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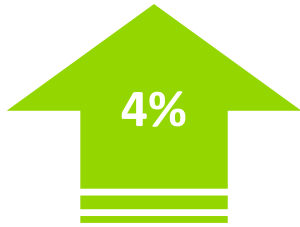
**2017 INTERIM RESULTS**  
**JSE Limited**

3 August 2017

## Operating environment for H1 2017

- Globally:
  - Global growth estimates are rising – the US has provided a welcome fiscal lead
  - Impact of the Brexit decision started to be felt in the UK – prolonged negotiations
  - Conditions improved in Europe with signs of stronger growth and stabilising political conditions
  - Low volatility in markets
  - MIFID II
  
- In SA:
  - Domestic economy officially in recession
  - Low economic growth, rating downgrades and loss of business confidence
  - Equity value traded declined: volatility subdued
  - Twin Peaks: passed 22 June 2017

## Financial drivers for H1 2017



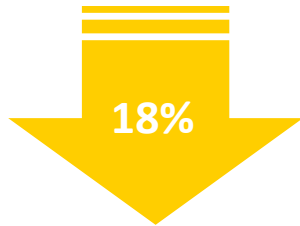
Equity transactions  
(H1 2016: 15%)



Billable equity value traded\*  
(H1 2016: 18%)



Number of IPOs  
(H1 2016: 6)



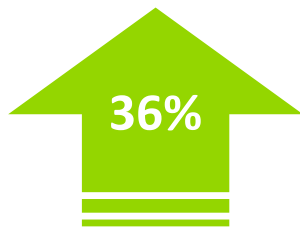
Equity derivatives value  
traded (H1 2016: 11%)



Interest rate derivatives  
contracts (H1 2016: 13%)



Commodity derivatives  
contracts (H1 2016: 28%)



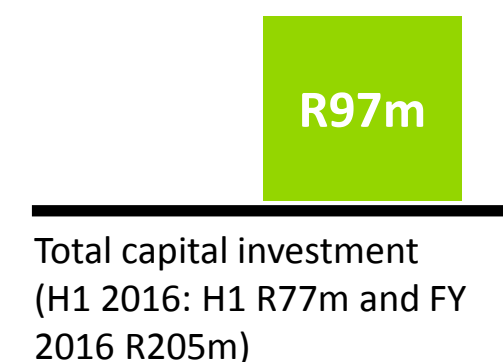
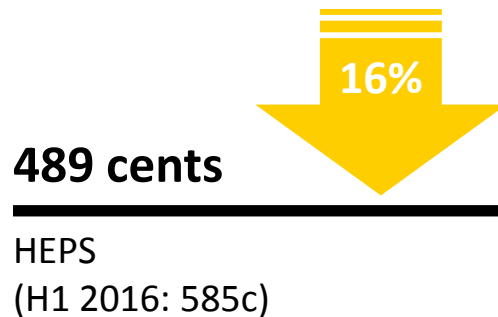
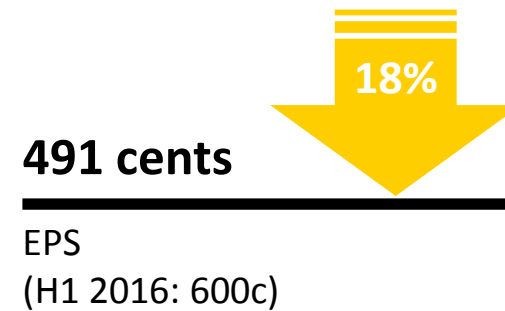
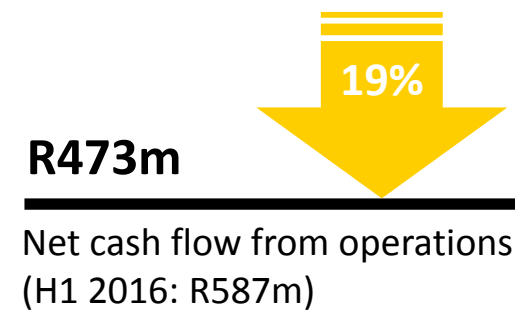
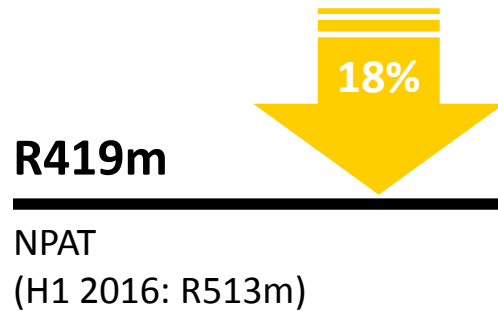
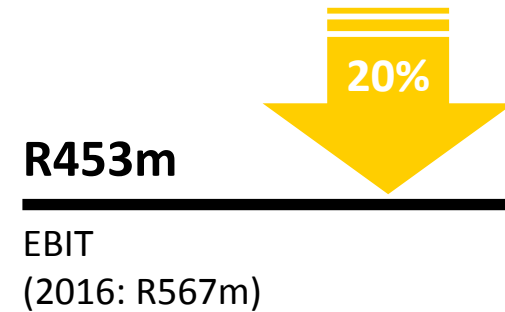
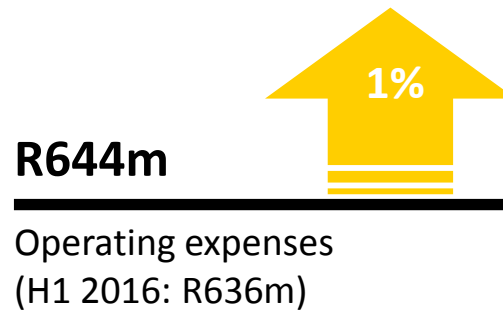
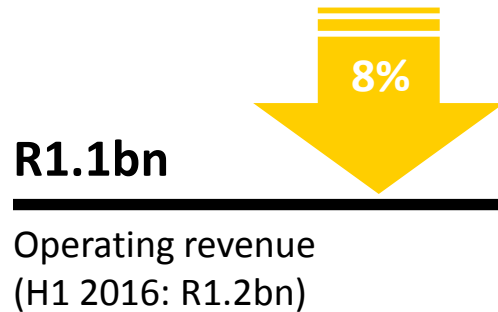
Currency derivatives contracts  
(H1 2016: 7%)



Bond nominal value  
(H1 2016: 22%)

