

10 July 2024

Financial Services | Exchanges

Singapore Exchange (SGX SP)

Neutral (Maintained)

Imputing The Reported 2H24 Operational Data

- **Stay NEUTRAL and SGD10.40 TP, 8% upside.** Although the June securities turnover data disappointed, Singapore Exchange reported a rise in 4QFY24 (Jun) securities daily average value (SDAV). The derivatives business continued to show strength with two consecutive quarters of sequential and YoY growth in derivatives daily average volume (DDAV). We continue to see limited upside in the near term amidst a lack of catalysts, as the estimated increases in SDAV and DDAV are likely well priced in. In addition, SGX's forward yield of 3.7% remains unexciting.
- **FY24 SDAV declined 4% YoY despite a strong 2HFY24 performance.** SGX's June SDAV came in at SGD1.1bn (-7% YoY, -13% MoM) after four consecutive months of c.SGD1.2bn data. Nevertheless, 4QFY24 SDAV was up 7% QoQ and 12% YoY. 2HFY24 securities turnover rose c.18% HoH. Thanks to this strong operating data, we expect cash equities revenue to increase by c.9% HoH. In 2HFY24, SGX noted that Singapore was the second most actively traded market in the ASEAN region during the June quarter (ie 4QFY24), as the STI advanced 3.4% QoQ, thanks to the strong share price performance by Singapore banks.
- **The derivatives business remains strong.** Total derivatives traded volume increased 5% YoY in June to 22.4m contracts, with DDAV of 1.18m contracts increasing by 10% YoY and 3% MoM. For FY24, DDAV came in at 1.09m contracts (+8% YoY). SGX continued to see robust trading activity in its FX and commodity derivatives business, the growth of which has been much stronger than its equity derivatives business. In 1HFY20, equity derivatives accounted for 80% of the total derivative volume, and 20% of the volume came from FX and commodities derivatives. This has changed to a split of 58% and 42% in 2HFY24. We expect growth in FX and commodity derivatives to continue to surpass growth in equity derivatives in the future.
- **2HFY24 earnings preview.** SGX will be reporting its FY24 results after the market closes on 7 Aug 2024. On the back of strong operational data, we estimate 2HFY24 core PATMI at SGD259m (+4.4% HoH). Imputing the reported operating data for FY24 has led to a small (<1%) reduction in core FY24F-26F PATMI. We continue to value SGX based on c.21x forward P/E, which is in line with its historical average. Our TP includes a 6% ESG premium to its fair value of SGD9.80.

Target Price (Return):	SGD10.40 (+8%)
Price (Market Cap):	SGD9.62 (USD7,621m)
ESG score:	3.4 (out of 4)
Avg Daily Turnover (SGD/USD)	16.8m/12.5m

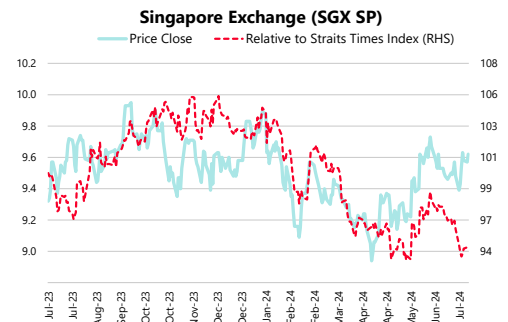
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(2.1)	(0.5)	4.1	(1.4)	3.7
Relative	(7.8)	(3.4)	(1.7)	(8.5)	(5.4)
52-wk Price low/high (SGD)	8.94 – 9.95				



Source: Bloomberg

Forecasts and Valuation	Jun-22	Jun-23	Jun-24F	Jun-25F	Jun-26F
Total turnover (SGDm)	1,099	1,194	1,220	1,263	1,318
Recurring net profit (SGDm)	448	460	508	527	557
Recurring net profit growth (%)	2.0	2.7	10.5	3.7	5.8
Recurring P/E (x)	22.97	22.36	20.25	19.53	18.46
P/B (x)	6.7	6.0	5.8	5.3	4.9
P/CF (x)	17.63	23.02	17.23	17.81	17.23
Dividend Yield (%)	3.3	3.4	3.5	3.7	3.9
EV/EBITDA (x)	14.71	13.56	13.45	12.97	12.27
Return on average equity (%)	30.8	35.2	31.1	28.4	27.8
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Overall ESG Score: 3.4 (out of 4)

E: EXCELLENT

SGX is the first Asian exchange committed to 1.5°C-aligned science-based emission reduction targets across scope 1-3 by SBTi, which was approved in Aug 2022. It is committed to a 42% reduction in Scope 2 emissions by FY2031 from the base year as of FY2021. For Scope 3 emissions, SGX plans to have ongoing engagement with its co-location data centre supplier to set science-based targets within five years.

