2018 Macquarie Australia Conference

Dominic Stevens, Managing Director and CEO

Strengthening the foundations for continued resilience and future growth

Speaking Notes

1 May 2018

(Check against delivery)

Good morning and welcome. My name is Dominic Stevens and I am the Managing Director and CEO of ASX.

Today I would like to talk to you about our results for the 9 months to 31 March 2018, which are up on the prior comparative period (pcp), helped by a very strong March quarter. I will then spend most of my time discussing the significant work ASX is undertaking to strengthen our foundations. This is particularly relevant given we are in the process of upgrading or replacing a number of core systems that have served ASX and the Australian financial markets well over the last 20 years.

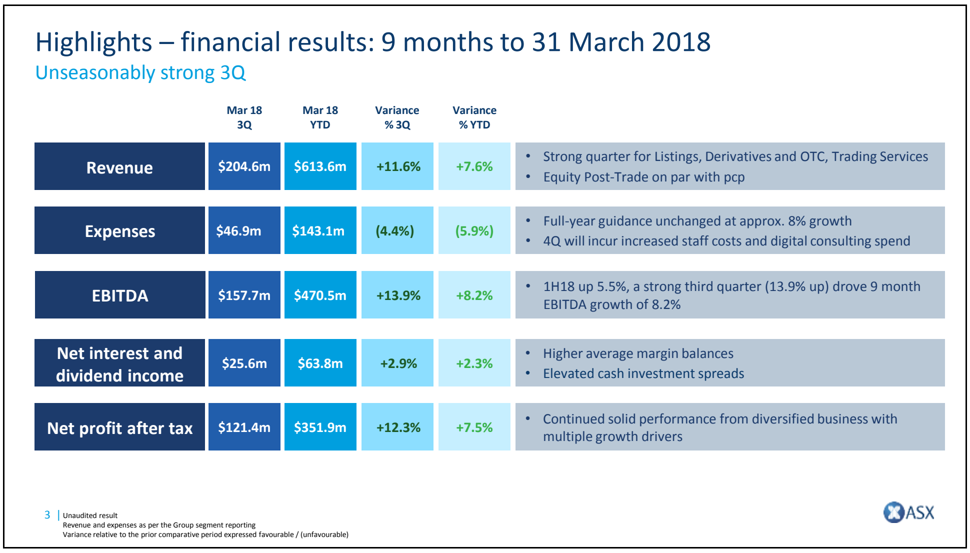
This is important for ASX and the broader market in two ways:

Firstly, ASX plays a unique role at the heart of the Australian financial markets. With this comes great responsibility – to ensure we continue to invest in our processes and systems to make them as resilient and reliable as possible.

Secondly, we see across our industry – and in fact, all industries – a wave of technological change that presents new opportunities. For ASX, our future growth will come from the new products and services that leverage our existing platforms, our operational capabilities, our brand, and our trusted independent position. As such, we are accelerating our program to decommission older technologies and upgrade critical infrastructure to enable us to build new, contemporary products and services that will serve us, and the industry, for the next 20 years.

So, today I will focus on:

- Our third quarter 2018 and fiscal year-to-date numbers.
- Work underway to lay the foundations for continued resilience and future growth. This includes the largest, and perhaps best known project, CHESS replacement, and a number of other projects where ASX is strengthening its core foundations.
- I'll also touch on another area on which we are focussed – our listings business. This includes our continuing work to evolve and strengthen the compliance framework, and an overview of the role ASX and many other parties play in the overall regulatory environment.
- I will finish with a summary before moving on to Q&A.



	Mar 18 3Q	Mar 18 YTD	Variance % 3Q	Variance % YTD	
Revenue	$204.6m	$613.6m	+11.6%	+7.6%	• Strong quarter for Listings, Derivatives and OTC, Trading Services • Equity Post-Trade on par with pcp
Expenses	$46.9m	$143.1m	(4.4%)	(5.9%)	• Full-year guidance unchanged at approx. 8% growth • 4Q will incur increased staff costs and digital consulting spend
EBITDA	$157.7m	$470.5m	+13.9%	+8.2%	• 1H18 up 5.5%, a strong third quarter (13.9% up) drove 9 month EBITDA growth of 8.2%
Net interest and dividend income	$25.6m	$63.8m	+2.9%	+2.3%	• Higher average margin balances • Elevated cash investment spreads
Net profit after tax	$121.4m	$351.9m	+12.3%	+7.5%	• Continued solid performance from diversified business with multiple growth drivers

Third quarter 2018 and fiscal year-to-date

So to the numbers.

Let me preface by saying that the last quarter has been a good one for ASX.

Interest rate market volatility pushed up in late 2017 and equity market volatility pushed up in early 2018. This has led to increased revenue across our market-facing businesses. In addition, our technical services and data businesses also continued to see growth.

The table on slide 3 and on the screen shows the March 18 quarter (the previous 3 months) and then our March year-to-date numbers (the previous 9 months).

As you can see:

Revenue was up 11.6% on the prior corresponding quarter and is now up 7.6% on pcp year-to-date.

Typically, our third fiscal quarter, which includes the traditionally quiet month of January, is a weaker quarter. However, this year revenue held up very well. This has led to a strong jump over the prior period.

Operating expenses were up 4.4% and are running close to 6% up for the year.

