NZX INTERIM 2023 RESULTS INVESTOR PRESENTATION

25 August 2023

New Zealand's Exchange
Te Paehoko O Aotearoa

Today’s Agenda

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 2023 Interim Report, which provides additional information on many areas covered in this presentation. These are available at 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

HY23 results highlights

Demonstrating progress and resilience – NZX has maintained the positive momentum in delivering to our growth strategy, and the operating earnings demonstrate the resilience of NZX's earnings base

Highlights[1]

Operating Earnings[2]
excl. acquisition, integration & restructure costs

$20.6 million

16.8% increase

Revenue

$54.0 million

16.9% increase

Expenses
excl. acquisition, integration & restructure costs

$33.4 million

16.9% increase

Operating Earnings[2]
incl. acquisition, integration & restructure costs

$20.0 million

15.0% increase

Net Profit After Tax

$7.0 million

5.6% decrease

Interim Dividend
(fully imputed)

3.0 cps

Performance relative to 2023 Targets[3]

	FY23 Targets	H1-23 Progress YTD		5 Yr Targets Progress[4]	
Operating earnings[2]	$36.0m-$40.5m	**$20.6m** *(excluding acquisition, integration & restructure costs)*	✓		
Capital listed and raised	$16.0bn	**$7.2bn**	✗	**$18.7bn average p.a.**	✓
Total value traded	$40.0bn	**$18.0bn**	✗	**$44.3bn average p.a.**	✓
Information services revenue	6.9% avg. growth	**16.1% growth (excl. connectivity)**	✓	**8.4% CAGR growth (excl. connectivity)**	✓
Funds under Mgmt.	14% avg. growth (excl. acquired FUM)	**10.0% growth (excl. acquired FUM) (net cash flows +2.7% and market return 7.3%)**	✓	**22.8% CAGR growth [excl. acquired FUM]**	✓
Funds under Admin.	Migrate new clients and OE clients onto the platform	**8.7% growth (net cash flows +0.9% and market return 7.8%)**	✗	**45.7% CAGR growth**	✗
Dairy derivatives lots traded	0.55m – 0.65m lots	**0.26m lots traded**	✗	**8.5% CAGR growth**	✗

Notes:

1 Data is for the 6 month period ended 30 June 2023. Percentage changes represent the movement for the interim period June 2022 to June 2023.

2 Operating earnings (EBITDA) are before net finance expense, income tax, depreciation, amortisation, gain on disposal of assets, gain on lease modification 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 period.

3 The 2023 Targets are detailed in the Investor Presentation in February 2023. Data is "for the year ended 31 December 2023," or "as at 31 December 2023" (as applicable). H1-23 Progress YTD represents the value for the 6 months ended 30 June 2023, except for Funds Under Management and Funds Under Administration which are the movement in balances as at 31 December 2022 to 30 June 2023.

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

NZX Group overview

A diverse and connected capital markets focused business

NZX Group
Corporate, Legal, Policy, Technology

Capital Markets

[Cash (Shares), Derivatives, Energy, Environmental, Fonterra Markets]

Secondary markets

- **Capital Markets Origination** – Existing and new issuance
- **Markets Development** – Market Participants
- **Market Operations** – Clearing House & Operations
- **Strategic Delivery** – Derivatives (including dairy with SGX), Electricity and Carbon Markets
- **Information Services** – Market data, Indices, Connectivity

Funds Management

(Smartshares, SuperLife)

A leading investment fund manager in New Zealand, serving more than 177,000 investors* and more than $10.7 billion Funds under Management*

NZX Wealth Technologies

A market leading, tailored custodial investment management platform with more than $10.8 billion in Funds Under Administration*

NZ RegCo

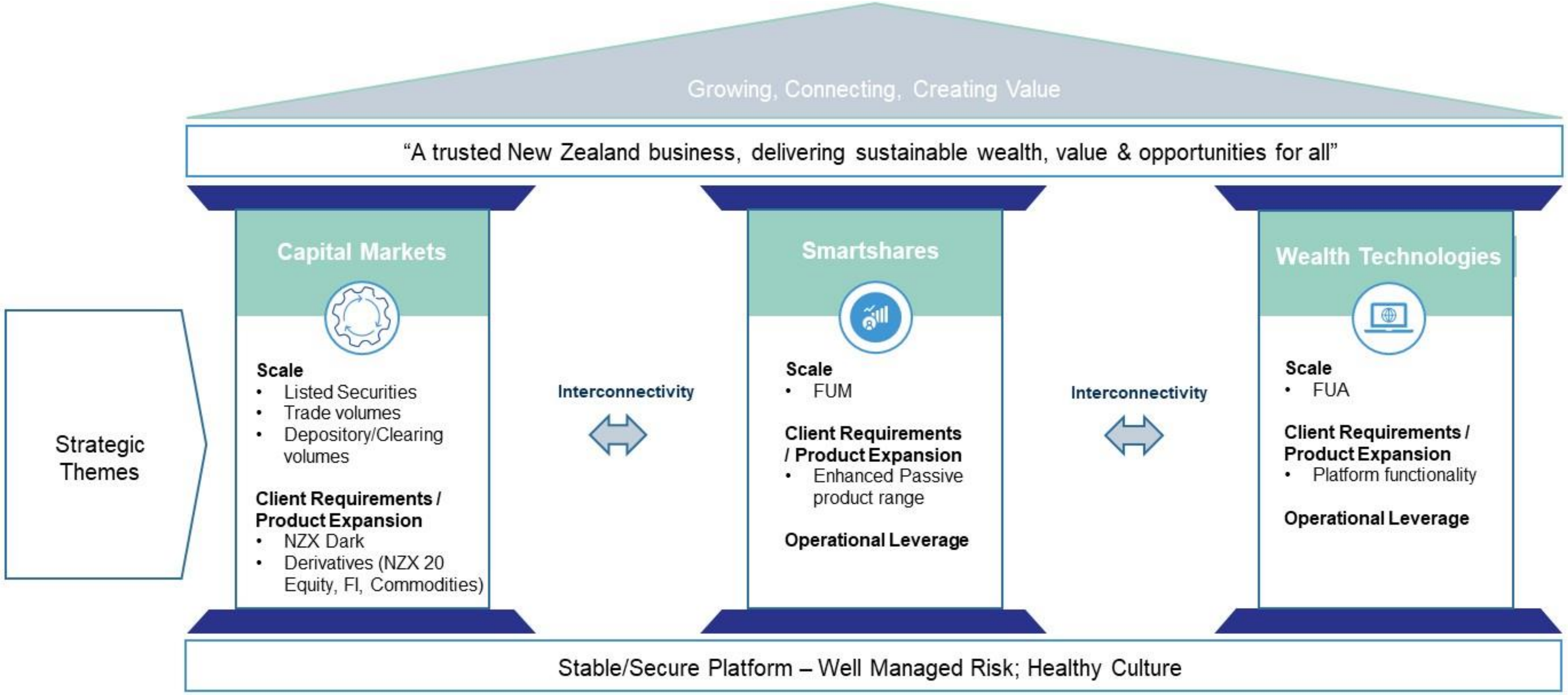
(Issuer and Participant Compliance, Surveillance)

An independently governed agency which performs all frontline regulatory functions in support of NZX's statutory obligations as a licensed market operator

* As at 30 June 2023

Developing our strategy to 2028

Our strategy to 2028 is simple – round out our product offering in Capital Markets and drive scale and operating leverage across the businesses



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

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

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

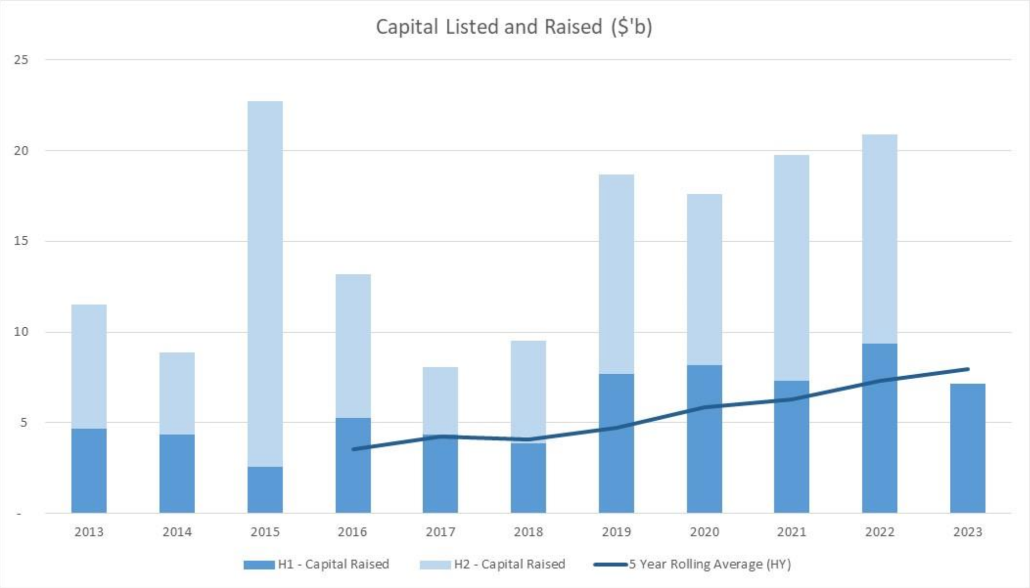
Continued M&A activity: We will continue to explore **M&A activity to help drive and accelerate growth** where appropriate

