



Media Release

11 February 2016

ASX LIMITED HALF-YEAR RESULTS TO 31 DECEMBER 2015 (1H16)

Highlights relative to the prior corresponding period (1H15 pcp) based on the Group's segment reporting:

Statutory profit after tax	\$213.1 million	up 7.3%
Operating revenues <ul style="list-style-type: none"> Growth in Listings, Trading Services and Equity Post-Trade Services Derivatives and OTC Markets flat with fee reductions offsetting volume growth 	\$376.2 million	up 7.9%
Operating expenses <ul style="list-style-type: none"> Accelerate investment in post-trade services in 2H16 FY16 guidance expense growth approximately 5.5% 	\$85.1 million	up 4.4%
Earnings per share	110.2 cents	up 7.3%
Interim dividend per share <ul style="list-style-type: none"> Fully franked Maintained 90% payout ratio 	99.1 cents	up 7.4%
Capital expenditure <ul style="list-style-type: none"> FY16 capital expenditure guidance approximately \$50 million New trading and risk platforms target delivery in 2016 Focus on design of post-trade services, including potential use of distributed ledger technology (blockchain) for equity market Selected Digital Asset Holdings to help develop distributed ledger technology, supported by \$14.9 million investment Strong balance sheet metrics; AA- long-term credit rating from S&P 	\$18.7 million	
Investment in strategic positioning <ul style="list-style-type: none"> Investment in infrastructure – creates opportunity for innovation in trading and post-trade services Products and services that give investors choice Higher customer engagement and improved service delivery Organised main business groups to create focus and align with strategic priorities 		



Mr Elmer Funke Kupper, ASX Managing Director and CEO, said “ASX’s financial results for the first six months of FY16 were positive, with activity growth across all major areas. The result was supported by a continuation of the higher activity levels we saw in the second half of the previous financial year. Revenues were up 7.9% to \$376.2 million and profit after tax was up 7.3% to \$213.1 million.

“During the six-month period, ASX restructured its activities into four key business groups and recruited leading industry skills to ensure that each of the businesses has the right focus and leadership. ASX opened an office and established a technology hub in Hong Kong to connect our growing Asian customer base to Australia’s financial markets community. ASX now has points of presence in the USA, Europe and Asia.

“In January 2016, ASX announced that it will develop solutions for the Australian equity market using distributed ledger technology or blockchain. We believe that distributed ledger technology has the potential to change the way our market operates end-to-end, reduce risk and costs for our clients, speed-up the settlement process for investors, and support new services for listed companies. It provides a unique opportunity for Australia to be a world leader in the adoption of innovative market solutions.”

Business highlights (based on the Group’s segment reporting)

Operating revenues for the half-year to 31 December 2015 (1H16) were \$376.2 million, up 7.9% on 1H15.

In the following performance summary all pcp comparisons have been adjusted to ensure consistency with the new business categories.

Listings and Issuer Services – revenue \$105.6 million, up 15.6%

Listings and Issuer Services accounted for 28% of Group revenues. The main revenue sources include annual listings fees, fees related to capital raisings, and revenue from structured products.

Listings revenue was \$82.4 million, up 16.3%

- 77 IPOs compared to 71 in the pcp
- Total capital raised \$54.6 billion, up 41.5%, with \$13.5 billion from IPOs and \$41.1 billion from secondary raisings.

Issuer Services revenue was \$23.2 million, up 13.2%

- Rise in the number of holding statements by 10% to 7.4 million and higher corporate actions revenue.

Secondary capital raisings were particularly strong, supported by equity raisings from the banking sector. Australia’s ‘big four’ banks (ANZ, CBA, NAB, WBC) together raised \$18.1 billion in 1H16. IPO activity remained positive, although the amount of capital raised was lower than the pcp.

