



Inform.Exchange.Grow

Investor Presentation

30 June 2015





Agenda

- **Overview** – Tim Bennett – CEO 3:00 pm
- **Capital Markets** – Mark Peterson – Head of Markets 3:30 pm
 - Capital markets
 - Dairy derivatives
- **Funds Management** 3:50 pm
 - Exchange Traded Funds – Aaron Jenkins
 - SuperLife – Michael Chamberlain
- **Other Business, Balance Sheet** – Bevan Miller, CFO 4:20 pm
 - Agri information
 - Market operations
 - Capital expenditure
 - Dividend policy
- **Summary and Conclusions** – Tim Bennett 4:45 pm
- **Q&A**



Overview

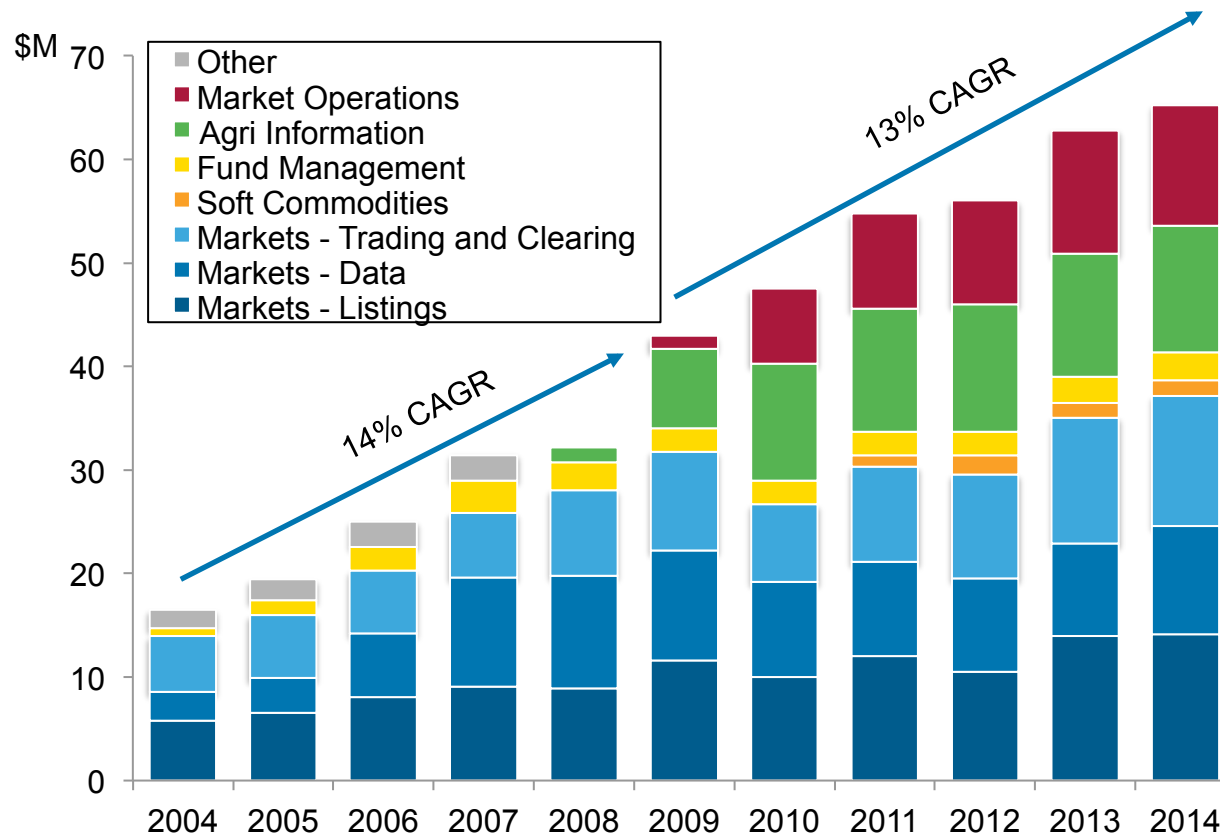
Tim Bennett





Historical performance trajectory

Two phases of growth; capital markets ('04-'08), new businesses ('09-)



Today

7.7%

Gross Dividend Yield

Majority of business exposed to high growth markets



Our Strategy Summary

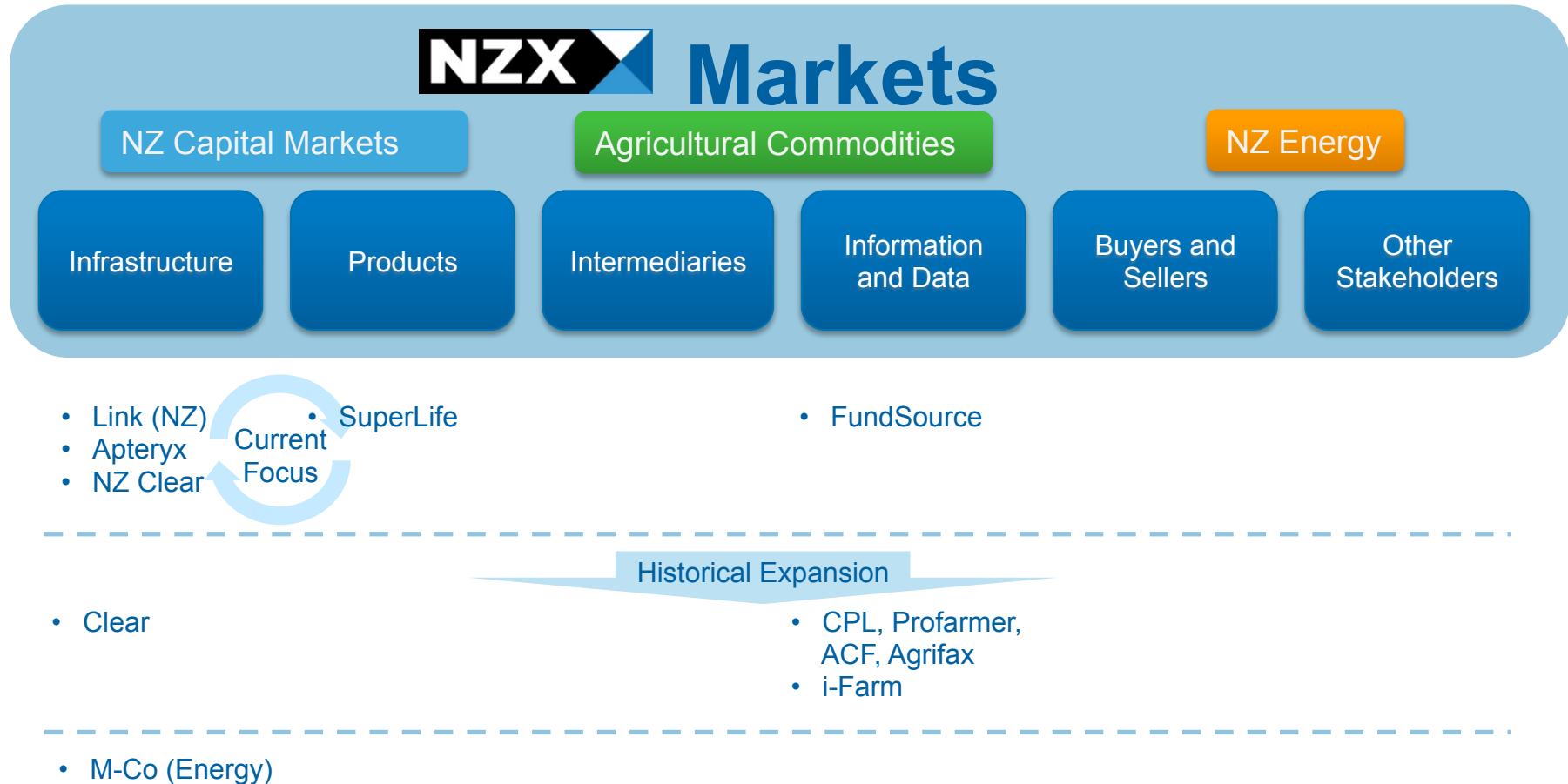
- NZX is a markets business. Markets are more than exchanges – they are networks that include the underlying infrastructure, the products that trade, the intermediaries and investors that trade them, and the data and information that drives trading activity
- The markets that we operate, the New Zealand Capital Markets, Agricultural Commodities and the New Zealand Energy Markets are small, largely underdeveloped, but have high growth potential
- We need to invest to support the growth of these markets; not only in the infrastructure on which the markets operate, but also in other areas that are underdeveloped and critical for the success of the market **and** will provide attractive growth opportunities for our shareholders
- Once these development objectives have been met, we will recycle capital to other areas of the markets, or new markets, to further grow them, our business and returns for shareholders





Investing in market infrastructure

Portfolio view





Recent changes in the portfolio

Business	Link (NZ)	Apteryx	NZClear
Description	<ul style="list-style-type: none"> Leading NZ share registry, developing KiwiSaver registry JV formed in 2004, now has 45% market share 	<ul style="list-style-type: none"> Provider of wrap platform solutions for investment advisors and providers 2014 revenues ~\$1.2M, FuA \$1B 	<ul style="list-style-type: none"> RBNZ Settlement and depository service for high value, low volume fixed income securities FY14 revenues \$5.9M, net profit \$2.4M
Status	<ul style="list-style-type: none"> Sold to Link Group, target completion 30 June Sales price \$13.8M with a potential further \$0.45M payable in 2H 2016 	<ul style="list-style-type: none"> Non-binding Heads of Agreement signed 	<ul style="list-style-type: none"> EOI Submitted Bid stage expected July 2015
Rationale	<ul style="list-style-type: none"> Initial 10 year JV term ended, Link (NZ) facing increased software license costs Link Group seeking control ahead of a potential IPO 	<ul style="list-style-type: none"> Large, growing, potential market (~\$50M p.a) Potential to significantly reduce entry barriers for new advisors, improve advisor efficiency and reduce compliance costs 	<ul style="list-style-type: none"> Most markets have only one settlement platform (reduces industry costs, operational risk) NZX, through NZCDC, currently has the capability to operate the NZClear business at low cost
Valuation	<ul style="list-style-type: none"> Sale price represents 2015F EBITDA multiple of 11x – 13x (depending on software fee change) 	<ul style="list-style-type: none"> Initial purchase price ~\$1.5M with an earn-out based on substantial growth of FuA to ~\$3B by September 2016 	<ul style="list-style-type: none"> To be determined



Growth within the businesses Delivered on 2014 focus areas

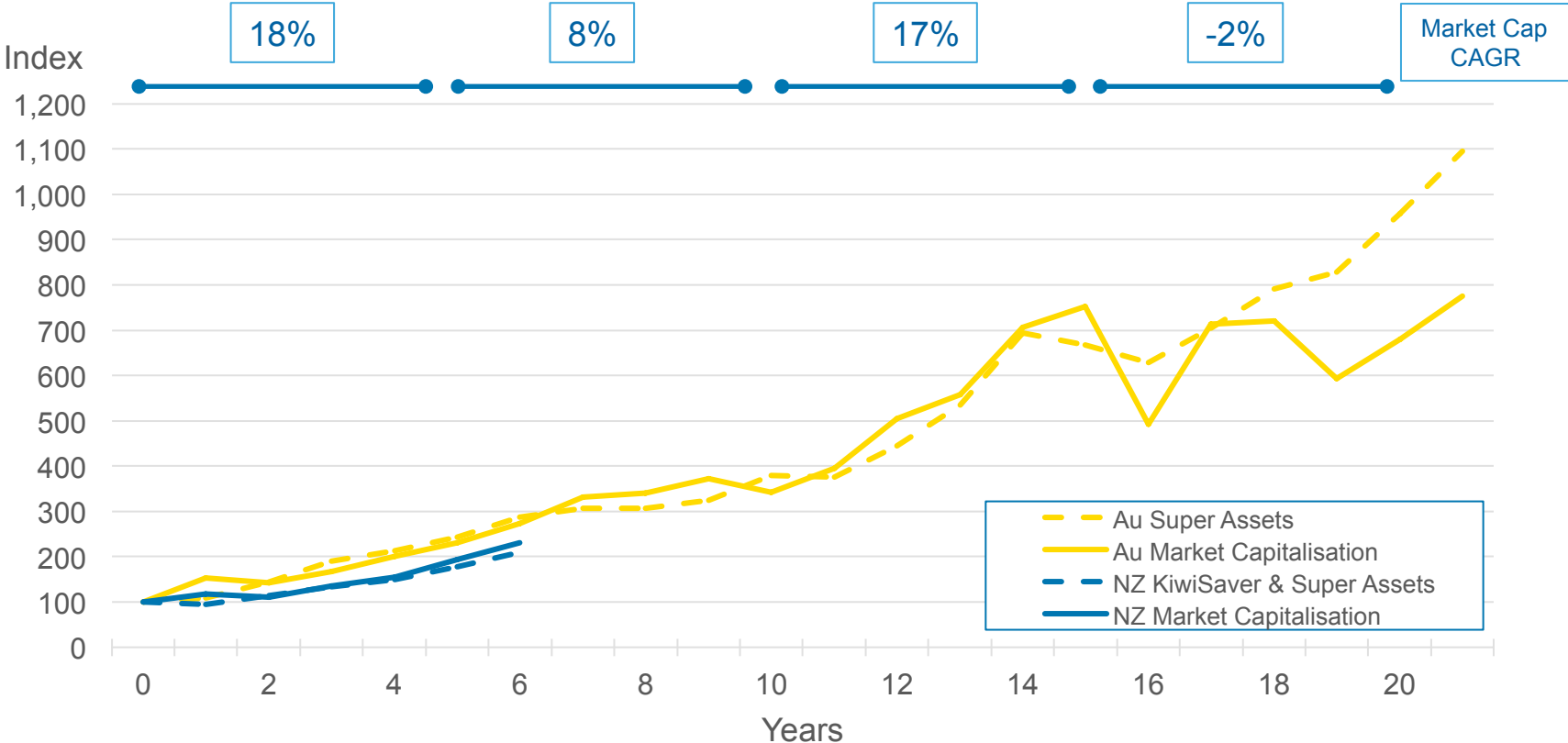
Business Area	Building the foundation	Accelerating growth	Completed
Capital markets	<ul style="list-style-type: none"> Equity derivatives New market Information and research 	<ul style="list-style-type: none"> IPO pipeline Broader product offering Expansion into adjacencies 	<ul style="list-style-type: none"> Record year for IPOs Options launched NXT launched Potential purchase of 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"> 5 new ETFs 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"> SPS, Extended Reserves Contracts

