



2015 Full Year Results Presentation

24 February 2016

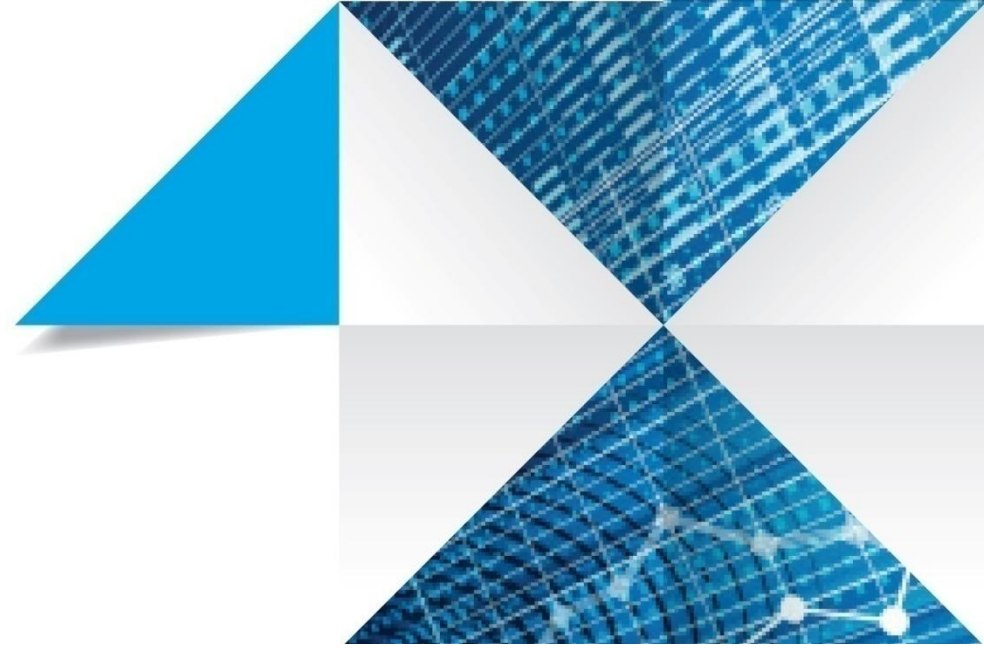




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- Overview of 2015 results
- 2015 financial and operational performance
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This full year results presentation should be read in conjunction with the management commentary on NZX's 2015 results which provides further comments on many areas covered in the presentation.



Overview of 2015 results



2015 Business Highlights

Markets - Capital and Energy

- Lower level of IPO activity offset in 2015 by:
 - Higher than expected levels of secondary capital raising – up 435.9% over 2014
 - Strong growth in trading and clearing volumes – number of trades up 12.0% over 2014
- Good progress in broadening the market
 - Substantial growth in the debt market including the listing of \$5.6B in LGFA debt in November 2015
 - Dairy derivative market gathering significant momentum – lots traded up 111.5% over 2014
 - First listing on the NXT market – focus on developing a small cap pipeline
- Capital markets continued to operate in a fair, orderly and transparent manner
 - No required actions from the FMA's annual General Obligations Review
 - 100% uptime for both trading and clearing systems
- Retention of Electricity Authority contracts
 - Extended at least 8 years, protecting significant value
 - Reduction in margin on core contracts offset by contracted development for systems upgrade
- Required reinvestment in the capital markets business complete
 - Direct expenses down by 0.8% over 2014



2015 Business Highlights

Funds Services

- Executed against our strategy of increasing exposure to the high growth funds management sector
 - Acquisition of SuperLife, results of which have met expectations
 - SuperLife FuM growth 14.1%¹
 - KiwiSaver FuM growth 22.3%¹
 - Member growth 1.5%¹
 - Enabled launch of 16 new ETFs in 2015 (18 in total since December 2014) across all major asset classes
 - 23 ETFs now available to investors on NZX; FuM (excluding SuperLife) up 15.0%¹
 - SuperLife KiwiSaver scheme now offers 46 different fund options
 - Acquisition of Apteryx, a next generation wrap platform for fund managers and advisors, which has significant growth potential
 - Current funds under administration \$1.3B
 - Estimated target market size up to \$100B
- In addition to the acquisitions, significant investment in the funds services business in 2015
 - \$0.5m in establishment costs associated with the launch of new funds and fund manager licensing
 - Apteryx did not achieve breakeven in 2015

1. Excludes transfer of funds/members from smartkiwi to SuperLife KiwiSaver Scheme



2015 Business Highlights

Agri (NZ and Aus) and Other

- Agri results disappointing, reflecting very difficult market conditions in New Zealand and shift in grain trading patterns in Australia
 - NZ publishing revenues down by 9.9% as a result of both a difficult rural environment and the structural decline in print publishing revenues
 - Data information and analysis revenues up 11.4% which includes the acquisition of iFarm in May 2015
 - Grain trading revenues down by 29.9% due to lower volumes of grain being traded in the first part of the 2015/16 harvest
- Cost base of the business reduced accordingly and remains under close review
 - Direct expenses down 5.0%
 - Closure of one publication, Young Country, in July 2015
- At a group level
 - Ralec costs, \$3.1M in 2015, remain a drain on earnings, accounting for all of the increase in corporate (non-business unit) costs. Trial scheduled for May 2016
 - Realisation of significant value from sale of Link NZ shareholding



2015 reported results

	2015 \$m	2014 \$m	Change
Total revenue	73.2	65.2	12.2%
Operating expenses	(48.6)	(40.6)	19.7%
EBITDA	24.6	24.6	(0.1%)
Depreciation and amortisation	(7.0)	(5.5)	27.3%
Net finance income	0.2	0.1	95.4%
Gain on disposal of Link NZ	11.8	-	NM
Associate earnings	0.4	0.7	(38.9%)
Tax	(6.1)	(6.8)	(10.7%)
Net profit after tax	23.9	13.1	82.1%



