



20 August 2020

Australian Securities and Investments Commission
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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

ASX LIMITED – 2020 FULL-YEAR RESULTS PRESENTATION SPEAKING NOTES

Attached is a copy of the presentation speaking notes for ASX's full-year results briefing today.

The briefing commences at 10.30am (Sydney time) and will be webcast live. Register to view the briefing [here](#).

The webcast will be archived on [ASX's website](#) for viewing after the live event.

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ASX 2020 Full-Year Results

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

Presentation and Speaking Notes

20 August 2020

(Check against delivery)



Good morning and welcome to ASX's financial results briefing for the 12-month period ending 30 June 2020 (FY20). Thank you for taking part in this virtual presentation.

My name is Dominic Stevens, Managing Director and 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

FY20 overview and COVID-19 update	Dominic Stevens – CEO
Financial performance	Gillian Larkins – CFO
Strategic update	Dominic Stevens
Outlook and summary	Dominic Stevens
Q&A – analysts followed by media	Dominic Stevens and Gillian Larkins



This morning I will begin with an overview of the result, and an update on how we have been navigating through COVID-19.

Gillian Larkins, ASX's Chief Financial Officer, will then take you through the detail of the result.

I will then discuss how we are executing our customer-focused, technology-driven strategy, before concluding and opening up for Q&A – first from analysts, then from media.

So, let's begin.



Our FY20 financial performance reflects another solid year for ASX. All of our business lines increased revenue, driven by higher market activity and demand for our services. The strong operational performance was underscored by:

- The diversification of our listings business, particularly the growing technology sector and the vibrant secondary capital raising market
- The availability and liquidity of our trading businesses, with ASX remaining open across the period and providing vital price discovery, capital allocation and risk transfer
- The reliability and functionality of our data and technical services businesses, which provide resilient earnings streams through both volatile and calmer times.

FY20 financial results
 Strong revenue growth offset by lower interest income with dividends per share up 4.5%

	FY20	Change on pcp	% change on pcp	
Operating revenue	\$938.4m	\$74.6m	8.6%	• Driven by heightened trading and steady growth in all four businesses
Total expenses	\$286.2m	(\$23.6m)	(9.0%)	• Unexpected COVID-19 related costs took expense growth 1% over guidance
EBIT	\$652.2m	\$51.0m	8.5%	• Highest annual growth since FY10
Interest income	\$83.8m	(\$20.1m)	(19.3%)	• Due to impact of RBA's three interest rate cuts during FY20
Underlying NPAT	\$513.8m	\$21.8m	4.4%	• Reflecting strong operational performance
Statutory NPAT	\$498.6m	\$6.6m	1.4%	• Post \$15.2m significant item
Underlying EPS	265.4cps	11.3cps	4.4%	• Eighth year of consecutive EPS growth
FY20 total DPS	238.9cps	10.2cps	4.5%	• Final dividend per share 122.5cps, +8.2cps, up 7.2%

4 | Variance relative to the prior comparative period (FY19 pcp) expressed favourable/unfavourable

FY20 was ASX's eighth consecutive year of revenue growth, with revenue rising \$74.6 million, an increase of 8.6% on pcp.

Total expenses rose \$23.6 million, an increase of 9.0%.

This leaves ASX with EBIT growth of 8.5% year-on-year, an increase of \$51 million and the highest growth rate in EBIT since 2010.

As expected, interest and dividend income was down on last year. This was caused by two factors. Firstly, the RBA cash rate target has fallen to almost zero, a trend that started before COVID-19. And the margins earned above that rate have also fallen significantly. This means that both the earnings on ASX's own capital have dropped, and the margins on assets held by ASX as collateral have fallen. Given a short average life of our investments, this effect will be more pronounced in FY21.

Despite lower net interest and dividend income, the strength of our operations supported underlying NPAT for the period of \$513.8 million, an increase of 4.4% on FY19. Underlying EPS of 265.4 cents per share was also up 4.4%.

Following the Board's annual review of the valuation of our balance sheet investments, the carrying value of our 45% stake in Yieldbroker, the OTC rates trading platform, has been reduced by \$15.2 million. This is a non-cash item that's not tax affected, and reflects a more difficult near-term trading environment.

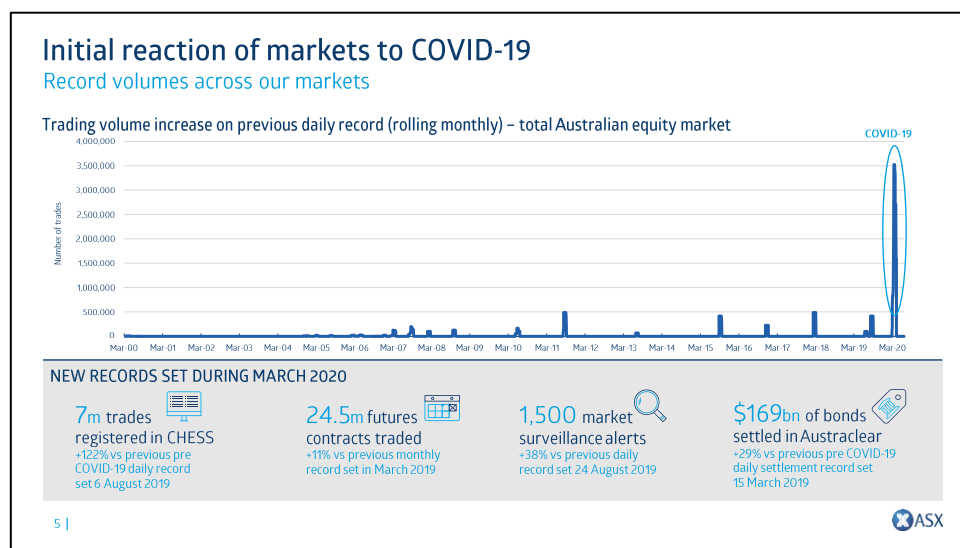
Taking this non-cash significant item into account, ASX's statutory NPAT of \$498.6 million was 1.4% up on the prior period.

The Board has maintained its policy and recommended a dividend of 90% of underlying net income for the year, amounting to a final dividend of 122.5 cents per share, bringing total FY20 dividends to 238.9 cents per share.

Overall, it is a pleasing result, particularly given the market challenges we managed, alongside the significant amount of foundational building we achieved.

The challenges of COVID-19

Before I hand over to Gill for more detail on the financials, I want to update you on the challenges of, and our response to, COVID-19.

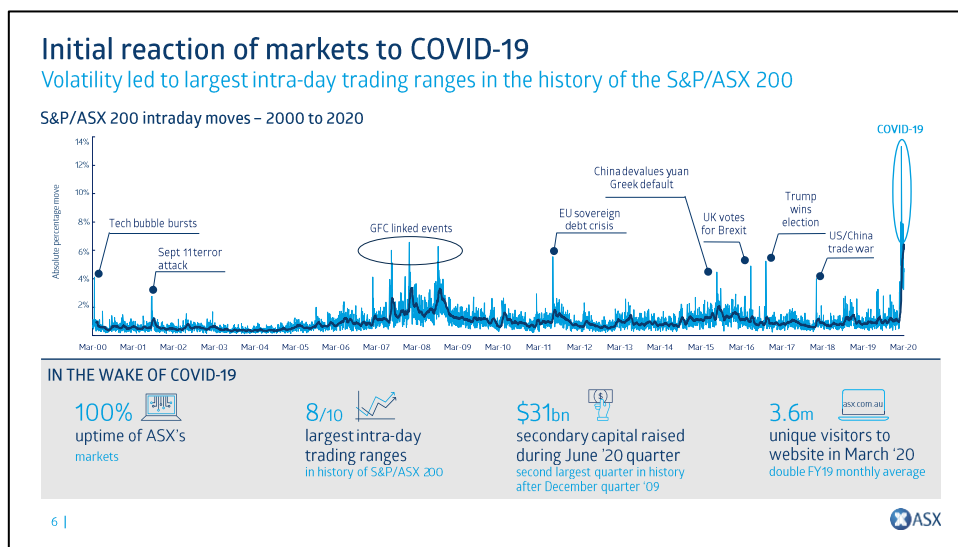


Shortly after presenting our first half results in mid-February, what had been a new type of flu at the beginning of the year had turned into a global health pandemic. From there, panic gripped the world and markets experienced significant upticks in volume and volatility.