\*Central order book published statistics : ↓ 14%

## How this translated in our business for H1 2017

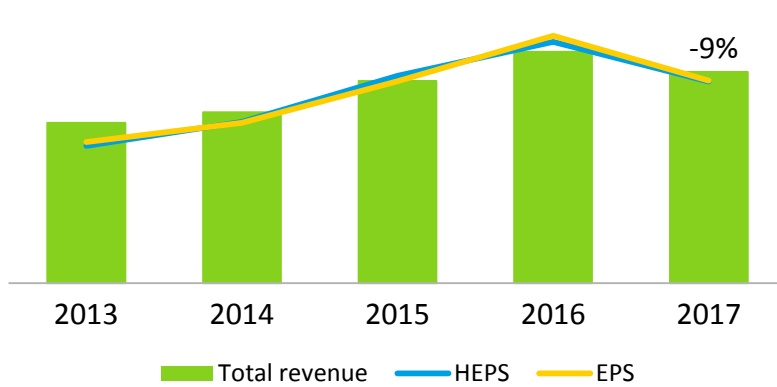


## Financial performance

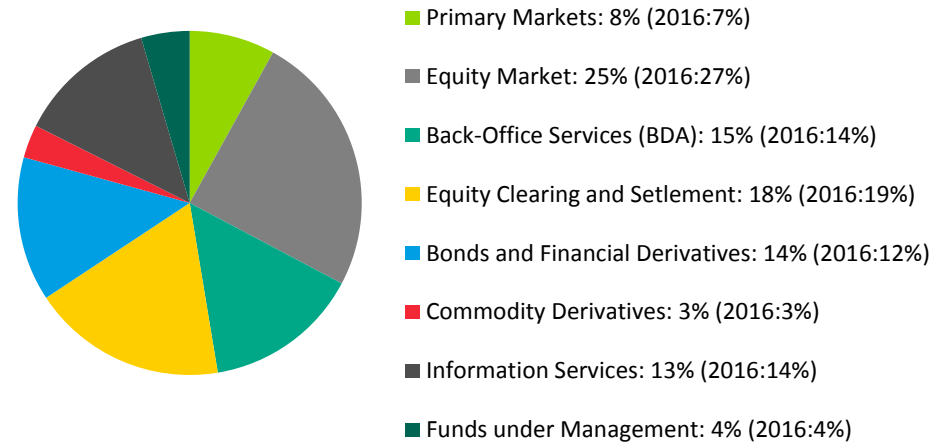
Group (Rm)	H1 2017	H1 2016
Revenue	1 079	1 176
Other income	18	27
Total revenue	1 097	1 203
Personnel expenses	(245)	(246)
Other expenses	(399)	(390)
Total expenses	(644)	(636)
EBIT	453	567
EBIT %	41%	47%
Net finance income	111	97
Share of profit of equity-accounted investee	21	25
Profit before income tax	585	689
Income tax expense	(165)	(176)
NPAT	419	513
NPAT %	38%	43%
EPS (cents)	490.9	599.7
HEPS (cents)	488.9	585.1

