

2023 Q1 Results Analyst Presentation

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HKEX
香港交易所

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Agenda

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Q1 2023 key highlights

Financial Performance

Q1 2023: HK\$5.6b
(+19%YoY)

Revenue and other income

Q1 2023: HK\$3.4b
(+28%YoY)

Profit attributable to shareholders

Business and Strategy

- **Second best ever reported quarterly revenue and other income and profit;** Q1 results demonstrated **strength and resilience**, despite ongoing challenging macroeconomic and geopolitical backdrop
- **Quarter of significant strategic progress:**
 - Expansion of eligible stocks through Stock Connect took effect (Mar)
 - New Specialist Technology Company listing regime took effect (Mar)
- **Cash market softness continued** reflecting global market sentiment, ADT down 13%YoY
- **Diversification delivering results:**
 - **Derivatives - solid results** with ADV at 1.4m contracts (+6%YoY)
 - **Strong momentum in ETPs** - ADT +31%YoY; Data and Connectivity revenue +4%YoY
- **IPO pipeline remained strong** with over 90 active applications (31 Mar 2023)
- **Market microstructure enhancements will further enhance competitiveness**
 - Stock Connect trading calendar enhancements announced (Feb)
 - Hong Kong Investor Identification Regime launched (Mar)



**HKEX Group
Financial Review**



Q1 2023: second best quarterly revenue and other income and profit

Core business revenue⁽²⁾ \$5.0bn

↑5% vs Q1 2022

↑5% vs Q4 2022

Revenue and other income⁽³⁾ \$5.6bn

↑19% vs Q1 2022

↑7% vs Q4 2022

EBITDA \$4.2bn

↑21% vs Q1 2022

↑11% vs Q4 2022

PAT \$3.4bn

↑28% vs Q1 2022

↑14% vs Q4 2022

EPS \$2.69

↑27% vs Q1 2022

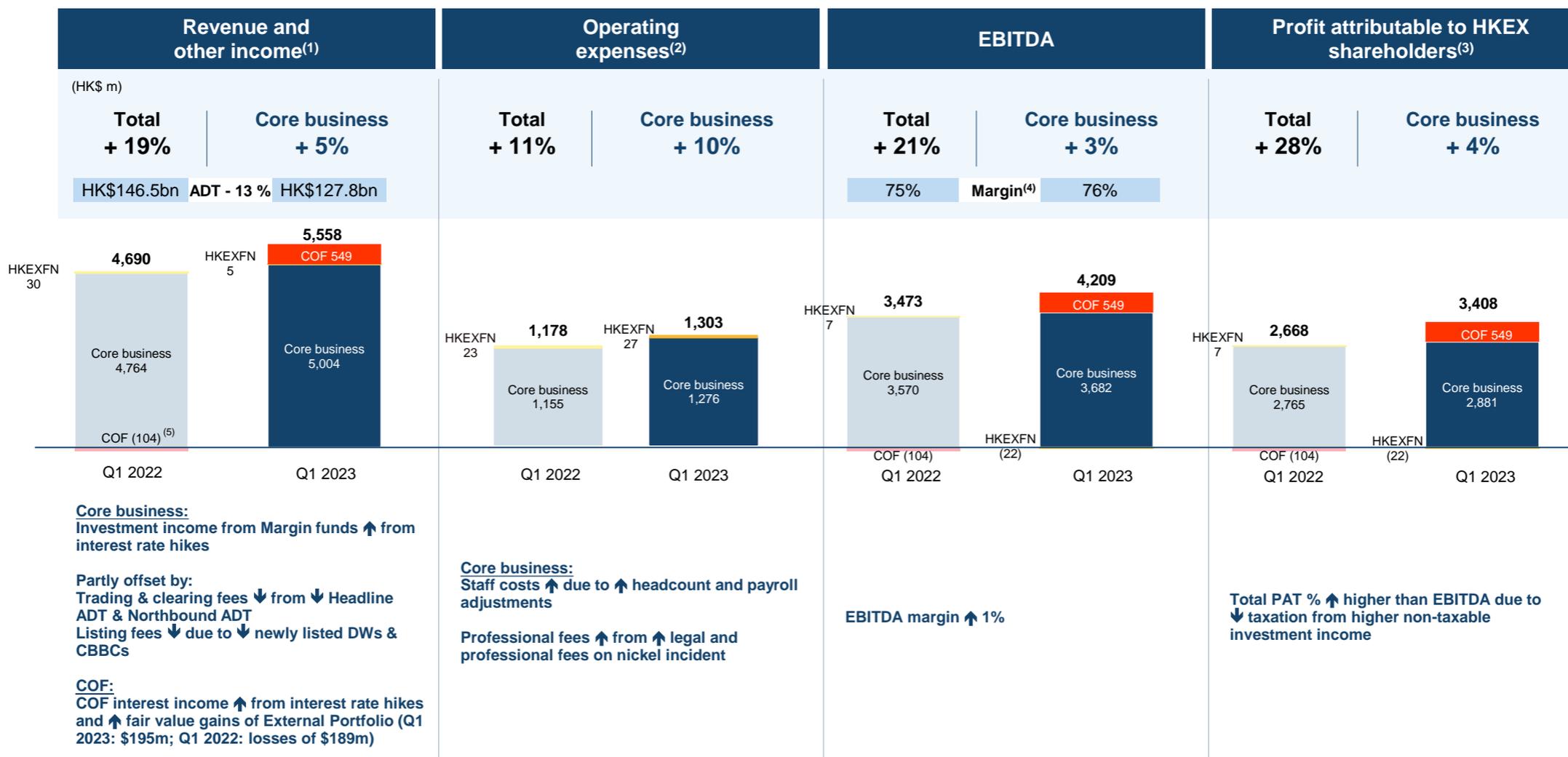
↑14% vs Q4 2022



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 donation income of HKEX Foundation (HKEXFN)
3. Represents gross revenue and other income before deducting transaction-related expenses

Q1 2023 vs Q1 2022

Q1 2023: Second best quarterly revenue and profit, driven by record net investment income

