

Malaysia

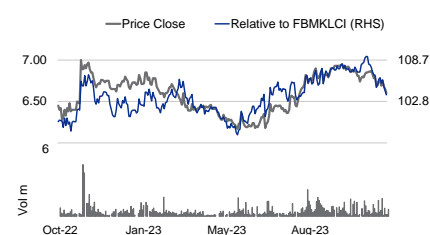
HOLD (no change)

Consensus ratings*: Buy 5 Hold 8 Sell 3

Current price:	RM6.60
Target price:	RM6.90
Previous target:	RM6.57
Up/downside:	4.5%
CGS-CIMB / Consensus:	1.6%
Reuters:	BMYS.KL
Bloomberg:	BURSA MK
Market cap:	US\$1,122m
	RM5,341m
Average daily turnover:	US\$1.00m
	RM4.67m
Current shares o/s:	809.3m
Free float:	70.2%
*Source: Bloomberg	

Key changes in this note

➤ No change.



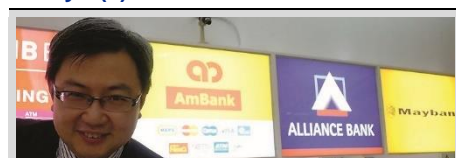
Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2.1	-1.1	3.1
Relative (%)	-3.2	-0.3	3.7

Major shareholders

	% held
Capital Market Development Fund	18.6
Kumpulan Wang Persaraan	11.2
EPF	5.3

Analyst(s)



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Bursa Malaysia

A post-election recovery in equity ADTV

- Despite trading above 5-year historical P/E, we maintain our Hold call on Bursa Malaysia as we expect an improvement in equity ADTV in 2024F.
- 9M23 net profit was within our expectation at 73.2% of our full-year forecast but above street expectation (81.2% of Bloomberg consensus estimate).
- We are positive on the strong recovery in equity ADTV, which expanded by 31.2% yoy and 19.4% qoq in 3Q23. We project ADTV to rise 7.6% in FY24F.

Reiterate Hold on Bursa Malaysia

Although Bursa Malaysia's FY24F P/E of 21.6x is above the 5-year historical average of 20.3x, we maintain our Hold call on the stock as we expect the average daily trading value (ADTV) of the equity market to improve in 4Q23F and 2024F. We project an ADTV growth of 7.6% in FY24F. The stock is also supported by an attractive FY23F dividend yield of 4.4%. The potential upside/downside risks for the stock would be a much stronger recovery/a decline in equity ADTV in 2024F. We maintain our FY23-25F EPS forecasts but raise our DDM-based target price (TP) from RM6.57 to RM6.90 (cost of equity: 9.1%, terminal growth rate: 4%) as we roll over our TP to end-CY2024F.

9M23 net profit within our expectation

Bursa's 9M23 net profit was within our expectation, accounting for 73.2% of our full-year forecast. However, the 9M23 net profit was above street expectation at 81.2% of Bloomberg consensus estimates. 9M23 net profit increased by 8.6%, mainly lifted by the write-back in sales and service tax in 2Q23 (estimated by us at RM28m).

A rebound in equity ADTV lifted 3Q23 net profit

Our positive take for Bursa's 3Q23 results was the recovery in equity ADTV, which rose by 31.2% yoy and 19.4% qoq to RM2.1bn. We attribute this to the improved market sentiment following the state election on 12 Aug 2023 and the launch of Ekonomi Madani (economic programme introduced by the unity government). During the state elections, the unity government managed to maintain control of the state governments in the three major states, i.e. Selangor, Penang and Negeri Sembilan. In our view, this would reduce the risk of another change in the control of the federal government in the near term and improved political stability in Malaysia, which will allow for policy continuity under the unity government. The higher equity ADTV helped Bursa to record a solid growth of 20.6% yoy in net profit in 3Q23. This was despite the 8% yoy drop in Bursa's 9M23 derivative income, arising from the 5.4% yoy dip in the average daily contracts in the derivative market in 9M23.

