



# JSE Limited Annual Results Presentation

9 March 2023

JSE  
2022

# AGENDA

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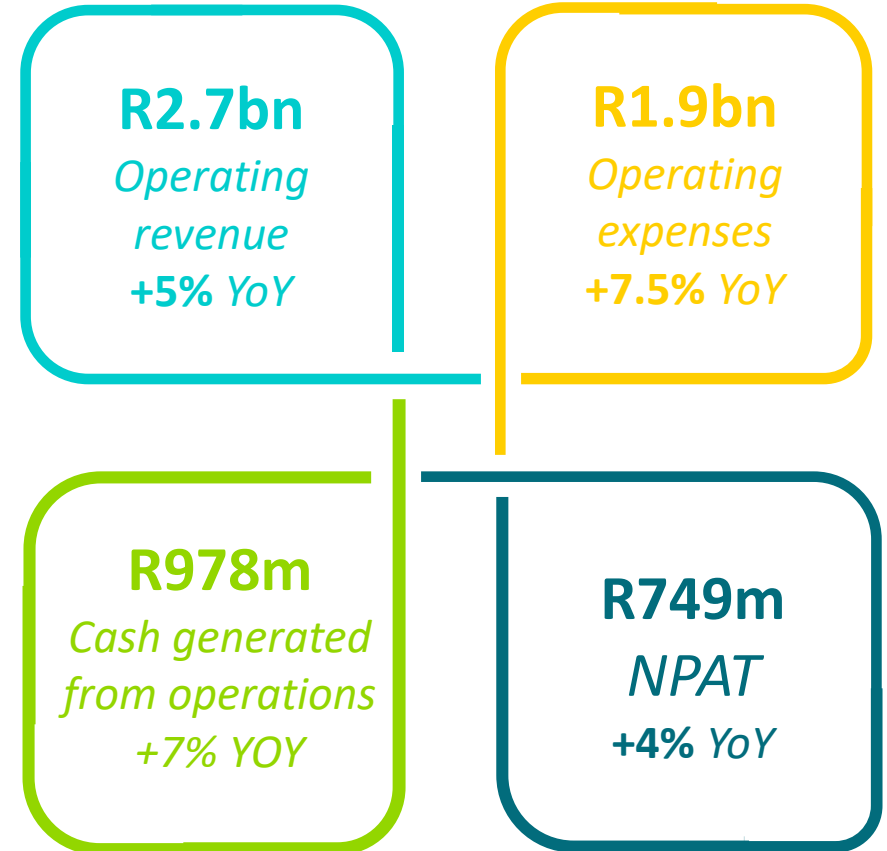




## Key highlights

# FY 2022 key highlights

-  Diversified revenue growth, with non-trading Group revenue of 25%; 40% growth in net finance income
-  Cost growth reflects operating environment pressures across the board, including electricity and building utilities (e.g., diesel)
-  Continued strong cash generation alongside increased investing activities
-  Ordinary dividend of 769 cents per share for the year
-  Operational resilience (99.9%) above long-term average of 99.83%
-  Quality earnings underpinned by strategic delivery and innovation



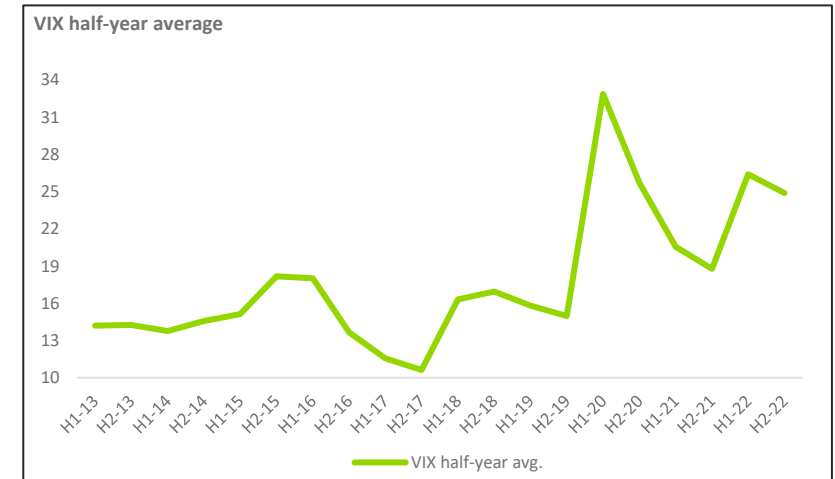
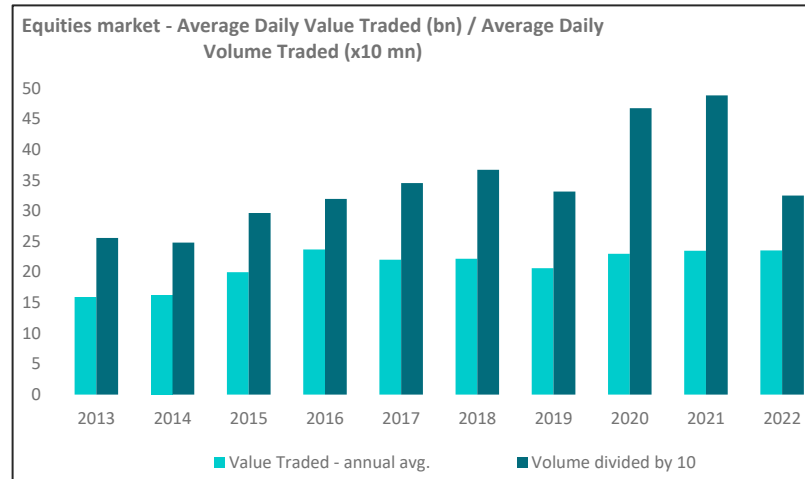
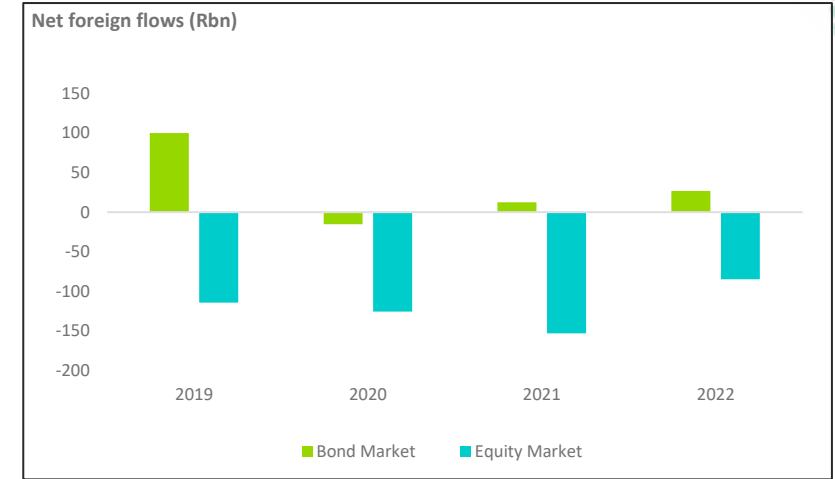
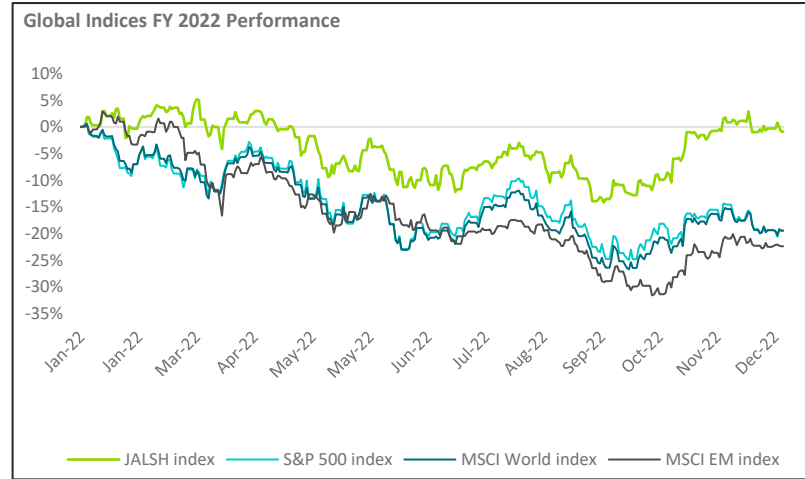
# Diversified market structure and segments support performance

All Share index hits record high and ends the year ahead of major markets

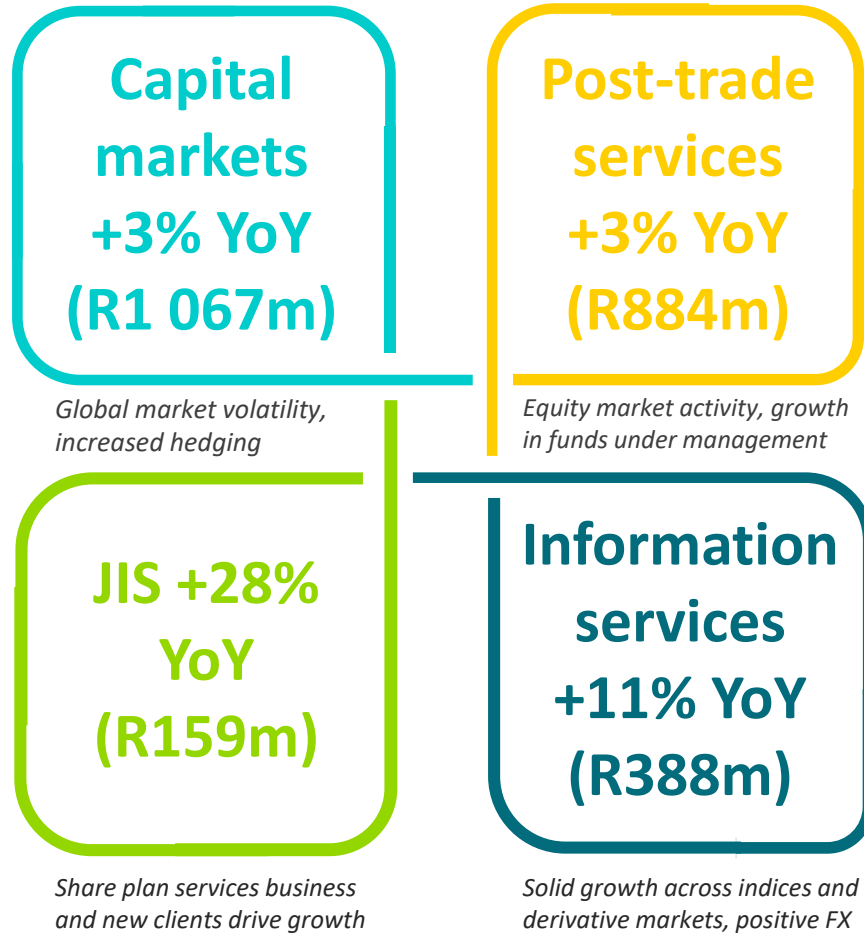
Lower volatility in H2 vs H1, although structurally higher than the previous 5 years

