



Subordinated Note INVESTOR PRESENTATION

May 2023

► New Zealand's Exchange
Te Paehoko O Aotearoa

Arranger and Joint Lead Manager



Joint Lead Managers



Commonwealth Bank
of Australia



Disclaimer

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An Election Process Invitation has been prepared in respect of the Election Process. The Election Process Invitation was published on NZX and sent to Eligible Holders by email or post on 8 May 2023. You should read the Election Process Invitation before electing to retain or redeem your Subordinated Notes. Ineligible Holders are not permitted to participate in the Election Process. Subordinated Notes held by Ineligible Holders will either be redeemed or purchased by NZX (at its option) on 20 June 2023.

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All amounts are expressed in New Zealand dollars unless otherwise stated.

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Election Process / New conditions

Election Process

The Trust Deed allows NZX to run an election process prior to each Election Date in order to change some of the terms and conditions of the Subordinated Notes from that Election Date. Under an election process, Holders of the Subordinated Notes can elect to either:

- retain all or some of their Subordinated Notes subject to new terms and conditions that will apply from the Election Date; or
- have all or some of their Subordinated Notes redeemed on the Election Date.

Election Dates occur at 5-yearly intervals, and the first Election Date is on 20 June 2023. NZX has decided to run an election process prior to the first Election Date.

New conditions of the Subordinated Notes

If Holders elect to retain all or some of their Subordinated Notes, they will continue to hold those Subordinated Notes on the same terms and conditions that currently apply, except for the following change that will take effect from the first Election Date:

New Interest Rate: The Interest Rate for the period from (and including) the first Election Date (20 June 2023) to (but excluding) the next Election Date (20 June 2028) will change to be equal to the higher of:

- a) 6.50% per annum; and
- b) the sum of 2.25% per annum plus the mid-market interest swap rate for a 5 year term starting on the first Election Date (adjusted to a quarterly basis as necessary), as calculated by NZX in conjunction with the Joint Lead Managers (according to market convention) on 13 June 2023.

The Subordinated Notes will also have a new ISIN (NZNZXD0020L4) and ticker (NZX020).

Holder's election to retain or redeem / Key dates

Holder's election to retain or redeem

Holders may elect to:

- a) retain all of their Subordinated Notes, subject to the new conditions; or
- b) retain some of their Subordinated Notes, subject to the new conditions, and redeem the remainder of their Subordinated Notes on 20 June 2023; or
- c) redeem all of their Subordinated Notes on 20 June 2023.

NZX may purchase or redeem the Subordinated Notes of Holders who elect to redeem their Subordinated Notes under the Election Process. If NZX purchases Subordinated Notes, it may offer them for sale.

If a Holder's election is not submitted online at <https://nzx.linkinvestorservices.co.nz/forms/offer> or received by Link Market Services Limited by 5.00pm on Monday 29 May 2023, the Holder will be deemed to have elected to retain all of their Subordinated Notes, subject to the New Conditions.

If a Holder's election would result in the Holder holding Subordinated Notes with a Principal Amount of less than \$5,000 or not in multiples of \$1,000, the Holder will be deemed to have elected to retain such number of their Subordinated Notes (which NZX may determine in its discretion) that would result in the Holder holding Subordinated Notes with a Principal Amount of not less than \$5,000 and in multiples of \$1,000.

Ineligible Holders are not able to participate in the Election Process. Subordinated Notes held by Ineligible Holders will be redeemed or purchased by NZX (at its option) on 20 June 2023.

Key dates

Election Process record date	4 May 2023
Election Process Invitation sent	8 May 2023
Response Cut-off Date	5:00pm 29 May 2023
New Interest Rate set	13 June 2023
First Election Date	20 June 2023
Expected date of new quotation and resumption of trading on the NZX Debt Market	21 June 2023
Next Election Date	20 June 2028
Maturity Date	20 June 2033

Key terms of the Subordinated Notes (from 20 June 2023)

