2019 INTERIM RESULTS

JSE Limited

30 July 2019

Operating environment

GLOBAL

- Ongoing geopolitical tension and rising oil prices weigh on growth outlook
- Disappointing economic data lowers expectations for emerging market growth
- Weak investor appetite
- Growth halted by increased uncertainty caused by Brexit delays

IN SA

- Contraction in GDP, impacted by load shedding
- JSE's benchmark indices report gains despite the worst economic contraction in a decade
- Low business confidence
- Uncertainty on government reform implementation and policy

H1 2019 highlights

- Integrated trading and clearing (ITaC) went live in April
- Launched monthly expiries in June
- Implemented tick data in the cloud
- Achieved the R170 million in cost savings (2016 base year)

H1 market activity drivers

2
Number of IPOs
(2018: 10)

11%
Billable equity value traded*
(2018: 11%)

5%
Equity transactions
(2018: -5%)

5%
Equity derivatives value traded
(2018: 4%)

21%
Bond nominal value
(2018: 13%)

19%
Interest rate derivatives contracts
(2018: 26%)

18%
Currency derivatives contracts
(2018: 7%)

7%
Commodity derivatives contracts
(2018: 11%)

**Central order book: published statistics ↓ 15%, ADV ↓ 13% to R19bn per day (2018: R22bn per day)*

How this translated in our business

7%
R1.07bn
Operating revenue
(2018: R1.14bn)

11%
R670m
Operating expenses
(2018: R601m)

28%
R414m
EBIT
(2018: R582m)

29%
R398m
NPAT
(2018: R561m)

15%
R444m
Net cash flow from operations
(2018: R522m)

29%
467.0c
EPS
(2018: 654.5c)

29%
466.1c
HEPS
(2018: 654.6c)

R33m
Total capital investment
(H1 2018: R42m)

Comparative figures have been restated owing to the discontinued operations

Financial performance

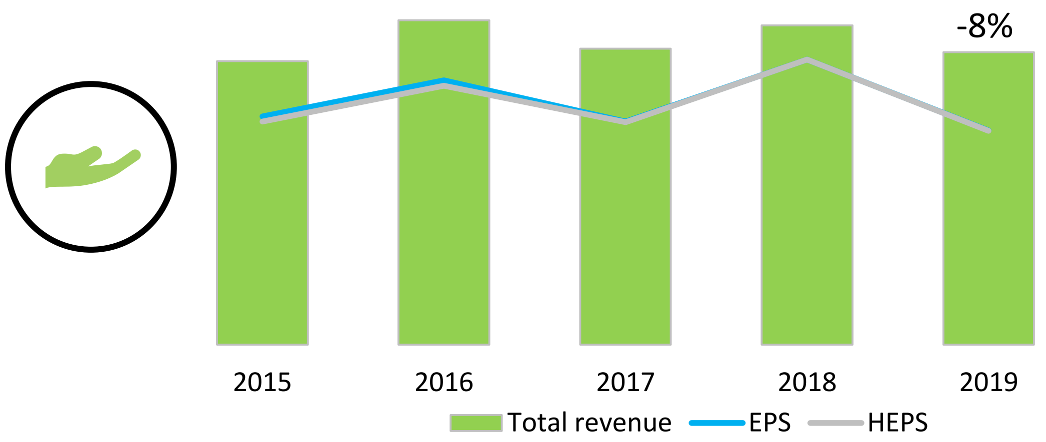
(Rm)	2019	2018*
Revenue	1 065	1 141
Other income	19	42
Total revenue	**1 084**	**1 183**
Personnel expenses	(238)	(200)
Other expenses	(432)	(401)
Total expenses	**(670)**	**(601)**
EBIT	414	582
EBIT %	38%	49%
Net finance income	108	122
Share of profit from associate	28	29
Profit before income tax	550	732
Income tax expense	(152)	(171)
Profit from continuing operations	398	561
Discontinued operations	0	0
NPAT	398	561
NPAT %	37%	47%
EPS (cents)	467.0	654.5
HEPS (cents)	466.1	654.6