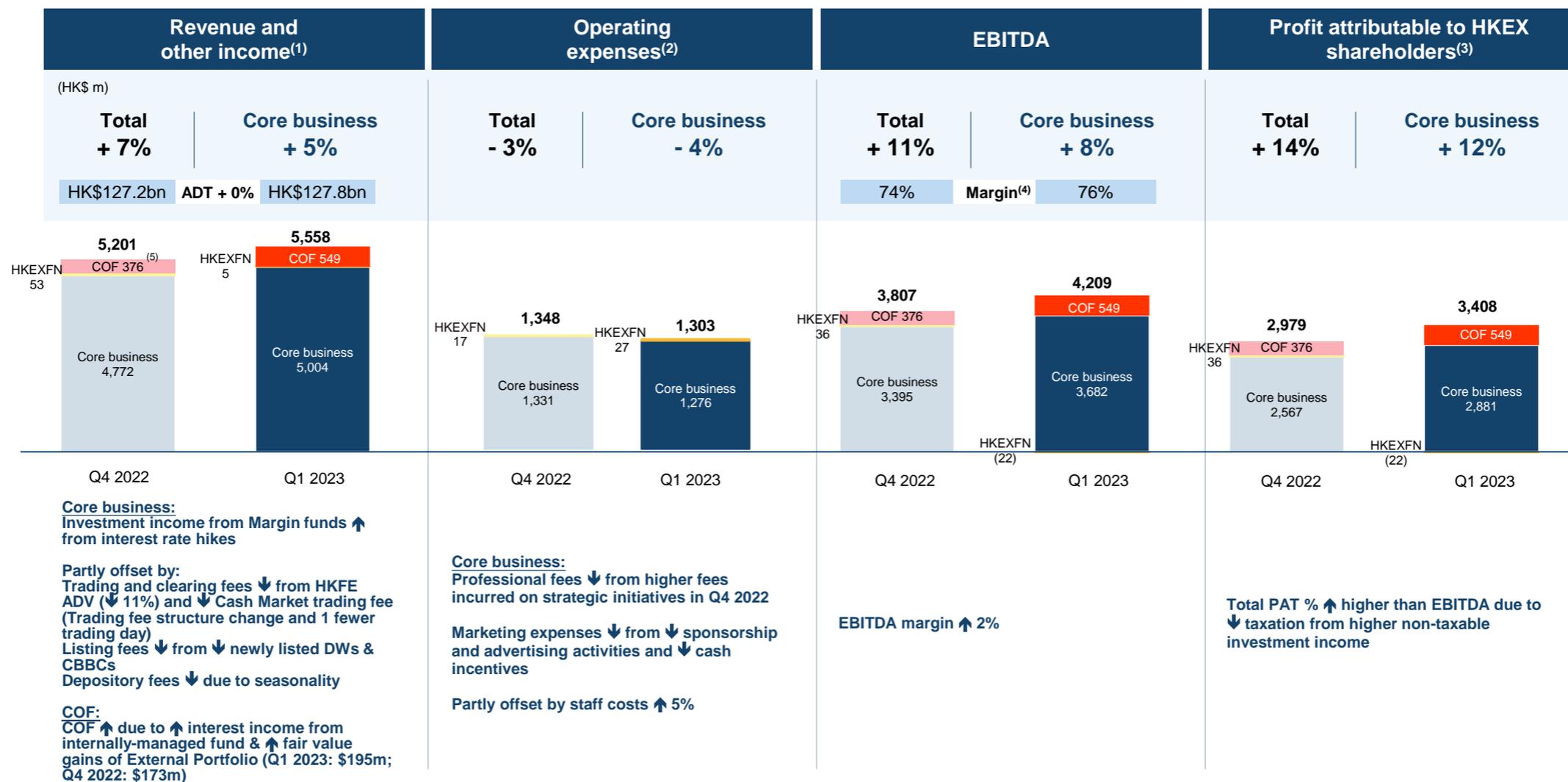


1. Represents gross revenue and other income before deducting transaction-related expenses (Q1 2022: \$39m; Q1 2023: \$46m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact 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 2023 vs Q4 2022

Profit up 14% driven by record net investment income and lower opex



1. Represents gross revenue and other income before deducting transaction-related expenses (Q4 2022: \$46m; Q1 2023: \$46m)
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

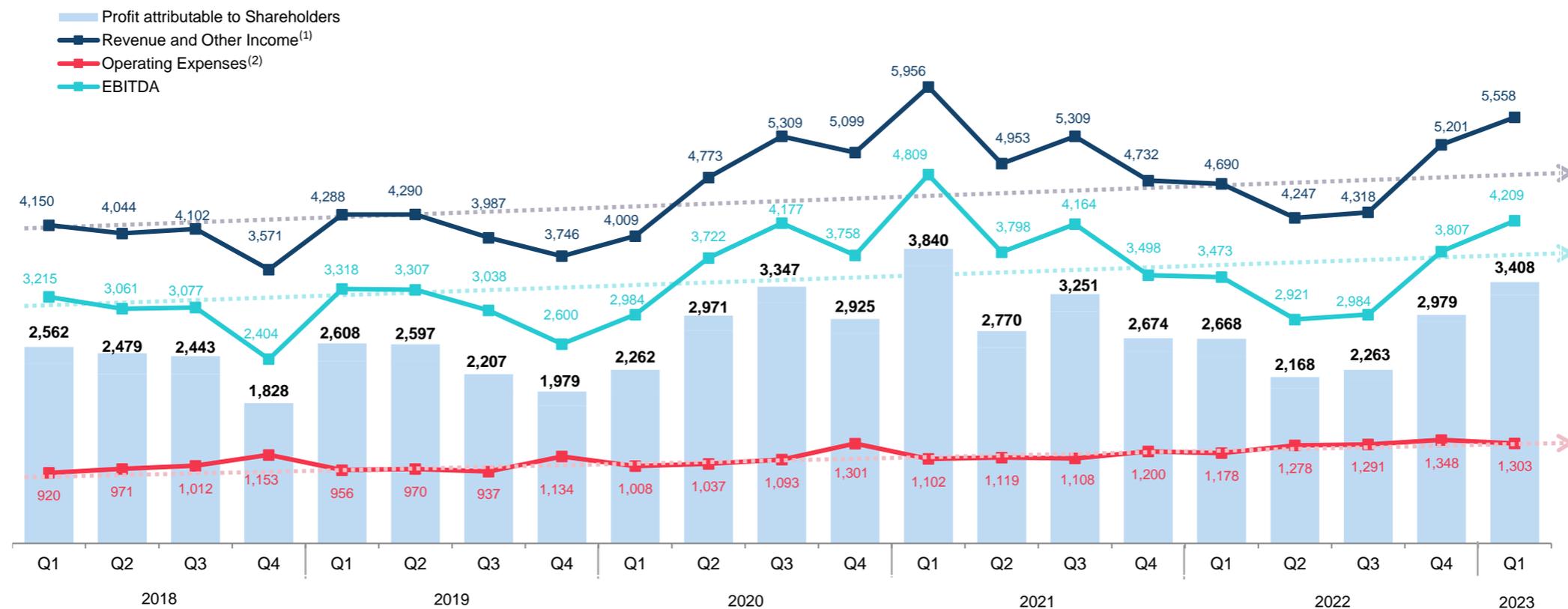


Quarterly performance

Q1 2023 performance above historical trendline, driven by record net investment income

