

# JSE Limited

## 2021 Interim Results

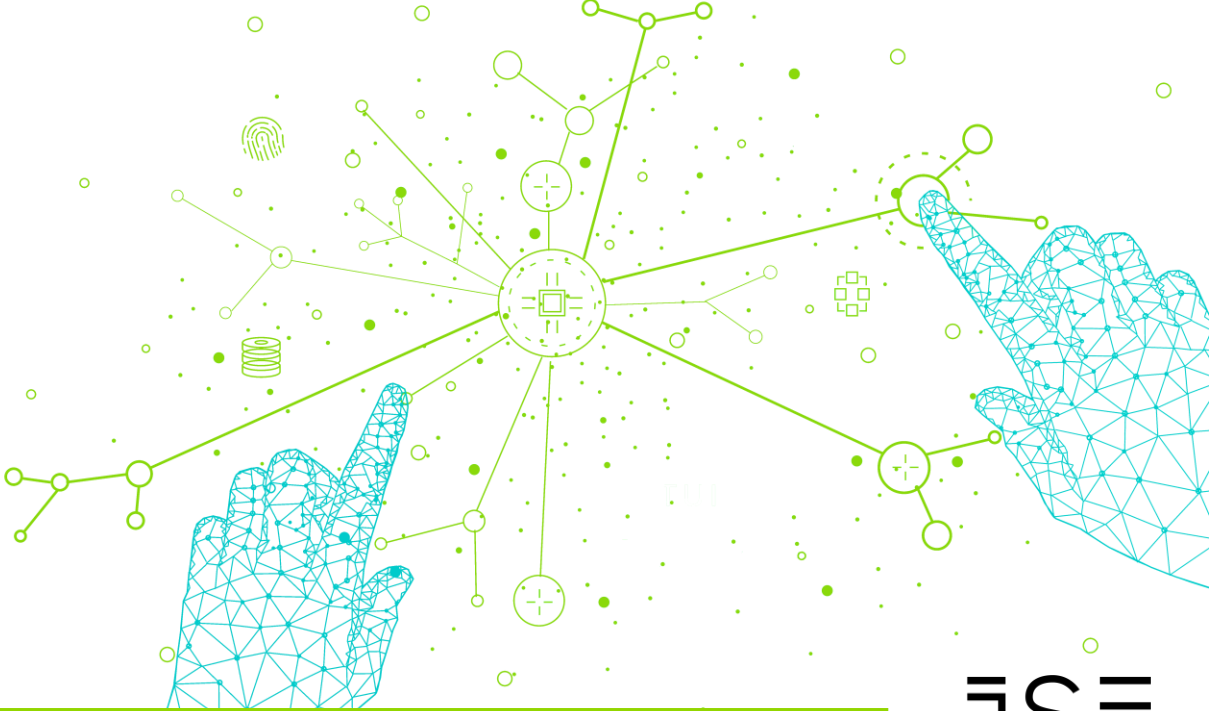
6 August 2021



# Agenda

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# Key Highlights



# Focused on strategic priorities whilst mitigating negative impact of external factors on earnings

Earnings high base in 2020, impacted by FX and lower interest rates

Lower capital markets activity partly offset by growth in some derivatives markets

OPEX flat excluding JIS

First full period of consolidation for JIS

Net finance income impacted by lower interest rate environment

Sustainably high cash conversion of earnings

Progress made with operational and inorganic growth objectives

Resilient and healthy business, positioned for sustainable growth

# Earnings reflecting operating environment and high revenue base effect

Total revenue

**-6%**

to R1.2bn

OPEX

**+6%**

to R853m

Normalised costs (excluding  
JIS) flat

EBITDA

**-19%**

to R520m

EBIT margin

**31%**

(down 9% points YoY)

EPS & HEPS

**-26%**

to 420.2 and 420.1 cents  
respectively

Earnings cash  
conversion

**105%**

(up 11% points YoY)

CAPEX

**R46m**

(stable YoY)

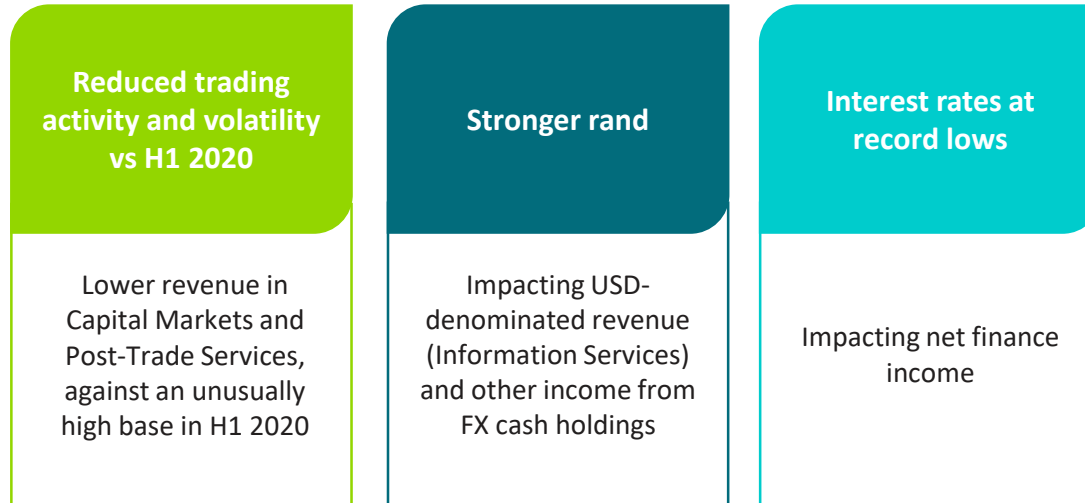
Cash balance

**R2.1bn**

(Dec 2020: R2.5bn)

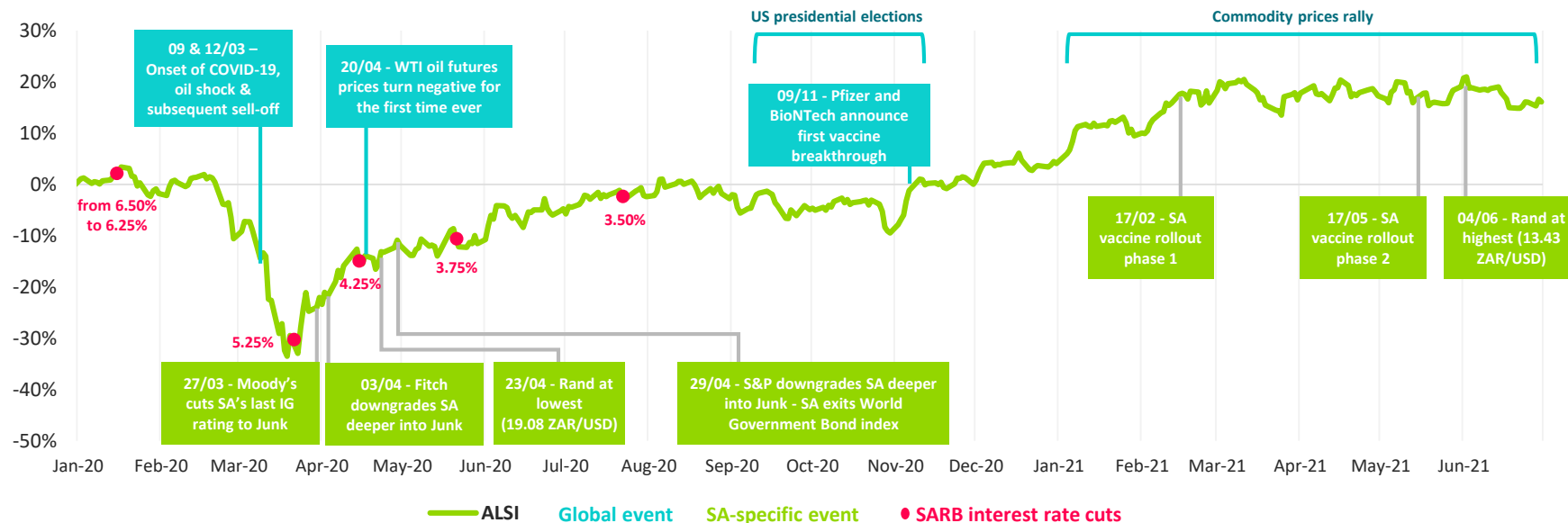
# External factors impacting business performance

Macro-economic factors and high base effect from H1 2020



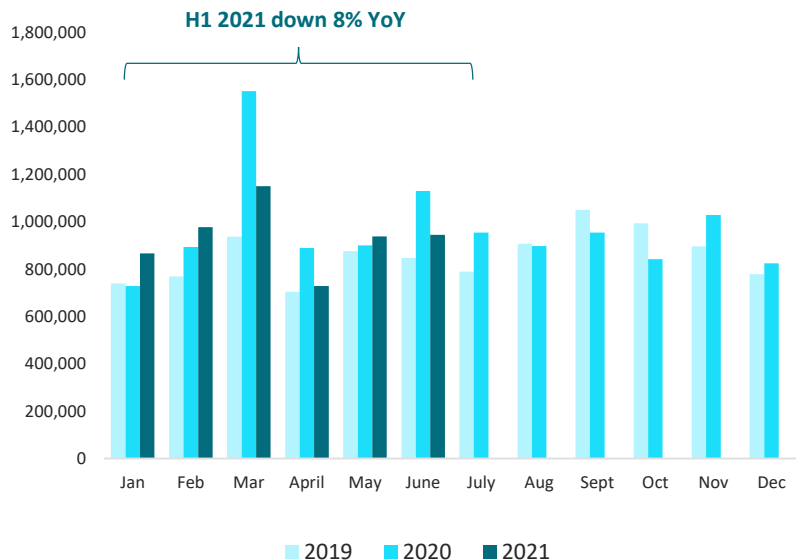
# Strong JSE All Share index recovering albeit off lower trading volumes

JSE All Share index – 31 December 2019 to 30 June 2021 (base 0 on 31/12/2019)

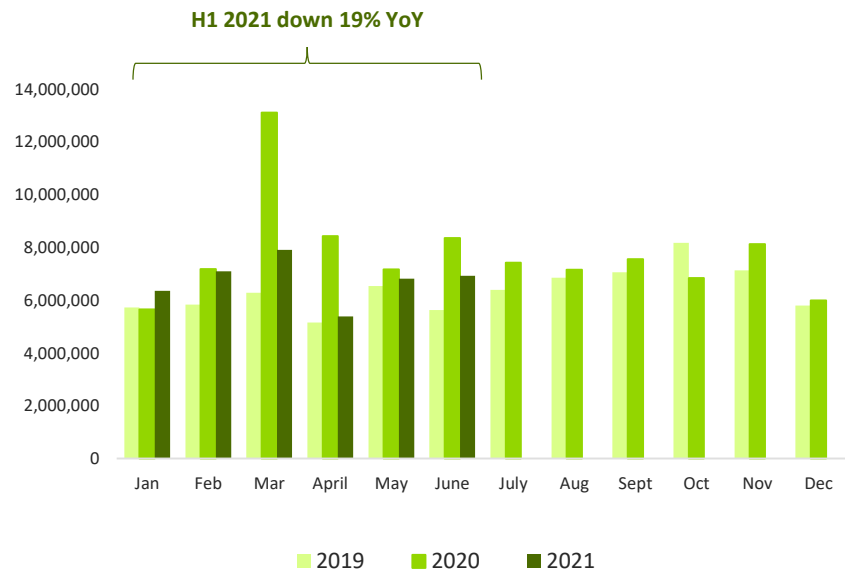


# Lower market activity from a high comparable base

Equity market - monthly billable average daily value traded (ADV) (Rm)

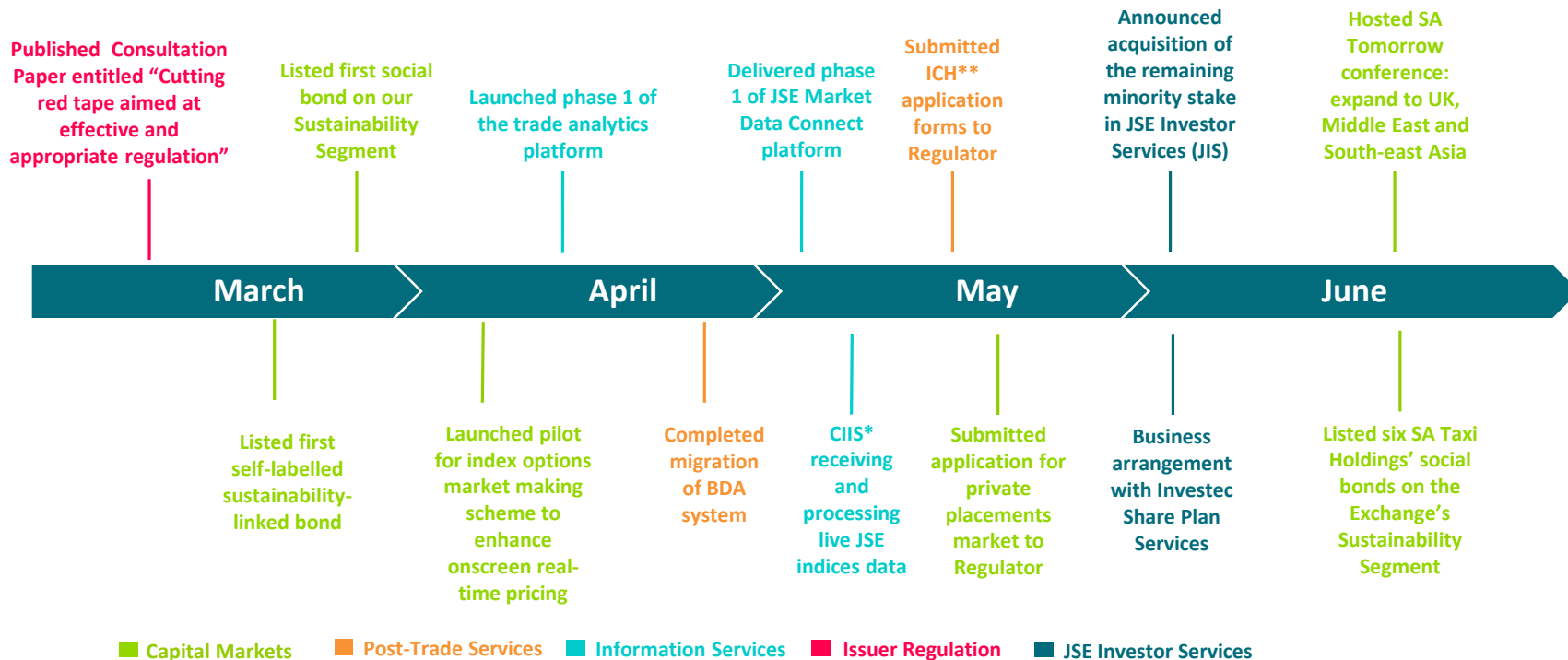


Equity market - monthly traded volumes





# Executing our strategic and operational priorities



# JSE Investor Services (JIS) integration and business update

## 2020 Background

Completed acquisition of 74.85% of Link Market Services (now called JIS) in November 2020 – aids our revenue diversification

