

Company Report

HKEX (388 HK)

Resilient core business performance

- Core revenue declined in 1H22, in line with market conditions
- External investment portfolio recorded losses; Long term business prospects intact
- Maintain HOLD on valuation; Cut TP to HKD351.9

Revenue and profit declined in 1H22

1) In 1H22, shareholders' net profit of the Company decreased by 27% yoy. The negative profit growth (vs. 1H21) was mainly the result of losses on externally-managed investment schemes, lower headline ADT, lower depository fees, and higher staff costs. The core results are in line with expectation. The external investment portfolio had net fair value losses of HKD511 million in 1H22 vs. net fair value gains of HKD321 million in 1H21. The management indicated that HKD2 billion will be redeemed from the external portfolio in 2H22 to reduce volatility on earnings. 2) Cash segment revenue and EBITDA dropped by 18% yoy and 21% yoy against a high base, and the associated post trade incomes also decreased. In more details, ADT of equity products traded on the Stock Exchange down 28% yoy, total Stock Connect Northbound/Southbound trading ADT down 9%/31% yoy, and the IPO funds raised dropped significantly amid volatile market environment. The management stressed that IPO pipeline remains strong with 180 active applications including 11 outstanding SPAC applications as of end-1H22. 3) Large IPOs continued to play an important role for the cash segment. In 1H22, 17% of cash ADT was contributed by the top 10 IPOs since 2018.

Business outlook

Over the long term, the Company's business outlook is still supported by China's economic growth, the broadening product ecosystem, and the stock connect programme. For example, the inclusion of ETFs into Stock Connect and the Swap Connect is strengthening the Connect programmes and supporting growing investor demand in HK and Mainland. Also, despite a lack of IPOs recently, the IPO pipeline remains strong and more Chinese companies are expected to convert to a primary listing.

Valuation and investment rating

The Company is trading at 37.5x 22E P/E, not attractive enough from valuation perspective considering its historical valuation range (Fig. 18-19). Revised down 22E net profit forecasts by 6.6%. Maintain HOLD rating on valuation. Cut HKEX's TP from HKD 375.4 to HKD 351.9 based on 38.7x 22E P/E, equal to its historical average P/E plus 1x S.D., or 15.2x 22E EV/EBITDA. **Key catalysts:** higher-than-expected trading and listing activities; **key downside risks:** lower-than-expected trading and listing activities, global political uncertainties.

Financials

Year ended 31 Dec	2020	2021	2022E	2023E	2024E
Revenue and other income (HKD mn)	19,190	20,950	20,380	22,268	23,916
EBITDA (HKD mn)	14,641	16,269	15,316	16,850	18,108
Profit attributable to shareholders (HKD mn)	11,505	12,535	11,632	12,838	13,743
BVPS (HKD)	38.6	39.2	39.6	42.0	44.3
Basic EPS (HKD)	9.11	9.91	9.10	9.95	10.55
DPS (HKD)	8.17	8.87	8.18	8.94	9.47
ROE (%)	24.0	25.0	23.2	24.4	24.5
P/E (x)	37.5	34.4	37.5	34.3	32.4
P/B (x)	8.8	8.7	8.6	8.1	7.7

Sources: Wind, HKEX, CMS (HK) estimates; Note: share price is as of August 17, 2022

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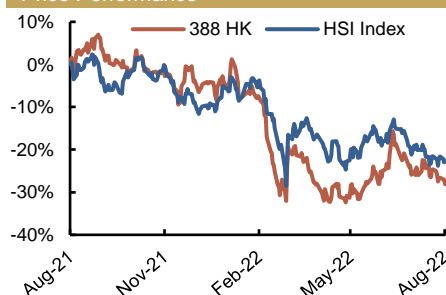
WHAT'S NEW

1H22 results review; cut TP

HOLD

Previous	HOLD
Price (August 17, 2022)	HKD341.2
12-month Target Price (Potential up/downside)	HKD351.9 (+3%)
Previous	HKD375.4

Price Performance



Source: Wind

%	1m	6m	12m
388 HK	(3.1)	(22.0)	(28.1)
HSI	(1.8)	(19.6)	(22.6)

Sources: Bloomberg

Sector: Diversified Finance	
Hang Seng Index (August 17, 2022)	19,922
HSCEI (August 17, 2022)	6,755

Key Data	
52-week range (HKD)	314.0-515.0
Market cap (HKD mn)	432,586
Avg. daily volume (mn)	4.38
BVPS (HKD)(2021-end)	39.2

Shareholding Structure	
HKSAR Government	5.90%
No. of shares outstanding (mn)	1,268
Free Float	94.10%

Source: Bloomberg, Wind, Company data

Related Research

1. HKEX (388 HK) - Intact long-term business outlook (HOLD) (Jun. 29, 2022)
2. HKEX (388 HK) - Growth of cash segment affected by base effect (HOLD) (Apr. 28, 2022)
3. HKEX (388 HK) - In line 2021 results; Maintain NEUTRAL (HOLD) (Feb. 25, 2022)

Focus charts

Figure 1: Key financial and operating results

	2021	1H21	1H22	1H22 yoy
Revenue and other income (HKD mn)	20,950	10,909	8,937	-18%
EBITDA (HKD mn)	16,269	8,607	6,394	-26%
Profit attributable to shareholders (HKD mn)	12,535	6,610	4,836	-27%
EBITDA Margin (%)	78.2	79.5	72.2	n.a.
ADT of equity products traded on the Stock Exchange (HKD bn)	146.6	165.8	119.9	-28%
Total Southbound Trading ADT Stock Connect (HKD bn)	41.7	48.1	33.2	-31%
Average daily number of trades of equity products traded on the Stock Exchange ('000)	1,949	2,530	2,288	-10%
Number of companies listed on the Main Board	2,219	2,190	2,223	2%
IPO funds raised (HKD bn)	331	211.7	19.7	-91%
Post-IPO funds raised (HKD bn)	442	275.6	95.3	-65%
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (HKD bn)	20.1	22.4	18.4	-18%
Avg. daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000)	416	433	388	-10%
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	536	521	701	35%
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	637	688	604	-12%
Number of newly listed DWs	16,684	8,247	6,157	-25%
Number of newly listed CBBCs	42,807	21,017	19,413	-8%
ADV of metals contracts traded on the LME excluding Admin Trades ('000 lots)	547	544	539	-1%

