

## COMPANY RESULTS

### Singapore Exchange (SGX SP)

FY24: Strong Results In Line As FICC Outperforms

For FY24, SGX reported higher revenue (+3.1% yoy) and adjusted PATMI (+4.5% yoy), driven by the FICC and platform segments but offset by the cash equities and equities derivatives segments. With a lack of near-term catalysts, SGX is fairly valued at current price levels, in our view. Maintain HOLD but with a higher target price of S\$10.65 (S\$10.13 previously).

#### FY24 RESULTS

Year to 30 Jun (\$m)	FY24	FY23	yoy% Chg	2HFY24	2HFY23	yoy% Chg
Turnover	1,231.7	1,194.4	3.1	639.4	623.0	2.6
Fixed Income, Currencies, Commodities	322.5	263.6	22.3	170.6	145.1	17.6
Cash Equities	334.9	342.1	(2.1)	175.3	172.9	1.4
Equities Derivatives	334.0	361.3	(7.5)	173.4	188.7	(8.1)
Platform and Others	240.2	227.4	5.6	120.1	116.3	3.3
EBITDA	702.2	687.9	2.1	357.6	353.8	1.1
Operating Profit	606.4	589.5	2.9	310.2	305.5	1.6
Headline PATMI	597.9	570.9	4.7	316.3	286.3	10.5
Adjusted PATMI	525.9	503.2	4.5	274.5	266.4	3.0
Margin (%)						
EBITDA Margin	57.0	57.6	(0.6ppt)	55.9	56.7	(0.8ppt)
Operating Margin	49.2	49.4	(0.1ppt)	48.5	49.0	(0.5ppt)
PATMI Margin	48.5	47.8	0.7ppt	49.5	45.9	3.6ppt
Adjusted PATMI Margin	42.7	42.1	0.6ppt	42.9	42.7	0.2ppt

Source: SGX, UOB Kay Hian

#### RESULTS

- Stable performance in line.** Singapore Exchange (SGX) reported higher FY24 revenue (+3.1% yoy), EBITDA (+2.1% yoy) and headline PATMI (+4.7% yoy), forming 100%/101%/102% of our full-year forecasts respectively. The higher revenue was driven by stronger revenue contributions from the fixed income, currencies, commodities (FICC) (+22.3% yoy) and platform and others (platform) (+5.6% yoy) segments, offset by the cash equities (-2.1% yoy) and equities derivatives segments (-7.5% yoy). FY24 EBITDA (-0.6ppt yoy) and operating margins (-0.1ppt yoy) were slightly softer yoy, dragged by higher operating expenses to support the group's fast-growing over-the-counter forex (OTC FX) business and increased contributions from the lower-margin FICC segment. Similar to FY24, 2HFY24 overall revenue (+2.6% yoy) and adjusted PATMI (+3.0% yoy) was also higher yoy, driven by the FICC, cash equities and platform segments.

- Slightly higher dividend.** SGX reported a final quarterly dividend of 9.0 S cents/share, taking total FY24 dividends to 34.5 S cents/share (FY23: 32.5 S cents/share). This implies a core PATMI dividend payout ratio of around 70% and dividend yield of around 3.5%. Management has noted that the group expects to increase its dividends per share in line with its underlying earnings growth and at a mid-single-digit CAGR target in the medium term. Based on our estimates, this implies FY25-27 dividend payout ratios of around 70-73% and yields of around 3-4%.

#### KEY FINANCIALS

Year to 30 Jun (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	1,194.4	1,231.7	1,315.3	1,365.1	1,412.1
EBITDA	687.9	702.2	757.6	778.1	798.1
Operating profit	589.5	606.4	655.9	677.9	697.7
Net profit (rep./act.)	570.9	597.9	555.9	574.4	591.1
Net profit (adj.)	503.2	525.9	555.9	574.4	591.1
EPS (\$ cent)	45.5	48.0	50.7	52.4	53.9
PE (x)	21.6	20.5	19.4	18.7	18.2
P/B (x)	6.2	5.4	4.9	4.6	4.3
EV/EBITDA (x)	15.0	14.7	13.7	13.3	13.0
Dividend yield (%)	3.3	3.5	3.7	3.9	4.1
Net margin (%)	47.8	48.5	42.3	42.1	41.9
Net debt/(cash) to equity (%)	(5.0)	(7.8)	(10.3)	(9.7)	(9.5)
ROE (%)	35.2	32.7	27.2	26.0	25.0
Consensus net profit	-	-	555	577	606
UOBKH/Consensus (x)	-	-	1.00	1.00	0.97

