NZX Limited

# FY2021 Results

Growing Connecting Creating value

**NZX Limited – Full Year 2021 Results, Annual Report & Rights Offer**

Dear Shareholder,

On behalf of the NZX Board, I am pleased to share with you our 2021 Annual Report and Financial Results, which were released today and are available to read online here.

Highlights for the year ended 31 December 2021:

- Group operating earnings[1] of $34.4m; excluding acquisition costs $35.8m - up 4% year-on-year
- Continued growth across all major business areas – Capital Markets, Smartshares, NZX Wealth Technologies
- Operating margin (excluding acquisition costs) of 40.7%, with increased investment across growth businesses, including people and technology
- Net profit was $15.0m, down 14.6% year-on-year, reflecting lower interest rates and higher depreciation and amortisation
- Proposal to invest in a 33% stake in Global Dairy Trade, the leading global physical trading platform for dairy commodities, alongside EEX and Fonterra, for $12.5m (plus $3.2m as NZX's proportion of planned additional growth investment into the platform). Raising approximately $44m to fund continued growth and to keep the balance sheet conservatively positioned
- Final dividend of 3.1 cents per share, contributing to a FY2021 dividend of 6.1 cents fully imputed
- FY2022 operating earnings guidance range $33.5m to $38.0m.

2021 has been a year of substantial progress against our strategy to re-engineer the NZX Group for future growth. The COVID pandemic materially stimulated and accelerated activity through 2020, which flowed positively into FY2021, with secondary market liquidity reaching near record levels of $52.4 billion in total value traded, and operating earnings holding up well at $34.4 million. Excluding acquisition costs operating earnings were $35.8 million, up 4%.

We have continued to deliver growth across all major business areas. This has been achieved alongside making a step-change in our investment to support additional capacity, capability, and to enhancing the security of our operating platform. This will continue in 2022.

Group revenues were up 12% year-on-year to nearly $88 million for the full year. Operating margin was lower, at 40.7% excluding acquisition costs, due to the investment in growth, including bringing forward increased spend in people and technology costs This will ensure the resilience of our infrastructure and support expansion.

We are also announcing today an offer of NZX shares ("Offer") to raise approximately $44m that will help support our company's growth and strategy towards a stronger and more integrated financial markets infrastructure and services business. Proceeds from the offer will be used to fund our proposed investment into Global Dairy Trade and replenish our balance sheet following the acquisition of management rights for the ASB Superannuation Master Trust, which we settled on 11 February 2022. Full details of the Offer will be sent to you separately and are set out in the Offer Document, copies of which are available on the NZX website (www.nzx.com) and the NZX Offer website at www.nzx.capitalraise.co.nz.

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

Your Board has declared a final dividend of 3.1 cents per share to be paid on 10 March 2022, contributing to a FY2021 dividend of 6.1 cents per share fully imputed. Please note that new shares issued under the Offer announced today will be issued after the record date, and hence will not be entitled to the 2021 final dividend.

The Dividend Reinvestment Plan (DRP) will temporarily be suspended in respect of the 2021 final dividend, given the equity raising. We expect to reinstate the DRP for the 2022 interim dividend.

This has been a strong year for our capital markets business across new capital listed and raised, secondary trading levels, data usage and the number of investors connected to the markets.

Our funds management business, Smartshares, organically grew Funds Under Management (FUM) by $1.46 billion, up nearly 29%. NZX Wealth Technologies successfully transitioned new clients onto the platform ending the year with Funds Under Administration (FUA) at more than $11 billion, up more than 53%.

**Unlocking future growth**

I am also pleased to be able to highlight some important strategic milestones that illustrate how we are building a more robust, integrated financial services business – and how we are investing to make this happen.

Our partnership with Singapore Exchange (SGX) has enabled the listing of our dairy derivatives contracts on the SGX. The cornerstone stake we propose to invest in Global Dairy Trade (GDT) alongside the European Energy Exchange (EEX) and Fonterra highlights the tremendous potential for NZX to build and drive growth from the strategic partnerships we have in place. Another strategically important milestone was the launch of the managed auction service for the New Zealand Emissions Trading Scheme (NZ ETS), achieved by combining the skills and experience of NZX and EEX to deliver a world-class solution tailored for New Zealand.

NZX's GDT investment remains subject to clearance from any relevant competition law authorities and the agreement of binding transaction documentation. NZX, Fonterra and EEX has announced that they expect to sign binding documentation in the first half of 2022.

The acquisition of the management rights for the ASB Superannuation Master Trust by Smartshares and being proactive and competitive in our pitch to win KiwiSaver Default status, are examples of the importance we are placing on scale in the Smartshares business, which allows us to unlock further opportunities.

Alongside dairy and carbon, we are also well-advanced with a cornerstone group of investors, market-makers and participants in planning the relaunch of the S&P/NZX20 Index Futures contract, which could have wide-ranging benefits for New Zealand's capital markets and NZX.

**Outlook for 2022**

In line with NZX's strategy, we have continued to grow both the scale of our businesses and the synergies available between our business units. Your Board believes this will create a strong platform for future earnings growth.

Building these growth opportunities required investment, notably elevating technology costs to ensure capital markets' infrastructure meets investor and regulator expectations, and Smartshares and Wealth Technologies can efficiently scale revenue growth into earnings. The cost of this investment in supporting growth escalated during 2021 and the full effect will be felt in 2022, with earnings benefits progressively delivered from 2023.

The Board notes the increased market volatility from the start of the year, and a general tightening in financial conditions. Accordingly, the NZX Board has conservatively positioned expectations for full year 2022 operating earnings[2] to be in the range of $33.5 million to $38.0 million.

Thank you for you continued support as a shareholder of NZX. I also want to acknowledge the capability and genuine care of our CEO, Mark Peterson, in leading our team, and the immense workload across the business and our Board. I particularly want to commend our people across NZX for what we have been able to achieve together in 2021, and in setting the foundation for the years ahead.

James Miller
Chair

[2] This 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, your Board notes the ongoing risks related to the COVID pandemic, and this guidance assumes no material adverse events, significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments. The NZX Board also notes the ongoing risks related to the COVID pandemic, and this guidance assumes no material adverse events, significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments.