

# 2023 Q3 Results Analyst Presentation

20 October 2023

**HKEX**  
香港交易所

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## Agenda

- 01 | YTD Q3 2023 Key Highlights
- 02 | HKEX Group Financial Review
- 03 | Business and Strategic Update
- 04 | Appendix



# YTD Q3 2023 key highlights

## Financial Performance

**YTD Q3 2023: HK\$15.7b**  
**(+18%YoY)**

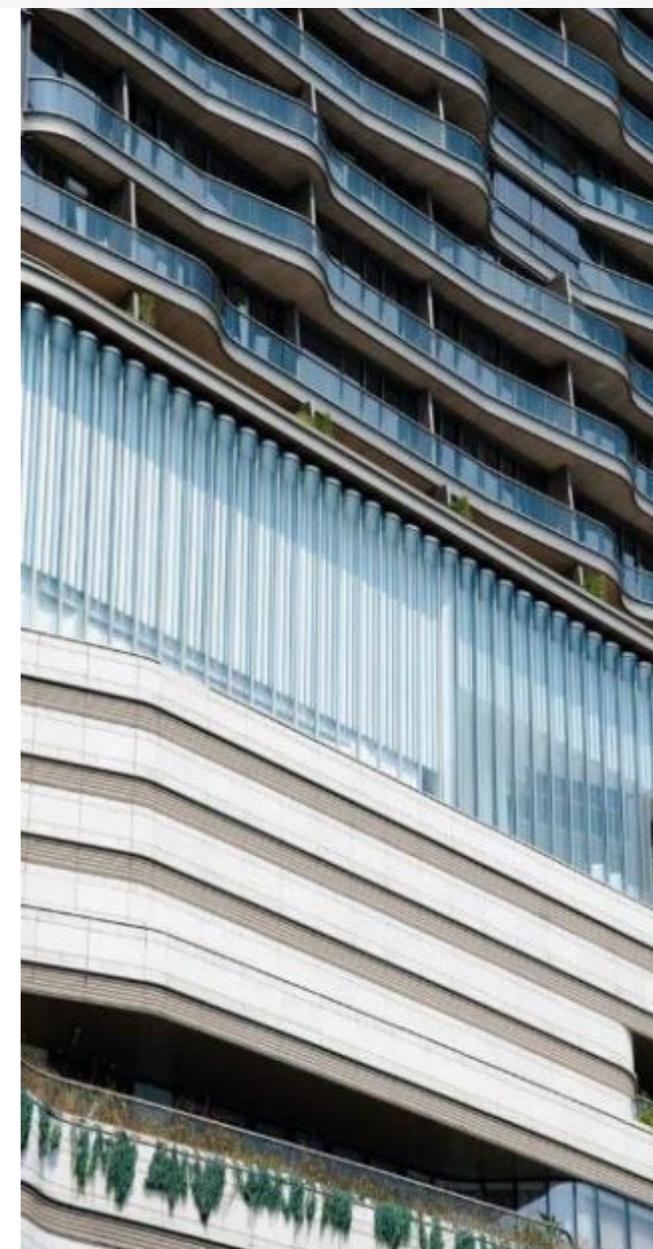
Revenue and other income

**YTD Q3 2023: HK\$9.3b**  
**(+31%YoY)**

Profit attributable to shareholders

## Business and Strategy

- **Good results:** YTD Q3 results demonstrated core business **resiliency**, despite global economic fragility and weak market sentiment
- **Second best ever nine-month revenue and other income and profit, after exceptional YTD Q3 2021**
- **Quarter of significant strategic progress:**
  - Announced the introduction of block trading under Stock Connect (Aug)
  - Announced FINI, the new IPO settlement platform, will launch in Nov (Sep)
  - Published consultation on GEM Listing Reform (Sep)
  - Opening of London office (Sep)
  - Launched HKEX Synapse, a smart contract-powered platform, accelerating settlement for Northbound Stock Connect (Oct)
- **Cash market softness continued** reflecting global market sentiment, ADT down 12%YoY
- **Diversification delivering results:**
  - **Derivatives - record nine-month** ADV of 1.4m contracts (up 9%YoY); open interest (30 Sep 2023) up 17%YoY
  - **Strong momentum in ETPs** - ADT up 28%YoY, **record nine-month high**
  - **Data and Connectivity** - revenue up 5%YoY
  - **LME** - ADV up 5%YoY; open interest (30 Sep 2023) up 14%YoY
- **IPO pipeline remained strong with 115 active applications (30 Sep 2023)**



**HKEX Group  
Financial Review**



# YTD Q3 2023: Second best ever nine-month revenue and other income and profit, demonstrating business resiliency

## Core business revenue<sup>(2)</sup>

YTD Q3 2023: HK\$14.4b (↑6% YoY)  
Q3 2023 : HK\$4.7b (↑9% YoY)

## Revenue and other income<sup>(3)</sup>

YTD Q3 2023: HK\$15.7b (↑18% YoY)  
Q3 2023 : HK\$5.1b (↑18% YoY)

## EBITDA

YTD Q3 2023: HK\$11.6b (↑23% YoY)  
Q3 2023 : HK\$3.7b (↑24% YoY)

## PAT

YTD Q3 2023: HK\$9.3b (↑31% YoY)  
Q3 2023 : HK\$3.0b (↑30% YoY)

## EPS

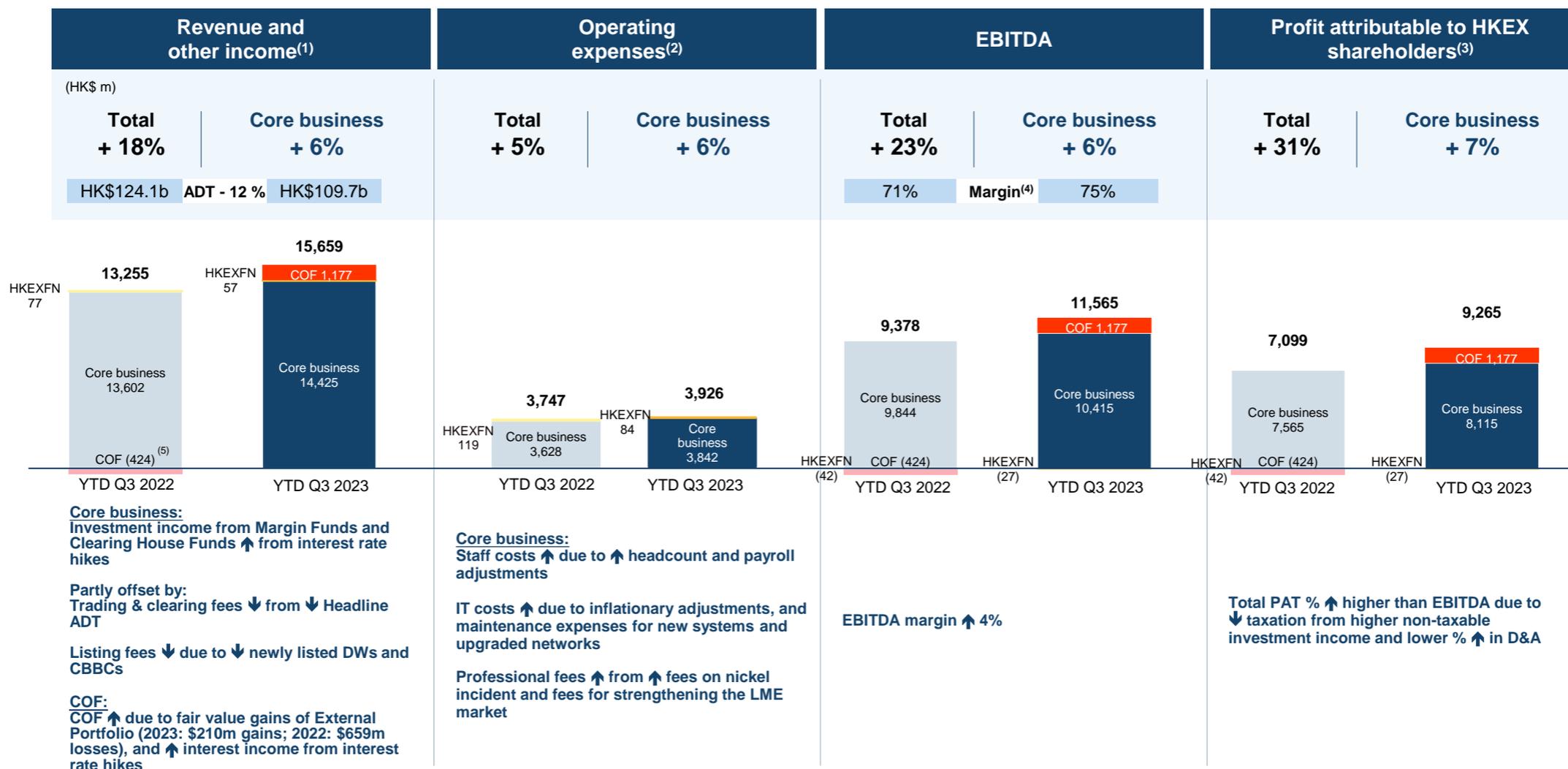
YTD Q3 2023: HK\$7.32 (↑30% YoY)  
Q3 2023 : HK\$2.33 (↑30% YoY)