# Trends

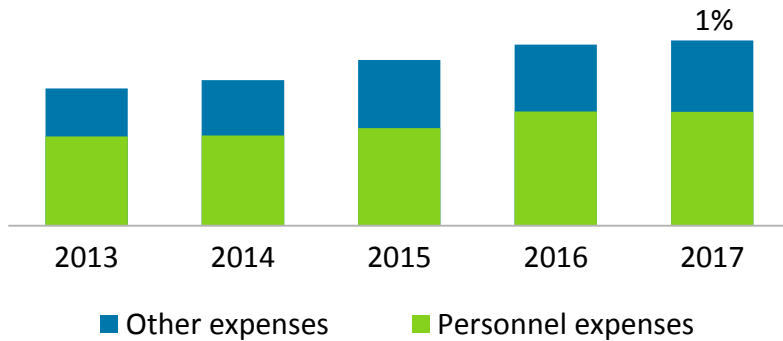
### H1 total revenue



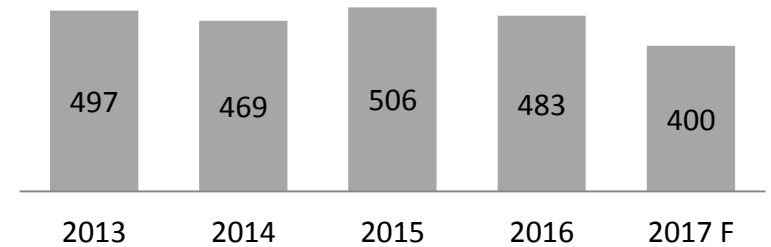
### H1 2017 revenue as a % total



### H1 expenses



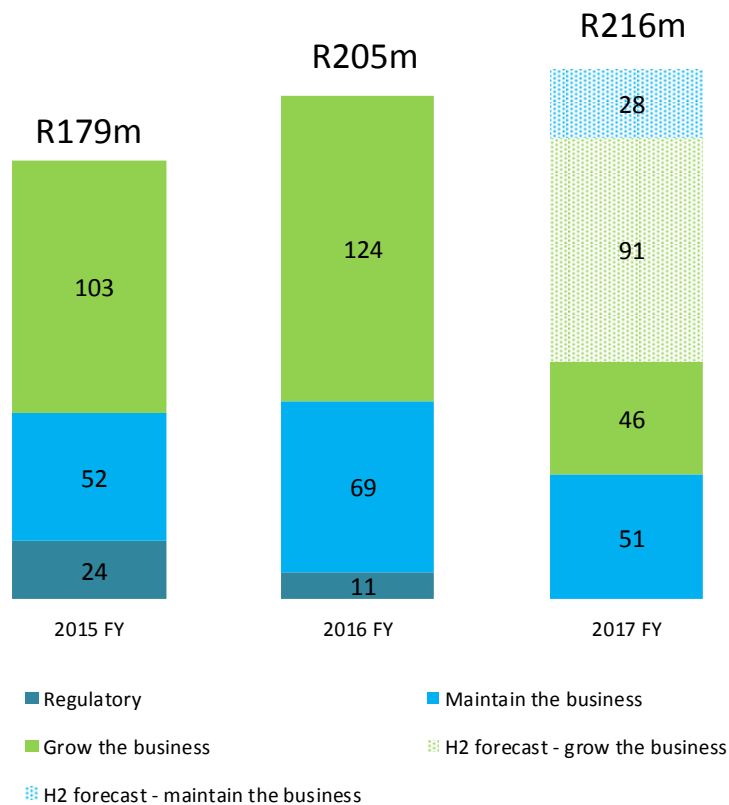
### December exit headcount



CAGR to 2016 : -1%  
CAGR to 2017 : -4%

Excluding Strate ad valorem fees

# External and internal capital expenditure



## GROW THE BUSINESS

Integrated Trading and Clearing Project – 2015, 2016, 2017

ETP for government bonds – 2016, 2017

## MAINTAIN THE BUSINESS

Customer relationship management system – 2015, 2016

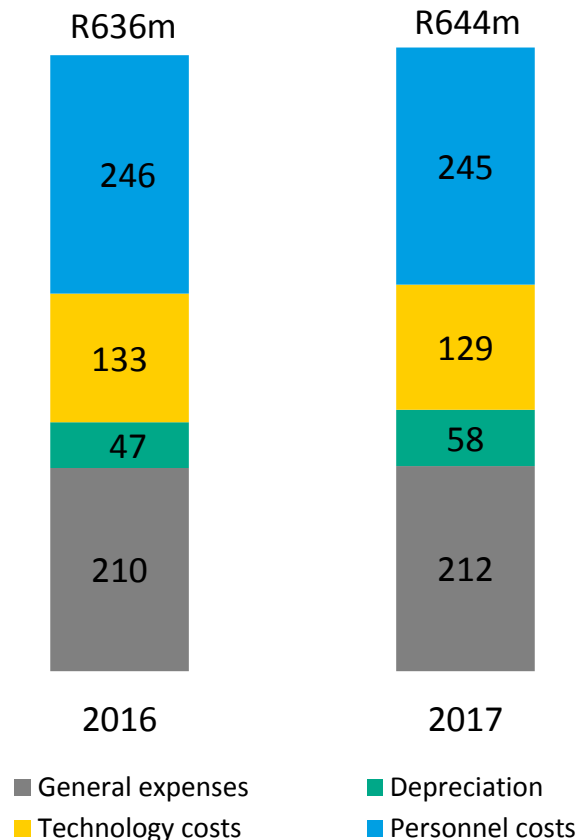
Business as usual – 2015, 2016, 2017

HR system – 2017

## REGULATORY

T+3 Phase 3 – 2015, 2016

# H1 operating expenses



**Total operating expenses** ↑ 1% or R8m (2016 : ↑ 12% or R69m) to R644m (2016: R636m)

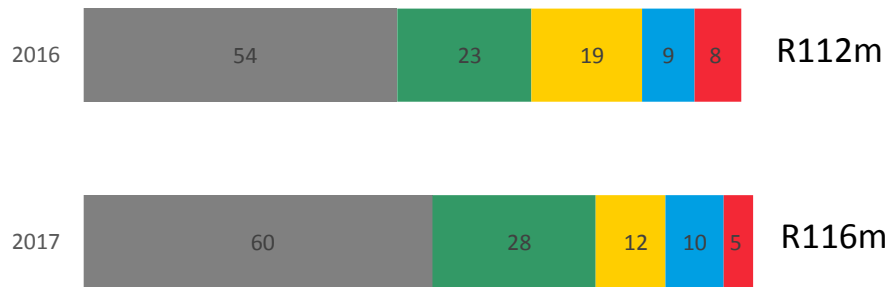
- Personnel costs ↓ R1m (2016: ↑ R36m or 17%) to R245m (2016: R246m)
  - Gross remuneration per employee ↑ 4% mostly due to annual salary increases, average headcount\* ↓ 5%, resulting in a 1% or R2m decline in the payroll bill. Exit headcount\* at June 454 (2016: 482)
  - The accounting impact of the long-term incentive scheme (LTIS) ↑ R1m to R26m (2016: R25m)
- Technology costs ↓ 3% or R4m (2016: ↑ 20% or R22m) to R129m (2016: R133m) due to reduction in number and cost of contractors (↓ R12m from R29m to R17m)
- Depreciation ↑ 23% or R11m (2016: ↓ 8% or R4m) to R58m (2016: R47m) largely due to the impact of projects gone live (T+3 phase 3, ITaC project 1a)
- General expenses ↑ 1% or R2m (2016: ↑ 8% or R14m) to R212m (2016: R210m). Includes one-off R10m for the IT cost optimisation exercise