**Comparative figures have been restated owing to the discontinued operations*

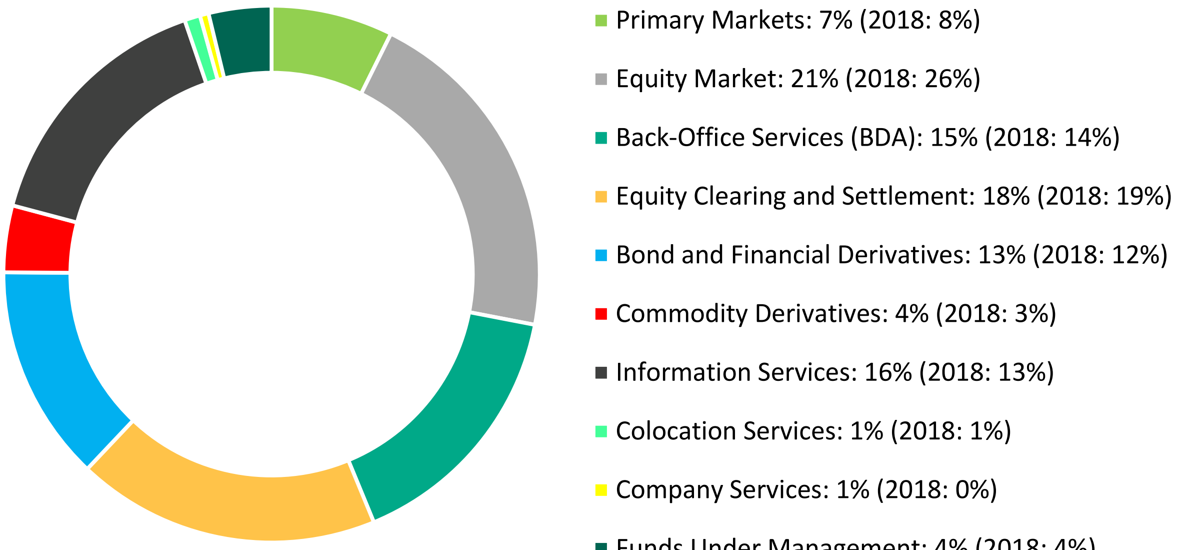
Contains rounding differences

Trends

H1 total revenue

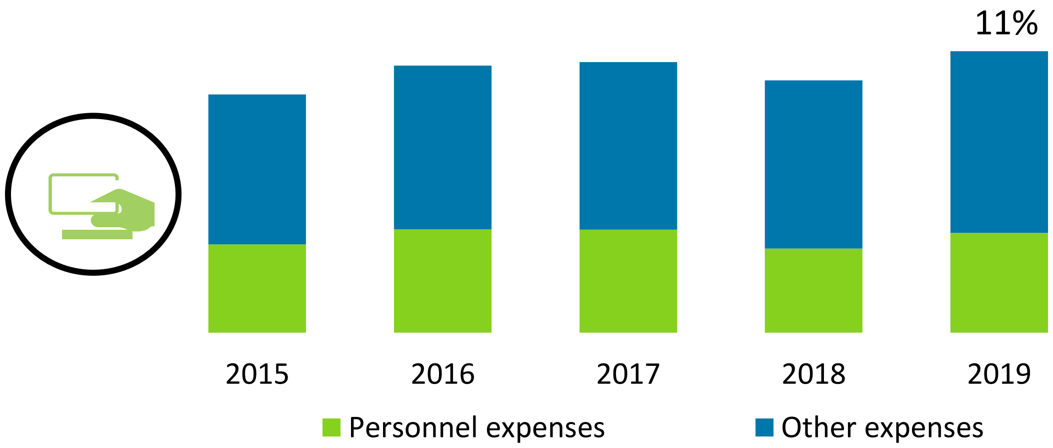


Revenue composition*

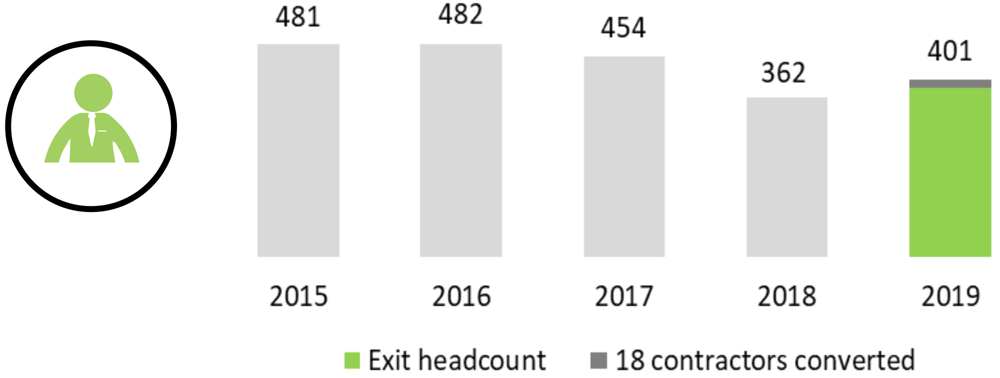


*Excluding Strate

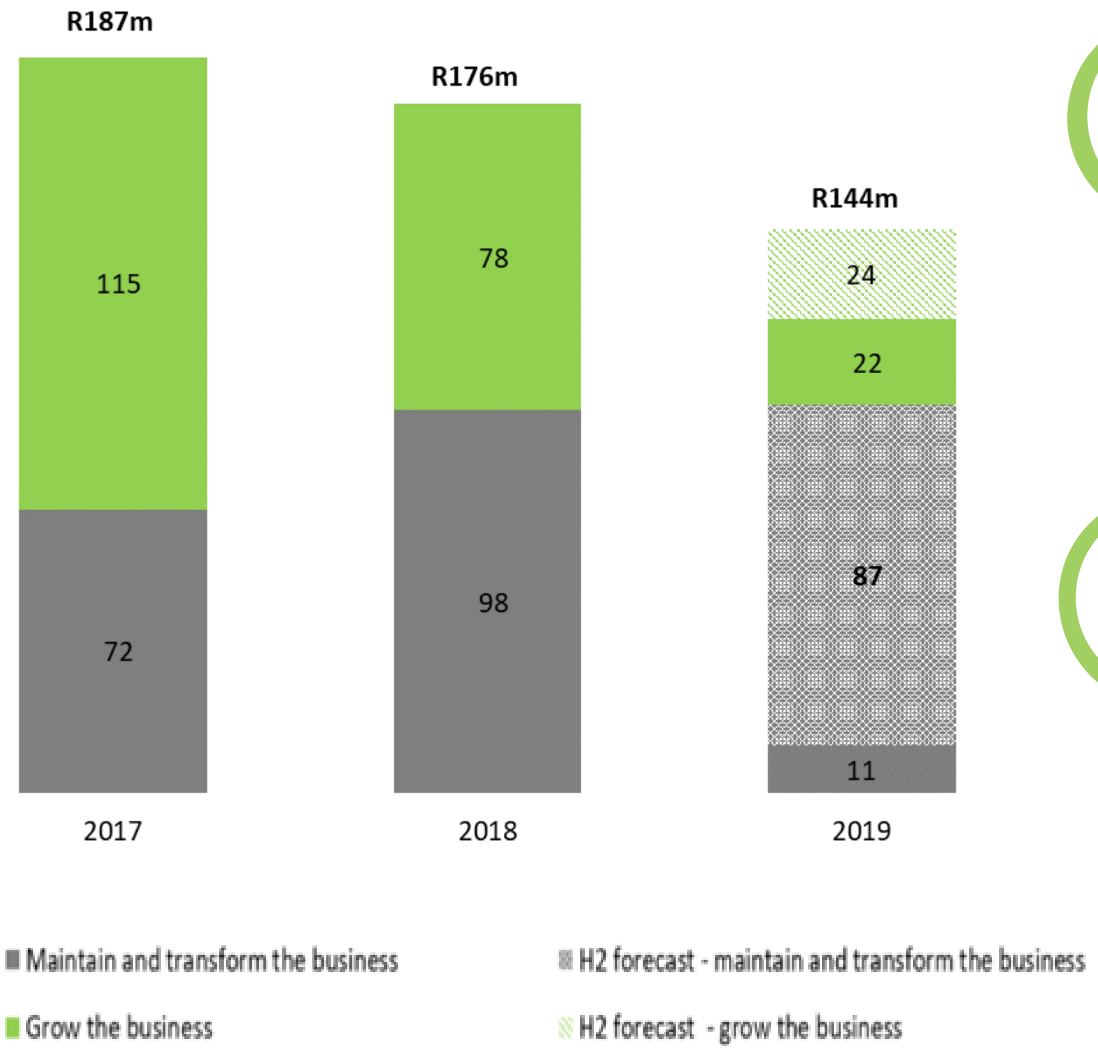
H1 expenses



June exit headcount



External and internal capital expenditure



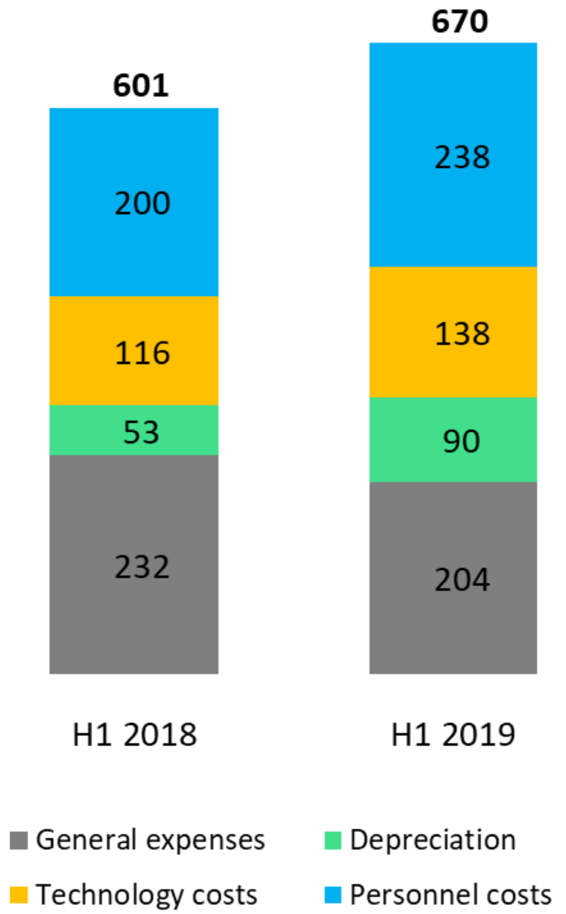
Grow the business

- Integrated Trading and Clearing - 2017, 2018, 2019
- ETP for government bonds - 2017 , 2018
- Colocation - 2018
- Tick data in the cloud - 2019

