NZX Interim Report
2023

About this report

The report outlines the work the NZX Group has done in the first half of 2023 to deliver sustainable wealth, value and opportunities for all.

As New Zealand's Exchange, we are proud of our record in supporting the growth and global ambitions of local companies.

Our corporate governance policies are available online at: nzx.com/about-nzx/ investor-centre/ governance/policies.

NZX Limited is registered with the New Zealand Companies Office and our New Zealand Business Number (NZBN) is 9429036186358.

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John McMahon
NZX Board Chair

Mark Peterson
NZX Chief Executive

Half-year Review 2023

DEMONSTRATING PROGRESS & RESILIENCE IN CHALLENGING TIMES

NZX Limited ("NZX" or "the Company") has produced a strong half-year financial result, despite the ongoing challenging environment for global markets. We have maintained the positive momentum of the last year in delivering on our growth strategy.

In H1 2023, the Company lifted operating earnings despite continuing market softness and tight financial conditions. This demonstrates the resilience and diversity of the NZX Group business and earnings base, and the breadth of offerings available for companies to access capital. This is reflected in our results.

RESULT OVERVIEW & KEY HIGHLIGHTS

The Company generated H1 2023 operating earnings (EBITDA[1]) of $20.0 million (H1 2022 $17.4 million), an improvement of 15.0%. Operating earnings (EBITDA) excluding one-off acquisition, integration and restructure costs increased 16.8% to $20.6 million (H1 2022 $17.6 million), with:

– operating revenue increasing 16.9% to $54.0 million; and
– operating expenses, excluding acquisition and integration costs, increasing 16.9% to $33.4 million.

NZX produced an unaudited net profit after tax (NPAT) of $7.0 million for the 2023 half year (H1 2022 $7.4 million), a year-on-year decrease of 5.6%, with the decline largely resulting from additional amortisation (relating to NZX Wealth Technologies' migrations and Smartshares' acquisitions) along with higher funding costs on the Company's increased debt level.

The Directors have declared a fully-imputed interim dividend of 3.0 cents per share (H1 2022 3.0 cents) to be paid on 5 October 2023 to shareholders registered as at the record date of 21 September 2023.

Operating Earnings[1]

$20.0m

15.0%

HOW WE PERFORMED – NZX GROUP'S KEY PERFORMANCE MEASURES

NZX's growth strategy is to expand our product range in Capital Markets and drive scale and operating leverage across our businesses. While the first half of 2023 has seen headwinds due to the market cycle, we continue to make progress towards these objectives.

As the NZX Group key performance results indicate, the macroeconomic environment continues to challenge equity capital raising and trading activity. However, at a time in the economic cycle where interest rates continue to rise, this has created a tailwind for debt market activity. NZX is confident that as inflation starts to return to the Reserve Bank of New Zealand's target range, equity market activity levels will increase.

Beyond equity market activity, the remaining parts of our business have continued to perform strongly. This has been particularly notable in:

– The dairy market partnership with Singapore Exchange (SGX Group);
– our Information Services (data) business;
– Smartshares, which continues to go from strength to strength; and
– Wealth Technologies, which has won five clients during the period that will be transitioned onto the platform over the remainder of 2023 and 2024.

Our operating platform and corporate functions have continued to advance their capability, capacity and resilience. It was pleasing to note that NZX met all its market obligations in 2022 in the Financial Markets Authority's annual market obligations review published in June.

Performance indicators	FY23 Target	H1-23	H1-22	% Change
Operating earnings (EBITDA) pre acquisition, integration & restructure costs ($ million)[1]	36.0 - 40.5	20.6	17.6	16.8%
Capital listed & raised ($ billion)	16.0	7.2	9.4	(23.7%)
Total value traded ($ billion)	40.0	18.0	20.8	(13.4%)
Information Services (previously Data & Insights) revenue ($ million)[2]	Grow 6.9%	10.4	9.0	15.4%
Funds under management ($ billion)	Grow 14%[3]	10.7	7.6	41.3%
Funds under administration ($ billion)		10.8	9.9	9.1%
Dairy derivatives lots traded (k)	550 - 650	260.1	198.9	30.7%

1 Operating earnings (EBITDA) are before net finance expense, income tax, depreciation, amortisation, gain on disposal of assets, gain on lease modification and share of profit of associate. 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 includes one-off acquisition, integration and restructure costs of $0.6m (H1-22: ($0.2)m). Operating earnings excluding one-off acquisition, integration and restructure costs increased 16.8% to $20.6m

2 Information Services Revenue strategic target excludes connectivity revenue. Information Services revenue excluding connectivity revenue has increased 16.1% (H1-23: $9.0 million, H1-22: $7.7 million)

3 The closing FUM growth excluding ASB Superannuation Master Trust and QuayStreet Asset Management FUM increased 24.5% from 30 June 2022 to 30 June 2023.

Net Profit After Tax

$7.0m

(5.6%)

Financial Performance

Summary Financial Performance ($ million)	H1-23	H1-22	% Change
Markets	31.1	30.0	3.6%
Funds Management	18.0	11.5	56.9%
Wealth Technologies	3.0	2.9	6.2%
Corporate Services	0.1	-	n/a
Regulation	1.8	1.8	(1.5%)
Total operating revenue	**54.0**	**46.2**	**16.9%**
Personnel costs	(21.6)	(18.7)	(16.0%)
Information technology costs	(6.9)	(6.4)	(7.9%)
Other costs	(4.9)	(3.5)	(37.9%)
Total operating expenses	**(33.4)**	**(28.6)**	**(16.9%)**
Operating earnings (EBITDA)[1] pre acquisition, integration & restructure costs[1]	**20.6**	**17.6**	**16.8%**
EBITDA Margin (%)	38.1%	38.1%	0.0%
Acquisition, integration & restructure costs	(0.6)	(0.2)	(184.8%)
Operating earnings (EBITDA)[1]	**20.0**	**17.4**	**15.0%**
Depreciation & amortisation	(8.3)	(6.8)	(23.4%)
Investment in associate and other gains	0.5	-	n/a
EBIT	**12.2**	**10.6**	**13.6%**
Net finance expenses	(1.9)	(1.0)	(79.4%)
Net profit before tax	**10.3**	**9.6**	**6.4%**
Tax expense	(3.3)	(2.2)	(45.8%)
Net profit after tax	**7.0**	**7.4**	**(5.6%)**

1 Operating earnings (EBITDA) are before net finance expense, income tax, depreciation, amortisation, gain on disposal of assets, gain on lease modification and share of profit of associate. 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.

At a Group level, operating revenue increased by 16.9% to $54.0 million. This was driven primarily by continued growth in revenue from our data and dairy market businesses and increased revenue from Smartshares – the Group's funds management business – (including from the acquisition of QuayStreet Asset Management in February 2023).

As previously noted, Group operating earnings (EBITDA) for H1 2023 were $20.0 million – up 15.0% on the same period as last year. Excluding acquisition, integration and restructure costs, Group operating earnings (EBITDA) for the same period were $20.6 million – up 16.8%.

At a Group level, operating revenue increased by 16.9% to $54.0 million. This was driven primarily by continued growth in revenue from our data and dairy market businesses and increased revenue from Smartshares – the Group's funds management business – (including from the acquisition of QuayStreet Asset Management in February 2023).

In the same period there was a reduction in trading and clearing revenue reflecting the drop in value traded over the period as a result of the economic environment.

Group operating expenses, excluding acquisition, integration and restructure costs, for H1 2023 were $33.4 million – up 16.9% on the same period last year.

Cost management and the extraction of efficiencies have been a big focus over the period. A number of these benefits will come through in H2 2023. Increased overheads were driven by personnel costs – largely in the funds management business as Smartshares scaled up from the integration of QuayStreet and ASB Superannuation Master Trust – and wage inflation driven by a highly competitive and tight labour market.

Information technology cost increases were driven by additional licences required for the operation of the QuayStreet business and inflationary pressure. Other cost increases are attributable to increased travel, premises costs (with new office space added in Auckland's Capital Market Centre), and statutory and compliance costs.

Acquisition, integration and restructure costs primarily relate to the integration of the ASB Superannuation Master Trust and QuayStreet.

Depreciation and amortisation increases are due to amortisation of QuayStreet management rights, amortisation of additional development of Wealth Technologies' core platform, client migration costs completed over 2022 and H1 2023, and additional depreciation on the fit out and use of additional space in the Auckland Capital Markets Centre.

The net finance expenses increase relates to the funding of the QuayStreet acquisition and the progressive unwinding of the present value discount on the QuayStreet earnouts through to November 2025, as well as increased interest on leased assets, offset by higher interest income from increasing interest rates.

Group Operating Revenue

$54.0m

16.9%

Customer focus – NZX Senior Relationship Manager James Sharp visited Christchurch to catch up with WasteCo and see their team in action

CAPITAL MARKETS

H1 2023 highlighted the diversity of our markets business, despite the ongoing macroeconomic impact on equity markets.

Capital Markets Origination

Total capital listed and raised totalled $7.2bn for the period. This was down 23.7% on the prior period, largely due to the challenging market conditions. Secondary listing fees were driven by Ryman Healthcare and Infratil raising more than $1.8 billion of equity capital in the secondary market, proving that capital is available for both growth opportunities and refinancing.

