



# NZX INTERIM 2024 RESULTS INVESTOR PRESENTATION

23 August 2024

# Today's Agenda



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## Important notice

This investor presentation should be read in conjunction with NZX's other periodic and continuous disclosure announcements, and the financial statements in the 2024 Interim Report, which provides additional information on many areas covered in this presentation. These are available at [nzx.com](https://nzx.com).

This presentation contains certain 'forward-looking statements' such as indications of, and guidance on, future earnings and financial position and performance.

This includes statements regarding NZX's current assumptions, which are subject to market outcomes, particularly with respect to market capitalisation, total capital listed and raised, secondary market value and derivatives volumes traded, funds under management and administration growth, acquisition related integration costs and technology costs.

Additionally, they assume no further material declines in the macro-economic environment and market conditions, significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments.

Any indications of, or guidance or outlook on, future earnings or financial position or performance and future distributions are also forward-looking statements.

Forward-looking statements are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of NZX, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not materially differ from these forward-looking statements.

A number of important factors could cause actual results or performance to differ materially from the forward-looking statements. The forward-looking statements are based on information available to NZX as at the date of this presentation.

Except as required by law or regulation (including the Listing Rules), NZX undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

# Executive Summary

AO1	NZ50	\$11,908.27	WMP	\$2,960.00	WMP	\$2,975.00	WMP
/+0.05%	INDEX	-154/-0.01%	futures	Aug 2023	futures	Sep 2023	futures
\$8.33	AIR	\$0.79	FPH	\$24.19	GMT	\$2.22	IFT
▲+0.095 / +1.15 %	▼-0.005 / -0.63 %	▼-0.020 / -0.08 %	▼-0.000 / 0.00 %				

# HY24 results highlights

Showing strength through economic and market cycles – NZX has maintained the positive momentum in delivering to our growth strategy, and the operating earnings demonstrate the resilience of NZX’s earnings base

## Highlights<sup>1</sup>

**Operating Earnings<sup>2</sup>**  
excl. acquisition, integration  
& restructure costs

**\$ 22.9 million**

11.5 % increase

**Revenue**

**\$ 57.9 million**

7.3 % increase

**Expenses**  
excl. acquisition, integration  
& restructure costs

**\$ 35.0 million**

4.7 % increase

**Operating Earnings<sup>2</sup>**  
incl. acquisition, integration &  
restructure costs

**\$ 22.4 million**

12.0% increase

**Net Profit After Tax**

**\$ 15.3 million**

119.0 % increase

**Adjusted Net Profit After Tax**  
(excl. QS earnout FV adj)








**\$8.0 million**

10.9% increase

**Interim Dividend**  
(fully imputed)

**3.0 cps**

## Performance relative to 2024 Targets<sup>3</sup>

	FY24 Targets	H1-24 Progress YTD	
<b>Operating earnings<sup>2</sup></b> <i>(excluding acquisition, integration &amp; restructure costs)</i>	\$40.0m-\$44.5m	<b>\$22.9m</b>	+11.5% v H1-23 
<b>Capital listed and raised</b>	\$15.0bn	<b>\$6.3bn</b>	(11.5)% v H1-23 
<b>Total value traded</b>	\$38.0bn	<b>\$16.6bn</b>	(8.0)% v H1-23 
<b>Information services revenue</b> (excl. one off audit revenue)	2.1% p.a. avg. growth	<b>(2.6)%</b>	reduction v H1-23 
<b>Funds under Management</b>	14.7% p.a. avg. growth	<b>8.2%</b> growth (since December 2023)	
<b>Funds under Administration</b>	Migrate new clients and achieve cash flow positivity	<b>23.2%</b> growth (since December 2023)	
<b>Dairy derivatives lots traded</b>	0.70m – 0.85m lots	<b>0.32m</b>	+23.6% v H1-23 

### Notes:

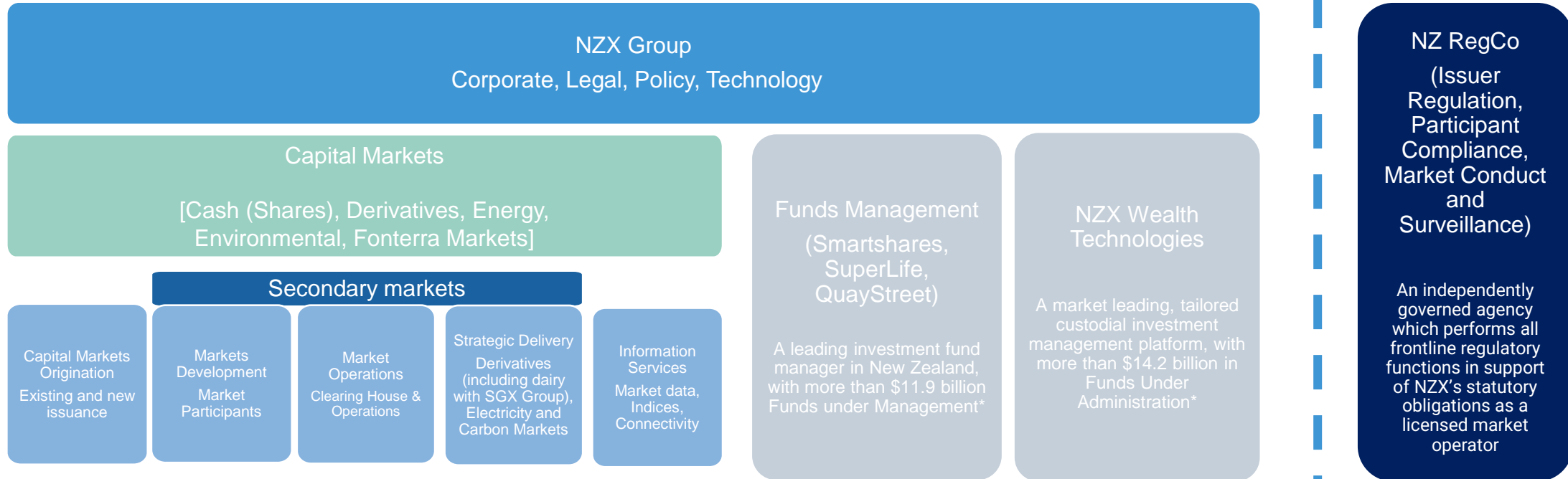
<sup>1</sup> Data is for the 6-month period ended 30 June 2024. Percentage changes represent the movement for the interim period June 2023 to June 2024.

<sup>2</sup> Operating earnings (EBITDA) are before net finance expense, income tax, depreciation, amortisation, loss on disposal of assets, gain on lease modification, change in fair value of contingent consideration and share of profit/loss of associate. Operating earnings is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities. Refer to financial statements note 2 for a reconciliation of EBITDA to NZ IFRS profit for the period.

<sup>3</sup> The 2024 Targets are detailed in the Investor Presentation in February 2024, and are “for the year ended 31 December 2024,” or “as at 31 December 2024” (as applicable). H1-24 Progress YTD represents the value for the 6 months ended 30 June 2024, except for Funds Under Management and Funds Under Administration which are the movement in balances as at 31 December 2023 to 30 June 2024.

# NZX Group overview

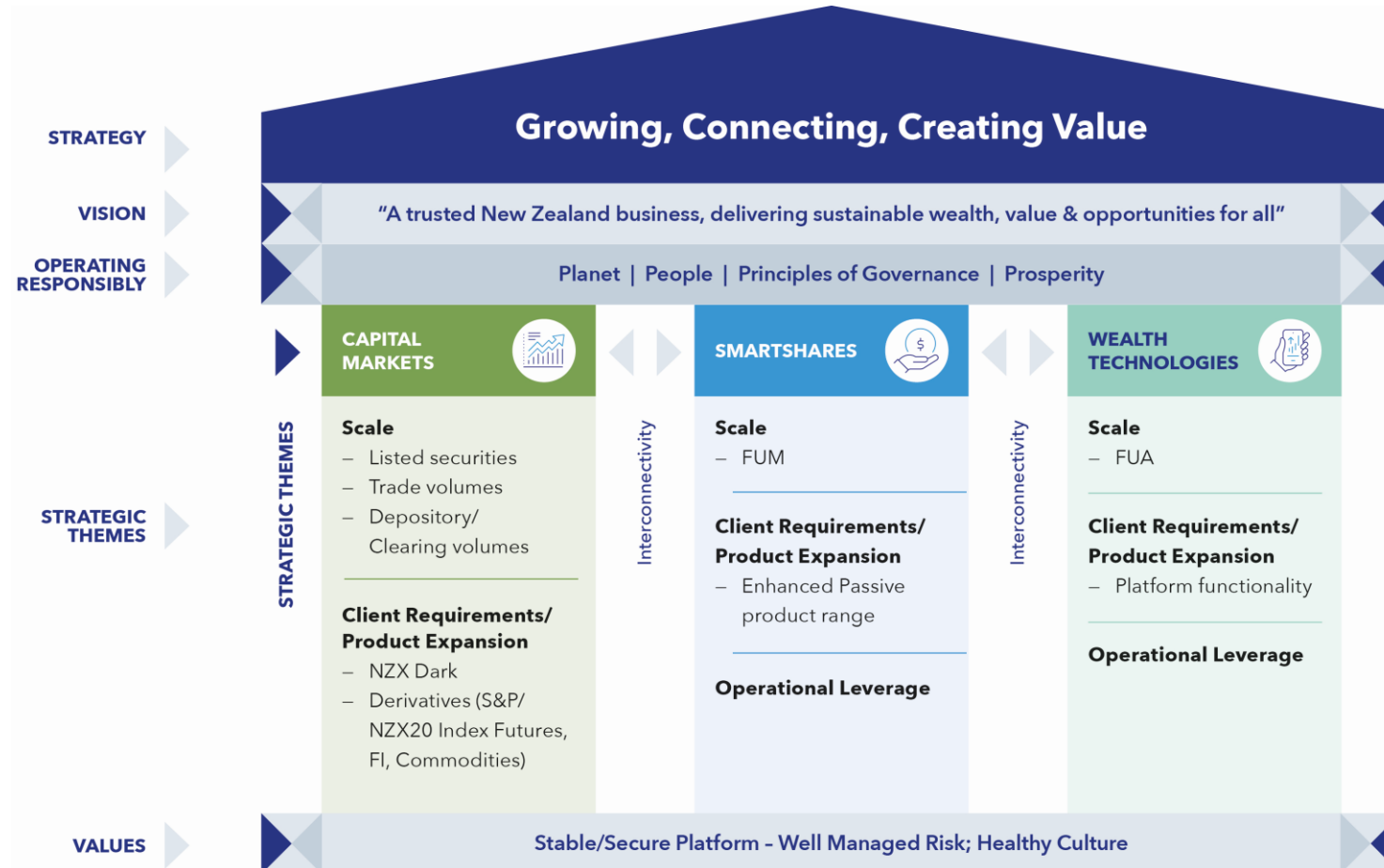
A diverse and connected capital markets focused business



\* As at 30 June 2024

# Our strategy

Our strategy is to round out our product offering in Capital Markets and drive scale and operating leverage across the businesses



**The Capital Markets market cycles:** Market cycles are inevitable, **we have the building blocks for further opportunities and growth** and as markets recover, we expect to see capital markets' activity levels accelerate and asset prices rise



**Maturing our Market:** We know our product offering could be expanded (equity derivatives, carbon markets) which is key to driving further growth in capital markets activity and greater global connections – rounding out our product offering will **broaden our earnings base and add scale to our settlement and clearing activities**



**Continued sectoral growth:** there are **long-term structural market tail winds that support growth** in the managed funds and platform businesses



**Continued M&A activity:** We will continue to explore **M&A activity to help drive and accelerate growth** where appropriate



**Operating Leverage:** Still investing for growth but also focusing on **efficiencies and driving operating leverage**

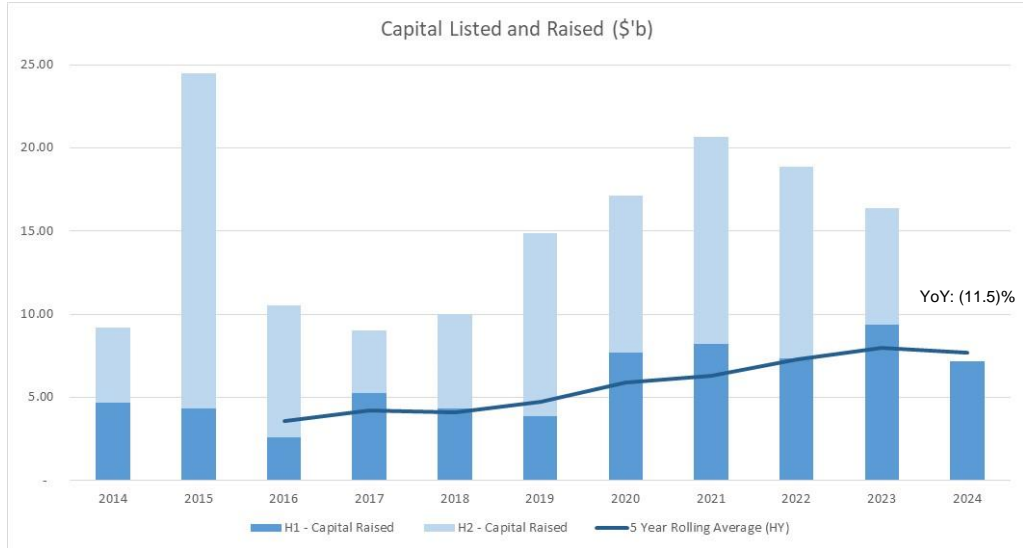


# Business Unit Highlights



# Capital Markets Origination – Capital Listed and Raised

Capital listed at lower levels, reflecting the macroeconomic environment, this is driven by i) retail / sustainable debt, and ii) specific large capital raises for acquisitions / positioning for further growth