On a year-to-date basis, this results in revenue up circa $43 million and expenses up $8 million. Which is a strong marginal addition to EBITDA of $35 million or growth of 8.2% for the 9 months year-to-date.

As you can see on the slide, for the 3 months to 31 March, EBITDA was actually up 13.9% on pcp. This is particularly strong and we would not expect to see this outperformance continue in the final quarter of the year.

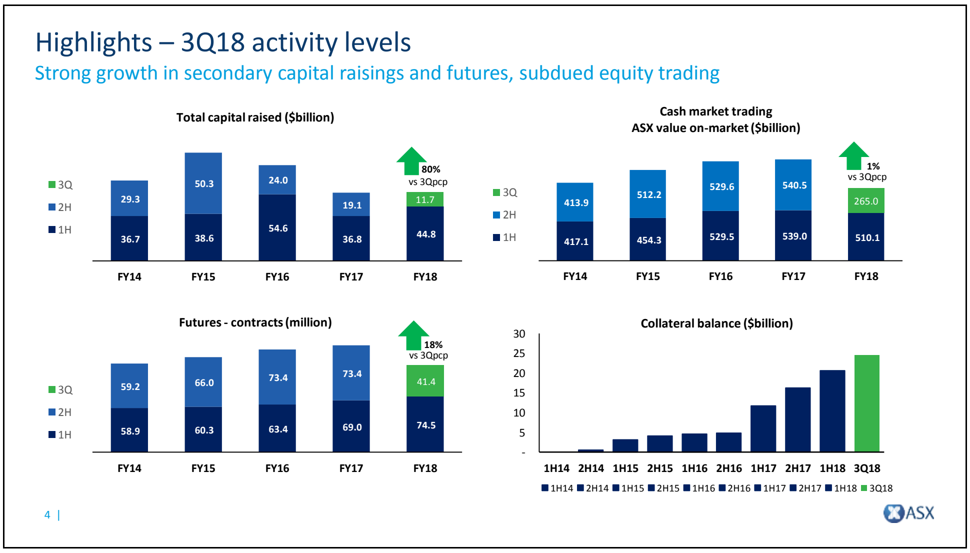
Interest and dividend income was also higher this quarter, and at the 9 months' mark is up 2.3% on pcp.

This increase is being driven by two things:

1. Margin balances, due to higher volatility and increased activity, remain elevated and
2. Returns on overnight cash have drifted up recently.

This leaves our profit after tax for the 9 months at $351.9 million, up 7.5% for the year-to-date versus pcp and up 12.3% for the third quarter.

Let's now look at the growth drivers in the individual businesses.



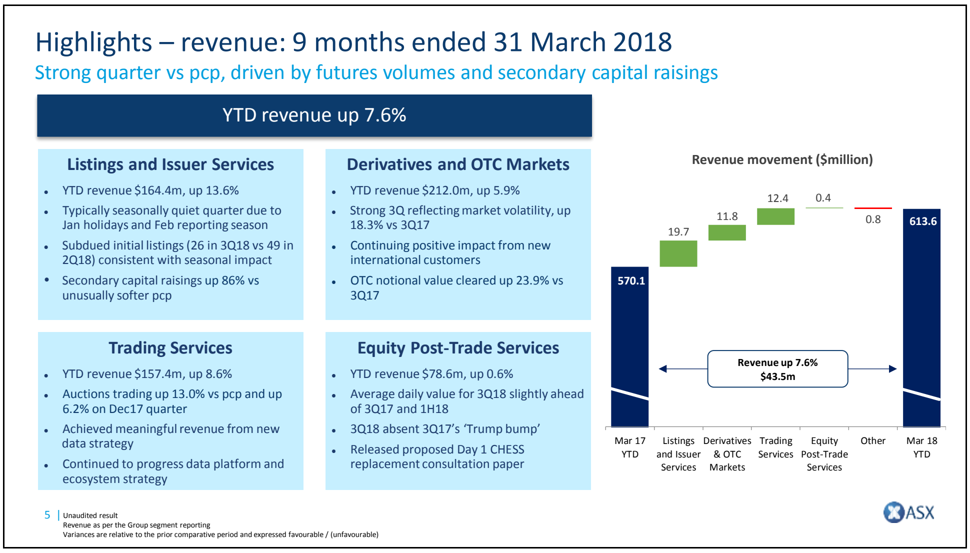
For primary and secondary listings, although it does not look stellar on the chart, it was a good result for a January to March period. In fact, last year saw a weak first quarter, so activity on pcp is actually up 80%. Interestingly, capital raised this fiscal year is already in excess of what was raised in the full 2017 fiscal year. This will see the first year-on-year increase for total capital raised since FY15.

If I look at futures volumes (bottom left chart), we can see that volumes for the March quarter were up by 18% on pcp. The increasing number of customers connecting to ASX from offshore drove a significant portion of this. I spoke about this at the half-year result and it is good to see the continuing positive impact on activity levels.

On cash market trading (top right chart), we see this quarter was a touch above pcp. This was pleasing as equity volumes have, so far this year, been running below last year, so it has allowed us to catch up a bit.

In our smaller but fast growing ASX Collateral and ASX OTC Clearing businesses, we continue to see growth with ASX Collateral balances up 102% and OTC Clearing value up 37% year-to-date vs pcp.

So, moving from activity levels to revenues on slide 5.



If we look at the chart on the right, we see that all business revenue contributions are up on last year, and apart from Equity Post-Trade (which has been impacted by slower equity volumes), the increases are greater than 5%.

