



# NZX INTERIM 2022 RESULTS INVESTOR PRESENTATION

19 August 2022

# Today's Agenda



**Executive Summary** **3**

**Business Unit Highlights** **6**

**Acquisitions Update** **15**

**Financial Performance** **18**

**Financial Position & Cash Flows** **30**

**Interim Dividends & 2022 Earnings Guidance** **34**

## Appendices

**1** **Operating Revenue Definitions** **38**

## 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 Interim Report, which provides additional information on many areas covered in this presentation. These are available at [nzx.com](https://nzx.com).

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

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

# HY22 results highlights

NZX's earnings base has generated a solid result despite the step back in market activity in 2022, 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**

**\$17.6**

Million

Operating Earnings after  
acquisition costs \$17.4 million

**Net Profit After  
Tax**

**\$7.4**

Million

NPAT excluding  
acquisition costs \$7.6 million

**Dividend  
(fully imputed)**

**3.0 cps**

**Revenue of \$46.2m (+8.8% on H1-21 and +1.5% on H2-21)** driven by capital market listings and raisings, data sales and our growing Funds Management and Wealth Technologies platforms

**Operating earnings<sup>1</sup> of \$17.6 million** excluding one-off acquisition and integration costs; on a like for like basis this is a decrease of (1.0)% on H1-21 and (2.2)% on H2-21. Operating earnings after acquisition costs at \$17.4 million

**Net Profit After Tax (NPAT) of \$7.4m** (\$7.6m excluding one-off acquisition costs) impacted by increased amortisation associated with:

- investment into our Wealth Technologies platform arising in advance of the expected uplift in operating earnings; and
- the acquired ASB Superannuation Master Trust definite life intangible asset

**Fully imputed interim dividend of 3.0 cents per share**

Notes:

<sup>1</sup> Operating earnings (EBITDA) are before net finance expense, income tax, depreciation, amortisation, and gain or loss on disposal of assets. 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.

<sup>2</sup> The 2022 Targets are detailed in the management commentary section of the 2021 Annual Report. FY22 Targets are for the year ended 31 December 2022, or as at 31 December 2022 (as applicable). HY22 Progress YTD represents the value for the 6 months ended 30 June 2022, or for Funds Under Management (excluding ASB Superannuation Master Trust FUM) and Funds Under Administration which are the movement in balances as at 31 December 2021 to 30 June 2022.

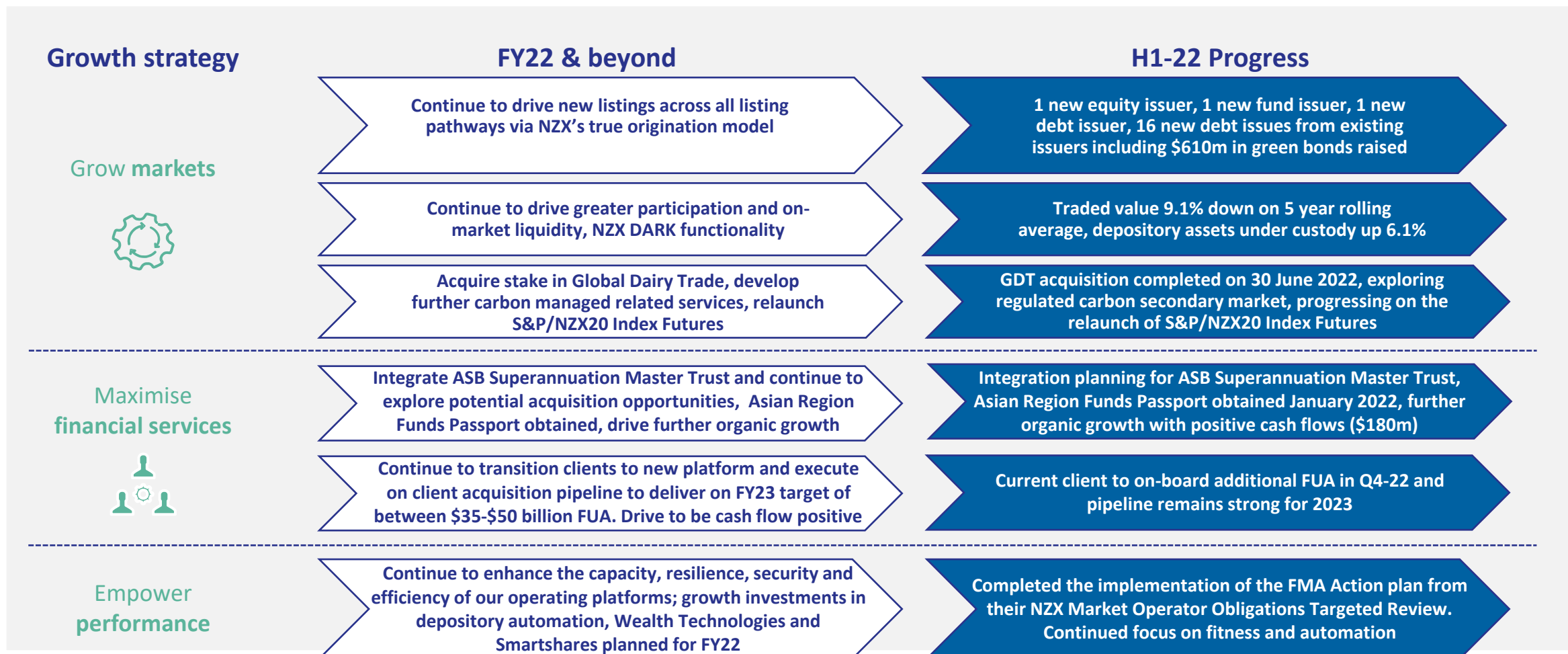
## Performance relative to 2022 Targets<sup>2</sup>

|                                       | FY22 Targets   | HY22 Progress YTD   | 5 Yr Targets Progress                                   |
|---------------------------------------|--|---|---|
| <b>Operating earnings<sup>1</sup></b> | \$33.5m-\$38.0m  | <b>\$17.6m</b><br><i>(excl. acquisition costs)</i><br><i>(\$17.4m after acquisition costs)</i>                            |   |
| <b>Capital listed and raised</b>      | \$14.8bn   | <b>\$9.4bn</b>  | <b>\$19.7bn average p.a.</b>                            |
| <b>Total value traded</b>             | \$52.5bn   | <b>\$20.8bn</b>   | <b>\$47.0bn average p.a.</b>                            |
| <b>Data &amp; insights revenue</b>    | 6.5% avg. growth   | <b>4.2% growth</b>  | <b>7.0% CAGR growth</b>                                 |
| <b>Funds under Mgmt.</b>              | 14% avg. growth<br>(excl. acquired FUM)                    | <b>(12.2)% growth</b><br><b>(excl. acquired FUM)</b><br><b>(net cash flows +2.7%</b><br><b>and market return (14.9)%)</b> | <b>21.2% CAGR growth</b><br><b>(excl. acquired FUM)</b> |
| <b>Funds under Admin.</b>             | Migrate new clients<br>and OE clients onto<br>the platform | <b>(10.1)% growth</b><br><b>(net cash flows +1.4%</b><br><b>and market return (11.5)%)</b>                                | <b>57.2% CAGR growth</b>                                |
| <b>Dairy derivatives lots traded</b>  | 0.45m – 0.55m lots   | <b>198,920 lots traded</b>  | <b>9.0% CAGR growth</b>                                 |

NZX Half Year 2022 Results

# Delivering on our growth strategy

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



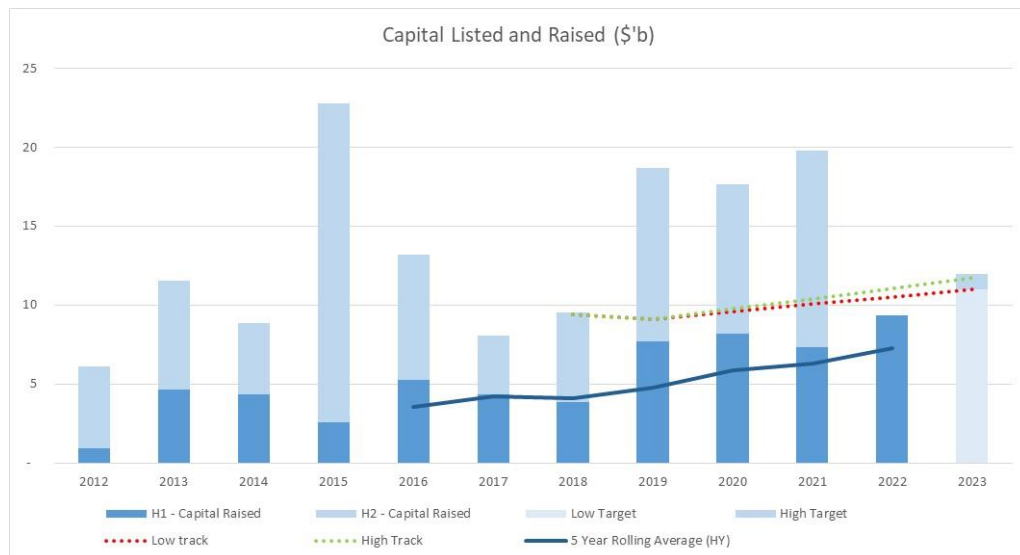


# Business Unit Highlights



# Capital Markets Origination – Capital Listed and Raised

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



**Capital Listed / Raised** (new and secondary capital raisings) **\$9.4 billion**  
 Relative to H1 5 year rolling average **+ 28.5%**  
 Movement from H1-21 **+ 28.0%**  
 Average annual capital raised (2019-2022) **\$19.7 bn**

## 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 for the first half of 2022 with large capital raises from Air New Zealand, Ebos and Vital Healthcare

## Platform and Operations

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, Harmos Horton Lusk, 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 – 1 new equity, 1 new fund and 1 new debt issuers listed during H1-22:

- Foreign Exempt Listings - Ampol Limited (ALD)
- IPOs - Booster Innovation Fund (BIF)
- Debt IPOs - Southland Building Society (SBS)

