



# ▶ NZX Investor Day

7 NOVEMBER 2024

# ▶ Who you will be hearing from today



**Mark Peterson**  
NZX Chief Executive



**Graham Law**  
Chief Financial and Corporate Officer



**Anna Scott**  
Smart Chief Executive



**Lisa Turnbull**  
NZX Wealth Technologies Chief Executive



**Jeremy Anderson**  
GM, Listings, Information Services and  
Environmental Markets



**Nick Morris**  
GM, Cash & Derivatives

# ▶ Today's Agenda

## Welcome & Introduction

Mark Peterson

▶ 10.30am

## Capital Markets

Jeremy Anderson & Nick Morris

▶ 10.45am

## Smart

Anna Scott

▶ 11.15am

## NZX Wealth Technologies

Lisa Turnbull

▶ 11.30am

## NZX Value Proposition

Graham Law

▶ 11.45am

## Close

Mark Peterson

▶ 12.15pm

## Important notice ▶

This investor presentation should be read in conjunction with NZX's other periodic and continuous disclosure announcements, and the financial statements in the 2024 Interim Report, which provides additional information on many areas covered in this presentation. These are available at [nzx.com](https://www.nzx.com).

This presentation contains certain 'forward-looking statements' such as indications of, and guidance on, future earnings and financial position and performance.

This includes statements regarding NZX's current assumptions, which are subject to market outcomes, particularly with respect to market capitalisation, total capital listed and raised, secondary market value and derivatives volumes traded, funds under management and administration growth, acquisition integration costs and technology costs.

Additionally, they assume no material adverse events, significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of NZX, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not materially differ from these forward-looking statements.

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

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



# Delivering resilient and scalable growth

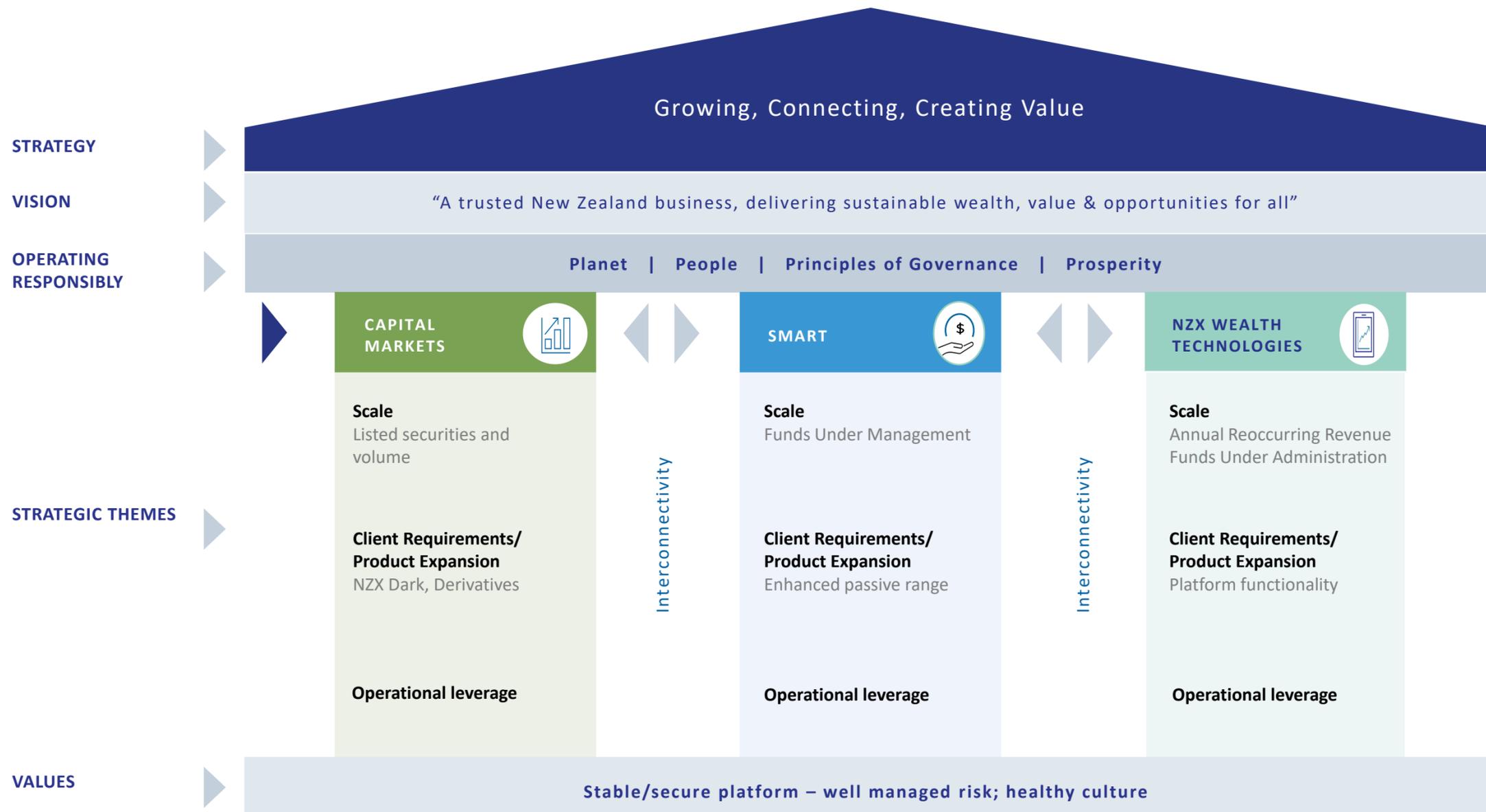


**Mark Peterson**

Chief Executive Officer



# We operate under a **strategic framework with interconnected businesses** driving **scale** and **operating leverage** for shareholders and that **help New Zealand grow**

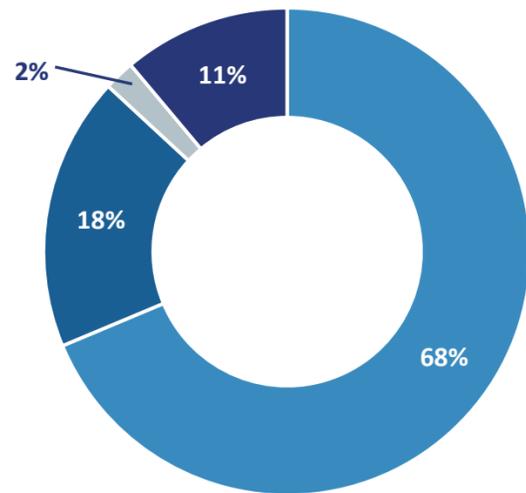


- Assist NZ to grow and improve its productivity
- Three connected and complimentary businesses
- Capital Markets – round out our product offering, build scale in clearing and settlement and capitalise on the operating leverage as markets recover
- Smart – continue the organic growth, invest in our brand, product, client service automation and operating platform
- NZXWT – continue to transition the client demand and capitalise on the competitive position
- Leverage the NZXWT capabilities for Smart
- Operate a well-managed, scalable, secure operations and technology environment

▶ In 2024 the business is now larger and has more diverse revenue streams – which makes it more resilient through cycles

### 2017 HY Revenue

■ Markets ■ Smart (Smartshares) ■ Wealth Technologies ■ Other



2017 HY Revenue: \$36.8M

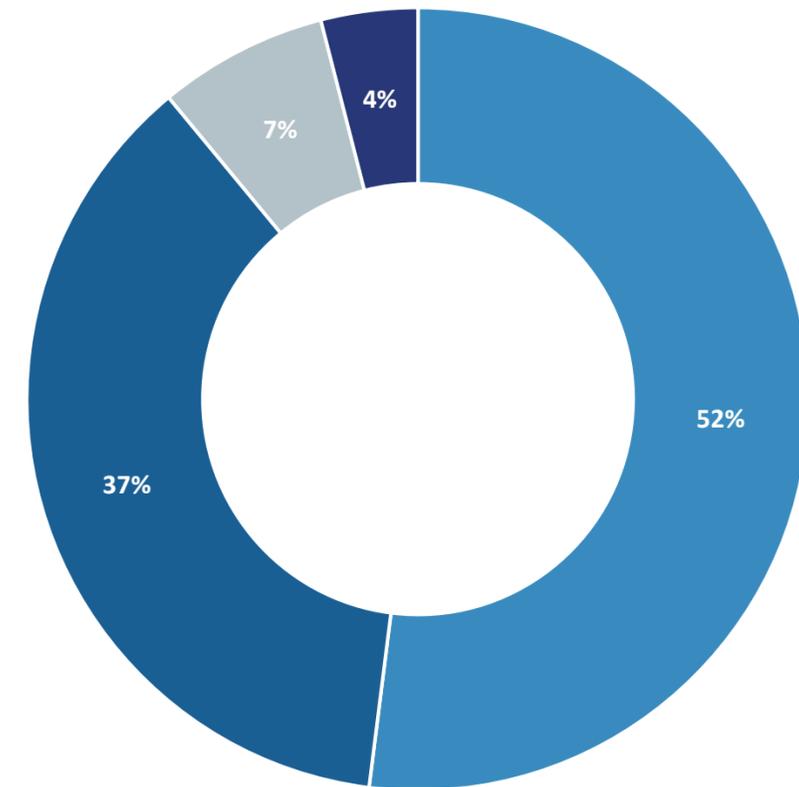
Revenue line susceptible to capital market cycles

+58.2%



### 2024 HY Revenue

■ Markets ■ Smart (Smartshares) ■ Wealth Technologies ■ Other



2024 HY Revenue: \$57.9M

Larger, more diverse and resilient revenue sources – and positioned for further growth

# ▶ What you will hear today

## Capital markets

A tightly managed business which is through the bottom of the cycle and has new product and economic upside with meaningful operating leverage

## Wealth Technologies

Approaching cashflow positive and, with contracted clients, will result in NZX WT becoming NPAT accretive. Client demand and competitive position is strong into the foreseeable future

## 

Structural tailwinds to support future organic growth, will make the appropriate investment to improve market presence, a more efficient client experience and operating margins

## Looking Ahead

A bright future - on the cusp of positive change on many fronts



# Capital Markets

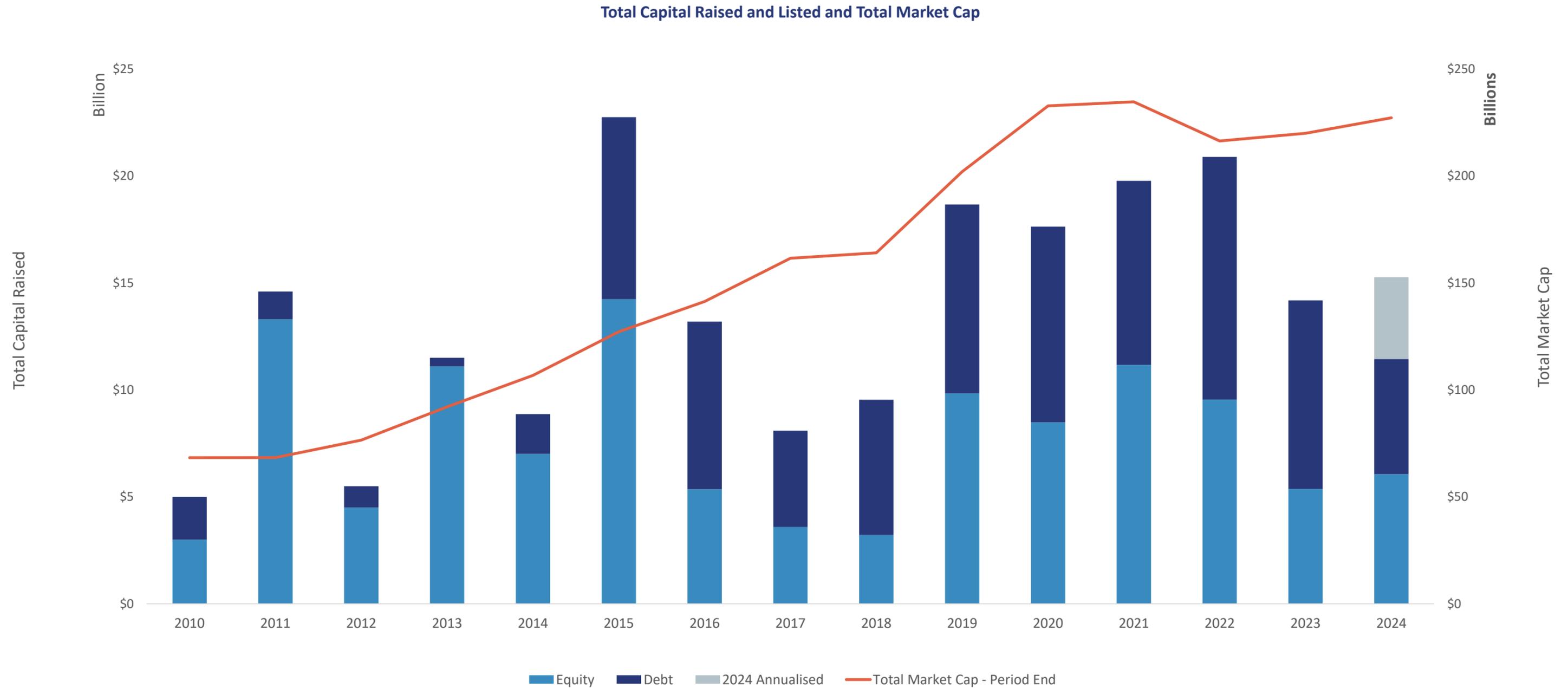


Jeremy Anderson

Nick Morris



▶ **While public markets have faced challenging times, capital market activity is turning**  
 - each \$1b of capital raised and listed generates ~\$380k of revenue to NZX



▶ **New Zealand has a low market capitalisation to GDP ratio.**  
This provides a significant growth opportunity which we are focused on.

