

JSE Limited

2020 Year-End Results

26 February 2021



Agenda

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Key Highlights



Business resilience and flexibility in a uniquely challenging year

Strong business resilience and continuity against unprecedented challenges

Revenue growth largely driven by heightened market volatility in the COVID context

Sustained double digit revenue growth in Information Services

Successfully completed Link acquisition and first steps of our inorganic growth strategy

Positive operating leverage and continued OPEX investments to drive growth and IT robustness

Sustained earnings quality and cash generation - a key component of JSE's business model

CAPEX supporting operational resilience and preserving balance sheet liquidity

Balance sheet strength underpins ordinary dividend increase and growth agenda
Dividend policy: a pay-out ratio of 67% - 100% of current earnings

Sound financial performance underpinned by operational resilience



Revenue
+13%
to R2.5bn



EBITDA
+19%
to R1.06bn



OPEX
+11%
to R1.72bn

EBIT margin
32%
(up 1% point YoY)



EPS
& HEPS
+15%
to 936.7 cents

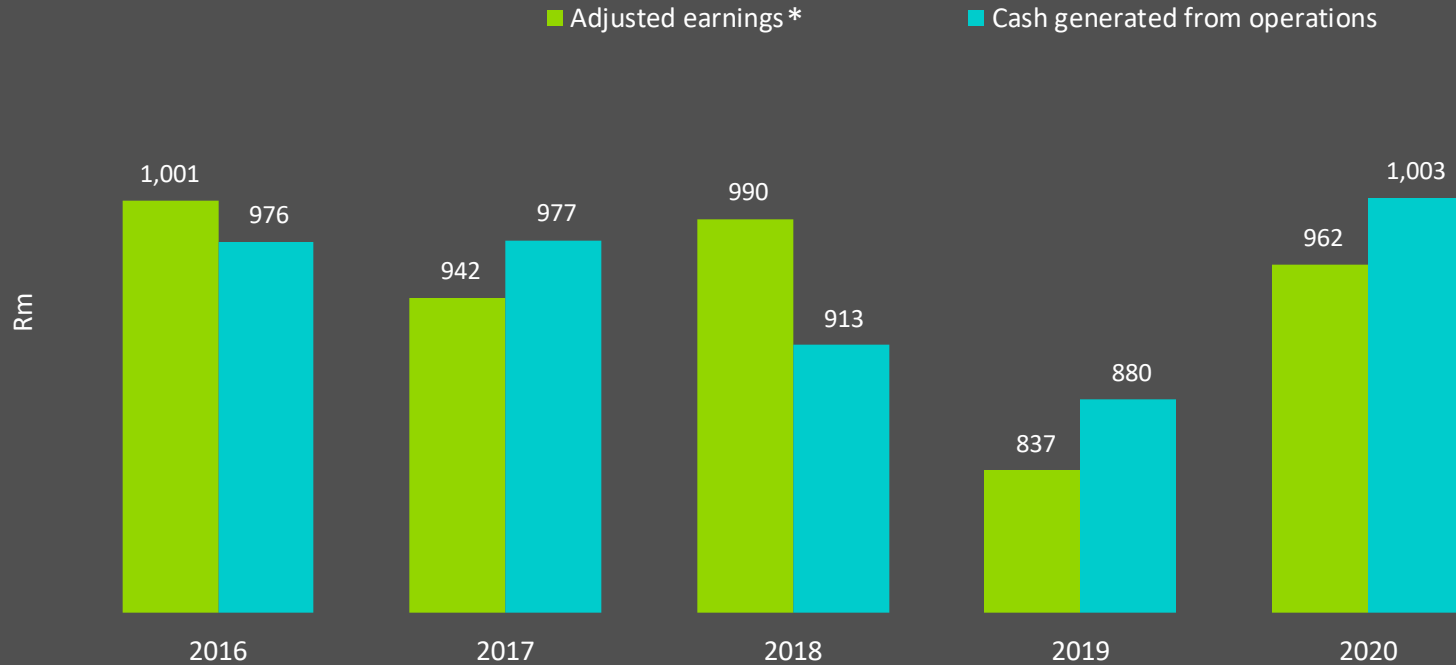
Ordinary dividend per share
725c
(83% pay-out ratio*)



