



# Q1 2024 Results Analyst Presentation

24 April 2024

**HKEX**  
香港交易所

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## Agenda

01 | Q1 2024 Key Highlights

02 | HKEX Group Financial Review

03 | Business and Strategic Update

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# Q1 2024 key highlights

## Resilient financial performance

Q1 2024: HK\$5.2b (-6% YoY, +7% QoQ)

Revenue and other income

## Continuing strategic progress

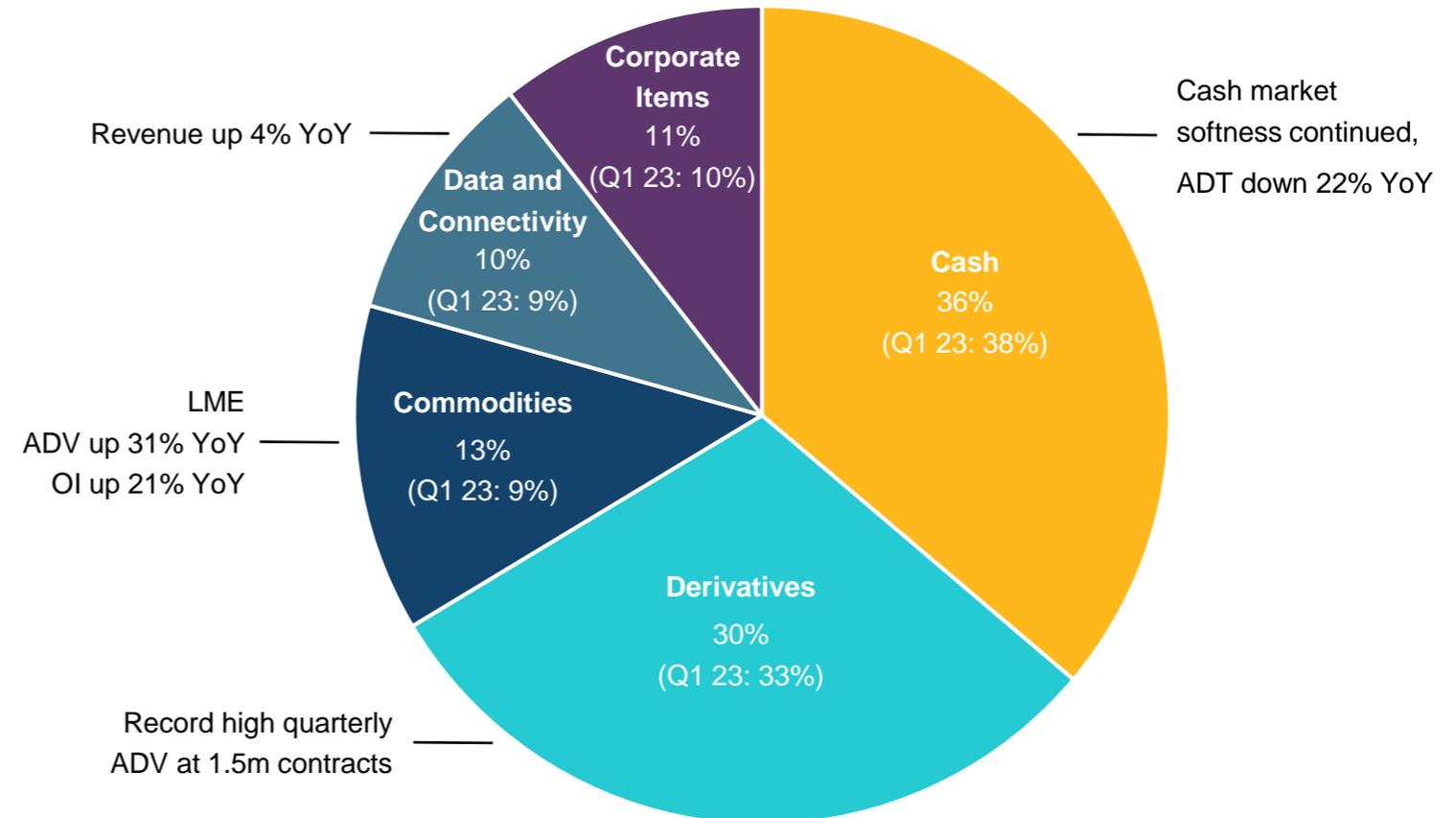
- Consultation on **Severe Weather Trading** ended (Jan 2024), conclusion aiming mid-2024
- **LME** implemented **trading and clearing fee increase** by **13%** on average (Jan 2024)
- LME implemented **new Closing Price methodology** for 5 major contracts, bringing greater determinism, transparency and standardisation to the Closing Price discovery process (Jan 2024)
- First batch of **Covered Call ETFs** launched (Feb 2024)
- Introduction of **Self-Match Prevention (SMP)** service in the Securities Market (Mar 2024)

Q1 2024: HK\$3.0b (-13% YoY, +14% QoQ)

