ASX FY18 Financial Results

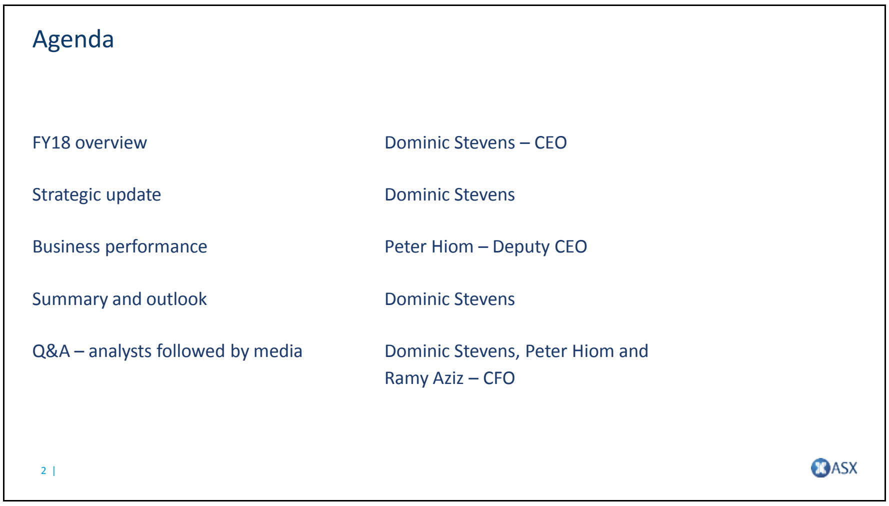
Dominic Stevens, Managing Director and CEO
Peter Hiom, Deputy CEO

Speaking Notes

16 August 2018

(Check against delivery)

Good morning everyone. Thanks for joining us here at ASX, on the phone or via the webcast. As it's now 9.30am, I'll begin.



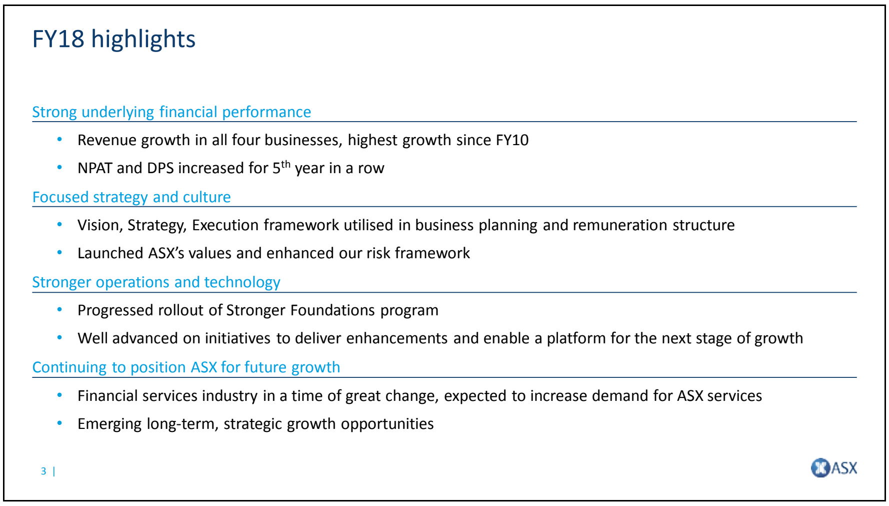
My name is Dominic Stevens. I'm the CEO of ASX and it's my pleasure to present our results for the 2018 fiscal year (FY18).

I will begin with our financial results and then spend time giving you an update on our strategy and a review of some of the changes we have made over the last two years.

After that, our Deputy CEO, Peter Hiom will take you through each of our businesses and provide a more detailed analysis of the key drivers and operational highlights.

I will then return to summarise, speak to outlook and take questions - from the room and from those on the phone, firstly from analysts and then from media.

I will be joined for those questions by both Peter and Ramy Aziz our CFO. Ramy is delivering his last financial results at ASX and we thank him for his long and successful service to our company over 18 years.



Let's begin with the key highlights of FY18.

ASX has delivered a strong operating performance. Revenue in all our four businesses grew.

This continues a long line of revenue, EBITDA and NPAT increases.

Today, you will also hear about the work we have done at ASX around strategy and culture, and the framework that has been rolled out and embraced across the firm. I'll discuss our updated vision and values, and what we've done to enhance our risk framework.

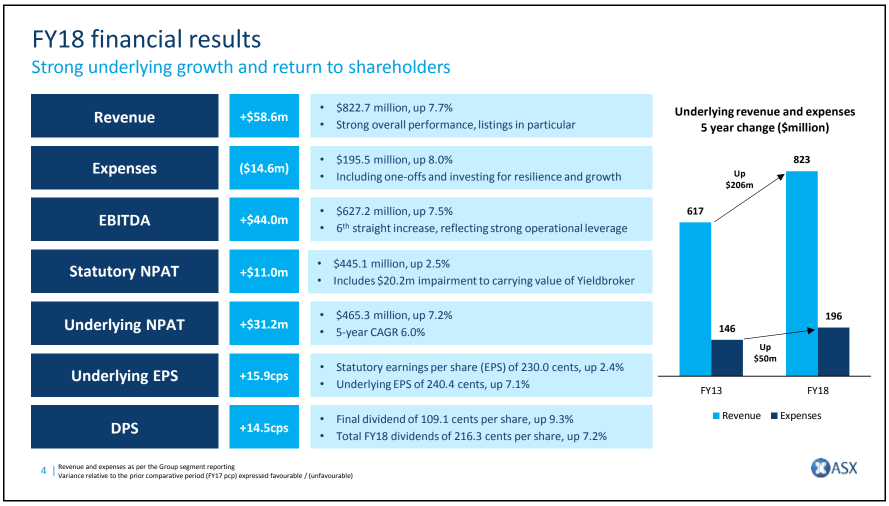
Not only has it been a solid financial year, ASX has also delivered meaningful progress on our Stronger Foundations program, which I discussed at our 9-month update.

We see this program giving ASX the opportunity to increase its resilience and to enable it to have a solid platform on which to build the growth of the next 5 to 10 years.

We believe the financial services industry is in a period of great change, and many aspects of this change are being driven by forces that help increase demand for ASX's existing services.

Additionally, ASX is investing in infrastructure that will support the products and services that will be valuable to our customers in the future. This sees a number of exciting strategic growth opportunities emerging. I will address these a bit later.

I will now move to the financial highlights on slide 4.



We saw a strong revenue performance this year, in fact the strongest growth we have seen in 8 years. Revenue was up $58.6m to $822.7m – an increase of 7.7%. This increase was broad-based across the firm, and was achieved against a backdrop of a subdued equity trading market which saw limited growth in the demand for trading, clearing and settlement services.

Expenses came in as planned with a rise of $14.6m, being an 8% increase, a proportion of which was driven by one-offs, which we gave guidance on this time last year. In addition, ASX has been investing to strengthen its operating foundations, as we discussed at our 9-month update.

This saw EBITDA increase by $44m or 7.5%. Notably, we continue to add revenue at a cost to income ratio of around 25%. The chart on the right hand side of the screen shows you the last five years of this performance. Over that time you can see we added marginal revenue of $206m against marginal expenses of $50m, which is a solid outcome.

Each year the Board looks at the underlying value of the assets on our balance sheet. This year we reduced the carrying value of our shareholding in Yieldbroker by $20.2m. Yieldbroker is Australia's preferred venue for the electronic trading of bills, notes, bonds, repos and swaps. This investment has been written down to $46.5m, reflecting the fact that while we are confident that Yieldbroker remains well-placed as the inevitable electronification of fixed income markets continues, the speed of that change has been slower than expected. Given we intend to hold Yieldbroker long-term, there is no tax benefit booked against this write-down.

