

2024 Q3 Results Analyst Presentation

23 October 2024

HKEX
香港交易所

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Agenda

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- 02 | HKEX Group Financial Review
- 03 | Business and Strategic Update
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YTD Q3 2024 Key Highlights

Strong financial performance

Revenue and other income

Q3 2024: HK\$5.4b (+6% YoY, -1% QoQ)

YTD Q3 2024: HK\$16.0b (+2% YoY)

Continuing strategic progress

Build on our China strength

- Introduced new product features and services to **Swap Connect** (May 2024)
- Relaxation of **ETF eligibility criteria under Stock Connect** took effect (Jul 2024)

Enhance market vibrancy

- Revised **Listing Rules relating to Treasury Shares** took effect (Jun 2024)
- Listing of **Asia's largest** and the **world's second-largest IPO YTD** (Sep 2024)
- Consultation on **Reduction of Minimum Spreads** in HK securities market ended (Sep 2024), will publish conclusions around the end of 2024
- Introduced **Weekly Hang Seng TECH Index Options** (Sep 2024)
- Implemented **Severe Weather Trading** (Sep 2024)
- LME published **White Paper on Enhancing Liquidity** through a package of measures to increase transparency and price competition (Sep 2024)

Build future-ready technology & operations

- Announced in-house development of **Orion Derivatives Platform** (Apr 2024)



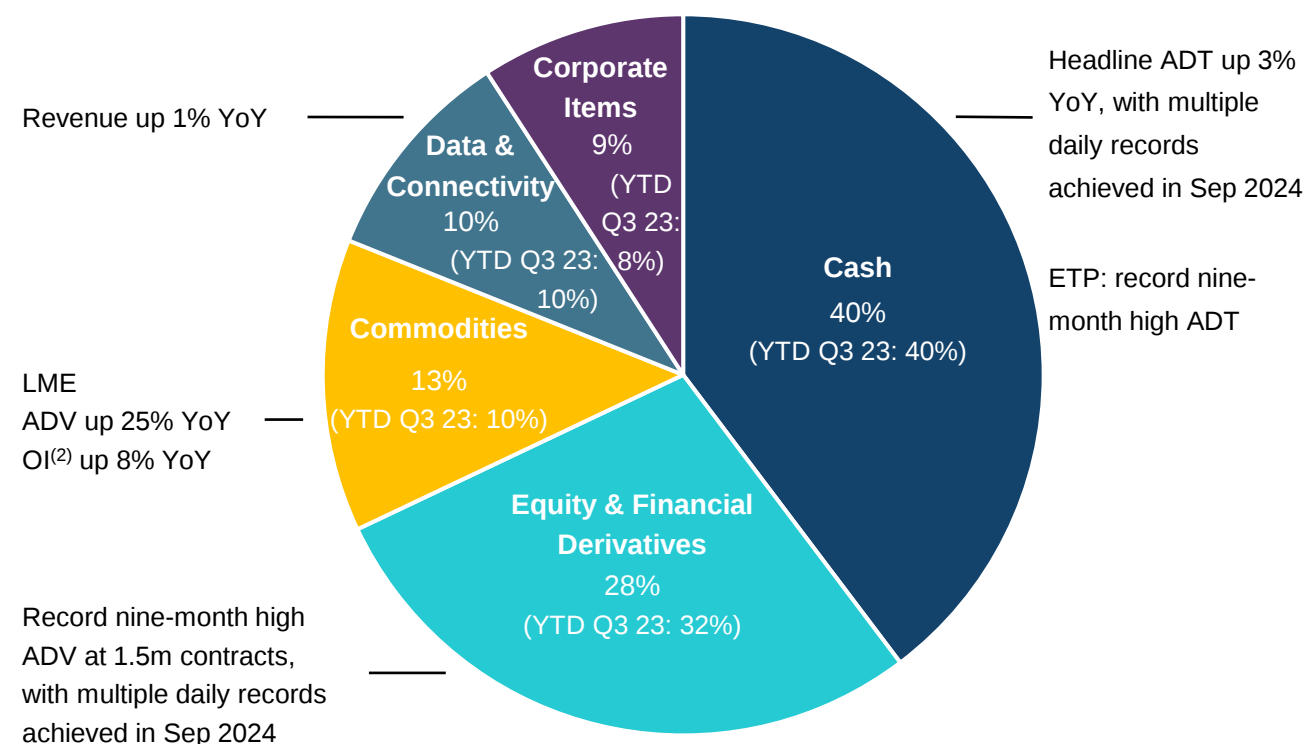
Profit attributable to shareholders

Q3 2024: HK\$3.1b (+7% YoY, 0% QoQ)

YTD Q3 2024: HK\$9.3b comparable to YTD Q3 2023

Diversification delivering results

YTD Q3 2024 Revenue breakdown⁽¹⁾



1. % may not add up due to rounding
2. Open Interest

HKEX Group Financial Review



Record third quarter high in revenue; Second-best ever nine-month revenue & profit, after exceptional 2021 results

Core business revenue⁽²⁾

Q3 2024 : HK\$4.9b (↑3% YoY)
YTD Q3 2024: HK\$14.5b (↑1% YoY)

Revenue and other income⁽³⁾

Q3 2024 : HK\$5.4b (↑6% YoY)
YTD Q3 2024: HK\$16.0b (↑2% YoY)

EBITDA

Q3 2024 : HK\$3.9b (↑6% YoY)
YTD Q3 2024: HK\$11.6b (0% YoY)

PAT

Q3 2024 : HK\$3.1b (↑7% YoY)
YTD Q3 2024: HK\$9.3b (0% YoY)

EPS

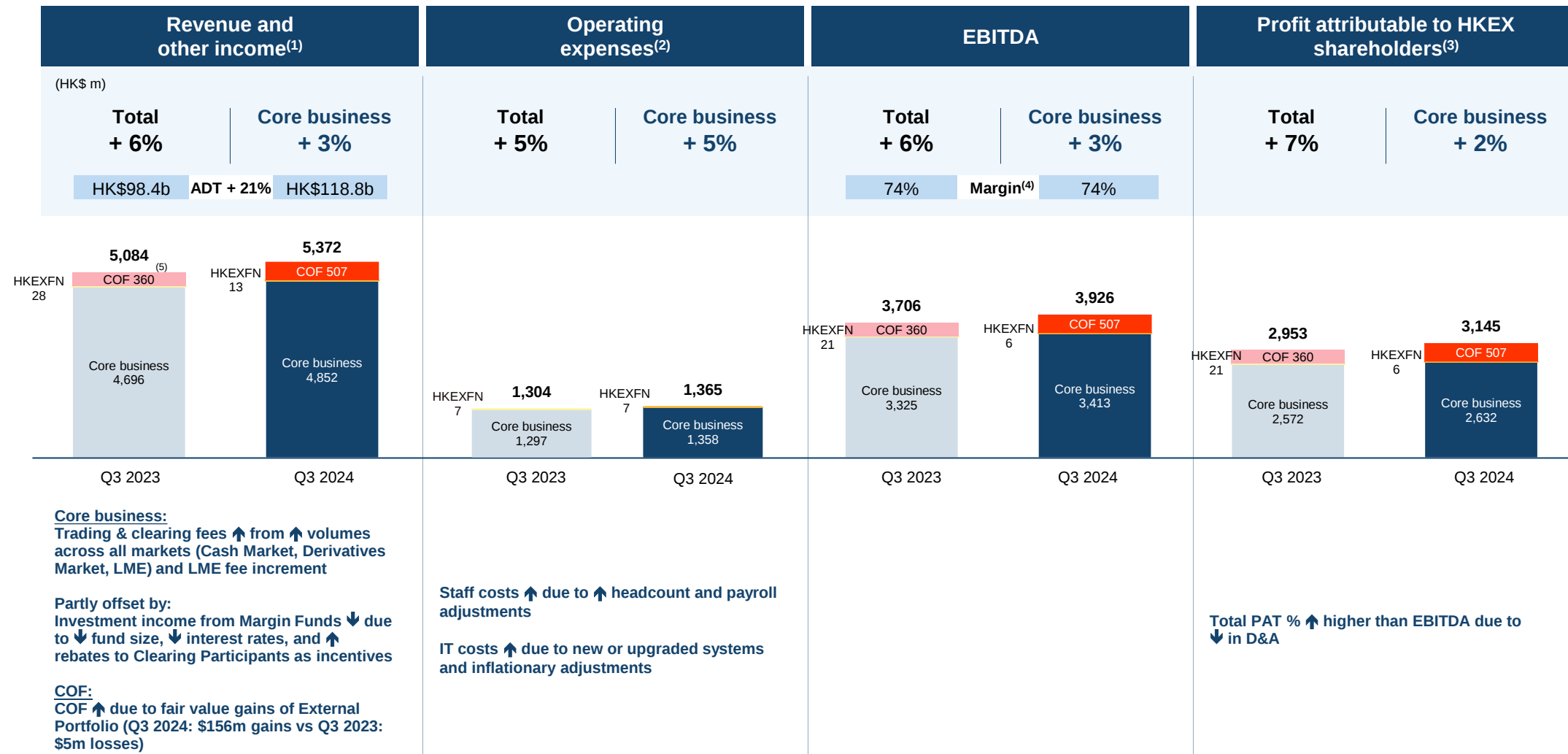
Q3 2024 : HK\$2.49 (↑7% YoY)
YTD Q3 2024: HK\$7.33 (0% YoY)



