



# Half Year 2013 Result

Investor Presentation

19 August 2013





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## 1H 2013 on-track: strong capital market performance partly offset by decline in agri revenue

- Strong performance of capital markets businesses
  - Mighty River Power and several other listings
  - Substantial increase in trading value and volume - up 56% and 18% over pcp
- Market Operations revenue up 49% over pcp, driven by Electricity Authority (EA) development contracts and full six months operation of Fonterra Shareholders Market
- New Zealand agri information business impacted by reduced advertising spend as a result of worst drought in 70 years
  - Advertising revenue down 10%
  - Steady growth off low base in Farmers Weekly online advertising and subscribers
- Clear Grain Exchange volumes impacted by higher volumes earlier in 2012/13 harvest
- Strong foundation for future growth established through a previously highlighted reset of the cost base
  - Staff turnover reduced significantly to 8.5% vs 20.3% in pcp
  - New senior management team up and running
  - Re-engagement with customers, Auckland office relocated



## Summary Half Year Result

	1H 2013 (\$M)	1H 2012 (\$M)	% over pcp
Revenue	30.3	26.5	14.3
Expenditure	18.2	16.9	7.7
EBITDA	12.1	9.6	26.0
EBITDA Margin (%)	39.9	36.2	10.2
NPAT (before Markit FX loss)	6.4	4.8	33.3
NPAT	6.4	3.2	100.0
Free Cash Flow	3.7	2.4	54.2
<b>Fully Diluted EPS (cents per share)</b>	<b>2.51</b>	<b>1.27</b>	<b>97.6</b>

Included in 1H12 results were non-recurring items of \$2.3M, comprising revenue reductions of \$0.3M and cost increases of \$2.0M. On a normalised basis 1H13 revenue growth 13%, expenditure growth 21%



## Revenue Comparison

Business Area	1H 2013 (\$M)	1H 2012 (\$M)	% over pcp
Securities Information	4.4	4.6	(4.3)
Agri Information	5.7	6.2	(8.1)
<b>Total Information</b>	<b>10.1</b>	<b>10.8</b>	<b>(6.5)</b>
Listings	5.6	4.1	36.6
Other Issuer Services	0.5	0.3	66.7
Securities Trading	2.0	1.5	33.3
Commodities Trading	0.8	1.2	(33.3)
Participant Services	1.5	1.5	-
Fund Services	1.2	1.1	9.1
<b>Total Markets</b>	<b>11.6</b>	<b>9.7</b>	<b>19.6</b>
Securities Clearing	2.2	1.7	29.4
Market Operations	6.4	4.3	48.8
<b>Total Infrastructure</b>	<b>8.6</b>	<b>6.0</b>	<b>43.3</b>
<b>Total Revenue</b>	<b>30.3</b>	<b>26.5</b>	<b>14.3</b>

Note: Business areas outlined in more detail in the Glossary



## Expense Comparison

	1H 2013 (\$M)	1H 2012 (\$M)	% over pcp	
Employee related cash costs	10.1	8.3	21.7	Increased staff numbers: 182 staff vs 140 in pcp
Less capitalisation of labour costs	(0.3)	(0.4)	(25.0)	Shift in capital activity to externally resourced projects, reduction in major projects
CEO transition costs	-	0.9	(100.0)	
<b>Reported Employee Related Costs</b>	<b>9.8</b>	<b>8.8</b>	<b>11.4</b>	
Marketing, Printing & Distribution	1.6	2.0	(20.0)	Driven by lower ad spend leading to reduced print publishing
Information Technology	2.9	2.4	20.8	Refresh of non-core systems and full six months of new trading platform costs
General & Administration	1.9	1.8	5.6	Increased travel, telco, rental and insurance
Professional Fees	1.3	1.5	(13.3)	Lower than expected due to timing of Ralec litigation work
Fund Expenditure	0.7	0.4	75.0	\$0.3m one-off cost restructuring in 1H 2013
<b>Total Costs</b>	<b>18.2</b>	<b>16.9</b>	<b>7.7</b>	



## Dividend

- Second quarter dividend of 1.25 cents fully imputed declared in line with current policy
- Paid on 13 September 2013 on holdings as at 2 September 2013
- Dividends distributed for full year 2013 expected to total 5.6 cents full imputed, in line with current policy and subject to business performance
- The Board anticipates from 2014, NZX will move to a more conventional pay out ratio policy



