

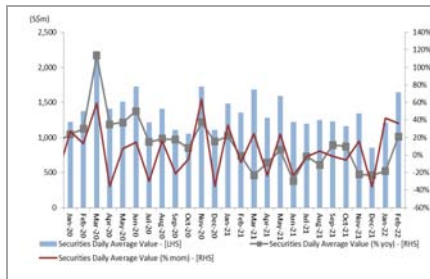
### COMPANY UPDATE

## Singapore Exchange (SGX SP)

Strong Monthly Performance As Volatility Peaks

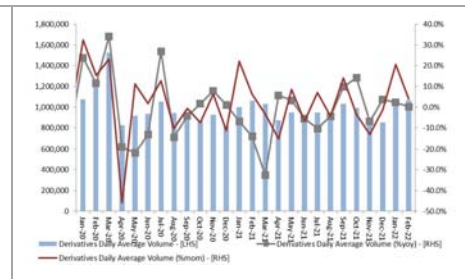
For Feb 22, SGX saw improved SDAV and DDAV as trading volatility peaked, mainly driven by the Ukraine-Russia war. Commodities and forex derivatives volumes rose as demand for risk management surged. Additional interest rate hikes are expected to boost profit further. In our view, SGX remains fairly valued at current price levels with limited upside. Maintain HOLD with a higher target price of S\$9.33.

#### SECURITIES DAILY AVERAGE VALUE



Source: Singapore Exchange, UOB Kay Hian

#### DERIVATIVES DAILY AVERAGE VOLUME



Source: Singapore Exchange, UOB Kay Hian

### WHAT'S NEW

- Reversal in securities volume.** Despite three fewer trading days in Feb 22, securities daily turnover value (SDAV) increased (+21.1% yoy, +35.9% mom), on the back of increased volatility caused by the upcoming interest rate hikes, elevated inflation risks and Ukraine-Russia geopolitical tensions. Heavily traded in-favour stocks such as Rex International Holding and Samudera Shipping Line also contributed to the outperformance.
- Derivatives outperform.** Derivatives daily average volume (DDAV) surged to highs not seen since Mar 20 (+5.2% yoy, +3.9% mom), driven by an increased demand for risk-management tools amid heightened volatility. Equity index futures increased (+4.9% yoy, -11.6% mom) as Nifty 50, Nikkei 225 and MSCI STI index futures posted strong gains yoy. The mom decline was due to softer FTSE China A50 Index (-2.2% yoy, -17.0% mom) and Taiwan Index futures (-3.6% yoy, -16.8% mom), given that Feb 22 had fewer trading days.
- Outperformance from revenue growth drivers.** Both forex and commodity derivatives outperformed amid raised global volatility caused by the UK-Russian conflict and Singapore Exchange's (SGX) commanding market share in key product markets. Forex derivatives, SGX's earmarked revenue growth driver, saw robust volume growth for its US\$/CNH futures (+15.0% yoy, +8.4% mom), due to increasing adoption of CNH as a safe haven currency. Total commodity derivatives volume surged 36.0% yoy as iron ore contracts (+40.5% yoy, +10.9% mom) and forward freight agreements (+30.6% yoy, +42.2% mom) volumes skyrocketed, caused by difficulties and uncertainties in global supply chains.

### KEY FINANCIALS

Year to 30 Jun (\$m)	2020	2021	2022F	2023F	2024F
Net turnover	1,052.7	1,055.9	1,067.0	1,149.4	1,222.1
EBITDA	655.7	625.3	609.4	664.8	714.5
Operating profit	565.8	530.7	512.0	570.5	624.4
Net profit (rep./fact.)	471.8	445.4	421.3	469.8	514.5
Net profit (adj.)	471.8	446.9	421.3	469.8	514.5
EPS (S\$ cent)	43.9	41.2	38.8	43.3	47.4
PE (x)	22.4	23.8	25.3	22.7	20.7
P/B (x)	8.4	7.6	7.2	6.7	6.2
EV/EBITDA (x)	15.0	15.8	16.2	14.8	13.8
Dividend yield (%)	3.1	3.3	3.3	3.4	3.5
Net margin (%)	44.8	42.2	39.5	40.9	42.1
Net debt/(cash) to equity (%)	(30.7)	(26.4)	(43.6)	(54.5)	(62.9)
ROE (%)	40.4	33.9	29.7	31.1	31.4
Consensus net profit	-	-	432	481	518
UOBKH/Consensus (x)	-	-	0.97	0.98	0.99

