



ASX Limited

2018 Macquarie Australia Conference, Sydney

*Strengthening the foundations for
continued resilience and future growth*

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1 May 2018



Agenda

- Financial results for the 9 months ending 31 March 2018
- Strengthening the foundations for continued resilience and future growth
 - CHES replacement journey
 - Other licence to operate initiatives
 - Listings framework enhancements
- Conclusions
- Questions and discussion

Highlights – financial results: 9 months to 31 March 2018

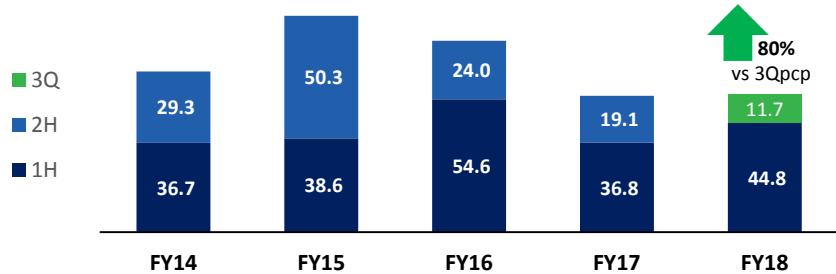
Unseasonably strong 3Q

	Mar 18 3Q	Mar 18 YTD	Variance % 3Q	Variance % YTD	
Revenue	\$204.6m	\$613.6m	+11.6%	+7.6%	<ul style="list-style-type: none"> • 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%)	<ul style="list-style-type: none"> • 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%	<ul style="list-style-type: none"> • 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%	<ul style="list-style-type: none"> • Higher average margin balances • Elevated cash investment spreads
Net profit after tax	\$121.4m	\$351.9m	+12.3%	+7.5%	<ul style="list-style-type: none"> • Continued solid performance from diversified business with multiple growth drivers

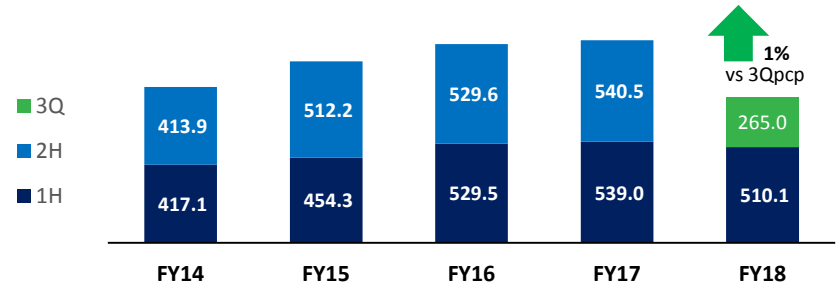
Highlights – 3Q18 activity levels

Strong growth in secondary capital raisings and futures, subdued equity trading

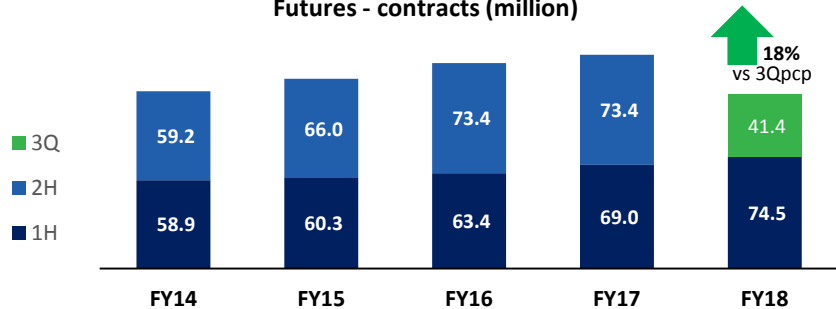
Total capital raised (\$billion)