# Outlook

## Second Half 2013





## Outlook for Second Half 2013

- Agri information expected to rebound from effects of the drought. Forward ad bookings improving, however sector still cautious and uncertainty remains
  - Targeting flat revenues FY12 vs. FY13
- Fee revision effective 1 July
  - Annual listing fee increased overall by 2.8% with adjustment to the charging basis going forward
  - Trading and clearing fees increase to offset increased costs
- Z Energy listing occurring today; Meridian Energy potential listing during 4Q along with other potential smaller listings
  - Annual revenues as a result a listing of \$1B in size estimated at \$150K p.a. (including annual listing, trading and clearing fees)
- Trading activity has seen a strong first half volume and value up 18% and 56%; growth expected to continue but at lower run rate over pcp
- Electricity Authority market development work (revenue of \$1.3M in 1H2013) currently expected to continue at a much reduced level into 2H



## Outlook 2H 2013: Revenue Drivers

	Business Area	Operating Metric	Second Half 2013 Outlook
Information	Agri Information	Ad pages	Advertising and subscription revenue expected to post high single digit growth on 1H13 bringing FY13 revenue close to pcp
	Securities Information	Data terminals, data vendor licenses	Declining trend in terminal numbers appears to have stabilised Expect low single digit growth in revenue compared to 1H13
Markets	Listings	New capital listed, secondary capital raised	Z Energy and potential Meridian listing Issuer fee increase effective 1 July; average annual listing fee increase of 2.8%
	Securities Trading	Number of trades, value traded	Strong start to the year with ytd volume and value up 19% and 51% respectively on pcp; further year on year growth expected but at lower rate
	Commodities Trading	Tonnes traded	Little grain remains in silo from previous harvest Crop forecasts for the coming 2013/14 harvest are promising
	Participant Services	Number of participants	Participant fee increase effective 1 July (1.8%)
	Fund Services	Units on issue, FUM	Revenue expected to remain steady compared to 1H13
Infrastructure	Securities Clearing	Value traded, number of trades	Clearing fee increase effective 1 July (5.3%)
	Market Operations	Number of contracts	EA market development work seen during 1H13 expected to continue at a much reduced level Gas market allocation contract being retendered – limited impact in 2H13



## Outlook 2H 2013: Expenses

Expense Item	Second Half 2013 Outlook
Employee, Contractor & Related	2H13 gross payroll costs (pre-capitalisation) expected to be in line with 1H13
Marketing, Printing & Distribution	Agri sector seasonality typically results in higher level of print publishing in 2H vs 1H
Information Technology	Mid single digit cost growth on 1H13 expected as non-core infrastructure remediation continues
General & Administration	Expected to be flat on 1H13
Professional Fees	Expected to be flat on 1H13 however dependent on timing of Ralec legal work
Fund Expenditure	Expected to be flat on 1H13 after adjusting for one-off item of ~\$320K



## Conclusion: Strong foundation for future growth

- Re-established an operating model with ability to scale off existing cost base
  - Reset of the cost base was required
  - Focus on free cash flow generation going forward
- Emphasis now shifted to growth
  - Capital markets: both direct and second order impacts
    - IPO pipeline: initial listing fees, plus ongoing listing, trading and clearing fees
    - Equity derivatives: trading fees, plus benefit from increased liquidity
    - Potential new ETFs: FUM fees, plus increased trading and clearing fees
    - Growing liquidity in smaller issues and development of a new second board
  - Agri information and data
    - Increased online presence
    - Expansion of data offering
    - 'Options' on soft commodities in dairy and grain
- Potential for bolt-on acquisitions



