

HLIB Research

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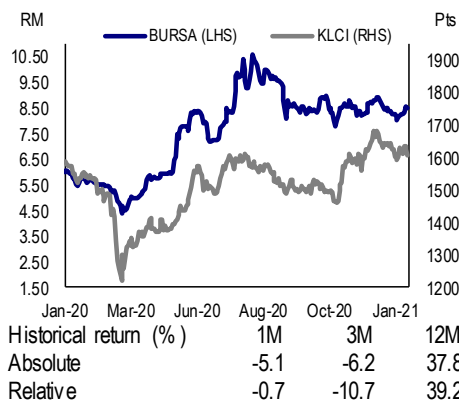
BUY (Maintain)

Target Price: RM11.46
Previously: RM11.45
Current Price: RM8.51

Capital upside	34.7%
Dividend yield	4.0%
Expected total return	38.7%

Sector coverage: Stock Exchange
Company description: Bursa is the stock exchange for Malaysia. As a fully integrated exchange, it offers services such as trading, clearing, settlement and depository, amongst others.

Share price



Stock information

Bloomberg ticker	BURSA MK
Bursa code	1818
Issued shares (m)	809
Market capitalisation (RM m)	6,885
3-mth average volume ('000)	2,333
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★★

Major shareholders

Capital Market Dvlp Fund	18.6%
Kumpulan Wang Persaraan	11.2%
Employees Provident Fund	5.8%

Earnings summary

FYE (Dec)	FY19	FY20f	FY21f
PATMI - core (RM m)	189	371	309
EPS - core (sen)	23.4	45.9	38.2
P/E (x)	36.4	18.5	22.3

Bursa Malaysia

Expect a record smashing FY20

Judging from 4Q20 ADV of RM4.83bn (-16% QoQ, +170% YoY), quarterly core earnings could come in at RM100-105m, bringing FY20's sum to c.RM370m (almost doubling YoY). A volatile recovery path in 2021, MCO2.0's possible boost to retail participation and potential return of foreigners all spells well for ADV this year. We raise FY20/21/22 earnings by 11%/13%/16%. Maintain BUY with slightly higher TP of RM11.46 (from 11.45) based on 30x FY21 PE.

4Q20 likely lower QoQ but higher YoY; FY20 a record showing. Judging from 4Q20 ADV of RM4.83bn (-15.6% QoQ, +169.6% YoY), and barring any unforeseen swings in cost structure, core earnings for the quarter could come in at RM100-105m (3Q20: RM121.9m). Using the lower end of this estimated range, FY20 earnings would end at slightly above RM370m, almost doubling from FY19's RM189.2m. If met, this would surpass our previous forecast by 11.5% and consensus by 4.9%. 4Q20 results are tentatively due for release on 2 Feb 2021.

Ride the volatile recovery path. We hold the rather consensus view that 2021 will be a vaccine led recovery year. However, we expect heightened volatility along this recovery path as there will likely be a lot of opposing news flow between positive vaccine rollouts and a still rising Covid count (both domestically and globally); volatility could be amplified further by the recent reintroduction of RSS. We believe 1H21 will very much be a "trading market", as investors actively rotate back and forth between recovery plays and gloves. As such, despite the high ADV base last year (RM4.21bn; +118% YoY), it may be possible for this figure to sustain in 2021; ADV for the MTD-Jan remained robust at RM5.11bn (Dec 2020: RM5.0bn).

MCO2.0 to boost retail participation? Earlier concerns on "retail liquidity" evaporating post automatic loan moratorium (ended 30 Sep 2020) has been proven untrue. In fact, average retail participation rose to 40% (value: RM1.92bn) in 4Q20 vs Sep's 38.3% (value: RM1.8bn). Looking ahead, with more people locked down at home during MCO2.0 (13-26 Jan; we believe it may be extended to at least 4 weeks), this could prompt retailers to enter the market in a more aggressive manner. This phenomenon (strange as it may sound), was witnessed during the previous MCO where retail participation rose from 27.1% pre-MCO1.0 (Jan to mid-Mar) to 32.5% (during MCO1.0 from mid-Mar to end-Apr).