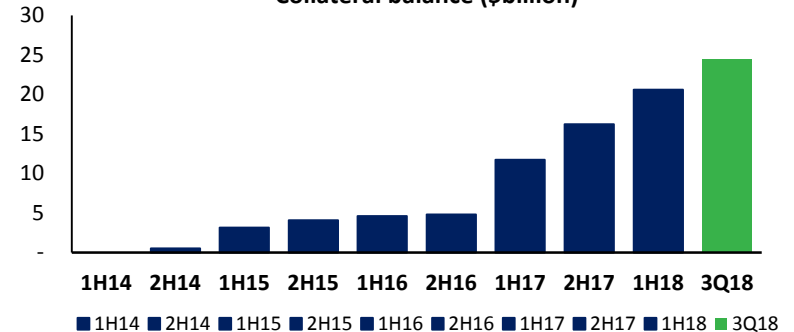
Cash market trading
ASX value on-market (\$billion)



Futures - contracts (million)



Collateral balance (\$billion)



Highlights – revenue: 9 months ended 31 March 2018

Strong quarter vs pcp, driven by futures volumes and secondary capital raisings

YTD revenue up 7.6%

Listings and Issuer Services

- YTD revenue \$164.4m, up 13.6%
- Typically seasonally quiet quarter due to Jan holidays and Feb reporting season
- Subdued initial listings (26 in 3Q18 vs 49 in 2Q18) consistent with seasonal impact
- Secondary capital raisings up 86% vs unusually softer pcp

Derivatives and OTC Markets

- YTD revenue \$212.0m, up 5.9%
- Strong 3Q reflecting market volatility, up 18.3% vs 3Q17
- Continuing positive impact from new international customers
- OTC notional value cleared up 23.9% vs 3Q17

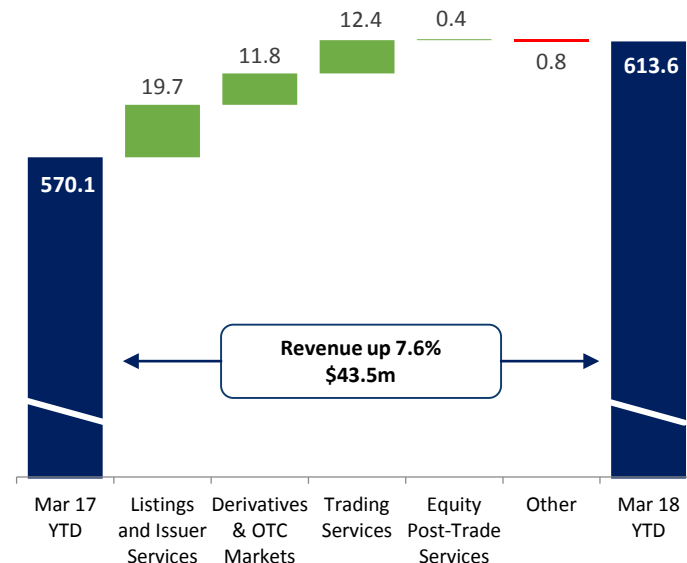
Trading Services

- YTD revenue \$157.4m, up 8.6%
- Auctions trading up 13.0% vs pcp and up 6.2% on Dec17 quarter
- Achieved meaningful revenue from new data strategy
- Continued to progress data platform and ecosystem strategy

Equity Post-Trade Services

- YTD revenue \$78.6m, up 0.6%
- Average daily value for 3Q18 slightly ahead of 3Q17 and 1H18
- 3Q18 absent 3Q17's 'Trump bump'
- Released proposed Day 1 CHES replacement consultation paper

Revenue movement (\$million)



YTD operating expenses

Increased \$8.0m, up 5.9% vs pcp

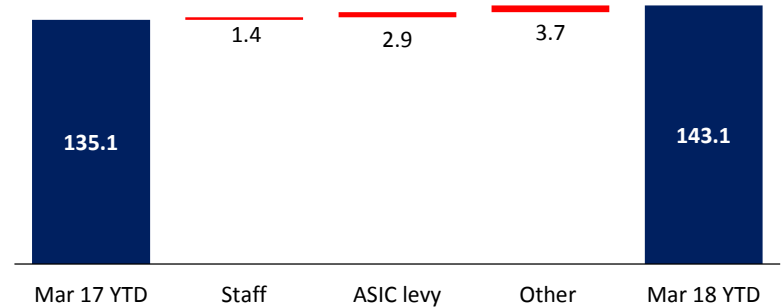
Operating expenses

- Staff costs up 1.6%
 - Average headcount in line with 3Q17 YTD
- ASIC supervision levy increased by \$2.9 million from \$2.2 million, up 132%
- Other up 7.5%
 - Postage increased \$0.9 million, up 18%
 - Electricity increased \$0.9 million, up 81%
 - Rent increased \$0.4 million, up 5%