Enabling sustainability – Contact Energy issued a $300 million green bond in April 2023, one of 14 new debt issues in the first half of the year.

As previously mentioned, the environment favoured new debt listing activity and this totalled $3.6bn, an increase of 7.1% over the same period last year. The move by corporates to issue green and sustainable financing products continues to accelerate, with $2.2 billion listed and raised (66% of all debt issued) by Mercury, Genesis, Contact, Kiwi Property Group, Meridian and LGFA over the period. The percentage of green bonds listed on the NZDX has increased to 30.1% of all outstanding debt issued.

Annual listing fees have been positively impacted by both price increases (which largely applied to annual listing fees for the period beginning 1 July 2022) and the growth in market value of debt instruments, partially offset by the slight contraction in equity market capitalisation.

Secondary Markets – cash market

Participant services revenue is derived from Market Participants (broking, clearing and advisory firms) that are accredited for NZX's equity, debt and derivatives markets. The total number of Market Participants decreased to 27 (December 2022: 29), with the resignation of two NZX sponsors in the period.

Securities trading revenue comes from the execution of trades on NZX's equity and debt markets. Securities clearing revenue relates to clearing and settlement activities, and related services such as Over The Counter (OTC) settlement and registry messaging services provided to Market Participants. The largest component is clearing fees which are based on the value of settled transactions.

Markets performance ($ million)	H1-23	H1-22	% Change
Capital Markets Origination	8.2	8.0	1.2%
Secondary Markets	12.5	13.0	(3.1%)
Information Services	10.4	9.0	15.4%
Markets revenue	**31.1**	**30.0**	**3.6%**
Markets EBITDA excl. restructure costs	**20.9**	**20.4**	**2.5%**
EBITDA Margin excl. restructure costs	67.2%	67.9%	(1.1%)
Key Operating Metrics			
Equity Market capitalisation (ending, $ billion)	159.8	161.1	(0.8%)
Equity listed & raised ($ billion)	2.0	2.2	(9.1%)
Debt listed & raised ($ billion)	4.2	6.3	(33.3%)
Funds listed & raised ($ billion)	1.0	0.9	11.1%
Total value traded ($ billion)	18.0	20.8	(13.4%)
Dairy lots traded (k)	260.1	198.9	30.7%

Securities trading and clearing revenue decreased reflecting:

- lower market activity levels - the total value traded and cleared ($18.0 billion) was 13.4% lower than last year;
- uncharged value traded impacting securities trading revenue (mainly caused by large index rebalance trading days where fees on value traded exceeds the fee cap), which increased to 7.7% (H1 2022: 6.5%); and
- lower levels of clearing margin, depository registry transfer fees and clearing penalties.

Secondary Markets – Dairy derivatives and GDT

Dairy is an exciting area of growth and remains well positioned across both the physical and futures markets. With NZX holding a 33.3% stake in GlobalDairyTrade (GDT) alongside Fonterra and the European Energy Exchange, and the suite of global dairy derivatives listings on the SGX, it demonstrates the value of NZX's strategy of driving growth from strategic international partnerships.

The expected significant growth from the SGX strategic partnership is being achieved.

Highlights include:

- H1 2023 Dairy Derivatives volumes up 31% compared to H1 2022, and in March 2023 a record monthly volume of 66,840 lots was achieved;
- working with SGX's network of global sales offices and resources in the dominant region for dairy imports (Asia). Hosted a number of events including in Shanghai and Beijing; and
- GDT added three new global suppliers to the market from EU and US market. Platform developments to assist liquidity in the associated derivatives markets are underway.

Information Services

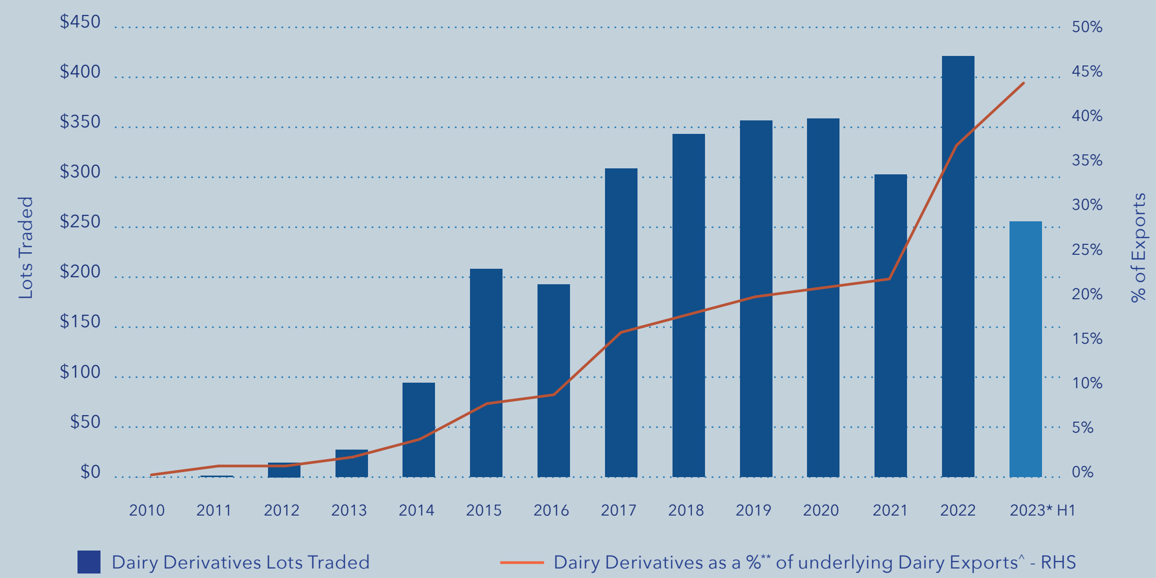
Royalties from terminals' revenue relates to the provision of markets data to data resellers who distribute data to their customers. The royalty revenue from terminals increased by 5.1% driven by the average number of professional terminals increasing 1.6% plus price increases (effective January 2023).

Subscriptions and licences revenues relate to the provision of markets data to other participants in the capital markets. The subscriptions and licences revenue increase of 7.4% reflects the continued growth in data usage as well as the ability to capture licence revenue streams post audit, resulting in increased total license numbers (7.2%), partially offset by reduced subscriptions (1.0%). There has also been a positive impact from price increases (effective from January 2023).

Increases in audit and back dated licensing revenue (up 216.3% from H1 2022 to $0.75 million) are attributable to continued high levels of audit activity over the period. Minimal audit revenue is expected over the remainder of 2023.

Dairy data subscriptions relate to the sale of dairy data and insight products. Dairy data subscription revenue declined against last year, reflecting reduced product subscriptions.

DAIRY DERIVATIVES GROWTH & SCALE



^ Dairy exports include WMP, SMP, BTR and AMF
** Percentage of exports calculated by converting both Dairy Exports and Derivatives volumes into kg of milk solids
* 2023 H1 comparison against exports in 2023 H1

Source: GTT, NZX, Fonterra Milk Price Statement 2022

Indices revenue relates to the revenue generated on index licensing in partnership with S&P. The indices business has grown over the last few years, driven through growth in funds using the indices as benchmarks across the funds management market and additional index data clients.

Connectivity revenue relates to the provision of connectivity and access to NZX systems for participants and data vendors. Connectivity revenue has increased in line with increased connectivity requirements from both participants and data vendors.

Operating expenses

Personnel costs (net of capitalisation) have increased, driven by:

- a higher average number of FTEs compared to H1 2022, with lower levels of vacancies during the period; and
- wage inflation which is being driven by a highly competitive and tight labour market, which is now showing some signs of easing.

IT costs relate to licensing and hardware-software maintenance costs for the trading and clearing systems, energy electricity market, energy carbon market, SGX Group-NZX dairy derivatives market and strategic partnership, and data platforms feeds. IT costs have been impacted by movements in FX rates and inflation.

Professional fees relate to the annual assurance programme (including audit fees, tax advice, and energy audit obligations under Electricity Authority contract), terminal royalty audit fees, and royalty fees relating to both the energy carbon market and SGX Group-NZX dairy derivatives market. Professional fees have increased mainly for terminal royalty audit fees which vary in proportion to audit revenue (with revenues recognised on a gross basis) and consultancy costs.

Other costs include marketing costs (for example, Capital Markets Origination team's memberships of various industry groups to identify listing pipeline opportunities), travel and statutory compliance costs.

SMARTSHARES – ON A STRONG PATHWAY TO ACHIEVING SCALE

Smartshares continued its strong growth trajectory in H1 2023. As a wholly owned NZX subsidiary, Smartshares is New Zealand's leading passive funds management business comprising the SuperLife superannuation and KiwiSaver products, exchange traded funds (ETFs), ASB Superannuation Master Trust (acquired February 2022) and QuayStreet Asset Management (acquired February 2023).