### Revenue mix

- Annuity revenue (registry services)
- Variable revenue (corporate actions)

## H1 2021 update

### JSE as sole owner

- Acquired remaining 25.15% stake from minority shareholders for R75.45m from cash reserves in June 2021
- Acquired a portion of Investec Share Plan Services (ISPS)

### Positive commercial momentum

- ShareHub launched in August 2020
- New clients secured and strong pipeline
- Collaboration with William Radcliffe in Q2 2021
- ISPS business arrangement

### New opportunities

- Asset reunification and share register clean ups
- Share register analytics
- BEE training
- Extended offering through administration of executive share schemes

# Leading the way on sustainability

## Two-pronged sustainability approach

- Internally: considering and integrating sustainability matters into business operations
- Externally: promoting, as an exchange and frontline regulator, access to capital and responsible investment

### Advocacy and engagement

- UNPRI, SSE, WFE SWG
- King IV, CRISA, IRC Committees
- UN GISD (Global co-chair)
- Member of Climate Action Advisory Group (to UN SG)
- Just Transition CEO Champion
- Annual ESG Investor Briefings
- Customised presentations and training
- Climate disclosure guidance under way

### ESG investment tools

- FTSE/JSE Responsible Investment Index Series (Benchmark and Top30)
- Sustainability Segment: project bonds, social bonds
- Transition bond framework under way
- Other asset classes:
  - ESG futures

#### This year we listed:

- First social bond and self-labelled sustainability-linked bond
- Listing of six SA Taxi Holdings' social bonds
- 3 ESG-focused ETFs

### Regulatory framework

#### The JSE is one player in a broader governance ecosystem

- Mandatory governance
- Board diversity
- Remuneration policy
- King IV

#### JSE Ltd:

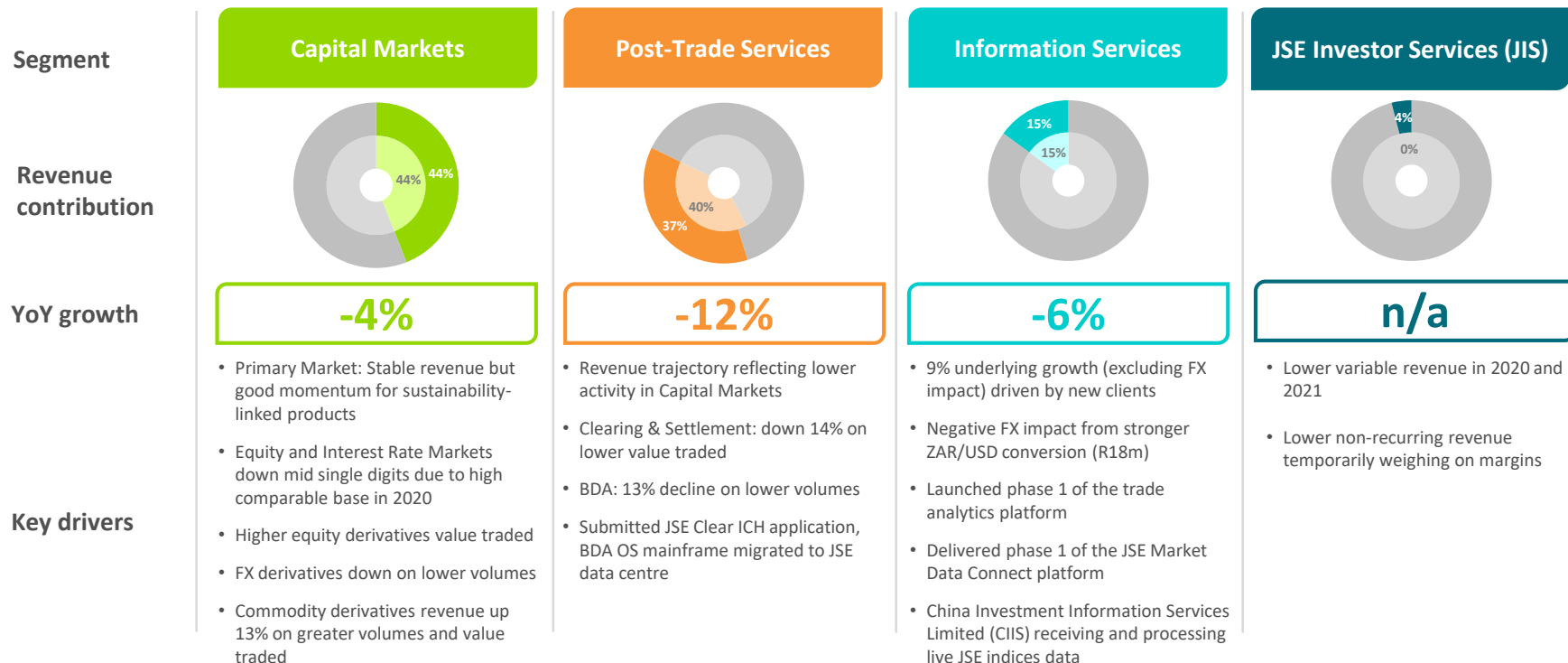
- Our board representation: 64% ACI and 73% female

# Group Business Performance



JS

# Capital Markets and Post-Trade Services coming off a high base in H1 2020



Note: Outer circle: H1 2021 revenue breakdown, inner circle: H1 2020 revenue breakdown

# Market drivers

Number of IPOs

**6**

(H1 2020: 4)

Market  
capitalisation\*\*\*

**+11%**

30 June 2021:  
R18.8tr

Number of delistings

**15**

(H1 2020: 13)

Equity transactions

**-19%**

(H1 2020: +37%)

Billable equity value  
traded\*

**-8%**

(H1 2020: +17%)

Bond nominal value  
traded

**-6%**

(H1 2020: 0%)

Equity derivatives  
value traded

**+10%**

(H1 2020: -3%)

Currency  
derivatives  
contracts traded  
\*\*

**-29%**

(H1 2020: 13%)