Source: SGX, Bloomberg, UOB Kay Hian

### HOLD

(Maintained)

Share Price	S\$9.82
Target Price	S\$9.33
Upside	-5.0%
(Previous TP)	S\$9.09

### 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):	1,068.1
Market cap (S\$m):	10,488.5
Market cap (US\$m):	7,712.2
3-mth avg daily t'over (US\$m):	21.0

### Price Performance (%)

52-week high/low	S\$12.05/S\$8.93			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
5.1	4.9	(0.9)	(1.4)	5.6

### Major Shareholders

	%
-	-
-	-
-	-
FY22 NAV/Share (S\$)	1.36
FY22 Net Cash/Share (S\$)	0.59

### PRICE CHART



Source: Bloomberg

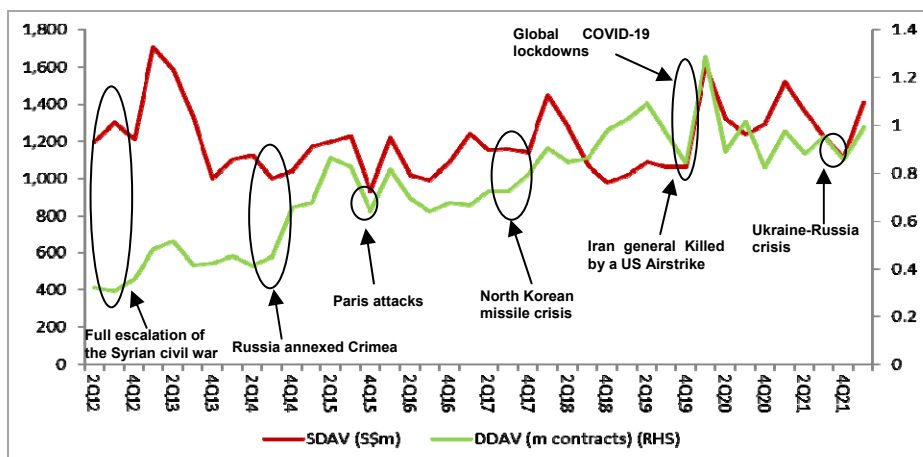
### ANALYST(S)

**Llalleythan Tan**  
+65 6590 6624  
yirong@uobkayhian.com

### STOCK IMPACT

- Assessing the impact of geopolitical events.** Geopolitical events/crises historically favour SGX as SDAV and DDAV volumes are directly proportionate to greater trading volatility. The recent Ukraine-Russia conflict has increased SDAV and DDAV volumes as investors weigh in new risks to the global world order. Looking back to statistics from 2012, both SDAV and DDAV increased sharply after events occurred. However, over time, SDAV generally softens after two to three quarters as investors start to fully grasp associated geopolitical risks with trading volatility which will then subside.
- On the other hand, DDAV has actually gradually trended upwards after geopolitical events. We reckon that this is due to investors becoming more sophisticated, leading to increasing demand and adoption for risk-management products such as derivatives. Given the current challenging macro-economic environment and geopolitical outlook, we expect DDAV to increase moving forward. Thus, we opine SDAV would soften in the coming months while DDAV continues its uptrend, unchanged from our previous expectations.

### TIMELINE OF SGX'S HISTORICAL SDAV AND DDAV WITH GLOBAL GEOPOLITICAL EVENTS



Source: Singapore Exchange, UOB Kay Hian, Various News Sources

- Additional boosts to treasury income.** As expected, the Fed raised the benchmark interest rate by 25bp in Mar 22 to combat record-high inflation. Also, the Fed committee reiterated their hawkish position and plans to increase rates at each of the six remaining meetings in 2022, nearly a full percentage higher than previously indicated in Dec 21. As rates rise, we expect higher treasury income to follow suit and see a significant boost some time in 2HFY23/1HFY24, given that there is usually a 6-9-month lag.

