

# 2021 Annual Results Analyst Presentation

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**HKEX**  
香港交易所

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# Agenda

01 | 2021 Key Highlights

02 | HKEX Group Financial Review

03 | Business and Strategic Update

04 | Appendix

# 2021 key highlights

## Financial Performance

**HK\$21.0bn**

(+9%YoY)

Record revenue and other income, with core business revenue up by 10%YoY, driven by record Headline ADT

**HK\$2.7bn**

(+41%YoY)

Record Stock Connect revenue and other income

**HK\$12.5bn**

(+9%YoY)

Record profit attributable to shareholders

## Business and Strategy

- **Good performance** despite a turbulent macro backdrop and the ongoing pandemic
- **IPO market performed well**, with 98 listings raising HK\$331.4bn; New Economy and biotech continued to be sweet spots; IPO pipeline remains very strong
- **Robust Connect performances** – ADT across all platforms achieved new highs
- **MSCI China A 50 Connect Index Futures** launched, providing global investors a convenient and cost-effective solution to manage their China exposure
- Introduced HK **SPAC listing regime** and streamlined listing for overseas issuers
- Published and concluded **Derivatives Holiday Trading** for non-Hong Kong Dollar denominated futures and options
- Range of **market microstructure, technology** enhancements and **product** launches



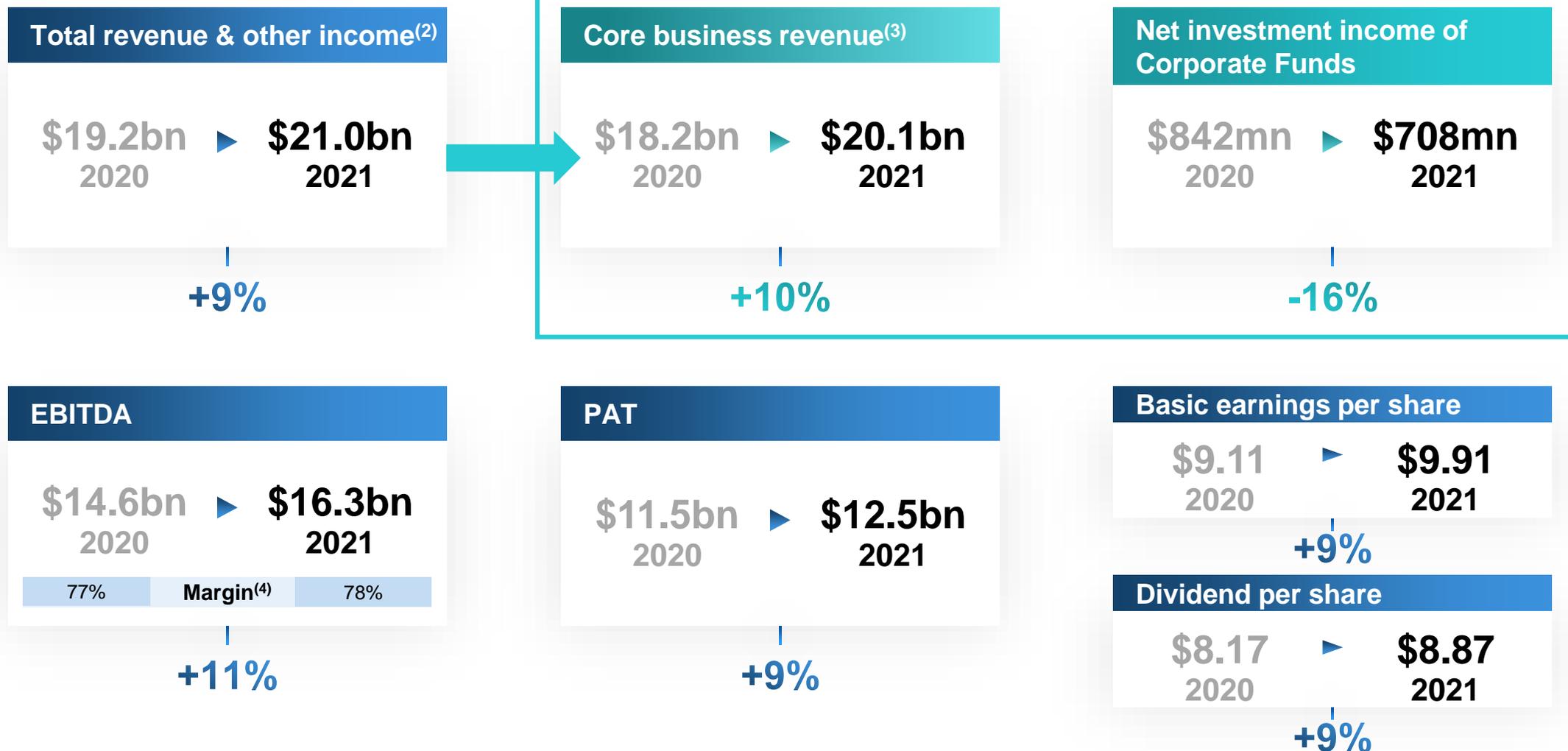
# HKEX Group Financial Review



2021 vs 2020

# Record FY financial results

(HK\$)



1. All percentage changes are computed based on amounts reported in financial statements.  
2. Represents gross revenue and other income before deducting transaction-related expenses (2020: \$110mn; 2021: \$152mn)  
3. Core business revenue represents total revenue and other income, excluding net investment income of Corporate Funds and HKEX Foundation (HKEXFN) donation income (2020: \$106mn; 2021: \$139mn).  
4. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.



