

NSX Limited

Preparing the exchange for its next stage of growth

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 two years, 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 NSX has recently received approval from ASX for the clearance and settlement of NSX trades on the same basis as trades executed on ASX's cash equity market. This also paves the way for connectivity by the electronic retail brokers. The company has also recently completed an institutional placement and non-renouncement rights issue, raising \$5.3m at \$0.15 a share to accelerate its growth strategy, satisfy regulatory capital requirements and working capital needs.

Business model

NSX offers three trading models – conventional, private market and trading windows accessing retail, wholesale and institutional investors. 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. Since the beginning of FY18, IRESS clients have been able to trade NSX securities on its platform, a move which has led to increased trading volumes. In FY18, trading volumes lifted 24% over the prior year and the number of trades increased 27%. NSX currently hosts 81 securities, with a combined market capitalisation of A\$4.5b, across a range of industries including property, tourism, finance, investment, regional banks, agriculture, resources, infrastructure, agriculture, asset management, health and information technology. NSX currently has 23 broker participants and 46 advisers.

FY18 result and capital raised

FY18 revenues were impacted by a 71% decline in application fees to \$0.38m which offset a 16% lift in annual fees to \$1.45m. Listing fees benefited from both the net growth in listing activity over the past two years and an increase in the overall capitalisation of the securities listed on the exchange. Expenses increased 10.0% to \$5.98m, driven by employee expenses which account for half of expenses and which rose 39.4% in the period as the company engaged new talent to grow the business. Market trading expenses increased 4.9% to \$1.27m while marketing costs lifted 32.6% to \$0.1m. Offsetting this was a 18.5% decline in occupancy expenses (\$0.2m) and 42.8% reduction in administration expenses to \$0.49m, reflecting the benefit of the company's restructure in the prior year. Working capital requirements also reduced significantly to \$0.2m from \$2.7m in the prior year.

Earnings history (A\$m)

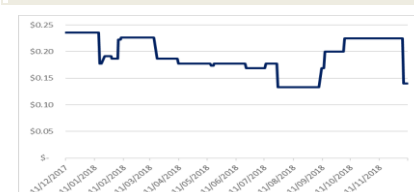
Y/E	Revenue	EBITDA*	NPAT reported	NPAT Adj*	OCF	EPS rep (c)	EPS Adj. (c)
Jun-15	1.7	(1.5)	(1.4)	(1.4)	(1.2)	(1.3)	(1.3)
Jun-16	1.9	(1.2)	(1.5)	(1.1)	(1.1)	(1.1)	(0.8)
Jun-17	3.2	(1.7)	(2.2)	(1.8)	(1.9)	(1.5)	(1.2)
Jun-18	2.2	(3.5)	(3.8)	(3.8)	(2.6)	(2.5)	(2.5)

Source: Company data: *Adjusted for restructuring charges in FY17

Shares Summary

Share Code	NSX
Share Price	\$0.14
Market Capitalisation	\$25.7M
Number of Shares	170.1M
Net Cash (Debt) at 30 Jun 18	\$2.4M
Share Registry	Boardroom Ltd

12-month Share Performance



Upside Case

- The TAS clearing and settlement approval will position NSX participants for increased investor exposure
- 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 have entered volatile territory

Board of Directors

Michael Cox	Chairman
Ann Bowering	Managing Director/CEO
Thomas Price	Non-Executive Director
Tony Shen (Weiguo)	Non-Executive Director

Catalysts

- An increased share of listings in FY19
- Shift to operational profitability

Comparative Companies

ASX; NZX.NZ; SGX.SP

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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: 26th November 2018

About Us

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

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Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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