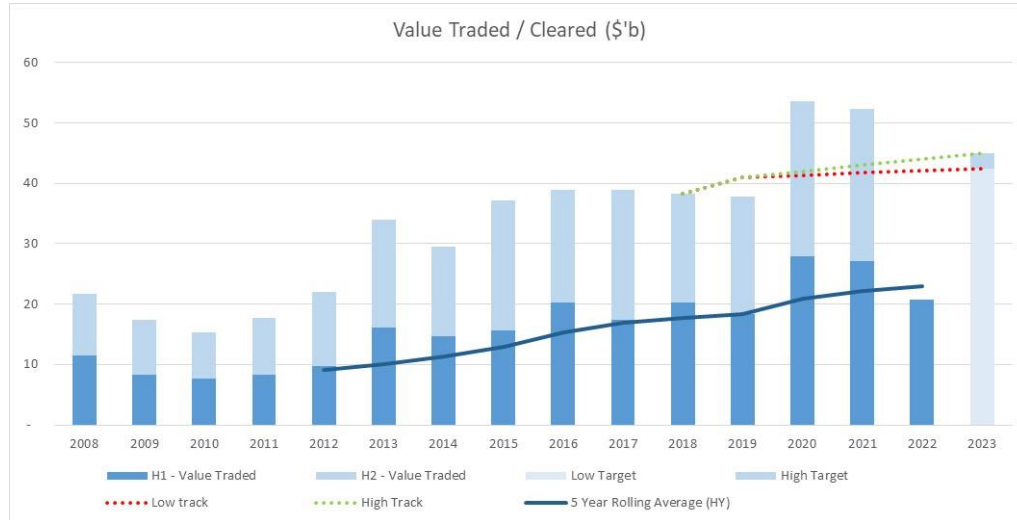
## Existing issuers - 16 new debt issues in H1-22:

- Green Bonds
  - GMT Bond Issuer \$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)



# Secondary Markets – Value Traded / Cleared

Value traded levels have fallen from record levels of the last two years, though remain well head of activity levels in 2019 and prior years



## Traded Value

Relative to H1 5 year rolling average

**\$20.8 billion**

(9.1)%

Movement from H1-21

(23.3)%

Average annual value traded (2019-2022)

\$47.0 bn

## Traded Volume

Movement from H1-21

**7.08 million**

(12.0)%

## Macro Drivers

### Value traded / cleared

- Lower levels of total value traded (\$20.8 billion) reflects a combination of lower traded volumes (down 12.0%) and lower share prices due to significant market uncertainty as a result of high inflation, interest rate rises, reversal of quantitative easing, and global conflict contributing to a flight out of equities globally
- on-market liquidity (65.9%) continuing to increase
- Reduced number of large trading days in H1-22 compared to H1-21 due to lower number of index rebalance days, particularly related to the rebalance of the S&P Clean Energy Index in April 2021

### NZX Depository – continued growth:

- Assets under custody +6.1% to \$5.7 billion, partially offset by depository OTC transactions -12.2% 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 Futures

- New Derivatives Trading and Clearing Participants and Market Makers preparing for launch with initial connectivity and testing underway
- Required changes to NZX systems and processes in development with vendors
- Group of significant cornerstone investors involved in launch and committed to partaking in the market

NZX DARK development continues - Target launch of 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

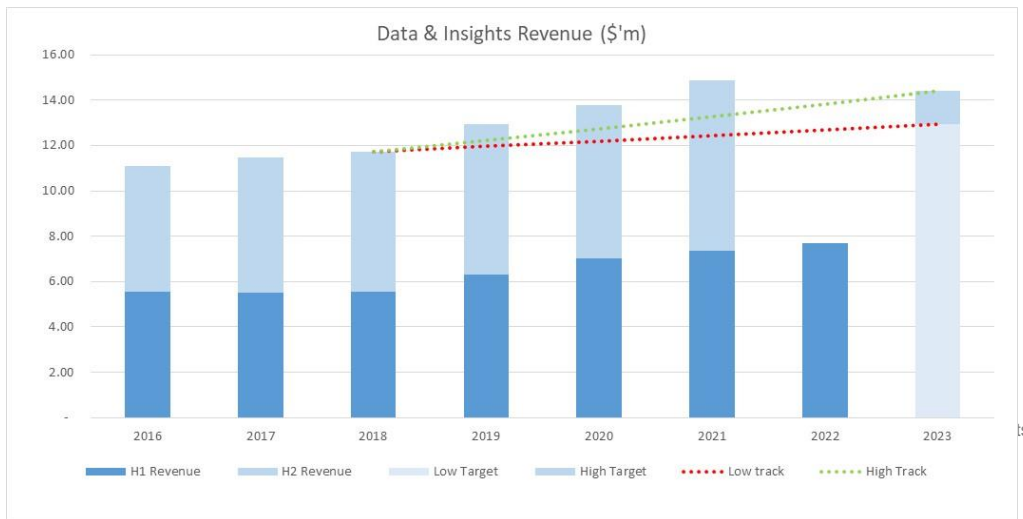
NZX Clearing consultation on Recovery Tools is ongoing to mature the risk management of the clearing house





# Data & Insights revenue

Solid continuation of business growth driven by professional terminal numbers lifting, partially offset by a lower number of completed royalty audits in the period



## Recurring revenue (i.e. excluding audit and back dated licenses revenue) increased 9.2% on H1-21

- Royalty revenue – grew by 13.1% with a mix of professional terminals (higher value - increased 2.0%) and retail terminals (lower value - decreased 15.2%)
- Subscription and licenses revenue – grew by 9.9% with continued growth in non-display applications and ability to capture licence revenue streams post audit (resulting in increased high value license numbers)
- Connectivity revenue – continues to reflect changes in client connectivity requirements (i.e. standards of performance and increased resilience across the market)
- Audits and back dated licenses – decreased by 61.0% with a lower number of completed royalty audits in the period. A significant number of audits are expected to complete in H2-22

## 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 connectivity through Australian Liquidity Centre to open access to significant trading and clearing firms

## Data & Insights Revenue

\$9.0 million

### Movement from H1-21:

- total revenue + 4.2%
- excluding audit and back dated licenses + 9.2%
- CAGR since December 2018 + 7.0%

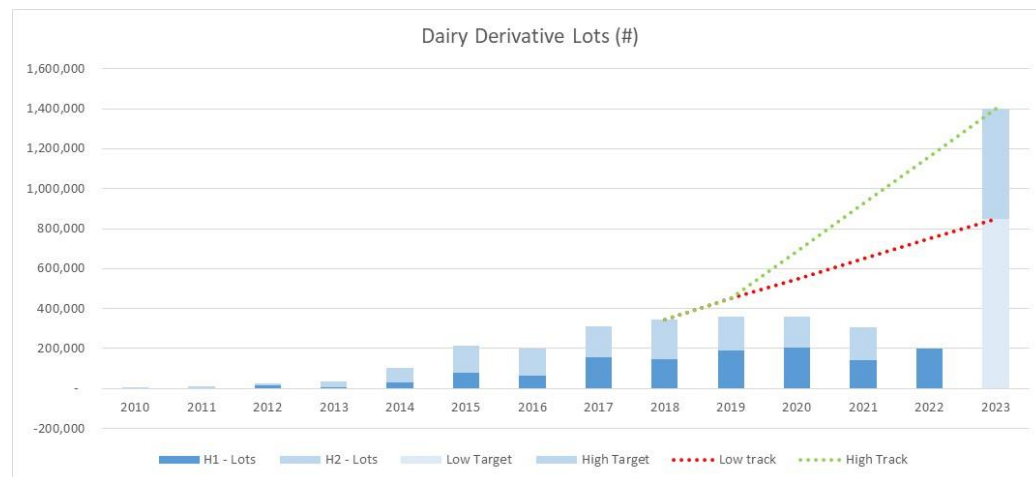
### Split by revenue type:

- Royalties, subscriptions, licenses and indices + 10.3%
- Audits and back dated licenses (61.0)%
- Connectivity + 2.9%



# Dairy Derivatives

Completed the structural change to the dairy derivatives business with the Singapore Exchange strategic partnership and the Global Dairy Trade acquisition. The expected growth from the SGX partnership is being achieved



**Dairy Derivatives Lots traded** 198,920

Movement from H1-21 + 42.1%

CAGR since December 2018 + 9.0%

**Notional Value traded (USD)** \$1.668 billion

Movement from H1-21 + 88.3%

**Open interest** 103,942

Movement from H1-21 + 71.5%

## 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 speculative 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
- **Global Dairy Trade Limited (GDT)** – the acquisition completed on 30 June 2022 and represents further opportunity to accelerate the growth of the SGX-NZX Dairy Derivatives markets
  - focus on bringing new suppliers to market, and more frequent price discovery in the physical market

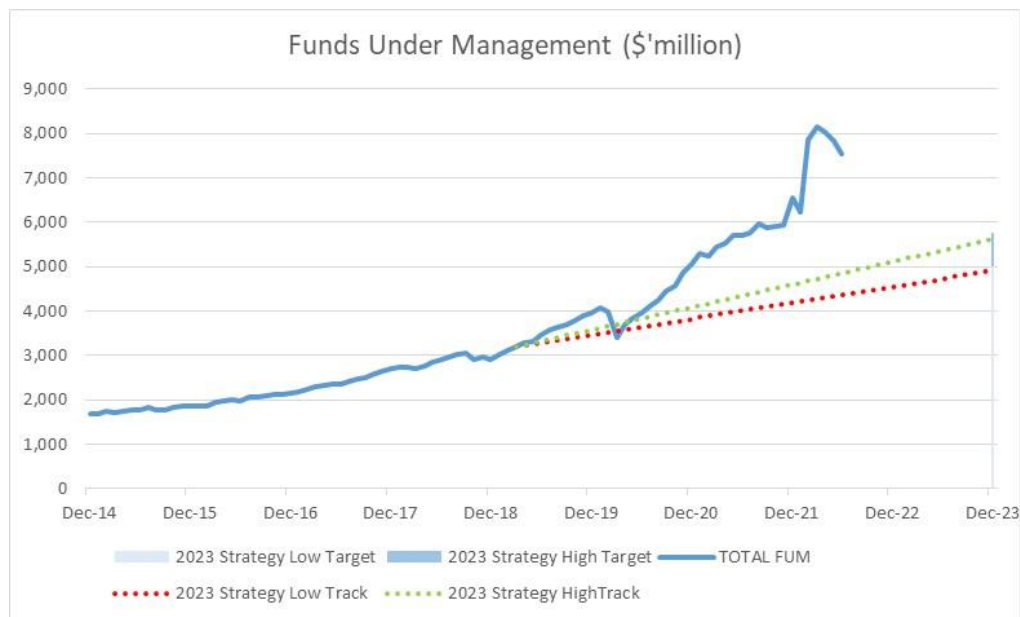
## Platform and Operations

- 'Calendar Strips' functionality was introduced in late May 2022. This functionality allows hedgers to trade quarterly strips on screen without risking being left with a 'leg' unfilled. This will support the trend toward on-screen trading / liquidity
- Block trade fees commenced in May 2022 (waived for an initial 6-month period). This will provide an incentive for on-screen trading / liquidity
- NZX is working with SGX to add further liquidity providers and a pre-close 2-hour liquidity window