2021 vs 2020

# Record FY Revenue and PAT, driven by record Headline ADT and Stock Connect volumes

Revenue and other income <sup>(1)</sup>		Operating expenses <sup>(2)</sup>		EBITDA		Profit attributable to HKEX shareholders <sup>(3)</sup>		Basic earnings per share	
(HK\$ mn)								(HK\$)	
<b>Total + 9%</b>	<b>Core business + 10%</b>	<b>Total + 2%</b>	<b>Core business + 2%</b>	<b>Total + 11%</b>	<b>Core business + 12%</b>	<b>Total + 9%</b>	<b>Core business + 11%</b>	<b>Total + 9%</b>	<b>Core business + 10%</b>
HK\$129.5bn	ADT +29%	HK\$166.7bn		77%	Margin <sup>(4)</sup>	78%			
2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
<ul style="list-style-type: none"> <li>Trading &amp; clearing fees ↑ from record headline ADT and Northbound ADT, partly offset by ↓ HKFE ADV</li> <li>Listing fees ↑ from record newly listed DWs and CBBCs</li> <li>Depository fees ↑ from ↑ Stock Connect portfolio fees, scrip fees and stock withdrawal fees</li> <li>Net investment income (NII) ↓ from ↓ interest income and ↓ \$123mn gains of collective investment schemes, partly offset by gains on valuation of long-term equity investments</li> </ul>		<ul style="list-style-type: none"> <li>IT costs ↑ from new IT systems &amp; upgraded networks and cloud-based IT systems</li> <li>Marketing expenses ↑ from ↑ marketing and cash incentives relating to new products</li> <li>Partly offset by:</li> <li>Staff costs ↓ from ↓ headcount and special gratuity payments paid in 2020</li> </ul>		<ul style="list-style-type: none"> <li>EBITDA margin ↑ 1%</li> </ul>		<ul style="list-style-type: none"> <li>PAT % ↑ less than EBITDA due to the deferred tax charge of \$160mn arising from the approval of ↑ UK tax rate in 2021 from 19% to 25% effective from April 2023</li> </ul>		<ul style="list-style-type: none"> <li>EPS % ↑ same as PAT</li> </ul>	

1. Represents gross revenue and other income before deducting transaction-related expenses (2020: \$110mn; 2021: \$152mn)  
 2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures  
 3. For the purpose of this presentation, tax impact of COF is not considered when calculating the PAT attributable to COF.  
 4. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.  
 5. COF represents net investment income of Corporate Funds.



Q4 2021 vs Q3 2021

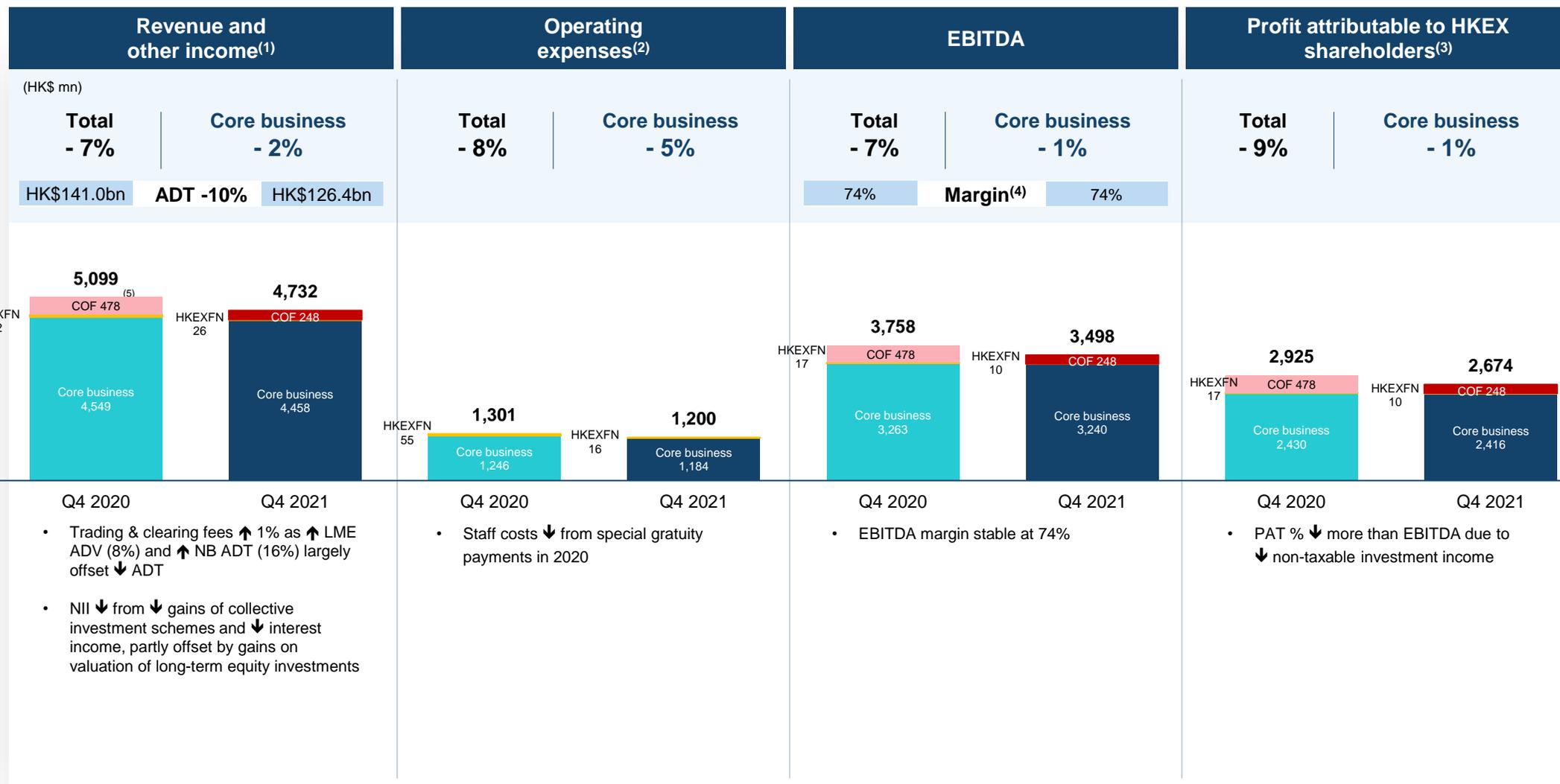
# Q4 PAT down 18% on previous quarter due to lower trading volumes, partly offset by higher investment income

Revenue and other income <sup>(1)</sup>		Operating expenses <sup>(2)</sup>		EBITDA		Profit attributable to HKEX shareholders <sup>(3)</sup>	
(HK\$ mn)							
<b>Total - 11%</b>		<b>Total + 8%</b>		<b>Total - 16%</b>		<b>Total - 18%</b>	
<b>Core business - 15%</b>		<b>Core business + 9%</b>		<b>Core business - 21%</b>		<b>Core business - 25%</b>	
HK\$165.3bn   <b>ADT -24%</b>   HK\$126.4bn				79%   <b>Margin<sup>(4)</sup></b>   74%			
Q3 2021	Q4 2021	Q3 2021	Q4 2021	Q3 2021	Q4 2021	Q3 2021	Q4 2021
<ul style="list-style-type: none"> <li>Trading and clearing fees ↓ from ↓ Headline ADT (24%), ↓ Derivatives ADV (17%) and ↓ NB ADT (20%)</li> <li>Depository fees ↓ from seasonality</li> <li>Partly offset by:</li> <li>NII ↑ from gains on valuation of long-term equity investments and ↑ gains of collective investment schemes in Q4 vs losses in Q3</li> </ul>		<ul style="list-style-type: none"> <li>Professional fees and marketing expenses ↑ from strategic projects and promotion of new products</li> </ul>		<ul style="list-style-type: none"> <li>EBITDA margin ↓ 5%</li> </ul>		<ul style="list-style-type: none"> <li>PAT % ↓ more than EBITDA as D&amp;A remained stable</li> </ul>	

1. Represents gross revenue and other income before deducting transaction-related expenses (Q3 2021: \$37mn; Q4 2021: \$34mn)  
 2. Excludes transaction-related expenses, depreciation and amortisation, finance costs, and share of results of joint ventures  
 3. For the purpose of this presentation, tax impact of COF is not considered when calculating the PAT attributable to COF.  
 4. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.  
 5. COF represents net investment income of Corporate Funds.