This means that our NPAT results are as follows:

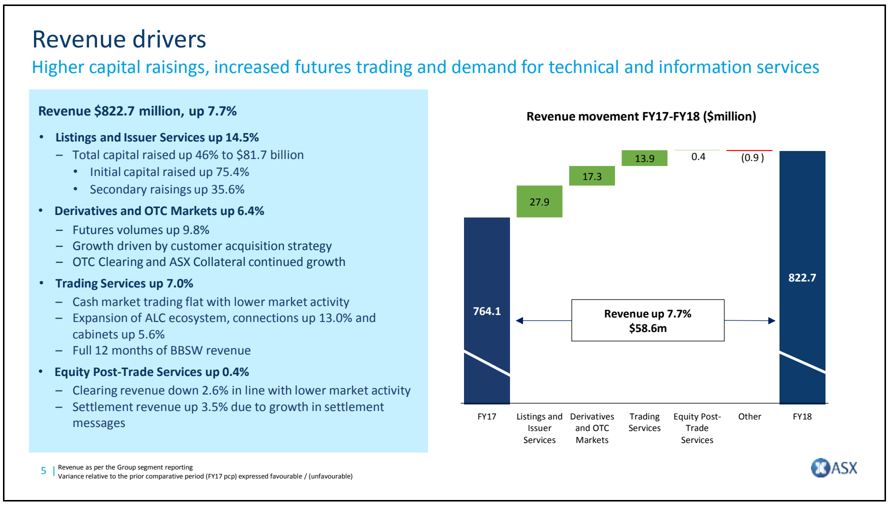
- ASX statutory NPAT up $11m or 2.5%, and
- ASX underlying NPAT up $31.2m a rise of 7.2%.

This rise in net profit flows to EPS which has grown by

- 2.4% on a statutory basis, and
- 7.1% on an underlying basis.

The dividend was not impacted by the Yieldbroker non-cash write-down as our dividend policy is to pay out 90% of underlying earnings. Our final dividend will be 109.1 cents per share fully franked, bringing total dividends for the year to 216.3 cents per share, up 7.2% on last year.

I have much to say on strategy this year so I will only touch briefly on the high-level revenue drivers and leave Peter to provide the detail in his section.



Our overall revenue increase of $58.6m was driven by a number of factors.

Listings revenue increased by 14.5%, driven by an increase of 46% in total capital raised to $81.7bn. Both primary and secondary raisings grew strongly in the year, which also has a flow-on effect to issuer services revenues. The number of IPOs was fewer, but on average larger, in FY18.

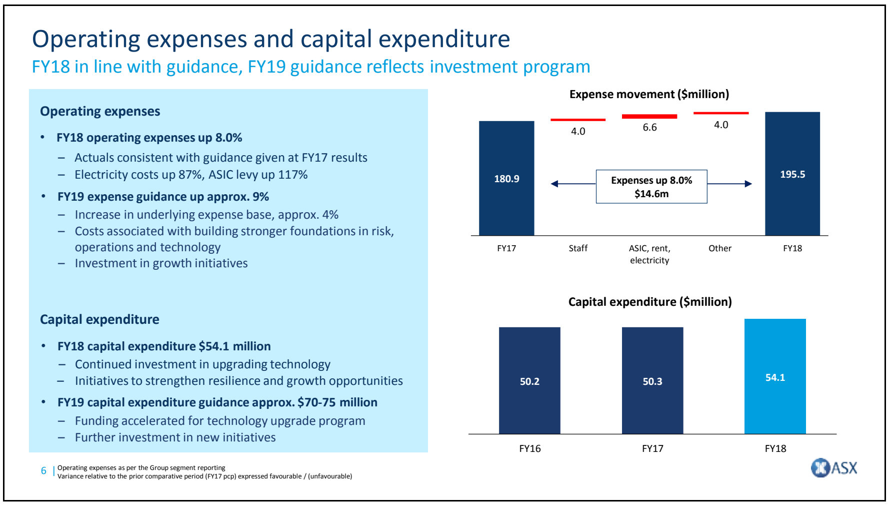
Our largest business – Derivatives and OTC Markets – saw revenue up by 6.4%. This was a strong result driven mainly by an increase in the number of offshore users on our platform and some elevated intervals of volatility increasing volume. OTC Clearing and ASX Collateral continued to grow off higher bases, and Austraclear and equity options saw small gains.

Trading Services was up a pleasing 7.0% this year, given the subdued nature of equity trading in general. Cash market trading revenues were slightly lower this year as total on-market trading reduced by 2%.

Information services and technical services both had solid revenue gains for the year, of 9.3% and 10.1% respectively. Information services benefitted from the acquisition of the BBSW benchmark business and technical services income continues the theme I spoke about at the half-year around the success of the ALC's open ecosystem.

Finally, Equity Post-Trade Services saw a subdued year given slightly lower turnover in equity markets. Obviously, the focus within this business this year has been on the DLT CHESS replacement, which I will discuss shortly.

Turning now to expenses and capital expenditure.



In FY18, ASX expenses were up 8.0% as guided to the market this time last year. Underlying categories of expenses came in as expected, with increases driven by some large one-offs such as the ASIC levy, up 117%, and electricity costs, up 87%.

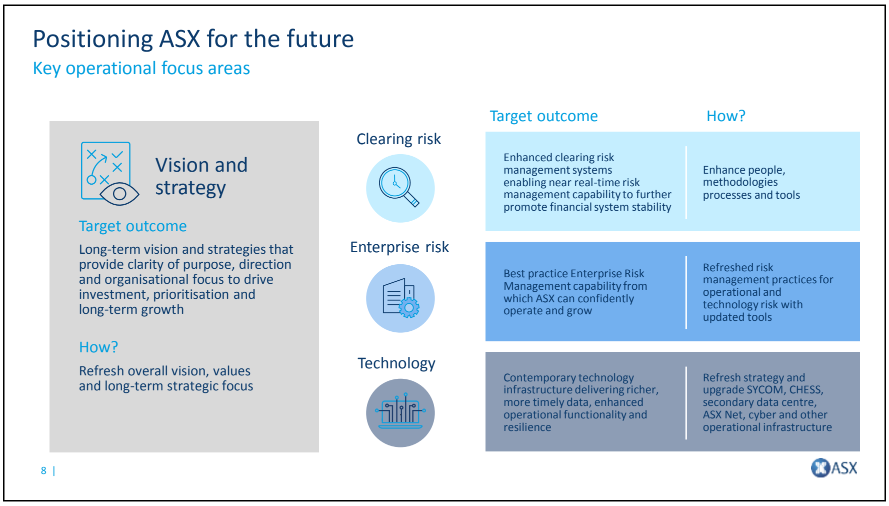
Looking out to FY19, we are expecting expenses to be up by 9%. This reflects three factors:

- Firstly, underlying growth coming through from increases in staff costs, equipment and services as our business grows – which is around 4%
- Secondly, an increase related to our Stronger Foundations program, which looks to improve the operational resilience of ASX and its operational efficiency
- Finally, investment in growth-related initiatives.

On capital expenditure, we saw a $54.1m investment in FY18, broadly in line with our guidance of circa $50m. For FY19, there is no change from what I indicated at the 9-month update – that is, the replacement of the secondary data centre, and the acceleration of the build in technology infrastructure means we will see capex increase around $20m over the coming year. As such, our guidance is for capex in the range of $70m to $75m.

Peter will provide more detail on each of the individual businesses. I will now move on to discussing our strategic focus.

So, to take a step back, I have been in my current role for two years. It's been a busy time, a lot has been achieved and I think now is an appropriate time to recap on some of the strategic changes that have been delivered and some of the key opportunities we see in the future.



When I started in August 2016, my first focus was on strategy. Shortly after, I organised a management offsite which marked the beginning of defining ASX's future strategy. As part of that offsite we explored where the industry might be in 10 years' time and what part ASX would play in that future.

I also looked at how we could improve our risk management capability. This was always going to be a strong focus for me, given much of my career had been based in this area.

Finally, I needed to better understand our strategy for technology, because it was clear that technology was profoundly changing our industry, and that was only going to accelerate with innovations like Artificial Intelligence, the Cloud and distributed ledger technology, or DLT.

This early work led to operations and technology being brought together under a single Chief Operating Officer. Soon after, we appointed a new Chief Risk Officer and a new Chief Information Officer. We've also appointed new heads of Legal and of Strategy since then.

Today, I am going to tell you about our new vision and strategy framework and also dive into our progress in three other key areas:

1. Financial management of clearing risk
2. Enterprise risk management and technology governance, and
3. Our overall technology platform.

So, let me begin with our … **new vision, values and strategic focus**.