Source: SGX, Bloomberg, UOB Kay Hian

## HOLD

(Maintained)

Share Price	S\$9.82
Target Price	S\$10.65
Upside	+8.5%
(Previous TP)	S\$10.13)

#### COMPANY DESCRIPTION

Singapore Exchange Limited owns and operates Singapore's Securities and derivatives exchange and their related clearing houses. The Company also provides ancillary securities processing and information technology services to participants in the financial sector.

#### STOCK DATA

GICS sector	Financials
Bloomberg ticker:	SGX SP
Shares issued (m):	1,068.6
Market cap (\$m):	10,494.1
Market cap (US\$m):	7,920.1
3-mth avg daily t'over (US\$m):	13.3

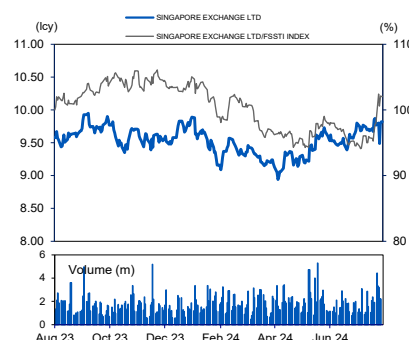
#### Price Performance (%)

52-week high/low S\$9.95/S\$8.94

1mth	3mth	6mth	1yr	YTD
2.6	7.4	6.2	1.1	(0.1)

Major Shareholders	%
None	-
-	-
-	-
FY25 NAV/Share (\$)	1.99
FY25 Net Cash/Share (\$)	0.21

#### PRICE CHART



Source: Bloomberg

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## STOCK IMPACT

- Cash equities: Bottomed out.** In line with expectations, FY24 segmental revenue fell (-2.1% yoy) as both securities daily average value (SDAV) (-3.9% yoy) and total traded value (-4.2% yoy) moderated lower. The softer performance was largely due to lower trading and clearing (T&C) revenue (-4.1% yoy) but supported by stable yoy overall clearing fees at 2.49bp. However, for 2HFY24, overall segmental (+1.4% yoy) and T&C (+6.0% yoy) revenue grew as total traded value (+3.8% yoy) improved. This is in line with our earlier expectations that revenue from cash equities was likely to bottom out in 1HFY24 at pre-COVID-19 levels and stabilise in 2HFY24. Moving forward, we reckon that an uncertain macroeconomic outlook, coupled with expected interest rate cuts in FY25, would improve trading velocity, pushing the cash equities segment into revenue and profitability growth.
- Equity derivatives: Soft performance.** In line with expectations, FY24 segmental revenue fell by 7.5% yoy, dragged by lower T&C revenue (-9.0% yoy) from softer equity derivatives volumes (-7.7% yoy) and lower overall average fee per contract at S\$1.54 (FY23: S\$1.56). The underperformance was led by broad-based volume declines across most key contracts such as SGX's FTSE China A50 Index futures (-3.3% yoy), Japan Nikkei 225 Index futures and options (-22.5% yoy) and GIFT Nifty 50 index futures (-31.1% yoy). Moving forward, we expect positive total traded volumes growth in FY25 from an increasingly uncertain macroeconomic outlook that would likely boost investor risk-on sentiment.
- FICC: Non-stop growth.** Core FY24 FICC revenue grew 23.0% yoy, backed by higher OTC FX (+21.8% yoy) and T&C revenue (+28.5% yoy). The outperformance was driven by record-high trading volumes for both commodities (+50.2% yoy) and currency derivatives (+34.2% yoy). This was due to continued efforts in broadening participation in iron ore and an increase in swap activity from financial institutions enhancing their capital efficiency amid interest rate linked volatility. Also, for 2HFY24, the FICC continued its robust growth with segmental revenue increasing 17.6% yoy, driven by sharply higher T&C revenue (+31.5% yoy). FICC segmental revenue now accounts for 26% (22% previously) of SGX's overall FY24 revenue, nearly on par with both cash equities (27%) and equity derivatives (27%). Moving forward, we reckon that revenue from the FICC segment will continue its upward momentum and become the largest revenue contributor in 1HFY25, driven by higher risk-management demand from an uncertain macroeconomic outlook and stronger market fundamentals.
- Platform and others segment: Reliable and stable.** The platform segment reported higher segmental revenue (+5.6% yoy) for FY24, on the back of larger contributions from the market data (+9.0% yoy), connectively (+9.0% yoy) and indices (+2.2% yoy) subsegments.