South Africa's weighting within FTSE emerging markets index moved from 3.88% (31 Dec 2021) to 4.20% (31 Dec 2022)

Moderation in net foreign outflows in equity market with continued net inflows in bond market



# Performance supported by growth in non-trading revenue and strong commercial execution



## Capital markets:

- Overall increase in market capitalisation of listed companies up 4%
- Colocation an important enabler of activity
- Published equity market value traded flat YoY
- Equity derivatives value traded +13%
- Bond nominal value traded +4%
- Currency derivatives no. of contracts traded +15%
- Commodity derivatives no. of contracts traded +2%

## Post-trade services:

- Published equity value traded flat YoY, with growth in OD trade types
- Funds under management revenue +18% owing to growth in JSE Trustee's cash balances

## Information services:

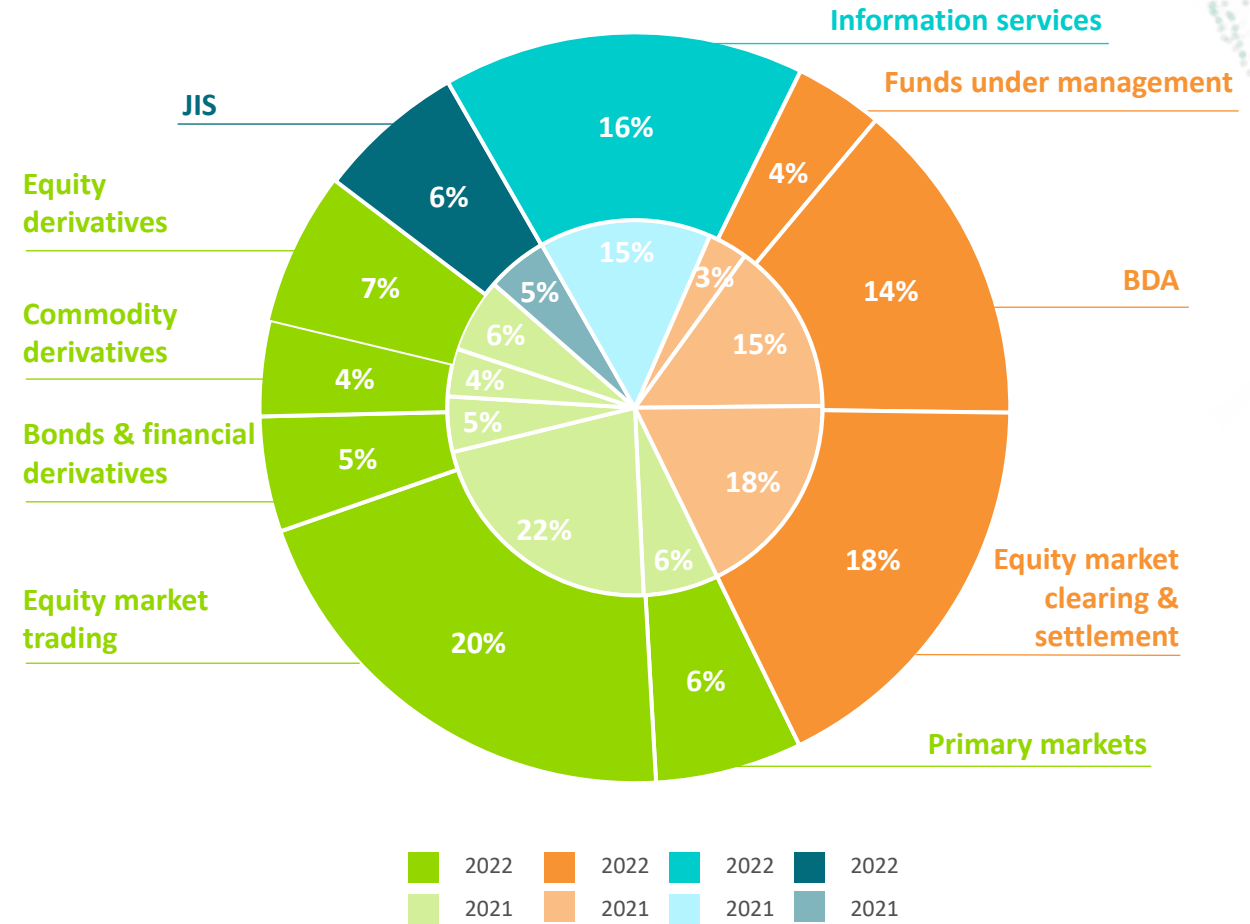
- Solid growth across indices and derivative markets
- Positive FX impact (~R19m)

## JIS:

- 21 new JIS customers
- Strong commercial execution

# Growth across business segments

|                                      | 2022 Revenue (Rm) | 2021 Revenue (Rm) | % Growth YoY |
|--------------------------------------|-------------------|-------------------|--------------|
| <b>Capital markets*</b>              | <b>1 067</b>      | <b>1 036</b>      | <b>3%</b>    |
| Equity market: trading**             | 512               | 517               | -1%          |
| Equity derivatives                   | 163               | 150               | 9%           |
| Primary market                       | 158               | 153               | 3%           |
| Bonds & financial derivatives        | 124               | 113               | 10%          |
| Commodity derivatives                | 103               | 97                | 6%           |
| <b>JIS</b>                           | <b>159</b>        | <b>125</b>        | <b>28%</b>   |
| <b>Post-trade services</b>           | <b>884</b>        | <b>854</b>        | <b>3%</b>    |
| Equity market: clearing & settlement | 438               | 423               | 3%           |
| BDA                                  | 351               | 351               | 0%           |
| Funds under management               | 95                | 81                | 18%          |
| <b>Information services</b>          | <b>388</b>        | <b>350</b>        | <b>11%</b>   |



Figures contain rounding differences

\*Includes Issuer Services revenue (R7m) and JPP (R0.3m)

\*\*Includes colocation revenue

# Positive progress in 2022 across our strategic pillars

## Protect & Grow

- ✓ Obtained ICH\* operator licence
- ✓ Introduced transition & sustainability linked bonds
- ✓ Launched actively managed ETFs and certificates
- ✓ 99.9% systems availability (2021: 99.85%)
- ✓ Maintained local market share by value traded



## Transform

- ✓ JPP: 22 issuances & R12bn in investor capital onboarded
- ✓ Launched JSE Trade Explorer
- ✓ Client expansion at JIS
- ✓ Launched SME accelerator programme



## Sustainable marketplace

- ✓ Published sustainability and climate change disclosure guidance
- ✓ Launched hybrid working
- ✓ Achieved record-high Net Promoter Score
- ✓ High employee motivation and engagement scores
- ✓ Operational resilience



