

# Singapore Exchange Limited

Riding on the wave of structural global growth in derivatives



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## SINGAPORE | FINANCE | UPDATE

1 October 2019

- Globally, derivative volumes have been growing at CAGR of 10% in the past 5 years.
- FTSE China A50 Index Futures remain the main driver of SGX's volume, accounting for 44% of total trading volume in FY2019.
- Diversification efforts have seen derivative volumes from non-equity - FX futures and Iron ore - grow from virtually non-existent in FY2014 to 15% of total volumes in FY2019.
- HKEX's launch of MSCI China A-share futures contract yet to be approved.
- SGX and NSE to end arbitration, and launch IFSC-SGX Connect in GIFT City by end FY2020.
- We maintain ACCUMULATE at a higher TP of S\$8.60 (previously S\$8.07).** We peg our TP to 22x P/E, 0.5 SD below SGX's 5-year mean (previously 21x). The higher TP is due to an upward adjustment in our FY20-21 DDAV forecast by +2% and +4% respectively.

### 1. Structural growth in derivatives in Asia

The rising popularity of derivatives is a trend observed in emerging markets in the Asia Pacific region (APAC) and not just in Singapore (Figure 1). In our opinion, the growth of derivatives will be sustained by ever-increasing interconnectedness and globalisation of markets, and institutions that require risk management and hedging tools. SGX's diversified product suite allowed investors to access otherwise hard-to-reach onshore market in emerging markets, namely SGX's India and China equity derivatives.

Figure 1: SGX's derivative volume growth will be underpinned by global demand.

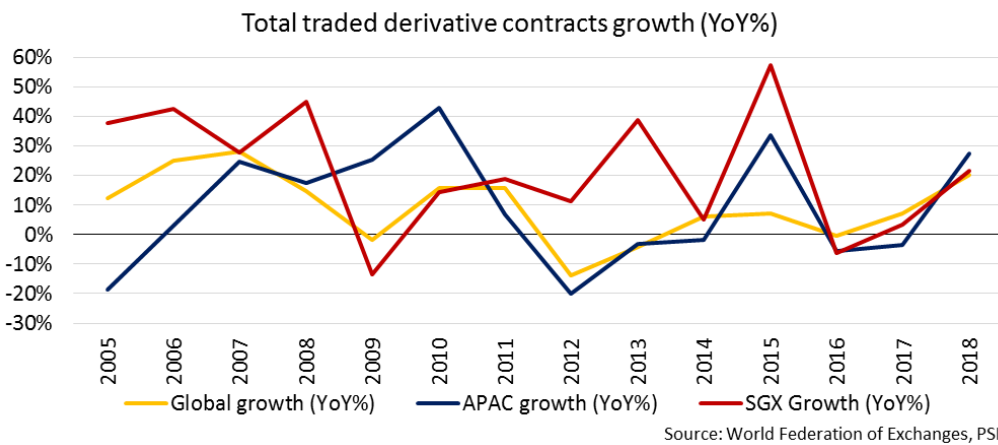
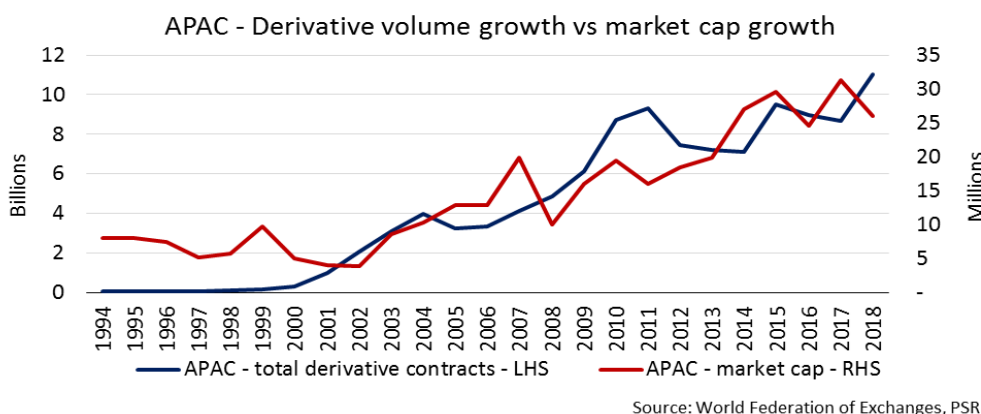


Figure 2: Trend of derivatives volume rising in line with total equity market capitalisation of APAC markets.



### Accumulate (Maintained)

|                 |          |
|-----------------|----------|
| LAST DONE PRICE | SGD 8.47 |
| FORECAST DIV    | SGD 0.32 |
| TARGET PRICE    | SGD 8.60 |
| TOTAL RETURN    | 5.2%     |

### COMPANY DATA

|                               |             |
|-------------------------------|-------------|
| BLOOMBERG TICKER              | SGX SP      |
| O/S SHARES (MN):              | 1071        |
| MARKET CAP (USD mn / SGD mn): | 6579 / 9103 |
| 52 - WK HI/LO (SGD):          | 8.61 / 6.72 |
| 3M Average Daily T/O (mn):    | 2.69        |

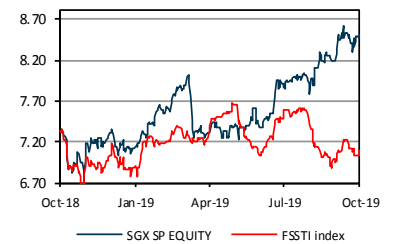
### MAJOR SHAREHOLDERS (%)

|                      |       |
|----------------------|-------|
| SEL Holdings Pte Ltd | 23.3% |
|----------------------|-------|

