

16 January 2025

Financial Services | Exchanges

## Bursa Malaysia (BURSA MK)

## Neutral (Maintained)

### Navigating Muddy Waters

- **NEUTRAL, new MYR8.80 TP from MYR9.70, 5% upside with c.4% FY25F yield.** We believe Bursa Malaysia could post a 4Q24 net profit of MYR75-85m when it announces results on 27 Jan – which would place the exchange comfortably ahead of its FY24 targets. However, we expect the recent market weakness to persist in 2025, leading to negative earnings growth for the year. As such, we maintain our NEUTRAL stance on the counter.
- **A derivatives-led quarter.** Securities average daily value (SADV) traded fell to MYR2.9bn (-24% QoQ, +6% YoY) in 4Q24. We think the weakness stemmed from uncertainties surrounding the US economy and profit-taking, particularly from foreign investors. We also observed some diversion in trade flows towards China, following the country's announcement of expansionary policies to stimulate the economy. On the other hand, the derivatives market enjoyed elevated trades of CPO futures, thanks to the strong rally in the underlying commodity's prices. Derivatives average daily contracts (DADC) traded stood at 107k for the quarter – the highest quarterly level ever achieved for BURSA.
- **2024 – a year of numerous records.** For the year, SADV amounted to MYR3.44bn, up 50% YoY on strong investor confidence and a resilient local economy. Save the exceptionally strong COVID-19 years of 2020 and 2021, the 2024 SADV was the highest on record. Elsewhere, DADC surged 26% YoY to 92k, another record high for BURSA. The exchange also saw 55 new listings in 2024, surpassing the previous high of 40 IPOs in 2006. The new listings accounted for over MYR30bn in total market capitalisation, beating the bourse's target of MYR13bn for the year.
- **Results preview.** Given the above items, we think BURSA could post total income of MYR200-210m in 4Q24. Assuming opex for the quarter amounts to c.MYR100m (c.48-50% CIR) and a 26% effective tax rate (as at 9M24), this translates to a quarterly PAT of MYR75-85m, or up 26-43% YoY (QoQ: -4-+9%). This would bring the FY24 total PAT to MYR316-326m (+25-29% YoY). Unsurprisingly, our implied FY24 PBT of MYR430-440m would come in ahead of management's MYR361-379m targeted range.
- **A cautious outlook.** SADV weakness in 4Q24 appears to have carried over into the new year, with foreign investors remaining net sellers in the first two weeks of the year. A "higher-for-longer" narrative on US policy rates also poses downside risk to securities market activity. However, we think the derivatives market should continue to perform well, especially as we expect CPO prices to remain buoyant (at MYR4.4-4.8k/tonne), at least up to 1H25.
- **We cut FY25-26F SADV by 14% and 5%, leading to 9% and 4% decreases in our earnings estimates.** As such, our TP (based on an unchanged 24.5x FY25F P/E) – which includes a 6% ESG premium – drops to MYR8.80.

Target Price (Return): MYR8.80 (+5%)  
 Price (Market Cap): MYR8.35 (USD1,499m)  
 ESG score: 3.3 (out of 4)  
 Avg Daily Turnover (MYR/USD) 11.3m/2.51m

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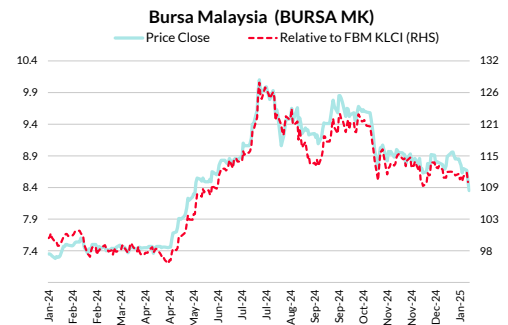


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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(6.8)	(6.4)	(13.3)	(13.2)	14.4
Relative	(2.8)	(4.4)	(9.3)	(9.9)	9.4
52-wk Price low/high (MYR)	7.28 – 10.1				



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (MYRm)	603	616	811	768	811
Recurring net profit (MYRm)	227	231	323	275	291
Recurring net profit growth (%)	(36.2)	1.8	39.8	(14.8)	5.9
Recurring P/E (x)	29.82	29.29	20.95	24.58	23.20
P/B (x)	8.6	8.2	7.9	7.7	7.4
P/CF (x)	26.74	31.95	19.99	23.02	21.18
Dividend Yield (%)	3.2	3.5	4.3	3.7	3.9
EV/EBITDA (x)	18.56	19.17	13.03	14.80	13.83
Return on average equity (%)	28.3	31.4	38.4	31.6	32.5
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

#### Overall ESG Score: 3.3 (out of 4)

##### E: GOOD

Bursa Malaysia participated in the joint committee on climate change (JC3), an initiative led by the Securities Commission Malaysia and Bank Negara Malaysia to promote the transition to a low-carbon economy. It has also set up a climate action task force to coordinate efforts to improve its environmental performance and reporting.