ASX continued to focus on improving the listings franchise and expanding the ‘investment supermarket’ for investors. During the half, the number of New Zealand companies listed on ASX rose to 42 and a simplified process for dual listing received regulatory approval. There was also an increase in the size of the ASX-listed technology sector, with 22 new listings in 1H16, and an overall total of 146 technology listings.



Exchange-traded products (ETPs), which includes ETFs and listed investment companies, grew in 1H16, with 171 ETPs listed totalling \$21.4 billion in funds under management.

NAB became the first major bank to commit to the mFund service, giving investors access to unlisted managed funds through their broker platform. At the end of December 2015, there were 41 fund managers connected to mFund, offering 133 funds via 15 brokers.

ASX continues to work with ASIC on the requirements for international equities, and supports the adoption of the Murray Inquiry recommendation for a simplified disclosure regime for issuing 'simple' corporate bonds.

Trading Services – revenue \$91.4 million, up 8.1%

Trading Services accounted for 24% of Group revenues. The business consists of revenues from cash market equities trading, information services (mainly market data) and technical services (mainly data centre services). All three components grew, supported by a rise in overall equity market activity and continued customer support for new ASX execution services.

Cash market trading revenue was \$20.3 million, up 14.9%

- Total on-market value traded per day across all venues increased 18.6%
- ASX's on-market value traded per day up 16.6% to \$4.1 billion.

Information services revenue was \$40.6 million, up 10.8%

- Driven by fee changes and higher index royalties.

Technical services revenue was \$30.5 million, up 1.0%

- Hosting - 219 cabinets (179 pcp)
- Community and connectivity – 8.3% increase in ALC service connections
- Revenue growth was impacted by change in access arrangements for futures cross connections and electronic gateways.

ASX continued to deliver execution services that meet the needs of end-investors. Centre Point, ASX's anonymous mid-point matching service, and auctions at the start and end of each trading day continued to be popular with investors. Together they accounted for 26.3% of ASX on-market value traded and 43.9% of trading revenue. ASX's on-market trading share across the period was 88.4% (89.9% pcp).

ASX will establish a dedicated team to expand its data and analytic services in the second half of the year.

The size of the financial markets community in ASX's main data centre, the Australian Liquidity Centre (ALC), grew over the period as more customers utilise the ALC as their primary data centre. The number of customers increased from 93 to 99 and the number of cabinets hosted in the ALC increased from 179 to 219.

ASX also established an ASX Net Global technology hub in Hong Kong, coinciding with the opening of its Hong Kong office, to connect to its growing customer base in Asia. ASX now has ASX Net Global hubs in Hong Kong, Singapore, Chicago and London providing global access to ASX markets.



Equity Post-Trade Services – revenue \$51.0 million, up 11.7%

Equity Post-Trade Services accounted for 14% of Group revenues. Revenues are generated from the clearing and settlement of cash market equity transactions, and rose in line with the growth in activity.

Cash market clearing revenue was \$27.2 million, up 17.3%

- Value cleared up 18.4%.

Cash market settlement revenue was \$23.8 million, up 6.0%

- Number of dominant settlement messages up 6.7%.

T+2 settlement is on-track to commence in March 2016, providing efficiencies for investors and intermediaries, and keeping Australia aligned with global best practice.

ASX has announced that it will develop solutions for Australia's post-trade equity environment using distributed ledger technology, sometimes referred to as blockchain. Distributed ledger technology has the potential to lower risk, reduce costs and speed-up the settlement process for investors. ASX has selected US-based Digital Asset Holdings as its business partner for this initiative and has invested \$14.9 million in the company to acquire a 5% shareholding, fund an initial phase of development, and purchase warrants that give it the right to acquire additional shares and appoint a director if certain conditions are met.

The initial development will take place over the next 6 to 12 months and will bring to life the benefits and implications of a new post-trade solution for the Australian equity market. The development will take place alongside CHES, which will continue to operate as normal.

ASX and Digital Asset will engage with regulators and Government agencies to ensure that any future post-trade solution meets the high regulatory, operational and security standards that apply to Australia's financial markets.

The adoption of distributed ledger technology would significantly change the way Australia's post-trade processes work. Rather than replace CHES with technology based on the same legacy processes that operate in the market today, ASX will aim to work with its stakeholders to re-engineer and simplify those processes to deliver significant benefits to market users.

A final decision on the future market design is expected by mid-2017. This will include a decision on the future of CHES. ASX has decided to maintain the current annual revenue sharing arrangements that exist for its clearing and settlement businesses. In 1H16, ASX provided \$2.5 million under these arrangements.

In addition, from 1 July 2016, ASX will reduce its headline clearing fee by 10%, from 0.25 basis points to 0.225 basis points. ASX will also maintain its commitment to the Code of Practice that sets out how it manages the infrastructure on behalf of the market.

ASX's approach balances the interests of ASX clients, issuers, end-investors and regulators, and is focussed on the long-term future and competitiveness of Australia's equity market. It allows all parties to engage fully in the innovation process over the next 18 months and build a positive understanding of the benefits and policy implications of a new solution.



Derivatives and OTC Markets – revenue \$126.8 million, flat

Derivatives and OTC Markets is ASX's largest business, accounting for 34% of Group revenues in 1H16. It consists of trading in futures and exchange-traded options, clearing of over-the-counter (OTC) derivatives, collateral management services and Austraclear. Austraclear provides settlement, depository and registry services for A\$ debt securities.

Futures and OTC clearing revenue was \$91.6 million, up 1.3%

- Revenue growth of 6.4% (\$5.8 million) was largely offset by \$4.6 million in additional fee discounts introduced on 1 October 2014.

Equity options revenue was \$11.3 million, down 11.4%

- Number of contracts traded down 21.7%
- Includes impact of collapse of broker BBY.

Austraclear revenue was \$23.9 million, up 1.5%

- Average balances in the depository up 12.2% to \$1.8 trillion.

ASX launched a number of new derivatives products during the period, including 20 year bond futures, mini SPI, East Coast wheat futures and options, and deliverable swap futures. It also partnered with the Perth Mint to develop precious metals derivatives products, with gold futures expected to be available in 1H17.

The distribution of ASX's derivatives products was broadened with the establishment of a technology hub in Hong Kong.

ASX's OTC clearing service cleared a notional value of \$817.4 billion in 1H16 (\$101.7 billion pcq) and has six active clients. The average balance across the period for the collateral management service, which reduces collateral costs for clients by allowing them to use their securities held in Austraclear, was \$4.3 billion.

Interest and dividend income – \$33.7 million, down 2.0%

Interest income on ASX's own cash balances declined 24.4% to \$11.3 million due to lower average interest rates. Interest income on participant collateral balances increased 20.1% to \$17.5 million, with average balances higher across the period.

ASX is repositioning its investment of clearing house capital and collateral balances in line with new RBA guidelines. This will gradually reduce the investment earnings rate. The net earnings impact will depend on market activity and corresponding collateral balances. The impact in FY16 is not expected to be material.

Dividend income from ASX's 19.2% shareholding in IRESS rose 0.6% to \$4.9 million.



Expenses – \$85.1 million, up 4.4%

Staff expenses grew by 1.5%, with higher salary and recruitment costs partially offset by increased capitalisation. Measured in full-time equivalents (FTE), average headcount was down 0.6% to 523 FTEs.

Staffing levels will increase in the second half and into FY17 as ASX adds resources to develop its data business, support Asian sales and accelerate the design of a new post-trade solution for the Australian equity market based on distributed ledger technology.

Other costs were up 9.0%, including higher equipment and administration costs to support new services and initiatives. Increased variable costs were associated with the production and distribution of more CHES holding statements.

ASX expects full-year expenses to increase approximately 5.5%.

Capital expenditure – \$18.7 million

Capital expenditure was driven by ongoing investment in core services and the technology transformation program announced in February 2015. Phase 1 of the program, with a target delivery in 2016, includes a new trading platform and risk management systems.