**Generate sustainable, high-quality earnings**

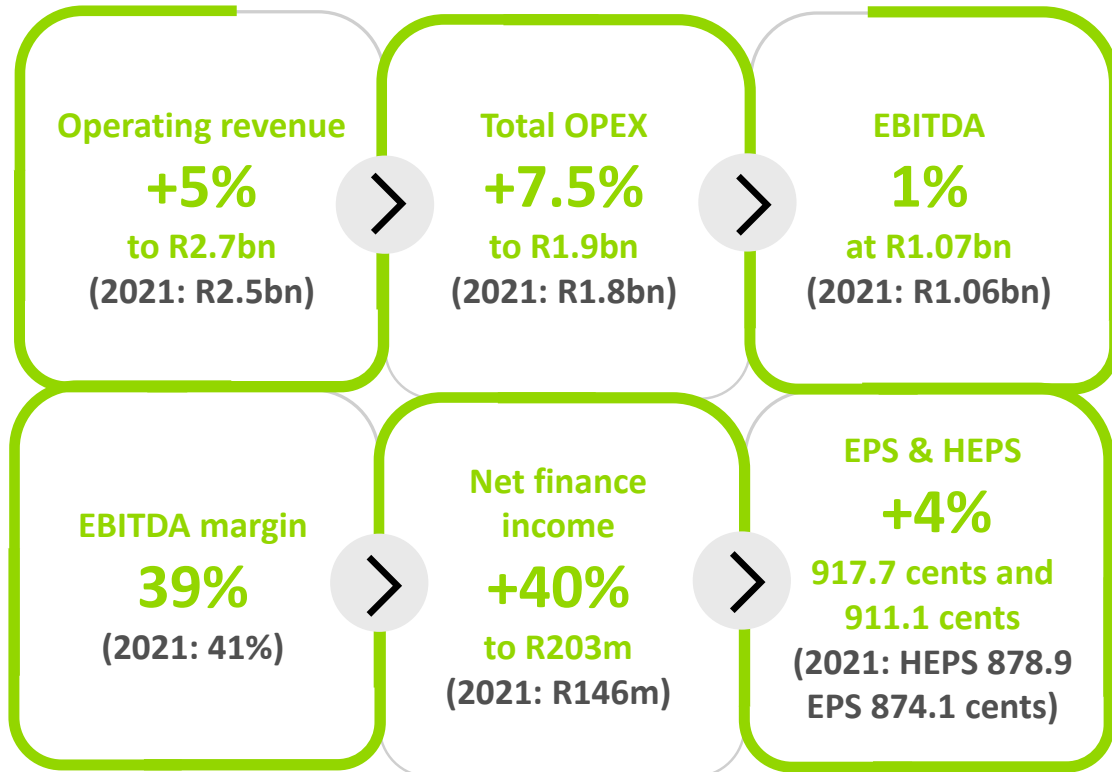




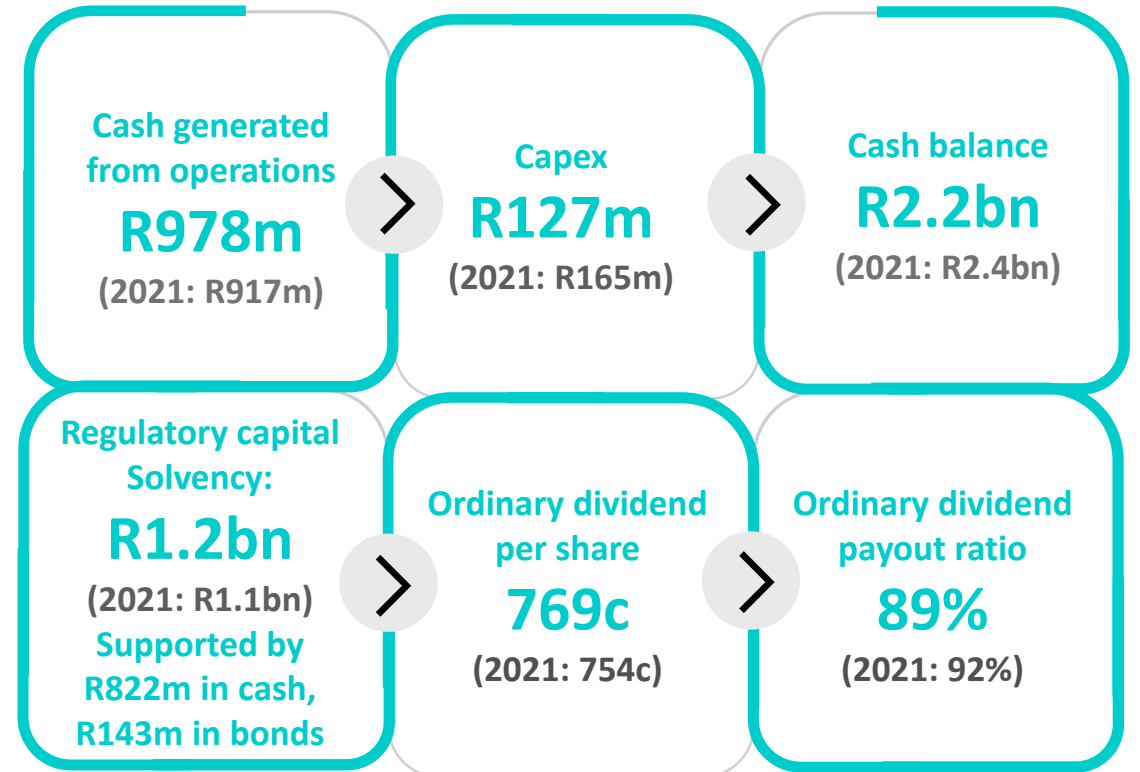
# Financial review

# Key financial highlights

## Profitability



## Cash & capital allocation



# OPEX growth reflects operating environment pressures across the board

## Personnel costs up 7% (R43m) to R693m

- Gross remuneration increased due to annual salary adjustments and an increase in the average headcount (Share Plans business acquisition)

## Technology costs up 2% (R8m) to R345m

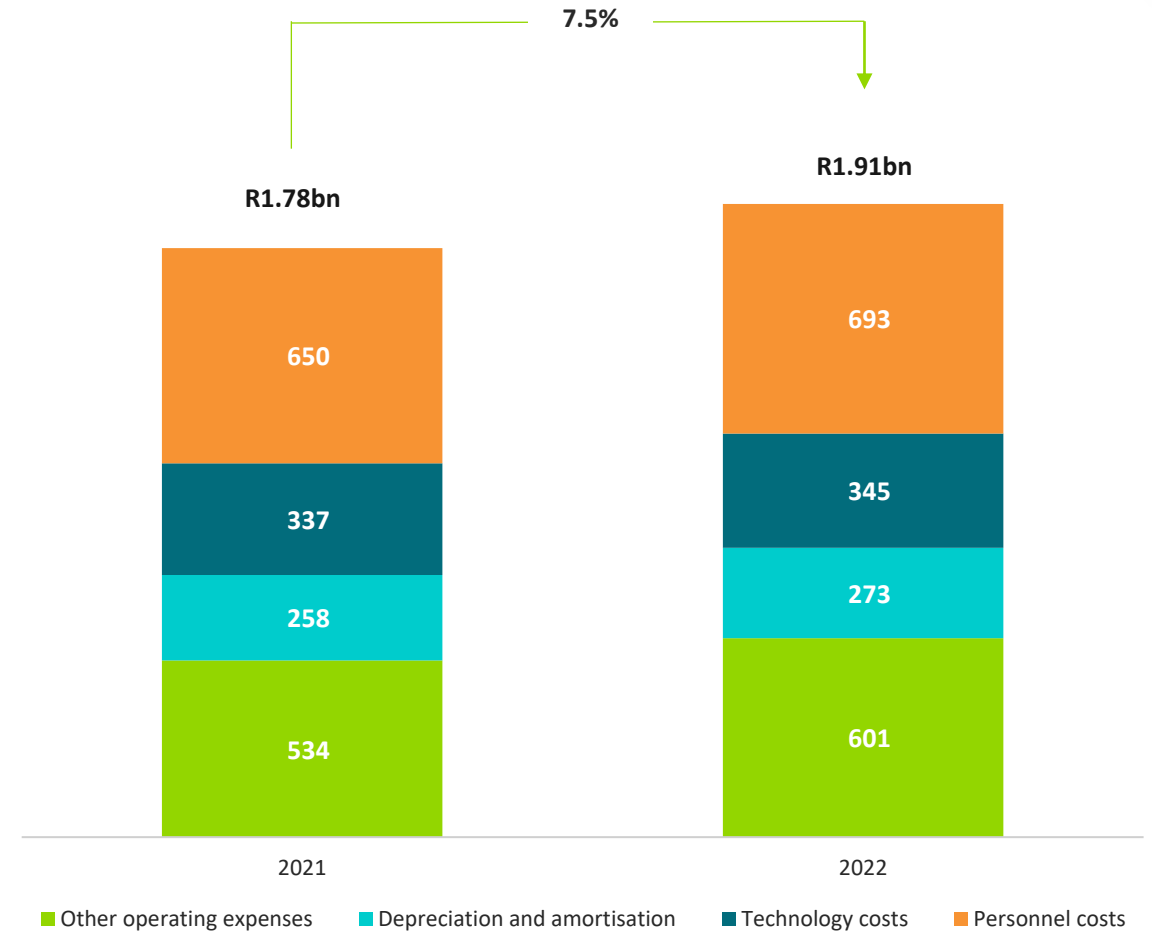
- New growth initiatives, includes JIS and JPP

## Depreciation and amortisation up 6% (R16m) to R273m

- Accelerated depreciation on software licences owing to new solutions implemented
- Accelerated amortisation on leasehold improvements

## Other operating expenses up 12% (R66m) to R601m

- Impact of operating environment pressures across the board, including an increase in building utilities (e.g., electricity and diesel)
- Low base effect owing to COVID-19
- Strategic initiatives and implementation costs
- JIS administration fees related to revenue generating activities
- Imposed regulatory related costs and compliance costs



# Continued investments in operational resilience and growth

## Investments made as planned in 2022:

### Grow the Business

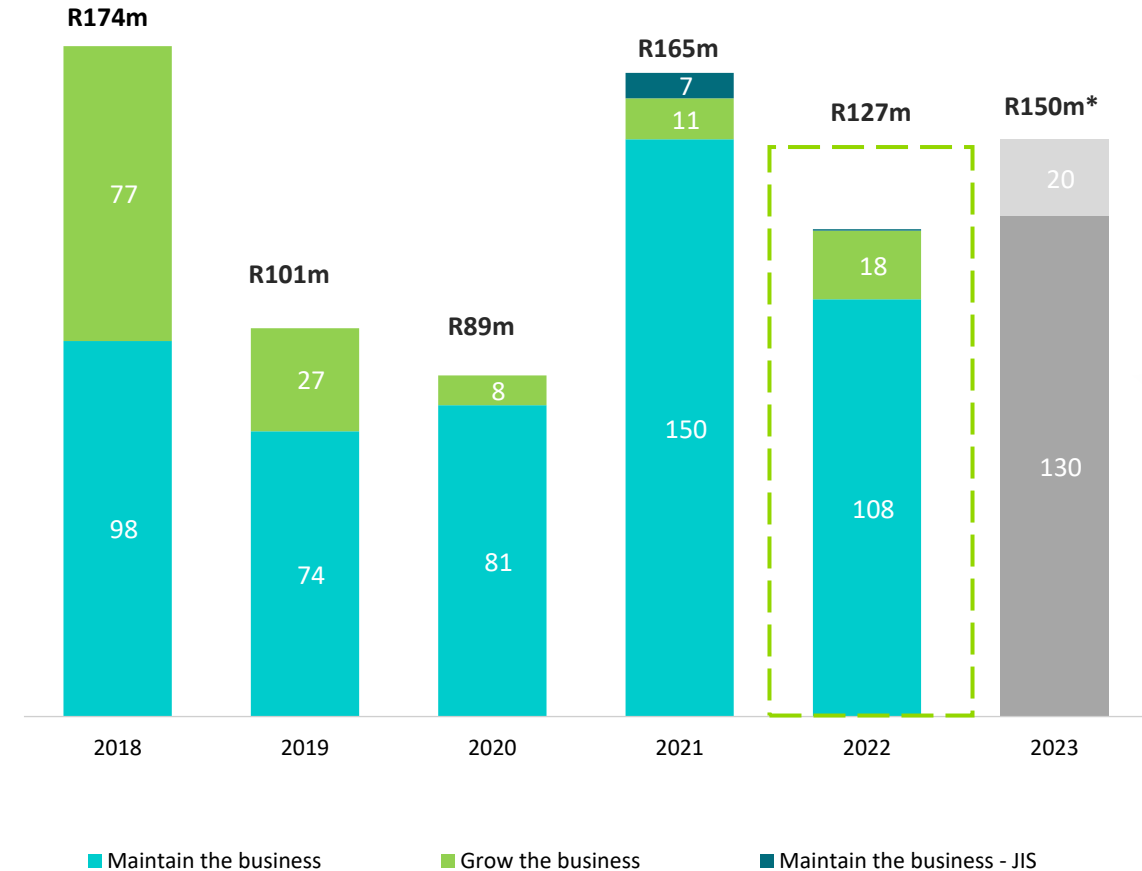
- Information Services growth strategy
- Securities collateral

