



NZX Interim Report **2022**

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About this report

For more than 150 years we have been enabling Kiwi success – creating opportunities for New Zealanders to grow their personal wealth and helping businesses prosper. As New Zealand’s Exchange, we are proud of our record in supporting the growth and global ambitions of local companies.

Our 2022 Interim Report includes our Financial Statements (and Notes to the Financial Statements) for the six months ended 30 June 2022, along with commentary on the company’s financial results and operational performance.

Our corporate governance policies are available online at: nzx.com/about-nzx/investor-centre/governance/policies. NZX Limited is registered with the New Zealand Companies Office and our New Zealand Business Number (NZBN) is 9429036186358.

This report is dated 18 August 2022 and is signed on behalf of the Board of NZX Limited by Chair, James Miller, and Chair of the Audit and Risk Committee, Lindsay Wright.

Our performance

TOTAL CAPITAL RAISED (new + secondary)

\$9.4b

↑ 28.0% ↑ 28.5% 5-YEAR AVERAGE

TOTAL VALUE TRADED

\$20.8b

↓ 23.3% ↓ 9.1% 5-YEAR AVERAGE

DATA & INSIGHTS REVENUE

\$9.0m

↑ 4.2%

DAIRY DERIVATIVES LOTS TRADED

198,920

↑ 42.1%

FUNDS UNDER MANAGEMENT

\$7.55b^{**}

↑ 32.7%

FUNDS UNDER ADMINISTRATION

\$9.91b

↑ 28.2%

INTERIM DIVIDEND (FULLY IMPUTED)

3.0
cents per share

* Operating earnings are before net finance expenses, 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.

Data is "for the 6 month period ended 30 June 2022," or "as at 30 June 2022" (as applicable).

Percentage changes represent the movement for the interim period June 2021 to June 2022, except Funds Under Management and Funds Under Administration which are the movement in balances as at 30 June 2021 to 30 June 2022.

5 year average percentage changes represent the movement against the rolling average for the preceding 5 year interim periods.

** Includes ASB Superannuation Master Trust acquired FUM.

OPERATING EARNINGS*

\$17.4m

↑ 2.8%

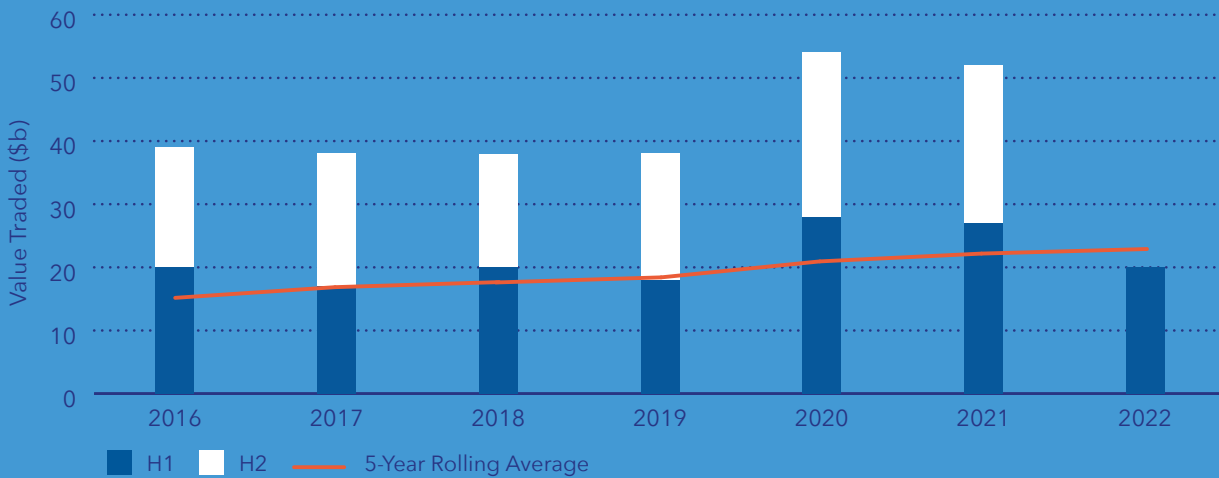
* Includes one-off acquisition and integration costs of \$0.18 million. Operating earnings excluding one-off acquisition costs decreased 1.0% to \$17.6 million.

NET PROFIT AFTER TAX

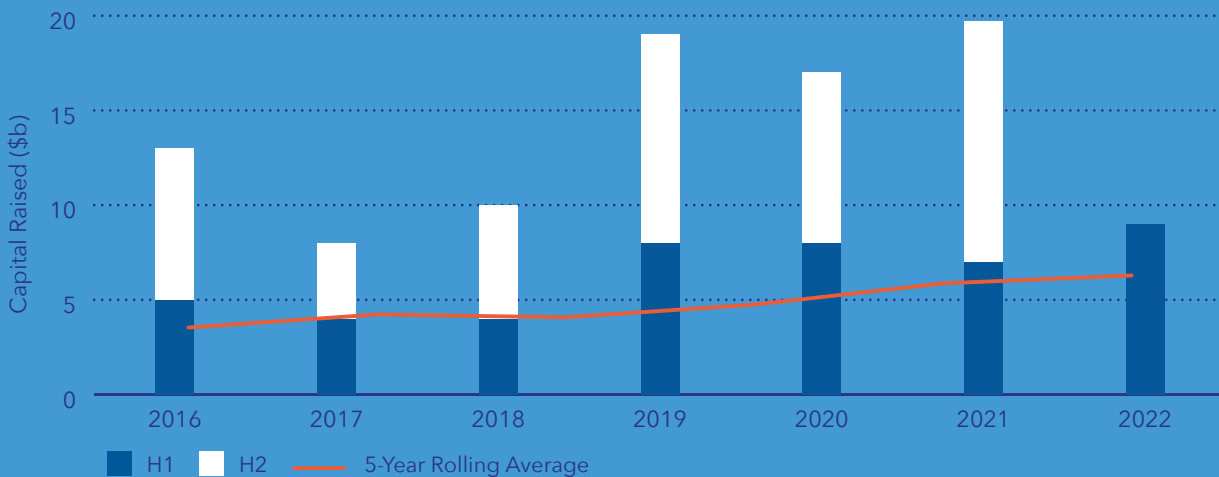
\$7.4m

↓ 3.2%

VALUE TRADED



CAPITAL RAISED





Mark Peterson
NZX Chief Executive

Chief Executive's Update

NZX maintaining momentum in H1 2022

NZX has achieved solid results for the six months to 30 June 2022 - including operating earnings (EBITDA) for the half-year of \$17.4 million (up 2.8%) - and, importantly, we continue to make steady progress in delivering our growth strategy.

We remain committed to balancing costs with initiatives that will deliver long-term sustainable growth - including those that encourage capital flows and market liquidity.

Key highlights for H1 2022 include our Dairy Derivatives partnership with the Singapore Exchange (SGX) that began in November 2021. This continues to go from strength to strength with more money flowing towards futures markets. In addition, we have seen more institutions purchasing data off us at record levels.

Overall capital raised totalled \$9.4 billion, up 28.0% compared to 30 June 2021 and 28.5% relative to the five-year rolling average for the same reporting period.

As one would expect, NZX has experienced fewer equity listings due to the macroeconomic impact on markets. However, debt issuance has been strong highlighting the diversity of funding sources available to issuers on the NZX and the increased attractiveness for investors to earn a stable return.

Through the period, \$3.4 billion of debt issuance was raised through 16 new debt issues, including \$610 million in green bonds. This demonstrates the breadth of market offerings available to access capital in a changing economic environment as well as the growing focus on sustainable investing. We will continue to explore ways to deepen New Zealand's capital markets, including progressing with a relaunch of the S&P/NZX20 Index Futures.

Although the macroeconomic environment has impacted total value traded (\$20.8 billion, down 23.3% since H1 2021); this follows two years of record highs and is still well above pre-COVID-19 levels.

In the first half of 2022, earnings for Smartshares and Wealth Technologies increased, and we remain confident about their future growth prospects. Our Smartshares business generated positive net cash inflows of \$180 million for the period. However, after including market movements, funds under management, excluding acquired FUM from ASB Superannuation Master Trust, was down 9.4% compared to 31 December 2021. The business growth remains strong with a compound annual growth rate of 21.2% since NZX set its five-year strategic goals in 2018.

Wage inflation is now the biggest driver of cost change. In challenging economic times, we remain vigilant about controlling costs; whilst leveraging the investments we have made for the future - particularly in Smartshares and Wealth Technologies - to increase earnings and cashflow while delivering our growth strategy.

Business resilience remains a key focus and the Financial Markets Authority (FMA) acknowledged the significant improvements we have made to our IT capability, including system security.

Financial performance

Group operating earnings (EBITDA) for the half-year were \$17.4 million - up 2.8% on the same period as last year. Excluding acquisition and integration costs, Group operating earnings (EBITDA) for the same period were \$17.6 million - down only 1.0%.

At a Group level operating revenue increased by 8.8% to \$46.2 million. This was driven by increased revenue from listing activity, Dairy Derivatives, Data & Insights, Funds Management and Wealth Technologies.

In the same period there was a reduction in securities trading and securities clearing revenues, energy consulting revenue, and audit and back-dated licencing revenue.

Our financial results for Core Markets show both increased revenue and spend compared to H1 2021. As a result, operating earnings were slightly compressed at \$20.4 million (down 0.5% compared to H1 2021 and 6.6% lower than H2 2021). Revenue was up 1.0% to \$30.1 million, while operating expenses rose by 4.3% to \$9.6 million - principally driven by wage inflation.

▼
 “We remain committed to balancing costs with initiatives that will deliver long-term sustainable growth - including those that encourage capital flows and market liquidity.”

Dairy Derivatives revenue was positively impacted by the higher level of lots traded (+42.1%) since the commencement of the SGX strategic partnership and the USD exchange rate.

Data and Insights continued its steady growth with record revenue of \$9.0 million - an increase of 4.2%. This was driven by an increase in professional terminal numbers. Revenue from audits and backdated licenses decreased by 61.0%. However, a significant number of audits are expected to be completed in H2 2022.

Compared to 30 June 2021, Smartshares operating earnings, excluding one-off acquisition and integration costs, increased by 25.7% to \$6.0 million. This included \$1.82 million of operating earnings from the purchase of the ASB Superannuation Master Trust.

NZX Wealth Technologies operating earnings were \$0.5 million for H1 2022, compared to \$0.1 million in H1 2021. It has a strong pipeline of future business - including a significant client and expected increase in funds under administration (FUA).



▶ Air New Zealand (NZX:AIR) refuelled with the completion of its \$1.2 billion capital raise earlier this year, with its focus now turning to reconnecting New Zealand with the world.

Group operating expenses, excluding one-off acquisition and integration costs, increased by 15.8% to \$28.6 million. We have now completed our IT capacity and resilience improvement programme, as well as strengthening further our security posture. We will continue to invest in these areas as required in the future. Increased personnel costs reflect rising wage inflation due to the extremely tight labour market in New Zealand post-COVID-19 lockdowns and the ongoing difficulties businesses are facing in sourcing, recruiting and retaining talent.

At a Group level, there was an increase in non-operating expenses of \$1.7 million – driven by an increase in depreciation and amortisation. This was due to the flow-on impact from 2021 investment initiatives, including Wealth Technologies’ client migrations, IT resilience improvements, Smartshares’ digital tools (and supporting infrastructure) for KiwiSaver Default Scheme, amortisation of the acquired ASB Superannuation Master Trust management rights, and the associated depreciation of the fit out of the new Auckland office.

Net profit after tax for the period (NPAT) was \$7.4 million – down 3.2%, with the NZX Board declaring a fully imputed interim dividend of 3.0 cents per share to be paid on 23 September 2022.

NZX’s full-year 2022 Operating Earnings is expected to remain in the range from \$33.5 million to \$38.0 million.

We have detailed our financial results in the Management Commentary on page 10.

Origination team working hard

H1 2022 was a busy period for the Capital Markets Origination team with capital flows reflecting the changing focus of the market.

With rising rates leading to higher coupons and the cyclical nature of bond reissuance, the bond market has been extremely strong, and we have seen a range of new bond issuance, including deals from BNZ, ASB, Infratil, Vector and Genesis in June.

The 16 debt listings in H1 2022 added approximately \$3.4 billion of market capitalisation to the NZDX. Additionally, ANZ was able to raise \$550 million of additional tier one debt capital in July.

Key events in H1 2022 included the listing of the Booster Innovation Fund and SBS ringing the bell for its inaugural bond. Ampol listed on 17 May following the completion of its merger with Z Energy. The Z retail brand is being retained in New Zealand and the bonds are being retained on the NZDX. We are seeing a range of companies waiting and evaluating macroeconomic factors to see whether the market will settle before making the decision to list.

Secondary issuance of capital – across equities and bonds – is operating effectively with \$5.1 billion raised for H1 2022 – up 32.1% compared to the year before. Air New Zealand’s \$1.2 billion rights issue was positively received.

▼
 “Since the SGX-NZX Dairy Derivatives strategic partnership began late last year, contract volumes have expanded significantly. Year to date volumes for all dairy products have grown by 42%, and a new record level in Open Interest was registered in June at more than 100,000 lots.”

The team continues to be very active in terms of contacting private companies and engaging with the ecosystem across investment banks, law firms, accounting firms, private equity and sponsorship partners to drive new listings.

The majority of the team’s activity is focused on New Zealand, but it is also working hard to strengthen relationships with Trans Tasman business with the aim of increasing dual listing activity. We recently hosted two successful listing masterclasses in Auckland (23 prospects in attendance) and Wellington (37 attendees) as well as a takeover response seminar for existing issuers. In late June we hosted the Australasian Investor Relations Association, which brought many of the investor relations professionals from our listed companies together at our Capital Markets Centre in Auckland.

We also have several “listing your company” and “raising capital in New Zealand” events planned with partners including Sharesies, Cameron Partners, Northington Partners, NZTE, ASB, Syndex, Morgo, Snowball Effect and Icehouse.

Dairy showing growth potential

NZX’s partnership with the SGX has enabled the listing of our suite of Global Dairy Derivatives on the SGX. This combined with a 33.3% stake in Global Dairy Trade (GDT) alongside Fonterra and the European Energy Exchange (EEX) completed on 30 June, highlight the significant potential for NZX to build and drive growth from strategic partnerships.



▶ There's nothing better than learning on the job – our Capital Markets Origination team enjoyed catching up with the team at Vulcan (NZX: VSL) at their recent site visit.

SGX's footprint in Asia combined with New Zealand's dairy expertise is proving an effective combination. While still in the early stages of the partnership, the results are encouraging and we have high confidence in achieving our strategic goals of increasing distribution and profile, and through these, liquidity growth.

Since the SGX-NZX Dairy Derivatives strategic partnership began late last year, contract volumes have expanded significantly. Year to date volumes for all dairy products have grown by 42%, and a new record level in Open Interest was registered in June at more than 100,000 lots. This is a significant milestone and is a sign of a healthy and growing market, representing the amount of open buy and sell positions held on the exchange.

Of particular interest is the development of the NZ Milk Price contracts, which continue to see strong growth, as farmers find more value in these hedging tools and increase their utilisation in the face of market volatility. Volumes have increased 44% in the first half of 2022, and Options have increased 1768%.

Driving these numbers was the advancement of connected trading and clearing firms, which have trebled with potential for further expansion across SGX's network of more than 70 names.

Our investment in GDT seeks to bring new dairy customers to the GDT platform under a more diverse ownership structure, and offers NZX the opportunity to be involved in the setting of GDT's future strategic

direction. On 9 August we saw the delivery of one of GDT's first initiatives which will bring more frequent price discovery to the physical market through a weekly auction known as GDT Pulse. This will have positive benefits for the dairy derivatives market volumes. NZX's Data & Insights function is also providing effective market insights to support awareness and engagement across our dairy market investments.

