

FLOW TRADERS Q222 RESULTS

Amsterdam, the Netherlands – Flow Traders N.V. (Euronext: FLOW) announces its unaudited Q222 results and 2022 Half Year report.

Highlights

- Market ETP Value Traded decreased by 9% quarter-on-quarter and increased by 66% H122 vs H121
- Flow Traders ETP Value Traded decreased by 14% quarter-on-quarter and increased by 46% H122 vs H121
- Flow Traders recorded Normalized total income of €86.2m in Q222 comprising Normalized NTI of €83.7m reflecting a more stable market and trading environment compared to Q122 and Normalized other income of €2.5m derived from the strategic investments portfolio. H122 Normalized total income was €234.5m vs €236.9m in H121
- Normalized operating expenses of €49.7m incurred in Q222. Normalized employee expenses reflect full quarter impact of additional hires, completion of the targeted base compensation increase exercise and the adjustment of the variable remuneration pool to 32.5% of operating result to account for the shift in total compensation mix
- €8.5m of strategic advisory costs incurred in Q222 relating to optimization of group legal entity and regulatory structure and further balance sheet review efforts, which are excluded from Normalized operating expenses
- 611 FTEs as at 30 June 2022 compared to 624 FTEs as at 31 March 2022
- Normalized EBITDA in Q222 reached €36.5m representing a margin of 42% contributing to H122 Normalized EBITDA of €111.1m with a margin of 47%
- Q222 Normalized net profit amounted to €26.1m with Normalized basic EPS of €0.60. H122 Net Profit amounted to €82.1m with basic EPS of €1.88
- Regulatory Own Funds Requirement (OFR) as at 30 June 2022 was €312m, resulting in excess capital of €203m as at 30 June 2022. Trading capital stood at €611m at the end of the second quarter
- Interim FY22 dividend set at €0.70 per share with an ex-dividend date on 16 August 2022
- Announces new share buyback program of up to €25m

Financial Overview

€million	Q222	Q122	Change	H122	H121	Change
Normalized total income	86.2	148.3	(42%)	234.5	236.9	(1%)
Normalized net trading income	83.7	148.4	(44%)	232.1	236.6	(2%)
EMEA	50.4	108.5	(54%)	158.8	143.3	11%
Americas	18.6	21.6	(14%)	40.2	56.3	(29%)
APAC	14.7	18.3	(20%)	33.0	37.0	(11%)
Normalized other income	2.5	(0.1)	-	2.4	0.2	-
Normalized employee expenses ¹	28.5	54.0	(47%)	82.4	85.7	(4%)
Technology expenses	14.9	13.8	8%	28.7	24.1	19%
Other expenses ²	6.3	5.9	7%	12.2	8.7	41%
Normalized operating expenses	49.7	73.7	(32%)	123.4	118.5	4%
Normalized EBITDA¹	36.5	74.6	(51%)	111.1	118.4	(6%)
Depreciation / amortisation	3.9	3.8		7.7	7.5	
Write off of (in) tangible assets	-	0.2		0.2	-	
Normalized profit before tax	32.6	70.7	(54%)	103.2	110.8	(7%)
Normalized tax	6.4	14.7		21.3	21.3	
Normalized net profit	26.1	56.0	(53%)	82.1	89.5	(8%)
Normalized basic EPS ³ (€)	0.60	1.29		1.88	2.03	
Normalized EBITDA margin	42%	50%		47%	50%	

Value Traded Overview

€billion	Q222	Q122	Change	H122	H121	Change
Flow Traders ETP Value Traded	448.8	521.9	(14%)	970.8	767.9	26%
EMEA	192.8	238.2	(19%)	431.0	366.3	18%
Americas	230.3	255.2	(10%)	485.5	356.2	36%
APAC ex China	25.7	28.5	(23%)	54.3	45.4	20%
Flow Traders' non-ETP Value Traded	1,165	1,434	(20%)	2,599	1,868	39%
Market ETP Value Traded[€]	13,676	15,085	(9%)	28,760	17,316	66%
EMEA	567	767	(26%)	1,334	1,061	26%
Americas	11,951	13,305	(10%)	25,256	14,533	74%
APAC	1,158	1,013	14%	2,170	1,722	26%
APAC ex China	400	392	2%	792	703	13%