In setting out our strategy, ASX used a vision/strategy/execution framework. That is – what is our long-term (by this I mean 10 years plus) vision for ASX? What strategies are we going to employ to get us there (think 3 to 7 years)? And, given these strategies, what specific executables do we need to deliver in the next 12 months to progress our strategies and move us closer to our long-term goal?

Our vision had previously been to be 'the leader in A$ and NZ$ markets'. However, one might argue that in our field, we are the leader already and that we need something that would serve as an aspirational target for the future of ASX.

We wanted a vision to reflect that we compete in our derivatives and listings businesses on a world stage. We also needed to reflect that we connect the world to the Australian financial markets, and we are now embarking on a world-leading upgrade of our post-trade systems using DLT.

We also wanted a vision that recognises the importance of balancing what we achieve with how we go about it. By this I mean that success is not just about size, profitability, growth or global reach. How we manage operational resilience, provide customer service and act with integrity with our customers, regulators, shareholders and staff are critical to our success. Doing all this earns the respect of our stakeholders.

This thinking led to a new vision for ASX to be 'The world's most respected financial marketplace'.

We set out a number of strategies to support this vision, which you see on the screen.

1. Building an open and **diverse ecosystem** of products, services and stakeholder partnerships
2. Providing **innovative solutions and technology** for our customers and for the benefit of the broader industry
3. Ensuring **enduring trust, integrity and resilience** in our relationships, brands and systems
4. Constantly seeking to enhance our customers' experience by being **customer centric** in everything that we do
5. And strengthening the **collaborative culture** among our people.

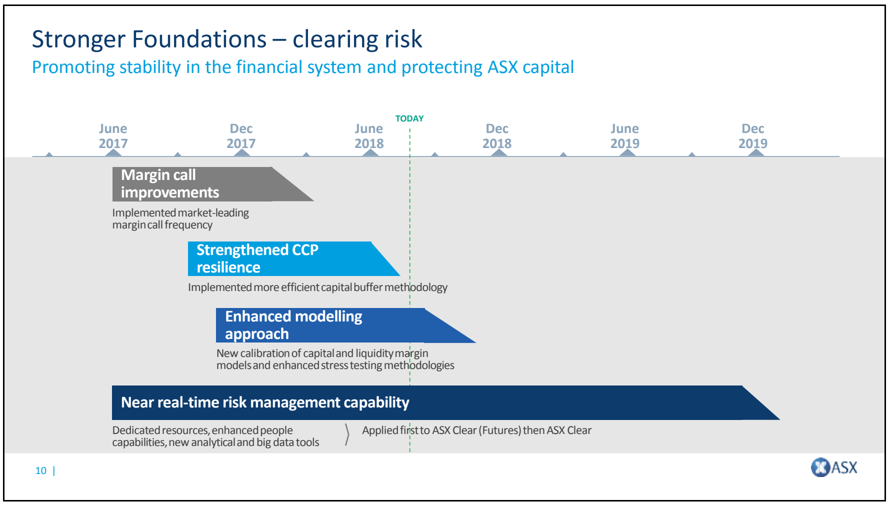
Importantly, sitting under each of these strategies are individual initiatives. I won't get into the minutia of these except to say that ASX splits the initiatives into two broad categories to maintain balance:

- Licence to Operate activities and
- Growth Initiatives.

We are focused on getting the right balance between these two. I have covered many of our Growth Initiatives at past briefings, so today I will focus on our Licence to Operate activities.

Having set out our strategy, I'll now take you through the key operational focus areas I mentioned earlier.

Firstly, **improvements to clearing risk management**.



Why is this important? The management of financial risk is paramount to ASX as we provide financial resources to the clearing houses. We are investing to make sure we are as good as we can be in this area.

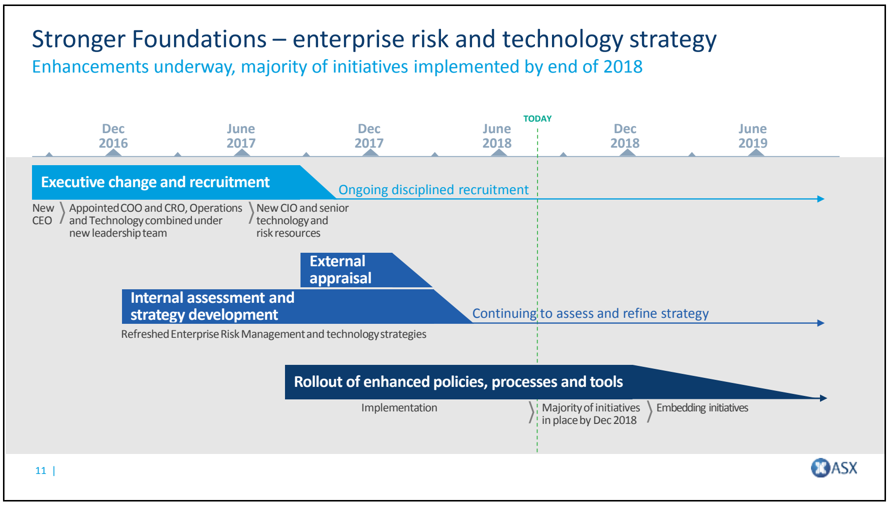
Since mid-2017, we have made significant progress improving our overall clearing risk function. This has involved a number of initiatives you can see on the screen including:

- Enhanced margin call functionality – where we now make more frequent and targeted calls
- We strengthened CCP resilience via changes to capital buffers
- We have enhanced and recalibrated margin models and our stress-testing methodologies
- And finally, we have been working towards an enhanced model allowing a detailed real-time risk management capability.

All this has put us in a better position to understand the impacts to ASX and the Australian financial markets of any potential instabilities in any relevant financial institution or world markets in general. This promotes stability in the financial system, helps to protect ASX's capital and improves the efficiency of our clearing house.

And now to …

Improvements to enterprise risk management and technology governance.



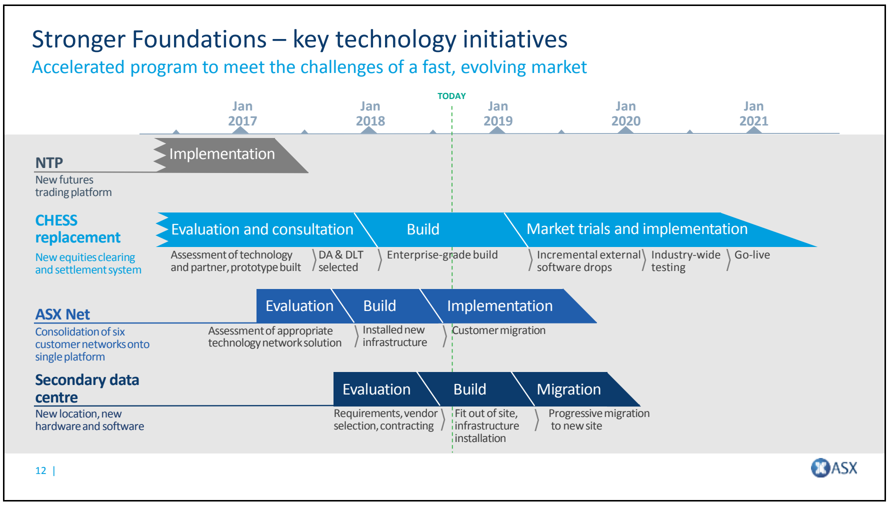
During the course of 2017, ASX reviewed all aspects of its enterprise risk management processes and procedures. The last 5 years has seen considerable global progress in this area, and our new CRO and risk team put together an updated enterprise risk management plan in late 2017.

In addition to enterprise risk, our new CIO commenced in mid-2017 with a remit to drive improvements in the management and governance of our technology. Having brought Technology and Operations together, and having added key new hires, we identified a range of opportunities for improvement across Risk and Technology.

These opportunities were then validated, added to and enhanced by an external appraisal in the last 3 months of 2017. This appraisal took on board the significant work already underway and provided a more detailed roadmap.

We are well advanced into this work that will see improvement in the management of risk and technology at ASX. We expect to have in place the majority of the initiatives by the end of calendar 2018, which will then be embedded in the organisation over time.

Finally, I want to talk about … **preparing ASX's technology platform for the future**.



In addition to the work around strategy, risk and governance, ASX – as part of its technology upgrade program – made some significant decisions during FY18.