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

Q3 2024 vs Q3 2023

Profit up 7% mainly driven by higher volumes across the Cash, Derivatives and Commodities markets

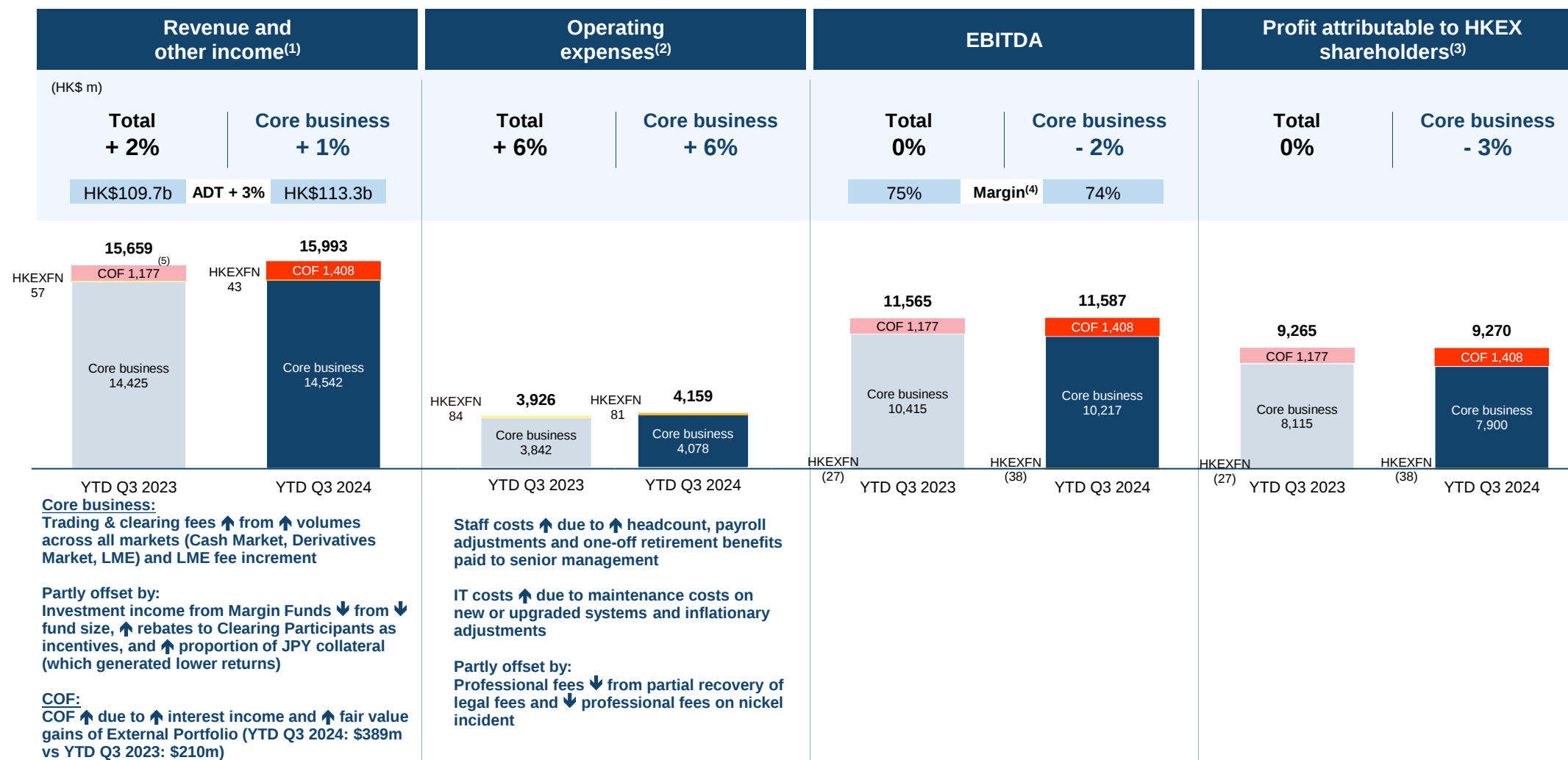


1. Represents gross revenue and other income before deducting transaction-related expenses (Q3 2024: \$81m; Q3 2023: \$74m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact 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



YTD Q3 2024 vs YTD Q3 2023

Second-best ever nine-month revenue and profit driven by higher volumes in Cash, Derivatives and Commodities markets

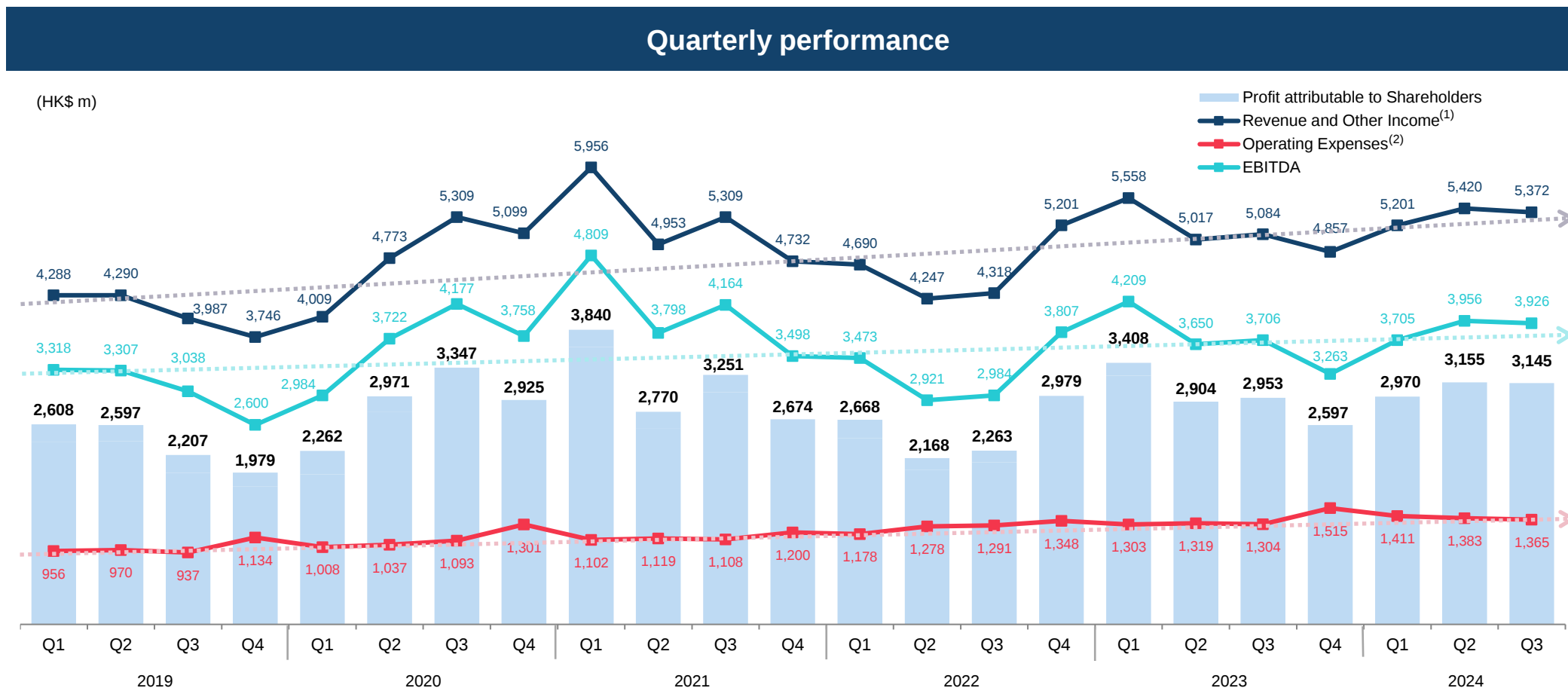


1. Represents gross revenue and other income before deducting transaction-related expenses (YTD Q3 2024: \$247m; YTD Q3 2023: \$168m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact of COF is not considered when calculating the PAT attributable to COF
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5. COF represents net investment income of Corporate Funds