## 2024 Objectives

Ensure NZX is best positioned for further opportunities and growth and as the macroeconomic environment improves and markets recover

## Market Development

Capital Markets Origination team held numerous “Listing your company” and “Raising capital in New Zealand” events and showcased current listed clients through various mediums

Help streamline the regulatory framework – Collaboration with the Government to implement initiatives in the Capital Markets 2029 report

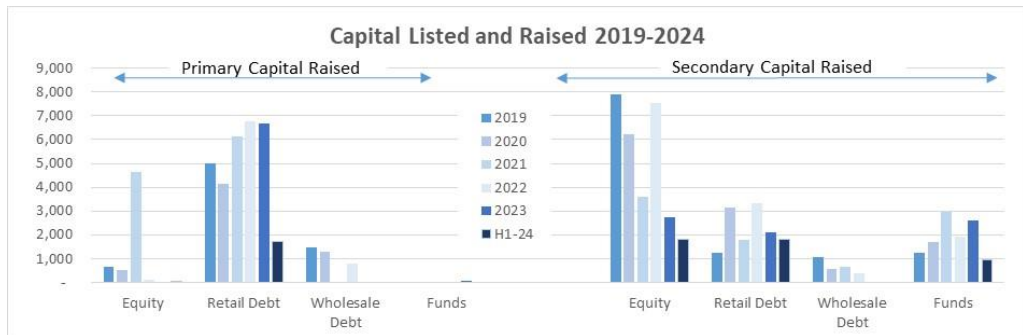
Proactively working with the broader market ecosystem to reinvigorate New Zealand’s capital markets

Enhancing Issuers’ experiences – continually improve the profile initiatives for Issuers to help drive liquidity in their stock

## Market Activity

Capital listed at lower levels, reflecting the macroeconomic environment, with:

- Primary capital raised driven by retail debt listings due to the high OCR levels leading to higher coupons; and
- Secondary capital raised driven by hybrid bank capital issuances, retail bond issuances and specific large capital raises mainly for acquisitions and positioning the companies for further growth (including ESG-designated bonds, which now account for 26.4% of all debt issuance on the NZX Debt Market)





# Secondary Markets – Value Traded / Cleared

Value traded at lower levels, reflecting the challenging macroeconomic environment



## Depository

- Assets under custody up 24.4% to \$8.34 billion
- Depository activity:
  - Depository uplifts – down 3.2% to 50,056
  - Settlement lines – down 2.2% to 111,352
  - OTC trades – up 32.8% to 53,022

## 2024 Objectives

Expand our product offering:

- NZX Dark (mid-point order book) product launch in mid 2024;
- S&P/NZX20 Index Future relaunch progressing (including Self Match Prevention enhancements, clearing house recovery tools and continued participant engagement); and
- drive greater scale and efficiency in clearing

## Market Development

**NZX Dark** (mid-point order book) launched in early June. Ongoing engagement with both the buy-side and sell-side to develop use of the trading venue. Through June we have seen \$9.4 million in total NZX Dark value traded and \$33,499 in total price improvement

**S&P/NZX20 Index Future** – continue to work towards relaunch, with current focus on contracting market makers, onboarding new Participant firms, Policy work on rule changes, and ISV (Independent Software Vendor) connectivity

**Financial Market Infrastructures Act (FMI)** – NZX Clearing transitioned in early 2024, the legislation regulating NZX Clearing is now in line with international participants' expectations

**Depository Automation** – the project to automate various operational processes is well underway and expected to be complete in early 2025

## Market Activity

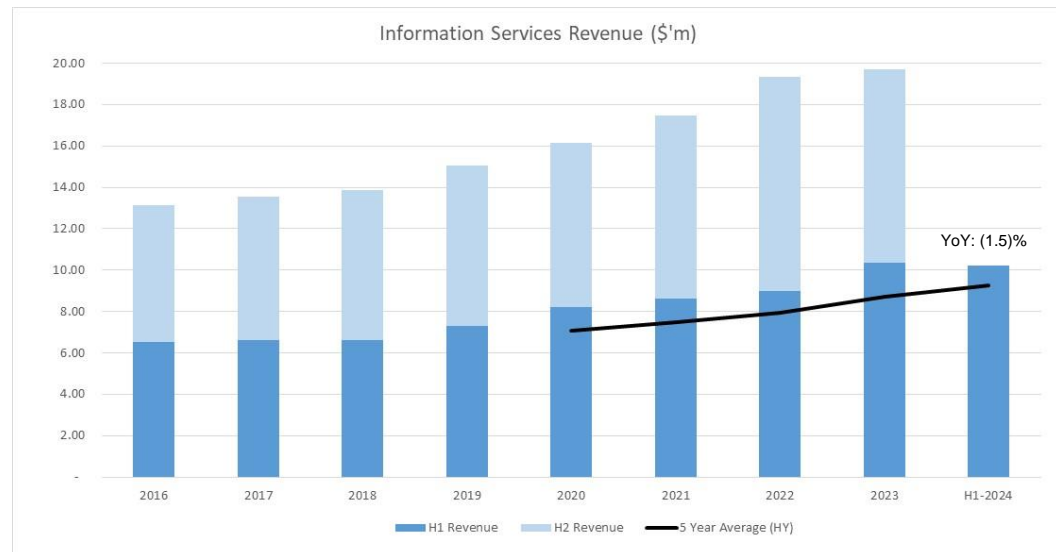
Value traded / cleared – lower levels reflects the current levels of market uncertainty and a challenging macro economic environment that has had high inflation and interest rates

Depository – continued active engagement of custodians to join NZX's depository business and automation of systems, with the long-term aim of driving down costs of post trade in the New Zealand capital markets



# Information Services Revenue

Lower professional terminals and subscriptions reflects the challenging macroeconomic environment, which has only partially been offset by increased higher value licences and back dated indices revenue



Note: Information Services Revenue graph includes Audit and Backdated Licenses / Indices revenue

## 2024 Objectives

Expand our product offering – enhanced product development capability and our digital transformation programme will drive new data products

Connectivity – Trans-Tasman connectivity upgrade to increase resilience and simplify connecting global clients to NZX trading and clearing systems

## Market Development

Information Services team introduced new licence type for end of day data usage capturing new revenue opportunity with further introduction of new licence types intended for 2025

Connectivity – completed the Trans-Tasman connectivity upgrade to increase resilience and simplify connecting global clients to NZX trading and clearing systems. Cutovers to be completed through H2-24 with new and existing connected clients

## Market Activity

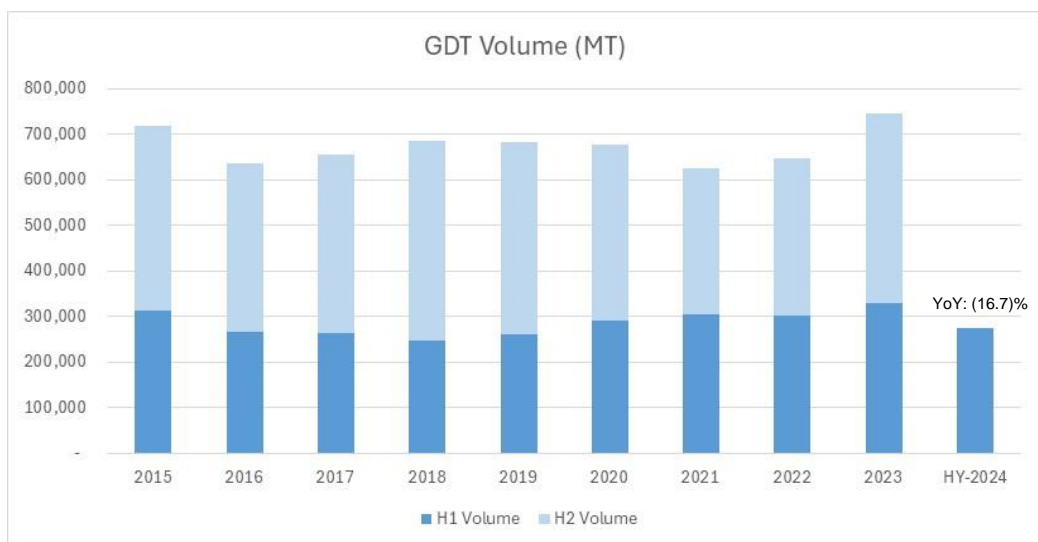
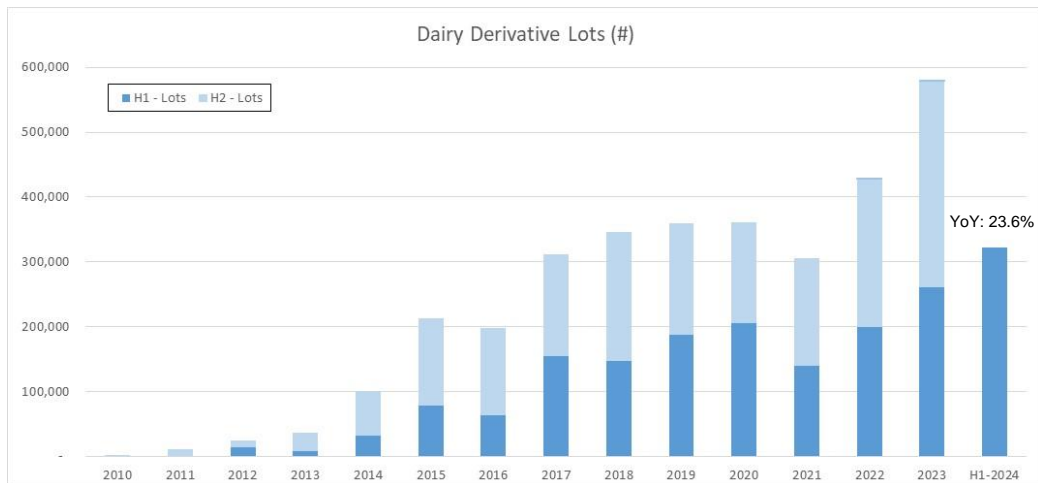
Reduction in number of professional terminals a direct result of the consolidation of significant sized market participants and lower value traded. The revenue impact of this has been minimised through price increases to reflect technology inflation

Back dated indices revenue (\$960k) and limited audit revenue (which is now decreasing from historic high levels as revenues are captured within recurring revenue lines)



# Dairy Derivatives and GlobalDairyTrade

Dairy Derivatives lots traded continue to see the significant growth expected from the Singapore Exchange strategic partnership; though margin fee rates have started to normalise from the prior year peak levels. GlobalDairyTrade is now commencing its strategic growth initiatives.