# Q4 PAT down 9% against PY, due to lower investment income



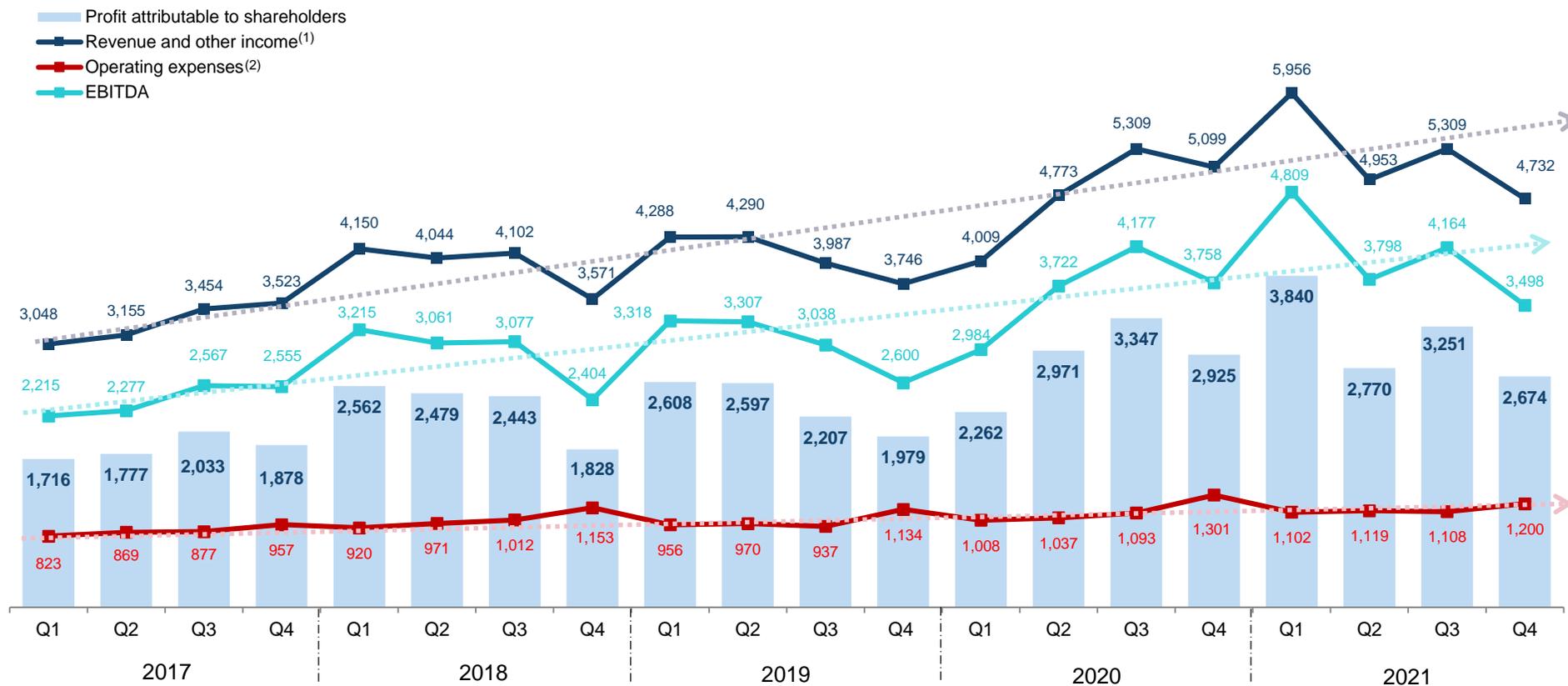
1. Represents gross revenue and other income before deducting transaction-related expenses (Q4 2020: \$40mn; Q4 2021: \$34mn)  
 2. Excludes transaction-related expenses, depreciation and amortisation, finance costs, and share of results of joint ventures  
 3. For the purpose of this presentation, tax impact of COF is not considered when calculating the PAT attributable to COF.  
 4. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.  
 5. COF represents net investment income of Corporate Funds.

## Quarterly performance

# 2021 performance in line with the long term trend

### Quarterly performance

(HK\$ mn)



**Record results in 2021, driven by exceptionally buoyant volumes in Q1**

1. Represents gross revenue and other income before deducting transaction-related expenses
2. Operating expenses exclude transaction-related expenses, depreciation and amortisation, finance costs, share of results of joint ventures, and certain exceptional costs.
3. Dotted trend lines are illustrative and do not constitute a forward forecast.

