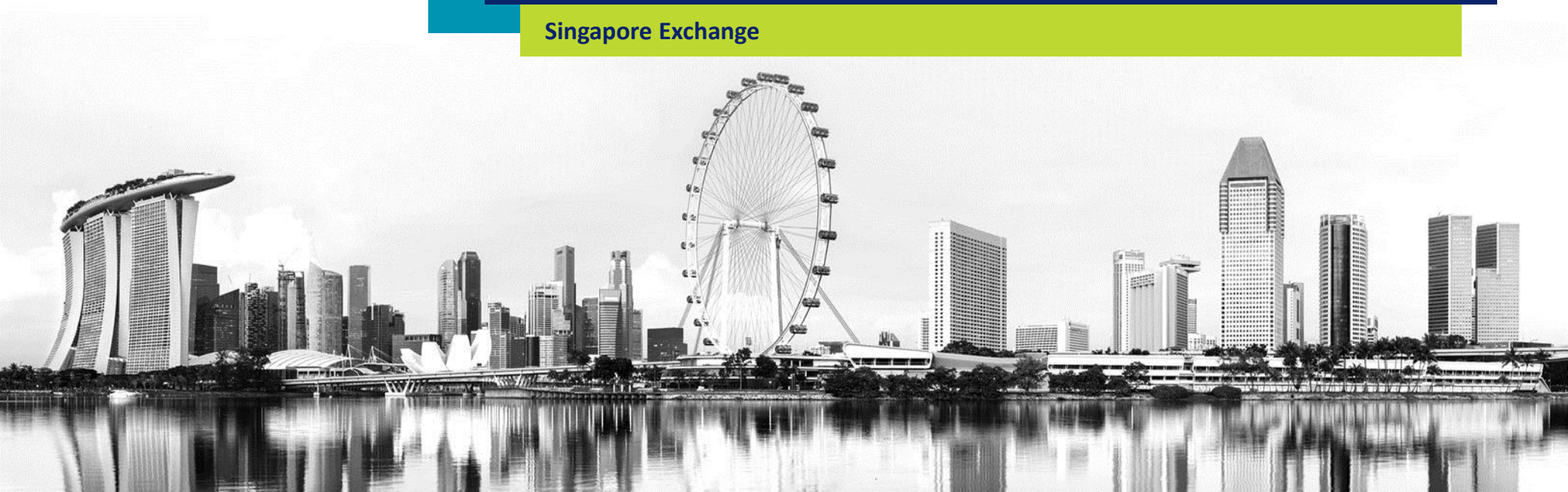


# Meeting with Investors

**Chng Lay Chew, Chief Financial Officer**  
**Dominic Lim, Head of Investor Relations**

October 2018

Singapore Exchange





# Who we are

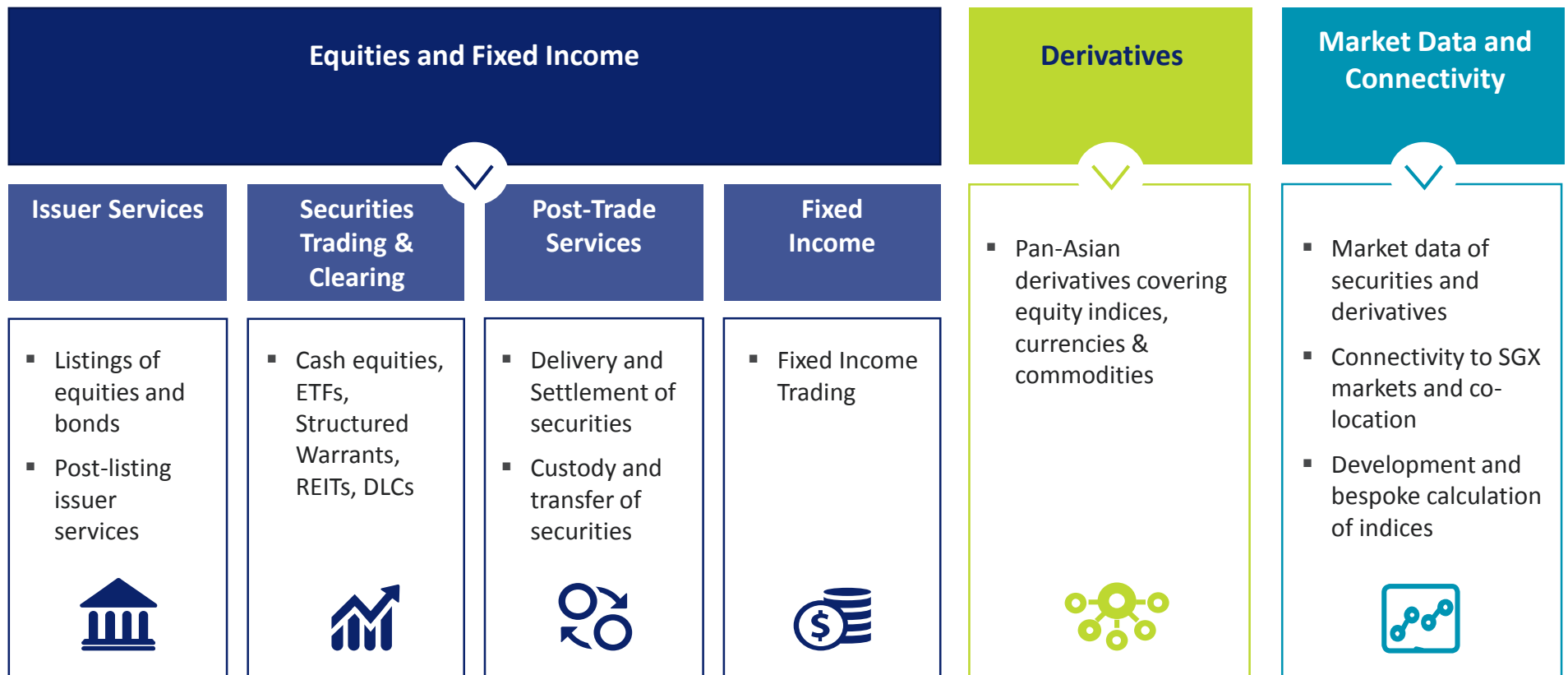
# About SGX

A diversified exchange group that runs key market infrastructure including the Singapore securities market and a pan-Asian derivatives exchange covering all major asset classes.



# 3 Main Business Lines

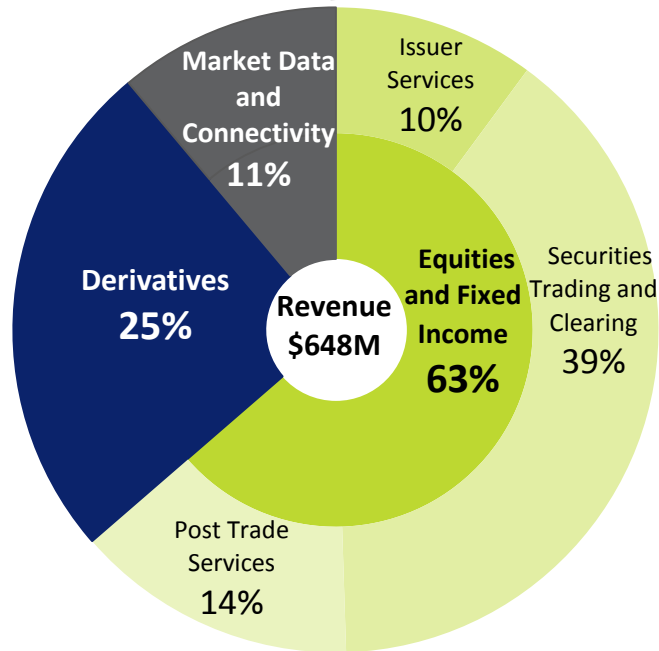
Three business units covering the entire exchange value chain, resulting in diversified and resilient revenue streams.



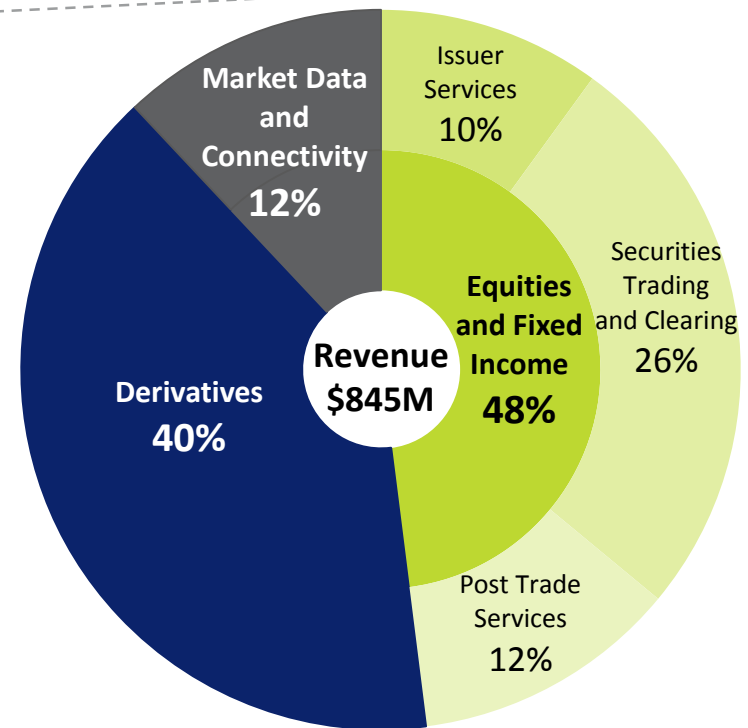
# Successfully achieved diversification of revenues

Revenue contribution from Derivatives grew from 25% in FY2012 to 40% in FY2018. Total revenue grew 30% during the same period.

**FY2012 Revenue Breakdown**



**FY2018 Revenue Breakdown**



**Net Profit: \$292 million**

**Net Profit: \$363 million**

Note: Numbers may be subject to rounding  
Source: SGX

# Growing International Footprint

Anchored in Singapore with global reach, serving a diverse set of international clients seeking Asian opportunities.



