



News Release

27 July 2018

SGX reports FY2018 net profit of S\$363 million

FY2018 Financial Summary

- Revenue: S\$845 million, up 5% from a year earlier
- Operating profit: S\$425 million, up 6%
- Net profit: S\$363 million, up 7%
- Earnings per share: 33.9 cents, up 7%
- Proposed final dividend: 15 cents per share, and total dividend of 30 cents per share for the year, up by 2 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 FY2018 net profit of S\$363.2 million (S\$339.7 million), against a revenue of S\$844.7 million (S\$800.8 million). Operating profit increased to S\$424.9 million (S\$401.8 million), with earnings per share at 33.9 cents (31.7 cents).

Loh Boon Chye, Chief Executive Officer of SGX, said, “FY2018 was a record milestone in our financial performance as we achieved our highest revenue since listing in 2000 and the highest profit in five years. All three core businesses registered higher revenues. Our securities daily average traded value (SDAV) hit a five-year high, with the number of bond listings and derivatives trading volumes reaching record highs.”

“Our efforts in the past year to grow our asset classes and markets, advance our securities market and optimise resources have contributed to the strong performance. As we move into the new financial year, our strategy will focus on cementing our position as a multi-asset exchange, while growing our international presence and widening our partnerships and networks,” added Mr Loh.

In FY2019, SGX will continue to introduce new equities products and services, enhance its SGX Bond Pro, launch new derivative solutions such as its SGX FlexC FX futures and enhanced Titan OTC Pro platform, expand its steel value chain, as well as develop new data business capabilities. Its FX derivatives business continues to grow strongly and is expected to contribute positively to net profit in the next few years. The company also sees an opportunity to develop a digital marketplace in the global freight industry, building on the strengths of the Baltic Exchange and its commodity franchise.

Dividends

For FY2018, the Board of Directors has proposed a final dividend of 15 cents (13 cents) per share, payable on 5 October 2018. This brings the total dividend for FY2018 to 30 cents (28 cents) per share. If approved, this will be the highest annual dividend in 10 years.

From FY2019, SGX will revise its dividend policy from one based on a percentage of net profit, to one based on an absolute amount. The new policy aims to pay a sustainable and growing dividend over time, consistent with the company's long-term growth prospects. This will provide flexibility for SGX to balance its dividend payments with the need to retain earnings to support growth. SGX will pay a higher dividend of 7.5 cents per share, starting from the first quarter of FY2019. This is an increase of 2.5 cents per share and shareholders will receive their dividends earlier in the financial year, compared to previous years. Dividends will be paid quarterly and will be decided by the Board.

Results Summary

Equities and Fixed Income revenue – comprising revenue from Issuer Services, Securities Trading & Clearing and Post Trade Services – increased 1% to S\$406.6 million (S\$404.5 million), accounting for 48% (51%) of total revenue.

Issuer Services revenue increased 3% to S\$86.2 million (S\$83.8 million), contributing to 10% (10%) of total revenue.

- Listing revenue: S\$51.6 million, up 5% from S\$49.4 million
- Corporate actions and other revenue: S\$34.6 million, unchanged from last year

Listing revenue increased 5% following a higher number of new bond listings. There were a total of 1,154 (819) bond listings raising S\$481.9 billion (S\$384.7 billion). There were 22 (23) new equity listings which raised S\$6.2 billion (S\$1.3 billion), while secondary equity funds raised amounted to S\$6.4 billion (S\$10.9 billion).

Securities Trading and Clearing revenue increased 8% to S\$221.1 million (S\$205.0 million) and accounted for 26% (26%) of total revenue.

- Securities Clearing revenue: S\$170.9 million, up 8% from S\$158.6 million
- Access revenue: S\$40.7 million, up 9% from S\$37.2 million
- Collateral management, membership and other revenue: S\$9.6 million, up 4% from S\$9.2 million

Securities daily average traded value (SDAV) increased 12% to S\$1.26 billion (S\$1.12 billion), with total traded value rising 12% to S\$314.0 billion (S\$280.7 billion). This was made up of Equities¹ where traded value grew 10% to S\$291.3 billion (S\$265.0 billion), and Other products² where traded value increased 44% to S\$22.6 billion (S\$15.7 billion).

Average clearing fee for Equities was 2.88 basis points, a decrease from 2.94 basis points a year ago, due to a higher proportion of trading by market makers and liquidity providers. The average clearing fee for Other products was 0.58 basis points, a decline from 0.72 basis points a year ago, due to a higher proportion of lower-yielding structured warrants and daily leveraged certificates traded.

There were 250 (251) trading days in the year. Overall turnover velocity for the year was 40% (39%).

Post Trade Services revenue declined 14% to S\$99.3 million (S\$115.7 million), accounting for 12% (14%) of total revenue.