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

Business Unit Highlights

Capital Markets Origination – Capital Listed and Raised

Solid performance for the half year, with the capital listed being driven by retail / sustainable debt



Capital Listed / Raised (new and secondary capital raisings)	$7.2 billion
• Relative to H1 5 year rolling average	(10.0)%
• Movement from H1-22	(23.7)%

Macro Drivers

- Primary listing fees driven by retail debt listings due to rising rates leading to higher coupons
- Hybrid capital raises have been strong with issuance from Kiwibank, BNZ and Westpac
- Secondary issuance fees have been relatively good with large capital raises from Ryman and Infratil

Origination and activity

The team of 7 FTEs is operating a **true origination model** – with active pipeline development and conversion

A number of "**Listing your company**" and "**Raising capital in New Zealand**" events have been held in 2023, with partners including, Minter Ellison, Cameron Partners, Elevation Capital, Duncan Cotterill, Northington Partners and Excellent

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

NZX has unveiled a new high-tech electronic ticker on the New Zealand Capital Markets Centre building, with the ability to display real-time market information, higher quality graphics and animations to increase NZX's commercial presence

Listings – 5 new Smartshares funds listed:

- Global Government Bonds Fund
- US 500 Hedged Fund
- Global Property Fund
- Global Infrastructure Fund
- Australian Equities ESG Fund

Existing issuers - 14 new debt issues in H1 2023:

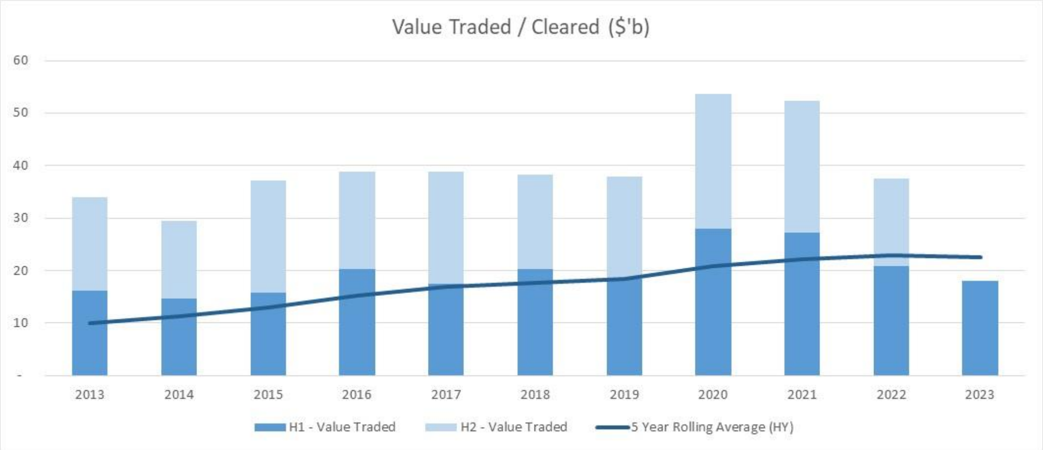
Green Bonds issued include:

- Meridian issued $200m
- Kiwi Property issued $125m
- Contact Energy issued $300m
- Mercury issued $150m

The percentage of green bonds listed on the NZDX has increased to 30.14% of all outstanding debt issuance

Secondary Markets – Value Traded / Cleared

Value traded levels comparable to H2 2022, reflecting the challenging macroeconomic environment



Trading / Clearing

- Traded Value $18.0 billion
    - Movement from H1-22: (13.4)%
    - Relative to H1 5 year rolling average: (19.7)%
- Average annual value traded (2019-2023): $44.3 bn
- Traded Volume 4.92 million down (30.5)% on H1-22
- % of value on-market 62.5% down 5.1%

Depository

- Assets under custody up 17.6% to $6.71 billion
- Depository OTC trades down (0.9)% to 39,922

Macro Drivers

Value traded / cleared

Lower levels of total value traded reflects the current levels of market uncertainty and a challenging macroeconomic environment of high inflation and interest rate rises.

Despite this there were some positives:

- debt trading values increased 26.3% to $1.16 billion; reflecting renewed interest in this product set driven by macro-economic conditions shifting across the year
- levels of retail and ETF trading remains consistent despite a challenging environment

NZX Depository

Depository OTC transactions have both reduced due to softer trading, however, value of assets under custody have increased in line with market value

Active engagement of custodians to join NZX's depository business with the long term aim of driving down costs of post trade in the New Zealand capital markets

Market Development

T.E.A Custodians Limited accredited as a depository participant allowing them access to the NZX Depository services and functionality to support their customer base.

NZX DARK Project (to create a midpoint orderbook) continues with technical development, testing and regulatory engagement to occur across 2023 and a product launch in 2024.

Work to relaunch S&P/NZX20 Index Future continues with a number of workstreams progressing including Self Match Prevention enhancements, clearing house (recovery tools) and participant engagement.

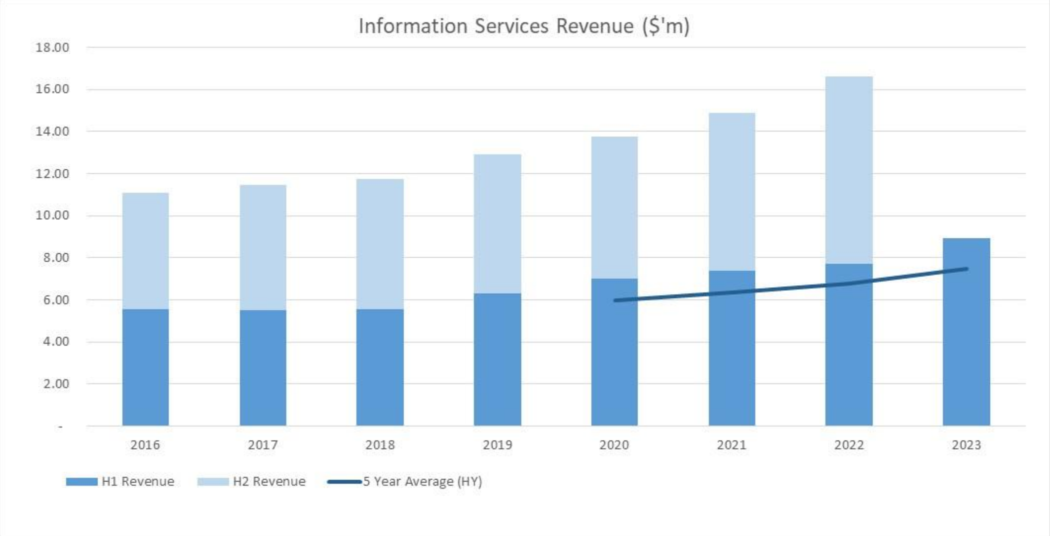
BNP Paribas continues to be highly engaged on becoming a General Clearing Participant - this has the potential to connect more global trading firms to the NZX.

Work begun on stage one of improvement of depository systems, focussed on cash management and payments, to support post trade in New Zealand.

Work underway to transition to Financial Market Infrastructures Act in 2024, which will bring the legislation regulating NZX Clearing into line with international expectations

Information Services (Data & Insights) revenue

Growth continues through H1 2023, with continued interest in NZX market shown by terminal numbers being maintained at 2022 levels.



Note: Information Services Revenue in graph excludes connectivity revenue to ensure comparability with 2018 strategic targets

Information Services Revenue	**$10.4 million**
Movement from H1-22:	
• total revenue	+ 15.4%
• excluding audit and back dated licenses	+ 9.9%
Split by revenue type:	
Royalties, subscriptions, licenses and indices	+ 9.7%
Audits and back dated licenses	+ 216.3%
Connectivity	+ 11.0%

Information Services revenue

Information Services revenue increased to $10.4 million up 15.4% (excluding connectivity revenue the increase is 16.1%)

- Royalty revenue – grew by 5.1% due to the average numbers of professional terminals increasing 1.6% plus fee adjustments
- Subscriptions and licence revenue – grew by 7.4% reflecting the continued growth in client's data usage and ability to capture licence revenue streams post audit, resulting in increased licence numbers (7.2%), partially offset by reduced subscriptions (1.0%), and fee adjustments
- Dairy subscription revenue reduced slightly due to lower product subscriptions (1.6)%
- Indices revenue – grew by 71.2% with continued growth in use of indices by the market.
- Connectivity revenue – increased 11.0% which continues to reflect changes in client connectivity requirements and product offering (i.e. standards of performance and increased resilience across the market)
- Audits and back dated licence revenue – increased by 216.3% with a significant number of audits completed in 1H 2023. Minimal audit revenue is expected over the rest of 2023.

