2016 Full Year Results Presentation

14 February 2017

Contents

This full year results presentation should be read in conjunction with the management commentary on NZX's 2016 results, which provides additional information on many areas covered in the presentation

Overview of 2016 results

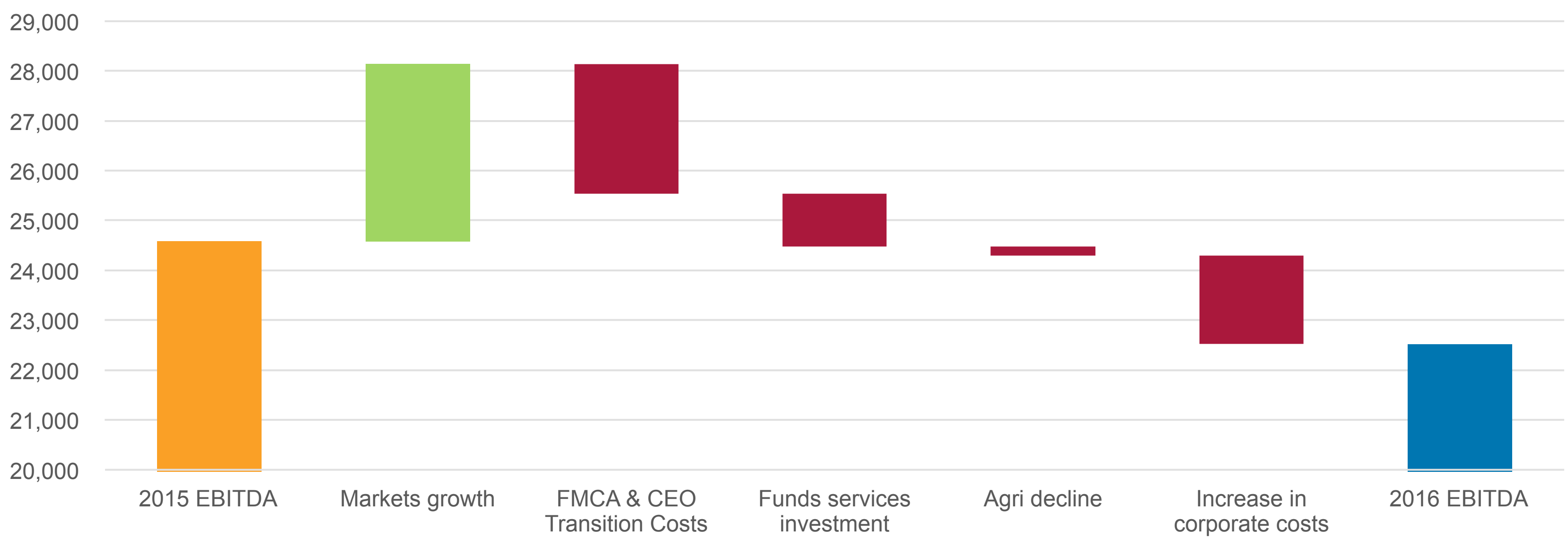
2016 overview

A number of non-operating factors impacted 2016 results, but strong platform built for significant earnings growth in 2017

- A number of significant milestones were achieved in 2016 that put the Group on a strong footing for 2017 and beyond, including completion of the Ralec litigation, completion of transition to the FMCA, success in winning major clients for NZX Wealth Technologies, and reshaping of the rural business, all of which will add meaningfully to 2017 earnings
- All of these items did however have an impact on 2016 results through increased costs, as did one-off costs associated with the CEO transition
- In terms of the operating performance of the business:
  - the Markets division performed strongly, achieving further operating leverage through growing revenue while at the same time reducing cost. Growth in the listed debt markets and securities trading volumes were particular highlights
  - the Funds Services segment continued to see good revenue growth, though segment earnings were impacted by the investment required to expand these businesses and the short-term costs of the FMCA transition
  - the Agri business endured difficult trading conditions as advertisers pulled back spend

2016 Operating Earnings

	2016 $m	2015 $m	Change
Total revenue	77.5	73.2	6.0%
Operating expenses	(55.0)	(48.6)	13.3%
EBITDA	22.5	24.6	(8.4%)



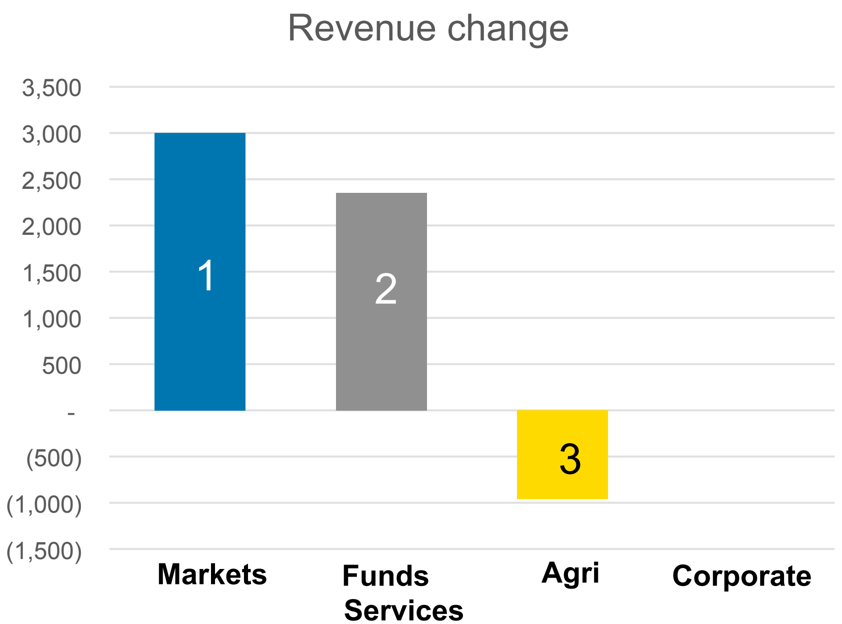
2016 reported results

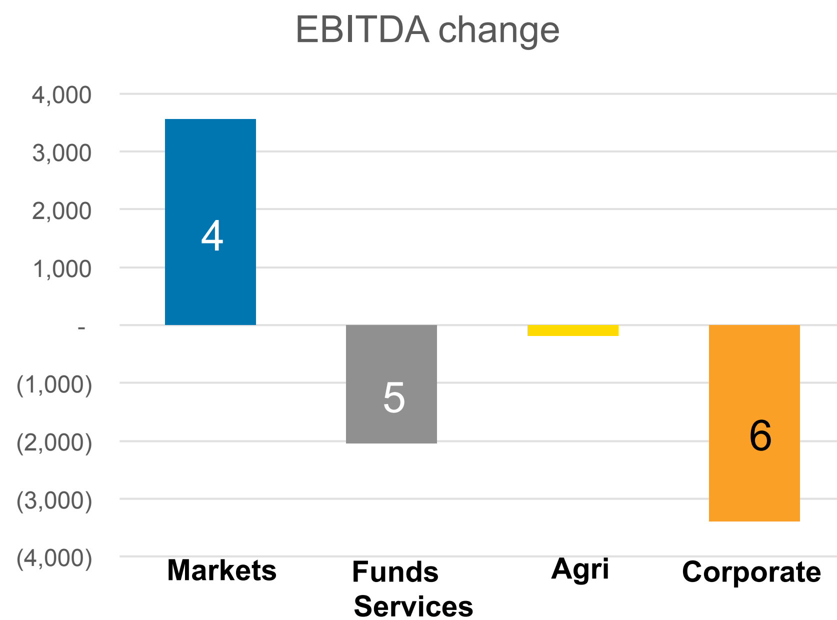
	2016 $m	2015 $m	Change
Total revenue	77.5	73.2	6.0%
Operating expenses	(55.0)	(48.6)	13.3%
EBITDA	**22.5**	**24.6**	**(8.4%)**
Depreciation and amortisation	(7.9)	(7.0)	13.5%
Net finance income	(0.4)	0.2	(319.4%)
Gain on disposal of Link NZ	-	11.8	(100.0%)
Associate earnings	-	0.4	(100.0%)
Loss on disposal	(0.4)	-	NM
Impairment	(0.8)	-	NM
Adjustment to earnout	0.7	-	NM
Tax	(4.5)	(6.1)	(26.0%)
Net profit after tax	**9.2**	**23.9**	**(61.5%)**

