



2020 Q3 Results Analyst Presentation

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HKEX
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Agenda

- 01 | Q3 2020 Key Highlights**
- 02 | HKEX Group Financial Review**
- 03 | Business and Strategic Update**
- 04 | Appendix**



Q3 2020 Key Highlights

1 | Financial Performance

- Record nine-month revenue despite challenging macroeconomic backdrop with core business revenue up by 21%YoY, reflecting higher trading and clearing fees driven by record headline ADT
- Record nine-month Stock Connect revenue of HK\$1,354mn (+79%YoY)
- Net investment income fell by HK\$673mnYoY, primarily due to the fair value losses of collective investment schemes previously announced at Q1
- Profit attributable to shareholders at a nine-month record high of HK\$8,580mn (+16%YoY)

2 | Business and Strategy

- Strong IPO market – #3 globally by IPO funds raised (HK\$215.9bn) and #4 by number of new company listings (104)
- Strong performance in Connect Schemes – all achieved nine-month record high ADT
- 38 MSCI Asia and Emerging Markets Index Futures were launched in Q3, representing a major step forward in the expansion of HKEX's derivatives product portfolio
- Ongoing market microstructure and technology enhancements
- Launch of HKEX Foundation with its flagship HKEX Charity Partnership Programme to underscore our focus on sustainability and our role in the community



HKEX Group Financial Review

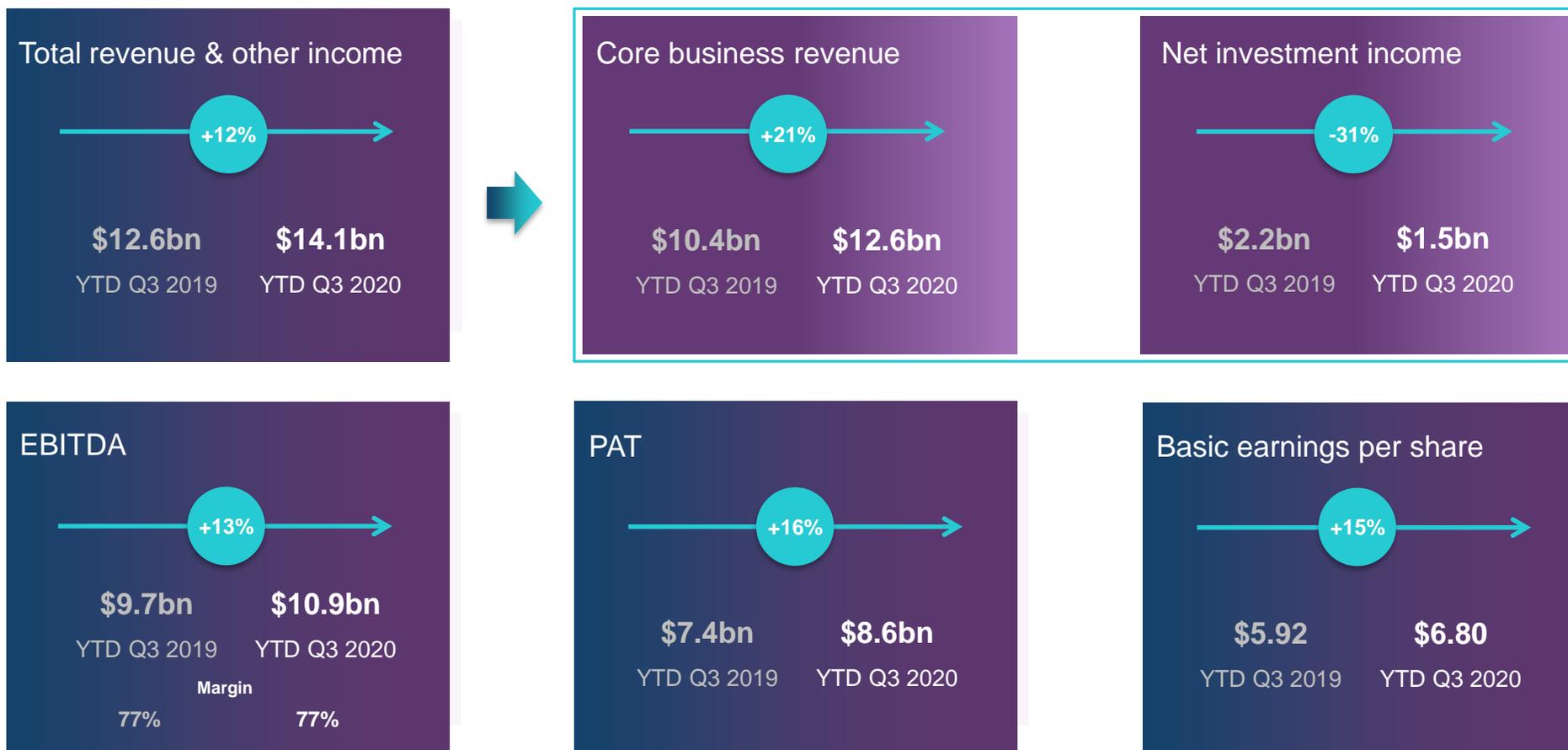


Key Financial Highlights

Record revenue and profit

Record core business revenue; market conditions impacted investment income

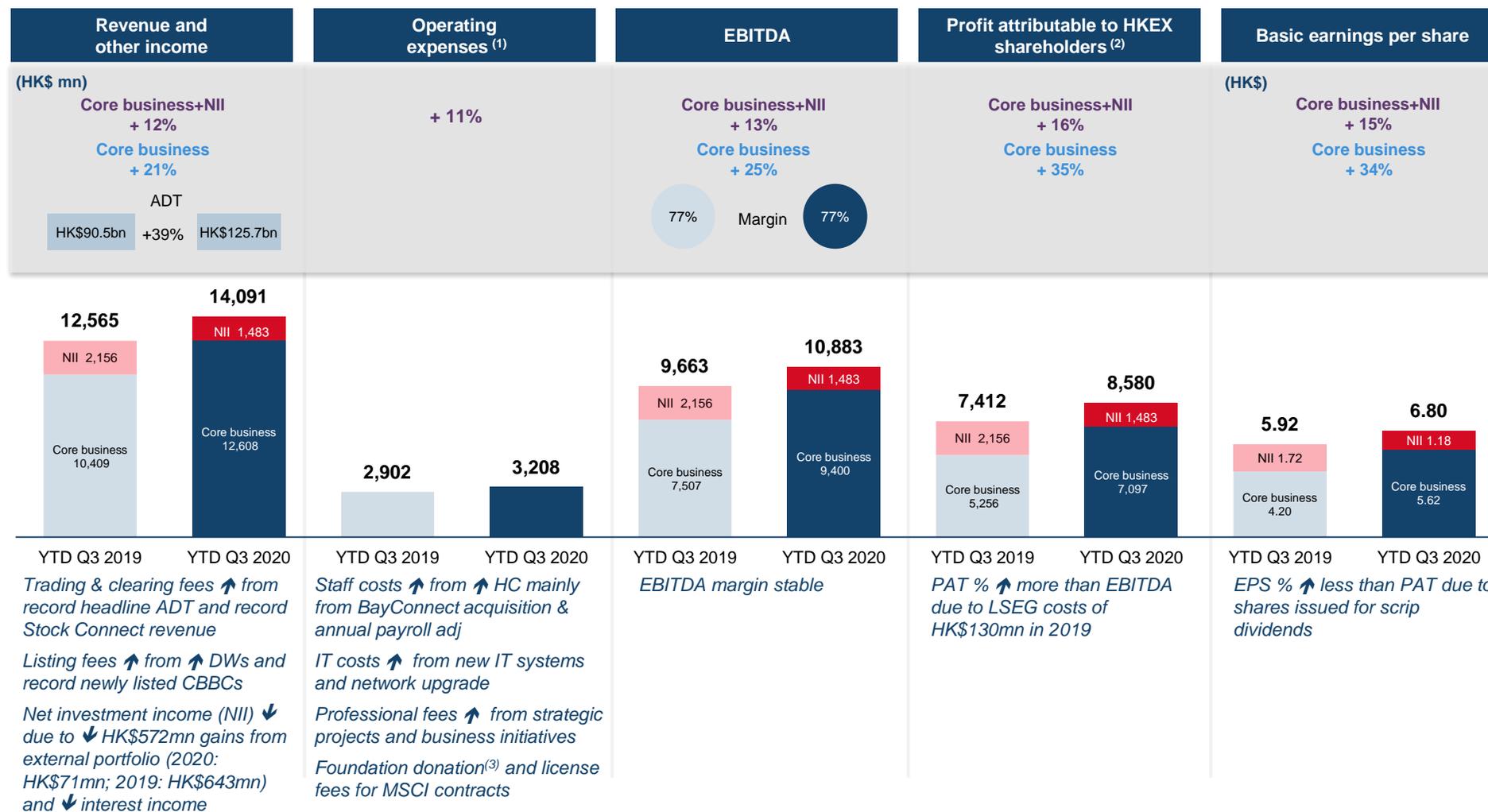
(HK\$)



