

Strengthening our core and growth potential

NZX FULL YEAR 2019 RESULTS
INVESTOR PRESENTATION

14 FEBRUARY 2020



NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA

Today's agenda



Highlights for
the Year



Financial
performance



Questions



Appendices

Important notice

This full year investor presentation should be read in conjunction with the financial statements in the 2019 annual report, which provides additional information on many areas covered in this presentation.

This presentation contains forward looking information, statements and targets. These reflect our current assumptions, which are subject to market outcomes, particularly with respect to market capitalisation, total capital raised, secondary market value and derivatives volumes traded, and funds under management and administration growth.

Additionally they assume no material adverse events, significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments.

Actual outcomes could be materially different. We give no warranty or representation as to our future performance (financial or otherwise) or any future matter. Except as required by law or NZX listing rules, we are not obliged to update this presentation after its release.



2019 Highlights



NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA



2019 results at a glance



Operating Earnings*

\$31.4

million



9.8%

Net Profit
After Tax**

\$14.6

million



25.7%

Dividends
(interim and final)
fully imputed

6.1

cents per share

Final dividend 3.1 cps

Interim dividend 3.0 cps

Capital raised
(total new capital and
secondary capital raised)

\$18.7

billion



95.7%

Data & Insights Revenue

\$12.8

million



10.4%

Total Value Traded

\$37.8

billion



1.0%

Dairy Derivatives
Lots traded

358,928



3.8%

Funds Under Management

\$3.97

billion



36.0%

Funds Under Administration

\$2.3

billion



15.6%

* Operating earnings are from continuing activities and before net finance expense, income tax, depreciation, amortisation and impairment, adjustment to provision for earnout, gain and loss on disposal of business and property, plant and equipment.

** From continuing and discontinued operations. The increase in Net Profit After Tax from Continuing Activities is 7.1%

The 2019 deliverable targets are detailed in the management commentary section of the 2019 Annual Report

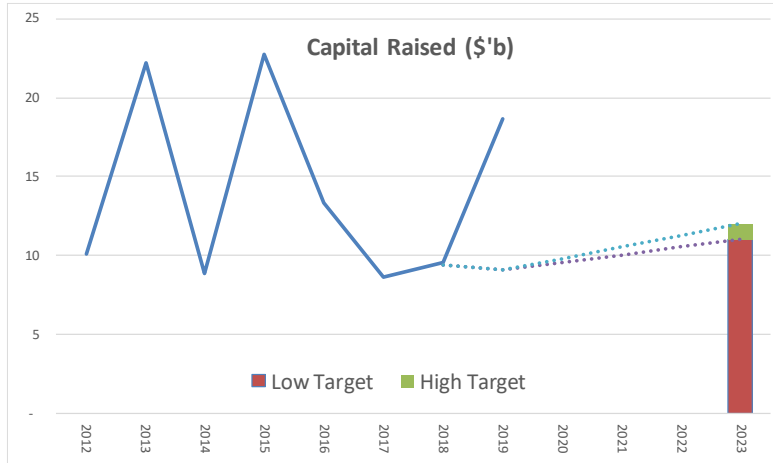
Percentage changes represent the movement for the financial years 2018 to 2019, except Funds Under Management and Funds Under Administration which are the movement in balances as at year end 2018 to 2019

Growth drivers are starting to gain traction. Proof points are...

IN 2018 WE FOCUSED ON REMOVING BLOCKAGES TO GROWTH, 2019 WAS ABOUT DELIVERING ON THE PROOF POINTS

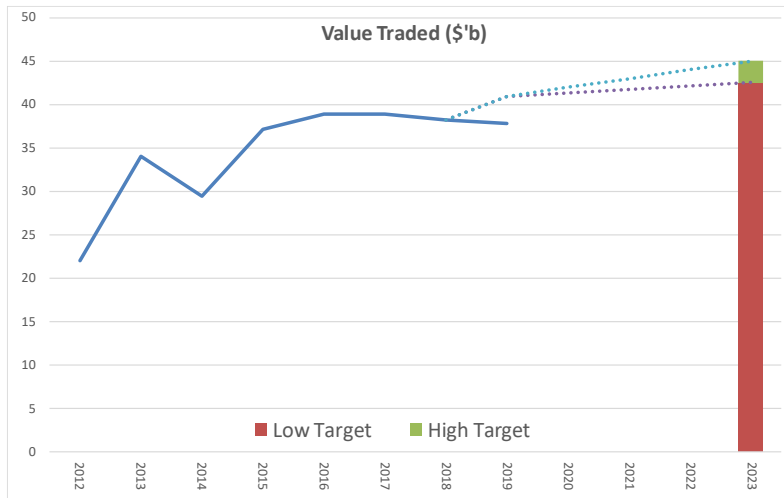
Issuer Relationships

Capital raised \$18.7 billion
(2019 target \$9.1 billion)



Secondary Markets

Total value traded YTD
\$37.8 billion (2019 target \$41.0 billion)



Customer engagement

- Held retail investor evenings to showcase current customers, the benefits of listing on NZX and enhance financial knowledge of investors

Framework

- Implemented revised market structure and rule set, supporting customer transition to new rules
- Sponsored (with FMA) the industry wide Capital Markets 2029 report
- Contributed to Government reform of settings for the capital markets (i.e. tax, sustainable financing, the Overseas Investment Act, banking capital adequacy)
- NZX was accredited by the SEC as a designated offshore securities market

Product suite

- New rules allowed the new wholesale debt product to raise \$2.6 billion, and for simplified listing of 9 new fund securities; initially raising \$39m, with secondary raisings of \$1.3b
- Retail debt listings generated \$5.0b in new capital, with secondary raisings of \$1.3b
- Equity listings raised \$0.6b in new capital, with \$7.9 billion in secondary raisings

Marketing the market & participation

- BNP Paribas Securities Services Australia and Sharesies accredited. Strong pipeline building
- Depository assets under custody (\$3.5b) increased 382.6% with BNP using NZX's services

Increase on-market liquidity

- Record on-market trading activity in 2019 with December 61.5% and full year on-market activity 54.3% (+5.3%)
- Price improved crossings generated over \$500K gross benefit for investors

Functionality

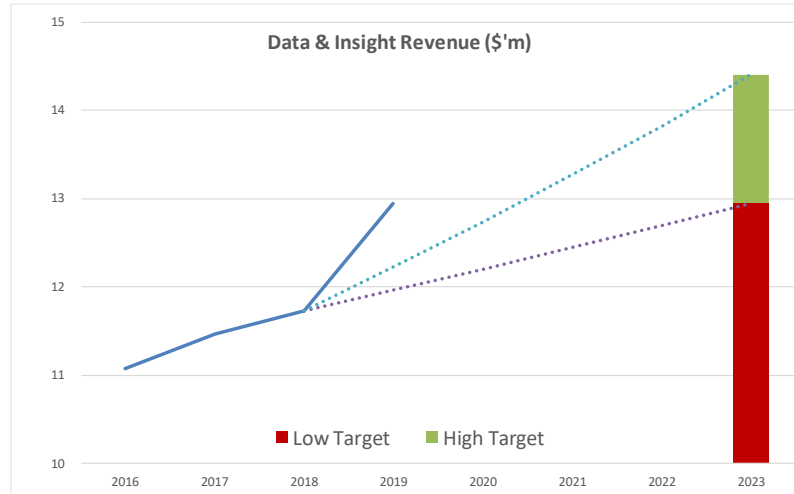
- Optimised NZX fees architecture (new fees effective 1 July 2019)
- Initiated the trading system upgrade project which will deliver enhanced trading tools (e.g. self match prevention, midpoint order book, improved trade reporting), target delivery in 2020
- SWIFT upgrade completed to enhance service for depository business
- Central securities depository services enhanced, with our first international wholesale custodian accessing the full suite of depository services

Growth drivers are starting to gain traction. Proof points are...

IN 2018 WE FOCUSED ON REMOVING BLOCKAGES TO GROWTH, 2019 WAS ABOUT DELIVERING ON THE PROOF POINTS

Data & Insights

Subscription & Licence growth 17.7% (2019 target 10%)
Dairy subscription growth (1.4%) (2019 target 24%)



Commercial

- Recurring revenue increased 7.0%, audit and back dated licencing revenue increased from \$762k to \$1,289k.
- Captured new revenue opportunities associated with changes in trading behaviours has resulting in 17.7% subscriptions and licence growth driven by non-display usage
- Dairy subscription revenue decrease a result of divestment of NZX Agri business and its impact on churn of dairy subscriptions

Insights

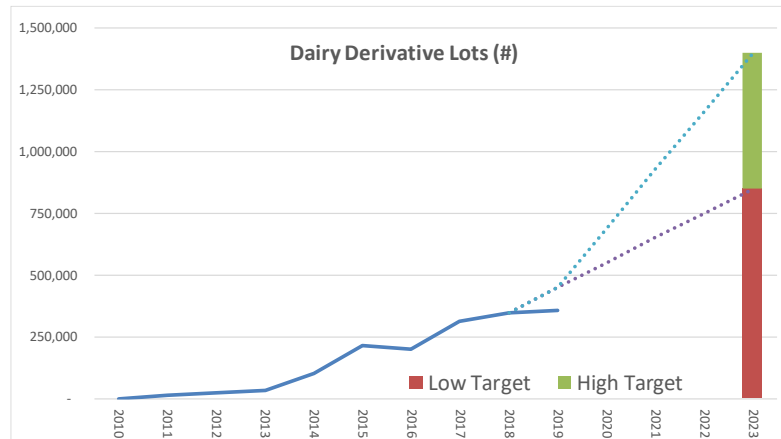
- Delivery of deep insights into dairy market with focus on New Zealand milk production and the effects of alternative dairy
- ESG analysis for capital markets delivered with focus on current state of ESG reporting from issuer and investor point of view

Platform

- Delivered subscription management platform, Zuora and deployed Salesforce.com as customer relationship management tool
- Delivery of first components of proprietary data platform (e.g. website widgets) and further work to understand required functionality for external customers

Dairy Derivatives

Lots traded 358,928 growth 3.8% (2019 target: 400,000 – 500,000 lots)



Expand global access

- Trading hours adjusted to concentrate liquidity in target markets to create increased turnover and operational efficiencies
- Rules consultation underway

Boost sales and marketing

- Transformed online offering – charting, margin calculator, investor videos
- Building industry reach globally via untouched trading regions including Asia and the Middle East, with key domestic partners such as GDT
- National roadshow for milk price risk management, increasing MKPF volume 66% YoY

Extend product set

- Exploring partnerships to improve participation



Growth drivers are starting to gain traction. Proof points are...