Issuer	NZX Limited
Security	Unsecured, subordinated notes
Remaining Term / elections	10-year remaining term (20 June 2033) with the next Election Date being 20 June 2028
Total Subordinated Notes on issue	\$40 million
Interest Rate	<p>Fixed rate for the five years from the first Election Date to the next Election Date equal to the higher of:</p> <ul style="list-style-type: none"> a) 6.50% per annum; and b) the sum of 2.25% per annum plus the mid-market interest swap rate for a 5 year term starting on the first Election Date (adjusted to a quarterly basis as necessary), as calculated by NZX in conjunction with the Joint Lead Managers (according to market convention) on 13 June 2023. <p>If NZX runs another Election Process, a new Interest Rate may be set via that process</p>
Interest / deferred payments	Payable quarterly in arrear in equal amounts. Interest payments are deferrable at NZX's absolute discretion. If the payment of interest is deferred, the Penalty Rate shall apply until the next Interest Payment Date on which all unpaid and Deferred Interest is paid
Penalty Rate	The prevailing Interest Rate plus 4.00% per annum
Financial Covenant	NZX has undertaken that it will ensure that the ratio of Net Senior Debt to Operating Earnings will be no greater than 1.5:1
Dividend Stopper	<p>NZX may not pay any dividend or make any other payments on or with respect to its ordinary shares or other securities, financial products or indebtedness ranking equally with or subordinate to the Subordinated Notes:</p> <ul style="list-style-type: none"> • if there is any unpaid Deferred Interest; or • if the Financial Covenant is failed on two consecutive test dates, until NZX complies with the Financial Covenant
Change of Control Event	Holders may elect to have all their Subordinated Notes Redeemed if a Change of Control Event occurs
Early redemption	NZX may Redeem all Subordinated Notes if a Tax Event occurs or if there are less than 10 million Subordinated Notes outstanding. NZX must Redeem all Subordinated Notes if an Event of Default occurs and the Supervisor makes demand for repayment
Quotation	NZDX under the ticker NZX020
Brokerage	0.50% payable by NZX
Minimum subscription	\$5,000 and in multiples of \$1,000 thereafter

NZX Strategy: Delivering on our growth strategy to 2023

We continue to make progress in delivering on our strategy despite difficult market conditions, which have impacted our ability to deliver on our 5-year aspirational targets by 2023. We remain committed to support growth in New Zealand's capital markets



The Capital Markets opportunity: Since 2017, we have rebuilt our capital markets platform and have still achieved growth in a challenging 2022. We have the building blocks for further opportunities and growth and as markets recover, we expect to see capital markets activity levels accelerate



Maturing our Market: We know our product offering could be expanded (equity derivatives, carbon markets) which is key to driving further growth in capital markets activity and greater global connections – rounding out our product offering will broaden our earnings base and add scale to our settlement and clearing activities



We are globalising our footprint across all businesses, (SGX, EEX, GDT, global participation in markets) and we see opportunities with a 'star alliance' strategy



Continued secular growth: In addition, there are long-term structural market tail winds that support growth in the managed funds and platform businesses



Continued M&A activity: We will continue to explore M&A activity to help drive and accelerate growth where appropriate



