16 February 2024

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ASX LIMITED – 2024 HALF-YEAR RESULTS MARKET RELEASE

Attached is a copy of the market release relating to the 2024 Half-Year Financial Results.

Release of market announcement authorised by:
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Market Release

16 February 2024

ASX Limited Half-Year Results to 31 December 2023 (1H24)

Key financial highlights (vs prior corresponding period of 1H23)

Operating revenue
$511.7 million (↑ 2.4%)

Record first half operating revenue

Driven by growth in Markets and Technology & Data businesses, offset by declines in Listings and Securities & Payments businesses

Statutory and underlying net profit after tax (NPAT)

Statutory NPAT $230.5 million (↑ 212.8%)

Statutory net profit after tax (NPAT) was significantly higher given prior comparative period included derecognition charge of capitalised costs on CHESS replacement project

Underlying NPAT $230.5 million (↓ 7.8%)

Decline in underlying NPAT driven by higher operating expenses, partially offset by operating revenue growth and 20.9% increase in net interest income

Operating expenses
$220.7 million (↑ 26.9%)

Primarily driven by investment in near term focus areas of regulatory commitments and technology modernisation; includes some one-off regulatory and compliance costs

1H24 growth figure primarily reflects significant increase in investment in focus areas after 1H23

FY24 guidance for total expenses growth unchanged at between 12% and 15%

Business rationalisation initiatives underway, with targeted restructure component anticipated to provide annualised operating expense savings of circa $11 million

Interim dividend per share
101.2 cents (↓ 12.9%)

Fully franked, represents dividend payout ratio of 85%

Dividend Reinvestment Plan to apply to the interim dividend

Underlying return on equity (ROE)
12.6% (↓ 79bps)

Medium term underlying ROE target of between 13.0% and 14.5%

ROE expected to move back into the medium term target range as the total expense growth rate moderates

Overview: solid operating revenue growth, FY24 guidance unchanged

ASX today delivered 1H24 operating revenue of $511.7 million, a 2.4% increase on the prior corresponding period (pcp) and a record revenue performance for a first half result.

Performance across the four lines of businesses was mixed, with growth in Markets and Technology & Data offset by declines in Listings and Securities & Payments. Net interest income increased 20.9% in the half-year as rising interest rates contributed to solid returns on cash balances held.

ASX Managing Director and CEO Helen Lofthouse said: “This result shows the strength of our diversified business model, with ASX delivering record revenue for a first half result. This was driven by strong demand for futures products and data services, which was offset by soft market conditions affecting those businesses exposed to cash market trading volumes.”

Underlying net profit after tax (NPAT) and statutory NPAT was $230.5 million. Total expenses for the Group increased 26.9% for the half-year compared to the pcp of 1H23, and when compared on a consecutive basis, were up 10.0% against 2H23. This figure reflects the different demands on ASX during the 1H24 period as compared to 1H23. Most of the significant new investment to meet the Group's regulatory commitments and technology modernisation roadmap commenced after 1H23. Expenses in 1H24 also reflect certain regulatory and compliance costs that were one-off in nature and also included the more recent ramp up in investment for technology modernisation projects. This level of expenditure has been necessary given the heightened level of risk that ASX has been addressing with its near term focus areas. Like many other corporates, ASX has also observed inflationary pressures impacting its cost line.

"At our Investor Day in June last year, we recognised ASX was facing a period of elevated expenses given our regulatory commitments and technology modernisation roadmap, and we set out forward guidance that reflected this. In terms of guidance, FY24 total expenses growth is expected to remain within our previously stated range of between 12% and 15%, and we confirm that business rationalisation actions are underway to reduce the total expense growth rate in FY25," Ms Lofthouse said.

The total expenses figure in the second half of FY24 is expected to be lower than the first half as ASX starts to realise the benefits of its business rationalisation actions. ASX previously said it expected FY24 operating expenses growth to be between 12% and 15%, and that it expected capital expenditure to be between $110 million and $140 million.

A fully franked interim dividend of 101.2 cents per share (cps) will be payable on 27 March 2024. The dividend is 15cps lower than 1H23 and represents a payout ratio of 85% of underlying NPAT (pcp was 90%) which is the midpoint of the payout range previously disclosed. ASX has also determined to apply its Dividend Reinvestment Plan (DRP) to the interim dividend, with no discount applied to the price.

