



2022 Q1 Results Analyst Presentation

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HKEX
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Agenda

- 01 | Q1 2022 Key Highlights
- 02 | HKEX Group Financial Review
- 03 | Business and Strategic Update
- 04 | Appendix

Q1 2022 key highlights

Financial Performance

HK\$4.7bn

(-21%YoY)

Revenue and other income,
-1%QoQ

HK\$0.6bn

(-13%YoY)

Stock Connect revenue
and other income

HK\$2.7bn

(-31%YoY)

Profit attributable to
shareholders, broadly flat
QoQ

Business and Strategy

- **Demonstrated robustness and resiliency** despite ongoing market volatility and geopolitical fragility
- Connect Programmes performed well against a volatile backdrop – **Southbound Stock Connect ADT +27%QoQ; Bond Connect ADT reached record quarterly high**
- **Solid growth for Futures**, with ADV 705k contracts (**+21%YoY and +39%QoQ**)
- **MSCI China A 50 Connect Index Futures** continued robust growth, with ADV 21,468 contracts (+86% against the ADV during the period since launch in Oct 2021 to Dec 2021)
- **Derivatives Holiday Trading plans published, launching in May 2022**
- Macro-driven market sentiment impacted IPO market. **IPO pipeline remained strong with over 150 active applications**
- **Special Purpose Acquisition Company (SPAC) listing route went live**, and the first SPAC listed in March with 10 active applications as at Mar 2022
- Outlined HKEX's vision and strategy during Corporate Day in March, setting out a roadmap to build the **Marketplace of the Future**



HKEX Group Financial Review



Q1 2022: Core business revenue higher than Q4 2021, but net profit impacted by investment loss

Versus the record Q1 2021, core business revenue was 16% lower, and net profit was impacted by investment loss

Core business revenue⁽²⁾ \$4.8bn

↓16% vs Q1 2021

↑7% vs Q4 2021

Revenue and other income⁽³⁾ \$4.7bn

↓21% vs Q1 2021

↓1% vs Q4 2021

EBITDA \$3.5bn

↓28% vs Q1 2021

↓1% vs Q4 2021

PAT \$2.7bn

↓31% vs Q1 2021

↓0% vs Q4 2021

EPS \$2.11

↓30% vs Q1 2021

↓0% vs Q4 2021

1. All percentage changes are computed based on amounts reported in financial statements

2. Core business revenue represents total revenue and other income, excluding net investment income/(loss) of Corporate Funds and HKEX Foundation (HKEXFN) donation income

3. Represents gross revenue and other income before deducting transaction-related expenses

Q1 2022 vs Q1 2021

Core business net profit was 23% lower, driven by 35% lower Headline ADT

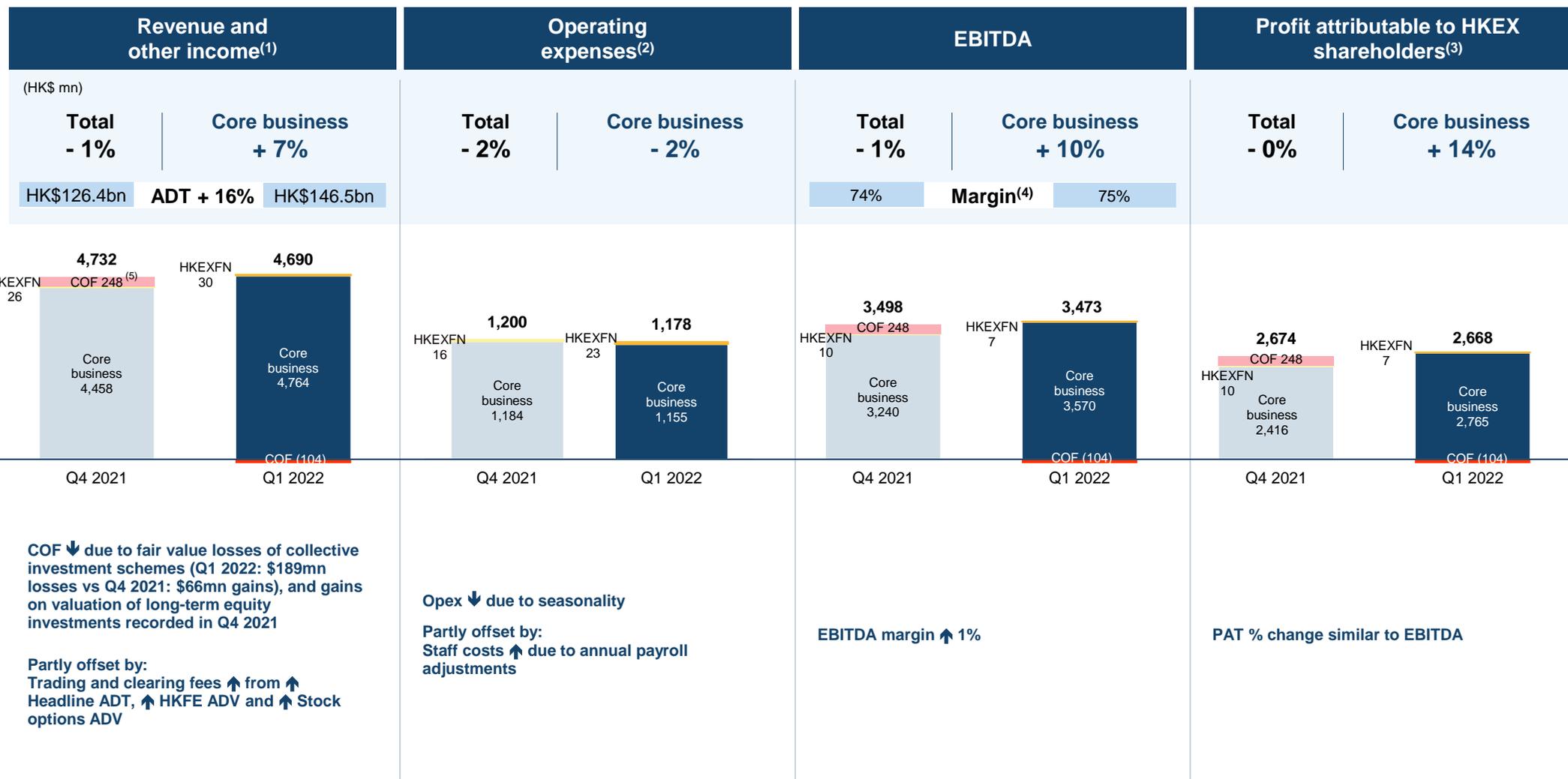
Revenue and other income ⁽¹⁾		Operating expenses ⁽²⁾		EBITDA		Profit attributable to HKEX shareholders ⁽³⁾		Basic earnings per share	
(HK\$ mn)								(HK\$)	
Total - 21%	Core business - 16%	Total + 7%	Core business + 7%	Total - 28%	Core business - 22%	Total - 31%	Core business - 23%	Total - 30%	Core business - 23%
HK\$224.4bn	ADT - 35%	HK\$146.5bn		81%	Margin ⁽⁴⁾	75%			
Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022
<p>Trading & clearing fees ↓ from ↓ Headline ADT and ↓ Northbound ADT</p> <p>Depository fees ↓ from ↓ e-IPO services fees</p> <p>COF ↓ due to fair value losses of collective investment schemes (Q1 2022: \$189mn losses; Q1 2021: \$159mn gains)</p>		<p>Staff costs ↑ from annual payroll adjustments</p> <p>Marketing expenses ↑ from ↑ cash incentives relating to new products</p>		<p>EBITDA margin ↓ 6%</p>		<p>PAT % ↓ more than EBITDA due to ↑ D&A from completion of a new secondary centre, and new and upgraded systems and software</p>		<p>EPS % ↓ similar to PAT</p>	

