



NZX INTERIM 2021 RESULTS INVESTOR PRESENTATION

26 August 2021

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Important notice

This half year investor presentation should be read in conjunction with the financial statements in the 2021 Interim 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, NZX notes the global health environment remains volatile and assumes 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.

Half Year 2021 Highlights



NZX	10	1164.40 16.98 / 1.438%	NZX	20	3944.31 46 / 1.153%	NZX	50	5075.84 48.06 / 0.938%	TEL
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Half Year 2021 results at a glance

H1-2021 has successfully carried the step change in our markets, with a structurally higher level of market activity (after the extraordinary peaks seen over the H1-2020 period), particularly for capital raised and value traded

Operating Earnings*

\$16.9
million

(3.5)%

Net Profit After Tax

\$7.6
million

(16.0)%

Interim Dividend

(fully imputed)

3.0

cents per share

Capital raised

(total new capital and secondary capital raised)

\$7.3
billion

H1-20
(10.6)%

5 Yr Average
16.5%

Data & Insights Revenue

\$8.6
million

5.1%

Total Value Traded

\$27.1
billion

H1-20
(2.8)%

5 Yr Average
22.1%

Dairy Derivatives Lots traded

139,950

(31.9)%

Funds Under Management

\$5.69
billion

44.3%

Funds Under Administration

\$7.73
billion

151.1%

* Operating earnings are before net finance expense, income tax, depreciation, amortisation, loss on disposal of assets, 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 2021 deliverable targets are detailed in the management commentary section of the 2021 Interim Report.

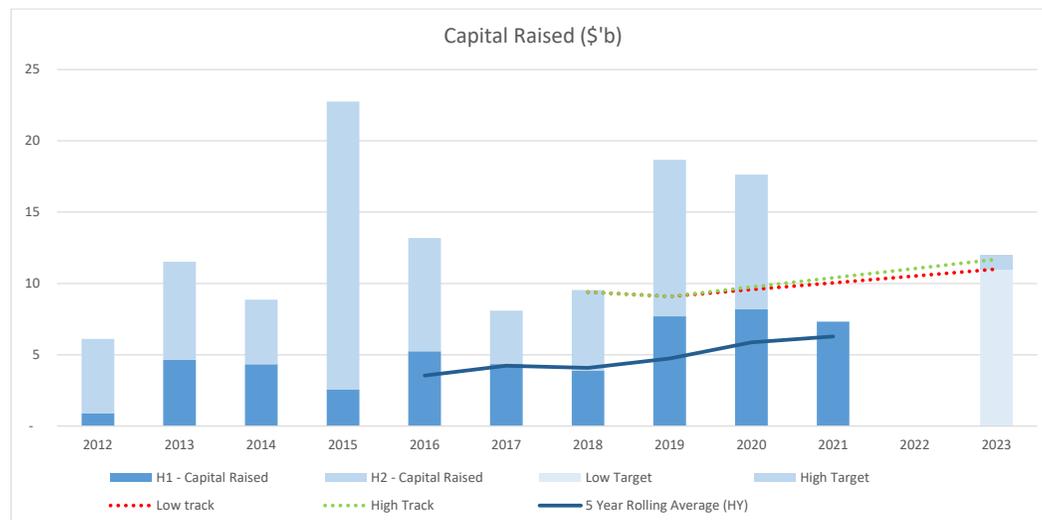
Data is "for the 6 month period ended 30 June 2021," or "as at 30 June 2021" (as applicable). Percentage changes represent the movement for the interim period June 2020 to June 2021, except Funds Under Management and Funds Under Administration which are the movement in balances as at 30 June 2020 to 30 June 2021. 5 year average percentage changes represent the movement against the rolling average for the preceding 5 year interim periods.

Business Unit Highlights



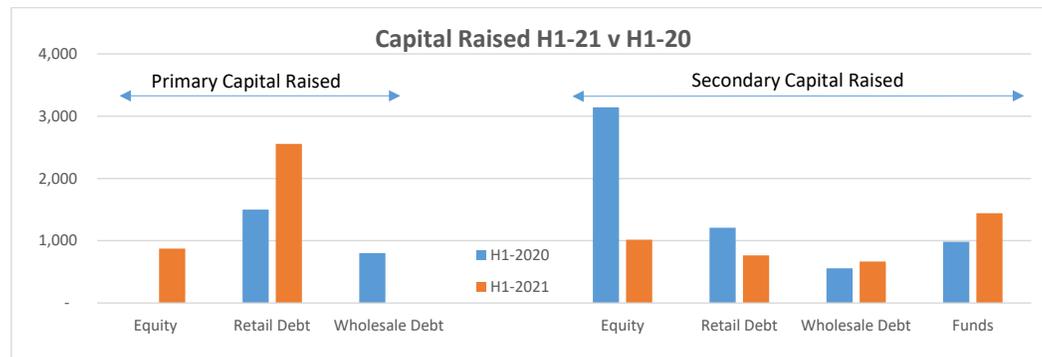
Issuer Relationships – Capital Raised

Another strong performance for the 6 months, with the capital raised mix adjusting to suit a more settled economic environment over the period



Capital raised (new and secondary capital raisings) **\$7.3 billion**

- Relative to 5 year rolling average for H1 **+16.5%**
- Relative to H1-20 COVID period **(10.6)%**



Macro drivers of capital raised:

- Primary listing fees driven by equity and retail debt listings
- Secondary issuance fees reflect a lower level of equity recapitalisations and retail debt issuances compared to the H1-20 COVID period

Listings during H1-21 were:

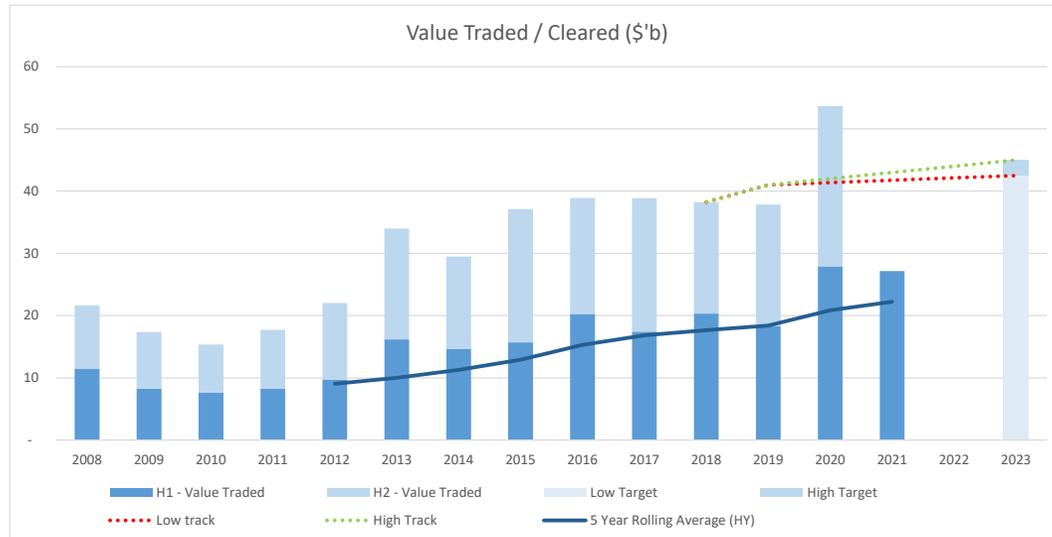
- IPO - My Food Bag Limited (MFB),
- Direct Listings – Third Age Health Services Limited (TAH) and NZ Automotive Investments Limited (NZA)
- Foreign Exempt Listing – DGL Corporation (DGC)
- Green Bonds – Mercury NZ \$200 million (supporting NZ’s transition to a low emissions future), and PPNZ \$150 million (to finance or refinance energy efficient buildings)
- Other sustainable and ethical investment capital raised included Housing New Zealand (Kāinga Ora) issuing further 2028 Wellbeing bonds (\$600m) supporting the development of good quality, affordable housing
- Increasing level of ETF capital raised

Team operating a **true origination model** – with active pipeline development and conversion



Secondary Markets – Value Traded / Cleared

Value traded levels holding close to the record levels of last year



Traded Value

\$27.1 billion

- Relative to 5 year rolling average for H1
- Relative to H1-20 COVID period

+22.1%

(2.8)%



Macro drivers

- Continued elevated levels of **on-market liquidity** (63.8%) and **value traded / cleared** (\$27.1 billion). This is as a result of the removal of barriers in prior years and a move towards global standards resulting in a rising tide of liquidity across all participants and market segments.
- **Market Trends** show that across H1-21 24.8% of all value is being executed through the exchange's closing auction and represents the largest liquidity event on each trading day. Additionally, the five index rebalance days in H1-21 have accounted for 12.7% of all value traded.
- Continued growth in the **NZX Depository business** (depository OTC transactions +4.9% and assets under custody +44.3%), to increase efficiencies of NZ market and participate in the last leg of securities settlement value chain

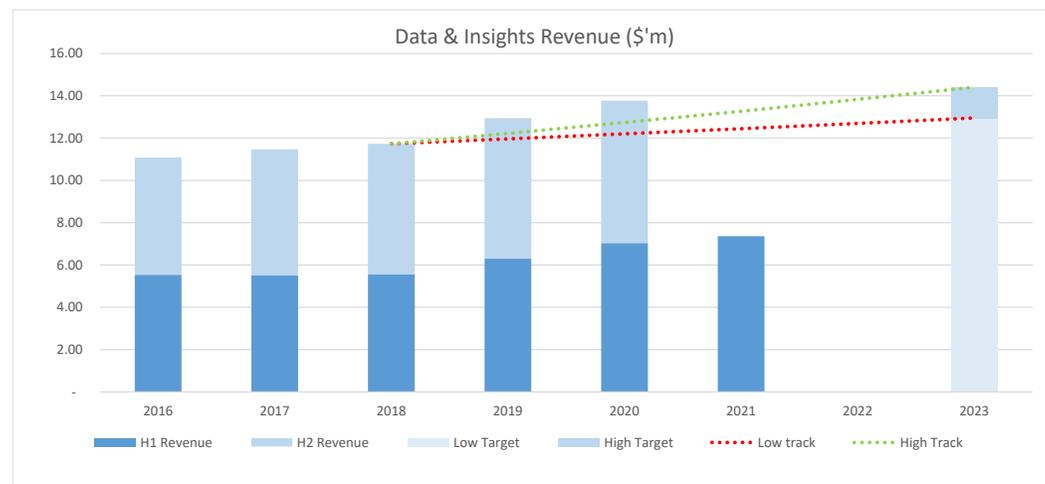
Market Development

- **Trading System Upgrade** went live in early August 2021; ensuring NZX Trading architecture is fit for purpose and delivers the ability to provide further increased functionality and trading options for participants (e.g. NZX DARK – the midpoint order book)
- BNP Paribas is expected to become a General Clearing Participant in late 2021. This has the potential to unlock remote broker Participation and greater access to the exchange's Secondary Markets.
- Continued development of NZX CSD to support a fully automated and efficient post trade environment.



