Bursa Malaysia (BURSA MK)

2Q26: Muted Near-Term Outlook; Downgrade To HOLD

Highlights

- Bursa Malaysia reported 2Q26 net profit of RM72m (+26% yoy, -1% qoq). Earnings were in line.
- Domestic political uncertainty to take centre stage.
- **Downgrade to HOLD with a lower target price of RM8.20 (based on 24.0x FY27F P/E),** from RM9.63, reflecting our earnings downgrades and a lower valuation multiple. We reduce our target PE to 24.0x (historical mean) from 25.5x (+0.5SD) as we now expect the earnings and trading activity recovery to be back-end loaded into 2H27, warranting a more conservative valuation approach.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	2Q25	qoq % chg	Yoy % chg	1H26	yoy % chg
Total Revenue	211.0	172.6	(1.5)	22.2	425.0	19.1
EBITDA	107.2	85.4	(0.9)	25.6	215.4	15.8
EBITDA margin (%)	52.4%	51.2%	0.0 ppt	1.1 ppt	50.7%	(1.4)
PBT	97.1	76.0	(1.5)	27.8	195.7	16.9
Net Profit	71.8	57.1	(1.4)	25.8	144.6	15.2
EPS (sen)	8.8	7.1	(1.6)	25.2	17.8	14.7
Average daily trading value (RMb)	3.26	2.29	(2.3)	47.1	3.30	34.1

Source: Bursa, UOB Kay Hian

Analysis

- **In line.** Bursa Malaysia (Bursa) reported 2Q26 net profit of RM71.8m (+25.8% yoy, -1.4% qoq), bringing 1H26 earnings to RM144.6m (+15.2% yoy), which came in broadly in line with expectations at 49% of our full-year forecast. 1H26 revenue grew 19.6% yoy, driven by a 26.9% yoy increase in securities trading revenue, in line with stronger average daily value traded (ADV), alongside a 64% yoy surge in listing revenue supported by larger IPOs. However, earnings growth was relatively more muted at 15.3% yoy due to higher operating expenses, primarily arising from the new regulatory fees payable to the Securities Commission Malaysia, effective 1 Jan 26 (capped at RM35m p.a. for 2026).

- **2Q26 yoy earnings growth underpinned by strong securities market trading revenue.** 2Q26 earnings rose 25.7% yoy, driven primarily by a 33% increase in securities trading revenue, underpinned by a 40% yoy surge in ADV. On a qoq basis, earnings dipped slightly (-1%) in tandem with the 2% qoq decline in ADV to RM3.26b.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	784	728	814	827	863
EBITDA	446	374	406	401	418
Operating profit	411	338	368	362	378
Net profit (rep./act.)	310	250	280	276	288
Net profit (adj.)	310	250	280	276	288
EPS	38.4	30.9	34.6	34.2	35.6
PE	22.7	28.1	25.1	25.5	24.4
P/B	8.0	8.8	8.6	8.5	8.4
EV/EBITDA	14.3	17.3	15.9	16.0	15.2
Dividend yield	5.1	3.2	3.8	3.7	3.9
Net margin	39.5	34.4	34.4	33.4	33.4
Net debt/(cash) to equity	(74.5)	(70.3)	(72.7)	(75.8)	(79.3)
Interest cover	n.a.	n.a.	n.a.	n.a.	n.a.
ROE	36.6	29.9	34.7	33.6	34.5
Consensus net profit			289.6	304.5	311.6
UOBKH/Consensus (x)			1.04	1.02	0.90

Source: Bursa, Bloomberg, UOB Kay Hian

HOLD (Downgraded)

Share Price	RM8.70
Target Price	RM8.20
Upside	-5.7%

Analyst(s)
Keith Wee
keithwee@uobkh.com
(603) 2147 1981

Stock Data

GICS Sector	Financials
Bloomberg ticker	BURSAMK
Shares issued (m)	809.3
Market cap (RMm)	7,040.9
Market cap (US$m)	1,721.4
3-mth avg daily t'over (US$m)	1.5