Significant non-operating items in 2015 and 2016 results

Item	2016 $m	2015 $m	Description
Gain on Link disposal	-	11.8	Gain on sale of NZX's 50% stake in Link Market Services NZ in June 2015
Loss on sale of assets	(0.4)	-	Loss on disposal of Clear Grain Exchange and New Zealand rural magazine titles
Impairment	(0.8)	-	Write down of residual value of brands associated with the rural magazine titles
Earnout adjustment	0.7	-	Reversal of contingent earnout payment accrued on acquisition of Apteryx as earnout targets not expected to be met, partly offset by increase in provision for SuperLife earnout due to increased expectation of full payout

Segment results





1 Growth in debt listings and securities trading volumes

2 Full year of new ETFs and growth in SuperLife funds under management

3 Reduction in print advertising

4 Operating leverage from revenue growth and cost reduction

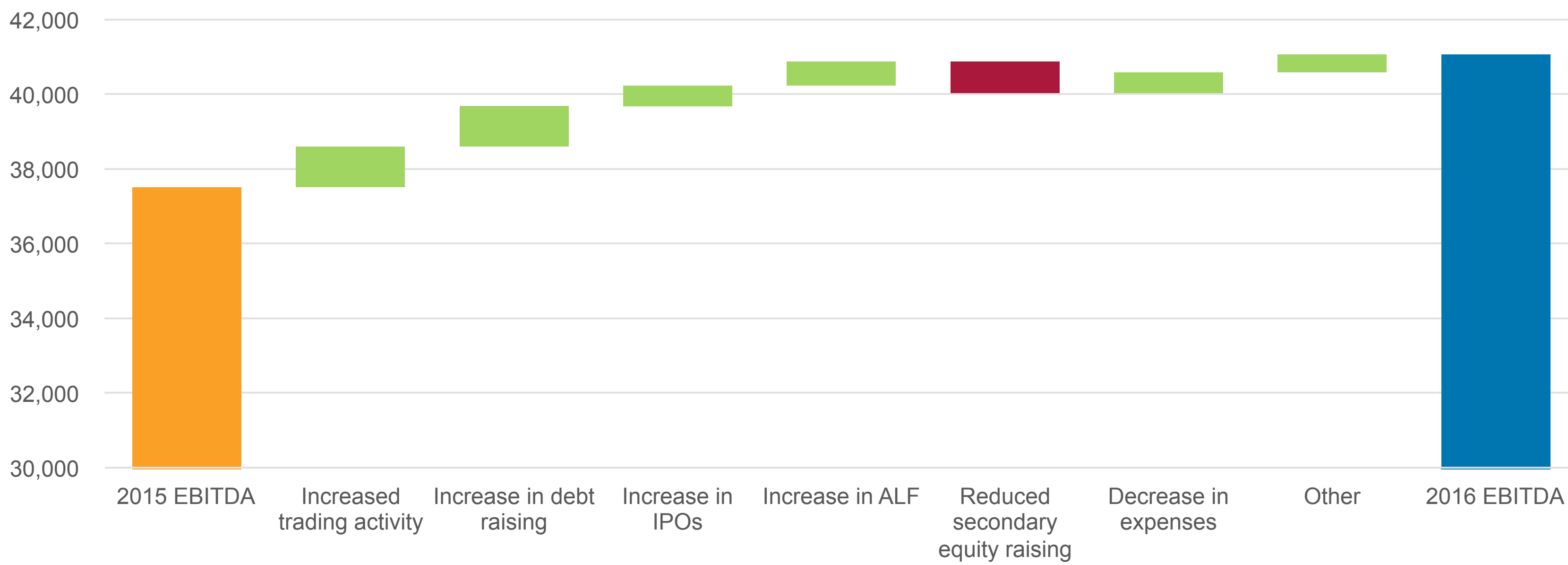
5 FMCA costs plus full year of losses from NZXWT and early stage ETFs

6 CEO transition costs, increase in IT, rent and payroll costs

2016 financial and operational performance

Markets earnings

	2016 $m	2015 $m	Change
Total revenue	52.9	49.9	6.0%
Operating expenses	(11.8)	(12.4)	-4.5%
Segment earnings	**41.0**	**37.5**	**9.5%**



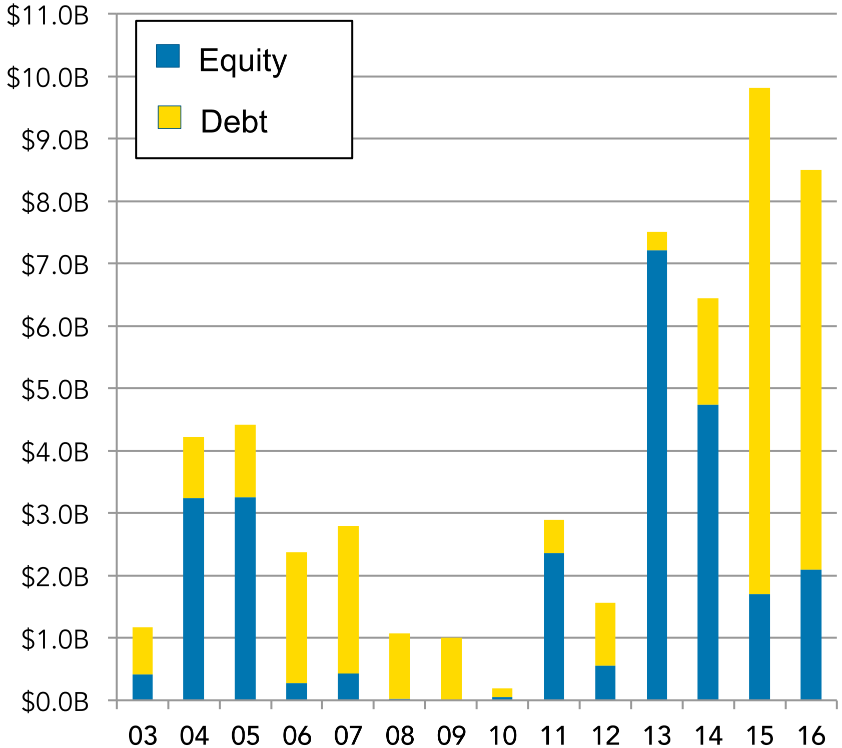
Markets revenue

	2016 $m	2015 $m	Change
Securities information	10.4	10.6	-1.4%
Listing fees	14.9	13.4	11.3%
Other issuer services	1.1	0.8	48.6%
Securities trading	5.8	5.0	15.9%
Participant services	3.6	3.5	1.9%
Securities clearing	5.7	5.4	5.6%
Dairy derivatives	0.7	0.7	3.2%
Market operations	10.7	10.6	0.9%
Total markets revenue	**52.9**	**49.9**	**6.0%**

