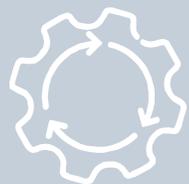




# NZX FULL YEAR 2023 RESULTS INVESTOR PRESENTATION

23 February 2024

# Today's Agenda



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## Important notice

This investor presentation should be read in conjunction with NZX's other periodic and continuous disclosure announcements, and the financial statements in the 2023 Annual Report, which provides additional information on many areas covered in this presentation. These are available at [nzx.com](https://nzx.com).

This presentation contains certain 'forward-looking statements' such as indications of, and guidance or outlook on, future earnings and financial position and performance. This includes statements regarding NZX's current assumptions, which are subject to market outcomes, particularly with respect to market capitalisation, total capital listed and raised, secondary market value and derivatives volumes traded, funds under management and administration growth, integration / restructuring costs and technology costs.

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

Forward-looking statements are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of NZX, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not materially differ from these forward-looking statements.

A number of important factors could cause actual results or performance to differ materially from the forward-looking statements. The forward-looking statements are based on information available to NZX as at the date of this presentation.

Except as required by law or regulation (including the Listing Rules), NZX undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

# Executive Summary

NZX  
10

1164.40  
16.98 / 1.438%

NZX  
20

3944.31  
46 / 1.153%

NZX  
50

5075.84  
48.06 / 0.938%

TEL

# FY23 results highlights

Demonstrating strength through diversity of product offering – NZX has maintained the positive momentum in delivering to our growth strategy, and the operating earnings demonstrate the resilience of NZX’s earnings base

## Highlights<sup>1</sup>

**Operating Earnings<sup>2</sup>**  
excl. acquisition, integration  
& restructure costs

**\$40.1 million**

9.6% increase

**Revenue**

**\$108.4 million**

13.2% increase

**Expenses**

excl. acquisition, integration  
& restructure costs

**\$68.3 million**

15.5% increase

**Operating Earnings<sup>2</sup>**  
incl. acquisition, integration &  
restructure costs

**\$38.9 million**

10.9% increase

**Net Profit After  
Tax**

**\$13.6 million**

4.3% decrease

**Final Dividend  
(fully imputed)**

**3.1 cps**

Total FY23 dividends 6.1 cps

## Performance relative to 2023 Targets<sup>3</sup>

	FY23 Targets	FY23 Actual	5 Yr Targets Progress <sup>4</sup>
<b>Operating earnings<sup>2</sup></b>	\$36.0m-\$40.5m	<b>\$40.1m</b> <i>(excluding integration / restructuring costs)</i> <i>(\$38.9m after integration / restructuring costs)</i>	
<b>Capital listed and raised</b>	\$16.0bn	<b>\$14.2bn</b>	 <b>\$18.2bn average p.a.</b> 
<b>Total value traded</b>	\$40.0bn	<b>\$33.8bn</b>	 <b>\$43.0bn average p.a.</b> 
<b>Information Services revenue</b>	6.9% avg. growth	<b>1.5% growth</b> <b>(excl. connectivity)</b>	 <b>7.5% CAGR growth</b> <b>(excl. connectivity)</b> 
<b>Funds under Mgmt.</b>	14% avg. growth (excl. acquired FUM)	<b>13.4% growth</b> <b>(excl. QS acquired FUM)</b> <b>(net cash flows +3.3%</b> <b>and market return +10.1%)</b>	 <b>21.3% CAGR growth</b> <b>(excl. ASB SMT and QS</b> <b>acquired FUM)</b> 
<b>Funds under Admin.</b>	Migrate new clients and OE clients onto the platform	<b>15.8% growth</b> <b>(net cash flows +4.3%</b> <b>and market return +11.5%)</b>	 <b>42.1% CAGR growth</b> 
<b>Dairy derivatives lots traded</b>	0.55m – 0.65m lots	<b>0.579m lots traded</b>	 <b>10.8% CAGR growth</b> 

NZX Full Year 2023 Results

### Notes:

<sup>1</sup> Data is for the year ended 31 December 2023. Percentage changes represent the movement for the year 2022 to 2023.

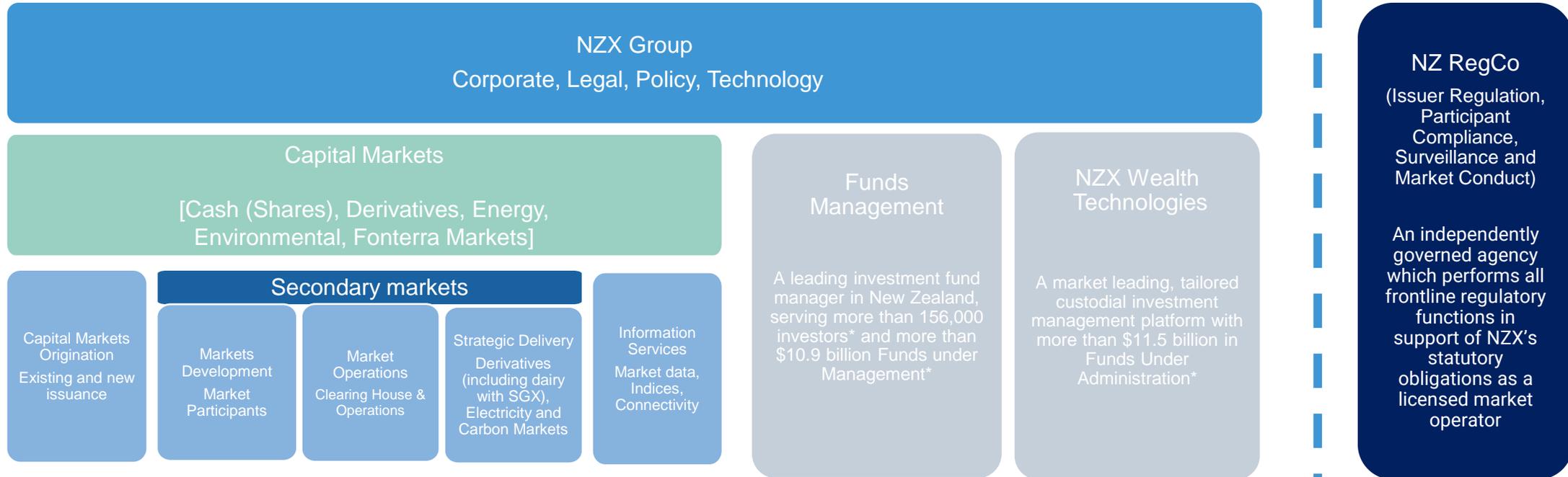
<sup>2</sup> Operating earnings (EBITDA) are before net finance expense, income tax, depreciation, amortisation, gain or loss on disposal of assets, gain on lease modification and share of profit of associate. Operating earnings is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities. Refer to financial statements note 2 for a reconciliation of EBITDA to NZ IFRS profit for the year.

<sup>3</sup> The 2023 Targets are detailed in the Investor Presentation in February 2023. Data is "for the year ended 31 December 2023," or "as at 31 December 2023" (as applicable). Percentage changes represent the movement for the year 2022 to 2023, except Funds Under Management and Funds Under Administration which are the movement in balances as at 31 December 2022 to 31 December 2023.

<sup>4</sup> Progress towards 5-year targets is discussed further in the Business Unit Highlights section.

# NZX Group overview

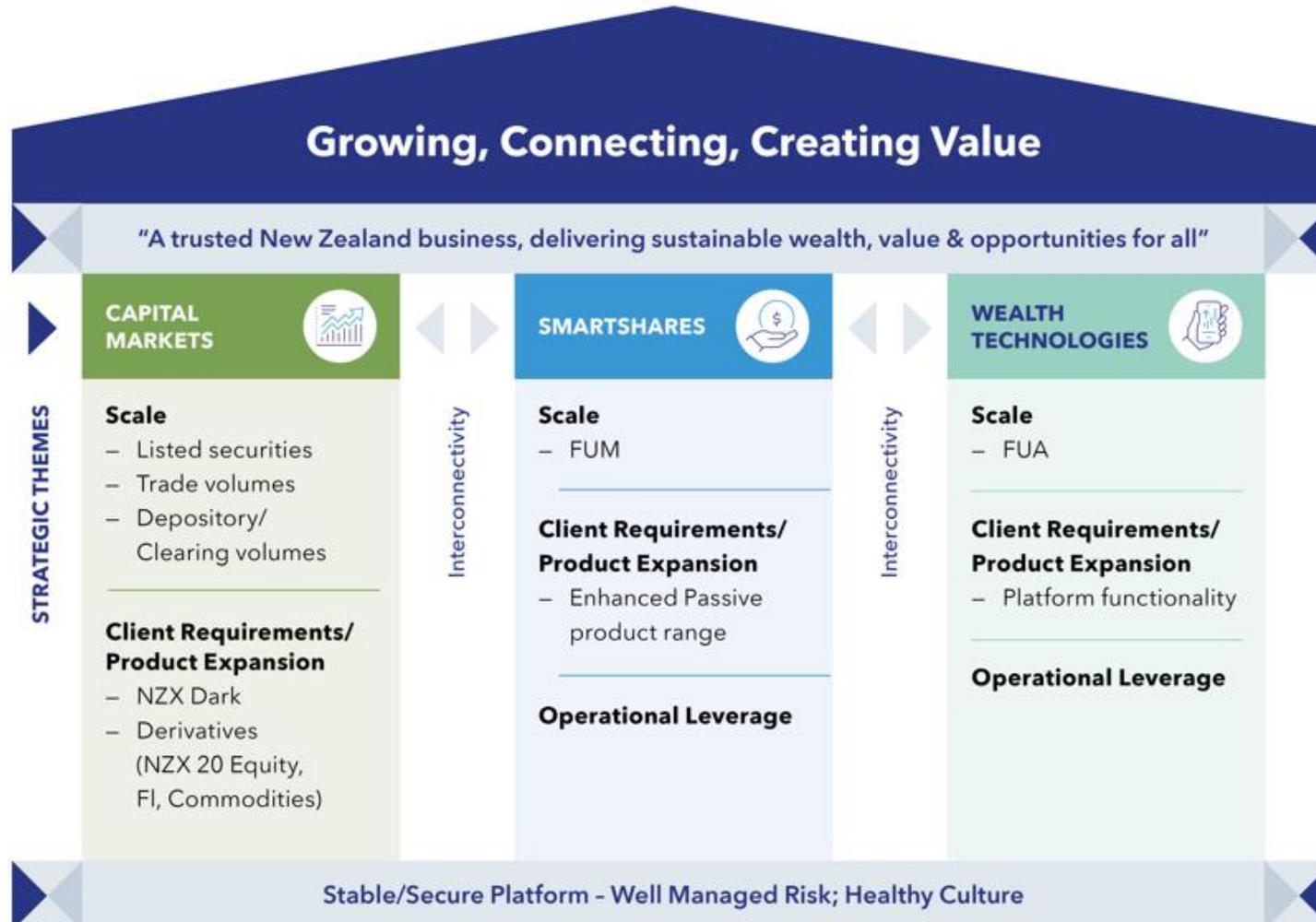
A diverse and connected capital markets focused business



\* As at 31 December 2023

# Our strategy to 2027

Our strategy through to the end of 2027 is simple – round out our product offering in Capital Markets and drive scale and operating leverage across the businesses. Our strategic targets will be outlined at our Investor Day in mid-2024



**The Capital Markets market cycles:** Market cycles are inevitable, **we have the building blocks for further opportunities and growth** and as markets recover, we expect to see capital markets activity levels accelerate and asset prices rise



**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**



**Continued sectoral growth:** 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



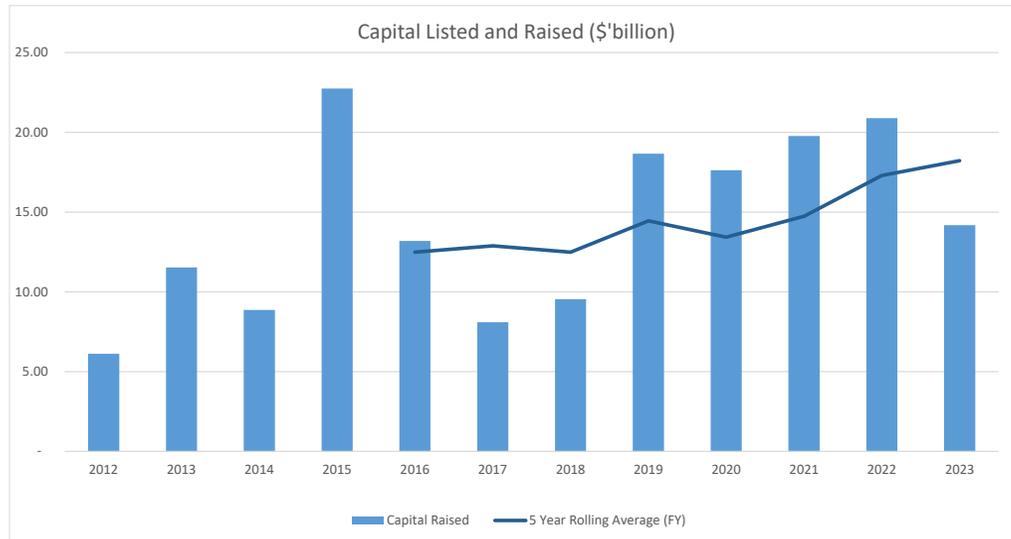
**Operating Leverage:** Still investing for growth but also focusing on **efficiencies and driving operating leverage**

# Business Unit Highlights

An aerial night photograph of a city, likely Auckland, New Zealand, showing a complex highway interchange with multiple levels of overpasses. The image is characterized by long-exposure light trails from cars, creating vibrant streaks of white, yellow, and red. The surrounding urban landscape includes modern buildings, some with illuminated windows, and green spaces. The overall scene is set against a dark night sky, with the city lights providing a strong contrast.