**Renewed team focus...**



New leadership in Listings team building on origination model and focus on developing existing issuer relationships



Focus on key opportunity types that are going to drive capital listed/raised as well as total market capitalisation



Improving engagement with key eco-system players and the role that NZX plays in the listing pipeline



Leverage ongoing government engagement with reduced barriers to listing and taking opportunities to represent market voice

**...to capture opportunities**



Total addressable market by number of companies above \$30 million of revenue is 1200 and origination model has provided pipeline



Consistent levels of debt market issuance has enabled reliable revenues throughout the cycles alongside strong growth in GSS bond activity



Foreign companies with strong presence in New Zealand represent significant opportunity



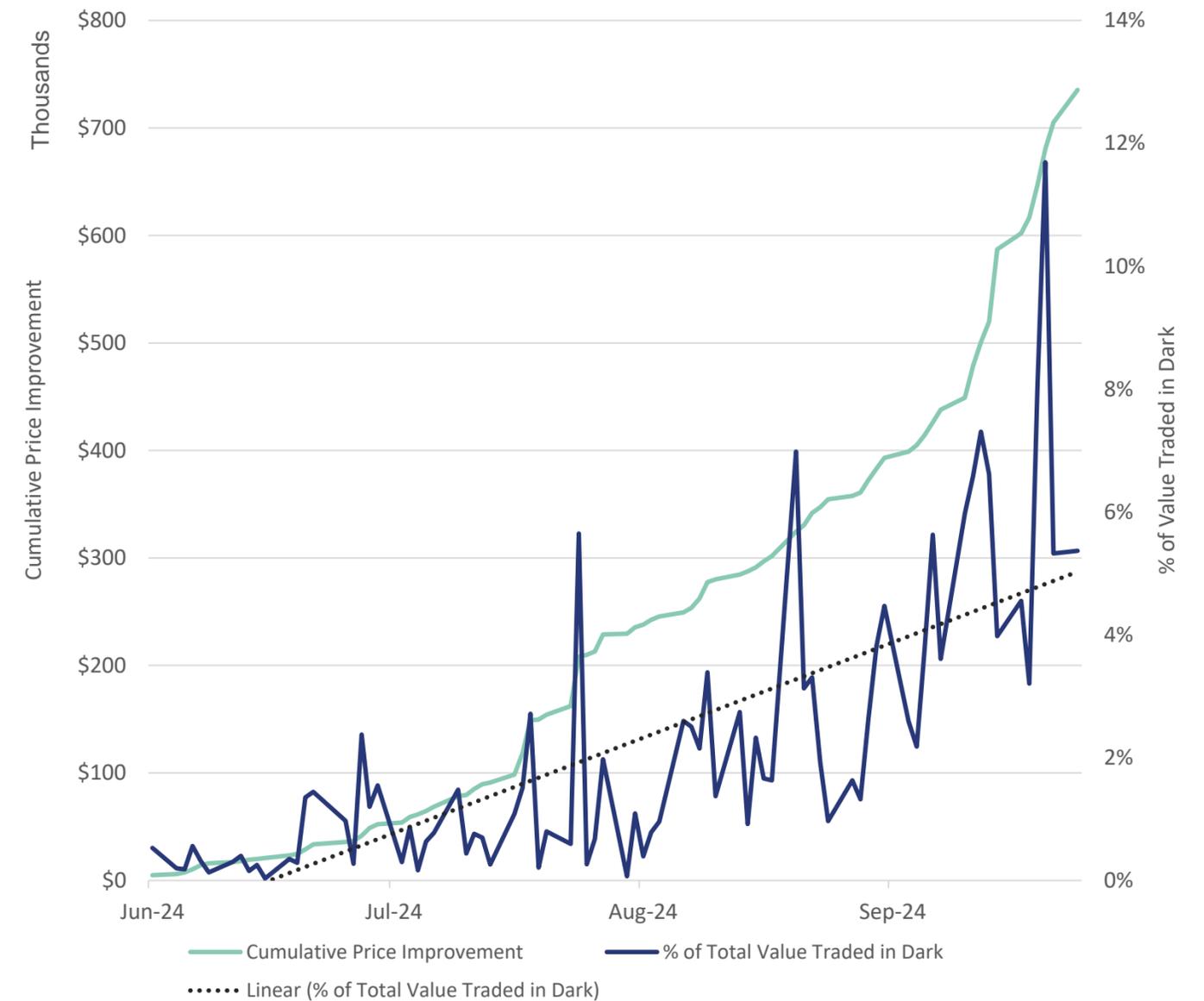
Opportunities to address market capitalisation to GDP ratio seen in several areas including public assets and co-operatives

# As interest rates start to fall, we are seeing a recovery in trading volumes

Each \$bn in traded value is ~\$210k in additional trading and clearing fee revenue\*

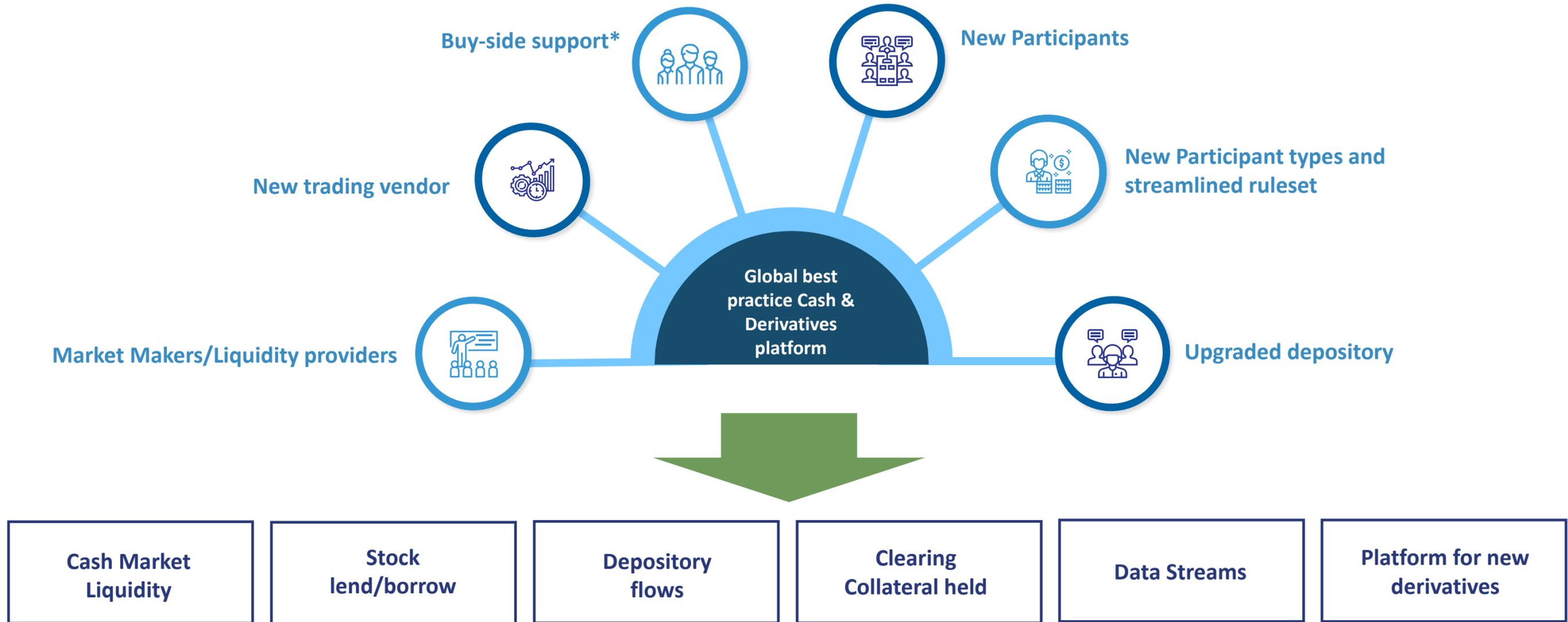


## NZX Dark: delivering liquidity and price improvement



\*excludes other fees associated with increased volume - such as messaging fees, depository, margin fees  
 Bars are rolling six-month periods ended 30 April and 31 October for respective years

# Initiatives underway to further open up NZX's secondary market

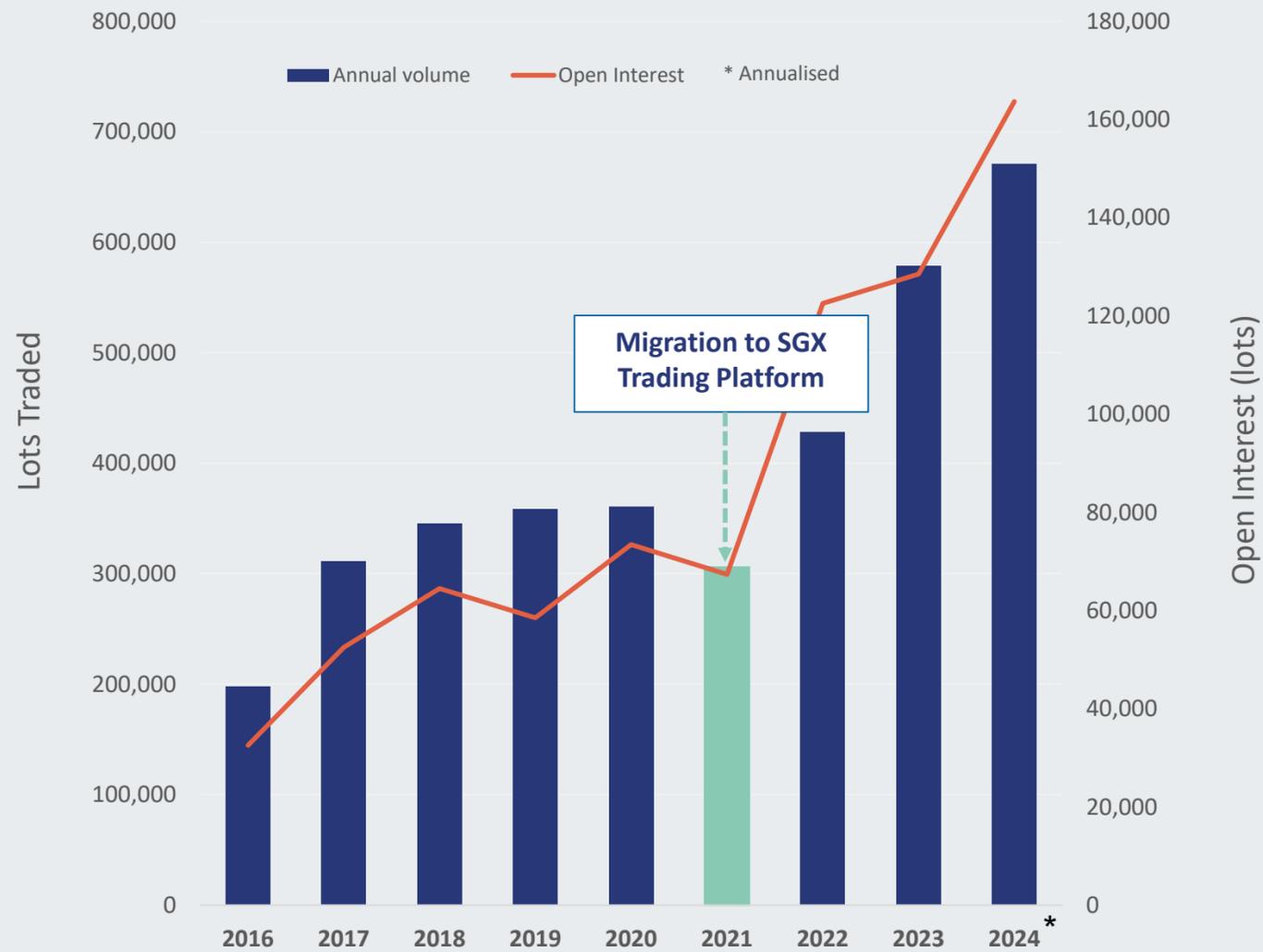


\*NZX has established a 'Cornerstone Group' of institutional end users for the Index Future relaunch project