- Strong flow of new and secondary debt issuance – debt market capitalisation up 29.7% to 25.7b
- Growth in volume and to a lesser extent value traded in cash markets drove trading and clearing fee growth
- Relatively limited IPO activity with three main board listings, though two NXT listings and two spin outs saw 7 new companies listed in 2016

Listing fees
Shift from IPOs to new debt listings

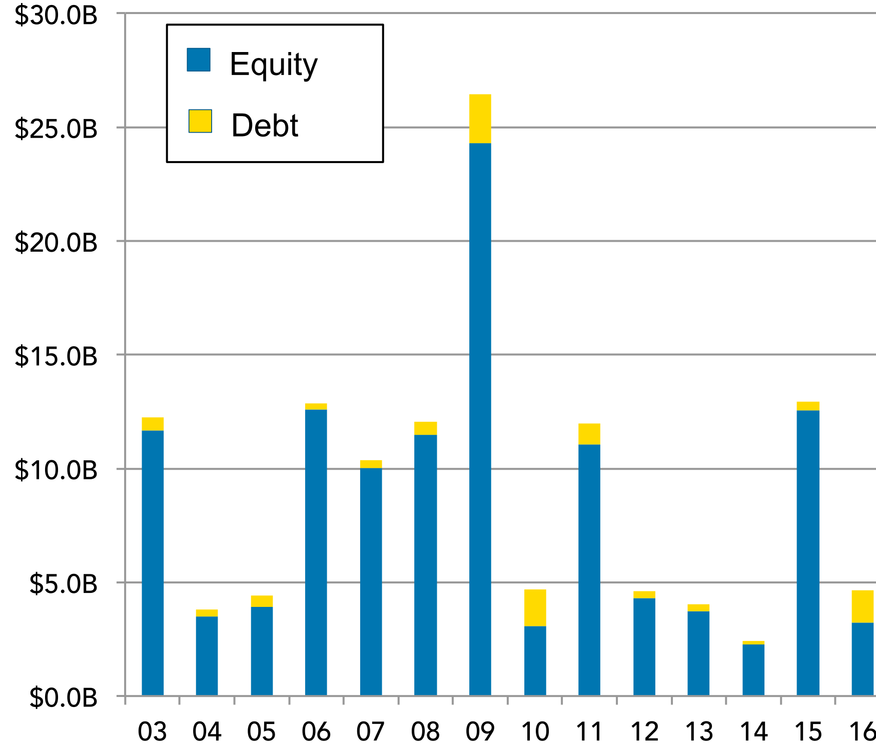
New capital listed



New equity listings	6	9	3	6	7	1	1	1	2	2	10	16	5	7

2016 revenue $2.3m (2015: $0.8m)

Secondary capital raised

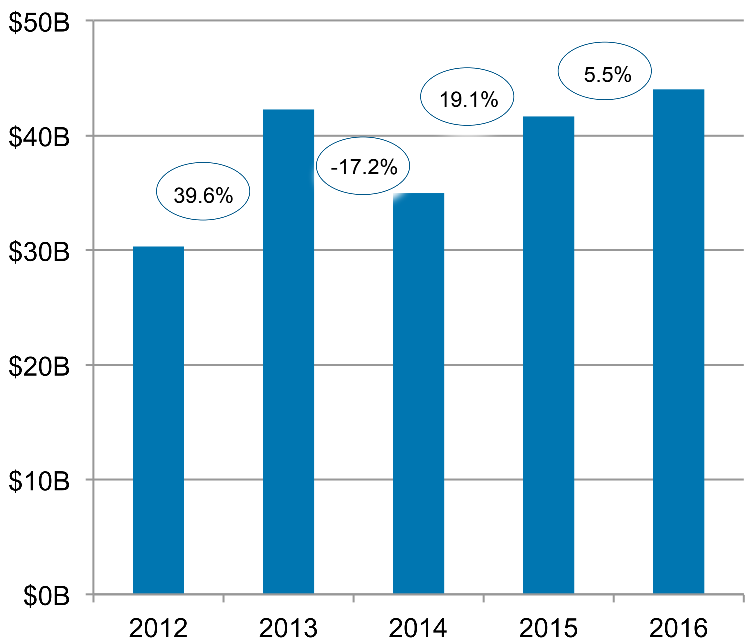


2016 revenue $3.3m (2015: $4.0m)

