



NZX FULL YEAR 2020 RESULTS INVESTOR PRESENTATION

17 February 2021

Today's Agenda



2020 Highlights	3
NZX's Strategy	5
Business Unit Highlights	12
Financial Performance	18
Financial Position & Cash Flows	25
Final Dividends & 2021 Earnings Guidance	29
<hr/>	
Appendices	
1 Segmental Analysis	34
2 Operating Revenue Definitions	43

Important notice

This full year investor presentation should be read in conjunction with the financial statements in the 2020 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, funds under management and administration growth 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.

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.

2020 Highlights

► New Zealand's Exchange
Te Paehoko O Aotearoa



2020 results at a glance

Operating Earnings*

\$34.4

million



9.7%

Net Profit After Tax

\$17.6

million



20.1%

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)

\$17.6

billion

(5.5)%

Data & Insights Revenue

\$16.1

million

8.1%

Total Value Traded

\$53.7

billion

41.8%

Dairy Derivatives Lots traded

360,887

0.5%

Funds Under Management

\$5.08

billion

28.0%

Funds Under Administration

\$7.19

billion

213.4%

* Operating earnings are before net finance expense, income tax, depreciation, amortisation, loss on disposal of business and property, plant and equipment and gain on lease modification. 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.

The 2020 deliverable targets are detailed in the management commentary section of the 2020 Annual Report.

Percentage changes represent the movement for the financial years 2019 to 2020, except Funds Under Management and Funds Under Administration which are the movement in balances as at year end 2019 to 2020.

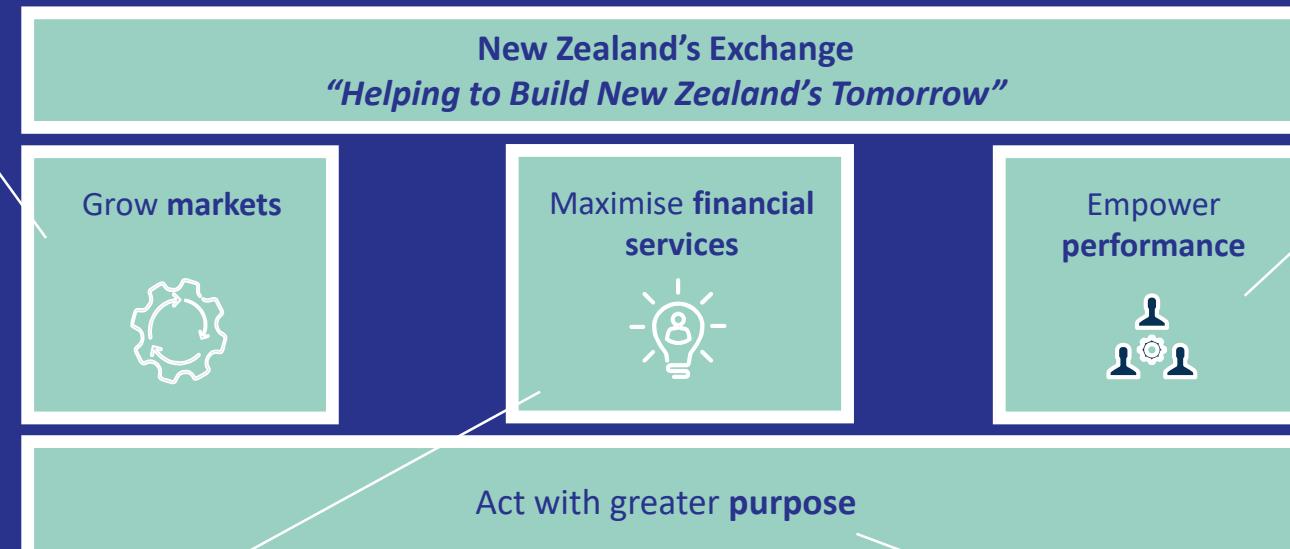
NZX's Strategy

► New Zealand's Exchange
Te Paehoko O Aotearoa



NZX 2.0: The heart of our strategy

Grow Markets – The previously named ‘Refocus Core’ and ‘Grow Opportunities’ are consolidated under ‘Grow Markets’ with particular focus on driving listings, leveraging the New Zealand advantage

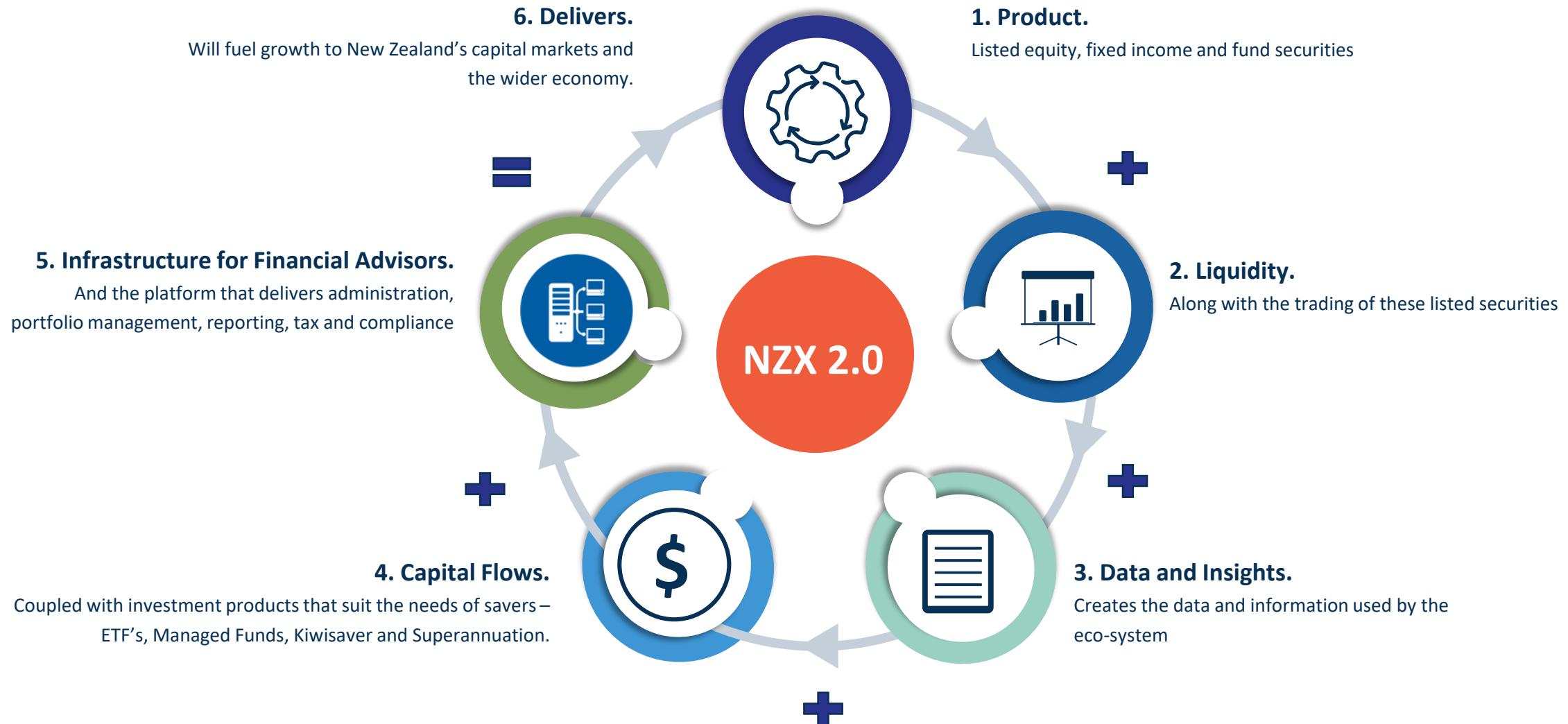


Maximise Financial Services – previously named ‘Maximise Options’, to deliver super-normal growth and sustain the business in the long term

“By combining the needs of our customers, with innovation and modern technology we build enduring markets to deliver capital pathways, investment opportunities and economic success for New Zealand”

Empower Performance – ensuring the right technical and people capabilities creating efficiencies in execution and innovation to drive growth

NZX is building an integrated business to support the growth of NZ capital markets



We are doing what we said we would.... delivering a growth business

NEW ZEALAND'S EXCHANGE

2018

Removed Blockages



- Sold the non core businesses
- Enabled liquidity growth through pricing and policy changes, alongside trading functionality
- Rebuilding of our customer relationships
- Technology projects completed - clearing & settlement upgrades, data centre and telecoms infrastructure. Further work identified and advanced
- Built our international profile through partnership development
- De-risked the balance sheet through issuing the sub note and implementing the derivatives mutualised default fund

2019

Delivered Results and
Proof Points



- Capital raised – \$18.7b (up 95.7% on 2018)
- On market liquidity – 54.3% (up 5.3%)
- Data revenue – (up 10.4%)
- Dairy derivatives lots traded – 359k (up 3.8%)
- Smartshares FUM – \$3.97b (up 36.0% on 2018)
- Wealth Technologies – \$2.3b (up 15.6% on 2018)
- Staff engagement – Gallup Survey result 4.15 (the 7th successive lift) with 94% participation

2020

Growing Our Market



- Growth in:
 - issuance – all listing pathways used in 2020 including IPO, direct listings, reverse listings and foreign exempt listings
 - liquidity – \$53.7 billion (up 41.8%) with 63.0% on market
 - Smartshares FUM – \$5.08b (up 28.0%)
 - Wealth Technologies – \$7.19b (up 213.4%)
- Partnerships for growth – Dairy and Carbon
- Refined strategy – NZX 2.0
- Driving towards more mature and transformed capability

The environment in which we operate supports growth and the NZX strategic direction

