# Maybank IB Research

## Bursa Malaysia (BURSA MK)

# Revisiting expectations

#### Maintain BUY with a lower MYR8.70 TP

Bursa's current valuation implies MYR3.2b-3.3b equity ADV over the next 12M, a tad below Jul 2021-MTD's MYR3.4b. Amid multiple challenges, ADV could remain weak over the near term, before picking up towards YE21 in anticipation for economic activities to rebound in 2022. We lower ADV forecasts, leading to cuts in our FY21/22/23E net profit by 15%/20%/ 20%. Pegging on an unchanged 23x PER (10Y mean) on FY22E earnings (FY21E previously), our revised TP is MYR8.70 (-20%).

## Equity ADV weakens in Jun & Jul-MTD

ADV was MYR4.2b/MYR4.0b in Apr/May (1Q21: MYR5.2b) and it weakened to MYR3.4b in Jun/Jul-MTD (till 8 Jul), likely due to concerns over the macro impact of the FMCO/EMCO and political uncertainties. The pull-back was across all investor segments as retail/DI/foreign participation were still at 39%/44%/17% in Jun/Jul-MTD, similar to Jan-May. Positively, derivative volume surged in Jun to 1.94m (contributed by FCPO), lifting 2Q21 volume to 4.79m (+20% YoY, -1% QoQ) and 1H21 to 9.61m (+2% YoY).

## Our revised equity ADV & earnings forecasts

Equity ADV was MYR3.9b in 2Q21 (+0.3% YoY, -25% QoQ), bringing 1H21 to MYR4.5b (+41% YoY). Our earlier MYR4.5b ADV forecast for 2021 is no longer realistic and we lower it to MYR3.8b, which implies MYR3.2b in 2H21. We also lower 2022E ADV to MYR3.7b (from MYR4.6b), expecting sentiment to improve as economic activities rebound after 80% of the population is vaccinated by YE21. Alongside our earnings cut, we also lower DPS forecasts, assuming 91-92% DPR.

### Cash reserve building up; potential for higher div

Between early-Mar till end-May 2021, Bursa sold a total of 50,000 CME Group shares (CME US, CP: USD209.62, Not Rated) in the open market for USD10.9m (or MYR44.9m). At an investment cost of USD3.3m back in Nov 2009, the share sale gain will add onto its FY21E profits, potentially enabling higher dividend to Bursa's shareholders (the MYR44.9m proceed is equivalent to 5.6sen/Bursa shr). Bursa still has 140,250 CME shares which are worth USD29.4m (or 15.2sen(MYR)/Bursa shr) today.

| FYE Dec (MYR m)              | FY19A    | FY20A    | FY21E    | FY22E    | FY23E    |
|------------------------------|----------|----------|----------|----------|----------|
| Revenue                      | 502      | 799      | 735      | 724      | 738      |
| EBITDA                       | 277      | 529      | 458      | 440      | 447      |
| Core net profit              | 186      | 378      | 322      | 306      | 308      |
| Core EPS (sen)               | 23.0     | 46.7     | 39.8     | 37.9     | 38.1     |
| Core EPS growth (%)          | (17.2)   | 103.1    | (14.7)   | (5.0)    | 0.5      |
| Net DPS (sen)                | 20.8     | 51.0     | 36.5     | 34.5     | 35.0     |
| Core P/E (x)                 | 26.5     | 17.8     | 19.2     | 20.2     | 20.1     |
| P/BV (x)                     | 6.5      | 7.5      | 6.7      | 6.5      | 6.3      |
| Net dividend yield (%)       | 3.4      | 6.1      | 4.8      | 4.5      | 4.6      |
| ROAE (%)                     | 22.7     | 45.5     | 35.3     | 32.5     | 31.8     |
| ROAA (%)                     | 7.8      | 13.6     | 10.2     | 10.0     | 10.0     |
| EV/EBITDA (x)                | 16.9     | 11.9     | 12.5     | 13.0     | 12.9     |
| Net gearing (%) (incl perps) | net cash |
| Consensus net profit         | -        | -        | 358      | 307      | 287      |
| MKE vs. Consensus (%)        | -        | -        | (10.0)   | (0.2)    | 7.2      |

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# **BUY**

Share Price MYR 7.65

12m Price Target MYR 8.70 (+14%)

Previous Price Target MYR 10.75

#### **Company Description**

Bursa Malaysia Bhd. is an exchange holding company, which engages in treasury management and provision of management and administrative services.