# 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



## Funds Under Management

\$7.55 billion

### • Movement from 31 December 2021

- Total FUM movement +15.5%
- Split by:
  - ASB SMT acquired FUM +27.7%
  - Cash flows + 2.7%
  - Market movement -14.9%

- CAGR (excl ASB SMT FUM) since Dec 2018 +21.2%

## Cash Flows

\$0.18 billion

- Movement from H2-21 (ex KSD inflows \$382m in Dec 2021) (26.6)%

## Macro Drivers

- NZ ETF penetration rate is low compared to US/Europe
- KiwiSaver future growth profile grows total market FUM
- Growth in non-KiwiSaver investments and self-directed investing platforms

## FUM growth target 14% p.a.

- **ASB Superannuation Master Trust (ASB SMT) acquired FUM:** \$1.815 billion on 11 February 2022
- **Net FUM inflow:** \$180.1m is approx. 2.7% of opening FUM
- **Market return:** \$(969.2)m is approx. (14.9)% of opening FUM
- **Smartshares ETF trading** accounted for 5.2% of NZX traded value in H1-22 (H1-21: 7.2%, H2-21: 8.7%)

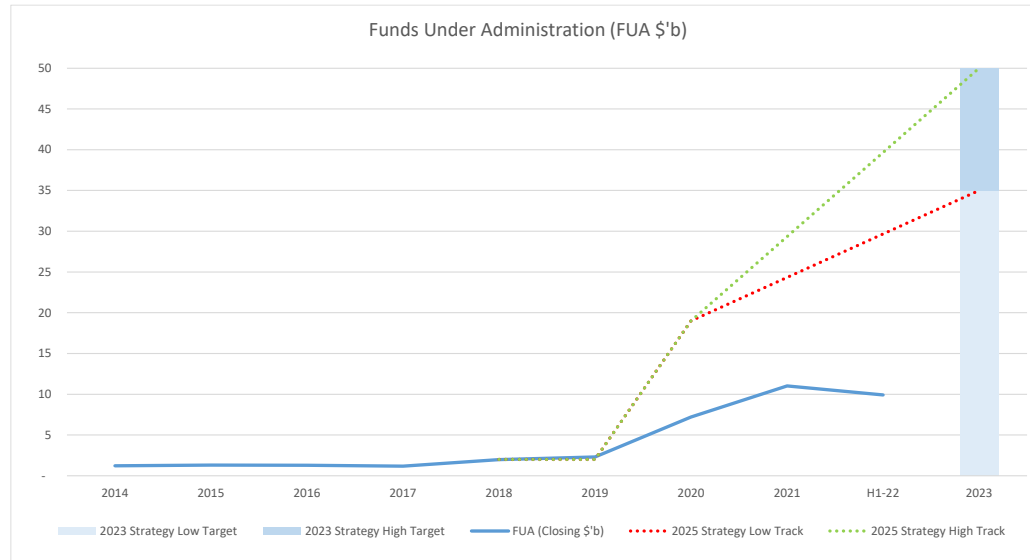
## Strategic step change through scale

- ASB SMT Acquisition – the acquisition of the management rights (which includes approx. 17k members and over \$1.815 billion FUM) completed on 11 February 2022 and moved Smartshares' share of the Superannuation Master Trust market from 17% to 38%
- We continue to mature the operations (particularly in the IT environment), and are embedding our growth initiatives including:
  - **KiwiSaver Default (KSD) provider status** from December 2021, including the implementation of new digital tools to transform customer service to a digital customer experience (e.g. Find My Fund selection tool)
  - **Asian Regional Fund Passport (ARFP) application** was approved by the FMA in January 2022, allowing simpler access to large pools of retail investors in Australia, Japan, Thailand and Korea. Proposals are now being received from potential distribution partners
  - 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



## Funds Under Administration

**\$9.91 billion**

- Movement from 31 December 2021

-10.1%

Split between:

- Cash flows

+ 1.4%

- Market movement

-11.5%

- CAGR since December 2018

+ 57.2%

## Macro Drivers

- Increased compliance obligations are forcing large advisor firms to upgrade their internal platforms
- Increasing cost to service clients impacts medium adviser firms, making the Wealth Technologies operations option cost efficient

## Platform and Operations

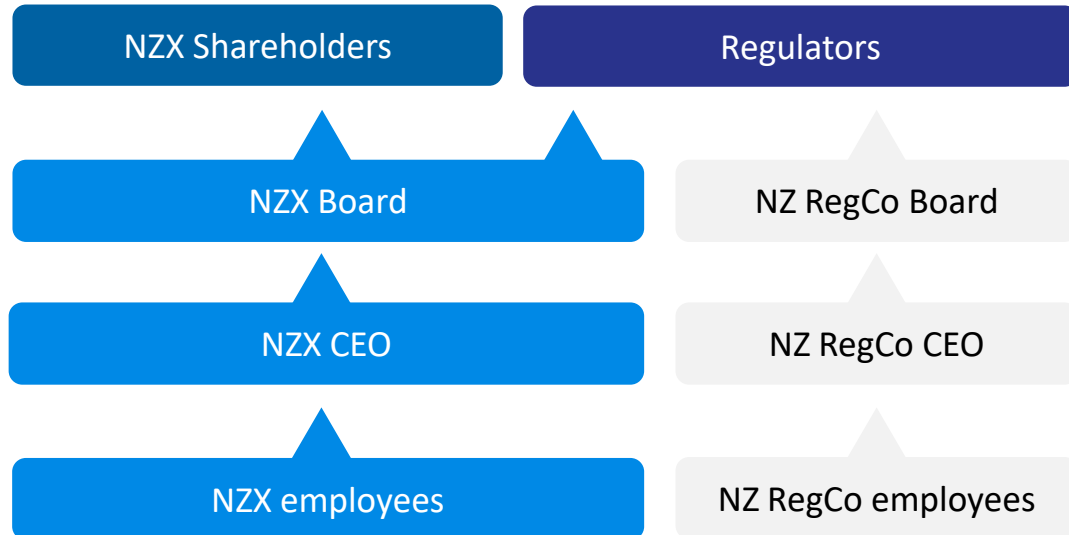
- NZX Wealth Technologies operating earnings continue to improve
- Now have a scalable platform with a highly skilled operational team
- Enhanced structure and increased resourcing to enable strong operational excellence while continuing aggressive growth trajectory
- CAPEX activity reflects new client activity
- We are conscious of cash burn and are targeting to be cashflow positive as soon as possible

## Clients

- Funds Under Administration at \$9.91 billion, down 10.1% from 31 December 2021 due to combination of positive cashflows and negative market return
- 9 clients on the new platform (and 6 on the legacy platform)
- Project in progress to on-board additional FUA in Q4-22, with planning underway for phased transition (from late 2023) for further substantial FUA
- Migration of 1 legacy platform client to the new platform in H2-22, with the remaining clients expected to be migrated in H1-23 and the old platform then decommissioned
- Pipeline remains strong for 2023

# Regulation (NZ RegCo)

Regulatory operating and governance model aligns to global best practice, with structural separation of regulatory activities from NZX's commercial activities, to deliver first class regulatory services, on a cost neutral basis



## NZX Regulation Limited (NZ RegCo)

- NZ RegCo is structurally separate from NZX's commercial and operational activities
- Governed by a separate board with:
  - an independent Chair - Trevor Janes; and
  - the majority of members independent of the NZX Group:
    - Annabel Cotton (Independent);
    - John Hawkins (Independent);
    - Michael Heron QC (Independent); and
    - Elaine Campbell (NZX Director)
- NZ RegCo CEO is Joost van Amelsfort
- Targeting to operate on a cost-neutral basis





# 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 (excluding vacancies) remained stable with 292.7 full-time equivalent employees at December 2021 and 291.9 at June 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 into our business. These graduates are supported by “anchor” staff within the business who develop them via on-the-job training and mentoring.
- We are reviewing our NZX Graduate programme to make it more flexible, attractive and competitive.
- Wealth Technologies added capacity in customer service, operations, onboarding and technical teams to serve new clients. Smartshares teams are focussed on bedding down the Kiwisaver default onboarding.
- Strong competition for skilled people has been experienced given labour market constraints, however, our strong brand, culture and growth opportunities continue to attract skilled people; wage inflation tracked at approximately 4%
- NZX & WealthTech are piloting two outsourcing contractor providers, based in India (Double York) & Vietnam (Code HQ), to enable us to onboard skills and capability at short notice.

