

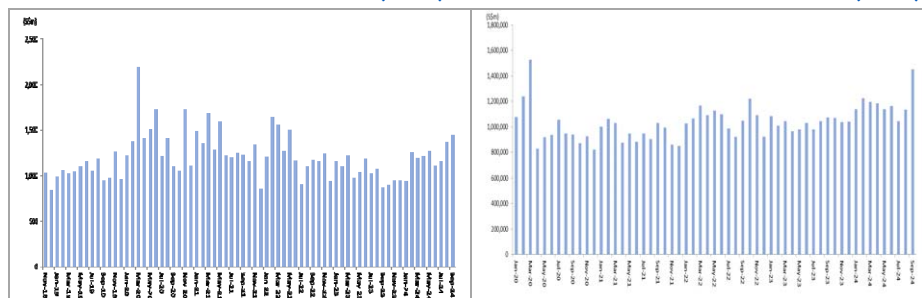
COMPANY UPDATE

Singapore Exchange (SGX SP)

Stellar Month For All Business Segments

For Sep 24, SGX reported strong operating statistics which saw SDAV reaching a two-year high, driven by increased market turnover value for China-linked SGX-listed companies. Total derivative traded volumes also surged to a four-year high, driven by the equity derivatives and commodities segments. However, with a lack of near-term catalysts, we still opine that SGX is fairly valued at current price levels. Maintain HOLD but with a higher PE-based target price of S\$11.83 (S\$11.62 previously).

SECURITIES DAILY AVERAGE VALUE (SDAV) DERIVATIVES DAILY AVERAGE VALUE (DDAV)



Source: Singapore Exchange, UOB Kay Hian

Source: Singapore Exchange, UOB Kay Hian

WHAT'S NEW

- Robust month for cash equities.** Slightly above expectations, Singapore Exchange (SGX) reported its Sep 24 monthly statistics which showed that securities daily average value (SDAV) surged sharply (+66.9% yoy, +5.6% mom) to S\$1.44b, the highest since May 22. Driven by China's announced stimulus measures, this led to an increase in total value traded for China-linked SGX listed companies along with the financial and telco sectors. We maintain our expectations that SDAV would stay elevated in the following months as uncertainty over the global economy, upcoming US elections in Nov 24 and the US fed interest rate policy would likely increase trading velocity moving forward.
- Derivatives volume at four-year high.** Slightly above expectations, derivatives daily average volume (DDAV) surged (+35.2% yoy, +28.0% mom) in Sep 24, driven by record-high volumes across most asset classes. Total equity index futures volumes rose 37.0% yoy to hit a two-year high, largely driven by the FTSE China A50 Index Futures which saw volumes skyrocket (+59.8% yoy, +59.7% mom) on the back of China's announced stimulus measures. Other major equity indexes such as the FTSE Taiwan index futures (+11.3% yoy, -11.0% mom), MSCI Singapore index futures (+12.9% yoy, -9.6% mom) and NSE IFSC Nifty 50 Index Futures (+14.6% yoy, -2.9% mom) also grew yoy. Moving forward, we still expect positive total traded equity derivatives volumes growth in FY25 from an uncertain macroeconomic outlook boosting demand for risk management.

KEY FINANCIALS

Year to 30 Jun (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	1,194	1,232	1,344	1,396	1,443
EBITDA	688	702	781	803	823
Operating profit	590	606	679	703	723
Net profit (rep./act.)	571	598	575	595	612
Net profit (adj.)	503	526	575	595	612
EPS (S\$ cent)	45.5	48.0	52.5	54.3	55.9
PE (x)	25.7	24.4	22.3	21.6	21.0
P/B (x)	7.4	6.4	5.8	5.4	5.0
EV/EBITDA (x)	17.9	17.5	15.8	15.3	15.0
Dividend yield (%)	2.8	2.9	3.1	3.3	3.5
Net margin (%)	47.8	48.5	42.8	42.7	42.4
Net debt/(cash) to equity (%)	(5.0)	(7.8)	(10.3)	(10.4)	(10.8)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	35.2	32.7	28.0	26.6	25.3
UOBKH/Consensus (x)	-	-	0.99	1.00	0.97

Source: Singapore Exchange, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$11.71
Target Price	S\$11.83
Upside	+1.0%
(Previous TP)	S\$11.62)

COMPANY DESCRIPTION

Singapore Exchange 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):	1,070.8
Market cap (S\$m):	12,539.1
Market cap (US\$m):	9,581.4
3-mth avg daily t'over (US\$m):	22.6