1. Firstly, for context – it is worth mentioning that we replaced the SYCOM system (our old derivatives trading platform) in late FY17 with NTP in the early stages of this program.
2. Secondly, we are currently in the process of finalising the work plan (reflecting substantial feedback from customers) for replacing CHESS. The replacement system is a foundational piece of technology, not only for ASX but for the whole Australian issuing and investment community. As you can imagine, this is a large work program, which has already been running for 2 to 3 years. We will shortly announce the finalised scope and roadmap for implementation.
3. ASX is also consolidating the networks it currently runs from six down to one contemporary streamlined, high-performance network. This will deliver a higher quality of service and enable these existing networks to work together and communicate seamlessly with each other. This work is at implementation stage and the consolidation of network routing to the new system is underway.
4. Another piece of technology that has served ASX well for over 20 years is our secondary data centre. We will upgrade this centre to a new state-of-the-art, third party facility that will allow us, in a BCP scenario, to take advantage of the more modern and sophisticated features that already exist at our primary facility, the ALC. This project is also well underway.

This is an extensive program of capital expenditure. However, they are all investments that ASX would have to make at some stage in the near future.

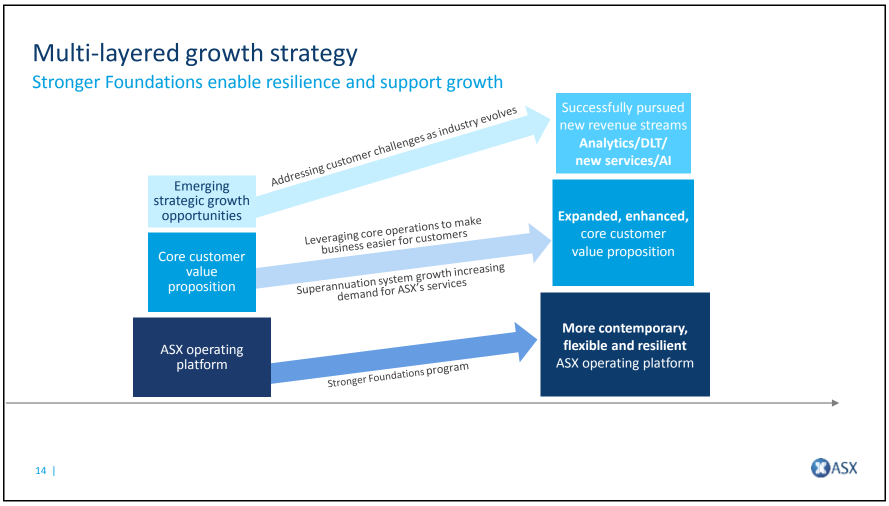
So – why are we bringing forward the upgrade of a number of our key technology platforms? The answer has two parts:

1. Firstly, we concluded that if ASX is to maintain its strong track record as a dynamic, reliable and resilient marketplace it was time to upgrade these foundation systems.
2. Secondly, we have a view that the next 3 to 7 years will be transformational for our customers and the broader financial services industry, especially the back office administration of securities, derivatives and other assets.

As you can see, ASX is investing and moving forward to meet the challenges of a changing market.

What the future holds.

Before I hand over to Peter, I would like to finish with the opportunities I see for ASX in the coming years.



As I have often said, ASX delivers a strong core value proposition to its customers. The listing, trading, clearing, settlement, technical and data services we provide are integral parts of the Australian financial system and economy. This core value proposition sits on top of ASX's operating platform. This operating platform allows us to reliably service the needs of our customers, and as such, it needs to be strong and resilient.

Fortunately, demand for our core value proposition is growing, in part because:

- The economy and the pool of investible assets are growing, and will continue to grow, into the foreseeable future at rates greater than nominal GDP
- There are profound global trends affecting our intermediary customers. Since the GFC,

  – increased regulation, higher compliance burdens, lower returns, and the emergence of new technologies

  this is driving demand for financial market infrastructures, like ASX, to offer

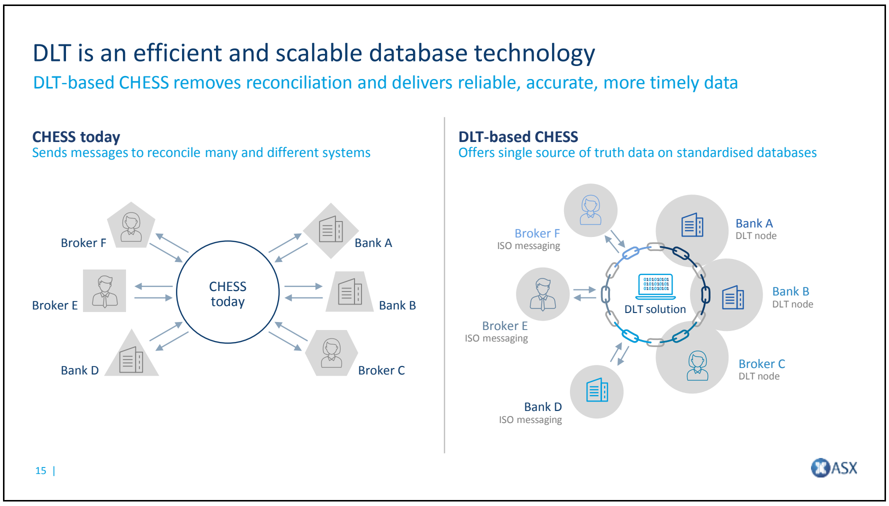
  – auditable electronic execution services, central counterparty clearing to reduce risk, post-trade and technical services that reduce complexity, mutualisation of costs and improvements to straight-through processing, and data analytics that reduce operational risk and deliver insights to drive revenue growth.

We believe that as a trusted and independent financial market infrastructure operator, ASX is well-placed to offer these services. That's why it's important that we continually improve and update our operating platform.

This is where I believe ASX, particularly over the medium-term, can grow. There is a huge opportunity, but it will play out over a number of years. This acceleration in investment will pay dividends as I believe it will enable us to address the growing needs of our customers, and to do so faster and more successfully.

These new services will be in areas such as DLT, data and analytics, process and automation, AI, etc. However, and this is important, we see ourselves **not as a competitor to** those serving issuers and investors, but as a **supplier of infrastructure, structured data and analytics to help these** service providers innovate and grow.

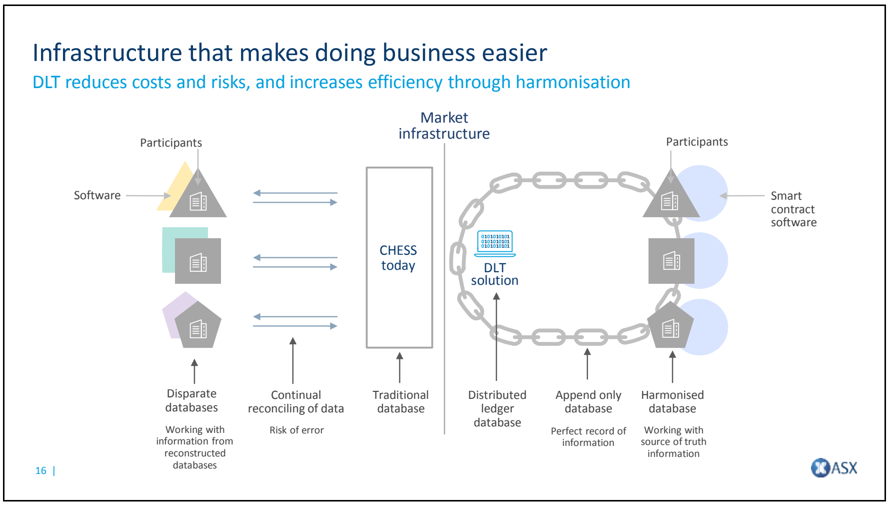
To illustrate some of the benefits a DLT-based system can provide for the industry, it is instructive to look firstly at what changes DLT brings and then how that can be used by the industry.



If we look at CHESS today, we see that it sits centrally as the source of truth. All day every day, participants send messages back and forth to the CHESS database to make sure they are perfectly reconciled with it. This process is prone to errors and expensive to fix. The databases of participants can also be different, meaning there are multiple versions of software essentially doing the same thing.

