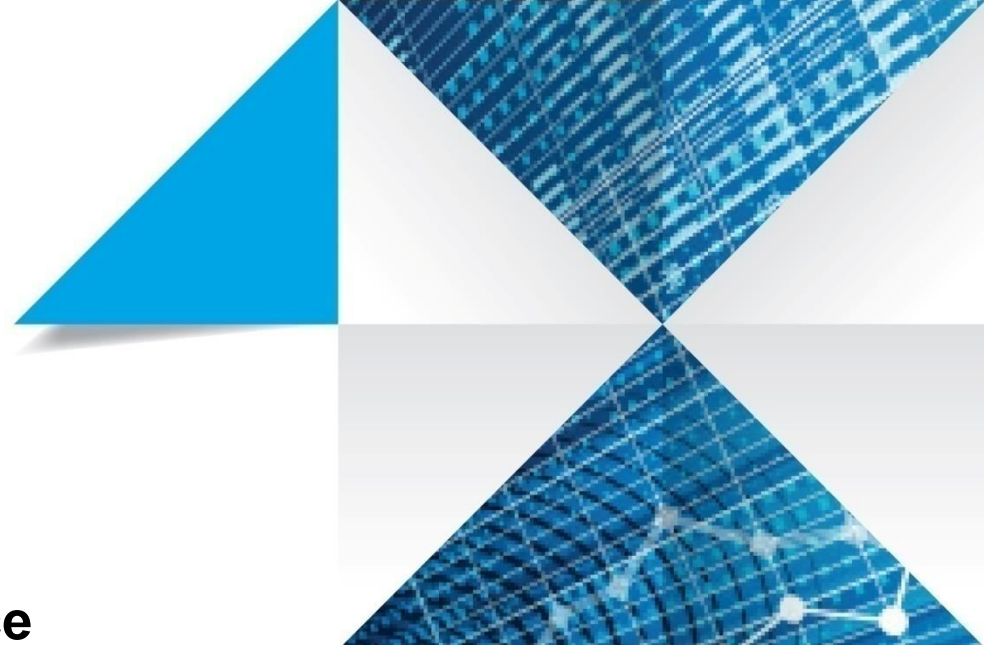




# NZX 2016 Half Year Results Presentation

17 August 2016





## Summary of 1H 2016 performance



## Summary 1H 2016 result (1/2)

	1H 2016 (\$m)	1H 2015 (\$m)	Change (\$m)	Change (%)
Operating Revenue	37.9	34.4	3.5	10.3
Operating Expenditure	27.1	22.7	4.4	19.7
EBITDA	10.8	11.7	(0.9)	(8.0%)
EBITDA Margin	28.0%	34.0%		
NPAT ex Link NZ gain, impairment and earnout adjustment	4.0	6.2	(2.2)	(34.9%)
Gain on sale of Link NZ	-	11.8		
Impairment and earnout adjustment	0.4	-		
Reported NPAT	3.6	18.0	(14.4)	(80.1%)
Fully Diluted EPS	1.3c	6.8c		
Fully Diluted EPS ex Link NZ gain, impairment & earnout adjustment	1.5c	2.3c		



## Summary 1H 2016 result (2/2)

- 1H 2016 EBITDA, excluding the costs of Ralec litigation, was up 5.3% to \$13.7m
  - Markets EBITDA was up 10.2% to \$19.1m with demonstrated operating leverage in the business
  - Funds Services EBITDA was down 77.8% to \$0.4m reflecting investment in both the growth of ETFs and the NZX Wealth Technologies business
  - Agri business EBITDA was down 37.0% to \$0.3m
- Excluding the sale of Link NZ in 2015, the impairment of Agri brands and reassessment of potential earn out payments, NPAT was down 34.7% to \$4.0m due to:
  - Lower operating earnings as a result of the growth in Ralec costs
  - Higher amortisation expense following the acquisition of Apteryx (now NZX Wealth Technologies)
  - Higher interest costs reflecting higher debt levels
  - The cessation of associate earnings following the sale of Link NZ