### Maintain the Business

- Rejuvenation of infrastructure and systems
- Regulatory enhancements
- Operational resilience
- Leasehold improvements

## 2023 CAPEX guidance: R130m – 150m\*

- Information Services growth strategy
- Bond CCP
- Rejuvenation of infrastructure and systems maintenance
- Clearing enhancements
- Regulatory enhancements



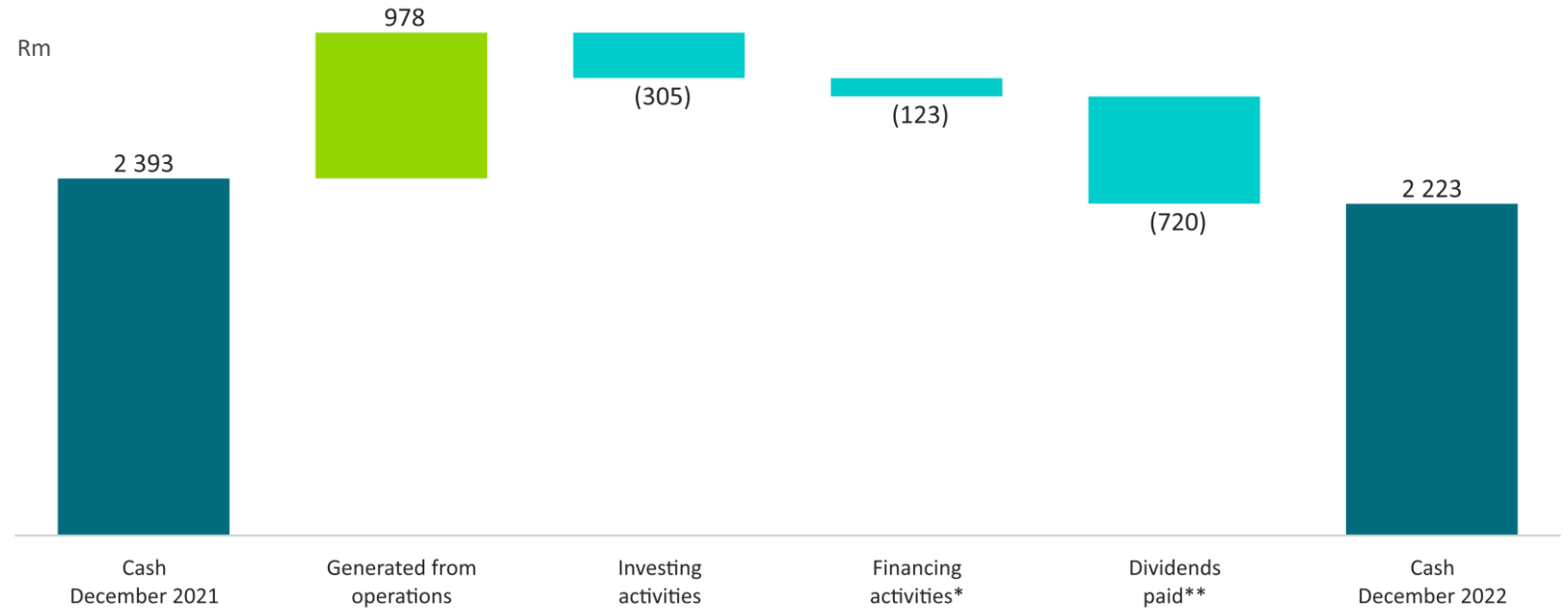
# Strong balance sheet underpinned by healthy cash generation

## Investing activities

- Largely intangible assets (including renewal of multi-year licences), plant and equipment
- Investment in government bonds

## Financing activities

- Acquisition of treasury shares
- Lease liability repaid



## Investor protection & other funds (not distributable)

- JSE Derivatives Fidelity Fund
- JSE Guarantee Fund
- BESA Guarantee Fund
- JSE Empowerment Fund
- JSE Reserve Portfolio

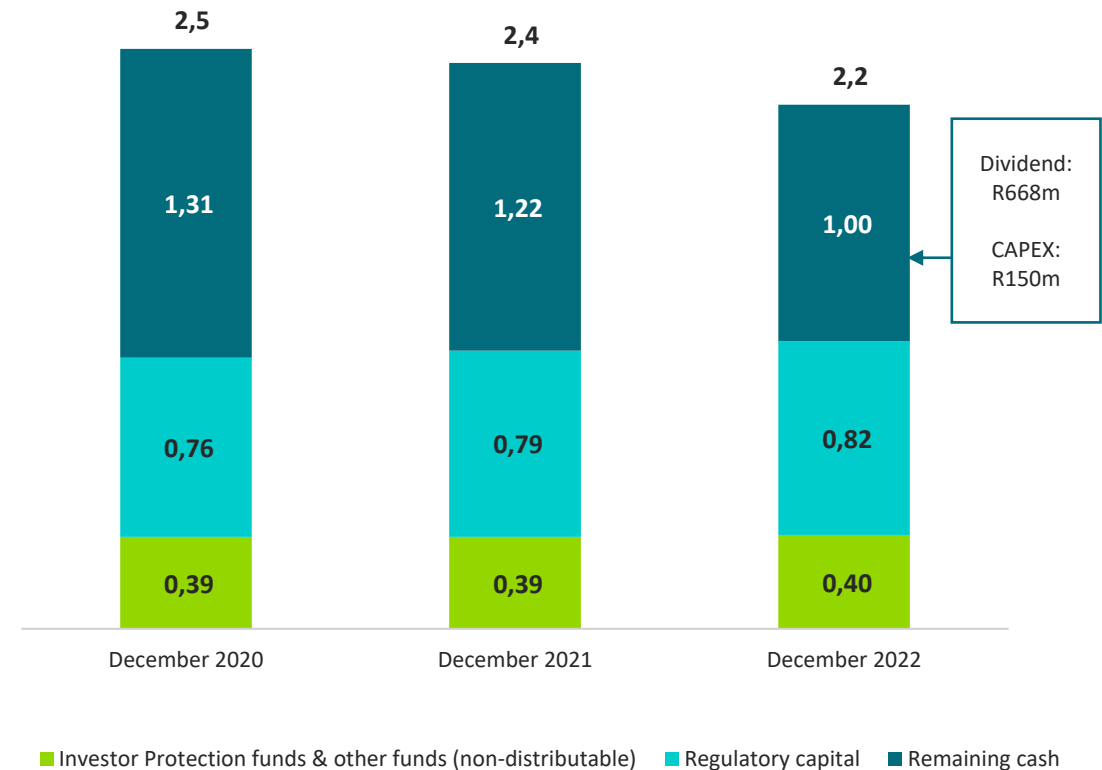
## Regulatory capital (regulatory minimum)

- JSE Limited: 6 months OPEX held in cash and government bonds\*
- R115m additional capital injection into JSE Clear, ICH\*\*

## Remaining cash balance

- CAPEX
- Return to shareholders through an ordinary dividend
- Other investment and working capital

## Breakdown of cash balance (Rbn)\*\*\*

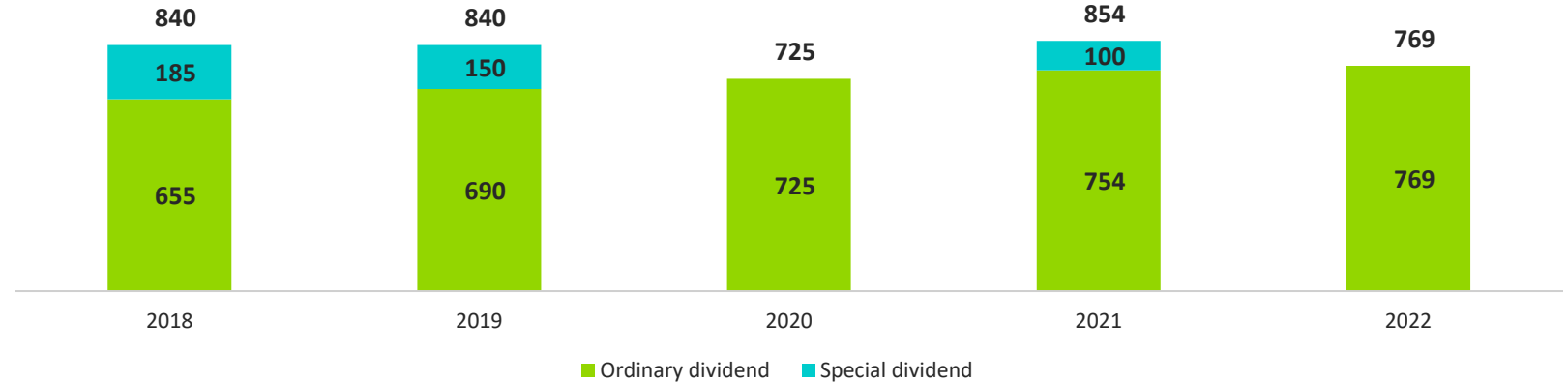


# Ordinary dividend up 2%; Committed to maximising shareholder returns

## Dividend policy

- Updated annual dividend policy from a progressive approach to a pay-out ratio (67% - 100% of earnings)

