



Singapore Exchange Limited

Dividends disappoint despite earnings surge

SINGAPORE | FINANCE | 1H25 RESULTS

- 1HFY25 revenue of S\$682mn and earnings of S\$340mn were above our estimates, with 1HFY25 revenue and PATMI at 53%/55% of FY25e. The variance came from higher-than-expected Equities - Cash and - Derivatives revenue. 1HFY25 DPS increased by 6% YoY to 18 cents (1HFY24: 17 cents), but the dividend payout ratio declined to 57% (1H24: 65%).
- FICC grew 14% YoY, led by continued growth in commodity and currency derivatives volumes, higher OTC FX revenue, and a recovery in listing revenue. Equities revenue recovered (+21% YoY) from a turnaround in SDAV and equity derivatives volumes, while fees remained stable.
- Treasury income was flat YoY, we believe, due to higher average yields on margin deposits from a steepening yield curve being offset by a decline in margin balances.
- Maintain ACCUMULATE with a higher target price of S\$13.90** (prev. S\$10.78). We increase FY25e earnings by 14% as we increase Equities revenue and lower OPEX estimates. Our target price is pegged to its 5-year mean or 21x P/E (Figure 1). We expect SGX to maintain stable growth from their OTC FX business pillars and currency derivatives volumes and benefit from operating leverage. Heightened volatility surrounding the Trump administration and Singapore's standing as a flight-to-safety venue in Asia will continue to boost volumes in 2025.

Results at a glance

(SGD mn)	1H25	1H24	YoY	Comments
Fixed Income, Currencies & Commodities (FICC)	172.9	151.9	14%	Continued growth in commodity and currency derivatives volumes, and higher OTC FX ADV.
Equities - Cash	194.5	159.6	22%	Increase in both securities daily average trade value and overall average net clearing fees.
Equities - Derivatives	192.5	160.7	20%	Strong recovery in equity derivatives volumes while fees remained stable.
Platform and Others	122.2	120.1	2%	
Total Revenue	682.2	592.2	15%	
Transaction-based Expenses	(35.9)	(33.3)	8%	
OPEX	(221.1)	(214.3)	3%	Led by higher staff costs from higher variable bonus provision.
Operating profit	383.2	296.1	29%	
Net profit	340.0	281.6	21%	
Normalised net profit	320.1	251.4	27%	

Source: Company, PSR

The Positives

+ FICC – Currency and Commodities grow again. Currency and commodities trading and clearing revenue was the main contributor, rising by 23% in 1H25, led by increased currency derivatives volumes (+43% YoY) and commodity derivatives volumes (+15% YoY). SGX's OTC FX continued to surge, with revenue rising 36% YoY and headline average daily volume (ADV) rising 35% YoY in 1H25. 1HFY25 OTC FX headline ADV grew to US\$136bn (1H24: US\$100bn), surpassing SGX's FY25 target of US\$100bn early. However, SGX did not provide any new guidance for ADV targets and mentioned that the aim would be to maintain the current levels.

+ SDAV and derivatives volumes turnaround. The securities daily average value (SDAV) rose 31% YoY, driven by elevated investor interest and investment flows, and the overall average net clearing fees increased by 5.0% to 2.57bps. Total Equity derivatives volumes jumped 17% YoY in 1H25 from broader client participation amidst global market volatility, as volumes of the

7 February 2025

ACCUMULATE (Maintained)

LAST DONE PRICE	SGD 12.66
FORECAST DIV	SGD 0.36
TARGET PRICE	SGD 13.90
TOTAL RETURN	12.6%

COMPANY DATA

BLOOMBERG TICKER	SGX SP
O/S SHARES (MN) :	1,071
MARKET CAP (USD mn / SGD mn) :	10032 / 13553
52 - WK HI/LO (SGD) :	13.09 / 8.87
3M Average Daily T/O (mn) :	2.26

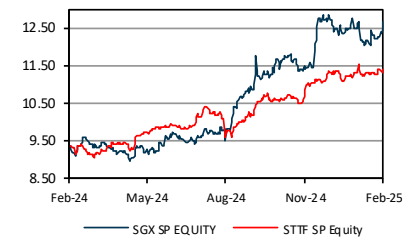
MAJOR SHAREHOLDERS (%)