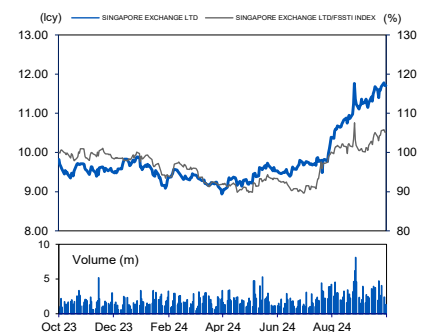
Price Performance (%)

52-week high/low	S\$11.85/S\$8.87				
1mth	3mth	6mth	1yr	YTD	
4.3	20.1	28.3	19.9	19.1	

Major Shareholders

None	%
	-
FY25 NAV/Share (S\$)	2.00
FY25 Net Cash/Share (S\$)	0.21

PRICE CHART



Source: Bloomberg

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• **FICC: Stellar performance.** In line with expectations, the fixed income, currencies and commodities (FICC) segment continued to outperform with total forex volumes (+34.8% yoy, -0.7% mom) surging higher yoy in Sep 24, just shy of the previous record set in Aug 24. The strong performance was driven by the three main currency pairs. Total trading volumes for USD/CNH futures (+22.9% yoy, +1.5% mom), KRW/USD futures (+114.3% yoy, -18.6% mom) and INR/USD futures (+54.9% yoy, -1.9% mom) grew yoy. Following China's stimulus announcements, the commodities segment (+29.1% yoy, +14.6% mom) saw volumes surging to record highs, largely led by iron ore futures (+29.0% yoy, +13.5% mom) and SGX SICOM rubber futures (+60.0% yoy, +60.4% mom).

### STOCK IMPACT

• **MAS review group update.** As a recap, the Monetary Authority of Singapore (MAS) announced that a review group has been set up to review and strengthen the equities market in Singapore. The group will recommend a set of measures and complete its report within 12 months. It was recently announced by the group's chair that the review group does not intend to wait till the end of the 12-month review period before implementing proposals and would carry out any potential measures in phases. Also, some measures that have been discussed include: a) providing incentives and encouraging quality domestic and regional companies to list on SGX; b) improving market liquidity and participation by facilitating price discovery, broadening stock indices and expanding the pool of equity market derivatives; and c) re-evaluating regulatory structures and approaches such as streamlining the prospectus disclosure for IPOS while sharpening the focus on material disclosures and disclosure quality.

### EARNINGS REVISION/RISK

• **We increase our FY25-27 PATMI forecasts by 1-2%**, on the back of higher SDAV and equity derivatives assumptions. For FY25-27, our headline PATMI estimates are S\$575.3m (S\$565.1m previously), S\$595.3m (S\$586.9m previously) and \$612.4m (S\$604.9m previously) respectively.

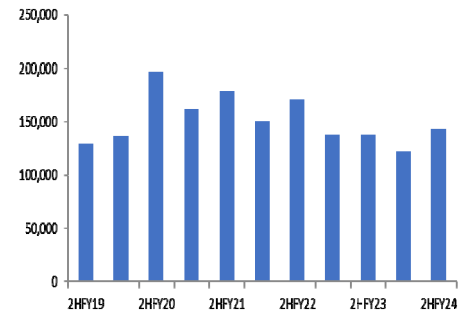
### VALUATION/RECOMMENDATION

- **Maintain HOLD with a slightly higher PE-based target price of S\$11.83 (S\$11.62 previously)**, pegged to 22x PE multiple, to SGX's historical forward average mean to FY25 earnings.
- In our view, we reckon that there are no near-term catalysts to justify a higher valuation. Despite a lacklustre yield of about 3.1%, 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

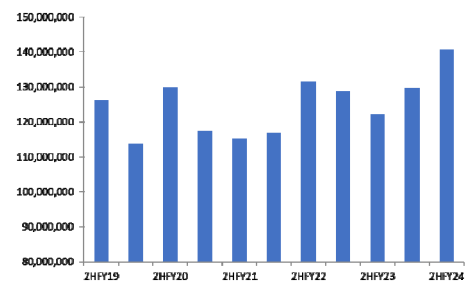
- Longer-than-expected period of trading volatility.
- Higher-than-expected SDAV and DDAV.
- Earnings-accretive acquisitions.