At the 9 month mark:

Listings are up 13.6% with the business having a solid third quarter against a weaker pcp. Results were helped by a reasonable amount of secondaries in the quarter. Consistent with seasonal factors, initial listings were slow. But the pipeline remains healthy.

Trading Services continues to show good growth versus pcp with revenue for the 9 months up 8.6%.

Growth is being driven by new products and licensing in information services. Continued sales success in technical services is seeing an expansion in the ASX ecosystem and increasing utilisation of ALC and ASX Net as a preferred connectivity solution for the financial markets.

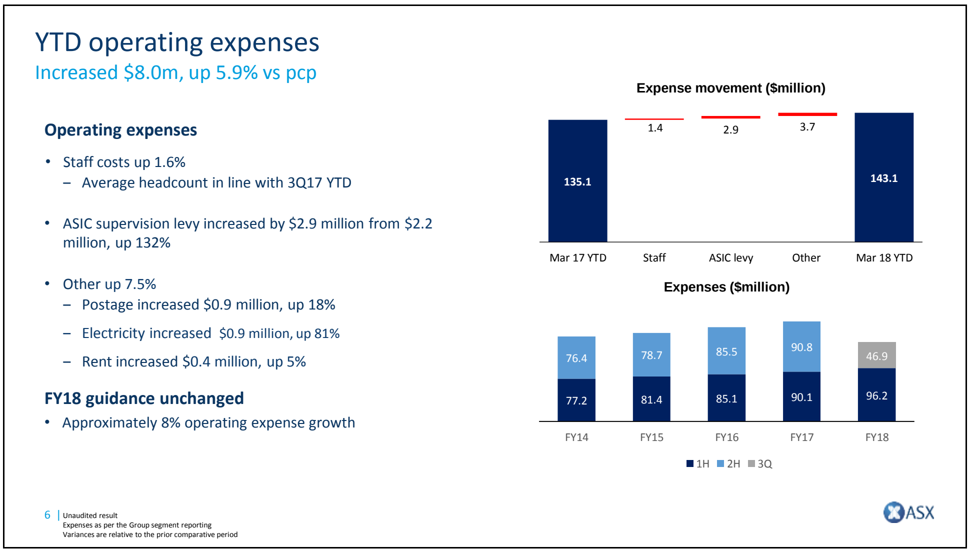
In cash market trading, the ASX market share remains solid, with weak turnover growth partially offset by continued migration of trading to ASX Auctions at the start and close of each trading day.

Derivatives and OTC also showed strong momentum, rising 5.9% for the 9 months.

March 2018 was a record month for futures volume, at 18.3 million contracts traded.

This contributed to a record for the January-March quarter, which is an unusual quarter for a record given that January is normally much quieter. The drivers were a combination of increased market volatility in both the rates and equity markets, and new market participants.

And finally, Equity Post-Trade revenue is generally flat on last year, reflecting the overall flat equity trading volumes.



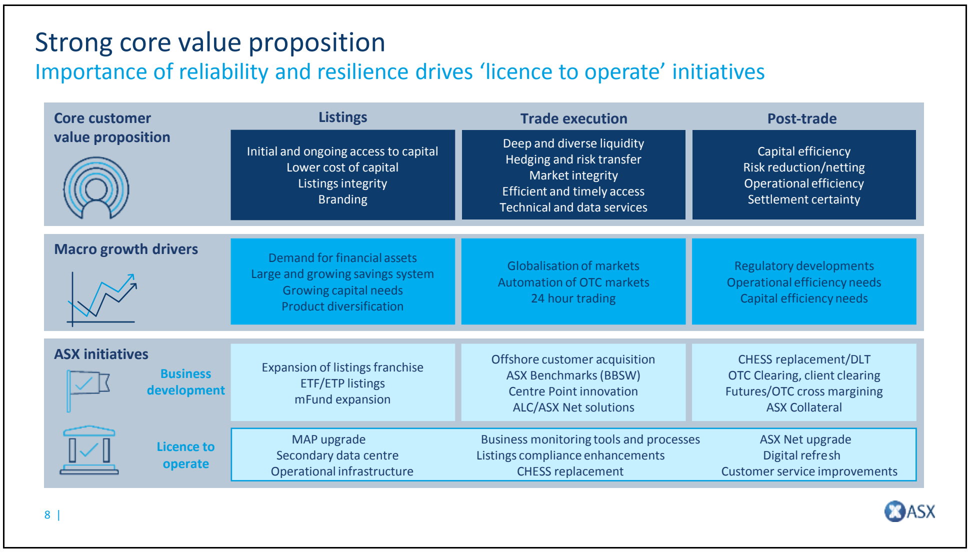
To finish up on financial performance, slide 6 deals with expenses. There is not much to update you on since February. Staff costs are up marginally, and as I discussed at the half-year, there has been some significant one-off increases this year. These comprise the ASIC levy, electricity costs and a new 10-year lease for our Bridge Street premises.

As at 31 March, we are running at an increase of circa 6% for the year. There are some specific expenses coming through in the last quarter, which will see us end the year around 8%, which is consistent with the guidance we gave at the start of the year.

I would like to now move on from a strong Q3 financial performance, to…

Strengthening the foundations for continued resilience and future growth

I would like to talk about the investments we are making to ensure that our strong financial and operational performance continues, and that we are well prepared for the growth opportunities ahead.