Communicated mid-2014



Capital Markets

The Twenty Year Journey



Source: NZX Data, WFE, AVA, RBA



Outlook

- We have in place the foundation for future growth
 - Strong, stable senior management team
 - Operating and regulating markets to a high standard
 - Enhanced our brand and relationships
- There are challenges in some businesses that need to be addressed (Agri) and opportunities that need to be secured (EA Tenders, NZClear)
- But we have strong long-term growth opportunities in the markets which we operate if we continue to:
 - Build the infrastructure
 - Strengthen the market ecosystem
 - Rebuild trust
 - Maintain integrity





Capital Markets

Mark Peterson





Capital markets Summary

- We are at the start of a 20-year journey
 - There are good long-term growth prospects in NZ's capital markets
 - NZX's growth will be constrained not by the lack of opportunity, but the lack of tradable investments
- There will be market cycles, but the underlying business is relatively protected from these cycles
 - Stable: data, annual issuer and participant fees: 61% (of 2014 revenues)
 - Some cyclical: trading and clearing: 25%
 - Cyclical: IPOs and capital raising: 14%
- Our focus is investing to develop the product and market pipeline, and supporting infrastructure
 - NXT (and crowd funding) provides a pipeline for the Main Board
 - Priorities for 2015 include potential changes to the financial advisor regime
- Dairy derivatives volumes have grown faster than other new soft commodity derivatives markets and continue to have strong growth potential



Capital markets

Revenue Overview

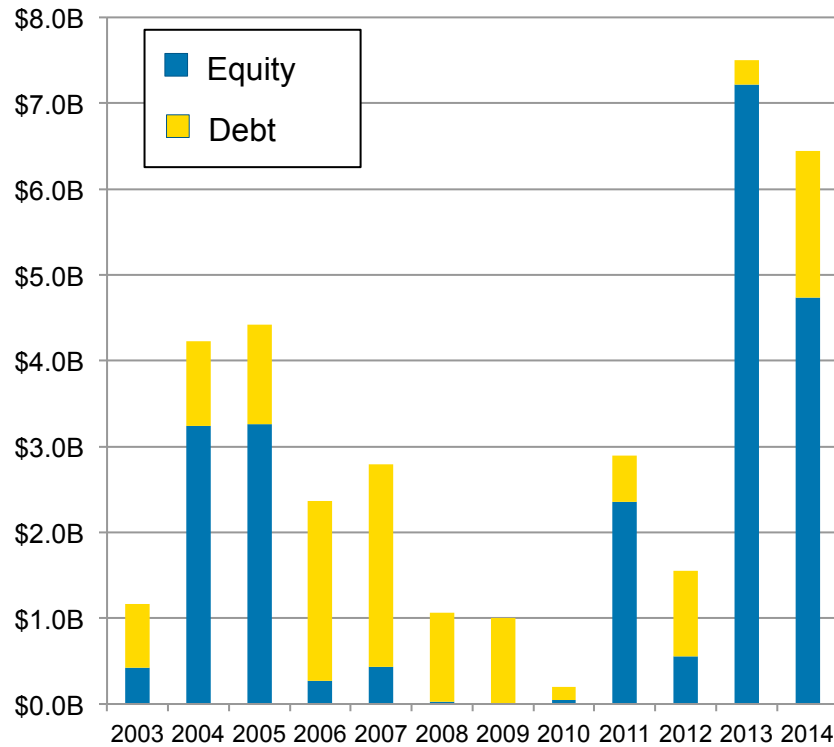
	Revenue Item	Revenues (\$000s)				Cum. 2014 Rev	% Change	
		2011	2012	2013	2014		'14/'11	'14/'13
Stable	Securities information revenue	9,065	9,008	8,924	10,406	28%	15%	17%
	Annual listing fees	6,542	6,897	7,251	7,936	49%	21%	9%
	Participant & issuer services	4,083	3,687	4,108	4,492	61%	10%	9%
Somewhat Cyclical	Equity/debt trading fees	2,540	3,248	4,346	4,432	73%	75%	2%
	Clearing fees	3,329	3,656	4,592	4,646	86%	40%	1%
Cyclical	Initial listing fees	1,209	639	2,954	2,800	93%	132%	(5%)
	Secondary listing fees	3,517	2,384	2,779	2,419	100%	(31%)	(13%)
	TOTAL Capital Markets	30,284	29,520	34,955	37,131		23%	6%



Capital markets

The beginning of a different market environment

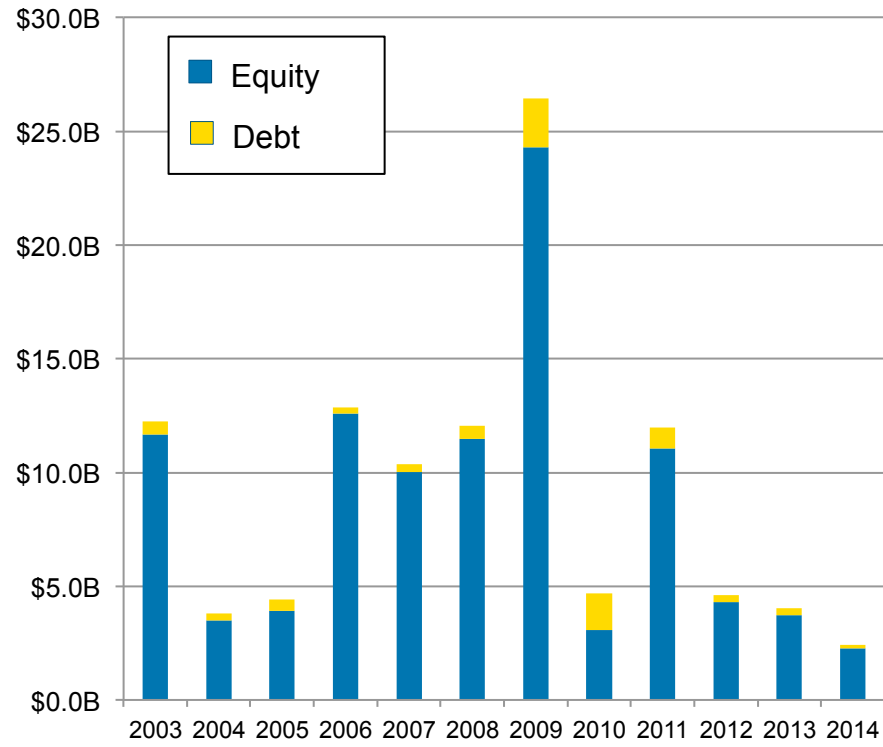
New Capital Listed



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

2014 revenue \$2.8M

Secondary Capital Raised



2014 revenue \$2.2M

Source: NZX Data



IPO Pipeline NZX view



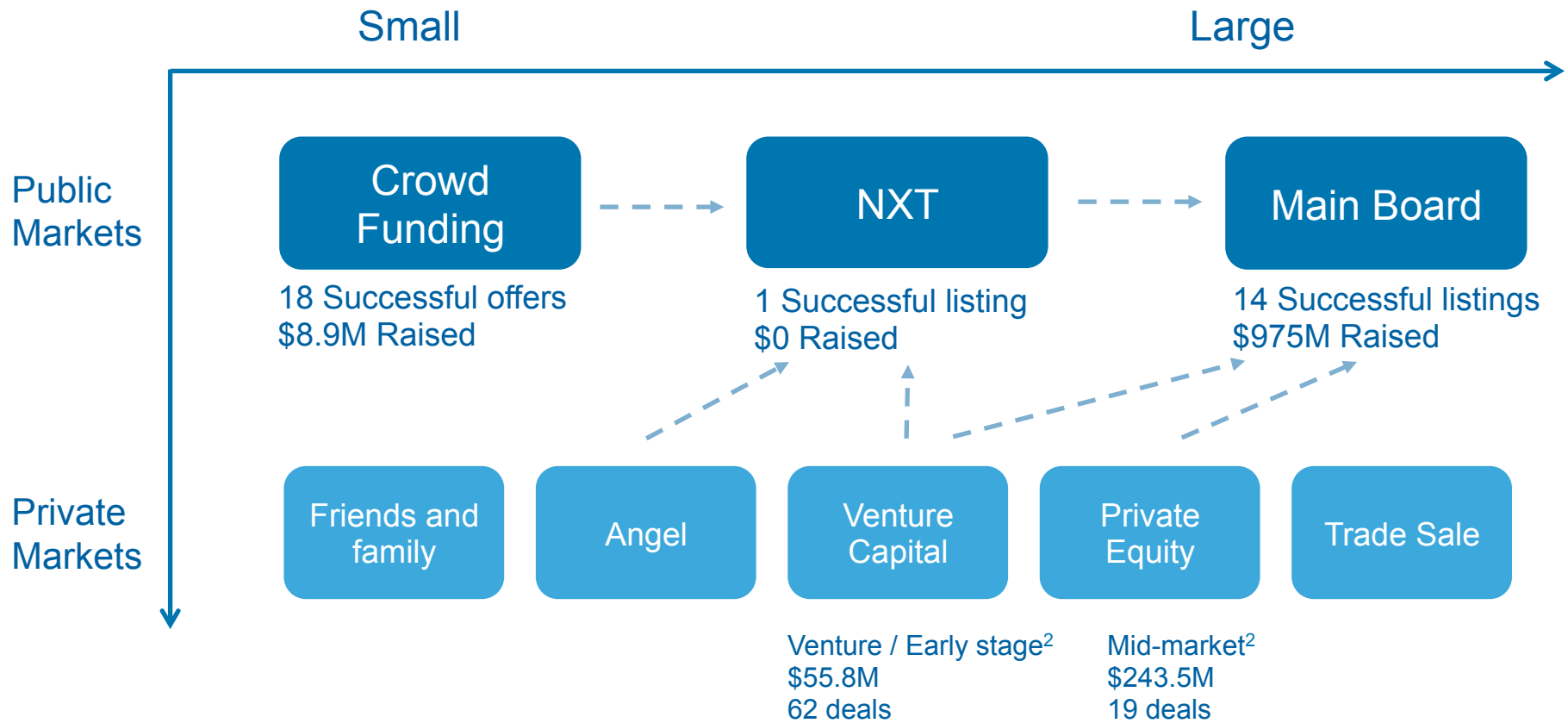
NXT

- NXT is a new market for smaller, high growth companies. Key benefits of NXT include:
 - Independent Research coverage, provided by Edison Investment Research
 - Market Making services, provided by First NZ Capital
 - A new periodic disclosure regime
 - A shorter and simpler set of listing rules
- Strong interest from a range of potential issuers:
 - AX migration
 - Capital raises
 - Compliance listings