\* excludes learners

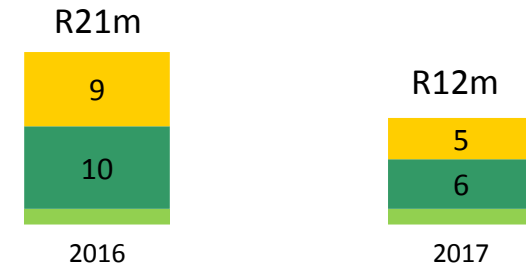


# Technology costs composition and growth

## Business as usual (BAU)



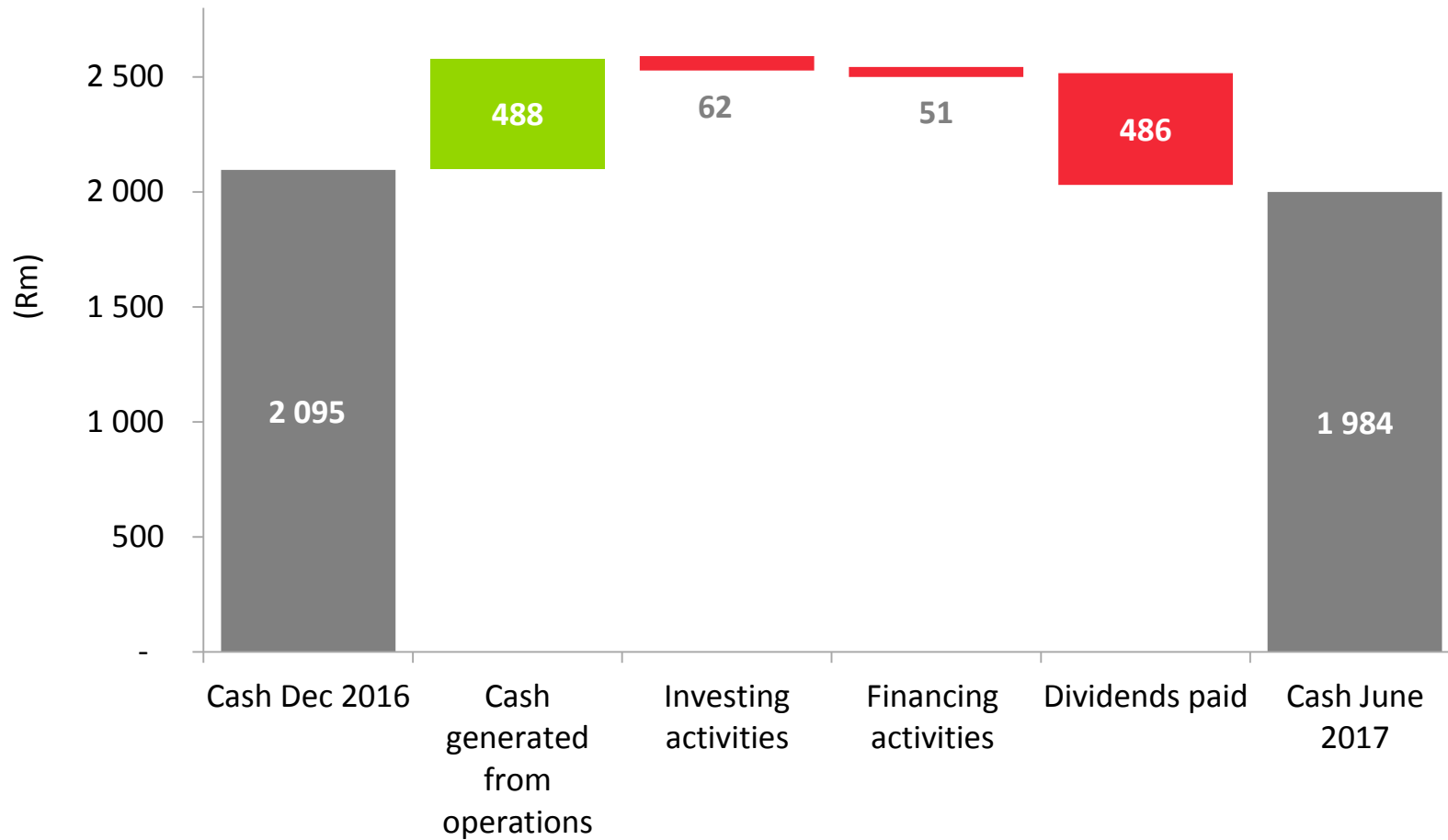
## Projects



- Software maintenance and licences
- External services
- Project infrastructure
- External services
- Contractors
- Hardware maintenance and support
- Connectivity and other

- IT cost optimisation study has been concluded with clear recommendations regarding best practice use of technology
- We expect to reduce the JSE's technology operating expenditure by a minimum of R70 million annualised spend to be fully realised by 2019

## Cashflow view



- Strong balance sheet and cashflow without debt

## Capital expenditure - (external spend only)

Project/Initiative	H1 2017	H2 2017	FY 2017	FY 2016
T+3 Phase 3	-	-	-	10
Integrated trading and clearing project 1	39	87	125	105
ETP for government bonds	1	1	2	2
Customer relationship management system	-	-	-	9
HR system	3	3	6	-
<b>Project capex</b>	<b>42</b>	<b>91</b>	<b>133</b>	<b>126</b>
Business as usual	47	25	75	59
<b>Total capex spend</b>	<b>89</b>	<b>116</b>	<b>208</b>	<b>185</b>

*\*Contains rounding difference*

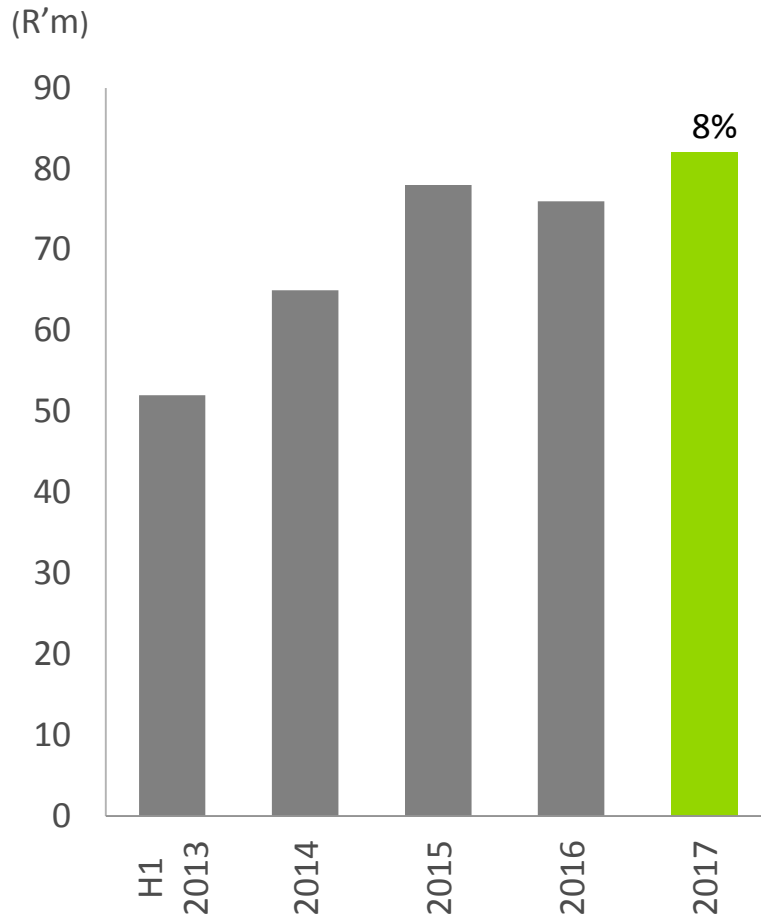
Total capex spend on the Integrated Trading and Clearing Project 1 is expected to be in the order of R400m by March 2018

