

Standing up in tough times

NZX INTERIM 2020 RESULTS
INVESTOR PRESENTATION
13 AUGUST 2020



NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA

Today's agenda



Highlights for the Year



Financial performance



Questions



Appendices

Important notice

This half year investor presentation should be read in conjunction with the financial statements in the 2020 interim report, which provides additional information on many areas covered in this presentation.

This presentation contains forward looking information, statements and targets. These reflect our current assumptions, which are subject to market outcomes, particularly with respect to market capitalisation, total capital raised, secondary market value and derivatives volumes traded, and funds under management and administration growth.

Additionally they assume no material adverse events, significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments.

Actual outcomes could be materially different. We give no warranty or representation as to our future performance (financial or otherwise) or any future matter. Except as required by law or NZX listing rules, we are not obliged to update this presentation after its release.



Half Year 2020 Highlights



NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA



Half Year 2020 results at a glance



Operating Earnings*

\$17.6

million



21.5%

Net Profit
After Tax

\$9.1

million



40.9%

Interim
Dividend
(fully imputed)

3.0

cents per share

Capital raised
(total new capital and
secondary capital raised)

\$8.2

billion



6.5%

Data & Insights Revenue

\$7.0

million



10.8%

Total Value Traded

\$27.9

billion



52.3%

Dairy Derivatives
Lots traded

205,626



9.6%

Funds Under Management

\$3.95

billion



14.2%

Funds Under Administration

\$3.08

billion



46.1%

* Operating earnings are before net finance expense, income tax, depreciation, amortisation and gain and loss on disposal of business and property, plant and equipment. 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.

The 2020 deliverable targets are detailed in the management commentary section of the 2020 Interim Report

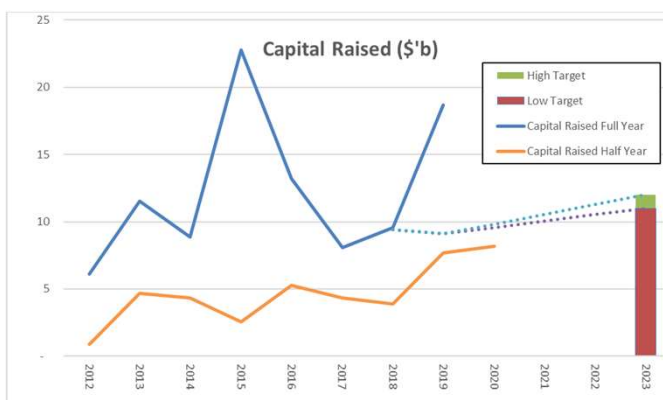
Percentage changes represent the movement for the interim period June 2019 compared to June 2020, except Funds Under Management and Funds Under Administration which are the movement in balances as at 30 June 2019 to 30 June 2020

Standing up in tough times

WITH THE FOUNDATIONS SET DOWN OVER THE PAST THREE YEARS, WE WERE ABLE TO RESPOND EFFECTIVELY TO THE CHALLENGES COVID-19 PRESENTED. OUR MARKETS WERE OPEN AND READY TO HELP COMPANIES RAISE CAPITAL.

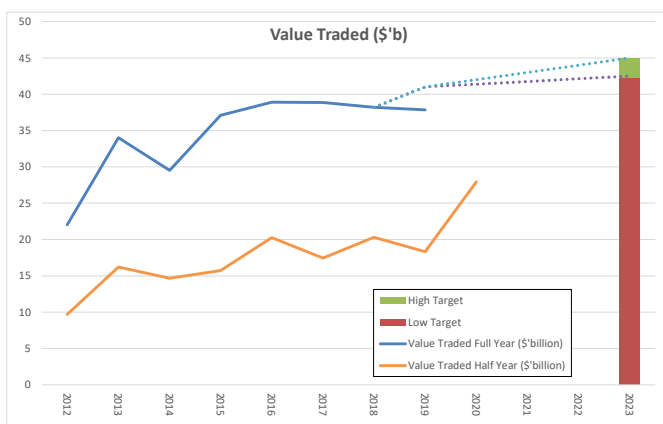
Issuer Relationships

Capital raised YTD \$8.2 billion (FY 2020 target \$9.5 billion)



Secondary Markets

Total value traded YTD \$27.9 billion (FY 2020 target \$38.6 billion)



The five year aspirational target range (2023) as presented in the Investor Presentation (February 2019) and are not financial forecasts.

Customer engagement

- Started filming new "Issuer Spotlight" digital series
- Provided liquidity and trading updates during the COVID-19 lockdown
- Participated in the Electricity Authority's COVID-19 Issues Working Group

Framework

- NZX Regulation provided market support during COVID-19, including a number of class relief packages targeted at issuers and participants
- Release of Consultation Document proposing that PFI be made voluntary for listing profiles
- Launched NZX Partnership with Syndex (1 July 2020)
- Contributed to Government reform of the ETS policy settings

Product suite

- Total capital raised \$8.2 billion YTD including secondary equity raisings, retail and wholesale debt listings
- Changes to the listing rules have made it more efficient for companies to raise capital (\$5.37 billion) during the COVID-19 period (1 April 2020 - present)

Market Engagement

- BNP Paribas Securities Services Australia actively pursuing application for third party/ General Clearing Participant status for cash markets.
- NZX securities now available to Australian retail investors via CMC Stockbroking
- Significant engagement with Participants and coordination of supporting market infrastructures during COVID-19 lockdown to deliver ongoing market performance
- Significant engagement with market stakeholders (Participants, Funds and Institutional Investors) to drive support for launch of Mid-Point Order Book during 2021

Market Liquidity

- Record value traded YTD \$27.9b; record on-market trading activity YTD 62.4%; Record daily trades 112k and record average daily trade volume 48k, with significant retail investor participation throughout
- Price improved crossings generated over \$153K gross benefit for investors

Market Functionality and Operations

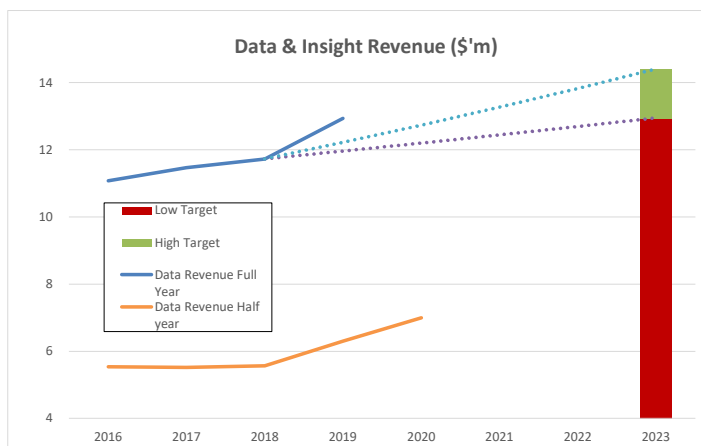
- Proactive management of market operations to support volatile market conditions as result of COVID-19 impact
- Growing NZX Depository business – increased assets (+317.6%) and transactions (+264.3%) as BNP clients increase in number and assets held within NZX CSD
- Trading system upgrade project delayed as result of COVID-19 to Q1 2021

Standing up in tough times

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Data & Insights

D&I average revenue growth YTD 10.8% (FY 2020 average revenue growth 3%)



Commercial

- Recurring revenue increased 8.8%, audit and back dated licencing revenue increased by 56.1%
- Spike in trading activities due to market volatility has seen a corresponding spike in royalty revenue from real time data provision
- Growth in non-display application licencing revenues from becoming closer to customer activities and increasing their awareness of licencing requirements

