

## First Quarter Financial Year 2013 (1Q FY2013) Singapore Exchange Reports \$74 Million Profit

- Revenue: \$160 million (\$178 million in 1Q FY2012)
- EBITDA: \$97 million (\$115 million) and Net Profit: \$74 million (\$88 million)
- Earnings per share: 7.0 cents (8.2 cents)
- Interim Dividend per share: 4.0 cents (4.0 cents)

*All figures are for the quarter except for figures in brackets which are for a year earlier unless otherwise stated*

SGX recorded revenue of \$160 million (\$178 million), net profit of \$74 million (\$88 million) and earnings per share (EPS) of 7.0 cents (8.2 cents). The Board of Directors has declared an interim dividend of 4.0 cents (4.0 cents) per share, payable on 5 November 2012.

Mr Magnus Bocker, SGX CEO, said, “We reported a net profit of \$74 million in a market with declining volatility and cautious investors. Our Securities and Derivatives<sup>1</sup> volumes have held up well relative to other markets. Open interest for Derivatives contracts achieved a new record high in September, reflecting SGX’s stature as a clearing house of choice in Asia. We are also pleased to see increased capital raising activities with 10 new IPOs<sup>2</sup> and 111 bond issues this quarter.”

### **Business Highlights**

- *Securities:* Securities daily average traded value (SDAV) was \$1.3 billion compared to \$1.6 billion a year ago and \$1.1 billion the previous quarter. A record \$5.4 billion was transacted on 14 August as a result of M&A activities in Singapore. We launched the ASEAN Link with Bursa Malaysia on 18 September, and the Stock Exchange of Thailand joined on 15 October. SGX now offers Direct Market Access for Malaysia and Thailand. We also signed an MoU with the London Stock Exchange (LSE) on 11 July to enable cross-border trading of the most actively traded stocks on both exchanges.
- *Derivatives:* Derivatives daily average traded volume (DAV) was 306,811 contracts compared to 322,152 contracts from a year ago. This is also lower than the previous quarter of 319,377 contracts. However, open interest achieved a new record high of 2,292,409 contracts on 26 September. We expanded access into India with the launch of Nifty Options on 13 July. On 6 August, we acquired 49% of Energy Market Company, marking SGX’s entry into the electricity market.
- *Issuer Services:* We had 10 new IPOs (6), with a total market capitalisation of \$11.6 billion (\$1.0 billion), raising \$3.3 billion (\$0.2 billion). Among the new IPOs was IHH Healthcare Berhad, the first concurrent dual listing in Malaysia and Singapore. Secondary funds raised totalled \$448 million (\$1.1 billion). In addition, \$52.5 billion (\$25.2 billion) of debt capital was raised through 111 (66) new bond issues.

<sup>1</sup> Excludes structured warrants, extended settlement contracts and OTC derivatives cleared

<sup>2</sup> 8 initial public offerings and 2 reverse takeovers

## ***Market Development, Risk Management & Regulations***

SGX maintains a robust risk management framework aligned with international standards. Following the 2008 crisis, the financial industry has focused on strengthening risk management practices. New standards have been introduced in line with the CPSS-IOSCO's<sup>3</sup> Principles for Financial Market Infrastructure published in April 2012. SGX is committed to be an early adopter and expects to be in conformance with these Principles at the end of 2012.

In July, we proposed rules to introduce margining for securities cleared by the Central Depository (CDP) in alignment with the new international standards. The proposed margin framework will reinforce CDP's position as a leading venue for clearing and settlement.

We raised Mainboard admission requirements from 10 August. This will build upon our efforts to improve the Singapore securities market and foster more interest among investors. In addition, we are establishing a working committee with market practitioners to perform a comprehensive review of the SGX-Listing Manual.

## ***Outlook***

We are positioned to deliver creditable results in this challenging global environment. Our IPO and bond issuance pipelines remain healthy. We will continue to invest our resources in developing new products and services, and strengthening our regulatory and risk management capabilities. Expenses for FY2013 are expected to be between \$295 million and \$305 million. Capital expenditure is expected to be between \$30 million and \$35 million, as previously announced.

## **Financial Performance**

SGX's net profit was \$74.3 million (\$87.5 million) and EBITDA was \$97.2 million (\$115.1 million). Earnings per share (EPS) was 7.0 cents (8.2 cents).

Revenue was \$160.5 million (\$178.4 million). Securities and Issuer Services revenues were \$73.9 million (\$87.7 million). Revenues from Derivatives, Member Services and Connectivity, Market Data and Depository, at \$86.0 million (\$90.4 million), now account for 54% (51%) of total revenue.

Expenses declined 3% to \$72.6 million (\$74.5 million), primarily due to a drop in Technology expenses. Technology expenses were down 6% to \$25.6 million (\$27.2 million), mainly due to the decommissioning of the QUEST-ST trading engine last year.

Staff expenses were flat at \$29.0 million (\$28.6 million). Headcount was 599 (595) on 30 September 2012.