SEL Holdings Pte Ltd	23.4%
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PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(0.3)	9.8	36.4
STTF RETURN	0.2	7.0	27.3

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E June	FY23	FY24	FY25e	FY26e
Revenue (SGD mn)	1,194	1,232	1,416	1,517
EBITDA (SGD mn)	688	702	878	936
NPAT (SGD mn)	571	598	706	761
EPS (Cents)	53.4	55.9	66.0	71.2
PER, (X)	23.7	22.6	19.1	17.7
P/BV, (X)	8.7	7.9	6.9	6.1
DPS (Cents)	32.5	34.5	36.0	38.0
Div Yield	2.6%	2.7%	2.9%	3.0%
ROE	35.1%	32.6%	33.8%	31.3%

Source: Bloomberg, Company, PSR

Valuation Method

P/E Multiple @ 21x

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two largest contributors, FTSE China A50 and GIFT Nifty index, rose by 30% and 17%, respectively. The average fee per contract for Equity, Currency, and Commodity derivatives was stable at \$1.30 in 1H25. Resultantly, Equities revenue surged by 21% YoY.

The Negatives

- **Dividend payout ratio declines.** Dividends were raised 6% YoY to 18 cents for 1H25 (quarterly dividend of 9 cents for 1Q25 and 2Q25). Despite this, 1H25 dividend payout ratio dipped to 57% (1H24: 65%) as earnings growth (1H25: earnings per share grew 27% YoY) outpaced dividend growth. Management has maintained their previous guidance of increasing dividends at mid-single digit CAGR in the medium term but did mention that they will be looking into their dividend policy. We believe there is an upside surprise to dividends and a possibility of a further increase should SGX's dividend policy be pegged to payout ratio instead of CAGR growth (assuming a 65% payout ratio, 1H25 DPS would increase 24% YoY to 21cents).

- **Treasury income contribution falls.** 1H25 total treasury income on collateral balances held in trust remained unchanged YoY and HoH at S\$69mn. We believe this was due to higher average yields on margin deposits from a steepening yield curve offset by a decline in margin balances. However, 1H25's treasury income contributed 17% to PBT, falling below the contribution of 20% in 1H24. We expect treasury income to remain stable as the steepening yield curve will benefit SGX's margins on collateral balances (SGX pays short term and collects long term).

Outlook

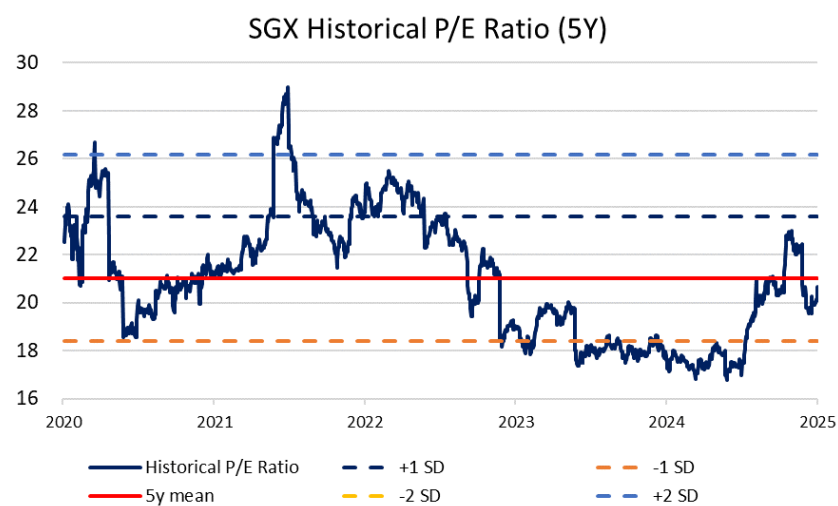
Volumes begin to recover. 1H25 volumes have recovered strongly, with securities daily average traded value (SDAV) and derivatives daily average volume (DDAV) surging by 32% and 21%, respectively. Heightened volatility in August (Yen carry trade) and November (US Elections) boosted volumes, further aided by US rate cuts and new stimulus measures by China. Jan 25 preliminary SDAV figures are a positive sign, showing a continuation of growth and rising by 11% YoY. We expect the heightened volatility surrounding the Trump administration to continue to boost volumes for SGX in 2025.