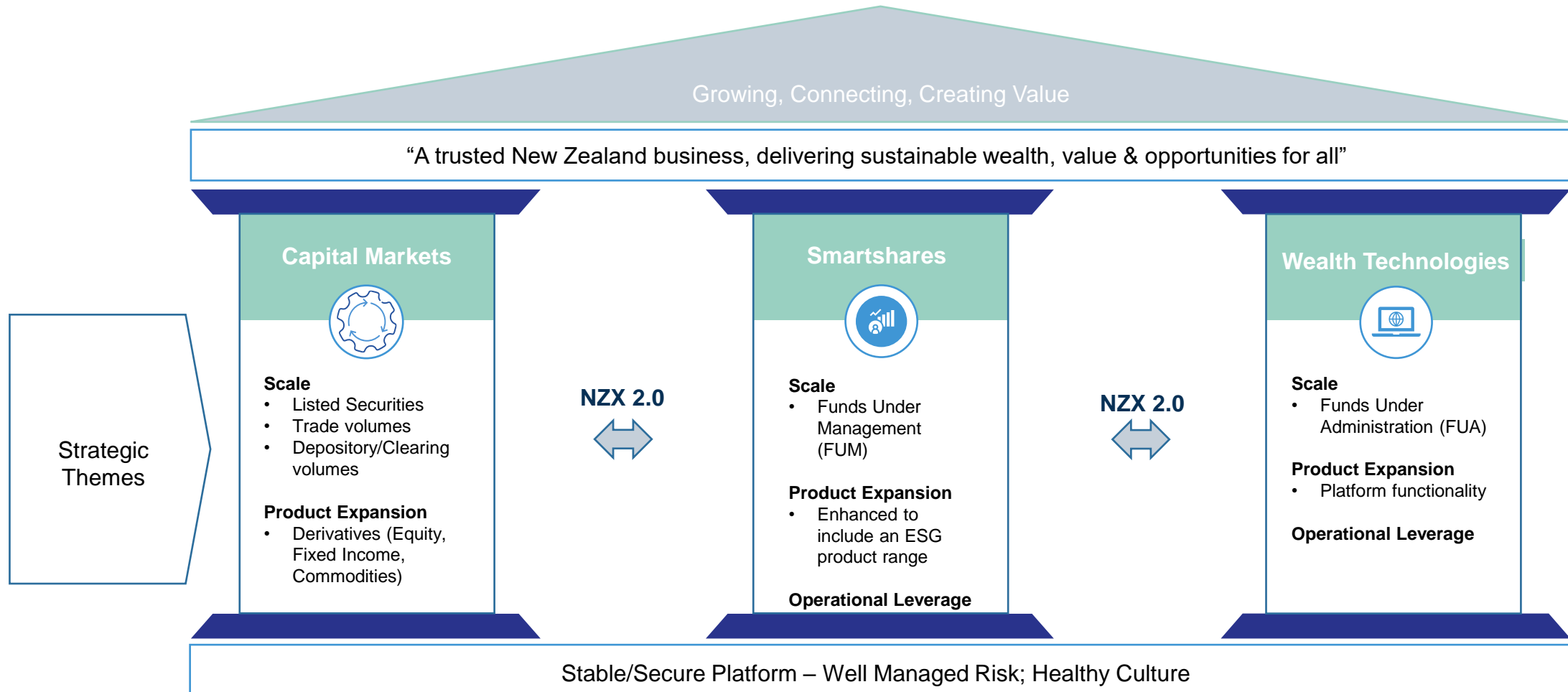
Operating Leverage: Still investing for growth but also focusing on efficiencies and driving operating leverage



Maintaining through market cycles: Market cycles are inevitable, maintaining earnings through these challenging periods while continuing to develop, sets a platform to capture upside opportunities in market recovery phase

NZX Strategy: Developing our strategy to 2027

Our strategy to 2027 is simple – round out our product offering in Capital Markets and drive scale and operating leverage across the businesses



FY22 Results: Highlights

Highlights

- NZX has maintained Operating Earnings¹ through the market cycle, with overall revenue growth reflecting the strength of our strategy
- Smartshares and Wealth Technologies continue to provide a platform for future growth

Operating Earnings¹ excl. acquisition costs

\$36.6m

2.3% increase

Operating Earnings after
acquisition and integration costs
\$35.1m / 1.9% increase

Net Profit After Tax

\$14.2m

5.7% decrease

Final Dividend (fully imputed)

3.1 cps

Total FY22 dividends 6.1 cps



¹ Operating Earnings (EBITDA) is a non-GAAP performance measure and differs from the NZ IFRS profit for the year. The Group's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities. The Group has presented the EBITDA performance measure in addition to the NZ IFRS profit for the year, as this performance measure is used internally in conjunction with other measures to monitor performance and make investment decisions. EBITDA is calculated by adjusting profit from operations to exclude the impact of taxation, net finance expense, depreciation, amortisation, gain or loss on disposal of assets, and share of profit of associate. Refer to Note 2 to the Group's financial statements for the year ended 31 December 2022 for a reconciliation of EBITDA to NZ IFRS profit for the year.