Data & Insights revenue

Solid continuation of business growth driven by professional terminal numbers lifting, offset partly by retail terminals settling back after the extremes of 2020



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

Data & Insights Revenue

- Relative to H1-20

\$8.6 million

+5.1%

Split by revenue type:

- Royalties, Subscriptions, Licenses and Indices +8.9%
- Audits and back dated licenses (26.9)%
- Connectivity +7.5%

Macro drivers

- Recurring revenue** (i.e. excluding audit and back dated licenses revenue) growth in H1-21 was 8.7%.
 - Royalty revenue growth of 8.3% is a mix of professional terminals (higher value - increased 6.2%) and retail terminals (lower value - decreased 26.5% from post H1-20 COVID lock down peak)
 - Subscription and licences revenue growth of 12.1% reflects continued growth in non-display applications and ability to capture licence revenue streams post audit
 - Connectivity revenue reflects changing client connectivity requirements to a higher standard of performance and resilience
- Audit activity** continues to be high although lower than H1-20, driving one off audit and back dated licencing revenue

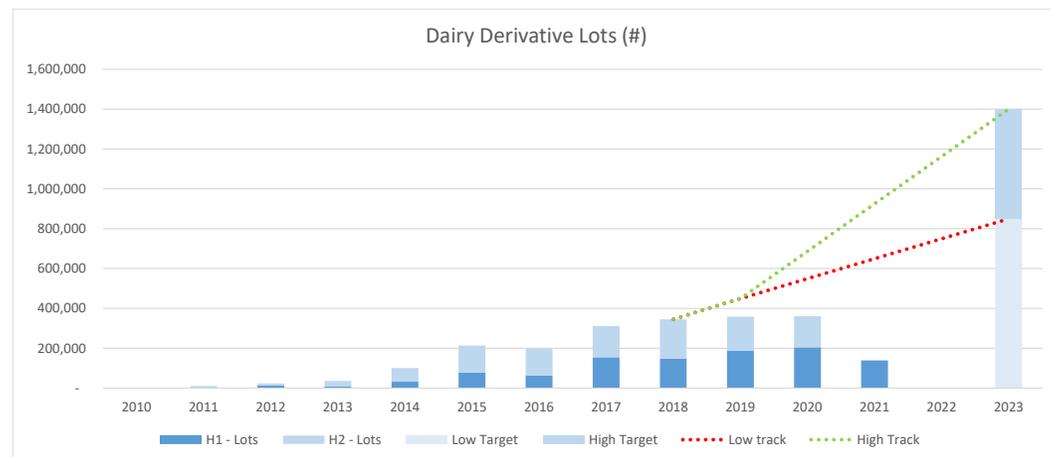
Future revenue growth driven by:

- Focus on product offering for market data and connectivity
- Developing value added services for issuers (e.g. collection of ESG metrics)
- Supporting S&P indices revenue growth (e.g. Carbon Efficiency Indices launched, in conjunction with S&P, in May)



Dairy Derivatives

Soft result driven by low volatility in physical prices, the strategic change to the SGX dairy partnership is a global opportunity



Dairy Derivatives Lots traded

- Relative to H1-20

139,950
(31.9)%

Notional Value traded (USD)

- Relative to H1-20

\$886 million
+8.3%

Macro drivers

- Total lots traded** decreased 31.9%.
 - NZ Milk Price Derivative volumes grew by 17% assisted by rising prices and local development activities drawing increased farmer participation.
 - Global Dairy Ingredients volumes decreased by 35% impacted by lower volatility on GDT for the majority of the first half, and with COVID travel restrictions continuing to inhibit global marketing and event activity.

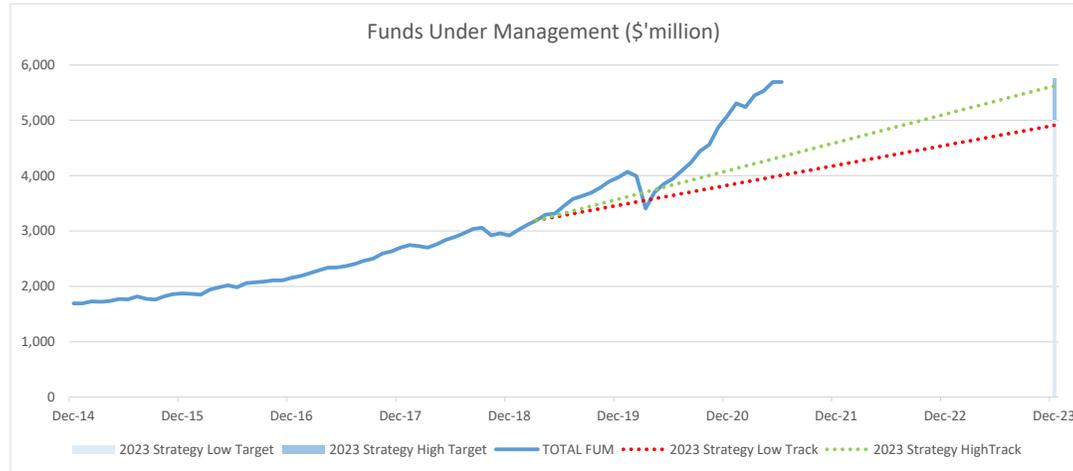
Singapore Exchange (SGX) strategic partnership:

- to grow NZX's dairy derivatives market is planned to go live in late H2-21 (subject to regulatory approvals)
- aims to extend market distribution and expand global access by:
 - Increasing the number of trading and clearing members from four to a possible 86+; enabling proprietary and speculative firms to more easily connect
 - Increasing the number of independent software providers from two to 25
 - Providing a more global platform and presence in the dominant region for dairy imports (Asia)



Smartshares – Funds Under Management (FUM)

Continues to drive growth; we look to further scale this business through both organic and inorganic growth opportunities



Funds Under Management

\$5.69 billion

- Relative to H1-20

+44.3%

Cash Flows

\$383 million

- Relative to H1-20

+79.8%

Macro drivers of the ETF market trajectory:

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

FUM growth target 14% p.a. is being over achieved:

- Net FUM inflow H1-21: \$383m is approx. 7.5% of opening FUM
- Market return H1-21: \$231m is approx. 4.5% of opening FUM
- Growth activities include being appointed a KiwiSaver Default provider effective from December 2021

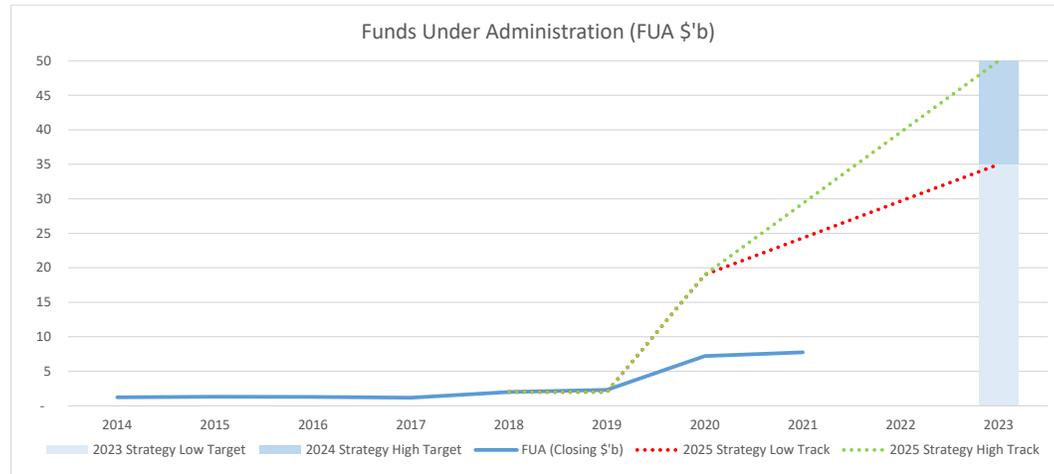
Strategic step change

We continue to mature the operations (particularly in the IT environment), as well as investing for growth including:

- KiwiSaver Default provider - Smartshares selected as a default provider effective from December
- Transitional Financial Advice Provider licence obtained in March
- Bloomberg implemented for ETF Basket Creation/Redemption (BSKT) and order management (AIM) i.e. front and middle office
- exploring potential acquisition opportunities

Wealth Technologies – Funds Under Admin (FUA)

Client transitions have driven the growth, and there is a positive outlook for this to continue



Funds Under Administration

\$7.73 billion

- Relative to H1-20

+151.1%

Macro drivers

- As increased compliance obligations force large advisor firms to upgrade their internal platforms the Wealth Technologies SaaS offering becomes attractive
- The increasing cost to service clients also impacts medium adviser firms making the Wealth Technologies option cost efficient, allowing scalable growth and reducing operational and compliance risks.

Platform and Operations:

- We now have a scalable platform with a highly skilled operational team
- Historic clients will start transitioning off the legacy platform on to the new platform in Q3-21
- Enhanced structure and increased resourcing to enable strong operational excellence while continuing aggressive growth trajectory
- NZX WT now operating earnings positive in H1-21

Clients:

- 4 clients on the new platform (and 7 on the legacy platform)
- 3 new client contracts signed in H1-21; of which 2 have on-boarding projects underway and hence we expect FUA to increase to around \$10 billion at year end
- Strong pipeline for 2022 – the 2023 aspirational targets remain valid



Regulation (NZ RegCo)

Regulatory operating and governance model aligns to global best practice, with structural separation of regulatory activities from NZX's commercial activities



NZX Regulation Limited (NZ RegCo)

- NZ RegCo is 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)
 - The establishment board has now been made permanent
- NZ RegCo CEO is Joost van Amelsfort
- Targeting to operate on a cost-neutral basis



People

Our people continue to show enormous commitment, resilience and flexibility as they deliver further growth across the Group. Every area of our business is pushing forward to grow the capacity and capability to deliver these strategic priorities.