# Capital Markets Origination – Capital Listed and Raised

Capital listed at lower levels, reflecting the macroeconomic environment, with capital listed being driven by retail / sustainable debt



## 2023 Highlights

- Capital Listed / Raised (new and secondary capital raisings) **\$14.2 Billion**
- Movement from 2022 / Relative to 5 year rolling average **(32.1%) / (22.2)%**

Capital listed at lower levels, reflecting the macroeconomic environment, with:

- Primary capital raised driven by retail debt listings due to rising rates leading to higher coupons, and 5 new Smartshares funds; and
- Secondary capital raised driven by hybrid bank capital issuances and specific large capital raises for projects / acquisitions (including ESG-designated bonds, which now account for 29.4% of all debt issuance on the NZDX)

Capital Markets Origination team held numerous “Listing your company” and “Raising capital in New Zealand” events, and showcased current listed clients through various different mediums

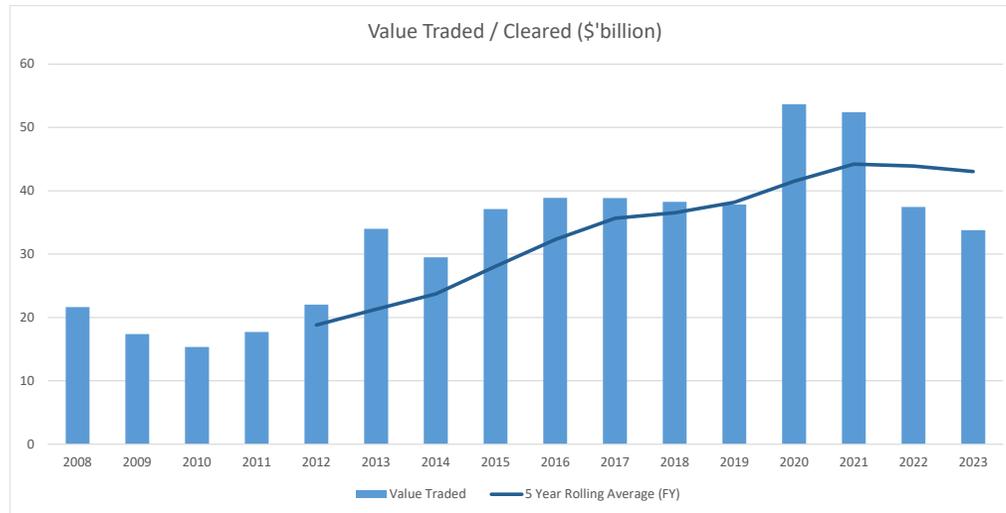
## 2024 Objectives

Ensure NZX is best positioned for further opportunities and growth and as the macroeconomic environment improves and markets recover



# Secondary Markets – Value Traded / Cleared

Value traded at lower levels, reflecting the challenging macroeconomic environment



## 2023 Highlights

- Traded Value: \$33.8 billion  
Movement from 2022 / Relative to 5 year rolling average: (9.7)% / (21.5)%
- Depository:
  - Assets under custody: \$7.9 billion +25.5%
  - Depository OTC trades: 82,174 +3.1%

Value traded / cleared – lower levels reflects the current levels of market uncertainty and a challenging macro economic environment of high inflation and interest rate rises.

NZX Depository – continued active engagement of custodians to join NZX’s depository business and automation of systems, with the long-term aim of driving down costs of post trade in the New Zealand capital markets

Financial Market Infrastructures Act progressing work to transition in 2024, which will bring the legislation regulating NZX Clearing into line with international expectations

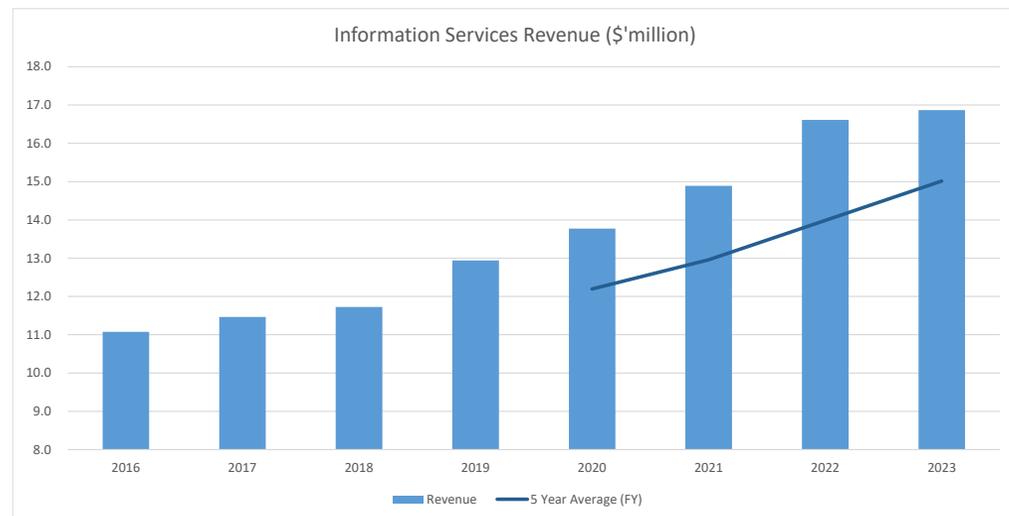
## 2024 Objectives

- Expand our product offering:
- NZX Dark (mid-point orders) product launch in mid 2024;
  - S&P/NZX20 Index Future relaunch progressing (including Self Match Prevention enhancements, clearing house recovery tools and continued participant engagement); and
  - drive greater scale in clearing



# Information Services revenue

Continued interest in NZX markets is evident despite lower trading volumes in 2023



Note: Data & Insights Revenue in graph excluding connectivity revenue to ensure comparability with 2018 strategic targets

## 2023 Highlights

Information Services revenue CAGR since 2018 is 7.5%

Continued interest in NZX markets data (despite lower trading volumes in 2023) and fee adjustments resulted in growth in recurring revenue lines.

Audits and back dated licence revenue decreased from historic high levels as revenues are captured within recurring revenue lines

Capital Markets Development team working with customers who want to be able to choose from a range of data delivery mechanisms that utilise modern technologies that are being built as part of digital transformation programme

## 2024 Objectives

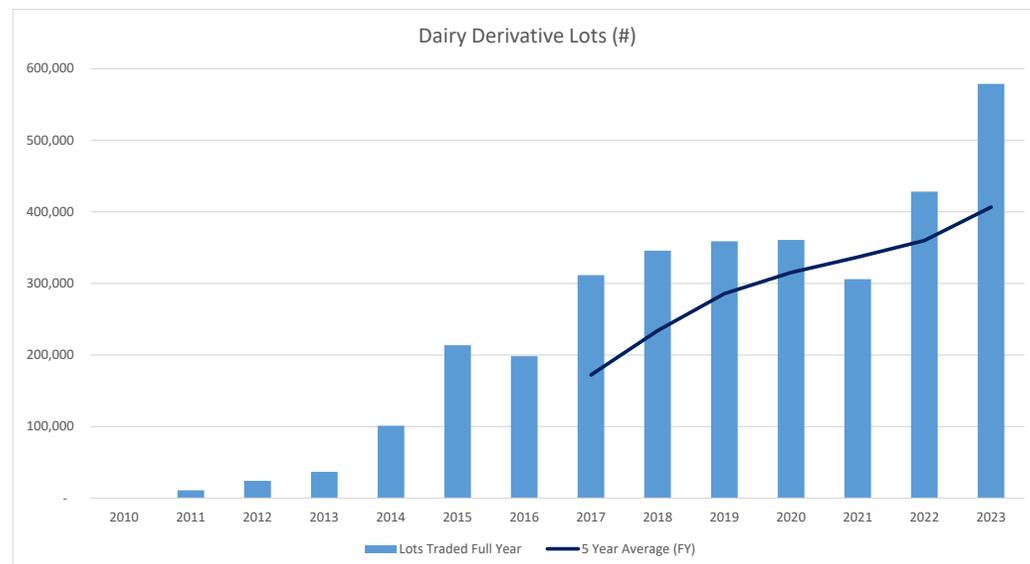
Expand our product offering – enhanced product development capability and our digital transformation programme will drive new data products

Connectivity – Trans-Tasman connectivity upgrade to increase resilience and simplify connecting global clients to NZX trading and clearing systems



# Dairy Derivatives and GlobalDairyTrade

The expected significant growth from the Singapore Exchange strategic partnership is being achieved, with new record highs for dairy derivative lot traded



## Strategic Partnerships

Dairy Derivatives Lots traded	578,795
Movement from 2022 / Relative to 5 year rolling average	35.0% /42.4%

**Dairy Derivatives** - Singapore Exchange (SGX) strategic partnership has extended market distribution and expanded global access:

- more than trebled the number of active trading and clearing members (with potential for further expansion);
- utilising SGX’s network of global sales offices and resources; and
- commenced Liquidity Provision schemes which has reduced on screen spreads and encouraged new proprietary and financial firms to connect

## GlobalDairyTrade Holdings Limited (GDT)

- European and US presence established with additional sales support resources added resulting in three new global suppliers to market from EU and US market; and
- ‘GDT Pulse’ added Skim Milk Powder, further enhancing price transparency in the spot market, providing additional information to support derivatives market traders

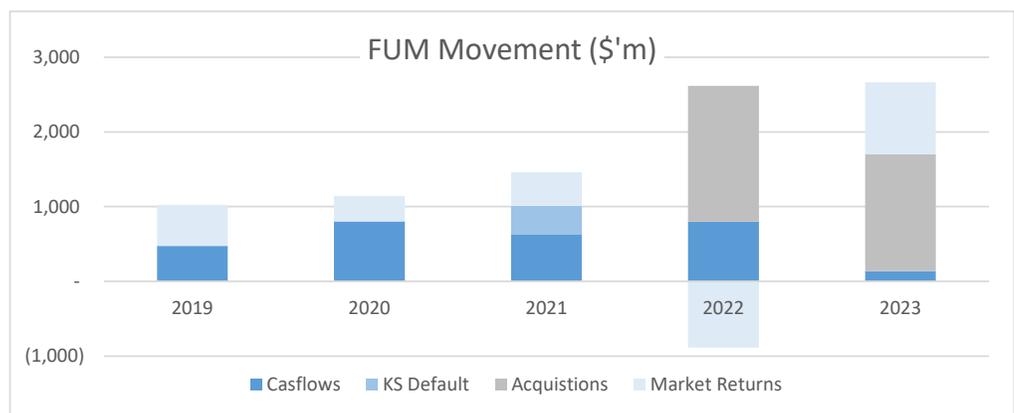
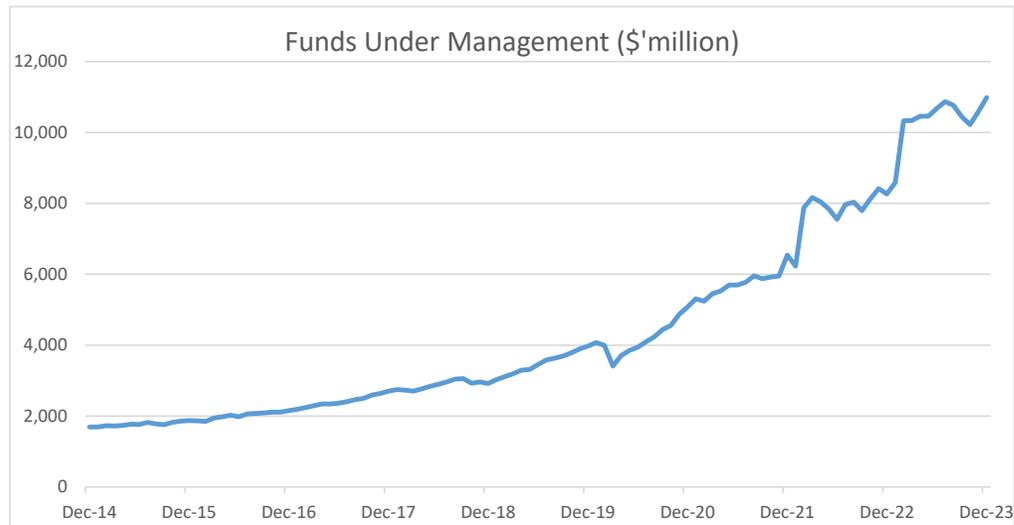
## 2024 Objectives

