

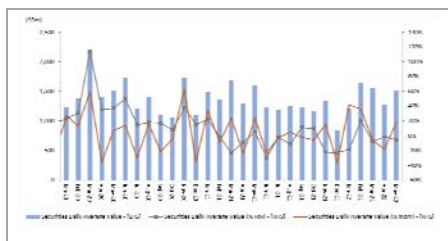
### COMPANY UPDATE

## Singapore Exchange (SGX SP)

Robust Performance Amid Macro Uncertainty

In May 22, SGX saw an expected decline in securities daily average value (SDAV) while derivatives daily average volume (DDAV) grew, driven by higher volatility. SGX's FTSE China A50 Index volumes continue to hold up well against HKEX's MSCI China A50 Index futures. Forex futures surged to record highs while commodity derivatives increased yoy due to improved sentiment on China's economic outlook. Maintain HOLD with a slightly higher target price of S\$9.55 (up from 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

- Securities volume fell yoy.** Within expectations, SDAV continued its decline in May 22 at S\$1.51b (-5.5% yoy, +18.4% mom) even as new IPOs such as NIO Inc. recorded the highest trading volumes upon introduction. We expect SDAV to hit a floor in 2QFY23 (Oct-Dec 22), barring any unexpected surge in trading volatility. On a mom basis, the +18.4% mom SDAV growth was impressive given that May 22 had one less trading day.
- Robust growth for derivatives.** Slightly above expectations, DDAV surged (+18.8% yoy, +3.2% mom), driven by elevated volatility from the ongoing Ukraine-Russia conflict and renewed optimism over China's economic recovery. Total equity index futures surged (+20.9% yoy, +3.8% mom) as major contracts posted robust growth. FTSE China A50 Index volumes continued its uptrend at 8.6m contracts (+24.5% yoy, -5.7% mom) as SGX's commanding market share continues to hold up well against HKEX's MSCI China A50 Index futures. Other equity index futures such as MSCI Singapore Index (+22.6% yoy, +20.5% mom), FTSE Nikkei 225 Index (+4.4% yoy, +25.2% mom) and FTSE Nifty 50 Index (+42.0% yoy, +20.2% mom) also outperformed.
- Forex outperformance surprised while commodities rebounded.** Above expectations, total forex futures volumes skyrocketed 62.0% yoy, the highest volume recorded as both USD/CNH futures (+77.3% yoy, +27.2% mom) and INR/USD futures (+53.9% yoy, +9.9% mom) surged to record highs. Total commodity derivatives volumes increased yoy on the back of improving sentiment on China's economic outlook. Iron ore futures (+5.6% yoy, +15.7% mom) climbed to 2.1m contracts while other commodities such as petrochemicals and rubber derivatives also performed well.

### KEY FINANCIALS

Year to 30 Jun (\$m)	2020	2021	2022F	2023F	2024F
Net turnover	1,052.7	1,055.9	1,081.5	1,173.6	1,258.1
EBITDA	655.7	625.3	621.3	684.8	744.0
Operating profit	565.8	530.7	523.9	590.4	654.0
Net profit (rep./act.)	471.8	445.4	431.1	486.3	539.0
Net profit (adj.)	471.8	446.9	431.1	486.3	539.0
EPS (S\$ cent)	43.9	41.2	39.7	44.8	49.7
PE (x)	21.8	23.3	24.1	21.4	19.3
P/B (x)	8.2	7.4	7.0	6.5	6.0
EV/EBITDA (x)	14.9	15.7	15.8	14.3	13.2
Dividend yield (%)	3.2	3.3	3.5	3.7	3.8
Net margin (%)	44.8	42.2	39.9	41.4	42.8
Net debt/(cash) to equity (%)	(30.7)	(26.4)	(43.2)	(53.9)	(62.2)
ROE (%)	40.4	33.9	30.3	32.1	32.8
Consensus net profit	-	-	436	484	520
UOBKH/Consensus (x)	-	-	0.99	1.00	1.04

