

**Market data**

EPIC/TKR	<b>TISEG</b>
Price (p)	<b>1,850</b>
12m high (p)	1,850
12m low (p)	1,575
Shares (m)	2.84
Mkt cap (£m)	52
EV (£m)	43
Free float*	70%
	Guernse
Country of listing	Y
Currency	GBP
Market	TISE

\*As defined by AIM Rule 26

**Description**

TISE is a regulated exchange specialising in listings. It is looking to expand its business by growing its share of the bond listing market and has launched a new market for private companies. It has a strong balance sheet and is highly cash generative. It is listed in Guernsey.

**Company information**

CEO	Cees Vermaas
CFO	Andrew Watchman
Chair	Anderson Whamond
	+44 (0)1481 753000
	<a href="http://www.tisegroup.com">www.tisegroup.com</a>

**Key shareholders**

MIH East Holdings, Ltd	29.5%
Bailiwick Investments Ltd	10.6%
Carey Olsen Corp Fin Ltd	8.7%
M Thistlethwayte	7.0%
Pula Investments Ltd	5.3%
D & L Ozanne	4.6%
FLA Le Poidevin	3.5%

**Diary**

Mar'25	Final results
Sep'25	Interim results

**Analyst**Jason Streets [js@hardmanandco.com](mailto:js@hardmanandco.com)**THE INTERNATIONAL STOCK EXCHANGE****Strong bounce back continues**

The International Stock Exchange (TISE) had an excellent half year to June 2024: revenue was up 22% to £6.4m and fully diluted EPS +27% to 105p. The second interim dividend was raised 67% to 75p, reflecting the new, higher payout, dividend policy. The performance, once again, demonstrates the strength of the business, this time against a background of more active markets. We have raised our forecasts: 2024 EPS goes to 191p, from 182p; and 2025 to 232p from 219p. Our valuation range rises proportionately to £87m-£91m, with a central value of 3,000p per share.

- **Strategy:** TISE specialises in listings that are sought for technical reasons, typically to ensure tax advantages or lower costs, while still being on a recognised exchange. It is home to one of Europe's leading professional bond markets, and is always looking to expand its range of products and geographical source of clients.
- **Highlights:** There was strength pretty much across the board, with new listings up 18% to 444; total listings are 4,371, with a market value of £708bn. TISE is bigger than ever. Listings growth was boosted by fee increases from Jan'24. We believe these are very sustainable as listing fees are a modest part of total listings cost.
- **Valuation:** There are no directly comparable listed exchanges with the same business model; other listed exchanges have earnings models based on trade execution and market data. We have used a DCF model, with a 12% discount rate, to reflect regulatory uncertainty. Our derived central value is £90m (up from £79m), or 3,000p per share, fully diluted, with a range of £87m-£91m.
- **Key risk:** The impact from rule changes initiated by the UK Treasury, and implemented in 2022, has been less severe than initially anticipated. Possible future regulatory changes in the UK or the EU pose the biggest potential threats to the competitiveness of TISE's offering. Otherwise, the business, inevitably, is exposed to the health of financial markets generally.
- **Investment summary:** TISE continues to expand its customer base; with a strong track record, good cash generation and a robust balance sheet, we believe it is well-placed to diversify revenues and continue to trade profitably. The progress shown in 1H'24 demonstrates the strength of the business model, in our view. Investors will enjoy another significant interim dividend: 75p (XD 26 September).

**Financial summary and valuation**

Year-end Dec (£000)	2020	2021	2022	2023	2024E	2025E
Sales	8,362	9,954	9,977	10,830	12,600	13,500
EBITDA	3,817	4,987	4,261	4,629	5,504	6,860
Reported EBIT	3,769	4,903	4,156	4,524	5,400	6,750
Reported PTP	3,801	4,916	4,261	4,959	5,670	6,890
Net income	3,622	4,750	4,121	4,866	5,550	6,750
Underlying EPS (p)	128	168	146	171	195	238
Fully diluted EPS (p)	128	167	143	170	191	232
Net (debt)/cash	10,748	13,431	10,259	12,857	9,497	12,450
DPS (p)	50	80	82	90	120	140
P/E (x)	14.4	11.0	12.7	10.7	9.4	7.7
EV/EBITDA (x)	10.9	7.8	9.8	8.5	7.8	5.8
Yield	2.7%	4.3%	4.4%	4.9%	6.5%	7.6%

Note: excludes 200p special dividends paid or declared in 2019, 2022 and 2024

Source: Hardman &amp; Co Research

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## Review of 1H'24

**Strong 1H'24, with revenues +22% and EPS up 27% in more helpful markets**

TISE had a very strong half year with revenues +22% and fully diluted EPS +27%, driven by an increase in new listings and higher annual listing fees. The number of new listings was up to 444 (1H'23: 375). We have slightly scaled back our forecast for new listings for the full year (to 1,000 from 1,100), but this is more than offset by the higher fees. Our FY'24 revenue forecast rises from £12.2m to £12.6m

Net new listings were +109 (1H'23: +120), taking the total number of listings to 4,371 an increase of 5.6% since June 2023. The total value of all listings rose to £708bn. TISE last raised its fees in October 2022 and it raised them again as of January 2024. A straight average of the semi-annual listing fee came out at £886 in 1H'24 compared with £790 in 1H'23, a 12% increase. This number can be easily distorted by mix changes (the increase over 2H'23 was only 5%), but it gives an indication of the direction of fees.

