



# Media Release

18 August 2016

## ASX LIMITED FULL-YEAR RESULTS TO 30 JUNE 2016 (FY16)

**Highlights relative to the prior corresponding period (FY15 pcp) based on the Group's segment reporting:**

|  |                 |                   |
|--|-----------------|-------------------|
| <b>Underlying profit after tax</b>   | \$426.2 million | ↑5.7%<br>↑\$23.0m |
| <b>Statutory profit after tax</b>  | \$426.2 million | ↑7.1%<br>↑\$28.4m |
| <b>Operating revenue</b> <ul style="list-style-type: none"><li>• Growth in all major business lines supported by higher activity levels</li></ul>  | \$746.3 million | ↑6.5%<br>↑\$45.6m |
| <b>Operating expenses</b> <ul style="list-style-type: none"><li>• Acceleration of investment in post-trade services</li></ul>  | \$170.6 million | ↑6.5%<br>↑\$10.5m |
| <b>Earnings per share</b>  | 220.4 cents     | ↑5.8%             |
| <b>Final dividend per share</b> <ul style="list-style-type: none"><li>• Fully franked</li><li>• Maintained 90% payout ratio</li></ul>  | 99.0 cents      | ↑4.1%             |
| <b>Full-year dividends</b>   | 198.1 cents     | ↑5.7%             |
| <b>Strategic positioning and regulatory clarity</b> <ul style="list-style-type: none"><li>• Significant technology transformation underway<ul style="list-style-type: none"><li>○ New futures trading platform go-live target in February 2017</li><li>○ Further risk management and post-trade development in FY17</li><li>○ Developing distributed ledger technology (DLT) for the post-trade equity market</li><li>○ 8.5% shareholding in Digital Asset Holdings to support development of DLT</li><li>○ Capital expenditure \$50.2 million</li></ul></li><li>• Policy clarity about the conditions for safe and effective competition for cash equities clearing</li><li>• Strong balance sheet metrics and re-affirmed AA- long-term credit rating from S&amp;P</li></ul> |                 |                   |



**Mr Rick Holliday-Smith, ASX Chairman**, said: “ASX delivered strong financial results in FY16, with growth in all key business areas, supported by higher market activity. This was driven by a rise in secondary capital raisings within the financial sector and increased trading activity due to heightened volatility, particularly in the second half of the year, culminating in the surprise of Brexit. Revenue was up 6.5% to \$746.3 million and profit after tax rose 5.7% to \$426.2 million.

“ASX continued to invest in the infrastructure critical to Australia’s financial markets throughout the period. This included successfully introducing T+2 settlement, significant progress on the delivery of a new futures trading platform, and the assessment of distributed ledger technology or ‘blockchain’ as a potential post-trade solution for the equity market. These initiatives aim to improve market efficiency and reduce risk and complexity for investors, intermediaries and other market stakeholders. They help keep Australia at the forefront globally of innovative market developments.

“On 1 August 2016 ASX welcomed Dominic Stevens as the company’s new Managing Director and CEO. He is an experienced and highly-regarded industry leader, ideally qualified to build on ASX’s achievements. Having been a past CEO and served on the ASX Board, Dominic has a good understanding of the challenges and opportunities ahead of ASX, as well as the complex global regulatory environment in which we operate.”

**Mr Dominic Stevens, ASX Managing Director and CEO**, said: “I have inherited a business in very good shape and with a strategy that is focused on delivering positive outcomes for shareholders and customers over the medium-term.

“ASX is a highly integrated business with a trusted, independent brand. These strengths have allowed us to provide high quality services and solutions on which our customers can rely. Our focus on customer service and continued investment in technology will further improve this capacity. This gives me confidence as a CEO of only two weeks that there is a strong business in place and exciting opportunities ahead for ASX.”

### **Business highlights**

ASX’s diversified business model and higher activity levels produced growth in each of its main business lines, with total revenue rising \$45.6 million compared to an increase in operating expenses of \$10.5 million.

In FY16, ASX worked hard to retain its position as the global leader in A\$ and NZ\$ financial markets.

Progress in business initiatives resulted in the expansion of the listings franchise, with growth in the New Zealand, technology and mFund segments. In addition, ASX proposed new admission requirements for listing to ensure the quality and integrity of the market is maintained for the benefit of all ASX-listed companies and investors. Strong trading activity underpinned growth in cash equities trading, where ASX maintained its domestic on-market trading share of approximately 89%. Increased overall market activity also translated into a positive result for the equity post-trade services of clearing and settlement.

ASX continued to diversify its service offering to market participants by growing the community of customers within the Australian Liquidity Centre, ASX’s primary data centre. Good progress has also been made to restructure the data business to better align with the way customers value and utilise data.

Exchange-traded derivatives also achieved satisfactory growth, with the successful launch of new derivatives products such as the 20 year Government bond futures contract. There has also been pleasing progress in developing ASX’s OTC Clearing Service, with increased liquidity and new customers added.



Throughout the period, ASX continued its strategic technology investment program, with capital expenditure of \$50.2 million. ASX is upgrading its futures trading, risk management and market monitoring systems, and is giving priority to those initiatives that provide the most value to ASX and its customers. This has enabled satisfactory progress to be made on delivering the overall technology program.