Our offices:

Beijing	Chicago	Hong Kong	London
Mumbai	Shanghai	Singapore	Tokyo

## Key roles of our International offices

- Engage existing clients and acquire new clients to improve liquidity (Equities, Fixed Income, and Derivatives)
- Increase memberships and listing of equity and debt instruments
- Grow existing clients and acquire new clients for connectivity, data, and index licensing services
- Our key clients include: Sell-side participants, Interdealer brokers, Corporate trade clients, Institutional investors and Proprietary Trading Groups.

# Robust Risk Management Standards



## Adopted global Principles for Financial Market Infrastructure (PFMI) Standards

- One of the first exchanges globally to adopt the PFMI standards, and is certified as a Qualifying Central Counterparty under the Basel III framework.
- Committed to the safety of the Singapore marketplace by contributing an amount equivalent to 25% of the default fund size, one of the highest “skin in the game” among global clearing houses.



## Aligned with the required regulatory standards to service US and European customers

- Attained Derivatives Clearing Organization (DCO) and Foreign Board of Trade (FBOT) status from the US Commodity Futures Trading Commission (CFTC).
- Recognized by the European Securities and Markets Authority (ESMA) as a third-country central counterparty.



- Derivatives Exchange of the Year: Asia Risk Awards 2018



# Our Focus

# FY2019 Strategic Priorities and beyond



- Expand FX product suite
- Enhance Bond Trading Platform
- Develop SGX Cargo and Freight franchise

- Strengthen overseas presence in U.S. and London
- Grow our base of buy-side clients (AM, HFT & PTG)

- Enter into collaborative agreements to grow cross-border flows and enhance service capabilities



# Building a Multi-asset exchange – FX Futures

FX	Size of Market 	Singapore 	SGX 
	<ul style="list-style-type: none"> <li>▪ US\$5.1 trillion traded daily</li> <li>▪ Asian NDF, excluding CNH, is a \$73 billion DAV market with the potential to be futurised</li> <li>▪ Largest off-exchange (OTC) market globally</li> <li>▪ Regulatory trends favour shift to on-exchange trading</li> </ul>	<ul style="list-style-type: none"> <li>▪ US\$500 billion traded daily</li> <li>▪ Largest FX center in Asia Pacific, third largest globally</li> <li>▪ Leading global trading venue for key Asian currencies</li> </ul>	<ul style="list-style-type: none"> <li>▪ 21 currency futures and options contracts</li> <li>▪ &gt;70% market share in USD/CNH and &gt; 40% market share in INR/USD</li> <li>▪ Calendar year-to-date<sup>1</sup> Notional volume traded of US\$478 B, up 139% over the same period in 2017.</li> </ul>

## Total Notional Values up to Date

**US\$1.40Tn**

Aggregate notional value traded since launch (Nov 2013 to Aug 2018)

**US\$6.34Bn**

Open Interest value (Aug 2018)

## Key Highlights

Fastest Growing  
**232%**

Total Volume - CAGR

Nov 13 – Aug 18

Growing number of Participants  
**89.8%**

Number of Participants - CAGR

Nov 13 – Aug 18

Most diverse Asian FX  
**19**

Futures

**2**

Options

# SGX is well positioned to be the Digital Freight Marketplace

**Mission:** Fortify The Baltic Exchange, leverage SGX cargo & freight franchise, and **invest strategically** in market infrastructure & data.



Offer **full-stack digital services** in spot price discovery, matching & trading, and post-trade risk management.

Dominate a new **multi-modal asset class of freight** - wet & dry bulk, container & air

# International footprint and partnerships

Our offices:

- Beijing
- Chicago
- Hong Kong
- London
- Mumbai
- Shanghai
- Singapore
- Tokyo



# FY2018 Results

# Financial Year 2018 Highlights

- Record Revenue of \$845M; Net profit of \$363M, at 10-year high
- Securities traded value up 12% to \$314B. Record Derivatives traded volume, up 20% to 198M contracts
- Dividend per share – 30 cents, up 2 cents per share; Earnings per Share – 33.9 cents

## Revenue

- \$845M
- Up 5%

## Expenses

- \$420M
- Up 5%

## Operating Profit

- \$425M
- Up 6%

## Net Profit

- \$363M
- Up 7%

## Securities Trading

- \$314B total traded value
- Up 12%

## Derivatives Trading

- 198M contracts
- Up 20%

## Earnings Per Share

- 33.9 cents
- Up 7%

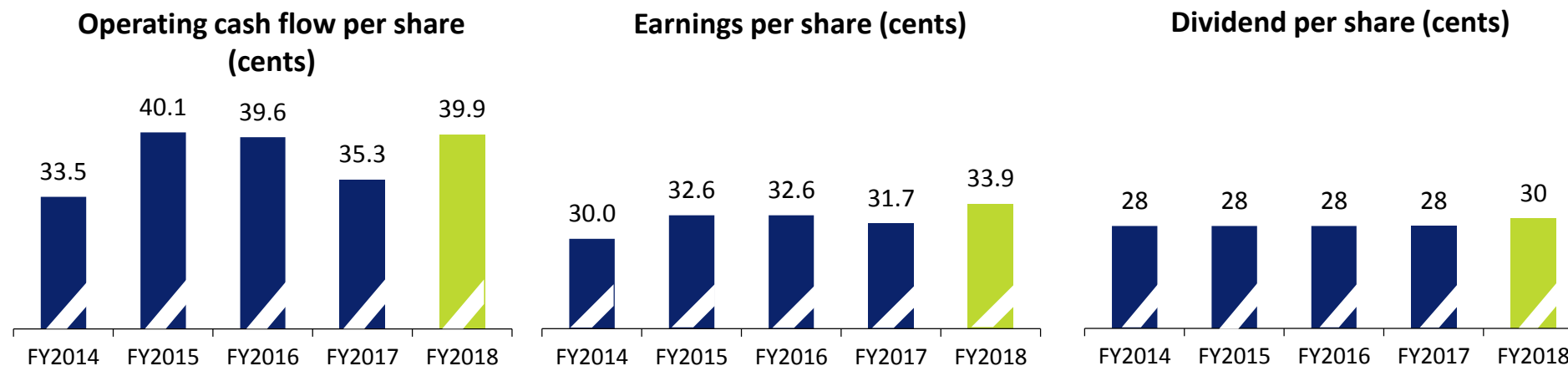
## Dividend Per Share

- 30 cents
- Up 2 cents

# Key Financial Indicators

- High operating profit margin of 50%
- ROE of 34%

	FY2014	FY2015	FY2016	FY2017	FY2018
Revenue (\$ million)	686	779	818	801	845
Operating profit (\$ million)	371	402	409	402	425
Operating profit margin	54%	52%	50%	50%	50%
Net profit (\$ million)	320	349	349	340	363
Return on equity	35%	37%	36%	34%	34%

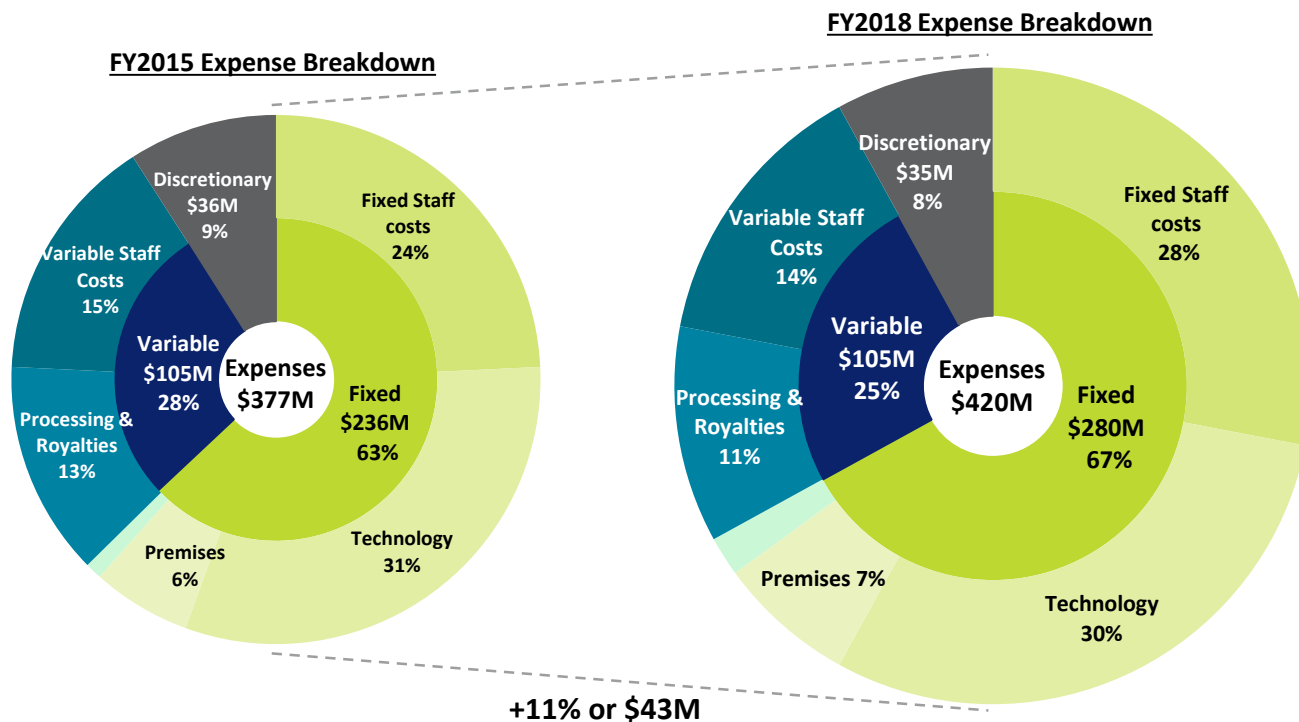


Note: All figures in \$ millions unless otherwise stated and may be subject to rounding