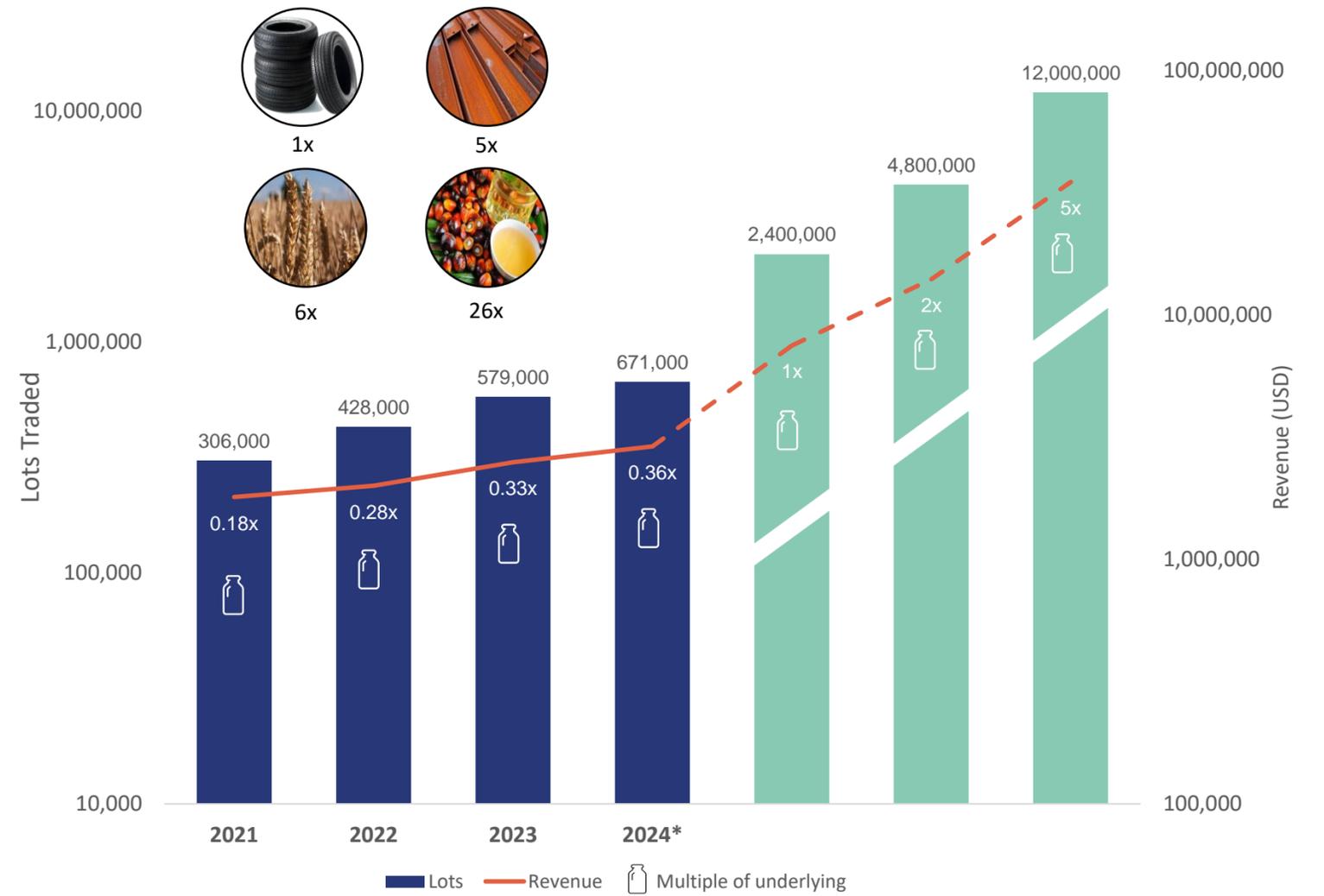
# Dairy derivatives partnership with SGX delivering structural growth

Since migration to SGX:

Average daily volume **+95%** Open interest **+143%** CAGR **+30%**



The opportunity ahead is inline with other global commodity derivatives markets which trade a multiple of the underlying market



Trading volume for 2024 is an annualised estimate based on lots traded for the year-to-date as of September 30. Change in ADV is for 3 months ended September 30, 2024, against 3 months ended September 30, 2021. CAGR uses 2021 lots traded as starting value and the annualised 2024 figure as the ending value.

Multiple of underlying includes Milk Futures and Options which have a larger contract size than ingredient at 6000 kgMS per contract.

\* Annualised

## ▶ Key Messages



**Broaden Participation  
and Product**



**Develop Policy and Technology**

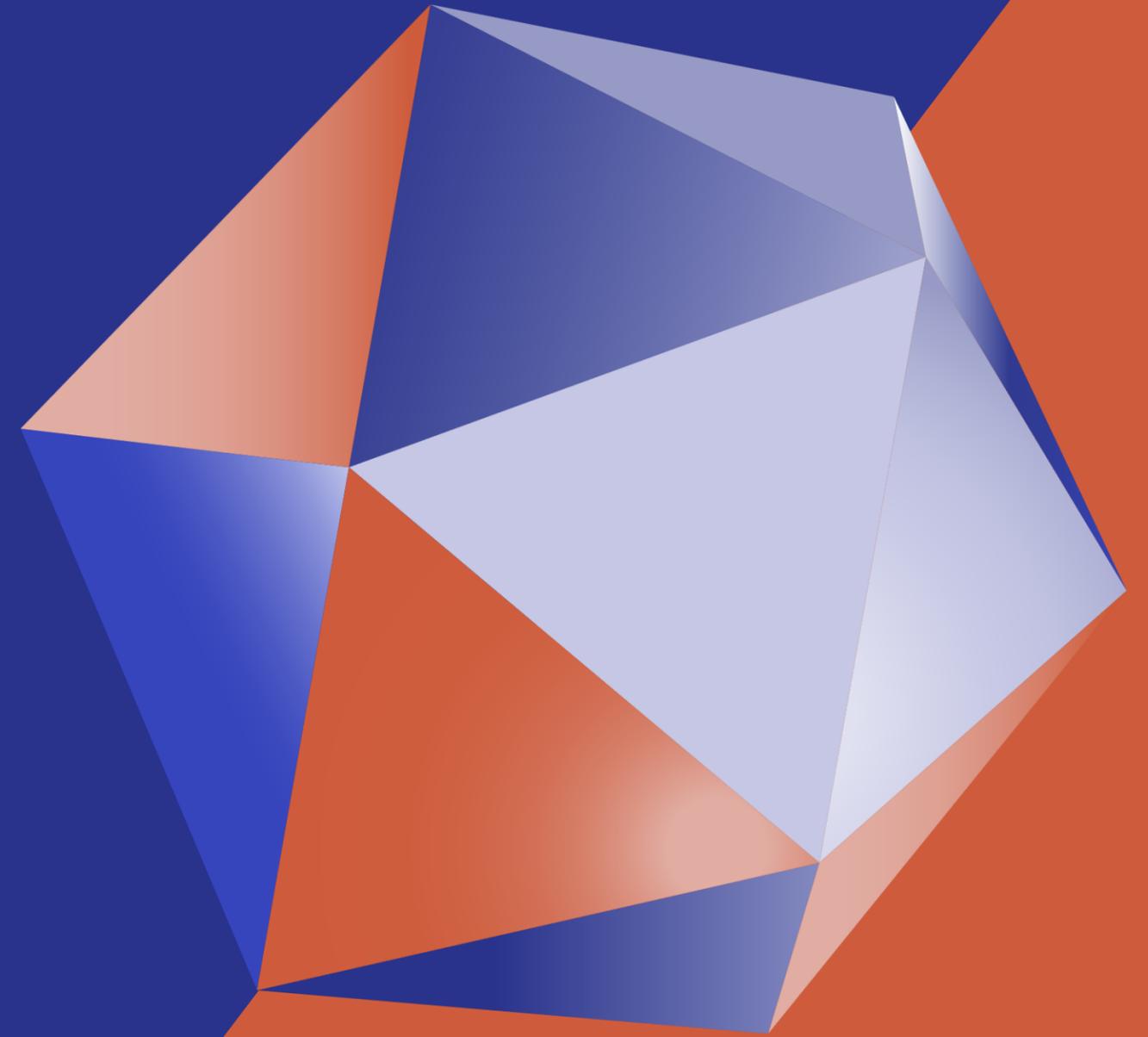


**Customer Growth**



**Leverage Partnerships**

**smart**



**Anna Scott**

# Our brand change is a foundational step in our growth plans.

This consolidates a wide range of funds, products & services from a single trusted source

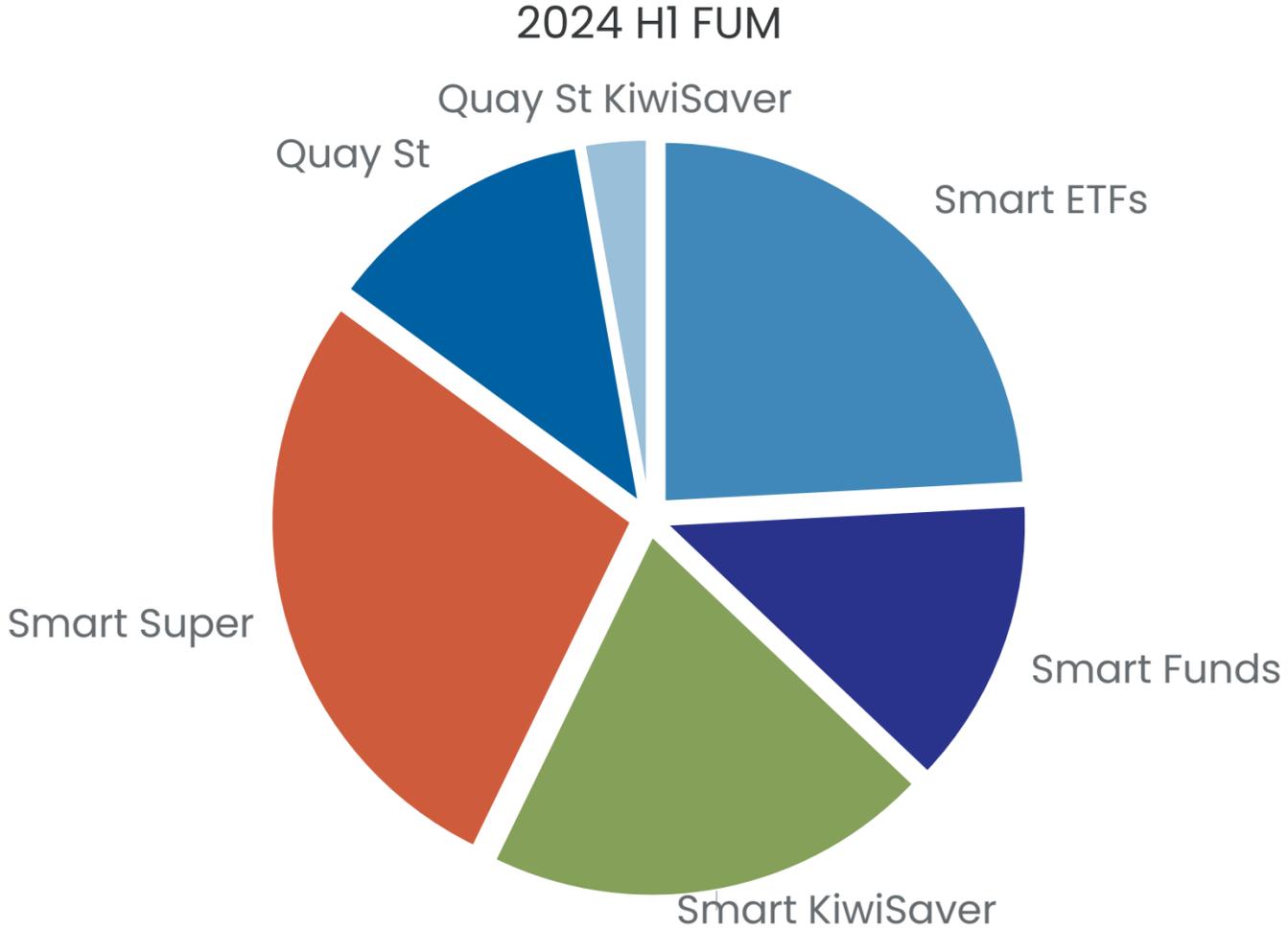
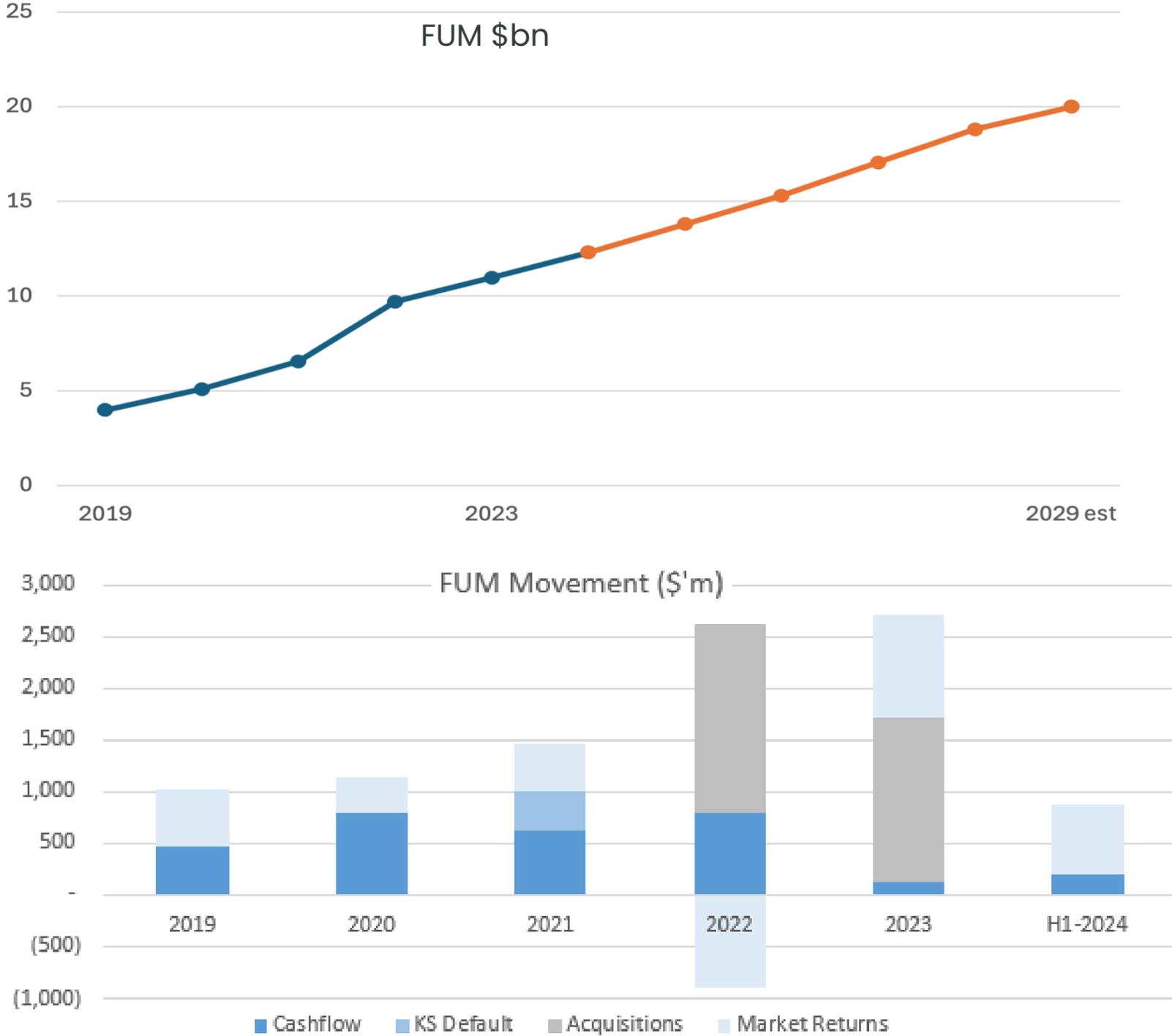
## Smartshares Limited