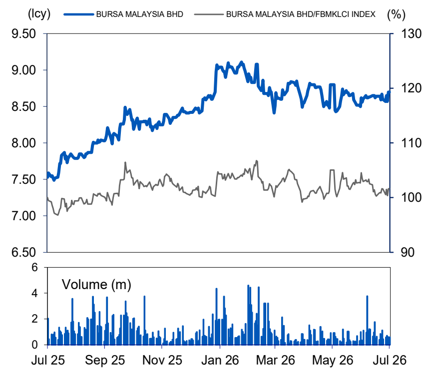
Price Performance (%)

52-week high/low RM9.18/RM7.48

1mth	3mth	6mth	1yr	YTD
2.4	1.8	(3.8)	14.6	3.3

Major Shareholders	%
Capital Market Development Fund	18.5
EPF	12.9
Kumpulan Wang Persaraan	11.2

Price Chart



Source: Bloomberg

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.

Analysis

- **Lower ADV assumptions amid prolonged political uncertainty.** Lingering geopolitical uncertainty in the Middle East, coupled with the increasingly likely postponement of Malaysia's General Election (GE) to 2027 (versus earlier expectations of a potential Oct 26 election), is expected to weigh on investor sentiment well into 1H27. Consequently, we have revised our ADV assumptions lower to RM2.83b for both 2026 and 2027, from RM3.15b and RM3.20b, respectively.
- **Recent trading activity has already begun to reflect this softer backdrop.** ADV declined sharply to RM2.3b in Jul 26 from RM3.2b in 2Q26, although ytd ADV remains relatively resilient at RM3.15b. Our revised forecast implies a moderation in trading activity to around RM2.5b in 2H26, reflecting a more cautious investor stance amid heightened political uncertainty.
- **Recovery deferred until after the GE.** Looking ahead, we expect trading activity to remain subdued at approximately RM2.5b in 1H27, as investors continue to adopt a wait-and-see approach ahead of the General Election. Assuming the GE is held in 1H27, we expect market activity to recover thereafter, with ADV improving to around RM3.0b in 2H27 as political clarity returns coupled with the resolution of the current Middle Eastern crisis.
- **Domestic politics takes centre stage.** In our view, the domestic GE overhang is likely to exert a larger negative influence on market sentiment than the resolution of geopolitical tensions in the Middle East. This dynamic was evident in Jun 26, when ADV declined 15% mom despite the announcement of the US-Iran interim peace agreement. In the same month, foreign investors remained net sellers of Malaysian equities, recording RM2.4b of net outflows, as speculation surrounding an early General Election intensified alongside the Johor state elections. This suggests that domestic political developments have become the dominant driver of investor sentiment, outweighing the positive impact from easing geopolitical risks.

Valuation/Recommendation

- **Downgrade to HOLD with a lower target price of RM8.20** (based on 24.0x FY27F P/E), from RM9.63, reflecting our earnings downgrades and a lower valuation multiple. We reduce our target P/E to 24.0x (historical mean) from 25.5x (+0.5SD) as we now expect the earnings and trading activity recovery to be back-end loaded into 2H27, warranting a more conservative valuation approach.

Earnings Revision/Risk

- Cut our 2026 and 27 earnings forecasts downwards by 7%/8% on lower ADV assumptions.
- **Risks:** Escalation of the current Middle Eastern Crisis and its contagion effect on global macroeconomic growth and consequently market sentiment.

Share Price Catalyst

- Stronger-than-expected ADV
- Stronger-than-expected derivative contract volumes

Environmental, Social, Governance (ESG) Updates

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

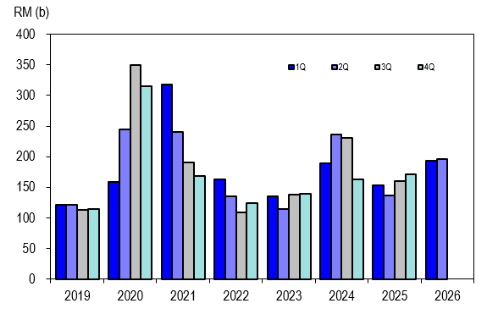
- -**Non-independent board of directors composition.** Composition of Independent Non-Executive Directors (INED) – 90%.