IPO Pipeline

Macro view

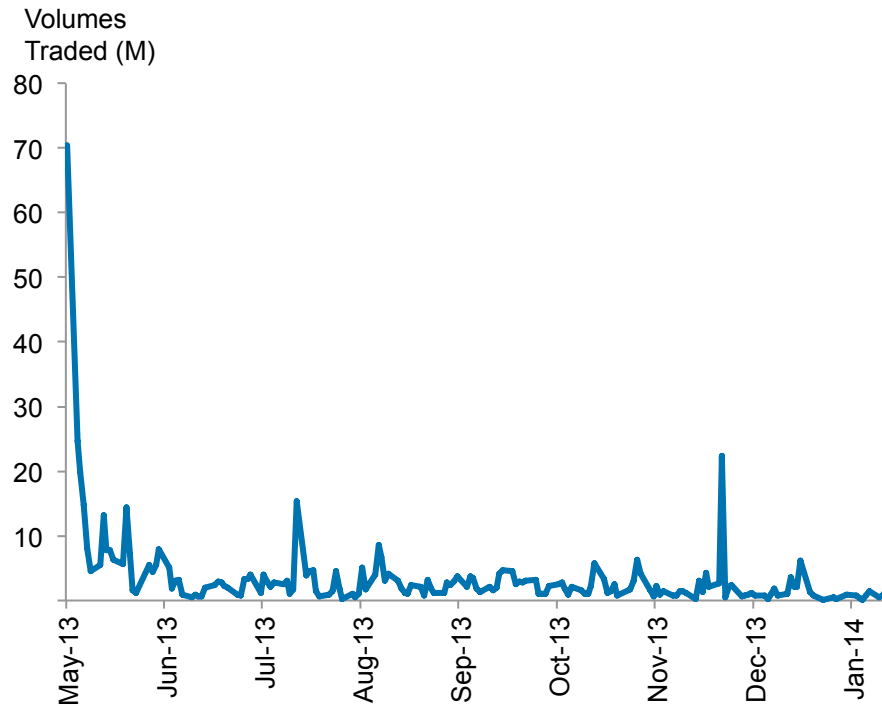


1. 12 Months to 30 June 2015
2. NZVCA 2014



Ongoing listing and trading revenues from IPOs

Example of year 1 trading volumes: Synlait



Revenues from an IPO

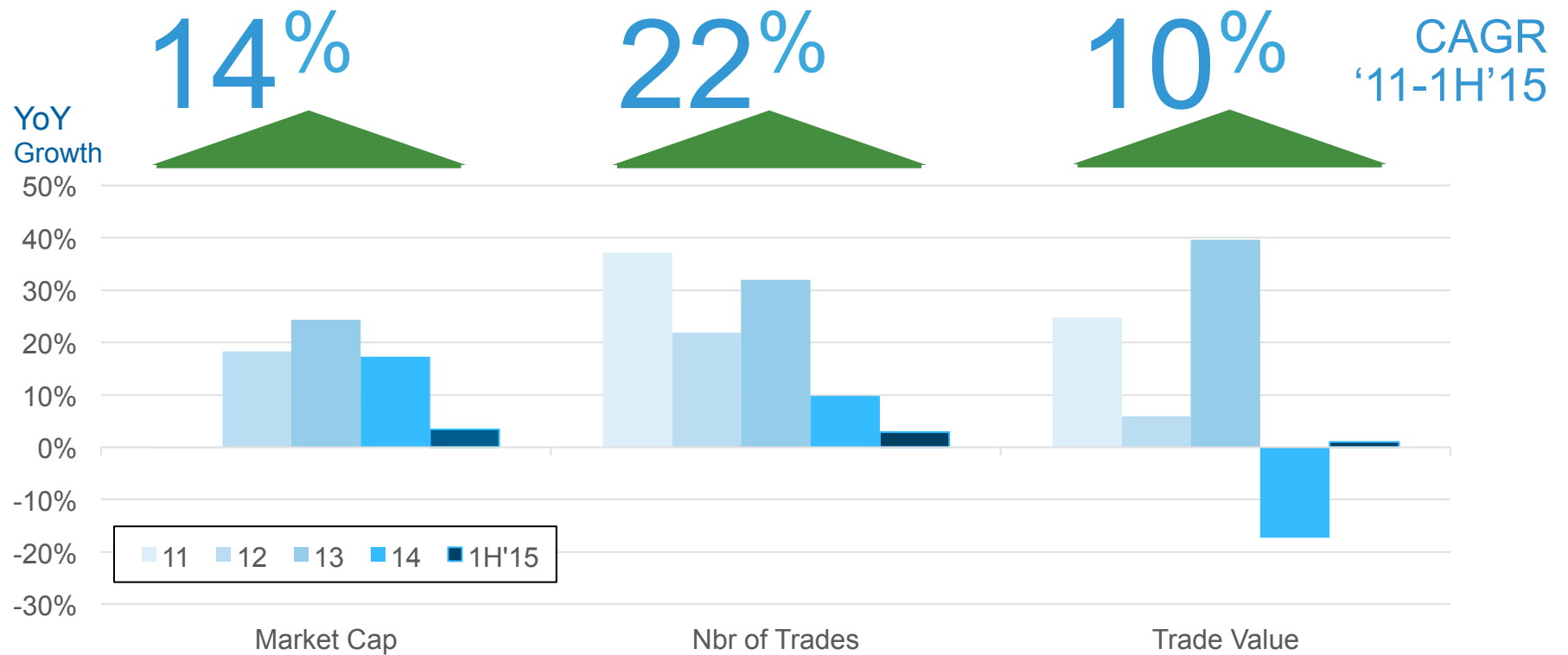
Listing Size (\$M)	1,500	400	60
Revenues (~\$000s)			
Initial Listing Fee	525	225	75
Month 1 Trading & Clearing fees	30	10	5
TOTAL One-time	555	235	80
Annual Listing Fee	55	45	35
Annual Trading and Clearing Fees (est)	120	40	15
Total Recurring	175	85	50

Source: NZX Data



Capital Markets

Capitalisation drives trading and clearing revenues



Source: NZX Data



Stable revenues

Market data and annual listing fees

Listing revenue changes

- Annual listing fees up 9% last year a combination of
 - Fee structure changes
 - Market capitalisation changes
 - Number/size of issuers
- 2015 fees expected to be ~8% higher
 - 4% fee increase to reflect increased regulatory costs
 - Further increment due to the increase in market capitalisation, number of issuers

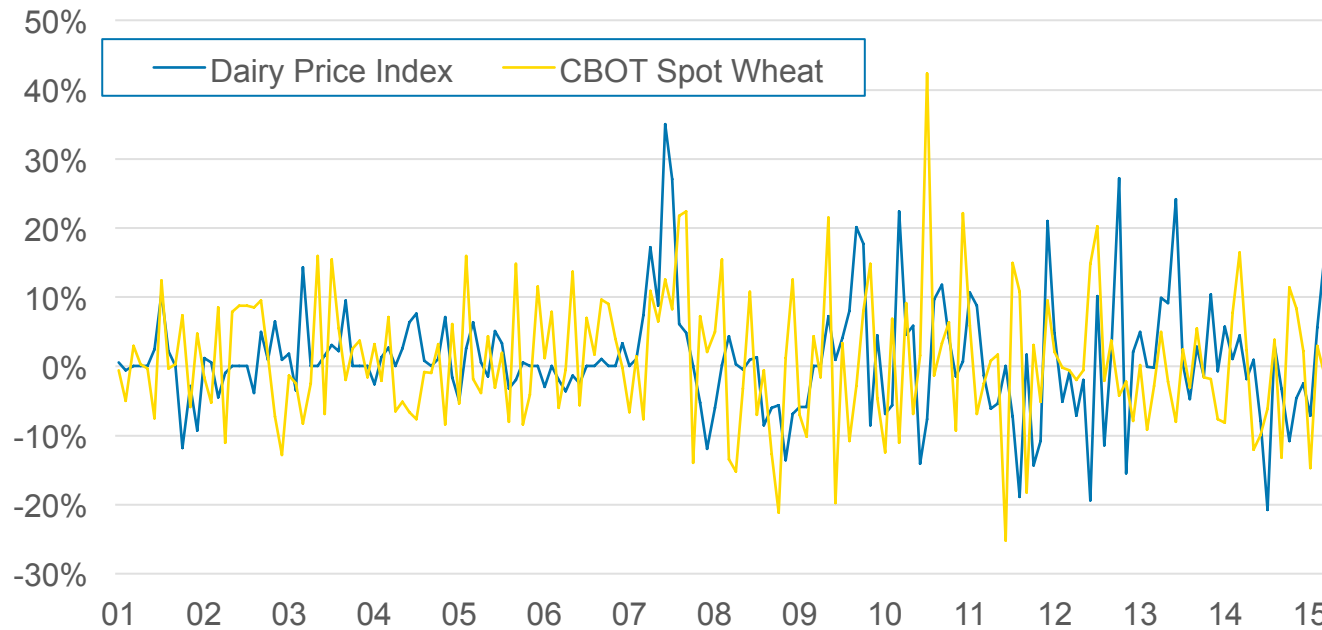
Shift of indices to S&P Dow Jones Indices

- S&P DJI took over the calculation and operation of NZX indices from 21 June
 - Globally consistent methodology
 - Reduce operational risk
 - Broader distribution
- Revenue share arrangement
 - EBIT neutral in 2015 (costs reduction offset by lost revenue share)
 - Expected positive revenue increase in 2016



Agricultural informational and commodities Price volatility

NZ Dairy and CBOT Wheat Price Volatility
(% monthly change)



