



## NZX buys QuayStreet, signs distribution agreement with Craigs

### TRANSACTION HIGHLIGHTS:

- NZX to acquire the management rights of QuayStreet (and its \$1.6 billion in funds under management) from Craigs Investment Partners for upfront consideration of \$31.25 million, to be satisfied by a \$22.5 million cash payment and the issuance of \$8.75 million of NZX shares (at a 10% premium to the five-day volume-weighted average price).
- Potential earn-out consideration of up to \$18.75 million, based on net FUM inflows from the Craigs network over a three-year period.
- Product support and distribution agreement agreed as part of landmark deal.
- Acquisition expected to have a full year equivalent operating earnings contribution of between \$3.3 million to \$3.6 million in FY23. This excludes transaction costs, internal and external integration costs (circa \$4 million over two years), depreciation and amortisation, interest expenses and the impacts of acquisition accounting.
- Builds on Smartshares' continued organic growth and the prior ASB Superannuation Master Trust (SMT) acquisition to drive scale and operating leverage in funds management business.
- Enables Craigs, a business with \$26 billion of funds under management, to dedicate resource solely toward delivering exceptional service, and quality investment outcomes for clients.

**23 November 2022** – NZX Limited (NZX) today announced an agreement to acquire – through its wholly owned subsidiary, Smartshares Limited (Smartshares) – the management rights of QuayStreet Asset Management Limited (QuayStreet) from Craigs Investment Partners (Craigs) for total upfront consideration of \$31.25 million.

In addition, NZX has entered into a product support and distribution agreement with Craigs under which NZX and Craigs will work together to develop new products for the benefit of Craigs and QuayStreet customers. In time, NZX also expects to realise further synergies across the Smartshares business as a result of this transaction.

NZX Chief Executive Mark Peterson says the acquisition of QuayStreet provides an attractive opportunity for NZX to acquire a high-growth fund – aligned with a powerful private wealth network, driving further scale for Smartshares.

“Smartshares is a proven funds management business which offers funds to investors that track the performance of an index or use a systematic approach to investing,” Mr Peterson says.

“Under Smartshares ownership, there will be no immediate change for QuayStreet clients. The QuayStreet funds will be offered as a premium product set and will complement Smartshares' existing systematic and passively managed product offering. In time, Smartshares, with input from Craigs and clients, will work to align and refine the products to ensure the funds continue to meet customer needs and represent good value for money. Smartshares will also explore listing the QuayStreet funds.”

Craigs Investment Partners Chief Executive, Simon Tong, says both businesses are delighted to sign the mutually beneficial agreement.

“Ensuring our clients get the highest quality outcomes is our number one priority. With 19 offices across New Zealand, and 60,000 clients with \$26 billion in funds under management with us, we represent Kiwis from every walk of life. Our decision to sell QuayStreet is particularly exciting for those clients whose needs

are suited to funds. In Smartshares, they get an award-winning, reputable, focused funds manager and more choice," Mr Tong says.

"The deal is also strategically important for Craigs, positioning us for growth as we strive to deliver best in class, personalised wealth management through our 180 qualified investment advisers. We are working closely with Smartshares to ensure the transition is seamless and that there is no impact to the service and advice our clients expect and deserve."

Auckland-based QuayStreet is an award-winning specialist fund manager with \$1.6 billion under management offering a range of diversified and sector specific funds covering most major asset classes.

Both Smartshares and QuayStreet were award winners at the 2022 Research IP Fund Manager of the Year Awards on 16 November. Smartshares won the overall Fund Manager of the Year title as well as three other awards. QuayStreet won Boutique Fund Manager of the Year.

The transaction will see Craigs transition the management of the QuayStreet funds to Smartshares. The transition is expected to occur in late February 2023 with support services to be transitioned over the subsequent two-year period. NZX intends to retain the majority of QuayStreet staff as part of the transaction to continue to support QuayStreet and its clients.

The total transaction consideration comprises:

- A \$22.5 million upfront cash payment.
- The issuance of \$8.75 million in NZX shares, to be issued at \$1.3320, equating to a 10% premium to last close on 21 November 2022. These shares will be issued ex-2022 Final Dividend and are subject to staggered escrow for a period of up to four years (and with an early release after three years subject to NZX share price performance).
- Potential earn-out consideration of up to \$18.75 million, based on net FUM inflows from the Craigs network over a three-year period.

Acquisition expected to have a full-year equivalent operating earnings contribution of between \$3.3 million to \$3.6 million in FY23. This excludes transaction costs, internal and external integration costs (circa \$4 million over two years), depreciation and amortisation, interest expenses and the impacts of acquisition accounting).

The financial impact will be included in NZX's FY2023 operating earnings guidance to be released alongside the FY2022 financial results in February.

The NZX Board has confirmed the company is maintaining its full year 2022 operating earnings guidance to be in the range of \$33.5 million to \$38.0 million.

The acquisition is intended to be funded from cash on hand and new debt facilities with existing lenders.

ENDS

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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](http://www.nzx.com)

## **About Smartshares**

Smartshares provides financial solutions to more than 119,000 New Zealanders and has more than \$8 billion in funds under management (FUM). Customers range from individual investors, businesses, and iwi to international community groups in the Pacific.

## **About Craigs Investment Partners**

Craigs Investment Partners is one of New Zealand's largest investment advisory firms, offering bespoke solutions to both private investors and corporate clients. Craigs provide the complete breadth of private client and investment management services including investment advice and management, securities trading, research, cash management, institutional dealing, and investment banking.

Craigs has over 180 qualified Investment Advisers, servicing over 60,000 private wealth investors across 19 branches in New Zealand. Craigs have a team of 650 employees, and \$26 billion in funds under management. 100% Owned by Craigs employee shareholders. [www.craigsip.com](http://www.craigsip.com)