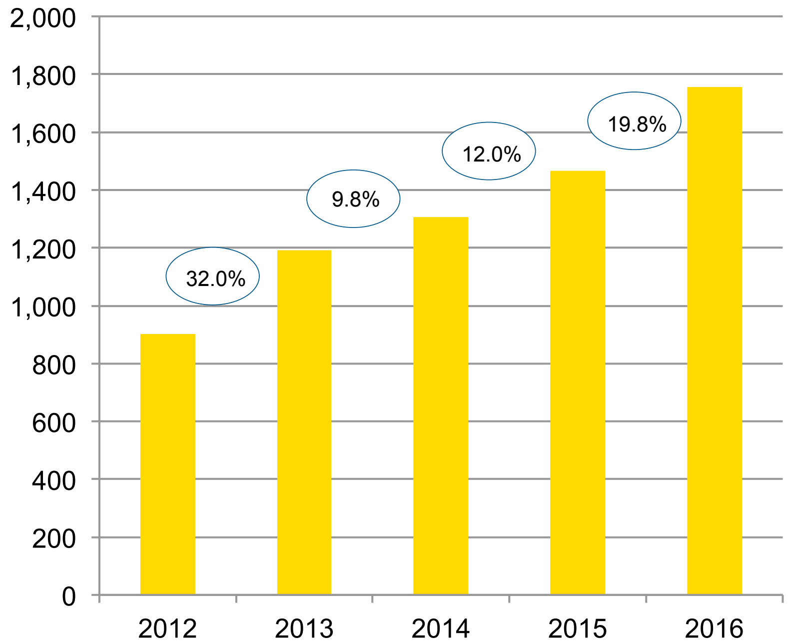
Source: NZX Data

Trading and clearing
Growth in trading fees underpinned by 19.8% volume growth

Value traded



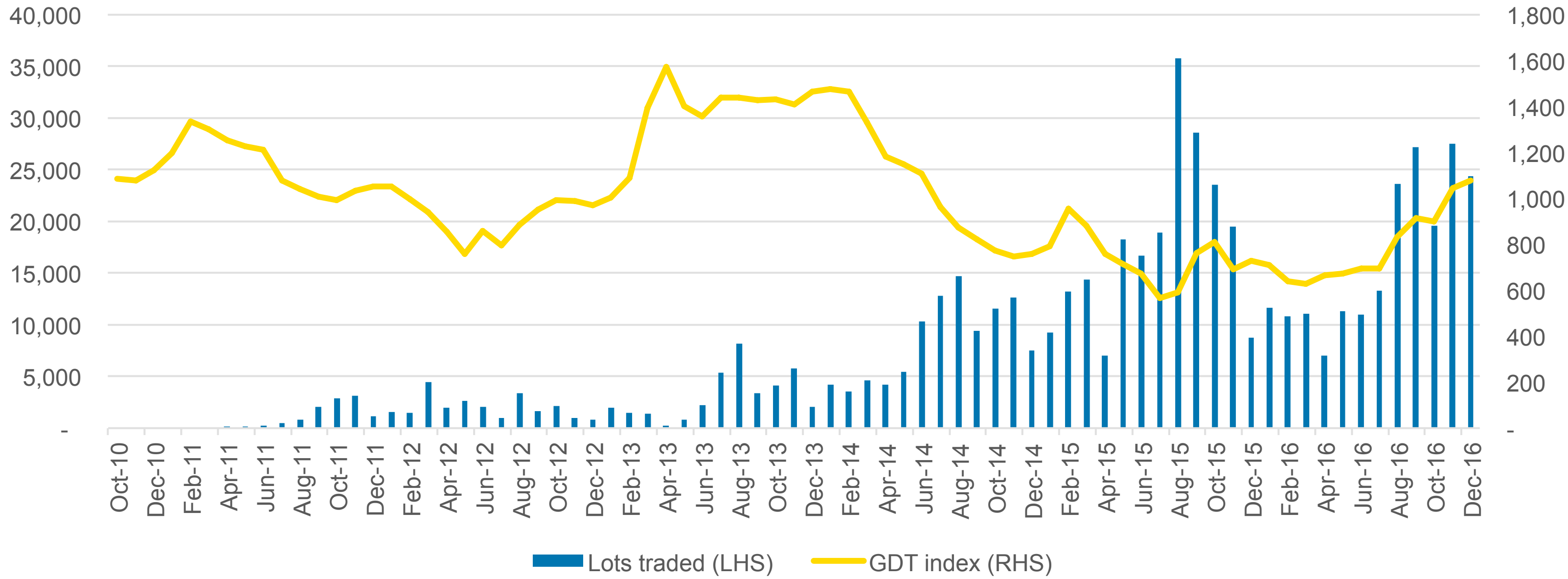
Number of trades (000's)



Change over prior year

Dairy derivatives

Increase in volatility in commodity prices in 2H 2016 has spurred volume

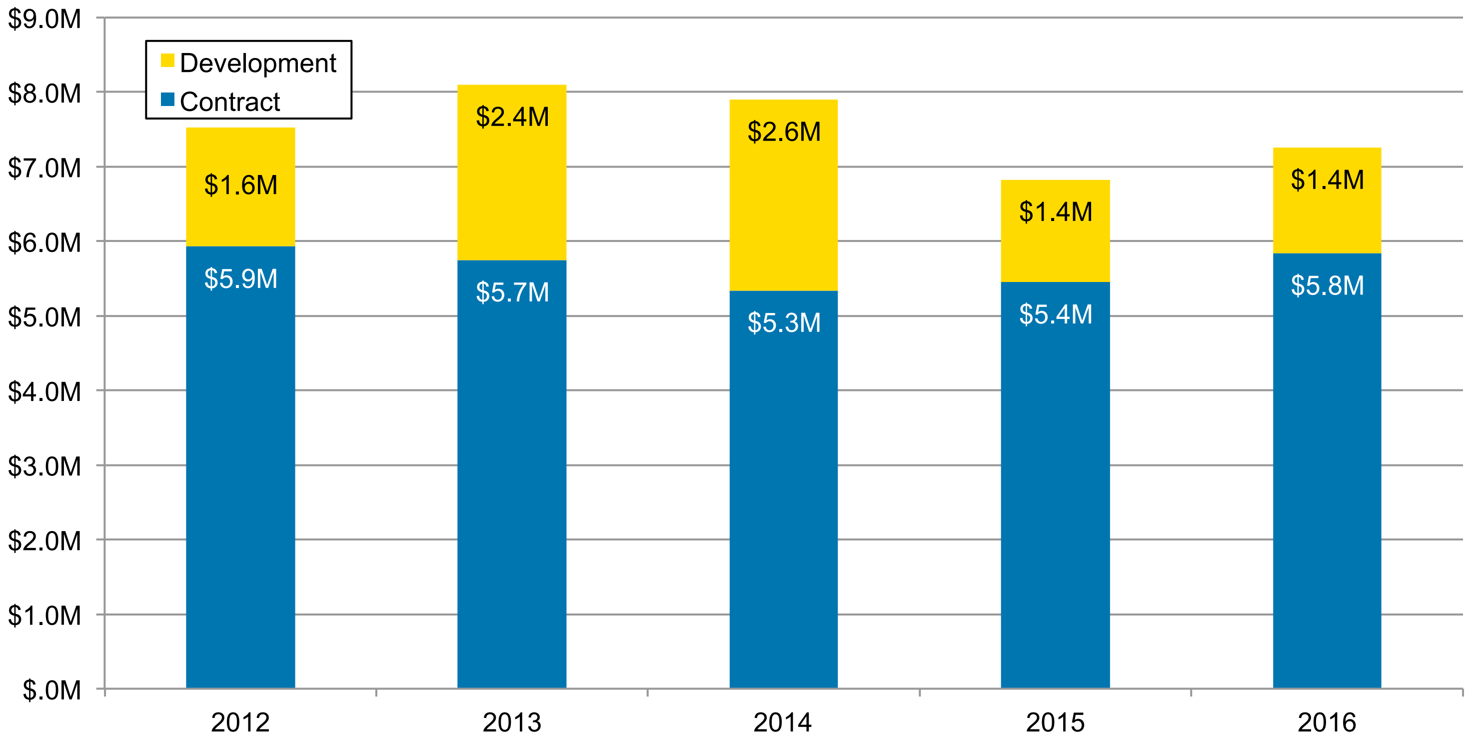


- Trading primarily restricted to futures in 2016, whereas significant volumes of options traded in 2015
- Lack of market volatility in 1H 2016 reduced incentive to hedge
- While year on year volumes were flat, the number of end users accessing the market continued to grow (up 67% on 2015)