Quarterly performance

YTD Q3 2024 results in line with long-term historical upward trendline

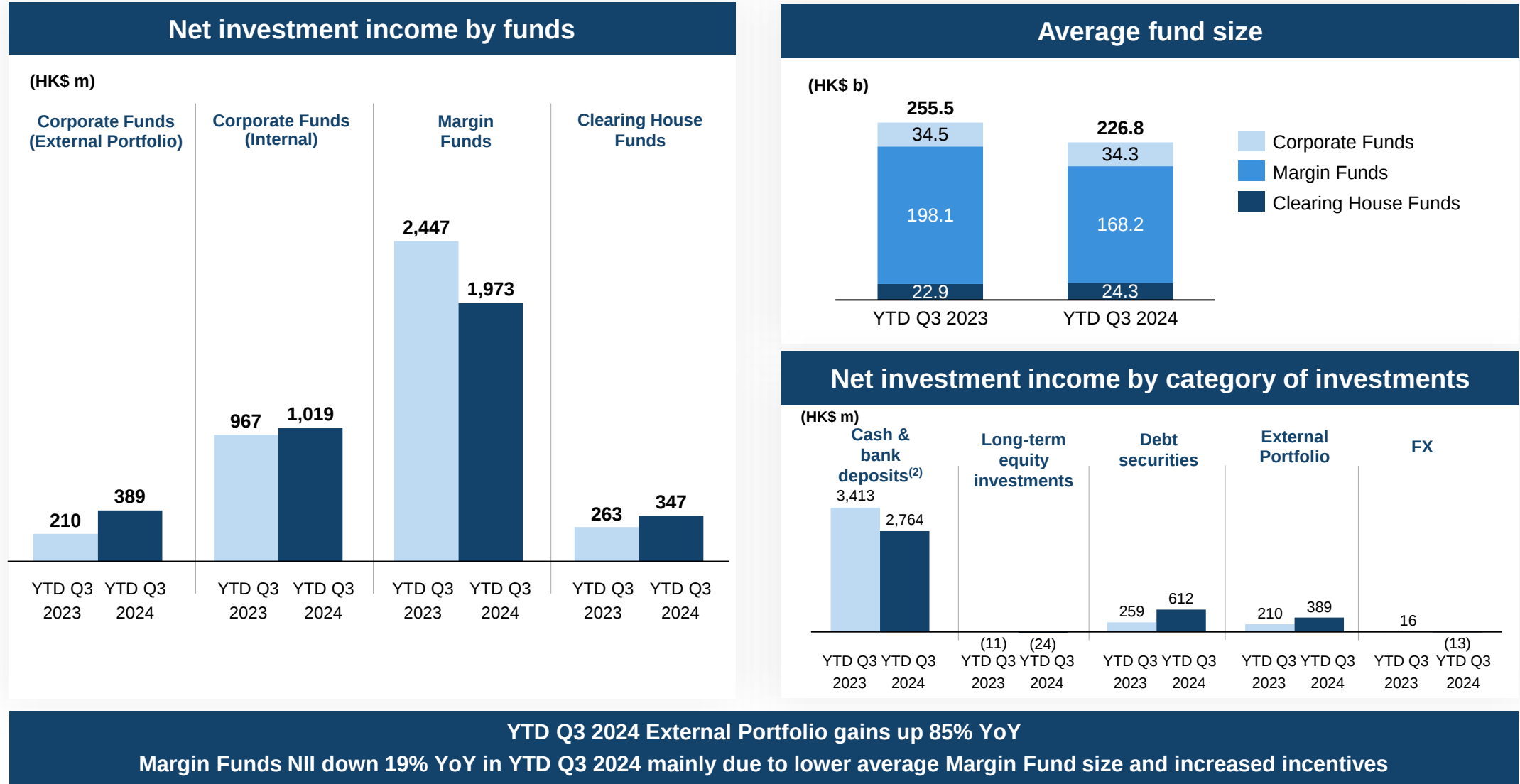


1. Represents gross revenue and other income before deducting transaction-related expenses
2. Exclude transaction-related expenses, depreciation and amortisation, finance costs, share of results of joint ventures, and certain exceptional costs
3. Dotted trend lines are illustrative and do not constitute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

Net investment income (NII) – YTD Q3 2024 vs YTD Q3 2023

NII impacted mainly by lower Margin Fund size and increased incentives

YTD Q3 2024: HK\$3,728m (YTD Q3 2023: HK\$3,887m)



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 34% as at 30 Jun 2024), a certain proportion is invested in long-term investment grade debt securities (approximately 24% as at 30 Jun 2024) and the remaining funds are invested in time deposits with maturity of up to 12 months (weighted original maturity of 10 months as at 30 Jun 2024)

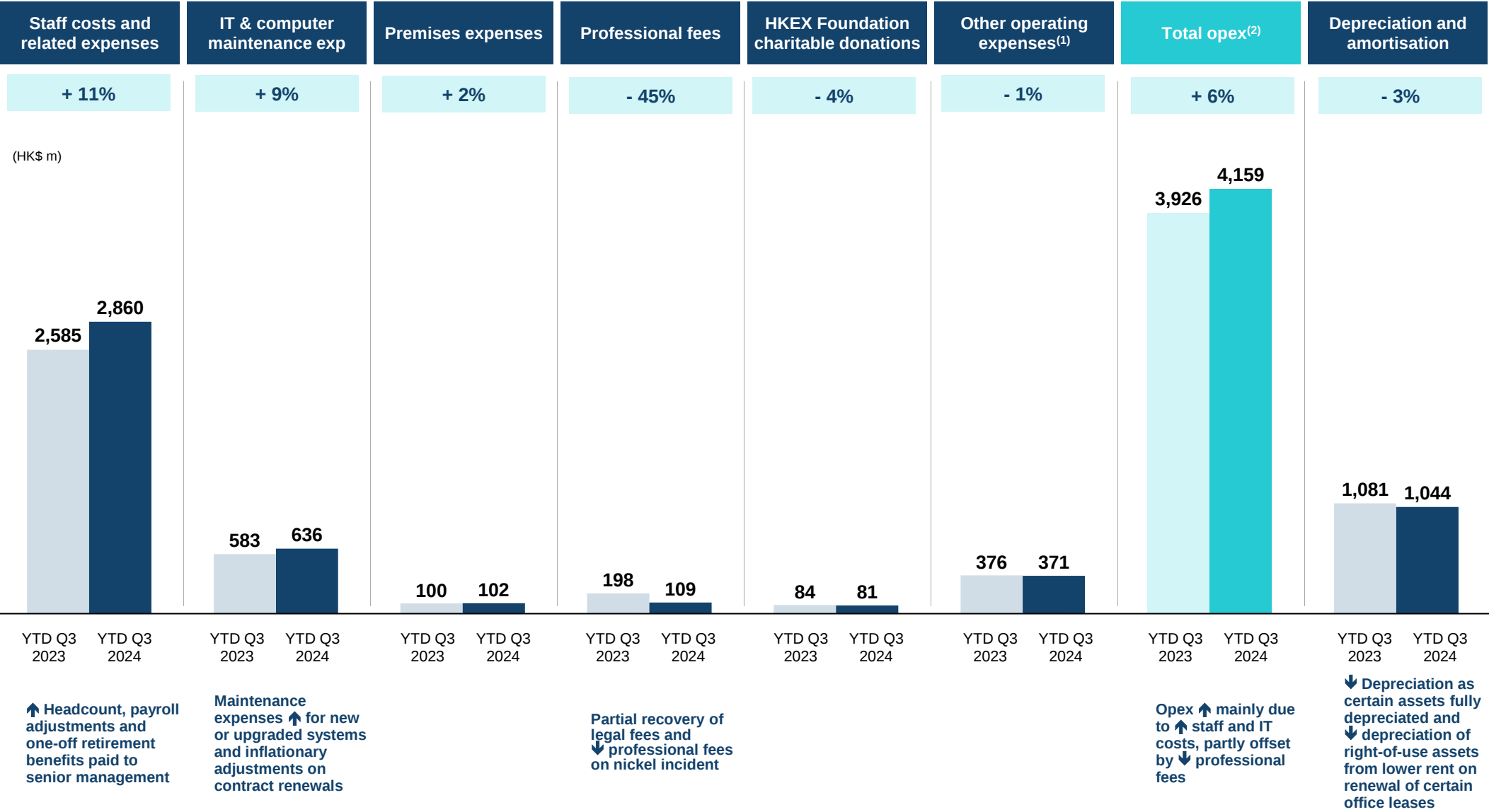
2.