Let me begin with our core customer proposition.

I have talked to this slide before.

ASX has a strong core proposition for its customers. We provide services that are crucial to the running of Australia's financial markets, and the demand for these services is growing.

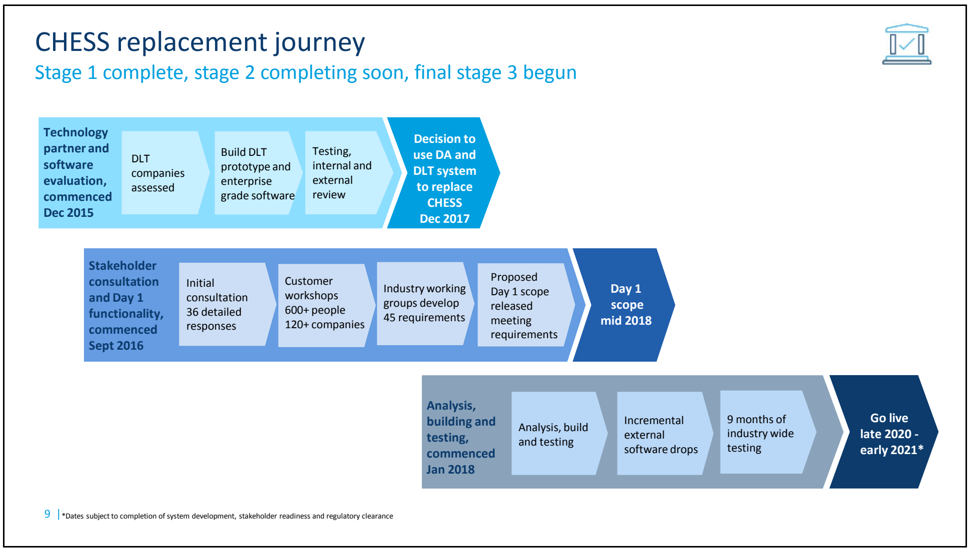
Today, however, I want to focus on the bottom section of the slide - what we internally call our 'licence to operate' initiatives. These are the activities that maintain our brand, reputation and core operations. They also provide a solid platform for ASX to add new products and services.

When we generally talk about the initiatives we are working on, many are business development focussed: like offshore customer acquisition, growing OTC Clearing or ASX Collateral, or building new products such as our BBSW benchmark data service.

However, importantly, our $11 billion valuation is mainly dependent upon the underlying platforms that we operate. This means there is a constant focus on our technology, processes and controls being 'fit for purpose'.

Examples of initiatives underway here include moving to a new secondary data centre, refreshing ASX's digital presence, updating our ASX Net infrastructure, and upgrading the market announcements platform and operational infrastructure.

The highest profile of these 'licence to operate' initiatives is the CHESS replacement project. Not only will this contemporise CHESS, but over time it will lead to greater efficiencies for the market through improved record-keeping, reduced reconciliation, more timely transactions and better quality, source of truth data. Beyond this, we also believe the change will provide the industry with the ability to create an exciting new generation of products and services – some of which we can't conceive of using today's technology.



Last Friday saw another milestone in this journey with the release of a detailed consultation paper outlining the planned new features and timetable for replacing CHESS with a system based upon distributed ledger technology (DLT).

This brings together two-and-a-half years of assessing the technology with extensive consultation on the features stakeholders would like the new system to provide.

The CHESS/DLT story to date incorporates three significant pieces of work.

1. Initially, there was the evaluation of the technology solution and technology partner. This took close to two years and involved ASX and its partner, Digital Asset, building a subset of CHESS clearing and settlement features to enterprise-grade specification. This enabled ASX to evaluate the vendor, and the functional and non-functional aspects of the technology.

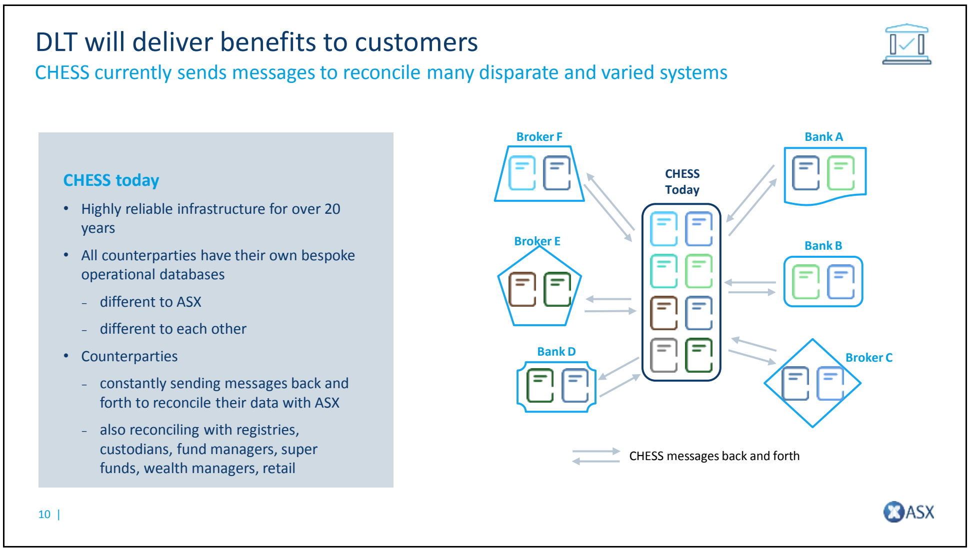
2. Overlapping this was an extensive consultation program. In the last 18 months, there have been over 600 stakeholders from over 120 organisations through the ASX demonstration suite. The industry working groups - of which there were 6 - focussed on areas like improving corporate action processing to lower costs and reduce and remove operational complexity. They came up with approximately 50 functional and non-functional requests. Of these, and subject to the consultation process that is now underway, ASX is planning to deliver 38 on 'Day 1'. Others will be delivered in further releases of the new system.