##### S: GOOD

As the country's sole stock exchange, it acts as a regulator to ensure a fair and orderly market for all participants. In addition, it has been exerting influence over listed companies to make better disclosures on ESG-related issues, encapsulated in the Enhanced Sustainability Reporting Requirements published on 26 Sep 2022.

##### G: EXCELLENT

9 out of 10 of Bursa Malaysia's board members are independent and non-executive. The group also has exemplary gender and racial diversity at the board and senior management levels. Its FTSE4Good Bursa Malaysia series of indices provides investors with greater visibility on listed companies with the best ESG practices in Malaysia.

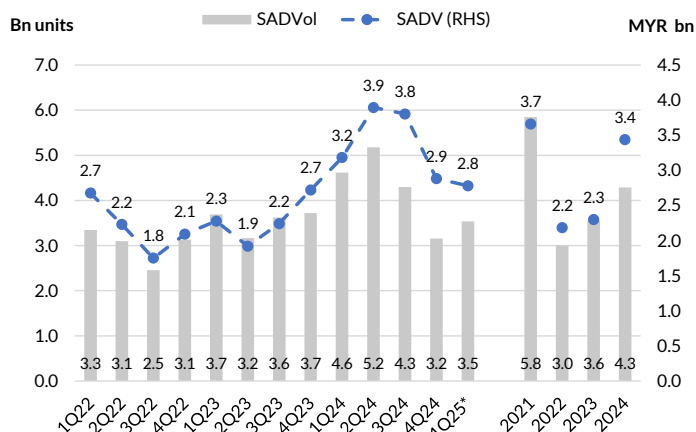
## Financial Exhibits

Asia	Financial summary (MYR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Malaysia	Recurring EPS	0.28	0.29	0.40	0.34	0.36
Financial Services	DPS	0.27	0.29	0.36	0.31	0.32
<b>Bursa Malaysia</b>	BVPS	0.97	1.02	1.06	1.09	1.13
BURSA MK	Return on average equity (%)	28.3	31.4	38.4	31.6	32.5
Neutral						
	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Recurring P/E (x)	29.82	29.29	20.95	24.58	23.20
	P/B (x)	8.6	8.2	7.9	7.7	7.4
	FCF Yield (%)	2.9	2.6	4.1	3.8	4.3
	Dividend Yield (%)	3.2	3.5	4.3	3.7	3.9
	EV/EBITDA (x)	18.56	19.17	13.03	14.80	13.83
	EV/EBIT (x)	20.17	21.33	14.37	16.77	15.69
	Income statement (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total turnover	603	616	811	768	811
	Gross profit	603	616	811	768	811
	EBITDA	337	328	481	422	447
	Depreciation and amortisation	(27)	(33)	(45)	(50)	(53)
	Operating profit	311	294	436	372	394
	Net interest	(1)	(1)	(1)	(1)	(1)
	Pre-tax profit	310	321	436	371	394
	Taxation	(83)	(70)	(113)	(97)	(102)
	Reported net profit	227	252	323	275	291
	Recurring net profit	227	231	323	275	291
	Cash flow (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Change in working capital	7	(13)	(5)	(4)	4
	Cash flow from operations	253	211	338	294	319
	Capex	(58)	(36)	(64)	(40)	(30)
	Cash flow from investing activities	83	(33)	(50)	(24)	(11)
	Dividends paid	(259)	(214)	(290)	(247)	(262)
	Cash flow from financing activities	(257)	(212)	(290)	(247)	(262)
	Cash at beginning of period	316	395	361	359	381
	Net change in cash	79	(34)	(2)	22	46
	Ending balance cash	395	361	359	381	427
	Balance sheet (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total cash and equivalents	447	424	422	444	489
	Tangible fixed assets	212	202	235	225	202
	Total investments	49	55	65	75	85
	Total assets	4,244	3,282	4,102	3,937	4,132
	Total liabilities	3,458	2,457	3,245	3,053	3,219
	Total equity	787	825	857	884	914
	Total liabilities & equity	4,244	3,282	4,102	3,937	4,132
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Revenue growth (%)	(21.4)	2.2	31.6	(5.4)	5.6
	Recurrent EPS growth (%)	(36.2)	1.8	39.8	(14.8)	5.9
	Gross margin (%)	100.0	100.0	100.0	100.0	100.0
	Operating EBITDA margin (%)	55.9	53.1	59.3	54.9	55.1
	Net profit margin (%)	37.6	40.9	39.8	35.8	35.9
	Dividend payout ratio (%)	94.7	93.0	90.0	90.0	90.0
	Capex/sales (%)	9.7	5.9	7.8	5.2	3.7
	Interest cover (x)	583	552	794	676	717

