



Circular Derivatives

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News Release: 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 0.80 million (0.93 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

\$ million, except where indicated	2Q FY2017	2Q FY2016	Change			Change
			2Q FY2017 vs	1H FY2017	1H FY2016	1H FY2017 vs
			2Q FY2016			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	88.3	83.7	5%	171.4	183.0	(6%)
- reported						
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.

Attachment(s):

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