Sources: HKEX, CMS(HK)

Figure 2: Forecast revisions

	New			Old		Change	
	2021A	2022E	2023E	2022E	2023E	2022E New/Old	2023E New/Old
Revenue and other income (HKD mn)	20,950	20,380	22,268	21,108	22,937	-3.4%	-2.9%
EBITDA (HKD mn)	16,269	15,316	16,850	16,104	17,548	-4.9%	-4.0%
Profit attribute to shareholders (HKD mn)	12,535	11,632	12,838	12,455	13,678	-6.6%	-6.1%
EBITDA Margin (%)	78.2	75.8	76.5	77.1	77.6		
ROE (%)	25.0	23.2	24.4	23.4	23.0		

Sources: Company data, CMS (HK) estimates

Figure 3: Equity Market Capitalization (USD mn)

Rank	Exchange	1H22-end	1H21-end	1H22 yoy	2021-end	1H22 YTD
1	NYSE	23,019,911	26,213,291	-12.2%	27,686,924	-16.9%
2	Nasdaq - US	17,363,480	22,111,640	-21.5%	24,557,074	-29.3%
3	Shanghai Stock Exchange	7,374,493	7,616,812	-3.2%	8,154,689	-9.6%
4	Euronext	5,596,403	7,066,362	-20.8%	7,333,653	-23.7%
5	Japan Exchange Group	5,160,107	6,685,515	-22.8%	6,544,303	-21.2%
6	Shenzhen Stock Exchange	5,289,974	5,759,903	-8.2%	6,219,831	-14.9%
7	Hong Kong Exchanges and Clearing	4,978,954	6,805,818	-26.8%	5,434,177	-8.4%
8	LSE Group London Stock Exchange	3,071,632	3,710,005	-17.2%	3,799,459	-19.2%
9	National Stock Exchange of India	3,065,652	3,067,943	-0.1%	3,548,018	-13.6%
10	TMX Group	2,855,917	3,160,568	-9.6%	3,264,137	-12.5%
11	Saudi Exchange (Tadawul)	3,059,478	2,595,065	17.9%	2,671,331	14.5%
12	Nasdaq Nordic and Baltics	1,746,358	2,393,000	-27.0%	2,557,376	-31.7%
13	Deutsche Boerse AG	1,752,376	2,574,127	-31.9%	2,503,046	-30.0%
14	SIX Swiss Exchange	1,806,526	2,165,090	-16.6%	2,327,707	-22.4%
15	Korea Exchange	1,670,433	2,417,802	-30.9%	2,218,658	-24.7%
16	Taiwan Stock Exchange	1,556,874	1,945,629	-20.0%	2,029,131	-23.3%
17	ASX Australian Securities Exchange	1,593,957	1,874,299	-15.0%	1,887,401	-15.5%
18	Tehran Stock Exchange	1,349,226	1,107,363	21.8%	1,260,733	7.0%
19	Johannesburg Stock Exchange	1,106,675	1,149,365	-3.7%	1,143,003	-3.2%
20	Moscow Exchange	778,900	818,019	-4.8%	841,850	-7.5%

Sources: WFE, CMS(HK); Note: Order by data of 2021-end

Figure 4: IPO Equity Funds Raised (USD mn)

Rank	Exchange	1H22	1H21	1H22 yoy	2021
1	NYSE	4,043	79,101	-95%	118,969
2	Nasdaq - US	3,256	45,005	-93%	88,167
3	Shanghai Stock Exchange	32,495	21,972	48%	56,394
4	Hong Kong Exchanges and Clearing	2,523	27,183	-91%	42,550
5	Shenzhen Stock Exchange	15,286	10,013	53%	26,191
6	Euronext	1,356	14,832	-91%	25,559
7	LSE Group London Stock Exchange	788	10,499	-92%	19,813
8	National Stock Exchange of India	5,293	5,283	0.2%	18,525
9	Korea Exchange	11,287	4,975	127%	16,869
10	Nasdaq Nordic and Baltics	566	6,097	-91%	14,078

