



# Flow Traders N.V.

Q222 & HY22 Results Presentation

22 July 2022

**F L O W ■ T R A D E R S**

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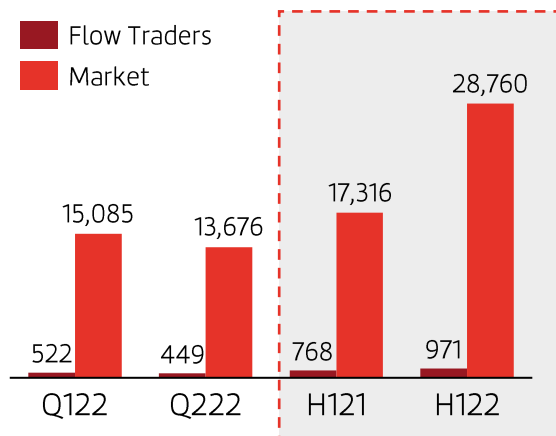
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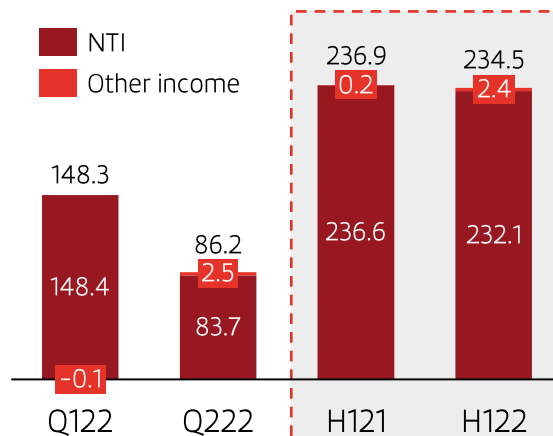
# Q222 & HY22 snapshot

More normalized market and trading environment in Q2

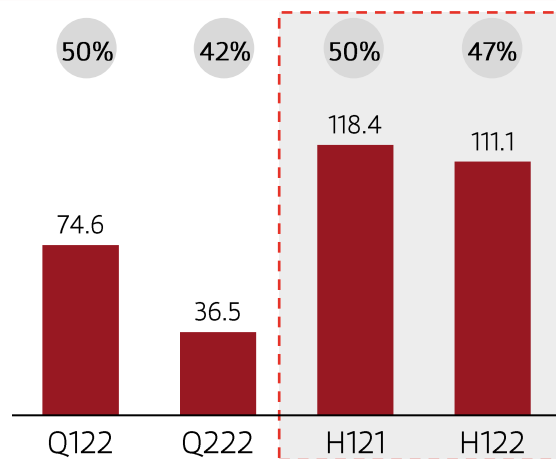
## ETP Value Traded (€bn)



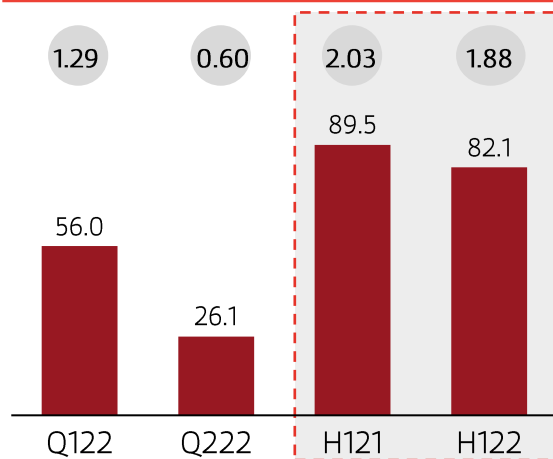
## Total Income (€m)



## Normalized EBITDA (€m) and margin



## Normalized Net Profit (€m) and EPS (€)

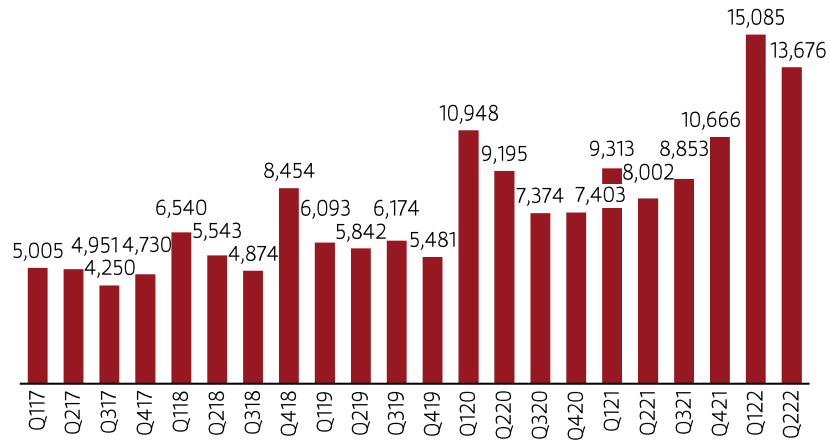


## Highlights

- 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 - 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