Envisioning the return of foreigners. While foreign ADV traded on Bursa rose 21.9% YoY in 2020, its participation rate fell from 29% to 17% (on back of higher share taken by domestic retail investors from 25% to 37%). Foreign investors have been net sellers on Bursa in 6 of the past 7 years (2020: -RM26.4bn, highest outflow). With foreign shareholding now at a low of 20.7% (back to the GFC trough), the base appears much more palatable to envision their re-entry, especially so if they turn "risk on" amid a vaccine driven recover climate.

Forecast. We raise FY20/21/22 ADV by 11-15% to RM4.21/3.36/2.94bn to reflect actual FY20 numbers and a higher base for FY21-22 from more vibrant market participation. Consequently, FY20/21/22 earnings are raised by 11.5%/12.8%/15.9%.

Maintain BUY, TP: RM11.46. Despite the earnings upgrade, our TP only inches up slightly from RM11.45 to RM11.46 as this is offset by the rolling over to a lower earnings base from mid-FY21 to FY21. Our applied PE multiple of 30x reflects: (i) +1.5SD above 5Y mean; we reckon this is justified as FY21 earnings are projected to come in higher than FY18s', which was the previous peak earnings valuation and (ii) inline with the average (30.7x) of its peers (SGX, HKX, ASX and NZX). Bursa's MC/ADV ratio of 1.35x is close to -2SD, suggesting inexpensiveness on this front.

Financial Projections for Bursa Malaysia

Balance Sheet

FYE Dec (RM m)	FY18	FY19	FY20f	FY21f	FY22f
Cash & liquid securities	297.9	302.8	313.7	373.8	375.4
Cash - non group	1,505.8	1,525.1	2,045.8	1,336.8	1,871.9
Quoted shares	298.0	156.5	161.2	166.1	171.1
PPE & software	211.8	206.9	210.4	212.5	213.6
Others	121.1	129.7	192.6	108.3	180.4
Assets	2,434.6	2,321.0	2,923.8	2,197.5	2,812.4
Payables - non group cash	1,415.8	1,435.1	1,956.0	1,247.0	1,782.1
Other payables	97.5	93.5	138.4	90.4	143.5
Debt	8.0	8.0	8.0	8.0	8.0
Others	25.9	23.7	23.5	23.4	23.2
Liabilities	1,547.1	1,560.3	2,125.9	1,368.7	1,956.8
Shareholder's equity	875.2	760.8	797.9	828.8	855.6
Non controlling interest	12.3	-	-	-	-
Equity	887.4	760.8	797.9	828.8	855.6

Cash Flow Statement

FYE Dec (RM m)	FY18	FY19	FY20f	FY21f	FY22f
Profit before tax	308.2	259.1	496.3	413.0	358.3
D&A	22.0	20.8	21.4	22.9	24.0
Changes in working capital	(12.5)	(7.1)	(18.2)	36.2	(19.1)
Taxation	(77.6)	(66.2)	(125.1)	(104.1)	(90.3)
Others	(25.8)	(19.9)	-	-	-
CFO	214.3	186.6	374.5	368.1	272.9
Net capex	(12.8)	(16.5)	(25.0)	(25.0)	(25.0)
Others	0.0	25.2	(87.5)	23.1	13.4
CFI	(12.8)	8.7	(112.5)	(1.9)	(11.6)
Changes in borrowings	(0.0)	(0.0)	-	-	-
Issuance of shares	22.0	6.3	-	-	-
Dividends paid	(279.4)	(219.7)	(251.2)	(306.1)	(259.6)
Others	(24.3)	35.7	-	-	-
CFF	(281.7)	(177.8)	(251.2)	(306.1)	(259.6)
Net cash flow	(80.2)	17.6	10.8	60.2	1.6
Forex	0.1	(0.0)	-	-	-
Others	26.8	(12.6)	-	-	-
Opening balance	351.2	297.9	302.8	313.7	373.8
Closing balance	297.9	302.8	313.7	373.8	375.4