## Growing Capability

- The executive team is focusing the business to ensure we have the capability to deliver the next wave of growth, while also lifting capability in key areas such as risk management, policy, and ESG
- Organisational capability in IT functions has been a particular focus including in automation, testing, performance monitoring and reporting, and information security

## Culture and Engagement

- Employee engagement lifted slightly in our May survey. Our ambition is to remain in the top quartile for NZ companies.
- Keeping our workforce connected, supported and informed through successive lockdowns has protected wellbeing and morale. We have engaged in some “return to office activities” for staff across all three offices to ensure they feel safe and connected while working in an office environment again.
- Our ability to support flexible and remote working has enabled our people to balance work and life commitments

## 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 0.80 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 of 15.1% is approximately half the financial & insurance industry average
- Increasing the number of women in senior roles is a goal and will further close the gap. Our SLT is made up of 40% female executives
- A member of the Senior Leadership has been chosen by the World Federation of Exchanges, the global industry group for exchanges and CCPs, to be on the Women Leaders list for 2022
- We actively participate in the Global Women Activate Leaders Programme each year

# Acquisitions Update




# Acquisition - ASB Superannuation Master Trust

Acquisition completed on 11 February 2022

|  |  |  |          |              |                  |                |                 |
|--|--|--|----------|--------------|------------------|----------------|-----------------|
| <b>Investment summary</b>  | <ul style="list-style-type: none"> <li>Acquisition of the management rights of the ASB Superannuation Master Trust completed on 11 February 2022</li> </ul>  |  |          |              |                  |                |                 |
| <b>Transaction rationale</b>   | <ul style="list-style-type: none"> <li>Drives scale in Smartshares, the passive funds management business, with FUM increasing approx. \$1.8m on 11 February 2022; and</li> <li>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</li> </ul>  |  |          |              |                  |                |                 |
| <b>Transition / migration progress</b>   | <ul style="list-style-type: none"> <li>Transition and migration planning has commenced</li> <li>Smartshares currently responsible for client relationships, with certain services continuing to be provided by ASB</li> <li>Transition / migration plan:             <ul style="list-style-type: none"> <li>investment administration in Q2-23;</li> <li>investment management in Q2-23; and</li> <li>registry services in Q3-23</li> </ul> </li> </ul>  |  |          |              |                  |                |                 |
| <b>Financial impact on NZX</b>  | <ul style="list-style-type: none"> <li>Income Statement:             <ul style="list-style-type: none"> <li>Operating Earnings of \$1.82m in H1-22</li> <li>Non operating expenses include acquisition costs (\$0.12m), integration costs (\$0.06m), amortisation (\$0.42m), interest expenses (\$0.07m) and tax expense (\$0.46m)</li> <li>Net Profit After Tax approximately \$0.69m</li> </ul> </li> <li>Balance sheet             <ul style="list-style-type: none"> <li>The management rights assets are accounted for as a definite life asset and will be amortised on a straight-line basis over 25 years for accounting purposes. The amortisation is non-deductible for tax purposes. No deferred tax liability has been recognised on acquisition in accordance with the exemption provided in NZ IAS 12. As at 30 June 2022 the net investment is:                 <table data-bbox="598 1178 1668 1292"> <tr> <td>Intangible asset – definite life (management rights) gross</td> <td>\$25.00m</td> </tr> <tr> <td>Amortisation</td> <td><u>(\$0.42m)</u></td> </tr> <tr> <td>Net investment</td> <td><u>\$24.58m</u></td> </tr> </table> </li> </ul> </li> </ul> | Intangible asset – definite life (management rights) gross | \$25.00m | Amortisation | <u>(\$0.42m)</u> | Net investment | <u>\$24.58m</u> |
| Intangible asset – definite life (management rights) gross   | \$25.00m   |  |          |              |                  |                |                 |
| Amortisation   | <u>(\$0.42m)</u>   |  |          |              |                  |                |                 |
| Net investment   | <u>\$24.58m</u>  |  |          |              |                  |                |                 |

# Acquisition – Global Dairy Trade (GDT)

Acquisition completed on 30 June 2022

|  |  |
|--|--|
| <b>Investment summary</b>  | <ul style="list-style-type: none"> <li>Acquisition of 33.3% stake in GDT completed on 30 June 2022</li> </ul>  |
| <b>Transaction rationale</b>   | <ul style="list-style-type: none"> <li>NZX’s investment into GDT is strategically and financially compelling for NZX and provides a sustainable foundation for NZX’s dairy derivatives business             <ul style="list-style-type: none"> <li>NZX and EEX’s involvement in GDT further enhances GDT’s role as an independent, neutral and transparent auction platform, gives it a presence in prominent international dairy producing regions and creates future growth opportunities</li> <li>The expansion of the physical trading environment, including potentially through more frequent GDT auctions, would both further strengthen our SGX/NZX dairy derivatives financial market contracts and enable the creation of new tools and opportunities for dairy processors and end-users to manage price volatility</li> <li>NZX and its partners see a clear opportunity ahead to evolve GDT to be a truly global auction platform, with the potential to grow financial products to many multiples of the physical dairy market</li> </ul> </li> </ul> |
| <b>Transition / migration progress</b>   | <ul style="list-style-type: none"> <li>GDT will continue to operate on a stand-alone basis, with NZX appointing 2 directors to the GDT Board</li> <li>New shareholding structure takes effect from 1 July 2022 which:             <ul style="list-style-type: none"> <li>enhances Global Dairy Trade’s role as an independent, neutral and transparent trading platform</li> <li>unlocks strong global growth opportunities, with increase in non-Fonterra volumes expected</li> <li>with NZX’s involvement provides the opportunity to develop new tools and financial products to manage price risk and volatility across NZX’s entire dairy value chain</li> </ul> </li> </ul>  |
| <b>Financial impact on NZX</b>  | <ul style="list-style-type: none"> <li>Income Statement:             <ul style="list-style-type: none"> <li>NZX’s share of profit/loss in a period will be recognised after operating earnings as “share of profit of an associate”</li> <li>As the acquisition completed on 30 June 2022 there is no “share of profit of an associate” in H1-22</li> </ul> </li> <li>Balance sheet             <ul style="list-style-type: none"> <li>NZX’s investment in associate as at 30 June 2022 is \$16.6m, being:                 <ul style="list-style-type: none"> <li>\$12.50m for the 33.3% shareholding; plus</li> <li>\$3.16m for working capital to expand the GDT business over the next few years; in addition</li> <li>\$0.46m working capital adjustment (completion accounts are currently being completed); and</li> <li>\$0.51m acquisition costs</li> </ul> </li> </ul> </li> </ul>  |



# 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 silver laptop is visible. The background is a solid blue color with a diagonal split.



# Income Statement

|   | H1-2021<br>\$000 | H2-2021<br>\$000 | H1-2022<br>\$000 |
|---|------------------|------------------|------------------|
| Operating Revenue   | 42,451           | 45,504           | 46,175           |
| Operating Expenses (excl. acq/integration costs)                    | (24,665)         | (27,511)         | (28,571)         |
| <b>Operating earnings<sup>1</sup> (excl. acq/integration costs)</b> | <b>17,786</b>    | <b>17,993</b>    | <b>17,604</b>    |
| Acquisition and integration costs                                   | (848)            | (504)            | (184)            |
| <b>Operating earnings<sup>1</sup></b>                               | <b>16,938</b>    | <b>17,489</b>    | <b>17,420</b>    |
| Net finance expenses  | (1,174)          | (1,333)          | (1,044)          |
| Gain / (loss) on disposal of assets                                 | (112)            | (33)             | 3                |
| Depreciation and amortisation expenses                              | (4,797)          | (5,607)          | (6,756)          |
| Income tax expense  | (3,225)          | (3,131)          | (2,240)          |
| <b>Profit for the year</b>  | <b>7,630</b>     | <b>7,385</b>     | <b>7,383</b>     |
| <b>Operating Margin (excl. acquisition and integration costs)</b>   | <b>41.9%</b>     | <b>39.5%</b>     | <b>38.1%</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.

2 Finance Technology Partners (July 2022) EBITDA Margins (median) information for Regional/Country Based Exchanges is estimated at 2022: 51%.

## Operating Earnings

**Operating earnings** of \$17.6 million, excluding one-off acquisition and integration costs, was (1.0)% lower than H1-21 and (2.2)% lower than H2-21.

The **operating margin** at 38.1%, excluding acquisition and integration costs (H1-21: 41.9%, H2-21: 39.5%), is lower than our peers<sup>2</sup> due to the diverse nature of NZX (i.e. energy markets, non-markets businesses and NZ RegCo) relative to peers.

Operating earnings by business unit are discussed in detail on the following slides.

## Operating Revenue and Expenses

**Operating revenue** increased to \$46.2 million (+8.8% on H1-21 and +1.5% on H2-21):

- Annual Listing Fees, Dairy Derivatives, Data & Insights, Funds Management and Wealth Technologies business units' revenues increased;
- partially offset by reduced levels of securities trading and securities clearing revenues, energy consulting revenue, and audit and back dated licencing revenue

**Operating expenses**, excluding acquisition and integration costs, increased to \$28.6 million (+15.8% on H1-21 and 3.9% on H2-21):

- we have completed our IT capacity and resilience improvement programme, as well as strengthening cyber security. In H2-22 we will further enhance our security services with the implementation of a Security Operation Centre (SOC) and continued security testing
- no new / additional investments for growth (other than completing the acquisitions of the ASB SMT management rights and the 33.3% interest in GDT), and progressing on the relaunch of S&P/NZX20 Index Futures
- the Funds Management and Wealth Technologies business units are focused on leveraging their current resources