Quarterly performance

(HK\$ m)



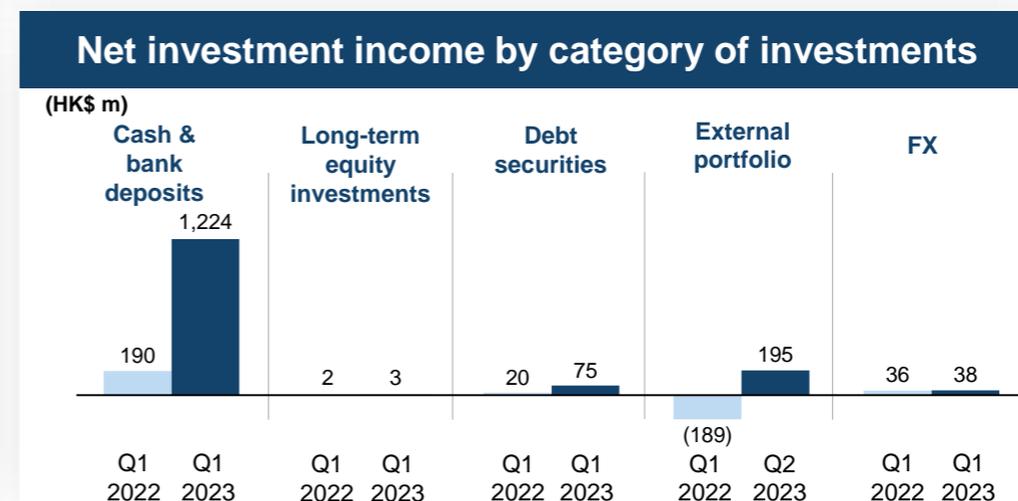
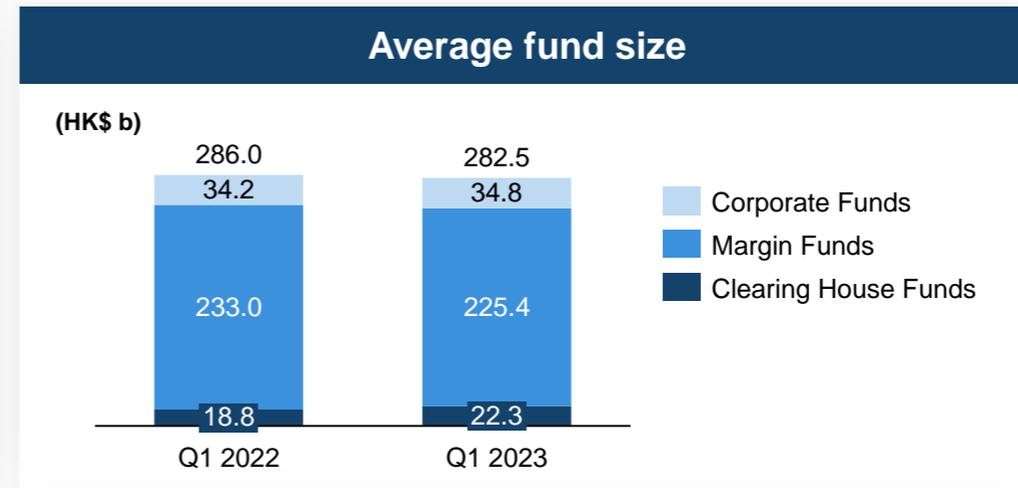
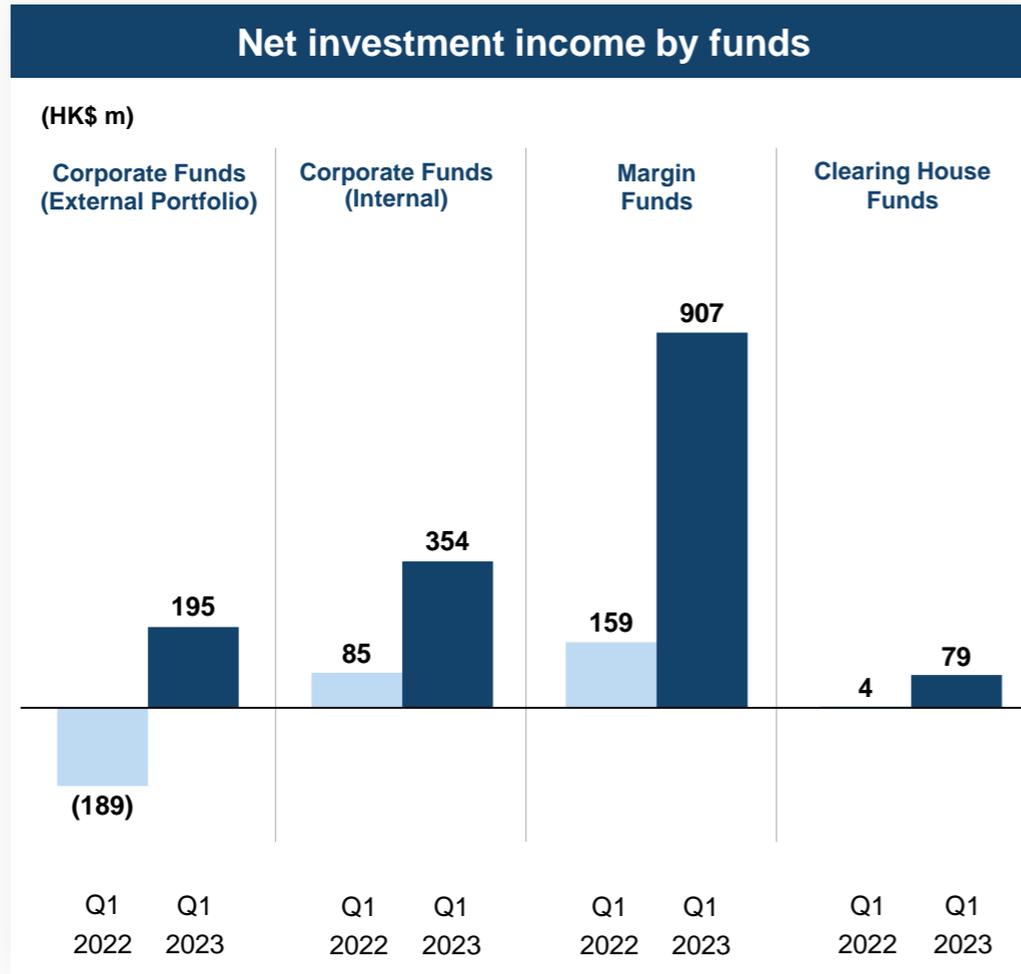
1. Represents gross revenue and other income before deducting transaction-related expenses
2. Exclude transaction-related expenses, depreciation and amortisation, finance costs, share of results of joint ventures, and certain exceptional costs
3. Dotted trend lines are illustrative and do not constitute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