### EARNINGS REVISION/RISK

- Slight upward revision to our FY22-24 earnings,** accounting for higher treasury income from additional interest rate hikes and revenue from elevated trading volatility. We have increased our FY22-24 earnings to S\$421.3m (S\$412.3m previously), S\$469.8m (S\$452.2m previously) and S\$514.5m (S\$489.5m previously) respectively.

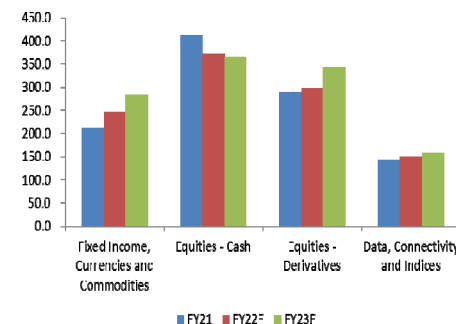
### VALUATION/RECOMMENDATION

- Maintain HOLD with a higher target price of S\$9.33 (\$9.09),** pegging our PE multiple to 23.7x FY22 earnings, +1SD of SGX's historical forward PE. Trading at +1SD of its historical mean, we reckon that SGX is fully valued at current price levels and do not see major potential upside.
- We remain cautious on the impact on earnings from the competition from HKEX and sliding SDAV. We think significant revenue from new initiatives such as SGX's FX ETC network and Special Purpose Acquisition Company/Companies would take time to gestate and major success from these initiatives could re-rate SGX to trade similar to peers' average (28.6x).

### VALUATION/RECOMMENDATION

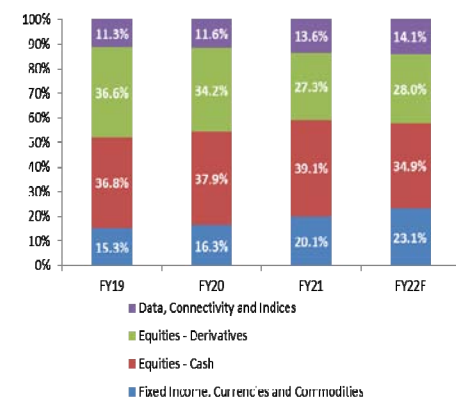
- Secondary listings of foreign listed entities, longer-than-expected period of trading volatility.

### FY21-23 ANNUAL SEGMENTAL REVENUE FORECASTS BREAKDOWN (\$m)



Source: Singapore Exchange, UOB Kay Hian

### SGX'S FY19-FY22 SEGMENTAL ANNUAL REVENUE BREAKDOWN (%)



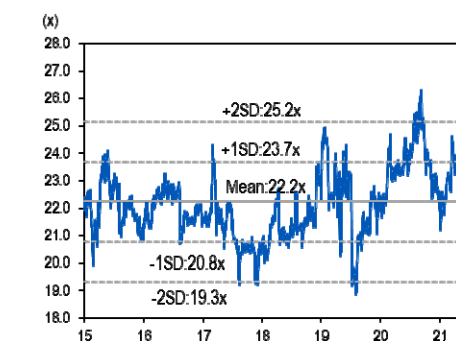
Source: Singapore Exchange, UOB Kay Hian

### HKEX'S MSCI CHINA A50 INDEX FUTURES DAILY TRADED VOLUME SINCE LAUNCH



Source: Hong Kong Exchange, UOB Kay Hian 'As of 29<sup>th</sup> Mar 22

### SGX'S HISTORICAL FORWARD PE



Source: Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 30 Jun (S\$m)	2021	2022F	2023F	2024F
Net turnover	1,055.9	1,067.0	1,149.4	1,222.1
EBITDA	625.3	609.4	664.8	714.5
Deprec. & amort.	94.5	97.3	94.3	90.1
EBIT	530.7	512.0	570.5	624.4
Total other non-operating income	10.0	0.0	0.0	0.0
Associate contributions	(4.3)	(4.3)	(4.3)	(4.3)
<b>Pre-tax profit</b>	<b>536.5</b>	<b>507.8</b>	<b>566.2</b>	<b>620.1</b>
Tax	(90.7)	(86.3)	(96.3)	(105.4)
Minorities	(0.4)	(0.2)	(0.2)	(0.2)
<b>Net profit</b>	<b>445.4</b>	<b>421.3</b>	<b>469.8</b>	<b>514.5</b>
Net profit (adj.)	446.9	421.3	469.8	514.5