1. Represents gross revenue and other income before deducting transaction-related expenses (Q1 2021: \$45mn; Q1 2022: \$39mn)
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/(loss) of Corporate Funds



Q1 2022 vs Q4 2021

Net profit broadly flat as higher trading volumes were offset by lower net investment income



1. Represents gross revenue and other income before deducting transaction-related expenses (Q4 2021: \$34mn; Q1 2022: \$39mn)
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/(loss) of Corporate Funds

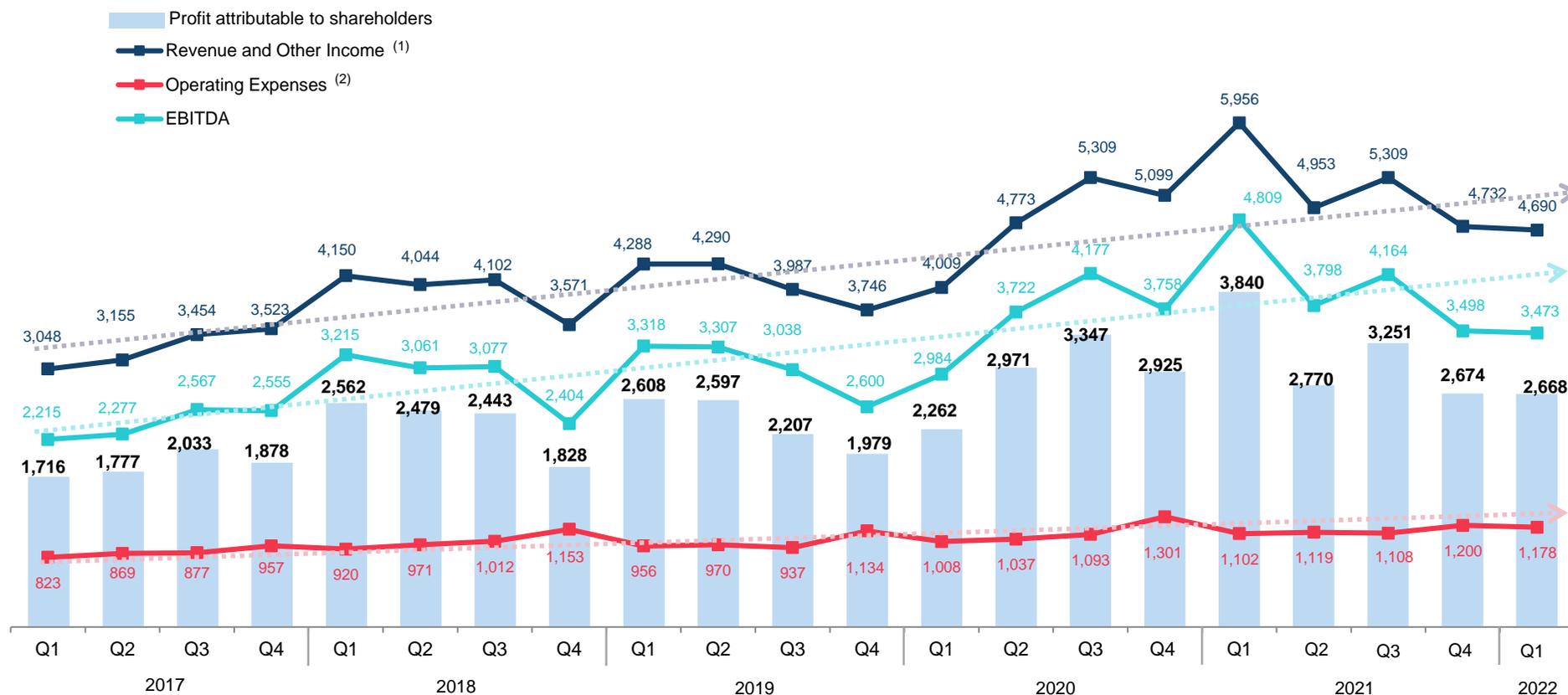


Quarterly performance

Q1 2022 performance in line with long term trend

Quarterly performance

(HK\$ mn)