FY22 Results: Income Statement

Year ended 31 December	2022 \$m	2021 \$m	Change \$m	Change %
Operating revenue	95.7	88.0	7.7	8.8%
Operating expenses (excl. acq/integration costs)	(59.1)	(52.2)	(6.9)	(13.3)%
Operating Earnings¹ (excl. acq/integration costs)	36.6	35.8	0.8	2.3%
Acquisition and integration costs	(1.5)	(1.4)	(0.1)	(13.9)%
Operating Earnings¹	35.1	34.4	0.7	1.9%
Share of profit of associate	0.1	-	0.1	n/a
Net finance expenses	(1.8)	(2.5)	0.7	26.7%
Gain / (loss) on disposal of assets	-	(0.1)	0.1	102.1%
Depreciation and amortisation expenses	(13.8)	(10.4)	(3.4)	(33.2)%
Income tax expense	(5.4)	(6.4)	1.0	15.7%
Profit for the year	14.2	15.0	(0.8)	(5.7)%
Operating Margin (excl. acquisition and integration costs)	38.2%	40.7%		

Income Statement

Operating revenue of \$95.7m (up 8.8%) reflects NZX's diverse revenue sources (despite being impacted by lower 2022 market activity levels)

Operating expenses, excluding acquisition and integration costs, increased to \$59.1m (+13.3% on 2021) reflecting inflation pressures as well as a full year's impact of our prior year investments for growth and to improve IT resilience

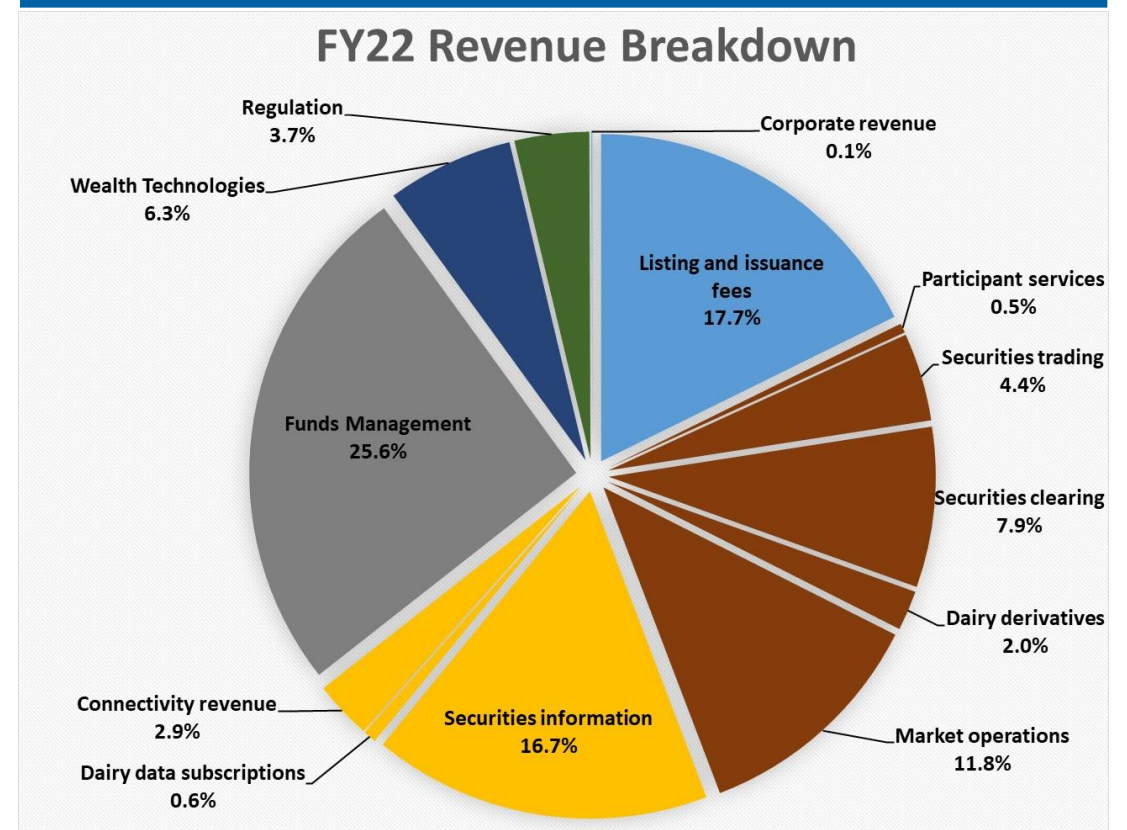
Non-operating expenses reflect:

- Net finance expenses have been positively impacted by increasing interest rates; and
- Depreciation and amortisation expenses increases related to our prior year investments for growth

Net Profit After Tax (NPAT) of \$14.2m; decrease of 5.7% on 2021

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NZX has a diverse revenue base:



FY22 Results: Cash Flows

Year ended 31 December	2022 \$m	2021 \$m
Operating activities	23.4	27.4
Investing activities		
- Payments for Wealth Technologies intangible assets	(8.1)	(7.1)
- Payments for PP&E & other intangible assets	(7.4)	(9.8)
- Payments for acquisitions	(41.6)	-
Financing activities		
- Net receipts from equity raising	42.7	-
- Payments of lease liabilities	(1.2)	(1.1)
- Dividends paid	(16.2)	(13.1)
Net decrease in cash and cash equivalents	(8.4)	(3.7)

Operating Activities

- Cash flow from operating activities includes net interest and income tax paid
- The decrease reflects a combination of lower Net Profit After Tax and working capital movements (e.g. timing of receivables receipts and trade payables payments)

Investing Activities

Investing activities relate to:

- Payments for Property, Plant & Equipment (PP&E) and other intangible assets, including Wealth Technologies software development; technology upgrades and enhancements (including increased processing, storage capacity and resilience and the new KiwiSaver Default Scheme digital tools); and completion of the new Auckland Capital Markets Centre
- Payments for acquisitions – relates to the acquisitions of the ASB Superannuation Master Trust management rights and GlobalDairyTrade Holdings Limited

Financing Activities

Financing activities includes:

- Net receipts from equity raisings to fund the acquisitions of the ASB Superannuation Master Trust management rights and GlobalDairyTrade Holdings Limited
- Payments of lease liabilities
- Dividends which are net of participation in the dividend reinvestment plan (which was suspended for the March 2022 dividend due to the equity raising occurring at that time)

FY22 Results: Balance Sheet

As at 31 December	2022 \$m	2021 \$m
Current assets		
Cash and cash equivalents - restricted	20.0	20.0
Cash and cash equivalents - unrestricted	20.6	29.1
Receivables and prepayments	17.1	11.3
Funds held on behalf of third parties	30.3	28.0
Total current assets	88.0	88.4
Non-current assets		
Right-of-use lease assets	19.2	11.3
Investment in associate	16.8	-
Other non-current assets	109.2	81.0
Total non-current assets	145.2	92.3
Current liabilities		
Trade payables	7.4	6.8
Other current liabilities	20.1	18.9
Lease liabilities	1.0	1.2
Funds held on behalf of third parties	30.3	28.0
Interest bearing liabilities	39.0	-
Total current liabilities	97.8	54.9
Non-current liabilities		
Interest bearing liabilities	-	39.0
Lease liabilities	20.7	12.4
Other non-current liabilities	3.0	3.8
Total non-current liabilities	23.7	55.2
Net assets	111.7	70.6

Note – updated liabilities and equity as at 31 March 2023 are presented on slide 15 and includes the impact of the acquisition of QuayStreet management rights and related assets

Cash and cash equivalents - restricted	<ul style="list-style-type: none"> Clearing House risk capital (\$20m) which is restricted i.e. not available for general use
Cash and cash equivalents - unrestricted	<ul style="list-style-type: none"> Clearing House complies with International Organisation of Securities Commissions' principles requiring retention of sufficient working capital (including cash of approximately \$2.8m) Smartshares maintains sufficient net tangible assets in accordance with its licence requirements (including cash of approximately \$6.5m)
Funds held on behalf of third parties (assets and liabilities) offset	<ul style="list-style-type: none"> Relates to issuer bond deposits, participants' collateral deposits and deposited funds (including those held in the Mutualised Default Fund) Amounts are repayable to issuers and participants and not available for general use
Investment in associate	<ul style="list-style-type: none"> Investment in GlobalDairyTrade Limited (GDT)
Right-of-use lease assets and lease liabilities	<ul style="list-style-type: none"> Relates to leased premises and IT equipment
Other non-current assets	<ul style="list-style-type: none"> Consists of property, plant & equipment, intangible assets and goodwill Increased due to the acquisition of the ASB SMT management rights
Interest bearing liabilities	<ul style="list-style-type: none"> Relate to the Subordinated Notes. At 31 December 2022 these are classified as a current liability as the first Election Date is 20 June 2023
Other current liabilities	<ul style="list-style-type: none"> Includes income in advance largely related to annual listing fees (billed on 30 June each year), data subscriptions, employee benefits payable, and tax payables
Other non-current liabilities	<ul style="list-style-type: none"> Mainly relates to deferred tax