Commodity  
derivatives contracts  
traded \*\*

**+4%**

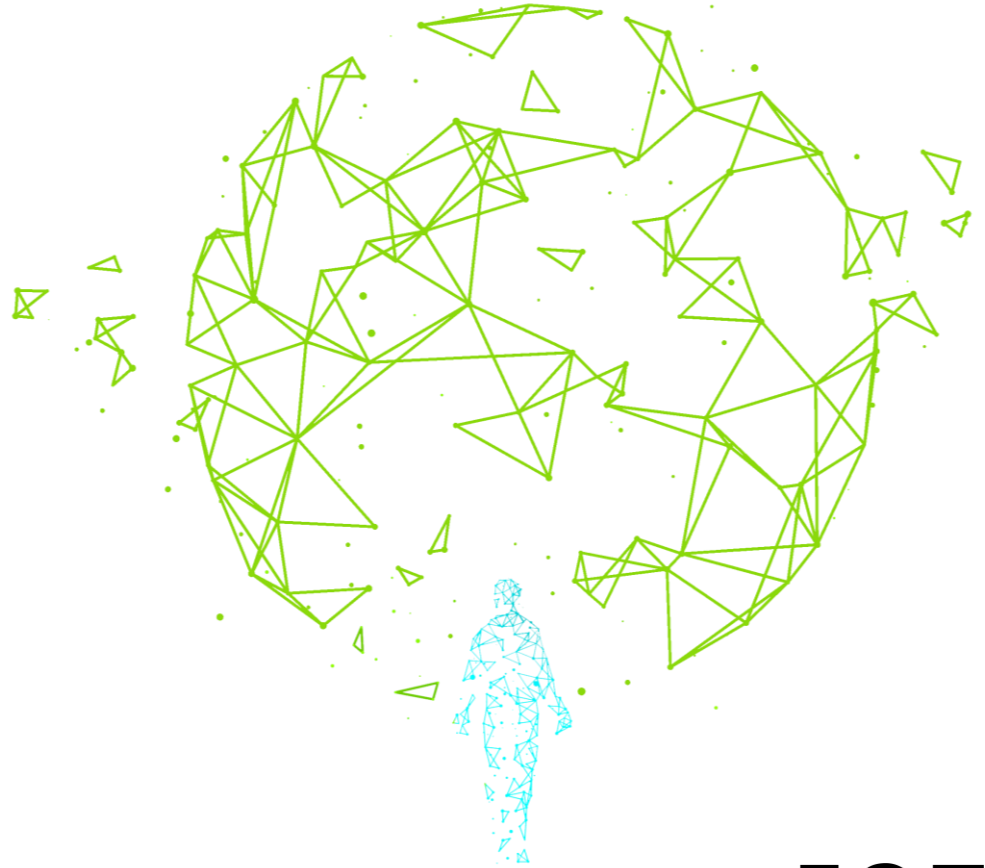
(H1 2020: 1%)

Interest rate  
derivatives contracts  
traded \*\*

**-10%**

(H1 2020: 27%)

# Financial Review



# Key financial highlights

## Trading & profitability

Operating Revenue

**-3%**

to R1.2bn  
(H1 2020:  
R1.3bn)

Total Revenue

**-6%**

to R1.2bn  
(H1 2020:  
R1.3bn)

Total OPEX\*

**+6%**

to R853m  
(H1 2020:  
R801m)

EBITDA

**-19%**

to R520m  
(H1 2020:  
R644m)

EBIT margin

**-9pts**

to 31%  
(H1 2020: 40%)

NPAT

**-28%**

to R348m  
(H1 2020:  
R485m)

HEPS & EPS

**-26%**

to 420.1 and  
420.2 cents  
(H1 2020: HEPS  
569.0 cents, EPS  
569.1 cents)

Effective tax rate

**26%**

(H1 2020: 26%)

## Cash & capital

Cash generated from operations

**-10%**

to R472m  
(H1 2020:  
R525m)

Operating cash conversion ratio\*\*

**105%**

Cash & cash equivalents at end June 2021

**R2.1bn**

(Dec 2020:  
R2.5bn)

CAPEX

**R46m**

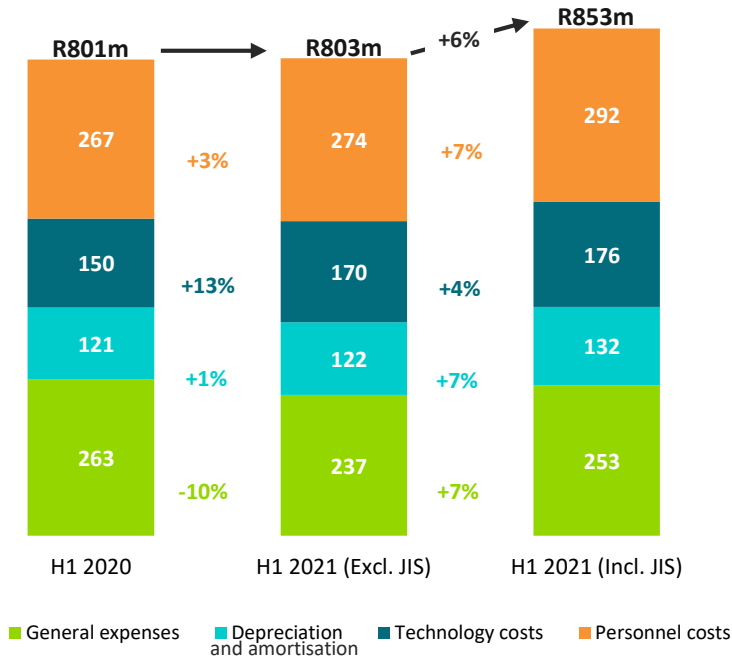
(H1 2020:  
R46m)



# Income statement

(Rm)	H1 2021	H1 2020	Δ (%)
Operating revenue	1,227	1,265	-3%
Other income	15	58	-74%
<b>Total revenue</b>	<b>1 242</b>	<b>1 324</b>	<b>-6%</b>
Personnel expenses	(292)	(267)	9%
Other operating expenses	(430)	(413)	4%
<b>EBITDA</b>	<b>520</b>	<b>644</b>	<b>-19%</b>
EBITDA (%)	42%	49%	-7pts
Depreciation and amortisation	(132)	(121)	8%
<b>EBIT</b>	<b>388</b>	<b>523</b>	<b>-26%</b>
EBIT (%)	31%	40%	-9pts
Net finance income	68	104	-35%
Share of profit from associate	26	33	-21%
<b>Profit before income tax</b>	<b>483</b>	<b>660</b>	<b>-27%</b>
Income tax expense	(134)	(173)	-23%
Profit for the year from continuing operations	348	486	-28%
Loss after tax for the year from discontinued operations	-	(1)	-100%
NPAT before non-controlling interest	348	485	-28%
Non-controlling interest	(1)	-	100%
<b>NPAT attributable to JSE Group</b>	<b>348</b>	<b>485</b>	<b>-28%</b>
NPAT (%)	28%	37%	-9pts
EPS (cents)	420.2	569.1	-26%
HEPS (cents)	420.1	569.0	-26%

# Operating expenses



## JSE costs excluding JIS stable at R803m

### Personnel costs up 3% or R7m to R274m (R267m)

- Gross remuneration up R20m (9%) to R234m (2020: R214m)
  - 410 average headcount, +4% YoY (2020: 396); 417 exit headcount (2020: 396)
  - ~ 4% annual salary increases
- Executive changes expenses down R13m to R3m (2020: R16m)

### Technology costs up 13% or R20m to R170m (2020: R150m)

- Mainframe migration costs up R12m to R22m (2020: R10m), including R16m non-recurring parallel costs

### Depreciation and amortisation up 1% or R1m to R122m (2020: R121m)

- JSE Group new amortisation for JIS customer contracts of R4m (2020: R0m)