Maintain and transform the business

- Business as usual (BAU) largely infrastructure (including revenue generating kit) – 2017, 2018, 2019
- New master reference data system - 2019
- Clearing system enhancements - 2019
- Nimble client-led transformation - 2019

Operating expenditure



Total operating expenses up 11% to R670m (2018: R601m)

Personnel costs ↑ 19% or R38m (2018: ↓ R43m or 17%) to R238m (2018: R200m)

- Gross remuneration ↑ 15% or R29m as a result of management actions to fill vacancies. Average headcount* ↑ 11% to 397 (2018: 358). Exit headcount: 401 (2018: 362). This contributes 14 percentage points
- The long-term incentive schemes ↑ R8m to R18m (2018: R10m) owing to timing differences in vesting (incurred in Q4 in the prior year). This contributes 4 percentage points

Technology costs ↑ 19% or R22m (2018: ↓ R13m or 10%) to R138m (2018: R116m)

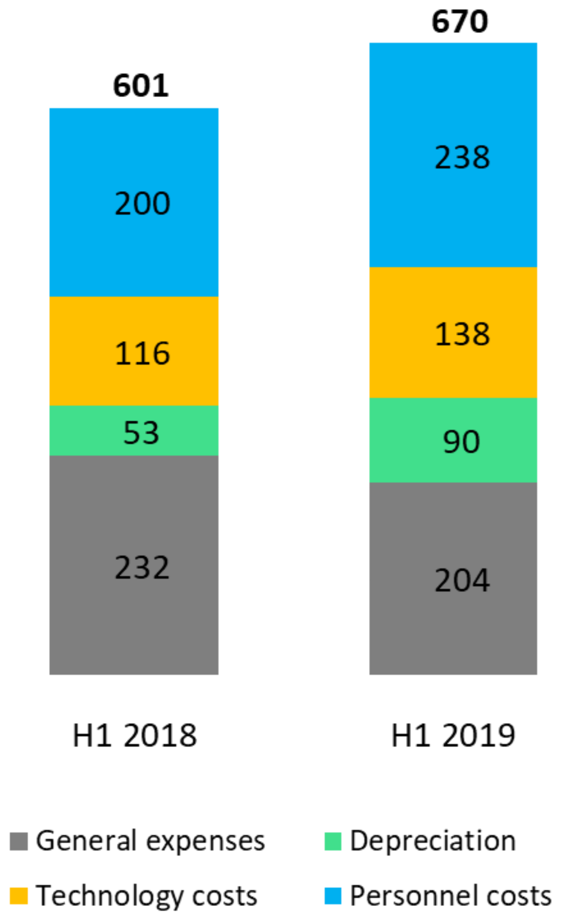
This was primarily owing to ITaC implementation, accelerated BAU capex and the evolving cybersecurity framework:

- Post ITaC go-live costs of R14m include resources expensed and software maintenance and support. This contributes 12 percentage points
- R5m in licenses and support for the new master reference data system. This contributes 4 percentage points
- R4m related to incremental hardware infrastructure support and cybersecurity spend. This contributes 4 percentage points

*Excludes learners

Contains rounding differences

Operating expenditure (continued)



Total operating expenses up 11% to R670m (2018: R601m)

Depreciation ↑ 69% or R37m to R90m (2018: R53m) largely owing to:

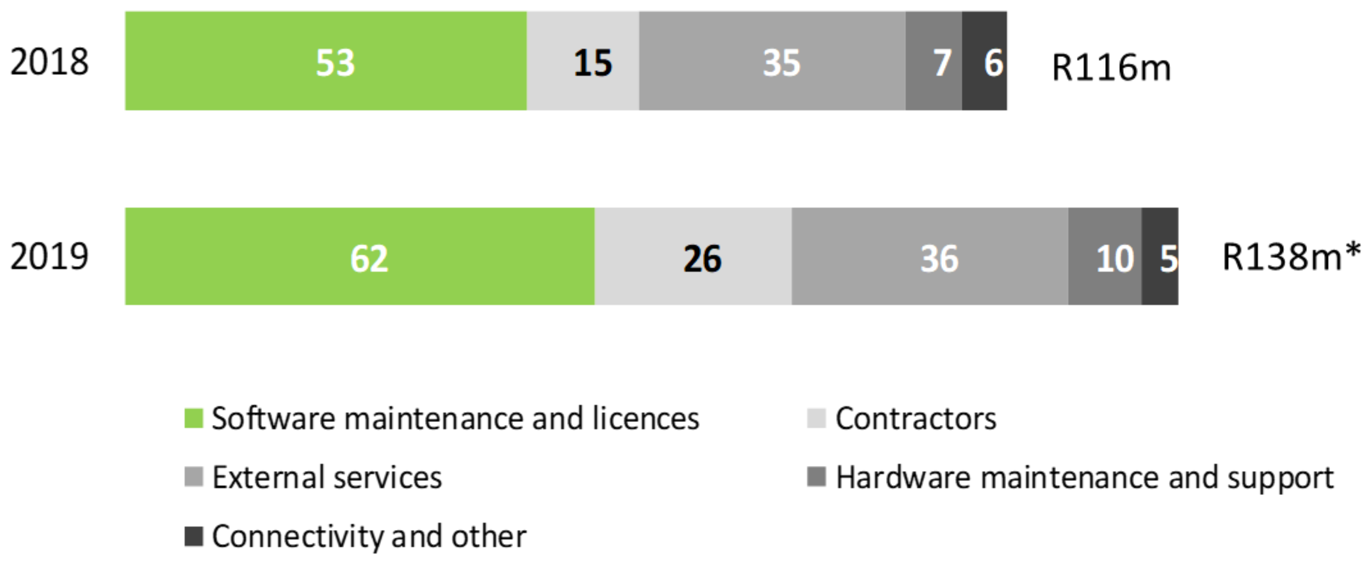
- The application of IFRS 16 on leases. This contributes 33 percentage points or R18m. In prior years, the operating lease was accounted for in general expenses
- The implementation of ITaC, along with infrastructure and cybersecurity investments. These contribute 40 percentage points or R22m. This is offset by fully depreciated assets of R5m

General expenses ↓ 12% or R28m to R204m (2018: R232m)

Lower operating lease charges as a result of the application of IFRS 16 (R23m) is partially offset by compliance and non-discretionary spend of R7m. A further 9m is related to growth initiatives, people-related costs and timing differences