As you can see on the slide, in Australia this culminated in a trading activity peak on Friday 13 March, when 7 million trades were registered in CHES, double the pre-COVID-19 peak set in August last year.

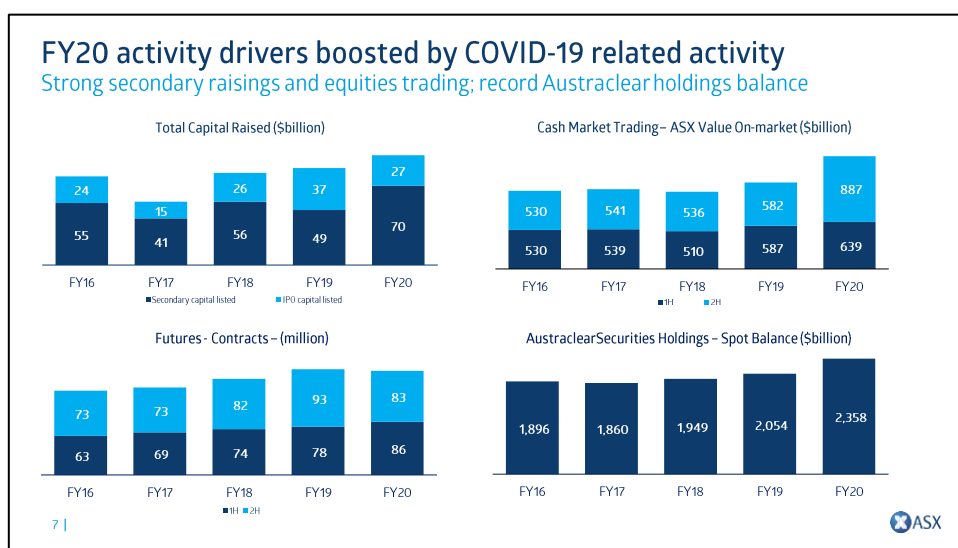
This was a significantly larger volume spike than we had ever seen before, in both absolute numbers and percentage terms, surpassing the tech wreck, GFC, and the European debt crisis.

The volume spikes were seen across our whole business. Futures volumes for the month of March were 11% above their previous monthly high set in March 2019. ASX Collateral hit a new peak of \$37.5 billion, up 30% on the previous peak in late September 2019. And Austraclear volumes reached a new daily settlement high of \$169 billion, 29% greater than the previous pre COVID-19 record set on 15 March 2019.



Turning to the next slide, you can see that volatility paints a similar picture – the market’s response to COVID-19 led to the greatest sustained intraday volatility ever seen in Australia. In fact, eight of the 10 largest intraday ranges in the history of the ASX 200 occurred during March 2020. We also saw record daily margin calls – increasing 130% from their previous high – as well as a record number of surveillance alerts, doubling of calls to our help desk, a huge increase in market announcements ... the list goes on.

Importantly, over this period of record volume and volatility, ASX produced uptime – or reliability and resilience – of 100% across all our key trading and post-trade systems.



Moving now to how COVID-19 affected our activity drivers.

Secondary capital raisings were up 44%, contributing to the highest total capital raised in over a decade. Cash market trading, which also drives clearing and settlement volumes, saw its best year on record, with value traded up 30% on FY19. It was also pleasing to see that in this most volatile of times, when the value of liquidity and trust are paramount, ASX’s share of lit market activity increased.

Futures volumes were down 1% for the year, as growth in the first half was offset by lower volumes in the second. Volumes initially rose with COVID-19 uncertainty. But the RBA’s yield curve control measures have reduced the volatility and volume at the short-end of the interest rate curve.

Austraclear saw particularly strong growth in FY20, with volumes up around 15% as issuance increased, particularly in the fourth quarter.

These trends support the strength of our diversified business, which helps ASX deliver resilient performance across different business cycles.

How ASX responded to COVID-19

Sustaining Australia’s financial markets through COVID-19

Protecting our people as we continue to operate for our customers and Australia’s economy

<div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 10px;">Trusted actions</div> <div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 10px;">Safety and wellbeing of our people</div> <ul style="list-style-type: none"> 95% of workforce transitioned to working from home (WFH) over a weekend Protection measures for on-site staff and an allowance for WFH costs Pre-existing mobile capabilities and tools enabling effective WFH and collaboration Wellbeing and mental health support prioritised and increased 	<div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 10px;">Resilient operations</div> <div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 10px;">Access to and functioning of our infrastructure and services</div> <ul style="list-style-type: none"> Markets remained fair, orderly and transparent despite unprecedented periods of volatility in March 2020 Record volumes in March 2020 managed across infrastructure and services Clearing houses managed record initial and variation margin balances supporting financial system resilience 	<div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 10px;">Efficient markets</div> <div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 10px;">Proactive in addressing COVID implications</div> <ul style="list-style-type: none"> Capital raising flexibility to support listed companies Futures and equity markets maintained strong liquidity and price discovery Continued delivery of projects and additional time allocated for those requiring coordinated customer effort Daily engagement with customers and regulators
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Now looking at how we responded – and continue to respond – to the COVID-19 pandemic. We remain focused on protecting our people and operations, as well as supporting our customers and markets. This is consistent with our approach to sustainability. Our sustainability is defined by our trusted actions, resilient operations and the efficiency of our markets.

On trusted actions, I am proud of the commitment and flexibility shown by our workforce during this period. Over a single weekend, 95% of our workforce transitioned to working from home. To support this move, we made a one-off payment to help with setting up workspaces at home, and we increased our efforts to support the mental and physical wellbeing of our people. Equally important were the measures put in place to protect those who needed to remain onsite to keep the markets open.

The need for resilient operations is always important and particularly so when markets are reacting to external shocks.

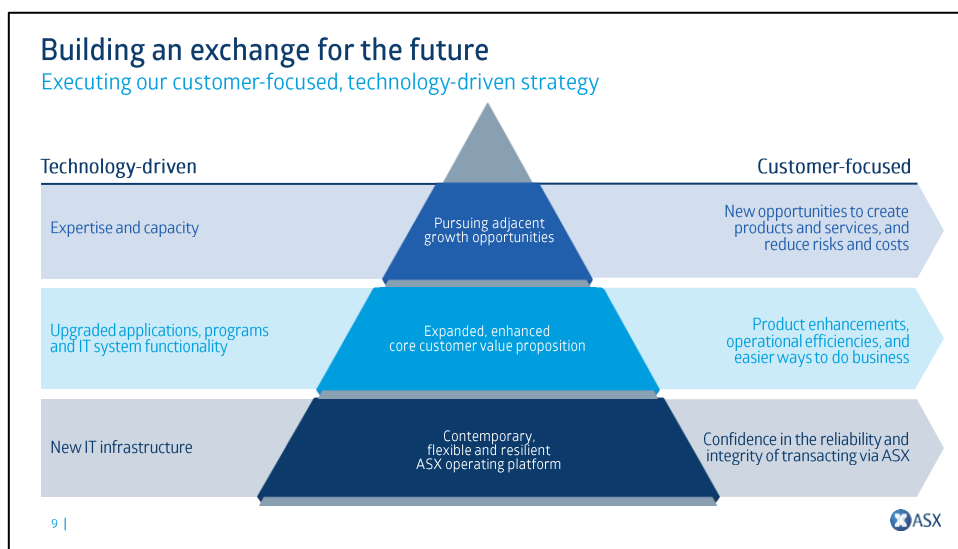
The volumes and volatility experienced in the first week ASX worked from home put tremendous pressure on the company to ensure the market continued to have access to reliable infrastructure. It also meant navigating unprecedented market moves, including, for example, responding quickly with changes to clearing margins and making intraday margin calls.

