



# NZX FULL YEAR 2022 RESULTS INVESTOR PRESENTATION

23 February 2023

# 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 2022 Annual 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 integration costs and technology costs.

Additionally they assume no material adverse events, 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



NZX	10	1164.40	16.98 / 1.438%	NZX	20	3944.31	46 / 1.153%	NZX	50	5075.84	48.06 / 0.938%	TEL	
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# FY22 results highlights

NZX has maintained operating earnings through the market cycle, with overall revenue growth reflecting the strength of our strategy. Smartshares and Wealth Technologies continue to provide a platform for future growth

## Highlights

**Operating Earnings<sup>1</sup>  
excl. acquisition costs**

**\$36.6 million**

2.3% increase

Operating Earnings after  
Acquisition and integration costs  
\$35.1 million / 1.9% increase

**Net Profit After  
Tax**

**\$14.2 million**

5.7% decrease

**Final Dividend  
(fully imputed)**

**3.1 cps**

Total FY22 dividends 6.1 cps

**Operating revenue** of \$95.7 million (up 8.8%) reflects NZX's diverse revenue sources (despite being impacted by 2022 market activity levels)

**Operating expenses**, excluding acquisition and integration costs, increased to \$59.1 million (+13.3% on 2021) reflecting inflation pressures as well as a full year's impact of our prior year investments for growth and to improve IT resilience

**Non-operating expenses reflect**

- Net finance costs have been positively impacted by increasing interest rates; and
- Depreciation and amortisation increases related to our prior year investments for growth

**Net Profit After Tax (NPAT)** of \$14.2 million; decrease of 5.7% on 2021














Notes:

1 Operating earnings (EBITDA) are before net finance expense, income tax, depreciation, amortisation, gain or loss on disposal of assets, and share of profit 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 year.

2 The 2022 Targets are detailed in the Investor Presentation in February 2022. Data is "for the year ended 31 December 2022," or "as at 31 December 2022" (as applicable). Percentage changes represent the movement for the year 2021 to 2022, except Funds Under Management and Funds Under Administration which are the movement in balances as at 31 December 2021 to 31 December 2022.

3 Progress towards 5-year targets is discussed further in the Business Unit Highlights section.

## Performance relative to 2022 Targets<sup>2</sup>

	FY22 Targets	FY22 Actual	5 Yr Targets Progress <sup>3</sup>
<b>Operating earnings<sup>1</sup></b>	\$33.5m-\$38.0m	<b>\$36.6m</b> <i>(excluding acquisition / integration costs)</i> <i>(\$35.1m after acquisition / integration costs)</i>	
<b>Capital listed and raised</b>	\$14.8bn	<b>\$20.9bn</b>	 \$19.2bn average p.a. 
<b>Total value traded</b>	\$52.5bn	<b>\$37.4bn</b>	 \$45.3bn average p.a. 
<b>Data &amp; insights revenue</b>	6.5% avg. growth	<b>11.6% growth</b> <b>(excl. connectivity)</b>	 9.1% CAGR growth <b>(excl. connectivity)</b> 
<b>Funds under Mgmt.</b>	14% avg. growth (excl. acquired FUM)	<b>1.5% growth</b> <b>(excl. acquired FUM)</b> <b>(net cash flows +13.0%</b> <b>and market return (11.5)%)</b>	 22.8% CAGR growth <b>[excl. acquired FUM]</b> 
<b>Funds under Admin.</b>	Migrate new clients and OE clients onto the platform	<b>(9.7)% growth</b> <b>(net cash flows +2.2%</b> <b>and market return (11.8)%)</b>	 49.6% CAGR growth 
<b>Dairy derivatives lots traded</b>	0.45m – 0.55m lots	<b>0.43m lots traded</b>	 5.5% CAGR growth 

NZX Full Year 2022 Results

# Delivering on our growth strategy to 2023

We continue to make progress in delivering on our strategy despite difficult market conditions, which have impacted our ability to deliver on our 5-year aspirational targets by 2023. We remain committed to support growth in New Zealand's capital markets



**The Capital Markets opportunity:** Since 2017, we have rebuilt our capital markets platform and have still achieved growth in a challenging 2022. We have the building blocks for further opportunities and growth and as markets recover, we expect to see capital markets activity levels accelerate



**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**



We are **globalising our footprint** across all businesses, (SGX, EEX, GDT, global participation in markets) and we see opportunities with a 'star alliance' strategy



**Continued secular growth:** In addition, 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



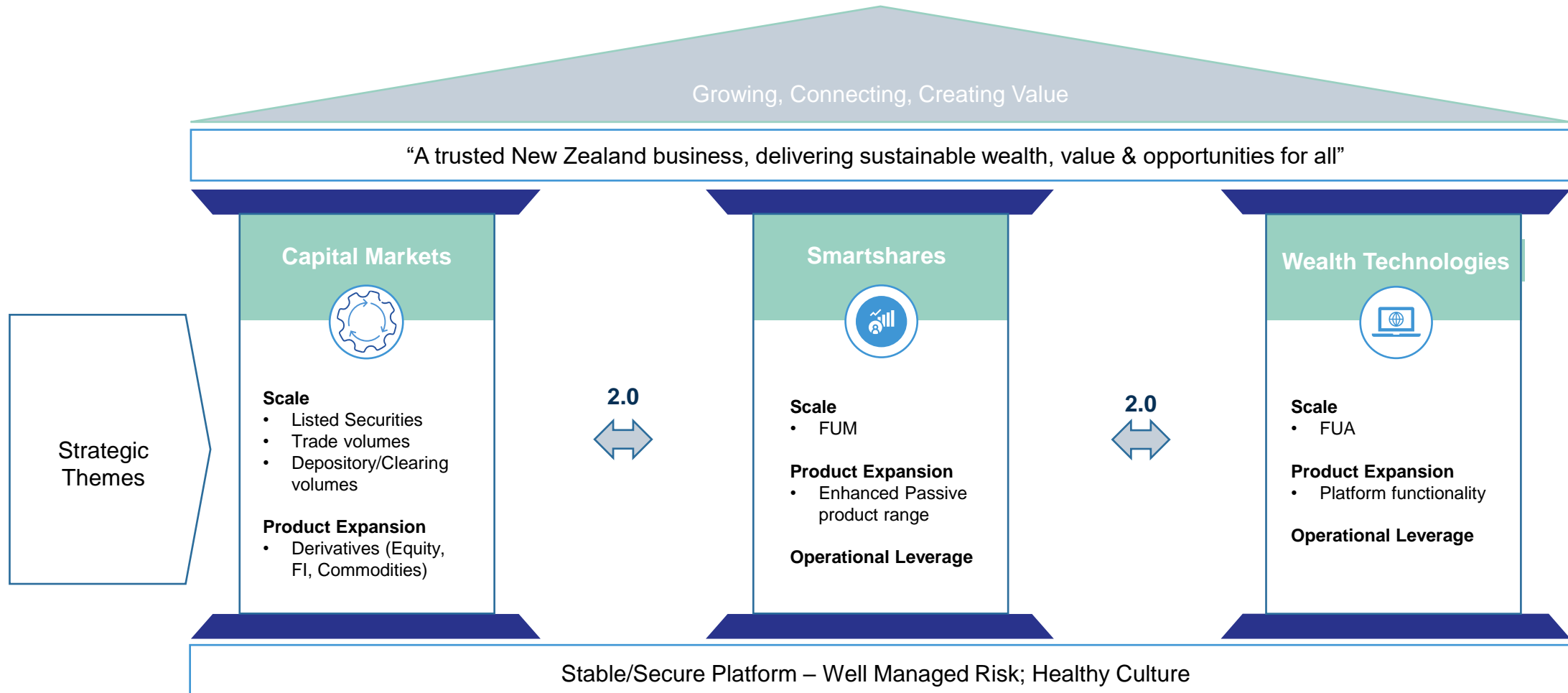
**Operating Leverage:** Still investing for growth but also focusing on **efficiencies and driving operating leverage**



**Maintaining through market cycles:** Market cycles are inevitable, maintaining earnings through these challenging periods while continuing to develop, **sets a platform to capture upside opportunities in market recovery phase**

# Developing our strategy to 2027

Our strategy to 2027 is simple – round out our product offering in Capital Markets and drive scale and operating leverage across the businesses



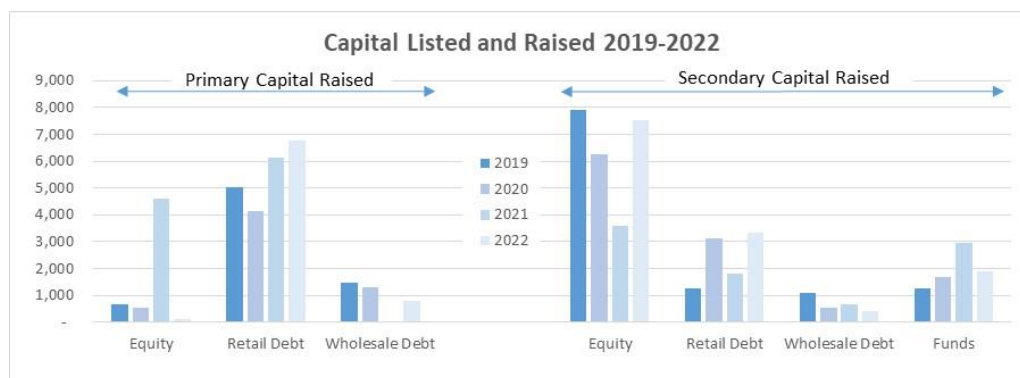


# Business Unit Highlights



# Capital Markets Origination – Capital Listed and Raised

Another strong performance for the year, with the capital listed and raised mix adjusting to suit the economic environment



## Macro Drivers

- Primary listing fees driven by retail debt listings due to rising rates leading to higher coupons
- Secondary issuance fees have been relatively good with large capital raises from Air New Zealand, Ebos Vital Healthcare, ANZ Bank New Zealand and Heartland Bank

## Platform and Operations

Capital Listed / Raised (new and secondary capital raisings) totalled \$20.9 billion up 5.7%

The team of 7 FTEs is operating a **true origination model** – with active pipeline development and conversion. Interest levels are high with approx. 28% of the companies approached in 2022 seeking a meeting about potentially listing in the future

A number of “**Listing your company**” and “**Raising capital in New Zealand**” events have been held in 2022, with partners including Jarden, Russell McVeagh, Chapman Tripp, Sharesies, Northington Partners, INFINZ and Morgo

**Show casing current listed clients** through various different mediums including podcasts, videos, social media, retail investor briefings

## Listings – 3 new equity, 1 new fund and 3 new debt issuers listed:

- Foreign Exempt Listings - Ampol Limited (ALD)
- IPOs, Direct and Reverse Listings - Booster Innovation Fund (BIF), Black Pearl Tech (BPT) and WasteCo Group (WCO)
- Debt IPOs - Southland Building Society (SBS), Napier Port (NPH) and Westpac NZ (WNZ)

