

Alternative Investment Options

JSE Junior Market

CAB 46th Annual Conference

Proactively Shaping The New Banking Era



OUR MISSION: "TO PROVIDE A FAIR, EFFICIENT AND TRANSPARENT STOCK MARKET"

ROLE OF THE STOCK EXCHANGE

Provides investors with a market where shares are traded & other financial securities are bought & sold

Gather the savings of the nation by bringing potential buyers & sellers together

Pass capital on efficiently & fairly

Attract primary capital & re-channel resources to productive economic activities

Provide option for financing



ADVANTAGES OF A STOCK MARKET

Long-term growth objective through access to equity capital

Future fund raising

Employee Commitment

Acquisition Opportunities

Higher Public Profile

Patient Capital

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ADVANTAGES OF A STOCK MARKET

Reassurance for Customers & Suppliers

Pushes Efficiency

Continuous Business Valuation

Improve capital markets ecosystem

THE MAIN MARKET - 5 QUICK FACTS



45 Companies, 58 Securities –
Over US\$600M raised in the last 10 years



Index up 35.88% YTD 2019
Index up 520% - 10 Year Period

Market Capitalization: US\$14.3B
Up 39.13% in 2019



Volume Traded - 36.35B
over the 10 Year Period

Value Traded - US\$3.5B over
the 10 Year Period



358,046 Transactions over the last 10 Years

THE JUNIOR STOCK MARKET - WHAT IS IT ABOUT?

Bringing Small/Medium size companies raising US\$500k - US\$5M to the Stock Market

Raise capital, reduce need for borrowing

Allow wider ownership of enterprises

- At least 100 shareholders
- May still be fairly closely held – 80% max

Facilitate secondary trading – entry/exit of investors

TYPES OF COMPANIES ON THE JUNIOR MARKET

Mix of existing small & medium sized with some new companies (start-ups)

None related to companies that are already listed

Participating Equity Capital between US\$500K and US\$5M each, raised largely on strength of prospectus via IPO

JSE-approved Mentor for each Board of Directors

Can eventually “graduate” to main exchange

JUNIOR MARKET STATISTICS – LISTINGS BY SECTOR

Financial: 4
Companies

Retail/Distribution:
11 Companies

Manufacturing:
10 Companies

Insurance: 3
Companies

Leisure: 3
Companies

Services: 7
Companies

Education: 1
Company



BENEFITS TO LISTED COMPANIES

Effective avenue for raising money

Higher profile and market visibility

Wealth creation and distribution mechanism for shareholders: estate planning, etc.

Constant pricing mechanism for the company

No taxes on share transfer

Junior Market = 10 years of tax concessions!

REGULATORY ENVIRONMENT

Securities publicly traded

Regulated under the Securities Act, JSE JM Rules

Anyone may buy shares

Public interest in profits, plans, mgmt, etc.

Information disclosure requirements

- Quarterly accounts; annual audits; notice of mgmt changes, large investments, general meetings, dividends; etc.

GOVERNANCE MATTERS



Board of Directors



Audit Committee (Majority non-independent directors)



