24 March 2021

Australian Securities and Investments Commission
Mr Nathan Bourne
Senior Executive Leader, Market Infrastructure
Level 5, 100 Market Street
SYDNEY NSW 2000

ASX Market Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

DIVIDEND LETTER

Attached is a letter to shareholders from the Chairman and the Managing Director and CEO regarding ASX's FY21 interim dividend and half-year financial results.

Release of market announcement authorised by:
Daniel Csillag
Company Secretary

Further enquiries:
Media
David Park
Senior Adviser, Media and Communications
T +61 2 9227 0010
M +61 429 595 788
E david.park@asx.com.au

Investors
Josie Ashton
Head of Investor Relations
T +61 2 9227 0646
M +61 416 205 234
E josie.ashton@asx.com.au

ASX Limited ABN 98 008 624 691

ASX Half-Year 2021

Letter to Shareholders

From the Chairman and the Managing Director and CEO

24 March 2021

Dear fellow ASX shareholder

On 11 February 2021, ASX announced a solid result for the first half of the 2021 financial year (1H21), achieved during a period of mixed conditions. ASX's operational performance reflects the strength of our diversified business model.

Group revenue was up 3.4% to $470.5 million – a rise of $15.6 million. Revenue growth in our cash equities-related activities – particularly Listings and Issuer Services, and Trading Services – offset the impact of the RBA's COVID-driven yield curve control program on our Derivatives and OTC Markets business.

Listings and Issuer Services revenue growth of 11.4% reflected increased retail trading activity and a vibrant IPO environment. The total amount of capital raised increased by 24% to $52 billion, and the number of IPOs for the period was up by 55% compared to the same time 12 months ago.

Trading Services delivered 4.2% revenue growth driven by buoyant equity volumes, which led to a 19% increase in the on-market value traded on our equities market, rising across the period to $5.9 billion on average each day. The information services division within Trading Services grew by 5.2%, as it too benefitted from rising retail equity market activity.

ASX's expenses rose 8.2% to support initiatives and variable market-related activity costs. Equity market activity in FY21 has been stronger than what was anticipated back in August 2020, and as a result, full-year expenses guidance has increased to 8% to 9% growth, up from 6% to 7%.

Capital expenditure was $54.5 million for the half, with full-year guidance increased to $110-115 million, up from $90-95 million. This reflects expenditure to cater for higher volumes, the expanded CHESS replacement program, and ASX's ongoing commitment to strengthen our foundations to build an exchange for the future.

Resilient earnings

ASX benefitted from elevated trading levels and strong capital markets activity across the last six month. However, increased earnings before interest and tax (EBIT) was not enough to combat reduced interest income driven by lower rates, which led to a decline in profit (NPAT) for the half.

Statutory profit dipped to $241.8 million, down 3.4% or $8.6 million.

We have determined a fully franked 1H21 dividend of 112.4 cents per share, down four cents per share, or 3.4%. This dividend represents a continuation of ASX's dividend policy to pay out 90% of underlying NPAT.

Financial highlights

	1HY21	Variance (pcp)
Operating revenue	$470.5 million	↑$15.6m **↑3.4%**
Total expenses (includes depreciation)	$151.4 million	↑$11.6m **↑8.2%**
Earnings before interest and tax (EBIT)	$319.1 million	↑$4.0m **↑1.3%**
Net interest income	$26.7 million	↓$17.4m **↓39.5%**
Net profit after tax	$241.8 million	↓$8.6m **↓3.4%**
Interim dividend per share	112.4 cents	↓4.0cps **↓3.4%**

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‘ASX remains well positioned to serve Australia’s financial markets and our shareholders, given our mix of businesses, product and operational expertise, and commitment to investing in the technology that supports our industry’s integrity and growth.’

Increasing operating resilience and reliability

As part of our plans to build an exchange for the future, ASX is continuing to progress its multi-year technology investment program, which will reduce the average age of our equity technology stack from 11 years in 2019 to four years by 2023.

Regrettably, we suffered our first major outage for over two years when the new ASX Trade equity platform experienced a disruption on 16 November 2020. The incident overshadows the significant improvements we have made in recent years to operational resilience via our Building Stronger Foundations program.

That program has seen customer-facing incidents fall 78% from 2016 levels and outages across our five main market systems at their lowest levels since the ASX-SFE merger. There will be learnings from the recent incident as we continue to improve and enhance our platforms and processes. While we are deeply sorry for the disruption, it is in the interests of our stakeholders that we continue to contemporise our technology.

As expected, the challenges arising from COVID were felt during the half and are likely to continue for at least the short-term. ASX remains well positioned to serve Australia’s financial markets and our shareholders, given our mix of businesses, product and operational expertise, and commitment to investing in the technology that supports our industry’s integrity and growth.

A new product for a post COVID interest-rate environment

On 30 November 2020, ASX launched a 5-year Treasury bond futures contract. The 5-year offers users an additional tool to help manage risk amid the evolving fiscal response of the Australian Government to the ongoing challenges of COVID-19, which has seen increased bond issuance from the Australian Office of Financial Management.

Like all new products, the 5-year will take time to build momentum. However, there have been significant levels of customer interest and trading volumes since its launch. Given the combination of demand for a 5-year product pre-COVID and the significant increase in bond issuance since COVID, we are confident that the new futures contract has the potential to become one of our flagship interest rate derivative products. It is already providing an important, additional point of liquidity on the interest rate curve.

Chair successor announced

Subsequent to the reporting period, ASX announced that Rick Holliday-Smith will retire from the Board at the conclusion of its next meeting on 21 April 2021 and be succeeded as Chairman by current independent non-executive director Damian Roche.

Mr Holliday-Smith has served as a director of ASX since July 2006 and as Chairman since March 2012. He advised that this would be his final three-year term when re-elected to the Board in 2018.

Mr Roche was appointed a director of ASX in August 2014. Prior to that, he had more than 20 years’ experience in global investment banks, with extensive cross-asset class expertise spanning the equities, fixed income, and commodities markets, with a specific focus on the Asia Pacific region, including Australia. He is well placed to help lead ASX as it continues to build an exchange for the future.

- Complete 1H21 results materials are available on the Investor Relations page of the ASX website: www2.asx.com.au/about/asx-shareholders
- Any questions you would like to ask ASX can be emailed to: investor.relations@asx.com.au

Thank you for your support.

Yours sincerely,

Rick Holliday-Smith
Chairman

Dominic Stevens
Managing Director and Chief Executive