Impact of Link disposal

	2015 \$m	2014 \$m	Change
Reported net profit after tax	23.9	13.1	82.1%
Less gain on disposal of Link NZ	11.8	-	NM
Net profit excluding Link gain	12.1	13.1	(8.0%)

	Cents per share	Cents per share	
Reported earnings per share	9.1	5.1	78.4%
Less gain on disposal of Link	4.5	-	NM
EPS excluding Link gain	4.6	5.1	(9.8%)



Impact of acquisitions

	2015 \$m	Less Acquisitions	2015 excl acquisitions	2014 \$m	Change
Total revenue	73.2	7.1	66.1	65.2	1.4%
Operating expenses	(48.6)	(5.0)	(43.6)	(40.6)	7.4%
EBITDA	24.6	2.1	22.5	24.6	(8.5%)
Depreciation & amortisation	(7.0)	(1.2)	(5.8)	(5.5)	5.5%
Net finance income	0.2	(0.4)	0.6	0.1	500.0%
Gain on Link NZ	11.8	-	11.8	-	NM
Associate earnings	0.4	-	0.4	0.7	(38.9%)
Tax	(6.1)	(0.2)	(5.9)	(6.8)	(13.2%)
Net profit after tax	23.9	0.3	23.6	13.1	80.2%



2015 Financial and Operational Performance



2015 Revenue Summary

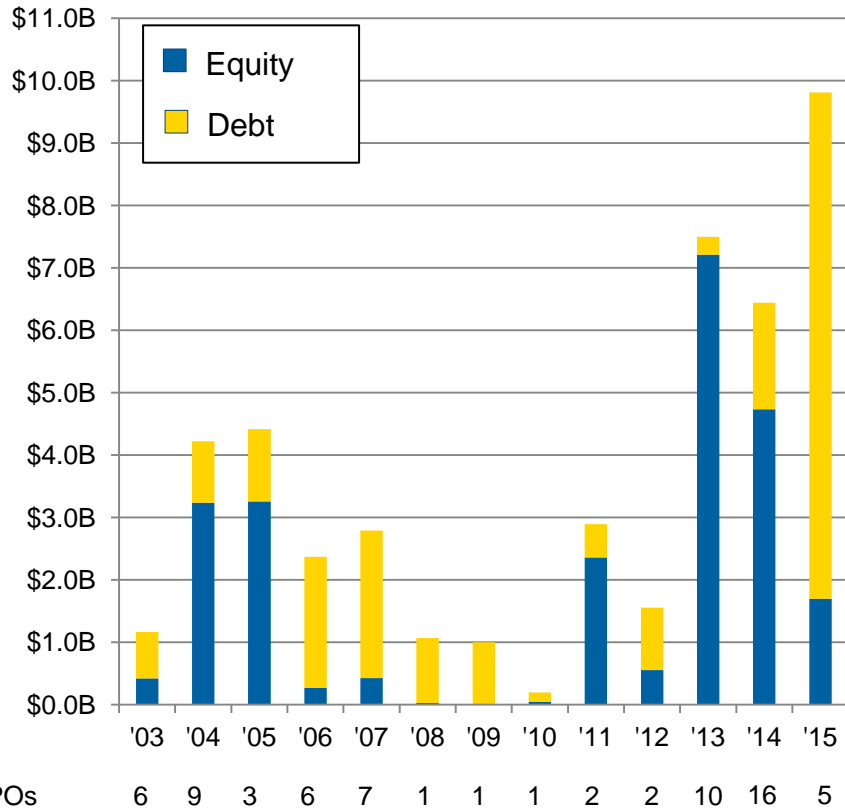
	2015 \$m	2014 \$m	Change
Securities information	10.5	10.4	1.5%
Listing fees	13.4	13.2	1.8%
Other issuer services	0.8	1.0	(24.0%)
Securities trading	5.0	4.4	12.5%
Participant services	3.5	3.5	1.4%
Securities clearing	5.4	4.7	15.3%
Dairy derivatives	0.7	0.3	169.3%
Market operations	10.6	11.6	(8.6%)
Total Markets	49.9	49.1	1.8%
Funds Services	10.7	2.7	293.4%
Commodities trading	0.9	1.2	(29.9%)
Agri information	11.7	12.2	(4.2%)
Total Agri Information	12.6	13.4	(6.6%)
Total revenue	73.2	65.2	12.2%



Listing fees

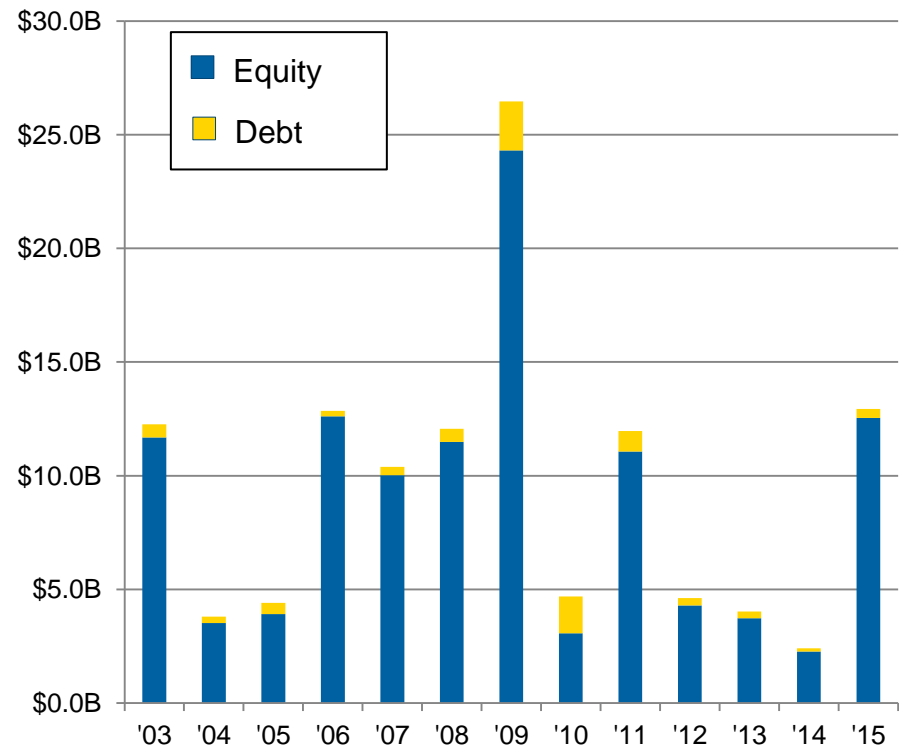
Shift from IPOs to new debt listings and secondary capital raisings