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

YTD Q3 2023 vs YTD Q3 2022

# YTD Q3 2023: Second best ever nine-month revenue and profit, driven by record net investment income and derivatives ADV

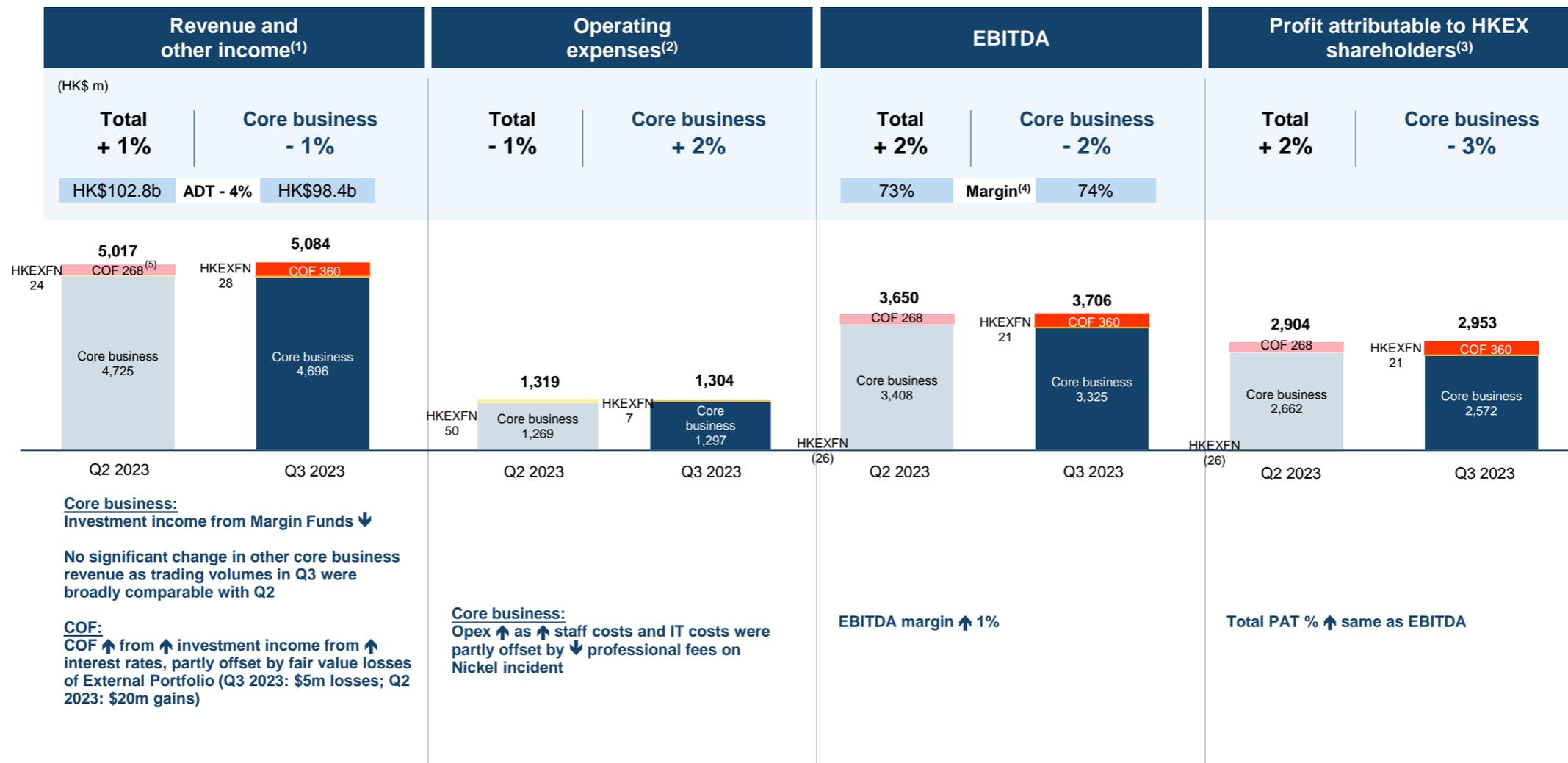


1. Represents gross revenue and other income before deducting transaction-related expenses (YTD Q3 2022: \$130m; YTD Q3 2023: \$168m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, 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



Q3 2023 vs Q2 2023

# Q3 core business net profit down 3% mainly driven by lower investment income from Margin Funds

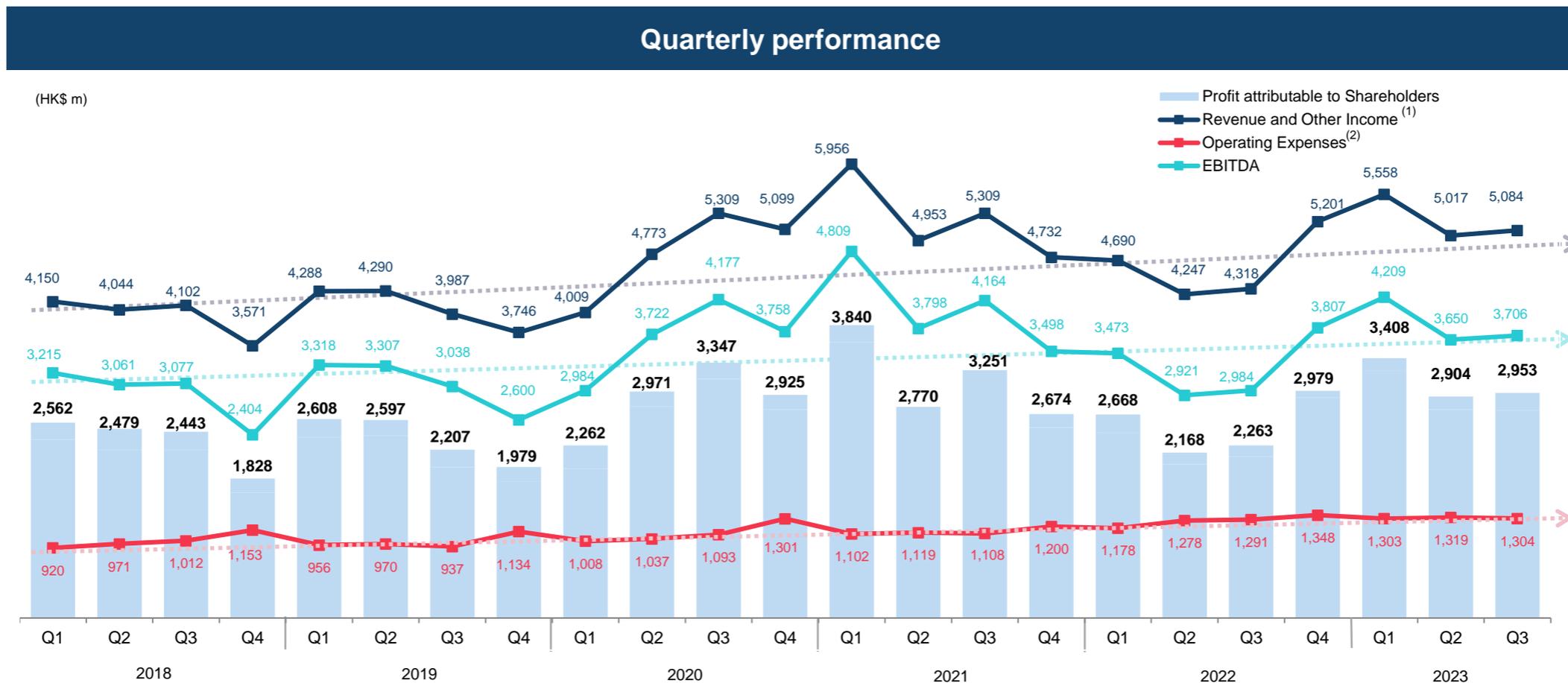


1. Represents gross revenue and other income before deducting transaction-related expenses (Q2 2023: \$48m; Q3 2023: \$74m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact 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