Technology cost composition

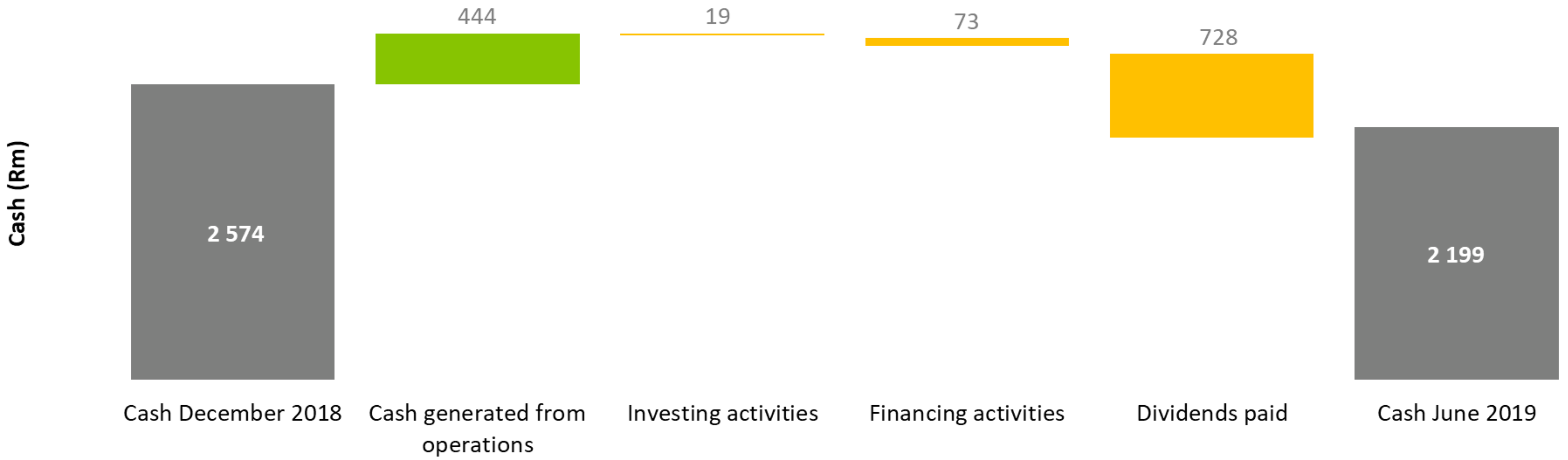
Technology costs ↑ 19% or R22m to R138m (2018: ↓ 10% or R13m)



*Numbers contain rounding differences

Cashflow view

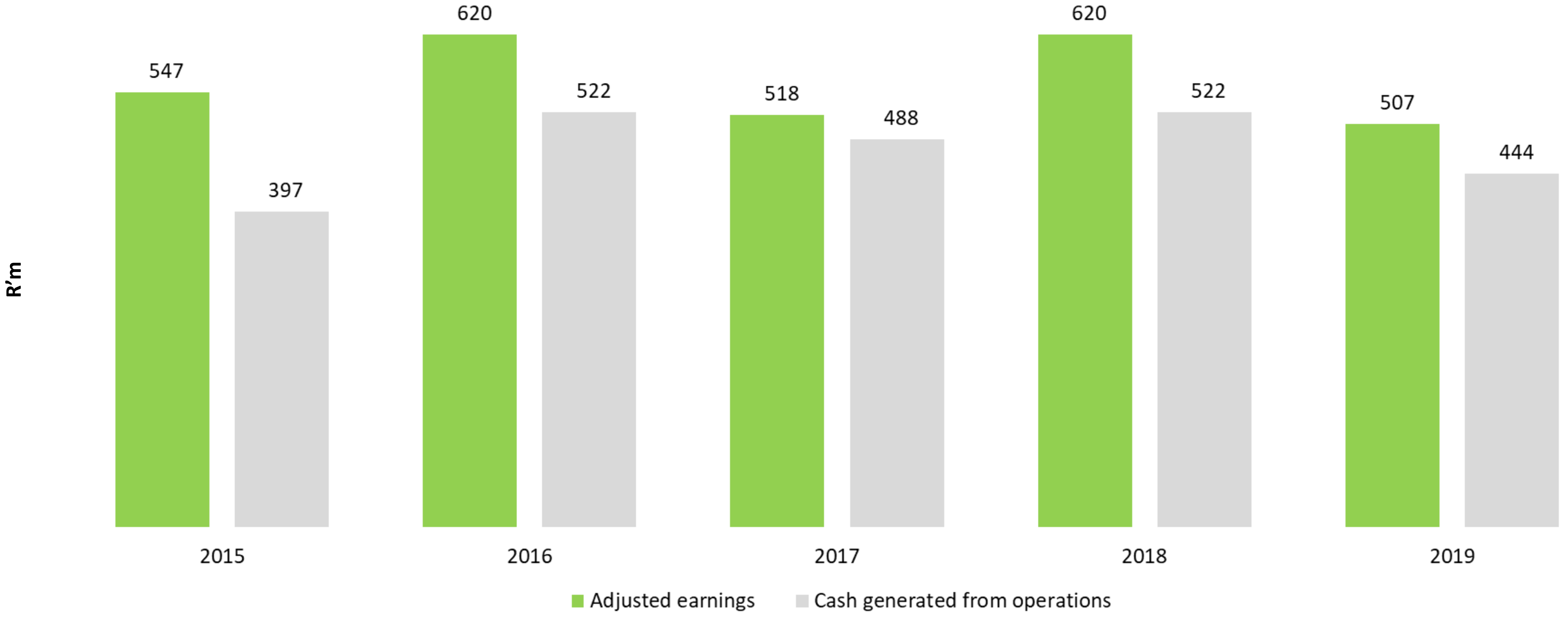
Strong cashflow and no debt



Contains rounding differences

Quality of earnings for H1

Business remains highly cash generative



- Earnings have been adjusted for non cash items (depreciation*, amortisation, forex profit/loss, goodwill write-down)

*including IFRS 16 impact

Capex external spend

INITIATIVE	H1 2019	H2 2019	FY 2019	FY 2018
Integrated Trading and Clearing (ITaC)	17	-	17	61
Transfomation of ways of work	1	18	19	-
Other initiatives*	5	7	30	5
Capex	**23**	**25**	**47**	**67**
Business as usual	5	16	21	89
New initiatives	-	54	54	8
Total external capex spend	**28**	**94**	**123**	**163**