## 2024 Objectives

### Dairy Derivatives:

- continue to extend market distribution and expand global trading participation

### GlobalDairyTrade Holdings Limited (GDT):

- increase sellers and products offered on the GDT platform; and
- deliver remaining GDT strategic initiatives identified in three year plan

## Strategic Partnerships

### Dairy Derivatives

Singapore Exchange (SGX) strategic partnership has extended market distribution and expanded global access:

- Trebled the number of active trading and clearing members utilising the contracts with potential for further expansion (i.e. >70 connected with SGX);
- The team has clients live on the Market Maker and Liquidity Provision Schemes and continues to work on new client onboarding activity to support market growth and development;
- Margin fees have started to normalise in line with global future interest rate curves, which has resulted in a drop in revenue across the period; and
- Open interest continues to hit record levels indicating continued growth across the product suite

### GDT

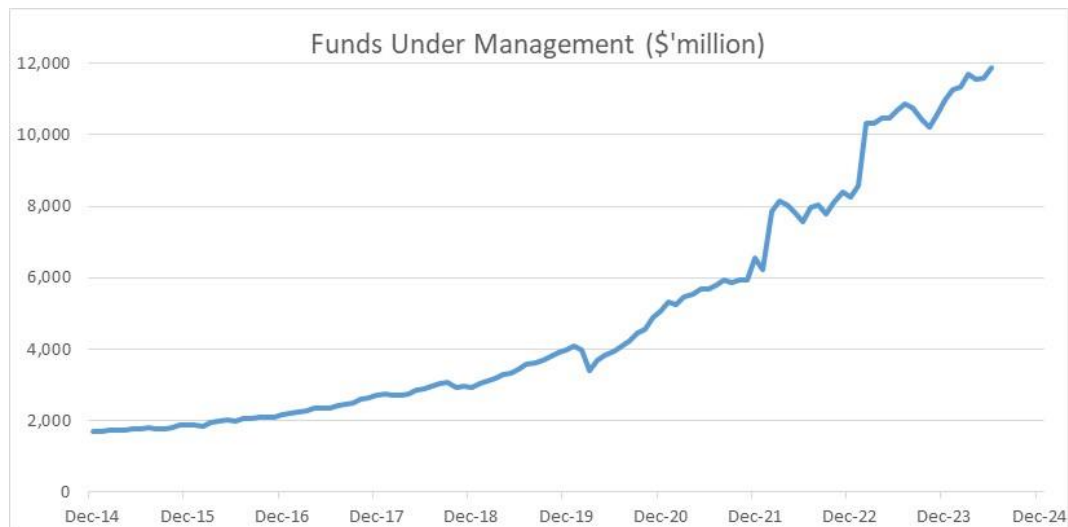
GDT's underlying profitability remains strong

Strategic initiatives – GDT's investments will be a cost drag for several years:

- 'GDT Pulse' – successfully expanded the number of auctions and further enhancing price transparency;
- European and US sales presence – sales capability and support resources are in the start-up phase, five new global suppliers from EU and US market have been added, though volumes are currently low; and
- Auction Platform upgrade – planning completed and the upgrade OPEX will be incurred over the coming year to 30 June 2025

# Smartshares – Funds Under Management (FUM)

Continues to drive growth. Smartshares’ future growth opportunities remain strong through organic growth. We continue to mature the operational environment in order to improve operating leverage



## 2024 Objectives

Drive scale, efficiencies and operating leverage, including maturing Smartshares’ operations and embed our growth initiatives (i.e. integration of QuayStreet into the service provider operating model) to unlock further synergies of scale and focus on customer demand for product to increase organic growth cashflows

## Funds Under Management

Funds Under Management (FUM) at \$11.88 billion, up 8.2% from 31 December 2023 due to:

- **cashflows** – \$203m / +1.9%; and
- **market return** – \$694m / +6.3%

**QuayStreet** - the first new funds under the Product Support & Distribution Agreements were launched in April 2024 & we are starting to see building cashflows. We continue to work with Craigs towards the earn out cash flow targets for November 2024 across the fund range of QuayStreet, the new Craigs hosted funds and the Smartshares ETFs.

**KiwiSaver** will continue to be the macro driver to continued FUM growth i.e. KiwiSaver future growth profile, leading to growth in non-KiwiSaver investments and self-directed investing platforms

## Strategic Activities

QuayStreet integration to move the transition services and operating model to Smartshares unlocking synergies is ongoing

Exchange Traded Funds (ETFs) – in Q4-24 we are aiming to upgrade the ETF website, rebrand the ETFs, and launch 4 ETFs. This is the first phase of our rebrand strategy across Smartshares & SuperLife which will continue into 2025

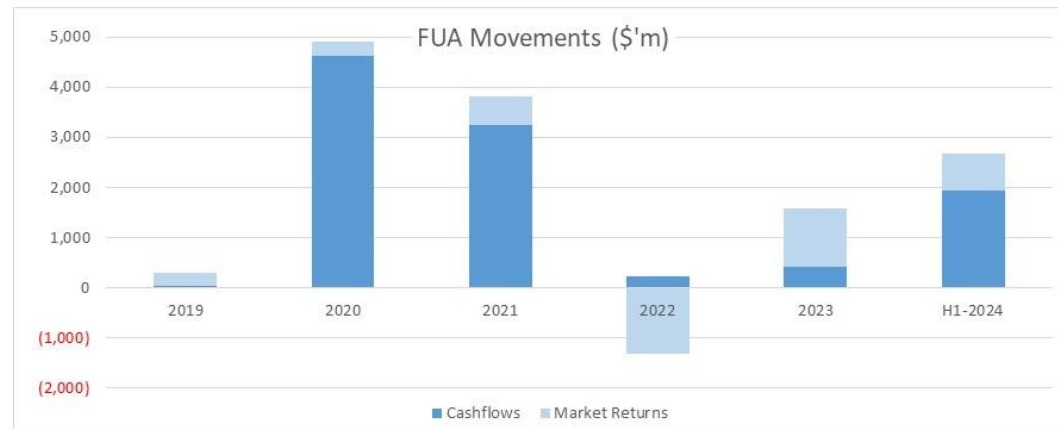
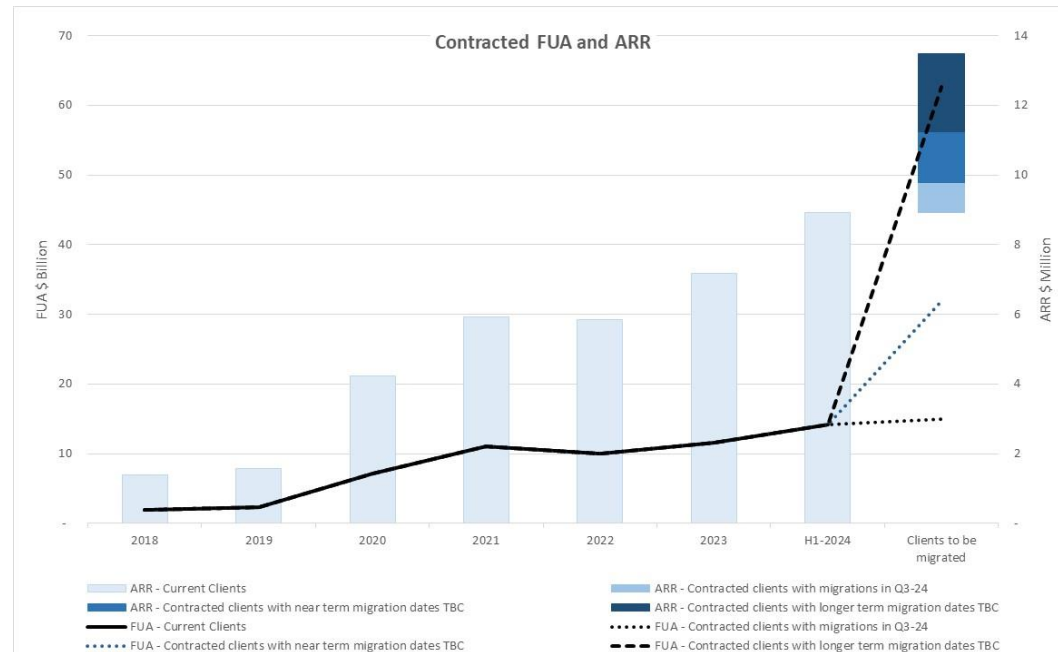
Maturing of Smartshares’ operations is proceeding to plan and includes:

- Fund structure simplification and funds rationalization, to commence on a phased basis from Q4-24; and
- Client portal and registry replacements planning has commenced.



# Wealth Technologies – Funds Under Admin (FUA)

Client transitions continue, with successful pipeline conversions and the positive outlook continues



## 2024 Objectives

Drive scale, efficiencies and operating leverage, including migrating the current pipeline in 2024 to achieve a cash flow positive target by late 2024

## Funds Under Administration and Annual Recurring Revenue

**Funds Under Administration (FUA)** at \$14.21 billion, up 23.2% from 31 December 2023 due to:

- cashflows/ new client migrations +16.7%; and
- market return +6.5%

### Annual Recurring Revenue (ARR):

- |  | \$'m        |                     |
|--|-------------|---------------------|
| • ARR on FUA at 30 June 2024                               | 8.93        | +24.7% since Dec-23 |
| • ARR on FUA with scheduled Q3-24 migration dates          | 0.85        |                     |
| • ARR on FUA with expected near term migration dates TBC   | 1.45        |                     |
| • ARR on FUA with expected longer term migration dates TBC | <u>2.24</u> |                     |

**TOTAL expected ARR on contracted clients once fully migrated**

**13.47**

Timing of migrations is dependent on i) client strategic prioritisation (e.g. timing relative to tax year end) and migration resource commitments, as well as ii) clients current platform provider supplying data. This may impact the timing of our cash flow positive target

## Client Activity

In H1-24 we migrated 5 new clients onto the NZX WT Platform and we now have 25 active clients

In addition, we won 2 new clients in H1-24 with either scheduled migration dates in H2-24, or their migrations are in the process of being scheduled (subject to clients' migration preference / cadence)

Overall, the pipeline remains strong and we are actively progressing discussion with further potential clients. We remain confident the growth from the new business will ensure NZX Wealth Technologies meets its cash flow objectives



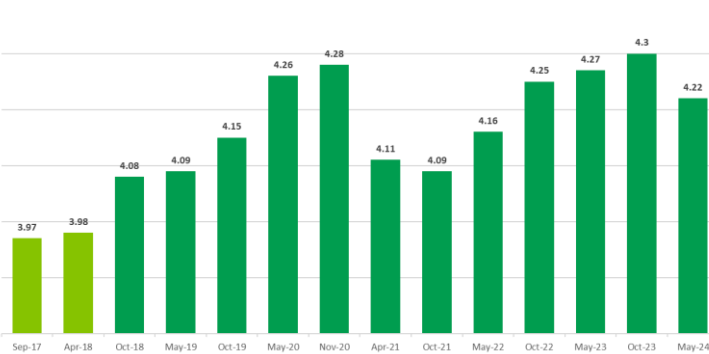
# People

**NZX has strong employee engagement, a diverse workforce and a healthy culture across the organisation**  
**Work is required to promote and recruit more women into leadership positions**

## Culture and Engagement

- NZX uses the Gallup survey to measure employee engagement twice per year
- Employee engagement (4.22) has fallen over H1-24 on the back of a large period of change. Senior leaders are analysing the results and building actions plans with their teams to improve engagement
- NZX ranks close to the top third of global companies that utilise the Gallup survey

Overall Engagement at NZX from 2017 to 2024 (Q12 mean)

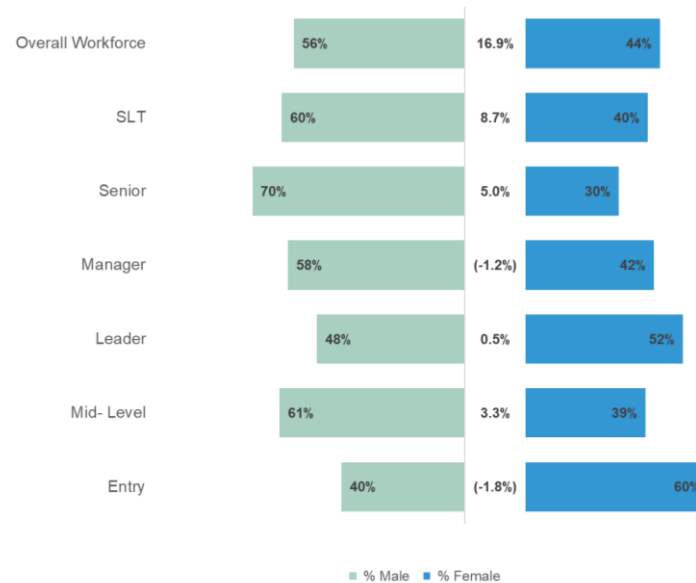


## Health, Safety & Wellbeing

- NZX has an excellent safety record, with Total Recordable Injury Rate (TRIR) of 0.34 incidents per 200,000 hours worked.
- NZX absence rate remains stable at 1.7%.
- NZX supports flexible working options for our staff, with the majority of our people now coming into the office either on a regular or full-time basis.