# Disciplined in our expenditure

- Investments in building capabilities to support growth
- FY2018 expense of \$420M , up 5% from a year ago
- FY2019 Operating Expense Guidance: \$445M to \$455M

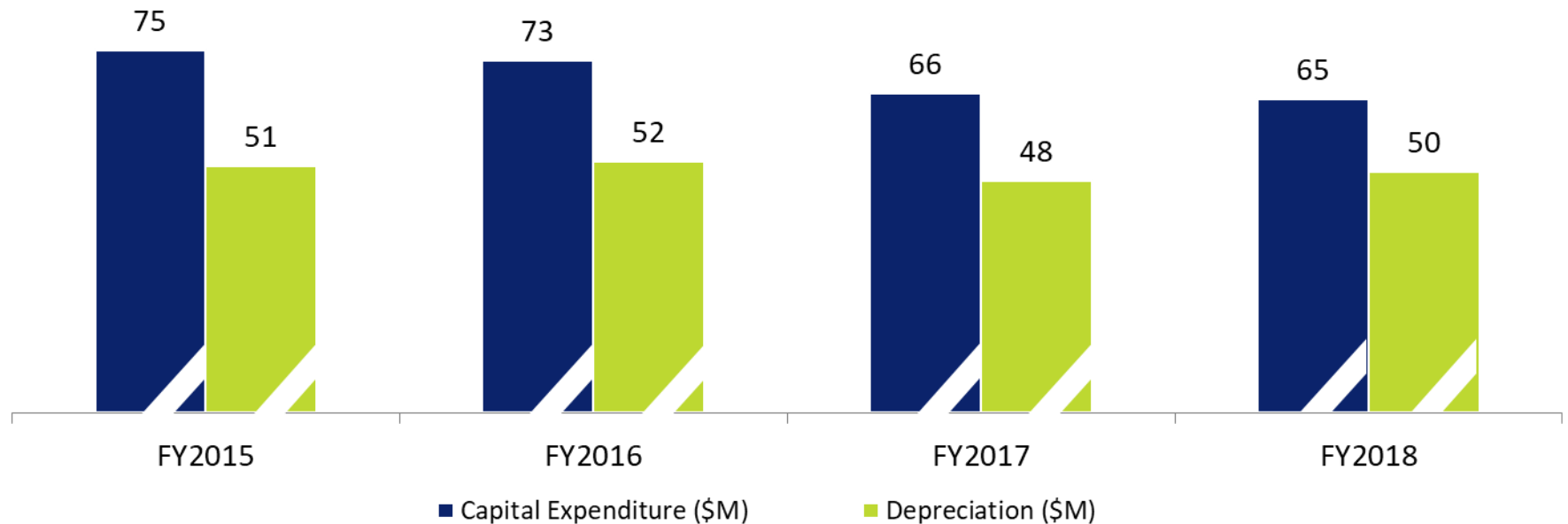


- Fixed costs – 67%  
Variable costs – 25%  
Discretionary costs – 8%
- Variable costs – Processing & Royalties expenses are volume-related
- Discretionary costs – Focused on distribution capabilities and client-related activities.

Note: Numbers may be subject to rounding.

# Delivered new systems and platforms to support growth

- Invested in enhancing capabilities in Derivatives, Fixed Income and Post Trade
- FY2018 Technology CAPEX of \$65M, in line with guidance
- FY2019 CAPEX Guidance: \$60M to \$65M



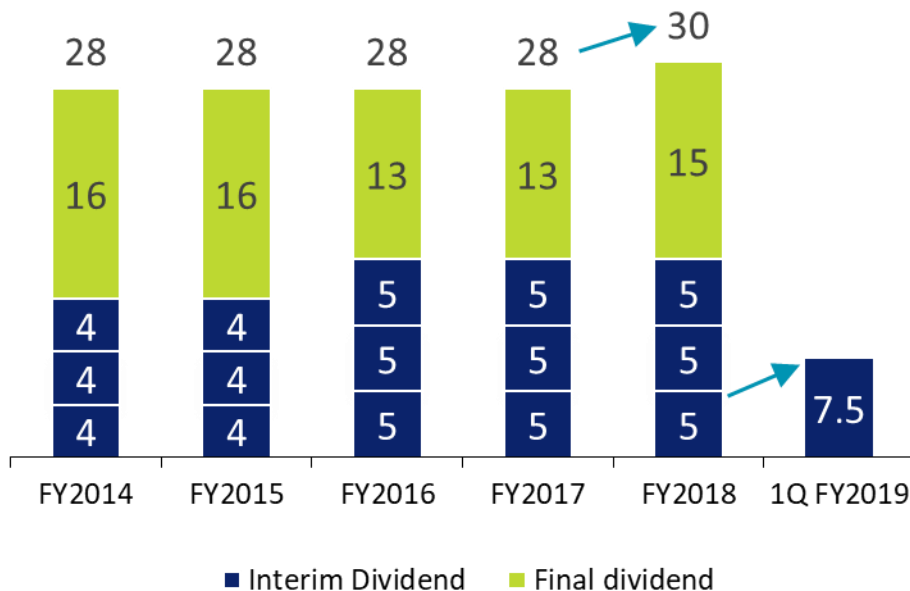
Note: All figures in \$ millions unless otherwise stated and may be subject to rounding

# Revised Dividend policy to support growth

- Aims to provide sustainable and growing returns for shareholders

## 5 Year Dividend History

Dividend per share (cents)



Aims to pay a sustainable and growing dividend over time, consistent with the company's long-term growth prospects. Dividends will be paid on a quarterly basis and will be at the discretion of the Board<sup>1</sup>



Provides flexibility to balance dividend payments with the need to retain earnings to support growth



From FY2019, we aim to pay a higher dividend of 7.5 cents per share each quarter, up 2.5 cents (50%) from 5 cents per share



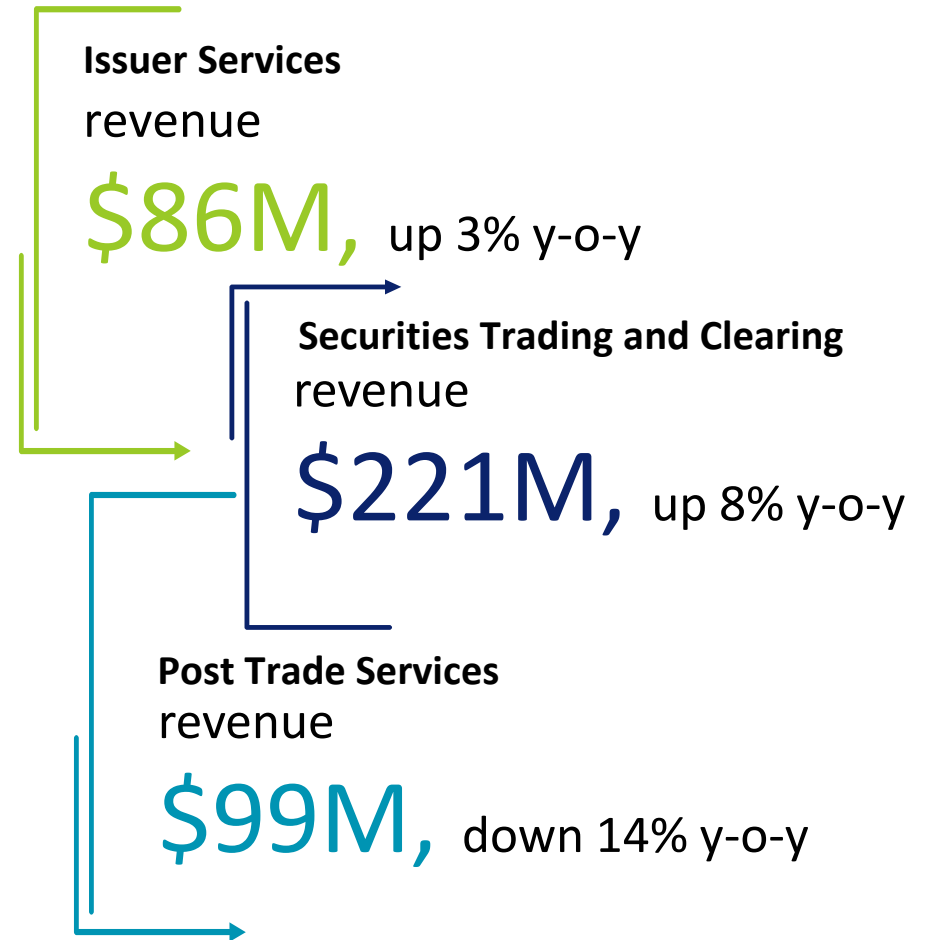
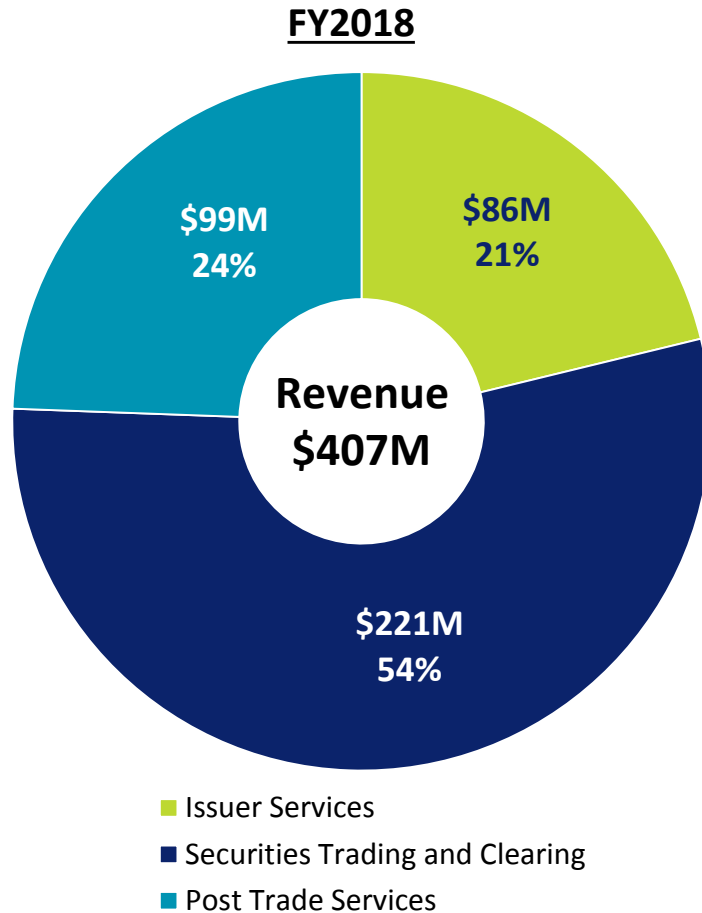
Shareholders will receive returns earlier. Potential growth in dividends when SGX performs well

<sup>1</sup> Previous dividend policy: For each financial year, the Board aims to pay, as dividend, an amount which is no less than (a) 80% of the annual net profit after tax; or (b) 20 cents per share, whichever is higher.

