

NZX Limited

FY2022 Results

Positioning for the **future**



NZX Limited – Full Year 2022 Results and Annual Report

Dear Shareholder,

On behalf of the NZX Board, I am pleased to share with you our 2022 Annual Report and Financial Results, which were released today and are available to read online [here](#).

Highlights for the year ended 31 December 2022:

- Group operating earnings¹ of \$36.6 million (excluding acquisition and integration costs) up 2.3% year-on-year; \$35.1 million (including acquisition and integration costs) up 1.9%, for year ending 31 December 2022
- Despite the step back in market activity in 2022, The NZX Group revenues were up 8.8% to \$95.7 million for the full year, reflecting the strength of NZX's strategy and earnings base. Smartshares and Wealth Technologies continue to provide a platform for future growth
- Net profit after tax for the year (NPAT) was \$14.2 million, compared with \$15.0 million the previous year. This includes increased amortisation costs from the continued investment in the Wealth Technologies platform and the acquired ASB Superannuation Master Trust
- FY2023 operating earnings guidance range is \$36.0 million to \$40.5 million

The NZX Group results and achievements for the year ended 31 December 2022 demonstrate steady progress in delivering to the growth strategy and balancing costs with opportunity.

We have made significant progress in strengthening the NZX Group business and our market and operations infrastructure in the last five years. This has enabled the NZX Group to maintain earnings through the cyclical movement of markets and tightening of financial conditions and is reflected in our results.

While total value traded on NZX secondary markets was down 28.6% to \$37.4 billion due to equity markets being softer, the diverse mix of the NZX Group business and the breadth of offerings available to access capital, highlighted resilience through market cycles.

The NZX Board has declared a final dividend of 3.1 cents per share to be paid on 16 March 2023, contributing to a FY2022 dividend of 6.1 cents per share fully imputed.

Positive operating performance in trying times

NZX's overall revenue growth reflected the strength of its strategy and earnings base. Smartshares and Wealth Technologies continue to provide a platform for future growth. Group revenues were up 8.8% to \$95.7 million for the full year. We continue to develop our business to capture opportunities that will have an upside when markets recover. We are making good progress towards growing a more integrated financial markets infrastructure and services business.

¹ Operating earnings (EBITDA) are before net finance expense, income tax, depreciation, amortisation, gain or loss on disposal of assets, 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. Refer to financial statements note 2 for a reconciliation of EBITDA to NZ IFRS profit for the year.

Operating expenses, excluding acquisition and integration costs, increased 13.3% to \$59.1 million. This was largely due to increased headcount across Smartshares and Wealth Technologies, and wage inflation across the Group caused by a highly competitive and tight labour market.

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Depreciation was higher due to the fit out of the new Capital Markets Centre in Auckland and full year impact of information technology infrastructure improvements completed through 2021.

Capital markets activity remains strong

In 2022, \$20.9 billion of capital was listed and raised on market. This was one of the strongest years of capital listed and raised since the Mixed Ownership Model programme and continues the positive run of the last decade.

Pathways to listing worked well with seven new issuers joining NZX. Promoting these pathways was a key recommendation in Growing New Zealand's Capital Markets 2029. In 2022 there was a shift from equity to debt, reflecting global market conditions.

A key feature of 2022 was the strength of the listed debt market. During the height of the COVID-19 outbreak we saw a pivot away from bonds as investors climbed up the risk curve to achieve returns. In 2022 bonds were back with 26 bond deals on market, and more than \$11.3 billion listed and raised.

Dairy – exciting area of growth

The dairy derivatives partnership between NZX and SGX Group has led to a significant increase in growth with the annual volume trading record broken on 20 October 2022. By the end of 2022, 428,173 lots were traded, surpassing the previous full-year traded volume record of 360,887 lots set in 2020 – an increase of 40% compared to 2021.

The partnership has seen NZX's dairy derivatives listed on SGX's derivatives platform, and combines NZX's core dairy expertise in industry engagement, market insight, research capability, and product development with SGX's leading Asian presence and global distribution capability.

There is significant potential to evolve Global Dairy Trade to be a truly global trading platform, with the opportunity to grow SGX-NZX dairy derivatives to many multiples of the physical dairy markets. NZX's Information Services continues to provide effective market insights to support engagement across our dairy market investments.

Harnessing growth

Smartshares continues to be on a strong growth path. In recent years we have been steadily building capability with our people and technology to match our growth ambitions. While the changes in market conditions this year impacted top line Funds Under Management (FUM) levels, this was largely offset by strong net cash inflows of \$800 million and the acquisition of the ASB Superannuation Master Trust. This lifted overall FUM to \$8.26 billion. Operating earnings including acquisition and integration costs lifted 42.8% to \$11.2 million.

We have said we would look for the right mergers and acquisitions opportunities that fit our strategy. This has included the ASB Superannuation Master Trust announcement in 2021 and, this year in November, the announcement of the purchase QuayStreet Asset Management Limited, and its \$1.6 billion in FUM from Craigs Investment Partners.

Impacted by market conditions, NZX Wealth Technologies funds under administration (FUA) at 31 December 2022 was \$9.96 billion. Revenue reached \$5.99 million – an increase of 36.3% from 2021. Their pipeline prospects remain strong. Further FUA growth is underpinned by a large, contracted client being onboarded in 2023/24.

Outlook for 2023

In the year ahead, NZX is focused on rounding out its product offering in capital markets in line with other international exchanges. Driving scale and operating leverage across the broader business to increase revenue base is also a priority.

NZX's full year 2023 Operating Earnings (EBITDA), excluding acquisition and integration costs, are expected to be in the range of \$36.0 million to \$40.5 million. The guidance is subject to market movements.

Thank you for your continued support as a shareholder of NZX. I also want to acknowledge the capability of our CEO Mark Peterson in leading our team, and the commitment our people show every day in connecting people, businesses and capital.



James Miller
Chair