

6th March 2018

## NSX Limited

### Interim result reflects the business restructure

NSX Limited is the listed entity that operates the National Stock Exchange of Australia, a stock exchange for the listing of equity securities, corporate debt and managed investment schemes. Over the past 15 months, the company has been undergoing a transformation with increased focus on attracting new and larger IPOs, a restructure of operations to consolidate the business in one location, a deal with IRESS to enable trading of NSX-listed securities on its global trading platform and an expansion of the core executive team to position NSX for further growth. The company reported H118 revenues of \$1.25m down 8.5% on pcp and a net loss of \$1.49m, up 52.8% on pcp due to increased investment in regulation, compliance, technology and capability following the business restructure.

### Business model

NSX offers three trading models – conventional, closed market and trading windows. The company operates its own trading platform and trader workstation terminal, and offers electronic feeds for those wanting to use their own terminals to trade. From early July 2017, IRESS clients have been able to trade NSX securities on its platform, a move which is expected to lead to increased trading volumes. NSX currently hosts 81 securities, with a combined market capitalisation of A\$4.8b, across a range of industries including property, tourism, finance, investment, regional banks, agriculture, resources, infrastructure, agriculture, asset management, health and information technology. NSX now has 83 listed companies with a combined market capitalisation of \$4.8bn, which is more than double where it was 18 months ago. NSX currently has 23 broker participants and 46 advisers.

### Interim result and outlook

Interim revenues were impacted by a 42% decline in listing fees to \$0.27m due to smaller market capitalisations of listings in the period. The prior period benefitted from two abnormally large listings. Secondary market revenues increased 6.9% to \$0.2m and annual fees lifted 11.1% to \$0.68m. Expenses increased 13.4% to \$2.2m, driven by employee expenses which account for two-thirds of expenses and which rose 48% in the period as the company engaged new talent to grow the business. Offsetting this was a 26% decline in market trading expenses following the move to the IRESS platform. NSX's operating cash loss for the period narrowed considerably to \$0.58m from \$0.95m a year before. Since balance date, the company has announced that IR Plus Securities Exchange Ltd would be dissolved and its market licence cancelled which in turn would result in a \$1m security deposit being returned to NSX. NSX has also provided for a \$0.8m loans receivable from IR Plus Group.

#### Shares Summary

Share Code	NSX
Share Price	\$0.26
Market Capitalisation	\$37.79M
Number of Shares	147.9M
Net Cash (Debt) at 31 Dec 17	\$4.3M
Share Registry	Boardroom Ltd

#### 12-month Share Performance



#### RaaS 5-Point Score\* = 3/5

Revenue increasing (1); EPS increasing (0); Return on Capital Employed [ROCE] (0); EBIT interest cover >3x (1) Gross Operating cash flow/EBITDA >90%(1)

#### Upside Case

- NSX is increasing its share of new listings
- Secondary raisings and annual fees underpinning revenues
- Move to IRESS has delivered significant cost savings and makes trading NSX securities easier

#### Downside Case

- Dominant major competitor in ASX
- Reliant on investor appetite for shares
- Share markets at historical highs

#### Catalysts

- An increased share of listings in FY18
- Shift to operational profitability

#### Comparative Companies

ASX; NZX.NZ; SGX.SP

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#### Earnings history (A\$m)

Year ended	Revenue	EBITDA*	EBIT*	NPAT reported	NPAT Adjusted*	Operating CF	EPS reported(c)	EPS Adj. (c)
Jun-15	1.7	(1.5)	(1.5)	(1.4)	(1.4)	(1.2)	(1.3)	(1.3)
Jun-16	1.9	(1.2)	(1.2)	(1.5)	(1.1)	(1.1)	(1.1)	(0.8)
Jun-17	3.2	(1.7)	(2.0)	(2.2)	(1.8)	(1.9)	(1.5)	(1.2)

Source: Company data: \*Adjusted for restructuring charges

\*. The RaaS 5-Point score is based on the company's performance in its last reported full year. Past performance is not always a reflection of future performance.

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# FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 11<sup>th</sup> May 2017

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This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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  - Securities
- deal on behalf of retail and wholesale clients in relation to
  - Securities

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Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08 Email: nfo@fos.org.au

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