

NSX Limited

Poised for a step-change

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 benefits of the transformation were reflected in the company's FY17 results with revenues lifting 66% on the prior year due to increased IPO activity and a significant increase in secondary raisings.

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. The number of listed securities has increased from 76 in FY16 and the combined market capitalisation has more than doubled from \$2.2b in FY16. NSX currently has 22 broker participants and 37 advisers.

FY17 performance and outlook

NSX delivered a 66% increase in revenue in FY17, driven by a 105% jump in annual listing fees to \$1.1m, an 83% increase in secondary raising fees to \$0.4m and a 50% rise in application fees to \$1.5m. The exchange welcomed 14 new listings in FY17, which accounted for more than 8 % of total new listings in Australia. Costs in FY17 increased 58% due to carrying the cost of transitioning from several offices to one combined office in Sydney, investment in the executive team and in the expansion to the IRESS trading platform.

Competition

NSX's main competition comes from ASX Ltd, which is a much larger and dominant competitor for IPOs and secondary listings in the region. NSX has focused its efforts on attracting agriculture, technology and international listings and has a stated plan to aggressively compete for new listings in FY18 and beyond. NSX will hold its annual general meeting on November 9 at 11am at FEX Marketsite, 7 Bridge Street Sydney.

Shares Summary

Share Code	NSX
Share Price	\$0.29
Market Capitalisation	\$42.9M
Number of Shares	147.9M
Net Cash (Debt) at 30 Jun 2017	\$4.9M
Share Registry	Boardroom Ltd

12-month Share Performance



5-Point Score = 3

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
- Revenue rising due to new listings, secondary raisings and increasing size of listed companies
- Move to IRESS should increase trading volumes as it will make it easier to trade NSX securities

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.AU; 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

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FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 11th May 2017

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

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