Market operations

New energy contracts commenced, now run through to June 2024

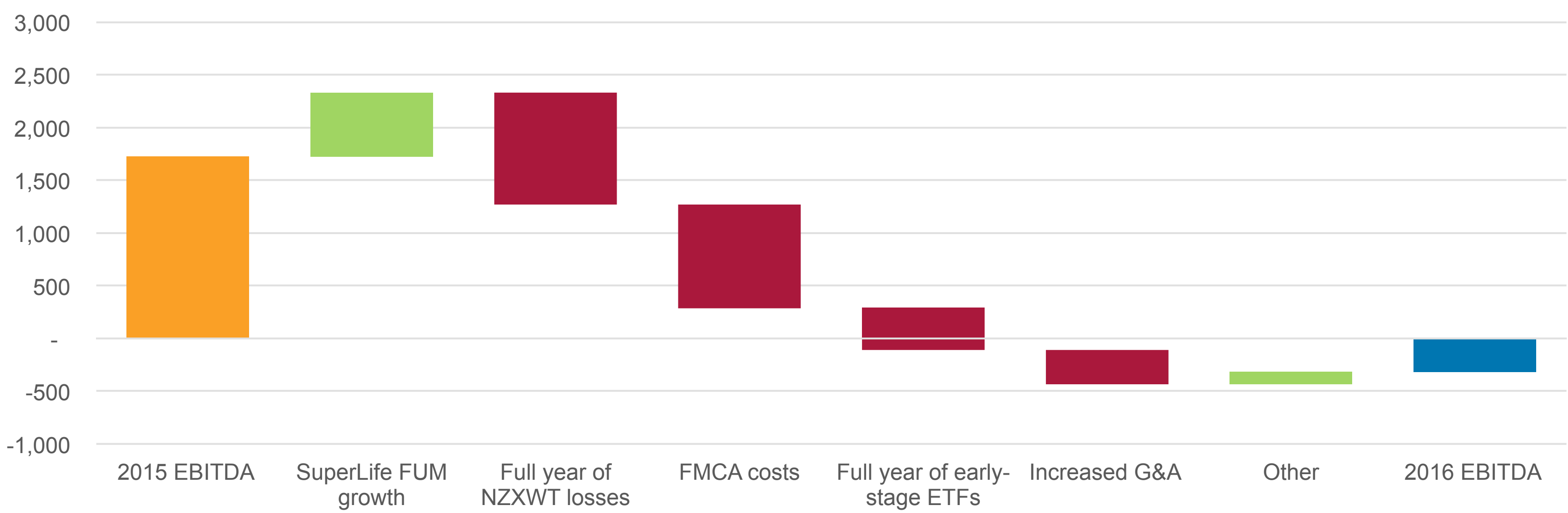
Energy revenue



- Change in structure of EA contracts increased contract revenue. Offset by higher IT costs and depreciation as NZX now bears costs that were previously directly borne by the EA
- Development work was continuation of ERM project, ESB project and change requests

Funds services earnings

	2016 $m	2015 $m	Change
Total revenue	13.0	10.7	22.0%
Operating expenses	(13.3)	(9.0)	49.0%
Segment earnings	(0.3)	1.7	-118.3%

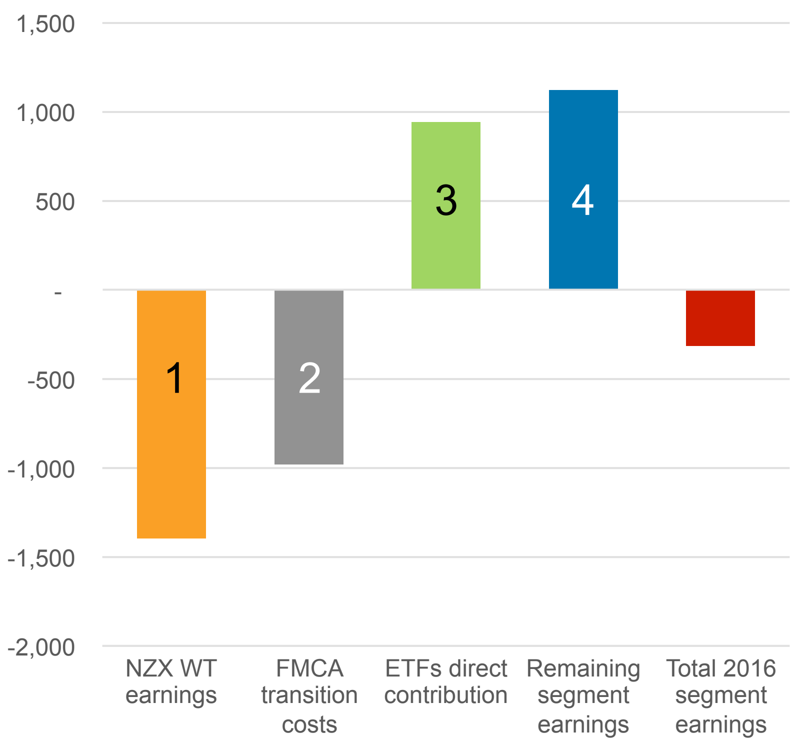


Funds Services revenue

	2016 $m	2015 $m	Change
SuperLife revenue	7.0	6.4	9.4%
Smartshares revenue	4.6	3.6	28.8%
Total funds management revenue	11.6	10.0	16.3%
Wealth platform fees	1.4	0.7	103.9%
Total funds services revenue	13.0	10.7	22.0%

- SuperLife revenue continued to grow on the back of solid growth in funds under management, which continues to grow ahead of acquisition targets
- Smartshares revenues benefited from a full year of the new ETFs launched in 2015. However, as these are early stage, many of these do not yet have sufficient revenues to cover their costs and hence impacted negatively on margin
- Full year of wealth technology fees in 2016 compared to six months in 2015. While funds under administration was unchanged in 2016, the focus was on winning new clients whose funds will come onto the platform in 2017

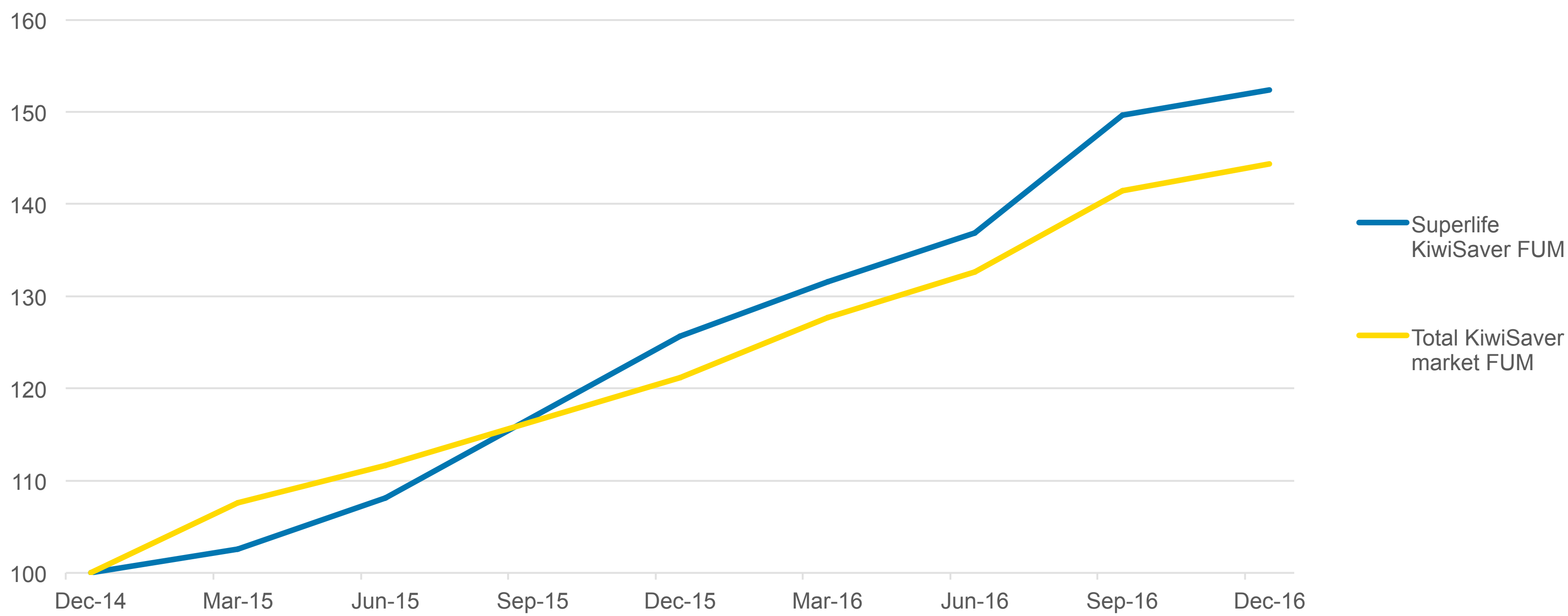
Components of Funds Services segment earnings