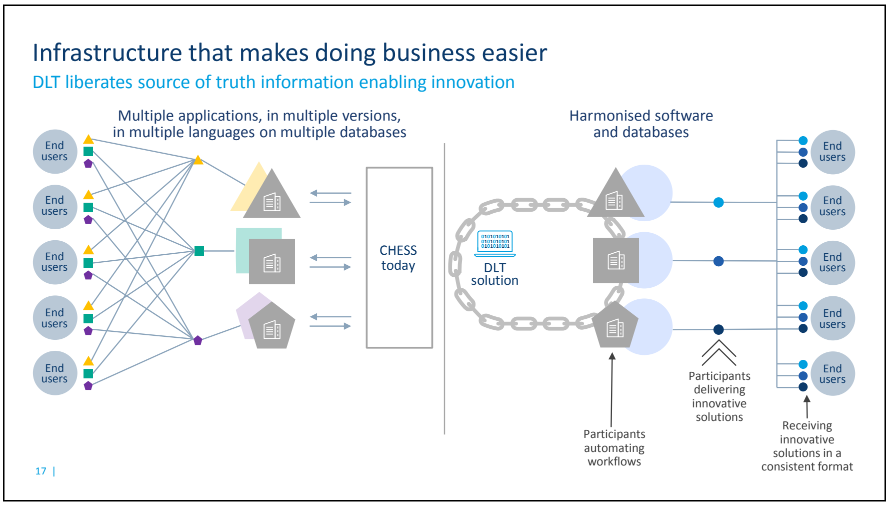
In a DLT world, instead of sending messages back and forth to reconcile the many and varied databases, participants who choose to connect by having a 'node' are linked via the distributed ledger that forms a perfect chain of title that cannot be altered. Put simply, the 'node' is part of the source of truth database held by ASX. DLT-based CHESS will give participants the option of receiving messages, which is similar to what they do today, or connecting via a node.

To elaborate on what difference this makes for customers, I have set up a head-to-head between old CHESS and DLT. This is very simplified, but I hope it helps to explain.



- If I begin in the centre and work my way out.
  - In the old world we have CHESS
  - In the new world **we have a DLT solution**.
- Firstly,
  - Old world is message-based needing continual reconciliation and can be prone to error
  - New world participants have access to the source of truth in real-time (via a node), and can prove to themselves they have the correct data without having to ask ASX. **No more reconciliation**.

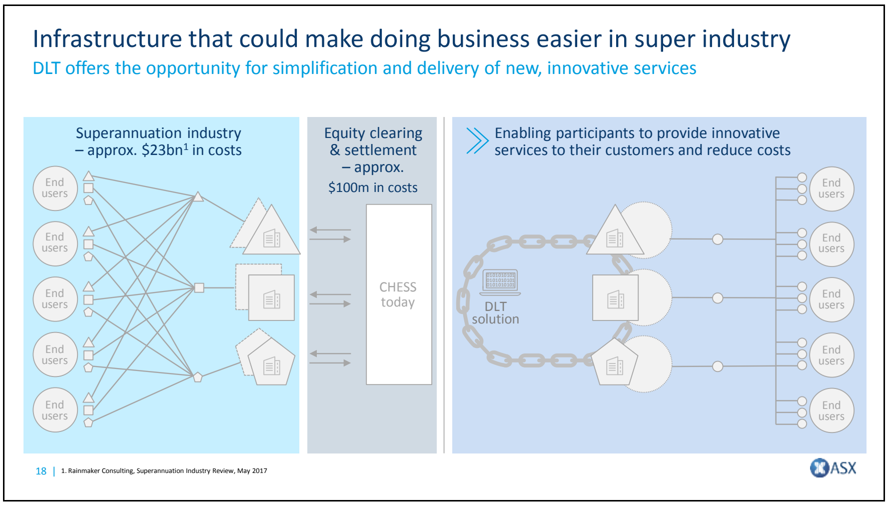
- Secondly,
  - Old world participants have many and disparate databases, expensive to support, upgrade and maintain
  - New world participants have a database harmonised with ASX and with each other, meaning applications written for one participant will now work for other participants – **further reducing risk, cost and complexity**.



- Thirdly,
  - Old world has multiple applications, in multiple versions, written in multiple languages, sitting on multiple databases, and there are complex manual processes that support the systems when they go wrong. None of the participants' systems can talk to each other easily, only to CHESS
  - New world has a standard, easy to use smart contract modelling language that sits on a harmonised database. Processes and services can be built to operate multilaterally across the system – that is, between one participant and another, not just between a participant and ASX. This means you can create multi-party automated and simplified workflows across industry participants, not just within one. **This allows significant service innovation for the market**.

- Fourthly,
  - Old world, the end-users ultimately pay for all of the complexity inherent in the system. Innovation by their service providers is understandably slow and expensive. If end-users use multiple intermediaries, they will have to deal with many different systems, data formats and processes
  - New world will see intermediaries and other providers deliver enhanced services to issuers and investors that will sit directly on the source of truth. This will not only accelerate the efficient delivery of existing services, **but also unleash service innovation across an ecosystem of interconnected users**.

By doing all of this within a highly secure environment where permissioned users have access only to the data that they are entitled to see, ASX is safely liberating the source of truth information in real-time such that it can be used by participants and other providers to build new services across the value chain. This will provide tremendous value by being a great business enabler for our customers, and a significant enabler of innovation for issuers and investors.



Let's take a further step back and look at the size of the opportunity ASX can 'help enable'. It is interesting to note that the costs to the industry of equity clearing and settlement is about $100m. However the total costs of the super industry alone, according to Rainmaker, is $23bn. This makes the opportunity to be an 'enabler to the bigger picture' a big one.

If the value of what we can deliver by providing an enriched, real-time source of truth information to the industry ultimately allows the industry to offer new services that create only 5% incremental revenue or cost savings to end-issuers and investors, we think it's absolutely worth pursuing.

Of course, the equity market is not the only place where ASX can help create this type of value for customers. The same is true for the settlement of bonds through Austraclear, or for other asset classes that financial institutions still manage on legacy technology and with manual processes.

These represent another large potential opportunity. And if all of these improvements were based on a common technology, this should allow our customers who span these different markets to simplify their businesses even further.

After almost 3 years of intense research and development we can see the benefits of a DLT system to the financial services industry. It is also clear that it's not just financial services, but any industry that could benefit from the availability of real-time source of truth information.

These are longer term strategies for us that play to our strengths as a trusted, central counterparty with a long track record in running markets. ASX is a company that has successfully leveraged new technology in the past and is committed to remaining at the forefront as new opportunities unfold in the future.

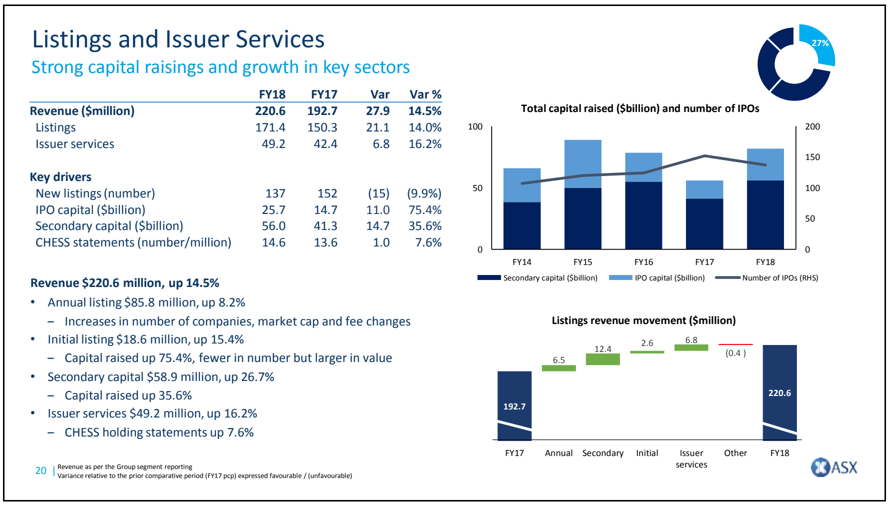
Other financial market infrastructures are watching us closely, and for good reason. Our global clients will want to see evidence that other financial market infrastructures adopt this technology. We are encouraged to see a number of them working with our technology development partner Digital Asset.

