

11 February 2021

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ASX Limited

Diversified Financials

HOLD

ASX A\$70.01
TARGET PRICE A\$71.15

ASX Limited (ASX) operates Australia's primary national securities exchanges. This include the provision of securities exchange services, derivatives exchange services, central counterparty clearing services, and registry, settlement, and delivery-versus-payment clearing financial products and associated ancillary services. It also provides market data services and investor education courses.

Company Data

Number of shares	193.6 M
Market Capitalisation	\$13,803.3M
Free float (%)	99.4
12-month high/low	\$90.51/\$64.76
Average Daily Turnover (\$m)	75.48
% S&P/ASX200	0.72%
DDM Ranking	302
% All Ordinaries	0.62%
GICS Industry Group	Diversified Financials

Source: FactSet, Barclay Pearce Capital

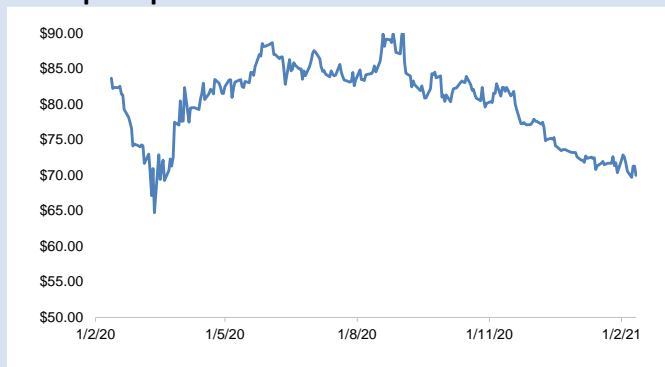
Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	938.4	930.6	965.7	1,008.0
EBITDA (\$M)	702.7	681.1	704.1	737.6
Reported NPAT (\$M)	498.6	473.2	485.4	503.3
Adjusted NPAT (\$M)	513.8	475.5	488.1	507.4
Reported EPS (c)	257.6	244.5	250.7	260.0
Adjusted EPS (c - FD)	265.4	244.1	249.5	261.4
Adjusted EPS growth (%)	4.4	-8.0	2.2	4.7
Adjusted P/E (x)	26.9	29.2	28.6	27.3
Dividend (c/sh)	238.9	219.6	224.7	233.8
Gross yield (%)	4.8	4.4	4.5	4.7
Net yield (%)	3.4	3.1	3.2	3.3
ROIC (%)	19.0	17.9	18.1	18.9

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.



Source: FactSet, Barclay Pearce Capital

1H21 Financial Results

On 11th February, ASX Limited (ASX) announced their results for 1H21 with the following highlights:

- Solid result in challenging conditions;
- statutory NPAT up 1.4% to \$498.6m;
- underlying NPAT up 4.4% to \$513.8m;
- Growth in EPS for 8th year in a row: statutory EPS up 1.4% to 257.6c;
- underlying EPS up 4.4% to 265.4c; and
- Heightened market activity due to impacts of COVID-19, accompanied by strategic initiatives drove higher shareholder returns: final dividend up 7.2% to 122.5 cents per share; and
- Total FY20 dividends up 4.5% to 238.9cps.

"The 2020 financial year (FY20) presented extraordinary health and economic challenges for the global community. While ASX was not immune, we did deliver a robust result for our stakeholders. The strong performance of our core businesses generated solid underlying profit growth, while investment in the resilience of our systems helped ensure the availability of ASX's markets throughout the COVID-19 pandemic. ASX's diversified business model continues to deliver attractive earnings across different business cycles without compromising our commitment to integrity.

Statutory profit rose 1.4% on last year to \$498.6 million, an increase of \$6.6 million, while underlying profit increased 4.4% to \$513.8 million, a lift of \$21.8 million. Each of ASX's four main businesses grew, with the overall performance supported by higher cash market trading and a growing appetite from our customers for technical connections and information services. While the number of new listings across the period was down, the total amount of capital raised increased materially. Given the turmoil of the final quarter, the increase reflects the strength of the ASX listed capital markets, including the responsiveness of our rules. Price discovery and liquidity remained strong, and companies were able to raise capital promptly and efficiently.

We determined a final dividend of 122.5 cents per share, fully franked, an increase of 7.2%, bringing total FY20 dividends to 238.9 cents per share, 4.5% higher than last year. ASX's expenses rose 9.0%, slightly above guidance, largely as a result of higher costs associated with the heightened market activity related to COVID-19. Capital expenditure was \$80.4 million, reflecting our ongoing investment to refresh ASX's technology capabilities. The record trading activity and volatility experienced during the period, and the pressure this caused across the market, underscores why implementing the next generation of technology to support the digitisation of Australia's financial markets is a priority. We also reduced the carrying value of our shareholding in trading venue Yieldbroker by \$15.2 million. While we remain committed to Yieldbroker and the electrification of fixed income markets, the pace of change has been slower than expected," said Dominic Stevens, MD and CEO of ASX.

Earnings changes

For 1HFY21, the NPAT for ASX was \$498.6 million which was 1.4% higher than 1HFY20. This is in line with market expectations and hence we do not expect any significant earnings revisions.

Valuation

We are initiating on ASX with a price target of \$71.15 and a HOLD recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

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Valuation Methodology

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Barclay Pearce Capital Recommendation Proportions

Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)