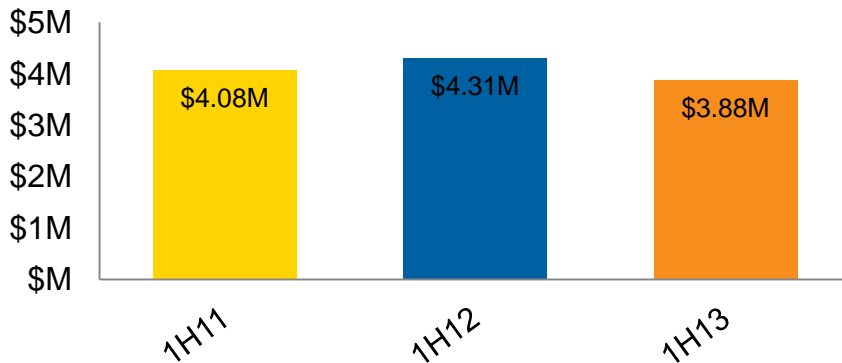
## Appendix: Business Review

### Revenue

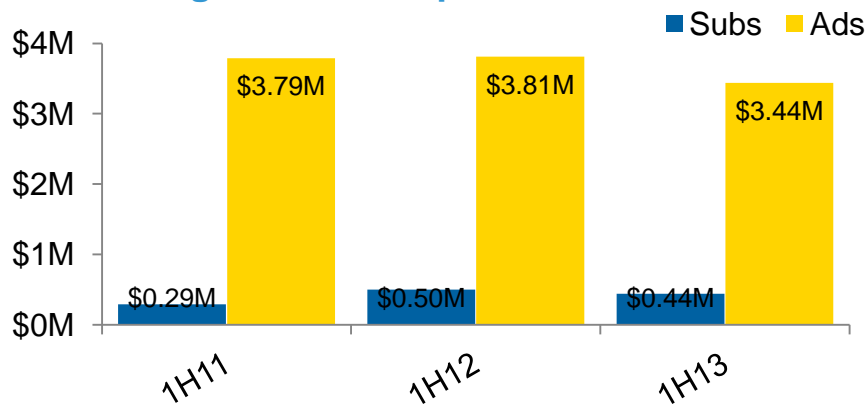


## Information: Agri Publishing

### Revenue



### Advertising and Subscription Revenue



This business comprises NZ Farmers Weekly, Country Wide, et al

### Commentary

- Worst drought in ~70 years impacted heavily on advertiser confidence (and farm incomes)
- Lower farm incomes impacted subscriptions growth
- Online advertising saw steady growth following the successful launch of online sites (FW Plus and Dairy Trader)

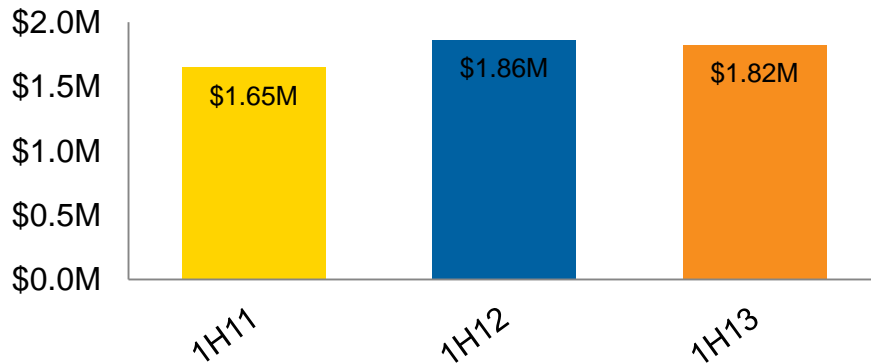
### Outlook

- Confidence returning to agri sector following a mild winter and dairy payout boost
- Subscription growth expected in magazines and online
- Agri sector seasonality typically results in better 2H compared to 1H
- Online revenues continuing to build

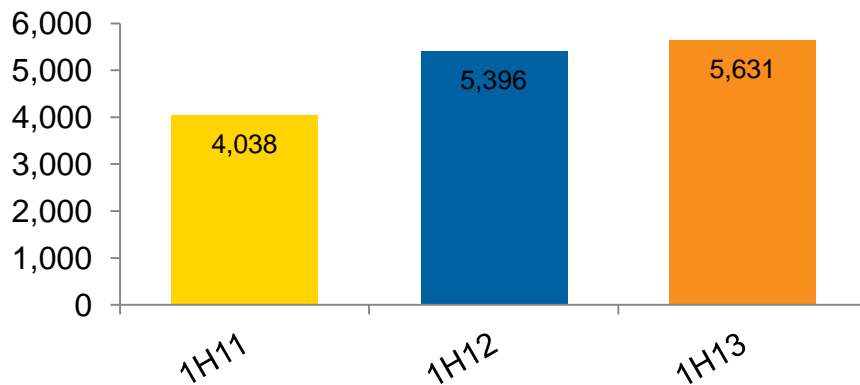


## Information: Agri Data

### Revenue



### Subscriptions Trend



### Commentary

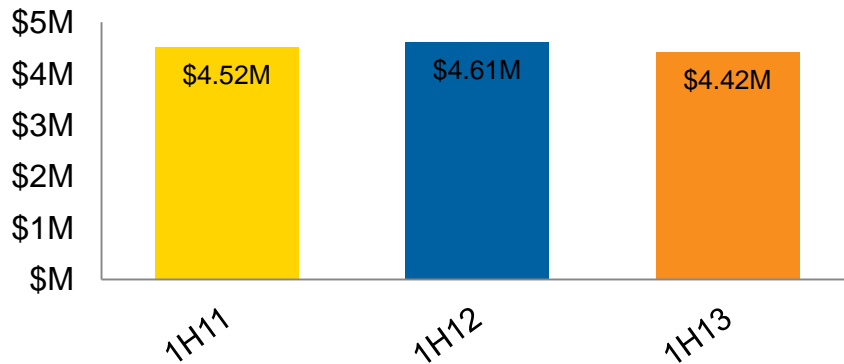
- Revenue stable despite subscriptions being challenged by increased availability of public information
- Growth in proprietary data and customised services