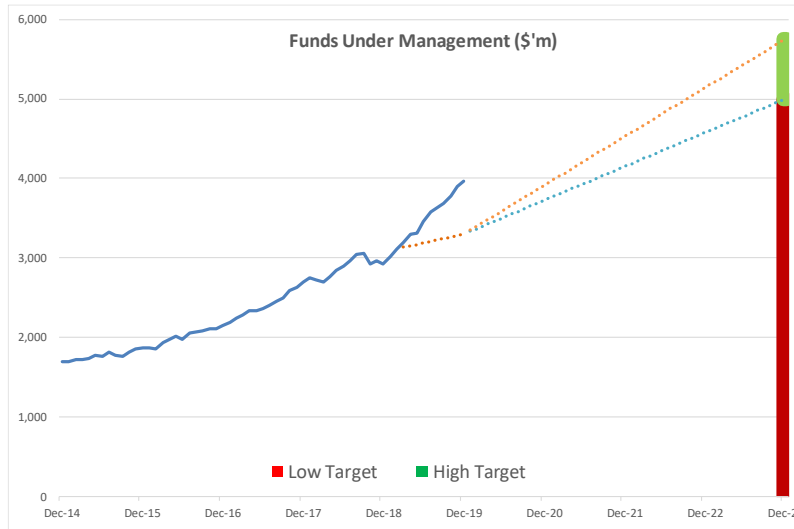
IN 2018 WE FOCUSED ON REMOVING BLOCKAGES TO GROWTH, 2019 WAS ABOUT DELIVERING ON THE PROOF POINTS

Smartshares

FUM growth 36.0% (2019 target 14%)

FUM growth driven by:

- Net cash flows +17%
- Market Returns +19%



Lead in systematic investment management

- Investment management team in place with the hiring of a Chief Investment Officer
- Launched eight new ETFs including first thematic funds
- Brands refresh being finalised

Expand offer for institutional investors

- Built institutional investor client service offering and sales capability
- First institutional investor on boarded

Develop financial well-being for customers

- Cross-selling KiwiSaver with voluntary savings
- 16 investor seminars in 2019
- Launched Ka Uruora WhānauSaver with Te Atiawa and Taranaki Iwi
- Extended SuperLife Pacific Series

Develop Corporate Super Master Trust

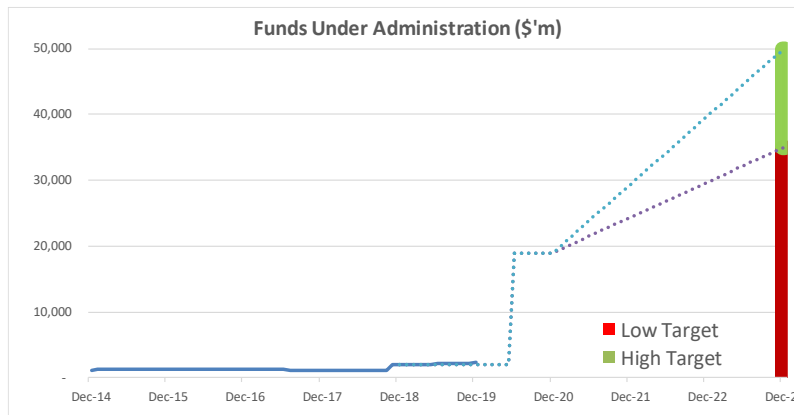
- Four corporate superannuation scheme wins
- Increased level of net cash flows from investors
- Improved service quality, automation and cost efficiency

Accelerate growth

- Continuing to explore inorganic opportunities to accelerate growth

Wealth Technologies

2 new customers (2019 target: win new customer)



Grow customer pipeline

- Letter of Intent signed with Craigs to transition the remaining custody business
- Letter of Intent signed with Saturn to transition custody business in 2020
- Hobson Wealth Partners Limited selected NZXWT Platform for their custody business. Project commenced 2019 for migration 2020

Widen platform offering

- Further functionality completed including auto-rebalancing and DIMS

Efficiency improvements to fund investment for growth

- Continuing the automation of operational processes and further progression on IT infrastructure programme
- Reinvesting efficiency savings into revenue growing activities and system enhancements

Corporate

Get Fit



Our people are critical to our delivery

WE HAVE TRANSFORMED OUR CULTURE AND BUILT A REPUTATION THAT IS OUTWARD ORIENTED AND CUSTOMER CENTRIC. IN 2019 WE HAVE TAKEN POSITIVE STEPS TO LIFT OUR SALES AND MARKETING CAPABILITY



Culture & Engagement

- Continued focus on customer centric approach and sales culture
- Performance culture has been underpinned this year by a new performance management system and revised remuneration practices
- Engagement amongst staff continued to climb, with a seventh successive increase in our latest survey. Gallup engagement score in October 2019 reached 4.15 out of 5 with 94% participation – our highest ever participation, and highest ever score
- NZX now ranks at the 65th percentile of New Zealand companies in Gallup's survey for staff engagement

Resourcing

- Continued focus on streamlining operational processes and team structures, and reallocating resources to customer-facing roles
- Lifted resourcing and capability in value-creating roles. Key customer facing roles hired in 2019 include:
 - Head of Issuer Relationships; and
 - Senior business development roles in NZXWT and Smartshares;as well as new functional leaders in HR, Communications, Marketing, Energy IT, and Market Technology
- 18 new permanent roles created in 2019, including 4 in Smartshares and 12 in Wealth Technologies to deliver growth

Diversity & Inclusion

- Delivered on the 2019 Diversity & Inclusion objectives to assess the inclusiveness of our workplace, understand diversity of our recruitment pipeline, and provide unconscious bias education to all staff
- More than 100 staff took part in Te Reo Māori workshops during Te Wiki o Te Reo Māori
- Mental Health Awareness workshops were held to increase awareness and support for people experiencing mental health issues
- NZX CEO invited to join Champions for Change

Financial performance

NZX

NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA



Income Statement

	2019 \$'000	2018 \$'000	Change Fav/(unfav)
Operating revenue	69,548	67,493	3.0%
Operating expenses	(38,184)	(38,931)	1.9%
Operating earnings	31,364	28,562	9.8%
Net finance expense	(2,153)	(1,279)	(68.3%)
Loss on disposal of business and property, plant and equipment	(83)	(1)	N/A
Depreciation and amortisation expense	(8,595)	(7,216)	(19.1%)
Impairment expense	-	(352)	N/A
Adjustment to provision for earnout	-	15	N/A
Income tax expense	(5,888)	(6,056)	2.8%
Profit from continuing operations	14,645	13,673	7.1%
Loss from discontinued operations (net of tax)	-	(2,024)	N/A
Net Profit After Tax	14,645	11,649	25.7%
Operating Margin	45.1%	42.3%	6.6%

The 2018 Income Statement has been restated for the adoption of the new accounting standard NZ IFRS 16 Leases. Consequently operating lease expenses (i.e. property leases) have been reclassified to a 'right-of-use asset' (which is depreciated i.e. depreciation expense) and a lease liability (which includes an interest unwind i.e. interest expense). Refer to the financial statements in the Annual Report for details.

Operating earnings from continuing operations of \$31.4 million (2018: \$28.6 million) is 9.8% higher; with the operating margin improving to 45.1%. The operating earnings by division are discussed in detail in Appendix 1.

Operating revenue and **operating expenses** are impacted by Smartshares' FUM based revenue which is now received net of fund expenses (since the operating model change in October 2018). The comparable movements (with fund expenses netted against revenue in both periods – refer slide 13) is:

- operating revenue increasing 7.9% - with revenue growth in all key divisions (Core Markets, Funds Management and Wealth Technologies); and
- operating expenses increasing 6.4% - Core Markets and Corporate costs increased in line with inflation, while we invested for customer growth in the Funds Management and Wealth Technologies businesses.

The operating earnings from continuing operations are discussed in detail on the following slides.

Non-operating expenses have changed by factors previously foreshadowed, including:

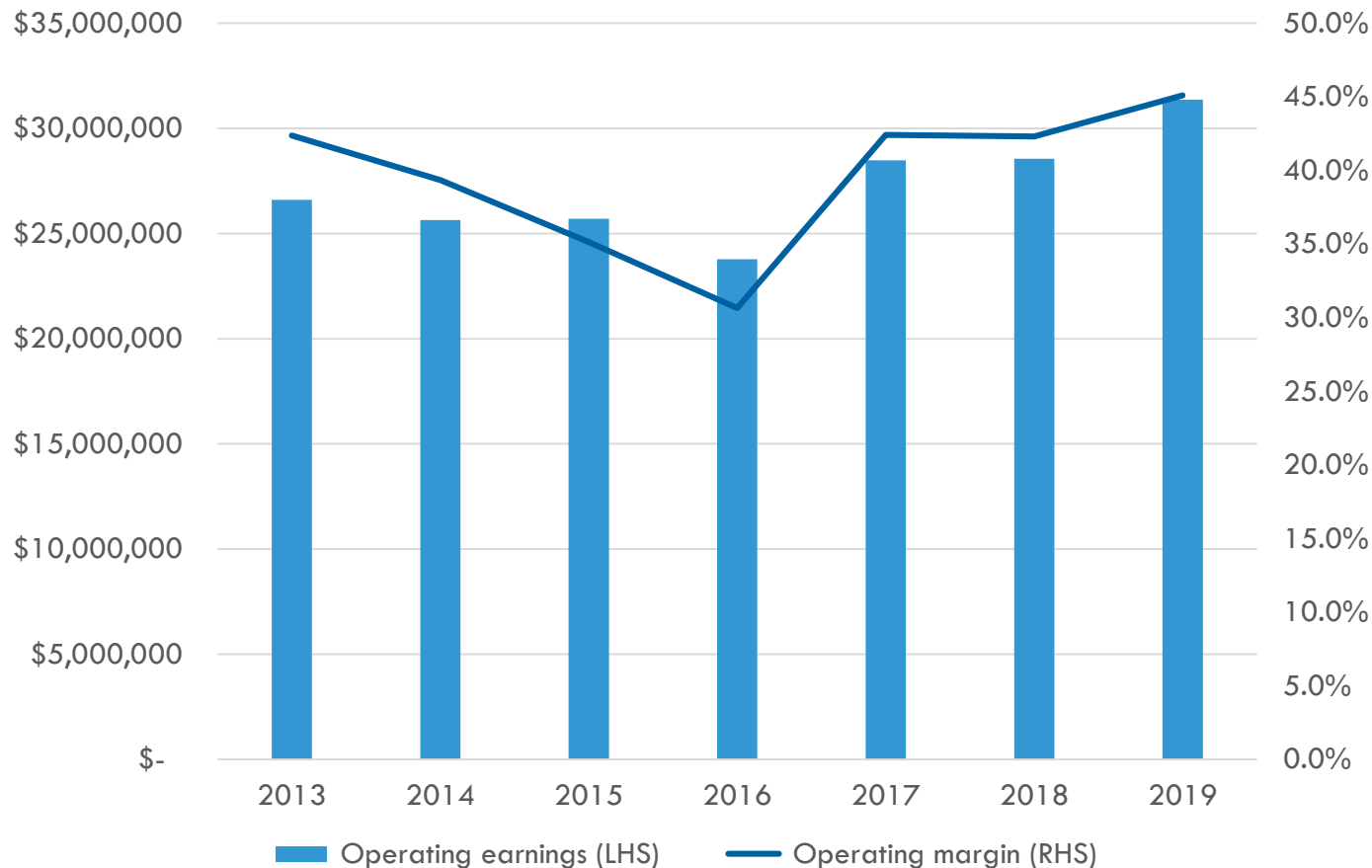
- net finance expenses increased due to subordinated note interest; and
- amortisation expenses increased due to commencement of amortisation of Wealth Technologies core platform.

