



AmInvestment Bank

Company report

BURSA MALAYSIA

(BURSA MK EQUITY, BMYS.KL)

30 Oct 2018

Lower 3QFY18 trading revenue for equities, derivatives
HOLD

(Maintained)

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Rationale for report: Company results/update

Price	RM7.55
Fair Value	RM7.50
52-week High/Low	RM8.12/RM6.25

Key Changes

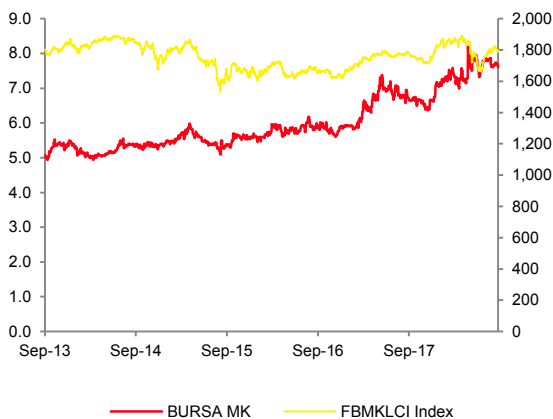
Fair value	↔
EPS	↔

YE to Dec	FY17	FY18F	FY19F	FY20F
Revenue (RM mil)	556.8	600.3	628.1	644.2
Core net profit (RM mil)	223.6	241.7	253.2	259.4
FD Core EPS (sen)	41.7	30.0	31.4	32.2
FD Core EPS growth (%)	15.4	(28.0)	4.7	2.5
Consensus Net Profit (RM mil)	-	240.3	249.0	258.2
DPS (sen)	53.5	35.9	29.2	29.9
PE (x)	18.1	25.2	24.0	23.4
EV/EBITDA (x)	17.6	16.0	15.4	15.0
Div yield (%)	7.1	4.8	3.9	4.0
ROE (%)	26.0	28.5	29.1	28.6
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	806.3
Market Cap (RM mil)	6,087.6
Book Value (RM/share)	1.58
P/BV (x)	4.8
ROE (%)	26.0
Net Gearing (%)	-
Major Shareholders	Capital Market Dev Fund (18.6%) Kumpulan Wang Persaraan (13.6%) EPF (7.1%)
Free Float	39.3
Avg Daily Value (RMmil)	10.2

Price performance	3mth	6mth	12mth
Absolute (%)	(1.9)	1.3	12.2
Relative (%)	(3.5)	5.3	11.8