Insights

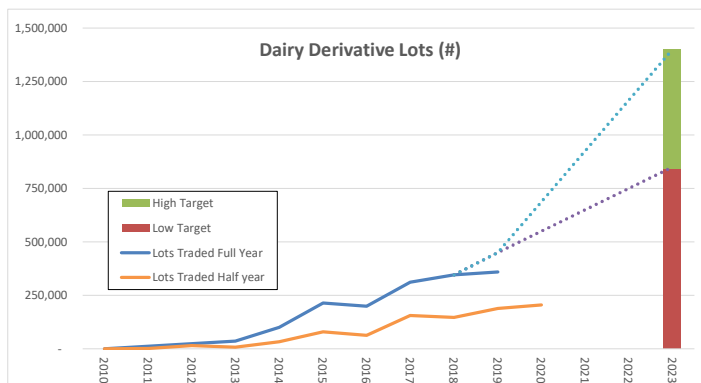
- Significant spike in activity due to the increased market activity and requirement to understand the market relative to previous periods and other markets
- Webinar series for subscribers with over 2500 attendees across 10 webinars delivering revenue opportunities to commercial team

Platform

- Continued development of customer data management systems including completion of phase 1 of Salesforce roll out
- Business Intelligence capability being developed with data visualisation tool for internal data requests being deployed and relevant data sets being centralised

Dairy Derivatives

Lots traded YTD 205,626 growth 9.6% (FY 2020 target: 450,000 – 550,000 lots)



Expand global access

- Exploration of Strategic Partnership opportunity to extend market distribution underway

Boost sales and marketing

- Transformed online offering – depth feed on website, animated online educational hedging academy in final stages
- International webinar series launched in place of physical roadshows due to COVID-19 seeing over 1,600 international and local unique subscribers
- Distribution list growth for data and daily market price updates +155%
- Active end user growth + 48%

Extend product set

- Adjusted AMF Futures settlement to reduce basis with underlying physical market
- Derivatives based Milk Price ETF product business casing began

The five year aspirational target range (2023) as presented in the Investor Presentation (February 2019) and are not financial forecasts.

Standing up in tough times

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Smartshares

FUM growth:

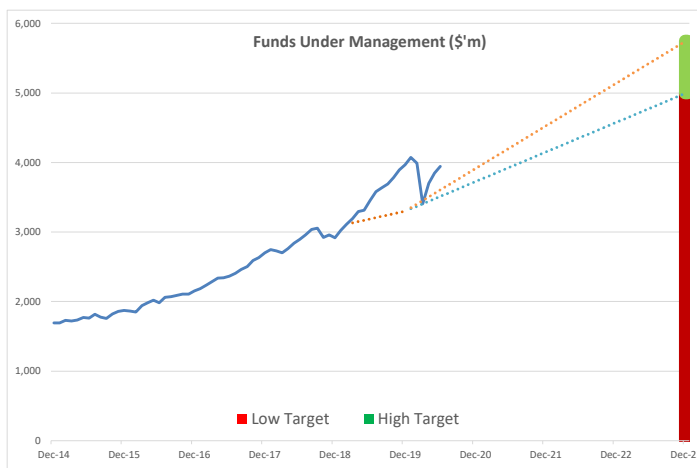
- YoY 14.2%
- YTD (0.25)%
- (FY 2020 target 14%)

FUM YoY growth driven by:

- Net cash flows 14.9%
- Market Returns (1.2)%

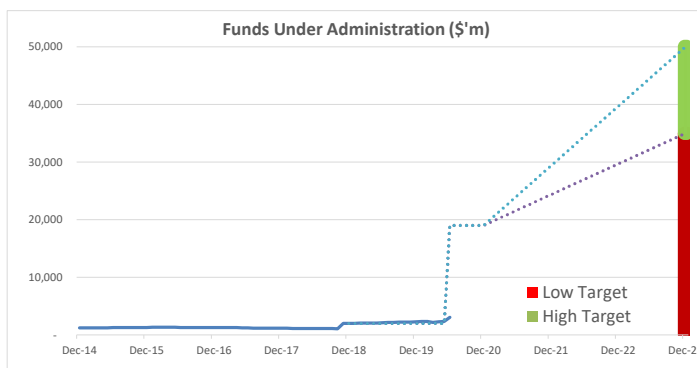
FUM YTD growth driven by:

- Net cash flows 5.4%
- Market Returns (5.7)%



Wealth Technologies

Migrated 1 new customer (FY 2020 target: Migrate new clients onto the platform)



Corporate

Get Fit

Lead in systematic investment management

- Launched four new core ETFs on 15 July 2020
- Launched Smartshares unlisted funds on major NZ wrap platforms
- Initial phases implementing Bloomberg AIM and BSKT (front office system)
- Smartshares ETFs now account for 4.6% of NZSX Main Board value traded, up from 0.5% in 2018

Expand offer for institutional investors

- Awarded first passive NZ equity mandate for KiwiSaver and Corporate Superannuation
- Launched a stock lending programme

Lead in financial well-being solutions

- Investor seminars continued online during COVID-19 Lockdown
- New Client Director for Corporate segment recruited

Develop Corporate Super Master Trust

- Three corporate superannuation scheme wins
- Increased level of net cash flows from investors
- Continued improvement service quality, automation and cost efficiency

Accelerate growth

- Continuing to explore inorganic opportunities to accelerate growth

Grow customer pipeline

- Onboarded new client's PIP/PIE business in June 2020
- The onboarding of another two new clients reaching completion in H2-20
- Project commencing to decommission the old platform
- Continuing to develop the pipeline with projects lined up for 2021

Widen platform offering

- Further functionality released into production and expanded resourcing to support growth

Governance and efficiency improvements

- Adopting a new regulatory operating and governance model, with a separate entity providing regulatory services with an independent board
- Continuing focus on fitness and automation, e.g. Network Transformation project will deliver new network, VPN and firewall capabilities

The five year aspirational target range (2023) as presented in the Investor Presentation (February 2019) and are not financial forecasts.



Our people are critical to our delivery

OUR CULTURE AND PERFORMANCE WAS TESTED BY THE UNPRECEDENTED HEALTH AND ECONOMIC EVENTS OF THIS YEAR, AND HAS PROVEN THAT OUR PEOPLE ARE HIGHLY CAPABLE, FOCUSED AND RESILIENT

Culture & Engagement

- Employee engagement continues to strengthen, with 8th successive increase in the May survey
- NZX now ranks at the 72nd percentile of all New Zealand companies in Gallup's survey for employee engagement
- A Future of Flexible Work review is underway to redefine our approach and leverage benefits for employees, customers, and company performance

Diversity & Inclusion

- Diversity & Inclusion objectives for 2020 will measure diversity in recruitment, assess gender pay, and support youth employment
- Latest monitoring shows inclusiveness within our workplace is high and growing. NZX continues to attract and retain a diverse workforce through 2020

Resourcing

- A disciplined approach to recruitment, and deferral outside of growth areas
- Additional capability has been added to serve new customers in Wealth Technologies, and in Market Technology to support sustained increases in market trading activity
- Retention is strong, with turnover easing to 5% year to date

Health & Safety

- Strong capability in business continuity planning and crisis management ensured NZX moved early to manage pandemic risks and safeguard market operations throughout the COVID-19 lockdown
- Careful management of health and safety risks has ensured full resourcing and health of our workforce during the pandemic to date
- Up to 97% of the workforce worked remotely during Level 4, with a graduated return to offices at lower alert levels
- Wellbeing and morale remained high; internal communications were ramped up to keep our workforce connected and focused
- Support for mental health was delivered remotely during lockdown, including Building Resilience workshops, in partnership with our EAP provider