# Reduced levels of market activity in Q222

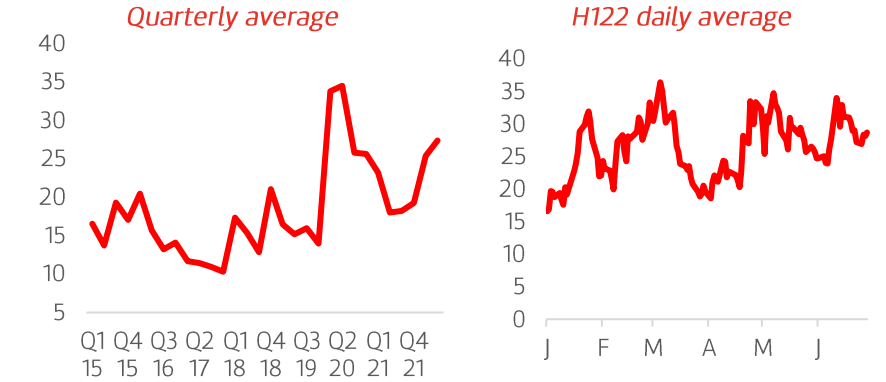
## ETP Value Traded (€bn) \*



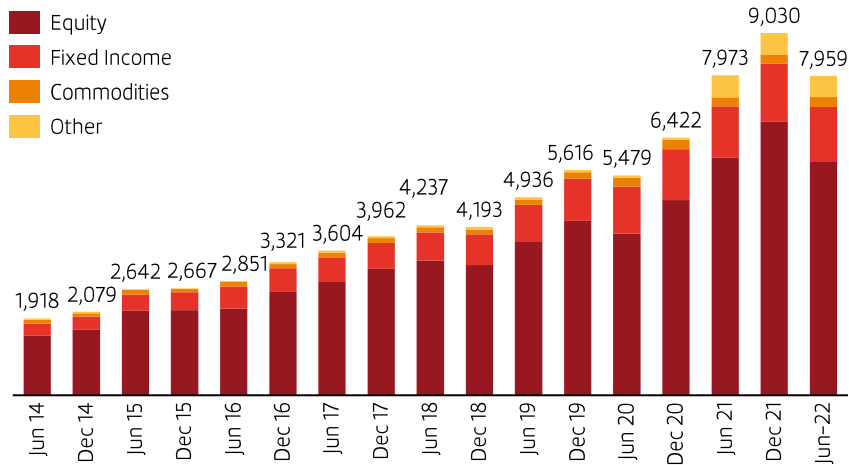
### GENERAL MARKET DEVELOPMENTS

- Flows dominated by equities and fixed income
- Central Bank interventions still evident
- Elevated levels of implied volatility (VIX) in Q2 with the markets absorbing macroeconomic factors