Investment Highlights

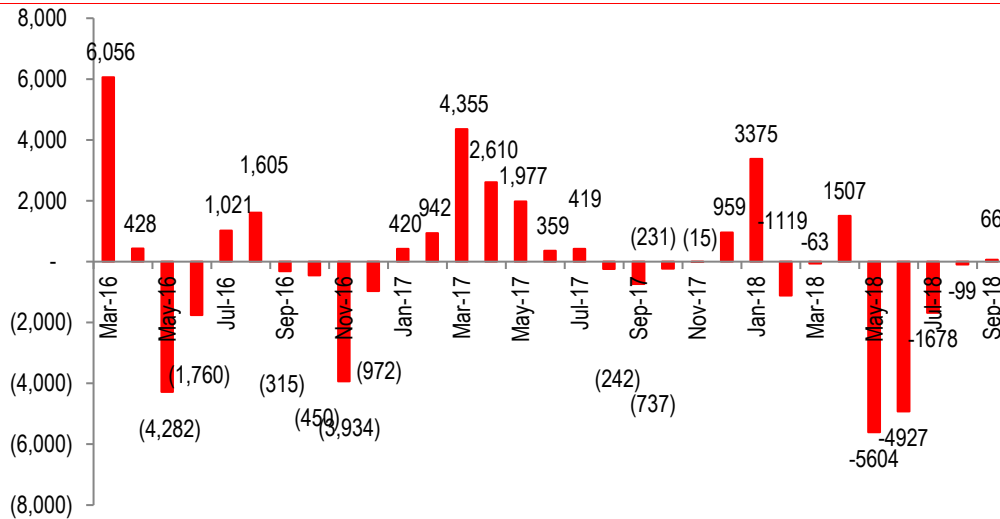
- We maintain our HOLD recommendation and fair value on Bursa Malaysia (Bursa) of RM7.50/share based on FY19 PE of 24x (5-year historical average PE). Our earnings projections are unchanged.
- As expected, Bursa reported a weaker 3QFY18 earnings of RM50mil (-13.8% QoQ). This was largely due to a decline in trading revenue for equities, derivatives and lower stable revenue. Cumulatively for 9MFY18, net profit was flat at RM172mil (+2.6% YoY). 9MFY18 earnings were within expectations making up 71.2% and 71.6% of our and consensus estimate respectively.
- 9MFY18 saw a higher trading revenue of equities from rise in DATV (OMT) for equities (+6.5% YoY). However, this was offset by lower trading revenue for derivatives (-4.8% YoY) and a drop in Bursa Suq Al Sila (BSAS) trading revenue by 7.4%YoY due to the implementation of volume based pricing. Trading revenue for derivatives fell owing to a lower number of FCPO contracts traded and guarantee fees earned while market incentives incurred rose for 9MFY18.
- In 3QFY18, DATV (OMT) for equities was RM2.22bil. This was much lower compared with 1QFY18 and 2QFY18's RM2.72bil and RM2.73bil respectively. With the slowdown in 3QFY18, DATV (OMT) for equities eased to RM2.56bil for 9MFY18. This was in line with our estimate for the full FY18 of RM2.5bil.
- Market turnover (velocity) for 3QFY18 fell to 30.0% compared to 37.0% in 2QFY18 and 35.0% in 1QFY18.
- Year to date (until end Sept 2018), foreign fund flows to equities remained in the negative territory of RM8.5bil on a cumulative basis. On a monthly basis, foreign fund inflows in July and Aug 2018 were -RM1.68bil and -RM99mil respectively, reflecting net selling of equities by foreign investors. In Sep 2018, a positive net foreign fund inflow of RM66mil was recorded. This was a contrasting difference to the strong positive inflow of foreign funds of RM3.4bil and RM959mil seen in Jan 2018 and Dec 2017 respectively.
- Sep 2018 saw the securities market foreign ownership continued to be stable at 23.6% as in Aug 2018 (July 2018: 23.5%).
- For 3QFY18, the ADC traded for the FKLI declined by 19.9% QoQ. Meanwhile, the average daily contracts (ADC) traded for FCPO was higher by 2.1% QoQ in 3QFY18.

EXHIBIT 1: BURSA MALAYSIA RESULTS SUMMARY

Income Statement (RM mil, FYE 31 Dec)	3Q17	2Q18	3Q18	% QoQ	% Yoy	9M17	9M18	% Yoy
Operating Revenue	123	134	123	-8.3%	0.4%	392	402	2.6%
Other income	8	6	7	5.4%	-13.1%	24	19	-20.1%
Gain on part disposal of a subsidiary	0	0	0			0	0	
Total operating income	130	141	130	-7.6%	-0.3%	416	421	1.3%
Staff Costs	-32	-36	-35	-2.0%	11.6%	-100	-106	6.2%
Depreciation & Amortisation	-6	-5	-5	0.2%	-7.3%	-18	-17	-8.2%
Other Operating Expenses	-21	-19	-20	4.9%	-7.4%	-66	-61	-6.9%
Profit From Operations	71	80	69	-13.7%	-3.0%	232	237	2.3%
Finance Costs	0	0	0			0	0	
Profit Before Tax	71	80	69	-13.7%	-3.0%	231	237	2.3%
Income Tax	-18	-20	-17	-12.7%	-2.6%	-58	-60	2.1%
Minority Interests	-2	-2	-1	-22.5%	-16.1%	-5	-5	-7.3%
Net Profit After Tax and MI	52	58	50	-13.8%	-2.7%	168	172	2.6%
EPS (sen)	6.4	7.2	6.2	-13.9%	-2.9%	20.8	21.3	2.4%
EBITDA margin	59.2%	60.8%	57.5%	-3.4%	-1.8%	60.1%	60.2%	0.1%
Pretax profit margin	54.6%	56.8%	53.1%	-3.7%	-1.4%	55.6%	56.2%	0.5%
Cost to income	45.3%	43.1%	46.8%	3.7%	1.4%	44.3%	43.7%	-0.5%
ROE	28.3%	30.4%	23.2%	-7.2%	-5.1%	27.0%	27.9%	0.9%
Equity Market								
Average daily trading value (RM bil) (OMT & DMT)	2.16	2.88	2.47	-14.2%	14.4%	2.50	2.76	10.4%
Velocity (%)	26.0%	37.0%	30.0%	-7.0%	4.0%	32.0%	34.0%	2.0%
Market capitalisation (RM bil)	1845.5	1771.1	1835.4	3.6%	-0.5%	1,845.5	1,845.4	0.0%
Effective clearing fee rate (bps)	2.35	2.15	2.27	0.1%	-0.08%	2.34	2.24	-0.10%
Derivatives Market								
Average daily contracts (ADC)	56,848	55,594	57,750	3.9%	1.6%	58,817	55,779	-5.17%
ADC traded for FCPO	48,881	42,735	43,652	2.1%	-10.7%	49,943	43,644	-12.6%
ADC traded for FKL1	7,734	12,424	9,945	-19.9%	28.6%	8,636	10,417	20.6%