Building Capacity

- To support business growth across the group and market stability, our workforce grew from 257 at December 2020 to 267 at June 2021 full-time equivalent employees, with further new roles to come on in H2
- Capacity was bolstered in technology, sales, risk management, project management, cyber security and corporate services
- NZX Wealth Technologies reshaped their structure to add capacity in client facing, onboarding and technical teams to serve new clients
- Strong competition for talent is being experienced given the labour market constraints (particularly for IT and legal resources), however our strong brand is ensuring we continue to attract good talent. Employee retention is under pressure, with turnover of 9% in H1-21. Overall we are experiencing wage pressure

Building Capability

- Our two-year programme to drive sales capability and consistent processes across the Group is delivering results
- Organisational capability in IT functions has been a particular focus, in areas of automation, testing, IT performance monitoring and reporting, and cyber security
- Launched an internal financial capability programme for employees in partnership with the Commission for Financial Capability, as part of our employee benefits suite

Diversity & Inclusion

- We are committed to developing female leaders internally
- Among other Diversity and Inclusion initiatives includes three of NZX's leaders taking part in the Global Women Activate Leaders Programme

Culture & Engagement

- Implementation of our Future of Flexible Work hybrid model is underway, to leverage the benefits for employees, customers, and company performance
- Employee engagement has dipped slightly in the first half after our highest engagement result ever last year. Our ambition remains to be top quartile globally

Health & Safety

- Wellbeing and morale continues to be a focus for management effort, to keep our workforce connected, supported and informed
- Active management of pandemic risks continues to ensure full resourcing and health of our workforce to date
- Excellent safety record, with Total Recordable Injury Rate (TRIR) of 0.85 incidents per 200,000 hours worked

Financial Performance

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

Income Statement

	June 2021	June 2020	Change
	\$000	\$000	Fav/(unfav)
Operating revenue	42,451	38,372	10.6%
Operating expenses	(25,513)	(20,822)	(22.5%)
Operating earnings*	16,938	17,550	(3.5%)
Net finance expenses	(1,174)	(758)	(54.9%)
Loss on disposal of assets	(112)	-	N/A
Depreciation and amortisation expenses	(4,797)	(4,042)	(18.7%)
Income tax expense	(3,225)	(3,667)	12.1%
Profit for the period	7,630	9,083	(16.0%)
Operating Margin	39.9%	45.7%	(12.7%)

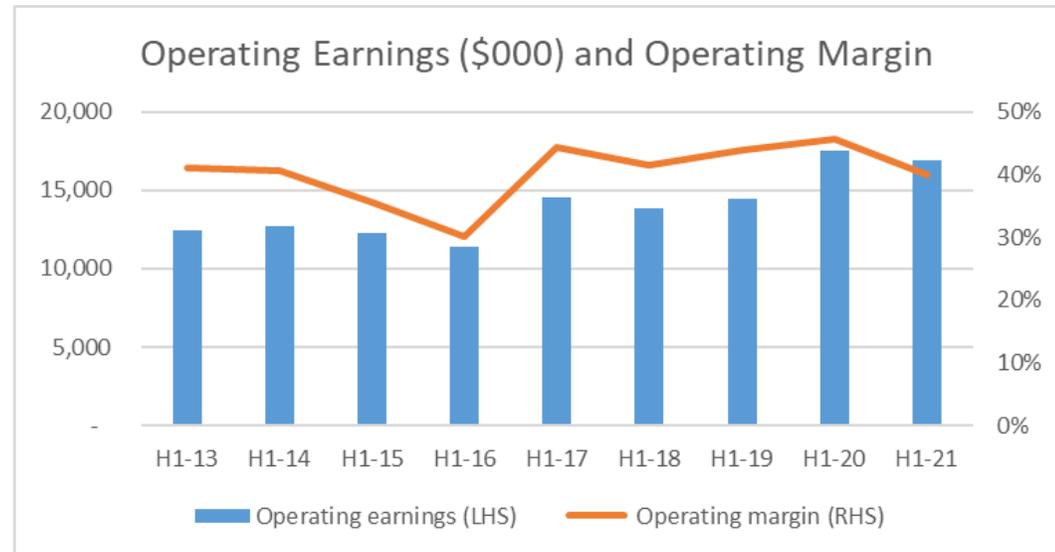
Operating earnings of \$16.9 million (2020: \$17.6 million) is 3.5% lower, with:

Operating revenue increasing 10.6% to \$42.5 million:

- Data & Insights, Energy (including development revenue relating to the implementation of new carbon managed auction service), Funds Management and Wealth Technologies business units revenues have increased; which is partially offset by
- Secondary listing fees, securities trading and securities clearing revenues reducing from their peaks during comparable H1-20 COVID period; and

Operating expenses increasing 22.5% to \$25.5 million:

- the Markets businesses have supplemented the Securities IT team with additional skills and resources and have also invested to increase trading and clearing system capacity, improve resilience and strengthen further our cyber defences;
- as well as implementing the new carbon managed auction service; and
- we continue to invest for growth in the Funds Management (exploring potential acquisition opportunities) and Wealth Technologies business units (to service new clients).



The **operating margin** at 39.9% (2020: 45.7%) which is lower than our peers¹ due to:

- the diverse nature of NZX (i.e. non-markets businesses and NZ RegCo) relative to peers. For example the operating margin of NZX's commercial activities (i.e. excludes NZ RegCo) is 41.6% (2020: 47.6%);
- Capital raised, trading and clearing fees being lower than their H1-20 COVID peaks;
- IT costs incurred to further strengthen our security as well as to increase trading and clearing system capacity and resilience, and maintain market stability; and
- Professional fees includes Smartshares investments for growth and exploring potential acquisition opportunities

Operating revenue, operating expenses and non-operating expenses are discussed in detail on the following slides

Segmental analysis by business unit is provided in detail in Appendix 1.

¹ Finance Technology Partners (June 2021) EBITDA Margins (median) information for Regional/Country Based Exchanges is estimated at 2021: 52%

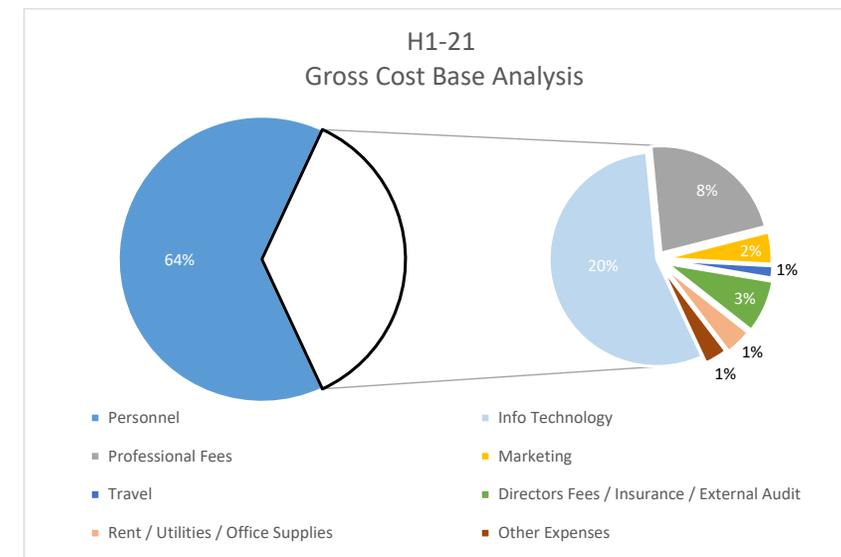
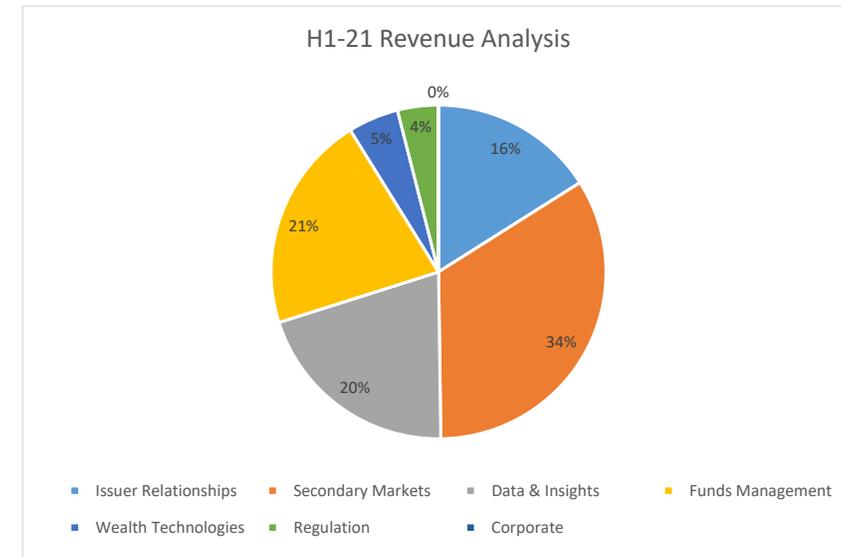
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Operating Earnings

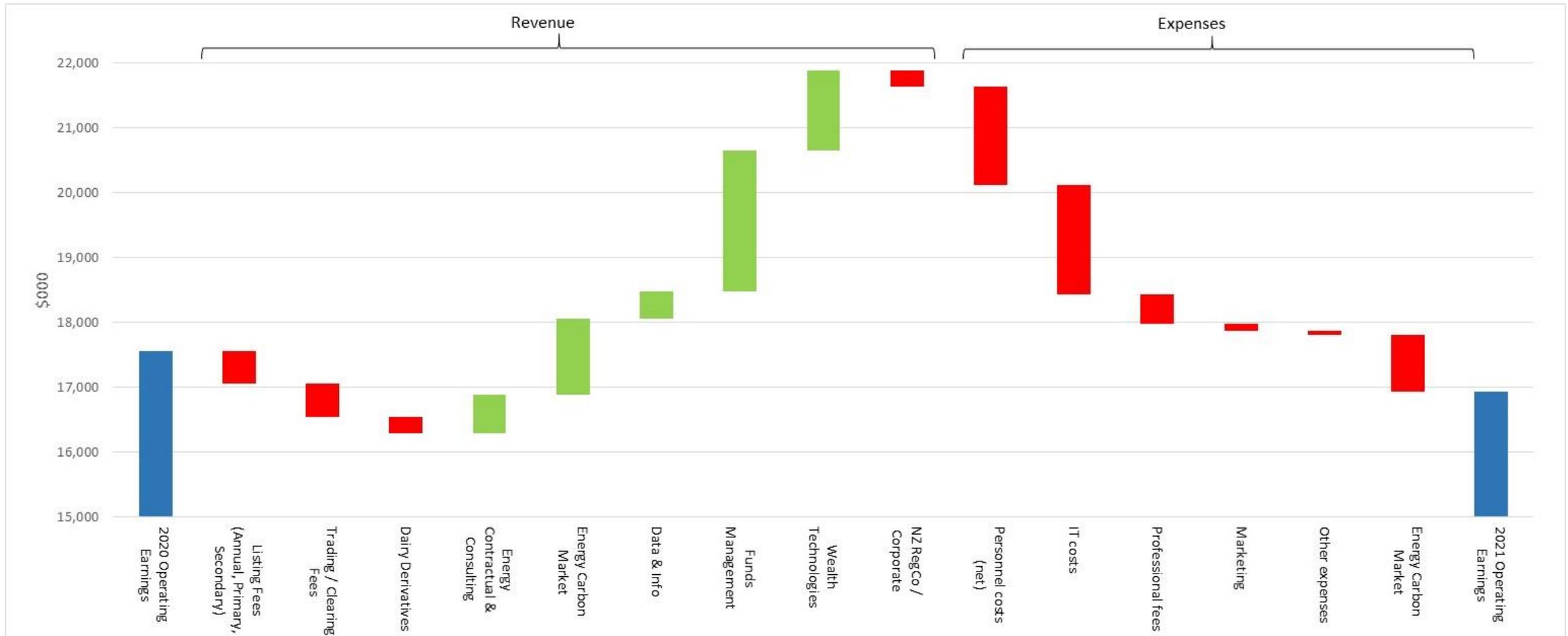
	June 2021 \$000	June 2020 \$000	Change Fav/(unfav)
Revenue			
Issuer Relationships	6,795	7,291	(6.8%)
Secondary Markets	14,339	13,334	7.5%
Data & Insights	8,626	8,207	5.1%
Funds Management	8,941	6,760	32.3%
Wealth Technologies	2,074	849	144.3%
Regulation	1,665	1,742	(4.4%)
Corporate	11	189	N/A
Total revenue	42,451	38,372	10.6%
Expenses			
Gross personnel costs	(18,667)	(16,620)	(12.3%)
Less capitalised labour	3,004	2,573	16.8%
Personnel costs	(15,663)	(14,047)	(11.5%)
Information technology	(5,858)	(3,707)	(58.0%)
Professional fees	(2,381)	(1,676)	(42.1%)
Marketing	(510)	(376)	(35.6%)
Other expenses	(1,822)	(1,558)	(16.9%)
Capitalised overheads	721	542	33.0%
Total expenses	(25,513)	(20,822)	(22.5%)
Operating earnings*	16,938	17,550	(3.5%)

