Nasdaq, Inc. (NDAQ)

Updated January 30th, 2025, by Patrick Neuwirth

Key Metrics

Current Price:	$82	**5 Year CAGR Estimate:**	3.8%	**Market Cap:**	$47 B
Fair Value Price:	$69	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date[1]:**	03/14/25
% Fair Value:	118%	**5 Year Valuation Multiple Estimate:**	-3.2%	**Dividend Payment Date[1]:**	03/28/25
Dividend Yield:	1.2%	**5 Year Price Target**	$93	**Years Of Dividend Growth:**	12
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 4,075 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 78% of net revenues. Nasdaq is a $47 billion company and has about 7,800 employees.

On January 29th, 2025, Nasdaq reported its fourth quarter results for the period ending December 31st, 2024. For the quarter, the company reported net revenues of $1.227 billion, marking a 10% increase over the year-ago quarter. This revenue growth was bolstered by strong contributions from Financial Technology revenue of $438 million (+10% YoY) and Index revenue of $188 million (+29% YoY). Solutions revenue rose by 10% to $949 million, driven by solid performance in the Index and Financial Technology sectors. Annualized Recurring Revenues (ARR), a key metric for Nasdaq's management, increased by 7% year-over-year to $2.8 billion, with notable growth in Annualized SaaS revenues, which grew 14% and now represent 37% of ARR. Market Services net revenues increased by 8% to $268 million, reflecting resilience in U.S. equity derivatives and other trading revenues. The company also reported continued strong IPO activity, welcoming 180 IPOs in 2024, with $23 billion in total proceeds raised., highlighting its position as the top U.S. exchange for IPOs. Operating expenses decreased to $710 million (-7% YoY), primarily due to synergies from acquisitions and lower merger-related expenses, partially offset by investments in technology. Non-GAAP earnings per diluted share for the fourth quarter increased by 5%, from $0.72 to $0.76.

For the full year, Nasdaq reported net revenues of $4.649 billion (+19% YoY), with non-GAAP diluted EPS remaining flat at $2.82. GAAP diluted EPS for 2024 was $1.93, reflecting a 7% decrease YoY.

Nasdaq's management has outlined a mid-term strategy[2] aimed at driving growth across its core business segments. Key metrics for success include organic revenue growth for the Total Solutions segment between 8% and 11% per year over the next 3 to 5 years. Within the Financial Technology segment, AxiomSL and Calypso are expected to achieve revenue growth of 13% to 17%, with Annualized Recurring Revenue (ARR) growth in the same range. Additionally, Capital Access Platforms is projected to grow by 5% to 8% annually, with contributions in regulatory and capital markets technology (7% to 13% growth), and in financial crime management technology (20% to 25% growth).

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.13	$1.23	$1.35	$1.61	$1.67	$2.06	$2.52	$2.66	$2.82	$2.82	***$3.15***	***$4.22***
DPS	$0.30	$0.40	$0.49	$0.57	$0.62	$0.65	$0.70	$0.78	$0.88	$0.96	***$0.96***	***$1.35***
Shares[3]	493	500	502	496	495	495	500	498	508	579	***580***	***585***

[1] Estimated date

[2] Quarterly update presentation – January 2025

[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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Nasdaq has grown earnings by 10.7% per year since 2015 and 8.9% 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 12 consecutive years. Over the last five years, the average annual dividend growth rate is above 9%. In April 2024, the company increased its quarterly dividend by 9.1% to \$0.24 per share. This is taking into account the 3-for-1 stock split that occurred on August 29th, 2022. The company repurchased \$181 million of its senior unsecured notes during the fourth quarter of 2024. As of December 31st, 2024, there was \$1.7 billion remaining under the board-authorized share repurchase program.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.3	17.8	17.8	18.0	19.0	19.2	23.2	21.1	20.0	27.1	***25.9***	***22.0***
Avg. Yld.	1.9%	1.9%	2.0%	1.9%	1.9%	1.6%	1.2%	1.4%	1.4%	1.3%	***1.2%***	***1.5%***

During the past decade shares of Nasdaq have traded with an average price-to-earnings ratio of 19.9 times earnings and today, it stands at 25.9. We are using 22 times earnings as a fair value baseline, implying the potential for a valuation headwind. The company's dividend yield is currently 1.2% which is below the average yield over the past decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	27%	33%	36%	35%	37%	32%	28%	29%	31%	34%	***30%***	***32%***