## EARNINGS REVISION/RISK

- We lower our FY25-26 headline PATMI forecasts by 2-3%,** on the back of lower margin assumptions while adding our FY27 estimates. For FY25-27, our headline PATMI estimates are S\$555.9m (S\$572.6m previously), S\$574.4m (S\$590.0m previously) and S\$591.1m.

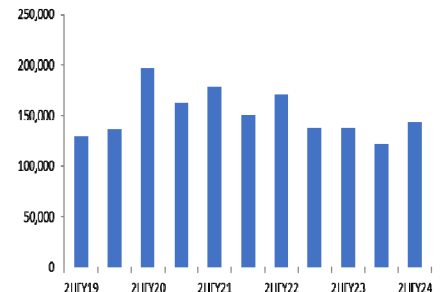
## VALUATION/RECOMMENDATION

- Maintain HOLD with a slightly higher PE-based target price of S\$10.65 (S\$10.13 previously),** pegged to the same 21x PE multiple, -0.5SD to SGX's historical forward mean, to FY25 earnings (FY24 earnings previously) of S\$555.9m.
- Despite robust growth from the FICC segment, we reckon that there are no near-term catalysts to justify a higher valuation. Higher treasury income from interest rate hikes has already started coming through, which we reckon has already been priced in. Despite a moderate yield of about 3.7%, we like still SGX for its resilient business model that benefits from the global economic uncertainty but recommend waiting for better entry points.

## SHARE PRICE CATALYST

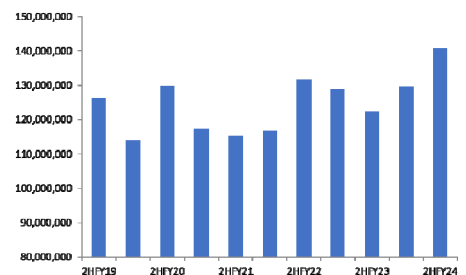
- Longer-than-expected period of trading volatility.
- Earnings-accretive acquisitions.

## TOTAL ANNUAL SECURITIES TRADED VALUE (\$M)



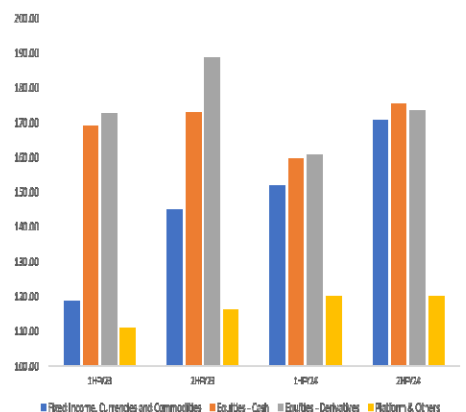
Source: Singapore Exchange, UOB Kay Hian

## TOTAL DERIVATIVE CONTRACTS TRADED



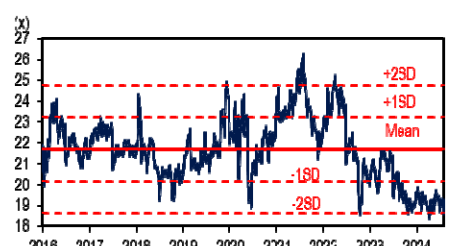
Source: Singapore Exchange, UOB Kay Hian

## SEGMENTAL HALF YEARLY REVENUE (\$M)



Source: Singapore Exchange, UOB Kay Hian

## SGX'S HISTORICAL FORWARD PE



Source: Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 30 Jun (\$m)	2024	2025F	2026F	2027F
Net turnover	1,231.7	1,315.3	1,365.1	1,412.1
EBITDA	702.2	757.6	778.1	798.1
Deprec. & amort.	95.9	101.7	100.2	100.4
EBIT	606.4	655.9	677.9	697.7
Total other non-operating income	117.1	17.7	17.7	17.7
Associate contributions	(14.5)	(14.5)	(14.5)	(14.5)
<b>Pre-tax profit</b>	<b>709.0</b>	<b>659.1</b>	<b>681.1</b>	<b>700.9</b>
Tax	(111.4)	(103.6)	(107.1)	(110.2)
Minorities	0.3	0.3	0.3	0.3
<b>Net profit</b>	<b>597.9</b>	<b>555.9</b>	<b>574.4</b>	<b>591.1</b>
Net profit (adj.)	525.9	555.9	574.4	591.1