Q1 2022 results returned to normalised levels after the exceptionally buoyant Q1 2021, and affected by investment loss due to market valuation

1. Represents gross revenue and other income before deducting transaction-related expenses
2. 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

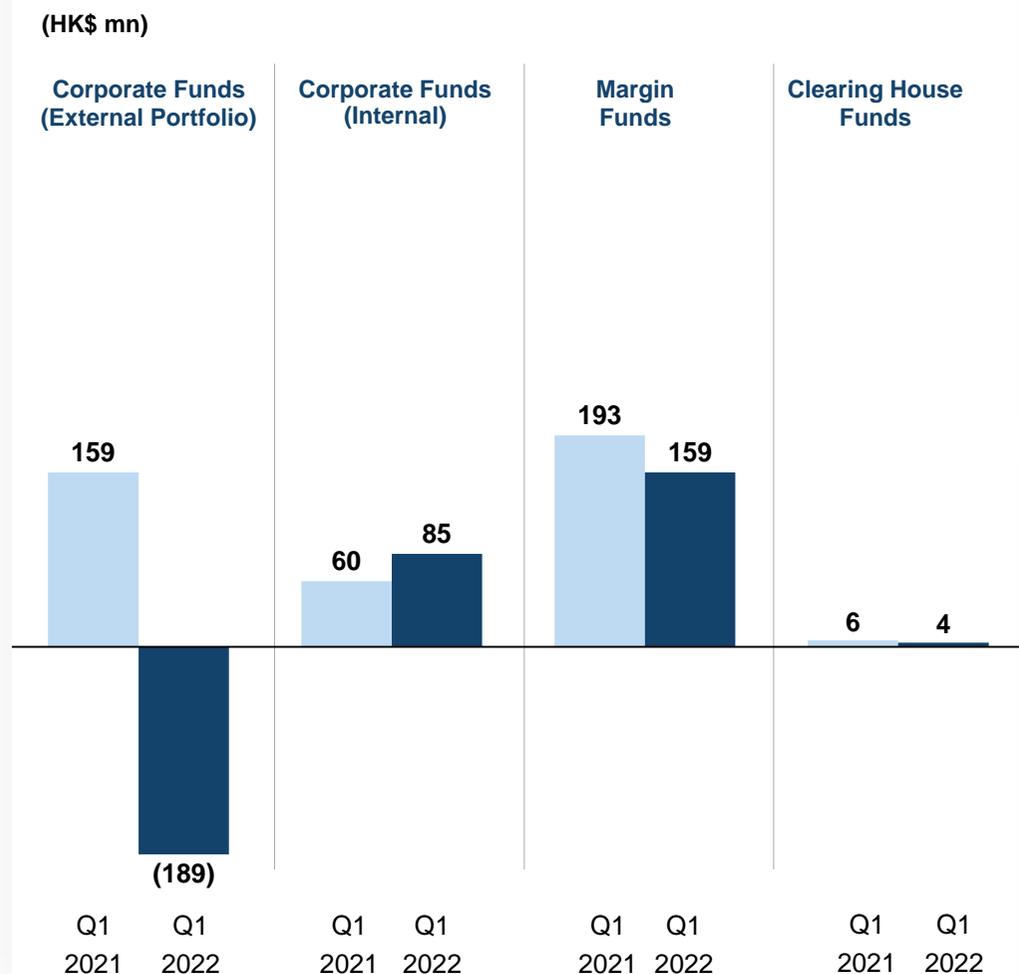


Net investment income – Q1 2022 vs Q1 2021

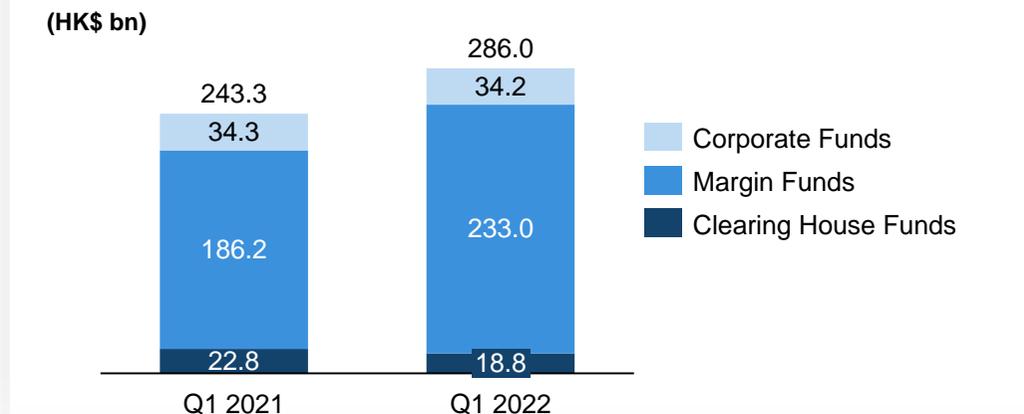
Net investment income impacted by market valuation

Q1 2022: \$59mn (Q1 2021: \$418mn)