### PRICE PERFORMANCE (%)

|           | 1MTH | 3MTH   | 1YR    |
|-----------|------|--------|--------|
| COMPANY   | 3.3  | 6.9    | 18.5   |
| STIRETURN | 0.48 | (4.72) | (0.49) |

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS

| Y/E June         | FY18  | FY19  | FY20e | FY21e |
|------------------|-------|-------|-------|-------|
| Revenue (SGD mn) | 845   | 910   | 975   | 1030  |
| EBITDA (SGD mn)  | 486   | 524   | 536   | 558   |
| NPAT (SGD mn)    | 363   | 391   | 420   | 444   |
| EPS (Cents)      | 33.9  | 36.5  | 39.2  | 41.5  |
| PER, (X)         | 25.0  | 23.2  | 21.6  | 20.4  |
| P/BV, (X)        | 8.8   | 8.3   | 8.3   | 7.6   |
| DPS (Cents)      | 30.0  | 30.0  | 31.5  | 32.5  |
| Div Yield        | 3.5%  | 3.5%  | 3.7%  | 3.8%  |
| ROE              | 34.1% | 35.8% | 36.7% | 38.1% |

Source: Bloomberg, Company, PSR

### Valuation Method

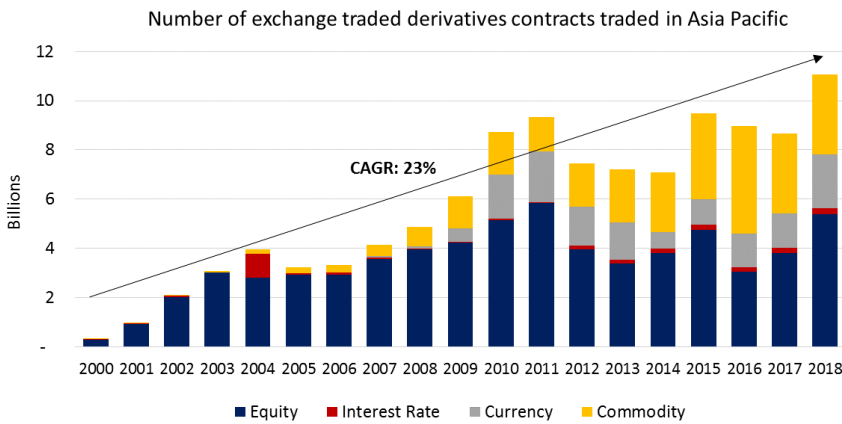
P/E Multiple @22x

Tin Min Ying (+65 6212 1863)

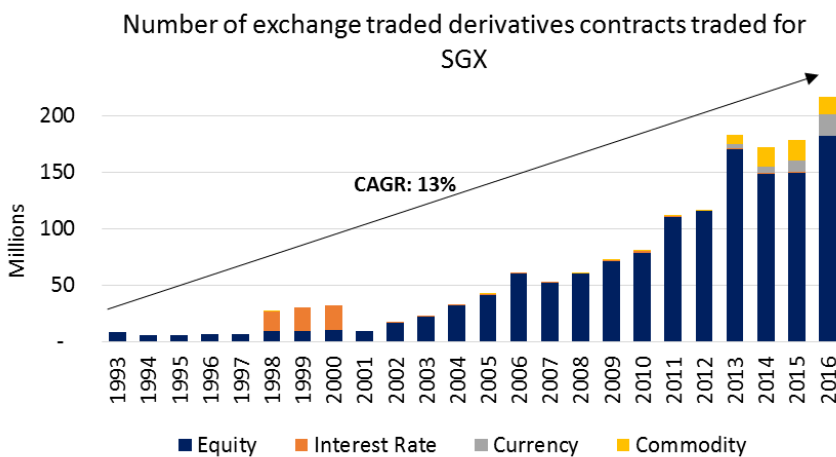
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**Figure 3: Total derivatives volume in Asia grew at CAGR of 23% between 2000-2018.**



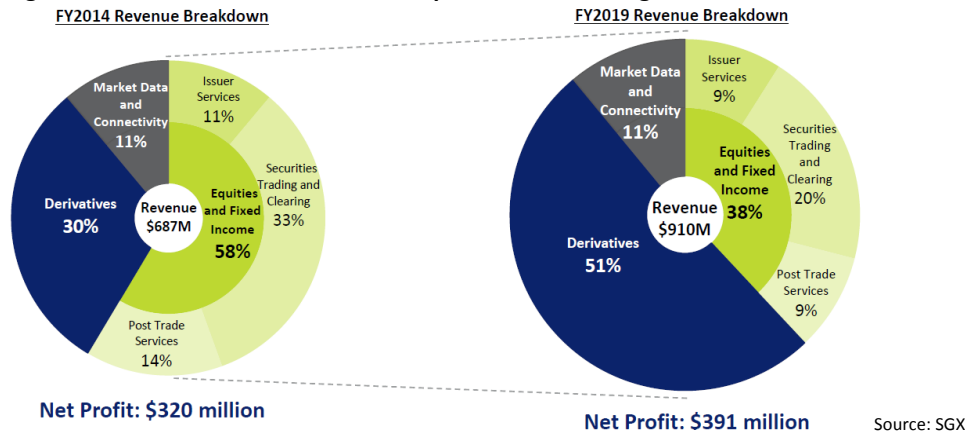
**Figure 4: Room for SGX’s interest, currency and commodities futures contracts to grow as compared to APAC in Figure 3.**