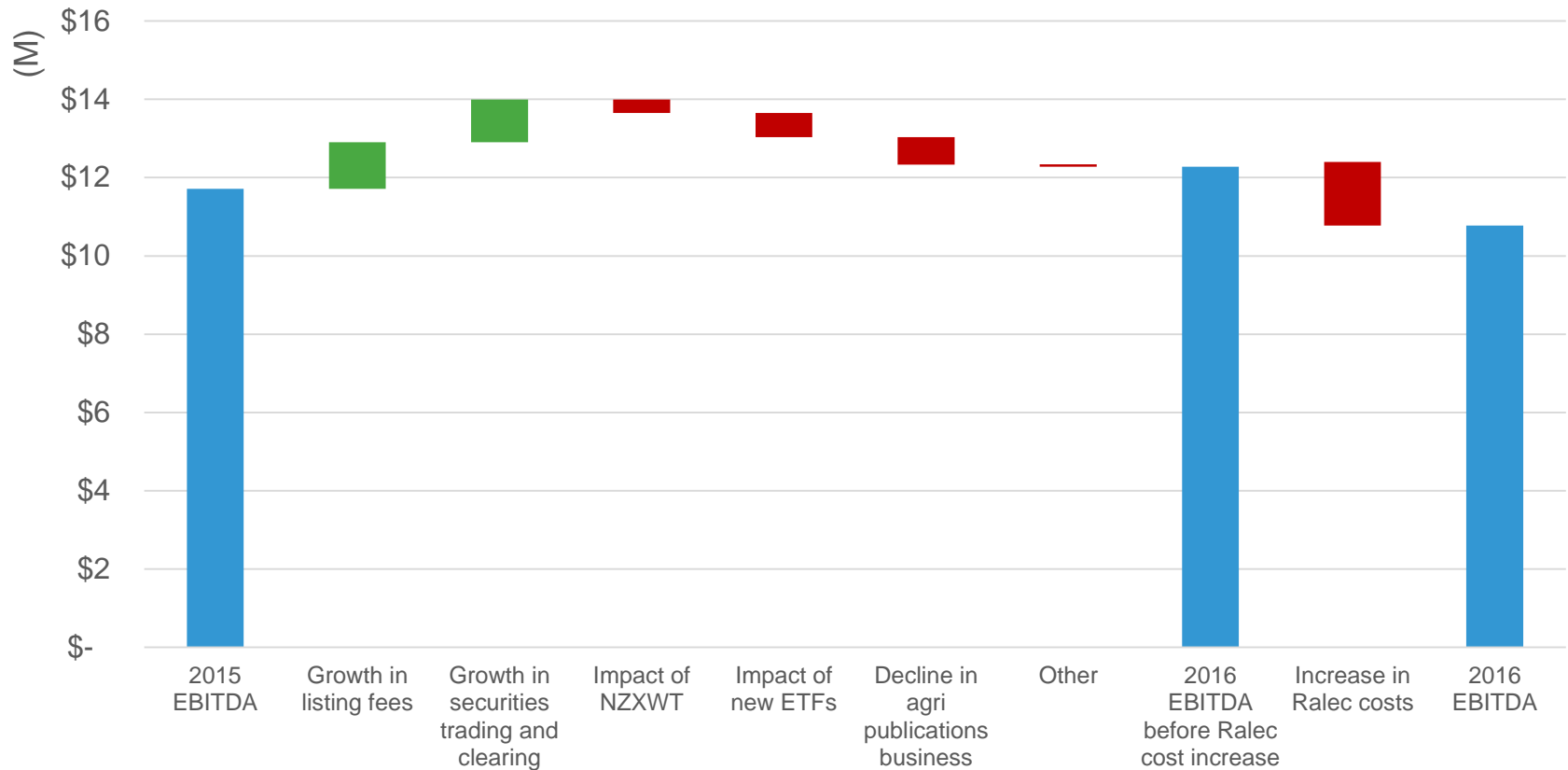
## 1H 16 operational performance

- Strong performance from Markets business
  - Substantial growth in trading activity - volumes up 35.8% over 1H 2015
  - Listing and capital raising activity well up - \$0.8b of new equity capital listed in 1H 2016, up 438.1% on 1H 2015
  - Significant progress in broadening the franchise
    - Continued rapid growth of debt market has seen market capitalisation of debt grow 71.1% in past 12 months
    - Two NXT Market listings in 1H 2016 with good pipeline of further prospects
    - Very successful launch of NZ milk price futures
  - Deepening of markets highlighted by ratio of equity market capitalisation to GDP surpassing 50% in July 2016
- Growth in Funds Services business reflects strategic investments made in 2015
  - SuperLife FUM growing strongly, particularly in high value KiwiSaver segment with FUM up 26.6%
  - Smartshares growth from new suite of ETFs launched in 2014 and 2015, now 23 funds in portfolio across all major asset classes
  - NZX Wealth Technologies added to the portfolio, first major new client announced August
- Weak dairy sector weighed on performance of Agri business
- Costs inflated by Ralec trial expenses and costs of scaling up ETFs and NZX Wealth Technologies businesses
  - Ralec trial completed in July, judgment expected Q4
  - NZX Wealth Technologies making excellent progress towards profitability with new client win and a strong client pipeline



## Drivers of change in 2016 EBITDA v 2015

Greatest impacts were from growth in capital markets and Ralec costs





## Delivering against strategic objectives “Capturing the opportunities” – Investor Day June 2015

Business Area	Objective June 2015	Status
Markets	Grow NXT Market	2 new listings in 1H 2016 Good pipeline of potential listing candidates
	Bid on NZClear tender	RBNZ decided to retain ownership of NZClear Integrated settlement offer currently being developed
	Create liquid milk hedging tools	NZ milk price futures and options contracts launched Early trading volumes very encouraging
	Add to pool of clearing participants in derivatives	5 clearers now participating in derivatives market
Funds Services	Target 20+ ETFs	23 ETFs now offered by Smartshares covering all major asset classes
	Merge KiwiSaver schemes and reinvigorate	smartkiwi merged into SuperLife 27% year on year growth in SuperLife KiwiSaver FUM
	Grow group superannuation business	4 new group superannuation mandates won in 2016 7% growth in superannuation FUM



## Delivering against strategic objectives - continued

### “Capturing the opportunities” – Investor Day June 2015

Business Area	Objective June 2015	Status
Funds Services (cont.)	Improve funds infrastructure	Apteryx renamed NZX Wealth Technologies First major new NZXWT client signed August 2016
Agri business	Shift to corporate customer base in agri data	21% year on year growth in agri data revenue, vast majority coming from corporate segment
	Manage print to online transition in agri	New online subscription news product – AgriHQ Pulse – launched 1H 2016 Industry conditions have eroded value from the print franchise





## Business area results



## Results by business area

1H 2016	Markets \$m	Funds services \$m	Agri \$m	Corporate <sup>1</sup> \$m	Group \$m
Revenue	25.3	6.5	6.1	-	37.9
Direct expenses	(6.2)	(6.1)	(5.8)	(9.0)	(27.1)
EBITDA	19.1	0.4	0.3	(9.0)	10.8

1H 2015	Markets \$m	Funds services \$m	Agri \$m	Corporate <sup>1</sup> \$m	Group \$m
Revenue	23.5	4.8	6.1	-	34.4
Direct expenses	(6.1)	(3.2)	(5.6)	(7.8)	(22.7)
EBITDA	17.4	1.6	0.5	(7.8)	11.7

16/15 % change	Markets %	Funds services %	Agri %	Corporate %	Group %
Revenue	7.9%	35.1%	(0.3%)	-	10.3%
Direct expenses	1.2%	91.4%	2.7%	16.6%	19.7%
EBITDA	10.2%	(77.8%)	(37.0%)	16.6%	(8.0%)



## Markets Highlights

### Listing fees

- Annual listing fees up 6.0%
- Continued rapid growth of listed debt market - \$3.2b of new debt listed
- Two NXT Market listings in the period