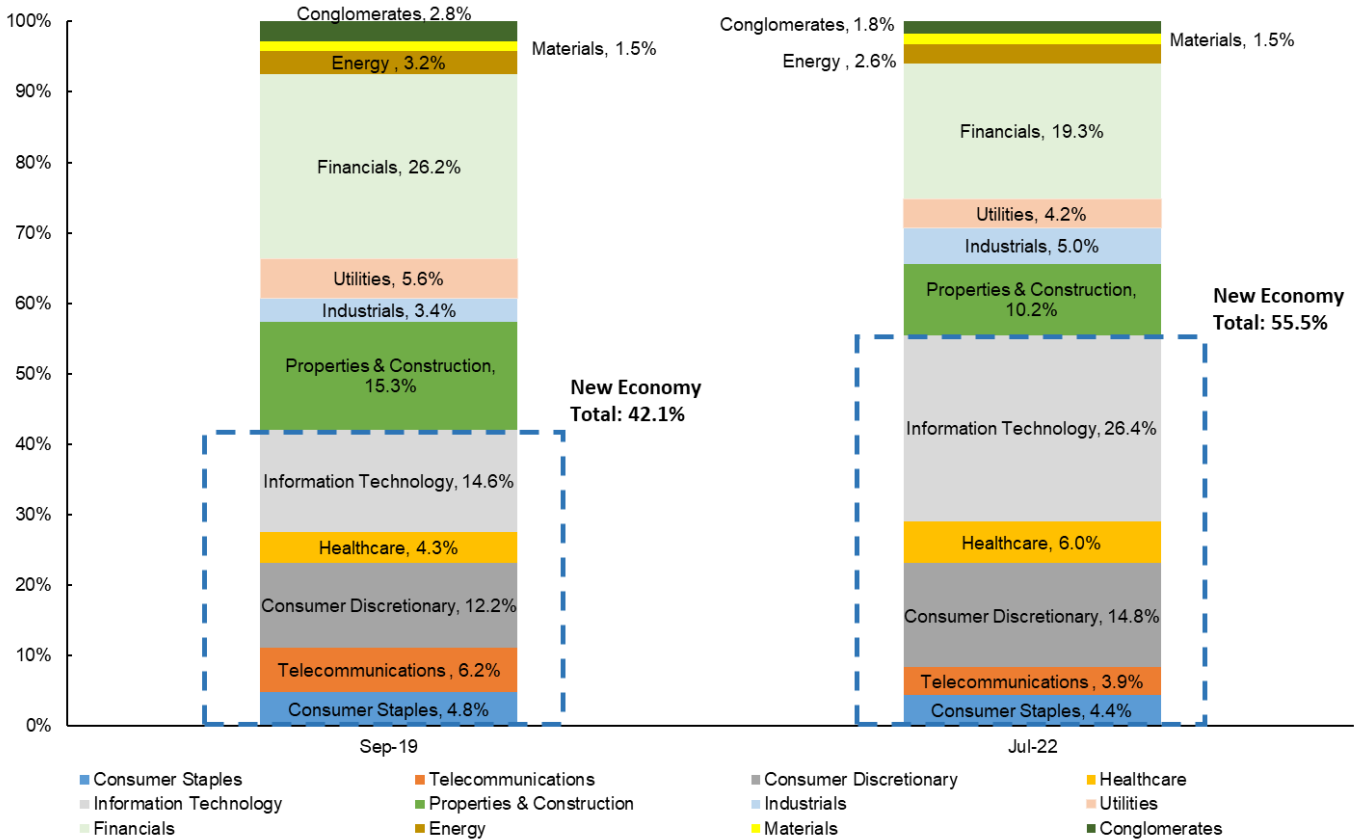
Sources: WFE, CMS(HK); Note: Order by data of 2021

Figure 5: Focus areas of HKEX’s strategy– 1H22

<p>Connecting China and the World</p>	<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
<p>Connecting Capital with Opportunities</p>	<ul style="list-style-type: none"> Further build attractiveness of primary market Enhance market structure Expand product ecosystem Grow client ecosystem
<p>Connecting Today with Tomorrow</p>	<ul style="list-style-type: none"> Modernise infrastructure Evolve from infrastructure-led to client-led model Develop strong digital capabilities Leverage data

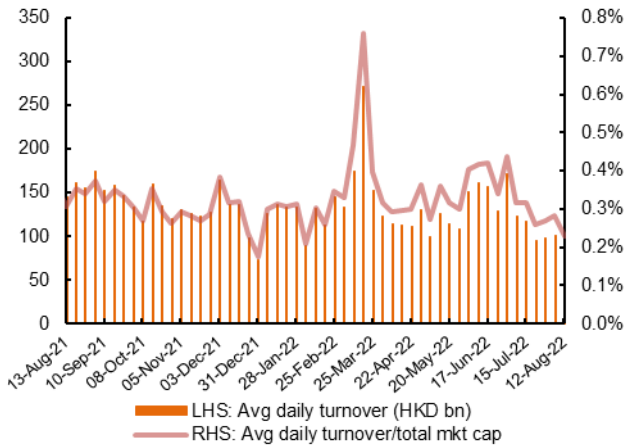
Sources: HKEX, CMS (HK)

Figure 6: Market capitalization of new economy companies in Hong Kong



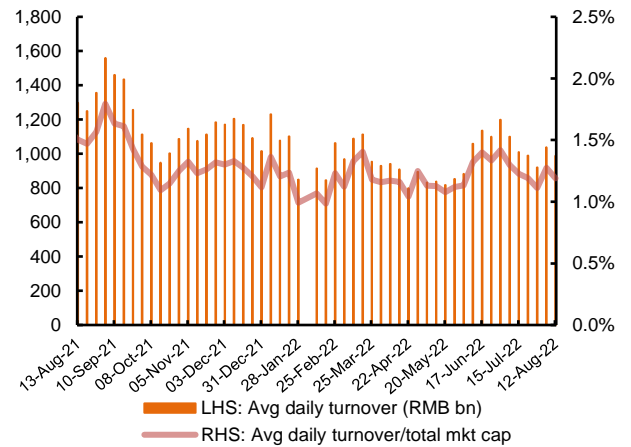
Sources: Wind, CMS (HK); Note: According to Hang Seng Classification of industry