Financial performance

NZX

NEW ZEALAND'S EXCHANGE
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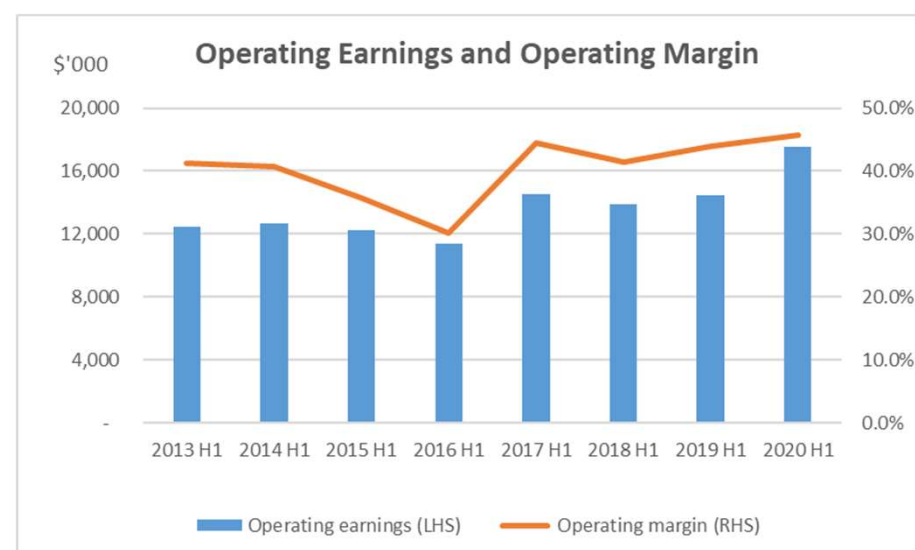
NZX HALF YEAR 2020 RESULTS

Income Statement

	June 2020 \$'000	June 2019 \$'000	Change Fav/(unfav)
Operating revenue	38,418	32,863	16.9%
Operating expenses	(20,868)	(18,418)	(13.3%)
Operating earnings *	17,550	14,445	21.5%
Net finance expense	(758)	(984)	23.0%
Loss on disposal of business and property, plant and equipment	-	(91)	N/A
Depreciation and amortisation expense	(4,042)	(4,281)	5.6%
Income tax expense	(3,667)	(2,641)	(38.8%)
Net Profit After Tax	9,083	6,448	40.9%
Operating Margin	45.7%	44.0%	3.9%

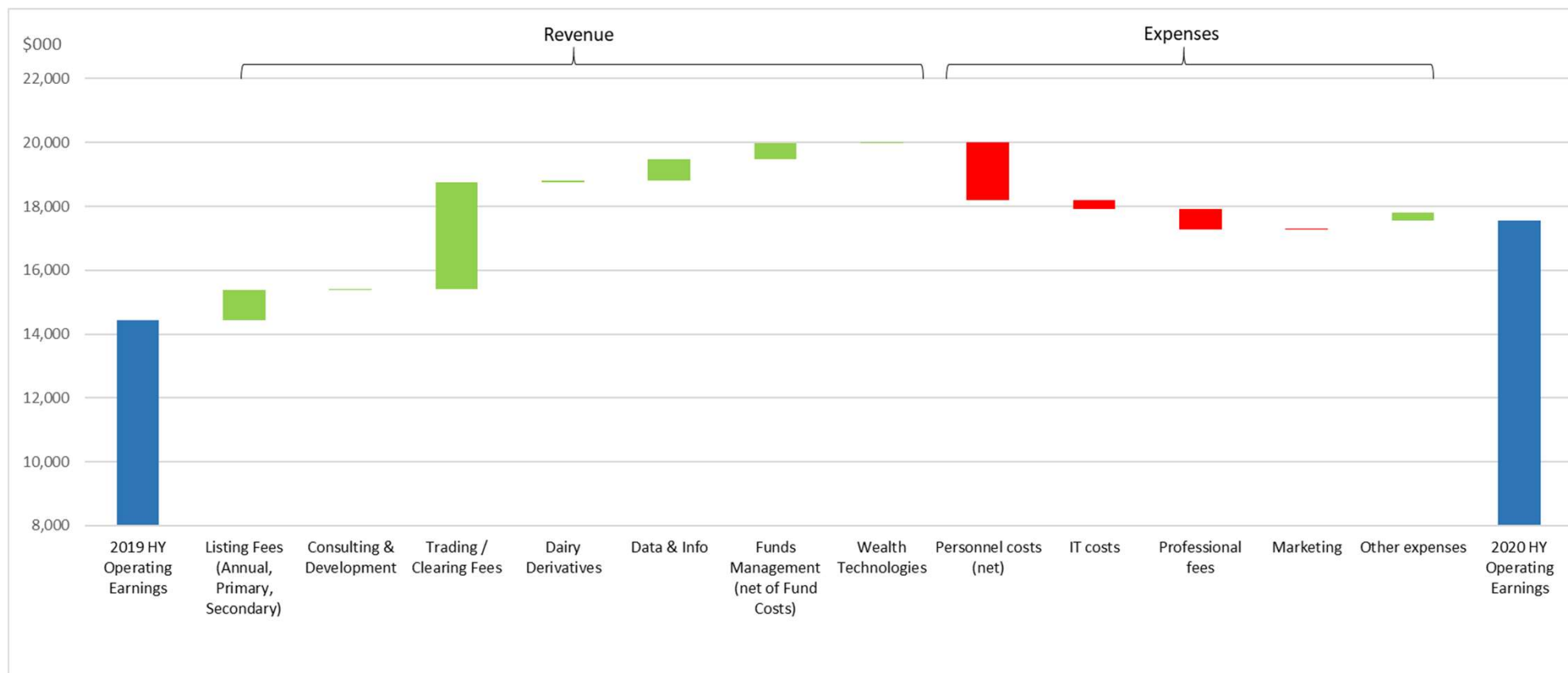
- **Operating earnings** of \$17.6 million (2019: \$14.4 million) is 21.5% higher; with the **operating margin** improving to 45.7% (2019: 44.0%).
- Operating revenue, operating expenses and non-operating expenses are discussed in detail on the following slides. The operating earnings by division are discussed in detail in Appendix 1.

* 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 prior to 2017 includes the Agri businesses which were subsequently sold

Operating earnings waterfall



A high level summary of operating earnings:

- Revenue movements due to increases in listing fees, trading & clearing fees, data revenue and funds management fees; and
- Expense movements due to increases personnel costs, IT costs and professional fees.

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Operating earnings

	June 2020 \$'000	June 2019 \$'000	Change Fav/(unfav)
Operating Revenue			
Issuer Relationships	13,091	12,115	8.1%
Secondary Markets	10,448	7,070	47.8%
Data & Insights	7,034	6,349	10.8%
Funds Management	6,807	6,305	8.0%
Wealth Technologies	849	838	1.3%
Corporate	189	186	1.6%
Total operating revenue	38,418	32,863	16.9%
Operating Expenses			
Gross personnel costs	(16,620)	(14,302)	(16.2%)
Less capitalised labour	2,573	2,070	24.3%
Personnel costs	(14,047)	(12,232)	(14.8%)
Information technology	(3,707)	(3,456)	(7.3%)
Professional fees	(1,658)	(1,009)	(64.3%)
Marketing	(422)	(421)	(0.2%)
Other expenses	(1,576)	(1,714)	8.1%
Capitalised overheads	542	414	30.9%
Total operating expenses	(20,868)	(18,418)	(13.3%)
Operating earnings*	17,550	14,445	21.5%

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- The **Operating Revenue** and **Operating Expenses** are discussed in the following slides.
- The **Operating Earnings by Business** are also discussed in the following slides, with further detail provided in Appendix 1.