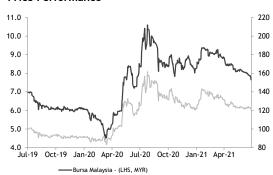
#### **Statistics**

| 52w high/low (MYR)     | 10.60/7.65 |
|------------------------|------------|
| 3m avg turnover (USDm) | 2.8        |
| Free float (%)         | 72.4       |
| Issued shares (m)      | 809        |
| Market capitalisation  | MYR6.2B    |
|                        | LISD1 5R   |

#### Major shareholders:

| Capital Market Development Fund | 18.6% |
|---------------------------------|-------|
| Kumpulan Wang Persaraan         | 11.2% |
| Employees Provident Fund        | 7.4%  |

#### Price Performance



|                       | -1M | -3M  | -12M |
|-----------------------|-----|------|------|
| Absolute (%)          | (6) | (14) | (10) |
| Relative to index (%) | (2) | (9)  | (7)  |

-Bursa Malaysia / Kuala Lumpur Composite Index - (RHS, %)

Source: FactSet

#### Abbreviation

ADV = Average daily trading value

FMCO = Full Movement Control Order (from 1 Jun 2021) EMCO = Enhanced MCO in 34 Mukims in Selangor + 14

Localities in KL (from 3 Jul 2021)

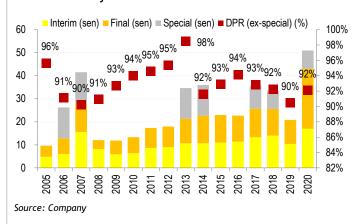
DI = Domestic institutions



## **Value Proposition**

- One of the largest bourse in ASEAN with 936 PLCs end-2020;
   also the world's largest palm oil futures trading hub.
- Sustained equity ADV of MYR2.0b-MYR2.1b over 2013-16, MYR2.5b-MYR2.6b in 2017-18, MYR2.15b in 2019. ADV doubled to MYR4.31b in 2020.
- Strong derivative volume CAGR of 18% over 2010-15. Growth was flattish in 2016-19. 2020 saw growth resuming, by 35% YoY.
- Active capital management with >90% DPR (for normal dividends) since listing in 2005.
- Has paid several special dividends since listing on 18 Mar 2005 - FY06, FY07, FY13, FY14, FY17, FY18 and FY20.

#### Dividend history



## **Financial Metrics**

- The revenue mix shifted in FY20, with 64%/12%/2% of operating revenue from equity/derivative/BSAS trades, and 23% from stable revenue (FY19: 49%/15%/3%/33%).
- Active cost management with stable 44-46% CIR in FY14-18, 49% in FY19. FY20 CIR was low at 37% due to the high denominator (FY20 operating revenue: +62% YoY).
- Highly cash generative MYR284m cash balance (35sen/Bursa shr; no debt) and MYR218m investment securities (27sen/Bursa shr) end-Mar 2021.

### Operating revenue (segmental)



## **Price Drivers**



Source: Company, Maybank Kim Eng

- 1. Special DPS of 15sen (before adjusting for a subsequent 1-for-2 bonus issue) announced on 26 Jul 2017.
- 2. 1-for-2 bonus issue announced on 27 Nov 2017.
- 3. Special DPS of 8sen announced on 30 Jul 2018.
- 4. Bursa was added into the Securities Commission's Shariah compliant stock list effective 31 May 2019.
- Start of Malaysia's Movement Control Order on 18 Mar 2020.
- 6. Equity trades surged above MYR4b in ADV from mid-May 2020 on high retail participation and trading activities on the glove stocks.

## **Swing Factors**

## Upside

- Higher-than-expected equity trading activities.
- Increased volatility in palm oil prices and FBM KLCI further driving derivative market activities.

### **Downside**

- Drying up of liquidity leading to much smaller equity ADV.
- Risk-off mode by retail investors, whom have been driving equity volume from mid-May 2020.
- Derivative market activities falling short.
- Further retracement of foreign funds in Malaysia equities - market foreign shareholding was 20.3% end-Jun 2021.

