



NZX 2015 Half Year Results Presentation

19 August 2015





Summary of 1H 2015 performance





1H 15 performance summary

- 1H 15 key metrics versus pcp:
 - Operating revenues: Up 10.4%
 - EBITDAF: Down 3.6%
 - NPAT: Up 157.9% to \$18.0M
- Excluding revenues from the newly acquired SuperLife business, revenues were up marginally to \$31.2M
 - Strong growth in trading, clearing and data revenues in the Capital Markets business
 - Offset by a reduction in listings and capital raisings over 1H 2014 (down \$0.7M) and a slowdown in agricultural advertising revenue (down \$0.3M)
- Total costs were up 19.3% on 1H14 at \$22.7M
 - Excluding SuperLife costs, total costs were up 9.6% on 1H 14, but down 3.4% on 2H 14
 - Growth in costs on 1H14 largely driven by increased professional fees as a result of the Ralec litigation and new ETF launches, and increased Fund Management costs relating to the operation of the new ETFs
- Excluding the gain on the divestment of NZX's stake in Link Market Services NZ, NPAT was down 11.5% to \$6.2M



Summary 1H 2015 Result

| | 1H 2015 (\$M) | 1H 2014 (\$M) | Change (\$m) | Change (%) |
|-----------------------------------|------------------|------------------|-----------------|---------------|
| Operating Revenue | 34.4 | 31.2 | 3.2 | 10.4% |
| Operating Expenditure | 22.7 | 19.0 | 3.7 | 19.3% |
| EBITDAF | 11.7 | 12.1 | (0.4) | (3.6%) |
| EBITDAF Margin | 34.0% | 39.0% | | |
| NPAT ex Link NZ gain | 6.2 | 7.0 | (0.8) | (11.5%) |
| Gain on sale of Link NZ | 11.8 | - | | |
| Reported NPAT | 18.0 | 7.0 | 11.0 | 157.9% |
| Fully Diluted EPS | 6.8c | 2.7c | 4.1c | 151.9% |
| Fully Diluted EPS ex Link NZ gain | 2.3c | 2.7c | (0.4c) | (13.4%) |



Revenue overview

| Business Area | | 1H 2015 (\$M) | 1H 2014 (\$M) | Change | 1H'10-1H'15 CAGR | % of 1H 2015 Revenues |
|--------------------------|------------------------------------------------------------------------------------------------------------------------|---------------|---------------|--------|------------------|-----------------------|
| Capital markets | <ul style="list-style-type: none"> • Capital raising • Trading and Clearing | 6.0 | 6.8 | (12%) | 12% | 18% |
| | <ul style="list-style-type: none"> • Listing • Participant Services • Securities data | 11.8 | 11.0 | 8% | 5% | 34% |
| Soft commodities | <ul style="list-style-type: none"> • Dairy futures • Clear | 0.7 | 0.8 | (13%) | 23% | 2% |
| Agricultural information | <ul style="list-style-type: none"> • Publications • Agri data (NZ and Aus) | 5.7 | 6.0 | (6%) | 1% | 16% |
| Funds management | <ul style="list-style-type: none"> • Smartshares • SuperLife | 4.8 | 1.2 | 298% | 34% | 14% |
| Market operations | <ul style="list-style-type: none"> • Energy • Fonterra | 5.4 | 5.4 | - | 5% | 16% |



1H 2015 Summary Highlights

Capital markets

- No significant IPO activity in 1H 2015, unlike 1H 2014 which included Genesis listing
- Solid trading activity with trading volumes and value up 5.5% and 1.9% over pcp respectively
- Data revenues up 10.2% over pcp at \$5.4M, including \$450k increase in audit revenue
- Launch of NXT market with first listing in June 2015

Soft commodities

- Dairy derivatives lots traded up 142.7% over pcp
- Clear Grain revenues down 33.1% over pcp with little grain remaining in silo post January

Agricultural information

- Agri publications revenues impacted by adverse market conditions in the rural sector (particularly dairy). Consequently, print advertising revenues down 9.9% over pcp
- Agri Data revenue up 5.5% over pcp

Funds management

- Revenues up \$3.6M largely due to the acquisition of SuperLife
- Smartshares: FUM up 16.8% (excluding SL funds), total units on issue up 64.6% on 1H 14
- SuperLife: 15.7% KiwiSaver FUM growth in past 6 months, total FUM up 10.5% in past 6 months