Remuneration Committee



Mentor



TAX CONCESSIONS



Capital Gains Tax Rate throughout = ZERO



5 years Corporate Tax Rate = ZERO



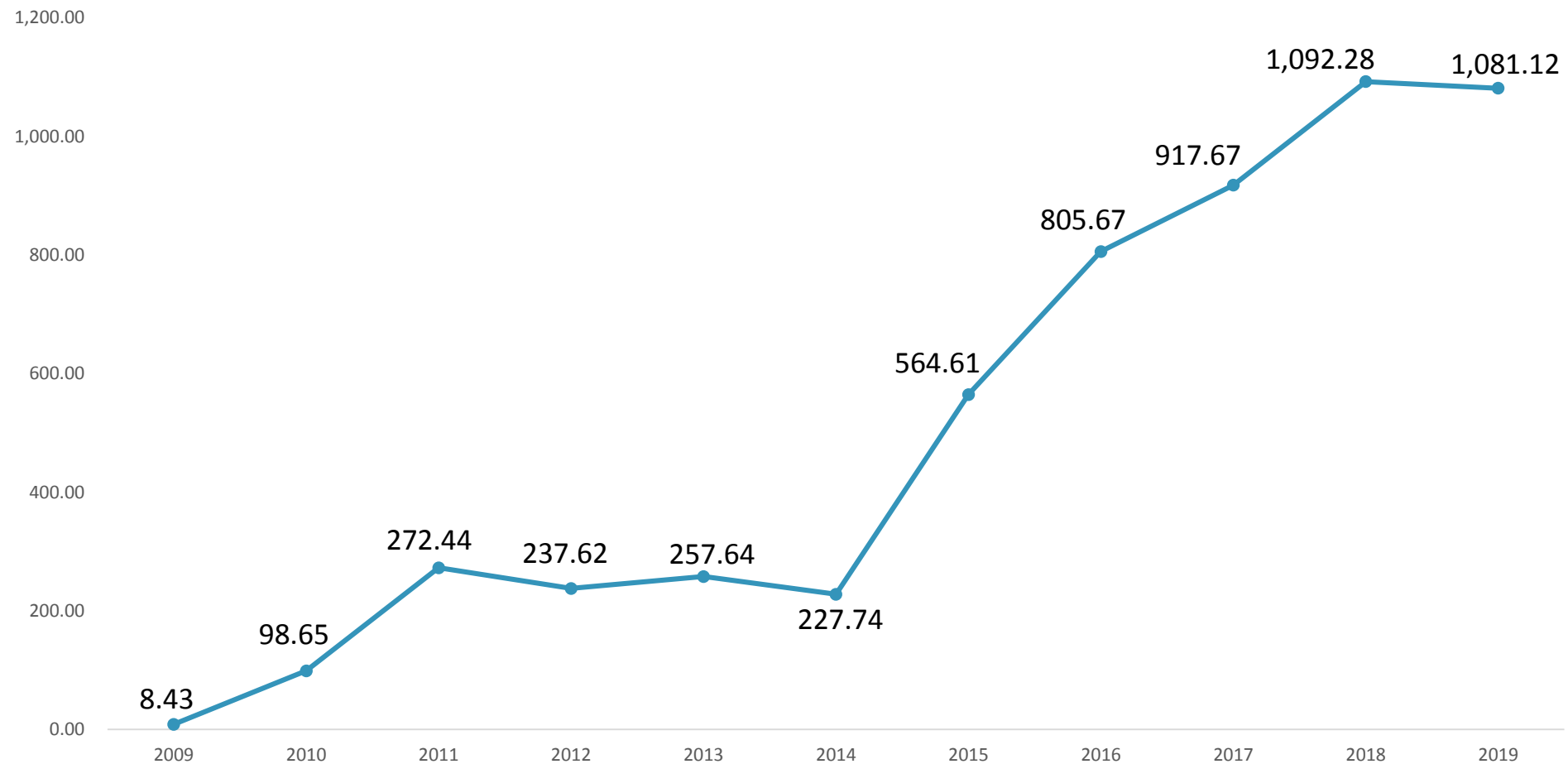
Next 5 years 50% Corporate tax applies



Full Corporate tax applies
after 10years

Company that benefitted must
stay listed at least 15 years

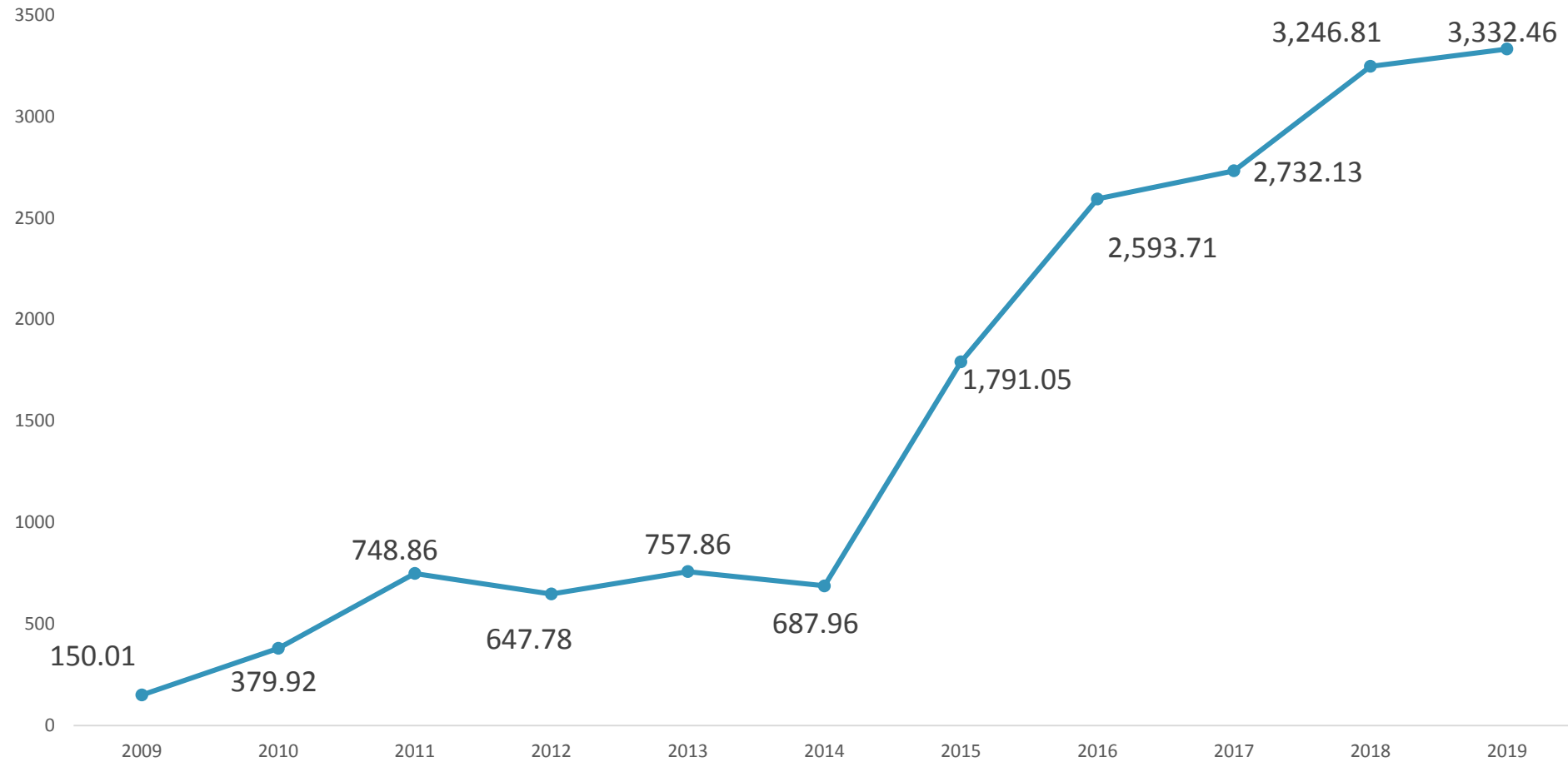
Market Capitalization (USD Million)



JUNIOR MARKET STATISTICS - MARKET CAP 2009-2019 IN US\$

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Junior Market Index



JUNIOR MARKET STATISTICS - INDEX PERFORMANCE 2009-2019

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Year	Average Price Appreciation
2009	19.62%
2010	19.04%
2011	85.40%
2012	-12.77%
2013	13.37%
2014	-13.98%
2015	145.69%
2016	85.46%
2017	28.84%
2018	34.61%
2019	3.25%

**JUNIOR MARKET
PERFORMANCE BY
COMPANIES -
SECURITIES PRICE
APPRECIATION 2009-
2019**



WHY THE JUNIOR MARKET?

Better management/utilization of leverage

Reduced (fixed) cost vs. loan interest

All the benefits of regular listing, plus

Reduced (50%) JSE listing fees

Reduction in other costs for listing

- Standard prospectus and other documents
- No newspaper publishing requirement
- Negotiable lead-broker fees

Governance standards are good for business

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ACHIEVEMENTS OF COMPANIES LISTED ON THE JUNIOR MARKET



40 Companies raised over \$7.63 billion in equity raise



Companies raised additional capital of 3.6 billion



Companies have been able to retire debt, expand their building capacity, expand their customer base by exporting to the Caribbean, Central America and North America and create new product



Over 1,800 number of jobs created



19 companies have recorded revenue of over US\$5 million in Financial Year 2018; 8 companies recorded over US\$10M and 1 company recorded over US\$100M

ACHIEVEMENTS OF COMPANIES LISTED ON THE JUNIOR MARKET

1 Company
migrated to
Main Market

26 Companies
paid dividends

19 Companies
have borrowed
since listing



CONCLUSION

Junior Market Companies as alternative investment option –positive returns for investors

Sound and strong governance drives productivity & sustainability

Promote Capital Market Development and ease of capital raising & loan financing

Positive for tax & estate planning

Win-Win for business, investors & economy