Let me close by saying, notwithstanding these exciting opportunities, ASX's focus remains squarely on the rollout of DLT as the replacement of CHESS. However, we believe ASX has a huge opportunity to create value in the $20bn-plus financial services industry and even in other industries over the medium-term.

I now handover to Peter to take us through the performance of ASX's individual businesses.

Thank you Dom, and good morning everyone. I will now run through the results of our four businesses. This shows a continuation of the growth story at the half-year, which has resulted in most businesses performing better against pcp in the second half.

So to begin, let's look at Listings and Issuer Services, which contributed …



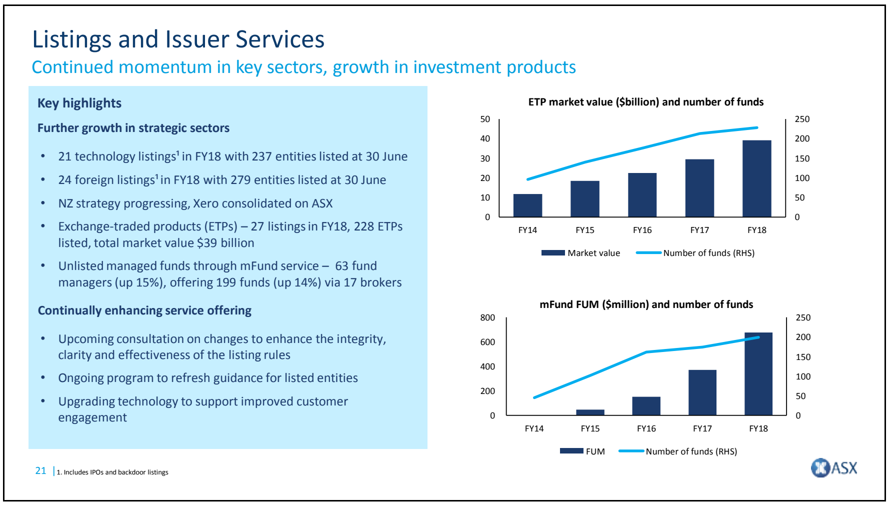
…. 27% of operating revenue. Listings and Issuer Services covers capital raisings, investment products and a range of other services we provide to issuers.

Listings revenues were $220.6m, up 14.5% in a buoyant capital market and was our strongest performing business. This result is particularly pleasing given the subdued market sentiment at the start of the year and was aided in the second half most notably by the Unibail-Rodamco-Westfield listing.

As we did at the half-year, we have provided a waterfall breakdown of the revenue movements – which you can see in the chart at the bottom right. Annual fees and secondary capital raisings explain the bulk of the revenue growth. This has been driven by an increase in the total number of companies listed, the amount of secondary capital raised, an uptick in market capitalisation, and changes to annual listing fees.

I should also point out that the accounting for initial and secondary listing fees is changing due to a new standard that applies from FY19 onwards. The current interpretation of the new standard means that ASX will be required to spread this revenue over a number of years rather than recognising it upfront. More detail on the future impact is provided in our Financial Statements and as an appendix to this presentation.

Now let me update you on our tech and foreign listings strategy. You can see we have …



… added 21 new technology companies and 24 new foreign listings (noting that 5 companies actually sit in both these numbers). We have continuing interest from global mid-cap companies who see the benefits of listing on ASX – one board, contemporary and flexible rules, and access to the large and growing Australian capital market.

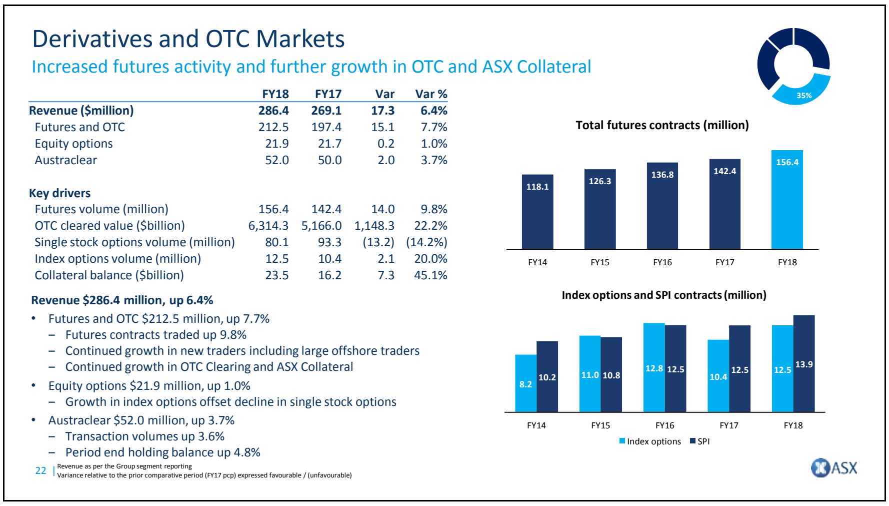
One highlight of particular note was the decision by Xero to consolidate its listing on ASX. This decision has been vindicated by Xero's average daily turnover having doubled when compared to the 6 months prior to consolidation. This has been complemented with Xero's movement from the ASX 300 into the ASX 100 index.

I talked at the half-year about our goal of expanding the range of products we offer that give investors exposure to Australian and overseas markets through ETPs and mFund. We continue to see good growth in the ETP sector where we have added 27 new products, which brings the total number of products to 228 with a total market value of $39bn, up nearly 33%.

mFund continues to grow strongly with funds under management up 83% and the universe of fund managers and products having grown to 63 and 199 respectively. mFund balances now stand at $677m. And since balance date, the number of mFund products has moved beyond 200.

As we execute our strategy, we continue to focus on strengthening our brand and reputation while maintaining the quality and integrity of our market. This includes strengthening our compliance activities, using technology to enhance our decision-making, and focusing on customer service primarily through the refresh of our digital offering.

Now for our largest business …



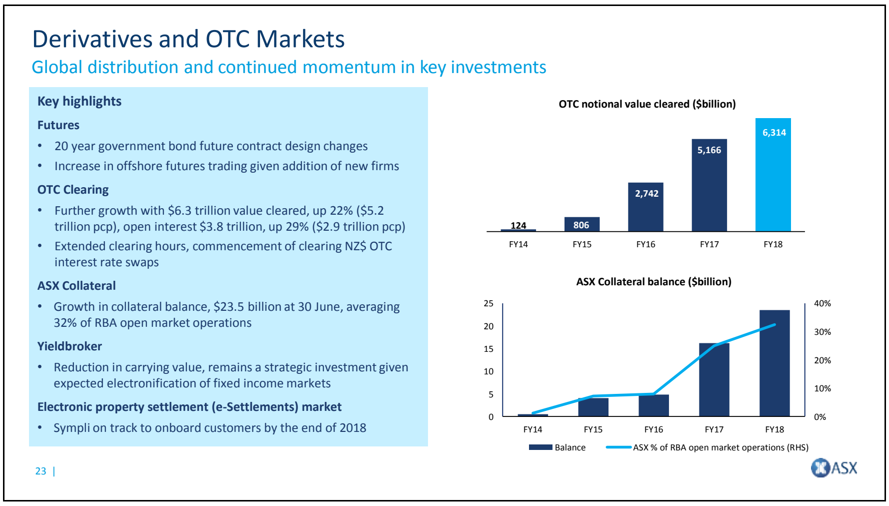
… which is Derivatives and OTC that contributed 35% of operating revenue. This includes all futures and OTC clearing, equity options and Austraclear – including ASX Collateral.

Revenues were $286.4m, up 6.4%. This has been supported by good growth in futures volume – up 9.8% against pcp. This was driven by a rise in volatility between late January and April that has since abated, and also the addition of new proprietary trading customers. There remains a positive long-term trend in our interest rate futures business. When combined with Austraclear and our growing OTC and ASX Collateral services, we are able to provide an integrated offering that makes it easier for our customers to better manage all aspects of their rates businesses.

I am also pleased to report that we have seen modest growth in our equity options business for the first time since FY15 – driven by growth in index options and consistent with the broader trend towards the use of passive index products.

Moving to Austraclear, revenues are up 3.7%, supported by good growth in holding balances which are now at just under $2tr. We see continued long-term growth in Austraclear balances in line with the expansion of the Super sector.

