16 February 2023

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ASX LIMITED – 2023 HALF-YEAR RESULTS MARKET RELEASE

Attached is a copy of the market release relating to the 2023 Half-Year Financial Results.

Release of market announcement authorised by:
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Market Release

16 February 2023

ASX Limited Half-Year Results to 31 December 2022 (1H23)

Financial highlights relative to the prior comparative period (1H22) based on Group segment reporting

- **Statutory profit of $73.7m in the half, impacted by CHESS derecognition charge of $176.3m, announced in November 2022 and recognised as a significant item**
- **Strength of diversified model underpinned operating revenue of $499.5m, marginally down by 0.4%**
- **Resilient 1H23 result with underlying NPAT broadly consistent with pcp, down 0.1% to $250.0m**
- **Interim dividend payment of 116.2c which reflects the Group's payout ratio of 90% of underlying NPAT**
- **CHESS replacement project enters new phase with a new roadmap for solution design, increased stakeholder engagement and a new industry Partnership Program**

	1H23	**Variance (pcp)**
Statutory profit after tax • Inclusive of CHESS derecognition charge of $176.3 million (after tax) **Underlying net profit after tax**	$73.7 million $250.0 million	↓$176.6m **↓70.6%** ↓$0.3m **↓0.1%**
Operating revenue • Growth in Listings supported by recognition of prior period capital raisings • Decline in Markets with lower futures and equities volumes • Rise in Technology and Data with continued demand for Information and Technical services • Securities & Payments impacted by lower equities trading activity	$499.5 million	↓$1.9m **↓0.4%**
Total expenses (includes depreciation) • Increased costs inclusive of annual salary reviews, higher costs to support initiatives, travel related costs and increases in insurance costs • Guidance for full-year 10-12% growth	$173.9 million	↑$10.9m **↑6.8%**
EBIT • Decline driven by lower operating revenue and total expenses	$325.6 million	↓$12.8m **↓3.8%**
Interest income • Higher interest earnings due to higher interest rate environment	$32.6 million	↑$10.9m **↑50.4%**
Statutory earnings per share **Underlying earnings per share**	38.1 cents 129.1 cents	↓91.2c **↓70.5%** ↓0.2c **↓0.2%**
Interim dividend per share • 90% payout ratio, fully franked	116.2 cents	↓0.2c **↓0.2%**
Capital expenditure	$56.6 million	**↑2.6m** ↑4.8%

Overview: delivering resilient financial performance and resetting ASX

ASX today delivered a resilient financial performance for 1H23, driven by steady operating revenue of $499.5 million across its four lines of business. Statutory profit was $73.7 million for the period. Underlying net profit after tax (NPAT) of $250 million was broadly in line with the prior comparative period, down 0.1%.

"This is a pleasing performance, and it was achieved in a period of notable change for our organisation and volatility in our external environment," said ASX Managing Director and CEO Helen Lofthouse.

Operating revenue was marginally weaker by 0.4% during the half, reflecting the strength of ASX's diversified operating model which has weathered increased uncertainty from the conflict in Ukraine, rapidly rising global inflation and tightening monetary policy in most major markets.

During the period, Listings revenue rose 5.4% to $109.7 million while revenue from Technology and Data was up 8.3% to $117.5 million. ASX also benefitted from a strong rise in net interest income. Offsetting this, Markets revenue declined 2.2% to $138.8 million and revenue in the Securities and Payments business was 9.1% lower at $133.5 million.

Total expenses were 6.8% higher which was driven by additional resource commitments to technology, risk management and customer activities, and was partially offset by a lower depreciation charge.

As announced last November, ASX took a derecognition charge of $176.3 million in relation to the pause in the CHESS replacement project. This was recognised as a significant item for the half and reduced statutory NPAT by 70.6%. This non-cash treatment did not impact ASX's dividend and the Group maintained its 90% payout ratio of underlying NPAT with an interim dividend payment of 116.2 cents declared, and payable on 29 March 2023.

Ms Lofthouse, who was appointed CEO last August, added: "It's been a busy and challenging period, but also invigorating as I feel good progress has been achieved in that time. We've reshaped the leadership team, there's been notable board renewal, we've set a fresh purpose for the organisation and we're working on our new five year strategy which we will share in June."

CHESS has the right focus

Ms Lofthouse also noted the significant reset that has taken place in the CHESS replacement project since last November when ASX announced a pause to revisit solution design. Along with the 1H23 results presentation, Ms Lofthouse gave an extensive update for CHESS replacement which included:

- Strengthened governance, including the appointment of a highly experienced technology executive as Project Director to lead CHESS replacement execution;
- Project roadmap development with the announcement of revised solution design being the next key milestone, targeted for quarter ending December 2023;
- Increased stakeholder engagement from participants, industry associations, registries and technology vendors following agreement to establish the CHESS Replacement Technical Committee which has wide membership, a monthly meeting roster and a mandate to deliver feedback on critical topics such as stakeholder readiness activities and migration approach;
- Establishment of the CHESS Replacement Partnership Program, ("the Partnership Program") of up to $70 million designed to support stakeholder participation for the successful progress and completion of the CHESS replacement project.