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 Earnings Waterfall



Operating Revenue

Non Recurring Revenue

Consulting and development revenue includes revenue relating to the development of the new carbon managed auction service for the Ministry for the Environment that was fully completed (non recurring revenue \$0.9m)

Issuer Relationships:

Annual listing fees (ALF) were positively impacted by the growth in equity market capitalisation

Primary listing fees driven by equity and retail debt listings

Secondary issuance fees reflect a lower level of equity recapitalisations and retail debt issuances compared to the H1-20 COVID period

Secondary Markets:

Securities trading and clearing revenues decreased due to lower activity levels than the H1-20 COVID period

Dairy derivatives revenue decreased in line with lots traded being down 31.9%

Consulting and development revenue earned through

- a higher level of 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 bi-monthly auctions

Data & Insights:

Royalties from terminals revenue increase relates to higher professional terminal numbers, partially offset by lower retail terminals numbers (from post H1-20 COVID lock down peak)

Subscriptions and licences revenue growth reflects continued growth in clients data usage and ability to capture licence revenue streams post audit (resulting in increased license numbers)

Dairy subscription revenue has stabilised post the disposal of the agri-businesses in 2018

Indices revenue growth has been driven through an increase in funds using the indices as benchmarks and additional index data clients

Audit and back dated licencing revenue continues to have high levels of audit activity, although revenues were slightly lower than H1-20

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

Funds Management:

FUM based revenue has increased 35.6% driven by increased average FUM (+43.0%), partially offset by new wholesale clients at lower average bps

Member based revenue has increased 20%, reflecting a mix of increased investor / member numbers, a reduction in some annual admin fees from 1 April 2021, and the comparable period which included a historical pricing provision

Other revenue has remained at similar level to the comparable period, being impacted by the low OCR rate offset by introduction of stock lending in Q2 2020

Wealth Technologies:

Administration (FUA based) fees driven by:

- New platform – revenue increased due to three new clients migrated in late 2020; and
- OE platform – number of customers is unchanged, with 27% growth in FUA

Development revenue included some client specific (non recurring) in the current period

Regulation (NZ RegCo):

Regulatory fees relate to issuer regulation, market conduct, 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

Regulatory fees generating activity has been lower than the H1-20 COVID period

Corporate Services:

Corporate revenue related to the short term sub lease of part of the Wellington premises (ceased June 2020) and NZX.com advertising revenue (ceased May 2020)

Operating Expenses

Non Recurring Costs

Development of the new **carbon managed auction service** for the Ministry for the Environment was fully completed (non recurring expenses \$0.7m) and bi-monthly auctions commenced

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, higher levels of annual leave taken (relative to the COVID lockdown period), 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 resilience, and maintain market stability;
- Issuer Relationships additional sales role focused on origination, with active pipeline development and conversion;
- Secondary Markets product resource to support growth in the depository business;
- Energy contractors delivering increased levels of 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;
- Wealth Technologies additional client facing, onboarding and technical staff to service new clients;
- Corporate Services additional legal, HR and communications resources to support the Smartshares and Wealth Technologies businesses;
- Additional project management resources related to the current elevated levels of project activity; and
- movements in vacancy numbers at period ends

Capitalisation of internal development resources (2021: \$3.00 million; 2020: \$2.57 million) primarily relates to Wealth Technologies' core platform, NZX's trading system upgrade and the Network Transformation project

Information Technology

IT costs include additional costs from:

- Cyber security – additional license costs to improve resilience of NZX's clearing and settlement system (BaNCS), plus the modification and strengthening of existing security services and the implementation of additional cyber defence capabilities and security services to mitigate the impact of any future cyber attacks
- Carbon – costs associated with the development and ongoing operation of the new carbon managed auction service for the Ministry for the Environment.
- Energy Electricity Market – utilising third party specialist support to assist with the increased level of development (which is generating additional consulting and development revenue);
- Trading and clearing system costs – impacted by movements in FX rates and contractual inflation rates;
- Data & Insights IT costs – increases in software licences associated with the delivery of customer management data platforms;
- Smartshares Bloomberg AIM and BSKT costs (front and middle office operating system) now reflect a full period after being implemented in Q4-20; and
- Wealth Technologies additional data feeds, data hosting and software license costs relating to new clients

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 (2021: \$0.72 million; 2020: \$0.54 million)

Marketing

Marketing spend increased for the Issuer Relationship team, with additional membership of various industry groups to identify listing opportunities

Marketing spend remains low for the Investor relations program, marketing the exchange business, and Smartshares branding promotion

Professional Fees

Professional fees include those relating to:

- set up costs for the dairy derivatives partnership with SGX, and costs associated with the development of the new carbon managed auction service for the Ministry for the Environment.
- Smartshares investments for growth includes the costs associated with exploring potential acquisition opportunities;
- the assurance programme – internal audits, internal control reports, energy audits and consulting obligations under the Electricity Authority contracts, annual conflicts review;
- terminal royalty audit fees which vary in proportion to audit revenue; with costs and revenues recognised on a gross basis and
- EEX royalty fees relating to the carbon managed auction service

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 increase relates to renewed travel (relative to the H1-20 COVID period), plus higher insurance and compliance costs

Non-operating Income and Expenses

	June 2021	June 2020	Change
	\$000	\$000	Fav/(unfav)
Interest income	174	534	(67.4%)
Interest on lease liabilities	(122)	(215)	43.3%
Other interest expenses	(1,183)	(1,181)	(0.2%)
Amortised borrowing costs	(40)	(37)	(8.1%)
Net gain/(loss) on foreign exchange	(3)	141	(102.1%)
Net finance expenses	(1,174)	(758)	(54.9%)
Depreciation of PP&E	(428)	(482)	11.2%
Amortisation of lease assets	(654)	(613)	(6.7%)
Amortisation of intangibles	(3,715)	(2,947)	(26.1%)
Total depreciation and amortisation	(4,797)	(4,042)	(18.7%)
Loss on disposal of assets	(112)	-	N/A
Tax expense	(3,225)	(3,667)	12.1%
Total net other expenses	(9,308)	(8,467)	(9.9%)

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 expenses have increased due to amortisation on Wealth Technologies capitalised costs in late 2020 relating to the core platform's refinement and the completed migrations of new clients

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

Financial Position and Cash Flows



Balance Sheet

	June 2021 \$000	June 2020 \$000	Change Fav/(unfav)
Current assets			
Cash and cash equivalents	41,325	41,420	(0.2%)
Receivables and prepayments	23,179	20,798	11.4%
Funds held on behalf of third parties	135,643	121,159	12.0%
Total current assets	200,147	183,377	9.1%
Non-current assets			
Right-of-use lease assets	4,456	6,199	(28.1%)
Other non-current assets	77,007	71,984	7.0%
Total non-current assets	81,463	78,183	4.2%
Current liabilities			
Trade payables	8,261	5,257	(57.1%)
Other current liabilities	19,476	17,793	(9.5%)
Lease liabilities	1,052	1,657	36.5%
Funds held on behalf of third parties	135,643	121,159	(12.0%)
Total current liabilities	164,432	145,866	(12.7%)
Non-current liabilities			
Interest bearing liabilities	38,940	38,871	(0.2%)
Lease liabilities	5,232	7,267	28.0%
Other non-current liabilities	3,787	3,584	(5.7%)
Total non-current liabilities	47,959	49,722	3.5%
Net assets/equity	69,219	65,972	4.9%

Cash and cash equivalents includes:

- Clearing House risk capital (\$20 million) which is not available for general use;
- Clearing House also complies with International Organisation of Securities Commissions principles requiring retention of sufficient working capital (including cash of approximately \$2.6 million); and
- Smartshares maintains sufficient net tangible assets in accordance with its license requirements (including cash of approximately \$3.9 million)