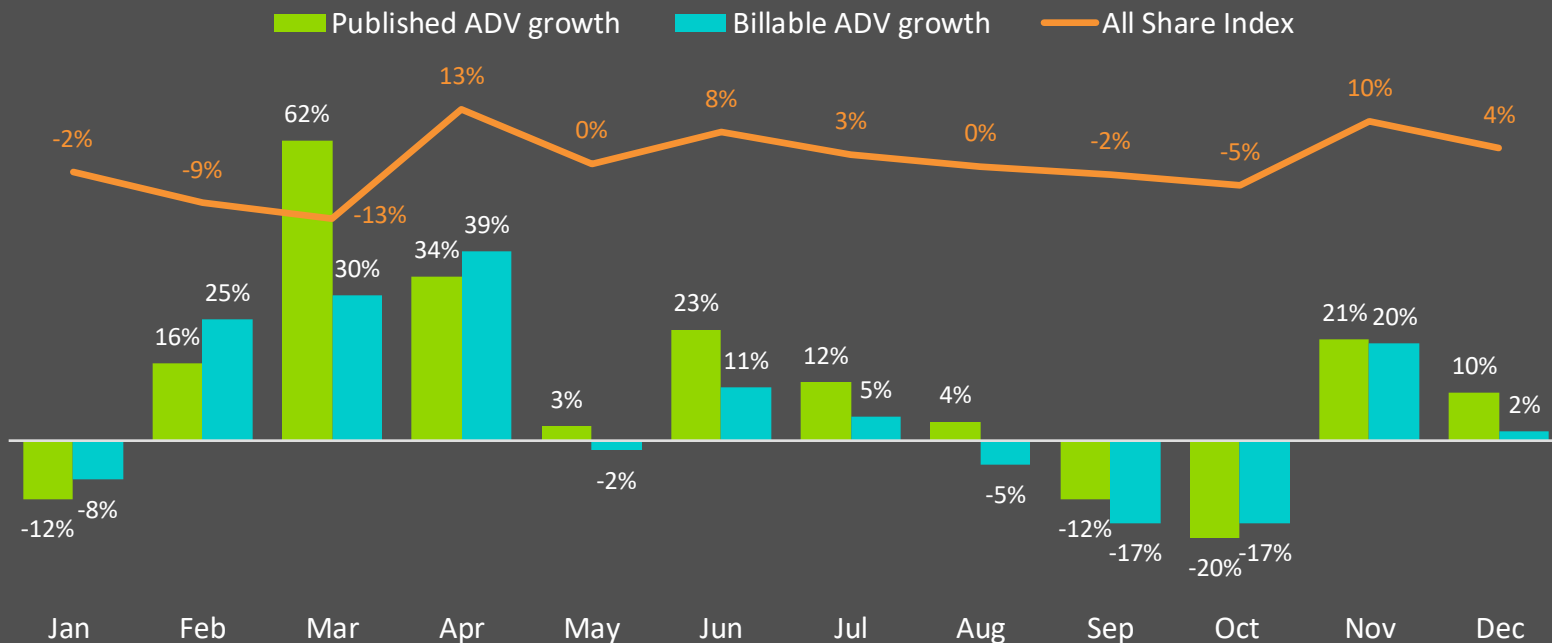
Cash generated
from operations
+14%

CAPEX
R89m

Highly cash generative business model



Significant swings in level of market activity through the course of the year



A trusted market place within an uncertain operating environment

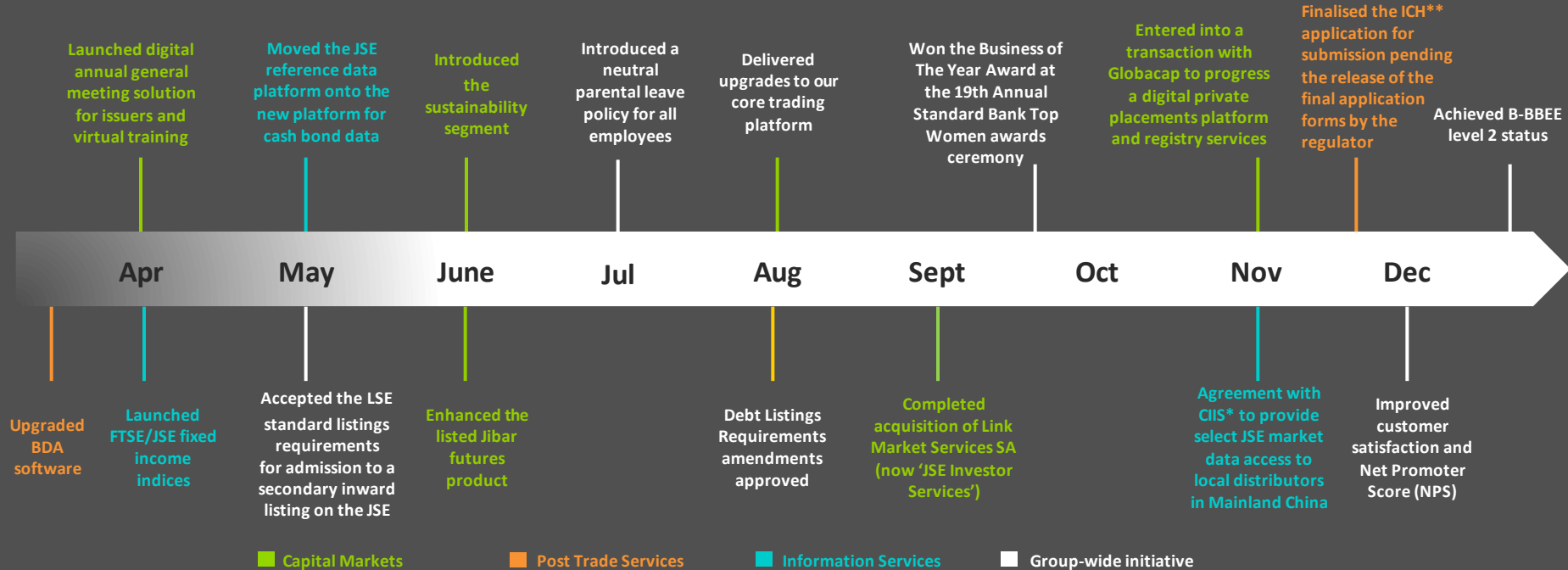
- Collaborated with 38 market participants to donate trading revenues earned over two days across all asset classes to the Solidarity Fund
- Board members and employees contributed a portion of the director emoluments and salaries respectively to the Solidarity Fund
- Collaborated with Business Leadership South Africa (BLSA) to support the provision of social outreach



- Enhanced regulatory support across all markets
- Provided support for distressed companies
- Offered fee reductions for trading, clearing, and settlement in companies listed on the JSE Alt-X and BEE boards
- Offered a reduction in listing fees for small cap and Alt-X companies
- Offered BEE broker support

- 99.95% Market availability (2019: 99.76%)
- Zero Equity Market system downtime
- Effective management of short positions
- Responsive and timely changes to our Listings Requirements
- Successfully implemented remote working protocols
- Significant investments in cybersecurity

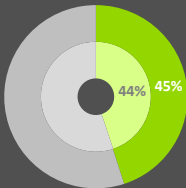
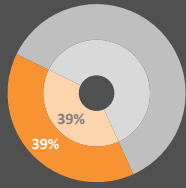
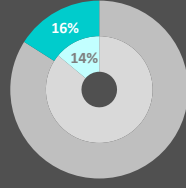
Maintained focus on progressing operational and strategic objectives for 2020



Business Review



Positive performance across all segments

Segment	Contribution	YoY rev. growth	Key drivers
CAPITAL MARKETS		+7%	<p>Strong growth driven primarily by greater equity market activity, despite activity driver contraction in some markets</p> <ul style="list-style-type: none"> Equity Market +14% (+R60m) Bonds and Financial Derivatives +2% (+R3m) Primary Markets +3% (+R5m) Commodity Derivatives +7% (+R5m)
POST-TRADE SERVICES		+14%	<p>Capitalising on heightened transaction volumes and billable value traded in the Equity Market with more central order book activity</p> <ul style="list-style-type: none"> Clearing and Settlement +16% (+R61m) Back-Office Services (BDA) +13% (+R43m) Funds under management +9% (+R6m)
INFORMATION SERVICES		+15%	<p>Sustained double-digit growth driven by new business, price increases and FX gains (+46m)</p>

2020 Market activity drivers

Number of IPOs*

4

(2019: 5)

Equity transactions

+21%

(2019: +10%)

Billable equity value
traded**

+7%

(2019: -2%)

Equity derivatives
value traded

-7%

(2019: +2%)

Bond nominal value traded

-7%

(2019: +16%)

Currency
derivatives number of
contracts traded

-8%

(2019: -7%)

Commodity derivatives
number of contracts traded

Flat

(2019: +2%)

Interest rate derivatives
number of contracts traded

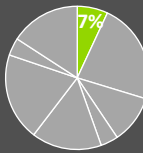
+14%

(2019: -6%)

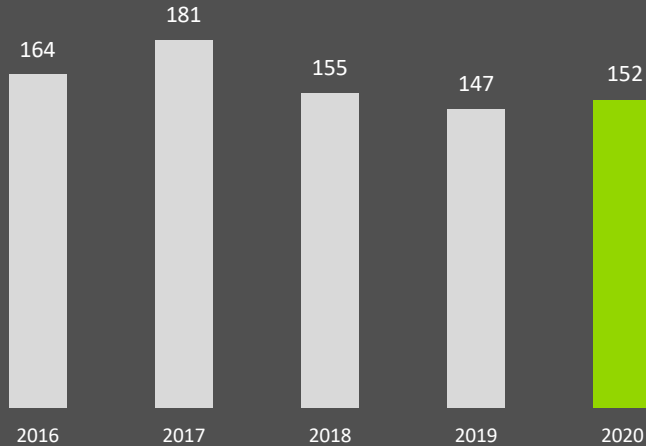
*Corporate actions – no new listings

**Published trading statistics +13% (2019: -7%) published ADV +11% to R23bn (2019: R21bn)
Billable ADV +5% to R28bn (2019: R27bn)

Fewer IPOs in 2020 owing to uncertain market conditions



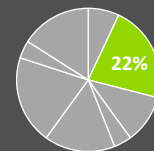
Primary market revenue (Rm)



