Singapore Exchange (SGX SP)

FY26: Core Earnings Slightly Above Expectations; Outlook Remains Positive But Reflected By Rich Valuation

HOLD (Maintained)	
Share Price	S$24.32
Target Price	S$23.40
Upside	-3.8%
Previous TP	S$21.70

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Highlights

- SGX's FY26 core net profit of S$759.5m (+24.6% yoy) came in slightly above our expectations, driven by tight cost control and lower associate losses. SGX saw upbeat trading activities across all business segments.
- Upbeat FY27 outlook: The cash equity business is expected to be bolstered by various initiatives such as the EQDP, and the derivative business would be driven by risk management demand amid macro/geopolitical uncertainties.
- However, positives are likely priced in. Maintain HOLD; target price: S$23.40.

FY26 Results

Year to 30 Jun (S$m)	2HFY26	2HFY25	% chg yoy	FY26	FY25	% chg yoy
Net revenue	782.9	651.8	20.1	1,478.3	1,298.2	13.9
- FICC	197.3	162.5	21.4	376.2	321.6	17.0
- Cash equities	279.0	200.1	39.4	502.9	392.7	28.1
- equities derivatives	177.1	168.5	5.1	344.5	345.9	-0.4
- Platform and others	129.5	120.7	7.3	254.7	238.0	7.0
Net revenue excl. treasury inc.	706.5	589.4	19.9	1,343.1	1,167.4	15.1
Treasury income	76.4	62.4	22.5	135.2	130.8	3.4
Operating profit	462.6	359.6	28.6	887.2	742.8	19.4
Adj. op profit	477.3	366.3	30.3	905.7	755.4	19.9
Headline net profit	355.7	308.0	15.5	698.4	648.0	7.8
Adj. net profit	402.1	289.4	39.0	759.5	609.5	24.6
Margin (%)						
Adj. op profit	61.0	56.2	4.8ppt	61.3	58.2	3.1ppt
Adj. net profit	51.4	44.4	7.0ppt	51.4	47.0	4.4ppt

Source: SGX, UOB Kay Hian

Analysis

- **FY26 core earnings slightly above expectations.** Singapore Exchange's (SGX) FY26 reported net profit of S$698.4m (+7.8% yoy) was impacted by several one-off items such as impairment losses and investment gains. Excluding these one-off items, core net profit of S$759.5m (+24.6% yoy) slightly beat our estimate by 2.8%. The beat was mainly due to: a) slightly better-than-expected cost control, and b) yoy lower loss contribution from associates. Net revenue (ie excluding transaction-based expenses) rose 13.9% yoy to S$1.48b, driven by growths in: a) fixed income, currencies and commodities (FICC, +17.0% yoy); b) cash equities (+28.1% yoy); and c) platform and other services (+7.0% yoy) segments, but partly offset by a marginal decline in the equity derivatives business (-0.4%).

Key Financials

Year to 30 Jun (S$m)	2025	2026	2027F	2028F	2029F
Net turnover	1,298	1,478	1,653	1,726	1,790
EBITDA	828	969	1,114	1,160	1,195
Operating profit	743	887	1,032	1,076	1,109
Net profit (rep./act.)	648	698	860	896	923
Net profit (adj.)	610	759	860	896	923
EPS (S$ cent)	56.7	70.6	80.0	83.4	85.9
PE (x)	42.9	34.4	30.4	29.2	28.3
P/B (x)	11.8	11.4	9.9	8.8	7.9
EV/EBITDA (x)	30.7	26.2	22.8	21.9	21.3
Dividend yield (%)	1.5	2.3	2.0	2.2	2.3
Net margin (%)	49.9	47.2	52.0	51.9	51.6
Net debt/(cash) to equity (%)	(69.6)	(67.9)	(69.2)	(72.6)	(75.5)
ROE (%)	31.2	31.1	35.0	32.0	29.5
Consensus net profit (S$m)	-	-	825	902	
UOBKH/Consensus (x)	-	-	1.04	0.99	

Source: SGX, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Financials
Bloomberg ticker	SGX SP
Shares issued (m)	1,068.6
Market cap (S$m)	25,988.8
Market cap (US$m)	20,273.6
3-mth avg daily t'over	49.0

Price Performance (%)

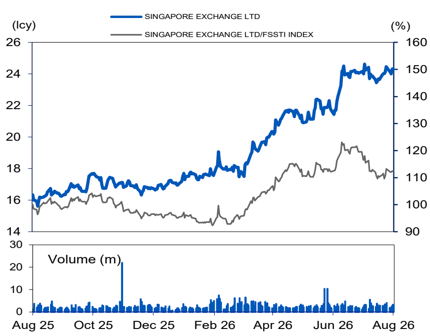
52-week high/low: S$24.73/S$15.62

1mth	3mth	6mth	1yr	YTD
0.7	13.7	38.4	49.4	43.4

Major Shareholders

	%
Nil	-

Price Chart



Source: Bloomberg

Company Description

Asia's leading multi-asset exchange and market infrastructure provider, serving as a gateway connecting global investors to Asian markets through capital raising, risk management, and cross-border investment solutions.