## VIX



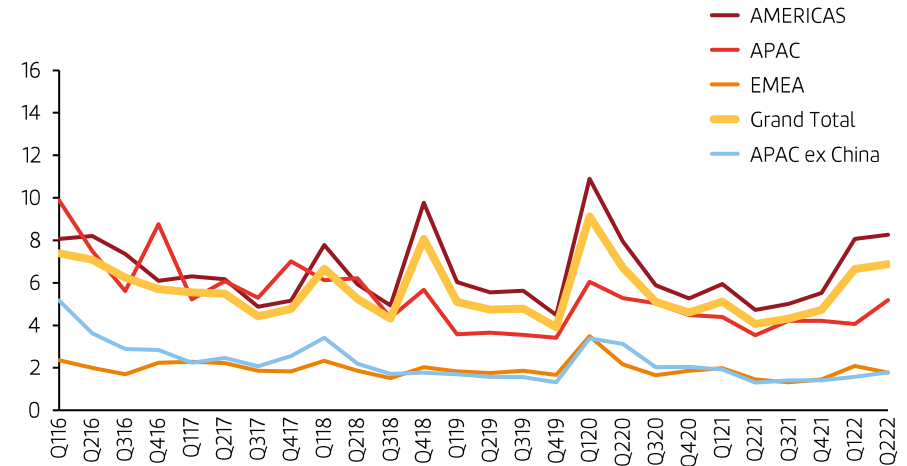
## ETP AuM (€bn) \*\*



### ETP MARKET DEVELOPMENTS

- 12% reduction in AuM since the start of 2022 to €7,959bn
- 9% Q-o-Q decrease in ETP Value Traded in Q2 - 66% increase H122 vs H121
- Uptick in ETP velocity in Q2 driven by Americas and EMEA
- Strong outlook remains for the ETP market

## ETP velocity

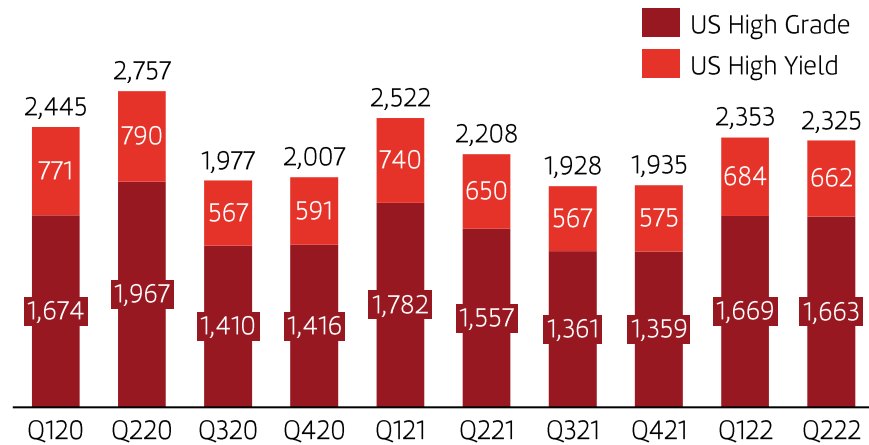


\* Source: Bloomberg, iShares, Tradeweb, Bloomberg RFQ, Flow Traders. See appendix

\*\* Source: BlackRock ETP Landscape until December 2020. ETFGI from 2021 onwards

# Fixed income and crypto market dynamics

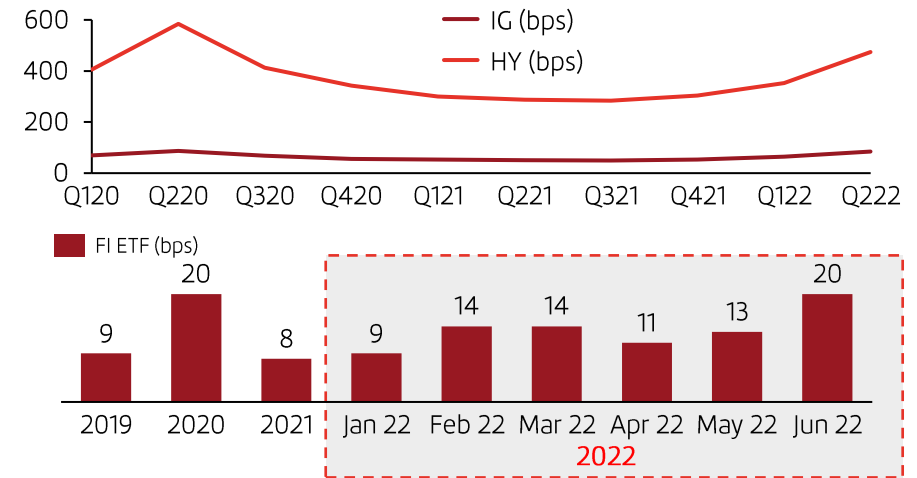
## TRACE volumes (\$bn)