Last 5 Years
Range

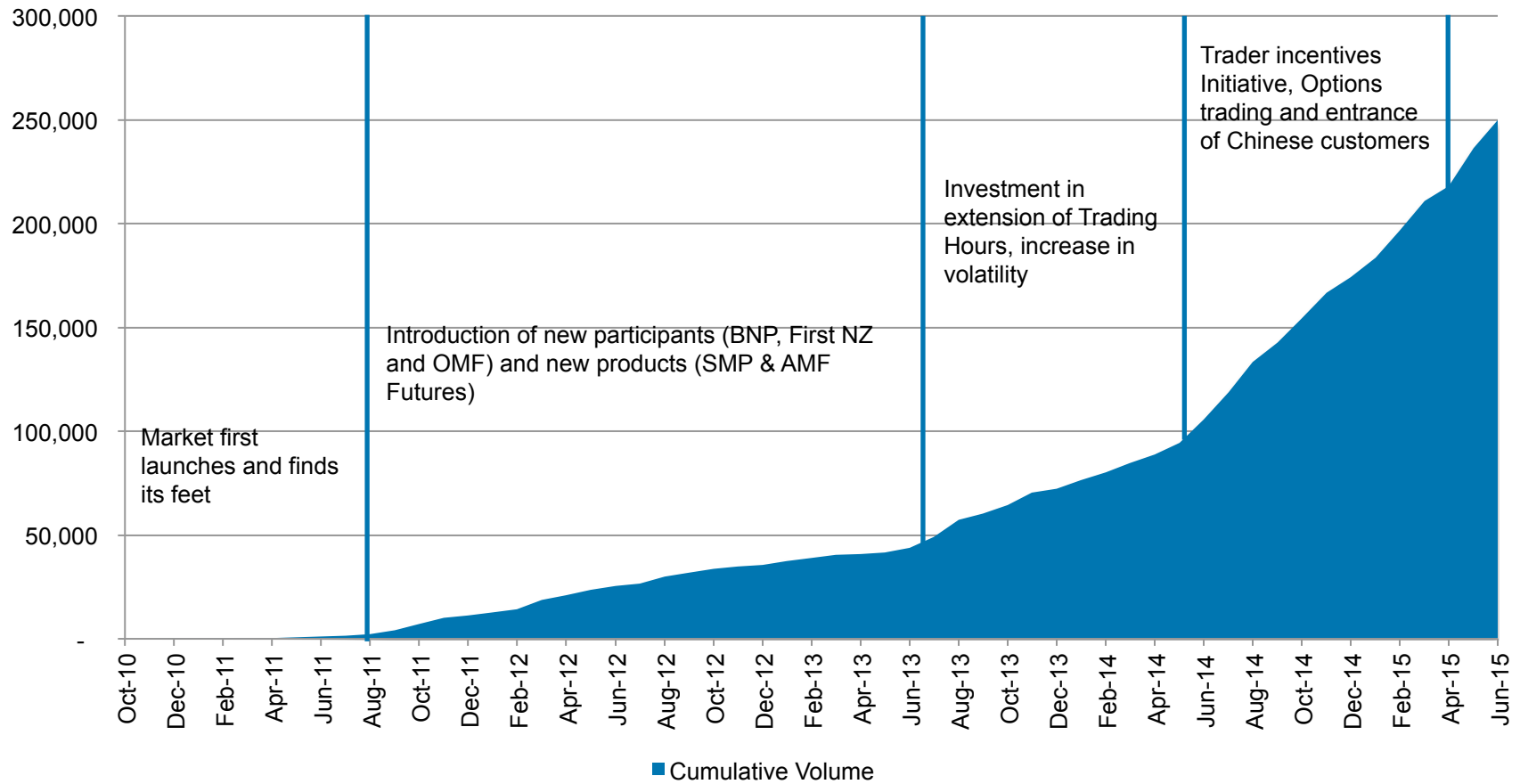
Dairy
(21)% – 27%

Wheat
(23)% – 20%

Source: NZX Data



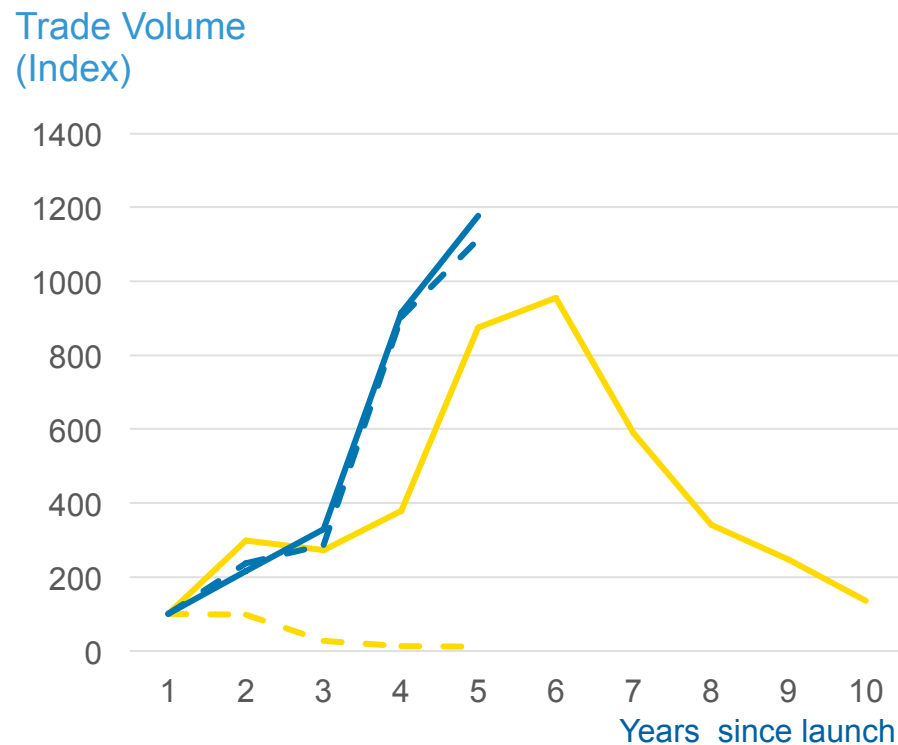
Dairy Derivatives Growth is accelerating





Agricultural information and commodities

Comparison of ASX Wheat and NZX Dairy contracts



Source: NZX Data, ASX

Futures /
Physical
6%

New initiatives

- Broader base of clearers: domestic and offshore
- Milk price contract



Funds Management

Aaron Jenkins and Michael Chamberlain





Funds management Summary

- The acquisition of SuperLife provides
 - An opportunity to provide a broader range of tradable products to New Zealand investors, ETFs (Smartshares)
 - Exposure to one of the fastest growing sectors of New Zealand's financial services market
- SuperLife is an established business with a proven track record of growth
 - Passive investment management approach
 - Customer focused
 - Highly competitive product offering
- The combination of the Smartshares and SuperLife businesses is on track
 - Externally, focus has been on ETF launches
 - Internally, on governance and integration of support functions





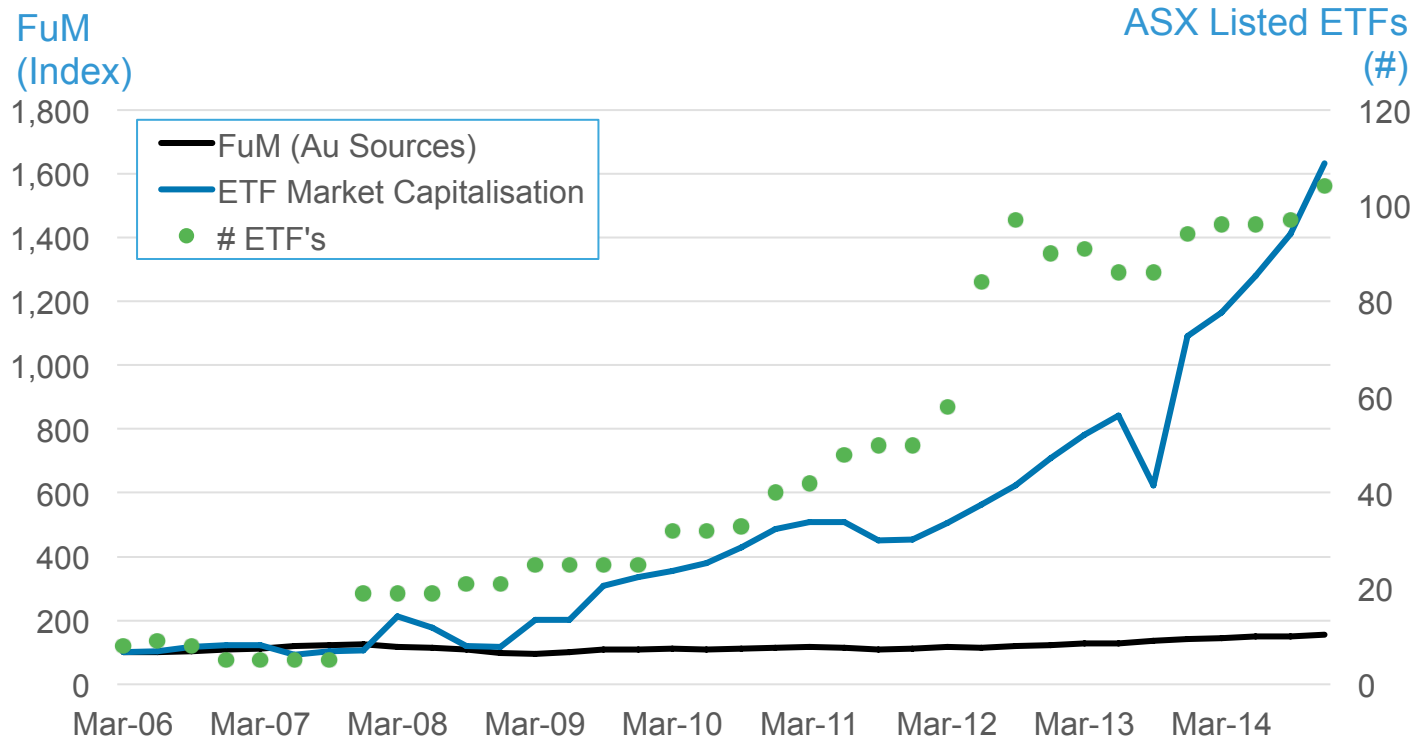
Historical Smartshares challenge

“Smartshares does not have the scale to compete on price with Australian domiciled global competitors for institutional business. Smartshares are not positioned to leverage either proprietary or intermediated retail distribution without the development of a stronger distribution proposition. The current product range is specialist and limited to regional equities alone.”

- Independent consultant, July 2013



Funds Management ASX ETF Growth



35%
ETF FuM

7%
All FuM

CAGR
2010-14

Source: ASX, ABD, RBA



On-track to deliver a broad ETF product offering

Broad range of domestic, regional and global asset classes

Pre-2014

- NZX 50 Portfolio Index Fund
- NZX 10 Fund
- NZX Midcap Index Fund
- NZX Australian MidCap Index Fund
- NZX Australian 20 Leaders Index Fund

Late 2014 – Early 2015

- Australian Dividend Index Trust
- Australian Property Index Trust
- Australian Financials Index Trust
- Australian Resources Index Trust
- New Zealand Dividend Index Trust

Q3 2015

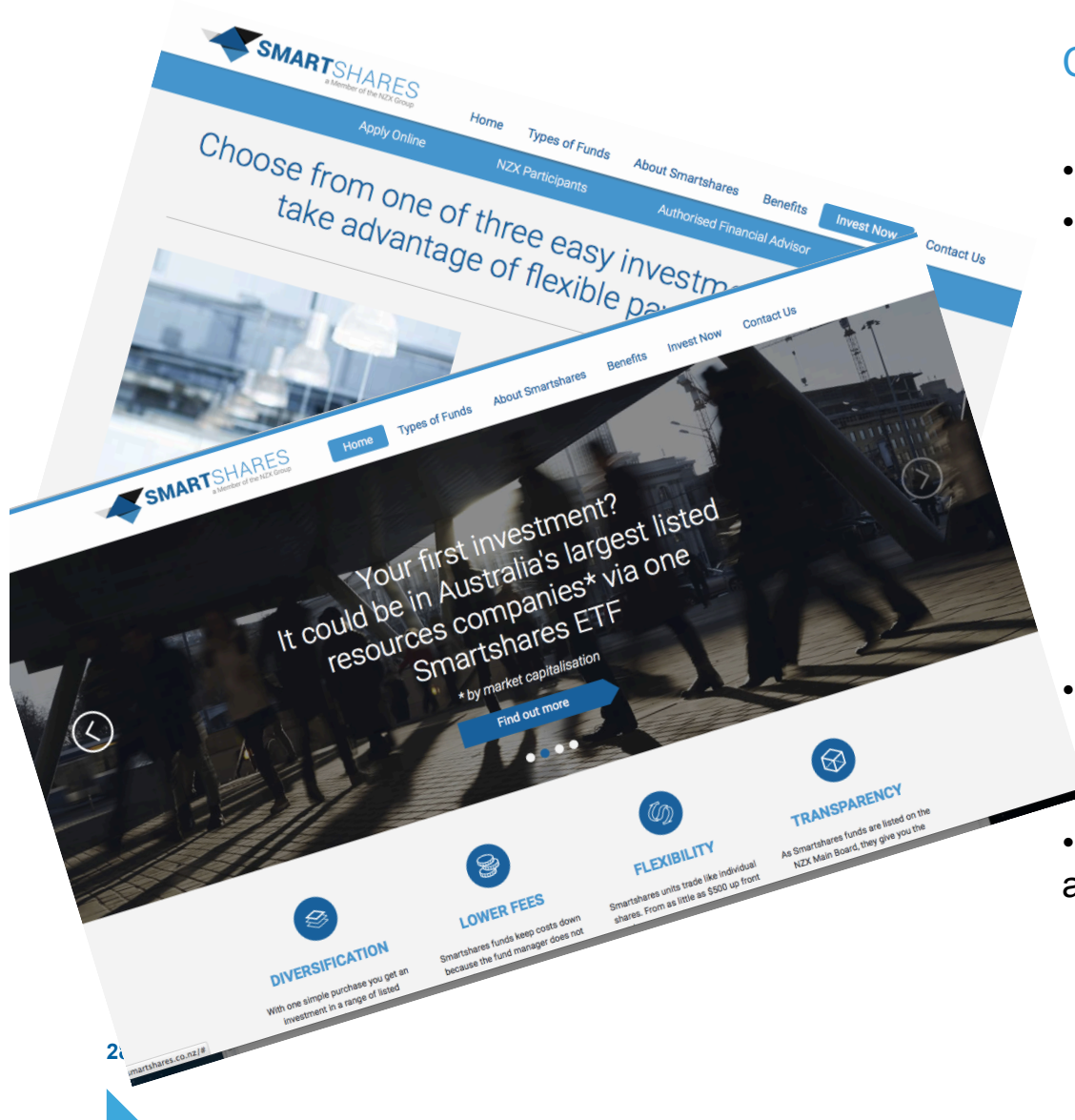
- US 500 Trust
- Europe Trust
- Asia Pacific Trust
- Emerging Markets Trust
- Total World Trust
- US Large Value Trust
- US Large Growth Trust
- US Mid-Cap Trust
- US Small-Cap Trust