Dividend per share (cents)



|   | 2018       | 2019        | 2020       | 2021        | 2022       |
|---|------------|-------------|------------|-------------|------------|
| Total ordinary dividend per share (cents) | 655c       | 690c        | 725c       | 754c        | 769c       |
| Total dividend (Rm)*                      | R730m      | R730m       | R630m      | R741m       | R668m      |
| Ordinary dividend pay-out ratio           | 62%        | 87%         | 83%        | 92%         | 89%        |
| Total dividend pay-out ratio              | <b>80%</b> | <b>101%</b> | <b>83%</b> | <b>104%</b> | <b>89%</b> |



2023  
guidance

OPEX growth

5% – 8%

CAPEX

R130m – R150m

Dividend

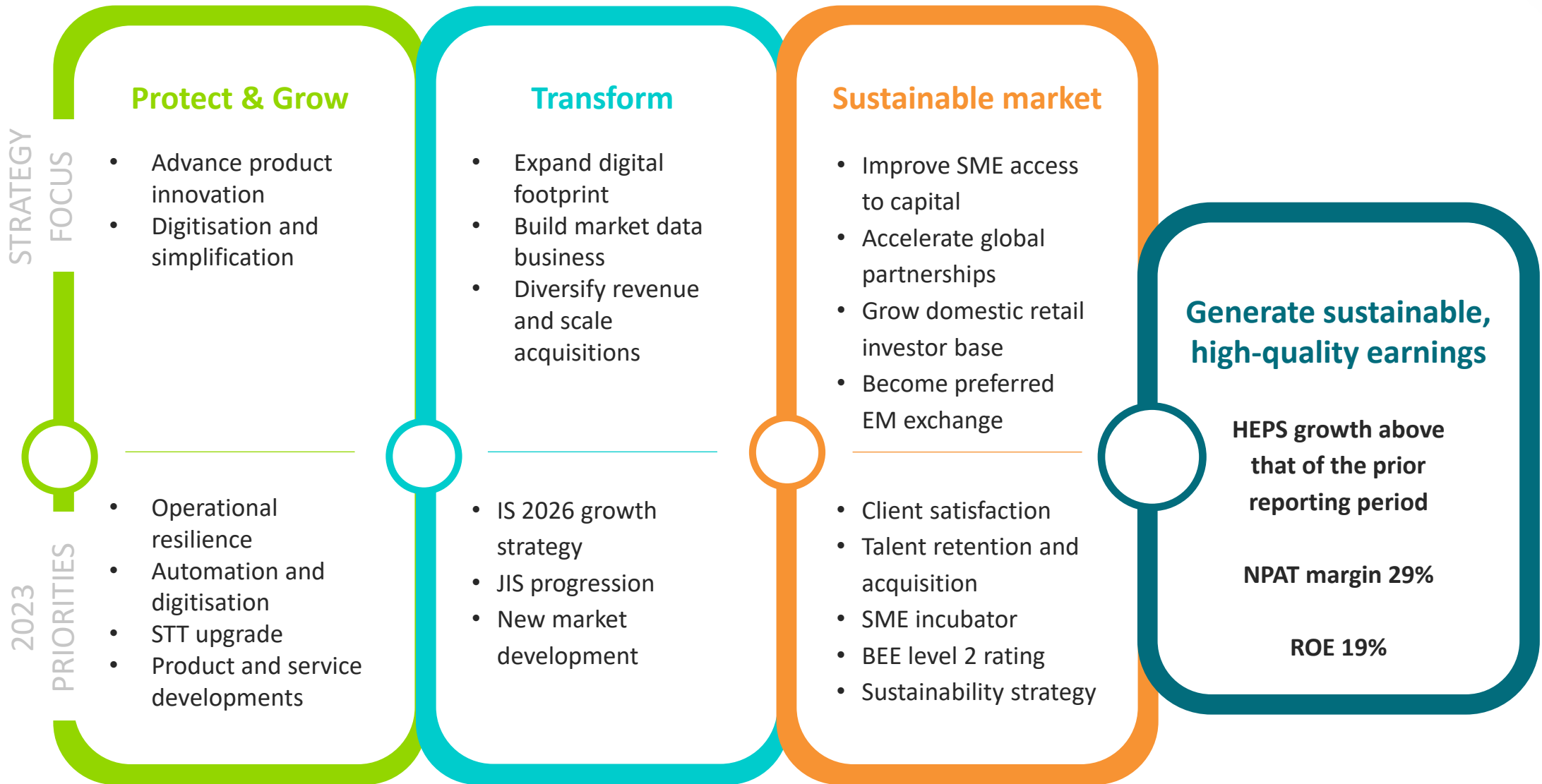
67% – 100% pay-out ratio

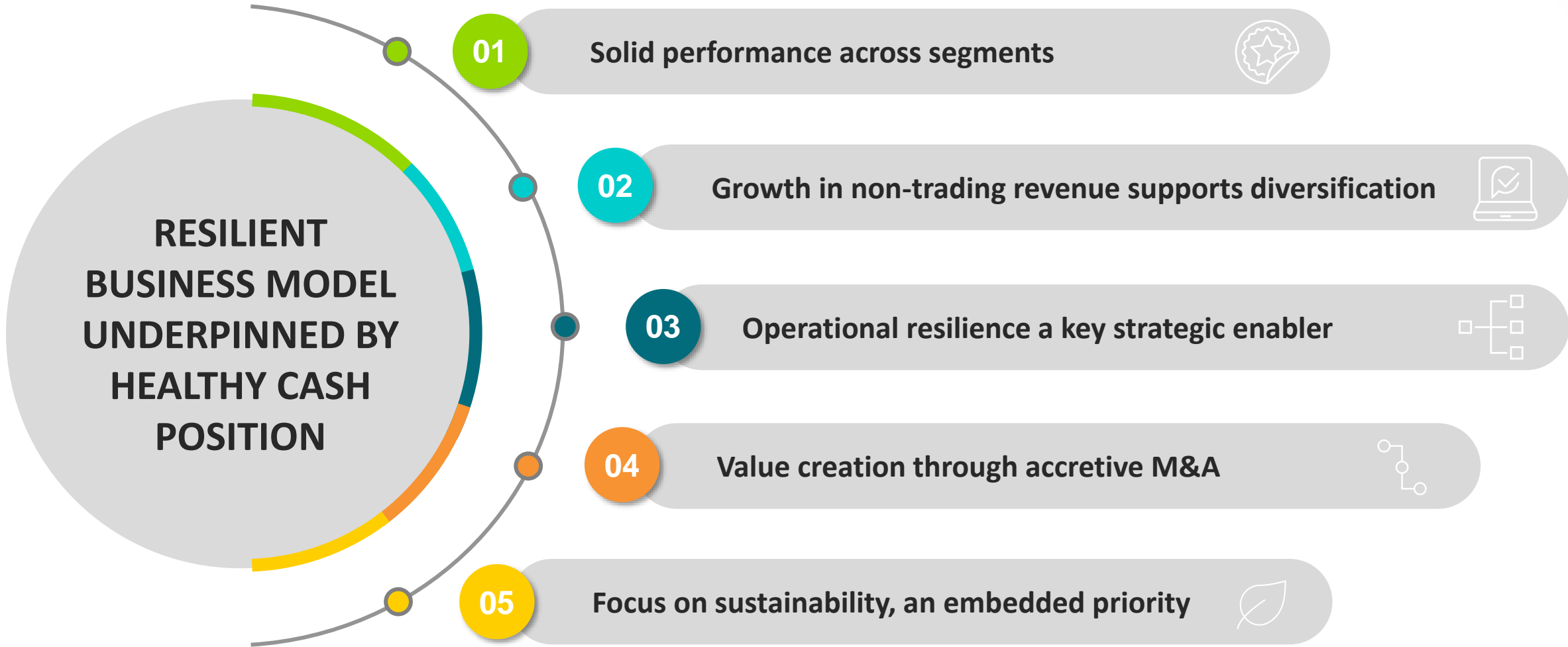




# Conclusion

# Strategic priorities geared towards maximising short-term opportunities and future proofing the business

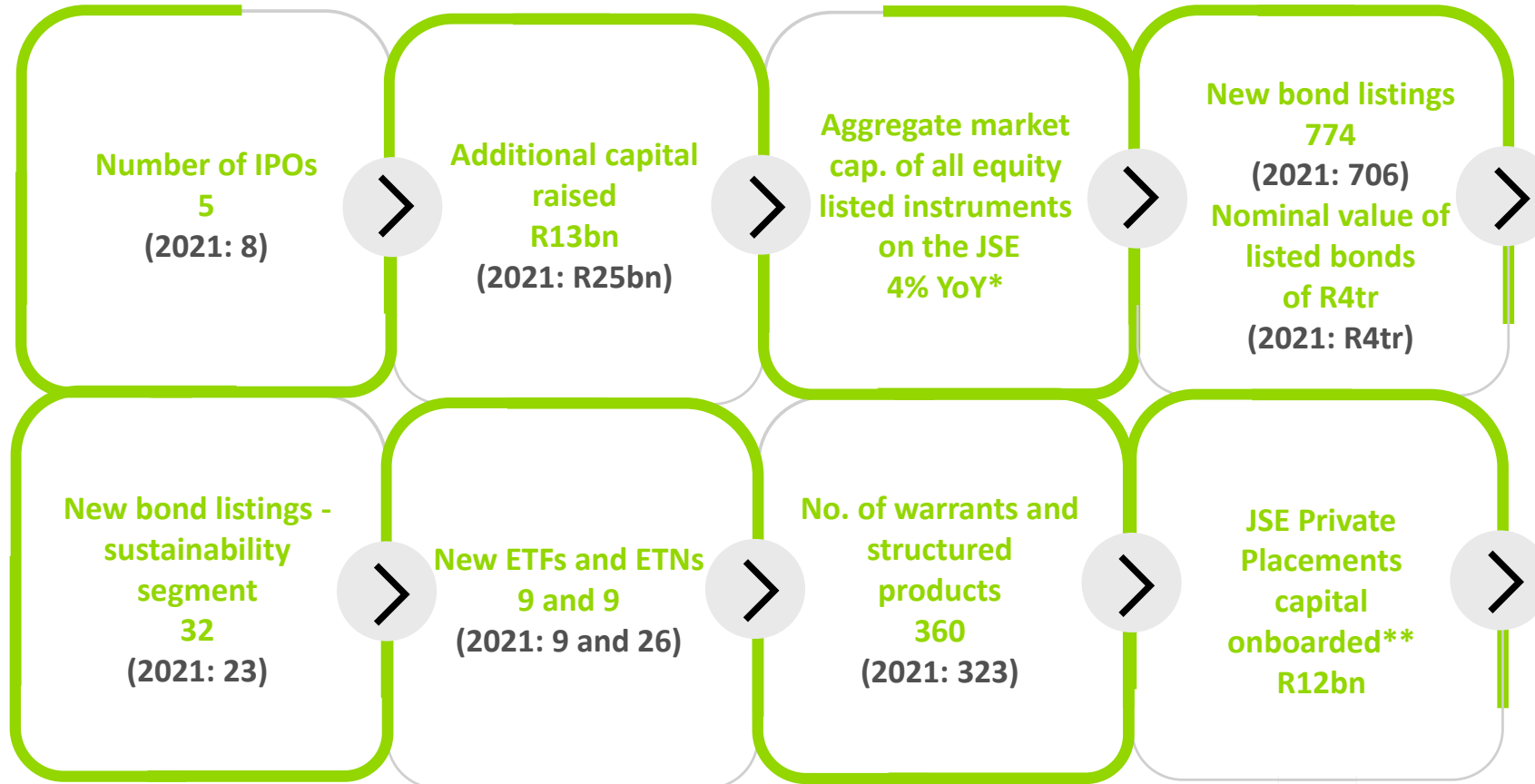




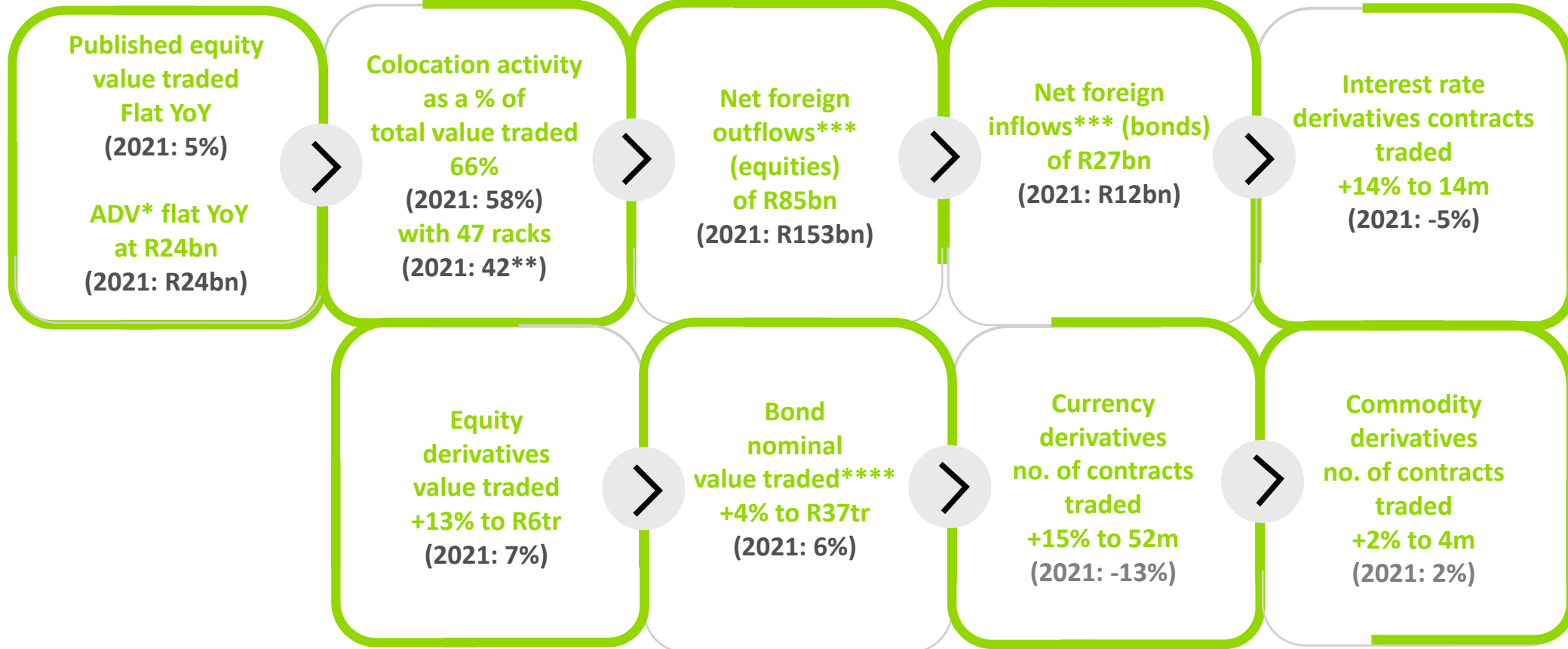


# Appendix

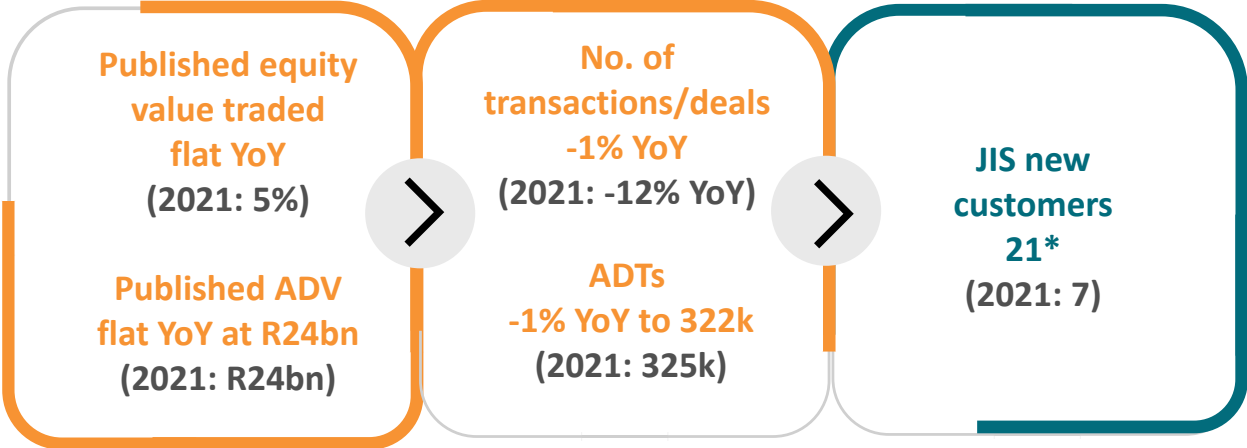
# Market Drivers: Primary markets



# Market Drivers: Secondary markets

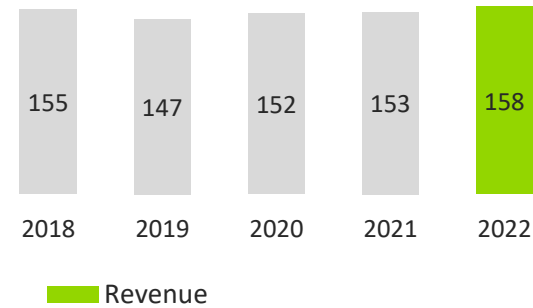


# Market drivers: Post-trade services and JIS

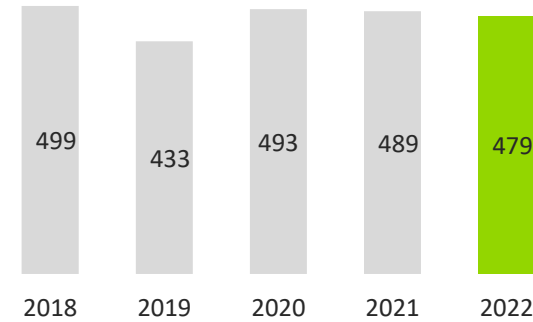


# 2018 – 2022 revenue segment data

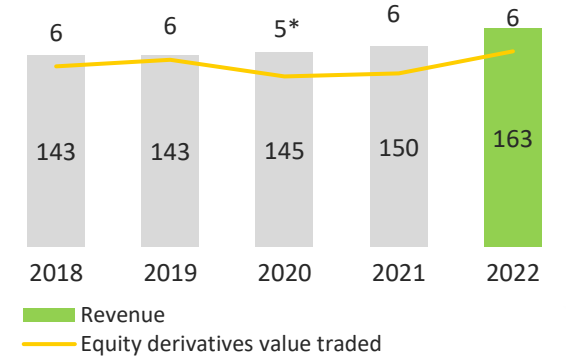
Primary Market (Rm)



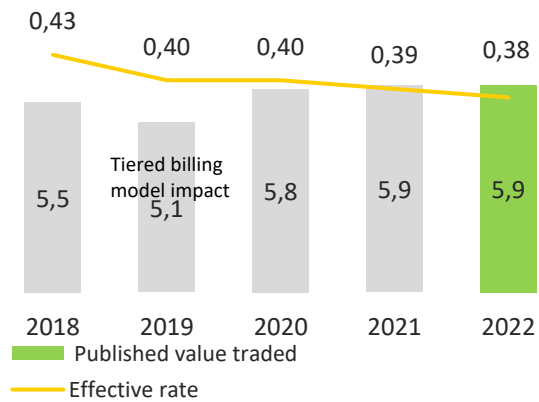
Equity Trading (Rm)



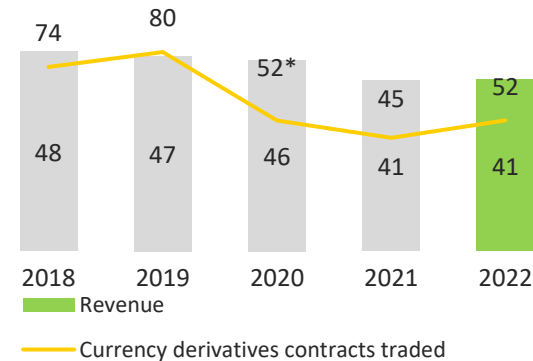
Equity Derivatives (Rm) and value traded (Rtr)



