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NZX Q1 2017 Revenues & Shareholder Metrics

NZX reported its first quarter revenue and operating metrics today, highlighted by growth in markets and funds services revenue despite lower trading and clearing volumes. NZX sold its loss-making grain trading and magazines publications businesses at the end of 2016, which impacted year on year revenue comparisons. Excluding the impact of these disposals, group revenue was up 3.0%. A summary of revenue by operating segment is provided below.

Markets

Revenue in NZX's Markets business was up 3.7% on Q1 2016. The most significant contributors to this growth were:

- 8.0% uplift in securities information revenue as a result of new revenue streams and higher professional terminal numbers;
- Increase in listing revenue up 3.9%, driven by growth in annual listing fees (reflecting growth in the debt market and pricing adjustments) and secondary listing fees (with an increase in total secondary capital raised of 178% to \$561 million);
- Significant growth in derivatives revenue (up 101.7%) on the back of 109.6% growth in futures lots traded;
- Market operations revenue up 3.9% due to additional development of systems used to operate the electricity markets for the Electricity Authority.

Total trading activity declined in Q1 relative to the record levels seen in 2016, with the total number of trades down 5.1%. Trading and clearing revenues fell 4.9% and 2.4% respectively on Q1 2016 as a result.

Funds Services

Revenue in NZX's Funds Management business, which comprises the SuperLife superannuation and KiwiSaver business and the Smartshares Exchange Traded Funds business, was up 5.0% on Q1 2016. This result was underpinned by growth in:

- SuperLife's KiwiSaver Funds Under Management (FUM), up 23.8% year on year, while total SuperLife FUM increased 18.5%;
- Total Smartshares ETF units on issue, up 15.0%; and
- NZX Wealth Technologies revenues, up 6.2% on Q1 2016.

Agri

Total reported Agri revenues were down 30.4% as a result of the sale of the Clear Grain Exchange and the magazine publications.

Remaining revenues were down 4.1% as a result of a slow start to the year for advertising sales with total advertising page equivalents down 8.0%, partly offset by growth in Agri data.



Expenses

The Group's results have benefited from a significant reduction in operating expenses, which were down 17% compared to Q1 2016. Key drivers were:

- Lower payroll, print and distribution costs due to the sale of parts of the Agri business;
- Substantially reduced professional fees, due to the conclusion of the Ralec litigation in 2016; and
- Lower costs in the funds business, due to the completion of the Financial Markets Conduct Act transition in 2016 and savings in funds costs.

These cost reductions have resulted in significant year on year margin expansion for the Group.

Regulation commentary

During the first quarter of 2017, NZX Regulation published its second annual NZX Regulatory Agenda, which highlighted its continued programme of targeted engagement in 2017. In addition to this, NZX Regulation released its inaugural Oversight and Engagement Report, which provides increased insight into investigation and enforcement activity, and work undertaken to monitor and engage with issuers and participants.

As part of this work, NZX Regulation also published the first in a series of practice notes in January and March, which were aimed at assisting issuers and their advisers with common questions and providing practical guidance on NZX's Listing Rules.

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About NZX Limited

NZX builds and operates capital, risk and commodity markets and the infrastructure required to support them. We provide high quality information, data and tools to support business decision making. We aim to make a meaningful difference to wealth creation for our shareholders and the individuals, businesses and economies in the countries in which we operate. To learn more about NZX please visit: www.nzxgroup.com