

ASX 2020 Half-Year Results

Dominic Stevens, Managing Director and CEO
Gillian Larkins, Chief Financial Officer

Presentation and Speaking Notes

13 February 2020

(Check against delivery)




Good morning everyone and welcome to ASX's first half 2020 annual results presentation whether here at ASX, on the phone or via webcast.

My name is Dominic Stevens CEO of ASX.

To begin, I would like to acknowledge that this briefing is being held on the traditional lands of the Gadigal people. I pay my respects to elders past and present.

Agenda	
1H20 overview	Dominic Stevens – CEO
Strategic update	Dominic Stevens
Financial performance	Gillian Larkins – CFO
Summary and outlook	Dominic Stevens
Q&A – analysts followed by media	Dominic Stevens and Gillian Larkins

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This morning I will start with overall highlights from the first half then give an update on our strategic progress.

I will then hand to our CFO Gillian Larkins to cover our financial performance in detail, and then I will return to summarise and comment on outlook.

We will then have questions from analysts followed by media.

So let's begin.

ASX 1H20 highlights
[Delivering on reliable earnings track record and making strategic progress](#)

[Diversified business generating sustained growth in shareholder returns](#)

- EBIT up 6.0% driven by strong trading volumes and increased demand for connectivity, cabinets and data
- Net interest and dividend income down due to lower RBA rates and final IRESS dividend in 1H19

[Enhancing the integrity of the market](#)

- ASX's risk culture strengthened through further embedding of values, processes, systems and risk-aware culture
- Listing rules and guidance updated to support market disclosure, ease of use and compliance

[Ongoing investment in customer focused, technology driven outcomes](#)

- Technology infrastructure upgrade continues, strengthening resilience and enhancing customer experience
- CHES replacement industry-wide test environment on schedule to open in July

[Pursuing opportunities to offer new products and efficiencies across the Australian financial services industry](#)

- Supporting customer and 3rd party development that leverages ASX DLT infrastructure
- Progressing adjacencies leveraging ASX's expertise and technology infrastructure via DataSphere and Sympli

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As you will see from the numbers, ASX continued to deliver on its reliable earnings track record while strengthening its foundations and making significant strategic progress.

EBIT for the half was up 6% on pcp, which was driven by solid results from our four business lines. This strong operational performance was somewhat offset by the effect of lower RBA rates on interest income and the loss of dividend income from the sale of our stake in IRESS.

With the completion of our multi-year Building Stronger Foundations program, our enterprise risk management and operational governance have been significantly enhanced, and we have returned to a normal path of continuous improvement.

In addition, the last half saw the introduction of new listing rules and updated guidance. This will improve market disclosure and make compliance processes clearer.

ASX is also well progressed on a significant structural upgrade of our technology stack. For every enterprise today, the maintenance of contemporary technology is critical to meeting the changing and diverse needs of customers.

Our best known project is the rollout of the CHES replacement system, around which a growing number of third parties are exploring how the underpinning distributed ledger technology might be deployed in other areas.


ASX is also leveraging its expertise into data, with our DataSphere initiative, and into payments with the e-conveyancing business, Sympli.

ASX 1H20 financial results

Solid operational earnings growth

	1H20	Change on pcp	% change on pcp	
Operating revenue	\$454.9m	+\$30.2m	+7.1%	• Reflecting broad growth across ASX
Total expenses	\$139.8m	(\$12.5m)	(9.8%)	• Heightened in 1H20 due to annualisation of increased head count in FY19 • FY20 expense guidance 6-8%
EBIT	\$315.1m	+\$17.7m	+6.0%	• Continued solid growth while building stronger foundations
Interest income	\$44.1m	(\$10.8m)	(19.7%)	• Reflects lower interest rate environment and final IRESS dividend in 1H19
Net profit after tax	\$250.4m	+\$4.3m	+1.8%	• Diversified business continues to deliver growth
Earnings per share	129.3cps	+2.2cps	+1.7%	• Remaining positive post return of capital and lower interest earnings
Dividends per share	116.4cps	+2.0cps	+1.7%	• Seventh consecutive first-half increase in DPS

4 | Variance relative to the prior comparative period (1H19 pcp) expressed favourable/unfavourable.



Moving to the headline numbers for the half, we see that revenue was up by \$30.2 million, to \$454.9 million, which is a strong 7.1% rise over pcp. Pleasingly, growth was broad-based across all our business areas.

Total expenses rose by \$12.5 million to \$139.8 million, a rise of 9.8% reflecting the investment in people and equipment we flagged over the last year. We have maintained our full-year expense guidance and we see expense growth moderating in the second half.

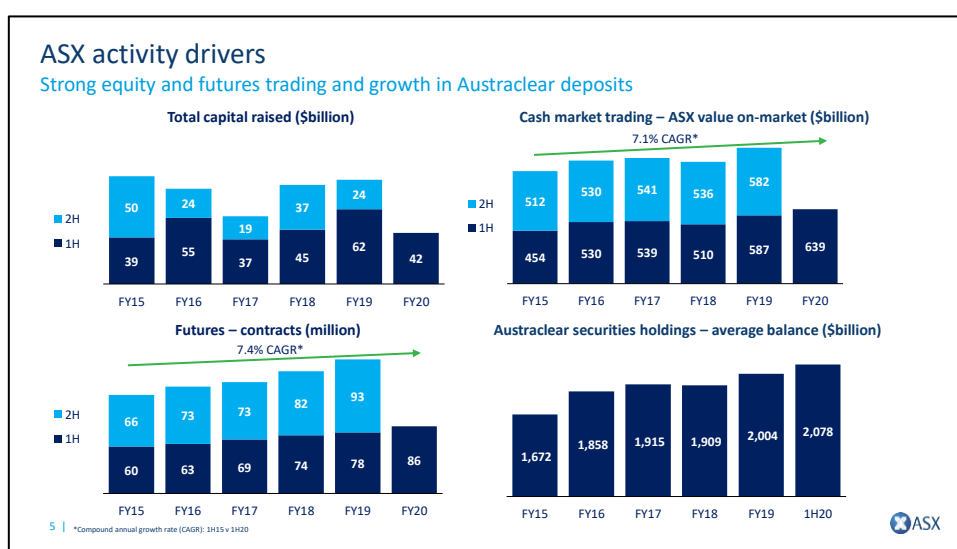
This sees EBIT up by \$17.7 million, an increase of 6%, which is pleasing given the elevated expense growth driven by foundational and strategic growth initiatives.