The recent acquisitions move Smartshares towards NZX's strategy of achieving scale and operating leverage which are important elements for a funds management business. Our market analysis indicates $15-$20 billion of Funds Under Management (FUM) is the point when cost bases are at their most efficient for New Zealand fund managers. Smartshares is on a strong pathway to $20 billion of FUM by 2028, with $10.67 billion FUM at the end of the period, and remains focused on offering funds to investors that track the performance of an index or use a systematic approach to investing with an ESG tilt.

Giving investors options – In June 2023 Smartshares launched five new exchange traded funds demonstrating the strength of its partnerships with global fund managers and index providers.

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The acquisition of QuayStreet, and its $1.6 billion in FUM from Craigs Investment Partners was completed in February 2023. Some support services continue to be provided by Craigs Investment Partners and we expect these to be transitioned by mid-2024.

The full transition of QuayStreet into the Smartshares operating model is expected to be completed by mid-2024. The QuayStreet funds are being offered as a premium product set to the market. In time, Smartshares, with input from Craigs and its clients, will work to align and refine the products to ensure the funds continue to meet customer needs.

QuayStreet contributed revenue of $2.6 million, operating earnings of $1.7 million and profit of $0.6 million to the Group's results for the period from acquisition to 30 June 2023.

The transition of ASB Superannuation Master Trust investment administration, investment management and registry services are on track to be completed in the third quarter of 2023. Expected synergies, including those arising from in-house management of some asset classes, will be realised when the transition is complete.

In June 2023, Smartshares launched five new ETFs giving investors more options. These were the first new Smartshares products since our Core Series launch back in July 2020.

The new ETFs not only extend the range of our offering, but they also represent the growth in partnerships Smartshares continues to build with global fund managers and index providers. Smartshares worked with S&P to develop a new index covering an Australian Equities ESG ETF. The new US 500 (NZD Hedged) ETF developed through growing our relationship with Craigs Investment Partners and welcoming QuayStreet to the Smartshares team.

Funds management revenue is generated from:

- Funds under management-based revenue which relates to variable FUM fees net of fund expenses. 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);

Funds performance ($ million)	H1-23	H1-22	% Change
Fund based fees	15.9	10.1	58.0%
Member based fees	1.5	1.1	31.6%
Other	0.6	0.3	113.6%
Funds revenue	**18.0**	**11.5**	**56.9%**
Funds EBITDA excl. acquisition & integration costs	**10.3**	**6.0**	**71.9%**
EBITDA Margin excl. acquisition & integration costs	57.1%	52.2%	9.6%
Funds EBITDA	**9.8**	**5.8**	**69.6%**
Key Operating Metrics			
Opening FUM ($ billion)	8.3	6.5	26.4%
FUM effect from market movement ($ billion)	0.7	(0.9)	177.8%
FUM effect from net cash flows ($ billion)	0.1	0.2	(50.0%)
FUM effect from acquisition ($ billion)	1.6	1.8	(11.1%)
Closing FUM ($ billion)	10.7	7.6	41.3%
Number of NZX listed Smartshares funds	40	35	14.3%

- Member based revenue which includes fixed membership administration fees and other member services; and
- Other revenue, for example interest income, insurance service fees and stock lending and borrowing service fees.

FUM-based revenue (net of fund expenses) has increased 58.0%, which reflects FUM at 30 June 2023 of $10.67 billion, up 41.3% on last year. The FUM movement year to date is a combination of the QuayStreet acquired FUM ($1.6 billion; acquired 23 February 2023), positive market returns and positive net cash flows.

Member based revenue has increased, reflecting an increase in investor numbers from the ASB Superannuation Master Trust and QuayStreet acquisitions.

Other revenue has increased due to higher levels of stock lending and interest income.

During the prior financial year, management identified additional FUM based and member-based fees relating to prior Fund financial years that had not been recognised. No revenue was recognised in the prior financial year as it was not virtually certain that these fees were recoverable. As recoverability has now been confirmed, revenue of $1.4 million has been recognised in the current period.

Personnel costs (net of capitalisation) have increased driven by higher average FTEs and wage inflation. Average FTEs increased through the acquisition of QuayStreet's investment management and client relationships teams as well as resource to support the ASB SMT integration (a non-recurring cost) and transitioned services (an ongoing recurring operational cost).

IT costs include software licence fees for the Bloomberg front and middle office operating systems, which have increased with the acquisition of QuayStreet.

The net result for Smartshares is a significant increase in operating earnings and EBITDA margin, driven by the operating leverage achieved through the increased scale from both acquisitions and organic growth.

NZX WEALTH TECHNOLOGIES – GOING FROM STRENGTH TO STRENGTH

NZX Wealth Technologies develops, administers and operates a custodial investment management platform that enables both large-scale and small-scale financial advisor groups to manage their clients' investments.

The business has had an exciting six months. Good progress has been made transitioning additional funds from existing customers onto the platform. Five new customers of various portfolio sizes, including the Cook Islands Superannuation Fund, have been won and their business will be transitioned over the remainder of the year. The scale of the secured new business is circa $550 million in funds under administration (FUA). Wealth Technologies is in the advanced stages of several significant new business opportunities, that would help achieve the targets we have set by the end of 2024. Our platform, reputation and experience is being well received by the market.

Wealth Technologies performance ($ million)	H1-23	H1-22	% Change
Wealth Technologies revenue	**3.0**	**2.9**	**6.2%**
Wealth Technologies EBITDA excl. restructure costs	**0.1**	**0.5**	**(79.5%)**
EBITDA Margin excl. restructure costs	3.1%	16.3%	(80.7%)
Key Operating Metrics			
Opening FUA ($ billion)	10.0	11.0	(9.7%)
FUA effect from market movement ($ billion)	0.8	(1.3)	(161.5%)
FUA effect from net cash flows ($ billion)	0.1	0.2	(50.0%)
Closing FUA ($ billion)	10.8	9.9	9.1%
Capitalised costs for client onboarding	3.6	4.2	(13.9%)

Wealth Technologies now has contracted FUA growth to more than double FUA (in the medium term). We remain confident the growth from the new business transition activity and the prospect pipeline will ensure Wealth Technologies meets its objective of being cashflow breakeven by the end of 2024 and to deliver on its target of FUA between $35 and $50 billion. In late 2022 NZX did consider whether there was a strategic partner that could enhance the business. However, with Wealth Technologies' long-term growth prospects continuing to strengthen, this is no longer a priority and discussions with a limited number of parties have concluded.

Wealth Technologies' revenue is generated from administration services provided on its management platform and development fees received from the customisation of the platform or data migration effort specific to client requirements.

Administration fees are based on funds under administration (FUA) and have been positively impacted by positive cashflows and market returns over the period. FUA at 30 June 2023 was $10.82 billion, up 9.1% on June 2022.

Personnel costs (net of capitalisation) have increased, driven by:

- wage inflation; and
- lower levels of capitalisation compared to H1 2022, reflecting the non-capitalisable effort required to migrate clients between the legacy and new platform. This migration is now complete, and the legacy system has been decommissioned; but
- were offset by lower average FTEs with lower levels of vacancies during the period. Headcount is dependent at any point in time on the levels of platform investment (including migration activity) required for current and future clients, and the operational services provided to current clients.

Capitalised labour and overhead remains at high levels, predominantly reflecting new client migration activity, plus continued product development. The levels of capitalisation are expected to continue as clients migrate additional FUA and new clients are onboarded.

IT costs have decreased due to the decommissioning of the legacy system and a rationalisation of data hosting and data feed spend over the period.

Operating earnings and EBITDA margin have been adversely impacted by the migration of clients between the legacy and new platform which was completed in the period.

NZX Wealth Technologies is in the advanced stages of several significant new business opportunities, that would help achieve the targets we have set by the end of 2024. Our platform, reputation and experience is being well received by the market.

Balance sheet, Liquidity & debt

Balance Sheet and Cashflow Figures ($ million)	H1-23	H1-22	% Change
Net debt (excludes restricted cash)	(48.7)	(22.5)	(116.7%)
Restricted cash	20.0	20.0	-
Goodwill	50.9	30.2	68.5%
Other intangible assets	99.3	68.7	44.6%
Other non-current assets	45.5	35.9	26.6%
Net other liabilities	(48.3)	(20.2)	138.4%
Net assets / equity	**118.7**	**112.1**	**5.9%**
Operating activities cashflow	16.1	14.3	12.6%
Working capital movements	(9.1)	(13.1)	30.5%
Cash inflow from operations	**7.0**	**1.2**	**485.3%**
Payments for acquisitions	(22.4)	(41.0)	45.4%
Payments for PPE & other intangible assets	(5.3)	(6.0)	11.7%
Cash outflow from investment	**(27.7)**	**(47.0)**	**40.9%**
Proceeds from equity raise/term loans	22.5	42.6	(47.2%)
Dividends and other	(9.8)	(9.4)	(4.3%)
Cash inflow from financing	**12.7**	**33.2**	**(61.8%)**
Net decrease in cash and cash equivalents	**(8.1)**	**(12.5)**	**35.4%**

NZX closed the half year with net debt of $48.7 million (excluding Clearing House risk capital which is not available for general use) including:

- subordinated notes ($38.7 million) – the first election date for NZX's subordinated bonds was 20 June 2023, when the notes were rolled over with all redemption requests being resold to new investors. The interest rate was reset at 6.8% which will apply until the next election date on 20 June 2028;
- term loan ($22.5 million; expiry date 28 February 2025), used to fund the QuayStreet acquisition in February 2023; and
- Cash and cash equivalents of $12.5 million which includes:
  - cash of up to $2.3 million held in Clearing House to meet International Organisation of Securities Commissions' expectations for the retention of working capital; and
  - cash of up to $1.6 million held in Smartshares to maintain sufficient net tangible assets in accordance with its license requirements.