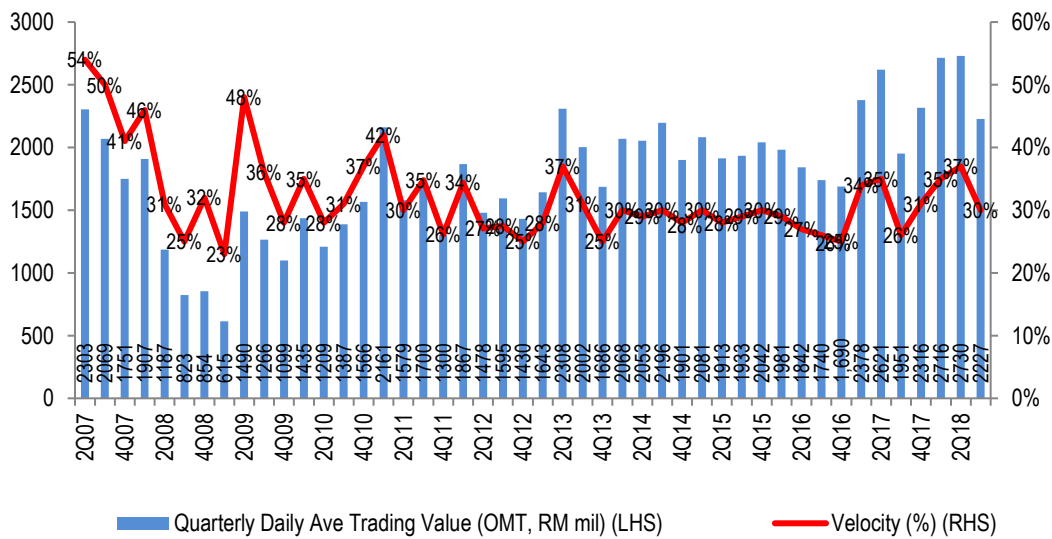
Source: Company, AmlInvestment Bank Bhd

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



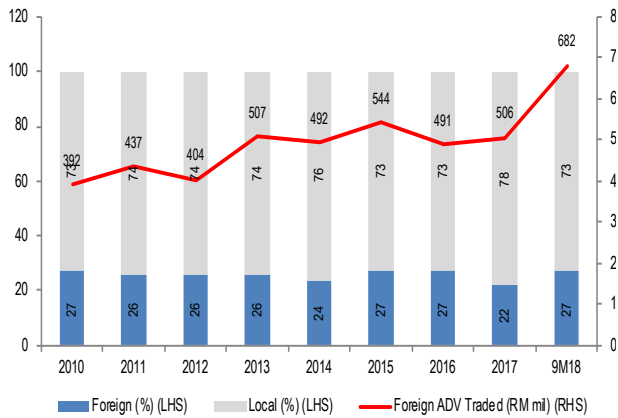
Source: AmlInvestment Bank Bhd, Company

EXHIBIT 3: QUARTERLY ADV TRADED AND VELOCITY FOR SECURITIES MARKET



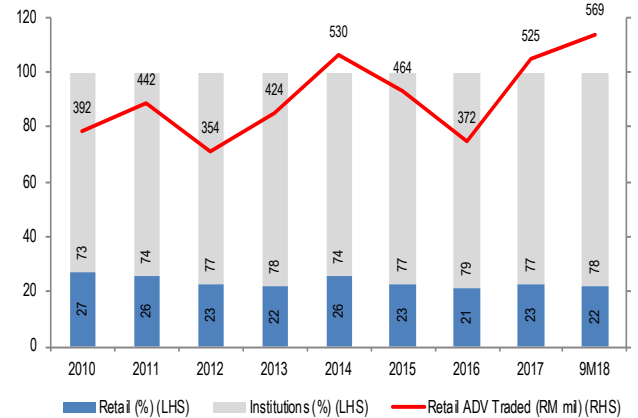
Source: Company, AmlInvestment Bank Bhd

