

COMPANY UPDATE

Bursa Malaysia (BURSA MK)

ADV Continues To Exceed Expectations

Bursa's ADV has continued to exceed expectations, with a ytd average of RM3.1b surpassing our initial 2024 assumption of RM2.8b. The current equity ADV upcycle is only six months old, compared with historical upcycles lasting 6-18 months. Therefore, we remain optimistic on Bursa's near- to medium-term prospects, which prompt us to raise our ADV assumptions. Maintain BUY with a higher target price of RM9.42 (25.5x 2024 PE), up from RM8.76 after an earnings adjustment.

WHAT'S NEW

- **Market sentiment continues to confound expectations.** Bursa Malaysia's (Bursa) average daily trading Value (ADV) has continued to exceed expectations, averaging RM3.1b ytd, surpassing our recently-revised full-year estimate of RM2.8b.
- **Raising ADV assumption.** Given our view that the equity market is only midway through its current upcycle, fuelled by expectations of the Federal Reserve starting to cut interest rates in the US from September, we anticipate that 2H24 ADV will be as robust or even stronger than the ytd ADV of RM3.1b. Consequently, we have revised our ADV forecasts for 2024 and 2025 upward to RM3.1b and RM2.7b, respectively, from RM2.8b and RM2.5b. This adjustment positions our latest ADV assumptions significantly above consensus forecast of RM2.3b to RM2.8b for 2024.
- **Recent economic data in the US has bolstered expectations for an interest rate cut later this year.** Key indicators include a slower-than-expected increase in the core Personal Consumption Expenditures (PCE) price index for Apr 24 (+0.2% mom, vs consensus of +0.3% mom and Mar 24's +0.3% mom) and a weakening labour market, as evidenced by a rising unemployment rate of 4% in May 24 (compared with consensus of 3.9% and Apr 24's 3.9%).
- **To help sustain foreign inflows and consequently market sentiment.** The eventual Federal Reserve interest rate pivot is a key underlying catalyst to help sustain net foreign inflows into Bursa and consequently overall market sentiment and ADV. After two consecutive months of net selling, foreign investors became net buyers in May 24, with net inflows of RM1.5b, reversing the RM1.4b net outflows in Apr 24. As a result, the cumulative net foreign outflow for 5M24 decreased to RM0.8b.

KEY FINANCIALS

Year to 31 Dec (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	603	616	719	699	685
EBITDA	337	355	437	405	384
Operating profit	311	322	397	364	342
Net profit (rep./act.)	227	252	299	276	260
Net profit (adj.)	227	252	299	276	260
EPS (sen)	28.0	31.2	36.9	34.2	32.1
PE (x)	30.8	27.7	23.4	25.3	26.9
P/B (x)	8.9	8.5	8.3	8.2	8.1
EV/EBITDA (x)	19.6	18.6	15.1	16.3	17.2
Dividend yield (%)	3.1	3.4	4.1	3.8	3.5
Net margin (%)	37.6	40.9	41.5	39.5	37.9
Net debt/(cash) to equity (%)	(76.2)	(69.9)	(46.3)	(48.8)	(51.6)
Interest cover (x)	633.1	666.6	n.a.	n.a.	n.a.
ROE (%)	28.3	31.4	36.0	32.7	30.2
Consensus net profit	-	-	275	282	290
UOBKH/Consensus (x)	-	-	1.08	0.98	0.89

Source: Bursa, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM8.60
Target Price	RM9.42
Upside	(+9.5%)
(Previous TP)	RM8.76

COMPANY DESCRIPTION

Bursa is a fully integrated stock exchange offering a wide range of exchange-related services. It also offers information services related to the Malaysian securities market.