The acquisition of QuayStreet in February 2023 has resulted in increases in net debt, goodwill, other intangible assets and net other liabilities. The effect of the QuayStreet acquisition is explained fully in note 8 to NZX's interim financial statements.

Operating activity cashflow represents the profit for the period (adjusted for non-cash items - for example, depreciation and amortisation, share of profit of associates, share-based payments). NZX's cashflows from operations mainly occur in the second half of the year when annual listing and participant fees are collected. We are conscious of Wealth Technologies' cash burn and are targeting that business to be cashflow positive by late 2024 based on the current migration pipeline.

Investment activities include:

- the acquisitions of QuayStreet Asset Management in February 2023, ASB Superannuation Master Trust in February 2022 and an interest in GlobalDairyTrade in June 2022; and
- capital expenditure relating to Wealth Technologies' software development, Auckland office fit outs and other technology upgrades and enhancements, including system enhancements required for the integration of the ASB Superannuation Master Trust.

Financing activities reflect the equity raised and new term loans to fund the acquisitions, and the payment of dividends (net of participation in the dividend reinvestment plan).

NZX'S GROWTH STRATEGY – GROWING, CONNECTING, CREATING VALUE

Since 2017 NZX has been growing a more integrated financial markets infrastructure and services business. We have been building on NZX's core market strengths and implementing growth opportunities across our Group businesses to create further value to our shareholders over time.

Our strategy to 2027 is to:

- expand our product offering in Capital Markets (equity derivatives, carbon markets);
- enhance our global connections and market reach; and
- drive scale, efficiencies and operating leverage across the businesses – including Smartshares and NZX Wealth Technologies.

To deliver to the strategy, the Company has a range of growth options. In the core markets, work is progressing well on NZX Dark (an exchange delivered anonymous mid-point orderbook, on target for launch in H1 2024) and we intend to relaunch the S&P/NZX20 Index Futures later in 2024.

The partnership with the SGX Group in dairy derivatives is making excellent progress generating new players into the market and has the potential to now attract traders, which will further grow liquidity.

Smartshares has strong growth options due to positive cashflows, market returns, KiwiSaver and the ongoing benefits of integrating the ASB Superannuation Master Trust and QuayStreet acquisitions. There are sizeable efficiencies to be made in the business in coming years by streamlining, aligning and automating systems and processes.

Wealth Technologies is on target to be cashflow positive by the end of 2024 with a strong pipeline of activity planned onboarding existing and new clients' FUA. Discovery work is also underway with a large custodial prospect, and we are in advanced discussions with a further $2.3 billion of full custodial clients.

Increased compliance obligations are forcing large advisor firms to upgrade their platforms or move to a SaaS offering, such as Wealth Technologies. On top of this, the increasing cost to service clients impacts medium-sized adviser firms, making the Wealth Technologies platform a cost-efficient option.

Ringing in the day – Booster Innovation Fund joined NZX to open trading on 12 July 2023.

FY 2023 GUIDANCE OUTLOOK

NZX's full year 2023 Operating Earnings (EBITDA), excluding acquisition, integration and restructure costs, are expected to be in the range of $36.0 million to $40.5 million. The half-year financial result indicates NZX is tracking towards the upper end of the 2023 full-year guidance range.

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 is no further material decline 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.

The Earnings Guidance excludes the expected impact of the GDT investment as this is recognised as "share of profit of associate" (after Operating Earnings).

BOARD & MANAGEMENT CHANGES

In May 2023 experienced markets' practitioner and former NZX director John McMahon was re-appointed as an independent NZX Board director and then Chair, replacing James Miller.

James served nearly 13 years as an NZX director and Chair through a time of significant change and development for the Company and exchange. He oversaw the stabilisation and modernisation of the NZX Group business, development of a long-term strategic growth plan and the development of strategic partnerships with Nasdaq, SGX, Fonterra and EEX.

James was the driving force behind governance improvements such as the structural separation of NZX's regulatory arm into NZ RegCo, and the development of the Corporate Governance Institute, along with opening of New Zealand's Capital Markets Centre in Auckland. He personally championed the Capital Markets 2029 vision and recognised the need for an 'NZ Inc approach' to New Zealand's economic wellbeing.

The NZX Board and management thank James for his significant contribution to the Company and New Zealand's capital markets and wish him all the best for the future.

Other Board changes in H1 2023 included:

– Appointment of Dame Paula Rebstock as an independent director in February 2023; and
– Resignation of Rob Hamilton as an independent director in March 2023.

In January Smartshares Chief Executive Hugh Stevens resigned after five years in the role. NZX Chief Financial & Corporate Officer Graham Law has acted in the role from 1 April. Experienced financial services executive Anna Scott was appointed as the new Chief Executive in June and begins in early September.

Finally in August 2023, the Board extended Mark Peterson's employment term as NZX Chief Executive beyond April 2024. The new employment agreement ensures stability of leadership and maintains momentum across the NZX Group. The Group has a clear work programme in front of it that requires focused and proven leadership. This includes successful delivery of initiatives and products under NZX's growth strategy – NZX 20 Futures and NZX Dark – and more size, scale and efficiencies in capital market operations, Smartshares and NZX Wealth Technologies.

TECHNOLOGY – ONGOING FOCUS ON RESILIENCE

NZX continues to invest in information technology to maintain the stability of the last 18 months. This includes aligning capability, capacity and security. The continual uplift and investment in technology systems and resources was noted by the FMA in its annual obligations review.

OPERATING RESPONSIBLY

NZX's focus is to create value while delivering a positive impact on society and the environment.

As a business, NZX is committed to taking action on climate change. In 2021 and 2022 NZX achieved net carbon zero certification from Toitū Envirocare. Sustainable economic growth is a priority for NZX. Public markets will continue to play an important role in facilitating the flow of capital towards decarbonising the New Zealand economy.

In 2024 under the mandatory climate-related disclosures framework (Aotearoa New Zealand Climate Standards, ANZCS), NZX will be reporting in accordance with our climate change obligations regarding governance, strategy, risk management, and metrics and targets.

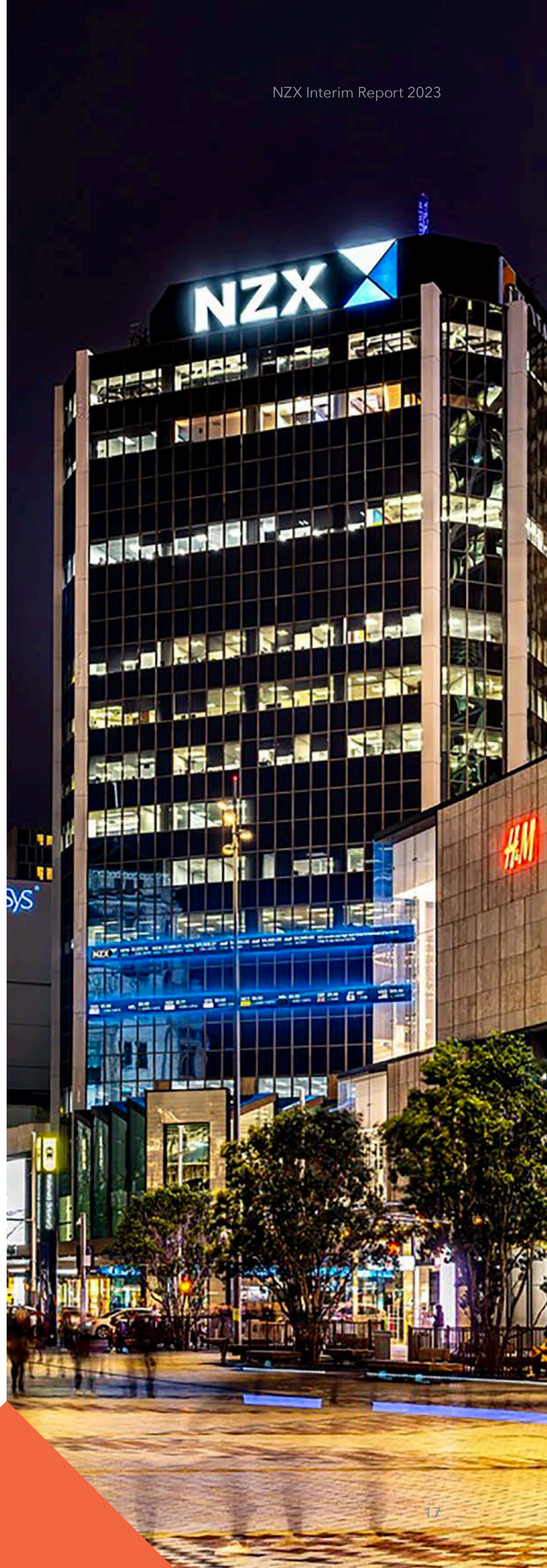
NZX is undertaking a materiality assessment to grow and deepen NZX's stakeholder understanding and relationships, support and further inform NZX strategy execution, and guide future Environmental, Social and Governance (ESG) prioritisation, targets, and reporting.