1. Full year of NZX Wealth Technologies losses, increased by costs associated with winning new clients
2. FMCA transition costs comprised legal and other professional fees, fixed term contract staff, registry costs, filing fees and other related costs. None to recur in 2017
3. ETF direct contribution represents Smartshares revenue less related funds costs
4. Remaining segment earnings is earnings from KiwiSaver and Superannuation business less overheads and shared costs of funds management unit

SuperLife

- Superannuation FUM grew 13.0%, including four new corporate superannuation mandates won during the year
- KiwiSaver FUM grew 21.1% on solid net funds inflows and member growth, outstripping market growth as highlighted in the chart below showing indexed growth in FUM

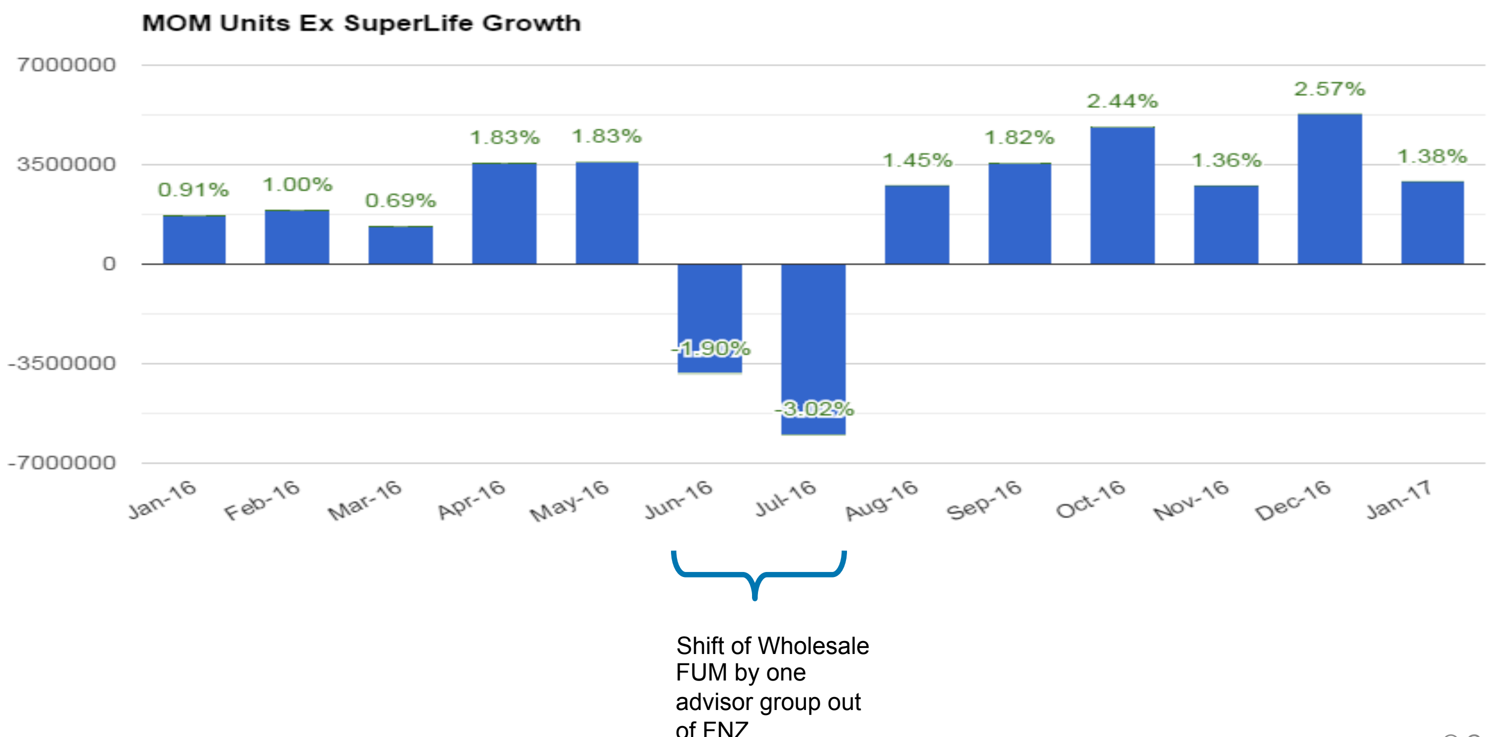


Source: Fundsource, Company data

Smartshares

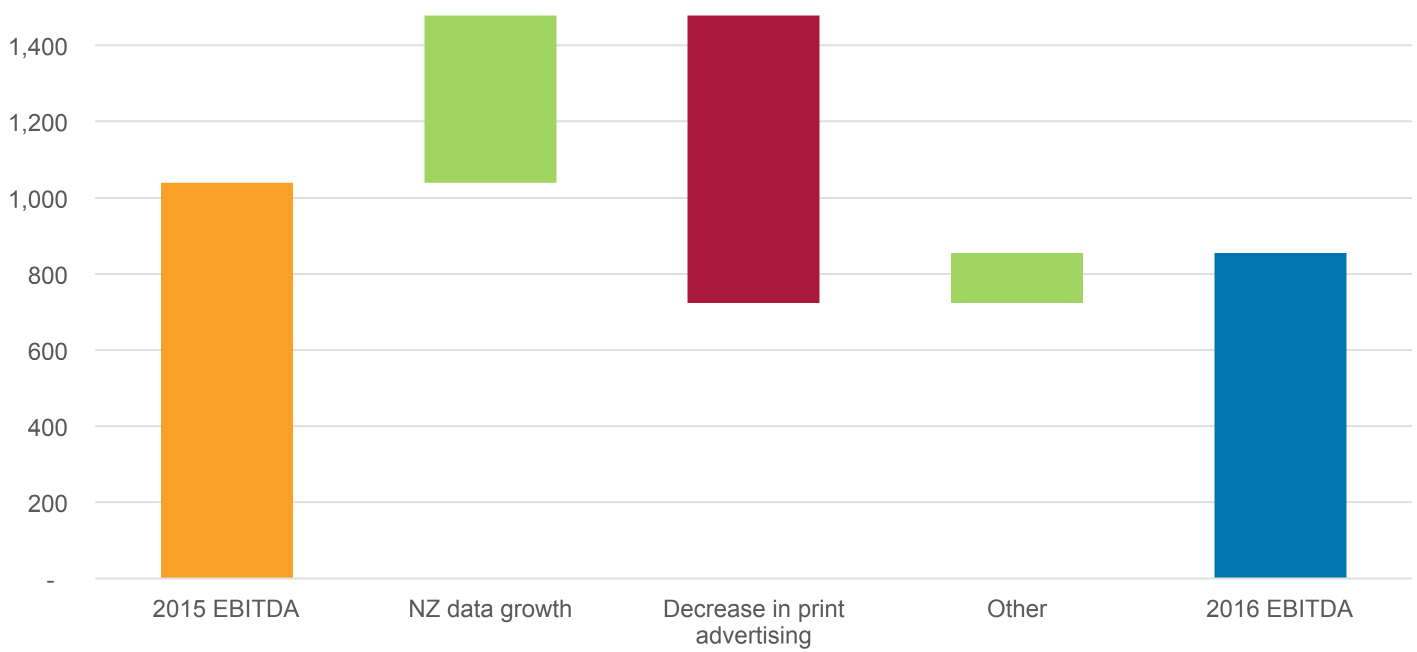
Traction in direct to retail sales

- Number of unitholders up 24.7% year on year
- Number of new retail applications up 177%
- Value of on-market trading up 72.3%



Agri earnings

	2016 $m	2015 $m	Change
Total revenue	11.6	12.6	-7.6%
Operating expenses	(10.8)	(11.5)	-6.7%