### Outlook

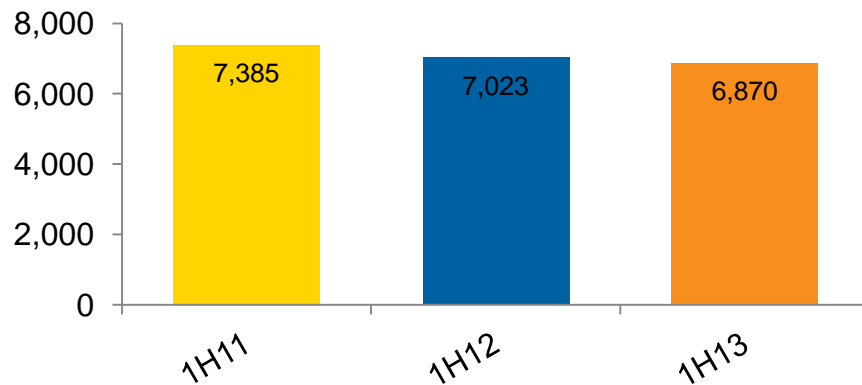
- Developing a broader offering
  - New data tools
  - Product re-bundling
- New data sales manager appointed

## Information: Securities

### Revenue



### Data Terminals



### Commentary

- Royalties impacted by continued rationalisation within financial services sector
- Decline appears to have arrested
- Circa 60% of royalty revenue was derived in USD

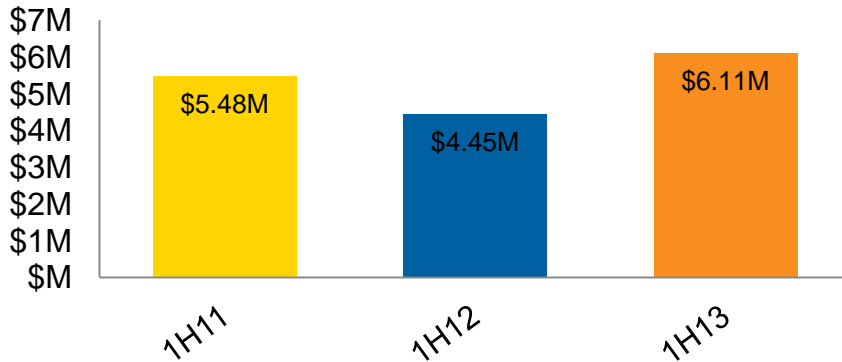
### Outlook

- Increase in marketing and sales initiatives to combat the uncertain environment
- Forex volatility to be eliminated by moving to invoice all revenue in NZD effective September 2013

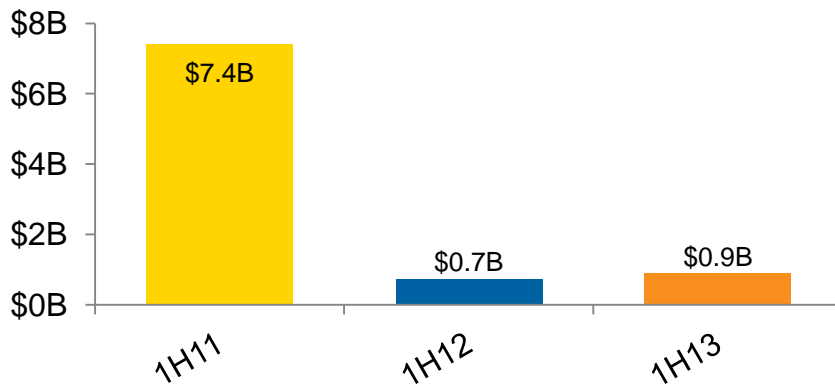


## Markets: Listings

### Revenue



### Total Capital Raised\*



\*1H11 included a large \$5.2b secondary raising by AMP

### Commentary

- Mighty River Power and SLI Systems IPOs saw \$3.8b of new capital listed
- Capital raised via secondary capital raising up 23% on pcp
- However number of secondary capital events down 2% on pcp