Revenue +3% YoY

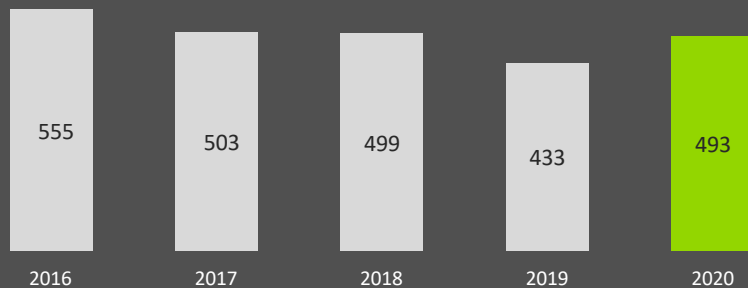
- Fewer IPOs in 2020 owing to uncertain market conditions. There was new equity capital raised in the secondary market of R67bn (2019: R36bn)
 - 4 new company listings (2019: 5)
 - 20 company de-listings (2019: 24) largely in the small to mid-cap space. However aggregate market capitalization growth was 2% YoY
 - 566 new bond listings (2019:710), nominal value R3.3tr (2019: R3.1tr)
 - 5 new ETFs (2019: 6)
 - 40 new ETNs (2019: 5)
 - 241 new warrants and structured products (2019: 293)
 - One new green bond listing (Total: 11)

Note: Revenue % changes calculated on unrounded figures



Equity volumes boosted by H1 volatility

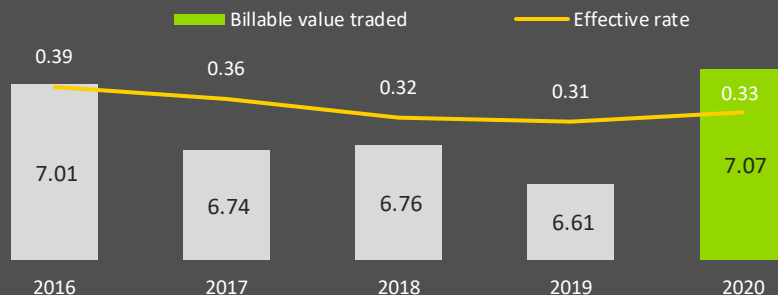
Equity market revenue (Rm)



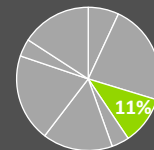
Revenue +14% YoY largely owing to an increase in billable value traded and more central order book activity resulting in higher effective pricing

- Volatility peaked in H1 2020, followed by mixed performance in H2
 - Increase in billable value traded (+7%)
 - Increase in number of transactions / deals, but lower average size
 - Foreigners remained net sellers of equities
 - Colocation activity contributed 50% to overall value traded (2019: 42%), with 40 racks (2019: 32)

Billable value traded (Rtr) and effective rate (bps)*

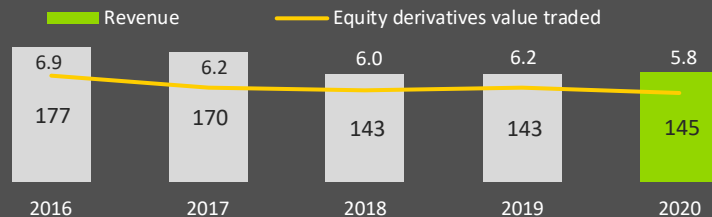


Note: Revenue % changes calculated on unrounded figures

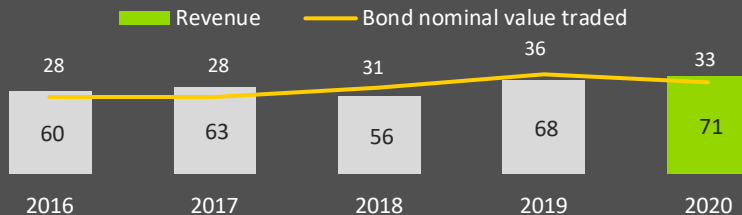


Resilient revenue despite lower market activity

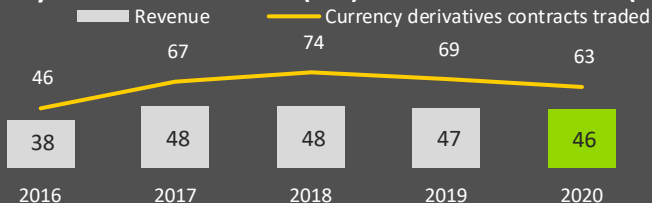
Equity derivatives revenue (Rm) and value traded (Rtr)



Interest rate revenue (Rm) and bond nominal value (Rtr)



Currency derivatives revenue (Rm) and contracts traded (m)



Revenue +2% YoY to R262m

Equity derivatives revenue +1% largely owing to increased activity and a more diverse product mix

- Value traded -7% to R5.8tr
- Revenue growth due to higher transactions in index futures, growth in international derivatives and exotic products
- Reduced trading fees and introduced trade caps on SSFs; and introduced a maker-taker pricing model for index options and SSF options in January 2020 to encourage liquidity and volumes

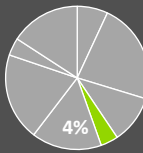
Bond and Interest rate market revenue +4% largely owing to a product mix change

- Bond nominal value down -7% to R33tr
- Standard trades increased
- Bond repos saw a shift away from longer-dated positions
- Foreigner remain net sellers of bonds

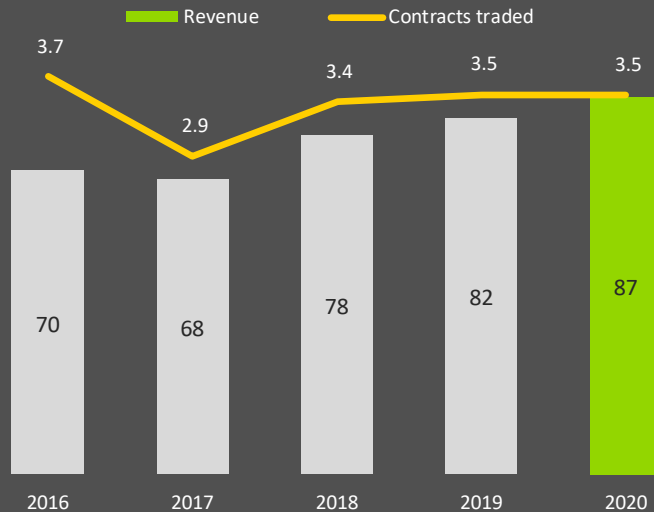
Currency derivatives revenue -3% largely owing to a decrease in contracts traded

- Contracts traded -8%
- Bid-offer spreads in the currency market were 40-50% higher in March 2020. While this has started to normalise, volatility in the rand has contributed to erratic trading activity where a large portion of the trade is linked to hedging activity in the Equity Market

Limited disruption from COVID-19 on South Africa's agricultural sector



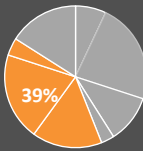
Commodity Derivatives revenue (Rm) and contracts traded (m)



Revenue +7% YoY largely owing to an increase in annual pricing and product mix

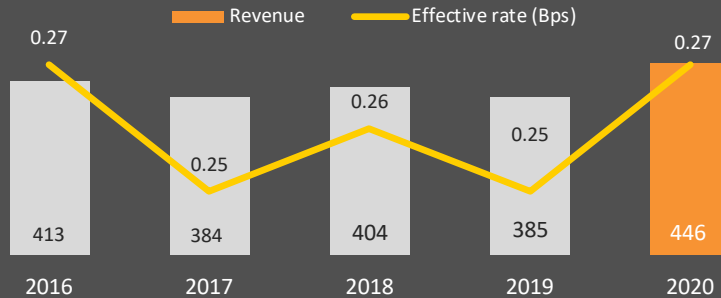
- Number of contracts traded flat YoY at 3.5m (2019: 2%)
- COVID-19 impact mitigated due to export-orientated nature of the sector
- A cash settled diesel contract expected to go live in 2021