New Capital Listed



2015 revenue \$0.8m

Secondary Capital Raised



2015 revenue \$3.9m

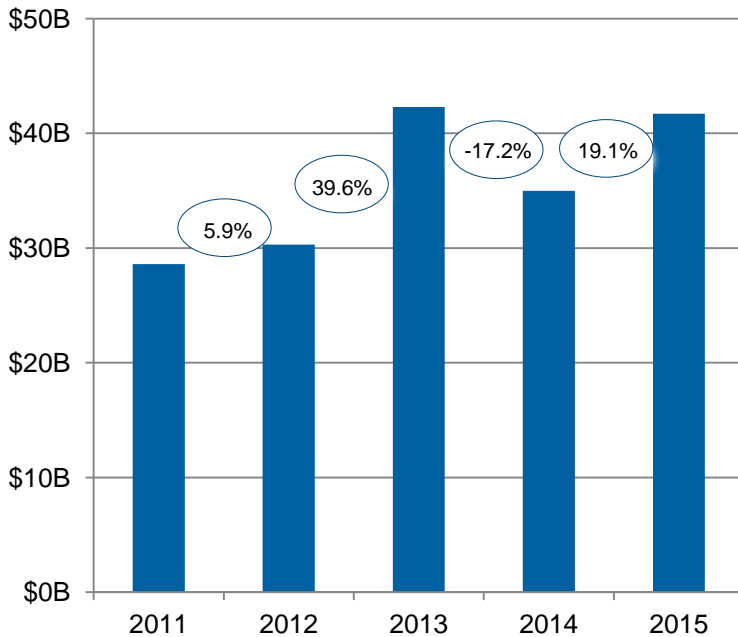
Source: NZX Data



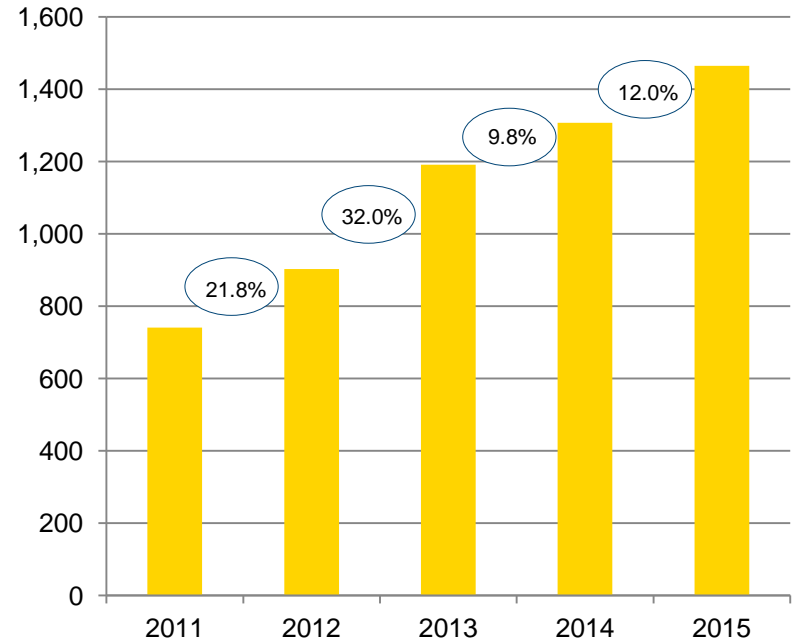
Trading and clearing

Trading volumes continue to grow; rise in value traded

Value Traded



Number of Trades (000's)



