



# 2021 Interim Results Analyst Presentation

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# Agenda

**01 | 1H 2021 Key Highlights**

**02 | HKEX Group Financial Review**

**03 | Business and Strategic Update**

**04 | Appendix**



# 1H 2021 key highlights

## 1 | Financial Performance

- Record half-yearly revenue and other income of HK\$10.9bn (+24% YoY) with core business revenue up by 27% YoY, driven by record headline ADT
- Record half-yearly Stock Connect revenue and other income of HK\$1.3bn (+78% YoY)
- Net investment income of HK\$0.8bn (1H 2020: HK\$0.8bn)
- Profit attributable to shareholders at record half-yearly high of HK\$6.6bn (+26% YoY)

## 2 | Business and Strategy

- Strong IPO market – #3 globally by IPO funds raised (HK\$212bn, more than double that of 1H 2020)
- Strong Connect scheme performance – record high ADT across all platforms
- Organisational changes announced, aligning ourselves better with the need and success of our customers
- Ongoing market microstructure, technology enhancements and product launches
- LME announced the outcomes of its Discussion Paper on market structure, enhancing the LME's electronic offering and providing greater transparency
- Confirmed on 6 July, launch of FINI to drive post trade efficiency with T+2 IPO settlement cycle, following overwhelming market support



# HKEX Group Financial Review



# 1H 2021: Record financial results

Revenue up 24%, profit up 26% year-on-year

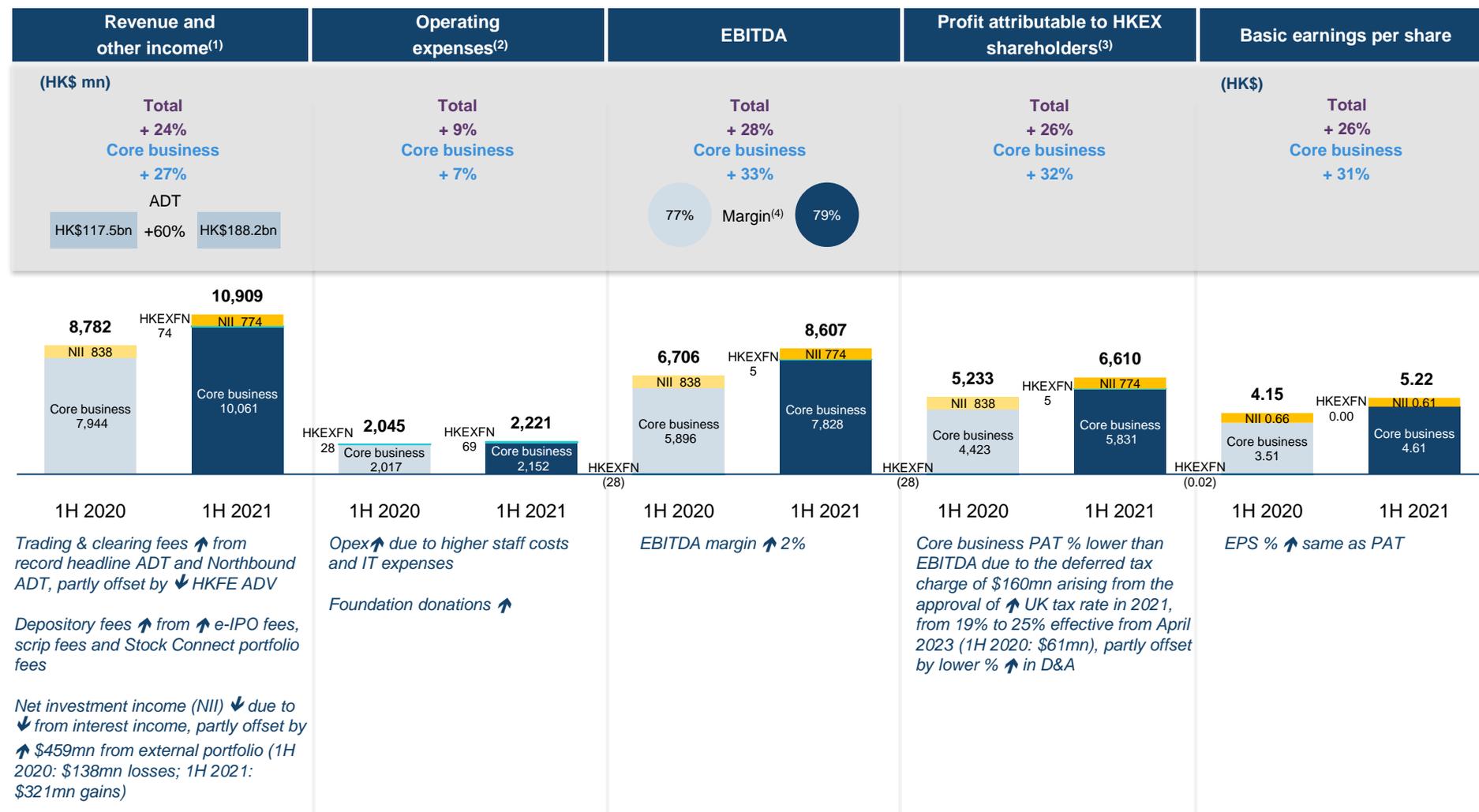
(HK\$)



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 (1H 2020: HK\$31mn; 1H 2021: HK\$81mn)
3. Core business revenue represents total revenue and other income, excluding net investment income and HKEX Foundation donation income (1H 2020: Nil; 1H 2021: HK\$74mn)
4. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses



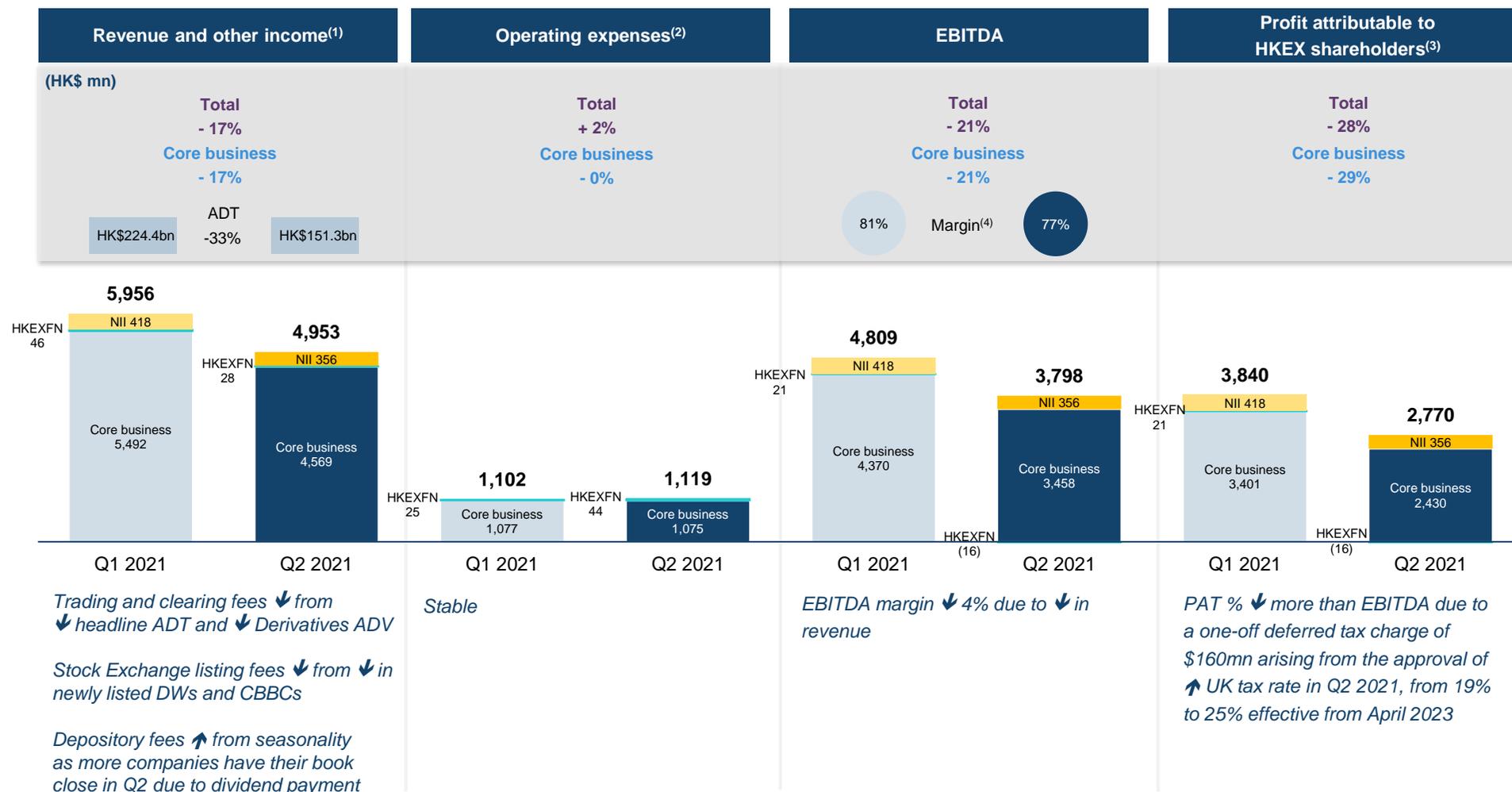
# 1H 2021 vs 1H 2020: Record half-yearly revenue and profit driven by record headline ADT and Stock Connect volumes



1. Represents gross revenue and other income before deducting transaction-related expenses (1H 2020: HK\$31mn; 1H 2021: HK\$81mn)
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 NII is not considered when calculating the PAT attributable to NII
4. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses



# Q2 2021 vs Q1 2021: Q2 results reflect lower ADT and ADV after an exceptionally buoyant Q1



1. Represents gross revenue and other income before deducting transaction-related expenses (Q1 2021: HK\$45mn; Q2 2021: HK\$36mn)
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 NII is not considered when calculating the PAT attributable to NII
4. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses

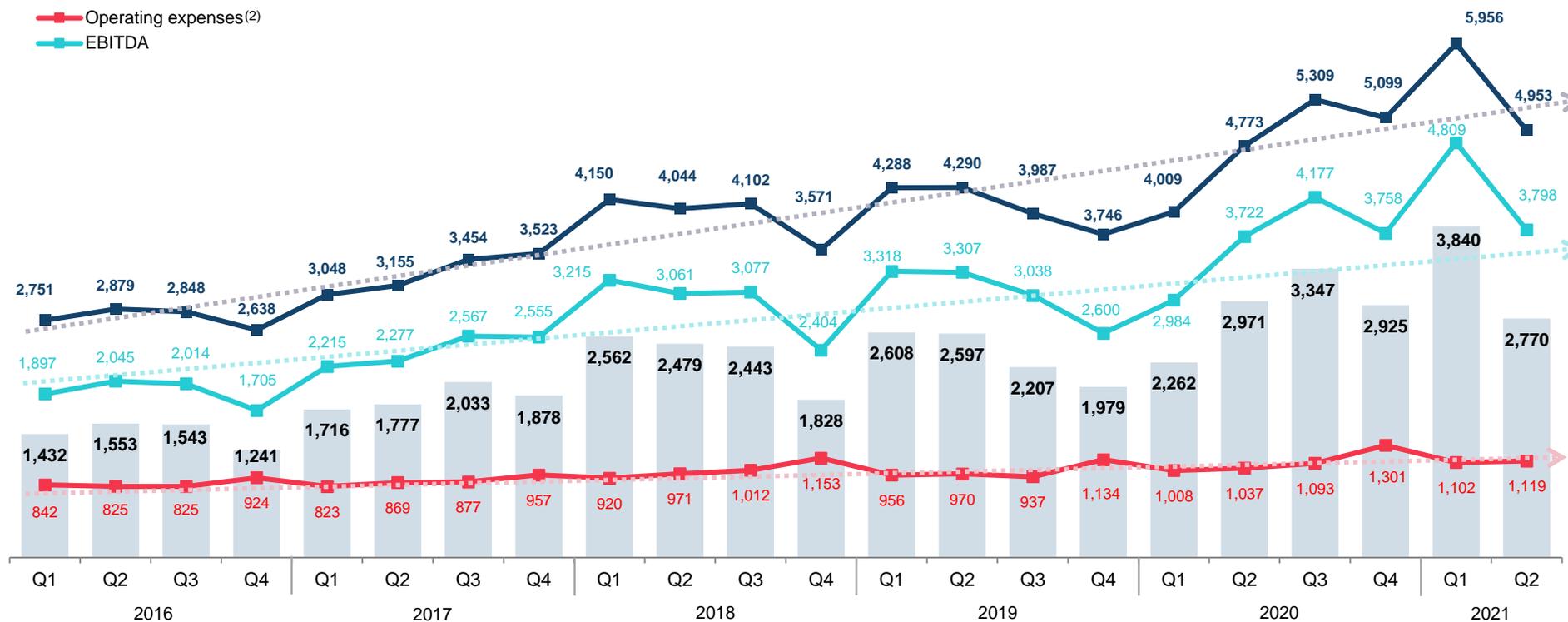


# 1H 2021 performance bolstered by record Q1 volumes

## Quarterly performance

(HK\$ mn)