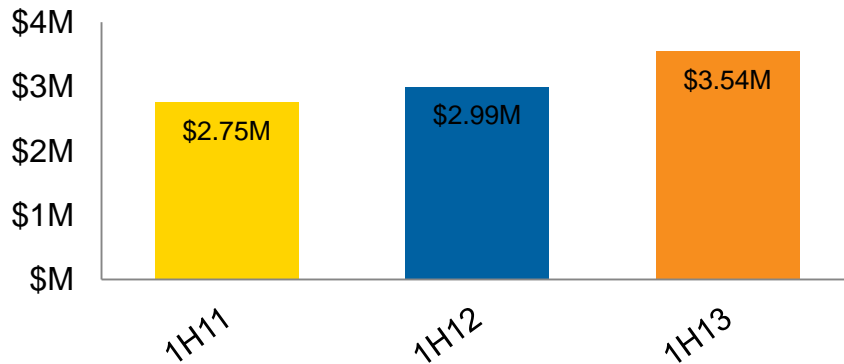
### Outlook

- Wynyard and Synlait Milk IPOs occurred in July
- IPO of Z Energy on 19 August; potential listing of Meridian Energy
- Issuer fees increased effective 1 July

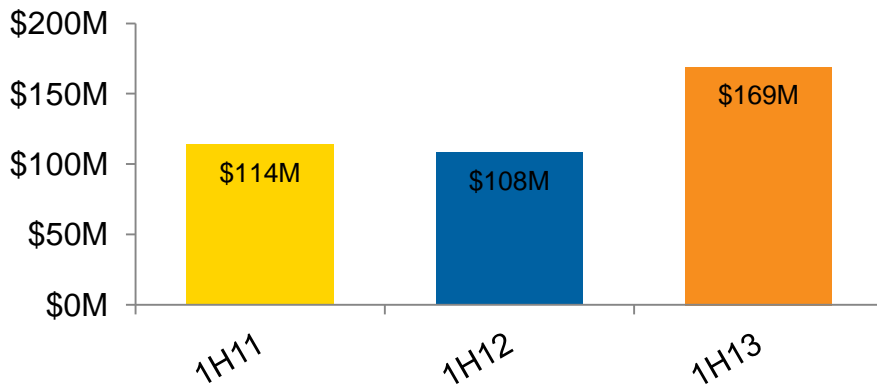


## Markets: Cash Markets Trading

### Revenue



### Average Daily Value Traded



### Commentary

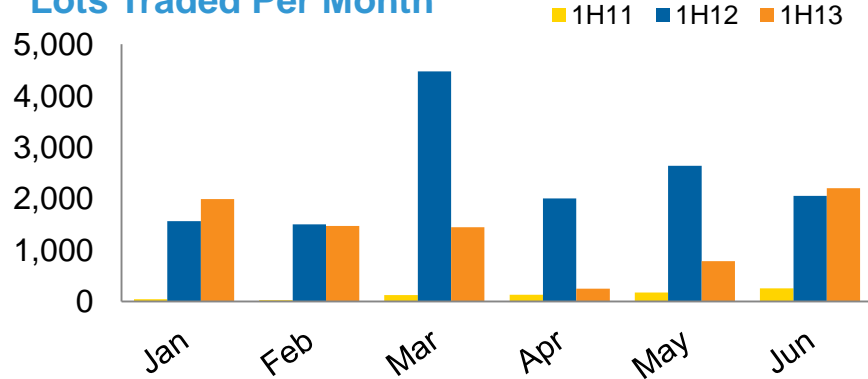
- Growth in trading revenue driven by strong increase in trading activity
- Average daily trades was up 18% on pcp
- Average daily value traded was up 57% on pcp

### Outlook

- Trading activity expected to continue to be up on pcp aided by potential IPO and capital raising activity
- Pilot DMA programme launched
- Trade value fee cap raised effective 1 July
- Participant fees increased effective 1 July

## Markets: Derivatives Trading

### Lots Traded Per Month



### Competitor Dairy Futures Performance

Exchange	Contracts	Date Listed	Lots Traded
CME	SMP	10 May 10	1 (delisted)
Eurex	SMP	10 May 10	305
NYSE Liffe	SMP	10 Oct 10	19
NZX	WMP, SMP,AMF	10 Oct 10	51,051