- Dairy derivatives - continue to extend market distribution and expand global access;
- GDT:
- Increase sellers and products offered on the GDT platform; and
  - Deliver remaining GDT strategic initiatives identified in three year plan



# Smartshares – Funds Under Management (FUM)

Continues to drive growth, has positive net cash flows. We remain positive about Smartshares' future growth opportunities, and we look to further scale this business through both organic and inorganic growth opportunities



## 2023 Highlights

Funds Under Management at \$10.98 billion, up 32.9% from 31 December 2022 due to combination of:

- **QuayStreet acquired FUM** (\$1.57 billion / +19.4% of opening FUM); and
- **positive cashflows** (\$136m / +1.7% of opening FUM) – this includes better than expected QuayStreet cash outflows immediately post-acquisition (approx. \$120m); and
- **positive market return** (\$958m / +11.8% of opening FUM)

Macro drivers will continue to drive FUM growth i.e. KiwiSaver future growth profile, leading to growth in non-KiwiSaver investments and self-directed investing platforms, as well as an increasing NZ ETF penetration rate which is currently low compared to US/Europe

## Strategic Step Change Through Scale

**ASB SMT** – integration completed in August 2023, which unlocked net revenue synergies (approx. \$1.2m per annum) through the benefits of scale and insourcing within current teams

## QuayStreet Asset Management acquisition

- acquisition of management rights and related assets (including \$1.57 billion FUM) completed on 23 February 2023
- the first new funds under the Product Support and Distribution Agreement will be launched in H1-24 and are expected to drive significant cashflows. We expect earn out cash flow targets to be achieved which would significantly increase operating earnings
- integration expected to take to Q4-24 when transition services and operating model will be moved to Smartshares unlocking further synergies

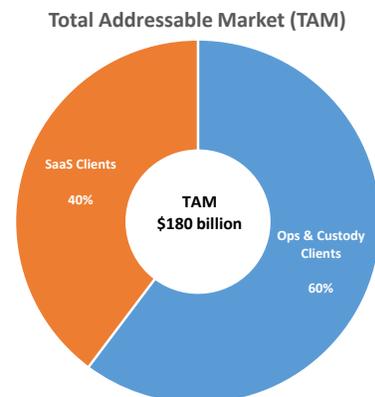
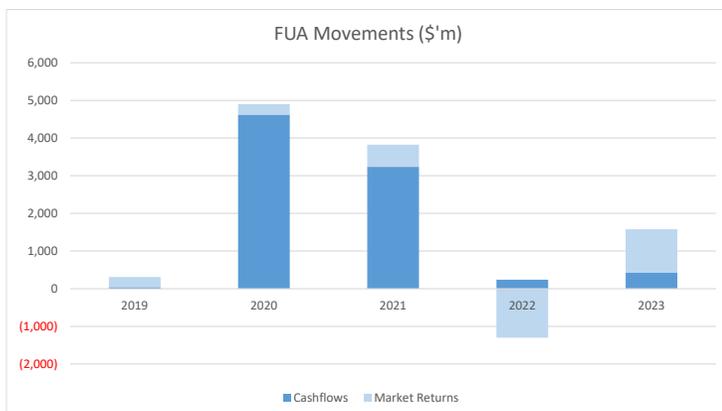
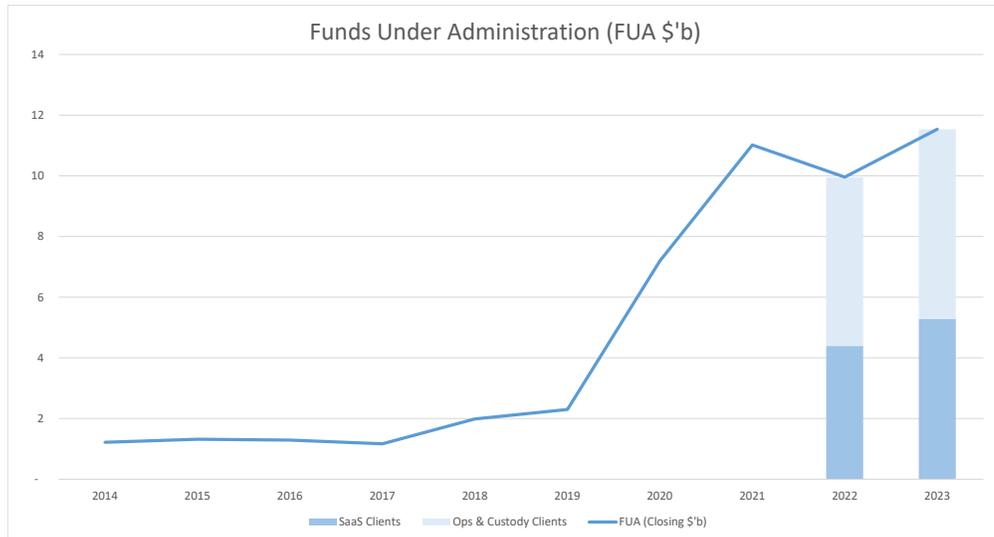
## 2024 Objectives

Drive scale, efficiencies and operating leverage, including maturing Smartshares operations and embed our growth initiatives (i.e. Integration of QuayStreet into the service provider operating model) to unlock further synergies of scale



# Wealth Technologies – Funds Under Admin (FUA)

Successful pipeline conversions in 2023 will drive a significant level of client transitions in 2024



## 2023 Highlights

Total Addressable Market (TAM) estimated at \$180 billion, with:

- Increased compliance obligations forcing large advisor firms to upgrade their internal platforms or move to a SaaS offering; and
- Increasing cost to service clients impacts medium adviser firms, making the Wealth Technologies operations option cost efficient

Funds Under Administration (FUA) at \$11.54 billion, up 15.8% from 31 December 2022 due to combination of positive cashflows (+4.3% of opening FUA) and positive market return (+11.5% of opening FUA)

Annual Recurring Revenue (ARR) at \$7.1 million based on 31 December 2023 FUA

Won 12 new clients in 2023 – FUA expected to be fully transitioned in 2024 (subject to Clients' migration ability / cadence) with an incremental ARR of approx. \$3.1 million. There are now 23 clients on the NZX WT platform (with all clients transferred off the legacy OE platform)

CAPEX activity reflects new client migrations and preparation for future FUA transitions. In 2023 we successfully onboarded:

- the initial tranche of FUA for a significant Software as a Service (SaaS) only client, and project continuing to transition remaining substantial FUA in late 2024; and
- two full custodial clients

Additionally, we are in process of on boarding 7 custody clients which are expected to complete in 2024.

Overall, the pipeline remains strong and we are progressing discussion with further potential clients who remaining a possibility for migration in 2024. We remain confident the growth from the new business will ensure NZX Wealth Technologies meets its FUA objectives

## 2024 Objectives

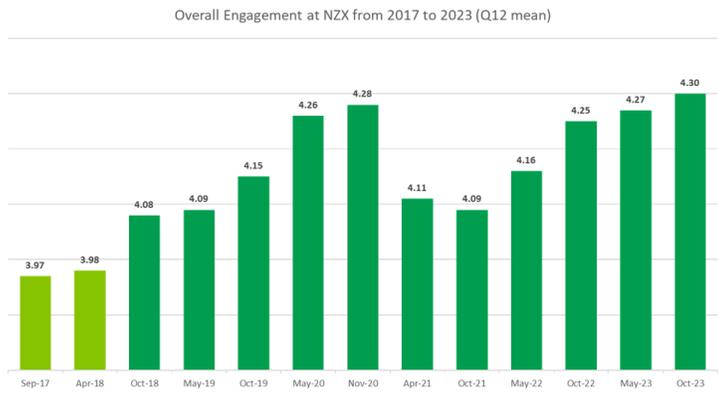
Drive scale, efficiencies and operating leverage, including migrating the current pipeline in 2024 to achieve cash flow positive targets by late 2024

# People

NZX has strong employee engagement, a diverse workforce and a healthy culture across the organisation  
 Work is required to promote and recruit more women into leadership positions

## Culture and Engagement

- NZX uses the Gallup survey to measure employee engagement twice per year
- Employee engagement lifted in 2023 to 4.3 and has trended positively since COVID
- NZX ranks close to the top third of global companies that utilise the Gallup survey

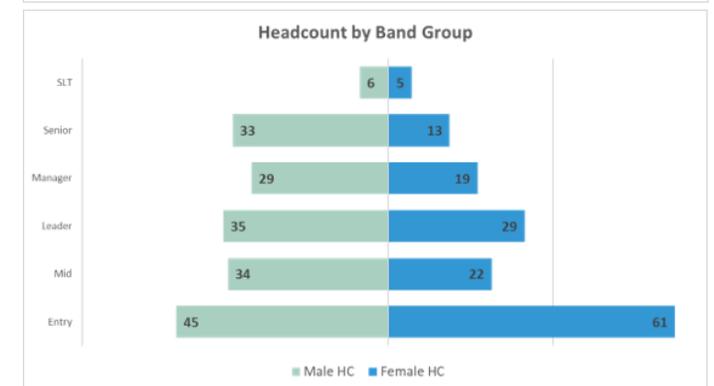
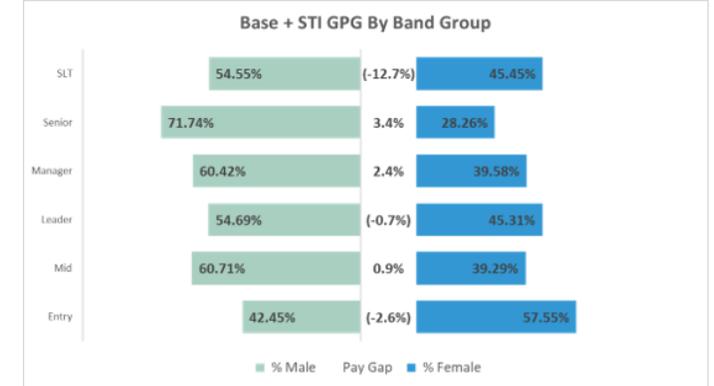


## Health, Safety & Wellbeing

- NZX has an excellent safety record, with Total Recordable Injury Rate (TRIR) of 0.0 incidents per 200,000 hours worked.
- NZX absence rate remains stable at 1.9%.
- NZX supports flexible working options for our staff, with the majority of our people now coming into the office either on a regular or full-time basis.