With only 10% of New Zealand's physical market in dairy commodities hedged with futures, the potential for growth is significant, with mature commodity derivative markets trading many multiples of their underlying production.

Smartshares - growing & delivering to customers

Smartshares, NZX's wholly owned subsidiary, continues to grow organically and look for opportunities to expand its passive funds management business, leveraging off the technology and operational investments that have been made in recent years.

In February Smartshares cemented its position as a trusted name in superannuation, KiwiSaver investment and insurance (through SuperLife) with the \$25 million acquisition of ASB Superannuation Master Trust. The purchase added more than \$1.8 billion in retirement savings from more than 17,500 members to Smartshares' funds management business. Integration work is well underway.



▶ NZX CEO, Mark Peterson presented Mainfreight's (NZX:MFT) Chair, Bruce Plested with a pounamu in recognition of 26 years listed on the NZX.

While the changes in market conditions impacted the top line FUM levels, the business still had strong net cash inflows of \$180 million. Smartshares' customer growth remained strong with membership increasing from 79,219 to 125,176 – an increase of 58% – which includes the impact of the ASB Superannuation Master Trust acquisition.

In the year to 30 June, Smartshares client-centric approach resulted in 41,342 interactions (emails and calls) with customers from its KiwiSaver fund, SuperLife. This was up 27% from the same period in 2021.

Recently SuperLife was rated both New Zealand's lowest cost and best performing KiwiSaver Default fund (source: Melville Jessup Weaver Investment Survey June 2022). This independent rating reflects well on both the quality of service provided and the outcomes achieved.

NZX Wealth Technologies - platform & services in demand

NZX Wealth Technologies' technology platform continues to be a trusted local market provider for financial services. The team is transitioning more clients on to the platform, securing new prospects and extending functionality to existing customers.

Wealth Technologies remains confident it has the customer relationships to deliver \$35-\$50 billion FUA. There is strong determination and drive to be cash flow positive and we remain excited by the future growth prospects of this business.

▼
 “Regarding carbon trading and building on the success of NZX operating New Zealand’s Emissions Trading Scheme auctions, we continue to explore how we can best support the government and New Zealand achieve its emissions-reduction objectives.”

FMA report notes significant progress

In June NZX was acknowledged by the Financial Markets Authority (FMA) in its annual market obligations review of NZX for significantly improving our IT, risk and resilience capabilities. The report noted the investment we had made in our people, processes and systems.

The FMA also noted that NZ RegCo had operated effectively during its first full year and demonstrated an appropriate level of independence from NZX.

Special thank you

Finally, I would like to acknowledge our team at NZX for their commitment, can-do attitude and quality work. Despite the challenging operating environment, our people remain focused on the tasks at hand and take pride in helping connect people, businesses and capital everyday.

Mark Peterson
 CHIEF EXECUTIVE

Management commentary



Overview

A breakdown of NZX's financial results by business unit is summarised in the following table:

6 months ended June 2022 (H1-22) \$000	Markets	Funds Management	Wealth Technologies	Corporate Services¹	NZX Commercial Operations Sub-total	Regulation (NZ RegCo)	NZX Group Total
Operating revenue	30,052	11,459	2,850	16	44,377	1,798	46,175
Operating expenses (excl. acq/integration costs)	(9,646)	(5,483)	(2,386)	(9,081)	(26,596)	(1,975)	(28,571)
Operating earnings (excl. acq/integration costs)	20,406	5,976	464	(9,065)	17,781	(177)	17,604
Acq/integration costs	-	(184)	-	-	(184)	-	(184)
Operating earnings²	20,406	5,792	464	(9,065)	17,597	(177)	17,420
Depr, amort. & disposals	(1,420)	(1,235)	(2,588)	(1,510)	(6,753)	-	(6,753)
Earnings bef. interest & tax	18,986	4,557	(2,124)	(10,575)	10,844	(177)	10,667
Net interest & tax							(3,284)
Net profit for the period							7,383

6 months ended December 2021 (H2-21) \$000	Markets	Funds Management	Wealth Technologies	Corporate Services¹	NZX Commercial Operations Sub-total	Regulation (NZ RegCo)	NZX Group Total
Operating revenue	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)
Operating earnings (excl. acquisition costs)	21,858	4,435	256	(8,780)	17,769	224	17,993
Acquisition costs	-	(504)	-	-	(504)	-	(504)
Operating earnings²	21,858	3,931	256	(8,780)	17,265	224	17,489
Depr, amort. & disposals	(1,391)	(652)	(2,183)	(1,395)	(5,621)	(19)	(5,640)
Earnings bef. interest & tax	20,467	3,279	(1,927)	(10,175)	11,644	205	11,849
Net interest & tax							(4,464)
Net profit for the period							7,385

6 months ended June 2021 (H1-21) \$000	Markets	Funds Management	Wealth Technologies	Corporate Services ¹	NZX Commercial Operations Sub-total	Regulation (NZ RegCo)	NZX Group Total
Operating revenue	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)
Operating earnings (excl. acquisition costs)	20,509	4,755	128	(7,589)	17,803	(17)	17,786
Acquisition costs	-	(848)	-	-	(848)	-	(848)
Operating earnings²	20,509	3,907	128	(7,589)	16,955	(17)	16,938
Depr, amort. & disposals	(1,282)	(691)	(1,820)	(1,078)	(4,871)	(38)	(4,909)
Earnings bef. interest & tax	19,227	3,216	(1,692)	(8,667)	12,084	(55)	12,029
Net interest & tax							(4,399)
Net profit for the period							7,630

¹ Corporate Services provides accommodation, legal, accounting, IT, HR, communications and project management support to the other business units. Related costs are currently not recharged to these commercial business units and subsidiaries (other than NZ RegCo).

² 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.

Operating earnings (EBITDA) of \$17.4 million was up 2.8% compared to the H1-21 and down 0.4% compared to H2-21.

On a like-for-like basis, operating earnings excluding one-off acquisition and integration costs decreased, to \$17.6 million, down 1.0% compared to the H1-21 and down 2.2% compared to H2-21, with:

- operating revenue increased to \$46.2 million. Annual listing fees, Dairy Derivatives, Data & Insights, Funds Management and Wealth Technologies business units' revenue increased, partially offset by reduced securities trading and securities clearing revenues, energy consulting revenue, audit and back dated licencing revenue; and
- operating expenses, excluding one-off acquisition and integration costs, increased to \$28.6 million. We have completed our Information Technology (IT) capacity and resilience improvement programme, as well as the strengthening of our cyber security. There were no new investments for growth (other than completing the acquisitions of the ASB Superannuation Master Trust management rights and a 33.3% interest in Global Dairy Trade Holdings Limited) and the Funds Management and Wealth Technologies business units are focused on leveraging existing resources.

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

Depreciation and amortisation increased due to the full period impact of several 2021 initiatives, including Wealth Technologies client migrations, IT resilience improvements, Smartshares digital tools (and supporting infrastructure) for KiwiSaver Default Scheme, amortisation of the acquired ASB Superannuation Master Trust management rights, and depreciation of the new Auckland office fit out and associated right of use asset.

Net profit for the period decreased to \$7.4m, down 3.24% compared to the H1-21 and 0.03% compared to H2-21.

A summary of the financial results by business unit are discussed in the following pages and the Investor Presentation (refer <https://www.nzx.com/about-nzx/investor-centre/reports-and-disclosure>) also provides further analysis.