Q4 2015

- NZ Sector Funds
- Fixed Income Trust
- Cash Trust



ETF distribution and marketing



Current approach

- Broaden product offering
- Establish retail presence
 - Limited digital marketing proving effective to date
 - Direct investments in Smartshares increased first half of 2015 (v PCP) by more than 400%
 - Regular savings plan increased by over 300%
 - Campaign to be broadened and focused on investor education
- Develop IFA awareness
 - Focus on cost-effective asset allocation
 - Volume rebates
- Medium-term, support self-directed asset allocation
 - ETFs
 - KiwiSaver

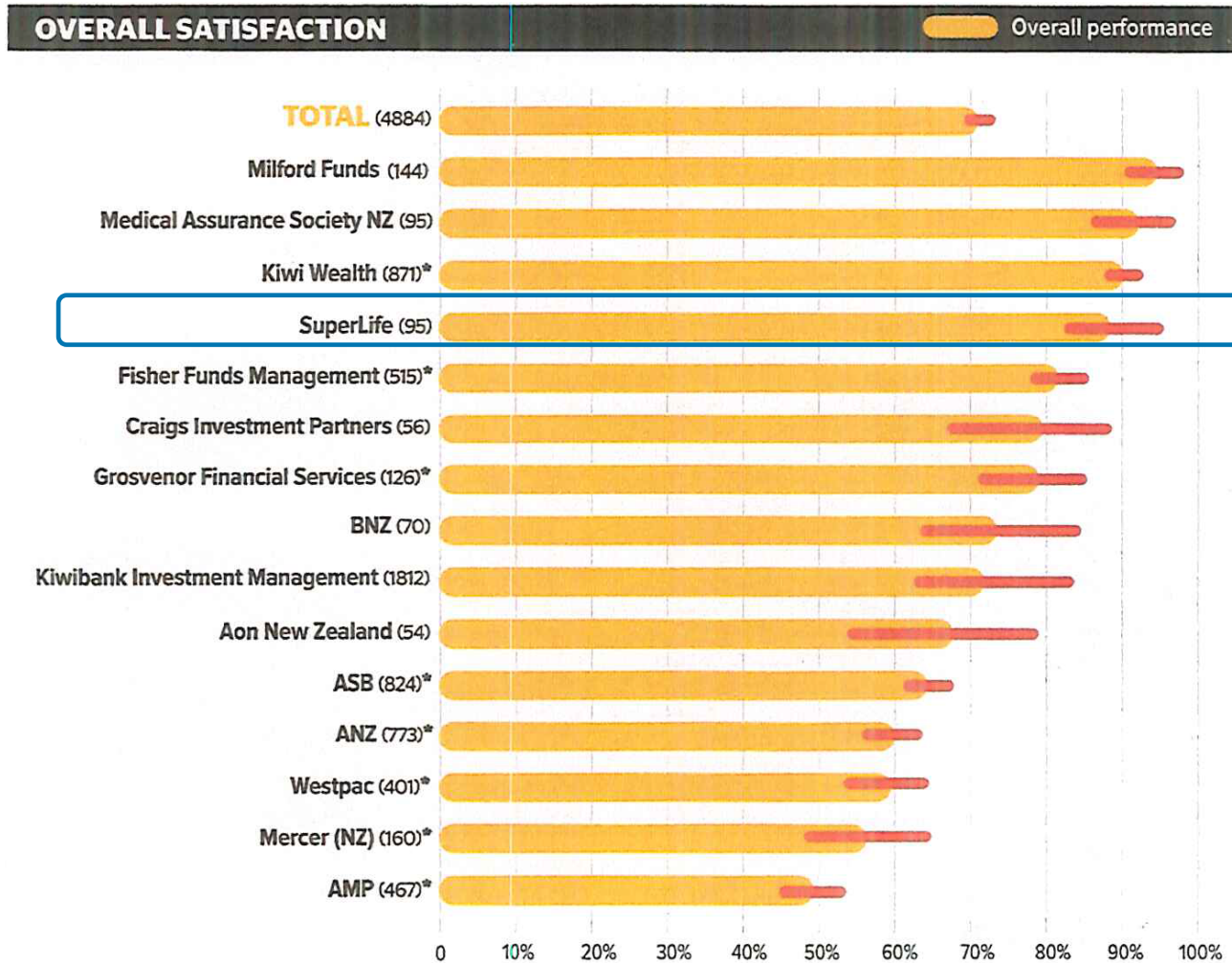


Funds Management Growth Trajectory

		FuM (\$M)	% Change Last 3 years	% Change Last 12 months	% Change QoQ	
ETFs						
•	FuM (\$m)	\$m	\$444	52%	17%	1%
•	Units on Issue	#m	288	67%	64%	13%
SuperLife						
•	Group Super FuM	\$m	\$904	34%	7%	2%
	Members	#	16,019	6.4%	4.1%	1.1%
•	KiwiSaver FuM	\$m	\$423	107%	28%	5%
	Members	#	26,014	6.7%	1.8%	0.4%



SuperLife – Strong customer focus and service offering



GUIDE TO OVERALL SATISFACTION GRAPH OUR SURVEY took place in February 2015: 4884 Consumer NZ members rated their KiwiSaver provider. Figures are for providers with more than 50 responses (response numbers are in brackets). Kiwibank Investment Management closed and merged with Kiwi Wealth late 2014. **Overall performance** shows the percentage of survey respondents who rated their provider's service as "good" or "very good". *Default providers.



Funds Management being run as an independent business





SuperLife Overview

Relationships

- Employers & organisations
- Employees
- Individuals

Structure

- Master Trust

Fund management

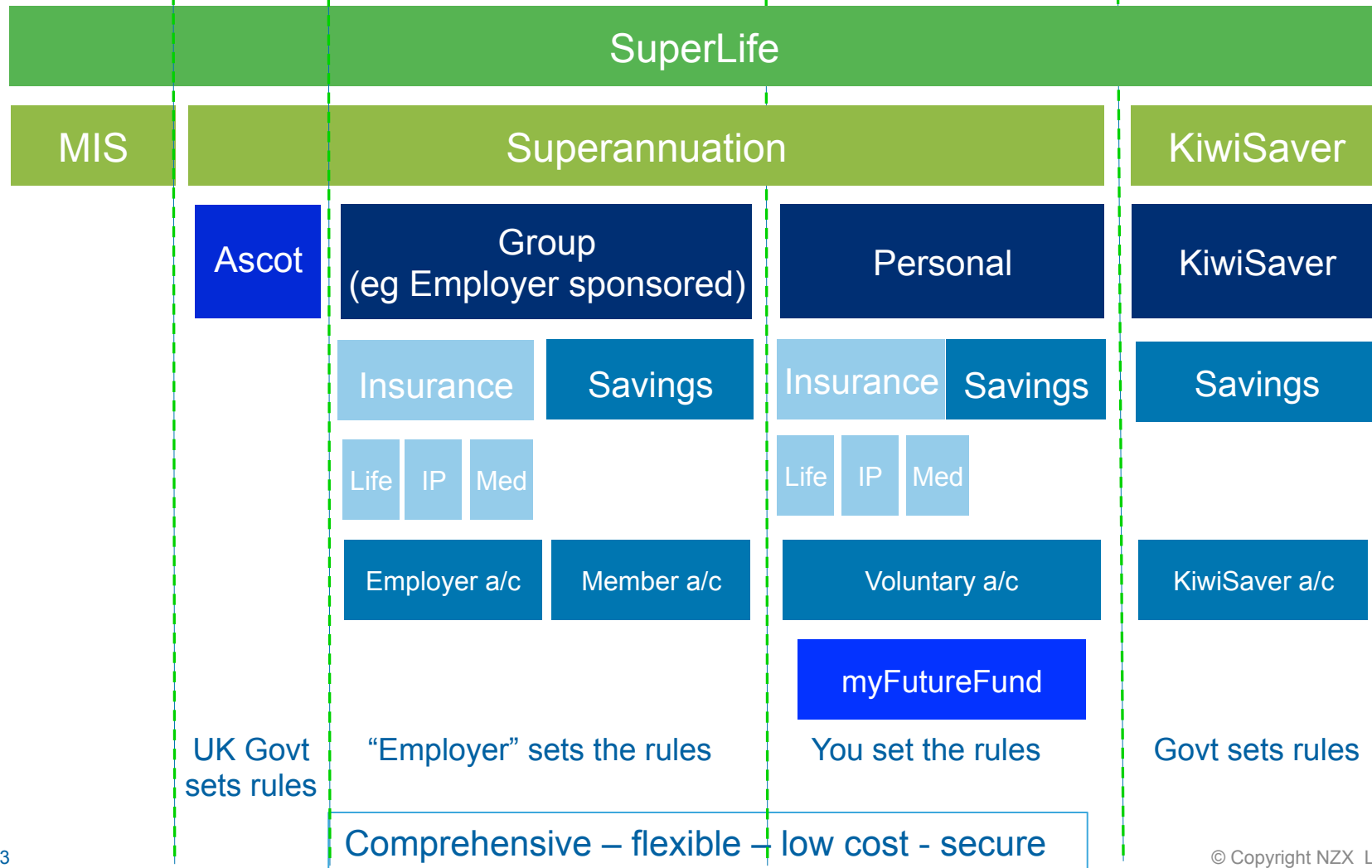
- Passive long term philosophy
- Diversification
- Transparency and no surprises
- Low cost

Proposition

- To deliver a cost effective flexible vehicle that puts the individual in charge
- To provide understandable education and information to empower individuals to make decisions and act
- To set the standards on service delivery