Net Profit After Tax is higher due to the prior year including the disposal of non core businesses (i.e. discontinued operations), and the net impact from increased operating earnings and the increase in non-operating expenses, both noted above.



Operating earnings from continuing operations of \$31.4 million (2018: \$28.6 million)

FOCUS WAS ON IMPLEMENTING THE INITIAL STAGES OF OUR FIVE-YEAR STRATEGY



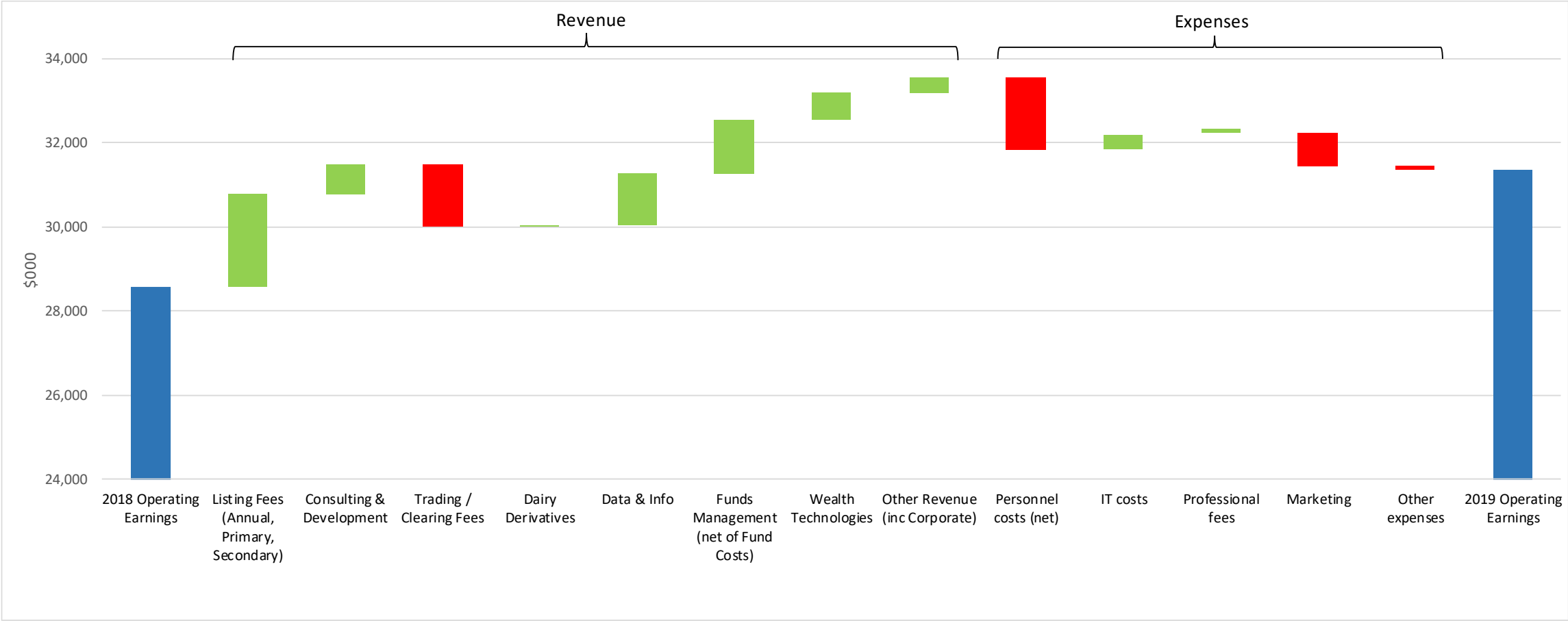
Total operating earnings from continuing operations \$31.4 million (2018: \$28.6 million).

Operating Margin has improved to 45.1% (2018: 42.3%). The increase is due to funds management revenue which is now being received net of fund expenses (refer to slide 13).

- All prior years operating earnings have been restated for the adoption of the new accounting standard NZ IFRS 16 Leases
- Prior to 2017 continuing operations included the Agri businesses which were classified as discontinued operations from 2017 until disposal



Operating earnings (from continuing operations) waterfall



A high level summary of operating earnings from continuing operations:

- Revenue movements due to an increase in listing fees, consulting & development, funds management (net of fund expenses) and data revenues, partially offset by decreases in trading and clearing fees; and
- Expense movements include a reduction in IT offset by additional personnel and marketing costs.



Operating earnings (from continuing operations)

	2019 \$'000	2018 \$'000	Change Fav/(unfav)
Operating Revenue			
Issuer Relationships	26,221	23,567	11.3%
Secondary Markets	15,449	16,758	(7.8%)
Data & Insights	12,829	11,623	10.4%
Funds Management	12,881	14,472	(11.0%)
Wealth Technologies	1,693	1,073	57.8%
Corporate	475	-	N/A
Total operating revenue (continuing operations)	69,548	67,493	3.0%
Operating Expenses			
Gross personnel costs	28,927	27,321	(5.9%)
Less capitalised labour	(4,288)	(4,376)	(2.0%)
Personnel costs	24,639	22,945	(7.4%)
Information technology	7,047	7,357	4.2%
Professional fees	2,180	2,239	2.6%
Marketing	1,308	642	(103.7%)
Funds expenses	-	2,934	100.0%
Other expenses	3,926	3,894	(0.8%)
Capitalised overheads	(916)	(1,080)	(15.2%)
Total operating expenses (continuing operations)	38,184	38,931	1.9%
Operating earnings (continuing operations)	31,364	28,562	9.8%

The 2018 Operating Earnings has been restated for the adoption of the new accounting standard NZ IFRS 16 Leases.

The **Funds Management operating model** for Smartshares changed in October 2018 to align with SuperLife. Fund expenses are now recognised directly by the Funds and funds under management (FUM) based revenue is now received net of fund expenses.

The following table restates 2018 to ensure comparability of operating revenue and operating expenses:

	2019 \$'000	2018 \$'000	Change Fav/(unfav)
Total operating revenue (continuing operations)	69,548	67,493	
Less fund expenses and fund related costs	-	(3,029)	
Total operating revenue (net of fund expenses)	69,548	64,464	7.9%
Total operating expenses (continuing operations)	38,184	38,931	
Less fund expenses and fund related costs	-	(3,029)	
Total operating expenses (net of fund expenses)	38,184	35,902	(6.4%)
Operating earnings (continuing operations)	31,364	28,562	9.8%

The operating revenue and operating expenses are discussed in the following slides and the divisional operating earnings are presented in the appendix.



Operating earnings (from continuing operations)

OPERATING REVENUE

Issuer Relationships:

- Annual listing fees have been positively impacted by the growth in number and value of debt instruments, and the growth in equity market capitalisation despite delistings. Primary listing fees driven by strong debt listings (retail and wholesale). Secondary issuance fees driven by equity raised; and
- Earning consulting and development revenue through systems enhancements has been a focus post completion of the electricity market operator upgrade program in late 2018.

Data & Insights:

- Royalties from terminals revenue increase relates to higher retail terminal numbers;
- Subscriptions and licences revenue increase is driven by increased non-display usage;
- Audit and back dated licencing revenue increased from \$762k to \$1,289k; and
- Dairy subscription revenue decreased as a result of divestment of NZX Agri business and its impact on churn of dairy subscriptions.

Secondary Markets:

- Securities trading and clearing revenue has, as anticipated, been impacted by the fee changes effective 1 October 2018; which were implemented to improve market liquidity and attract new participants, which in time will deliver growth. Additionally the total value traded and cleared is 1.0% lower, and revenue was also adversely impacted by trading patterns (particularly in the first half of 2019) which had large peaks across index rebalance periods and lower turnover in-between. This had resulted in:
 - greater uncharged value traded, and
 - a lower average clearing fees.These trading patterns were addressed with the fee structure changes on 1 July 2019 (e.g. trading fee cap has been raised); and
- Dairy derivatives revenue increased with growth in lots traded of 3.8%; impacted by low market volatility in the final quarter.

Corporate Services:

- Other corporate revenue primarily relates to the short term sub lease of part of the Wellington premises, NZX.com advertising revenue and sponsorship of NZX's 150th year celebrations.

Funds Management:

- FUM based revenue is recognised net of fund expenses (since the operating model change in October 2018). FUM based revenue has increased 13.8% on a like for like basis, driven by:
 - higher average FUM over the period, arising from a combination of market returns and positive net cash flows (\$476m); offset by
 - fund expense increases associated with 8 Blackrock iShares ETFs, and the segregation and unitisation of SuperLife Invest providing access for wholesale clients, partially reduced by efficiencies from the changed operating model and improvements to supplier arrangements.
- Member based revenue has increased as investor numbers increased over the period by 8.5%.

Wealth Technologies:

- Administration (FUA based) fees driven by:
 - New platform – started earning fees in November 2018 when the foundation customer transitioned phase one to new platform, with FUA continuing to increase in 2019; and
 - OE platform – number of customers unchanged, with FUA stable.



