

# 2022 Q3 Results Briefing

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# Agenda

- 01 | YTD Q3 2022 Key Highlights
- 02 | HKEX Group Financial Review
- 03 | Business and Strategic Update
- 04 | Appendix



# YTD Q3 2022 key highlights

## Financial Performance

**HK\$13.3bn**

(-18%YoY)

Revenue and other income

**HK\$1.7bn**

(-18%YoY)

Stock Connect revenue  
and other income

**HK\$7.1bn**

(-28%YoY)

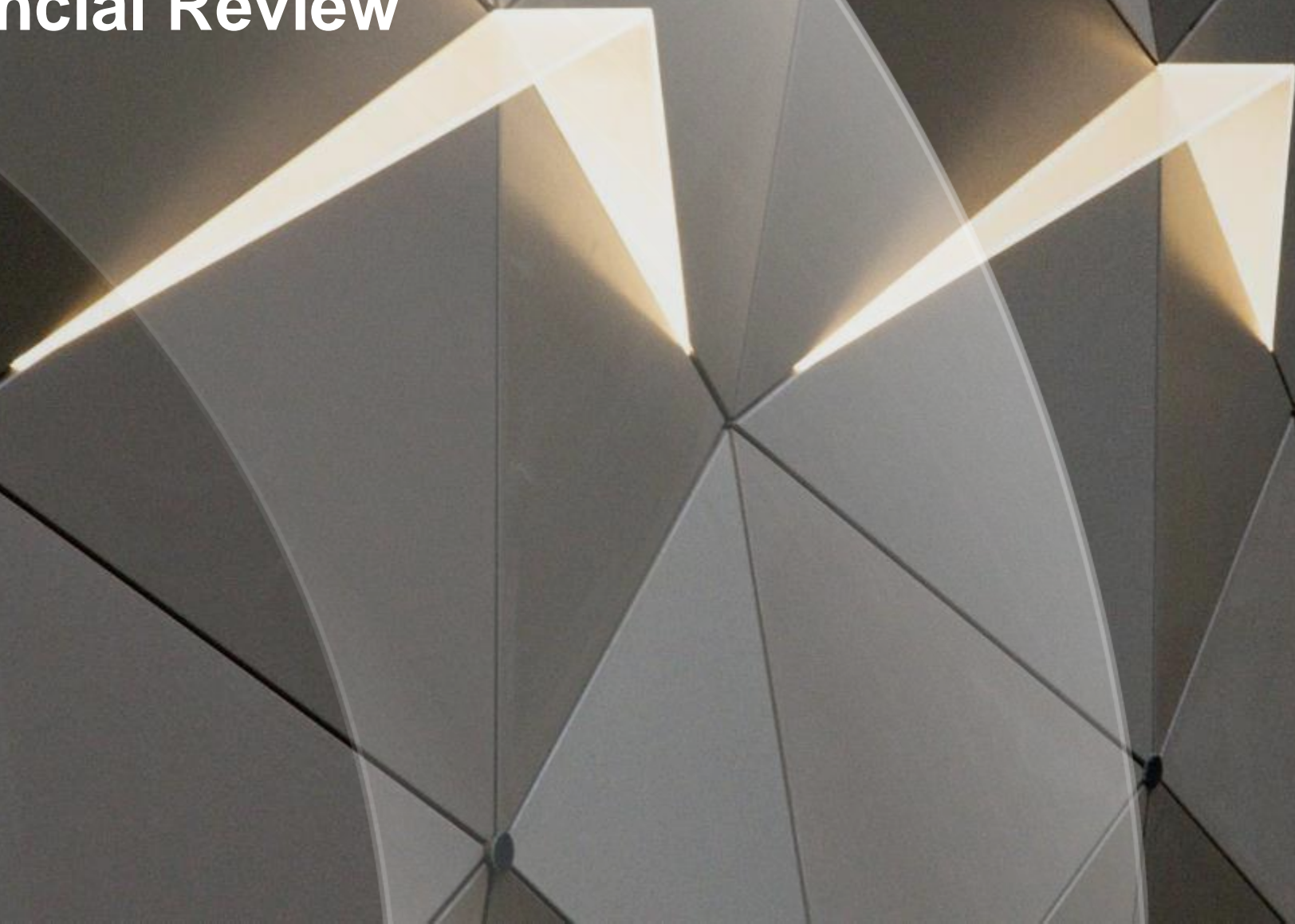
Profit attributable to  
shareholders

## Business and Strategy

- **Resilient results**, despite global market fragility and ongoing geopolitical tensions
- **Strategic delivery across range of initiatives including Connect franchise:**
  - **ETFs included in Stock Connect; Swap Connect** announced (Jul 2022)
  - **Enhancement to Stock Connect trading calendar** announced (Aug 2022)
  - **Bond Connect Northbound ADT** reached **record nine-month high**
  - 3 new initiatives announced by CSRC (Sep 2022) offer significant potential: **(1) International HK-listed company inclusion in Stock Connect; (2) RMB trading counters to be included in HK Stock Connect; and (3) China Treasury bond futures available in Hong Kong**
- **Cash market softness** reflecting global market sentiment, ADT down 31% YoY on record YTD Q3 2021
- **Q3 2022 momentum in IPO market, with fundraisings more than double 1H 2022.** IPO pipeline remained strong with over 140 active applications as at 30 Sep 2022
- **HKFE Derivatives ADV** reached **record nine-month high** of 672k contracts (+26% YoY)
- **Diversification delivering results** - ETPs ADT +42% YoY; Technology revenue +6% YoY; Data revenue +4% YoY
- **Investment in talent, technology and operational excellence continues** - positioning us strongly for the future



# HKEX Group Financial Review





## Q3 2022: Revenue down vs Q3 2021 due to lower ADT, but EBITDA and PAT improved vs Q2 2022

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

Q3 2022: HK\$4.3bn

(↓17% vs Q3 2021)

(↓4% vs Q2 2022)

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

Q3 2022: HK\$4.3bn

(↓19% vs Q3 2021)

(↑2% vs Q2 2022)

### EBITDA

Q3 2022: HK\$3.0bn

(↓28% vs Q3 2021)

(↑2% vs Q2 2022)

### PAT

Q3 2022: HK\$2.3bn

(↓30% vs Q3 2021)

(↑4% vs Q2 2022)

### EPS

Q3 2022: HK\$1.79

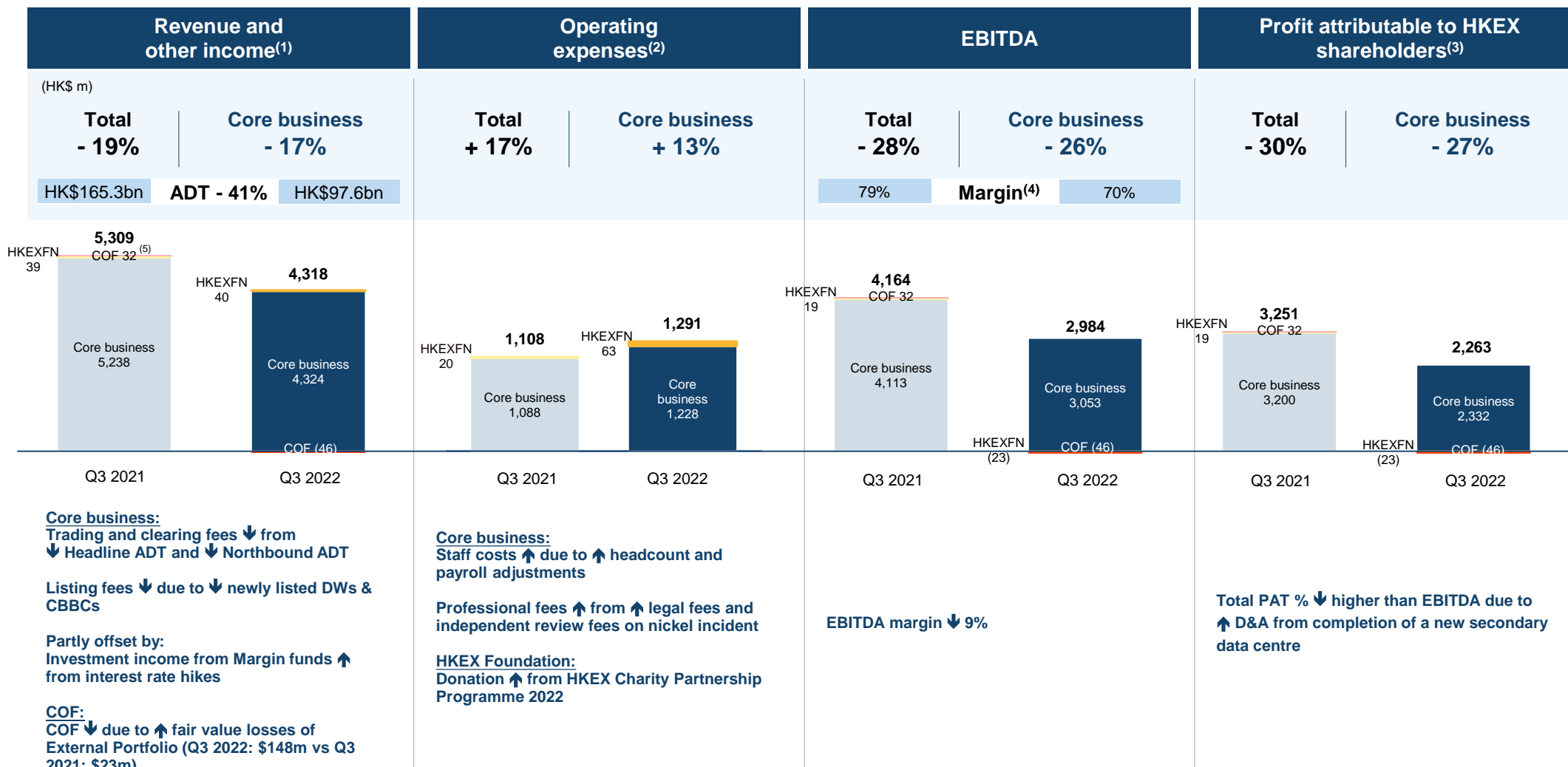
(↓30% vs Q3 2021)

(↑5% vs Q2 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 HKEX Foundation (HKEXFN) donation income
3. Represents gross revenue and other income before deducting transaction-related expenses

Q3 2022 vs Q3 2021

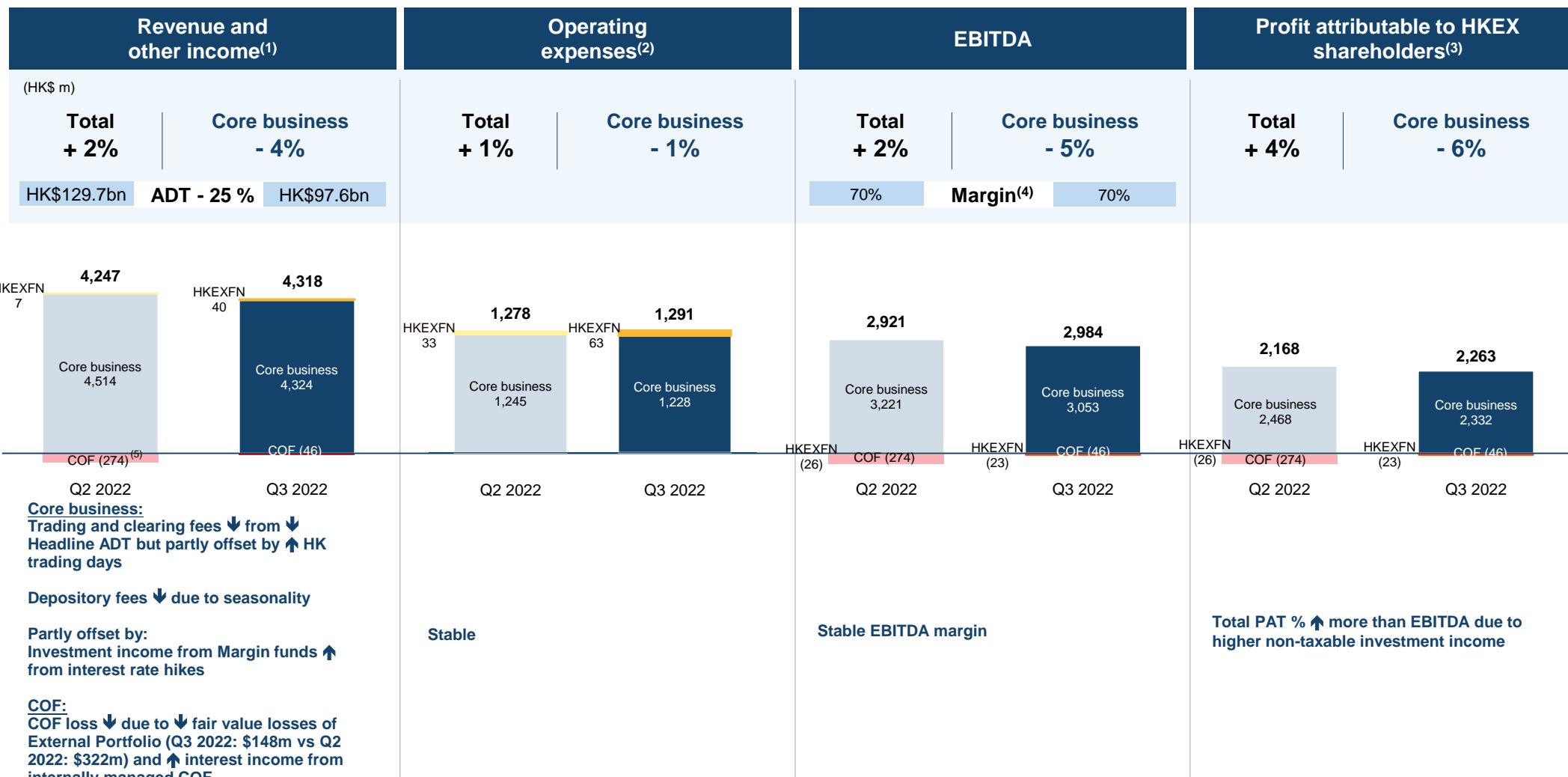
# Core business net profit down 27% driven by 41% lower Headline ADT



1. Represents gross revenue and other income before deducting transaction-related expenses (Q3 2021: \$37m; Q3 2022: \$43m)
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 2022 vs Q2 2022

# Net profit up 4% driven by increase in net investment income, offsetting the 25% lower Headline ADT



1. Represents gross revenue and other income before deducting transaction-related expenses (Q2 2022: \$48m; Q3 2022: \$43m)
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

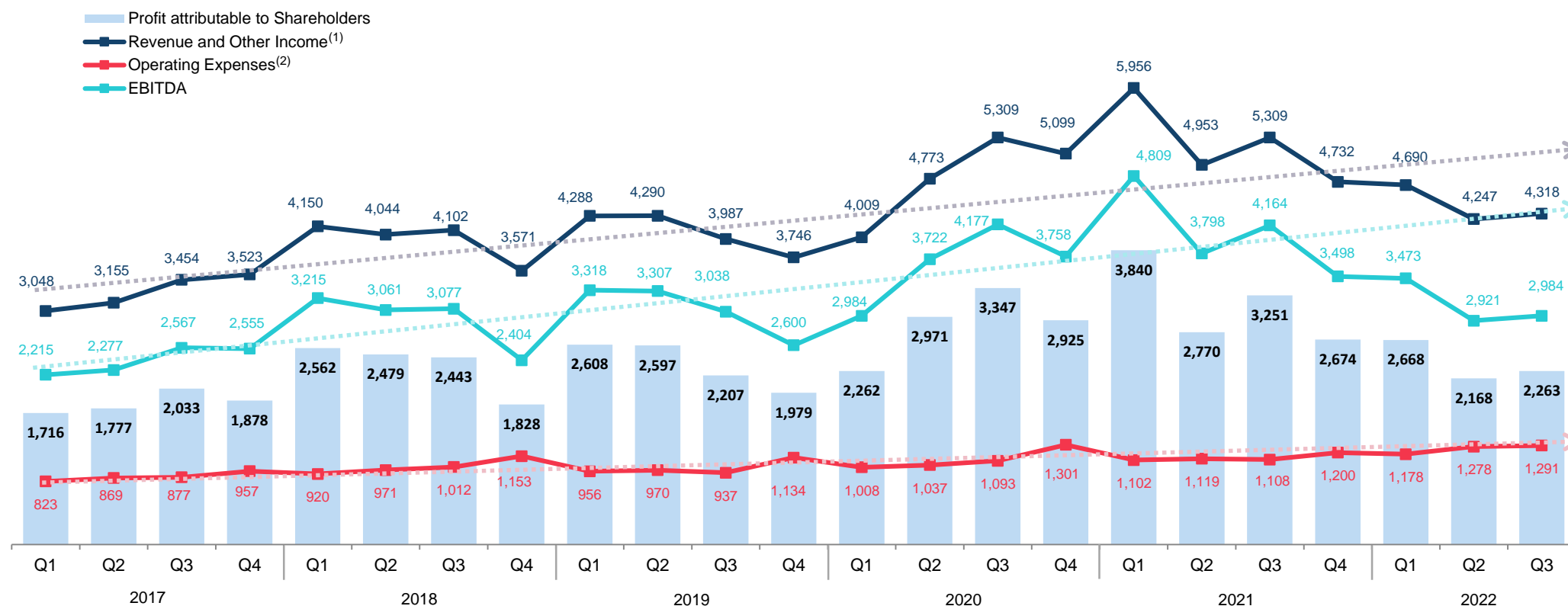


## Quarterly performance

# 2022 results consistent with long-term normalised levels

## 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

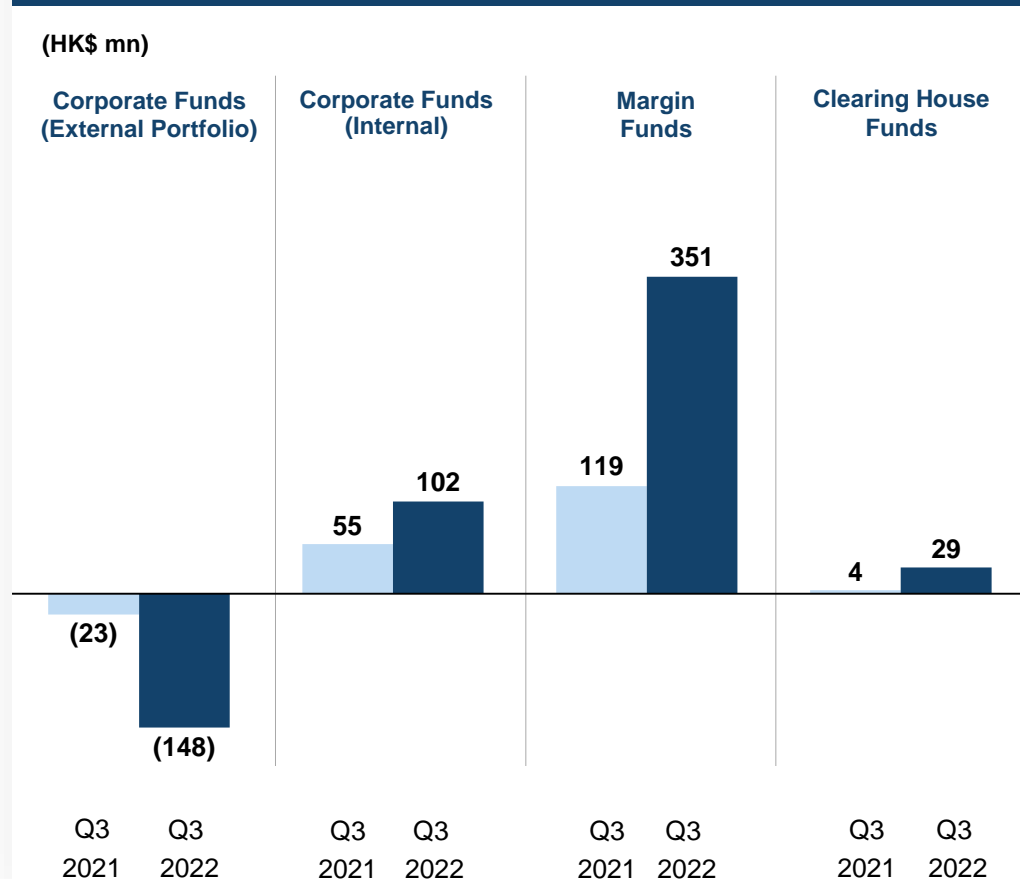


## Net investment income – Q3 2022 vs Q3 2021

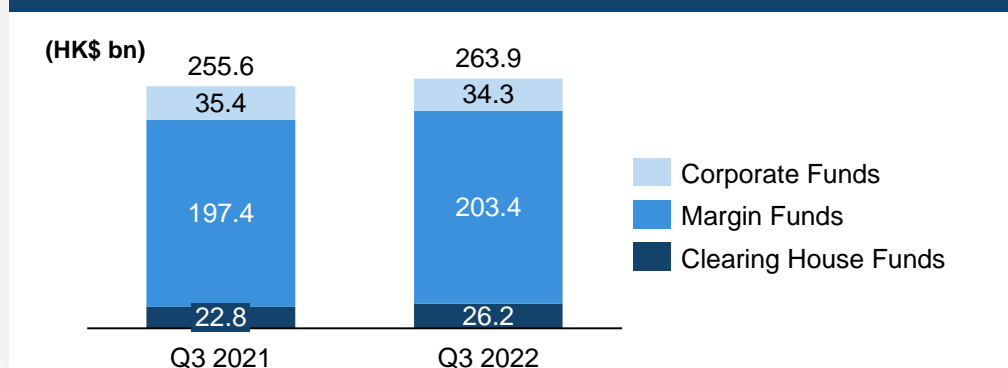
# Net investment income affected by macro sentiment & interest rate

Q3 2022: HK\$334mn (Q3 2021: HK\$155mn)

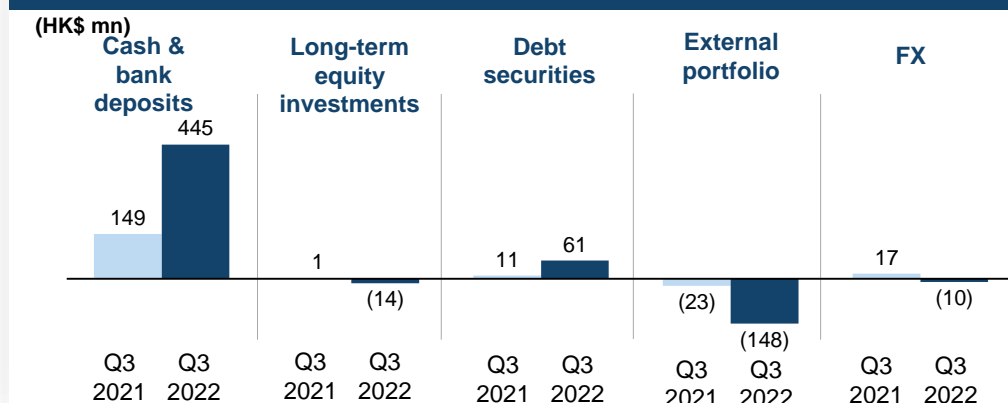
### Net investment income by funds



### Average fund size



### Net investment income by category of investments

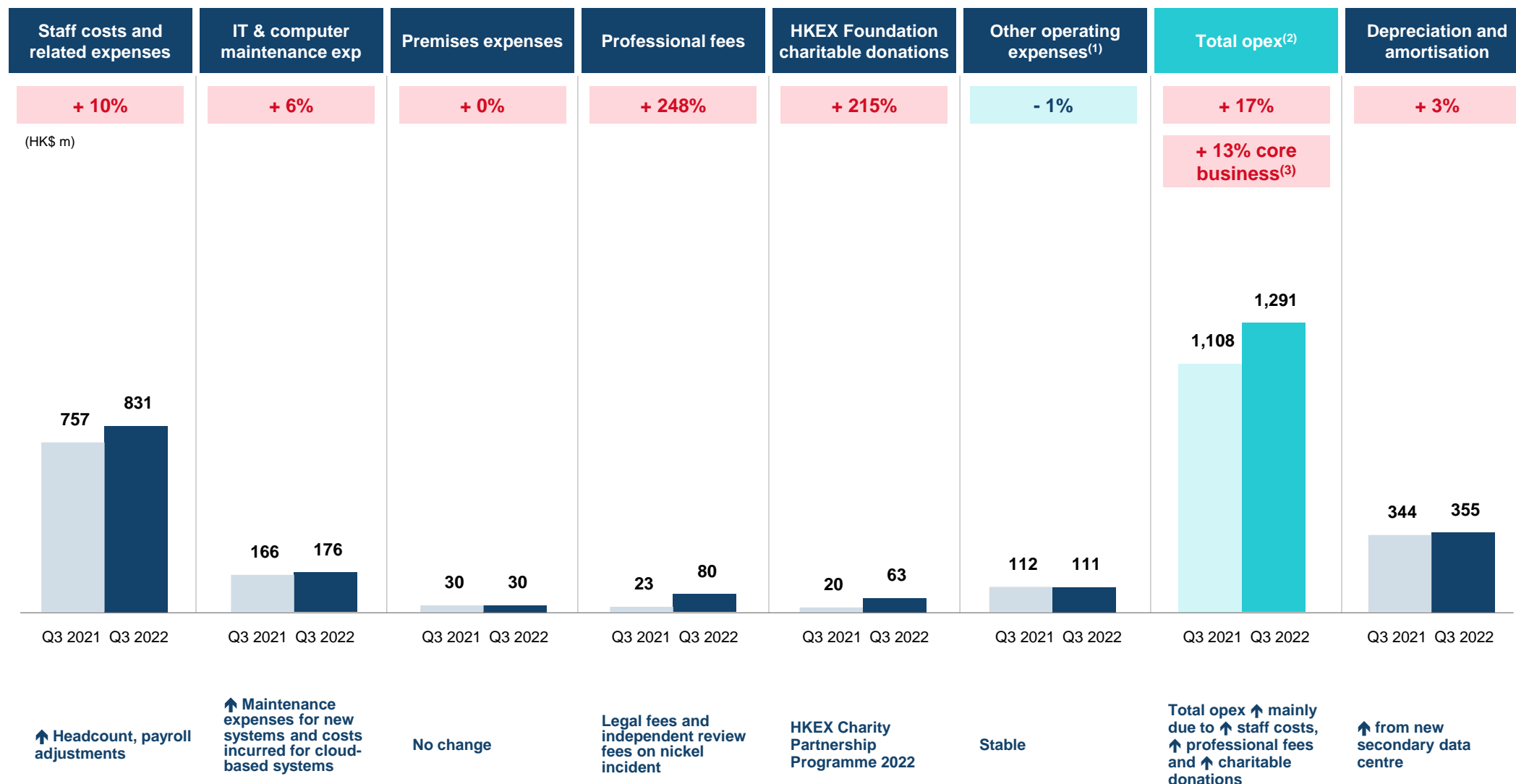


**HK\$1.8bn of external portfolio redeemed in Q3 2022 - improves downside protection and reduces earnings volatility (Balance as of 30 Sep 2022: HK\$6.4bn)**

- Financial figures on this slide are computed based on financial figures disclosed in YTD Q3 and 1H 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 30 per cent at 30 June 2022), a certain proportion is invested in long-term investment grade debt securities (approximately 4 per cent at 30 June 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 30 June 2022).

## Operating expenses and depreciation & amortisation – Q3 2022 vs Q3 2021

# Investment in talent, technology and operational excellence, in addition to increased professional fees on nickel incident



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



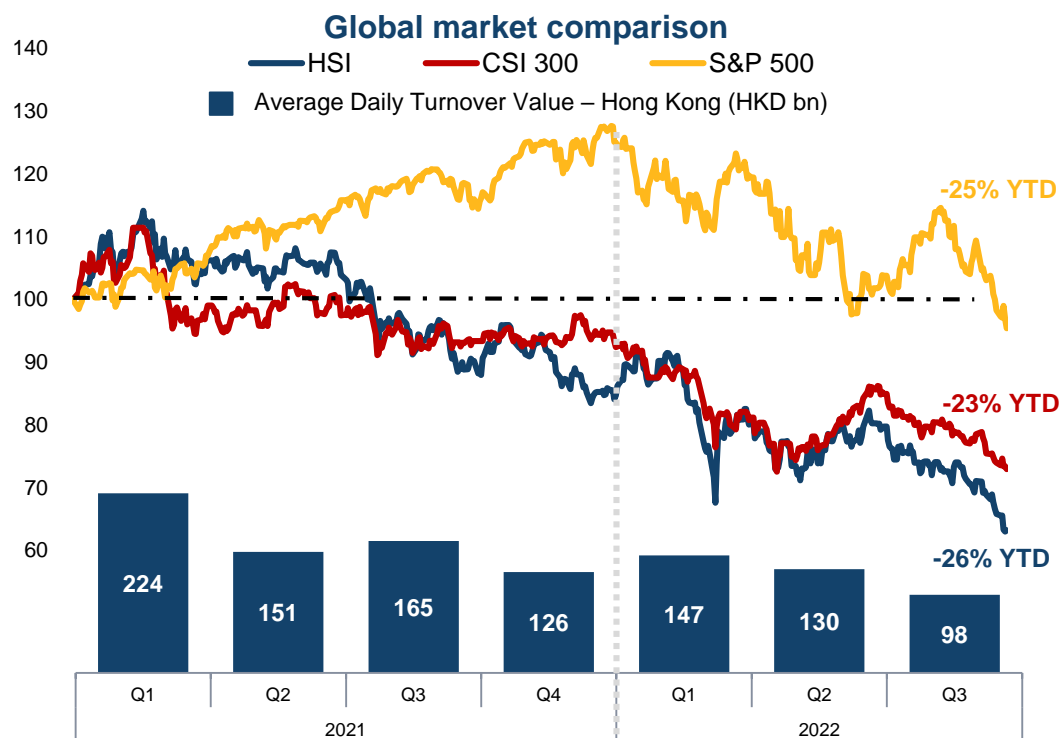




# **Business and Strategic Update**



# Resilient Q3 2022 performance in weak market



## Diversification helped to mitigate lower cash market volumes

- Cash Market ADT at HK\$124.1bn (down 31%YoY), reflecting global market fragility and ongoing geopolitical tensions
- ADV of derivatives traded on HKFE: 672k (up 26%YoY, a new record high for YTD Q3), driven by increased popularity of new products and cross product trading activities

## Connect programmes continued to perform well

- Stock Connect: revenue of HK\$1.7bn (down 18%YoY), contributed 13% of the Group's total revenue
- Bond Connect Northbound ADT: record nine-month high RMB32.1bn (up 23%YoY)
- ETFs included in Stock Connect since 4 Jul 2022

Key market indicators (Q1 2021 – Q3 2022)							
	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22
Derivatives Market ADV ('000 contracts)	1,411	997	1,226	1,017	1,342	1,274	1,115
NB ADT (RMB bn)	126.8	101.0	139.3	110.9	105.9	101.8	96.7
LME ADV ('000 lots)	564	577	571	580	620	515	496
No. of IPOs	32	14	27	25	17	10	29
IPO funds raised (HKD bn)	136.6	75.1	74.2	45.4	14.9	4.8	53.5

## Q3 2022 momentum in IPO market; pipeline remains strong

- IPO funds raised HK\$73.2bn (down 74%YoY, Q3 2022: more than double vs 1H 2022), with 68% from New Economy and Biotech companies
- IPO pipeline remains strong with over 140 active applications as at 30 Sep 2022 and 29 newly listed companies in Q3 2022 (vs 1H 2022: 27)

Source: HKEX, Bloomberg  
Figures represent data for YTD Q3 2022 unless otherwise stated



# Good delivery on strategic priorities


	Connecting China and the World	Connecting Capital with Opportunities	Connecting Today with Tomorrow
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>
Delivery in 2022	<p>ETFs included in Stock Connect and Swap Connect announced in Jul 2022</p> <p>Enhancement to Stock Connect trading calendar announced in Aug 2022</p> <p>CSRC’s 3 new initiatives (Sep 2022): 1) include HK-listed foreign companies in Stock Connect; 2) add RMB trading counters to HK Stock Connect; 3) offer Treasury bond futures in HK</p> <p>First A-share structured products, MSCI China A 50 DW<sup>(1)</sup>, listed in Aug 2022</p>	<p>Consultation for the listing regime for specialist tech companies announced in Oct 2022</p> <p>Plan to revise T Session closing hour and T+1 Session opening hour for selected MSCI products announced in Sep 2022</p> <p>7 new ETPs listed in Q3 2022</p>	<p>First green bond ETF listed in Q3 2022</p> <p>110 sustainable-focused products now displayed on STAGE</p> <p>Launched HK International Carbon Market Council in Jul 2022</p> <p>Launched IR Connect in Jul 2022, a new digital investor relations platform</p>

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



# Looking ahead

- **Macro economic and geopolitical factors will continue to impact market sentiment and volumes**
- **Ongoing market volatility, inflationary pressures, a rising interest rate environment and slowing global growth** could continue to impact returns on the external portfolio; **HK\$1.8 billion was redeemed** to reduce earnings volatility, with a HK\$0.2 billion redemption to be completed in Q4 2022. Rising interest rates will benefit internally-managed investment income
- **Early signs of returning momentum in IPO market have put Asia at top of global funding tables at end of Q3 2022**; sentiment remains fragile but pipeline of over 140 companies is strong
- **Continued expansion of Connect programmes**, through new live initiatives and those already announced, offer further significant growth opportunities; a number of other new projects being developed, all focused on our strategic priorities
- **Continued investments in talent, technology, client and risk management** to deliver our strategy
- Business and markets remain strongly positioned to embrace opportunities and turn in sentiment



# Welcome questions

## Q&A Session



# Thank you.

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