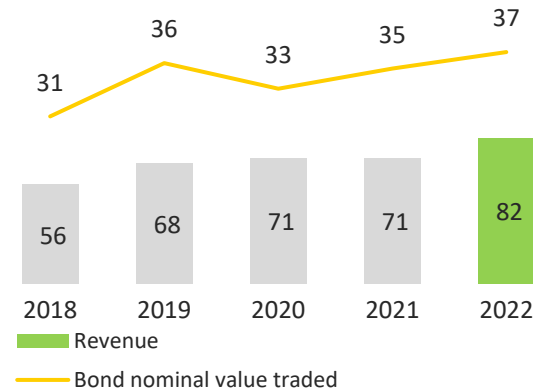
Published value traded (Rtr) and effective rate (bps)\*



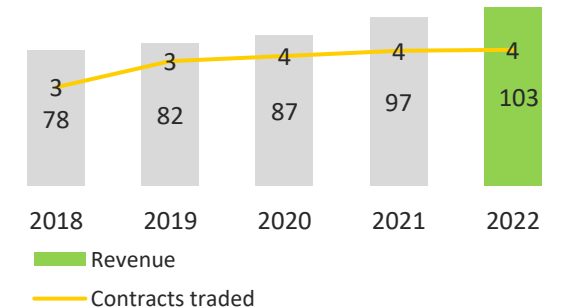
Currency Derivatives (Rm) and contracts traded (m)



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



Commodity Derivatives (Rm) and contracts traded (m)

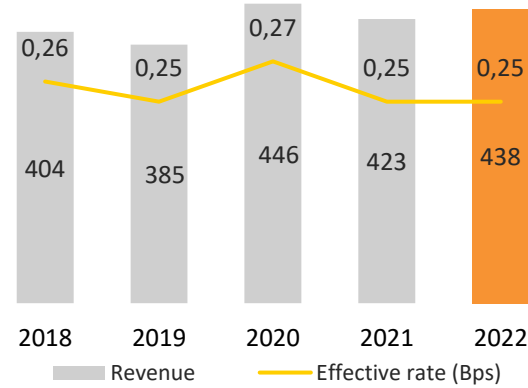




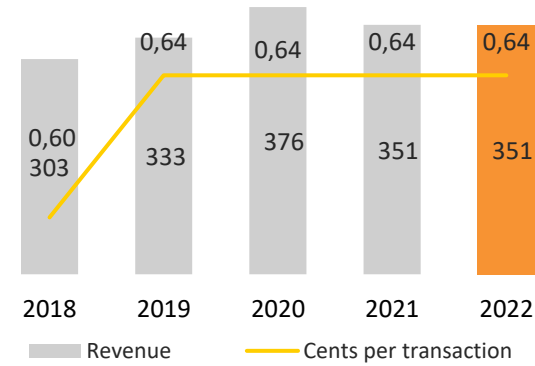
# 2018 – 2022 revenue segment data

## Post-trade services

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

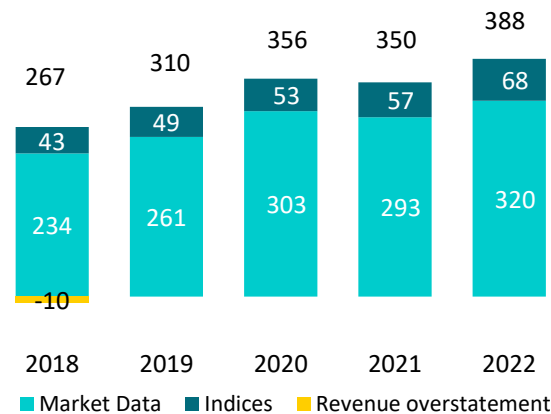


Back-Office Services (Rm) and cents per transaction

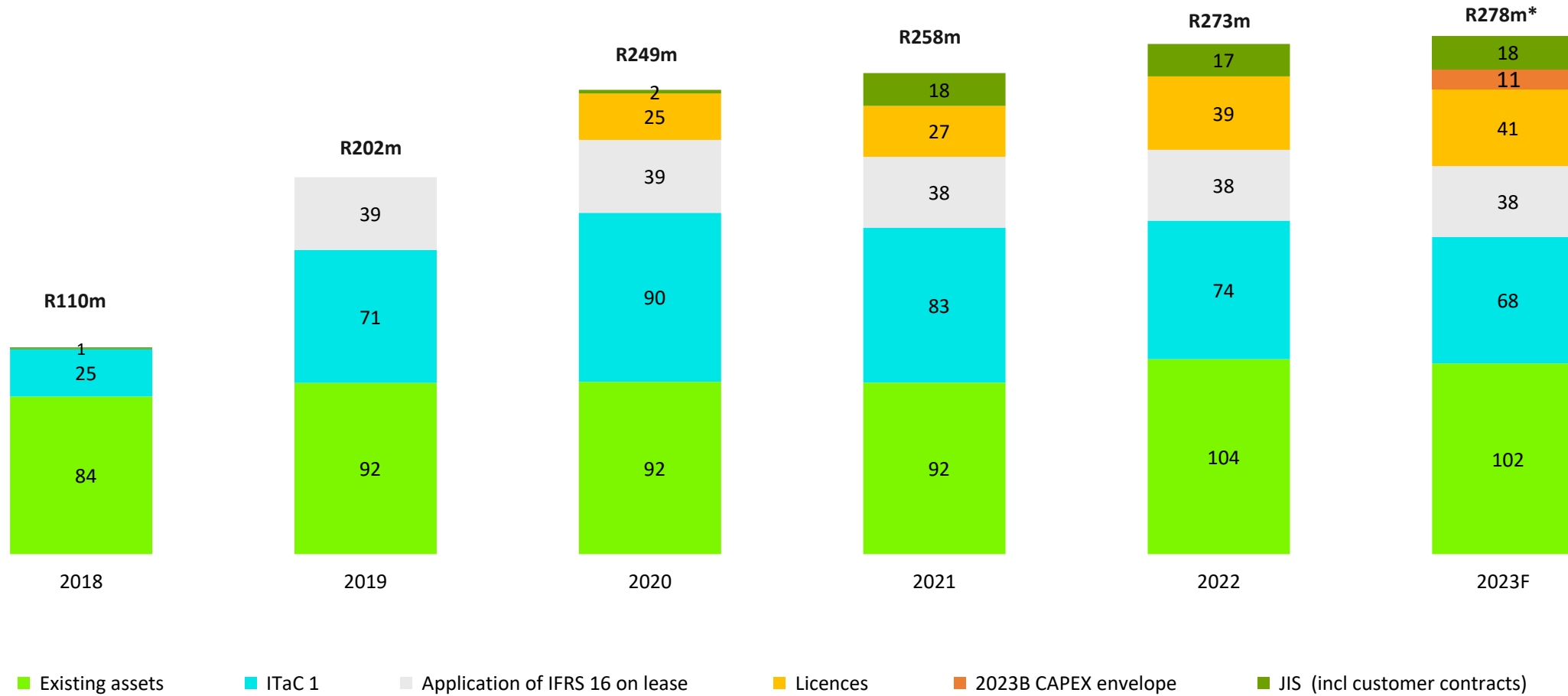


## Information services

Information Services (Rm)