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| Risk Rating & Score <sup>1</sup>                         | 13.5 (Low)                |
|--|---------------------------|
| Score Momentum <sup>2</sup>                              | -4.8                      |
| Last Updated   | 31 Mar 2021               |
| Controversy Score <sup>3</sup><br>(Updated: 03 Dec 2011) | 0 - No reported incidents |

## **Business Model & Industry Issues**

- As an exchange operator and regulator, Bursa encourages sustainable development by promoting responsible growth while facilitating fund raising, value and wealth creation; its globally benchmarked FTSE4Good Bursa Malaysia Index was introduced in 2014, and listing criterias have been amended requiring PLCs to report on their sustainability practices.
- As a PLC, Bursa's sustainability and ESG efforts are guided by global best practices. Its Governance Model for Regulation & Conflicts Management is similar to that of the NYSE, HKEX and ASX. Bursa's new Sustainability Roadmap 2021-23 focuses on strengthening its core, driving growth, protecting the environment, empowering its workforce, advancing the communities.
- In our view, Bursa's ESG risks (as a PLC) are low; this is positive for its valuation over the longer term as more investors include ESG considerations in their investment decisions.

## Material E issues

- In 2019, Bursa (the PLC) set up a Climate Action Task Force to coordinate efforts to improve its environmental performance and reporting, towards the adoption of the Task Force on Climate-related Financial Disclosures (TCFD)

  Recommendations.
- In 2019 too, Bursa (the exchange) became a member of the Joint Committee on Climate Change (JC3), co-chaired by the Securities Commission and Bank Negara; Bursa also chairs a sub-committee on Governance and Disclosure.
- Bursa has reduced its electricity consumption (in MWh) by 11% from 2017 to 2020; its energy intensity (in MWh/m2) has reduced by a higher 14.8%. Its Scope 2 GHG emissions (from grid power consumption) was also down by 11%.
- Bursa's waste management approach includes responsible disposal of e-waste via a licensed operator and recycling.
   In 2020, it sent 7,170kg of paper and 2,522kg of fabric-based items for recycling.

### Material S issues

- Bursa's staff force is diverse in gender and ethnicity. The male-to-female split was 51%-49% end-2020, with female representation at the managerial level at 53%, while the gender pay ratio was 1-to-1. 58% of Bursa's staff was of Malay ethnicity, 30% Chinese, 10% Indian.
- Bursa had invested MYR1.37m and 20,610 training hours in its employees in 2020, or an average of 32.1 hours for its male, and 35.2 hours for its female employees. GO1, an elearning platform for employees, was launched in 2018.
- Yayasan Bursa Malaysia (YBM) undertakes Bursa's flagship community investment programmes. Since its inception in 1998, YBM has raised >MYR11.5m to support programmes for children, women, persons with disabilities and orang asli. In 2020, Bursa pledged 1% of its profit after tax to corporate social responsibility activities via YBM.
- Bursa's COVID-19 community response in 2020 focused on communities which were disproportionately affected, with MYR737,000 donated/pledged. It also donated medical equipment to 11 hospitals handling COVID-19 cases.

## Key G metrics and issues

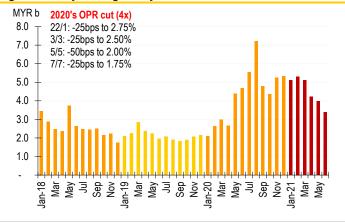
- Bursa's Board comprises 12 Directors (as of 16 Mar 2021) 11 Independent Non-Executive Directors (INED) + 1
   Executive Director (also the CEO).
- Sec 10(1)(a) of the Capital Markets and Services Act 2007 provides that 1/3 of Bursa's Board (including the Chairman) shall be Public Interest Directors (PID), appointed by the Minister of Finance in consultation with the Securities Commission. 4 of Bursa's INED (as of 16 Mar 2021) are PIDs, including the Chairman.
- There are 5 women on its Board (42% representation).
- Bursa has an established Governance Model (reviewed in 2020) where specific powers of its Board are delegated to Board Committees and the CEO. There are 9 Board Committees (revised) effective Jan 2021: (i) 3 Governance Committees (Audit, Risk Management, Nomination & Remuneration); (ii) 2 Development Committees (Technology & Cybersecurity, Market & Development); (iii) 4 Regulatory Committees (Regulatory & Conflicts, Appeals, Market Participants, Listing). Also, there are two consultative panels for securities market and derivatives market.
- Bursa has a Whistleblower Policy and Procedures (WPP) for employees and external parties to report on any breaches or suspected breaches of law and regulation, and business principles. In 2019, the Anti-Fraud, Bribery and Corruption Policy replaced a pre-existed Corporate Fraud Policy for more structured, systematic and consistent monitoring. In 2020, an Organisational Anti-Corruption Plan was developed under the oversight of a new Integrity & Governance Unit.
- Bursa provides detailed disclosure on renumeration of directors and key management. In FY20, remuneration to Directors and top 5 senior management made up 1.1% and 1.4% respectively of Bursa's pretax profit.
- Bursa has been audited by Ernst & Young, at least since 2004 (Bursa was listed on 18 Mar 2005).
- Transactions with related parties (including with government-linked and other entities by virtue of substantial shareholding in Bursa) have been on terms and conditions not materially different from those transactions with unrelated parties.

