



NEW ZEALAND'S EXCHANGE

Governance Roadshow 2018

James Miller & Jon Macdonald



Forward-looking statement

This presentation contains forward-looking statements, which often include words such as expects, anticipates, believes, intends, plan, continue or other similar words in discussion of future operating or financial performance. These forward-looking statements are based on the Board and managements' present expectations, estimates and assumptions regarding its business, performance and the current state of the markets in which it operates. As with any forecast or projection, forward-looking statements are inherently subject to risks, uncertainties and changes in circumstances. NZX's actual results may vary materially from what is expressed or implied in its forward-looking statements. Any forward looking statements contained in this presentation are relevant as at the date of this presentation. Except as required by law, NZX assumes no obligation to update or revise the content to reflect any changes in circumstances.

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2018 annual meeting of shareholders – resolutions

2017 results highlights



NPAT
\$14.8
million

61.6%

Operating earnings**
\$29.0
million

31.3%*

Funds under management
\$2.7
billion

25.8 %

Dairy derivatives
311,675
Lots traded

57.2%

Revenue

1.1%*

Expenses

11.6%*

2018 guidance
\$28 – \$31
million

Dividend
6.1
Cents per share

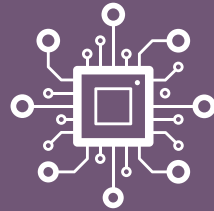

* Excluding impact of 2016 Agri disposals

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

Achievements to date



Refreshed strategy presented at Investor Day



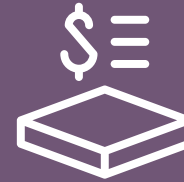
Technology projects completed – life-cycle upgrade to clearing and settlement system completed, participants moved to modern and robust telecommunications infrastructure, implemented changes to application of administrative trading halts, upgraded NZX.com



Policy projects completed – Corporate Governance Code published, Participant Rule Review delivered, stage one of Listing Rules Review completed



Record dairy derivatives trading, product suite extended, announced trading hours extension