## Existing issuers - 23 new debt issues:

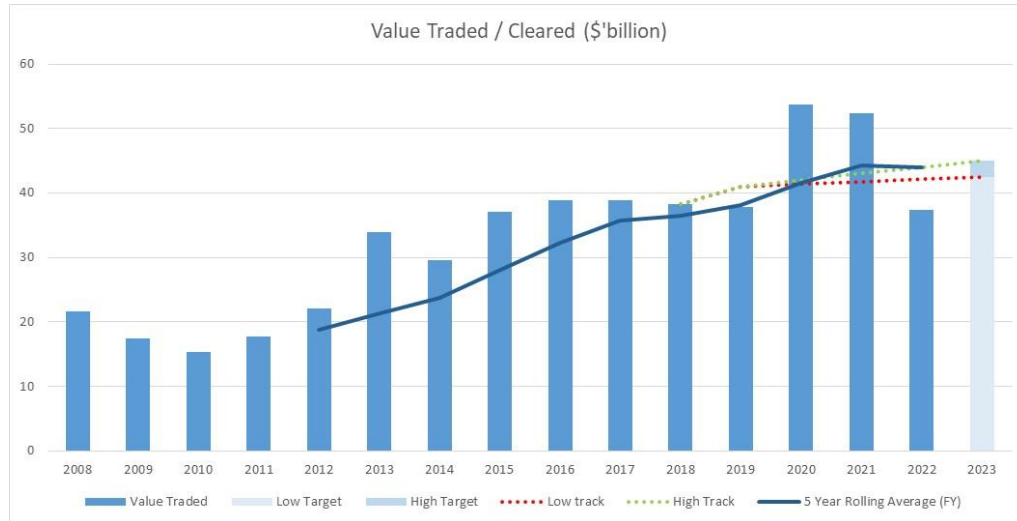
### Green Bonds:

- GMT Bond Issued \$150 million (allocated to finance or refinance, wholly or in part, Eligible Assets in accordance with the Sustainable Finance Framework)
- Precinct Properties \$175 million (proceeds used to finance or re-finance existing and/or planned Eligible assets in accordance with their ESG & Sustainability strategies)
- Genesis \$285 million (issued in accordance with Genesis’ Sustainable Finance Framework)
- Transpower launched their Green Finance Programme and reclassified all existing debt lines of debt under the programme after they all received CBI certification



# Secondary Markets – Value Traded / Cleared

Value traded levels have fallen from record levels of the last two years, reflecting the significant market uncertainty



## Trading / Clearing

- Traded Value \$37.4 billion down (28.6%)
- Traded Volume 11.68 million down (24.3%)
- % of value on-market 63.8% up 2.7%

## Depository

- Assets under custody down (0.6)% to \$6.32 billion
- Depository OTC trades down (13.5)% to 79,707

## Macro Drivers

### Value traded / cleared

Lower levels of total value traded reflects the current levels of market uncertainty and a lack of confidence because of high inflation, interest rate rises, and rising geopolitical pressure

Despite this there were some positives:

- on-market liquidity continues to increase
- debt trading values increased 23.0% to \$2.3 billion, reflecting renewed interest in this product set driven by macro-economic conditions shifting across the year
- the retail / wholesale split of traded value remains consistent

### NZX Depository

Assets under custody and depository OTC transactions have both reduced due to softer market conditions

Continued focus on the depository business to drive down costs of operating in the New Zealand capital markets

## Market Development

Progressing on the relaunch of S&P/NZX20 Index Future focusing on the quality of the relaunch with fit for purpose rule set and functionality as well as industry participation across all market segments.

NZX DARK Project (to create a midpoint orderbook) has been reinitiated in late Q4 2022 with technical development, testing and regulatory engagement to occur across 2023

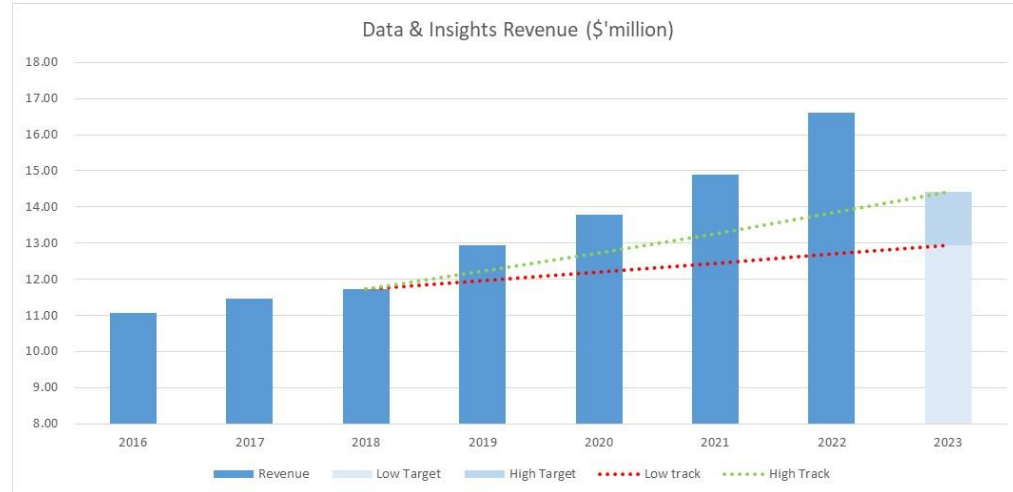
BNP Paribas continues to be highly engaged on becoming a General Clearing Participant - has the potential to connect more global trading firms to the NZX

NZX Depository Modernisation Roadmap signed off to drive enhancements to the exchanges post trade custodial services.



# Data & Insights (Information Services) revenue

Continuation of strong business growth driven by professional terminal, subscription and license numbers, as well as a strong focus on opening up new products to create business sustainability



Note: Data & Insights Revenue in graph excluding connectivity revenue to ensure comparability with 2018 strategic targets

## Data & Insights revenue

Data & Insights revenue increased to \$19.4 million up 10.9% (excluding connectivity revenue the increase is 11.6%)

- Royalty revenue – grew by 11.9% due to the average numbers of professional terminals being 2.0% higher and price increases
- Subscriptions and licences revenue – grew by 10.3% reflecting the continued growth in clients data usage and ability to capture licence revenue streams post audit, resulting in increased license numbers (+6.6%), partially offset by reduced subscriptions (-0.3%), and price increases
- Dairy subscription revenue reduced slightly due to lower product subscriptions (1.3)%
- Indices revenue – grew by 13.5% with continued growth in use of indices by the market
- Connectivity revenue – increased 7.0% which continues to reflect changes in client connectivity requirements (i.e. standards of performance and increased resilience across the market)
- Audits and back dated licenses – increased by 19.0% with a significant number of audits completed in 2022

Data & Insights revenue CAGR since 2018 is 9.1%

## Future revenue growth driven by:

Continued focus on product offering for market data and delivery to new segments

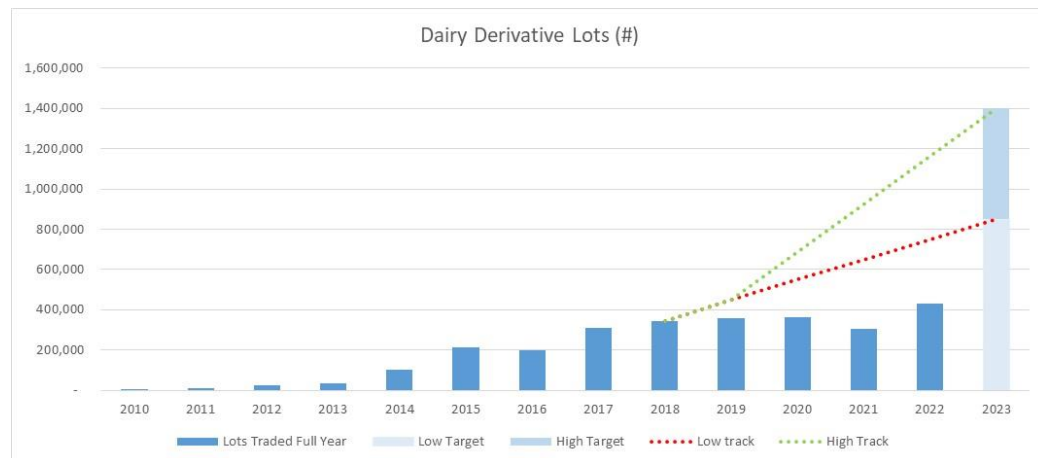
Developing value added services for data products through data transformation

Build regional and global connectivity through partnerships to open access to significant investors, trading and clearing firms



# Dairy Derivatives and GlobalDairyTrade

A pivotal year with the Singapore Exchange strategic partnership and the GlobalDairyTrade (GDT) acquisition creating a new growth platform for dairy. The expected growth from the SGX partnership is being achieved



## Dairy derivatives lots traded

- Dairy Derivatives Lots traded 428k up 40.0%
- Dairy Derivatives Lots CAGR since December 2018 is 5.5%
- On screen liquidity averaged 65% since the move to SGX
- New pen interest record reached at 134,038 lots in September 2022

## Strategic Partnerships

Singapore Exchange (SGX) strategic partnership commenced in late November 2021 to grow NZX's dairy derivatives market

Partnership has extended market distribution and expanded global access:

- expanded number of trading and clearing members (previously 4 connected with NZX) with potential for further expansion (i.e. >70 connected with SGX), enabling proprietary and financial firms to connect more easily
- expanded number of independent software providers with potential for further expansion provides a more global platform and presence (having access to SGX's network of global sales offices and resources) in the dominant region for dairy imports (Asia)
- partnership is a revenue share agreement - NZX retains a base level of revenue

**GlobalDairyTrade Holdings Limited (GDT)** – the acquisition completed on 30 June 2022 and represents further opportunity to accelerate the growth of the SGX-NZX Dairy Derivatives markets, with a focus on bringing new global suppliers to market, and platform developments to assist liquidity in the associated derivatives markets

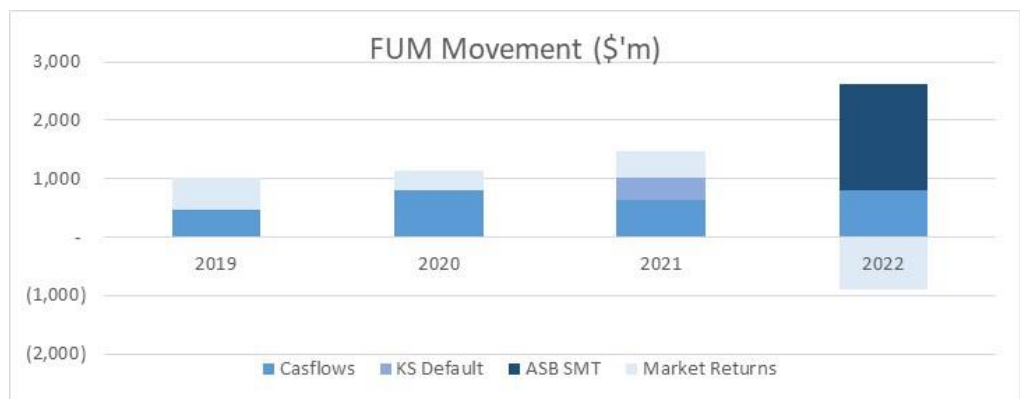
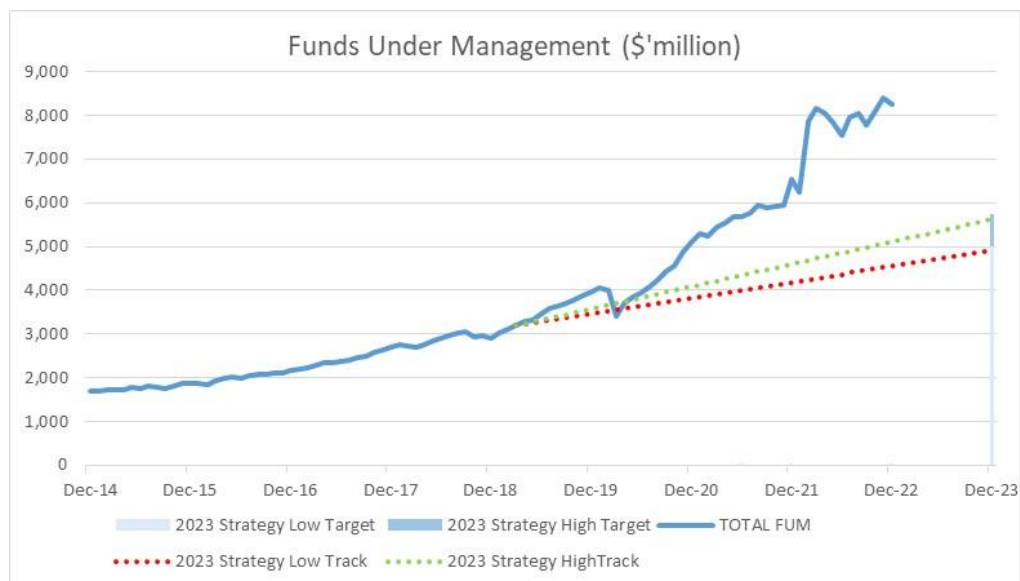
## Platform and Operations