## The wise invest Smart

Increased market awareness and sales focus – both direct and through partner distribution channels

# Smart has multiple complimentary business areas, giving multiple sources of positive FUM flows



# Delivering investment choice

Smart offers a wide range of fund building blocks...

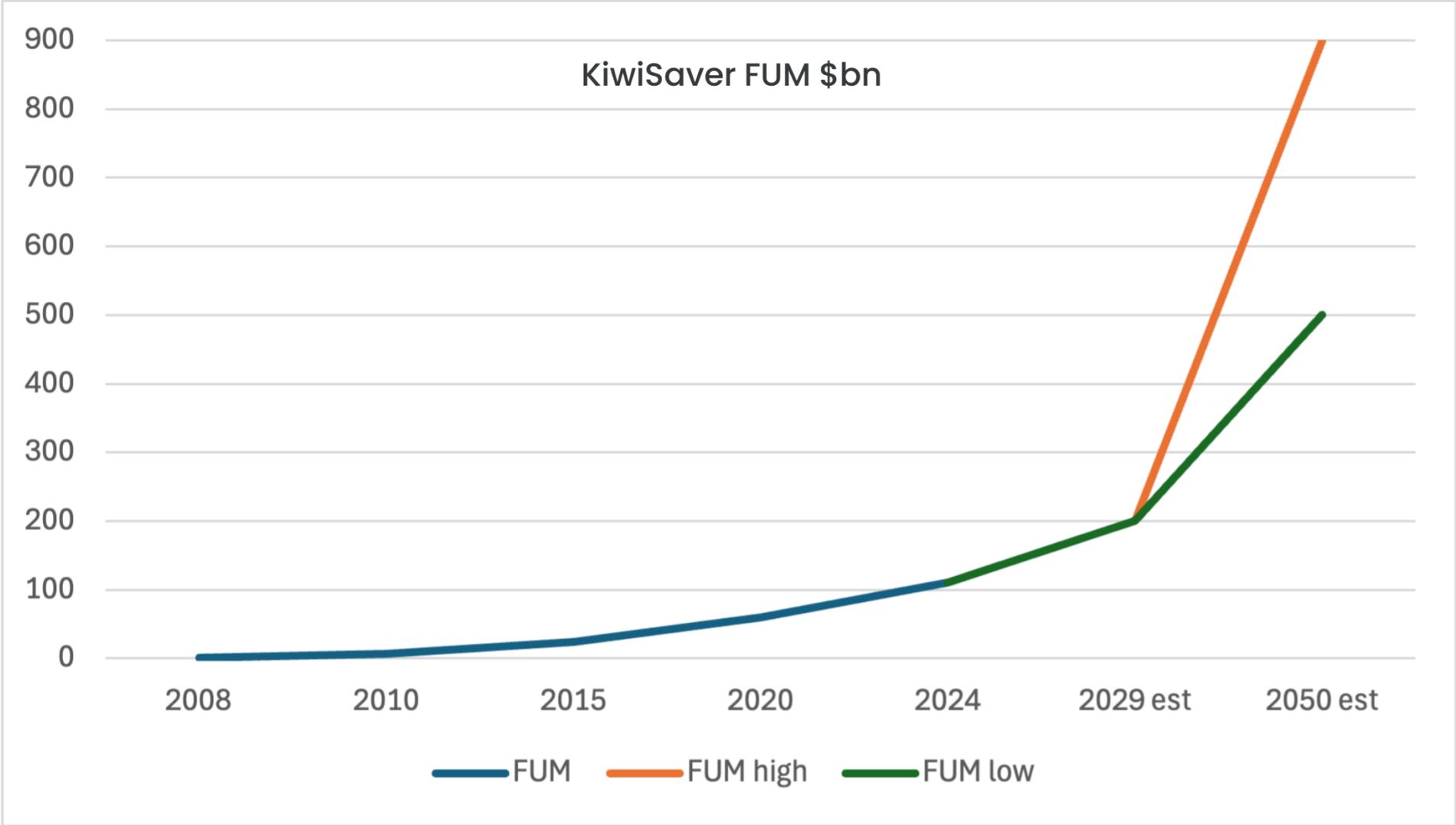
- Equity funds
- Bond funds
- Geographic exposures
- Thematics
- Multi-asset
- Passive Index & Active

.... with funds covering...

- Dividend / Income / Growth
- Large / Mid / Small Cap
- ESG
- Financials
- Resources
- Technology
- Infrastructure
- Healthcare
- Automation & Robotics



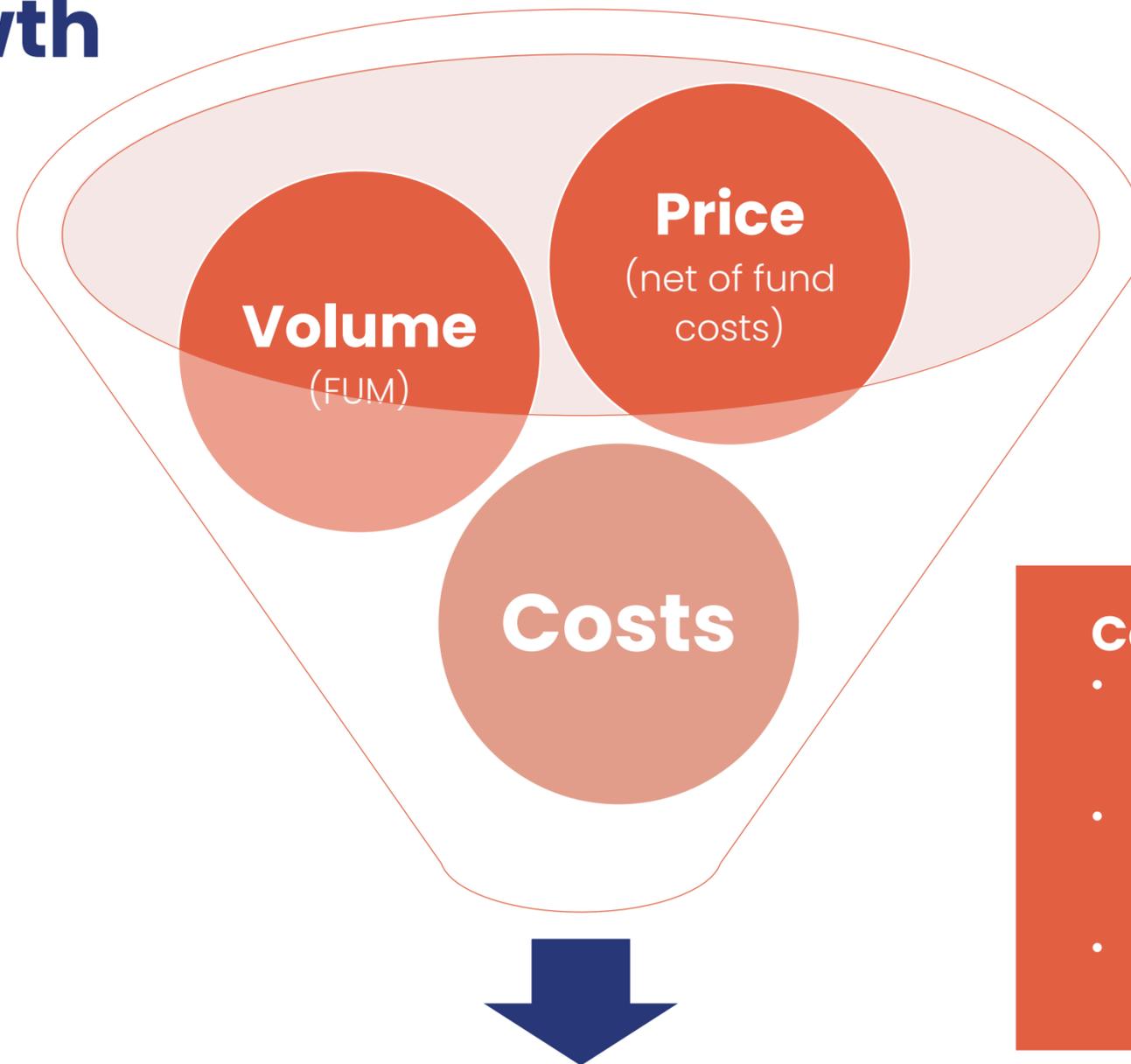
# Total Addressable Market Tailwinds



- **Retail:**<sup>1</sup> \$175b market to grow at 7.7% CAGR. TAM to grow 1.7x by 2029
- **ETFs:**<sup>1</sup> Low penetration vs global benchmarks
- **KiwiSaver:**<sup>1</sup> \$110b market to \$200b by 2029
- **NZ wealth accumulation:**<sup>2</sup> 3-7x bigger in real terms by 2050

Source: 1. NMG Research, 2. FSC

# Drivers for growth in profitability



## Volume

- **Market share:** Upside from ~2% (KiwiSaver, Funds, Quay St)
- **ETFs:** Grow NZ market and ETF penetration
- \$20b+ 2029 potential (subject to market movements)

## Price

- Fund **product** range to meet customer demand
- Omni-channel **distribution**
- Competitive **fees** & value proposition

## Costs

- Single **operating model synergies**, fixed cost leverage
- Reducing **cost-to-serve** via improved customer tools
- **Savings Reinvestment** to support 'positive jaws'. Innovate & improve

\$\$\$

## Operating Earnings

- Strong potential to grow faster than FUM
- Key sensitivities: growth execution via customer acquisition, fee compression, operating model transformation

# Investing for growth

Via 2025 & 2026 investments in...