Income Statement

FYE Dec (RM m)	FY18	FY19	FY20f	FY21f	FY22f
Revenue	523.3	480.1	744.7	659.0	610.3
Other income	8.4	6.8	7.0	7.2	7.4
Staff & operating expense	(219.3)	(222.1)	(248.9)	(245.6)	(251.1)
EBITDA	312.4	264.8	502.7	420.6	366.6
D&A	(22.0)	(20.8)	(21.4)	(22.9)	(24.0)
EBIT	290.4	244.0	481.3	397.6	342.6
Net finance income/ (cost)	17.8	15.1	15.1	15.4	15.7
PBT	308.2	259.1	496.3	413.0	358.3
Taxation	(77.6)	(66.2)	(125.1)	(104.1)	(90.3)
MI	(6.6)	(3.7)	-	-	-
PATMI (core)	224.0	189.2	371.3	308.9	268.0
HLIB/ consensus			105%	107%	100%
Exceptional items	-	(3.3)	-	-	-
PATMI (reported)	224.0	185.9	371.3	308.9	268.0

Valuation & Ratios

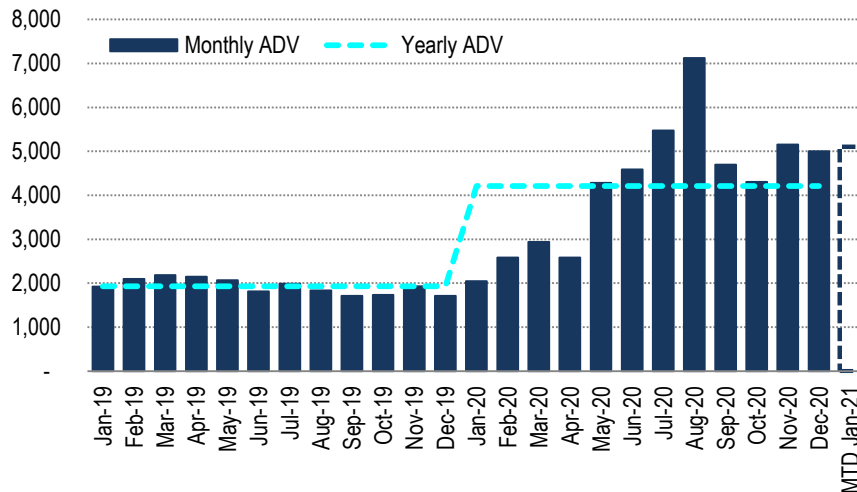
FYE Dec (RM m)	FY18	FY19	FY20f	FY21f	FY22f
Core EPS (sen)	27.7	23.4	45.9	38.2	33.1
P/E (x)	30.7	36.4	18.5	22.3	25.7
EV/EBITDA (x)	21.2	25.0	13.2	15.8	18.1
DPS (sen)	33.6	20.8	41.3	34.4	29.8
Dividend yield	3.9%	2.4%	4.9%	4.0%	3.5%
BVPS (RM)	1.08	0.94	0.99	1.03	1.06
P/B (x)	7.9	9.0	8.6	8.3	8.0
EBITDA margin	59.7%	55.1%	67.5%	63.8%	60.1%
EBIT margin	55.5%	50.8%	64.6%	60.3%	56.1%
PBT margin	58.9%	54.0%	66.6%	62.7%	58.7%
Net margin	42.8%	39.4%	49.9%	46.9%	43.9%
ROE	26.0%	23.1%	47.6%	38.0%	31.8%
ROA	9.6%	8.0%	14.2%	12.1%	10.7%
Net gearing	CASH	CASH	CASH	CASH	CASH

Assumptions

FYE Dec (RM m)	FY18	FY19	FY20f	FY21f	FY22f
ADV - OMT equities	2,392	1,930	4,202	3,361	2,941
ADC - derivatives (no.)	56,488	55,372	70,300	66,843	62,866

