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## NZX Half Year 2014 results announcement

NZX today reported its half year results for the six months to 30 June 2014. Net earnings of \$7.0 million were 8.3% higher than the previous comparable period. Total revenues were \$31.2 million, 2.8% higher than the same period last year which included unusually high levels of energy consulting revenue. Contributing to the revenue growth was strong growth in NZX's capital markets businesses and good performance in NZX's agri information business following the sector's full recovery from the drought.

NZX CEO Tim Bennett commented: "We are continuing to experience positive growth in our capital markets, demonstrated by the seven initial public offerings we've seen year to date, and with more listings in the pipeline."

"We're seeing the benefits of key structural changes occurring in New Zealand including the increase in KiwiSaver funds, which continues to drive demand for investment products including through the public markets. Meeting this demand by ensuring there are more products for people to invest in remains a key strategic priority across NZX."

Reported results are summarised in the table below.

	6 months ended 30 June 2014	6 months ended 30 June 2013	Change %
<b>Revenue</b>	<b>31.2</b>	<b>30.3</b>	<b>2.8%</b>
Operating expenses	(19.0)	(18.2)	4.3%
<b>EBITDA</b>	<b>12.1</b>	<b>12.1</b>	<b>0.7%</b>
Net finance income	0.1	0.1	42.7%
Depreciation & amortisation	(2.7)	(3.2)	(16.3%)
Associate income	0.2	0.3	(32.5%)
Tax expense	(2.8)	(2.8)	0.4%
<b>Net Profit After Tax</b>	<b>7.0</b>	<b>6.4</b>	<b>8.3%</b>

### Business Highlights

**Capital markets:** NZX's capital markets business, which includes revenue from capital raising, trading and clearing, listings, participant services and securities data, continued to perform strongly during the first half of 2014.

Initial Public Offering activity during the six months included the final listing in the Government's share offer programme, Genesis Energy, along with Inturei Education Group, Serko and



Gentrack. This activity has continued into the second half with the listings of IkeGPS, Scales Corporation and Metro Performance Glass. Vista Group International is scheduled to list this morning, while EROAD and a compliance listing, Pushpay, are scheduled for later this week. Another compliance listing, Lateral Corporation, is scheduled for next week.

Total new capital of \$3.52 billion was listed during the half year, slightly down on the same period last year, which included the listing of Mighty River Power.

While listing fees associated with this IPO activity have positively impacted revenues during the current period, they will also provide recurring annual listing, trading and clearing revenues.

Mr Bennett commented: "It's exciting that these companies have chosen listing over other capital raising options available to them and it's worth noting that listings have a broader benefit for New Zealand's capital markets, providing KiwiSaver funds with businesses to invest in, bringing new investors to the market, and continuing to generate interest in saving and investing."

The development of NZX's new market for small and mid-sized businesses is progressing well. In July, NZX welcomed approval by the Minister of Commerce, the Hon Craig Foss, that allows NZX to establish the market using an alternative disclosure regime, which differs from the traditional continuous disclosure requirements of the NZX Main Board.

The new market rules have been submitted to the Financial Markets Authority (FMA) for consideration and approval, which is a prerequisite for launching the market. NZX currently estimates it will launch the market in Q4 2014 following rules approval.

NZX's Index Futures launched in June, further strengthening New Zealand's capital markets infrastructure and providing investors with additional tools for their New Zealand equity investment and risk management needs.

NZX's securities data revenues grew during the half-year, up 11.4% to \$4.9 million, due to a positive trend returning in real time data terminal numbers, along with the first full six months of re-pricing contracts into NZD.

NZX continues its focus on maintaining a high quality regulatory environment. In June, NZX welcomed FMA's third annual General Obligations Review which concluded NZX was fully compliant in 2013 with all its statutory obligations to ensure that the operation each of its registered markets and the derivatives market were fair, orderly and transparent.

Two key appointments were made during the period to NZX's regulation team – the appointment of Joost van Amelsfort as NZX's Head of Market Supervision, which reflects a split of the current Head of Regulation role, and Jody Taylor as Leader Participant Compliance.

