



## Circular Derivatives

25 Oct 2017

Circular No. **DC/AM - 88 of 2017**

### News Release: SGX reports 1Q FY2018 net profit of S\$91 million

#### 1Q FY2018 Financial Summary

- Revenue: S\$204 million, up 7% from a year earlier
- Operating profit: S\$106 million, up 9%
- Net profit: S\$91 million, up 9%
- Earnings per share: 8.5 cents, up 9%
- 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 1Q FY2018 net profit of S\$90.7 million (S\$83.1 million), on the back of revenues of S\$204.5 million (S\$190.8 million). Operating profit rose to S\$106.0 million (S\$97.2 million), while earnings per share increased to 8.5 cents (7.8 cents). The Board of Directors has declared an interim dividend of 5 cents (5 cents) per share, payable on 9 November 2017.

Commenting on the results, Loh Boon Chye, Chief Executive Officer of SGX, said, "We are starting the financial year on a firm footing, with improved performance and healthy participation from customers across all business segments. We also saw record trading activity in our key foreign exchange (FX) futures contracts and traction in our fixed income business, which reaffirm our diversification strategy into these asset classes. Among other initiatives to boost market turnover, we were the first in Asia to launch Daily Leverage Certificates, which have seen strong trading activity since their launch in mid-July."

"Looking ahead, we expect the momentum in market activity to continue and return to higher levels of past years. We have made considerable progress in delivering on our priorities. Just last week, we opened our U.S. office in Chicago and signed a collaborative listings agreement with Nasdaq. These are part of our efforts to grow a global client base and increase international participation across asset classes in our markets. We are seeking opportunities to collaborate with other exchanges to expand our businesses, as well as evaluating investments and partnerships to grow our FX, fixed income and commodities businesses."

#### Results Summary

**Equities and Fixed Income** – comprising Issuer Services, Securities Trading & Clearing and Post Trade Services – increased 2% to S\$99.7 million (S\$98.0 million), accounting for 49% (51%) of total revenue.

**Issuer Services** revenue was up 1% to S\$22.1 million (S\$21.8 million), contributing to 11% (11%) of total revenue.

- Listing revenue: S\$13.0 million, up 6% from S\$12.2 million

- Corporate actions and other revenue: S\$9.1 million, down 6% from S\$9.6 million

Listing revenue grew 6% following a higher number of new bond listings, with 347 (139) bond listings raising S\$156.1 billion (S\$59.4 billion). There were a total of 6 (8) new equity listings which raised S\$2.7 billion (S\$647.0 million), while secondary equity funds raised amounted to S\$1.1 billion (S\$2.3 billion).

**Securities Trading and Clearing** revenue increased S\$4.1 million or 9% to S\$51.2 million (S\$47.1 million) and accounted for 25% (25%) of total revenue.

- Securities Clearing revenue: S\$39.4 million, up 7% from S\$36.9 million
- Access revenue: S\$9.4 million, up 15% from S\$8.2 million
- Collateral management, membership and other revenue: S\$2.4 million, up 17% from S\$2.0 million

Securities daily average traded value (SDAV) increased 18% to S\$1.16 billion (S\$0.99 billion), with total traded value rising 18% to S\$73.2 billion (S\$62.2 billion). This was made up of Equities<sup>[1]</sup> where traded value increased 14% to S\$67.5 billion (S\$59.1 billion), and Other products<sup>[2]</sup>, where traded value increased 82% to S\$5.7 billion (S\$3.1 billion).

Average clearing fee for Equities was 2.87 basis points, a decrease from 3.00 basis points a year earlier due to a higher proportion of trading from market makers and liquidity providers. The average clearing fee for Other products, including our recently introduced Daily Leverage Certificates, declined from 0.80 basis points a year ago to 0.55 basis points, due to a change in mix of Other products traded.

There were 63 (63) trading days this quarter. Overall turnover velocity for the quarter was 37% (36%).

**Post Trade Services** revenue declined 9% to S\$26.4 million (S\$29.1 million), accounting for 13% (15%) of total revenue.