Information Services revenue CAGR since 2018 is 8.4%

Future revenue growth driven by:

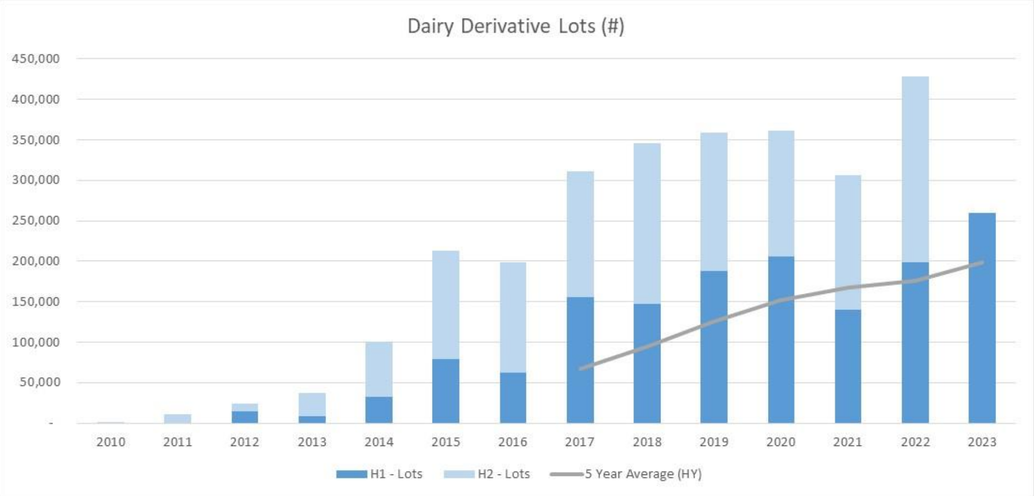
Enhanced product development capability and continued focus on client interactions and global best practice

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

Dedicated sales team focused on customer satisfaction and driving a sales pipeline that is aligned with prioritised customer segments

Dairy Derivatives and GlobalDairyTrade

The expected significant growth from the Singapore Exchange strategic partnership is being achieved



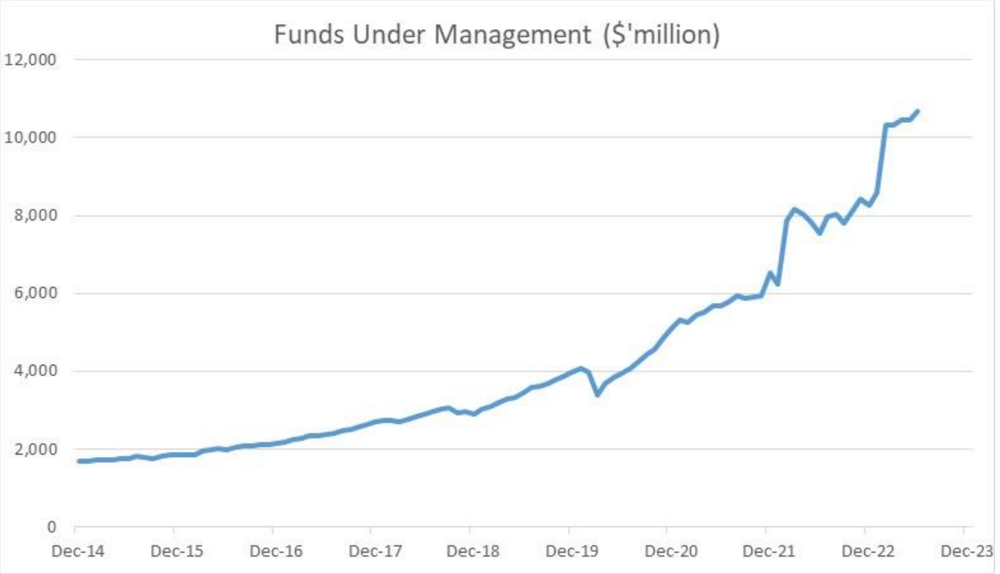
Dairy Derivatives Lots traded	260k	
• Relative to H1 5 year rolling average	+31.1%	
• Movement from H1-22	+30.7%	
• On screen liquidity averaged 64% since the move to SGX		
• Monthly volume record achieved in March at 66,840 lots		

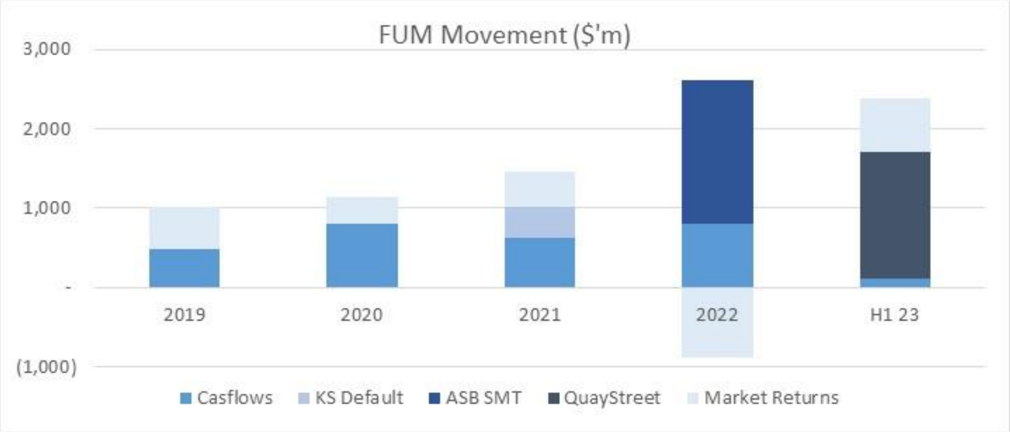
Strategic Partnerships
Dairy Derivatives - Singapore Exchange (SGX) strategic partnership now 1.5 years since go-live in November 2021 Partnership has extended market distribution and expanded global access: • Trebled the number of active trading and clearing members utilising the contracts with potential for further expansion (i.e. >70 connected with SGX) • Working with SGX's network of global sales offices and resources) in the dominant region for dairy imports (Asia) - hosted Mandarin speaking events in Shanghai and Beijing plus other SEA locations • partnership is a revenue share agreement - NZX retains a base level of revenue
GlobalDairyTrade Holdings Limited (GDT) - Added three new global suppliers to market from EU and US market. Platform developments to assist liquidity in the associated derivatives markets underway
Dairy Data & Insights - Strategy refresh refocussed on building derivatives market participation and generating additional value-added data points

Platform and Operations
• Dairy Derivatives - commenced a Market Maker and New Trader incentive scheme on SGX which has reduced on screen spreads and encouraged new proprietary and financial firms to connect
• GDT - 'GDT Pulse' trial extended for a further 12 months based on good adoption by the market, providing a view of weekly spot prices for WMP to increase physical market information to the derivatives market

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 growth and improved operating leverage





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 $10.67 billion, up 29.1% from 31 December 2022 due to combination of **positive cashflows**, **positive market return** and **QuayStreet Asset Management acquired FUM**

Smartshares ETF trading accounted for 6.1% of NZX traded value in H1-23 (FY-22: 5.7%)

Strategic step change through scale

ASB SMT acquisition:

- the transition of investment administration, investment management and registry services is on track to be completed in the third quarter of 2023
- expected synergies/efficiencies, including those arising from in-house management of some asset classes, will be realised when the transition is complete

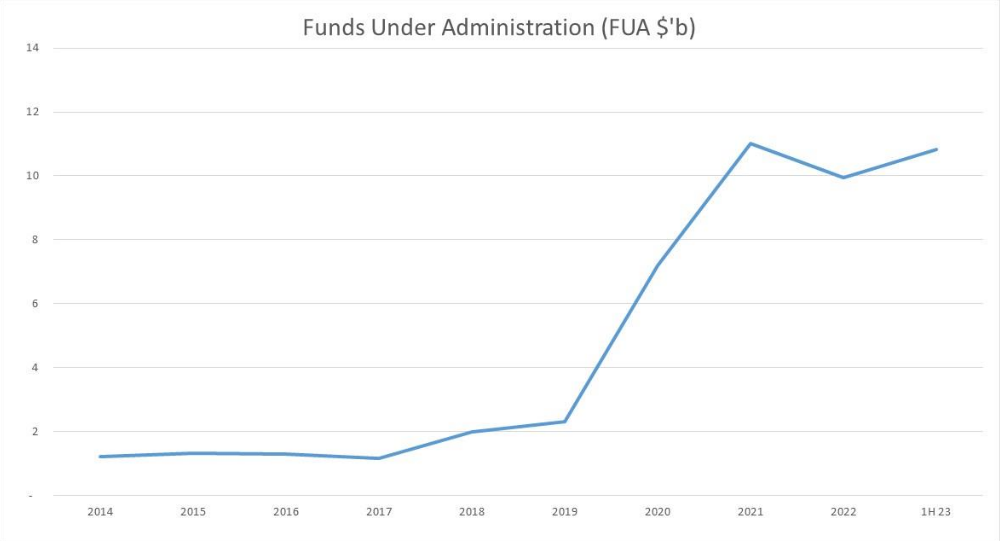
QuayStreet Asset Management acquisition – the acquisition of the management rights and related assets completed in February 2023. The acquisition provides Smartshares with:

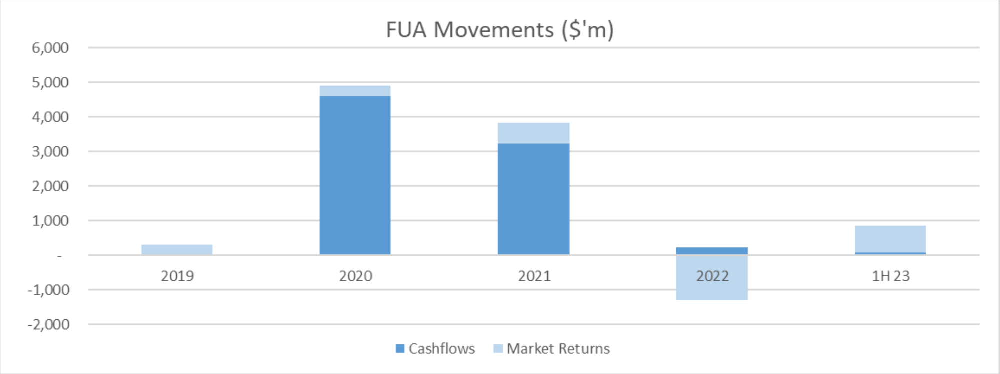
- an enhanced passive product offering;
- the opportunity to manage additional asset classes in-house;
- a Product Support and Distribution Agreement with Craigs Investment Partners; and
- if earn out cash flow targets are achieved there would be significantly increased operating earnings

In H1-23 we have **launched 5 new ETFs** – Smartshares US500 (NZD Hedged) ETF, Smartshares Global Government Bonds ETF, Smartshares Global Infrastructure ESG ETF, Smartshares Global Property ESG ETF, and Smartshares Australian Equities ESG ETF

Wealth Technologies – Funds Under Admin (FUA)

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





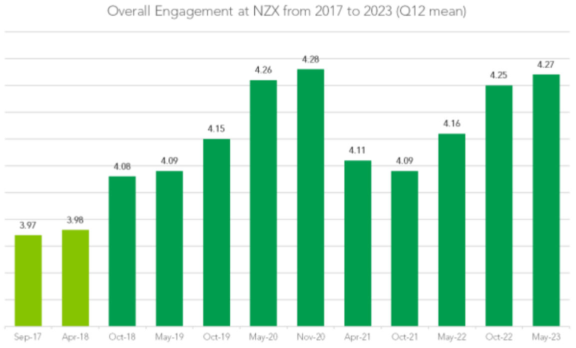
Macro Drivers
Increased compliance obligations are forcing large advisor firms to upgrade their internal platforms or move to a SaaS offering
Increasing cost to service clients impacts medium adviser firms, making the Wealth Technologies operations option cost efficient
Platform and Operations
NZX Wealth Technologies continues to be operating earnings positive
Now have a scalable platform with a highly skilled operational team
CAPEX activity reflects new client migrations and preparation for future FUA transitions
Clients
Funds Under Administration at $10.82 billion, up 8.7% from 31 December 2022 due to combination of positive cashflows (+0.9% of opening FUA) and market returns (+7.8%)
16 clients on the new platform, with all clients now migrated from the legacy platform which is now decommissioned
Successfully onboarded in H1-23 initial tranche of FUA for a significant Software as a Service (SaaS) only client, and project continuing for phased transition (through 2023 and 2024) for remaining substantial FUA
Five advisors won over H1-23, onboarding underway with expected completion in H2-23 with FUA circa $550m
In final negotiations with a couple of full custodial clients. Additionally, advanced stage RFI discussions are ongoing with a significant full custodial client
Overall the pipeline remains strong for H2-23 and 2024 with contracted FUA growth to more than double FUA in the medium term
We remain confident the growth from the new business transition activity and the prospect pipeline will ensure Wealth Technologies meets its objective of being i) cashflow breakeven by the end of 2024, and ii) to deliver on our target of FUA between $35 and $50 billion.
In late 2022 NZX did consider whether there was a strategic partner that could enhance the business. However, with Wealth Technologies long-term growth prospects continuing to strengthen, this is no longer a priority and discussions with a limited number of parties have concluded.

People

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

Culture and Engagement

- NZX users the Gallup survey to measure staff engagement twice per year
- Employee engagement lifted in 2023 by 0.02 to 4.27 and has trended positively since COVID
- NZX ranks close to the top third of global companies that utilise the Gallop survey

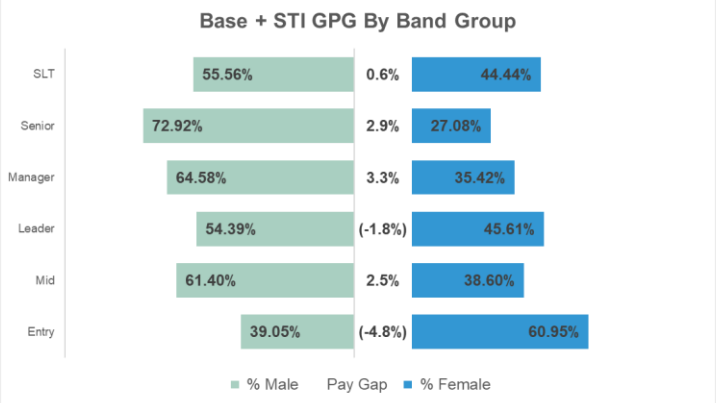


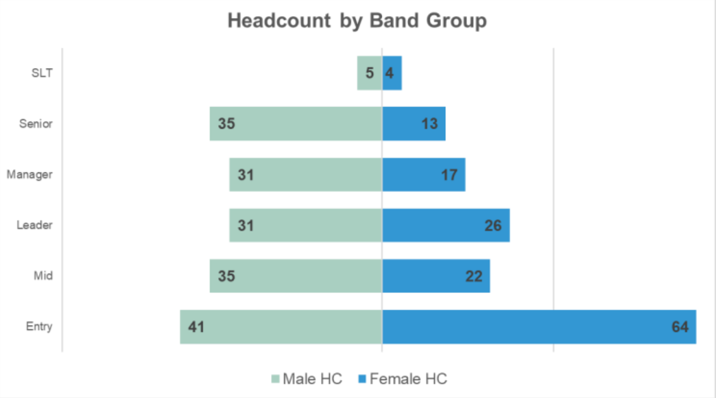
Health, Safety & Wellbeing

- NZX has an excellent safety record, with Total Recordable Injury Rate (TRIR) of 0.73 incidents per 200,000 hours worked.
- NZX absence rate remains stable at 1.7%.
- NZX supports flexible working options for our staff, with the majority of our people now coming into the office either on a regular or fulltime basis.

Diverse Workforce and Gender Pay Gap (GPG)

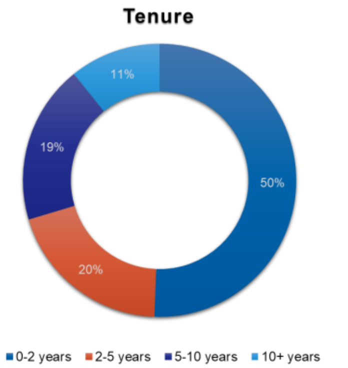
- Women and men are paid the same for the work that they perform
- However, NZX has an opportunity to promote and recruit more women into leadership roles

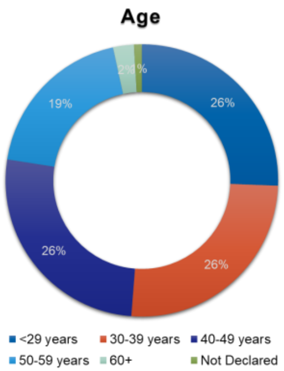


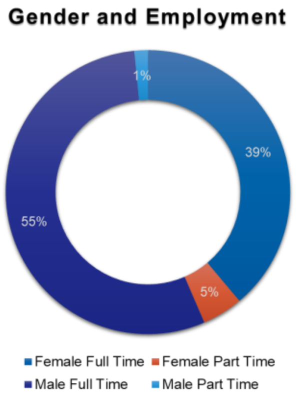


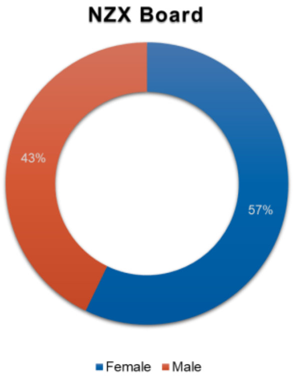
Diverse Workforce and Gender Pay Gap (cont)

- NZX has 30% of its workforce that have greater than 5 years experience within the organisation, and 50% with greater than 2 years
- NZX employees a wide spread of age bands
- NZX has a gender balanced Board and workforce.