Operating earnings (from continuing operations)

OPERATING EXPENSES

Personnel costs

- Personnel costs are driven by the average FTEs in the period and the capitalisation of internal development resources.
- Personnel costs have increased due to a combination of wage inflation, short term contractor resources (e.g. assisting with the delivery of increased energy consulting activity) and the movement in average FTEs arising from:
 - The full year impact of the additional strategic roles created through 2018 (i.e. the refocus to be client centric, FTEs to strengthen cyber security and marketing capabilities, and to address recommendations set out in the Financial Markets Authority Annual Market Operator Obligations Review;
 - Smartshares additional sales resources and to on board new business in line with their strategic focus;
 - Wealth Technologies additional resources planning for the migration of new clients in 2020; and
 - Movements in vacancy numbers at period ends.
- Capitalisation of internal development resources (2019: \$4.29 million; 2018: \$4.38 million) primarily relates to Wealth Technologies' core platform and NZX's trading system upgrade.

Information Technology

- IT costs are lower than the comparable period due to the efficiency impacts from prior year projects (e.g. through modernised and rationalised data centre hosting).

Professional Fees

- Professional fees include those relating to:
 - Smartshares investments for growth (approx. \$297k) e.g. SuperLife Invest unitisation, setting up the Blackrock iShare new ETFs, creating Ka Uruora WhānauSaver and the extension of the SuperLife Pacific Series;
 - The assurance programme – internal audits, energy audits and consulting obligations under the Electricity Authority contracts, annual conflicts review, funds conduct risk assessment review; and
 - Stock lending and borrowing (SLB) costs and terminal royalty audit fees both vary in proportion to their related revenues; with costs and revenues recognised on a gross basis.

Fund Expenditure

- The fund expenses are now payable directly by the funds since the operating model change in October 2018.

Marketing

- Marketing costs increases relate to:
 - Investor relations programme has been enhanced (to support strategic initiative to market the market domestically);
 - Smartshares marketing of products has increased significantly (including a rebranding for launch in 2020); and
 - The NZX book and 150th year celebrations costs (sponsorships are recognised on a gross basis within other revenue).

Other Expenses

- Other expenses have moved in line with inflation; these costs relate to premises related costs (i.e. electricity, rates etc), insurance, directors fees, travel, external audit costs, outsourced payroll system, corporate memberships, statutory / compliance costs and non recoverable GST (on the Smartshares and Wealth Technologies businesses).

Capitalised overheads

- The portion of all expense categories which relate to capital activities (e.g. Wealth Technologies core platform and NZX's trading system upgrade) has decreased slightly (2019: \$0.92 million; 2018: \$1.08 million).



Non-operating income and expenses

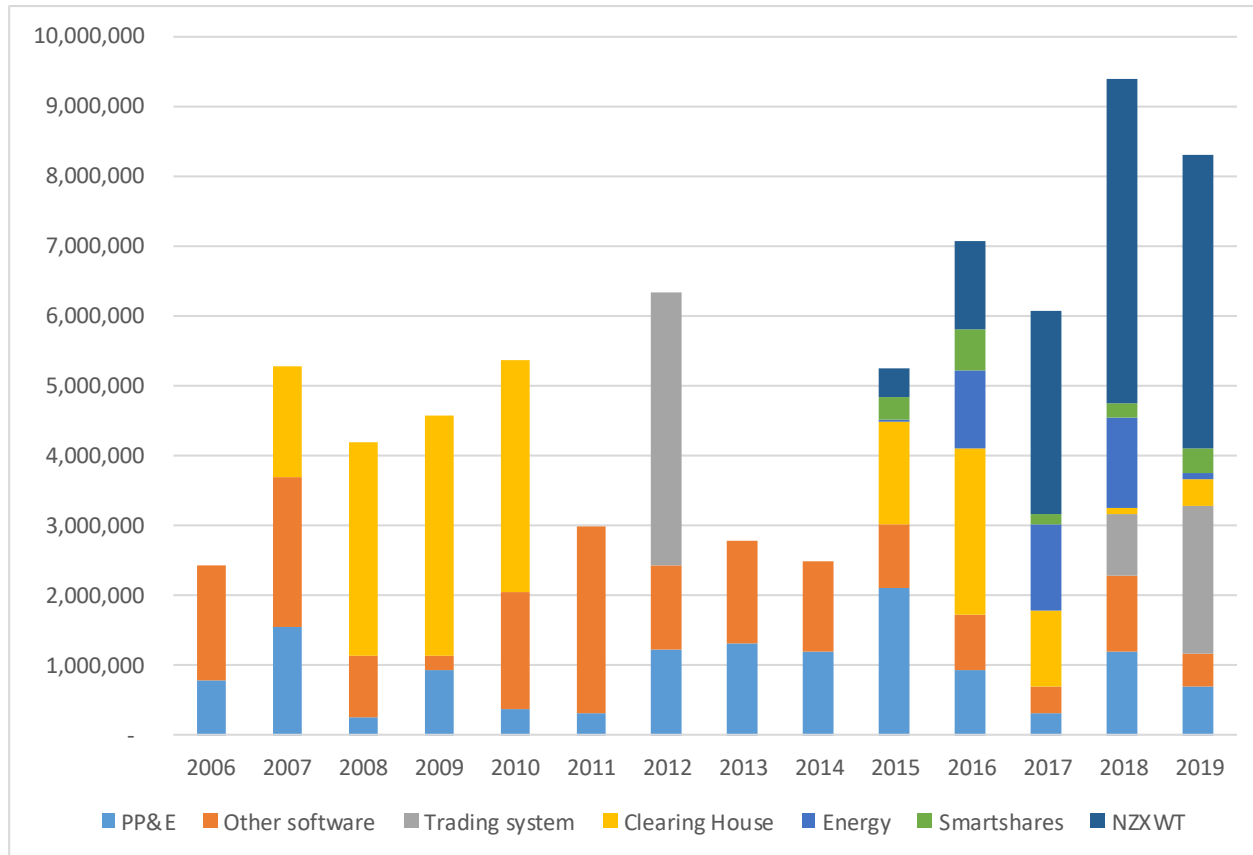
	2019 \$'000	2018 \$'000	Change Fav/(unfav)
Interest income	1,033	986	4.8%
Interest on lease liabilities	(414)	(429)	3.5%
Other interest expense	(2,572)	(1,829)	(40.6%)
Amortised borrowing costs	(77)	(38)	(102.6%)
Realised gain on investment	6	-	N/A
Net (loss)/gain on foreign exchange	(129)	31	(516.1%)
Net finance expense	(2,153)	(1,279)	(68.3%)
Depreciation of PP&E	(858)	(802)	(7.0%)
Amortisation of lease assets	(1,137)	(791)	(43.7%)
Amortisation of intangibles	(6,600)	(5,623)	(17.4%)
Total depreciation and amortisation	(8,595)	(7,216)	(19.1%)
Loss on disposal of business and property, plant and equipment	(83)	(1)	N/A
Impairment expense	-	(352)	N/A
Adjustment to provision for earnout	-	15	N/A
Tax expense	(5,888)	(6,056)	2.8%
Total net other expenses (from continuing operations)	(16,719)	(14,889)	(12.3%)
Loss from discontinued operations (net of tax)	-	(2,024)	100.0%

The 2018 Other Income and Expenses has been restated for the adoption of the new accounting standard NZ IFRS 16 Leases.

- Increased net finance costs result from the subordinated notes issued on 20 June 2018, and includes:
 - interest income on cash balances, Clearing House risk capital and regulatory working capital; which have been impacted by decreased interest rates; and
 - interest expenses (including amortised borrowing costs) on the subordinated notes, loans, overdrafts, lease liabilities and earn out.
- Amortisation increased due to the commencement of amortisation of:
 - the Wealth Technologies core platform from November 2018 when the first customer migrated to the platform; and
 - new lease of IT equipment from May 2019.
- Effective tax rate is higher than statutory rate of 28% due to non-deductible items.
- Discontinued operations relate to operating results (including impairment of goodwill and intangibles) of the Agri businesses (Farmers Weekly, AgriHQ and the Australian based Grain Information Unit).



CAPEX



Core Markets

- Capex driven by specific system life cycles which result in large multi-year projects
- Trading system upgrade – total spend will be comparable to 2012, with most to be incurred in 2019 and finishing in mid 2020
- Normal life cycle replacements for IT equipment and software
- In 2020 we expect some system changes, for example the MAP enhancements, data delivery platform and NZX.com, together with an Auckland office refit

Growth Businesses

- Wealth Technologies completed product refinement and extension of core platform, for example DIMS functionality including pre and post trade compliance. In 2020 the focus is the migration of new clients and transition of current customers onto the new platform, resulting in a significantly higher level of CAPEX for 2020
- Smartshares CAPEX relates to its operating systems. In 2020 there will be further investment in Smartshares with a replacement front office system being installed, continued rollout of workflow technology and delivery of digital tools for improved client servicing and efficiency



Balance Sheet

	2019 \$'000	2018 \$'000	Change Fav/(unfav)
Current assets			
Cash and cash equivalents	47,740	45,385	5.2%
Receivables and prepayments	9,006	9,217	(2.3%)
Funds held on behalf of third parties	79,667	56,705	40.5%
Total current assets	136,413	111,307	22.6%
Non-current assets			
Right-of-use lease assets	5,826	6,277	(7.2%)
Other non-current assets	70,332	69,487	1.2%
Total non-current assets	76,158	75,764	0.5%
Current liabilities			
Trade payables	3,782	3,798	0.4%
Other current liabilities	14,052	13,905	(1.1%)
Lease liabilities	1,439	1,145	(25.7%)
Funds held on behalf of third parties	79,667	56,705	(40.5%)
Liabilities held for sale	-	20	100.0%
Total current liabilities	98,940	75,573	(30.9%)
Non-current liabilities			
Interest bearing liabilities	38,852	38,797	(0.1%)
Lease liabilities	7,172	8,067	11.1%
Other non-current liabilities	3,689	3,227	(14.3%)
Total non-current liabilities	49,713	50,091	0.8%
Net assets/equity	63,918	61,407	4.1%

The 2018 Balance Sheet has been restated for the adoption of the new accounting standard NZ IFRS 16 Leases.