Capital expenditure was consistent with guidance given at the beginning of the year. ASX expects total capital expenditure in FY16 to be approximately \$50 million.

Post balance date activity

Market activity levels in the first five weeks of the second half of FY16 (up to 5 February 2016) compared to pcp were:

- Listings: Total capital raised in January 2016 - \$0.3 billion, down 92.7%
- Cash equities: ASX on-market average value traded per day - \$4.0 billion, up 7.6%
- Futures: Daily average number of contracts traded - 482,464, up 2.5%.

Complete half-year results materials will be available on the ASX website:

<http://www.asx.com.au/about/asx-market-announcements.htm>

A webcast of today's 10.00am (Sydney time) presentation to analysts will be available:

<http://www.asx.com.au/hy2016webcast>

Further enquiries:

Media

Matthew Gibbs
General Manager, Media and Communications
Tel: +61 2 9227 0218
Mobile: 0411 121219
matthew.gibbs@asx.com.au
<http://www.asx.com.au/about/media-releases.htm>

Analysts/Investor Relations

Stephen Hammon
General Manager, Finance
Tel: +61 2 9227 0260
Mobile: 0488 212755
stephen.hammon@asx.com.au
<http://www.asx.com.au/about/investor-relations.htm>



Appendix – ASX half-year results to 31 December 2015 (based on the Group's segment reporting)

Group income statement	1H16 \$m	1H15 \$m	Variance \$m	Variance %
Operating revenues	376.2	348.7	27.5	7.9%
Operating expenses	85.1	81.4	(3.7)	(4.4%)
EBITDA	291.1	267.3	23.8	8.9%
Depreciation and amortisation	20.8	18.6	(2.2)	(12.2%)
EBIT	270.3	248.7	21.6	8.7%
Interest and dividend income	33.7	34.4	(0.7)	(2.0%)
Profit before tax	304.0	283.1	20.9	7.4%
Income tax expense	(90.9)	(84.5)	(6.4)	(7.6%)
Profit after tax	213.1	198.6	14.5	7.3%

Operating revenues	1H16 \$m	1H15 \$m	Variance \$m	Variance %
Listings and Issuer Services	105.6	91.3	14.3	15.6%
Listings	82.4	70.9	11.5	16.3%
Issuer Services	23.2	20.4	2.8	13.2%
Trading Services	91.4	84.6	6.8	8.1%
Cash Market Trading	20.3	17.7	2.6	14.9%
Information Services	40.6	36.7	3.9	10.8%
Technical Services	30.5	30.2	0.3	1.0%
Equity Post-Trade Services	51.0	45.6	5.4	11.7%
Cash Market Clearing	27.2	23.1	4.1	17.3%
Cash Market Settlement	23.8	22.5	1.3	6.0%
Derivatives and OTC Markets	126.8	126.8	-	-
Equity Options	11.3	12.8	(1.5)	(11.4%)
Futures and OTC Clearing	91.6	90.4	1.2	1.3%
Austraclear	23.9	23.6	0.3	1.5%
Other	1.4	0.4	1.0	Large
Operating revenues	376.2	348.7	27.5	7.9%

Key activity indicators	1H16	1H15	Variance	Variance %
All Ordinaries Index (end of period)	5344.6	5388.6	(44.0)	(0.8%)
Number of new listed entities (IPOs)	77	71	6	8.5%
Capital raised, including scrip-for-scrip	\$54.6 billion	\$38.6 billion	\$16.0 billion	41.5%
Daily average cash on-market value	\$4.1 billion	\$3.5 billion	\$0.6 billion	16.6%
Equity options daily average contracts traded	386,549	493,843	(107,294)	(21.7%)
Futures daily average contracts traded	488,009	464,196	23,813	5.1%
OTC cleared notional value	\$817.4 billion	\$101.7 billion	\$715.7 billion	Large

Variances expressed favourable/(unfavourable)