



News Release

19 January 2017

SGX reports 2Q FY2017 net profit of \$88 million

2Q FY2017 Financial Summary

- Revenue: \$200 million, up 3% from a year earlier
- Operating profit: \$102 million, up 5%
- Net profit: \$88 million, up 5%
- Earnings per share: 8.2 cents, up 6%
- Interim dividend per share: 5 cents, unchanged

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 net profit of \$88.3 million (\$83.7 million) for 2Q FY2017, an increase of 5% from a year earlier, with revenue rising 3% to \$199.6 million (\$194.6 million) and expenses unchanged at \$97.2 million (\$97.1 million). Earnings per share was 8.2 cents (7.8 cents) and the Board of Directors has declared an interim dividend of 5 cents (5 cents) per share, payable on 6 February 2017.

Loh Boon Chye, Chief Executive Officer of SGX, said, “Our results this past quarter reflect higher levels of market activities compared to a year earlier as the conclusion of the US Presidential Election and clarity on the interest rates environment brought participants back to the market. We successfully completed the acquisition of the Baltic Exchange during the quarter.”

Results Summary

Results for **Equities and Fixed Income** comprise Issuer Services, Securities Trading & Clearing and Post Trade Services.

Issuer Services revenue rose \$0.3 million or 1% to \$19.5 million (\$19.3 million), accounting for 10% (10%) of total revenue.

- Listing revenue: \$12.0 million, up 6% from \$11.4 million
- Corporate actions and other revenue: \$7.5 million, down 5% from \$7.9 million

Listing revenue increased 6% mainly due to a higher number of new bond listings. There were 204 bond listings raising \$89.0 billion, compared with 73 listings that raised \$36.5 billion a year earlier. There were two new equity listings raising \$131.1 million, compared with five new listings that raised \$410.8 million a year earlier. Secondary equity funds raised were \$2.5 billion (\$0.8 billion).

Securities Trading and Clearing revenue rose \$5.5 million or 12% to \$52.1 million (\$46.7 million), accounting for 26% (24%) of total revenue.

- Clearing revenue: \$40.4 million, up 12% from \$36.2 million
- Access revenue: \$9.3 million, up 14% from \$8.1 million
- Collateral management, membership and other revenue: \$2.5 million, up 4% from \$2.4 million

Securities daily average traded value (SDAV) increased 17% to \$1.09 billion (\$0.93 billion). Total traded value rose 17% to \$69.8 billion (\$59.5 billion). The higher level of trading activity was due to increased market activity following the U.S. elections in November. There were 64 trading days in the quarter, unchanged from a year earlier.

Average clearing fee was 2.86 basis points, down from 2.93 basis points a year earlier. Turnover velocity for the quarter was 41% (35%).

Post Trade Services revenue rose \$0.3 million or 1% to \$29.7 million (\$29.5 million), accounting for 15% (15%) of total revenue.

- Securities settlement revenue: \$24.5 million, up 4% from \$23.6 million
- Contract processing revenue: \$3.0 million, down 21% from \$3.8 million
- Depository management revenue: \$2.2 million, up 6% from \$2.1 million

Securities settlement revenue increased 4% following changes to the mix of securities settlement instructions.

Contract processing revenue was down \$0.8 million due to a 14% decrease in number of contracts processed to 0.8 million (0.9 million). Contract processing will be performed by brokers as they progressively migrate to their own back office systems. The migration will enable them to improve efficiency and provide more differentiated services to their customer base.

Derivatives revenue declined \$2.7 million or 3% to \$75.0 million (\$77.6 million), accounting for 38% (40%) of total revenue.

- Equity and Commodities revenue: \$54.7 million, down 3% from \$56.3 million
- Collateral management, licence, membership and other revenue: \$20.2 million, down 5% from \$21.3 million

Equity and Commodities revenue declined 3% even as total volumes increased 5% to 41.4 million contracts (39.3 million contracts). This was primarily because of changes in the mix of Derivatives contracts traded. Average fee per contract was \$1.16 (\$1.28).