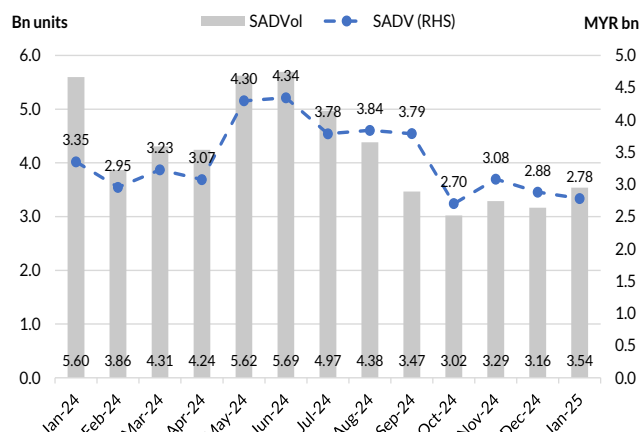
Source: Company data, RHB

Figure 1: 4Q24 SADV declined to the lowest level in the year...

Figure 2: ...as uncertainties surrounding US economic and monetary policies took hold\*



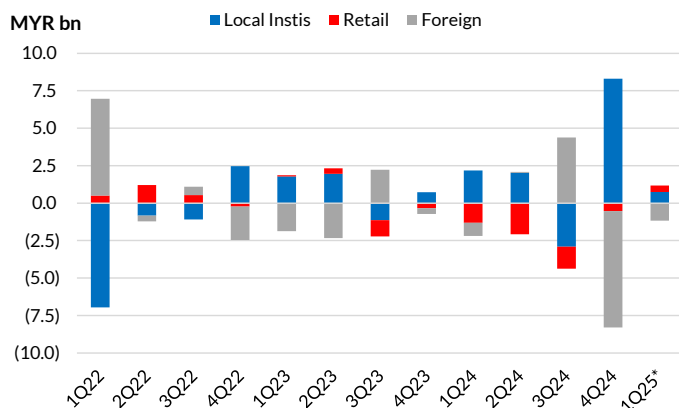
Note: \*As of 14 Jan 2025  
Source: Company data, RHB



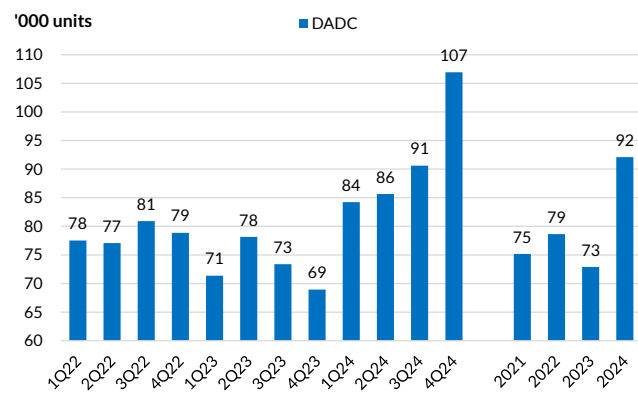
Note: \*As of 14 Jan 2025  
Source: Company data, RHB

Figure 3: Foreign investors were heavy net sellers/profit-takers in 4Q24, after recording strong positive inflows in the preceding quarter

Figure 4: 4Q24 DADC reached a new high, lifting 2024 DADC to a record high as well



Note: \*As of 14 Jan 2025  
Source: Company data, RHB



Source: Company data, RHB

Figure 5: BURSA – revisions to full-year forecasts

FYE Dec	Net profit (MYRm)			EPS (MYR)			DPS (MYR)		
	Previous	Revised	% Chg	Previous	Revised	% Chg	Previous	Revised	Ppts Chg
2024F	302	323	7.0	0.37	0.40	7.0	0.34	0.36	7.0
2025F	302	275	(9.0)	0.37	0.34	(9.0)	0.34	0.31	(9.0)
2026F	302	291	(3.5)	0.37	0.36	(3.5)	0.34	0.32	(3.5)