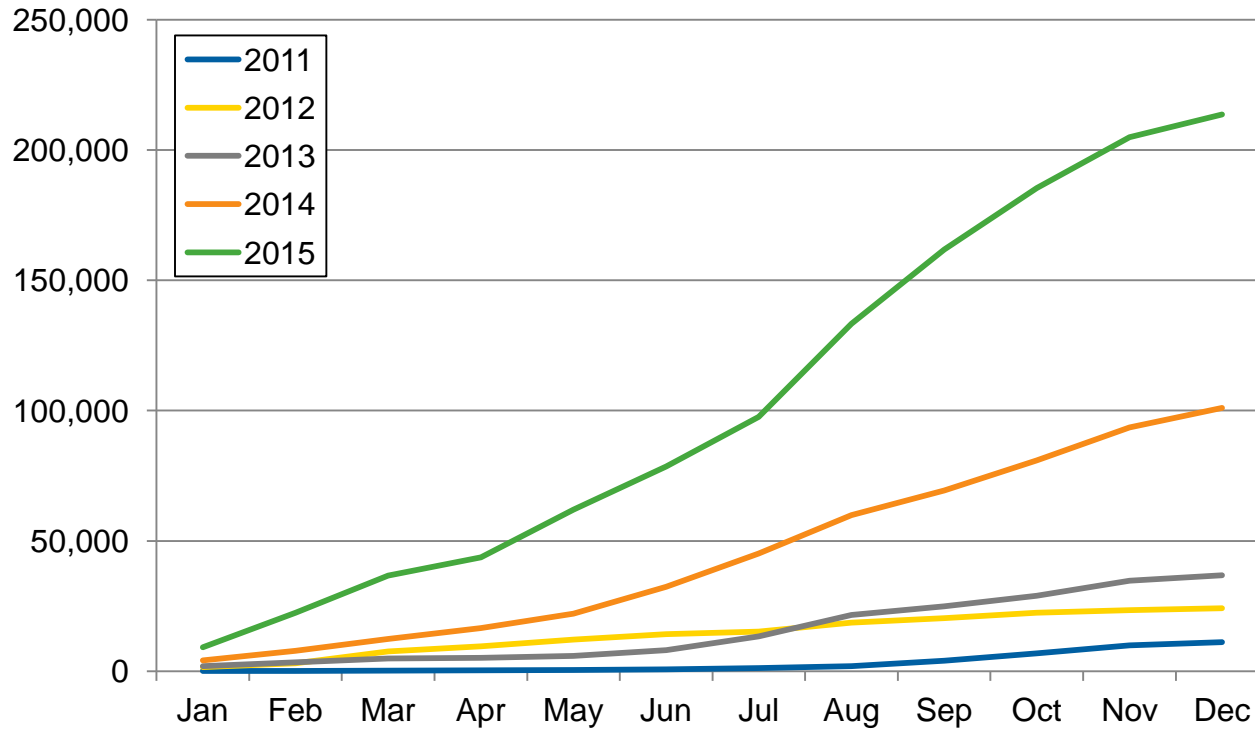
Approximately 30% of 2015 securities trading revenue was value based fees

○ Change over prior year



Dairy Derivatives Strong growth trajectory continues

Cumulative Dairy Derivatives traded (# lots)



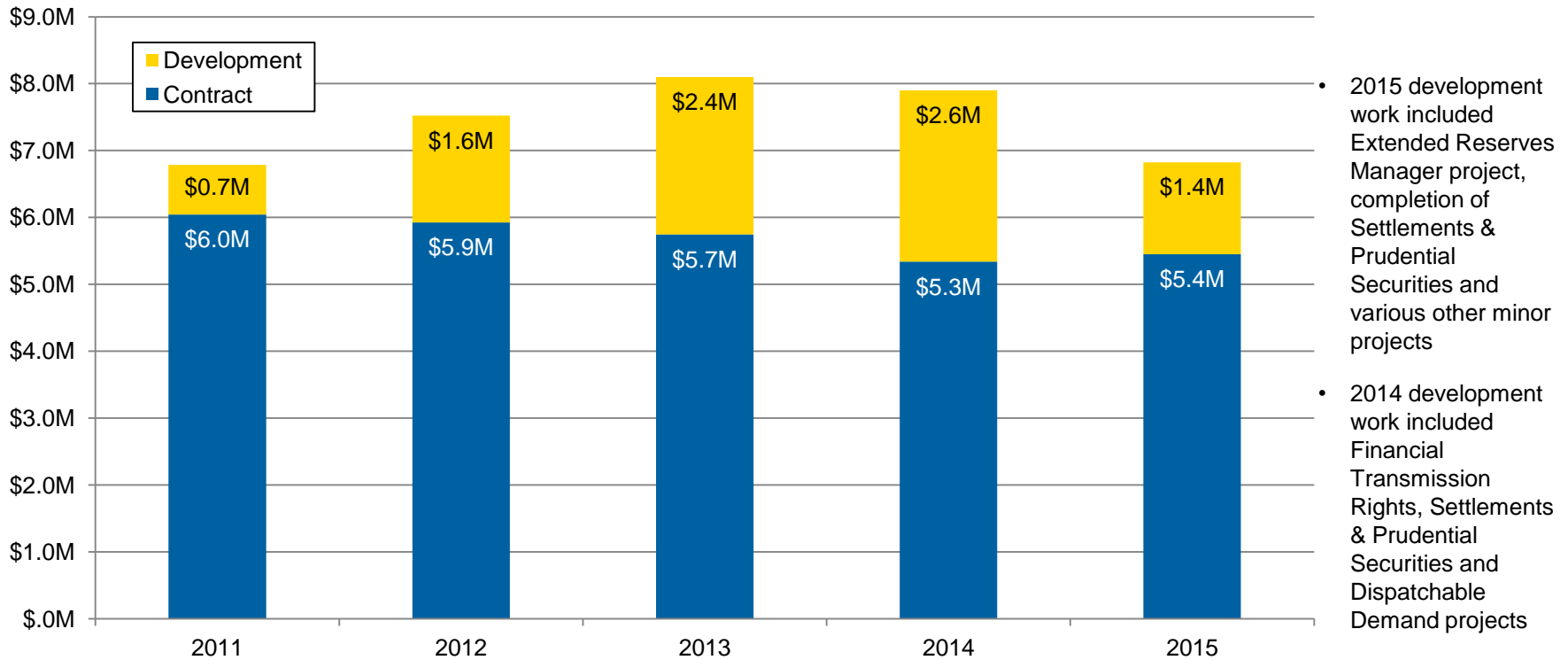
- 3 new clearing participants in 2015
- Launch of fresh milk futures planned for 2016, subject to regulatory approvals



