



Singapore Exchange Limited

Growth led by newly acquired businesses

SINGAPORE | FINANCE | 1H22 RESULTS

- 1HFY22 revenue was slightly below our estimates, at 44% of FY22e, while earnings met our estimates, at 50% of our FY22e. Variance came from lower-than-expected equity and FICC revenue.
- FICC and DCI grew 15%/3% YoY, led by newly acquired businesses, BidFX and Scientific Beta, respectively.
- Excluding treasury income, revenue was up 6% YoY, lifted by higher trading and clearing revenues from equity derivatives, currencies, and commodities.
- Lower yields dragged down equity derivatives treasury income. Equities – Cash & Derivatives was 5% lower YoY as equity derivatives volume declined 4%.
- Maintain NEUTRAL with unchanged target price of S\$10.78.** Our TP is pegged to 25x FY22e P/E, +2SD of its 5-year mean. Catalysts include continued growth from new acquisitions and higher treasury income as economic conditions improve.

Results at a glance

(SGD mn)	1H22	1H21	YoY	Comments
Fixed Income, Currencies & Commodities (FICC)	114.0	99.2	15%	Grew mainly due to higher transaction volume from BidFX as well as commodity and currency derivatives.
Equities - Cash & Derivatives	334.5	350.8	-5%	Treasury and other revenue decreased mainly from lower treasury income which declined due to lower yields from the current low interest rate environment.
Data, Connectivity & Indices (DCI)	73.1	70.7	3%	Growth mainly due to higher revenue from Scientific Beta and an increase in data subscription.
Total Revenue	521.6	520.8	0%	
OPEX	(215.6)	(199.3)	8%	Rose mainly from higher staff costs (due to the absence of Job Support Scheme and increase in headcount for BidFX) and technology expenses (due to higher BidFX system maintenance and network charges).
Operating profit	259.5	272.6	-5%	
Net profit	219.0	240.0	-9%	

Source: Company, PSR

The Positives

+ New businesses accelerated growth. Newly acquired BidFX and Scientific Beta contributed S\$40mn, or 8%, to 1H22 revenue, which is 20% higher YoY. Consequently, FICC and DCI grew 15% and 3% YoY respectively to mitigate Equities - Cash & Derivatives revenue decline. Both businesses are expected to remain growth engines for SGX, with opportunities from cross-selling and new client acquisitions on the back of customer access to an enlarged trading network.

+ Underlying business resilient. Excluding treasury income, revenue grew 6% YoY, lifted by higher trading and clearing revenues from equity derivatives, currencies, and commodities. Treasury and other revenue income dropped as treasury income was affected by lower yields from low interest rates.

+ FTSE China A50 contract showed growth. Despite the introduction of HKEX's MSCI China A50 Connect Index in Oct 2021, SGX's FTSE China A50 contract saw increased volume, with open interest growing at more than 10% between Oct and Dec 2021. SGX expects trading activity and open interest of the FTSE China A50 contract to continue growing as the international A-

14 February 2022

NEUTRAL (Maintained)

LAST DONE PRICE	SGD 9.75
FORECAST DIV	SGD 0.32
TARGET PRICE	SGD 10.78
TOTAL RETURN	13.9%

COMPANY DATA

BLOOMBERG TICKER	SGX SP
O/S SHARES (MN):	1069
MARKET CAP (USD mn / SGD mn):	7757 / 10420
52-WK HI/LO (SGD):	12.13 / 8.93
3M Average Daily T/O (mn):	2.90

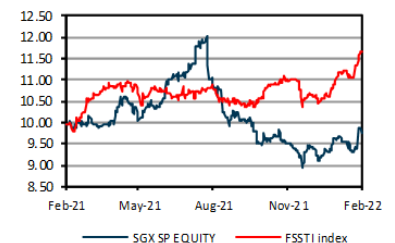
MAJOR SHAREHOLDERS (%)

SEL Holdings Pte Ltd	23.3%
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PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	2.5	3.8	2.4
STI RETURN	6.3	6.6	21.0

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E June	FY20	FY21	FY22e	FY23e
Revenue (SGD mn)	1053	1056	1,173	1242
EBITDA (SGD mn)	656	625	603	665
NPAT (SGD mn)	472	446	437	479
EPS (Cents)	44.1	416	42.5	46.1
PER, (X)	22.1	23.4	22.9	21.2
P/BV, (X)	9.6	8.4	7.5	7.1
DPS (Cents)	30.5	32.0	32.0	35.0
Div Yield	3.1%	3.3%	3.3%	3.6%
ROE	40.3%	33.8%	31.7%	33.8%

Source: Bloomberg, Company, PSR

Valuation Method

P/E Multiple @25x

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share market expands.