# YTD Q3 2023 results in line with long-term historical upward trendline



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

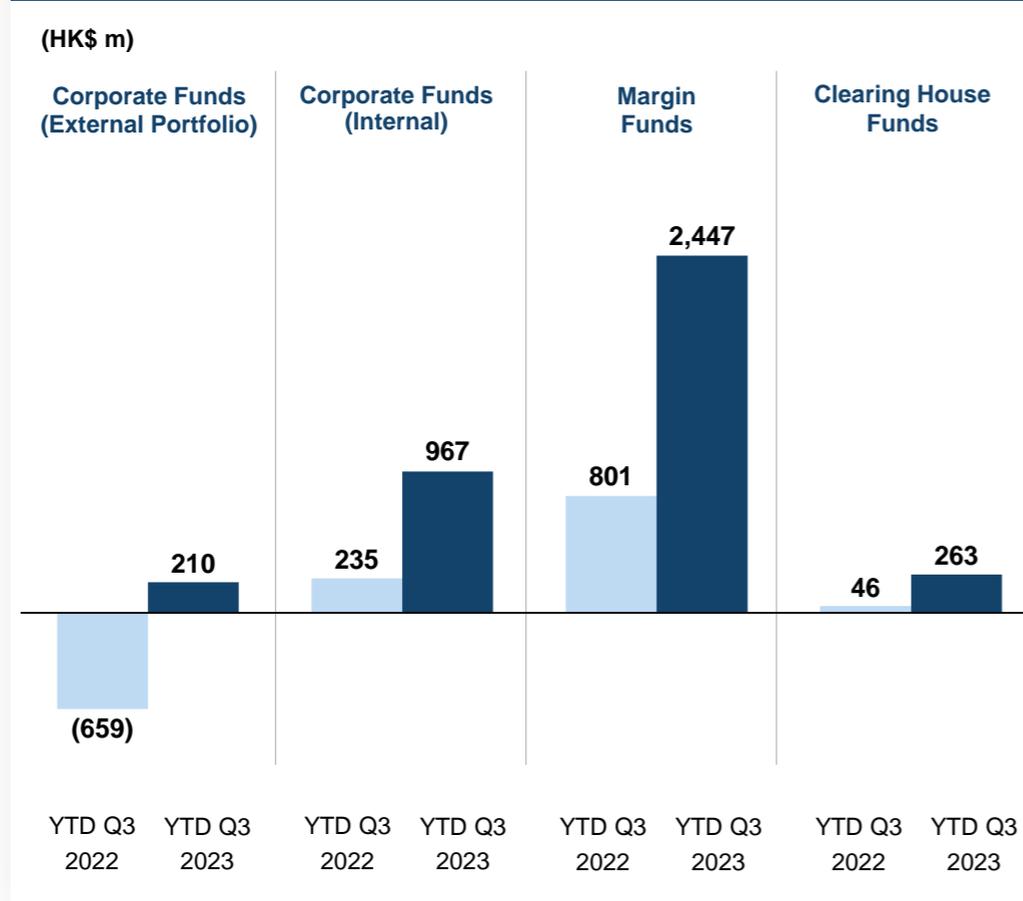


Net investment income (NII) – YTD Q3 2023 vs YTD Q3 2022

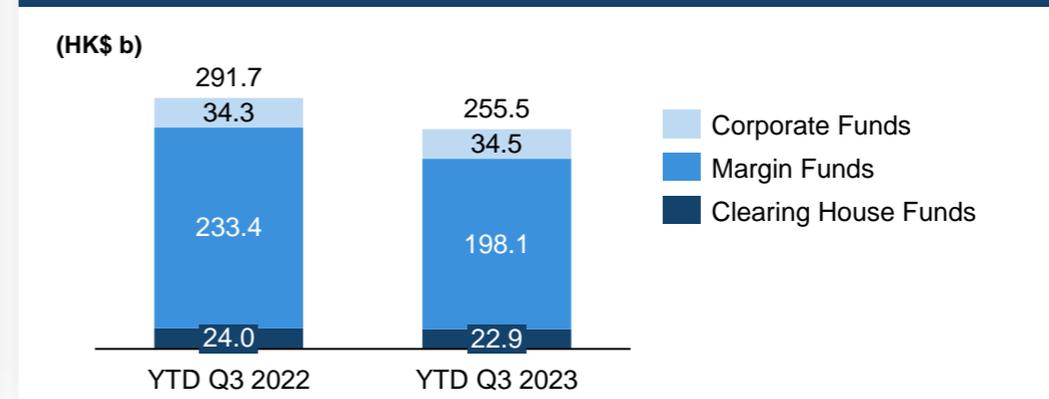
# NII benefited from higher interest rates and External Portfolio gains

YTD Q3 2023: HK\$3,887m (YTD Q3 2022: HK\$423m)

