



News Release

19 January 2018

SGX reports 2Q FY2018 net profit of S\$88 million

2Q FY2018 Financial Summary

- Revenue: S\$205 million, up 3% from a year earlier
- Operating profit: S\$103 million, up 1%
- Net profit: S\$88 million, unchanged
- Earnings per share: 8.2 cents, unchanged
- 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 2Q FY2018 net profit of S\$88.4 million (S\$88.3 million), against revenues of S\$205.0 million (S\$199.6 million). Operating profit was S\$103.0 million (S\$102.4 million), with earnings per share at 8.2 cents (8.2 cents). The Board of Directors has declared an interim dividend of 5 cents (5 cents) per share, payable on 5 February 2018.

Loh Boon Chye, Chief Executive Officer of SGX, said, “The increased activities in our equities and fixed income markets were the outcome of active engagement with the investment community and existing and prospective issuers. On the derivatives front, efforts to grow our client base contributed to higher equity futures trading, record volumes in key foreign exchange (FX) futures contracts and a stronger virtual steel mill chain.”

“Looking ahead, we aim to keep pace with the positive momentum achieved over 2017. Besides expecting more listings, we will strengthen our Asian derivatives foothold through new product offerings in equities, commodities and FX. Synergies with the Baltic Exchange are also coming through with more Asian members and a new LNG Index in the pipeline. As we continue to expand our business through strategic investments and collaborations, we intend to establish a Euro Medium Term Note programme to provide us with the flexibility to fund organic or inorganic growth, when the need arises,” he added.

Results Summary

Equities and Fixed Income – comprising Issuer Services, Securities Trading & Clearing and Post Trade Services – declined 4% to S\$97.5 million (S\$101.4 million), accounting for 48% (51%) of total revenue.

Issuer Services revenue increased 4% to S\$20.3 million (S\$19.5 million), contributing to 10% (10%) of total revenue.

- Listing revenue: S\$12.4 million, up 3% from S\$12.0 million
- Corporate actions and other revenue: S\$8.0 million, up 6% from S\$7.5 million

Listing revenue grew 3% following a higher number of new bond and equity listings. There were 289 (204) bond listings raising S\$103.5 billion (S\$89.0 billion). With regards to equities, there were 7 (3)

new listings which raised S\$1.6 billion (S\$131.1 million), while secondary equity funds raised amounted to S\$2.1 billion (S\$2.5 billion).

Securities Trading and Clearing revenue decreased 1% to S\$51.8 million (S\$52.1 million) and accounted for 25% (26%) of total revenue.

- Securities Clearing revenue: S\$40.2 million, unchanged from a year ago
- Access revenue: S\$9.2 million, down 1% from S\$9.3 million
- Collateral management, membership and other revenue: S\$2.4 million, down 5% from S\$2.5 million

Securities daily average traded value (SDAV) increased 4% to S\$1.14 billion (S\$1.09 billion), with total traded value rising 3% to S\$71.6 billion (S\$69.8 billion). This was made up of Equities¹ where traded value was comparable at S\$66.5 billion (S\$66.2 billion), and Other products² where traded value increased 41% to S\$5.1 billion (S\$3.6 billion).

Average clearing fee for Equities was 2.93 basis points, a decrease from 2.97 basis points a year earlier due to a higher proportion of trading from market makers. The average clearing fee for Other products declined from 0.86 basis points a year ago to 0.51 basis points, due to a change in mix of Other products traded.

There were 63 (64) trading days this quarter. Overall turnover velocity for the quarter was 36% (41%).

Post Trade Services revenue declined 15% to S\$25.4 million (S\$29.7 million), accounting for 12% (15%) of total revenue.

- Securities settlement revenue: S\$22.3 million, down 9% from S\$24.5 million
- Contract processing revenue: S\$1.1 million, down 63% from S\$3.0 million
- Depository management revenue: S\$2.0 million, down 6% from S\$2.2 million

The dip in securities settlement revenue followed a change in the mix of securities settlement instructions. The lower contract processing revenue was due to the lower number of contracts processed. As previously highlighted, contract processing will be performed by brokers as they continue migrating to their own back office systems by the end of 3Q FY2018.