TISE paid out a 45p interim dividend in March 2024 and announced a further 75p to be paid in October. The increase was driven not only by higher earnings but also by a change in dividend policy. TISE has determined to pay approximately 70% of post-tax profits as dividends, recognising the strength of the balance sheet (net cash and investments at the half year-end of £9.3m after paying nearly £7m of dividends in the half year) and the strong cash generation of the business.

From the beginning of 2020, when the share price was 650p, to the end of October, TISE will have paid out ordinary dividends totalling 372p, and special dividends of a further 400p (including those just announced). And the (quoted) share price is currently 1,850p (including the entitlement to the 75p dividend). That is a truly remarkable return, in our view.

The company recognised that the difficult market conditions which inhibited transactional activity in 2022 and 2023 had largely passed, but it commented that "it was too soon to discount the possibility of further political or economic shocks". The greater diversity of the business leaves TISE more robust in a downturn but also well placed to benefit from improvements in multiple different markets and geographies.

## Operating performance

TISE’s longer-term performance has been impressive, with revenue growing from £4.1m in 2015 to £10.8m in 2023, representing a CAGR of 13%. Our forecasts for 2024 and 2025 maintain that rate. Costs have grown at only 9% p.a., allowing operating profits to increase from just above breakeven to £4.5m in 2023 and, we forecast, £5.4m in 2024 and £6.8m in 2025.

TISE’s operational performance, 2015-25E (£m)

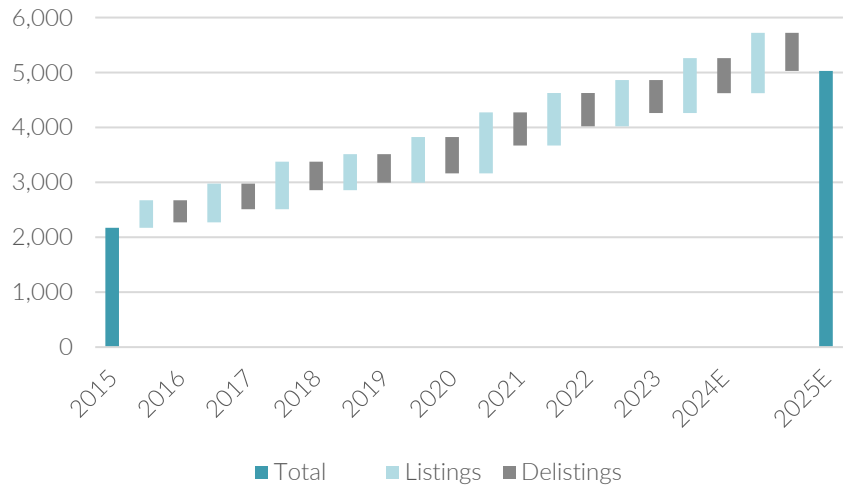


Source: TISE, Hardman & Co Research

### Growth driven by continued new listings

The growth has been driven by new listings, which continued strongly as the previously unhelpful conditions eased. There was a dip in 2019, which we believe was caused partly by the extension of Quoted Eurobond Exception (QEE) rules to multilateral trading facilities (MTFs) and to pre-Brexit market hesitancy. Then the market meltdown in 2022 saw the number of new listings fall significantly from 1,111 in 2021 to 956 in 2022 and to 846 in 2023. After 444 new listings in 1H'24 we are now forecasting 1,000 for the full-year 2024 and then 1,100 for 2025 – roughly back to the level of 2021.

Listings on TISE, 2015-25E



Source: TISE, Hardman & Co Research

Market backdrop

The background to this performance has been a sustained recovery in the market for new securities issues following the collapse in 2022, in the face of the unprecedented rise in interest rates. As an example, the number of euro-denominated, high-yield bonds issued fell by 59% in 2022, having risen by 46% the year before.

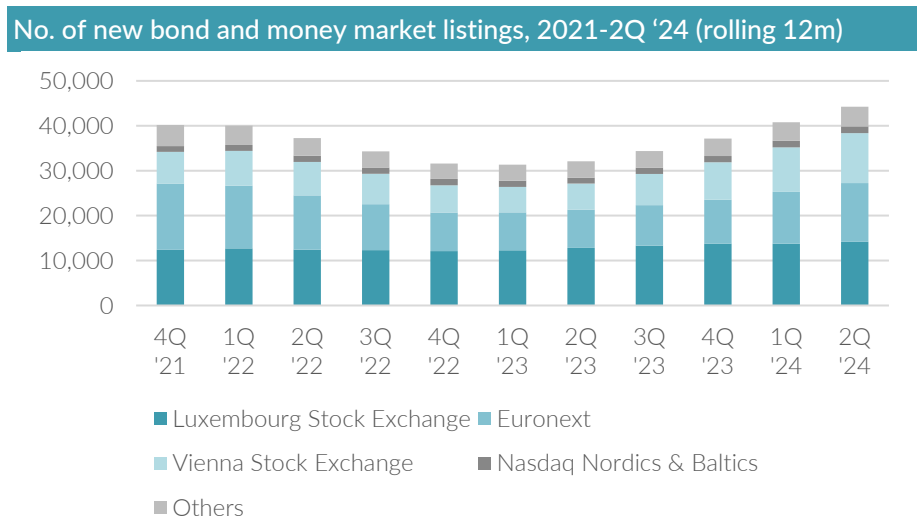
Euro-denominated high-yield volume (\$bn), 4Q'18-2Q'24 (rolling 12m)



Source: Dealogic

In 2023, they rebounded 69% to 161, still well short of the peak 233 issues seen in 2021. By the end of June 2024, the rolling 12-month total had risen to 199 (43% up on a year earlier, but still 15% below the peak). The value of these new issues rose to \$88bn from the trough of \$31bn in 2022 and peak of \$134bn in 2021.