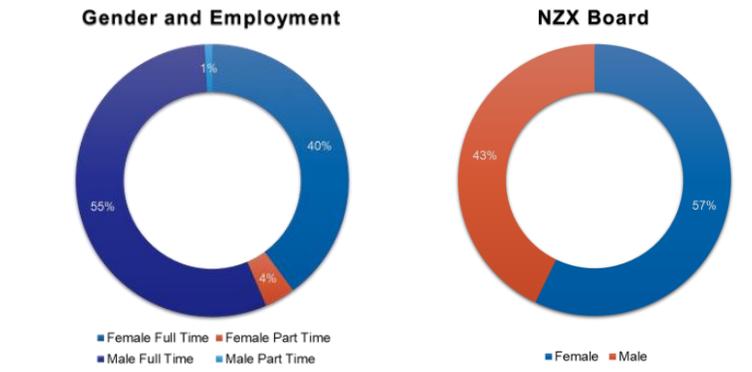
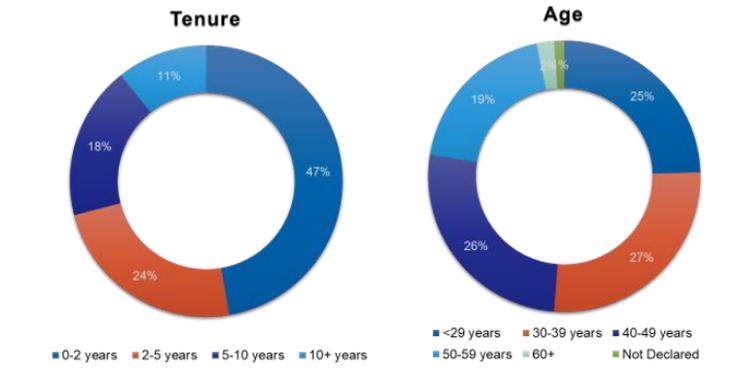
## Diverse Workforce and Gender Pay Gap (GPG)

- Women and men are paid the same for the work that they perform
- However, NZX has an opportunity to recruit and promote more women into leadership and technical expert roles, as their lack of representation in those roles is driving a structural gender pay gap of 16.6%



## Diverse Workforce and Gender Pay Gap (cont)

- NZX has 30% of its workforce that have greater than 5 years experience within the organisation, and 50% with greater than 2 years
- NZX employees a wide spread of age bands
- NZX has a gender balanced Board and workforce (40:40:20)



# Operating responsibly

NZX's focus is to create value while delivering a positive impact on society and the environment

## Strategy

- **Our ESG Strategy runs through the heart of our business** – as the operator of New Zealand's stock exchange and markets, as a financial services and technology business, and as a regulator. In particular, robust governance (such as the Corporate Governance Code), is paramount to the role that NZX plays in New Zealand
- In 2023 NZX **undertook a stakeholder and materiality assessment** to grow and deepen NZX stakeholder understanding and relationships, support and further inform NZX strategy execution, and guide future ESG prioritisation, targets, and reporting. This assessment provides rich material and insights that will assist with implementation plans in 2024

## Core Pillars of NZX's approach

- The four "Ps" – **Planet, People, Prosperity and Principles of governance** – are the core pillars of NZX's ESG approach. We ensure it aligns with our organisational purpose, vision and strategy, and with New Zealand's long-term sustainability goals and international commitments

## NZX – net carbon zero certified

- As a business, NZX is committed to taking action on climate change. In 2023 **NZX achieved net carbon zero certification** from Toitū Envirocare for the third year in a row. Sustainable economic growth is a priority for NZX. Public markets will continue to play an important role in facilitating the flow of capital towards decarbonising the New Zealand economy

## Meeting legislative climate reporting requirements

- In 2024 under the mandatory **climate-related disclosures** framework (Aotearoa New Zealand Climate Standards, ANZCS), NZX, as a climate-reporting entity, will be reporting our climate change obligations regarding governance, strategy, risk management, and metrics and targets

## Supporting New Zealand

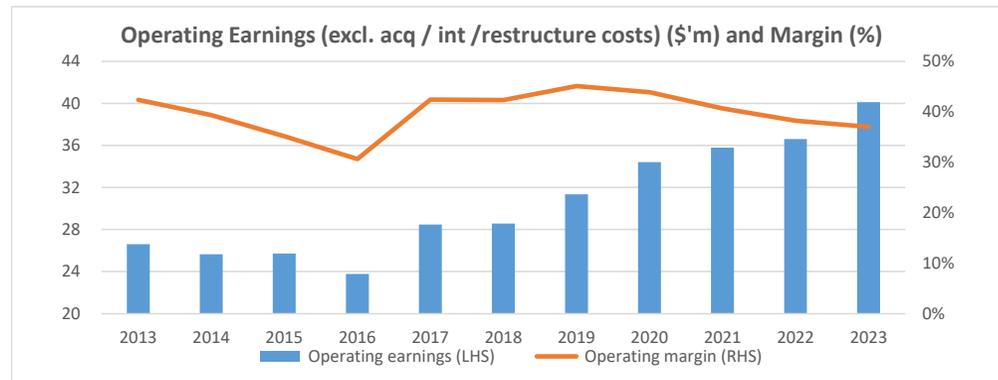
- NZX recognises the important role we play in supporting the success of businesses, our communities, charities and country. This includes being the primary sponsor of the New Zealand Financial Markets (NZFM) Charity Golf Classic – an annual event that fundraises for charity. NZX provides our employees a paid day's leave each year to volunteer in our communities and is supportive of events that help those in need. That includes collecting for the Cancer Society and using our electronic tickers to promote charitable causes.

# Financial Performance

A close-up photograph of a person's hands writing in a notebook with a red pen. The notebook is open, showing handwritten notes and diagrams. In the foreground, the keyboard of a laptop is visible. The background is a solid blue color with a diagonal split.

# Income Statement

	2023 \$000	2022 \$ 000	Change Fav/(Adv)
Operating Revenue	108,387	95,726	13.2%
Operating Expenses (excl. acq/int/restructure costs)	(68,278)	(59,121)	(15.5)%
<b>Operating earnings<sup>1</sup> (excl. acq/int/restructure costs)</b>	<b>40,109</b>	<b>36,605</b>	<b>9.6%</b>
Acquisition, integration and restructure costs	(1,215)	(1,540)	21.1%
<b>Operating earnings<sup>1</sup></b>	<b>38,894</b>	<b>35,065</b>	<b>10.9%</b>
Net finance expenses	(3,962)	(1,838)	(115.6)%
Gain / (loss) on disposal of assets	(8)	3	(366.7)%
Gain on lease modification	15	-	n/a
Depreciation and amortisation expenses	(16,764)	(13,860)	(21.0)%
Share of profit of associate	1,031	146	606.2%
Income tax expense	(5,652)	(5,357)	(5.5)%
<b>Profit for the year</b>	<b>13,554</b>	<b>14,159</b>	<b>(4.3)%</b>
<b>Operating Margin (excl. acq/int/restructure costs)</b>	<b>37.0%</b>	<b>38.2%</b>	<b>(3.2)%</b>



Notes:

- Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities. Refer to financial statements note 2 for a reconciliation of EBITDA to NZ IFRS profit for the year.
- Finance Technology Partners (January 2024) EBITDA Margins (median) information for Regional/Country Based Exchanges is estimated at 2023: 50%.

## Operating Revenue

The operating revenue increased \$12.7 million (13.2%) driven by: Portion of increase

- Smartshares acquisitions (ASB SMT and QS) incremental revenue 7.7%
- Smartshares excluding acquisitions increased revenue 5.3%
- Wealth Technologies increased revenue 0.9%
- Markets decreased revenue (0.8)%
- Other 0.1%

## Operating Expenses

The operating expenses increased \$9.2 million (15.5%) driven by: Portion of increase

- Smartshares acquisitions (ASB SMT and QS) incremental costs 6.1%
- Costs excluding acquisitions increased costs:
  - Employee costs – inflation, increased FTEs and lower CAPEX 5.9%
  - Other costs – compliance costs, insurance, directors' fees etc 3.2%
  - Other (IT, professional fees, Marketing) 0.3%

## Operating Earnings

**Operating earnings** of \$40.1 million, excluding one-off acquisition, integration & restructure costs, was 9.6% higher than 2022.

The **operating margin** at 37.0%, excluding acquisition, integration & restructure costs (2022: 38.2%), is lower than our peers<sup>2</sup> due to the diverse nature of NZX (i.e. energy markets, non-markets businesses and NZ RegCo) relative to peers.

Operating earnings by business unit are discussed at a high level below, with detailed segmental analysis by business unit in Appendix 1

# Income Statement

## Impact of Acquisitions on Operating Earnings

Operating revenue and expenses have increased due to Smartshares acquisition of QuayStreet from 23 February 2023, and the migration ASB SMT transition services (i.e. investment management, investment administration and registry services) from August 2023

The migration of the ASB SMT transition services result in the grossing up of revenue (transition services fund costs no longer netted against FUM based revenue), and of costs (Smartshares having employed additional FTEs to perform these services within existing teams). The net impact has been an unlocking of net revenue synergies (estimated at \$1.2m per annum) with ASB SMT now being on Smartshares' fund operating model

In 2024 the operating revenue and expenses will reflect the full year impact of the acquisition and migration. Additionally, the QuayStreet operating model migration is expected to be completed in Q4-24. This will have a similar impact as ASB SMT on operating revenue (reduced fund costs) and expenses (increased FTEs), and potentially unlocking further synergies

The current year impacts are summarised in the table below:

	2023 \$000	2022 \$ 000	Change Fav/(Adv)
Revenue excluding revenue from acquisitions	97,127	91,827	5.8%
Revenue relating to acquisitions	11,260	3,899	188.8%
Operating Revenue	108,387	95,726	13.2%
Expenses excluding expenses from acquisitions	64,551	59,004	(9.4)%
Expenses relating to acquisitions	3,727	117	n/a
Operating Expenses (excl. acq/int/restructure costs)	68,278	59,121	(15.5)%
Operating earnings <sup>1</sup> (excl. acq/int/restructure costs)	40,109	36,605	9.6%

## Operating Revenue

**Operating revenue** increased \$12.7 million to \$108.4 million with:

- growth in Annual Listing Fees, Dairy Derivatives, Information Services royalties from terminals, licences and indices, Funds Management (including from the acquisition of QuayStreet Asset Management in February 2023) and Wealth Technologies business units; partially offset by
- reduced levels of primary listing and secondary issuance fees, securities trading and securities clearing revenues, consulting and development revenue, information services audit and backdated licences revenue

## Operating Expenses

**Operating expenses**, excluding acquisition, integration & restructure costs, increased \$9.2 million to \$68.3 million driven by growth in:

*Personnel costs* are driven by wage inflation and the average number of FTEs:

- wage inflation – we have experienced inflationary pressures, particularly for specialist resources, which is being driven by a highly competitive labour market
- headcount – there has been higher average number of FTEs (FTEs at December 2023: 339.6, December 2022: 319.1) with the movements from year ends 2022 to 2023 including:
  - Smartshares +18.0 FTEs arising from the acquisition of QuayStreet Asset Management staff (+10 FTEs acquired or hired – with further hires expected in 2024 when transition services transfer to the Smartshares operating model), plus additional staff (+7 FTEs) to perform ASB SMT services integrated into Smartshares, and an additional resource within the Risk & Compliance function;
  - Wealth Technologies (2.9) FTEs due to vacancies, though we note that in 2024 headcount levels are expected to temporarily increase to accelerate the migration velocity of additional FUA from a current client;
  - Corporate and IT headcount rose +7.5 FTEs reflecting a lower level of vacancies (particularly for project related resources) and additional roles to support the growth across the business e.g. additional roles in the finance, policy and IT Operations teams; and
  - NZ RegCo had lower headcount (2.3) FTEs reflecting a higher level of vacancies and lower resource requirements

# Income Statement

## Operating Expenses (continued)

- Information technology – additional Bloomberg databases and licences (approx. \$0.8m) required for the operation of the QuayStreet business (with Bloomberg databases now merged and a synergy realised) and inflationary pressure;
- Other costs include increased travel, office costs (level 14 in Auckland’s Capital Market Centre and the new ticker / signage), directors fees, carbon credits and statutory and compliance costs (i.e. non-recoverable GST)

Investments for growth have been the acquisition of the QuayStreet Asset Management management rights and related assets, as well as progressing on NZX Dark (the mid point order book) with the launch expected in mid-2024 and progressing on the relaunch of S&P/NZX20 Index Futures.

We are mindful of the cost base and cost control continues to be a priority. We are continually reviewing headcount, project priorities to ensure we deliver to our strategy, and supplier contracts across the business.