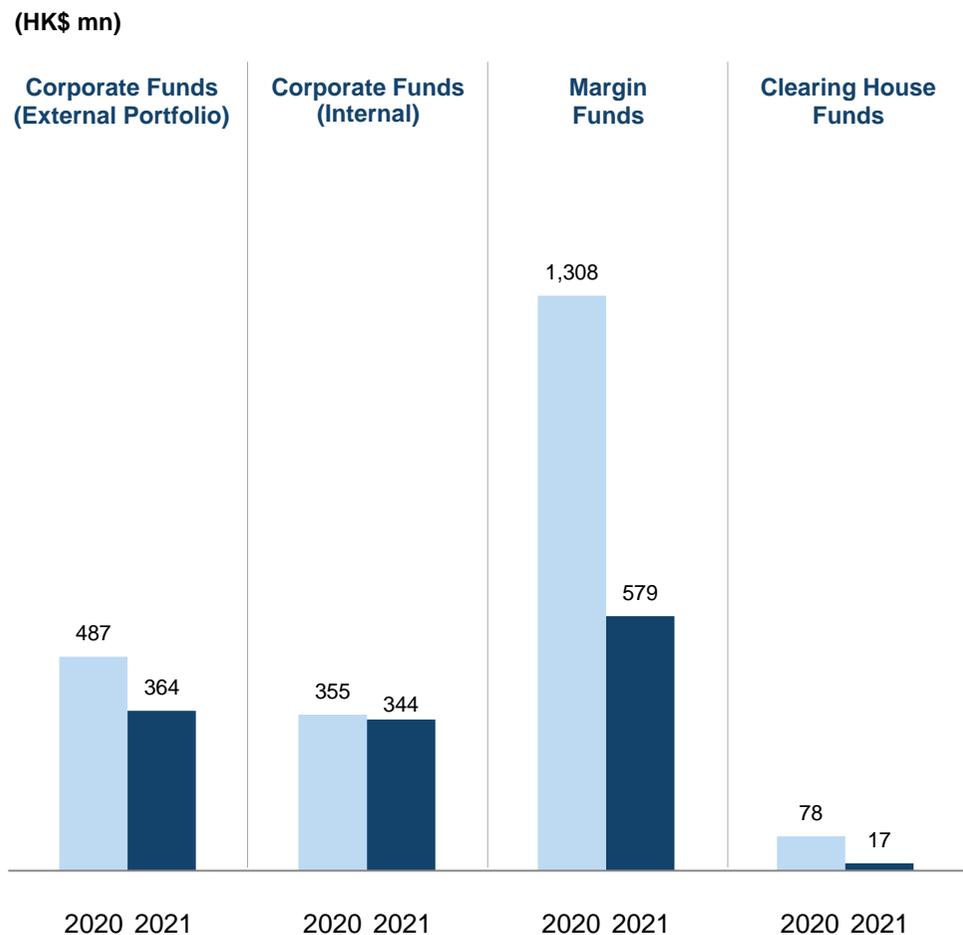




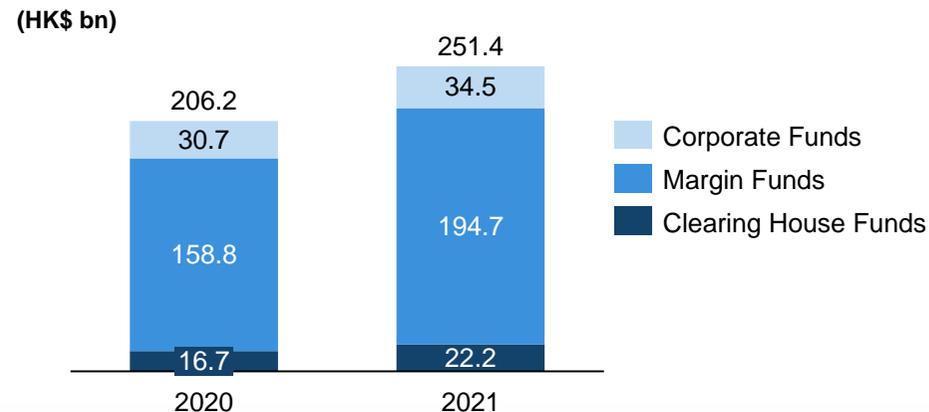
# Net investment income impacted by low interest rates

2021: \$1,304mn (2020: \$2,228mn)

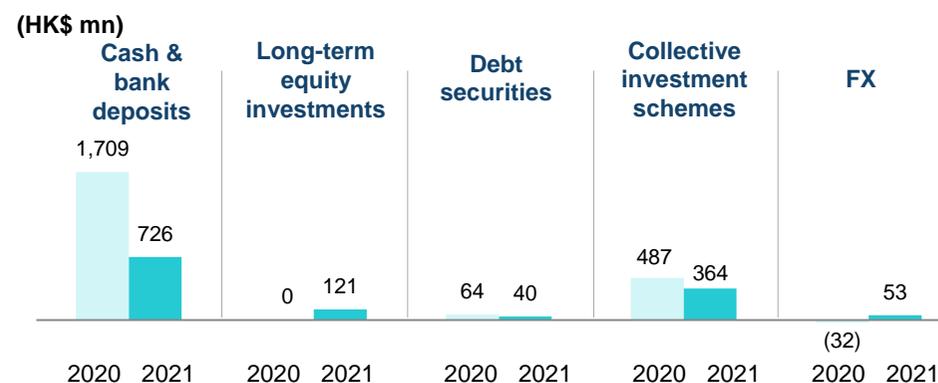
## Net investment income by funds



## Average fund size



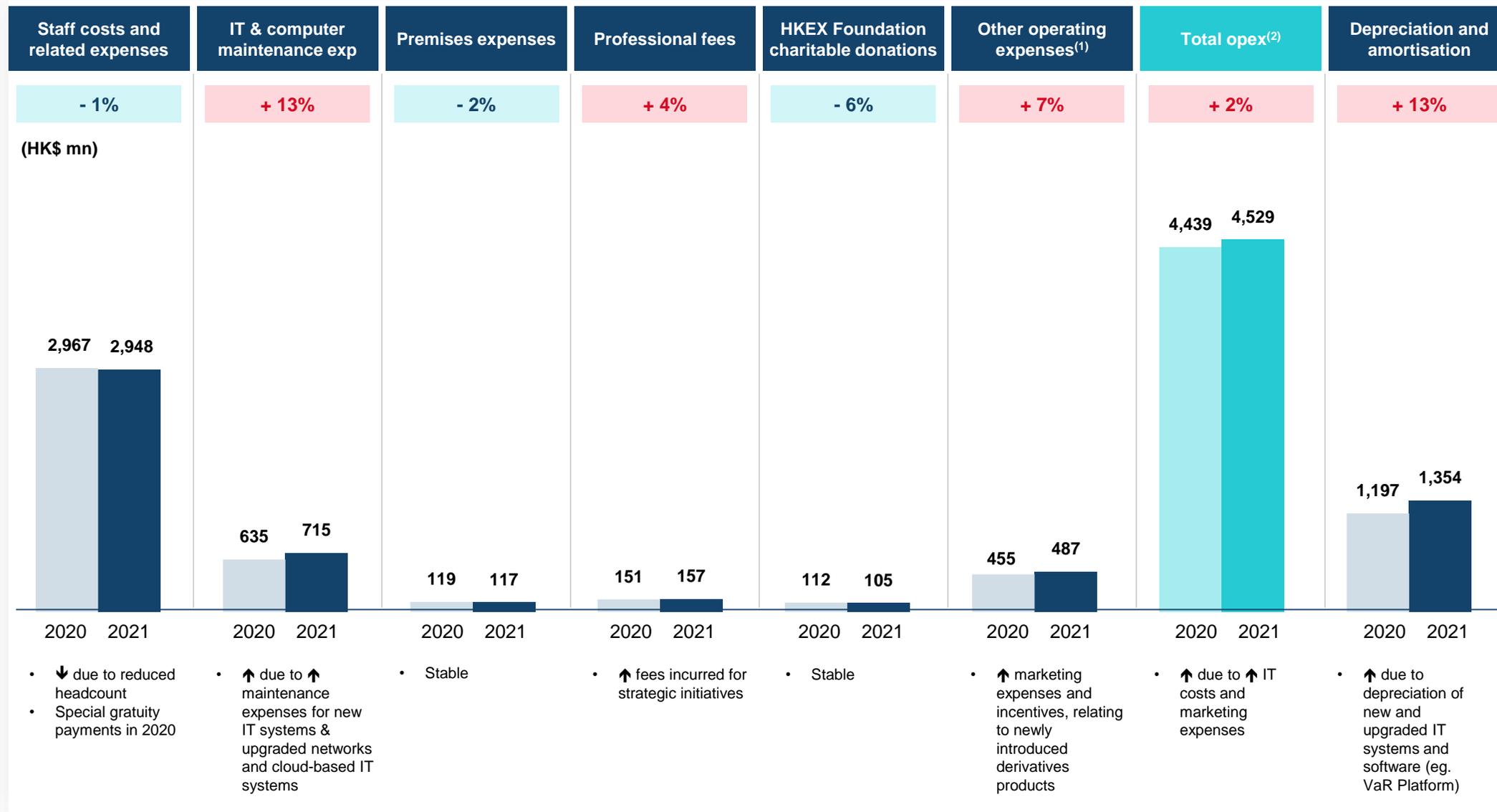
## Net investment income by category of investments