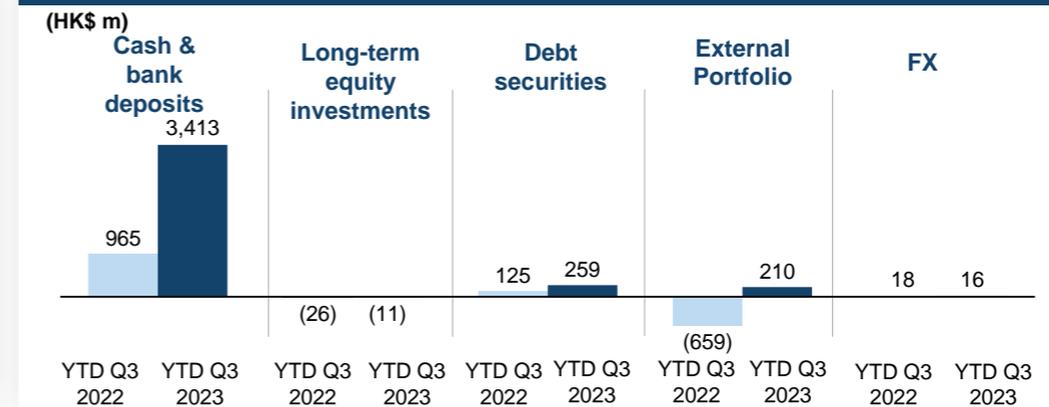
## Net investment income by funds



## Average fund size



## Net investment income by category of investments



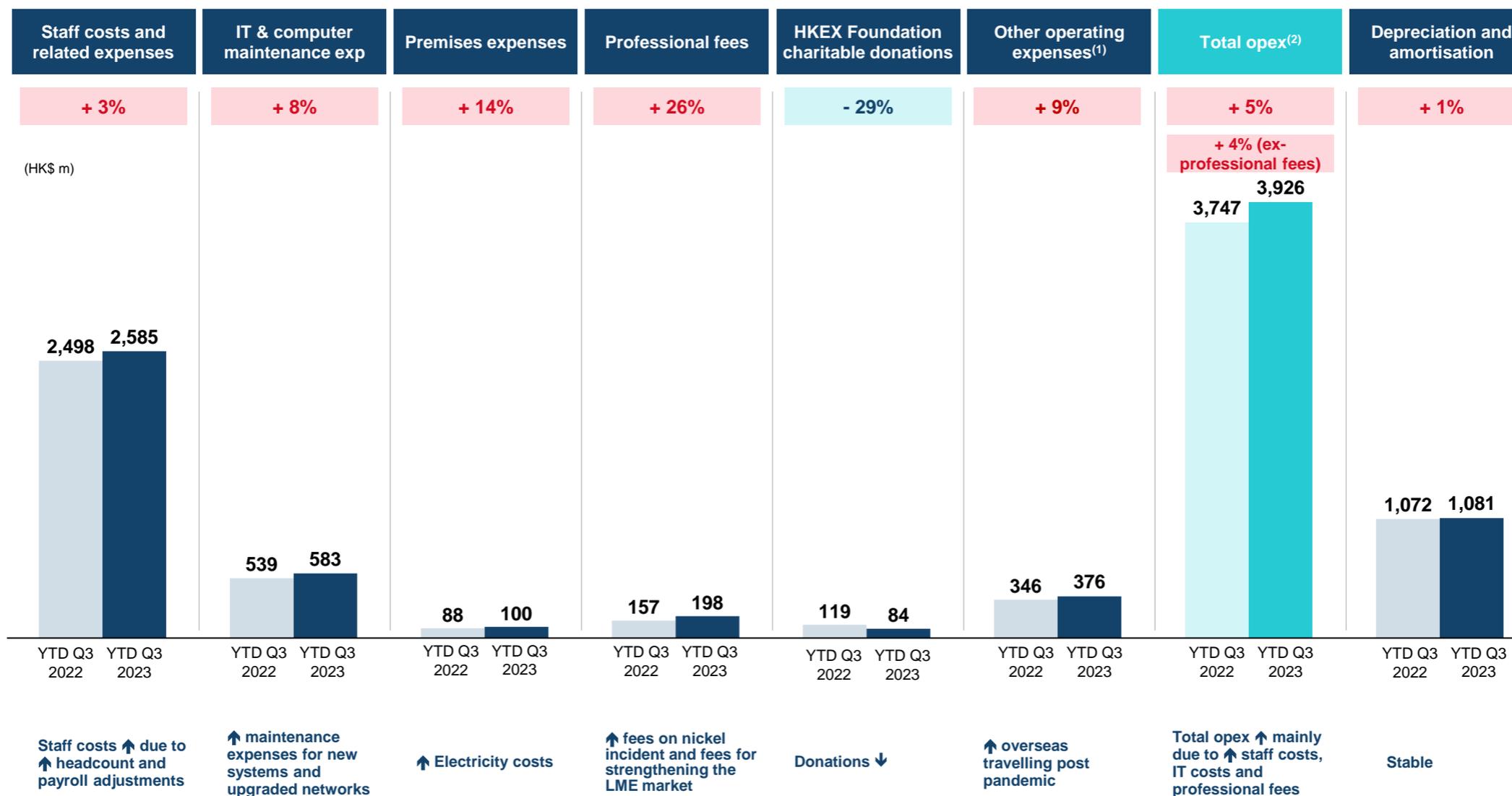
**YTD Q3 2023 External Portfolio gains HK\$210m (YTD Q3 2022: losses HK\$659m).  
Margin Funds NII up 205%YoY in YTD Q3 2023 due to higher interest rates**

1. 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 16% at 30 Jun 2023), a certain proportion is invested in long-term investment grade debt securities (approximately 8% at 30 Jun 2023) and the remaining funds are invested in time deposits with maturity of up to 12 months (weighted original maturity of 9 months as at 30 Jun 2023).



## Operating expenses and depreciation & amortisation – YTD Q3 2023 vs YTD Q3 2022

# Prudent investment in talent and operational excellence



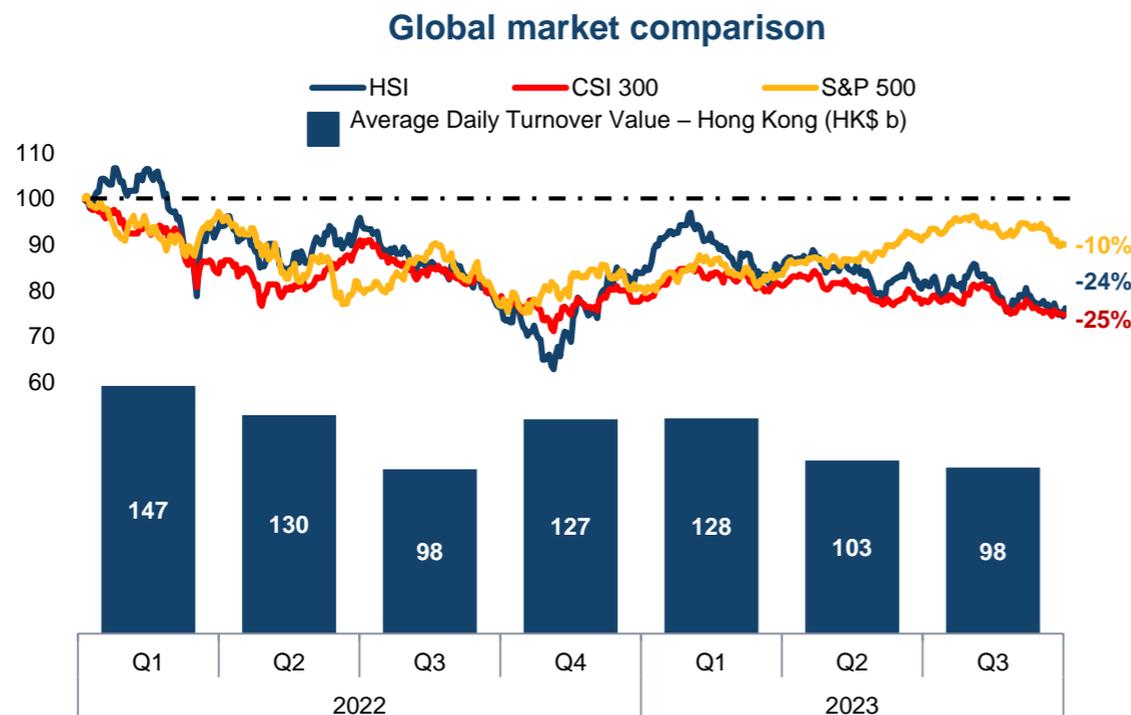
1. Includes product marketing and promotion expenses  
 2. Excludes transaction-related expenses, depreciation and amortisation, finance costs, and share of results of joint ventures



# Business and Strategic Update



# Strong, resilient performance in YTD Q3 2023



## Strategic diversification helped mitigate lower cash market volumes

- **Derivatives:** record nine-month ADV at 1.4m contracts (up 9%YoY)
- **ETPs:** record nine-month ADT at HK\$14.2b (up 28%YoY)
- **OTC Clear:** Total clearing volume notional amount at US\$321.8b (up 82%YoY), partly due to Swap Connect launch
- **Data and Connectivity:** revenue at HK\$1.5b (up 5%YoY)

## Connect programmes continue to perform well

- **Stock Connect revenue:** HK\$1,707m (down 1%YoY), contributed 11% to Group total revenue
- **Stock Connect NB ADT:** RMB113.9b during Apr-Sep 2023 period (up 17% vs Q1 2023), reflects Stock Connect expansion in Mar 2023
- **ETF Connect:** SB ADT at HK\$2.7b, NB ADT at RMB429m
- **Bond Connect:** record nine-month NB ADT at RMB40.5b (up 26%YoY)

Key market indicators (Q1 2022 – Q3 2023)							
	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23
Derivatives Market ADV ('000 contracts)	1,342	1,274	1,115	1,483	1,418	1,316	1,336
NB ADT (RMB b)	105.9	101.8	96.7	97.6	97.0	122.5	106.1
LME ADV ('000 lots)	620	515	496	507	531	606	578
No. of IPOs	17	10	29	34	18	15	14
IPO funds raised (HK\$ b)	14.9	4.8	53.5	31.4	6.7	11.2	6.8