<u>Raisk Rating & Score</u> - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. <u>2Score Momentum</u> - indicates changes to the company's score since the last update - a <u>negative</u> integer indicates a company's improving risk score; a <u>positive</u> integer indicates a deterioration. <u>3Controversy Score</u> - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

## **Equity trades at Bursa**

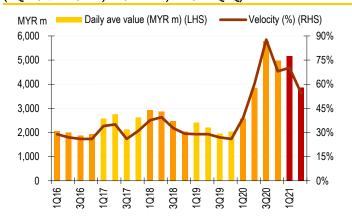
Equity ADV was MYR4.2b/MYR4.0b/MYR3.4b in Apr/May/Jun 2021, bringing 2Q21 to MYR3.9b (+0.3% YoY, -25% QoQ) and 1H21 to MYR4.5b (+41% YoY). Retail/DI/foreign participation (of total trades) were at 39%/44%/17% in 2Q21, similar to 1Q21.

Fig 1: Monthly average daily value



Source: Company, Maybank KE

Fig 3: Quarterly average daily value (2Q21: MYR3.86b, +0.3% YoY, -25.4% QoQ)



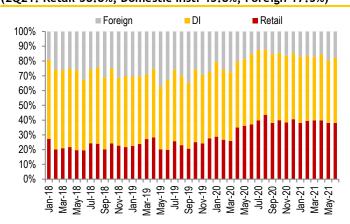
Source: Company, Maybank KE

Fig 2: Monthly average daily value

| (MYR b) | 2018 | 2019 | 2020 | 2021 |
|---------|------|------|------|------|
| Jan     | 3.46 | 2.10 | 2.11 | 5.11 |
| Feb     | 2.88 | 2.26 | 2.64 | 5.31 |
| Mar     | 2.48 | 2.85 | 2.98 | 5.11 |
| Apr     | 2.37 | 2.38 | 2.66 | 4.22 |
| May     | 3.74 | 2.25 | 4.40 | 3.98 |
| Jun     | 2.64 | 1.96 | 4.67 | 3.40 |
| Jul     | 2.47 | 2.09 | 5.54 |      |
| Aug     | 2.45 | 1.91 | 7.21 |      |
| Sep     | 2.50 | 1.84 | 4.79 |      |
| Oct     | 2.15 | 1.90 | 4.37 |      |
| Nov     | 2.23 | 2.08 | 5.25 |      |
| Dec     | 1.74 | 2.16 | 5.32 |      |
|         |      |      |      |      |

Source: Company, Maybank KE

Fig 4: Monthly trade participation (2Q21: Retail 38.8%, Domestic Insti 43.8%, Foreign 17.5%)

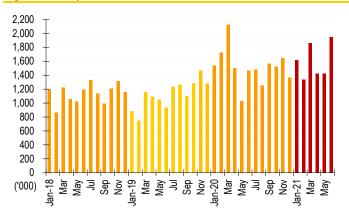


Source: Company, Maybank KE

## Derivative volume at Bursa

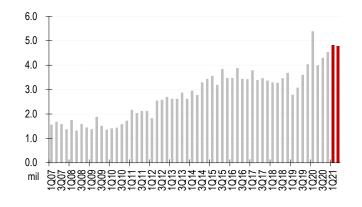
Derivative volume surged in Jun 2021 to 1.94m contracts, lifting 2Q21 volume to 4.79m (+20% YoY, -1% QoQ) and 1H21 to 9.61m (+2% YoY). The volume surge in Jun was contributed by FCPO where monthly contracts reached an all-time high of 1.71m following record high CPO price in May 2021.