Market operations

- Market operations revenues stable. Consulting activity higher than previously expected due to new Extended Reserves Manager contract

Expenses

- Excluding SuperLife expenses, total expenses 3.4% down on 2H 14
- Increased staff capitalisation due to commencement of upgrade of clearing system
- Increase in professional fees due to Ralec litigation

Regulation

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



1H 2015 Summary Delivered on 2014 focus areas

| Business Area | Building the foundation | Accelerating growth | Completed |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Capital markets | <ul style="list-style-type: none"> Equity derivatives New market Information and research | <ul style="list-style-type: none"> IPO pipeline Broader product offering Expansion into adjacencies | <ul style="list-style-type: none"> 2014 record year for IPOs Options launched NXT launched Agreement to purchase Apteryx |
| Soft commodities | <ul style="list-style-type: none"> CFTC approval, extended hours | <ul style="list-style-type: none"> New contracts CGX: geographic and product expansion | <ul style="list-style-type: none"> Butter contract launched CGX expansion completed |
| Agricultural information | <ul style="list-style-type: none"> Online platform in place Expansion of grain, dairy offering | <ul style="list-style-type: none"> Increase product breadth Potential acquisitions (data) | <ul style="list-style-type: none"> Dairy tools launched iFarm acquired |
| Funds Management | <ul style="list-style-type: none"> Operational improvement Launch 2 new funds | <ul style="list-style-type: none"> New offerings Grow FUM | <ul style="list-style-type: none"> 14 new ETFs launched SuperLife acquired |
| Market Operations | <ul style="list-style-type: none"> Focus on delivery | <ul style="list-style-type: none"> Evaluate other markets | <ul style="list-style-type: none"> SPSS, Extended Reserves Contract |

Communicated mid-2014



Revenue by business

| | 1H 2015 (\$M) | 1H 2014 (\$M) | % over pcip |
|------------------------------------|---------------|---------------|---------------|
| Securities Information | 5.4 | 4.9 | 10.2 |
| Listings | 5.5 | 6.2 | (11.7) |
| Other Issuer Services | 0.4 | 0.5 | (21.7) |
| Securities Trading | 2.4 | 2.3 | 4.9 |
| Participant Services | 1.7 | 1.7 | 2.5 |
| Securities Clearing | 2.4 | 2.2 | 9.5 |
| Total Capital Markets | 17.8 | 17.8 | 0.2 |
| Commodities Trading | 0.5 | 0.7 | (33.1) |
| Dairy Derivatives trading/clearing | 0.2 | 0.1 | 144.3 |
| Total Soft Commodities | 0.7 | 0.8 | (12.5) |
| Agricultural Information | 5.7 | 6.0 | (5.7) |
| Funds Management | 4.8 | 1.2 | 297.8 |
| Market Operations | 5.4 | 5.4 | 0.2 |
| Total Revenue | 34.4 | 31.2 | 10.4 |



Expense comparison Excluding SuperLife

| | 1H 2014 (\$M) | 2H 2014 (\$M) | 1H 2015 ex SL (\$M) | 1H15 / 1H14 | 1H15 / 2H14 | |
|-------------------------------------|---------------------|---------------------|---------------------------|----------------|----------------|-----------------------------------------------------------------------------------------------------|
| Employee related cash costs | 10.7 | 11.6 | 11.3 | 6.4% | (2.1%) | Reduction in contractor costs associated with Energy contracts. Small increase in headcount on 1H14 |
| Less capitalisation of labour costs | (0.2) | (0.1) | (0.4) | 133.3% | 300.2% | Increased capitalisation due to commencement of clearing system upgrade project |
| Reported Employee Related | 10.5 | 11.5 | 11.0 | 4.5% | (4.5%) | |
| Marketing, Printing & Distribution | 1.7 | 2.1 | 1.6 | (5.7%) | (20.9%) | Reduced print and distribution costs in rural publications in line with lower revenues. |
| Information Technology | 2.9 | 3.0 | 2.9 | 2.1% | (0.8%) | IT costs remain stable |
| Professional Fees | 1.4 | 2.1 | 2.5 | 80.1% | 20.0% | High due to Ralec litigation and legal costs associated with launch of new ETFs |
| Fund Expenditure | 0.4 | 0.7 | 0.8 | 87.2% | 18.9% | Increased costs of operating new ETFs |
| General & Administration | 2.1 | 2.3 | 2.0 | (3.7%) | (12.3%) | Relatively stable |
| Total Costs | 19.0 | 21.6 | 20.8 | 9.6% | (3.4%) | |