## YTD Q3 2023 IPO pipeline remains strong, with signs of renewed activity in global fundraising market in Q4 2023

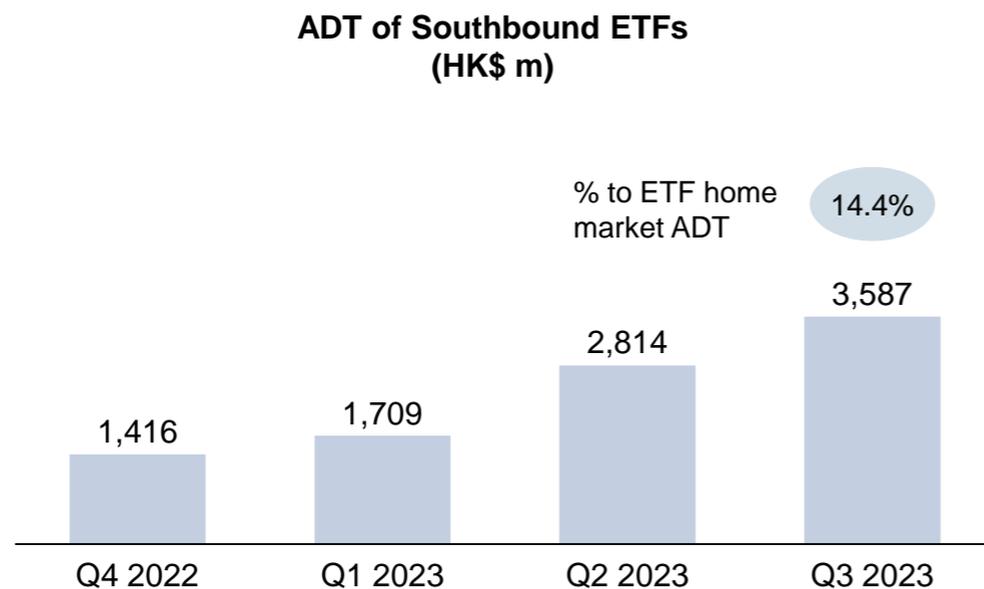
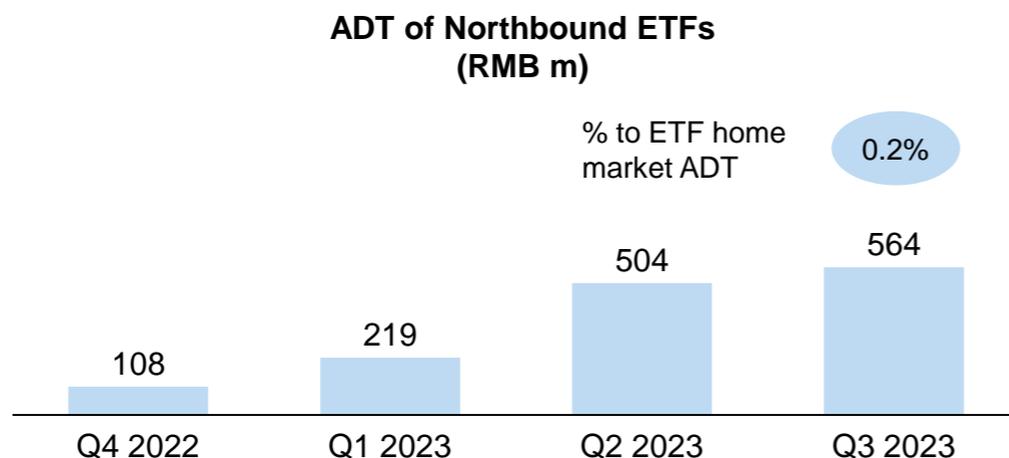
- No. of IPO at 47 (down 16%YoY), IPO funds raised HK\$24.6b (down 67%YoY)
- **IPO pipeline remains strong** with 115 active applications as at 30 Sep 2023
- **Ongoing market structure enhancements:** i) announced FINI will launch in Nov; ii) published consultation on GEM Listing Reform



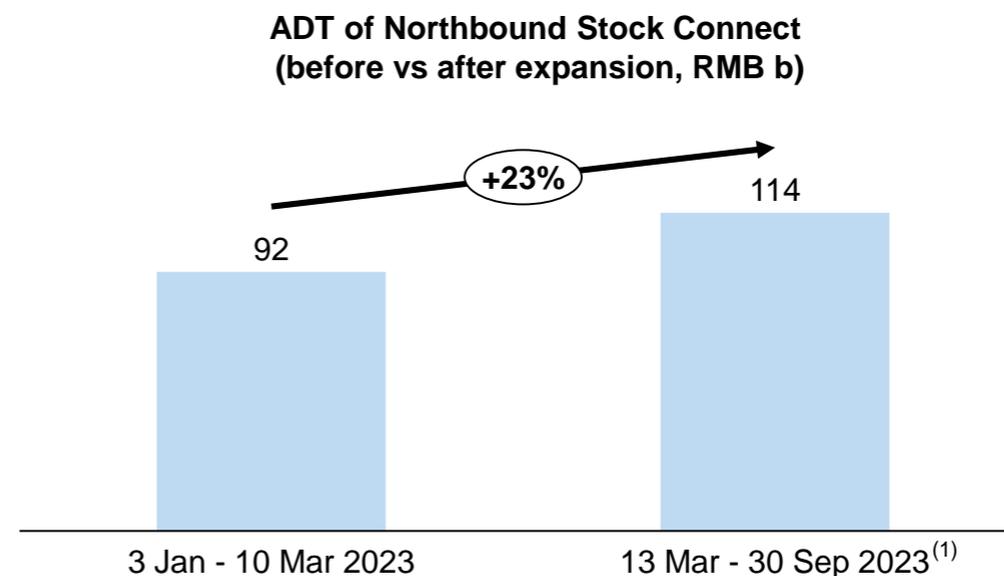
Source: HKEX, Bloomberg  
 Figures represent data as at 29 Sep 2023 unless otherwise stated. They may not add up due to rounding

# Expansion of Connect programme delivering positive impact

## Strong ETF momentum in Stock Connect since launch



## Robust Stock Connect growth, driven by expansion



### Expansion of eligible stocks in Stock Connect (effective 13 Mar 2023)

- **Northbound: additional 1,034 stocks became eligible**, now covering around 90% of A share market cap
- **Southbound:**
  1. **Eligible primary-listed international companies** in HK were added
  2. **Additional 168 stocks became eligible** for Shanghai-HK Southbound to align with the existing scope for Shenzhen-HK Southbound

Source: HKEX, Bloomberg

1. Effective from 28 Aug 2023, SSE and SHSE lowered the A-share trading fees by 30% from 0.00487% to 0.00341% of the consideration of the trades, which affected Northbound Stock Connect



# Very positive strategic progress, nine months YTD

	<b>Connecting China and the World</b> <i>- Leverage our China Advantage</i>	<b>Connecting Capital with Opportunities</b> <i>- Improve our market liquidity and ecosystem</i>	<b>Connecting Today with Tomorrow</b> <i>- Prepare our organization for the future</i>
Focus areas	<ul style="list-style-type: none"> <li>• Enhance “Connect” programmes</li> <li>• Become China’s go-to offshore risk management centre</li> <li>• Solidify role as China’s preferred offshore fund raising centre</li> <li>• Grow China-related products</li> </ul>	<ul style="list-style-type: none"> <li>• Further build attractiveness of primary market</li> <li>• Enhance market structure</li> <li>• Expand product ecosystem</li> <li>• Grow client ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>• Modernise infrastructure</li> <li>• Evolve from infrastructure-led to client-led model</li> <li>• Develop strong digital capabilities</li> <li>• Leverage data</li> </ul>
Highlights in YTD Q3 2023	Expansion of eligible stocks under Stock Connect went live (Mar)	HKD-RMB Dual Counter Model and Dual Counter Market Making Programme launched (Jun)	Consultation on enhancement of climate-related disclosures under the ESG framework published (Apr)
	Stock Connect trading calendar enhancements effective (Apr)	Opening of New York / London offices (Jun / Sep)	LME published a new handbook for producers on guidance for responsible sourcing requirements (May)
	Swap Connect launched (May)	Published consultation on GEM Listing Reform (Sep)	FINI, a new digitalised IPO settlement platform, to launch in Nov 2023 announced (Sep)
	Block trading under Stock Connect announced (Aug)	Saudi Exchange (Tadawul) joined 15 other international exchanges already accepted as Recognised Stock Exchange (Sep)	HKEX Synapse, a new settlement acceleration platform for NB Stock Connect, launched (Oct)

**We are building the Marketplace of the Future**



## Looking ahead

- **Global markets will continue to be affected by macroeconomic and geopolitical factors**, including Sino-US relations, interest rate movements and the pace of Mainland economic recovery
- **Sentiment expected to continue to weigh heavy** globally, impacting volumes and risk-appetite across our markets - **new products** will underpin **growth** in **Derivatives Market**
- **Smaller Group External Portfolio size has reduced volatility impact on earnings**: high interest rates will continue to benefit internally-managed investment income, but interest income expected to decline in 2024 along with expectations of plateauing / falling interest rate
- **Prudent, targeted investment in talent, technology, client and risk management will continue**, supporting long-term sustainable development of business and market
- **Business is well positioned to benefit from slowly improving market sentiment**: We shall continue to embrace opportunities, leverage our unique China connectivity and strengthen the attractiveness and competitiveness of our market