S: GOOD

SGX Cares is SGX's CSR initiative, which supports charities and causes via its flagship fundraising events like Charity Futsal and Charity Run. Through three pillars of SGX Cares – Bull Charge (fundraising), Outreach (employee volunteerism), and Financial Literacy, SGX aims to uplift and empower communities, create positive change, and drive opportunities for a brighter and more sustainable future.

G: EXCELLENT

SGX complies with principles and provisions of the Code of Corporate Governance 2018, and Securities and Futures (Corporate Governance of Approved Exchanges, Approved Clearing Houses and Approved Holding Companies) Regulations 2005. It maintains healthy gender diversity at the board and management levels.

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Financial Exhibits

Asia	Financial summary (SGD)	Jun-22	Jun-23	Jun-24F	Jun-25F	Jun-26F
Singapore	Recurring EPS	0.42	0.43	0.48	0.49	0.52
Financial Services	DPS	0.32	0.32	0.34	0.36	0.38
Singapore Exchange	BVPS	1.44	1.59	1.67	1.80	1.95
SGX SP	Return on average equity (%)	30.8	35.2	31.1	28.4	27.8
Neutral						
	Valuation metrics	Jun-22	Jun-23	Jun-24F	Jun-25F	Jun-26F
Valuation basis	Recurring P/E (x)	22.97	22.36	20.25	19.53	18.46
We use P/E valuation as share price is sensitive to near-term earnings volatility.	P/B (x)	6.7	6.0	5.8	5.3	4.9
	FCF Yield (%)	5.2	3.8	5.0	4.9	5.1
	Dividend Yield (%)	3.3	3.4	3.5	3.7	3.9
Key drivers	EV/EBITDA (x)	14.71	13.56	13.45	12.97	12.27
Our FY24 earnings forecast is most sensitive to changes in:	EV/EBIT (x)	17.36	15.82	15.70	15.02	13.93
i. Total securities trading volume;						
ii. Total derivatives trading volume;						
iii. Effective trading and clearing rate.						
	Income statement (SGDm)	Jun-22	Jun-23	Jun-24F	Jun-25F	Jun-26F
Key risks	Total turnover	1,099	1,194	1,220	1,263	1,318
Key downside risks to our call include:	Gross profit	1,099	1,194	1,220	1,263	1,318
i. Lower-than-expected securities market turnover;	EBITDA	634	688	681	694	719
ii. Lower-than-expected trading in derivative contracts;	Depreciation and amortisation	(97)	(98)	(97)	(94)	(86)
iii. Lower-than-expected clearing and trading rate.	Operating profit	537	590	584	599	634
	Net interest	9	113	87	43	46
The converse represents upside risks.	Pre-tax profit	545	674	651	635	672
	Taxation	(93)	(103)	(110)	(109)	(115)
	Reported net profit	451	571	541	527	557
	Recurring net profit	448	460	508	527	557
	Cash flow (SGDm)	Jun-22	Jun-23	Jun-24F	Jun-25F	Jun-26F
Company Profile	Change in working capital	16	(162)	18	0	0
Singapore Exchange is a multi-asset exchange which operates equity, fixed income and derivatives markets that provides listing, trading, clearing, settlement, depository and data services	Cash flow from operations	584	447	597	578	597
	Capex	(44)	(54)	(79)	(70)	(70)
	Cash flow from investing activities	(550)	12	(119)	(20)	(18)
	Dividends paid	(342)	(344)	(364)	(380)	(401)
	Cash flow from financing activities	(109)	(433)	(382)	(386)	(408)
	Cash at beginning of period	1,060	998	1,033	1,077	1,248
	Net change in cash	(75)	26	96	171	172
	Ending balance cash	998	1,033	1,077	1,248	1,420
	Balance sheet (SGDm)	Jun-22	Jun-23	Jun-24F	Jun-25F	Jun-26F
	Total cash and equivalents	1,092	1,067	1,203	1,375	1,546
	Tangible fixed assets	251	193	225	201	185
	Total investments	609	580	596	596	596
	Total assets	3,848	3,781	3,798	3,988	4,191
	Short-term debt	42	352	350	350	350
	Total long-term debt	694	340	331	331	331
	Total liabilities	2,299	2,078	2,015	2,058	2,105
	Total equity	1,549	1,704	1,783	1,930	2,086
	Total liabilities & equity	3,848	3,781	3,798	3,988	4,191
	Key metrics	Jun-22	Jun-23	Jun-24F	Jun-25F	Jun-26F
	Revenue growth (%)	4.1	8.7	2.2	3.5	4.4
	Recurrent EPS growth (%)	2.1	2.7	10.4	3.7	5.8
	Gross margin (%)	100.0	100.0	100.0	100.0	100.0
	Operating EBITDA margin (%)	57.7	57.6	55.8	54.9	54.6
	Net profit margin (%)	41.1	47.8	44.3	41.7	42.3
	Dividend payout ratio (%)	75.8	60.8	67.2	72.1	72.0
	Capex/sales (%)	4.0	4.5	6.5	5.5	5.3
	Interest cover (x)	72.8	81.3	85.1	88.0	93.1