EXHIBIT 4: TRADING PARTICIPATION – FOREIGN VS. DOMESTIC



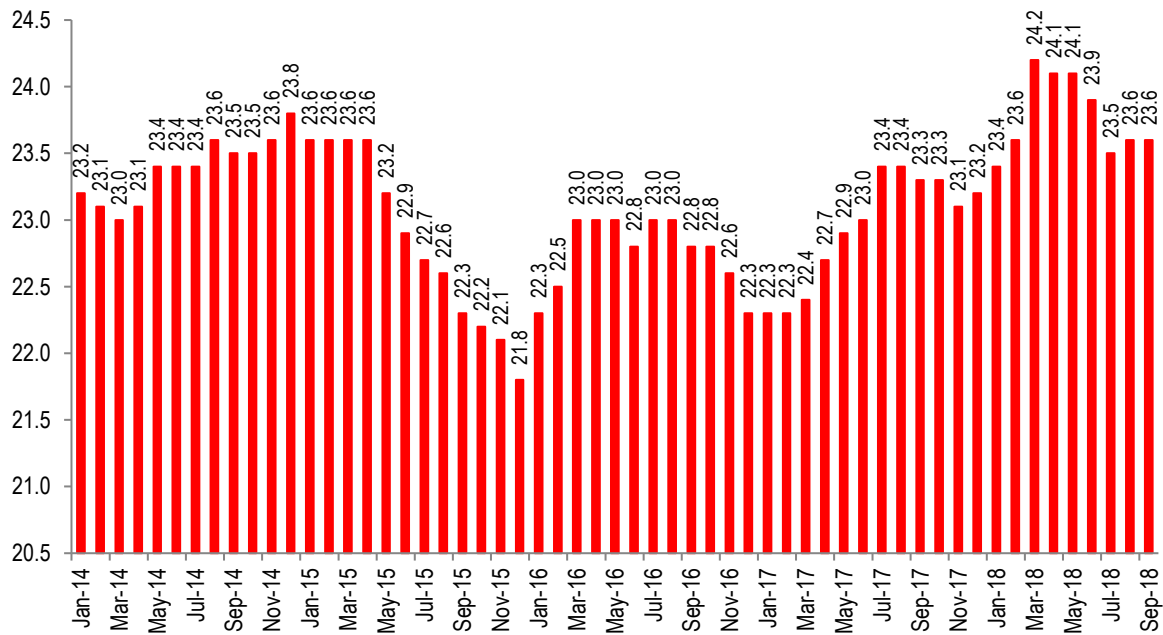
Source: Company, AmlInvestment Bank Bhd

EXHIBIT 5: TRADING PARTICIPATION – RETAIL VS. INSTITUTIONS



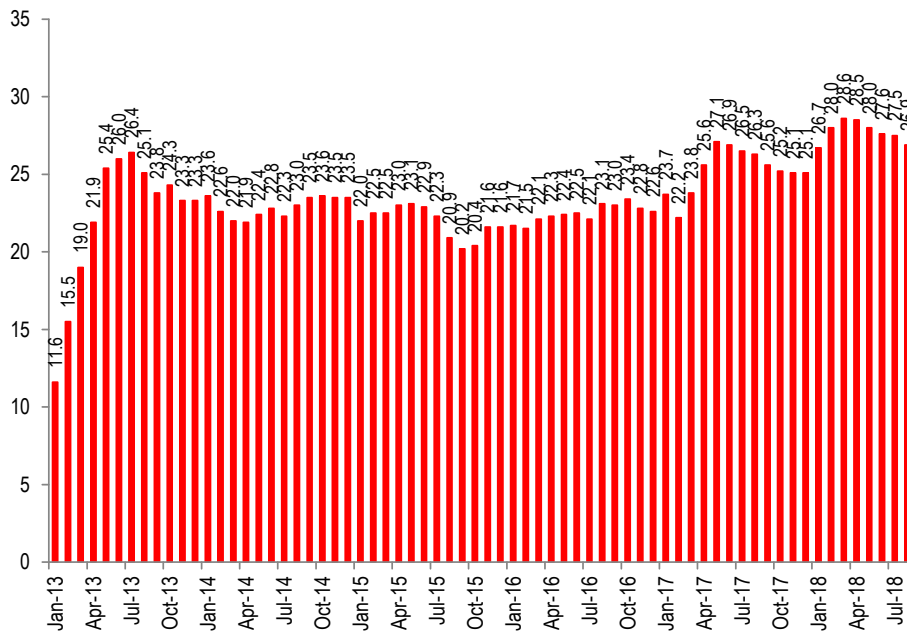
Source: Company, AmlInvestment Bank Bhd

EXHIBIT 6: SECURITIES MARKET FOREIGN OWNERSHIP (%)