OTC FX business main growth contributor. SGX's OTC FX business, comprising BidFX, MaxxTrader, and Electronic Communication Network (ECN), has continued its strong growth with the full-year FY25 average daily volume target of US\$100bn achieved early (1HFY25: US\$136bn, FY24: US\$111bn). SGX's OTC FX business is well-positioned for growth. With a focus on digitalization and risk management services, it aims to capitalize on emerging market (EM) opportunities. As more participants engage in EM currency transactions, SGX's platform stands to benefit from this trend.

FY25e guidance. SGX has guided for FY25e expenses and CAPEX to come in at the lower end of their previous guidance of expense growth of 2-4% and CAPEX at S\$70mn-75mn (1HFY25: S\$22mn, FY24: S\$66mn). The higher expenses are mainly from the buildout of their OTC FX business, and higher staff costs are due to salary increments. For the medium term, SGX has maintained their guidance of 6-8% revenue growth and for OTC FX contribution of mid to high single-digit to EDITDA (1HFY25: 5%, FY24: 3%).

Investment Actions

Maintain ACCUMULATE with a higher target price of S\$13.90 (prev. S\$10.78). We increase FY25e earnings by 14% as we increase Equities revenue and lower OPEX estimates. Our target price is pegged to its 5-year mean or 21x P/E (Figure 1). We expect SGX to maintain stable growth from their OTC FX business pillars and currency derivatives volumes while keeping expense growth contained. Heightened volatility surrounding the Trump administration and Singapore's standing as a flight-to-safety venue in Asia will continue to boost volumes in 2025.

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

Source: Bloomberg, PSR

Financials

Income Statement

Y/E Jun, SGD mn	FY22	FY23	FY24	FY25e	FY26e
Operating revenue	1,099	1,194	1,232	1,416	1,517
Operating expenses	(465)	(507)	(529)	(538)	(581)
EBITDA	634	688	702	878	936
Depreciation & amortisation	(97)	(98)	(96)	(87)	(87)
Operating profit	537	590	606	792	849
Other gains/(losses)	18	100	117	67	64
Associates & JVs	(11)	(16)	(14)	(11)	(13)
Profit before tax	545	674	709	847	900
Tax	(93)	(103)	(111)	(141)	(139)
Net profit after tax	452	571	598	706	761
Profit attributable to shareholders	451	571	598	706	761

Per share data (SGD Cents)

Y/E Jun	FY22	FY23	FY24	FY25e	FY26e
EPS, reported	42	53	56	66	71
DPS	32	33	35	36	38
BVPS	130	145	159	183	207
Payout ratio	76%	61%	62%	55%	53%

Cash Flow

Y/E Jun, SGD mn	FY22	FY23	FY24	FY25e	FY26e
CFO					
Profit before tax and Assoc.&JV	555	689	723	858	913
Depreciation & Amortisation	97	98	96	132	132
WC changes	16	(162)	1	14	12
Others	15	(80)	(92)	19	0
Cash generated from ops	683	546	728	1023	1056
Tax paid	(99)	(99)	(112)	(135)	(144)
Cashflow from ops	584	447	616	888	912
CFI					
CAPEX, net	(44)	(54)	(65)	(70)	(100)
Others	(506)	67	(73)	0	0
Cashflow from investments	(550)	12	(138)	(70)	(100)
CFF					
Loans, net of repayments	0	0	0	0	0
Dividends	(342)	(344)	(365)	(572)	(594)
Others	234	(89)	(95)	0	(69)
Cashflow from financing	(109)	(433)	(460)	(572)	(663)
Net change in cash	(75)	26	18	246	149
CCE, end	752	777	796	867	996