Operating earnings

OPERATING REVENUE

Issuer Relationships:

- Annual listing fees (ALF) were positively impacted by the growth in:
 - number and value of debt instruments, and
 - the growth in equity market capitalisation despite delistings
- Primary listing fees driven by debt listings (retail and wholesale). Secondary issuance fees driven by a high level of equity recapitalisations
- Consulting and development revenue earned through electricity system enhancements, including an electricity market pricing project, which is due for completion in 2022

Secondary Markets:

- Securities trading and clearing revenues increased due to:
 - the total value traded and cleared being 52.3% higher; and
 - the fee structure changes on 1 July 2019 (e.g. trading fee cap has been raised and clearing tiers reduced)
- Dairy derivatives revenue increased with growth in lots traded of 9.6%

Data & Insights:

- Royalties from terminals revenue increase relates to higher retail terminal numbers
- Subscriptions and licences revenue increase is driven by:
 - Growth in client data usage;
 - improved client license arrangements post audit; and
 - increased license numbers
- Dairy subscription revenue decreased as a result of divestment of NZX Agri business and its impact on churn of dairy subscriptions
- Indices revenue has been an area of focus to drive increasing market liquidity
- Audit and back dated licencing revenue was significantly higher due to increased audit closures

Wealth Technologies:

- Administration (FUA based) fees driven by:
 - New platform – FUA continues to increase, with a new client migration in late June 2020 (the administration fees impact will occur in H2-20)
 - OE platform – number of customers is unchanged, with FUA stable

Funds Management:

- FUM based revenue has increased 15.4% driven by:
 - Higher average FUM over the period, which is a combination of market returns and positive net cash flows; offset by
 - fund expense associated with the 8 new Blackrock iShares funds, and the segregation and unitisation of SuperLife Invest providing access for wholesale clients; partially reduced by efficiencies from the changed operating model (including changing custodian for some funds and internalising management of the Cash Funds) and improvements to supplier arrangements
- Member based revenue has decreased due to a historical pricing provision which more than offset the increase in investor numbers of 7.8% over the period
- Other revenue has been impacted negatively by the decrease in OCR and positively by the commencement of stock lending services

Corporate Services:

- Other corporate revenue primarily relates to the short term sub lease of part of the Wellington premises and NZX.com advertising revenue.

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Operating earnings

OPERATING EXPENSES

Personnel costs

- Personnel costs are driven by the average FTEs in the period and the capitalisation of internal development resources
- Personnel costs have increased due to a combination of wage inflation, short term contractor resources (e.g. assisting with the delivery of the electricity market real time pricing project), impacts arising from the COVID-19 lockdown and resultant lower levels of annual leave and staff turnover (e.g. increased annual leave and bonus accruals), and the movement in average FTEs arising from:
 - three additional roles in the Securities IT team to deliver technology solutions to increase trading and clearing system capacity and maintaining market stability;
 - additional project management resources for energy projects;
 - Smartshares strengthening of the leadership team (new COO and CIO) plus growing sales and customer services resources to support growth in line with the strategic focus;
 - Wealth Technologies sales activity and additional operational staff for new clients; and
 - movements in vacancy numbers at period ends.

- Capitalisation of internal development resources (2020: \$2.57 million; 2019: \$2.07 million) primarily relates to Wealth Technologies' core platform. NZX's trading system upgrade has been deferred due to the COVID-19 lockdown and the focus on increasing trading and clearing system capacity and maintaining market stability.

Information Technology

- IT costs higher than the comparable period due to:
 - Network Transformation project costs (which strengthens NZX's cyber security); and
 - additional license costs to improve resilience of NZX's clearing and settlement system (BaNCS).

Marketing

- Marketing had been deferred during the COVID-19 lockdown and will recommence in H2-20, including:
 - the Investor relations programme;
 - Marketing of the market; and
 - Smartshares new ETF funds launch and rebranding

Other Expenses

- Other expenses relate to premises related costs (i.e. electricity, rates etc), insurance, directors fees, travel, external audit costs, outsourced payroll system, corporate memberships, statutory / compliance costs and non recoverable GST (on the Smartshares and Wealth Technologies businesses)
- The decrease in other expenses primarily relates to there being no travel during the COVID-19 lockdown

Professional Fees

- Professional fees include those relating to:
 - NZX clearing and settlement system (BaNCS) independent external review of technical issues arising from significantly increased trading volumes, messaging, notifications and shareholder balance enquiries;
 - Smartshares investments for growth e.g. the initial phase of a new front and middle office operating system, four new ETF funds (launched on 15 July 2020), set up of stock lending and borrowing services, the Asia Region Funds Passport application, and the enhancement of Smartshares digital tools;
 - the assurance programme – internal audits, internal control reports, energy audits and consulting obligations under the Electricity Authority contracts, annual conflicts review, funds conduct risk assessment review; and
 - terminal royalty audit fees which vary in proportion to audit revenue; with costs and revenues recognised on a gross basis.

Capitalised overheads

- The portion of all expense categories which relate to capital activities (e.g. Wealth Technologies core platform and NZX's trading system upgrade) has increased (2020: \$0.54 million; 2019: \$0.41 million).

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Operating earnings by Business

	June 2020 \$'000	June 2019 \$'000	Change Fav/(unfav)
Issuer Relationships			
Operating Revenue	13,091	12,115	8.1%
Operating Expenses	(2,828)	(2,667)	(6.0%)
Operating Earnings	10,263	9,448	8.6%
Secondary Markets			
Operating Revenue	10,448	7,070	47.8%
Operating Expenses	(3,180)	(3,156)	(0.8%)
Operating Earnings	7,268	3,914	85.7%
Data & Insights			
Operating Revenue	7,034	6,349	10.8%
Operating Expenses	(1,095)	(927)	(18.1%)
Operating Earnings	5,939	5,422	9.5%
Funds Management			
Operating Revenue	6,807	6,305	8.0%
Operating Expenses	(3,937)	(3,120)	(26.2%)
Operating Earnings	2,870	3,185	(9.9%)
Wealth Technologies			
Operating Revenue	849	838	1.3%
Operating Expenses	(1,382)	(1,024)	(35.0%)
Operating Earnings	(533)	(186)	(186.6%)
Corporate Services			
Operating Revenue	189	186	1.6%
Operating Expenses	(8,446)	(7,524)	(12.3%)
Operating Earnings	(8,257)	(7,338)	(12.5%)

Issuer Relationships

Revenue increases mainly due to higher ALF revenue (market capitalisation driven) and secondary issuance fees (high level of equity recapitalisations in H1-20)

Expense increases are due to:

- Personnel costs – the COVID-19 lockdown has resulted in less annual leave being taken and an increase in accrual costs
- Energy IT costs – increased levels of 3rd party specialist support

Secondary Markets

Revenue increases result from the fee structure changes on 1 July 2019 and the increased total value traded and cleared

Expense movements are the net impact of:

- Employee costs are lower due to a lower average number of employees
- IT Costs have increased for additional licenses to improve resilience of NZX's clearing and settlement system (BaNCs)

Data & Insights

Revenue increases due to higher retail terminal numbers, increased non-display usage, a greater level of audit closures generating off back dated revenues and renewed license arrangements

Expenses increases relate to personnel costs, which are higher due to the continued use of an external contractor for insights and the COVID-19 lockdown impact. Additionally capitalised labour is lower as projects are now complete.

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Operating earnings by Business

Funds Management

FUM based revenue has increased 15.4% in line with higher average FUM +19.5%, offset by fund expense increases associated with the 8 new Blackrock iShares funds and the segregation and unitisation of SuperLife Invest providing access for wholesale clients; partially reduced by efficiencies from the changed operating model (including changing custodian for some funds and internalising management of the Cash Funds)

Member based revenue has decreased due to a historical pricing provision which more than offset the increase in investor numbers of 7.8% over the period

Expenses have increased as we continue to invest for growth:

- Personnel costs – we have strengthened the leadership team (new COO and CIO) plus have grown sales and customer services resourcing to support growth in line with the strategic focus. Additionally there are the COVID-19 lockdown impacts and lower capitalisation levels
- Professional fees – include specific projects focused on growing revenues and managing risks including:
 - the initial phase of a new front and middle office operating system;
 - four new ETF funds (which launched on 15 July 2020);
 - set up of stock lending and borrowing services;
 - the Asia Region Funds Passport application; and
 - the enhancement of Smartshares digital tools

Wealth Technologies

Revenue – average FUA is consistent to the comparable period. The new client migration in late June 2020 will increase revenue in H2-20.