Key metrics

The key metrics for 2022, as outlined in the February 2022 Investor Presentation, are summarised in the table below:

	External dependencies	2022 full year deliverables	2022 YTD actual ¹
NZX Group	Operating earnings excluding acquisition and integration costs (EBITDA) ²	\$33.5 - \$38.0 million	\$17.6 million (down 1%)
Core Markets			
Capital Markets Origination	Capital listed and raised (total primary and secondary capital issued or raised for Equity, Funds and Debt) <ul style="list-style-type: none"> • Listing ecosystem is dependent on other market participants • No major market correction 	\$14.8 billion	\$9.4 billion (up 28.0%)
Secondary Markets	Total value traded <ul style="list-style-type: none"> • Participant activity levels drive value traded • No major market correction 	\$52.5 billion	\$20.8 billion (down 23.3%)
	Dairy Derivatives lots traded <ul style="list-style-type: none"> • Participant activity levels and dairy market price volatility drive lots traded 	0.45 - 0.55 million lots	198,920 lots (up 42.1%)
Data & Insights	Revenue growth (in subscriptions, licenses and dairy subscriptions) <ul style="list-style-type: none"> • Dependent on markets growth 	Average revenue growth: 6.5%	\$9.0 million (up 4.2%)
Funds Management	Total Funds Under Management (FUM) <ul style="list-style-type: none"> • Investment market returns • No major market correction 	Continue 3-year rolling average growth: 14% (excluding acquired FUM)	\$5.92 billion excluding acquired FUM (up 4.0%). Average FUM for period up 14.0%
Wealth Technologies	Total Funds Under Administration <ul style="list-style-type: none"> • Investment market returns • No major market correction 	Migrate new clients and OE clients onto the platform	\$9.91 billion (up 28.2%)

¹ Percentage changes represent the movement for the interim period June 2021 to June 2022, except Funds Under Management and Funds Under Administration which are the movements in balances as at 30 June 2021 to 30 June 2022.

² Operating earnings (EBITDA) are before net finance expenses, 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.

Markets

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%).

Operating revenue

Capital markets origination

Annual listing fees paid by NZX's equity, debt and fund issuers are driven by the number of listed issuers and equity, debt and fund market capitalisations. Annual listing fees have been positively impacted by the growth in equity market capitalisation and the growth in number and value of debt instruments.

Primary listing fees are paid by all issuers at the time of listing. The primary drivers of this revenue are the number of new listings and the value of capital listed. Primary listing fees in the period have been driven by equity and retail debt listings; with total new capital listed of \$4.2 billion up 23.2% on the comparative period.

Secondary issuance fees are paid by existing issuers when the company raises additional capital through placements, rights issues, the exercise of options, dividend reinvestment plans, or further debt issues. The primary drivers for this revenue are the number of secondary issuances and the value of secondary capital raised. Secondary issuance fees in the period have been driven by equity recapitalisations and retail debt issuances, with total additional capital raised of \$5.1 billion up 32.1% on the comparative period.

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 markets. The total number of market participants has reduced to 30 (2021: 32), 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 the Singapore Stock Exchange (SGX).

Securities trading revenue comes from the execution of trades on NZX's equity and debt markets. Securities clearing revenue relates to clearing and settlement activities, and related depository services undertaken by NZX's subsidiary, New Zealand Clearing and Depository Corporation Limited. The largest component is clearing fees which are based on the value of settled transactions.

Securities trading and clearing revenue decreased due to:

- the total value traded (\$20.8 billion) being 23.3% lower than the comparative period;
- securities trading revenue was favourably impacted by lower levels of uncharged value traded (mainly caused by fewer large index rebalance trading days where fees on value traded exceeds the fee cap), which decreased to 6.5% (2021: 10.9%); and
- lower levels of OTC settlement / registry messaging fees offset by higher levels of clearing margin fees.

Dairy derivatives revenue relates to trading, clearing and settlement fees for trading SGX-NZX dairy futures and options. The fees are charged in USD (reflecting the global nature of the market) per lot traded. Dairy derivatives revenue increased in line with the 42.1% higher lots traded since the commencement of the SGX strategic partnership from late November 2021.

Contractual and consulting and development revenue arises from the operation of New Zealand's electricity market (under a long term contract with the Electricity Authority), the Fonterra Shareholders' Market (under a contract with Fonterra) and the carbon managed auction service (under a contract with the Ministry for the Environment). Consulting and development revenue includes enhancements to the electricity market systems, including the market real time pricing project, which is due for completion in 2023. The comparative period includes revenue relating to the development of the carbon managed auction service.

Data & insights

Royalties from terminals relates to the provision of capital markets data to global data resellers who incorporate the data into their own subscription products. The royalties from terminals increased by 13.1% from growth in higher value professional terminal numbers (+2.0%), partially offset by a reduction in lower value retail terminals numbers (-15.2%).

Subscription and licences relate to the provision of capital markets data to other participants in the capital markets (e.g. non-display applications). The subscriptions and licences revenue increase of 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 (+10.7%).

Audit and back-dated licencing revenue reduced due to a lower level of audits being completed. A significant number of audits are expected to be completed in the second half of 2022.

Dairy data subscriptions relate to the sale of dairy data and analytical products. Dairy data subscription revenue has reduced due to a lower number of product subscriptions.

Indices revenue relates to the revenue generated on index licensing in partnership with S&P. The number of index data clients has remained consistent across the periods.

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

Operating expenses

Personnel costs (net of capitalisation) have increased, driven by the average FTEs and wage inflation:

- average FTEs have increased due to the additional roles recruited during 2021 (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 additional roles recruited during 2021 included in the Securities IT team (to deliver technology solutions to increase trading and clearing system capacity and resilience, and maintain market stability), a Capital Markets Origination role (focused on issuer origination), Secondary Markets product resources (to support growth in the depository business and the dairy derivatives business), and Energy contractors (to deliver increased levels of consulting and development revenue);

- 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.

IT 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. H1-21 and H2-21 included third party specialist support which assisted with the delivery of development revenues;
- energy carbon market systems ongoing support of the carbon managed auction service. H1-21 included the use of third party specialist support to assist with the development of the carbon managed auction service;
- NZX's share of IT costs under the SGX-NZX dairy derivatives strategic partnership which commenced in November 2021; and
- software licences costs and data feeds associated with the delivery of customer management data platforms.

Professional fees have decreased and relate to:

- the annual assurance programme, which includes audit fees (e.g. Clearing House risk capital review), tax advice, and 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 which vary in proportion to audit revenue (with revenues recognised on a gross basis);
- ongoing European Energy Exchange (EEX) royalty fees relating to the carbon managed auction service and ongoing SGX costs relating to the SGX-NZX dairy derivatives strategic partnership; and
- H1-21 included set up costs for the development of the new carbon managed auction service for the Ministry for the Environment and H2-21 include set up costs for the SGX-NZX dairy derivatives strategic partnership with SGX.

Marketing costs include the Capital Markets Origination team's memberships of various industry groups to identify listing pipeline opportunities. There has been a lower level of direct marketing campaigns in this period.

Other expenses include travel, statutory compliance costs and non-recoverable GST costs.

Depreciation & amortisation

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

Funds Management

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

ASB Superannuation Master Trust (ASB SMT) acquisition impact

Smartshares completed the acquisition of the ASB SMT on 11 February 2022. Certain services continue to be provided by ASB, with planning underway to transition those service (and migrate data) to Smartshares. We expect the transition of investment administration and investment management to occur in Q2-23, and registry services to occur in Q3-23.

The ASB SMT contributed operating earnings of \$1.8m 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, excluding acquisition and integration costs, is 52.2% (H1-21: 53.2%, H2-21: 44.8%).

Operating revenue

Funds management revenue is generated from:

- Funds under management (FUM) based revenue which relates to variable fees which are received net of fund expenses. Fund expenses include a combination of fixed costs (principally outsourced fund accounting and administration costs and registry fees), and variable costs proportionate to FUM (principally custodian fees, trustee fees, index fees, settlement costs and third party manager fees);
- Member-based revenue which includes fixed membership administration fees and other member services; and
- Other revenue, for example interest income, insurance service fees and stock lending and borrowing service fees.

FUM-based revenue (net of fund expenses) has increased 32.1% driven by higher average FUM (H1-22: \$7.53b, H2-21: \$5.92b, H1-21: \$5.44b), arising from a combination of the ASB SMT acquired FUM, negative market returns and positive net cash flows (\$180 million year to date). FUM at 30 June 2022 has grown to \$7.55 billion up 32.7% compared to 30 June 2021.