The Negatives

- **Lower yields drag equity derivatives treasury income.** Equities - Cash & Derivatives was 5% lower YoY as equity derivatives volume declined 4%. This was mitigated by higher fees per contract of S\$1.50 in 1H22, 18% higher YoY and in line with our expectations as introductory fees in 1H21 tapered off. 1H22 treasury and other revenue declined 46% YoY mainly from lower treasury income, which declined primarily due to lower yield. Nonetheless, this is expected to recover with rising interest rates, with SGX's management mentioning that the low treasury income is to remain for the following months, with only an uptick expected later in the year.

Outlook

Continued development of multi-assets to anchor long-term growth. SGX remains committed to expanding its suite of products through strategic partnerships and new product development for newly acquired businesses.

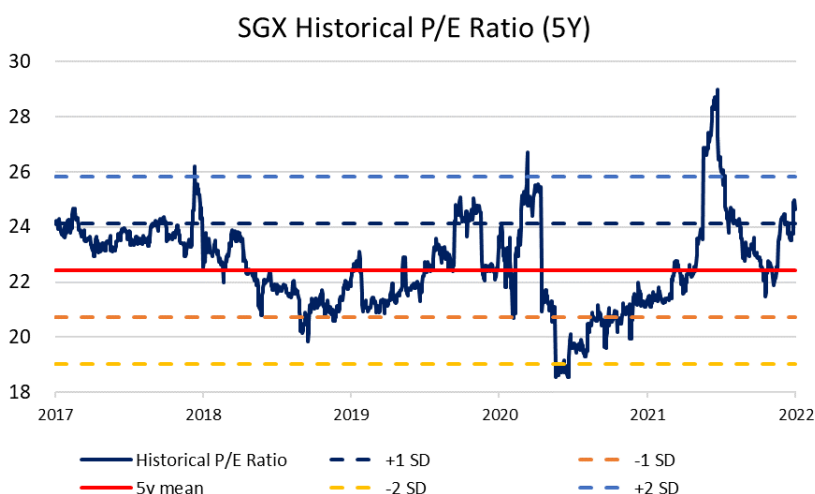
Investing for medium term. SGX has guided FY22 expenses of S\$565m-575mn, an 8.6% increase from FY21 at the mid-point. More than 50% of the increase will be for near-term investments. These include setting up FX ECN, climate-related initiatives and continued investments in BidFX and Scientific Beta. However, this guidance includes expenses for Maxxtrader, which was previously not included in their earlier guidance. With that, SGX expects FY22 expenses to remain flat or marginally higher compared with FY20's pre-acquisition expense of S\$475mn.

Rising interest rates. Apart from the banks, SGX is another beneficiary of higher interest rates. As at 2H21, SGX reported a S\$12bn float from collateral and S\$72mn of interest income which represents 13% of FY21 operating profit. Based on our calculations, a 25 basis point rate hike would mean an increase of S\$30mn in operating profit (or a 6% uplift).

Investment Actions

Maintain NEUTRAL with an unchanged target price of S\$10.78. Our target price remains pegged to +2SD of its 5-year mean or 25x P/E (Figure 2). Catalysts include continued growth from new acquisitions and higher treasury income as economic conditions improve.

