



NZX maintains solid earnings through market cycles

- 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 million the previous year. This includes increased amortisation costs from the continued investment in the NZX Wealth Technologies platform and the acquired ASB Superannuation Master Trust
- FY2023 operating earnings guidance range is \$36.0 million to \$40.5 million

23 February 2023 – NZX has maintained solid earnings through market cycles announcing operating earnings (EBITDA) of \$36.6 million – up 2.3% year-on-year and excluding acquisition costs – for the financial year ended 31 December 2022. Including acquisition costs, Group operating earnings were up 1.9% to \$35.1 million.

NZX Chair James Miller says 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,” Mr Miller says.

“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.”

Mr Miller says 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, had 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 Chief Executive Mark Peterson says NZX's overall revenue growth reflected the strength of its strategy and earnings base. Smartshares and NZX Wealth Technologies continue to provide a platform for future growth. Group revenues were up 8.8% to \$95.7 million for the full year.

“This is a pleasing result. What NZX was focused on in 2022 was continuing to grow our revenue, maintain our earnings, drive efficiencies and maximise the leverage off the acquisitions and investments we have made in recent years under our strategy,” Mr Peterson says.

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.

“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.”

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

Net profit after tax for the year (NPAT) was \$14.2 million, compared with \$15 million the previous year. This includes increased amortisation costs from the continued investment into our Wealth Technologies platform and the acquired ASB Superannuation Master Trust.

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,” Mr Peterson says.

ESG bonds remain strong with 41 bonds listed on the NZDX in the ESG category, representing 26% of listed bonds on issue.

“We expect to see green bonds continue to grow as more companies look to raise funds for projects to deliver environmental benefits,” Mr Peterson says.

While total value traded was lower in 2022 due to ongoing market uncertainty; NZX maintained its on-market liquidity levels of 64%. The expectation remains NZX will reach 80% in the next five years.

Despite softer market conditions, Information Services revenues continue to grow (up 10.9% or \$19.4 million including connectivity) and will be a source of recurring revenue growth into the future as we develop new product and delivery mechanisms. Professional terminal numbers remain steady, with an uplift in revenue demonstrating strong interest in our markets from local and global investors.

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.

Energy & carbon opportunities

In partnership with Electricity Authority and Transpower, we delivered the Real Time Pricing project that went live on 1 November 2022. Since 2021, NZX in partnership with the EEX, has been managing the New Zealand Emissions Trading Scheme Auctions for New Zealand Units (NZUs). The auction now has 102 fully registered participants, ranging across multiple sectors within New Zealand and abroad.

The secondary carbon market also provides opportunities to deepen carbon trading in New Zealand. In November, the New Zealand Government announced a Request for Information for a centralised, regulated exchange operator for the trading of spot carbon. NZX is supportive of the potential market benefits of this opportunity.

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, and its \$1.6 billion in FUM from Craigs Investment Partners.

“QuayStreet provides another opportunity towards achieving scale and operating leverage in Smartshares. Scale and operating leverage are important elements for a funds management business. Our market analysis indicates \$15-\$20 billion of FUM is the point when cost bases are at their most efficient for New Zealand fund managers,” Mr Peterson says.

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.

“We are working with a good number of prospects of medium to high conviction that will add scale and recurring revenue to our business, achieving our original objectives targets for the business,” Mr Peterson says.

“We are continuing to be optimistic about future prospects of Wealth Technologies and look for opportunities that could enhance and accelerate the growth of the business.”

Outlook for 2023

Mr Miller says 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 was also a priority.

“We know our product offering could be expanded which is key to driving further growth in capital markets activity and greater global connections,” Mr Miller says.

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.

ENDS

For further information, please contact:

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About NZX

For more than 150 years we have been committed to connecting people, businesses and capital. Our vision is to be a trusted New Zealand business delivering sustainable wealth, value and opportunities for all.

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