



Address from Chief Executive, Mark Peterson

[Slide: Address from Chief Executive, Mark Peterson]

Thank you James - good morning ladies and gentlemen.

I am pleased to address you, the owners of NZX, for the first time as CEO.

As many of you will be aware this is not my first NZX Annual Meeting, but it is my first as CEO – I have to say it is privilege to lead this business.

Before we get started I would like to make mention of our executive team and staff who are here today. I would also like to introduce our Chief Financial Officer Bevan Miller, our General Counsel Hamish Macdonald, and our Head of Market Supervision Joost van Amelsfort.

Over the past five months I have been focused on three things – improving business performance, market development and creating a refreshed long-term strategy for NZX.

Today I will speak to the performance of our business so far in 2017 and later in my speech I will introduce the initial themes we are exploring around our strategy to lift value for shareholders and advance New Zealand's capital markets.

Key financial results

[Slide: 2017 – five months in review]

I took over as Acting CEO on 1 January and was permanently appointed to the role on 10 April.

As James highlighted, our financial results for the five months ended 31 May 2017 have been encouraging, with earnings before interest, tax, depreciation and amortization 38% ahead of the prior year.

While revenue was 2.3% down on the prior year due to the disposals in our Agri business, on a like-for-like basis revenues were up just under 3%.

More importantly however, operating expenses were down 18% on last year, which drove the significant uplift in earnings. We have been disciplined with costs in our ongoing operations. And significant benefit has been derived from the absence of costs associated with the Ralec litigation, the Financial Markets Conduct Act transition and our exited Agri business.

[Slide: 2017 – business breakdown]

If I could draw your attention to the chart on screen, which shows the breakdown of the 38% growth in EBITDA across the components of NZX's business.

As you can see, revenue growth was strongest in our Funds Management business, reflecting the benefit of continued growth in funds under management.

And despite a subdued capital raising and trading environment, we have also seen growth in our Markets business. The lift has come from derivatives which is up 139% on the prior year to



date, and we have seen good performance in data revenues and annual listing fees, with listing activity in the debt market contributing strongly to this result.

Agri revenues were substantially lower than the prior year reflecting the disposal of the Clear Grain Exchange and magazines businesses, but with a more than offsetting reduction in costs from the businesses that were disposed of, EBITDA for the Agri division increased.

We also saw lower costs in the markets and funds businesses, the latter reflecting the completion of the Financial Markets Conduct Act transition, and the flow on benefit of efficiencies such as the consolidation of trustee arrangements under a single supervisor.

The substantial reduction in corporate costs reflects the completion of the Ralec litigation.

Our 2017 EBITDA results demonstrate that NZX is keeping a stronger focus on costs and delivering on the immediate growth opportunities in our derivatives, SuperLife and Smartshares businesses. It is pleasing to see growth in these areas.

Business operations and key projects

Alongside the improved financial performance, we are also delivering operationally.

Our core markets infrastructure remains very stable. In 2016, our trading system had an uptime of 100%, while our clearing system's uptime was 99.6%.

We also regularly test our business continuity and disaster recovery plans to ensure that our core systems can run on back up infrastructure. Every year we run the market on our backup servers for a week, which is the only way to test this capability properly.

Our BCP plans were put to the test last year following the Kaikoura earthquake when we were unable to access our Wellington offices immediately following the earthquake. Notwithstanding the tragedy, I am pleased to report we opened the market on time, and were able to run the market outside staff residing away from our normal offices, effectively having activated our business continuity plan.

Our operations teams continue to process the market activity in an accurately and timely manner, with 683 corporate actions processed and 18,929 announcements released in 2016.

At the start of 2017, the senior team improved internal clarity on key project priorities to lift our delivery rate and remove distractions. Creating this clarity has assisted with our delivery this year with several key projects already completed.

Number one – we published the NZX Corporate Governance Code. This is a significant step forward for reporting requirements in New Zealand, and as James mentioned, engagement received during this review was extensive and extremely constructive.