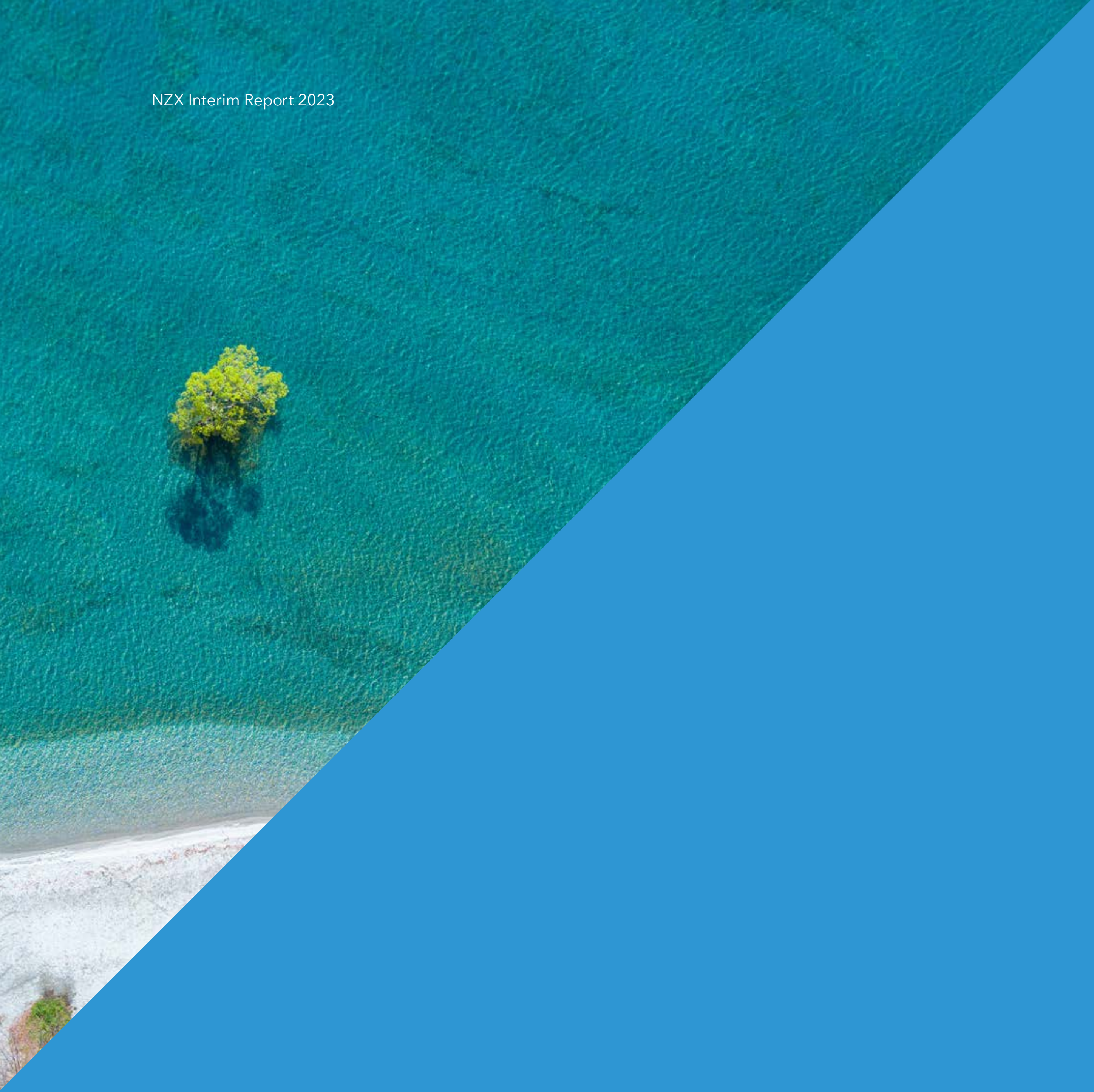
ACKNOWLEDGEMENTS

It is important to acknowledge the positive contribution our team at NZX makes every day connecting people, businesses and capital for economic prosperity. They are passionate and dedicated about working with customers and providing them with high-quality support, services and infrastructure that allows New Zealand companies, investors and savers to get ahead. As we have done for 157 years, at NZX we want to grow our business and the businesses and individuals we serve in a way that is sustainable and profitable.

John McMahon
BOARD CHAIR

Mark Peterson
CHIEF EXECUTIVE





NZX Interim Report 2023

Financial statements

Group Income Statement

For the six months ended 30 June 2023

	Note	Unaudited 6 months ended 30 June 2023 $000	Unaudited 6 months ended 30 June 2022 $000	Audited 12 months ended 31 Dec 2022 $000
Total operating revenue	5	53,959	46,175	95,726
Total operating expenses	6	(33,918)	(28,755)	(60,661)
Earnings before net finance expenses, income tax, depreciation, amortisation, gain on lease modification, gain on disposal of assets and share of profit of associate (EBITDA)[1]	2	**20,041**	**17,420**	**35,065**
Net finance expenses	7	(1,873)	(1,044)	(1,838)
Depreciation and amortisation expense		(8,335)	(6,756)	(13,860)
Gain on disposal of assets		-	3	3
Gain on lease modification		15	-	-
Share of profit of associate		392	-	146
Profit before income tax		**10,240**	**9,623**	**19,516**
Income tax expense		(3,267)	(2,240)	(5,357)
Profit for the period		**6,973**	**7,383**	**14,159**
Earnings per share				
Basic (cents per share)		2.2	2.5	4.6
Diluted (cents per share)		2.1	2.4	4.5

1 EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

Group Statement of Other Comprehensive Income

For the six months ended 30 June 2023

	Unaudited 6 months ended 30 June 2023 $000	Unaudited 6 months ended 30 June 2022 $000	Audited 12 months ended 31 Dec 2022 $000
Profit for the period	6,973	7,383	14,159
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences	-	(1)	-
Total other comprehensive income	-	(1)	-
Total other comprehensive income for the period	**6,973**	**7,382**	**14,159**

Group Statement of Changes in Equity

For the six months ended 30 June 2023

	Note	Share Capital $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
Audited balance at 1 January 2022		**63,472**	**7,180**	**(46)**	**70,606**
Profit for the period		-	7,383	-	7,383
Foreign currency translation differences		-	-	(1)	(1)
Total comprehensive income for the period		**-**	**7,383**	**(1)**	**7,382**
Transactions with owners recorded directly in equity:					
Dividends paid	12	-	(8,701)	-	(8,701)
Issue of shares		42,687	-	-	42,687
Share based payments		115	-	-	115
Cancellation of non-vesting shares		(19)	19	-	-
Total transactions with owners recorded directly in equity		**42,783**	**(8,682)**	**-**	**34,101**
Unaudited closing balance at 30 June 2022		**106,255**	**5,881**	**(47)**	**112,089**
Profit for the period		-	6,776	-	6,776
Foreign currency translation differences		-	-	1	1
Total comprehensive income for the period		**-**	**6,776**	**1**	**6,777**
Transactions with owners recorded directly in equity:					
Dividends paid	12	-	(9,394)	-	(9,394)
Issue of shares		1,939	-	-	1,939
Share based payments		297	-	-	297
Cancellation of non-vesting shares		(21)	21	-	-
Total transactions with owners recorded directly in equity		**2,215**	**(9,373)**	**-**	**(7,158)**
Audited closing balance at 31 December 2022		**108,470**	**3,284**	**(46)**	**111,708**
Profit for the period		-	6,973	-	6,973
Foreign currency translation differences		-	-	-	-
Total comprehensive income for the period		**-**	**6,973**	**-**	**6,973**
Transactions with owners recorded directly in equity:					
Dividends paid	12	-	(9,756)	-	(9,756)
Issue of shares	11	9,159	-	-	9,159
Share based payments		611	-	-	611
Cancellation of non-vesting shares		(50)	50	-	-
Total transactions with owners recorded directly in equity		**9,720**	**(9,706)**	**-**	**14**
Unaudited closing balance at 30 June 2023		**118,190**	**551**	**(46)**	**118,695**