Shifting dynamics support growth in NZX issuance

The current economic environment has highlighted the value of the public markets, **access to capital is in high demand** to shore up balance sheets and for growth – **public markets and the capital they provide** have a critical role in assisting the **rebuilding** of the New Zealand economy and creating **greater prosperity** for everyone

Global markets and partnerships set the scene for future growth opportunities

Expansion in areas of **dairy and carbon** supports new essential markets for the New Zealand economy globally, **partnerships** with global players enhance NZX's position as a leading player in these markets and **greatly enhances capability and speed to market**

Capital flows will help drive markets growth

Net inflows increasing and expected to keep growing, **NZX footprint in financial services market helps drive market development** and future revenue generation from both funds management and technology services



Clear business priorities for 2021 support growth across the board

We will focus on **growing markets**, with the near term primary focus being on gaining new equity listings

We will focus on all markets but in the near term the primary focus in this highly competitive environment will be **Driving New Listings and Participation** through growth of all markets

We will **maximise financial services** through driving execution and operating earnings

A continued focus on **growing Wealth Technologies FUA** and **operating earnings** net of CAPEX and **driving Smartshares FUM and operating earnings**

We will **empower performance** through operational excellence, advanced capability, innovative delivery and risk reduction

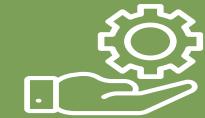
Ensuring excellence in **operational basics**, excellence is achieved with the right capabilities which will drive efficiencies and support growth ambitions

Empowering our performance requires the right building blocks

01

Operational Excellence

We aspire to excellence in delivery through strong technology and operational performance and governance, automation of tasks, continuous improvement, measurement and transparency



02

Capability and Delivery

Develop highly automated systems and a wide range of applicable skill sets, an appropriate build, buy, partner strategy to quickly scale up capability and increase speed of delivery



03

People and Culture

Continuing to build a customer orientated, team minded, respectful but delivery and growth driven culture



04

Best Practice and Risk Model

Ensure NZX meets all regulatory requirements, is aligned with best practice and ongoing strengthening of the risk model



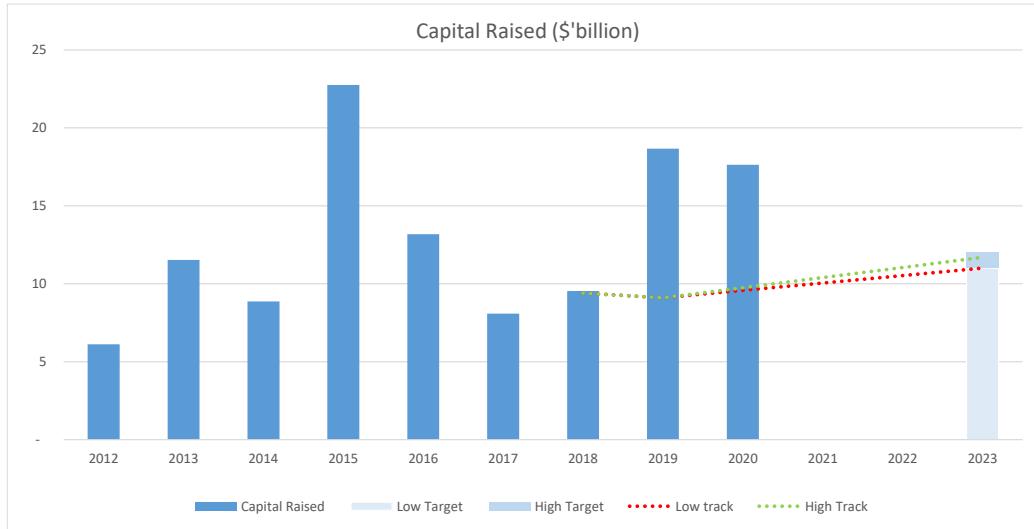
Business Unit Highlights

► New Zealand's Exchange
Te Paehoko O Aotearoa



Capital Raised and Value Traded / Cleared are strong

Issuer Relationships – Capital Raised



Capital raised (new and secondary capital raisings) in 2020 was \$17.6 billion, it has helped that the barriers to listing have been further reduced:

- Removal of requirement for PFI for Direct Listings
- Templatized disclosure for Foreign Exempt listing companies
- Research solution provided by Smartkarma

Resulting in all listing pathways being used in 2020; including IPOs (RUA, HMY and NZL), a direct listing (RAD), reverse listings (MEE, SMW and PIL), a foreign exempt listing (AKL) and 4 new ETFs

Debt market remains strong – particularly retail debt and green bonds. Three new debt issuers (OCA, KWB and RYM)

Team evolved into both a Client Relationship and True Origination model – with active pipeline development and conversion

Secondary Markets – Value Traded / Cleared



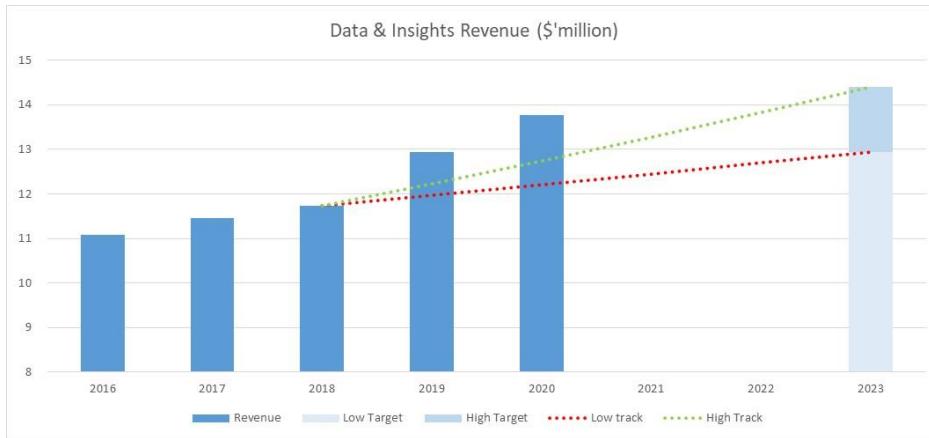
The removal of barriers and a drive towards global standards has seen a step change in participation resulting in record market liquidity (2020: 63.0%) and value traded / cleared (\$53.7 billion). Onboarding a General Clearing Participant will unlock remote broker Participation

Trading System Upgrade will deliver increased functionality and trading options for participants (e.g. NZX DARK); go live deferred due to COVID-19 and is now planned for H1-2021

Continue to drive growth in the NZX Depository business (depository transactions +104.6% and assets under custody +37.9%), to increase efficiencies of NZ market and participate in the last leg of securities settlement value chain

Data & Insights revenue improving better than expected and the SGX dairy partnership is a global opportunity

Data & Insights – Revenue Growth



* Data & Insights Revenue excluding connectivity revenue to ensure comparability with 2018 strategic targets

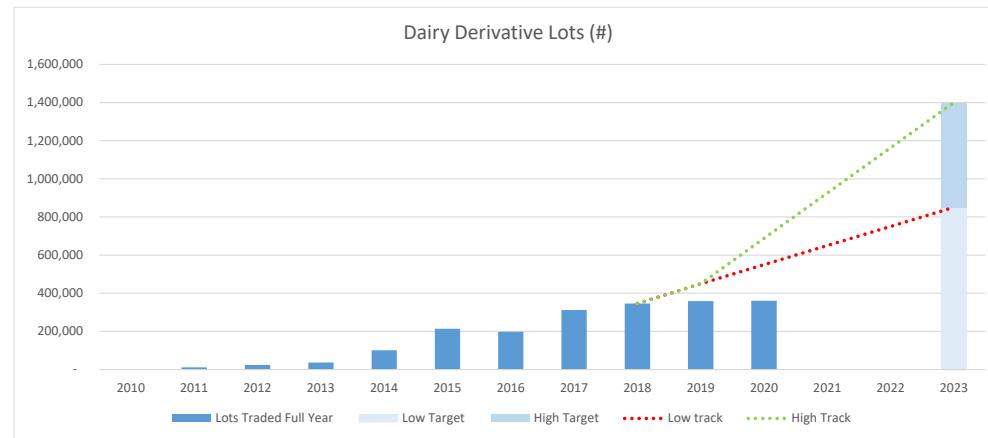
Revenue growth in 2020 was 8.1%. The change to relationship management / vendor partnering to reach end users is working:

- Retail terminal growth driven by COVID-19 lockdown with increased retail activity continuing since
- Non-display application licencing increased through awareness of applications requiring licencing
- Royalty revenue growth driven by stable professional terminal number and price increase

Future revenue growth driven by:

- Focus on product offering for market data and connectivity
- Developing value added services for issuers (e.g. collection of environmental, social and governance metrics)
- Supporting S&P indices revenue growth (e.g. ESG indices)

Dairy Derivatives



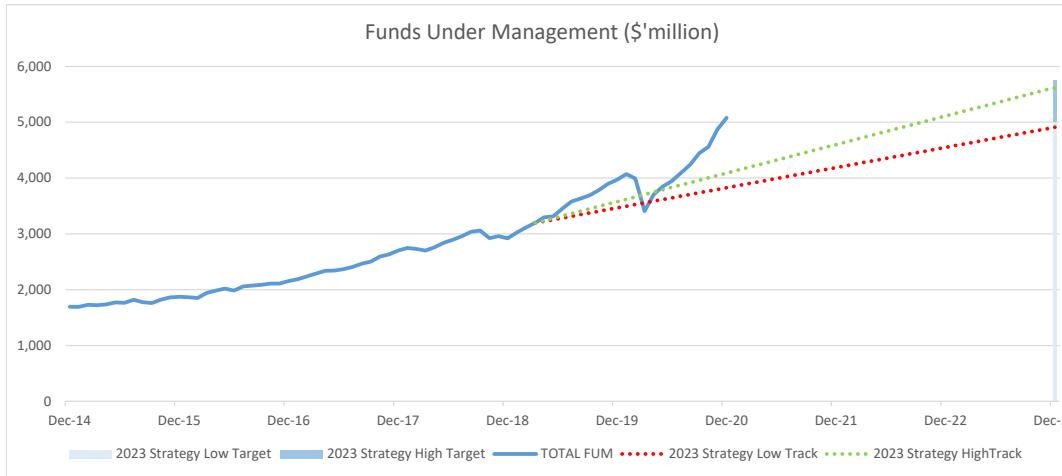
Total lots traded increased 0.5%. The SGX strategic partnership aims to extend market distribution and expand global access:

- Increasing the number of trading and clearing members from four to a possible 80+; with both proprietary and speculative firms connected
- Increasing the number of independent software providers
- Providing increased trading functionality

The SGX strategic partnership would be a revenue share agreement with NZX retaining a base level of revenue

Financial Services Businesses continue to drive growth

Smartshares – Funds Under Management (FUM)



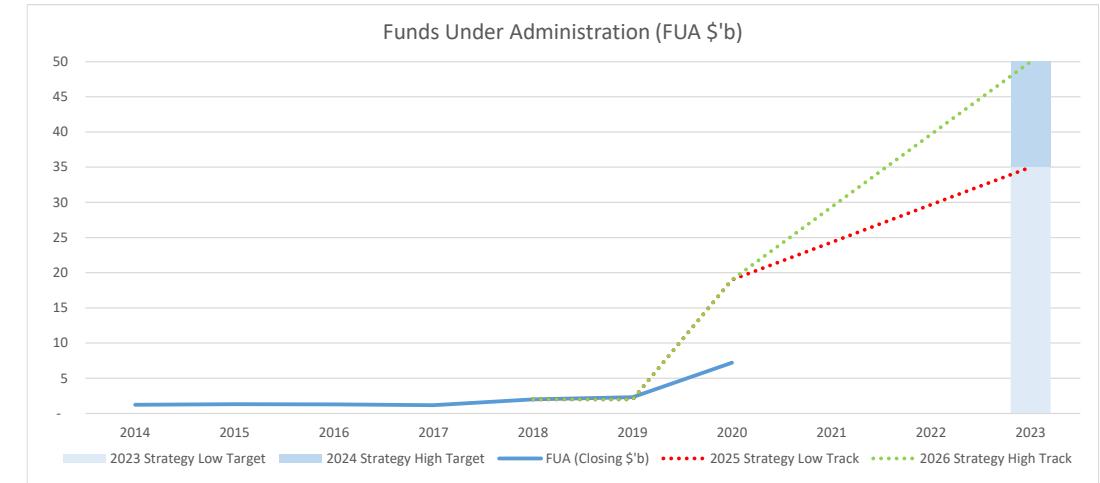
Macro drivers of the ETF market trajectory:

- ETFs penetration rate is low compared to US/Europe
- KiwiSaver future growth profile

FUM growth target 14% is being over achieved

- Net FUM inflow 2020: \$803m is approx. 20% of opening FUM
- Market return 2020: \$297m is approx. 7.7% of opening FUM
- Sales activities: additional resources, wholesale clients offerings, strong relationships with self-directed investment platforms, Asia Regional Funds Passport opportunities

Wealth Technologies – Funds Under Admin (FUA)



Platform:

- Whilst there has been a delayed delivery of the platform compared to original plans, we now have a scalable platform with a highly skilled operational team

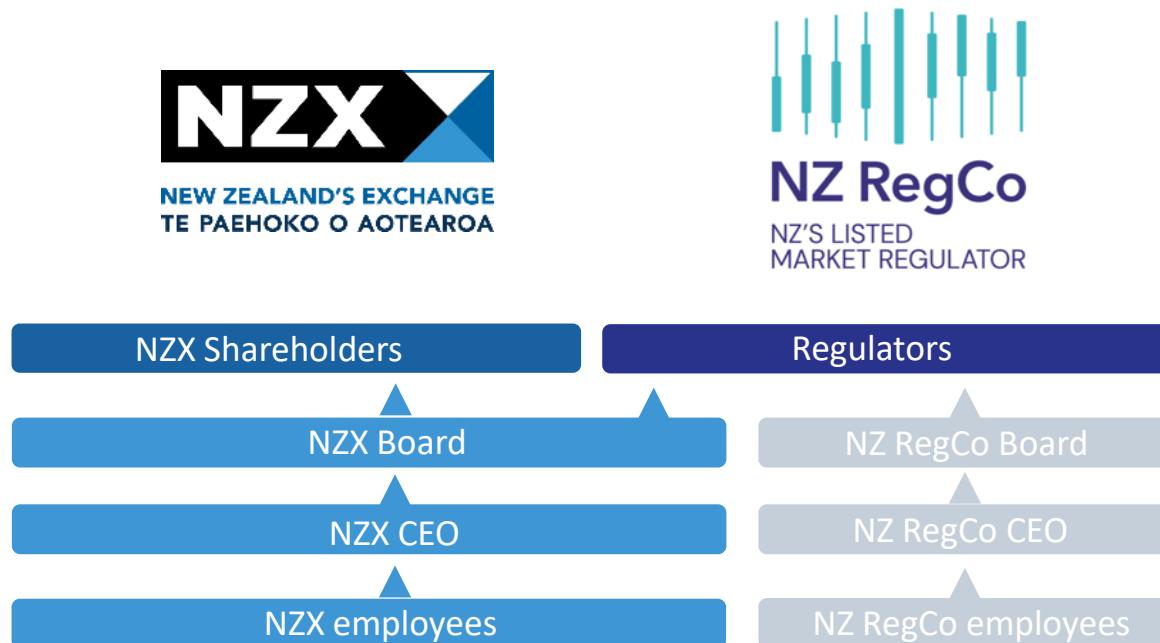
Clients:

- Four clients on the new platform and seven on the legacy platform
- FUA >\$7 billion
- Capabilities and capacity to execute new customer projects
- Strong pipeline – the 2023 aspirational targets remain valid

Performance - 2021 will see positive operating earnings, we will continue to develop and enhance the platform, and will commence moving those clients on the legacy platform to the new platform

Regulation

Finalised structural changes to strengthen our regulatory operating and governance model, which now aligns to global best practice



NZX Regulation Limited (NZ RegCo)

- Structurally separate from NZX's commercial and operational activities
- Governed by a separate board with:
 - an independent Chair - Trevor Janes; and
 - the majority of members independent of the NZX Group:
 - Elaine Campbell (NZX Director)
 - Annabel Cotton (Independent)
 - John Hawkins (Independent); and
 - Michael Heron QC (Independent)
- NZ RegCo CEO is Joost van Amelsfort
- Targeting to operate on a cost-neutral basis

People

Our people showed enormous commitment, resilience and flexibility to deliver against strategic priorities – and find new ways to support customers and investors through the challenges of 2020. Our organisation has emerged stronger, more experienced, and ready to deliver further growth in 2021.

Culture & Engagement

- Strong performance culture and flexible working tools enabled a fast transition to remote working during the lockdowns and kept our teams focused on delivering for customers
- Employee engagement underpinned the strong productivity through 2020, and engagement continued to grow. NZX now ranks at the 72nd percentile of all New Zealand companies in Gallup's survey for employee engagement
- Embarked on a two-year programme to drive sales capability and consistent processes across the Group and upskill our sales workforce to confidently deliver sales success
- Our commitment to ongoing professional development has resulted in a number of employees completing external qualifications relevant to their roles. In 2020 employees completed qualifications in financial analysis, financial services, legal studies and more.

Diversity & Inclusion

- NZX has achieved gender pay equity in like-for-like roles, however there remains an overall gender pay gap which requires our continued focus to attract more women to senior roles.
- Inclusiveness within our workplace is high and growing. NZX continues to attract and retain a diverse workforce through 2020
- Enhanced transparency of ESG performance underway for 2020, and a revamp of recruitment in 2021, will enhance our employment brand

Resourcing

- Targeted recruitment for growth areas continued. Additional capability was added to serve new customers in Wealth Technologies, and in Market Technology to support sustained increases in market trading activity
- Employee retention has been a focus of management effort; the benefits were realised this year, with turnover favourable at 9.3%

Health & Safety

- Active management of pandemic risks ensured full resourcing and health of our workforce during the pandemic to date
- Excellent safety record, with Total Recordable Injury Rate (TRIR) 0.89 per 200,000 hours worked
- Wellbeing and morale remained high; internal communications and mental health support were ramped up to keep our workforce connected and informed
- Redefined our Future of Flexible Work approach to leverage the benefits for employees, customers, and company performance; will be implemented H1 2021

Financial Performance



Income Statement

	2020 \$000	2019 \$000	Change Fav/(unfav)
Operating revenue	78,426	69,548	12.8%
Operating expenses	(44,030)	(38,184)	(15.3%)
Operating earnings*	34,396	31,364	9.7%
Net finance expense	(2,037)	(2,153)	5.4%
Loss on disposal of business and property, plant and equipment	-	(83)	N/A
Depreciation and amortisation expense	(8,293)	(8,595)	3.5%
Gain on lease modification	558	-	N/A
Income tax expense	(7,038)	(5,888)	(19.5%)
Profit for the year	17,586	14,645	20.1%
Operating Margin	43.9%	45.1%	(2.7%)