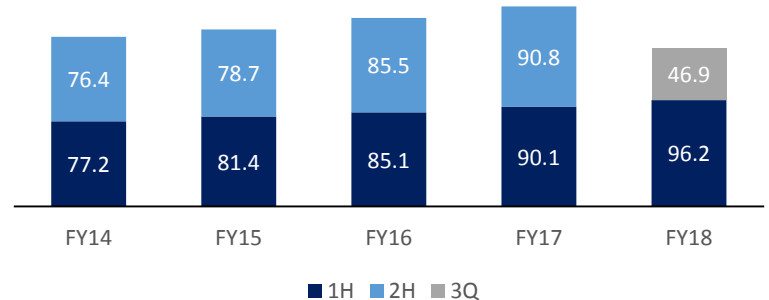
FY18 guidance unchanged

- Approximately 8% operating expense growth

Expense movement (\$million)







Expenses (\$million)



Strengthening the
foundations for
continued resilience
and future growth

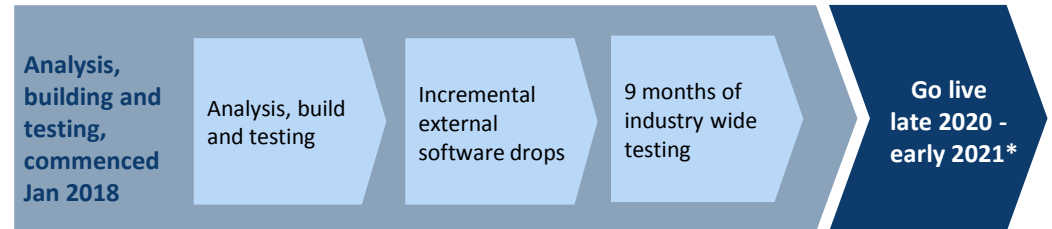
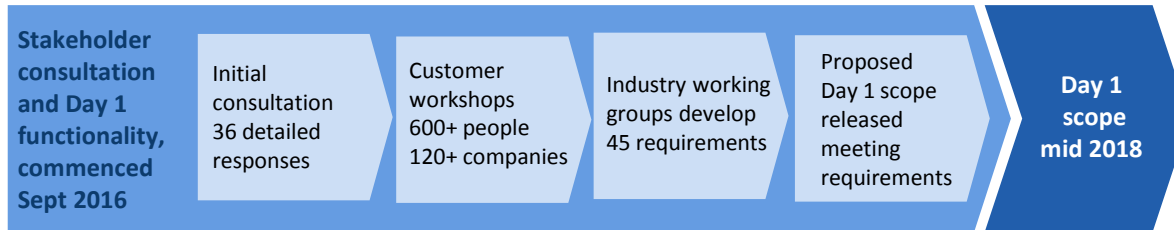
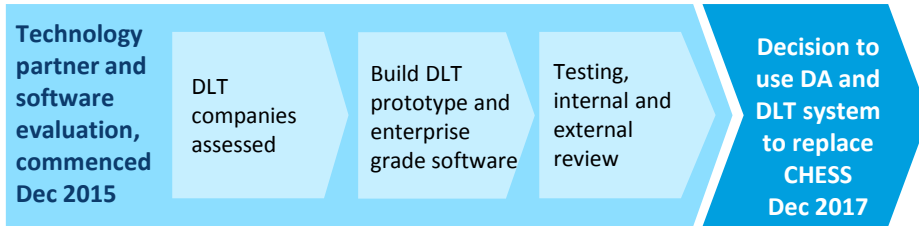
Strong core value proposition