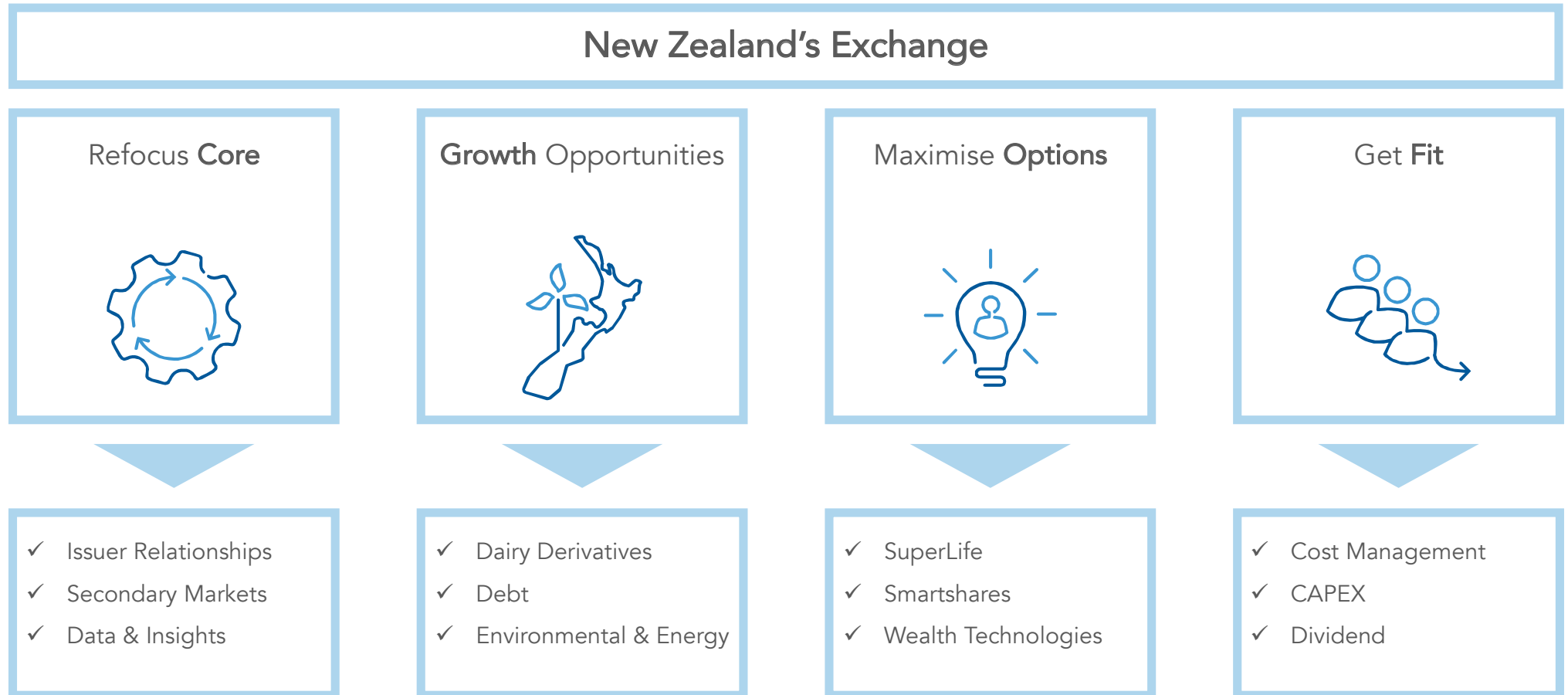


Trial of tailored pricing structure in secondary market resulted in 32% increase in average daily on-market value traded, compared to prior period. NZX to migrate to trading and clearing model in line with global practice in the second half of 2018



Progress being made against strategy in 2018 – signed Memorandum of Understanding with HKEX, SGX and NZIER Report released. Underpins NZX's commitment to increase global presence and connection to the market

