



MEDIA RELEASE

21 August 2014

ASX Limited full-year result to 30 June 2014

Highlights relative to the prior corresponding period (FY13 pcp):

- Profit after tax \$383.2 million, up 10.0%
 - o Revenues \$658.3 million, up 6.6%
 - o Interest and dividend income \$70.7 million, up 32.3%
 - o Operating expenses \$153.6 million, up 5.1%
 - o Depreciation and amortisation \$33.8 million, up 11.2%
- Earnings per share 198.5 cents, up 1.5% following July 2013 capital raising
- Full-year dividend 178.1 cents per share fully franked, up 4.6%
 - o Final dividend 89.9 cents, up 9.2%
 - o Maintained 90% payout ratio
- Capital expenditure \$43.2 million
 - o Significant investment in Australia's financial market infrastructure since FY12
 - o Maintained strong balance sheet position
 - o AA- long-term credit rating from Standard & Poor's
- Good progress in positioning ASX in changing global financial markets
 - o Infrastructure investments on track – over-the-counter (OTC) clearing, client clearing, collateral management
 - o Greater regulatory clarity on location requirements for critical infrastructure
 - o Derivatives fee changes from 1 October 2014 to improve alignment with customers and support growth

Mr Elmer Funke Kupper, ASX Managing Director and CEO, said: "ASX produced a positive result for the 2014 financial year (FY14), driven by revenue growth across all of ASX's major business categories. Revenues grew 6.6% to \$658.3 million and net profit increased 10% to \$383.2 million, both company records.

"The largest contributor to revenue growth was the Listings and Issuer Services business, supported by a strong IPO market. ASX admitted 107 new listings for the year, averaging around two per week.

"FY14 was an important year in which ASX delivered a number of significant infrastructure investments for Australia's financial markets. They include a service to clear OTC derivatives, a client clearing solution that provides important new protections to investors, and a collateral management service. Our investments give Australian investors access to a domestic infrastructure that is world-class, well capitalised and competitive.

"In July 2014, ASX announced changes in the fees to trade electricity futures and interest rate futures, and to clear OTC derivatives. The fee changes recognise the significant growth in ASX's derivatives business over the last decade, create stronger alignment between ASX and its customers, and provide increased growth incentives. Had the fee changes

been in place throughout FY14, their impact would have reduced ASX's revenues by approximately \$17 million and net profit by \$12 million. The combination of ASX's investment program, Australia's regulatory environment and the fee changes position the company well for long-term success.

"As the provider of critical infrastructure that sits at the centre of Australia's financial markets, ASX is committed to the long-term health of the financial system. During the year, ASX made submissions to the Financial System Inquiry and the Competition Policy Review. Both submissions emphasise the strength of Australia's financial markets and the need to focus on the competitiveness of Australia in light of a changing global regulatory environment. ASX will continue to engage positively with regulators and policymakers to ensure that Australia maintains a vibrant financial market that can support the domestic economy and make the most of the opportunities in the region."

Business highlights

Operating revenue for FY14 was \$658.3 million, up 6.6%.

Below is a summary of the revenue performance across ASX's main business areas. All comparisons are against pcp.

Listings and Issuer Services – revenue \$154.9 million, up 10.9%

The largest revenue component in the Listings and Issuer Services business is listings fees. These include annual listings fees, fees related to capital raisings and revenue from structured products.

Listings revenue was \$127.0 million, up 12.2%. New listing activity was strong, with 107 IPOs compared to 82 in the previous year. Total capital raised (including secondary) was \$66.0 billion, up 42.3%.

Issuer Services revenue rose 5.6% to \$27.9 million. This was driven by a 6.9% rise in the number of holding statements to 11.8 million.

In FY14, ASX continued to strengthen Australia's position as an attractive market to list and raise capital. ASX reduced the rights issue timetable from 26 to 19 days and launched 'ASX Evolve', a program of initiatives designed to improve the connection between investors and companies listed on the exchange. The program includes the existing equity research scheme that supports small and mid-cap companies, and will deliver a redesign of the company information on the ASX website. The ASX website is one of the top three sites accessed by investors for financial information (according to Nielsen online ratings), with over 20 million page views, six million visits and more than 1.5 million unique browsers per month in FY14.

