

COMPANY UPDATE

Singapore Exchange (SGX SP)

1HFY25 Results Preview: Expect A Strong Half As Trading Volumes Improve

We expect SGX to report strong 1HFY25 revenue (+15% yoy) and adjusted PATMI (+16% yoy), driven by broad-based outperformance from most business segments. The cash equities and equity derivatives segments are poised to post strong results as trading value and volumes improve while the FICC segment is set to post record-high revenue driven by robust volumes. The ongoing stock market review is set to be completed in 2HFY25. We maintain HOLD with the same target price of S\$11.83.

WHAT'S NEW

- Singapore Exchange (SGX) is set to release its 1HFY25 results on 6 Feb 25, before the market opens. We list some factors below that would impact its upcoming results.
- **Robust securities turnover.** For 1HFY25, total securities turnover value grew by 34.4% yoy to around S\$163b, in line with our expectations. The robust yoy growth was largely due to increased trading velocity driven by lower US Fed interest rates, positive sentiment from China's stimulus measures and increased retail investor participation at a two-year high. Also, with SGX's average clearing fee expected to be higher yoy, we reckon that this would lead to a 36% yoy increase in 1HFY25 cash equities trading and clearing (T&C) revenue to around S\$105m, boosting profitability for the cash equities segment.
- **Strong derivatives volume.** In line with our expectations, 1HFY25 total derivatives traded volumes were 21.4% higher yoy, backed by strong broad-based volume growth across all the derivatives segments. 1HFY25 total equity derivatives volumes were higher (+17.9% yoy), largely driven by the SGX's FTSE China A50 Index Futures (+29.6% yoy), NSE IFSC Nifty 50 Index Futures (+16.3% yoy) and the MSCI Singapore Index Futures (+3.8% yoy). With SGX's average clearing fee per contract expected to be stable yoy, we reckon that this would lead to a steady 18% yoy increase in 1HFY25 equity derivatives T&C revenue at around S\$145m. We maintain our expectations that an ongoing uncertain macroeconomic outlook would boost demand for risk management.
- **FICC: Outperformance.** In line with expectations, the fixed income, currencies and commodities (FICC) segment continued to outperform with total forex volumes (+43.3% yoy) surging to record-high volumes in 1HFY25, driven by the three main currency pairs. Total trading volumes for USD/CNH futures (+33.0% yoy), KRW/USD futures (+103.7% yoy) and INR/USD futures (+57.9% yoy) outperformed in 1HFY25. Following China's stimulus announcements, the commodities segment (+14.5% yoy) saw robust volumes in 1HFY25, largely led by iron ore futures (+14.7% yoy) and SGX SICOM rubber futures (+37.8% yoy). Given the strong volumes in 1HFY25, we expect the FICC to continue its upward momentum and post a 26% yoy growth in 1HFY25 T&C revenue.

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)	26.6	25.3	23.1	22.3	21.7
P/B (x)	7.6	6.6	6.0	5.6	5.2
EV/EBITDA (x)	18.5	18.2	16.3	15.9	15.5
Dividend yield (%)	2.7	2.8	3.0	3.2	3.3
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)
ROE (%)	35.2	32.7	28.0	26.6	25.3
Consensus net profit	-	-	599	613	645
UOBKH/Consensus (x)	-	-	0.96	0.97	0.95

Source: Singapore Exchange, Bloomberg, UOB Kay Hian

HOLD (Maintained)

Share Price	S\$12.12
Target Price	S\$11.83
Upside	-2.4%

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):	1,070.5
Market cap (S\$m):	12,974.7
Market cap (US\$m):	9,445.1
3-mth avg daily t'over (US\$m):	19.5

Price Performance (%)

52-week high/low	S\$13.09/S\$8.87			
1mth	3mth	6mth	1yr	YTD
(2.7)	3.8	23.7	22.5	(4.9)

Major Shareholders

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

PRICE CHART



Source: Bloomberg

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- Higher yoy dividend.** As a recap, 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 implied 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, we expect 1HFY25 dividend payout ratio to be around 67% at 18.0 S cents/share. We also expect FY25 total dividends per share to be at 36.5 S cents/share, implying a 6% yoy increase in total dividends per share and a 3% dividend yield.