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 (net of capitalisation) have increased, driven by the average FTEs, wage inflation and the capitalisation of internal development resources:

- average FTEs have increased to support the continued growth and includes project resources for the KiwiSaver Default Scheme (KSD) and for the ASB SMT transition (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). 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 the KSD.

IT 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), 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 and amortisation increases relate to amortisation of the ASB SMT intangible asset, as well as the KSD digital tools and related additional processing and storage capacity and resilience.

Wealth technologies

Wealth Technologies administer and manage a platform that enables advisers and brokers to manage client investments.

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

Wealth Technologies revenue is generated from administration services provided on both the original (OE) and new wealth management platforms, and development fees received for specific client system requirements.

The administration service fees are based on funds under administration (FUA) and have been driven by higher average FUA (H1-22: \$10.44 billion, H2-21: \$9.10 billion, H1-21: \$7.39 billion) which is a combination of new clients FUA migrated onto the platform in 2021, negative market returns and positive net cash flows.

Operating expenses

Personnel costs (net of capitalisation) have increased, driven by increased average 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 client;
- average FTEs has been increasing as new clients have been, or are in the process of being, migrated to the platform (FTEs at 30 June 2022: 69.8, 31 December 2021: 65.8, 30 June 2021: 50.3). This is expected to continue as clients migrate additional FUA and future new clients are won; and

- capitalised labour and overhead reflects continued product development and new client migration activity.

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

Corporate services

Corporate Services provides accommodation, legal, finance, IT, HR and communications support to the business.

Operating revenue

Revenue relates to commission fees on NZX related accredited courses.

Operating expenses

Personnel costs (net of capitalisation) have increased, driven by the average FTEs, wage inflation and the capitalisation of internal development resources:

- average FTEs have 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 (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); and
- 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 and a corporate governance review.

Marketing costs relate to the investor relations programme (including annual / interim reporting, investor day etc), which has been impacted by COVID travel restrictions 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 and 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.

Regulation (NZ RegCo)

NZ RegCo 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, 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 market surveillance activities. Issuer regulation services comprise time spent by NZ RegCo reviewing listing and secondary capital raising documents, requests for listing rule waivers. Market conduct services comprise time spent by NZ RegCo reviewing market conduct matters and issuer disclosure. Participant compliance services comprise time spent by NZ RegCo reviewing participant applications. Market surveillance activities are recoverable from market participants. In the current period NZ RegCo undertook a higher level of recoverable fee based work than in the comparable year.

Additionally, NZ RegCo receives an internal allocation of annual listing fees and annual participants fees.

Operating expenses

Personnel costs have increased, driven by average FTEs and wage inflation:

- average FTEs has been slightly higher 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 has been the main driver of increased personnel costs.

IT 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 and communications support.

Depreciation & amortisation

Depreciation and amortisation relates to depreciation on the participants portal.



Financials



Group income statement

For the six months ended 30 June 2022

	Note	Unaudited 6 months ended 30 June 2022 \$000	Unaudited 6 months ended 30 June 2021 \$000	Audited 12 months ended 31 Dec 2021 \$000
Total operating revenue	5	46,175	42,451	87,955
Total operating expenses	6	(28,755)	(25,513)	(53,528)
Earnings before net finance expenses, income tax, depreciation, amortisation, and gain or loss on disposal of assets (EBITDA)¹	2	17,420	16,938	34,427
Net finance expenses	7	(1,044)	(1,174)	(2,507)
Depreciation and amortisation expenses		(6,756)	(4,797)	(10,404)
Gain/(loss) on disposal of assets		3	(112)	(145)
Profit before income tax		9,623	10,855	21,371
Income tax expense		(2,240)	(3,225)	(6,356)
Profit for the period		7,383	7,630	15,015
Earnings per share				
Basic (cents per share)		2.5	2.7	5.4
Diluted (cents per share)		2.4	2.7	5.3

¹ EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

Group statement of comprehensive income

For the six months ended 30 June 2022

	Unaudited 6 months ended 30 June 2022 \$000	Unaudited 6 months ended 30 June 2021 \$000	Audited 12 months ended 31 Dec 2021 \$000
Profit for the period	7,383	7,630	15,015
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences	(1)	-	-
Total other comprehensive income	(1)	-	-
Total comprehensive income for the period	7,382	7,630	15,015

Group statement of changes in equity

For the six months ended 30 June 2022

	Note	Share Capital \$000	Retained Earnings \$000	Translation Reserve \$000	Total Equity \$000
Audited balance at 1 January 2021		58,517	9,160	(46)	67,631
Profit for the period		-	7,630	-	7,630
Foreign currency translation differences		-	-	-	-
Total comprehensive income for the period		-	7,630	-	7,630
Transactions with owners recorded directly in equity:					
Dividends paid	13	-	(8,618)	-	(8,618)
Issue of shares		2,070	-	-	2,070
Share based payments		506	-	-	506
Cancellation of non-vesting shares		(11)	11	-	-
Total transactions with owners recorded directly in equity		2,565	(8,607)	-	(6,042)
Unaudited closing balance at 30 June 2021		61,082	8,183	(46)	69,219
Profit for the period		-	7,385	-	7,385
Foreign currency translation differences		-	-	-	-
Total comprehensive income for the period		-	7,385	-	7,385
Transactions with owners recorded directly in equity:					
Dividends paid	13	-	(8,388)	-	(8,388)
Issue of shares		1,883	-	-	1,883
Share based payments		507	-	-	507
Total transactions with owners recorded directly in equity		2,390	(8,388)	-	(5,998)
Audited closing balance at 31 December 2021		63,472	7,180	(46)	70,606
Profit for the period		-	7,383	-	7,383
Foreign currency translation differences		-	-	(1)	(1)
Total comprehensive income for the period		-	7,383	(1)	7,382
Transactions with owners recorded directly in equity:					
Dividends paid	13	-	(8,701)	-	(8,701)
Issue of shares	12	42,687	-	-	42,687
Share based payments		115	-	-	115
Cancellation of non-vesting shares		(19)	19	-	-
Total transactions with owners recorded directly in equity		42,783	(8,682)	-	34,101
Unaudited closing balance at 30 June 2022		106,255	5,881	(47)	112,089

Group statement of financial position

As at 30 June 2022

	Note	Unaudited 30 June 2022 \$000	Unaudited 30 June 2021 \$000	Audited 31 Dec 2021 \$000
Current assets				
Cash and cash equivalents		16,527	21,325	29,062
Cash and cash equivalents - restricted	8	20,000	20,000	20,000
Funds held on behalf of third parties		27,221	135,643	28,025
Receivables and prepayments		27,553	23,179	11,270
Total current assets		91,301	200,147	88,357
Non-current assets				
Property, plant & equipment		7,926	4,976	6,473
Right-of-use lease assets		11,357	4,456	11,299
Goodwill	3	30,222	30,222	30,222
Other intangible assets	3/9	68,696	41,809	44,279
Investment in associate	10	16,638	-	-
Total non-current assets		134,839	81,463	92,273
Total assets		226,140	281,610	180,630
Current liabilities				
Funds held on behalf of third parties		27,221	135,643	28,025
Trade payables		9,379	8,261	6,814
Other liabilities - current		22,832	18,614	17,035
Lease liabilities		1,319	1,052	1,175
Current tax liability/(asset)		(936)	862	1,872
Total current liabilities		59,815	164,432	54,921

Group statement of financial position (continued)

As at 30 June 2022

	Note	Unaudited 30 June 2022 \$000	Unaudited 30 June 2021 \$000	Audited 31 Dec 2021 \$000
Non-current liabilities				
Non-current other liabilities		-	565	645
Lease liabilities		12,280	5,232	12,378
Interest bearing liabilities	11	38,983	38,940	38,971
Deferred tax liability		2,973	3,222	3,109
Total non-current liabilities		54,236	47,959	55,103
Total liabilities		114,051	212,391	110,024
Net assets		112,089	69,219	70,606
Equity				
Share capital	12	106,255	61,082	63,472
Retained earnings		5,881	8,183	7,180
Translation reserve		(47)	(46)	(46)
Total equity attributable to shareholders		112,089	69,219	70,606
Net tangible assets per share (cents per share)		(1.15)	(1.01)	(1.39)

Approved on behalf of the Board of Directors for issue on 18 August 2022.