- Securities settlement revenue: S\$87.6 million, down 8% from S\$95.7 million
- Contract processing revenue: S\$3.4 million, down 71% from S\$11.6 million
- Depository management revenue: S\$8.3 million, down 1% from S\$8.4 million

1. Equities products 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.

The decline in securities settlement revenue was mainly due to a change in the mix of subsequent settlement instructions. Contract processing revenue decreased 71% to S\$3.4 million (S\$11.6 million) as all brokers migrated to their own back office systems in February 2018.

Derivatives revenue rose 12% to S\$339.8 million (S\$303.1 million), contributing to 40% (38%) of total revenue.

- Equity and Commodities revenue: S\$237.1 million, up 8% from S\$220.5 million
- Collateral management, licence, membership and other revenue: S\$102.8 million, up 24% from S\$82.5 million

Equity and Commodities revenue grew 8% as total volumes increased 20% to 198.0 million contracts (165.2 million contracts). This was mainly due to higher volumes in SGX FTSE China A50 futures, Nikkei 225 index futures, MSCI Singapore index futures and SGX Nifty 50 index futures. Average fee per contract was lower at S\$1.06 (S\$1.18) mainly due to growth in volumes from trading members.

Collateral management, licence, membership and other revenue increased 24% mainly due to higher collateral management income and increase in licence fees from higher derivatives trading volumes.

Market Data and Connectivity revenue increased 5% to S\$98.3 million (S\$93.2 million), accounting for 12% (12%) of total revenue.

- Market data revenue: S\$42.4 million, up 6% from S\$39.9 million
- Connectivity revenue: S\$55.9 million, up 5% from S\$53.3 million

The higher market data revenue was due to continued growth in data licences for application systems usage. Colocation services business also continued to grow, leading to an increase in connectivity revenue.

Expenses increased by 5% to S\$419.8 million (S\$399.0 million), mainly due to higher staff costs, technology expenses and professional fees. Average headcount for the year was 792 (794).

Technology expenses increased 2% to S\$126.9 million (S\$123.8 million), mainly due to a 4% increase in system maintenance and rental cost, partially offset by lower negotiated vendor charges.

Technology-related capital expenditure was S\$65.1 million (S\$66.5 million), mainly for the ongoing development of the new securities post-trade system, and enhancement of the fixed income trading platform.

Operating expenses for FY2019 are expected to be between \$445 million and \$455 million, and technology-related capital expenditure to be between \$60 million and \$65 million.

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Financial Highlights

<i>\$ million, except where indicated</i>	FY2018	FY2017	Change
Key income statement figures			
Equities and Fixed Income	406.6	404.5	1%
Derivatives	339.8	303.1	12%
Market Data and Connectivity	98.3	93.2	5%
Operating revenue	844.7	800.8	5%
Operating expenses	419.8	399.0	5%
Operating profit	424.9	401.8	6%
Other gains	11.3	5.7	100%
Profit before tax and share of results of associated company	436.2	407.5	7%
Tax	74.3	69.2	7%
Profit attributable to equity holders - reported	363.2	339.7	7%
Earnings per share (in cents)	33.9	31.7	7%
Dividend per share (in cents)	30.00	28.00	7%
Key financial indicators			
Revenue growth	5%	(2%)	
Cost to income ratio	50%	50%	
Operating profit margin	50%	50%	
Net profit margin	42%	42%	
Return on shareholders' equity	34%	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, facilitating the exchange of capital and ideas to create value for people, businesses and economies. As a multi-asset exchange operating equity, fixed income and derivatives markets to the highest regulatory standards, SGX is a vertically integrated business that provides listing, trading, clearing, settlement, depository and data services.

With about 40% of listed companies and 75% of listed bonds originating outside of Singapore as well as established linkages across the region and in Europe, SGX is Asia's most international and connected exchange. Offering a full suite of derivatives products across Asian equity indices, commodities and currencies, SGX is the world's most liquid offshore market for the benchmark equity indices of China, India, Japan and ASEAN.

The exchange was one of the first globally to adopt the Principles for Financial Market Infrastructure, the first and only central counterparty in the region to be fully approved by U.S. regulators as a Derivatives Clearing Organisation and a Foreign Board of Trade, and is recognised by European Union regulators for both securities and derivatives.

As Asia's pioneering central counterparty, SGX is globally recognised for its risk management and clearing capabilities. In 2017, SGX was awarded Derivatives Exchange of the Year award by Asia Risk and Asia-Pacific Derivatives Exchange of the Year accolade by GlobalCapital for the fourth year running.

Headquartered in AAA-rated Singapore, SGX has over 700 employees including offices in Beijing, Chicago, Hong Kong, London, Mumbai, Shanghai and Tokyo. For more information, please visit www.sgx.com.

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