

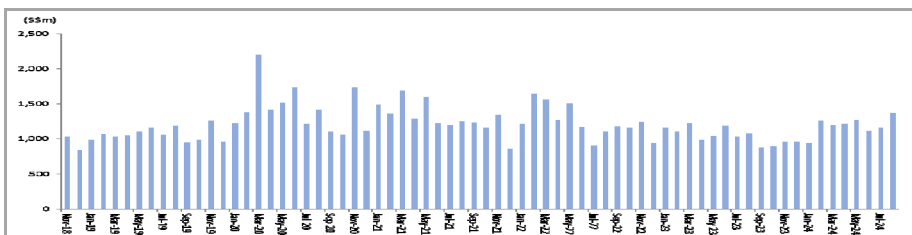
COMPANY UPDATE

Singapore Exchange (SGX SP)

Strong Performance From Cash Equities, Forex And Commodities

For Aug 24, SGX reported that SDAV reached a two-year high, driven by increased market turnover value from both institutional and retail investors. Total derivative traded volumes were also higher, driven by the forex and commodities segments. With a lack of near-term catalysts, we opine that SGX is fairly valued at current price levels. Maintain HOLD but with a higher target price of S\$11.62 (S\$10.65 previously).

SECURITIES DAILY AVERAGE VALUE



Source: Singapore Exchange, UOB Kay Hian

WHAT'S NEW

- Bottomed out as expected.** Singapore Exchange (SGX) reported its Aug 24 monthly statistics which showed that Securities Daily Average Value (SDAV) increased sharply (+27.8% yoy, +18.8% mom) to S\$1.37b, the highest since Mar 22. This was driven by an increase in market turnover value from both institutional and retail investors adding positions in index stocks along with small-mid caps. We understand that the consumer services, financials and telecommunications sectors saw sharp yoy increases in total value traded for Aug 24. This is in line with our previous expectations 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. We do expect SDAV to stay elevated in the following months as an uncertainty over the global economy, upcoming US elections and the US Fed interest rate policy would likely increase trading velocity.
- Robust derivatives volume in line.** Derivatives daily average volume (DDAV) rose (+8.7% yoy, +8.5% mom) in Aug 24, driven by record-high forex and robust commodities derivatives volumes but offset by lower equity derivative volumes. Total equity index futures volumes were 11.7% lower yoy, largely dragged by the FTSE China A50 index futures volumes (-24.7% yoy, -10.3% mom). However, other major equity indexes such as the FTSE Taiwan index futures (+12.5% yoy, -4.7% mom), Nikkei 225 index futures (+8.1% yoy, +8.0% mom), NSE IFSC Nifty 50 Index Futures (+15.6% yoy, +4.8% mom) and MSCI Singapore index futures (+5.2% yoy, -5.1% mom) grew. Moving forward, we still expect positive total traded equity derivatives volumes growth in FY25 driven by an uncertain macroeconomic outlook that is likely to boost investor risk-on sentiment.

KEY FINANCIALS

Year to 30 Jun (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	1,194	1,232	1,329	1,383	1,432
EBITDA	688	702	769	793	815
Operating profit	590	606	667	693	714
Net profit (rep./act.)	571	598	565	587	605
Net profit (adj.)	503	526	565	587	605
EPS (S\$ cent)	45.5	48.0	51.5	53.5	55.2
PE (x)	24.7	23.4	21.8	21.0	20.4
P/B (x)	7.1	6.1	5.6	5.2	4.8
EV/EBITDA (x)	17.2	16.8	15.4	14.9	14.5
Dividend yield (%)	2.9	3.1	3.3	3.4	3.6
Net margin (%)	42.1	42.7	42.5	42.4	42.2
Net debt/(cash) to equity (%)	(5.0)	(7.8)	(10.3)	(10.0)	(10.2)
ROE (%)	35.2	32.7	27.6	26.4	25.3
Consensus net profit	-	-	572.8	590.9	619.7
UOBKH/Consensus (x)	-	-	0.99	0.99	0.98

Source: Singapore Exchange, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$11.23
Target Price	S\$11.62
Upside	+3.5%
(Previous TP)	S\$10.65)

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):	1,070.8
Market cap (S\$m):	12,025.1
Market cap (US\$m):	9,260.1
3-mth avg daily t'over (US\$m):	18.5

Price Performance (%)