Profit attributable to shareholders

## Diversification delivering results

Q1 2024 Revenue breakdown



1. % may not add up due to rounding

# HKEX Group Financial Review



# Q1 2024: resilient quarterly revenue and other income and profit

**Core business revenue<sup>(2)</sup> \$4.7b**

↓7% vs Q1 2023

↑3% vs Q4 2023

**Revenue and other income<sup>(3)</sup> \$5.2b**

↓6% vs Q1 2023

↑7% vs Q4 2023

**EBITDA \$3.7b**

↓12% vs Q1 2023

↑14% vs Q4 2023

**PAT \$3.0b**

↓13% vs Q1 2023

↑14% vs Q4 2023

**EPS \$2.35**

↓13% vs Q1 2023

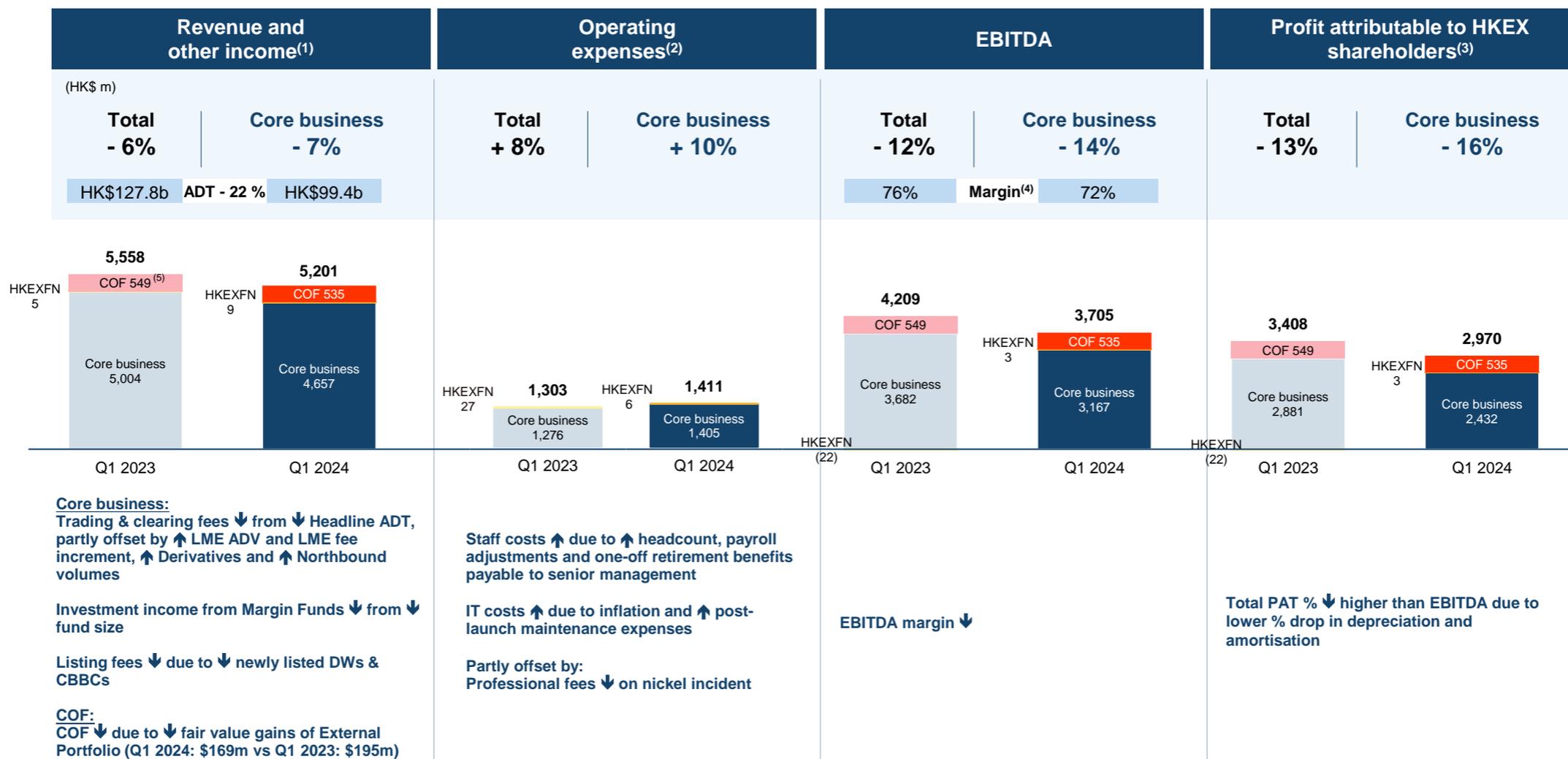
↑15% vs Q4 2023



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 2024 vs Q1 2023

# Net profit down 13% mainly due to lower Headline ADT, partly offset by better performance at LME

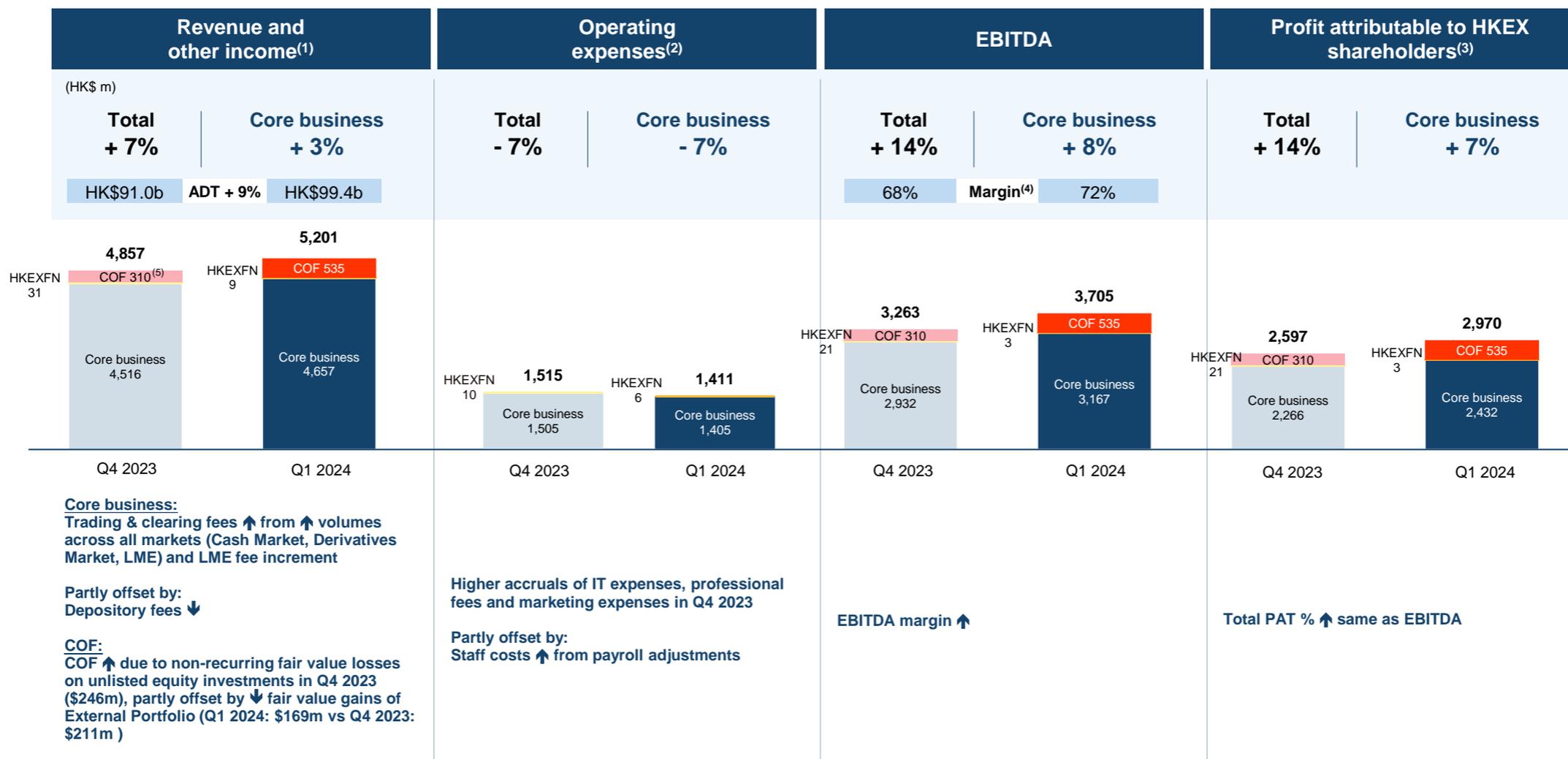


1. Represents gross revenue and other income before deducting transaction-related expenses (Q1 2023: \$46m; Q1 2024: \$85m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact 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