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 Corporate Governance Code), is paramount to the role that NZX plays in New Zealand
- NZX is **undertaking a materiality assessment** to grow and deepen NZX stakeholder understanding and relationships, support and further inform NZX strategy execution, and guide future ESG prioritisation, targets, and reporting

Core Pillars of NZX’s approach

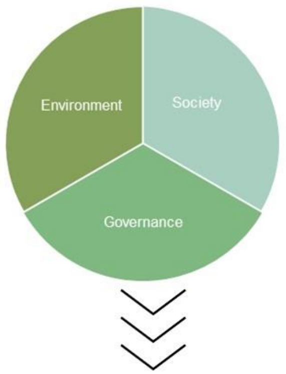
- The four “Ps” – **Planet, People, Prosperity and Principles of governance** – are the core pillars of NZX’s ESG approach. We ensure it aligns with our organisational purpose, vision and strategy, and with New Zealand’s long-term sustainability goals and international commitments (including the Paris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

NZX is net carbon zero certified

- As a business, NZX is committed to taking action on climate change. In 2021 and 2022 **NZX achieved net carbon zero certification** from Toitū Envirocare. Sustainable economic growth is a priority for NZX. Public markets will continue to play an important role in facilitating the flow of capital towards decarbonising the New Zealand economy

Meeting legislative & TCFD requirements

- In 2023 under the mandatory **climate-related disclosures** framework (Aotearoa New Zealand Climate Standards, ANZCS), NZX will be reporting our climate change obligations regarding governance, strategy, risk management, and metrics and targets.



Principles of Governance	Planet	People	Prosperity
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”	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	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	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

Acquisition Update

Acquisition Update

Acquisition - QuayStreet Asset Management (QS)

Investment Summary

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

- Drives scale in Smartshares, the passive funds management business. For example, the enlarged investment management team enables synergies (relating to in-house management of some asset classes) to be obtained from the ASB SMT integration;
- 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 transferring to Smartshares. Craigs Investment Partners (and outsource providers) will continue to provide certain back-office services for a period
- Transition planning to migrate back-office functions is underway; with transition expected to be completed by mid-2024

Financial Impact in 2023 – is in line with expectations

Income Statement*:

- Operating Earnings $1.696m
- Non operating expenses, including:
  - amortisation of management rights & software ($0.557)m
  - interest expenses ($0.225)m
  - tax expense ($0.282)m
- Net Profit After Tax $0.632m

Balance sheet – the acquired assets and liabilities have been provisionally recognised based on their fair values at acquisition:

- Management rights $32.201m
- Other assets (software and trademarks) $0.352m
- Goodwill $20.705m
- Deferred tax liability ($9.001)m
- Employee provisions ($0.062)m

The management rights assets are accounted for as definite life assets and amortised on a straight-line basis over 16 – 24 years for accounting purposes; with the management rights assets net of amortisation being $31.723m at 30 June 2023

* Additionally, there are acquisition and integration costs ($0.2m)

Financial Performance

Income Statement

	H1-2022 $000	H2-2022 $000	H1-2023 $000	Change vs H1-22 Fav/(adv)	Change vs H2-22 Fav/(adv)
Operating Revenue	46,175	49,551	53,959	16.9%	8.9%
Operating Expenses (excl. acq/int/restructure costs)	(28,571)	(30,550)	(33,394)	(16.9%)	(9.3%)
Operating earnings[1] (excl. acq/int/restructure	**17,604**	**19,001**	**20,565**	**16.8%**	**8.2%**
Acquisition, integration & restructure costs	(184)	(1,356)	(524)	**(184.8%)**	61.4%
Operating earnings[1]	**17,420**	**17,645**	**20,041**	**15.0%**	**13.6%**
Net finance expenses	(1,044)	(794)	(1,873)	(79.4%)	(135.9%)
Gain on disposal of assets	3	-	-	100.0%	-
Gain on lease modification	-	-	15	n/a	n/a
Depreciation and amortisation expenses	(6,756)	(7,104)	(8,335)	(23.4%)	(17.3%)
Share of profit of associate	-	146	392	n/a	168.5%
Income tax expense	(2,240)	(3,117)	(3,267)	(45.8%)	(4.8%)
Profit for the period	**7,383**	**6,776**	**6,973**	**(5.6%)**	**2.9%**
Operating Margin (excl. acq/int/restructure)	**38.1%**	**38.3%**	**38.1%**	**(0.0%)**	**(0.6%)**
FTEs	292.0	319.1	331.9	13.7%	4.0%

Notes:

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

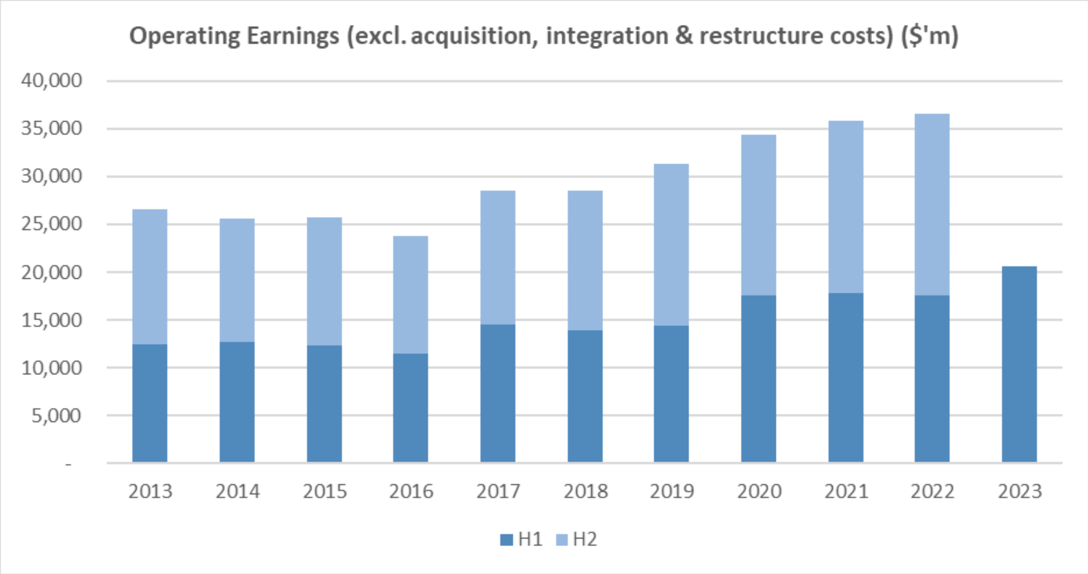
2 Finance Technology Partners (June 2023) EBITDA Margins (median) information for Regional/Country Based Exchanges is estimated at 2023: 40%.

Operating Earnings

Operating earnings of $20.6 million, excluding one-off acquisition, integration & restructure costs, was 16.8% higher than H1-22 and 8.2% higher than H2-22.

The **operating margin** at 38.1%, excluding acquisition, integration & restructure costs (H1-22: 38.1%, H2-22: 38.3%), is lower than our peers[2] 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 appendix 1.



Income Statement

Operating Revenue and Expenses

Operating revenue increased to $54.0 million (+16.9% on H1-22 and +8.9% on H2-22) with:

- growth in Annual Listing Fees, Dairy Derivatives, Information Services, Funds Management (including from the acquisition of QuayStreet Asset Management in February 2023) and Wealth Technologies business units'; partially offset by
- reduced levels of securities trading and securities clearing revenues

Operating expenses, excluding acquisition, integration & restructure costs, increased to $33.4 million (+16.9% on H1-22 and 9.3% on H2-22) driven by growth in:

- Personnel costs – largely in the funds management business as Smartshares scales up for the operations of the QuayStreet Asset Management and ASB Superannuation Master Trust, as well as wage inflation driven by a highly competitive and tight labour market;
- Information technology – additional licences required for the operation to the QuayStreet business and inflationary pressure;
- Increased travel, premises (with new office space added in Auckland's Capital Market Centre) and statutory and compliance costs

Investments for growth have been the acquisition of the QuayStreet Asset Management management rights and related assets, as well as progressing on the relaunch of S&P/NZX20 Index Futures and launch of NZX Dark (the mid point order book).