1. % is computed based on amounts reported in financial statements.
2. May not add up due to roundings



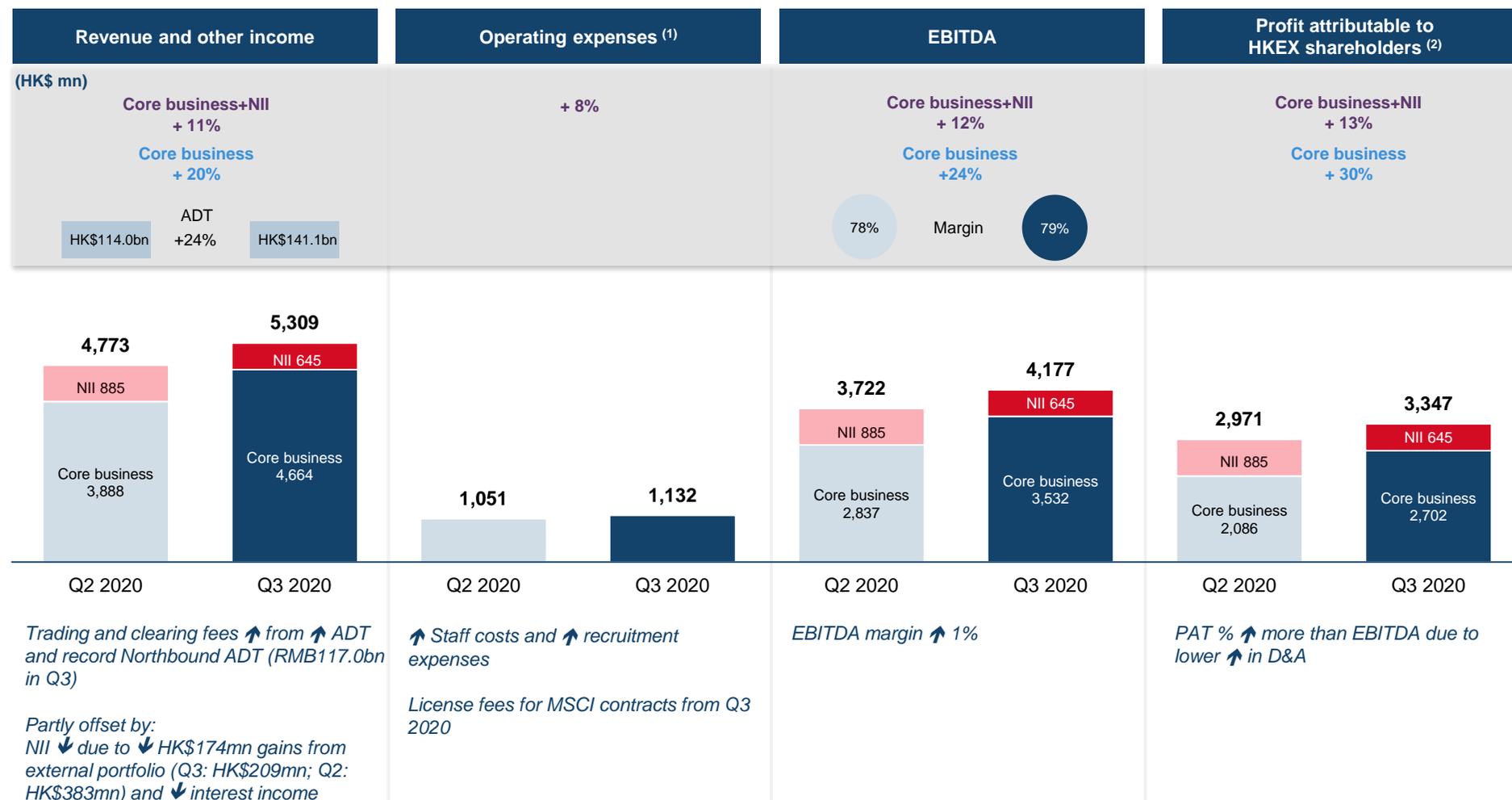
YTD Q3 2020: Record Revenue and Profit



1. Excludes depreciation and amortisation, finance costs, share of profits/(losses) of joint ventures, and costs arising from the proposed combination with London Stock Exchange Group plc (LSEG)
2. For the purpose of this presentation, tax impact of NII is not considered when calculating the PAT attributable to NII.
3. From 2H 2020 onwards, the donation income from the Stock Code Balloting Charity Scheme and the payment to the Hong Kong Community Chest were channelled through HKEX Foundation. Together with the first flagship Charity Partnership Programme and other charitable activities, HKEX Foundation charitable expenses amounted to HK\$57mn in YTD Q3 2020.



