

Singapore Exchange Limited

Growth = derivatives volumes + pricing + treasury income



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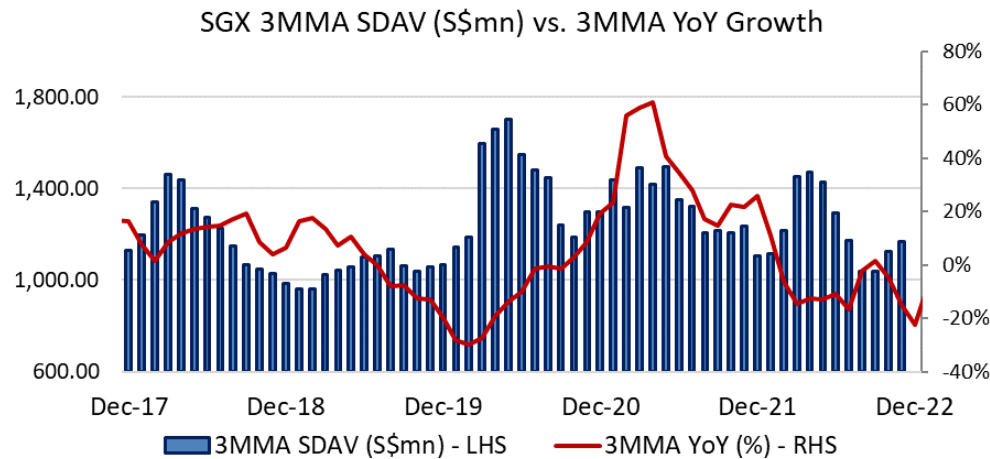
SINGAPORE | FINANCE | UPDATE

- Securities volume softening while derivatives volumes trending at 10% growth rate, and derivatives pricing climbing to record levels.
- Pick up in treasury income to accelerate in FY23 as higher interest rates kick in. We estimate Treasury income to rise at least 8% YoY in FY23.
- **We maintain BUY with an unchanged target price of S\$11.71.** Our estimates remain unchanged, and our target price remains pegged to +2SD of its 5-year mean or 26x P/E. Catalysts include continued growth from derivatives volumes and fees, and higher treasury income as the higher interest rates start to kick in.

Securities volumes dip while derivatives volumes trend upwards

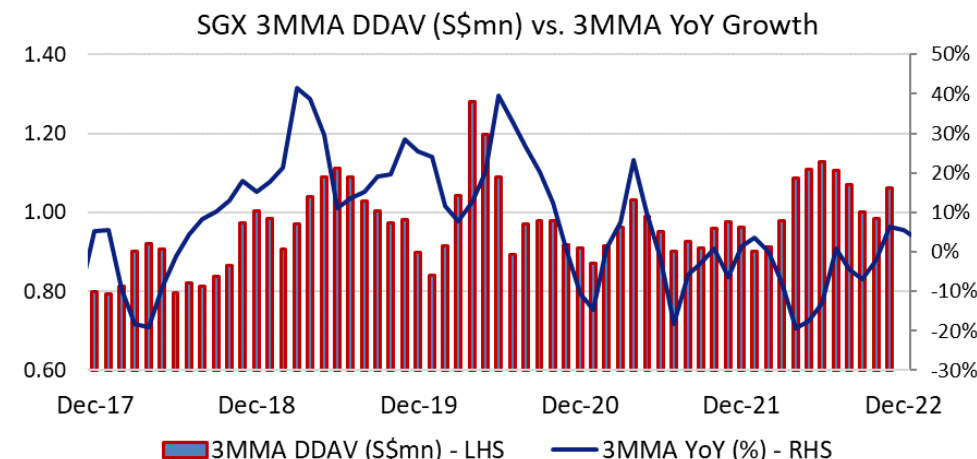
SGX's securities volume is trending downwards, with the 5MFY23 securities daily average volume (SDAV) down 10.5% YoY at 1,095mn contracts as the market sentiment remained subdued due to macroeconomic factors, and the volumes moderated from a record year in FY22. However, SGX's derivatives volume is trending upwards, with the 5MFY23 derivatives daily average volume (DDAV) up 9.4% YoY. As market volatility continues to rise, derivatives volume can climb for the rest of FY23e.

Figure 1: SDAV dipped YoY 5MFY23



Source: Company, PSR

Figure 2: DDAV growth trending upwards



Source: Company, PSR

8 December 2022

BUY (Maintained)

LAST DONE PRICE	SGD 9.20
FORECAST DIV	SGD 0.32
TARGET PRICE	SGD 11.71
TOTAL RETURN	30.7%

COMPANY DATA

BLOOMBERG TICKER	SGX SP
O/S SHARES (MN) :	1069
MARKET CAP (USD mn / SGD mn) :	7241/ 9835
52 - WK HI/LO (SGD) :	10.13 / 8.16
3M Average Daily T/O (mn) :	2.40

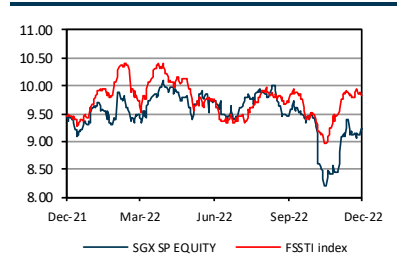
MAJOR SHAREHOLDERS (%)

SEL Holdings Pte Ltd	23.3%
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PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	9.5	(0.4)	19
STIRETURN	4.3	14	8.8

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E June	FY21	FY22	FY23e	FY24e
Revenue (SGD mn)	1056	1099	1,178	1,226
EBITDA (SGD mn)	625	634	676	703
NPAT (SGD mn)	446	452	485	462
EPS (Cents)	416	42.2	45.0	46.8
PER, (X)	22.1	218	20.4	19.6
P/BV, (X)	7.9	7.1	6.4	6.5
DPS (Cents)	32.0	32.0	32.0	32.0
Div Yield	3.5%	3.5%	3.5%	3.5%
ROE	33.8%	30.8%	31.5%	31.5%

Source: Bloomberg, Company, PSR

Valuation Method

P/E Multiple @26x

Glenn Thum (+65 6212 1851)

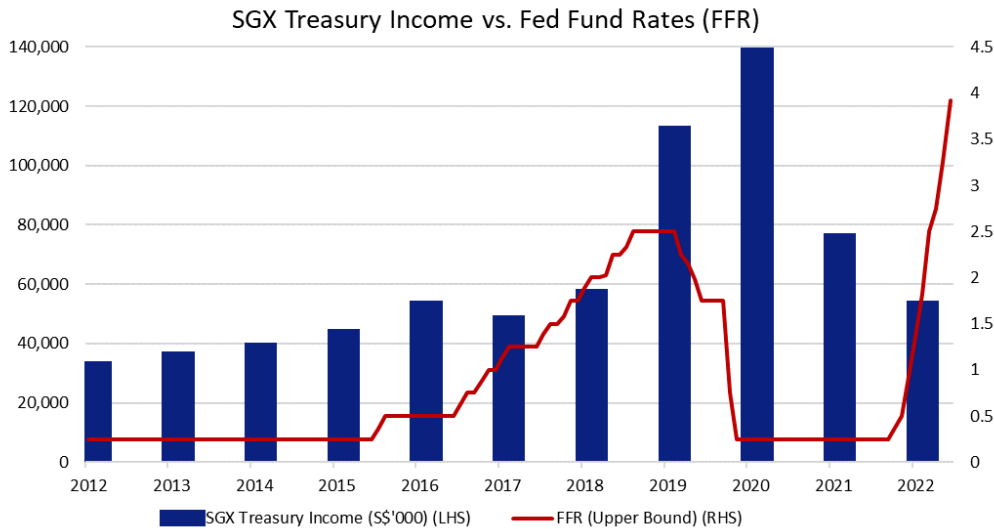
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Treasury income to tick up in FY23

Treasury income dipped in FY21 and FY22 due to the low interest rate environment (Figure 3). However, we expect a rebound in treasury income in FY23e by 8%. Looking at the chart below, we can see that SGX’s treasury income is lagging behind the Fed Fund Rates. As a majority of SGX’s collateral balances (FY22: S\$13.9bn) are placed in Fixed Deposits (FDs) with the tenure spread out, certain deposits have not matured yet and the interest rates have not been refreshed. Nonetheless, moving into FY23 we should expect the treasury income to recover to pre-pandemic levels as they get placed into higher interest FDs. In FY20, SGX earned a yield of 98 basis points on collateral balances when Fed fund rate peaked at 2.50%.

Figure 3: Treasury income to increase in FY23 after a lag

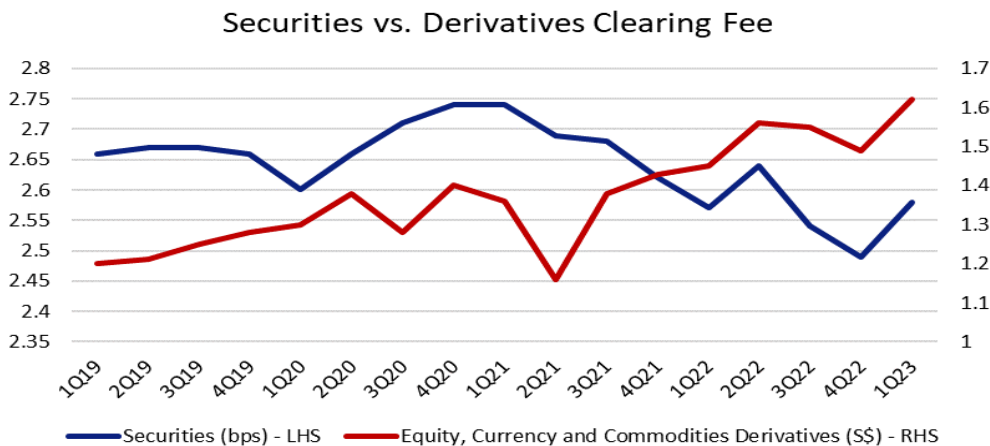


Source: Company, CEIC, PSR

Derivatives pricing reaching new highs

SGX’s equity, currency and commodities derivatives average clearing fee per contract reached new highs, at S\$1.62 in 1QFY23. This is 12% higher YoY and 7% higher than FY22’s average clearing fee of S\$1.51. The uptick in derivatives pricing is mainly due to the product mix of the derivatives being traded. This is encouraging and we should see the derivatives fee continue to trend upward. However, SGX’s securities average clearing fee per contract of 2.58bps in 1QFY23 was marginally higher than FY22’s average clearing fee of 2.56bps. We should expect this to maintain at these levels going into FY23e.