J B Miller
Chair of the Board

Lindsay Wright
Chair of the Audit and
Risk Committee

Group statement of cash flows

For the six months ended 30 June 2022

	Note	Unaudited 6 months ended 30 June 2022 \$000	Unaudited 6 months ended 30 June 2021 \$000	Audited 12 months ended 31 Dec 2021 \$000
Cash flows from operating activities				
Receipts from customers		37,635	37,581	88,136
Net interest paid		(1,114)	(1,048)	(2,279)
Payments to suppliers and employees		(30,153)	(27,558)	(51,110)
Income tax paid		(5,184)	(5,121)	(7,355)
Net cash provided by operating activities		1,184	3,854	27,392
Cash flows from investing activities				
Payments for property, plant and equipment		(1,105)	(3,257)	(5,473)
Payments for intangible assets	9	(29,841)	(4,646)	(11,447)
Payments for investment in associate	10	(16,004)	-	-
Net cash used in investing activities		(46,950)	(7,903)	(16,920)
Cash flows from financing activities				
Net receipts from equity raising	12	42,638	-	-
Payments of lease liabilities		(686)	(820)	(1,099)
Purchase of subordinated notes	11	(20)	-	-
Dividends paid		(8,701)	(6,581)	(13,086)
Net cash used in financing activities		33,231	(7,401)	(14,185)
Net increase/(decrease) in cash and cash equivalents		(12,535)	(11,450)	(3,713)
Cash and cash equivalents at the beginning of the period		49,062	52,775	52,775
Cash and cash equivalents at the end of the period		36,527	41,325	49,062

Notes to the financial statements

For the six months ended 30 June 2022

1. Reporting entity and statutory base

Reporting entity

These interim financial statements presented are for NZX Limited (the Company) and its subsidiaries (together referred to as the Group) as at and for the six months ended 30 June 2022.

The Group operates New Zealand securities, derivatives and energy markets, including building and maintaining the infrastructure on which they operate. It provides funds management services including superannuation and Exchange Traded Funds (ETFs), as well as developing and operating wealth management platforms for other providers. It also provides a range of information and data to support market growth and development in the securities and dairy sectors.

The Company is incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). The Company is listed and its ordinary shares are quoted on the NZX Main Board. The Company also has listed debt which is quoted on the NZX debt market.

Basis of preparation

These interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), the requirements of the FMCA and the Main Board/debt market Listing Rules of NZX Limited. The interim financial statements comply with the New Zealand equivalents to International Accounting Standards NZ IAS 34 and IAS 34 Interim Financial Reporting.

These interim financial statements do not disclose all the information required for annual financial statements prepared in accordance with NZ IFRS. Consequently, the interim financial statements should be read in conjunction with the financial statements and related notes included in the Annual Report for the year ended 31 December 2021.

Accounting policies

These interim financial statements have consistently applied the accounting policies set out in the Group's Annual Report for the year ended 31 December 2021.

Accounting estimates and judgements

The key sources of estimation uncertainty have not changed from those used in preparing the annual financial statements for the year ended 31 December 2021.

Functional and presentation currency

These interim financial statements are presented in New Zealand dollars (\$), which is the Group's functional currency, and are rounded to the nearest thousand dollars unless otherwise indicated.

Presentational changes

Certain amounts in the comparative information have been reclassified to ensure consistency with the current period's presentation.

2. Non-GAAP measures

EBITDA is a non-GAAP performance measure and differs from the NZ IFRS profit for the period. The Group's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of EBITDA to NZ IFRS profit for the period:

	Unaudited 6 months ended 30 June 2022 \$000	Unaudited 6 months ended 30 June 2021 \$000	Audited 12 months ended 31 Dec 2021 \$000
Profit for the period	7,383	7,630	15,015
Income tax expense	2,240	3,225	6,356
Profit before income tax	9,623	10,855	21,371
Adjustments for:			
- Net finance expenses	1,044	1,174	2,507
- Depreciation and amortisation expenses	6,756	4,797	10,404
- Loss/(gain) on disposal of assets	(3)	112	145
EBITDA	17,420	16,938	34,427

The Group has presented the EBITDA performance measure in addition to NZ IFRS profit for the period as this performance measure is used internally, in conjunction with other measures, to monitor performance and make investment decisions. EBITDA is calculated by adjusting profit from operations to exclude the impact of taxation, net finance expense, depreciation, amortisation, and gain or loss on disposal of assets.

3. Goodwill and other intangible assets

The Group performs a full impairment assessment of its goodwill and indefinite life intangible assets annually. The last full impairment assessment was performed at 31 December 2021, and no impairment was required as a result.

The Group has reviewed the indicators of impairment for the six month period to 30 June 2022, and no indicators of impairment were noted (none at 30 June 2021). The next full impairment assessment will be performed and included in the Group's year end financial statements as at 31 December 2022.

4. Segment reporting

The Group has five revenue generating segments, as described below, which are the Group's strategic business areas, and a corporate services segment which has limited revenue but includes all costs that are shared across the organisation.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group CEO. The CODM assesses performance of the combined Markets business (i.e. the Capital Markets Origination, Secondary Markets and Data & Insights revenue generating segments) as a single segment, being an integrated business that supports the growth of New Zealand capital markets. The performance of the Funds Management, Wealth Technologies and Corporate businesses are assessed separately.

Additionally, NZX Regulation Limited (NZ RegCo) is a stand-alone, independently-governed agency which performs all of NZX's front line regulatory functions. NZ RegCo is structurally separate from the Group's commercial operations and consequently the CODM for the Regulation business is the NZ RegCo CEO.

The reportable commercial operations segments are:

- Markets
 - Capital Market 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;
 - Data & Insights - provider of information services for the securities and derivatives markets, and analytics for the dairy sector;
- Funds Management - provider of superannuation funds, KiwiSaver funds and exchange traded funds; and
- Wealth Technologies - funds administration provider and custodian.

The Group's revenue is allocated into each of the reportable segments (including an internal allocation of annual listing fees and annual participant fees to NZ RegCo). Expenses incurred are allocated to the segments only if they are direct and specific expenses to one of the segments. The remaining expenses that relate to activities shared across the group are reported in the Corporate segment.

The Group's assets and liabilities are allocated into each of the revenue generating segments, apart from those assets and liabilities that are utilised on a shared basis, which are allocated to the Corporate segment.