Against this background, TISE performed strongly. There were 73 new high-yield bonds listed on TISE in 2023, 43% more than 2022. In the first half alone of 2024, there were a further 64 high-yield bonds listed, nearly three times as many as the 22 in 1H'23. With a record 451 high-yield bonds on TISE in total, it has retained its position as one of the leading exchanges in Europe for listing high-yield bonds.



Source: FESE

High-yield bonds are a particularly strong area for TISE, but the impact of the changed interest rate environment was felt across all instrument classes. The Federation of European Stock Exchanges (FESE), which represents 35 exchanges – including Euronext, Luxembourg and Nasdaq (but not the London Stock Exchange) – reported issuances of listed bonds and money market instruments down 21% in 2022, a bounce in 2023 (up 18%), but still 8% below the number 24 months earlier. That recovery has continued strongly into 2024 with the number of listings up 19% in the 12 months to June 2024 compared with the total for 2023. It is now 10% above the 2021 peak.

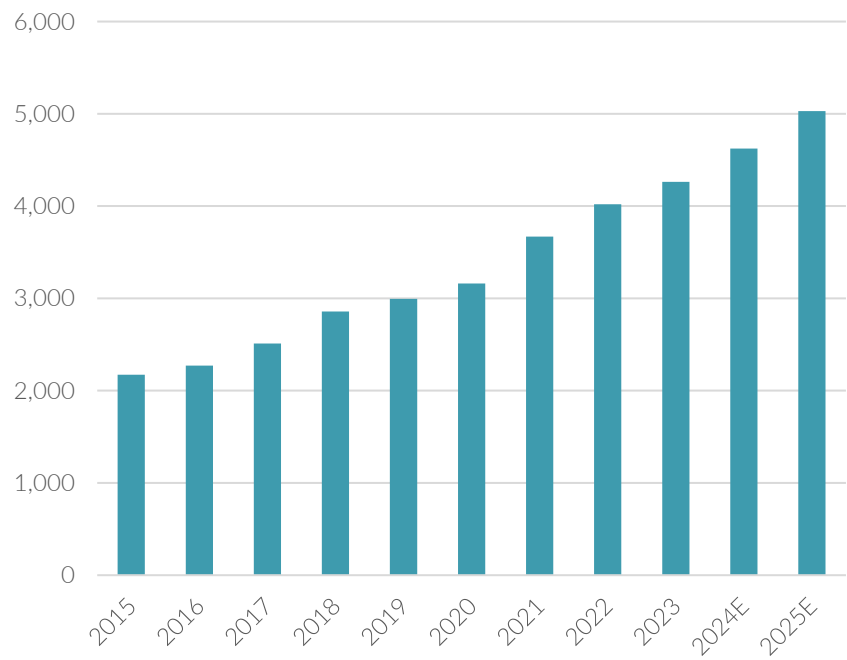
The securitisation market has not been so strong, but TISE has been growing its status as a listing venue for securitisations, with 503 separate listings as at June 2024 (up from 497 in June 2023) with 62 new issues in the first half.

The relative resilience of M&A activity and the value of the familiarity of the TISE listing process helped maintain listing volumes, especially in the private equity debt sector. There were 147 private equity debt securities newly listed during 1H'24, taking the total number on the market by to a record 1,995 at the half year-end (1H'23: 1,854). The private equity sector, generally, remains relatively strong with a significant amount of capital still to be deployed, and TISE remains a leading venue for the listing of securities related to these transactions.

**Total listings continue to grow steadily**

Whatever the *rate of growth*, TISE's strength is the consistent *increase* in the number of listings, which has grown from 2,173 in 2015 to 4,020 at the end of 2022, 4,262 as at December 2023 and 4,371 at the end of 1H'24: a CAGR of 8%. We are forecasting 4,623 at the end of 2024, a continuation of that trend.

TISE's total listings at year-end, 2015-25E



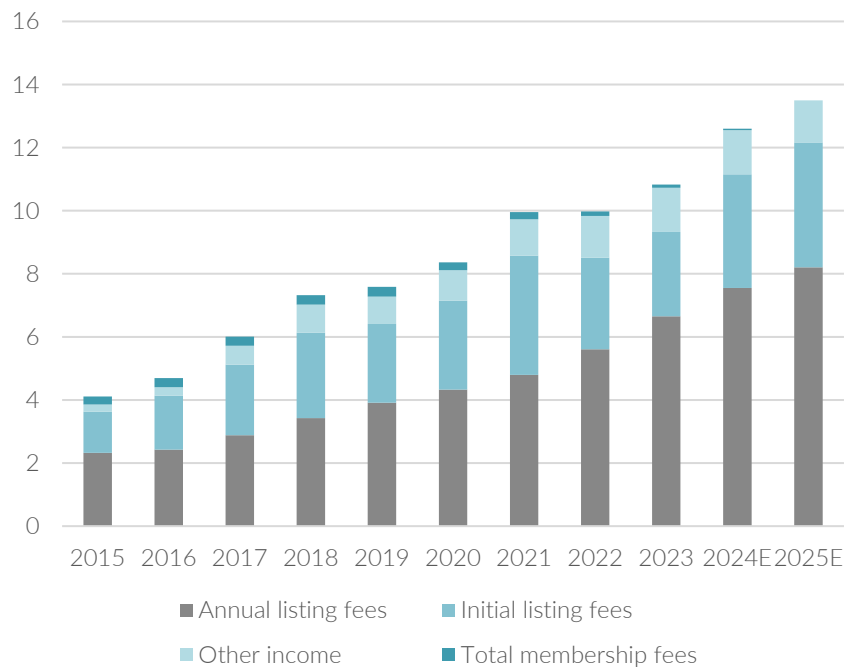
Source: TISE, Hardman & Co Research

## Revenue

In 2023, 86% of TISE’s revenue came from listing fees. In the first half of 2024, that figure was 87% – this is a very consistent business. There are two principal listing fees: the initial listing fee, when an issue is first admitted to the Exchange, and an annual fee, payable annually while it is still listed. The average initial listing fee was £3,000 in 2022, rising to £3,170 in 2023 and again to £3,958 in 1H’24. The 2022 average annual fee was £1,400; that rose to £1,560 in 2023 and an annualised £1,770 in 1H’24.