Market Operations

Energy consulting revenues declined, contractual revenues steady

Energy Revenue





Funds services

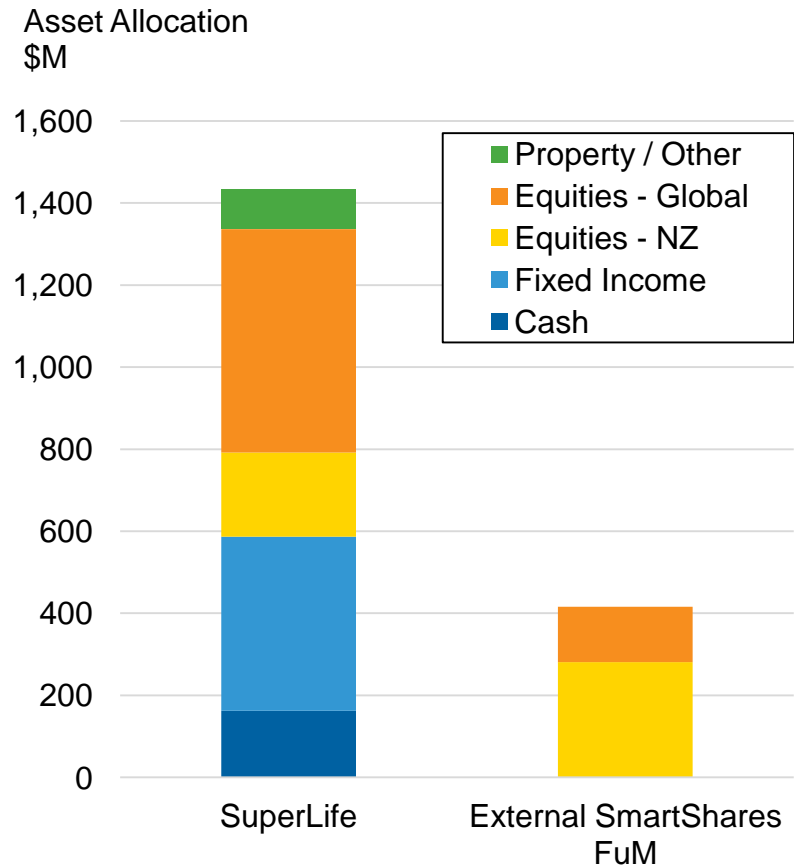
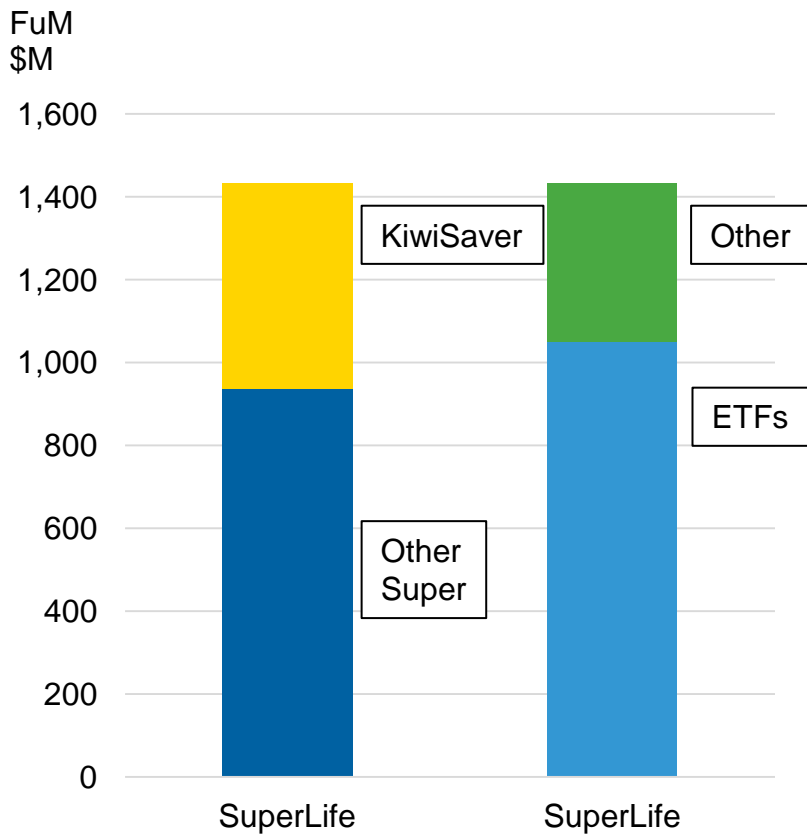
Comprising Smartshares, SuperLife and Aptyeryx

	2015 \$m	2014 \$m	2013 \$m	Change 2015 v 2014
SuperLife revenue	6.4	-	-	NM
Smartshares revenue	3.6	2.7	2.5	31.1%
Total funds management revenue	10.0	2.7	2.5	268.0%
SuperLife member numbers	43,713	-	-	NM
SuperLife FUM	1,433	-	-	NM
Smartshares external FUM	440 ¹	411	355	7.1%
Smartshares total FUM	1,490	499	355	198.6%
Aptyeryx FUA	1,317	-	-	NM