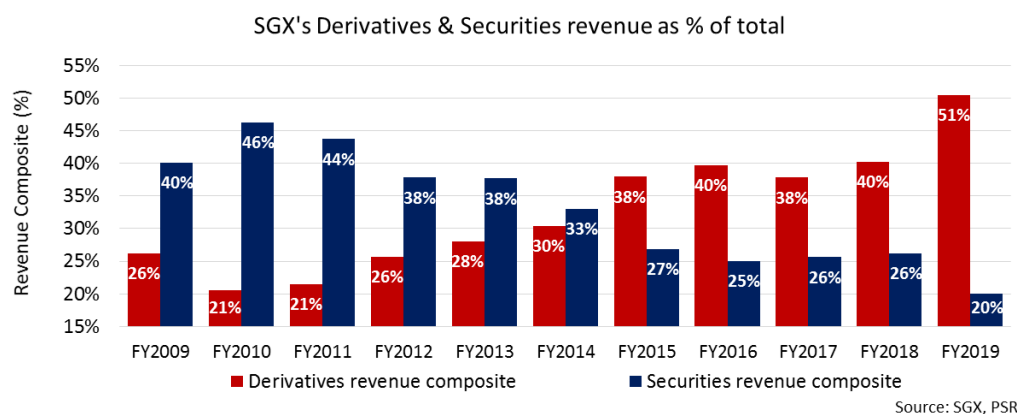
**2. Derivatives the main contributor to SGX’s revenue**

Revenue contribution from derivatives grew from 30% in FY2014 to 51% in FY2019, while total revenue grew 32% during the same period (Figure 5). Derivatives revenue tripled to S\$460mn in the last decade with CAGR of 11%. Ten years ago, securities dominated SGX’s revenues and accounted for 40% of revenue (FY19: 20%) (Figure 6).

**Figure 5: Revenue from derivatives surpassed all other segments in FY2019.**



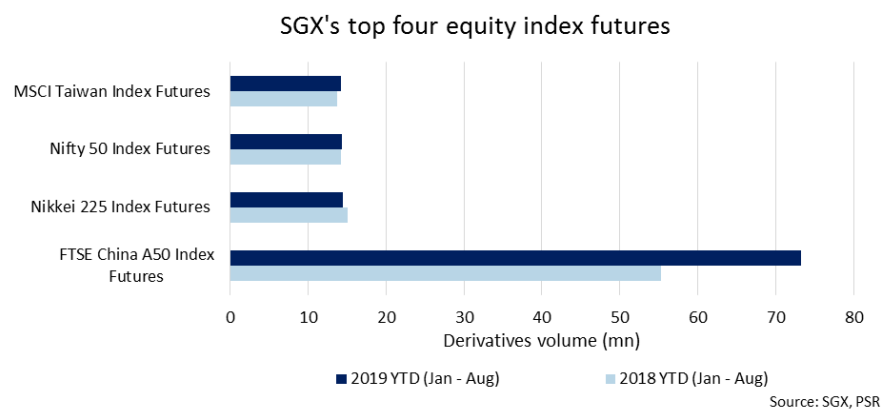
**Figure 6: Derivatives revenue tripled in 10 years and supported earnings when the securities business struggled.**



### 3. FTSE China A50 Index Futures still the main driver of SGX's derivatives volume

The FTSE China A50 Index Futures remain the main driver of SGX's volume (Figure 5), accounting for 44% of total derivatives volume in FY19. It makes SGX vulnerable in the face of competition from Hong Kong Stock Exchange (HKEX)'s proposed MSCI A futures contract. A loss of revenue from China A50 has the potential to impact earnings. Among all of SGX's equity index futures, the FTSE China A50 Index futures contributed the most - at 56% of total equity index futures in FY19, due to SGX being the only offshore futures contract tracking the China A-share market.

**Figure 7: SGX depends heavily on China futures**



#### (i) HKEX's introduction of China A50 Index Futures

In March 2019, HKEX announced plans to launch futures contracts on the MSCI China A Index. Till date, the China Securities Regulatory Commission (CSRC) has yet to approve the launch of futures contracts on the MSCI China A Index which was subject to regulatory approvals and market conditions. This makes SGX's product the only A-share futures available for offshore investors currently.

#### (ii) Difference between HKEX's and SGX's China A-shares futures products

The FTSE China A50 index selects the 50 largest companies among all A-share stocks. On the other hand, the MSCI China A-share index will comprise 421 large and mid-cap China-listed A shares, representing Chinese companies whose principal business interest is on the mainland.

#### Disadvantages

- HKEX will be the preferred source for contracts for international investors in China given its proximity, giving it an advantage in gaining traction in volumes.
- The MSCI A-share index is much more representative of the A-share market, giving HKEX an advantage in market share.
- Potential pricing competition through aggressive rebates from HKEX during the initial period to ramp up volume.

**Advantages**

- The constituents of the MSCI A-Index is subject to changes over time (e.g. changes in foreign ownership percentage) which creates uncertainty and risks for investors.
- HKEX’s plans to create a larger ecosystem for China equity derivatives should deepen liquidity and generate additional volume with potential arbitrage between the two exchanges.
- SGX offers margin offsets across correlated products, creating cross margining efficiencies. A vast majority of SGX’s clients trade a range of products and SGX expects its long track record to be strong enough to retain clients.
- SGX’s contracts have a much longer history and deeper liquidity as the first mover. While HKEX will take months to build up liquidity and on-board its clients’ systems.