Projecting robust yoy net profit growth in 4Q23F

We expect strong yoy net profit in 4Q23F, mainly due to the low base in 4Q22. We project net profit to rise 44.4% yoy to RM70.7m in 4Q23F based on our expectation of RM2.1bn-2.2bn equity ADTV in 4Q23F (4Q22: RM1.94bn).

Financial Summary	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (RMm)	751.6	585.3	614.9	645.6	688.1
Operating EBITDA (RMm)	501.0	337.5	374.6	359.4	384.1
Net Profit (RMm)	355.3	226.6	263.5	246.8	263.8
Core EPS (RM)	0.44	0.28	0.33	0.31	0.33
Core EPS Growth	(6.1%)	(36.3%)	16.3%	(6.3%)	6.9%
FD Core P/E (x)	15.02	23.57	20.27	21.64	20.24
DPS (RM)	0.41	0.27	0.29	0.27	0.29
Dividend Yield	6.21%	4.02%	4.44%	4.16%	4.45%
EV/EBITDA (x)	2.83	4.57	3.97	3.99	3.58
P/FCFE (x)	10.71	15.90	16.29	20.82	17.88
Net Gearing	(480%)	(483%)	(473%)	(465%)	(456%)
P/BV (x)	6.53	6.81	6.58	6.37	6.16
ROE	41.4%	28.3%	33.0%	29.9%	31.0%
% Change In Core EPS Estimates			0%	0%	0%
EPS/Consensus EPS (x)			1.11	1.02	1.04

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

A post-election recovery in equity ADTV

Figure 1: Bursa Malaysia's 3Q23 results comparison

FYE Dec (RM m)	3QFY23	3QFY22	yoy %	qoq %	3QFY23	3QFY22	yoy %	Prev.	
			chg	chg	Cum	Cum	chg	FY23F	Comments
Revenue	158.7	140.4	13.0	9.8	459.8	457.6	0.5	634.2	In line. Lower equity ADTV.
Operating costs	(70.0)	(64.6)	8.4	64.3	(184.9)	(195.3)	(5.3)	(259.6)	Below. Lowered by reversal of SST provision.
EBITDA	88.7	75.8	17.0	(13.0)	274.9	262.3	4.8	374.6	In line. Lifted by lower operating cost.
EBITDA margin (%)	55.9	54.0	-	-	59.8	57.3	4.3	59.1	
Depn & amort.	(8.5)	(6.9)	23.2	2.4	(24.7)	(19.5)	26.7	(27.7)	Above.
EBIT	80.2	68.9	16.4	(14.4)	250.2	242.8	3.0	346.9	
Interest expense	(0.1)	(0.2)	-	-	(0.4)	(0.4)	-	(0.6)	
Interest & other inc	-	-	-	-	-	-	-	-	
Pretax profit	80.1	68.7	16.6	(14.4)	249.8	242.4	3.1	346.3	In line. Expecting stronger 4Q23.
Tax	(19.7)	(18.6)	5.9	13.2	(57.0)	(64.8)	(12.0)	(82.8)	Below. Lower tax rate.
Tax rate (%)	24.6	27.1	(9.2)	32.3	22.8	26.7	(14.6)	23.9	Below.
Minority interests	-	-	-	-	-	-	-	-	
Net profit	60.4	50.1	20.6	(20.7)	192.8	177.6	8.6	263.5	Within CGS-CIMB (73%). Above Bloomberg consensus (81%).
EPS (sen)	7.5	6.2	21.0	(20.2)	23.8	21.9	8.7	32.6	
ADTV (RM bn)	2.1	1.6	31.2	19.4	2.0	2.1	(4.3)	2.2	Below.
Market velocity (%)	30.0	24.0	25.0	15.4	29.0	30.0	(3.3)	27.5	Above.