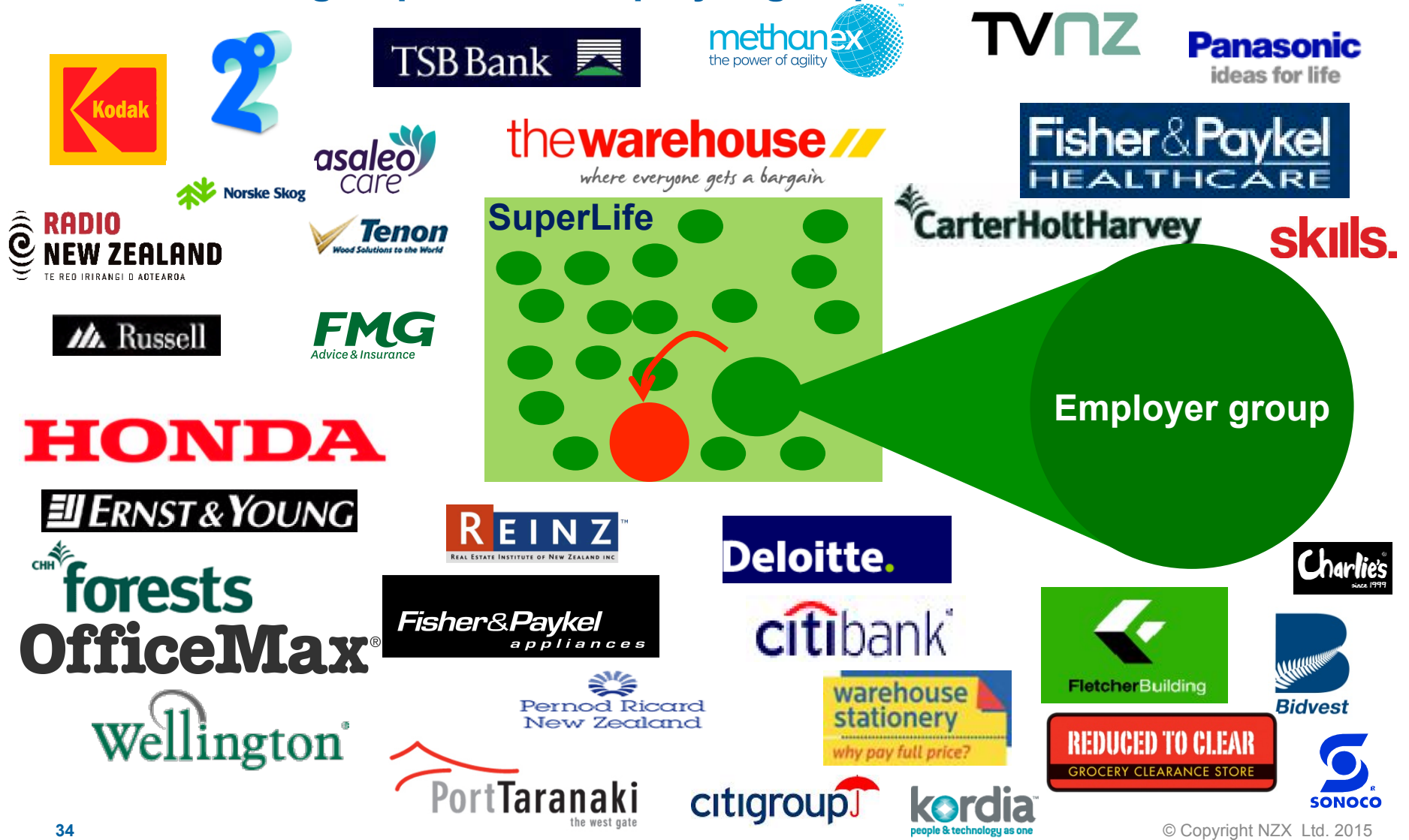


Understanding SuperLife – an efficient investment vehicle



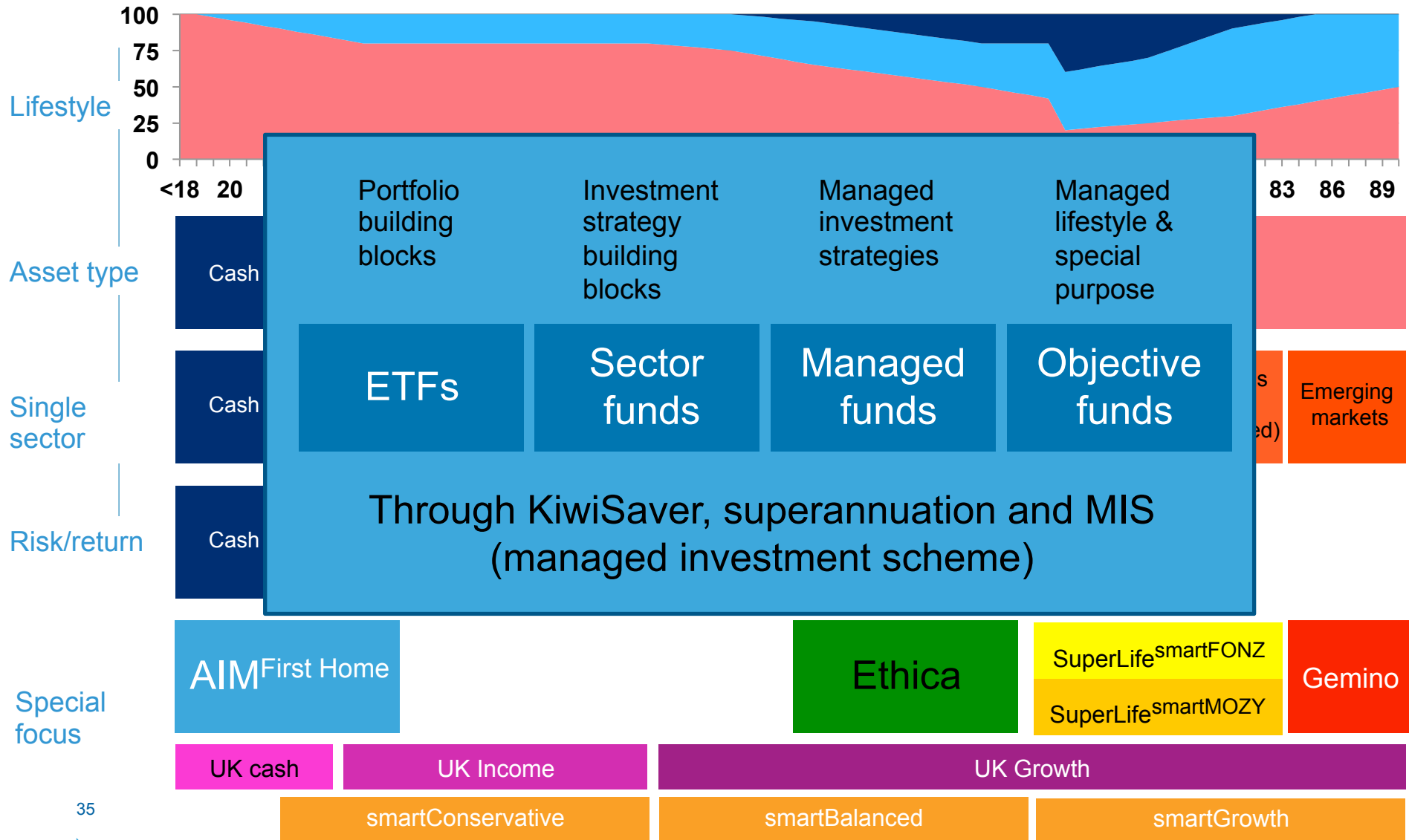


Understanding SuperLife – employer groups



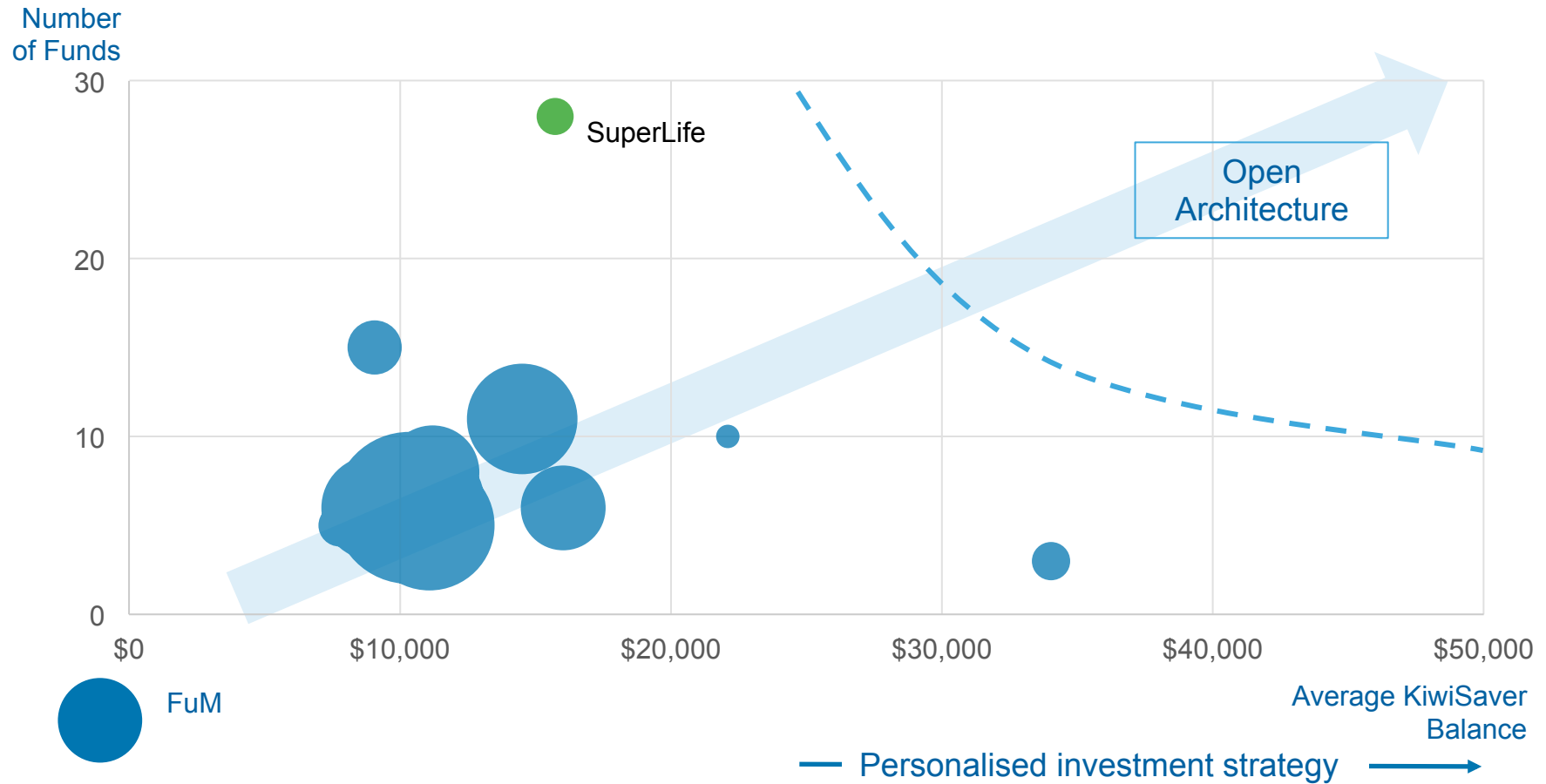


The SuperLife investment options today – currently 28 Funds



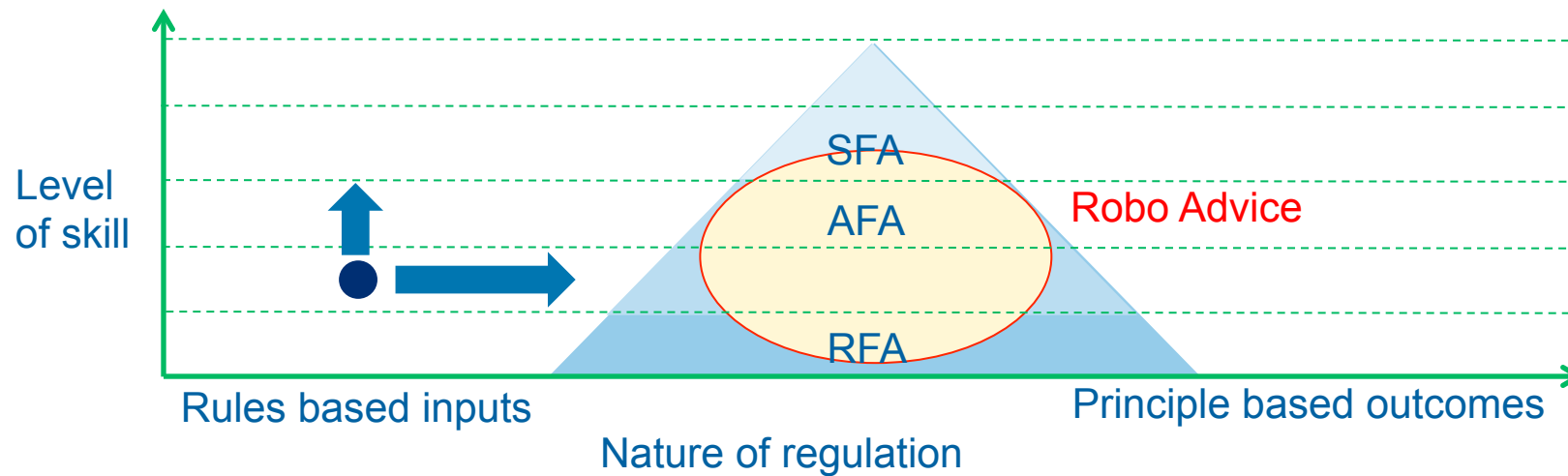


The KiwiSaver market will evolve from proprietary to open products SuperLife already has the product in place



Source: FundSource, SuperLife

Investment advice Evolution of the advisor regime



- Continue evolution to principled based outcome regulation regime
- Improve the skill and thought process of the (AFA) base standard advice
- Recognise role of specialist financial advisers. Introduce levels of specialists
- Recognise role of “specific” issue investment advice that need not take into account personal factors
- Introduce “Robo advice” regime for digitalised personalised advice delivery
- Require greater disclosure on fees and expected outcomes
- Require positive statement “I believe that the advice and recommendations made are best for your circumstances to achieve your goals”