- Cash and cash equivalents includes:
 - Clearing House risk capital (\$20 million) which is not available for general use
 - Clearing House also complies with International Organisation of Securities Commissions principles requiring retention of sufficient working capital (including cash of approximately \$2.0 million)
 - Smartshares maintains sufficient net tangible assets in accordance with its license requirements (including cash of approximately \$1.8 million)
- Receivables collection and working capital management remain a focus
- Funds held on behalf of third parties (assets and liabilities) offset. These relate 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
- Right-of-use lease assets and lease liabilities relate to the adoption of NZ IFRS 16 Leases; which requires operating leases to be recognised on balance sheet as:
 - Right-of-use assets – which are depreciated; and
 - Lease liabilities (current and non-current) – which have an interest unwind (i.e. interest expense) and reduces with lease payments
- Other non-current assets consist of property, plant & equipment, intangible assets and goodwill
- Other current liabilities includes income in advance related to annual listing and participant fees. Other non-current liabilities mainly relate to deferred tax



Cash flows

	2019 \$000			2018 \$000			Change Fav/ (unfav)
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations
Operating activities	24,790	-	24,790	23,811	1,122	24,933	4.1%
Investing activities	(8,300)	-	(8,300)	(19,039)	4,401	(14,638)	56.4%
Financing activities	(14,135)	-	(14,135)	209	-	209	(6,864.3%)
Net increase in cash and cash equivalents	2,355	-	2,355	4,981	5,523	10,504	(52.7%)

Operating activities

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

Investing activities

- Investing activities relate to CAPEX; primarily software development for Wealth Technologies and the trading system upgrade
- Prior year also included a significant payment of SuperLife earnout, and receipts from divestments

Financing activities

- Financing activities includes dividends which are net of participation in the dividend reinvestment plan
- Prior year also included receipts from the subordinated note issue, net of bank debt repayment



Final dividend

Final Dividend

- The Board has declared a final dividend (fully imputed) of 3.1 cents per share (CPS)
- Total dividends for the 2019 financial year are 6.1 cents per share fully imputed
- Dividend to be paid on 20 March 2020 to shareholders registered as at 6 March 2020

Dividend reinvestment plan

- Available for final dividend
- Shares will be issued at 1.0% discount

Fully imputed dividends	2019 CPS	2018 CPS
Interim dividend	3.0	3.0
Final dividend	3.1	3.1
Special dividend	-	1.5
Total dividends	6.1	7.6

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



What success looks like for NZX

		External dependencies	2020 deliverables	Five-year aspirational target range (2023) **	
				LOW	HIGH
NZX Group	Total shareholder return (%) *	Dependent on external factors outlined below		TSR average of 9.29% to 11.29% p.a. by December 2022	
	Earnings per share *	Dependent on external factors outlined below		EPS average of 8% to 16% p.a. by December 2022	
	Operating Earnings ***	See earnings guidance	\$30.0 - \$33.5 million	\$42 million	\$54 million
Core Markets					
- Issuer Relationships	Capital 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 	\$9.5 billion (average of 2017/18)	Three year rolling average: \$11 billion	Three year rolling average: \$12 billion
- Secondary Markets	Total value traded	<ul style="list-style-type: none"> Participant activity levels drive value traded No major market correction 	\$38.6 billion	\$42.5 billion	\$45.0 billion
	Dairy derivatives lots traded	<ul style="list-style-type: none"> Participant activity levels and dairy market price volatility drive lots traded 	0.45 - 0.55 million lots	0.85 million lots	1.4 million lots
- Data & Insights	Revenue growth (in subscriptions, licenses and dairy subscriptions)	<ul style="list-style-type: none"> Dependent on core market growth 	Average revenue growth: 3.0%	Three year rolling average revenue growth: 2.0%	Three year rolling average revenue growth: 4.2%
Funds Management					
	Total funds under management	<ul style="list-style-type: none"> Investment market returns No major market correction 	Continue 3-year rolling average growth: 14%	FUM December 2023: \$5.0 billion	FUM December 2023: \$5.75 billion
Wealth Technologies					
	Total funds under administration	<ul style="list-style-type: none"> Investment market returns No major market correction 	Migrate new clients onto the platform	FUA December 2023: \$35 billion	FUA December 2023: \$50 billion

* Consistent with CEO long term incentive programme, see share based payments note in the financial statements for more information.

** The five year aspirational target range (2023) as presented in the Investor Presentation (February 2019) and are not financial forecasts.

*** Operating earnings are before net finance expense, income tax, depreciation, amortisation and impairment, adjustment to provision for earnout, gain and loss on disposal of business and property, plant and equipment.



2020 earnings guidance

NZX expects full year 2020 Operating Earnings to be in the range of \$30.0 million to \$33.5 million.

The guidance is subject to market outcomes, particularly with respect to market capitalisation, total capital raised, secondary market value and derivatives volumes traded, and funds under management and administration growth.

Additionally this guidance assumes no material adverse events, significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments.

We have widened our guidance range at the lower end to reflect the current uncertain global environment.

Operating earnings are before net finance expense, income tax, depreciation, amortisation and impairment, adjustment to provision for earnout, gain and loss on disposal of business and property, plant and equipment.





Questions?

Appendices



NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA



Appendix 1: Operating earnings divisional results

PROFORMA: 2018 FUND EXPENSES ADJUSTED TO NET AGAINST REVENUE FOR COMPARABILITY

2019 \$000	Issuer Relationships	Secondary Markets	Data & Insights	Funds Management	Wealth Technologies	Corporate Services	Total continuing operations	Agri (discontinued operations)	Total
Operating revenue	26,221	15,449	12,829	12,881	1,693	475	69,548	-	69,548
Operating expenses	(5,107)	(6,424)	(1,816)	(6,833)	(2,573)	(15,431)	(38,184)	-	(38,184)
Operating earnings	21,114	9,025	11,013	6,048	(880)	(14,956)	31,364	-	31,364
FTEs	34.6	28.4	9.8	45.2	45.1	63.2	226.3	-	226.3
Operating margin	80.5%	58.4%	85.8%	47.0%	(52.0%)	N/A	45.1%	-	45.1%
2018 (Proforma) \$000	Issuer Relationships	Secondary Markets	Data & Insights	Funds Management	Wealth Technologies	Corporate Services	Total continuing operations	Agri (discontinued operations)	Total
Operating revenue	23,567	16,758	11,623	11,443	1,073	-	64,464	4,329	68,793
Operating expenses	(4,939)	(5,682)	(1,831)	(5,757)	(1,999)	(15,694)	(35,902)	(3,483)	(38,385)
Operating earnings	18,628	11,076	9,792	5,686	(926)	(15,694)	28,562	846	29,408
FTEs	37.6	28.6	8.0	44.5	36.5	61.7	216.9	18.5	235.4
Operating margin	79.0%	66.1%	84.2%	49.7%	(86.3%)	N/A	44.3%	19.5%	42.7%

Notes:

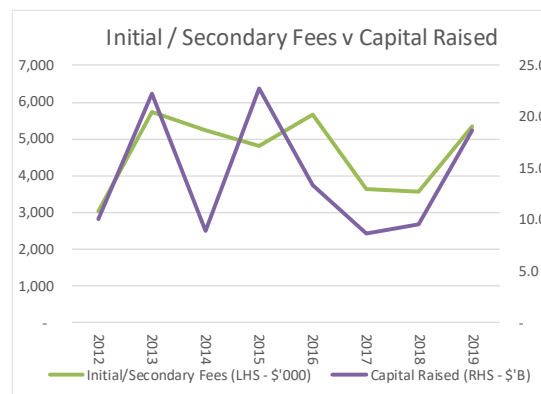
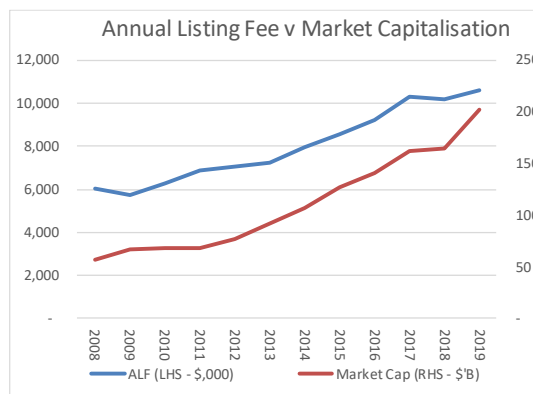
1. Issuer Relationships includes the Issuer Relationship, Energy and Issuer Compliance teams (for the equity, energy and Fonterra shareholders' markets).
2. Secondary Markets includes the Secondary Markets, Clearing House, Dairy Derivatives, Surveillance and Participant Compliance teams.
3. Corporate Services provides accommodation, legal, accounting, IT, HR and communications and marketing support to the other business units. Related costs are currently not recharged to these businesses.
4. The Funds Management operating model for Smartshares ETF funds changed (October 2018) to align with SuperLife; fund expenses (and audit fees) are now payable by the funds and FUM based revenue is now received net of fund expenses (and audit fees). Consequently 2018 has been restated to ensure comparability of operating revenue and operating expenses (both restated by \$3.029m).
5. The 2018 divisional results have been restated for the adoption of the new accounting standard NZ IFRS16 Leases (operating expense restated for Wealth Technologies \$0.113m and Corporate Services \$1.167m). Refer to Note 5 in the financials statements.



Issuer Relationships

TASKED WITH CREATING A COMPELLING AND ATTRACTIVE PROPOSITION FOR OUR CURRENT AND PROSPECTIVE EQUITY, FUND AND DEBT CUSTOMERS AND DELIVERING ON OUR CONTRACTED SERVICE PROVIDER OFFERINGS

Strategic metrics	2019	2018	Change Fav/(unfav)
Number of unique issuers	200	198	1.0%
Equity market capitalisation	\$161.497 billion	\$129.573 billion	24.6%
Funds market capitalisation	\$4.966 billion	\$3.673 billion	32.2%
Debt market capitalisation	\$35.540 billion	\$30.821 billion	15.3%
Total Market Capitalisation	\$202.003 billion	\$164.067 billion	23.2%
Number of capital raising events	2,184	1,309	66.8%
Value of primary capital listed	\$7.158 billion	\$4.897 billion	46.2%
Value of secondary capital raised	\$11.508 billion	\$4.642 billion	147.9%
Total capital raised	\$18.666 billion	\$9.539 billion	95.7%



Highlights

- Total capital (primary and secondary) raised \$18.7 billion; including two new equity issuers, one new fund issuer, eight additional funds and three new retail debt issuers joining the exchange
- The wholesale debt market (opened January 2019) has had five listings; total debt raised combined with subsequent issues was \$2.6 billion; including the exchange's first sustainability bond and first non-NZD denominated listed security
- Enhanced marketing events and communications to showcase current customers, demonstrate benefits of listing on NZX and enhance financial knowledge of investors
- NZX Regulation assisted issuers with the transition to the updated market structure and rules
- Currently implementing the recommendations laid out by the Capital Markets 2029 report that NZX has a role to play in
- Participating in the RFP for the NZ Emissions Trading Scheme (Managed Auction Service)