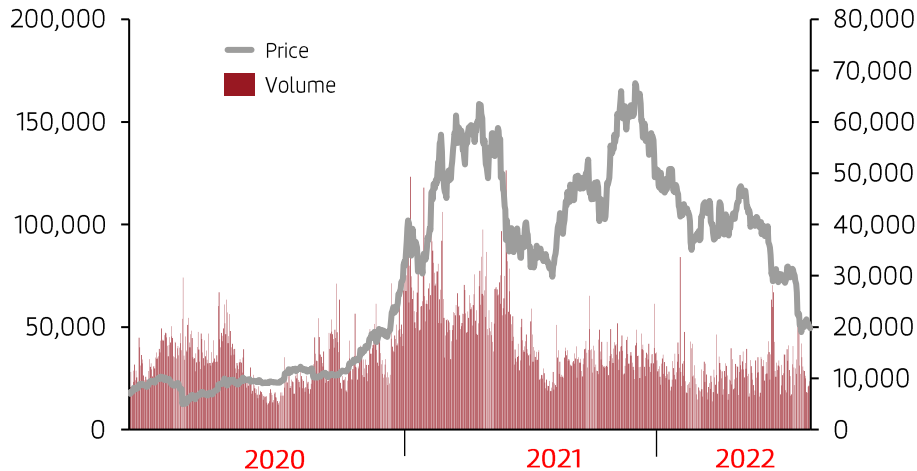
### BOND MARKET DEVELOPMENTS

- Investment grade and high yield bond volumes increased in H122 compared to H221
- Widening CDX spreads in 2022 vs 2021 – particularly in Q2 2022
- Improvement in Fixed Income ETF spreads throughout 2022

## US CDX index and EMEA FI ETF spreads



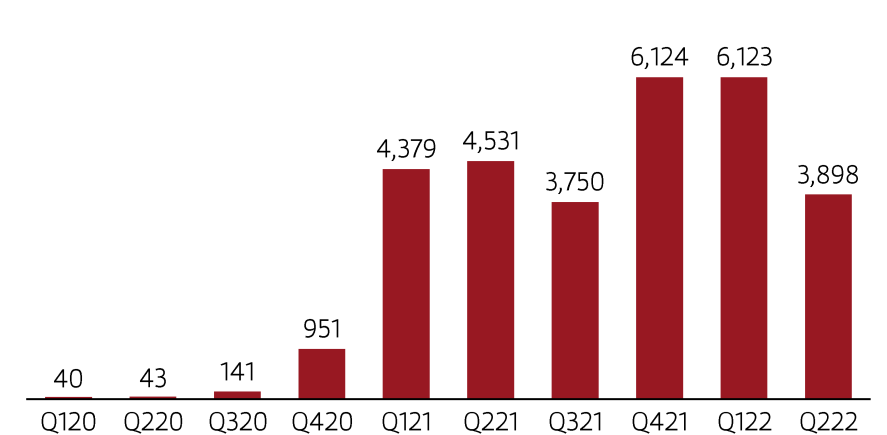
## Bitcoin price (\$) and volume (\$m)



### CRYPTO MARKET DEVELOPMENTS

- BTC traded down significantly during Q222
- Robust ADV continued into 2022
- Sharp reduction in EMEA crypto ETP volumes in Q2 reflecting the broader market backdrop

## EMEA Crypto ETP value traded (€m)



# Q222 & HY22 regional performance overview

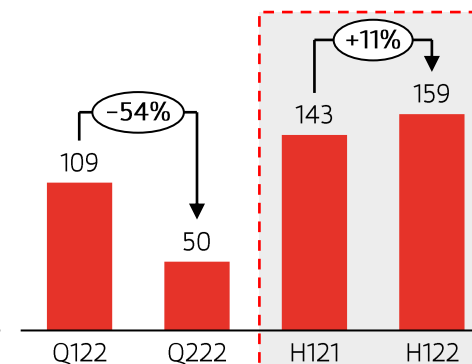
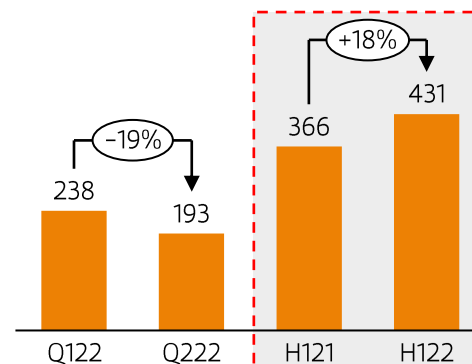
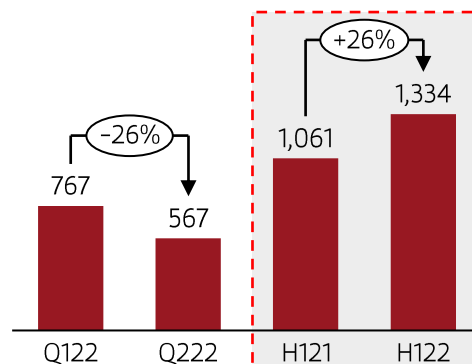
## Market ETP Value Traded (€bn)