Figure 7: Hong Kong market daily turnover



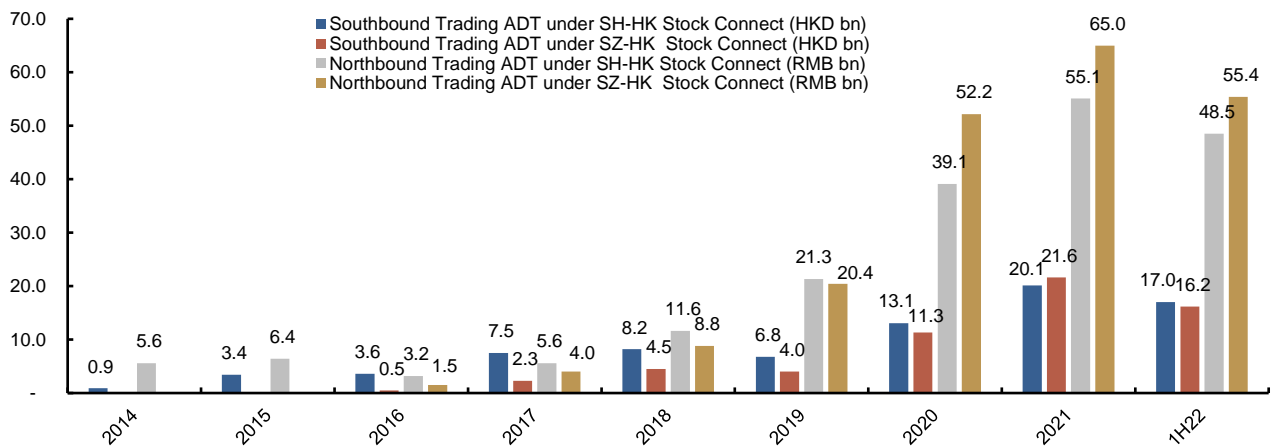
Sources: Wind, CMS (HK); Note: Data as of August 12, 2022

Figure 8: A-share market daily turnover



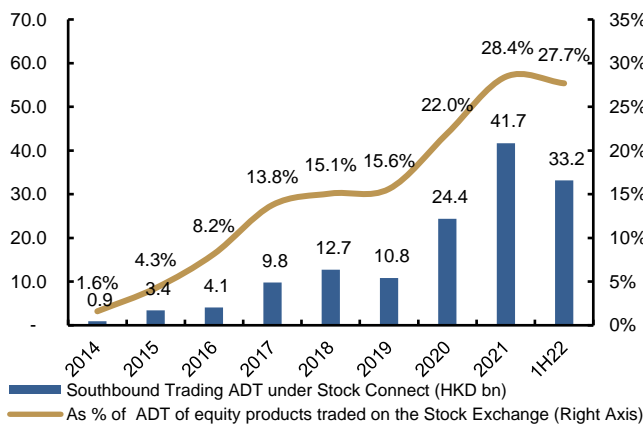
Sources: Wind, CMS (HK); Note: Data as of August 12, 2022

Figure 9: Trading ADT under Shanghai / Shenzhen- Hong Kong Stock Connect



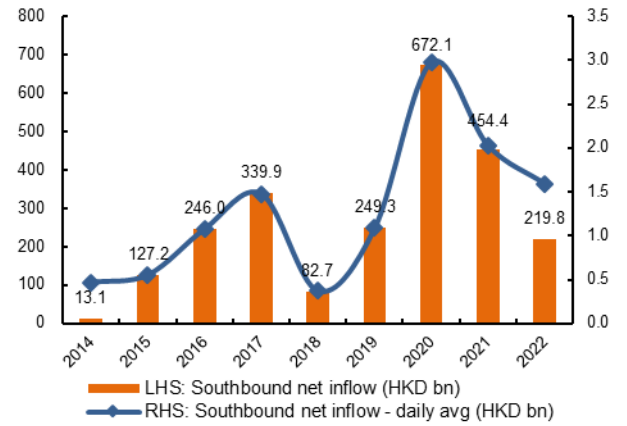
Sources: HKEX, CMS (HK)

Figure 10: Southbound Turnover



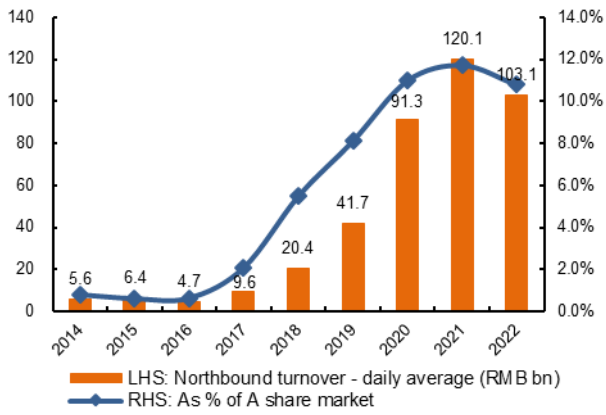
Sources: HKEX, CMS(HK)

Figure 11: Southbound Net Inflow



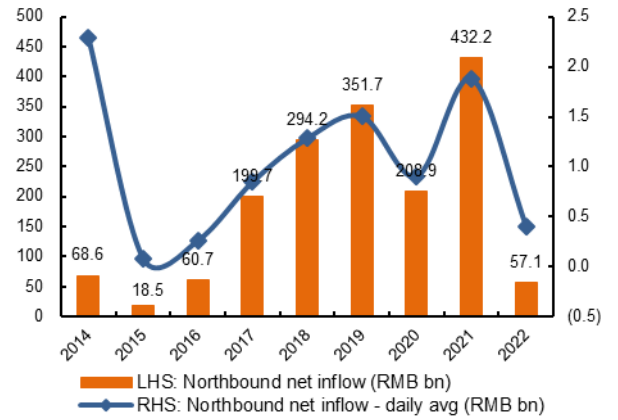
Sources: Wind, CMS(HK); Note: Data as of August 12, 2022