- Securities settlement revenue: S\$23.1 million, down 2% from S\$23.5 million
- Contract processing revenue: S\$1.4 million, down 58% from S\$3.4 million
- Depository management revenue: S\$1.9 million, down 8% from S\$2.1 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. More brokers will perform their own contract processing as they continue migrating to their own back office systems by early 2018.

**Derivatives** revenue rose 14% to S\$80.6 million (S\$70.8 million), contributing to 39% (37%) of total revenue.

- Equity and Commodities revenue: S\$58.3 million, up 9% from S\$53.5 million
- Collateral management, licence, membership and other revenue: S\$22.3 million, up 29% from S\$17.3 million

Equity and Commodities revenue grew 9% as total volumes increased 15% to 46.2 million contracts (40.1 million contracts). This was mainly due to higher volumes in SGX Nifty 50, FTSE China A50, Nikkei 225, and Iron Ore futures. Average fee per contract decreased to S\$1.13 (S\$1.18) due to a change in mix of derivatives contracts.

Collateral management, licence, membership and other revenue increased 29% mainly due to the consolidation of revenues from Baltic Exchange and higher yield from collateral management.

**Market Data and Connectivity** revenue increased 10% to S\$24.2 million (S\$22.0 million), accounting for 12% (12%) of total revenue.

- Market data revenue: S\$10.3 million, up 11% from S\$9.3 million
- Connectivity revenue: S\$13.9 million, up 9% from S\$12.8 million

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

**Expenses** increased by 5% to S\$98.5 million (S\$93.7 million), including operating costs of S\$3.3 million relating to Baltic Exchange. Excluding this, expenses would be S\$95.2 million, an increase of 2% from a year ago. This increase was mainly due to higher staff costs and technology expenses.

Our average headcount for the quarter was 790 (767), which included 33 staff of Baltic Exchange.

Technology expenses increased 4% to S\$30.5 million (S\$29.4 million), due mainly to an 18% increase in depreciation to S\$12.3 million (S\$10.4 million) from the implementation of new systems. The higher depreciation this quarter was partially offset by a decrease in system maintenance costs from lower negotiated vendor charges.

Technology-related capital expenditure was S\$10.0 million (S\$4.7 million). These investments were mainly for the on-going development of our new securities post-trade system.

We will continue to optimise our resources and align our expenses with business growth. As previously guided, operating expenses for FY2018 are expected to be between S\$425 million and S\$435 million, while technology-related capital expenditure is expected to be between S\$60 million and S\$65 million.

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## Financial Highlights

			Change		Change
	1Q FY2018	1Q FY2017	1Q FY2018 vs 1Q FY2017	4Q FY2017	1Q FY2018 vs 4Q FY2017
<i>\$ million, except where indicated</i>					
<b>Key income statement figures</b>					
Equities and Fixed Income	99.7	98.0	2%	102.1	(2%)
Derivatives	80.6	70.8	14%	82.1	(2%)
Market Data and Connectivity	24.2	22.0	10%	23.5	3%
<b>Operating revenue</b>	<b>204.5</b>	<b>190.8</b>	<b>7%</b>	<b>207.7</b>	<b>(2%)</b>
Operating expenses	98.5	93.7	5%	108.4	(9%)
<b>Operating profit</b>	<b>106.0</b>	<b>97.2</b>	<b>9%</b>	<b>99.4</b>	<b>7%</b>
Other gains	2.8	3.1	(11%)	2.6	6%
Profit before tax and share of results of associated company	108.7	100.3	8%	102.0	7%
Tax	18.4	17.5	5%	17.0	8%
<b>Profit attributable to equity holders</b>	<b>90.7</b>	<b>83.1</b>	<b>9%</b>	<b>85.2</b>	<b>6%</b>
<b>- reported</b>					
Earnings per share (in cents)	8.5	7.8	9%	8.0	6%
Dividend per share (in cents)	5.00	5.00	-	13.00	(8.00)
<b>Key financial indicators</b>					
Revenue growth	7%	(13%)		5%	
Cost to income ratio	48%	49%		52%	
Operating profit margin	52%	51%		48%	
Net profit margin	44%	43%		41%	
Return on shareholders' equity	38%	38%		34%	

Note: SGX's financial year is from 1 July to 30 June. Some numbers may be subject to rounding.

[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

Attachment(s):

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