Q3 2020: Quarterly Record High due to Record Stock Connect Revenue and Higher Headline ADT



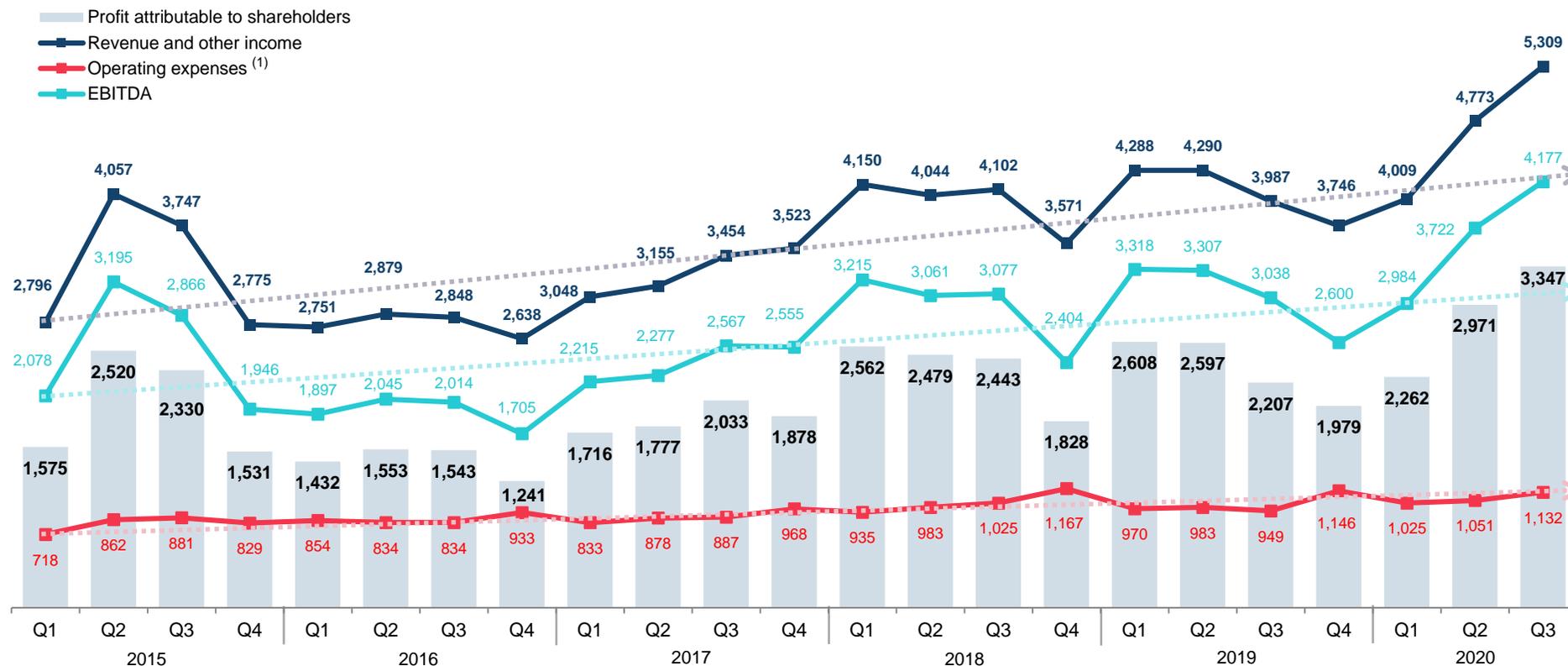
1. Excludes depreciation and amortisation, finance costs, and share of profits/(losses) of joint ventures
2. For the purpose of this presentation, tax impact of NII is not considered when calculating the PAT attributable to NII.



YTD Q3 2020 Performance above Historical Trendline

Quarterly performance

(HK\$ mn)



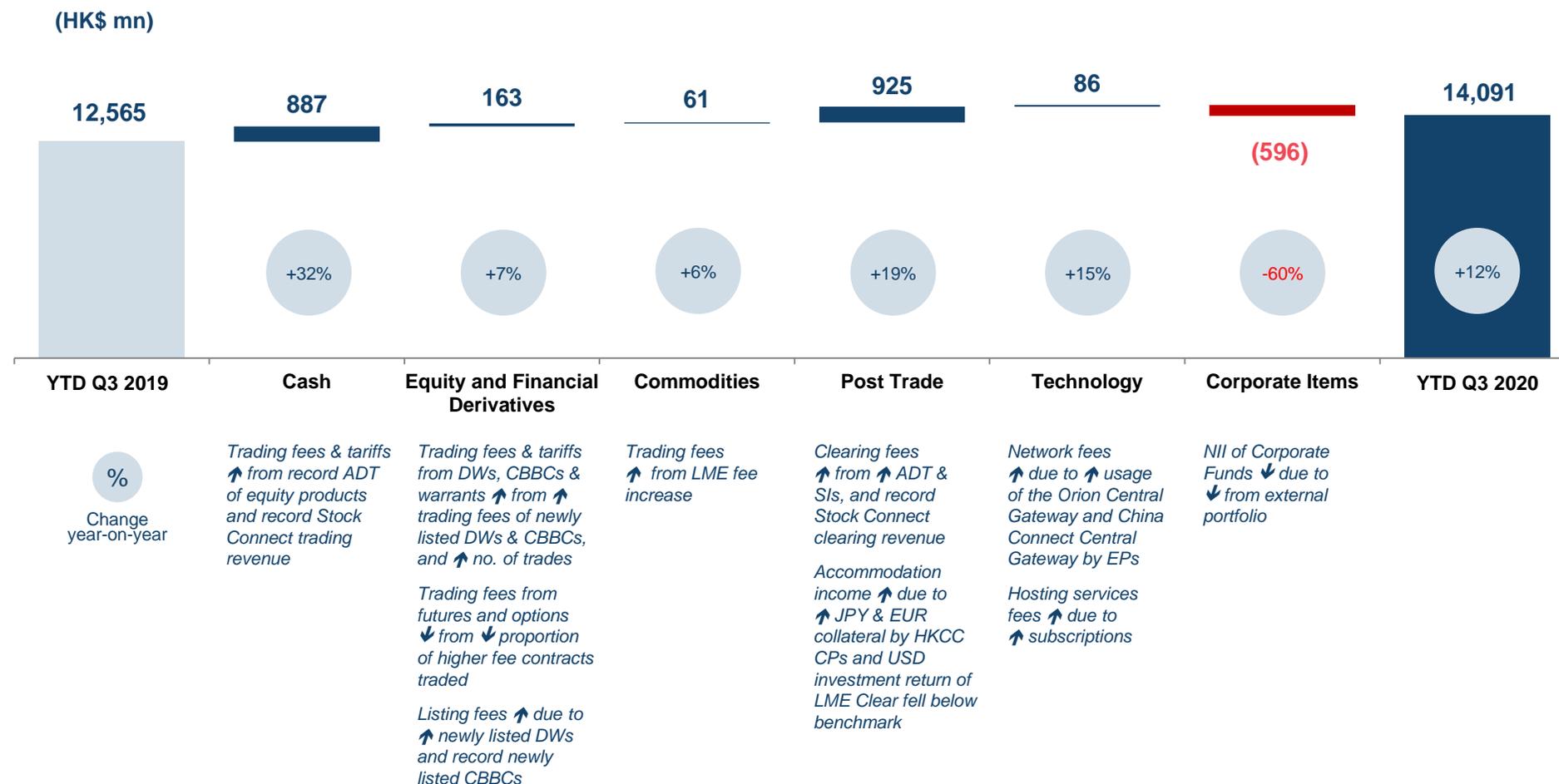
2020 performance reflects resiliency of the core business amid COVID-19 outbreak and macroeconomic uncertainty.

1. Excludes depreciation and amortisation, finance costs, share of profits/(losses) of joint ventures, and costs arising from the proposed combination with LSEG
2. Dotted trend lines are illustrative and do not constitute a forward forecast.



