



Nasdaq, Inc. (NDAQ)

Updated February 2nd, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	\$57	5 Year CAGR Estimate:	7.2%	Market Cap:	\$27.5 B
Fair Value Price:	\$56	5 Year Growth Estimate:	6.0%	Ex-Dividend Date¹:	03/13/24
% Fair Value:	102%	5 Year Valuation Multiple Estimate:	-0.2%	Dividend Payment Date¹:	03/28/24
Dividend Yield:	1.6%	5 Year Price Target	\$75	Years Of Dividend Growth:	11
Dividend Risk Score:	B	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

Nasdaq, Inc. operates as a technology company that serves capital markets and other industries worldwide. Nasdaq is primarily known for its equity exchange with 4,269 companies listed securities on The Nasdaq Stock Market, but in addition to its market-services business, the company sells and distributes market data as well as offers Nasdaq-branded indexes to asset managers and investors through its information-services segment. Nasdaq's corporate-services business offers listing services and related investor relations products to publicly traded companies. Non-trading revenues accounted for 74% of net revenues. Nasdaq is a \$27.5 billion company and has about 6,400 employees.

Nasdaq's management has defined a 2025 strategy² which includes three key metrics for success. Those include Solutions segment organic revenue growth between 7% and 10% per year for the next 3 to 5 years, a serviceable addressable market of ~\$20 billion, and increasing SaaS revenues as a percentage of ARR to > 50%. This requires investments into a more scalable platform and creating a leading position in Anti Financial Crime, ESG, Index, and investments analytics.

On January 31st, 2024, Nasdaq reported its fourth quarter and full-year results for 2023 for the period ending December 31st, 2023. For the quarter, the company reported net revenues of \$1.1 billion, marking a 23% increase over the year-ago quarter, with Solutions revenues up 32%. The full-year 2023 saw net revenues reach \$3.9 billion, up 9% from 2022. Annualized Recurring Revenue (ARR) rose by 29% to \$2.6 billion, this is a key metric for Nasdaq's management. The earnings per diluted share for fourth quarter increased by 13% from \$0.64 to \$0.72, while the full-year earnings per share rose by 6% to \$2.82. Nasdaq's strategic investments and innovations, particularly in technology and sustainability, are key drivers of its strong performance in 2023. These initiatives have significantly contributed to revenue growth and are expected to continue playing a crucial role in Nasdaq's future success.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$0.96	\$1.13	\$1.23	\$1.35	\$1.61	\$1.67	\$2.06	\$2.52	\$2.66	\$2.82	\$2.80	\$3.75
DPS	\$0.19	\$0.30	\$0.40	\$0.49	\$0.57	\$0.62	\$0.65	\$0.70	\$0.78	\$0.88	\$0.88	\$1.23
Shares³	506	493	500	502	496	495	495	500	498	498	485	480

Nasdaq has grown earnings by 12.7% per year since 2014 and 10.9% over the past five years. We expect earnings to increase by 6% per year for the next five years.

The company has been able to increase its yearly dividend payout for 11 consecutive years. Over the last five years, the average annual dividend growth rate is above 9%. In April 2023, the company increased its quarterly dividend by 10% from \$0.20 to \$0.22 per share. This is taking into account the 3-for-1 stock split that occurred on August 29th, 2022. The company repurchased \$110 million in shares of its common stock during the fourth quarter of 2023. As of December 31st, 2023, there was \$1.9 billion remaining under the board authorized share repurchase program.

¹ Estimated date

² Investor presentation, January 2023

³ In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	14.0	15.3	17.8	17.8	18.0	19.0	19.2	23.2	21.1	20.0	20.2	20.0
Avg. Yld.	1.9%	1.7%	1.9%	2.0%	1.9%	1.9%	1.6%	1.2%	1.4%	1.4%	1.6%	1.6%

During the past decade shares of Nasdaq have traded with an average price-to-earnings ratio of 18.5 times earnings and today, it stands at 20.2. We are using 20 times earnings as a fair value baseline, implying the potential for a valuation headwind. The company's dividend yield is currently 1.6% which is on par with the average yield over the past decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	20%	27%	33%	36%	35%	37%	32%	28%	29%	31%	31%	33%