- 'Calendar Strips' functionality was introduced in late May 2022, allowing the trading of quarterly strips.
- 'GDT Pulse' began its trial in August, providing a view of weekly spot prices for WMP to increase physical market information to the derivatives market
- Block trade fees commenced in May 2022 (waived for an initial 6-month period). These provide an incentive for on-screen trading / liquidity



# Smartshares – Funds Under Management (FUM)

Continues to drive growth, has positive net cash flows. We remain positive about Smartshares' future growth opportunities, and we look to further scale this business through both organic and inorganic growth opportunities



## Macro Drivers

NZ ETF penetration rate remains low compared to US/Europe

KiwiSaver future growth profile is expected to significantly increase total market FUM

Growth in non-KiwiSaver investments and self-directed investing platforms

## FUM growth target 14% p.a.

Funds Under Management at \$8.26 billion, up 26.4% from 31 December 2021 due to combination of **positive cashflows** (\$800m / +12.2% of opening FUM), **negative market return** (\$886m / -13.6%) and **ASB Superannuation Master Trust acquired FUM** (\$1.815 billion / +27.8%)

FUM CAGR since December 2018 is 29.8%

**Smartshares ETF trading** accounted for 5.7% of NZX traded value in 2022 (2021: 7.9%)

## Strategic step change through scale

**ASB SMT Acquisition** – the acquisition of the management rights (which included approx. 17k members and \$1.815 billion FUM) completed on 11 February 2022 and moved Smartshares' share of the Superannuation Master Trust market from 17% to 38%

**QuayStreet Asset Management Acquisition** – the acquisition of the management rights and related assets (which includes approximately \$1.6 billion FUM) completes on 23 February 2023. Provides Smartshares with:

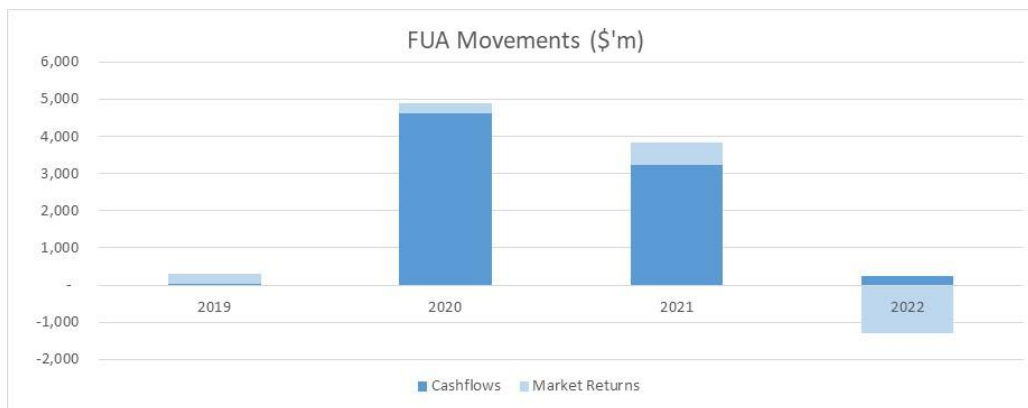
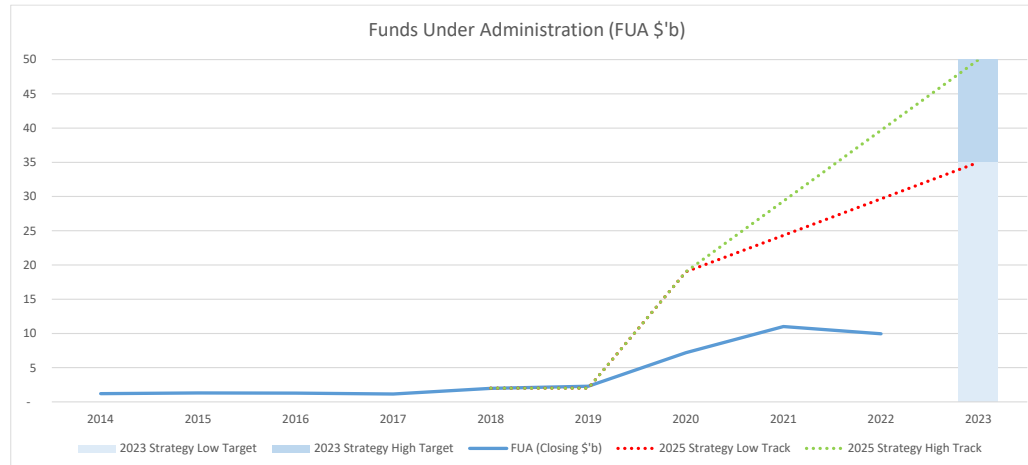
- an enhanced passive product offering;
- a Product Support and Distribution Agreement with Craigs Investment Partners; and
- if earn out cash flow targets are achieved there would be significantly increased operating earnings

We continue to mature the operations and are embedding our growth initiatives including:

- **KiwiSaver Default (KSD) provider status** (December 2021) included new digital tools to provide a digital customer experience (e.g. Find My Fund selection tool)
- **Asian Regional Fund Passport (ARFP)** (FMA approval in January 2022) allows simpler access to large pools of retail investors in Australia, Japan, Thailand and Korea
- Smartshares ETFs have been **registered under the Trans-Tasman Mutual Recognition of Securities Issues** for distribution in Australia

# Wealth Technologies – Funds Under Admin (FUA)

Client transitions have driven the growth, and there is a positive outlook for this to continue



## Macro Drivers

Increased compliance obligations are forcing large advisor firms to upgrade their internal platforms or move to a SaaS offering

Increasing cost to service clients impacts medium adviser firms, making the Wealth Technologies operations option cost efficient

## Platform and Operations

NZX Wealth Technologies operating earnings continue to improve

Now have a scalable platform with a highly skilled operational team

Enhanced structure and increased resourcing to enable strong operational excellence while continuing aggressive growth trajectory

CAPEX activity reflects new client activity and preparation for future FUA transitions

We are conscious of cash burn and are targeting to be cashflow positive as soon as possible

## Clients

Funds Under Administration at \$9.96 billion, down 9.7% from 31 December 2021 due to combination of positive cashflows (+2.2% of opening FUA) and negative market return (-11.8%)

FUA CAGR since December 2018 is 49.6%

10 clients on the new platform (and 5 on the legacy platform)

Project in progress to on-board additional FUA in H1-23, with planning underway for phased transition (from 2023 / 2024) for further substantial FUA

Migrated legacy platform clients to the new platform in 2022, with the remaining clients expected to be migrated in H1-23 and the old platform then decommissioned

Pipeline remains strong for 2023



# People

There is a challenging labour market, i.e. high vacancy levels and significant wage pressure, and our people continue to show remarkable commitment, resilience and flexibility as they deliver further growth across the Group.

## Building Capacity

- To support business growth across the group and market stability, our workforce increased to 319.1 full-time equivalent employees at December 2022
- To overcome the impact of the talent shortage across a tight labour market, with a noticeable gap for mid-intermediate level talent, we are actively recruiting graduates and early in career level staff into our business. These graduates are supported by “anchor” staff within the business who develop them via on-the-job training and mentoring
- We enhanced our NZX Graduate programme to make it more flexible, attractive and competitive – and will have an intake of 7 University Graduates in February 2023
- Smartshares teams are focussed on bedding down the Kiwisaver default and ASB SMT / QuayStreet onboarding
- The competition for skilled, experience candidates has provided some labour market constraints, however, our strong brand, culture and growth opportunities continue to attract skilled people

## Growing Capability

- The executive team is focusing the business to ensure we have the capability to deliver the next wave of growth, especially in our managed funds business with the onboarding of the KiwiSaver default scheme and acquisition of ASB SMT / QuayStreet funds businesses
- Organisational capability in IT functions across the entire NZX group has been a particular focus including in automation, testing, performance monitoring and reporting, and information security

## Culture and Engagement

- Employee engagement lifted in 2022 by 0.16 to 4.25 indicating high levels of engagement across each of the business areas. We run 2 surveys per annum. Our ambition is to remain in the top quartile for NZ companies
- NZX continues to support flexible working options for our staff, with majority of our people now coming into the office either on a regular or fulltime basis
- NZX reviewed and refreshed our Group Vision and Purpose statements. This was undertaken based on feedback received in the Engagement Survey. We approached this with inputs from both staff and management, resulting in focussed and succinct definitions of both our Purpose and Vision

## Health, Safety & Wellbeing

- Active management of COVID-19 risks has supported a healthy workforce through the pandemic to date
- Excellent safety record, with Total Recordable Injury Rate (TRIR) of 0.83 incidents per 200,000 hours worked

## Diverse Workforce, Inclusive Workplace

- Through our graduate programme and IT summer internships we continue to grow a pipeline of diverse and talented new employees
- Commitment to gender pay equity continues; our current mean pay gap remains stable at 14.79%. This is well below the financial & insurance industry average (approx. 25%)
- Increasing the number of women in senior roles is a goal and will further close the gap. Our SLT (including the CEO) is made up of 36% female executives
- We actively participate in the Global Women Activate Leaders Programme

# ESG

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

## Strategy

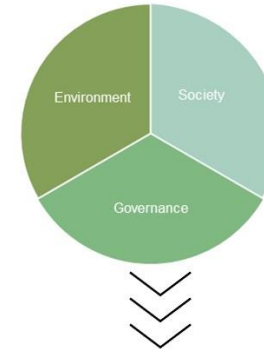
- **Our ESG Strategy runs through the heart of our business** – as the operator of New Zealand's stock exchange and markets, as a financial services and technology business, and as a regulator. In particular, robust governance (such as the updated Corporate Governance Code), is paramount to the role that NZX plays in New Zealand

## 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

## NZX is net carbon zero certified

- As a business, NZX is committed to taking action on climate change. **In 2022 NZX achieved net carbon zero certification from Toitū Envirocare.** Sustainable economic growth is a priority for NZX: increasing productivity while reducing the carbon intensity of our emissions and that of the Exchange. Public markets will continue to play an important role in facilitating the flow of capital towards decarbonising the New Zealand economy



Principles of Governance

The definition of governance is evolving as organisations are increasingly expected to define and embed their purpose at the centre of their business. But the principles of agency, accountability and stewardship continue to be vital for truly 'good governance'



Planet

An ambition to protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations



People

An ambition to end poverty and hunger, in all their forms and dimensions, and to ensure that all human beings can fulfill their potential in dignity and equality and in a healthy environment



Prosperity

An ambition to ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature

Source: World Economic Forum

# Acquisitions Update



# Acquisition Update

## Acquisition - ASB Superannuation Master Trust (ASB SMT)

### Investment Summary

Acquisition of the management rights of the ASB SMT completed on 11 February 2022, with the transaction rationale being:

- Drives scale in Smartshares, the passive funds management business; and
- Is aligned with NZX Group strategy to capture complementary opportunities that greater scale in the Smartshares and Wealth Technologies businesses provides to both NZ Capital Markets and our Markets business

### Transition / migration – planning is progressing well

- Smartshares is currently responsible for client relationships, with certain services continuing to be provided by ASB
- Migration of investment administration, investment management and registry services to be completed in Q3-23
- Integration costs expected to be up to circa \$1.0m in 2023