## Acquisition, integration & restructure costs

**Acquisition, integration & restructure costs** largely relate to the integration of the ASB Superannuation Master Trust and QuayStreet Asset Management

## Non-Operating Expenses

**Net finance costs** include:

- interest income on operational cash balances, Clearing House risk capital and regulatory working capital, which have been positively impacted by increasing interest rates
- interest expenses (including amortised borrowing costs) on the subordinated notes (interest rate reset from 5.4% to 6.8% in June 2023), lease liabilities and term loan (to fund the QuayStreet acquisition in February 2023), as well as the unwind of the present value discount on the QuayStreet earnout
- net gain / (loss) on foreign exchange

**Depreciation and amortisation** increased due to the impact of:

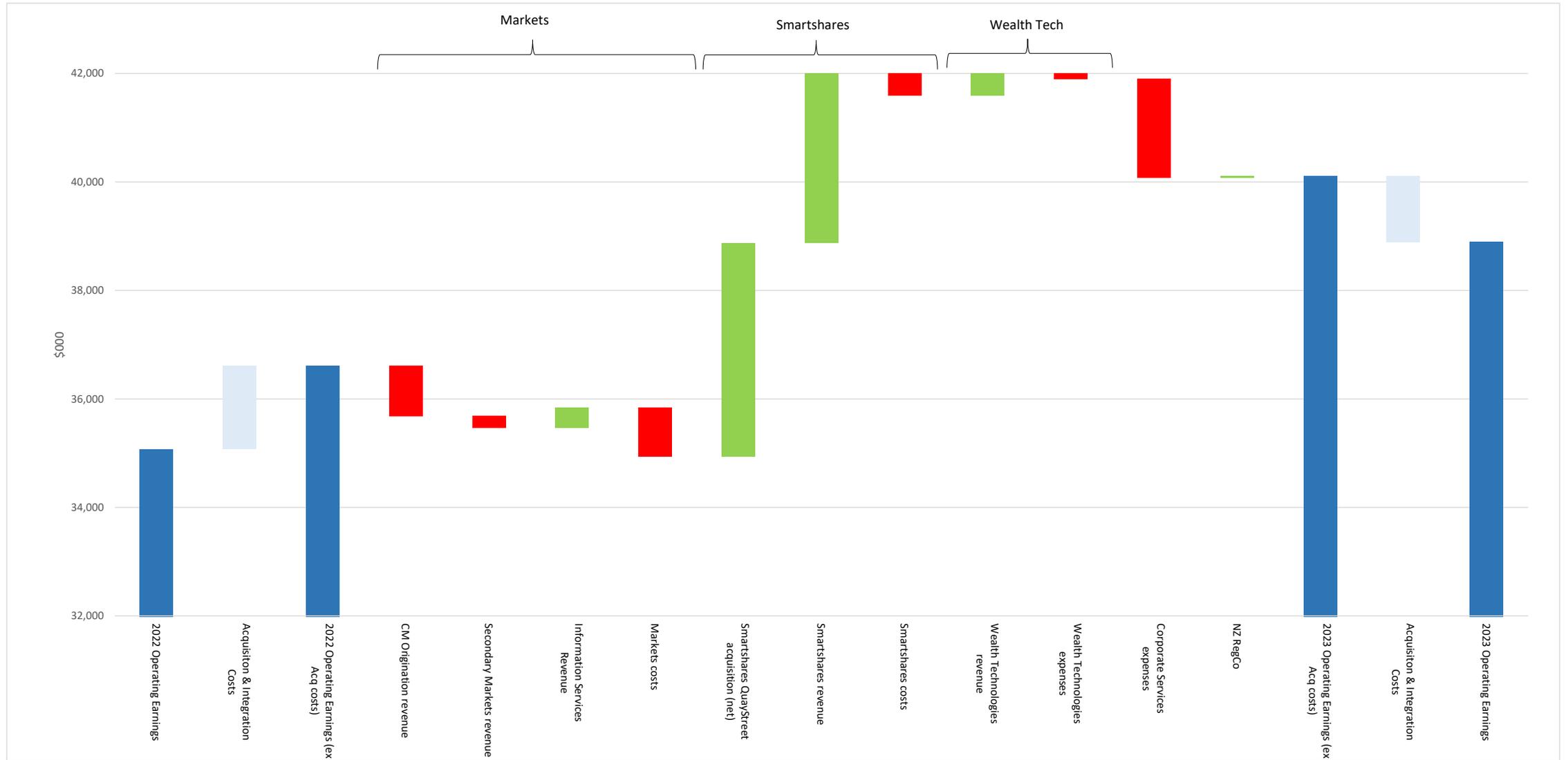
- Wealth Technologies – increased amortisation of the core platform and new client migrations completed in late 2022 and 2023
- Smartshares amortisation commenced (from 23 February 2023) on the acquired QuayStreet Asset Management management rights (increased amortisation is approx. \$1.4m)
- Auckland office – depreciation on the fit out of additional space in the new Auckland office (commenced in December 2022) and the new ticker / signage (commenced September 2023), as well as the associated right of use assets

**Share of profit of associate** relates to our investment in GlobalDairyTrade (GDT). GDT’s three year expansionary strategic plan is expected to result in NZX’s share of profit of associate to be low until GDT’s strategic initiatives successfully mature

Effective **tax** rate is higher than statutory rate of 28% due to non deductible items, partially offset by differences in valuation (accounting v taxation) on vesting of long term incentive schemes

# Operating Earnings Waterfall

FY23 compared to FY22



# Financial Position and Cash Flows

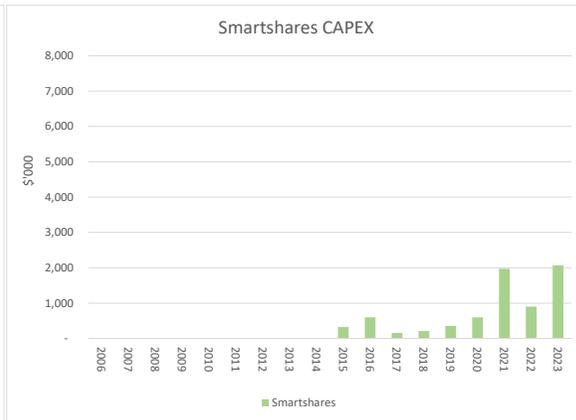
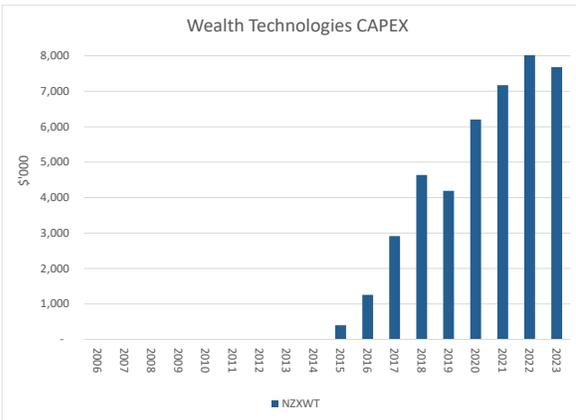
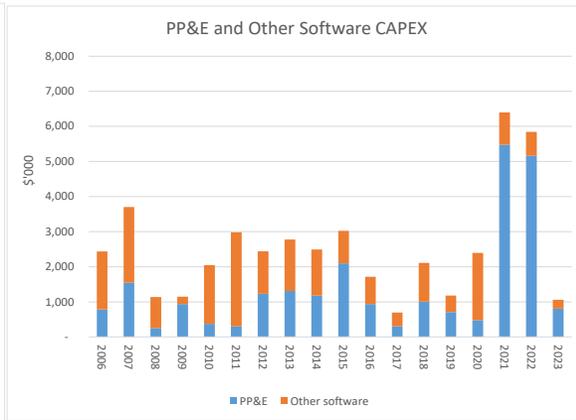
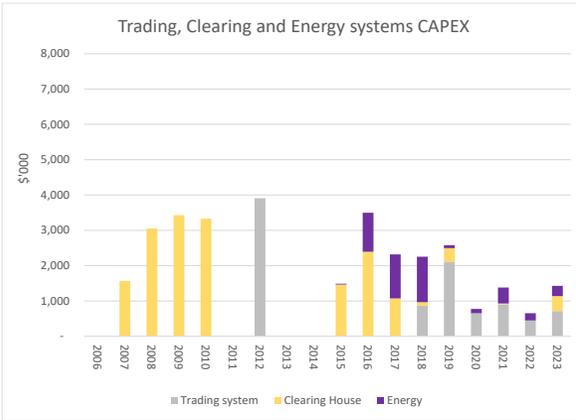


# Balance Sheet as at 31 December 2023

	2023 \$000	2022 \$000
Current assets		
Cash and cash equivalents	44,670	40,611
Receivables and prepayments	15,874	17,132
Funds held on behalf of third parties	21,702	30,282
<b>Total current assets</b>	<b>82,246</b>	<b>88,025</b>
Non-current assets		
Right-of-use lease assets	17,380	19,204
Other non-current assets	159,202	109,187
Investment in associate	17,642	16,783
<b>Total non-current assets</b>	<b>194,224</b>	<b>145,174</b>
Current liabilities		
Trade payables	7,604	7,434
Other current liabilities	32,753	20,078
Lease liabilities	1,291	997
Funds held on behalf of third parties	21,702	30,282
Interest bearing liabilities	-	39,037
<b>Total current liabilities</b>	<b>63,350</b>	<b>97,828</b>
Non-current liabilities		
Interest bearing liabilities	61,256	-
Lease liabilities	19,770	20,679
Other non-current liabilities	14,723	2,984
<b>Total non-current liabilities</b>	<b>95,749</b>	<b>23,663</b>
<b>Net assets</b>	<b>117,371</b>	<b>111,708</b>

<b>Cash and cash equivalents</b>	<ul style="list-style-type: none"> <li>Clearing House risk capital (\$20 million) which is not available for general use;</li> <li>Clearing House complies with International Organisation of Securities Commissions principles requiring retention of sufficient working capital (including cash of approximately \$2.8 million); and</li> <li>Smartshares maintains sufficient net tangible assets in accordance with its license requirements (including cash of approximately \$1.9 million)</li> </ul>
<b>Funds held on behalf of third parties (assets and liabilities) offset</b>	<ul style="list-style-type: none"> <li>Relates to issuer bond deposits, participants' collateral deposits and deposited funds (including those held in the Mutualised Default Fund)</li> <li>Amounts are repayable to issuers and participants and not available for general use</li> </ul>
<b>Right-of-use lease assets and lease liabilities</b>	<ul style="list-style-type: none"> <li>Relates to leased premises and IT equipment</li> </ul>
<b>Other non-current assets</b>	<ul style="list-style-type: none"> <li>Consists of property, plant &amp; equipment, intangible assets and goodwill</li> <li>Increased due to the acquisition of QuayStreet Asset Management</li> </ul>
<b>Investment in Associate</b>	<ul style="list-style-type: none"> <li>Investment in GlobalDairyTrade Limited (GDT)</li> </ul>
<b>Other current liabilities</b>	<ul style="list-style-type: none"> <li>Includes income in advance largely related to annual listing (billed on 30 June each year) and data subscriptions, employee benefits payable, tax payables and the current portion of the earnout provision relating to the acquisition of QuayStreet</li> </ul>
<b>Interest bearing liabilities</b>	<p>Relate to:</p> <ul style="list-style-type: none"> <li>Subordinated notes (\$38.8m) – on 20 June 2023 the subordinated notes interest rate was reset to 6.8%. The next election date (and potential resetting of the interest rate is 20 June 2028) ; and</li> <li>Term loan (\$22.5m) – drawn down to fund the QuayStreet acquisition</li> </ul>
<b>Other non-current liabilities</b>	<p>Includes:</p> <ul style="list-style-type: none"> <li>the non-current portion of the earnout provision relating to the acquisition of QuayStreet;</li> <li>Deferred tax liabilities, including those recognised on acquisition of QuayStreet</li> </ul>

# CAPEX



Total CAPEX (net of capital contributions relating to premises) reduced 21.2% to \$12.2m (2022: \$15.5m)

## Trading, Clearing and Energy Systems CAPEX

- **Trading, clearing and energy systems CAPEX** driven by specific system life cycles which historically have resulted in large multi-year projects
- 2023 includes system enhancements to enable NZX Dark and progress towards automation of the Depository system
- In 2024 we expect to further automate the Depository system to enable further growth and further trading system enhancements to enable NZX20 Index Futures

## PP&E and Other Software CAPEX

- **PP&E CAPEX** relates to the normal life cycle replacements for IT equipment and software, as well as completing the implementation of a strategic storage solution
- The new Auckland ticker and signage was completed in 2023, and we are refreshing NZX.com to modern website architecture
- In 2024 the Wellington office will be refurbished allowing a reduction in leased floor space
- **Other software CAPEX** relates to technology upgrades and enhancements of the NZX technology architecture which strengthens NZX's cyber security

## Financial Services Growth Businesses CAPEX

- **Wealth Technologies CAPEX** in the current period relates to continued product development and new client migration activity; which is slightly lower than 2022 as time incurred on closing the old OE platform was expensed
- We expect capitalisation levels to remain high whilst there is new client migration activity
- **Smartshares CAPEX** relates to integration and system enhancements required for the transfer of ASB Superannuation Master Trust investment management, investment administration and registry services
- In 2024 we expect further system integration and enhancements relating to the QuayStreet acquisition transition services being integrated into the Smartshares business

# Cash Flows

	2023 \$000	2022 \$000
Operating activities	34,439	23,436
Investing activities		
- Payments for PPE & other intangible assets	(12,395)	(15,496)
- Payments for acquisitions	(22,438)	(41,637)
- Advances to related party	(100)	-
Financing activities		
- Net receipts from equity raising	-	42,669
- Net receipts from term loan	22,500	-
- Dividends paid	(16,741)	(16,187)
- Other financing activities	(1,206)	(1,236)
<b>Net change in cash and cash equivalents</b>	<b>4,059</b>	<b>(8,451)</b>