Net investment income (NII) – Q1 2023 vs Q1 2022

NII benefited from higher interest rates and external portfolio gains

Q1 2023: HK\$1,535m (Q1 2022: HK\$59m), record quarterly high



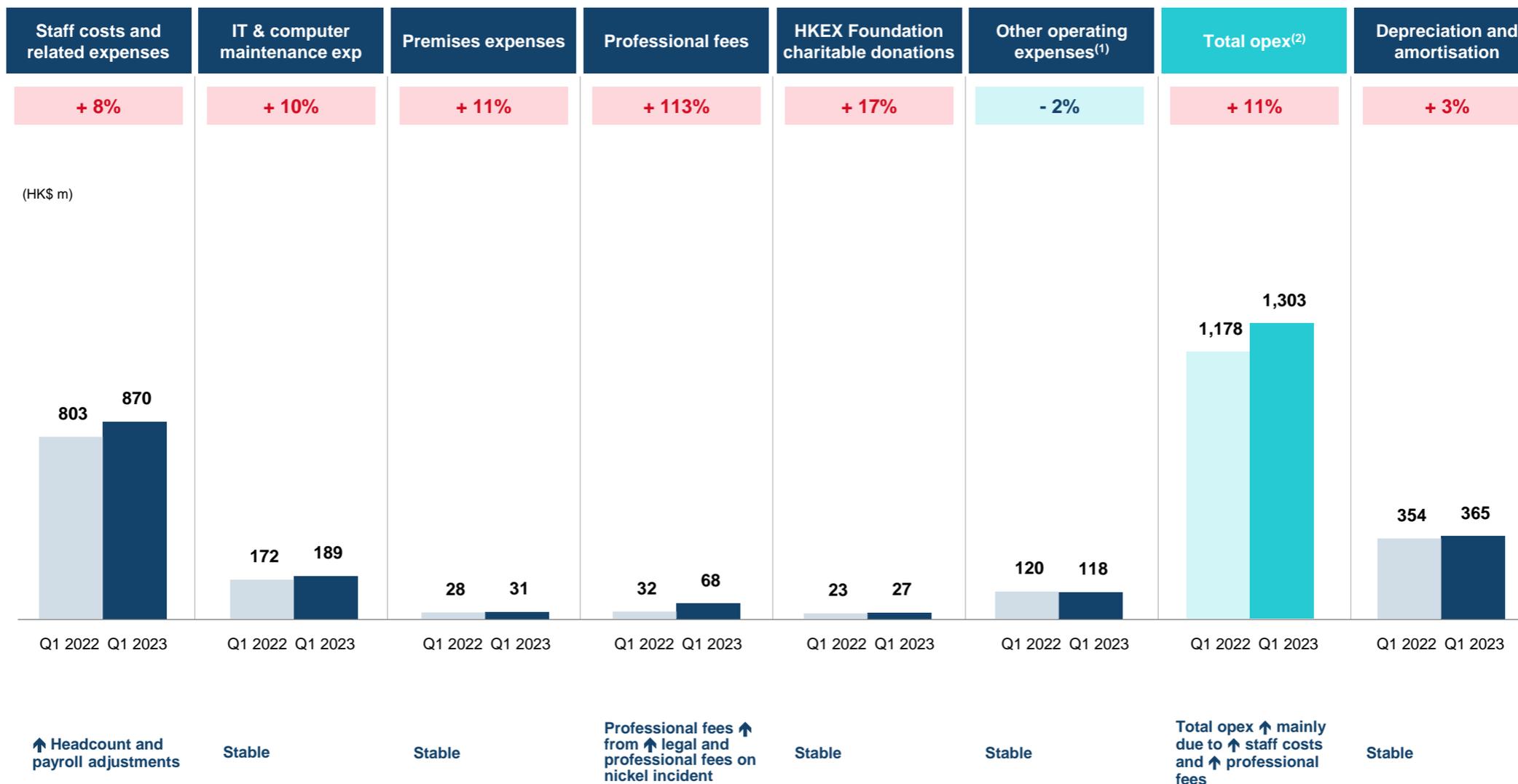
Q1 2023 external portfolio gains HK\$195m (Q1 2022: loss HK\$189m).
Margin Funds NII up 470%YoY in Q1 2023 due to higher interest rates and higher Margin Funds size in Hong Kong

- Financial figures on this slide are computed based on financial figures disclosed in Q1 2023 and Q1 2022 results announcements.
- Margin Funds and Clearing House Funds of LME Clear are mainly invested in overnight reverse repurchase investments, where high quality assets are held against such investments as collateral. In Hong Kong, Clearing House Funds are predominantly kept overnight or invested in Exchange Fund Bills issued by the Hong Kong Monetary Authority due to regulatory requirements. For Margin Funds, a certain proportion of the funds are kept overnight to meet withdrawal requests from Clearing Participants (approximately 20% at 31 Dec 2022), a certain proportion is invested in long-term investment grade debt securities (approximately 5% at 31 Dec 2022) and the remaining funds are invested in time deposits with maturity of up to 12 months (weighted original maturity of seven months as at 31 Dec 2022).