STOCK DATA

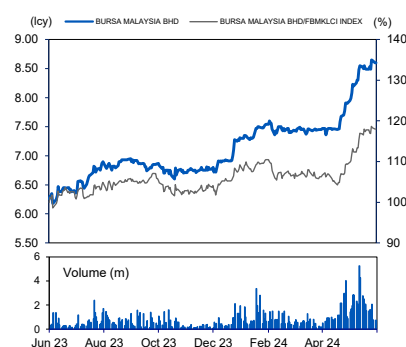
GICS sector	Financials
Bloomberg ticker:	BURSA MK
Shares issued (m):	809.3
Market cap (RMm):	6,960.0
Market cap (US\$m):	1,473.6
3-mth avg daily t'over (US\$m):	2.1
Price Performance (%)	
52-week high/low	RM8.65/RM6.18

1mth	3mth	6mth	1yr	YTD
8.9	16.2	27.0	38.3	24.6

Major Shareholders

Capital Market Development Fund	18.6
Kumpulan Wang Persaraan	10.9
EPF	10.7
FY24 NAV/Share (RM)	1.04
FY24 Net Cash/Share (RM)	0.48

PRICE CHART



Source: Bloomberg

ANALYST(S)

Keith Wee Teck Keong
 +603 2147 1981
 keithwee@uobkayhian.com

STOCK IMPACT

- **Peak PE valuations during previous upcycles averaged 1.5SD above mean vs current mean valuations.** The tables below show that during previous ADV upcycles, Bursa's peak PE valuations ranged from 23x (mean) to 38x (+2.5SD above the historical mean), with an average peak cycle PE of 30.0x, or 1.5SD above the historical mean. Additionally, longer upcycles tend to result in higher peak cycle PE valuations. In two past upcycles (2006-08 and 2017-18) that lasted over 12 months, peak PE valuations reached +2.0 SD and +2.5 SD above the historical mean.
- **Potential for share price to breach RM10.00 if current upcycle prolongs.** Given these observations, we believe Bursa's share price could potentially peak above RM10.00 (+1SD to the historical mean PE) if the current equity market ADV continues into late-24 and early-25. However, we have conservatively maintained our valuation at +0.5SD to the historical mean, resulting in a fair value of RM9.42.

VALUATION SENSITIVITY

	Mean	Base case			
		+0.5SD	+1.0SD	+1.5SD	+2.0SD
TP (RM)	8.49	9.42	10.33	11.25	12.18
Ascribed PE (x)	23.0	25.5	28.0	25.5	33.0

Source: Bursa, UOB Kay Hian

ADV UPCYCLE PERIODS AND PEAK VALUATIONS

	Peak ADV (RMb)	Average period of ADV above mean (months)	Peak PE valuation (x)
Oct 2006-Jan 2008	4.30	15	35x (+2.5SD)
Mar 2009-Oct 2009	3.10	6	38x (+3.0SD)
Jan 12-July 13	4.90	7	24x (Mean)
Jan 17-Jun 18	9.20	18	32x (+2SD)
Mar 20-Aug 20	9.00	6	23x (Mean)
Average	6.10	10	30x (+1.5SD)
Dec 23 - Current	7.00	6	

Source: Bursa, UOB Kay Hian

PE VALUATION



Source: UOB Kay Hian

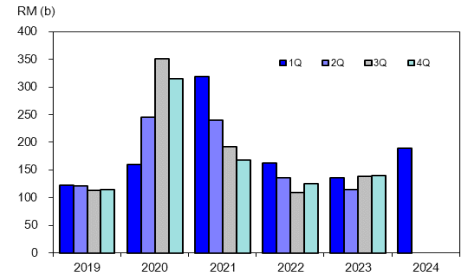
EARNINGS REVISION/RISK

- Ascribing a higher ADV assumption we raise our 2024-25 earnings by 7% and 6% respectively.

VALUATION/RECOMMENDATION

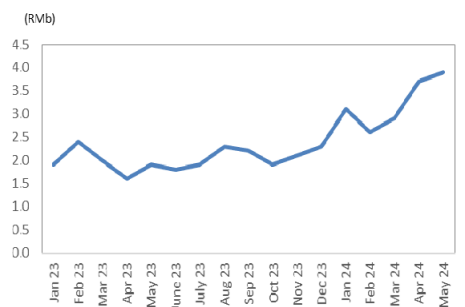
- **Maintain BUY with a higher target price of RM9.42 (25.5x 2024 PE), up from RM8.76 after an earnings adjustment.** Our target price is based on +0.5SD to historical mean PE. We anticipate equity market sentiment to remain robust, premised on the expectations of peakish US policy rates and moderating inflation outlook.