Importance of reliability and resilience drives 'licence to operate' initiatives

Core customer value proposition 	Listings Initial and ongoing access to capital Lower cost of capital Listings integrity Branding	Trade execution Deep and diverse liquidity Hedging and risk transfer Market integrity Efficient and timely access Technical and data services	Post-trade Capital efficiency Risk reduction/netting Operational efficiency Settlement certainty
Macro growth drivers 	Demand for financial assets Large and growing savings system Growing capital needs Product diversification	Globalisation of markets Automation of OTC markets 24 hour trading	Regulatory developments Operational efficiency needs Capital efficiency needs
ASX initiatives  Business development  Licence to operate	Expansion of listings franchise ETF/ETP listings mFund expansion	Offshore customer acquisition ASX Benchmarks (BBSW) Centre Point innovation ALC/ASX Net solutions	CHES replacement/DLT OTC Clearing, client clearing Futures/OTC cross margining ASX Collateral
MAP upgrade Secondary data centre Operational infrastructure		Business monitoring tools and processes Listings compliance enhancements CHES replacement	ASX Net upgrade Digital refresh Customer service improvements

CHES replacement journey

Stage 1 complete, stage 2 completing soon, final stage 3 begun



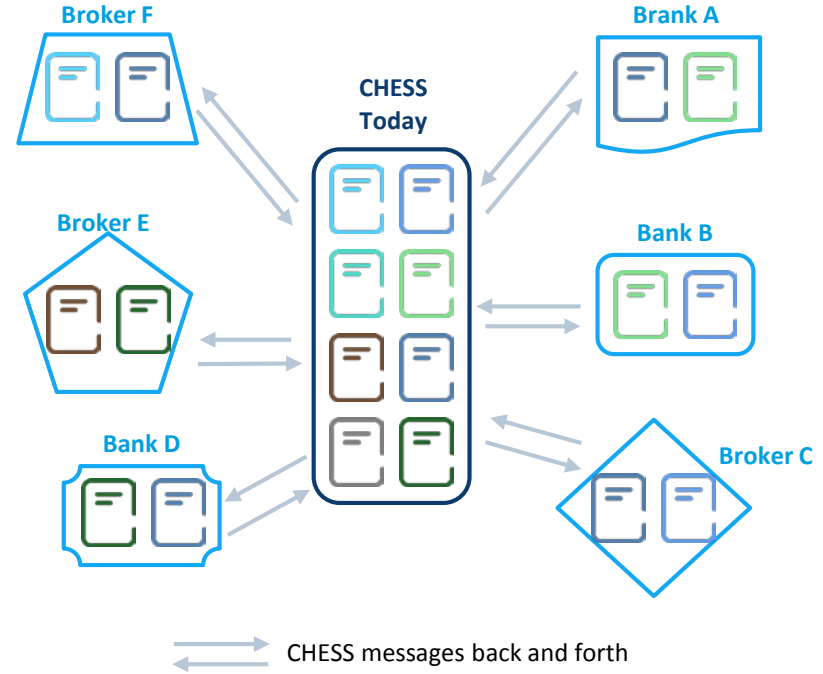
DLT will deliver benefits to customers

CHES currently sends messages to reconcile many disparate and varied systems



CHES today

- Highly reliable infrastructure for over 20 years
- All counterparties have their own bespoke operational databases
 - different to ASX
 - different to each other
- Counterparties
 - constantly sending messages back and forth to reconcile their data with ASX
 - also reconciling with registries, custodians, fund managers, super funds, wealth managers, retail