As I mentioned earlier, interest and dividend income was lower due to lower RBA rates and the sale of IRESS. However, the income from participant balances remained more robust than expected, which I will leave Gill to take you through.

Overall, net profit after tax for the half came in at \$250.4 million, a rise of \$4.3 million or 1.8% on pcp.

Both earnings per share and dividends per share increased by 1.7% on pcp. I note this was based on somewhat less capital given the \$250 million special dividend in the last half.

Let me now add detail on the drivers of revenue growth.

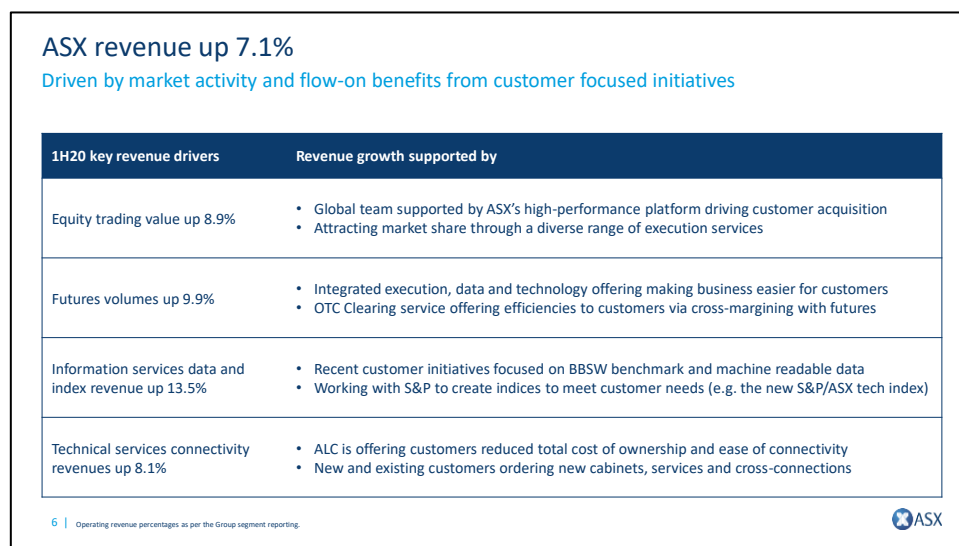


Looking at the activity chart on slide 5, we can see that total capital raised by ASX companies tends to be lumpy over the medium-term. However, the \$42 billion raised this half was a respectable performance in a quieter market. And I note that December 2019 was the strongest month by number of new listings since November 2017.

FY20 has continued the robust equity trading growth we saw in FY19, with ASX on-market value rising by almost 9% on pcp. This has continued into the new calendar year as markets grapple with a range of global issues, including the coronavirus and the approaching US election.

Our futures business also delivered a strong half, with uncertainty over short-term interest rates leading to more trading in the rates complex.

Finally, I have provided a chart on the growth in balances of securities in our Austraclear business. This has seen respectable growth via an increase in new mortgage-backed security issuance.



Turning to slide 6, we can see how ASX's revenue also reflects the flow-on benefits of our focus on customers.

In our equity trading business, revenue growth is helped by a global team offering seamless on-boarding and connectivity, which attracts users to the diverse execution services on our platform.

Our futures business also benefits from its global customer focus, providing data, connectivity and support. The fact that a significant part of our market trades overnight reflects the valuable work done here. Also, being able to clear OTC trades and cross-margin them with futures delivers further efficiencies to customers.

This half saw a strong performance from our information services business, reflecting growth in demand for exchange data and index products.

We also continue to see growth in our indexing partnership with S&P, with the launch of the S&P/ASX All Technology index later this month.

Finally, in technical services, the work done over the last five years to grow our ALC ecosystem is paying dividends. We are attracting new customers, filling additional cabinets and providing fresh connections. ALC has lowered the total cost of ownership of these services for users.

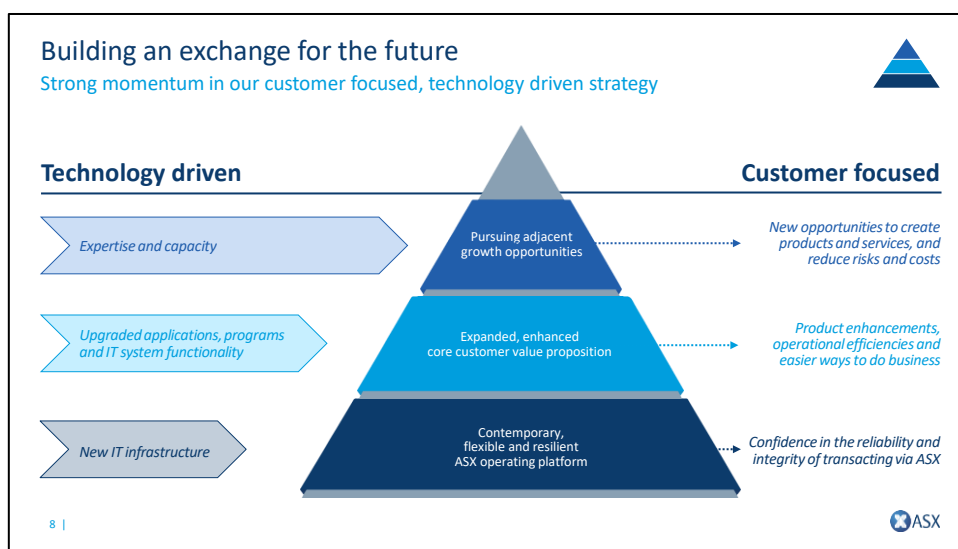
In summary, these initiatives are long-term in nature and focused on making business easier for customers.

I would now like to move to our strategic update.



The value of trust, integrity and resilience has never been more important to financial services firms; indeed to all businesses.

As such, it is critical we focus on the maintenance of ASX’s franchise value and take a long-term approach when thinking about the sustainability of the company.



This is why we are building an exchange for the future—an exchange that provides resilient and trusted market infrastructure and services, while also pursuing new opportunities that harness our experience, expertise and technology. This will deliver opportunities for innovation, cost and risk reduction for our customers and across the Australian economy.

We have a customer focused, technology driven strategy.

- Customer focused because we see there are many areas where we can help our customers grow their business or make their operations more efficient.
- Technology driven as we see the contemporisation, simplification and open nature of our technology as driving our ability to add value for our customers.

ASX has a long history of being at the forefront of the global exchange industry in the adoption of technology for the benefit of customers, investors and regulators.