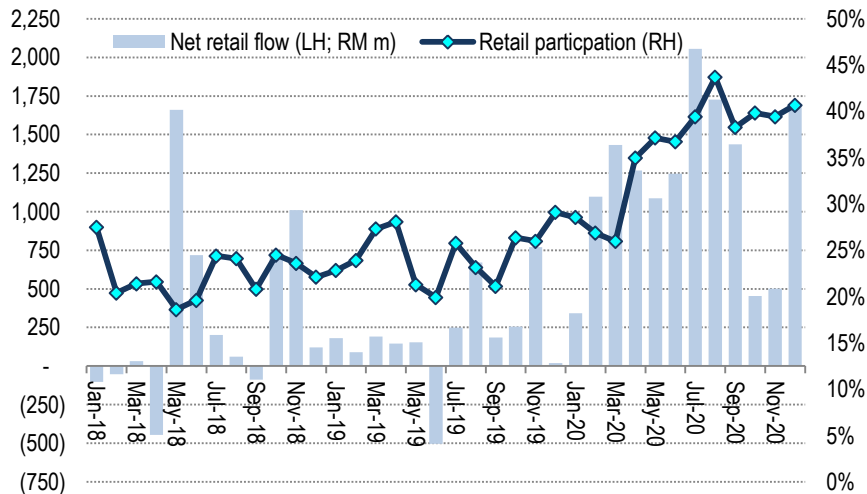
Focus Charts

Figure #1 ADV-OMT on Bursa (RM m)



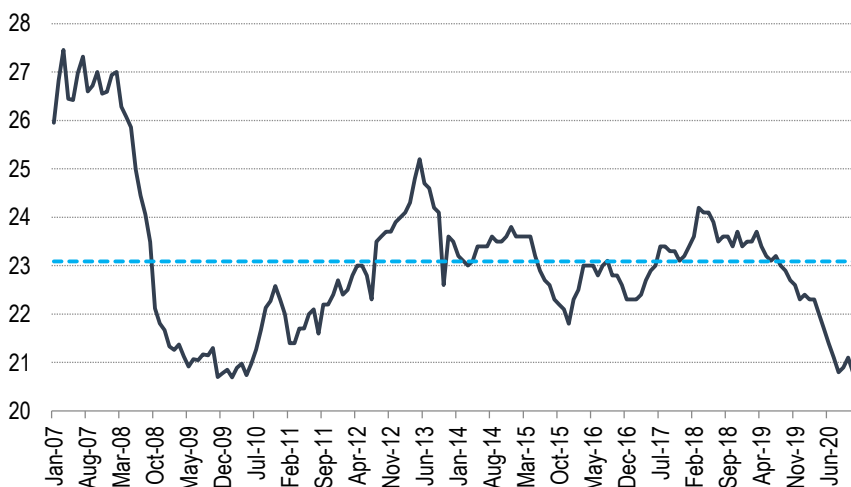
Company, Bloomberg

Figure #2 Net retail flows on Bursa and participation rate



Company, Bloomberg

Figure #3 Foreign shareholding in Malaysian equities (latest: Dec 2020)



Company

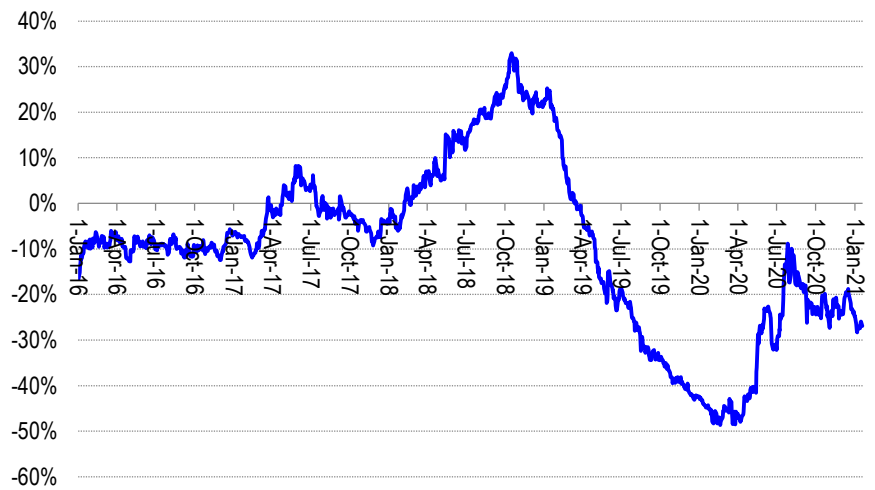
Figure #4 Bursa's PE trend (based on 1-year forward rolling earnings)



Legend: +2SD, +1SD, MEAN, -1SD, -2SD

Bloomberg, HLIB estimates

Figure #5 Bursa's PE premium/discount to peers



HLIB estimates, Bloomberg

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BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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