### Financial Impact in 2022 – is in line with expectations

Income Statement:

• Operating Earnings	\$3.90m
• Non operating expenses, including:	
• acquisition / integration costs	(\$0.31)m
• amortisation	(\$0.92)m
• interest expenses	(\$0.07)m
• tax expense	<u>(\$1.02)m</u>
• Net Profit After Tax	<u>\$1.58m</u>

Balance sheet – the ASB SMT management rights assets are accounted for as a definite life asset and amortised on a straight-line basis over 25 years for accounting purposes; with the management rights assets net of amortisation being \$24.08m at 31 December 2022

## Acquisition - QuayStreet Asset Management (QS)

### Investment Summary

Acquisition of the management rights and related assets of QS completes on 23 February 2023, with the transaction rationale being:

- Drives scale in Smartshares, the passive funds management business;
- In time will provide Smartshares with an enhanced passive product offering;
- Includes a Product Support and Distribution Agreement with Craigs Investment Partners to develop new products; and
- Is aligned with NZX Group strategy to capture complementary opportunities that greater scale in the Smartshares and Wealth Technologies businesses provides to both NZ Capital Markets and our Markets business

### Transition / migration – planning is progressing well

- From 23 February 2023 Smartshares is responsible for all QS products; with the investment management and client relationships teams (i.e. 5 FTEs) transferring to Smartshares. Craigs Investment Partners (and outsource providers) will continue to provide certain back-office services
- Transition planning to migrate back-office functions is underway; with transition expected to occur through 2023-2024
- Product development and design (for an enhanced passive product offering) will now commence with Craigs Investment Partners

### Financial Impact – other than the acquisition costs expensed there is no financial impact in 2022

Income Statement – in 2023 the acquisition is expected to contribute:

- Operating earnings (excluding integration costs, amortisation, interest expenses and tax expense) between \$3.3m and \$3.6m. Additionally, in future years there is the potential for increased operating earnings should the transaction earn out cash flow targets be achieved; and
- Transaction and Integration costs (internal and external) expected to be up to circa \$4.0m in 2023/2024; the level of incremental external integration costs is dependent on the phasing of both the QS and ASB SMT integrations, planning for which is progressing

Balance Sheet – on completion of the business combination, Smartshares will recognise the individual identifiable assets and liabilities based on their fair values, with any excess of the purchase price (including the fair value of earn out payments) over the fair value of identifiable assets and liabilities to be recognised as goodwill

# Acquisition Update

## Acquisition – GlobalDairyTrade Holdings Limited (GDT)

### Investment Summary

Acquisition of 33.33% stake in GDT completed on 30 June 2022, with the transaction rationale being to provide a sustainable foundation for NZX's dairy derivatives business:

- NZX's (and EEX's) involvement enhances GDT's role as an independent, neutral and transparent auction platform, creating future growth opportunities
- Represents further opportunity to accelerate the growth of the SGX-NZX Dairy Derivatives markets, with a focus on bringing new global suppliers to market, and platform developments to assist liquidity in the associated derivatives markets

### Transition – is complete

GDT continues to operate on a stand-alone basis, and NZX has appointed 2 directors to the GDT Board from 1 July 2022; thus, enhancing GDT's role as an independent, neutral and transparent trading platform

**Strategic Initiatives** – GDT has commenced its agreed expansionary 3-year strategic plan for global growth opportunities

- 'GDT Pulse' began its trial in August, providing a view of weekly spot prices for WMP to increase physical market information to the derivatives market;
- European auction platform – GDT has now commenced plans for the establishment of a European auction platform; and
- Sales focus on non-Fonterra volumes is progressing well

### Financial Impact in 2022 – is in line with expectations

Income Statement – NZX's share of profit of associate was \$0.146m. GDT's expansionary strategic plan over the next 3-year is expected to result in NZX's share of profit of associate to remain low until GDT's strategic initiatives successfully mature

Balance Sheet – NZX's investment in associate \$16.78 at 31 December 2022 represents the purchase price (including expansionary capital), capitalised acquisition costs and NZX's share of profit of associate



# 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

	2022 \$000	2021 \$ 000	Change Fav/(Adv)
Operating Revenue	95,726	87,955	8.8%
Operating Expenses (excl. acq/integration costs)	(59,121)	(52,176)	(13.3)%
<b>Operating earnings<sup>1</sup> (excl. acq/integration costs)</b>	<b>36,605</b>	<b>35,779</b>	<b>2.3%</b>
Acquisition and integration costs	(1,540)	(1,352)	(13.9)%
<b>Operating earnings<sup>1</sup></b>	<b>36,065</b>	<b>34,427</b>	<b>1.9%</b>
Share of profit of associate	146	-	n/a
Net finance expenses	(1,838)	(2,507)	26.7%
Gain / (loss) on disposal of assets	3	(145)	102.1%
Depreciation and amortisation expenses	(13,860)	(10,404)	(33.2)%
Income tax expense	(5,357)	(6,356)	15.7%
<b>Profit for the year</b>	<b>14,159</b>	<b>15,015</b>	<b>(5.7)%</b>
<b>Operating Margin (excl. acquisition and integration costs)</b>	<b>38.2%</b>	<b>40.7%</b>	<b>(6.0)%</b>

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 year.
- 2 Finance Technology Partners (January 2023) EBITDA Margins (median) information for Regional/Country Based Exchanges is estimated at 2022: 48%.

## Operating Revenue

**Operating revenue** increased to \$95.7million (+8.8% on 2021), reflecting NZX's diverse revenue sources and is despite being impacted by 2022 market activity levels

The market activities levels impacted revenues for:

- Value Traded / Cleared was a \$2.6-3.0m impact based on current pricing;
- Smartshares FUM adverse market return was a \$2.3-2.6m impact at average bps; and
- Wealth Technologies FUA adverse market return was a \$0.20-\$0.25m impact at average bps

These were more than offset by increased revenues from sources not exposed to market capitalisation, including for example:

- Secondary Listing fees (+8.5% relates to the level of capital raised and the mix between equity, retail debt, wholesale debt, funds)
- Dairy Derivatives (+52.1% in line with the movement in dairy derivative lots traded)
- Data & Insights revenues, including royalties from terminals (+11.9% driven by terminal numbers, particularly professional terminals), subscription / license revenue (+10.3% driven by subscription / license numbers), and connectivity revenue (+7.0% driven by the number of connected parties)

Additionally, there were increased Funds Under Management / Administration revenues, despite the market activity impact, being positively impacted by strong cash flows and the ASB Superannuation Master Trust acquisition

# Income Statement

## Operating Expenses

**Operating Expenses**, excluding acquisition and integration costs, increased to \$59.1 million (+13.3% on 2021), reflecting inflation pressures and the full year impact of our prior year investments for growth and to improve IT resilience

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

- wage inflation – we have experienced inflationary pressures, particularly for specialist resources, which is being driven by a highly competitive and tight labour market, and expect this to continue into 2023
- headcount – there has been higher average number of FTEs compared to 2021 (FTEs Dec 2022: 319.1, Dec 2021: 292.7; with a high level of vacancies across both years). The increase includes:
  - Smartshares +8.7 FTEs – to resource the initial operations and integration project for the ASB SMT transition;
  - Wealth Technologies +9.4 FTEs – to migrate new clients / FUA to the platform;
  - Derivatives +1.0 FTE – to support the SGX partnership and the implementation of NZX20 equity derivatives;
  - Sustainability +2.0 FTE – to enhance NZX’s sustainability (ESG) capabilities; and
  - additional Corporate roles to support the growth across the business and current levels of project activity e.g. HR resources (to address the high vacancy levels), Risk Analyst (to enhance the Risk function and second line of defense), Legal roles (to support Smartshares), and Project Management Resources (to support Smartshares integrations)

*Information Technology* – we have completed our IT capacity and resilience improvement programme, as well as strengthening cyber security (including the further enhancement of our Security Operation Centre (SOC) capability)

*Investments for growth* have been the acquisitions of the ASB SMT management rights, the 33.33% interest in GlobalDairyTrade, and the QuayStreet Asset Management management rights and related assets, as well as progressing on the relaunch of S&P/NZX20 Index Futures.

Whilst the Funds Management and Wealth Technologies businesses require additional resources as they grow, management are focused on leveraging existing resources

**Acquisition and integration costs** relate to the acquisition (and integration planning) of the management rights for ASB Superannuation Master Trust and QuayStreet Asset Management .

## Non Operating Expenses

**Net finance costs** have been positively impacted by increasing interest rates and include:

- interest income on operational cash balances, Clearing House risk capital and regulatory working capital, which have been positively impacted by increasing interest rates
- interest expenses (including amortised borrowing costs) on the subordinated notes and lease liabilities
- net gain / (loss) on foreign exchange

**Depreciation and amortisation** increases related to our prior year investments for growth, including:

- Smartshares digital tools (and supporting infrastructure) for KiwiSaver Default Scheme
- Smartshares amortisation commenced (from 11 February 2022) on the acquired ASB Superannuation Master Trust management rights (increased amortisation is approx. \$0.92m)
- Wealth Technologies – increased amortisation of the core platform and new client migrations completed in late 2021. We expect amortisation to increase further in 2023
- IT improvements completed throughout 2021 to improve IT resilience (including the new trading system and the network transformation)
- Auckland office – depreciation on the fit out of the new Auckland office commenced in August 2021 and associated right of use assets

**Effective tax rate** is lower than statutory rate of 28% due to a combination of non-deductible items (e.g. acquisition costs and amortisation on the ASB Superannuation Master Trust management rights and valuation (accounting v taxation) differences (e.g. on the vesting of long term incentive schemes)

## Operating Earnings

### Operating earnings

- excluding acquisition and integration costs are \$36.6 million which is 2.3% higher than 2021, and
- after acquisition and integration costs are \$35.1 million which is 1.9% higher than 2021.