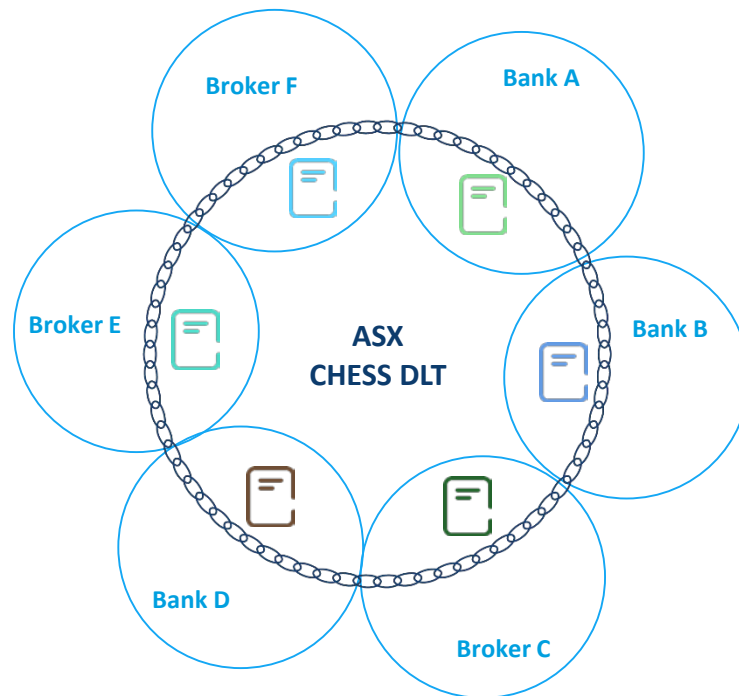
DLT will deliver benefits to customers

DLT-based CHES sees common customer databases with built-in real time source of truth



DLT-based CHES provides choice

- Common database structure
- Connection to ASX's single 'source of truth' DLT database via a node
- Databases to be kept in sync real-time without having to reconcile with ASX
- Common architecture enabling subsequently developed software to be used by any participant
- Opportunity for Austraclear to be upgraded onto DLT in the future