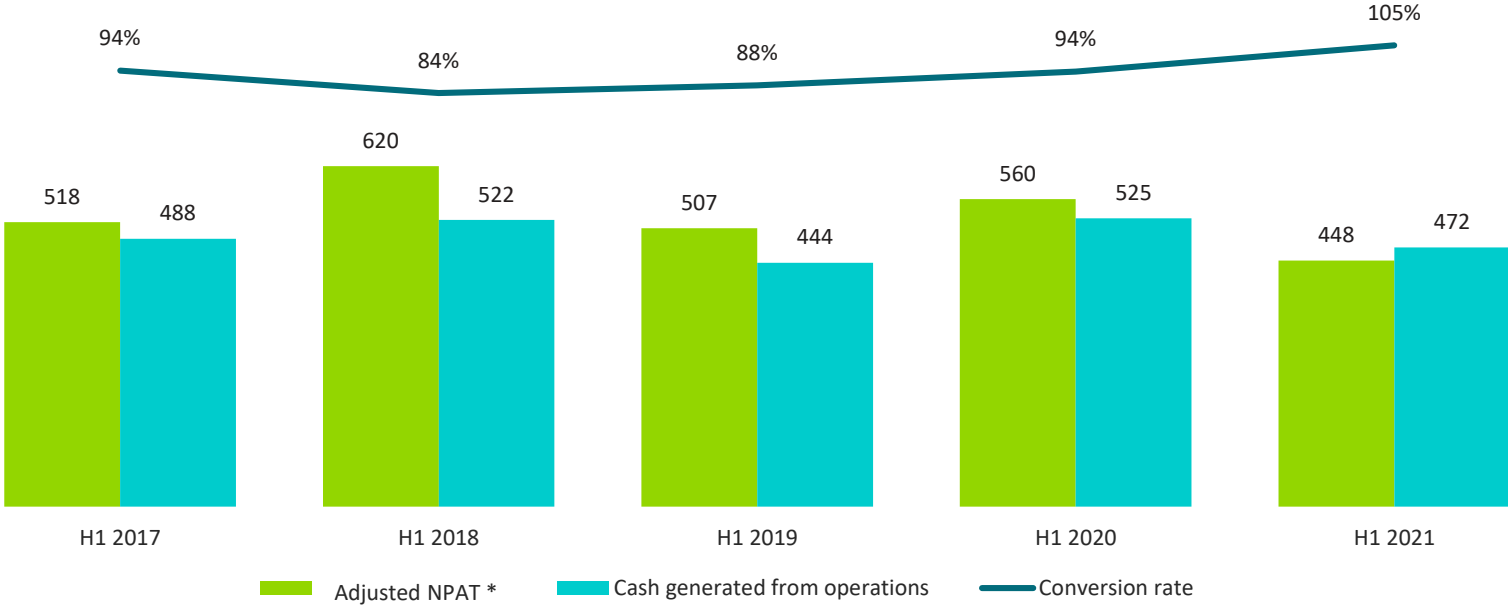
### General expenses down 10% or R26m to R237m (2020: R263m)

- H1 2020 included R33m largely related to COVID-19
- Strate ad valorem fees, SWIFT charges and clearing and settlement fees down R3m to R85m (2020: R88m)
- JEF trust timing differences on the consolidation of bursary payments of R11m, accounted for in H2 2020

## JIS adds 6% to cost growth

- JIS costs at R49m, first time consolidation in H1 2021

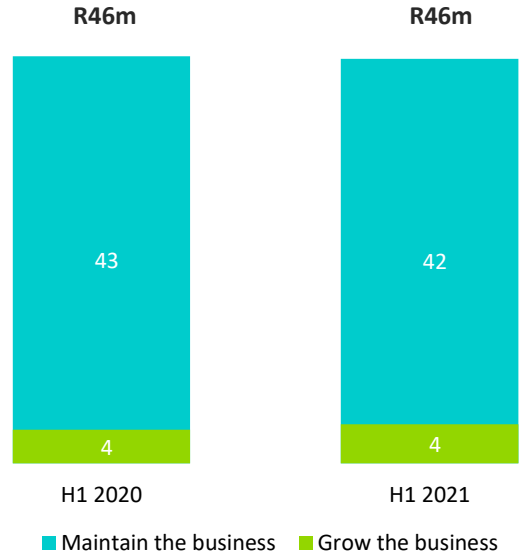
# Sustainably high cash conversion of earnings



\*NPAT has been adjusted for non-cash items (depreciation, amortisation, forex profit/loss, impairments, goodwill write-down)

# CAPEX managed within operating context

*Over R200m spent to grow the business*

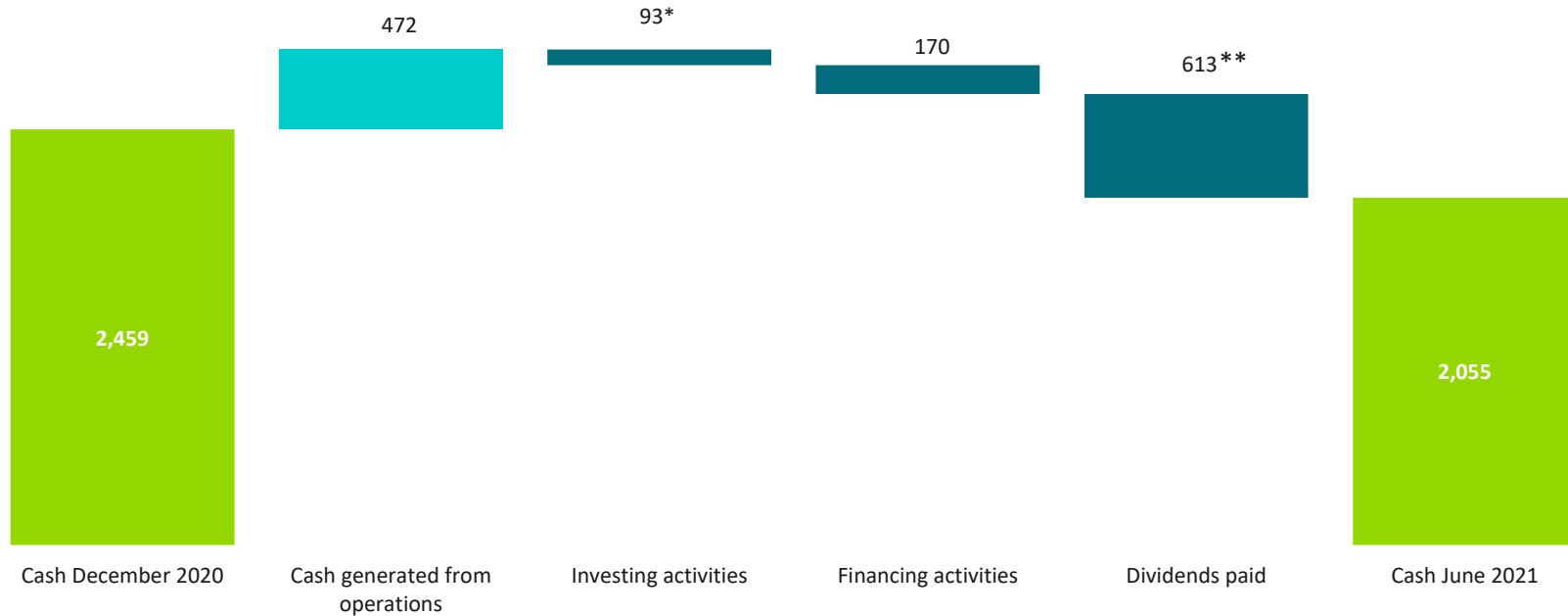


## H1 2021 spend:

- Investment for future growth mainly owing to colocation
- Rejuvenation of IT infrastructure
- New digital market data client reporting platform (JSE Market Data Connect)
- IT cybersecurity
- Leasehold improvements to support new ways of work as well as client services