Source: Company data, RHB

Figure 6: BURSA – revisions to key assumptions

FYE Dec	SADV (MYRm)			Daily derivative contracts ('000)			Velocity (%)		
	Previous	Revised	% Chg	Previous	Revised	% Chg	Previous	Revised	Ppts Chg
2024F	3,446	3,436	(0.3)	83,831	92,106	9.9	41	43	2
2025F	3,501	3,014	(13.9)	83,831	90,264	7.7	36	32	-4
2026F	3,578	3,392	(5.2)	85,507	92,069	7.7	35	32	-3

Source: Company data, RHB

Figure 7: BURSA's FY25F earnings sensitivity to changes in SADV and ADC

SADV (MYRm)	Daily derivative contract (number of contracts)									
	75,000	80,000	85,000	90,000	90,264	95,000	100,000	105,000	110,000	
2,400	215.0	218.8	222.6	226.3	226.5	230.1	233.8	237.6	241.4	
2,600	230.8	234.6	238.3	242.1	242.3	245.9	249.6	253.4	257.1	
2,800	246.6	250.3	254.1	257.9	258.1	261.6	265.4	269.1	272.9	
3,000	262.4	266.1	269.9	273.6	273.8	277.4	281.2	284.9	288.7	
<b>3,014</b>	<b>263.4</b>	<b>267.2</b>	<b>270.9</b>	<b>274.7</b>	<b>274.9</b>	<b>278.5</b>	<b>282.2</b>	<b>286.0</b>	<b>289.8</b>	
3,200	278.1	281.9	285.6	289.4	289.6	293.2	296.9	300.7	304.5	
3,400	293.9	297.7	301.4	305.2	305.4	308.9	312.7	316.5	320.2	
3,600	309.7	313.4	317.2	321.0	321.2	324.7	328.5	332.2	336.0	
3,800	325.4	329.2	333.0	336.7	336.9	340.5	344.3	348.0	351.8	

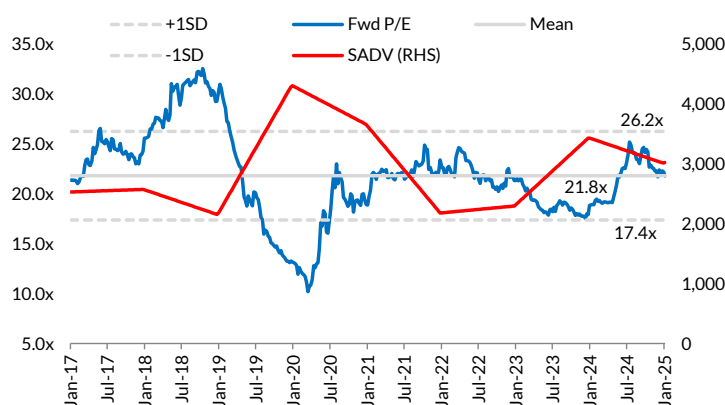
Source: Company data, RHB

Figure 8: BURSA's TP sensitivity

SADV (MYRm)	Daily derivative contract (number of contracts)									
	75,000	80,000	85,000	90,000	90,264	95,000	100,000	105,000	110,000	
2,400	6.90	7.00	7.15	7.25	7.25	7.40	7.50	7.60	7.75	
2,600	7.40	7.55	7.65	7.75	7.75	7.90	8.00	8.15	8.25	
2,800	7.90	8.05	8.15	8.25	8.30	8.40	8.50	8.65	8.75	
3,000	8.40	8.55	8.65	8.80	8.80	8.90	9.00	9.15	9.25	
<b>3,014</b>	<b>8.45</b>	<b>8.55</b>	<b>8.70</b>	<b>8.80</b>	<b>8.80</b>	<b>8.95</b>	<b>9.05</b>	<b>9.20</b>	<b>9.30</b>	
3,200	8.90	9.05	9.15	9.30	9.30	9.40	9.55	9.65	9.75	
3,400	9.45	9.55	9.65	9.80	9.80	9.90	10.05	10.15	10.30	
3,600	9.95	10.05	10.20	10.30	10.30	10.40	10.55	10.65	10.80	
3,800	10.45	10.55	10.70	10.80	10.80	10.95	11.05	11.15	11.30	