Figure 12: Northbound Turnover



Sources: Wind, CMS(HK); Note: Data as of August 12, 2022

Figure 13: Northbound Net Inflow



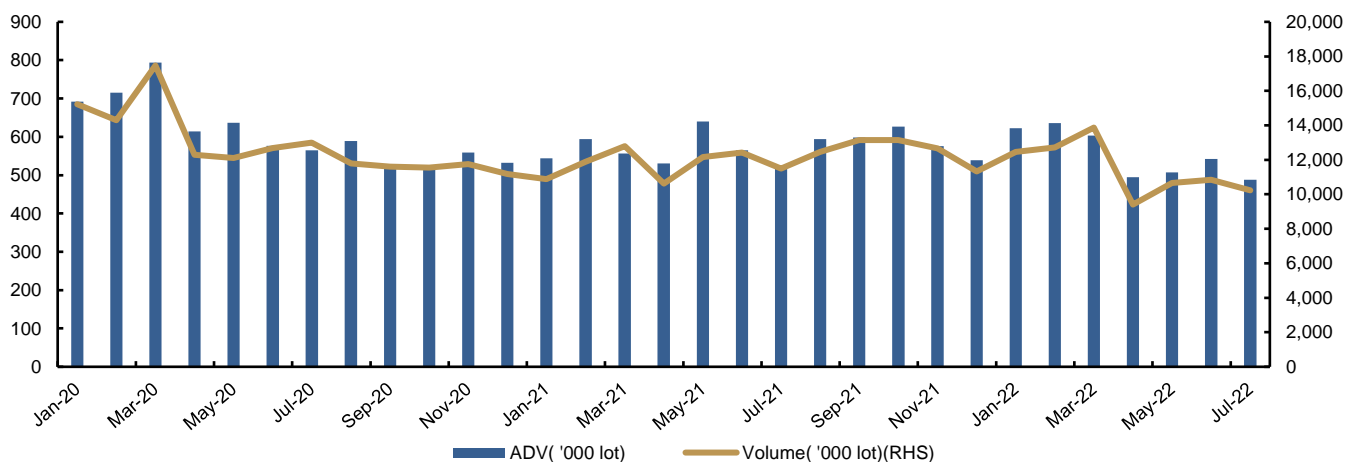
Sources: Wind, CMS(HK); Note: Data as of August 12, 2022

Figure 14: Eligible Chinese companies for Secondary listing in HKEX in 2022

No. *	Ticker	Company	Exchange	Listing Date	Industry **	WVR-structure	VIE-structure	Market Cap (HKD bn) ***	Revenue of last FY (HKD bn)	Criteria ****
1	PDD.O	PINDUODUO	NASDAQ	2018-07-26	Consumer Discretionary	Y	Y	613.2	114.9	1;2
2	TME.N	TENCENT MUSIC ENTERTAINMENT	NYSE	2018-12-12	Consumer Discretionary	Y	Y	66.8	38.2	1;2
3	FUTU.O	FUTU	NASDAQ	2019-03-08	Financials	Y	Y	60.2	7.1	1;2
4	VIPS.N	VIPSHOP	NYSE	2012-03-23	Consumer Discretionary	N	Y	50.9	143.2	3;4
5	DQ.N	DAQO NEW ENERGY	NYSE	2010-10-07	Information Technology	N	Y	41.7	13.1	3;4
6	IQ.O	IQIYI	NASDAQ	2018-03-29	Information Technology	Y	Y	28.4	37.4	2
7	JKS.N	JINKOSOLAR	NYSE	2010-05-14	Information Technology	N	N	25.9	49.9	3;4
8	TAL.N	TAL EDUCATION	NYSE	2010-10-20	Consumer Discretionary	N	Y	24.8	34.3	3;4
9	ATCO.N	ATLAS	NYSE	2005-08-09	Industrials	N	N	23.6	12.8	3;4
10	MLCO.O	MELCO RESORTS & ENTERTAINMENT	NASDAQ	2006-12-19	Consumer Discretionary	N	N	21.3	15.7	3;4
11	QFIN.O	360 DIGITECH	NASDAQ	2018-12-14	Financials	Y	Y	21.1	19.3	2
12	YY.O	JOYY	NASDAQ	2012-11-21	Information Technology	Y	Y	16.8	20.4	2
13	CSIQ.O	CANADIAN SOLAR	NASDAQ	2006-11-09	Information Technology	N	N	14.6	41.2	3;4
14	FINV.N	FINVOLUTION	NYSE	2017-11-10	Financials	N	Y	10.7	11.6	3
15	NEGG.O	NEWEGG COMMERCE	NASDAQ	2010-04-22	Consumer Discretionary	N	N	10.7	18.5	3;4
16	HOLI.O	HOLLYSYS AUTOMATION TECHNOLOGIES	NASDAQ	2008-08-01	Information Technology	N	N	7.2	4.6	4
17	VNET.O	VNET	NASDAQ	2011-04-21	Information Technology	N	Y	7.0	7.6	4
18	RENN.N	RENREN	NYSE	2011-05-04	Consumer Discretionary	N	Y	5.7	0.3	4
19	SVA.O	SINOVAC BIOTECH	NASDAQ	2004-12-08	Healthcare	N	N	5.1	151.1	4
20	SOHU.O	SOHU.COM	NASDAQ	2000-07-12	Information Technology	N	Y	5.0	6.5	4