ASX aims to provide investors with the broadest range of investment options through their brokers and online platforms. Already, investors have access to domestic equities, corporate bonds, Australian government bonds, listed investment companies (LICs), exchange-traded funds (ETFs) and unlisted managed funds (through ASX's mFund service). Parliament is currently in the process of passing legislation that will improve access to the corporate bond market for retail investors. Subject to regulatory approval, ASX hopes to add international equities to its product suite in the future.

Cash Market – revenue \$117.3 million, up 2.3%

Cash Market revenue consists of fees from the trading (\$33.1 million), clearing (\$43.1 million) and settlement (\$41.1 million) of ASX-quoted equities, debt securities and ETFs.

All three revenue components grew, supported by modest growth in overall equity market activity and good momentum in new execution services offered by ASX.

Total on-market value traded per day increased 4.3%, while ASX's on-market value traded per day was flat at \$3.3 billion. ASX's on-market trading market share in FY14 averaged 91%, compared to 95% in the previous year.

ASX continued to make good progress in its strategy to deliver execution services that meet the needs of end investors in a fragmented marketplace. Centre Point, ASX's anonymous mid-point matching service, generated 16.9% of trading revenue, up from 11.0% in the previous year.

In August 2013, ASX implemented a Code of Practice for its cash equities clearing and settlement services. The Code makes commitments to ASX clients on transparent and non-discriminatory access to ASX services and pricing. ASX has waived the annual fee for its Trade Acceptance Service while the Code and current market structure remain in place.

Under the Code, ASX established an industry Forum that brings together the most senior leaders of Australia's financial markets to discuss the performance and investment program for Australia's clearing and settlement infrastructure. The Forum is providing valuable input to ASX. Recently, ASX adopted a recommendation from the Forum to move from a T+3 to a T+2 settlement cycle in early 2016, which will create capital and margin savings for industry, deliver faster settlement of transactions for investors, and allow Australia to meet global best practice.

In June 2014, the Forum received a report produced by independent economics consulting firm Oxera, which benchmarks the costs of clearing and settlement services in Australia against the costs in other financial centres. The Oxera report concludes that "the costs of post-trading services in Australia are in line with the costs of similar services provided in financial centres of comparable size."

Derivatives and OTC Markets – revenue \$207.7 million, up 5.2%

Derivatives and OTC Markets is ASX's largest business accounting for almost 32% of Group revenues. The business consists of two components:

- ASX 24 derivatives, which includes interest rate, electricity and commodity futures, as well as ASX's OTC clearing service. Interest rate futures account for the majority of traded volume.
- ASX derivatives, which includes single stock options and index options.

There was positive revenue growth in the ASX 24 futures business, with revenues up 9.7% to \$185.5 million. The daily average number of futures contracts traded was up 1.7%, and ASX accrued lower revenue rebates through its Large Volume Rebate scheme compared to the previous year. The FY14 result also includes the full-year impact of the ASX Energy business, which was acquired in May 2013.

Equity derivatives underperformed, with the daily average number of contracts traded down 21.1% and revenue down 21.6% to \$22.2 million. ASX is focused on rebuilding liquidity in the exchange-traded options market, launching a new marketing campaign and a national education roadshow in June 2014. Other initiatives to stimulate growth in this market include changes to crossing rules and improved market-maker liquidity arrangements.

In FY14, ASX introduced VIX futures, allowing customers to trade anticipated changes in equity market volatility, equity sector futures, and new electricity futures contracts covering the Australian and New Zealand markets. In the current subdued market environment, the initial take up of these products has been below expectations.

In FY14, ASX launched a dealer-to-dealer clearing service for OTC derivatives (A\$ interest rate swaps). The service provides significant risk management and operational benefits to ASX customers, and provides Australian investors with a solution where their risk and collateral is managed under Australian law. Customers gradually connected to the dealer-to-dealer service and in FY14 the service cleared \$124.4 billion in notional value.

