ASX Limited - 2010 Full-Year Results

Robert Elstone, Managing Director and CEO
Peter Hiom, Deputy CEO
Ramy Aziz, Chief Financial Officer

19 August 2010
Disclaimer

The material contained in this document is a presentation of general information about the ASX Group’s activities current as at the date of this presentation (19 August 2010). It is provided in summary and does not purport to be complete. You should not rely upon it as advice for investment purposes as it does not take into account your investment objectives, financial position or needs. These factors should be considered, with or without professional advice, when deciding if an investment is appropriate.

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Important Notes

The financial statistics, including comparables, in this report are based on the ASX Group’s pro-forma income statement which itself is not audited, but is based upon audited accounts.

There have been no material changes to accounting policies during the period.

All references to previous corresponding period (pcp) are for the 12 months to 30 June 2009.

All figures are in Australian dollars.
Agenda

• Introduction                      Robert Elstone
• Business Highlights and Initiatives      Peter Hiom
• Financial Results Summary          Ramy Aziz
• Post Balance Date Activity        Robert Elstone
• Questions
Introduction

Robert Elstone
Managing Director and CEO
Financial Highlights FY10

- Underlying net profit after tax (NPAT) of $332.6 million, up 6.1% (statutory NPAT of $328.1 million, up 4.6%)

- Operating revenue excluding interest and dividends of $588.2 million, up 9.2%

- Cash operating expenses of $134.2 million, down 3.0%

- Underlying earnings per share (EPS) of 193.0 cents per share (cps), up 5.3%

- Final dividend of 84.0 cps declared. Full-year dividend up 5.0% to 173.1 cps
Financial Highlights FY10

• A comprehensive Annual Report has been released today, including statutory reports. This presentation provides a high level overview of the result

• Sound financial, operational and supervisory performance by the ASX Group

• Operating expense containment

• Supervision of trading and trading participants successfully transferred to ASIC

• New ASX brand structure was launched on 1 August

• Close to 100% availability of core systems applications
Business Highlights and Initiatives

Peter Hiom
Deputy CEO
Business Highlights and Initiatives

• Highlights
  – Exchange traded funds (ETFs)
  – Average trade size and average daily value
  – Equity derivatives
  – Futures and options
  – Electricity and grains
  – Austraclear

• Business initiatives
  – Developing new services
  – Implementing major projects
  – Contemporising and consolidating
  – Re-defining the offering
  – Delivering new services
Business Highlights FY10

Strong ETF growth
Continued growth in number of trades
Average daily value recovery continues in FY10
Business Highlights FY10

Strong growth in index option volumes

Index Options Contracts (XJO)

Contract Volume

Strong growth in index option volumes

Derivatives

[Graph showing the growth of index option volumes from July 2005 to January 2010]
Continued recovery in volumes
Business Highlights FY10

Record year for electricity derivatives

Electricity

Australian Electricity Futures and Options

Contract Volume

Record year for electricity derivatives
Business Highlights FY10

Record year for ASX grain derivatives

ASX Grain Futures and Options

Contract Volume

Jul-05 Jan-06 Jul-06 Jan-07 Jul-07 Jan-08 Jul-08 Jan-09 Jul-09 Jan-10

0 5,000 10,000 15,000 20,000 25,000 30,000 35,000 40,000 45,000 50,000 55,000
Business Highlights FY10

Austraclear

Austraclear Revenue

- Messages & Reports
- Registry Income
- Holdings Fees
- Transaction Fees

Continued steady growth
Business Initiatives

• Primary market – developing new services
  – Development of new investor relations services
  – Consultation on enhanced disclosure by resource companies
  – Development of retail debt market

• Secondary market – implementing major projects
  – Implementation of ASX Trade
  – Construction of the new data centre facility
  – Launch of PureMatch, HFT trade execution service
  – Launch of ASX Best, the new smart order routing service
  – Ongoing market microstructure development
Business Initiatives

• Derivative market – contemporising and consolidating
  – Upgrade of ASX Trade24 futures platform
  – Transition of ASX grains futures to Trade24
  – Further development of exchange traded options market

• Market data and connectivity – re-defining the offering
  – Sponsored access and widened connectivity options (ASXNet)
  – Redevelopment of market data offering in a multi-market operator environment
  – Launch of the Australian Volatility Index (VIX)
Business Initiatives

• Clearing and Settlement – delivering new services
  – Provision of the trade acceptance service to AMOs
  – Automation of the application/redemption process for managed funds
  – Tailoring of cash equities clearing service to accommodate different types of users
Financial Results Summary