In 2023, annual listing fees made up 62% of total revenues; in 1H’24, it was 59% as the number of new listings rose.

**TISE’s income sources, 2015-25E (£m)**



Source: Hardman & Co Research

TISE introduced some price increases in October 2022 and some further ones in January 2024. The fees remain competitive and, in the context of the total costs of issuance, are relatively trivial.

## Membership

The revenue from members’ fees is now *de minimis* (it was £38,000 in 1H’24). In 2021, the number of members increased for the first time since 2018, as TISE actively courted international law firms – for example, firms involved in securitisation listings to help drive diversification in new business. The number grew again in 2022, to 43 and again in 2023 to 44 with the first new member from Bermuda and a new member in Jersey, offsetting one loss. The success in growing TISE’s membership has been driven largely by the simplification of the application and on-boarding process. TISE guarantees a maximum three-day review period for new membership applications. TISE has also been revising its rulebook in consultation with its members to streamline and simplify the process to become a member and maintain membership.



## Geographical source of revenue

The geographical source of fees continues to be dominated by the UK, which accounted for 58% of total fees in 2022, 2023 and 1H'24. Guernsey, Jersey and the Isle of Man represented a further 14%, and the balance came from Europe and across the world. In 2023, 25% of TISE's QIBM (Qualified Investor Bond Market) listing business originated from the EU, including France, Germany, Ireland, Luxembourg and The Netherlands. TISE also mentioned North America as 3% of new listings came from the US and Canada. TISE is beginning to demonstrate success in delivery of its international diversification strategy, but the UK remains the most important market.

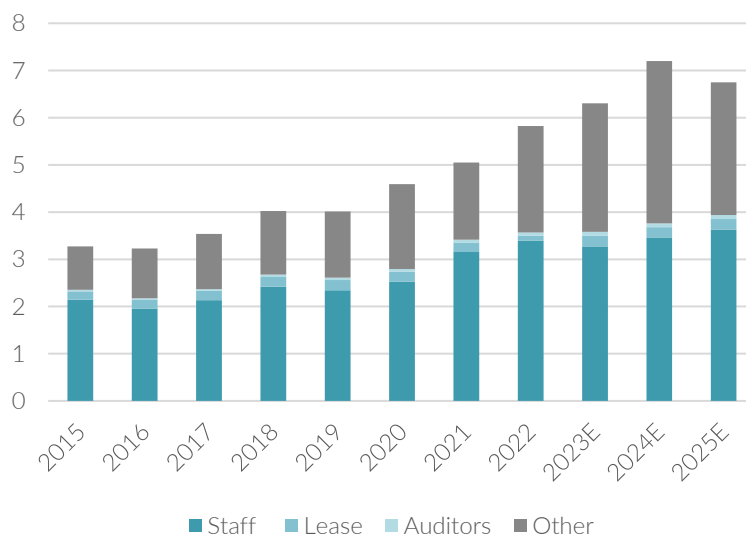
## Costs

Shape of costs to remain steady going forward

The largest portion of costs is staff, which accounted for 52% of total costs in 2023; we expect this to fall just below 50% in FY'24 as "other" costs rise faster.

We are expecting costs to change over the next two years as money is invested in and expensed on systems, for example to enhance the private markets offering. We expect costs will grow 14% in 2024E to £7.2m and fall back 6% to £6.75m in 2025E, as the IT investment programme completes. With operating margins consistently above 40%, even in a slightly tricky year like 2022 and a higher cost year like 2024E, this is a highly profitable business. Operating margins held steady at 42% in 2023 (from 42% in 2022 and 49% in 2021), and we are expecting margins of 43% in 2024E and then 50% in 2025E.

TISE's costs, 2015-25E (£m)



Source: Hardman & Co Research

## Efficiency

Efficient operations are key to TISE's appeal to potential clients. It already operates a 3+1 system – that is, within three days of receiving an initial listing submission that meets the minimum information requirements, TISE commits to responding with a comments letter. For each subsequent review, it promises to respond within a day. TISE has gone one better with its CLO business promising 2+1. This is best-in-class performance.

It also has a TISE "Passport": a pan-European fast-track listing service available for those bond programmes already approved by a national, competent authority within

the EEA or the UK. TISE accepts a pre-vetted bond programme where it has been “wrapped” with its templated “TISE Passport Letter”. The completed TISE Passport Letter and corresponding bond programme together constitute a TISE Passport programme for the purposes of listing final terms on TISE. No fees are payable to complete the initial TISE Passport application; thereafter, a fee of £1,000 is payable per bond listed.

## Developments

### Private markets

TISE has developed a new, third option for unlisted companies to enjoy some of the benefits associated with a listing or PE funding but without strict regulations or loss of control for the issuer. TISE Private Markets provides a safe and efficient platform to facilitate trading between shareholders and investors in private company shares.

Companies have full control of a dedicated marketplace, through which they can access not just auction trading but also seamless electronic settlement (T+0) and share register management solutions. There are over 19,000 companies in the UK with more than 100 employees – this is TISE's target market.