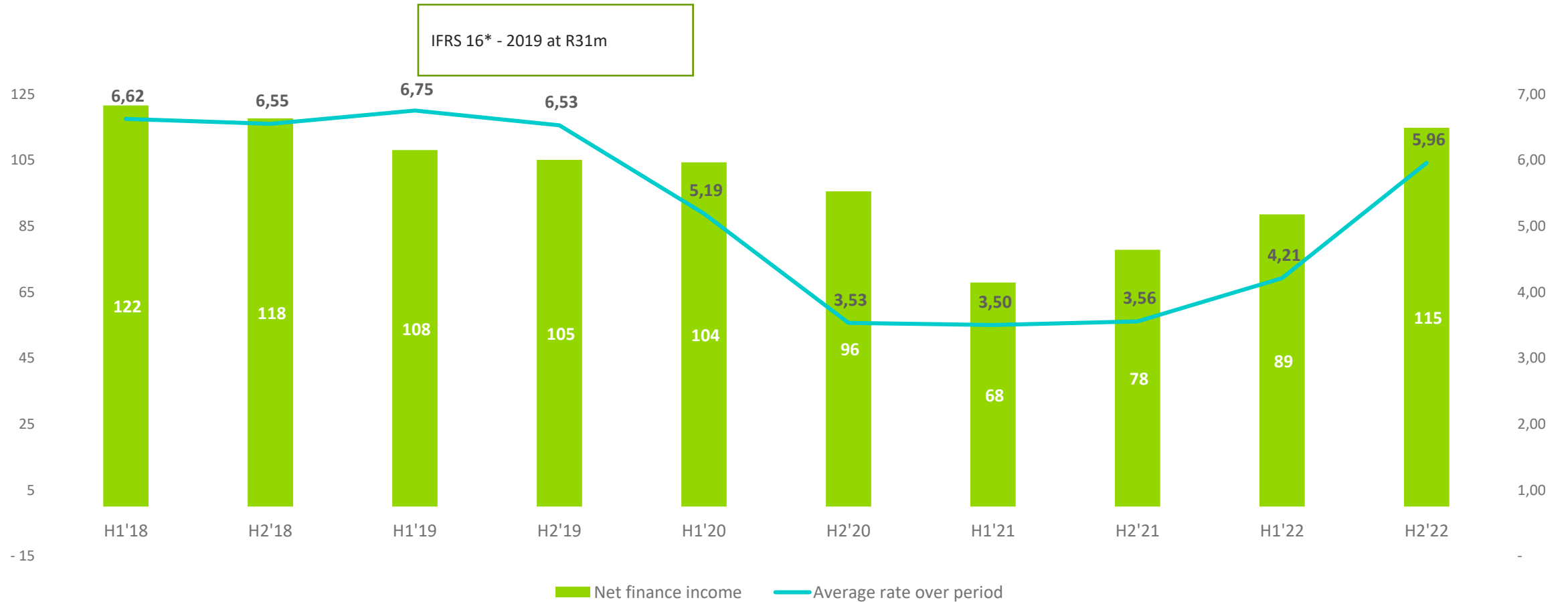


# Multi-year depreciation profile of assets and known future CAPEX



# Evolution of interest rates and impact on JSE's net finance income

SARB's repo rate (%) and JSE half-year net finance income (Rm): 2018 – 2022



## Stable operating performance and higher net finance income

| (Rm)                                      | 2022         | 2021         | Δ (%)       |
|---|--------------|--------------|-------------|
| Operating revenue                         | 2 650        | 2 517        | 5%          |
| Other income                              | 54           | 59           | -8%         |
| <b>Total revenue</b>                      | <b>2 704</b> | <b>2 576</b> | <b>5%</b>   |
| Personnel expenses                        | 693          | 650          | 7%          |
| Other operating expenses                  | 946          | 871          | 9%          |
| <b>EBITDA</b>                             | <b>1 066</b> | <b>1 055</b> | <b>1%</b>   |
| EBITDA (%)                                | 39%          | 41%          | -2 pts      |
| Depreciation and amortisation             | 273          | 258          | 6%          |
| <b>Total operating expenses</b>           | <b>1 912</b> | <b>1 779</b> | <b>7.5%</b> |
| <b>EBIT</b>                               | <b>792</b>   | <b>798*</b>  | <b>-1%</b>  |
| EBIT (%)                                  | 29%          | 31%          | - 2 pts     |
| Net finance income                        | 203          | 146          | 40%         |
| Share of profit from associate            | 41           | 52           | -21%        |
| <b>Profit before tax</b>                  | <b>1 037</b> | <b>995</b>   | <b>4%</b>   |
| Income tax expense                        | 288          | 272          | 6%          |
| NPAT                                      | 749          | 723          | 4%          |
| Attributable to JSE minority shareholders | 0            | 1            | -100%       |
| <b>Attributable to JSE Group</b>          | <b>749</b>   | <b>722</b>   | <b>4%</b>   |
| NPAT (%)                                  | 28%          | 28%          | 0 pts       |
| EPS (cents)                               | 911.1        | 874.1        | 4%          |
| HEPS (cents)                              | 917.7        | 878.9        | 4%          |

# Balance sheet

| (Rm)   | 31 December 2022 | 31 December 2021 | 30 June 2022  |
|--|------------------|------------------|---------------|
| <b>Assets</b>  |                  |                  |               |
| <b>Non-current assets</b>                                  | <b>1 992</b>     | <b>1 967</b>     | <b>1 879</b>  |
| Property and equipment                                     | 165              | 176              | 168           |
| Intangible assets  | 696              | 727              | 738           |
| Investment in associate                                    | 329              | 328              | 315           |
| Other non-current assets                                   | 801              | 736              | 658           |
| <b>Current assets</b>                                      | <b>59 345</b>    | <b>59 071</b>    | <b>64 359</b> |
| Margin deposits  | 55 793           | 55 413           | 61 130        |
| JSE Clear Derivatives Default Fund collateral deposits     | 500              | 500              | 500           |
| Trade and other receivables                                | 793              | 593              | 661           |
| Cash and cash equivalents                                  | 2 223            | 2 393            | 2 048         |
| Other current assets                                       | 36               | 172              | 20            |
| <b>Total assets</b>  | <b>61 336</b>    | <b>61 038</b>    | <b>66 238</b> |
| <b>Total equity</b>  | <b>4 173</b>     | <b>4 219</b>     | <b>3 845</b>  |
| Stated capital   | (119)            | (68)             | (109)         |
| Reserves   | 755              | 757              | 717           |
| Retained earnings  | 3 537            | 3 529            | 3 237         |
| <b>Non-current liabilities</b>                             | <b>191</b>       | <b>258</b>       | <b>228</b>    |
| <b>Current liabilities</b>                                 | <b>56 972</b>    | <b>56 561</b>    | <b>62 166</b> |
| Margin deposits  | 55 793           | 55 413           | 61 130        |
| JSE Clear Derivatives Default Fund collateral contribution | 400              | 400              | 400           |
| Other current liabilities                                  | 780              | 748              | 635           |
| <b>Total equity and liabilities</b>                        | <b>61 336</b>    | <b>61 038</b>    | <b>66 238</b> |

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

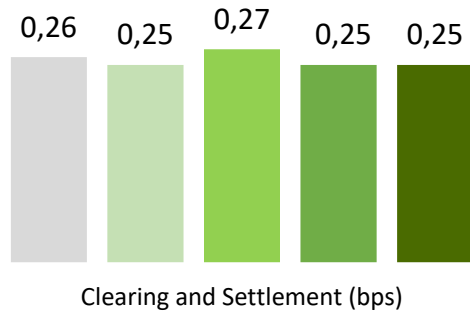
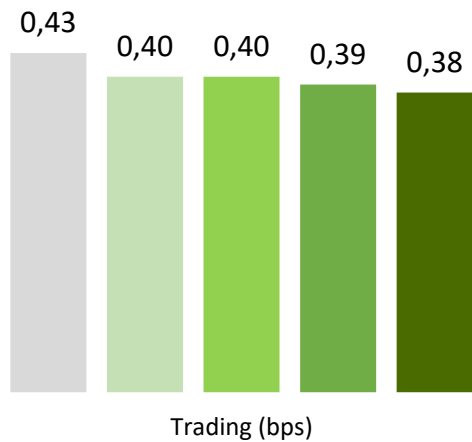
# Financial metrics

| Ratios                    | 2022  | 2021  | 2020  | 2019  | 2018    | 2017    |
|---------------------------|-------|-------|-------|-------|---------|---------|
| Operating margin (EBIT)   | 29%   | 31%   | 32%   | 31%   | 41%     | 40%     |
| EPS                       | 911.1 | 874.1 | 936.7 | 814.8 | 1 056.5 | 1 006.0 |
| HEPS                      | 917.7 | 878.9 | 936.7 | 814.6 | 1 056.2 | 996.5   |
| PE                        | 11.9  | 12.8  | 12.6  | 14.6  | 15.7    | 15.4    |
| Dividend yield (ordinary) | 7.1%  | 6.7%  | 6.3%  | 5.8%  | 4.0%    | 4.0%    |
| Dividend yield (total)    | 7.1%  | 7.6%  | 6.3%  | 7.0%  | 5.1%    | 4.0%    |
| EBITDA                    | 1 066 | 1 055 | 1 060 | 889   | 1 042   | 993     |
| ROE                       | 18%   | 17%   | 19%   | 18%   | 23%     | 23%     |

# Equity Market: JSE effective pricing trend

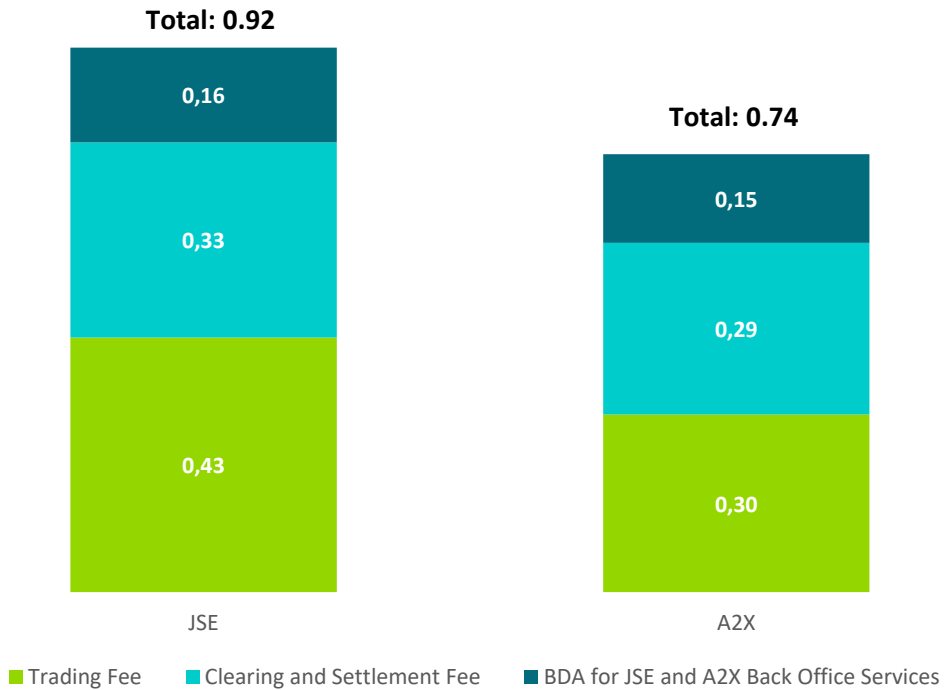
## Deliberate declines in fees over time, heightened impact on trading

■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022



- 2016 option delta (OD) fee reduced to zero.
- 2017 BDA fee reduced by 8% (from R0.65).
- 2018 new tiered billing model resulted in a 12% reduction in the effective rate trading fee. 2018 reflects the reduction.
- 2022 price reduction in Complex Order Suite trade types.

## Effective Rates Basis Points



### Trading fees

- 2022 effective rates for onscreen trading (AT, UT, XT) are used for the JSE
  - The JSE has a tiered billing model with caps
- A2X charges 0.20bps for the price maker (aggressor) and 0.40bps for the price taker (passive), which averages out at 0.30bps
  - A2X also has caps, so the effective rates may be lower than indicated in the graph for A2X trading fees and C&S fees

### BDA

- JSE BDA – graph shows the effective rate of BDA Transactions for all trade types
- The A2X back-office service is not comparable to the JSE's BDA offering

### Data fees

- The JSE's data charges are not comparable to A2X, as the product offering is different. JSE offers real-time data with a wider universe of stock





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