Segmental information for the six months ended 30 June 2022

Unaudited	Capital Markets Origination \$000	Secondary Markets \$000	Data & Insights \$000	Markets sub-total \$000	Funds \$000	Wealth Tech. \$000	Corporate \$000	NZX Commercial Operations sub-total \$000	Regulation \$000	NZX Group Total \$000
Operating revenue	8,092	12,968	8,992	30,052	11,459	2,850	16	44,377	1,798	46,175
Operating expenses				(9,646)	(5,667)	(2,386)	(9,081)	(26,780)	(1,975)	(28,755)
Operating earnings (EBITDA)¹				20,406	5,792	464	(9,065)	17,597	(177)	17,420
Segment assets				104,051	69,334	22,711	29,867	225,963	177	226,140
Segment liabilities				(45,248)	(7,161)	(2,138)	(59,562)	(114,109)	58	(114,051)
Net assets				58,803	62,173	20,573	(29,695)	111,854	235	112,089

¹ EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

Segmental information for the six months ended 30 June 2021

Unaudited	Capital	Secondary	Data &	Markets	Funds	Wealth	Corporate	NZX	Regulation	NZX
	Markets	Markets	Insights	sub-total	\$000	Tech.	\$000	Commercial	\$000	Group
	Origination							Operations		Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	sub-total	\$000	\$000
Operating revenue	6,795	14,339	8,626	29,760	8,941	2,074	11	40,786	1,665	42,451
Operating expenses				(9,251)	(5,034)	(1,946)	(7,600)	(23,831)	(1,682)	(25,513)
Operating earnings (EBITDA)¹				20,509	3,907	128	(7,589)	16,955	(17)	16,938
Segment assets				196,275	42,519	19,566	23,027	281,387	223	281,610
Segment liabilities				(152,328)	(8,193)	576	(52,409)	(212,354)	(37)	(212,391)
Net assets				43,947	34,326	20,142	(29,382)	69,033	186	69,219

¹ EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

Segmental information for the twelve months ended 31 December 2021

Audited	Capital	Secondary	Data &	Markets	Funds	Wealth	Corporate	NZX	Regulation	NZX
	Markets	Markets	Insights	sub-total	\$000	Tech.	\$000	Commercial	\$000	Group
	Origination							Operations		Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	sub-total	\$000	\$000
Operating revenue	15,815	27,747	17,453	61,015	18,838	4,397	85	84,335	3,620	87,955
Operating expenses				(18,648)	(11,000)	(4,013)	(16,454)	(50,115)	(3,413)	(53,528)
Operating earnings (EBITDA)¹				42,367	7,838	384	(16,369)	34,220	207	34,427
Segment assets				74,804	45,106	21,720	38,899	180,529	101	180,630
Segment liabilities				(41,150)	(8,547)	351	(60,569)	(109,915)	(109)	(110,024)
Net assets				33,654	36,559	22,071	(21,670)	70,614	(8)	70,606

¹ EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

5. Operating revenue

	Unaudited 6 months ended 30 June 2022 \$000	Unaudited 6 months ended 30 June 2021 \$000	Audited 12 months ended 31 Dec 2021 \$000
Listing and issuance fees	8,092	6,795	15,815
Total Capital Markets Origination revenue	8,092	6,795	15,815
Participant services	218	357	600
Securities trading	2,299	2,640	5,208
Securities clearing	4,063	4,190	8,148
Dairy derivatives	836	522	1,241
Market operations	5,552	6,630	12,550
Total Secondary Markets revenue	12,968	14,339	27,747
Securities information	7,380	7,037	14,274
Dairy data subscriptions	315	328	616
Connectivity revenue	1,297	1,261	2,563
Total Data & Insights revenue	8,992	8,626	17,453
Funds Management revenue	11,459	8,941	18,838
Wealth Technologies revenue	2,850	2,074	4,397
Issuer regulation	324	267	778
Market conduct	31	30	82
Participant compliance	96	32	100
Surveillance	400	392	773
Listing fees & participants services	947	944	1,887
Total Regulation revenue	1,798	1,665	3,620
Other Corporate revenue	16	11	85
Total operating revenue	46,175	42,451	87,955

6. Operating expenses

	Note	Unaudited 6 months ended 30 June 2022 \$000	Unaudited 6 months ended 30 June 2021 \$000	Audited 12 months ended 31 Dec 2021 \$000
Gross personnel costs		(21,780)	(18,652)	(39,785)
Less capitalised labour		3,127	3,004	6,624
Net personnel costs		(18,653)	(15,648)	(33,161)
Information technology		(6,402)	(5,858)	(11,753)
Professional fees		(1,479)	(1,548)	(3,259)
Marketing		(598)	(510)	(1,389)
Other operating expenses		(2,164)	(1,822)	(4,169)
Capitalised overheads		725	721	1,555
Acquisition/integration costs	9	(184)	(848)	(1,352)
Total operating expenses		(28,755)	(25,513)	(53,528)

7. Net finance expenses

	Unaudited 6 months ended 30 June 2022 \$000	Unaudited 6 months ended 30 June 2021 \$000	Audited 12 months ended 31 Dec 2021 \$000
Interest income	424	174	395
Interest on lease liabilities	(231)	(122)	(374)
Other interest expense	(1,255)	(1,183)	(2,394)
Amortised borrowing costs	(43)	(40)	(81)
Net gain/(loss) on foreign exchange	61	(3)	(53)
Net finance expense	(1,044)	(1,174)	(2,507)

8. Cash and cash equivalents

Restricted cash and cash equivalents relates to balances held for risk capital requirements by the Clearing House and is not available for general cash management use by the Group.

9. Acquisition of management rights

On 11 February 2022 Smartshares Limited acquired the management rights of the ASB Superannuation Master Trust for cash consideration of \$25 million.

This acquisition drives scale in Smartshares with funds under management (FUM) increasing approximately \$1.8 billion at acquisition and is aligned with the NZX Group strategy to capture complementary opportunities that the greater scale in the Smartshares business provides to both NZ Capital Markets and NZX's Markets business.

The management rights are accounted for as a definite life intangible asset and amortised on a straight line basis over 25 years. Amortisation of \$416,667 has been recognised over the period.

10. Investment in associate

On 30 June 2022 NZX acquired a 33.3% interest (ownership and voting) in GlobalDairyTrade Holding Limited (GDT).

GDT is the leading global physical trading platform for dairy and provides a sustainable foundation for NZX's dairy derivatives business. GDT's place of incorporation and principal place of business is New Zealand.

The initial purchase price paid on 30 June 2022 was \$15.7 million, which includes NZX's contribution to strategic cash of \$3.2 million. The sale and purchase agreement provides for a purchase price adjustment (i.e. working capital wash up) based on completion accounts, which are currently being finalised. The purchase price adjustment has been estimated at \$460,000 and included in the investment value. Costs directly attributable to the acquisition have been capitalised.

To allow GDT to retain its earnings for reinvestment into the growth and expansion of the business there is a contractual restriction on the payment of dividends from GDT to shareholders until 31 July 2025.

The Group's interest in GDT has been accounted for as an investment in an associate and has been measured by applying the equity method. The provisional assessment of the goodwill acquired is outlined in the table below.

The following table summarises the financial information of GDT as included in its own financial statements¹ and reconciles the summarised financial information to the carrying amount of the Group's interest in GDT.

Summarised balance sheet¹

	Unaudited 30 June 2022 \$000	Unaudited 30 June 2021 \$000	Audited 31 Dec 2021 \$000
Current assets	12,995	-	-
Non-current assets	3,455	-	-
Current liabilities	(3,757)	-	-
Non-current liabilities	(389)	-	-
Net assets	12,304	-	-

¹ Completion accounts are being finalised and therefore the numbers presented above are draft and may change. We do not expect any adjustment to be material.

Reconciliation to carrying amount

	Unaudited 30 June 2022 \$000	Unaudited 30 June 2021 \$000	Audited 31 Dec 2021 \$000
Groups share in %	33.3%	0.0%	0.0%
Group's share of net assets ¹	4,101	-	-
Goodwill	12,537	-	-
Carrying amount	16,638	-	-

The GDT acquisition was effective at close of day on 30 June 2022 and therefore no profit or other comprehensive income is attributable in the current period.

11. Interest bearing liabilities

	Unaudited 30 June 2022 \$000	Unaudited 30 June 2021 \$000	Audited 31 Dec 2021 \$000
Subordinated notes	39,980	40,000	40,000
Total drawn debt	39,980	40,000	40,000
Capitalised borrowing costs (net of amortisation)	(997)	(1,060)	(1,029)
Net interest bearing liabilities	38,983	38,940	38,971

a. *Subordinated notes*

The subordinated notes are quoted on the NZX debt market. The terms of the subordinated notes are set out in the Group's Annual Report for the year ended 31 December 2021 and include a financial covenant that has been met throughout the period.

The subordinated notes are measured at amortised cost using the effective interest method, as required by NZ IFRS 9.