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

## Non Operating Expenses

**Net finance costs** include:

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

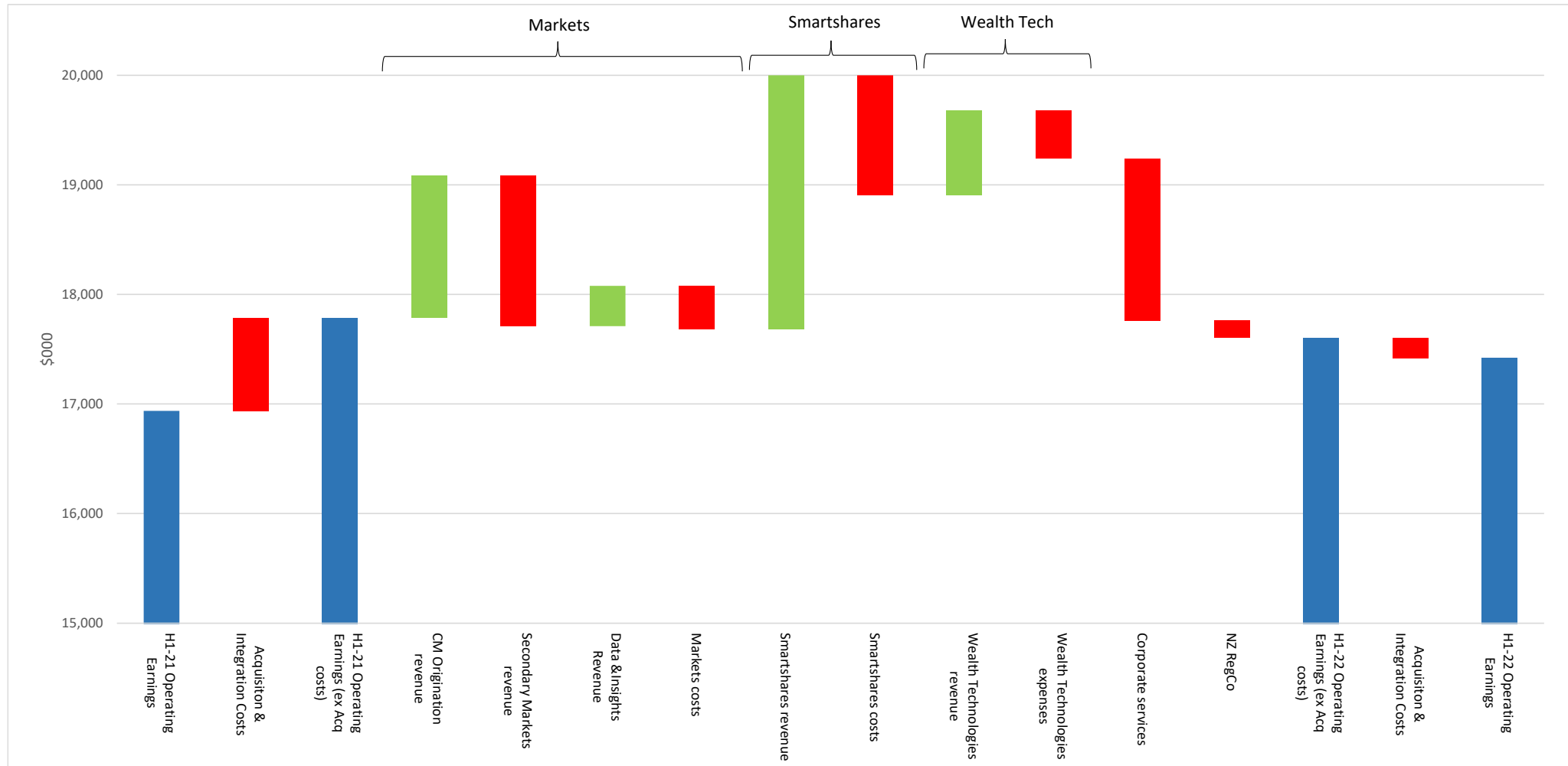
**Depreciation and amortisation** increased due to the full period impact of:

- Wealth Technologies – increased amortisation of the core platform and new client migrations completed in late 2021
- IT improvements completed throughout FY21 to improve IT resilience (including the new trading system and the network transformation)
- 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. \$0.42m)
- 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 differences in valuation (accounting v taxation) on vesting of long term incentive schemes, partially offset by non-deductible items

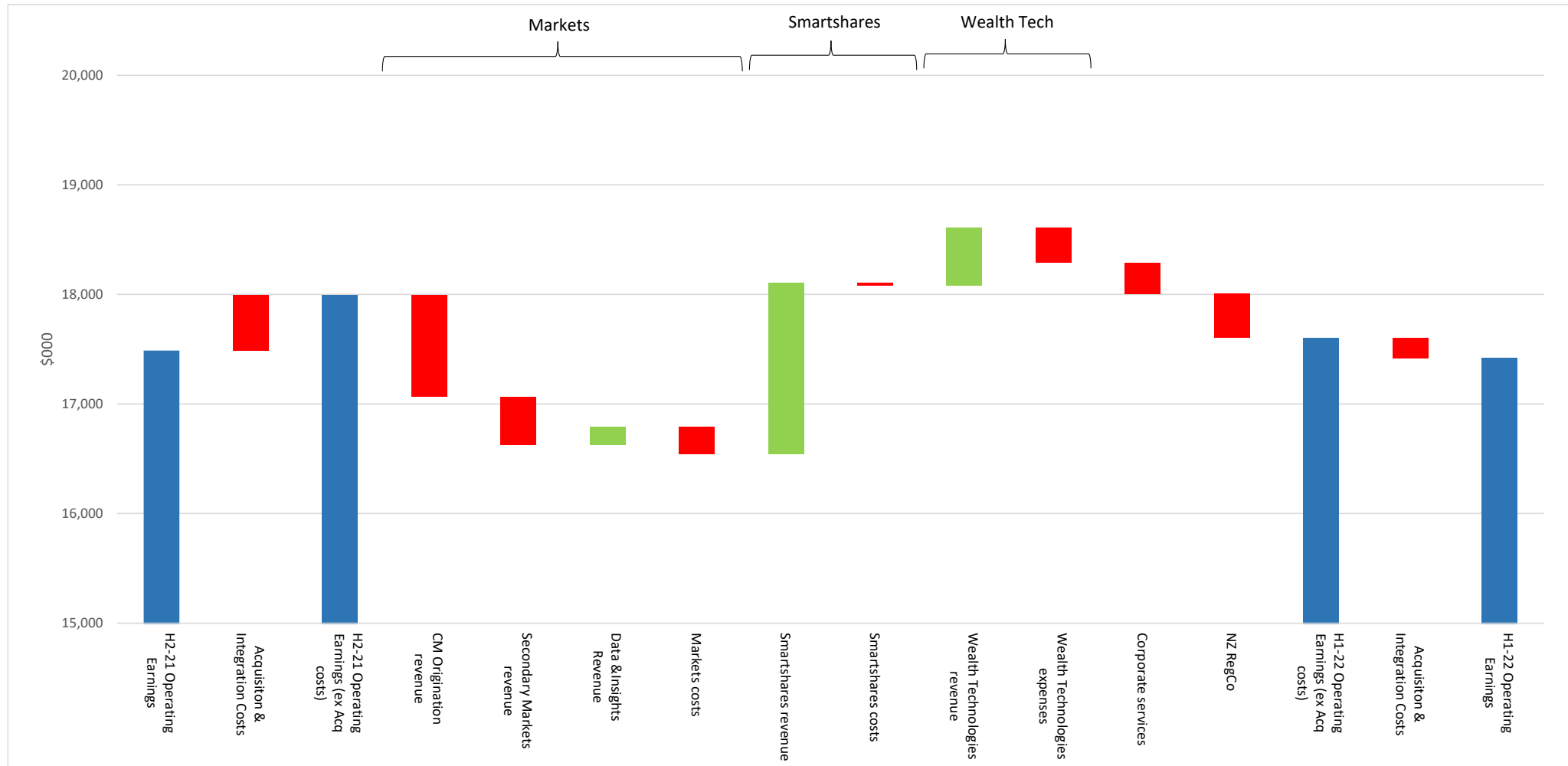
# Operating Earnings Waterfall

H1-22 compared to H1-21



# Operating Earnings Waterfall

H1-22 compared to H2-21



# Income Statement by Business Unit

| 6 months ended June 2022 (H1-22)<br>\$000             | Capital Markets<br>Origination | Secondary<br>Markets | Data &<br>Insights | Markets<br>Sub-total | Funds<br>Management | Wealth<br>Technologies | Corporate<br>Services | NZX Commercial<br>Operations<br>Sub-total | Regulation<br>(NZ RegCo) | NZX Group<br>Total |
|---|--------------------------------|----------------------|--------------------|----------------------|---------------------|------------------------|-----------------------|---|--------------------------|--------------------|
| Operating revenue                                     | 8,092                          | 12,968               | 8,992              | 30,052               | 11,459              | 2,850                  | 16                    | 44,377                                    | 1,798                    | 46,175             |
| Operating expenses (excl. acquisition costs)          |                                |                      |                    | (9,646)              | (5,483)             | (2,386)                | (9,081)               | (26,596)                                  | (1,975)                  | (28,571)           |
| Acquisition / integration costs                       |                                |                      |                    | -                    | (184)               | -                      | -                     | (184)                                     | -                        | (184)              |
| <b>Operating earnings</b>                             |                                |                      |                    | <b>20,406</b>        | <b>5,792</b>        | <b>464</b>             | <b>(9,065)</b>        | <b>17,597</b>                             | <b>(177)</b>             | <b>17,420</b>      |
| Depreciation, amortisation &, gain / loss on disposal |                                |                      |                    | (1,420)              | (1,235)             | (2,588)                | (1,510)               | (6,753)                                   | -                        | (6,753)            |
| <b>Earnings Before Interest &amp; Tax</b>             |                                |                      |                    | <b>18,986</b>        | <b>4,557</b>        | <b>(2,124)</b>         | <b>(10,575)</b>       | <b>10,844</b>                             | <b>(177)</b>             | <b>10,667</b>      |