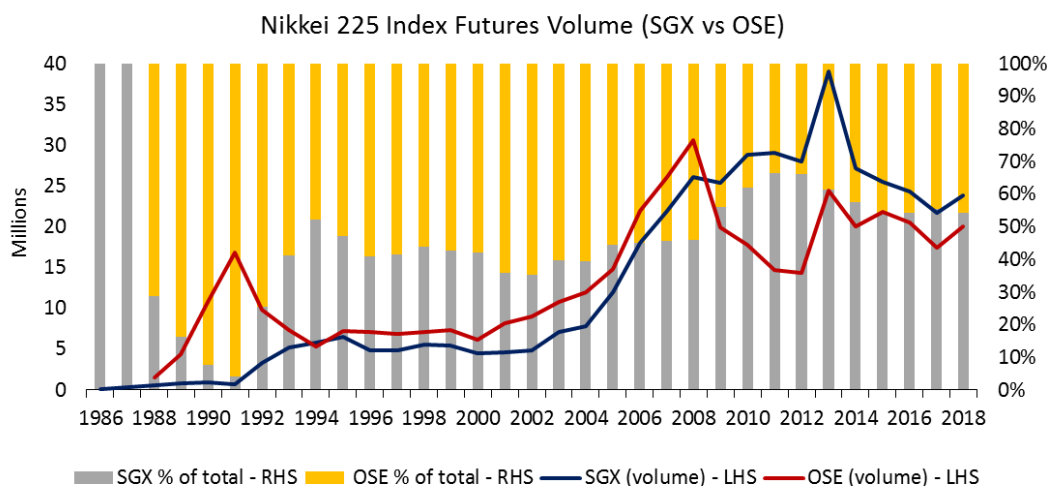
**Our View**

While we will keep an eye out on this new MSCI product, the threat and launch is not confirmed. Political considerations may add another layer of uncertainty. Hence, we are not too concerned on HKEX’s move to launch its China A products at the moment, with SGX having the upper hand as the first-mover in China futures contracts offerings with deep liquidity.

**Similar precedence – Nikkei 225 Index Futures**

A similar event occurred in 1986 when SGX was the first-mover to introduce the Nikkei 225 Index futures. Shortly after in 1988, OSE (Osaka Securities Exchange) introduced their own Nikkei 225 Index futures for its domestic market. As seen from Figure 8, SGX managed to maintain a larger market share than OSE despite losing volumes at the start to OSE. In our view, we do not expect HKEX’s plans to have a significant impact on SGX in the near term for FY20. Absolute volume for China A50 to be impacted and market share may decrease in the initial stages but we expect a regain in momentum as the overall pie increases with HKEX as a competitor.

**Figure 8: SGX managed to maintain a larger market share and higher volume despite competition from OSE, who introduced its own Nikkei 225 Index futures a few years after SGX.**



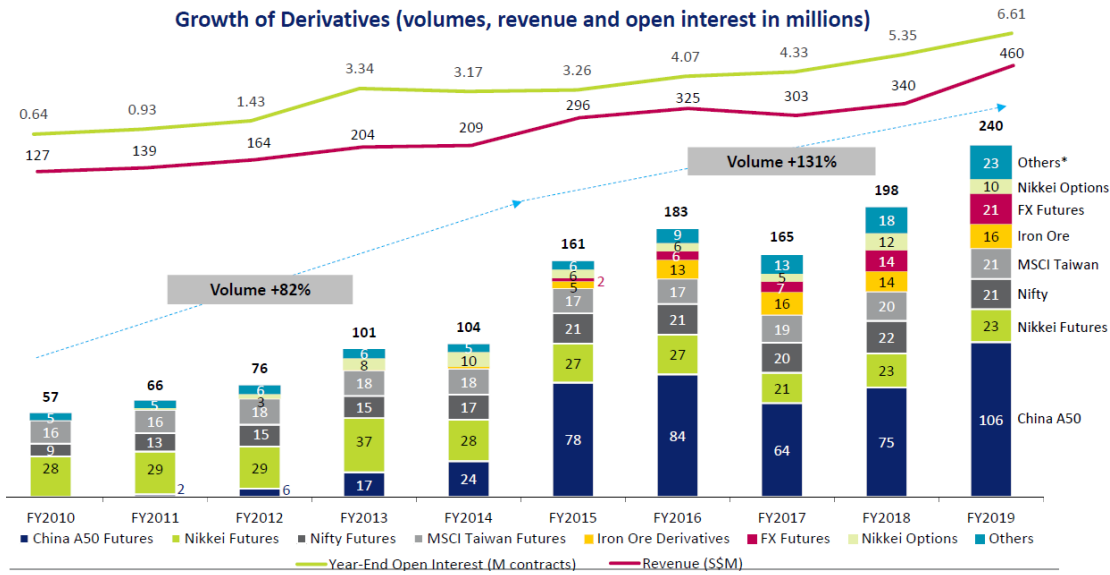
Source: SGX, Bloomberg, PSR

1. Nikkei 225 Futures was introduced at Singapore Exchange (SGX) in 1986, the Osaka Securities Exchange (OSE) in 1988.  
 2. Total Nikkei 225 Index futures volume consists of SGX’s and OSE’s volumes only.