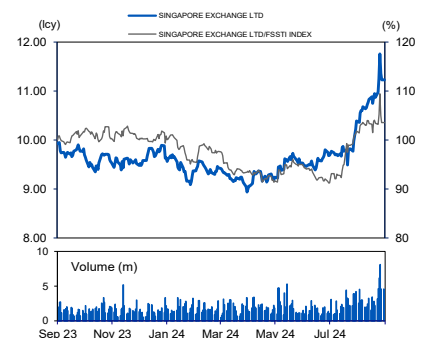
52-week high/low S\$11.8/S\$8.87

1mth	3mth	6mth	1yr	YTD
12.5	16.7	20.0	15.5	14.2

Major Shareholders

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

PRICE CHART



Source: Bloomberg

ANALYST(S)

Llalleythan Tan Yi Rong
 +65 6590 6624
 yirong@uobkayhian.com

Heidi Mo

+65 6590 6630
 heidimo@uobkayhian.com

• **Forex and commodities outperformed.** In line with expectations, total forex volumes (+32.6% yoy, +15.8% mom) reached a record-high in Aug 24, driven by the spillover effect of the yen carry trade unwinding to other currencies with the average daily volume (ADV) of KRW/USD futures (+64.1% yoy, +52.0% mom) reaching record-high. ADV for both USD/CNH futures (+24.9% yoy, +16.5% mom) and INR/USD futures (+45.4% yoy, +8.9% mom) also increased respectively. The commodities segment (+20.1% yoy, +18.3% mom) also saw volumes surging from increased hedging demand across most segments, largely led by iron ore futures which climbed (+22.4% yoy, +19.5% mom) on the back of increased hedging demand.

STOCK IMPACT

• **Review group to revitalise stock market.** 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 would consist of representatives from the government, MAS, Temasek, SGX and several key private and public sector representatives. The review group would examine the following areas: a) propose measures to promote SGX-listed companies' development by supporting and encouraging them to build capabilities and expand internationally; b) review the key elements of regulatory approach to support an enabling ecosystem, including the listing regime; c) recommend measures to attract primary and secondary listings to Singapore; d) recommend targeted measures to facilitate products offerings and improve liquidity in Singapore's equity market to broaden the pool of potential initial public offerings; and e) propose outreach and communication strategies to enhance the attractiveness of Singapore's equity market, and promote it to issuers and investors. The group will recommend a set of measures and complete its report within 12 months.

• **Learning from others.** Past initiatives such as the Anchor Fund @ 65, special purpose acquisition company (SPACs), partnerships with NASDAQ and NYSE, depository receipts with SET and the Grant for Equity Market Singapore scheme had little success in improving the stock market. We expect some changes from the review group that would likely mirror the market reforms in Japan and South Korea which may improve liquidity and SDAV. Some outcomes may include: a) increasing accountability from management to improve market valuations and increase shareholder value; b) voluntarily setting up and disclosing valuation enhancement plans; c) improving regulatory and corporate governance; and d) Singapore's pension funds investing in the local stock market. However, given that the Singapore market is a lot smaller and has different market dynamics than the two respective regional markets, implementing similar initiatives may not guarantee success.

EARNINGS REVISION/RISK

• **We raise our FY25-27 PATMI forecasts by 2-3%** on higher SDAV assumptions. For FY25-27, our headline PATMI estimates are S\$565.1m (S\$555.9m previously), S\$586.9m (S\$574.4m previously) and \$604.9m (S\$591.1m previously) respectively.

VALUATION/RECOMMENDATION

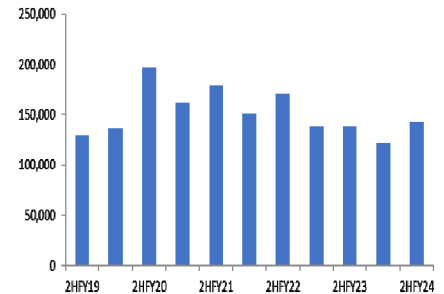
• **Maintain HOLD with a slightly higher PE-based target price of S\$11.62 (S\$10.65 previously),** pegged to 22x PE multiple (21x PE multiple), to SGX's historical forward average mean (-0.5SD to average mean previously), to FY25 earnings. We increase our PE multiple as we become more positive on SGX's cash equities segment.

• In our view, we reckon that there are no near-term catalysts to justify a higher valuation. Despite a lacklustre yield of about 3.3%, 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

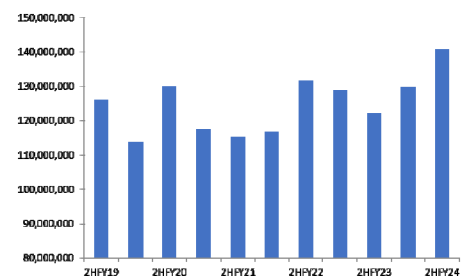
- Longer-than-expected period of trading volatility.
- Earnings-accretive acquisitions.