Wealth Technologies (continued)

Expense increases are due to:

- Net personnel costs have increased with the addition of operational staff for new clients migrating in the current year, as well as senior staff undertaking sales activity (rather than CAPEX activity).
- Professional fees have increased due to external legal fees associated with new clients contracts and an internal control report for the new platform, which is off set by increased capitalisation of overheads

Corporate Services

Revenue relates to the sublease of spare office space and NZX.com advertising

Expenses increases are relate to:

- Net personnel costs reflect a combination of higher average headcount from three new roles in the Securities IT team (to deliver technology solutions to increase trading and clearing system capacity and maintaining market stability), additional project management resources for energy projects, and a minor decrease in vacancies. Additionally there are the COVID-19 lockdown impacts and lower capitalisation levels with the deferral of the trading system upgrade
- IT Costs – include project costs for the Network Transformation to strengthen NZX's cyber security
- Professional Fees – include the costs of the independent external review of NZX's clearing and settlement system (BaNCS) technical issues associated to the significantly increased trading volumes, messaging, notifications and shareholder balance enquiries

Note - Corporate Services provides accommodation, legal, accounting, IT, HR and communications and marketing support to all divisions (including the Funds Management and Wealth Technologies businesses). Related costs are currently not recharged to these businesses.

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Non-operating income and expenses

	June 2020 \$'000	June 2019 \$'000	Change Fav/(unfav)
Interest income	534	500	6.8%
Interest on lease liabilities	(215)	(200)	(7.5%)
Other interest expense	(1,181)	(1,198)	1.4%
Amortised borrowing costs	(37)	(39)	4.3%
Unrealised gain on investment	-	3	N/A
Net gain / (loss) on foreign exchange	141	(50)	382.0%
Net finance expense	(758)	(984)	23.0%
Depreciation of PP&E	(482)	(379)	(27.2%)
Amortisation of lease assets	(613)	(529)	(15.9%)
Amortisation of intangibles	(2,947)	(3,373)	12.6%
Total depreciation and amortisation	(4,042)	(4,281)	5.6%
Loss on disposal of business and property, plant and equipment	-	(91)	N/A
Tax expense	(3,667)	(2,641)	(38.8%)
Total net other expenses	(8,467)	(7,997)	(5.9%)

- Net finance costs include:
 - interest income on cash balances, Clearing House risk capital and regulatory working capital; which have been impacted by decreased interest rates; and
 - interest expenses (including amortised borrowing costs) on the subordinated notes and lease liabilities.
 - Net gain / (loss) on foreign exchange
- Depreciation and Amortisation decreased due to:
 - Clearing System (BaNCS) was fully amortised in September 2019; offset by increases for
 - Wealth Technologies – the current period capitalised costs for the core platform's refinement and extension; and
 - new lease of IT equipment (from May 2019).
- Effective tax rate is higher than statutory rate of 28% due to non-deductible items.



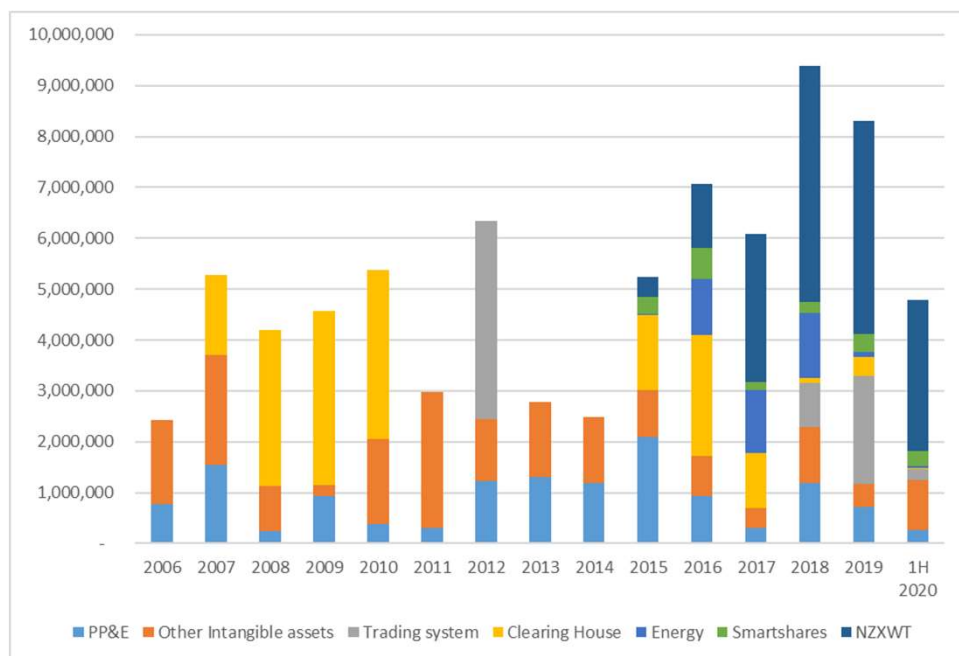
Balance Sheet

	June 2020 \$'000	June 2019 \$'000	Change Fav/(unfav)
Current assets			
Cash and cash equivalents	41,420	35,785	15.7%
Receivables and prepayments	20,798	22,258	(6.6%)
Current investment	-	83	(100.0%)
Funds held on behalf of third parties	121,159	71,309	69.9%
Total current assets	183,377	129,435	41.7%
Non-current assets			
Right-of-use lease assets	6,199	6,421	(3.5%)
Other non-current assets	71,984	69,808	3.1%
Total non-current assets	78,183	76,229	2.6%
Current liabilities			
Trade payables	5,257	4,489	(17.1%)
Other current liabilities	18,182	16,161	(12.5%)
Lease liabilities	1,657	1,390	(19.2%)
Funds held on behalf of third parties	121,159	71,309	(69.9%)
Total current liabilities	146,255	93,349	(56.7%)
Non-current liabilities			
Interest bearing liabilities	38,871	38,824	(0.1%)
Lease liabilities	7,267	7,887	7.9%
Other non-current liabilities	3,584	3,442	(4.1%)
Total non-current liabilities	49,722	50,153	0.9%
Net assets/equity	65,583	62,162	5.5%

- Cash and cash equivalents includes:
 - Clearing House risk capital (\$20 million) which is not available for general use.
 - Clearing House also complies with International Organisation of Securities Commissions principles requiring retention of sufficient working capital (including cash of approximately \$2.3 million).
 - Smartshares maintains sufficient net tangible assets in accordance with its license requirements (including cash of approximately \$1.6 million).
- Receivables balances are higher each half year due to the timing of annual listing fee invoicing.
- Funds held on behalf of third parties (assets and liabilities) offset. These relate to issuer bond deposits, participants' collateral deposits and deposited funds (including those held in the Mutualised Default Fund). Amounts are repayable to issuers and participants and not available for general use.
- Right-of-use lease assets and the lease liabilities relate to leased premises and IT equipment.
- Other non-current assets consist of property, plant & equipment, intangible assets and goodwill.
- Other current liabilities includes income in advance related to annual listing and participant fees, and tax payables.
- Other non-current liabilities mainly relate to deferred tax.