### Trading/Clearing

- 35.8% increase in number of trades and 27.1% increase in value traded

### Securities data

- Reduction in number of full service data terminals coupled with impact of relaunch of FundSource services resulted in a 6.8% decline in securities data revenue

### Derivatives

- Lack of volatility in underlying commodity prices has temporarily halted growth in derivatives trading volumes
- Successful launch of liquid NZ milk price futures contracts

### Market operations

- Commencement of new eight year EA market operator agreements
- Work started on upgrade of Electricity systems

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### Expenses

- Expenses stable year on year other than increase in IT costs (majority of which is exchange rate driven)

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### Regulation

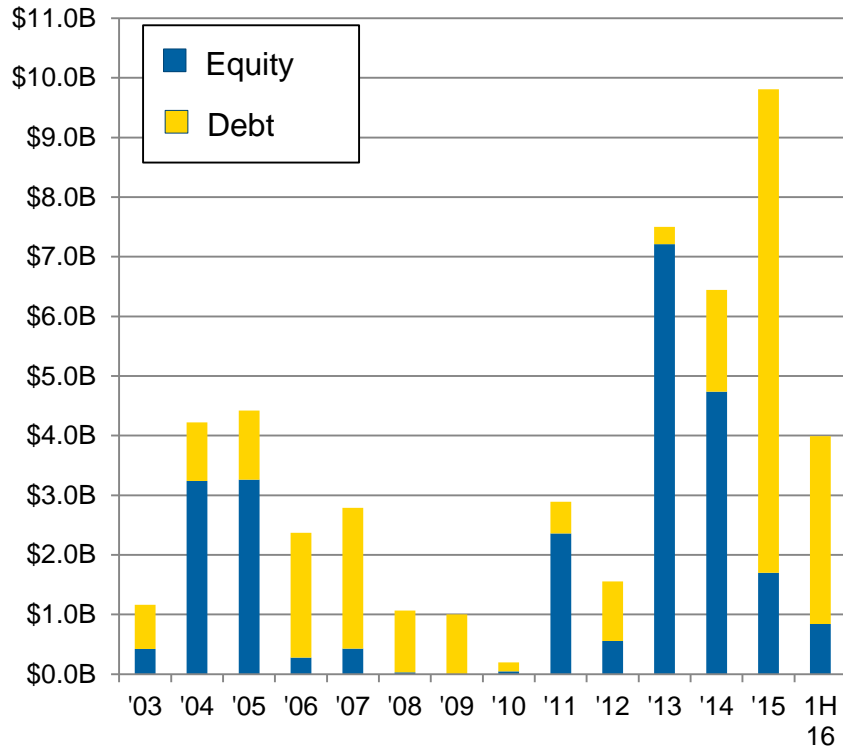
- FMA annual Market Operator Obligations Review again concluded NZX complied with all its statutory obligations with no specific actions required
-



# Listing fees

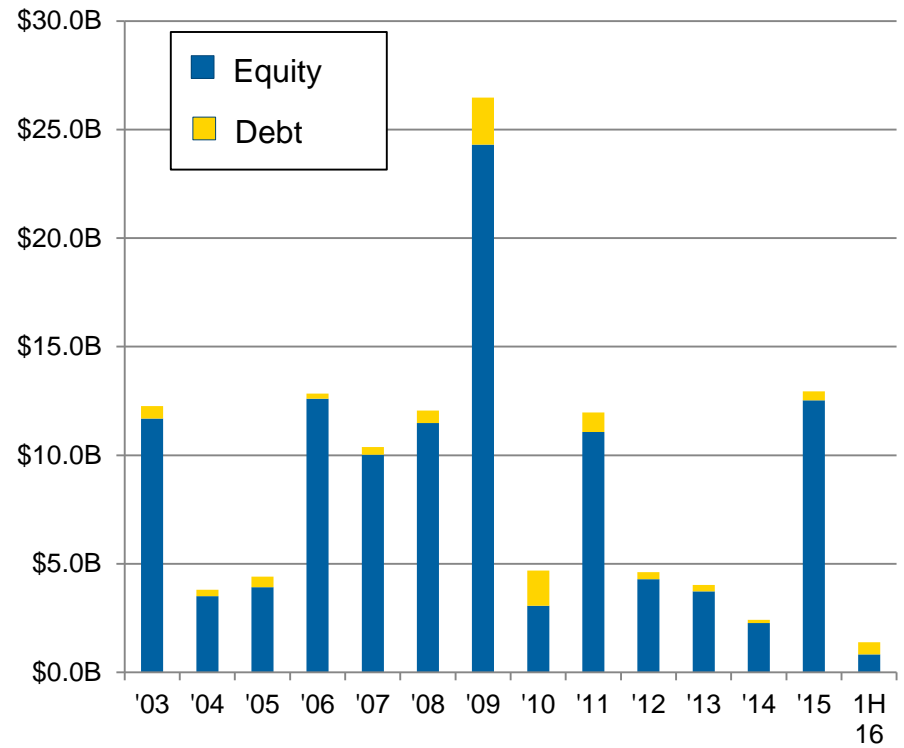
## Growth in debt market a significant feature of past 12 months