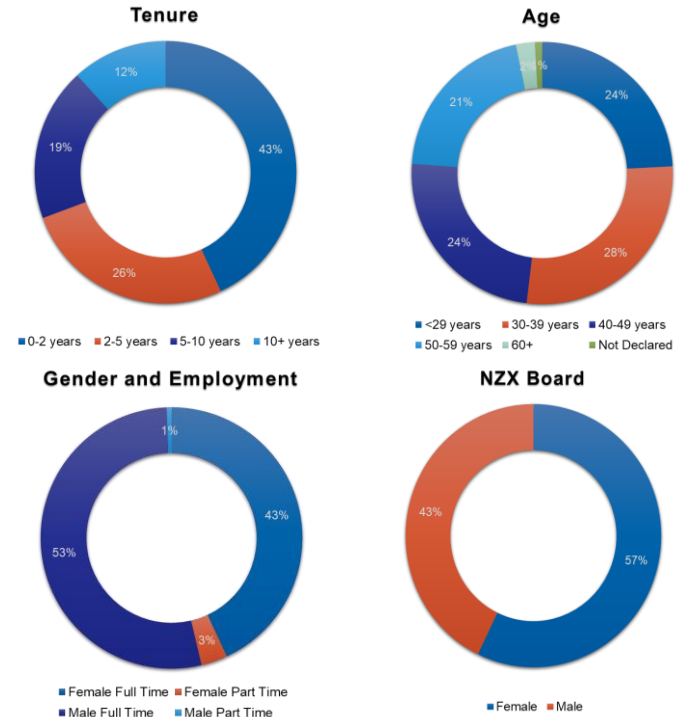
## Diverse Workforce and Gender Pay Gap (GPG)

- NZX aims to pay women and men equally for the work they perform
- However, NZX has an opportunity to recruit and promote more women into leadership and technical expert roles, as their lack of representation in those roles is driving a structural gender pay gap of 16.9%. Excluding the CEO the gender pay gap is 15.3%.
- GPG is calculated as (average male base salary – average female base salary) ÷ average base male salary)



## Diverse Workforce and Gender Pay Gap (cont)

- NZX has 31% of its workforce that have > 5 years' experience within the organisation, and 57% with > 2 years
- The regrettable turnover score of 14.5%, below our 16% target
- NZX employees have a wide spread of age bands
- NZX aims to have a gender balance of 40:40:20, and are currently meeting that objective at the Board level, and for the overall workforce





# Operating responsibly

NZX's focus is to create value while delivering a positive impact on society and the environment

## Strategy

- **Our ESG Strategy (Operating Responsibly) runs through the heart of our business** – as the operator of New Zealand's stock exchange and markets, as a financial services and technology business, and as a regulator. In particular, robust governance (such as the settings in the NZX Corporate Governance Code), is paramount to the role that NZX plays in New Zealand
- In 2024 NZX is updating our ESG Strategy - including our environmental sustainability approach - after undertaking a **stakeholder and materiality assessment** last year. This work will guide future ESG prioritisation, targets, and reporting and integrate it into NZX's broader strategy

## Core pillars of NZX's approach

- The four "Ps" – **Planet, People, Prosperity and Principles of governance** – are the core pillars of NZX's ESG approach. We ensure it aligns with our organisational purpose, vision and strategy, and with New Zealand's long-term sustainability goals and international commitments (including the Paris Agreement)

## NZX – net carbon zero certified

- As a business, NZX is committed to taking action on climate change. In 2023 **NZX achieved net carbon zero certification** from Toitū Envirocare for the third year in a row. Sustainable economic growth is a priority for NZX. Public markets will continue to play an important role in facilitating the flow of capital towards decarbonising the New Zealand economy. NZX is a signatory of the United Nations Sustainable Stock Exchanges Initiative

## Meeting legislative climate reporting requirements

- In 2024 under the mandatory **climate-related disclosures** framework (Aotearoa New Zealand Climate Standards, ANZCS), NZX, as a climate-reporting entity, has reported our climate change obligations regarding governance, strategy, risk management, and metrics and targets. NZX's Climate Statement is incorporated in our 2023 Annual Report

## Supporting New Zealand

- At NZX we are committed to connecting people, businesses and capital every day. That is our Purpose. As such, NZX recognises the important role we play in supporting the success of businesses, our communities, charities and country. This includes collaborating in the Shares for Good initiative and being the primary sponsor of the New Zealand Financial Markets (NZFM) Charity Golf Classic – an annual event that fundraises for charity (in 2024 the charity is the Little Miracles Trust)
- NZX also provides our employees a paid day's leave each year to volunteer in our communities and is supportive of events that help those in need. That includes collecting for the Cancer Society on Daffodil Day and using our electronic tickers to promote charitable causes

# Financial Performance

A close-up photograph of a person's hands writing in a notebook with a red pen. The notebook is open to a page with some handwritten notes and diagrams. In the foreground, the keyboard of a laptop is visible. The background is a solid blue color with a diagonal split.

# Income Statement

	H1-2023 \$000	H2-2023 \$000	H1-2024 \$000	Change vs H1-23 Fav/(adv)	Change vs H2-23 Fav/(adv)
Operating Revenue	53,959	54,428	57,882	7.3%	6.3%
Operating Expenses (excl. acq/int/restructure costs)	(33,394)	(34,884)	(34,958)	(4.7%)	(0.2%)
<b>Operating earnings<sup>1</sup> (excl. acq/int/restructure costs)</b>	<b>20,565</b>	<b>19,544</b>	<b>22,924</b>	<b>11.5%</b>	<b>17.3%</b>
Acquisition, integration & restructure costs	(524)	(691)	(480)	8.4%	21.2%
<b>Operating earnings<sup>1</sup></b>	<b>20,041</b>	<b>18,853</b>	<b>22,444</b>	<b>12.0%</b>	<b>18.5%</b>
Net finance expenses	(1,648)	(1,784)	(1,833)	(11.2%)	(2.7%)
Gain / (loss) on disposal of assets / lease modification	15	(8)	-	n/a	n/a
Depreciation and amortisation expenses	(8,335)	(8,429)	(8,867)	(6.4%)	(5.2%)
Share of profit / (loss) of associate	392	639	(183)	(146.7%)	(128.6%)
Change in fair value of contingent consideration	(225)	(305)	7,288	n/a	n/a
Income tax expense	(3,267)	(2,385)	(3,578)	(9.5%)	(50.0%)
<b>Profit for the period</b>	<b>6,973</b>	<b>6,581</b>	<b>15,271</b>	<b>119.0%</b>	<b>132.0%</b>
<b>Operating Margin (excl. acq/int/restructure costs)</b>	<b>38.1%</b>	<b>35.9%</b>	<b>39.6%</b>		
Headcount - FTEs at period end	331.9	339.6	345.7		

## Notes:

1 Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities. Refer to financial statements note 2 for a reconciliation of EBITDA to NZ IFRS profit for the period.

2 Finance Technology Partners (June 2024) EBITDA Margins (mean) information for Regional/Country Based Exchanges is estimated at 2024: 49%.

## Net Profit

**Net Profit** of \$15.3 million was 119.0% higher than H1-23

Net Profit, adjusted to exclude the QuayStreet earnout fair value adjustment, was \$8.0 million which is 10.9% higher than H1-23

## Headcount

The headcount increase reflects lower vacancy levels, with only 2 new roles (one each in Smartshares Compliance and NZX Policy teams) added in H1-24

## Operating Revenue

The operating revenue increased \$3.9 million (7.3%) on H1-23 driven by: Portion of increase

• Markets	\$0.8m	(1.5)%
• Smartshares (incl. full year impact of acquisition and integration)	\$3.3m	6.1%
• Wealth Technologies	\$1.2m	2.2%
• Other (Corporate and NZ RegCo)	<u>\$0.2m</u>	<u>0.5%</u>
	<u>\$3.9m</u>	<u>7.3%</u>

## Operating Expenses

The operating expenses (excluding acquisition, integration & restructure costs) increased \$1.6 million (4.7%) driven by: Portion of increase

• Markets	\$0.4m	(1.2)%
• Smartshares (incl. full year impact of acquisition and integration)	\$2.5m	7.4%
• Wealth Technologies	\$(0.2)m	(0.7)%
• Other (Corporate and NZ RegCo)	<u>\$(0.3)m</u>	<u>(0.8)%</u>
	<u>\$1.6m</u>	<u>4.7%</u>

## Operating Earnings

**Operating Earnings**, excluding one-off acquisition, integration & restructure costs, increased \$2.4 million (11.5%) on H1-23 driven by: Portion of increase

• Markets	\$0.4m	(2.1)%
• Smartshares (incl. full year impact of acquisition and integration)	\$0.8m	4.1%
• Wealth Technologies	\$1.4m	6.9%
• Other (Corporate and NZ RegCo)	<u>\$0.6m</u>	<u>2.6%</u>
	<u>\$2.4m</u>	<u>11.5%</u>

The **operating margin** at 39.6%, excluding acquisition, integration & restructure costs (H1-23: 38.1%), is lower than our peers<sup>2</sup> due to the diverse nature of NZX (i.e. energy markets, non-markets businesses and NZ RegCo) relative to peers.

Operating Earnings by business unit are discussed at a high level below, with detailed segmental analysis by business unit in Appendix 1 (including comparison of H1-24 to both H1-23 and H2-23)

# Income Statement

## Operating Revenue

**Operating revenue** increased \$3.9 million to \$57.9 million with the main drivers being:

**Markets** – revenue decreased \$0.8 million / (2.7)%:

- *Capital Markets Origination revenue* – decrease reflects lower levels of primary listings and secondary equity issuances, partially offset by higher annual listing fees;
- *Secondary Markets revenue* – decrease reflects lower levels of trading / clearing value, dairy derivatives margin fees and consulting and development activity, partially offset by higher depository revenue; and
- *Information Services revenue* – decrease driven by lower levels of average terminal numbers and lower indices revenue, partially offset by back dated indices revenue and some price increases

**Smartshares** – revenue increased \$3.3 million / 18.4 %. Excluding the impact of one-off prior year management fees revenue increased \$4.6m / 27.9%.

Funds Under Management (FUM) based revenue increased in line with higher average FUM, which is a combination of:

- positive market returns and net cash flows;
- the full period impact from the QuayStreet acquisition (February 2023); and
- the integration of SuperLife SMT (August 2023) resulting in increased net revenue as transition services fund costs are no longer incurred (replaced by FTE and other costs with a net synergy realised)

**Wealth Technologies** – revenue increased \$1.2 million / 39.3 %:

Administration (FUA) based fees increased in line with higher average FUA, which is a combination of:

- positive market returns and net cash flows;
- new clients FUA migrated onto the platform in the period; and
- a full period impact from the new clients FUA migrated during 2023 onto the platform

## Operating Expenses

**Operating expenses**, excluding acquisition, integration & restructure costs, increased \$1.6 million to \$35.0 million with the main drivers being:

**Markets** – expenses decreased \$0.4 million / 4.0 %:

Net personnel costs are lower due to the combination of:

- restructuring of several teams resulting in a reduction, offset by the transfer of two roles (net) from the Corporate Services;
- reduced energy contractors in line with reduced levels of consulting and development revenue;
- increased capitalisation relating to NZX Dark, NZX20 equity derivatives, automation of the depository systems and re-platforming NZX.com

IT costs are higher due to trading and clearing systems inflation related price increases and NZX.com upgraded infrastructure running costs. Professional fees have lower levels of audit fees (in line with reduced audit revenue).

**Smartshares** – expenses increased \$2.5 million / 32.1%:

The SuperLife SMT integration and the timing of the QuayStreet acquisition have had a large impact on the Smartshares expenses, particular on personnel costs were:

- Additional staff to perform SuperLife SMT investment management, investment administration and registry upon migration into Smartshares existing teams late in H1-23; and
- QuayStreet Asset Management staff full period impact (acquired in February 2023 or employed during 2023).

Other costs have been impacted by the above factors, additionally professional fees include a review of Smartshares AML / CFT processes

**Wealth Technologies** – expenses decreased \$(0.2) million / (7.9) %:

Net personnel costs are lower due to the combination of:

- gross personnel costs – increased as average headcount, as previously indicated, is temporarily higher to accelerate the migration velocity of additional FUA from a current client; and
- capitalised labour and overhead increased reflecting i) continued product development and client migration activity, and ii) H1-23 was at lower levels reflecting the non-capitalisable effort required to migrate clients between the legacy platform (closed in H1-23) and new platform

**Corporate** – expenses are lower with reduced headcount (due to vacancies, transfer of roles to the Markets business, and one new policy role) being more than offset by reduced professional fees relating to legal fees, internal audit activity and costs savings from lower external members of Committees (e.g. CGI Chair)

**NZ RegCo** – expenses are lower, being a combination of lower vacancies and the impacts of an H2-23 restructuring of surveillance resources

# Income Statement

## Investments for growth

Investments for growth activities in H1-24 have been:

- NZX Dark (the mid-point order book) was launched in June 2024;
- S&P/NZX20 Index Futures progresses towards relaunch;
- Wealth Technologies migration activity for new clients; and
- Smartshares - QuayStreet integration to move the transition services and operating model to Smartshares, unlocking synergies, is ongoing

## Acquisition, integration & restructure costs

Acquisition, integration & restructure costs in the current year relate to QuayStreet Asset Management integration activities and planning to mature the Smartshares operations. The prior year relates to the integration of the SuperLife SMT acquisition

## Non-Operating Expenses

**Net finance costs** include:

- interest income on operational cash balances, Clearing House risk capital and regulatory working capital, which have been positively impacted by higher average interest rates
- interest expenses (including amortised borrowing costs) on the subordinated notes (interest rate reset from 5.4% to 6.8% in June 2023), lease liabilities and term loan (to fund the QuayStreet acquisition in February 2023)
- net gain on foreign exchange

## Non-Operating Expenses (continued)

**Depreciation and amortisation** increased due to the impact of:

- Wealth Technologies – increased amortisation of the core platform and new client migrations completed in H2-23 and H1-24
- Smartshares amortisation commenced (from 23 February 2023) on the acquired QuayStreet Asset Management management rights
- Auckland office – depreciation on the new ticker / signage (commenced September 2023), as well as the associated right of use assets

**Share of profit/loss of associate** relates to our investment in GlobalDairyTrade (GDT). GDT's three-year expansionary strategic plan is expected to result in NZX's share of profit of associate to be low until GDT's strategic initiatives successfully mature

**Change in fair value of contingent consideration** relates to a decrease in the fair value of the QuayStreet earnout provision to recognise that the cash flows to date have been lower than the 100% earn out target to November 2024