Higher Revenue across All Business Segments, Offsetting Lower Net Investment Income

Segmental revenue



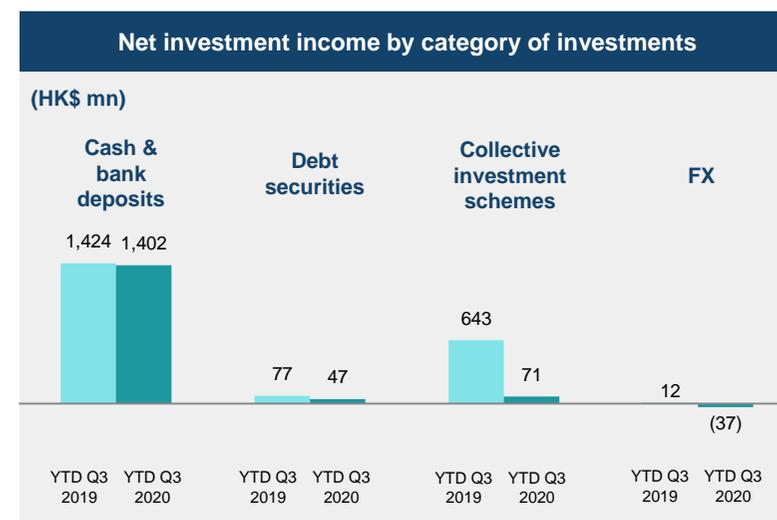
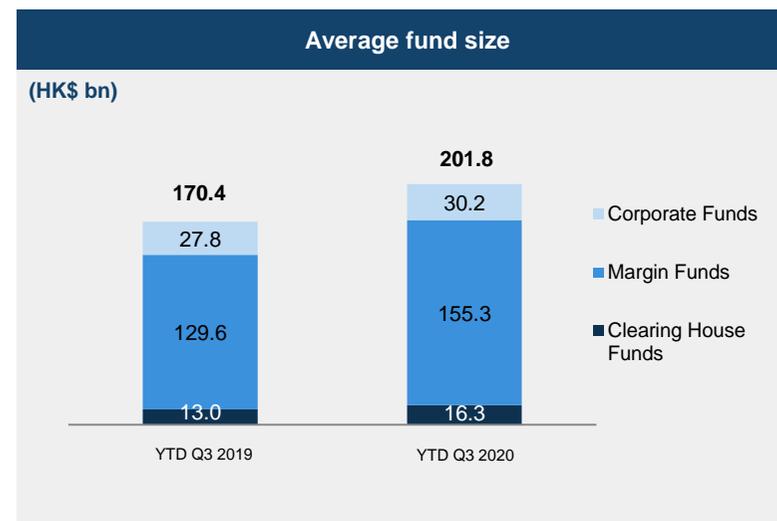
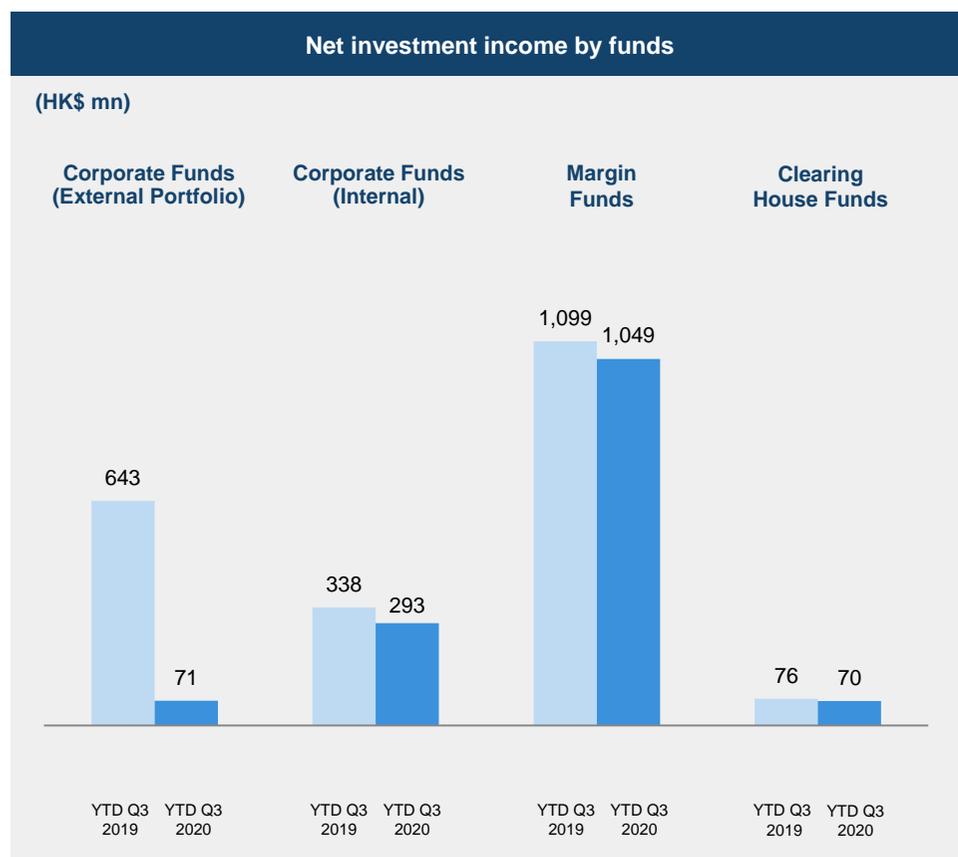
1. Headline ADT up 39% (YTD Q3 2020: HK\$125.7bn; YTD Q3 2019: HK\$90.5bn); ADT of equity products up 51% (YTD Q3 2020: HK\$106.8bn; YTD Q3 2019: HK\$70.8bn); ADT of DWs, CBBCs and warrants included under equity and financial derivatives down 4% (YTD Q3 2020: HK\$18.9bn; YTD Q3 2019: HK\$19.7bn)