### BALANCE SHEET

Year to 30 Jun (S\$m)	2021	2022F	2023F	2024F
Fixed assets	216.2	148.9	84.6	24.5
Other LT assets	956.3	951.8	947.5	943.2
Cash/ST investment	833.4	1,103.0	1,320.2	1,542.1
Other current assets	1,016.7	1,195.8	1,225.7	1,286.3
<b>Total assets</b>	<b>3,022.6</b>	<b>3,399.5</b>	<b>3,578.0</b>	<b>3,796.1</b>
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	1,006.1	1,283.8	1,326.3	1,373.3
LT debt	467.8	467.8	467.8	467.8
Other LT liabilities	158.9	186.6	214.3	242.1
Shareholders' equity	1,384.9	1,456.7	1,564.9	1,708.2
Minority interest	4.9	4.7	4.7	4.7
<b>Total liabilities &amp; equity</b>	<b>3,022.6</b>	<b>3,399.5</b>	<b>3,578.0</b>	<b>3,796.1</b>

### CASH FLOW

Year to 30 Jun (S\$m)	2021	2022F	2023F	2024F
<b>Operating</b>	<b>553.0</b>	<b>649.3</b>	<b>608.9</b>	<b>623.3</b>
Pre-tax profit	540.8	512.0	570.5	624.4
Tax	(109.4)	(86.3)	(96.3)	(105.4)
Deprec. & amort.	94.5	97.3	94.3	90.1
Working capital changes	27.1	98.6	12.6	(13.6)
Non-cash items	(0.0)	27.7	27.8	27.8
<b>Investing</b>	<b>(198.0)</b>	<b>(30.0)</b>	<b>(30.0)</b>	<b>(30.0)</b>
Capex (growth)	(173.2)	0.0	0.0	0.0
Capex (maintenance)	(45.3)	(30.0)	(30.0)	(30.0)
Investments	(43.0)	0.0	0.0	0.0
Proceeds from sale of assets	52.3	0.0	0.0	0.0
Others	11.2	0.0	0.0	0.0
<b>Financing</b>	<b>(209.9)</b>	<b>(349.7)</b>	<b>(361.7)</b>	<b>(371.5)</b>
Dividend payments	(342.4)	(349.7)	(361.7)	(371.5)
Proceeds from borrowings	495.2	0.0	0.0	0.0
Loan repayment	(731.0)	0.0	0.0	0.0
Others/interest paid	368.3	0.0	0.0	0.0
<b>Net cash inflow (outflow)</b>	<b>145.1</b>	<b>269.6</b>	<b>217.2</b>	<b>221.9</b>
Beginning cash & cash equivalent	686.4	833.4	1,103.0	1,320.2
Changes due to forex impact	1.9	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>833.4</b>	<b>1,103.0</b>	<b>1,320.2</b>	<b>1,542.1</b>

### KEY METRICS

Year to 30 Jun (%)	2021	2022F	2023F	2024F
<b>Profitability</b>				
EBITDA margin	59.2	57.1	57.8	58.5
Pre-tax margin	50.8	47.6	49.3	50.7
Net margin	42.2	39.5	40.9	42.1
ROA	15.6	13.1	13.5	14.0
ROE	33.9	29.7	31.1	31.4
<b>Growth</b>				
Turnover	0.3	1.0	7.7	6.3
EBITDA	(4.6)	(2.5)	9.1	7.5
Pre-tax profit	(6.0)	(5.4)	11.5	9.5
Net profit	(5.6)	(5.4)	11.5	9.5
Net profit (adj.)	(5.3)	(5.7)	11.5	9.5
EPS	(6.2)	(5.7)	11.5	9.5
<b>Leverage</b>				
Debt to total capital	25.2	24.2	23.0	21.5
Debt to equity	33.8	32.1	29.9	27.4
Net debt/(cash) to equity	(26.4)	(43.6)	(54.5)	(62.9)

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

### Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK has provided investment banking services to YesAsia Holdings (2209 HK) and has received compensation for such services in the preceding 12 months. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W