TOTAL ANNUAL SECURITIES TRADED VALUE (\$'M)



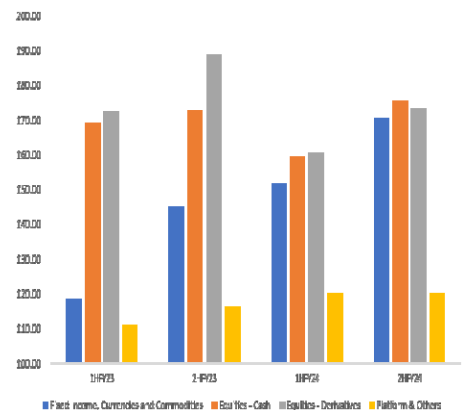
Source: Singapore Exchange, UOB Kay Hian

TOTAL DERIVATIVE CONTRACTS TRADED



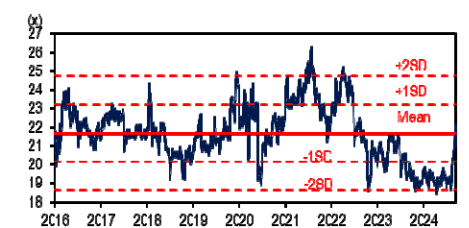
Source: Singapore Exchange, UOB Kay Hian

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
Net turnover	1,231.7	1,328.8	1,383.4	1,432.3
EBITDA	702.2	768.5	793.0	814.5
Deprec. & amort.	95.9	101.7	100.2	100.4
EBIT	606.4	666.9	692.8	714.1
Total other non-operating income	117.1	17.7	17.7	17.7
Associate contributions	(14.5)	(14.5)	(14.5)	(14.5)
Pre-tax profit	0.0	0.0	0.0	0.0
Tax	709.0	670.1	696.0	717.4
Minorities	(111.4)	(105.3)	(109.4)	(112.7)
Net profit	0.3	0.3	0.3	0.3
Net profit (adj.)	597.9	565.1	586.9	604.9

CASH FLOW

Year to 30 Jun (\$m)	2024	2025F	2026F	2027F
Operating	615.8	533.4	496.9	530.1
Pre-tax profit	709.0	670.1	696.0	717.4
Tax	(111.4)	(105.3)	(109.4)	(112.7)
Deprec. & amort.	95.9	101.7	100.2	100.4
Working capital changes	14.5	14.5	14.5	14.5
Non-cash items	0.7	(147.4)	(204.4)	(189.3)
Investing	(92.0)	0.0	0.0	0.0
Capex (growth)	(0.9)	0.0	0.0	0.0
Capex (maintenance)	(137.9)	(75.0)	(75.0)	(75.0)
Investments	(4.7)	0.0	0.0	0.0
Proceeds from sale of assets	13.4	13.4	13.4	13.4
Others	(254.6)	(88.4)	(88.4)	(88.4)
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	68.1	10.1	22.0
Beginning cash & cash equivalent	777.3	795.7	863.8	873.9
Changes due to forex impact	0.2	0.0	0.0	0.0
Ending cash & cash equivalent	795.7	863.8	873.9	895.9

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	863.8	873.9	895.9
Other current assets	1,451.3	1,539.1	1,588.4	1,632.6
Total assets	3,985.0	4,099.7	4,119.4	4,145.8
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	1,238.5	1,178.8	1,023.7	878.6
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	2,134.2	2,309.1	2,480.5
Minority interest	1.3	1.4	1.4	1.4
Total liabilities & equity	3,985.0	4,099.7	4,119.4	4,145.8

KEY METRICS

Year to 30 Jun (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	57.0	57.8	57.3	56.9
Pre-tax margin	57.6	50.4	50.3	50.1
Net margin	48.5	42.5	42.4	42.2
ROA	15.4	14.0	14.3	14.6
ROE	32.7	27.6	26.4	25.3
Growth				
Turnover	3.1	7.9	4.1	3.5
EBITDA	2.1	9.4	3.2	2.7
Pre-tax profit	5.2	(5.5)	3.9	3.1
Net profit	4.7	(5.5)	3.9	3.1
Net profit (adj.)	4.5	7.5	3.9	3.1
EPS	5.4	7.5	3.9	3.1
Leverage				
Debt to total capital	32.8	30.1	27.8	25.9
Debt to equity	32.8	30.1	27.9	25.9
Net debt/(cash) to equity	(7.8)	(10.3)	(10.0)	(10.2)

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