Lower investment income due to reduced interest rates and lower fair value gains from external portfolio, partly offset by gains on valuation of long-term equity investments

## Operating expenses – 2021 vs 2020

# Strong cost management with Investments in infrastructure and strategic initiatives



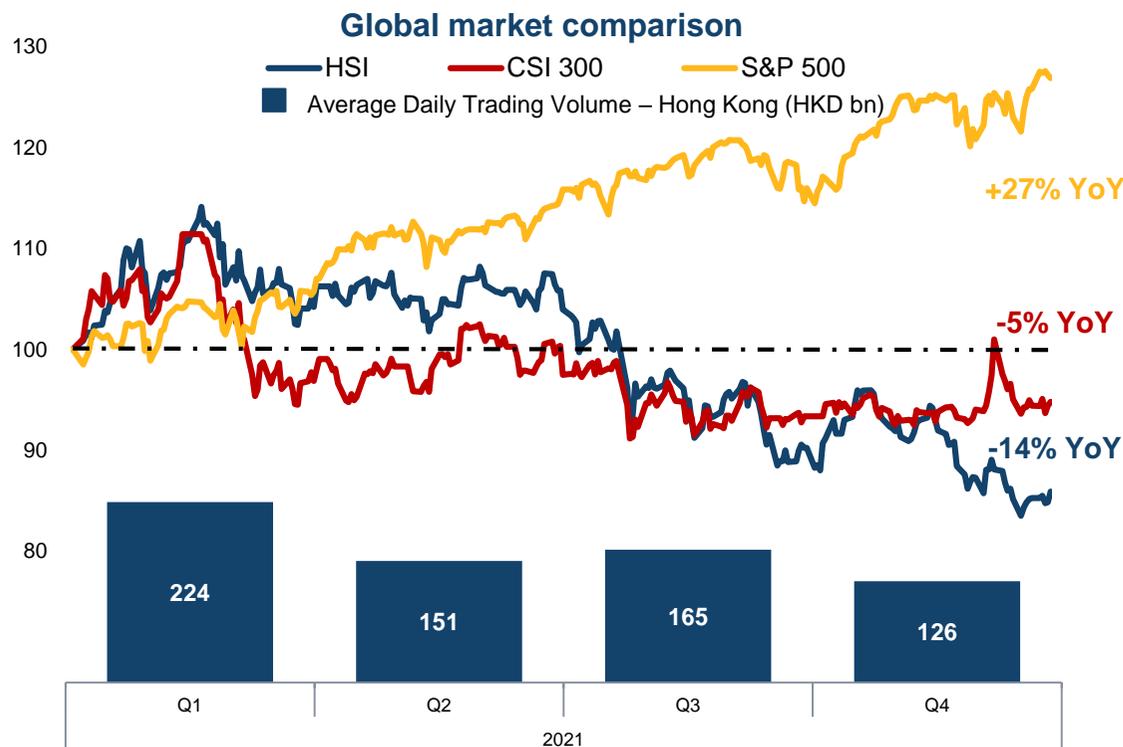
1. Includes product marketing and promotion expenses

2. Excludes transaction-related expenses, depreciation and amortisation, finance costs, and share of results of joint ventures



# **Business and Strategic Update**

# Strong FY performance, from resilient business



## Robust and resilient core businesses

- Record high Cash Market ADT +29%YoY at HK\$166.7bn; Buoyant performance in Q1 and gradually normalised
- Futures & Options ADV +3%YoY

## Record highs across all Connect Schemes

- Stock Connect: Record revenue of HK\$2.7bn (+41%YoY)
  - Northbound ADT of RMB120.1bn (+32%YoY)
  - Southbound ADT of HK\$41.7bn (+71%YoY)
- Bond Connect: Northbound ADT of RMB26.6bn (+34%YoY)

Key market indicators (2021)				
	Q1	Q2	Q3	Q4
Derivatives Market ADV ('000 contracts)	1,410.5	997.4	1,225.6	1,016.5
NB ADT (HKD bn)	151.8	121.9	167.8	135.5
LME ADV ('000 lots)	564	577	571	580
No. of IPOs	32	14	27	25
IPO fund raised (HKD bn)	136.6	75.1	74.1	45.5

## Strong IPO market in Q1 with slowdown in 2H

- #4 by IPO funds raised (HK\$331.4bn), with 88% from New Economy and Biotech companies
- 98 new company listings included 20 Biotech company listings, 6 listings with WVR structure, 5 secondary listings and 3 dual-primary listings
- IPO pipeline remained strong despite drop in IPOs in 2H

# 2021 selected strategic highlights (1/2)

## Enhancing our listing framework

- Introduced **HK SPAC listing regime**
- Enhanced and streamlined **listing for overseas issuers**