Operating expenses and depreciation & amortisation – Q1 2023 vs Q1 2022

Prudent investments in talent and operational excellence



1. Includes product marketing and promotion expenses
 2. Excludes transaction-related expenses, depreciation and amortisation, finance costs, and share of results of joint ventures

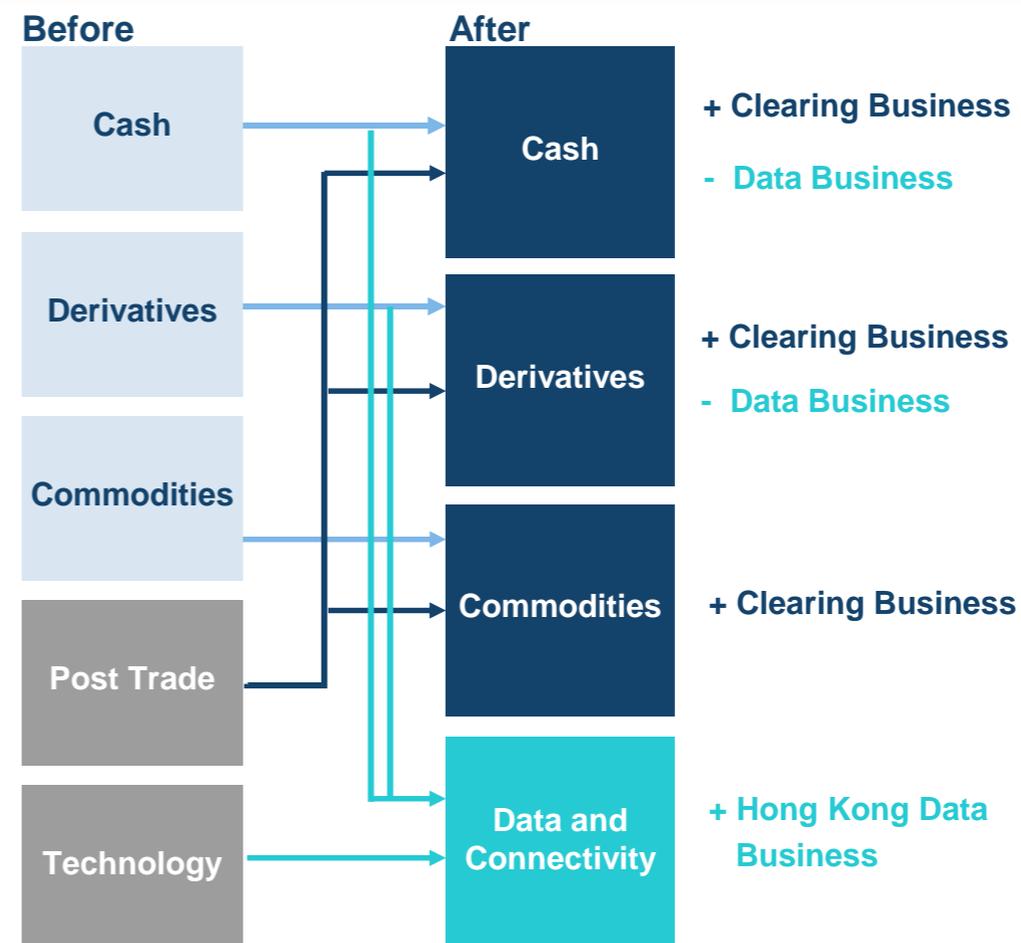


New segmental reporting effective in 2023

- Reporting segments **reorganized to optimize resources** to successfully deliver the initiatives set out in our vision
- **Consistent** with current internal management reporting - Trading and Clearing are managed by their relevant asset classes
- **Non-cyclical Data and Technology businesses become more material** and thus are being aggregated for clearer strategic focus

- **Post Trade allocated into Cash, Derivatives and Commodities segments**
- **HK Data and Technology aggregated into one single segment**

Summary of segmental reporting changes¹



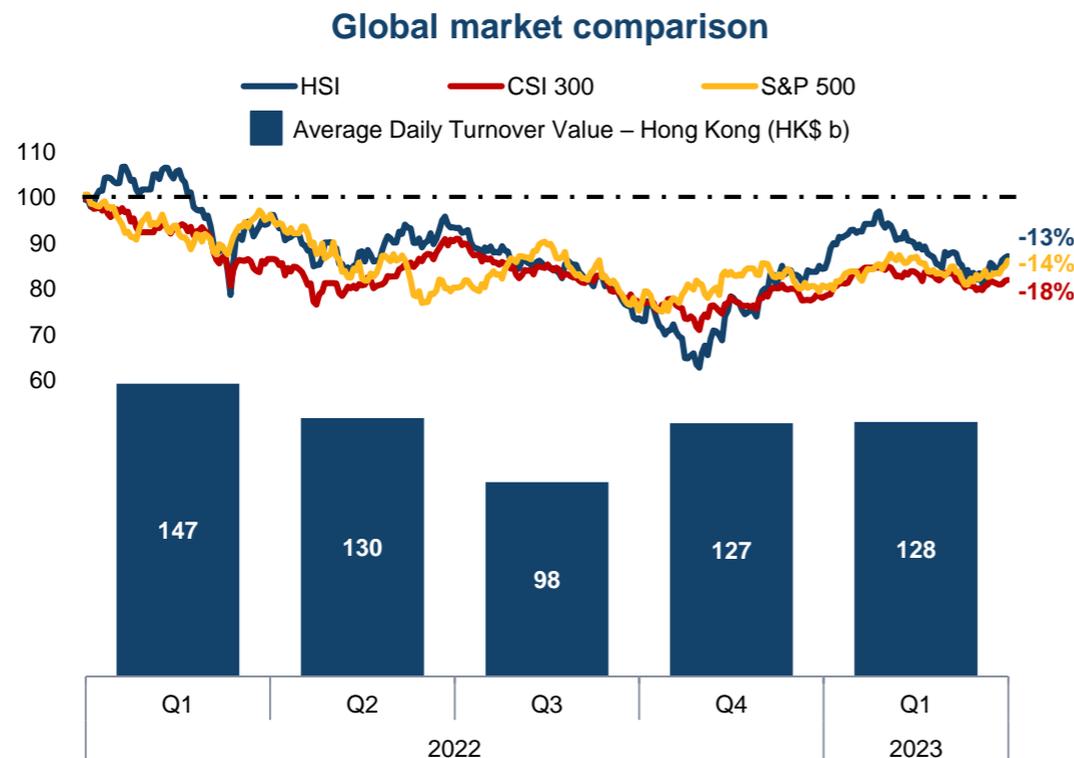
1. Corporate item is not shown as it is not a business segment and is not affected by the changes in the segmental reporting