Note: Revenue % changes calculated on unrounded figures



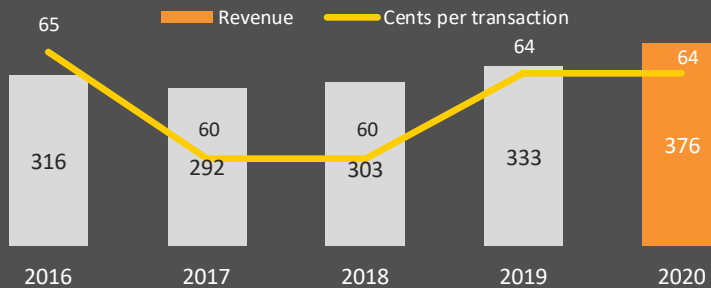
Growth driven by higher equity market activity

Clearing and Settlement revenue (Rm) and effective rate (bps)*



Note: Reflects only Equity Market clearing fees. Revenue % changes calculated on unrounded figures

Back-office services revenue (Rm) and cents per transaction (cents)



Note: Revenue % changes calculated on unrounded figures

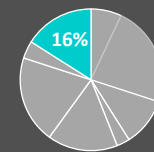
Clearing & Settlement revenue +16% YoY largely owing to an increase in value traded and more central order book activity resulting in higher effective pricing

- Value traded +7% to R7.1tr
- JSE Clear to transition to an Independent Clearing House by 2022

Back-office services revenue +13% YoY largely owing to an increase in transactions coupled with smaller transaction sizes

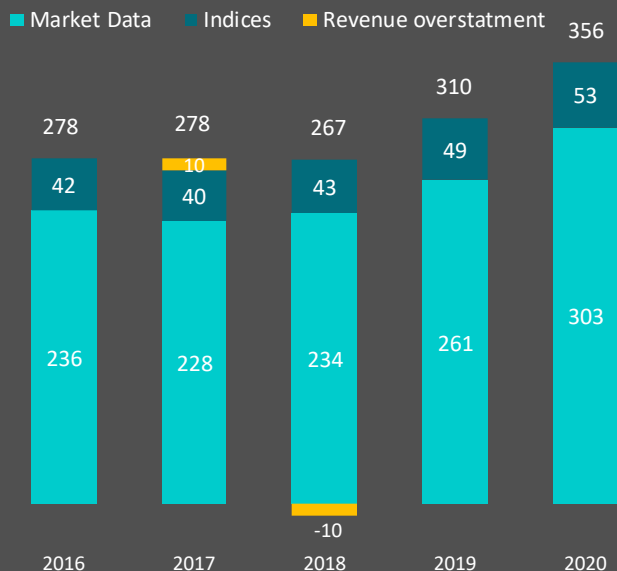
- Number of equity transactions +21% to R92m
- Around 20% of BDA revenue not directly linked to transactions (dissemination and reports)
- BDA operating system upgraded in preparation for the migration of the mainframe to the JSE data centre; Set to be finalised in 2021

Funds under management +9% YoY to R82m largely owing to growth in JSE Trustees cash balances



Strong revenue growth driven by FX impact, pricing and new business

Information Services revenue (Rm)



Revenue +15% YoY largely owing to annual price increases, foreign exchange gains on USD-denominated revenue and new business

- Market data products: 24 new clients signed up
- Launched FTSE/JSE fixed income indices
- Launched new data pricing structure for retail brokers
- Completed the implementation of the new reference data platform for the cash bond market
- Entered into agreement with China Investment Information Services Limited (CIIS) to provide select JSE market data access to local distributors in mainland China

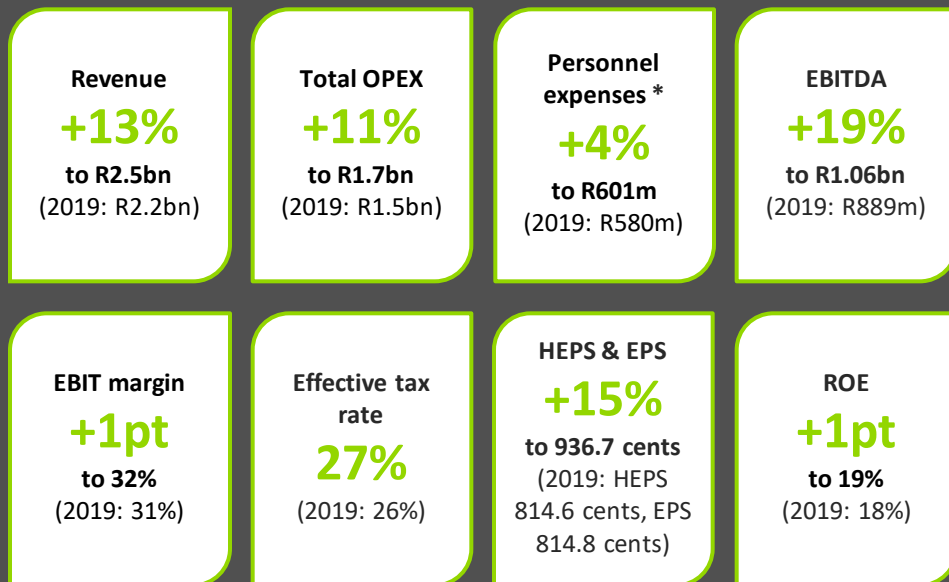
Note: Revenue % changes calculated on unrounded figures

Financial Review

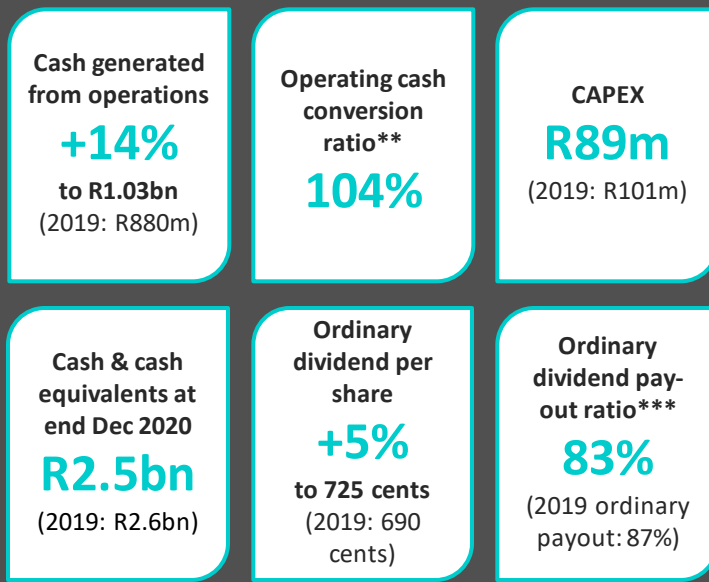


Robust performance with positive operating leverage, strong cash generation and progressive ordinary dividend

Trading & Profitability



Cash & Capital allocation



*Growth includes 1% JSE Investor Services as per statutory financials

**Cash conversion ratio defined as cash generated from operations reported to adjusted earnings

***On distributable earnings

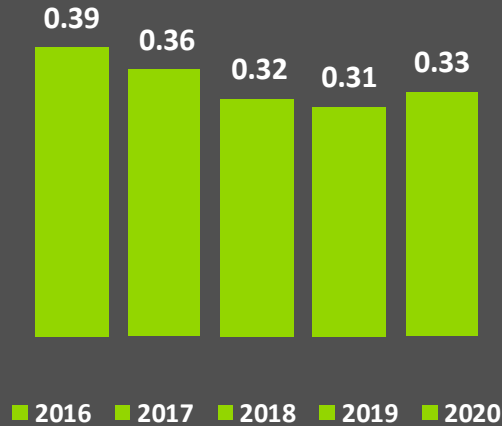
Positive operating leverage supporting earnings growth