## Expanding our connectivity

- Included **eligible A-shares listed on SSE's STAR Market** and corresponding H shares to Stock Connect
- **Announced eligible ETFs into Stock Connect** to be included soon
- **Implemented multiple enhancements to Bond Connect**; including third trading platform for Northbound (MarketAxess); and **launch of Southbound Bond Connect**

## Reinforcing HKEX as Asia's trading and risk management hub

- **Launched MSCI China A 50 Connect Index Futures**, providing global investors a convenient and cost-effective solution to trade and manage their China exposure
- Launched **Mini USD/CNH Futures; Hang Seng TECH Index Options**; physically settled **Options on Futures for HSIF and HSCEIF**; 6 new LME cash settled futures
- Published a consultation paper on **Derivatives Holiday Trading** for non-Hong Kong Dollar denominated futures and options, with consultation conclusions published in Jan 2022
- **Further enhancements to ETF Market**, including a new tiered structure for trading fee exemption for market makers, cross-listing scheme with Shanghai and launch of 33 new products

# 2021 selected strategic highlights (2/2)

## Modernising our operations and infrastructure

- **Confirmed FINI launch** for Q4 2022; reducing the IPO settlement cycle from T+5 to T+2
- Rolled out a new version of the **Pre-Trade Risk Management (PTRM 2.0) System** to provide investors with additional tools to manage their intraday exposures in the Derivatives Market
- Introduced new **LME electronic warranting solution**
- **Completed upgrades to multiple core trading systems** and relocation of secondary data centre

## Embedding sustainability within our business and markets

- **87 sustainable-focused products were displayed on STAGE** as at end of 2021. 95 green / ESG-related bond listings raising a total of HK\$282.6bn in 2021 (vs 18 listings raising HK\$66.7bn in 2020); displayed **ESG metrics on over 600 Hong Kong-listed companies**
- **LME launched LMEpassport**, an online service and centralised digital register helping participants meet the LME's responsible sourcing requirements
- HKEX Foundation launched new **HKEX Impact Funding Scheme**
- **Joined the Glasgow Financial Alliance for Net Zero**, made Group commitment to Net Zero by, latest, 2050 and published Practical Net-Zero Guide for Business

# Looking ahead

- **Cash Market trading volumes return to more normalized levels** after an exceptionally buoyant Q1
- **Stock Connect** continues to perform very well
- **Strong IPO pipeline** underpinned by demand from Chinese companies seeking homecoming listings, and the introduction of the new listing regime for SPACs and overseas issuers
- **Persistent inflationary pressures, tightening of monetary policy, upcoming interest rate hikes** could cause volatility and impact returns on the external investment portfolio; but interest rates hikes should help-internally managed investment income
- **Geopolitical tensions, the ongoing pandemic and travel restrictions** will be some of the challenges shaping the year ahead, but we will continue to see opportunities for leveraging our China connectivity, diversifying our product offering and capitalising on development areas such as sustainability and the new economy
- **Continued investments in technology, talent and risk management will underpin focused strategy. Full update on Strategy on our Corporate Day** in late March
- Business well-placed to meet opportunities and challenges in year-ahead

# 2021 Financial Performance (vs. 2020)

Record

## Revenue and Profit

Core business revenue

↑10%

to HK\$20.1bn

EBITDA

↑11%

to HK\$16.3bn

Record

## Connect Schemes

revenue

Total revenue and other income

↑9%

to HK\$21.0bn

PAT

↑9%

to HK\$12.5bn

EPS

↑9%

to HK\$9.91

**Welcome questions**

Q&A Session begins now

# Appendix



# Financial highlights – Income Statement

(HK\$ mn, unless stated otherwise)	2021	% of Revenue & Other Income	2020	% of Revenue & Other Income	YoY Change
<b>Results</b>					
Revenue and other income	20,950	100%	19,190	100%	9%
Less: Transaction-related expenses	(152)	(1%)	(110)	(1%)	38%
<b>Revenue and other income less transaction-related expenses</b>	<b>20,798</b>	<b>99%</b>	<b>19,080</b>	<b>99%</b>	<b>9%</b>
Operating expenses	(4,529)	(22%)	(4,439)	(23%)	2%
<b>EBITDA</b>	<b>16,269</b>	<b>78%</b>	<b>14,641</b>	<b>76%</b>	<b>11%</b>
Depreciation and amortisation	(1,354)	(6%)	(1,197)	(6%)	13%
<b>Operating profit</b>	<b>14,915</b>	<b>71%</b>	<b>13,444</b>	<b>70%</b>	<b>11%</b>
Finance costs and share of results of joint ventures	(74)	(0%)	(112)	(1%)	(34%)
<b>Profit before taxation</b>	<b>14,841</b>	<b>71%</b>	<b>13,332</b>	<b>69%</b>	<b>11%</b>
Taxation	(2,343)	(11%)	(1,845)	(10%)	27%
Loss attributable to non-controlling interests	37	0%	18	0%	106%
<b>Profit attributable to HKEX shareholders</b>	<b>12,535</b>	<b>60%</b>	<b>11,505</b>	<b>60%</b>	<b>9%</b>
<b>Capex</b>	<b>1,127</b>		<b>1,388</b>		<b>(19%)</b>
Basic earnings per share	<b>HK\$9.91</b>		<b>HK\$9.11</b>		<b>9%</b>
<b>Headline ADT on the Stock Exchange</b>	<b>HK\$166.7 bn</b>		<b>HK\$129.5 bn</b>		<b>29%</b>

1. % may not add up due to rounding.



# Performance by operating segment

HK\$ mn	Cash	Derivatives	Commodities	Post Trade	Technology	Corporate Items	Group 2021	Group 2020
<b>Revenue and other income</b>	<b>6,131</b>	<b>3,436</b>	<b>1,478</b>	<b>7,995</b>	<b>1,050</b>	<b>860</b>	<b>20,950</b>	<b>19,190</b>
<i>% of Group Total</i>	<i>29%</i>	<i>17%</i>	<i>7%</i>	<i>38%</i>	<i>5%</i>	<i>4%</i>	<i>100%</i>	<i>100%</i>
Less: Transaction-related expenses	-	(126)	-	(26)	-	-	(152)	(110)
<b>Revenue and other income less transaction-related expenses</b>	<b>6,131</b>	<b>3,310</b>	<b>1,478</b>	<b>7,969</b>	<b>1,050</b>	<b>860</b>	<b>20,798</b>	<b>19,080</b>
<b>Operating expenses</b>	<b>(614)</b>	<b>(665)</b>	<b>(695)</b>	<b>(844)</b>	<b>(305)</b>	<b>(1,406)</b>	<b>(4,529)</b>	<b>(4,439)</b>
<b>EBITDA</b>	<b>5,517</b>	<b>2,645</b>	<b>783</b>	<b>7,125</b>	<b>745</b>	<b>(546)</b>	<b>16,269</b>	<b>14,641</b>
<i>% of Group Total</i>	<i>34%</i>	<i>16%</i>	<i>5%</i>	<i>44%</i>	<i>4%</i>	<i>(3%)</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin<sup>(1)</sup></i>	<i>90%</i>	<i>80%</i>	<i>53%</i>	<i>89%</i>	<i>71%</i>	<i>N/A</i>	<i>78%</i>	<i>77%</i>
Depreciation and amortisation							(1,354)	(1,197)
Finance costs							(154)	(181)
Share of results of joint ventures							80	69
<b>Profit before taxation</b>							<b>14,841</b>	<b>13,332</b>