¹Net of \$33m transfer of smartkiwi KiwiSaver funds to SuperLife

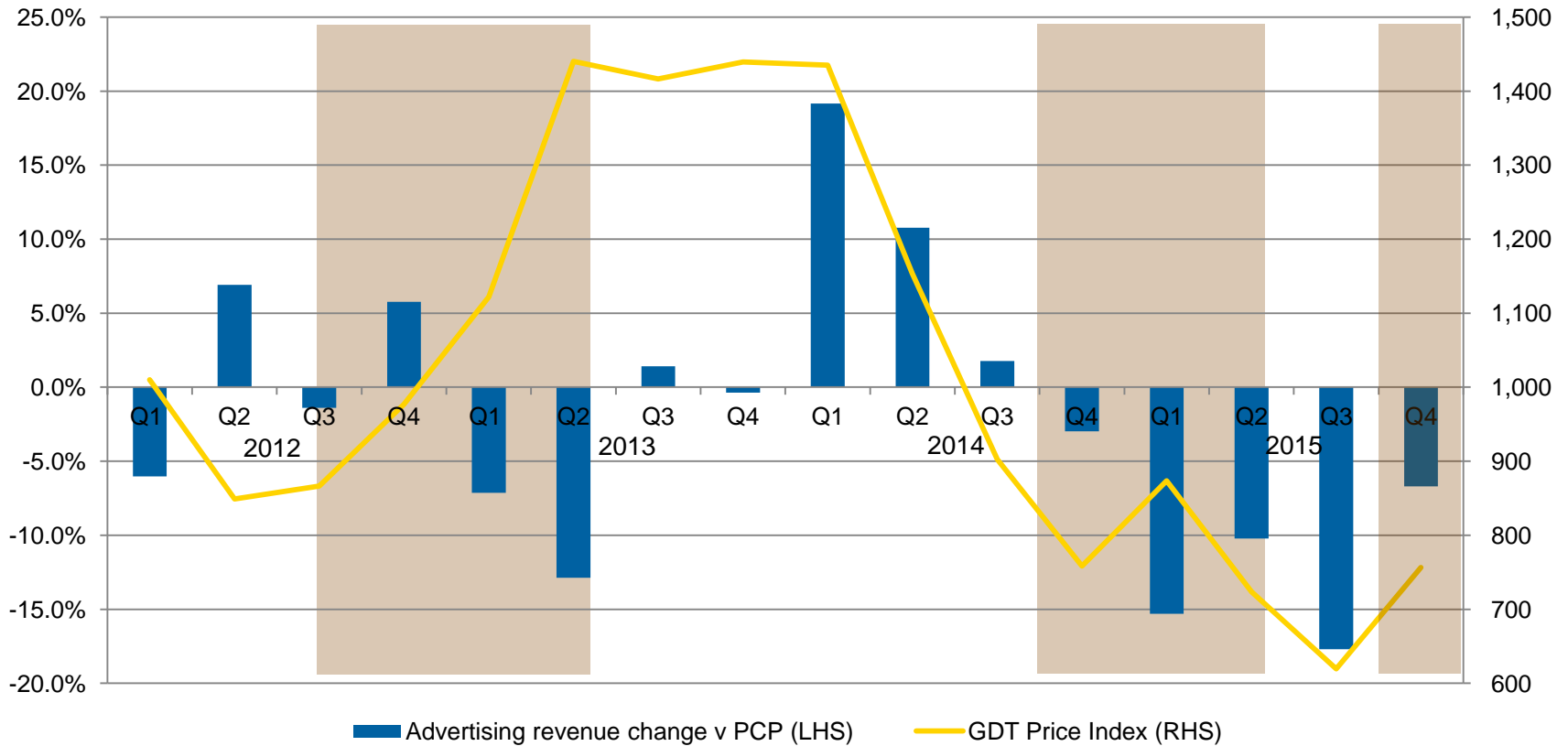


Funds Under Management SuperLife and Smartshares



Agri information

Advertising revenues impacted by cyclical factors

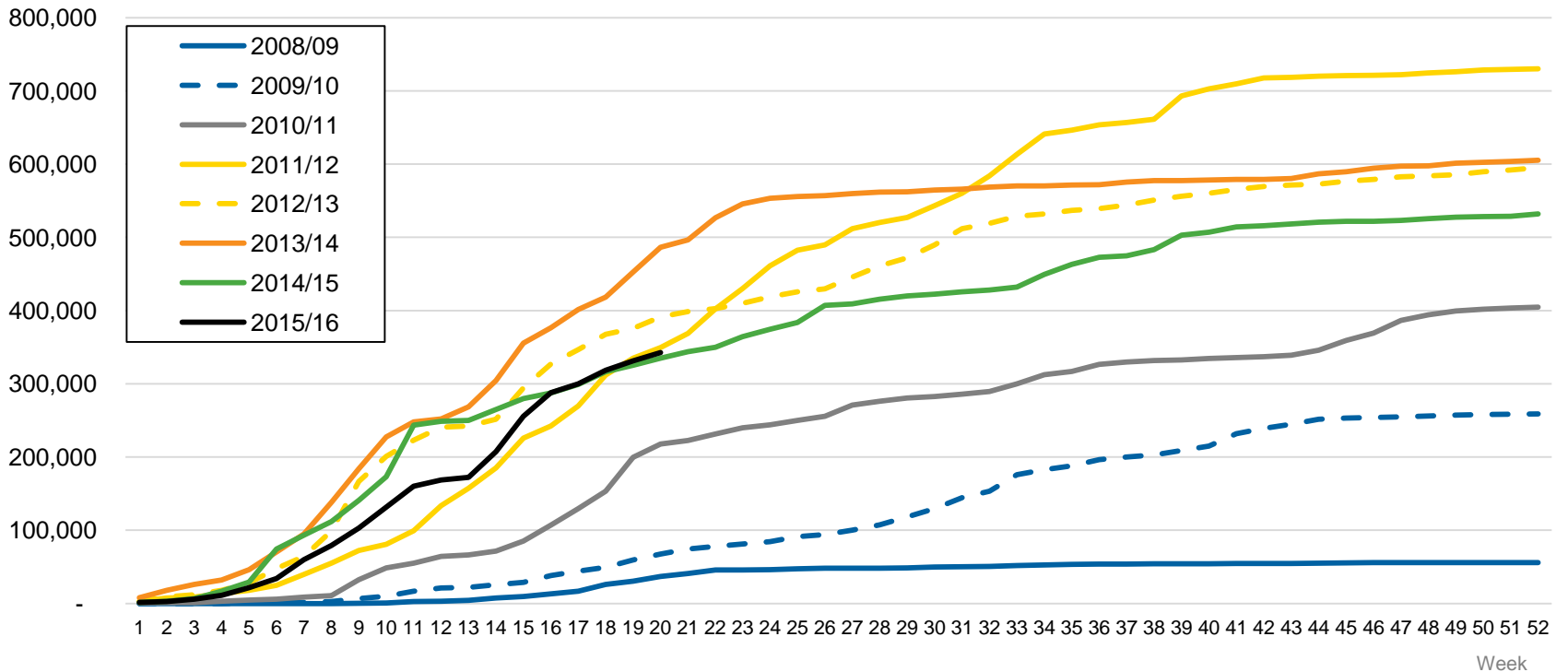


Period of drought

CGX Volumes

Slow start to 2015/16 harvest due to low grain prices

Cumulative Tonnes Traded by Harvest





2015 operating expenses summary

	2015 \$m	2014 \$m	Change
Gross personnel costs	27.7	22.3	24.6%
Less staff capitalisation	(1.6)	(0.3)	552.6%
Net personnel costs	26.1	22.0	18.5%
IT costs	6.2	5.8	7.1%
Professional fees	5.6	3.4	62.9%
Marketing, print and distribution	3.5	3.8	(7.3%)
Fund expenditure	2.3	1.1	114.5%
Other expenses	4.9	4.5	8.8%
Total operating expenditure	48.6	40.6	19.7%



Expense growth driven by acquisitions, Ralec fees

Underlying cost growth 2.2%

- Cost growth reflects the investment in the expansion of the funds services business and the ongoing costs associated with the Ralec litigation
 - Total growth in operating expenses of \$8.0m
 - \$5.0m from the acquisition of SuperLife and Apteryx
 - \$2.1m from increased Ralec fees¹
 - \$1.2m due to the launch of 16 new ETFs during 2015 reflected in higher funds expenses
- Underlying expense growth (excluding acquisitions and Ralec fees) of \$0.9m equates to 2.2% growth on 2014
 - Direct expenses were down 0.8% in Markets and 5.0% in the Agri businesses

1. Total Ralec related costs were \$3.1m in 2015 compared to \$1.0m in 2014. The trial is set down for May 2016.



Results by business area

2015	Markets \$m	Funds \$m	Agri \$m	Corporate \$m	Group \$m
Revenue	49.9	10.7	12.6	-	73.2
Direct expenses	12.4	9.0	11.5	15.7	48.6
EBITDA	37.5	1.7	1.1	(15.7)	24.6

2014	Markets \$m	Funds \$m	Agri \$m	Corporate \$m	Group \$m
Revenue	49.1	2.7	13.4	-	65.2
Direct expenses	12.5	2.0	12.1	14.0	40.6
EBITDA	36.6	0.7	1.3	(14.0)	24.6

15/14 % change	Markets %	Funds %	Agri %	Corporate %	Group %
Revenue	1.8%	293.4%	(6.6%)	-	12.2%
Direct expenses	(0.8%)	350.0%	(5.0%)	12.1%	19.7%
EBITDA	2.5%	142.9%	(15.4%)	(12.1%)	(0.1%)



2016 Outlook



Outlook for 2016 Revenues

Business Area		Outlook
Markets	<ul style="list-style-type: none">• Capital raising• Trading and clearing	<p>Currently in a period of high volatility which has:</p> <ul style="list-style-type: none">• Increased trading volumes thus far in 2016, but it is unclear what the medium-term impact of the current global markets correction will have on the NZ market• Created some uncertainty around what is a positive IPO pipeline versus 2015 <p>Secondary capital raisings likely to return to a more normal profile after an elevated year in 2015 due to dual-listed bank's capital raising</p>