(Rm)	2020	2019	Growth %
Revenue	2 446	2 187	12%
Other income	82	41	98%
Total revenue	2 528	2 229	13%
Personnel expenses	601	580	4%
Other expenses	1 117	961	16%
Total expenses	1 718	1 541	11%
EBIT	811	687	18%
EBIT %	32%	31%	1pt
Net finance income	200	213	-6%
Share of profit from associate	54	48	14%
Profit before income tax	1 065	948	12%
Income tax expense	283	248	14%
Profit for the year from continuing operations	781	700	12%
Loss after tax for the year from discontinued operations	3	5	-42%
NPAT before non-controlling interest	779	695	12%
Non-controlling interest	0.3	-	100%
NPAT attributable to JSE Group	778	695	12%
NPAT %	31%	31%	0pt
EPS (cents)	936,7	814,8	15%
HEPS (cents)	936,7	814,6	15%
EBITDA	1 060	889	19%

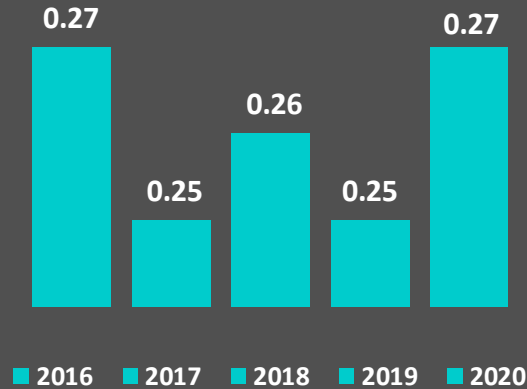
- Total revenue including a net increase in realised forex profits as well as regulatory fines
- EBIT margin up 1% point due to positive operating leverage impact - mainly in H1 2020
- Lower net finance income owing to the lower yields on JSE cash balances partially offset by growth in margin deposits from JSE Clear
- NPAT: The growth in distributable earnings is up 10% (excluding regulatory fines and investor protection funds)

Effective pricing trend across the equity market value chain

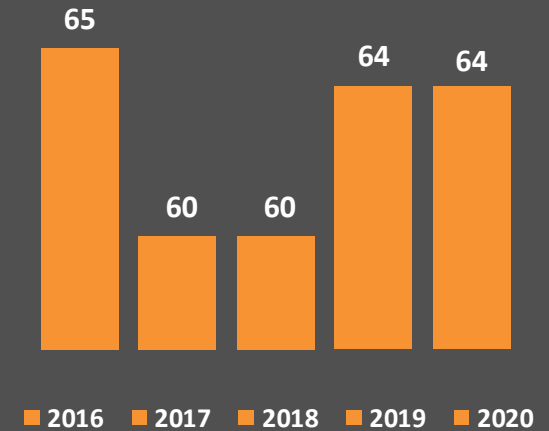
Trading fee: Equity Market (bps)



Equity Market Clearing and Settlement (bps)



BDA fees (cents per transaction)