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



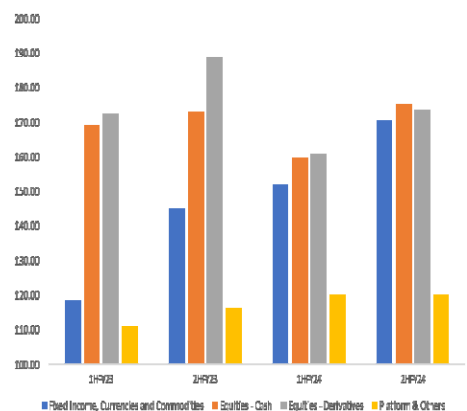
Source: Singapore Exchange, UOB Kay Hian

### TOTAL DERIVATIVE CONTRACTS TRADED



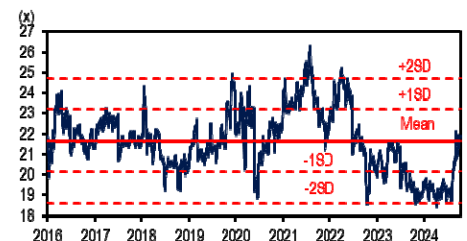
Source: Singapore Exchange, UOB Kay Hian

### SEGMENTAL HALF YEARLY REVENUE (\$M)



Source: Singapore Exchange, UOB Kay Hian

### HISTORICAL FORWARD PE



Source: Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 30 Jun (\$m)	2024	2025F	2026F	2027F
<b>Net turnover</b>	<b>1,231.7</b>	<b>1,343.6</b>	<b>1,395.6</b>	<b>1,443.1</b>
EBITDA	702.2	780.6	803.0	823.4
Deprec. & amort.	95.9	101.7	100.2	100.4
EBIT	606.4	678.9	702.7	723.0
Total other non-operating income	117.1	17.7	17.7	17.7
Associate contributions	(14.5)	(14.5)	(14.5)	(14.5)
Net interest income/(expense)	0.0	0.0	0.0	0.0
<b>Pre-tax profit</b>	<b>709.0</b>	<b>682.2</b>	<b>706.0</b>	<b>726.2</b>
Tax	(111.4)	(107.2)	(111.0)	(114.1)
Minorities	0.3	0.3	0.3	0.3
<b>Net profit</b>	<b>597.9</b>	<b>575.3</b>	<b>595.3</b>	<b>612.4</b>
Net profit (adj.)	525.9	575.3	595.3	612.4

### BALANCE SHEET

Year to 30 Jun (\$m)	2024	2025F	2026F	2027F
<b>Fixed assets</b>	<b>189.6</b>	<b>163.0</b>	<b>137.7</b>	<b>112.4</b>
Other LT assets	1,548.3	1,533.9	1,519.4	1,504.9
Cash/ST investment	795.7	864.8	884.2	914.1
Other current assets	1,451.3	1,552.4	1,599.4	1,642.4
<b>Total assets</b>	<b>3,985.0</b>	<b>4,114.1</b>	<b>4,140.8</b>	<b>4,173.8</b>
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	1,238.5	1,183.0	1,026.5	880.6
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	2,144.4	2,327.6	2,506.5
Minority interest	1.3	1.4	1.4	1.4
<b>Total liabilities &amp; equity</b>	<b>3,985.0</b>	<b>4,114.1</b>	<b>4,140.8</b>	<b>4,173.8</b>

### CASH FLOW

Year to 30 Jun (\$m)	2024	2025F	2026F	2027F
<b>Operating</b>	<b>615.8</b>	<b>534.4</b>	<b>506.2</b>	<b>538.0</b>
Pre-tax profit	723.5	696.6	720.4	740.7
Tax	(112.3)	(107.2)	(111.0)	(114.1)
Deprec. & amort.	95.9	101.7	100.2	100.4
Associates	0.0	0.0	0.0	0.0
Working capital changes	0.7	(156.6)	(203.5)	(188.9)
<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
Investment	(207.4)	0.0	0.0	0.0
Proceeds from sale of assets	108.1	0.0	0.0	0.0
Others	(33.8)	(75.0)	(75.0)	(75.0)
<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>69.1</b>	<b>19.4</b>	<b>29.8</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>777.3</b>	<b>795.7</b>	<b>864.8</b>	<b>884.2</b>
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>864.8</b>	<b>884.2</b>	<b>914.1</b>

### KEY METRICS

Year to 30 Jun (%)	2024	2025F	2026F	2027F
<b>Profitability</b>				
EBITDA margin	57.0	58.1	57.5	57.1
Pre-tax margin	57.6	50.8	50.6	50.3
Net margin	48.5	42.8	42.7	42.4
ROA	15.4	14.2	14.4	14.7
ROE	32.7	28.0	26.6	25.3
<b>Growth</b>				
Turnover	3.1	9.1	3.9	3.4
EBITDA	2.1	11.2	2.9	2.5
Pre-tax profit	5.2	(3.8)	3.5	2.9
Net profit	4.7	(3.8)	3.5	2.9
Net profit (adj.)	4.5	9.4	3.5	2.9
EPS	5.4	9.4	3.5	2.9
<b>Leverage</b>				
Debt to total capital	24.7	23.1	21.6	20.4
Debt to equity	32.8	30.0	27.6	25.7
Net debt/(cash) to equity	(7.8)	(10.3)	(10.4)	(10.8)

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