We also took action to support our customers and work closely with our regulators to ensure market efficiency. For example:

- ASX worked pragmatically and expeditiously with regulators and the equity capital markets on capital raising flexibility to help support listed companies
- We updated project timelines for CHES replacement and ASX Trade refresh to allow customers to focus on immediate and critical day-to-day challenges while also working from home.

Our ability to respond to the challenges arising from COVID-19 was enhanced by the investment we’ve made in operational resilience and risk management over the past three years.

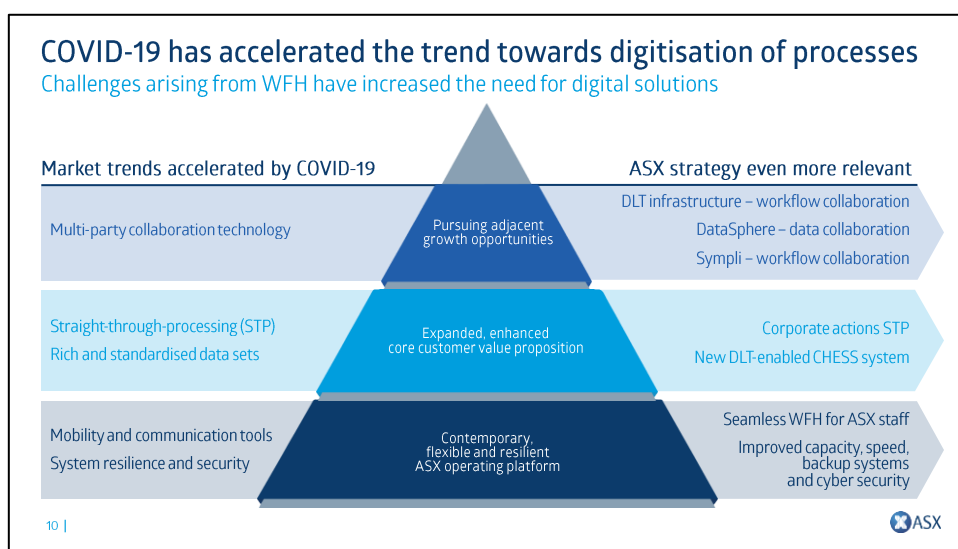
What this means for the future



While markets have stabilised in the months since March 2020, it will be some time before we return to normal market conditions. Whatever 'normal' now means. However, from a strategic perspective, ASX remains well-positioned to continue to execute our customer-focused, technology-driven strategy, which is outlined on this slide.

This strategy has been in place for a number of years, and recognises the importance of governance, strong risk management and operational foundations across the organisation. It has also been driving a transformation of ASX's technology stack, which I will talk more about later.

We are building an exchange for the future. Those organisations at the forefront of technology innovation will succeed – not those relying on ageing legacy systems. By being technology-driven ASX can deliver more customer-focused products and services, collaborate better with its customers, and allow its customers to collaborate with each other.



In a strategic sense, COVID-19 and its ramifications have accelerated the market trends that our strategy is designed to pursue. I would suggest it has accelerated them quite significantly.

The drive towards digitisation, straight-through-processing, workplace mobility, collaborative technologies, richer data sets and standardisation to enable all this, have accelerated in the last six months. We are confident that the investments we are making in these technologies now will reap benefits for many years to come.



ASX is strong, diversified and resilient. We are focused on realising the efficiencies from technology and the digitisation of our economy. This is the right place for the exchange to be investing, and it will generate benefits for ASX, our customers and for Australia's financial markets.

I will now hand over to Gill to take you through the FY20 financials.



Thanks Dom, and good morning to everyone.

ASX's result for 2020 reflects the marked impact COVID-19 has had on our operations. The business saw elevated market uncertainty and volatility, predominately in the second half of the year, which boosted cash equities trading, secondary capital raisings and our post-trade services offering. With the flattish interest rate yield curve in the second half, this saw derivatives trading step down from last year's high revenue growth, and our interest income line was impacted as the repricing rolled through.

Our COVID-19 response, as mentioned by Dom, required additional resourcing that increased our expenses above previous market guidance. I will provide detail on this later in the presentation. 2020 saw us impairing our investment in Yieldbroker, which was reviewed in light of current market conditions and outlook, and has been treated as a significant item in our accounts.

	FY20 \$m	2H20 \$m	1H20 \$m	FY19 \$m	FY20 v FY19
Operating revenue	938.4	483.5	454.9	863.8	8.6%
Operating expenses	235.7	121.3	114.4	214.8	(9.7%)
Depreciation and amortisation	50.5	25.1	25.4	47.8	(5.6%)
Total expenses	286.2	146.4	139.8	262.6	(9.0%)
EBIT	652.2	337.1	315.1	601.2	8.5%
Interest and dividend income	83.8	39.7	44.1	103.9	(19.3%)
Underlying profit after tax	513.8	263.4	250.4	492.0	4.4%
Significant items	15.2	15.2	-	-	-
Statutory profit after tax	498.6	248.2	250.4	492.0	1.4%
EBIT margin	69.5%	69.7%	69.3%	69.6%	-
Statutory earnings per share (EPS) (cents)	257.6	128.3	129.3	254.1	1.4%
Underlying EPS (cents)	265.4	136.1	129.3	254.1	4.4%
Dividends per share (DPS) (cents)	238.9	122.5	116.4	228.7	4.5%

ASX financial results
Diversified business model delivers record returns to shareholders

- Operating revenue up 8.6% reflecting strong customer activity
- Total expenses up 9.0% due to annualisation of resources and impacts from COVID-19
- Strong EBIT growth, up 8.5% with EBIT margin maintained at 69.5%
- Interest and dividend income down 19.3% with sale of IRESS, lower investment returns and inclusion of lease financing costs
- Underlying profit after tax up 4.4%
- Significant item of \$15.2m due to an impairment of investment in Yieldbroker
- Statutory profit after tax up 1.4%

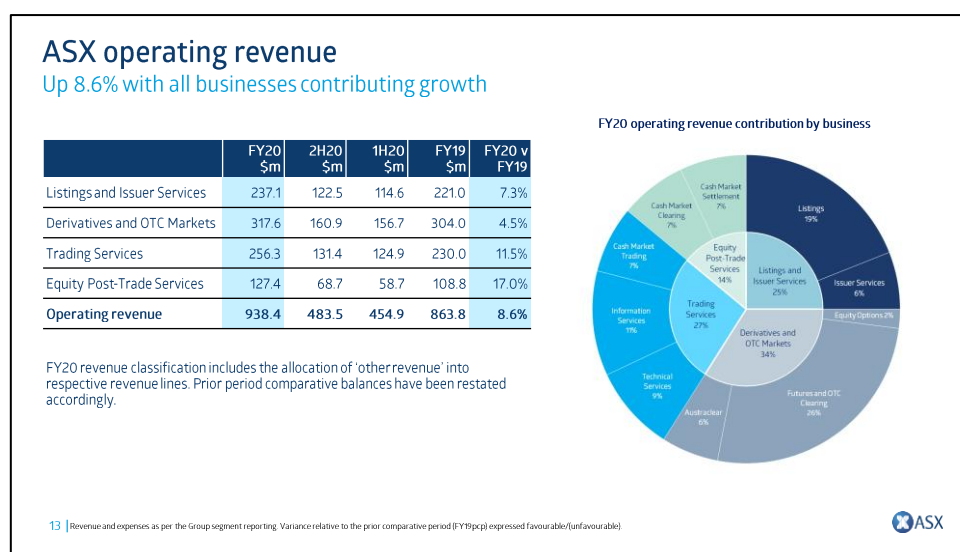
12 | Revenue and expenses as per the Group segment reporting. Variance relative to the prior comparative period (FY19 pcp) expressed as favourable/unfavourable.