### New Capital Listed



IPOs 6 9 3 6 7 1 1 1 2 2 10 16 5 4

### Secondary Capital Raised



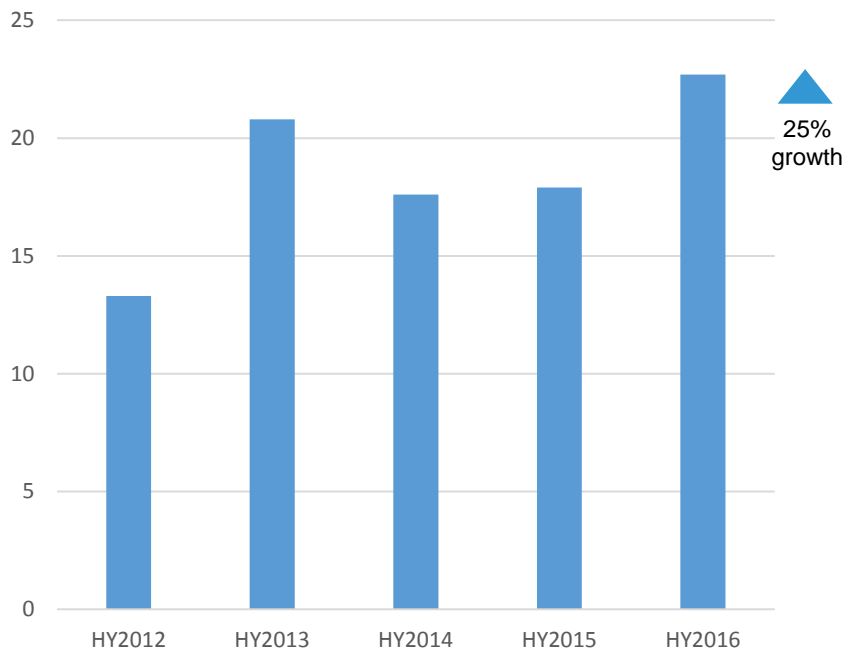
Source: NZX Data



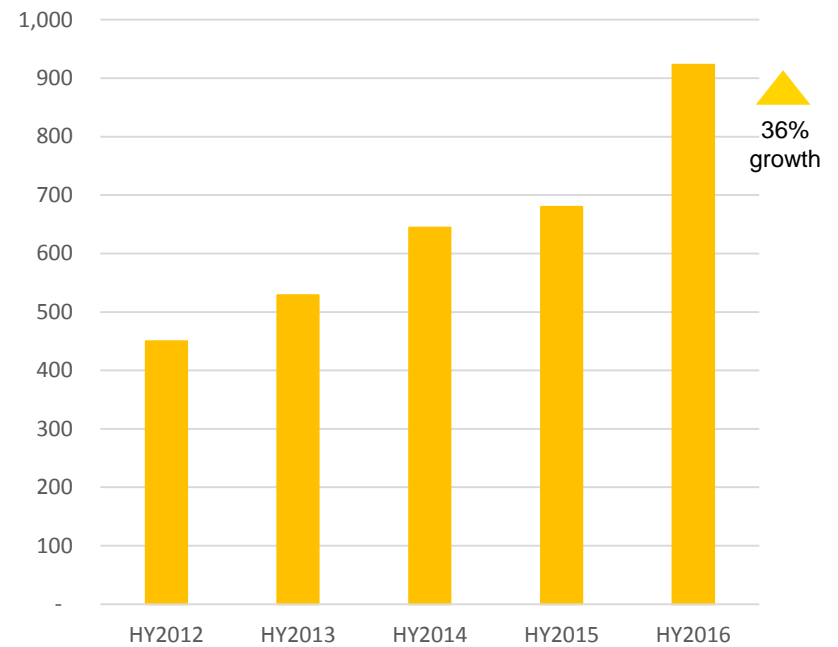
## Trading and clearing

### Substantial growth in volume and value traded in 1H 2016

Value traded (\$billion)



Number of trades (000s)