Figure 4: Derivatives clearing fee at record high

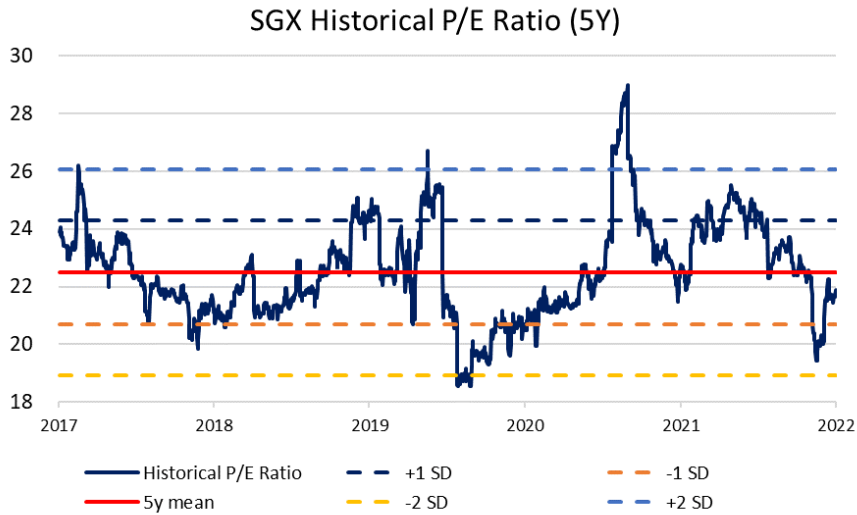


Source: Company, PSR

Investment Actions

Maintain a BUY with an unchanged target price of S\$11.71. Our estimates remain unchanged, and our target price remains pegged to +2SD of its 5-year mean or 26x P/E (Figure 5). Catalysts include continued growth from derivatives volumes and fees, and higher treasury income as the higher interest rates start to kick in.

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



Source: Bloomberg, PSR

Financials

Income Statement

Y/E Jun, SGD mn	FY20	FY21	FY22	FY23e	FY24e
Operating revenue	1,053	1,056	1,099	1,178	1,226
Operating expenses	(397)	(431)	(465)	(502)	(523)
EBITDA	656	625	634	676	703
Depreciation & amortisation	(90)	(95)	(97)	(91)	(134)
Operating profit	566	531	537	585	570
Other gains/(losses)	7	10	18	8	8
Associates & JVs	(2)	(4)	(11)	(8)	(13)
Profit before tax	571	536	545	584	566
Tax	(99)	(91)	(93)	(99)	(103)
Net profit after tax	472	446	452	485	462
Profit attributable to shareholders	472	446	452	481	501

Per share data (SGD Cents)

Y/E Jun	FY20	FY21	FY22	FY23e	FY24e
EPS, reported	44	42	42	45	47
DPS	31	32	32	32	32
BVPS	102	117	130	145	141
Payout ratio	69%	77%	76%	71%	68%

Cash Flow

Y/E Jun, SGD mn	FY20	FY21	FY22	FY23e	FY24e
CFO					
Profit before tax and Assoc.&JV	573	541	555	589	616
Depreciation & Amortisation	90	95	97	83	87
WC changes	23	35	60	(34)	34
Others	6	17	20	0	28
Cash generated from ops	692	687	732	638	766
Tax paid	(72)	(109)	(99)	(99)	(103)
Cashflow from ops	620	577	633	539	662
CFI					
CAPEX, net	(35)	(45)	(44)	(60)	(60)
Others	(10)	(46)	(17)	0	0
Cashflow from investments	(44)	(91)	(61)	(60)	(60)
CFE					
Loans, net of repayments	0	184	0	0	0
Dividends	(321)	(342)	(342)	(343)	(343)
Others	(17)	(438)	(101)	0	0
Cashflow from financing	(338)	(596)	(443)	(343)	(343)
Net change in cash	237	(110)	128	136	260
CCE, end	686	833	752	894	882

Source: Company, PSR

Balance Sheet

Y/E Jun, SGD mn	FY20	FY21	FY22	FY23e	FY24e
ASSETS					
PPE	51	50	34	35	35
Software	168	166	166	180	195
Intangible assets	108	122	118	115	113
Goodwill	329	541	708	708	708
Others	307	293	669	618	618
Total non-current assets	963	1,173	1,695	1,657	1,669
Accounts receivables	758	749	1,061	993	1,081
Cash	847	1,000	938	894	882
Securities clearing funds	60	60	60	60	60
Others	51	41	94	94	94
Total current assets	1,716	1,850	2,153	2,042	2,117
Total Assets	2,679	3,023	3,848	3,698	3,786