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

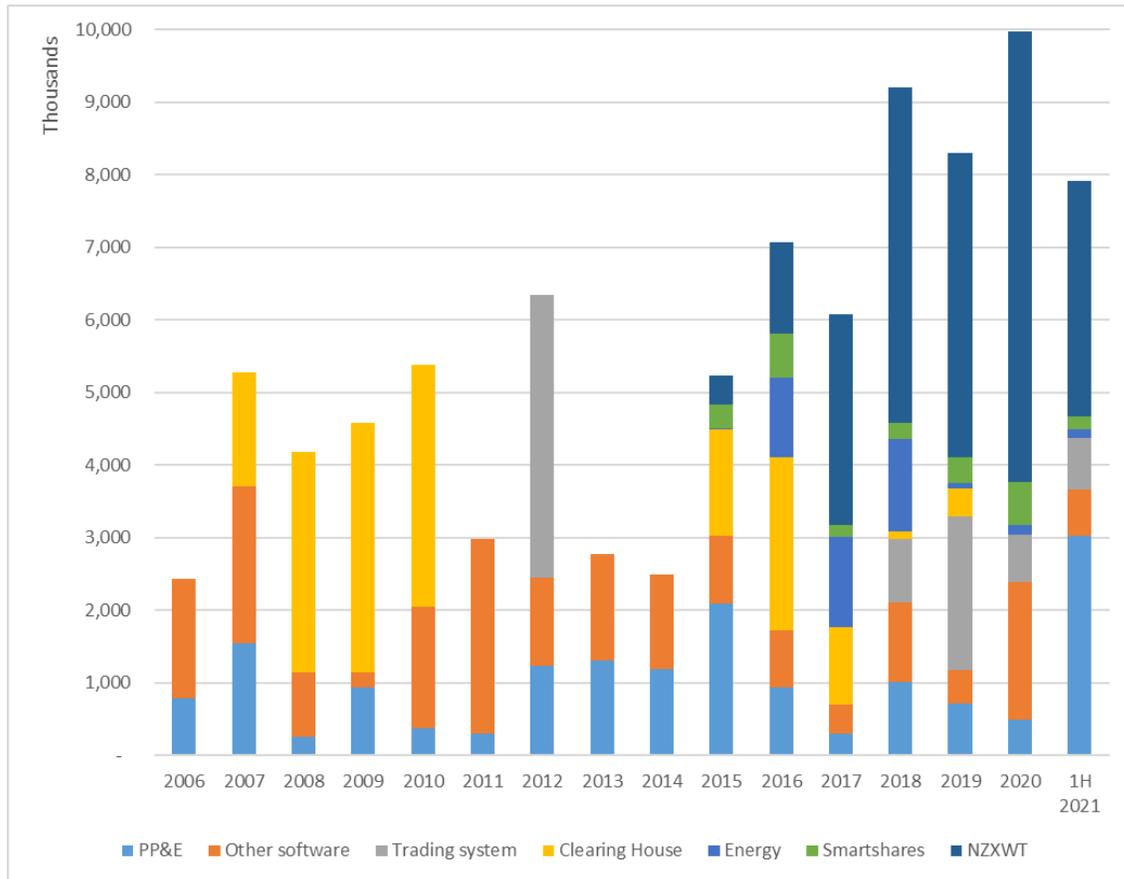
Right-of-use lease assets and the lease liabilities relate to leased premises and IT equipment

Other non-current assets consist of property, plant & equipment, intangible assets and goodwill

Other current liabilities includes income in advance related to annual listing (billed on 30 June each year), data subscriptions, employee benefits payable, 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

As expected, H1-21 CAPEX is higher, including:

- Technology upgrades and enhancements – of the NZX technology architecture and the Network Transformation project which strengthens NZX’s cyber security;
- The establishment of a Capital Markets Centre in Auckland; and
- Trading System upgrade

Additional focus for H2-21 includes:

- Technology upgrades – continued enhancements of NZX technology architecture and the Network Transformation project, as well as NZX.com capabilities, and automation of the Depository system and processes;
- Finalisation of the Capital Markets Centre in Auckland, including replacement of the old ticker; and
- Preparing for the Clearing System upgrade which is expected in 2022/23

Growth Businesses

Wealth Technologies CAPEX relates primarily to migration of new clients onto the platform

Smartshares CAPEX relates to the delivery of digital tools for improved client servicing and efficiency. This is important to the successful implementation of the new KiwiSaver Default Scheme i.e. automation of the migration of new KiwiSavers and their client experience

Cash Flows

	June 2021 \$000	June 2020 \$000	Change Fav/ (unfav)
Operating activities	3,854	6,837	(43.6%)
Investing activities	(7,903)	(5,081)	(55.5%)
Financing activities	(7,401)	(8,076)	(8.4%)
Net decrease in cash and cash equivalents	(11,450)	(6,320)	(81.2%)

Operating activities

- Cash flow from operating activities includes net interest and income tax paid
- The decrease reflects a lower 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 new Auckland office fit out;
 - The Trading System upgrade; and
 - Technology upgrades and enhancements, including to the NZX technology architecture, 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.

Interim Dividend and 2021 Earnings Guidance



Interim Dividend

Final Dividend

- The Board has declared a fully imputed interim dividend of 3.0 cents per share
- Dividend to be paid on 24 September 2021 to shareholders registered as at 10 September 2021

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

2021 Earnings Guidance

NZX is maintaining its full year 2021 Operating Earnings* to be in the range of \$32.0 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, 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.

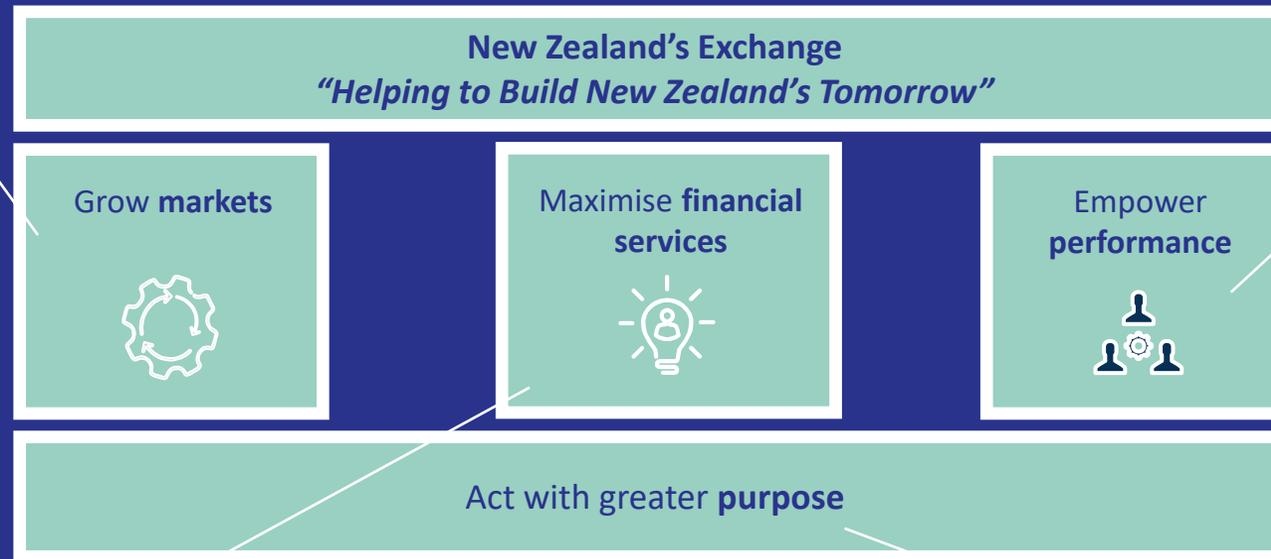
* Operating earnings is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

NZX's Strategy



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



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

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

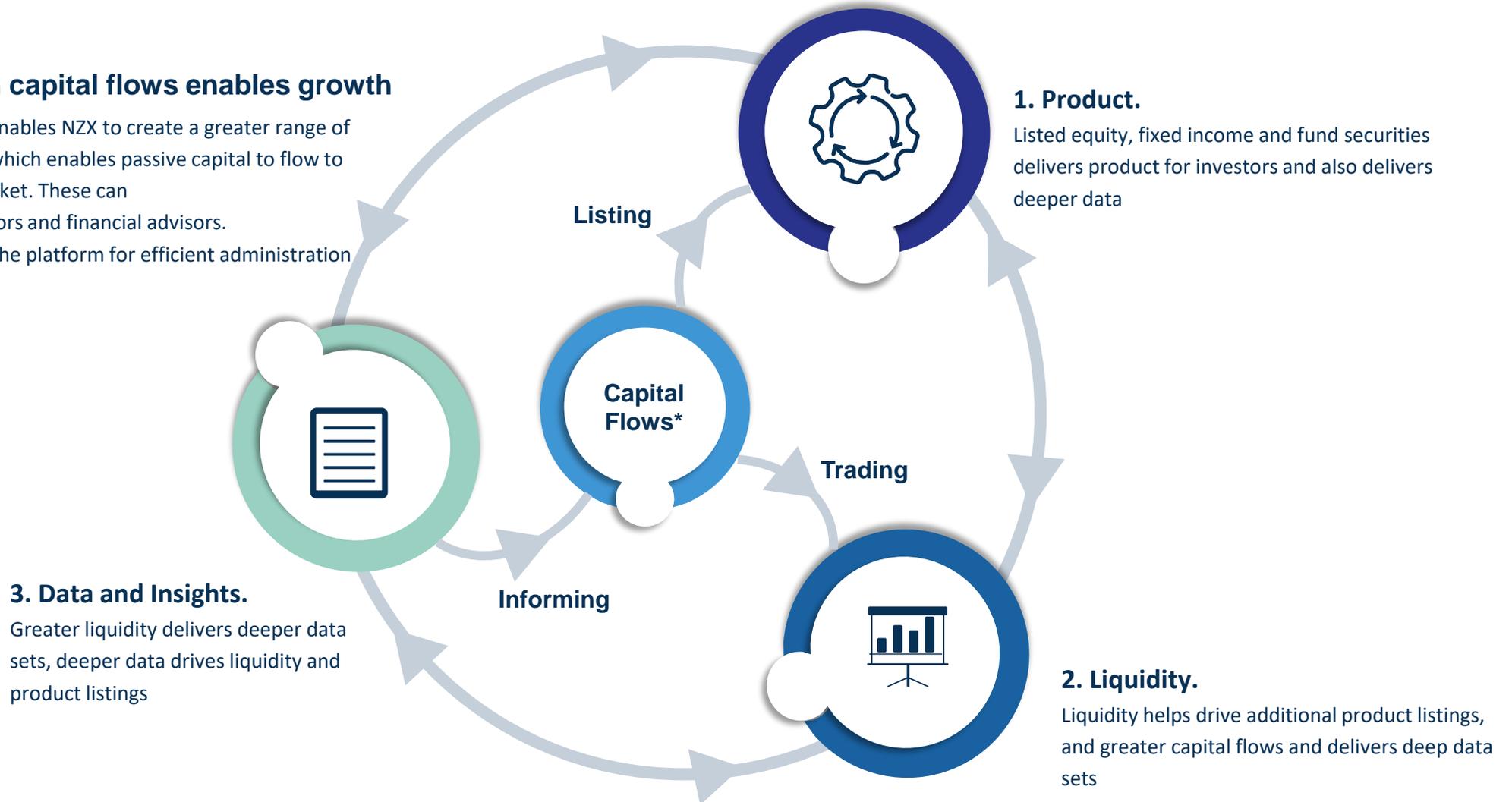
“By combining the needs of our customers, with innovation and modern technology we build enduring markets to deliver capital pathways, investment opportunities and economic success for New Zealand”

NZX 2.0 is a financial markets model structured to enable a virtuous circle of growth