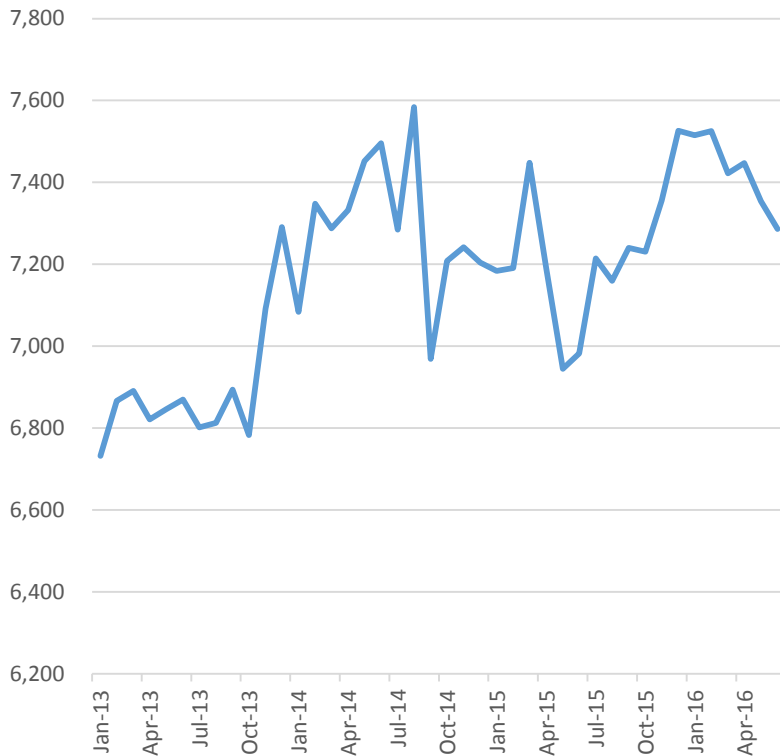
Source: NZX Data



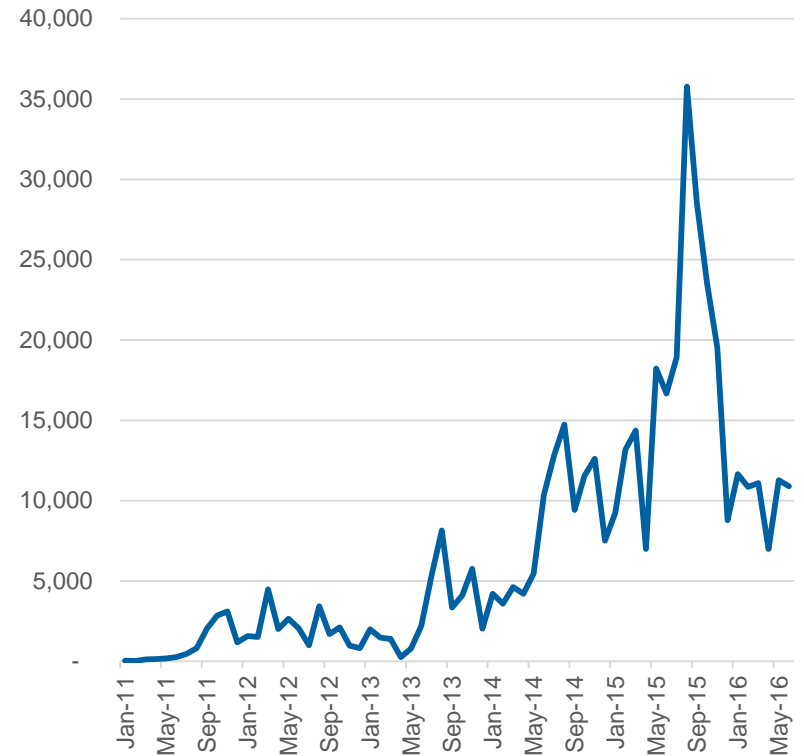
## Data terminals, derivatives

Drop in data terminal numbers impacts on data revenues, derivatives slowed by lack of volatility in underlying commodity prices

Total terminal numbers



Derivatives lots traded



Source: NZX Data



## Funds Services Highlights

### SuperLife

- 26.6% growth in KiwiSaver FUM, 13.1% growth in total FUM
- Gained 4 new corporate superannuation clients during the period

### Smartshares

- \$1.1b of SuperLife FUM now invested through Smartshares products
- 6.9% growth in external FUM
- 145.8% year on year growth in total units on issue

### NZX Wealth Technologies

- First major new client for NZX Wealth Technologies signed, with Craigs selecting NZX as system provider for its KiwiSaver funds. Implementation project commenced 2H 2016
- Breakeven expected 1H 2017

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### Expenses

- Increase in costs as a result of the acquisition of NZX Wealth Technologies and the costs of operating new ETFs launched in 2015

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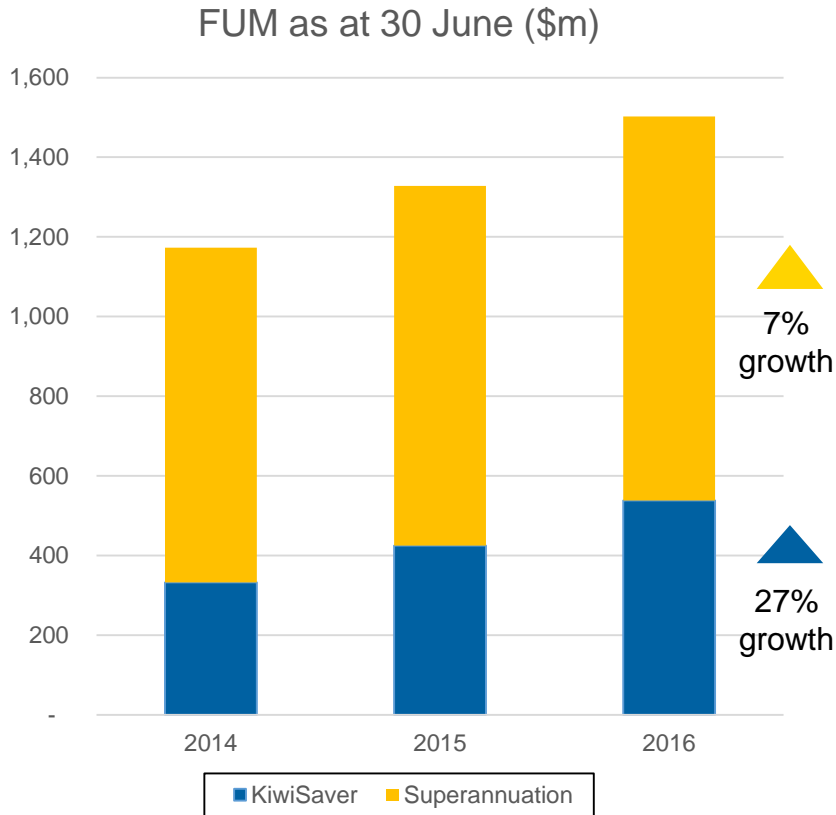
### Regulation

- Smartshares granted licence by FMA to operate as a manager of a registered scheme under the Financial Markets Conduct Act (also covers SuperLife)
  - Smartshares and SuperLife legal entities to amalgamate in 2H 2016 (brands to remain separate)
-