## Brand & Vision



New brand, new vision  
A common Smart goal (Smartshares + SuperLife)

## Customer



Growth & sales in ETFs, Quay St & KiwiSaver  
Direct to retail including tools for customer service  
Distribution channels & intermediaries

## Product



Manufacturing of attractive fund building blocks  
Ready-made diversified investment packages

## Operating Model



Common backbone for Smart & Quay St  
Leverageable for external Investment service clients

## People



Depth in key areas  
Breadth of skills including use of partners



# NZX Wealth Technologies



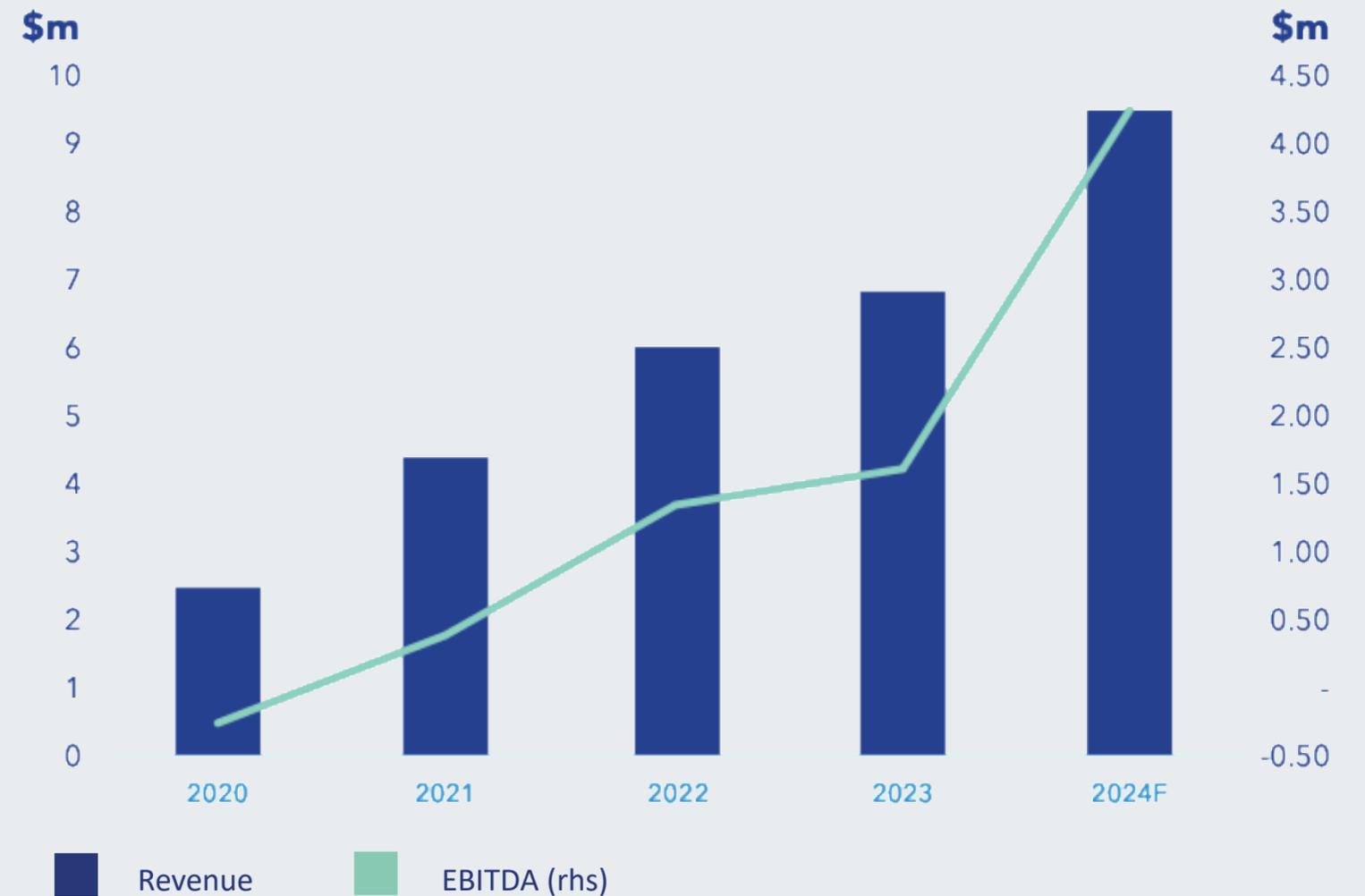
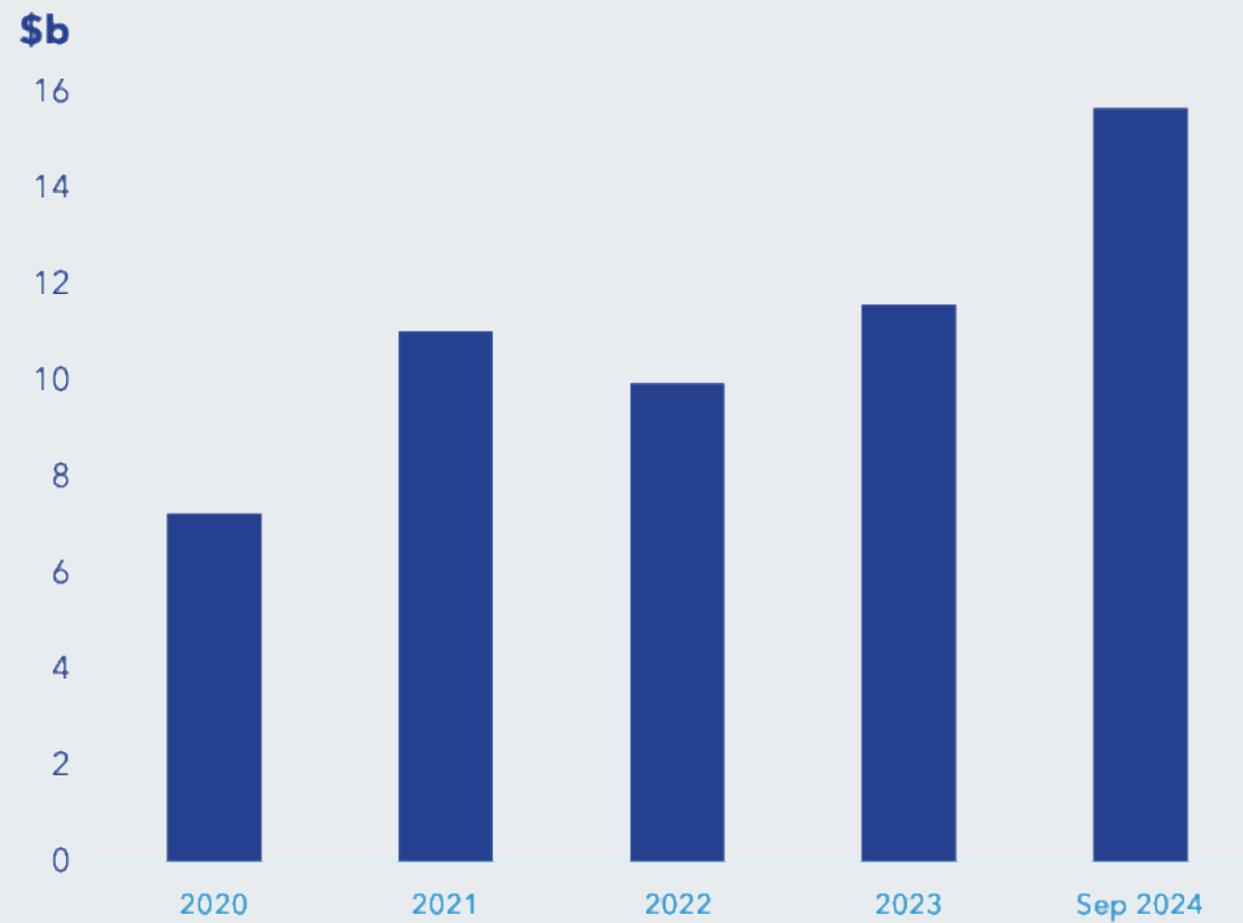
Lisa Turnbull



**NZX WT is driving scale with growth in FUA and Revenue off an increasingly flat cost base**

Funds under administration  
5-YR CAGR **+50%**

Revenue 5-YR CAGR **+41%**  
EBITDA 5-YR CAGR **+47%**



▶ The NZXWT strategy is working - growth and increased scale reflects a strong delivery record, a high customer conversion rate and a robust contracted pipeline

Annual Recurring Revenue (ARR) \$m



NZX acquire Amadeus and rebrand to NZX Wealth Technologies Limited



Operating legacy platform Begin to **build out team** and technical capability to deliver new product



Focus on acquiring large foundation clients to build **functional capability** through development projects



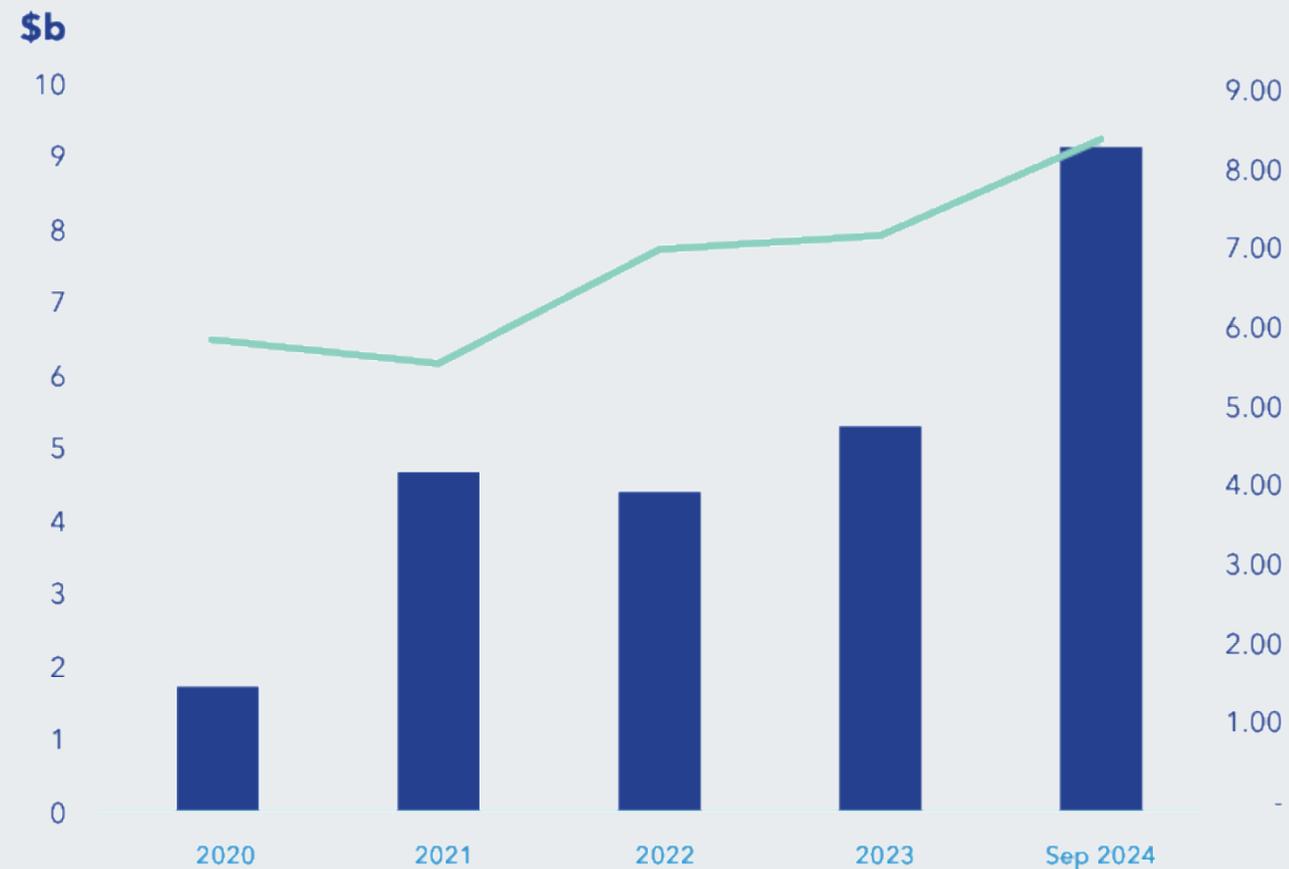
Developed a new platform built on Microsoft Technologies and driven by APIs  
 Functionality built to support efficient small and medium adviser migration



Focus on building scale and delivering positive cash flows  
 Shift in focus to onboarding clients suited to existing technologies with fast migration times  
 Maintain outstanding customer service

# ▶ A strong focus on profitable growth – lifting ARR & FUA

Custody & Operations Service Funds under administration 5-YR CAGR **+42%**



- Significant growth in Custody and Operations service leveraging scale with higher revenue and margin
- Simpler onboardings with faster payback – typically 1 to 2 years