ADV QUARTERLY TREND



Source: Bursa, UOB Kay Hian

ADV MONTHLY TREND



Source: Bursa, UOB Kay Hian

KEY ASSUMPTIONS

	2024F	2025F	2026F
Average Daily Value of Equities (RMb)	3.10	2.70	2.40
Futures Contract (m)	19.5	20.3	21.1
Dividend payout ratio (%)	95.0	95.0	95.0

Source: UOB Kay Hian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

- **Environmental**
 - Carbon neutrality and zero greenhouse gas emission targets. Set a target to achieve carbon neutrality by 2022 and zero greenhouse gas emission by 2050.
- **Social**
 - Gender diversity. Maintained 42% females in senior management.
 - Diversity, Equity and Inclusion (DEI). Established a DEI Policy in 2021 to ensure that the organisation is steered by a diverse group of employees in terms of age, ethnicity and gender.
- **Governance**
 - Non-independent board of directors composition. Composition of Independent Non-Executive Directors (INED) – 90%.

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Net turnover	616.5	719.3	699.0	685.2
EBITDA	355.3	437.1	404.7	383.9
Deprec. & amort.	33.3	39.9	41.1	42.4
EBIT	322.0	397.1	363.5	341.5
Net interest income/(expense)	(0.5)	0.0	0.0	0.0
Pre-tax profit	321.5	397.1	363.5	341.5
Tax	(70.0)	(95.3)	(87.2)	(82.0)
Minorities	0.9	(3.2)	0.0	0.0
Net profit	252.4	298.6	276.3	259.5
Net profit (adj.)	252.4	298.6	276.3	259.5

CASH FLOW

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Operating	211.5	392.3	366.1	351.4
Pre-tax profit	251.5	301.8	276.3	259.5
Deprec. & amort.	33.3	39.9	41.1	42.4
Working capital changes	(12.7)	16.0	17.0	18.0
Non-cash items	(60.5)	34.5	31.7	31.5
Investing	(33.0)	(80.0)	(80.0)	(79.0)
Capex (maintenance)	(58.9)	(80.0)	(80.0)	(79.0)
Investments	0.0	0.0	0.0	0.0
Others	25.8	0.0	0.0	0.0
Financing	(212.0)	(284.2)	(262.5)	(246.6)
Dividend payments	0.0	(283.7)	(262.5)	(246.6)
Issue of shares	0.0	0.0	0.0	0.0
Loan repayment	0.0	(0.5)	0.0	0.0
Others/interest paid	(212.0)	0.0	0.0	0.0
Net cash inflow (outflow)	(33.6)	28.1	23.6	25.8
Beginning cash & cash equivalent	395.7	364.2	395.2	422.9
Ending cash & cash equivalent	362.1	392.2	418.9	448.7

BALANCE SHEET

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Fixed assets	251.8	283.8	315.8	347.8
Other LT assets	130.4	132.7	144.7	156.7
Cash/ST investment	583.4	395.2	422.9	453.7
Other current assets	2,316.4	2,739.8	2,651.6	2,407.5
Total assets	3,282.0	3,551.6	3,535.0	3,365.7
ST debt	0.5	0.0	0.0	0.0
Other current liabilities	2,434.0	2,651.5	2,589.4	2,375.7
LT debt	7.4	7.4	7.4	7.4
Other LT liabilities	15.4	49.9	81.6	113.0
Shareholders' equity	823.1	838.0	851.8	864.8
Minority interest	1.6	4.8	4.8	4.8
Total liabilities & equity	3,282.0	3,551.6	3,535.0	3,365.7

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	57.6	60.8	57.9	56.0
Pre-tax margin	52.1	55.2	52.0	49.8
Net margin	40.9	41.5	39.5	37.9
ROA	6.7	8.7	7.8	7.5
ROE	31.4	36.0	32.7	30.2
Growth				
Turnover	2.2	16.7	(2.8)	(2.0)
EBITDA	5.3	23.0	(7.4)	(5.1)
Pre-tax profit	3.7	23.5	(8.5)	(6.1)
Net profit	11.4	18.3	(7.5)	(6.1)
Net profit (adj.)	11.4	18.3	(7.5)	(6.1)
EPS	11.4	18.3	(7.5)	(6.1)
Leverage				
Debt to total capital	1.0	0.9	0.9	0.8
Debt to equity	1.0	0.9	0.9	0.9
Net debt/(cash) to equity	(69.9)	(46.3)	(48.8)	(51.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W