| 6 months ended December 2021 (H2-21)<br>\$000        | Capital Markets<br>Origination | Secondary<br>Markets <sup>1</sup> | Data &<br>Insights | Markets<br>Sub-total | Funds<br>Management | Wealth<br>Technologies | Corporate<br>Services | NZX Commercial<br>Operations<br>Sub-total | Regulation<br>(NZ RegCo) | NZX Group<br>Total |
|--|--------------------------------|-----------------------------------|--------------------|----------------------|---------------------|------------------------|-----------------------|---|--------------------------|--------------------|
| Operating revenue                                    | 9,020                          | 13,408                            | 8,827              | 31,255               | 9,897               | 2,323                  | 74                    | 43,549                                    | 1,955                    | 45,504             |
| Operating expenses (excl. acquisition costs)         |                                |                                   |                    | (9,397)              | (5,462)             | (2,067)                | (8,854)               | (25,780)                                  | (1,731)                  | (27,511)           |
| Acquisition / integration costs                      |                                |                                   |                    | -                    | (504)               | -                      | -                     | (504)                                     | -                        | (504)              |
| <b>Operating earnings</b>                            |                                |                                   |                    | <b>21,858</b>        | <b>3,931</b>        | <b>256</b>             | <b>(8,780)</b>        | <b>17,265</b>                             | <b>224</b>               | <b>17,489</b>      |
| Depreciation, amortisation & gain / loss on disposal |                                |                                   |                    | (1,391)              | (652)               | (2,183)                | (1,395)               | (5,621)                                   | (19)                     | (5,640)            |
| <b>Earnings Before Interest &amp; Tax</b>            |                                |                                   |                    | <b>20,467</b>        | <b>3,279</b>        | <b>(1,927)</b>         | <b>(10,175)</b>       | <b>11,644</b>                             | <b>205</b>               | <b>11,849</b>      |

| 6 months ended June 2021 (H1-21)<br>\$000            | Capital Markets<br>Origination | Secondary<br>Markets | Data &<br>Insights | Markets<br>Sub-total | Funds<br>Management | Wealth<br>Technologies | Corporate<br>Services | NZX Commercial<br>Operations<br>Sub-total | Regulation<br>(NZ RegCo) | NZX Group<br>Total |
|--|--------------------------------|----------------------|--------------------|----------------------|---------------------|------------------------|-----------------------|---|--------------------------|--------------------|
| Operating revenue                                    | 6,795                          | 14,339               | 8,626              | 29,760               | 8,941               | 2,074                  | 11                    | 40,786                                    | 1,665                    | 42,451             |
| Operating expenses (excl. acquisition costs)         |                                |                      |                    | (9,251)              | (4,186)             | (1,946)                | (7,600)               | (22,983)                                  | (1,682)                  | (24,665)           |
| Acquisition / integration costs                      |                                |                      |                    | -                    | (848)               | -                      | -                     | (848)                                     | -                        | (848)              |
| <b>Operating earnings</b>                            |                                |                      |                    | <b>20,509</b>        | <b>3,907</b>        | <b>128</b>             | <b>(7,589)</b>        | <b>16,955</b>                             | <b>(17)</b>              | <b>16,938</b>      |
| Depreciation, amortisation & gain / loss on disposal |                                |                      |                    | (1,282)              | (691)               | (1,820)                | (1,078)               | (4,871)                                   | (38)                     | (4,909)            |
| <b>Earnings Before Interest &amp; Tax</b>            |                                |                      |                    | <b>19,227</b>        | <b>3,216</b>        | <b>(1,692)</b>         | <b>(8,667)</b>        | <b>12,084</b>                             | <b>(55)</b>              | <b>12,029</b>      |

Notes:

\* 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.

# Segment: Markets

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

|                                    | H1-2021<br>\$000 | H2-2021<br>\$000 | H1-2022<br>\$000 |
|------------------------------------|------------------|------------------|------------------|
| <b>Capital Markets Origination</b> |                  |                  |                  |
| Annual Listing Fee (net)           | 4,981            | 5,144            | 5,351            |
| Primary listing fees               | 555              | 1,395            | 970              |
| Secondary issuance fees            | 1,259            | 2,481            | 1,771            |
| <b>Secondary Markets</b>           |                  |                  |                  |
| Participant services revenue (net) | 357              | 243              | 218              |
| Securities trading revenue         | 2,640            | 2,568            | 2,299            |
| Securities clearing revenue        | 4,190            | 3,958            | 4,063            |
| Dairy derivatives revenue          | 522              | 719              | 836              |
| Contractual revenue                | 4,774            | 4,862            | 4,822            |
| Consulting and development revenue | 1,856            | 1,058            | 730              |
| <b>Data &amp; Insights</b>         |                  |                  |                  |
| Royalties from terminals           | 3,640            | 3,762            | 4,116            |
| Subscriptions and licences         | 2,287            | 2,326            | 2,515            |
| Dairy data subscriptions           | 328              | 288              | 315              |
| Indices                            | 504              | 517              | 513              |
| Audit and back dated licences      | 606              | 632              | 236              |
| Connectivity                       | 1,261            | 1,302            | 1,297            |
| <b>Total operating revenue</b>     | <b>29,760</b>    | <b>31,255</b>    | <b>30,052</b>    |

## Operating Earnings

Operating earnings of \$20.4 million is (0.5)% lower than H1-21 and is (6.6)% lower than H2-21

The operating margin is 67.9% (H1-21: 68.9%, H2-21: 69.9%)

Markets operating revenue and expenses are discussed in the following slides

|   | H1-2021<br>\$000 | H2-2021<br>\$000 | H1-2022<br>\$000 |
|---|------------------|------------------|------------------|
| Gross personnel costs                   | 5,429            | 5,621            | 5,932            |
| Less capitalised labour                 | (324)            | (193)            | (76)             |
| Personnel costs                         | 5,105            | 5,428            | 5,856            |
| Information technology costs            | 2,920            | 2,530            | 2,718            |
| Professional fees                       | 865              | 806              | 617              |
| Marketing                               | 290              | 422              | 278              |
| Other expenses                          | 195              | 287              | 206              |
| Capitalised overhead                    | (124)            | (76)             | (29)             |
| <b>Total operating expense</b>          | <b>9,251</b>     | <b>9,397</b>     | <b>9,646</b>     |
| <b>Operating earnings</b>               | <b>20,509</b>    | <b>21,858</b>    | <b>20,406</b>    |
| Depreciation & amortisation             | 1,282            | 1,391            | 1,420            |
| <b>Earnings Before Interest and Tax</b> | <b>19,227</b>    | <b>20,467</b>    | <b>18,986</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.



# Segment: Markets

## Operating Revenue

**Markets Operating revenue** was \$30.1 million for H1-22 (+1.0% on H1-21 and (3.8)% on H2-21) reflecting:

- *Capital Markets Origination revenue* – increased +19.1% on H1-21 and decreased (10.3)% on H2-21, reflecting the differing levels of primary listings and secondary issuances;
- *Secondary Markets revenue* – decreased (9.6)% on H1-21 and (3.3)% on H2-21, impacted by lower levels of trading / clearing value and OTC settlement / registry messaging fees; and
- *Data & Insights revenue* – increased +4.2% on H1-21 and +1.9% on H2-21, driven by higher levels of terminal and licenses revenue, offset by lower 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 H1-22 fees based on the market capitalisation at 31 May 2021. Annual listing fees have been positively impacted by the growth in both equity market capitalisation and the value of debt instruments

*Primary listing fees* are up 74.8% on H1-21 driven by the levels of equity and retail debt listings

*Secondary issuance fees* are up 40.7% on H1-21 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 30 at June 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

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

- value traded being down 23.3%, as well as lower levels of OTC settlement / registry messaging fees, this has been partially offset by
- lower levels of uncharged value traded (i.e. exceeded fee cap), at 6.54% (H1-21: 10.86% and H2-22 9.24%), as well as higher clearing margin fees

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

*Dairy derivatives revenue* has been favourably impacted by the higher level of lots traded (+42.1%) 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 long term 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; 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 (H1-21 non-recurring revenue \$0.9m)

### **Data & Insights revenue**

*Royalties from terminals revenue* increase relates to higher value professional terminal numbers increasing by 2.0%, partially offset by lower value retail terminals numbers reducing by 15.2%

*Subscriptions and licences revenue* growth (+9.9%) reflects the continued growth in clients non-display applications usage and ability to capture licence revenue streams post audit, resulting in increased high value license numbers

*Dairy subscription revenue* reduction reflects reduced high value product subscriptions

*Indices revenue* has flattened with no additional index data clients during the period

*Audit and back dated licencing revenue* reflects the timing of audit completions, with a lower level of audits completed in H1-22; a significant number of audits are expected to be completed in H2-22

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

# Segment: Markets

## Operating Expenses

**Markets Operating expenses** were \$9.6 million for H1-22 ((4.3)% on H1-21 and (2.6)% on H2-21) mainly reflecting:

- **Personnel costs** – increased +14.7% on H1-21 and +7.9% on H2-21, driven by higher average number of FTEs, wage inflation and lower levels of capitalised labour; and
- **Information Technology costs** – decreased (6.9)% on H1-21 and increased +7.4% on H2-21, with H1-21 including non-recurring costs for the development of the carbon managed auction service, and reflecting IT cost inflation and NZX's share of IT costs under the SGX-NZX dairy derivatives strategic partnership.