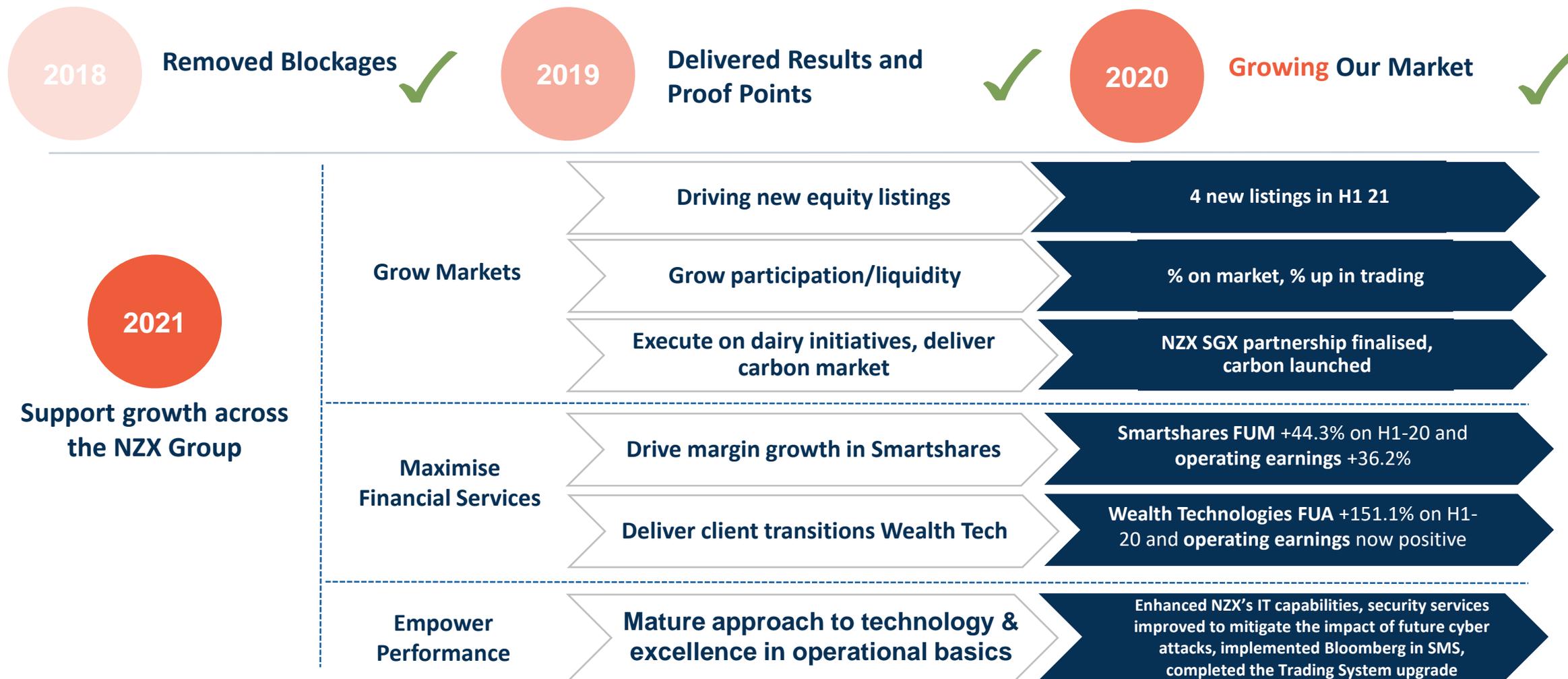
*Driving scale in capital flows enables growth

Scale in Smartshares enables NZX to create a greater range of investment products which enables passive capital to flow to wider parts of the market. These can be available for investors and financial advisors. Wealth Tech delivers the platform for efficient administration of investments



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

NEW ZEALAND'S EXCHANGE



Support growth across the NZX Group

Building a sustainable business and ESG strategy anchored in our vision and purpose...

“Helping to Build New Zealand’s Tomorrow”

“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”

Strong ESG Market Leadership - Creating transparency



Facilitating the carbon market and green bonds

- Carbon Auction launched March 2021 - Enables businesses to offset as they transition to lower carbon activity. Plans to grow in this space
- Carbon Efficient Index - Enabled visibility and transparency of carbon efficiency to the market and our issuers to encourage behavior change
- Green Bonds - \$8.775 billion of Green and Sustainable bonds listed on the NZDX. Continued interest from issuers and investors will drive growth in this space.



Gender Equality

- Issuer gender diversity statistics provide transparency on behaviour change



ESG Initiatives

- ESG report providing guidance to issuers and transparency across progress in measuring the impact of behavior change
- Creating a platform to cross pollinate ESG knowledge (webinars/podcasts)
- Partnering with global agencies on data collection, e.g. ESG scores on listed companies while supporting efforts on required behavior change
- NZX 1:1 accessibility supporting our customers on their ESG journey with guidance and connection
- Smartshares’ product suite expanded to include ESG shares ETFs

NZX focus

We are on a similar journey as our customers. The key is to look for continual improvement and focus on three key areas of impact.

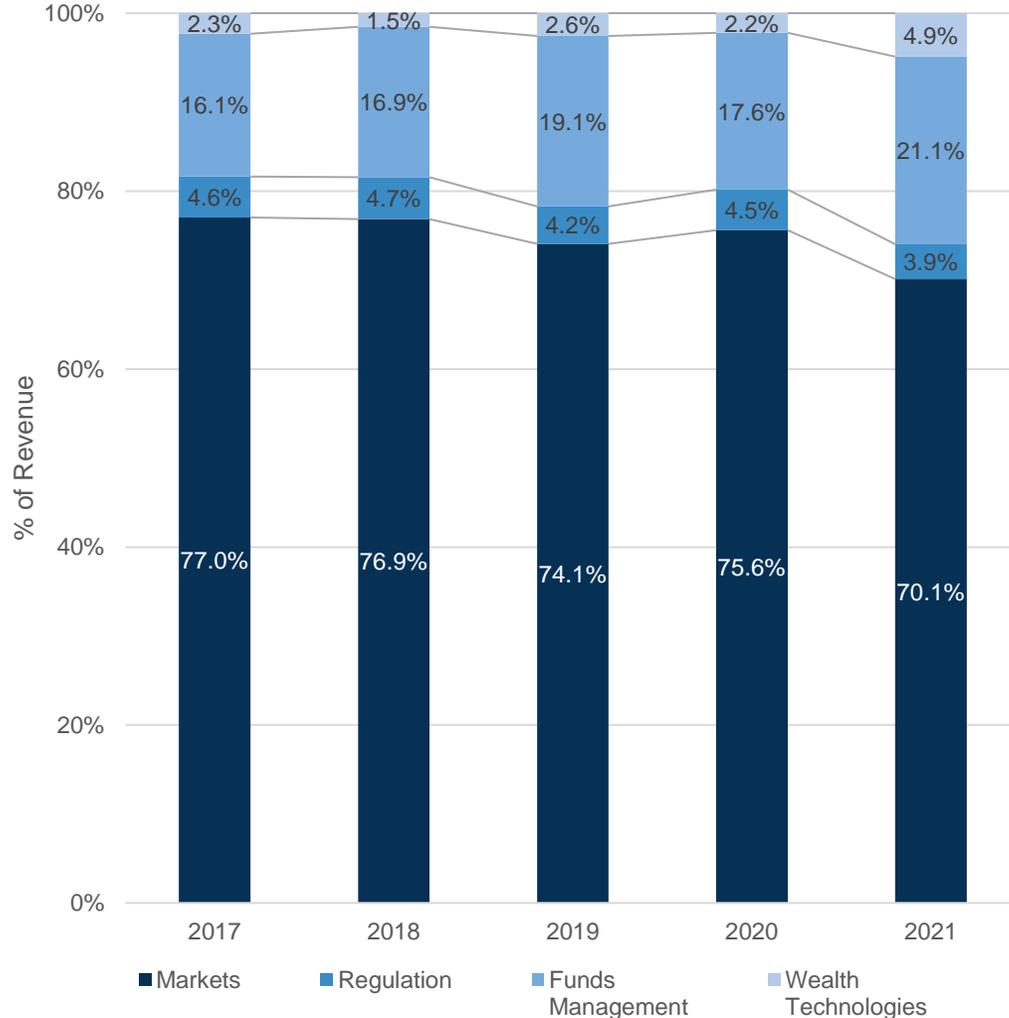
1. Leading customer behaviour change – will improve impact across NZ and our own
2. Key measures internally:
 - a) Validated measure of carbon intensity – target 18 months to have all
 - b) Gender equality, including continual pay gap analysis and adjustment
 - c) Wellbeing – measured through biannual GPS
3. Continued enhancement of governance arrangements:
 - a) Structural separation of regulatory activities (RegCo) from NZX's commercial activities, including implementation of a separate permanent RegCo board
 - b) Establishment of a specialist technology committee to provide oversight in executing NZX's technology strategy
 - c) Continued participation in the Future Director programme to help identify and grow the next generation of directors for New Zealand, with the appointment of Victoria Newman from 1 July 2021

Next steps - understanding the measures and creating key focus areas for behaviour change

- a) Carbon emission adaption
- b) Gender Equality improvement
- c) Focus on Diversity and Inclusion

Building a diverse but connected business

Diversified, scalable and resilient business portfolio serves as a strong basis for future growth



- The Funds Management and Wealth Technologies businesses now account for 26.0% of revenues (H1-20: 19.8%)
- Additionally the Secondary Markets segment includes the growth businesses - Dairy and Carbon commodity markets
- The growth businesses are early in their growth life cycle and will continue to grow as a % of revenue (and ultimately operating earnings)

Questions?



Appendix



Appendix 1: Segmental Analysis

Operating Earnings By Business Unit

Six months ended 30 June 2021 \$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	6,795	14,339	8,626	29,760	8,941	2,074	11	40,786	1,665	42,451
Operating expenses				(8,988)	(5,034)	(1,946)	(7,863)	(23,831)	(1,682)	(25,513)
Operating earnings				20,772	3,907	128	(7,852)	16,955	(17)	16,938
FTEs				77.1	51.4	61.7	60.2	250.4	16.5	266.9
Operating margin				69.8%	43.7%	6.2%	N/A	41.6%	N/A	39.9%

Six months ended 30 June 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	7,291	13,334	8,207	28,832	6,760	849	189	36,630	1,742	38,372
Operating expenses				(6,916)	(3,891)	(1,382)	(7,011)	(19,200)	(1,622)	(20,822)
Operating earnings				21,916	2,869	(533)	(6,822)	17,430	120	17,550
FTEs				68.1	49.8	50.3	51.7	219.9	19.5	239.4
Operating margin				76.0%	42.4%	(62.8%)	N/A	47.6%	N/A	45.7%

Notes:

- Markets is the integrated business that supports the growth of NZ capital markets with the revenue generating BUs being:
 - 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 and Market operator for Fonterra Co-Operative Group, the Electricity Authority and the Ministry for the Environment; and
 - Data & Insights – provider of data 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.
- Funds Management (Smartshares Limited) – comprises the SuperLife superannuation and KiwiSaver products and Smartshares Exchange Traded Funds
- Wealth Technologies (NZX Wealth Technologies Limited) – provides a platform that enables advisers and brokers to manage client investments
- Regulation (NZX Regulation Limited – is the independently-governed agency which performs all of NZX's frontline regulatory functions, this ensures structural separation of the Group's commercial and regulatory roles.
- 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 (other than NZ RegCo)
- 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.