Targets for 2020 and beyond

- NZX will implement (or contribute towards implementation of) Capital Market 2029 recommendations to enhance the equity pathways to the listed markets
- Targeting \$9.5 billion in capital raised (total initial and secondary) – through:
 - continued focus on prospective and current customers, working with other areas of NZX to align offering, up sell/cross sell to issuer base;
 - step up in marketing efforts to showcase current customers, attract new customers particularly through the benefits of direct listing;
 - build funds and debt products (wholesale, foreign and green bonds) pipeline; and
 - promoting new rule set to accelerate foreign exempt market
- Target new revenue opportunities in the energy and emissions markets



Issuer Relationships

TASKED WITH CREATING A COMPELLING AND ATTRACTIVE PROPOSITION FOR OUR CURRENT AND PROSPECTIVE EQUITY, FUND AND DEBT CUSTOMERS AND DELIVERING ON OUR CONTRACTED SERVICE PROVIDER OFFERINGS

Operating Earnings	2019 \$000	2018 \$000	Change Fav/(unfav)
Operating revenue			
Annual listing fees	10,587	10,160	4.2%
Primary listing fees	1,080	1,181	(8.6%)
Secondary issuance fees	4,275	2,379	79.7%
Other issuer services	500	774	(35.4%)
Consulting and development revenue	1,060	380	178.9%
Contractual revenue	8,719	8,693	0.3%
Total operating revenue	26,221	23,567	11.3%
Operating expenses			
Gross personnel costs	4,058	4,497	9.8%
Less capitalised labour	(44)	(455)	(90.3%)
Personnel costs	4,014	4,042	0.7%
Information technology costs	710	728	2.5%
Professional fees	108	160	32.5%
Marketing	112	58	(93.1%)
Other expenses	180	128	(40.6%)
Capitalised overhead	(17)	(177)	(90.4%)
Total operating expenses	5,107	4,939	(3.4%)
Operating earnings	21,114	18,628	13.3%
FTEs	34.6	37.6	8.0%

Operating revenue

- Annual listing fees have been positively impacted by the growth in number and value of debt instruments, and the growth in equity market capitalisation despite delistings
- Primary listing fees driven by strong debt listings (retail and wholesale) and the listing of Napier Port Holdings Limited
- Secondary issuance fees driven by equity raised
- Other issuer services revenue relates to NZX Regulation issuer compliance function
- Consulting and development revenue is being earned through systems enhancements which has been a focus post completion of the electricity market operator upgrade program in late 2018
- Contractual revenue in line with long term contracts

Operating expenses

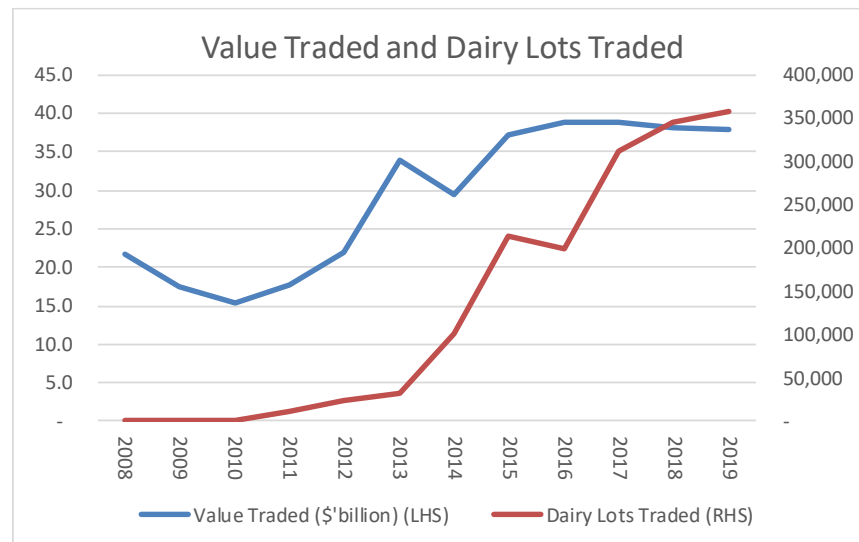
- Personnel costs include the use of short term contractors to assist with the delivery of increased energy consulting revenue, offset by the Head of Issuer Relationship role being vacant for most of H2-19. Note Issuer Relationships includes the energy and NZX Regulation issuer compliance teams
- Energy IT costs benefited over time from consolidation projects completed in prior years; resulting in efficiencies and centralisation of costs to Corporate Services
- Professional fees relate to energy audit and consulting obligations under Electricity Authority contract, for example Energy Clearing Manager review in the current year
- The marketing focus has increased for the Issuer Relationship team



Secondary Markets

TASKED WITH DRIVING SECONDARY MARKET DEVELOPMENT ACROSS ALL MARKETS AND MANAGING PARTICIPANT RELATIONSHIPS

Strategic metrics	2019	2018	Change Fav/(unfav)
Number of trades	4.86 million	3.25 million	49.7%
Total value traded	\$37.8 billion	\$38.2 billion	(1.0%)
Percentage of value on-market	54.3%	51.5%	5.3%
Depository assets under custody	\$3,473 million	\$720 million	382.6%
Dairy derivatives lots traded	358,928	345,651	3.8%
Number of participants	35	37	(5.4%)



Value Traded excludes international crossings

Highlights

- Accredited 2 new participants:
 - BNP Paribas Securities Services Australia accredited for cash market central securities depository services
 - Sharesies accredited as a cash trading and clearing participant, providing investment platform services to NZ retail investors

Although a consolidation of markets (i.e. NZAX and NXT into the main Board) resulted in a net decrease of the total number of NZX Participants, the newly accredited participants will generate greater transaction volumes

- SWIFT upgrade completed to meet global best practice standards for central securities depositories.
- Completed upgrade of market participants connectivity. 4 clients now utilising the NZX's Australian connectivity point
- Trading System Upgrade project, to considerably enhance market functionality, is well under way
- Record on-market value traded achieved in 2019; full year at 54.3% (+5.3%), and December at 61.5% for the month. Retail trading participation increased 15.0% for 2019
- NZX Clearing commenced consultation on Recovery and Resolution planning consistent with IOSCO PFMI
- Central securities depository services enhanced with our first international custodian utilising the full suite of depository services. Depository assets under custody increased 382.6%
- Dairy derivative lot numbers increased 3.8%; impacted by low market volatility in the final quarter

Targets for 2020 and beyond

- Complete Trading System Upgrade project
- Focus on growing NZX participant numbers and end users
- Traded value 2020 target is \$38.6 billion – achieved through improved market sentiment and new issuance
- Percentage of value traded on-market to grow over the next few years
- Derivatives lots traded 2020 target 450,000 – 550,000, supported by growing participant numbers



Secondary Markets

TASKED WITH DRIVING SECONDARY MARKET DEVELOPMENT ACROSS ALL MARKETS AND MANAGING PARTICIPANT RELATIONSHIPS

Operating Earnings	2019 \$000	2018 \$000	Change Fav/(unfav)
Operating revenue			
Participant services revenue	4,024	3,915	2.8%
Securities trading revenue	3,850	5,311	(27.5%)
Securities clearing revenue	6,045	6,032	0.2%
Dairy derivatives revenue	1,530	1,500	2.0%
Total operating revenue	15,449	16,758	(7.8%)
Operating expenses			
Gross personnel costs	3,320	2,921	(13.7%)
Less capitalised labour	(48)	(43)	11.6%
Personnel costs	3,272	2,878	(13.7%)
Information technology costs	2,481	2,177	(14.0%)
Professional fees	304	321	5.3%
Marketing	133	145	8.3%
Other expenses	253	178	(42.1%)
Capitalised overhead	(19)	(17)	11.8%
Total operating expenses	6,424	5,682	(13.1%)
Operating earnings	9,025	11,076	(18.5%)
FTEs	28.4	28.6	0.7%

Operating revenue

- Participant services revenue relates to increased fees from 1 July 2019, net of oncharges for data networks reducing due to IT cost savings initiatives
- Securities trading and clearing revenues have been impacted by:
 - the anticipated impact from the fee structure changes implemented on 1 October 2018;
 - the total value traded and cleared being 1.0% lower; and
 - trading patterns (particularly in the first half of 2019) which had large peaks across index rebalance periods and lower turnover in-between. This had resulted in a) greater uncharged value traded, and b) lower average clearing fees; these trading patterns were addressed with the fee structure changes on 1 July 2019 (e.g. trading fee cap has been raised)
- Dairy derivatives revenue increase relates to growth in lots traded

Operating expenses

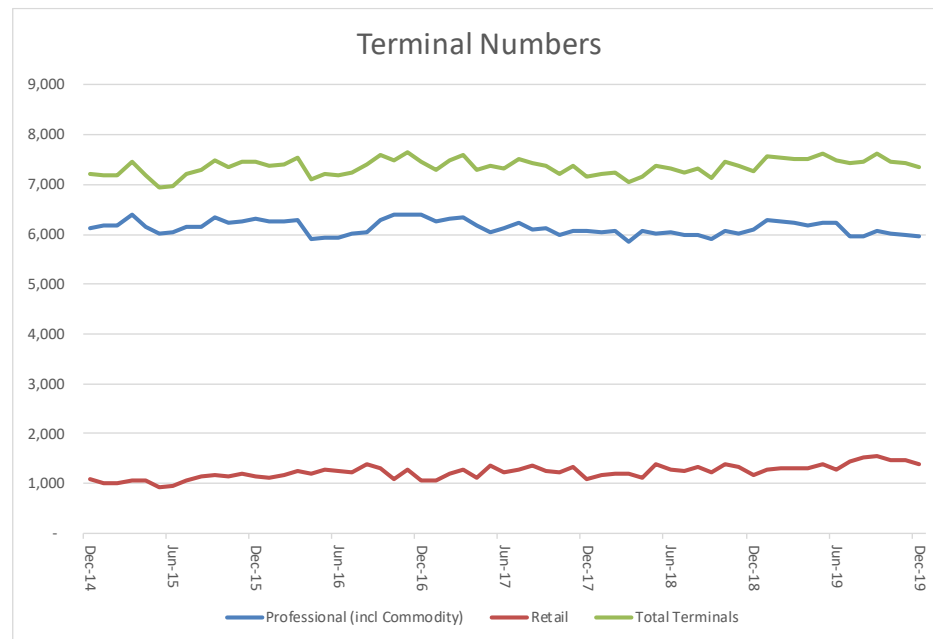
- Headcount and personnel costs have remained similar, whilst absorbing the additional headcount recommended in the FMA's Annual Market Operator Obligations Review. Note Secondary Markets includes NZX Regulation's participant compliance and surveillance teams
- Information technology costs relating to the clearing system have increased due to extended derivative trading hours
- Professional fees include:
 - Audit fees and tax advice;
 - Clearing House annual operations audit; and
 - stock lending and borrowing costs \$96k (2018: \$140k), which vary according to activity levels (the revenue is recognised in clearing revenue)
- Marketing costs include the costs of the Singapore Dairy Conference (Sponsorship is recognised on a gross basis in dairy derivatives revenue)