Let's look at some of our business development initiatives in a little more detail …



… Firstly, we are listening to our customers and investing to make the futures market work more effectively for them. An example of this is amending the design of our 20 year government bond futures contract.

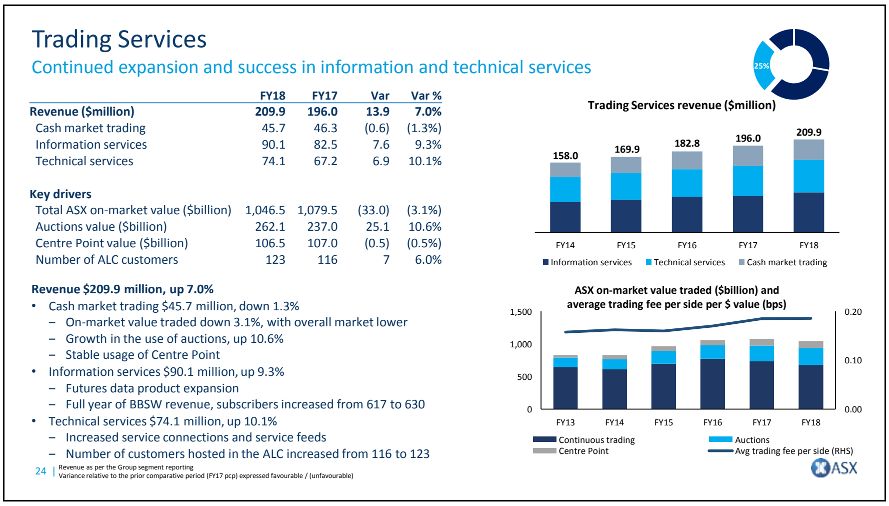
Moving to OTC Clearing, in FY18 we extended our trading hours and our currency offering to include NZ$ interest rate swaps. We had hoped to have on-boarded our first client clearing customers by now, but the process of readying customers has taken a little longer and we now anticipate on-boarding customers in the first half of FY19. We now have $3.8tr of open positions and turnover was $6.3tr, up 22.2%.

ASX Collateral growth continues – with balances at $23.5bn at 30 June and peaking at $25.7bn in the year. ASX Collateral is used by our customers primarily to optimise their collateral use for repo transactions with the RBA – the chart at the bottom right shows that our collateral balances now represent 32% of open market operations (up from 25% last year). Our focus is now on expanding the number of collateral receivers to broaden the use of ASX Collateral outside of the repo market.

ASX has reduced the carrying value of its Yieldbroker investment. This was a prudent step – recognising that automation, or electronification, of fixed income markets has taken longer to play out than we anticipated. Notwithstanding this, we remain convinced of the strategic value of our investment and the inevitability of the automation of fixed income markets. Yieldbroker's bond, swap, bill and repo offering complements our futures business, and Yieldbroker remains very well placed to benefit as the need for regulatory compliance drives electronification of fixed income markets.

Finally, we are pleased to report that Sympli, our new e-conveyancing joint venture with InfoTrack, is progressing well. The Sympli team, in addition to a number of ASX staff members, are currently focused on working with the banks and obtaining the regulatory approvals required to commence operations. Customer feedback has been positive and the business is well-advanced in the development of its technology solution.

Now let's move to our Trading Services business, which …



… encompasses cash equities trading, information services and technical services – and contributed 25% of operating revenue.

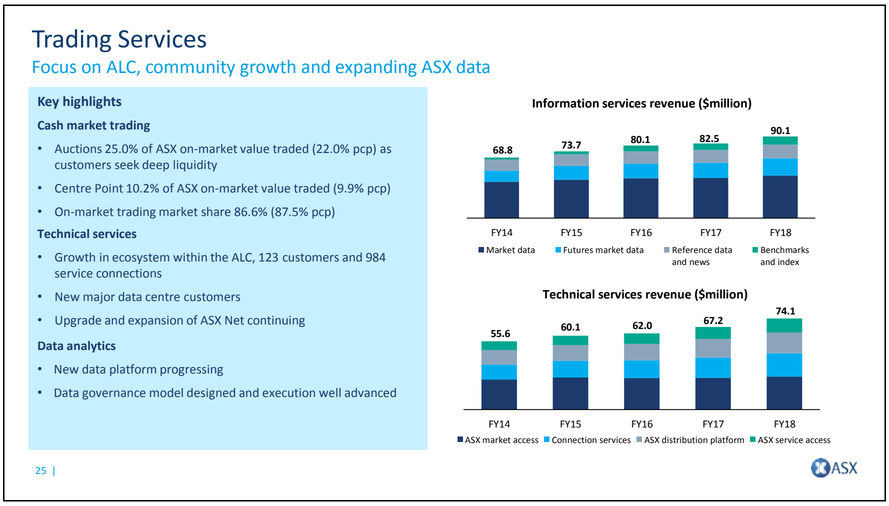
Here we see revenues of $209.9m, up 7%. This is a good performance and has been driven by growth in information and technical services, offset by a slightly weaker performance in cash market trading.

After a slow start driven by lower levels of volatility, cash market trading revenue improved in the second half being $45.7m for the full-year, down slightly on pcp. On-market value is down by more than this at 3.1%, but had less impact because we continue to grow our Auction and Centre Point services for which we earn higher fees.

Information services growth was driven by BBSW and other new products. The completion of the transition to the new BBSW methodology has further strengthened our position as a trusted, independent provider of benchmark data and we now measure up very favourably against global markets in terms of the timely publication of the benchmark. FY18 was our first full year of BBSW revenue and we have now grown the subscriber base to 630 – a welcome expansion to our data ecosystem.

I mentioned at the half-year that the composition of the Trading Services business has evolved over the last 10 years. Credit to the team for achieving this in a highly competitive environment and we see this trend continuing.

So let's look at our growth activities in a little more detail.

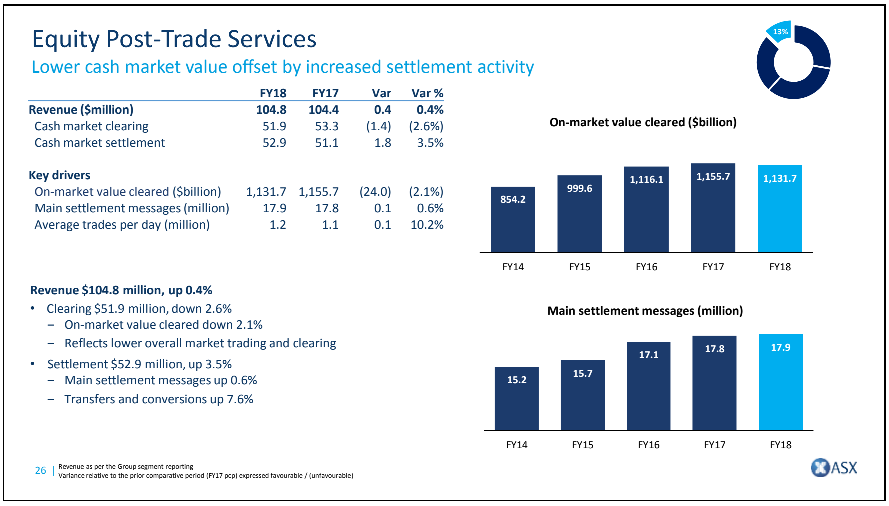


We've already covered cash market trading, so I will jump to technical services where we are very satisfied with progress in growing the ALC ecosystem. We have increased the number of customers to the ALC to 123, and have grown the number of service connections from 871 to 984. We have also won mandates from major clients choosing to use the ALC as their primary data centre.

To support the expansion of the services we offer, we are well-progressed with the ASX Net upgrade that Dom mentioned earlier. This multiplies the value of the service offering by allowing us to provide more access options and more content to customers.

One of our important growth initiatives has been to develop a data analytics offering. Our goal is to bring valuable, high quality and curated ASX and third party data on to a secure platform so that ASX and a diverse set of other users can access it to generate insights and analytics. In FY18, we have made good progress on readying ourselves for a soft launch of the platform at the beginning of CY19, and this has included building the technology infrastructure and the necessary data governance arrangements.