Group Statement of Financial Position

As at 30 June 2023

	Note	Unaudited 30 June 2023 $000	Unaudited 30 June 2022 $000	Audited 31 Dec 2022 $000
Current assets				
Cash and cash equivalents		12,508	16,527	20,611
Cash and cash equivalents - restricted	9	20,000	20,000	20,000
Funds held on behalf of third parties		26,281	27,221	30,282
Receivables and prepayments		32,691	27,553	17,132
Total current assets		**91,480**	**91,301**	**88,025**
Non-current assets				
Property, plant & equipment		10,027	7,926	10,372
Right-of-use lease assets		18,266	11,357	19,204
Goodwill	3	50,927	30,222	30,222
Other intangible assets		99,348	68,696	68,593
Investment in associate		17,174	16,638	16,783
Total non-current assets		**195,742**	**134,839**	**145,174**
Total assets		**287,222**	**226,140**	**233,199**
Current liabilities				
Funds held on behalf of third parties		26,281	27,221	30,282
Trade payables		9,520	9,379	7,434
Other liabilities - current		30,478	22,832	19,413
Lease liabilities		666	1,319	997
Current tax liability/(asset)		485	(936)	665
Interest bearing liabilities - current	10	-	38,983	39,037
Total current liabilities		**67,430**	**98,798**	**97,828**

Group Statement of Financial Position (continued)

As at 30 June 2023

	Note	Unaudited 30 June 2023 $000	Unaudited 30 June 2022 $000	Audited 31 Dec 2022 $000
Non-current liabilities				
Non-current other liabilities	8	7,930	-	-
Lease liabilities		20,345	12,280	20,679
Interest bearing liabilities	10	61,164	-	-
Deferred tax liability		11,658	2,973	2,984
Total non-current liabilities		**101,097**	**15,253**	**23,663**
Total liabilities		**168,527**	**114,051**	**121,491**
Net assets		**118,695**	**112,089**	**111,708**
Equity				
Share capital	11	118,190	106,255	108,470
Retained earnings		551	5,881	3,284
Translation reserve		(46)	(47)	(46)
Total equity attributable to shareholders		**118,695**	**112,089**	**111,708**
Net tangible assets per share (cents per share)		(16.24)	(1.15)	(1.27)

Approved on behalf of the Board of Directors for issue on 24 August 2023.

John McMahon
Chair of the Board

Lindsay Wright
Chair of the Audit and Risk Committee

Group Statement of Cash Flows

For the six months ended 30 June 2023

	Note	Unaudited 6 months ended 30 June 2023 $000	Unaudited 6 months ended 30 June 2022 $000	Audited 12 months ended 31 Dec 2022 $000
Cash flows from operating activities				
Receipts from customers		47,020	37,635	92,068
Net interest paid		(1,278)	(1,114)	(1,967)
Payments to suppliers and employees		(35,038)	(30,153)	(59,976)
Income tax paid		(3,774)	(5,184)	(6,689)
Net cash provided by operating activities		**6,930**	**1,184**	**23,436**
Cash flows from investing activities				
Payments for property, plant and equipment		(439)	(1,105)	(5,096)
Payments for intangible assets		(27,294)	(29,841)	(35,400)
Payments for investment in associate		-	(16,004)	(16,637)
Net cash used in investing activities		**(27,733)**	**(46,950)**	**(57,133)**
Cash flows from financing activities				
Proceeds from term loans	10	22,500	-	-
Net receipts from equity raising		-	42,638	42,669
Payments of lease liabilities		(608)	(686)	(1,236)
Transaction costs relating to renewal of subordinated notes	10	(648)	-	-
Purchase of subordinated notes		-	(20)	-
Dividends paid		(8,544)	(8,701)	(16,187)
Net cash provided by financing activities		**12,700**	**33,231**	**25,246**
Net decrease in cash and cash equivalents		(8,103)	(12,535)	(8,451)
Cash and cash equivalents at the beginning of the period		40,611	49,062	49,062
Cash and cash equivalents at the end of the period		**32,508**	**36,527**	**40,611**

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the six months ended 30 June 2023

1. Reporting entity and statutory base

Reporting entity

These interim financial statements presented are for NZX Limited (the Company) and its subsidiaries (together referred to as the Group) as at and for the six months ended 30 June 2023.

The Group operates New Zealand securities, derivatives and energy markets, including building and maintaining the infrastructure on which they operate. It provides funds management services including superannuation and Exchange Traded Funds (ETFs), as well as developing and operating wealth management platforms for other providers. It also provides a range of information and data to support market growth and development in the securities and dairy sectors.

The Company is incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). The Company is listed and its ordinary shares are quoted on the NZX Main Board. The Company also has listed debt which is quoted on the NZX debt market.

Basis of preparation

These interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), the requirements of the FMCA and the Main Board/debt market Listing Rules of NZX Limited. The interim financial statements comply with the New Zealand equivalents to International Accounting Standards NZ IAS 34 and IAS 34 Interim Financial Reporting.

These interim financial statements do not disclose all the information required for annual financial statements prepared in accordance with NZ IFRS. Consequently, the interim financial statements should be read in conjunction with the financial statements and related notes included in the Annual Report for the year ended 31 December 2022.

Accounting policies

These interim financial statements have consistently applied the accounting policies set out in the Group's Annual Report for the year ended 31 December 2022.

Accounting estimates and judgements

The principal areas of judgement for the Group, in preparing these financial statements, including information about assumptions and estimated uncertainties that have a significant risk of resulting a material adjustment within the next financial year, have not changed from those used in preparing the annual financial statements for the year ended 31 December 2022 with the following addition:

- note 8 - acquisition of management rights: fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis.

Functional and presentation currency

These interim financial statements are presented in New Zealand dollars ($), which is the Group's functional currency, and are rounded to the nearest thousand dollars unless otherwise indicated.

Presentational changes

Certain amounts in the comparative information have been reclassified to ensure consistency with the current period's presentation.

2. Non-GAAP measures

EBITDA is a non-GAAP performance measure and differs from the NZ IFRS profit for the period. The Group's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of EBITDA to NZ IFRS profit for the period:

	Unaudited 6 months ended 30 June 2023 $000	Unaudited 6 months ended 30 June 2022 $000	Audited 12 months ended 31 Dec 2022 $000
Profit for the period	**6,973**	**7,383**	**14,159**
Income tax expense	3,267	2,240	5,357
Profit before income tax	**10,240**	**9,623**	**19,516**
Adjustments for:			
- Net finance expenses	1,873	1,044	1,838
- Gain on lease modification	(15)	-	-
- Depreciation and amortisation expense	8,335	6,756	13,860
- Gain on disposal of assets	-	(3)	(3)
- Share of profit of associate	(392)	-	(146)
EBITDA	**20,041**	**17,420**	**35,065**

The Group has presented the EBITDA performance measure in addition to NZ IFRS profit for the period as this performance measure is used internally, in conjunction with other measures, to monitor performance and make investment decisions. EBITDA is calculated by adjusting profit from operations to exclude the impact

of taxation, net finance expense, depreciation, amortisation, gain on lease modification, gain on disposal of assets, and share of profit of associate.

3. Goodwill and other intangible assets

	Note	Unaudited 30 June 2023 $000	Unaudited 30 June 2022 $000	Audited 31 Dec 2022 $000
Carrying amount				
Balance at beginning of the period		30,222	30,222	30,222
Acquired on acquisition of QuayStreet Asset Management	8	20,705	-	-
Balance at end of the period		**50,927**	**30,222**	**30,222**

The Group performs a full impairment assessment of its goodwill and indefinite life intangible assets annually. The last full impairment assessment was performed at 31 December 2022, and no impairment was required as a result.

The Group has reviewed the indicators of impairment for the six month period to 30 June 2023, and no indicators of impairment were noted (none at 30 June 2022). The next full impairment assessment will be performed and included in the Group's year end financial statements as at 31 December 2023.

4. Segment reporting

The Group has five revenue generating segments, as described below, which are the Group’s strategic business areas, and a corporate services segment which has limited revenue but includes all costs that are shared across the organisation.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group CEO. The CODM assesses performance of the combined Markets business (i.e. the Capital Markets Origination, Secondary Markets and Information Services revenue generating segments) as a single segment, being an integrated business that supports the growth of New Zealand capital markets. The performance of the Funds Management, Wealth Technologies and Corporate businesses are assessed separately.

Additionally, NZX Regulation Limited (NZ RegCo) is a stand-alone, independently-governed agency which performs all of NZX's front line regulatory functions. NZ RegCo is structurally separate from the Group's commercial operations and consequently the CODM for the Regulation business is the NZ RegCo CEO.

The reportable commercial operations segments are:

- Markets
  - Capital Market Origination - 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, provider of a central securities depository and market operator for Fonterra Co-Operative Group, the Electricity Authority and the Ministry for the Environment;

- Information Services (previously Data & Insights) - provider of information services for the securities and derivatives markets, and analytics for the dairy sector;
- Funds Management - manager of superannuation funds, KiwiSaver funds and exchange traded funds; and
- Wealth Technologies - funds administration provider and custodian.

The Group's revenue is allocated into each of the reportable segments (including an internal allocation of annual listing fees and annual participant fees to NZ RegCo). Expenses incurred are allocated to the segments only if they are direct and specific expenses to one of the segments. The remaining expenses that relate to activities shared across the group are reported in the Corporate segment.

The Group's assets and liabilities are allocated into each of the revenue generating segments, apart from those assets and liabilities that are utilised on a shared basis, which are allocated to the Corporate segment.