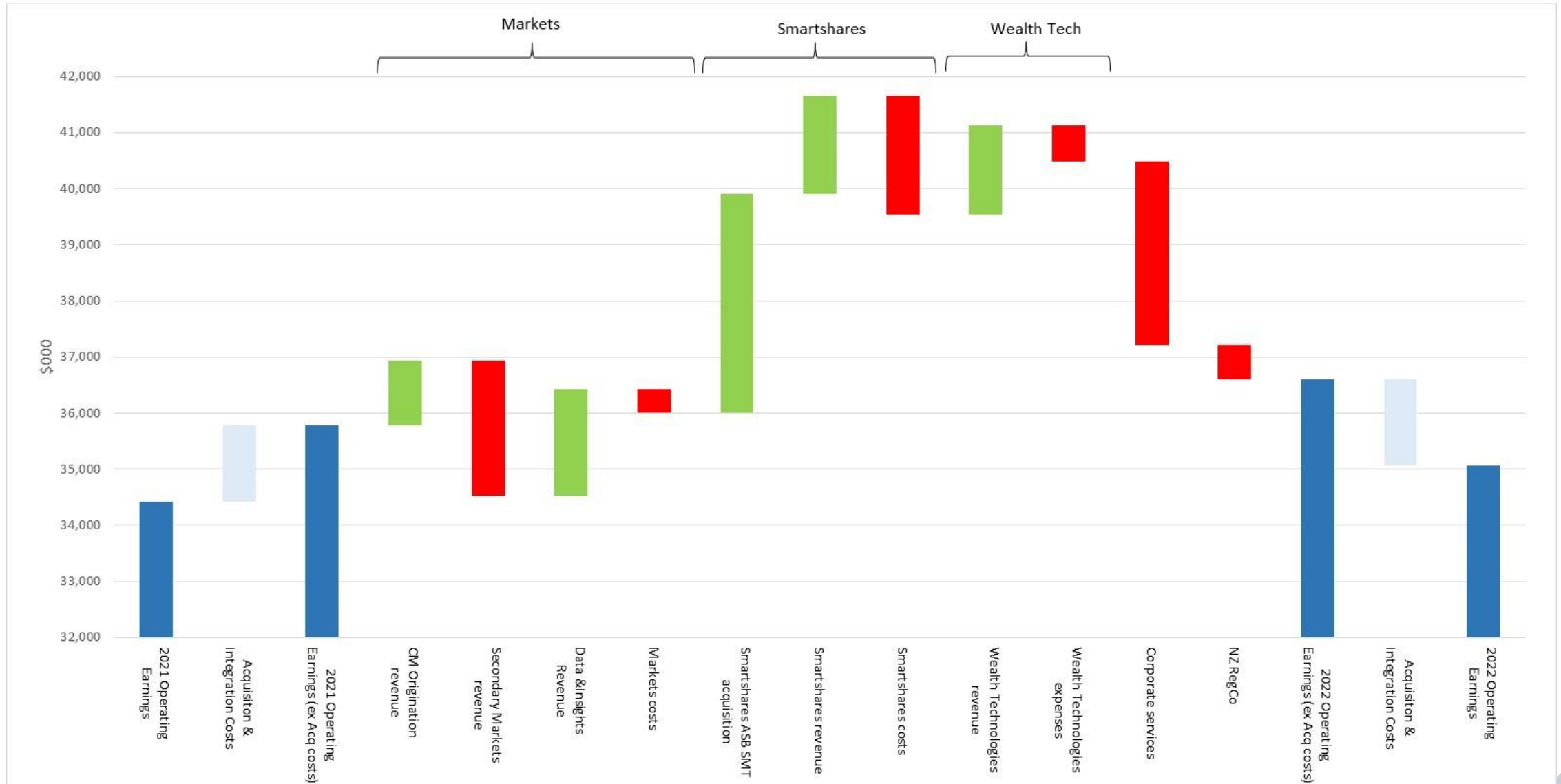
The **operating margin** at 38.2%, excluding acquisition and integration costs (2021: 40.7%), is lower than our peers<sup>1</sup> due to the diverse nature of NZX (i.e. energy markets, non-markets businesses and NZ RegCo) relative to peers.

Operating earnings by business unit are discussed at a high level in the Financial Performance section below, with detailed segmental analysis by business unit in Appendix 1

<sup>1</sup> Finance Technology Partners (January 2023) EBITDA Margins (median) information for Regional/Country Based Exchanges is estimated at 2022: 48%.

# Operating Earnings Waterfall

FY22 compared to FY21



# Income Statement by Business Unit

2022 \$000	Capital Markets Origination <sup>1</sup>	Secondary Markets <sup>1</sup>	Data & Insights <sup>1</sup>	Markets Sub-total <sup>1</sup>	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	16,965	25,346	19,354	61,665	24,486	5,991	56	92,198	3,528	95,726
Operating expenses (excl. acquisition / integration costs)				(19,078)	(11,757)	(4,662)	(19,698)	(55,195)	(3,926)	(59,121)
<b>Operating earnings<sup>6</sup> (excl. acquisition / integration costs)</b>				<b>42,587</b>	<b>12,729</b>	<b>1,329</b>	<b>(19,642)</b>	<b>37,003</b>	<b>(398)</b>	<b>36,605</b>
Acquisition / integration costs				-	(1,540)	-	-	(1,540)	-	(1,540)
<b>Operating earnings<sup>6</sup></b>				<b>42,587</b>	<b>11,189</b>	<b>1,329</b>	<b>(19,642)</b>	<b>35,463</b>	<b>(398)</b>	<b>35,065</b>
Depreciation, amortisation & gain / loss on disposal				(2,749)	(2,471)	(5,459)	(3,178)	(13,857)	-	(13,857)
<b>Earnings Before Interest, tax and share of profit of associate</b>				<b>39,838</b>	<b>8,718</b>	<b>(4,130)</b>	<b>(22,820)</b>	<b>21,606</b>	<b>(398)</b>	<b>21,208</b>
2021 \$000	Capital Markets Origination <sup>1</sup>	Secondary Markets <sup>1</sup>	Data & Insights <sup>1</sup>	Markets Sub-total <sup>1</sup>	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	15,815	27,747	17,453	61,015	18,838	4,397	85	84,335	3,620	87,955
Operating expenses (excl. acquisition costs)				(18,648)	(9,648)	(4,013)	(16,454)	(48,763)	(3,413)	(52,176)
<b>Operating earnings<sup>6</sup> (excl. acquisition costs)</b>				<b>42,367</b>	<b>9,190</b>	<b>384</b>	<b>(16,369)</b>	<b>35,572</b>	<b>207</b>	<b>35,779</b>
Acquisition costs				-	(1,352)	-	-	(1,352)	-	(1,352)
<b>Operating earnings<sup>6</sup></b>				<b>42,367</b>	<b>7,838</b>	<b>384</b>	<b>(16,369)</b>	<b>34,220</b>	<b>207</b>	<b>34,427</b>
Depreciation, amortisation & gain / loss on disposal				(2,673)	(1,343)	(4,003)	(2,473)	(10,492)	(57)	(10,549)
<b>Earnings Before Interest, tax and share of profit of associate</b>				<b>39,694</b>	<b>6,495</b>	<b>(3,619)</b>	<b>(18,842)</b>	<b>23,728</b>	<b>150</b>	<b>23,878</b>

Notes:

1 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

Data & Insights – 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.

2 Funds Management (Smartshares Limited) – comprises the SuperLife superannuation and KiwiSaver products and Smartshares Exchange Traded Funds

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

4 Corporate Services provides accommodation, legal, accounting, IT, HR and 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)

5 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.

6 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 year.



# Income Statement by Business Unit

## Markets

**Markets operating revenue** was \$61.7 million (increase of 1.1% on 2021) driven by:

- *Capital Markets Origination revenue* – increased +7.3% on 2021, reflecting higher annual listing fees and the differing levels of primary listings and secondary issuances;
- *Secondary Markets revenue* – decreased (8.7)% from 2021, impacted by lower levels of trading / clearing value and OTC settlement / registry messaging fees, as well as lower consulting and development activity. The lower level of value traded / cleared (28.6%) is estimated to have had a \$2.6-3.0m revenue impact based on current pricing; and
- *Data & Insights revenue* – increased +10.9% on 2021, driven by higher levels of average terminal numbers and licenses revenue, as well as record levels of audit and back dated licencing revenue

**Markets operating expenses** were \$19.1 million for 2022 (increase of 2.3% on 2021) mainly reflecting:

- *Personnel costs* – increased 6.2% on 2021, driven by slightly higher average number of FTEs, wage inflation and lower levels of capitalised labour;
- *Information Technology costs* – increased slightly 0.1% on 2021, with 2021 including non-recurring costs for the development of the carbon managed auction service, otherwise IT costs reflect inflation and the addition of NZX's share of IT costs under the SGX-NZX dairy derivatives strategic partnership; and
- *Professional Fees* – have reduced 27.0% reflecting the level of non-recurring items in 2021 e.g. included set up costs for the development of the new carbon managed auction service for the Ministry for the Environment, and for the SGX-NZX dairy derivatives strategic partnership

**Markets operating earnings** of \$42.6 million is 0.5% higher than 2021; with the **operating margin** at 69.1% (2021: 69.4%)

## Smartshares

**Smartshares operating revenue** was \$24.5 million (increase of 30.0% on 2021) driven by:

- *FUM-based revenue* increased 32.6% as a result of average FUM increasing (2022: \$7.79b; 2021: \$5.69b) which is a combination of the ASB SMT acquired FUM, negative market returns and positive net cash flows. The negative market returns are estimated to have had a \$2.3-2.6m revenue impact at average bps
- *Member-based revenue* has increased, reflecting a mix of increased investor numbers (from the ASB SMT acquisition) and a reduction in some annual admin fees charged to members effective from 1 April 2021

**Smartshares operating expenses** were \$11.8 million, excluding acquisition and integration costs, for 2022 (increase of 21.9% on 2021) mainly reflecting:

- *Personnel costs* increased 17.4%, driven by average number of FTEs, wage inflation and the capitalisation of internal development resources:
  - headcount increased to resource the initial operations (BAU recurring) and integration project (non-recurring) for the ASB SMT transition; and
  - capitalised labour and overhead was lower reflecting the creation of the KiwiSaver Default Scheme digital tools in 2021
- *Information Technology costs* increased 32.5% reflecting Bloomberg front and middle office operating system costs (impacted by the USD exchange rate) and new licenses for the Kiwisaver Default Scheme (KSD) digital tools; and
- *Other expenses* increased 29.9% reflecting non-recoverable GST (increasing as the business grows), external auditor fees, travel costs (increased post COVID) and statutory and compliance costs (relating to increased FMA levies as FUM levels increase)

**Smartshares operating earnings** of \$12.7 million, excluding one-off acquisition and integration costs, is 38.5% higher than 2021; with **operating margin** at 52.0%, excluding acquisition and integration costs (2021: 48.8%)

# Income Statement by Business Unit

## Wealth Technologies

**Wealth Technologies operating revenue** was \$6.0 million (increase of 36.3% on 2021) reflecting:

- *Administration (FUA based) fees* increased 30.7% as a result of average FUA increasing (2022: \$10.28b, 2021: \$8.28b); which is a combination of a full year impact from 2021 new clients FUA migrated onto the platform, negative market returns and positive net cash flows. The negative market returns are estimated to have had a \$0.20-\$0.25m impact at average bps; and
- *Development fees/deferred income* increased with greater levels of customisation specific to client requirements

**Wealth Technologies operating expenses** were \$4.7 million for 2022 (increase of 16.2% on 2021) mainly reflecting:

- *Personnel costs* – increased 16.6% on 2021, driven by higher average number of FTEs, reflecting the requirements of new clients who have been or are in the process of being migrated to the platform; and
- *Information Technology costs* – increased slightly 18.3% due to additional data hosting, data feeds and software licensing costs relating to new clients

**Wealth Technologies operating earnings** of \$1.3 million is 246.1% higher than 2021; with the **operating margin** at 22.2% (2021: 8.7%)

## 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

**NZ RegCo operating Earnings** of \$(0.4) million (2021: \$0.2 million)

## Corporate

**Corporate operating expenses** were \$19.7 million for 2022 (increase of 19.7% on 2021) mainly reflecting:

- *Personnel costs* increased 13.5%, driven by average number of FTEs, wage inflation and the capitalisation of internal development resources:
  - headcount increases included:
    - new Sustainability roles (2 FTE) to enhance NZX's ESG reporting; as well as
    - additional roles to support the growth across the business and current levels of project activity e.g. HR resources (to address the high vacancy levels), Risk Analyst (to enhance the Risk function and second line of defense), Legal roles (to support Smartshares), Project Management Resources (to support the ASB Superannuation Master Trust integration); and
  - capitalised labour and overhead was lower than 2021
- *Information Technology costs* increased 19.0% reflecting the modification and strengthening of security services (completing the network transformation and further enhancing our Security Operation Centre (SOC) capability, to strengthen NZX's cyber security), and the implementation of additional cyber defence capabilities and security services to mitigate the impact of any future cyber attacks. As well as ticker and communication screens in the Auckland Capital Markets Centre
- *Other expenses* increased 22.5%; including premises OPEX costs (increased with establishment of the Capital Markets Centre in Auckland), insurance premiums (which continues to significantly increase), directors' fees (increased from 1 July 2022) and travel (increased post COVID)