Number two – we implemented changes to the way administrative trading halts are applied, following the release of price sensitive information by our listed companies. Our team worked alongside the market to ensure readiness for these changes – and again, we received excellent feedback on the implementation and communications around this project. A key element to this project was the automation of much of the manual work.



Number three – this week, we delivered a major life-cycle upgrade to our clearing and settlement system, the culmination of a project that commenced in 2014. As well as providing a significant upgrade to critical market infrastructure, it also means NZX offers a larger suite of products to our clearing participants and automates several manual processes around our risk management.

Number four – our flagship website NZX.com has been upgraded and now mobile responsive. As part of this we were able to respond to feedback from the New Zealand Shareholders' Association, and now host all listed company announcements dating back to 2010 on our website.

Number five – we have maintained our strong reputation in the regulatory space. Our team has continued to focus on working with listed companies to help them meet their compliance obligations and drive best practices through the market. This has been achieved through ongoing issuer workshops, one-on-one engagement, and a suite of published practice notes.

I would also like to acknowledge the Financial Market Authority's Annual Market Operator Obligations Review which was released yesterday, this again confirmed NZX met all its licenced market obligations. We will fully review the report in the coming days and look forward to working collaboratively with the FMA to build on the ongoing oversight of our markets.

This just the start. We obviously still lots to do – but I am actively working alongside our executive team to lift NZX's urgency when it comes to project delivery and execution.

Market development

Markets are cyclical

[Slide: Capital markets are cyclical]

It is important to view the performance of the New Zealand market in context.

Recent media commentary has criticised the lack of IPOs in the New Zealand market – and while I am not denying that there has been a downward trend it is important to view this performance in context, and remember that our markets are cyclical.

NZX also has a very strong debt market which is often leveraged at times when the equity market is slower.

NZX has averaged 11.5 listings per year since 2003. The total number of debt listed securities has averaged 19.5 per year over this same period.

While our team seeks to influence New Zealand's demand for new listings, it is important to remember NZX only plays one role in helping to create supply. I know we have a responsibility to create and maintain an efficient market – but ultimately we rely on all the players in our markets ecosystem to attract and list companies. It takes a market wide effort to grow a market.

It's also important to acknowledge that the global IPO landscape has changed. World Federation of Exchange numbers show that globally the number of newly listed companies was down 26.9% in 2016.



Globally, trends are changing. Total costs associated with listing have increased, investments in mutual funds have increased, alternative forms of funding are now more prominent, and there is lack of company information – particularly for smaller businesses. All of these things contribute to lower IPO rates.

In saying this, we have lots of opportunity to grow the listed markets in New Zealand. Our listed equity market cap to GDP is currently 45% - but to put this in context other mature countries can have this ratio over 100%. So, I'm excited about what might be possible.

To capitalise on this opportunity, we need to collectively address these issues to enact change and generate solutions. This is particularly important given the critical role IPOs play promoting growth and creating jobs in our economy.

Building on the opportunities in our markets business

NZX's role in influencing the demand for new listings is to better sell the benefits of listing and enhance our service offering.

To support this I need to ensure we have a strong markets team in place who have an external focus on attracting listings and providing exceptional customer service.

We all know that the best performing markets are those with plenty of investment options, which is why one of the first things I did as CEO was to create a dedicated team to focus on listings, and advertise for a Head of Listings. We have made good progress in this search, which is now nearing its final stages.

Promoting the benefits of listing is something I know we need to work on. We need to better invest in our markets business in order to become a clear voice for the listed community. We also need to think carefully about additional services so we can add value to our issuers and attract more issuers to the market.

In January, we appointed a Senior Issuer Relationship Manager to strengthen our presence among existing issuers and identify areas where we can improve our service offering.

This is already generating results. Our IPO Masterclass was recently attended by more than 30 owners and managers of private companies – it's fantastic to see such a variety of companies considering the opportunities that a listing creates.