Cashflow generated from operations was \$89.5 million (\$105.2 million). Capital expenditure was \$4.6 million (\$14.7 million).

SGX's total equity was lower at \$706.7 million (\$868.4 million) on 30 September 2012, following the approval of the final dividend for FY2012. The unrestricted cash reserves were \$610.1 million (\$623.2 million), before payment of the FY2012 final dividend of \$160.2 million on 12 October and the 1Q FY2013 interim dividend of \$42.7 million (\$42.7 million) on 5 November.

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<sup>3</sup> Committee on Payment and Settlement Systems – International Organization of Securities Commission

## Performance Review

### **Securities, 36% (40%) of SGX's revenue**

Securities revenue declined 19% to \$58.1 million (\$72.0 million). The average clearing fee was 2.7 basis points (2.8 basis points).

SDAV fell 15% to \$1.33 billion, compared to SDAV of \$1.57 billion in 1Q FY2012 on the back of a spike in market activities in August 2011 with an SDAV of \$2.0 billion for the month. Our SDAV held up well relative to peers<sup>4</sup>.

SGX and Bursa Malaysia were the first two to connect on the ASEAN Trading Link on 18 September. The Stock Exchange of Thailand joined on 15 October. All securities of these 3 exchanges (with the exception of extended settlement contracts on SGX) have been included on the link. Through cross border trading, the link will promote and enhance the accessibility of ASEAN stocks and reduce costs for brokers.

We signed an MoU with LSE on 11 July to enable cross-trading of the most actively traded stocks from both exchanges. Under the agreement, trading of FTSE100 securities on SGX is to commence next year while 36 SGX securities that make up our leading indices is expected to trade on LSE by December 2012.

Table below summarises the metrics of our Securities market:

	1Q FY13	1Q FY12	Change
SDAV	\$1.33B	\$1.57B	-15%
<i>% of trades below \$1.5M</i>	55%	54%	+1% pt
<i>% of trades above \$1.5M</i>	45%	46%	-1% pt
Primary and secondary listed market capitalisation (quarter end)	\$901.9B	\$774.4B	+16%
% of total value traded			
<i>Singapore companies</i>	62%	59%	+3% pts
<i>International companies</i>	38%	41%	-3% pts
Turnover velocity (primary listed only)			
<i>Singapore companies</i>	43%	53%	-10% pts
<i>International companies</i>	71%	82%	-11% pts

### **Derivatives, 28% (24%) of SGX's revenue**

Derivatives revenue grew 5% to \$45.1 million (\$43.0 million).

Futures & Options revenue declined 7% to \$27.5 million (\$29.4 million) due primarily to a 5% drop in futures and options trading volume and foreign exchange hedging costs.

<sup>4</sup> For quarter ending 30 September 2012, securities traded value of Hong Kong Exchange declined 35% year-on-year (down 3% quarter-on-quarter), Australian Securities Exchange declined 31% (down 1%), London Stock Exchange declined 32% (down 10%) and New York Stock Exchange declined 41% (down 15%); sources: World Federation of Exchanges

Derivatives volume declined 5% to 19.4 million (20.5 million) contracts or DAV of 306,811 contracts (322,152 contracts). Our DAV held up well relative to peers<sup>5</sup>. Our newer contracts – Indian Nifty futures and options, China A50 futures, Nikkei225 options and MSCI Indonesia futures – continued to grow, accounting for 38% of DAV (28%).

Table below summarises the metrics of our Derivatives market:

	DAV (contracts)			Market Share (%)		
	1Q FY13	1Q FY12	Change %	1Q FY13	1Q FY12	Change % pt
Nikkei225 futures	101,710	128,700	-21	28	29	-1
MSCI Taiwan futures	66,339	78,109	-15	25	22	+3
Indian Nifty futures	58,660	66,066	-11	31	19	+12
MSCI Singapore futures	17,025	20,158	-16	NA	NA	NA
China A50 futures	34,923	12,500	+179	0.5	0.4	+0.1
Nikkei225 options	19,058	11,865	+61	5	3	+2
MSCI Indonesia futures	335	-	-	NA	NA	NA
Indian Nifty options	2,938	-	-	-	-	-
Rubber futures	1,064	1,005	+6	10.5	10.1	+0.4
Others	4,759	3,749	+27	-	-	-
<b>Total</b>	<b>306,811</b>	<b>322,152</b>	<b>-5</b>			

	1Q FY13	1Q FY12	Change %
Average month end open interest (contracts)	1,879,972	1,294,853	+45
Algorithmic trading	35.7%	32.8%	+2.9 pts

Equity Index	Volatility		
	1Q FY13 %	1Q FY12 %	Change % pt
Nikkei225	16	19	-3
MSCI Taiwan	15	24	-9
Indian Nifty	14	20	-6
MSCI Singapore	11	20	-9
China A50	16	20	-4

Source: Bloomberg

Structured Warrants revenue declined 41% to \$0.78 million (\$1.32 million). Traded value declined 46% to \$1.2 billion (\$2.2 billion), with a corresponding 24% drop in traded volume to 12.0 billion units (15.8 billion units).