Turning to the financials on slide 12, starting with the top line, revenue for the year is up 8.6% from FY19, reflecting two strong halves of heightened trading volumes, although in different business units. For the year, total expenses for the Group increased by 9% with depreciation and amortisation remaining at a similar level in the second half to the first.

Moving through the table, you will see that the growth in revenue more than absorbed the higher than expected growth in expenses, allowing ASX to achieve a solid EBIT growth of 8.5%, leading to a similar EBIT margin of 69.5% to last year.

Interest income is down 19.3% due to lower investment spreads and cash rates, and also due to the inclusion of lease financing costs through the new lease standard this year – however, this was offset by strong participant balance growth.

Underlying profit after tax increased by 4.4%. But, taking into account the significant item booked this year for Yieldbroker, we have delivered a statutory profit after tax increase of 1.4%. These results have allowed the Board to declare a dividend of 122.5 cents for the half, bringing 2020 full-year dividends to 238.9 cents per share, 4.5% more than FY19. Now to the revenue results of our key business lines.



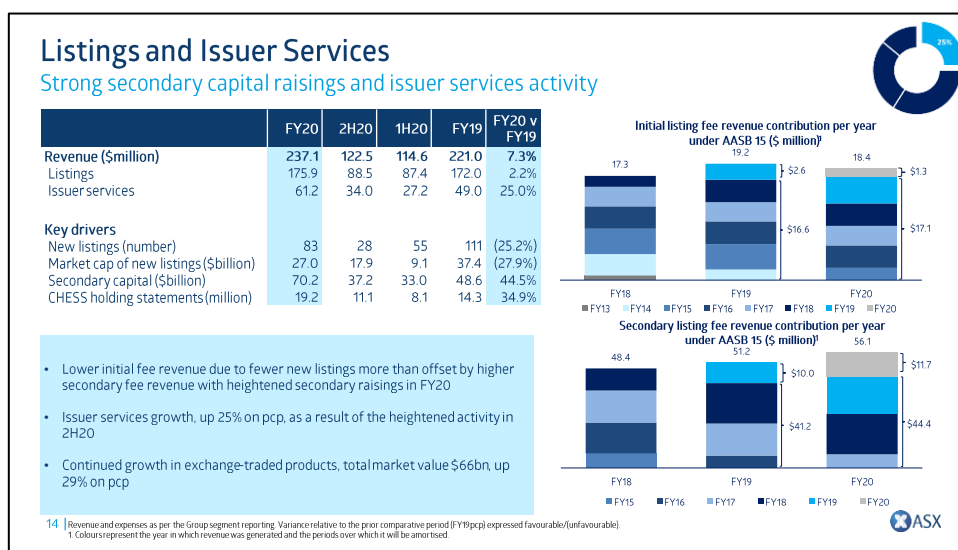
ASX has a robust business model across multiple asset classes that positions us as an integral component of Australia’s financial market infrastructure.

2020 was a year that saw revenue growth in our Derivatives and OTC business fall back from the highs of previous years to an increase of 4.5%, which is more in line with our revenue CAGR for this business over the last five years.

However, 2020 also saw our equity trading offerings across the three sub-business areas of issuer services, cash market trading and equity post-trade services, achieve higher than normal revenue growth for the year due to the volatility in the markets, particularly in March. This more than absorbed the lower revenue growth in the second half for the Derivatives business, allowing for an 8.6% increase in revenue overall.

Our Listings business also contributed to the overall growth, with the elevated activity in secondary raisings, coupled with the increase in ETF and warrants trading, more than offsetting the decline in annual and initial listing fees.

The continued growth in ASX’s core businesses and our strong balance sheet, allow the company to develop adjacent offerings. Our stakes in Sympli – a provider of e-conveyancing – and Yieldbroker – a fixed income trading venue – complement our Derivatives and OTC business. Our share of their trading results, albeit currently immaterial, is now absorbed in this ASX business line.



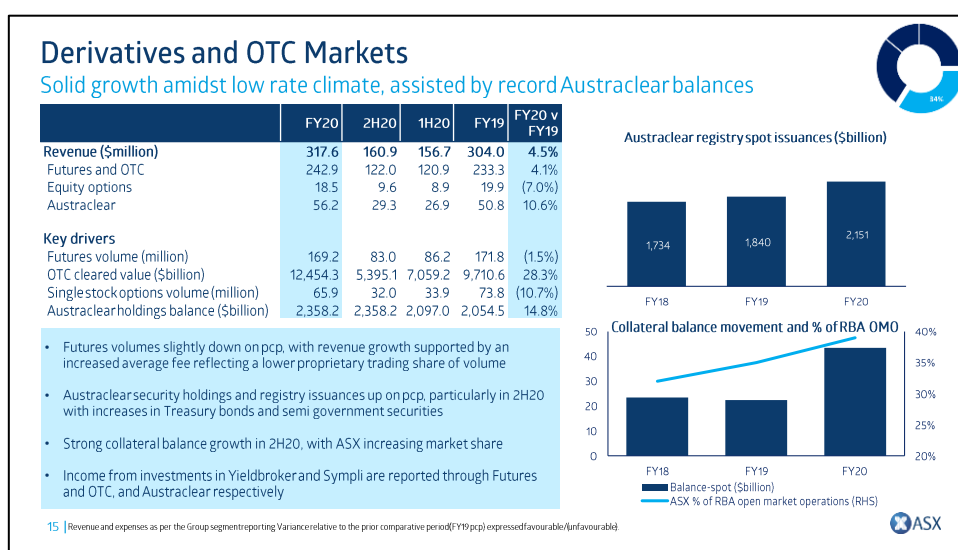
Our Listings and Issuer Services revenue is 7.3% higher than last year. The increase is mainly due to issuer services, which saw strong growth of 25% for the year, through heightened activity in the second half.

Listings had more subdued revenue growth due to a number of factors. Our annual listing fee revenue was down 1.6% due to a lower number of billed companies and a change in the mix of entities within the fee tiering. The lower number of IPOs for 2020 also contributed to lower annual listing fees. The lower number of IPOs is obviously an outcome of the current market conditions. Hence, initial listing revenue was down 4.1%, with the \$27 billion of capital raised down close to 28% from the prior year. The increase in the second half was due to one sizeable IPO at the end of the financial year.

The second half of 2020 saw strong secondary market activity leading to a 44.5% increase in capital raised. This is less noticeable in the revenue contribution for 2020 due to revenue being amortised over three years. On the right hand side of the slide, you can see each of the previous year's amortisation contribution for both initial and secondary listings, which provides guidance to the revenue composition for the next little while.

Of note, it was pleasing to see an increase in 'other' listings revenue, due to continued growth in exchange-traded products and the warrants offering.

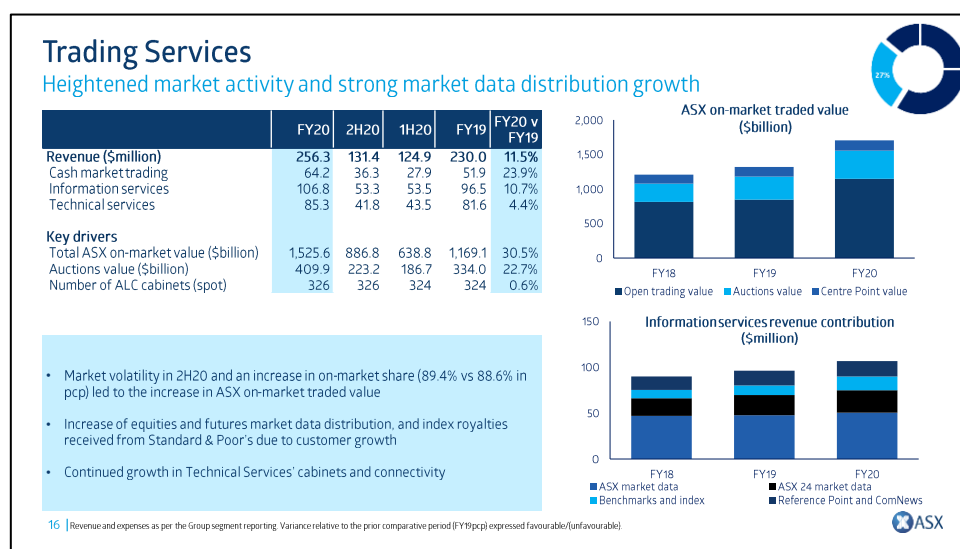
Moving to the Derivatives and OTC Markets slide.