# Equities & Fixed Income Business

# Overview

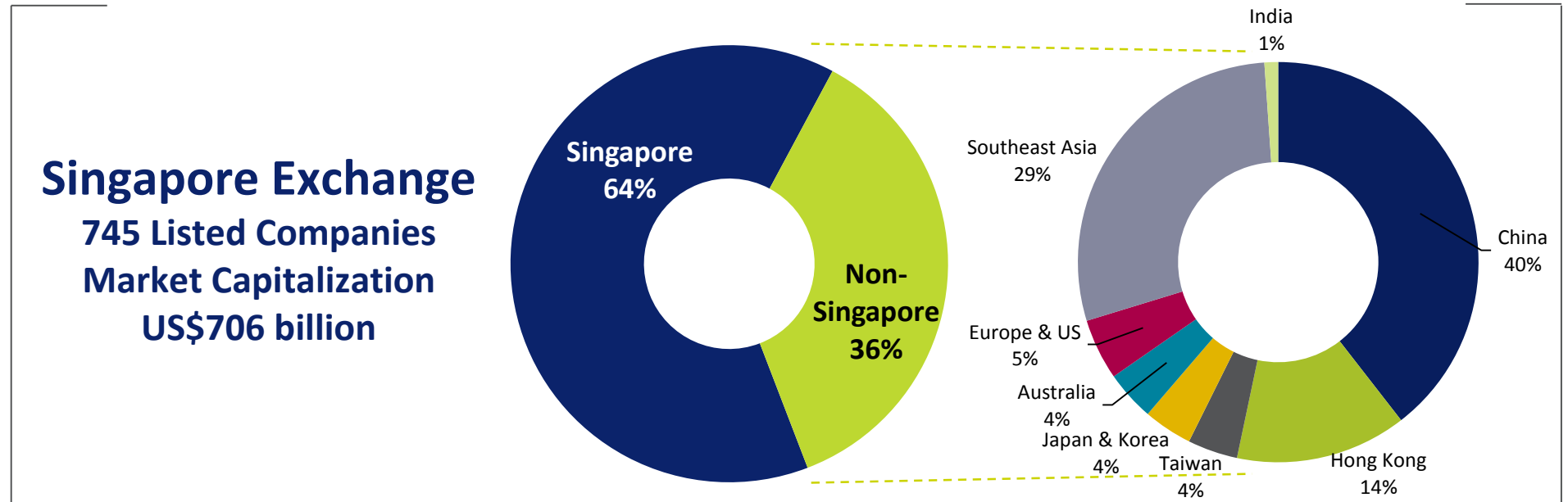
## Equities and Fixed Income



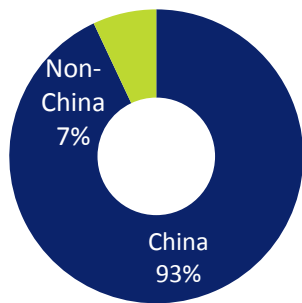
Note: Numbers may be subject to rounding.

# SGX is the Most International Exchange

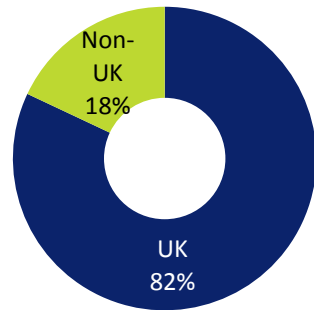
Nearly 40% of all companies listed on SGX are overseas companies.



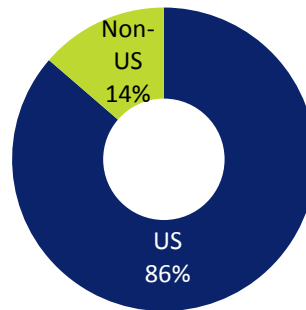
Hong Kong Stock Exchange



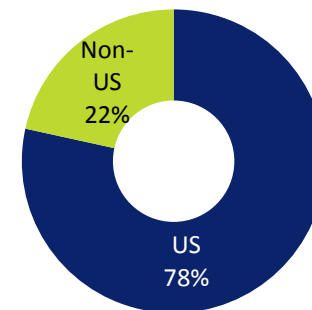
London Stock Exchange



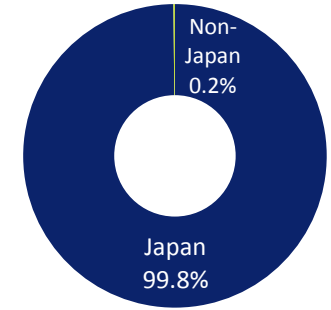
NASDAQ



New York Stock Exchange



Tokyo Stock Exchange



Source: World Federation of Exchanges (May 2018), Companies' Website and Singapore Exchange (Aug 2018)

# Top Sectors on SGX

## Consumer

PE: 19x



- Includes agri-commodities, food & beverage and retail
- 152 companies with market cap of US\$96 billion

## Technology

PE: 22x<sup>^</sup>



- Includes information & communications technology, medical technology and financial technology
- 74 companies with market cap of US\$53 billion

## Healthcare

PE: 25x



- Full range of companies from pharmaceuticals, healthcare services to medical devices technology
- 35 companies, 2 REITs and 1 Trust with market cap of US\$51 billion

## Maritime & Offshore Services

PE: 22x



- Asia's largest cluster of listed companies
- 60 companies and 2 business trusts with market cap of US\$22 billion

## Mineral, Oil and Gas

PB: 2.2x



- Companies in exploration, development and production of mineral or oil & gas
- 29 companies with market cap of US\$1.8 billion

## Real Estate

PB: 0.94x



- Asia's broadest range of real estate companies and property trusts covering global real estate assets
- 109 real estate companies and property trusts with market cap of US\$131 billion

Note: <sup>^</sup> Excludes the PE of telecommunication services companies by GICS sub-industry classification  
Source: Bloomberg & Singapore Exchange (Aug 2018)

# Growing Listings And Trading Activities

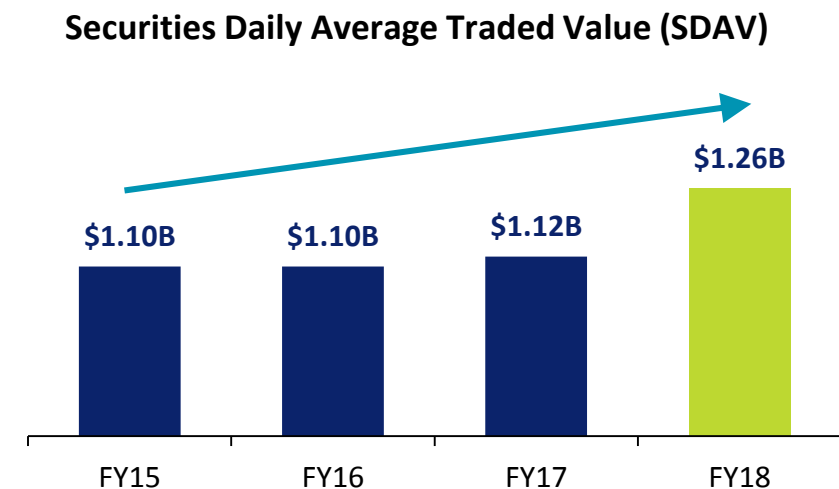
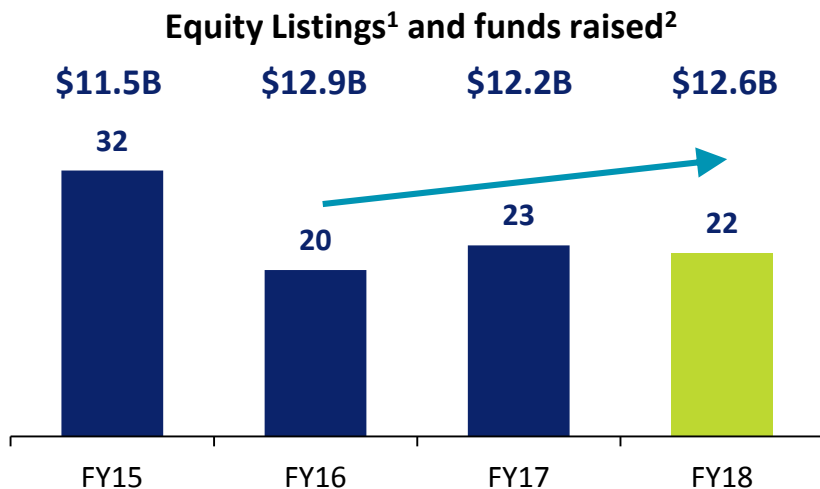
Higher funds raised, healthy IPO Pipeline, and Increasing Daily Trading Activity

## Equity Listings

- 22 listings in FY2018, 4% lower YoY
- S\$12.6B funds raised, 3% higher YoY

## Trading Activities

- FY2018 SDAV 12% higher YoY
- Total Market Capitalization of \$991 Billion



Source: SGX

<sup>1</sup>Equity listings include Initial Public Offerings (IPOs) and Reverse Takeovers (RTOs) | <sup>2</sup>Includes Placement, Rights and Warrants