1H 15 Expenses Impact of SuperLife

| | (\$M) | 1H 2015 NZX ex SL | 1H 2015 SL | 1H 2015 reported |
|-------------------------------------|-------|-------------------|------------|------------------|
| Employee related cash costs | | 11.3 | 1.7 | 13.0 |
| Less capitalisation of labour costs | | (0.3) | (0.2) | (0.5) |
| Reported Employee Related | | 11.0 | 1.5 | 12.5 |
| Other expenses | | 9.9 | 0.3 | 10.2 |
| Total Costs | | 20.8 | 1.9 | 22.7 |



Outlook





Revenue Outlook

| Business Area | Drivers | Outlook – 2H 2015 |
|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Capital markets | | |
| <ul style="list-style-type: none"> Capital raising Trading and Clearing | <ul style="list-style-type: none"> Average of 4 IPOs p.a. over past 10 years Expect higher average going forward given the structural changes in the market Underlying growth driven by market capitalisation and increase in DMA trading 5-Year CAGR in trade value 13.2%, volume 27.2% Growth continued in 1H 2015 despite absence of large IPOs or sell downs | <ul style="list-style-type: none"> Expect increase in primary and secondary listing activity over 1H 2015 Securities trading and clearing volumes expected to continue to grow more strongly in 2H subject to current market conditions |
| <ul style="list-style-type: none"> Listing Participant Services | <ul style="list-style-type: none"> 5-Year CAGR 2.7% in listing fees driven by number of issuers, market capitalisation and price changes | <ul style="list-style-type: none"> 2014 listings, market growth and fee changes expected to increase 2H 2015 annual listing fees by approximately 12% relative to 2H 2014 |
| <ul style="list-style-type: none"> Securities data | <ul style="list-style-type: none"> Low growth as increase in demand offset by elimination of duplicated services | <ul style="list-style-type: none"> No/low underlying growth expected Audit revenue uncertain (2H14: \$0.6M) |
| Soft commodities | | |
| <ul style="list-style-type: none"> Dairy Grain | <ul style="list-style-type: none"> Nascent futures market, NZX contracts gaining traction Size and CGX share of East Coast grain crop | <ul style="list-style-type: none"> Dairy derivative volumes expected to continue their strong growth. August month to date record trading month Early indications for production outlook for the 2015/16 season is positive (particularly on East Coast) |