Technology Only Clients Funds under administration 5-YR CAGR **+4%**

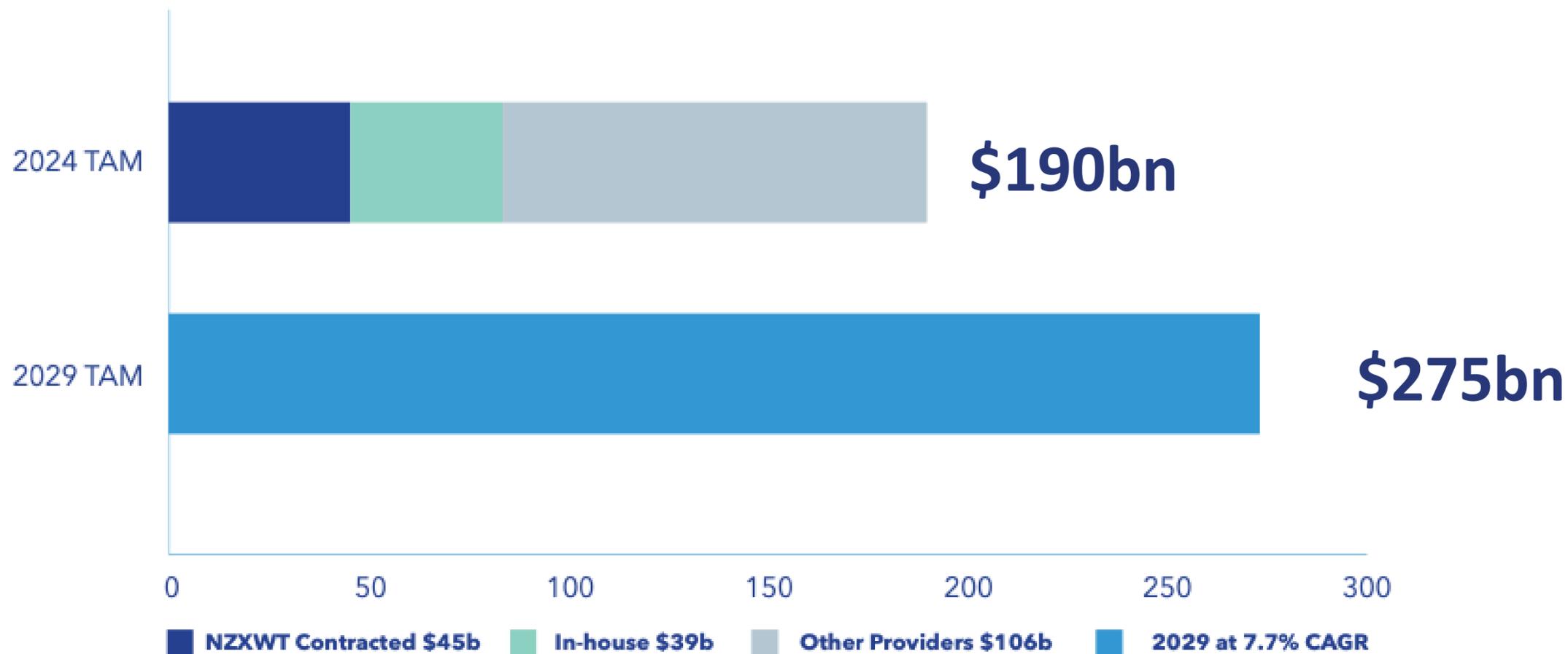


- Another large SaaS onboarding is in progress
- Onboardings for large SaaS are more complex but add beneficial platform functionality
- SaaS clients have the option to move to Custody & Operational service in the future

■ FUA ■ Avg bps (rhs)

# ▶ We will continue path to scale and dominance in the \$190bn TAM

## Total Addressable Market

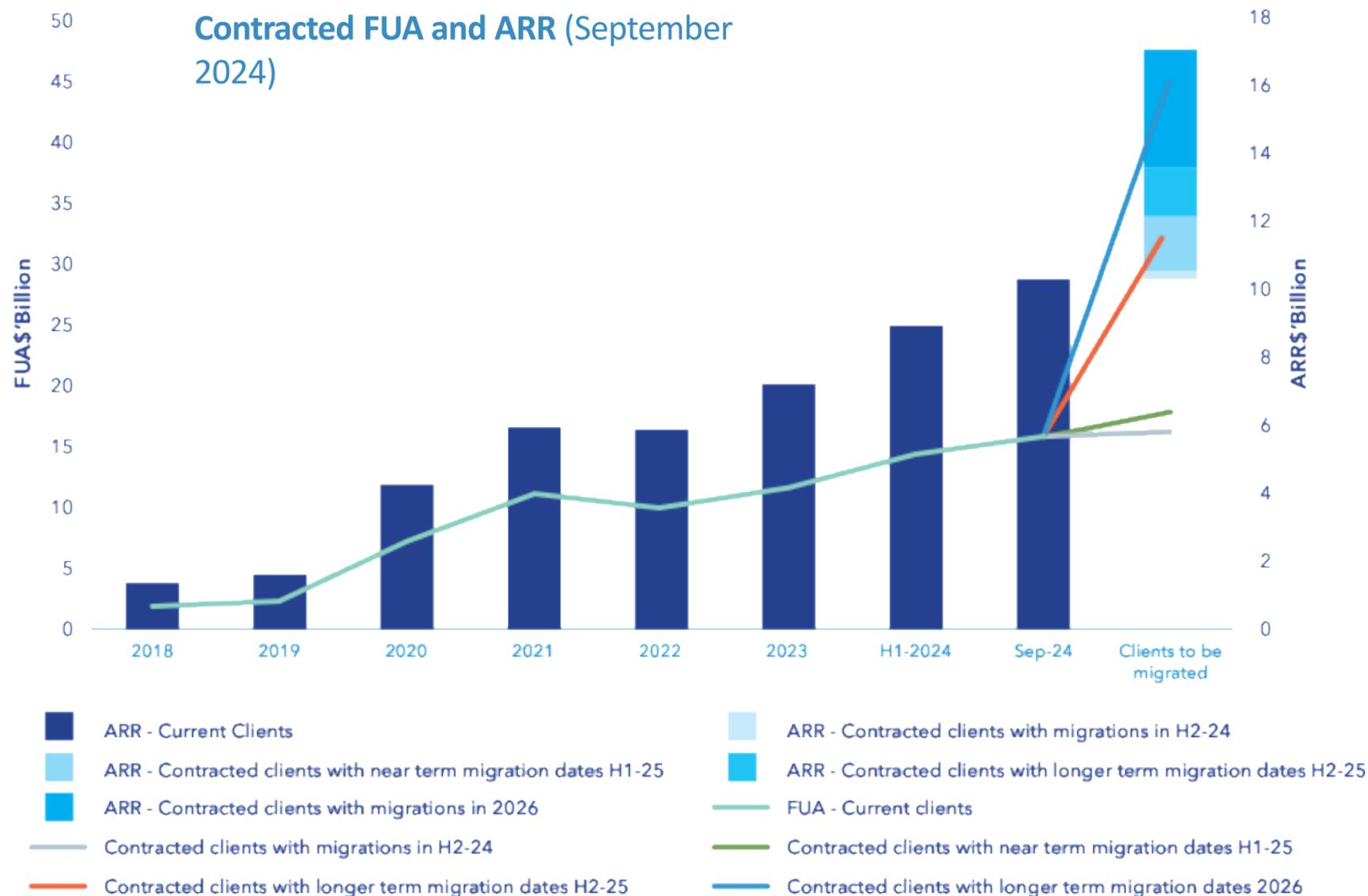


## Why we are growing ▶

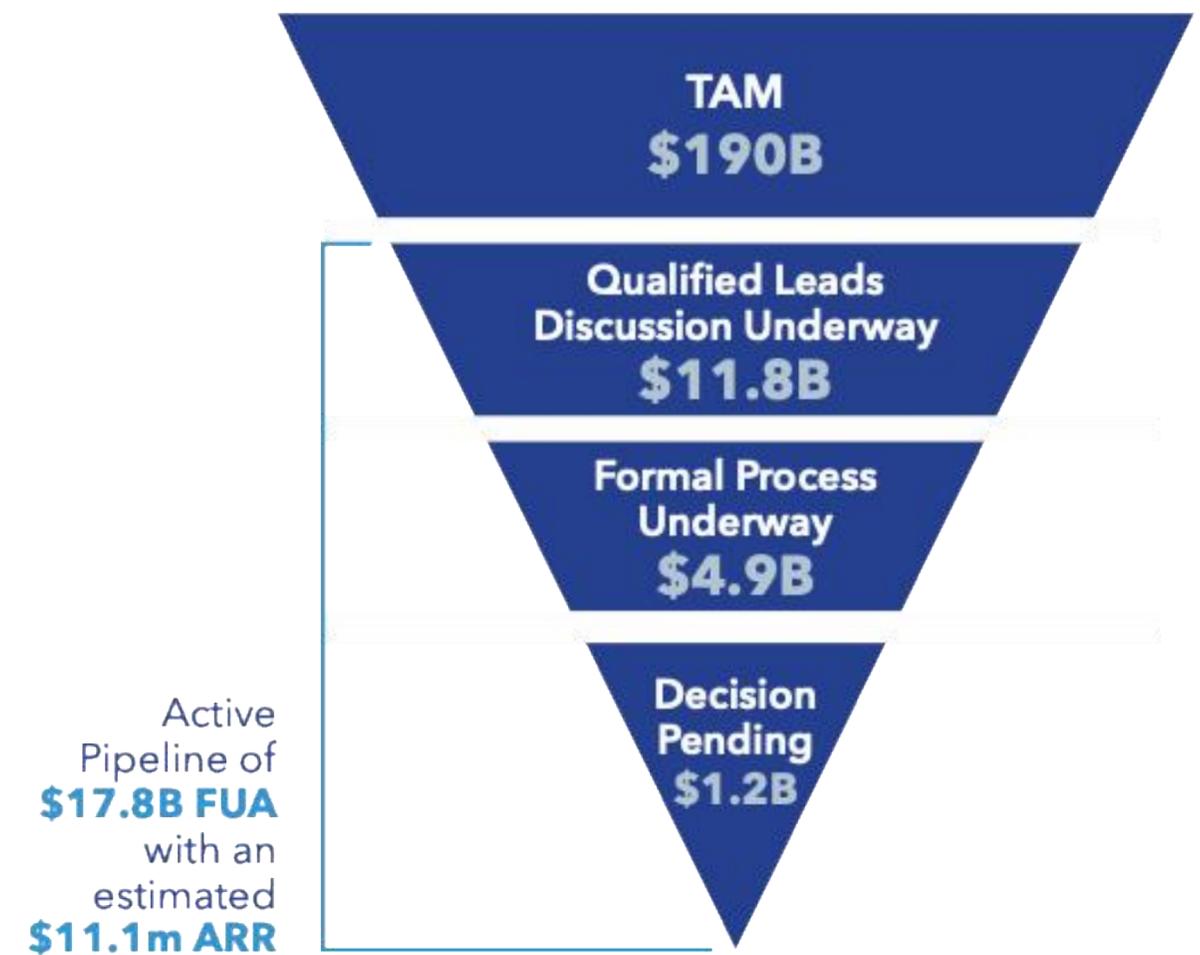
- Building our customer base leveraging our superior proposition in a high-cost environment driving users to seek greater efficiencies and move from legacy systems that are at the end of life (of the Sept 2024 \$15.6b FUA; 53% from competitors, 47% from in-house). Already contracted 24% of known in-house or other providers TAM
- Structural KiwiSaver and demographic tail winds to drive long term industry growth
- Recognised for modern technology, service delivery and NZ customer focus

# ▶ The NZXWT strategy is working - growth & increased scale reflects a strong delivery record, a high customer conversion rate and a robust contracted pipeline

