

26 August 2021

## NZX reports market growth and diversification in H1 2021

- Operating earnings<sup>1</sup> of \$16.9m, down 3.5%
- Net profit after tax (NPAT) of \$7.6m, down 16.0%
- Interim dividend of 3.0 cents per share, fully imputed
- Capital raised \$7.3b, down 10.6%
- Total value traded \$27.1b, down 2.8% from COVID record
- Strong growth for Smartshares' FUM up 44.3% and NZX Wealth Technologies' FUA up 151.1%
- FY2021 operating earnings guidance range remains at \$32.0m to \$35.5m

NZX today announced operating earnings of \$16.9 million for the six months ended 30 June 2021, down 3.5% on HY2020, with market activity remaining near the record levels seen during the prior period.

Chief Executive, Mark Peterson, said "NZX is continuing to make good progress in building a diversified financial markets infrastructure and services business".

"Our achievements and results for the half-year 2021 reflect this ambition, with strength across all our business activities".

Alongside strong growth in NZX's funds business, Smartshares, and the further expansion of NZX Wealth Technologies (NZXWT), there were increases in the number of listed securities, the amount of primary capital raised and the level of trading activity.

Through the first half of 2021, Mr Peterson said NZX had performed well across these key measures.

"This is particularly encouraging when you consider this performance against the extraordinary levels of activity in the prior period – driven by the economic uncertainty created by the outbreak of COVID in the first quarter of 2020.

"The COVID pandemic materially stimulated and accelerated activity through 2020."

Mr Peterson said: "From the emerging signs of underlying growth two years ago, we are now seeing ongoing benefits from the changes we made under our strategy – our businesses are operating at a structurally higher level of activity".

### FINANCIAL PERFORMANCE

Group revenues were up 10.6% to \$42.5 million for the six months. Operating margin at 39.9% was lower, due to investment in growth activity alongside increased spend in people and technology costs.

Capital expenditure continues to be focused on investing in IT capacity, resilience and security, growth opportunities within Smartshares and NZX Wealth Technologies and, in 2021, creating a fitting home for New Zealand's Capital Markets in Auckland.

Net profit after tax for the period (NPAT) declined 16% to \$7.6 million, with the NZX Board declaring a fully-imputed interim dividend of 3.0 cents per share to be paid on 24 September 2021. NZX is maintaining its full year 2021 operating earnings guidance<sup>2</sup> to be in the range of \$32.0 million to \$35.5 million.

### STRENGTHENING OUR MARKETS

Mr Peterson said the COVID crisis demonstrated the clear value of being listed on NZX – providing ready access to capital. "We believe this is a factor, along with NZX's origination activity, in the growth we are seeing in new listings."

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

<sup>2</sup> 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, NZX notes the global health environment remains volatile and this guidance assumes no material adverse events, significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments.

NZX welcomed four new companies to the Exchange over the past six months – My Food Bag, NZ Automotive Investments, Third Age Health and DGL Group.

And, while there was a sharp drop in equity recapitalisations compared with the COVID-related activity in 2020, primary capital raised was up 46.9% to \$3.4 billion – driving a strong increase in primary listing fees and helping offset the fall in secondary issuance fees.

“There is recognition of the value of being listed on NZX, with Arvida Group’s first debt issue and Precinct’s first green bond showcasing the options to diversify funding and continuing the momentum around sustainable finance.”

With both retail and institutional investors looking for a wider range of investment opportunities and ready to back NZX-listed companies, Mr Peterson said there was optimism about the potential for further listings through the remainder of FY2021.

#### HEIGHTENED INVESTOR INTEREST

Mr Peterson said the total traded value of \$27.1 billion during H1 2021, and more than eight million trades, reflects heightened interest from all investor segments and engagement in NZX’s markets across different forms of investments and asset classes. High levels of participation have been supported by a fundamental re-engagement with equities as an investment class, he said.

“The lift in market liquidity has also been helped by an increase in investment in trading technology from stockbroker participants, which is assisting the growth in our markets.

“For many years, the New Zealand capital markets have been looking to grow the number of retail investors connected to our markets. Recent growth has been stimulated by the growing popularity of online trading platforms – Jarden Direct, Sharesies and ASB Securities – that enable easy and low-cost access to the New Zealand markets for DIY investors.”

The deeper participation, and activity from local and offshore institutional investors, has been mirrored in greater demand for NZX data – notable geographies for growth are the US, Australia, Hong Kong and Singapore.

