

13 August 2019

NZX's 2019 Interim Results – growth opportunities are gaining traction

NZX today announced its financial results for the six months ended 30 June 2019.¹

NZX CEO Mark Peterson commented: "We are pleased to deliver solid operating earnings growth for the first six months of the year as the company gains traction with a number of its growth initiatives. Momentum continues to build across the business as we increase our focus on customers and sales."

Key financial results:

- Total operating earnings from continuing operations of \$14.4 million are 4.3% higher than 2018;
- Net profit after tax of \$6.4 million** is 45.8% higher than 2018; and
- Interim ordinary dividend, fully imputed, of 3.0 cents per share has been declared.

Business highlights

Core Markets

NZX's revenue is showing solid growth across core markets, with the exception of secondary markets.

There has been \$7.7 billion of capital raised across NZX's equity, debt and funds markets in the first half of the year, which is a 73.5% increase. Overall Issuer Relationships delivered revenue of \$12.1 million, which is a 5.3% increase. NZX is looking forward to the listing of Napier Port which is anticipated later in August 2019. The company is aware of other potential listings.

Although there was a 15.1% increase in the number of trades on NZX, the total value traded decreased 9.7% to \$18.4 billion, resulting in a 17.3% decrease in secondary markets revenue. The company made changes to its trading and clearing pricing structure in 1 October 2018 to facilitate increased levels of automation that trading firms are employing, which we expect to deliver growth over time. The price changes, along with lower periodic re-weightings of NZX stocks in large global indices, contributed to the fall in revenue. The proportion of trading on-market continues to increase reaching a record high of 61.1% in June 2019.

NZX was pleased to welcome Sharesies and BNP Paribas Securities as new participants to the market. With the price changes implemented and levels of on-market trading improving, the pipeline for new market participants is strong, as NZX seeks to connect to a wider range of investors and capital pools.

¹ Comparisons are to prior corresponding period in the 2018 financial year

** from continuing and discontinued operations



The dairy derivatives market continues to grow strongly with volume traded increasing 27.5%. It means this business is the fastest growing dairy derivatives business globally. The current year has seen the highest volume trading day, week and month in the businesses' history. A new extended-hours trading session was introduced to capture additional volume from Asia and Europe and more than 50% of trades have taken place in that session.

Data and Insights revenue increased 13.9% to \$6.3 million. Data is an area that is growing for many stock exchanges globally and NZX is no exception. Royalties from terminals increased 5.6% and subscription and licence revenue has grown 22.9%.

Funds Management

This business comprises Smartshares Exchange Traded Funds (ETF) and SuperLife superannuation and KiwiSaver funds. Funds under management grew 19.4% to \$3.5 billion and member numbers increased 10.1%. Net cash inflows rose 8.1% to \$174.4 million. Operating revenue (net of fund expenses) increased 17.7%, resulting in operating earnings increasing 27.4%.

Eight new ETFs were listed which now enable New Zealanders to invest based on global sectors, environmentally and socially responsible factors, and global bonds for the first time. Further ETFs are planned. Smartshares is also building a presence in the Pacific. The Nauru Superannuation Scheme has over 3,600 employees and two new funds have been established to support retirement savings in Tonga.

Wealth Technologies

This business continues to focus on winning new customers and funds under administration increased 86.4% to \$2.1 billion. Revenue increased to \$0.8 million.

Dividend

The board declared an interim ordinary dividend, fully imputed, of 3.0 cents per share which will be paid on 13 September 2019. The dividend reinvestment plan will be available for the 2019 interim dividend at a discount rate of 1.0%.

Guidance

The board reiterates the 2019 full year guidance, NZX expects full year 2019 operating earnings to be in the range of \$28.0 million to \$31.0 million. This guidance is subject to market outcomes, particularly with respect to initial public offerings and secondary capital raising and equity and derivatives trading volumes. It assumes no material adverse events, significant one-off expenses or major accounting adjustments. It also assumes no further acquisitions or divestments.

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