- **Disciplined cost management.** SGX's adjusted operated expenses (ie excluding one-off items) rose 5.5% yoy in FY26, slower than the revenue growth of 13.9%, demonstrating the group's disciplined cost management. As a result, SGX's core operating profit jumped 19.9% yoy, with its core operating margin improving 3.1ppt yoy to 61.3%.
- **Strong trading volume across major products.** For cash equity, securities daily average value (SDAV) expanded 34.9% yoy to S$1.8b (FY25: S$1.3b), reflecting stronger investor interest and increased investment flows, with total securities traded value rising 35.5% to S$456b in FY26. For FICC, total contract volume rose 26.0% to 176.5m, driven by strong growth in currency (+30.8% yoy), iron ore (+22.4% yoy), and freight (+19.6% yoy) derivatives. For the equity derivative business, contract volume rose 6.4% yoy in FY26, to 187.0m, as trading activities for FTSE China A50, GIFT Nifty 50, FTSE Taiwan and MSCI Singapore index futures contracts all picked up in 2HFY26.
- **Declared final dividend of 11.5 S cents plus one-off additional dividend of 12.5 S cents.** The 11.5 cents final dividend was in line with the company's guided policy. In addition, SGX declared another one-time additional dividend of 12.5 S cents out of its capital recycling gains. All in, 4QFY26 dividends amount to 24.0 S cents, bringing total FY26 dividends to 57.0 S cents, or an 87% payout ratio.
- **Upbeat outlook guidance.** We remain constructive on SGX's outlook and expect broad-based growth across both its equities and derivatives businesses. On the cash equity side, improving market liquidity, a strong IPO pipeline (with about 50 deals across various stages) and continued support from the Equity Market Development Programme (EQDP) should underpin higher securities trading activity, while ongoing market structure reforms and initiatives such as the Global Listing Board are expected to strengthen Singapore's capital market ecosystem over the medium term.
- On the derivatives side, structural growth remains intact, supported by rising global adoption of SGX's forex and commodity derivatives, increasing T+1 trading volumes and continued product innovation. We also expect new initiatives, including gold-related products, expansion of the OTC clearing franchise and strategic index partnerships, to provide additional growth avenues. Overall, management remains confident of delivering its medium-term guidance of 6-8% revenue growth (excluding treasury income) while maintaining disciplined cost management and shareholder returns.
- Management guides for SGX's operating expenses to grow by 6-8% in FY27; this is slower than our 11.8% revenue growth projection for FY27.

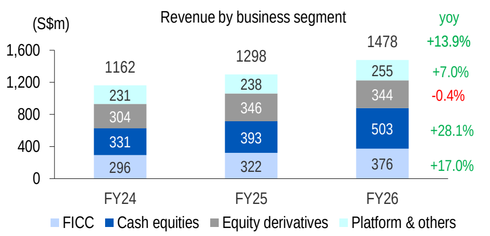
Earnings Revision/Risk

- **Raise our FY27-28 earnings estimates by 4-5%** to S$860m and S$896m, respectively, as we fine-tune our projections to reflect: a) improved trading momentum in recent months, and b) favourable operating leverages. Our FY27 core earnings estimate implies a 13.2% yoy growth.
- **Key risks:** Weaker-than-expected trading activities.

Valuation/Recommendation

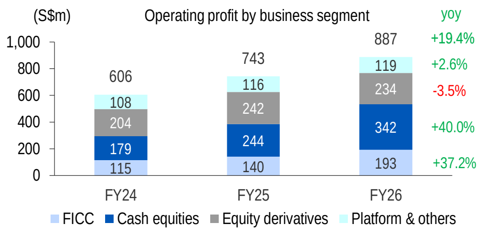
- **Maintain HOLD with a higher target price of S$23.40.** Our updated target price is now based on 27.9x FY28F PE, pegged to 2SD above historical mean PE of 22.5x. The +2SD peg reflects SGX's upbeat earnings growth outlook and its unique valuation proposition being a beneficiary of both Singapore's equity market development initiatives and heightened macro and geopolitical uncertainties. While we see no de-rating catalyst for SGX in the near term, we think positives for the company should have been well digested by the market and hence likely been priced in. In addition, SGX's FY28F PE of 29.0x is also a premium over its global peers which are mostly trading at 20-26x. As such, we will seek a better entry point to invest in SGX.