Segment earnings	0.8	1.1	-17.8%

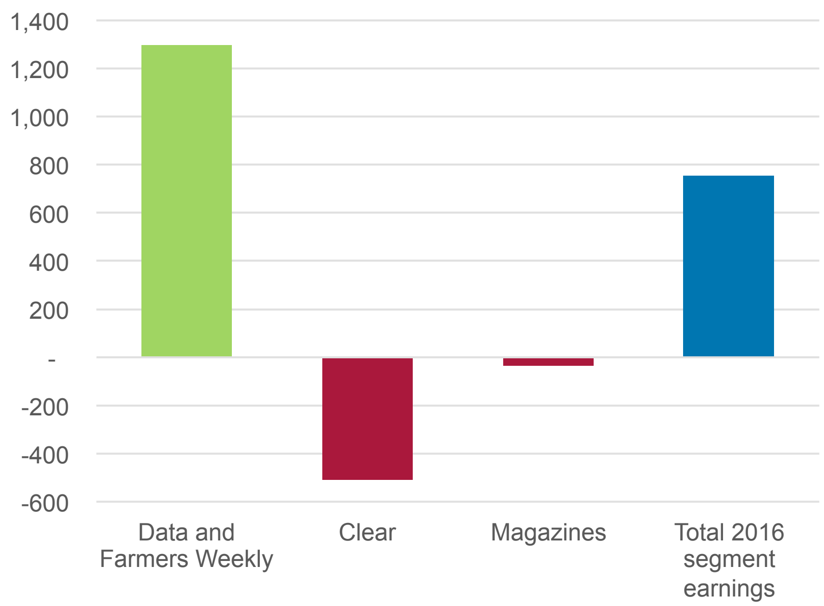


Agri revenue

	2016 $m	2015 $m	Change
Publishing	6.4	8.1	-20.1%
New Zealand data	1.7	1.2	36.0%
Australia data	2.4	2.4	-0.9%
Total agri information revenue	10.5	11.7	-10.3%
Grain trading	1.1	0.9	27.8%
Total agri revenue	11.6	12.6	-7.6%

- Publishing revenues reflect significant reduction in advertising volumes (paid advertising page equivalents down 20.8% compared to 2015)
- Growth in NZ data came from sales of existing products, ifarm business acquired in 2015 and online news service launched late 2015
- Grain trading revenues increased on the prior year due to more favourable market conditions in 2016, however Clear business remained unprofitable and was sold effective 1 December 2016

Components of Agri result
2016 segment earnings breakdown



- Magazines sold 1 November 2016
- Clear Grain Exchange sold 1 December 2016
- Remaining business comprises New Zealand and Australian data and the Farmers Weekly publication
- New Zealand data grew 36% due to increased sales of existing products, full year of iFarm revenues and launch of online news service
- Australian data stable