Fig 5: Monthly contracts



Source: Company, Maybank KE

Fig 7: Quarterly contracts (2Q21: 4.79m, +19.8% YoY, -0.7% QoQ)



Source: Company, Maybank KE

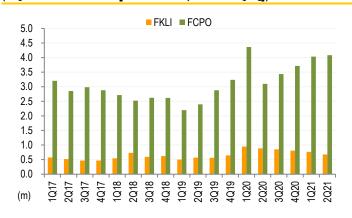
Fig 6: Monthly contracts

| (mil) | 2018 | 2019 | 2020 | 2021 |
|-------|------|------|------|------|
| Jan   | 1.20 | 0.89 | 1.54 | 1.62 |
| Feb   | 0.87 | 0.75 | 1.73 | 1.34 |
| Mar   | 1.23 | 1.16 | 2.13 | 1.86 |
| Apr   | 1.06 | 1.09 | 1.50 | 1.42 |
| May   | 1.02 | 1.05 | 1.03 | 1.42 |
| Jun   | 1.20 | 0.94 | 1.47 | 1.94 |
| Jul   | 1.33 | 1.24 | 1.48 |      |
| Aug   | 1.14 | 1.27 | 1.25 |      |
| Sep   | 0.99 | 1.10 | 1.56 |      |
| Oct   | 1.21 | 1.29 | 1.53 |      |
| Nov   | 1.32 | 1.47 | 1.65 |      |
| Dec   | 1.16 | 1.28 | 1.37 |      |

Source: Company, Maybank KE

Fig 8: Quarterly contracts

(2Q21: FCPO - 4.08m [+31.7% YoY, +1.1% QoQ]) (2Q21: FKLI - 0.68m [-23.7% YoY, -11.7% QoQ])



Source: Company, Maybank KE

## Our revised forecasts

Amid challenges from pandemic resurgence and political uncertainties, equity ADV could remain weak over the near term, before picking up towards YE21 in anticipation for economic activities to rebound after 80% of the population is vaccinated. In Jun/Jul-MTD (till 8 Jul), equity ADV was MYR3.4b with daily trades in 10 out of 27 trading days at <MYR3b (but =>MYR2.5b). Consequently, we lower our ADV forecast for 2021 to MYR3.8b (from MYR4.5b), which implies MYR3.2b in 2H21. We also lower 2022E ADV to MYR3.7b (from MYR4.6b). These lead to cuts in our FY21/22/23E net profit by 15%/20%/20%.

Fig 9: Our key assumptions

|                               |       | Revised |       | Previous |       |
|-------------------------------|-------|---------|-------|----------|-------|
|                               | FY20A | FY21E   | FY22E | FY21E    | FY22E |
| Equity ADV (MYR b)            | 4.3   | 3.8     | 3.7   | 4.5      | 4.6   |
| Equity velocity (%)           | 64%   | 51%     | 46%   | 58%      | 54%   |
| Derivative contracts (YoY, %) | +35%  | +5%     | +5%   | +5%      | +5%   |
|                               |       |         |       |          |       |

Source: Company, Maybank KE

<u>Sensitivity analysis:</u> Every MYR0.1b equity ADV deviation from our revised base case impacts our FY21/FY22E net profit by MYR8m p.a. (or 2.7%).

## Valuation & foreign shareholding

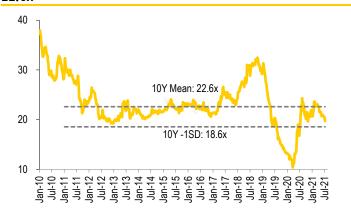
Bursa's current valuation implies MYR3.2b-3.3b equity ADV over the next 12M, measuring against its 10Y mean PER of 23x. We continue to peg on a 23x PER on FY22E earnings (FY21E previously), deriving a revised TP of MYR8.70.

Fig 10: Impact to our TP from deviation in equity ADV from our base case

| 2022E equity<br>ADV (MYR b) | Net profit<br>(MYR m) | EPS (sen) | Valuation (MYR/shr) at various PER peg: |       |       |  |  |
|-----------------------------|-----------------------|-----------|---|-------|-------|--|--|
|                             |                       |           | 21x                                     | 23x   | 25x   |  |  |
| 3.0                         | 247                   | 30.5      | 6.40                                    | 7.03  | 7.65  |  |  |
| 3.5                         | 289                   | 35.8      | 7.50                                    | 8.23  | 8.95  |  |  |
| 3.7                         | 306                   | 37.9      | 7.95                                    | 8.70  | 9.45  |  |  |
| 4.0                         | 332                   | 41.0      | 8.60                                    | 9.43  | 10.25 |  |  |
| 4.5                         | 374                   | 46.2      | 9.70                                    | 10.63 | 11.55 |  |  |