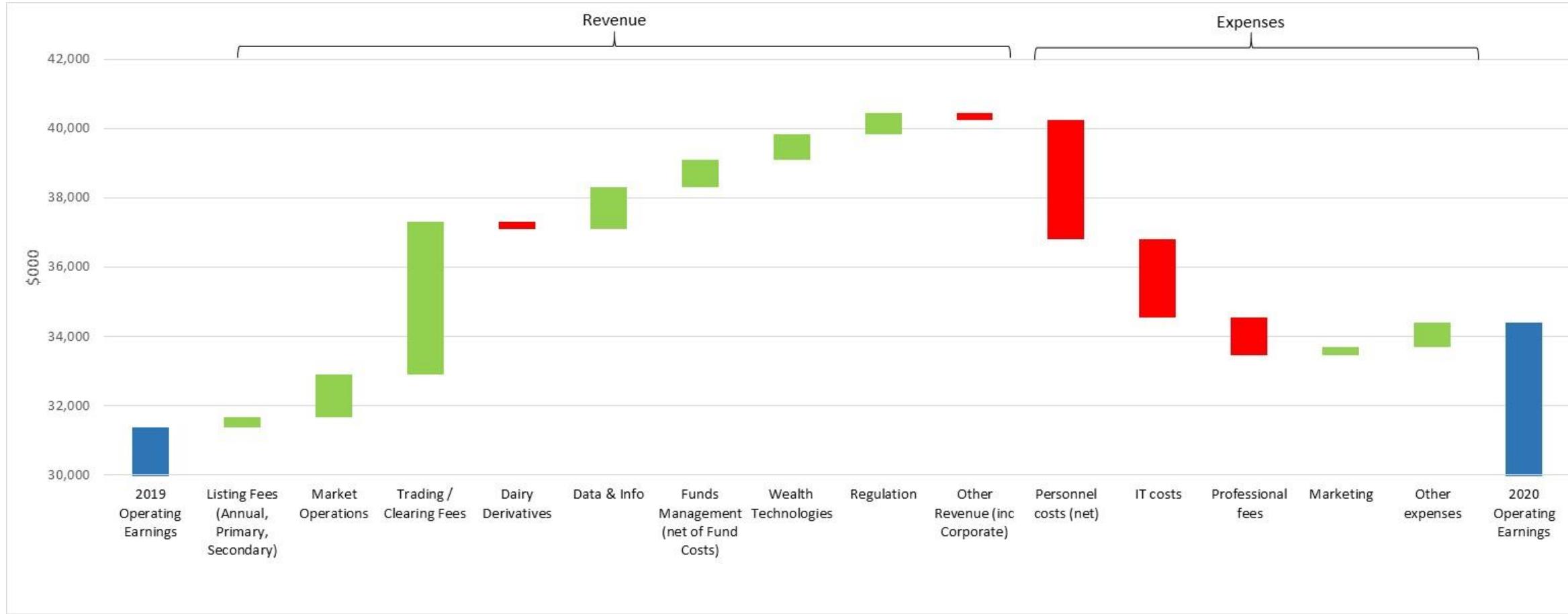


- **Operating earnings** of \$34.4 million (2019: \$31.4 million) is 9.7% higher; with the **operating margin** at 43.9% (2019: 45.1%) which is in line with our peers¹.
- Operating revenue, operating expenses and non-operating expenses are discussed in detail on the following slides. The segmental analysis by business unit are discussed in detail in Appendix 1.

¹ Finance Technology Partners (September 2020) EBITDA Margins (median) information for Regional/Country Based Exchanges is estimated at 2020: 44%

* 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.

Operating Earnings Waterfall

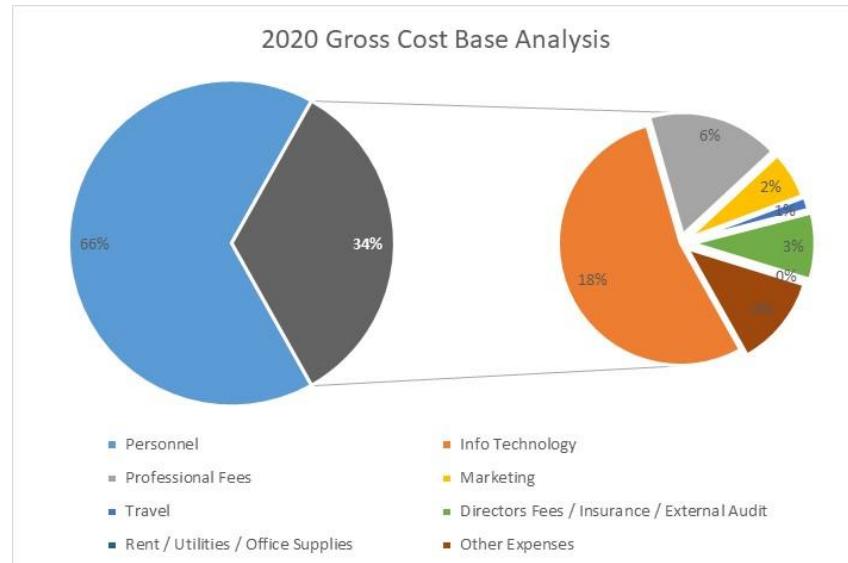
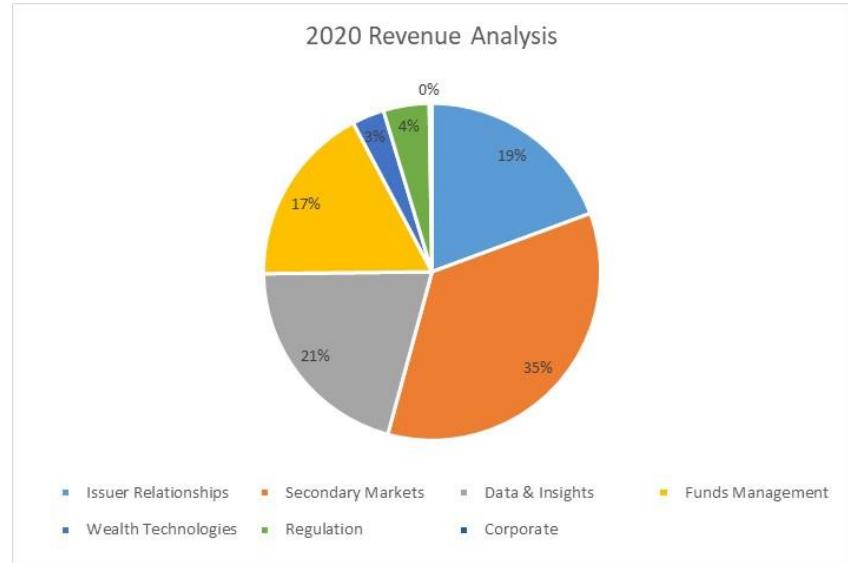


Operating Earnings

	2020 \$'000	2019 \$'000	Change Fav/(unfav)
Revenue			
Issuer Relationships	15,192	14,887	2.0%
Secondary Markets	27,343	21,870	25.0%
Data & Insights	16,146	14,934	8.1%
Funds Management	13,669	12,881	6.1%
Wealth Technologies	2,425	1,693	43.2%
Regulation	3,446	2,808	22.7%
Corporate	205	475	(56.8%)
Total revenue	78,426	69,548	12.8%
Expenses			
Gross personnel costs	34,015	28,927	(17.6%)
Less capitalised labour	(5,925)	(4,288)	38.2%
Personnel costs	28,090	24,639	(14.0%)
Information technology	9,292	7,047	(31.9%)
Professional fees	3,262	2,180	(49.6%)
Marketing	1,076	1,308	17.7%
Other expenses	3,668	3,926	6.6%
Capitalised overheads	(1,358)	(916)	48.3%
Total expenses	44,030	38,184	(15.3%)
Operating earnings*	34,396	31,364	9.7%

The Operating Revenue and Operating Expenses are discussed in the following slides, with further detailed Segmental Analysis by Business Unit provided in Appendix 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.



Operating Revenue

Issuer Relationships:

Annual listing fees (ALF) were positively impacted by the growth in number and value of debt instruments, and the growth in equity market capitalisation

Primary listing fees driven by debt listings (retail and wholesale).

Secondary issuance fees driven by a high level of equity recapitalisations

Secondary Markets:

Securities trading and clearing revenues increased due to:

- the total value traded and cleared being 41.8% higher; and
- the fee structure changes on 1 July 2019 (e.g. trading fee cap has been raised and clearing tiers reduced)

Dairy derivatives revenue decreased, whilst the number of lots traded grew 0.5%, this was offset by lower margin fees due to the reduced OCR rate

Consulting and development revenue earned through

- enhancements to the electricity market systems, including the market real time pricing project, which is due for completion in 2022; and
- development of the carbon managed auction service for the Ministry for the Environment

Data & Insights:

Royalties from terminals revenue increase relates to higher retail terminal numbers and increased pricing of professional terminals

Subscriptions and licences revenue increase is driven by:

- Growth in client data usage;
- improved client license arrangements post audit; and
- increased license numbers

Dairy subscription revenue has been adversely impacted by churn of dairy subscriptions and the deferral of the 2020 dairy conference

Indices revenue has been an area of focus to drive increasing market liquidity

Audit and back dated licencing revenue has remained high due to high levels of audit activity

Connectivity revenue has increased in line with increased connectivity requirements from both market participants and data vendors.