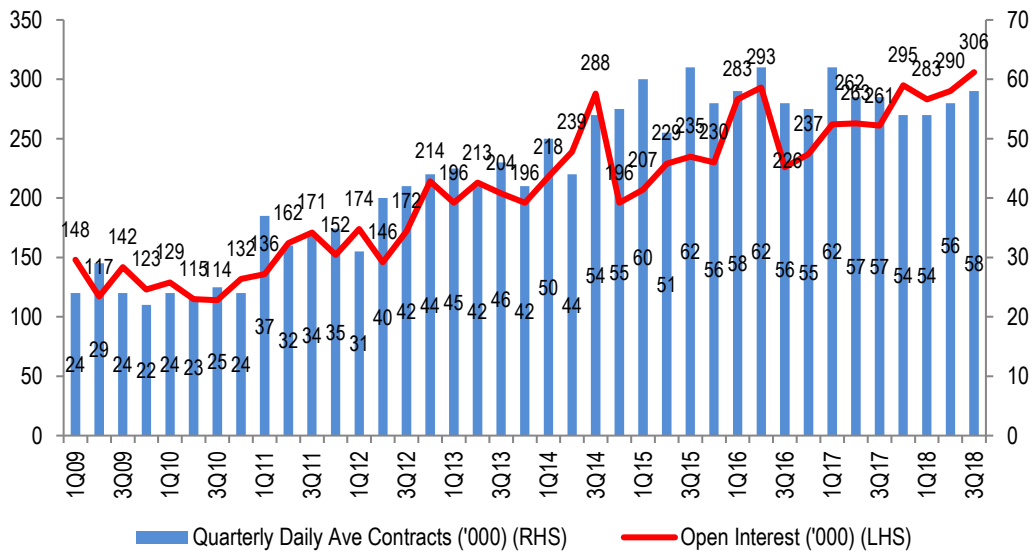
Source: Company, AmlInvestment Bank Bhd

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: PB BAND CHART

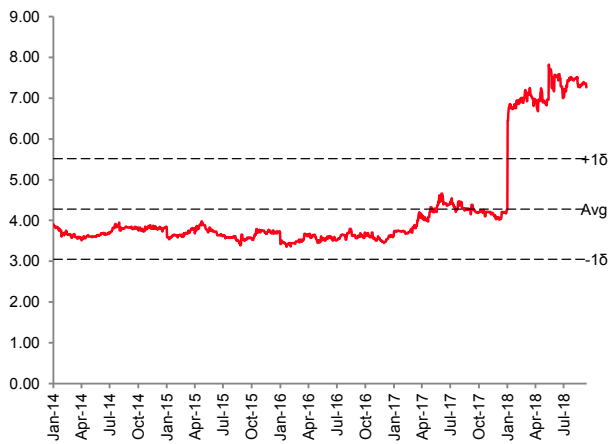


EXHIBIT 10: PE BAND CHART

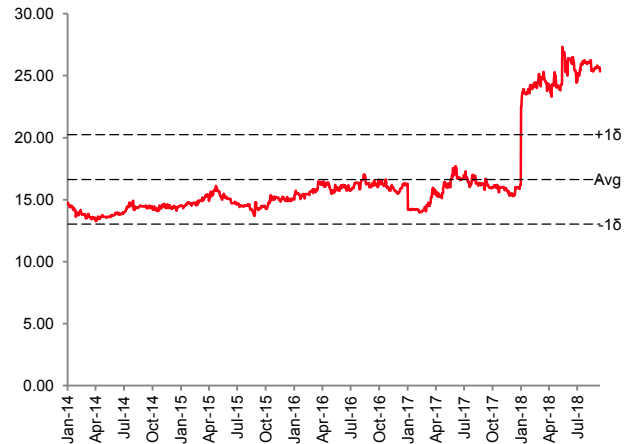


EXHIBIT 11: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY16	FY17	FY18F	FY19F	FY20F
Revenue	506.8	556.8	600.3	628.1	644.2
EBITDA	294.8	330.2	364.3	381.5	390.9
Depreciation/Amortisation	(24.2)	(23.8)	(33.6)	(35.2)	(36.1)
Operating income (EBIT)	270.6	306.4	330.7	346.3	354.8
Other income & associates	-	-	-	-	-
Net interest	-	-	-	-	-
Exceptional items	-	-	-	-	-
Pretax profit	270.6	306.4	330.7	346.3	354.8
Taxation	(67.9)	(75.7)	(79.4)	(83.1)	(85.2)
Minorities/pref dividends	(9.0)	(7.2)	(9.6)	(10.0)	(10.3)
Net profit	193.6	223.6	241.7	253.2	259.4
Core net profit	193.6	223.6	241.7	253.2	259.4
Balance Sheet (RMmil, YE 31 Dec)	FY16	FY17	FY18F	FY19F	FY20F
Fixed assets	230.3	220.1	213.7	207.5	203.3
Intangible assets	43.0	43.0	43.0	43.0	43.0
Other long-term assets	245.0	291.2	327.4	359.7	385.6
Total non-current assets	518.3	554.4	584.2	610.1	631.8
Cash & equivalent	305.6	271.2	271.2	202.7	242.5
Stock	-	-	-	-	-
Trade debtors	43.5	47.2	53.8	61.4	61.4
Other current assets	1,569.1	1,343.5	1,520.6	1,724.6	1,689.1
Total current assets	1,918.2	1,661.9	1,845.6	1,988.6	1,992.9
Trade creditors	1,378.6	1,166.0	1,325.9	1,507.7	1,507.7
Short-term borrowings	-	-	-	-	-
Other current liabilities	140.2	162.6	219.3	156.7	164.3
Total current liabilities	1,518.8	1,328.6	1,545.2	1,664.4	1,672.0
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	30.5	25.2	24.3	18.7	18.6