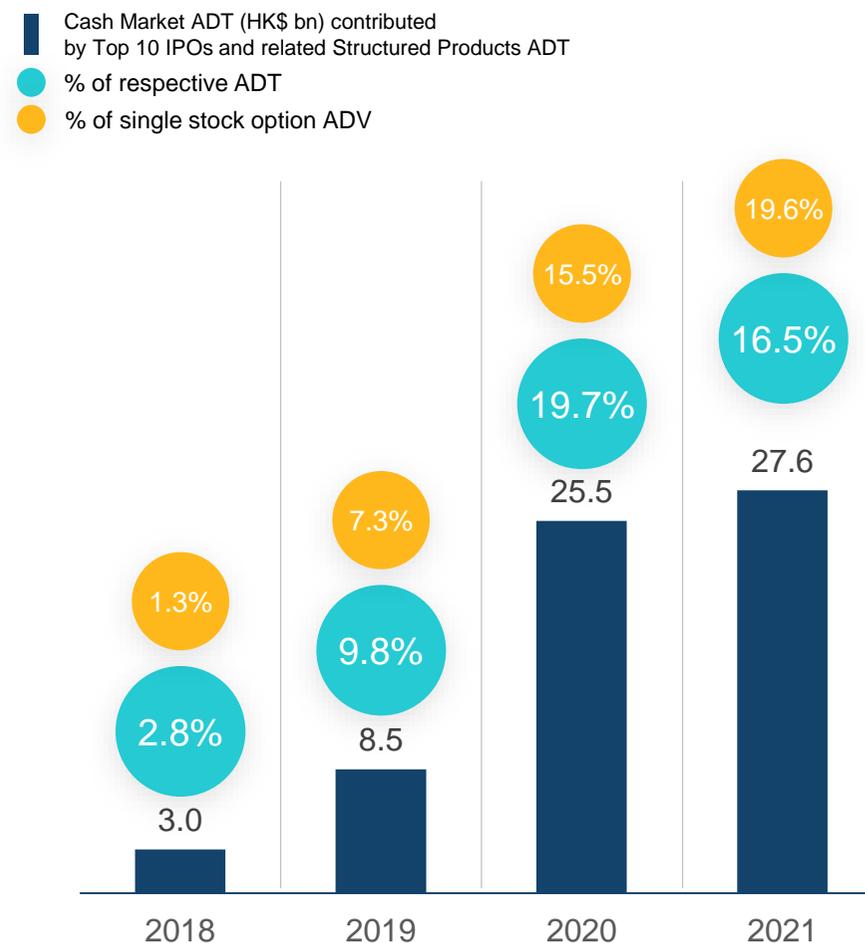
1. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.

# Top 10 IPOs contributing to increased trading activity

## Top 10 IPOs since Jan 2018

Rank	Stock Name	IPO date	IPO size (HK\$bn)
1	BABA - SW	26/11/2019	101.20
2	CHINA TOWER - H	08/08/2018	58.80
3	KUAISHOU - W	05/02/2021	48.30
4	BUD APAC	30/09/2019	45.08
5	XIAOMI - W	09/07/2018	42.61
6	JD - SW	18/06/2020	34.56
7	MEITUAN - W	20/09/2018	33.14
8	JD HEALTH	08/12/2020	31.00
9	JD LOGISTICS	28/05/2021	28.27
10	NTES - S	11/06/2020	24.26

## Rising contribution to volumes from Top 10 IPOs



**17% of cash ADT and 20% of single stock option ADV in 2021 were contributed by the top 10 IPOs since 2018**

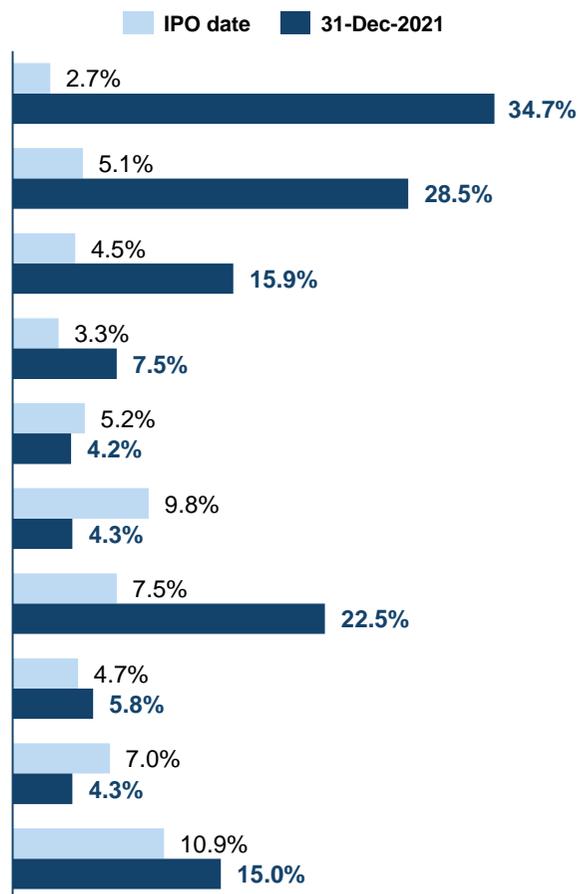
# Continuous ADR conversion and trading migration from secondary listings

## Top 10 Secondary Listings<sup>1</sup>

Secondary Listings	Market Cap (HK\$ bn)	HK IPO Date
BABA - SW	2,579	26/11/2019
JD - SW	854	18/06/2020
NTES - S	528	11/06/2020
BIDU - SW	403	23/03/2021
ZTO EXPRESS - SW	179	29/09/2020
YUM CHINA - S	164	10/09/2020
BILIBILI - SW	139	29/03/2021
TRIP.COM - S	122	19/04/2021
HUAZHU - S	95	22/09/2020
GDS - SW	68	02/11/2020