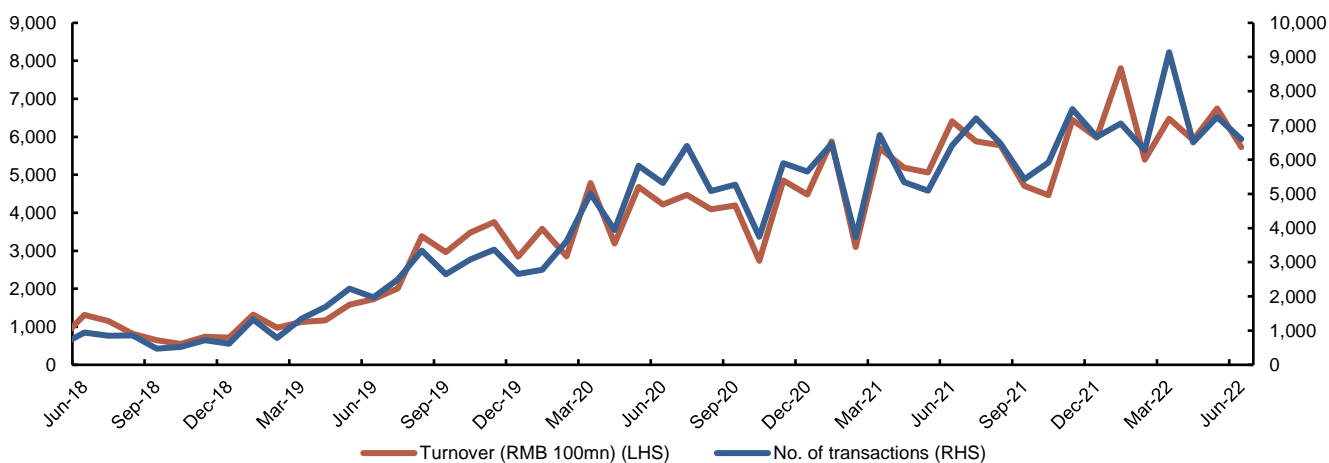
Sources: Wind, CMS(HK); Note: * Order by market cap; ** Based on Wind Classification of industry; *** as of June 30, 2022; **** According to the latest listing rules which became effective from Jan. 1, 2022, Chinese companies who meet following criteria can secondary list on HKEX: **i) For companies with WVR structure:** primarily listing in qualifying exchanges (NASDAQ, NYSE and LSE) with at least 2 full financial years of good compliance and with minimum market capitalization at listing of HKD40 billion (Criteria 1); primarily listing in qualifying exchanges (NASDAQ, NYSE and LSE) with at least 2 full financial years of good compliance and with minimum market capitalization at listing HKD10 billion and with at least HKD1 billion of revenue in the most recent audited financial year (Criteria 2); **ii) For companies without WVR structure,** primarily listing in qualifying exchanges (NASDAQ, NYSE and LSE) with at least 2 full financial years of good compliance and with minimum market capitalization at listing of HKD10 billion (Criteria 3); or primarily listing in qualifying exchanges (NASDAQ, NYSE and LSE) with at least 5 full financial years of good compliance and with minimum market capitalization at listing of HKD3 billion (Criteria 4).

Figure 15: ADV and trading volume of LME



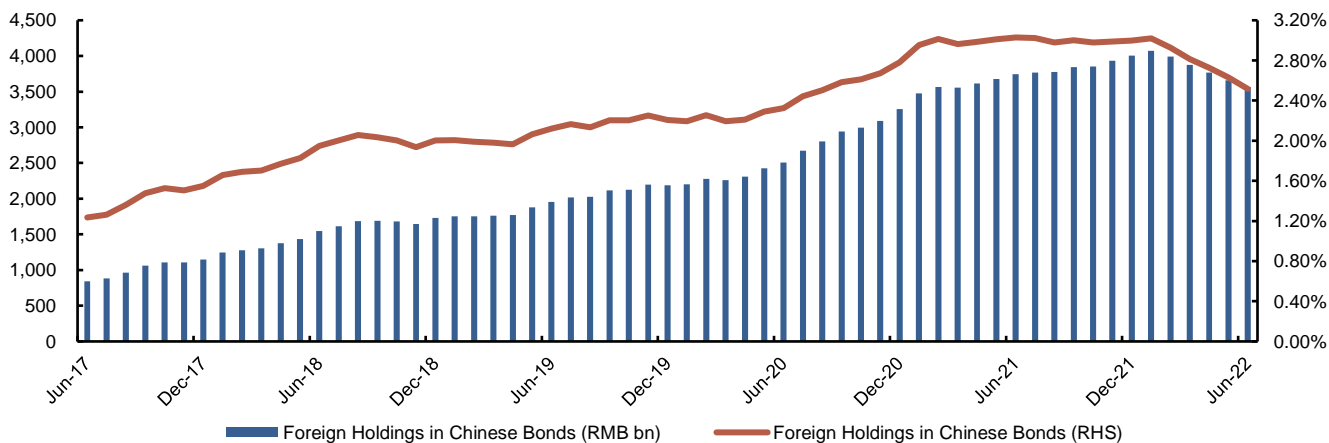
Sources: LME, CMS (HK)

Figure 16: Turnover and number of transactions of Bond Connect



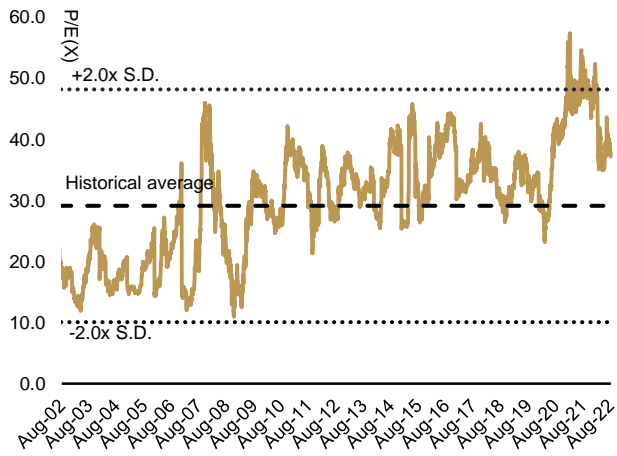
Sources: Wind, CMS (HK)

Figure 17: Foreign Holdings in Chinese Bonds



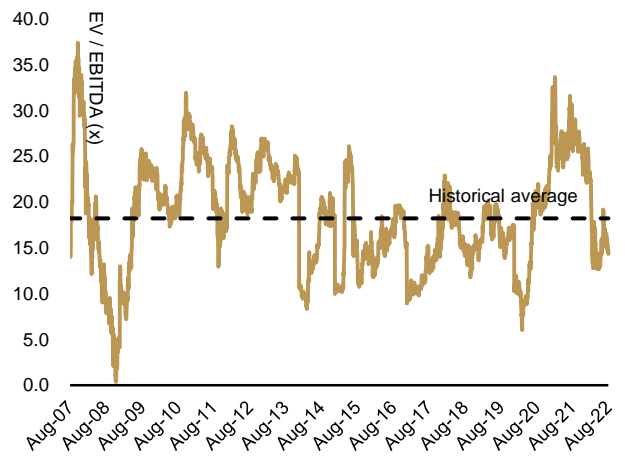
Sources: Wind, CMS (HK); Note: The proportions of foreign holdings in Chinese bonds is based on total custody amount of Chinese Bond Market.