   The consultation paper sets this out in detail, along with the third major piece of work: analysis, building and testing of the system, which has now commenced.

3. For the next 18 to 24 months, ASX will continue working with Digital Asset to complete the software build underway. This will be released to the market to enable a long testing period, not dissimilar to the rollout of ASX's new futures platform in 2017. All users will be asked to participate in industry-wide testing. This will be performed over an extensive time period to allow comprehensive testing of the resilience and readiness of all parts of the new system.

The consultation paper puts forward an indicative 6-month window for implementing the new system - currently estimated to occur between the last quarter of 2020 and first quarter of 2021. These time frames will be finalised pending feedback from stakeholders sometime after the 8-week consultation currently underway.

This may feel like a long time. However, CHESS is deeply entwined in the operations of many market stakeholders. In 2015, settlement was moved from T+3 to T+2, a much simpler change and this took 2 years to roll-out.



There are a number of benefits with the new system, which has been designed to:

- Have all the base functionality of the current CHESS system
- Meet or exceed (mostly significantly) all the non-functional performance and resilience metrics of the current CHESS system, and
- Include new functionality that has been requested by stakeholders through the consultation process.

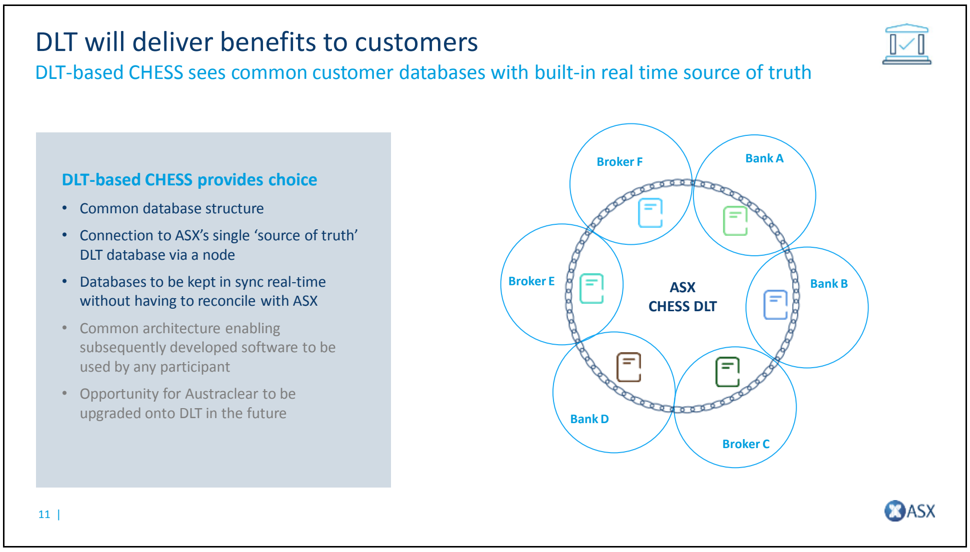
So, let's look at some of the broader benefits of moving to a new DLT-based system.

CHESS today is a highly reliable infrastructure that has operated for over 20 years.

It was ahead of its time with the introduction of a sophisticated message-based system that supports name on register, and the dematerialisation of paper-based share certificates.

Clearing and settlement participants who are connected to CHESS have their own bespoke databases, which are different to ASX's and typically different to each other.

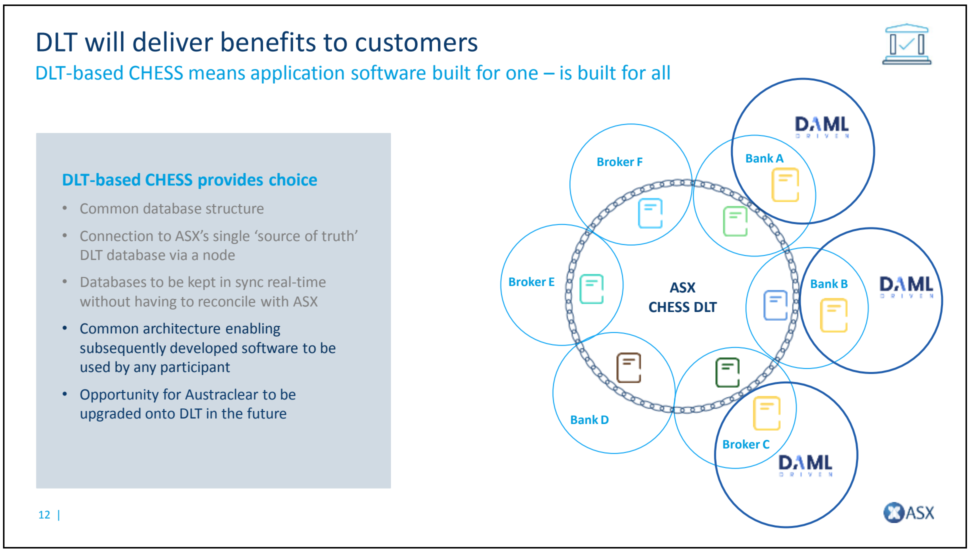
Participants constantly send messages back and forth to CHESS in order to reconcile their data with ASX.



