



News Release

19 October 2018

SGX reports 1Q FY2019 net profit of S\$91 million

1Q FY2019 Financial Summary

- Revenue: S\$209 million, up 2% from a year earlier
- Operating profit: S\$106 million, unchanged
- Net profit: S\$91 million, unchanged
- Earnings per share: 8.5 cents, unchanged
- Interim dividend per share: 7.5 cents, up by 2.5 cents

All figures are for the year except for figures in brackets, which are for the year earlier, unless otherwise stated. Some figures may be subject to rounding.

Singapore Exchange (SGX) today reported 1Q FY2019 net profit of S\$91.1 million (S\$90.7 million), on the back of revenues of S\$208.9 million (S\$204.5 million). Operating profit was S\$106.4 million (S\$106.0 million), with earnings per share at 8.5 cents (8.5 cents). The Board of Directors has declared an interim dividend of 7.5 cents (5 cents) per share, payable on 5 November 2018.

Loh Boon Chye, Chief Executive Officer of SGX, said, “Our first-quarter performance demonstrates the diversity and resilience of our multi-asset business. We achieved strong record revenues in our derivatives business, while our securities market saw a pullback along with other regional stock markets, amid heightened volatility and emerging market weakness. During the quarter, we made strategic investments in companies that will enable us to expand our fixed income business and pursue the development of our digital marketplace for freight.”

“Looking ahead, the continued market volatility will increase the demand for risk management and investment solutions. Our expanded MSCI Net Total Return index futures suite is gaining traction and will continue to deliver results, together with our broad range of Asian derivative products and recently developed FlexC FX futures. To cater to evolving investor needs, we will be extending our product offerings in the securities market. As we grow our global network and partnerships, we will also establish new offices in New York and San Francisco to acquire new customers and enhance client coverage,” he added.

Results Summary

Equities and Fixed Income – comprising Issuer Services, Securities Trading & Clearing and Post Trade Services – declined 13% to S\$86.4 million (S\$99.7 million), accounting for 41% (49%) of total revenue.

Issuer Services revenue decreased 12% to S\$19.5 million (S\$22.1 million), contributing to 9% (11%) of total revenue.

- Listing revenue: S\$11.1 million, down 14% from S\$13.0 million
- Corporate actions and other revenue: S\$8.3 million, down 8% from S\$9.1 million

There were a total of 247 (347) bond listings raising S\$91.8 billion (S\$156.1 billion). We registered a total of 6 (6) new equity listings which raised S\$0.2 billion (S\$2.7 billion), while secondary equity funds raised amounted to S\$1.1 billion (S\$1.1 billion).

Securities Trading and Clearing revenue decreased 8% to S\$46.9 million (S\$51.2 million) and accounted for 22% (25%) of total revenue.

- Securities Clearing revenue: S\$36.1 million, down 9% from S\$39.4 million
- Access revenue: S\$8.6 million, down 9% from S\$9.4 million
- Collateral management, membership and other revenue: S\$2.3 million, down 5% from S\$2.4 million

Securities daily average traded value (SDAV) declined 8% to S\$1.07 billion (S\$1.16 billion), with total traded value dipping 8% to S\$67.5 billion (S\$73.2 billion). This was made up of Equities¹ where traded value decreased by 9% to S\$61.1 billion (S\$67.5 billion), and Other products² where traded value increased 12% to S\$6.4 billion (S\$5.7 billion).

Average clearing fees for Equities and Other products were comparable at 2.88 basis points (2.87 basis points) and 0.56 basis points (0.55 basis points) respectively.

There were 63 (63) trading days this quarter. Overall turnover velocity for the quarter was 36% (37%).

Post Trade Services revenue declined 24% to S\$20.0 million (S\$26.4 million), accounting for 10% (13%) of total revenue.

- Securities settlement revenue: S\$17.8 million, down 23% from S\$23.1 million
- Contract processing revenue: Nil, down from S\$1.4 million
- Depository management revenue: S\$2.2 million, up 13% from S\$1.9 million

The decrease in securities settlement revenue was mainly due to a decline in subsequent settlement activities and downward re-pricing of our delivery-versus-payment guarantee fee from April 2018. Contract processing revenue has ceased as all brokers have migrated to their own back office systems by February 2018.