Source: Singapore Exchange, Bloomberg, UOB Kay Hian

## HOLD

(Maintained)

Share Price	S\$9.58
Target Price	S\$9.55
Upside	-0.3%
(Previous TP)	S\$9.33)

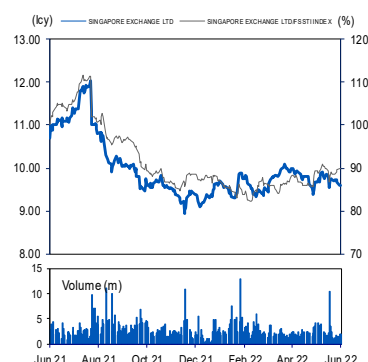
### COMPANY DESCRIPTION

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):	1,088.2			
Market cap (S\$m):	10,425.4			
Market cap (US\$m):	7,501.9			
3-mth avg daily t'over (US\$m):	16.2			
Price Performance (%)				
52-week high/low	S\$12.13/S\$8.93			
1mth	3mth	6mth	1yr	YTD
(0.9)	0.4	2.0	(9.2)	3.0
<b>Major Shareholders</b>				
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
FY22 NAV/Share (S\$)	1.36			
FY22 Net Cash/Share (S\$)	0.59			

### PRICE CHART



Source: Bloomberg

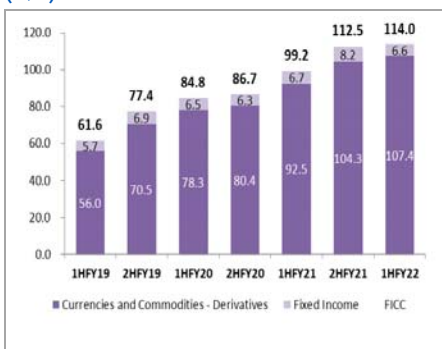
### ANALYST(S)

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

### STOCK IMPACT

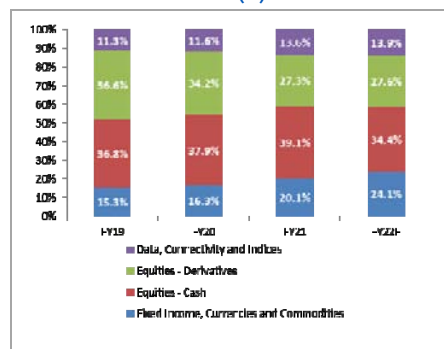
- FICC segment: Record-high volumes.** As trading volatility remains elevated, the Fixed Income, Currencies and Commodities (FICC) segment is poised for robust revenue growth in FY22F, contributed largely by the currencies and commodities sub-segments. Driven by increased demand for risk management, record-high currency trading volumes for Apr 22 and May 22 have surpassed expectations, with Jan-May 22 currency trading volumes up 12.0% yoy. Supply chain disruptions, concerns facing China's recovery and macro-economic uncertainty have also led to a surge in commodity trading volumes. For Jan-May 22, iron ore derivatives, one of SGX's key commodity contracts, have seen trading volumes climb 27.7% yoy. Trading volumes for other contracts such as Forward Freight Agreement (FFA) futures (+4.4% yoy) have also grown while monthly trading volumes for the newly introduced dairy futures contracts have increased steadily from 19,174 in Jan 22 to 35,265 in May 22.
- Upcoming contribution from MaxxTrader.** Completed in Jan 22, revenue contribution from the completed MaxxTrader acquisition is expected to boost trading and clearing revenue. Coupled with its wholly-owned subsidiary, BidFX, SGX has soft-launched its Forex Electronic Communication Network (ECN) on Nov 21. The ECN serves as a platform for clients to trade OTC Forex contracts directly among themselves. With both acquisitions now catering to buy-side and sell-side clientele, SGX has become Asia's largest one-stop venue for Forex OTC and futures participants. Eventually, SGX aims to integrate its futures trading into the ECN, which in our view, would likely happen in FY24-25 and would lead to increased volumes for the futures contracts. Also, due to SGX's attractive multi-asset offerings, some customers from the ECN have also started trading other asset classes on the exchange, leading to some customer stickiness.
- Late bloomer.** We expect revenue from the FICC segment to grow 23.2% yoy and form around 24% of SGX's total FY22F revenue (from 15% in FY19), catching up to the Equity Derivatives (~28%) and Cash Equities segments (~34%).