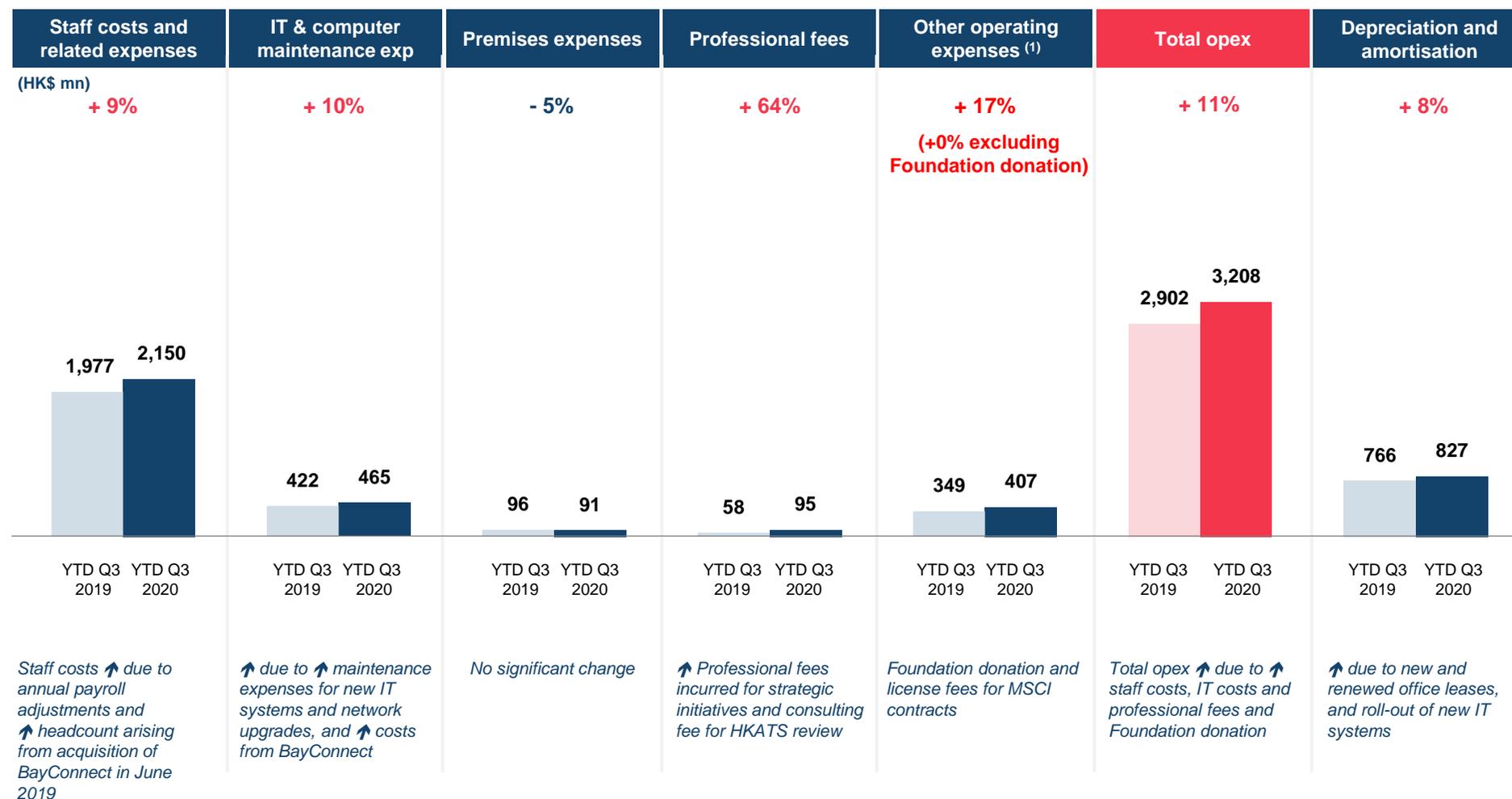
Lower Net Investment Income in a Low Interest Rate Environment

YTD Q3 2020: HK\$1,483mn (YTD Q3 2019: HK\$2,156mn)

- External portfolio - lower gains reflecting market valuations
- Internal funds - lower income from reduced interest rates and higher margin rebates to participants, partly offset by higher fund sizes



Operating Expenses and Depreciation & Amortisation – Investment in Talent, Infrastructure and Strategic Initiatives



1. Includes product marketing and promotion expenses



Business and Strategic Update



1 | Business Strength and Resiliency Delivering Good Performance

➤ Good Core Business Performance Against Challenging Macro Backdrop

- Strong performance in Cash Market and solid performance in derivatives and FICC
- Cash Market ADT +39%YoY at HK\$125.7bn (record nine-month high)
- Futures & Options ADV +5%YoY
- LME chargeable ADV -5%YoY

➤ Strong Performance in IPO Market

- #3 by IPO funds raised (HK\$215.9bn), 61%YoY growth and 76% contributed by new economy and biotech companies
- #4 globally by number of new company listings (104), including 32 new economy and biotech companies
- 11 jumbo IPOs (e.g. JD.com, NetEase and Yum China) so far in 2020, each raising US\$1bn+

➤ New Records Across All Connect Schemes

- *Stock Connect*: Record nine-month revenue of HK\$1,354mn (+79%YoY); Northbound record ADT of RMB90bn (+114%YoY) and Southbound record ADT of HK\$23.2bn (+117%YoY)
- *Bond Connect*: Record nine-month ADT of RMB19.7bn (+124%YoY)



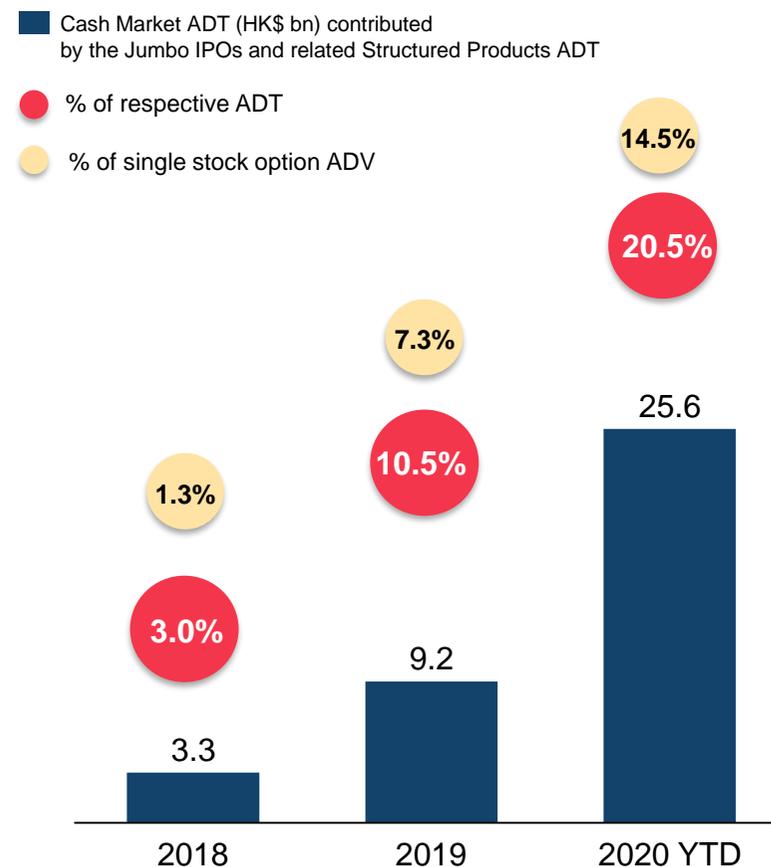
1 | Business Strength and Resiliency Delivering Good Performance

Jumbo IPOs Contributing to Increased Trading Activity

21 Jumbo IPOs > US\$1bn (HK\$7.8bn) since Jan 2018

Rank	Company name	IPO date	IPO size (HK\$bn)
1	Alibaba Group - SW	26/11/2019	101.20
2	China Tower - H	08/08/2018	58.80
3	Budweiser Brewing APAC	30/09/2019	45.08
4	Xiaomi Corporation - W	09/07/2018	42.61
5	JD.COM - SW	18/06/2020	34.56
6	Meituan Dianping - W	20/09/2018	33.14
7	Netease - S	11/06/2020	24.26
8	Yum China - S	10/09/2020	17.27
9	China Bohai Bank - H	16/07/2020	15.90
10	ESR Cayman Ltd.	01/11/2019	14.06
11	Tigermed - H	07/08/2020	12.31
12	ZTO Express - SW	29/09/2020	11.28
13	Shimao Services	30/10/2020	9.76
14	Nongfu Spring - H	08/09/2020	9.60
15	Shenwan Hongyuan - H	26/04/2019	9.09
16	Hansoh Pharmaceutical Group	14/06/2019	9.04
17	Topsports International	10/10/2019	9.01
18	Ping An Healthcare and Technology	04/05/2018	8.77
19	Jiangxi Bank - H	26/06/2018	8.60
20	WuXi AppTec - H	13/12/2018	8.28
21	Smooore	10/07/2020	8.19

Rising contribution to volumes from Jumbo IPOs



In 2020, 21% of cash ADT and 15% of stock option ADV is contributed by the top 21 IPOs over the last ~3 years

Source: HKEX, as of Oct 2020.