We need to continue to drive technological change in our products and services. If I look out over the next five to 10 years, companies, no matter how loyal their customers, will find it difficult to compete if they are operating on technology materially older than that of new entrants.

ASX’s current and future strategy is not just about replacing CHES or upgrading the futures trading system. We are transforming our entire technology stack, from the operational databases and communications infrastructure we use, to the way we deploy distributed ledger, cloud, big data and AI tools. We are excited about the future opportunities that the new infrastructure will create for us and the marketplace. In particular, we are energised by how these technologies can be leveraged by our customers to improve their businesses, and how we can help them do this.

The ALC and ASX Net are great examples of this. They have allowed our customers to more easily connect to ASX and other markets, and also more easily connect and interact with each other.

Our DataSphere initiative is designed to enable better access to ASX data, and enable customers or new fintech vendors to use the platform to create their own data analysis tools and products.

And in the equities post-trade world, after bedding down the base clearing and settlement functionality, DLT will generate value by helping our customers better engage with each other by using ASX infrastructure to add new products, services and efficiencies.

Our strategy is not about foundational change only. We will continue to add improved functionality and new products and services across our product suite.

In addition, ASX is seeking new opportunities that leverage its significant skills into adjacent areas.

The execution of this strategy has gained momentum over the past year, and in the coming 12 to 18 months further milestones will be achieved.

I have fleshed this out on the following pages by detailing some of the strategic initiatives, each in various stages of execution.

These are separated into three themes that over the long-term will enable ASX to maintain its strong brand and franchise, and grow new revenue streams. These are:

1. Maintaining high levels of trust and resilience, which includes contemporising our technology platform
2. Developing our core customer value proposition
3. Seeking adjacencies that leverage ASX’s broad skill base.

Contemporary, flexible and resilient operating platform			
Strengthening stakeholder confidence in ASX			
	Risk management and governance	Technology driven	Customer focused
Completing FY20	Building Stronger Foundations Technology risk and governance	> New IT service management tool to support service, change, asset, knowledge and incident management	> Faster resolution and reduced impact of operational incidents > Improved visibility of operational risks
	Building Stronger Foundations Operational risk and governance	> New risk and compliance tool to improve data control and facilitate centralisation of technology operating risk > New real-time risk systems	> Faster ability to adapt to risks > Improved ability and time to assess issues > Shortened response times
	Enhanced listing rules	> Facilitate STP project	> Easier to understand and comply with
Ongoing	Corporate actions straight-through processing	> New STP capability for notification of corporate actions and issuance	> ASX will offer a comprehensive range of digitised, ISO20022-based corporate actions for more timely data and STP efficiencies
	Risk and compliance awareness	> New, mobile-friendly e-training for employees	> Maintain trust and confidence in the market

We want people to continue to see ASX as a company they trust, a company that operates reliable infrastructure and resolves issues quickly and fairly.

This is not something we take lightly. Having the best risk management and operational governance in place is extremely important to the sustainable value of our franchise.

ASX has just completed our multi-year Building Stronger Foundations enhancement program.

Throughout this program, we worked closely with our regulators—ASIC and RBA—which were engaged and constructive in testing our assumptions and asking the tough questions.

As you can see from the slide, much of this work was also technology driven, including the rollout of two new technologies – one in our enterprise risk area and one in our technology governance area.

Turning to compliance, the listing of companies and the ongoing monitoring of their compliance with high standards are critical to market integrity.

Enhancing these capabilities can never end. We rolled out a new set of listings rules and guidance in 2019 that came into effect on 1 January 2020.

Not only does the package provide efficiencies and clarity across a number of compliance areas, it also aligns with our effort to offer the digitisation of a comprehensive range of ISO 20022 based corporate actions.

This means digitising these often complex financial adjustments so they can be straight-through processed by our customers. This is a good example of ASX improving a service that strengthens integrity, while at the same time delivering value with technology that makes administration more efficient for our customers.

Contemporary, flexible and resilient operating platform			
Strengthening stakeholder confidence in ASX			
	Technology infrastructure	Technology driven	Customer focused
Completing FY20	ASX Net upgrade	> External connectivity network: implementation of fully consolidated network enabling more efficient connectivity services	> Standardised, consolidated and faster communication
	New secondary data centre	> Back-up facility: move to Tier 3 data centre facility and infrastructure refresh	> Greater resilience and backup capability for the markets
Ongoing	ASX Trade refresh	> Trading platform technology: contemporary software and hardware refresh	> Continued high levels of availability > Enhanced ability to implement change
	Equities infrastructure upgrade	> Technology supporting equities trading: refresh of integration hardware and software	> Greater resilience, strengthened reliability > Faster delivery of new services
	CHESS replacement	> Equities clearing and settlement: new modern hardware, contemporary software and upgraded security	> Upgraded data security and greater resilience > Additional functionality and improved flexibility
	Cyber resilience	> Data and infrastructure security: invest in security capability and capacity	> Upgraded data security, greater resilience

In addition, the contemporising of our technology platform continues apace. The CHESS replacement program is the one you will read about in the media. However, as you can see, there are many other technology driven projects aimed at improving the ability of ASX to service its customers.

To call out a few: the upgrade and consolidation of ASX Net from six independent networks supporting various products and services to one integrated system will improve reliability and speed on our network. To give a sense of its importance, the RITS high value settlement and transfer system that supports Australia’s banking sector travels over ASX Net. This project is now complete.

Our new secondary data centre is a significant upgrade that replaces the facility that faithfully supported the exchange for the past 20 + years. With changes in technology, the newer facility will enable a lower risk failover and backup, and will better align with our ALC in Gore Hill. This is due for completion at the end of this fiscal year.

ASX is also upgrading the ASX Trade equities trading platform. The platform will be more resilient, with increased system performance and the ability to introduce new functionality more efficiently. This is also due for completion at the end of this fiscal year.

In our equities business, there are a number of technologies that help manage data transport, storage and reporting. Some of these services are of a similar vintage to the CHESS application.

The replacement of these with modern systems will enable ASX to move faster in meeting customers' needs for change, reporting requirements, regulator inquiries and cyber updates. This project has three stages – the first is complete; we are now in stage 2; and will see full completion of stage 3 in CY2021.

It is generally hard to replace these deeply embedded technologies. However, the benefit of getting a technology stack that is contemporary from top to bottom is significant – for us and our customers.