Ms Lofthouse said: "Part of resetting our approach has been a more intensive focus on listening. We understand that when we paused the project last November to revisit solution design, it signalled that we would need industry engagement for longer than had been anticipated. In recognition of this, we have established the CHESS Replacement Partnership Program which acknowledges that it will take the combined efforts of many stakeholders to achieve the best outcome for the market."

The Partnership Program has two components. The first component recognises our direct customers by providing rebates to participants for their clearing and settlement fees. The second component aims to foster a closer working relationship with eligible stakeholders building to the platform by providing incentive payments. The incentive payments will be dependent on the final solution design, as that will determine how much fresh work will be undertaken, and will also be linked to the achievement of project milestones.

"When it comes to CHESS replacement, we know this is a once-in-a-generation reset of this technology and it's important that we get it right," said Ms Lofthouse.

Outlook

We expect continued uncertainty in the external environment from current global economic conditions, inflationary pressures and ongoing geopolitical tensions. The IPO market remains subdued due to this ongoing uncertainty which is also impacting cash market trading volumes.

Expense growth guidance remains unchanged at between 10 percent and 12 percent, primarily driven by ongoing build-out of technology, risk management and customer activities. We also have increased assurance costs in relation to current CHESS and solution design costs for CHESS replacement which impact the second half. Capex guidance has been revised downwards to between $100 million and $115 million, reflecting the pause in the CHESS replacement project.

The total cost of the CHESS Replacement Partnership Program will be capped at $70 million and recognised as a significant item. Approximately $25 million of this is expected to be incurred in the second half of FY23.

- Please see the accompanying speaking notes and presentation slides for more detail and insights.
- Complete results materials will be available on the ASX market announcements page.
- A webcast of today's 10.00am (Sydney time) presentation will be available on the ASX website.

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APPENDIX – ASX half-year results to 31 December 2022 (1H23) based on the Group's segment reporting

Group income statement	1H23 $m	1H22 $m	Variance $m	Variance %
Operating revenue	499.5	501.4	(1.9)	(0.4%)
Operating expenses	(156.5)	(138.1)	(18.4)	(13.4%)
EBITDA	**343.0**	**363.3**	**(20.3)**	**(5.6%)**
Depreciation and amortisation	(17.4)	(24.9)	7.5	30.0%
Total expenses	***(173.9)***	***(163.0)***	***(10.9)***	***(6.8%)***
EBIT	**325.6**	**338.4**	**(12.8)**	**(3.8%)**
Interest income	32.6	21.7	10.9	50.4%
Profit before tax	**358.2**	**360.1**	**(1.9)**	**(0.5%)**
Income tax expense	(108.2)	(109.8)	1.6	1.5%
Significant items	(176.3)	-	(176.3)	-
Profit after tax	**73.7**	**250.3**	**(176.6)**	**(70.6%)**

Operating revenue	1H23 $m	1H22 $m	Variance $m	Variance %
Annual listing	53.9	53.2	0.7	1.4%
Initial listing	11.8	11.1	0.7	6.5%
Subsequent raisings	39.5	35.1	4.4	12.6%
Investment products and other listing	4.5	4.7	(0.2)	(6.1%)
Listings	**109.7**	**104.1**	**5.6**	**5.4%**
Equity options	8.3	7.0	1.3	18.9%
Futures and OTC clearing	98.1	100.8	(2.7)	(2.7%)
Cash market trading	32.4	34.1	(1.7)	(4.9%)
Markets	**138.8**	**141.9**	**(3.1)**	**(2.2%)**
Information services	70.4	63.6	6.8	10.7%
Technical services	47.1	45.0	2.1	4.8%
Technology and Data	**117.5**	**108.6**	**8.9**	**8.3%**
Issuer services	32.7	42.4	(9.7)	(22.8%)
Cash market clearing	35.6	38.2	(2.6)	(6.8%)
Cash market settlement	33.9	39.2	(5.3)	(13.5%)
Austraclear	31.3	27.0	4.3	15.8%
Securities and Payments	**133.5**	**146.8**	**(13.3)**	**(9.1%)**
Operating revenue	**499.5**	**501.4**	**(1.9)**	**(0.4%)**

Key activity indicators	1H23	1H22	Variance	Variance %
All Ordinaries Index (end of period)	7,221.7	7,779.2	(557.5)	(7.2%)
Number of new listed entities (IPOs)	40	150	(110)	(73.3%)
New and secondary capital raised	$32.2 billion	$90.3 billion	$58.1 billion	(64.4%)
Daily average cash on-market value	$5.7 billion	$6.2 billion	($0.5 billion)	(7.6%)
Futures daily average contracts traded	508,986	513,508	(4,521)	(0.9%)
OTC cleared notional value	$2,871.6 billion	$1,916.3 billion	$955.3 billion	49.9%

Variances expressed favourable/(unfavourable).