**4. Steady diversification in derivatives to offset competitive pressures**

SGX continues to diversify its revenue streams not just away from the securities business but within derivatives as well. While equity derivatives remain the heavy-weight, we see other segments catching up (e.g. FX Futures and Iron ore contributed 17% and 5% respectively to the growth in FY19). Derivative volumes from FX futures and Iron ore grew from virtually non-existent in FY2014 to 15% of total volumes in FY2019 (Figure 9). Moving forward, top-line growth will largely depend on derivative product diversification.

Figure 9: Steady rise in diversification within the derivatives business offerings



5. Other Updates

(i) End of the spat between SGX and NSE

In August 2019, SGX and NSE announced that they are discontinuing the arbitration. In the meanwhile, both parties agreed to jointly launch the trading of derivatives based on the Nifty 50 stock index and its constituents at the Gujarat International Finance Tec-City (GIFT), through a platform called the NSE International Financial Service Centre (IFSC)-SGX Connect by end FY2020. The joint proposal will include a revenue-sharing model and more will be unveiled by end FY2020. Nifty 50 Index Futures accounted for 9% of total trading volume in FY19 (Figure 9). We expect minimal CAPEX of around S\$5mn to operationalise the IFSC-SGX Connect to fall within the S\$45-50mn guidance for FY2020. Assuming the IFSC-SGX Connect takes off with no hiccups by end FY2020, there is potential for the partnership to boost SGX’s Nifty 50 Index Futures volume.

(ii) HKEX’s bid for London Stock Exchange (LSE) a potential negative for SGX

HKEX’s bid to takeover LSE for US\$36.6bn was contingent on LSE terminating its proposed US\$27bn acquisition of financial data analytics provider, Refinitiv Holdings Ltd. LSE views Refinitiv to be of high strategic merit as they aim to expand their financial data capabilities, and of lower risk as compared to the political risks that come with HKEX’s bid. In our view, given that HKEX’s move to takeover LSE came at a time of high tension in Hong Kong regarding China’s political influence, it could be subjected to a high level of political objection. A successful takeover of LSE by HKEX may not be good news for SGX as LSE owns the FTSE Indexes from which SGX licenses the FTSE China A50 Index Futures.

(iii) SGX’s Organisational Restructuring

On 27 June 2019, SGX announced a new business realignment that consists of four main business units. We do not expect the restructuring to be of significant change to business fundamentals. The new financial statement outlook will be implemented on 1 July 2019 and 1Q20’s financials will disclose the new outlook. The restructuring is not expected to incur additional costs nor disrupt staff headcount. Instead, it aims to achieve potential cost efficiencies. Efforts will be put into the DCI and FICC business units to double in size in the next 5 years.

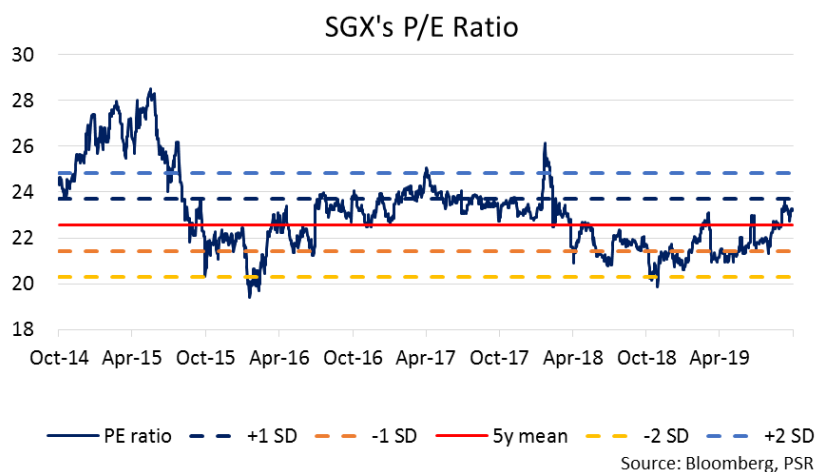
- (i) Fixed Income, Currencies & Commodities (FICC) – Bond listing business and commodities, FX and Index derivatives.
- (ii) Equities (Cash & Equities Derivatives) – Equities will be focused as a single asset class to form an enlarged platform.
- (iii) Data, Connectivity and Indices (DCI) – Renamed from the old Market Data & Connectivity unit.
- (iv) Global Sales and Origination (GSO) – Combines the equities and debt capital markets.

### Investment Actions

We maintain **ACCUMULATE** at a higher TP of **S\$8.60** (previously **S\$8.07**). We peg our TP to 22x P/E, 0.5 SD below SGX's 5-year mean (previously 21x).

The higher TP is due to an upward adjustment in our FY20-21 DDAV forecast by +2% (to 1,140k) and +4% (to 1,283k) respectively. Our new FY20 and FY21 DDAV forecasts represent growth of 15% YoY and 13% YoY respectively, as compared to FY19's 22% YoY.

Figure 10: SGX's 5 year P/E



**Rationale:** We are positive that SGX's diversified suite of derivative products will sustain growth in 2020. Some of the structural tailwinds SGX is benefiting includes the increased global flows into Asian equities, currency transaction moving into exchange platform and broader range of commodity futures products.