**Corporate operating earnings** of \$(19.6) million, is 20.0% lower than 2021

# Financial Position and Cash Flows

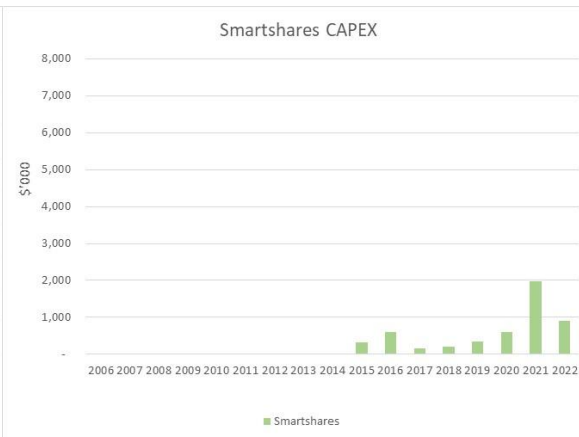
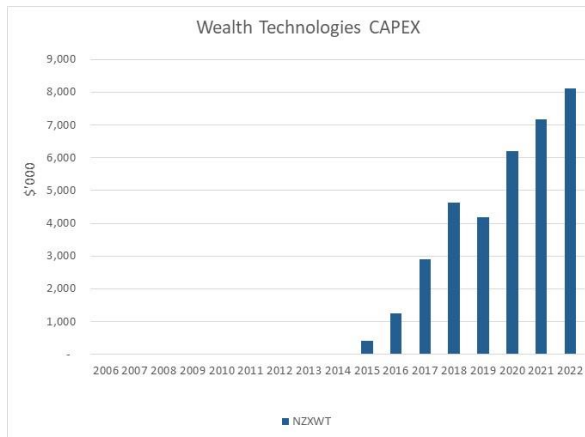
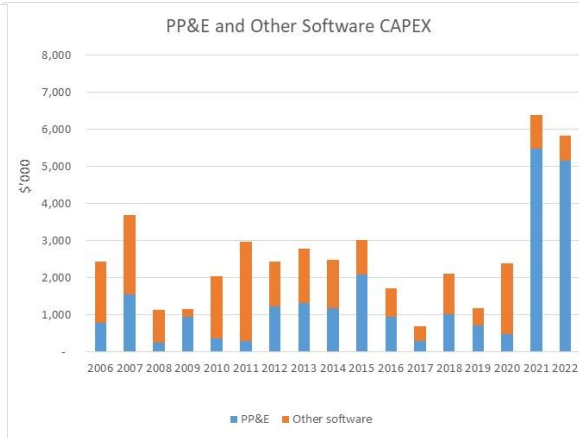
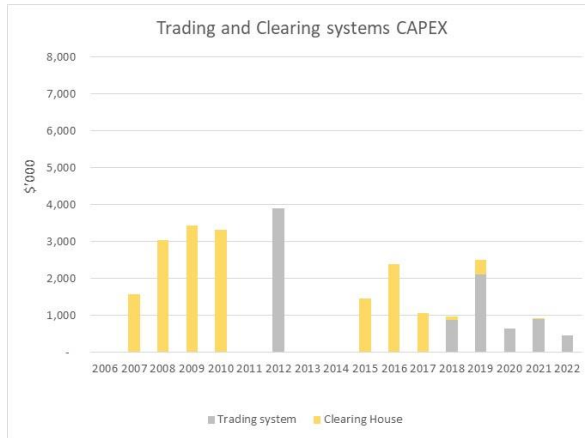


# Balance Sheet as at 31 December 2022

	2022 \$000	2021 \$000
<b>Current assets</b>		
Cash and cash equivalents	40,611	49,062
Receivables and prepayments	17,132	11,270
Funds held on behalf of third parties	30,282	28,025
<b>Total current assets</b>	<b>88,025</b>	<b>88,357</b>
<b>Non-current assets</b>		
Right-of-use lease assets	19,204	11,299
Investment in associate	16,783	-
Other non-current assets	109,187	80,974
<b>Total non-current assets</b>	<b>145,174</b>	<b>92,273</b>
<b>Current liabilities</b>		
Trade payables	7,434	6,814
Other current liabilities	20,078	18,907
Lease liabilities	997	1,175
Funds held on behalf of third parties	30,282	28,025
Interest bearing liabilities	39,037	-
<b>Total current liabilities</b>	<b>97,828</b>	<b>54,921</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	-	38,971
Lease liabilities	20,679	12,378
Other non-current liabilities	2,984	3,754
<b>Total non-current liabilities</b>	<b>23,663</b>	<b>55,103</b>
<b>Net assets</b>	<b>111,708</b>	<b>70,606</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 International Organisation of Securities Commissions principles requiring retention of sufficient working capital (including cash of approximately \$2.8 million); and</li> <li>Smartshares maintains sufficient net tangible assets in accordance with its license requirements (including cash of approximately \$6.5 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 those held in the Mutualised Default Fund)</li> <li>Amounts are repayable to issuers and participants and not available for general use</li> </ul>
<b>Investment in Associate</b>	<ul style="list-style-type: none"> <li>Investment in GlobalDairyTrade Limited (GDT)</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>Other non-current assets</b>	<ul style="list-style-type: none"> <li>Consists of property, plant &amp; equipment, intangible assets and goodwill</li> <li>Increased due to the acquisition of the ASB SMT management rights</li> </ul>
<b>Interest bearing liabilities</b>	<ul style="list-style-type: none"> <li>Relate to the subordinated note. At 31 December 2022 these are classified as a current liability as the first election date is June 2023, when NZX may reset the interest rate and investors can either retain their subordinated notes (at the reset interest rate) or elect to redeem their subordinated</li> <li>The Group does not have liquidity or working capital concerns as the intention is to refinance the subordinated notes through either a roll-over of the existing notes (including an interest rate reset and with any redemption requests to be purchased using NZX's surplus cash balances and existing, unused bank facilities, and subsequently reissued in accordance with the terms of the subordinated notes) or the issue of new subordinated notes (the proceeds of which would be used to repay the existing notes)</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), data subscriptions, employee benefits payable, and tax payables</li> </ul>
<b>Other non-current liabilities</b>	<ul style="list-style-type: none"> <li>Mainly relates to deferred tax</li> </ul>

# CAPEX



## 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 2023 we expect to further automate the Depository system to enable further growth

## 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 we established the Capital Markets Centre in Auckland, in 2022 we completed some of the level 15 IT fit out, completed the level 14 construction, and commenced the replacement of the old Auckland ticker, which we expect to complete in 2023.
- **Other software CAPEX** relates to technology upgrades and enhancements of the NZX technology architecture and the Network Transformation project which strengthens NZX's cyber security

## Financial Services Growth Businesses CAPEX

- **Wealth Technologies CAPEX** in the current period relates to continued product development and new client migration activity
- We expect capitalisations levels to remain high whilst there is new client migration activity
- **Smartshares CAPEX** relates to the delivery of digital tools for the new KiwiSaver Default Scheme to ensure improved client servicing / experience and automation / efficiency, as well as some system enhancements required for the integration of the ASB Superannuation Master Trust
- In 2023 we expect further system enhancements and additional digital tools as the acquisitions are integrated into the Smartshares business

# Cash Flows

	2022 \$000	2021 \$000
Operating activities	23,436	27,392
Investing activities		
- Payments for PPE & other intangible assets	(15,496)	(16,920)
- Payments for acquisitions	(41,637)	-
Financing activities		
- Net receipts from equity raising	42,669	-
- Payments of lease liabilities	(1,236)	(1,099)
- Dividends paid	(16,187)	(13,086)
<b>Net decrease in cash and cash equivalents</b>	<b>(8,451)</b>	<b>(3,713)</b>

## Operating Activities

- Cash flow from operating activities includes net interest and income tax paid
- The decrease reflects a combination of lower Net Profit After Tax and working capital movements (e.g. timing of receivables receipts and trade payables payments)

## 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, the Network Transformation project (i.e. increased processing, storage capacity and resilience) and the new KiwiSaver Default Scheme digital tools; and
  - Completion of the new Auckland office Level 15 IT fit out, level 14 construction, and commencement of new Auckland ticker
- Payments for acquisitions – relates to the acquisitions of the ASB Superannuation Master Trust management rights and GlobalDairyTrade Holdings Limited

## Financing Activities

Financing activities includes:

- Net receipts from equity raisings to fund the acquisitions of the ASB Superannuation Master Trust management rights and GlobalDairyTrade Holdings Limited;
- Payments of lease liabilities; and
- Dividends which are net of participation in the dividend reinvestment plan (which was suspended for the March 2022 dividend due to the equity raising occurring at that time)



# Final Dividend and 2023 Earnings Guidance



# Final Dividend

## Final Dividend

- The Board has declared a fully imputed final dividend of 3.1 cents per share
- Dividend to be paid on 16 March 2023 to shareholders registered as at the record date of 2 March 2023
- New shares issued under the QuayStreet transaction will be issued after the record date, and hence not be entitled to the 2022 final dividend
- Total dividends for the 2022 financial year are 6.1 cents per share fully imputed

Fully imputed dividends (CPS)	FY 2022	FY 2021
Interim dividend	3.0	3.0
Final dividend	3.1	3.1
<b>Total dividends</b>	<b>6.1</b>	<b>6.1</b>

## 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 final dividend
- Shares will be issued at 1.0% discount

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.

# 2023 Earnings Guidance

## 2022 Earnings Guidance

NZX's full year 2023 Operating Earnings (EBITDA), excluding acquisition and integration costs, are expected to be in the range of **\$36.0 million to \$40.5 million**

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, NZX notes the market volatility in the current year, the lower levels of trading, and a general tightening in financial conditions and this guidance assumes no material adverse events, significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments

The next slides shows the KPI assumptions in arriving at the Earnings Guidance

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

# 2023 what Success looks like

We are dependent on a recovery in value traded and Funds Under Management in order to deliver on our 2023 five-year aspirational operating earnings target (which were set in 2018)

		External dependencies	2023 Targets
<b>NZX Group</b>	Operating Earnings <sup>1</sup>	See earnings guidance	\$36.0 - \$40.5 million
<b>Grow Markets</b>			
- Capital Markets Origination	Capital listed and raised (total primary and secondary capital issued or raised for equity, funds and debt)	<ul style="list-style-type: none"> <li>Listing ecosystem is dependent on other market participants</li> <li>No major market correction</li> </ul>	\$16.0 billion
- Secondary Markets	Total value traded	<ul style="list-style-type: none"> <li>Participant activity levels drive value traded</li> <li>No major market correction</li> </ul>	\$40.0 billion
	Dairy derivatives lots traded	<ul style="list-style-type: none"> <li>Participant activity levels and dairy market price volatility drive lots traded</li> </ul>	0.55 - 0.65 million lots
- Data & Insights	Revenue growth (in subscriptions, licences and dairy subscriptions; excluding one off royalty revenue)	<ul style="list-style-type: none"> <li>Dependent on markets growth</li> </ul>	Average revenue growth: 6.9%
<b>Funds Management (Smartshares)</b>	Total funds under management	<ul style="list-style-type: none"> <li>Investment market returns</li> <li>No major market correction</li> </ul>	Average FUM growth: 14% (excluding acquired FUM)
<b>Wealth Technologies</b>	Total funds under administration	<ul style="list-style-type: none"> <li>Investment market returns</li> <li>No major market correction</li> </ul>	Migrate new clients and OE clients onto the platform

Notes:

<sup>1</sup> 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.