Derivatives revenue rose 11% to S\$83.3 million (S\$75.0 million), contributing to 41% (38%) of total revenue.

- Equity and Commodities revenue: S\$57.8 million, up 6% from S\$54.7 million
- Collateral management, licence, membership and other revenue: S\$25.5 million, up 26% from S\$20.2 million

Equity and Commodities revenue grew 6% as total volumes increased 18% to 48.6 million contracts (41.4 million contracts). This was mainly due to higher volumes in SGX FTSE China A50 futures, Nikkei 225 futures, and MSCI Singapore futures, reflecting higher volatility and increasing activity in underlying markets. This was offset by lower volumes in Iron Ore due to lower volatility. Average fee per contract decreased to S\$1.07 (S\$1.16) due to the growth in volumes from trading members.

Collateral management, licence, membership and other revenue increased 26% mainly due to higher yield from collateral management.

Market Data and Connectivity revenue increased 4% to S\$24.2 million (S\$23.3 million), accounting for 12% (12%) of total revenue.

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.

- Market data revenue: S\$10.4 million, up 4% from S\$10.0 million
- Connectivity revenue: S\$13.7 million, up 4% from S\$13.2 million

The higher market data revenue was mainly due to revisions to data usage fees. Meanwhile, the continued growth of our colocation services business led to an increase in connectivity revenue.

Expenses increased by 5% to S\$102.1 million (S\$97.2 million), mainly due to higher staff costs and technology expenses, partially offset by lower discretionary expenses. Our average headcount for the quarter was 789 (794).

Technology expenses increased 9% to S\$31.6 million (S\$29.0 million), due mainly to increases in system maintenance and depreciation from the implementation of new systems. This was partially offset by a decrease in costs from lower negotiated vendor charges.

Technology-related capital expenditure was S\$9.6 million (S\$13.1 million), mainly for the ongoing development of our new securities post-trade system.

In line with our success in managing costs, operating expenses for FY2018 are now expected to be between S\$410 million and S\$420 million. This is lower than the previously announced range of between S\$425 million and S\$435 million. As previously guided, technology-related capital expenditure is expected to be between S\$60 million and S\$65 million.

-End-

Financial Highlights

<i>\$ million, except where indicated</i>	2Q FY2018	2Q FY2017	Change 2Q FY2018 vs 2Q FY2017	1H FY2018	1H FY2017	Change 1H FY2018 vs 1H FY2017
Key income statement figures						
Equities and Fixed Income	97.5	101.4	(4%)	197.2	199.4	(1%)
Derivatives	83.3	75.0	11%	163.9	145.8	12%
Market Data and Connectivity	24.2	23.3	4%	48.4	45.3	7%
Operating revenue	205.0	199.6	3%	409.5	390.4	5%
Operating expenses	102.1	97.2	5%	200.5	190.9	5%
Operating profit	103.0	102.4	1%	209.0	199.5	5%
Other gains	2.7	1.8	45%	5.4	4.9	9%
Profit before tax and share of results of associated company	105.6	104.2	1%	214.4	204.5	5%
Tax	17.6	16.2	9%	36.0	33.7	7%
Profit attributable to equity holders - reported	88.4	88.3	-	179.1	171.4	4%
Earnings per share (in cents)	8.2	8.2	-	16.7	16.0	4%
Dividend per share (in cents)	5.00	5.00	-	10.00	10.00	-
Key financial indicators						
Revenue growth	3%	3%		5%	(6%)	
Cost to income ratio	50%	49%		49%	49%	
Operating profit margin	50%	51%		51%	51%	
Net profit margin	43%	44%		43%	43%	
Return on shareholders' equity	37%	38%		37%	38%	

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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