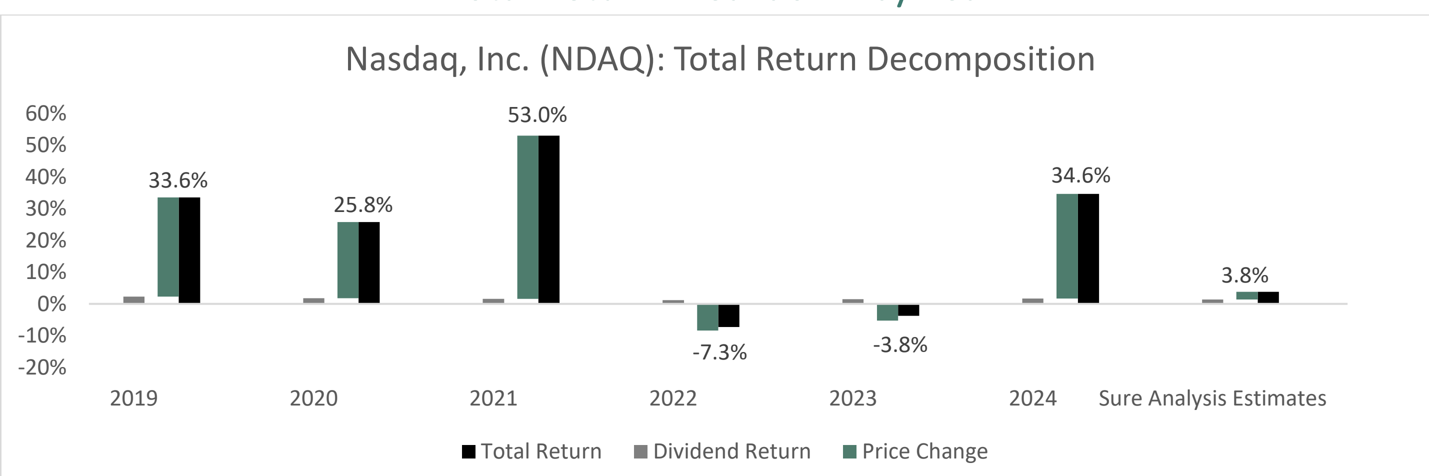
During the past five years, the company's dividend payout ratio has averaged around 31%. Nasdaq's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around the same levels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

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 1.2%. We estimate total return potential of 3.8% per year for the next five years based on an 6% earnings-per-share growth, a steady dividend yield, and a valuation headwind. The shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	3,500	3,403	3,704	3,948	4,277	4,258	5,625	5,886	6,226	6,064
Gross Profit	1,479	1,500	1,611	1,741	1,814	1,828	2,117	2,482	2,579	2,546
Gross Margin	42.3%	44.1%	43.5%	44.1%	42.4%	42.9%	37.6%	42.2%	41.4%	42.0%
SG&A Exp.	507	460	488	518	555	552	600	645	627	417
D&A Exp.	137	138	170	188	210	190	202	278	258	323
Operating Profit	835	902	953	1,035	1,049	1,086	1,315	1,559	1,661	1,806
Op. Margin	23.9%	26.5%	25.7%	26.2%	24.5%	25.5%	23.4%	26.5%	26.7%	29.8%
Net Profit	414	428	106	729	458	774	933	1,187	1,125	1,059
Net Margin	11.8%	12.6%	2.9%	18.5%	10.7%	18.2%	16.6%	20.2%	18.1%	17.5%
Free Cash Flow	492	594	642	765	917	836	1,064	920	1,554	1,538
Income Tax	181	203	27	143	606	245	279	347	352	344

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	12,071	11,861	14,150	15,354	15,700	13,924	17,979	20,115	20,870	32,290
Cash & Equivalents	427	301	403	377	545	332	2,745	393	502	453
Acc. Receivable	389	316	429	356	384	422	566	588	677	929
Goodwill & Int.	7,615	7,354	8,121	9,054	8,663	8,615	9,105	11,246	10,680	21,560
Total Liabilities	6,277	6,252	8,720	9,474	10,251	8,285	11,543	13,710	14,700	21,470
Accounts Payable	189	158	175	177	198	148	175	185	185	332
Long-Term Debt	2,297	2,364	3,603	4,207	3,831	3,387	5,541	5,830	5,399	10,450
Total Equity	5,793	5,609	5,430	5,880	5,449	5,639	6,433	6,395	6,151	10,820
LTD/E Ratio	0.40	0.42	0.66	0.72	0.70	0.60	0.86	0.91	0.88	0.97

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.4%	3.6%	0.8%	4.9%	2.9%	5.2%	5.8%	6.2%	5.5%	4.0%
Return on Equity	6.9%	7.5%	1.9%	12.9%	8.1%	14.0%	15.5%	18.5%	17.9%	12.5%
ROIC	4.9%	5.3%	1.2%	7.6%	4.7%	8.5%	8.9%	9.8%	9.5%	6.5%
Shares Out.	169	164	167	167	165	165	165	167	498	508
Revenue/Share	20.23	19.87	21.94	23.28	25.51	25.50	33.70	34.96	12.51	11.93
FCF/Share	2.84	3.47	3.80	4.51	5.47	5.01	6.37	5.46	3.12	3.03

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