Revenue By Business Segment



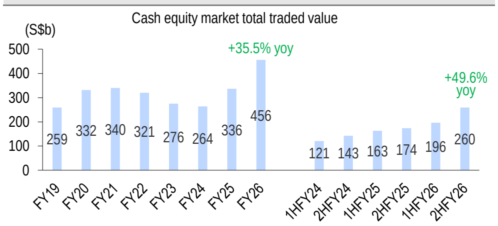
Source: SGX

Operating Profit By Business Segment



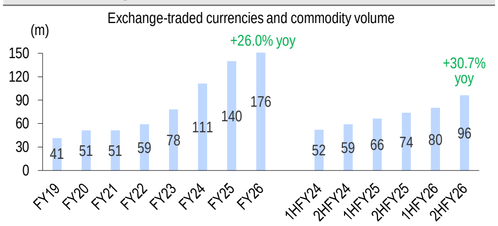
Source: SGX

Cash Equity Market Total Traded Value



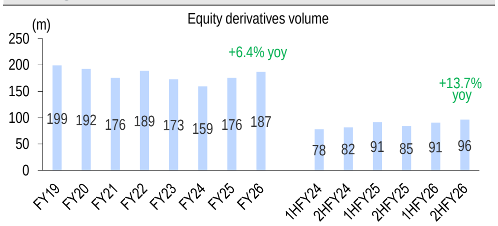
Source: SGX

Exchange-Traded Currency And Commodity Contract Volume



Source: SGX

Equity Derivatives Contract Volume



Source: SGX

P/E Valuation

		FY27F	FY28F	FY29F
Adjusted EPS		0.805	0.838	0.864
PE peg			Target price	
-2SD	17.1x	13.72	14.29	14.73
-1SD	19.8x	15.91	16.57	17.08
Mean	22.5x	18.09	18.85	19.42
+1SD	25.2x	20.28	21.12	21.77
+2SD	27.9x	22.46	23.40	24.11

Source: UOB Kay Hian

Profit & Loss

Year to 30 Jun (S$m)	2026	2027F	2028F	2029F
Net turnover	1,478	1,653	1,726	1,790
EBITDA	969	1,114	1,160	1,195
Deprec. & amort.	82	82	84	86
EBIT	887	1,032	1,076	1,109
Total other non-operating income	(18)	25	25	25
Associate contributions	(10)	(7)	(7)	(7)
Pre-tax profit	0	0	0	0
Tax	858	1,050	1,094	1,127
Minorities	(160)	(190)	(198)	(204)
Net profit	0	0	0	0
Net profit (adj.)	698	860	896	923

Balance Sheet

Year to 30 Jun (S$m)	2026	2027F	2028F	2029F
Fixed assets	210	223	234	241
Other LT assets	1,488	1,481	1,474	1,467
Cash/ST investment	942	1,207	1,538	1,868
Other current assets	1,660	1,786	1,838	1,884
Total assets	4,299	4,696	5,084	5,461
ST debt	0	0	0	0
Other current liabilities	1,277	1,332	1,386	1,443
LT debt	623	623	623	623
Other LT liabilities	111	111	111	111
Shareholders' equity	2,288	2,630	2,964	3,284
Minority interest	0	0	0	0
Total liabilities & equity	4,299	4,696	5,084	5,461

Cash Flow

Year to 30 Jun (S$m)	2026	2027F	2028F	2029F
Operating	727	878	988	1,027
Pre-tax profit	869	1,057	1,101	1,134
Tax	(160)	(190)	(198)	(204)
Deprec. & amort.	82	82	84	86
Associates	0	0	0	0
Working capital changes	(64)	(71)	1	11
Non-cash items	0	0	0	0
Other operating cashflows	0	0	0	0
Investing	(95)	(95)	(95)	(94)
Capex	(95)	(95)	(95)	(94)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	0	0	0	0
Financing	(610)	(518)	(561)	(604)
Dividend payments	(610)	(518)	(561)	(604)
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	22	265	332	330
Beginning cash & cash equivalent	919	942	1,207	1,538
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	942	1,207	1,538	1,868

Key Metrics

Year to 30 Jun (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	65.6	67.4	67.2	66.8
Pre-tax margin	58.1	63.5	63.4	63.0
Net margin	47.2	52.0	51.9	51.6
ROA	16.5	19.1	18.3	17.5
ROE	31.1	35.0	32.0	29.5
Growth				
Turnover	13.9	11.8	4.4	3.7
EBITDA	17.1	14.9	4.1	3.1
Pre-tax profit	9.2	22.3	4.2	3.0
Net profit	7.8	23.1	4.2	3.1
Net profit (adj.)	24.6	13.2	4.2	3.1
EPS	24.5	13.3	4.2	3.1
Leverage				
Debt to total capital	21.4	19.1	17.4	15.9
Debt to equity	27.2	23.7	21.0	19.0
Net debt/(cash) to equity	(67.9)	(69.2)	(72.6)	(75.5)