Assumptions

	2026F	2027F	2028F
Average Daily Value of Equities (RMb)	2.85	2.83	3.10
Futures Contract (m)	18.3	18.9	19.4
Dividend payout ratio (%)	95.0	95.0	95.0

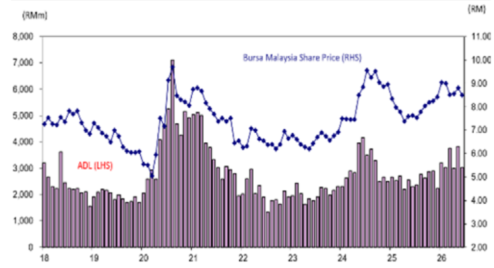
Source: Bloomberg, UOB Kay Hian

Bursa Quarterly Value Traded



Source: Bursa Malaysia, UOB Kay Hian

Bursa ADV Vs Share Price



Source: Bloomberg

Bursa 2026 ADV Forecast

	2026F Average
Overall Market Capitalisation (RMb)	2,000
Market Velocity	35%
Total Value Traded (Market Velocity x Market Cap) (RMb)	700
Number of Trading Days	247
2025 estimated ADV (RMb)	2.83

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	727.7	814.0	826.8	862.7
EBITDA	374.4	406.3	401.1	418.0
Deprec. & amort.	36.7	37.8	39.0	40.2
EBIT	337.6	368.4	362.1	377.9
Net interest income/(expense)	(0.5)	0.0	0.0	0.0
Pre-tax profit	337.1	368.4	362.1	377.9
Tax	(89.1)	(88.4)	(86.9)	(90.7)
Minorities	2.2	0.0	1.0	1.0
Net profit	250.2	280.0	276.2	288.2
Net profit (adj.)	250.2	280.0	276.2	288.2

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	243.7	275.7	307.7	339.7
Other LT assets	142.5	146.3	158.3	170.3
Cash/ST investment	570.4	600.7	635.6	676.2
Other current assets	2,267.8	2,405.8	2,056.0	2,098.0
Total assets	3,224.5	3,428.4	3,157.6	3,284.2
ST debt	0.5	1.0	1.0	1.1
Other current liabilities	2,399.8	2,556.0	2,237.5	2,349.3
LT debt	7.4	7.4	7.4	7.4
Other LT liabilities	16.3	49.6	83.7	84.0
Shareholders' equity	800.1	814.1	827.9	842.3
Minority interest	0.3	0.3	0.0	0.0
Total liabilities & equity	3,224.5	3,428.4	3,157.6	3,284.2

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	243.7	371.0	369.3	383.3
Pre-tax profit	247.9	280.0	276.2	288.2
Deprec. & amort.	36.7	37.8	39.0	40.2
Working capital changes	(12.9)	18.0	19.0	20.0
Non-cash items	(28.1)	35.1	35.2	35.0
Investing	59.9	(79.0)	(78.0)	(77.0)
Capex (maintenance)	(28.4)	(79.0)	(78.0)	(77.0)
Investments	0.0	0.0	0.0	0.0
Others	88.3	0.0	0.0	0.0
Financing	(321.1)	(266.0)	(262.4)	(273.8)
Dividend payments	(323.7)	(266.0)	(262.4)	(273.8)
Issue of shares	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	2.6	0.0	0.0	0.0
Net cash inflow (outflow)	-17.6	26.0	29.0	32.6
Beginning cash & cash equivalent	367.4	349.7	380.7	415.6
Ending cash & cash equivalent	349.8	375.7	409.6	448.2

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	51.4	49.9	48.5	48.5
Pre-tax margin	46.4	45.3	43.8	43.8
Net margin	34.4	34.4	33.4	33.4
ROA	6.6	8.4	8.4	8.9
ROE	29.9	34.7	33.6	34.5
Growth				
Turnover	(7.2)	11.9	1.6	4.3
EBITDA	(16.1)	8.5	(1.3)	4.2
Pre-tax profit	(17.9)	9.3	(1.7)	4.4
Net profit	(19.3)	11.9	(1.4)	4.3
Net profit (adj.)	(19.3)	11.9	(1.4)	4.3
EPS	(19.3)	11.9	(1.4)	4.3
Leverage				
Debt to total capital	1.0	1.0	1.0	1.0
Debt to equity	1.0	1.0	1.0	1.0
Net debt/(cash) to equity	(70.3)	(72.7)	(75.8)	(79.3)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.