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JS

BUSINESS  
REVIEW

## Capital Markets: Primary Market



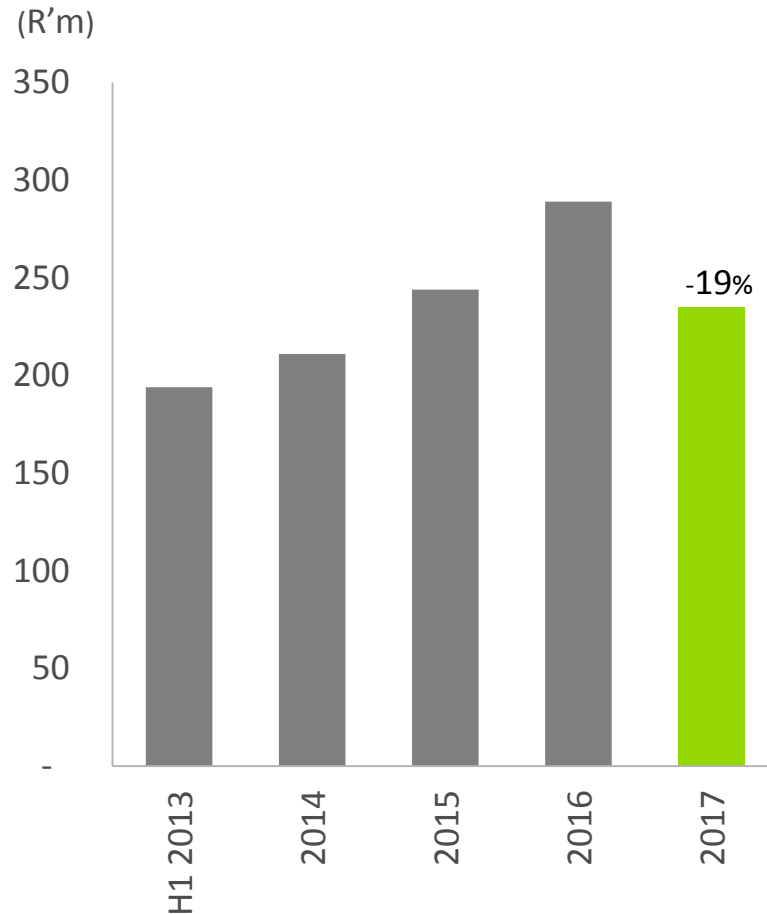
### 8% of total revenue in H1 2017

- Revenue ↑ 8% to R82m (H1 2016: R76m)
  - 8 new company listings (H1 2016: 6)
  - Other main board listings: 4 ETFs, 121 warrants and structured products (H1 2016: 2 ETFs, 97 warrants and structured products)
  - New: 1 SPAC
  - 4 new listings on AltX in 2016
  - Delistings: 10 (2016: 15)
  - 294 new bonds issued (H1 2016: 413). Total nominal listed bond value was R2.5tr (H1 2016: R2.3tr)

### Strategic focus for H2 2017

- Continue to identify inward, fast-track listings and alternative REIT structures
- Listed project bonds
- Green bonds
- Professionals market
- Development of sub-AltX counters

## Capital Markets: Equity Market



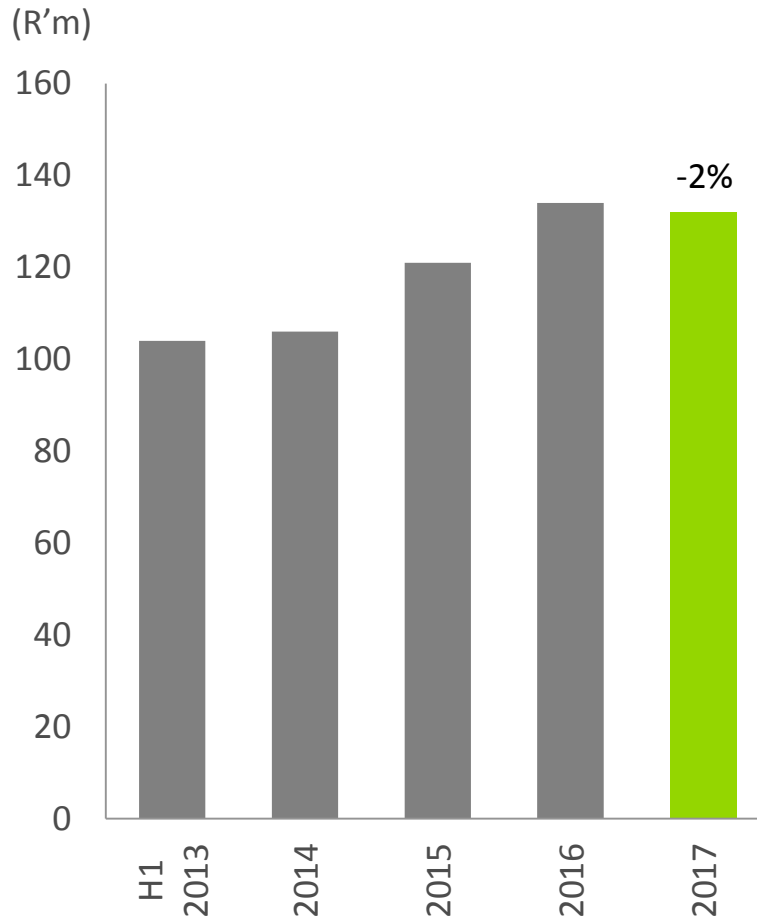
### 25% of total revenue in H1 2017

- Revenue ↓ 19% to R235m (H1 2016: R289m)
  - Billable value traded ↓ 13%
  - Trades ↑ 4% (H1 2016: 35.5m; H1 2015: 30m)
  - Colocation: 29% of overall value traded

### Strategic focus for H2 2017

- Pricing to incentivise greater activity
- Refine Equity Market enhancements – Review trade sizes in our pegged hidden order as well as block trades