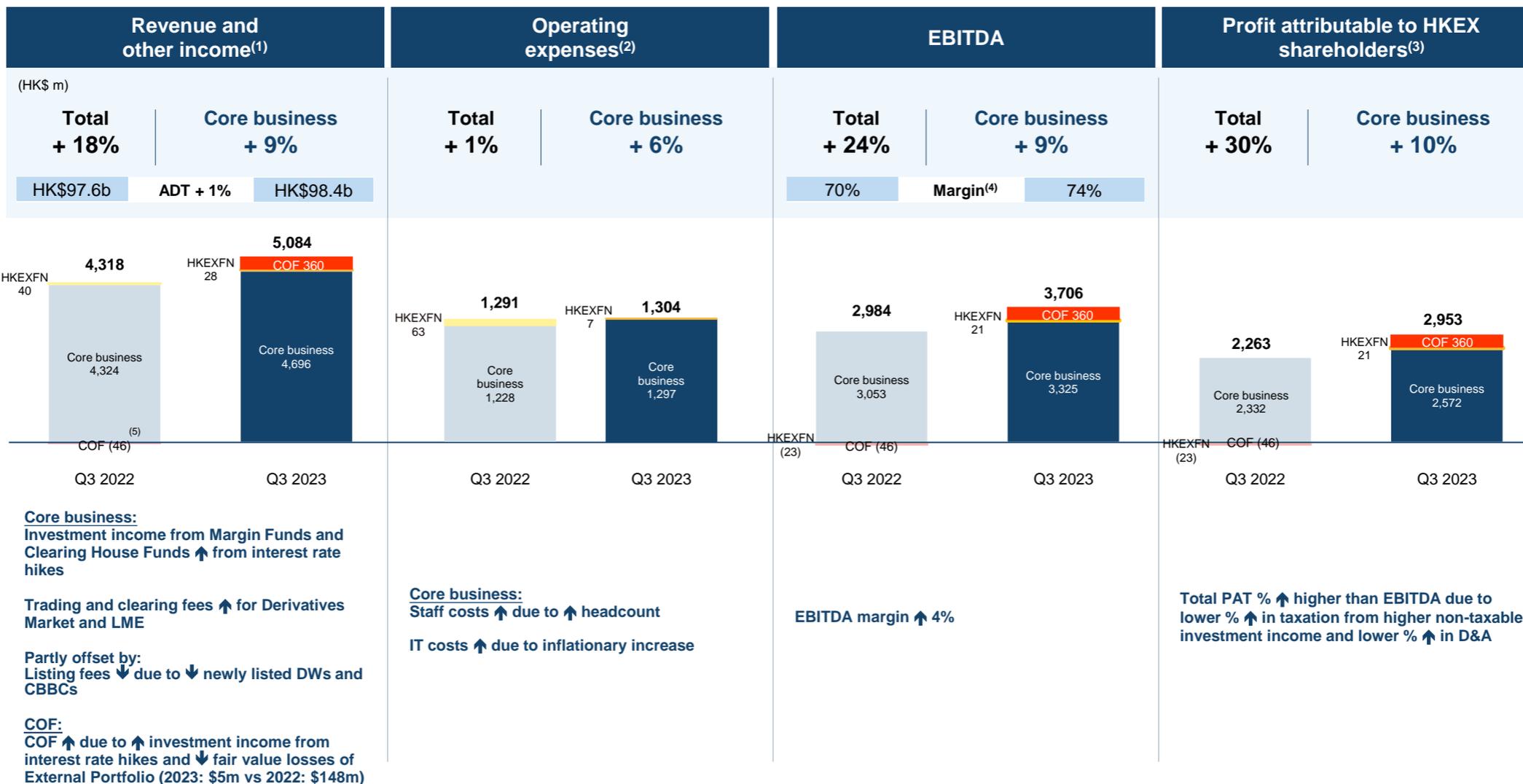


# Appendix



## Q3 2023 vs Q3 2022

# Q3 core business revenue up 9% and profit up 10% driven by higher net investment income, derivatives and LME ADV



1. Represents gross revenue and other income before deducting transaction-related expenses (Q3 2022: \$43m; Q3 2023: \$74m)
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

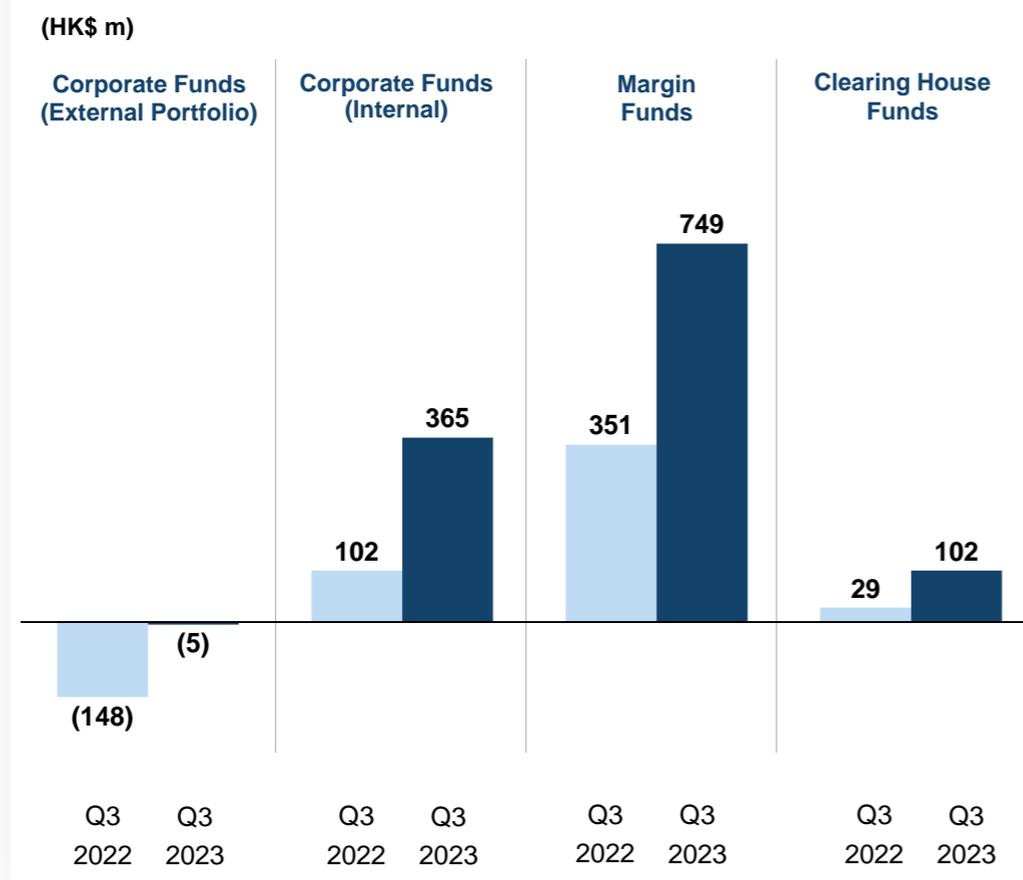


## Net investment income (NII) – Q3 2023 vs Q3 2022

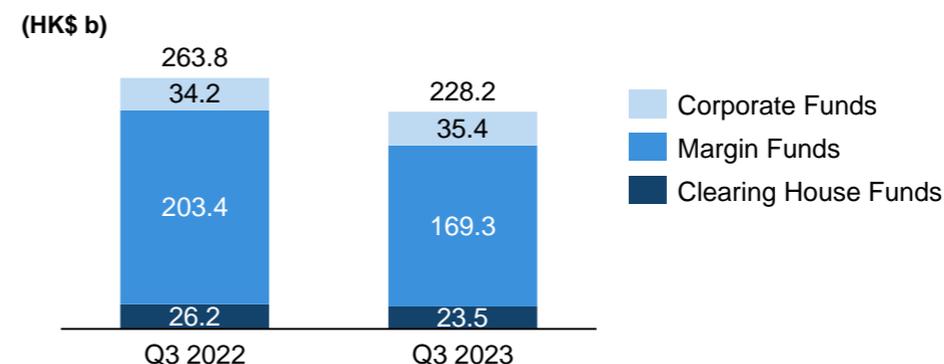
# NII benefited from higher interest rates

Q3 2023: HK\$1,211m (Q3 2022: HK\$334m)