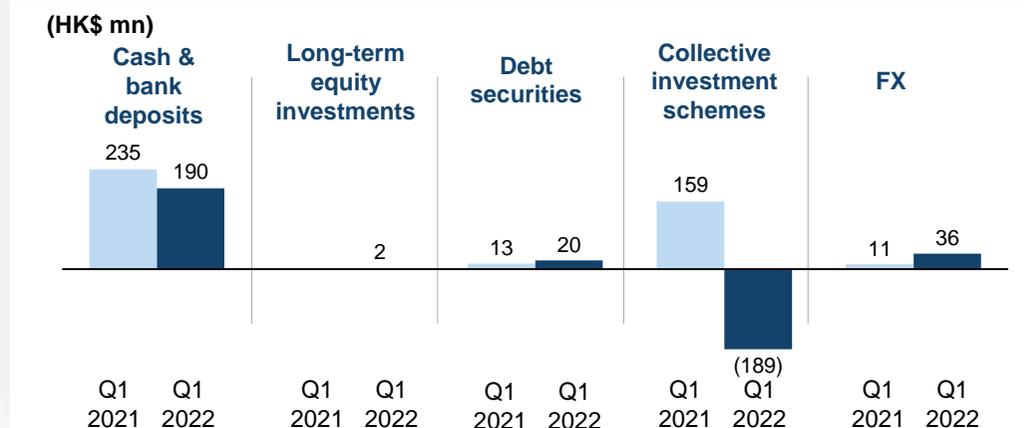
Net investment income by funds



Average fund size



Net investment income by category of investments

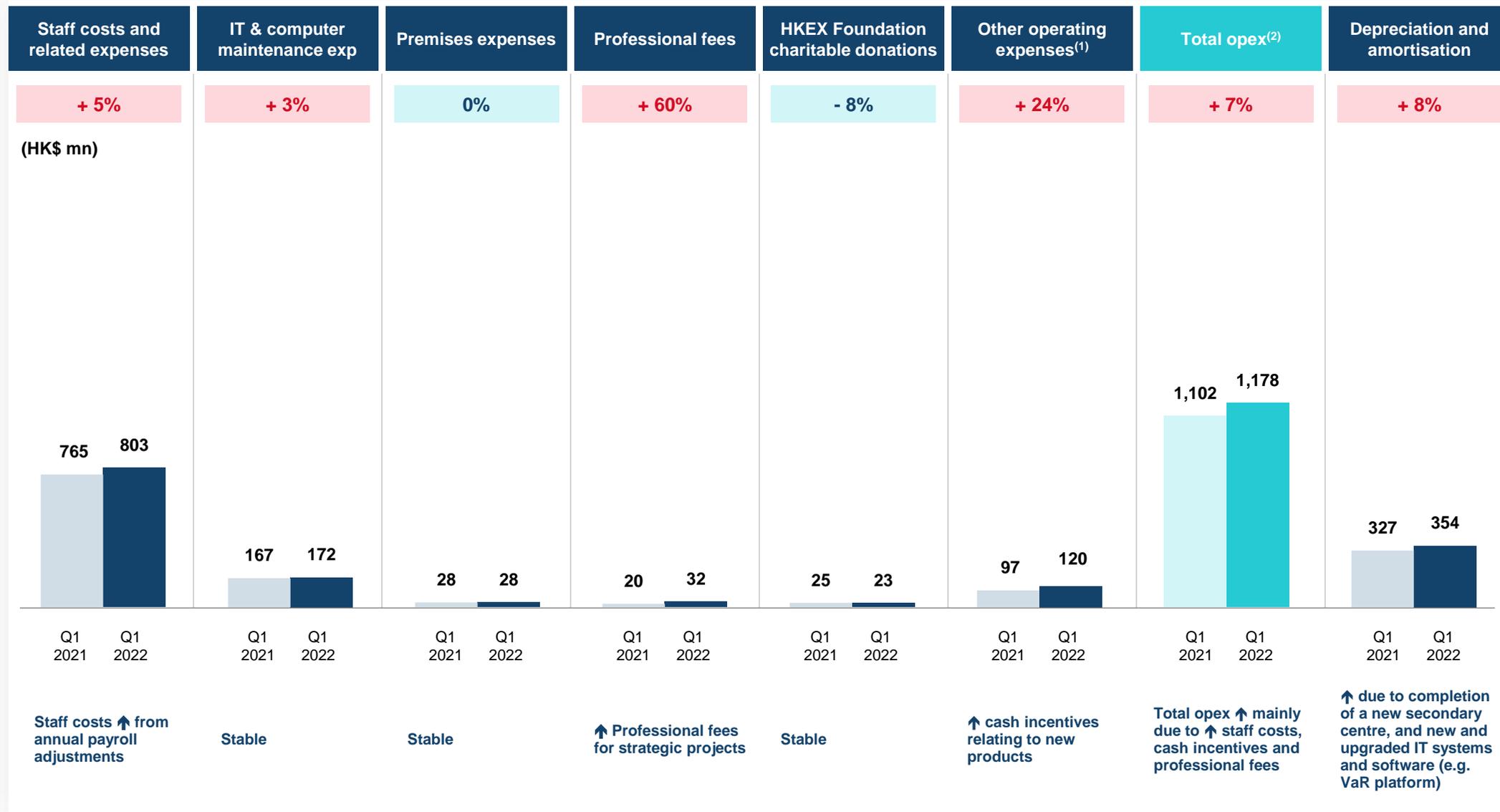


Lower investment income due to fair value losses from external portfolio



Operating expenses – Q1 2022 vs Q1 2021

Investments in talent, infrastructure and strategic initiatives



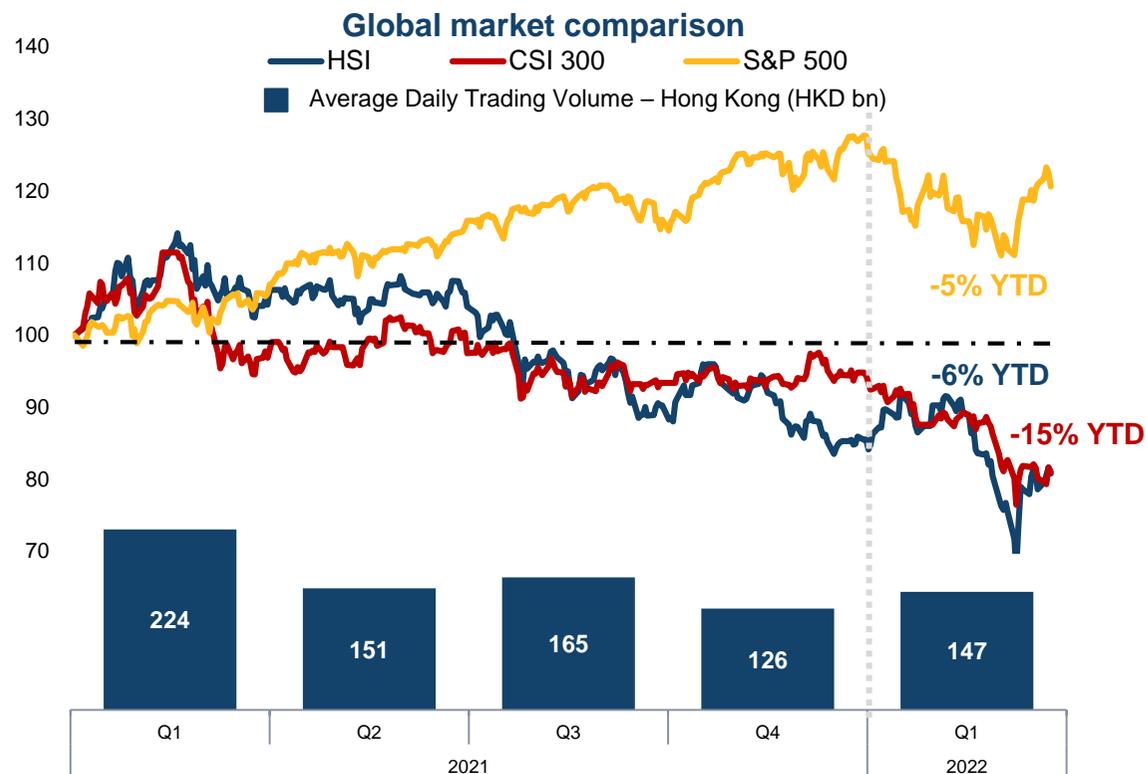
1. Includes product marketing and promotion expenses

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



Business and Strategic Update

Resilient Q1 performance in 2022



Key market indicators (Q1 2021 – Q1 2022)					
	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22
Derivatives Market ADV ('000 contracts)	1,410.5	997.4	1,225.6	1,016.5	1,342.3
NB ADT (HKD bn)	151.8	121.9	167.8	135.5	131.3
LME ADV ('000 lots)	564	577	571	580	620
No. of IPOs	32	14	27	25	17
IPO funds raised (HKD bn)	136.6	75.1	74.1	45.5	14.9

Core businesses remained at robust levels

- Cash Market ADT at HK\$146.5bn (-35%YoY, or +16%QoQ); resurgence of Covid-19 in HK and geopolitical fragility
- Futures & Options ADV -5%YoY, or +32%QoQ
 - Futures ADV was up 21% YoY or 39% QoQ thanks to new product launches and market volatility

Connect schemes performed resiliently

- Stock Connect: Revenue of HK\$641mn (-13%YoY, or +2%QoQ)
 - Northbound ADT RMB105.9bn (-16%YoY, or -5%QoQ)
 - Southbound ADT HK\$35.5bn (-42%YoY, or +27%QoQ)