Our refreshed strategy

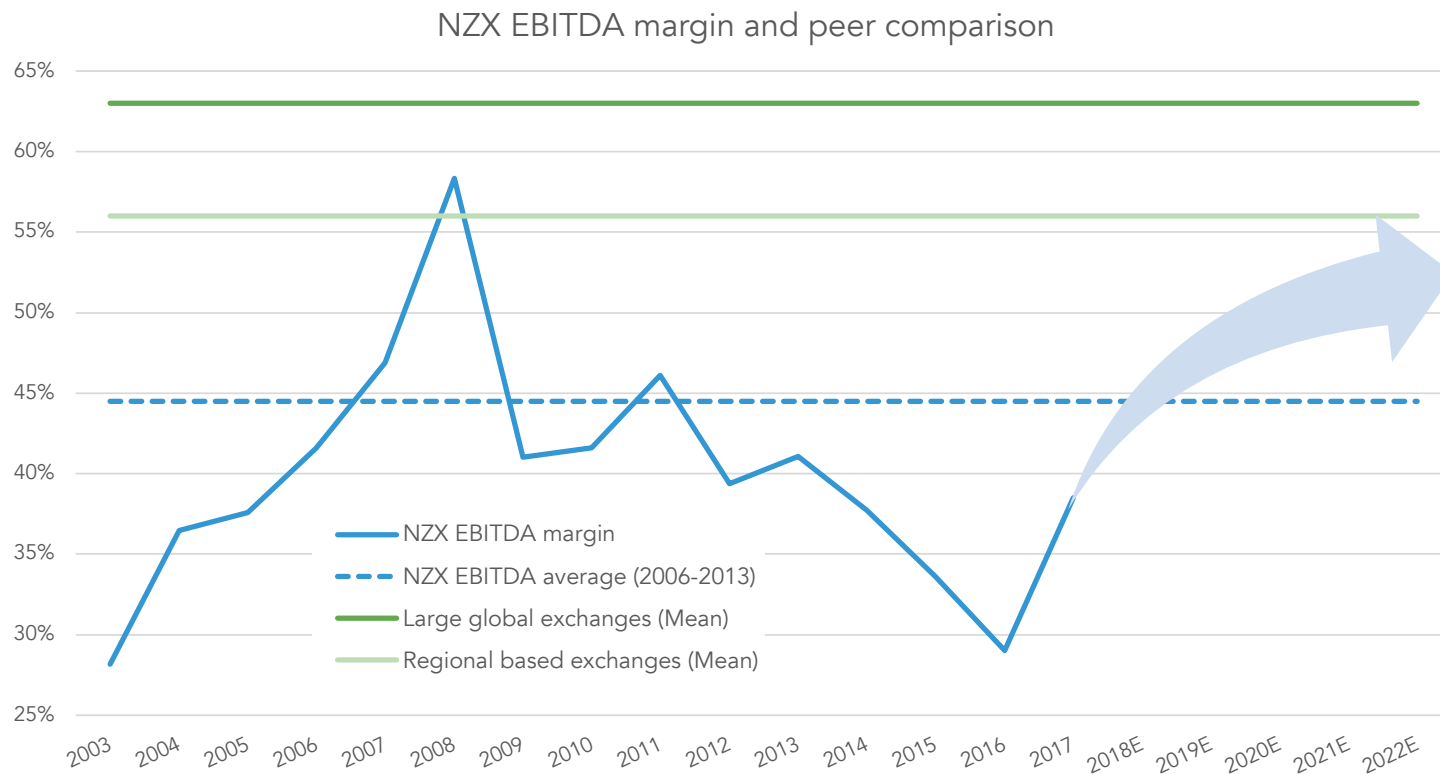


Areas of focus for the board



- Maximising shareholder returns
- Reset capital structure
- Divest non-core businesses
- Achieve scale by creating strong partnerships with global exchanges
- Deliver on strategy, including:
 - Customer engagement (current and prospective)
 - Increase on market liquidity – rules changes and revised trading/clearing price structure
 - Expand dairy derivatives global access – extended trading hours and increased functionality (calendar spreads)
 - Maximise value of options businesses (Funds Management and Wealth Technologies)

Improving the quality of our business



Global exchange partnerships



Breaking away from the regional exchange model

- Create scale via global exchanges alliance model
- Major step change for NZX, shift focus away from regional stock exchange model to create partnerships with global exchanges who are committed to promoting confidence and co-operation in their respective markets
- Already executing on this vision:
 - Memorandum of Understanding signed with Hong Kong Exchanges and Clearing Limited (HKEX) in January
 - Memorandum of Understanding signed with Singapore Exchanges Limited (SGX) in March
 - Further Memorandum of Understandings to follow
 - Under the terms, NZX will promote market development initiatives across a range of areas, share relevant information, and partner on green finance and sustainability initiatives
- Customers will benefit from the increased international presence of our exchange, including access into new markets for issuers, better connection points and capital flows for participants, and a broader product offering for investors
- Additionally, it provides NZX with opportunities to promote Smartshares exchange traded funds and the dairy derivatives market
- Next steps are a Stock Connect Agreement to operationalise the strategy



Executive KPIs and remuneration

Aligned to execution of strategy

- Mark Peterson commenced his role as CEO in April 2017, having been acting CEO since January 2017
- Basic remuneration structure:
 - Base salary \$500,000
 - Short-term incentive (STI) of \$250,000 for on-target performance, with \$500,000 maximum
 - Long term incentive (LTI) contribution of \$250,000 annually
- 2017 STI payment: \$289,000. Based on NZX's financial performance against target, and a small number of individual objectives (including the development of the five year strategy, improving capital markets engagement, strengthening the senior team and generating organisational efficiencies). Mark achieved ahead of target in both components.
- 2018 STI structure: Based on NZX's financial performance against target, and a small number of individual objectives aligned to five-year strategy (including improving listings pipeline, delivery of Wealth Technologies projects, derivatives growth and margin improvement).
- LTI structure: utilises performance share rights. Hurdles on TSR relative to cost of equity, and ambitious EPS growth aligned with the five year strategy. Time span aligned with Mark's five year tenure
- To create a shareholder culture within NZX the board will provide all staff with \$1,000 (gross) of company shares