Effective **tax** rate is lower than statutory rate of 28% due to non-deductible items (particularly for the change in fair value of contingent consideration), partially offset by differences in valuation (accounting v taxation) on vesting of long-term incentive schemes



# Financial Position and Cash Flows





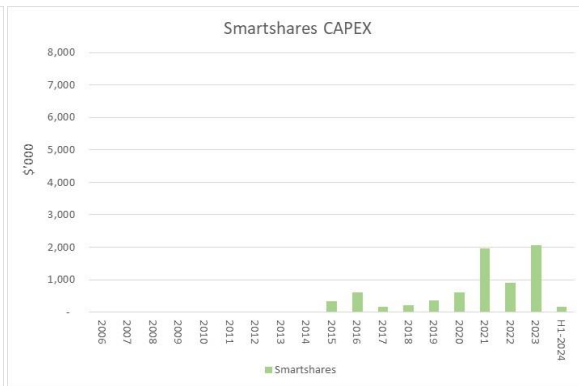
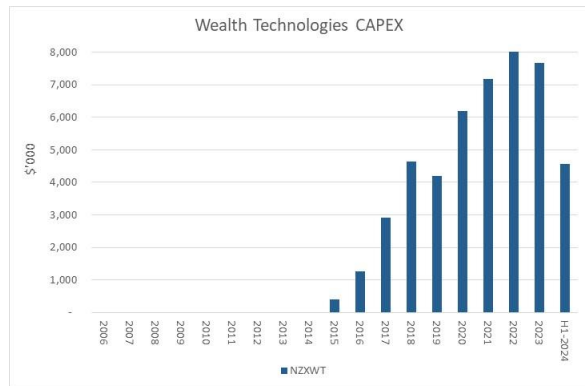
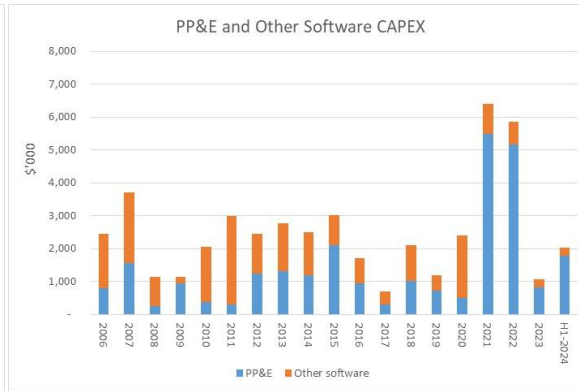
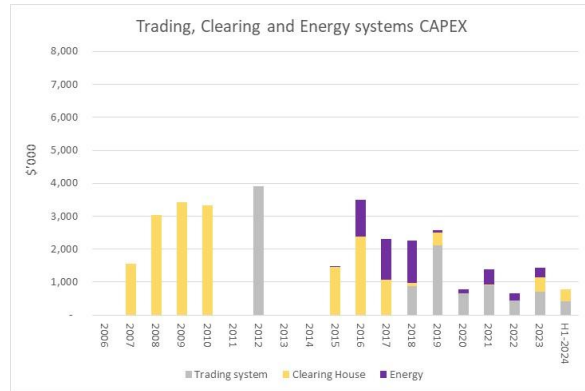
# Balance Sheet as at 30 June 2024

	June 2023 \$000	Dec 2023 \$000	June 2024 \$000
<b>Current assets</b>			
Cash and cash equivalents	32,508	44,670	32,469
Receivables and prepayments	32,691	15,874	32,798
Funds held on behalf of third parties	26,281	21,702	23,150
<b>Total current assets</b>	<b>91,480</b>	<b>82,246</b>	<b>88,417</b>
<b>Non-current assets</b>			
Right-of-use lease assets	18,266	17,380	16,494
Investment in associate	17,174	17,642	17,647
Other non-current assets	160,302	159,202	158,756
<b>Total non-current assets</b>	<b>195,742</b>	<b>194,224</b>	<b>192,897</b>
<b>Current liabilities</b>			
Trade payables	9,520	7,604	9,418
Other current liabilities	30,963	32,753	27,709
Lease liabilities	666	1,291	1,304
Funds held on behalf of third parties	26,281	21,702	23,150
Interest bearing liabilities	-	-	22,500
<b>Total current liabilities</b>	<b>67,430</b>	<b>63,350</b>	<b>84,081</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	61,164	61,256	38,847
Lease liabilities	20,345	19,770	19,124
Other non-current liabilities	19,588	14,723	14,460
<b>Total non-current liabilities</b>	<b>101,097</b>	<b>95,749</b>	<b>72,431</b>
<b>Net assets</b>	<b>118,695</b>	<b>117,371</b>	<b>124,802</b>

<b>Cash and cash equivalents</b>	<ul style="list-style-type: none"> <li>Clearing House risk capital (\$20 million) which is not available for general use;</li> <li>Clearing House complies with Financial Markets Infrastructure Act 2021 and International Organisation of Securities Commission's principles' expectations for the retention of sufficient working capital (including cash of approximately \$2.7 million); and</li> <li>Smartshares maintains sufficient net tangible assets in accordance with its license requirements (including cash of approximately \$1.4 million)</li> </ul>
<b>Funds held on behalf of third parties (assets and liabilities offset)</b>	<ul style="list-style-type: none"> <li>Relates to issuer bond deposits, participants' collateral deposits and deposited funds (including any held in the Mutualised Default Fund)</li> <li>Amounts are repayable to issuers and participants and not available for general use</li> </ul>
<b>Right-of-use lease assets and lease liabilities</b>	<ul style="list-style-type: none"> <li>Relates to leased premises and IT equipment</li> </ul>
<b>Investment in Associate</b>	<ul style="list-style-type: none"> <li>Investment in GlobalDairyTrade Limited (GDT)</li> </ul>
<b>Other non-current assets</b>	<ul style="list-style-type: none"> <li>Consists of property, plant &amp; equipment, intangible assets and goodwill</li> </ul>
<b>Interest bearing liabilities</b>	<ul style="list-style-type: none"> <li>Relate to: <ul style="list-style-type: none"> <li>Subordinated notes (\$38.8m); and</li> <li>Acquisition facility loan (\$22.5m) – the bank facilities expire in February 2025 and negotiations to extend the facilities have commenced in H2-24</li> </ul> </li> </ul>
<b>Other current liabilities</b>	<ul style="list-style-type: none"> <li>Includes income in advance largely related to annual listing (billed on 30 June each year) and data subscriptions, employee benefits payable, tax payables and the current portion of the earnout provision relating to the acquisition of QuayStreet</li> </ul>
<b>Other non-current liabilities</b>	<ul style="list-style-type: none"> <li>Includes: <ul style="list-style-type: none"> <li>the non-current portion of the earnout provision relating to the acquisition of QuayStreet; and</li> <li>Deferred tax liabilities, including those recognised on acquisition of QuayStreet</li> </ul> </li> </ul>

# CAPEX

CAPEX is at planned levels, with the Wellington Office refit complete in H1-24



## Trading, Clearing and Energy Systems CAPEX

- **Trading, clearing and energy systems CAPEX** driven by specific system life cycles which historically have resulted in large multi-year projects
- In H1-24 relate to system enhancements for NZX Dark, NZX20 Index Futures and automation of the depository systems

## PP&E and Other Software CAPEX

- **PP&E CAPEX** relates to the normal life cycle replacements for IT equipment and software, as well as completing the implementation of a strategic storage solution.
- In 2021 and 2022 CAPEX relate to the Capital Markets Centre in Auckland and the replacement of the Auckland ticker. H1-24 CAPEX relates to the refit out of the Wellington office to allow retrenchment to one floor

- **Other software CAPEX** relates to technology upgrades (i.e. re-platforming NZX.com) and enhancements of the NZX technology architecture which strengthens NZX's cyber security

## Financial Services Growth Businesses CAPEX

- **Wealth Technologies CAPEX** in the current period relates primarily to new client migration activity, with some ongoing product development. This includes additional temporarily headcount to accelerate the migration velocity of additional FUA from a current client
- We expect capitalisation levels to remain high whilst there is new client migration activity
- **Smartshares CAPEX** relates to system enhancements
- Over the remainder of 2024 and into 2025 we expect further system enhancements ( e.g. client portal), additional digital tools and registry replacements as the QuayStreet acquisition is integrated into the Smartshares business

# Cash Flows

Cashflows are seasonal with annual listing and participant fees collected in Q3 each year

	H1-2023 \$000	H2-2023 \$000	H1-2024 \$000
Operating activities			
- Operating activities cashflow	16,076	15,328	17,859
- Working capital movements	(9,146)	12,181	(12,628)
Investing activities			
- Payments for PPE & other intangible assets	(5,295)	(7,100)	(8,073)
- Payments for acquisitions	(22,438)	-	-
- Advances to related parties	-	(100)	-
Financing activities			
- Net receipts from term loan	22,500	-	-
- Dividends paid	(8,544)	(8,197)	(8,726)
- Other financing activities	(1,256)	50	(633)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(8,103)</b>	<b>12,162</b>	<b>(12,201)</b>

## Operating Activities

- Operating activities cashflow represents net profit after tax less non-cash items (e.g. depreciation and amortisation, share of profit/loss of associate, share based payments, and change in fair value of contingent consideration)
- The overall cashflows from operations decrease on H1-23 reflects a combination of higher operating activities cashflow and adverse working capital movements (e.g. timing of receivables receipts, trade payables and tax payments)
- NZX's cashflows from operations mainly occur in the second half of the year when annual listing and participant fees are collected
- The Wealth Technologies' cash burn continues to decrease as new clients are migrated onto the platform

## Investing Activities

Investing activities relate to:

- Payments for PPE & other intangible assets, including:
  - Wealth Technologies software development;
  - Technology upgrades and enhancements, including to the NZX technology architecture; and
  - Completion of the Wellington office refit out and the replacement of the Auckland ticker
- Payments for acquisitions – relates to the acquisition of QuayStreet Asset Management in H1-23

## Financing Activities

Financing activities includes:

- Term loan to fund the acquisition of QuayStreet Asset Management;
- Payments of lease liabilities;
- Transaction costs relating to the renewal of NZX's subordinated notes; and
- Dividends which are net of participation in the dividend reinvestment plan

# Interim Dividend and 2024 Earnings Guidance



# Interim Dividend

## Interim Dividend

- The Board has declared a fully imputed dividend of 3.0 cents per share
- Dividend to be paid on 3 October 2024 to shareholders registered as at the record date of 19 September 2024

## Dividend Policy

- The policy is to pay between 80% to 110% of adjusted Net Profit After Tax over time, subject to maintaining a prudent level of capital to meet regulatory requirements
- Adjustments include reversing the impact of intangible asset impairments (if any)
- NZX is focused on future earnings to support dividends

## Dividend reinvestment plan

- Available for the interim dividend
- Shares will be issued at 1.0% discount

# 2024 Earnings Guidance

## 2024 Earnings Guidance

NZX's full year 2024 Operating Earnings (EBITDA)<sup>1</sup>, excluding acquisition, integration and restructure costs, are expected to be in the range of **\$40.0 million to \$44.5 million**. The half-year financial result indicates NZX is tracking towards the upper end of the 2024 full year guidance range

The guidance is subject to market outcomes, particularly with respect to market capitalisation, total capital listed and raised, secondary market value and derivatives volumes traded, funds under management and administration growth, acquisition related integration costs and technology costs

Additionally, this guidance assumes there are no further material declines in the macro-economic environment and market conditions, and there are no significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments

The Earnings Guidance excludes the expected impact of the GDT investment as this is recognised as "share of profit/loss of associate" (i.e. after Operating Earnings)

Notes:

<sup>1</sup> Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.