Source: Company data, RHB

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Figure 1: FY24 SDAV data

Period	Total turnover (SGDm)	QoQ (%)	YoY (%)	Trading days	SDAV (SGDm)	QoQ (%)	YoY (%)
3QFY22	90,695	26%	-4%	62	1,463	32%	-4%
4QFY22	79,644	-12%	-5%	61	1,306	-11%	-4%
1QFY23	68,093	-15%	-13%	64	1,064	-19%	-13%
2QFY23	69,977	3%	-3%	63	1,111	4%	0%
3QFY23	72,096	3%	-21%	62	1,163	5%	-21%
4QFY23	65,290	-9%	-18%	61	1,070	-8%	-18%
1QFY24	62,426	-4%	-8%	63	991	-7%	-7%
2QFY24	58,738	-6%	-16%	63	932	-6%	-16%
3QFY24	69,393	18%	-4%	62	1,119	20%	-4%
4QFY24	73,193	5%	12%	61	1,200	7%	12%

Period	Total turnover (SGDm)	YoY (%)	Trading days	SDAV (SGDm)	YoY (%)
FY19	259,463	-17%	249	1,042	-17%
FY20	332,145	28%	252	1,318	26%
FY21	340,088	2%	252	1,350	2%
FY22	320,783	-6%	252	1,273	-6%
FY23	275,456	-14%	250	1,102	-13%
FY24	263,750	-4%	249	1,059	-4%

Source: Company data, RHB

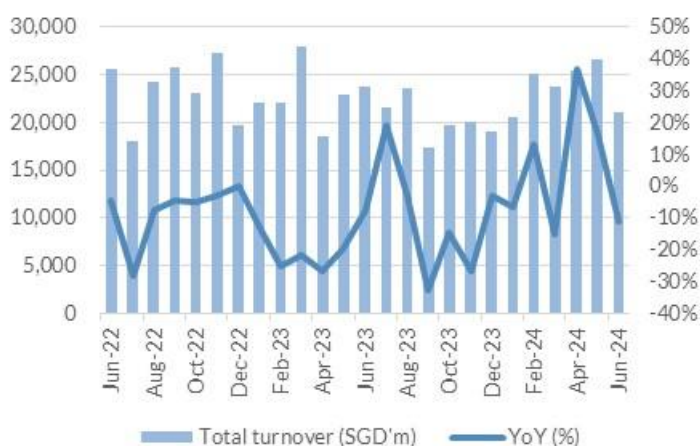
Figure 2: FY24 DDAV data

Period	Volume (contracts)	QoQ (%)	YoY (%)	Trading days	DDAV (m)	QoQ (%)	YoY (%)
3QFY22	64,888,445	17%	7%	62	1.05	22%	7%
4QFY22	66,616,829	3%	22%	61	1.09	4%	24%
1QFY23	63,186,909	-5%	4%	64	0.99	-10%	4%
2QFY23	65,507,128	4%	18%	63	1.04	5%	21%
3QFY23	62,727,026	-4%	-3%	62	1.01	-3%	-3%
4QFY23	59,541,157	-5%	-11%	61	0.98	-4%	-11%
1QFY24	65,625,547	10%	4%	63	1.04	7%	6%
2QFY24	64,109,564	-2%	-2%	63	1.02	-2%	-2%
3QFY24	70,369,393	10%	12%	62	1.13	12%	12%
4QFY24	70,452,880	0%	18%	61	1.15	2%	18%

Period	Volume (contracts)	YoY (%)	Trading days	DDAV (m)	YoY (%)
FY19	240,239,056	21%	249	0.96	22%
FY20	243,646,206	1%	251	0.97	1%
FY21	232,493,354	-5%	253	0.92	-5%
FY22	248,238,941	7%	252	0.99	7%
FY23	250,962,220	1%	250	1.00	2%
FY24	270,557,384	8%	249	1.09	8%