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Potential upside risks and downside risks ➤

A potential upside risk to our call would be a stronger-than-expected recovery in equity ADTV growth in FY23-24F. Conversely, potential downside risks include a further decline in equity ADTV in 2023 and larger-than-expected increase in operating expenses in 4QFY23F and FY24F (given the inflationary pressures).

ESG in a nutshell



Refinitiv ESG Scores

A- ESG Score	A+ ESG Controversies Score	A- ESG Combined Score	B ESG Environment Pillar Score	B+ ESG Social Pillar Score	A ESG Government Pillar Score
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We see Bursa as playing one of the most important roles in the ESG scene in Malaysia. Since it is the national stock exchange operator of Malaysia, Bursa is responsible for ensuring an orderly equity market to facilitate fundraising activities by companies and protect investors' interests. Together with the Securities Commission Malaysia, Bursa plays a pivotal role in ensuring proper governance is practised by the companies listed on Malaysia's stock exchange, which make up a high percentage of the large corporates in Malaysia. In addition, Bursa governs the ESG aspects of the public-listed companies (such as required ESG disclosure etc.), which would help to lift the overall ESG standards of Malaysian corporates, in our view.

Keep your eye on

Another ESG contribution by Bursa is the Bursa Carbon Exchange (BCX), which is Malaysia's voluntary carbon market (VCM) exchange operated by Bursa. BCX is a spot exchange that facilitates the trading of high-quality carbon credits via standardised carbon contracts. Corporates may purchase these credits to offset their carbon footprint while the sale of carbon credits, in return, will help to finance and drive the development of domestic GHG emission reduction and removal solutions and projects.

Implications

BCX facilitates carbon trading among corporates and helps them to manage greenhouse gas (GHG) emissions. In the longer term, Bursa could widen the base of the participants in this market to include smaller companies (instead of only corporates), in our view. We see this as one of the initiatives by Malaysia to achieve net zero GHG emissions for the nation by 2050.

ESG highlights

Bursa's objectives for its Sustainability Roadmap 2021-23 are (1) building capabilities of market participants to support a vibrant and sustainable capital market, (2) enhancing the sustainable and responsible finance ecosystem through new investment products and high standards of sustainability practices and disclosure, (3) reducing its ecological footprint and managing climate-related risks as it transitions towards a low-carbon future, (4) cultivating an empowered workforce to align with the sustainable approaches, and (5) creating positive ESG impact for society and demonstrating the commitments to address/resolve certain social and environmental issues.

Implications

Going forward, we think that Bursa will continue to act as an enabler to improve the overall ESG standards of the public-listed companies, capitalising on its role as the regulator. It could also launch more ESG-themed products and indices for the capital markets.

Trends

Bursa maintains the FTSE4Good Bursa Malaysia Index (F4GBM), which is designed to measure the performance of Malaysia companies demonstrating specific ESG practices. The index can be used in four major ways to support ESG investments – (1) Developments of financial products - as a tool in the creation of index-tracking investments, financial instruments or fund-related products focusing on ESG investments, (2) Research – to identify companies with specific ESG qualities, (3) Reference – as a transparent and evolving global ESG standard against which companies can assess their own progress and achievements, (4) Benchmarking – as a benchmark index to track the performance of ESG investment portfolios.

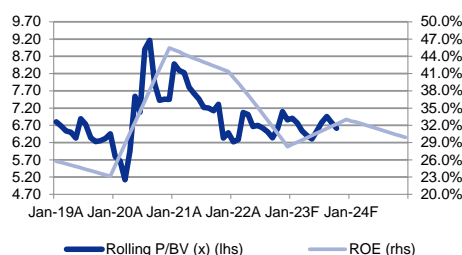
Implications

The constituents for F4GBM have increased tremendously from 24 companies in 2014 to 98 companies in 2022. In our view, this reflects the improvement in the overall ESG standards for the public-listed companies in Malaysia. Going forward, we expect the number of constituents for F4GBM to continue to increase as public-listed companies (including the smaller ones) are placing greater emphasis on improving their ESG practices/standards and Bursa could introduce more ESG requirements for public-listed companies.