Note: Shaded in YELLOW is our base case; Source: Maybank KE

Fig 11: 12M fwd PER at 19.7x presently vs. 10Y mean of 22.6x



Source: Bloomberg, Maybank KE

Fig 12: Foreign shareholding - 19.1% @ end-Jun 2021 (-0.2 ppts 2021 YTD)



Source: Company, Maybank KE

Fig 13: BURSA now trades at 19.7x 12M fwd PER vs. peers' average of 26.7x

|                        | Ticker   |       | P/E (x) |       | ı     | P/BV (x) |       | !     | ROE (%) |       | Div   | / Yield (% | 5)    |
|------------------------|----------|-------|---------|-------|-------|----------|-------|-------|---------|-------|-------|------------|-------|
|                        |          | CY20A | CY21E   | CY22E | CY20A | CY21E    | CY22E | CY20A | CY21E   | CY22E | CY20A | CY21E      | CY22E |
| ASX Ltd                | ASX AU   | 30.0  | 30.4    | 29.4  | 3.9   | 3.9      | 3.8   | 12.9  | 12.8    | 13.2  | 3.0   | 3.0        | 3.1   |
| NZX Ltd                | NZX NZ   | 31.7  | 30.8    | 27.0  | 8.2   | 8.2      | 8.0   | 26.7  | 27.2    | 30.7  | 3.1   | 3.2        | 3.6   |
| Singapore Exch Ltd     | SGX SP   | 25.4  | 25.0    | 24.4  | 9.1   | 8.4      | 7.6   | 38.2  | 34.8    | 32.5  | 2.8   | 3.0        | 3.1   |
| Hong Kong Exch & Clear | 388 HK   | 53.8  | 42.5    | 36.8  | 12.7  | 11.9     | 11.2  | 24.7  | 29.2    | 32.1  | 1.7   | 2.1        | 2.4   |
| Japan Exchange Grp Inc | 8697 JP  | 25.8  | 25.9    | 25.1  | 4.1   | 3.9      | 3.7   | 16.5  | 15.8    | 16.0  | 2.7   | 2.5        | 2.6   |
| London Stock Exch Grp  | LSE LN   | 38.0  | 29.1    | 25.5  | 7.4   | 2.3      | 2.2   | 11.8  | 6.2     | 8.9   | 1.0   | 1.1        | 1.3   |
| Deutsche Boerse AG     | DB1 GR   | 21.9  | 22.0    | 20.1  | 4.3   | 3.9      | 3.4   | 18.1  | 18.3    | 18.1  | 2.1   | 2.2        | 2.4   |
| Euronext NV            | ENX FP   | 19.8  | 17.8    | 16.7  | 6.5   | 2.4      | 2.4   | 31.9  | 24.8    | 18.8  | 0.0   | 2.4        | 2.8   |
| Nasdaq Inc             | NDAQ US  | 28.4  | 25.4    | 24.3  | 4.5   | 4.3      | 4.0   | 15.5  | 18.0    | 17.0  | 1.1   | 1.2        | 1.3   |
| Simple ave (ex-Bursa)  |          | 30.5  | 27.7    | 25.5  | 6.8   | 5.5      | 5.1   | 21.8  | 20.8    | 20.8  | 1.9   | 2.3        | 2.5   |
| Bursa Malaysia         | BURSA MK | 16.4  | 19.2    | 20.2  | 6.9   | 6.7      | 6.5   | 45.5  | 35.3    | 32.5  | 6.7   | 4.8        | 4.5   |