**Indicative spend for FY 2021 between R100m – R120m**

# Strong balance sheet underpinned by sound cash balance



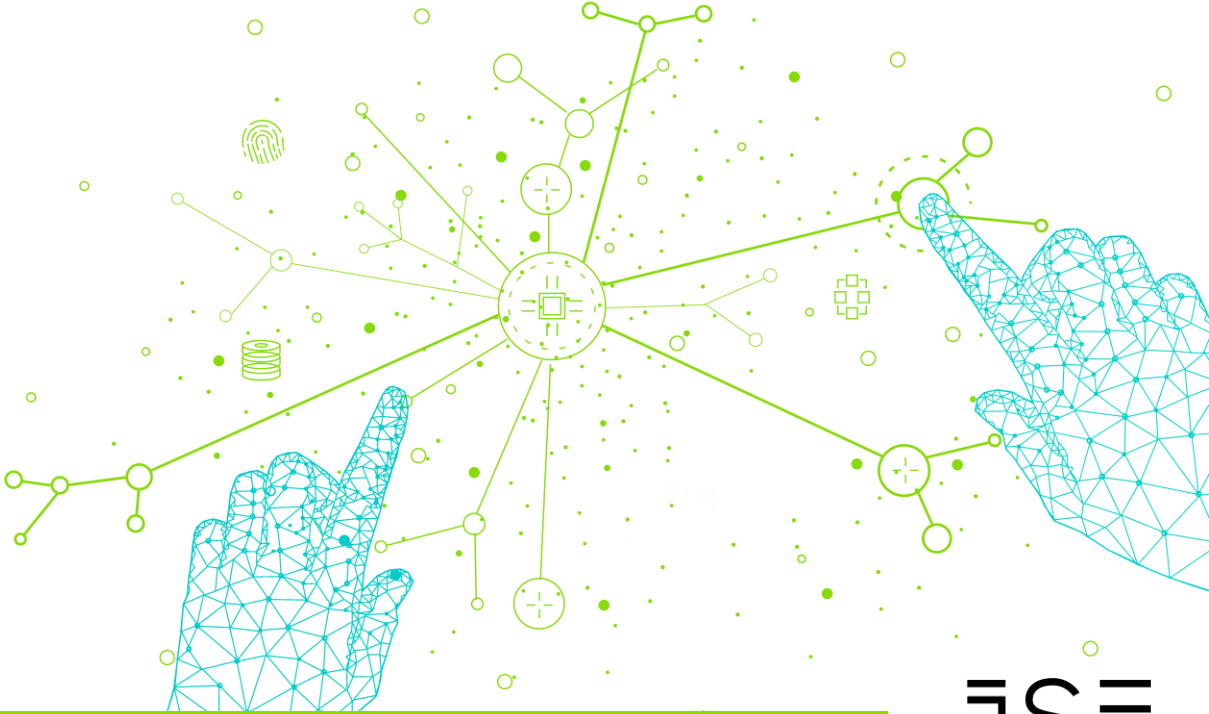
- In compliance with the FMA the JSE and JSE Clear are required to hold regulatory capital
- At the reporting date, the Board believes that both the JSE and JSE Clear are sufficiently capitalised

*Contains rounding differences*

*\* Including effect of exchange rate fluctuations on foreign-denominated cash and proceeds from sale of treasury shares*

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

# Looking ahead



# Strategic objectives and delivery

## Long-term strategic objectives

Grow & diversify revenue streams

Invest in operational robustness & resilience

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

## H2 2021 strategic focus

### Driving the Group's inorganic growth strategy

- JIS: Growing the business through new opportunities and clients
- Private placements market: Progressing the application with the FSCA and driving market development

### Delivering new products and services in Capital Markets and Information Services

- Asia strategy: Expanding the CIIS to other global distributors, as well as Singapore
- Delivering the trade analytics and new digital market data client reporting platform

### Post-Trade Services

- Submitted JSE Clear's application to the regulator to be licensed as an independent clearing house

# Key considerations impacting our business environment in H2

## Global Market Environment

- Roll out of COVID-19 vaccines is having a positive impact on markets and global geo-political stability
- Brexit trade deal and new US administration provides much needed certainty
- Repositioning workplaces to meet health, sustainability and technical benchmarks is a clear investor priority, delivering value for the long term
- Investors believe environmental, social and governance (ESG) will be a strong factor in their investment decisions in 2021

## South Africa

- **SAA\***: Proposed sale of majority stake represents resolution of long-running fiscal negative and signals change in strategy by government to embrace private sector in dealing with SOEs
- **100 MW Energy Reform**: licensing threshold for electricity generation for own use by companies will be raised from 1 MW to 100 MW, supporting significant investment and ultimately energy security
- **Eskom reform**: Progress toward stabilising generation and unbundling of a system operator is being made
- **Further structural reforms**: spectrum auction, visa reform, bulk water, infrastructure promotion among other reforms that will be positive for investors
- **Civil unrest**: SA businesses looted and destroyed in widespread riots following former president Jacob Zuma arrest
- **Rule of law**: Arrest of former president Jacob Zuma positive for sentiment but civil unrest sharply negative



# JSE distinctive value proposition

**Solid foundation of liquid, robust and well-regulated markets**

**Strong financial discipline and execution capabilities**

**Sustainably high cash generation offering sufficient liquidity**

**Healthy balance sheet supporting strong dividend track record and capital allocation optionality**

**Making progress on our inorganic growth initiatives and other strategic objectives**

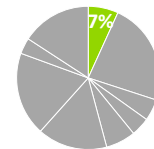
**Leading the way on sustainability**



# Questions

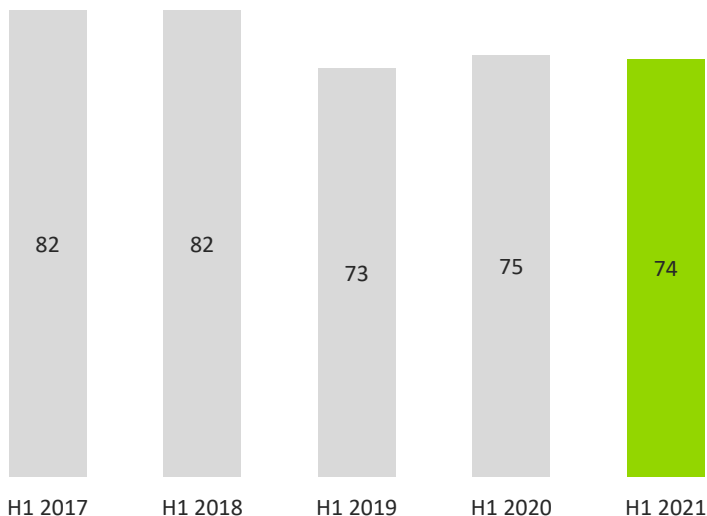


# Appendix



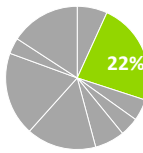
# Listed first social and sustainability-linked products