Includes foreign exchange swaps



Operating expenses and depreciation & amortisation – YTD Q3 2024 vs YTD Q3 2023

Opex up 6% reflecting prudent control, also helped by lower professional fees & partial recovery of legal fees from 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



Business and Strategic Update

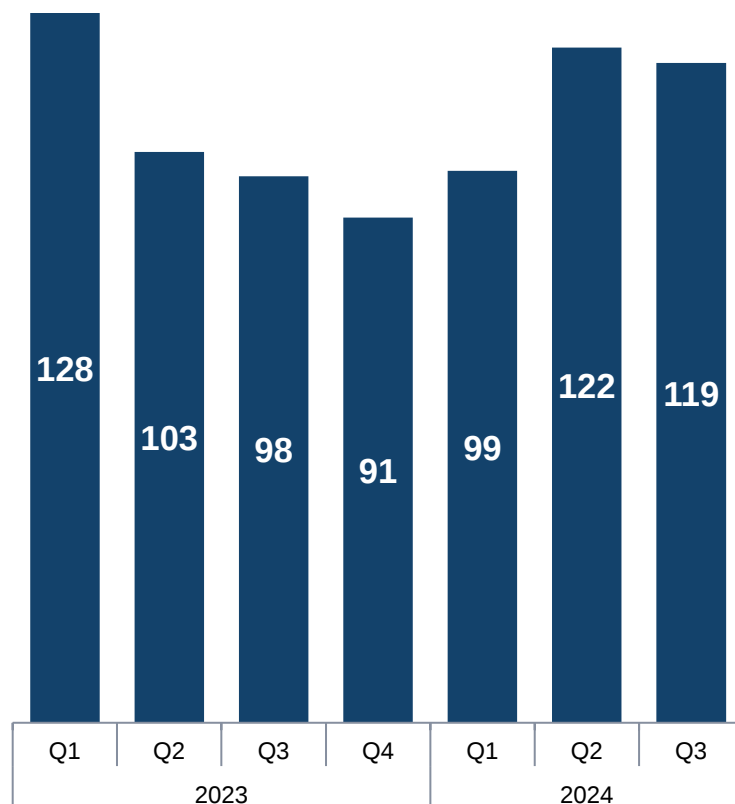


Strong performance in YTD Q3 2024

★ : record nine-month high in YTD Q3 2024

Cash Market demonstrated resiliency

Average Daily Turnover Value
(HK\$ b)



Strategic diversification helps mitigate cash market volatility

★ Derivatives

Record high ADV
1.5m contracts
(up 12% YoY)

★ FX

Record high USD/CNH Futures ADV
86,318 contracts
(more than tripled vs YTD Q3 2023)

Data & Connectivity

Revenue HK\$1.6b (up 1% YoY),
contributed 10% of Group total revenue

LME

ADV 676,000 lots
(up 25% YoY)

Connect programmes continue to perform well

★ Stock Connect

Revenue HK\$1.8b (up 4% YoY). **Record high**
NB ADT RMB123.3b (up 14% YoY)

★ Swap Connect⁽¹⁾

Q3 2024 ADT
quarterly high of RMB15b

★ ETF Connect

Record high NB ADT RMB1.3b,
SB ADT HK\$1.9b

★ Bond Connect

Record high NB ADT at RMB44.1b
(up 9% YoY)

Source: HKEX

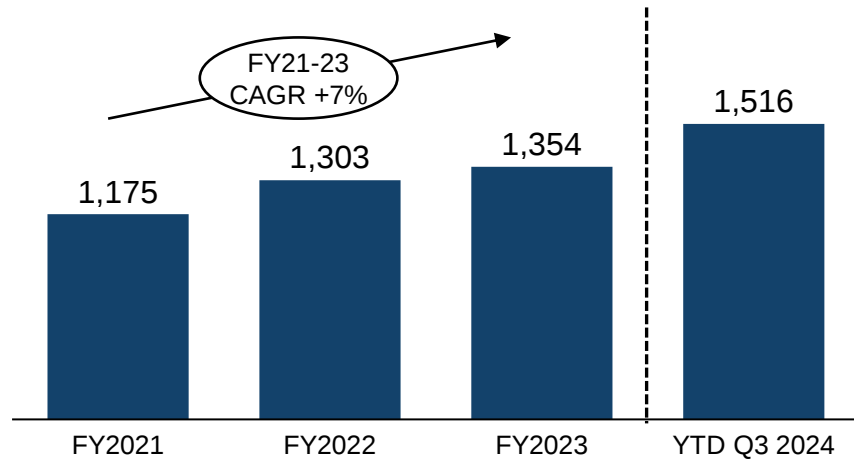
1. With the significant contribution from Swap Connect, OTC Clear's clearing volume reached a record nine-month high in YTD Q3 2024



Strong momentum in derivatives and LME ADV sustained in YTD Q3 2024

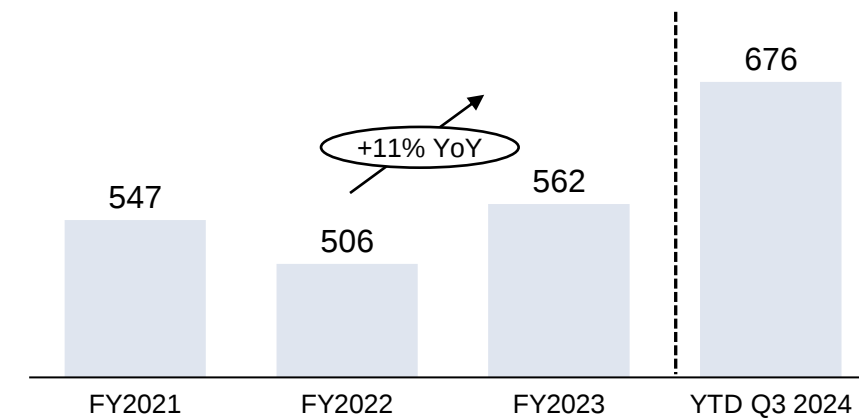
Record number of derivatives contracts traded

ADV (in '000)



Strong recovery in LME volumes

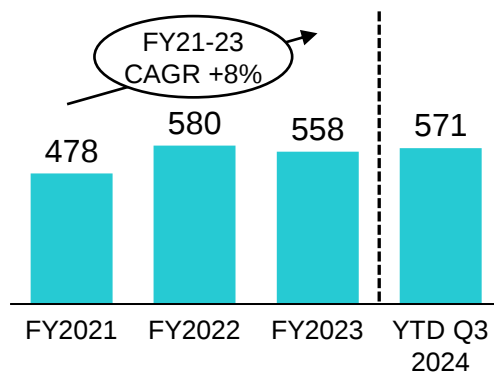
ADV (in '000)