Launched in April 2023, TISE announced in August that the first company to join its private market was Blue Diamond Ltd. It is expecting to attract 50 new clients within five years.

As a client of the private market service, Blue Diamond has access to a bespoke auction model, which focuses liquidity, a tailored auction algorithm to protect pre-emption rights, seamless electronic settlement of cash and shares, and online tools for simple management of share transfers and shareholder records. Since September 2023, it has held successful monthly auctions and had excellent feedback from management and shareholders on the service.

TISE has had an intense period of marketing and developed a pipeline of prospective new clients. The CEO, in his [report](#), said that he was "looking forward to seeing this hard work come to fruition soon".

### Sustainable finance

TISE launched TISE Sustainable in 2021 to cater for environmentally and socially sensitive listings, including green bonds, sustainability-linked bonds and transition bonds.

By the end of 2023, there were £20.5bn-worth of securities supporting environmental, social and sustainable initiatives listed on TISE, a notable increase on the £14bn at the mid-year stage. This rose to £23bn by the half year-end, including two new listings from VMED O2 (a joint venture between Virgin Media and O2) and Purmo Group, a Finnish manufacturer and provider of indoor climate products.

### Regulatory threats

The rules governing securities are both TISE's strengths and weaknesses. Their existence drives issuers to look for regulated exchanges on which to list, but they can be changed at any time. Possible regulatory changes in the UK or the EU pose the biggest potential threats to the competitiveness of TISE's offering.

For example, the UK government introduced a new regime for the tax treatment of asset holding companies in alternative fund structures in 2022, but the impact of these rule changes on TISE has been less severe than initially anticipated.

To restrict the new rules solely to legitimate investment vehicles, the definitions and qualifications had to be very tightly drawn. It proved simpler to list on a recognised exchange like TISE because it is not always clear whether a vehicle will qualify under the new rules, and the legal and tax advice required could be as costly as any savings achieved. Furthermore, there were ongoing requirements to prove that the holding company still qualified – an unattractive proposition for issuers looking for simple

UK regulatory changes have had little discernible impact so far

## The International Stock Exchange

and cheap structures. For these reasons, the new regime had very little effect, in our view.

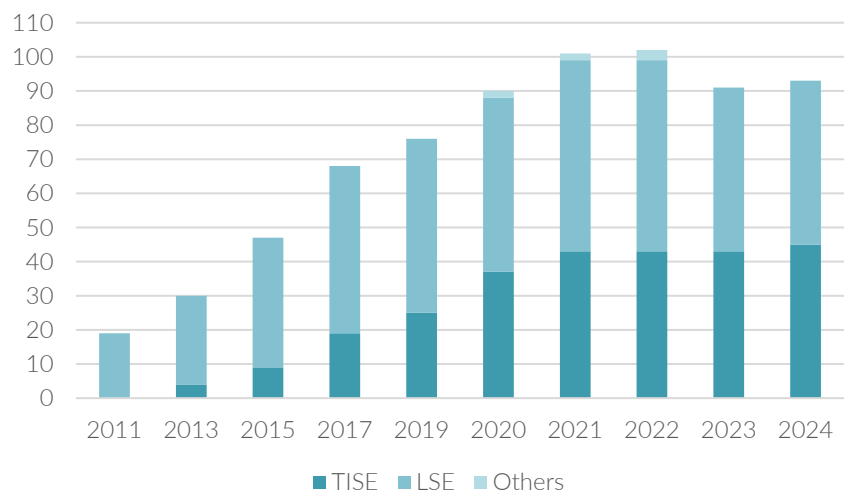
In the March 2023 budget, several changes to the qualifying asset holding company (QAHC) regime were published and came into force in July 2023. The Treasury was clearly keen to make the rule changes effective. While it is slightly concerning, from TISE's point of view, to see the Treasury's willingness to adjust the rules to try to ensure that more of this business is conducted "onshore", none of the changes make TISE's offer less attractive and it remains a well-known, proven, easy solution. The changes have little discernible impact so far, but further changes in the rules cannot be ruled out.

### REITs

REIT rule changes have had no obvious impact on TISE's business, and there continue to be new listings

REITs are specialist property investment vehicles that provide exemption from corporation tax on profits and gains from their UK-qualified property rental businesses. In return, UK REITs are required to distribute at least 90% of their taxable income for each accounting period to investors, where the income is treated as property rental income, rather than dividends.

Number of UK-listed REITs, 2011-Jun'24



Source: TISE

For REITs that want a diverse ownership, liquid trading in their shares and, consequently, using the listing to raise further capital, the London Stock Exchange (LSE) appears more suitable than TISE. However, many REITs are tightly held, long-term investments, where trading is very much a secondary consideration, and the rules and expense of the LSE are unattractive. These factors have provided TISE with an attractive reputation as an alternative listing venue for such REITs.

In 2022, the UK government removed the listing requirement on the condition that at least 70% of the shares are held by institutional investors. Nevertheless, TISE had nine new listings in 2023, up from five in 2022, so the market clearly remains active. There were a further two new listings in the first half of 2024. TISE, with 45 listed REITs, is now nearly as large as the London Stock Exchange, which was down to 48 at the end of 2023 and we believe is lower today.

### *Resilient business model*

Overall, TISE has proven to be a very resilient business model, despite the various regulatory changes that occur from time to time. Not being dependent on trading also means its revenues are not so sensitive to market conditions.