Balance Sheet - CAPEX



Core Markets

- Capex driven by specific system life cycles which result in large multi-year projects
- Trading system upgrade – total spend will be comparable to 2012, with most incurred in 2019. The implementation has been delayed until in Q1 2021 as result of COVID-19 and the focus on increasing trading and clearing system capacity and maintaining market stability.
- Network Transformation – which strengthens NZX's cyber security
- Normal life cycle replacements for IT equipment and software

Growth Businesses

- Wealth Technologies CAPEX relates to:
 - continues to release further functionality into production;
 - successfully migrated a new client in late June 2020; and
 - further migrations (Hobson and Saturn) are expected in H2-20, with discovery underway for Craigs.
- Smartshares CAPEX relates to:
 - front office operating system – the initial phase of implementing Bloomberg AIM and BSKT, which will be completed in H2-20; and
 - digital tools – the continued delivery of digital tools for improved client servicing and efficiency



Cash Flows

	June 2020 \$000	June 2019 \$000	Change Fav/ (unfav)
Operating activities	7,226	1,151	527.8%
Investing activities	(5,081)	(4,159)	(22.2%)
Financing activities	(8,465)	(6,592)	(28.4%)
Net increase in cash and cash equivalents	(6,320)	(9,600)	34.2%

Operating activities

- Cash flow from operating activities includes net interest and income tax paid
- The increase reflects a higher Net Profit After Tax and working capital movements (e.g. timing of receivables receipts and trade payables payments)

Investing activities

- Investing activities relate to CAPEX, which is primarily:
 - Wealth Technologies software development; and
 - the Trading System upgrade

Financing activities

- Financing activities includes dividends which are net of participation in the dividend reinvestment plan



Interim Dividend

Interim Dividend

- The Board has declared an interim dividend (fully imputed) of 3.0 cps (June 2019: 3.0 cps)
- Dividend to be paid on 18 September 2020 to shareholders registered as at 4 September 2020

Dividend Policy

- The policy is to pay between 80% to 110% of adjusted Net Profit After Tax over time, subject to maintaining a prudent level of capital to meet regulatory requirements
- Adjustments include reversing the impact of intangible asset impairments

Dividend reinvestment plan

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

2020 Earnings Guidance

2020 Earnings Guidance

NZX maintaining its FY2020 operating earnings guidance of \$30.0 million to \$33.5 million. NZX notes that based on the performance to date there is a greater expectation for a full year outcome to be towards the top end of the range.

The guidance is subject to market outcomes over the remainder of the year, particularly with respect to market capitalisation, total capital raised, secondary market value and derivatives volumes traded, and funds under management and administration growth.

Additionally this guidance assumes no material adverse events, significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments.





Questions?



NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA



Appendices



NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA



Appendix 1: Operating earnings by business

Six months ended 30 June 2020 \$'000	Issuer Relationships	Secondary Markets	Data & Insights	Funds Management	Wealth Technologies	Corporate Services	Total
Operating revenue	13,091	10,448	7,034	6,807	849	189	38,418
Operating expenses	(2,828)	(3,180)	(1,095)	(3,937)	(1,382)	(8,446)	(20,868)
Operating earnings	10,263	7,268	5,939	2,870	(533)	(8,257)	17,550
FTEs	35.8	28.4	9.1	49.8	50.3	66.0	239.4
Operating margin	78.4%	69.6%	84.4%	42.2%	(62.8%)	N/A	45.7%
Six months ended 30 June 2019 \$'000	Issuer Relationships	Secondary Markets	Data & Insights	Funds Management	Wealth Technologies	Corporate Services	Total
Operating revenue	12,115	7,070	6,349	6,305	838	186	32,863
Operating expenses	(2,667)	(3,156)	(927)	(3,120)	(1,024)	(7,524)	(18,418)
Operating earnings	9,448	3,914	5,422	3,185	(186)	(7,338)	14,445
FTEs	36.6	29.7	9.5	47.5	36.0	60.3	219.6
Operating margin	78.0%	55.4%	85.4%	50.5%	(22.2%)	N/A	44.0%

Notes:

1. Issuer Relationships includes the Issuer Relationship, Energy and Issuer Compliance teams (for the equity, energy and Fonterra shareholders' markets).
2. Secondary Markets includes the Secondary Markets, Clearing House, Dairy Derivatives, Surveillance and Participant Compliance teams.
3. Corporate Services provides accommodation, legal, accounting, IT, HR and communications and marketing support to the other business units. Related costs are currently not recharged to these businesses.
4. NZX will reassess the reportable segments on adoption of the proposed new separate operating and governance model for the regulatory function.
5. 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.



Issuer Relationships

TASKED WITH CREATING A COMPELLING AND ATTRACTIVE PROPOSITION FOR OUR CURRENT AND PROSPECTIVE EQUITY, FUND AND DEBT CUSTOMERS AND DELIVERING ON OUR CONTRACTED SERVICE PROVIDER OFFERINGS

Operating Earnings	June 2020 \$000	June 2019 \$000	Change Fav/(unfav)
Operating revenue			
Annual listing fees	5,471	5,148	6.3%
Primary listing fees	208	370	(43.8%)
Secondary issuance fees	2,195	1,548	41.8%
Other issuer services	351	223	57.4%
Consulting and development revenue	339	499	(32.1%)
Contractual revenue	4,527	4,327	4.6%
Total operating revenue	13,091	12,115	8.1%
Total operating expenses	(2,828)	(2,667)	(6.0%)
Operating earnings*	10,263	9,448	8.6%
FTEs	35.8	36.6	2.2%

Strategic metrics	June 2020	June 2019	Change Fav/(unfav)
Equity market capitalisation	\$158.5 billion	\$149.2 billion	6.3%
Funds market capitalisation	\$5.0 billion	\$4.3 billion	16.8%
Debt market capitalisation	\$36.7 billion	\$32.5 billion	12.9%
Total Market Capitalisation	\$200.2 billion	\$186.0 billion	7.7%
Number of capital raising events - YTD	1,470	757	94.2%
Value of primary capital listed – YTD	\$2.3 billion	\$4.0 billion	(43.2%)
Value of secondary capital raised – YTD	\$5.9 billion	\$3.6 billion	61.6%
Total capital raised – YTD	\$8.2 billion	\$7.6 billion	6.5%

Highlights

- Total capital (primary and secondary) raised \$8.2 billion;
- NZX Regulation provided market support during COVID-19, including a number of class relief packages targeted at issuers and participants
- Release of consultation proposing that PFI be made voluntary for listing profiles
- Launched NZX Partnership with Syndex (1 July 2020)
- Capital Markets 2029 recommendations are being progressed

Operating revenue

- Annual listing fee year runs from 1 July to 30 June; hence the H1-20 fees are based on market capitalisation at 31 May 2019
- Primary and secondary listing fees driven by debt listings and equity recapitalisations respectively
- Other issuer services revenue relates to NZX Regulation issuer compliance function
- Consulting and development revenue is being earned through electricity system enhancements, including an electricity market real time pricing project
- Contractual revenue in line with long term contracts with the Electricity Authority and Fonterra

Operating expenses

- Personnel costs are higher due to impacts arising from the COVID-19 lockdown and resultant lower levels of annual leave and staff turnover (e.g. increased annual leave and bonus accruals), and the use of contractors to assist with the delivery of the electricity market real time pricing project. Note Issuer Relationships includes the energy and NZX Regulation issuer compliance teams.
- Energy IT costs have slightly increase from using 3rd party specialist support
- Professional fees relate to energy audit and consulting obligations under Electricity Authority contract, for example Energy Clearing Manager review in the current year
- Marketing and travel costs are lower as a result of the COVID-19 lockdown

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Secondary Markets

TASKED WITH DRIVING SECONDARY MARKET DEVELOPMENT ACROSS ALL MARKETS AND MANAGING PARTICIPANT RELATIONSHIPS

Operating Earnings	June 2020 \$000	June 2019 \$000	Change Fav/(unfav)
Operating revenue			
Participant services revenue	2,307	1,851	24.6%
Securities trading revenue	2,884	1,763	63.6%
Securities clearing revenue	4,466	2,713	64.6%
Dairy derivatives revenue	791	743	6.5%
Total operating revenue	10,448	7,070	47.8%
Total operating expenses	3,180	3,156	(0.8%)
Operating earnings*	7,268	3,914	85.7%
FTEs	28.4	29.7	4.4%