Wealth Technologies:

Administration (FUA based) fees driven by:

- New platform – FUA continues to increase, with three new clients migrated in 2020; and
- OE platform – number of customers is unchanged, with 23% growth in FUA

Funds Management:

FUM based revenue has increased 19.1% driven by:

- Higher average FUM over the period (+20.4%), which is a combination of market returns and positive net cash flows; offset by
- fund expense associated with new funds, and the segregation and unitisation of SuperLife Invest in 2019 providing access for wholesale clients; partially reduced by efficiencies from the changed operating model (including changing custodian for some funds and internalising management of the Cash Funds) and improvements to supplier arrangements

Member based revenue has decreased due to a historical pricing provision which more than offset the increase in investor numbers in 2020 of 6.0%

Other revenue has been impacted negatively by the decrease in OCR and positively by stock lending services

Corporate Services:

Other corporate revenue primarily relates to the short term sub lease of part of the Wellington premises (ceased June 2020) and NZX.com advertising revenue (ceased May 2020)

Regulation (NZ RegCo):

Regulatory fees relate to issuer compliance, participant compliance and surveillance activities, plus an internal allocation of Annual Listing Fees and Annual Participants Fees, set in advance based on the services expected to be provided by NZ RegCo

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, lower levels of annual leave taken (a COVID-19 lockdown impact), and the movement in average FTEs arising from:

- the Securities IT team additional resources to deliver technology solutions to increase trading and clearing system capacity and maintaining market stability;
- Issuer Relationships additional sales roles focused on origination, with active pipeline development and conversion;
- Energy contractors to assist with delivering consulting and development revenue including the electricity market real time pricing project and the carbon managed auction service;
- Smartshares additional sales and customer services resources to support client and FUM growth, plus the full year impact from Smartshares strengthening of the leadership team (COO and CIO);
- Wealth Technologies additional sales and operational staff for new clients;
- Corporate Services additional legal, HR and communications resources to support the Smartshares and Wealth Technologies businesses.
- As well as additional project management resources for energy's increased development revenue generating projects; and
- movements in vacancy numbers at period ends.

Capitalisation of internal development resources (2020: \$5.93 million; 2019: \$4.28 million) primarily relates to Wealth Technologies' core platform, NZX's trading system upgrade and the Network Transformation project.

Information Technology

The current year focus has been on increasing trading and clearing system capacity and maintaining market stability, consequently IT costs are higher due to:

- Network Transformation project costs (which strengthened NZX's cyber security);
- additional license costs to improve resilience of NZX's clearing and settlement system (BaNCS); and
- the modification of existing security services plus the implementation of additional Denial of Service (DDoS) security services

Additionally the Smartshares business has implemented the Bloomberg AIM and BSKT (front and middle office) operating system during the year.

Marketing

Marketing spend during 2020 is lower due to the COVID-19 lockdown, with lower levels of spend on:

- the Investor relations programme;
- Marketing the exchange business; and
- Smartshares branding promotion

Capitalised overheads

The portion of all expense categories which relate to capital activities (e.g. Wealth Technologies core platform, NZX's trading system upgrade and the Network Transformation project) has increased (2020: \$1.36 million; 2019: \$0.92 million).

Professional Fees

Professional fees include those relating to:

- Independent external reviews of the NZX clearing and settlement system (BaNCS) technical issues arising from significantly increased trading volumes, messaging, notifications and shareholder balance enquiries; and the DDoS attacks on the NZX.com website
- Smartshares investments for growth e.g. four new ETF funds (launched July 2020), set up stock lending and borrowing services, Asia Region Funds Passport application, and enhancement of digital tools. Plus costs associated with the historical pricing matters;
- the assurance programme – internal audits, internal control reports, energy audits and consulting obligations under the Electricity Authority contracts, annual conflicts review, funds conduct risk assessment review; and
- terminal royalty audit fees which vary in proportion to audit revenue; with costs and revenues recognised on a gross basis.

Other Expenses

Other expenses include 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 Clearing House, Smartshares and Wealth Technologies businesses)

The decrease relates to reduced travel during the COVID-19 lockdown, offset by higher insurance and compliance costs.

Non-operating Income and Expenses

	2020 \$'000	2019 \$'000	Change Fav/(unfav)
Interest income	839	1,033	(18.8%)
Interest on lease liabilities	(395)	(414)	4.6%
Other interest expense	(2,377)	(2,572)	7.6%
Amortised borrowing costs	(77)	(77)	0%
Realised gain on investment	2	6	(66.7%)
Net loss on foreign exchange	(29)	(129)	77.5%
Net finance expense	(2,037)	(2,153)	5.4%
Depreciation of PP&E	(949)	(856)	(10.9%)
Amortisation of lease assets	(1,236)	(1,138)	(8.6%)
Amortisation of intangibles	(6,108)	(6,601)	7.5%
Total depreciation and amortisation	(8,293)	(8,595)	3.5%
Loss on disposal of business and property, plant and equipment	-	(83)	N/A
Gain on lease modification	558	-	N/A
Tax expense	(7,038)	(5,888)	(19.5%)
Total net other expenses	(16,810)	(16,719)	(0.5%)

Net finance costs include:

- interest income on operational cash balances, Clearing House risk capital and regulatory working capital; which have been impacted by decreased interest rates;
- interest expenses (including amortised borrowing costs) on the subordinated notes and lease liabilities; and
- Net gain / (loss) on foreign exchange

Depreciation and Amortisation decreased due to:

- clearing system (BaNCS) being fully amortised in September 2019; offset by
- Wealth Technologies – increased amortisation of the core platform and new client migrations completed; and
- new lease of IT equipment (from May 2019)

Effective tax rate is higher than statutory rate of 28% due to non-deductible items.

Financial Position and Cash Flows



Balance Sheet

	2020 \$000	2019 \$000	Change Fav/(unfav)
Current assets			
Cash and cash equivalents	52,775	47,740	10.5%
Receivables and prepayments	10,840	9,006	20.4%
Funds held on behalf of third parties	104,684	79,667	31.4%
Total current assets	168,299	136,413	23.4%
Non-current assets			
Right-of-use lease assets	5,108	5,826	(12.3%)
Other non-current assets	73,247	70,332	4.1%
Total non-current assets	78,355	76,158	2.9%
Current liabilities			
Trade payables	7,684	3,782	(103.2%)
Other current liabilities	16,450	14,052	(17.1%)
Lease liabilities	1,388	1,439	3.5%
Funds held on behalf of third parties	104,684	79,667	(31.4%)
Total current liabilities	130,206	98,940	(31.6%)
Non-current liabilities			
Interest bearing liabilities	38,911	38,852	(0.2%)
Lease liabilities	5,716	7,172	20.3%
Other non-current liabilities	4,190	3,689	(13.6%)
Total non-current liabilities	48,817	49,713	1.8%
Net assets/equity	67,631	63,918	5.8%

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 \$3.2 million); and
- Smartshares maintains sufficient net tangible assets in accordance with its license requirements (including cash of approximately \$4.1 million)

Receivables collection and working capital management has remained a focus in the current environment

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

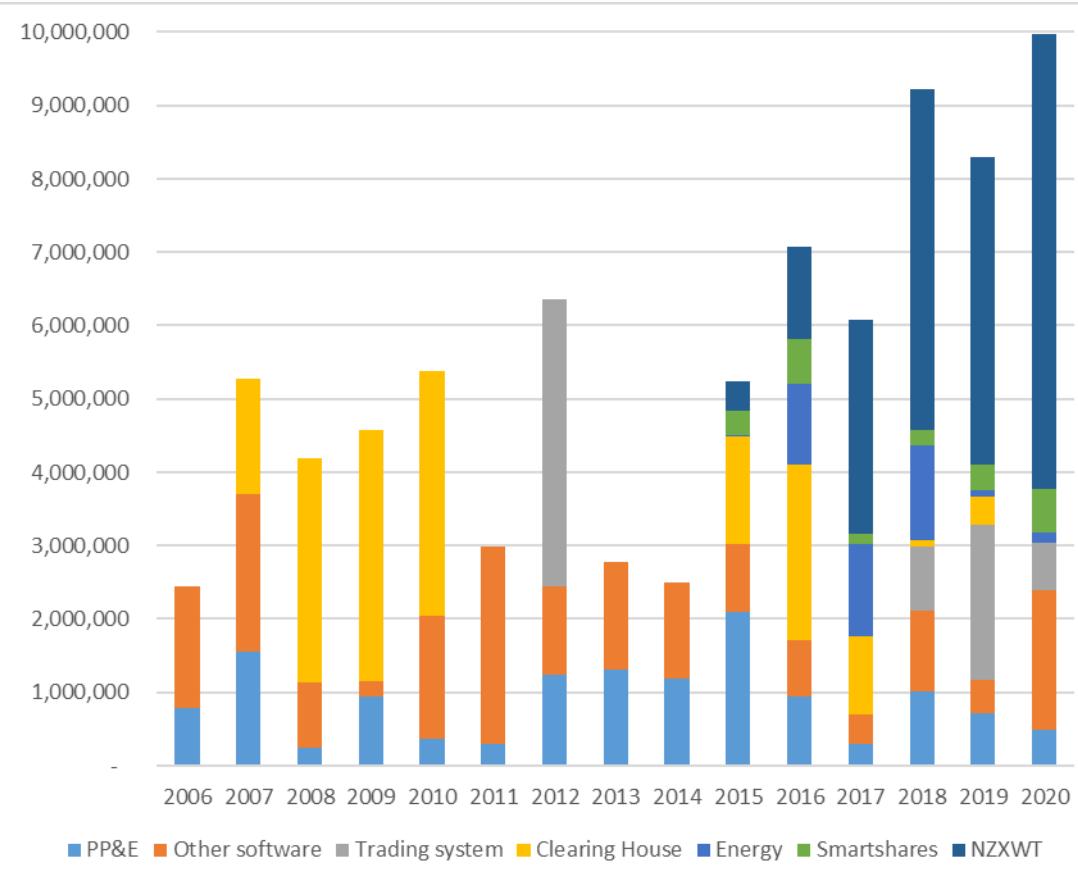
Right-of-use lease assets and the lease liabilities relate to leased premises and IT equipment

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, and tax payables

Other non-current liabilities mainly relate to deferred tax

CAPEX



Core Markets

Capex driven by specific system life cycles which result in large multi-year projects, plus the normal life cycle replacements for IT equipment and software

Main projects in 2020 include:

- Trading System upgrade – was deferred as result of COVID-19 and implementation now expected H1-21; and
- Network Transformation – which strengthens NZX's cyber security

CAPEX will be higher in 2021 before reverting to normal levels in 2022; focus for 2021:

- Technology upgrades, including to the enhancement to NZX technology architecture and the registry messaging interface (to improve Clearing system capacity), NZX.com capabilities, and automation of the Depository system and processes;
- Auckland office relocation, including replacement of the old ticker; and
- Preparing for the Clearing System upgrade which is expected in 2023

Growth Businesses

Wealth Technologies CAPEX relates to:

- Continues to release further functionality into production; and
- Migration of new clients and transfer of the OE platform clients, which will continue into 2021

Smartshares CAPEX relates to:

- Front office operating system (Bloomberg AIM and BSKT); and
- Digital tools – the delivery of digital tools for improved client servicing and efficiency, which will continue into 2021

Cash Flows

	2020 \$000	2019 \$000	Change Fav/ (unfav)
Operating activities	31,234	24,790	26.0%
Investing activities	(9,970)	(8,300)	(20.1%)
Financing activities	(16,229)	(14,135)	(14.8%)
Net increase in cash and cash equivalents	5,035	2,355	113.8%

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, which is primarily:
 - Wealth Technologies software development;
 - the Trading System upgrade; and
 - the Network Transformation project

Financing activities

- Financing activities includes dividends which are net of participation in the dividend reinvestment plan, and payment of lease liabilities.