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

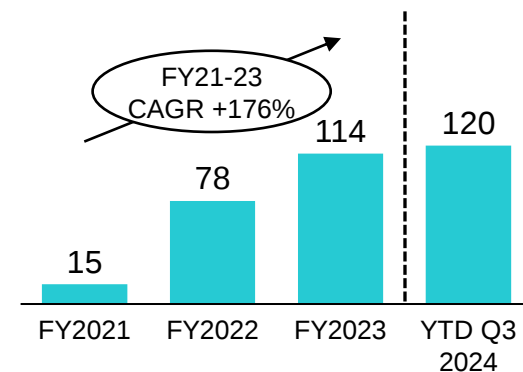
ADV (in '000)

HSI & HSCEI products⁽¹⁾



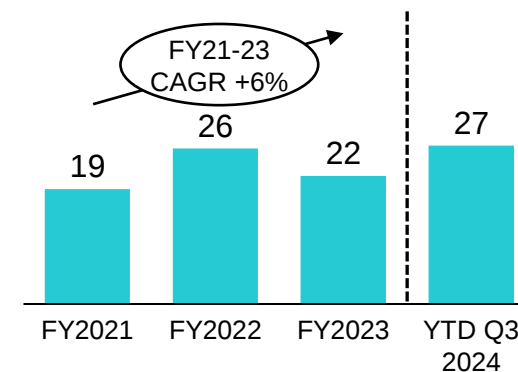
ADV (in '000)

HS TECH Index products⁽²⁾



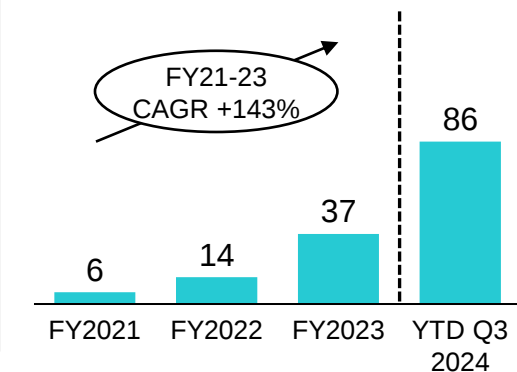
ADV (in '000)

MSCI suite⁽³⁾



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
3. Include all MSCI products



Strong strategic progress in YTD Q3 2024

Build on our China strength

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

- REITs inclusion in Stock Connect announced (Apr)
- Swap Connect enhancements implemented (May)
- ETF Connect eligibility relaxation took effect (Jul)

Explore new adjacent businesses

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

- Data & Connectivity continued to grow (~10% of Group revenue)



Enhance market vibrancy

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

- Treasury shares listing rules amendments took effect (Jun)
- Minimum spreads reduction consultation completed (Sep)
- Severe Weather Trading implemented (Sep)

Build future-ready technology & operations

- Unlock operational efficiencies and new business opportunities
- Address changing clients' expectations

- In-house development of ODP⁽¹⁾ announced (Apr)
- Cash market clearing & settlement platform T+1 ready by end 2025

Looking ahead

- **The vibrancy and diversity of Hong Kong's capital markets were on full display in Sep 2024, with multiple new daily record highs set in the Cash and Derivatives Markets.** The strong momentum continued into Oct 2024: Cash Market MTD⁽¹⁾ ADT at over HK\$300 billion, MTD ADV of derivatives traded at over 2 million contracts during the period of heightened volatility, and continued strong flows via the Stock Connect.
- **The listing of Midea Group as the largest IPO in Asia in YTD 2024 further underscores the depth and attractiveness of our IPO market,** boosting hopes for a revival of large equity deals from other Chinese companies.
- **LME continued to record strong growth in YTD 2024, driven by both volume and fee increase.** The positive ruling by the UK Court of Appeal hopefully ends the 2.5-year litigation and allows us to focus on the great opportunities ahead for the LME and our global commodities business.
- **We are cautiously optimistic in the outlook for Q4 2024 and into 2025, though macro environment uncertainties will persist.** Various global macroeconomic and geopolitical developments could continue to weigh on sentiment, though the possible Mainland economic boost supported by the stimulus measures, as well as the gradual interest rate cuts by central banks, should provide support to the Cash Market.
- **Internally managed investment income in Q4 2024 / 2025** will continue to be affected by expectations of further interest rate cuts, while the derisking of External Portfolio should reduce volatility on HKEX earnings. Higher amortisation from launch of new LME trading platform and new tax rules will also weigh on HKEX earnings starting 2025.
- **Prudent, targeted investment in talent, technology, client and risk management will continue,** supporting long-term success and sustainable development of the business.
- **We remain steadfast in our commitment to further enhancing vibrancy, resilience and competitiveness of our markets.** We are commissioning a **white paper** that explores the factors to be considered on **what settlement cycle is needed for Hong Kong's Cash Market**, to be published in 1H 2025.



A long-exposure photograph of a city street at night. The image shows a multi-lane highway with light trails from cars, creating streaks of red, white, and blue. Tall skyscrapers line the street, their windows glowing with light. The sky is a deep blue, and the overall scene is a vibrant urban nightscape.