1. Ranked by IPO size.



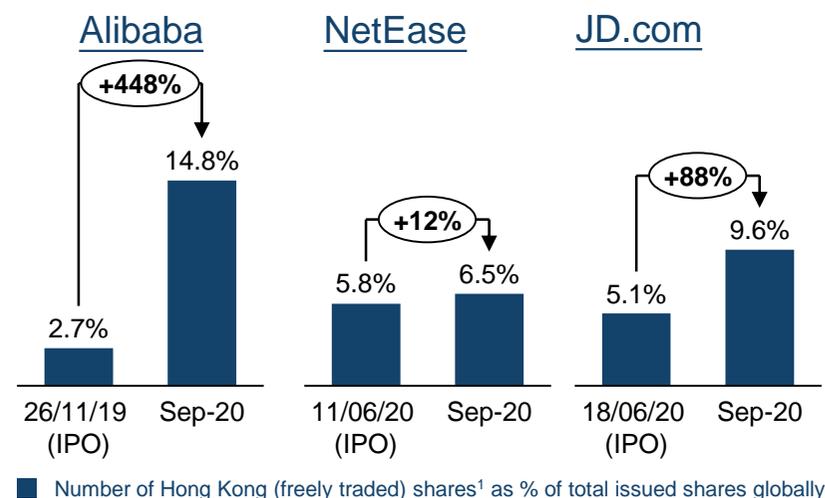
1 | Business Strength and Resiliency Delivering Good Performance

Continuous Trading Volume Migration and ADR conversion from Secondary Listings

HKEX Trading Share – 2020 YTD

% of Trading	Alibaba	NetEase	JD.com
SEHK	19.1%	34.1%	21.8%
FINRA ADF	26.6%	15.1%	27.3%
NYSE	16.5%	2.7%	1.7%
NASDAQ	12.2%	27.2%	28.1%
NYSE Arca	7.3%	7.3%	7.9%
Other US Exchanges	18.3%	13.5%	13.2%

ADR conversion to HK shares



Strong Boost to HK Markets Trading

ADT/ADV in HKEX	Alibaba, NetEase & JD	Market Total	%
Equities+ DWs+CBBCs (HK\$bn)	10.2	125.7	8.1
SSO (Volume, '000)	22.7	522.8	4.4

Alibaba, NetEase and JD.com' secondary listings have contributed ~8% ADT YTD 2020 to Hong Kong market's liquidity, with a clear trend of ADR conversion to HK shares

Source: HKEX CCASS, FactSet, as of 30 September 2020

Note: Alibaba is listed on NYSE, while NetEase and JD.com are listed on NASDAQ

1. Based on total CCASS balance deducting the balance of main custodian bank as reference



2 | Strategic Plan on Track – Q3 2020 Highlights (1/2)

➤ **Market Enhancement Initiatives Continue**

- Enhanced capital-based position limit (CBPL) policy to provide higher capital efficiency to participants
- Shortened structured products listing cycle from five to three trading days
- Master SPSA launched in July as an enhancement to the existing SPSA service to support Northbound Trading with better operational efficiencies
- Multiple enhancements implemented for Bond Connect: fee reductions, trading hours extension and expansion in number of settlement banks for FX management
- LME consulted on the introduction of the LMEpassport, a planned development of a platform with electronically record documentation and higher operational efficiencies
- Consultation conclusions published on Corporate WVR Beneficiaries in October

➤ **New Product Launches**

- As at end of Q3, MSCI suite (38 products launched) recorded a total of 125,992 contracts traded since launch and 44,066 open interest contracts
- Introduced enhanced incentives for liquidity providers and proprietary traders, six-month fee holiday and earlier opening hour on certain MSCI futures contracts to support the initial growth
- First Hong Kong / Mainland ETF Cross-Listing under master-feeder structure, first four A-share L&I Products and first four Hang Seng TECH Index ETFs
- Natural gas products on QME
- To introduce Hang Seng TECH Index Futures and Options in Nov 2020 and Jan 2021, respectively



2 | Strategic Plan on Track – Q3 2020 Highlights (2/2)

➤ **Technology Innovation**

- Soft launch of Fusion Bank, a new virtual bank in partnership with a number of leading HK businesses
- Roll-out of AI and robotic systems for listing applications
- Issued paperless IPO consultation in July, aiming to further modernise our listing regime's competitiveness

➤ **Corporate Social Responsibility**

- Launch of HKEX Foundation with its flagship HKEX Charity Partnership Programme to underscore our focus on sustainability and our role in the community
- Preparing for the launch of HKEX's Sustainable and Green Exchange (STAGE), an online information repository on green, social and sustainable bonds and ESG-related ETPs
- LME issued a discussion paper on sustainability in global metal markets with a proposed way forward to make metals a cornerstone of a sustainable future



Looking Ahead

- Our core businesses across the Cash, Derivatives and Commodities Markets remain resilient, with record performance in the Cash Market
- Stock Connect continues to record strong flows and will continue to be a key revenue driver
- IPO pipeline remains strong with new economy and biotech issuers, as well as secondary listings
- We expect trading momentum in MSCI futures contracts to grow gradually over time as investors migrate open interest to HKEX
- The prolonged COVID-19 outbreak, ongoing geopolitical tensions and economic fragility will continue to present a challenging backdrop
- Uncertain macroeconomic recovery could impact our external investment portfolio, and the low interest rate environment could negatively impact investment income as remaining higher-rate deposits mature
- We remain cautiously optimistic however, with a strengthened focus on cost discipline, talent management and risk, which will ensure we are well placed for the opportunities and challenges ahead



YTD Q3 2020 Financial Performance (vs. YTD Q3 2019)

- Record Revenue and PAT
- Core Business Revenue up 21%; Total Revenue and Other Income up 12% to HK\$14.1bn
- Record Revenue for Connect Schemes; HKEX #3 by IPO funds raised and #4 by number of IPOs
- EBITDA up 13% to HK\$10.9bn
- PAT up 16% to HK\$8.6bn

... Welcome questions

Q&A Session begins now



Appendix



Financial Highlights – Income Statement

(HK\$ mn, unless stated otherwise)	YTD Q3 2020	% of Revenue & Other Income	YTD Q3 2019	% of Revenue & Other Income	YoY Change
Results					
Revenue and other income	14,091	100%	12,565	100%	12%
Operating expenses	(3,208)	(23%)	(2,902)	(23%)	11%
EBITDA	10,883	77%	9,663	77%	13%
Depreciation and amortisation	(827)	(6%)	(766)	(6%)	8%
Operating profit	10,056	71%	8,897	71%	13%
Costs relating to proposed combination with LSEG	-	0%	(130)	(1%)	(100%)
Finance costs and share of profits less losses of joint ventures	(85)	(1%)	(112)	(1%)	(24%)
Profit before taxation	9,971	71%	8,655	69%	15%
Taxation	(1,398)	(10%)	(1,247)	(10%)	12%
Loss attributable to non-controlling interests	7	0%	4	0%	75%
Profit attributable to HKEX shareholders	8,580	61%	7,412	59%	16%
Capex	845		622		36%
Basic earnings per share	HK\$6.80		HK\$5.92		15%
Headline ADT on the Stock Exchange	HK\$125.7 bn		HK\$90.5 bn		39%

1. % does not add up due to roundings.