Our Derivatives and OTC Markets business has seen a notable decline in futures volumes since the end of March, as we enter a period in the medium-term of low interest rates. Although our futures and OTC revenue increased by 4.1% in 2020, this is coming off the last two years CAGR growth of 6.2%.

The 1.5% decline in futures volume for this business, most markedly in the second half, was softened by an increase in average fees, up 4%, largely due to lower proprietary traders' activity. The value cleared through the OTC clearing service was up 28.3% on last year, predominately in the first half, coming gradually down in the second, a trend we have seen continue into the first trading month of 2021. Of note was the increase in our commodities offering, with electricity contracts up 30.5%, albeit off a comparably lower base.

Austraclear saw higher registry and transaction activity, with revenue coming in 10.6% more than in FY19, firmly supported by the increase in issuance of Treasury bonds and semi-government securities. The value of assets in the ASX Collateral service was \$43.4 billion, compared to \$22.4 billion last year. In contrast, equity options continued to decline in retail volumes, with single stock options volume down 10.7% on last year and index options down 12.8% due to a subdued fourth quarter, contrasting to the volatile sessions seen late in the third quarter this year.

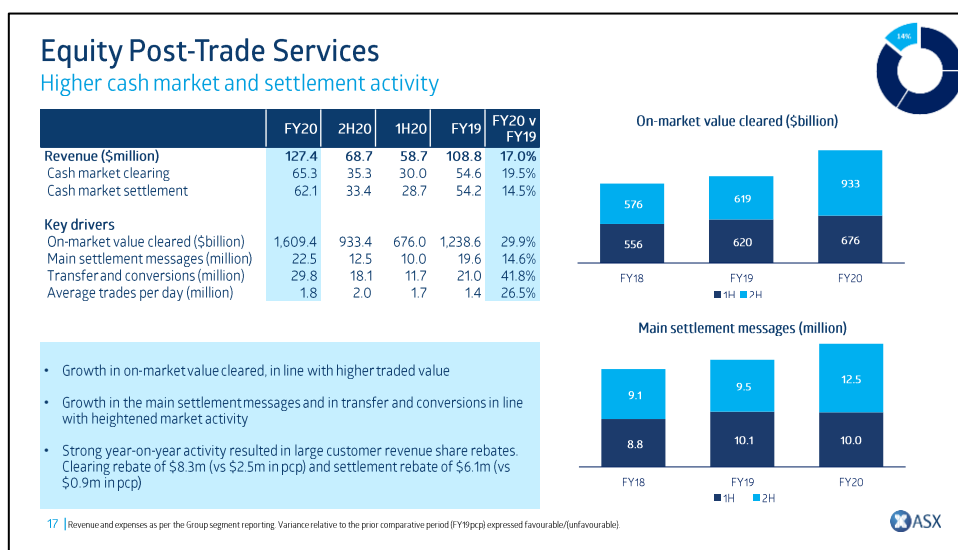


The strong result for the Trading Services business was underpinned by the market volatility in the second half of the year, with cash market trading contributing half of the 11.5% growth. Cash market trading revenue was up 23.9% on last year, with on-market value traded up 30.5%. Auction and Centre Point value traded were collectively up 18.6%.

Information services saw two strong halves contributing to a 10.7% revenue increase from last year, assisted by an increase in equities and futures market data distribution, and increased index royalties from S&P.

And technical services saw an overall increase in revenue of 4.4%, mainly due to a rise in the number of ALC cross-connects and income from our diverse connectivity through the ASX Net offering.

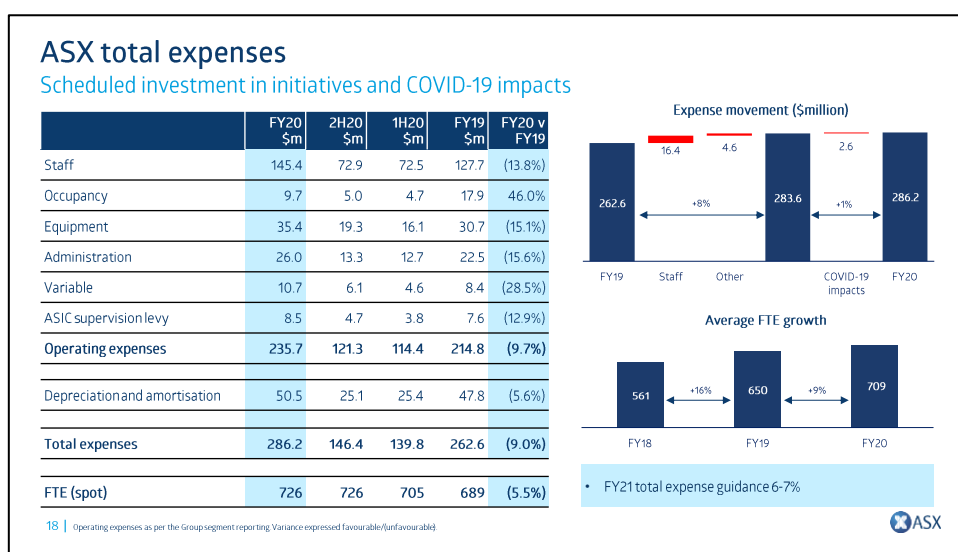
Finally, moving onto our fourth business – Equity Post-Trade Services.



Cash market clearing revenue was up 19.5% to \$65.3 million, reflecting an increase of 29.9% in on-market value cleared. Revenue from cash market settlement increased by 14.5% to \$62.1 million, due most notably to growth in settlement messages and transfers and conversions.

This strong year-on-year activity resulted in high customer rebates totalling \$14.4 million versus \$3.5 million in 2019.

Turning now to operating expenses.



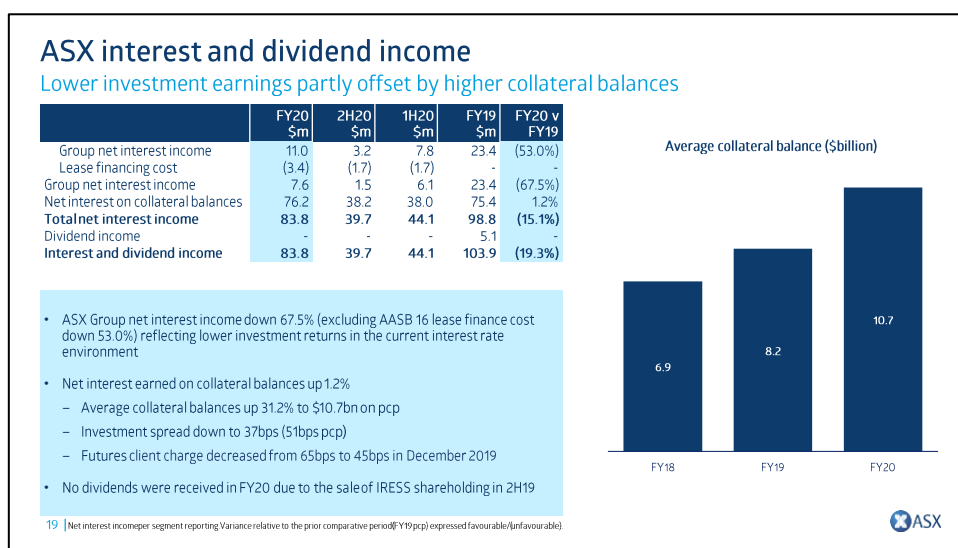
Total expenses came in at \$286.2 million – 9% higher than the previous year. The expense uplift was one percent higher than guidance due to costs attached to COVID-19, namely heightened variable and ASIC fees attached to market activity, and lower annual leave taken by employees.