A DLT-based system provides a participant with the choice to interact in the message-based way they do today, or to 'take a node' – which is a database that contains the participant's data, and only their data, and which is part of the source of truth database operated by ASX. This node is kept in real-time synchronisation with the ASX database. This is because the Global Synchronisation Log, or blockchain (if you prefer), enables the participant to independently and mathematically prove that their node is correct.

As such, participants who choose to take a node, will have real-time access to all information that is pertinent to them. They will be able to reduce their risk and cost by no longer having to reconcile their databases with ASX's and will be able to use the richer data set to provide better products and services to their customers.

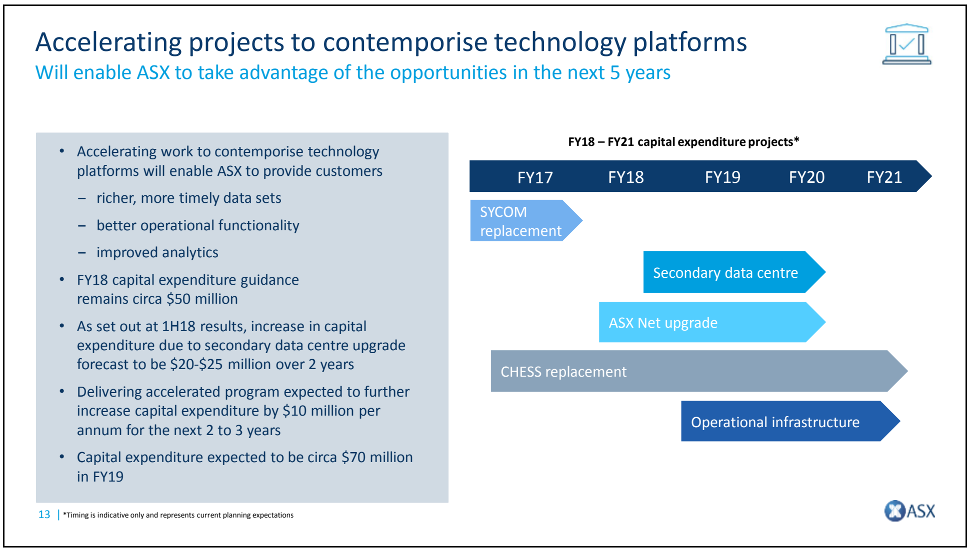
In addition, they will now have a database structure that is identical to the database structure used by other participants. If multiple participants across the industry chose to connect to ASX in this way, then software or applications produced for Bank A would be able to be run on top of Bank B' or Broker C's database.



This will allow software development to flourish and infrastructure to be shared in a common ecosystem - thus lowering costs for participants and enabling new products and greater efficiencies to be delivered more rapidly. What is particularly exciting is the ability for new innovation to occur once data is made available more accurately and in real-time.

To enable that software innovation, Digital Asset recently released the first version of its software development kit, which uses a smart contract modelling language called DAML. DAML allows users to efficiently write business logic on to the node, in effect directly onto the source of truth. We believe this will allow the modular production of a rich set of back office workflow and business logic tools. We know our customers are seeking to reduce complexity and risk in their operations, so this may become even more attractive to them if ASX moves other products onto the same DLT-based platform, such as the bonds, notes and bills held in Austraclear.

CHESS replacement is a very important project at ASX and, as you can see, has the ability to make significant leaps in efficiency and new functionality. However, this is by no means the only area where we are strengthening the foundations for resilience and growth in preparation for the next 20 years.



ASX is currently working on, or has completed, a number of projects that improve the services we provide to customers.

Firstly, about a year ago we introduced a new futures trading platform to replace SYCOM. The rollover was successfully executed with minimal issues and has operated satisfactorily since – it has also helped us attract new customers and support the growth in futures volumes I mentioned earlier.

Secondly, as I spoke about at our half-year results, our secondary data centre, which has also been in place for over 20 years, has served ASX well. However, with the rollout and continued development of ALC as our primary data centre, it is time to upgrade and move our secondary site to a new, contemporary facility. This project will take close to 2 years to complete.

Complementing this, the ASX Net communications network that connects the ALC and the secondary data centre to customers in Australia and overseas, is also being upgraded to a state-of-the-art communications platform.

