Strengthening the foundations for continued resilience and future growth

Dominic Stevens, Managing Director & CEO
1 May 2018
Agenda

• Financial results for the 9 months ending 31 March 2018
• Strengthening the foundations for continued resilience and future growth
  • CHESS replacement journey
  • Other licence to operate initiatives
  • Listings framework enhancements
• Conclusions
• Questions and discussion
### Highlights – financial results: 9 months to 31 March 2018

**Unseasonably strong 3Q**

<table>
<thead>
<tr>
<th></th>
<th>Mar 18 3Q</th>
<th>Mar 18 YTD</th>
<th>Variance % 3Q</th>
<th>Variance % YTD</th>
<th>Notes</th>
</tr>
</thead>
</table>
| **Revenue**              | $204.6m   | $613.6m    | +11.6%        | +7.6%          | - Strong quarter for Listings, Derivatives and OTC, Trading Services  
- Equity Post-Trade on par with pcp |
| **Expenses**             | $46.9m    | $143.1m    | (4.4%)        | (5.9%)         | - Full-year guidance unchanged at approx. 8% growth  
- 4Q will incur increased staff costs and digital consulting spend |
| **EBITDA**               | $157.7m   | $470.5m    | +13.9%        | +8.2%          | - 1H18 up 5.5%, a strong third quarter (13.9% up) drove 9 month EBITDA growth of 8.2% |
| **Net interest and dividend income** | $25.6m   | $63.8m     | +2.9%         | +2.3%          | - Higher average margin balances  
- Elevated cash investment spreads |
| **Net profit after tax** | $121.4m   | $351.9m    | +12.3%        | +7.5%          | - Continued solid performance from diversified business with multiple growth drivers |

**Unaudited result**  
Revenue and expenses as per the Group segment reporting  
Variance relative to the prior comparative period expressed favourable / (unfavourable)
Highlights – 3Q18 activity levels

Strong growth in secondary capital raisings and futures, subdued equity trading
Highlights – revenue: 9 months ended 31 March 2018
Strong quarter vs pcp, driven by futures volumes and secondary capital raisings

YTD revenue up 7.6%

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

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

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

Equity Post-Trade Services
- YTD revenue $78.6m, up 0.6%
- Average daily value for 3Q18 slightly ahead of 3Q17 and 1H18
- 3Q18 absent 3Q17’s ‘Trump bump’
- Released proposed Day 1 CHESS replacement consultation paper

Revenue movement ($million)

Mar 17 YTD 570.1 Listings and Issuer Services
Derivatives & OTC Markets 19.7
Trading Services 11.8
Equity Post-Trade Services 12.4
Other 0.4
Mar 18 YTD 613.6

Revenue up 7.6% $43.5m
YTD operating expenses
Increased $8.0m, up 5.9% vs pcp

Operating expenses

- Staff costs up 1.6%
  - Average headcount in line with 3Q17 YTD

- ASIC supervision levy increased by $2.9 million from $2.2 million, up 132%

- Other up 7.5%
  - Postage increased $0.9 million, up 18%
  - Electricity increased $0.9 million, up 81%
  - Rent increased $0.4 million, up 5%

FY18 guidance unchanged
- Approximately 8% operating expense growth
Strengthening the foundations for continued resilience and future growth
Strong core value proposition
Importance of reliability and resilience drives ‘licence to operate’ initiatives

<table>
<thead>
<tr>
<th>Core customer value proposition</th>
<th>Listings</th>
<th>Trade execution</th>
<th>Post-trade</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Initial and ongoing access to capital</td>
<td>Deep and diverse liquidity</td>
<td>Capital efficiency</td>
</tr>
<tr>
<td></td>
<td>Lower cost of capital</td>
<td>Hedging and risk transfer</td>
<td>Risk reduction/netting</td>
</tr>
<tr>
<td></td>
<td>Listings integrity</td>
<td>Market integrity</td>
<td>Operational efficiency</td>
</tr>
<tr>
<td></td>
<td>Branding</td>
<td>Efficient and timely access</td>
<td>Settlement certainty</td>
</tr>
</tbody>
</table>