Business and Strategic Update



Strong, resilient performance in Q1 2023



Key market indicators (Q1 2022 – Q1 2023)					
	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Derivatives Market ADV ('000 contracts)	1,342	1,274	1,115	1,483	1,418
NB ADT (RMB b)	105.9	101.8	96.7	97.6	97.0
LME ADV ('000 lots)	620	515	496	507	531
No. of IPOs	17	10	29	34	18
IPO funds raised (HK\$ b)	14.9	4.8	53.5	31.4	6.7

Source: HKEX, Bloomberg
 Figures represent data as at 31 Mar 2023 unless otherwise stated

Strategic focus on diversification helped to mitigate lower cash market volumes

- Cash Market ADT at HK\$127.8b (down 13%YoY), reflecting global market sentiment
- Total derivatives ADV at 1.4m contracts (up 6%YoY)

Connect programmes continued to perform well

- Stock Connect: revenue of HK\$564m (down 12%YoY), contributed 10% of the Group's total revenue
- Bond Connect Northbound ADT: record quarterly high at RMB37.0b (up 9%YoY)
- ETFs included in Stock Connect since 4 Jul 2022. Southbound ADT at HK\$1.7b, Northbound ADT at RMB219m

Q1 2023 IPO pipeline remains strong; New Specialist Technology Company listing regime took effect

- IPO funds raised HK\$6.7b (down 55%YoY), with 76% from New Economy and Biotech companies
- IPO pipeline remains strong with over 90 active applications as at 31 Mar 2023
- New Specialist Technology Company listing regime took effect (31 Mar 2023)



Continued quarter of strategic progress

	Connecting China and the World <i>- Leverage our China Advantage</i>	Connecting Capital with Opportunities <i>- Improve our market liquidity and ecosystem</i>	Connecting Today with Tomorrow <i>- Prepare our organization for the future</i>
Focus areas	<ul style="list-style-type: none"> • Enhance “Connect” programmes • Become China’s go-to offshore risk management centre • Solidify role as China’s preferred offshore fund raising centre • Grow China-related products 	<ul style="list-style-type: none"> • Further build attractiveness of primary market • Enhance market structure • Expand product ecosystem • Grow client ecosystem 	<ul style="list-style-type: none"> • Modernise infrastructure • Evolve from infrastructure-led to client-led model • Develop strong digital capabilities • Leverage data
Highlights in Q1 2023	<p>Enhancement to Stock Connect trading calendar announced</p> <hr/> <p>Expansion of eligible stocks through Stock Connect took effect</p> <hr/> <p>Swap Connect received regulatory approval (Apr)</p>	<p>New Specialist Technology Company listing regime launched</p> <hr/> <p>Hong Kong Investor Identification regime launched</p> <hr/> <p>LME 2-year programme to enhance and strengthen its markets announced</p> <hr/> <p>New London office announced</p>	<p>Launched 2 ESG ETFs and a bitcoin futures ETF</p> <hr/> <p>Upgraded Orion Trading Platform – Securities Market (OTP-C)</p> <hr/> <p>131 sustainable-focused products now displayed on STAGE</p> <hr/> <p>Consultation on enhancement of climate disclosure under the ESG framework announced (Apr)</p>

We are building the Marketplace of the Future



Looking ahead

- Global appetite for regional exposure remains strong, Hong Kong playing vital role as **East/West superconnector**
- **Fragile macro sentiment** continues to weigh on global IPO market, though HKEX IPO pipeline remained strong; and could impact external portfolio returns looking forward
- **Some positive news in the market**, including increased expectations on slower pace of rate rises and Mainland China's stated commitment to opening-up
- **Continued expansion of Connect programmes** offers further growth opportunities. Northbound ADT recorded significant growth since expansion of eligible stocks through Stock Connect took effect in Mar 2023
- Smaller external portfolio size has reduced earning's volatility. **High interest rates** will continue to benefit internally-managed investment income, but the **recent falling trend** is expected to adversely affect interest income
- **We continue to prudently invest** - in talent, technology, client and risk management - looking to the long-term sustainable development of our business and market
- **Business is well-positioned** to embrace future opportunities



Appendix



Financial highlights – Income Statement

(HK\$ m, unless stated otherwise)	Q1 2023	% of Revenue & Other Income	Q1 2022	% of Revenue & Other Income	YoY Change
Results					
Revenue and other income	5,558	100%	4,690	100%	19%
Less: Transaction-related expenses	(46)	(1%)	(39)	(1%)	18%
Revenue and other income less transaction-related expenses	5,512	99%	4,651	99%	19%
Operating expenses	(1,303)	(23%)	(1,178)	(25%)	11%
EBITDA	4,209	76%	3,473	74%	21%
Depreciation and amortisation	(365)	(7%)	(354)	(8%)	3%
Operating profit	3,844	69%	3,119	67%	23%
Finance costs and share of results of joint ventures	(15)	(0%)	(11)	(0%)	36%
Profit before taxation	3,829	69%	3,108	66%	23%
Taxation	(393)	(7%)	(445)	(9%)	(12%)
(Profit)/loss attributable to non-controlling interests	(28)	(1%)	5	0%	N/A
Profit attributable to HKEX shareholders	3,408	61%	2,668	57%	28%
Capex	240		190		26%
Basic earnings per share	HK\$2.69		HK\$2.11		27%
Headline ADT on the Stock Exchange	HK\$127.8 b		HK\$146.5 b		(13%)

1. % may not add up due to rounding



Performance by operating segment

HK\$ m	Cash	Derivatives	Commodities	Data and Connectivity	Corporate Items	Group Q1 2023	Group Q1 2022
Revenue and other income	2,127	1,860	506	505	560	5,558	4,690
<i>% of Group Total</i>	<i>38%</i>	<i>33%</i>	<i>9%</i>	<i>9%</i>	<i>10%</i>	<i>100%</i>	<i>100%</i>
Less: Transaction-related expenses	(3)	(43)	-	-	-	(46)	(39)
Revenue and other income less transaction-related expenses	2,124	1,817	506	505	560	5,512	4,651
Operating expenses	(271)	(222)	(291)	(108)	(411)	1,303	1,178
EBITDA	1,853	1,595	215	397	149	4,209	3,473
<i>% of Group Total</i>	<i>44%</i>	<i>38%</i>	<i>5%</i>	<i>9%</i>	<i>4%</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin⁽¹⁾</i>	<i>87%</i>	<i>88%</i>	<i>42%</i>	<i>79%</i>	<i>27%</i>	<i>76%</i>	<i>75%</i>
Depreciation and amortisation						(365)	(354)
Finance costs						(35)	(36)
Share of results of joint ventures						20	25
Profit before taxation						3,829	3,108

1. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses
2. % may not add up due to rounding



Details of the new segmental reporting

	Old segments	Changes ¹
Cash	<ul style="list-style-type: none"> Trading activities for all equity products traded on Stock Exchange and the Stock Connect Sales of market data relating to these products Listing activities relating to listed companies 	<ul style="list-style-type: none"> (-) Sales of market data relating to these products (+) Clearing business associated with these products
Derivatives	<ul style="list-style-type: none"> Trading activities for all derivatives products traded on Stock Exchange (e.g. DWs & CBBCs) and Futures Exchange (excluding commodities contracts) Sales of market data relating to these products Listing activities relating to DWs and CBBCs 	<ul style="list-style-type: none"> (-) Sales of market data relating to these products (+) Clearing business associated with these products
Commodities	<ul style="list-style-type: none"> The operations of LME – trading activities for metals contracts and sales of market data Trading activities of commodities contracts on Futures Exchange (e.g. Gold, Silver and London Mini metals contracts) The operations of QME 	<ul style="list-style-type: none"> (+) Clearing business associated with these products
Post Trade	<ul style="list-style-type: none"> Clearing, settlement and custodian and nominee activities of the five clearing houses, namely HKSCC, HKCC, SEOCH, OTC Clear and LME Clear 	<ul style="list-style-type: none"> Post Trade segment no longer disclosed as a separate segment Instead its revenue and expenses allocated to the 3 reportable segments according to the type of products cleared
Technology	<ul style="list-style-type: none"> Services in connection with providing users with access to the platform and infrastructure of the Group (including Hosting services) Services provided by BayConnect 	<ul style="list-style-type: none"> Technology business combined with Hong Kong Data business to form a new segment, Data and Connectivity segment
Data and Connectivity		<ul style="list-style-type: none"> Hong Kong Data business and Technology business aggregated into one single reportable segment to form a new reportable segment

- Post Trade allocated into Cash, Derivatives and Commodities segments
- HK Data and Technology aggregated into one single segment

1. Corporate item is not shown as it is not a business segment and is not affected by the changes in the segmental reporting



Q1 2022 New vs old segmental reporting

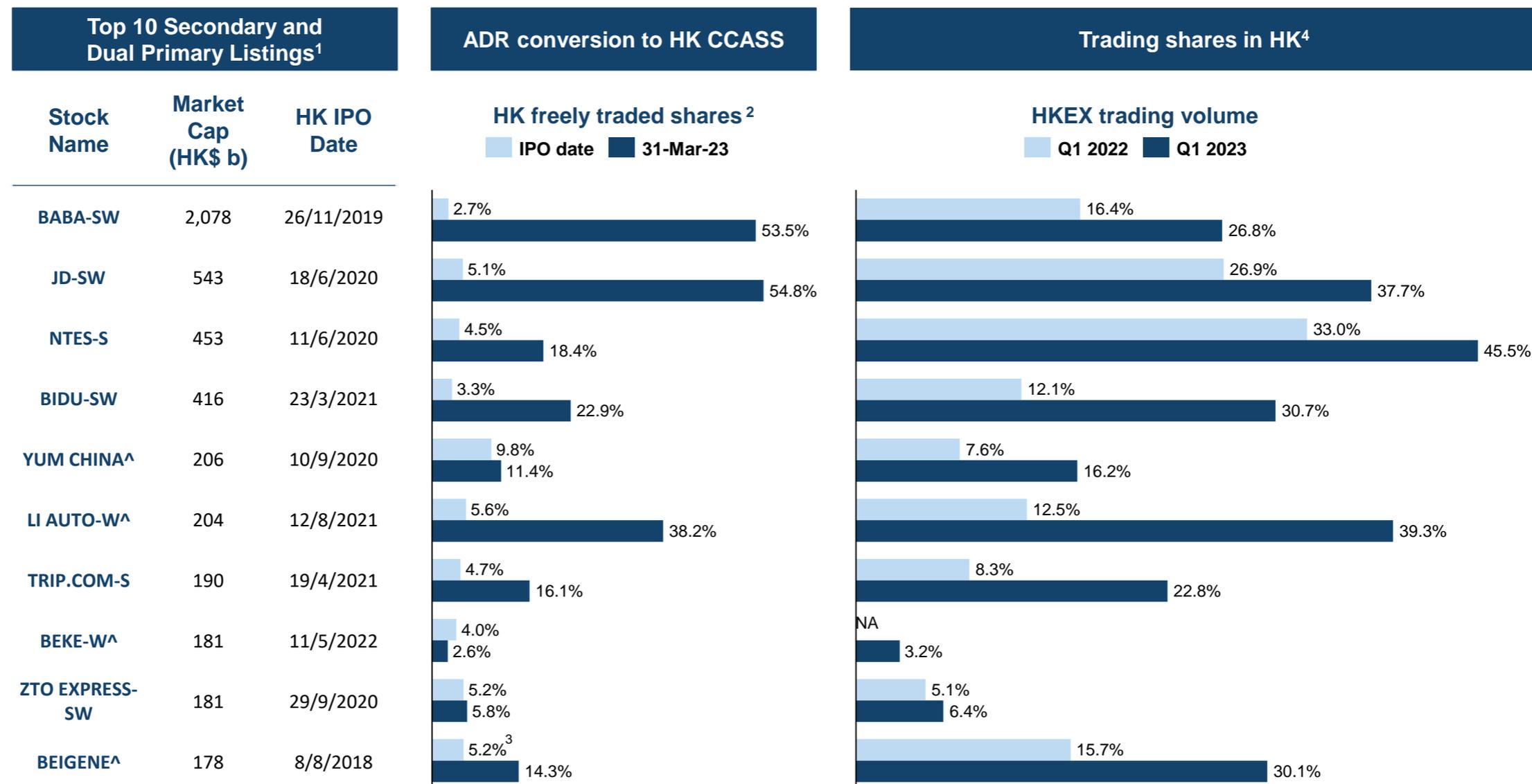
<i>Old presentation</i> (HK\$ m)	For the three months ended 31 Mar 2022						Group
	Cash	Derivatives	Commodities	Post Trade	Technology	Corporate Items	
Trading fees and trading tariffs	962	560	281	112	-	-	1,915
Clearing and settlement fees	-	-	-	1,234	-	-	1,234
Stock Exchange listing fees	249	312	-	-	-	-	561
Depository, custody and nominee services fees	-	-	-	226	-	-	226
Market data fees	158	51	59	-	-	-	268
Other revenue and sundry income	10	3	36	69	276	3	397
Net investment income/(loss)	-	-	-	163	-	(104)	59
HKEX Foundation donation income	-	-	-	-	-	30	30
Revenue and other income	1,379	926	376	1,804	276	(71)	4,690
<i>% of Group Total</i>	29%	20%	8%	38%	6%	(2%)	100%
Less: Transaction-related expenses	-	(36)	-	(3)	-	-	(39)
Revenue and other income less transaction-related expenses	1,379	890	376	1,801	276	(71)	4,651
Operating expenses	(164)	(188)	(162)	(221)	(71)	(372)	(1,178)
EBITDA	1,215	702	214	1,580	205	(443)	3,473
<i>% of Group Total</i>	35%	20%	6%	45%	6%	(13%)	100%
<i>EBITDA Margin</i>	88%	79%	57%	88%	74%	N/A	75%