- Bond Connect: record Northbound ADT RMB33.9bn (+34%YoY, or +22%QoQ)

Softened IPO given macro-driven weak market sentiment, but pipeline remains strong

- IPO funds raised HK\$14.9bn (-89%YoY), with 48% from New Economy and Biotech companies
- IPO pipeline remains strong with over 150 active applications, including 10 SPAC applications (as at 31 March 2022)

Q1 2022 selected strategic highlights

Enhancing our listing framework

- **Special Purpose Acquisition Company (SPAC) listing** went live, and the first SPAC listed in Mar 2022
- Enhanced and streamlined **listing for overseas issuers** took effect since Jan 2022

Reinforcing HKEX as Asia's trading and risk management hub

- **Published consultation conclusions for Derivatives Holiday Trading (DHT)**, with MSCI derivatives product suite being the first products, commencing in May 2022
- **Launched multiple new thematic ETFs**, including the first metaverse-themed ETF, first carbon futures ETF, and first Hong Kong equity ESG ETF
- Announced the launch of a **new digital investor relations platform, IR Connect**, in Q3 2022 to support issuers with an investor engagement and intelligence portal

Modernising our operations and infrastructure

- **Initiated an end-to-end review of the operating model of our Hong Kong businesses**, aiming for targeted improvements to support HKEX's vision to build the Marketplace of the Future