Data & Insights

TASKED WITH GROWING EXISTING DATA REVENUES AND TURNING RAW DATA INTO INSIGHTS THAT SUPPORTS GROWTH IN ALL MARKETS

Strategic metrics	2019	2018	Change Fav/(unfav)
Terminal numbers (3 month average)	7,444	7,380	0.9%
Licences	123	105	17.1%
Proprietary security products subscriptions	310	312	(0.6%)
Dairy data products subscriptions	504	551	(8.5%)



Highlights

- Terminal growth of 0.9% is a mix of professional terminals (decreased 1.3%) and retail terminals (increased 10.7%)
- Licencing growth of 17.1% driven by increase in non-display applications from changing data usage and ability to capture revenue
- ESG Report delivered with focus on current state of ESG reporting from issuer and investor point of view will drive positioning for 2020
- Zuora and Salesforce.com deployed as first components of customer data management platform with further work to enhance planned for 2020
- Indices business integrated into Data & Insight business unit to drive focus on increasing liquidity

Targets for 2020 and beyond

- Continue to move revenue mix from reliance on terminals' royalties to recurring revenue products in order to bring revenue sustainability and growth of 3.0% p.a.
- Capture new revenue opportunities associated with changes in trading behaviour from retail sector and focus on the small cap issuers
- Target growth in licensing revenues via increased focus on non-display application license products
- Delivery of deeper insights and renewed product set for dairy market with focus on New Zealand milk production, targeting growth in dairy subscription product revenues



Data & Insights

TASKED WITH GROWING EXISTING DATA REVENUES AND TURNING RAW DATA INTO INSIGHTS THAT SUPPORTS GROWTH IN ALL MARKETS

Operating Earnings	2019 \$000	2018 \$000	Change Fav/(unfav)
Operating revenue			
Royalties from terminals	6,205	6,122	1.4%
Subscriptions and licenses	3,705	3,147	17.7%
Dairy data subscriptions	727	737	(1.4%)
Indices	804	650	23.7%
Audit and back dated licenses	1,289	762	69.2%
Other	99	205	(51.7%)
Total operating revenue	12,829	11,623	10.4%
Operating expenses			
Gross personnel costs	1,222	1,041	(17.4%)
Less capitalised labour	(21)	-	N/A
Personnel costs	1,201	1,041	(15.4%)
Information technology costs	174	224	22.3%
Professional fees	418	395	(5.8%)
Marketing	11	12	8.3%
Other Expenses	20	159	87.4%
Capitalised overhead	(8)	-	N/A
Total operating expenses	1,816	1,831	0.8%
Operating earnings	11,013	9,792	12.5%
FTEs	9.8	8.0	(22.5%)

Operating revenue

- Royalties from terminals revenue increase relates to higher retail terminal numbers
- Subscriptions and licences revenue increase is driven by increased non-display usage
- Dairy subscription revenue decrease a result of divestment of NZX Agri business and its impact on churn of dairy subscriptions
- Indices revenue has been an area of focus to drive increasing market liquidity
- Audit and back dated licencing revenue increased to \$1,289k from \$762k
- Other revenue included Fundsorce revenue which was sold on 21 June 2019

Operating expenses

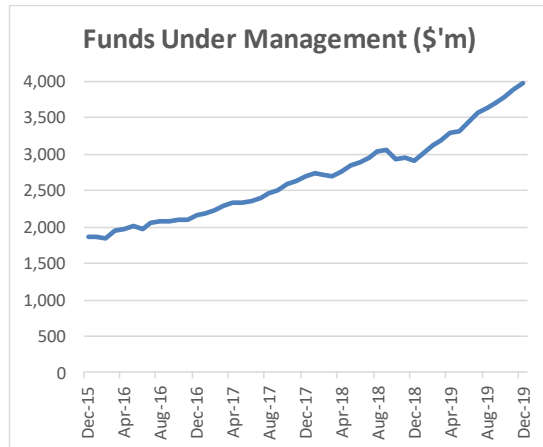
- Personnel costs are higher due to new roles introduced in 2018 to drive strategy focus on developing deeper insights, the Indices Manager role being transferred from Secondary Markets, and a dairy insights role returning from maternity leave and replacing an external contributor. 2018 FTEs are lower due to vacancies at year end
- Professional fees are higher due to external content for the dairy insight reports and increased royalty audit fees of \$104k (2018: \$80k). Fees are charged as a proportion of the royalty audit receipts. Royalty audit receipts and audit fees are recognised on a gross basis
- Information technology costs relate primarily to software licenses associated with the delivery of customer management data platforms



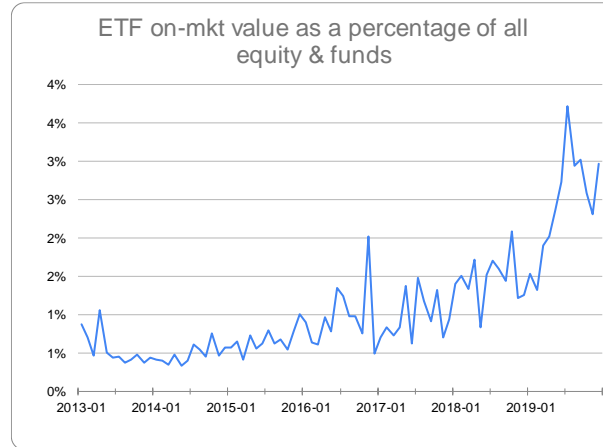
Funds Management

THIS BUSINESS COMPRISES THE SUPERLIFE SUPERANNUATION AND KIWISAVER PRODUCTS AND SMARTSHARES EXCHANGE TRADED FUNDS

Strategic metrics	2019	2018	Change Fav/(unfav)
Investors numbers (ETFs and SuperLife)	75,834	69,879	8.5%
Net cash flow	\$476 million	\$292 million	63.0%
Fund Under Management (external FUM)	\$3.968 billion	\$2.919 billion	36.0%



The month-end average FUM in 2019 was 20.5% higher at \$3.451 billion (2018: \$2.864 billion).



Highlights

- Continued growth in member numbers / unitholders, positive cash flows and Funds Under Management (FUM) produced increased operating revenue by 12.6%
- The Smartshares business has been investing for growth:
 - SuperLife Invest funds were segregated and unitised, to support multi rate and foreign investor PIE capability. Administration of these Funds has been outsourced. Overall this has opened up the wholesale market and reduced operations risk and widened the product offering;
 - Blackrock iShare ETFs – 8 new funds listed 6 June 2019;
 - SuperLife Pacific Series – was launched for Nauru and Tongan investors;
 - Ka Uruora WhānauSaver – launched savings programme with Te Atiawa and Taranaki Iwi, the fund is designed by iwi to support whānau members to manage their financial future; and
 - Brand refresh – is currently being finalized.
- Strengthened the leadership team (with new COO and CIO filled) and grew customer services resourcing to support growth

Targets for 2020 and beyond

- Target average annual FUM growth of approximately 14% over the five year strategy period to 2023
- Continue to achieve FUM growth through positive net cash flows, market returns and by targeting consolidation options (including stand-alone schemes and sub-scale master trusts), aiming for FUM of \$5.0 billion by December 2023



Funds Management

THIS BUSINESS COMPRISES THE SUPERLIFE SUPERANNUATION AND KIWISAVER PRODUCTS AND SMARTSHARES EXCHANGE TRADED FUNDS

Operating Earnings	2019 \$000	2018 \$000	Change Fav/(unfav)
Operating revenue			
FUM based revenue	9,977	11,797	(15.4%)
Fund related expenses	-	(3,029)	(100.0%)
FUM based revenue (net of fund related expenses)	9,977	8,768	13.8%
Member based revenue	2,373	2,237	6.1%
Other revenue	531	438	21.2%
Total operating revenue (net of fund related expenses)	12,881	11,443	12.6%
Operating expenses			
Gross personnel costs	5,242	4,663	(12.4%)
Less capitalised labour	(258)	(191)	35.1%
Personnel costs	4,984	4,472	(11.4%)
Information technology costs	118	34	(247.1%)
Professional fees	734	428	(71.5%)
Marketing	439	241	(82.2%)
Other expenses	584	601	2.8%
Capitalised overhead	(26)	(19)	36.8%
Total operating expense (excluding fund related expenses)	6,833	5,757	(18.7%)
Operating earnings	6,048	5,686	6.4%
FTEs	45.2	44.5	(1.6%)

The Funds Management operating model for Smartshares changed (October 2018) to align with SuperLife; fund expenses (and audit fees) are now payable directly by the funds and FUM based revenue is now received net of fund expenses (and audit fees). Consequently 2018 has been restated to ensure comparability of operating revenue and operating expenses.