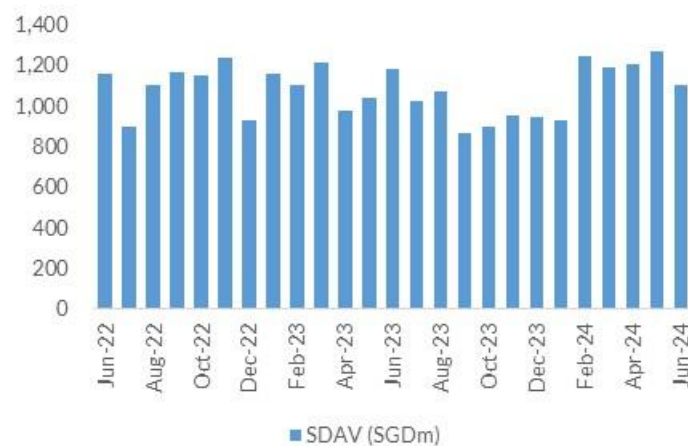
Source: Company data, RHB

Figure 3: Monthly securities market turnover (until Jun 2024)



Source: Company data, RHB

Figure 4: Monthly SDAV (until Jun 2024)

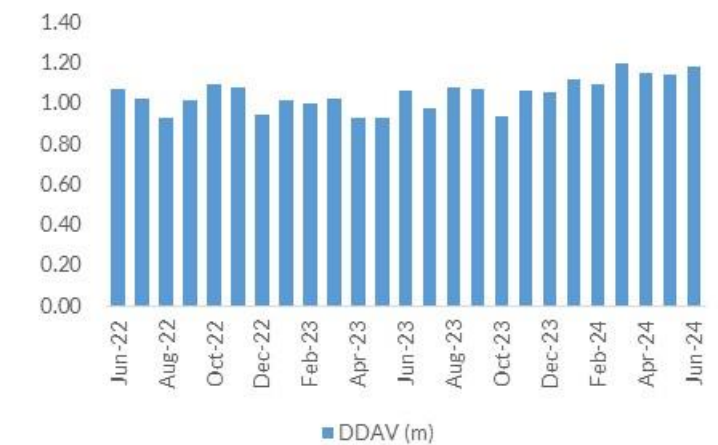


Source: Company data, RHB

Figure 5: Monthly derivatives trading volumes (until Jun 2024)



Figure 6: Monthly DDAV (until Jun 2024)



Source: Company data, RHB

Source: Company data, RHB

Figure 7: FY25F earnings sensitivity to SDAV and DDAV

SDAV (SGDm)	DDAV (m)						
	1.03	1.05	1.08	1.14	1.13	1.15	1.18
875	439	448	458	481	476	486	495
950	454	464	473	496	492	501	510
1,025	470	479	488	512	507	516	526
1,099	485	494	504	527	522	532	541
1,175	501	510	519	542	538	547	557
1,250	516	525	535	558	553	563	572
1,325	531	541	550	573	569	578	587

Source: Bloomberg, RHB

Figure 8: TP sensitivity to SDAV and DDAV

SDAV (SGDm)	DDAV (m)						
	1.03	1.05	1.08	1.14	1.13	1.15	1.18
875	8.6	8.8	9.0	9.4	9.3	9.5	9.8
950	8.9	9.1	9.3	9.8	9.6	9.9	10.1
1,025	9.2	9.4	9.5	10.1	10.0	10.2	10.3
1,099	9.5	9.8	9.9	10.4	10.3	10.4	10.6
1,175	9.9	10.0	10.2	10.6	10.6	10.7	10.9
1,250	10.2	10.3	10.5	10.9	10.8	11.0	11.2
1,325	10.4	10.6	10.8	11.2	11.1	11.3	11.6

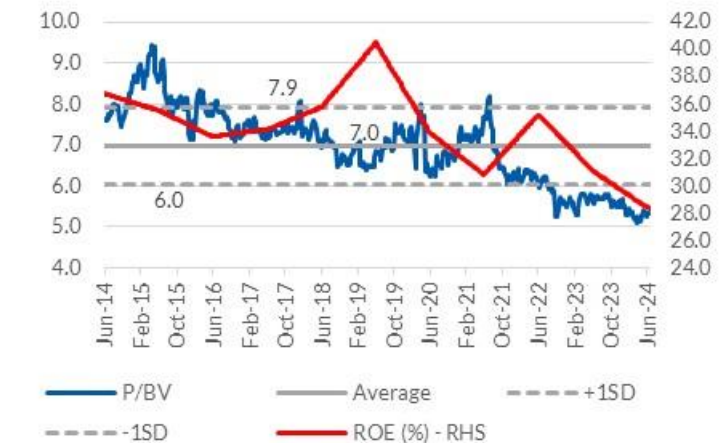
Source: Bloomberg, RHB

Figure 9: 1-year forward P/E



Source: Company data, RHB

Figure 10: P/BV vs the ROE



Source: Company data, RHB

Emissions And ESG

Trend analysis

Between FY20 and FY23, SGX's Scope 1 and Scope 2 emissions have been on a gradual decline. Scope 1 emissions have declined to 30 tCO2e from 45 tCO2e. And during the same period, Scope 2 emissions have declined from 4,352 tCO2e to 3,568 tCO2e.