We have also supported two investor days for small to mid-cap companies, which has given some of our issuers' exposure to a wider pool of investors, and helps to improve the level of service we are offering.

Focusing on our secondary market

Recent media coverage has also highlighted that the framework and efficiency of our secondary market – which is where investors buy and sell shares already on issue – needs improving.

I see opportunity to quickly improve the liquidity and structure of this market, and am considering a range of options to do so.



The first of which is being launched on Monday, where we will trial a tailored trade pricing structure designed to attract new local and international electronic trading flow that isn't being traded at present. This new business will all be traded on market, improving price discovery while adding further depth and liquidity.

Developing our derivatives market

[Slide: Developing our derivatives market]

Turning to our derivatives market – this is becoming a truly global market and a point of difference for NZX.

NZX is now home to the fastest growing derivatives market for global dairy ingredients. At the end of May 2017 we had traded 126,000 contracts this year, compared to 52,000 for the same period in 2016, that's an increase of 142%.

It is encouraging to see that this market is now reaching the scale where it will begin to make a meaningful contribution to NZX's earnings.

Market engagement

[Slide: Market engagement]

Since becoming CEO I have met with more than 120 of our market players who include listed companies, market participants, brokers, regulators, policy makers, industry bodies and investors.

I wanted to hear their views first-hand to gain a broader understanding of the challenges, and the solutions needed to improve the operation of our market.

A key theme has been that NZX needs to simplify the structure and operation of its equities market. New Zealand is too small for three equity markets.

I agree that our market needs to be simpler – but for me the question is how?

On Tuesday we took the first step towards achieving this goal by announcing a review of our current equity market structure. This was in response to broader market feedback that the present structure was not effectively meeting the needs of New Zealand's smallest listed companies.

Given the likely outcome of this review will be to consolidate all of NZX's equity markets into a single board we wanted to communicate this sooner rather than later.

Effectively supporting smaller companies is very important to NZX and it was a key finding from the work the Capital Markets Development Task Force undertook – designing a market that effectively meets our stakeholders' needs is critical to that.

A review of our market's structure will naturally inform thinking about our listing rules. Therefore NZX will commence a formal consultation process on the structure of its broader market and a review of its Listing Rules for our current Main Board issuers, in late Q3 2017.



The last holistic review of our listing rules took place back in 2003 – this is a once in 15 year opportunity to adjust our regulatory settings to fit today’s markets and position us for the future.

Building on the work of previous policy reviews, an extensive consultation process will be undertaken for the listing rules review. It is vital that customers and market commentators are fully involved, and support the process by formally, and constructively sharing their views on how NZX can help to increase the depth, breadth and vibrancy of New Zealand’s capital markets.

As well as looking after our smallest listed companies, and simplifying the current structure of our market, this review will seek to remove unnecessary compliance costs, enhance investor protections – where appropriate – to drive increased market participation, and make it easier to list a wider range of financial products.

This is a very important piece of work for our future.

Our strategic review

[Slide: key themes]

Key themes

As James mentioned, alongside these efforts work has begun on an extensive review of NZX’s strategy. This will determine the shape of our business, and influence the strategies we will adopt in growing the business and New Zealand’s capital markets for the long-term.

While there are some areas where swift action needs to be taken to improve our business – and we are doing that – at the same time we need to take a considered approach to the long term so we can make the right strategic decisions.

Almost three months into the role of CEO, I have been listening to feedback from the market to inform internal thinking around our refreshed strategy ... and today I want to provide some initial insight into the themes we are exploring.

The first is that it is clear our core markets business is suffering from complexity.

The second is given NZX’s role as a market operator we need to influence and align the industry to improve our capital market structure.

The third is that we need to review our business and better leverage the parts of our portfolio which can support our core markets business.