Ramy Aziz
Chief Financial Officer
## Financial Performance – Income Statement

<table>
<thead>
<tr>
<th></th>
<th>FY10</th>
<th>FY09</th>
<th>Variance Favourable / (Unfavourable)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ Million</td>
<td>$ Million</td>
<td>$ Million</td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>588.2</td>
<td>538.4</td>
<td>49.8</td>
</tr>
<tr>
<td>Cash Operating Expenses</td>
<td>134.2</td>
<td>138.3</td>
<td>4.1</td>
</tr>
<tr>
<td>EBITDA</td>
<td>454.0</td>
<td>400.1</td>
<td>53.9</td>
</tr>
<tr>
<td>Depreciation and Amortisation</td>
<td>18.9</td>
<td>15.0</td>
<td>(3.9)</td>
</tr>
<tr>
<td>EBIT</td>
<td>435.1</td>
<td>385.1</td>
<td>50.0</td>
</tr>
<tr>
<td>Interest and Dividend Income</td>
<td>37.4</td>
<td>59.6</td>
<td>(22.2)</td>
</tr>
<tr>
<td>Underlying Profit Before Income Tax</td>
<td>472.5</td>
<td>444.7</td>
<td>27.8</td>
</tr>
<tr>
<td>Income Tax Expense</td>
<td>139.9</td>
<td>131.1</td>
<td>(8.8)</td>
</tr>
<tr>
<td><strong>Underlying Net Profit After Tax</strong></td>
<td><strong>332.6</strong></td>
<td><strong>313.6</strong></td>
<td><strong>19.0</strong></td>
</tr>
<tr>
<td>Significant Items After Tax</td>
<td>(4.5)</td>
<td>-</td>
<td>(4.5)</td>
</tr>
<tr>
<td>Statutory Reported Net Profit After Tax</td>
<td>328.1</td>
<td>313.6</td>
<td>14.5</td>
</tr>
</tbody>
</table>
Financial Performance - EBITDA

EBITDA FY06 to FY10

Revenue growth, cost reduction (post-merger)
Revenue decline, cost containment (GFC)
Revenue recovery, continued cost containment
Revenue Highlights FY10

FY10 Revenue

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>FY09 Revenue</th>
<th>FY10 Revenue</th>
<th>Change From FY09 (pcp)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listings</td>
<td>$115.5m</td>
<td>$181.4m</td>
<td>11%</td>
</tr>
<tr>
<td>Cash Market</td>
<td>$147.8m</td>
<td>$68.8m</td>
<td>10%</td>
</tr>
<tr>
<td>Derivatives</td>
<td>$29.9m</td>
<td>$31.2m</td>
<td>4%</td>
</tr>
<tr>
<td>Information Services</td>
<td>$31.2m</td>
<td>$13.6m</td>
<td>26%</td>
</tr>
<tr>
<td>Austraclear</td>
<td>$13.6m</td>
<td>$588.2m</td>
<td>4%</td>
</tr>
</tbody>
</table>

Total Revenue: $588.2m

Listings Revenue

- Warrants and Debt: $60 million (FY09), $100 million (FY10)
- Secondary Listings: $20 million (FY09), $30 million (FY10)
- Initial Listings: $10 million (FY09), $15 million (FY10)
- Annual Listings: $40 million (FY09), $45 million (FY10)

Cash Market Revenue

- Cash Market Settlement: $80 million (FY09), $100 million (FY10)
- Cash Market Clearing: $40 million (FY09), $50 million (FY10)
- Cash Market Trading: $60 million (FY09), $70 million (FY10)

Derivatives Revenue

- Derivatives (ASX): $60 million (FY09), $80 million (FY10)
- Futures and Options (ASX 24): $90 million (FY09), $100 million (FY10)
## Financial Performance – Expenses

<table>
<thead>
<tr>
<th>Expenses</th>
<th>FY10 $ Million</th>
<th>FY09 $ Million</th>
<th>Variance Favourable / (Unfavourable) $ Million</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff</td>
<td>77.7</td>
<td>81.7</td>
<td>4.0</td>
<td>5.0%</td>
</tr>
<tr>
<td>Occupancy</td>
<td>13.9</td>
<td>12.8</td>
<td>(1.1)</td>
<td>(9.0%)</td>
</tr>
<tr>
<td>Equipment</td>
<td>22.2</td>
<td>22.7</td>
<td>0.5</td>
<td>2.1%</td>
</tr>
<tr>
<td>Administration</td>
<td>15.2</td>
<td>16.1</td>
<td>0.9</td>
<td>5.3%</td>
</tr>
<tr>
<td>Variable</td>
<td>5.2</td>
<td>5.0</td>
<td>(0.2)</td>
<td>(3.1%)</td>
</tr>
<tr>
<td><strong>Total Cash Operating Expenses</strong></td>
<td><strong>134.2</strong></td>
<td><strong>138.3</strong></td>
<td><strong>4.1</strong></td>
<td><strong>3.0%</strong></td>
</tr>
<tr>
<td>Depreciation and Amortisation</td>
<td>18.9</td>
<td>15.0</td>
<td>(3.9)</td>
<td>(25.5%)</td>
</tr>
<tr>
<td>Pre-Tax Significant Items</td>
<td>6.4</td>
<td>-</td>
<td>(6.4)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Capital Expenditure</strong></td>
<td>27.5</td>
<td>25.8</td>
<td>(1.7)</td>
<td>(6.2%)</td>
</tr>
</tbody>
</table>
## Interest and Dividend Income