## Primary Market revenue (Rm)



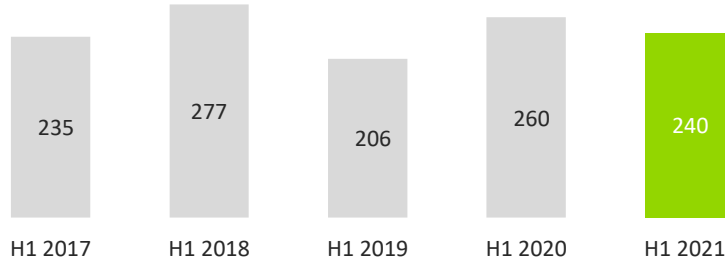
## Stable revenue

- Higher number of IPOs in H1 2021 (6 vs 4 in H1 2020)
  - Look forward to welcoming more in the coming months
- Aggregate market capitalisation of all equity listed instruments on the JSE increased by 5% from last year's close to 30 June 2021
- 15 company delistings (H1 2020: 13) largely in the small to mid-cap space
- 317 new bond listings (H1 2020: 248) for a nominal value R3.8tr (2020: R3.3tr)
  - Listed the first social bond and first self-labelled sustainability-linked bond on the JSE's Sustainability Segment valued at R609m and R1b respectively
  - Approved the listing of six SA Taxi Holdings' social bonds on the Exchange's Sustainability Segment with the six social bonds valued at a total of R900m
- Other products:
  - 4 new ETFs (H1 2020: 1), 3 ESG focussed
  - 7 new ETNs (H1 2020: 4)
  - 138 warrants and structured products (H1 2020: 207)



# Equity Market impacted by high base effect in H1 2020

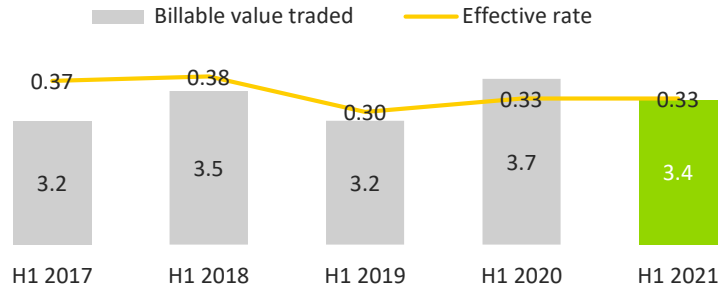
## Equity Market revenue (Rm)

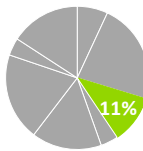


**Revenue -8% YoY** largely owing to lower volumes and billable value traded, compared with a high base in H1 2020

- H1 2020 volumes driven by COVID-19-related volatility and resulting activity in the prior year
- Billable value traded -8%
- Number of transactions/deals -19%
- Foreigners remained net sellers of equities
- Colocation activity contributed 53% to overall value traded (H1 2020: 48%), with 46 racks (H1 2020: 31)

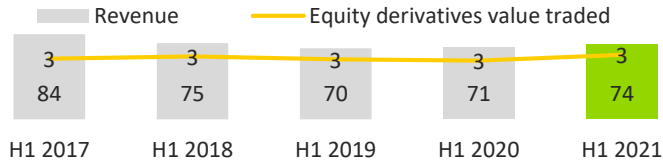
## Billable value traded (Rtr) and effective rate (bps)\*





# Single digit increase driven by Equity Derivatives value traded

## Equity Derivatives revenue (Rm) and value traded (Rtr)

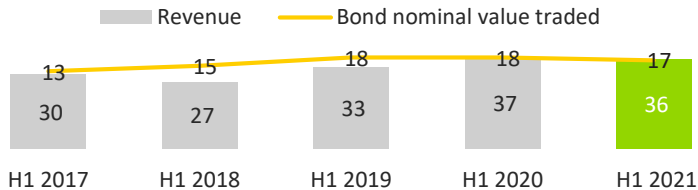


Equity Derivatives + 3% YoY to R74m, bonds and interest rate market revenue -5% YoY to R36m

### Equity Derivatives revenue up 3% largely owing to higher value traded

- Value traded +10% to R3.2tr driven by greater activity in index futures
- Value of the JSE Top 40 index up 11% in H1 2021
- Launched pilot for index options market making, to enhance onscreen real-time pricing

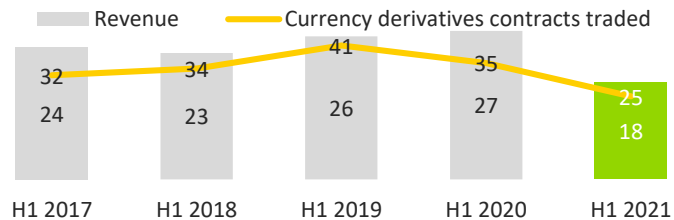
## Interest Rate revenue (Rm) and bond nominal value (Rtr)



### Interest Rate Market revenue down 5% largely owing to lower value traded

- Bond nominal value traded -6% to R17tr
- Fall in bond market volumes largely linked to high base effect in H1 2020 as well as lower liquidity and wider bid offer spreads
- Foreign trade in bonds has seen good inflows

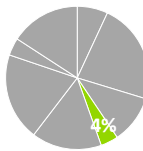
## Currency Derivatives revenue (Rm) and contracts traded (m)



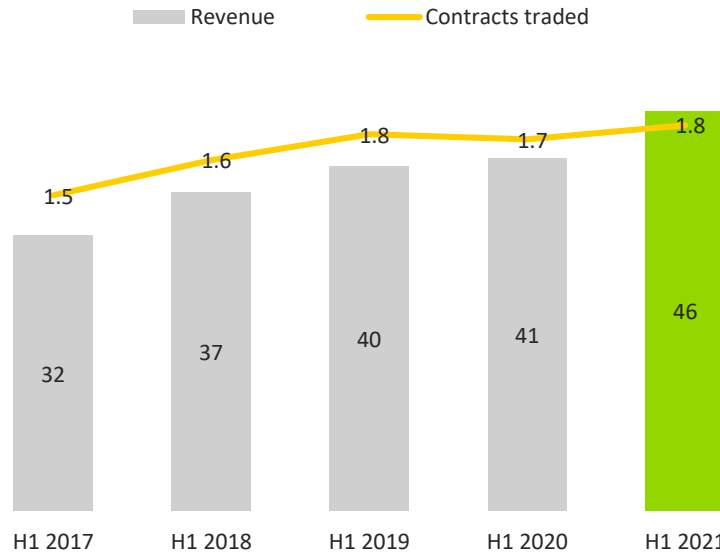
### Currency Derivatives revenue down 36% largely owing to lower volumes

- Contracts traded -29% to 25m
- Subdued activity owing to stronger Rand and lower hedging

# Double digit growth against high base in 2020

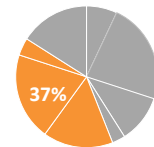


Commodity Derivatives revenue (Rm) and contracts traded (m)



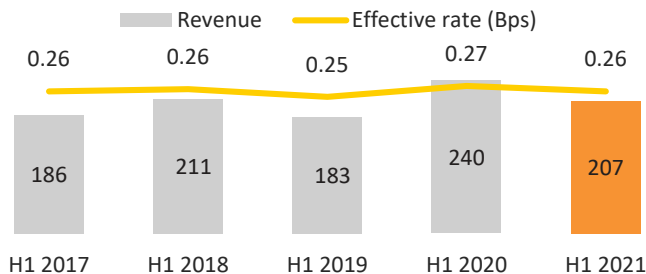
**Revenue +13% YoY** due to higher value and volumes traded as well as greater volumes for physical deliveries

- Number of contracts traded up 4%, largely owing to higher volatility in global commodity prices caused by severe dry weather conditions
- Value traded up 28% due to higher yields and commodity prices
- Physical deliveries: increase in tonnages owing to a bumper crop this year
- Cash settled diesel contracts under way