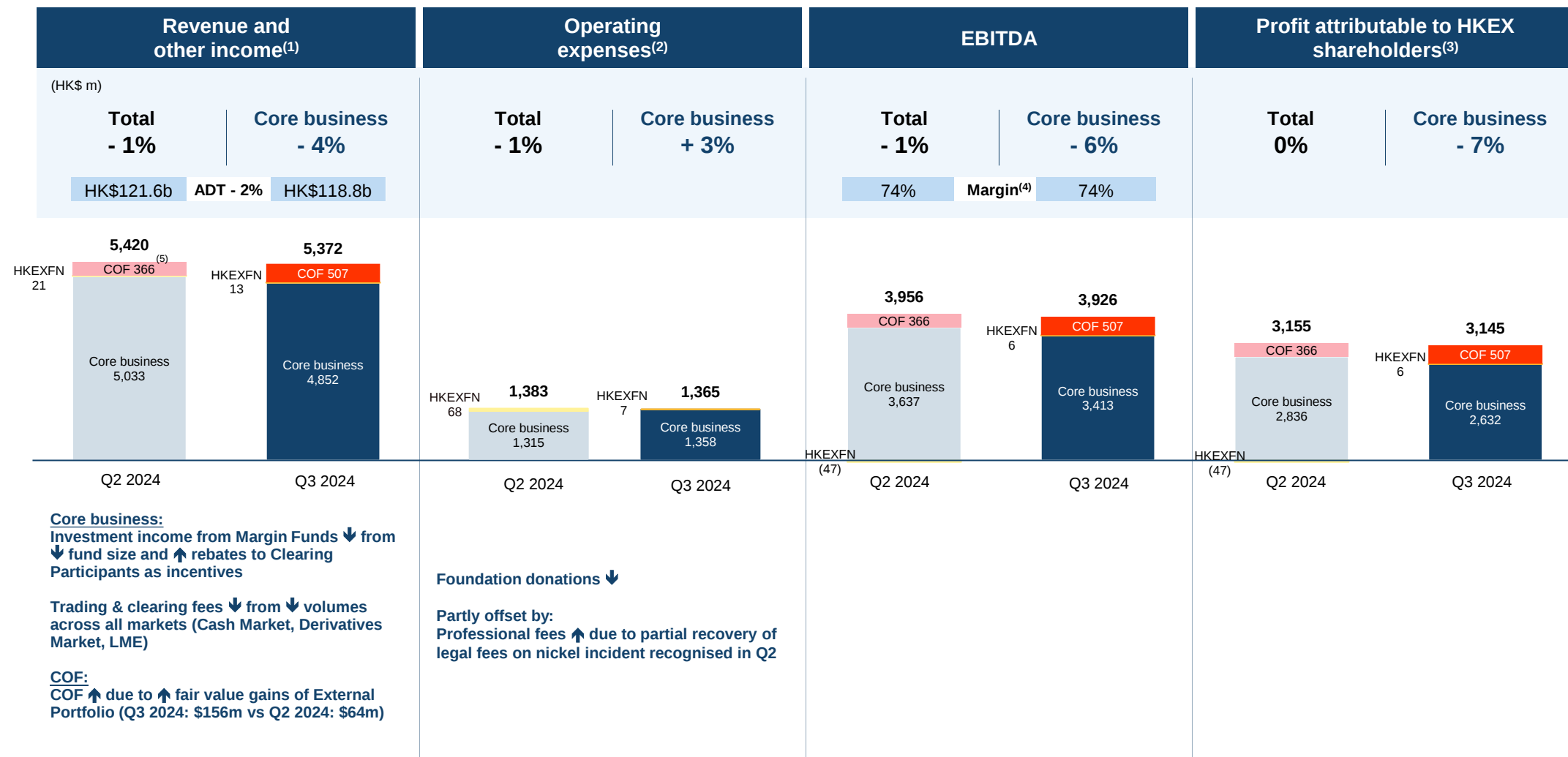
Thank you

Appendix



Q3 2024 vs Q2 2024

Q3 revenue and profit in line with the record Q2



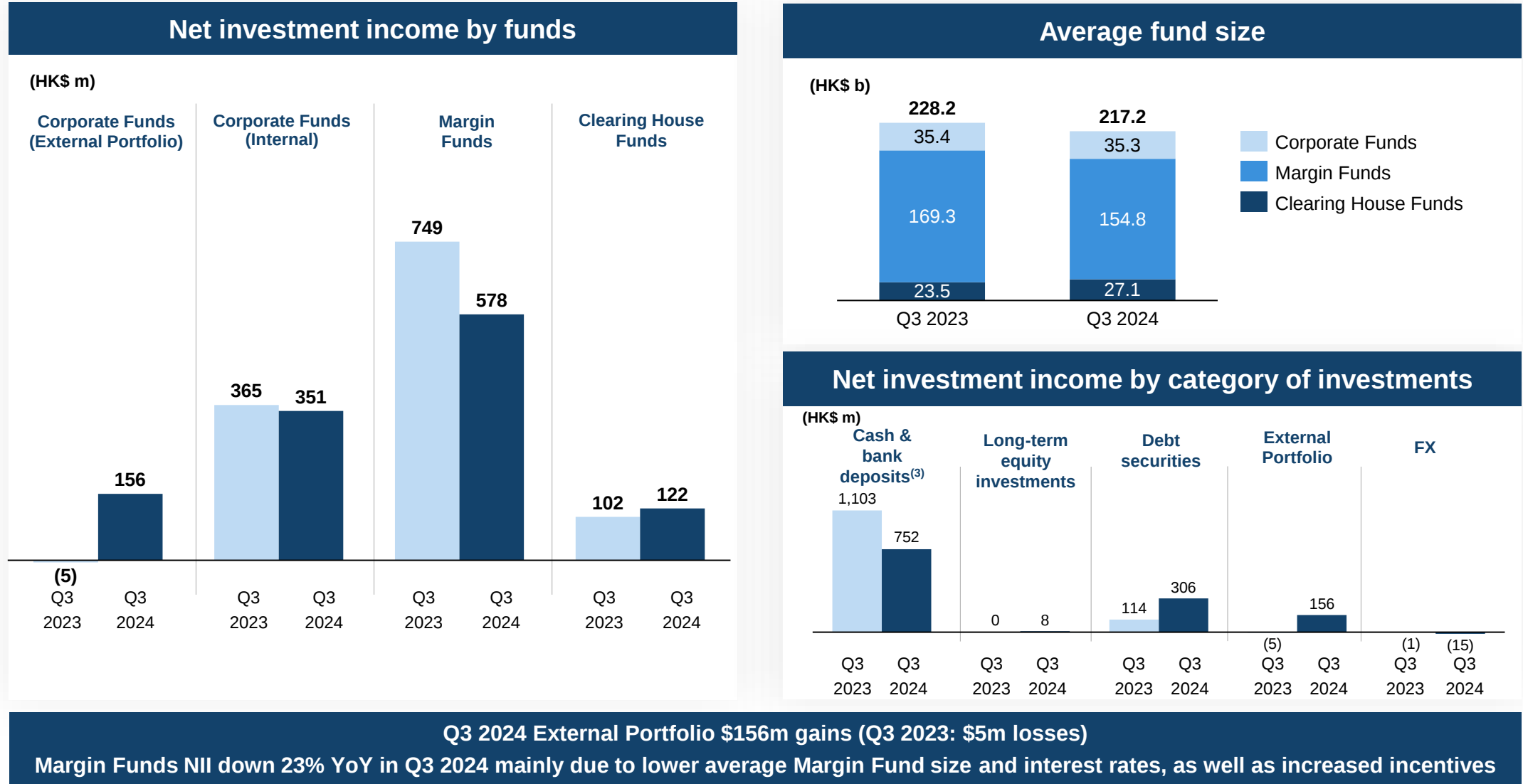
1. Represents gross revenue and other income before deducting transaction-related expenses (Q3 2024: \$81m; Q2 2024: \$81m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact 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



Net investment income (NII) – Q3 2024 vs Q3 2023

Higher External Portfolio gains offset by lower Margin Funds NII

Q3 2024: HK\$1,207m (Q3 2023: HK\$1,211m)



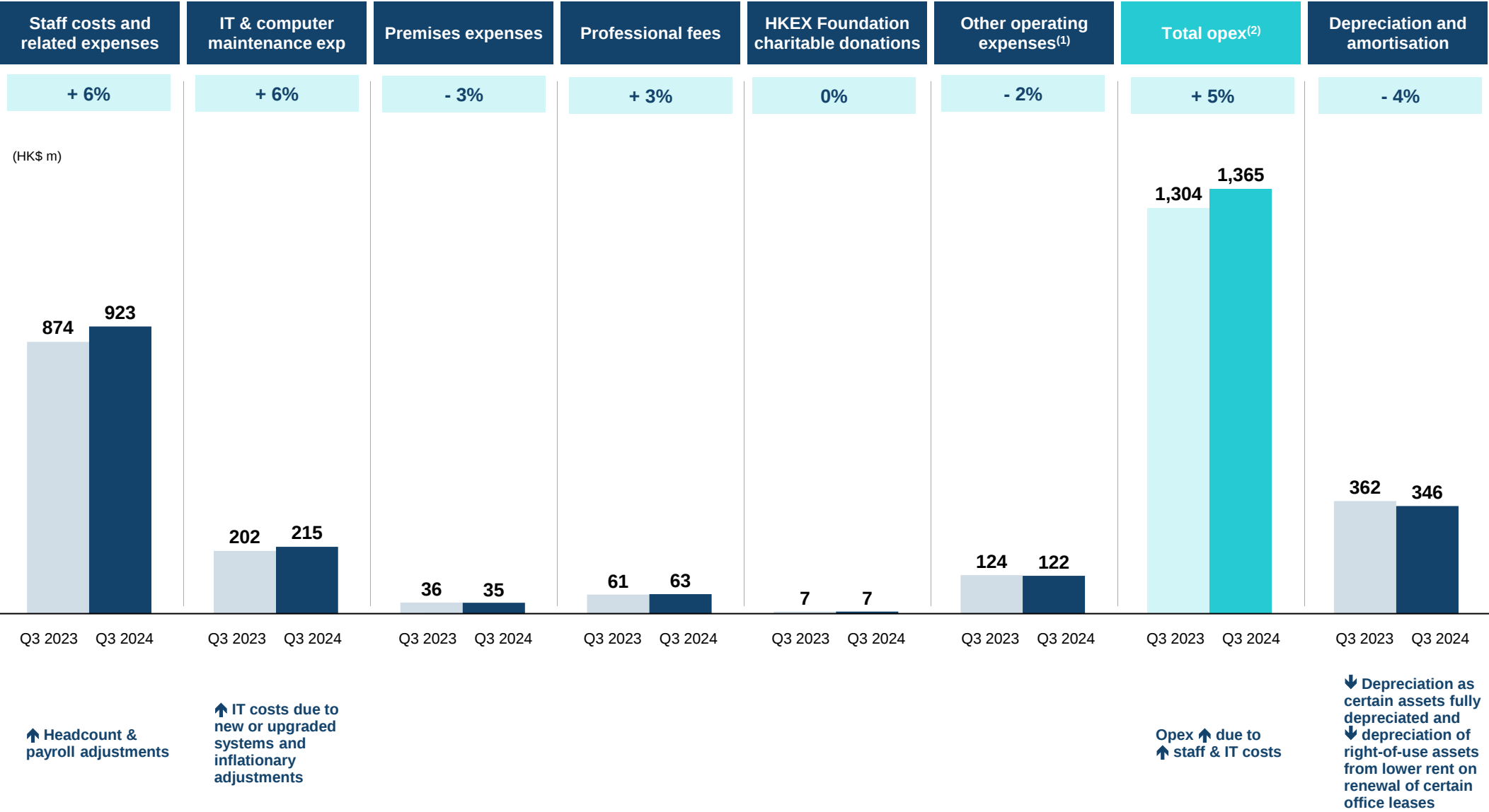
1. Financial figures on this slide are computed based on financial figures disclosed in YTD Q3 2024 and 1H 2024 results announcements