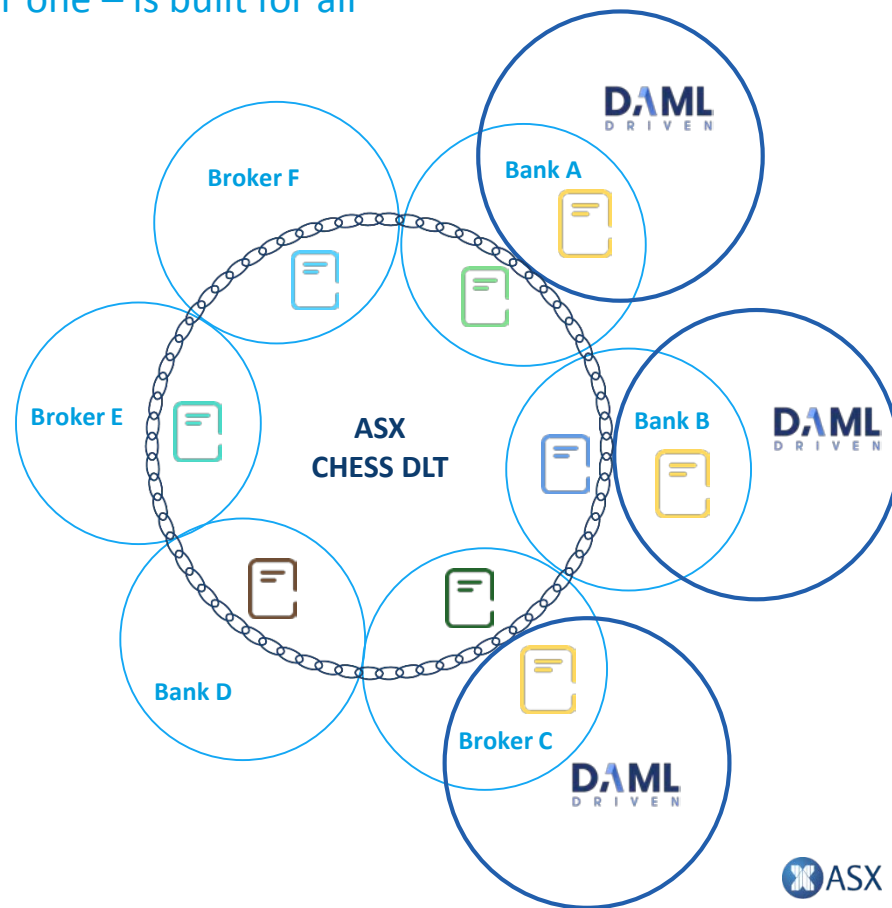
DLT will deliver benefits to customers

DLT-based CHES means application software built for one – is built for all



DLT-based CHES provides choice

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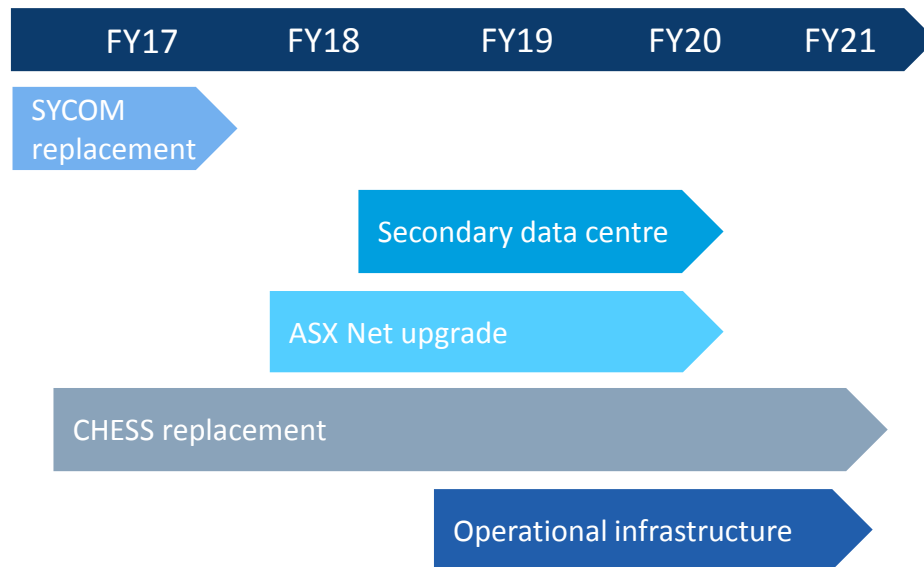
Accelerating projects to contemporise technology platforms

Will enable ASX to take advantage of the opportunities in the next 5 years



- Accelerating work to contemporise technology platforms will enable ASX to provide customers
 - richer, more timely data sets
 - better operational functionality
 - improved analytics
- FY18 capital expenditure guidance remains circa \$50 million
- As set out at 1H18 results, increase in capital expenditure due to secondary data centre upgrade forecast to be \$20-\$25 million over 2 years
- Delivering accelerated program expected to further increase capital expenditure by \$10 million per annum for the next 2 to 3 years
- Capital expenditure expected to be circa \$70 million in FY19

FY18 – FY21 capital expenditure projects*



Listings franchise expansion

Since 2012, new listings have provided attractive returns to investors



Strategy

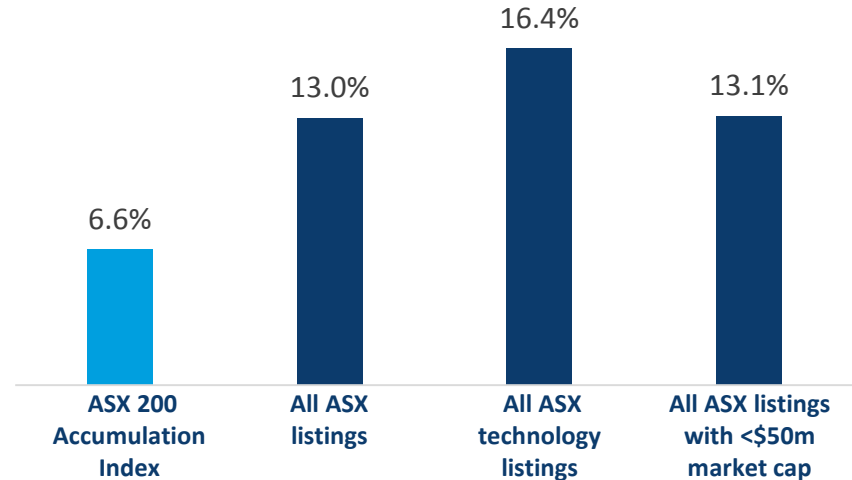
- List quality, investment-grade companies for the long-term that grow, trade, clear and settle on ASX
- Provide investors with greater choice through sectoral and geographic investment diversity