# Questions?





# Appendices



# Appendix 1: Segmental Analysis

## Income Statement by Business Unit

2022 \$000	Capital Markets Origination <sup>1</sup>	Secondary Markets <sup>1</sup>	Data & Insights <sup>1</sup>	Markets Sub-total <sup>1</sup>	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	16,965	25,346	19,354	61,665	24,486	5,991	56	92,198	3,528	95,726
Operating expenses (excl. acquisition / integration costs)				(19,078)	(11,757)	(4,662)	(19,698)	(55,195)	(3,926)	(59,121)
<b>Operating earnings<sup>6</sup> (excl. acquisition / integration costs)</b>				<b>42,587</b>	<b>12,729</b>	<b>1,329</b>	<b>(19,642)</b>	<b>37,003</b>	<b>(398)</b>	<b>36,605</b>
Acquisition / integration costs				-	(1,540)	-	-	(1,540)	-	(1,540)
<b>Operating earnings<sup>6</sup></b>				<b>42,587</b>	<b>11,189</b>	<b>1,329</b>	<b>(19,642)</b>	<b>35,463</b>	<b>(398)</b>	<b>36,065</b>
Depreciation, amortisation & gain / loss on disposal				(2,749)	(2,471)	(5,459)	(3,178)	(13,857)	-	(13,857)
<b>Earnings Before Interest, tax and share of profit of associate</b>				<b>39,838</b>	<b>8,718</b>	<b>(4,130)</b>	<b>(22,820)</b>	<b>21,606</b>	<b>(398)</b>	<b>21,208</b>
2021 \$000	Capital Markets Origination <sup>1</sup>	Secondary Markets <sup>1</sup>	Data & Insights <sup>1</sup>	Markets Sub-total <sup>1</sup>	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	15,815	27,747	17,453	61,015	18,838	4,397	85	84,335	3,620	87,955
Operating expenses (excl. acquisition costs)				(18,648)	(9,648)	(4,013)	(16,454)	(48,763)	(3,413)	(52,176)
<b>Operating earnings<sup>6</sup> (excl. acquisition costs)</b>				<b>42,367</b>	<b>9,190</b>	<b>384</b>	<b>(16,369)</b>	<b>35,572</b>	<b>207</b>	<b>35,779</b>
Acquisition costs				-	(1,352)	-	-	(1,352)	-	(1,352)
<b>Operating earnings<sup>6</sup></b>				<b>42,367</b>	<b>7,838</b>	<b>384</b>	<b>(16,369)</b>	<b>34,220</b>	<b>207</b>	<b>34,427</b>
Depreciation, amortisation & gain / loss on disposal				(2,673)	(1,343)	(4,003)	(2,473)	(10,492)	(57)	(10,549)
<b>Earnings Before Interest, tax and share of profit of associate</b>				<b>39,694</b>	<b>6,495</b>	<b>(3,619)</b>	<b>(18,842)</b>	<b>23,728</b>	<b>150</b>	<b>23,878</b>

Notes:

1 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

Data & Insights – 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.

2 Funds Management (Smartshares Limited) – comprises the SuperLife superannuation and KiwiSaver products and Smartshares Exchange Traded Funds

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

4 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)

5 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.

6 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 year.



# Appendix 1: Segment – Markets

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

	2022 \$000	2021 \$000	Change Fav/(Adv)
<b>Capital Markets Origination</b>			
Annual Listing Fee (net)	10,929	10,125	7.9%
Primary listing fees	1,979	1,950	1.5%
Secondary issuance fees	4,057	3,740	8.5%
<b>Secondary Markets</b>			
Participant services revenue (net)	448	600	(25.3)%
Securities trading revenue	4,171	5,208	(19.9)%
Securities clearing revenue	7,580	8,148	(7.0)%
Dairy derivatives revenue	1,887	1,241	52.1%
Contractual revenue	9,810	9,636	1.8%
Consulting and development revenue	1,450	2,914	(50.2)%
<b>Data &amp; Insights</b>			
Royalties from terminals	8,281	7,402	11.9%
Subscriptions and licences	5,088	4,613	10.3%
Dairy data subscriptions	610	616	(1.0)%
Indices	1,159	1,021	13.5%
Audit and back dated licences	1,473	1,238	19.0%
Connectivity	2,743	2,563	7.0%
<b>Total operating revenue</b>	<b>61,665</b>	<b>61,015</b>	<b>1.1%</b>

## Operating Earnings

Operating earnings of \$42.6 million is 0.5% higher than 2021

The operating margin at 69.1% (2021: 69.4%)

Markets operating revenue and expenses are discussed in the following slides

	2022 \$000	2021 \$000	Change Fav/(Adv)
Gross personnel costs	11,480	11,051	(3.9)%
Less capitalised labour	(294)	(518)	(43.3)%
Personnel costs	11,186	10,533	(6.2)%
Information technology costs	5,458	5,450	(0.1)%
Professional fees	1,219	1,671	27.0%
Marketing	617	712	13.3%
Other expenses	714	482	(48.0)%
Capitalised overhead	(116)	(200)	(42.2)%
<b>Total operating expense</b>	<b>19,078</b>	<b>18,648</b>	<b>(2.3)%</b>
<b>Operating earnings</b>	<b>42,587</b>	<b>42,367</b>	<b>0.5%</b>
Depreciation & amortisation	2,749	2,673	(2.8)%
<b>Earnings Before Interest, Tax and share of profit of associate</b>	<b>39,838</b>	<b>39,694</b>	<b>0.4%</b>

### 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
  - Data & Insights – 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** was \$61.7 million (increase of 1.1% on 2021) reflecting:

- *Capital Markets Origination revenue* – increased +7.3% on 2021, reflecting higher annual listing fees and the differing levels of primary listings and secondary issuances;
- *Secondary Markets revenue* – decreased (8.7)% from 2021, impacted by lower levels of trading / clearing value and OTC settlement / registry messaging fees, as well as lower consulting and development activity; and
- *Data & Insights revenue* – increased +10.9% on 2021, driven by higher levels of average terminal numbers and licenses revenue, as well as record levels of audit and back dated licencing revenue

### **Capital Markets Origination revenue**

The *Annual listing fee* year runs from 1 July to 30 June, with the 2022 fees based on the market capitalisation at 1) 31 May 2021 for H1-22, and 2) 31 May 2022 for H2-22.

Annual listing fees increase is driven by price increases (ranging from 5%-7.5%; effective from October 2021) and have been positively impacted by the growth in market value of debt instruments, and has been partially offset by the contraction in equity market capitalisation

*Primary listing fees* are up 1.5% on 2021 driven by the levels of retail debt listings

*Secondary issuance fees* are up 8.5% on 2021 driven by the levels of equity recapitalisations and retail debt issuances

### **Secondary Markets revenue**

*Participant services revenue* relates to the reduced number of market participants (from 32 at December 2021 to 29 at December 2022) with the resignation of Derivatives Trading and Clearing Participants (StoneX Financial Inc and ADM Investor Services Inc) following the commencement of the dairy derivatives strategic partnership with SGX, and the resignation of Snowball Effect as an NZX Sponsor

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

- value traded being down 28.6%, as well as lower levels of OTC settlement / registry messaging fees. The lower level of value traded / cleared (28.6%) is estimated to have had a \$2.6-3.0m revenue impact based on current pricing; this has been partially offset by
- lower levels of uncharged value traded (i.e. exceeded fee cap), at 6.5% (2021: 10.1%);
- Additionally, there are higher levels of clearing margin, and lower levels of depository registry transfer fees and clearing penalties

### **Secondary Markets revenue (continued)**

*Dairy derivatives revenue* has been favourably impacted by the higher level of lots traded (+40.0%) since the commencement of the SGX-NZX dairy derivatives strategic partnership from late November 2021 and the USD exchange rate

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

*Consulting and development revenue* is earned through:

- continuing enhancements to the electricity market systems (including the market real time pricing project, which is due for completion in 2023) which has reduced from record high levels in 2021; and
- non-recurring development activity relating to the carbon managed auction service for the Ministry for the Environment bi-monthly auctions was completed in early 2021 (non-recurring revenue \$0.9m)

### **Data & Insights revenue**

*Royalties from terminals revenue* increase (+11.9%) driven by the average numbers of professional terminals being 2.0% higher and price increases

*Subscriptions and licences revenue* growth (+10.3%) reflects the continued growth in clients data usage and ability to capture licence revenue streams post audit, resulting in increased license numbers (+6.6%), partially offset by reduced subscriptions (-0.3%). There has also been a positive impact from price increases which were effective from August 2021

*Dairy subscription revenue* reduction reflects reduced product subscriptions (1.3)%

*Indices revenue* has increased (+13.5%) in line with additional index data clients

*Audit and back dated licencing revenue* reflects the timing of audit completions, with a significant number of audits completed in 2022

*Connectivity revenue* has risen (+7.0%), 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** were \$19.1 million for 2022 ((2.3)% on 2021) mainly reflecting:

- *Personnel costs* – increased 6.2% on 2021, driven by slightly higher average number of FTEs, wage inflation and lower levels of capitalised labour;
- *Information Technology costs* – increased slightly (0.1)% on 2021, with 2021 including non-recurring costs for the development of the carbon managed auction service, otherwise IT costs reflect inflation and the addition of NZX's share of IT costs under the SGX-NZX dairy derivatives strategic partnership; and
- *Professional Fees* – have reduced 27.0% reflecting the level of non-recurring items in 2021 e.g. included set up costs for the development of the new carbon managed auction service for the Ministry for the Environment, and for the SGX-NZX dairy derivatives strategic partnership

**Personnel costs** are driven by the average number of FTEs, wage inflation and the capitalisation of internal development resources:

- headcount – the average number of FTEs has been slightly higher compared to 2021 (FTEs Dec 2022: 82.4, Dec 2021: 81.9; with a high level of vacancies in both years). The FTEs have increased for an additional Derivative Manager role to further support the SGX partnership and the implementation of NZX20 equity derivatives;
- wage inflation – is being driven by a highly competitive and tightening labour market, which we expect to continue; and
- capitalised labour levels are lower as the new trading system went live during 2021

**Information technology costs** – cost increases have been offset by non-recurring 2021 items:

- trading and clearing systems – licensing and hardware / software maintenance costs, which are impacted by the USD exchange rate and contractual inflation rates;
- energy electricity market systems – hardware / software maintenance costs and data feed costs. In 2021 third party specialist support assisted with the delivery of development revenues;
- energy carbon market systems – in 2021 third party specialist support assisted with the development and continue to provide ongoing support of the carbon managed auction service;
- dairy derivatives – NZX's share of IT costs under the SGX-NZX dairy derivatives strategic partnership commenced in November 2021; and
- data & Insights IT – software licences costs and data feeds associated with the delivery of customer management data platforms

**Professional fees** – cost increases have been more than offset by non-recurring 2021 items:

- EEX ongoing royalty fees relating to the carbon managed auction service;
- SGX ongoing costs relating to the SGX-NZX dairy derivatives strategic partnership;
- terminal royalty audit fees \$430k (2021: \$340k) – which vary in proportion to audit revenue and are revenues recognised on a gross basis;
- annual assurance programme – including audit fees (e.g. Clearing House risk capital review), tax advice, energy audit obligations under Electricity Authority contract (e.g. Energy Clearing Manager review and Energy WITS Manager review in the current period); and
- 2021 included set up costs for the development of the new carbon managed auction service for the Ministry for the Environment, and for the SGX-NZX dairy derivatives strategic partnership

**Marketing costs** – the marketing focus for the Capital Markets Origination team includes membership of various industry groups to identify listing pipeline opportunities. There has been a lower level of direct marketing campaigns in 2022

**Other expenses** include travel (sales activity has increased significantly post COVID), statutory compliance costs and non-recoverable GST costs (increasing in line with Clearing House licensing and hardware / software maintenance costs increases)

**Depreciation & amortisation** – relates primarily to the trading and clearing systems. Amortisation on the second phase of the Trading System Upgrade commenced in September 2021

# Appendix 1: Segment – Smartshares

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

	2022 \$000	2021 \$000	Change Fav/(Adv)
FUM-based revenue	21,526	16,232	32.6%
Member-based revenue	2,311	2,120	9.0%
Other revenue	649	486	33.5%
<b>Total operating revenue</b>	<b>24,486</b>	<b>18,838</b>	<b>30.0%</b>
Gross personnel costs	8,084	7,112	(13.7)%
Less capitalised labour	(130)	(334)	(61.1)%
Personnel costs	7,954	6,778	(17.4)%
Information technology costs	1,371	1,035	(32.5)%
Professional fees	786	578	(36.0)%
Marketing	676	601	(12.5)%
Other expenses	1,021	786	(29.9)%
Capitalised overhead	(51)	(130)	(60.8)%
<b>Total operating expense (excl. acquisition costs)</b>	<b>11,757</b>	<b>9,648</b>	<b>(21.9)%</b>
<b>Operating earnings (excl. acquisition costs)</b>	<b>12,729</b>	<b>9,190</b>	<b>38.5%</b>
Acquisition costs	1,348	1,352	0.3%
Integration costs	192	-	n/a
<b>Operating earnings</b>	<b>11,189</b>	<b>7,838</b>	<b>42.8%</b>
Depreciation & amortisation	2,471	1,230	(101)%
Loss on disposal of assets	-	113	100%
<b>Earnings Before Interest and Tax</b>	<b>8,718</b>	<b>6,495</b>	<b>34.2%</b>

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.