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Jun, SGD mn	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
PPE	34	41	55	60	60
Software	166	152	135	164	199
Intangible assets	118	92	69	69	69
Goodwill	708	703	700	700	700
Others	669	614	779	824	824
Total non-current assets	1,695	1,602	1,738	1,817	1,852
Accounts receivables	1,061	1,111	1,113	1,294	1,368
Cash	938	993	958	1,030	1,159
Securities clearing funds	60	40	40	40	40
Others	94	35	136	136	136
Total current assets	2,153	2,179	2,247	2,499	2,703
Total Assets	3,848	3,781	3,985	4,316	4,555

LIABILITIES

Accounts payables	1,262	1,137	1,078	1,177	1,162
Short term loans	0	0	0	0	0
Others	180	502	160	160	160
Total current liabilities	1,442	1,638	1,238	1,338	1,323
Lease liabilities	31	15	65	65	65
Long term loans	-	-	-	-	-
Others	826	425	720	720	720
Total non-current liabilities	857	439	785	785	785
Total Liabilities	2,299	2,078	2,024	2,123	2,108

EQUITY

Non-controlling interests	5	3	1	1	1
Shareholder Equity	1,549	1,704	1,961	2,218	2,463

Valuation Ratios

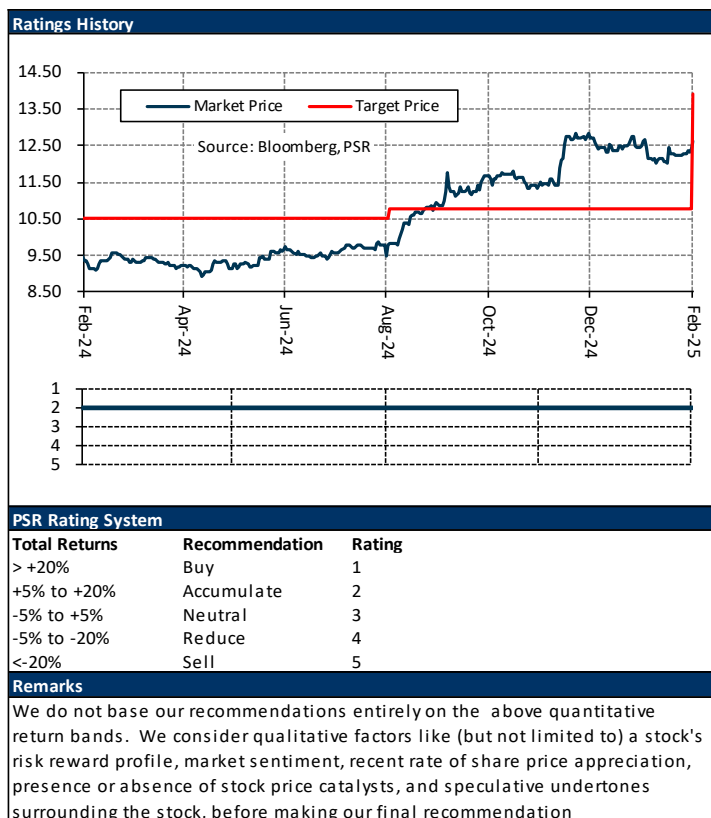
Y/E Jun	FY22	FY23	FY24	FY25e	FY26e
P/E (X), adj.	29.9	23.7	22.6	19.1	17.7
P/B (X)	9.7	8.7	7.9	6.9	6.1
EV/EBITDA (X), adj.	13.8	12.7	12.4	9.9	9.3
Dividend Yield	2.5%	2.6%	2.7%	2.9%	3.0%

Growth & Margins

Growth					
Revenue	4.1%	8.7%	3.1%	15.0%	7.1%
EBITDA	1.4%	8.5%	2.1%	25.1%	6.6%
EBIT	1.3%	9.7%	2.9%	30.5%	7.2%
Net profit, adj.	1.3%	26.5%	4.7%	18.1%	7.8%
Margins					
EBITDA margin	57.7%	57.6%	57.0%	62.0%	61.7%
EBIT margin	48.9%	49.4%	49.2%	55.9%	55.9%
Net profit margin	41.1%	47.8%	48.5%	49.9%	50.2%

Key Ratios

ROE	30.7%	35.1%	32.6%	33.8%	31.3%
ROA	13.1%	15.0%	15.4%	17.0%	17.2%
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash



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