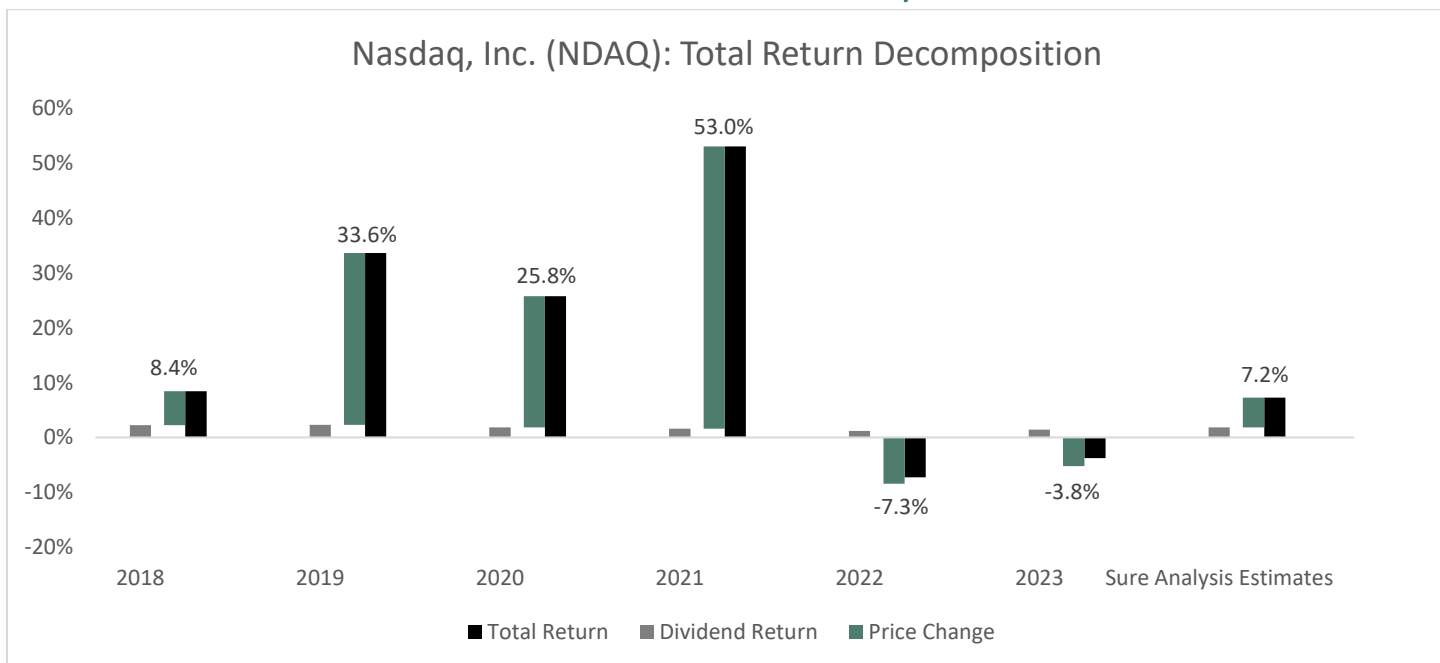
During the past five years, the company's dividend payout ratio has averaged around 31%. Nasdaq's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around the same levels which we believe to be safe.

Nasdaq is a global technology company providing data, analytics, software, and services, including the popular Nasdaq Stock Market. To keep its leading position, Nasdaq needs to execute its 2025 vision correctly and invest in innovation to accelerate the modernization of its businesses, as well as better supporting its customer base. The company and its management are certainly capable of doing so and have sufficient funding options to do the investments required for this ambition. The 2023 key metrics progress affirms that management's execution of the 2025 strategy remains on track.

Final Thoughts & Recommendation

Nasdaq is a technology stock in the financial services sector with a strong earnings-per-share track record and a modest dividend yield of 1.6%. We estimate total return potential of 7.2% per year for the next five years based on an 6% earnings-per-share growth, a steady dividend yield, and a small valuation headwind. The shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	3,211	3,500	3,403	3,704	3,948	4,277	4,258	5,625	5,886	6,226
Gross Profit	1,356	1,479	1,500	1,611	1,741	1,814	1,828	2,117	2,482	2,579
Gross Margin	42.2%	42.3%	44.1%	43.5%	44.1%	42.4%	42.9%	37.6%	42.2%	41.4%
SG&A Exp.	471	507	460	488	518	555	552	600	645	627
D&A Exp.	122	137	138	170	188	210	190	202	278	258
Operating Profit	763	835	902	953	1,035	1,049	1,086	1,315	1,559	1,661
Op. Margin	23.8%	23.9%	26.5%	25.7%	26.2%	24.5%	25.5%	23.4%	26.5%	26.7%
Net Profit	385	414	428	106	729	458	774	933	1,187	1,125
Net Margin	12.0%	11.8%	12.6%	2.9%	18.5%	10.7%	18.2%	16.6%	20.2%	18.1%
Free Cash Flow	459	492	594	642	765	917	836	1,064	920	1,554
Income Tax	216	181	203	27	143	606	245	279	347	352

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	12,577	12,071	11,861	14,150	15,354	15,700	13,924	17,979	20,115	20,870
Cash & Equivalents	398	427	301	403	377	545	332	2,745	393	502
Acc. Receivable	393	389	316	429	356	384	422	566	588	677
Goodwill & Int.	8,572	7,615	7,354	8,121	9,054	8,663	8,615	9,105	11,246	10,680
Total Liabilities	6,393	6,277	6,252	8,720	9,474	10,251	8,285	11,543	13,710	14,700
Accounts Payable	228	189	158	175	177	198	148	175	185	185
Long-Term Debt	2,634	2,297	2,364	3,603	4,207	3,831	3,387	5,541	5,830	5,399
Total Equity	6,184	5,793	5,609	5,430	5,880	5,449	5,639	6,433	6,395	6,151
LTD/E Ratio	0.43	0.40	0.42	0.66	0.72	0.70	0.60	0.86	0.91	0.88

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	3.5%	3.4%	3.6%	0.8%	4.9%	2.9%	5.2%	5.8%	6.2%	5.5%
Return on Equity	6.8%	6.9%	7.5%	1.9%	12.9%	8.1%	14.0%	15.5%	18.5%	17.9%
ROIC	4.8%	4.9%	5.3%	1.2%	7.6%	4.7%	8.5%	8.9%	9.8%	9.5%
Shares Out.	169	169	164	167	167	165	165	165	167	498
Revenue/Share	18.75	20.23	19.87	21.94	23.28	25.51	25.50	33.70	34.96	12.51
FCF/Share	2.68	2.84	3.47	3.80	4.51	5.47	5.01	6.37	5.46	3.12

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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