- Significant reduction in interest income attributable to lower official cash rate
- Average cash collateral balances during FY10 of $2.7 billion, 47.1% lower than the $5.1 billion in pcp
- Average investment spread earned in FY10 was 26 bps over the official cash rate (30 bps pcp)
- Dividend earned from investment in IRESS

### FY10 vs FY09 ($ Million)

<table>
<thead>
<tr>
<th></th>
<th>FY10</th>
<th>FY09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASX Group (excluding ASXCC Group)</td>
<td>5.6</td>
<td>4.7</td>
</tr>
<tr>
<td>ASXCC Group</td>
<td>7.2</td>
<td>15.0</td>
</tr>
<tr>
<td>Net Interest Income on Participant Balances</td>
<td>16.5</td>
<td>32.9</td>
</tr>
<tr>
<td>Dividend Income</td>
<td>8.1</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>37.4</td>
<td>59.6</td>
</tr>
</tbody>
</table>
Dividends Paid to Shareholders

- Dividend – 90% of underlying NPAT, fully franked
- FY10 dividends – 173.1 cps
- Dividend Reinvestment Plan to apply to FY10 dividend
## Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>30 June 10 $ Million</th>
<th>30 June 09 $ Million</th>
<th>Variance Favourable / (Unfavourable)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and Available-for-Sale Financial Assets</strong></td>
<td>3,716.8</td>
<td>4,019.5</td>
<td>(302.7) (7.5%)</td>
</tr>
<tr>
<td><strong>Goodwill</strong></td>
<td>2,262.8</td>
<td>2,262.8</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td>641.2</td>
<td>504.5</td>
<td>136.7 27.1%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>6,620.8</td>
<td>6,786.8</td>
<td>(166.0) (2.4%)</td>
</tr>
<tr>
<td><strong>Amounts Owing to Participants</strong></td>
<td>2,990.2</td>
<td>3,608.6</td>
<td>618.4 17.1%</td>
</tr>
<tr>
<td><strong>Borrowings</strong></td>
<td>250.0</td>
<td>100.0</td>
<td>(150.0) (150.0%)</td>
</tr>
<tr>
<td><strong>Other Liabilities</strong></td>
<td>459.3</td>
<td>304.8</td>
<td>(154.5) (50.7%)</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>3,699.5</td>
<td>4,013.4</td>
<td>313.9 7.8%</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>2,437.3</td>
<td>2,361.8</td>
<td>75.5 3.2%</td>
</tr>
<tr>
<td><strong>Retained Earnings</strong></td>
<td>319.7</td>
<td>272.6</td>
<td>47.1 17.3%</td>
</tr>
<tr>
<td><strong>Reserves</strong></td>
<td>164.3</td>
<td>139.0</td>
<td>25.3 18.2%</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>2,921.3</td>
<td>2,773.4</td>
<td>147.9 5.3%</td>
</tr>
</tbody>
</table>
Adequate non-attributed capital of $286.8 million at 30 June 2010
Adequate liquidity of $168.3 million of available cash surplus at 30 June 2010
Post Balance Date Activity

Robert Elstone
Managing Director and CEO
Post Balance Date Activity

• Post balance date characterised by
  – Rally in S&P/ASX200 index value
  – Thin equity trading volumes in most major equity markets
  – Official cash rate stability
  – Calling of a federal election in Australia

• Activity levels for 1 July 2010 to 18 August 2010
  – Cash markets average daily traded value $4.8 billion (down 0.2% on same period last year)
  – ASX 24 derivatives average daily volume 292,605 contracts (up 18.4%)
  – ASX derivatives average daily volume 76,225 contracts (up 12.1%)

• Secondary capital of $2.5 billion raised in July 2010

• 13 companies listed in July 2010 (2 in July 2009)
Post Balance Date Activity

• Strong corporate earnings reporting season

• Moderating inflation and strong Australian growth outlook

• Imminent certainty on election outcome

• Whilst FY11 will be another busy year of implementation challenges for ASX, the Group is well prepared for growth
ASX Limited - 2010 Full-Year Results

Robert Elstone, Managing Director and CEO
Peter Hiom, Deputy CEO
Ramy Aziz, Chief Financial Officer
19 August 2010