Regional Highlights**EMEA:**

- Robust trading performance as Flow Traders once again maintained its position as the leading liquidity provider in ETPs, both on- and off-exchange – #1 position in fixed income, equity, crypto and commodity ETFs
- Undertook a seamless transfer to Euronext's new data center in Bergamo, Italy from Basildon, UK once again highlighting the strength of Flow Traders' technology and connectivity capabilities
- Further built out the corporate credit trading business with improving hit rates, quote rates and response times in the universe of ISINs covered with a focus on automated trading. Retained Top 5 Bloomberg dealer rankings for executed tickets and volume in Flow Traders' Euro IG universe. From a platform perspective, also successfully connected to Bloomberg Bridge, an anonymous credit trading pool
- Continued to provide liquidity across the crypto markets amidst the broader market backdrop. Maintained support for new crypto ETP listings in EMEA such as acting as a market maker for Jacobi Asset Management's first Bitcoin ETF. Moreover, sought to globally drive and accelerate the development of the broader digital asset and decentralized finance ecosystem via Flow Traders Capital's latest strategic investments

AMERICAS:

- Improved trading performance across fixed income ETPs benefiting from increased volatility in rates and inflation
- Continued expansion of Flow Traders' Lead Market Maker (LMM) presence to support ETP industry-wide growth. Recently, surpassed 150 LMMs as Flow Traders remains an integral liquidity provider to ETF issuer partners
- Made further strategic progress in the fixed income business as Flow Traders commenced trading as a disclosed dealer on Trumid, the third most active institutional bond trading platform in the US behind MarketAxess and Tradeweb

APAC:

- Application submitted to open a representative office in Shanghai ahead of imminent expected receipt of regulatory approvals as part of the overall strategy to enter the mainland China ETP market
- Reappointed as lead market maker in the HKEX MSCI suite, continuing and deepening the already successful partnership
- Expanded institutional relationship effort during the quarter as part of an ongoing initiative to broaden and deepen Flow Traders' counterparty base across the region – sponsored the first post-COVID S&P Japan event as well as targeting the Taiwanese market with a dedicated institutional trader

Flow Traders Capital

- Flow Traders Capital is Flow Traders' newly established corporate venture capital unit with an initial commitment of €50 million to actively invest and capture more value through a dedicated team in the development of financial markets infrastructure and the digital asset space. The pace of investments continued to accelerate during the second quarter with seven investments in total amounting to €7.6m. Flow Traders has completed 19 investments to date for a total value of €14.3m
- As part of its investment strategy, Flow Traders Capital most recently formed part of the consortium to drive the expansion of RFQ-Hub to create the leading global institutional multi-asset RFQ platform
- In addition, Flow Traders Capital further built its global presence in the digital asset and decentralized finance space by having completed strategic minority investments in Thalex, Tonic, Elwood, Ondo, BloXroute and Astaria which are all highly innovative ventures that accelerate growth, create greater transparency in financial markets and enable financial ecosystem scalability

Outlook

- During the first quarter, a systematic exercise was undertaken to shift the total compensation mix of certain employee groups towards a greater fixed component which meant that targeted base compensation increases have been implemented. To account for the shift in total compensation mix, the profit sharing percentage for employees has been adjusted to 32.5% of operating result, from 35% previously. This ensures that the shift in compensation mix is income statement neutral going forward. This change was implemented in the second quarter which has led to a catch-up effect in the Q222 results. This adjusted profit sharing percentage will be used going forward
- Growth in fixed operating expenses (excluding one-off expenses) in 2022 is now expected to be approximately 25% given the shift in total compensation mix towards higher levels of base compensation as well as the impact across all categories of the strengthening US dollar. The impact of the base compensation increases will be offset by the adjustment of the profit sharing percentage to 32.5% of operating result. The expectation is that the maximum annual growth in fixed operating expenses will revert to the c. 10–15% level
- The second quarter saw further one-off strategy related costs being incurred, which are again expected to deliver meaningful benefits going forward. These relate specifically to optimization of group legal entity and regulatory structure and further balance sheet review efforts. The expectation is that the vast majority of these costs have now been absorbed during the second quarter. Flow Traders remains focused on underlying cost efficiency and discipline while executing the overall strategic growth agenda
- Flow Traders announces a share buyback program for a total aggregate consideration of up to €25m over a period of 12 months from the start of the forthcoming open period. The purpose of the buyback is to return excess capital to shareholders. The intention is that shares repurchased as part of this program will initially be held in treasury until cancellation

Management Board Comments

Dennis Dijkstra, CEO, stated:

“The strengths of our business remained very much evident during the second quarter. A robust risk management approach along with pricing and hedging expertise enabled the successful navigation of the recent volatility in the crypto markets. Our institutional counterparty base continues to grow quarter on quarter as Flow Traders’ trading proposition across multiple asset classes is increasingly utilized by the buy-side. It is also highly satisfying that we will soon be able to open an office in Shanghai in line with our plans to enter the mainland China market. We have also worked hard to build on our strong offering to current and prospective employees both from a culture as well as a compensation mix perspective. We have expanded our offices in every region and all colleagues are now all back in the office. We have long held the firm belief that we are an employer of choice, and it is pleasing to note that this has also been recognized externally by MT 500 where we ranked in the top 10% of companies with the best reputation in The Netherlands. Lastly, within the context of our capital allocation framework, we have elected to pay a €0.70 interim dividend to shareholders as well as launching a share buyback program. This buyback in combination with the proposed final dividend will further enhance capital returns to shareholders.”

Folkert Joling, Chief Trading Officer, added:

“The second quarter saw more normalised market conditions with lower levels of activity compared to Q1. Nonetheless, we delivered a resilient trading performance in Q2. Our trading footprint continues to grow with more counterparties onboarded as well additional connectivity to trading platforms. With this in mind, we remain active in enhancing our coverage of fixed income, commodity, and FX markets. The recent volatility in the crypto markets has not altered our conviction around the long term potential of crypto and decentralised finance both from a trading as well as a technological and financial markets innovation standpoint. With our generally market neutral approach, we continuously provided liquidity across these markets in Q2 which once again highlights our trading capabilities, strong risk framework and consistently improving technology stack.

Mike Kuehnel, Chief Financial Officer, added:

“The whole team is looking forward to sharing our strategic ambition at today’s capital markets update, which reflects the strong conviction we have in the future of Flow Traders. One aspect of this strategic roadmap has been the creation of Flow Traders Capital, our dedicated corporate venture capital unit, which formalises our accelerating strategic ecosystem approach. This approach has led to seven minority investments since the start of the second quarter. From an operating cost perspective, we have adjusted the profit-sharing percentage to better reflect the shift in compensation mix following the systematic increase in base compensation for certain employee groups. This ensures that the base compensation increases are income statement neutral. There were also one-off expenses incurred this quarter relating to optimization of group legal entity and regulatory structure as well as further balance sheet review efforts, which are all expected to deliver meaningful benefits going forward. Our strong focus on underlying cost efficiency remains.”

Preliminary Financial Calendar

16 August 2022	Proposed FY22 interim dividend ex-dividend date
17 August 2022	Proposed FY22 interim dividend record date
19 August 2022	Proposed FY22 interim dividend payment date
30 September 2022	Start silent period ahead of Q322 trading update
27 October 2022	Release Q322 trading update (no analyst conference call)

Analyst Conference Call and Webcast

The Q222 results analyst conference call will be held at 10:00 am CEST on Friday 22 July 2022. The presentation can be downloaded at www.flowtraders.com/investors/results-centre and the conference call can be followed via a listen-only audio webcast. A replay of the conference call will be available on the company website for at least 90 days.

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About Flow Traders

Flow Traders is a leading global financial technology-enabled liquidity provider in financial products, historically specialized in Exchange Traded Products (ETPs), now expanding into other asset classes. Flow Traders ensures the provision of liquidity to support the uninterrupted functioning of financial markets. This allows investors to continue to buy or sell ETPs or other financial instruments under all market circumstances. We continuously grow our organization, ensuring that our trading desks in Europe, the Americas and Asia can provide liquidity across all major exchanges, globally, 24 hours a day. Founded in 2004, we continue to cultivate the entrepreneurial, innovative and team-oriented culture that has been with us since the beginning. Please visit www.flowtraders.com for more information.

IFRS Financial Overview

€million	Q222	Q122	Change	H122	H121	Change
Total income	83.5	148.0	(44%)	231.4	236.6	(2%)
Net trading income	84.0	148.7	(44%)	232.7	236.6	(2%)
EMEA	50.1	108.2	(54%)	158.3	143.3	10%
Americas	19.1	22.3	(14%)	41.4	56.3	(26%)
APAC	14.7	18.3	(20%)	33.0	37.0	(11%)
Other income	(0.5)	(0.8)	-	(1.3)		-
Employee expenses ¹	35.4	54.9	(36%)	90.3	84.2	7%
Technology expenses	14.9	13.8	8%	28.7	24.1	19%
Other expenses	6.3	5.9	7%	12.2	7.4	66%
One off expenses	8.5	3.3	159%	11.8	1.3	779%
Total operating expenses	65.1	77.9	(16%)	143.0	117.1	22%
EBITDA	18.3	70.1	(74%)	88.4	119.6	(26%)
Depreciation / amortisation	3.9	3.8		7.7	7.5	
Write off of (in) tangible assets	-	0.2		0.2	-	
Results of equity-accounted investments	(0.1)	(0.1)		(0.2)	(0.1)	
Profit before tax	14.3	66.1	(78%)	80.3	112.1	(28%)
Tax	3.1	13.7		16.8	21.8	
Net profit	11.2	52.3	(79%)	63.5	90.2	(30%)
Basic EPS ³ (€)	0.26	1.20		1.46	2.05	
Fully diluted EPS ⁵ (€)	0.25	1.17		1.41	1.99	
EBITDA margin	22%	47%		38%	51%	