### BALANCE SHEET

Year to 30 Jun (\$m)	2024	2025F	2026F	2027F
Fixed assets	189.6	163.0	137.7	112.4
Other LT assets	1,548.3	1,533.9	1,519.4	1,504.9
Cash/ST investment	795.7	862.9	864.4	874.7
Other current assets	1,451.3	1,526.9	1,571.9	1,614.3
<b>Total assets</b>	<b>3,985.0</b>	<b>4,086.6</b>	<b>4,093.5</b>	<b>4,106.4</b>
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	1,238.5	1,175.0	1,019.5	874.9
LT debt	643.1	643.1	643.1	643.1
Other LT liabilities	142.2	142.2	142.2	142.2
Shareholders' equity	1,959.8	2,125.0	2,287.3	2,444.8
Minority interest	1.3	1.4	1.4	1.4
<b>Total liabilities &amp; equity</b>	<b>3,985.0</b>	<b>4,086.6</b>	<b>4,093.5</b>	<b>4,106.4</b>

### CASH FLOW

Year to 30 Jun (\$m)	2024	2025F	2026F	2027F
<b>Operating</b>	<b>615.8</b>	<b>532.5</b>	<b>488.3</b>	<b>518.5</b>
Pre-tax profit	723.5	673.6	695.6	715.4
Tax	(112.3)	(103.6)	(107.1)	(110.2)
Deprec. & amort.	95.9	101.7	100.2	100.4
Working capital changes	0.7	(139.1)	(200.5)	(187.1)
Non-cash items	(92.0)	0.0	0.0	0.0
<b>Investing</b>	<b>(137.9)</b>	<b>(75.0)</b>	<b>(75.0)</b>	<b>(75.0)</b>
Capex (growth)	(4.7)	0.0	0.0	0.0
Capex (maintenance)	(64.6)	(75.0)	(75.0)	(75.0)
Investments	(207.4)	0.0	0.0	0.0
Proceeds from sale of assets	108.1	0.0	0.0	0.0
Others	30.7	0.0	0.0	0.0
<b>Financing</b>	<b>(459.7)</b>	<b>(390.4)</b>	<b>(411.8)</b>	<b>(433.2)</b>
Dividend payments	(364.9)	(390.4)	(411.8)	(433.2)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(375.4)	0.0	0.0	0.0
Others/interest paid	280.7	0.0	0.0	0.0
<b>Net cash inflow (outflow)</b>	<b>18.2</b>	<b>67.2</b>	<b>1.5</b>	<b>10.3</b>
Beginning cash & cash equivalent	777.3	795.7	862.9	864.4
Changes due to forex impact	0.2	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>795.7</b>	<b>862.9</b>	<b>864.4</b>	<b>874.7</b>

### KEY METRICS

Year to 30 Jun (%)	2024	2025F	2026F	2027F
<b>Profitability</b>				
EBITDA margin	57.0	57.6	57.0	56.5
Pre-tax margin	57.6	50.1	49.9	49.6
Net margin	48.5	42.3	42.1	41.9
ROA	15.4	13.8	14.0	14.4
ROE	32.7	27.2	26.0	25.0
<b>Growth</b>				
Turnover	3.1	6.8	3.8	3.4
EBITDA	2.1	7.9	2.7	2.6
Pre-tax profit	5.2	(7.0)	3.3	2.9
Net profit	4.7	(7.0)	3.3	2.9
Net profit (adj.)	4.5	5.7	3.3	2.9
EPS	5.4	5.7	3.3	2.9
<b>Leverage</b>				
Debt to total capital	24.7	23.2	21.9	20.8
Debt to equity	32.8	30.3	28.1	26.3
Net debt/(cash) to equity	(7.8)	(10.3)	(9.7)	(9.5)

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