### FICC SEMI-ANNUAL HISTORICAL REVENUE (\$M)



Source: Singapore Exchange, UOB Kay Hian

### SGX'S FY19-22F SEGMENTAL ANNUAL REVENUE BREAKDOWN (%)



Source: Singapore Exchange, UOB Kay Hian

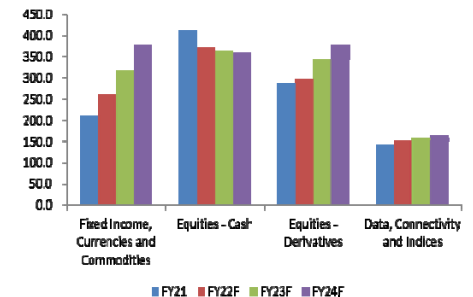
### EARNINGS REVISION/RISK

- We increase our FY22-24F PATMI forecasts slightly by 2-4% respectively,** on the back of higher growth assumptions for the FICC segment. We now forecast FY22-24F PATMI at S\$431.1m (S\$421.3m previously), S\$486.3m (S\$469.8m previously) and S\$539.0m (S\$514.5m previously) respectively.

### VALUATION/RECOMMENDATION

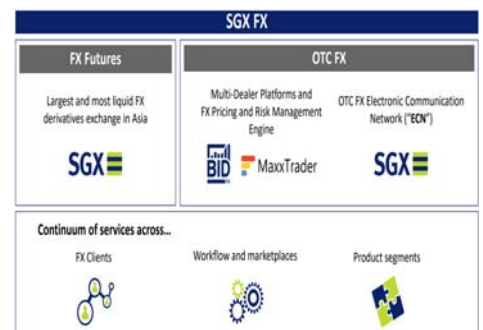
- Maintain HOLD with a higher target price of S\$9.55,** pegging to the same PE multiple of 23.7x FY22 earnings, +1SD of SGX's historical forward PE. Currently trading (24.1x FY22F PE) at +1SD of its historical mean, we reckon that SGX is fully valued at current price levels and do not see major potential upside. We are becoming more optimistic that competition in the China A50 Index futures market would be muted moving forward. We think significant revenue from new initiatives such as SGX's Forex Electronic Communication Network would take time to gestate, and major success from these initiatives could re-rate SGX to trade at levels similar to peers' average (28.2x).

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



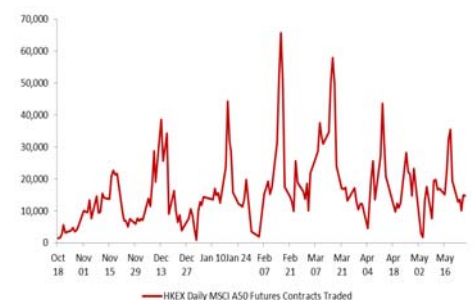
Source: Singapore Exchange, UOB Kay Hian

### SGX'S FOREX BUSINESS BREAKDOWN



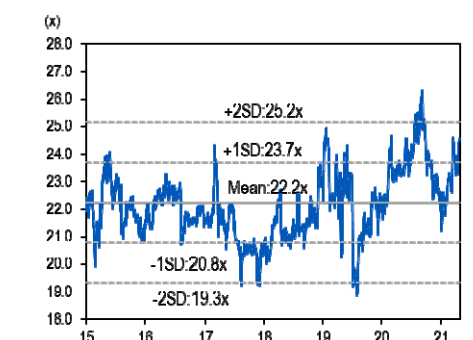
Source: Singapore Exchange, UOB Kay Hian