### **Major shareholder**

On 11 April 2023, TISE reported that Miami International Holdings (MIH), which owns the MIAX Exchange Group, The Minneapolis Grain Exchange, The Bermuda Stock Exchange and Dorman Trading, had bought 14.96% of the issued share capital via a UK subsidiary. It was reported to have paid 1,525p per share for its 14.96% stake in an off-market transaction. To acquire 15% or more, it first had to obtain prior consent from the Guernsey Financial Services Commission. It was duly announced, on 22 September 2023, that it had done so, and, on 3 October 2023, it was announced that it had acquired the whole of Moulton Goodies' stake (335,430 shares) at a price of 1,800p. That took MIH's interest to 760,430 shares or 26.77%. In July 2024, it announced that it had added a further 76,602 shares to take its interest to 837,032 shares or 29.46%. It appeared to pay 1,600p for this last tranche.

MIH filed a confidential registration statement with the SEC relating to a proposed IPO in May 2022. There has been no further public information on its intent to list. It has made a series of acquisitions and is very much in a growth phase.

## Financials

### Income statement

Key driver of revenue forecasts is number of new listings per year

The key driver of our revenue forecasts is the number of new listings each year. We have assumed that there will be 1,000 in 2024E and 1,100 in 2025E. We have further assumed average initial listing fees of £3,600 and annual fees of £1,700.

TISE is phasing out membership fees by the end of 2024. Total membership fees in 2022 were only £145k and £101k in 2023; we are forecasting a final contribution of just £44k in 2024 and nothing thereafter.

We estimate costs growing at 15% in 2024E and falling 6% in 2025E, due to the expensed IT development costs. If revenues grow at a faster rate than we are modelling, there may be some additional staff costs to include, which could affect the forecast EBIT margin, but, overall, we expect EBIT to be 43% in 2024E (up from 42% in 2023), before rising further to 50% in 2025E.

For the first time in a number of years, interest receivable and other financial income was worthy of mention. It came in at just over £430k in 2023. There was £238k in 1H'24 and we have rounded that up to £270k for the full year following the large special dividend and the higher second interim dividend payout. We have put in just £140k for 2025E but would expect the outcome to be higher than this.

All this leads us to forecast EPS growth of 12% in 2024 (after 18% in 2023), followed by 22% in 2025.

Income statement, 2020-25E						
Year-end Dec (£000)	2020	2021	2022	2023	2024E	2025E
Turnover	8,362	9,954	9,977	10,830	12,600	13,500
Admin. expenses	-4,593	-5,051	-5,822	-6,306	-7,200	-6,750
Operating profit	3,769	4,903	4,156	4,524	5,400	6,750
Interest income	23	12	81	221	120	140
Fair value gains/losses	9	0	25	213	150	
Profit before tax	3,801	4,916	4,261	4,959	5,670	6,890
Tax	-179	-166	-140	-93	-120	-140
Net income	3,622	4,750	4,121	4,866	5,550	6,750
No. of shares (m)	2.82	2.82	2.83	2.84	2.84	2.84
No. of shares (fully diluted, m)	2.82	2.84	2.87	2.87	2.91	2.91
EPS (p)	128	168	146	171	195	238
EPS (fully diluted, p)	128	167	143	170	191	232
DPS (p)	50	80	82	90	120	140
Special dividend (p)			200		200	
EBITDA	3,817	4,987	4,261	4,629	5,504	6,860
EBIT margin	45%	49%	42%	42%	43%	50%
Tax rate	5%	3%	3%	2%	2%	2%
<i>Growth</i>						
Turnover	10%	19%	0%	9%	16%	7%
EBIT	5%	30%	-15%	9%	19%	25%
EPS	4%	30%	-14%	18%	12%	22%

Source: Hardman & Co Research

## Balance sheet

### Highly cash generative and robust business

The TISE business is very cash generative. Between 2014 and the end of June 2024, the net cash and investments balance increased from £3.1m to £9.3m, and TISE paid out £29.1m in dividends – £35.3m of net cash generated in the past 10 years.

At the end of 2022, net assets fell to £7.7m, from £11.4m in 2021, having paid out £8m in dividends in the year. By December 2023, they had risen back to £10.0m, after paying a further £2.6m in dividends. Our forecast for 2024 has net assets falling again to £5.9m, following the payment of another 200p special dividend in April 2024 and the increased second interim dividend. A total of nearly £10m of dividend will have been paid in calendar 2024.

TISE carries no debt and has ample distributable reserves. Even the £5.0m of creditors is mostly just deferred income (listing fees invoiced but not yet booked as income). Cash and cash equivalents include £1.5m of regulatory capital.

Financially, this is a very robust business and can readily afford the increased dividend just announced.

### Balance sheet, 2020-25E

@ 31 Dec (£000)	2020	2021	2022	2023	2024E	2025E
Intangible assets		130	111	93	73	53
Tangible fixed assets	67	137	135	101	67	27
Total fixed assets	67	267	246	194	140	80
Debtors	974	1,383	1,484	1,722	1,722	1,722
Investments	7,039	9,550	6,406	10,202	6,202	9,202
Cash, etc.	3,709	3,881	3,853	2,655	3,296	3,248
Total current assets	11,722	14,814	11,744	14,579	11,219	14,172
Creditors due within a year	-2,880	-3,690	-4,247	-4,699	-4,826	-4,946
Net current assets	8,842	11,124	7,496	9,880	6,393	9,279
Provision for other liabilities	-12	-1	-14	-27	-27	-27
<b>Net assets</b>	<b>8,897</b>	<b>11,391</b>	<b>7,729</b>	<b>10,048</b>	<b>6,506</b>	<b>9,279</b>
Called-up share capital	1,332	1,332	1,512	1,512	1,512	1,512
Share-based pay. reserve	140	140	140	149	149	149
Retained earnings	7,426	9,919	6,078	8,387	4,846	7,618
<b>Total shareholders' equity</b>	<b>8,897</b>	<b>11,391</b>	<b>7,729</b>	<b>10,048</b>	<b>6,506</b>	<b>9,279</b>

Source: Hardman & Co Research

## Cashflow

Income statement converts straightforwardly into cash

TISE's income statement is very transparent and converts straightforwardly into cash. In general, there is a relatively small increase in negative working capital with the business growth, little in the way of investment in assets, apart from modest IT expenditure, and no large distortion from share-based payments.