In parallel with the growth, NZX has also been delivering necessary enhancements to technology and operating platforms, which has resulted in additional capital investment and operating expenses. Subsequent to the release of the Financial Markets Authority (FMA) report, ‘Market Operator Obligations Targeted Review’ in January 2021, NZX received approval of its action plan from the FMA in May.

This plan contains a number of actions relating to NZX’s arrangements for governance oversight, industry engagement, information technology capability, IT security, specialist skill sets, crisis management planning and risk management. “We remain focused on delivery of the agreed steps under the action plan, and we are providing regular progress reports to the FMA in respect of the implementation of the actions under the plan,” Mr Peterson said.

Working closely with the industry and technology partner Nasdaq, NZX also implemented an upgrade to a new trading system in early August 2021. This major upgrade has delivered a new trader front-end, additional capacity and new functionality – and is expected to have a positive impact on on-market traded liquidity from later in 2021.

#### STRATEGIC PARTNERSHIPS

Alongside the investment in the Markets businesses to strengthen IT security and to deliver technology solutions to increase trading system capacity and resilience, NZX successfully implemented the managed auction service for the New Zealand Emissions Trading Scheme (NZ ETS).

Beyond this project delivered in partnership with the European Energy Exchange (EEX), Mr Peterson said NZX sees potential opportunities opening up as the New Zealand market matures.

The confirmation in April of a global dairy derivatives partnership with the Singapore Exchange (SGX) was “a showcase example of commercialising NZX’s international alliance strategy,” Mr Peterson said. This is expected to propel future growth of NZX’s dairy derivatives suite.

#### SMARTSHARES GROWTH

Smartshares continued its strong growth, with FUM up 44.3% on June 2020 to \$5.69 billion – achieving continued growth in member numbers and unitholders, with positive cash inflows of \$383 million for the six months to June 2021, compared with \$213 million in the prior period.

A significant win for Smartshares was the selection of SuperLife as one of New Zealand’s six default KiwiSaver providers from 1 December 2021. Mr Peterson said this was “a huge endorsement for what we offer”.

The SuperLife KiwiSaver scheme, which already cares for more than \$1.32 billion on behalf of 31,350 New Zealanders, will have new members allocated to the scheme from 1 December 2021 to 30 November 2028, contributing to further growth in member numbers and funds invested in the SuperLife KiwiSaver scheme. This will more than double the number of members initially, and is expected to add around 10,000 new members each year of the seven-year term.

#### NZX WEALTH TECHNOLOGIES EXPANSION

NZX Wealth Technologies also grew strongly with new clients contributing to FUA increasing by 151.1% on the same time last year to \$7.73 billion.

To support growth, NZX has continued to invest in the platform technology and staffing capability to onboard and service our growing client base – with Public Trust, Hobson Wealth, Saturn Advice, JBWere and Craigs Investment Partners on the platform.

Mr Peterson said contracts had been signed with three new large-scale clients and onboarding is underway with two of these, which is expected to increase FUA to around \$10 billion by the end of 2021.

“We will continue to invest in technology and other resources to support the growth and operational excellence that customers expect. While the scale of near-term projects will impact costs, the benefits are long term and value-adding to the business.”

Mr Peterson said a key element of NZX’s overall strategy is to build a more diversified financial services business.

“Our Funds Management and NZX Wealth Technologies businesses offer the potential for powerful synergies alongside our core market business. We continue to explore and leverage these possible opportunities. We will also continue to build upon the strategic partnerships in place for our dairy derivatives and carbon businesses to pursue growth,” he said.

ENDS.

#### **For further information, please contact:**

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## **About NZX**

For more than 150 years we have been creating opportunities for Kiwis to grow their personal wealth and helping businesses prosper. As New Zealand's Exchange, we are proud of our record in supporting the growth and global ambitions of local companies.

NZX operates New Zealand's equity, debt, funds, derivatives and energy markets. To support the growth of our markets, we provide trading, clearing, settlement, depository and data services for our customers. We also own Smartshares, New Zealand's only issuer of listed Exchange Traded Funds (ETFs), and KiwiSaver provider SuperLife. NZX Wealth Technologies is a 100%-owned subsidiary delivering rich online platform functionality to enable New Zealand investment advisors and providers to efficiently manage, trade and administer their client's assets. Learn more about us at: [www.nzx.com](http://www.nzx.com)