Strong progress on strategic priorities

Strong progress continues on ASX's near term focus areas of regulatory commitments and technology modernisation. This includes work to further improve governance and delivery capability following the delivery of three special reports to ASIC in 2023. One of the reports detailed ASX's plan to implement all the recommendations from the external review into aspects of CHESS replacement and the Group remains on track to complete these by June 2024.

During the half-year, ASX made considerable headway on its technology projects, including the announcement last November of a product based solution for CHESS replacement that will be provided by global technology provider TATA Consultancy Services (TCS). The solution design decision benefited from the increased stakeholder engagement during the period, including positive feedback on a staged delivery approach, which is expected to reduce overall delivery risk and should allow stakeholders to better manage change load. CHESS replacement has now moved into the delivery phase with the first stage (Release 1) being the development of the clearing component, which has an indicative delivery timeframe of 2026. An industry consultation paper on Release 1 will be released in the coming weeks.

Ms Lofthouse said: "Our investment in our key focus areas is crucial to support the long term sustainability of ASX and build shareholder value. These investments are building a better ASX, supporting our vision 'to be the market's choice, inspiring confidence and trust'."

Business rationalisation: expense management initiatives and equity portfolio review

Ms Lofthouse said: "Our revenue performance continues to underscore the attractive fundamentals of our core business. We seek to protect that value by actively managing expenses even as we meet regulatory commitments and progress our technology modernisation. We've been working through a range of business rationalisation measures that are intended to unlock capacity for our highest priority areas while also laying the foundations for a more sustainable cost profile."

ASX has several expense management initiatives underway including reducing the use of contractors and consultants, and optimising procurement strategy.

Last week the Group initiated a targeted restructure to better align ASX's people with its strategy. The impact is estimated to be around 3% of its non-project workforce with several divisions undertaking a reorganisation of team structures. Following this action, ASX expects to achieve annualised savings of circa $11 million.

"The targeted restructure is intended to allow us to better direct resources to prioritise the most strategic and efficient outcomes for the Group, and will also unlock capability and scale in key areas such as technology, where the changes are anticipated to allow us to bring teams closer together to better manage the scale of delivery, improve decision making and drive customer growth," Ms Lofthouse said.

During 1H24, ASX completed the sale of its ~45% stake in Yieldbroker and commenced the wind up of mFund following industry consultation. More recently, ASX has begun exploring options regarding its interest in Digital Asset. ASX is maintaining its holding in Sympli and remains enthusiastic about the opportunity in the e-conveyancing market. Sympli is set to benefit from more meaningful competition conditions following last month's publication by the national conveyancing council requiring readiness for interoperability for key registry instruments by the end of 2025. This will be subject to final approvals and any extensions that may be granted.

Outlook and guidance

The trends from last financial year continued into 1H24.

While cash market trading activity remains subdued, easing inflation pressures, coupled with growing confidence around the peak for interest rates, should see a return to volume growth, subject to the impact of geopolitical tensions. An improvement in these factors would also be expected to drive increased activity in the IPO market as there remains a solid pipeline of entities looking to list on ASX. There has also been some strong activity in dual listings with entities such as Newmont and Capstone providing Australian investors with the ability to invest locally in large, quality global companies.

In terms of guidance, FY24 total expenses growth is expected to remain within the previously stated range of between 12% and 15%. FY24 capital expenditure guidance remains between $110 million and $140 million and primarily supports the Group's technology modernisation plans. ASX has capital management flexibility in place to support its investments, including the proposed launch of a corporate bond of between $200 million and $300 million in 2H24, depending on market conditions. ASX has also determined to apply its DRP to the interim dividend.

The Group remains focused on return on equity (ROE) as the performance metric driving the organisation, which is expected to move back into the medium term target range as the total expense growth rate moderates.

"Our people have embraced our new One ASX values through this period and it gives me confidence that we are embedding a culture that is customer centric, outcomes focused and ready to prioritise the allocation of the right resources to the most important streams of work," Ms Lofthouse said.

- This announcement is designed to be read in conjunction with the 1H24 results briefing slides and accompanying CEO speaking notes released today.
- Complete results materials will be available on the ASX market announcements page.