Figure 11: SGX is superior in dividend yield and ROE

| Stock                               | Currency | Last Price<br>(Local<br>Currency) | Market<br>Cap<br>(USDmn) | Forward P/E |             |             | Forward P/B |            |            | EV/EBITDA   |             |             | Dividend<br>Yield (%) |            | ROE (%)     |             |             |
|-------------------------------------|----------|-----------------------------------|--------------------------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|-------------|-----------------------|------------|-------------|-------------|-------------|
|                                     |          |                                   |                          | Yr 0        | Yr 1        | Yr 2        | Yr 0        | Yr 1       | Yr 2       | Yr 0        | Yr 1        | Yr 2        | Yr 1                  | Yr 2       | Yr 0        | Yr 1        | Yr 2        |
| <b>Asian Exchanges</b>              |          |                                   |                          |             |             |             |             |            |            |             |             |             |                       |            |             |             |             |
| SGX                                 | SGD      | 8.49                              | 6,571                    | 21.7        | 22.1        | 21.1        | 8.3         | 7.8        | 7.2        | 16.1        | 15.1        | 14.3        | 3.8                   | 3.9        | 35.8        | 36.3        | 35.9        |
| BURSA MALAYSIA BHD                  | MYR      | 6.13                              | 1,182                    | 24.6        | 24.6        | 22.9        | 5.6         | 5.9        | 5.9        | 12.6        | 11.4        | 10.9        | 3.8                   | 4.1        | 21.8        | 23.4        | 25.3        |
| JAPAN EXCHANGE GROUP INC            | JPY      | 1,741.00                          | 8,627                    | 21.5        | 20.7        | 20.0        | 3.4         | NA         | NA         | 10.6        | 10.8        | 10.3        | 2.9                   | 3.0        | 18.0        | 16.5        | 15.5        |
| ASX LTD                             | AUD      | 81.40                             | 10,621                   | 32.4        | 31.3        | 30.1        | 4.0         | 4.1        | 4.0        | 23.6        | 22.1        | 21.0        | 2.9                   | 3.0        | 12.5        | 13.0        | 13.4        |
| <b>Market Cap Weighted Average:</b> |          |                                   |                          | <b>26.0</b> | <b>25.4</b> | <b>24.4</b> | <b>4.9</b>  | <b>3.8</b> | <b>3.6</b> | <b>17.1</b> | <b>16.3</b> | <b>15.5</b> | <b>3.2</b>            | <b>3.3</b> | <b>20.3</b> | <b>20.2</b> | <b>20.1</b> |
| <b>Large-Cap Asian Exchange</b>     |          |                                   |                          |             |             |             |             |            |            |             |             |             |                       |            |             |             |             |
| HKEX                                | HKD      | 230.00                            | 37,006                   | 30.2        | 29.9        | 26.7        | 6.6         | 6.7        | 6.4        | 15.6        | 15.4        | 13.8        | 3.0                   | 3.4        | 22.4        | 23.0        | 25.1        |
| <b>US and European Exchanges</b>    |          |                                   |                          |             |             |             |             |            |            |             |             |             |                       |            |             |             |             |
| LONDON STOCK EXCHANGE GROUP         | GBp      | 7,308.00                          | 31,399                   | 29.4        | 37.0        | 32.7        | 7.4         | 8.6        | 5.6        | 24.8        | 21.9        | 20.1        | 0.9                   | 1.0        | 13.9        | 17.0        | 16.6        |
| DEUTSCHE BOERSE AG                  | EUR      | 143.25                            | 29,634                   | 23.5        | 24.0        | 22.2        | 5.4         | 5.0        | 4.6        | 18.9        | 16.1        | 14.9        | 2.1                   | 2.2        | 19.1        | 21.1        | 21.7        |
| EURONEXT NV                         | EUR      | 75.05                             | 5,720                    | 16.2        | 20.0        | 17.9        | 6.5         | 5.6        | 4.8        | 18.1        | 15.5        | 14.0        | 2.3                   | 2.7        | 27.6        | 29.2        | 29.4        |
| CBOE GLOBAL MARKETS INC             | USD      | 114.91                            | 12,833                   | 24.7        | 25.7        | 22.9        | 3.9         | 3.8        | 3.6        | 17.4        | 17.6        | 16.1        | 1.2                   | 1.3        | 12.5        | 27.2        | 33.9        |
| CME GROUP INC                       | USD      | 211.34                            | 75,680                   | 29.7        | 31.2        | 28.7        | 2.9         | 2.8        | 2.8        | 26.6        | 24.5        | 22.4        | 2.6                   | 2.8        | 7.3         | 8.7         | 9.4         |
| NASDAQ INC                          | USD      | 99.35                             | 16,362                   | 18.6        | 20.1        | 18.6        | 3.0         | 2.8        | 2.7        | 15.2        | 14.9        | 14.2        | 1.9                   | 2.0        | 9.7         | 14.6        | 15.6        |
| INTERCONTINENTAL EXCHANGE IN        | USD      | 92.27                             | 51,709                   | 22.8        | 24.4        | 22.1        | 3.0         | 3.0        | 2.9        | 17.9        | 17.7        | 16.6        | 1.2                   | 1.3        | 11.9        | 11.8        | 12.4        |
| <b>Market Cap Weighted Average:</b> |          |                                   |                          | <b>25.8</b> | <b>28.1</b> | <b>25.5</b> | <b>4.0</b>  | <b>4.1</b> | <b>3.5</b> | <b>21.7</b> | <b>20.1</b> | <b>18.5</b> | <b>1.8</b>            | <b>2.0</b> | <b>11.9</b> | <b>14.2</b> | <b>15.1</b> |