Collateral management, licence, membership and other revenue decreased 5% mainly due to lower interest income earned from a decline in margin balances and yield.

Market Data and Connectivity revenue rose \$1.6 million or 8% to \$23.3 million (\$21.6 million), accounting for 12% (11%) of total revenue.

- Market data revenue: \$10.0 million, up 5% from \$9.5 million
- Connectivity revenue: \$13.2 million, up 9% from \$12.1 million

Market data revenue increased 5% due to higher reported data usage.

Connectivity revenue increased 9% on continued growth of our colocation services business.

Expenses were largely unchanged at \$97.2 million (\$97.1 million). Excluding one-off costs of acquiring the Baltic Exchange, expenses would have been 4% lower at \$93.6 million. We paced the recruitment of staff, negotiated reduction in pricing from vendors, and were disciplined with our discretionary spend. Technology expenses decreased due to a decline in depreciation from fully depreciated systems. Depreciation is expected to increase for the rest of FY2017 as new systems are implemented.

Outlook

Mr Loh added, “While market sentiments have improved, uncertainty around future US policies and slowing Asian economies will influence trading activity going forward. We will continue to execute our strategy and diversify our revenues.

Cost discipline will remain a key focus and operating expenses for FY2017 are now expected between \$405 million and \$415 million. This is \$15 million lower than the previously announced range of between \$420 million and \$430 million. As previously guided, technology-related capital expenditure is expected between \$65 million and \$70 million.”

Financial Highlights

| <i>\$ million, except where indicated</i> | 2Q FY2017 | 2Q FY2016 | Change 2Q FY2017 vs 2Q FY2016 | 1H FY2017 | 1H FY2016 | Change 1H FY2017 vs 1H FY2016 |
|--|--------------|--------------|--|--------------|--------------|--|
| Key income statement figures | | | | | | |
| Equities and Fixed Income | 101.4 | 95.4 | 6% | 199.4 | 202.5 | (2%) |
| Derivatives | 75.0 | 77.6 | (3%) | 145.8 | 168.6 | (14%) |
| Market Data and Connectivity | 23.3 | 21.6 | 8% | 45.3 | 43.2 | 5% |
| Operating revenue | 199.6 | 194.6 | 3% | 390.4 | 414.2 | (6%) |
| Operating expenses | 97.2 | 97.1 | 0% | 190.9 | 199.4 | (4%) |
| Operating profit | 102.4 | 97.6 | 5% | 199.5 | 214.9 | (7%) |
| Other gains/(losses) | 1.8 | 2.6 | (31%) | 4.9 | 4.7 | 6% |
| Profit before tax and share of results of associated company | 104.2 | 100.2 | 4% | 204.5 | 219.6 | (7%) |
| Tax | 16.2 | 16.7 | (3%) | 33.7 | 37.1 | (9%) |
| Profit attributable to equity holders - reported | 88.3 | 83.7 | 5% | 171.4 | 183.0 | (6%) |
| Earnings per share (in cents) | 8.2 | 7.8 | 6% | 16.0 | 17.1 | (6%) |
| Dividend per share (in cents) | 5.00 | 5.00 | - | 10.00 | 10.00 | - |
| Key financial indicators | | | | | | |
| Revenue growth | 3% | (0%) | | (6%) | 14% | |
| Cost to income ratio | 49% | 50% | | 49% | 48% | |
| Operating profit margin | 51% | 50% | | 51% | 52% | |
| Net profit margin | 44% | 42% | | 43% | 44% | |
| Return on shareholders' equity | 38% | 43% | | 38% | 43% | |

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 2016, SGX retained its Derivatives Exchange of the Year award by Asia Risk and Asia-Pacific Derivatives Exchange of the Year accolade by GlobalCapital – both for a third year. It was named Asian Exchange of the Year by Futures & Options World for a second year, as well as Exchange of the Year by Energy Risk.

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

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