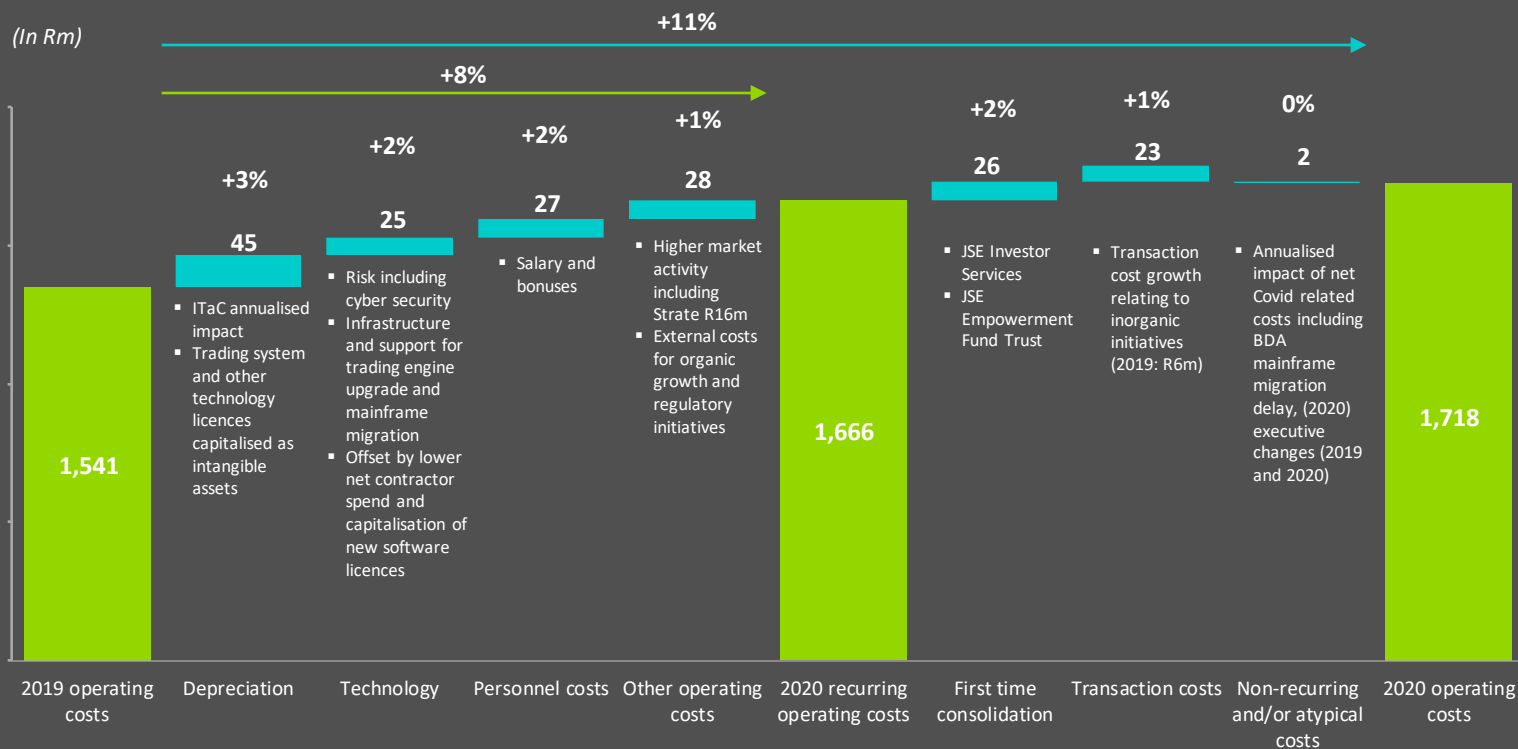


2020 revenue mix

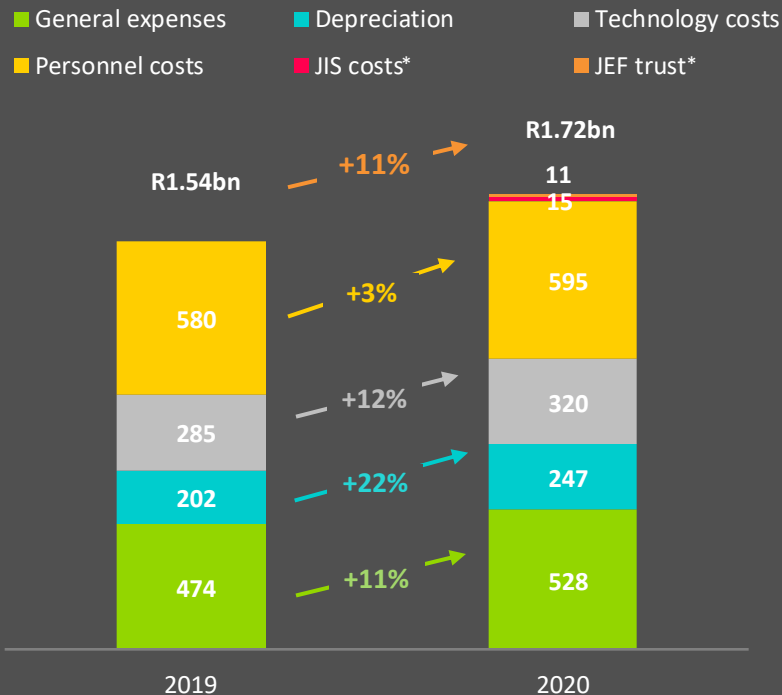


- Primary Markets: 7% (2019: 7%)
- Equity Market Trading: 22% (2019: 22%)
- Back-Office Services (BDA): 16% (2019: 15%)
- Equity Clearing and Settlement: 19% (2019: 19%)
- Bonds and Financial Derivatives: 11% (2019: 13%)
- Issuer Services: 0% (2019: 1%)
- Commodity Derivatives: 4% (2019: 4%)
- Information Services: 15% (2019: 15%)
- JSE Investor Services: 1% (2019: 0%)
- Funds Under Management: 4% (2019: 4%)

Cost growth primarily driven by IT robustness and growth initiatives



Operating expenditure for growth and robustness



Personnel costs

- Gross remuneration ↑ R18m or 4% to R435m (2019: R418m)
- Average headcount at 402 (2019: 395) and Dec 2020 headcount at 406 (2019: 392)
- Executive changes (LTIS/retention/other) ↓ R20m
- Discretionary bonus of R76m (9.7% of NPAT) (2019: R64m or 9.2% of NPAT)

Technology costs

- Increased spend on risk including cyber security ↑ R21m to R35m (2019: R14m)
- Increased BDA costs ↑ R15m largely due to the mainframe migration including parallel costs due to Covid-19 impact on project timing
- Project-related infrastructure and support cost for the trading engine upgrade, mainframe migration, and first FY impact of ITaC support and maintenance ↑ R24m

Depreciation and amortisation

- First FY impact of ITaC amortisation of R22m
- R25m impact of reclassification of software licences, capitalised as intangible assets, and trading platform upgrade R5m

General expenses

- Transaction costs of R29m for JSE Investor Services (JIS) and Globacap (2019: R6m)
- Strate ad valorem fees, SWIFT charges and clearing and settlement fees +R16m

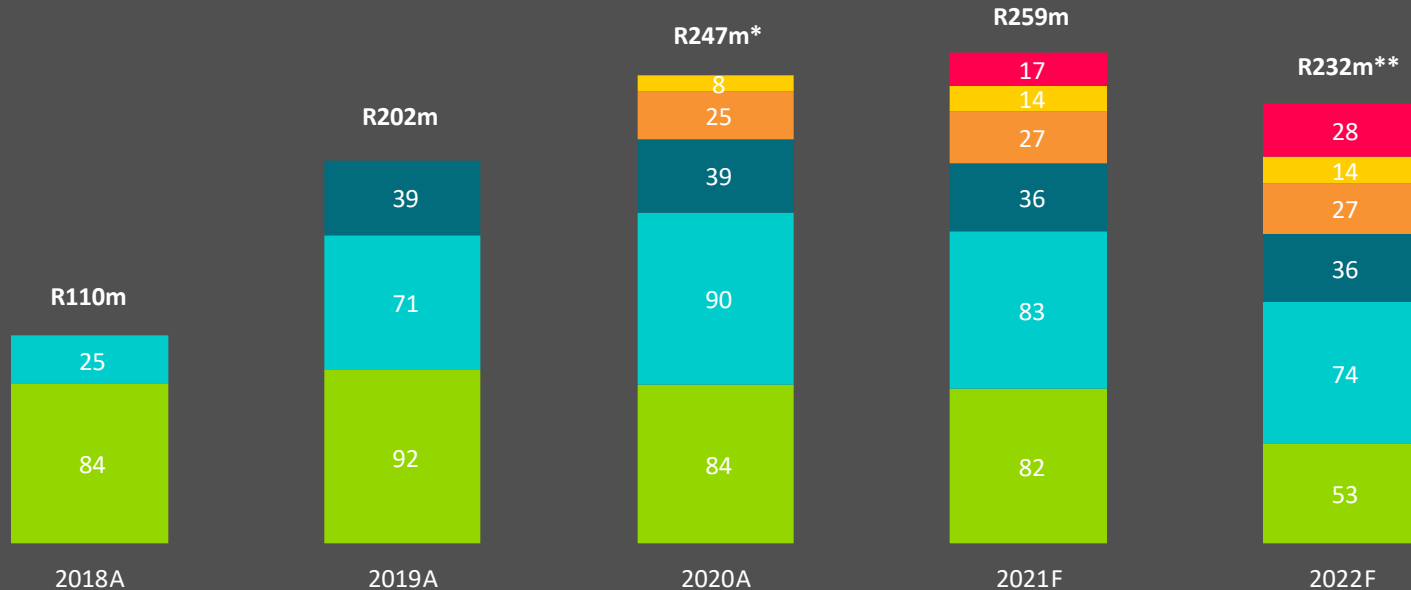
JEF costs R11m for bursaries awarded to trust recipients partially offset by net finance income

JIS costs at R15m (first time consolidation): Largely personnel expenses, general expenses and amortisation of intangible assets

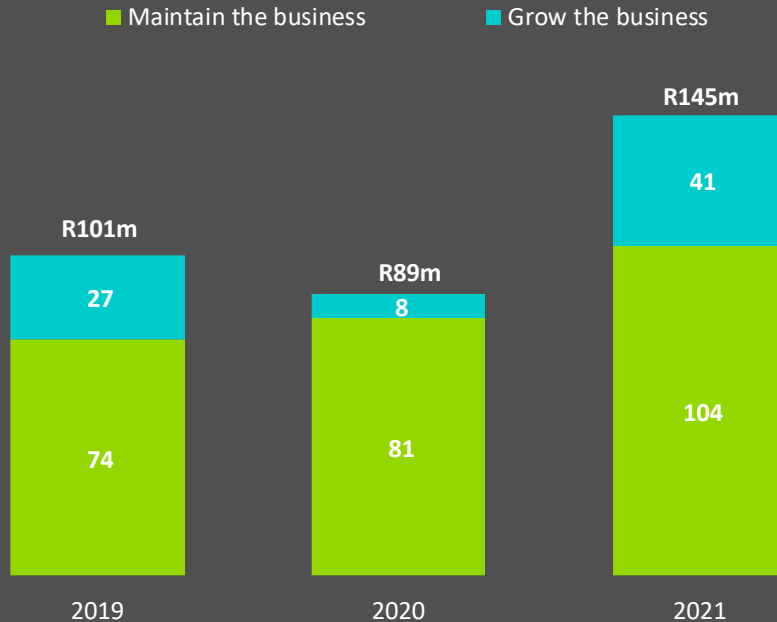
**Note: Figures contain rounding differences – breakdown of the elements above unpack detail therefore differ from the statutory view owing to JSE Investor Services and JSE Empowerment Fund Trust*

