90.8	(3.7)	(11.1)	(10.7)
Pretax margin (%)	51.0	63.5	62.3	60.2	57.0
Net profit margin (%)	37.1	47.3	47.3	45.8	43.3
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	25.8	25.4	24.0	24.0	24.0
Dividend payout (%)	90.2	109.0	93.0	93.0	93.0
Debtors turnover (days)	29	30	44	51	55
Stock turnover (days)	-	-	-	-	-
Creditors turnover (days)	1,007	791	975	1,137	1,295

Source: Company, AmInvestment Bank Bhd estimates

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