## ASB Superannuation Master Trust (ASB SMT) Acquisition Impact

Acquisition of the ASB SMT completed on 11 February 2022. Certain services continue to be provided by ASB and we expect the transition of investment administration, investment management and registry services in Q3-23

The ASB SMT contributed operating earnings of \$3.9m excluding acquisition and integration costs (\$3.6m including acquisition and integration costs) and earnings before interest and tax of \$2.7m

## Operating Earnings

Operating earnings of \$12.7 million, excluding one-off acquisition and integration costs, is 38.5% higher than 2021

The operating margin is 52.0%, excluding acquisition and integration costs (2021: 48.8%)

## Operating revenue

FUM-based revenue – average FUM has increased (2022: \$7.79b, 2021: \$5.69b) which is a combination of the ASB SMT acquired FUM, negative market returns and positive net cash flows. The negative market returns are estimated to have had a \$2.3-2.6m revenue impact at average bps

Member-based revenue has increased, reflecting a mix of increased investor numbers (from the ASB SMT acquisition) and a reduction in some annual admin fees charged to members effective from 1 April 2021

Other revenue has increased reflecting higher levels of stock lending and interest income

## Operating expenses

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

- headcount (FTEs Dec 2022: 77.1, Dec 2021: 68.4; with a high level of vacancies in both years) has increased to resource the initial operations (BAU recurring) and integration project (non-recurring) for the ASB SMT transition; resourcing is expected to increase further in 2023 as services transition; and
- capitalised labour and overhead which reflects capitalisable activity on internal systems, was lower reflecting the creation of the KiwiSaver Default Scheme digital tools in 2021

Information Technology costs include software license costs for the Bloomberg front and middle office operating system (impacted by the USD exchange rate) and new licenses for the Kiwisaver Default Scheme (KSD) digital tools

Professional fees includes an increased level of internal audit fees, legal and tax advice costs (relating to the new KSD scheme). As well as one off costs associated with investigating acquisition opportunities

Marketing spend relates to advertising, printing and distribution costs. Printing and electronic communications (e.g. text messaging) costs have increased to comply with KSD obligations, which was offset by a decrease in advertising costs in 2022

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

**Acquisition and integration costs** – relate to the acquisition, and integration planning, of the management rights for ASB Superannuation Master Trust and QuayStreet Asset Management

**Depreciation & amortisation** – increases relate to amortisation of:

- the ASB SMT intangible asset (\$0.92m); and
- the KSD digital tools and related additional processing and storage capacity and resilience

# Appendix 1: Segment – Wealth Technologies

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

	2022 \$000	2021 \$000	Change Fav/(Adv)
Administration (FUA based) fees	5,421	4,148	30.7%
Development fees / deferred income release	570	249	128.9%
<b>Total operating revenue</b>	<b>5,991</b>	<b>4,397</b>	<b>36.3%</b>
Gross personnel costs	10,216	8,964	(14.0)%
Less capitalised labour	(6,079)	(5,415)	12.3%
Personnel costs	4,137	3,549	(16.6)%
Information technology costs	1,259	1,064	(18.3)%
Professional fees	102	145	29.7%
Marketing	4	4	-
Other expenses	497	334	(48.8)%
Capitalised overhead	(1,337)	(1,083)	23.5%
<b>Total operating expenses</b>	<b>4,662</b>	<b>4,013</b>	<b>(16.2)%</b>
<b>Operating earnings</b>	<b>1,329</b>	<b>384</b>	<b>246.1%</b>
Depreciation & amortisation	5,459	4,003	(36.4)%
<b>Earnings Before Interest and Tax</b>	<b>(4,130)</b>	<b>(3,619)</b>	<b>(14.1)%</b>

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 Earnings

**Operating earnings** of \$1.3 million, is 246.1% higher than 2021

The **operating margin** has improved to 22.2% (2021: 8.7%)

### Operating revenue

Administration (FUA based) fees – average FUA has increased (2022: \$10.28b, 2021: \$8.28b) which is a combination of a full year impact from the new clients FUA migrated during 2021 onto the platform, negative market returns and positive net cash flows. The negative market returns are estimated to have had a \$0.20-\$0.25m impact at average bps

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 increased average number of FTEs, wage inflation and the capitalisation of internal development resources: :

- 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;
  - headcount (FTEs Dec 2022: 75.2, Dec 2021: 65.8) has been increasing reflecting the requirements of new clients who have been or are in the process of being migrated to the platform. These headcount levels are expected to continue whilst current clients migrate additional FUA and future new clients are won; and
  - capitalised labour and overhead reflects continued product development and client migration activity
- Information Technology cost increases are due to additional data hosting, data feeds and software licensing costs relating to new clients

Professional fees include legal fees (usually for new client contracts), taxation advice 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 and non recoverable GST (which increases as the business grows)

### 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; and
- right of use assets (i.e. mainly property leases) are depreciated over the period of the lease



# Appendix 1: Segment – Corporate Services

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

	2022 \$000	2021 \$000	Change Fav/(Adv)
Other revenue	56	85	(34.1)%
<b>Total operating revenue</b>	<b>56</b>	<b>85</b>	<b>(34.1)%</b>
Gross personnel costs	11,713	10,463	(11.9)%
Less capitalised labour	(238)	(352)	(32.5)%
Personnel costs	11,475	10,111	(13.5)%
Information technology costs	4,772	4,012	(19.0)%
Professional fees	1,150	679	(69.4)%
Marketing	122	71	(71.8)%
Other expenses	3,072	2,507	(22.5)%
Capitalised overhead	(93)	(140)	(33.6)%
Internal Allocation to NZ RegCo	(800)	(786)	1.8%
<b>Total operating expense</b>	<b>19,698</b>	<b>16,454</b>	<b>(19.7)%</b>
<b>Operating earnings</b>	<b>(19,642)</b>	<b>(16,369)</b>	<b>(20.0)%</b>
Depreciation & amortisation	3,181	2,441	(30.3)%
Loss/(gain) on disposal of assets	(3)	32	109.4%
<b>Earnings Before Interest and Tax</b>	<b>(22,820)</b>	<b>(18,842)</b>	<b>(21.1)%</b>

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 NZX related accredited courses

## Operating expenses

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

- headcount (FTEs Dec 2022: 67.1, Dec 2021: 59.3; with a high level of vacancies in both years) has increased, including:
  - new Sustainability roles (2 FTE) to enhance NZX's ESG reporting; as well as
  - additional roles to support the growth across the business and current levels of project activity e.g. HR resources (to address the high vacancy levels), Risk Analyst (to enhance the Risk function and second line of defense), Legal roles (to support Smartshares), Project Management Resources (to support the ASB Superannuation Master Trust integration)
- capitalised labour and overhead reflects the project management team's activity on capitalisable projects across NZX

IT cost increases relate to the modification and strengthening of security services (completing the network transformation and further enhancing our Security Operation Centre (SOC) capability, to strengthen NZX's cyber security), and the implementation of additional cyber defence capabilities and security services to mitigate the impact of any future cyber attacks. As well as ticker and communication screens in the Auckland Capital Markets Centre

Professional fees include internal audit fees, annual conflicts review, corporate governance review, as well as one off costs associated with investigating acquisition opportunities

Marketing costs relate to the investor relations programme (including annual / interim reporting, investor day etc), which had been impacted by COVID travel restriction in recent years

Other expenses include premises OPEX costs (increased with establishment of the Capital Markets Centre in Auckland), insurance premiums (which continues to significantly increase), directors' fees (increased from 1 July 2022), travel (increased post COVID), external audit costs, outsourced payroll system, corporate memberships, carbon credits and statutory and compliance costs.

## Depreciation & amortisation – increases relate to:

- amortisation of IT improvements completed throughout FY21 and FY22 to improve IT resilience (including the network transformation and the SOC); and
- depreciation on the fit out of the new Auckland office and associated right of use assets commenced in August 2021



# 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

	2022 \$000	2021 \$000	Change Fav/(Adv)
Issuer Regulation services	685	778	(11.8)%
Participant Compliance services	162	100	62.0%
Market Conduct	35	82	(57.3)%
Surveillance	751	773	(2.9)%
Listing and Participants Fee allocation	1,895	1,887	0.4%
<b>Total operating revenue</b>	<b>3,528</b>	<b>3,620</b>	<b>(2.6)%</b>
Gross personnel costs	2,567	2,195	(16.9)%
Less capitalised labour	-	(5)	(80.0)%
Personnel costs	2,567	2,190	(17.2)%
Information technology costs	211	192	(9.9)%
Professional fees	245	186	(31.7)%
Marketing	-	1	100%
Other expenses	104	60	(73.3)%
Capitalised overhead	-	(2)	(100)%
Internal Allocation to NZ RegCo	799	786	(1.8)%
<b>Total operating expense</b>	<b>3,926</b>	<b>3,413</b>	<b>(15.0)%</b>
<b>Operating earnings</b>	<b>(398)</b>	<b>207</b>	<b>(292.5)%</b>
Depreciation & amortisation	-	57	100.0%
<b>Earnings Before Interest and Tax</b>	<b>(398)</b>	<b>150</b>	<b>(365.3)%</b>

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, market conduct, participant compliance and surveillance activities. Fees related to defined services (based on a fee schedule) and revenue for costs awards recovered from enforcement matters referred to the NZ Markets Disciplinary Tribunal

Additionally, there is an internal allocation of Annual Listing Fees, Annual Participants Fees and internal staff fees

Regulatory fees generating activity levels have been lower than 2021 due to decreased market activity levels

## Operating expenses

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

- headcount – FTEs have remained consistent (FTEs Dec 2022: 17.3; Dec 2021: 17.3); and
- wage inflation – for specialist qualified personnel is the main driver of increased personnel costs

Information technology costs include SMARTS surveillance software costs, which are impacted by the movement in the AUD exchange rate

Professional fees primarily relate to NZ RegCo independent directors' fees, which increased from 1 April 2022

Other expenses relate to travel costs to perform regulatory services at issuers premises and a debtor write off in 2022

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

**Depreciation & amortisation** – relates to depreciation on the participants portal which 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.

## Data & Insights

**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 and settlement fees for trading NZX dairy futures and options. Fees are largely 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 long term contract from Fonterra; and
- New Zealand's Emissions Trading Scheme managed auction services, under a long term contract from the Ministry for the Environment.

**Consulting and Development revenue** arises on a time and materials basis for the electricity market and for the implementation of New Zealand's Emissions Trading Scheme managed auction services.

## Funds Management (Smartshares)

**Funds Under Management based revenue** relates to variable Funds Under Management (FUM) fees, which are now 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.

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Thank you