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

- headcount – there has been higher average number of FTEs compared to H1-21 (FTEs at 30 June 2022: 78.3, 31 December 2021: 81.9, 30 June 2021: 80.1; with a high level of vacancies across all periods)
- the higher average number of FTEs results from the additional roles created during 2021:
  - Securities IT team resources to deliver technology solutions to increase trading and clearing system capacity and resilience, and maintain market stability;
  - Capital Markets Origination sales role focused on origination, with active pipeline development and conversion;
  - Secondary Markets product resource to support growth in the depository business and the dairy derivative business; and
  - Energy contractors delivering increased levels of consulting and development revenue including the electricity market real time pricing project and the carbon managed auction service
- 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** relate to:

- trading and clearing systems – licensing and hardware / software maintenance costs, which are impacted by movements in FX rates 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 – use third party specialist support to assist with the development (in H1-21) and ongoing support of the carbon managed auction service;

**Information technology costs (continued)**

- dairy derivatives – NZX's share of IT costs under the SGX-NZX dairy derivatives strategic partnership which 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** relate to:

- 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);
- terminal royalty audit fees \$58k (H1-21: \$168k, H2-21: \$172k) – which vary in proportion to audit revenue and are revenues recognised on a gross basis;
- EEX ongoing royalty fees relating to the carbon managed auction service;
- SGX ongoing costs relating to the SGX-NZX dairy derivatives strategic partnership; and
- H1-21 and H2-21 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 H1-22

**Other expenses** include travel, statutory compliance costs and non-recoverable GST costs which are comparable to H1-21

**Depreciation & amortisation**

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

# Segment: Smartshares

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

|  | H1-2021<br>\$000 | H2-2021<br>\$000 | H1-2022<br>\$000 |
|--|------------------|------------------|------------------|
| FUM-based revenue  | 7,605            | 8,627            | 10,047           |
| Member-based revenue                                     | 1,098            | 1,022            | 1,118            |
| Other revenue  | 238              | 248              | 294              |
| <b>Total operating revenue</b>                           | <b>8,941</b>     | <b>9,897</b>     | <b>11,459</b>    |
| Gross personnel costs                                    | 3,175            | 3,937            | 3,921            |
| Less capitalised labour                                  | (121)            | (213)            | (97)             |
| Personnel costs  | 3,054            | 3,724            | 3,824            |
| Information technology costs                             | 445              | 590              | 634              |
| Professional fees  | 276              | 302              | 377              |
| Marketing  | 148              | 453              | 288              |
| Other expenses   | 310              | 476              | 398              |
| Capitalised overhead                                     | (47)             | (83)             | (38)             |
| <b>Total operating expense (excl. acquisition costs)</b> | <b>4,186</b>     | <b>5,462</b>     | <b>5,483</b>     |
| <b>Operating earnings (excl. acquisition costs)</b>      | <b>4,755</b>     | <b>4,435</b>     | <b>5,976</b>     |
| Acquisition costs  | 848              | 504              | 124              |
| Integration costs  | -                | -                | 60               |
| <b>Operating earnings</b>                                | <b>3,907</b>     | <b>3,931</b>     | <b>5,792</b>     |
| Depreciation & amortisation                              | 578              | 652              | 1,235            |
| Loss on disposal of assets                               | 113              | -                | -                |
| <b>Earnings Before Interest and Tax</b>                  | <b>3,216</b>     | <b>3,279</b>     | <b>4,557</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. Transition and migration planning is underway. We expect the transition of investment administration and investment management in Q2-23, and registry services in Q3-23. The ASB SMT contributed operating earnings of \$1.82m excluding acquisition and integration costs

## Operating Earnings

Operating earnings of \$6.0 million, excluding one-off acquisition and integration costs, is 25.7% higher than H1-21 and 34.7% higher than H2-21

The operating margin is 52.2%, excluding acquisition and integration costs (H1-21: 53.2%, H2-21: 44.8%)

## Operating revenue

FUM-based revenue – average FUM has increased (H1-22: \$7.53b, H2-21: \$5.92b, H1-21: \$5.44b) which is a combination of the ASB SMT acquired FUM, negative market returns and positive net cash flows

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 at 30 June 2022: 61.7, 31 December 2021: 69.4, 30 June 2021: 51.4; with a high level of vacancies across all periods) has increased since H1-21 to support continued growth and includes project resources for the KiwiSaver Default Scheme (KSD) and for the ASB SMT transition. Resourcing for the ASB SMT is expected to increase in the future for both integration activities (non-recurring) and as certain services transition from ASB to SMS (BAU recurring); and
- capitalised labour and overhead reflects capitalisable activity on internal systems and relating to KSD

Information Technology costs include software license costs for the Bloomberg front and middle office operating system and new licenses for the KSD digital tools

Professional fees includes internal audit fees, legal and tax advice costs

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

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

## Acquisition and integration costs

Acquisition and integration costs relate to the acquisition (and integration planning) of the ASB SMT management rights

## Depreciation & amortisation

Depreciation & amortisation increases relate to amortisation of:

- the ASB SMT intangible asset (\$0.42m); and
- the KSD digital tools and related additional processing and storage capacity and resilience

# Segment: Wealth Technologies

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

|  | H1-2021<br>\$000 | H2-2021<br>\$000 | H1-2022<br>\$000 |
|--|------------------|------------------|------------------|
| Administration (FUA based) fees            | 1,929            | 2,219            | 2,685            |
| Development fees / deferred income release | 145              | 104              | 165              |
| <b>Total operating revenue</b>             | <b>2,074</b>     | <b>2,323</b>     | <b>2,850</b>     |
| Gross personnel costs                      | 4,167            | 4,797            | 5,108            |
| Less capitalised labour                    | (2,371)          | (3,044)          | (2,907)          |
| Personnel costs                            | 1,796            | 1,753            | 2,201            |
| Information technology costs               | 470              | 594              | 636              |
| Professional fees                          | 59               | 86               | 26               |
| Marketing                                  | -                | 4                | 1                |
| Other expenses                             | 95               | 239              | 162              |
| Capitalised overhead                       | (474)            | (609)            | (640)            |
| <b>Total operating expenses</b>            | <b>1,946</b>     | <b>2,067</b>     | <b>2,386</b>     |
| <b>Operating earnings</b>                  | <b>128</b>       | <b>256</b>       | <b>464</b>       |
| Depreciation & amortisation                | 1,820            | 2,183            | 2,588            |
| <b>Earnings Before Interest and Tax</b>    | <b>(1,692)</b>   | <b>(1,927)</b>   | <b>(2,124)</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 \$0.5 million, is 262.5% higher than H1-21 and 81.3% higher than H2-21

The **operating margin** has improved to 16.3% (H1-21: 11.0%, H2-21: 6.2%)

## Operating revenue

Administration (FUA based) fees – average FUA has increased (H1-22: \$10.44b, H2-21: \$9.10b, H1-21: \$7.39b) which is a combination of new clients FUA migrated onto the platform in 2021, negative market returns and positive net cash flows

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 and wage inflation:

- 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 at 30 June 2022: 69.8, 31 December 2021: 65.8, 30 June 2021: 50.3) has been increasing as new clients have been or are in the process of being migrated to the platform. This is expected to continue as current clients migrate additional FUA and future new clients are won; and

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, 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

## Depreciation & amortisation

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

# Segment: Corporate Services

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

|   | H1-2021<br>\$000 | H2-2021<br>\$000 | H1-2022<br>\$000 |
|---|------------------|------------------|------------------|
| Other revenue                           | 11               | 74               | 16               |
| <b>Total operating revenue</b>          | <b>11</b>        | <b>74</b>        | <b>16</b>        |
| Gross personnel costs                   | 4,811            | 5,653            | 5,526            |
| Less capitalised labour                 | (184)            | (169)            | (47)             |
| Personnel costs                         | 4,627            | 5,484            | 5,479            |
| Information technology costs            | 1,929            | 2,083            | 2,317            |
| Professional fees                       | 253              | 426              | 349              |
| Marketing                               | 72               | -                | 31               |
| Other expenses                          | 1,187            | 1,319            | 1,322            |
| Capitalised overhead                    | (75)             | (65)             | (17)             |
| Internal Allocation to NZ RegCo         | (393)            | (393)            | (400)            |
| <b>Total operating expense</b>          | <b>7,600</b>     | <b>8,854</b>     | <b>9,081</b>     |
| <b>Operating earnings</b>               | <b>(7,589)</b>   | <b>(8,780)</b>   | <b>(9,065)</b>   |
| Depreciation & amortisation             | 1,079            | 1,362            | 1,513            |
| Loss/(gain) on disposal of assets       | (1)              | 33               | (3)              |
| <b>Earnings Before Interest and Tax</b> | <b>(8,667)</b>   | <b>(10,175)</b>  | <b>(10,575)</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 at 30 June 2022: 63.9, 31 December 2021: 59.3, 30 June 2021: 57.2; with a high level of vacancies across all periods) has increased to support the growth across the business and current levels of project activity i.e. additional IT development, IT resilience, project, legal and HR resources employed during 2021, including to address the FMA Action plan from their NZX Market Operator Obligations Targeted Review
- 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 (the network transformation to strengthen NZX's cyber security is now complete), and the implementation of additional cyber defence capabilities and security services to mitigate the impact of any future cyber attacks. In H2-22 we will further enhance our security services with the implementation of a Security Operation Centre (SOC) and continued security testing

Professional fees include internal audit fees, annual conflicts review, corporate governance review etc

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

Other expenses include premises costs (other than rent), insurance premiums, directors' fees, travel, external audit costs, outsourced payroll system, corporate memberships, and statutory and compliance costs. The increase relates to higher insurance premiums and compliance costs

## Depreciation & amortisation

Depreciation & amortisation increases relate to:

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



# Segment: Regulation (NZ RegCo)

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

|   | H1-2021<br>\$000 | H2-2021<br>\$000 | H1-2022<br>\$000 |
|---|------------------|------------------|------------------|
| Issuer compliance services              | 267              | 511              | 324              |
| Participant compliance services         | 32               | 68               | 96               |
| Market Conduct                          | 30               | 52               | 31               |
| Surveillance                            | 392              | 381              | 400              |
| Listing fees & participants services    | 944              | 943              | 947              |
| <b>Total operating revenue</b>          | <b>1,665</b>     | <b>1,955</b>     | <b>1,798</b>     |
| Gross personnel costs                   | 1,070            | 1,125            | 1,293            |
| Less capitalised labour                 | (4)              | (1)              | -                |
| Personnel costs                         | 1,066            | 1,124            | 1,293            |
| Information technology costs            | 94               | 98               | 97               |
| Professional fees                       | 95               | 91               | 110              |
| Marketing                               | -                | 1                | -                |
| Other expenses                          | 35               | 25               | 75               |
| Capitalised overhead                    | (1)              | (1)              | -                |
| Internal Allocation to NZ RegCo         | 393              | 393              | 400              |
| <b>Total operating expense</b>          | <b>1,682</b>     | <b>1,731</b>     | <b>1,975</b>     |
| <b>Operating earnings</b>               | <b>(17)</b>      | <b>224</b>       | <b>(177)</b>     |
| Depreciation & amortisation             | 38               | 19               | -                |
| <b>Earnings Before Interest and Tax</b> | <b>(55)</b>      | <b>205</b>       | <b>(177)</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 higher than H1-21 and lower than H2-21