Derivatives revenue rose 21% to S\$97.7 million (S\$80.6 million), contributing to 47% (39%) of total revenue.

- Equity and Commodities revenue: S\$64.9 million, up 11% from S\$58.3 million
- Collateral management, licence, membership and other revenue: S\$32.8 million, up 48% from S\$22.3 million

Equity and Commodities revenue grew 11% as total volumes increased 17% to 54.2 million contracts (46.2 million contracts). This was mainly due to higher volumes in SGX FTSE China A50 futures arising from higher volatility in the underlying market, and higher activity in USD/CNH and INR/USD FX futures contracts. Average fee per contract decreased to S\$1.05 (S\$1.12) mainly due to a change in the mix of products traded.

Collateral management, licence, membership and other revenue increased 48% mainly due to higher collateral management income. Increased demand from clients for our risk management solutions, including the new MSCI Net Total Return index futures, led to higher open interest and collateral margin balances.

1. Equities include ordinary shares, real-estate investment trusts and business trusts.

2. Other products include structured warrants, company warrants, exchange-traded funds, daily leverage certificates, debt securities, and American depository receipts.

Market Data and Connectivity revenue increased 2% to S\$24.7 million (S\$24.2 million), accounting for 12% (12%) of total revenue.

- Market data revenue: S\$10.3 million, unchanged
- Connectivity revenue: S\$14.4 million, up 4% from S\$13.9 million

The increase in connectivity revenue was due to higher derivatives API subscriptions and the continued growth of SGX's colocation services business.

Expenses increased by 4% to S\$102.5 million (S\$98.5 million), mainly due to higher staff costs and professional fees. Our average headcount for the quarter was 815 (790).

Technology expenses increased 3% to S\$31.4 million (S\$30.5 million), mainly due to higher system maintenance costs from the implementation of new systems.

Technology-related capital expenditure was \$10.2 million (\$10.0 million). These investments were mainly for the enhancement of SGX's fixed income trading platform and the ongoing development of the new securities post-trade system.

In line with previous guidance, operating expenses for FY2019 are expected to be between S\$445 million and S\$455 million. Technology-related capital expenditure is expected to be between S\$60 million and S\$65 million.

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Financial Highlights

<i>\$ million, except where indicated</i>	1Q FY2019	1Q FY2018	Change 1Q FY2019 vs 1Q FY2018	4Q FY2018	Change 1Q FY2019 vs 4Q FY2018
Key income statement figures					
Equities and Fixed Income	86.4	99.7	(13%)	101.5	(15%)
Derivatives	97.8	80.6	21%	85.5	14%
Market Data and Connectivity	24.7	24.2	2%	26.0	(5%)
Operating revenue	208.9	204.5	2%	213.0	(2%)
Operating expenses	102.5	98.5	4%	114.9	(11%)
Operating profit	106.4	106.0	-	98.1	8%
Other gains	3.5	2.7	30%	3.5	-
Profit before tax and share of results of associated companies	109.9	108.7	1%	101.6	8%
Tax	18.8	18.4	2%	18.2	3%
Profit attributable to equity holders - reported	91.1	90.7	1%	83.7	9%
Earnings per share (in cents)	8.5	8.5	-	7.8	9%
Dividend per share (in cents)	7.50	5.00	50%	15.00	(50%)
Key financial indicators					
Revenue growth	2%	7%		3%	
Cost to income ratio	49%	48%		54%	
Operating profit margin	51%	52%		46%	
Net profit margin	43%	44%		39%	
Return on shareholders' equity	39%	38%		34%	

Note: SGX's financial year is from 1 July to 30 June. Some numbers may be subject to rounding.

About Singapore Exchange

Singapore Exchange is Asia's leading and trusted market infrastructure, operating equity, fixed income and derivatives markets to the highest regulatory standards. As Asia's most international, multi-asset exchange, SGX provides listing, trading, clearing, settlement, depository and data services, with about 40% of listed companies and over 80% of listed bonds originating outside of Singapore.

SGX is the world's most liquid international market for the benchmark equity indices of China, India, Japan and ASEAN and offers commodities and currency derivatives products. Headquartered in AAA-rated Singapore, SGX is globally recognised for its risk management and clearing capabilities. For more information, please visit www.sgx.com.

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