## ▶ Current Contracted Clients – impact of future migrations

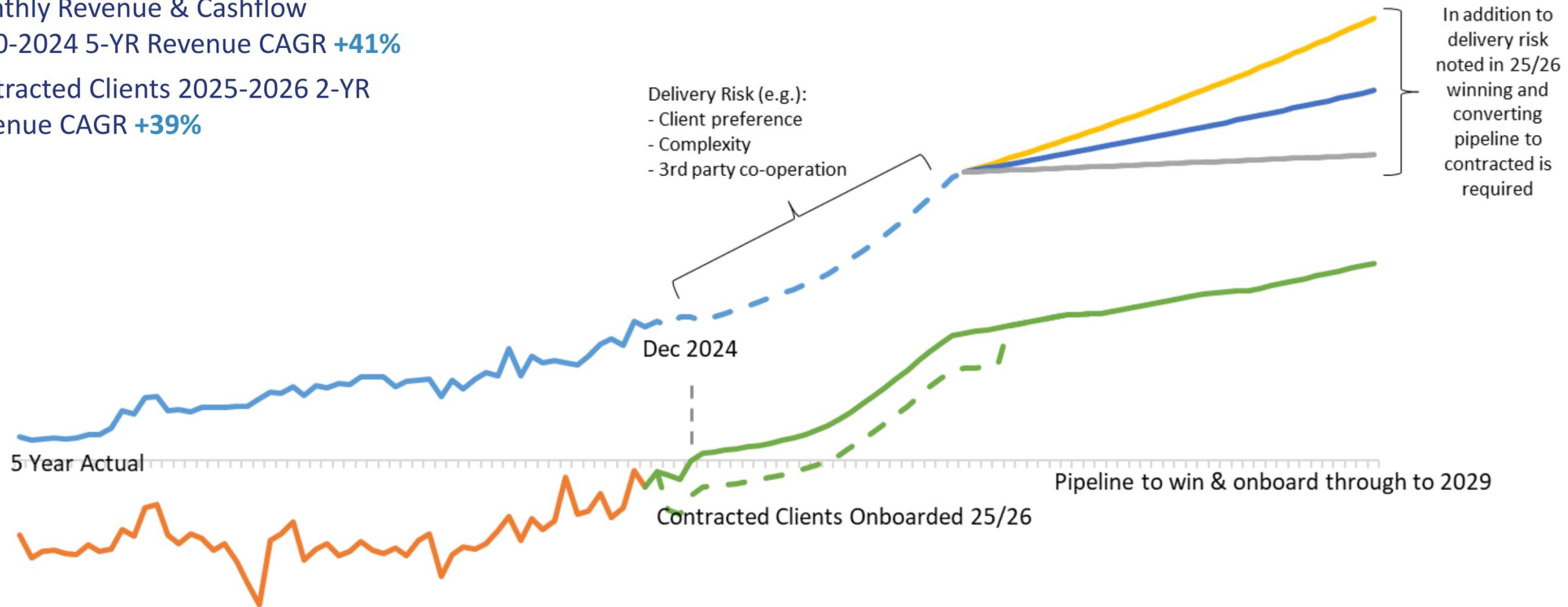


## ▶ Active pipeline of prospects



# NZX Wealth Technologies is delivering positive cashflow and has contracted clients through FY25/26 with a strong pipeline and conversion record

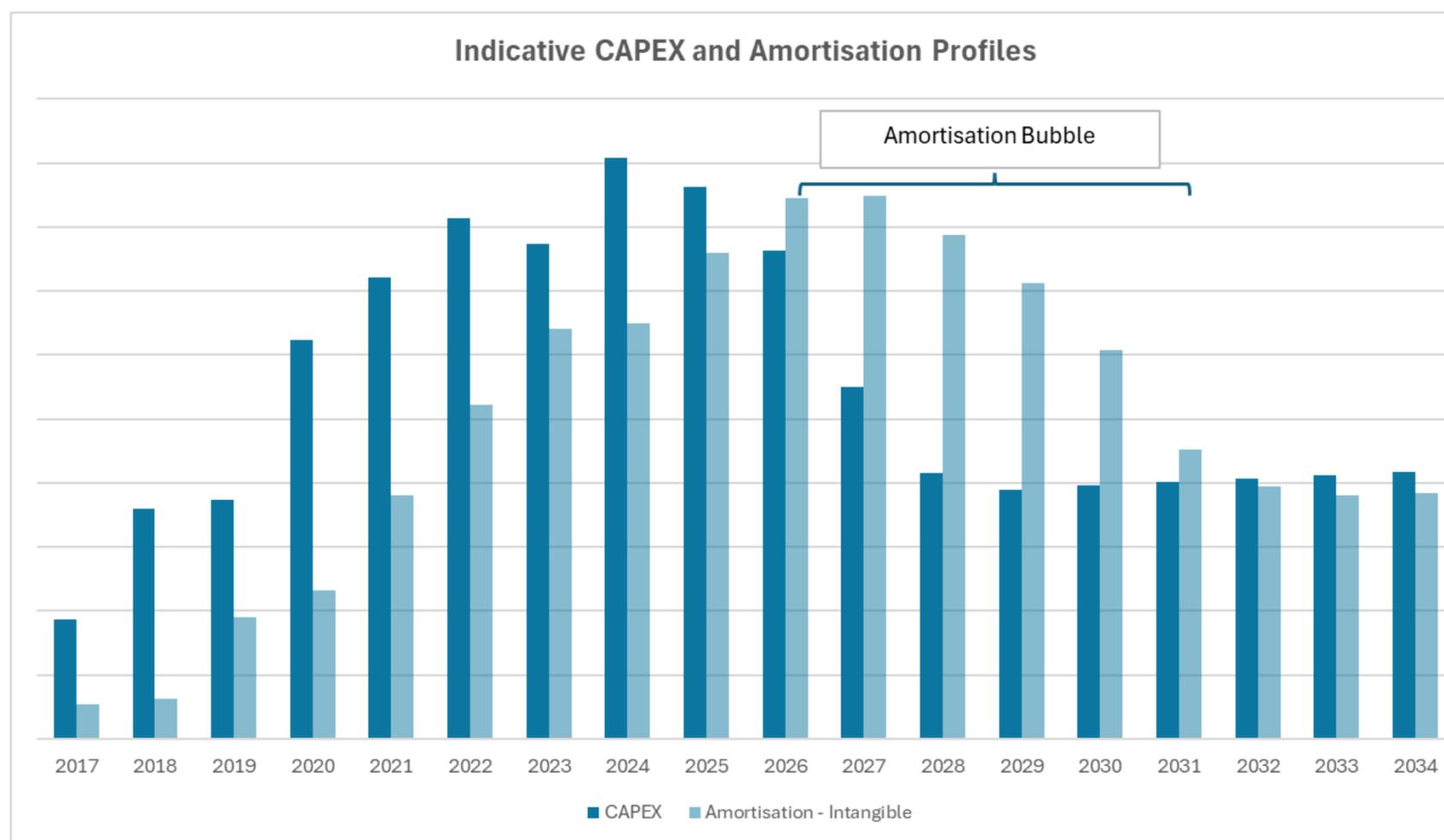
Monthly Revenue & Cashflow  
 2020-2024 5-YR Revenue CAGR **+41%**  
 Contracted Clients 2025-2026 2-YR  
 Revenue CAGR **+39%**



- Revenue Actual (5 Year CAGR 41%)
- Revenue Pipeline Conversion – High (assuming 20% CAGR)
- Revenue Pipeline Conversion – Low (assuming 8% CAGR)
- Estimated Cashflow- Medium (excl. Smart sprint teams) (assuming 14% CAGR)
- - - Revenue Contracted Estimate (2 Year CAGR 40%)
- Revenue Pipeline Conversion – Medium (assuming 14% CAGR)
- Actual Cashflow
- - - Estimated Cashflow – Medium (incl. Smart sprint teams) (assuming 14% CAGR)

# NZX WT future CAPEX levels are dependent on the number of new client migrations and are expected to tail off as market share increases

The amortisation profile lags the CAPEX profile by a few years



Indicative CAPEX profile is based on:

- Migration of contracted clients through FY25/26;
- Conversion and migration of some of the pipeline; and
- Retention of two sprint teams to assist Smart to mature operations

Longer term there will be a lower level of CAPEX required, to ensure that the currency of the platform is maintained up to date.

Indicative amortisation profile will continue to rise as clients are onboarded until peaking in FY27, before tailing off. Should new clients continue to be won post projections then Capex will be maintained to onboard – subject to a positive business case assessment.

There is a timing difference between the CAPEX profile and the amortisation profile (referred to as the amortisation bubble). This results in free cash flows initially rising faster than NPAT increases.

# ▶ Key Messages



**01**

Strong growth to date



**02**

Increased delivery cadence



**03**

Approaching cashflow positive and focusing on optimising revenue



**04**

Pipeline strong with a good conversion history



# NZX Value Proposition



Graham Law

CF & CO



## The key revenue metrics are tracking well, and we have updated Operating Earnings (excluding integration and restructure costs) guidance

2024 key revenue metrics YTD	Sept 2024 YTD	YoY%	Revenue impact
Capital listed and raised	Capital: \$11.4 billion	(11.1)%	✓
Total value traded / cleared	Value Traded: \$26.8 billion	0.6%	✓
Dairy derivatives lots traded	Lots: 0.50 million	14.6%	✗
Information Services revenue growth (excluding one off royalty / Indices revenue)	Revenue: \$13.9 million	(1.6)%	✗
Funds under management	FUM: \$12.6 billion	20.2%	✓
Annual Recurring Revenue (and funds under administration)	ARR: \$10.3 million FUA: \$15.6 billion	YTD = 35.4% YoY = 41.2%	✓

### Updated 2024 Earnings Guidance<sup>1</sup>

NZX's full year 2024 Operating Earnings (EBITDA)<sup>2</sup>, excluding acquisition, integration and restructure costs, are now expected to be in the range of **\$45.0 million to \$49.0 million**.

#### Notes:

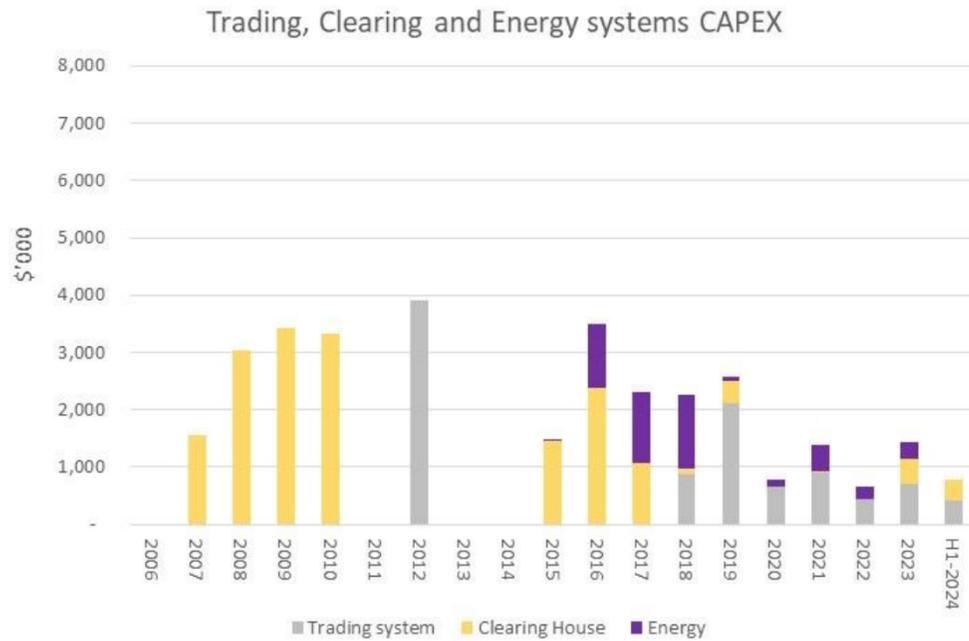
- The guidance is subject to market outcomes, particularly with respect to market capitalisation, total capital listed and raised, secondary market value and derivatives volumes traded, funds under management and administration growth, acquisition related integration costs and technology costs. Additionally, this guidance assumes there are no further material declines in the macro-economic environment and market conditions, and there are no significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments.
- Operating earnings (EBITDA) is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

# CAPEX – is starting to diminish.

The impact into Net Profit will lag by a few years (e.g. due to the NZX WT amortisation bubble)

## Trading, Clearing and Energy Systems

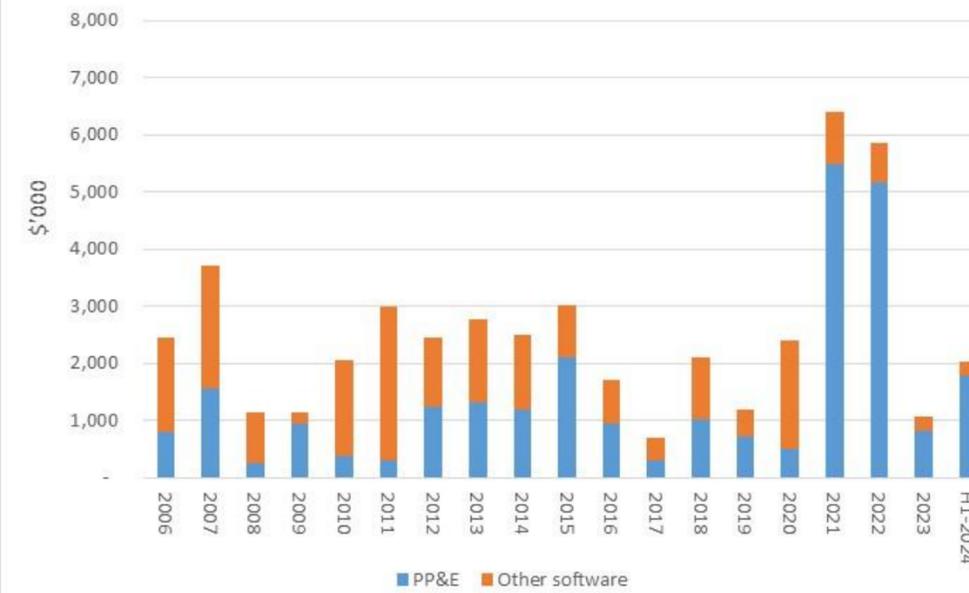
- CAPEX driven by specific system life cycles
- Systems maintained on up-to-date versions
- Major upgrades only required if suppliers move to next generation systems



