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## **Focused on delivering for our customers, our stakeholders, and our shareholders**

NZX today announced its financial results for the six months ended 30 June 2017.

- Earnings before interest, tax, depreciation and amortization (EBITDA) up 34.4% to \$14.5 million, principally reflecting a 18.7% fall in operating expenses;
- Total revenues down 3.6% due to the disposals in the NZX Agri business in late 2016. On a like-for-like basis, revenues were up 1.1%;
- Net profit increased to \$8.0 million, up 98% on the equivalent period in 2016 excluding impairment charges and earnout adjustments from the prior year result; and
- The Board reaffirmed that it expects full year 2017 EBITDA to be within a range of \$27.0 million to \$30.0 million.

NZX CEO Mark Peterson commented: "This is a very encouraging result for NZX. Over the past six months we have been focused on improving business performance, market development, and creating a refreshed five year strategic plan, which will strengthen our commercial position as we tighten our focus on capital and cost effectiveness."

"Highlights from the first half included our SuperLife and Smartshares businesses, which experienced substantial revenue growth, while our global dairy derivatives market has become a true point of difference for NZX, and is now making a meaningful contribution to our revenue line. Operating costs also reduced significantly due to the restructuring of the Agri business and the absence of one-off costs. Disciplined cost control has ensured that our core cost base has been well contained."

### **Business highlights**

#### **Markets**

Revenues in NZX's Markets business – which includes capital raising, trading and clearing, listings, participant services, securities data and derivatives and markets operated for Fonterra and the Electricity Authority – were down 0.7% to \$25.1 million. This reflected a relatively subdued capital raising environment in the first half of 2017.

Highlights in this business include the performance of NZX's dairy derivatives market, which experienced a substantial lift in trading volumes due to increased volatility in underlying commodity prices, and ongoing market development activities to grow participation. This directly translated into derivatives revenue growth of 154.3% on the previous corresponding period.

Annual listings fees increased 11.3% on the prior period, primarily due to growth in the debt market, which continued to make a strong contribution to the performance of this business. The relatively subdued period in the equity market meant total listing fees fell 1.8% on the prior year.

Total value traded fell 12.7%, while total trades remained flat, contributing to a drop in trading and clearing revenues of 8.2% and 2.8% respectively during the period.



Securities information revenues were up 2.4% on the prior period as a result of new revenue streams and an increase in professional terminal numbers.

Market operations revenues were stable as NZX continued to develop and upgrade systems used to run the electricity market as part of its eight year market operator agreements with the Electricity Authority.

### **Funds Services**

Revenues in NZX's Funds Services business – which comprises SuperLife superannuation and KiwiSaver, Smartshares Exchange Traded Funds (ETFs), and NZX Wealth Technologies (NZXWT) – grew 11.8% to \$7.3 million, while EBITDA increased 300.8% to \$1.4 million.

This result reflected the continued growth in Funds Under Management (FUM), the absence of costs associated with the Financial Markets Conduct Act transition, and lower costs following the streamlining of funds activities. This result was achieved despite NZXWT operating losses increasing as it focused on transitioning new clients to its platform.

### **SuperLife & Smartshares**

FUM in SuperLife's KiwiSaver business grew 23.0%, while total SuperLife FUM increased by 20.2% on the prior period.

Total external Smartshares FUM increased by 22.6% on the prior period. Strong growth in Smartshares retail investment was recorded, with the number of applications in the first half of 2017 exceeding the entire 2016 total.

### **NZX Wealth Technologies**

NZXWT continued to focus on completing development work and preparing to transition major clients onto its platform, so there was little change in funds under administration.

### **Agri**

Revenues in NZX's Agri business were down 32.0% following the disposal of NZX's grain trading and agri magazines businesses at the end of 2016. Excluding revenues associated with these businesses, on a like-for-like basis, revenues were down 4.1%.

Farmers Weekly revenues were up 1.4%, as an improved outlook for the dairy sector saw an increase in advertising spend. Data revenues declined due to lower revenues from the Australian business.

Segment earnings were however up 72.2% following the disposals of the grain trading and magazines businesses.

### **Costs**

The financial results reflect a significant reduction in operating expenses of 18.7% on the prior period. This was the result of the absence of costs associated with the Ralec litigation, the FMCA transition, and the exited Agri businesses. Disciplined cost control in the core business also contributed to this result.

### **2017 Guidance**

When 2016 full year results were released in February 2017, the Board advised that it expected full year 2017 EBITDA to be within a range of \$27.0 million to \$30.0 million. The Board remains



comfortable with this guidance range. This guidance assumes no material adverse events, significant one-off expenses or major accounting adjustments.

#### **Dividend**

The Board has declared a final dividend of 3.0 cents per share, fully imputed. The record date will be 1 September 2017, with a payment date of 15 September 2017.

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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](http://www.nzxgroup.com)