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



Source: Hong Kong Exchange, UOB Kay Hian

### SGX'S HISTORICAL FORWARD PE



Source: Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 30 Jun (\$m)	2021	2022F	2023F	2024F
Net turnover	1,055.9	1,081.5	1,173.6	1,258.1
EBITDA	625.3	621.3	684.8	744.0
Deprec. & amort.	94.5	97.3	94.3	90.1
EBIT	530.7	523.9	590.4	654.0
Total other non-operating income	10.0	0.0	0.0	0.0
Associate contributions	(4.3)	(4.3)	(4.3)	(4.3)
Pre-tax profit	536.5	519.7	586.1	649.7
Tax	(90.7)	(88.3)	(99.6)	(110.4)
Minorities	(0.4)	(0.2)	(0.2)	(0.2)
Net profit	445.4	431.1	486.3	539.0
Net profit (adj.)	446.9	431.1	486.3	539.0

### BALANCE SHEET

Year to 30 Jun (\$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	1,097.5	1,314.4	1,537.8
Other current assets	1,016.7	1,208.4	1,246.0	1,316.4
<b>Total assets</b>	<b>3,022.6</b>	<b>3,406.6</b>	<b>3,592.5</b>	<b>3,821.8</b>
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	1,006.1	1,289.2	1,335.3	1,386.8
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	1,458.4	1,570.4	1,720.5
Minority interest	4.9	4.7	4.7	4.7
<b>Total liabilities &amp; equity</b>	<b>3,022.6</b>	<b>3,406.5</b>	<b>3,592.5</b>	<b>3,821.9</b>

### CASH FLOW

Year to 30 Jun (\$m)	2021	2022F	2023F	2024F
Operating	553.0	651.9	621.4	642.5
Pre-tax profit	540.8	523.9	590.4	654.0
Tax	(109.4)	(88.3)	(99.6)	(110.4)
Deprec. & amort.	94.5	97.3	94.3	90.1
Working capital changes	27.1	91.3	8.5	(18.9)
Non-cash items	(0.0)	27.7	27.8	27.8
Investing	(198.0)	(30.0)	(30.0)	(30.0)
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
Financing	(209.9)	(357.8)	(374.5)	(389.2)
Dividend payments	(342.4)	(357.8)	(374.5)	(389.2)
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>264.1</b>	<b>217.0</b>	<b>223.3</b>
Beginning cash & cash equivalent	686.4	833.4	1,097.5	1,314.4
Changes due to forex impact	1.9	0.0	0.0	0.0

### KEY METRICS

Year to 30 Jun (%)	2021	2022F	2023F	2024F
<b>Profitability</b>				
EBITDA margin	59.2	57.4	58.3	59.1
Pre-tax margin	50.8	48.0	49.9	51.6
Net margin	42.2	39.9	41.4	42.8
ROA	15.6	13.4	13.9	14.5
ROE	33.9	30.3	32.1	32.8
<b>Growth</b>				
Turnover	0.3	2.4	8.5	7.2
EBITDA	(4.6)	(0.6)	10.2	8.7
Pre-tax profit	(6.0)	(3.1)	12.8	10.8
Net profit	(5.6)	(3.2)	12.8	10.8
Net profit (adj.)	(5.3)	(3.5)	12.8	10.8
EPS	(6.2)	(3.5)	12.8	10.8
<b>Leverage</b>				
Debt to total capital	25.2	24.2	22.9	21.3
Debt to equity	33.8	32.1	29.8	27.2
Net debt/(cash) to equity	(26.4)	(43.2)	(53.9)	(62.2)

## 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 does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. 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