In July 2014, ASX extended its clearing solutions to offer a client clearing service. This service provides additional protection to investors, allowing their market positions to be identified separately, thus reducing their exposure to a default of their clearing participant.

ASX's derivatives clearing services meet the highest global regulatory standards. ASX has received no-action transitional relief from the US Commodity Futures Trading Commission (CFTC) and from the European regulator. This allows ASX to provide clearing services to US and European banks operating in Australia.

In June-July 2013, ASX raised \$553 million in new equity, with most of the funds being allocated to its two clearing houses for equities and derivatives. As a result, ASX's derivatives clearing house (ASX Clear (Futures)) meets the highest global capital standards. In February 2014, ASX Clear (Futures) was assigned a long-term credit rating of AA- by Standard & Poor's.

In July 2014, ASX announced that it will lower fees and increase growth incentives for clearing participants in its interest rate futures and OTC clearing business, beginning 1 October 2014. The new fee schedule recognises that volumes have grown strongly and that customers use exchange-traded and OTC interest rate products together.

The new fees and growth incentives position ASX to compete for liquidity within an evolving global market structure. They also signal the next phase in the development of ASX's Derivatives and OTC Markets business, which will see continued investment in ASX's trading, clearing and risk management platforms, the launch of new products that further integrate the exchange-traded futures and OTC markets (a process known as 'futuresisation'), and improved alignment between ASX and its clients.

Information Services – \$68.8 million, up 11.4%

Information Services includes the provision of real-time cash and derivatives markets information, news about listed companies, and index and reference data.

On 1 July 2013, ASX implemented a revised fee schedule that better reflects the different professional and retail user profiles, and which recognises the changing way investors and traders consume data.

In the third quarter of 2014, ASX will improve the way information is announced and processed in Australia for Corporate Actions. Corporate action information, such as dividends, interest payments and capital returns, is critical for assessing the activities and performance of a company when making investment decisions. It is vital that this data is timely, accurate and relevant. ASX will provide a new standardised process for entities to announce certain corporate actions and introduce the straight-through-processing of that information to deliver significant efficiencies to its customers.

Technical Services – \$52.9 million, up 6.2%

Technical Services provides market access, data network, order routing and data centre services to ASX clients and third parties.

The primary driver of higher revenue was the growth in the financial markets community within ASX's main data centre – the Australian Liquidity Centre (ALC). The number of customers increased from 74 to 89 and the number of cabinets hosted in the ALC increased from 117 to 142. There was also a 50% increase in ALC service connections, to 622. These are the multi-lateral cross-connections between customers within the ALC.

In FY14, data delivery speed was improved and more granular detail was provided to the real-time price information for the ASX 24 derivatives market. In addition, ASX and ASX 24 data was made available to the Singapore, Chicago and London financial centres via ASX Net Global, ASX's international low latency network.

Austraclear – revenue \$41.1 million, up 6.4%

Austraclear provides settlement, depository and registry services for A\$ debt securities, including government and corporate bonds.

The growth in revenue was driven mainly by increases in earnings from registry and transaction services. Average balances held in Austraclear increased 7.4% and reached \$1.5 trillion at 30 June 2014.

ASX launched a new collateral management service in the second half of FY14, which reduces collateral costs for clients by allowing them to use fixed income securities held in Austraclear as collateral for financial market transactions. The service had approximately \$2 billion in collateral under management at 15 August 2014.

In July 2014, ASX launched a settlement service for transactions in Renminbi (RMB) using the Austraclear platform. The service was developed in cooperation with the Bank of China. The service allows Australian companies to take or make payments in RMB in near real-time, which reduces their risk and cost of doing international business.

Interest and dividend income – \$70.7 million, up 32.3%

Interest income on ASX's own cash balances grew 118.7% to \$28.6 million, assisted by the capital raising and debt repayment that were completed in July 2013. Interest income on participant collateral balances increased 1.0% to \$31.3 million, with lower investment margins offsetting higher collateral balances.

Dividend income from ASX's shareholding in IRESS rose 15.2% to \$10.8 million. ASX took up its full entitlement in IRESS's pro rata rights offer in August 2013. ASX's shareholding in IRESS remains just over 19%.