Figure 18: P/E valuation of HKEX



Sources: Wind, CMS (HK) estimates

Figure 19: EV/EBITDA of HKEX



Sources: Bloomberg, Company data, CMS (HK) estimates

Valuation comparison

Company	Ticker	Rating	Price Local ccy	TP (HKD)	Mkt Cap (USD mn)	EV/EBITDA (x)		P/E (x)		P/B (x)		EBITDA Margin (%)		ROE (%)	
						2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
Asia Pacific															
Hong Kong Exchanges and Clearing	388 HK	HOLD	341.2	351.9	55,165	14.3	11.9	37.5	34.3	8.6	8.1	75.8	76.5	23.2	24.4
Japan Exchange Group *	8697 JP	NR	2,223.5	n.a.	8,722	n.a.	11.8	23.4	24.4	n.a.	n.a.	67.2	65.4	15.8	15.0
ASX Australian Securities Exchange *	ASX AU	NR	84.6	n.a.	11,432	14.4	18.6	32.3	30.2	4.3	4.2	72.7	70.6	13.5	13.7
Singapore Exchange *	SGX SP	NR	9.9	n.a.	7,673	15.8	14.4	24.2	22.2	7.0	6.5	56.1	56.4	30.8	30.9
Bursa Malaysia *	BURSA MK	NR	6.5	n.a.	1,185	14.3	13.8	22.6	20.8	6.3	6.1	57.6	57.4	28.2	29.7
Multi Commodity Exchange of India *	MCX IN	NR	1,313.3	n.a.	852	35.1	24.4	45.5	31.3	4.7	4.5	43.9	49.7	10.5	14.8
Average						18.8	15.8	30.9	27.2	6.2	5.9	62.2	62.6	20.3	21.4
North America *															
CME Group	CME US	NR	205.5	n.a.	73,850	22.1	20.7	25.9	24.5	2.6	2.6	67.6	69.5	10.3	10.7
Intercontinental Exchange	ICE US	NR	111.1	n.a.	62,022	15.9	14.6	20.6	19.3	2.6	2.4	64.4	65.8	12.8	12.8
NASDAQ	NDAQ US	NR	191.6	n.a.	31,371	18.5	17.2	24.2	22.7	5.1	4.9	54.8	52.1	21.0	20.5
Cboe Global Markets	CBOE US	NR	119.9	n.a.	12,719	13.4	13.0	18.7	18.0	3.8	3.6	63.1	61.6	22.3	19.6
TMX Group	X CN	NR	133.2	n.a.	5,754	11.9	11.1	18.3	17.5	1.9	1.8	56.4	58.3	12.4	10.5
Average						16.4	15.3	21.5	20.4	3.2	3.1	61.3	61.4	15.8	14.8
Europe *															
London Stock Exchange Group	LSEG LN	NR	8,372.0	n.a.	57,149	15.2	13.5	26.8	24.2	1.8	1.8	47.7	49.5	7.0	7.5
Deutsche Börse	DB1 GR	NR	168.5	n.a.	32,865	14.8	13.5	21.9	19.8	3.9	3.3	58.7	57.2	18.9	17.9
EURONEXT N.V.	ENX FP	NR	78.0	n.a.	8,550	11.9	11.1	15.1	14.2	2.1	2.0	58.8	59.8	14.2	13.8
Moscow Exchange	MOEX RM	NR	86.4	n.a.	3,223	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average						14.0	12.7	21.3	19.4	2.6	2.4	55.0	55.5	13.4	13.1
Others *															
B3 - Brasil Bolsa Balcão S.A.	B3SA3 BZ	NR	13.1	n.a.	15,552	10.6	10.1	16.1	15.3	3.7	3.8	74.4	73.9	22.9	28.0
Bolsa Mexicana de Valores	BOLSAA MM	NR	38.0	n.a.	1,110	7.3	7.2	13.6	12.9	2.9	2.8	61.5	61.2	21.6	21.9
Dubai Financial Market	DFM UH	NR	1.8	n.a.	3,942	n.a.	n.a.	120.7	51.7	n.a.	n.a.	n.a.	n.a.	1.4	n.a.
Average						9.0	8.7	50.1	26.6	3.3	3.3	67.9	67.6	15.3	25.0
Average (All)						15.7	14.2	29.8	23.7	4.1	3.9	61.3	61.5	16.9	18.2

Sources: Company data, Bloomberg, CMS (HK) estimates; Prices are as of August 17, 2022 in HKT; * forecast is based on Bloomberg consensus

Financial Summary

Balance Sheet

Year ended 31 Dec (HKD mn)	2020	2021	2022E	2023E	2024E
Current assets	375,693	375,069	441,435	480,837	522,688
Cash and cash equivalents	157,996	181,361	212,345	231,962	252,486
Financial assets measured at fair value through profit or loss	100,081	99,915	132,440	142,761	153,891
Financial assets measured at fair value through other comprehensive income	7,942	9,755	11,426	12,424	13,314
Financial assets measured at amortized cost	62,589	51,302	57,398	63,082	69,327
Accounts receivable, prepayments and deposits	47,059	32,717	27,806	30,589	33,650
Non-current assets	23,413	24,235	24,188	24,094	23,871
Total assets	399,106	399,304	465,624	504,930	546,559
Current liabilities	346,334	345,964	411,317	447,123	485,185
Financial liabilities at fair value through profit or loss	92,884	91,424	123,075	132,459	142,560
Margin deposits, Mainland security and settlement deposits, and cash collateral from Clearing Participants	187,008	203,536	226,698	249,088	273,682
Accounts payable, accruals and other liabilities	42,974	28,335	29,752	31,239	32,801
Deferred revenue	1,049	1,100	1,133	1,167	1,202
Taxation payable	1,174	1,153	1,542	1,850	2,220
Participants' contributions to Clearing House Funds	20,439	19,182	27,877	30,054	31,419
Other current liabilities	806	1,234	1,240	1,265	1,300
Non-current liabilities	3,536	3,430	3,283	3,240	3,247
Total liabilities	349,870	349,394	414,601	450,362	488,432
Share capital	31,891	31,896	32,605	33,956	35,389
Reserves	(187)	(443)	(447)	(623)	(685)
Retained earnings	17,214	18,173	18,581	20,951	23,139
Equity attributable to Shareholders	48,918	49,626	50,739	54,284	57,843
Non-controlling interests	318	284	284	284	284
Total equity	49,236	49,910	51,023	54,568	58,127