FY23: Revenue – March 2023 YTD

3 months ended 31 March	2023 \$m	2022 \$m	Change \$m	Change %
Listing and issuance fees	3.9	3.4	0.5	12.2%
Participant services	0.2	0.2	0.0	(10.0)%
Securities trading	1.0	1.2	(0.2)	(15.5)%
Securities clearing	1.6	1.8	(0.2)	(12.4)%
Dairy derivatives	0.7	0.3	0.4	127.1%
Market operations	2.9	2.8	0.1	3.2%
Securities information	4.0	3.5	0.5	13.9%
Dairy data subscriptions	0.1	0.1	0.0	5.3%
Connectivity revenue	0.7	0.7	0.0	11.5%
Funds Management revenue	8.0	5.5	2.5	45.6%
Wealth Technologies revenue	1.5	1.4	0.1	5.6%
Regulation revenue	0.8	0.9	(0.1)	(6.4)%
Other Corporate revenue	0.1	0.0	0.1	316.7%
Total Revenue	25.5	21.8	3.7	16.5%

Revenue – March YTD

Listing and issuance fees – the increase reflects higher annual listing fees (driven by market capitalisation) and increased retail debt listings and secondary equity raised resulting in the total capital raised being up 36.3%

Securities trading and clearing revenue – the decrease reflects lower levels of trading / clearing value (down 16.3%) and OTC settlement / registry messaging

Dairy derivatives revenue – the increase reflects higher number of derivative lots traded (+61.7%) and higher margin revenue (which has been impacted by interest rate increases)

Securities information revenue – revenue has increased significantly reflecting:

- Royalties from Terminals revenue was higher in line with the average number of professional terminals being 2.1% higher;
- Subscriptions and licences revenue growth reflects increased license numbers resulting from growth in clients data usage and ability to capture licence revenue streams post audit; and
- Indices revenue growth reflects additional index data clients

Funds management revenue – Funds Under Management (FUM) revenue has increased significantly reflecting:

- average FUM has increased 30.2%, which includes the incremental impacts of the ASB Superannuation Master Trust and QuayStreet acquisitions; and
- QuayStreet revenue is recognised on a gross basis with fund costs separately expensed. Smartshares and ASB SMT revenue is received net of fund costs, which are incurred directly by the Funds

Wealth technologies revenue

- Funds Under Administration (FUA) fees – decreased slightly reflecting lower (1.7%) average FUA; and
- Development fees – increased reflecting a higher level of customisation / data migration effort specific to client requirements


FY23: Metrics – March YTD

		External dependencies	2023 Targets	2023 Progress March YTD	
NZX Group	Operating Earnings ¹	Refer earnings guidance in FY22 Investor Presentation	\$36.0 - 40.5m	N/A	
Grow Markets					
- Capital Markets Origination	Capital listed and raised (total primary and secondary capital issued or raised for equity, funds and debt)	<ul style="list-style-type: none"> Listing ecosystem is dependent on other market participants No major market correction 	\$16.0bn	\$2.87bn	✓
- Secondary Markets	Total value traded	<ul style="list-style-type: none"> Participant activity levels drive value traded No major market correction 	\$40.0bn	\$8.96bn	✗
	Dairy derivatives lots traded	<ul style="list-style-type: none"> Participant activity levels and dairy market price volatility drive lots traded 	0.55 - 0.65m lots	134k	✓
- Data & Insights	Revenue growth (in subscriptions, licences and dairy subscriptions; excluding one off royalty revenue)	<ul style="list-style-type: none"> Dependent on markets growth 	Average revenue growth: 6.9%	+11.9%	✓
Funds Management (Smartshares)	Total funds under management	<ul style="list-style-type: none"> Investment market returns No major market correction 	Average Funds Under Management (FUM) growth: 14% (excluding acquired FUM)	\$10.3bn	✓
Wealth Technologies	Total funds under administration	<ul style="list-style-type: none"> Investment market returns No major market correction 	Migrate new clients and the old OE platform clients onto the new platform	\$10.4bn	✓