Acquisition, integration & restructure costs largely relate to the integration of the ASB Superannuation Master Trust

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, lease liabilities and term loan (to fund the QuayStreet acquisition in February 2023), as well as the unwind of the present value discount on the QuayStreet earnout
- 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 2022 and H1-23
- Smartshares amortisation commenced (from 23 February 2023) on the acquired QuayStreet Asset Management management rights (increased amortisation is approx. $0.6m)
- Auckland office – depreciation on the fit out of additional space in the new Auckland office (commenced in December 2022) and associated right of use assets

Share of profit of associate relates to our investment in GlobalDairyTrade (GDT). GDT's expansionary strategic plan over the next 3-year is expected to result in NZX's share of profit of associate to be low until GDT's strategic initiatives successfully mature

Effective **tax** rate is higher than statutory rate of 28% due to non deductible items, partially offset by differences in valuation (accounting v taxation) on vesting of long term incentive schemes

Financial Position and Cash Flows

Balance Sheet as at 30 June 2023

	June 2022 $000	December 2022 $000	June 2023 $000
Current assets			
Cash and cash equivalents	36,527	40,611	32,508
Receivables and prepayments	27,553	17,132	32,691
Funds held on behalf of third parties	27,221	30,282	26,281
Total current assets	91,301	88,025	**91,480**
Non-current assets			
Right-of-use lease assets	11,357	19,204	18,266
Investment in associate	16,638	16,783	17,174
Other non-current assets	106,844	109,187	160,302
Total non-current assets	134,839	145,174	**195,742**
Current liabilities			
Trade payables	9,379	7,434	9,520
Other current liabilities	21,896	20,078	30,963
Lease liabilities	1,319	997	666
Funds held on behalf of third parties	27,221	30,282	26,281
Interest bearing liabilities	38,983	39,037	-
Total current liabilities	98,798	97,828	**67,430**
Non-current liabilities			
Interest bearing liabilities	-	-	61,164
Lease liabilities	12,280	20,679	20,345
Other non-current liabilities	2,973	2,984	19,588
Total non-current liabilities	15,253	23,663	**101,097**
Net assets	112,089	111,708	**118,695**

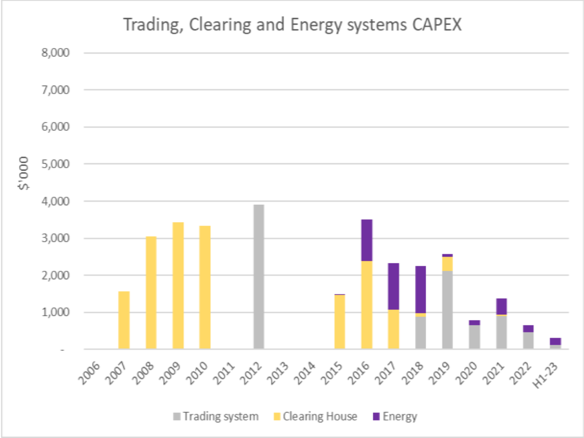
Cash and cash equivalents	• Clearing House risk capital ($20 million) which is not available for general use; • Clearing House complies with International Organisation of Securities Commission's principles expectations for the retention of sufficient working capital (including cash of approximately $2.3 million); and • Smartshares maintains sufficient net tangible assets in accordance with its license requirements (including cash of approximately $1.6 million)
Funds held on behalf of third parties (assets and liabilities) offset	• Relates to issuer bond deposits, participants' collateral deposits and deposited funds (including any held in the Mutualised Default Fund) • Amounts are repayable to issuers and participants and not available for general use
Investment in Associate	• Investment in GlobalDairyTrade Limited (GDT)
Right-of-use lease assets and lease liabilities	• Relates 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 QuayStreet Asset Management

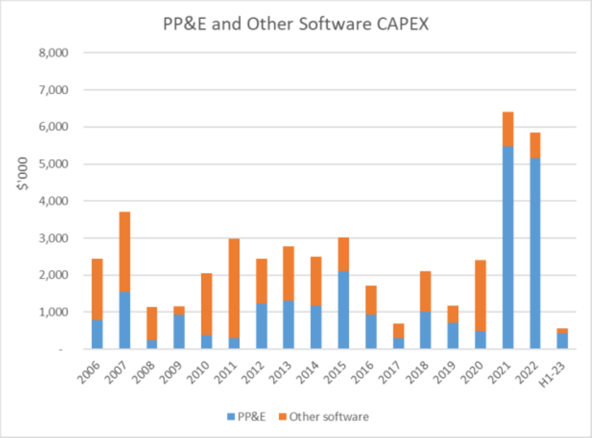
Interest bearing liabilities	• Relate to:
	  ◦ Subordinated notes ($38.7m) - the notes first election date was 20 June 2023 where the subordinated notes rolled over with redemption requests resold. The interest rate was reset to 6.8%; and
	  ◦ Term loan ($22.5m) – drawn down to fund the QuayStreet acquisition

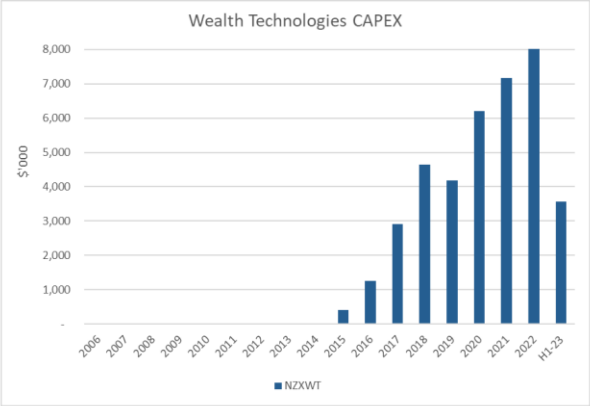
Other current liabilities	• Includes income in advance largely related to annual listing (billed on 30 June each year) and data subscriptions, employee benefits payable, tax payables and the current portion of the earnout provision relating to the acquisition of QuayStreet

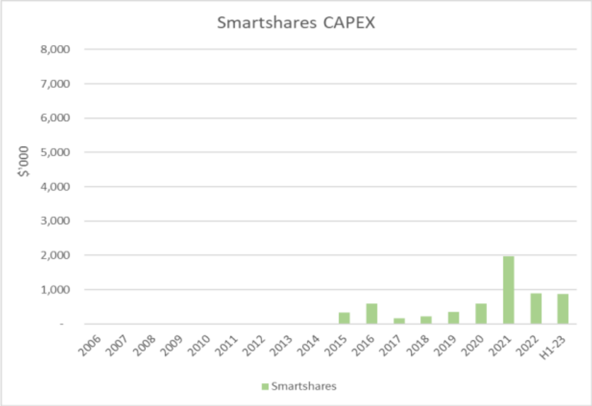
Other non-current liabilities	• Includes:
	  ◦ the non-current portion of the earnout provision relating to the acquisition of QuayStreet;
	  ◦ Deferred tax liabilities, including those recognised on acquisition of QuayStreet

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 H2-23 we expect to do further trading system enhancements for NZX Dark (the mid point order book) and NZX20 Index Futures

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 completed in 2023.
- **Other software CAPEX** relates to technology upgrades and enhancements of the NZX technology architecture which strengthens NZX's cyber security

Financial Services Growth Businesses CAPEX

- **Wealth Technologies CAPEX** in the current period relates to continued product development and new client migration activity
- We expect capitalisation levels to remain high whilst there is new client migration activity
- **Smartshares CAPEX** relates to system enhancements required for the integration of the ASB Superannuation Master Trust
- Over the remainder of 2023 and into 2024 we expect further system enhancements and additional digital tools as the acquisitions are integrated into the Smartshares business

Cash Flows

	H1-2022 $000	H2-2022 $000	H1-2023 $000
Operating activities			
- Operating activities cashflow	14,334	14,070	16,076
- Working capital movements	(13,150)	8,182	(9,146)
Investing activities			
- Payments for PPE & other intangible assets	(5,946)	(9,550)	(5,295)
- Payments for acquisitions	(41,004)	(633)	(22,438)
Financing activities			
- Net receipts from equity raising	42,638	31	-
- Net receipts from term loan	-	-	22,500
- Dividends paid	(8,701)	(7,486)	(8,544)
- Other financing activities	(706)	(530)	(1,256)
Net decrease in cash and cash equivalents	**(12,535)**	**4,084**	**(8,103)**

Operating Activities

- Operating activities cashflow represents net profit after tax less non-cash items (e.g. depreciation and amortisation, share of profit of associates, share based payments)
- The increase on H1-22 reflects a combination of higher operating activities cashflow and working capital movements (e.g. timing of receivables receipts and trade payables and tax payments)
- NZX's cashflows from operations mainly occur in the second half of the year when annual listing and participant fees are collected
- We are conscious of Wealth Technologies' cash burn and are targeting to be cashflow positive by late 2024 based on current migration pipeline

Investing Activities

Investing activities relate to:

- Payments for PPE & other intangible assets, including:
    - Wealth Technologies software development;
    - Technology upgrades and enhancements, including to the NZX technology architecture, and system enhancements required for the integration of the ASB Superannuation Master Trust; and
    - Completion of the new Auckland office Level 14 fit out and new Auckland ticker
- Payments for acquisitions – relates to the acquisitions of QuayStreet Asset Management in H1-23 and the ASB Superannuation Master Trust management rights and GlobalDairyTrade Holdings Limited in H1-22

Financing Activities

Financing activities includes:

- Net receipts from equity raisings in H1-22 to fund the acquisitions of the ASB Superannuation Master Trust management rights and GlobalDairyTrade Holdings Limited;
- Term loan to fund the acquisition of QuayStreet Asset Management;
- Payments of lease liabilities;
- Transaction costs relating to the renewal of NZX's subordinated notes; and
- Dividends which are net of participation in the dividend reinvestment plan (which was suspended for the March 2022 dividend due to the equity raising occurring at that time)

Interim Dividend and 2023 Earnings Guidance

New Zealand's Exchange
Te Paehoko O Aotearoa

Interim Dividend

Interim Dividend

- The Board has declared a fully imputed dividend of 3.0 cents per share
- Dividend to be paid on 5 October 2023 to shareholders registered as at the record date of 21 September 2023

Dividend Policy

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

Dividend reinvestment plan

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

2023 Earnings Guidance

2023 Earnings Guidance

NZX's full year 2023 Operating Earnings (EBITDA)[1], excluding acquisition, integration and restructure costs, are expected to be in the range of **$36.0 million to $40.5 million.** The half-year financial result indicates NZX is tracking towards the upper end of the 2023 full year guidance range.