Finally, our cyber resilience program continues to ensure a safer ASX with a multi-year program that is constantly refreshed. This not only gives comfort to ASX and our regulators, but also to our customers who rely upon the safety and security of multiple ASX services.

Expanded, enhanced core customer value proposition			
Making business easier by providing solutions to customer challenges			
	New and enhanced products and services	Technology driven	Customer focused
Completing FY20	Digital refresh	> Contemporary, flexible, single sign-on ASX website	> Enhanced user experience, refreshed design, added functionality, mobile friendly
Ongoing	Issuer services	> New online portal for listed companies	> Enhanced user experience, refreshed design, added functionality > Improved convenience for investors and reduced costs for issuers
Completing FY20	BBSW and ASX Realised AONIA*	> Enabled electronic bank bill trading and trade-based rate setting via refresh of benchmark methodology and rules	> Increased robustness and trust in BBSW calculation > Investors avoid switching costs for existing deals > Choice of alternative rate for new deals via Realised AONIA
Completing FY20	S&P/ASX All Technology Index	> Index capturing fast growing technology sector	> Developed in response to customer requests

On the second theme, ASX also made progress with enhancements to our underlying products and services over the last year. I would like to mention a few.

Firstly, today ASX softly launched our fresh, new website, which will operate in parallel with our current site for the next few months. This will give people time to explore and become familiar before switching over fully.

ASX has been working on upgrading and consolidating our multiple web presences for some time, especially to make them more contemporary and usable.

At the end of this calendar year we plan to begin rolling out a more comprehensive digital experience, which will include an enhanced issuer portal with richer functionality.

A further example of ASX delivering value to customers is the work we have done in the benchmark business, specifically around BBSW.

One of the largest issues faced in the banking world currently is the ending of the global equivalent of our BBSW benchmark – LIBOR. Due to the compliance issues related to LIBOR, banks will not be posting rates and the global industry is working hard to come up with replacement benchmarks.

This will see transactions that currently use the LIBOR benchmark having to be re-booked, paperwork adjusted and systems re-coded. The global cost of this has been estimated in the billions.

ASX worked hard with local banks, the local regulator and the bank bill trading market to avoid these costs in Australia, and has made changes that enabled BBSW to become a licensed benchmark that is based off actual trades – and thus enable its continued use.

This has seen our bank bill market transform from a telephone market to an electronic market traded on Yieldbroker and other platforms, where the trades are collated by ASX to calculate the benchmark. The cost saving to the local financial services industry of not having to replace every BBSW-based, swap, loan, investment or financial product could easily be in the hundreds of millions.

ASX has also created the ASX Realised AONIA product, based on government borrowing rates, to add to its benchmark suite.

Mirroring the increase in importance of technology to ASX as a company, has been the rise of technology as an industry sector on our exchange. Our new S&P/ASX All Technology index, with the code XTX, is launching next week and will enhance the profile and understanding of the tech sector in Australia, and increase opportunities for investors.

This is a further step along the path of ASX developing a globally respected listed technology sector.

Pursuing adjacent growth opportunities Leveraging ASX's expertise, independence and infrastructure			
Opportunities	Technology driven	Customer focused	Progress
DLT Solutions	<ul style="list-style-type: none"> > DAML smart contracts and DLT infrastructure 	<ul style="list-style-type: none"> > Risk and operational cost benefits from access to source-of-truth data > Opportunities open to develop innovative new products and services 	<ul style="list-style-type: none"> > DAML software development kit available > Launching DAML partners program > Digital Asset offering DAML training
DataSphere	<ul style="list-style-type: none"> > Open data science platform supporting analytics and machine learning 	<ul style="list-style-type: none"> > Use ASX and third party data to solve problems > Enable customers to commercialise their data and analytics 	<ul style="list-style-type: none"> > Platform operational > Web store open > First data products available
Sympli	<ul style="list-style-type: none"> > ASX's payments infrastructure with InfoTrack's conveyancing expertise on a modern technology platform 	<ul style="list-style-type: none"> > More efficient and intuitive services > Cost competitive > Provides industry resilience and choice 	<ul style="list-style-type: none"> > Connected/connecting with two of the major retail banks > First financial conveyance completed

The final theme of our strategy is looking at adjacent areas where ASX's skills and infrastructure can be used to grow our revenue and provide new services to customers.

Here I will provide an update of our three focus areas.

Our DLT solutions opportunity is focused on encouraging others to innovate on our platform, be it adding valuable functionality to the cash equities market or helping develop new DLT technologies in areas separate to CHES.

We are looking at offering training in the DAML language and rolling out a DAML partners program in conjunction with our technology partner Digital Asset.

There are a number of organisations working in this space. We see it gaining more traction once the significant workload of rolling out the core CHES application is done.

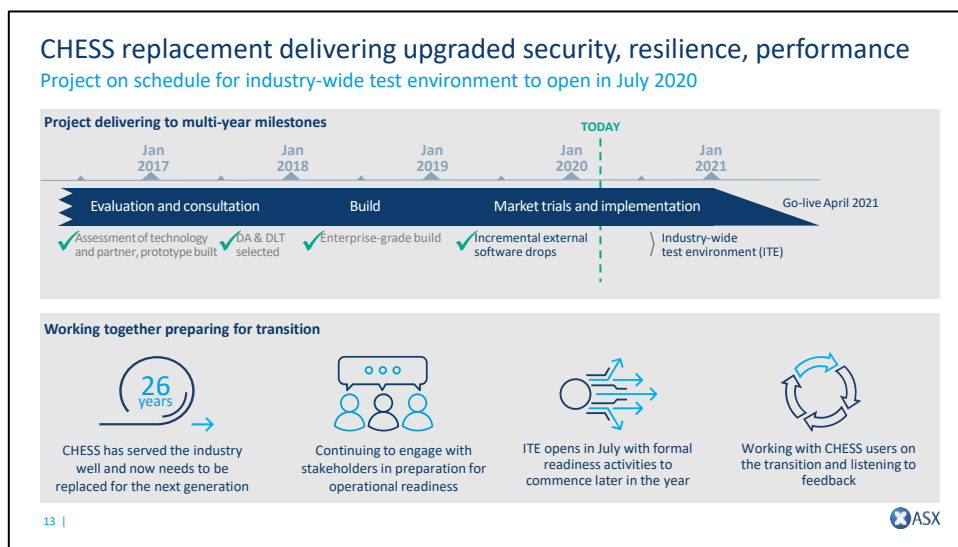
Our DataSphere platform opened during the last half, and by the end of this half, the majority of ASX's data catalogue will be curated and loaded. This platform is providing a big data technology solution for ASX that can also be accessed and leveraged by our customers.

