

Singapore Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

2 Jul 2020

Singapore Exchange (SGX SP) : FULLY VALUED

Mkt. Cap: US\$6,287m | **3m Avg. Daily Val:** US\$34.7m

Last Traded Price (1 Jul 2020): S\$8.19

Price Target 12-mth: S\$7.40 (10% downside)

Analyst

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FTSE Taiwan Index futures as replacement product

- FTSE Taiwan Index futures to be launched as replacement product for MSCI Taiwan futures
- Subject to Commodity Futures Trading Commission (CFTC)'s approval
- Clearing fees waived till December 2020
- Maintain FULLY VALUED, TP S\$7.40

Forecasts and Valuation

FY Jun (\$m)	2019A	2020F	2021F	2022F
Revenue	910	1,030	1,014	1,009
EBITDA	511	547	508	477
Pre-tax Profit	473	548	508	477
Net Profit	391	454	420	394
Net Pft (Pre Ex.)	391	454	420	394
Net Pft Gth (Pre-ex) (%)	7.8	16.0	(7.3)	(6.2)
EPS (S cts)	36.4	42.3	39.2	36.7
EPS Pre Ex. (S cts)	36.4	42.3	39.2	36.7
EPS Gth Pre Ex (%)	8	16	(7)	(6)
Diluted EPS (S cts)	36.4	42.3	39.2	36.7
Net DPS (S cts)	37.5	30.0	30.0	30.0
BV Per Share (S cts)	102	114	123	130
PE (X)	22.5	19.4	20.9	22.3
PE Pre Ex. (X)	22.5	19.4	20.9	22.3
P/Cash Flow (X)	21.1	18.0	20.5	21.7
EV/EBITDA (X)	15.9	14.6	15.6	16.6
Net Div Yield (%)	4.6	3.7	3.7	3.7
P/Book Value (X)	8.1	7.2	6.7	6.3
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	35.8	39.2	33.1	29.1

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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What's New

FTSE Taiwan Index futures to be launched as replacement product for MSCI Taiwan futures. Following SGX's announcement in May 2020 that its licence agreement with MSCI will be reduced going forward, except for MSCI Singapore products, SGX has further revealed that it will launch FTSE Taiwan Index futures contracts on 20 July 2020. In our view, this is a positive development as FTSE Taiwan Index futures will help to replace MSCI Taiwan futures contracts, which contribute ~80% of MSCI ex-Singapore futures contracts volumes, and allow for continuity for SGX's existing customers. Management has previously guided for a potential 10-15% impact on FY21 net profit assuming zero trades in all other MSCI products from July 2020. We believe with the replacement product announced, the earnings impact would be smaller than expected.

Subject to Commodity Futures Trading Commission (CFTC)'s approval; capping methodology covers c.80% of listed companies by market capitalisation. The FTSE Taiwan Index futures will cover c.80% of Taiwan's listed companies by market capitalisation, offering strong correlation with other major Taiwan benchmark indices. According to SGX, the capping methodology is put in place to limit concentration in a single security to help investors meet the Regulated Investment Company (RIC) concentration requirements for US-registered funds, i.e. no single security is more than 20%



Flash Note

of the index. SGX expects to receive certification from CFTC shortly after launch.

Clearing fees waived till December 2020. Clearing fees will be waived until 31 December 2020 (US\$0.50). Off-exchange facility fees (US\$1.00) will also be waived until further notice. We expect that with CFTC's approval, most of SGX's existing customers for MSCI Taiwan futures contracts should continue trading the new FTSE Taiwan contracts.

Maintain FULLY VALUED, TP S\$7.40. We maintain our FULLY VALUED call on SGX and TP of S\$7.40. We expect better financial performance in the medium term due to the introduction of a replacement product. However, we believe SGX will see more competition from Hong Kong Exchange (HKEX) going forward in the derivatives space following the latter's new offerings with MSCI of up to 37 equity index futures contracts.

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Rui Wen LIM

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DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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