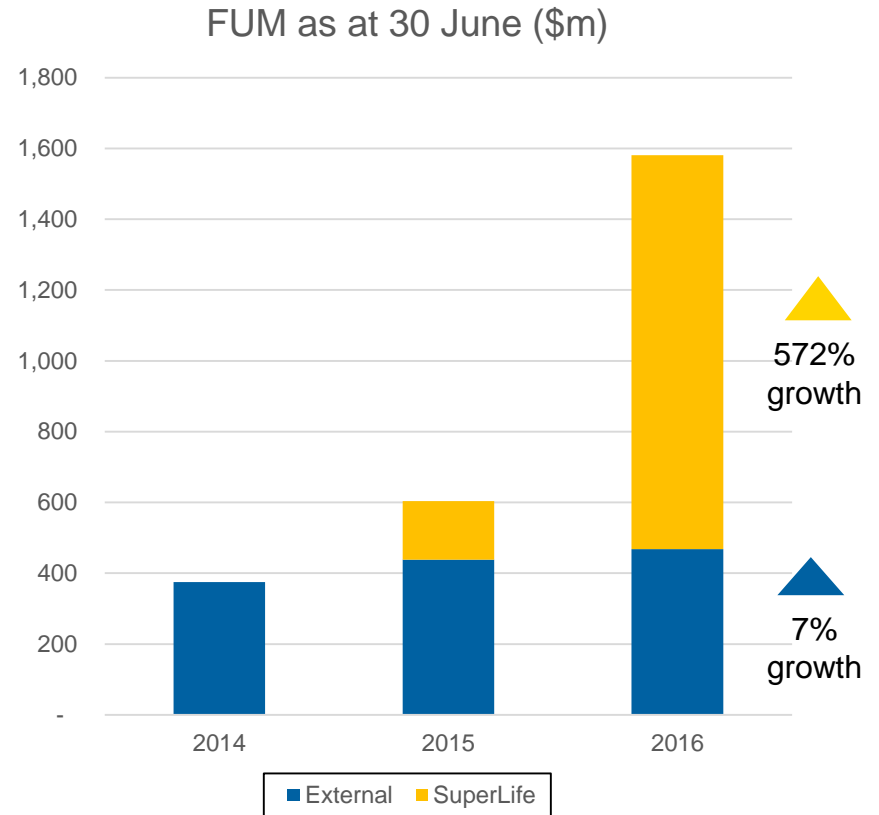


# Funds Under Management Growth

## SuperLife



## Smartshares ETFs







## Agri Highlights

### Publications

- 11.1% reduction in total number of paid advertising page equivalents reflected weak dairy sector, reduction in number of farm sales and closure of one subscale publication in 2H 2015
- Subscription numbers stable

### Data

- 21.0% increase in data revenues
- Launch of AgriHQ Pulse subscription online news/data service

### Commodities trading

- 61.0% increase in tonnes traded year on year as a result of a longer selling season for the 2015/16 harvest

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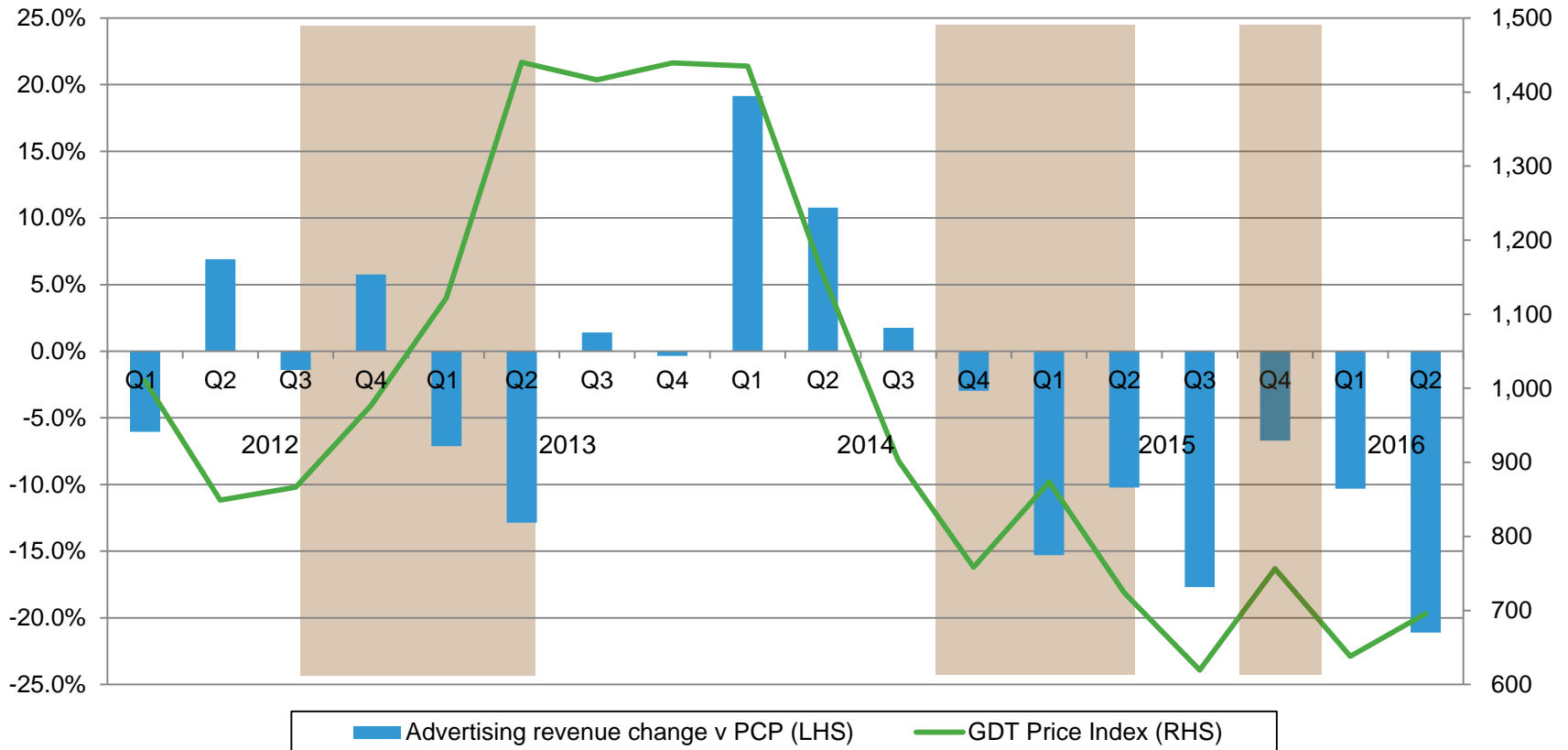
### Expenses

- Expenses largely stable. Modest growth due to higher personnel costs (exchange rate and restructuring cost impacts)
-