Finally, we are using ASX's payments expertise to build a new solution in the growing e-conveyancing market. Here, ASX is the challenger rather than the incumbent. We are building what we believe is a superior solution that will integrate better with the banking and conveyancing market.

I am pleased to confirm that we are connected to the RBA and connected or connecting to two of the majors. This has allowed Sympli to complete its first financial conveyance as well as other transactions. We are confident that the remaining connections will take place over the course of 2020.

So to summarise, ASX has never been busier. We're making long-term investments in the future of our core underlying franchise by improving management of enterprise risk and enhancing our risk culture, and we're undertaking a significant contemporisation of our technology stack.

We're also enhancing our products and services with an eye to customer value. And finally, we're investing in adjacencies that have the ability to produce significant revenue streams over the medium-term.



Before I hand over to Gill, let me provide a quick update on CHES replacement. This project is significant to ASX, the industry and the nation. When travelling overseas on business, the first question I’m asked is always about the CHES project. The intensity of interest has increased over the last year.

While this is obviously a significant project for ASX, I’d like to acknowledge the collaboration and hard work of all our stakeholders – including customers and their service providers, and regulators – as we approach the commencement of operational readiness activities once the industry-wide test environment opens in July.

We understand that replacing a complex and sophisticated 26-year-old system is a major undertaking for the industry. But it needs to be done. Much as CHES has enabled our customers to generate efficiencies, reduce costs and offer new products and services, so will the replacement of CHES enable innovation for the next quarter of a century.

We are very excited about the long-term benefits this can bring to clearing and settlement specifically, and to the efficiency of the securities industry in Australia generally.

The opportunities a DLT-enabled CHES offers are being recognised by customers and third-parties. These opportunities are developing in a range of areas, including risk management and process automation.

Of course, while these opportunities are exciting, our focus is firmly on getting the CHES replacement project completed.

I will now hand over to Gill to take you through the financials.



Thanks Dom and good morning to everyone in the room and on the line.


ASX's result for the first half of the 2020 financial year reflects positive activity trends across most of our business portfolio. In particular, our cash trading, derivatives franchise and technical services offering continue to support company profit in a period when we incurred expenses to underpin our current and future infrastructure investments, and saw lower interest income earned through lower investment spreads on our cash portfolio.

ASX financial results
Growth in trading and business activity delivering a consistent return to shareholders

	1H20 \$m	2H19 \$m	1H19 \$m	1H20 v 1H19
Operating revenue	454.9	439.1	424.7	7.1%
Operating expenses	114.4	109.6	105.2	(8.7%)
EBITDA	340.5	329.5	319.5	6.6%
Depreciation and amortisation	25.4	25.7	22.1	(15.1%)
Total expenses	139.8	135.3	127.3	(9.8%)
EBIT	315.1	303.8	297.4	6.0%
Interest and dividend income	44.1	49.0	54.9	(19.7%)
Profit after tax	250.4	245.9	246.1	1.8%
EBITDA margin	74.9%	75.0%	75.2%	(30bps)
EBIT margin	69.3%	69.2%	70.0%	(70bps)
Statutory earnings per share (EPS) (cents)	129.3	127.0	127.1	1.7%
Dividends per share (DPS) (cents)	116.4	114.3	114.4	1.7%
Special dividends per share (cents)	-	129.1	-	-

- Operating revenue up 7.1% reflecting solid growth in customer activity
- Total expenses up 9.8% due to annualisation of additional resources during FY19
- Full-year total expense guidance remains 6-8%
- Resulting in strong growth in EBIT, up 6.0%
- Interest and dividend income down 19.7% with sale of IRESS, lower investment returns and inclusion of lease financing costs
- Profit after tax up 1.8%

15 | Operating revenue and expenses as per the Group segment reporting. Variance expressed favourable/unfavourable.

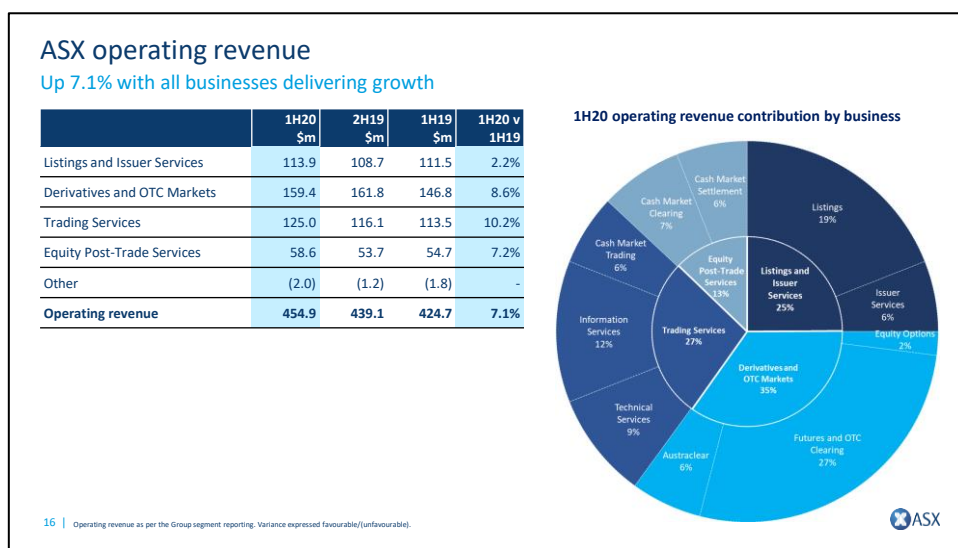


Turning to the financials and starting with the top line, operating revenue is up 7.1% on first half 2019, reflecting the solid growth in ASX volumes induced by the elevated market volatility over the last year. With the introduction of the lease standard AASB16 this year, which moves our operating lease expenses to the depreciation line, the line that gives you the best expense comparator from prior years, is total expenses which is up 9.8% from first half 2019, however only 3.4% up on the second half. This is a consequence of the annualisation effect of the additional employees taken on over the last year, which we highlighted in our previous results presentation.

With the introduction of the new lease standard, our traditional focus on EBITDA has shifted to EBIT. Moving through the table, you can see ASX has achieved a solid EBIT margin of 69.3% despite the increased investment in both people and systems over the last year. This half saw the end to the elevated investment spread income that the business enjoyed in 2018 and 2019.