Source: Bloomberg, PSR

Extracted as of: 1-Oct-19



## Financials

### Income Statement

| Y/E Jun, SGD mn             | FY17       | FY18       | FY19       | FY20e      | FY21e        |
|-----------------------------|------------|------------|------------|------------|--------------|
| Securities                  | 205        | 221        | 182        | 174        | 173          |
| Derivatives                 | 303        | 340        | 460        | 549        | 620          |
| Others                      | 293        | 284        | 268        | 251        | 238          |
| <b>Operating revenue</b>    | <b>801</b> | <b>845</b> | <b>910</b> | <b>975</b> | <b>1,030</b> |
| Operating expenses          | 399        | 420        | 449        | 482        | 509          |
| <b>Operating profit</b>     | <b>402</b> | <b>425</b> | <b>461</b> | <b>493</b> | <b>521</b>   |
| Other gains/(losses)        | 6          | 11         | 13         | 16         | 18           |
| Associates & JVs            | 1          | 1          | (2)        | (2)        | (2)          |
| <b>Profit Before Tax</b>    | <b>409</b> | <b>437</b> | <b>473</b> | <b>508</b> | <b>537</b>   |
| Taxation                    | (69)       | (74)       | (82)       | (88)       | (93)         |
| <b>Net Income, reported</b> | <b>340</b> | <b>363</b> | <b>391</b> | <b>420</b> | <b>444</b>   |
| <b>Net Income, adj.</b>     | <b>340</b> | <b>363</b> | <b>391</b> | <b>420</b> | <b>444</b>   |

### Per share data (SGD Cents)

| Y/E Jun       | FY17 | FY18 | FY19 | FY20e | FY21e |
|---------------|------|------|------|-------|-------|
| EPS, reported | 32   | 34   | 37   | 39    | 42    |
| DPS           | 28   | 30   | 30   | 32    | 33    |
| BVPS          | 92   | 96   | 102  | 102   | 112   |
| Payout ratio  | 88%  | 88%  | 82%  | 80%   | 78%   |

### Cash Flow

| Y/E Jun, SGD mn                            | FY17         | FY18         | FY19         | FY20e        | FY21e        |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>CFO</b>                                 |              |              |              |              |              |
| <b>Profit before tax and Assoc.&amp;JV</b> | <b>407</b>   | <b>436</b>   | <b>474</b>   | <b>509</b>   | <b>539</b>   |
| Depreciation & Amortisation                | 58           | 61           | 63           | 43           | 38           |
| WC changes                                 | (21)         | (7)          | (46)         | 2            | 18           |
| Others                                     | 3            | 2            | (2)          | (6)          | (8)          |
| Cash generated from ops                    | 447          | 492          | 490          | 548          | 587          |
| Tax paid                                   | (67)         | (65)         | (80)         | (88)         | (93)         |
| <b>Cashflow from ops</b>                   | <b>380</b>   | <b>427</b>   | <b>410</b>   | <b>461</b>   | <b>494</b>   |
| <b>CFI</b>                                 |              |              |              |              |              |
| CAPEX, net                                 | (60)         | (79)         | (47)         | (50)         | (50)         |
| Others                                     | (87)         | (11)         | (41)         | 16           | 18           |
| <b>Cashflow from investments</b>           | <b>(147)</b> | <b>(90)</b>  | <b>(89)</b>  | <b>(34)</b>  | <b>(32)</b>  |
| <b>CFE</b>                                 |              |              |              |              |              |
| Loans, net of repayments                   | 0            | 0            | 0            | 0            | 0            |
| Dividends                                  | (300)        | (300)        | (401)        | (321)        | (337)        |
| Others                                     | (9)          | (8)          | (10)         | 0            | 0            |
| <b>Cashflow from financing</b>             | <b>(308)</b> | <b>(308)</b> | <b>(411)</b> | <b>(321)</b> | <b>(337)</b> |
| <b>Net change in cash</b>                  | <b>(76)</b>  | <b>29</b>    | <b>(90)</b>  | <b>106</b>   | <b>126</b>   |
| <b>CCE, end</b>                            | <b>736</b>   | <b>832</b>   | <b>667</b>   | <b>711</b>   | <b>802</b>   |

Source: Company, PSR

### Balance Sheet

| Y/E Jun, SGD mn                 | FY17         | FY18         | FY19         | FY20e        | FY21e        |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>ASSETS</b>                   |              |              |              |              |              |
| PPE                             | 80           | 72           | 61           | 42           | 40           |
| Software                        | 159          | 174          | 182          | 197          | 201          |
| Intangible assets               | 64           | 61           | 58           | 56           | 56           |
| Goodwill                        | 88           | 89           | 85           | 85           | 85           |
| Others                          | 37           | 39           | 169          | 169          | 169          |
| <b>Total non-current assets</b> | <b>429</b>   | <b>435</b>   | <b>555</b>   | <b>550</b>   | <b>552</b>   |
| Accounts receivables            | 815          | 827          | 885          | 800          | 828          |
| Cash                            | 736          | 772          | 607          | 711          | 878          |
| Securities clearing funds       | 60           | 60           | 60           | 60           | 60           |
| Others                          | 1            | 22           | 25           | 25           | 25           |
| <b>Total current assets</b>     | <b>1,613</b> | <b>1,680</b> | <b>1,577</b> | <b>1,596</b> | <b>1,791</b> |
| <b>Total Assets</b>             | <b>2,041</b> | <b>2,115</b> | <b>2,132</b> | <b>2,146</b> | <b>2,343</b> |

