net cash balance of R2.1bn — which should comfortably sustain the JSE's dividend regime and allow it to pursue revenue-diversifying growth opportunities.

In terms of the immediate strategic focus, the JSE is pressing ahead with its private placements market (which could capitalise on the healthy private equity sector) and inroads have been made in listing social bonds as part of an effort to build a sustainability segment.

A more immediate impact at bottom line, however, may be felt from the new JSE Investment Services (JIS), which will build annuity streams from its registry services and variable revenue from corporate actions.

The JSE bought 74.85% of Link Market Services in November 2020 for around R225m, and snapped up the remaining stake for R75m in June this year.

Link SA ranked as the second-largest share registry business in SA and boasts a client base that includes six of the top 40 issuers. Newly formed JIS offers mainly transfer, secretarial and registry services as well as treasury services (like calculating and managing the payment of dividends and distributions for companies) and corporate actions (planning and managing rights issues, elections and dividend payments on behalf of companies).

Fourie says JIS currently holds a 20%-25% market share, but expects to grow this markedly with new clients already secured and a strong pipeline of new business possibilities. "We are taking a growth lens to this business and intend growing market share, which will make a material difference to revenue," she says.

There are new opportunities for JIS as well. These include asset reunification and share register clean-ups as well as share register analytics, BEE training and extending the offering by administering executive share schemes.

Taking a view that sentiment for the JSE Ltd can't go much lower and that the group can easily endure a few more years of leaner activity, longer-term investors would do well to keep a closer watch.

At around R100 there could be a good opportunity to snatch a slice of a financial services group that — despite the emergence of a handful of new (but small) stock exchanges in SA — effectively still enjoys a monopoly.

Even though it may seem optimistic at this point, the benefits of a friendlier regulatory environment in the mining sector (which could resuscitate the once-vibrant mining exploration segment) and a long overdue re-rating of the small and mid-cap sector (perhaps courtesy of more international entities swooping in on bargain counters) could be huge swingers for the JSE in the medium term. x

PROSUS IN-DEPTH

Food for thought

Naspers, through its subsidiary Prosus, holds e-commerce assets valued at $39bn (excluding China's Tencent). That is three times the size of Sasol's market cap. This article on food delivery is the first in a series on the business segments Naspers is betting hundreds of billions of rands on for the future

TJ Strydom

It started eight years ago with a $2m punt on iFood, Brazil's meal-ordering platform.

Back then, half the orders were sent in by fax and the business was mostly servicing São Paulo, says Larry Illg, who runs the Prosus food delivery segment.

But a bigger pot was simmering thanks to the steady increase in the power of smartphones — which were soon able to run apps that put an entire city's pantry in the palm of the consumer's hand.

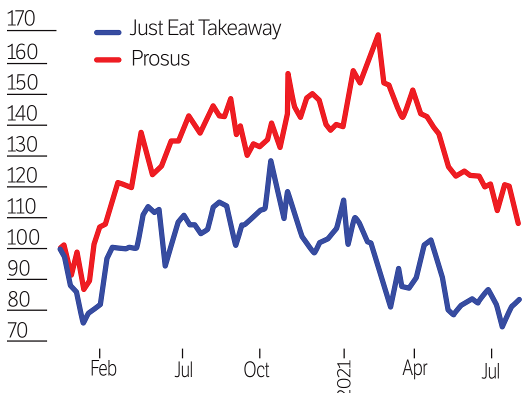
So Naspers started throwing serious money at the opportunity.

Since then, it has invested more than $5.5bn in companies that span 69 markets, servicing thousands of cities. And apart from SA's Mr D, a relatively modest business, Naspers holds all its food delivery assets through a 72% stake in Prosus, the Amsterdam-based entity it listed in 2019.

At this stage the assets churning much of the business are iFood, Delivery Hero (listed in Germany) and Swiggy (India), which Prosus now values at $15bn together. (As with most things Prosus and Naspers, there is a Tencent disclaimer: this number does not include indirect exposure to Chinese food delivery leader Meituan, in which Tencent holds 17%.)

TASTY

Prosus vs Just Eat Takeaway – weekly
Based to 100



Source: Infront

The valuation is mostly based on the models and opinions of sell-side analysts and, for all its ills, the pandemic has boosted technology stocks, so there could be some fat in there. Still, these are staggering numbers in SA terms — $15bn is more than the market cap of Impala Platinum, for example. And food delivery has been a star performer for Prosus, recently.

The segment grew orders 52% and revenues 98% in the year to end-March. That is on top of a 127% increase in revenue the previous year. And the latest set of annual results shows trading losses shrinking by nearly half to $355m as the business benefited from its increasing scale.

"A consistent trend for these companies has been significantly increasing revenues but compressing margins," says Argon Asset Management analyst Dudu Tembo.

"The challenge for investors is that a lot of cash has been burnt in growing these businesses and we are still waiting for profitability," she adds.

The losses show that Illg and his team still have some alchemy to perform, turning lead (or