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

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

The Earnings Guidance excludes the expected impact of the GDT investment as this is recognised as "share of profit of 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: Segmental Analysis - Income Statement by Business Unit

6 months ended June 2023 (H1-23) $000	Capital Markets Origination	Secondary Markets	Information services	Markets Sub-total[1]	Funds Management[2]	Wealth Technologies[3]	Corporate Services[4]	NZX Commercial Operations Sub-total	Regulation (NZ RegCo)[5]	NZX Group Total
Operating revenue	8,191	12,569	10,373	31,133	17,977	3,026	51	52,187	1,772	**53,959**
Operating expenses (excl acq/integration/restructure costs)				(10,226)	(7,705)	(2,931)	(10,521)	(31,383)	(2,011)	**(33,394)**
Operating earnings (excl acq/integration/restructure costs)[6]				**20,907**	**10,272**	**95**	**(10,470)**	**20,804**	**(239)**	**20,565**
Acq/integration/restructure costs				(41)	(451)	(32)	-	(524)	-	**(524)**
Operating earnings[6]				**20,866**	**9,821**	**63**	**(10,470)**	**20,280**	**(239)**	**20,041**
Depreciation, amortisation & gain / loss on disposal				(1,358)	(1,952)	(3,213)	(1,812)	(8,335)	-	**(8,335)**
Earnings before Interest, tax and share of profit of associate				**19,508**	**7,869**	**(3,150)**	**(12,282)**	**11,945**	**(239)**	**11,706**

6 months ended December 2022 (H2-22) $000	Capital Markets Origination	Secondary Markets	Information services	Markets Sub-total[1]	Funds Management[2]	Wealth Technologies[3]	Corporate Services[4]	NZX Commercial Operations Sub-total	Regulation (NZ RegCo)[5]	NZX Group Total
Operating revenue	8,873	12,378	10,362	31,613	13,027	3,141	40	47,821	1,730	**49,551**
Operating expenses (excl acq/integration/restructure costs)				(9,432)	(6,274)	(2,276)	(10,617)	(28,599)	(1,951)	**(30,550)**
Operating earnings (excl acq/integration/restructure costs)[6]				**22,181**	**6,753**	**865**	**(10,577)**	**19,222**	**(221)**	**19,001**
Acq/integration/restructure costs				-	(1,356)	-	-	(1,356)	-	**(1,356)**
Operating earnings[6]				**22,181**	**5,397**	**865**	**(10,577)**	**17,866**	**(221)**	**17,645**
Depreciation, amortisation & gain / loss on disposal				(1,329)	(1,236)	(2,871)	(1,668)	(7,104)	-	**(7,104)**
Earnings before Interest, tax and share of profit of associate				**20,852**	**4,161**	**(2,006)**	**(12,245)**	**10,762**	**(221)**	**10,541**

6 months ended June 2022 (H1-22) $000	Capital Markets Origination	Secondary Markets	Information services	Markets Sub-total[1]	Funds Management[2]	Wealth Technologies[3]	Corporate Services[4]	NZX Commercial Operations Sub-total	Regulation (NZ RegCo)[5]	NZX Group 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 acq/integration/restructure costs)				(9,646)	(5,483)	(2,386)	(9,081)	(26,596)	(1,975)	**(28,571)**
Operating earnings (excl acq/integration/restructure costs)[6]				**20,406**	**5,976**	**464**	**(9,065)**	**17,781**	**(177)**	**17,604**
Acq/integration/restructure costs				-	(184)	-	-	(184)	-	**(184)**
Operating earnings[6]				**20,406**	**5,792**	**464**	**(9,065)**	**17,597**	**(177)**	**17,420**
Depreciation, amortisation & gain / loss on disposal				(1,420)	(1,235)	(2,588)	(1,510)	(6,753)	-	**(6,753)**
Earnings before Interest, tax and share of profit of associate				**18,986**	**4,557**	**(2,124)**	**(10,575)**	**10,844**	**(177)**	**10,667**

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
- Information Services (previously 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, Smartshares Exchange Traded Funds, ASB Superannuation Master Trust and QuayStreet Asset Management.

[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 period.

Appendix 1: Segment – Markets

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

	H1-2022 $000	H2-2022 $000	H1-2023 $000	Change vs H1-22 Fav/(adv)	Change vs H2-22 Fav/(adv)
Capital Markets Origination					
Annual Listing Fee (net)	5,351	5,578	5,609	4.8%	0.6%
Primary listing fees	970	1,009	876	(9.7%)	(13.2%)
Secondary issuance fees	1,771	2,286	1,706	(3.7%)	(25.4%)
Secondary Markets					
Participant services revenue (net)	439	431	281	(36.0%)	(34.8%)
Securities trading revenue	2,299	1,872	2,006	(12.7%)	7.2%
Securities clearing revenue	3,842	3,316	3,237	(15.7%)	(2.4%)
Dairy derivatives revenue	836	1,051	1,569	87.7%	49.3%
Contractual revenue	730	720	637	(12.7%)	(11.5%)
Consulting and development revenue	4,822	4,988	4,839	0.4%	(3.0%)
Information Services					
Royalties from terminals	4,116	4,165	4,326	5.1%	3.9%
Subscriptions and licences	2,515	2,573	2,700	7.4%	4.9%
Dairy data subscriptions	315	295	281	(10.8%)	(4.7%)
Indices	513	646	878	71.2%	35.9%
Audit and back dated licences	236	1,237	748	216.3%	(39.5%)
Connectivity	1,297	1,446	1,440	11.0%	(0.4%)
Total operating revenue	**30,052**	**31,613**	**31,133**	**3.6%**	(1.5%)
Total operating expense excl. restructure costs	**9,646**	**9,432**	**10,226**	**(6.0%)**	**(8.4%)**
Operating earnings excl. restructure costs	**20,406**	**22,181**	**20,907**	**2.5%**	**(5.7%)**
Depreciation & amortisation	1,420	1,329	1,358	4.4%	(2.2%)
Earnings Before Interest and Tax excl. rest. costs	**18,986**	**20,852**	**19,549**	**3.0%**	(6.2%)
Operating margin excl. restructure costs	**67.9%**	**70.2%**	**67.2%**	**(1.1%)**	**(4.3%)**
FTEs at period end	78.3	82.4	84.6	8.0%	2.7%

Markets Operating revenue was $31.1 million (+3.6% on H1-22 and (1.5%) on H2-22) reflecting:

Capital Markets Origination revenue – increased +1.2% on H1-22 and decreased (7.7)% on H2-22, reflecting higher annual listing fees and the differing levels of primary listings and secondary issuances;

Secondary Markets revenue – decreased (3.1)% on H1-22 and increased 1.5% on H2-22, impacted by

- differing levels of trading / clearing value;
- lower levels of OTC settlement, clearing margin, depository registry transfer fees and clearing penalties,
- lower consulting and development activity. Offset by:
- increased dairy derivatives revenue due to increases in lots traded, higher margin fees and favourable USD exchange rates; and

Information Services revenue – increased +15.4% on H1-22 and +0.1% on H2-22, driven by audit and back dated licencing revenue, higher levels of average terminal numbers, increased licenses numbers, and higher indices revenue (which included $125k of revenue from backbilling).

Markets Operating expenses (excl restructure costs) were $10.2 million for H1-23 (6.0% up on H1-22 and 8.4% up on H2-22) mainly reflecting: :

Personnel costs – increased 6.4% on H1-22 and 16.9% on H2-22, driven by higher average number of FTEs with lower vacancies during the period, wage inflation and lower levels of capitalised labour compared to H2-22;

Information Technology costs – increased on both H1-22 (3.2%) and H2-22 (2.4%) largely reflecting inflationary increases and movement in FX rates; and

Professional Fees –increased on both H1-22 (19.2%) and H2-22 (22.1%) driven by terminal royalty audit fees which vary in proportion to audit revenue (with revenues recognised on a gross basis) and consultant costs.