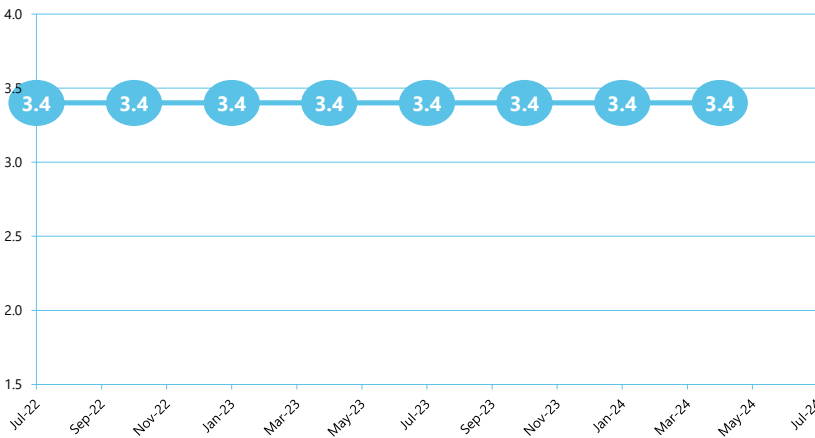
Emissions (tCO2e)	Jun-21	Jun-22	Jun-23
Scope 1	65	35	30
Scope 2	3,763	3,469	3,568
Scope 3	3,937	4,966	7,061
Total emissions	7,765	8,470	10,659

Source: Company data, RHB

Latest ESG-Related Developments

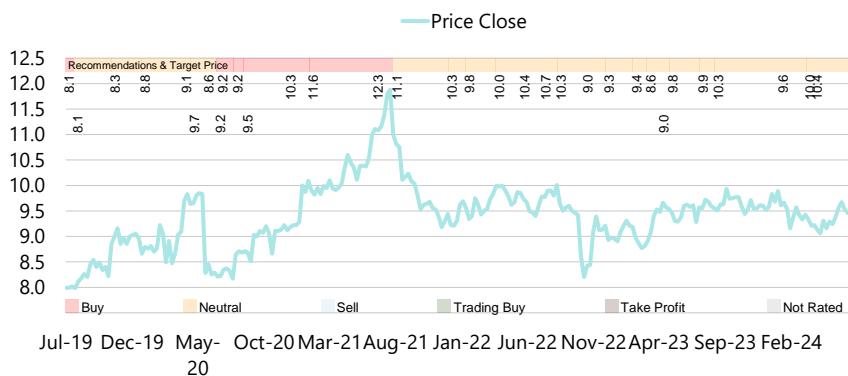
- SGX's disclosure of climate-related risks and opportunities uses scenario analysis, in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).
- SGX's shelf of offerings and suite of ESG products have been continuously expanding. For example, in FY2023, it worked with MSCI on developing the methodology for the MSCI Climate Action Indexes, which were launched in 2022. The MSCI Climate Action Indexes are designed to help institutional investors seeking to invest in the transition and finance companies' emissions reduction to drive change in the real economy, with inputs from over 30 asset owners.
- SGX plans to further embed sustainability into not only its business and company but the overall ecosystem, laying the foundations for being the exchange of choice for climate and sustainability-related products and solutions.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-06-11	Neutral	10.4	9.6
2024-05-19	Neutral	10.0	9.2
2024-03-18	Neutral	10.0	9.4
2024-01-15	Neutral	9.6	9.9
2023-10-20	Neutral	10.3	9.6
2023-09-14	Neutral	10.3	9.8
2023-08-18	Neutral	10.3	9.6
2023-07-13	Neutral	9.9	9.6
2023-05-05	Neutral	9.8	9.5
2023-04-13	Neutral	9.0	9.5
2023-03-13	Neutral	8.6	8.6
2023-02-09	Neutral	9.4	9.2
2022-12-07	Neutral	9.3	9.1
2022-10-19	Neutral	9.0	8.5
2022-08-18	Neutral	10.3	10.0

Source: RHB, Bloomberg

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Buy:	Share price may exceed 10% over the next 12 months
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Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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