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	June 2021	June 2020	Change Fav/(unfav)
Equity market capitalisation	\$179.1 billion	\$158.5 billion	13.0%
Funds market capitalisation	\$7.0 billion	\$5.0 billion	41.3%
Debt market capitalisation	\$41.4 billion	\$36.7 billion	12.7%
Total Market Capitalisation	\$227.5 billion	\$200.2 billion	13.6%
Primary capital raised	\$3.4 billion	\$2.3 billion	46.9%
Secondary capital raised	\$3.9 billion	\$5.9 billion	(33.9%)
Total capital raised	\$7.3 billion	\$8.2 billion	(10.6%)
Operating Revenue	June 2021 \$000	June 2020 \$000	Change Fav/(unfav)
Annual listing fees (net of internal revenue allocation)	4,981	4,888	1.9%
Primary listing fees	555	208	166.8%
Secondary issuance fees	1,259	2,195	(42.6%)
Total operating revenue	6,795	7,291	(6.8%)

Highlights

- Total capital (primary and secondary) raised \$7.3 billion
- Listings during H1-21 were:
 - IPO - My Food Bag Limited (MFB),
 - Direct Listings – Third Age Health Services Limited (TAH) and NZ Automotive Investments Limited (NZA)
 - Foreign Exempt Listing – DGL Corporation (DGC)
- Green Bonds – Mercury NZ \$200 million (supporting NZ’s transition to a low emissions future), and PPNZ \$150 million (to finance or refinance energy efficient buildings)
- Other sustainable and ethical investment capital raised included Housing New Zealand (Kāinga Ora) issuing further 2028 Wellbeing bonds (\$600m) supporting the development of good quality, affordable housing
- Team very active in terms of contacting new companies and engaging with the ecosystem across investment banks, law firms, accounting firms, private equity and sponsorship partners to drive new listings opportunities
- Planned a number of “Listing your company” and “Raising capital in New Zealand” events with partners including NZTE, ASB, Syndex, and Angel Association New Zealand

Operating revenue

- The Annual listing fee year runs from 1 July to 30 June; hence the H1-21 fees are based on market capitalisation at 31 May 2020. Annual listing fees have been positively impacted by the growth in equity market capitalization, and the growth in number and value of debt instruments
- Primary listing fees driven by increased levels of new capital listed and new retail debt listings
- Secondary listing fees driven by lower levels of equity and retailed debt raised

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	June 2021	June 2020	Change Fav/(unfav)
Number of trades	8.04 million	5.89 million	36.5%
Total value traded	\$27.1 billion	\$27.9 billion	(2.8%)
Percentage of value on-market	63.8%	62.4%	2.3%
Depository assets under custody (at period end)	\$5.4 billion	\$3.7 billion	44.3%
Dairy derivatives lots traded	139,950	205,626	(31.9%)
Number of participants	32	34	(5.9%)
Operating Revenue	June 2021 \$000	June 2020 \$000	Change Fav/(unfav)
Participant services revenue (net of internal revenue allocation)	357	366	(2.5%)
Securities trading revenue	2,640	2,863	(7.8%)
Securities clearing revenue	4,190	4,466	(6.2%)
Dairy derivatives revenue	522	773	(32.5%)
Consulting and development revenue	1,856	339	447.5%
Contractual revenue	4,774	4,527	5.5%
Total operating revenue	14,339	13,334	7.5%

Highlights

- Value traded \$27.1 billion with record on-market trading activity 63.8% and record number of trades at 8.0 million for the period
- The total number of Trading, Clearing, Depository and Sponsor Participants has reduced by 2 since December 2020. NZX saw the resignation of Tiger Brokers and the amalgamation of OM Financial into Jarden
- BNP Paribas is expected to become a General Clearing Participant in late 2021
- Trading system upgrade project went live in early August 2021, with the launch of NZX DARK (the midpoint order book) expected in 2022

Highlights (continued)

- NZX Clearing consultation on Recovery and Resolution planning continues
- NZX Depository business continues to grow with an increased value of assets under custody (+44.3%) and value of OTC transactions (+4.9%) largely due to depository participant, BNP, and its underlying client's assets increasing.
- Dairy derivatives – the global partnership to grow NZX's dairy derivatives market with the Singapore Exchange (SGX) is planned to go live in late H2-21 (subject to regulatory approvals)
- Energy – successfully launched a carbon managed auction service in partnership with the European Energy Exchange (EEX)
- Energy – the Real Time Pricing multi year project continues to achieve milestones

Operating revenue

- Participant services revenue relates to the reduced number of market participants (from 34 to 32; with the resignation of Tiger Brokers and the amalgamation of OM Financial into Jarden), partially offset by increased fees from 1 July 2020
- Securities trading revenue has been adversely impacted by uncharged value traded (mainly caused by large index rebalance trading days where fees on value traded exceeds the fee cap), which has increased to 10.9% (2020: 7.9%)
- Securities clearing revenue has been negatively impacted by cleared value as well as lower levels of clearing margin, clearing penalties and depository registry transfer fees.
- Dairy derivatives revenue has been adversely impacted by lower lots traded, which have been impacted by the low volatility of GDT prices during the period, and with ongoing COVID travel restrictions continuing to inhibit global marketing and events activity.
- Contractual revenue in line with long term contracts with the Electricity Authority, Fonterra and the carbon managed auction service for the Ministry for the Environment
- Consulting and development revenue is being earned through enhancements to the electricity market systems, including the multi year market real time pricing project. As well as finalising the 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	June 2021	June 2020	Change Fav/(unfav)
Terminal numbers (3 month average)	8,580	8,909	(3.7%)
Licences	137	124	10.5%
Proprietary security products subscriptions	311	314	(1.0%)
Dairy data products subscriptions	464	467	(0.6%)
Operating Earnings	June 2021 \$000	June 2020 \$000	Change Fav/(unfav)
Royalties from terminals	3,640	3,360	8.3%
Subscriptions and licences	2,287	2,040	12.1%
Dairy data subscriptions	328	315	4.1%
Indices	504	490	2.9%
Audit and back dated licences	606	829	(26.9%)
Connectivity	1,261	1,173	7.5%
Total operating revenue	8,626	8,207	5.1%

Highlights

- Recurring revenue (i.e. excluding audit and back dated licenses revenue) increased 8.7%:
 - Royalty revenue growth of 8.3% is a mix of professional terminals (higher value - increased 6.2%) and retail terminals (lower value - decreased 26.5% from post H1-20 COVID lockdown peak)
 - Subscription and licences revenue growth of 12.1% reflects continued growth in non-display applications and ability to capture licence revenue streams post audit (resulting in increased license numbers)
 - Indices business growth has been driven through an increase of passive assets under management across the funds management market and additional index data clients
 - Connectivity revenue reflects changing client connectivity requirements
- Audit activity continues to be high, driving one off audit and back dated licencing revenue
- Carbon Efficiency Indices launched, in conjunction with S&P, in May
- Wide area network upgrade completed in May providing increased bandwidth and remote monitoring capability

Operating revenue

- Royalties from terminals revenue increase relates to higher value professional terminal numbers increasing, partially offset by the lower value retail terminal numbers dropping post their peak during the COVID lockdown period
- 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 stabilised after a churn period of dairy subscriptions post disposal of the agri-businesses
- Indices revenue growth has been driven through an increase in funds using the indices as benchmarks across the funds management market and additional index data clients
- Audit and back dated licencing revenue of \$606k (H1-20 \$829k) continues to be 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 ensuring market participants and data vendors are connected to a higher standard of performance and resilience

Appendix 1: Markets

An integrated business that supports the growth of NZ capital markets

Operating Earnings	June 2021 \$000	June 2020 \$000	Change Fav/(unfav)
<i>Operating revenue</i>			
Issuer Relationships	6,795	7,291	(6.8%)
Secondary Markets	14,339	13,334	7.5%
Data & Insights	8,626	8,207	5.1%
Total operating revenue	29,760	28,832	3.2%
<i>Operating expenses</i>			
Gross personnel costs	5,236	4,612	(13.5%)
Less capitalised labour	(325)	(108)	200.9%
Personnel costs	4,911	4,504	(9.0%)
Information technology costs	2,921	1,851	(57.8%)
Professional fees	865	396	(118.4%)
Marketing	220	64	(243.8%)
Other expenses	195	142	(37.3%)
Capitalised overhead	(124)	(41)	202.4%
Total operating expenses	8,988	6,916	(30.0%)
Operating earnings	20,772	21,916	(5.2%)
FTEs (at 30 June)	77.1	68.1	(13.2%)

Operating expenses

Headcount movements, other than changes in vacancies, include additional roles:

- Issuer Relationships – an additional role focused on origination, with active pipeline development and conversion;
- Secondary – a Product Manager role;
- Energy – 4 FTEs to deliver increased levels of consulting and development revenue including the electricity market real time pricing project and the carbon managed auction service; and
- Securities IT – another role (additional to those hired in 2020) to deliver technology solutions to increase trading and clearing system capacity and resilience, and maintain market stability

Operating expenses (continued)

- Personnel costs have increased due to a higher average FTEs, arising from the additional roles recruited during the period. There remain vacancies in the IT team (to address aspects of the FMA Action plan from their NZX Market Operator Obligations Targeted Review) and the Energy team (to deliver increased levels of consulting and development revenue)
- Capitalised labour levels have been higher as the trading system upgrade approached go-live in early August 2021
- Information technology costs are higher due to:
 - Energy Carbon Market – have been using third party specialist support to assist with the development and ongoing support of the carbon managed auction service for the Ministry for the Environment;
 - Energy Electricity Market – have been using third party specialist support to assist with the increased level of development (which is generating additional consulting and development revenue);
 - Trading and clearing system costs – impacted by movements in FX rates and contractual inflation rates; 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 Pricing Manager review and Energy Reconciliations Manager review in the current period);
 - royalty audit fees \$168k (H1-20 \$147k) – which are charged as a proportion of the royalty audit receipts. Royalty audit receipts and audit fees are recognised on a gross basis; and
 - EEX royalty fees relating to the carbon managed auction service
- Marketing costs – the marketing focus has increased for the Issuer Relationship team and includes increased membership of various industry groups to identify listing pipeline opportunities. In H1-20 the marketing costs were lower due to the COVID lockdown period
- Other costs - travel costs have been higher than H1-20 during the COVID lockdown period