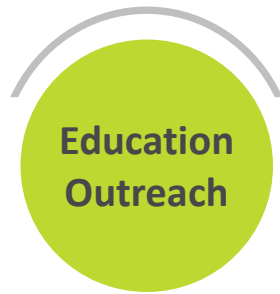


# Build Liquidity & Profile Companies

Continuing our efforts in increasing trading activity



Enhance market quality and lower transaction cost



Reaching out to 140,000 retail investors each quarter



Over 260,000 subscribers today



2 million online views per quarter



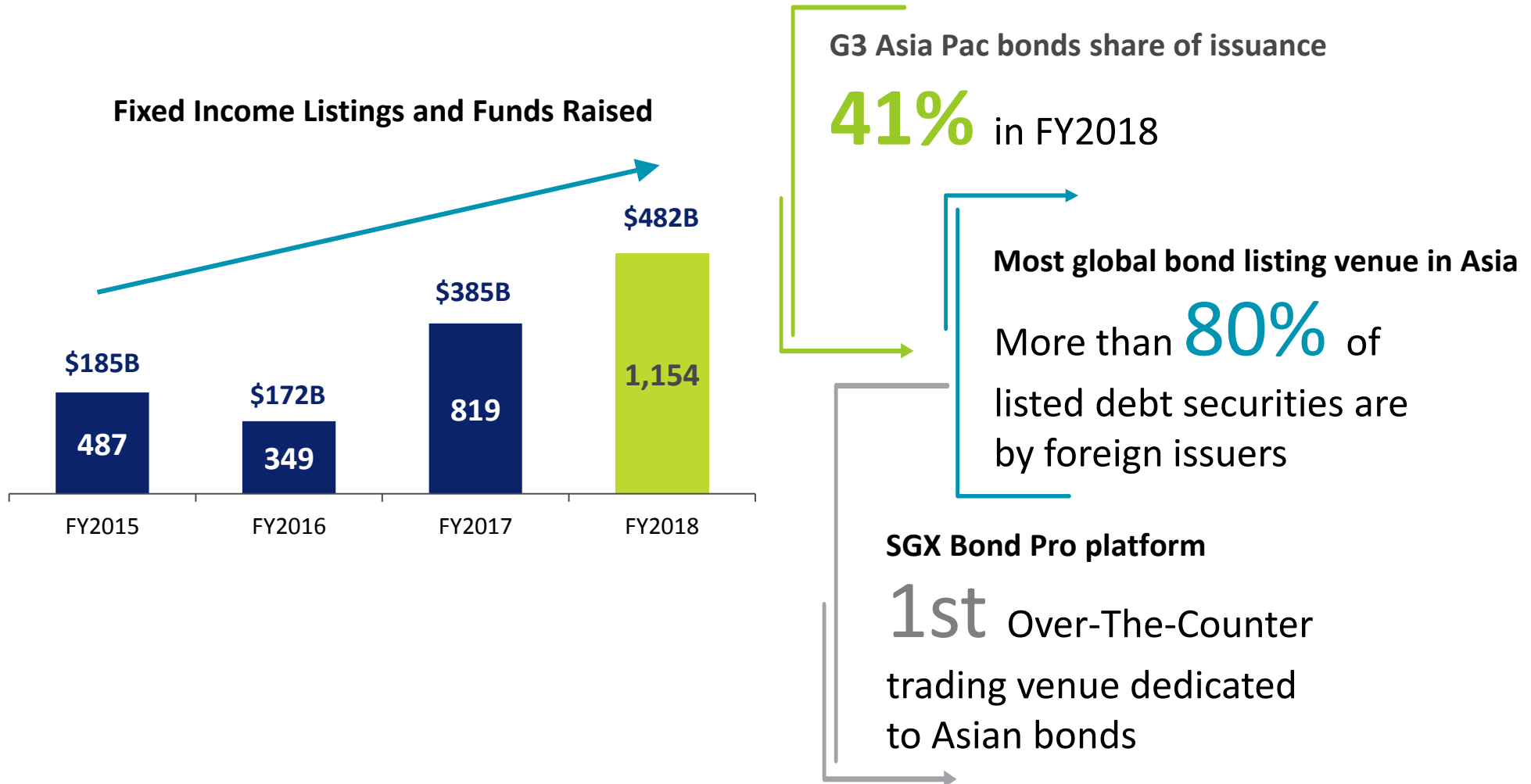
Connecting ~40 listed companies with ~200 investors every quarter



More than 30 articles published per quarter



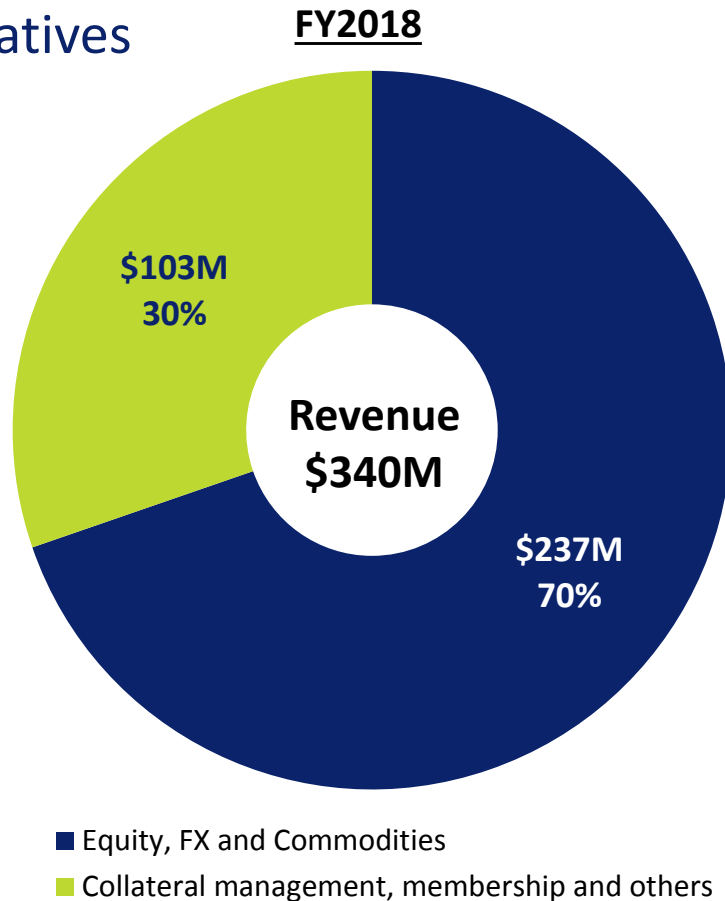
# Increase In Fixed Income Listings And Market Share



# Derivatives Business

# Overview

## Derivatives



Equity, FX and Commodities revenue

**\$237M**, up 8% y-o-y

Collateral management, license and membership fees revenue

**\$103M**, up 24% y-o-y

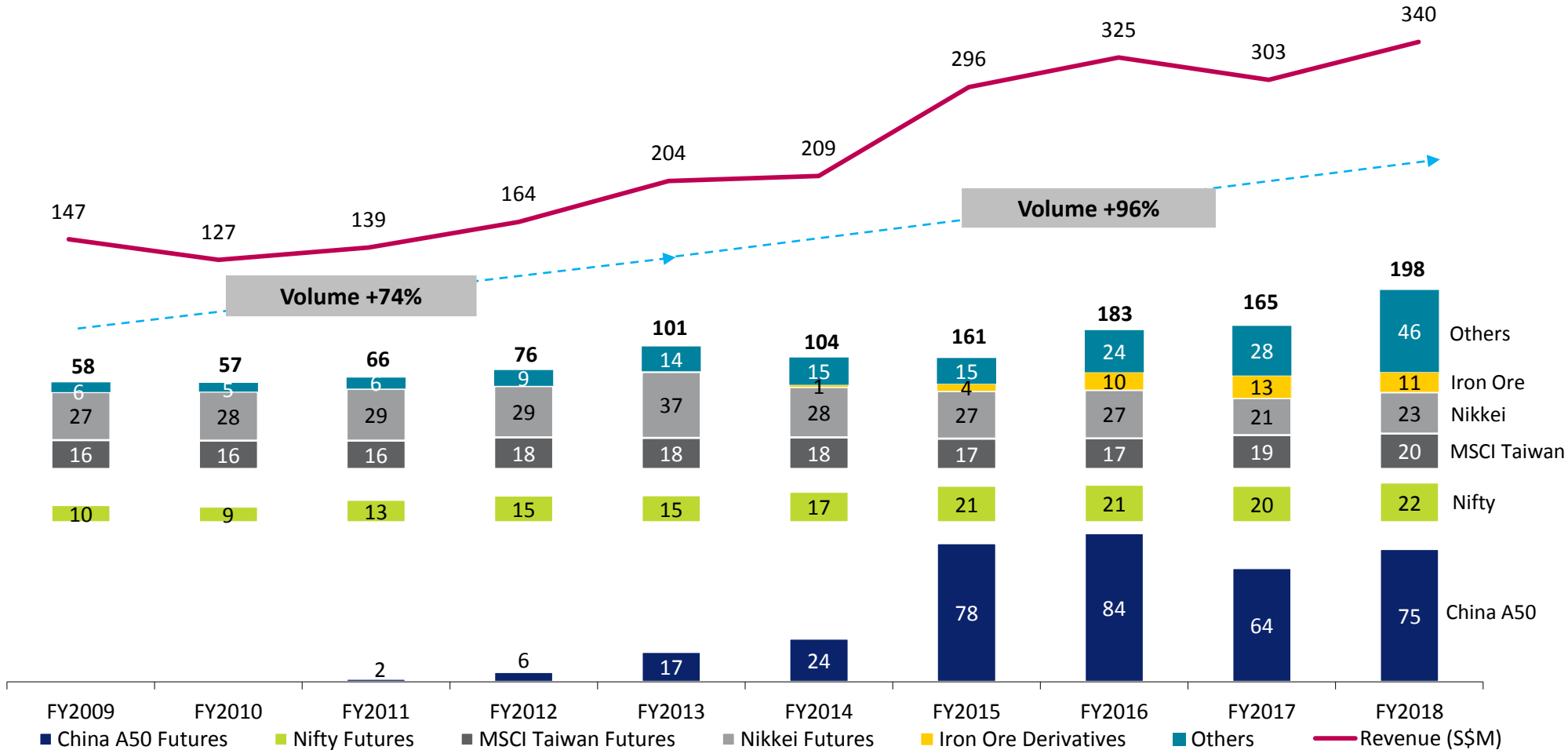


- Exchange of the Year – Derivatives: FOW Asia Capital Markets Awards 2018
- Asia-Pacific Derivatives Exchange of the Year: GlobalCapital 2018

Note: Numbers may be subject to rounding.