<i>New presentation</i> (HK\$ m)	For the three months ended 31 Mar 2022						Group
	Cash	Derivatives	Commodities		Data and Connectivity	Corporate Items	
Trading fees and trading tariffs	962	672	281	-	-	-	1,915
Clearing and settlement fees	942	163	129	-	-	-	1,234
Stock Exchange listing fees	249	312	-	-	-	-	561
Depository, custody and nominee services fees	189	37	-	-	-	-	226
Market data fees	-	-	59	-	209	-	268
Other revenue and sundry income	25	11	82	-	276	3	397
Net investment income/(loss)	5	120	38	-	-	(104)	59
HKEX Foundation donation income	-	-	-	-	-	30	30
Revenue and other income	2,372	1,315	589	-	485	(71)	4,690
<i>% of Group Total</i>	51%	28%	13%	-	10%	(2%)	100%
Less: Transaction-related expenses	(3)	(36)	-	-	-	-	(39)
Revenue and other income less transaction-related expenses	2,369	1,279	589	-	485	(71)	4,651
Operating expenses	(236)	(226)	(244)	-	(100)	(372)	(1,178)
EBITDA	2,133	1,053	345	-	385	(443)	3,473
<i>% of Group Total</i>	61%	30%	10%	-	11%	(13%)	100%
<i>EBITDA Margin</i>	90%	82%	59%	-	79%	N/A	75%

1. May not add up due to rounding



Continuous ADR conversion and trading migration from China concept homecoming



Source: HKEX, FactSet, as at 31 Mar 2023 [^]Dual Primary Listing

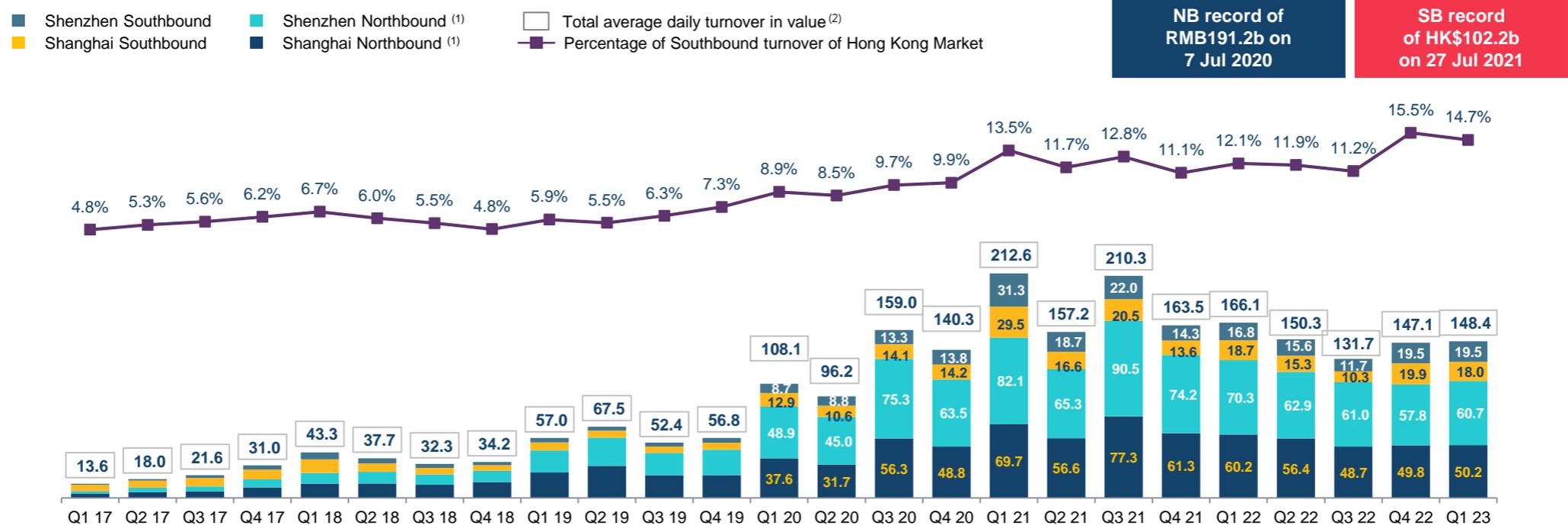
1. Ranked by market cap
2. Based on total CCASS balance deducting the balance of main custodian bank as reference
3. HK freely traded shares of Beigene (6160.HK) on its IPO date is not available and the earliest data available is as at 14 Jan 2022
4. Trading shares in US via various exchanges which include Nasdaq, NYSE, NYSE Arca, FINRA ADF and others. (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 HK\$564m in Q1 2023, 12% lower than HK\$641m in Q1 2022

Stock Connect average daily turnover in value (HK\$ b)



Stock Connect Northbound and Southbound Trading ADT reached RMB97.0b and HK\$37.5b respectively in Q1 2023

Stock Connect revenue reached 10% of the Group's total revenue and other income in Q1 2023 (Q1 2022: 14%)

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