Final Dividend and 2021 Earnings Guidance



Final Dividend

2021 Earnings Guidance

Final Dividend

- The Board has declared a fully imputed final dividend of 3.1 cents per share
- Dividend to be paid on 26 March 2021 to shareholders registered as at 12 March 2021
- Total dividends for the 2020 financial year are 6.1 cents per share fully imputed

Fully imputed dividends (CPS)	FY 2020	FY 2019
Interim dividend	3.0	3.0
Final dividend	3.1	3.1
Total dividends	6.1	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)

Dividend reinvestment plan

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

2021 Earnings Guidance

NZX expects full year 2021 Operating Earnings to be in the range of \$31.5 million to \$35.5 million.

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

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

The next slides shows the KPI assumptions in arriving at this Earnings Guidance

* 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.

2021 what Success looks like

Progress towards 2021 deliverables can be monitored within the monthly shareholder metrics

		External dependencies	2021 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	\$31.5 - \$35.5 million	\$42 million	\$54 million
Grow 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 	\$10.0 billion	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 	\$45.0 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 	0.40 - 0.50 million lots	0.85 million lots	1.4 million lots
- Data & Insights	Revenue growth (in subscriptions, licences and dairy subscriptions)	<ul style="list-style-type: none"> Dependent on markets growth 	Average revenue growth: 5.0%	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 	Average FUM 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 December 2020) and are not financial forecasts.

*** 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?



Appendix



Appendix 1: Segmental Analysis

Operating Earnings By Business Unit

2020 \$000	Issuer Relationships	Secondary Markets	Data & Insights	Markets Sub-total	Funds Management	Wealth Technologies	Corporate Services	NZX Commercial Operations Sub-total	Regulation	NZX Group Total
Operating revenue	15,192	27,343	16,146	58,681	13,669	2,425	205	74,980	3,446	78,426
Operating expenses				(15,253)	(8,071)	(2,689)	(15,072)	(41,085)	(2,945)	(44,030)
Operating earnings				43,428	5,598	(264)	(14,867)	33,895	501	34,396
FTEs				74.7	52.8	55.7	56.6	239.8	17.5	257.3
Operating margin				74.0%	41.0%	(10.9%)	N/A	45.2%	N/A	43.9%
2019 \$000	Issuer Relationships	Secondary Markets	Data & Insights	Markets Sub-total	Funds Management	Wealth Technologies	Corporate Services	NZX Commercial Operations Sub-total	Regulation	NZX Group Total
Operating revenue	14,887	21,870	14,934	51,691	12,881	1,693	475	66,740	2,808	69,548
Operating expenses				(12,890)	(6,833)	(2,573)	(13,010)	(35,306)	(2,878)	(38,184)
Operating earnings				38,801	6,048	(880)	(12,535)	31,434	(70)	31,364
FTEs				64.5	45.2	45.1	50.9	205.7	20.5	226.2
Operating margin				75.1%	47.0%	(52.0%)	N/A	47.1%	N/A	45.1%

The segmental analysis has been updated to reflect the following changes:

- Markets are now viewed as a single segment, being an integrated business that supports the growth of NZ capital markets. The Markets revenue generating BUs are:
 - Issuer Relationships – 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. Market operator for Fonterra Co-Operative Group, the Electricity Authority and the Ministry for the Environment; and
 - Data & Insights – provider of information services for the securities and derivatives markets, and analytics for New Zealand's dairy sector.
 Additionally the Markets business cost base includes the IT costs specific to providing NZ capital markets services.
- Regulation – the introduction of a new regulatory model and incorporated NZX Regulation Limited, as a stand-alone, independently-governed agency which performs all of NZX's frontline regulatory functions, resulting in the structural separation of the Group's commercial and regulatory roles.

Note - Corporate Services provides accommodation, legal, accounting, IT, HR and communications and marketing support to the other business units and subsidiaries. Related costs are currently not recharged to the commercial business units and subsidiaries.

Appendix 1: Markets – Issuer Relationships

Tasked with creating a compelling and attractive proposition for our current and prospective equity, fund and debt customers

Strategic metrics	2020	2019	Change Fav/(unfav)
Equity market capitalisation	\$185.495 billion	\$161.497 billion	14.8%
Funds market capitalisation	\$6.237 billion	\$4.966 billion	25.6%
Debt market capitalisation	\$40.984 billion	\$35.540 billion	15.3%
Total Market Capitalisation	\$232.716 billion	\$202.003 billion	15.2%
Primary capital raised	\$5.981 billion	\$7.158 billion	(16.4%)
Secondary capital raised	\$11.649 billion	\$11.508 billion	1.2%
Total capital raised	\$17.630 billion	\$18.666 billion	(5.5%)
Operating Revenue	2020 \$000	2019 \$000	Change Fav/(unfav)
Annual listing fees (net of internal revenue allocation)	9,715	9,532	1.9%
Primary listing fees	1,108	1,080	2.6%
Secondary issuance fees	4,369	4,275	2.2%
Total operating revenue	15,192	14,887	2.0%

Highlights

- Total capital (primary and secondary) raised \$17.6 billion
- All listing pathways used during the year:
 - IPO – New Zealand Rural Land Co (NZL), Rua Bioscience (RUA) as NZX sole listings, and Harmoney (HMY) as a dual listing
 - Direct Listing – Radius Residential Care (RAD) was the first under new direct listing rules
 - Reverse Listings - Me Today (MEE), SMW Group (SMW) and Promisia Integrative (PIL)
 - Foreign Exempt Listing – the ASX-listed Auckland Real Estate (AKL) was the first under the new foreign exempt provisions
 - ETFS – Smartshares listing 4 new core series ETFs
- Green Bonds - nearly \$1 billion listed in 2020 by issuers such as Mercury NZ (supporting NZ's transition to a low emissions future), Auckland Council (electrification of transport and cycleway projects), and Argosy (sustainable workplaces for tenants)
- Other sustainable and ethical investment opportunities included Housing New Zealand (Kāinga Ora) bonds (\$550m) supporting the development of good quality, affordable housing
- Launched NZX Partnership with Syndex (1 July 2020)
- Capital Markets 2029 recommendations are being progressed e.g. research solution for new issuers provided by Smartkarma

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. Note – the Annual listing fee year runs from 1 July to 30 June; with fees based on:
 - H1-20 fees are based on market capitalisation at 31 May 2019; and
 - H2-20 fees are based on market capitalisation at 31 May 2020
- Primary and secondary listing fees driven by retail debt listings and equity recapitalisations respectively

Appendix 1: Markets – Secondary Markets

Tasked with driving secondary market development across all markets and managing participant relationships, and delivering on our contracted service provider offerings

Strategic metrics	2020	2019	Change Fav/(unfav)
Number of trades	12.11 million	4.86 million	149.1%
Total value traded	\$53.7 billion	\$37.8 billion	41.8%
Percentage of value on-market	63.0%	54.3%	16.0%
Depository assets under custody	\$4,790 million	\$3,473 million	37.9%
Dairy derivatives lots traded	360,887	358,928	0.5%
Number of participants	34	35	(2.9%)
Operating Revenue	2020 \$000	2019 \$000	Change Fav/(unfav)
Participant services revenue (net of internal revenue allocation)	738	687	7.4%
Securities trading revenue	5,532	3,831	44.4%
Securities clearing revenue	8,746	6,045	44.7%
Dairy derivatives revenue	1,305	1,528	(14.6%)
Consulting and development revenue	2,143	1,061	102.0%
Contractual revenue	8,879	8,718	1.8%
Total operating revenue	27,343	21,870	25.0%

Highlights

- Significant engagement with Participants and coordination of supporting market infrastructures during COVID-19 lockdown period to deliver ongoing market performance
- Record value traded \$53.7 billion with record on-market trading activity 63.0%
- Record trades 12.1 million, with significant retail investor participation throughout the year
- The total number of Trading, Clearing, Depository and Sponsor Participants has reduced by 1 since December 2019. NZX saw the resignation of Deutsche Securities Australia, inline with its global withdrawal from its equities businesses, and Straits Financial from the Derivatives market, following a loss of their client. NZX accredited Snowball Effect as a Sponsor Participant.
- BNP Paribas is expected to become a General Clearing Participant in H1-2021
- Trading system upgrade project delayed as result of COVID-19 – expected go live H1-2021, including launch of NZ DARK
- NZX Clearing consultation on Recovery and Resolution planning continuing
- NZX Depository business continues to grow through increased assets (+37.9%) and transactions (+104.6%) as BNP clients increase the number of assets held within NZX CSD
- Dairy derivatives – Heads of Agreement with the Singapore Exchange (SGX) in relation to a global partnership to grow NZX's dairy derivatives market.
- Energy – successful bid to the Ministry for the Environment to provide a carbon managed auction service in partnership with the European Energy Exchange (EEX)