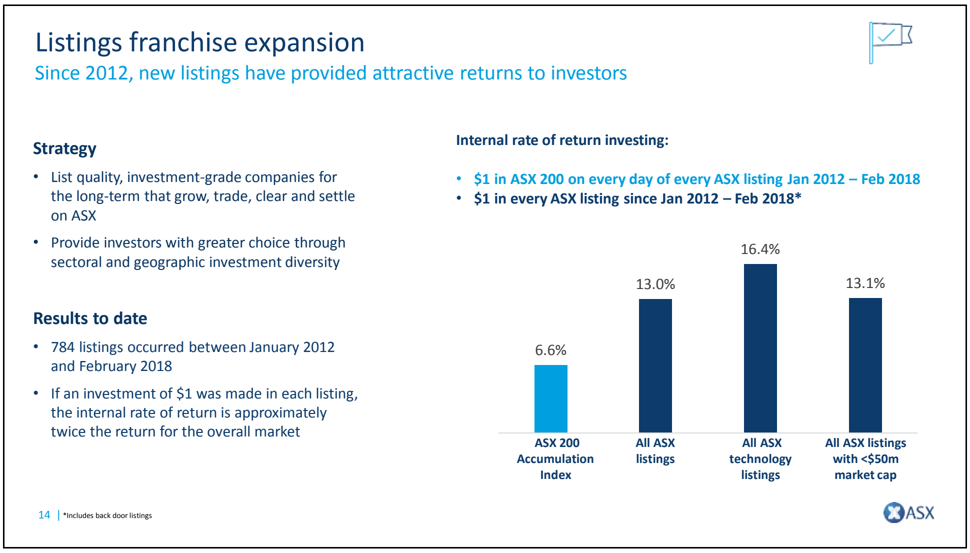
Thirdly, alongside the replacement of CHESS, there is the logical opportunity for ASX to modernise the associated operational infrastructure and processes that support our entire cash equities trading, clearing and settlement operations. This will be completed in time for the launch of the replacement of CHESS.

ASX is excited about the future growth opportunities and the ability to provide enhanced services to our customers. The ability to offer, richer, more real-time data sets, better operational functionality and improved analytics to customers will generate growth into the medium-term.

Given this, ASX is accelerating improvements to its core operating systems and the risk management infrastructure and processes that sit around them. After the changes I have just outlined, ASX will have significantly reduced the average age of its technology stack and will have no major systems that are not on contemporary technology.

I spoke in February about increasing our capex spending by around $10 million per annum for the next 2 years reflecting the cost of the new secondary data centre. Acceleration in achieving the changes I have spoken about today will increase capex by a further $10 million in the coming 3 years.

Currently, our guidance for FY18 remains at circa $50 million. For FY19, I would expect that the guidance will be around the $70 million mark.



Finally, I would like to spend some time on our listings business. This business continues to grow - as we have seen in the financial update - and we have maintained our program to continually improve the listings compliance process and to maintain the high standards of the ASX market. I also thought it would be useful to give some insight into the overall regulatory framework, and responsibilities of various participants, and the protections that are in place.

If I take a step back, I think it is instructive to look at how ASX listings have performed over the last few years. To do this I have compared the performances of a few relevant sectors.

I have set out four different internal rate of return results on the charts.

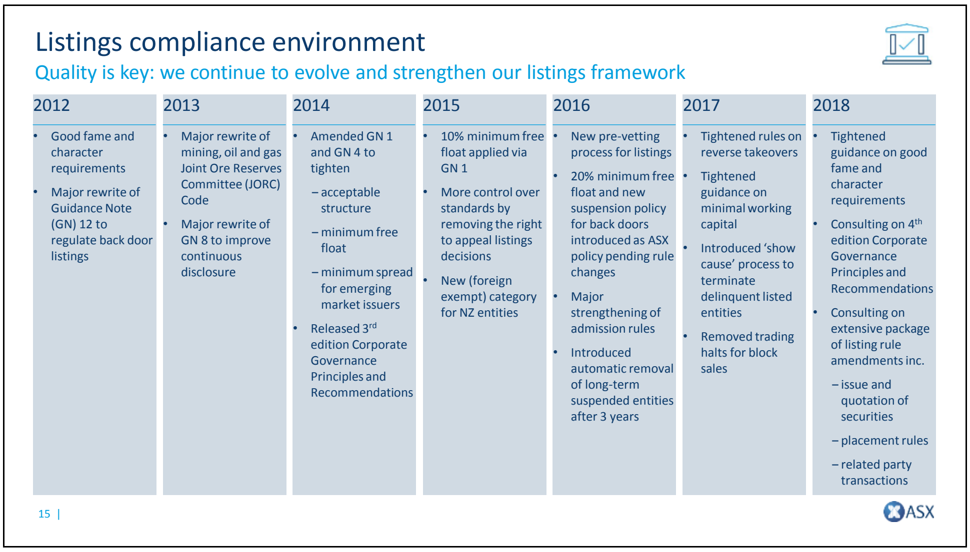
- Firstly, if you had invested $1 in the ASX accumulation index every time there was an ASX listing (to allow a like for like comparison).
- Secondly, the return of putting the $1 into each listing.
- Thirdly, the return of just technology listings over the period, and
- Finally, the return on listings that had an initial market capitalisation of less than $50 million.

As you can see, the returns from new listings in general have been greater than investing in the index. I have separated two other categories that have been in the media of late, those being technology companies and smaller companies. Both of these categories have also seen greater returns than investing in the index over time.

This should not surprise us as investors would be looking for a greater return from a portfolio of companies that are inherently more volatile. This listings dataset would include companies that have not performed well at all, and companies that have had stellar performance.

Importantly, as we know, past performance is not an indicator of what will happen in the future. Even though the averages show good returns, ASX does not assess business models when considering applicants to list. That is not our job, nor is it our expertise. But we do set the listing rules, and we seek to ensure that only companies that are appropriate to be ASX-listed and meet our market's standards join our board. This includes an ongoing commitment from each company to comply with the listing rules.