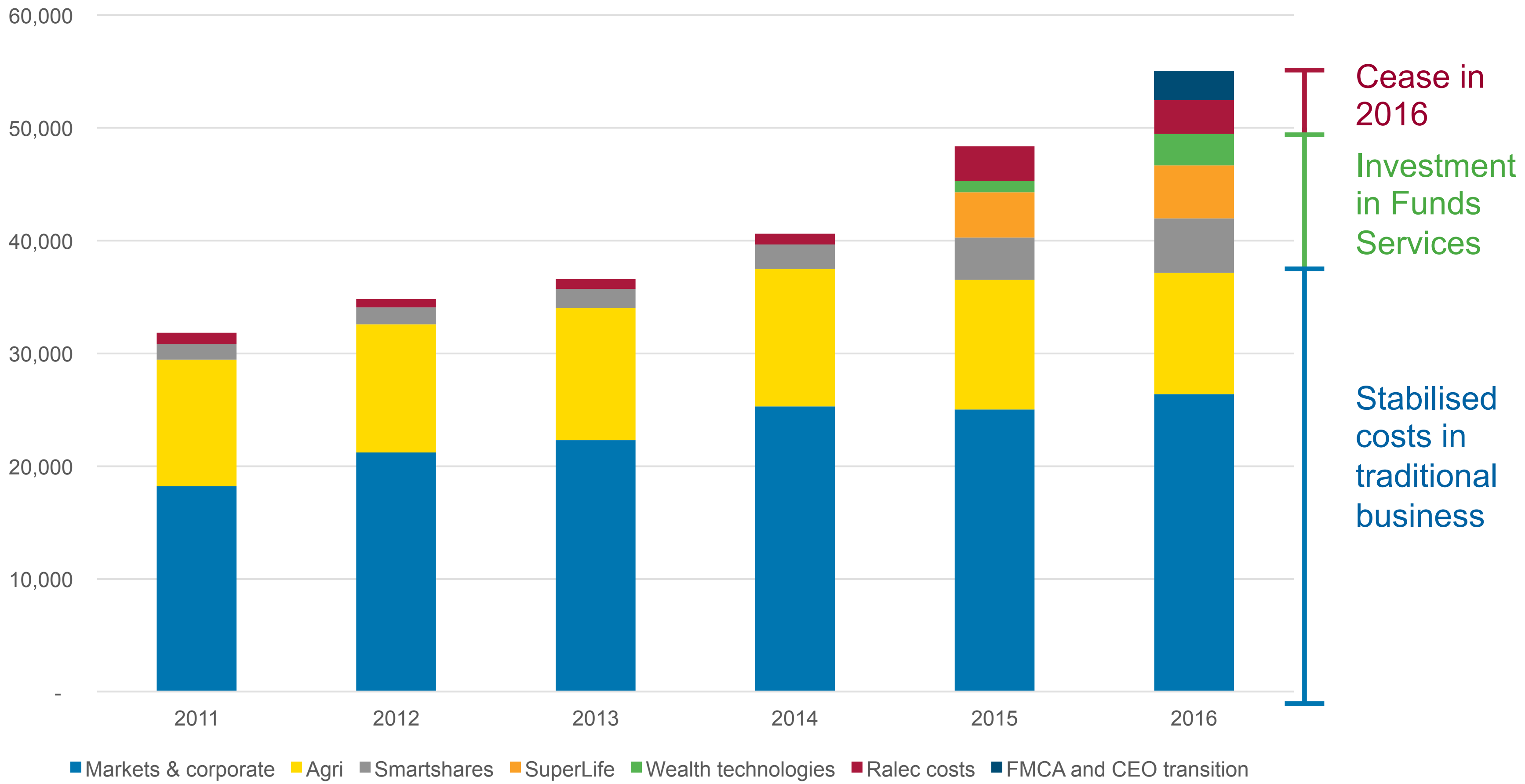
NZX

2016 operating expenses summary

	2016 $m	2015 $m	Change	
Gross personnel costs	32.7	27.7	18.1%	Full year of Wealth Tech, increase in staff for major projects, CEO transition
Less staff capitalisation	(2.9)	(1.6)	74.3%	Increase in major project activity
Net personnel costs	29.8	26.1	14.6%	
IT costs	7.3	6.2	17.0%	FX impact on system support costs, change in model for energy contracts, full year of Wealth Tech
Professional fees	5.6	5.6	-0.1%	Includes $3m of Ralec costs
Marketing, print and distribution	3.1	3.5	-13.7%	Reduction in print and distribution in line with decline in Agri publishing revenues
Fund expenditure	3.7	2.3	60.5%	Full year of ETFs launched in 2015 plus volume growth
Other expenses	5.5	4.9	14.5%	Short term increase in rent costs, higher doubtful debts provision
Total operating expenditure	**55.0**	**48.6**	13.3%	

Investment in the business

Expense growth (2011-2016)



2017 Outlook

Overall outlook for 2017

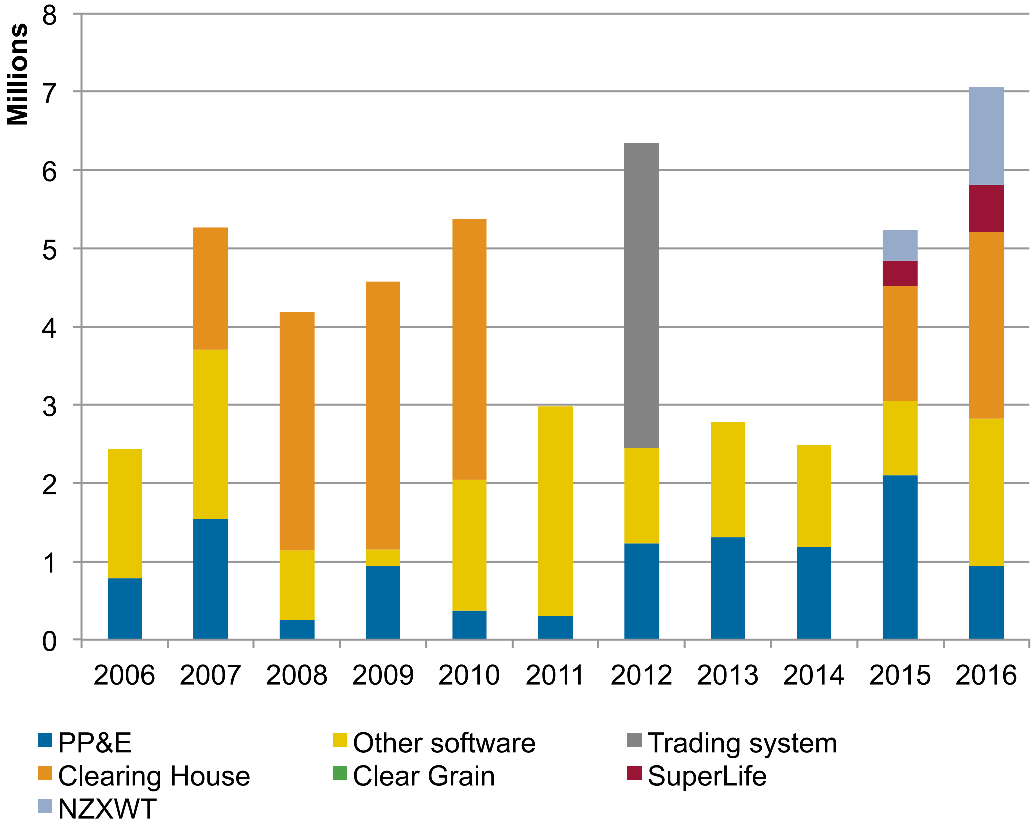
- Following the structural changes made in 2015 and 2016, the shape of the business is now where we want it to be. The focus for 2017 is on delivering on the set of opportunities that we have created and ensuring cost efficiency
- Momentum in the Funds Services segment will accelerate with Craigs and Hobson Wealth coming onto the NZX Wealth Technologies platform bringing substantial growth in Funds Under Administration
- Markets outlook, as ever, is difficult to predict. The continuing volatility in the global outlook causes us to take a cautious view on markets at this early stage of 2017. Nonetheless, growth in the debt market and changes in fee structure implemented in 2016 will provide ongoing value
- Improved outlook for Agri business as commodity prices pick up after a difficult 2016
- The Funds Services business moves out of investment mode (which saw a significant step up in the cost base in 2015 and 2016) and into growth mode, where further growth in costs will only come from growth in revenues
- Major reset of cost base in 2017:
  - No further Ralec costs
  - No further FMCA or CEO transition costs
  - Reduction in rural cost base following the sale of loss-making businesses will add to margin

Outlook
EBITDA guidance

- Based on the factors outlined on the previous slide, NZX expects FY 2017 EBITDA to be in the range of $27.0m to $30.0m, an increase of 20% to 33% on FY 2016 EBITDA
- This is subject to market outcomes, particularly with respect to IPOs, secondary capital raising, and trading & clearing volumes for equities & derivatives
- 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 averaged $2-3 million p.a. until 2015, with peaks driven by system implementations/renewals
- This increased as a result of the acquisition of SuperLife and Apteryx (now NZX Wealth Technologies), 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 competed by mid 2017, and commenced work in 2016 on a 2-3 year upgrade of the systems used to operate the New Zealand electricity markets under contract from the EA, which added further to capital expenditure. This energy project will continue throughout 2017 and much of 2018

Dividend

2H 2016 dividend

- Final 2016 dividend of 3.0 cents declared. Takes total distributions for 2016 to 6.0 cents, unchanged from 2015
- Dividend to be fully imputed
- To be paid on 24 March 2017 for holdings as at 10 March 2017

Further information

NZX full annual report available to download at:

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

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