# Questions?





# Appendices



# Appendix 1: Segmental Analysis - Income Statement by Business Unit

6 months ended June 2024 (H1-24) \$000	Capital Markets Origination	Secondary Markets	Information services	Markets <sup>1</sup> Sub-total	Funds Management <sup>2</sup>	Wealth Technologies <sup>3</sup>	Corporate Services <sup>4</sup>	NZX Commercial Operations Sub-total	Regulation (NZ RegCo) <sup>5</sup>	NZX Group Total
Operating revenue	7,883	12,196	10,216	30,295	21,287	4,216	63	55,861	2,021	57,882
Operating expenses (excl acq/integration/restructure costs)				(9,818)	(10,178)	(2,698)	(10,294)	(32,988)	(1,970)	(34,958)
<b>Operating earnings (excl acq/integration/restructure costs)<sup>6</sup></b>				<b>20,477</b>	<b>11,109</b>	<b>1,518</b>	<b>(10,231)</b>	<b>22,873</b>	<b>51</b>	<b>22,924</b>
Acq/integration/restructure costs				(49)	(431)	-	-	(480)	-	(480)
<b>Operating earnings<sup>6</sup></b>				<b>20,428</b>	<b>10,678</b>	<b>1,518</b>	<b>(10,231)</b>	<b>22,393</b>	<b>51</b>	<b>22,444</b>
Depreciation, amortisation & gain / loss on disposal				(974)	(2,363)	(3,165)	(2,365)	(8,867)	-	(8,867)
Earnings before Interest, tax, share of profit/loss of associate, and adj to earnout provision				<b>19,454</b>	<b>8,315</b>	<b>(1,647)</b>	<b>(12,596)</b>	<b>13,526</b>	<b>51</b>	<b>13,577</b>
6 months ended December 2023 (H2-23) \$000	Capital Markets Origination	Secondary Markets	Information services	Markets <sup>1</sup> Sub-total	Funds Management <sup>2</sup>	Wealth Technologies <sup>3</sup>	Corporate Services <sup>4</sup>	NZX Commercial Operations Sub-total	Regulation (NZ RegCo) <sup>5</sup>	NZX Group Total
Operating revenue	7,854	12,558	9,350	29,762	18,980	3,790	32	52,564	1,864	54,428
Operating expenses (excl acq/integration/restructure costs)				(9,749)	(9,876)	(2,244)	(11,023)	(32,892)	(1,992)	(34,884)
<b>Operating earnings (excl acq/integration/restructure costs)<sup>6</sup></b>				<b>20,013</b>	<b>9,104</b>	<b>1,546</b>	<b>(10,991)</b>	<b>19,672</b>	<b>(128)</b>	<b>19,544</b>
Acq/integration/restructure costs				(1)	(635)	-	-	(636)	(55)	(691)
<b>Operating earnings<sup>6</sup></b>				<b>20,012</b>	<b>8,469</b>	<b>1,546</b>	<b>(10,991)</b>	<b>19,036</b>	<b>(183)</b>	<b>18,853</b>
Depreciation, amortisation & gain / loss on disposal				(954)	(2,108)	(3,422)	(1,953)	(8,437)	-	(8,437)
Earnings before Interest, tax, share of profit/loss of associate, and adj to earnout provision				<b>19,058</b>	<b>6,361</b>	<b>(1,876)</b>	<b>(12,944)</b>	<b>10,599</b>	<b>(183)</b>	<b>10,416</b>
6 months ended June 2023 (H1-23) \$000	Capital Markets Origination	Secondary Markets	Information services	Markets <sup>1</sup> Sub-total	Funds Management <sup>2</sup>	Wealth Technologies <sup>3</sup>	Corporate Services <sup>4</sup>	NZX Commercial Operations Sub-total	Regulation (NZ RegCo) <sup>5</sup>	NZX Group Total
Operating revenue	8,191	12,569	10,373	31,133	17,977	3,026	51	52,187	1,772	53,959
Operating expenses (excl acq/integration/restructure costs)				(10,226)	(7,705)	(2,931)	(10,521)	(31,383)	(2,011)	(33,394)
<b>Operating earnings (excl acq/integration/restructure costs)<sup>6</sup></b>				<b>20,907</b>	<b>10,272</b>	<b>95</b>	<b>(10,470)</b>	<b>20,804</b>	<b>(239)</b>	<b>20,565</b>
Acq/integration/restructure costs				(41)	(451)	(32)	-	(524)	-	(524)
<b>Operating earnings<sup>6</sup></b>				<b>20,866</b>	<b>9,821</b>	<b>63</b>	<b>(10,470)</b>	<b>20,280</b>	<b>(239)</b>	<b>20,041</b>
Depreciation, amortisation & gain / loss on disposal				(1,358)	(1,952)	(3,213)	(1,812)	(8,335)	-	(8,335)
Earnings before Interest, tax, share of profit/loss of associate, and adj to earnout provision				<b>19,508</b>	<b>7,869</b>	<b>(3,150)</b>	<b>(12,282)</b>	<b>11,945</b>	<b>(239)</b>	<b>11,706</b>

Notes:

<sup>1</sup> Markets is the integrated business that supports the growth of NZ capital markets with the revenue generating BUs being:

- Capital Markets Origination – provider of issuer services for current and prospective customers;
- Secondary Markets – provider of trading and post-trade services for securities and derivatives markets operated by NZX, as well as the provider of a central securities depository and Market operator for Fonterra Co-Operative Group, the Electricity Authority and the Ministry for the Environment; and
- Information Services – provider of data services for the securities and derivatives markets, and analytics for the dairy sector.

Additionally, the Markets business cost base includes the IT costs specific to providing NZ capital markets services.

<sup>2</sup> Funds Management (Smartshares Limited) – comprises the SuperLife superannuation and KiwiSaver products, Smartshares Exchange Traded Funds, IFRS profit for the period.

SuperLife Superannuation Master Trust and QuayStreet Asset Management.

<sup>3</sup> Wealth Technologies (NZX Wealth Technologies Limited) – provides a platform that enables advisers and brokers to manage client investments

<sup>4</sup> Corporate Services provides accommodation, legal, accounting, IT, HR, communications and project management support to the other business units and subsidiaries. Related costs are currently not recharged to the commercial business units and subsidiaries (other than NZ RegCo)

<sup>5</sup> Regulation (NZX Regulation Limited) – is the independently-governed agency which performs all of NZX's frontline regulatory functions, this ensures structural separation of the Group's commercial and regulatory roles.

<sup>6</sup> Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities. Refer to financial statements note 2 for a reconciliation of EBITDA to NZ

# Appendix 1: Segment – Markets

Markets is the integrated business that supports the growth of NZ capital markets

	H1-2023 \$000	H2-2023 \$000	H1-2024 \$000	Change vs H1-23 Fav/(adv)	Change vs H2-23 Fav/(adv)
<b>Capital Markets Origination Revenue</b>					
Annual Listing Fee (net)	5,609	5,680	5,604	(0.1%)	(1.3%)
Primary listing fees	876	725	585	(33.2%)	(19.3%)
Secondary issuance fees	1,706	1,449	1,694	(0.7%)	16.9%
<b>Secondary Markets Revenue</b>					
Participant services revenue (net)	281	259	262	(6.8%)	1.2%
Securities trading revenue	2,006	1,690	1,826	(9.0%)	8.0%
Securities clearing revenue	3,237	3,087	3,267	0.9%	5.8%
Dairy derivatives revenue	1,569	1,982	1,399	(10.8%)	(29.4%)
Consulting and development revenue	637	569	368	(42.2%)	(35.3%)
Contractual revenue	4,839	4,971	5,074	4.9%	2.1%
<b>Information Services Revenue</b>					
Royalties from terminals	4,326	4,159	4,201	(2.9%)	1.0%
Subscriptions and licences	2,700	2,748	2,763	2.3%	0.5%
Dairy data subscriptions	281	317	313	11.4%	(1.3%)
Indices	753	527	583	(22.6%)	10.6%
Audit and back dated revenue	873	183	960	10.0%	424.6%
Connectivity	1,440	1,416	1,396	(3.1%)	(1.4%)
<b>Total operating revenue</b>	<b>31,133</b>	<b>29,762</b>	<b>30,295</b>	<b>(2.7%)</b>	<b>1.8%</b>

	H1-2023 \$000	H2-2023 \$000	H1-2024 \$000	Change vs H1-23 Fav/(adv)	Change vs H2-23 Fav/(adv)
<b>Operating Expenses</b>					
Gross personnel costs	6,320	5,875	6,204	1.8%	(5.6%)
Less capitalised labour	(88)	(202)	(368)	318.2%	82.2%
Personnel costs	6,232	5,673	5,836	6.4%	(2.9%)
Information technology costs	2,806	2,779	3,172	(13.0%)	(14.1%)
Professional fees	735	614	496	32.5%	19.2%
Marketing	62	434	93	(50.0%)	78.6%
Other expenses	425	328	314	26.1%	4.3%
Capitalised overhead	(34)	(79)	(93)	173.5%	17.7%
<b>Total operating expense excl. restructure costs</b>	<b>10,226</b>	<b>9,749</b>	<b>9,818</b>	<b>4.0%</b>	<b>(0.7%)</b>
<b>Operating earnings excl. restructure costs</b>	<b>20,907</b>	<b>20,013</b>	<b>20,477</b>	<b>(2.1%)</b>	<b>2.3%</b>
Restructure costs	41	1	49	(19.5%)	n/a
<b>Operating earnings</b>	<b>20,866</b>	<b>20,012</b>	<b>20,428</b>	<b>(2.1%)</b>	<b>2.1%</b>
Depreciation & amortisation	1,358	954	974	28.3%	(2.1%)
<b>Earnings Before Interest and Tax</b>	<b>19,508</b>	<b>19,058</b>	<b>19,454</b>	<b>(0.3%)</b>	<b>2.1%</b>
<b>Operating margin excl. restructure costs</b>	<b>67.2%</b>	<b>67.2%</b>	<b>67.6%</b>		
FTEs at period end	84.6	82.0	82.2		

Notes:

- Markets is the integrated business that supports the growth of NZ capital markets with the revenue generating BUs being:
  - Capital Markets Origination – provider of issuer services for current and prospective customers;
  - Secondary Markets – provider of trading and post-trade services for securities and derivatives markets operated by NZX, provider of a central securities depository and Market operator for Fonterra Co-Operative Group, the Electricity Authority and the Ministry for the Environment; and
  - Information Services – provider of information services for the securities and derivatives markets, and analytics for the dairy sector.
- Additionally, the Markets business cost base includes the IT costs specific to providing NZ capital markets services.
- Corporate Services provides accommodation, legal, finance, IT, HR, communication and project management support to Markets. The related costs are currently not recharged to Markets and consequently not included in the above segmental analysis.
- Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities

# Appendix 1: Segment – Markets

## Operating Revenue

### Markets Operating Revenue

Markets operating revenue was \$30.3 million (decrease of 2.7% on H1-23) driven by:

- *Capital Markets Origination revenue* – decreased (3.8)% from H1-23, reflecting lower levels of primary listings and secondary equity issuances, partially offset by higher annual listing fees;
- *Secondary Markets revenue* – decreased (3.0)% from H1-23, impacted by lower levels of trading / clearing value, dairy derivatives margin fees and consulting and development activity, partially offset by higher depository revenue; and
- *Information Services revenue* – decreased (1.5)% from H1-23, driven by lower levels of average terminal numbers and lower indices revenue, partially offset by back dated indicies revenue and some price increases

### Capital Markets Origination Revenue

The *Annual listing fee* year runs from 1 July to 30 June, with the H1-24 fees based on the market capitalisation at 31 May 2023. Annual listing fees are net of an internal allocation to NZ RegCo. Annual listing fees increase is driven by price increases (approx. 4.0% effective from March 2023) and have been positively impacted by the growth in value of the NZX Debt Market, partially offset by a slight contraction in equity market capitalisation

*Primary listing fees* are down (33.2)% on H1-23 driven by lower levels of retail debt listings

*Secondary issuance* fees are down (0.7)% on H1-23 driven by lower levels of equity recapitalisations partially offset by increased levels of retail debt issuances

### Secondary Markets Revenue

*Participant services revenue* relates to the number of market participants, which is unchanged from December 2023 at 27. During H1-24 Jarden Wealth Limited were accredited as an Advising Participant and Hobson Wealth Partners Limited resigned as a Trading and Clearing Participant

*Securities trading and clearing revenues* decreased due to lower market activity levels:

- value traded being down 8.0%; and
- slightly higher levels of uncharged value traded (i.e. exceeded fee cap), at 7.9% (H1-23: 7.7%); partially offset by
- higher levels of depository revenue from OTC settlement lines and uplifts

### Secondary Markets Revenue (continued)

*Dairy derivatives revenue* has been adversely impacted by margin fees normalising in line with global future interest rate curves, which has outweighed the higher level of lots traded (+23.6%)

*Contractual revenue* is in line with long term contracts to run auctions or markets for the Electricity Authority, Fonterra and the Ministry for the Environment

*Consulting and development revenue* earned through continuing enhancements to the electricity market systems has been at lower levels than H1-23 (when the market real time pricing project completed)

### Information Services Revenue

*Royalties from terminals revenue* reduction of (2.9)% relates to lower professional and retail terminal numbers, which was partially offset by price increases (effective January 2024)

*Subscriptions and licences revenue* growth of 2.3% reflects increased high value license numbers and license price increases (effective January 2024), partially offset by decreased direct data subscriptions

*Dairy subscription revenue* increased 11.4% reflecting price increases and an increase in higher value product subscriptions

*Indices revenue* is lower and excludes back dated revenue included below

*Audit and back dated revenue* is dependent on the timing of audit completions, with H1-24 including significant back dated indices revenue

*Connectivity revenue* has decreased (3.1)%, reflecting the connectivity requirements (i.e. standards of performance and resilience) from both market participants and data vendors

# Appendix 1: Segment – Markets

## Operating Expenses

### Markets Operating Expenses

**Markets operating expenses** were \$9.8 million for H1-24 (decrease of 4.0% on H1-23) mainly reflecting:

- *Personnel costs* – reduced 6.4% on H1-23, driven by lower average number of FTEs due to restructures offset by the transfer of two roles (net) from the Corporate Services, as well as a lower level of energy contractors fees (in line with reduced revenue);
- *Information Technology costs* – increased 13.0% due to trading and clearing systems inflation related price increases and NZX.com upgraded infrastructure running costs; and
- *Professional Fees* – decreased 32.5% reflecting lower audit royalty fees (in line with reduced revenue) partially offset by SGX-NZX dairy derivatives strategic partnership costs increasing in line with lots volumes