Operating revenue

- Participant services revenue relates to increased fees from 1 July 2019
- Securities trading and clearing revenues have been impacted by:
 - the total value traded and cleared being 41.8% higher; and
 - the fee structure changes on 1 July 2019 (e.g. trading fee cap has been raised and clearing tiers reduced)
- Dairy derivatives revenue – whilst there was growth in lots traded of 0.5%, this was offset by lower margin fees due to the reduced OCR rate
- Contractual revenue in line with long term contracts with the Electricity Authority and Fonterra
- Consulting and development revenue is being earned through enhancements to the electricity market systems, including the market real time pricing project, which is due for completion in 2022. As well as the current year development of the carbon managed auction service for the Ministry for the Environment

Appendix 1: Markets – Data & Insights

Tasked with growing existing data revenues and turning raw data into insights that supports growth in all markets

Strategic metrics	2020	2019	Change Fav/(unfav)
Terminal numbers (3 month average)	8,720	7,444	17.1%
Licences	130	123	5.7%
Proprietary security products subscriptions	310	310	0.0%
Dairy data products subscriptions	474	504	(6.0%)
<hr/>			
Operating Earnings	2020 \$000	2019 \$000	Change Fav/(unfav)
Royalties from terminals	6,539	6,205	5.4%
Subscriptions and licences	4,517	3,705	21.9%
Dairy data subscriptions	607	727	(16.5%)
Indices	1,042	804	29.6%
Audit and back dated licences	1,068	1,289	(17.1%)
Connectivity	2,373	2,105	12.7%
Other	-	99	N/A
Total operating revenue	16,146	14,934	8.1%

Highlights

- Recurring revenue increased 8.1%:
 - Royalty revenue growth of 5.4% is a mix of professional terminals (increased 3.7%) and retail terminals (increased 72.4%)
 - Licencing growth of 5.7% driven by increase in non-display applications from changing data usage and ability to capture revenue
 - Indices business growth has been driven through an increase of passive assets under management and additional index data clients
 - Connectivity client relationships now under D&I control
- Audit activity continues to be high, driving one off audit and back dated licencing revenue
- Working with S&P to create local ESG indices

Operating revenue

- Royalties from terminals revenue increase relates to higher terminal numbers (mainly retail)
- Subscriptions and licences revenue increase is driven by increased license numbers, increased non-display usage, and renewing client license arrangements post audit.
- Dairy subscription revenue has been adversely impacted by churn of dairy subscriptions and the deferral of the 2020 dairy conference
- Indices revenue has been an area of focus to drive increasing market liquidity
- Audit and back dated licencing revenue has remained high due to high levels of audit activity; activity levels are expected to tail off over the coming years
- Connectivity revenue has increased in line with increased connectivity requirements from both market participants and data vendors.
- Other revenue included Fundsource revenue which was sold on 21 June 2019

Appendix 1: Markets

An integrated business that supports the growth of NZ capital markets

Operating Earnings	2020 \$000	2019 \$000	Change Fav/(unfav)
<i>Operating revenue</i>			
Issuer Relationships	15,192	14,887	2.0%
Secondary Markets	27,343	21,870	25.0%
Data & Insights	16,146	14,934	8.1%
Total operating revenue	58,681	51,691	13.5%
<i>Operating expenses</i>			
Gross personnel costs	9,745	8,310	(17.3%)
Less capitalised labour	(396)	(321)	23.2%
Personnel costs	9,349	7,989	(17.0%)
Information technology costs	4,607	3,512	(31.2%)
Professional fees	885	834	(6.1%)
Marketing	323	256	(26.2%)
Other expenses	242	425	43.1%
Capitalised overhead	(153)	(126)	21.4%
Total operating expenses	15,253	12,890	(18.3%)
Operating earnings	43,428	38,801	11.9%
FTEs (at 31 December)	74.7	64.5	(15.8%)

Operating expenses (continued)

- Headcount movements, other than changes in vacancies, include additional roles:
 - Issuer Relationships (+2 FTEs) – focused on origination, with active pipeline development and conversion;
 - Energy (+4 FTEs) – to deliver consulting and development revenue including the electricity market real time pricing project and the carbon managed auction service; and
 - Securities IT (+2 FTEs) – to deliver technology solutions to increase trading and clearing system capacity and maintaining market stability

Operating expenses (continued)

- Personnel costs have increased by more than wage inflation due to 2020 having higher average FTEs, arising from the additional roles noted above. Additionally there is the full year cost impact from the replacement of the Head of Issuer Relationships.
- Capitalised labour levels have been lower with the deferral of the trading system upgrade due to the COVID-19 lockdown and the focus on increasing trading and clearing system capacity and maintaining market stability.
- Information technology costs are higher due to:
 - Denial of service (DDoS) – third party assistance during the DDoS attacks and increased ongoing third party support to mitigate the impact of any future DDoS attacks;
 - Trading and clearing system costs – impacted by movements in FX rates;
 - Energy IT costs – have been using 3rd party specialist support to assist with the development of the carbon managed auction service for the Ministry for the Environment; and
 - Data & Insights IT costs – increases in software licences associated with the delivery of customer management data platforms
- Professional fees relate to:
 - annual assurance program – including audit fees (e.g. Clearing House annual operations audit), tax advice; energy audit obligations under Electricity Authority contract (e.g. Energy Clearing Manager review in the current year);
 - stock lending and borrowing costs \$7k (2019: \$96k) – which vary according to activity levels (the revenue is recognised in clearing revenue)
 - royalty audit fees \$813k (2019 \$625k) – which are charged as a proportion of the royalty audit receipts. Royalty audit receipts and audit fees are recognised on a gross basis; and
- Marketing costs – marketing focus has increased for the Issuer Relationship team and includes increased membership of various industry groups to identify listing pipeline opportunities. Marketing costs have been lower as a result of the COVID-19 lockdown. Additionally the Singapore Dairy Conference (Sponsorship is recognised on a gross basis in dairy derivatives revenue) was deferred in 2020 due to COVID-19
- Other costs - travel costs have been lower as a result of the COVID-19 lockdown

Appendix 1: Smartshares

This business comprises the SuperLife superannuation and KiwiSaver products and Smartshares Exchange Traded Funds

Strategic metrics	2020	2019	Change Fav/(unfav)
Net cash flow	\$803 million	\$476 million	68.7%
Fund Under Management (external FUM)	\$5.078 billion	\$3.968 billion	28.0%
Operating Earnings	2020 \$000	2019 \$000	Change Fav/(unfav)
<i>Operating revenue</i>			
FUM based revenue (net of fund related expenses)	11,881	9,977	19.1%
Member based revenue	1,269	2,373	(46.5%)
Other revenue	519	531	(2.3%)
Total operating revenue (net of fund related expenses)	13,669	12,881	6.1%
<i>Operating expenses</i>			
Gross personnel costs	5,885	5,242	(12.3%)
Less capitalised labour	(281)	(258)	8.9%
Personnel costs	5,604	4,984	(12.4%)
Information technology costs	271	118	(129.7%)
Professional fees	1,244	734	(69.5%)
Marketing	419	439	4.6%
Other expenses	630	584	(7.9%)
Capitalised overhead	(97)	(26)	273.1%
Total operating expense (excluding fund related expenses)	8,071	6,833	(18.1%)
Operating earnings	5,598	6,048	(7.4%)
FTEs (at 31 December)	52.8	45.2	(16.8%)

Highlights

- Continued growth in member numbers / unitholders, positive cash flows (2020: \$803m) and Funds Under Management (FUM) to \$5.1b
- First new institutional investor into both managed funds and a separately managed portfolio
- We continue to invest in the Smartshares business for growth and to manage risks including implementing Bloomberg AIM and BSKT (front and middle office operating system), launched (July 2020) four new ETF funds, setting up stock lending and borrowing services, applying for an Asia Region Funds Passport, and enhancing Smartshares digital tools

Operating revenue

- FUM based revenue positively impacted by:
 - Higher average FUM +20.4% (2020: \$4.155b, 2019: \$3.451b) over the period which is a combination of market returns and positive net cash flows; offset by
 - fund expense increases associated with new funds, and the segregation and unitisation of SuperLife Invest providing access for wholesale clients in mid 2019; partially reduced by efficiencies from the changed operating model in late 2019 (including changing custodian for some funds and internalising management of the Cash Funds) and improvements to supplier arrangements
- Member based revenue has decreased due to a historical pricing provision (\$748k) which more than offset the increase in investor numbers in 2020 of 6.0%
- Other revenue has been impacted negatively by the decrease in OCR and positively by the commencement of stock lending services

Operating expenses

- Headcount impacted by a lower number of vacancies, with only one vacancy at 31 December 2020 (2019: six), as well as growing sales and customer services resources to support client and FUM growth
- Personnel costs have increased by more than wage inflation due to 2020 having higher average FTEs, arising from growth in sales and customer services resourcing to support growth. Additionally the full year cost impact from the strengthening of the leadership team in 2019 (COO and CIO). Partly offset by a higher level of capitalised labour
- Information Technology costs include the Bloomberg (front and middle office operating system) costs from Q4-20 onwards
- Professional fees include the costs of investing for growth projects noted in the highlights section opposite. Professional fees associated with the historical pricing matters are approx. \$220k
- Marketing spend was lower during the COVID-19 lockdown period
- Corporate Services provides accommodation, legal, accounting, IT, HR, communications and marketing support at a no transfer pricing charge
- Other expenses include the FMA Levies (\$160k) and MBIE costs for lodging Product Disclosure Statements (\$170k)