Note: Based on share prices as of 8 Jul 2021; Sources: Bloomberg, Maybank KE

| FYE 31 Dec   | FY19A        | FY20A        | FY21E        | FY22E        | FY23E        |
|--|--------------|--------------|--------------|--------------|--------------|
| Key Metrics  |              |              |              |              |              |
| P/E (reported) (x)                                   | 28.5         | 16.0         | 19.2         | 20.2         | 20.1         |
| Core P/E (x)   | 26.5         | 17.8         | 19.2         | 20.2         | 20.1         |
| P/BV (x)   | 6.5          | 7.5          | 6.7          | 6.5          | 6.3          |
| P/NTA (x)  | 6.9          | 7.8          | 7.0          | 6.8          | 6.6          |
| Net dividend yield (%)                               | 3.4          | 6.1          | 4.8          | 4.5          | 4.6          |
| FCF yield (%)  | 3.4          | 7.1          | 4.6          | 4.6          | 4.7          |
| EV/EBITDA (x) EV/EBIT (x)                            | 16.9<br>18.2 | 11.9<br>12.4 | 12.5<br>13.3 | 13.0<br>14.0 | 12.9<br>13.9 |
|  |              |              |              |              |              |
| INCOME STATEMENT (MYR m) Revenue                     | 502.5        | 799.0        | 735.1        | 724.4        | 738.0        |
| EBITDA   | 277.1        | 528.6        | 457.9        | 440.2        | 446.5        |
| Depreciation   | (20.8)       | (21.4)       | (25.0)       | (28.9)       | (33.1)       |
| Amortisation   | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| EBIT   | 256.3        | 507.2        | 432.9        | 411.3        | 413.5        |
| Net interest income /(exp)                           | (0.5)        | (0.5)        | (0.5)        | (0.5)        | (0.5)        |
| Associates & JV                                      | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Exceptionals   | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Other pretax income                                  | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Pretax profit  | 255.8        | 506.6        | 432.3        | 410.7        | 412.9        |
| Income tax   | (66.2)       | (128.9)      | (110.0)      | (104.5)      | (105.0)      |
| Minorities   | (3.7)        | 0.0          | 0.0          | 0.0          | 0.0          |
| Discontinued operations                              | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Reported net profit                                  | 185.9        | 377.7        | 322.3        | 306.2        | 307.9        |
| Core net profit                                      | 185.9        | 377.7        | 322.3        | 306.2        | 307.9        |
| DALANCE CHEET (MVD)                                  |              |              |              |              |              |
| BALANCE SHEET (MYR m)  Cash & Short Term Investments | 251.8        | 439.0        | 443.3        | 445.5        | 448.9        |
| Accounts receivable                                  | 60.3         | 104.6        | 96.3         | 94.9         | 96.6         |
| Inventory  | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Reinsurance assets                                   | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Property, Plant & Equip (net)                        | 167.0        | 164.1        | 184.1        | 203.8        | 223.2        |
| Intangible assets                                    | 43.0         | 43.0         | 43.0         | 43.0         | 43.0         |
| Investment in Associates & JVs                       | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Other assets   | 1,799.1      | 2,482.2      | 2,301.0      | 2,271.4      | 2,311.2      |
| Total assets   | 2,321.0      | 3,232.9      | 3,067.6      | 3,058.6      | 3,122,9      |
| ST interest bearing debt                             | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Accounts payable                                     | 1,489.4      | 2,231.1      | 2,035.0      | 2,001.2      | 2,041.5      |
| Insurance contract liabilities                       | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| LT interest bearing debt                             | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Other liabilities                                    | 71.0         | 101.0        | 105.0        | 102.0        | 102.0        |
| Total Liabilities                                    | 1,560.3      | 2,332.1      | 2,139.8      | 2,103.6      | 2,143.3      |
| Shareholders Equity                                  | 760.8        | 900.8        | 927.8        | 955.0        | 979.7        |
| Minority Interest                                    | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Total shareholder equity                             | 760.8        | 900.8        | 927.8        | 955.0        | 979.7        |
| Total liabilities and equity                         | 2,321.0      | 3,232.9      | 3,067.6      | 3,058.6      | 3,122.9      |
| CASH FLOW (MYR m)                                    |              |              |              |              |              |
| Pretax profit  | 255.8        | 506.6        | 432.3        | 410.7        | 412.9        |
| Depreciation & amortisation                          | 20.8         | 21.4         | 25.0         | 28.9         | 33.1         |
| Adj net interest (income)/exp                        | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Change in working capital                            | (11.1)       | 16.7         | (4.6)        | (0.8)        | 1.0          |
| Cash taxes paid                                      | (79.8)       | (50.3)       | (125.1)      | (112.4)      | (105.1)      |
| Other operating cash flow                            | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Cash flow from operations                            | 185.6        | 494.4        | 327.6        | 326.5        | 341.9        |
| Capex  | (17.5)       | (17.9)       | (41.4)       | (44.7)       | (48.3)       |
| Free cash flow                                       | 168.1        | 476.5        | 286.2        | 281.8        | 293.6        |
| Dividends paid                                       | (168.2)      | (412.6)      | (295.3)      | (279.1)      | (283.2)      |
| Equity raised / (purchased)                          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Change in Debt                                       | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Other invest/financing cash flow                     | 29.0         | 123.3        | 13.4         | (0.5)        | (7.0)        |
| Effect of exch rate changes                          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Effect of excitate changes                           | 0.0          | 0.0          |              |              |              |