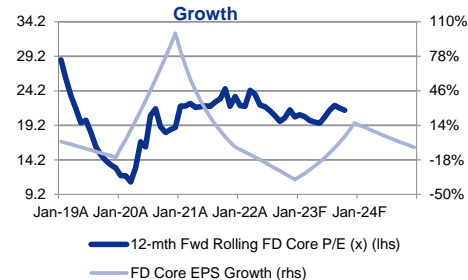
SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(RMm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	767.5	603.3	634.2	665.7	708.6
Gross Profit	767.5	603.3	634.2	665.7	708.6
Operating EBITDA	501.0	337.5	374.6	359.4	384.1
Depreciation And Amortisation	(22.0)	(26.9)	(27.7)	(29.6)	(31.7)
Operating EBIT	479.0	310.6	346.9	329.7	352.4
Financial Income/(Expense)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	478.5	310.1	346.3	329.1	351.8
Exceptional Items	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	478.5	310.1	346.3	329.1	351.8
Taxation	(123.2)	(83.5)	(82.8)	(82.3)	(87.9)
Exceptional Income - post-tax					
Profit After Tax	355.3	226.6	263.5	246.8	263.8
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	355.3	226.6	263.5	246.8	263.8
Recurring Net Profit	355.3	226.6	263.5	246.8	263.8
Fully Diluted Recurring Net Profit	355.3	226.6	263.5	246.8	263.8

Cash Flow

(RMm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	501.0	337.5	374.6	359.4	384.1
Cash Flow from Invt. & Assoc.					
Change In Working Capital	38.1	7.3	(29.1)	(81.0)	(57.2)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(22.5)	(27.4)	(28.3)	(30.2)	(32.3)
Other Operating Cashflow	(140.0)	(64.7)	(77.5)	(77.2)	(82.8)
Net Interest (Paid)/Received	0.0	0.0	0.0	0.0	0.0
Tax Paid					
Cashflow From Operations	376.6	252.7	239.7	170.9	211.8
Capex	(29.9)	(58.4)	(58.4)	(58.4)	(58.4)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	165.5	(4.8)	80.4	37.8	59.1
Other Investing Cashflow	(13.8)	146.3	66.3	106.3	86.3
Cash Flow From Investing	121.8	83.1	88.2	85.7	86.9
Debt Raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(469.3)	(259.0)	(237.2)	(222.2)	(237.5)
Preferred Dividends					
Other Financing Cashflow	0.0	2.2	140.8	37.5	(14.1)
Cash Flow From Financing	(469.3)	(256.8)	(96.4)	(184.7)	(251.5)
Total Cash Generated	29.1	79.0	231.5	71.9	47.2
Free Cashflow To Equity	498.4	335.8	327.9	256.6	298.7
Free Cashflow To Firm	498.4	335.8	327.9	256.6	298.7

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	3,922	3,801	3,857	3,911	3,967
Total Debtors	98	83	92	101	111
Inventories	0	0	0	0	0
Total Other Current Assets	0	0	0	0	0
Total Current Assets	4,020	3,884	3,948	4,012	4,078
Fixed Assets	174	205	209	213	217
Total Investments	40	49	50	51	52
Intangible Assets	43	43	43	43	43
Total Other Non-Current Assets	65	64	67	70	74
Total Non-current Assets	322	361	369	377	386
Short-term Debt	0	0	0	0	0
Current Portion of Long-Term Debt					
Total Creditors	3,264	3,193	3,224	3,257	3,289
Other Current Liabilities	236	243	255	268	281
Total Current Liabilities	3,500	3,436	3,480	3,525	3,571
Total Long-term Debt	0	0	0	0	0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	26	22	23	23	24
Total Non-current Liabilities	26	22	23	23	24
Total Provisions	0	0	0	0	0
Total Liabilities	3,525	3,458	3,502	3,548	3,595
Shareholders' Equity	817	784	812	838	866
Minority Interests	0	3	3	3	3
Total Equity	817	787	815	841	869

Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	(3.5%)	(22.1%)	5.1%	5.0%	6.6%
Operating EBITDA Growth	(5.2%)	(32.6%)	11.0%	(4.1%)	6.9%
Operating EBITDA Margin	66.7%	57.7%	60.9%	55.7%	55.8%
Net Cash Per Share (RM)	4.85	4.70	4.77	4.83	4.90
BVPS (RM)	1.01	0.97	1.00	1.04	1.07
Gross Interest Cover	958.0	621.2	578.2	549.5	587.3
Effective Tax Rate	25.7%	26.9%	23.9%	25.0%	25.0%
Net Dividend Payout Ratio	93.4%	94.6%	90.0%	90.0%	90.0%
Accounts Receivables Days	51.19	56.37	51.85	54.48	56.07
Inventory Days	N/A	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A	N/A
ROIC (%)	(24.9%)	(10.0%)	(11.4%)	(10.7%)	(11.4%)
ROCE (%)	55.8%	38.7%	43.3%	39.8%	41.2%
Return On Average Assets	9.39%	5.29%	6.17%	5.68%	5.97%

Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Equity market cap (RM bn)	1,789.0	1,736.0	1,892.2	1,930.1	2,084.5
Equity market velocity (%)	49.0%	30.0%	27.5%	29.0%	29.0%
Equity ADTV (RM m)	3,545.0	2,068.0	2,168.2	2,332.2	2,518.8
Total revenue growth (%)	-3.5%	-22.1%	5.1%	5.0%	6.6%
Change in overheads (%)	-1.1%	1.5%	-1.8%	16.9%	6.0%
Dividend payout ratio (%)	93.4%	94.6%	90.0%	90.0%	90.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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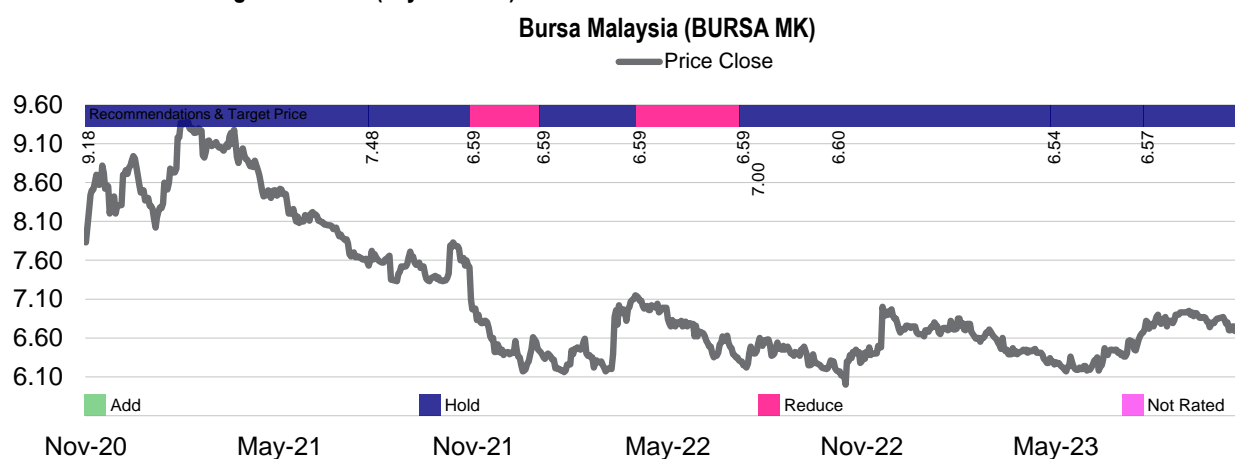
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2023		
634 companies under coverage for quarter ended on 30 September 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

Definition:	
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:	
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:	
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Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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