### Personnel Costs

Personnel costs are driven by the average number of FTEs, wage inflation and capitalisation levels:

- headcount – the average number of FTEs is lower due to:
  - restructuring of the Capital Markets leadership, Origination and the Dairy Derivatives teams resulting in a reduction in FTEs, offset by the transfer of two roles (net) from the Corporate Services;
  - reduced energy contractors in line with reduced levels of consulting and development revenue; and
  - movements in vacancy levels
- capitalised labour relates to NZX Dark, NZX20 equity derivatives, automation of the depository systems and re-platforming NZX.com

### Information Technology Costs

Information technology costs increased by 13.0% and include:

- trading and clearing systems – licensing and hardware / software maintenance costs, which are impacted by the USD exchange rate and contractual inflation increases;
- NZX.com related costs – including the upgraded (June 2024) infrastructure running costs;
- energy electricity market systems – hardware / software maintenance costs and data feed costs;
- energy carbon market systems – third party specialist support provides ongoing support of the carbon managed auction service;
- dairy derivatives – NZX’s share of IT costs under the SGX-NZX dairy derivatives strategic partnership; and
- Information services IT – software licences costs and data feeds associated with the delivery of customer management data platforms

### Professional Fees

Professional fees cost decreased by (32.5)% and include:

- EEX ongoing royalty fees relating to the carbon managed auction service;
- SGX ongoing costs relating to the SGX-NZX dairy derivatives strategic partnership
- audit fees \$Nil (H1-23: \$233k) – which vary in proportion to audit revenue, with revenues recognised on a gross basis; and
- annual assurance program – including tax advice, energy audit obligations under Electricity Authority contract (e.g. Energy Clearing Manager, WITS Manager and Reconciliation Manager reviews in the current period)

### Marketing Costs

The key marketing focuses are:

- Capital Markets Origination team marketing includes membership of various industry groups to identify listing pipeline opportunities. There remains a relatively low level of direct marketing campaigns in H1-24 reflecting the macroeconomic environment for primary listings and secondary issuances
- Dairy Derivatives team marketing (which is H2-24 focused when NZX hosts a dairy industry conference in Singapore, with the conference attendance fees / sponsorships being reflected in revenue)
- SGX-NZX dairy derivatives market maker arrangements

### Other Expenses

Other expenses include audit fees (e.g. Clearing House risk capital review), travel, statutory compliance costs and non-recoverable GST costs

### Depreciation & Amortisation

Depreciation & amortisation relates primarily to the trading, clearing and energy systems. The reduction reflects the clearing systems becoming fully depreciated from July 2023



# Appendix 1: Segment – Smartshares

This business is a funds management business which comprises the SuperLife superannuation, QuayStreet funds, KiwiSaver products, Smartshares Exchange Traded Funds and QuayStreet

	H1-2023 \$000	H2-2023 \$000	H1-2024 \$000	Change vs H1-23 Fav/(adv)	Change vs H2-23 Fav/(adv)
FUM-based revenue	15,878	17,191	19,533	23.0%	13.6%
Member-based revenue	1,471	1,233	1,231	(16.3%)	(0.2%)
Other revenue	628	556	523	(16.7%)	(5.9%)
<b>Total operating revenue</b>	<b>17,977</b>	<b>18,980</b>	<b>21,287</b>	<b>18.4%</b>	<b>12.2%</b>
Gross personnel costs	5,441	6,447	7,520	(38.2%)	(16.6%)
Less capitalised labour	(93)	(47)	(104)	11.8%	121.3%
Personnel costs	5,348	6,400	7,416	(38.7%)	(15.9%)
Information technology costs	1,010	1,312	1,082	(7.1%)	17.5%
Professional fees	270	476	682	(152.6%)	(43.3%)
Marketing	244	770	319	(30.7%)	58.6%
Other expenses	869	936	705	18.9%	24.7%
Capitalised overhead	(36)	(18)	(26)	(27.8%)	44.4%
<b>Total operating expense (excl. acq/int costs)</b>	<b>7,705</b>	<b>9,876</b>	<b>10,178</b>	<b>(32.1%)</b>	<b>(3.1%)</b>
<b>Operating earnings (excl. acq/int costs)</b>	<b>10,272</b>	<b>9,104</b>	<b>11,109</b>	<b>8.1%</b>	<b>22.0%</b>
Acquisition costs	-	99	-	n/a	n/a
Integration costs	451	510	431	4.4%	15.5%
Restructure costs	-	26	-	n/a	n/a
<b>Operating earnings</b>	<b>9,821</b>	<b>8,469</b>	<b>10,678</b>	<b>8.7%</b>	<b>26.1%</b>
Depreciation & amortisation and disposal losses	1,952	2,108	2,363	(21.1%)	(12.1%)
<b>Earnings Before Interest, Adjustment to Earnout Provision and Tax</b>	<b>7,869</b>	<b>6,361</b>	<b>8,315</b>	<b>5.7%</b>	<b>30.7%</b>
<b>Operating margin excl. acq/integration costs</b>	<b>57.1%</b>	<b>48.0%</b>	<b>52.2%</b>		
FTEs at period end	97.2	95.7	97.3		

Corporate Services provides accommodation, legal, finance, IT, HR, communication and project management support to Smartshares. The related costs are currently not recharged to Smartshares and consequently not included in the above segmental analysis.

Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

## Operating Earnings (excluding acquisition, integration and restructuring costs)

There are 3 key factors that are making the year-on-year comparison of the Smartshares operating earnings complicated. The headline operating earnings have increased by \$0.8 million, however this is not a like for like comparison as H1-2023 includes 2 key factors:

- significant one-off revenue relating to prior financial years (H1-23: \$1.5 million; H1-24: \$0.3 million); and
- QuayStreet revenue and expenses for only a part period as the acquisition occurred on 23 February 2023:
  - revenue – QuayStreet's revenue is currently included net of the transition services fund costs (until the operating model is migrated); and
  - costs – including QuayStreet employee (2023: 5 FTEs acquired in February 2023 and 5 FTEs employed during 2023), information technology (Bloomberg), professional fees (legal and tax advice), marketing and other costs

It is estimated H1-23 operating earnings would be approximately \$0.4m higher if QuayStreet's revenues and cost base had been consolidated for the full period

The QuayStreet operating model migration will have a similar (to SuperLife SMT) grossing up impact on operating revenue and expenses, and potentially unlock further synergies

Adjusting for these factors to get a like for like comparison shows that operating earnings (excluding acquisition, integration and restructuring costs) are approx. \$1.8m / 19.8% higher

The third key factor is the inclusion in H1-2024 of the synergy unlocked by the SuperLife SMT migration of transition services (i.e. investment management, investment administration and registry services) from late August 2023. As indicated in the FY2023 Investor Presentation the migration resulted in a grossing up of:

- revenue – transition services fund costs no longer incurred against FUM based revenue; and
- costs – Smartshares having employed additional FTEs to perform these services within existing teams (i.e. SuperLife SMT is now on Smartshares' fund operating model)

The net impact being is estimated to be an increase to operating earnings of approx. \$550k.

The remaining increase in operating earnings (excluding acquisition, integration and restructuring costs) beyond these 3 factors reflects:

- FUM-based revenue continued to grow in line with the increased average FUM which is a combination of positive market returns and positive net cash flows; off set by
- Increased costs for i) personnel costs (relating to wage inflation and an additional AML compliance resource), ii) Professional fees (including a review of Smartshares AML / CFT processes); iii) Marketing costs, and iv) Other costs that increase as the business grows, such as non-recoverable GST, travel and statutory and compliance costs



# Appendix 1: Segment – Smartshares

This business is a funds management business which comprises the SuperLife superannuation, QuayStreet funds, KiwiSaver products and Smartshares Exchange Traded Funds

## Operating Revenue

FUM-based revenue – has increased 30.3% after adjusting for one-off FUM-based revenue. The average FUM has increased (H1-24: \$11.44b, H2-23: \$10.65b, H1-23: \$9.88b) which is a combination of a full period impact from the QuayStreet acquired FUM, positive market returns and positive net cash flows. Additionally, the integration of SuperLife SMT (August 2023) resulting in increased net revenue as transition services fund costs are no longer incurred (replaced by FTE and other costs with a net synergy realised)

Member-based revenue has decreased 1.6% after adjusting for one-off member-based revenue, reflecting a combination of increased investor numbers (from the QuayStreet acquisition) and a reduction in insurance admin fees (the administration of which is now performed by the insurance company)

Other revenue has increased 33.8% after adjusting for one-off other revenue, reflecting higher interest income partially offset by lower levels of stock lending

In H1-24 included one-off revenues of \$0.3 million (H1-23: \$1.5 million) relating to prior financial years

## Operating Expenses

Personnel costs are driven by wage inflation (particularly for investment specialists), the average number of FTEs and capitalisation levels:

- headcount – the average headcount increased due to:
  - Additional staff to perform SuperLife SMT investment management, investment administration and registry upon migration into Smartshares existing teams late in H1-23;
  - QuayStreet Asset Management staff full period impact (acquired in February 2023 or employed during 2023). Note further hires expected when transition services transfer to the Smartshares operating model, with an offsetting reduction in fund costs (netted against revenue);
  - an additional AML compliance resource; and
- capitalised labour and overhead which reflects capitalisable activity on internal systems

Information Technology costs include software license costs for the Bloomberg front and middle office operating system (impacted by the USD exchange rate). Information Technology costs increased for the full period impact of QuayStreet incremental IT offset by the integration synergies realised from October 2023

Professional fees includes internal audit fees, legal and tax advice costs, and research costs. H1-24 increases relate to a full period of QuayStreet costs as well as a review of Smartshares AML / CFT processes

Marketing spend relates to advertising, printing and distribution costs, and are usually timed to coincide with marketing campaigns and new fund launches.

Other expenses include non-recoverable GST (which increases as the business grows), external auditor fees, travel costs and statutory and compliance costs (FMA levies increase as FUM levels increase)

## Acquisition, integration and restructuring costs

In the current year relate to QuayStreet Asset Management integration activities and planning to mature the Smartshares operations. The prior year relates to the integration of the SuperLife SMT acquisition

## Non-operating Expenses

Depreciation & amortisation – increases relate to amortisation of:

- QuayStreet management rights – amortisation commenced 23 February 2023 and the incremental impact is \$0.2m; and
- amortisation of system enhancements required during the SuperLife SMT integration (commenced December 2023)

# Appendix 1: Segment – Wealth Technologies

This business administers and manages a platform that enables advisers and brokers to manage client investments

	H1-2023 \$000	H2-2023 \$000	H1-2024 \$000	Change vs H1-23 Fav/(adv)	Change vs H2-23 Fav/(adv)
Administration (FUA based) fees	2,822	3,736	4,057	43.8%	8.6%
Development fees / deferred income release	204	54	159	(22.1%)	194.4%
<b>Total operating revenue</b>	<b>3,026</b>	<b>3,790</b>	<b>4,216</b>	<b>39.3%</b>	<b>11.2%</b>
Gross personnel costs	5,303	5,227	5,847	(10.3%)	(11.9%)
Less capitalised labour	(2,638)	(3,115)	(3,406)	29.1%	9.3%
Personnel costs	2,665	2,112	2,441	8.4%	(15.6%)
Information technology costs	563	487	541	3.9%	(11.1%)
Professional fees	61	39	110	(80.3%)	(182.1%)
Marketing	13	6	17	(30.8%)	(183.3%)
Other expenses	253	273	267	(5.5%)	2.2%
Capitalised overhead	(624)	(673)	(678)	8.7%	0.7%
Total operating expenses	2,931	2,244	2,698	7.9%	(20.2%)
<b>Operating earnings excl. restructure costs</b>	<b>95</b>	<b>1,546</b>	<b>1,518</b>	<b>1497.9%</b>	<b>(1.8%)</b>
Restructure costs	32	-	-	n/a	n/a
<b>Operating earnings</b>	<b>63</b>	<b>1,546</b>	<b>1,518</b>	<b>2309.5%</b>	<b>(1.8%)</b>
Depreciation & amortisation	3,213	3,422	3,165	1.5%	7.5%
<b>Earnings before Interest and Tax excl. restructure costs</b>	<b>(3,150)</b>	<b>(1,876)</b>	<b>(1,647)</b>	<b>47.7%</b>	<b>12.2%</b>
<b>Operating margin excl restructure costs</b>	<b>3.1%</b>	<b>40.8%</b>	<b>36.0%</b>		
FTEs at period end	65.8	72.3	78.0		

Corporate Services provides legal, finance, IT, HR, communication and project management support to Wealth Technologies. The related costs are currently not recharged to Wealth Technologies and consequently not included in the above segmental analysis.

Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

## Operating Revenue

Administration (FUA based) fees – average FUA has increased (H1-24: \$12.89b, H2-23: \$11.10b H1-23: \$10.44b), which is a combination of a full period impact from the new clients FUA migrated during 2023 onto the platform, positive market returns and positive net cash flows (including from new clients)

Development fees/deferred income release relates to customisation of the wealth management platform or data migration effort specific to client requirements

## Operating Expenses

Personnel costs (net of capitalisation) are driven by wage inflation, the average number of FTEs and capitalisation levels:

- headcount is dependent at any point in time on a) the levels of platform investment (including migration activity) required for current and future clients, and b) the operational services provided to current clients;
- average headcount, as previously indicated, is temporarily higher to accelerate the migration velocity of additional FUA from a current client; and
- capitalised labour and overhead reflects continued product development and client migration activity. H1-24 includes the additional temporary headcount, and H1-23 was at lower levels reflecting the non-capitalisable effort required to migrate clients between the legacy platform (closed in H1-23) and on to the new platform

Information Technology cost movements relate to data hosting / data feeds costs which reduced with the decommissioning of the legacy platform and have subsequently grown as new clients are migrated onto the platform, as well as penetration testing in H1-24

Professional fees include legal fees (usually for new client contracts), taxation advice (including a scheme tax review and R&D credit claims) and internal control reviews (e.g. ISAE 3402 internal controls report).

Other expenses include office costs (e.g. electricity, rates, stationery etc), travel, compliance costs, non recoverable GST and platform transaction fees (some of which increase as the business grows)

## Non-operating Expenses

Depreciation & amortisation – relate to:

- intangible assets (relating to platform development and client migration activity) are amortised over 5-years commencing from the migration completed date (which is aligned to administration fee revenue commencing). Intangible asset amortisation will continue to increase with the continued product development and client migration activity levels; and
- right of use assets (i.e. mainly property leases) are depreciated over the period of the lease

## Net Profit After Tax

NZX Wealth Technologies net profit after tax for H1-24 is \$(1.0) million, which improved 56.3% from \$(2.3) million in H1-23 and 20.7% from \$(1.3) million in H2-23.

# Appendix 1: Segment – Corporate Services

This function provides accommodation, legal, finance, IT, HR, communications and project management support to the business

	H1-2023 \$000	H2-2023 \$000	H1-2024 \$000	Change vs H1-23 Fav/(adv)	Change vs H2-23 Fav/(adv)
Sublease revenue	35	16	54	54.3%	237.5%
Other revenue	16	16	9	(43.8%)	(43.8%)
<b>Total operating revenue</b>	<b>51</b>	<b>32</b>	<b>63</b>	<b>23.5%</b>	<b>96.9%</b>
Gross personnel costs	6,142	6,240	6,215	(1.2%)	0.4%
Less capitalised labour	(71)	(118)	(105)	47.9%	(11.0%)
Personnel costs	6,071	6,121	6,110	(0.6%)	0.2%
Information technology costs	2,429	2,149	2,373	2.3%	(10.4%)
Professional fees	540	758	360	33.3%	52.5%
Marketing	68	76	47	30.9%	38.2%
Other expenses	1,833	2,356	1,819	0.8%	22.8%
Capitalised overhead	(28)	(46)	(25)	(10.7%)	(45.7%)
Internal allocation to Regulation	(392)	(392)	(390)	0.5%	0.5%
<b>Total operating expense</b>	<b>10,521</b>	<b>11,023</b>	<b>10,294</b>	<b>2.2%</b>	<b>6.6%</b>
<b>Operating earnings</b>	<b>(10,470)</b>	<b>(10,991)</b>	<b>(10,231)</b>	<b>2.3%</b>	<b>6.9%</b>
Depreciation & amortisation	1,812	1,979	2,365	(30.5%)	(19.5%)
Loss/(gain) on disposal of assets	-	(26)	-	-	(100%)
<b>Earnings Before Interest and Tax</b>	<b>(12,282)</b>	<b>(12,944)</b>	<b>(12,596)</b>	<b>(2.6%)</b>	<b>2.7%</b>
FTEs at period end	68.2	74.6	71.1		

Corporate Services provides accommodation, legal, finance, IT, HR, communication and project management support to all business units and subsidiaries (including the Smartshares and Wealth Technologies businesses). Related costs are currently not recharged to the commercial business units and subsidiaries, with the exception of NZ RegCo

Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

## Operating Revenue

Revenue relates to commission fees on sublease of space in Auckland office, as well as ticker advertising revenue and NZX related accredited courses

## Operating Expenses

Personnel costs are driven by the average number of FTEs, wage inflation and capitalisation levels:

- headcount reflects movements in vacancies levels, the transfer of two roles (net) to the Markets business, and one new policy role
- capitalised labour and overhead reflects the project management team's activity on NZX capitalisable projects

IT cost inflation has been offset by some cost savings

Professional fees include legal fees, internal audit fees, annual conflicts review, corporate governance review. H1-23 included high levels of legal fees and internal audit activity, as well as costs savings of external members of Committees (e.g. CGI Chair)

Marketing costs relate to the investor relations programme (including annual / interim reporting, investor day etc)

Other expenses include office costs (e.g. electricity, rates, stationery etc for Wellington, Albany and the Capital Markets Centre in Auckland, including tickers / building signage), insurance premiums (which continued to increase), directors' fees (increased during the period), travel, external audit costs, outsourced payroll system, corporate memberships, carbon credits, non-recoverable GST (which increases as the business grows) and statutory and compliance costs.

## Non-operating Expenses

Depreciation & amortisation – increases relate to:

- amortisation of IT improvements completed in mid 2023 to improve IT resilience (including strategic storage hardware solutions); and
- depreciation on the Auckland office level 14 fit out (including the associated right of use assets) and the new ticker / building signage commenced in September 2023

# Appendix 1: Segment – Regulation (NZ RegCo)

Tasked with performing all of NZX's frontline regulatory functions, resulting in the structural separation of the Group's commercial and regulatory roles

	H1-2023 \$000	H2-2023 \$000	H1-2024 \$000	Change vs H1-23 Fav/(adv)	Change vs H2-23 Fav/(adv)
Issuer Regulation services	216	294	297	37.5%	1.0%
Participant Compliance services	75	46	63	(16.0%)	37.0%
Market Conduct	(17)	33	10	158.8%	(69.7%)
Surveillance	359	353	363	1.1%	2.8%
Listing fees & participants services	1,139	1,138	1,288	13.1%	13.2%
<b>Total operating revenue</b>	<b>1,772</b>	<b>1,864</b>	<b>2,021</b>	<b>14.1%</b>	<b>8.4%</b>
Gross personnel costs	1,323	1,323	1,280	3.3%	3.3%
Less capitalised labour	(1)	(1)	(2)	100%	100%
Personnel costs	1,322	1,322	1,278	3.3%	3.3%
Information technology costs	101	132	141	(39.6%)	(6.8%)
Professional fees	115	129	122	(6.1%)	5.4%
Other expenses	81	18	40	50.6%	(122.2%)
Capitalised overhead	-	(1)	(1)	-	-
Internal Allocation to NZ RegCo	392	392	390	0.5%	0.5%
<b>Total operating expense</b>	<b>2,011</b>	<b>1,992</b>	<b>1,970</b>	<b>2.0%</b>	<b>1.1%</b>
<b>Operating earnings excl. restructure costs</b>	<b>(239)</b>	<b>(128)</b>	<b>51</b>	<b>121.3%</b>	<b>139.8%</b>
Restructure costs	-	55	-	-	100.0%
<b>Operating earnings</b>	<b>(239)</b>	<b>(183)</b>	<b>51</b>	<b>121.3%</b>	<b>127.9%</b>
Depreciation & amortisation	-	-	-	-	-
<b>Earnings Before Interest and Tax</b>	<b>(239)</b>	<b>(183)</b>	<b>51</b>	<b>121.3%</b>	<b>127.9%</b>
<b>Operating margin</b>	<b>(13.5%)</b>	<b>(6.9%)</b>	<b>2.5%</b>		
FTEs at period end	16.1	15.0	17.1		

Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

## Regulation (NZ RegCo)

Regulation is structurally separate, in accordance with global best practice, from NZX's commercial and operational activities. Governed by a separate board with an independent Chair and the majority of directors are independent of the NZX Group

NZ RegCo is targeted to operate on a cost-neutral basis after internal allocations. The internal allocations are set at the commencement of the year based on the services expected to be provided by/to NZ RegCo, and are intended to subsidise NZ RegCo to achieve a break-even operating result over the medium term

## Operating Revenue

Regulatory fees relate to Issuer Regulation, Participant Compliance, Market Conduct and Surveillance activities. Fees relate to defined services (based on a fee schedule) and revenue for costs awards recovered from enforcement matters referred to the NZ Markets Disciplinary Tribunal

Regulatory fee generating activity levels have been higher than 2023 due to increased market activity levels

Additionally, there is an internal allocation of Annual Listing Fees, Annual Participants Fees and internal fees for the recovery of NZ RegCo staff time

## Operating Expenses

Personnel costs are driven by average number of FTEs and wage inflation:

- headcount – FTEs have increased slightly as there are currently no vacancies. Additionally, the costs are impacted by an H2-23 restructuring of surveillance resources; and
- wage inflation – for specialist qualified personnel

Information technology costs include SMARTS surveillance software costs, which are impacted from contract renewal price increases in H2-23 and the movement in the AUD exchange rate

Professional fees primarily relate to NZ RegCo independent directors' fees

Other expenses relate to travel costs to undertake on site participant inspections

Internal costs allocations relate to Corporate Services costs i.e. accommodation, legal, finance, IT, HR, communications and project management support

## Non-operating Expenses

Depreciation & amortisation – the participant portal was fully depreciated in 2021

# Appendix 2: Operating Revenue Definitions

## Capital Markets Origination

**Annual listing fees** paid by NZX's equity, fund and debt issuers is driven by the number of listed issuers, and equity, debt and fund market capitalisations as at 31 May each year.

**Primary listing fees** are paid by all issuers at the time of listing. The primary driver of this revenue is the number of new listings and the value of capital listed.

**Secondary issuance fees** are paid by existing issuers when a company raises additional capital through placements, rights issues, the exercise of options, dividend reinvestment plans, or subsequent debt issues. The primary driver for this revenue is the number of secondary issuances and the value of secondary capital raised.

## Information Services

**Royalties from terminals revenue** relate to the provision of markets data for display on terminals (retail and professional).

**Subscription and licences revenue** relate to the provision of markets data to market participants and stakeholders.

**Dairy data subscriptions revenue** relate to the sale of dairy data and analytical products.

**Indices revenue** relates to the revenue generated on index licensing in partnership with S&P.

**Connectivity revenue** relates to the provision of connectivity and access to the NZX operated markets for market participants and data vendors, which is recognised over the period the service is provided.

## Secondary Markets

**Participant services revenue** is charged to market participants (broking, clearing and advisory firms) that are accredited for NZX's equity, debt and derivatives market.

**Securities trading revenue** comes from the execution of trades on the equity and debt markets operated by NZX. Trading fees are a variable fee based on the value of the trade.

**Securities clearing revenue** relates to clearing and settlement activities, and related depository services undertaken by NZX's subsidiary New Zealand Clearing and Depository Corporation. The largest component is clearing fees, which are based on the value of settled transactions.

**Dairy derivatives revenue** relates to trading, clearing, settlement and margin fees for trading NZX dairy futures and options via the SGX-NZX Dairy partnership. Fees are charged in USD (reflecting the global nature of the market) per lot traded.

**Contractual revenue** arises from the operation of:

- New Zealand's electricity market, under long term contract from the Electricity Authority;
- the Fonterra Shareholders' Market, under a contract from Fonterra; and
- New Zealand's Emissions Trading Scheme managed auction services, under a contract from the Ministry for the Environment.

**Consulting and Development revenue** arises on a time and materials basis for the electricity market

## Funds Management (Smartshares)

**Funds Under Management based revenue** relates to variable Funds Under Management (FUM) fees, which are received net of fund expenses for all funds. Fund expenses include a combination of fixed costs (principally outsourced fund accounting and administration costs, registry fees and audit fees), and variable costs proportionate to FUM (principally custodian fees, trustee fees, index fees, settlement costs and third party manager fees).

**Member based revenue** includes fixed membership administration fees and other member services.

## Wealth Technologies

**Administration (funds under administration based) fees** relates to administration fees for the wealth management platforms and are proportionate to Funds Under Administration (FUA).

**Development fees/deferred income release** relates to customisation of the wealth management platform or data migration effort specific to client requirements.

## Regulation (NZ RegCo)

**Issuer Regulation services revenue** arises from time spent by NZ RegCo reviewing listing and secondary capital raising documents, requests for listing rule waivers and rulings, and other activity subject to per hour recoveries.

**Participant Compliance services revenue** arises from time spent by NZ RegCo reviewing participant applications and oversight activity subject to direct recoveries.

**Market Conduct revenue** arises from cost awards for enforcement matters referred to the NZ Markets Disciplinary Tribunal.

**Surveillance revenue** arises from market surveillance activities that are recoverable from market participants.

# Contact



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Thank you