## Operating Activities

- Operating activities cashflow represents net profit after tax less non-cash items (e.g. depreciation and amortisation, share of profit of associates, share based payments)
- The increase reflects a combination of higher operating activities cashflow and working capital movements (e.g. timing of receivables receipts and trade payables and tax payments)
- We are conscious of Wealth Technologies' cash burn and are targeting to be cashflow positive by late 2024 based on current migration pipeline (subject to clients meeting migration timelines)

## Investing Activities

Investing activities relate to:

- Payments for PPE & other intangible assets, including:
  - Wealth Technologies software development;
  - Technology upgrades and enhancements, including to the NZX technology architecture, and system enhancements required for the integration of the ASB Superannuation Master Trust; and
  - Completion of the new Auckland office Level 14 fit out, ticker and signage
- Payments for acquisitions – relates to the acquisitions of QuayStreet Asset Management, and in 2022 for the ASB Superannuation Master Trust management rights and GlobalDairyTrade Holdings Limited
- Advances to related party – relates to advances to the Smartshares' funds to assist with working capital management

## Financing Activities

Financing activities includes:

- Net receipts from equity raisings in 2022 funded the acquisitions of the ASB Superannuation Master Trust management rights and GlobalDairyTrade Holdings Limited;
- Term loan funded the acquisition of QuayStreet Asset Management;
- Other financing activities include the payments of lease liabilities and the transaction costs relating to the renewal of NZX's subordinated notes; and
- Dividends which are net of participation in the dividend reinvestment plan

# Final Dividend and 2023 Earnings Guidance



# Final Dividend

## Final Dividend

- The Board has declared a fully imputed final dividend of 3.1 cents per share
- Dividend to be paid on 28 March 2024 to shareholders registered as at the record date of 15 March 2024
- Total dividends for the 2023 financial year are 6.1 cents per share fully imputed

Fully imputed dividends (CPS)	FY 2023	FY 2022
Interim dividend	3.0	3.0
Final dividend	3.1	3.1
<b>Total dividends</b>	<b>6.1</b>	6.1

## 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)
- NZX is focused on generating future earnings to support dividends

## Dividend reinvestment plan

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

### Notes:

1 Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

# 2024 Earnings Guidance

## 2024 Earnings Guidance

NZX's full year 2024 Operating Earnings (EBITDA), excluding integration and restructuring costs, are expected to be in the range of **\$40.0 million to \$44.5 million**

The guidance is subject to market outcomes, particularly with respect to market capitalisation, total capital listed and raised, secondary market value and derivatives volumes traded, funds under management and administration growth, acquisition related integration costs and technology costs

Additionally, this guidance assumes there are no material adverse macro-economic and/or market condition impacts on our assumed market outcomes, and there are no significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments

The Earnings Guidance excludes the expected impact of the GDT investment as this is recognised as "share of profit of associate" (i.e. after Operating Earnings)

# 2024 what Success looks like

The 2024 earnings guidance is driven by the 2024 strategic priorities and targets for the key revenue metrics

	2024 Strategic Priorities	External dependencies	2024 Targets
<b>Capital listed and raised</b>	<ul style="list-style-type: none"> <li>Ensure NZX positioned for growth when macro-economic environment improves, and markets recover</li> </ul>	<ul style="list-style-type: none"> <li>Listing ecosystem is dependent on other market participants</li> <li>No major market correction</li> </ul>	\$15.0 billion
<b>Total value traded / cleared</b>	<ul style="list-style-type: none"> <li>NZX Dark – fully operational by mid-year FY24</li> <li>NZX 20 Futures – progress delivery</li> <li>Drive greater scale in clearing</li> </ul>	<ul style="list-style-type: none"> <li>Participant activity levels drive value traded / cleared</li> <li>No major market correction</li> </ul>	\$38.0 billion
<b>Dairy derivatives lots traded</b>	<ul style="list-style-type: none"> <li>Dairy derivatives – continue to extend market distribution and expand global access</li> </ul>	<ul style="list-style-type: none"> <li>Participant activity levels and dairy market price volatility drive lots traded</li> </ul>	0.70 - 0.85 million lots
<b>Information Services revenue growth (excluding one off royalty revenue)</b>	<ul style="list-style-type: none"> <li>Expand our Information Services product offering</li> <li>Upgrade Trans-Tasman connectivity to increase resilience and connect global clients to NZX</li> </ul>	<ul style="list-style-type: none"> <li>Dependent on markets growth</li> </ul>	Average revenue growth: 2.1%
<b>Funds under management</b>	<ul style="list-style-type: none"> <li>Drive scale, efficiencies and operating leverage, including maturing Smartshares operations and embed our growth initiatives (i.e. QuayStreet integration) to unlock further synergies of scale</li> </ul>	<ul style="list-style-type: none"> <li>Investment market returns</li> <li>No major market correction</li> </ul>	Average FUM growth: 14.7%
<b>Funds under administration</b>	<ul style="list-style-type: none"> <li>Drive scale, efficiencies and operating leverage, including migrating the current pipeline in 2024 to achieve cash flow positive targets by end of 2024</li> </ul>	<ul style="list-style-type: none"> <li>Clients' migration ability / cadence</li> <li>Investment market returns</li> <li>Macro economic environment impacts</li> </ul>	Migrate new clients onto the platform and achieve cash flow positivity

Notes:

1 Operating earnings is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

# Questions?



# Appendices



# Appendix 1: Segmental Analysis

## Income Statement by Business Unit

2023 \$000	Capital Markets Origination <sup>1</sup>	Secondary Markets <sup>1</sup>	Information Services <sup>1</sup>	Markets Sub-total <sup>1</sup>	Funds Management <sup>2</sup>	Wealth Technologies <sup>3</sup>	Corporate Services <sup>4</sup>	NZX Commercial Operations Sub-total	Regulation (NZ RegCo) <sup>5</sup>	NZX Group Total
Operating revenue	16,045	25,127	19,723	60,895	36,957	6,816	83	104,751	3,636	108,387
Operating expenses (excl. acq / int / restructure costs)				(19,975)	(17,581)	(5,175)	(21,544)	(64,275)	(4,003)	(68,278)
<b>Operating earnings<sup>6</sup> (excl. acq / int / restructure costs)</b>				<b>40,920</b>	<b>19,376</b>	<b>1,641</b>	<b>(21,461)</b>	<b>40,476</b>	<b>(367)</b>	<b>40,109</b>
Acquisition / integration / restructure costs				(42)	(1,086)	(32)	-	(1,160)	(55)	(1,215)
<b>Operating earnings<sup>6</sup></b>				<b>40,878</b>	<b>18,290</b>	<b>1,609</b>	<b>(21,461)</b>	<b>39,316</b>	<b>(422)</b>	<b>38,894</b>
Depreciation, amortisation & gain / loss on disposal				(2,312)	(4,060)	(6,635)	(3,765)	(16,772)	-	(16,772)
<b>Earnings Before Interest, tax and share of profit of associate</b>				<b>38,566</b>	<b>14,230</b>	<b>(5,026)</b>	<b>(25,226)</b>	<b>22,544</b>	<b>(422)</b>	<b>22,122</b>
2022 \$000	Capital Markets Origination <sup>1</sup>	Secondary Markets <sup>1</sup>	Information Services <sup>1</sup>	Markets Sub-total <sup>1</sup>	Funds Management <sup>2</sup>	Wealth Technologies <sup>3</sup>	Corporate Services <sup>4</sup>	NZX Commercial Operations Sub-total	Regulation (NZ RegCo) <sup>5</sup>	NZX Group Total
Operating revenue	16,965	25,346	19,354	61,665	24,486	5,991	56	92,198	3,528	95,726
Operating expenses (excl. acq / int / restructure costs)				(19,078)	(11,757)	(4,662)	(19,698)	(55,195)	(3,926)	(59,121)
<b>Operating earnings<sup>6</sup> (excl. acq / int / restructure costs)</b>				<b>42,587</b>	<b>12,729</b>	<b>1,329</b>	<b>(19,642)</b>	<b>37,003</b>	<b>(398)</b>	<b>36,605</b>
Acquisition costs				-	(1,540)	-	-	(1,540)	-	(1,540)
<b>Operating earnings<sup>6</sup></b>				<b>42,587</b>	<b>11,189</b>	<b>1,329</b>	<b>(19,642)</b>	<b>35,463</b>	<b>(398)</b>	<b>36,065</b>
Depreciation, amortisation & gain / loss on disposal				(2,749)	(2,471)	(5,459)	(3,178)	(13,857)	-	(13,857)
<b>Earnings Before Interest, tax and share of profit of associate</b>				<b>39,838</b>	<b>8,718</b>	<b>(4,130)</b>	<b>(22,820)</b>	<b>21,606</b>	<b>(398)</b>	<b>21,208</b>

### Notes:

1 Markets is the integrated business that supports the growth of NZ capital markets with the revenue generating BUs being:

- Capital Markets Origination – provider of issuer services for current and prospective customers;
- Secondary Markets – provider of trading and post-trade services for securities and derivatives markets operated by NZX, as well as the provider of a central securities depository and Market operator for Fonterra Co-Operative Group, the Electricity Authority and the Ministry for the Environment;
- Information Services – provider of data services for the securities and derivatives markets, and analytics for the dairy sector

Additionally, the Markets business cost base includes the IT costs specific to providing NZ capital markets services.

2 Funds Management (Smartshares Limited) – comprises the SuperLife superannuation and KiwiSaver products and Smartshares Exchange Traded Funds

3 Wealth Technologies (NZX Wealth Technologies Limited) – provides a platform that enables advisers and brokers to manage client investments

4 Corporate Services provides accommodation, legal, accounting, IT, HR, communications and project management support to the other business units and subsidiaries. Related costs are currently not recharged to the commercial business units and subsidiaries (other than NZ RegCo)

5 Regulation (NZX Regulation Limited) – is the independently-governed agency which performs all of NZX's frontline regulatory functions, this ensures structural separation of the Group's commercial and regulatory roles.

6 Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities. Refer to financial statements note 2 for a reconciliation of EBITDA to NZ IFRS profit for the year.

# Appendix 1: Segment – Markets

Markets is the integrated business that supports the growth of NZ capital markets

	2023 \$000	2022 \$000	Change Fav/(Adv)
<b>Capital Markets Origination</b>			
Annual Listing Fee (net)	11,289	10,929	3.3%
Primary listing fees	1,601	1,979	(19.1)%
Secondary issuance fees	3,155	4,057	(22.2)%
<b>Secondary Markets</b>			
Participant services revenue (net)	540	870	(37.9)%
Securities trading revenue	3,696	4,171	(11.4)%
Securities clearing revenue	6,324	7,158	(11.7)%
Dairy derivatives revenue	3,551	1,887	88.2%
Contractual revenue	9,810	9,810	0.0%
Consulting and development revenue	1,206	1,450	(16.8)%
<b>Information Services</b>			
Royalties from terminals	8,485	8,281	2.5%
Subscriptions and licences	5,448	5,088	7.1%
Dairy data subscriptions	598	610	(2.0)%
Indices	1,405	1,159	21.2%
Audit and back dated licences	931	1,473	(36.8)%
Connectivity	2,856	2,743	4.1%
<b>Total operating revenue</b>	<b>60,895</b>	<b>61,665</b>	<b>(1.2)%</b>

	2023 \$000	2022 \$000	Change Fav/(Adv)
Gross personnel costs	12,195	11,480	(6.2)%
Less capitalised labour	(290)	(294)	(1.3)%
Personnel costs	11,905	11,186	(6.4)%
Information technology costs	5,585	5,458	(2.3)%
Professional fees	1,349	1,219	(10.6)%
Marketing	496	617	19.6%
Other expenses	753	714	(5.5)%
Capitalised overhead	(113)	(116)	(2.6)%
<b>Total operating expense (excl. restructure costs)</b>	<b>19,975</b>	<b>19,078</b>	<b>(4.7)%</b>
<b>Operating earnings (excl. restructure costs)</b>	<b>40,920</b>	<b>42,587</b>	<b>(3.9)%</b>
Restructure costs	42	-	n/a
<b>Operating earnings</b>	<b>40,878</b>	<b>42,587</b>	<b>(4.0)%</b>
Depreciation & amortisation	2,312	2,749	15.9%
<b>Earnings Before Interest, Tax and share of associate profit</b>	<b>38,566</b>	<b>39,838</b>	<b>(3.2)%</b>

Notes:

- Markets is the integrated business that supports the growth of NZ capital markets with the revenue generating BUs being:
  - Capital Markets Origination – provider of issuer services for current and prospective customers;
  - Secondary Markets – provider of trading and post-trade services for securities and derivatives markets operated by NZX, provider of a central securities depository and Market operator for Fonterra Co-Operative Group, the Electricity Authority and the Ministry for the Environment; and
  - Information Services – provider of information services for the securities and derivatives markets, and analytics for the dairy sector.
 Additionally, the Markets business cost base includes the IT costs specific to providing NZ capital markets services.
- Corporate Services provides accommodation, legal, finance, IT, HR, risk management, communication and project management support to Markets. The related costs are currently not recharged to Markets and consequently not included in the above segmental analysis.
- Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

# Appendix 1: Segment – Markets

## Operating Revenue

### Markets Operating Revenue

Markets operating revenue was \$60.9 million (decrease of 1.2% on 2022) driven by:

- *Capital Markets Origination revenue* – decreased (5.4)% from 2022, reflecting lower levels of primary listings and secondary issuances, partially offset by higher annual listing fees;
- *Secondary Markets revenue* – decreased (0.9)% from 2022, impacted by lower levels of trading / clearing value and depository registry transfer fees, as well as lower consulting and development activity. Offset by higher dairy derivatives trading; and
- *Information Services revenue* – increased +1.9% from 2022, driven by price increases, partially offset by lower levels of average terminal numbers and lower audit and back dated licencing revenue

### Capital Markets Origination Revenue

The *Annual listing fee* year runs from 1 July to 30 June, with the 2023 fees based on the market capitalisation at 1) 31 May 2022 for H1-23, and 2) 31 May 2023 for H2-23. Annual listing fees are net of an internal allocation to NZ RegCo. Annual listing fees increase is driven by price increases (approx. 4.0% effective from March 2023) and have been positively impacted by the growth in market value of debt instruments, partially offset by the contraction in equity market capitalisation

*Primary listing fees* are down (19.1)% from 2022 driven by lower levels of equity and retail debt listings

*Secondary issuance fees* are down (22.2)% from 2022 driven by lower levels of equity recapitalisations and retail debt issuances

### Secondary Markets Revenue

*Participant services revenue* relates to the reduced number of market participants (from 29 at December 2022 to 27 at December 2023) with the resignation of several NZX Sponsors and the introduction of Trustees Executors as a Depository participant. Participant services revenue is net of an internal allocation to NZ RegCo, which was higher in 2023

*Securities trading and clearing revenues* decreased due to lower market activity levels:

- value traded / cleared being down 9.7%;
- higher levels of uncharged value traded (i.e. exceeded fee cap) at 8.9% (2022: 6.5%); and
- lower levels of clearing margin, clearing penalties and depository registry transfer fees

### Secondary Markets Revenue (continued)

*Dairy derivatives revenue* has been favourably impacted by the higher level of lots traded (+35.0%) driven by the SGX-NZX dairy derivatives strategic partnership, as well as increased margin fees

*Contractual revenue* is in line with contracts to run auctions or markets for the Electricity Authority, Fonterra and the Ministry for the Environment

*Consulting and development revenue* is earned through continuing enhancements to the electricity market systems (including the market real time pricing project, which completed in 2023)

### Information Services Revenue

*Royalties from terminals revenue* increase (+2.5%) driven by price increases (effective January 2023) partially offset by lower levels of average terminal numbers

*Subscriptions and licences revenue* growth (+7.1%) reflects the continued growth in clients data usage and ability to capture licence revenue streams post audit, resulting in increased license numbers, partially offset by reduced subscriptions. There has also been a positive impact from price increases (effective January 2023).

*Dairy subscription revenue* reduction (-2.0%) reflects reduced product subscriptions (1.1)% and lower one off revenues

*Indices revenue* has increased (+21.2%) in line with additional index data clients reflecting continued growth in use of indices by the market and increased levels of support from S&P DJI

*Audit and back dated licencing revenue* (-36.8%) reflects the timing of audit completions and a reduction from the record high levels achieved in 2022, as revenues are now captured within royalties or licences

*Connectivity revenue* has risen (+4.1%), reflecting the connectivity requirements (i.e. standards of performance and resilience) from both market participants and data vendors, and a shift to more resilient networks

# Appendix 1: Segment – Markets

## Operating Expenses

### Markets Operating Expenses

**Markets operating expenses** were \$20.0 million for 2023 (increase of 4.7% on 2022) mainly reflecting:

- *Personnel costs* – increased 6.4% on 2022, driven by wage inflation as the average number of FTEs has remained comparable to 2022;
- *Information Technology costs* – increased 2.3% on 2022 driven by inflation; and
- *Professional Fees* – increased 10.6% reflecting and SGX-NZX dairy derivatives strategic partnership costs increasing in line with lots volumes and higher consultancy costs for clearing house, partially offset by lower audit royalty fees

### Personnel Costs

Personnel costs are driven by the average number of FTEs, wage inflation and the capitalisation of internal development resources:

- headcount – the average number of FTEs has been comparable to 2022 (FTEs Dec 2023: 82.0, Dec 2022: 82.4);
- wage inflation was driven by a highly competitive labour market; and
- capitalised labour levels on NZX Dark and NZX20 equity derivatives

### Information Technology Costs

Information technology costs increased by 2.3% and include:

- trading and clearing systems – licensing and hardware / software maintenance costs, which are impacted by the USD exchange rate and contractual inflation rates;
- energy electricity market systems – hardware / software maintenance costs and data feed costs;
- energy carbon market systems – third party specialist support provides ongoing support of the carbon managed auction service;
- dairy derivatives – NZX's share of IT costs under the SGX-NZX dairy derivatives strategic partnership; and
- Information services IT – software licences costs and data feeds associated with the delivery of customer management data platforms

### Professional Fees

Professional fees cost increases increased by +10.6% and include:

- EEX ongoing royalty fees relating to the carbon managed auction service;
- SGX ongoing costs relating to the SGX-NZX dairy derivatives strategic partnership
- terminal royalty audit fees \$283k (2022: \$430k) – which vary in proportion to audit revenue and are revenues recognised on a gross basis; and
- annual assurance program – including audit fees (e.g. Clearing House risk capital review), tax advice, energy audit obligations under Electricity Authority contract (e.g. Energy Clearing Manager, WITS Manager and Reconciliation Manager reviews in the current period)

### Marketing Costs

The key marketing focuses are:

- Capital Markets Origination team marketing includes membership of various industry groups to identify listing pipeline opportunities. There has been a lower level of direct marketing campaigns in 2023 reflecting the macroeconomic environment for primary listings and secondary issuances
- Dairy Derivatives team marketing includes hosting a dairy industry conference in Singapore, with the conference attendance fees / sponsorships being reflected in revenue
- SGX-NZX dairy derivatives new market maker arrangements

### Other Expenses

Other expenses include travel, statutory compliance costs and non-recoverable GST costs

### Depreciation & Amortisation

Depreciation & amortisation relates primarily to the trading and clearing systems. The reduction reflects the clearing systems becoming fully depreciated from July 2023

# Appendix 1: Segment – Smartshares

This business is a funds management business which comprises the SuperLife superannuation, QuayStreet funds, KiwiSaver products and Smartshares Exchange Traded Funds

	2023 \$000	2022 \$000	Change Fav/(Adv)
FUM-based revenue	33,069	21,526	53.6%
Member-based revenue	2,704	2,311	17.0%
Other revenue	1,184	649	82.4%
<b>Total operating revenue</b>	<b>36,957</b>	<b>24,486</b>	<b>50.9%</b>
Gross personnel costs	11,888	8,084	(47.1)%
Less capitalised labour	(140)	(130)	7.7%
Personnel costs	11,748	7,954	(47.7)%
Information technology costs	2,322	1,371	(69.4)%
Professional fees	746	786	5.1%
Marketing	1,014	676	(50.0)%
Other expenses	1,805	1,021	(76.8)%
Capitalised overhead	(54)	(51)	5.9%
<b>Total operating expense (excl. acq / int / rest. costs)</b>	<b>17,581</b>	<b>11,757</b>	<b>(49.5)%</b>
<b>Operating earnings (excl. acq / int / rest. costs)</b>	<b>19,376</b>	<b>12,729</b>	<b>52.2%</b>
Acquisition costs	99	1,348	92.7%
Integration costs	961	192	(400.5)%
Restructuring costs	26	-	n/a
<b>Operating earnings</b>	<b>18,290</b>	<b>11,189</b>	<b>63.5%</b>
Depreciation & amortisation, and loss on disposal	4,060	2,471	(64.3)%
<b>Earnings Before Interest and Tax</b>	<b>14,230</b>	<b>8,718</b>	<b>63.2%</b>

Corporate Services provides accommodation, legal, finance, IT, HR, risk management, communication and project management support to Smartshares. The related costs are currently not recharged to Smartshares and consequently not included in the above segmental analysis. Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

## Impact of Acquisitions

Operating revenue and expenses have increased due to Smartshares acquisition of QuayStreet from 23 February 2023, and the migration ASB SMT transition services (i.e. investment management, investment administration and registry services) from August 2023

The migration of the ASB SMT transition services result in the grossing up of revenue (transition services fund costs no longer netted against FUM based revenue), and of costs (Smartshares having employed additional FTEs to perform these services within existing teams). The net impact has been an unlocking of net revenue synergies (estimated at \$1.2m per annum) with ASB SMT now being on Smartshares' fund operating model

In 2024 the operating revenue and expenses will reflect the full year impact of the acquisition and migration. Additionally, the QuayStreet operating model migration is expected to be completed in Q4-24. This will have a similar impact on operating revenue and expenses, and potentially unlock further synergies

The current year impacts are summarised in the table below:

\$'000	2023		2023 Total	2022		2022 Total
	BAU	ASB / QS		BAU	ASB / QS	
Operating Revenue	25,697	11,260	36,957	20,587	3,899	24,486
Operating Expenses (excl. acq/int/rest. costs)	13,854	3,727	17,581	11,640	117	11,757
<b>Operating earnings<sup>1</sup> (excl. acq/int/rest. costs)</b>	<b>11,843</b>	<b>7,533</b>	<b>19,376</b>	<b>8,947</b>	<b>3,782</b>	<b>12,729</b>

Additionally, the non-operating impacts are:

- Depreciation and amortisation –
  - amortisation commenced (from 23 February 2023) on the acquired QuayStreet Asset Management management rights (increased amortisation is approx. \$1.4m in 2023);
  - amortisation commenced (from 21 February 2022) on the acquired ASB Superannuation Master Trust management rights (increased amortisation 2023: \$1.0m, 2022: \$0.9m); and
  - amortisation of system enhancements required during the ASB SMT integration(commenced December 2023)
- Net finance costs – interest expenses on the term loan (to fund the QuayStreet acquisition (2023: \$1.4m), and the unwind of the present value discount on the QuayStreet earnout (2023: \$0.5m)

# Appendix 1: Segment – Smartshares

This business is a funds management business which comprises the SuperLife superannuation, QuayStreet funds, KiwiSaver products and Smartshares Exchange Traded Funds

Operating Revenue	Acquisition, integration and restructuring costs
FUM-based revenue – average FUM has increased (2023: \$10.27b, 2022: \$7.79b) which is a combination of the QuayStreet acquired FUM, positive market returns and positive net cash flows	Relate to the acquisition and integration of the management rights for ASB Superannuation Master Trust and QuayStreet Asset Management
Member-based revenue has increased, reflecting a mix of increased investor numbers (from the QuayStreet acquisition) and a reduction in insurance admin fees (the administration of which is now performed by the insurance company)	
Other revenue has increased reflecting higher levels of stock lending and interest income	
During the prior financial year management identified additional FUM based, member-based fees and other revenue relating to prior Fund financial years that had not been recognised. No revenue was recognised in the prior financial year as it was not virtually certain that these fees were recoverable. As recoverability has now been confirmed, revenue of \$1.4 million has been recognised in 2023.	
Operating Expenses	Non-operating Expenses
Personnel costs are driven by average number of FTEs, wage inflation and the capitalisation of internal development resources: <ul style="list-style-type: none"> <li>headcount (FTEs Dec 2023: 95.7, Dec 2022: 77.1) has increased including: <ul style="list-style-type: none"> <li>QuayStreet Asset Management staff (+10 FTEs acquired or hired – with further hires expected in 2024 when transition services transfer to the Smartshares operating model);</li> <li>Additional staff to perform ASB SMT investment management, investment administration and registry upon integration into Smartshares existing teams (2023: + 7 FTE; 2022: +5 FTE); and</li> <li>an additional resource within the Risk &amp; Compliance function</li> </ul> </li> <li>capitalised labour and overhead which reflects capitalisable activity on internal systems</li> </ul>	Depreciation & amortisation – increases relate to amortisation of: <ul style="list-style-type: none"> <li>QuayStreet Asset Management management rights – new amortisation from 23 February 2023 of approx. \$1.4m; and</li> <li>ASB Superannuation Master Trust management rights – incremental amortisation (i.e. 2023 is the first full year of amortisation) approx. \$0.2m</li> </ul>
Information Technology costs include software license costs for the Bloomberg front and middle office operating system (impacted by the USD exchange rate). QuayStreet incremental IT costs (including Bloomberg databases and licenses) increased costs by \$0.8m in 2023. The Bloomberg databases have now been merged (October 2023) and a synergy realised	
Professional fees includes internal audit fees, legal and tax advice costs	
Marketing spend relates to advertising, printing and distribution costs. Advertising costs have increased from the low levels in 2022 and some brand development is being undertaken	
Other expenses include non-recoverable GST (which increases as the business grows), external auditor fees, travel costs and statutory and compliance costs (relating to increased FMA levies as FUM levels increase)	