- Profit attributable to shareholders
- Revenue and other income<sup>(1)</sup>
- Operating expenses<sup>(2)</sup>
- EBITDA



**1H 2021 results reached record half-yearly high, 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

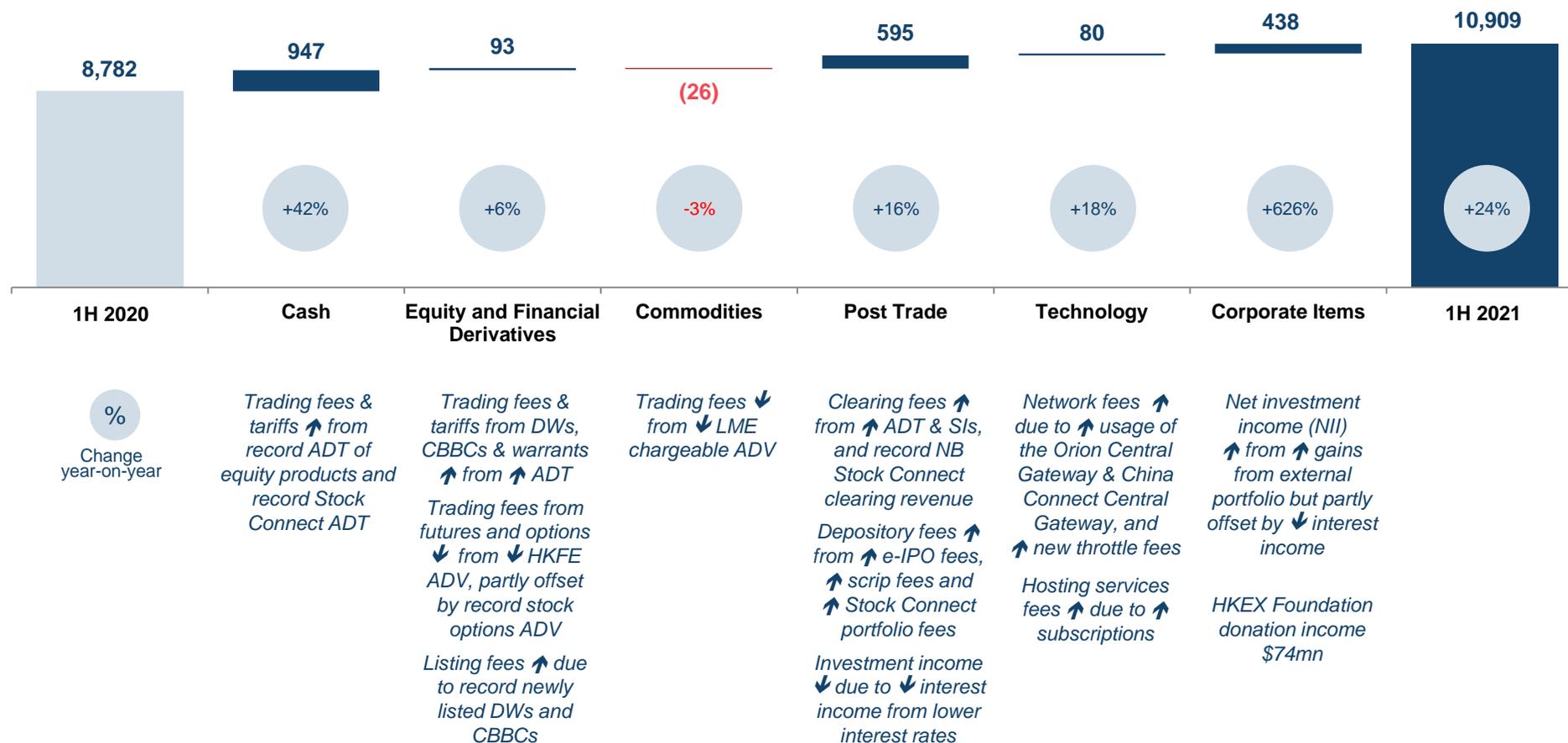


# Cash and Post Trade segments drove higher revenue YoY

## External portfolio saw gains of \$321mn (vs losses of \$138mn in 1H 2020)

### Segmental revenue

(HK\$ mn)