The only large, non-operational line is the net acquisitions of investments – which is TISE managing its cash balance. Plus, of course, the payments of the dividends both ordinary and special.

Cashflow statement, 2020-25E						
Year-end Dec (£000)	2020	2021	2022	2023	2024E	2025E
Profit before tax	3,801	4,916	4,261	4,959	5,670	6,890
Depreciation and amortisation	48	84	105	104	104	110
Share-based payments		0		9		
Interest	-33	-4	-135	-593	-120	-140
Tax paid	-160	-164	-206	-125	-93	-120
Other	2	-11	13	13		
Working capital change	149	398	522	247	100	100
Operating activities	3,807	5,219	4,561	4,614	5,661	6,840
Purchase of assets	-56	-284	-85	-53	-50	-50
Acquisitions of invests. (net)	-1,765	-2,510	3,144	-3,728	4,000	-3,000
Interest received	32	4	135	526	120	140
Investing activities	-1,789	-2,790	3,194	-3,255	4,070	-2,910
Issue of equity			180			
Dividends paid	-1,411	-2,257	-7,963	-2,557	-9,091	-3,977
Financing activities	-1,411	-2,257	-7,783	-2,557	-9,091	-3,977
<b>Increase in cash</b>	<b>608</b>	<b>172</b>	<b>-28</b>	<b>-1,198</b>	<b>640</b>	<b>47</b>
Cash start	3,102	3,709	3,881	3,853	2,655	3,296
Cash end	3,709	3,881	3,853	2,655	3,296	3,248

Source: Hardman & Co Research

200p special dividend paid in April together with a first interim of 45p. Further 75p second interim to be paid in October 2024.

## Dividend

TISE's new policy is to pay total annual dividends of approximately 70% (up from 50% previously) of the group's net income during the relevant financial year. This dividend is expected to continue to be paid in two instalments, in April and October. It may also continue to pay special dividends, when appropriate.

TISE announced a 200p special dividend in March 2022, along with its 2021 results. It paid 90p in 2023, with 43p paid in April and a further 47p announced in September and paid in October. In March 2024, it announced another 200p special dividend, which was paid in April 2024.

Along with its 2024 interim results, the company announced a second interim of 75p making 120p for 2024E; 45p was declared with the final results in March 2024.



## Risks

### Regulatory change can pose potential threat and opportunity

- ▶ Possible regulatory changes in the UK or the EU pose the biggest potential threats to TISE's attractiveness as a location for securities listing. The most recent change of rules on asset holding companies in the UK has had no clear impact on TISE's business, but the Treasury's willingness to tinker with the regulations is slightly concerning. The REIT changes, albeit touching only a very small portion of TISE's business, seem to have had no lasting effect on the existing business, but may have an impact on future listing decisions, and demonstrate that regulatory change poses potential threats (and opportunities). TISE continues to seek to diversify the sources of its revenues further as it is still heavily reliant on its core Eurobond listing business.

### TISE responding by further diversifying its revenue sources

- ▶ Any diversification carries the risk of the new initiatives failing to reach profitability and losing the investment made in them. We believe TISE's expansion into the private markets represents an opportunity for diversification into a large and growing sector but also the risk of an unsatisfactory return on investment.
- ▶ System risks pose problems for all businesses, and TISE is dependent on IT systems for the processing of listing applications. The company has embarked on a re-platforming project to replace the Exchange's core technology stack. Such a programme carries inevitable execution risk. It is engaging external support to help plan and deliver the project.
- ▶ For shareholders of TISE, there is another clear (and slightly ironic) risk, which is that there is very little liquidity in TISE's shares that are listed on its exchange. Outside of MIH's recent acquisitions, the shares trade only occasionally and in small quantities. Regular returns may be received from dividends, but selling the equity could be difficult. TISE is focused on increasing the profile of the company and spreading the story beyond the Channel Islands, which should help with liquidity.

## Valuation

As a rule, we tend to like comparable company valuations. There are three listed European stock exchanges; unfortunately, they are not directly comparable. Size alone makes the comparison tangential, at best, but, even more importantly, they are substantial trading venues, which generate significant revenues but can also act as a stabilising force for the revenue stream. It is extremely difficult to wrestle away trading from a dominant venue – liquidity attracts liquidity and moving it (without some seismic change) is extremely difficult and, consequently, very rare. On the other hand, trading revenues can be more volatile than annual listing fees. LSE also derives a substantial proportion of its revenue and profits from data.