This, combined with the non-receipt of dividend income from our previous shareholding in IRESS, explains the 19.7% decrease in interest and dividend income from last half, contributing to an underlying profit after tax increase of 1.8%.

This has allowed the Board to determine a dividend of 116.4 cents for the first half of 2020. Now to the revenue results of our key business lines.

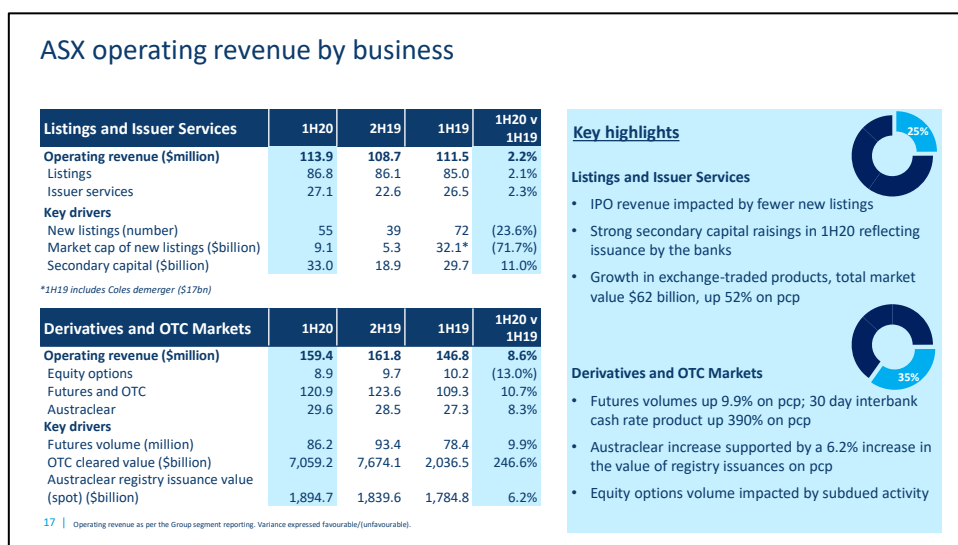


This half saw ASX continue to deliver stable revenue across all its business lines in both pre and post-trade offerings. The revenue contribution of the four business lines did not change markedly from the previous half, however a number of themes did play out across the portfolio. Our Listings business saw a slight decline in initial listing activity for the half, yet the resilience of the revenue profile in this business, assisted by the adoption in 2019 of the revenue-recognition accounting standard, removes the previous annual volatility in IPO and secondary listing earnings. Having said that, it was pleasing to see secondary listing revenue increase from the past year due to stronger corporate action activity.

Our Trading Services arm continued to see an increase in cabinet hosting and cross connections, with ASX maintaining an 88.9% share of on-market turnover for the half.

Our Derivatives and OTC Markets business, and our Equity Post-Trade Services business – which combined makes up 48% of our overall portfolio – saw elevated volumes in the market, which supported the company’s operating revenue increase of 7.1%.

Our Other line houses our share of current losses and profits in our equity investments such as Sympli. This number is similar to first half 2019 but a larger loss than the second half due to the receipt of a one-off debt recovery in that half. As Dom mentioned earlier, our Sympli JV leverages the payment infrastructure and expertise in our Derivatives and OTC business. Accordingly, in future periods, Sympli will be reported within the Derivatives and OTC business unit.



Running through each of the business lines ... firstly Listings and Issuer Services – this is 2.2% higher than first half 2019. The Listings revenue profile for the year has seen less growth this half compared to previous. This is primarily due to lower initial capital raisings mainly because of the Coles demerger, which occurred in first half 2019. Coupled with this were fewer IPOs coming to market this half, with only 55 versus 72 in the first half 2019. However, its pleasing to note this number was higher than the second half of 2019.

Secondary capital raised increased 11% with a strong flow of institutional and retail placements, as well as share purchase plans by corporates. While other listings also lifted this half due to a higher number of backdoor and AQUA listings, and an increase of 14 exchange-traded products.

The advent of AASB15 amortising the initial listings revenue over five years, and the secondary listings over three, means the variance between halves is muted. In the Appendix you can see each of the previous year’s amortisation contribution for both initial and secondary listings. This provides guidance to the revenue composition over the next little while.

Issuer services revenue has come in higher than first half 2019 at 2.3 % due to an increase in primary market facilitation revenue and higher market activity for this half.

Moving to Derivatives and OTC Markets. The elevated market volatility which we have seen over the last eighteen months has benefitted derivative volumes materially, leading to a 10.7% increase over first half 2019. Contract growth was particularly up in the first quarter following recent RBA activity and further rates speculation, however we have seen this volatility drop off since due to monetary policy easing.

Of note, our commodities volume also increased due to a rise in the number of customers and the introduction of a market-making scheme.

The increase in securitisation activity in the market in 2019 has flowed into the first half of this year, where we saw the total balance of issuances grow, assisting our Austraclear business to post an 8.3% increase over first half 2019.

In contrast, equity options has continued to decline through subdued activity since last year , with both single stock and index options down on first half 2019 by 13%.

All of these aforementioned activities support the overall revenue growth of this business at 8.6% over first half 2019.

Now turning to Trading Services and Equity Post-Trade results.

ASX operating revenue by business (continued)				
Trading Services				
	1H20	2H19	1H19	1H20 v 1H19
Operating revenue (\$million)	125.0	116.1	113.5	10.2%
Cash market trading	27.9	25.7	26.0	7.6%
Information services	53.5	49.1	47.2	13.5%
Technical services	43.6	41.3	40.3	8.1%
Key drivers				
ASX on-market average daily value (\$billion)	4.914	4.735	4.548	8.1%
Auctions value (\$billion)	186.7	172.8	161.2	15.8%
Number of ALC cabinets (spot)	324	324	310	4.5%
Equity Post-Trade				
	1H20	2H19	1H19	1H20 v 1H19
Operating revenue (\$million)	58.6	53.7	54.7	7.2%
Cash market clearing	30.0	27.1	27.3	9.7%
Cash market settlement	28.6	26.6	27.4	4.7%
Key drivers				
On-market value cleared (\$billion)	676.0	618.8	619.8	9.1%
Main settlement messages (million)	10.0	9.5	10.1	(0.4%)
Transfers and conversions (million)	11.7	10.4	10.6	10.2%