### Commentary

- 1H13 Dairy derivatives volumes down 42% on pcp
- Low levels of activity in April and May, partly due to New Zealand dairy's seasonally low period, along with physical volumes being impacted by the drought
- Volume picked up in June, which recorded the highest quantity of lots traded this year

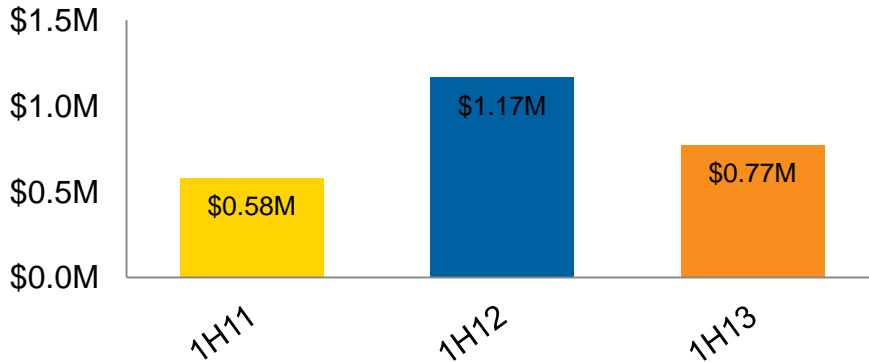
### Outlook

- Extended trading hours expected to go live on 23 August
- Increased flow from Europe and US expected as a result of extended trading hours
- June volume pick up has accelerated in July with record trading
- Equity derivatives scheduled for 3Q launch



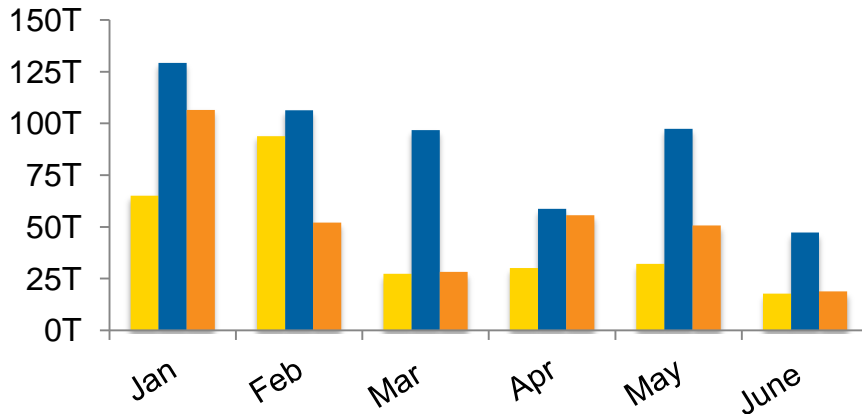
## Markets: Commodity Trading

### Revenue



### Monthly Volume (tonnes)

■ 2011 ■ 2012 ■ 2013



### Commentary

- 20% reduction in harvest size, and faster pace of sale earlier in the season (Oct to Dec 2012) resulted in lower volume during 1H13
- Encouraging growth experienced in trade-to-trade volumes post launch of service in 4Q12
- Overall market share remained flat vs pcp

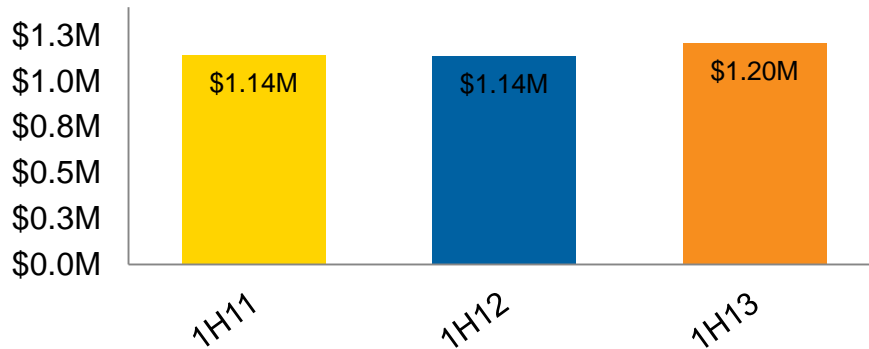
### Outlook

- Little grain remains in silos from the previous (2012/13) harvest
- Crop prospects for the coming 2013/14 harvest (commencing October 2013) are promising and volume growth is expected
- Focus on sales development with relatively minor enhancements to be made to the product offering