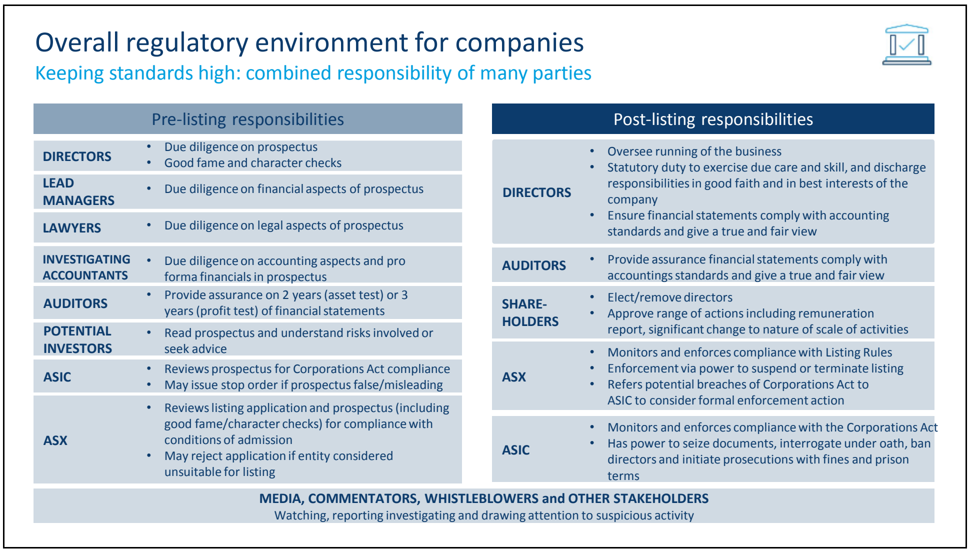
This can be a difficult task, so we are continually evolving and updating our listings rules to take into account new circumstances and to ensure we meet the needs of Australia's equity capital markets.



Over the last 7 years, there has been a number of enhancements to many facets of the listings rules. Slide 15 highlights some of these. I won't go through each point, but to be clear, pretty much all of these changes involved significant rule and policy development, putting out consultation papers, taking account of feedback from stakeholders across the market, and getting input and regulatory sign-off before instituting the changes.

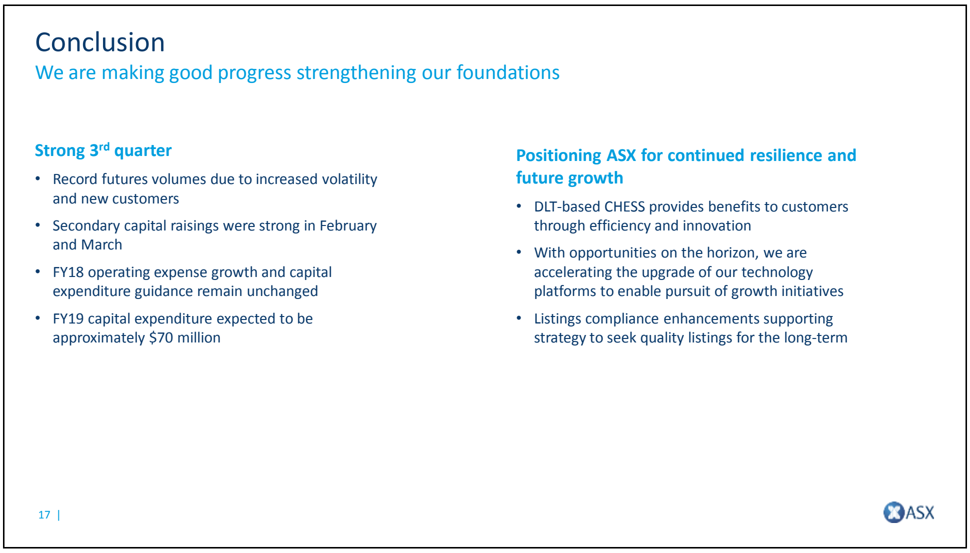
Importantly, in March 2016, ASX implemented changes to its admission process that enable us to exercise judgement and exert more control over the quality of listings that come to our market. ASX has rejected as unsuitable around 50 floats since the introduction of these measures.

This process is ongoing, never ending, and an important part of the role we play. Later this year we will also consult on an extensive package of listing rules amendments dealing with a wide range of issues, including notification and approval of share issuances and related party transactions.



I won't go through the detail of this slide, but we are often asked about our role in the regulatory environment…and so, I think it is important to understand that there are many parties involved in listing a company and in ensuring that it complies with its obligations as a listed company.

ASX has the key role to play as the listings venue. We work within, and rely on, the significant governance framework that sits around companies in general and listed companies in particular. We also benefit greatly from the vigilance of investors, market commentators, the media and other stakeholders in bringing to our attention possible departures from the listing rules so that we can take appropriate action.



As you have seen, the third fiscal quarter was a strong one for ASX.

We had record futures volumes in March, unseasonably strong capital raisings and our expenses are tracking to guidance.

Capex is also on track as guided to be circa $50 million.

FY19 capex, consistent with my comments today and in February around the secondary data centre and accelerating other foundational changes, will be approximately $70 million.

We at ASX are excited about the value these investments will bring over time. They are all investments that ASX would be required to make at some stage; however, the ability to bring them forward will keep us at the forefront of technology development in the exchange space and ensure we lay the foundations for continued resilience and future growth.

Thank you, and now to questions.