Key highlights

- Trading Services**
 - Auctions traded value up 15.8% on pcp
 - Lit trading market value up 8.2% on pcp
 - ALC connections up 7.5% on pcp with new service providers joining the ALC ecosystem
- Equity Post-Trade**
 - On-market value cleared up 9.1% on pcp, in line with higher traded value
 - Growth in settlement primarily associated with transfer and conversion of securities, up 10.2% on pcp

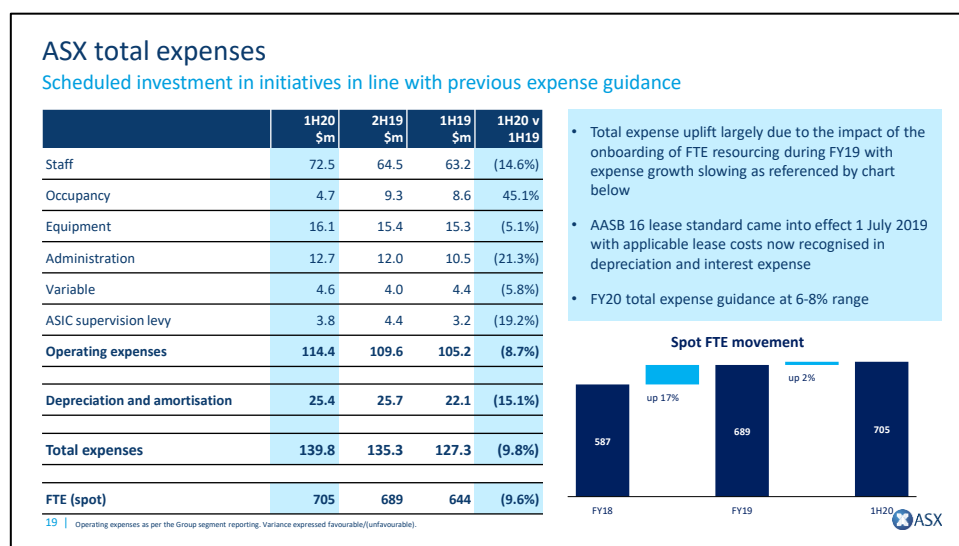
18 | Operating revenue as per the Group segment reporting. Variance expressed favourable/unfavourable

Cash market trading saw its revenue up 7.6% on first half 2019 due to average daily on-market value trading being up 8.1%. Of note is the continued increase in the use of Auctions, with its value growing by 15.8% over first half 2019.

Information services had another good half, assisted by an increase in benchmark and index revenue, and an increase in client usage. While technical services saw an overall increase in revenue of 8.1%, mainly due to an increase in the average number of cabinets as new and existing customers expanded their footprint. It was also pleasing to see the increase in revenue from ALC cross-connects through the ASX Net offering.

Moving now to Equity Post-Trade. Higher clearing and settlement activity levels translated into a 7.2% increase in post-trade revenue for the first half of the year. One can see the strong correlation between the 9.1% increase in on-market value cleared and the increase on the first half 2019 of 9.7%. Cash market settlement revenue increased by 4.7%, supported by the rise in total message volume, in particular the securities transfers and conversions.

Moving now to total expenses.



For the first half of this year total expenses have been contained to market expectations and we are on track with our guidance range of 6 to 8 percent growth for the full-year.

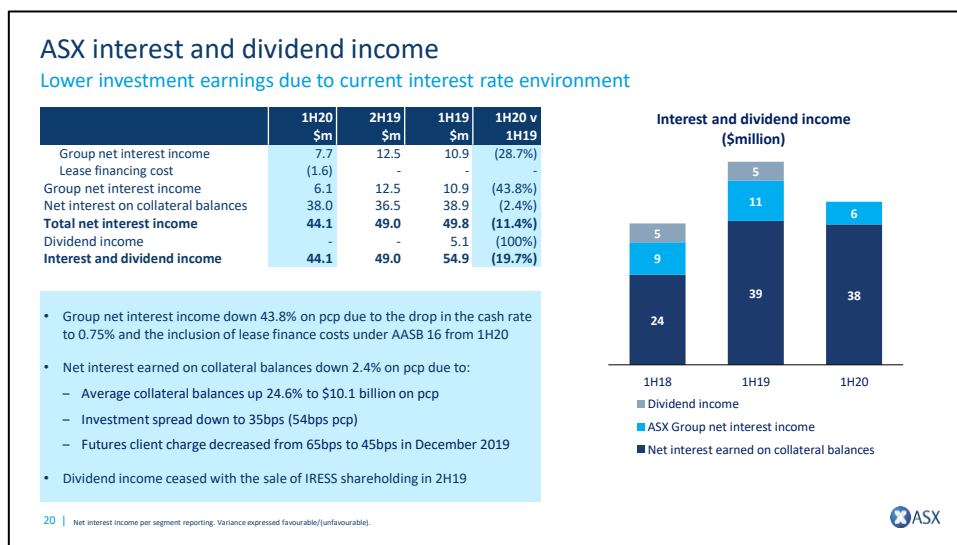
As expressed before, the largest component of the expense increase is the impact of the full annualisation of the circa 100 employees we took on over the previous financial year. You can see this on the top line of the chart where first half 2020 is 14.6% more than the first half 2019.

The new employees added resourcing to our critical licence to operate activities, as well as supporting key project initiatives such as CHES replacement. Recruitment has slowed since last year with only nominal business as usual growth.

Occupancy costs have dropped substantially with the introduction of the lease standard this half. The standard requires leases to be capitalised on the balance sheet with the corresponding annual charge recorded in the depreciation and amortisation line going forward.

Other notable expense line increases include equipment costs that grew by 5.1% on first half due to higher spending on digital and cyber related costs, whilst administration expenses were 21.3% higher than pcp mainly due to increased insurance premiums.

As mentioned, the depreciation and amortisation line has grown by 15.1% due to the inclusion of the operating lease amortisation. Excluding this charge, depreciation was down 6.2% on pcp reflecting lower asset additions in the half and the roll-off of some assets.