Operating revenue

- FUM based revenue positively impacted by:
 - Higher average FUM over the period which is a combination of market returns and positive net cash flows; offset by
 - fund expense increases associated with the 8 new Blackrock iShares funds, and the segregation and unitisation of SuperLife Invest providing access for wholesale clients; partially reduced in 2019 by efficiencies from the changed operating model and improvements to supplier arrangements
- Member based revenue has increased as investor numbers increased over the period

Operating expenses

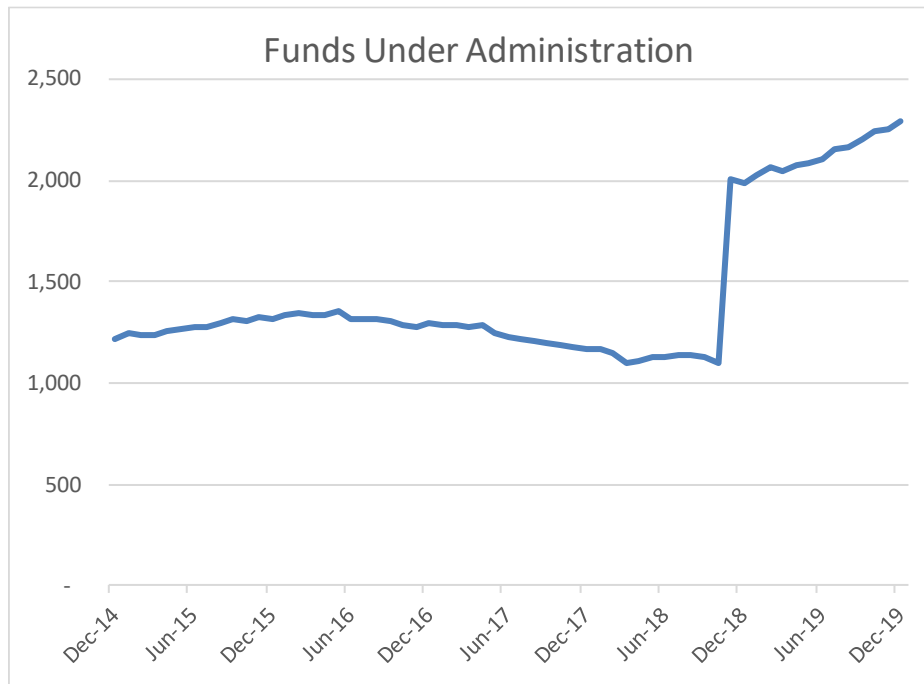
- The Smartshares business has been investing for growth
- Personnel costs have increased due to average headcount increases; with additional sales resources and resources to on board new business in line with the strategic focus
- Professional fees include tax and legal advice, independent conduct risk assessment, and internal audits. The current year includes the costs (\$297k) of setting up new funds / schemes
- Marketing the Smartshares business has seen increased focus and has driven increased cash flows. Additionally we have been undertaking a brand refresh which will be launched in 2020
- Corporate Services provides accommodation, legal, accounting, IT, HR, communications and marketing support at a no transfer pricing charge



Wealth Technologies

THIS BUSINESS IS A PLATFORM THAT ENABLES ADVISERS AND BROKERS TO MANAGE CLIENT INVESTMENTS

Strategic metrics	2019	2018	Change Fav/(unfav)
Funds Under Administration (FUA)	2.297 billion	1.988 billion	15.6%



Highlights

- Embedding sales culture and actively managing prospective customers resulting in Letters of Intent signed with:
 - Craigs to transition additional custody business, with go-live dates to be determined;
 - Saturn to transition custody business in 2020; and
 - Hobson Wealth Partners Limited selected NZXWT Platform for their custody business. Project commenced 2019 for migration 2020
- Further functionality completed which has facilitated growth opportunities; including DIMS functionality with pre and post trade compliance
- Expanded resourcing to support growth

Targets for 2020 and beyond

- Successfully migrate new clients onto the new platform through 2020
- Commence planning for transitioning current OE platform clients to the new platform within their timeframes
- Continue to target winning new customer for migration in 2021 and beyond
- Targeting FUA of at least \$35 billion by December 2023



Wealth Technologies

THIS BUSINESS IS A PLATFORM THAT ENABLES ADVISERS AND BROKERS TO MANAGE CLIENT INVESTMENTS

Operating Earnings	2019 \$000	2018 \$000	Change Fav/(unfav)
Operating revenue			
Administration (FUA based) fees	1,545	899	71.9%
Development fees / deferred income release	148	174	(14.9%)
Total operating revenue	1,693	1,073	57.8%
Operating expenses			
Gross personnel costs	5,424	4,925	(10.1%)
Less capitalised labour	(3,386)	(3,133)	8.1%
Personnel costs	2,038	1,792	(13.7%)
Information technology costs	609	684	11.0%
Professional fees	141	69	(104.3%)
Marketing	1	3	66.7%
Other expenses	421	102	(312.7%)
Capitalised overhead	(637)	(651)	(2.2%)
Total operating expenses	2,573	1,999	(28.7%)
Operating earnings	(880)	(926)	5.0%
FTEs	45.1	36.5	(23.6%)

The 2018 operating earnings have been restated for the adoption of the new accounting standard NZ IFRS 16 Leases.

Operating revenue

- Administration (FUA based) fees driven by:
 - New platform – started earning fees in November 2018 when the foundation customer transitioned phase one to new platform, with FUA continuing to increase through 2019; offset by
 - OE platform – number of customers unchanged, with FUA stable
- Development fees are specific to customer requirements and deferred income release started when customer transitioned

Operating expenses

- Headcount is dependent at any point in time on the levels of platform investment required for current and future clients
- Personnel costs (gross) have increased reflecting the levels of product refinement, extension of core platform and preparations to migrate new clients in 2020, with Wealth Technologies' capitalised labour at \$3.39m (2018: \$3.13m) and capitalised overhead being \$0.64m (2018: \$0.65m)
- Information technology costs are slightly lower reflecting lower use of third party IT service providers
- Professional fees include taxation advice (e.g. relating to the IRD's new Investment Income Information Reporting requirements that apply from 1 April 2020) and internal audit reviews
- Other expenses include office costs (e.g. electricity, rates, stationary etc), travel, non recoverable GST and one off compliance costs in the current year



Corporate Services

THIS FUNCTION PROVIDES ACCOMMODATION, FINANCE, HR, LEGAL, IT AND COMMUNICATIONS AND MARKETING SUPPORT TO THE BUSINESS

Operating Earnings	2019 \$000	2018 \$000	Change Fav/(unfav)
Operating revenue			
Sublease revenue	278	-	N/A
Other revenue	197	-	N/A
Total operating revenue	475	-	N/A
Operating expenses			
Gross personnel costs	9,661	9,274	(4.2%)
Less capitalised labour	(531)	(554)	(4.2%)
Personnel costs	9,129	8,720	(4.7%)
Information technology costs	2,955	3,510	15.8%
Professional fees	455	866	47.5%
Marketing	612	183	(234.4%)
Other expenses	2,489	2,630	5.4%
Capitalised overhead	(209)	(215)	(2.8%)
Total operating expenses	15,431	15,694	1.7%
Operating earnings	(14,956)	(15,694)	4.7%
FTEs	63.2	61.7	(2.4%)

- Corporate Services provides accommodation, legal, accounting, IT, HR and communications and marketing support to all divisions (including the Funds Management and Wealth Technologies businesses). Related costs are currently not recharged to these businesses.
- The 2018 operating earnings have been restated for the adoption of the new accounting standard NZ IFRS 16 Leases.

Highlights

- Fully implemented refreshed NZX Listing Rules for all NZX issuers
- Extensively contributed to Government reform of settings for the capital markets, including in respect of sustainable financing, the Overseas Investment Act, and banking capital adequacy
- Currently implementing the recommendations laid out by the Capital Markets 2029 report that NZX has a role to play in
- NZX was accredited by the SEC as a designated offshore securities market
- Completed shared compute delivery, enabling faster, more robust & more efficient environment provisioning and management
- Continued focus on fitness and automation, for example our Network Transformation project will deliver new network, VPN and firewall capabilities

Operating revenue and expenses

- Revenue relates to the sublease of spare office space, NZX.com advertising revenue and sponsorship of NZX's 150th year celebrations
- Headcount has moved due to changes in vacancies at year end, with personnel costs being higher due to the full year impact of the prior year's new or extended roles created to drive strategic execution in cyber security and marketing
- Corporate IT costs are lower than the comparable period due to the efficiency impacts from prior year projects (e.g. through modernised and rationalised networks and data centre hosting)
- Professional fees include internal audit fees, director search/assessment, annual conflicts and board evaluation reviews
- Marketing includes the enhanced investor relations programme, the costs of the 150th year celebrations (sponsorships are recognised in other revenue) and the NZX book
- Other expenses relate to premises (other than rent), insurance, directors' fees, travel, external audit costs, outsourced payroll system, corporate memberships, and statutory and compliance costs

Targets for 2020 and beyond

- Continued automation of operational processes and further progression on IT cyber security and infrastructure programme
- Targeted investments into core markets revenue growing activities and system enhancements



Appendix 2: operating revenue definitions

Issuer Relationships

Annual listing fees paid by NZX's equity, fund and debt issuers is driven by the number of listed issuers, and equity, debt and fund market capitalisations as at 31 May each year.

Primary listing fees are paid by all issuers at the time of listing. The primary driver of this revenue is the number of new listings and the value of capital listed.

Secondary issuance fees are paid by existing issuers when a company raises additional capital through placements, rights issues, the exercise of options, dividend reinvestment plans, or subsequent debt issues. The primary driver for this revenue is the number of secondary issuances and the value of secondary capital raised.

Other issuer services revenue arises from time spent by NZX Regulation reviewing listing and secondary capital raising documents, requests for listing rule waivers, and other significant issuer matters.

Contractual and development revenue arises from the operation of New Zealand's electricity market, under long-term contract from the Electricity Authority, and the Fonterra Shareholders' Market, under a long term contract from Fonterra. Consulting and development revenue arises on a time and materials basis.

Secondary Markets

Participant services revenue is charged to market participants (broking, clearing and advisory firms) that are accredited for NZX's equity, debt and derivatives market, and includes revenue that arises from market surveillance recoveries and time spent by NZX Regulation reviewing participant applications.

Securities trading revenue comes from the execution of trades on the equity and debt markets operated by NZX. Trading fees are a variable fee based on the value of the trade.

Securities clearing revenue relates to clearing and settlement activities, and a range of securities related services such as stock lending undertaken by NZX's subsidiary New Zealand Clearing and Depository Corporation. The largest component is clearing fees, which are based on the value of settled transactions.

Dairy derivatives revenue relates to trading, clearing and settlement fees for trading NZX dairy futures and options. Fees are largely charged in USD (reflecting the global nature of the market) per lot traded.

Data & Insights

Royalties from terminals revenue relate to the provision of capital markets real time data for display on terminals (retail and professional).

Subscription and licenses revenue relate to the provision of capital markets data to market participants and stakeholders.

Dairy data subscriptions revenue relate to the sale of dairy data and analytical products.

Funds Management

Funds under management based revenue relates to variable Funds Under Management (FUM) fees, which are now received net of fund expenses for all funds. Fund expenses include a combination of fixed costs (principally outsourced fund accounting and administration costs, registry fees and audit fees), and variable costs proportionate to FUM (principally custodian fees, trustee fees, index fees, settlement costs and third party manager fees).

Member based revenue includes fixed membership administration fees and other member services.

Wealth Technologies

Administration (funds under administration based) fees relates to administration fees for the wealth management platforms and are proportionate to Funds Under Administration (FUA).

Development fees / deferred income release relates to customisation of the wealth management platform specific to client requirements.



Appendix 3: Contacts



Mark Peterson

Chief Executive Officer

@ mark.peterson@nzx.com

☎ +64 21 390 636



Graham Law

Chief Financial Officer

@ graham.law@nzx.com

☎ +64 29 494 2223