Other Businesses, Financial Position

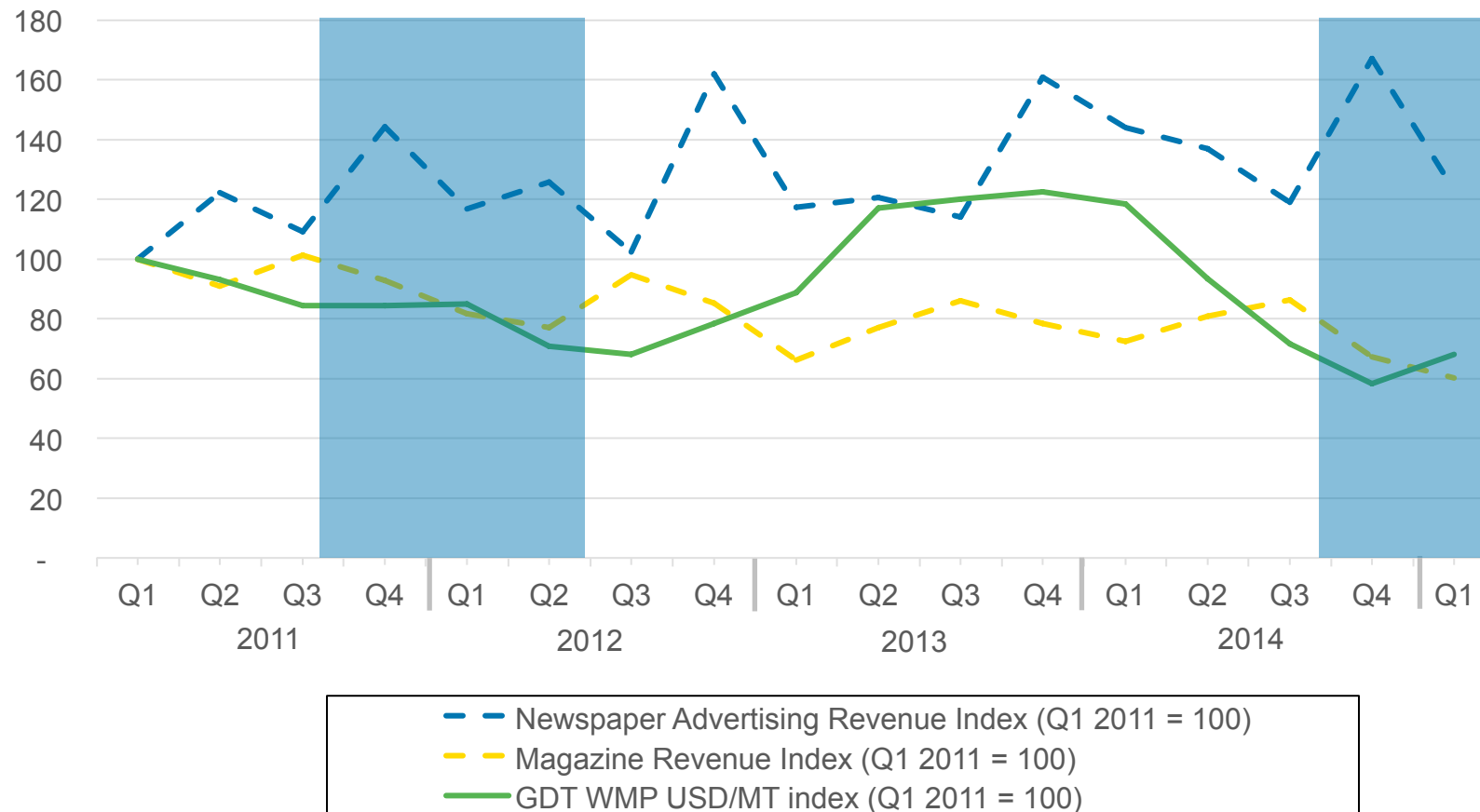
Bevan Miller





Agri information

Newspaper advertising (70-75% of total) cyclical, magazine advertising (25-30% of total) declining





Clear Grain Exchange

Since Clear's launch, the industry has undergone substantial change

Structural changes in the industry

- The industry is undergoing a structural change
 - Integration of global trading houses across the value chain reducing the available spot and forward market
 - Traders are increasingly seeking lower cost acquisition options to the traditional field force
 - The next generation of growers are embracing mobile, online, decision-making models which are increasingly a part of everyday business

NZX Response

- NZX is repositioning CGX as an exchange rather than an online broker
 - Rather than as was historically the case, seeking to disintermediate the broker model ...
 - Position Clear as an effective channel to buyers for the broker community
- Achieving success may require other equity partners in CGX
 - Accordingly, NZX is evaluating the potential for JV arrangements on both the sell (grower/broker) and buy side

~65% of NZX's Australian revenues currently comes from grain data and analytics, remainder from CGX trading revenues

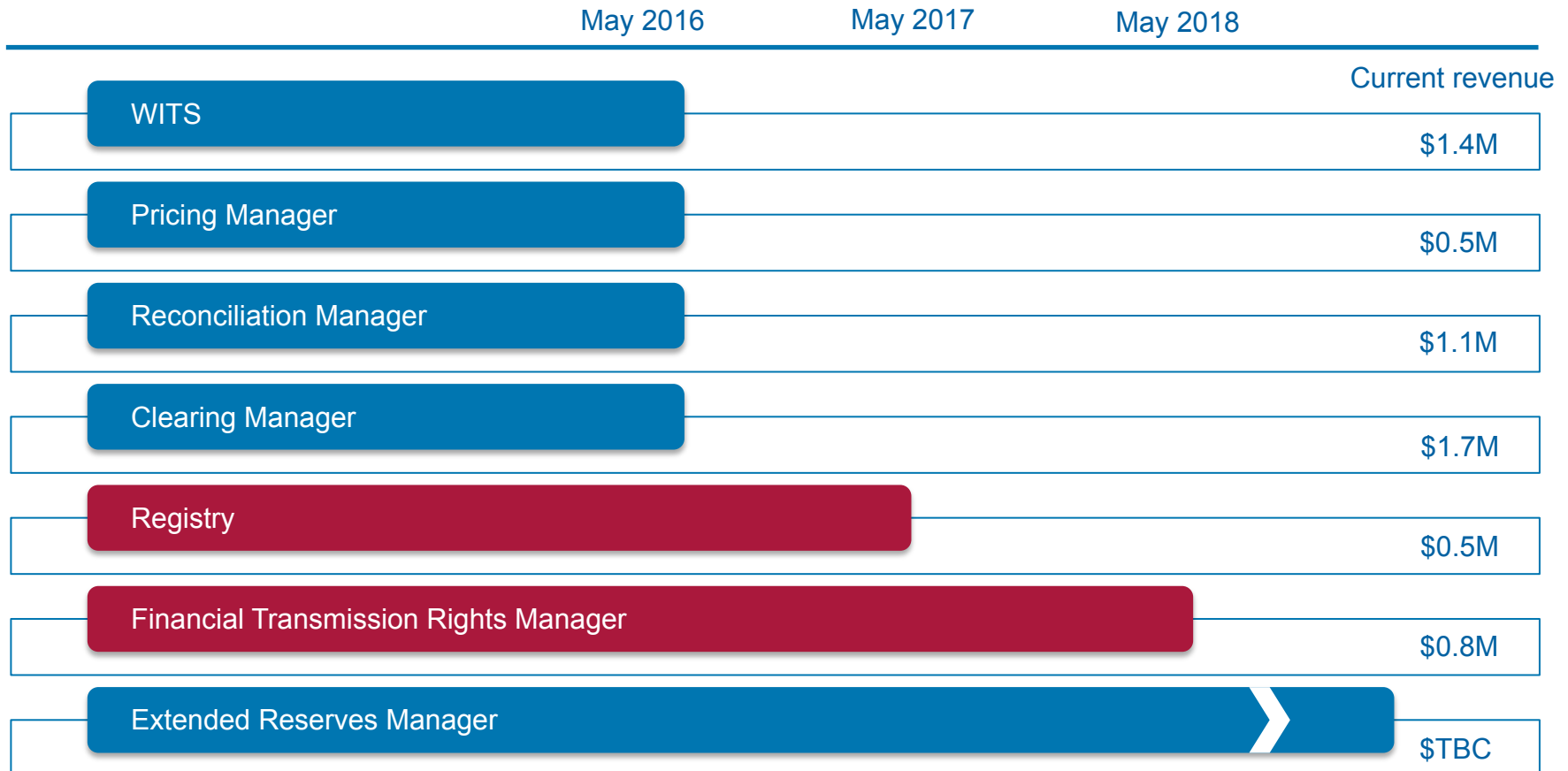


Evolution of the CGX addressable market (blue shading)

Current Australian Market		2008-13; CGX Historical Focus	2014-15; Grow the Pie - PRODUCTS	2015 – Exchange Model
38-40Mt Outside Storage Companies	Ex-Farm & Delivered Direct to End User			
32-35Mt Through Storage Companies (Ticketed)	Grainflow, Emerald, Other			
	GrainCorp	Intermediaries/Brokers	Intermediaries/Brokers	
		Forward Sales	Forward Sales	
		Spot/Warehoused Sales	Spot/Warehoused Sales	
	Viterra		Intermediaries/Brokers	
			Forward Sales	
			Spot/Warehoused Sales	
	CBH		Intermediaries/Brokers	
		Forward Sales		
		Spot/Warehoused Sales		



Energy Market Operations Maturity of current suite of EA contracts



NZX contract

Other Provider



EA Tender Process

- Four contracts currently up for tender – WITS, Reconciliation, Pricing, Clearing
- Tender for individual roles or for a combination of multiple roles
- NZX submitted tender for all four roles in May
 - Significant economies of scale in operating multiple roles
 - Tender pricing reflects this
- EA currently in tender evaluation process:
 - Presentations to be made by tenderers
 - EA review of detailed documentation submitted by tenderer (extensive requirements for technical documentation – NZX tender response documents were 700+ pages)
- Final decision expected by the end of Q3





Expenses

	FY 2012 (\$M)	FY 2013 (\$M)	FY 2014 (\$M)	% 14/13
Employee related cash costs	18.6	20.4	22.3	9.3%
Less capitalisation of labour costs	(0.9)	(0.4)	(0.3)	(30.1%)
Reported Employee Related	17.7	20.0	22.0	9.9%
Marketing, Printing & Distribution	3.8	3.6	3.8	7.8%
Information Technology	5.0	5.8	5.8	(0.1%)
Professional Fees	2.2	2.1	3.4	61.6%
Fund Expenditure	0.8	1.1	1.1	(3.4%)
General & Administration	4.5	4.4	4.5	0.9%
Total Costs	34.0	37.0	40.6	9.6%



Capital Structure

Relatively conservative capital structure in line with systemically critical role that NZX plays in New Zealand's capital markets

Clearing

- Capital requirement driven by need to hold risk capital in the clearing house. Risk capital is held to cover potential losses to the clearing house as a result of participant default
- Currently \$10m of risk capital held on Clearing House balance sheet, plus commitment from NZX to fund up to a further \$10m if required
- \$10m commitment to be replaced with actual risk capital in July 2015, reflecting growth in equity trading volumes and recent and projected growth in dairy derivative volumes
- Additional \$10m of risk capital will be funded by bank borrowing, impact on NZX's interest expense is the difference between the cost of the borrowing and the return on the related cash deposits. This cost is ultimately recovered through clearing fees
- Further risk capital not expected to be required for NZClear

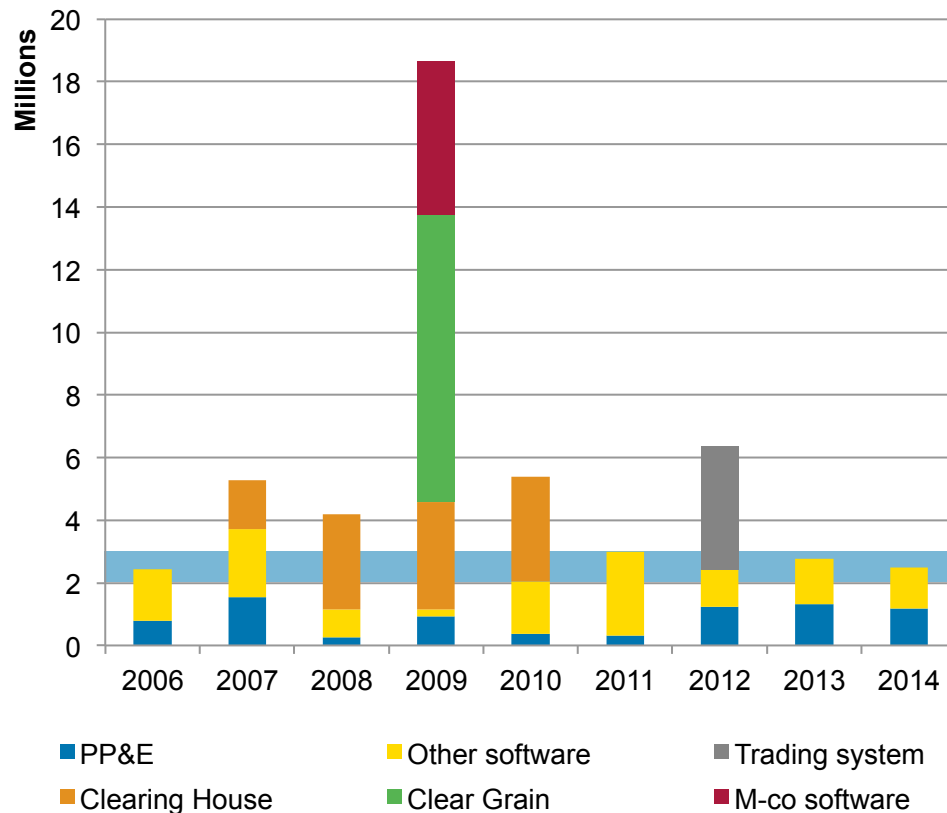
Acquisitions

- \$10m of acquisition bank debt resulted from the purchase of SuperLife in January 2015
- Further contingent commitment of up to \$15m over the three year period post acquisition (\$5m shares and \$10m cash) depending upon growth in Funds Under Management
- This commitment has been recognised on NZX's balance sheet. For accounting purposes, the cash component has been recorded at a discounted value of approximately \$8m. The difference of \$2m will be recognised as interest expense over the three year earnout period. Approximately \$0.6m of interest expense on the earnout is expected to be recognised in 2015
- \$13.8m expected to be received today from the sale of NZX's 50% stake in Link Market Services, further \$450k dependent on future business performance
- Initial payment anticipated for the purchase of Apteryx
- NZClear divestment by RBNZ underway. Capital implications of a potential purchase currently being determined