Appendix 1: Wealth Technologies

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

Strategic metrics	2020	2019	Change Fav/(unfav)
Funds Under Administration (FUA)	7.197 billion	2.297 billion	213.4%
<hr/>			
Operating Earnings	2020 \$000	2019 \$000	Change Fav/(unfav)
<i>Operating revenue</i>			
Administration (FUA based) fees	2,025	1,545	31.1%
Development fees / deferred income release	400	148	170.3%
Total operating revenue	2,425	1,693	43.2%
<hr/>			
<i>Operating expenses</i>			
Gross personnel costs	7,607	5,424	(40.2%)
Less capitalised labour	(4,952)	(3,386)	46.2%
Personnel costs	2,655	2,038	(30.3%)
Information technology costs	701	609	(15.1%)
Professional fees	169	141	(19.9%)
Marketing	4	1	N/A
Other expenses	150	421	64.4%
Capitalised overhead	(990)	(637)	55.4%
Total operating expenses	2,689	2,573	(4.5%)
<hr/>			
Operating earnings	(264)	(880)	70.0%
FTEs (at 31 December)	55.7	45.1	(23.5%)

Highlights

- Successfully migrated three new clients in 2020 increasing FUA to \$7.2 billion
- Further functionality released into production and expanded resourcing to support growth

Operating revenue

- Administration (FUA based) fees driven by:
 - New platform – FUA continues to increase, with FUA from the new clients migrated onto the platform in 2020; and
 - OE (legacy) platform – FUA growth of 23%
- Development fees are specific to customer requirements and deferred income release started when a customer transitioned

Operating expenses

- Headcount is dependent at any point in time on the levels of:
 - platform investment (including migration activity) required for current and future clients; and
 - operational services provided to current clients
- Personnel costs (net of capitalisation) have increased reflecting sales activity, additional operational staff for new clients and lower levels of annual leave (a COVID-19 lockdown impact)
- Capitalised labour at \$4.95m (2019: \$3.39m) and capitalised overhead being \$0.99m (2019: \$0.64m) reflects increased development
- Information Technology cost increases are due to additional data hosting, data feeds and software licensing costs relating to new clients
- Professional fees include legal advice on contracts with new clients, taxation advice and internal control reviews (e.g. ISAE 3402 Control Readiness Assessment of the new platform)
- Other expenses include office costs (e.g. electricity, rates, stationery etc), travel, non recoverable GST. There was a lower level of compliance costs in the current year

Appendix 1: Corporate Services

This function provides Accommodation, finance, HR, legal, IT and communications and marketing support to the business

Operating Earnings	2020 \$000	2019 \$000	Change Fav/(unfav)
<i>Operating revenue</i>			
Sublease revenue	142	278	(48.9%)
Other revenue	63	197	(68.0%)
Total operating revenue	205	475	(56.8%)
<i>Operating expenses</i>			
Gross personnel costs	8,870	7,935	(11.8%)
Less capitalised labour	(292)	(310)	(5.8%)
Personnel costs	8,578	7,625	(12.5%)
Information technology costs	3,534	2,640	(33.9%)
Professional fees	853	469	(81.9%)
Marketing	304	612	50.3%
Other expenses	2,611	2,461	(6.1%)
Capitalised overhead	(116)	(122)	(4.9%)
Internal allocation to Regulation	(692)	(675)	2.5%
Total operating expenses	15,072	13,010	(15.8%)
Operating earnings	(14,867)	(12,535)	(18.6%)
FTEs (at 31 December)	56.6	50.9	(11.2%)

Corporate Services provides accommodation, legal, accounting, IT, HR and communications and marketing support to all business units and subsidiaries (including the Funds Management and Wealth Technologies businesses). Related costs are currently not recharged to the commercial business units and subsidiaries

Highlights

- Currently implementing the recommendations laid out by the Capital Markets 2029 report that NZX has a role to play in
- Continued focus on fitness and automation, for example our Network Transformation project has delivered a new network, VPN and firewall capabilities

Operating revenue

- Revenue relates to the sublease of spare office space (ceased June 2020) and NZX.com advertising revenue (ceased May 2020)

Operating expenses

- Headcount changes include additional legal, HR and communications resources to support the Smartshares and Wealth Technologies businesses. As well as additional project management resources for energy projects.
- Personnel costs have increased by more than wage inflation due to 2020 having higher average FTEs, arising from additional legal, HR and communications resources to support the Smartshares and Wealth Technologies businesses. As well as additional project management resources for energy's increased development revenue generating projects. Additionally there is the full year cost impact from the prior year's new or extended roles created to drive strategic execution in for example cyber security
- Capitalised labour levels have been lower for the project management team due to the COVID-19 lockdown and the focus on increasing trading and clearing system capacity and maintaining market stability.
- Corporate IT costs include project costs for the Network Transformation to strengthen NZX's cyber security, additional license costs to improve resilience of NZX's clearing and settlement system (BaNCS), and the modification of existing security services plus the implementation of additional Denial of Service (DDoS) security services
- Professional fees include internal audit fees, annual conflicts and board evaluation reviews. Additional one off costs relate to the independent external reviews of:
 - NZX clearing and settlement system (BaNCS) technical issues arising from significantly increased trading volumes, messaging, notifications and shareholder balance enquiries; and
 - DDoS attacks on the NZX.com website
- Marketing activities (such as the investor relations programme and marketing the exchange business) were impacted by the COVID-19 lockdown
- Other expenses include premises (other than rent), insurance, directors' fees, travel, external audit costs, outsourced payroll system, corporate memberships, and statutory and compliance costs, net of capitalised overhead

Appendix 1: 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

Operating Earnings	2020 \$000	2019 \$000	Change Fav/(unfav)
<i>Operating revenue</i>			
Issuer compliance services	727	524	38.7%
Participant compliance services	157	144	9.0%
Surveillance	791	566	39.8%
Listing fees & participants services	1,771	1,574	12.5%
Total operating revenue	3,446	2,808	22.7%
<i>Operating expenses</i>			
Gross personnel costs	1,908	2,016	5.4%
Less capitalised labour	(4)	(13)	(69.2%)
Personnel costs	1,904	2,003	4.9%
Information technology costs	179	168	(6.5%)
Professional fees	111	2	(5450.0%)
Marketing	26	-	N/A
Other expenses	35	35	0.0%
Capitalised overhead	(2)	(5)	(60.0%)
Internal costs allocation	692	675	(2.5%)
Total operating expenses	2,945	2,878	(2.3%)
Operating earnings	501	(70)	815.7%
FTEs (at 31 December)	17.5	20.5	14.6%

Highlights

- Finalised structural changes to strengthen NZX's regulatory operating and governance model, which now aligns to global best practice. Regulation is structurally separate from NZX's commercial and operational activities. Governed by a separate board with an independent Chair and the majority of members independent of the NZX Group. Targeting to operate on a cost-neutral basis
- NZ RegCo provided market support during COVID-19, including a number of class relief packages targeted at issuers and participants
- Release of consultation proposing that PFI be made voluntary for listing profiles
- NZ RegCo operating earnings before internal revenue and cost allocations was a loss of \$(578)k (2019: \$(969)k). NZ RegCo receives an internal allocation of:
 - revenue – relating to NZ RegCo's share, for services provided, of Annual Listing Fees and Annual Participants Fees; and
 - costs – relating to Corporate Services costs i.e. accommodation, legal, accounting, IT, HR and communications and marketing support

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. In 2020 NZ RegCo undertook a higher level of recoverable fee based work than anticipated, resulting in the operating earnings post internal allocations being \$501k (2019: \$(70)k).

Operating revenue

- Regulatory services fees (including Issuer Compliance, Participant Compliance and Surveillance) include revenue for defined services (based on a fee schedule) and revenue for certain enforcement matters referred to the NZ Markets Disciplinary Tribunal (on a time and materials basis). Additionally, there is a revenue allocation of Annual Listing Fees, Annual Participants Fees and internal staff fees from NZX Limited to NZ RegCo.

Operating expenses

- Headcount is lower due to three vacancies at 31 December 2020 (2019: none)
- Personnel costs have remained comparable to the previous year
- Information technology costs include SMARTS surveillance software costs
- Professional fees relate to the legal costs on set up of NZ RegCo
- Other expenses include NZ RegCo director fees and travel costs
- Internal costs allocations relate to Corporate Services costs i.e. accommodation, legal, accounting, IT, HR and communications and marketing support

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.

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 licences 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.

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 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.

Contractual and development 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, including implementation services, under a long term contract from the Ministry for the Environment.

Consulting and development revenue arises on a time and materials basis.

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.

Regulation

Issuer compliance services revenue arises from time spent by NZ RegCo reviewing listing and secondary capital raising documents, requests for listing rule waivers, and other significant issuer matters.

Participant Compliance services revenue arises from time spent by NZ RegCo reviewing participant applications.

Surveillance Recoveries arises from time spent by NZ RegCo on market surveillance activities that are recoverable from market participants.

Contact



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



Thank you

The information provided is a guide only and intended for general information purposes. It does not constitute investment advice. Any representation or statement expressed in this information is made in good faith on the basis that NZX Limited (NZX) or any of its related companies is not able to be liable in respect of such representation or statement arising in any way including from any error or omission. This information should not be relied upon as a substitute for detailed advice from an authorised financial adviser. NZX does not guarantee the accuracy and/or completeness of the information, or the accuracy of third-party information. NZX assumes no responsibility to update this report after publication. Except for any liability which cannot be excluded, NZX, its directors, officers, employees and agents disclaim all liability for any error, inaccuracy or omission, or any loss suffered through relying on this report.

All information provided is confidential in nature and is imparted in confidence. As such, the information should not be disclosed to any other person. No part of this information may be redistributed or reproduced in any form or by any means without the written consent of NZX.

Copyright © NZX Limited.