Strategic metrics	June 2020	June 2019	Change Fav/(unfav)
Number of trades – YTD	5.89 million	1.9 million	215.8%
Total value traded – YTD	\$27.9 billion	\$18.4 billion	52.3%
Percentage of value on-market – YTD	62.4%	51.5%	21.1%
Depository assets under custody	\$3,725 million	\$892 million	317.6%
Dairy derivatives lots traded – YTD	205,626	187,610	9.6%
Number of participants	34	36	(5.6%)

Highlights

- Significant engagement with Participants and coordination of supporting market infrastructures during COVID-19 lockdown period to deliver ongoing market performance
- Record value traded YTD \$27.9 billion with record on-market trading activity YTD 62.4%
- Record daily trades 112k and record average daily trade volume 48k, with significant retail investor participation throughout

Highlights (continued)

- The total number of trading, clearing and depository participants has reduced with BNP Paribas Securities Services Australia becoming accredited for cash market depository services, Sharesies being accredited as a cash trading and clearing participant, offset by the consolidation of markets (i.e. NZAX and NXT into the Main Board) resulting in the removal of NZAX Sponsors and NXT Advisors.
- Significant engagement with market stakeholders (Participants, Funds and Institutional Investors) to drive support for launch of Mid-Point Order Book; although trading system upgrade project delayed as result of COVID-19
- NZX Clearing consultation on Recovery and Resolution planning continuing
- Growing NZX Depository business through increased assets (+317.6%) and transactions (+264.3%) as BNP clients increase in number and assets held within NZX CSD
- Dairy derivative lot numbers increased 9.6%, impacted by changing levels of market volatility

Operating revenue

- Participant services revenue relates to increased fees from 1 July 2019, net of charges for data networks reducing due to IT cost savings initiatives
- Securities trading and clearing revenues have been impacted by:
 - the total value traded and cleared being 52.3% higher; and
 - the fee structure changes on 1 July 2019 (e.g. trading fee cap has been raised and clearing tiers reduced)
- Dairy derivatives revenue increase relates to growth in lots traded

Operating expenses

- Personnel costs are slightly lower due to reduced average staff numbers. Note Secondary Markets includes NZX Regulation's participant compliance and surveillance teams
- Information technology costs are higher due to movements in FX rates impacting trading and clearing system costs
- Travel costs are lower as a result of the COVID-19 lockdown

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Data & Insights

TASKED WITH GROWING EXISTING DATA REVENUES AND TURNING RAW DATA INTO INSIGHTS THAT SUPPORTS GROWTH IN ALL MARKETS

Operating Earnings	June 2020 \$000	June 2019 \$000	Change Fav/(unfav)
Operating revenue			
Royalties from terminals	3,360	3,175	5.8%
Subscriptions and licenses	2,093	1,805	16.0%
Dairy data subscriptions	315	351	(10.3%)
Indices	490	422	16.1%
Audit and back-dated licenses	776	497	56.1%
Other	-	99	(100.0%)
Total operating revenue	7,034	6,349	10.8%
Total operating expenses	1,095	927	(18.1%)
Operating earnings*	5,939	5,422	9.5%
FTEs	9.1	9.5	4.2%

Strategic metrics	June 2020	June 2019	Change Fav/(unfav)
Terminal numbers	8,909	7,629	16.8%
Licences	124	116	6.9%
Proprietary security products subscriptions	314	314	0.0%
Dairy data products subscriptions	467	525	(11.0%)

Highlights

- Recurring revenue increased 8.8%:
 - Royalty revenue growth of 5.8% is a mix of professional terminals (decreased 0.3%) and retail terminals (increased 93.4%)
 - Licensing growth of 16.0% driven by increase in non-display applications from changing data usage and ability to capture revenue

Highlights (continued)

- Indices business growth has been driven through an increase of passive assets under management and additional index data clients
- Audit activity has been high in H1-20 with one off audit and back dated licencing revenue increasing 56.1%

Operating revenue

- Royalties from terminals revenue increase relates to higher retail terminal numbers
- Subscriptions and licences revenue increase is driven by a) increased non-display usage, and b) renewing client license arrangements post audit.
- Dairy subscription revenue decrease a result of divestment of NZX Agri business and its impact on churn of dairy subscriptions
- Indices revenue has been an area of focus to drive increasing market liquidity
- Audit and back dated licencing revenue increased due to increased audit closures; which is expected to tail off in H2-20
- Other revenue included Fundsorce revenue which was sold on 21 June 2019

Operating expenses

- Personnel costs are higher due to the continued use of an external contractor for insights, and impacts arising from the COVID-19 lockdown and resultant lower levels of annual leave and staff turnover (e.g. increased annual leave and bonus accruals)
- Professional fees are higher due to increased royalty audit fees. Fees are charged as a proportion of the royalty audit receipts. Royalty audit receipts and audit fees are recognised on a gross basis
- Information technology costs relating primarily to software licenses associated with the delivery of customer management data platforms are higher
- Travel costs are lower as a result of the COVID-19 lockdown

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Funds Management

THIS BUSINESS COMPRISES THE SUPERLIFE SUPERANNUATION AND KIWISAVER PRODUCTS AND SMARTSHARES EXCHANGE TRADED FUNDS

Operating Earnings	June 2020 \$000	June 2019 \$000	Change Fav/(unfav)
Operating revenue			
FUM based revenue (net of fund related expenses)	5,654	4,901	15.4%
Member based revenue	915	1,125	(18.7%)
Other revenue	238	279	(14.7%)
Total operating revenue	6,807	6,305	8.0%
Total operating expense	3,937	3,120	(26.2%)
Operating earnings*	2,870	3,185	(9.9%)
FTEs	49.8	47.5	(4.8%)

Strategic metrics	June 2020	June 2019	Change Fav/(unfav)
Investors numbers (ETFs and SuperLife)	78,607	72,911	7.8%
Net cash flow – YTD	\$213 million	\$175 million	21.7%
Fund Under Management (external FUM)	\$3.95 billion	\$3.46 billion	14.2%

Highlights

- We continue to invest in the Smartshares business for growth and to manage risks including:
 - Initial phase to implement Bloomberg AIM and BSKT (front and middle office operating system);
 - Four new ETF funds – launched on 15 July 2020;
 - Set up of stock lending and borrowing services;
 - Asia Region Funds Passport application;
 - Enhancement of Smartshares digital tools; and
 - Brand refresh – is currently being finalised.