2. 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 34% as at 30 Jun 2024), a certain proportion is invested in long-term investment grade debt securities (approximately 24% as at 30 Jun 2024) and the remaining funds are invested in time deposits with maturity of up to 12 months (weighted original maturity of 10 months as at 30 Jun 2024)

3. Includes foreign exchange swaps

Operating expenses and depreciation & amortisation – Q3 2024 vs Q3 2023

Opex up 5% reflecting prudent investments 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



Financial highlights – Income Statement

(HK\$ m, unless stated otherwise)	YTD Q3 2024	YTD Q3 2023	YoY Change
Results			
Revenue and other income	15,993	15,659	2%
Less: Transaction-related expenses	(247)	(168)	47%
Revenue and other income less transaction-related expenses	15,746	15,491	2%
Operating expenses	(4,159)	(3,926)	6%
EBITDA	11,587	11,565	0%
Depreciation and amortisation	(1,044)	(1,081)	(3%)
Operating profit	10,543	10,484	1%
Finance costs and share of results of joint ventures	(14)	(39)	(64%)
Profit before taxation	10,529	10,445	1%
Taxation	(1,175)	(1,094)	7%
Profit attributable to non-controlling interests	(84)	(86)	(2%)
Profit attributable to HKEX shareholders	9,270	9,265	0%
Capex	1,027	830	24%
Basic earnings per share (HK\$)	7.33	7.32	0%
Headline ADT on the Stock Exchange (HK\$ b)	113.3	109.7	3%



Performance by operating segment

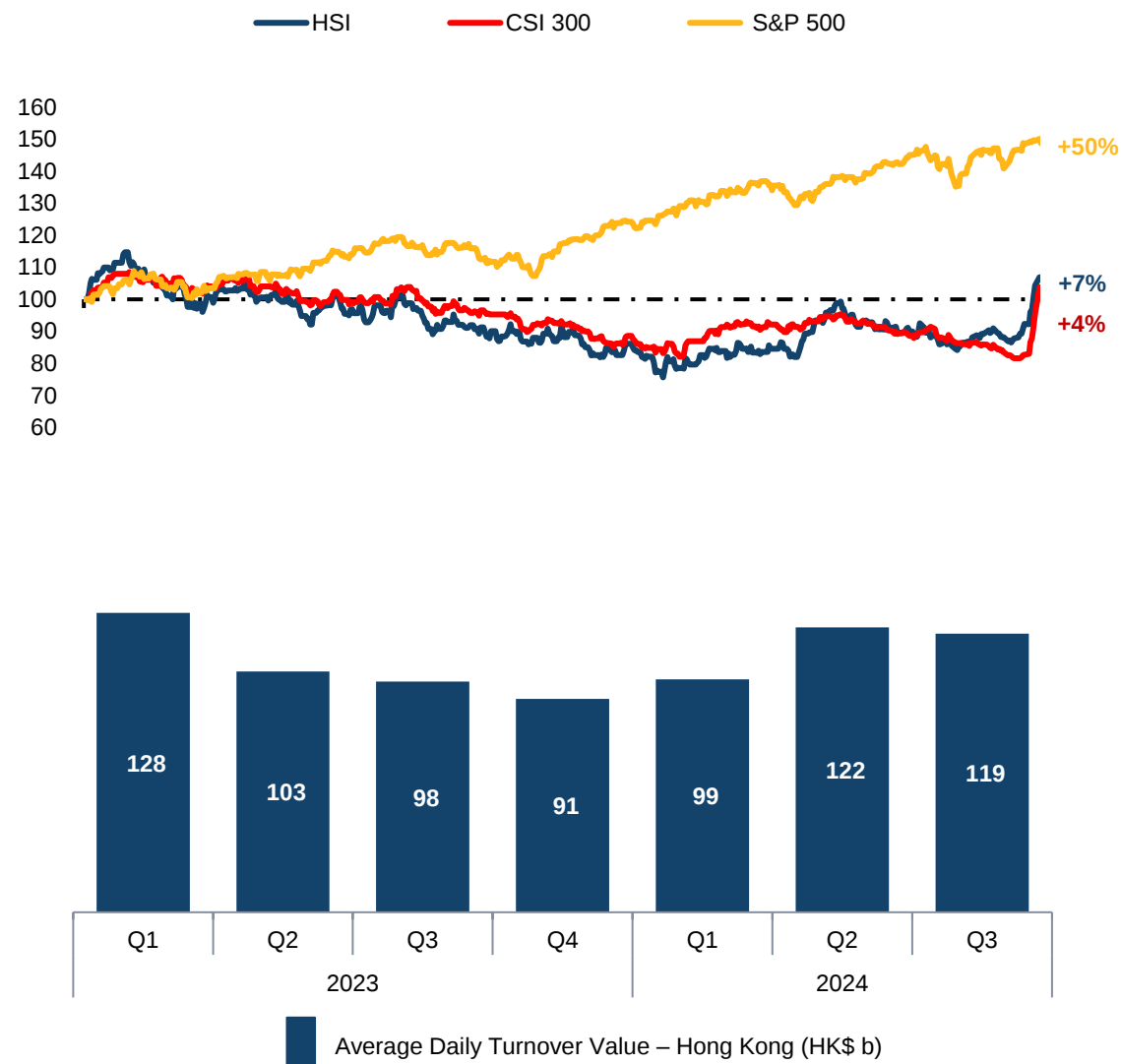
HK\$ m	Cash	Derivatives	Commodities	Data and Connectivity	Corporate Items	Group YTD Q3 2024	Group YTD Q3 2023
Revenue and other income	6,351	4,517	2,099	1,560	1,466	15,993	15,659
<i>% of Group Total</i>	<i>40%</i>	<i>28%</i>	<i>13%</i>	<i>10%</i>	<i>9%</i>	<i>100%</i>	<i>100%</i>
Less: Transaction-related expenses	(7)	(240)	-	-	-	(247)	(168)
Revenue and other income less transaction-related expenses	6,344	4,277	2,099	1,560	1,466	15,746	15,491
Operating expenses	(951)	(666)	(910)	(318)	(1,314)	(4,159)	(3,926)
EBITDA	5,393	3,611	1,189	1,242	152	11,587	11,565
<i>% of Group Total</i>	<i>47%</i>	<i>31%</i>	<i>10%</i>	<i>11%</i>	<i>1%</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin⁽¹⁾</i>	<i>85%</i>	<i>84%</i>	<i>57%</i>	<i>80%</i>	<i>10%</i>	<i>74%</i>	<i>75%</i>
Depreciation and amortisation						(1,044)	(1,081)
Finance costs						(86)	(102)
Share of results of joint ventures						72	63
Profit before taxation						10,529	10,445

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

Global market comparison



Key market indicators (Q1 2023 – Q3 2024)