As many of you know, our last business is influenced heavily by the trading activity levels in the cash market, and that is …

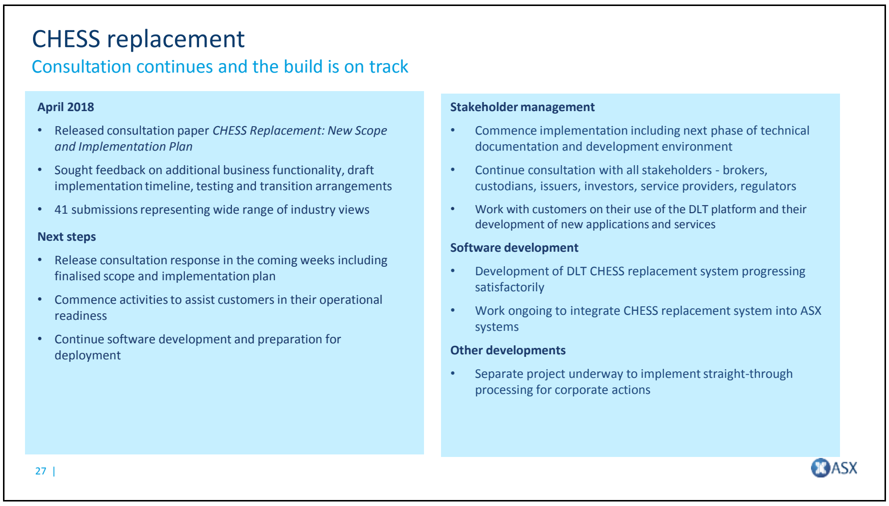


… Equity Post-Trade Services. This encompasses the clearing and settlement of the entire Australian cash market. It is our smallest business, contributing 13% of operating revenue.

Total operating revenues were $104.8m, up 0.4%, with clearing down slightly and settlement up slightly. This is an improvement on the first half performance and has been driven largely by stronger settlement activity in the second half.

Clearing revenues were down 2.6% consistent with the overall reduction in market activity and an increase in block trading (which is uncleared activity). Settlement revenues were up 3.5%, driven by stronger transfer and conversion activity on the sub-register and because of a lower revenue sharing rebate than was paid in the pcp.

Our key focus continues to be on the replacement of CHESS, so I'd like to spend a little time talking about …



… the progress we are making and, in particular, the upcoming release of our response to the stakeholder feedback on the scope and implementation roadmap which has the system going live somewhere between calendar Q4 2020 and Q1 2021.

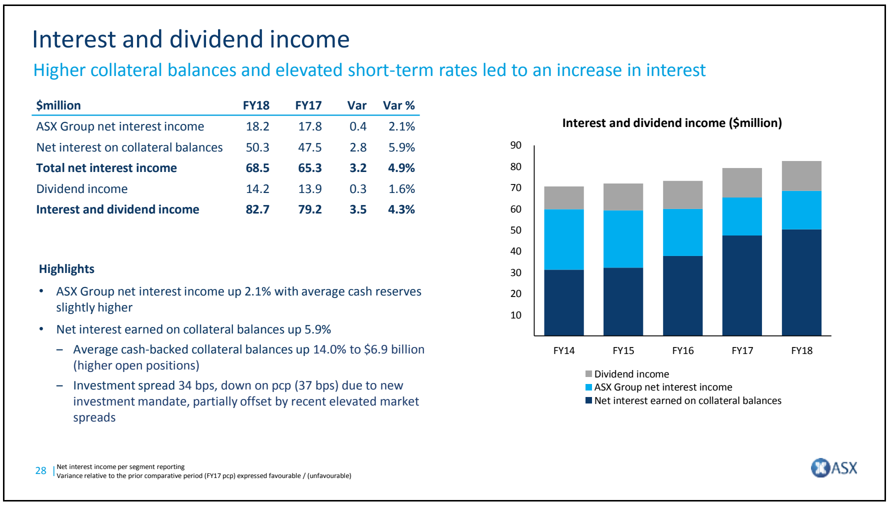
We have received 41 submissions from a wide range of industry participants and are in the final stages of considering this feedback. We will release our response in the coming weeks, which will include the finalised scope, timing and roadmap for implementation.

Our focus is now turning to the serious business of implementing the new system. This requires further significant collaboration with our stakeholders over a multi-year period. These include participants, listed companies, and service providers who will need further technical information, support and system environments to enable them to connect to the new system. We will also continue to engage with industry bodies, our regulators and other stakeholders as we ready the platform for go-live.

In the meantime, we are progressing satisfactorily with Digital Asset on software development and our own internal integration activities. We are also underway with a separate complementary initiative to significantly automate the process of corporate actions.

While we are very focused on the replacement of CHESS, we will be working with our customers to explore the broader benefits of the DLT platform that Dom explained earlier. Everyone in the DLT team is very energised by the opportunities ahead.

That concludes the summary of progress on our businesses. I'll now briefly cover interest and dividend income …



… which is up 4.3%, due to a number of different factors.

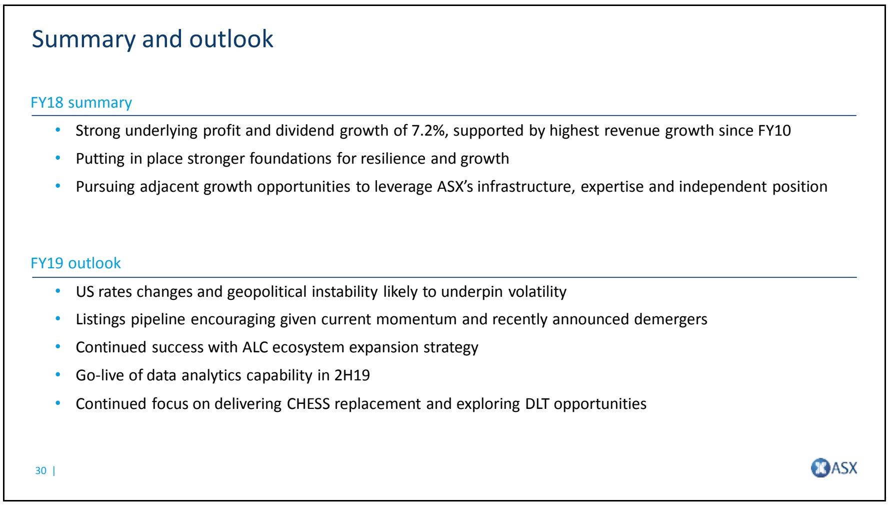
ASX Group net interest income is up 2.1% with average cash reserves slightly higher.

Net interest income on collateral balances is up 5.9% driven by two factors. Firstly, collateral balances are up 14% at $6.9bn – consistent with the growth we observed in our futures and OTC businesses. Secondly, investment spreads are 34bps (lower than last year, but notably up from 29bps in the first half). The completion of changes at the half-year to ASX's investment policy in line with the RBA's Financial Stability Standards means that, on a go forward basis, we will see fluctuations in spreads driven solely by market conditions – such as those we have just seen.

That concludes my presentation. I will now hand back to Dom. Thank you.

Summary and Outlook

Thank you Peter,



So in summary, I would like to leave you with three main takeaways:

1. FY18's strong underlying profit and dividend growth of 7.2%, supported by the strongest revenue growth in 8 years
2. We are building stronger foundations for resilience and growth
3. We are looking at new growth opportunities to leverage ASX's infrastructure and experience.

With respect to outlook we see:

Continued geopolitical instability and US rate changes that will tend to underpin volatility.

This year has started well for our listings business with the Viva listing and general momentum from FY18. The recent demerger announcements from CBA and Wesfarmers, and a more positive mining industry, also add support.

We also see continuation of the ALC's open ecosystem expansion reflecting what I discussed at the half-year.

Importantly, we hope to see the go-live of our data analytics capability in the second half of the year.

And finally we are very focused on the delivery of CHESS replacement over the coming 2 to 3 years, with many opportunities for ASX to provide greater value to its customers.

So, to finish …

When we look back at FY18 in a few years from now, we will see the decisions and investments to which we have committed will have led to sustainable and customer-driven growth.

This growth will come from the new products and services that leverage our more streamlined infrastructure, our operational capabilities, our brand and our trusted independent position. We are an organisation that takes great pride in striving to be the world's most respected financial marketplace.


EXCHANGE
17.58
11.59
0.200
0.115
0.000
0.875
0.875
0.170
0.165
0.250
0.250
0.715
0.000

Q&A