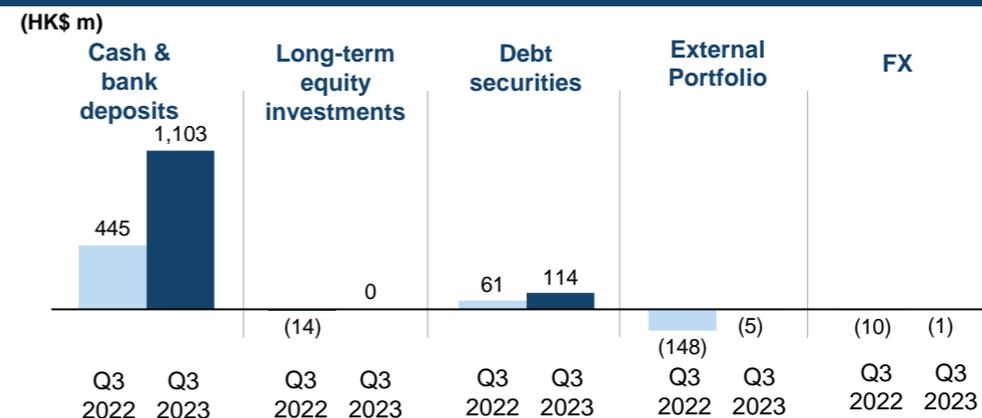
### Net investment income by funds



### Average fund size



### Net investment income by category of investments



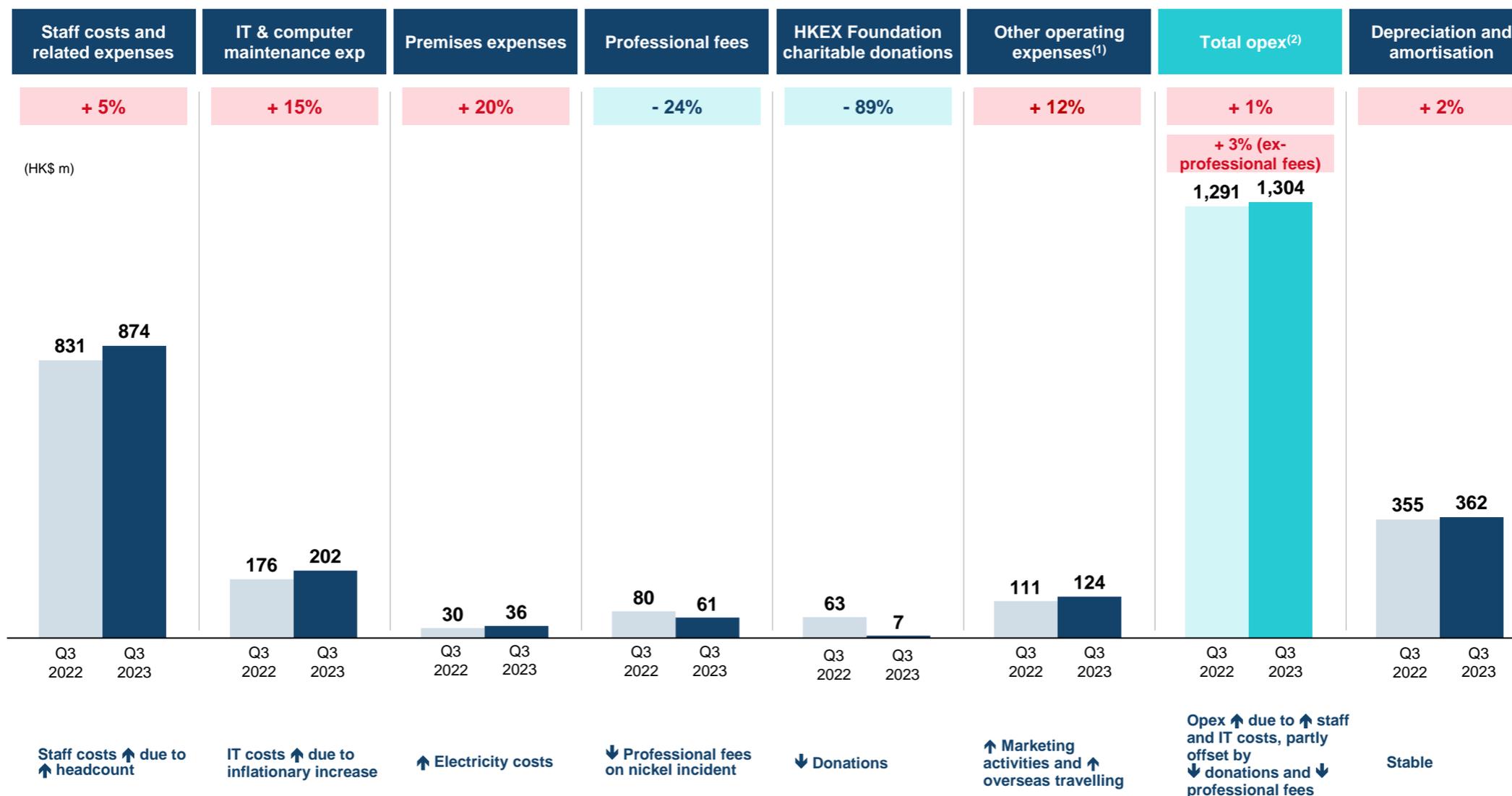
**Margin Funds NII up 113%YoY in Q3 2023 due to higher interest rates**

- Financial figures on this slide are computed based on financial figures disclosed in YTD Q3 2023 and 1H 2023 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 16% at 30 Jun 2023), a certain proportion is invested in long-term investment grade debt securities (approximately 8% at 30 Jun 2023) and the remaining funds are invested in time deposits with maturity of up to 12 months (weighted original maturity of 9 months as at 30 Jun 2023).



## Operating expenses and depreciation & amortisation – Q3 2023 vs Q3 2022

# Prudent cost control and fall in donations



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



# Financial highlights – Income Statement

(HK\$ m, unless stated otherwise)	YTD Q3 2023	% of Revenue & Other Income	YTD Q3 2022	% of Revenue & Other Income	YoY Change
<b>Results</b>					
Revenue and other income	15,659	100%	13,255	100%	18%
Less: Transaction-related expenses	(168)	(1%)	(130)	(1%)	29%
<b>Revenue and other income less transaction-related expenses</b>	<b>15,491</b>	<b>99%</b>	<b>13,125</b>	<b>99%</b>	<b>18%</b>
Operating expenses	(3,926)	(25%)	(3,747)	(28%)	5%
<b>EBITDA</b>	<b>11,565</b>	<b>74%</b>	<b>9,378</b>	<b>71%</b>	<b>23%</b>
Depreciation and amortisation	(1,081)	(7%)	(1,072)	(8%)	1%
<b>Operating profit</b>	<b>10,484</b>	<b>67%</b>	<b>8,306</b>	<b>63%</b>	<b>26%</b>
Finance costs and share of results of joint ventures	(39)	(0%)	(49)	(0%)	(20%)
<b>Profit before taxation</b>	<b>10,445</b>	<b>67%</b>	<b>8,257</b>	<b>62%</b>	<b>26%</b>
Taxation	(1,094)	(7%)	(1,160)	(9%)	(6%)
(Profit)/loss attributable to non-controlling interests	(86)	(1%)	2	0%	N/A
<b>Profit attributable to HKEX shareholders</b>	<b>9,265</b>	<b>59%</b>	<b>7,099</b>	<b>54%</b>	<b>31%</b>
<b>Capex</b>	<b>830</b>		<b>773</b>		<b>7%</b>
<b>Basic earnings per share</b>	<b>HK\$7.32</b>		<b>HK\$5.61</b>		<b>30%</b>
<b>Headline ADT on the Stock Exchange</b>	<b>HK\$109.7b</b>		<b>HK\$124.1b</b>		<b>(12%)</b>