The fourth is a recognition that NZX has been too inwardly focused. We need to have more presence with our local market players. We need to listen to what is needed, and consider relevant international linkages.

The fifth is to actively position our business for the long-term by better understanding the needs of the entire investor community.

And the sixth is that as an organisation we need to earn the right to grow through capital and cost effectiveness and frugality.



The outcome of this strategic review will be to create a simpler, more focused and well-connected NZX that supports the growth of our core markets business, which has a point of difference to ensure long-term regional relevance.

[Slide: Focusing on what NZX can control]

Focusing on what NZX can control

One of the starting points for our strategic review was to understand and acknowledge what NZX can directly address or control and what we can only seek to influence.

The types of things NZX has the ability to directly address are straightforward and unsurprising – like having a strong focus on controlling costs and improving operational efficiencies. While others require us to think more laterally about tangible revenue opportunities, particularly in our core markets business.

The things NZX can only seek to influence are more challenging to create quick progress on.

For example, while our team can seek to influence the non-NZX related costs associated with listing, these third party costs are generally outside our direct control.

While we will continue to support making changes to improve the structural competitiveness of our market compared to other jurisdictions, this requires participation and alignment from the entire markets eco-system to enact change.

And while we will work alongside the advisory community to support companies through the listing process – we have no influence on market pricing and we can't force a business to list.

It would have been fantastic to see companies such as Hirepool, Perpetual Guardian, Carter Holt Harvey and 2 Degrees list, but for valid market or company specific reasons outside of NZX's control the transactions didn't make it to the Main Board.

Going forward the team at NZX will remain strongly focused on the things we can control, while seeking to increase our leadership role, and influencing the development of New Zealand's capital markets.

Expectations

In closing, as a CEO I am very passionate about three things – customers, collaboration and clarity.

I really want to create an NZX which is focused on meeting the needs of all our customers.

I will have a team that understands clients and values relationships.

We must create an organisation which collaborates, and seeks out fresh ways to engage and deliver innovative and successful solutions for our customers.



To achieve this, NZX needs to be agile and has to be adaptable – we must embrace change – but we also need to better understand and educate our customers on our role we play within the capital markets network. That creates clarity for everyone involved.

The last five months have been a very good first step for NZX – but we have lots to do. I want to ensure that NZX delivers improved returns for you, our shareholders.

Before I hand you back to James for the formal business of the meeting and resolutions I would like to thank you for your loyal support of NZX.

It is a privilege to lead our business. I look forward to updating you further throughout the year on progress and updating you on a fresh strategy for our company in November.

Thank you.

Ordinary Business

[Slide: Ordinary Business]

We now get to the formal part of the meeting.

As you entered the venue today shareholders and proxy holders will have received either a white voting card or a non-voting investor card. If you wish to ask a question, please hold up your card as only shareholders and proxy holders are entitled to ask questions. If you received a visitor's card, you will not be allowed to ask a question.

During the formal business part of the meeting, questions must be related to the resolution at hand. We will deal with any questions relating to general business following the resolutions. If you would like to ask a question can I please remind you to wait for a microphone and begin by stating your name and whether you are a shareholder or proxy holder. In the interests of other shareholders who may want to ask a question, I would ask that you please keep your questions brief.

For the sake of giving all shareholders a reasonable opportunity to raise any questions, shareholders are asked that they only speak once. I would also ask that shareholders try not to repeat comments or questions that have already been made.

Each resolution set out in the Notice of Meeting is to be considered as an ordinary resolution and, as such, must be approved by a simple majority of the votes cast by shareholders entitled to vote and voting on the resolution.

Voting on each of the resolutions will be by poll. We will now conduct the polls on the matters described in the Notice of Meeting.

KPMG, NZX's auditor, will act as scrutineer.

You should all have a voting paper which was given to you when you registered.

To cast your vote please complete your voting paper by ticking "FOR", "AGAINST" or "ABSTAIN" in the appropriate place for each resolution. The voting cards will be collected at the