Multi-year depreciation profile

- Existing assets
- Licenses capitalised as Intangibles
- ITaC 1
- 2020 capex envelope
- Application of IFRS 16 on lease
- 2021 Capex envelope



CAPEX driven by trading engine upgrade



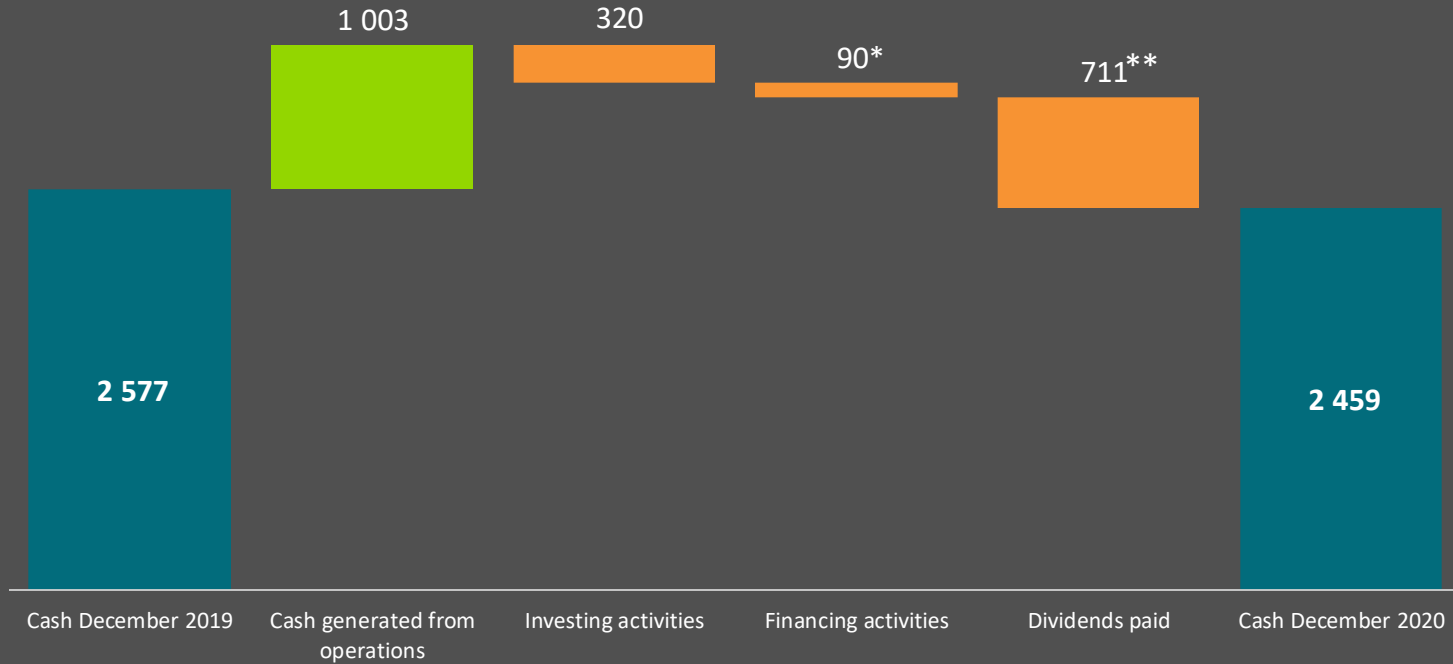
2020 spend (R89m) mainly driven by

- Trading system upgrade (under budget)
- OTC and building upgrades (expensed)
- New master reference data
- Smart regulation
- Clearing system enhancements
- Replenishment and rejuvenation of infrastructure

Indicative spend for 2021 (R145m)

- Rejuvenation of infrastructure
- Investment for future growth (Building Blocks)
- Smart regulation
- Organic growth including private placement platform for SMEs and infrastructure finance
- IT Security
- Leasehold Improvements

Maintained robust liquidity levels in 2020

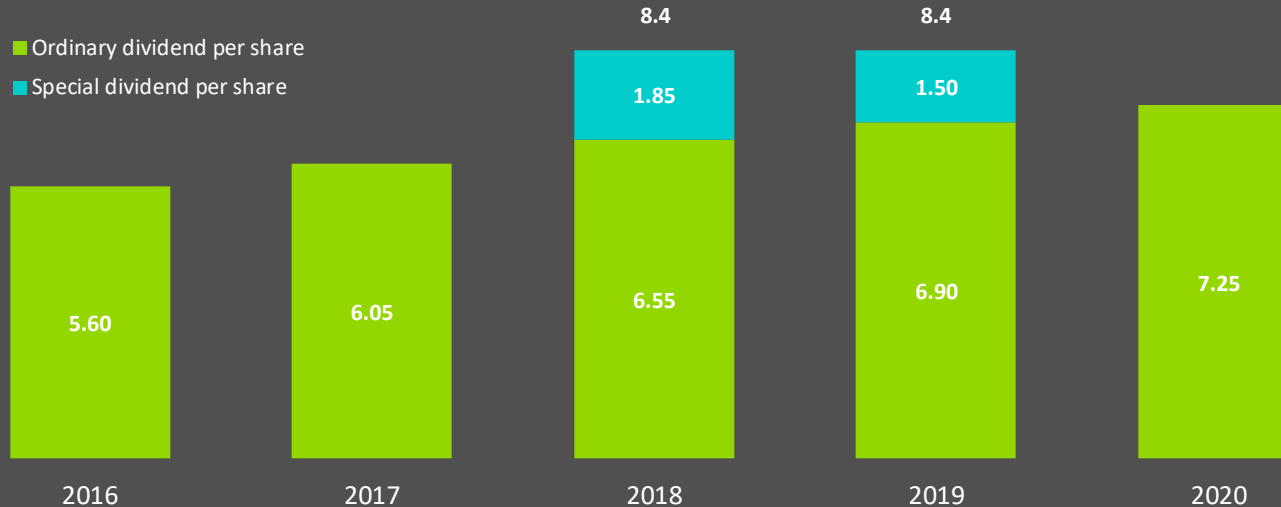


*Includes the effect of exchange rate fluctuations on foreign-denominated cash held and proceeds from sale of treasury shares; excludes dividends

**Excludes dividends paid to JSE Empowerment Fund Trust (inter-group)

Ordinary dividend up 5% YoY

A dividend cover ratio of 1.5x - 1x earnings (a payout ratio of 67% - 100% of current earnings (previously 40% - 67%)).