## Agri information

### Weak dairy prices continue to impact on advertising revenues



Period of drought

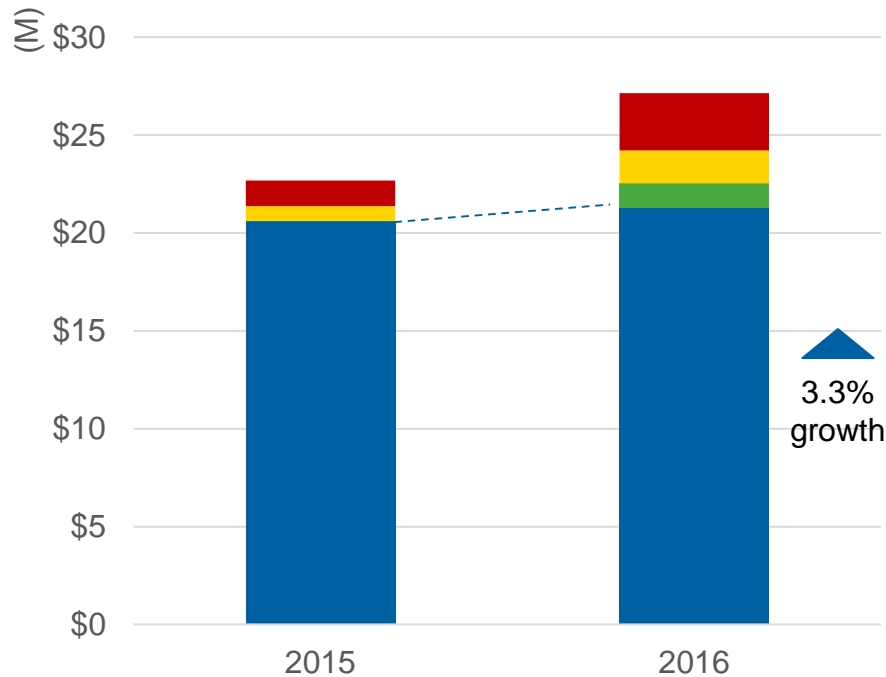


## Operating and capital expenditure



## Components of cost growth

Largest driver of year on year cost increase (Ralec costs) drops out of cost base in 2H 2016

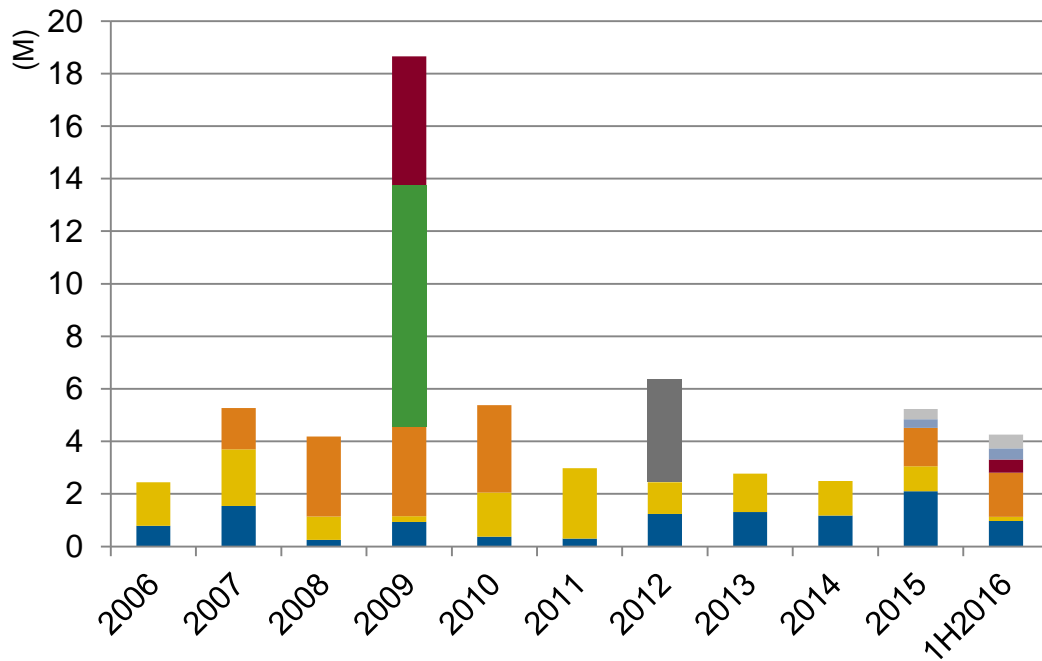


- Ralec trial concluded July 2016, with no significant further expenditure anticipated from August 2016 onwards. Judgment expected Q4 2016
- Vast majority of growth in fund expenses represents one time step up in costs from operating new suite of ETFs
- NZX Wealth Technologies acquired 2H 2015
- 3.3% growth in residual expenses from higher IT and payroll costs

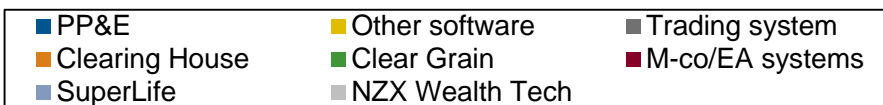


## Capex

Clearing systems upgrade, commencement of EA systems upgrade and funds services activity key drivers of 1H 2016 capex



- The upgrade of NZX's clearing system (BaNCS) continued during 1H 2016 with approximately \$1.7m of costs capitalised. Completion is currently expected in late 2016/early 2017
- The upgrade of the EA systems commenced during the period with \$0.5m of spend. This project is scheduled to run through to late 2018
- SuperLife expenditure in 1H 2016 of \$0.5m included \$0.35m for the upgrade and relocation of SuperLife's core infrastructure which was completed in May 2016
- For the FY 2016, the Group currently anticipates capital expenditure of \$7m to \$8m