Highlights (continued)

- Net cash flows continue to be strong – YTD \$213m
- Continued growth in member numbers / unitholders, positive cash flows and Funds Under Management (FUM) produced increased operating revenue by 8.0%

Operating revenue

- FUM based revenue positively impacted by:
 - Higher average FUM +19.5% (2020 YTD: \$3.81b, 2019 YTD: \$3.19b) over the period which is a combination of market returns and positive net cash flows; offset by
 - fund expense increases associated with the 8 new Blackrock iShares funds, and the segregation and unitisation of SuperLife Invest providing access for wholesale clients; partially reduced by efficiencies from the changed operating model (including changing custodian for some funds and internalising management of the Cash Funds) and improvements to supplier arrangements
- Member based revenue has decreased due to a historical pricing provision which more than offset the increase in investor numbers of 7.8% over the period
- Other revenue has been impacted by the decrease in OCR and the commencement of stock lending services

Operating expenses

- Personnel costs increases are due to the strengthening of the leadership team (new COO and CIO) plus growing sales and customer services resourcing to support growth in line with the strategic focus. Together with impacts arising from the COVID-19 lockdown and resultant lower levels of annual leave and staff turnover (e.g. increased annual leave and bonus accruals). There has also been a lower level of capitalised labour
- Professional fees include the costs of investing for growth projects noted in the highlights section opposite
- Marketing spend has been deferred during the COVID-19 lockdown and recommenced with the launch of the new ETF funds

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Wealth Technologies

THIS BUSINESS IS A PLATFORM THAT ENABLES ADVISERS AND BROKERS TO MANAGE CLIENT INVESTMENTS

Operating Earnings	June 2020 \$000	June 2019 \$000	Change Fav/(unfav)
Operating revenue			
Administration (FUA based) fees	778	761	2.2%
Development fees / deferred income release	71	77	(7.8%)
Total operating revenue	849	838	1.3%
Total operating expenses	1,382	1,024	(35.0%)
Operating earnings*	(533)	(186)	(186.6)%
FTEs	50.3	36.0	(39.7%)

Strategic metrics	June 2020	June 2019	Change Fav/(unfav)
Funds Under Administration (FUA)	\$3.08 billion	\$2.11 billion	46.1%

Highlights

- Successfully migrated a new client in late June 2020 increasing FUA to \$3.1 billion
- Further migrations (Hobson and Saturn) are expected in H2-20, with discovery underway for Craigs further migrations
- Further functionality released into production and expanded resourcing to support growth

Operating revenue

- Administration (FUA based) fees driven by:
 - New platform – FUA continues to increase. FUA from a new client was migrated onto the platform on 29 June 2020; and
 - OE platform – FUA stable
- Development fees are specific to customer requirements and deferred income release started when a customer transitioned

Operating expenses

- Headcount is dependent at any point in time on the levels of:
 - platform investment (including migration activity) required for current and future clients; and
 - operational services provided to current clients
- Personnel costs (net of capitalisation) have increased reflecting sales activity, additional operational staff for new clients and due to impacts arising from the COVID-19 lockdown and resultant lower levels of annual leave and staff turnover (e.g. increased annual leave and bonus accruals)
- Capitalised labour at \$2.3m (2019: \$1.6m) and capitalised overhead being \$0.5m (2019: \$0.3m) reflects increased development and migration activity for new clients
- Professional fees include taxation advice (e.g. relating to the IRD's new Investment Income Information Reporting requirements that apply from 1 April 2020) and internal control reviews (e.g. ISAE 3402 Control Readiness Assessment of the new platform)

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Corporate Services

THIS FUNCTION PROVIDES ACCOMMODATION, FINANCE, HR, LEGAL, IT AND COMMUNICATIONS AND MARKETING SUPPORT TO THE BUSINESS

Operating Earnings	June 2020 \$000	June 2019 \$000	Change Fav/(unfav)
Operating revenue			
Sublease revenue	135	141	(4.3%)
Other revenue	54	45	20.0%
Total operating revenue	189	186	1.6%
Total operating expenses	8,446	7,524	(12.3%)
Operating earnings*	(8,257)	(7,338)	(12.5%)
FTEs	66.0	60.3	(9.5%)

- Corporate Services provides accommodation, legal, accounting, IT, HR and communications and marketing support to all divisions (including the Funds Management and Wealth Technologies businesses). Related costs are currently not recharged to these businesses.

Highlights

- Currently implementing the recommendations laid out by the Capital Markets 2029 report that NZX has a role to play in
- Continued focus on fitness and automation, for example our Network Transformation project will deliver new network, VPN and firewall capabilities
- Adopting a new regulatory operating and governance model, with a separate entity providing regulatory services with an independent board

Operating revenue

- Revenue relates to the sublease of spare office space and NZX.com advertising revenue

Operating expenses

- Headcount has moved due to three additional roles in the Securities IT team to deliver technology solutions to increase trading and clearing system capacity and maintaining market stability. As well as additional project management resources for energy projects and a minor decrease in vacancies.
- Personnel costs being higher due to the full year impact of the prior year's new or extended roles created to drive strategic execution in for example cyber security, and due to impacts arising from the COVID-19 lockdown and resultant lower levels of annual leave and staff turnover (e.g. increased annual leave and bonus accruals). Additionally, there has been lower capitalisation levels with the deferral of the trading system upgrade due to the COVID-19 and the focus on increasing trading and clearing system capacity and maintaining market stability.
- Corporate IT costs include project costs for the Network Transformation to strengthen NZX's cyber security, and the efficiency impacts from prior year projects (e.g. through modernised and rationalised networks and data centre hosting)
- Professional fees include internal audit fees, annual conflicts and board evaluation reviews. Additional costs relate to the NZX clearing and settlement system (BaNCs) independent external review of technical issues arising from significantly increased trading volumes, trade messaging, trade notifications and shareholder balance enquiries
- Marketing activities (such as the investor relations programme and marketing the market) have been deferred due to COVID-19 lockdown
- Other expenses include premises (other than rent), insurance, directors' fees, travel, external audit costs, outsourced payroll system, corporate memberships, and statutory and compliance costs, net of capitalised overhead

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Appendix 2: operating revenue definitions

Issuer Relationships

Annual listing fees paid by NZX's equity, fund and debt issuers is driven by the number of listed issuers, and equity, debt and fund market capitalisations as at 31 May each year.

Primary listing fees are paid by all issuers at the time of listing. The primary driver of this revenue is the number of new listings and the value of capital listed.

Secondary issuance fees are paid by existing issuers when a company raises additional capital through placements, rights issues, the exercise of options, dividend reinvestment plans, or subsequent debt issues. The primary driver for this revenue is the number of secondary issuances and the value of secondary capital raised.

Other issuer services revenue arises from time spent by NZX Regulation reviewing listing and secondary capital raising documents, requests for listing rule waivers, and other significant issuer matters.

Contractual and development revenue arises from the operation of New Zealand's electricity market, under long-term contract from the Electricity Authority, and the Fonterra Shareholders' Market, under a long term contract from Fonterra. Consulting and development revenue arises on a time and materials basis.

Secondary Markets

Participant services revenue is charged to market participants (broking, clearing and advisory firms) that are accredited for NZX's equity, debt and derivatives market, and includes revenue that arises from market surveillance recoveries and time spent by NZX Regulation reviewing participant applications.

Securities trading revenue comes from the execution of trades on the equity and debt markets operated by NZX. Trading fees are a variable fee based on the value of the trade.

Securities clearing revenue relates to clearing and settlement activities, and a range of securities related services such as stock lending undertaken by NZX's subsidiary New Zealand Clearing and Depository Corporation. The largest component is clearing fees, which are based on the value of settled transactions.

Dairy derivatives revenue relates to trading, clearing and settlement fees for trading NZX dairy futures and options. Fees are largely charged in USD (reflecting the global nature of the market) per lot traded.

Data & Insights

Royalties from terminals revenue relate to the provision of capital markets real time data for display on terminals (retail and professional).

Subscription and licenses revenue relate to the provision of capital markets data to market participants and stakeholders.

Dairy data subscriptions revenue relate to the sale of dairy data and analytical products.

Indices revenue relates to the revenue generated on index licensing in partnership with S&P

Funds Management

Funds under management based revenue relates to variable Funds Under Management (FUM) fees, which are now received net of fund expenses for all funds. Fund expenses include a combination of fixed costs (principally outsourced fund accounting and administration costs, registry fees and audit fees), and variable costs proportionate to FUM (principally custodian fees, trustee fees, index fees, settlement costs and third party manager fees).

Member based revenue includes fixed membership administration fees and other member services.

Wealth Technologies

Administration (funds under administration based) fees relates to administration fees for the wealth management platforms and are proportionate to Funds Under Administration (FUA).

Development fees / deferred income release relates to customisation of the wealth management platform specific to client requirements.



Appendix 3: Contacts



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