Capex

Investment requirements driven by system lifecycles, capital expenditure expected in increase in 2015



- “BAU” capital expenditure has averaged \$2-3m p.a. over recent years, with peaks driven by system implementations/renewals
- Clearing system upgrade has commenced, expected completion Q3 2016. Total project capex now expected to be \$3.5-4m, with \$1.5-2m of this currently expected to fall into 2015. Of the total project cost, \$1.2-1.5m is expected to be capitalised NZX staff costs
- Up to \$1.5m of property capex in 2015 in conjunction with a long term lease commitment
- No other major projects currently contemplated



Dividend

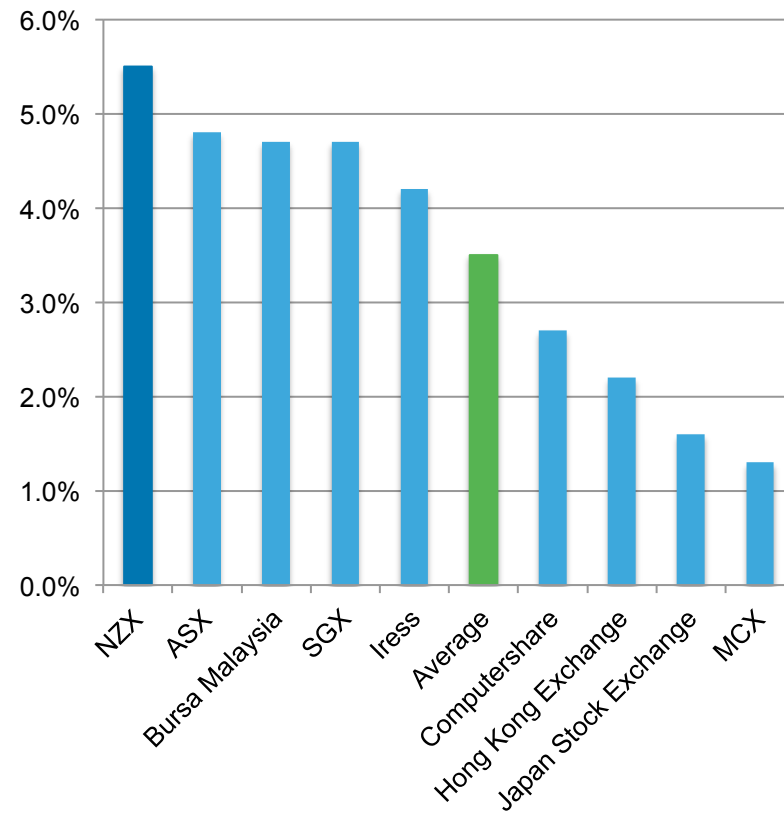
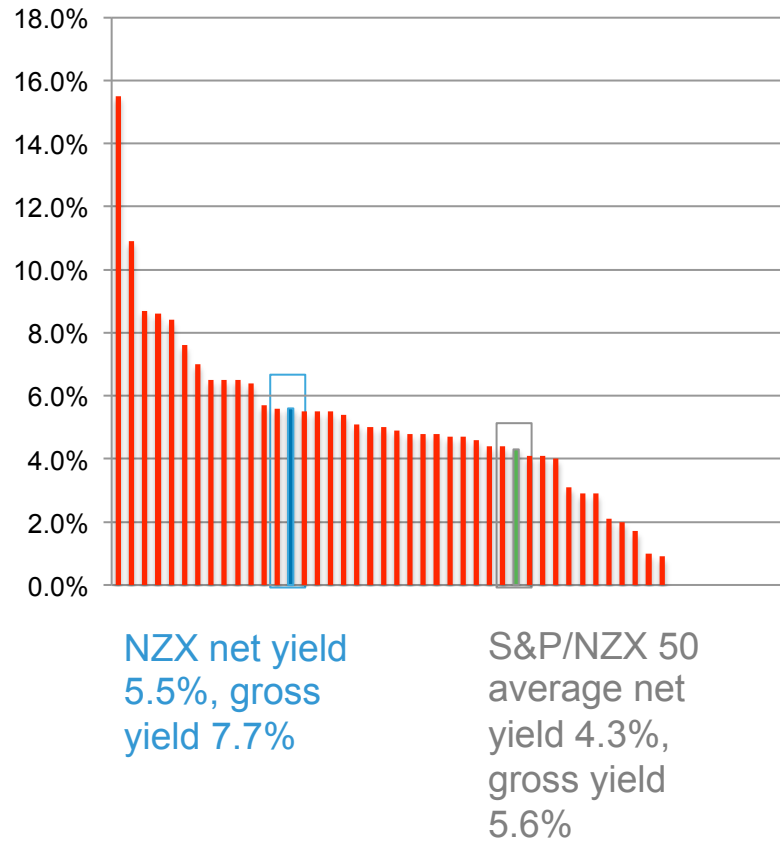
- Current policy based on Free Cash Flow - target payout ratio of 80%
- NZX expects distributions to continue to be fully imputed
- Given the lumpiness of the system renewal capex cycle, NZX may chose to take a “through the cycle” view of capex in applying the policy
- Dividend of 6.0 cents per share paid in respect of FY 2014
- NZX confirms there is no intention to reduce the dividend in 2015





Dividend

Net yield versus S&P/NZX 50, Asia-Pacific exchanges



Source: NZX, Credit Suisse



Ralec litigation

- NZX filed proceedings in the New Zealand High Court against the vendors under the sale and purchase agreement entered into with Clear Commodities Pty Limited and Clear Interactive Pty Limited in 2009 (the "Clear SPA") for breach of warranty and associated claims. The vendors have counter-claimed. NZX denies liability and is defending the counterclaim. The quantum of the counterclaim has not been finally particularised but is substantially for the value of the lost opportunity to gain earn-out payments under the Clear SPA
- An earn-out payment of A\$7M was payable if particular grain tonnages were traded. Clear traded between approximately 13% and 17% of the various tonnage targets between 2009 and 2012
- An earn-out payment (A\$7M) was also payable if an Agri-portal was completed and put into operation to the satisfaction of NZX within a specified period. The core part of the Agri-portal was to be a spot market and associated data based around the Clear Grain Exchange and one other commodity. Because Clear has not traded at the anticipated or required levels (and therefore the lack of a reference price), the Agri-Portal could not be completed and put into operation to the satisfaction of NZX
- The case is currently scheduled to be heard in May 2016
- On the basis of NZX's assessment of the circumstances and the information available to it, NZX has made no provision in relation to this litigation
- The 2015 litigation costs are now expected to be in the range of \$1.7m - \$2.0m



Summary

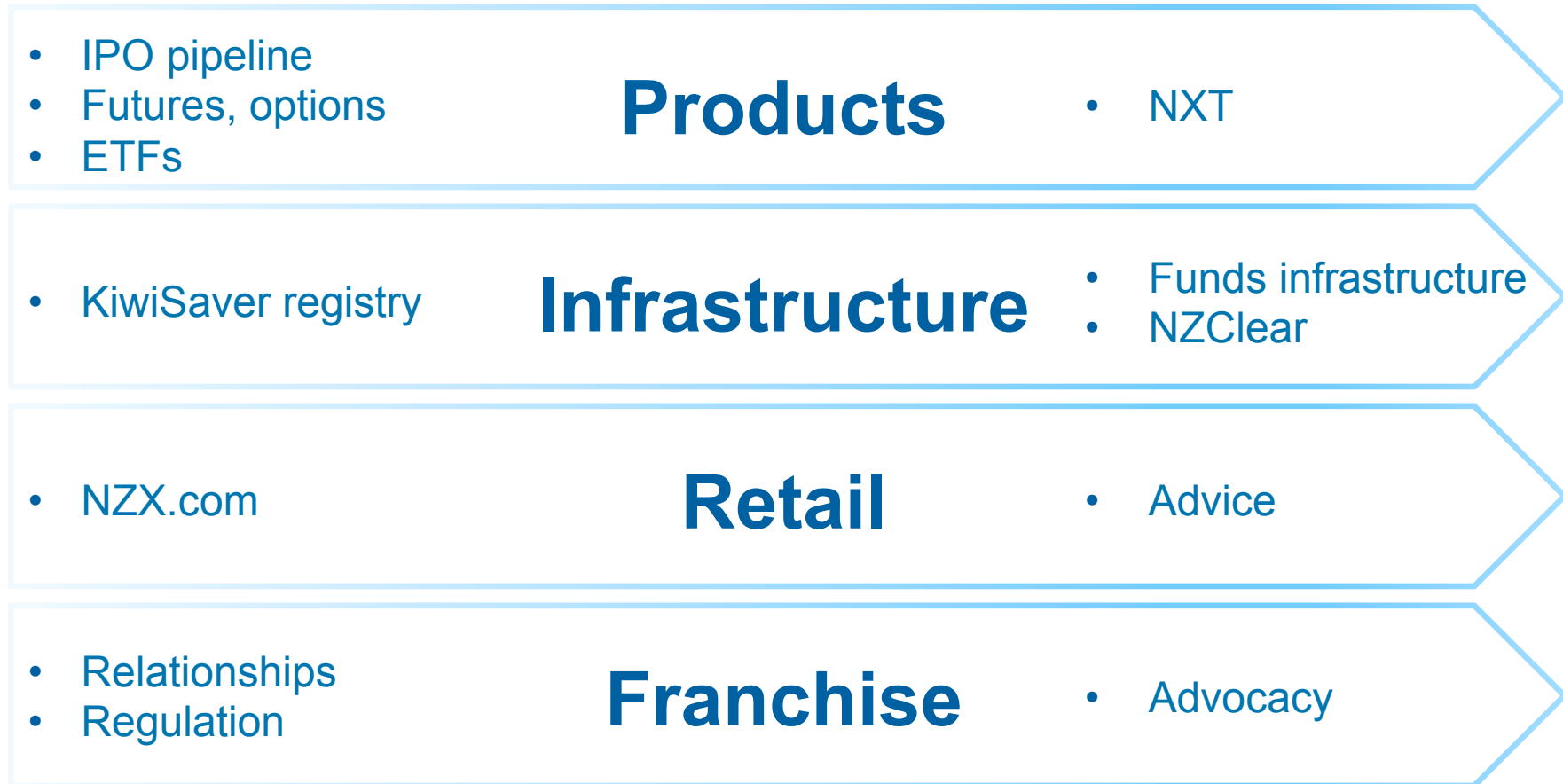
Tim Bennett





Capital Markets

Capturing the opportunities





Funds Management

Capturing the opportunities

- 10 Funds

ETFs

- Target 20+

- Low-cost
- 30+ investment options

KiwiSaver

- Merge
- Reinvigorate

- \$856m current FuM
- 140+ employers

Group Superannuation

- Two schemes won YTD



Agricultural informational and commodities

Capturing the opportunities

- CFTC
- Butter contract

Dairy

- Milk exposure
- Clearers

- Entry in WA, SA
- Forwards

Grain

- Operating model

- Dairy tools
- iFarm

Data

- Shift to corporate

- Academy
- AgriHQ Business

Information

- Print to online
- Monetisation



Focus areas for 2015

Businesses

- Electricity Authority tender
- NZClear
- Agri data and Clear

Markets

- Advisor regulation
- Industry economics
- Competitive landscape





Inform. Exchange. Grow

“NZX builds and operates capital, risk and commodity markets and the infrastructure required to support them. We provide high quality information, data and tools to support business decision making. We aim to make a meaningful difference to wealth creation for our shareholders and the individuals, businesses and economies in which we operate.”