## Flow ETP Value Traded (€bn)

## NTI (€m)

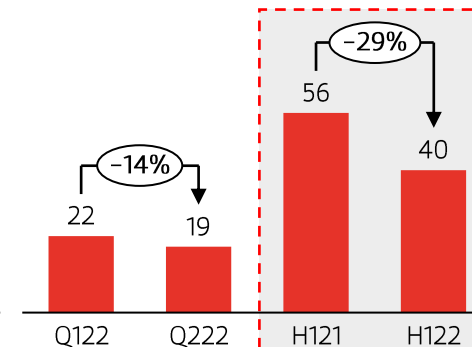
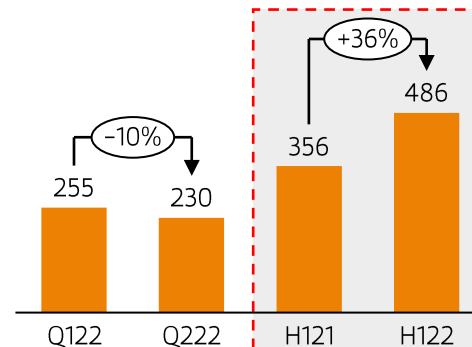
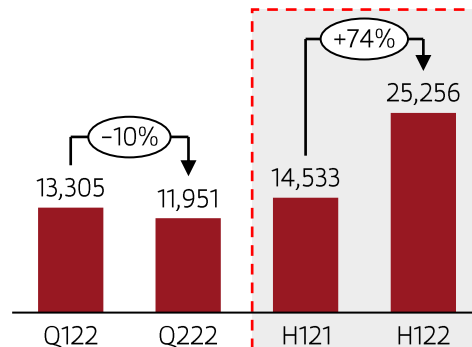
## Highlights

EMEA



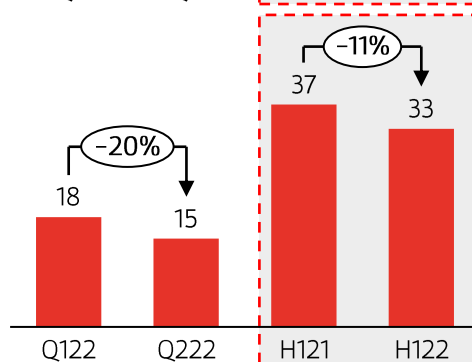
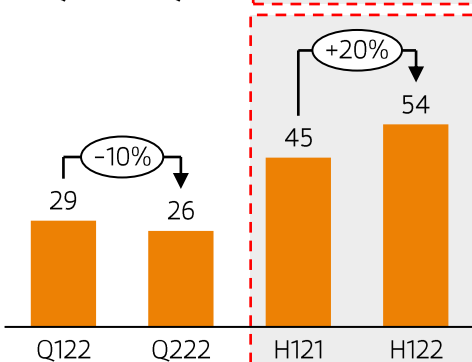
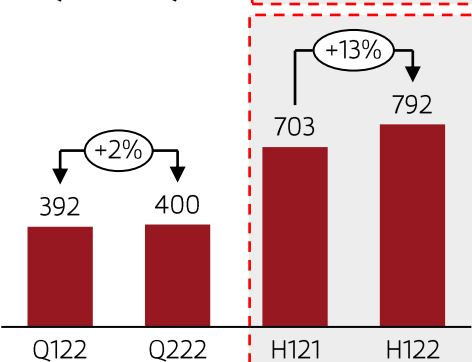
- Robust trading performance as Flow Traders once again maintained its position as the leading liquidity provider in ETPs, both on- and off-exchange - #1 position in fixed income, equity, crypto and commodity ETFs
- Undertook a seamless transfer to Euronext's new data center in Bergamo, Italy
- Further built out the corporate credit trading business. 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