Segmental information for the six months ended 30 June 2023

Unaudited	Capital Markets Origination $000	Secondary Markets $000	Information Services $000	Markets sub-total $000	Funds $000	Wealth Tech. $000	Corporate $000	NZX Commercial Operations sub-total $000	Regulation $000	NZX Group Total $000
Operating revenue	8,191	12,569	10,373	31,133	17,977	3,026	51	**52,187**	1,772	**53,959**
Operating expenses				(10,267)	(8,156)	(2,963)	(10,521)	**(31,907)**	(2,011)	**(33,918)**
Operating earnings (EBITDA)[1]				**20,866**	**9,821**	**63**	**(10,470)**	**20,280**	**(239)**	**20,041**
Segment assets				104,633	122,920	25,017	34,384	**286,954**	268	**287,222**
Segment liabilities				(46,020)	(56,607)	(2,170)	(64,173)	**(168,970)**	443	**(168,527)**
Net assets				**58,613**	**66,313**	**22,847**	**(29,789)**	**117,984**	**711**	**118,695**

1 EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

Segmental information for the six months ended 30 June 2022

Unaudited	Capital Markets Origination $000	Secondary Markets $000	Information Services $000	Markets sub-total $000	Funds $000	Wealth Tech. $000	Corporate $000	NZX Commercial Operations sub-total $000	Regulation $000	NZX Group Total $000
Operating revenue	8,092	12,968	8,992	30,052	11,459	2,850	16	**44,377**	1,798	**46,175**
Operating expenses				(9,646)	(5,667)	(2,386)	(9,081)	**(26,780)**	(1,975)	**(28,755)**
Operating earnings (EBITDA)[1]				**20,406**	**5,792**	**464**	**(9,065)**	**17,597**	**(177)**	**17,420**
Segment assets				104,051	69,334	22,711	29,867	**225,963**	177	**226,140**
Segment liabilities				(45,248)	(7,161)	(2,138)	(59,562)	**(114,109)**	58	**(114,051)**
Net assets				**58,803**	**62,173**	**20,573**	**(29,695)**	**111,854**	**235**	**112,089**

1 EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

Segmental information for the twelve months ended 31 December 2022

Audited	Capital Markets Origination $000	Secondary Markets $000	Information Services $000	Markets sub-total $000	Funds $000	Wealth Tech. $000	Corporate $000	NZX Commercial Operations sub-total $000	Regulation $000	NZX Group Total $000
Operating revenue	16,965	25,346	19,354	61,665	24,486	5,991	56	**92,198**	3,528	**95,726**
Operating expenses				(19,078)	(13,297)	(4,662)	(19,698)	**(56,735)**	(3,926)	**(60,661)**
Operating earnings (EBITDA)[1]				**42,587**	**11,189**	**1,329**	**(19,642)**	**35,463**	**(398)**	**35,065**
Segment assets				94,304	72,433	24,301	42,039	**233,077**	122	**233,199**
Segment liabilities				(43,279)	(10,552)	(2,024)	(65,830)	**(121,685)**	194	**(121,491)**
Net assets				**51,025**	**61,881**	**22,277**	**(23,791)**	**111,392**	**316**	**111,708**

1 EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

5. Operating revenue

	Unaudited 6 months ended 30 June 2023 $000	Unaudited 6 months ended 30 June 2022 $000	Audited 12 months ended 31 Dec 2022 $000
Listing and issuance fees	8,191	8,092	16,965
Total Capital Markets Origination revenue	**8,191**	**8,092**	**16,965**
Participant services	281	439	870
Securities trading	2,006	2,299	4,171
Securities clearing	3,237	3,842	7,158
Dairy derivatives	1,569	836	1,887
Market operations	5,476	5,552	11,260
Total Secondary Markets revenue	**12,569**	**12,968**	**25,346**
Securities information	8,652	7,380	16,001
Dairy data subscriptions	281	315	610
Connectivity revenue	1,440	1,297	2,743
Total Information Services revenue	**10,373**	**8,992**	**19,354**
Funds Management revenue	**17,977**	**11,459**	**24,486**
Wealth Technologies revenue	**3,026**	**2,850**	**5,991**
Regulation revenue	**1,772**	**1,798**	**3,528**
Other Corporate revenue	**51**	**16**	**56**
Total operating revenue	**53,959**	**46,175**	**95,726**

6. Operating expenses

	Note	Unaudited 6 months ended 30 June 2023 $000	Unaudited 6 months ended 30 June 2022 $000	Audited 12 months ended 31 Dec 2022 $000
Gross personnel costs		(24,528)	(21,780)	(44,060)
Less capitalised labour		2,891	3,127	6,742
Net personnel costs		(21,637)	(18,653)	(37,318)
Information technology		(6,909)	(6,402)	(13,071)
Professional fees		(1,721)	(1,479)	(3,517)
Marketing		(387)	(598)	(1,419)
Other operating expenses		(3,462)	(2,164)	(5,392)
Capitalised overheads		722	725	1,596
Acquisition, integration and restructure costs	8	(524)	(184)	(1,540)
Total operating expenses		**(33,918)**	**(28,755)**	**(60,661)**

7. Net finance expenses

	Note	Unaudited 6 months ended 30 June 2023 $000	Unaudited 6 months ended 30 June 2022 $000	Audited 12 months ended 31 Dec 2022 $000
Interest income		887	424	1,204
Interest on lease liabilities		(482)	(231)	(641)
Unwind of discount on earnout	8	(225)	-	-
Other interest expense		(1,797)	(1,255)	(2,466)
Amortised borrowing costs		(286)	(43)	(87)
Net gain on foreign exchange		30	61	152
Net finance expense		**(1,873)**	**(1,044)**	**(1,838)**

8. Acquisition of management rights

On 23 February 2023 Smartshares Limited acquired the management rights and associated assets of QuayStreet Asset Management (QuayStreet). This acquisition:

- drives further scale in Smartshares, with funds under management (FUM) increasing $1.582 billion at acquisition;
- provides Smartshares, in time, with an enhanced passive product offering; and
- is aligned with the Group strategy to capture complementary opportunities that the greater scale in the Smartshares business provides to both the NZ Capital Markets and NZX's market business.

For the period from acquisition to 30 June 2023, QuayStreet contributed revenue of $2.594 million and profit of $0.631 million (excluding one-off integration costs) to the Group's results. If the acquisition had occurred on 1 January 2023, management estimates that consolidated Group revenue would have been $1.074 million higher at $55.033 million and consolidated Group profit would have been $0.261 million higher at $7.234 million for the 6 month period to 30 June 2023. In determining these amounts management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023.

a. Consideration transferred

The following table summarises the fair value of each major class of consideration transferred at acquisition date:

	Note	$000
Cash		22,500
Equity instruments (6,569,069 ordinary shares)	8(i)	7,883
Present value of contingent cash consideration	8(ii)	13,874
Assumed liabilities (employee provisions)		(62)
Total consideration		**44,195**

i. Equity instruments transferred

The fair value of the ordinary shares issued is based on the acquisition date (23 February 2023) share price of $1.20. The consideration shares were in satisfaction of $8.75m of the QuayStreet purchase price.

ii. Contingent cash consideration

Potential earnout consideration of up to $18.75 million is payable based on net FUM inflows from the Craigs Investment Partners Group (CIP Group) into Smartshare's products over a three-year period.

The terms of the earnout payment are as follows:

	Maximum earnout $000	Provisional fair value of earnout recognised at acquisition $000
Earnout 1 - payable, prorata, on cumulative net FUM inflows from the CIP Group from 24 November 2022 - 23 November 2023, with the maximum amount payable where cumulative net FUM inflows over that period are $250m.	$6,250	6,098
Earnout 2 - payable, prorata, on cumulative net FUM inflows from the CIP Group from 24 November 2022 - 23 November 2024, with the maximum amount payable where cumulative net FUM inflows over that period are $525m.	$11,250 less any amount paid under earnout 1	4,568
Earnout 3 - - first component - payable only where cumulative net FUM inflows from the CIP Group from 24 November 2022 - 23 November 2025 exceed $800m. - second component - payable, prorata on cumulative net FUM inflows from CIP Group from 24 November 2022 - 23 November 2025 in excess of $800m, with the maximum amount payable where cumulative net FUM inflows over that period are $1.2 billion.	First component: $3,750 Second component: $3,750	3,208
Total provisional fair value of earnout recognised at acquisition		**13,874**

The fair value provisionally recognised at acquisition takes into account management's expectation of the probability of achieving the earnout targets and is discounted to present value.

At 30 June 2023, the contingent consideration is $14.099 million (current: $6.169 million, non-current: $7.930 million), with the movement representing an unwind of the discount to the present value.

b. Acquisition related costs

NZX incurred acquisition-related costs of $1.227 million related to consultancy, legal fees and due diligence costs. These acquisition-related costs were included in the 2022 Income Statement within acquisition/ integration costs.

c. Identifiable assets acquired and liabilities assumed

The following table summarises the provisionally recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	$000
Funds management rights	32,201
Trade names and trademarks	229
Software	123
Deferred tax liability	(9,001)
Employee provisions	(62)
Total identifiable net assets acquired	23,490
Less total consideration paid/payable	(44,195)
Goodwill	20,705

The goodwill is attributable primarily to the synergies expected to be achieved from integrating QuayStreet into the Group's existing Funds Management business (Smartshares) and future growth potential of QuayStreet direct investment. Goodwill also includes the operational know-how and value of the transferring workforce. None of the goodwill recognised is expected to be deductible for tax purposes.