Results to date

- 784 listings occurred between January 2012 and February 2018
- If an investment of \$1 was made in each listing, the internal rate of return is approximately twice the return for the overall market

Internal rate of return investing:

- **\$1 in ASX 200 on every day of every ASX listing Jan 2012 – Feb 2018**
- **\$1 in every ASX listing since Jan 2012 – Feb 2018***



Listings compliance environment

Quality is key: we continue to evolve and strengthen our listings framework



2012	2013	2014	2015	2016	2017	2018
<ul style="list-style-type: none">• Good fame and character requirements• Major rewrite of Guidance Note (GN) 12 to regulate back door listings	<ul style="list-style-type: none">• Major rewrite of mining, oil and gas Joint Ore Reserves Committee (JORC) Code• Major rewrite of GN 8 to improve continuous disclosure	<ul style="list-style-type: none">• Amended GN 1 and GN 4 to tighten<ul style="list-style-type: none">– acceptable structure– minimum free float– minimum spread for emerging market issuers• Released 3rd edition Corporate Governance Principles and Recommendations	<ul style="list-style-type: none">• 10% minimum free float applied via GN 1• More control over standards by removing the right to appeal listings decisions• New (foreign exempt) category for NZ entities	<ul style="list-style-type: none">• New pre-vetting process for listings• 20% minimum free float and new suspension policy for back doors introduced as ASX policy pending rule changes• Major strengthening of admission rules• Introduced automatic removal of long-term suspended entities after 3 years	<ul style="list-style-type: none">• Tightened rules on reverse takeovers• Tightened guidance on minimal working capital• Introduced 'show cause' process to terminate delinquent listed entities• Removed trading halts for block sales	<ul style="list-style-type: none">• Tightened guidance on good fame and character requirements• Consulting on 4th edition Corporate Governance Principles and Recommendations• Consulting on extensive package of listing rule amendments inc.<ul style="list-style-type: none">– issue and quotation of securities– placement rules– related party transactions

Overall regulatory environment for companies

Keeping standards high: combined responsibility of many parties



Pre-listing responsibilities

DIRECTORS

- Due diligence on prospectus
- Good fame and character checks

LEAD MANAGERS

- Due diligence on financial aspects of prospectus

LAWYERS

- Due diligence on legal aspects of prospectus

INVESTIGATING ACCOUNTANTS

- Due diligence on accounting aspects and pro forma financials in prospectus

AUDITORS

- Provide assurance on 2 years (asset test) or 3 years (profit test) of financial statements

POTENTIAL INVESTORS

- Read prospectus and understand risks involved or seek advice

ASIC

- Reviews prospectus for Corporations Act compliance
- May issue stop order if prospectus false/misleading

ASX

- Reviews listing application and prospectus (including good fame/character checks) for compliance with conditions of admission
- May reject application if entity considered unsuitable for listing

Post-listing responsibilities

DIRECTORS

- Oversee running of the business
- Statutory duty to exercise due care and skill, and discharge responsibilities in good faith and in best interests of the company
- Ensure financial statements comply with accounting standards and give a true and fair view

AUDITORS

- Provide assurance financial statements comply with accountings standards and give a true and fair view

SHARE-HOLDERS

- Elect/remove directors
- Approve range of actions including remuneration report, significant change to nature of scale of activities

ASX

- Monitors and enforces compliance with Listing Rules
- Enforcement via power to suspend or terminate listing
- Refers potential breaches of Corporations Act to ASIC to consider formal enforcement action

ASIC

- Monitors and enforces compliance with the Corporations Act
- Has power to seize documents, interrogate under oath, ban directors and initiate prosecutions with fines and prison terms