### Macro growth drivers

- Demand for financial assets
- Large and growing savings system
- Growing capital needs
- Product diversification
- Globalisation of markets
- Automation of OTC markets
- 24 hour trading
- Regulatory developments
- Operational efficiency needs
- Capital efficiency needs

### ASX initiatives

#### Business development

- Expansion of listings franchise
- ETF/ETP listings
- mFund expansion
- Offshore customer acquisition
- ASX Benchmarks (BBSW)
- Centre Point innovation
- ALC/ASX Net solutions
- CHESS replacement/DLT
- OTC Clearing, client clearing
- Futures/OTC cross margining
- ASX Collateral

#### Licence to operate

- MAP upgrade
- Secondary data centre
- Operational infrastructure
- Business monitoring tools and processes
- Listings compliance enhancements
- CHESS replacement
- ASX Net upgrade
- Digital refresh
- Customer service improvements
CHESS replacement journey
Stage 1 complete, stage 2 completing soon, final stage 3 begun

Technology partner and software evaluation, commenced Dec 2015:
- DLT companies assessed
- Build DLT prototype and enterprise grade software
- Testing, internal and external review

Decision to use DA and DLT system to replace CHESS Dec 2017:

Stakeholder consultation and Day 1 functionality, commenced Sept 2016:
- Initial consultation 36 detailed responses
- Customer workshops 600+ people 120+ companies
- Industry working groups develop 45 requirements
- Proposed Day 1 scope released meeting requirements

Day 1 scope mid 2018:

Analysis, building and testing, commenced Jan 2018:
- Analysis, build and testing
- Incremental external software drops
- 9 months of industry wide testing

Go live late 2020 - early 2021*

*Dates subject to completion of system development, stakeholder readiness and regulatory clearance
DLT will deliver benefits to customers
CHESS currently sends messages to reconcile many disparate and varied systems

**CHESS today**

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

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

**DLT-based CHESS provides choice**

- Common database structure
- Connection to ASX’s single ‘source of truth’ DLT database via a node
- Databases to be kept in sync real-time without having to reconcile with ASX
- Common architecture enabling subsequently developed software to be used by any participant
- Opportunity for Austraclear to be upgraded onto DLT in the future
DLT will deliver benefits to customers
DLT-based CHESS means application software built for one – is built for all

**DLT-based CHESS provides choice**

- Common database structure
- Connection to ASX’s single ‘source of truth’ DLT database via a node
- Databases to be kept in sync real-time without having to reconcile with ASX
- Common architecture enabling subsequently developed software to be used by any participant
- Opportunity for Austraclear to be upgraded onto DLT in the future
Accelerating projects to contemporise technology platforms
Will enable ASX to take advantage of the opportunities in the next 5 years

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

FY18 – FY21 capital expenditure projects*

<table>
<thead>
<tr>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>SYCOM replacement</td>
<td>Secondary data centre</td>
<td>ASX Net upgrade</td>
<td>CHESS replacement</td>
<td>Operational infrastructure</td>
</tr>
</tbody>
</table>

*Timing is indicative only and represents current planning expectations
Listings franchise expansion
Since 2012, new listings have provided attractive returns to investors

Strategy

• List quality, investment-grade companies for the long-term that grow, trade, clear and settle on ASX

• Provide investors with greater choice through sectoral and geographic investment diversity

Results to date

• 784 listings occurred between January 2012 and February 2018

• If an investment of $1 was made in each listing, the internal rate of return is approximately twice the return for the overall market

Internal rate of return investing:

• $1 in ASX 200 on every day of every ASX listing Jan 2012 – Feb 2018

• $1 in every ASX listing since Jan 2012 – Feb 2018*

<table>
<thead>
<tr>
<th>Index / Listings</th>
<th>ASX 200 Accumulation Index</th>
<th>All ASX listings</th>
<th>All ASX technology listings</th>
<th>All ASX listings with &lt;$50m market cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>6.6%</td>
<td>13.0%</td>
<td>16.4%</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