	<ul style="list-style-type: none">• Annual listing fees• Participant services	<ul style="list-style-type: none">• Stable outlook across these revenue lines, recent takeover activity will impact only at the margin• Listing fees reviewed at half year
	<ul style="list-style-type: none">• Securities data	<ul style="list-style-type: none">• Lower growth than prior year which benefitted from one-off audit activity
	<ul style="list-style-type: none">• Dairy derivatives	<ul style="list-style-type: none">• Growth expected to continue, though recent decline in dairy commodity price volatility has seen growth rate moderate from very high levels of 2015• Launch of a fresh milk futures (subject to regulatory approvals) unlikely to have an impact in 2016 year
	<ul style="list-style-type: none">• Market operations	<ul style="list-style-type: none">• New EA contract pricing becomes effective in 2016. Results in similar total revenue to 2015 levels, though with additional systems refresh work included within the contract• Current expectation is for similar levels of consulting activity to 2015



Outlook for 2016 Revenues

Business Area		Outlook
Funds Services	<ul style="list-style-type: none">• SuperLife• Smartshares	<ul style="list-style-type: none">• Growth potentially impacted by declining equity markets, as significant proportion of revenue based on % of FUM fees• Net funds inflow however is expected to maintain current trends• Full year of revenues from new ETFs launched in 2015. Targeting similar underlying growth in external FUM within these funds as last year
	<ul style="list-style-type: none">• Apteryx	<ul style="list-style-type: none">• Full year of revenue from existing contracts
Agri	<ul style="list-style-type: none">• Data• Publications	<ul style="list-style-type: none">• Agri data growth trend from 2015 expected to continue• Volume of advertising in publications currently suppressed by lack of sector confidence due to low dairy and other commodity prices. Expected to persist for the remainder of 2016
	<ul style="list-style-type: none">• Grain trading	<ul style="list-style-type: none">• After two harvests where most of the crop was sold early in the harvest, the 2015/16 harvest is being sold more slowly as a result of lower market prices. This suits Clear Grain's offering and is expected to underpin growth in volume in 2016 relative to 2015



