

NZX reports lift in earnings, with broadly-based growth

- Operating earnings up 9.8% to \$31.4m
- Focus on costs supports margin improvement to 45.1%
- Net profit of \$14.6m, up 25.7% (7.1% on continuing operations)
- Capital raised up 95.7% to \$18.7b, driven by debt listings and secondary equity
- FY2020 operating earnings guidance range \$30.0m to \$33.5m

14 FEBRUARY 2020 – NZX today announced operating earnings from continuing activities of \$31.4 million for the financial year ended 31 December 2019, up 9.8% on FY2018.

NZX Chair, James Miller, said the 2019 results showed “encouraging earnings growth, assisted by a stellar performance from our local market” in the year when NZX celebrated its 150th milestone. The S&P/NZX 50 (Gross) finished the year at 11,492 – up more than 30% for the year.

“This extends the excellent run of New Zealand’s sharemarket over the past decade.” Against this backdrop, Mr Miller said it was pleasing to have strong appreciation in the NZX share price, with a total shareholder return (TSR) of 42%.

“Importantly, during 2019, we made significant progress on our long-term goal to become a more vibrant and diverse participant in New Zealand’s capital markets ecosystem,” Mr Miller said.

Net profit after tax for the period (NPAT) was \$14.6 million, up 25.7% on FY2018. On a continuing operations basis, NPAT was up 7.1% compared with 2018. Capital expenditure has largely been directed into upgrading the NZX trading system and NZX Wealth Technologies.

The NZX Board has declared a final dividend of 3.1 cents per share (to be paid to shareholders on 20 March 2020), taking the FY2019 dividend to 6.1 cents per share, fully imputed.

CORE STRENGTH

Chief Executive, Mark Peterson, said the FY2019 results provided clear evidence of “broadly based revenue growth across our business” – including Core Markets, Funds Management and NZX Wealth Technologies.

NZX reported gains across all of the key metrics covering its business segments – except total value traded, which was down 1.0% in part due to the inherent volatility with periodic re-weightings of NZX stocks in large global indices.

The total market capitalisation of all NZX listed securities across equity, fixed income and fund asset classes now exceeds \$200 billion and sits at 67% of New Zealand GDP (Gross Domestic Product).

Mr Peterson, said the clear standout for 2019 was the diversity and total value of capital raised, up 95.7% (or \$9.2 billion) to \$18.7 billion, driven by growth in the number and value of debt listings, along with secondary equity issuance – supported by an updated market structure and rule-set.

“The range of debt issuers touches every corner of the New Zealand economy – from tourism and banking to the electricity sector, telecommunications, property, primary sector, construction, retirement care, social housing, and local government infrastructure.”

Along with growth in fees from new issuance, listing fees were bolstered by the 24.7% lift in equity market capitalisation over the year to more than \$161 billion – outweighing the \$3.7 billion taken out of the market by a small number of de-listings, principally due to takeovers.

Mr Peterson said the listings from Cannasouth and Napier Port Holdings in 2019 showcased the opportunity and breadth from local government infrastructure assets to emerging businesses seeking capital for growth. He said NZX would be intensifying the focus around attracting new listings and supporting current listed companies accessing New Zealand’s equity, debt and funds markets.

Another positive for the year was the proportion of on-market trading up 5.3% for the year to 54.3%.

Mr Peterson said: "Greater on-market liquidity assists market efficiency and price discovery and has provided price improvement for small investors." NZX's Trading System upgrade in 2020 should further assist on-market liquidity with the delivery of NZX's mid-point order book pricing.

With the key objective of opening up NZX's markets to a broader range of participants and investors, Mr Peterson said the addition of Sharesies as a trading and clearing participant demonstrated how technology is also breaking down some of the traditional barriers to investment and helping attract a new generation of investors.

Another key milestone of 2019 was welcoming BNP Paribas Securities as an accredited depository participant – the first global custodian to join NZX Clearing's Depository since it was founded in 2010. This is reflected in a 383% increase in assets under custody in depository to nearly \$3.5 billion.

While overall growth slowed in NZX's Dairy Derivatives business the NZ Milk Price (MKP), launched in 2016, was a bright spot recording 65% growth to around 100 million kg milksolids. Data & Insights revenue increased 10.4% to \$12.8 million, with an ongoing focus on complementing royalties from terminals with additional subscription and licence revenue.

GROWTH OPPORTUNITIES

Mr Peterson said Smartshares had a very strong year. Funds Under Management (FUM) increased to \$3.97 billion, with several product and customer initiatives contributing to the growth, and are expected to continue to contribute into future years.

Eight new ETFs were launched in the first half, enabling New Zealanders to invest in a broad range of global industry sectors, environmentally and socially responsible factors, and global bonds for the first time. Smartshares is also building a presence in the Pacific with management of the Nauru Superannuation Scheme, along with two new funds established to support retirement savings in Tonga.

Smartshares also launched New Zealand's first ever dual-language offer document in te reo Māori for a financial product. A key component of the Ka Uruora programme of services supporting whānau to improve financial wellbeing and achieve financial independence, WhānauSaver, provides an investment product where individual contributions are matched by the iwi.

Mr Peterson said the major trend globally towards low-cost, passive funds, plus growth in KiwiSaver, would remain positive for Smartshares' revenue outlook. Funds Under Administration (FUA) with NZX Wealth Technologies business also grew strongly to \$2.3 billion, up 15.6% for the year – alongside important customer wins, with Hobson Wealth Partners and Saturn Advice selecting the market-leading platform to administer their customers' investment portfolios.

Mr Peterson said costs were carefully managed during FY2019 and remain a key focus: "Our Core Markets and Corporate costs grew in line with inflation, while we have chosen to invest more significantly in both our Funds Management and Wealth Technologies businesses to take advantage of new customer opportunities during the period".

FY2020 EARNINGS GUIDANCE

Delivery of a broad platform of growth in FY2019 has provided a strong base for FY2020 operating earnings guidance, which is expected to be in the range of \$30.0 million to \$33.5 million¹.

Mr Miller said the Board had widened the guidance at the lower end of the range, reflecting the current uncertain global environment.

ENDS.

¹The FY2020 guidance is subject to market outcomes, particularly with respect to market capitalisation, total capital raised, secondary market value and derivatives volumes traded, and funds under management and administration growth. Additionally, this guidance assumes no material adverse events, significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments.

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About NZX:

For more than 150 years we have been creating opportunities for Kiwis to grow their personal wealth and helping businesses prosper. As New Zealand's Exchange, we are proud of our record in supporting the growth and global ambitions of local companies.

NZX operates New Zealand's equity, debt, funds, derivatives and energy markets. To support the growth of our markets, we provide trading, clearing, settlement, depository and data services for our customers. We also own Smartshares, New Zealand's only issuer of listed Exchange Traded Funds (ETFs), and KiwiSaver provider SuperLife. NZX Wealth Technologies is a 100%-owned subsidiary delivering rich online platform functionality to enable New Zealand investment advisors and providers to efficiently manage, trade and administer their client's assets. Learn more about us at: www.nzx.com