STOCK IMPACT

- 1HFY25: Broad-based outperformance.** Based on our estimates, we expect higher 1HFY25 overall revenue and adjusted PATMI of around S\$675m (+15% yoy) and S\$290m (+16% yoy) respectively, driven by stronger growth across most of the business segments. Also, given increased contributions from the higher-margin cash equities and equity derivatives segments, we expect a better revenue mix in 1HFY25, leading to higher margins. For FY25, we expect both overall revenue and adjusted PATMI to grow by around 9% yoy.
- MAS review group update.** As a recap, the Monetary Authority of Singapore (MAS) announced in Aug 24 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, implying that results would likely be announced within the next six months (2HFY25). It was 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.
- Help needed.** Some recent market suggestions include: a) channelling sovereign wealth funds into the domestic stock market, b) listing several government-linked companies such as Port of Singapore Authority and Changi Airports International, c) utilising governmental seed capital to attract more commercial capital from institutional investors and family offices, and d) streamlining unnecessary regulations from the listing process to encourage more listings. In our view, we reckon that channelling sovereign wealth funds into the domestic stock market would be the most impactful, specifically into the small-mid cap stocks. Given that 82-87% of total monthly securities traded value in the past 18 months have been concentrated into STI constituent stocks, having sovereign wealth funds such as Temasek and GIC invest into small-mid cap stocks would help improve the lack of liquidity plaguing the market and improve valuations.

EARNINGS REVISION/RISK

- We make no adjustments to our FY25-27 PATMI forecasts.**

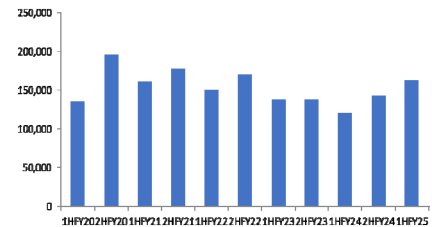
VALUATION/RECOMMENDATION

- Maintain HOLD with the same PE-based target price of S\$11.83**, pegged to the same 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%, 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

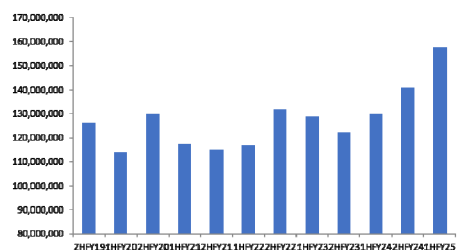
- Longer-than-expected period of trading volatility.
- Higher-than-expected SDAV and DDAV.
- Earnings-accretive acquisitions.

TOTAL ANNUAL SECURITIES TRADED VALUE (\$M)



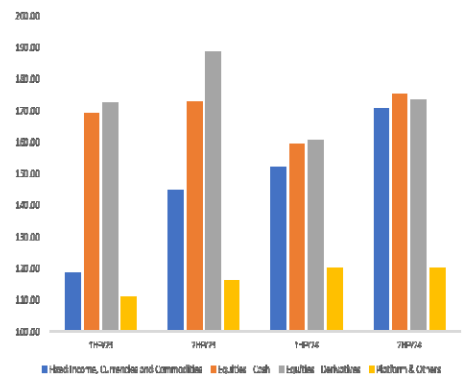
Source: Singapore Exchange, UOB Kay Hian

TOTAL DERIVATIVES TRADED VOLUME



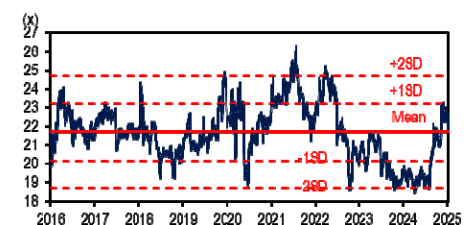
Source: Singapore Exchange, UOB Kay Hian

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 (S\$m)	2024	2025F	2026F	2027F
Net turnover	1,231.7	1,343.6	1,395.6	1,443.1
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
Pre-tax profit	709.0	682.2	706.0	726.2
Tax	(111.4)	(107.2)	(111.0)	(114.1)
Minorities	0.3	0.3	0.3	0.3
Net profit	597.9	575.3	595.3	612.4
Net profit (adj.)	525.9	575.3	595.3	612.4

CASH FLOW

Year to 30 Jun (S\$m)	2024	2025F	2026F	2027F
Operating	615.8	534.4	506.2	538.0
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)
Investing	(137.9)	(75.0)	(75.0)	(75.0)
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)
Financing	(459.7)	(390.4)	(411.8)	(433.2)
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
Net cash inflow (outflow)	18.2	69.1	19.4	29.8
Beginning cash & cash equivalent	777.3	795.7	864.8	884.2
Changes due to forex impact	0.2	0.0	0.0	0.0
Ending cash & cash equivalent	795.7	864.8	884.2	914.1

BALANCE SHEET

Year to 30 Jun (S\$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	864.8	884.2	914.1
Other current assets	1,451.3	1,552.4	1,599.4	1,642.4
Total assets	3,985.0	4,114.1	4,140.8	4,173.8
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
Total liabilities & equity	3,985.0	4,114.1	4,140.8	4,173.8

KEY METRICS

Year to 30 Jun (%)	2024	2025F	2026F	2027F
Profitability				
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
Growth				
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
Leverage				
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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