Capital Structure



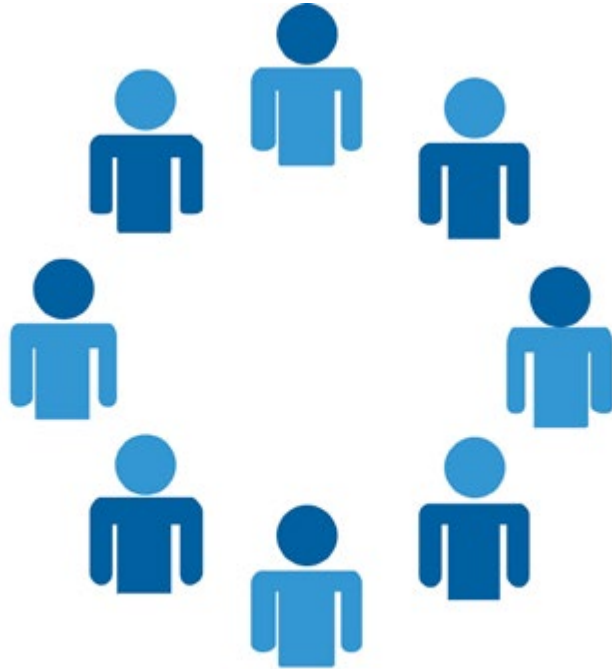
- Board completed capital structure review
- Consultation on a **mutualised default fund** underway to advance Clearing House's risk model to meet global standards. This is important to ensure we have an appropriate Clearing House risk structure to meet anticipated dairy derivatives market growth
- The board will explore use of a **capital note** to ensure NZX has a more robust balance sheet to protect the business in the unlikely case of a major market event

Dividend - policy, final 2017 payment and reinvestment plan



- Current dividend policy is based on a target payout ratio of 80% of free cash flow (defined as operating cash flow less purchase of property, plant and equipment and intangible assets)
- New dividend policy will come into effect for the 2018 financial year onwards. It is to pay between 80% to 110% of adjusted Net Profit After Tax, subject to maintaining a prudent level of capital to meet regulatory requirements
- The board considers that a policy based on Net Profit After Tax is comparable with peers, and provides sufficient headroom to manage the ongoing capital structure requirements of the exchange, and pursue future relevant opportunities should they arise
- Final fully imputed dividend of 3.1 cents per share for the 2017 financial year (2016: 3.0 cents per share) payable on 23 March 2018. Total fully imputed dividends for the 2017 financial year are 6.1 cents per share (2016: 6.0 cents per share)
- The board will offer a dividend reinvestment plan which will be in place for the 2018 interim dividend in response to shareholder feedback. Further details, including the full offer document will follow in due course

Board composition



- Critical the board has attributes and skills needed to deliver the governance expected for a business that operates at the centre of New Zealand's capital markets
- NZX has rigorous process in place for director appointments:
 - Nominations committee established in February 2018 to assist the board in identifying and recommending individuals for nomination as directors and members of committees
 - Skills matrix developed in conjunction with Propero Consulting, New Zealand's leading experts on board composition, in 2017
 - Fit and proper assessment is undertaken for all new directors
- This extensive process was used to identify:
 - Nigel Babbage – a global expert in clearing and derivatives; and
 - Lindsay Wright – a global expert in passive funds management.

2018 annual meeting of shareholders

Resolutions



Resolutions unanimously supported by the board

1. That the board be authorised to determine the auditor's fees and expenses for the 2018 financial year
2. To elect Nigel Babbage as a director of NZX
3. To elect Lindsay Wright as a director of NZX
4. To re-elect Jon Macdonald as a director of NZX

Dame Therese Walsh is retiring as a director of NZX and is not seeking re-election.



NEW ZEALAND'S EXCHANGE

NZX Limited
Level 1 / NZX Centre
11 Cable Street
PO Box 2959
WELLINGTON
Tel: +64 4 472 7599

info@nzx.com

www.nzx.com

