



2021 Q1 Results Analyst Presentation

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28 April 2021

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Agenda

01 | Q1 2021 Key Highlights

02 | HKEX Group Financial Review

03 | Business and Strategic Update

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Q1 2021 key highlights

1 | Financial Performance

- Record quarterly revenue and other income of HK\$5,956mn (+49% YoY) with core business revenue up by 35% YoY, driven by record headline ADT
- Record quarterly Stock Connect revenue and other income of HK\$737mn (+82% YoY)
- Net investment income of HK\$418mn (Q1 2020: HK\$47mn loss)
- Profit attributable to shareholders at record quarterly high of HK\$3,840mn (+70% YoY)

2 | Business and Strategy

- Strong IPO market – #3 globally by IPO funds raised (HK\$137bn, more than 9x Q1 2020)
- Published a consultation paper on proposals to enhance and streamline listing regime for overseas issuers
- Strong Connect schemes performance – record high ADT across all platforms
- Ongoing market microstructure, technology enhancements and product launches
- Appointment of new CEO-designate, Nicolas Aguzin
- Published a consultation paper in April on proposed enhancements to the Corporate Governance Code and related Listing Rules



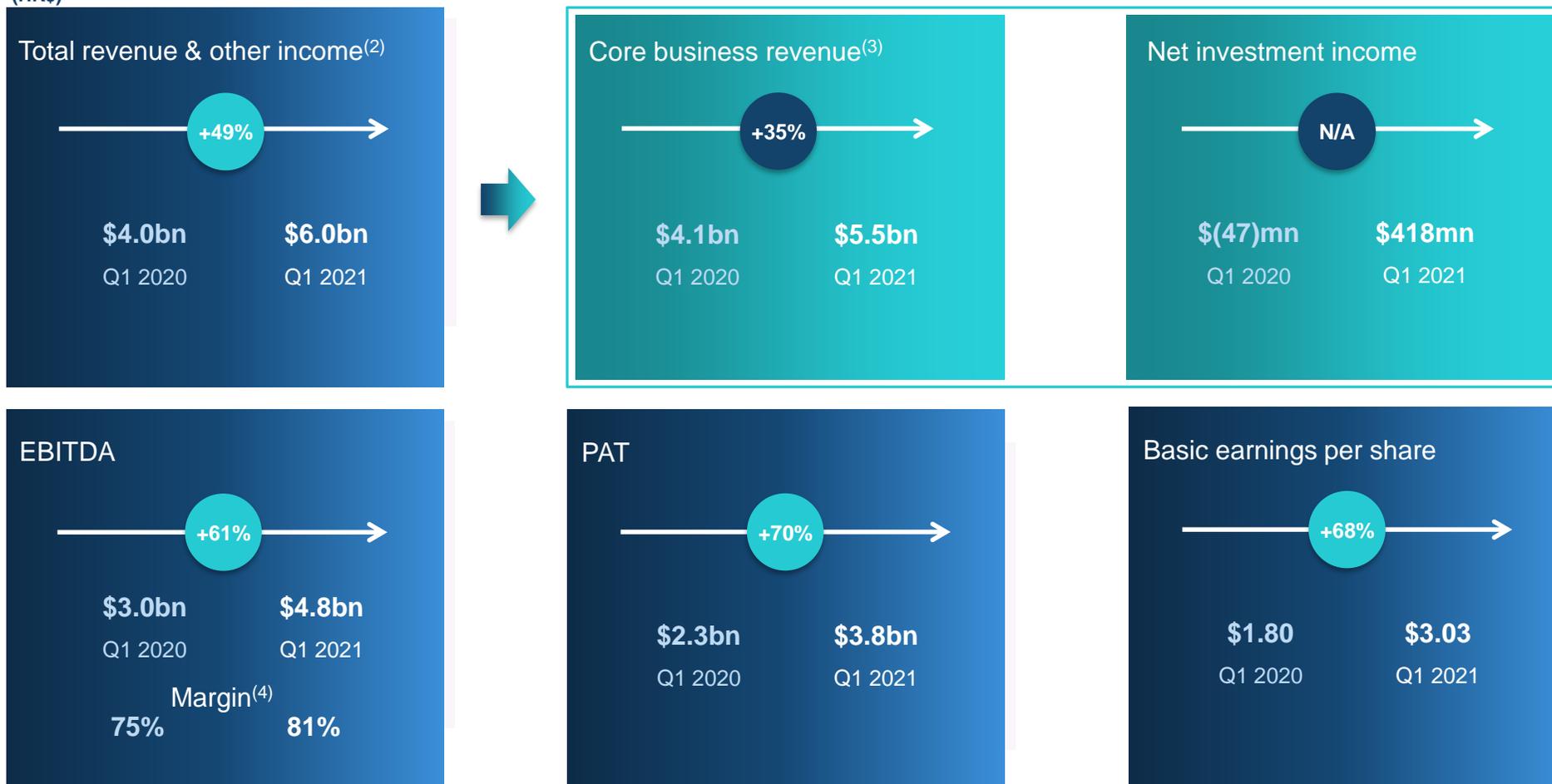
HKEX Group Financial Review



Q1 2021: Record financial results

Revenue and profit at record quarterly highs
Higher investment income YoY, due to external portfolio gains

(HK\$)

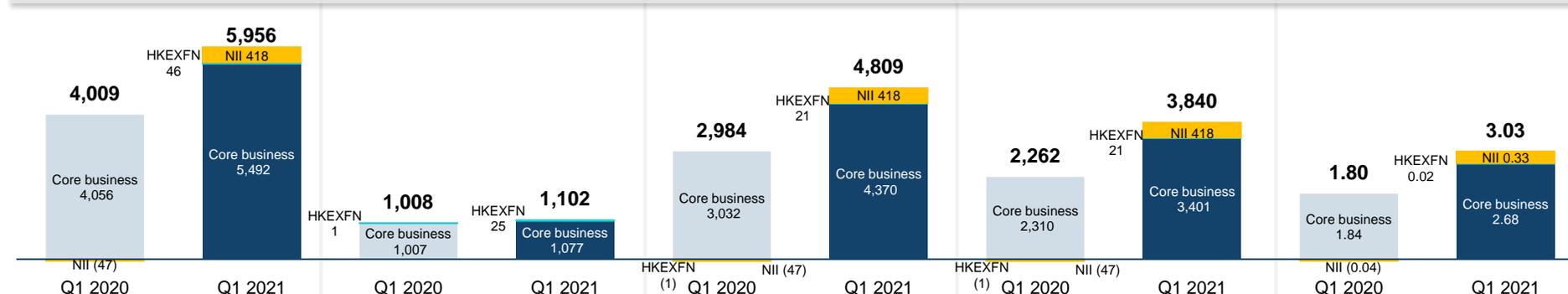


1. All percentage changes are computed based on amounts reported in financial statements.
2. Represents gross revenue and other income before deducting transaction-related expenses (Q1 2020: HK\$17mn; Q1 2021: HK\$45mn)
3. Core business revenue represents total revenue and other income, excluding net investment income and HKEX Foundation donation income (Q1 2020: HK\$Nil; Q1 2021: HK\$46mn).
4. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.



Q1 2021 vs Q1 2020: Record quarterly revenue and profit due to record headline ADT and strong Stock Connect trading volumes

Revenue and other income ⁽¹⁾	Operating expenses ⁽²⁾	EBITDA	Profit attributable to HKEX shareholders ⁽³⁾	Basic earnings per share
(HK\$ mn)				(HK\$)
Total +49%	Total +9%	Total +61%	Total +70%	Total +68%
Core business +35%	Core business +7%	Core business +44%	Core business +47%	Core business +46%
ADT HK\$120.9bn +86% HK\$224.4bn		75% Margin ⁽⁴⁾ 81%		



Trading & clearing fees ↑ from record headline ADT and Northbound ADT
 Depository fees ↑ from ↑ e-IPO and ↑ Stock Connect portfolio fees
 Net investment income (NII) ↑ due to ↑ HK\$680mn from external portfolio (Q1 2020: HK\$521mn losses; Q1 2021: HK\$159mn gains) partly offset by ↓ interest income

Opex ↑ due to higher staff costs and IT expenses

Foundation donations⁽⁵⁾ ↑

EBITDA margin ↑ 6%

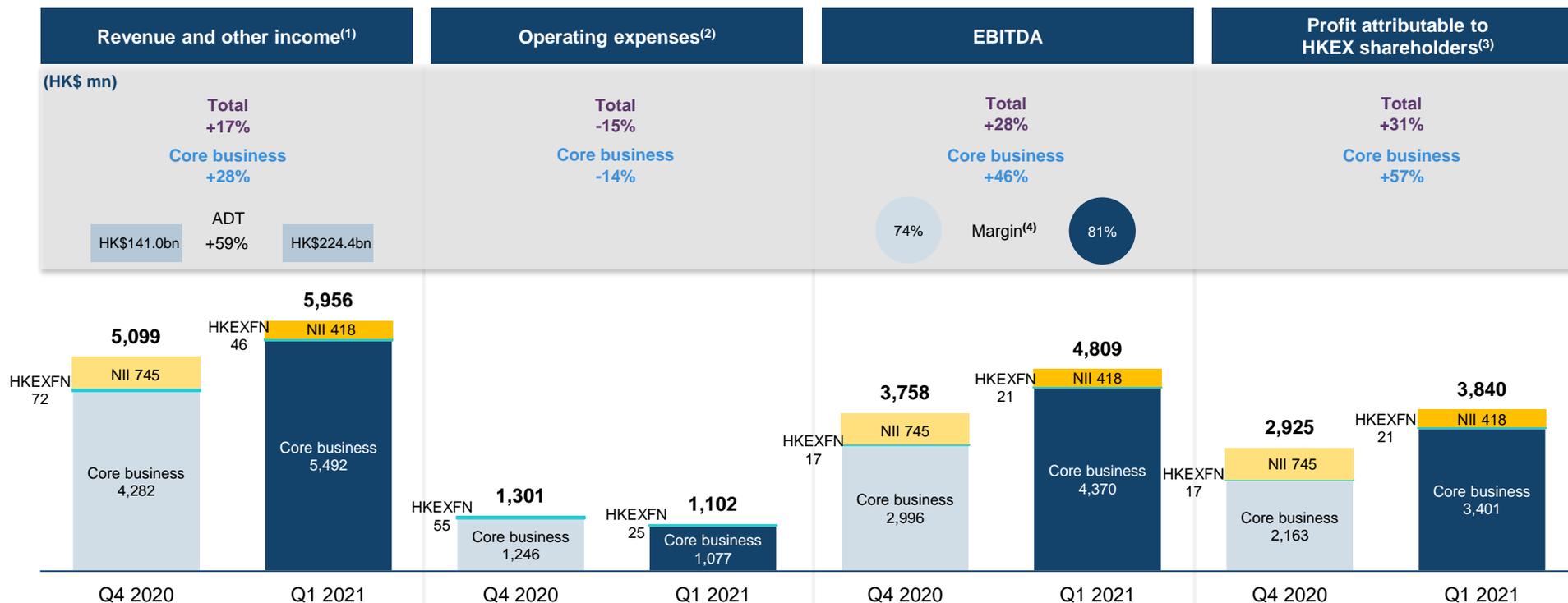
PAT % ↑ more than EBITDA due to a one-off deferred tax charge arising from ↑ UK tax rate from 17% to 19% in Q1 2020, and lower % increase in D&A

EPS % ↑ less than PAT due to shares issued for scrip dividends in April 2020

1. Represents gross revenue and other income before deducting transaction-related expenses (Q1 2020: HK\$17mn; Q1 2021: HK\$45mn)
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.
5. From July 2020 onwards, the donation income from the Stock Code Balloting Charity Scheme was received by HKEX Foundation (HKEXFN), and then the amounts previously paid by issuers directly to the Hong Kong Community Chest were paid by HKEX Foundation. As a result, HKEX recorded both donation income under revenue and other income, and HKEX Foundation charitable donations under operating expenses.



Q1 2021 vs Q4 2020: PAT up 31% due to record headline ADT and lower opex, partly offset by decrease in net investment income



Trading and clearing fees ↑ from record headline ADT and Northbound ADT

Stock Exchange listing fees ↑ from ↑ in newly listed DWs and CBBCs

Partly offset by:

NII ↓ due to ↓ HK\$257mn gains from external portfolio (Q4 2020: HK\$416mn; Q1 2021: HK\$159mn) and ↓ interest income

Staff costs ↓ due to special gratuity payments in Q4 2020

Foundation donations ↓

Remaining decrease due to seasonality

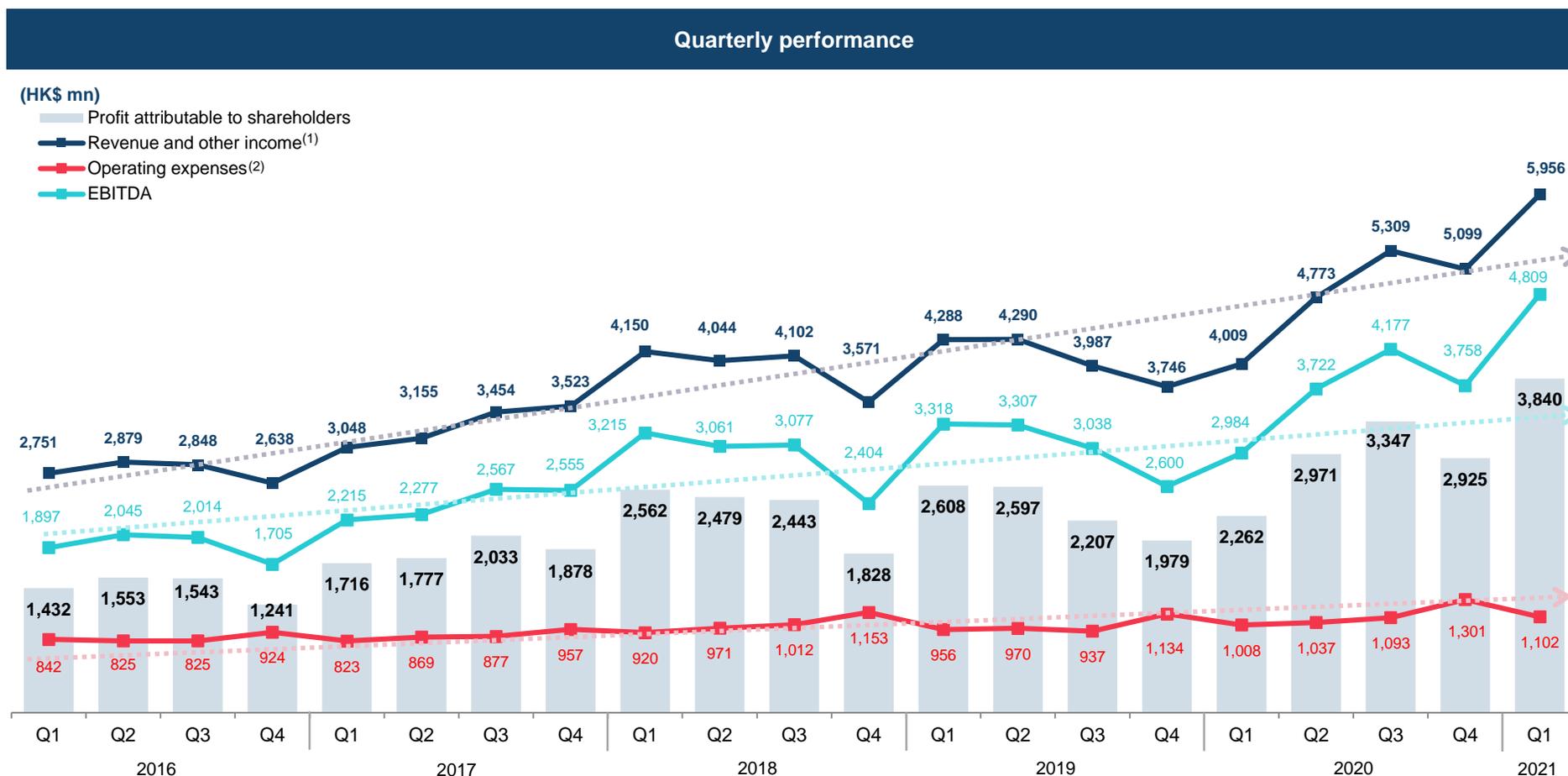
EBITDA margin ↑ 7% due to ↑ in revenue and ↓ in opex

PAT % ↑ more than EBITDA due to ↓ D&A

1. Represents gross revenue and other income before deducting transaction-related expenses (Q4 2020: HK\$40mn; Q1 2021: HK\$45mn).
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.



Q1 2021 performance above historical trendline



HKEX saw a strong start to 2021 with record quarterly financial results driven by robust trading volumes in the Cash Market

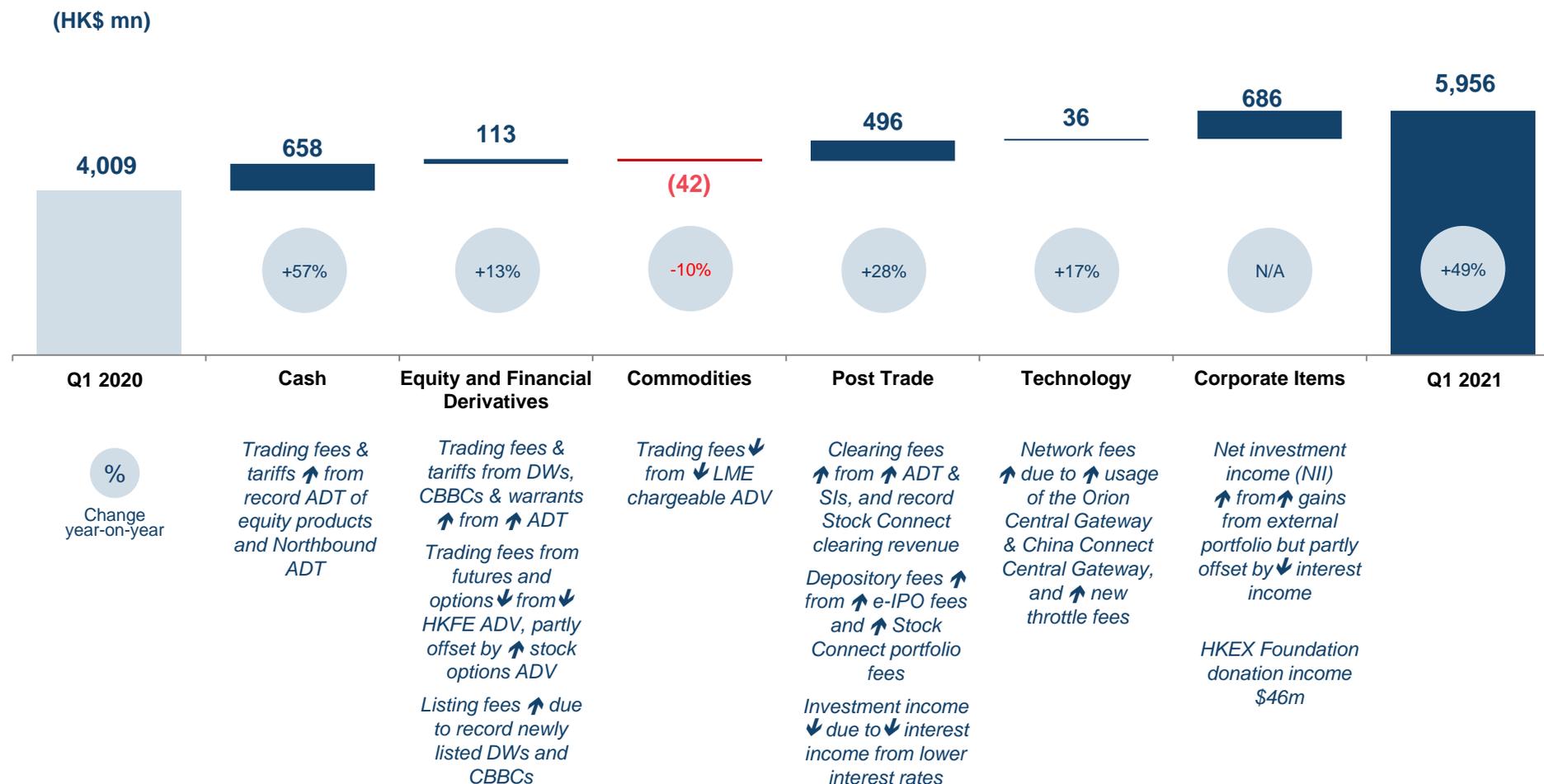
1. Represents gross revenue and other income before deducting transaction-related expenses
2. Operating expenses exclude transaction-related expenses, depreciation and amortisation, finance costs, share of results of joint ventures, and costs arising from the proposed combination with London Stock Exchange Group plc (LSEG).
3. Dotted trend lines are illustrative and do not constitute a forward forecast.



Higher revenue for most segments

External portfolio saw gains of \$159mn

Segmental revenue



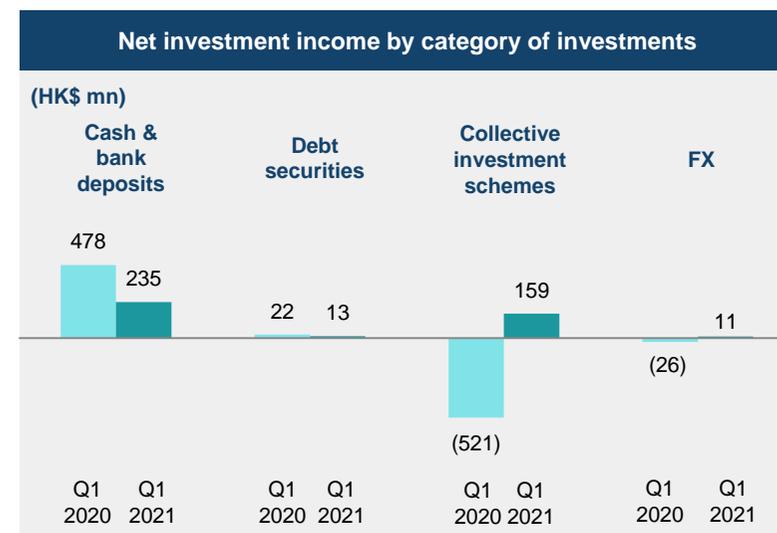
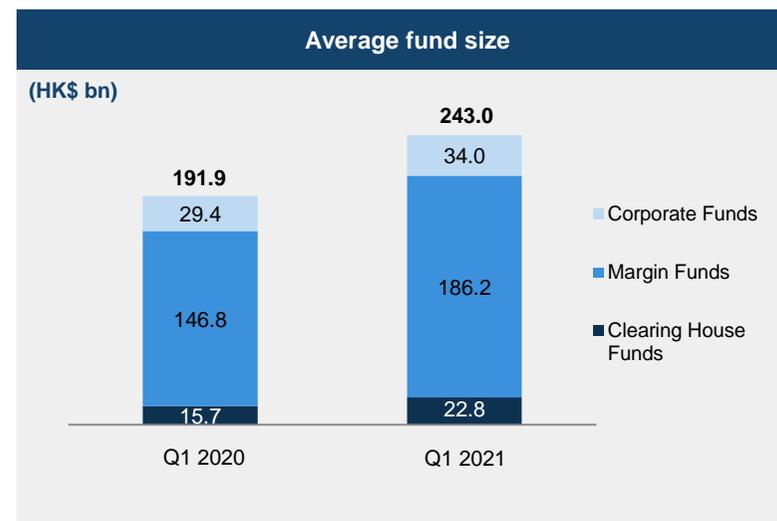
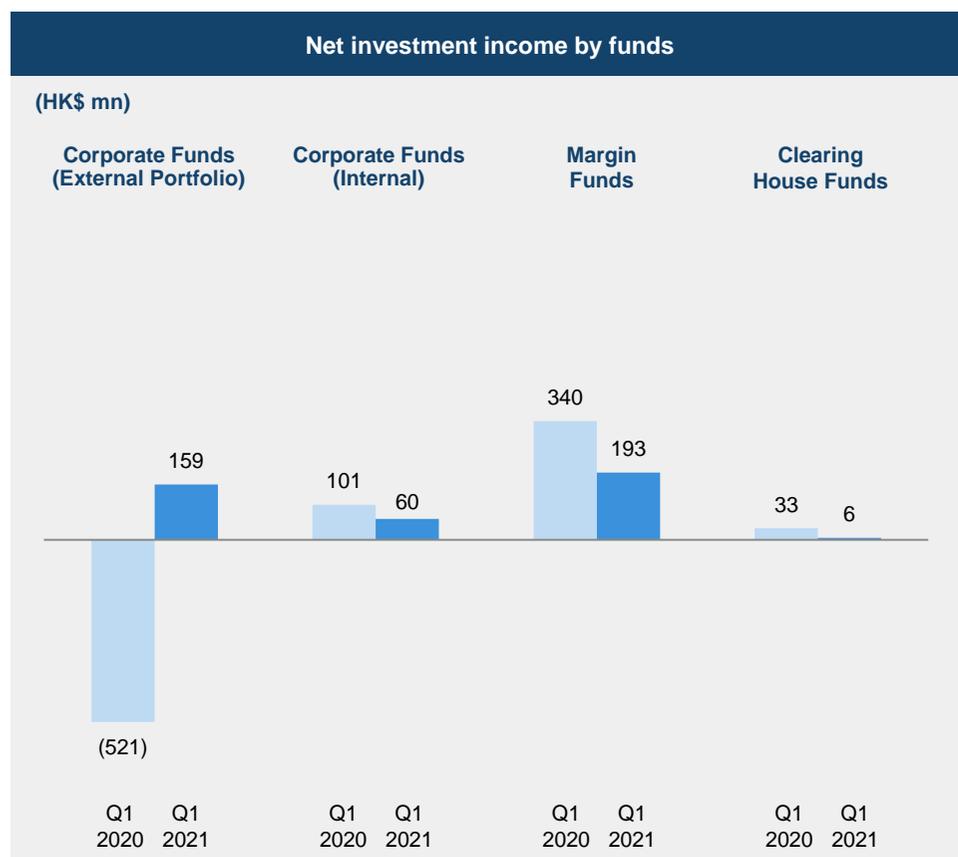
1. Headline ADT up 86% (Q1 2020: HK\$120.9bn; Q1 2021: HK\$224.4bn); ADT of equity products included under Cash segment up 91% (Q1 2020: HK\$103.4bn; Q1 2021: HK\$198.0bn); ADT of DWs, CBBCs and warrants included under Equity and Financial Derivatives segment up 51% (Q1 2020: HK\$17.5bn; Q1 2021: HK\$26.4bn)



Higher YoY net investment income due to gains from external portfolio

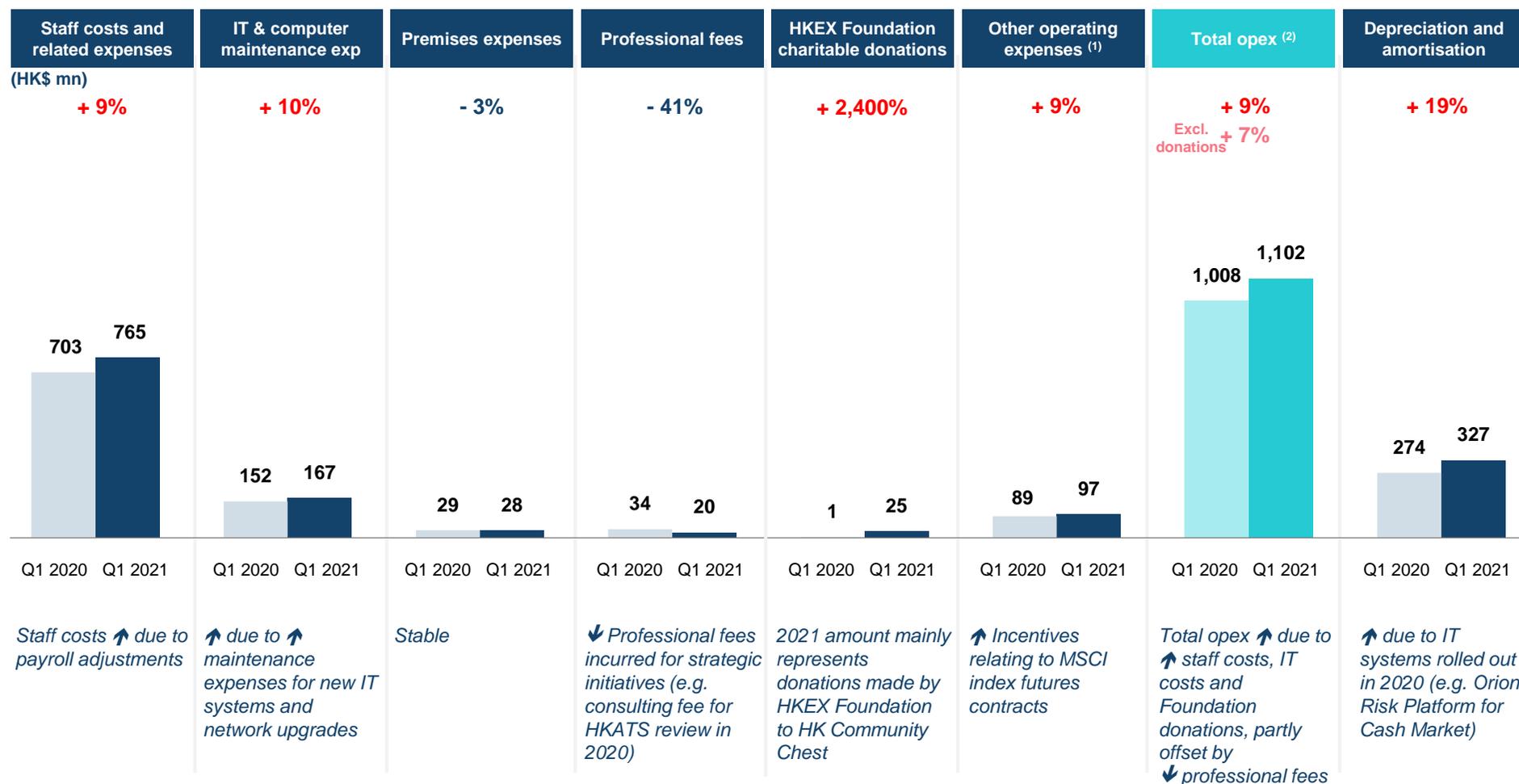
Q1 2021: income of HK\$418mn (Q1 2020: loss of HK\$47mn)

- 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

Investment 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 +86%YoY at HK\$224bn (a record high)
- Futures & Options ADV +9%YoY (a record high for stock options)
- LME chargeable ADV -21%YoY (Q1 2020 was boosted by higher market volatility)

Strong momentum in IPO market continued in 2021

- #3 by IPO funds raised (HK\$137bn), more than 9 times that of Q1 2020, with 95% contributed by new economy and biotech companies
- #5 globally by number of new company listings (32), including 3 biotech company listings, 2 issuers with WVR structure and 3 secondary listings (e.g. Kuaishou, Baidu and Bilibili)
- 24% of cash ADT and 22% of stock option ADV in Q1 2021 was contributed by the 31 jumbo IPOs since 2018

Quarterly high records across all Connect Schemes

- Stock Connect: Record revenue of HK\$737mn (+82%YoY); Northbound ADT of RMB127bn (+63%YoY) and Southbound ADT of HK\$61bn (+181%YoY)
- Bond Connect: ADT of RMB25bn (+31%YoY)



2 | Delivery against Strategic Plan – Q1 2021 Highlights (1/2)

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 and more choices for FX risk management needs
- **Extended China onshore capabilities** – launch of Guangzhou Futures Exchange in April – HKEX became the first non-Mainland Chinese investor to take an interest in an Mainland Exchange

Globally Connected

- **Enhancing IPO regime** – published a consultation paper on proposals to enhance and streamline the listing regime for overseas issuers
- **Broadened product ecosystem** – multiple new ETPs (e.g. first HK-listed biotech companies focused ETF; first ETF tracking the Shanghai's STAR Market; first L&I products tracking the FTSE China A50 Index); Hang Seng Tech Index Options; MSCI China Free (USD) Index Options and MSCI Taiwan (USD) Index Options
- **Building MSCI product suite against keen competition** – steady trading volume in Q1 and good progress on further microstructure enhancements, such as holiday trading
- **Improving market microstructure** – second phase enhancement of Volatility Control Mechanism (VCM) in Cash Market; soft launch of the Orion Risk Platform; LME launched electronic warranting solution to replace paper warrants



Technology Empowered

- **Modernising our core systems** – completion of the derivatives system infrastructure upgrade; the relocation of the secondary data centre
- **Enhancing business operational efficiencies** – ongoing deployment of technologies, such as Robotic Process Automation, AI across HKEX businesses

Embedding sustainability within our business and markets

- **Anchoring sustainable finance ecosystem** – a total of 49 sustainable-focused products from leading Asian corporates were displayed on STAGE as of end of Q1 2021, including green, social, sustainable or similar bonds and ESG-related ETPs
- **Enhancing Corporate Governance Code** – published a consultation paper in April 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** – LME supported its listed brands in working towards compliance with LME's responsible sourcing requirements



Looking ahead

- **HKEX had a strong start to 2021**, with record Q1 ADT; softer April trading volumes
- **Strong momentum in Hong Kong's IPO market** driven by the IPO pipeline of new economy and US-listed Chinese stocks
- **LME aims to provide feedback in Q2 2021 on Market Structure Discussion Paper**, based on market feedback received in Q1
- **Global roll-out of COVID-19 vaccinations and continued policy support by governments and central banks provides for cautious optimism**, but sentiment remains fragile and market continues to be sensitive to newsflow
- **Pace of macroeconomic recovery and rising US long-term treasury yields** could impact returns on the external investment portfolio, and the low interest rate environment will continue to negatively impact investment income
- **Focus on execution of strategy, good cost discipline, talent and strong risk management** will ensure we are well placed for the opportunities and challenges ahead



Q1 2021 Financial Performance (vs. Q1 2020)

- Record quarterly revenue and PAT
- Core business revenue up 35%; Total revenue and other income up 49% to HK\$6.0bn
- Record quarterly revenue for Connect Schemes
- HKEX #3 by IPO funds raised
- EBITDA up 61% to HK\$4.8bn
- PAT up 70% to HK\$3.8bn
- Basic earnings per share up 68% to HK\$3.03

... Welcome questions

Q&A Session begins now



Appendix



Financial highlights – Income Statement

(HK\$ mn, unless stated otherwise)	Q1 2021	% of Revenue & Other Income	Q1 2020	% of Revenue & Other Income	YoY Change
Results					
Revenue and other income	5,956	100%	4,009	100%	49%
Less: Transaction-related expenses	(45)	(1%)	(17)	(0%)	165%
Revenue and other income less transaction-related expenses	5,911	99%	3,992	100%	48%
Operating expenses	(1,102)	(19%)	(1,008)	(25%)	9%
EBITDA	4,809	81%	2,984	74%	61%
Depreciation and amortisation	(327)	(5%)	(274)	(7%)	19%
Operating profit	4,482	75%	2,710	68%	65%
Finance costs and share of results of joint ventures	(23)	(0%)	(30)	(1%)	(23%)
Profit before taxation	4,459	75%	2,680	67%	66%
Taxation	(632)	(11%)	(422)	(11%)	50%
Loss attributable to non-controlling interests	13	0%	4	0%	225%
Profit attributable to HKEX shareholders	3,840	64%	2,262	56%	70%
Capex	331		216		53%
Basic earnings per share	HK\$3.03		HK\$1.80		68%
Headline ADT on the Stock Exchange	HK\$224.4 bn		HK\$120.9 bn		86%

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 Q1 2021	Group Q1 2020
Revenue and other income	1,820	1,011	361	2,248	248	268	5,956	4,009
<i>% of Group Total</i>	<i>31%</i>	<i>17%</i>	<i>6%</i>	<i>38%</i>	<i>4%</i>	<i>4%</i>	100%	100%
Less: Transaction-related expenses	-	(33)	-	(12)	-	-	(45)	(17)
Revenue and other income less transaction-related expenses	1,820	978	361	2,236	248	268	5,911	3,992
Operating expenses	(147)	(177)	(164)	(227)	(68)	(319)	(1,102)	(1,008)
EBITDA	1,673	801	197	2,009	180	(51)	4,809	2,984
<i>% of Group Total</i>	<i>35%</i>	<i>16%</i>	<i>4%</i>	<i>42%</i>	<i>4%</i>	<i>(1%)</i>	100%	100%
<i>EBITDA margin⁽¹⁾</i>	<i>92%</i>	<i>82%</i>	<i>55%</i>	<i>90%</i>	<i>73%</i>	<i>N/A</i>	81%	75%
Depreciation and amortisation							(327)	(274)
Finance costs							(39)	(49)
Share of results of joint ventures							16	19
Profit before taxation							4,459	2,680

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

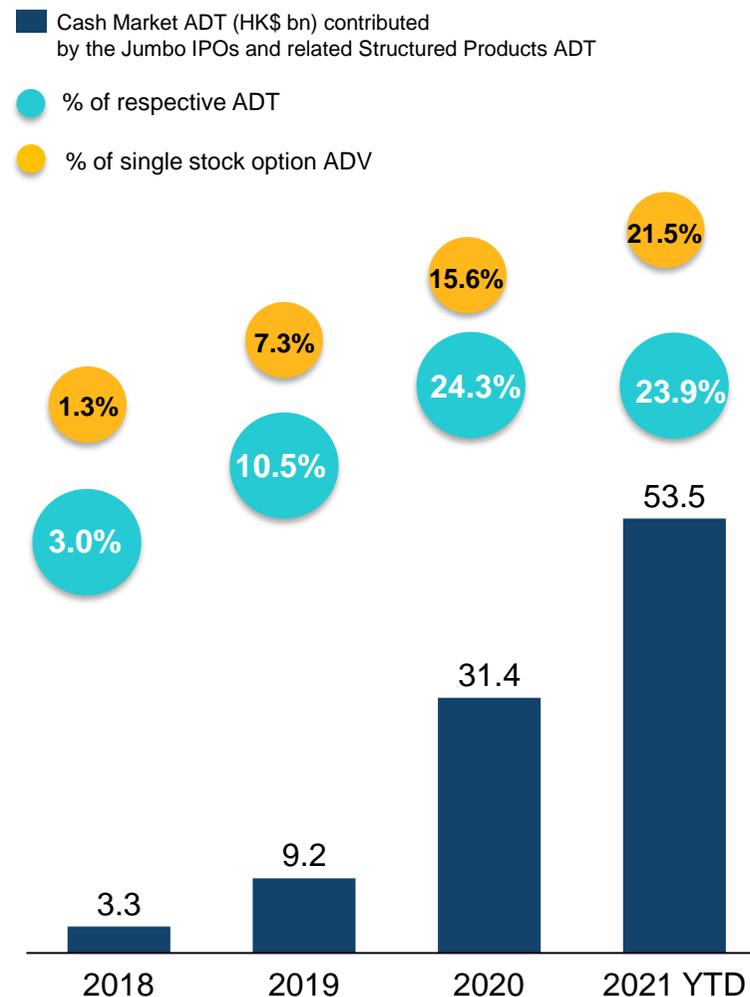


Jumbo IPOs contributing to increased trading activity

31 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	Kuaishou Technology - W	05/02/2021	48.30
4	Budweiser Brewing APAC	30/09/2019	45.08
5	Xiaomi Corporation - W	09/07/2018	42.61
6	JD.COM - SW	18/06/2020	34.56
7	Meituan Dianping - W	20/09/2018	33.14
8	JD Health International	08/12/2020	31.00
9	Netease - S	11/06/2020	24.26
10	Baidu - SW	23/03/2021	23.94
11	Bilibili - SW	29/03/2021	23.23
12	Yum China - S	10/09/2020	17.27
13	China Bohai Bank - H	16/07/2020	15.90
14	GDS - SW	02/11/2020	14.88
15	Evergrande Property	02/12/2020	14.27
16	ESR Cayman Ltd.	01/11/2019	14.06
17	Tigermid - H	07/08/2020	12.31
18	China Resources Mixc Lifestyle Services	09/12/2020	12.27
19	New Oriental - S	09/11/2020	11.65
20	Blue Moon Group Holdings Limited	16/12/2020	11.31
21	ZTO Express - SW	29/09/2020	11.28
22	Shimao Services	30/10/2020	9.95
23	Nongfu Spring - H	08/09/2020	9.60
24	Shenwan Hongyuan - H	26/04/2019	9.09
25	Hansoh Pharmaceutical Group	14/06/2019	9.04
26	Topsports International	10/10/2019	9.01
27	Ping An Healthcare and Technology	04/05/2018	8.77
28	Jiangxi Bank - H	26/06/2018	8.60
29	WuXi AppTec - H	13/12/2018	8.28
30	Smooore	10/07/2020	8.19
31	Sunac Service	19/11/2020	8.00

Rising contribution to volumes from Jumbo IPOs



In 2021, 24% of cash ADT and 22% of stock option ADV is contributed by the top 31 IPOs since 2018

Source: HKEX, as of Mar 2021. S – Secondary listings; W – Weighted Voting Rights; H – H shares
 1. Ranked by IPO size.

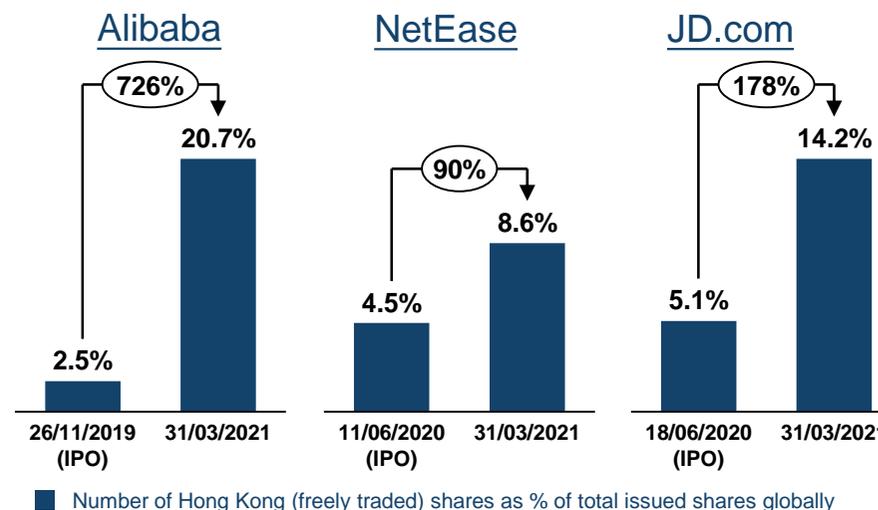


Trading volume migration and ADR conversion from secondary listings

HKEX Trading Share – YTD Mar 2021

% of Trading	Alibaba	NetEase	JD.com
SEHK	18.3%	27.3%	20.8%
FINRA ADF	31.4%	21.8%	25.8%
NYSE	15.2%	1.2%	1.7%
NASDAQ	10.1%	29.0%	26.0%
NYSE Arca	8.0%	6.9%	8.3%
Other US Exchanges	17.1%	13.7%	17.4%

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)	13.7	224.4	6.1
SSO (Volume, '000)	43.8	826.7	5.3

Alibaba, NetEase and JD.com secondary listings contributed to ~6% of Hong Kong market's ADT in Q1 2021, with a clear trend of ADR conversion to HK shares

Source: HKEX, FactSet, as of 31 Mar 2021 (quarterly update)

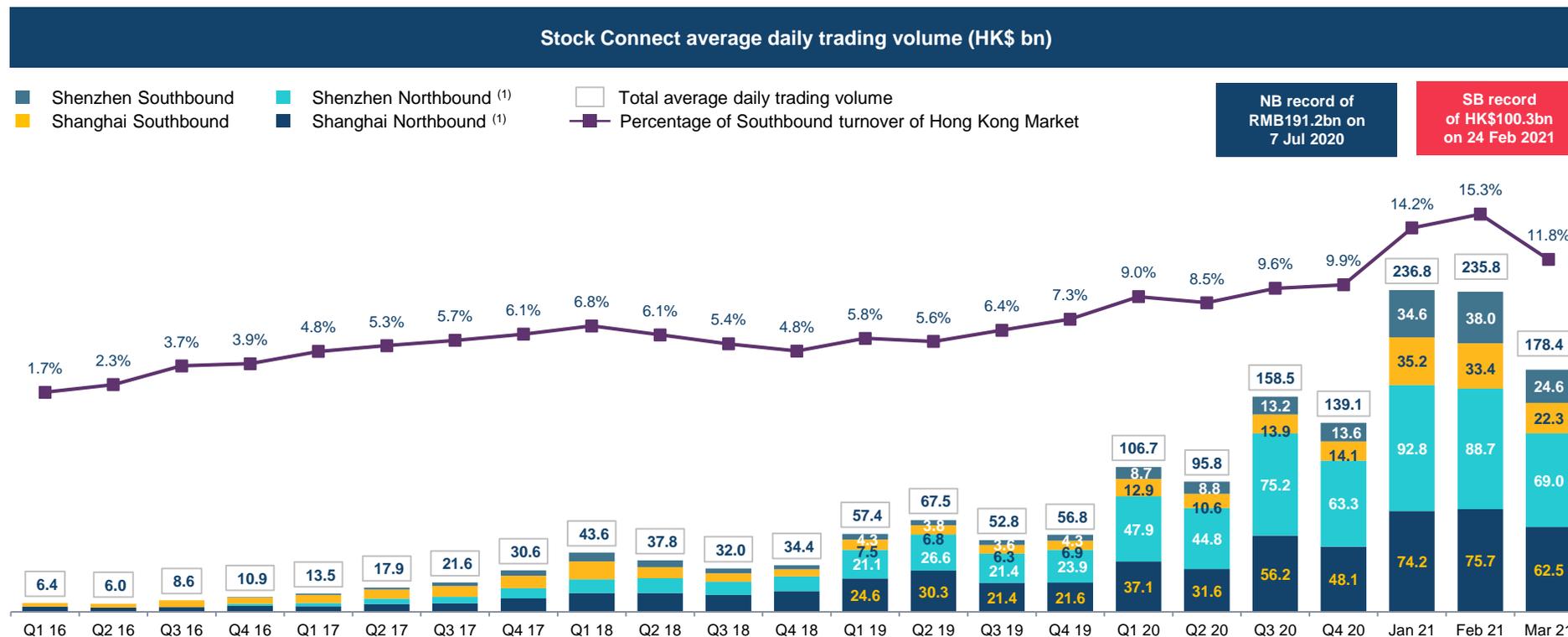
Note: Alibaba is listed on NYSE, while NetEase and JD.com are listed on NASDAQ (figures as bold)

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



Stock Connect – trading trends

Stock Connect generated record revenue of HK\$737mn in Q1 2021, 82% higher than Q1 2020 (HK\$404mn)



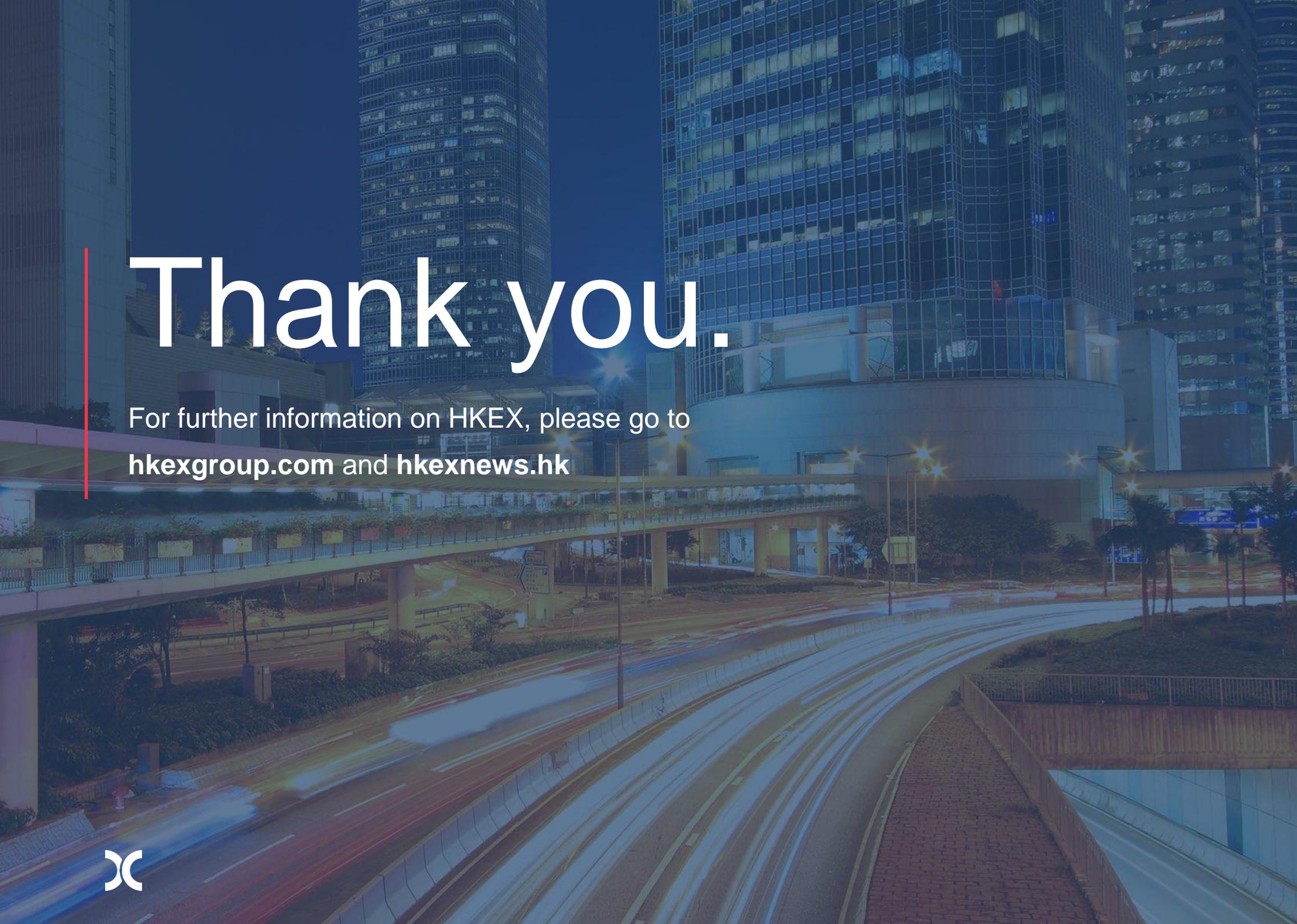
Stock Connect Northbound and Southbound Trading ADT reached RMB126.8bn and HK\$60.8bn respectively in Q1 2021

Stock Connect revenue continued to set record highs, reaching 12% of the Group's total revenue and other income in Q1 2021 (FY 2020 and Q1 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 roundings



A nighttime cityscape featuring several tall, modern skyscrapers with illuminated windows. In the foreground, a multi-lane highway shows long, colorful light trails from moving vehicles. A pedestrian walkway with a brick-paved surface runs alongside the highway. The overall scene is bathed in a cool blue light, with some warmer tones from streetlights and building lights.

Thank you.

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