## PP&E and Other Software CAPEX

## PP&E and Other Software

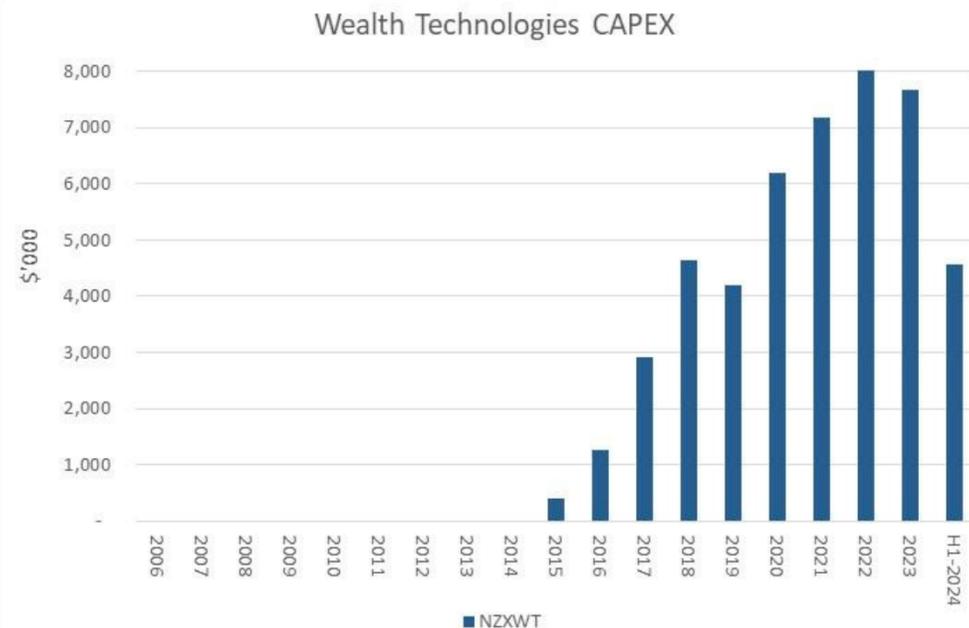
- CAPEX now normalise levels
- Reflecting the normal life cycle for IT equipment and software



## NZX Wealth Technologies

CAPEX level expectations:

- FY25 Slightly lower (including support for SMS); and
- Tails off when migration activity reduces

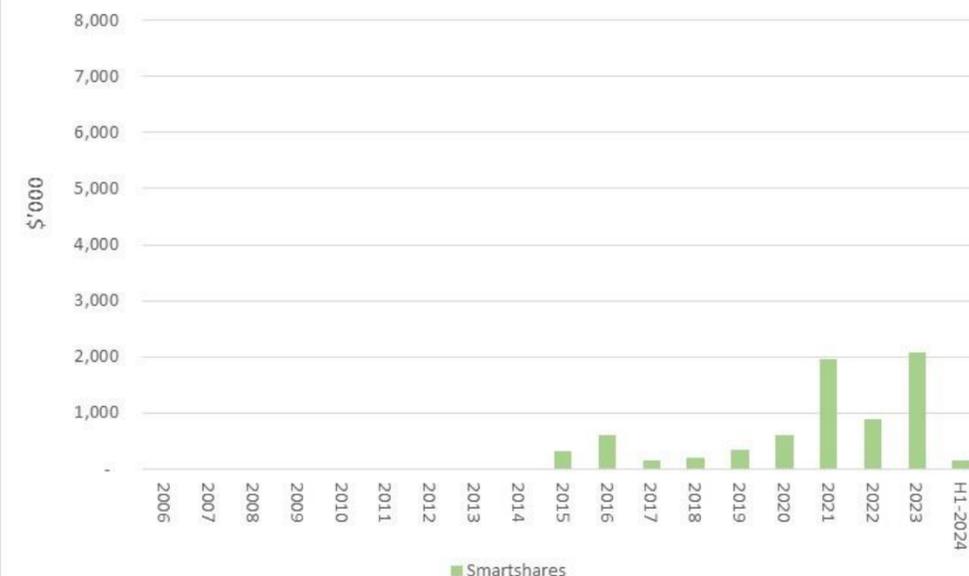


## Smart CAPEX

## Smart

Smart projects:

- QS integration; and
  - Maturing operations
- Spend expected to be largely OPEX rather than CAPEX



## Underlying Net Profit and Earnings Per Share expected to grow in the coming years with:

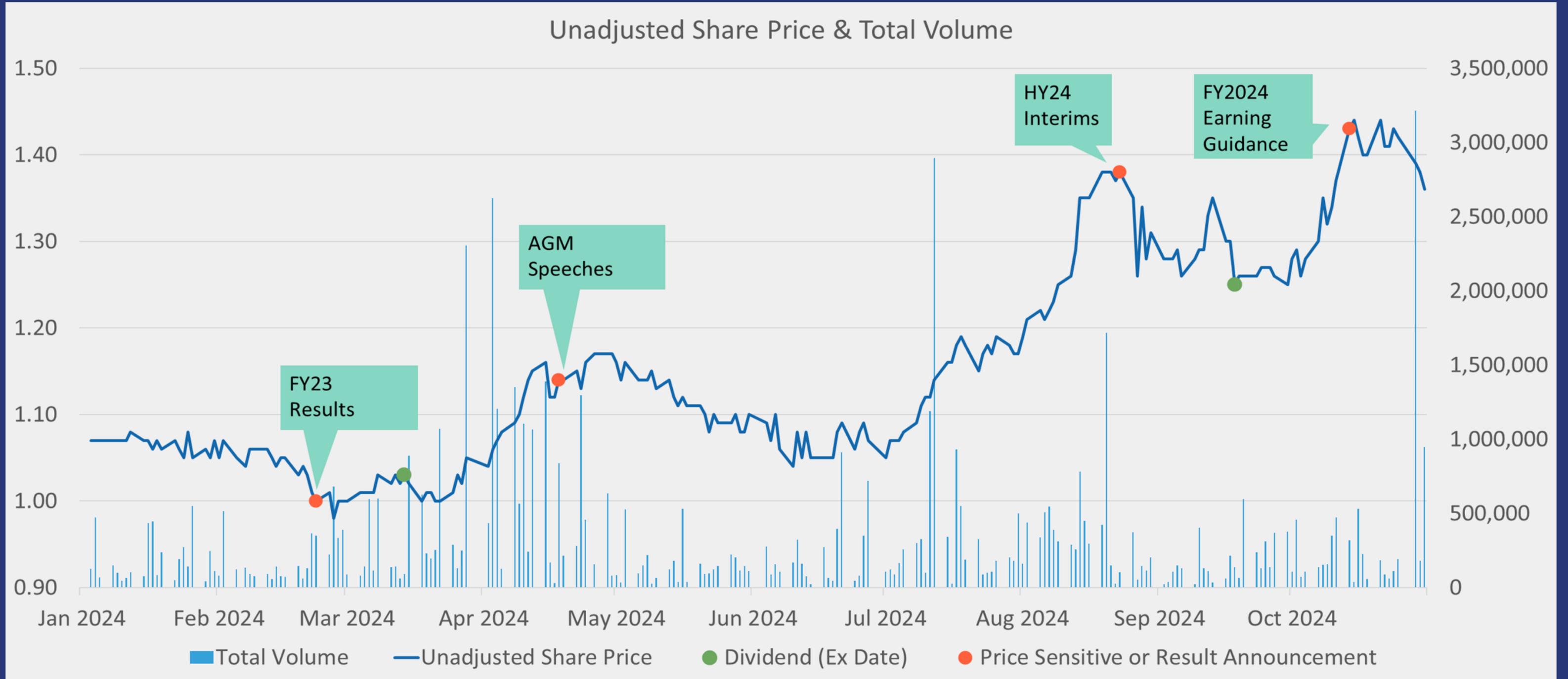
- i) growth of operating activities, and
- ii) the impact of investing activities diminishing

	NPAT / EPS Driver	NPAT Impact FY25	NPAT Impact FY26	NPAT Impact FY27	NPAT Impact FY28
<b>Operating Activities</b>					
• Markets	• Markets cycle recovers and dairy / equity derivatives maturity	↑	↑	↑	↑
• Smart	• Continued Kiwisaver growth (NZ wealth accumulation) and increased market share	↑	↑	↑	↑
• NZX Wealth Technologies	• Migration of current contracted and future clients, as well as development / migration resources reverting to normal BAU levels over time	↑	↑	↑	↑
<b>Non-Operating Activities</b>					
• Integration / Restructure Costs	• Smart's integration and operational improvements costs	↓	↔	↑	↔
• GlobalDairyTrade share of profit/loss	• GDT's three-year expansionary strategic plan will start to show progress from H2-25	↔	↑	↑	↑
• Depreciation & Amortisation	• NZX Wealth Technologies amortisation profile currently expected to peak in FY27 and then tail off	↓	↓	↔	↑
• Net Interest	• Reducing OCR impacts interest income in the short term until the Subordinated Note interest rate resets in June 2028	↓	↔	↔	↑

## Group cashflow generation improves sooner than Net Profit and Earnings per Share, providing options

	Cash Flow Driver	CF Impact FY25	CF Impact FY26	CF Impact FY27	CF Impact FY28
<b>Operating Activities</b>					
• Operating Earnings	• Markets, Smart and NZX WT all improving operating earnings	↑	↑	↑	↑
• Integration / Restructure Costs	• Smart's integration and operational improvements costs for 2 years	↓	↔	↑	↔
<b>Investing Activities</b>					
• CAPEX	• CAPEX reducing in FY25 • NZX WT CAPEX reduces as migration levels reduce	↑	↔	↑	↑
• QS Earnout	• Option to fund FY25 earn out by cash or debt	↔	N/A	N/A	N/A
<b>Financing Activities</b>					
• Dividend Reinvestment Plan (DRP)	• Option to halt DRP	↓	↔	↔	↔
• Dividend	• Option of increasing cashflows flowing into dividend in time	↔	↔	Option	Option
• Other	• Options to pay down debt, buyback shares	Options	Option	Option	Option

# NZX's share price movement in FY24



# ▶ We continue to believe the SOTP is greater than the current share price, driven by

- i) Cash Flow growth; including
- ii) NZX WT approaching cashflow positivity; followed by;
- iii) Growth in underlying Net Profit and Earnings Per Share in the coming years

## ▶ Share Price

Share Price at 31 October 2024

# \$1.36

Analyst consensus\*  
(October 2024 updates only)

- Average **\$1.605**
- Range **\$1.60 - \$1.61**



## ▶ Sum of the Parts - information

To assist we provide:

- business unit information in our FY / HY investor presentations; and
- publish monthly operating metrics

## ▶ Sum of the Parts - considerations

**Markets** value drivers:

- Capital markets activity recovers;
- Dairy derivatives growth opportunity; and
- Equity derivatives halo impact

**Smart** – modelling needs to reflect i) the impact of NZ’s wealth accumulation, and ii) the potential for marketing to increase market share

Additionally comparable multiples need reflect fast growing funds managers (to mirror NZ’s wealth accumulation rather than being a mature wealth market)

**NZX Wealth Technologies** – valuation approach needs to reflect i) the Annual Recurring Revenue growth from current (and new) contracted clients, and ii) the reduction of migration CAPEX over time

\* Limited valuation for NZX Wealth Technologies. However, they acknowledge the potential upside

# ▶ Key Messages



## 01 Operating Earnings

- **FY24** – revenue drivers and operating earnings upgrade
- **FY25 and beyond:**
  - Markets – cycle and new products
  - Smart and NZX Wealth Technologies – structural tailwinds (i.e. NZ wealth accumulation) and market presence



## 02 Net Profit / Earnings Per Share

- Underlying Net Profit and Earnings Per Share expected to grow in the coming years with:
  - i. growth of operating activities, and
  - ii. investments for growth starting to diminish
  - iii. Operating leverage



## 03 Cashflows

- Cashflows improve sooner than Net Profit and Earnings Per Share
- Providing options to fund final QS earnout or halt Dividend Reinvestment Plan



## 04 Share Price

- Factors driving recent share price movement
- Sum of the Parts Valuation – approach



# Wrap Up



**Mark Peterson**

Chief Executive Officer



# ▶ What you have heard today

## Capital markets

A tightly managed business which is through the bottom of the cycle and has new product and economic upside with meaningful operating leverage

## Wealth Technologies

Approaching cashflow positive and, with contracted clients, will result in NZX WT becoming NPAT accretive. Client demand and competitive position is strong into the foreseeable future

## 

Structural tailwinds to support future organic growth, will make the appropriate investment to improve market presence, a more efficient client experience and operating margins

## Looking Ahead

A bright future - on the cusp of positive change on many fronts



# Thank you

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