Total dividend	R487m	R526m	R728m	R728m**	R630m
Ordinary dividend payout ratio*	52%	65%	62%	87%	83%
Total dividend payout ratio*	52%	65%	80%	101%	83%

*Earnings have been adjusted for non-distributable earnings

**Includes dividends paid to JSE Empowerment Fund

Looking ahead



Key strategic priorities

**Grow & diversify
revenue streams**

**Invest in operational
robustness & resilience**

**Focus on the national
agenda & further
entrench sustainability
in the business**

**Maintain our corporate culture, enhance customer experience and
create enduring stakeholder value**

Allocating our capital to its most effective uses

Organic investment

- Focus on rejuvenation of infrastructure and systems
- Investment in resilience and stability
- Revenue growth through new product and services

Strengthen
existing
business

Financing
options
available

Balance sheet optionality

- Both organic and inorganic investment funded from own cash
- Currently no debt

Ensuring an
adequate level of
regulatory capital
remains our
capital allocation
priority

Inorganic growth

- Diversification of revenue, with focus on annuity income
- Areas: Issuer Services; data
- Focus on bolt-on acquisitions

Diversify
& grow
the business
for the future

Optimise
shareholder
value

Shareholder returns

- Board resolved to adjust the Group's dividend policy to reflect a pay-out ratio of 67% - 100% of current earnings
- Remain committed to optimising shareholder value

Completed acquisition of JSE Investor Services (JIS) - previously Link SA

Link SA: 2nd largest share registry business in South Africa – now 100% South African owned

Core offering: transfer secretarial and registry services (including maintenance, treasury services, and corporate actions)

Client base of over 90 issuers including six of the top 40 issuers listed on the JSE

JSE is introducing products such as ShareHub and virtual AGMs to corporates in South Africa to complement shareholder communication and engagement

New opportunities for JIS include:
Asset reunification and share register clean ups
Share register analytics
Call centre training
Executive share schemes

September 2020: received approval from the Competition Tribunal to acquire a majority stake in Link Market Services, subject to conditions

November 2020: all conditions precedent fulfilled, allowing acquisition to be finalised and onboarding phase to start

Paid R225 million from the Group's cash reserves

Completed partnership transaction with Globacap

Globacap: UK-based tech-enabled market leader in private capital market (FCA regulated)

Provides a financial ecosystem for private companies through issuance, liquidity and registrar services

Uniquely powered by Distributed Ledger Technology & global pioneer in issuing tokenised equity as a direct holding without requiring a nominee structure

18 placements to 600 investors in 35 countries. Administrates over GBP 1bn in private assets for 60 companies and over 8,000 shareholders

JSE invested GBP 4 million for a minority equity stake in the Company, as part of the transaction

Transaction completed with an R84 million payment in January 2021 with conditions met*

JSE & Globacap to establish a private placements platform to advance and digitise capital raising for infrastructure finance and SMEs in SA and potentially other African countries

Key takeaways

**Strong business
resilience**

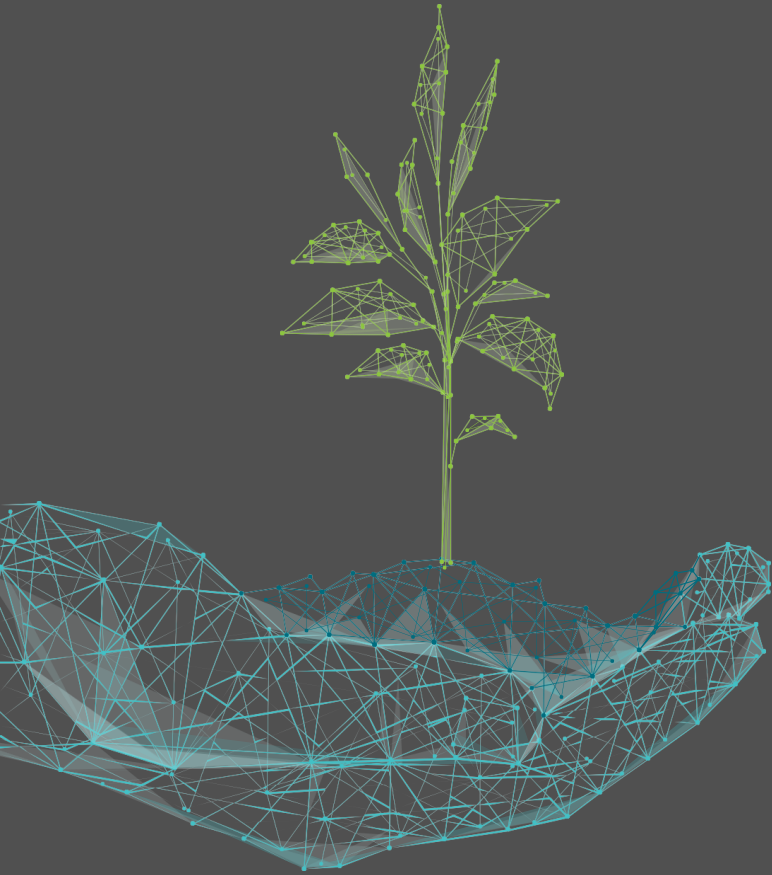
**Continued
investment to
drive growth and
IT robustness**

**Sustained earnings
quality and cash
generation**

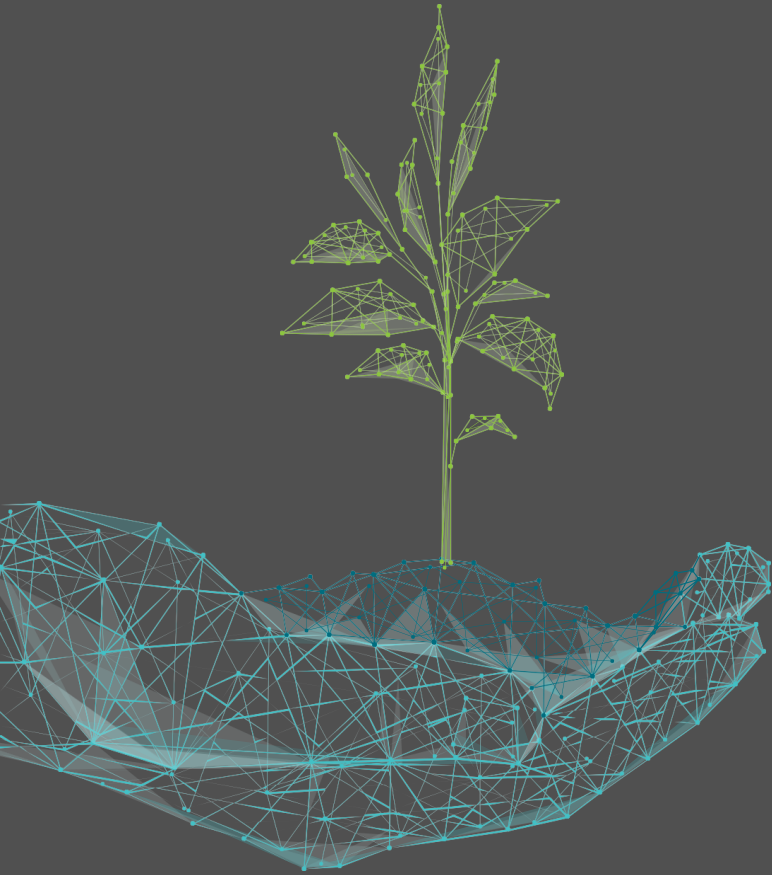
**Progressive
ordinary dividend
and high payout
ratio**

**Healthy balance
sheet and robust
liquidity offering
growth optionality**

**Early progress
with our inorganic
growth strategy**



Questions



Appendix

Balance sheet as at 31 December 2020

(Rm)	Year ended 31 December 2020	Year ended 31 December 2019
Assets		
Non-current assets	1 871	1 716
Property and equipment	140	184
Intangible assets	821	593
Investment in associate	320	293
Other non-current assets	590	646
Current assets	49 754	38 512
Margin deposits	46 308	34 850
JSE Clear Derivatives Default Fund deposit	500	500
Trade and other receivables	475	520
Cash and cash equivalents	2 459	2 577
Other current assets	12	65
Total assets	51 625	40 227
Equity and liabilities		
Total equity	4 154	3 969
Stated capital	(33)	(18)
Reserves	677	548
Retained earnings	3 473	3 439
Non-controlling interest	38	-
Non-current liabilities	274	318
Current liabilities	47 197	35 940
Margin deposits	46 308	34 850
JSE Clear Derivatives Default Fund contribution	400	400
Other current liabilities	489	690
Total equity and liabilities	51 625	40 227