## Operating expenses

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

- headcount – there has been slightly higher average number of FTEs for the period (FTEs at 30 June 2022: 18.3, 31 December 2021: 17.3, 30 June 2021: 16.5) with a lower level of vacancies in H1-22; and
- wage inflation – for specialist qualified lawyers is the main driver of increased personnel costs

Information technology costs include SMARTS surveillance software costs

Professional fees primarily relate to NZ RegCo independent directors' fees

Other expenses relate to travel costs to perform regulatory services at issuers premises

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

## Depreciation & amortisation

Depreciation & amortisation relates to depreciation on the participants portal

# Financial Position and Cash Flows



# Balance Sheet as at 30 June 2022

|                                       | June 2021<br>\$000 | December 2021<br>\$000 | June 2022<br>\$000 |
|---------------------------------------|--------------------|------------------------|--------------------|
| <b>Current assets</b>                 |                    |                        |                    |
| Cash and cash equivalents             | 41,325             | 49,062                 | 36,527             |
| Receivables and prepayments           | 23,179             | 11,270                 | 27,553             |
| Funds held on behalf of third parties | 135,643            | 28,025                 | 27,221             |
| <b>Total current assets</b>           | <b>200,147</b>     | <b>88,357</b>          | <b>91,301</b>      |
| <b>Non-current assets</b>             |                    |                        |                    |
| Right-of-use lease assets             | 4,456              | 11,299                 | 11,357             |
| Investment in associate               | -                  | -                      | 16,638             |
| Other non-current assets              | 77,007             | 80,974                 | 106,844            |
| <b>Total non-current assets</b>       | <b>81,463</b>      | <b>92,273</b>          | <b>134,839</b>     |
| <b>Current liabilities</b>            |                    |                        |                    |
| Trade payables                        | 8,261              | 6,814                  | 9,379              |
| Other current liabilities             | 19,476             | 18,907                 | 21,896             |
| Lease liabilities                     | 1,052              | 1,175                  | 1,319              |
| Funds held on behalf of third parties | 135,643            | 28,025                 | 27,221             |
| <b>Total current liabilities</b>      | <b>164,432</b>     | <b>54,921</b>          | <b>59,815</b>      |
| <b>Non-current liabilities</b>        |                    |                        |                    |
| Interest bearing liabilities          | 38,940             | 38,971                 | 38,983             |
| Lease liabilities                     | 5,232              | 12,378                 | 12,280             |
| Other non-current liabilities         | 3,787              | 3,754                  | 2,973              |
| <b>Total non-current liabilities</b>  | <b>47,959</b>      | <b>55,103</b>          | <b>54,236</b>      |
| <b>Net assets</b>                     | <b>69,219</b>      | <b>70,606</b>          | <b>112,089</b>     |

## Cash and cash equivalents

- Clearing House risk capital (\$20 million) which is not available for general use;
- Clearing House complies with International Organisation of Securities Commissions principles requiring retention of sufficient working capital (including cash of approximately \$2.9 million); and
- Smartshares maintains sufficient net tangible assets in accordance with its license requirements (including cash of approximately \$2.5 million)

## Funds held on behalf of third parties (assets and liabilities) offset

- Relate to issuer bond deposits, participants' collateral deposits and deposited funds (including those held in the Mutualised Default Fund)
- Amounts are repayable to issuers and participants and not available for general use
- Reduced levels of Funds held on behalf of third parties (assets and liabilities) is due to the dairy derivatives trading on NZX transferring to the Singapore Stock Exchange in November 2021 resulting in the return of participants mutualised default fund contributions

## Right-of-use lease assets and lease liabilities

- Relate to leased premises and IT equipment

## Other non-current assets

- Consists of property, plant & equipment, intangible assets and goodwill
- Increased due to the acquisition of the ASB SMT management rights

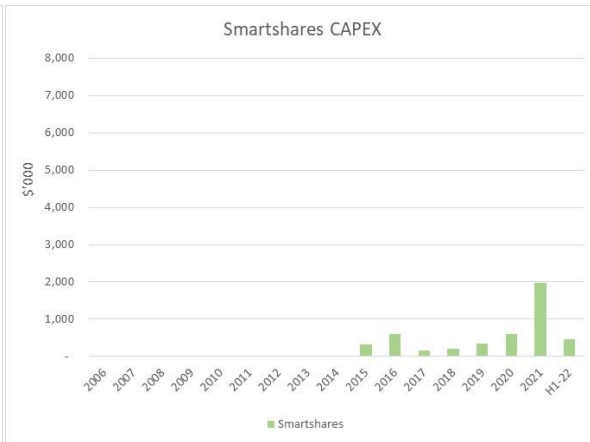
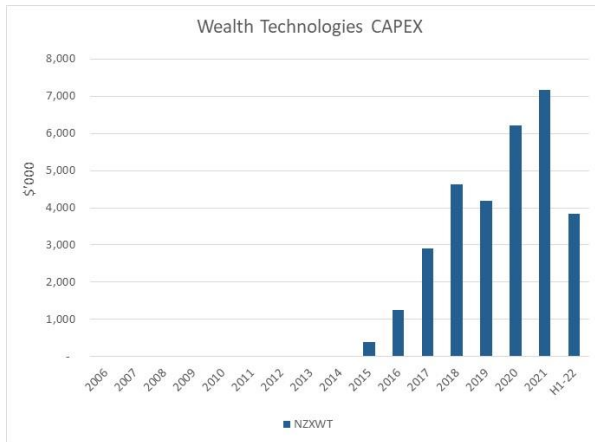
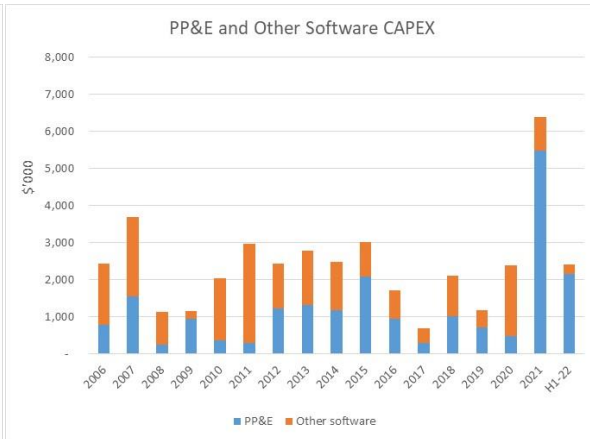
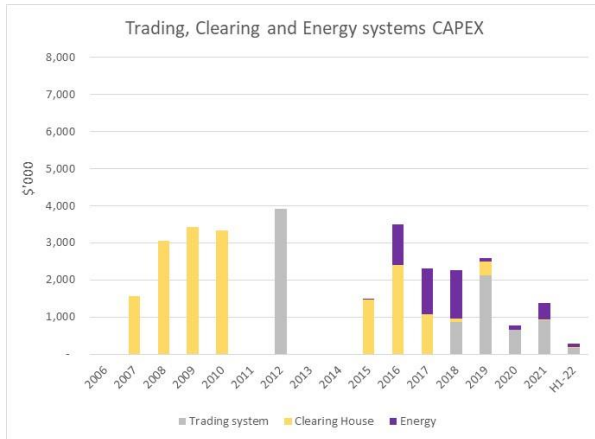
## Other current liabilities

- Includes income in advance largely related to annual listing (billed on 30 June each year), data subscriptions, employee benefits payable, and tax payables

## Other non-current liabilities

- Mainly relates to deferred tax

# CAPEX



## Trading, Clearing and Energy Systems CAPEX

- **Trading, clearing and energy systems CAPEX** driven by specific system life cycles which result in large multi-year projects
- In H2-22 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 commencing the implementation of a strategic storage solution. In 2021 we established the Capital Markets Centre in Auckland.
- In H2-22 we expect to complete the strategic storage solution, replace the old Auckland ticker and the fit out of additional accommodation requirements as the business grows
- **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
- **Smartshares CAPEX** relates to the delivery of digital tools for the new KiwiSaver Default Scheme to ensure improved client servicing / experience and automation / efficiency

# Cash Flows

|   | H1-2021<br>\$000 | H2-2021<br>\$000 | H1-2022<br>\$000 |
|---|------------------|------------------|------------------|
| Operating activities  | 3,854            | 23,538           | 1,184            |
| Investing activities  | (7,903)          | (9,017)          | (46,950)         |
| Financing activities  | (7,401)          | (6,784)          | 33,231           |
| <b>Net increase / (decrease) in cash and cash equivalents</b> | <b>(11,450)</b>  | <b>7,737</b>     | <b>(12,535)</b>  |

## Operating Activities

- Cash flow from operating activities includes net interest and income tax paid
- The decrease reflects a 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 CAPEX, which is primarily:

- the acquisitions of the ASB Superannuation Master Trust management rights and Global Dairy Trade Limited;
- 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, commencement of planning for additional accommodation on level 14 and a new ticker

## Financing Activities

- Financing activities includes receipts from equity raisings, dividends which are net of participation in the dividend reinvestment plan (when in operation), and payment of lease liabilities
- The increase reflects the equity raise to fund the acquisitions of the ASB Superannuation Master Trust management rights and Global Dairy Trade Limited



# Interim Dividend and 2022 Earnings Guidance



# Interim Dividend

## Interim Dividend

- The Board has declared a fully imputed interim dividend of 3.0 cents per share
- Dividend to be paid on 23 September 2022 to shareholders registered as at the record date of 9 September 2022

## 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)

## Dividend reinvestment plan

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

# 2022 Earnings Guidance

## 2022 Earnings Guidance

NZX's full year 2022 Operating Earnings (EBITDA) are expected to be in the range of **\$33.5 million to \$38.0 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 / 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 Earnings Guidance excludes the expected impact of the GDT investment as this is recognised as "share of profit of an associate" (i.e. after Operating Earnings)

### 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.



# Questions?



# Appendices



# Appendix 1: 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 a 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.

# Contact



**Mark Peterson**

Chief Executive Officer

@ [mark.peterson@nzx.com](mailto:mark.peterson@nzx.com)

📞 +64 21 390 636



**Graham Law**

Chief Financial Officer

@ [graham.law@nzx.com](mailto:graham.law@nzx.com)

📞 +64 29 494 2223



Thank you