Cashflow Statement

Year ended 31 Dec (HKD mn)	2020	2021	2022E	2023E	2024E
Net cash inflows from operating activities	14,769	12,340	14,992	14,200	14,793
<i>Profit before taxation</i>	<i>13,332</i>	<i>14,841</i>	<i>13,803</i>	<i>15,240</i>	<i>16,317</i>
<i>Net cash inflows from principal operating activities</i>	<i>11,956</i>	<i>13,897</i>	<i>14,934</i>	<i>13,762</i>	<i>15,146</i>
<i>Cash flows from other operating activities</i>	<i>2,813</i>	<i>(1,557)</i>	<i>58</i>	<i>438</i>	<i>(354)</i>
Net cash (outflow)/inflow from investing activities	(7,482)	2,276	(3,023)	(3,138)	(3,327)
Net cash (outflow)/inflow from financing activities	(7,474)	(12,669)	(10,794)	(9,705)	(9,973)
Net increase/(decrease) in cash and cash equivalents	(187)	1,947	1,176	1,357	1,493
Cash and cash equivalents at beginning of the year	10,603	10,442	12,398	13,574	14,931
Cash and cash equivalents at end of the year	10,416	12,389	13,574	14,931	16,424

Sources: Company data, CMS (HK) estimates

Profit & Loss Statement

Year ended 31 Dec (HKD mn)	2020	2021	2022E	2023E	2024E
Trading fees and trading tariffs	6,959	7,931	7,648	7,999	8,431
Stock Exchange listing fees	1,899	2,185	2,124	2,307	2,516
Clearing and settlement fees	4,355	5,214	4,781	5,000	5,267
Depository, custody and nominee services fees	1,264	1,543	1,450	1,595	1,755
Market data fees	953	1,034	1,106	1,216	1,338
Other revenue	1,405	1,564	1,593	1,698	1,811
Revenue	16,835	19,471	18,701	19,815	21,117
Net investment income	2,228	1,304	1,549	2,313	2,645
Revenue and other income	19,190	20,950	20,380	22,268	23,916
Less: Transaction-related exp.	(110)	(152)	(186)	(228)	(281)
Revenue and other income less transaction-related exp.	19,080	20,798	20,194	22,040	23,635
Operating expenses	(4,439)	(4,529)	(4,879)	(5,190)	(5,527)
EBITDA	14,641	16,269	15,316	16,850	18,108
Depreciation and amortization	(1,197)	(1,354)	(1,428)	(1,516)	(1,687)
Operating profit	13,444	14,915	13,887	15,334	16,421
Finance costs	(181)	(154)	(174)	(194)	(214)
Share of profits less losses of joint ventures	69	80	90	100	110
Profit before taxation	13,332	14,841	13,803	15,240	16,317
Taxation	(1,845)	(2,343)	(2,209)	(2,438)	(2,611)
Profit for the year	11,487	12,498	11,595	12,801	13,706
Attributable to:					
Shareholders of HKEX	11,505	12,535	11,632	12,838	13,743

Financial Ratios and Key Assumptions

Year ended 31 Dec (HKD mn)	2020	2021	2022E	2023E	2024E
BVPS (HKD)	38.6	39.2	39.6	42.0	44.3
Basic EPS (HKD)	9.11	9.91	9.10	9.95	10.55
Diluted EPS (HKD)	9.09	9.89	9.09	9.93	10.52
DPS (HKD)	8.17	8.87	8.18	8.94	9.47
ROE (%)	24.0	25.0	23.2	24.4	24.5
EBITDA Margin (%)	76.7	78.2	75.8	76.5	76.6
ADT of equity products traded on the Stock Exchange (HKD bn)	110.9	146.6	126.4	132.5	141.0
Total Southbound Trading ADT Stock Connect (HKD bn)	24.4	41.7	36.0	40.4	45.8
Average daily number of trades of equity products traded on the Stock Exchange ('000)	1,618	1,949	1,821	1,882	1,961
Number of companies listed on the Main Board	2,170	2,219	2,250	2,310	2,370
IPO funds raised (HKD bn)	400	331	150	188	234
Post-IPO funds raised (HKD bn)	347	442	354	371	390
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (HKD bn)	18.6	20.1	19.1	20.0	21.1
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000)	344	416	416	437	459
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	610	536	670	704	739
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	526	637	605	635	667
Number of newly listed DWs	12,128	16,684	13,347	14,682	16,150
Number of newly listed CBBCs	38,039	42,807	42,807	47,088	51,796
ADV of metals contracts traded on the LME excluding Admin Trades ('000 lots)	571	547	547	561	575

Investment Ratings

Industry Rating	Definition
OVERWEIGHT	Expect sector to outperform the market over the next 12 months
NEUTRAL	Expect sector to perform in-line with the market over the next 12 months
UNDERWEIGHT	Expect sector to underperform the market over the next 12 months

Company Rating	Definition
BUY	Expect stock to generate 10%+ return over the next 12 months
HOLD	Expect stock to generate +10% to -10% over the next 12 months
SELL	Expect stock to generate loss of 10%+ over the next 12 months

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