MEDIA, COMMENTATORS, WHISTLEBLOWERS and OTHER STAKEHOLDERS

Watching, reporting investigating and drawing attention to suspicious activity

Conclusion

We are making good progress strengthening our foundations

Strong 3rd quarter

- Record futures volumes due to increased volatility and new customers
- Secondary capital raisings were strong in February and March
- FY18 operating expense growth and capital expenditure guidance remain unchanged
- FY19 capital expenditure expected to be approximately \$70 million

Positioning ASX for continued resilience and future growth

- DLT-based CHES provides benefits to customers through efficiency and innovation
- With opportunities on the horizon, we are accelerating the upgrade of our technology platforms to enable pursuit of growth initiatives
- Listings compliance enhancements supporting strategy to seek quality listings for the long-term

Questions and discussion

Appendix

Income statement – 9 months to 31 March 2018

	Dec 17 1H18 \$m	Mar 18 3Q \$m	Mar 18 YTD \$m	Variance % 3Q	Variance % YTD
Operating revenues	409.0	204.6	613.6	11.6%	7.6%
Operating expenses	96.2	46.9	143.1	(4.4%)	(5.9%)
EBITDA	312.8	157.7	470.5	13.9%	8.2%
Depreciation and amortisation	22.4	12.2	34.6	(9.4%)	(4.1%)
EBIT	290.4	145.5	435.9	14.3%	8.5%
Interest and dividend income	38.2	25.6	63.8	2.9%	2.3%
Profit before tax	328.6	171.1	499.7	12.4%	7.7%
Income tax expense	(98.1)	(49.7)	(147.8)	(12.7%)	(8.2%)
Profit after tax	230.5	121.4	351.9	12.3%	7.5%

Diversified business with multiple growth drivers

Diversification supports revenues across different market cycles

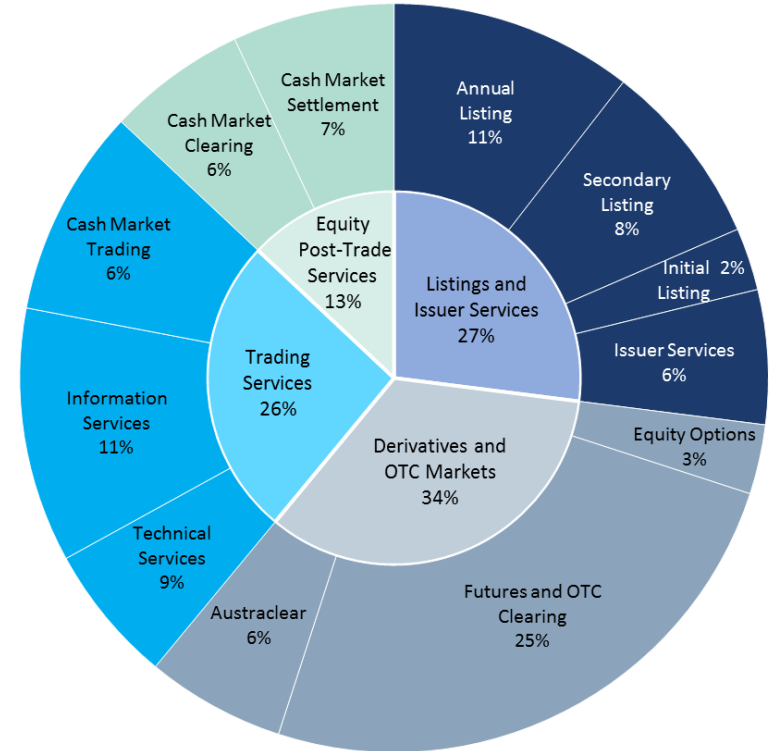
- **Product and service diversification**

- Primary market facilitation via listings
- Cash market trading, clearing and settlement
- Exchange-traded futures and options
- OTC clearing
- Depository, registry and collateral services
- Information and technical services

- **Asset class diversification**

- Equities
- Fixed income
- Energy
- Commodities

Revenue contribution by business - 9 months to 31 March 2018



Thank you.

Disclaimer

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