Total long-term liabilities	30.5	25.2	24.3	18.7	18.6
Shareholders' funds	868.9	850.0	843.4	897.7	915.9
Minority interests	18.3	12.5	16.9	18.0	18.3
BV/share (RM)	1.63	1.58	1.05	1.11	1.14
Cash Flow (RMmil, YE 31 Dec)	FY16	FY17	FY18F	FY19F	FY20F
Pretax profit	270.6	306.4	330.7	346.3	354.8
Depreciation/Amortisation	24.2	23.8	33.6	35.2	36.1
Net change in working capital	4.2	4.4	(9.7)	(10.1)	-
Others	(12.5)	(88.4)	(122.9)	(109.2)	(94.4)
Cash flow from operations	286.5	246.2	231.6	262.3	296.5
Capital expenditure	(38.7)	(34.7)	(17.0)	(32.2)	(22.5)
Net investments & sale of fixed assets	13.7	10.2	6.4	6.2	4.2
Others	(33.0)	105.1	-	-	-
Cash flow from investing	(57.9)	80.6	(10.6)	(26.0)	(18.2)
Debt raised/(repaid)	-	-	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(194.2)	(279.0)	(289.5)	(235.4)	(241.2)
Others	-	(13.4)	-	-	2.0
Cash flow from financing	(194.2)	(292.4)	(289.5)	(235.4)	(239.2)
Net cash flow	34.4	34.4	(68.5)	0.8	39.0
Net cash/(debt) b/f	271.1	214.0	271.2	202.7	203.5
Net cash/(debt) c/f	305.5	271.2	202.7	203.5	242.5
Key Ratios (YE 31 Dec)	FY16	FY17	FY18F	FY19F	FY20F
Revenue growth (%)	(2.3)	9.9	7.8	4.6	2.6
EBITDA growth (%)	(2.5)	12.0	10.3	4.7	2.5
Pretax margin (%)	53.4	55.0	55.1	55.1	55.1
Net profit margin (%)	38.2	40.2	40.3	40.3	40.3
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	25.1	24.7	24.0	24.0	24.0
Dividend payout (%)	94.0	124.8	119.8	93.0	93.0
Debtors turnover (days)	33	30	31	33	35
Stock turnover (days)	-	-	-	-	-
Creditors turnover (days)	887	834	758	823	854

Source: Company, AmlInvestment Bank Bhd estimates

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