Q1 2024 vs Q4 2023

# Net profit up 14% mainly driven by higher Headline ADT and higher net investment income

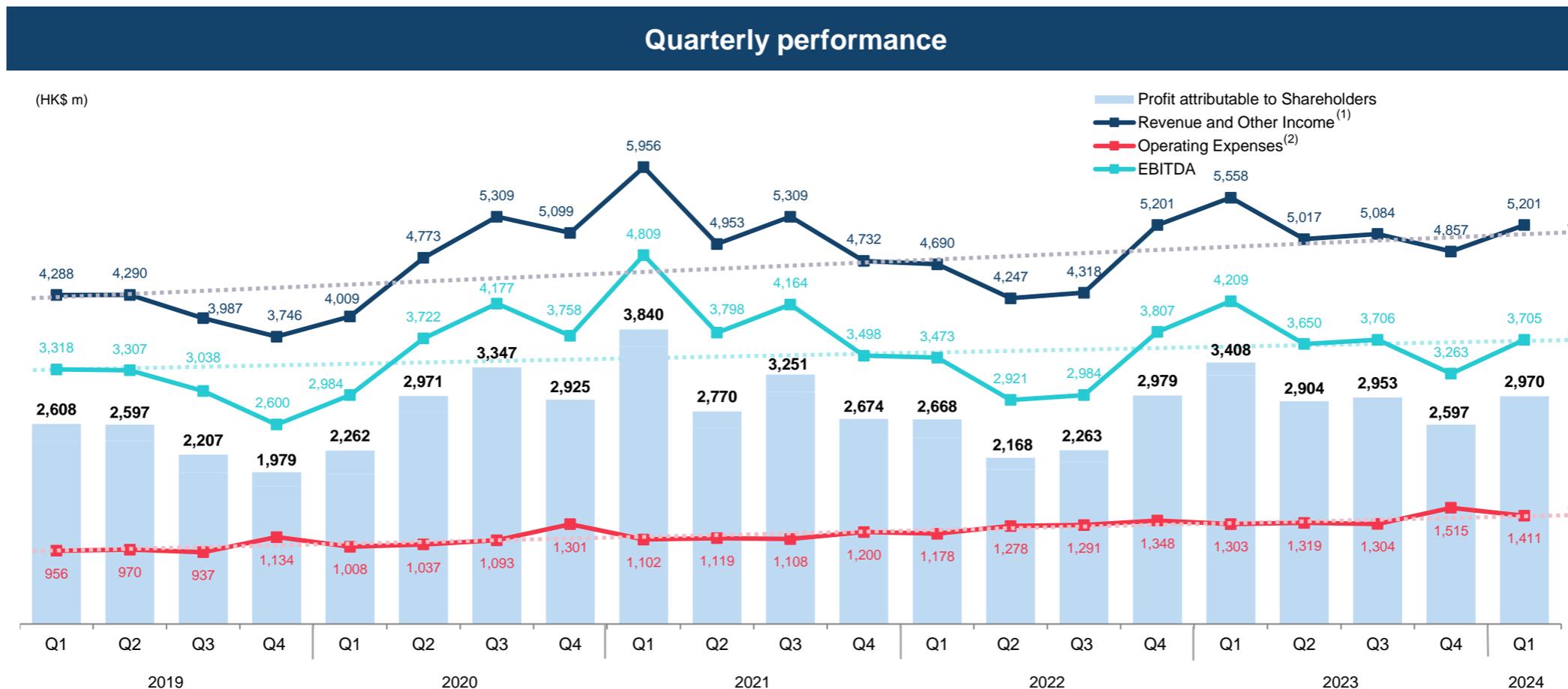


1. Represents gross revenue and other income before deducting transaction-related expenses (Q4 2023: \$79m; Q1 2024: \$85m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact 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

# Q1 2024 results in line with long-term historical upward trendline



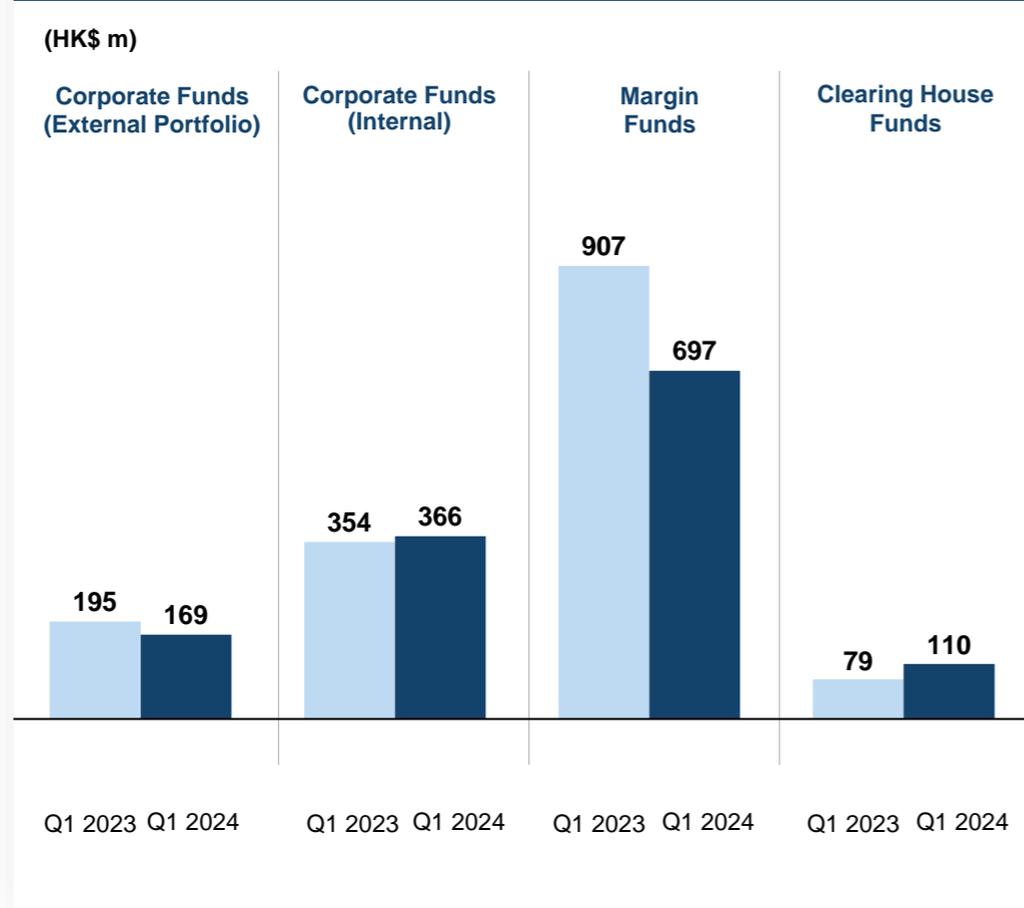
1. Represents gross revenue and other income before deducting transaction-related expenses
2. Exclude transaction-related expenses, depreciation and amortisation, finance costs, share of results of joint ventures, and certain exceptional costs
3. Dotted trend lines are illustrative and do not constitute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

## Net investment income (NII) – Q1 2024 vs Q1 2023

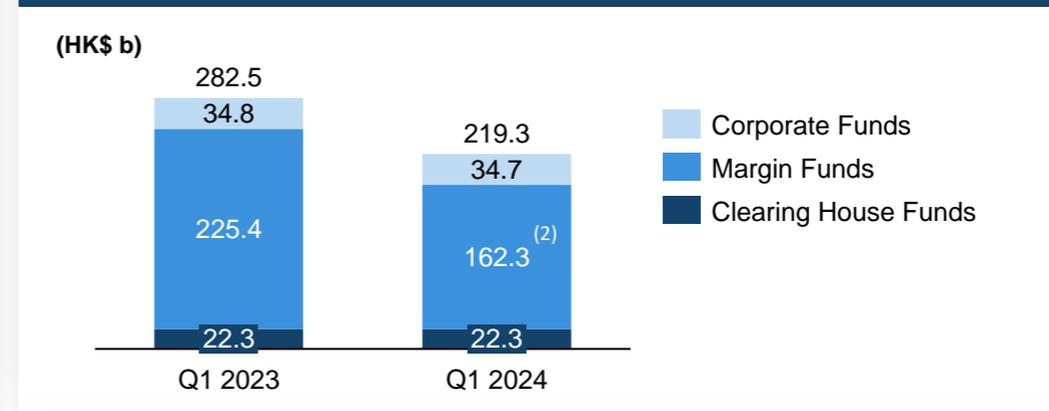
# NII affected by lower Margin Fund size and External Portfolio gains

Q1 2024: HK\$1,342m (Q1 2023: HK\$1,535m)

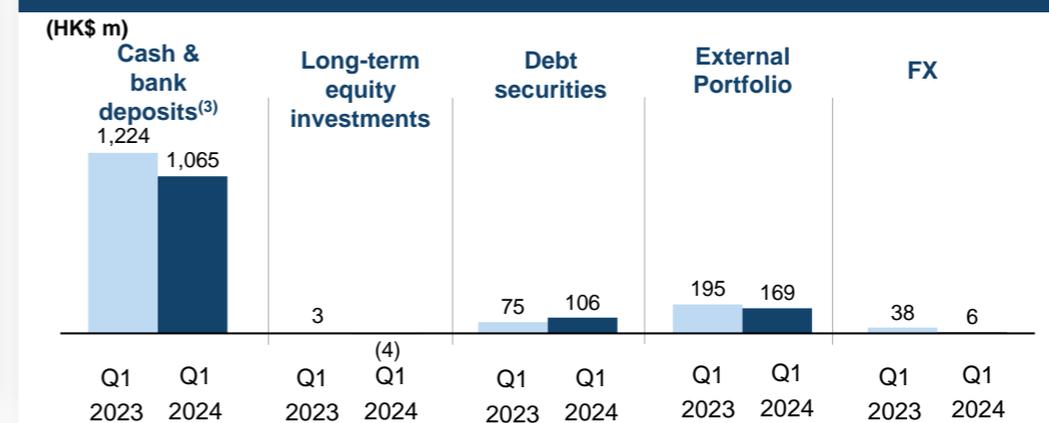
### Net investment income by funds



### Average fund size



### Net investment income by category of investments



**Q1 2024 External Portfolio gains fell 13% YoY**  
**Margin Funds NII down 23% YoY in Q1 2024 mainly due to lower average Margin Fund size**

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 20% at 31 Dec 2023), a certain proportion is invested in long-term investment grade debt securities (approximately 8% at 31 Dec 2023) and the remaining funds are invested in time deposits with maturity of up to 12 months (weighted original maturity of 10 months as at 31 Dec 2023).

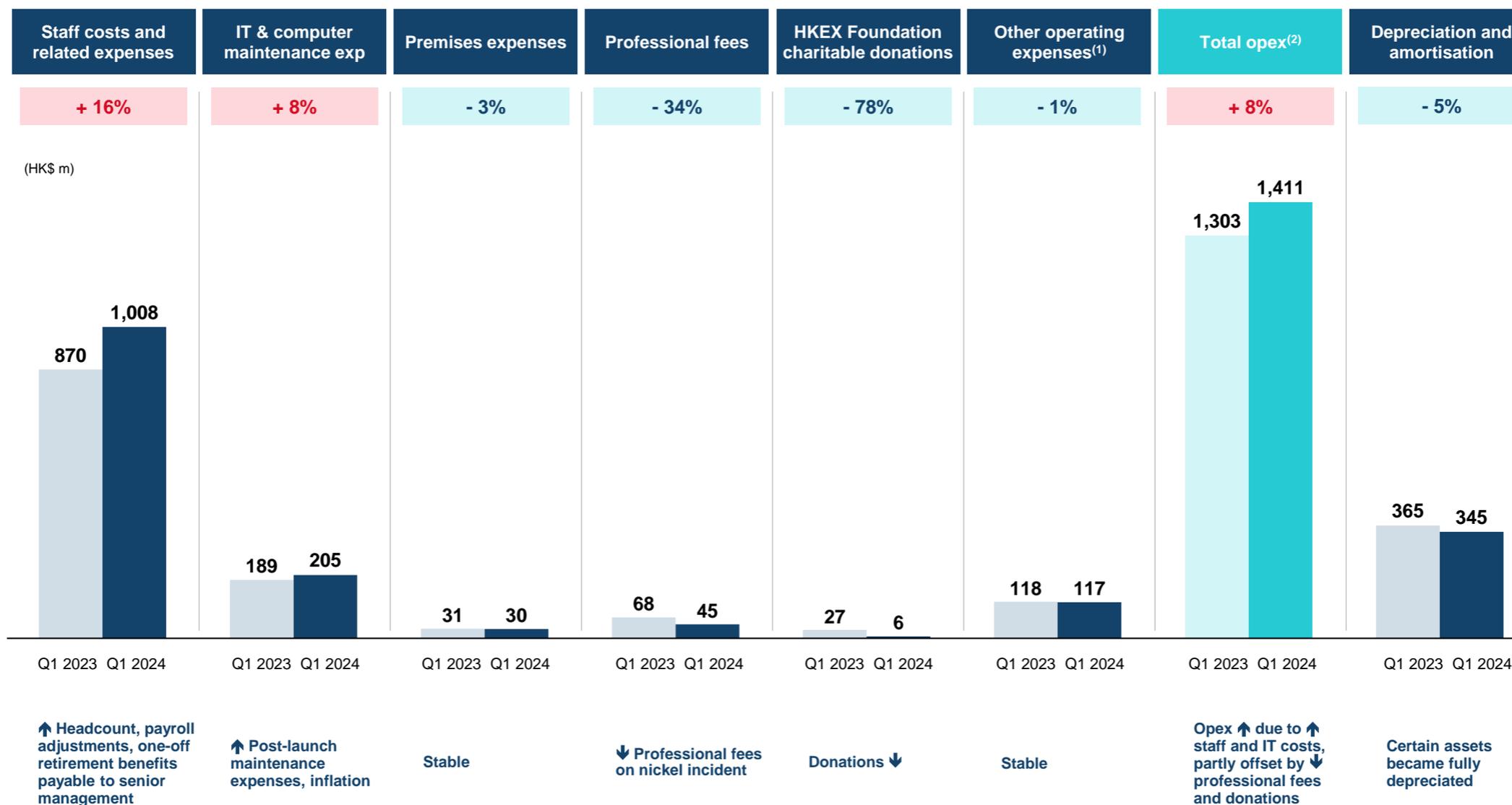
2. Q1 2024 Margin Funds dropped due to the decrease in LME Clear (\$40.5b) and HKCC (Margin Funds under HK Clearing Houses: \$22.6b) Margin Funds, reflecting lower margin requirements from lower contract prices

3. Includes foreign exchange swaps



## Operating expenses and depreciation & amortisation – Q1 2024 vs Q1 2023

# Prudent investment in talent, infrastructure and operational excellence



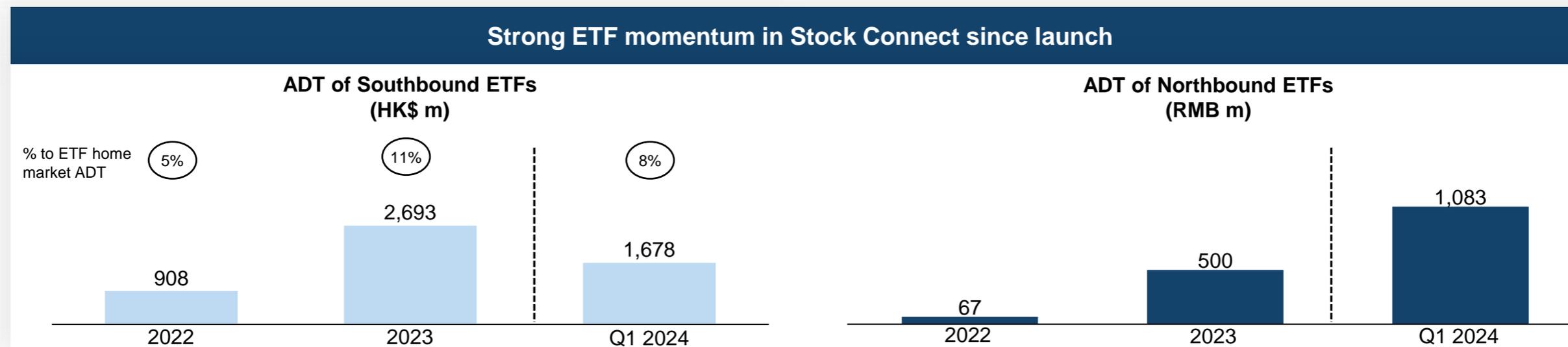
1. Includes product marketing and promotion expenses  
 2. Excludes transaction-related expenses, depreciation and amortisation, finance costs, and share of results of joint ventures

# Business and Strategic Update



# Strong, resilient performance in Q1 2024

Strategic diversification helped mitigate lower cash market volumes		Connect programmes continue to perform well	
<p>★ <b>Derivatives</b></p> <p><b>Record high</b> ADV 1.5m Contracts (up 6% YoY)</p>	<p><b>FX</b></p> <p><b>USD/CNH Futures</b> ADV 74,505 Contracts (&gt;6 times vs Q1 2023)</p>	<p><b>Stock Connect</b></p> <p>Revenue HK\$585m (up 4% YoY), contributed 11% of Group total revenue</p>	<p>NB ADT RMB133.0b (Up 37% YoY)</p>
<p>★ <b>OTC Clear</b></p> <p><b>Record high</b> Clearing volume US\$196.2b (up 152% YoY)</p>	<p><b>Data and Connectivity</b></p> <p>Revenue HK\$523m (up 4% YoY)</p>	<p>★ <b>ETF Connect</b></p> <p>SB ADT HK\$1.7b <b>Record high</b> NB ADT RMB1.1b</p>	<p>★ <b>Bond Connect</b></p> <p><b>Record high</b> NB ADT at RMB45.2b (up 22% YoY)</p>

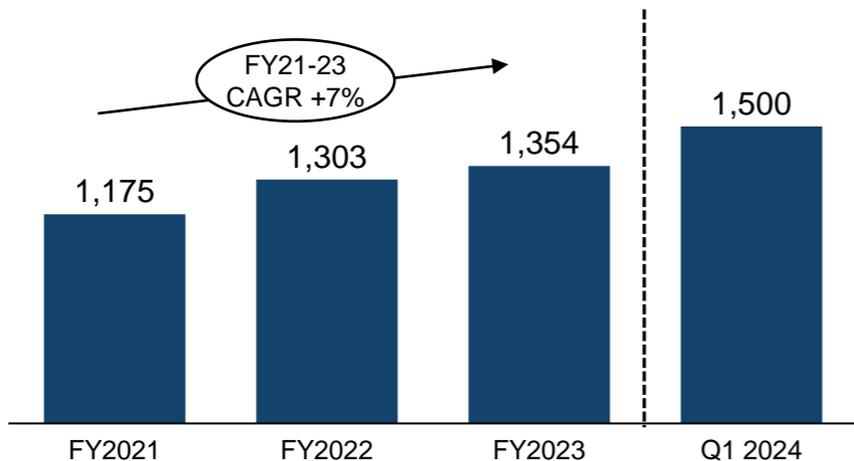


★ : quarterly record-high in Q1 2024

# Strong momentum in derivatives and LME ADV sustained in Q1 2024

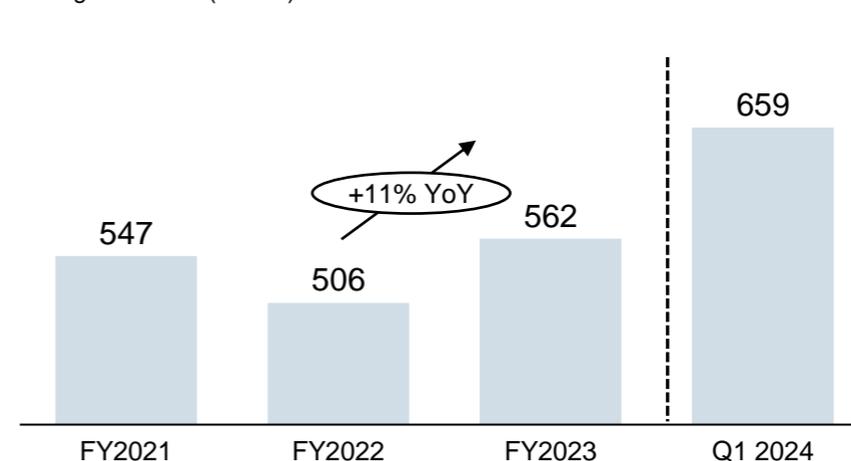
## Record number of derivatives contracts traded

ADV (in '000)



## Strong recovery in LME volumes

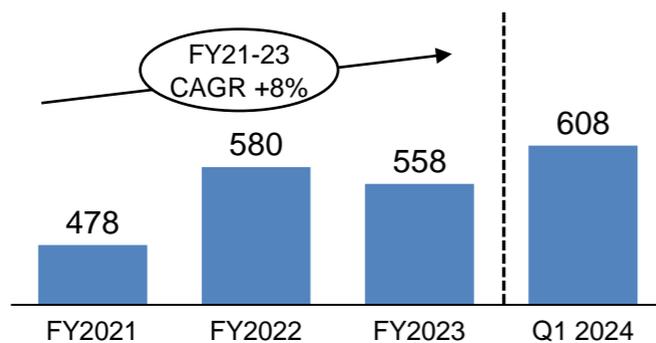
Chargeable ADV (in '000)



## HSI and HSCEI products provide strong base, while growth mainly driven by HS TECH Index products and USD/CNH futures

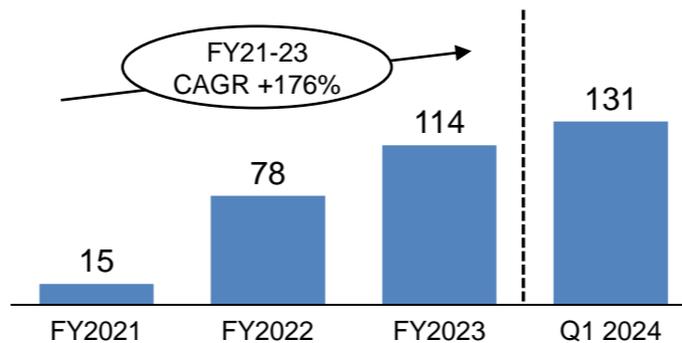
ADV (in '000)

HSI & HSCEI products<sup>(1)</sup>



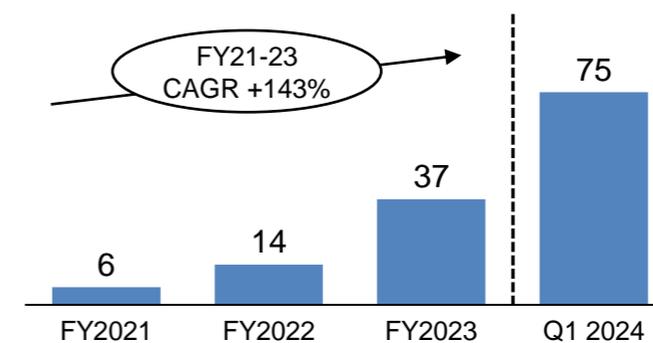
ADV (in '000)

HS TECH Index products<sup>(2)</sup>



ADV (in '000)

USD/CNH futures



Source: HKEX

1. Include mini- and weekly HSI Futures and HSCEI Futures, and Options on Futures
2. Include HS TECH Index Futures, Options, and Options on Futures



# Strategic focus

## Build on our China strength

– *Trusted infrastructure of choice for capital in and out of China*

- Connect programmes enhancement and expansion
- Integrating China strategy across all divisions
- Connect China and rest of world

## Enhance market vibrancy

– *Create network effect*

- Provide a liquid and vibrant marketplace across businesses
- Grow product, client and issuer ecosystems
- One-stop shop for investors

## Build future-ready technology & operations

– *Invest in and operate modernised technological systems*

- Unlock operational efficiencies and new business opportunities
- Develop new Orion Derivatives Platform
- Address changing clients' expectations

## Explore new adjacent businesses

– *Build new businesses*

- Create adjacencies beyond the core
- Taking measured risks to build new businesses
- Leverage on data



## Looking ahead

- **Market sentiment will continue to be impacted by macroeconomic and geopolitical factors**, including China-US relations, interest rate movement and pace of Mainland economic recovery. Nevertheless, Headline ADT has rebounded to above HK\$100b in March 2024 after trading below HK\$100b for six consecutive months
- **Strong start for the Derivatives Market in 2024**, with record quarterly volumes in Q1 2024. The recently-launched products and strength in currency futures contracts will continue to drive growth in the Derivatives Market
- **Connect programmes continued to perform well and expected to contribute further in coming years.** Northbound Stock Connect saw notable increases in trading volumes. Bond Connect and Swap Connect volumes reached new quarterly record high in Q1 2024
- **LME volumes performed strongly in Q1 2024 and continue to see healthy growth in Apr 2024.** The volume growth and the fee increment are expected to continue to boost LME's business
- **Internally managed investment 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 success and sustainable development of the business. Development of new Orion Derivatives Platform represents HKEX's significant investment into the future of its markets
- HKEX is well placed to capitalise on the **long-term growth of China** and the opportunities to connect with the **fast-growing capital hubs in Southeast Asia and the Middle East**





Thank you

# Appendix



# Financial highlights – Income Statement

(HK\$ m, unless stated otherwise)	Q1 2024	% of Revenue & Other Income	Q1 2023	% of Revenue & Other Income	YoY Change
<b>Results</b>					
Revenue and other income	5,201	100%	5,558	100%	(6%)
Less: Transaction-related expenses	(85)	(2%)	(46)	(1%)	85%
<b>Revenue and other income less transaction-related expenses</b>	<b>5,116</b>	<b>98%</b>	<b>5,512</b>	<b>99%</b>	<b>(7%)</b>
Operating expenses	(1,411)	(27%)	(1,303)	(23%)	8%
<b>EBITDA</b>	<b>3,705</b>	<b>71%</b>	<b>4,209</b>	<b>76%</b>	<b>(12%)</b>
Depreciation and amortisation	(345)	(7%)	(365)	(7%)	(5%)
<b>Operating profit</b>	<b>3,360</b>	<b>65%</b>	<b>3,844</b>	<b>69%</b>	<b>(13%)</b>
Finance costs and share of results of joint ventures	(4)	(0%)	(15)	(0%)	(73%)
<b>Profit before taxation</b>	<b>3,356</b>	<b>65%</b>	<b>3,829</b>	<b>69%</b>	<b>(12%)</b>
Taxation	(355)	(7%)	(393)	(7%)	(10%)
Profit attributable to non-controlling interests	(31)	(1%)	(28)	(1%)	11%
<b>Profit attributable to HKEX shareholders</b>	<b>2,970</b>	<b>57%</b>	<b>3,408</b>	<b>61%</b>	<b>(13%)</b>
<b>Capex</b>	<b>278</b>		<b>240</b>		<b>16%</b>
<b>Basic earnings per share (HK\$)</b>	<b>2.35</b>		<b>2.69</b>		<b>(13%)</b>
<b>Headline ADT on the Stock Exchange (HK\$ b)</b>	<b>99.4</b>		<b>127.8</b>		<b>(22%)</b>

1. % may not add up due to rounding



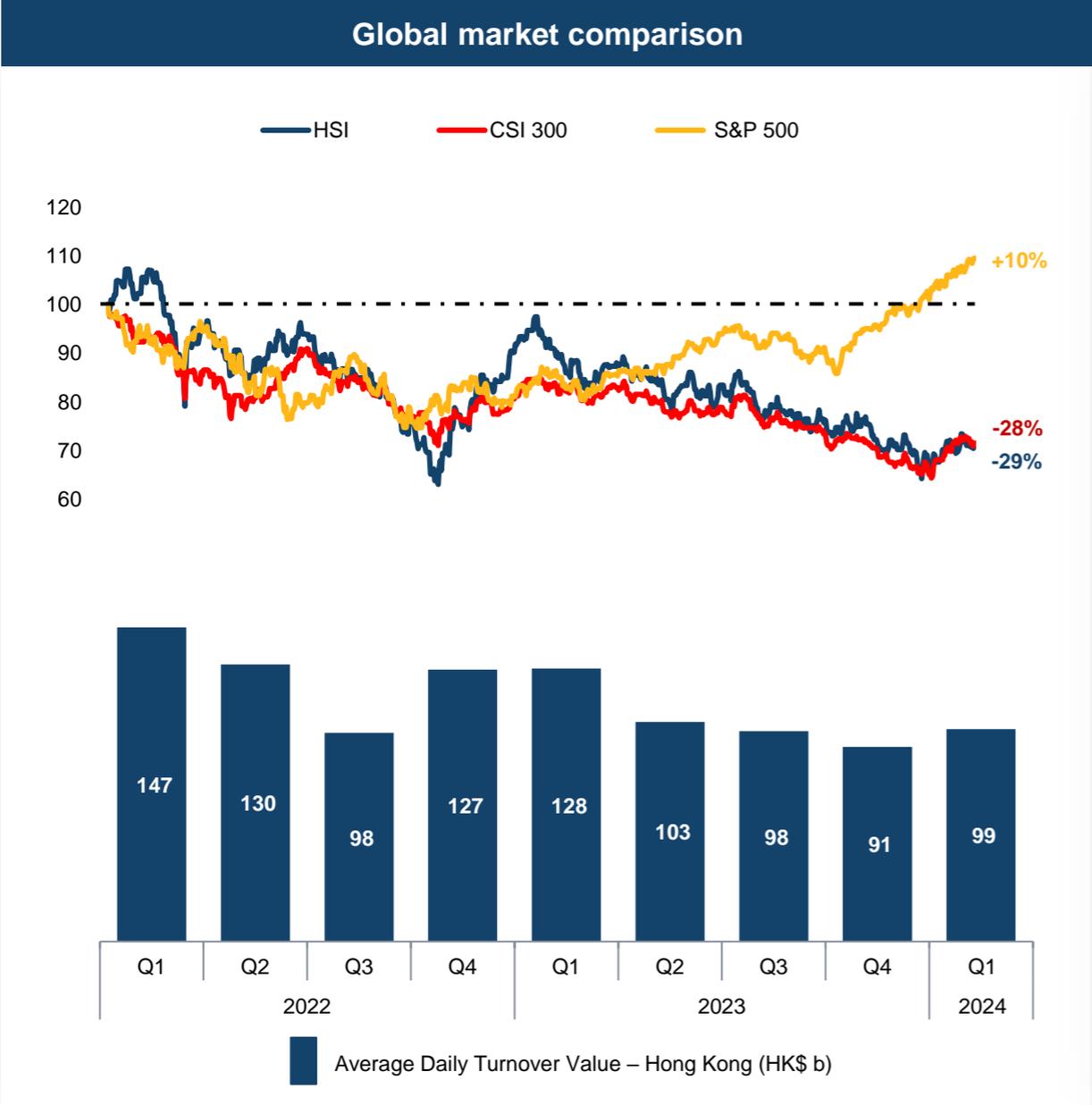
# Performance by operating segment

HK\$ m	Cash	Derivatives	Commodities	Data and Connectivity	Corporate Items	Group Q1 2024	Group Q1 2023
Revenue and other income	1,881	1,572	673	523	552	5,201	5,558
<i>% of Group Total</i>	<i>36%</i>	<i>30%</i>	<i>13%</i>	<i>10%</i>	<i>11%</i>	<i>100%</i>	<i>100%</i>
Less: Transaction-related expenses	(2)	(83)	-	-	-	(85)	(46)
Revenue and other income less transaction-related expenses	1,879	1,489	673	523	552	5,116	5,512
Operating expenses	(297)	(213)	(310)	(103)	(488)	(1,411)	(1,303)
EBITDA	1,582	1,276	363	420	64	3,705	4,209
<i>% of Group Total</i>	<i>43%</i>	<i>34%</i>	<i>10%</i>	<i>11%</i>	<i>2%</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin<sup>(1)</sup></i>	<i>84%</i>	<i>86%</i>	<i>54%</i>	<i>80%</i>	<i>N/A</i>	<i>72%</i>	<i>76%</i>
Depreciation and amortisation						(345)	(365)
Finance costs						(30)	(35)
Share of results of joint ventures						26	20
<b>Profit before taxation</b>						<b>3,356</b>	<b>3,829</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



# Global indices and key market data performance



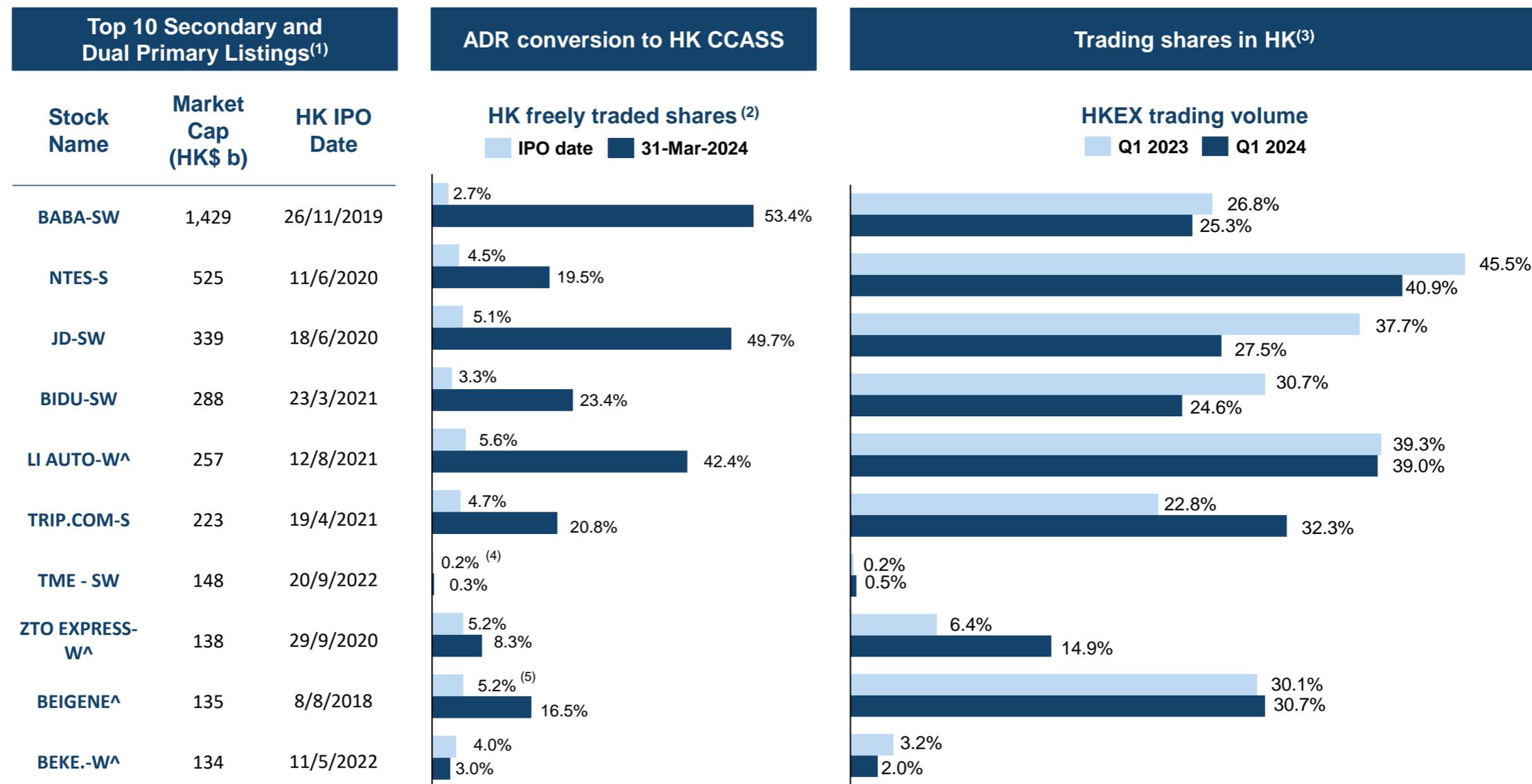
### Key market indicators (Q1 2022 – Q1 2024)

	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24
Derivative ADV ('000 contracts)	1,342	1,274	1,115	1,483	1,418	1,316	1,336	1,343	1,500
NB ADT (RMB b)	105.9	101.8	96.7	97.6	97.0	122.5	106.1	108.4	133.0
LME ADV ('000 lots)	620	515	496	507	531	606	578	660	696
No. of IPOs	17	10	29	34	18	15	14	26	12
IPO funds raised (HK\$ b)	14.9	4.8	53.5	31.4	6.7	11.2	6.7	21.7	4.8



Source: HKEX, Bloomberg

# Continuous ADR conversion while trading migration moderated from China concept homecoming



Source: HKEX, FactSet, Bloomberg, as at 31 Mar 2024 ^Dual Primary Listing

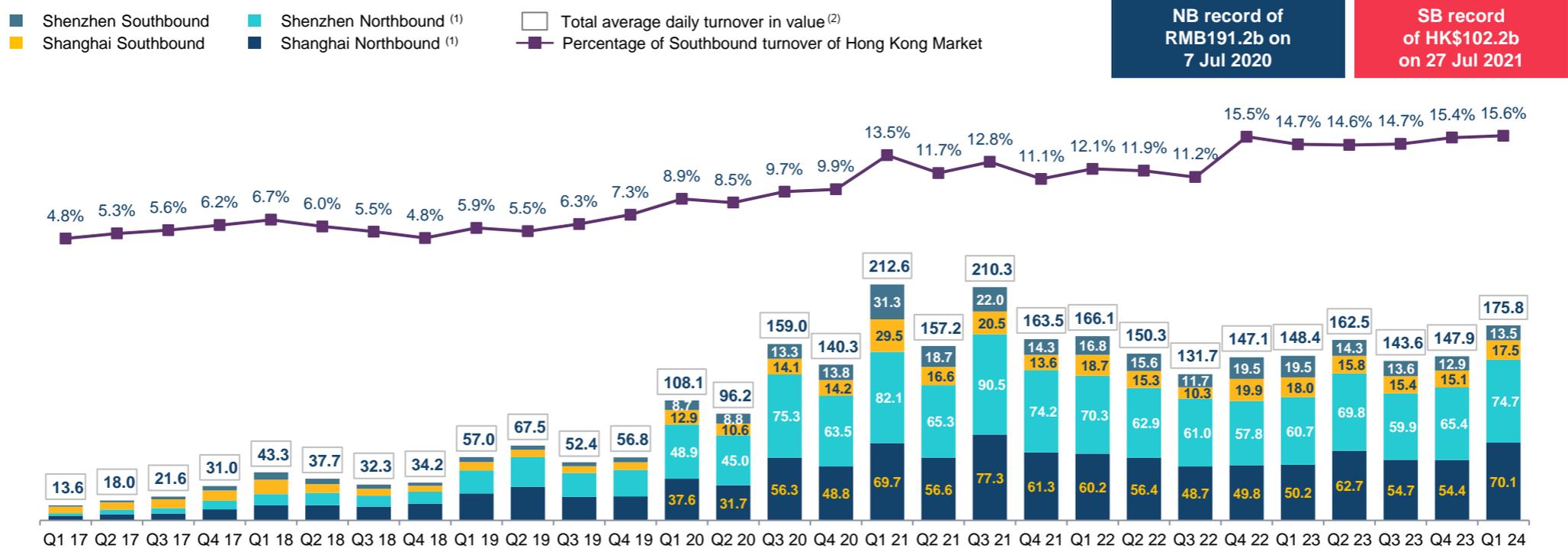
1. Ranked by market cap
2. Based on total CCASS balance deducting the balance of main custodian bank as reference
3. Trading shares in US via various exchanges which include Nasdaq, NYSE, NYSE Arca, FINRA ADF and others. (FINRA ADF is an equity trading facility created by a self-regulatory organization 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)
4. HK freely traded shares of TME (1698.HK) on its IPO date is not available and the earliest data available is as at 9 Apr 2023
5. 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



# Stock Connect – trading trends

Stock Connect generated revenue of HK\$585m in Q1 2024 (up 4%YoY)

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



Stock Connect Northbound and Southbound Trading ADT reached RMB133.0b and HK\$31.0b respectively in Q1 2024

Stock Connect revenue contributed 11% of the Group's total revenue and other income in Q1 2024 (Q1 2023: 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. Includes buy and sell trades. May not add up due to rounding