Performance by Operating Segment

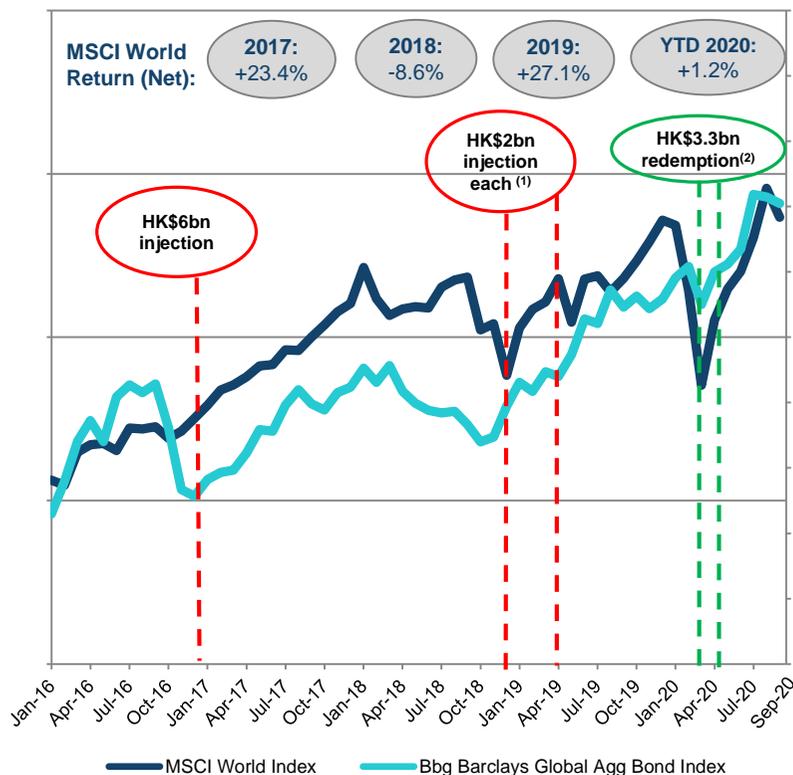
HK\$ mn	Cash	Equity & Financial Derivatives	Commodities	Post Trade	Technology	Corporate Items	Group YTD Q3 2020	Group YTD Q3 2019
Revenue and other income	3,637	2,511	1,107	5,771	662	403	14,091	12,565
<i>% of Group Total</i>	<i>26%</i>	<i>18%</i>	<i>8%</i>	<i>41%</i>	<i>4%</i>	<i>3%</i>	<i>100%</i>	<i>100%</i>
Operating expenses	(436)	(499)	(515)	(657)	(209)	(892)	(3,208)	(2,902)
EBITDA	3,201	2,012	592	5,114	453	(489)	10,883	9,663
<i>% of Group Total ⁽¹⁾</i>	<i>29%</i>	<i>19%</i>	<i>5%</i>	<i>47%</i>	<i>4%</i>	<i>(4%)</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin</i>	<i>88%</i>	<i>80%</i>	<i>53%</i>	<i>89%</i>	<i>68%</i>	<i>N/A</i>	<i>77%</i>	<i>77%</i>
Depreciation and amortisation							(827)	(766)
Costs relating to proposed combination with LSEG							-	(130)
Finance costs							(139)	(129)
Share of profits less losses of joint ventures							54	17
Profit before taxation							9,971	8,655

1. % Share of Group EBITDA (including Corporate Items)

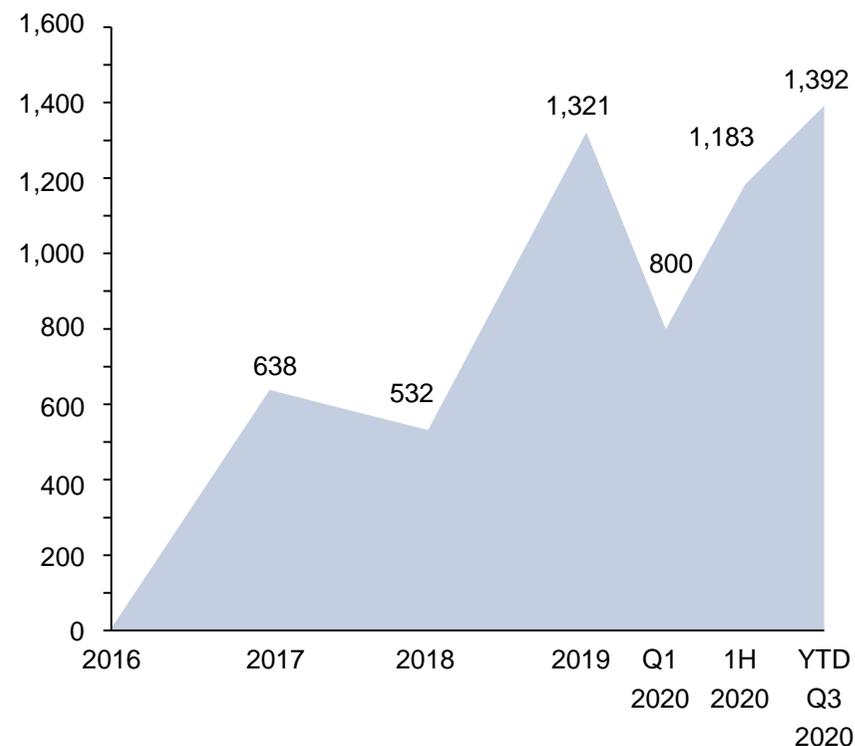


External Portfolio – Annualised Return of 5.6% since Inception

Point of Injection / Redemption



Cumulative gains since inception (HK\$ mn)