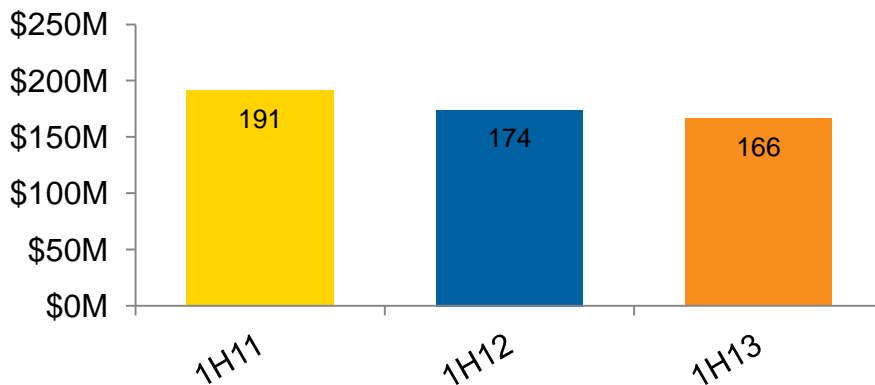


## Markets: Smartshares

### Revenue



### Units on Issue



### Commentary

- Strong 14% on pcp increase in FUM driven by rising markets
- Units on issue dropped 4.4% on pcp
- Stock lending income saw continued growth with the value of stock lent up 34% on pcp

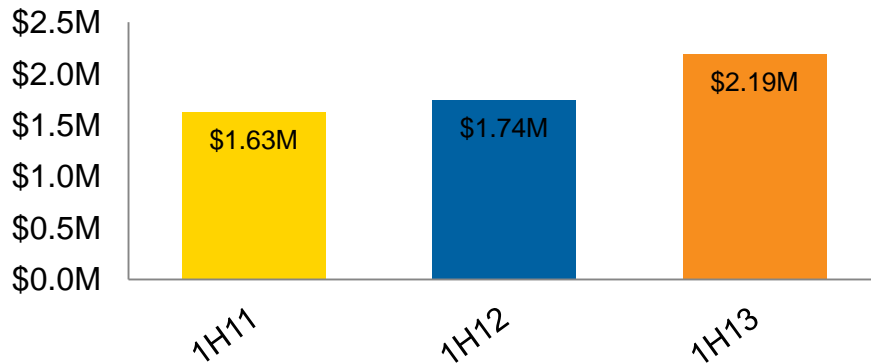
### Outlook

- Focus on sales development and launching new ETF products
- Stock lending income growth expected to continue



## Infrastructure: Securities Clearing

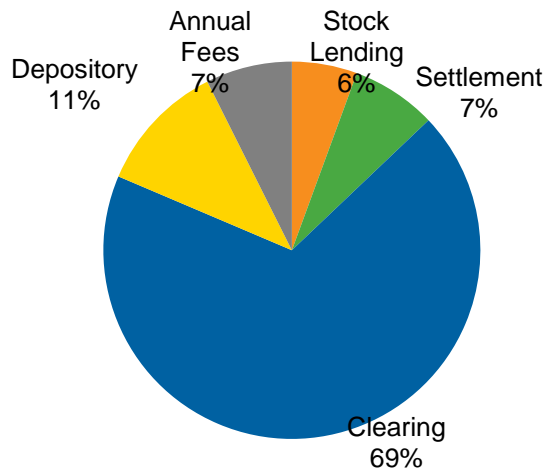
### Revenue



### Commentary

- Growth in clearing revenue primarily driven by strong increase in trading activity
- 14.5% increase on pcp in depositary transactions
- Stock lending continued to demonstrate strong growth, with stock lent up 34% on pcp

### Clearing House Revenue Split



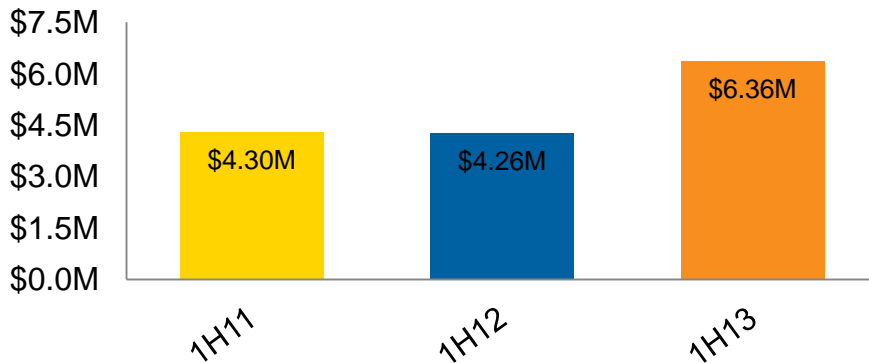
### Outlook

- Focus on adding custodians and asset managers to depositary platform to increase stock available for lending
- New fee structure effective 1 July expected to attract custodians
- Clearing fees increased effective 1 July