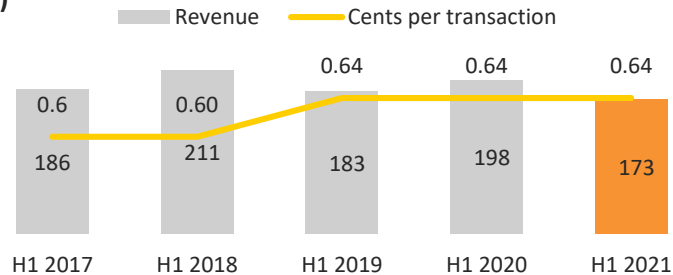
# Revenue trajectory reflecting lower market activity year-on-year

## 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)



## Clearing & Settlement revenue -14% YoY due to lower equity value traded

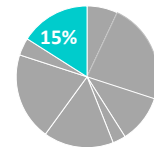
- Value traded down 8% YoY to R6.9tr
- Submitted JSE Clear's application to the regulator to be licensed as an independent clearing house

## Back-Office Services revenue -13% YoY driven by lower volumes

- Number of equity transactions down 19% YoY to R41m
- BDA operating system mainframe migrated to the JSE data centre

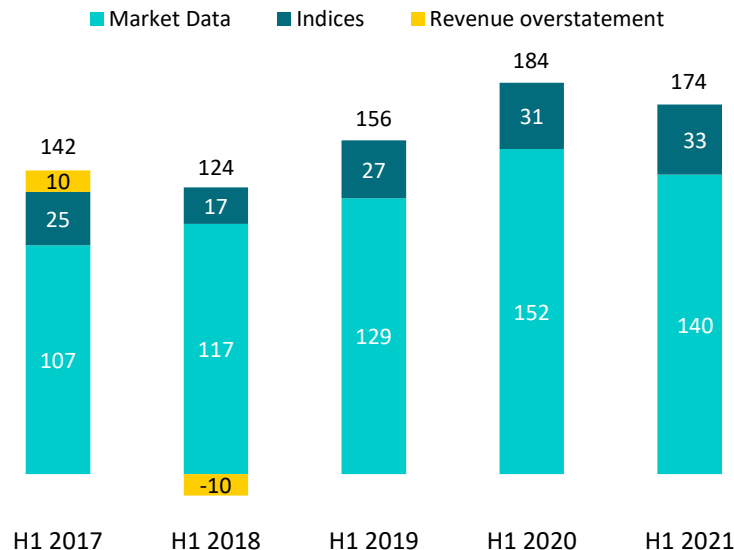
## Funds under management -1% YoY off the back of lower trading activity





# Underlying revenue growth offset by adverse ZAR/USD changes

Information Services revenue (Rm)



**Revenue -6% YoY** largely owing to FX losses of R28m on US dollar denominated revenue

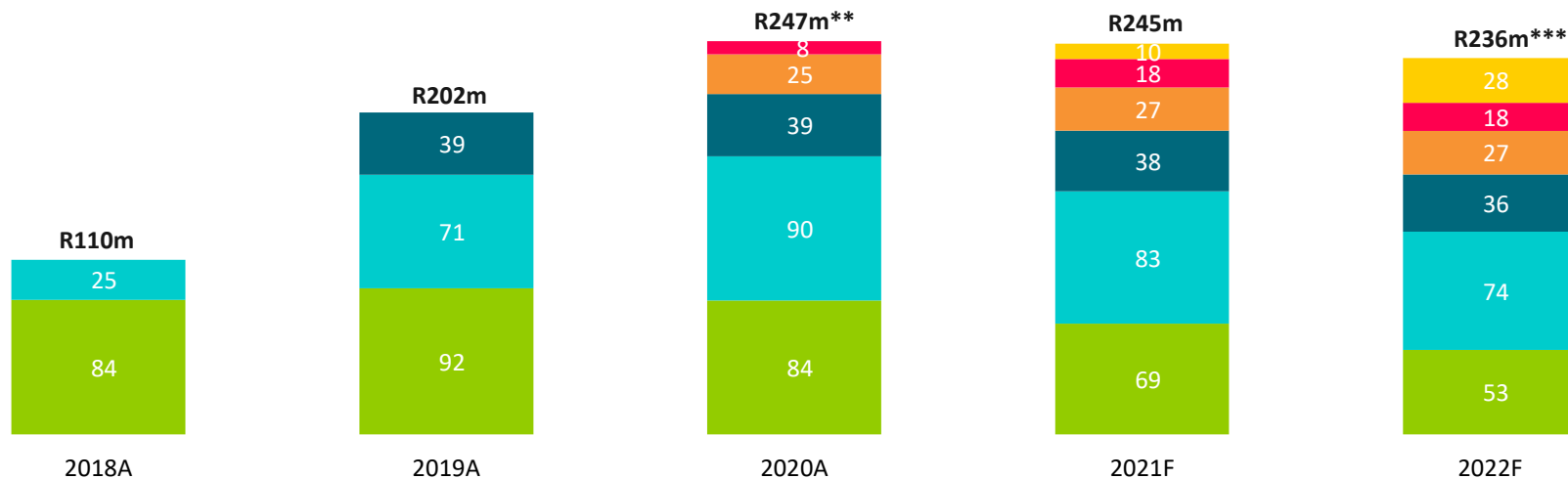
- 17 new clients have signed up for market data products
- Completed phase 1 of the trade analytics platform for equity market tick data
- Delivered phase 1 of the new platform called JSE Market Data Connect for the reporting of market data usage
- China Investment Information Services Limited (CIIS), a subsidiary of the Shanghai Stock Exchange receiving and processing live JSE indices data
- We have extended this offering to JSE distributor clients of live JSE equity and indices data in Mainland China and Singapore

# Balance sheet

(Rm)	30 June 2021	31 December 2020	30 June 2020
<b>Assets</b>			
<b>Non-current assets</b>	<b>1 874</b>	<b>1 871</b>	<b>1 690</b>
Property and equipment	120	140	154
Intangible assets	779	821	584
Investment in associate	303	320	298
Other non-current assets	671	590	654
<b>Current assets</b>	<b>49 032</b>	<b>49 754</b>	<b>51 153</b>
Margin deposits	45 959	46 308	47 729
JSE Clear Derivatives Default Fund deposit	500	500	500
Trade and other receivables	499	475	576
Cash and cash equivalents	2 056	2 459	2 197
Other current assets	19	12	151
<b>Total assets</b>	<b>50 906</b>	<b>51 625</b>	<b>52 843</b>
<b>Total equity</b>	<b>3 787</b>	<b>4 154</b>	<b>3 716</b>
Stated capital	(87)	(33)	(27)
Reserves	720	677	550
Retained earnings	3 154	3 473	3193
Non-controlling interest	-	38	-
<b>Non-current liabilities</b>	<b>247</b>	<b>274</b>	<b>301</b>
<b>Current liabilities</b>	<b>46 872</b>	<b>47 197</b>	<b>48 826</b>
Margin deposits	45 959	46 308	47 729
JSE Clear Derivatives Default Fund contribution	400	400	400
Other current liabilities	513	488	697
<b>Total equity and liabilities</b>	<b>50 906</b>	<b>51 625</b>	<b>52 843</b>

The above represents a condensed version of the Group balance sheet. Please refer to the condensed consolidated financial statements for the statutory version

# Multi-year depreciation profile of assets and known future CAPEX



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

\*Excludes JIS

\*\*Includes rounding differences

\*\*\*Does not include 2022 capex envelope