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

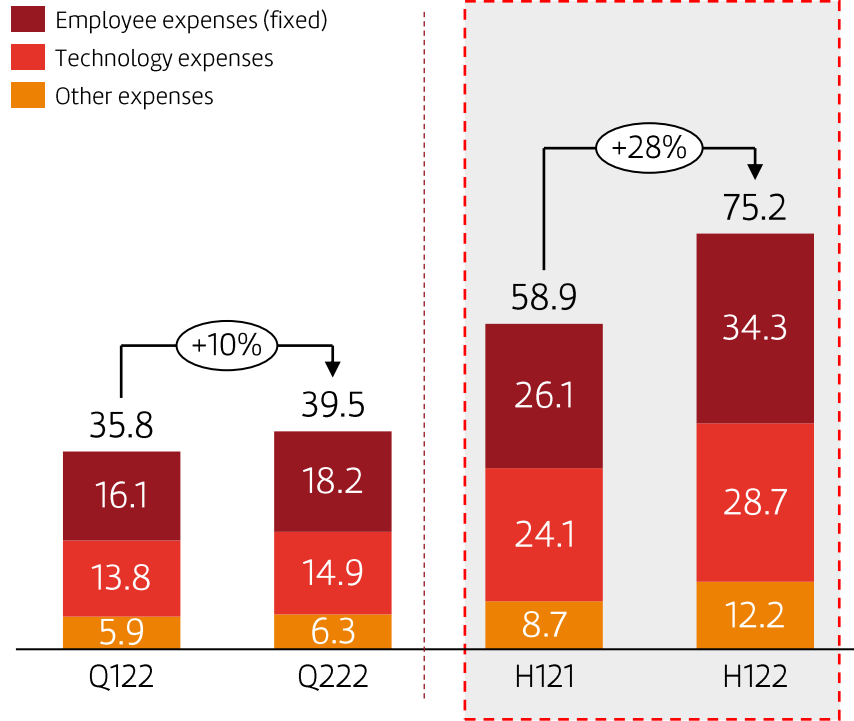


- Application submitted to open a representative office in Shanghai ahead of imminent expected receipt of regulatory approvals as part of the overall strategy to enter the mainland China ETP market
- Reappointed as lead market maker in the HKEX MSCI suite, continuing and deepening the already successful 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

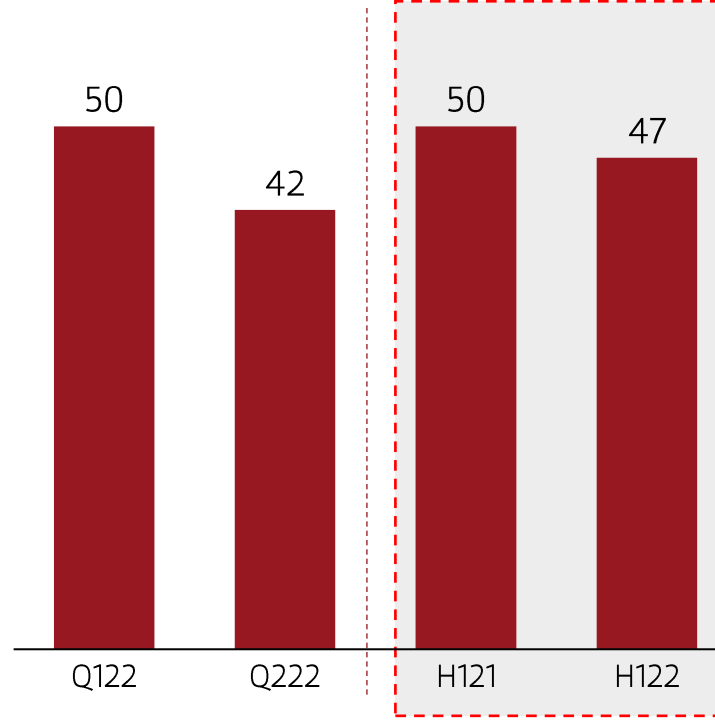
Note: APAC market ETP value traded excludes China