# Capital Markets: Bonds and Financial Derivatives



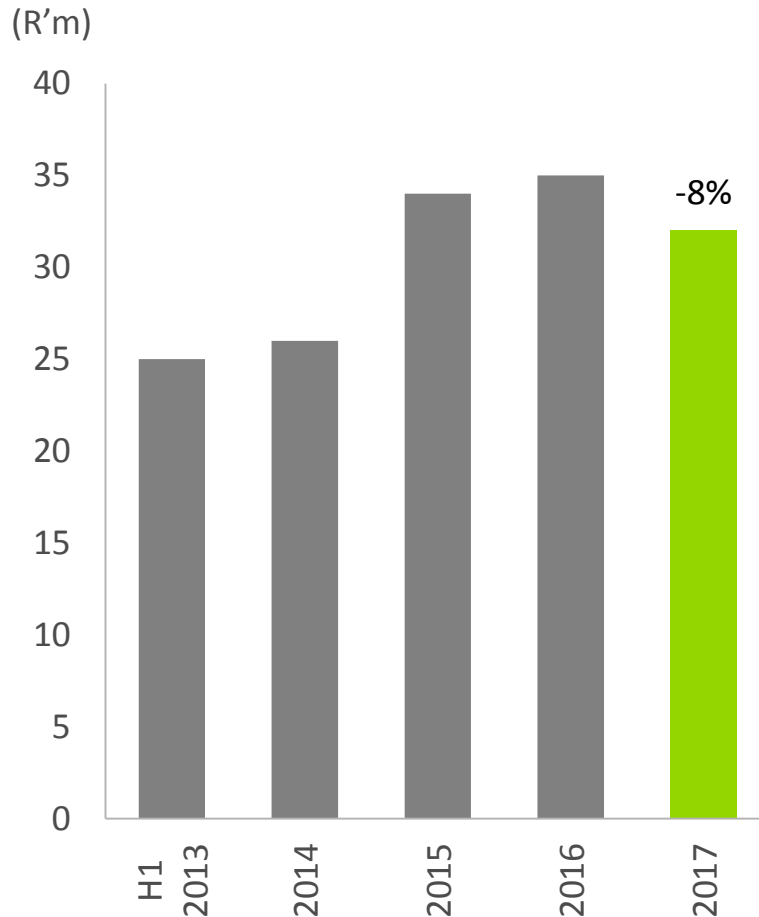
## 14% of total revenue in H1 2017

- Revenue ↓ 2% to R132m (H1 2016: R134m)
  - Equity derivatives revenue ↓ 7% to R84m. Number of contracts traded ↓ 29%; value traded ↓ 18%
  - Currency derivatives revenue ↑ 26% to R24m. Contracts traded ↑ 36%; value traded ↑ 15%
  - Interest rate derivatives and bonds revenue remains flat at R24m. Bond nominal value traded ↓ 12%; Interest rate derivative contracts traded ↑ 23%

## Strategic focus for H2 2017

- ITaC: Equity and Currency Derivatives trading platforms – revenue accretive
- ETP for government bonds
- Refinancing renewable energy
- New products: Infrastructure products, standard monthly expiries, shorter-dated products, hedging in low-conviction environments

# Capital Markets: Commodity Derivatives



## 3% of total revenue in H1 2017

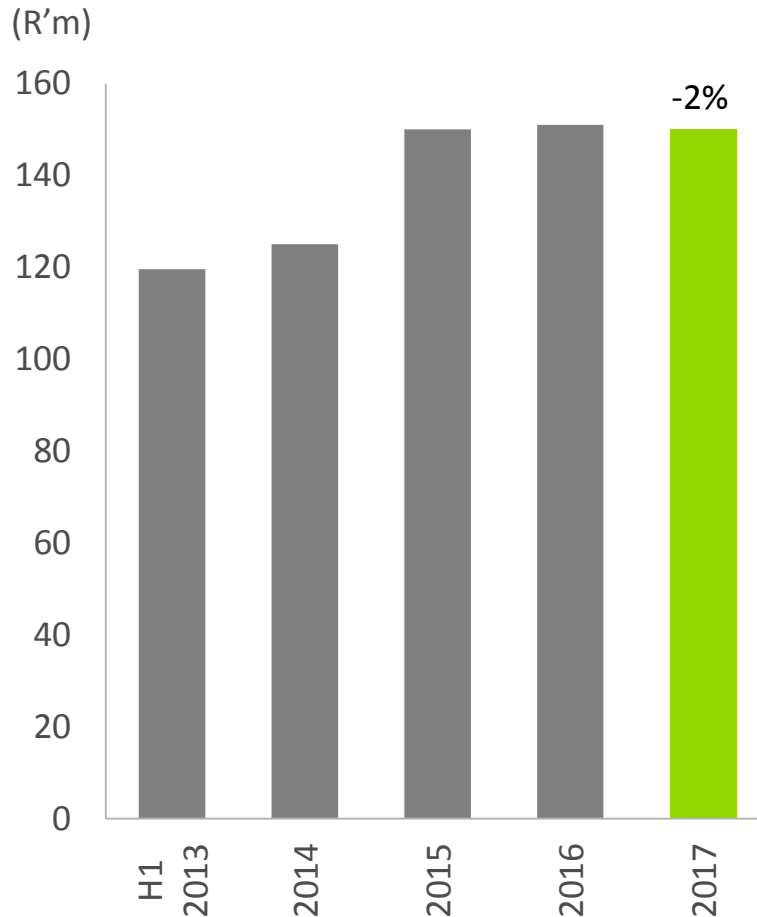
- Revenue ↓ 8% to R32m (H1 2016: R35m)
  - Contracts traded ↓ 20%
  - Value traded ↓ 48%
  - Open interest ↑ 27%
- Reduced trading activity in the grain products can be largely attributed to a global grain oversupply and a bumper local crop
- Launched: Soya bean crush futures contract; cash settled lamb carcass, merino wool, and feeder calf contracts