Expenses – \$153.6 million, up 5.1%

Expenses were well controlled and in line with guidance given at the beginning of the year. The majority of the increase was in staff expenses as ASX recruited new staff to support its investment program. Measured in full-time equivalents (FTE), average headcount increased by 3.7% to 534 FTEs.

ASX expects operating expenses in FY15 to grow by approximately 4%.

ASX has recently concluded a review of its property requirements and will remain at its head office in Bridge Street, Sydney, for a further 10 years. ASX has been in Bridge Street for 15 years and in 2012 opened its new data centre in Sydney. In 2015, ASX will establish a 24 hour Customer Command Centre within its data centre.

Capital expenditure – \$43.2 million, up 11.2%

Capital expenditure was in line with market guidance.

More than half of the capital expenditure (\$25 million) related to ASX's investment in new post-trade services. Since FY12, ASX has invested \$49 million in its post-trade financial market infrastructure.

ASX expects capital expenditure in FY15 to be between \$40 and \$45 million.

Post balance date activity

ASX activity levels in the first seven weeks of FY15, up to 15 August 2014 were:

- Total cash market average value per day (all lit and dark venues) was \$4.6 billion, up 4.4%
 - ASX on-market average value per day was \$3.2 billion, flat
- ASX 24 derivatives daily average volume was 404,243 contracts traded, up 2.5%
- Total capital raised in July 2014 was \$6.8 billion, up 182%. There were 11 IPOs.

Complete full-year results materials, including ASX's 2014 Annual Report, will be available on the ASX website: <http://www.asx.com.au/about/asx-market-announcements.htm>

A webcast of today's 10.00am (AEST) presentation to analysts will be available: <http://www.media-server.com/m/p/y9hgstww>

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Appendix – ASX full-year results to 30 June 2014

Group income statement	FY14 \$m	FY13 \$m	Variance \$m*	Variance %*
Operating revenues	658.3	617.4	40.9	6.6%
Operating expenses	(153.6)	(146.2)	(7.4)	(5.1%)
EBITDA	504.7	471.2	33.5	7.1%
Depreciation and amortisation	(33.8)	(30.4)	(3.4)	(11.2%)
EBIT	470.9	440.8	30.1	6.8%
Interest and dividend income	70.7	53.5	17.2	32.3%
Profit before tax	541.6	494.3	47.3	9.6%
Income tax expense	(158.4)	(146.1)	(12.3)	(8.5%)
Profit after tax	383.2	348.2	35.0	10.0%

Operating revenues	FY14 \$m	FY13 \$m	Variance \$m	Variance %
Listings and Issuer Services	154.9	139.7	15.2	10.9%
Cash Market	117.3	114.6	2.7	2.3%
<i>Trading</i>	33.1	32.8	0.3	0.7%
<i>Clearing</i>	43.1	41.6	1.5	3.6%
<i>Settlement</i>	41.1	40.2	0.9	2.3%
Derivatives and OTC Markets	207.7	197.3	10.4	5.2%
Information Services	68.8	61.8	7.0	11.4%
Technical Services	52.9	49.8	3.1	6.2%
Austraclear	41.1	38.6	2.5	6.4%
Other	15.6	15.6	-	0.4%
Total operating revenues	658.3	617.4	40.9	6.6%

Key activity indicators	FY14	FY13	Variance	Variance %
Listings and Issuer Services				
All Ordinaries Index (end of period)	5382.0	4775.4	606.6	12.7%
Number of new listed entities (IPOs)	107	82	25	30.5%
Capital raised, including scrip-for-scrip	\$66.0 billion	\$46.4 billion	\$19.6 billion	42.3%
Cash Market				
Daily average cash on-market value	\$3.284 billion	\$3.292 billion	(\$0.008 billion)	(0.2%)
Derivatives and OTC Markets				
ASX daily average contracts traded	492,460	624,179	(131,719)	(21.1%)
ASX 24 daily average contracts traded	461,148	453,365	7,783	1.7%

*Variances expressed favourable/(unfavourable)