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1H24 Financial summary

	1H24	Variance (pcp)
Underlying net profit after tax	$230.5 million	↓$19.5m **↓7.8%**
Statutory net profit after tax • Variance driven by comparison to 1H23 which included CHESS derecognition charge of $176.3 million.	$230.5 million	↑$156.8m **↑212.8%**
Operating revenue • Growth in Markets with futures activity partially offset by declining cash market trading activity. • Growth in Technology & Data with continued demand for Information and Technical services. • Listings impacted by slowdown in capital market activity. • Securities & Payments decline from lower equities trading activity.	$511.7 million	↑$12.2m **↑2.4%**
Total expenses (includes depreciation) • Increased costs driven by uplift in headcount and administration costs to elevate risk and compliance capabilities, regulatory costs, and investment in near term focus areas of technology modernisation and regulatory commitments.	$220.7 million	↑$46.8m **↑26.9%**
Earnings before interest and tax (EBIT) • Decline driven by increased total expenses.	$291.0 million	↓$34.6m **↓10.6%**
Interest income • Higher interest earnings due to higher interest rate environment.	$39.4 million	↑$6.8m **↑20.9%**
Underlying Earnings per share • Decrease in line with lower underlying profit.	119.0 cents	↓10.1 cps **↓7.8%**
Statutory earnings per share • Increase in line with higher statutory profit.	119.0 cents	↑80.9 cps **↑212.3%**
Interim dividend per share • 85% payout ratio of underlying net profit after tax fully franked, compared to 90% payout ratio in pcp.	101.2 cents	↓15.0 cents **↓12.9%**
Capital expenditure	$49.9 million	↓$6.7m **↓11.8%**

Appendix – ASX half-year results to 31 December 2023 (1H24) based on the Group's segment reporting

Group income statement	1H24 $m	1H23 $m	Variance $m	Variance %
Operating revenue	511.7	499.5	12.2	2.4%
Operating expenses	(202.0)	(156.5)	(45.5)	(29.1%)
EBITDA	**309.7**	**343.0**	**(33.3)**	**(9.7%)**
Depreciation and amortisation	(18.7)	(17.4)	(1.3)	(7.5%)
Total expenses	***(220.7)***	***(173.9)***	***(46.8)***	***(26.9%)***
EBIT	**291.0**	**325.6**	**(34.6)**	**(10.6%)**
Interest income	39.4	32.6	6.8	20.9%
Profit before tax	**330.4**	**358.2**	**(27.8)**	**(7.8%)**
Income tax expense	(99.9)	(108.2)	8.3	(7.7%)
Significant items	-	(176.3)	176.3	100.0%
Statutory profit after tax	**230.5**	**73.7**	**156.8**	**212.8%**

Operating revenue	1H24 $m	1H23 $m	Variance $m	Variance %
Annual listing	53.5	53.9	(0.4)	(0.7%)
Initial listing	10.3	11.8	(1.5)	(12.7%)
Subsequent raisings	37.0	39.5	(2.5)	(6.3%)
Investment products and other listing	4.1	4.5	(0.4)	(8.9%)
Listings	**104.9**	**109.7**	**(4.8)**	**(4.4%)**
Equity options	8.8	8.3	0.5	6.0%
Futures and OTC clearing	114.4	98.1	16.3	16.6%
Cash market trading	30.0	32.4	(2.4)	(7.4%)
Markets	**153.2**	**138.8**	**14.4**	**10.4%**
Information services	76.0	70.4	5.6	8.0%
Technical services	48.6	47.1	1.5	3.2%
Technology and Data	**124.6**	**117.5**	**7.1**	**6.0%**
Issuer services	29.6	32.7	(3.1)	(9.5%)
Cash market clearing	32.4	35.6	(3.2)	(9.0%)
Cash market settlement	31.9	33.9	(2.0)	(5.9%)
Austraclear	35.1	31.3	3.8	12.1%
Securities and Payments	**129.0**	**133.5**	**(4.5)**	**(3.4%)**
Operating revenue	**511.7**	**499.5**	**12.2**	**2.4%**
Key activity indicators	**1H24**	**1H23**	**Variance**	**Variance %**
All Ordinaries Index (end of period)	7,829.5	7,221.7	607.8	8.4%
Number of new listed entities (IPOs)	28	40	(12)	(30.0%)
Total new capital quoted	$55.7 billion	$32.2 billion	$23.5 billion	73.1%
Daily average cash on-market value	$5.2 billion	$5.7 billion	($0.6 billion)	(9.9%)
Futures daily average contracts traded	603,278	508,986	94,291	18.5%
OTC cleared notional value[1]	$2,411.7 billion	$2,871.6 billion	($460.0 billion)	(16.0%)

Variances expressed favourable/(unfavourable).

[1] Cleared notional value is double sided.