# Continued investment to drive strategic growth – healthy margins maintained

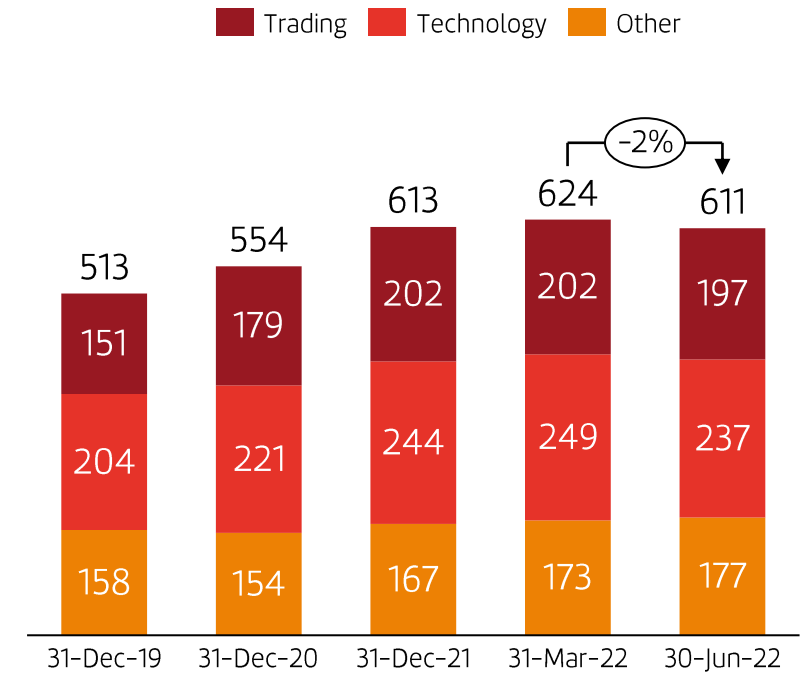
## Fixed operating expenses (€m)\*



## Normalized EBITDA margin (%)



## FTEs



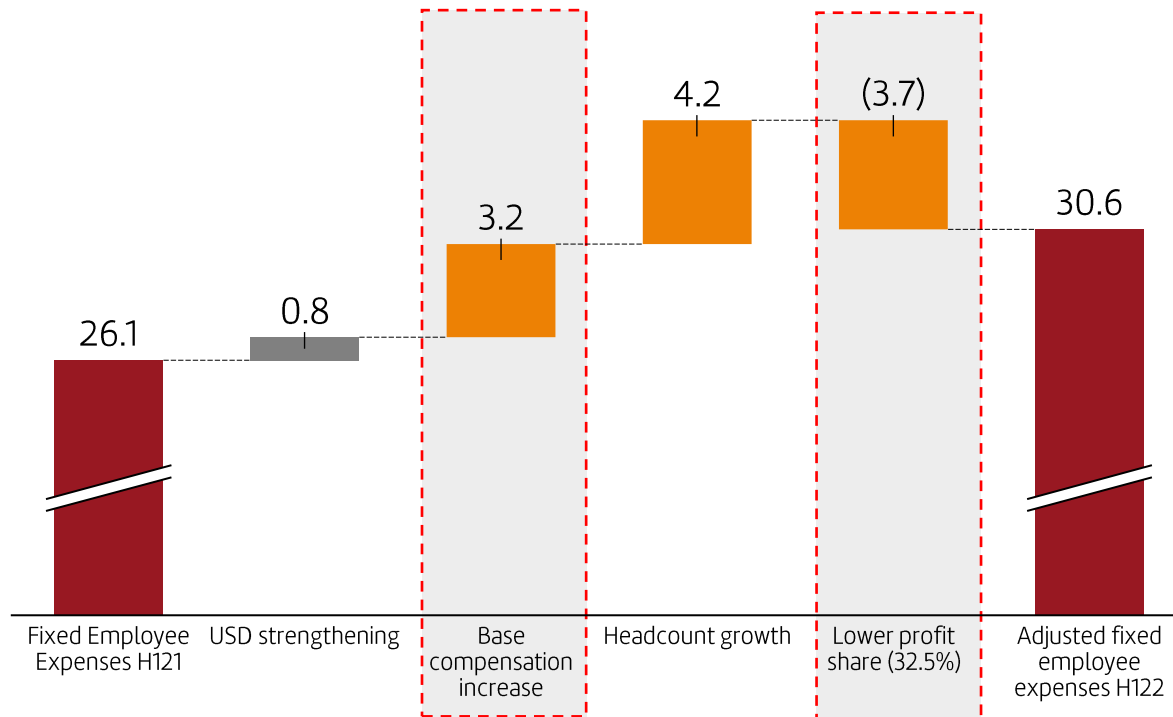
- Main drivers of Y-o-Y and Q-o-Q increases in fixed expenses relate to FX impact across all categories, new hires to support growth strategy, targeted base compensation increases and continued technology investments
- Profit share / variable remuneration pool adjusted to 32.5% of operating result to reflect the shift in total compensation mix following the base compensation increases
- €8.5m of non-recurring strategic advisory costs relating to optimization of group legal entity and regulatory structure and further balance sheet review efforts – excluded from fixed operating expenses

\* Excludes one-off expenses

# Variable remuneration adjustment

Base compensation review in H1 – adjustment of variable remuneration pool to reflect shift in total compensation mix to ensure neutral impact