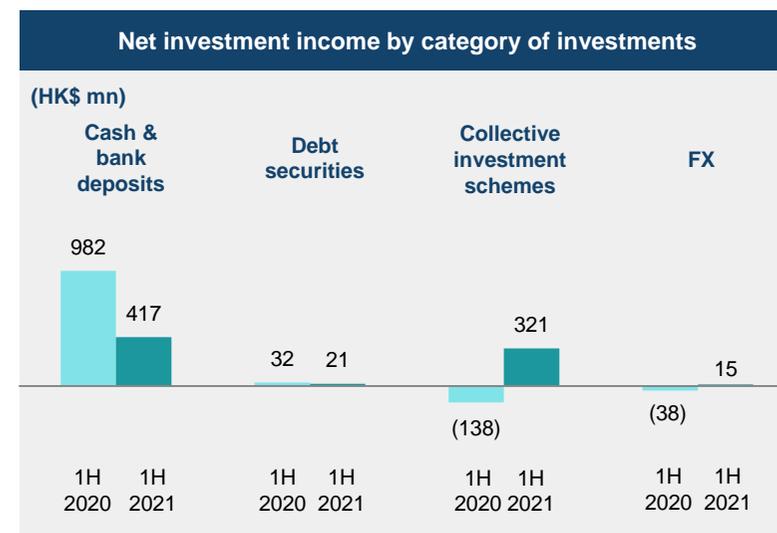
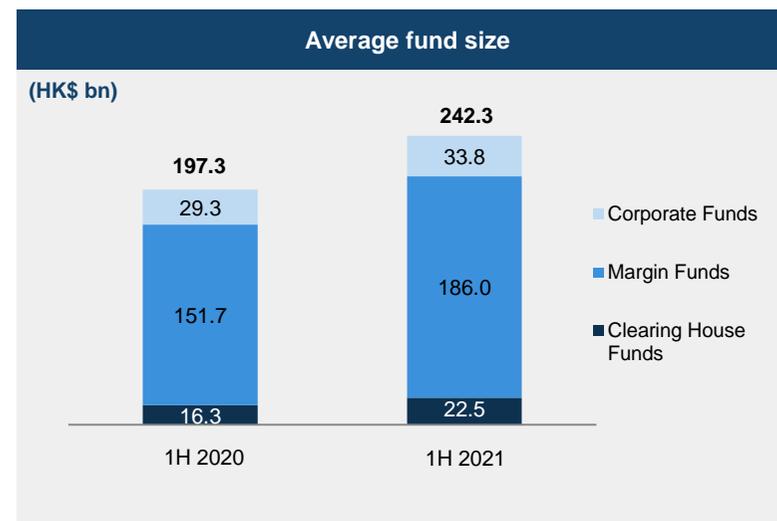
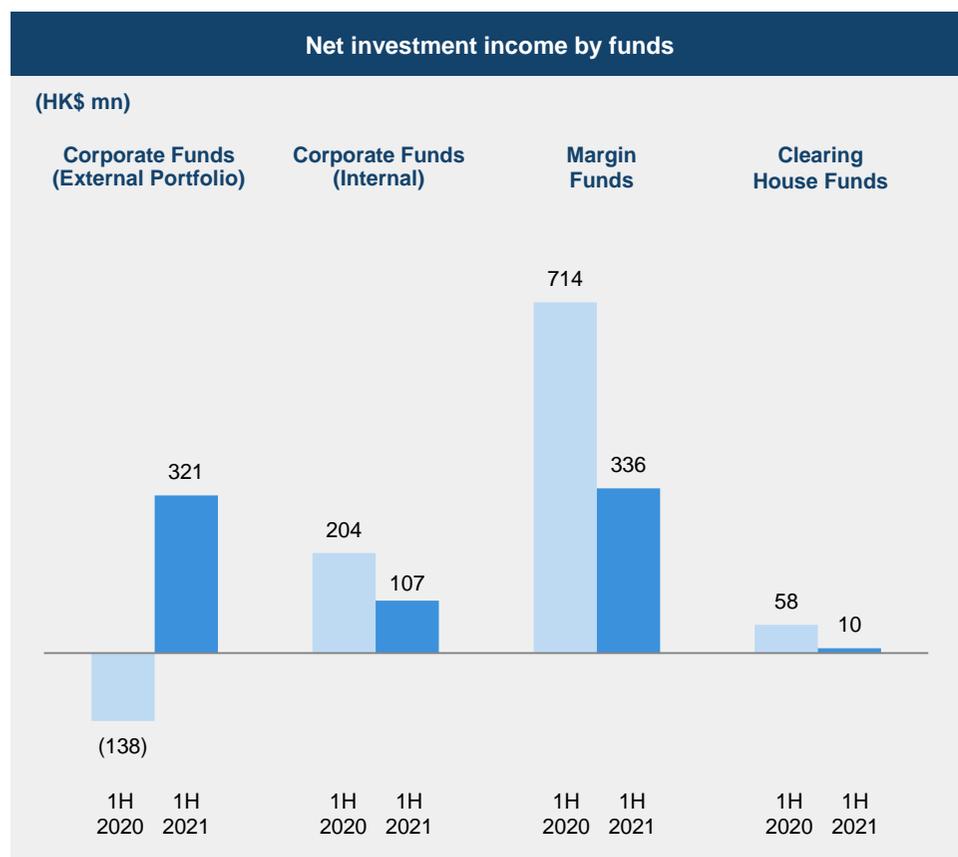
1. Headline ADT up 60% (1H 2020: \$117.5bn; 1H 2021: \$188.2bn); ADT of equity products included under Cash segment up 66% (1H 2020: \$100.0bn; 1H 2021: \$165.8bn); ADT of DWs, CBBCs and warrants included under Equity and Financial Derivatives segment up 28% (1H 2020: \$17.5bn; 1H 2021: \$22.4bn)



# Net investment income impacted by low interest rate environment

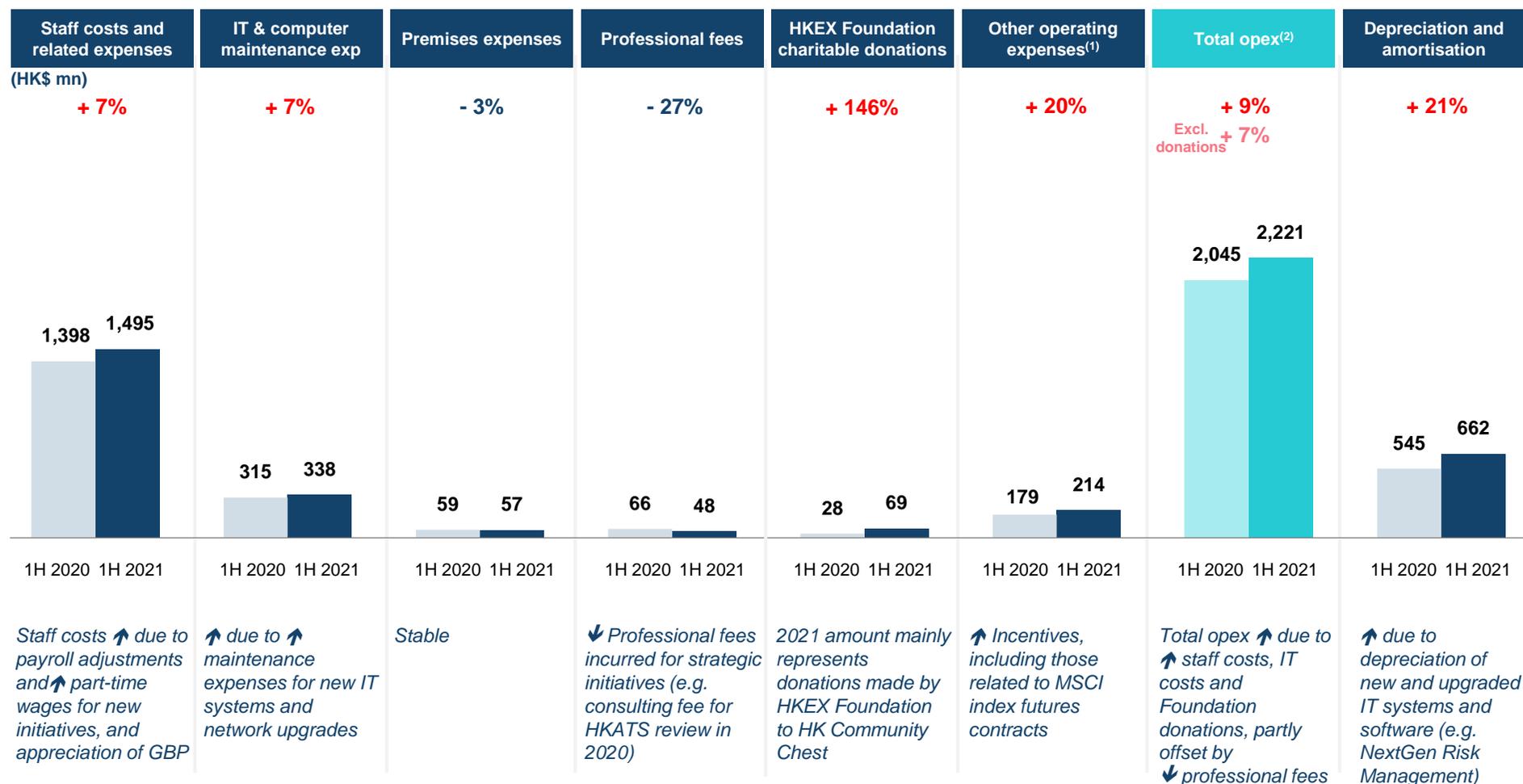
1H 2021: \$774mn (1H 2020: \$838mn)

- External portfolio – improved performance reflecting market valuations
- Internal funds – lower income from reduced interest rates, partly offset by higher fund sizes



# Operating expenses and depreciation & amortisation

## Investments in talent and infrastructure



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



# 1 | Business strength and resiliency delivering strong performance

## Robust core business performance

- Strong performance in Cash Market, Derivatives and FIC
- Cash Market ADT +60%YoY at HK\$188bn (a record half-yearly high)
- Futures & Options ADV +3%YoY
- LME chargeable ADV -13%YoY; +3% QoQ

## Strong momentum in IPO market

- #3 by IPO funds raised (HK\$212bn) with 46 listings, more than doubled 1H 2020, with 92% contributed by new economy and biotech companies
- These 46 new company listings include 4 biotech company listings, 4 secondary listings and 3 listings with WVR structure
- Welcomed the first dual primary listing with WVR structure (XPeng) in July

## Half-yearly record highs across all Connect Schemes

- Stock Connect: Record revenue of HK\$1,320mn (+78%YoY); Northbound ADT of RMB114bn (+54%YoY) and Southbound ADT of HK\$48bn (+132%YoY)
- Bond Connect: ADT of RMB27bn (+34%YoY)



### China Anchored

- **Expanded Stock Connect underlying** – inclusion of Shanghai STAR Market A-shares and their corresponding H-shares
- **Enhanced Bond Connect** – more flexible filing arrangements, more choices for FX risk management and new dealer pay model to cater for global investor needs
- **Extended China onshore capabilities** – launch of Guangzhou Futures Exchange; Established HKEX Mainland China Advisory Group and Mainland Market Panel to provide insight and expertise

### Globally Connected

- **Built IPO attractiveness** – published a consultation paper on proposals to enhance and streamline the listing regime for overseas issuers; published consultation conclusions on the Main Board Profit requirement, driving market quality
- **Broadened product ecosystem** – multiple new ETPs (including first HK-listed biotech companies focused ETF; first cross-listing ETFs in Hong Kong and Shanghai); Hang Seng Tech Index Options; MSCI China Free Index and MSCI Taiwan Index Options; Mini USD/CNH Futures; 6 new cash settled futures in LME in July; Options on Futures for HSIF and HSCEIF in Q3
- **Market microstructure refinements** – Implemented enhancements of Volatility Control Mechanism and Pre-Market Opening Session to Derivatives Market; reduced fee exemption for ETP market makers while introduced fee waiver for fixed-income ETPs; launched Familiarisation Programme by phases for NextGen Risk Management (NGRM); LME published the outcomes of its discussion paper on market structure



### Technology Empowered

- **Streamlined IPO subscription and settlement cycle** – Confirmed launch of FINI, after receiving overwhelming support for the proposals, reducing the settlement cycle from T+5 to T+2
- **Automated and streamlined post trade work flow for Northbound Stock Connect** – launched pilot program with market participants in June, targeting launch in 2022
- **Enhanced business operational efficiencies** – ongoing deployment of technologies across HKEX businesses; HKEX RPA team won the BluePrism's APAC Pinnacle award, highest honour at its annual Customer Excellence Awards

### Embedding sustainability within our business and markets

- **Built sustainable finance ecosystem** – a total of 67 sustainable-focused products were displayed on STAGE as of end of 1H 2021. There were 42 green/ESG-related bond listings raising a total of HK\$124bn (vs 4 listings raising HK\$10bn in 1H 2020)
- **Enhanced Corporate Governance Code** – published a consultation paper outlining proposed enhancement to corporate governance standards among listed issuers in Hong Kong, specifically in the areas of director independence, diversity and ESG
- **LME continued to progress its sustainability roadmap** – LMEpassport, an online service helping participants meet the LME's responsible sourcing requirements to launch in Q3; Announced a funding partnership with charities, tackling child labour and children's rights issues in mining communities in July
- **HKEX Foundation** – scaling impact with HKEX Charity Partnership Programme; renewed commitment with another \$20 million allocation for 2021



### 3 | Initial thoughts from CEO in his 12<sup>th</sup> week



Positioning HKEX as the “Market of the Future”



## Looking ahead

- **HKEX had record 1H ADT in 2021** with an exceptionally buoyant Q1, while trading volume in Q2 and the start of Q3 returned to similar levels as 2H 2020
- **Stock Connect continues to perform well and provide a strong revenue stream:** record half-yearly revenue with robust volume; China's economic growth will continue to support liquidity
- **Strong momentum in Hong Kong's IPO market** driven by homecoming, biotech and increased interest from tech IPOs
- **Increasing vaccinations levels provides for cautious optimism,** but the surge in Delta variant of COVID-19 cases could affect economic recovery
- **Low interest rate environment will continue to negatively impact investment income,** while pace of macroeconomic recovery and rising US inflation could impact returns on the external investment portfolio
- **Continued focus on strong execution of strategy, good cost discipline, investment in technology, talent and risk management and customer-centricity** will ensure we are well placed for the opportunities and challenges ahead



## 1H 2021 Financial Performance (vs. 1H 2020)

- Record half-yearly revenue and PAT
- Core business revenue up 27%; Total revenue and other income up 24% to HK\$10.9bn
- Record half-yearly revenue for Connect Schemes
- HKEX #3 globally by IPO funds raised
- EBITDA up 28% to HK\$8.6bn
- PAT up 26% to HK\$6.6bn
- EPS up 26% to HK\$5.22
- Dividend per share up 26% to HK\$4.69

... Welcome questions

Q&A Session begins now



# Appendix



# Financial highlights – Income Statement

(HK\$ mn, unless stated otherwise)	1H 2021	% of Revenue & Other Income	1H 2020	% of Revenue & Other Income	YoY Change
<b>Results</b>					
Revenue and other income	10,909	100%	8,782	100%	24%
Less: Transaction-related expenses	(81)	(1%)	(31)	(0%)	161%
<b>Revenue and other income less transaction-related expenses</b>	<b>10,828</b>	<b>99%</b>	<b>8,751</b>	<b>100%</b>	<b>24%</b>
Operating expenses	(2,221)	(20%)	(2,045)	(23%)	9%
<b>EBITDA</b>	<b>8,607</b>	<b>79%</b>	<b>6,706</b>	<b>76%</b>	<b>28%</b>
Depreciation and amortisation	(662)	(6%)	(545)	(6%)	21%
<b>Operating profit</b>	<b>7,945</b>	<b>73%</b>	<b>6,161</b>	<b>70%</b>	<b>29%</b>
Finance costs and share of results of joint ventures	(39)	(0%)	(57)	(1%)	(32%)
<b>Profit before taxation</b>	<b>7,906</b>	<b>73%</b>	<b>6,104</b>	<b>70%</b>	<b>30%</b>
Taxation	(1,317)	(12%)	(870)	(10%)	51%
Loss/(profit) attributable to non-controlling interests	21	0%	(1)	(0%)	N/A
<b>Profit attributable to HKEX shareholders</b>	<b>6,610</b>	<b>61%</b>	<b>5,233</b>	<b>60%</b>	<b>26%</b>
<b>Capex</b>	<b>536</b>		<b>519</b>		<b>3%</b>
Basic earnings per share	HK\$5.22		HK\$4.15		26%
<b>Headline ADT on the Stock Exchange</b>	<b>HK\$188.2 bn</b>		<b>HK\$117.5 bn</b>		<b>60%</b>

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 1H 2021	Group 1H 2020
<b>Revenue and other income</b>	<b>3,200</b>	<b>1,731</b>	<b>723</b>	<b>4,224</b>	<b>523</b>	<b>508</b>	<b>10,909</b>	<b>8,782</b>
<i>% of Group Total</i>	<i>29%</i>	<i>16%</i>	<i>6%</i>	<i>39%</i>	<i>5%</i>	<i>5%</i>	<i>100%</i>	<i>100%</i>
Less: Transaction-related expenses	-	(63)	-	(18)	-	-	(81)	(31)
<b>Revenue and other income less transaction-related expenses</b>	<b>3,200</b>	<b>1,668</b>	<b>723</b>	<b>4,206</b>	<b>523</b>	<b>508</b>	<b>10,828</b>	<b>8,751</b>
<b>Operating expenses</b>	<b>(305)</b>	<b>(337)</b>	<b>(324)</b>	<b>(446)</b>	<b>(148)</b>	<b>(661)</b>	<b>(2,221)</b>	<b>(2,045)</b>
<b>EBITDA</b>	<b>2,895</b>	<b>1,331</b>	<b>399</b>	<b>3,760</b>	<b>375</b>	<b>(153)</b>	<b>8,607</b>	<b>6,706</b>
<i>% of Group Total</i>	<i>34%</i>	<i>15%</i>	<i>5%</i>	<i>44%</i>	<i>4%</i>	<i>(2%)</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin<sup>(1)</sup></i>	<i>90%</i>	<i>80%</i>	<i>55%</i>	<i>89%</i>	<i>72%</i>	<i>N/A</i>	<i>79%</i>	<i>77%</i>
Depreciation and amortisation	(80)	(69)	(171)	(163)	(39)	(140)	(662)	(545)
Finance costs	(6)	(6)	(4)	(33)	(1)	(27)	(77)	(96)
Share of results of joint ventures	38	-	-	-	-	-	38	39
<b>Profit before taxation</b>	<b>2,847</b>	<b>1,256</b>	<b>224</b>	<b>3,564</b>	<b>335</b>	<b>(320)</b>	<b>7,906</b>	<b>6,104</b>

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

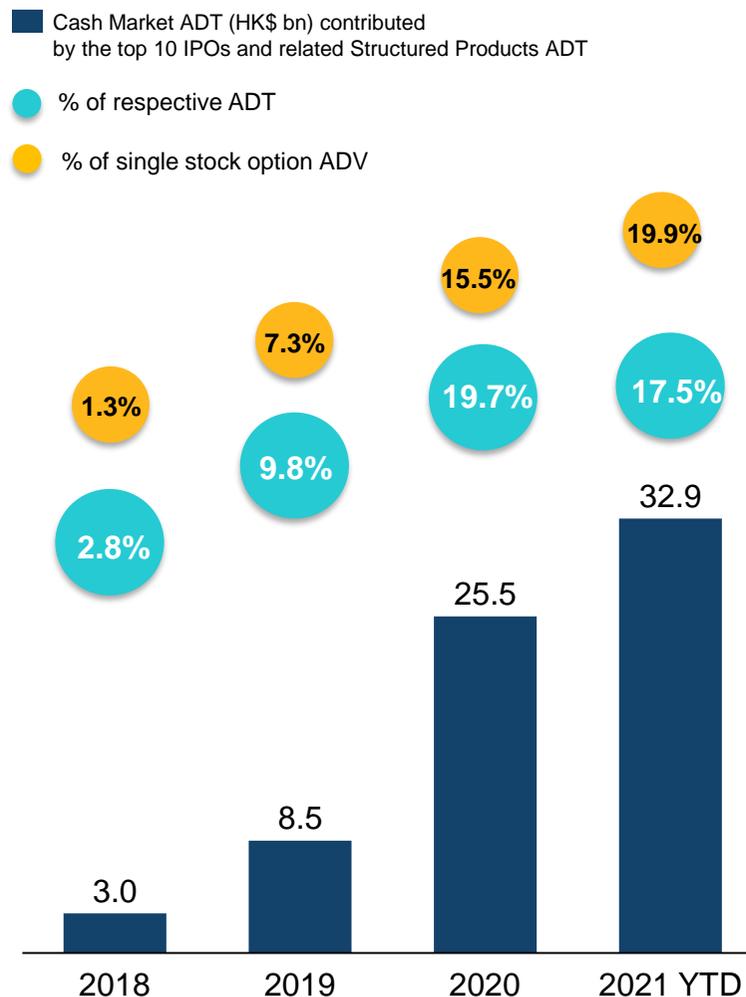


# Top 10 IPOs contributing to increased trading activity

## 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

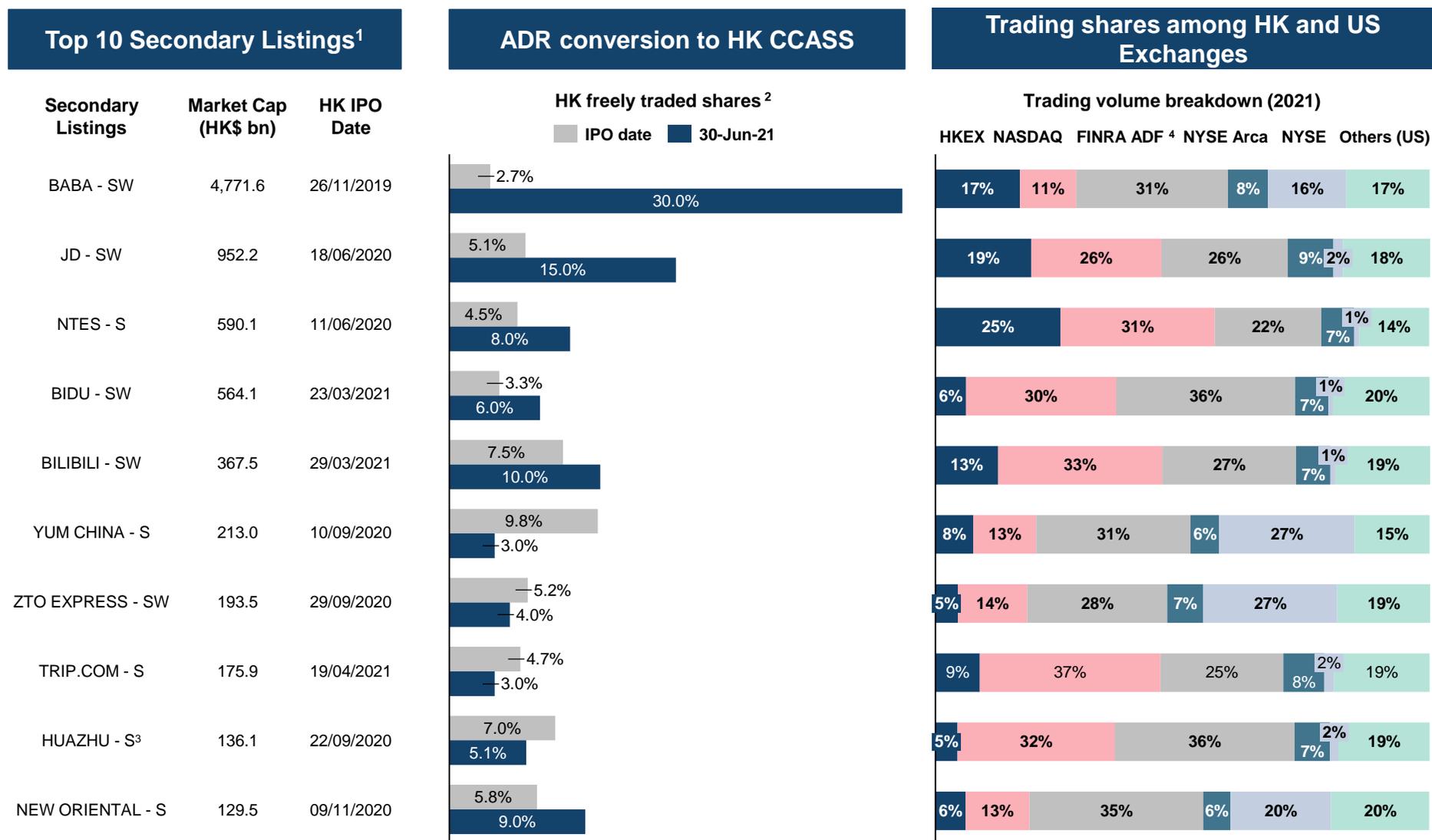


**In 2021 1H, 18% of cash ADT and 20% of single stock option ADV were contributed by the top 10 IPOs since 2018**

Source: HKEX, as of Jun 2021. S – Secondary listings; W – Weighted Voting Rights; H – H shares



# Continuous ADR conversion and trading migration from secondary listings



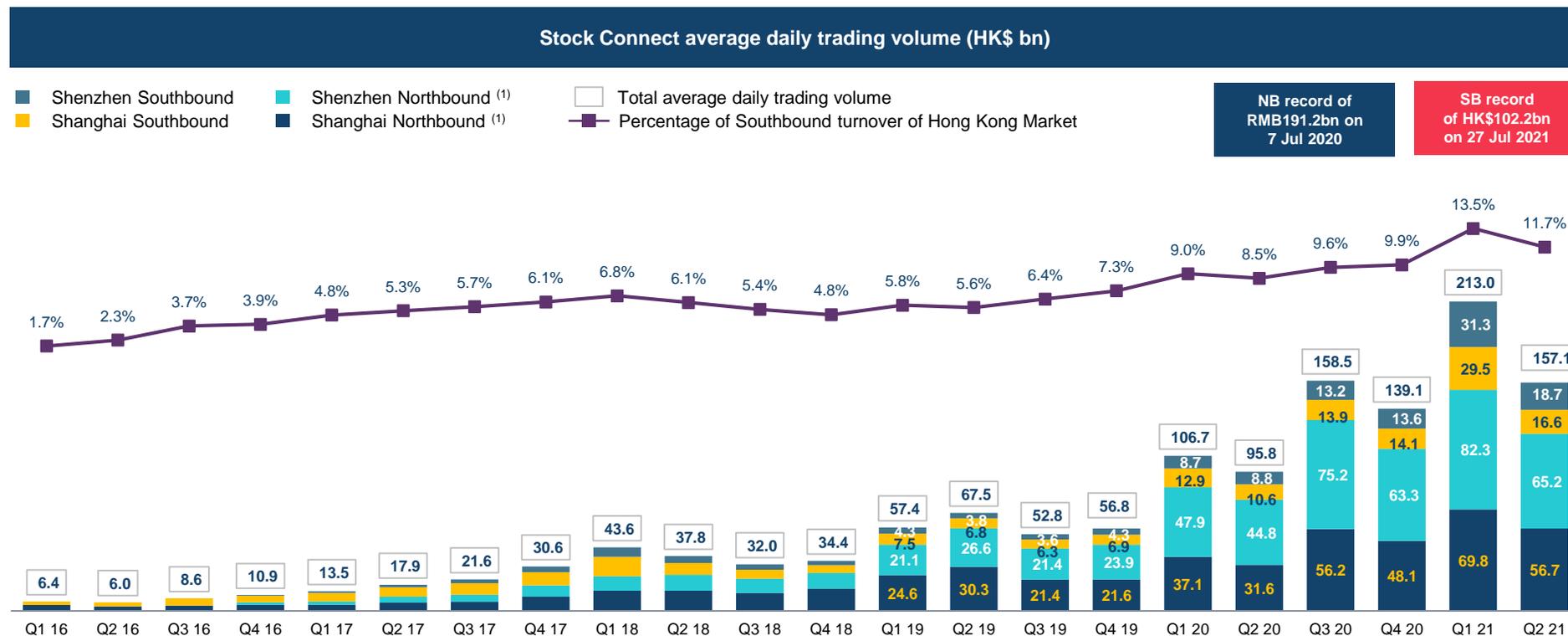
Source: HKEX, FactSet, as of 30 Jun 2021

1. Ranked by market cap (Total: 14 as of 30 Jun 2021)
2. Based on total CCASS balance deducting the balance of main custodian bank as reference
3. Huazhu's latest ADR conversion to HK shares is dated as of 15 Jul 2021 since a share split of ordinary shares (1 sub-divided into 10) has been effective since 29 Jun 2021 which affects the disclosure from CCASS
4. 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 of \$1,320mn in 1H 2021, 78% higher than 1H 2020 (\$743mn)



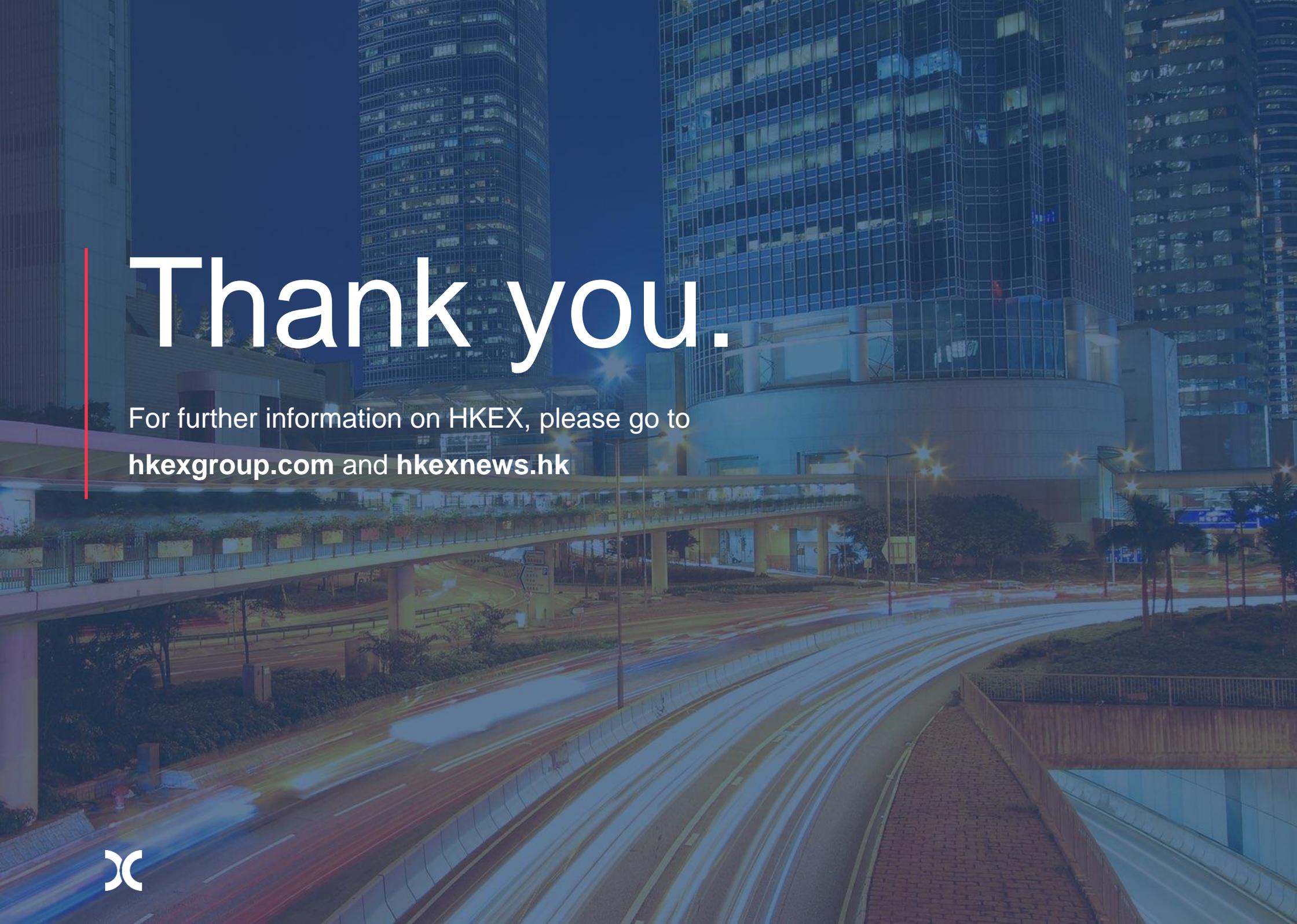
**Stock Connect Northbound and Southbound Trading ADT reached RMB114.4bn and \$48.1bn respectively in 1H 2021**

**Stock Connect revenue continued to set record highs, reaching 12% of the Group's total revenue and other income in 1H 2021 (FY 2020: 10%; 1H 2020: 8%)**

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 roundings





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