**Soft commodities:** NZX's Dairy Derivatives business continued to demonstrate impressive growth with lots traded up 301.6% on the prior comparable period. NZX received authorisation in January from the US regulatory agency, the Commodity Futures Trading Commission (CFTC), as a Foreign Board of Trade under the US Commodity Exchange Act, improving access to the market for US customers.

NZX's Dairy Futures were recently named a finalist in the Futures & Options World Awards for Asia 2014 for Best New Contract.



Despite an early end to the 2013/14 grain season, trading volumes on the Clear Grain Exchange were up 1.6% on the prior year, while reported revenues were down 12.9% due to the impact of a high New Zealand dollar. Operational highlights during the period included development of a forward contract, expected to launch later this year, and the signing of a memorandum of understanding for promotion of Clear Grain in Western Australia.

**Agri information:** NZX's agri information business performed strongly during the six months with revenue up 5.4% on the prior period, driven by increased advertising revenue in its publications business, demonstrating greater confidence in the sector following recovery from the severe drought conditions that impacted the first half of 2013.

Traffic to NZX Agri websites continues to grow steadily, with page views up 104.3% on the same period last year. Other operational highlights include the launch of the Farmgate Dairy report and the Agri Academy, an online learning tool.

**Funds management:** NZX's funds management business saw positive movement both in funds under management and units on issue, up 13.6% and 6.1% respectively.

Operational highlights included the development and launch in July of the NZ Core Equity fund which launched with an initial \$15 million of funds under management. The investment management of this fund is outsourced to Dimensional Financial Advisors.

**Market operations:** Market operations revenue was down 14.8% in the half year due to reduced energy consulting work and the loss of a gas market contract in late 2013. However, new system development projects for the Electricity Authority commenced in Q2 14 that will result in significant development activity in 2H 2014.

## **Costs**

Total costs were up 4.3% on the prior period to \$19.0 million. Employee costs during the six months were driven by increased contractor costs, a small increase in staff numbers and full period impact of 2013 new hires.

Print and distribution costs were up on the prior period in rural publications, in line with higher revenues.

IT costs remained stable despite growth in activity levels, while general and administration costs were slightly down on the prior period.

Professional fees were high due to Ralec litigation costs, tax audit related work and legal costs associated with the launch of the new NZ Core Equity fund.

## **NZX Board update**

As previously signalled, NZX Chairman Andrew Harmos will retire from the NZX Board at the company's 2015 Annual Meeting. Mr Harmos has served as a Director on the Board since 2002, prior to the demutualisation and listing of NZX. He was appointed Chairman in September 2008.



James Miller, currently NZX's Deputy Chairman, will replace Mr Harnos as Chairman. Mr Miller was appointed to the Board in August 2010. He is an experienced company director and has extensive capital markets experience. He is currently a Director on the Boards of the Financial Markets Authority (term expires April 2015), Mighty River Power, ACC and Auckland International Airport.

On behalf of the Board, Mr Miller acknowledged Mr Harnos for his outstanding service and commitment to the Board and the company.

### **Dividend**

NZX's Board has declared a fully imputed interim dividend of 3.0 cents, in line with its previously announced dividend policy and guidance that NZX intends to pay a full year distribution for the 2014 financial year of 6.0 cents per share (subject to commitments, working capital and solvency requirements).

### **Outlook for the remainder of 2014**

There continues to be a good pipeline of small to medium sized IPO candidates, which will likely deliver further listings in the remainder of the year beyond those already announced. Annual listing fee income will continue to grow as a result of new listings, market growth and fee changes effective 1 July 2014.

While the new growth market will have limited impact on 2014 results, over time it is expected to provide a pipeline of companies to migrate to the Main Board.

With double digit growth in funds under management in New Zealand's funds management industry expected, largely driven by KiwiSaver, NZX expects positive growth in its Smartshares business. NZX also continues to evaluate the potential to grow this business through acquisition.

The contracts operated by NZX's energy business on behalf of the Electricity Authority are set to expire in 2016. NZX expects to re-tender for these in 2015. Energy consulting revenue is expected to be significantly up on 1H 2014 due to large projects that are now underway. This activity will create a corresponding increase in employee costs due to the additional project resource required.

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