## Outlook





## Outlook for 2016 Revenues

Business Area	2H 2016 Outlook	
Markets	<ul style="list-style-type: none"><li>• Capital raising</li><li>• Trading and clearing</li></ul>	<ul style="list-style-type: none"><li>• Good pipeline of small to medium sized listing candidates, outcomes will be dependent on market conditions. Debt raising activity expected to continue at levels above historical averages in 2H</li><li>• \$785m of secondary equity capital raising occurred in July 2016 compared to \$832m in all of 1H 2016. Therefore expect uplift in secondary capital raising in 2H 2016</li><li>• Sky TV/Vodafone NZ merger (and resulting substantial issue of new capital by Sky TV) may complete before the end of 2016, timing dependent on Commerce Commission approvals</li></ul>
	<ul style="list-style-type: none"><li>• Annual listing fees</li><li>• Participant services</li><li>• Securities data</li></ul>	<ul style="list-style-type: none"><li>• Increase in market capitalisation and listing fee increases applicable 1 July 2016 will increase annual listing fees by approximately 10% relative to 1H 2016</li><li>• Securities data revenue expected to continue to be below 2015 levels in 2H 2016 due to lower terminal numbers and shift in product mix seen in 1H</li></ul>
	<ul style="list-style-type: none"><li>• Dairy derivatives</li></ul>	<ul style="list-style-type: none"><li>• Direction for derivatives volumes dependent on volatility in commodity prices. If recent upturn in GDT prices continues, this would be expected to flow through into higher derivatives volumes</li><li>• Launch of NZ milk price futures unlikely to have a significant impact in 2016 year</li></ul>
	<ul style="list-style-type: none"><li>• Market operations</li></ul>	<ul style="list-style-type: none"><li>• Similar levels of activity relative to 1H 2016 expected in 2H</li></ul>



## Outlook for 2016 Revenues

Business Area	2H 2016 Outlook	
Funds Services	<ul style="list-style-type: none"><li>• SuperLife</li><li>• Smartshares</li></ul>	<ul style="list-style-type: none"><li>• Growth potentially impacted by direction of equity markets, as significant proportion of revenue based on % of FUM fees. July saw 4.4% increase in FUM for the month on the back of momentum in equity markets</li><li>• Net funds inflow expected to maintain current trends</li></ul>
	<ul style="list-style-type: none"><li>• NZX Wealth Technologies</li></ul>	<ul style="list-style-type: none"><li>• Operating revenues from Craigs contract will commence in 1H 2017</li></ul>
Agri	<ul style="list-style-type: none"><li>• Data</li><li>• Publications</li></ul>	<ul style="list-style-type: none"><li>• No meaningful improvement in advertising volumes anticipated until there is a sustained lift in dairy prices and the forecast milk payout</li><li>• Data expected to continue to grow steadily</li></ul>





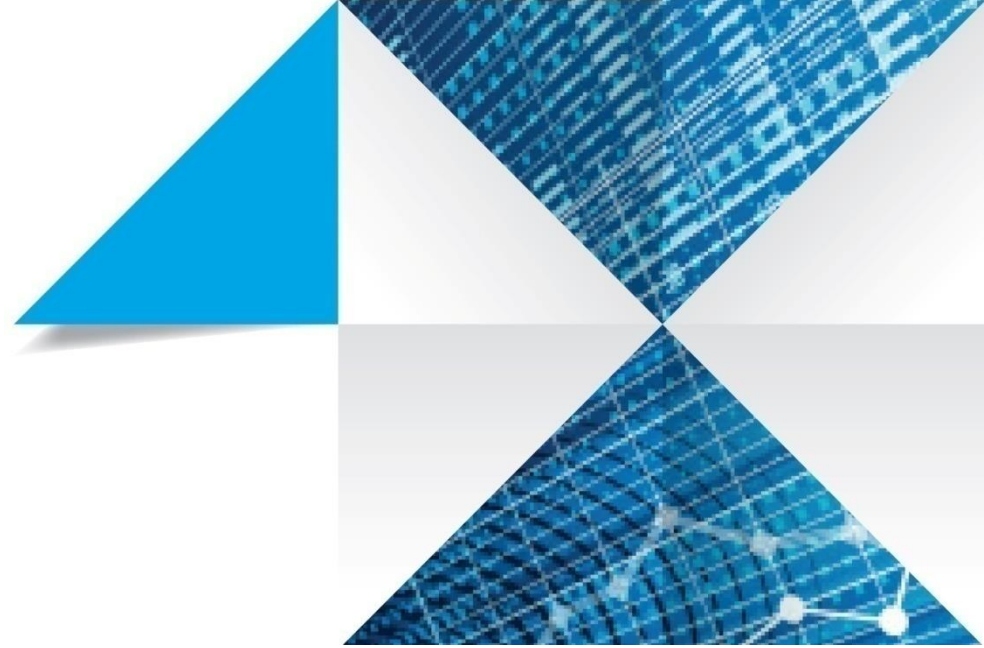
## Outlook for 2016 Expenses

Area	2H 2016 Outlook
Personnel costs	<ul style="list-style-type: none"><li>• Additional development resources required in NZX Wealth Technologies to customise platform for one client, however much of this cost will be capitalised</li><li>• Other staffing levels expected to be consistent with 1H</li></ul>
IT costs	<ul style="list-style-type: none"><li>• Expect 2H costs to be in line with 1H trends</li></ul>
Professional fees	<ul style="list-style-type: none"><li>• Ralec fees cease from August 2016 onwards. Total FY2016 spend expected to be around the top-end of \$2.5m to \$3.0m range due to an additional 3 weeks of trial duration relative to initial expectations</li><li>• Some spend for FMCA transition in 2H 2016, otherwise costs will return to historical levels ex Ralec</li></ul>
Marketing, print and distribution	<ul style="list-style-type: none"><li>• Increase in marketing costs expected to promote funds management products</li></ul>
Fund expenses	<ul style="list-style-type: none"><li>• Expect to be largely consistent with 1H as vast majority of costs of operating ETFs are fixed</li></ul>
Other expenses	<ul style="list-style-type: none"><li>• Largely in line with 1H</li></ul>



## Outlook Summary

- NZX continues to expect FY 2016 EBITDA to be in the range of \$22.5m to \$26.5. This is subject to market outcomes, particularly with respect to IPOs, secondary capital raising, trading and clearing volumes for equities and derivatives, and grain trading volumes
- Guidance assumes no material adverse events, significant one-off expenses or major accounting adjustments
- It also assumes no acquisitions or divestments



## Other information





## 1H 2016 dividend and capital structure

- Interim 2016 dividend of 3.0 cents declared
- Dividend to be fully imputed
- To be paid on 16 September for holdings as at 2 September
- Currently carrying higher cash balances than has historically been the case. No change to capital structure expected in the current year, but will review position further in 2H 2016



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