Putting the COVID-related expenses to the side – there were expected increases in other expense lines across the ASX portfolio. Staff costs increased by 13.8% due to the expansion of headcount over the last year to support both project and ‘licence to operate’ initiatives.

Occupancy costs decreased 46% to \$9.7 million with the adoption of the Lease standard, which has moved this cost into the depreciation and interest lines. Equipment costs grew due to the additional licence subscriptions for cyber security and digital initiatives, while administration expenses increased by 15.6% through higher insurance premiums and bushfire donations. Variable costs were 28.5%, due more to high COVID-induced market volatility and transaction volumes, especially the costs associated with the production of CHES statements. A lift in the supervisory levy, up 12.9%, was due

to recent ASIC fee revisions and the higher transaction activity. This all led to an operating expense rise for the Group of 9.7%.

The depreciation and amortisation line grew from 2019 due to the addition of amortisation of the leases, previously in the operating expense line, netted off by lower asset additions to this line compared to last year. Our guidance for expenses next year is in the range of 6-7% growth, inclusive of both operating expenses and depreciation and amortisation.



Net interest and dividend income decreased 19.3% to \$83.8 million for the year.

A few components make up this line.

Firstly, because of decreased earning rates, our Group net interest income declined by 53%. Half-on-half, you can see the marked impact of the decrease in investment spread in the last three months of the year. The inclusion of the lease financing cost added a further \$3.4 million of cost, leading to an overall decline in Group net interest income of 67.5%.

Conversely, our average participant balance increased over 31.2%, which negated the decreased investment spreads from 51 to 37bps. This led to a slight increase in net interest on collateral balances of 1.2%.

The near-term expectation is that rates will remain low. So looking ahead, the portfolio's composition should remain constant. However, portfolio returns will decline as maturing investments continue to be replaced with lower yielding investments.

Also of note in this slide is the dividend revenue foregone this year due to the sale of our shareholding in IRESS in February 2019.

Moving now to examine ASX's balance sheet on slide 20.

ASX balance sheet

Financially strong with record levels of participant margins

	Jun 20 \$m	Jun 19 \$m
Cash and other financial assets	13,857.0	12,270.3
Intangibles (excluding software)	2,325.9	2,326.1
Investments	85.6	76.3
Other assets	1,146.3	657.6
Total assets	17,414.8	15,330.3
Amounts owing to participants	12,677.2	10,801.0
Other liabilities	1,017.2	612.9
Total liabilities	13,694.4	11,413.9
Totalequity	3,720.4	3,916.4
Long-term credit rating from S&P	AA-	AA-

Investments in adjacencies

- **Sympli**
 - 49% shareholding (further investment in FY20)
- **Digital Asset**
 - 9% shareholding* (further investment in FY20 and July '20)
- **Yieldbroker**
 - 45% shareholding (impairment of \$15.2m in FY20) (treated as significant item)
- **Capital expenditure \$80.4 million in FY20**
 - Ongoing investment in upgrading technology for BAU and growth opportunities, including
 - CHES replacement and related infrastructure
 - Secondary data centre - completed
 - ASX Trade refresh
- FY21 capital expenditure guidance is \$90-95 million

20 | As at 20 August 2020



ASX's balance sheet is strong and positioned conservatively, with the most notable difference being our total margin and commitments of \$13.9 billion, up 12.9% from last year. This is due to the increase in average collateral balances from participants, offset by the reduction of our own funds with the payment of the special dividend in September 2019.

We currently have an S&P long-term rating of AA-, hold no debt and have increased our investments, with an additional investment of US\$10 million into Digital Asset and \$8.7 million into Sympli, partly offset by the Yieldbroker impairment of \$15.2 million.

We have been able to support capital expenditure this year of just over \$80 million. This is inclusive of our CHES replacement project, new secondary data centre and corporate actions program. Much of our technology work continues into FY21 and we are expecting capital expenditure to the tune of \$90-95 million for this coming year.

ASX delivering to shareholders

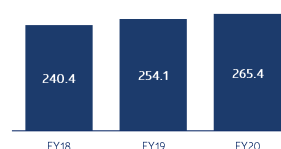
8th straight year of growth in earnings per share

	FY20	2H20	1H20	FY19	FY20 v FY19
Underlying earnings per share (cents)	265.4	136.1	129.3	254.1	4.4%
Statutory earnings per share (cents)	257.6	128.3	129.3	254.1	1.4%
Dividends per share (cents)	238.9	122.5	116.4	228.7	4.5%
% of underlying profit paid out	90%	90%	90%	90%	-
Special dividend per share (cents)	-	-	-	129.1	-

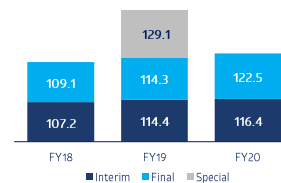
- Statutory earnings per share up 1.4% on pcp
- Total ordinary dividends of 238.9 cents per share, up 4.5% on pcp
 - Final dividend of 122.5 cents per share, up 7.2% on pcp

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Underlying earnings per share (cents)



Dividends per share (cents)



Underlying profit after tax increased by 4.4%, also leading to an underlying EPS increase of the same amount.

In accounting for the Yieldbroker impairment as a significant item due to its non-recurring nature, the Board has determined a 2H20 fully franked dividend of 122.5 cents per share, bringing total ordinary fully franked dividends for the 12 months to 238.9 cents per share, representing an increase of 4.5% on FY19.

The dividend can be fully funded from retained earnings and represents a payout ratio of 90% of underlying NPAT in line with our dividend policy guidance.

Despite the challenges of the year, ASX has produced a strong result that allows management to continue its strategy to strengthen the foundations of our business, while investing in both core and adjacent growth opportunities for the future. We remain confident this strategy is working well for our shareholders, customers and Australia’s financial markets.

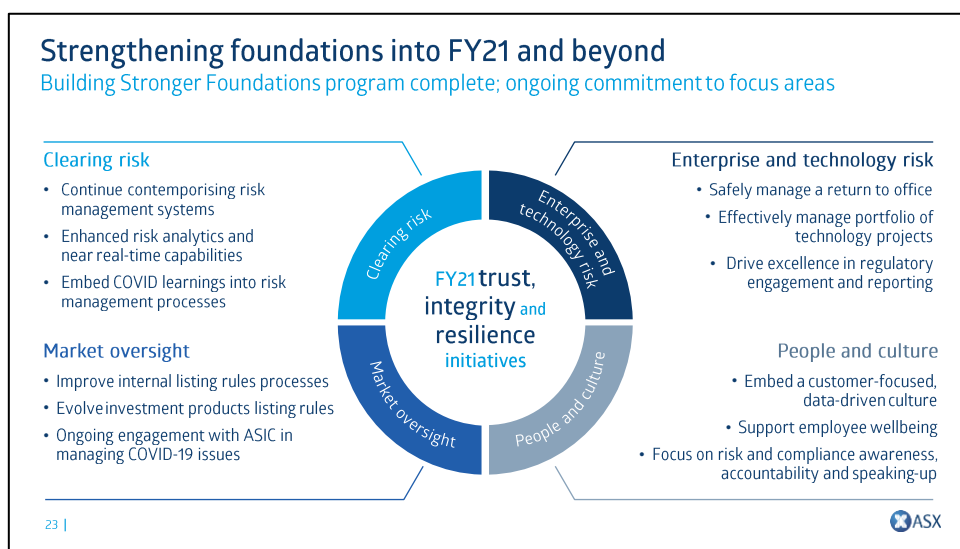
With that, I will hand back to Dom.

Thank you.



Thanks Gill. Let me now provide an update on ASX’s strategy.

