Diversified NZX delivers strong profit growth in a difficult year

Monday 28 February - NZX's 2010 Preliminary Full Year Result, released today, shows strong growth in both revenue, at 17%, and EBITDAF, at 19%. This result is delivered against a backdrop of difficult market conditions.

In particular, a distinct upswing in revenues - supported by ongoing cost discipline - in the final quarter of 2010 has seen a very strong second half across the integrated information, markets and infrastructure businesses run by NZX. NZX now enters 2011 with strong topline and earnings momentum.

Contributions to this result have come from across the entire business, but most notably in the areas of agricultural information, clearing house participation, technology contracts and new product development.

Operating revenue in 2010 topped the $50 million mark at $50.2 million, compared with $42.8 million the previous year. EBITDAF reached $20.9 million as against $17.6 million the previous year. Operating expenditure grew to $29.3 million compared with $25.3 million in 2009, but was managed to lower levels in Q4 following the completion of several large, capital-intensive projects.

“This result demonstrates that NZX's strategy to become a truly integrated information, markets and infrastructure business is the right one. Delivering such a strong result to shareholders amid challenging external conditions, while focused on some once-in-a-decade new initiatives such as the Clearing House and our new derivatives market, shows that the integrated business model is working well,” said NZX CEO Mark Weldon.

“NZX as a stock now represents a balanced exposure - on both current cash flow and future upside - across the New Zealand capital markets and the Australasian soft commodity markets,” said Weldon.

Continuing the commodities exposure available through NZX, the Clear Grain Exchange in Australia is demonstrating real momentum, with trading currently tracking at four times the levels reached in the previous harvest.

The NZX Board has declared a significantly increased FY 2010 dividend of 10 cents per share. The Board has approved a new dividend policy based on free cash flow, with dividends to be paid in 2011, 2012 and 2013 to increase by not less than one cent per share each year. The Board and management are confident of the sustainability of the dividend.

NZX Chairman Andrew Harmos said, “NZX has an integrated and complementary set of businesses that generate strong cash flow. NZX has now moved to a much lower capital intensity position, and it is appropriate to adopt a dividend policy that returns surplus cash to shareholders.

“Allowing for sufficient retained earnings for appropriate bolt-on acquisitions at the $5 to10 million per annum level - should such be identified - the Board has assessed the new dividend to be appropriate, sustainable and in shareholders' best interests," said Harmos.

The 2010 dividend of 6.25 cents per share will be paid on 29 April 2011, to complement the intermin dividend payment of 3.73 cents per share paid on 29 October 2010. In addition, beginning in June 2011, NZX's dividend will be paid quarterly, providing more consistent cash flow to shareholders.

Full analyst commentary on the NZX 2010 Preliminary Full Year Result (“2010 NZX Full Year Results Presentation”) forms part of this release pack. In addition, NZX is holding an Investor Day in Wellington on 7 March. Registrations for the NZX Investor Day are being accepted at investor-day@nzx.com.

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