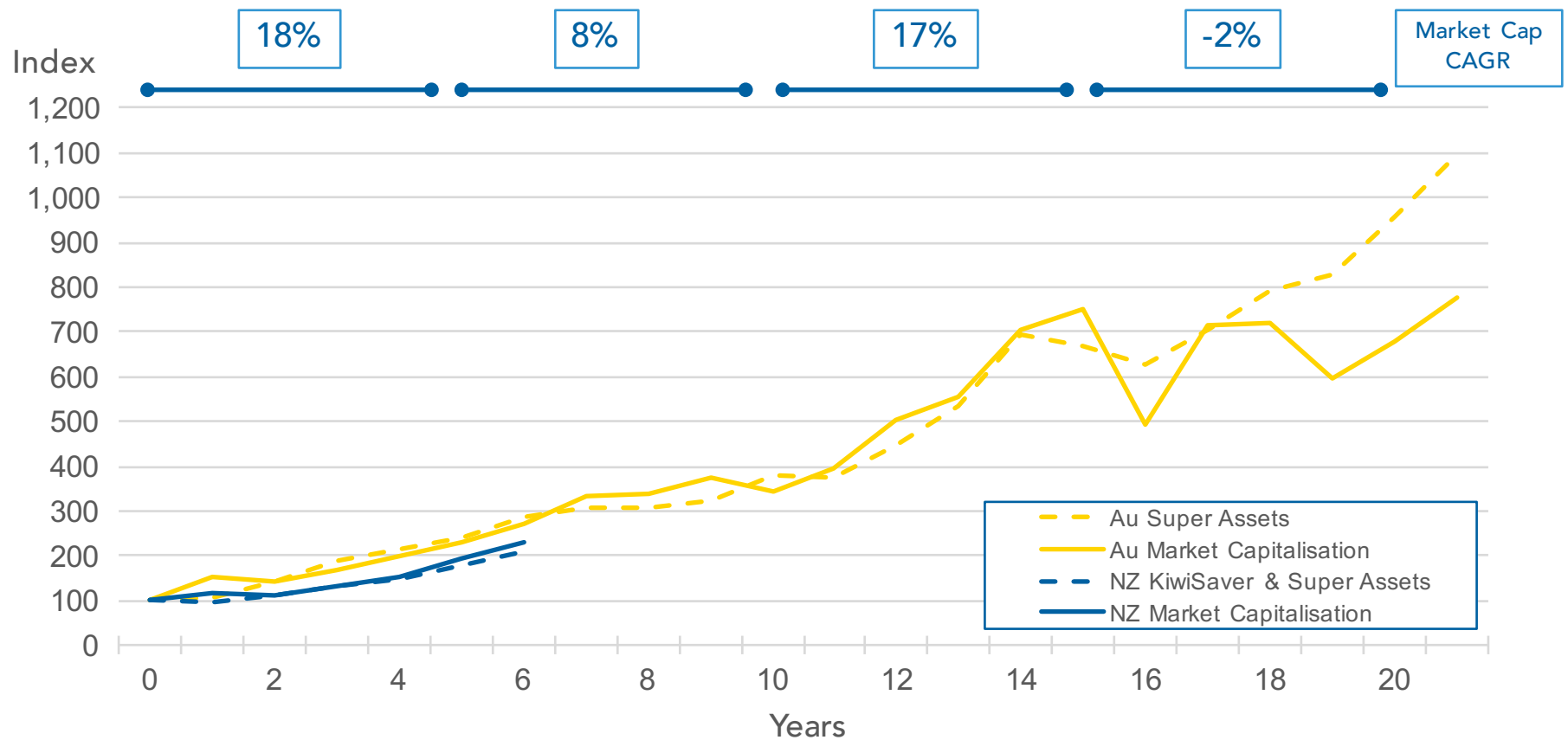


Revenue Outlook

| Business Area | Drivers | Outlook – 2H 2015 | |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Agricultural Information | <ul style="list-style-type: none">• Print and Online Information• Data | <ul style="list-style-type: none">• Print readership (stable at 184,000)• Advertising volumes• Product and customer expansion | <ul style="list-style-type: none">• Decline in advertising over pcp has stabilised Sector outlook remains challenging• Online revenues expected to continue to grow off a small base• iFarm acquisition to add circa \$0.2M to 2H15 revenue |
| Funds Management | <ul style="list-style-type: none">• Double-digit growth in FUM within the NZ funds management industry expected, driven by KiwiSaver• Passive funds, ETFs in particular, continue to grow very strongly offshore, considerable potential for further growth in passive funds sector in NZ• Portfolio composition (41.3% cash and fixed income) | <ul style="list-style-type: none">• Continued net funds inflow and member growth anticipated to drive growth in SuperLife revenues• Solid growth in existing Smartshares ETF products expected to continue• Further 2-3 ETFs targeted for launch in 2H 2015 | |
| Market Operations | <ul style="list-style-type: none">• Contract duration• Non-contracted revenues | <ul style="list-style-type: none">• Outcome of EA retender expected in Q315 | |



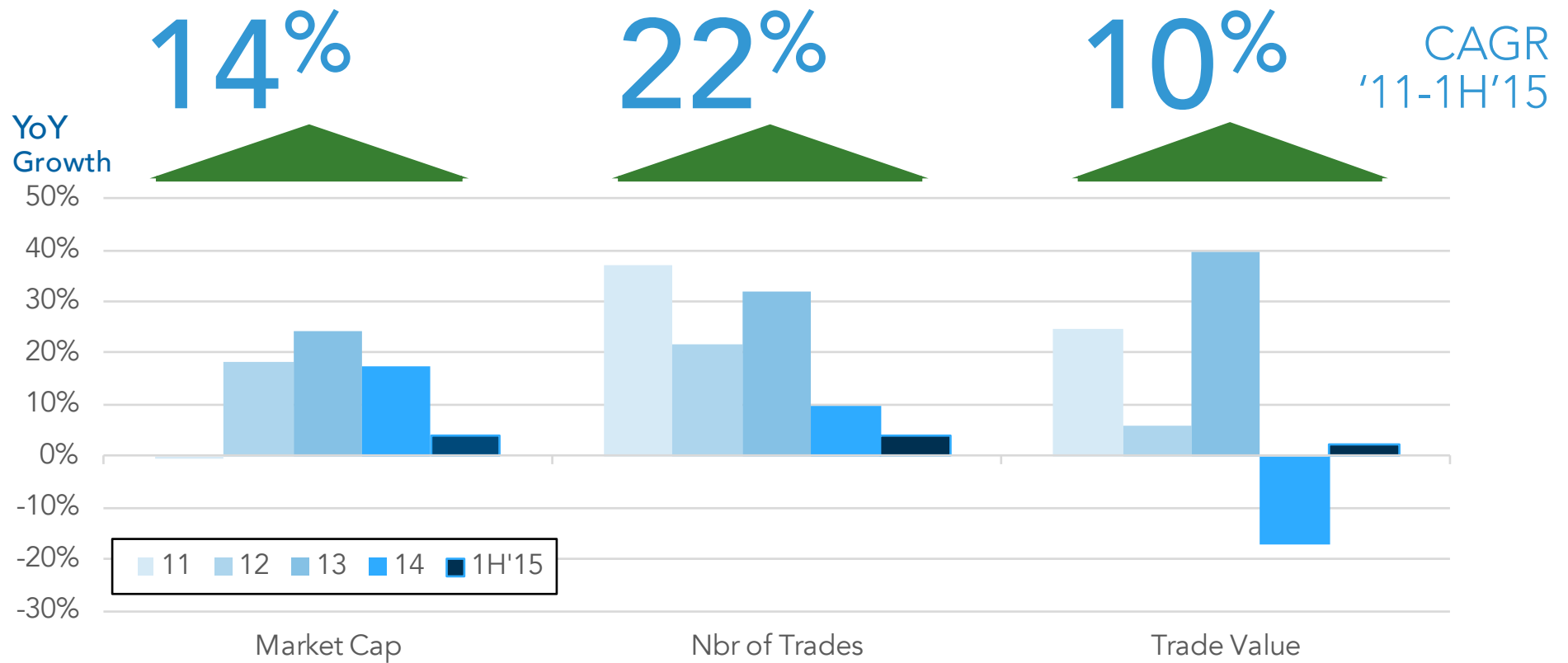
Capital Markets The Twenty Year Journey



Source: NZX Data, WFE, AVA, RBA



Capital Markets Capitalisation drives trading and clearing revenues



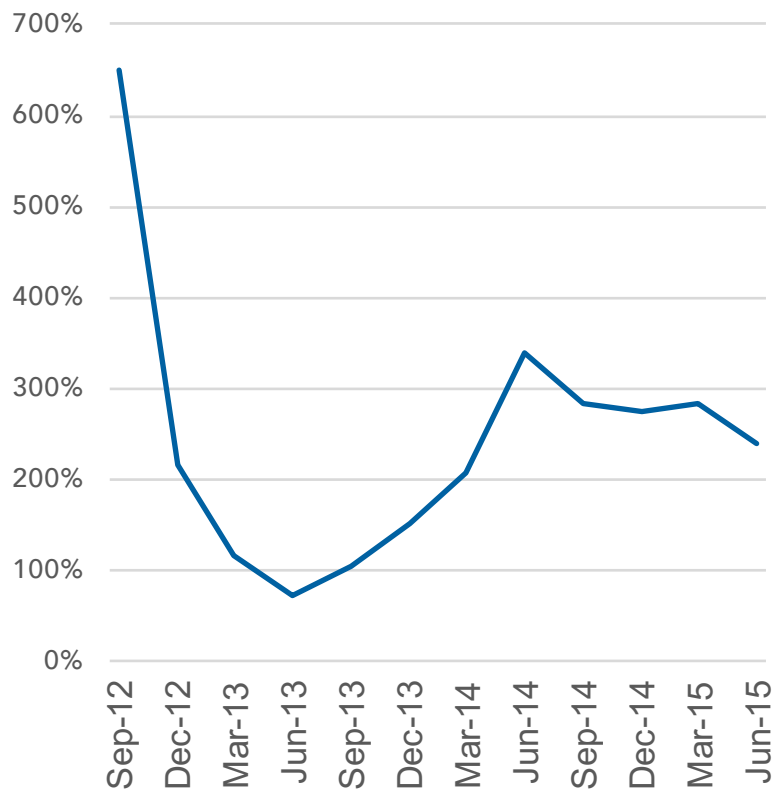
Source: NZX Data



Agricultural informational and commodities

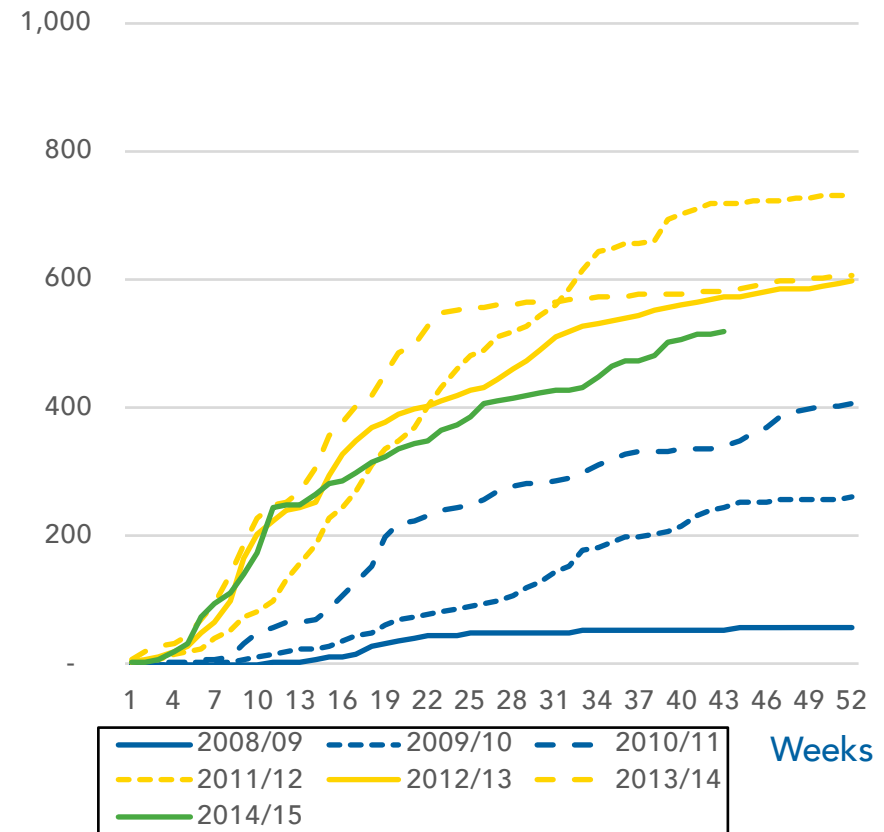
Historical volumes

Growth in Lots Traded (YoY)



Source: NZX Data

Volume by Harvest (t)





Funds Management Market and Funds Management growth rates

| | FUM | | | | | | | % Growth | | | | | | |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|----------|--------|--------|--------|--------|--------|--------|
| | 1H '12 | 2H '12 | 1H '13 | 2H '13 | 1H '14 | 2H '14 | 1H '15 | 1H '12 | 2H '12 | 1H '13 | 2H '13 | 1H '14 | 2H '14 | 1H '15 |
| Market | | | | | | | | | | | | | | |