Building stronger foundations



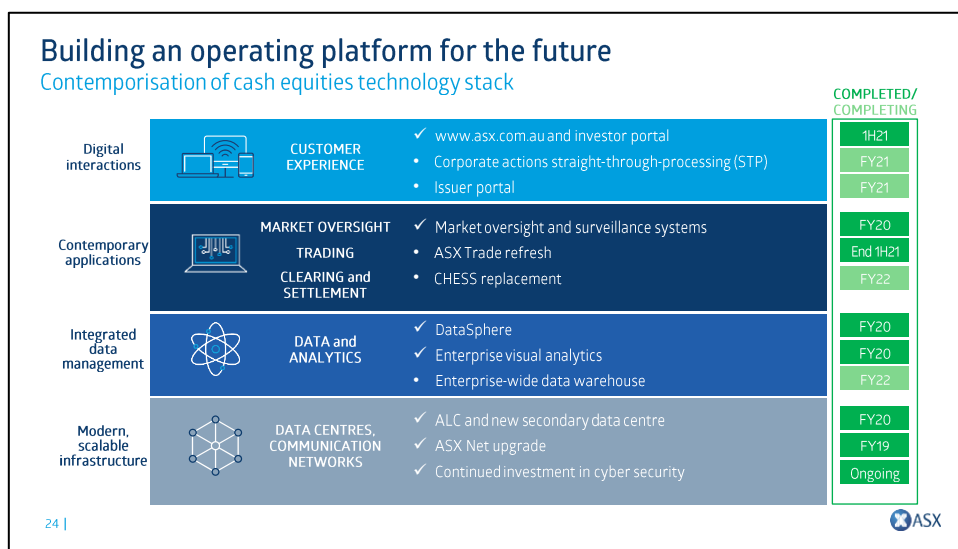
Many of you have heard me talk about our Building Stronger Foundations program.

At the end of calendar 2019, after three years and significant progress, we completed this program and transitioned it into business as usual.

In FY21, we will continue to progress initiatives that build trust, integrity and resilience in our business. These include improving our clearing risk management systems, developing our compliance culture, evolving our investment product listing rules, and providing greater support for employee wellbeing.

ASX also has an important role to play in ESG. You will note in our Annual Report released today, that we have increased our focus on this area significantly. This will increase further over the coming years.

Building an exchange for the future



ASX is building an exchange for the future. We believe that contemporary technology, digitisation and straight-through-processing can bring significant efficiencies and benefits to our customers and is central to our long-term success. While our CHES replacement project attracts plenty of media coverage, it is only one of a number of initiatives undertaken to contemporise our technology. This is particularly relevant to our cash equities technology stack.

One thing becoming clear to all businesses in an age of APIs and data is the need for modern technology right down to the foundations. It is no longer possible to meet stakeholders' expectations by having a glossy front end sitting on legacy database infrastructure. Looking at ASX's progress over the last few years, we can see that a significant amount has been achieved. By the time CHES is rolled out, the equity business will have a technology stack that is contemporary from top to bottom.

If I start at the bottom of the diagram on slide 24 to demonstrate this.

Our data centre and communications infrastructure have undergone a major upgrade, with a brand new secondary data centre, an upgraded internal network at our contemporary ALC facility, and a full replacement of our six ASX Net communications networks into one. Naturally, our increased investment in cyber security also continues.

In data and analytics we now have new data visualisation tools and an internal data science capability – DataSphere, which we are now exposing to external clients – and we are also replacing our enterprise data warehouses in early 2022.

Our application layer saw an upgraded Market Announcement Platform in 2018; the upgrade of our SMARTS surveillance technology; there'll be a significant upgrade of our equity trading system in the next few months; and of course the CHES replacement in 2022.

Finally, in the digital space, we have rolled out a new website that is currently running parallel until our existing site is switched off in October. We are also upgrading our investor and issuer portals, with issuers now effectively entering all corporate actions digitally via smart forms. ASX is working on enabling that information to be used to allow a comprehensive suite of straight-through-processing services.







These investments will enable ASX to meet customer demands faster with better solutions. They also continue ASX's history of being at the forefront of technological change in our industry.

Expanding our core customer value proposition - the move to a more digital world

Making business easier for customers by digitising processes

Corporate action straight-through-processing delivering source-of-truth data in seconds[^]

Efficiency benefits through real-time machine readable data, powering process automation and dynamic data analytics

Investors	Custodians and registries	Issuers	FinTechs/ Service providers
<ul style="list-style-type: none"> • Fastest possible receipt of corporate action information <ul style="list-style-type: none"> – Direct from issuer – Rich, structured data sets reducing errors – More timely and accurate decision-making 	<ul style="list-style-type: none"> • Integration of corporate actions STP data to drive efficiencies <ul style="list-style-type: none"> – Risk reduction with back office process automation – Machine readable rich, structured data – Improved investor service offerings 	<ul style="list-style-type: none"> • Data validation at point of entry – the right data first time <ul style="list-style-type: none"> – Validated for accuracy and completeness – Compliance with relevant aspects of Listing Rules – Event dashboard assists issuers 	<ul style="list-style-type: none"> • Rich structured source-of-truth data to power new product ideas • Global ISO standard lowers barriers for new service providers • Increase product and service offerings to customers
 IMPROVED SERVICE	 STANDARDISED DATA	 IMPROVED EFFICIENCY	 IMPROVED ACCURACY
 IMPROVED TIMELINESS			

25 | [^] STP duration less than four seconds.

ASX is leading the drive to use global standards to automate processes, which will reduce risk, generate cost savings and enable straight-through-processing for our customers and in turn produce benefits for the industry. A good example of this is our Corporate Actions STP project.

This project offers benefits to all parties involved in the corporate action value chain.

For investors, they receive more timely and accurate data.

Custodians and registries will benefit from receiving richer data. And they will be able to reduce their data entry risk by receiving structured and machine-readable data that comes with the global ISO 20022 format.







Issuers benefit from entering the right data at source, with online smart-form validation of the information for accuracy, completeness and compliance with the listing rules.

Lastly, we believe that the entire industry will benefit as fintechs and service providers utilise the rich, structured, source-of-truth data to power new product and service ideas.

Making business easier for customers by digitising processes

Contemporising CHES for the back office of the 21st century

Critical market infrastructure replacement to deliver long-term benefits to all equity market users

Investors	Custodians and registries	Issuers	FinTechs/ Service providers
<ul style="list-style-type: none"> • Strengthened investor protections • Consolidated digitised corporate action elections and payments • Electronic holding statement options • New services available for brokers to provide to their investor clients 	<ul style="list-style-type: none"> • New services to offer their clients • Improved, simplified business processes • Multiple technology connectivity choices • Consolidated information rich message sets using international standards 	<ul style="list-style-type: none"> • Improved processing for corporate actions • Access to more cost-effective and innovative products • More choice of service providers • Greater control over data • Cost savings from electronic holding statements 	<ul style="list-style-type: none"> • Extensive infrastructure and tools for third parties to develop, host and operate new services • Smart contract and distributed ledger innovations through DAML – the Digital Asset modelling language • Lowering barriers to entry to accelerate innovation
 NEW SOFTWARE	 NEW INFRASTRUCTURE	 NEW ACCESS OPTIONS	 NEW MESSAGING
 NEW FEATURES			

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In addition to Corporate actions STP, work to contemporise CHES continues. Many of you would be aware we recently consulted with the industry on a proposed new go-live date, with which an overwhelming majority of users were comfortable.