ASX has also made investments in the development of distributed ledger technology and its application to Australia's post-trade equity market infrastructure. Good progress has been made and work will continue in FY17 to establish whether the technology can be used to replace the CHESS clearing and settlement system for cash equities.

While ASX has received positive feedback on aspects of its customer service, it continues to work hard to improve the customer experience overall. The new ASX Online portal, which enables customers to more easily engage with ASX, has been welcomed, while a new office in Hong Kong and a focus on 24-hour service delivery has lifted customer engagement overseas. ASX has also developed its integrated service offering in cash, futures, and OTC markets, which offers customers improved liquidity, efficiency, flexibility and choice.

### **Post balance date activity**

Market activity levels in the first six weeks of FY17 (up to 12 August 2016; July only for Listings) compared to pcp were:

- Listings: total capital raised in July 2016 - \$8.6 billion, down 6.2% with 12 IPOs
- Cash equities: ASX on-market average value traded per day - \$3.9 billion, up 4.9%
- Futures: daily average number of contracts traded – 410,864, down 0.8%
- OTC: cleared notional value - \$403.0 billion.

**Complete full-year results materials, including ASX's 2016 Annual Report, will be available on the ASX website: <http://www.asx.com.au/about/asx-market-announcements.htm>**

**A webcast of today's 10.00am (AEST) presentation to analysts and media will be available: <http://www.asx.com.au/fy2016webcast>**

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## Individual business highlights based on the Group's segment reporting

All pcp comparisons have been adjusted for consistency with the categories ASX introduced on 1 July 2015.

### **Listings and Issuer Services – revenue \$192.7 million, up 5.0% (26% of Group revenue)**

Revenue from annual listings fees, fees related to capital raisings, and revenue from the listing and quoting of structured products.

Listings revenue was \$149.4 million, up 4.3%

- 124 IPOs compared to 120 in the pcp, with a value of \$23.6 billion compared to \$38.9 billion in the pcp
- Secondary capital raisings of \$55.0 billion, up 10.1%, supported by \$20.3 billion in equity raisings from Australia's 'big four' banks
- Total capital raised was \$78.6 billion, down 11.6%

Issuer Services revenue was \$43.3 million, up 7.5%

- Holding statements rose by 6.4% to 14 million

Business developments

- Consulted on proposed new admission requirements to maintain the quality of the ASX market as a world-class listings venue
- Regulatory approval for a simplified dual listing process that helped grow the number of New Zealand companies listed on ASX to 46
- Increased the size of the ASX-listed technology sector, with 27 new listings in FY16 and 167 technology listings overall
- NAB joined mFund service, with 48 fund managers, offering 161 funds via 18 brokers at the end of June

### **Trading Services – revenue \$182.8 million, up 7.7% (24% of Group revenue)**

Revenue from cash market equities trading, and information and technical services.

Cash market trading revenue was \$40.7 million, up 12.9%

- Total on-market value traded per day across all venues increased 10.9%
- ASX's on-market value traded per day was up 9.6% to \$4.2 billion
- ASX's on-market trading share across the period was 88.7% (89.7% pcp)

Information services revenue was \$80.1 million, up 8.7%

- Change in mix of fees and index royalties to better reflect the different profiles of investors and traders, and the way they utilise data

Technical services revenue was \$62.0 million, up 3.2%

- Hosting - 231 cabinets (188 pcp)
- Community and connectivity – 20.6% increase in multilateral cross-connections between customers within the ALC

Business developments

- Number of customers utilising the ALC as their primary data centre grew from 95 to 108
- Established ASX Net Global technology hub in Hong Kong to connect to growing customer base in Asia



### **Equity Post-Trade Services – revenue \$102.0, up 11.1% (14% of Group revenue)**

Revenue from the clearing and settlement of cash market equity transactions.

Cash market clearing revenue was \$54.1 million, up 14.5%

- On-market value cleared was up 11.7%

Cash market settlement revenue was \$47.9 million, up 7.6%

- Number of dominant settlement messages was up 9.6%

#### Business developments

- Introduced T+2 settlement in March 2016, with investors receiving their cash or shares sooner and cash market margins reduced by up to 30% for ASX's customers
- Continued assessment of distributed ledger technology to meet the post-trade needs of Australia's equity market supported by investment in Digital Asset Holdings
- Announcement by Treasurer in March 2016 that approval of any new equities clearing licence applications will not be recommended until regulatory conditions are in place for safe and effective competition, expected to take at least 18 months

### **Derivatives and OTC Markets – revenue \$265.8 million, up 4.7% (36% of Group revenue)**

Revenue from the trading and clearing of exchange-traded options and futures, clearing of over-the-counter (OTC) derivatives, collateral management services and Austraclear.