In June 2022 NZX acquired 20,000 of its own subordinated notes under the provisions of the Retail Liquidity Support Facility.

b. *Bank overdraft, revolving credit and term loan facilities*

The Group has access to an overdraft facility with a limit of \$3.0 million as at 30 June 2022 (30 June 2021: \$3.0 million, 31 December 2021: \$3.0 million). The effective interest rate of the facility at 30 June 2022 was 3.81% (30 June 2021: 3.07%, 31 December 2021: 3.07%).

The Group also has a revolving credit facility with a limit of \$7.0 million as at 30 June 2022 (30 June 2021: \$3.0 million, 31 December 2021: \$7.0 million).

No amount was drawn down under either of these facilities at 30 June 2022 (none at 30 June 2021 and 31 December 2021).

The Group had a term loan facility (\$25.0 million) which was utilised to fund the acquisition of the management rights of the ASB Superannuation Master Trust (note 9), before being repaid from the proceeds of NZX's equity raising (note 12). The term loan facility was then closed (30 June 2021: no facility, 31 December 2021: \$25.0 million).

The terms of these facilities are set out in the Group's Annual Report for the year ended 31 December 2021. The facilities are unsecured and contain financial covenants which have been met throughout the period.

12. Shares on issue

The Company had 313,136,860 fully paid ordinary shares as at 30 June 2022 (30 June 2021: 279,588,952, 31 December 2021: 280,690,043). The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings.

On 18 March 2022 the Group completed an equity raising which resulted in the issue of 31,185,792 new shares. The proceeds of the equity raising were used to fund the investment into GlobalDairyTrade Holding Limited (GDT), to replenish the balance sheet following the settlement of the acquisition of the management rights to the ASB Superannuation Master Trust on 11 February 2022, and also to provide capacity to support investment across the Companies market platform as it continues to scale its growth businesses.

The Dividend Reinvestment Plan did not apply to dividends during the period (2021: applied to all dividends) resulting in the issue of no ordinary shares (30 June 2021: 1,049,819, 31 December 2021: 2,150,910).

Additionally 1,261,025 shares (30 June 2021: 538,002, 31 December 2021: 538,002) were issued as share based payments in the period, including the CEO Long Term Incentive Plan - 2018 (note 14).

13. Dividends

	For year ended	Unaudited 6 months ended 30 June 2022		Unaudited 6 months ended 30 June 2021		Audited 12 months ended 31 Dec 2021	
		Cents per share	Total \$000	Cents per share	Total \$000	Cents per share	Total \$000
Dividends declared and paid							
March 2021 - Final	31 Dec 20			3.1	8,618	3.1	8,618
September 2021 - Interim	31 Dec 21					3.0	8,388
March 2022 - Final	31 Dec 21	3.1	8,701				
Total dividends paid during the period		3.1	8,701	3.1	8,618	6.1	17,006

Refer to note 17 for details of the 2022 interim dividend.

14. Share based payments

a. *CEO Long Term Incentive Plan*

i) CEO Long Term Incentive Plan - 2018

The terms of the CEO Long Term Incentive Plan - 2018 are as detailed in the Group's Annual Report for the year ended 31 December 2021.

In May 2022, the Group assessed the CEO share scheme on vesting:

- Total shareholder return (TSR) component - the TSR over the scheme period exceeded the maximum hurdle (11.29%). Therefore 588,947 TSR performance rights were vested. The performance rights, when adjusted for the dilutive impact of NZX's equity raising (note 12), resulted in the issue of 599,524 shares in June 2022; and
- Earnings per share (EPS) component - the EPS minimum hurdle (8%) had not been met and therefore no EPS performance rights were vested. The Group reversed the \$287k fair value of the 588,947 EPS performance rights through profit and loss in the current accounting period.

ii) CEO Long Term Incentive Plan - 2021

The terms of the CEO Long Term Incentive Plan - 2021 are as detailed in the Group's annual report for the year ended 31 December 2021.

b. *NZX Employee Long Term Incentive Plan*

During the period modifications were made to the vesting criteria for rights issued to certain employees. Specifically the vesting term was extended by 1 year, with the related performance hurdles adjusted accordingly. The incremental fair value has been measured at the modification date and is recognised over the remaining term, with a corresponding increase in equity.

Otherwise, rights that were issued or redeemed under the NZX Employee Long Term Incentive Plan during the period were on terms consistent with the prior period. During the period 616,421 performance rights were vested. The performance rights, when adjusted for the dilutive impact of NZX's equity raise (note 12), resulted in the issue of 627,491 shares in March 2022.

c. *NZX Employee Shares*

During the period \$1,000 worth of NZX ordinary shares (gross) were issued to new employees to encourage staff engagement and shareholder alignment.

15. Related party transactions

a. *Transactions with key management personnel*

Key management personnel comprises the Group's senior management team. Key management personnel compensation comprised the following:

	Unaudited 6 months ended 30 June 2022 \$000	Unaudited 6 months ended 30 June 2021 \$000	Audited 12 months ended 31 Dec 2021 \$000
Short-term employee benefits	2,758	2,366	5,081
Long-term employee benefits	81	81	161
Share-based payments	133	294	545
Resignation benefits	-	90	90
	2,972	2,831	5,877

b. *Transactions with directors and other entities NZX directors are associated with*

The Company regularly enters into transactions under normal commercial terms and conditions with other entities that some of the directors may sit on the board of, or are employed by.

Directors fees for the six month period to 30 June 2022 were \$200,000 (30 June 2021: \$213,736, 31 December 2021: \$413,000) and have been included in other expenses.

c. *Transactions with managed funds*

Management fees are received from the funds managed by wholly owned subsidiary Smartshares Limited and are shown in the Income Statement as funds management revenue (refer to Note 5).

d. *Transactions with associate*

On 30 June 2022 the Group acquired a 33.3% stake in GlobalDairyTrade Holding Limited (GDT) (note 10). There were no transactions with GDT post this acquisition in the current period.

16. Contingent liabilities

In New Zealand there has been increased regulatory focus on market participant compliance for entities such as the Group. Accordingly, there has been an increase in the number of matters on which the Group engages with its regulators including matters such as financial market conduct, reporting and disclosure obligations, tax treatments, and product disclosure documentation. In the normal course of business the Group may be subject to actual or possible claims and court proceedings. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate are made.

There were no contingent liabilities as at 30 June 2022 (30 June 2021: none; 31 December 2021: none).

17. Subsequent events

a. *Dividend*

Subsequent to balance date the Board declared an interim dividend of 3.0 cents per share (fully imputed), to be paid on 23 September 2022 (with a record date of 9 September 2022).

b. *Leases*

During August 2022 the Group entered into new office lease agreements for additional Auckland office space. An addition to the right-of-use assets and lease liabilities will be recognised on commencement of the lease.

Independent review report





Independent Review Report

To the shareholders of NZX Limited

Report on the Group interim financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of NZX Limited and its subsidiaries ("the Group") on pages 22 to 38 do not:

- i. present fairly in all material respects the Group's financial position as at 30 June 2022 and its financial performance and cash flows for the 6 month period ended on that date; and
- ii. comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying Group interim financial statements which comprise:

- the Group statement of financial position as at 30 June 2022;
- the Group income statement, statement of comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for conclusion

A review of the Group interim financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of NZX Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has also provided other services to the Group in relation to regulatory assurance. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as reviewer of the Group. The firm has no other relationship with, or interest in, the Group.



Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our review work, this report, or any of the opinions we have formed.



Responsibilities of the Directors for the Group interim financial statements

The Directors, on behalf of the Group, are responsible for:

- the preparation and fair presentation of the Group interim financial statements in accordance NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of Group interim financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the review of the Group interim financial statements

Our responsibility is to express a conclusion on the Group interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Group interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these Group interim financial statements.

This description forms part of our Independent Review Report.

KPMG
Wellington

18 August 2022

Corporate directory

Getting in touch

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Frank Aldridge
Nigel Babbage
Richard Bodman
Elaine Campbell
Peter Jessup
Lindsay Wright

Chief Executive Officer

Mark Peterson

Chief Financial Officer

Graham Law

General Counsel and Company Secretary

Sara Wheeler

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