Appendix 1: Smartshares

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

Strategic metrics	June 2021	June 2020	Change Fav/(unfav)
Net cash flow	\$383 million	\$213 million	79.8%
Fund Under Management (external FUM)	\$5.69 billion	\$3.95 billion	44.3%
Operating Earnings	June 2021 \$000	June 2020 \$000	Change Fav/(unfav)
<i>Operating revenue</i>			
FUM based revenue (net of fund related expenses)	7,605	5,607	35.6%
Member based revenue	1,098	915	20.0%
Other revenue	238	238	0.0%
Total operating revenue (net of fund related expenses)	8,941	6,760	32.3%
<i>Operating expenses</i>			
Gross personnel costs	3,190	2,883	(10.6%)
Less capitalised labour	(121)	(55)	120.0%
Personnel costs	3,069	2,828	(8.5%)
Information technology costs	445	65	(584.6%)
Professional fees	1,109	598	(85.5%)
Marketing	148	186	20.4%
Other expenses	310	223	(39.0%)
Capitalised overhead	(47)	(9)	422.2%
Total operating expense (excluding fund related expenses)	5,034	3,891	(29.4%)
Operating earnings	3,907	2,869	36.2%
FTEs (at 30 June)	51.4	49.8	(3.2%)

The Corporate Services business unit provides accommodation, legal, accounting, IT, HR, communications and marketing support at a no transfer pricing charge

Highlights

- Continued growth in member numbers / unitholders, positive cash flows (H1-21: \$383m) and Funds Under Management (FUM) to \$5.69b
- KiwiSaver Default provider - Smartshares selected as a default provider effective from December
- Transitional Financial Advice Provider licence obtained in March
- Continued maturing of the operations, particularly IT with Bloomberg implemented for ETF Basket Creation/Redemption (BSKT) and order management (AIM)
- Investments for growth including exploring acquisition opportunities

Operating revenue

- FUM based revenue positively impacted by higher average FUM +43.0% (2021: \$5.44b, 2020: \$3.81b) over the period which is a combination of market returns and positive net cash flows
- Member based revenue has increased, reflecting a mix of increased investor numbers, a reduction in some annual admin fees charged to members effective from 1 April 2021, and H1-20 including a historical pricing provision (\$328k)
- Other revenue has been impacted negatively by the decrease in OCR and positively by the commencement of stock lending services in Q2 2020

Operating expenses

- Headcount does not reflect the high number of vacancies at June 2021. The overall headcount has grown particularly the sales team and customer services resources to support client and FUM growth
- Personnel costs have increased due to 2021 having higher average FTEs, arising from growth in sales and customer services resourcing to support growth, partly offset by a higher level of capitalised labour
- Information Technology costs reflect a full period of the Bloomberg AIM and BSKT costs (front and middle office operating system) which was implemented in Q4-20
- Professional fees investments for growth includes the costs associated with exploring potential acquisition opportunities
- Marketing spend has remained lower post COVID. In H2-21 there will be targeted marketing on the launch of new funds.
- Other expenses include the FMA Levies (which has increased as FUM is >\$5b) and MBIE costs for lodging Product Disclosure Statement, as well as travel and non-recoverable GST

Appendix 1: Wealth Technologies

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

Strategic metrics	June 2021	June 2020	Change Fav/(unfav)
Funds Under Administration (FUA)	\$7.73 billion	\$3.08 billion	151.1%
Operating Earnings	June 2021 \$000	June 2020 \$000	Change Fav/(unfav)
<i>Operating revenue</i>			
Administration (FUA based) fees	1,929	778	147.9%
Development fees / deferred income release	145	71	104.2%
Total operating revenue	2,074	849	144.3%
<i>Operating expenses</i>			
Gross personnel costs	4,167	3,677	(13.3%)
Less capitalised labour	(2,371)	(2,366)	0.2%
Personnel costs	1,796	1,311	(37.0%)
Information technology costs	470	326	(44.2%)
Professional fees	59	144	59.0%
Marketing	-	1	100.0%
Other expenses	95	73	(30.1%)
Capitalised overhead	(474)	(473)	0.2%
Total operating expenses	1,946	1,382	(40.8%)
Operating earnings	128	(533)	124.0%
FTEs (at 30 June)	61.7	50.3	(22.7%)

The Corporate Services business unit provides accommodation, legal, accounting, IT, HR, communications and marketing support at a no transfer pricing charge

Highlights

- 3 new client contracts signed in H1-21; of which 2 have on-boarding projects underway and we expect FUA to increase to around \$10 billion at year end
- Clients on-boarded in H2-20 have been strongly supported, with their platform operations now firmly established
- Historic clients will start transitioning off the legacy platform in Q3-21
- Pipeline for 2022 looking strong with negotiations and planning underway for another significant client onboarding which will span 2022 and 2023
- Enhanced structure and increased resourcing to enable strong operational excellence while continuing aggressive growth trajectory

Operating revenue

- Administration (FUA based) fees driven by:
 - New platform –new clients FUA migrated onto the platform in late 2020; and
 - OE (legacy) platform – FUA growth of 27%
- Development fees/deferred income release relates to customisation of the wealth management platform specific to client requirements.

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.

The headcount has been increasing as new clients either have been or are in the process of being migrated to the platform. This is expected to continue as future new clients are won
- Personnel costs (net of capitalisation) have increased reflecting sales activity, additional client facing, onboarding and technical staff for new clients and higher recruitment costs
- Capitalised labour \$2.37m (2020: \$2.37m) and capitalised overhead \$0.47m (2020: \$0.47m) reflects continued development and new client migration activity
- Information Technology cost increases are due to additional data hosting, data feeds and software licensing costs relating to new clients
- Professional fees include legal fees, taxation advice and internal control reviews (e.g. ISAE 3402). In 2020, there was a greater level of legal advice on contracts with new clients
- Other expenses include office costs (e.g. electricity, rates, stationery etc), travel, compliance costs and non recoverable GST

Appendix 1: Corporate Services

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

Operating Earnings	June 2021 \$000	June 2020 \$000	Change Fav/(unfav)
<i>Operating revenue</i>			
Sublease revenue	-	135	N/A
Other revenue	11	54	N/A
Total operating revenue	11	189	N/A
<i>Operating expenses</i>			
Gross personnel costs	5,004	4,285	(16.8%)
Less capitalised labour	(183)	(42)	335.7%
Personnel costs	4,821	4,243	(13.6%)
Information technology costs	1,928	1,379	(39.8%)
Professional fees	253	523	51.6%
Marketing	142	125	(13.6%)
Other expenses	1,186	1,104	(7.5%)
Capitalised overhead	(74)	(17)	335.3%
Internal allocation to Regulation	(393)	(346)	13.6%
Total operating expenses	7,863	7,011	(12.2%)
Operating earnings	(7,852)	(6,822)	(15.1%)
FTEs (at 30 June)	60.2	51.7	(16.4%)

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 (other than NZ RegCo)

Highlights

- Currently implementing the FMA Action plan from their NZX Market Operator Obligations Targeted Review. This is driving an uplift in personnel costs and IT costs (both recurring and non-recurring) as we enhance NZX's maturity / capabilities and interactions with the Capital Markets ecosystem participants
- Continued focus on fitness and automation, for example our Network Transformation project is in its VPN security optimisation final phase, and developing our API 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 IT development, project, legal, HR and communications resources to support the growth across the business and current elevated levels of project activity, including to address the FMA Action plan from their NZX Market Operator Obligations Targeted Review
- Personnel costs reflect the additional headcount and a high level of recruitment costs, offset by a higher level of CAPEX for the IT development team
- Capitalised labour levels have been reverted to normal levels for the project management team (with H1-20 having been impacted by the COVID lockdown period, plus the focus on increasing trading and clearing system capacity and maintaining market stability).
- Corporate IT cost increases relate to additional license costs to improve resilience of NZX's clearing and settlement system (BaNCS), plus the modification and strengthening of existing security services and the implementation of additional cyber defence capabilities and security services to mitigate the impact of any future cyber attacks. Additionally IT costs include project costs for the Network Transformation to strengthen NZX's cyber security, which is now in its final phase.
- Professional fees include internal audit fees, annual conflicts etc. H1-20 included the independent external review of the NZX clearing and settlement system (BaNCS) technical issues arising from significantly increased trading volumes, messaging, notifications and shareholder balance enquiries during the COVID lockdown period;
- Marketing activities (such as the investor relations programme and marketing the exchange business) were impacted last year by the COVID 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	June 2021 \$000	June 2020 \$000	Change Fav/(unfav)
<i>Operating revenue</i>			
Issuer regulation services	297	389	(23.7%)
Participant compliance services	32	56	(42.9%)
Surveillance	392	411	(4.6%)
Listing fees & participants services	944	886	6.5%
Total operating revenue	1,665	1,742	(4.4%)
<i>Operating expenses</i>			
Gross personnel costs	1,070	1,163	8.0%
Less capitalised labour	(4)	(2)	100.0%
Personnel costs	1,066	1,161	8.2%
Information technology costs	94	86	(9.3%)
Professional fees	95	15	(533.3%)
Other expenses	35	15	(133.3%)
Capitalised overhead	(1)	(1)	0.0%
Internal costs allocation	393	346	(13.6%)
Total operating expenses	1,682	1,622	(3.7%)
Operating earnings	(17)	120	(114.2%)
FTEs (at 30 June)	16.5	19.5	15.4%

Highlights

- Regulation is structurally separate, in accordance with global best practice, from NZX's commercial and operational activities. Governed by a separate board with an independent Chair and the majority of members independent of the NZX Group.
- SPAC regulatory settings provided to NZX Policy for assessment and consultation
- NZ RegCo is targeted to operate on a cost-neutral basis. Operating earnings before internal revenue and cost allocations was a loss of \$(568)k (2020: \$(420)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 2021 NZ RegCo's level of recoverable fee based revenue has been lower than in 2020 (which had been positively impacted by market activity due to COVID). This has resulted in the operating earnings post internal allocations being \$(17)k (2020: \$120k)

Operating revenue

- Regulatory services fees (including Issuer Regulation, Market Conduct, 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

- Personnel costs are lower due to lower average FTEs in the period (i.e. there are a higher level of vacancies)
- Information technology costs include SMARTS surveillance software costs
- Professional fees primarily relate to NZ RegCo independent directors fees (none in H1-20)
- Other expenses relate to 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 related depository services undertaken by NZX's subsidiary New Zealand Clearing and Depository Corporation. The largest component is clearing fees, which are based on the value of settled transactions.

Dairy derivatives revenue relates to trading, clearing and settlement 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 revenue arises from the operation of:

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

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

Funds Management

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 regulation 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, including market conduct.

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.

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Thank you

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