### LIABILITIES

|                                      |              |              |              |            |              |
|--------------------------------------|--------------|--------------|--------------|------------|--------------|
| Accounts payables                    | 892          | 891          | 912          | 813        | 887          |
| Others                               | 82           | 95           | 90           | 90         | 283          |
| <b>Total current liabilities</b>     | <b>973</b>   | <b>986</b>   | <b>1,001</b> | <b>903</b> | <b>1,170</b> |
| Others                               | 35           | 33           | 40           | 40         | 40           |
| <b>Total non-current liabilities</b> | <b>35</b>    | <b>33</b>    | <b>40</b>    | <b>40</b>  | <b>40</b>    |
| <b>Total Liabilities</b>             | <b>1,009</b> | <b>1,019</b> | <b>1,041</b> | <b>943</b> | <b>1,210</b> |

### EQUITY

|                           |              |              |              |              |              |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| Non-controlling interests | 0            | 0            | 0            | 0            | 0            |
| <b>Shareholder Equity</b> | <b>1,033</b> | <b>1,096</b> | <b>1,091</b> | <b>1,199</b> | <b>1,131</b> |

### Valuation Ratios

| Y/E Jun             | FY17 | FY18 | FY19 | FY20e | FY21e |
|---------------------|------|------|------|-------|-------|
| P/E (X), adj.       | 26.7 | 25.0 | 23.2 | 21.6  | 20.4  |
| P/B (X)             | 9.2  | 8.8  | 8.3  | 8.3   | 7.6   |
| EV/EBITDA (X), adj. | 10.6 | 10.0 | 9.3  | 8.9   | 8.5   |
| Dividend Yield      | 3.3% | 3.5% | 3.5% | 3.7%  | 3.8%  |

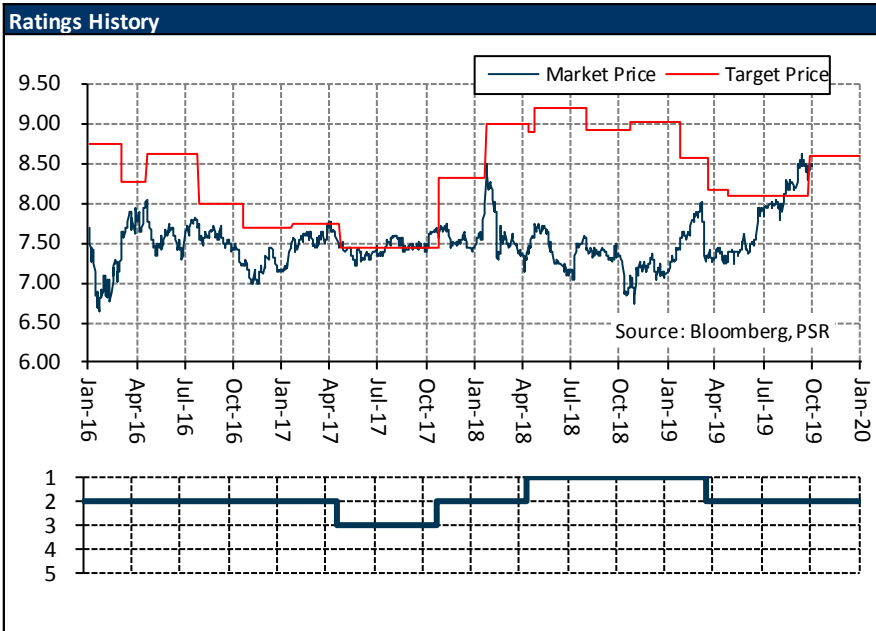
### Growth & Margins

|                   |       |       |       |       |       |
|-------------------|-------|-------|-------|-------|-------|
| <b>Growth</b>     |       |       |       |       |       |
| Revenue           | -2.1% | 5.5%  | 7.7%  | 7.2%  | 5.6%  |
| EBITDA            | -2.0% | 5.7%  | 7.8%  | 2.4%  | 5.8%  |
| EBIT              | -2.1% | 5.5%  | 8.5%  | 7.0%  | 5.5%  |
| Net profit, adj.  | -2.7% | 6.9%  | 7.7%  | 7.4%  | 5.8%  |
| <b>Margins</b>    |       |       |       |       |       |
| EBITDA margin     | 57.4% | 57.5% | 57.5% | 55.0% | 54.2% |
| EBIT margin       | 50.2% | 50.3% | 50.7% | 50.6% | 50.5% |
| Net profit margin | 42.4% | 43.0% | 43.0% | 43.1% | 43.1% |

### Key Ratios

|     |       |       |       |       |       |
|-----|-------|-------|-------|-------|-------|
| ROE | 33.6% | 34.1% | 35.8% | 36.7% | 38.1% |
| ROA | 16.4% | 17.5% | 18.4% | 19.6% | 19.8% |

|                 |          |          |          |          |          |
|-----------------|----------|----------|----------|----------|----------|
| Net Gearing (X) | Net Cash | Net Cash | Net Cash | Net Cash | Net Cash |
|-----------------|----------|----------|----------|----------|----------|



### PSR Rating System

| Total Returns | Recommendation | Rating |
|---------------|----------------|--------|
| > +20%        | Buy            | 1      |
| +5% to +20%   | Accumulate     | 2      |
| -5% to +5%    | Neutral        | 3      |
| -5% to -20%   | Reduce         | 4      |
| <-20%         | Sell           | 5      |

### Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation



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