| • Total Retail FUM (\$B) | 68.8 | 73.1 | 75.7 | 81.9 | 87.2 | 85.1 | 91.4 | 11.3 | 6.1 | 3.6 | 8.2 | 6.4 | (2.4) | 7.4 |
| • Employer Superannuation (\$B) | 12.5 | 14.4 | 14.7 | 14.4 | 15.0 | 13.0 | 13.7 | 21.9 | 15.0 | 2.2 | (2.2) | 4.0 | (13.2) | 4.9 |
| • KiwiSaver (\$B) | 11.9 | 14.5 | 15.9 | 18.6 | 22.5 | 26.7 | 29.6 | 14.6 | 21.5 | 9.8 | 17.1 | 20.9 | 18.5 | 10.8 |
| SuperLife | | | | | | | | | | | | | | |
| • Employer Schemes (\$M) | 652 | 718 | 784 | 824 | 846 | 853 | 923 | 5.5 | 10.1 | 9.2 | 5.1 | 2.7 | 0.8 | 8.2 |
| • KiwiSaver (\$M) | 220 | 274 | 263 | 307 | 334 | 382 | 442 | 8.9 | 24.5 | (4.0) | 16.7 | 8.8 | 14.4 | 15.7 |
| Smartshares¹ | | | | | | | | | | | | | | |
| • FUM (\$M) | 290 | 320 | 330 | 355 | 375 | 411 | 438 | (1.5) | 10.4 | 3.3 | 7.6 | 5.6 | 9.5 | 6.6 |
| • Units on Issue (#M) | 174 | 166 | 166 | 173 | 176 | 175 | 182 | 1.4 | (4.6) | 0.2 | 4.3 | 1.7 | (0.9) | 14.8 |