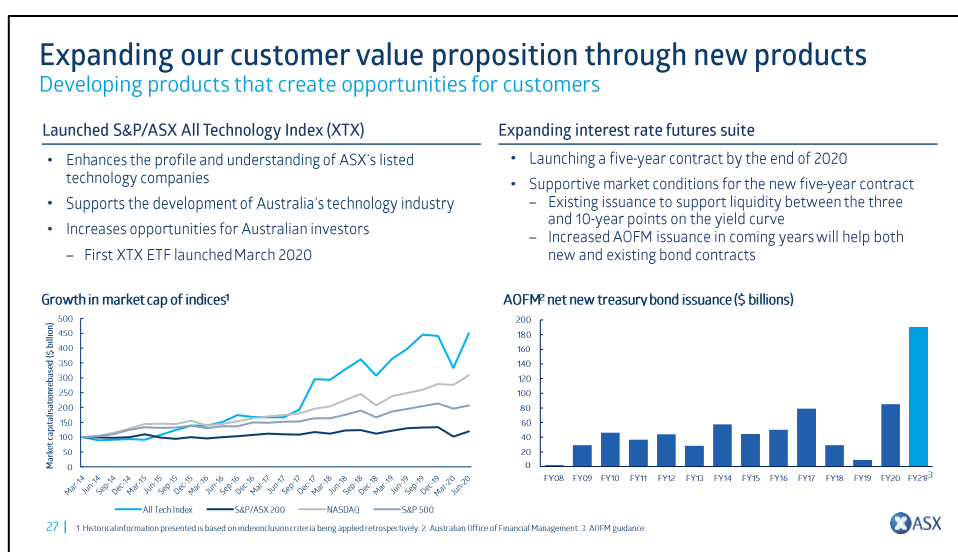
At past results, I have referred to the efficiency and risk reduction benefits the new system will deliver. We see positives for issuers and investors, as well as for CHES users, fintechs and other service providers.

For investors, the new system offers strengthened security protections and electronic holding statement options. It will also remove the challenges of tailoring registration details to 1990s' technology standards.

Issuers will see a cost saving from the electronic of holding statements and enjoy greater control over their data.

And in the same way the corporate actions STP project will encourage innovation among fintechs and service providers, ASX's DLT-enabled CHES tools and infrastructure has the potential to open up a world of opportunity for others to design and build innovative, digital, multi-party solutions on ASX's world-class ledger.

Expanding our core customer value proposition - new products for a changing world



Turning now to slide 27.

Over the last five years, we have been fostering a larger, more vibrant listed technology sector. Not only with locally based technology companies but with global tech companies too, who see the power in an ASX listing.

ASX is a globally competitive exchange for technology listings, particularly those in the \$100 million to \$1 billion market cap range that may not get the attention of the larger US markets. These companies have also been some of the best performers on the exchange, including during the pandemic. Over the last five years, the net number of technology stocks listed on ASX has increased by 49 to 202.


In February this year, S&P and ASX launched the S&P/ASX All Technology Index. Covering 50 companies, its growth since the depths of the COVID-based sell-off in March reflects the resilient and maturing nature of technology businesses in a rapidly digitising world. This index gives investors better insight into the sector, enables easier and more transparent ETF and index-based investing, and enhances the attractiveness of the Australian market.

More recently, we have been very focused on the actions of the RBA in managing COVID-19. The RBA's yield curve control has led to historically low interest rates and lower volatility of rates given the stated yield targets out to three years. This means that demand for hedging and speculation in short-term interest rates will be lower over the coming year. In response to market interest, both before and after COVID-19, and due to the significant issuance from the AOFM in the five-year maturity period, ASX is planning to launch a new five-year bond futures contract. This contract will also link well into overseas markets where many government yield curves have a very liquid five-year futures contract. We are hoping to launch this contract in the next six months.

Interestingly, while we are currently seeing less interest in hedging and speculation in short-term rates, the underlying size of the bond market is rapidly increasing – as can be seen on the chart, this year's net issuance of almost \$200 billion is multiples of the average issuance of \$40 billion over the previous 12 years. As well as being positive for ASX's Austraclear, this increase in issuance should help volumes across the whole bond futures complex.

Unlocking new digital opportunities

Leveraging the power of collaborative technology	
ASX's technology infrastructure enables innovation	
ENCOURAGING INNOVATION BY	STATUS
DataSphere Making ASX and third party financial data easier for customers to analyse and monetise	<ul style="list-style-type: none"> Workspaces and data sets available via web portal Prototypes in development with customers Progressing third party data partnerships
Sympli Offering a more intuitive, efficient and cost-competitive solution, as well as providing industry resilience and choice	<ul style="list-style-type: none"> Strong support for competition from industry, government and ACCC Expect to be connected to all four major banks by the end of FY21
DLT Solutions Enabling the development of digitised multi-party workflow solutions through the distribution of source-of-truth data	<ul style="list-style-type: none"> Third parties building applications to run on ASX's distributed ledger infrastructure Launching sandbox environment for third parties to develop, test and demonstrate DAML applications

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Turning now to my final slide in today's strategic update, ASX continues to pursue opportunities where we feel we can use our expertise and experience to drive further digitisation across financial markets and other adjacencies. While these initiatives have all slowed somewhat due to COVID-19, they did make good progress over FY20.

Our DataSphere business now has workspaces and datasets in place available via a web portal. A new marketing campaign started this month and we are progressing partnerships with third parties. This initiative enables ASX to better analyse its own business, and will make it easier for organisations to access, analyse and share financial market data.

Our Sympli initiative provides a more intuitive and cost competitive solution for the e-conveyancing industry. This initiative has been slowed by the impacts of both COVID-19 and Hayne Royal Commission/Austrac issues at the major banks. However, we expect to be connected to all four banks this financial year. Importantly, the NSW Government and the ACCC have been very supportive of interoperability in this market.

Finally, we continue to look at opportunities that leverage the ability to build digitised, multi-party workflow solutions on distributed ledgers. To be clear, our focus is first and foremost on implementing the new CHES system. Therefore, opportunities here will crystallise after CHES goes live. Notwithstanding that, it is interesting to note a number of market infrastructures and vendors are beginning to develop projects using the DAML language.

Dominic Stevens – CEO

Outlook and summary



Outlook

Diversified business navigating mixed short-term environment

Trading conditions

- Cash equities continue to experience elevated volumes and volatility
- Derivatives – 90-day bank bills and three-year bond futures volumes impacted by RBA yield curve control; commodities, equity futures and longer dated bond futures volumes unaffected
- Austraclear holdings and transactions benefiting from Australian Government issuance
- Low interest rate environment will reduce net interest income
- IPOs impacted by ongoing market volatility, while secondary capital raisings expected to remain buoyant

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I will now share our thoughts on outlook and sum up.

Like all businesses at present, it is impossible to make solid forecasts about the future in the current market. However, we are closely watching the following issues going into FY21.

In our market-facing businesses, equities continue to experience heightened volume and volatility. Given the many uncertainties in both Australia and the world, we see the market remaining volatile and unsettled in the near term.

In the futures markets, the story is more complex as reduced volatility in the shorter end of the yield curve has seen lower demand for three-year bonds and bank bill futures. However, this is less of an issue for the longer end of the curve, which will also be helped by significant bond issuance programs. Austraclear should also benefit from bond issuance over the coming year.

Below the EBIT line, FY21 will also see lower absolute returns on ASX's own capital and margin balances held at the clearing house.

In our listings business, the volatility of the last six months has driven a slowdown in new IPOs. However, the effects of the pandemic have seen a significant need for new capital from existing businesses, which continues to translate into a steady stream of secondary raisings.

Summary

Delivered solid shareholder returns while responding to COVID-19 and progressing strategy

Diversified business delivering consistent returns

- FY20 was the 10th year of consecutive EBIT growth
- FY20 total DPS +4.5% to 238.9 cps

Ability to respond to COVID-19 strengthened by investment and focus on technology and risk management

- Transitioned 95% of workforce to working from home over a weekend
- Maintained functioning of our infrastructure and services enabling COVID-19 led volumes and managing volatility

Making business easier for customers through enhanced and new products and services

- Digitising processes and standardising data offers customers' efficiency and data analysis benefits
- Developing new products to support evolving market conditions

Building an exchange for the future

- Progressing contemporisation of technology stack keeping ASX at the forefront of technological change
- Creating opportunities where ASX can leverage its brand, expertise and infrastructure

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So to conclude – through the challenges of the last six months, ASX has demonstrated the value of its diversified business and its ability to deliver consistent returns.



Our work over the past few years to strengthen our risk management and invest in technology helped us meet the demands of COVID-19.

We are continuing with our strategy of being customer-focused through a lens of innovation.

And we have made great progress in refreshing our technology stack, which will allow us to leverage our expertise into the future.

Thank you