Futures and OTC clearing revenue was \$194.3 million, up 6.9%

- Futures and options on futures contracts traded were up 8.3%
- OTC notional cleared value was \$2.7 trillion, compared to \$805.9 billion in the pcp

Equity options revenue, including single stock and index options, was \$23.1 million, down 6.0%

- Contracts traded were down 15.8%
- Activity in recent months has stabilised following declines since the collapse of broker BBY

Austraclear revenue was \$48.4 million, up 1.5%

- Average balances in the depository were up 10.7% to \$1.9 trillion

#### Business developments

- Launched new derivatives products including 20 year bond futures
- Partnered with Perth Mint to develop deliverable precious metals derivatives products, with gold futures expected to be available in 2017
- New futures trading platform scheduled to go-live in February 2017

### **Interest and dividend income – \$73.1 million, up 1.7%**

- Interest income on ASX's own cash balances declined 17.3% to \$22.3 million due to lower average interest rates
- Interest income on participant collateral balances increased 17.0% to \$37.7 million due to average balances higher across the period
- Dividend income from ASX's 19.1% shareholding in IRESS rose 3.1% to \$13.1 million



**Operating expenses – \$170.6 million, up 6.5%**

- Grew due to investment in people and technology to support customers, business growth and efficiency
- Average headcount rose 1.9% to 534 full-time equivalents (permanent staff)
- ASX expects FY17 expenses to increase approximately 6%

**Capital expenditure – \$50.2 million**

- Driven by ongoing investment in technology, which includes a new futures trading platform, risk management systems and an upgrade of post-trade clearing infrastructure
- ASX expects total capital expenditure in FY17 to again be approximately \$50 million, inclusive of the distributed ledger technology development



## Appendix – ASX FY16 results based on the Group's segment reporting

| Group income statement             | FY16 \$m     | FY15 \$m     | Variance %  |
|------------------------------------|--------------|--------------|-------------|
| Operating revenue                  | 746.3        | 700.7        | 6.5%        |
| Operating expenses                 | (170.6)      | (160.1)      | (6.5%)      |
| <b>EBITDA</b>                      | <b>575.7</b> | <b>540.6</b> | <b>6.5%</b> |
| Depreciation and amortisation      | (42.7)       | (38.6)       | (10.5%)     |
| <b>EBIT</b>                        | <b>533.0</b> | <b>502.0</b> | <b>6.2%</b> |
| Interest and dividend income       | 73.1         | 71.9         | 1.7%        |
| <b>Profit before tax</b>           | <b>606.1</b> | <b>573.9</b> | <b>5.6%</b> |
| Income tax expense                 | (179.9)      | (170.7)      | (5.4%)      |
| <b>Underlying profit after tax</b> | <b>426.2</b> | <b>403.2</b> | <b>5.7%</b> |
| Significant items                  | -            | (5.4)        | -           |
| <b>Statutory profit after tax</b>  | <b>426.2</b> | <b>397.8</b> | <b>7.1%</b> |

| Operating revenue  | FY16 \$m     | FY15 \$m     | Variance %   |
|--|--------------|--------------|--------------|
| Listings   | 149.4        | 143.3        | 4.3%         |
| Issuer Services  | 43.3         | 40.2         | 7.5%         |
| <b>Listings and Issuer Services (26% of Group revenue)</b> | <b>192.7</b> | <b>183.5</b> | <b>5.0%</b>  |
| Cash Market Trading  | 40.7         | 36.1         | 12.9%        |
| Information Services                                       | 80.1         | 73.7         | 8.7%         |
| Technical Services   | 62.0         | 60.1         | 3.2%         |
| <b>Trading Services (24%)</b>                              | <b>182.8</b> | <b>169.9</b> | <b>7.7%</b>  |
| Cash Market Clearing                                       | 54.1         | 47.3         | 14.5%        |
| Cash Market Settlement                                     | 47.9         | 44.5         | 7.6%         |
| <b>Equity Post-Trade Services (14%)</b>                    | <b>102.0</b> | <b>91.8</b>  | <b>11.1%</b> |
| Equity Options   | 23.1         | 24.6         | (6.0%)       |
| Futures and OTC Clearing                                   | 194.3        | 181.6        | 6.9%         |
| Austraclear  | 48.4         | 47.7         | 1.5%         |
| <b>Derivatives and OTC Markets (36%)</b>                   | <b>265.8</b> | <b>253.9</b> | <b>4.7%</b>  |
| Other  | 3.0          | 1.6          | 89.5%        |
| <b>Operating revenue</b>                                   | <b>746.3</b> | <b>700.7</b> | <b>6.5%</b>  |

| Key activity indicators                       | FY16              | FY15            | Variance % |
|---|-------------------|-----------------|------------|
| Number of new listed entities (IPOs)          | 124               | 120             | 3.3%       |
| Capital raised, including scrip-for-scrip     | \$78.6 billion    | \$88.9 billion  | (11.6%)    |
| Daily average cash on-market value            | \$4.170 billion   | \$3.805 billion | 9.6%       |
| Equity options daily average contracts traded | 399,486           | 474,426         | (15.8%)    |
| Futures daily average contracts traded        | 532,386           | 493,520         | 7.9%       |
| OTC cleared notional value                    | \$2,742.0 billion | \$805.9 billion | 240.3%     |

Variances expressed favourable/(unfavourable)