NZX Subordinated Notes – Investor Presentation

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FY23: Balance Sheet at 31 March 2023

Type of liability / equity:			
<div>Higher ranking</div>  <div>Lower ranking</div>	Ranking on liquidation	Mar 2023 \$m	Dec 2022 \$m
	Liabilities that rank in priority to the Subordinated Notes:		
	• Funds held on behalf of 3 rd parties	36.4	30.3
	• Secured liabilities	24.2	-
	• Liabilities preferred by law	6.2	9.1
	• Unsubordinated liabilities	57.2	43.1
	Subordinated Notes	40.0	39.0
	Equity	115.9	111.7

- 1) In summarising the ranking of the Subordinated Notes and other liabilities, the descriptions are simplified and illustrative only. The amounts in the table above are indicative only, and for the sake of simplicity the diagram does not reflect the fact that NZX's liabilities, the amount of such liabilities and the ranking of those liabilities may change. Amounts shown above are indicative based on NZX's audited Statement of Financial Position as at 31 December 2022 and unaudited management accounts as at 31 March 2023. Amounts are subject to rounding adjustments.
- 2) Secured liabilities represent bank debt drawn down in February 2023 to fund the acquisition of the management rights (and related assets) of QuayStreet Asset Management.
- 3) Funds held on behalf of third parties represent amounts payable to issuers and participants in relation to balances deposited by them to meet their listing/margin requirements. Note that in NZX's Statement of Financial Position there is an equal and opposite amount disclosed under current assets, meaning that there is no net asset or liability for NZX in relation to funds held on behalf of third parties. In a liquidation, these funds would be transferred back to the relevant party and cannot be used for payment to other creditors.

Dividend Policy

- The policy is to pay between 80% to 110% of adjusted Net Profit After Tax over time, subject to maintaining a prudent level of capital to meet regulatory requirements
- Adjustments include reversing the impact of intangible asset impairments (if any)
- The board considers that a policy based on Net Profit After Tax is comparable with peers, and provides sufficient headroom to manage the ongoing capital structure requirements of the exchange and pursue future relevant opportunities should they arise

Dividend Reinvestment Plan

- NZX offers a dividend reinvestment plan (DRP) which was in place for the FY22 final dividend (shares were issued at 1.0% discount)
- The DRP participation rate for the FY22 final dividend was 12.4%

Appendix



Appendix: Financial Covenant / Retail Liquidity Support Facility

Financial Covenant

- NZX has undertaken that it will ensure that the ratio of Net Senior Debt to Operating Earnings will be no greater than 1.5:1
 - Net Senior Debt being aggregate indebtedness of NZX for money borrowed (excluding the Subordinated Notes and indebtedness ranking equal with or subordinated to the Subordinated Notes) less the total amount of unrestricted cash (31 December 2022: \$20.6m)
 - Operating Earnings being earnings before interest, tax, depreciation, amortisation and non-cash items
- Scheduled Test Dates every six months
- In the event of two consecutive breaches on a Scheduled Test Date the Dividend Stopper will apply until NZX complies with the Financial Covenant

Retail Liquidity Support Facility

- NZX has engaged Forsyth Barr Limited ("Facility Agent") to provide the Retail Liquidity Support Facility on its behalf on a reasonable endeavours basis until the next Election Date (20 June 2028)
- Targeted at small investors with the aggregate volume of buy orders not to exceed 20,000 Subordinated Notes at any time
- Facility limited to 5 million Subordinated Notes
- At the next Election Date, NZX may:
 - extend the existing Facility Agent's appointment;
 - appoint a successor Facility Agent; or
 - announce to the market that the Retail Liquidity Support Facility is no longer being provided

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Thank you