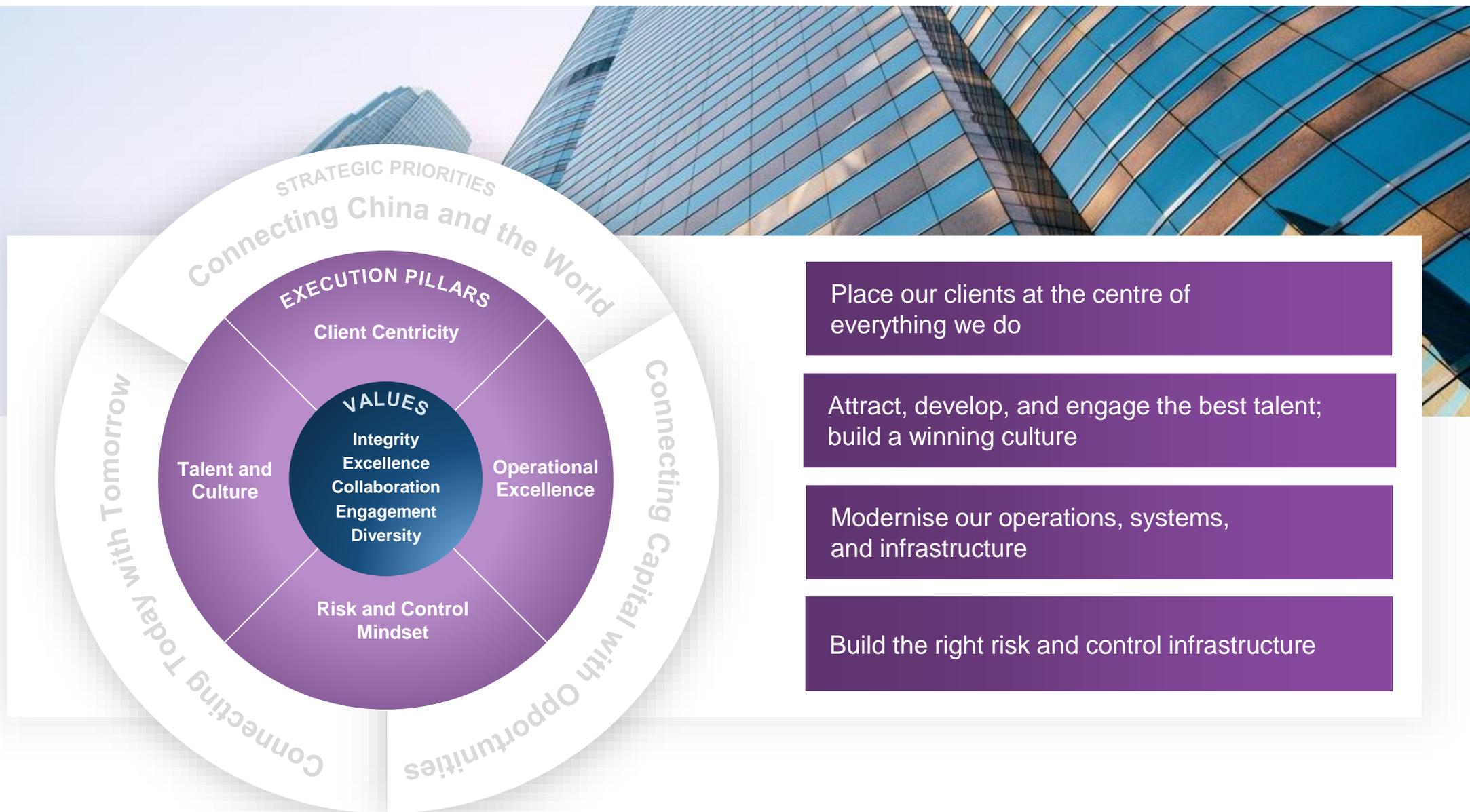
Embedding sustainability within our business and markets

- Signed a **Memorandum of Understanding (MOU) with China Emissions Exchange (CEEX)** to explore cooperation in tackling climate change and promoting sustainability through **carbon finance**
- **96 sustainable-focused products were displayed on STAGE** at end of Mar 2022. 26 green / ESG-related bond listings - raising a total of HK\$71.4bn in Q1 2022 (vs 19 listings raising HK\$51.5bn in Q1 2021)
- HKEX Foundation launched an **enhanced HKEX Impact Funding Scheme**

Three key strategic imperatives support our vision...



...with clear execution pillars and our values



Place our clients at the centre of everything we do

Attract, develop, and engage the best talent; build a winning culture

Modernise our operations, systems, and infrastructure

Build the right risk and control infrastructure

Looking ahead

- **Cash Market trading volumes will continue to be affected by macro and geopolitical factors** after an exceptionally buoyant Q1 2021
- Macro-driven weak market sentiment continued to impact the IPO market, but **the IPO pipeline remains strong**, supported by Chinese companies seeking homecoming listings and new listing regime for SPACs and overseas issuers
- **Persistent inflationary pressures, tightening of monetary policy, upcoming interest rate hikes and geographical fragility** could continue to impact returns on the external portfolio; but interest rates hikes should help internally managed investment income
- **Geopolitical tensions, weak global market sentiment, pricing volatility in commodities market** will continue to provide headwinds to our business, but **the relaxation of pandemic social and travel restrictions globally** could provide cautious optimism
- **Continued investments in client, technology, talent and risk management** will underpin focused strategy
- Fully focused on delivering our vision to build **the Marketplace of the Future**

Q1 2022 financial performance

Core business revenue

↓16%YoY

↑7%QoQ

to HK\$4.8bn

Revenue and other income

↓21%YoY

↓1%QoQ

to HK\$4.7bn

EBITDA

↓28%YoY

↓1%QoQ

to HK\$3.5bn

PAT

↓31%YoY

↓0%QoQ

to HK\$2.7bn

EPS

↓30%YoY

↓0%QoQ

to HK\$2.11

Welcome questions

Q&A Session begins now

Appendix



Financial highlights – Income Statement

(HK\$ mn, unless stated otherwise)	Q1 2022	% of Revenue & Other Income	Q1 2021	% of Revenue & Other Income	YoY Change
Results					
Revenue and other income	4,690	100%	5,956	100%	(21%)
Less: Transaction-related expenses	(39)	(1%)	(45)	(1%)	(13%)
Revenue and other income less transaction-related expenses	4,651	99%	5,911	99%	(21%)
Operating expenses	(1,178)	(25%)	(1,102)	(19%)	7%
EBITDA	3,473	74%	4,809	81%	(28%)
Depreciation and amortisation	(354)	(8%)	(327)	(5%)	8%
Operating profit	3,119	67%	4,482	75%	(30%)
Finance costs and share of results of joint ventures	(11)	(0%)	(23)	(0%)	(52%)
Profit before taxation	3,108	66%	4,459	75%	(30%)
Taxation	(445)	(9%)	(632)	(11%)	(30%)
Loss attributable to non-controlling interests	5	0%	13	0%	(62%)
Profit attributable to HKEX shareholders	2,668	57%	3,840	64%	(31%)
Capex	190		331		(43%)
Basic earnings per share	HK\$2.11		HK\$3.03		(30%)
Headline ADT on the Stock Exchange	HK\$146.5 bn		HK\$224.4 bn		(35%)

1. % may not add up due to rounding



Performance by operating segment

HK\$ mn	Cash	Derivatives	Commodities	Post Trade	Technology	Corporate Items	Group Q1 2022	Group Q1 2021
Revenue and other income	1,379	926	376	1,804	276	(71)	4,690	5,956
<i>% of Group Total</i>	<i>29%</i>	<i>20%</i>	<i>8%</i>	<i>38%</i>	<i>6%</i>	<i>(1%)</i>	<i>100%</i>	<i>100%</i>
Less: Transaction-related expenses	-	(36)	-	(3)	-	-	(39)	(45)
Revenue and other income less transaction-related expenses	1,379	890	376	1,801	276	(71)	4,651	5,911
Operating expenses	(164)	(188)	(162)	(221)	(71)	(372)	(1,178)	(1,102)
EBITDA	1,215	702	214	1,580	205	(443)	3,473	4,809
<i>% of Group Total</i>	<i>35%</i>	<i>20%</i>	<i>6%</i>	<i>46%</i>	<i>6%</i>	<i>(13%)</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin⁽¹⁾</i>	<i>88%</i>	<i>79%</i>	<i>57%</i>	<i>88%</i>	<i>74%</i>	<i>N/A</i>	<i>75%</i>	<i>81%</i>
Depreciation and amortisation							(354)	(327)
Finance costs							(36)	(39)
Share of results of joint ventures							25	16
Profit before taxation							3,108	4,459

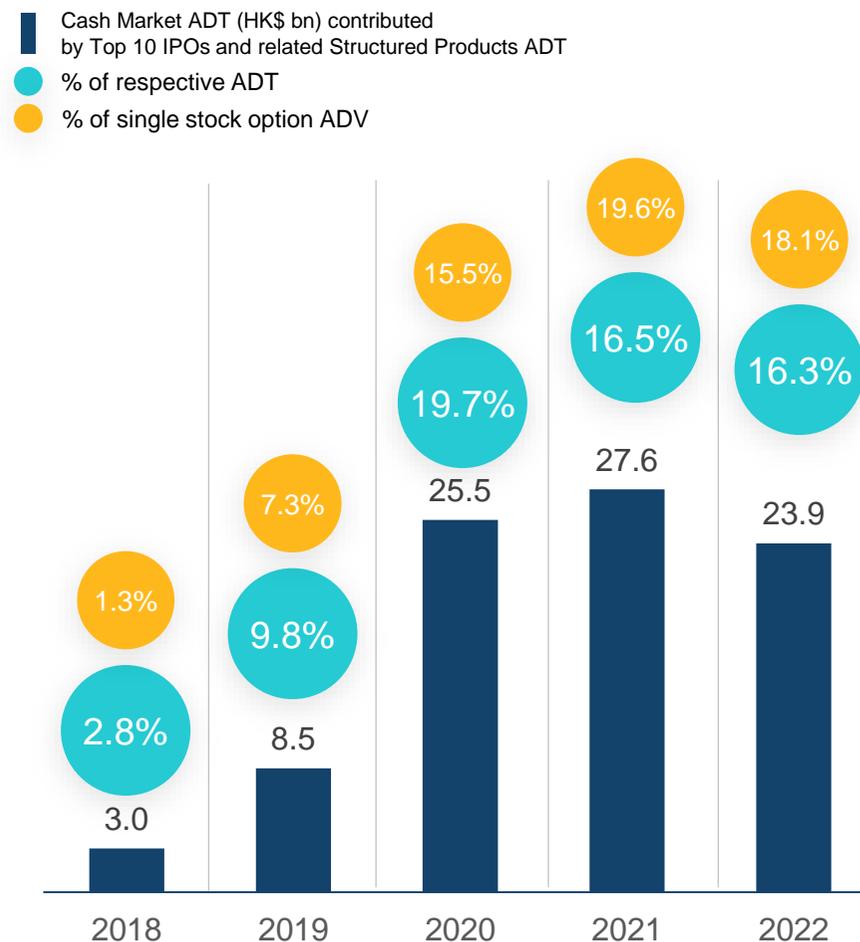
1. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses

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 Q1 2022, 16% of cash ADT and 18% of single stock option ADV were contributed by the top 10 IPOs since 2018

Continuous ADR conversion and trading migration from China concept homecomings

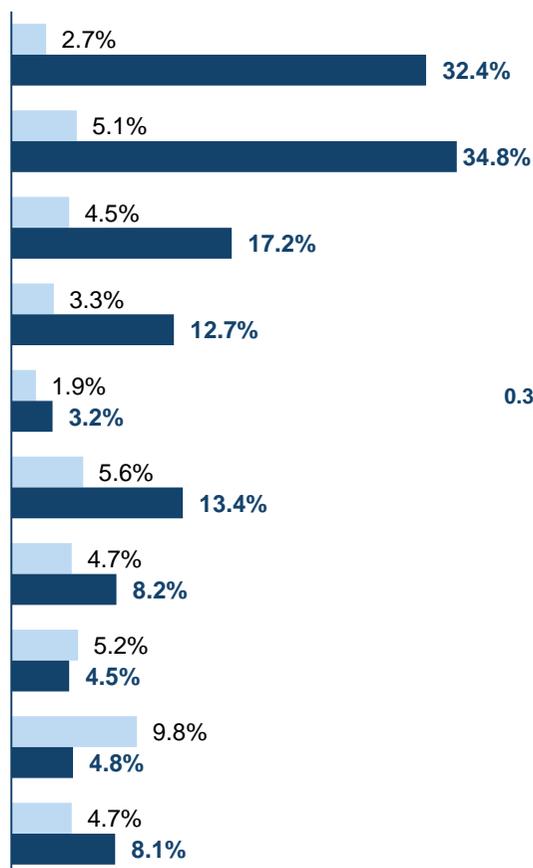
Top 10 Secondary and Dual Primary Listings¹

Stock Name	Market Cap (HK\$ bn)	HK IPO Date
BABA - SW	2,431	26/11/2019
JD - SW	730	18/06/2020
NTES - S	482	11/06/2020
BIDU - SW	391	23/03/2021
NIO - SW	292	10/03/2022
LI AUTO - W*	218	12/08/2021
XPENG - W*	193	07/07/2021
ZTO EXPRESS - SW	165	29/09/2020
YUM CHINA - S	148	10/09/2020
TRIP.COM - S	120	19/04/2021