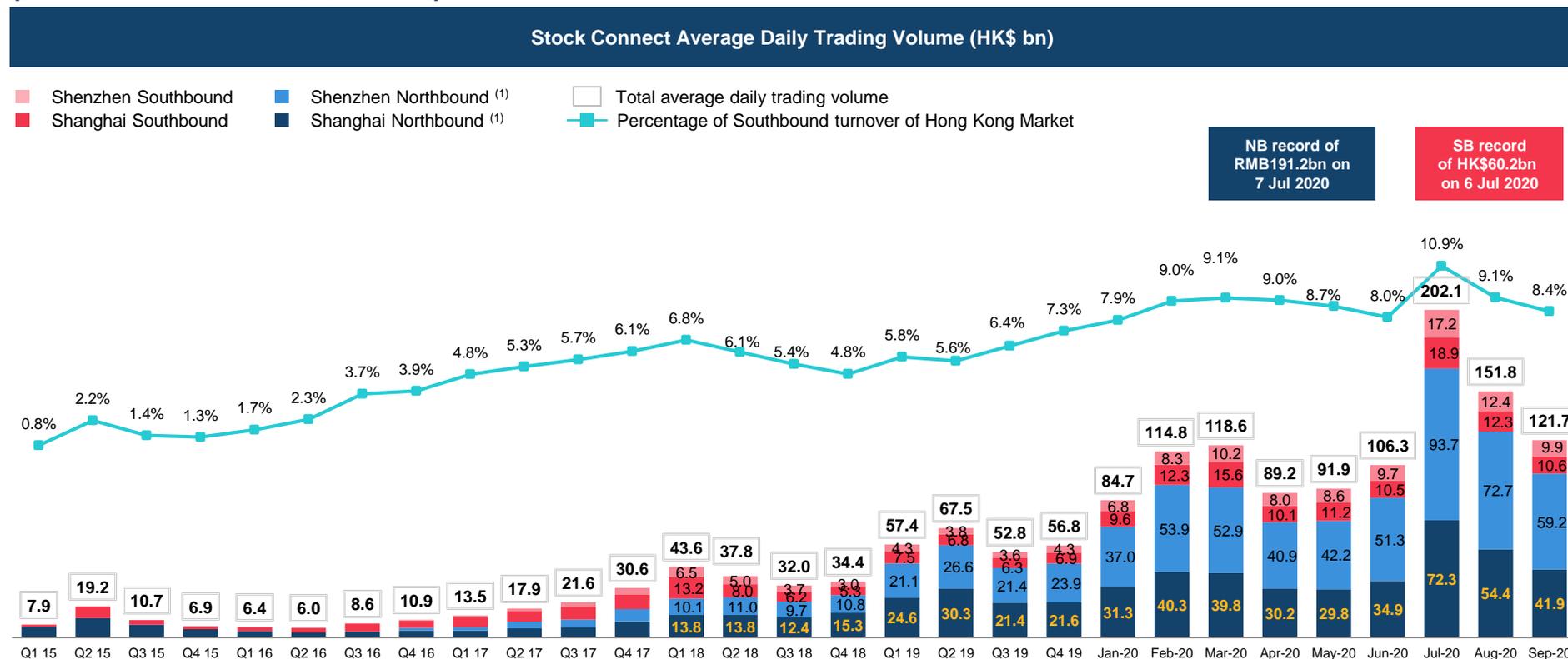
As the market rebounded, the external portfolio has fully recovered from the Q1 2020 loss, resulting in a HK\$71mn gain up to YTD Q3 2020. The cumulative gain of the portfolio since inception amounted to HK\$1.4bn (annualised return of 5.6%).

1. HKEX added HK\$2bn to the portfolio during the period from Q4 2018 to Q2 2019.
2. HK\$3.3bn was redeemed in 1H 2020 and converted into cash and money market funds.



Stock Connect – Trading Trends

Stock Connect generated record revenue of HK\$1,354mn in YTD Q3 2020, 79% higher than YTD Q3 2019 (Full Year 2019: HK\$1,009mn)



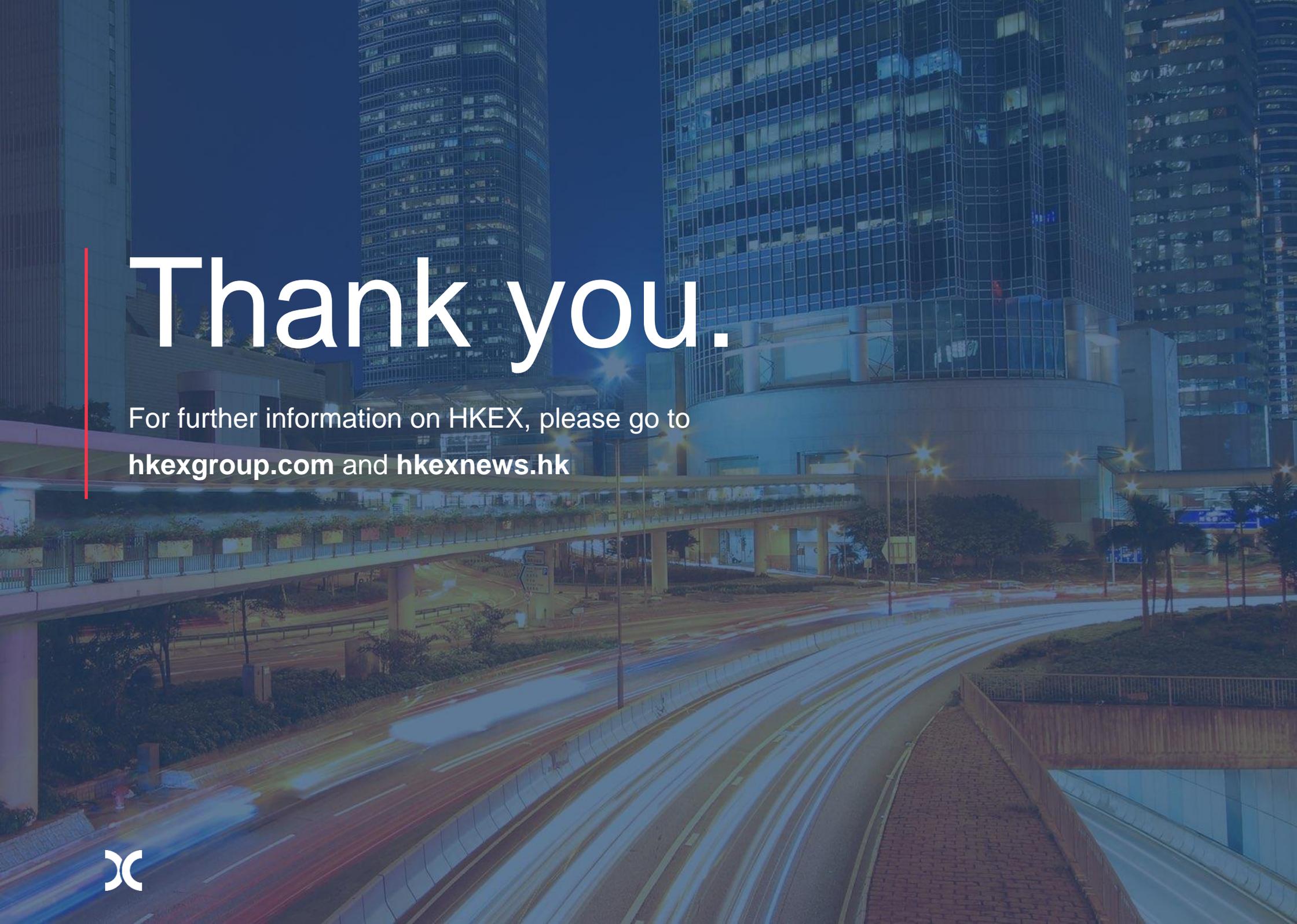
Stock Connect Northbound and Southbound Trading ADT reached RMB90.0bn and HK\$23.2bn respectively in YTD Q3 2020

Stock Connect revenue continued to set record highs, reaching 12% of the Group's total revenue and other income in Q3 2020 (YTD Q3 2020: 10%; YTD Q3 2019: 6%)

Source: HKEX, SSE and SZSE as of 30 Sep 2020

1. Northbound (NB) trading is conducted in RMB; The NB figures in the chart are converted to HKD based on the month-end exchange rate.
2. Does not add up due to roundings



A nighttime cityscape featuring several tall skyscrapers with illuminated windows. In the foreground, there is a multi-lane highway with light trails from moving vehicles, and an elevated walkway or pedestrian bridge. The overall scene is bathed in a cool blue light.

Thank you.

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