Listed European stock exchanges – comparable valuation				
	Price	2023	2024E	2025E
<b>EV/EBITDA</b>				
LSE (p)	10,235	17.1x	15.7x	14.4x
Deutsche Boerse (€)	210	15.2x	13.3x	12.9x
Euronext (€)	99	14.1x	12.5x	11.7x
<b>Average</b>		15.5x	13.9x	13.0x
<b>P/E</b>				
LSE (£)		30.9x	29.3x	25.9x
Deutsche Boerse (€)		23.4x	21.1x	20.0x
Euronext (€)		18.0x	16.2x	15.0x
<b>Average</b>		24.1x	22.2x	20.3x
<b>TISE value (implied)</b>				
<b>EV/EBITDA basis</b>				
EV (£m)		70	75	88
add cash (£m)		13	9	12
Market cap (£m)		83	84	100
Value per share (p)		2,888	2,897	3,437
<b>P/E basis</b>				
Market cap (£m)		117	123	137
Value per share (p)		4,090	4,226	4,718

Priced as at 24 September 2024  
Source: LSEG, Hardman & Co Research

On an average multiple basis, TISE's shares should be valued at around £29 using EV/EBITDA multiples for 2023/24E and £34 using 2025E, or between roughly £41 and £47 on a P/E basis. The lower EV/EBITDA values ignore the benefits of the lower tax charge in Guernsey.

### DCF with higher discount rate

As a fallback, when no useful comparable companies are trading, we use a DCF model. The normal constraint on a DCF is the unknowable future cashflows. Here, the real concern is not the shape of the future revenue stream but the potential risk to its sustainability from regulatory interruption. To compensate for this, we have used a 12% central discount rate, higher than our usual 10%. We reduced this rate from 14%, which we used in 2022, as the business has shown greater resilience in the face of regulatory changes than we initially thought.

We have taken our forecasts out to 2025. We have a mid-term (2026-27) growth rate, with a central assumption of 6%, and we have then assumed a perpetual growth rate of a nominal 3% (assuming a stable tax rate). Since capex and depreciation are very low and nearly equivalent, net income is a good proxy for net cashflow.

DCF valuation								
£m	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Revenue	8.4	10.0	10.0	10.8	12.6	13.5	14.3	15.2
EBITDA	3.8	5.0	4.3	4.6	5.5	6.9	7.3	7.7
Tax	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2
Net cashflow	3.6	4.8	4.1	4.5	5.4	6.7	7.1	7.6
Discount factor					1.0	1.1	1.2	1.4
Discounted cashflow					5.5	6.2	5.8	5.5

Source: Hardman & Co Research

DCF summation	
Value components	£m
2025-27	17.5
2028 onwards	62.9
Total	80.4
plus net cash end-2024	9.5
Equity value	89.9
Equity value per share (p)	3,164
Equity value per share fully diluted (p)	3,300

Source: Hardman & Co Research

Derived central value of £90m, or 3,000p per share, fully diluted

Our central valuation works out at £90m, or 3,164p per share, based on a current issued share capital of ca.2.8m shares. There are 286,000 options outstanding, which are in the money at the current 1,850p mid-price. The dilutive effect of those (accounting for the ca.£4m of premium payable) brings down the value per share to 3,000p; this excludes the second interim dividend, which went XD on 26 September 2024.

We also show a table with varying growth rates for the two years between our forecast period (to 2025) and our perpetual calculation...

DCF sensitivity table – valuation				
Mid-term growth rate	2%	4%	6%	8%
Discount rate	£m	£m	£m	£m
8%	148	151	154	156
10%	109	111	113	114
12%	87	88	90	91

Source: Hardman & Co Research

...and how these values equate to multiples of 2024E EBITDA...

DCF sensitivity table – EV/EVITDA, 2024E				
Mid-term growth rate	2%	4%	6%	8%
Discount rate	(x)	(x)	(x)	(x)
8%	25.2	25.7	26.2	26.7
10%	18.1	18.4	18.7	19.1
12%	14.1	14.4	14.6	14.9

Source: Hardman & Co Research

...and 2024E P/E.

DCF sensitivity table – P/E, 2024E				
Mid-term growth rate	2%	4%	6%	8%
Discount rate	(x)	(x)	(x)	(x)
8%	25.5	26.0	26.4	26.8
10%	18.9	19.2	19.5	19.9
12%	15.3	15.5	15.7	16.0

Source: Hardman & Co Research

## Directors

### *Anderson Whamond (Chair)*

Anderson is the independent Non-executive Chair, having been appointed to the board in March 2017.

Anderson has over 30 years' experience in the banking and financial sector. He is a director of a number of listed and non-listed investment companies.

### *Cees Vermaas (Chief Executive Officer)*

Cees has been Chief Executive Officer since November 2020. He is responsible for all aspects of leadership and management of the company.

Cees has more than 25 years' experience within international financial market infrastructure. He has held senior executive positions within several international exchanges, including CEO of CME Europe Ltd, CEO of Euronext Amsterdam and Head of European Cash Markets for NYSE Euronext.

### *Andrew Watchman (Chief Financial Officer)*

Andy has been the CFO since May 2021, and was appointed to the board at the beginning of 2023.

He has 20 years' experience working in financial services, including 12 at Kleinwort Benson Guernsey. He is a Fellow Member of the Association of Chartered and Certified Accountants.

### *Julia Chapman (Non-executive Director)*

Julia joined the board in March 2023 as an independent Non-executive Director.

Based in Jersey, she has accumulated over 30 years of expertise in the investment fund and capital markets industry. She is a qualified solicitor in England & Wales and Jersey.

### *Guy Coltman (Non-executive Director)*

Guy joined the board in February 2014 as an independent Non-executive Director.

Guy is an Advocate of the Royal Court of Jersey, and qualified as a solicitor in England and Wales. He is a corporate partner of Carey Olsen's Jersey practice.

### *Gill Morris (Non-executive Director)*

Gill is an independent Non-executive Director, and was appointed to the board in January 2021.

Gill is a Chartered Accountant and Chartered Tax Adviser. She has more than 35 years' experience working in Australia, London and Guernsey, initially qualifying within the "big four", and then holding several senior leadership positions at Specsavers Optical Group.

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