LIABILITIES

Accounts payables	809	868	1,262	1,147	1,253
Short term loans	0	0	0	0	0
Others	449	362	257	116	116
Total current liabilities	1,258	1,230	1,519	1,263	1,369
Lease liabilities	70	51	31	0	0
Long term loans	-	-	-	-	-
Others	103	108	132	132	132
Total non-current liabilities	172	159	163	132	132
Total Liabilities	1,430	1,389	1,682	1,394	1,500

EQUITY

Non-controlling interests	4	4	4	4	4
Shareholder Equity	1,249	1,386	1,545	1,508	1,670

Valuation Ratios

Y/E Jun	FY20	FY21	FY22	FY23e	FY24e
P/E (X), adj.	22.7	24.0	23.7	22.2	21.4
P/B (X)	9.8	8.6	7.7	6.9	7.1
EV/EBITDA (X), adj.	16.3	17.1	13.8	12.9	12.4
Dividend Yield	3.1%	3.2%	3.2%	3.2%	3.2%

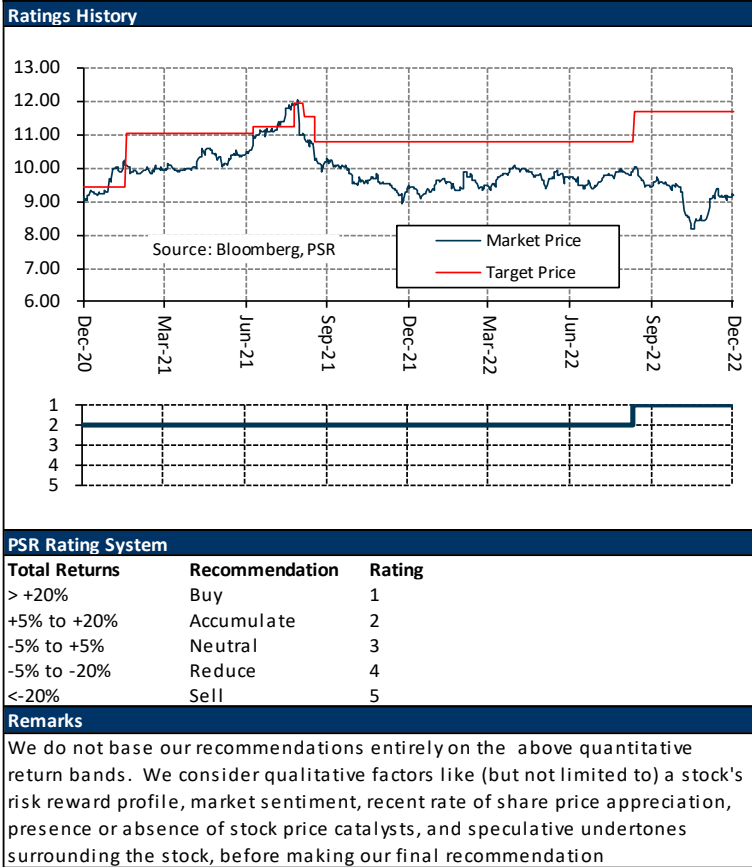
Growth & Margins

Growth					
Revenue	15.7%	0.3%	4.1%	7.2%	4.0%
EBITDA	25.2%	-4.6%	1.4%	6.6%	4.0%
EBIT	22.7%	-6.2%	1.3%	8.8%	-2.5%
Net profit, adj.	20.7%	-5.6%	1.4%	6.5%	4.0%
Margins					
EBITDA margin	57.5%	62.3%	59.2%	57.7%	57.4%
EBIT margin	53.7%	50.3%	48.9%	49.6%	46.5%
Net profit margin	44.8%	42.2%	41.1%	40.9%	40.8%

Key Ratios

ROE	40.3%	33.8%	30.8%	31.5%	31.5%
ROA	19.6%	15.6%	13.2%	12.8%	13.4%

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