Collateral management income, license revenue and other revenue increased by 37% to \$16.8 million (\$12.3 million), mainly due to better management of collateral balances and revenue from OTC clearing.

<sup>5</sup> For quarter ending 30 September 2012, DAV of Hong Kong Exchange declined 30% year-on-year (declined 9% quarter-on-quarter), Australian Securities Exchange declined 13% (down 12%), Deutsche Borse declined 29% (down 28%) and Chicago Mercantile Exchange declined 26% (down 12%); sources: Bloomberg and exchange websites

We expanded the suite of OTC Commodities products with the successful launch of Options on Iron Ore swaps and freight (FFA) swaps in September. As of quarter end, we have captured close to 30% of the global Iron Ore Options market. SGX cleared a record 117,182 lots of OTC Commodities this quarter, up 95% from the same quarter last year and 62% higher than the previous record high achieved in 3Q FY2012.

We are also in the process of applying to the US and European regulatory bodies for recognition under the regulatory requirements for OTC clearing activities. Obtaining the recognition will make it easier for us to continue doing business with customers in those markets.

### ***Market Data, 5% (5%) of SGX's revenue***

Market data revenue declined 6% to \$8.4 million (\$8.9 million). The average number of securities and derivatives terminals was 40,345 (45,811) and 23,189 (24,956) respectively.

### ***Member Services and Connectivity, 8% (7%) of SGX's revenue***

Member Services and Connectivity revenue was \$11.8 million (\$12.3 million), with Membership revenue and Connectivity revenue at \$1.9 million (\$2.0 million) and \$9.9 million (\$10.3 million) respectively.

From September we commenced hosting of the Australian Securities Exchange (ASX) hub, providing direct connectivity to the ASX 24 futures market. Our data centre now hosts markets from Australia, Germany and the USA.

### ***Depository Services, 13% (15%) of SGX's revenue***

Depository revenue declined 21% to \$20.8 million (\$26.2 million).

Securities settlement revenue was down 22% to \$15.1 million (\$19.5 million) due to a decline in institutional trades with settlement transfer instructions down 15% to 1.23 million (1.46 million).

Contract processing revenue was down 18% to \$4.2 million (\$5.1 million) as the number of contracts processed declined 19% to 2.2 million (2.7 million).

### ***Issuer Services, 10% (9%) of SGX's revenue***

Issuer Services revenue was flat at \$15.8 million (\$15.7 million), with Listing revenue and Corporate Action revenue at \$8.8 million (\$8.8 million) and \$6.9 million (\$7.0 million) respectively.

## Appendix

### Financial Highlights

\$ Million	1Q FY2013	1Q FY2012	4Q FY2012	Change 1Q vs 1Q	Change 1Q vs 4Q
<b>Income Statement</b>					
Revenue	160.5	178.4	157.8	(10%)	2%
Expenses	72.6	74.5	70.0	(3%)	4%
Earnings before interest, tax, depreciation and amortisation	97.2	115.1	97.3	(16%)	(0%)
<b>Reported Net Profit</b>	<b>74.3</b>	<b>87.5</b>	<b>61.1</b>	<b>(15%)</b>	<b>22%</b>
Add: Impairment loss on					
- investment in joint venture	-	-	1.1	-	NM
- available-for-sale financial assets	-	-	11.0	-	NM
<b>Underlying Net Profit</b>	<b>74.3</b>	<b>87.5</b>	<b>73.2</b>	<b>(15%)</b>	<b>2%</b>
<b>Statement of Financial Position</b>					
Cash and cash equivalent (excluding restricted reserves)	610.1	623.2	547.7	(2%)	11%
Capital expenditure	4.6	14.7	11.2	(69%)	(59%)
Total equity	706.7	868.4	833.0	(19%)	(15%)
<b>Financial Indicators</b>					
<b>(a) Based on Reported Net Profit</b>					
Net profit margin (%)	45.8	48.3	38.3	(2.5 pts)	7.5 pts
Return on equity (%)	35.4	35.8	35.2	(0.4 pt)	0.2 pt
Basic earnings per share (cents)	7.0	8.2	5.7	(1.2)	1.3
Operating cash flow per share (cents)	8.4	9.9	9.2	(1.5)	(0.8)
<b>(b) Based on Underlying Net Profit</b>					
Net profit margin (%)	45.8	48.3	45.9	(2.5 pts)	(0.1 pt)
Return on equity (%)	36.9	37.7	36.7	(0.8 pt)	0.2 pt
Basic earnings per share (cents)	7.0	8.2	6.9	(1.2)	0.1
<b>Dividend per share (cents)</b>					
Base	4.0	4.0	4.0	-	-
Variable	-	-	11.0	-	(11.0)
<b>Total dividend</b>	<b>4.0</b>	<b>4.0</b>	<b>15.0</b>	<b>-</b>	<b>(11.0)</b>

NM = Not meaningful

Note: SGX's financial year is from 1 July to 30 June.