# World's most liquid offshore market for Asian Derivatives

Growth of Derivatives (volumes and revenue in millions)



# The only liquid offshore access to China and India

Complementary products, margin netting efficiencies

China	
Equity Index Futures	SGX FTSE China A50
Equity Index Futures and Options	MSCI China
FX futures	USD/CNH, CNY/USD, CNY/SGD, EUR/CNH, SGD/CNH
Commodities, Futures, Swaps, Options	Iron Ore

India	
Equity Index Futures & Options	SGX Nifty 50 SGX Nifty IT SGX Nifty CPSE SGX Nifty Bank SGX Nifty Midcap 50
Equity Index Futures	SGX MSCI India
FX futures, options, forwards	INR/USD
Single Stock Futures	SSFs on 50 Indian stocks

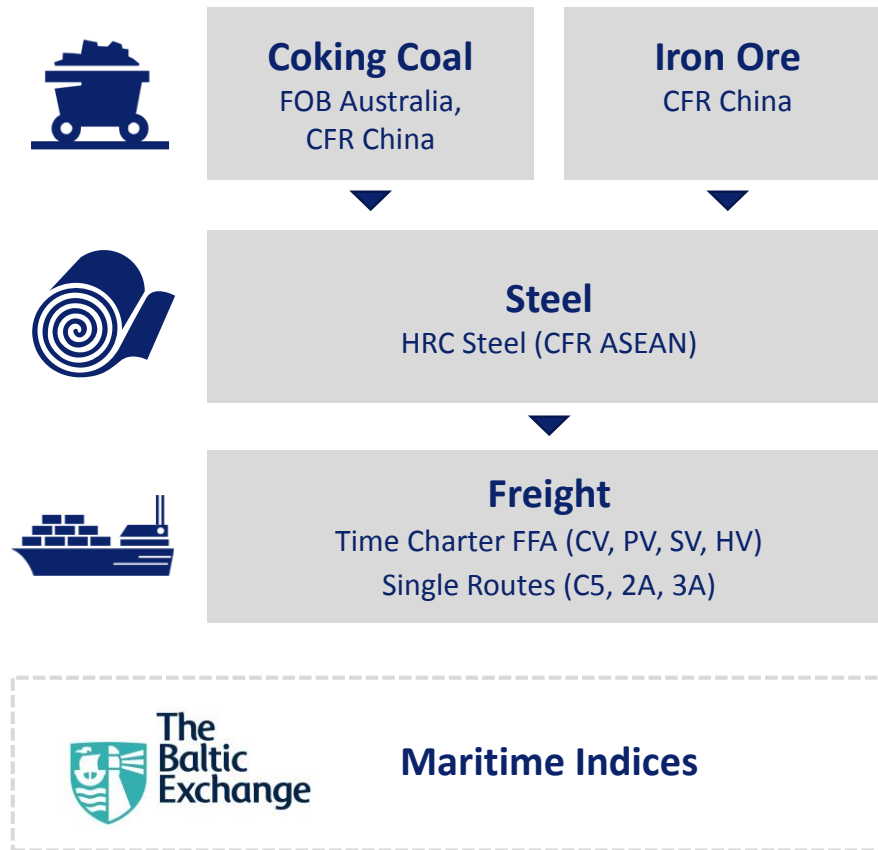
## Our Platform

- An integrated Trading and Clearing System offering low-latency high-throughput and enhanced risk controls and system safeguards
- Round-the-clock trading
- Delivering Asia's broadest range of listed derivatives across China, Japan, India, Taiwan and ASEAN
- Efficient client connectivity by putting together an ecosystem of users trading and clearing on-exchange or OTC
- Capital efficiency through the netting of margins

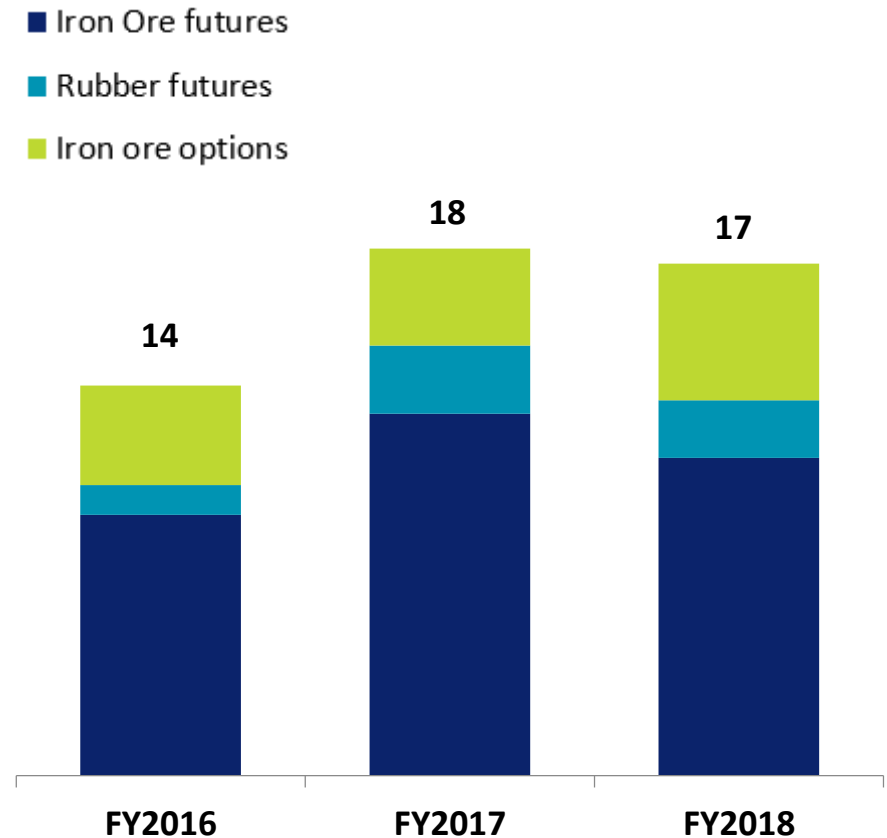
# Extensive Suite Of Commodities Products

Complements Singapore's commodities hub status

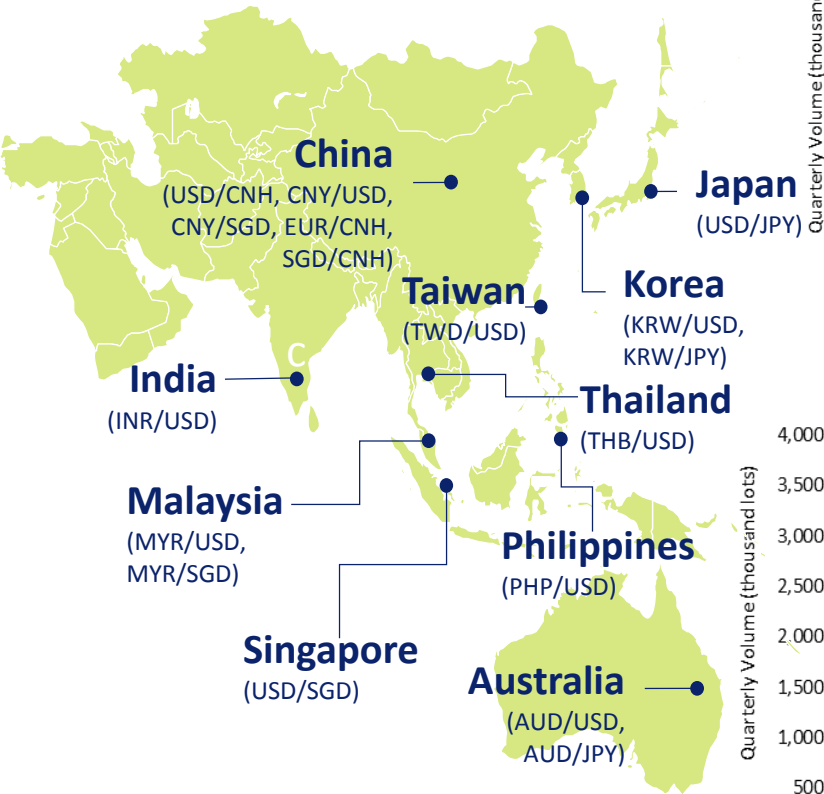
## Price-Discovery Centre For The Steel Value Chain