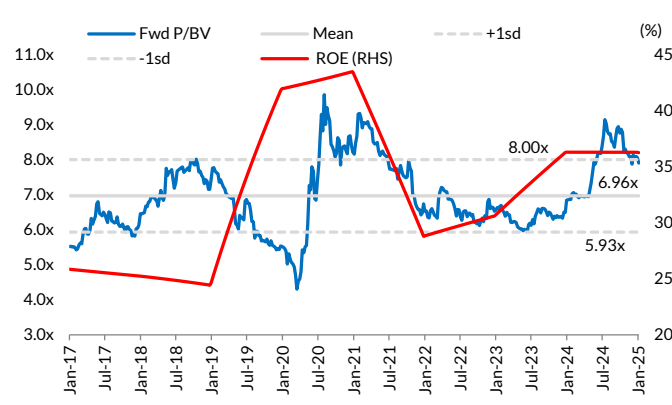
Source: Company data, RHB

Figure 9: BURSA's 12-month forward P/E vs SADV



Source: Bloomberg, RHB

Figure 10: BURSA's 12-month forward P/BV



Source: Bloomberg, RHB

## Emissions And ESG

### Trend analysis

Including offsets from the purchase of renewable energy certificates, total emissions for 2023 would have been 3,634 tCO<sub>2</sub>e - implying a >50% YoY decrease.

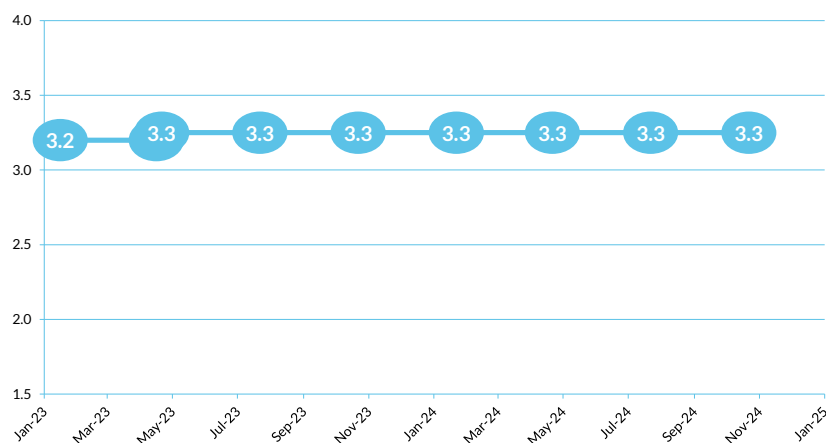
Emissions (tCO <sub>2</sub> e)	Dec-21	Dec-22	Dec-23
Scope 1	113	195	2,409
Scope 2	5,951	7,217	6,169
Scope 3	1,524	1,533	1,224
Total emissions	7,588	8,944	9,802

Source: Company data, RHB

## Latest ESG-Related Developments

- **Inter-regional ESG-linked ecosystem:** BURSA will collaborate with the stock exchanges of Indonesia and Thailand to establish an ESG-linked ecosystem to offer cross-border ESG investments opportunities, among others.
- **New ESG reporting platform:** In Dec 2023, BURSA launched the Bursa Malaysia ESG Reporting Platform, a repository for ESG-related disclosures of public-listed companies in line with the enhanced sustainability reporting requirements.
- **First domestically-produced carbon credits auctioned:** On 25 Jul 2024, BURSA, through the Bursa Carbon Exchange, auctioned Malaysia's first domestic carbon credits originating from the Kuamut Rainforest Conservation Project in Sabah.

## ESG Rating History



Source: RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-10-31	Neutral	9.7	9.0
2024-07-30	Buy	11.3	9.8
2024-07-22	Buy	11.3	10.0
2024-05-20	Buy	9.9	8.3
2024-05-02	Neutral	8.0	7.6
2024-04-23	Neutral	7.9	7.5
2024-02-01	Neutral	7.9	7.5
2024-01-16	Buy	8.1	7.4
2023-10-31	Buy	7.6	6.8
2023-10-19	Buy	7.5	6.7
2023-07-31	Buy	7.5	6.7
2023-05-05	Neutral	6.5	6.3
2023-02-01	Neutral	6.8	6.7
2022-10-31	Neutral	6.8	6.5
2022-07-28	Neutral	6.5	6.4

Source: RHB, Bloomberg

## RHB Guide to Investment Ratings

<b>Buy:</b>	Share price may exceed 10% over the next 12 months
<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
<b>Neutral:</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
<b>Sell:</b>	Share price may fall by more than 10% over the next 12 months
<b>Not Rated:</b>	Stock is not within regular research coverage

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