## Strategic focus for H2 2017

- Deliverable diesel contract



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



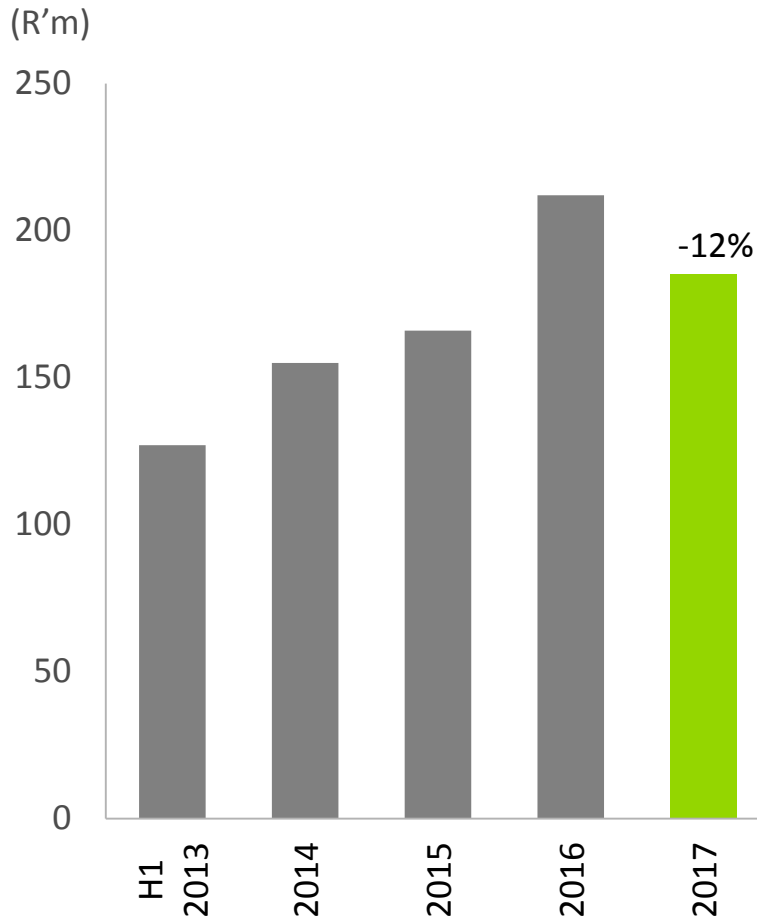
### 15% of total revenue in H1 2017

- Revenue ↓ 2% to R150m(H1 2016: R151m)
  - Follows Equity Market transaction volumes
- Further reduced BDA price point by 8% in January 2017

### Strategic focus for H2 2017

- Revision of the equity risk model

## Post-Trade Services: Equity Clearing and Settlement



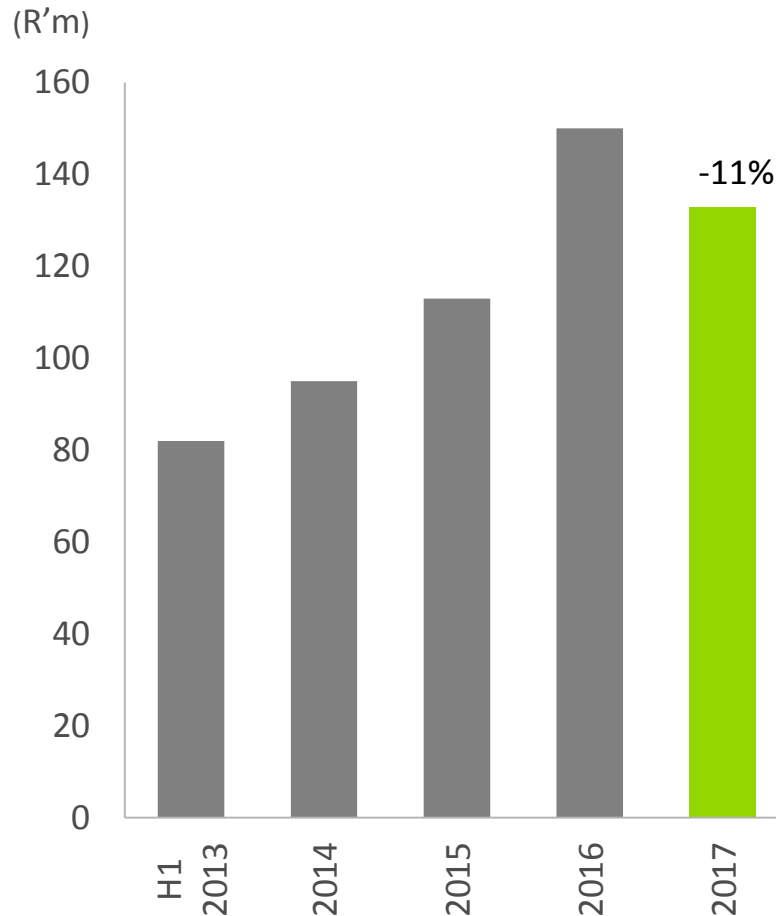
### 18% of total revenue in H1 2017

- Revenue ↓ 12% to R186m (H1 2016: R212m)
  - Reflects only Equity Market clearing fees
  - Follows Equity Market value traded

### Strategic focus for H2 2017

- ITaC: New clearing functionality for Equity and Currency Derivatives
- Revision of the equity risk model
- Securities collateral for derivatives markets
- Risk methodology revision for Interest Rate Derivative Market

## Information Services



### 13% of total revenue in H1 2017

- Revenue ↓ 11% to R133m (H1 2016: R150m)
  - Largely attributable to forex impact

### Strategic focus for H2 2017

- Diversify data products beyond equities (equity and currency derivatives with ITaC)
- Co-create data and analytics products that meet our client needs
- Enhance the indices range (property and fixed income) and create customised indices
- Launched new factor indices – 31 July

LOOKING  
AHEAD

## H2 2017: looking ahead

- Well positioned for the competitive exchange landscape
- Implement cost saving initiatives
  - s189A – implementation costs in the order of R40 million in H2 2017, the related savings of approx R100m will reflect from 2018
  - Technology cost optimisation – the related savings of approximately R70m will reflect from 2019
- ITaC project 1b and c: go live Q1 2018
- ETP for government bonds
- Navigating changes following the Twin Peaks implementation – we have adequate eligible capital to cover the known regulatory capital requirements
- Immediate aspects of our long-term growth strategy:
  - Post-Trade services: building blocks for an independent clearing house; margin efficiencies to bring cost relief to clients; client consultations on equities CCP
  - Information services: factor and bond indices
- Being a constructive participant in the SA Inc. dialogue