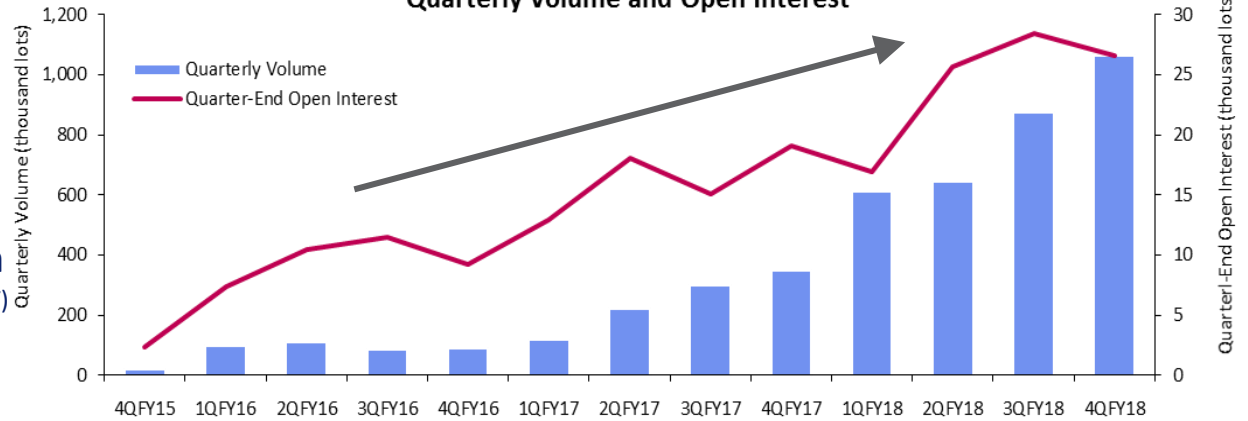
## Total Volume of Contracts Traded (M)



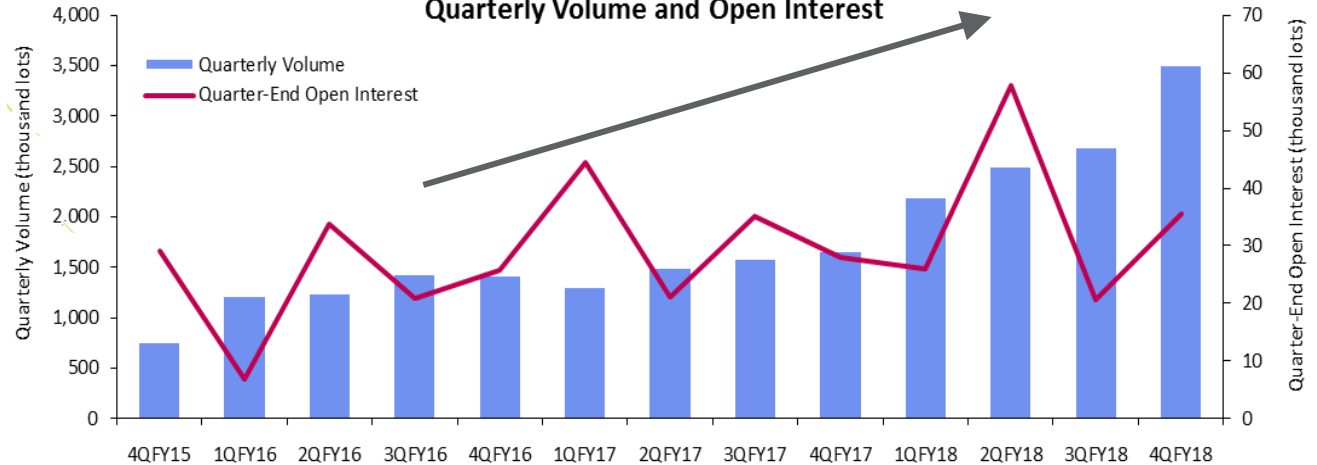
# Liquid Currency Futures



**SGX USD/CNH Futures**  
Quarterly Volume and Open Interest



**SGX INR/USD Futures**  
Quarterly Volume and Open Interest



■ Asia's Best FX Exchange & Clearing House – by FX Week (2018)

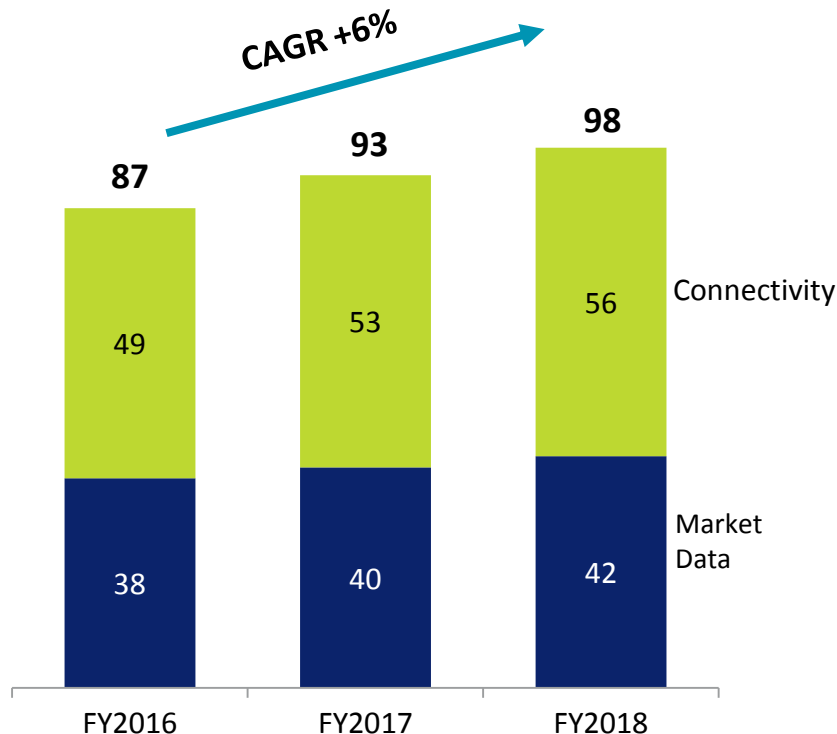
Note: Data as at 30 June 2018



# Market Data & Connectivity Business

# Overview

## Market Data And Connectivity



- Market infrastructure business driven by increased use of technology in trading
- Supports Securities and Derivatives Trading:

**Data:** Price data, Company Announcements, Financial Indices

**Connectivity:** Trading system connections, Network linkages and Data center co-location

Note: Numbers may be subject to rounding.

# SGX Index Edge

- Index business established to take advantage of global shift to index-based investing
- Global Exchange Traded Products (index-based) have AUM of > US\$4tn
- Index funds (unlisted) has grown >230% to > US\$ 6tn since 2007



## Index Calculation Service

- Calculating for leading investment banks and asset managers
- Flexible index engine for calculating and disseminating wide variety of indices
- Strong governance framework to meet regulatory requirements



## SGX Proprietary Indices

- **Domestic Indices**
  - SGX Thematic indices e.g. S-REIT 20
  - SGX Sustainability index
- **Regional Indices**
  - SGX Developed Asia Quality Dividend Index
  - SGX APAC Dividend REIT



SGX Index Edge – Best Index Provider at Structured Retail Products Asia-Pacific Awards (2018)

# Appendix

# Cross Margining Efficiencies

- Correlated products, margin netting efficiencies

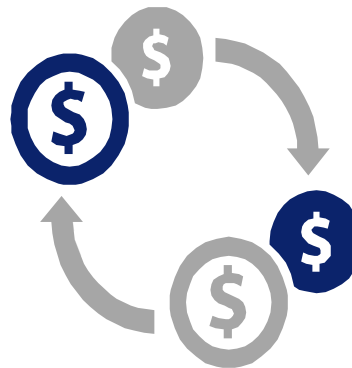
Note:

<b>+</b> correlation	<b>Long – Short</b> spread
<b>-</b> correlation	<b>Long – Long</b> spread

USD/CNH  
FX futures

**45%**  
Margin  
offset

FTSE China A50  
Index Futures



MSCI  
Taiwan  
Index Futures

**65%**  
Margin  
offset

Mini Nikkei 225  
Index Futures

USD/CNH  
FX futures

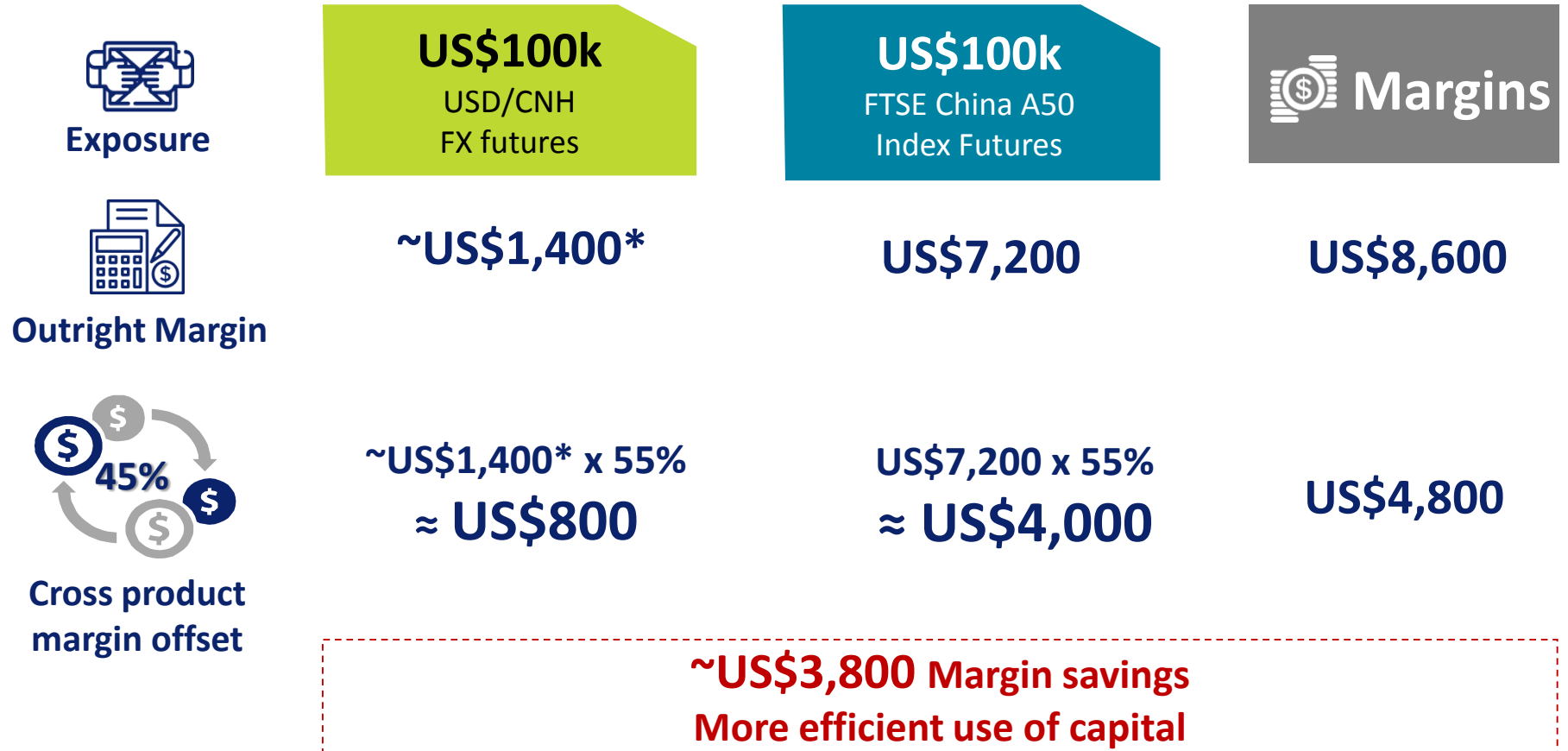
**30%**  
Margin  
offset

Iron Ore  
Swaps

Note: Based on Margin Schedule as of 7 September, full schedule available on SGX website