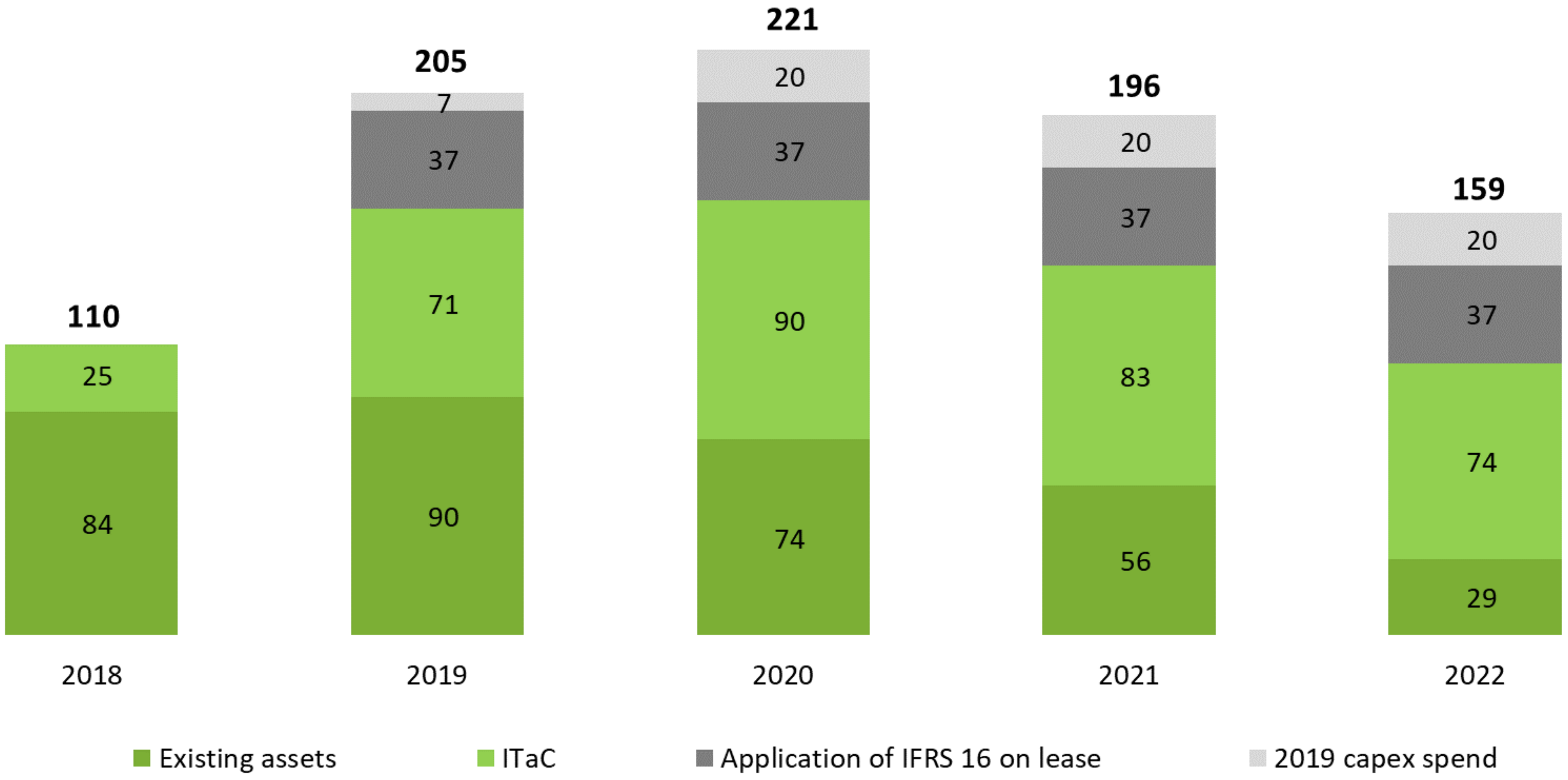
**New initiatives:

- Cash equities trading system: new functionality and product upgrade
- New electronic platform for Bond repos
- New master reference data system
- Non-cash collateral
- Valuations as a service
- Equity central counterparty
- Smart Regulation

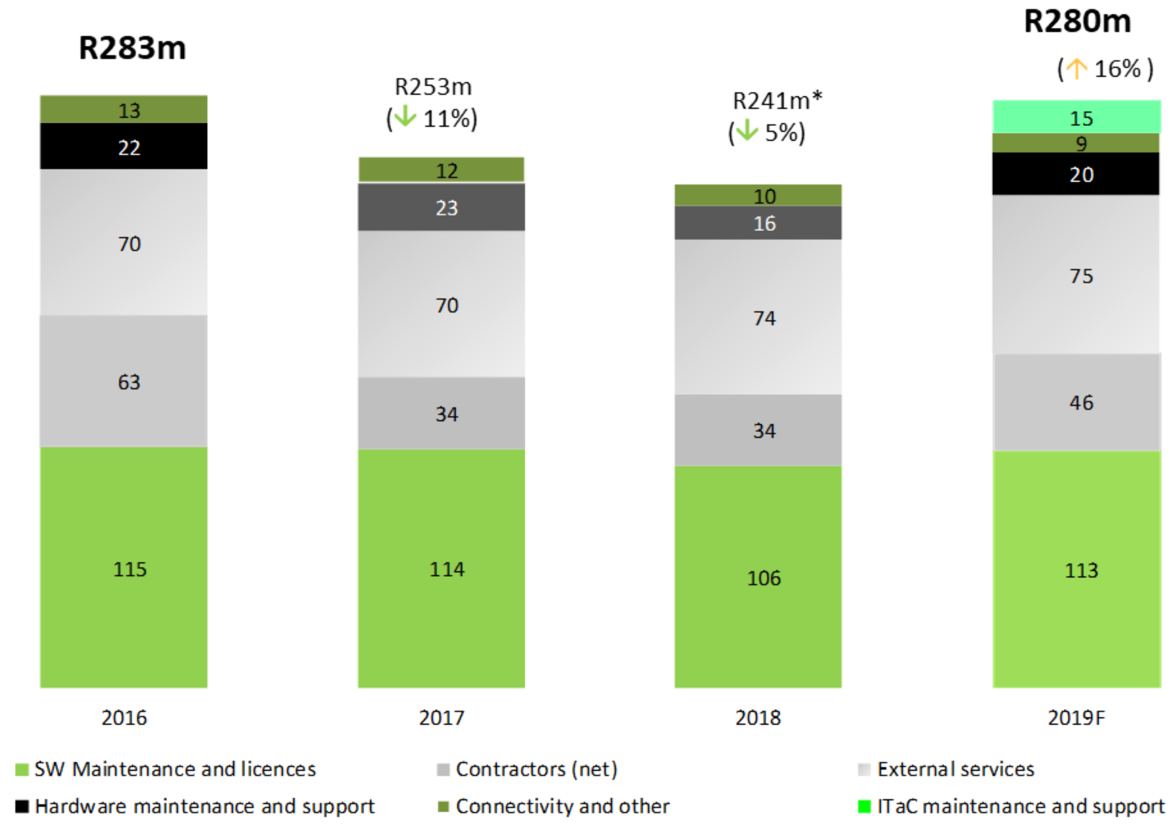
**Initiatives under R3m*

Contains rounding differences

Multi-year depreciation profile of known capex



Technology costs: 4 year growth trend



Technology cost: R70m reduction achieved

As previously guided:	
Base 2016	R283m
3 years of inflation	R46m
Post-ITaC maintenance and support	R14m
Cost reduction commitment	(R70m)
Total planned exit 2019	**R273m**
2019 forecast	R280m
Forecast variance to commitment	R7m
New spend:	**R8m**

- New master reference data system
- Infrastructure support
- Cybersecurity
- Equity clearing system maintenance
- Contractor conversion (previously guided)

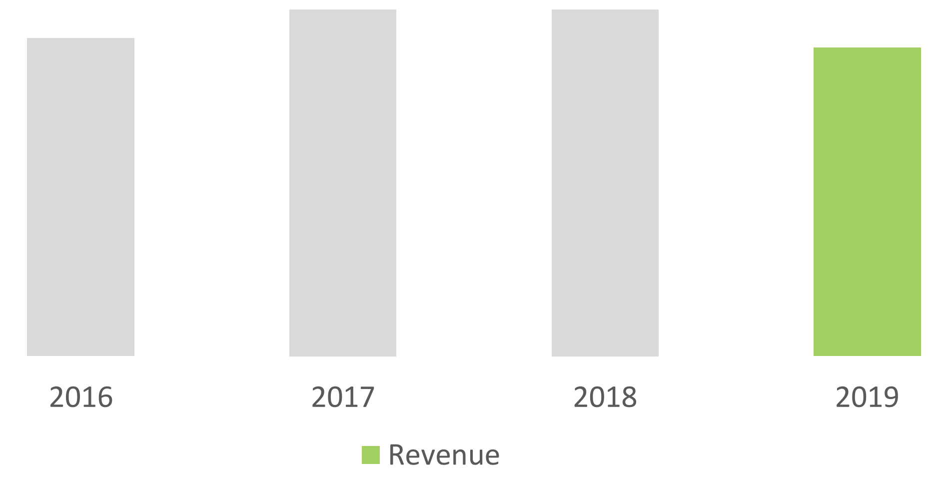
Guidance post 2019:

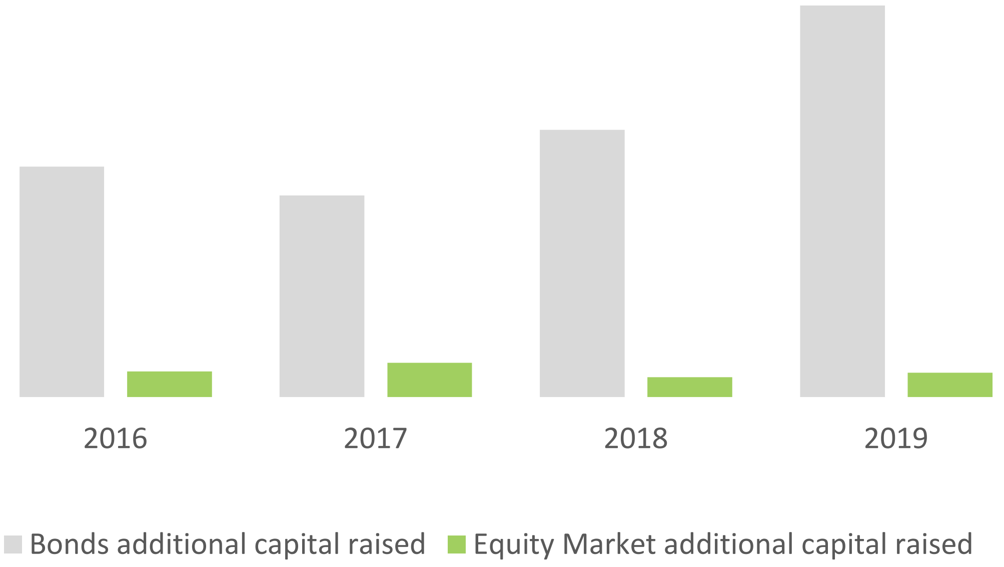
- ITaC - maintenance and support reflects 8 months in 2019. The annualised impact is ~ R22m and is recurring
- Inflationary increases on rest of base
- Increased spend on cybersecurity

**Contains rounding differences*

BUSINESS REVIEW

Capital Markets: Primary Markets





7% of total revenue in H1 2019

Revenue ↓ 11% at R73m (2018: R82m)

2 new company listings on Main Board (H1 2018: 10): MultiChoice and Tsogo Sun Hotels

1 new green bond

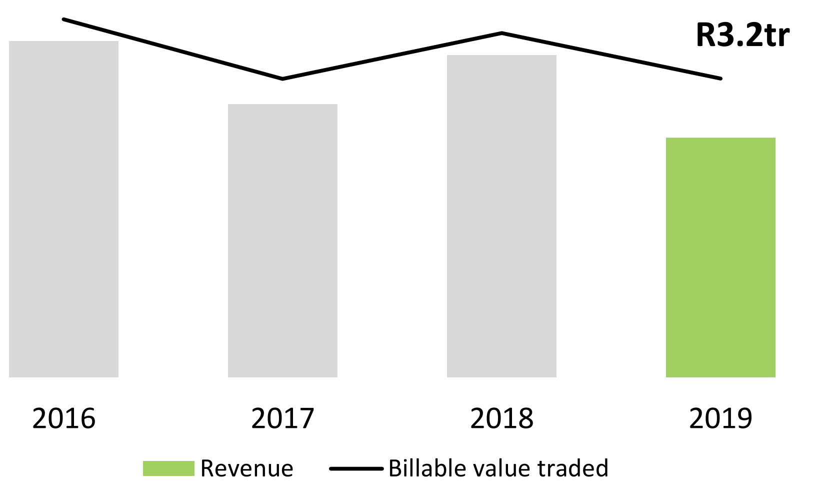
Other Main Board listings: 4 new ETFs, 117 warrants and structured products (2018: 11 ETFs; 116 warrants and structured products). There were 13 delistings (2018: 12)

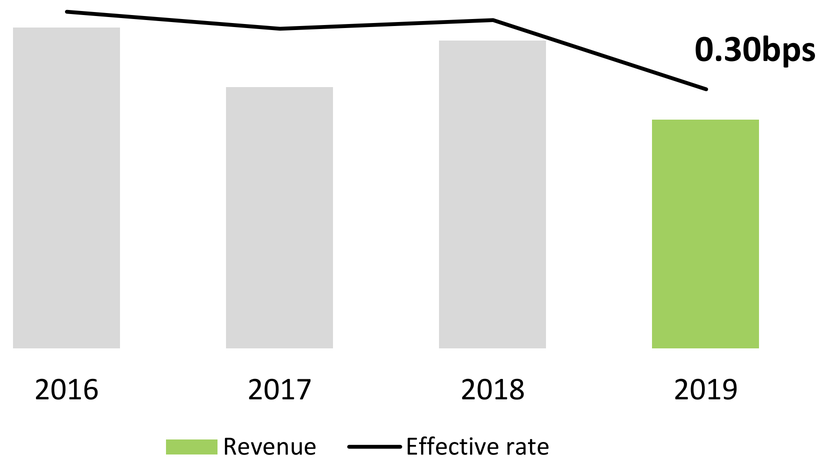
337 new bonds listed (2018: 243). Total nominal value of listed bonds was R2.9tn (2018: R2.7tn)

Contains rounding differences

Capital Markets: Equity Market

Billable value traded





21% of total revenue H1 2019

Revenue ↓ 26% to R206m (2018: R277m)

Billable value traded ↓ 11%

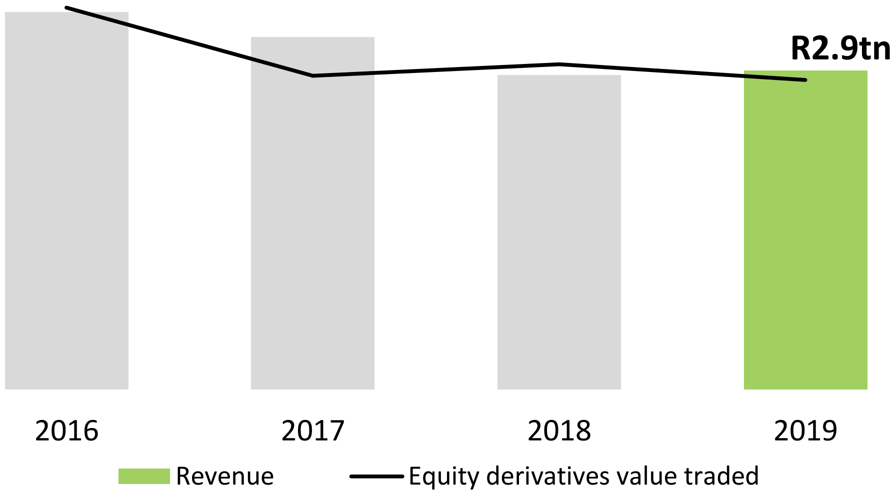
Transactions ↑ 5%

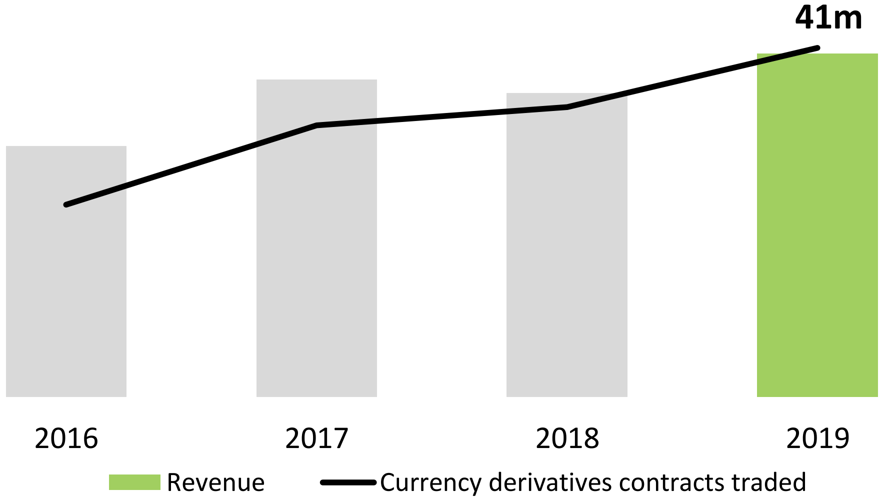
Colocation racks: ↑ 32 (2018: 28)

Tiered billing model: aggregate discount to clients of approximately R29 million or 12% for the half year

Contains rounding differences

Capital Markets: Bonds and Financial Derivatives





13% of total revenue H1 2019

Revenue ↑ 5% to R130m (2018: R125m)

Equity derivatives revenue ↓ 6% to R70m (2018: R75m)

- Contracts traded ↓ 34% to 47m (2018: 71m)
- Value traded ↓ 5% to R2.9tn (2018: R3.1tn)

Currency derivatives revenue ↑ 13% to R26m (2018: R23m)

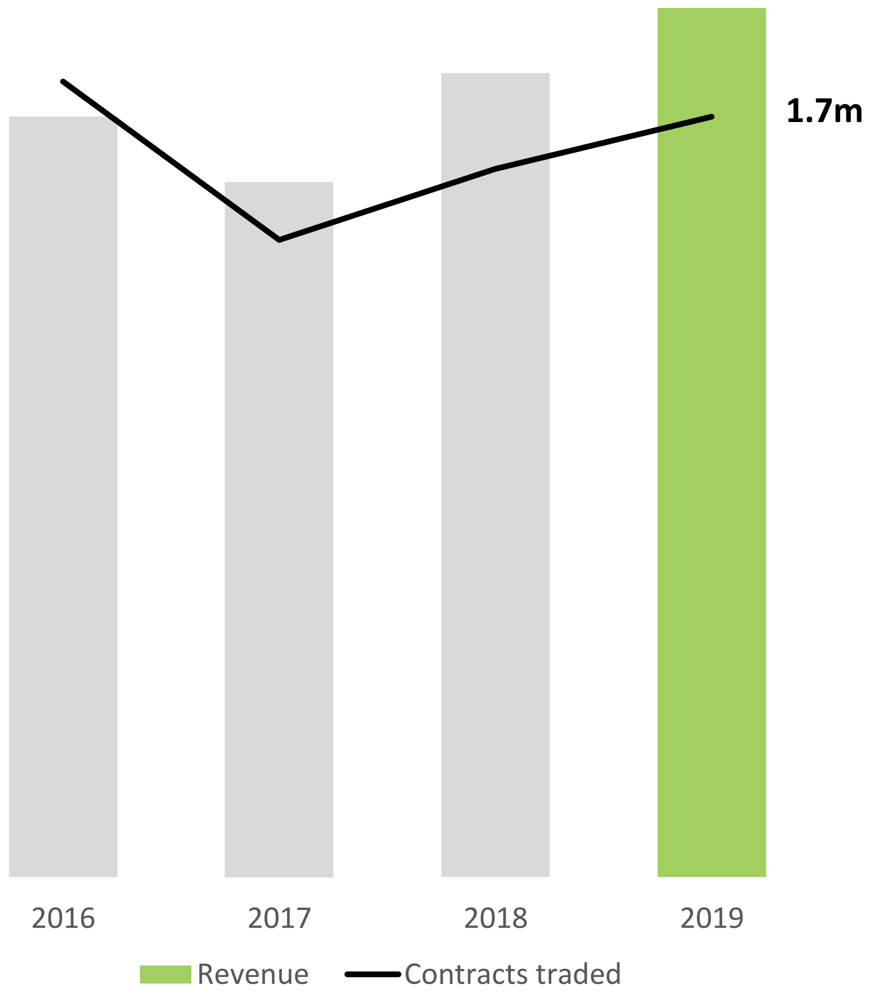
- Contracts traded ↑ 18% to 40m (2018: 34m)

Bonds and Interest Rate Market revenue ↑ 25% to R33m (2018: R27m)

- Bond Market nominal value traded up ↑ 21% to R18tn (2018: R15tn)
- Interest rate derivatives contracts traded ↓ 19% to 5.4m (2018: 6.7m)
- Bond ETP nominal value at R182tn

Contains rounding differences

Capital Markets: Commodity Derivatives



4% of total revenue H1 2019

Revenue ↑ 7% to R40m (2018: R37m)

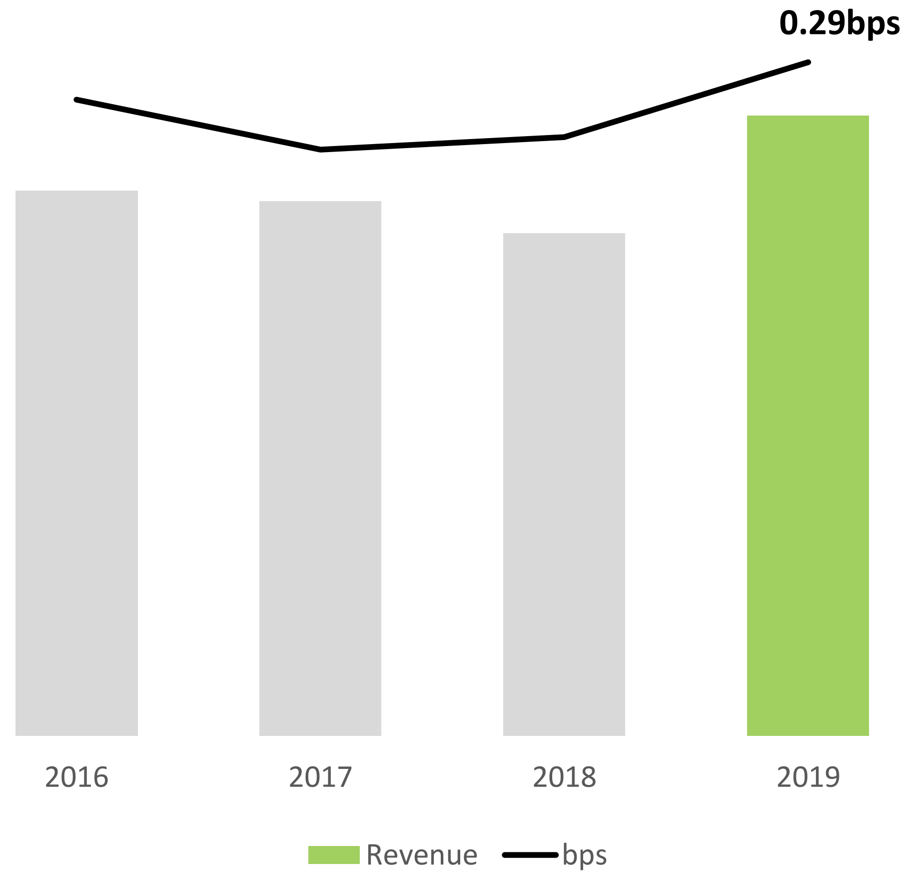
Value traded ↑ 28% to R396bn (2018: R309bn)

Contracts traded ↑ 7% to 1.8m (2018: 1.6m)

Open interest ↓ 8%

Contains rounding differences

Post-Trade Services: Back-Office Services (BDA)



15% of total revenue H1 2019

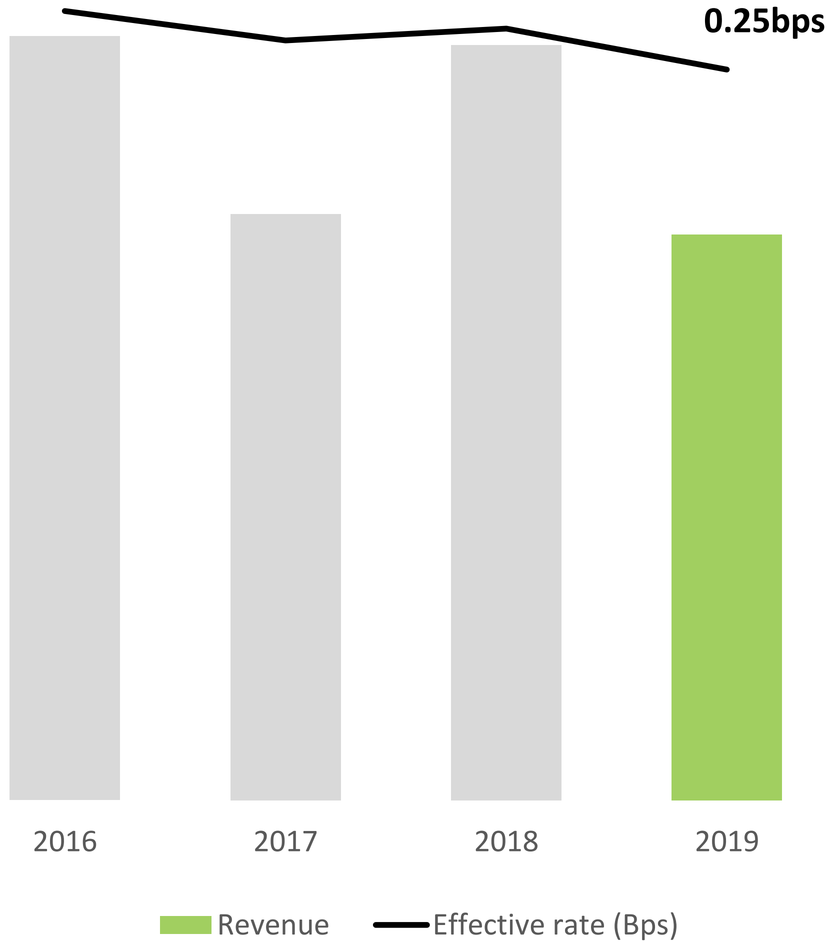
Revenue ↑ 7% to R158m (2018: R147m)

Follows Equity Market transaction volumes

Trades ↑ 5% to 35m (H1 2018: 34m)

Contains rounding differences

Post-Trade Services: Equity Clearing and Settlement



18% of total revenue H1 2018

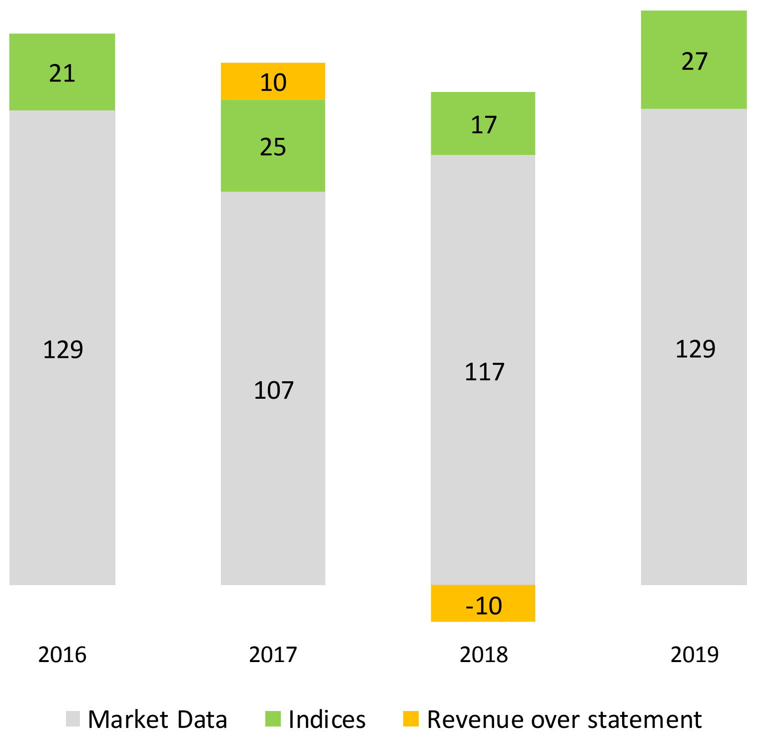
Revenue ↓ 13% to R183m (2018: R211m)

Follows Equity Market value traded

Reflects only Equity Market clearing and settlement fees

Contains rounding differences

Information Services: Market Data and Indices



16% of total revenue H1 2019

Revenue ↑ 17% to R156m (2018: R134m)

	Total	Market data	Indices
Revenue growth	**↑ 17% to R156m (2018: R134m)**	**↑ R12m or 9 points**	**↑ R10m or 7 points**
Pricing and product mix	↑ R10m or 7%	↑ R9m or 7 points	↑ R1m or 1 point
Forex gains	↑ R10m or 8%	↑ R9m or 7 points	↑ R1m or 1 point
Absence of prior year revenue understatement	↑ R10m or 7%	-	↑ R10m or 7 points
Driver growth	↓ R8m or 6%	↓ R6m or -4 points	↓ R2m or -1 point

Lower driver activity is reflective of weak market conditions which have resulted in certain client cancellations and 2% lower reported passive assets under management to R532bn (2018: R559bn)

Contains rounding differences

LOOKING AHEAD

H2 2019 strategic priorities

Deliver meaningful new operating revenue through business lines not currently a substantial part of the JSE income

Achieved all of the R170 million in cost savings (base year 2016)

Embed a more nimble, client-led culture embodied in the JSE Way

Protect and transform the JSE franchise while upgrading and refreshing our base technology

Lead by example on the national agenda and pursue the visible transformation of the business

QUESTIONS

Financial metrics

Ratios	H1 2019	H1 2018	H1 2017	H1 2016	H1 2015
Operating margin	**38%**	**49%**	41%	47%	46%
EPS (continuing)	**467.0**	**654.5**	490.9	599.7	503.9
HEPS (total)	**466.1**	**654.6**	488.9	585.1	490.3
EBITDA (Rm)	**504**	**637**	511	614	535

JSE