Notes:

- Markets is the integrated business that supports the growth of NZ capital markets with the revenue generating BUs being:
  - Capital Markets Origination – provider of issuer services for current and prospective customers;
  - Secondary Markets – provider of trading and post-trade services for securities and derivatives markets operated by NZX, provider of a central securities depository and Market operator for Fonterra Co-Operative Group, the Electricity Authority and the Ministry for the Environment; and
  - Information Services (previously 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 – Smartshares

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

	H1-2022 $000	H2-2022 $000	H1-2023 $000	Change vs H1-22 Fav/(adv)	Change vs H2-22 Fav/(adv)
FUM-based revenue	10,047	11,479	15,878	58.0%	38.3%
Member-based revenue	1,118	1,193	1,471	31.6%	23.3%
Other revenue	294	355	628	113.6%	76.9%
Total operating revenue	**11,459**	**13,027**	**17,977**	**56.9%**	**38.0%**
Total operating expense (excl. acq/int costs)	**5,483**	**6,274**	**7,705**	**(40.5%)**	**(22.8%)**
Operating earnings (excl. acq/int costs)	**5,976**	**6,753**	**10,272**	**71.9%**	**52.1%**
Acquisition costs	124	1,224	-	100.0%	100.0%
Integration costs	60	132	451	(651.7%)	(241.7%)
Operating earnings	**5,792**	**5,397**	**9,821**	**69.6%**	**82.0%**
Depreciation & amortisation	1,235	1,236	1,952	(58.1%)	(57.9%)
Earnings Before Interest and Tax	**4,557**	**4,161**	**7,869**	**72.7%**	**89.1%**
Operating margin excl. acq/integration costs	**52.2%**	**51.8%**	**57.1%**	**9.6%**	**10.2%**
FTEs at period end	61.7	77.1	97.2	57.5%	26.1%

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.

QuayStreet Asset Management (QuayStreet) Acquisition Impact

The acquisition of QuayStreet Asset Management (QS) completed on 23 February 2023. QS's investment management and client relationships teams transferred to Smartshares, with Craigs Investment Partners (and outsource providers) continuing to provide certain back-office services. We expect to transition those services into Smartshares mid 2024.

For the period from acquisition to 30 June 2023 QS contributed operating earnings of $1.7m excluding acquisition and integration costs ($1.5m including acquisition / integration costs) and earnings before interest and tax of $1.1m ($0.9m including acquisition / integration costs)

Operating revenue

FUM-based revenue – average FUM has increased (H1-23: $9.88b, H2-22: $8.03b, H1-22: $7.53b) which is a combination of the ASB SMT and QuayStreet Asset Management acquired FUM, market returns and net cash flows.

Member-based revenue has increased, reflecting a mix of increased investor numbers (from the ASB SMT and QuayStreet Asset Management acquisitions)

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

During the period the recoverability of additional management fees relating to prior Fund financial years was confirmed and revenue of $1.4 million has been recognised in H1-23.

Operating expenses

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

- headcount (with a high level of vacancies in both years) has increased to resource the initial operations (BAU recurring) and integration projects (non-recurring) for the ASB SMT and QuayStreet transition; resourcing is expected to increase further in 2023/2024 as services transition; and
- capitalised labour and overhead which reflects capitalisable activity on internal systems, was higher reflecting ASB SMT integration with internal systems

Information Technology costs include software license fees for the Bloomberg front and middle office operating system (impacted by the USD exchange rate) which has increased with the acquisition of QuayStreet

Professional fees includes increased internal audit fees, offset by reduced legal, consultant and tax advice costs. H2-22 included one off costs associated with investigating acquisition opportunities

Marketing spend relates to advertising, printing and distribution costs (which have reduced over the period due to ESG initiatives i.e. black and white printing)

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 (acquired February 2022) and QuayStreet Asset Management (acquired February 2023)

Depreciation & amortisation – increases relate to amortisation of the QuayStreet Asset Management management rights ($0.6m)

Appendix 1: Segment – Wealth Technologies

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

	H1-2022 $000	H2-2022 $000	H1-2023 $000	Change vs H1-22 Fav/(adv)	Change vs H2-22 Fav/(adv)
Administration (FUA based) fees	2,685	2,736	2,822	5.1%	3.1%
Development fees / deferred income release	165	405	204	23.6%	(49.6%)
Total operating revenue	**2,850**	**3,141**	**3,026**	**6.2%**	**(3.7%)**
Total operating expenses	2,386	2,276	2,931	(22.8%)	(28.8%)
Operating earnings excl. restructure costs	**464**	**865**	**95**	**(79.5%)**	**(89.0%)**
Depreciation & amortisation	2,588	2,871	3,213	(24.1%)	(11.9%)
Earnings before Interest and Tax excl. restructure costs	**(2,124)**	**(2,006)**	(3,118)	**(46.8%)**	**(55.4%)**
Operating margin excl restructure costs	**16.3%**	**27.5%**	**3.2%**	**(80.5%)**	**(88.5%)**
FTEs at period end	69.8	75.2	65.8	(5.7%)	(12.5%)

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 and margin

Operating earnings and **EBITDA margin** have been adversely impacted by lower levels of capitalisation – reflecting the non-capitalisable effort required to migrate clients between the legacy and new platform. This migration is now complete, and the legacy system has been decommissioned

Operating revenue

Administration (FUA based) fees – average FUA has increased (H1-23: $10.44b, H2-22: $10.08b H1-22: $10.44b) positively impacted by both 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 growth is attributable to:

- Increases in **personnel costs** (net of capitalisation), driven by:
  - wage inflation;
  - lower levels of capitalisation (which reflect continued product development and client migration activity), reflecting the non-capitalisable effort required to migrate clients between the legacy and new platform; and offset by
  - Lower average FTE's driven by increased vacancies at 30 June 23 and internal reorganisation of roles to best support the requirements of new clients who have been or are in the process of being migrated to the platform. 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
- Increases in **other expenses** which include office costs (e.g. electricity, rates, stationery etc), travel, compliance costs and non recoverable GST (which increases as the business grows). These costs have increased over the period as staff have returned to the office and travel has increased;
- Offset by decreases in **information technology** cost due to the rationalisation of data hosting and data feeds spend, as well as a small reduction driven by the decommissioning of the legacy platform

Depreciation & amortisation – relate to:

- intangible assets (relating to platform development and client migration activity) which 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) which 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

	H1-2022 $000	H2-2022 $000	H1-2023 $000	Change vs H1-22 Fav/(adv)	Change vs H2-22 Fav/(adv)
Sublease revenue	-	21	35	n/a	66.7%
Other revenue	16	19	16	-	(15.8%)
Total operating revenue	**16**	**40**	**51**	**218.8%**	27.5%
Total operating expense	**9,081**	**10,617**	**10,521**	**(15.9%)**	**0.9%**
Operating earnings	(9,065)	(10,577)	**(10,470)**	**(15.5%)**	1.0%
Depreciation & amortisation	1,513	1,668	1,812	(19.8%)	(8.6%)
Loss/(gain) on disposal of assets	(3)	-	-	100.0%	n/a
Earnings Before Interest and Tax	**(10,575)**	**(12,245)**	**(12,282)**	**(16.2%)**	**(0.3%)**
FTEs at period end	63.9	67.1	68.2	6.7%	1.6%

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 and sublease of partial space in Auckland office

Operating expenses growth is attributable to:

- Increases in **personnel costs** (net of capitalisation), driven by:
  - wage inflation;
  - Increased headcount (with vacancies high over all periods) adding additional roles to support the growth across the business and current levels of project activity e.g. finance resource, policy resource and IT Solution Architect; and offset by
  - Slightly higher levels of capitalisation and overhead which reflects the project management team's activity on capitalisable projects across NZX
- Increases in **other expenses** which includes premises OPEX costs (increased with additional level of space leased in the Capital Markets Centre in Auckland and staff returning to the office), insurance premiums (which continues to significantly increase), directors' fees (increased from 1 July 2022), travel (increased post COVID), external audit costs, outsourced payroll system, carbon credits and statutory and compliance costs;
- Increased professional fees which include internal audit fees, annual conflicts review, corporate governance review, corporate legal and tax advice; and
- Increased **information technology** cost in line with inflation

Depreciation & amortisation increases relate to additional depreciation on the fit out and associated right of use asset of the additional space in the Auckland Capital Markets Centre.

Appendix 1: Segment – Regulation (NZ RegCo)

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

	H1-2022 $000	H2-2022 $000	H1-2023 $000	Change vs H1-22 Fav/(adv)	Change vs H2-22 Fav/(adv)
Issuer compliance services	324	361	216	(33.3%)	(40.5%)
Participant compliance services	96	66	75	(21.9%)	13.6%
Market Conduct	31	4	(17)	(154.8%)	(525.0%)
Surveillance	400	351	359	(10.3%)	2.5%
Listing fees & participants services	947	948	1,139	20.3%	20.3%
Total operating revenue	**1,798**	**1,730**	**1,772**	**(1.5%)**	**2.4%**
Total operating expense	**1,975**	**1,951**	**2,011**	(1.8%)	(3.1%)
Operating earnings	**(177)**	**(221)**	**(239)**	35.2%	8.3%
Depreciation & amortisation	-	-	-	-	-
Earnings Before Interest and Tax	**(177)**	**(221)**	**(239)**	35.2%	7.8%
Operating margin	(9.8%)	(12.8%)	**(13.5%)**	(37.2%)	(5.7%)
FTEs at period end	18.3	17.3	16.1	(12.0%)	**(6.9%)**

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 a 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 2022 due to decreased market activity levels

Operating expenses

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

- headcount – reflects a vacancy at period end; 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

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

Contractual revenue arises from the operation of:

- New Zealand's electricity market, under long term contract from the Electricity Authority;
- the Fonterra Shareholders' Market, under a 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 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