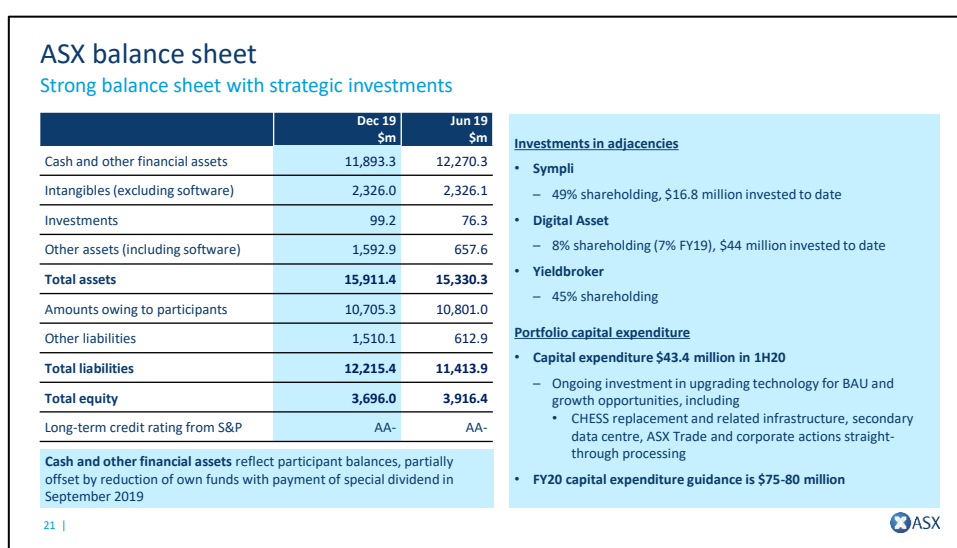
Net interest and dividend income is down on first half 2019 by 19.7%. However, excluding the non-recurring dividend income from IRESS, this decrease is 11.4%. This is mainly due to interest income on our cash balances decreasing 43.8%, with the three RBA cuts having a direct impact on our earnings with our maturing investments being replaced by lower yield investments.

Of note, our average earnings rate decreased 80bps over the half and we expect this will remain at this level over the short-term.

Net interest earned on our participant balances was down 2.4% on pcp, due to investment spreads dropping to 35bps compared to 54bps in the first half of 2019. Compensating this drop however, was the increase in participant balances to \$10.1 billion, a rise of 25% compared to pcp.

The near-term expectation is that rates will remain low, but we expect participant balances to remain at current levels. Of note however, is an ASX determination from December onwards that in light of the current interest rate conditions we have lowered our futures client charge from 65 to 45bps. This has had a nominal impact this half, but will have a larger impact over the next six months.

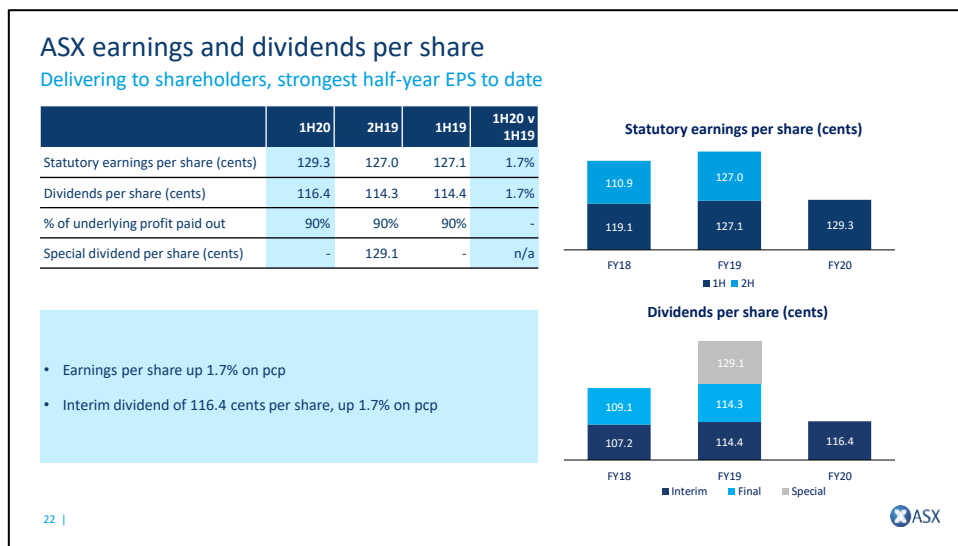
Moving now to examine ASX's balance sheet.



ASX's balance sheet is conservatively positioned with no change to our Standard & Poor's long-term credit rating of AA-. There are a couple of observations which I will talk to briefly – in the table on the left hand side you will note the cash line is lower than the previous half by the proceeds of the IRESS shareholding divestment being used to fund our \$250 million special dividend announced last half. Also of note, is the increase in investments through our participation in

the latest funding rounds in Digital Asset, bringing our total investment to \$44.1million, and our increase in investment in our Sympli joint venture of a further \$5 million, bringing our total investment to \$16.8 million.

Our strong balance sheet and consistent revenue growth has allowed ASX to support a portfolio spend this half of \$43.4 million. This is inclusive of our CHES replacement project, new secondary data centre and ASX Trade refresh. This technology work continues into the second half where we are on track with our capital expenditure guidance to the tune of \$75-80 million.



It is pleasing to note we have had a positive half that has seen the previously announced special dividend paid out alongside the continuation of our investment in core business growth and future adjacencies. We are confident that this investment will support and sustain Australia’s financial markets.

Aligned with the increase in profit for the half, ASX delivered EPS growth of 1.7% allowing the ASX Board to determine a first half 2020 fully franked dividend of 116.4 cents per share. The dividend can be fully funded from retained earnings and represents a payout ratio of 90% of underlying NPAT.

With that, I will hand back to Dom.



Thank you Gill. I will now close with a few summary points and then we can move to questions.

Summary and outlook

- 1H20 resilient shareholder returns highlights the strength of being a diversified, integrated exchange
- Strong momentum in execution of customer driven, technology focused strategy
- First six weeks of the new calendar year have seen continued solid volumes
- Elevated volatility expected to continue given global geopolitical uncertainty
- Strongly focused on the execution of strategic initiatives

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The strength of ASX's diverse business has delivered another period of solid earnings growth and sustainable shareholder returns.

We have strong momentum behind our technology driven, customer focused strategy.

It has been a good start to 2020, as seen in the January monthly activity report. Trading volumes in equities and futures were strong, and the strength in listings experienced last December has continued into the new year.

Ongoing uncertainty arising from various global challenges is likely to keep volatility elevated.

ASX has a full program and we're focused on the execution of our strategic initiatives. These initiatives will continue to strengthen the foundations of our operating platform, make doing business easier for our customers, and allow us to leverage our skills into new opportunities.

This is creating a stronger ASX that will enable our stakeholders to have confidence in the resilience and integrity of our business today and into the future.

Thank you, and at this stage we will go to questions if any in the room, followed by those on the phone.

Q&A