# Cross Margining Example

- More exposure with the same amount of margins



Note: Based on FX rate as of 21 September

Based on Margin Schedule as of 7 September, full schedule available on SGX website

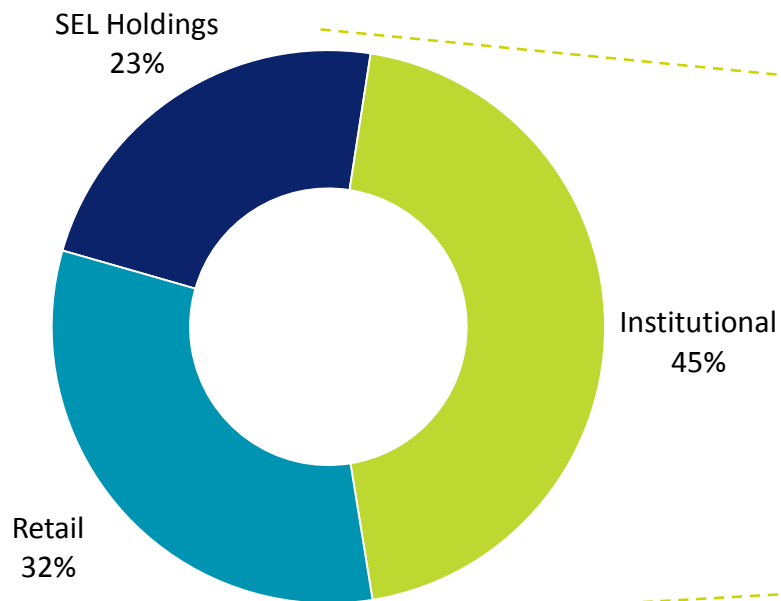
## High operating margin business

Operating Income Margin Trends			
Segment	FY2016	FY2017	FY2018
Equities and Fixed Income	55.6%	56.0%	55.1%
Derivatives	42.5%	39.7%	43.7%
Market Data and Connectivity	52.0%	58.9%	53.3%

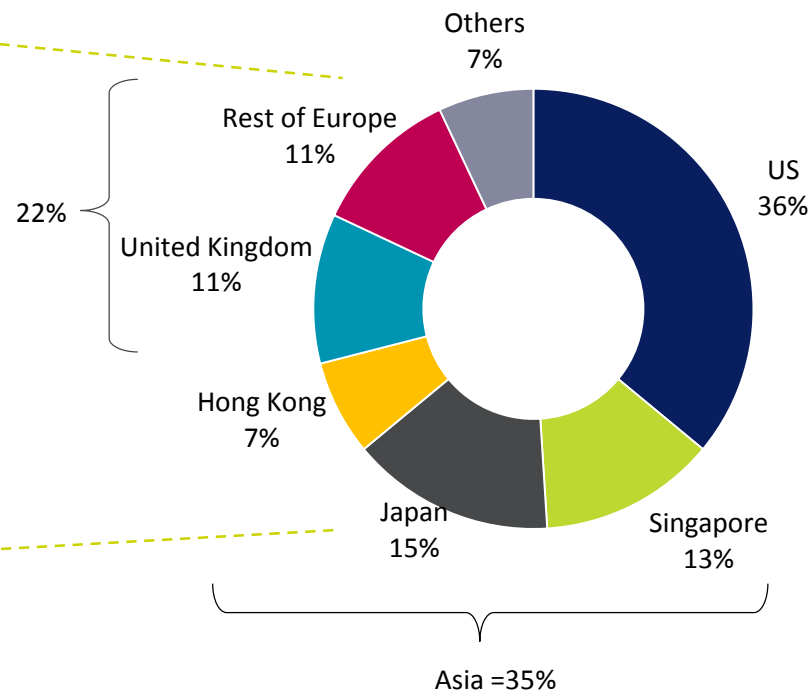
# SGX Shareholders' Profile

Broad shareholding base with domestic retail shareholders, as well as domestic and international institutions

### SGX Shareholder Composition<sup>1</sup>



### Institutional Shareholding by Geography



Note: Numbers may be subject to rounding.  
<sup>1</sup>As at 30 June 2018

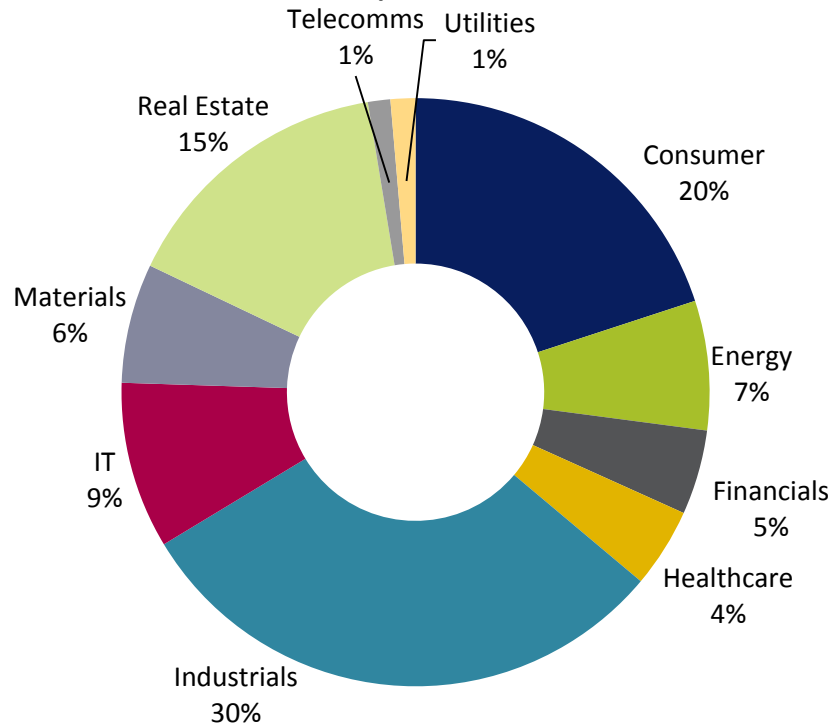


# Diversity of Industries on SGX

SGX is the listing venue of choice for companies from varying sectors

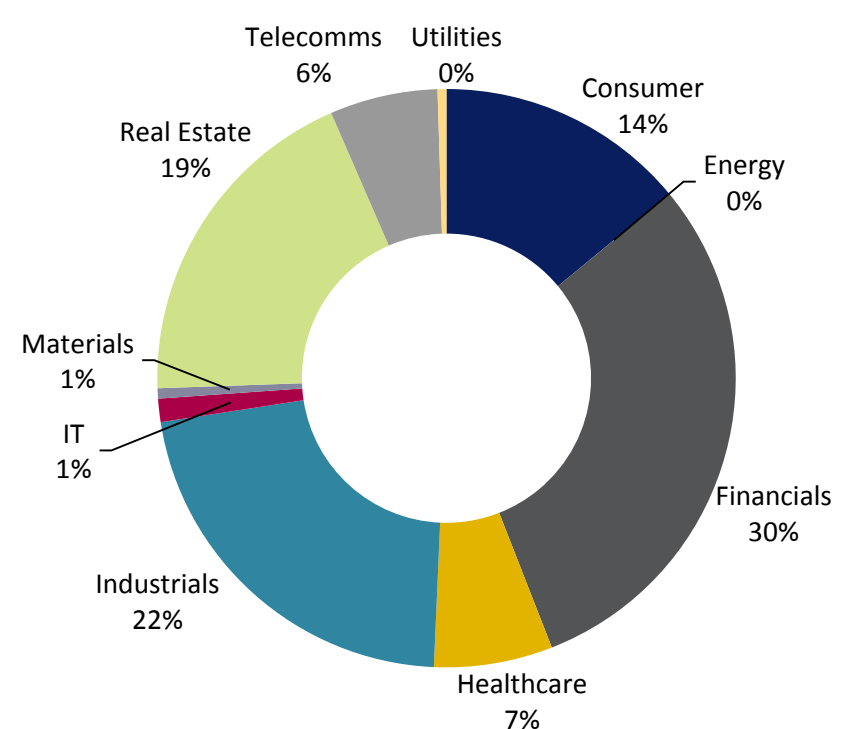
## Breakdown by Number of Companies

745 companies in total



## Breakdown by Market Capitalisation

US\$706 billion in total



Note: Companies without GICs Sector Classification not included  
Source: Singapore Exchange & Bloomberg (Aug 2018)

# Thank You

## SGX Investor Relations Contact:

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Joyce Koh, Associate Director, Investor Relations  
Tel: (65) 6236 8356, Email: joyce.koh@sgx.com

## Singapore Exchange

Beijing ▪ Chicago ▪ Hong Kong ▪ London ▪ Mumbai ▪ Shanghai ▪ Singapore ▪ Tokyo

[sgx.com](http://sgx.com)

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