Normalized performance

- Flow Traders makes certain adjustments to various IFRS expense and profit measures in order to derive Alternative Performance Measures (APM). The policy is to exclude or adjust items that are considered to be significant in both nature or size and where the treatment as an adjusted item provides stakeholders with useful information to assess the year-on-year or quarter-on-quarter underlying performance. On this basis, the following items were adjusted or excluded for the Q222 results reporting:
 - Removal of IFRS 2 treatment of share-based payments which include the deferral of a portion of the current year share plans as well as recognition of prior years' share plans. This adjustment provides insights into the relationship between the current year variable employee expenses and current year trading performance
 - Other income line includes all the realized and unrealized results on Flow Traders' long-term equity investments whether accounted for as Fair Value Other Comprehensive Income (FV OCI), Fair Value Profit and Loss (FVPL) or Results of Equity Accounted Investments
 - Exclusion of strategic advisory costs which relate specifically to optimization of group legal entity and regulatory structure and further balance sheet review efforts. These are not considered to be part of the underlying operating expenses of the business
 - Tax expenses are adjusted based upon the pre-tax adjustments and/or excluded items above

Normalized to IFRS reconciliation

- Normalized EBITDA and margin are based on the relevant profit share percentage of operating result for the relevant financial period without any IFRS 2 adjustments for share-based payments. The profit share percentage was adjusted to 32.5% in Q222 from 35%. One-off expenses in the form of strategic advisory expenses are also excluded
- Tax based on estimated expected effective tax rate for the relevant financial period: Q222 – 19.7%; Q122 – 20.8%; H122 – 20.5%; H121 – 19.4%
- A summary reconciliation of Normalized to IFRS is presented below:

€million	Q222	Q122	H122	H121
Normalized EBITDA	36.5	74.6	111.1	118.4
FV OCI adjustment	(2.9)	(0.3)	(3.2)	(0.2)
Results of equity-accounted investments	0.1	0.1	0.2	(0.1)
One off expenses	(8.5)	(3.3)	(11.8)	-
Prior year share plans	(6.2)	(7.9)	(14.1)	(10.8)
Current year share plan deferral	0.4	5.8	6.2	12.2
Other variable remuneration adjustment	(1.1)	1.1	-	-
IFRS EBITDA	18.3	70.1	88.4	119.6
Normalized Net profit	26.1	56.0	82.1	89.5
Profit before tax IFRS adjustments	(18.3)	(4.6)	(22.9)	1.2
Tax difference	3.3	1.0	4.3	(0.5)
IFRS Net profit	11.2	52.3	63.5	90.2

Notes

- Fixed employee expenses: Q222 – €18.2m; Q122 – €16.1m; H122 – €34.3m; H121 – €26.1m
- H121 other expenses includes €1.3m of business continuity plan-related expenses previously classified as one-off expenses
- Weighted average shares outstanding: Q222 – 43,731,905; Q122 – 43,514,470; H122 – 43,623,788; H121 – 44,030,063. 43,731,905 shares outstanding as at 30 June 2022
- Source – Flow Traders analysis
- Determined by adjusting the basic EPS for the effects of all dilutive share-based payments to employees

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Efficiencies are net, before tax and on a run-rate basis, i.e. taking into account the full-year impact of any measure to be undertaken before the end of the period mentioned. The expected operating efficiencies and cost savings were prepared on the basis of a number of assumptions, projections and estimates, many of which depend on factors that are beyond Flow Traders’ control. These assumptions, projections and estimates are inherently subject to significant uncertainties and actual results may differ, perhaps materially, from those projected. Flow Traders cannot provide any assurance that these assumptions are correct and that these projections and estimates will reflect Flow Traders’ actual results of operations.

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