The above amounts have been measured on a provisional basis, pending completion of an independent valuation.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts or any additional provision that existed at the date of acquisition, the accounting for the acquisition will be revised.

9. Cash and cash equivalents

Restricted cash and cash equivalents relates to balances held for risk capital requirements by the Clearing House and is not available for general cash management use by the Group. In addition, cash and cash equivalents includes amounts of up to $3.9 million at 30 June 2023 (30 June 2022: up to $5.4 million; 31 December 2022: up to $9.3 million) that are held by subsidiaries to comply with regulatory requirements and are not available for general use by other entities within the Group.

10. Interest bearing liabilities

	Unaudited 30 June 2023 $000	Unaudited 30 June 2022 $000	Audited 31 Dec 2022 $000
Term loans	22,500	-	-
Subordinated notes	40,000	39,980	40,000
Total drawn debt	**62,500**	**39,980**	**40,000**
Capitalised borrowing costs (net of amortisation)	(1,336)	(997)	(963)
Net interest bearing liabilities	**61,164**	**38,983**	**39,037**

a. *Subordinated notes*

The subordinated notes are quoted on the NZX debt market.

The subordinated notes first election date occurred on 20 June 2023. On the election date investors choose whether to retain their subordinated notes (at the reset interest rate noted below) or elect to redeem their subordinated notes. Redeemed subordinated notes were repurchased by NZX and subsequently resold.

The interest rate was reset to 6.80% effective 20 June 2023 and is fixed until the second election date (20 June 2028), at which point NZX may reset the interest rate.

Otherwise the terms of the subordinated notes are unchanged and are set out in the Group's Annual Report for the year ended 31 December 2022 and include a financial covenant that has been met throughout the period.

The subordinated notes are measured at amortised cost using the effective interest method, as required by NZ IFRS 9.

In June 2022 NZX acquired 20,000 of its own subordinated notes under the provisions of the Retail Liquidity Support Facility.

b. *Bank overdraft, revolving credit and term loan facilities*

The Group has access to an overdraft facility with a limit of $3.0 million as at 30 June 2023 (30 June 2022: $3.0 million, 31 December 2022: $3.0 million). The effective interest rate of the facility at 30 June 2023 was 7.77% (30 June 2022: 3.81%, 31 December 2022: 4.80%).

The Group also has a revolving credit facility with a limit of $7.0 million as at 30 June 2023 (30 June 2022: $7.0 million, 31 December 2022: $7.0 million). No amount was drawn down under either of these facilities at 30 June 2023 (none at 30 June 2022 and 31 December 2022).

The Group term loan facility was utilised to fund the acquisition of the management rights and associated assets of QuayStreet Asset Management (note 8). The facility limit is $27.5 million (30 June 2022: nil; 31 December 2022: $27.5 million), with $22.5 million drawn down at 30 June 2023 (30 June 2022: nil; 31 December 2022: nil). The effective interest rate of the facility at 30 June 2023 was 7.58% (30 June 2022: n/a, 31 December 2022: n/a).

The facilities expiry date has been extended to 28 February 2025. Otherwise the terms of these facilities are set out in the Group's Annual Report for the year ended 31 December 2022. The facilities are unsecured and contain financial covenants which have been met throughout the period.

11. Shares on issue

The Company had 322,849,628 fully paid ordinary shares as at 30 June 2023 (30 June 2022: 313,136,860, 31 December 2022: 314,709,360). The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings.

Ordinary shares (6,569,069) were issued during the period in partial satisfaction of the purchase price for the management rights and associated assets of QuayStreet Asset Management (note 8).

The Dividend Reinvestment Plan applied to dividends during the period (2022: suspended for dividends paid in March 2022 and applied to dividends paid in September 2022) resulting in the issue of 1,009,127 shares (30 June 2022: no shares; 31 December 2022: 1,572,500).

Additionally 562,072 shares (30 June 2022: 1,261,025; 31 December 2022: 1,261,025) were issued as share based payments (note 13).

12. Dividends

		Unaudited 6 months ended 30 June 2023		Unaudited 6 months ended 30 June 2022		Audited 12 months ended 31 Dec 2022	
	For year ended	Cents per share	Total $000	Cents per share	Total $000	Cents per share	Total $000
Dividends declared and paid							
March 2022 - Final	31 Dec 21			3.1	8,701	3.1	8,701
September 2022 - Interim	31 Dec 22					3.0	9,394
March 2023 - Final	31 Dec 22	3.1	9,756				
Total dividends paid during the period		**3.1**	**9,756**	**3.1**	**8,701**	**6.1**	**18,095**

Refer to note 17 for details of the 2023 interim dividend.

13. Share based payments

Rights that were issued or redeemed under the NZX Employee Long Term Incentive Plan during the period were on terms consistent with the prior period and as set out in the Group's Annual Report for the year ended 31 December 2022.

During the period $1,000 worth of NZX ordinary shares (gross) were issued to new employees to encourage staff engagement and shareholder alignment.

14. Related party transactions

a. *Transactions with key management personnel*

Key management personnel comprises the Group's senior management team. Key management personnel compensation comprised the following:

	Unaudited 6 months ended 30 June 2023 $000	Unaudited 6 months ended 30 June 2022 $000	Audited 12 months ended 31 Dec 2022 $000
Short-term employee benefits	2,962	2,758	5,625
Long-term employee benefits	-	81	(626)
Share-based payments	282	133	316
Resignation benefits	-	-	414
	3,244	**2,972**	**5,729**

b. *Transactions with directors and other entities NZX directors are associated with*

The Company regularly enters into transactions under normal commercial terms and conditions with other entities that some of the directors may sit on the board of, or are employed by.

Directors fees for the six month period to 30 June 2023 were $249,516 (30 June 2022: $200,000, 31 December 2022: $460,000). Subject to legal or other specific requirements, a portion of NZX directors fees are required to be applied to the acquisition (on market) of NZX ordinary shares (30 June 2023: $15,873, 30 June 2022: nil, 31 December 2022: $16,100). Directors fees have been included in other expenses.

c. *Transactions with managed funds*

Management fees are received from the funds managed by wholly owned subsidiary Smartshares Limited and are shown in the Income Statement as funds management revenue (refer to note 5).

d. *Transactions with associate*

The Group holds a 33.33% stake in GlobalDairyTrade Holding Limited (GDT). Transactions entered into with GDT are under normal commercial terms and conditions.

15. Contingent assets

During the 2022 financial year management identified fees relating to prior Fund financial years that had not been recognised. No revenue was recognised in the 2022 financial year as it was not virtually certain as to the recoverability of the additional management fees.

During the period to 30 June 2023 the recoverability of the additional management fees was confirmed and revenue of $1.4 million relating to prior Fund financial years has been recognised.

16. Contingent liabilities

In New Zealand there has been increased regulatory focus on market participant compliance for entities such as the Group. Accordingly, there has been an increase in the number of matters on which the Group engages with its regulators including matters such as financial market conduct, reporting and disclosure obligations, tax treatments, and product disclosure documentation. In the normal course of business the Group may be subject to actual or possible claims and court proceedings. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate are made.

There were no contingent liabilities as at 30 June 2023 (30 June 2022: none; 31 December 2022: none).

17. Subsequent events

Dividend

Subsequent to balance date the Board declared an interim dividend of 3.0 cents per share (fully imputed), to be paid on 5 October 2023 (with a record date of 21 September 2023).

Independent review report

Independent Review Report

To the shareholders of NZX Limited

Report on the Group interim financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements of NZX Limited and its subsidiaries ("the Group") on pages 20 to 37 do not:

i. present fairly, in all material respects the Group's financial position as at 30 June 2023 and its financial performance and cash flows for the 6 month period ended on that date in compliance with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying Group interim financial statements which comprise:

— the Group statement of financial position as at 30 June 2023;

— the Group income statement, statements of other comprehensive income, changes in equity and cash flows for the 6-month period then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for conclusion

A review of the Group interim financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of NZX Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the Group. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as reviewer of the Group. The firm has no other relationship with, or interest in, the Group.

Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our review work, this report, or any of the opinions we have formed.

Responsibilities of the Directors for the interim consolidated financial statements

The Directors, on behalf of the Group, are responsible for:

— the preparation and fair presentation of the Group interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting;

— implementing necessary internal control to enable the preparation of Group interim financial statements that are free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the interim consolidated financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

This description forms part of our Independent Review Report.

KPMG

KPMG
Wellington

24 August 2023

Corporate directory
Getting in touch

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Frank Aldridge
Elaine Campbell
Peter Jessup
Dame Paula Rebstock
Rachel Walsh
Lindsay Wright

Chief Executive Officer
Mark Peterson

Chief Corporate and Financial Officer
Graham Law

General Counsel and Company Secretary
Sara Wheeler

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