Figure 1: Valuation pegged to 2SD of its 5-year average P/E



Source: Bloomberg, PSR

Financials

Income Statement

Y/E Jun, SGD mn	FY19	FY20	FY21	FY22e	FY23e
Operating revenue	910	1,053	1,056	1,173	1,242
Operating expenses	(386)	(397)	(431)	(571)	(577)
EBITDA	524	656	625	603	665
Depreciation & amortisation	(63)	(90)	(95)	(80)	(90)
Operating profit	461	566	531	522	575
Other gains/(losses)	13	7	10	10	10
Associates & JVs	(2)	(2)	(4)	(1)	(3)
Profit before tax	473	571	536	532	582
Tax	(82)	(99)	(91)	(95)	(102)
Net profit after tax	391	472	446	437	479
Profit attributable to shareholders	391	472	446	455	493

Per share data (SGD Cents)

Y/E Jun	FY19	FY20	FY21	FY22e	FY23e
EPS, reported	37	44	42	42	46
DPS	30	31	32	32	35
BVPS	102	102	117	130	138
Payout ratio	82%	69%	77%	75%	76%

Cash Flow

Y/E Jun, SGD mn	FY19	FY20	FY21	FY22e	FY23e
CFO					
Profit before tax and Assoc.&JV	474	573	541	550	598
Depreciation & Amortisation	63	90	95	80	108
WC changes	(46)	23	35	242	(41)
Others	(2)	6	17	19	21
Cash generated from ops	490	692	687	890	686
Tax paid	(80)	(72)	(109)	(92)	(100)
Cashflow from ops	410	620	577	798	586
CFI					
CAPEX, net	(47)	(35)	(45)	(60)	(60)
Others	(41)	(10)	(46)	0	0
Cashflow from investments	(89)	(44)	(91)	(60)	(60)
CFE					
Loans, net of repayments	0	0	184	(61)	0
Dividends	(401)	(321)	(342)	(343)	(327)
Others	(10)	(17)	(438)	0	0
Cashflow from financing	(411)	(338)	(596)	(404)	(327)
Net change in cash	(90)	237	(110)	334	200
CCE, end	667	686	833	1298	1253

Source: Company, PSR

Balance Sheet

Y/E Jun, SGD mn	FY19	FY20	FY21	FY22e	FY23e
ASSETS					
PPE	61	51	50	53	52
Software	182	168	166	180	194
Intangible assets	58	108	122	120	118
Goodwill	85	329	541	541	541
Others	169	307	293	293	223
Total non-current assets	555	963	1,173	1,187	1,128
Accounts receivables	885	758	749	1,286	1,187
Cash	607	847	1,000	1,298	1,253
Securities clearing funds	60	60	60	60	60
Others	25	51	41	41	41
Total current assets	1,577	1,716	1,850	2,685	2,541
Total Assets	2,132	2,679	3,023	3,872	3,670

LIABILITIES

Accounts payables	912	809	868	1,633	1,479
Short term loans	0	0	0	0	0
Others	90	449	362	519	118
Total current liabilities	1,001	1,258	1,230	2,151	1,597
Lease liabilities	-	70	51	51	0
Long term loans	-	-	-	-	-
Others	40	103	108	108	108
Total non-current liabilities	40	172	159	159	108
Total Liabilities	1,041	1,430	1,389	2,310	1,705

EQUITY

Non-controlling interests	-	4	4	4	4
Shareholder Equity	1,091	1,249	1,386	1,481	1,433

Valuation Ratios

Y/E Jun	FY19	FY20	FY21	FY22e	FY23e
P/E (X), adj.	26.7	22.1	23.4	22.9	21.2
P/B (X)	9.5	9.6	8.4	7.5	7.1
EV/EBITDA (X), adj.	19.9	15.9	16.7	14.5	13.1
Dividend Yield	3.1%	3.1%	3.3%	3.3%	3.6%

Growth & Margins

Growth					
Revenue	7.7%	15.7%	0.3%	11.1%	5.8%
EBITDA	7.8%	25.2%	-4.6%	-3.6%	10.3%
EBIT	8.5%	22.7%	-6.2%	-1.6%	10.0%
Net profit, adj.	7.7%	20.7%	-5.6%	2.0%	8.5%
Margins					
EBITDA margin	57.5%	57.5%	62.3%	59.2%	51.4%
EBIT margin	50.7%	53.7%	50.3%	44.5%	46.3%
Net profit margin	43.0%	44.8%	42.2%	38.7%	39.7%

Key Ratios

ROE	35.8%	40.3%	33.8%	31.7%	33.8%
ROA	18.4%	19.6%	15.6%	13.2%	13.1%

Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash
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