# Appendix 1: Segment – Wealth Technologies

This business administers and manages a platform that enables advisers and brokers to manage client investments

	2023 \$000	2022 \$000	Change Fav/(Adv)
Administration (FUA based) fees	6,558	5,421	21.0%
Development fees / deferred income release	258	570	(54.7)%
<b>Total operating revenue</b>	<b>6,816</b>	<b>5,991</b>	<b>13.8%</b>
Gross personnel costs	10,530	10,216	(3.1)%
Less capitalised labour	(5,753)	(6,079)	(5.4)%
Personnel costs	4,777	4,137	(15.5)%
Information technology costs	1,050	1,259	16.6%
Professional fees	100	102	2.0%
Marketing	19	4	(375)%
Other expenses	526	497	(5.8)%
Capitalised overhead	(1,297)	(1,337)	(3.0)%
Total operating expenses	5,175	4,662	(11.0)%
<b>Operating earnings (excl. restructure costs)</b>	<b>1,641</b>	<b>1,329</b>	<b>23.5%</b>
Restructure costs	32	-	n/a
<b>Operating earnings</b>	<b>1,609</b>	<b>1,329</b>	<b>21.1%</b>
Depreciation & amortisation	6,635	5,459	(21.5)%
<b>Earnings Before Interest and Tax</b>	<b>(5,026)</b>	<b>(4,130)</b>	<b>(21.7)%</b>

Corporate Services provides legal, finance, IT, HR, risk management, communication and project management support to Wealth Technologies. The related costs are currently not recharged to Wealth Technologies and consequently not included in the above segmental analysis.

Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

## Operating Revenue

Administration (FUA based) fees – average FUA has increased (2023: \$10.77b, 2022: \$10.28b) which is a combination of a full year impact from the new clients FUA migrated during 2022 onto the platform, positive market returns and positive net cash flows.

Development fees/deferred income release relates to customisation of the wealth management platform or data migration effort specific to client requirements

## Operating Expenses

Personnel costs (net of capitalisation) are driven by average number of FTEs, wage inflation and the capitalisation of internal development resources:

- headcount is dependent at any point in time on a) the levels of platform investment (including migration activity) required for current and future clients, and b) the operational services provided to current clients;
- average headcount (FTEs at 31 December 2023: 72.3, December 2022: 75.2) has been at lower levels during the year due to vacancies. Headcount levels are expected to temporarily increase in 2024 to accelerate the migration velocity of additional FUA from a current client; and
- capitalised labour and overhead reflects continued product development and client migration activity. The lower levels in 2023 reflects the non-capitalisable effort required to migrate clients between the legacy (which is now closed) and new platform

Information Technology cost decreases are due to a rationalisation of data hosting and data feeds spend, as well as a small reduction driven by the decommissioning of the legacy platform

Professional fees include legal fees (usually for new client contracts), taxation advice and internal control reviews (e.g. ISAE 3402 internal controls report)

Other expenses include office costs (e.g. electricity, rates, stationery etc), travel, compliance costs and non recoverable GST (which increases as the business grows)

## Non-operating Expenses

Depreciation & amortisation – relate to:

- intangible assets (relating to platform development and client migration activity) are amortised over 5-years commencing from the migration completed date (which is aligned to administration fee revenue commencing). Intangible asset amortisation will continue to increase with the continued product development and client migration activity levels; and
- right of use assets (i.e. mainly property leases) are depreciated over the period of the lease

# Appendix 1: Segment – Corporate Services

This function provides accommodation, legal, finance, IT, HR, communications and project management support to the business

	2023 \$000	2022 \$000	Change Fav/(Adv)
Other revenue	83	56	48.2%
<b>Total operating revenue</b>	<b>83</b>	<b>56</b>	<b>48.2%</b>
Gross personnel costs	12,382	11,713	(5.7)%
Less capitalised labour	(189)	(238)	(20.6)%
Personnel costs	12,193	11,475	(6.3)%
Information technology costs	4,578	4,772	4.1%
Professional fees	1,298	1,165	(11.4)%
Marketing	144	122	(18.0)%
Other expenses	4,189	3,057	(37.0)%
Capitalised overhead	(74)	(93)	(20.4)%
Internal Allocation to NZ RegCo	(784)	(800)	(2.0)%
<b>Total operating expense</b>	<b>21,544</b>	<b>19,698</b>	<b>(9.4)%</b>
<b>Operating earnings</b>	<b>(21,461)</b>	<b>(19,642)</b>	<b>(9.3)%</b>
Depreciation & amortisation	3,791	3,181	(19.2)%
Loss on disposal of assets	(26)	(3)	(766.7)%
<b>Earnings Before Interest and Tax</b>	<b>(25,226)</b>	<b>(22,820)</b>	<b>(10.5)%</b>

Corporate Services provides accommodation, legal, finance, IT, HR, risk management, communication and project management support to all business units and subsidiaries (including the Smartshares and Wealth Technologies businesses). Related costs are currently not recharged to the commercial business units and subsidiaries, with the exception of NZ RegCo

Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

Operating Revenue
Revenue relates to sublease revenue and ticker advertising revenue
Operating Expenses
Personnel costs are driven by the average number of FTEs, wage inflation and the capitalisation of internal development resources: <ul style="list-style-type: none"> <li>headcount (FTEs Dec 2023: 74.6, Dec 2022: 67.1) reflects a lower level of vacancies (particularly for project related resources) and additional roles to support the growth across the business e.g. additional roles in the finance, policy and IT Operations teams</li> <li>capitalised labour and overhead reflects the project management team's activity on NZX capitalisable projects</li> </ul>
IT cost decreases relate to lower software support costs
Professional fees include legal fees, internal audit fees, annual conflicts review, corporate governance review. The increase reflects high levels of legal fees and internal audit activity, partially offset by 2022 including costs associated with investigating acquisition opportunities which were not incurred in 2023
Marketing costs relate to the investor relations programme (including annual / interim reporting, investor day etc)
Other expenses include office costs (e.g. electricity, rates, stationery etc for Wellington and Auckland CBD; which have increased with establishment of an additional floor and the new ticker / signage for the Capital Markets Centre in Auckland), insurance premiums (which continues to increase), directors' fees (increased from 1 July 2023), travel, external audit costs, outsourced payroll system, corporate memberships, carbon credits, non-recoverable GST (which increases as the business grows) and statutory and compliance costs.
Non-operating Expenses
Depreciation & amortisation – increases relate to: <ul style="list-style-type: none"> <li>amortisation of IT improvements completed to improve IT resilience (including the network transformation and the SOC); and</li> <li>depreciation on the Auckland office level 14 fit out (including the associated right of use assets) and the new ticker / building signage commenced in September 2023</li> </ul>

# Appendix 1: Segment – Regulation (NZ RegCo)

Tasked with performing all of NZX's frontline regulatory functions, resulting in the structural separation of the Group's commercial and regulatory roles

	2023 \$000	2022 \$000	Change Fav/(Adv)
Issuer Regulation services	510	685	(25.5)%
Participant Compliance services	121	162	(25.3)%
Market Conduct	16	35	(54.3)%
Surveillance	712	751	(5.2)%
Listing and Participants Fee allocation	2,277	1,895	20.2%
<b>Total operating revenue</b>	<b>3,636</b>	<b>3,528</b>	<b>3.1%</b>
Gross personnel costs	2,646	2,567	(3.1)%
Less capitalised labour	(2)	-	n/a
Personnel costs	2,644	2,567	(3.0)%
Information technology costs	233	211	(10.4)%
Professional fees	244	245	0.4%
Marketing	-	-	n/a
Other expenses	99	104	4.8%
Capitalised overhead	(1)	-	n/a
Internal Allocation to NZ RegCo	784	799	1.9%
<b>Total operating expense (excl. restructure costs)</b>	<b>4,003</b>	<b>3,926</b>	<b>(2.0)%</b>
<b>Operating earnings (excl. restructure costs)</b>	<b>(367)</b>	<b>(398)</b>	<b>7.8%</b>
Restructure costs	55	-	n/a
<b>Operating earnings</b>	<b>(422)</b>	<b>(398)</b>	<b>(6.0)%</b>
Depreciation & amortisation	-	-	n/a
<b>Earnings Before Interest and Tax</b>	<b>(422)</b>	<b>(398)</b>	<b>(6.0)%</b>

Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

## Regulation (NZ RegCo)

Regulation is structurally separate, in accordance with global best practice, from NZX's commercial and operational activities. Governed by a separate board with an independent Chair and the majority of directors are independent of the NZX Group

NZ RegCo is targeted to operate on a cost-neutral basis after internal allocations. The internal allocations are set at the commencement of the year based on the services expected to be provided by/to NZ RegCo, and are intended to subsidise NZ RegCo to achieve a break-even operating result over the medium term

## Operating Revenue

Regulatory fees relate to Issuer Regulation, Participant Compliance, Market Conduct and Surveillance activities. Fees relate to defined services (based on a fee schedule) and revenue for costs awards recovered from enforcement matters referred to the NZ Markets Disciplinary Tribunal

Regulatory fee generating activity levels have been lower than 2022 due to decreased market activity levels

Additionally, there is an internal allocation of Annual Listing Fees, Annual Participants Fees and internal fees for the recovery of NZ RegCo staff time

## Operating Expenses

Personnel costs are driven by average number of FTEs and wage inflation:

- headcount – FTEs have decreased slightly (FTEs Dec 2023: 15.0; Dec 2022: 17.3) reflecting a higher level of vacancies and a restructuring of surveillance resources; and
- wage inflation – for specialist qualified personnel is the main driver of increased personnel costs

Information technology costs include SMARTS surveillance software costs, which are impacted by the movement in the AUD exchange rate

Professional fees primarily relate to NZ RegCo independent directors' fees, which increased from 1 April 2023

Other expenses relate to travel costs to undertake on site participant inspections

Internal costs allocations relate to Corporate Services costs i.e. accommodation, legal, finance, IT, HR, communications and project management support

## Non-operating Expenses

Depreciation & amortisation – the participant portal was fully depreciated in 2021

# Appendix 2: Operating Revenue Definitions

## Capital Markets Origination

**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.

## Information Services

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

**Subscription and licences revenue** relate to the provision of markets data to market participants and stakeholders.

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

**Indices revenue** relates to the revenue generated on index licensing in partnership with S&P.

**Connectivity revenue** relates to the provision of connectivity and access to the NZX operated markets for market participants and data vendors, which is recognised over the period the service is provided.

## 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.

**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 related depository services 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 and margin fees for trading SGX-NZX dairy futures and options. Fees are largely charged in USD (reflecting the global nature of the market) per lot traded.

**Contractual revenue** arises from the operation of:

- New Zealand's electricity market, under long term contract from the Electricity Authority;
- the Fonterra Shareholders' Market, under a long term contract from Fonterra; and
- New Zealand's Emissions Trading Scheme managed auction services, under a long term contract from the Ministry for the Environment.

**Consulting and Development revenue** arises on a time and materials basis for the electricity market and for the implementation of New Zealand's Emissions Trading Scheme managed auction services.

## Funds Management (Smartshares)

**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 or data migration effort specific to client requirements.

## Regulation (NZ RegCo)

**Issuer Regulation services revenue** arises from time spent by NZ RegCo reviewing listing and secondary capital raising documents, requests for listing rule waivers and rulings, and other activity subject to per hour recoveries.

**Participant Compliance services revenue** arises from time spent by NZ RegCo reviewing participant applications and oversight activity subject to direct recoveries.

**Market Conduct revenue** arises from cost awards for enforcement matters referred to the NZ Markets Disciplinary Tribunal.

**Surveillance revenue** arises from market surveillance activities that are recoverable from market participants.

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Thank you