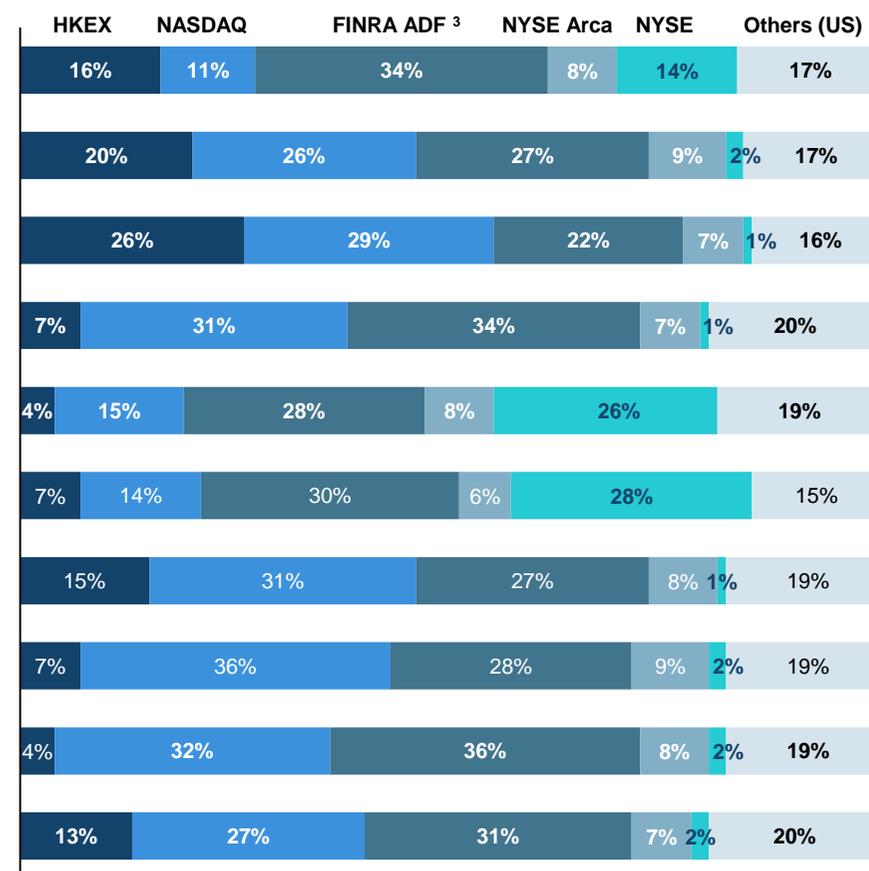
## ADR conversion to HK CCASS

### HK freely traded shares<sup>2</sup>



## Trading shares among HK and US Exchanges

### Trading volume breakdown (2021)



Source: HKEX, FactSet, as of 31 Dec 2021

1. Ranked by market cap (Total: 15 as of 31 Dec 2021)

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

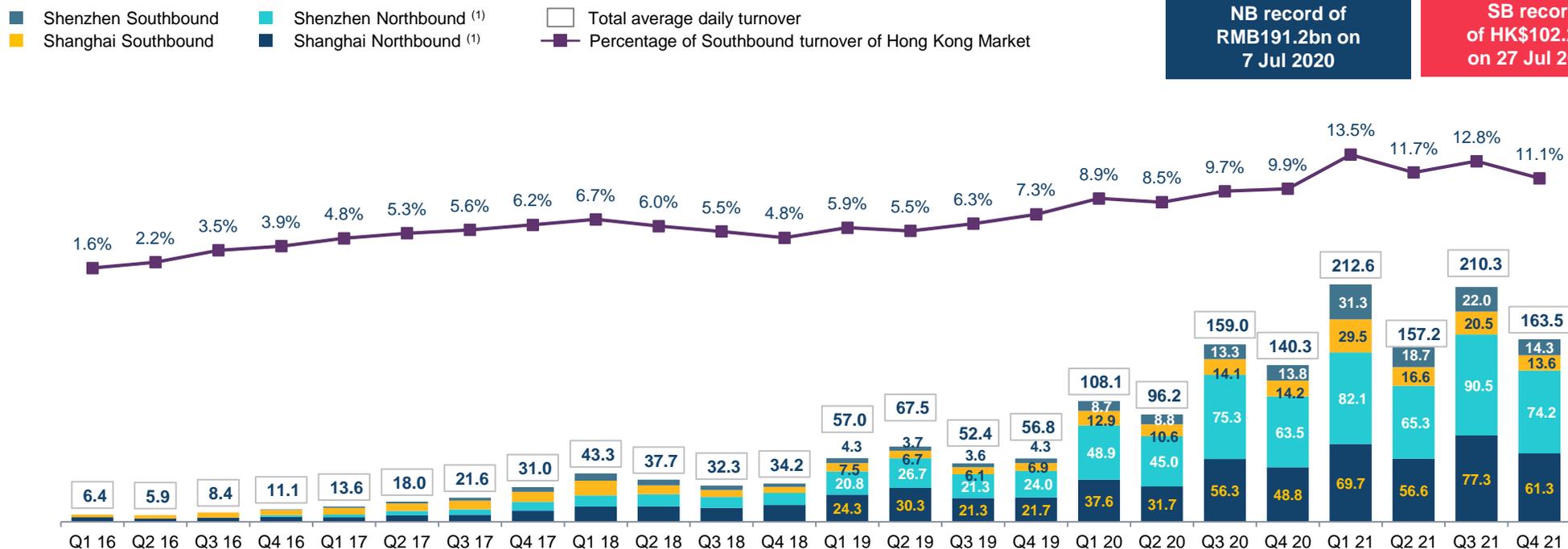
3. FINRA ADF is an equity trading facility created by a self-regulatory organization FINRA. The ADF provides members with a facility for the display of quotations, the reporting of trades, and the comparison of trades such as dark pool trading.



# Stock Connect – trading trends

Stock Connect generated record revenue for the fifth consecutive year, reaching \$2.7bn in 2021, 41% higher than 2020

## Stock Connect Average Daily Trading Volume (HKD bn)



Stock Connect Northbound and Southbound Trading ADT reached RMB120.1bn and \$41.7bn respectively in 2021

Stock Connect revenue continued to set record highs, reaching 13% of the Group's total revenue and other income in 2021 (2020: 10%)

Source: HKEX, SSE and SZSE data

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. May not add up due to rounding



# Thank you.

For further information on HKEX, please go  
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