¹ External FUM and units on issue only
Source: FundSource



Agricultural Information

| | 1H 2013 (\$M) | 2H 2013 (\$M) | 1H 2014 (\$M) | 2H 2014 (\$M) | 1H 2015 (\$M) | 1H15 / 1H14 |
|-----------------------------------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| Print (advertising and subscriptions) | 3.82 | 4.44 | 4.29 | 4.38 | 3.89 | (9.4%) |
| Online | 0.05 | 0.08 | 0.13 | 0.15 | 0.14 | 7.2% |
| Agri Data (NZ & Aus) | 1.82 | 1.72 | 1.55 | 1.71 | 1.63 | 5.5% |
| Total Agricultural Information Revenue | 5.70 | 6.25 | 5.97 | 6.24 | 5.66 | (5.7%) |

- 1H 2015 rural advertising spend has been significantly impacted by the rapid decline in dairy prices and drought conditions in some regions
- Dairy sector advertising spend is down 24% for the first half
- Agri data growth results from the acquisition of iFarm and increased uptake of data products



Expenses

| Business Area | Drivers | Outlook – 2H 2015 |
|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employee Related | In the absence of new business ventures, employee costs will grow in line with inflation | <ul style="list-style-type: none">• The acquisition of Apteryx expected to add low double digit growth• Absent acquisitions, underlying employee costs relatively stable |
| Marketing, printing and distribution | These costs will continue to principally be a function of the volume of agricultural print publications | <ul style="list-style-type: none">• Costs to continue to trend in line with revenue |
| Information Technology | Some shift of costs from capex to opex as the software as a service model becomes more prevalent for non-core systems. | <ul style="list-style-type: none">• Stable on 1H 15 |
| General & Administration | In absence of any changes to business likely to increase in line with inflation. | <ul style="list-style-type: none">• Stable on 1H 15 |
| Professional fees | Professional fees will be largely driven by Ralec legal fees until this litigation is resolved, Otherwise, expected to be flat | <ul style="list-style-type: none">• Continued increase in costs due to progression of Ralec litigation (total costs for 2015 expected to be approx \$2 million) and launch of further ETFs. |
| Fund expenditure | Linked to growth in funds management revenue | <ul style="list-style-type: none">• Expect increase as a result of new ETFs |



Other information





Apteryx acquisition

- Apteryx is a developer and operator of online wealth management platforms that enable investment advisors and providers to efficiently manage, trade and administer their clients' investment assets in compliance with applicable financial services regulation.
- This is key supporting infrastructure for the growing NZ wealth industry.
- The business currently has revenues of approximately \$1.2m and funds under administration of more than \$1b. The Apteryx product has been developed to a stage where it is now ready to market to a broader range of industry participants, targeting those with substantial funds under management.
- NZX has entered into a binding Sale and Purchase Agreement to acquire 100% of the Apteryx business for an initial payment of \$1.5m, with a further \$2.5m payable if funds under administration reaches \$3.0b and annualised revenues reach \$3.0m by 30 September 2016.
- This sale and purchase agreement is conditional on a number of pre-completion matters which are currently in the process of being satisfied. Our current expectation is that this purchase will be completed by the end of August 2015.





Link Market Services

- NZX sold its 50% share in Link NZ to Link Australia, effective 30 June 2015.
- Rationale –
 - After the initial 10 year JV term ended, Link NZ was facing increased software license costs
 - Link Australia were seeking a controlling interest ahead of a potential IPO
- The purchase price was an initial payment of NZ\$13.8m with an additional NZ\$0.45m to be paid to NZX in 12 months time depending on Link NZ's financial performance over that period.
- The sale price represents a 11 – 13x 2015F EBITDA multiple (depending on software fee change).
- A gain on sale of investment of \$11.8m is recognised in the 1H 15 financial statements.





1H 2015 Dividend

- Interim 2015 dividend of 3.0 cents declared
- Dividend to be fully imputed
- To be paid on 16 September for holdings as at 2 September





Investor Information

For more information please contact:

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