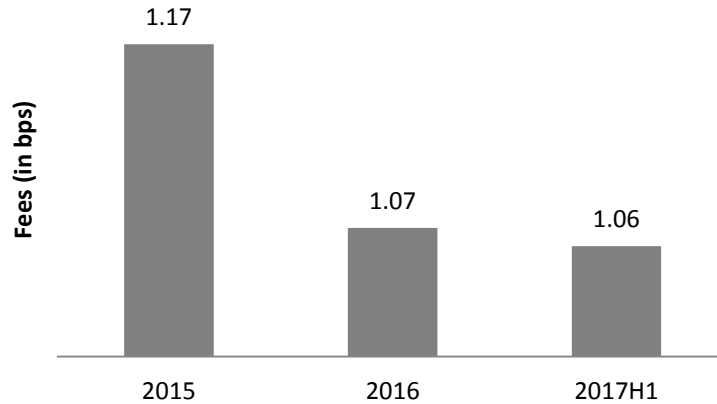
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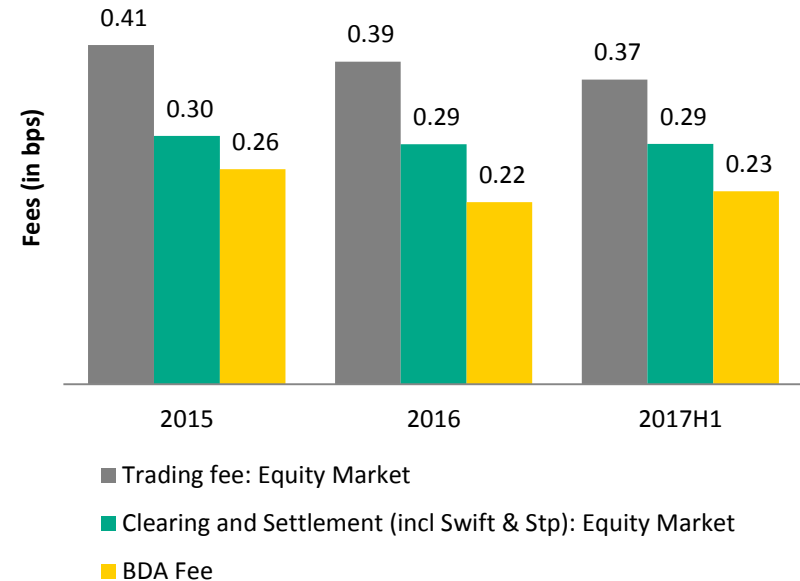
QUESTIONS

# Equity Market: JSE effective pricing trend

### JSE end-to end fees



### 3-year price trend

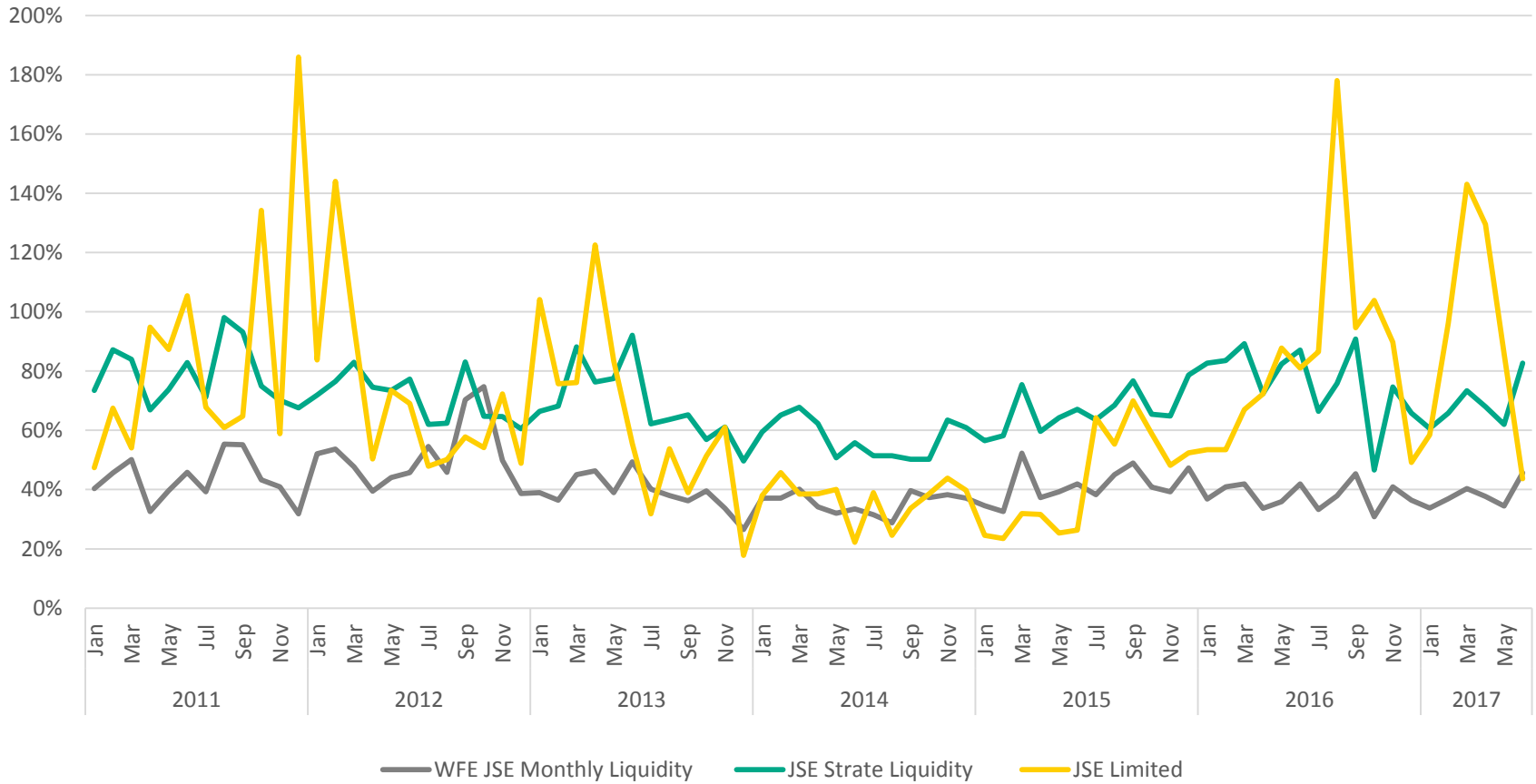


- 2013: End of a flat-fee-per-trade billing model. Introduced value based billing model for the trading fee
- 2014: Introduced value based billing model for the Clearing and Settlement (C&S) fee
- Fee caps on equity trading and C&S have been increasing with inflation over time

- 2015: BDA fee reduced by 20%
- 2016: Option Delta (OD) fee reduced to zero
- 2017: BDA price point reduced by 8%

# JSE Liquidity

Monthly liquidity: 2011 to 2017





## Financial metrics

	H1 2017	H1 2016	H1 2015	H1 2014	H1 2013
Operating margin	<b>41%</b>	47%	46%	43%	41%
EPS	<b>490.9</b>	599.7	503.9	389.4	341.9
HEPS	<b>488.9</b>	585.1	490.3	391.2	333.2
EBITDA	<b>511</b>	614	535	428	390