1. % may not add up due to rounding



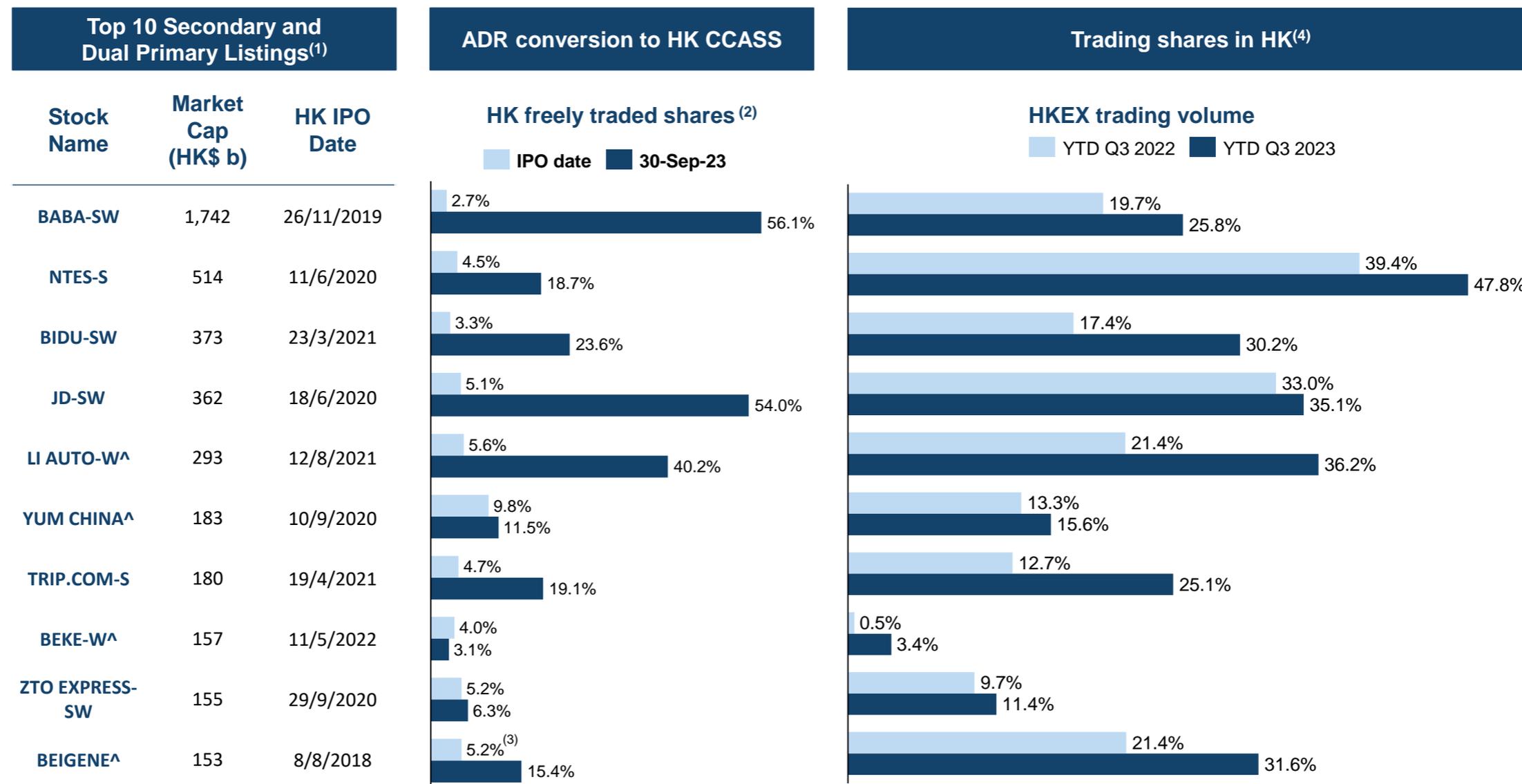
# Performance by operating segment

HK\$ m	Cash	Derivatives	Commodities	Data and Connectivity	Corporate Items	Group YTD Q3 2023	Group YTD Q3 2022
Revenue and other income	6,235	5,035	1,598	1,545	1,246	15,659	13,255
<i>% of Group Total</i>	<i>40%</i>	<i>32%</i>	<i>10%</i>	<i>10%</i>	<i>8%</i>	<i>100%</i>	<i>100%</i>
Less: Transaction-related expenses	(8)	(160)	-	-	-	(168)	(130)
<b>Revenue and other income less transaction-related expenses</b>	<b>6,227</b>	<b>4,875</b>	<b>1,598</b>	<b>1,545</b>	<b>1,246</b>	<b>15,491</b>	<b>13,125</b>
Operating expenses	(845)	(635)	(858)	(321)	(1,267)	(3,926)	(3,747)
<b>EBITDA</b>	<b>5,382</b>	<b>4,240</b>	<b>740</b>	<b>1,224</b>	<b>(21)</b>	<b>11,565</b>	<b>9,378</b>
<i>% of Group Total</i>	<i>47%</i>	<i>37%</i>	<i>6%</i>	<i>11%</i>	<i>(0%)</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin<sup>(1)</sup></i>	<i>86%</i>	<i>87%</i>	<i>46%</i>	<i>79%</i>	<i>N/A</i>	<i>75%</i>	<i>71%</i>
Depreciation and amortisation						(1,081)	(1,072)
Finance costs						(102)	(105)
Share of results of joint ventures						63	56
<b>Profit before taxation</b>						<b>10,445</b>	<b>8,257</b>

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



# Continuous ADR conversion and trading migration from China concept homecoming



Source: HKEX, FactSet, as at 30 Sep 2023 ^Dual Primary Listing

1. Ranked by market cap

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

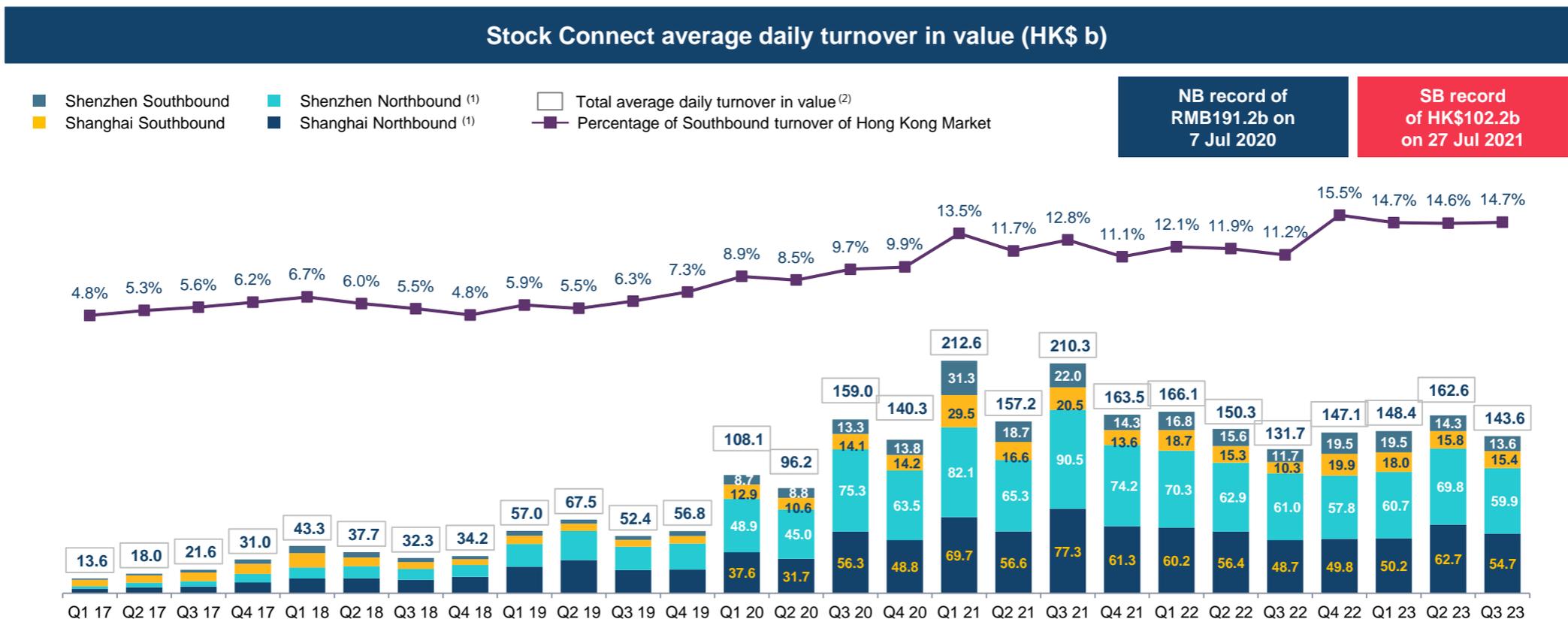
3. HK freely traded shares of Beigene (6160.HK) on its IPO date is not available and the earliest data available is as at 14 Jan 2022

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\$1,707m in YTD Q3 2023 (down 1%YoY)



Stock Connect Northbound and Southbound Trading ADT reached RMB108.2b and HK\$32.1b respectively in YTD Q3 2023

**Stock Connect revenue reached 11% of the Group's total revenue and other income in YTD Q3 2023 (YTD Q3 2022: 13%)**

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

