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NZX delivers strong 2017 full year result

NZX today announced its financial results for the year ended 31 December 2017.[1]

- Net profit after tax increased to $14.8 million, up 61.6%;
- Operating earnings up 31.3% to $29.0 million on a like-for-like basis;[2]
- Revenue up 1.1% on a like-for-like basis to $75.3 million;
- Operating expenses decreased 11.6% on a like-for-like basis as cost control initiatives continued; and
- Full year 2018 operating earnings expected to be within a range of $28.0 million to $31.0 million. This guidance assumes no material adverse events, significant one-off expenses or major accounting adjustments.

NZX Chief Executive Mark Peterson commented: "I am pleased to report a strong financial result for the exchange in 2017. It was underpinned by disciplined cost management, efficiency improvements, and a strong focus on our customers."

"Business highlights include the performance of our Smartshares Exchange Traded Funds business, which delivered double-digit growth and record retail application numbers, our dairy derivatives market, which presents an opportunity for sustained long term profitability for the exchange, and subscription and license growth in our data and insights business."

"2017 marked a fundamental reset of NZX as we refreshed our strategy to refocus on the core markets business. Public markets play a vital and active role in the New Zealand economy and it is important that we drive initiatives to support this. New Zealand's capital market must have more investable product, greater participation, deeper liquidity, and a global presence."

Business highlights

Core Markets

Revenues in NZX's core markets business – which includes issuer, participant and data services; derivatives; and markets operated for Fonterra and the Electricity Authority – were down 2.3% to $52.3 million, reflecting 2017's subdued capital raising environment.

Highlights in this business included the performance of NZX's dairy derivatives market, which finished the year with record annual trading volumes of 57.2% achieved across its full suite of dairy contracts, and directly translated into derivatives revenue growth of 60.5% or $1.13 million. The rapid progress of this market in recent years confirms the exchange's strategic decision to accelerate it to benchmark status. 2018 will see NZX bolster sales and marketing efforts and expand global access, and the market's product set to keep delivering anticipated growth.

[1] Comparisons are to the 2016 financial year

[2] Like-for-like excludes impact of 2016 Agri business disposals

Annual listing fees revenue increased 11.4% on last year largely due to growth in the debt market, where $3.2 billion of new debt was listed through 20 separate issues. New Debt Market listings in 2017 included Summerset Group Holdings, Heartland Bank, Property For Industry and Christchurch City Holdings.

Oceania Healthcare and TIL Logistics Group joined the Main Board in May and November respectively. NZX welcomed QEX Logistics as its first new listed customer of 2018 last week.

Data and insights revenues increased 3.5% to $11.4 million, driven by a 24.7% increase in subscriptions and licencing fees, and a 3.1% increase in dairy data subscriptions.

Funds Management & Wealth Technologies

Revenues in NZX's Funds Management and Wealth Technologies businesses – which comprises SuperLife superannuation and KiwiSaver, Smartshares Exchange Traded Funds (ETFs), and NZX Wealth Technologies (NZXWT) – grew 13.5% to $14.8 million. EBITDA increased 964% to $2.7 million driven by significant growth in Funds Under Management and the absence of compliance costs associated with the Financial Markets Conduct Act transition.

SuperLife & Smartshares

Funds Under Management (FUM) in the SuperLife business grew 20.4% and membership numbers increased 4.8%. Total external Smartshares Exchange Traded Funds (ETFs) FUM increased 43.9% on 2016. Growth continued to climb with record Smartshares ETF application numbers achieved up 84% – of these applications 49% were first time investors.

NZX Wealth Technologies

Wealth Technologies, a platform which enables advisers and brokers to manage client investments, is the newest addition to NZX and it continued to progress against several development initiatives in 2017. Core platform development is expected to complete in Q2 2018 and a large customer is expected to go live in Q3 2018.

Farmers Weekly

NZX has entered into a non-binding indicative term sheet for the sale of its rural newspaper, Farmers Weekly, as the exchange strategically focuses on growth initiatives that will support its core markets business. NZX will provide a further update to the market if the transaction is finalised.

Costs

The strong end to the 2017 financial year was aided by the absence of one-off costs associated with previous financial years and significant permanent cost savings, which saw like-for-like operating expenses decline 11.6%. Disciplined cost management by the leadership team also contributed to this as the exchange's strategy enabled improved delivery and reallocation of resources to high value areas.

Dividend

The board has declared a final ordinary dividend of 3.1 cents per share, which is fully imputed and brings the total ordinary dividend declared for this financial year to 6.1 cents per share. This is the first increase since 2013, reflecting the board's confidence that the refreshed strategy will deliver improved profitability and earnings over the coming years.

The board is pleased to announce it will offer a dividend reinvestment plan (DRP) which will be in place for the 2018 interim dividend in response to shareholder feedback. The board recognises the important role DRP's play in rewarding investors for their loyal support, and it is a convenient way of reinvesting dividends back into the company's shares. In addition to this, the board introduced a new dividend policy, which will come into effect for the 2018 financial year onwards, further information is available in NZX's annual report.

Guidance

2018 will set the platform for NZX's future growth. The divestment of non-core assets, including Farmers Weekly, and changes to the clearing and trading pricing structure in the second half of this year will rebase the 2018 operating result. For the 2018 financial year the board expects operational earnings to be in the range of $28.0 million to $31.0 million. This is subject to market outcomes, particularly with respect to initial public offerings, secondary capital raising, equity trading and derivatives trading volumes. This guidance assumes no material adverse events, significant one-off expenses or major accounting adjustments. It also assumes no further acquisitions or divestment.

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