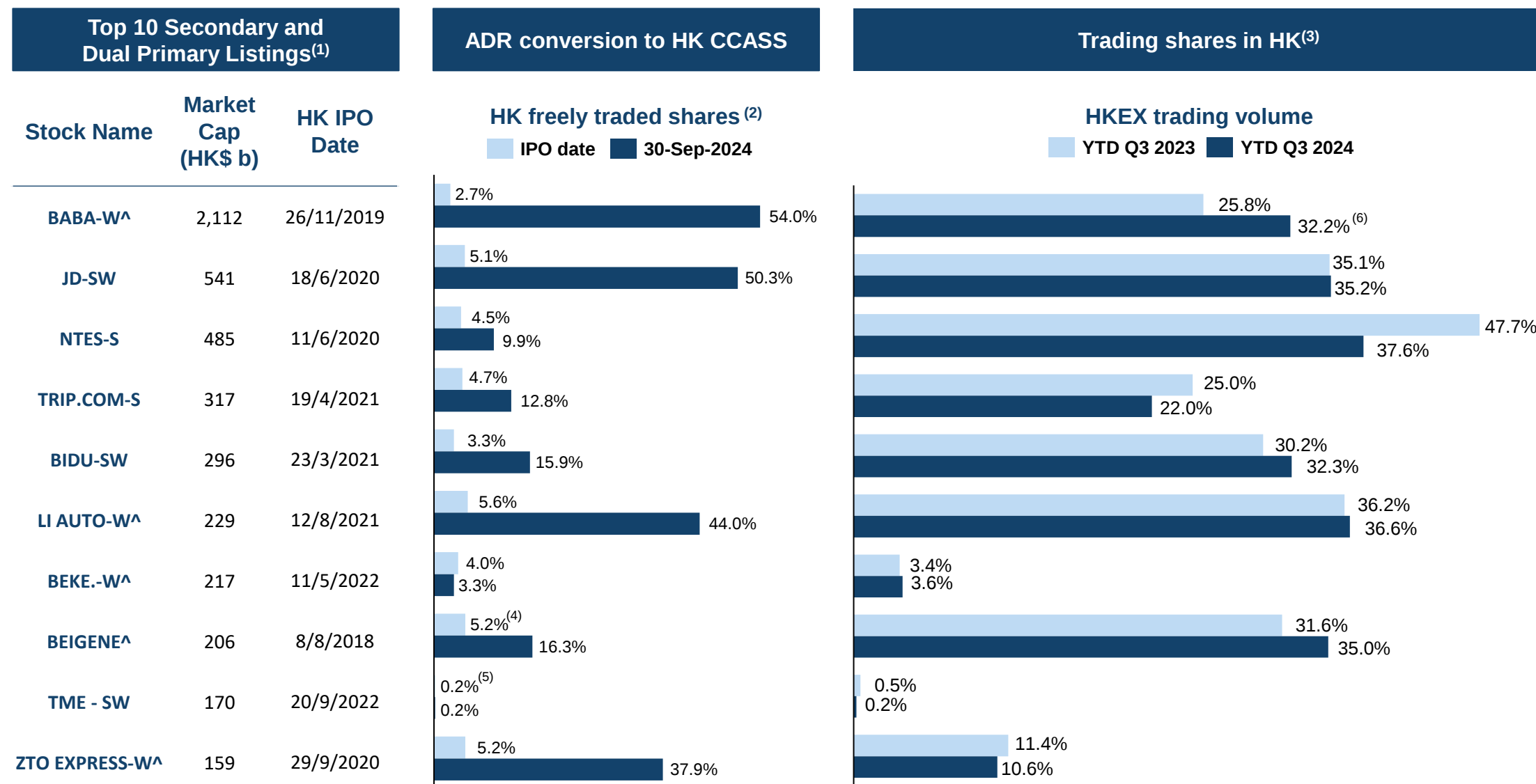
	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24
Derivative ADV ('000 contracts)	1,418	1,316	1,336	1,343	1,500	1,565	1,482
NB ADT (RMB b)	97.0	122.5	106.1	108.4	133.0	127.3	110.3
LME ADV ('000 lots)	503	574	548	623	659	730	642
No. of IPOs	18	15	14	26	12	18	15
IPO funds raised (HK\$ b)	6.7	11.2	6.7	21.7	4.8	8.6	42.2 ⁽¹⁾



Source: HKEX, Bloomberg

1. Midea Group listed on the HK Stock Exchange, marking HK's largest IPO since Feb 2021, Asia's largest and the world's second-largest IPO in YTD Q3 2024

Continuous ADR conversion while trading migration moderated from China concept homecoming except Alibaba (converted to Primary)



Source: HKEX, FactSet, Bloomberg, as at 30 Sep 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 Beigene (6160.HK) on its IPO date is not available and the earliest data available is as at 14 Jan 2022

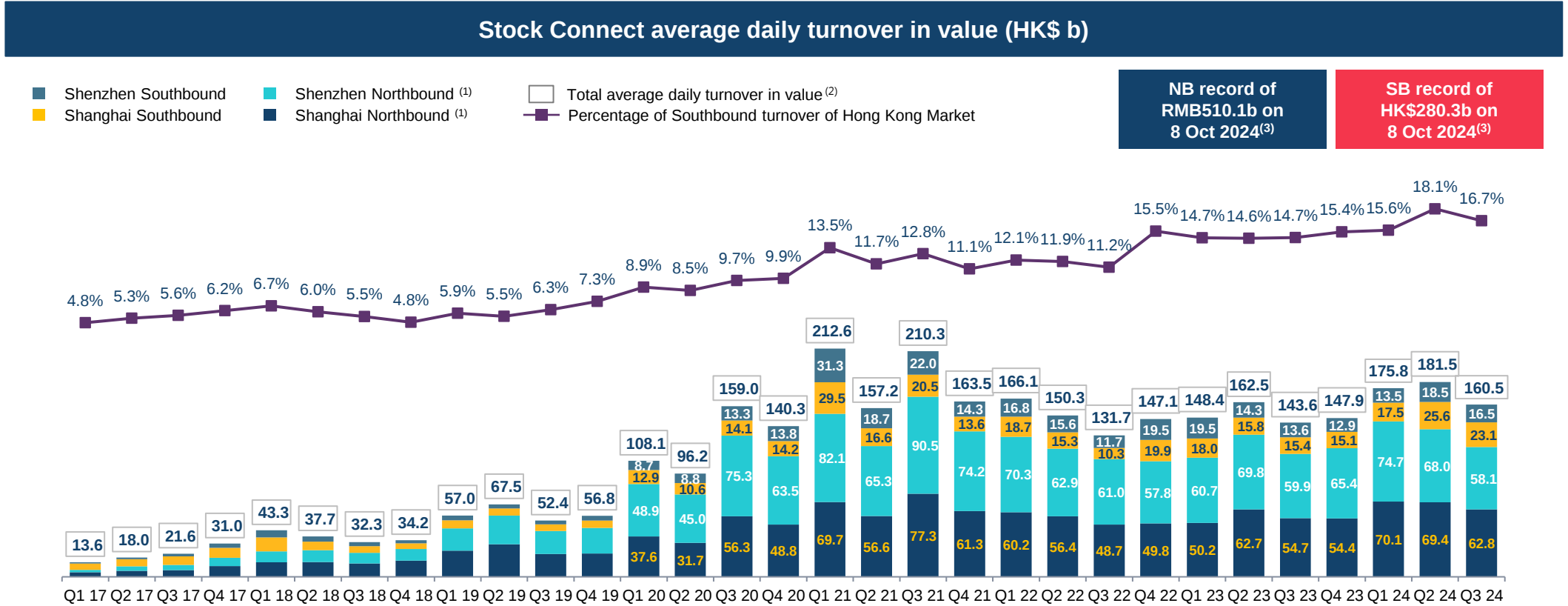
5. HK freely traded shares of TME (1698.HK) on its IPO date is not available and the earliest data available is as at 9 Apr 2023

6. Converted to Dual Primary Listing in Aug 2024



Stock Connect – trading trends

Stock Connect generated revenue of HK\$1,780m in YTD Q3 2024 (up 4% YoY)



Stock Connect NB and SB Trading ADT reached RMB110.3b (up 4% YoY) and HK\$39.6b (up 37% YoY) respectively in Q3 2024

Stock Connect revenue contributed 11% of the Group's total revenue and other income in YTD Q3 2024 (YTD Q3 2023: 11%)

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
3. As at 22 Oct 2024