*Includes back door listings
<table>
<thead>
<tr>
<th>Year</th>
<th>Events</th>
</tr>
</thead>
</table>
| 2012 | • Good fame and character requirements  
• Major rewrite of Guidance Note (GN) 12 to regulate back door listings |
| 2013 | • Major rewrite of mining, oil and gas Joint Ore Reserves Committee (JORC) Code  
• Major rewrite of GN 8 to improve continuous disclosure  
• Released 3rd edition Corporate Governance Principles and Recommendations |
| 2014 | • Amended GN 1 and GN 4 to tighten  
– acceptable structure  
– minimum free float  
– minimum spread for emerging market issuers  
• Released 3rd edition Corporate Governance Principles and Recommendations |
| 2015 | • 10% minimum free float applied via GN 1  
• More control over standards by removing the right to appeal listings decisions  
• New (foreign exempt) category for NZ entities |
| 2016 | • New pre-vetting process for listings  
• 20% minimum free float and new suspension policy for back doors introduced as ASX policy pending rule changes  
• Major strengthening of admission rules  
• Introduced automatic removal of long-term suspended entities after 3 years |
| 2017 | • Tightened rules on reverse takeovers  
• Tightened guidance on minimal working capital  
• Introduced ‘show cause’ process to terminate delinquent listed entities  
• Removed trading halts for block sales |
| 2018 | • Tightened guidance on good fame and character requirements  
• Consulting on 4th edition Corporate Governance Principles and Recommendations  
• Consulting on extensive package of listing rule amendments inc.  
– issue and quotation of securities  
– placement rules  
– related party transactions |

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

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**ASX**
**Overall regulatory environment for companies**

*Keeping standards high: combined responsibility of many parties*

### Pre-listing responsibilities

| **DIRECTORS** | • Due diligence on prospectus  
• Good fame and character checks |
| **LEAD MANAGERS** | • Due diligence on financial aspects of prospectus |
| **LAWYERS** | • Due diligence on legal aspects of prospectus |
| **INVESTIGATING ACCOUNTANTS** | • Due diligence on accounting aspects and pro forma financials in prospectus |
| **AUDITORS** | • Provide assurance on 2 years (asset test) or 3 years (profit test) of financial statements |
| **POTENTIAL INVESTORS** | • Read prospectus and understand risks involved or seek advice |
| **ASIC** | • Reviews prospectus for Corporations Act compliance  
• May issue stop order if prospectus false/misleading |
| **ASX** | • Reviews listing application and prospectus (including good fame/character checks) for compliance with conditions of admission  
• May reject application if entity considered unsuitable for listing |

### Post-listing responsibilities

| **DIRECTORS** | • Oversee running of the business  
• Statutory duty to exercise due care and skill, and discharge responsibilities in good faith and in best interests of the company  
• Ensure financial statements comply with accounting standards and give a true and fair view |
| **AUDITORS** | • Provide assurance financial statements comply with accounting standards and give a true and fair view |
| **SHAREHOLDERS** | • Elect/remove directors  
• Approve range of actions including remuneration report, significant change to nature of scale of activities |
| **ASX** | • Monitors and enforces compliance with Listing Rules  
• Enforcement via power to suspend or terminate listing  
• Refers potential breaches of Corporations Act to ASIC to consider formal enforcement action |
| **ASIC** | • Monitors and enforces compliance with the Corporations Act  
• Has power to seize documents, interrogate under oath, ban directors and initiate prosecutions with fines and prison terms |

**MEDIA, COMMENTATORS, WHISTLEBLOWERS and OTHER STAKEHOLDERS**

Watching, reporting investigating and drawing attention to suspicious activity
Conclusion
We are making good progress strengthening our foundations

**Strong 3rd quarter**
- Record futures volumes due to increased volatility and new customers
- Secondary capital raisings were strong in February and March
- FY18 operating expense growth and capital expenditure guidance remain unchanged
- FY19 capital expenditure expected to be approximately $70 million

**Positioning ASX for continued resilience and future growth**
- DLT-based CHESS provides benefits to customers through efficiency and innovation
- With opportunities on the horizon, we are accelerating the upgrade of our technology platforms to enable pursuit of growth initiatives
- Listings compliance enhancements supporting strategy to seek quality listings for the long-term
Questions and discussion
Appendix
## Income statement – 9 months to 31 March 2018

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

Diversification supports revenues across different market cycles

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

- **Asset class diversification**
  - Equities
  - Fixed income
  - Energy
  - Commodities

Revenue contribution by business - 9 months to 31 March 2018
Thank you.
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