| FYE 31 Dec                    | FY19A    | FY20A    | FY21E    | FY22E    | FY23E    |
|-------------------------------|----------|----------|----------|----------|----------|
| Key Ratios                    |          |          |          |          |          |
| Growth ratios (%)             |          |          |          |          |          |
| Revenue growth                | (8.6)    | 59.0     | (8.0)    | (1.5)    | 1.9      |
| EBITDA growth                 | (16.2)   | 90.8     | (13.4)   | (3.9)    | 1.4      |
| EBIT growth                   | (17.0)   | 97.9     | (14.7)   | (5.0)    | 0.5      |
| Pretax growth                 | (17.0)   | 98.1     | (14.7)   | (5.0)    | 0.5      |
| Reported net profit growth    | (17.0)   | 103.2    | (14.7)   | (5.0)    | 0.5      |
| Core net profit growth        | (17.0)   | 103.2    | (14.7)   | (5.0)    | 0.5      |
| Profitability ratios (%)      |          |          |          |          |          |
| EBITDA margin                 | 55.1     | 66.2     | 62.3     | 60.8     | 60.5     |
| EBIT margin                   | 51.0     | 63.5     | 58.9     | 56.8     | 56.0     |
| Pretax profit margin          | 50.9     | 63.4     | 58.8     | 56.7     | 56.0     |
| Payout ratio                  | 90.4     | 109.2    | 91.6     | 91.1     | 92.0     |
| DuPont analysis               |          |          |          |          |          |
| Net profit margin (%)         | 37.0     | 47.3     | 43.9     | 42.3     | 41.7     |
| Revenue/Assets (x)            | 0.2      | 0.2      | 0.2      | 0.2      | 0.2      |
| Assets/Equity (x)             | 3.1      | 3.6      | 3.3      | 3.2      | 3.2      |
| ROAE (%)                      | 22.7     | 45.5     | 35.3     | 32.5     | 31.8     |
| ROAA (%)                      | 7.8      | 13.6     | 10.2     | 10.0     | 10.0     |
| Liquidity & Efficiency        |          |          |          |          |          |
| Cash conversion cycle         | nm       | nm       | nm       | nm       | nm       |
| Days receivable outstanding   | 42.1     | 37.2     | 49.2     | 47.5     | 46.7     |
| Days inventory outstanding    | nm       | nm       | nm       | nm       | nm       |
| Days payables outstanding     | nm       | nm       | nm       | nm       | nm       |
| Dividend cover (x)            | 1.1      | 0.9      | 1.1      | 1.1      | 1.1      |
| Current ratio (x)             | 1.2      | 1.2      | 1.2      | 1.2      | 1.2      |
| Leverage & Expense Analysis   |          |          |          |          |          |
| Asset/Liability (x)           | 1.5      | 1.4      | 1.4      | 1.5      | 1.5      |
| Net gearing (%) (incl perps)  | net cash |
| Net gearing (%) (excl. perps) | net cash |
| Net interest cover (x)        | nm       | nm       | nm       | nm       | nm       |
| Debt/EBITDA (x)               | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      |
| Capex/revenue (%)             | 3.5      | 2.2      | 5.6      | 6.2      | 6.5      |
| Net debt/ (net cash)          | (251.8)  | (439.0)  | (443.3)  | (445.5)  | (448.9)  |

Source: Company; Maybank

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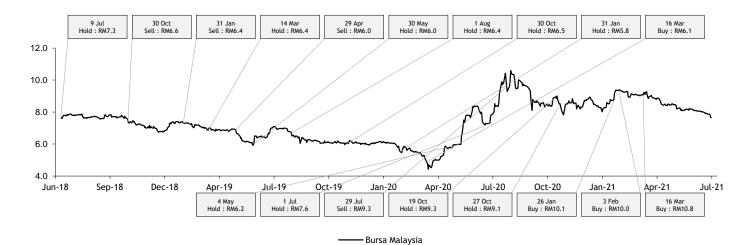
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#### Historical recommendations and target price: Bursa Malaysia (BURSA MK)



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