ADR conversion to HK CCASS

HK freely traded shares²

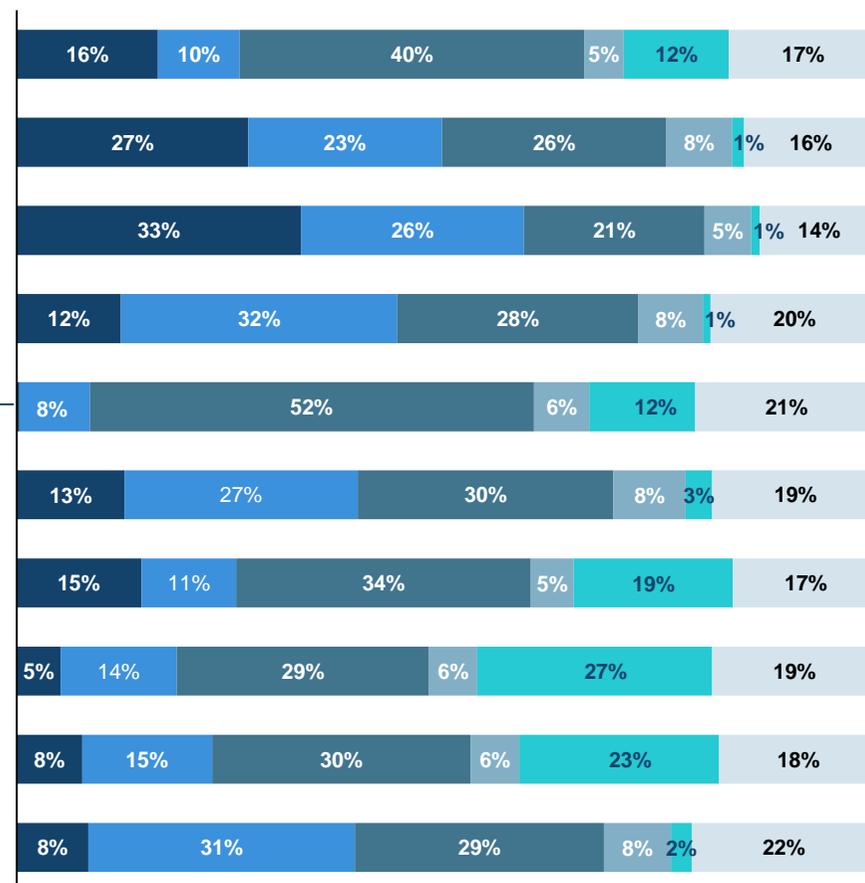
IPO date 31-Mar-2022



Trading shares among HK and US Exchanges

Trading volume breakdown (YTD 2022 March)

HKEX NASDAQ FINRA ADF³ NYSE Arca NYSE Others (US)



Source: HKEX, FactSet, as of 31 Mar 2022 ^Dual Primary Listing

1. Ranked by market cap

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

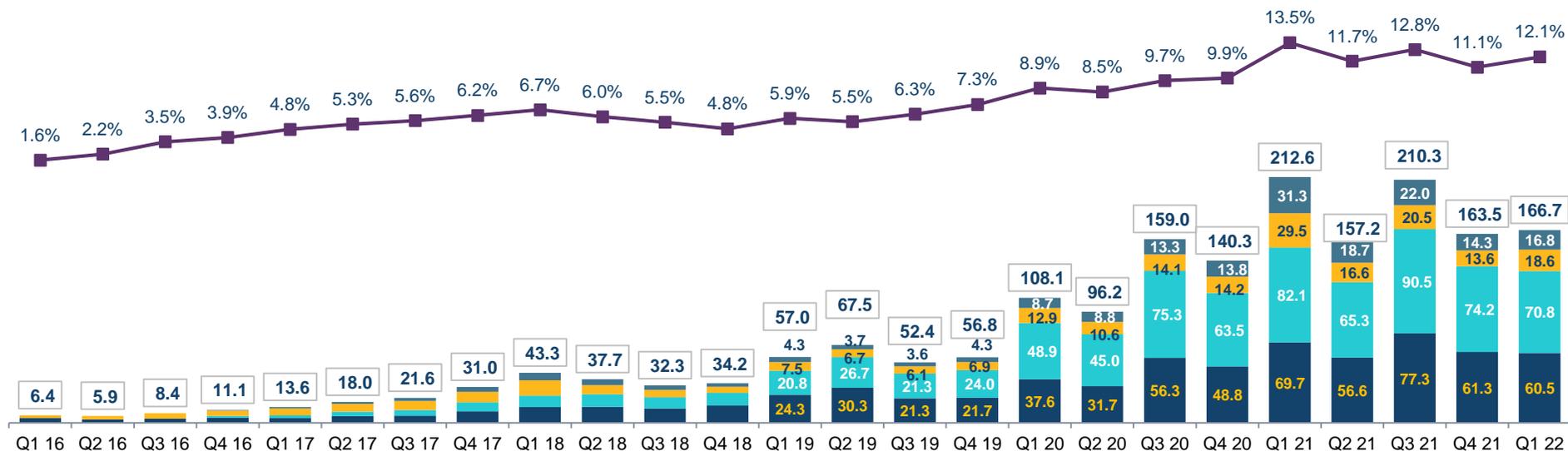
Stock Connect generated revenue of \$641mn in Q1 2022

Stock Connect Average Daily Trading Volume (HKD bn)

■ Shenzhen Southbound ■ Shenzhen Northbound ⁽¹⁾ Total average daily turnover
■ Shanghai Southbound ■ Shanghai Northbound ⁽¹⁾ — Percentage of Southbound turnover of Hong Kong Market

NB record of RMB191.2bn on 7 Jul 2020

SB record of HK\$102.2bn on 27 Jul 2021



Stock Connect Northbound and Southbound Trading ADT reached RMB105.9bn and \$35.5bn respectively in Q1 2022

Stock Connect revenue reaching 14% of the Group's total revenue and other income in Q1 2022 (Q1 2021: 12%)

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



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