Outlook for 2016 Expenses

Area	Outlook
Personnel costs	<ul style="list-style-type: none">• Full year of Apteryx costs. Further investment in development and operational capability would be required if a new major client is secured• Additional energy development/testing resource to deliver EA system enhancements• Growth in salary rates at or below CPI• Increase in staff capitalisation expected, reflecting progression of BaNCS upgrade, EA development work and a full year of Apteryx
IT costs	<ul style="list-style-type: none">• Moderate growth associated with Apteryx and other development and corporate activities
Professional fees	<ul style="list-style-type: none">• Current estimate of Ralec fees through to the end of the trial is \$2.5m to \$3.0m• Other professional fees anticipated to be in line with 2015 levels as FMCA transition costs offset the absence of fund launch costs that were incurred in 2015
Marketing, print and distribution	<ul style="list-style-type: none">• Increase in marketing costs expected to promote funds management products
Fund expenses	<ul style="list-style-type: none">• Full year of funds costs on the 16 new ETFs launched in 2015. These are largely fixed, hence incremental revenues result in margin expansion
Other expenses	<ul style="list-style-type: none">• Full year of Apteryx costs• Other costs in line with 2015

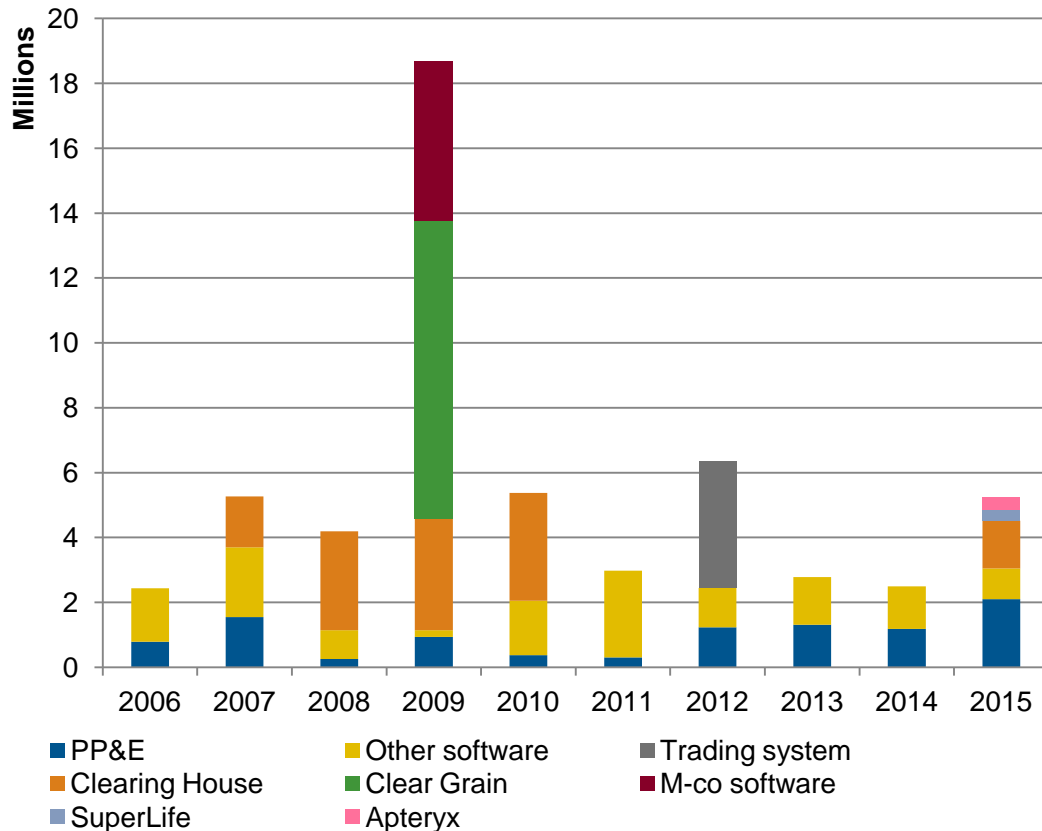


Outlook Summary

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

Capex

Investment requirements driven by system lifecycles, addition of new funds businesses increases BAU capital expenditure



- “BAU” capital expenditure has averaged \$2-3m p.a. over recent years, with peaks driven by system implementations/renewals
- This has increased as a result of the acquisition of SuperLife and Apteryx, which undertake development of their core systems in-house
- The Group is also in the middle of a major upgrade of its clearing and settlement system, which is anticipated to be largely completed in 2016, and has commenced work on a 2-3 year upgrade of the systems used to operate the NZ Electricity markets under contract from the EA
- In 2016, the Group currently anticipates capital expenditure in the region of \$6m to \$8m, the majority of which represents the capitalisation of internal staff costs. This includes the clearing system upgrade, the EA systems upgrade and continuing development of the Apteryx and SuperLife platforms



Dividend



2H 2015 Dividend

- Final 2015 dividend of 3.0 cents declared. Takes total distributions for 2015 to 6.0 cents, unchanged from 2014
- Dividend to be fully imputed
- To be paid on 30 March 2016 for holdings as at 16 March 2016



Investor information



Investor Information

- Final dividend of 3.0 cents per share fully imputed declared
- Record date 16 March 2016 and payment date 30 March 2016
- NZX full financial reports available to download at:

<http://nzxgroup.com/investor-centre/reports-information>

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