## Infrastructure: Market Operations

### Revenue



### Commentary

- Strong revenue growth on pcp
  - EA market development contracts
  - Six months operation of Fonterra Shareholder's Market

### Revenue Split

■ Building Markets ■ Operating Markets



### Outlook

- EA market development work (revenue of \$1.3m) seen during 1H expected to continue into second half at a much reduced rate
- Gas market allocation contract currently being retendered (current annual revenue \$680K)



## **Appendix: Business Review**

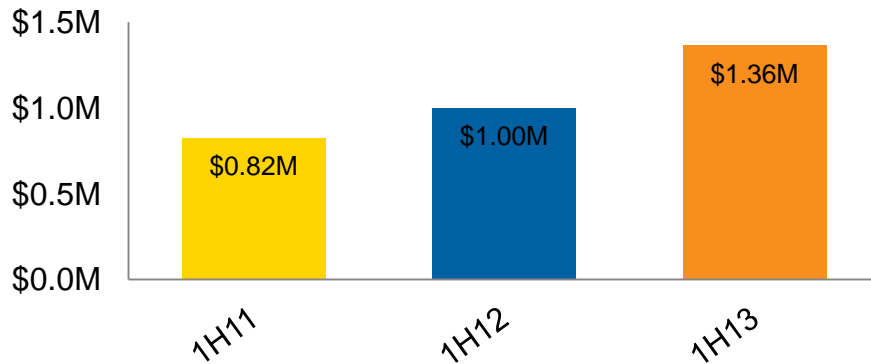
### Capital Structure and Investments





## Investments: Link Market Services

### EBITDA



### Commentary

- Won a number of mandates, including Z Energy
- Number of issuers serviced up 4.8% on pcp to 153

### Outlook

- Continued success in winning mandates, including new issues

Link NZ	1H13 (\$M)	1H12 (\$M)	% change
Operating Revenue	\$3.73	\$3.20	17%
Operating Expenditure	(\$2.37)	(\$2.20)	8%
EBITDA	\$1.36	\$1.00	36%
EBITDA Margin	36.5%	31.2%	17%
NPAT	\$0.63	\$0.40	57%



## Balance Sheet and Capital

	30 Jun 2013 (\$M)	30 Jun 2012 (\$M)
<b>Assets</b>		
Cash and equivalents	49.1	28.9
Goodwill	13.6	13.6
Other intangible assets	31.3	32.5
Other assets	14.4	14.4
<b>Total Assets</b>	<b>108.4</b>	<b>89.4</b>
<b>Liabilities and Equity</b>		
Trade and other payables	42.8	21.7
Other liabilities	3.8	3.7
Borrowings	11.1	13.9
<b>Total Liabilities</b>	<b>57.7</b>	<b>39.3</b>
Equity	50.7	50.1
<b>Total Liabilities and Equity</b>	<b>108.4</b>	<b>89.4</b>

### Commentary

- \$33.9M of cash held on behalf
- As at 30 June 2013 total ordinary shares on issue was 255,547,723

### Outlook

- Renewal capital expenditure to be below historical rate on spend in the near term
- Capex of \$2M to \$3M expected for FY13
- 2H13 depreciation and amortisation expected to be in line with 1H13 run rate



## Investor Information

Full NZX Financial Reports available for download from:

<http://www.nzxgroup.com/documents>

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## Glossary

**Agri Information** – Agri publications (e.g. Farmers Weekly, Country Wide, et al) and data businesses (e.g. Agrifax, Grain Info Unit, et al)

**Securities Information** – Data vendor licenses, royalties on data terminals and proprietary subscription products

**Listings** – Initial, annual and subsequent listings fees

**Other Issuer Services** – Regulation cost recoveries

**Securities Trading** – Cash and derivatives markets transaction fees

**Commodities Trading** – Australian spot grain market (Clear Grain Exchange) transaction fees

**Participant Services** – Annual membership, compliance recoveries and other related fees

**Fund Services** – Smartshares management fees

**Securities Clearing** – Clearing house including clearing, settlement, depositary and stock lending fees

**Market Operations** – Fonterra Shareholder's Market and Electricity Authority market operations contracts



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