## H121 vs H122 employee expenses (€m)

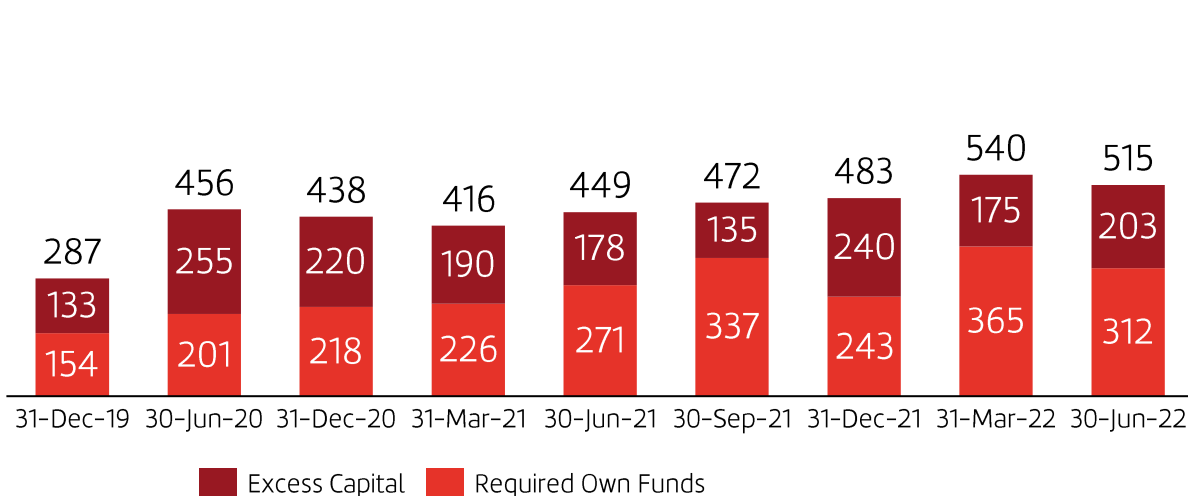


- Profit sharing percentage has been adjusted to 32.5% of operating result from 35% previously – ensures income statement neutral impact
- €3.2m impact from shift in total compensation mix to increased base compensation
- €3.7m offset from reduced profit share in H122
- €0.5m difference is due to lower profit share being applied to entirety of H122 whereas salary increases were phased in at various times in H122
- Other drivers of H121 vs H122 employee expenses include USD strengthening and headcount growth



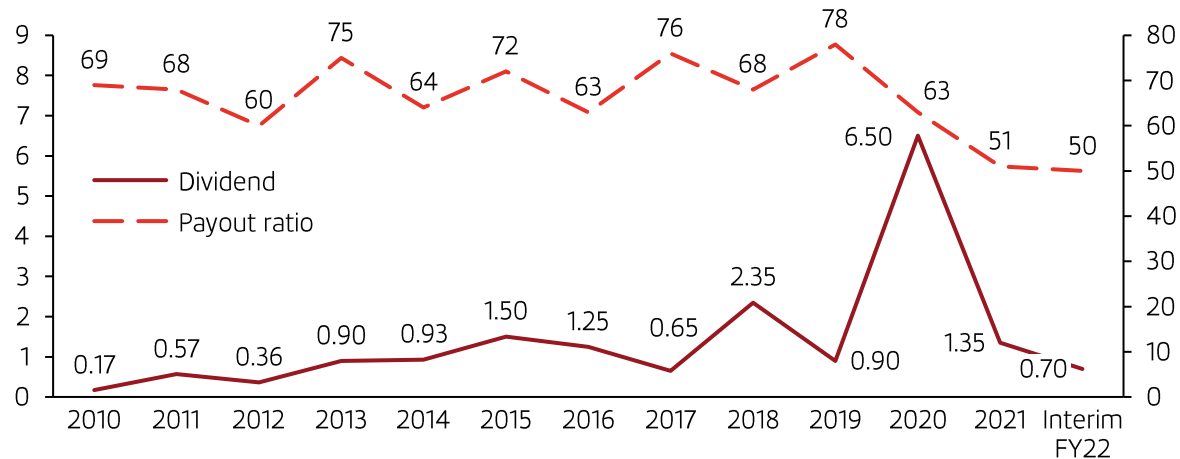
# Capital update

## Regulatory Own Funds Requirement (OFR) (€m)

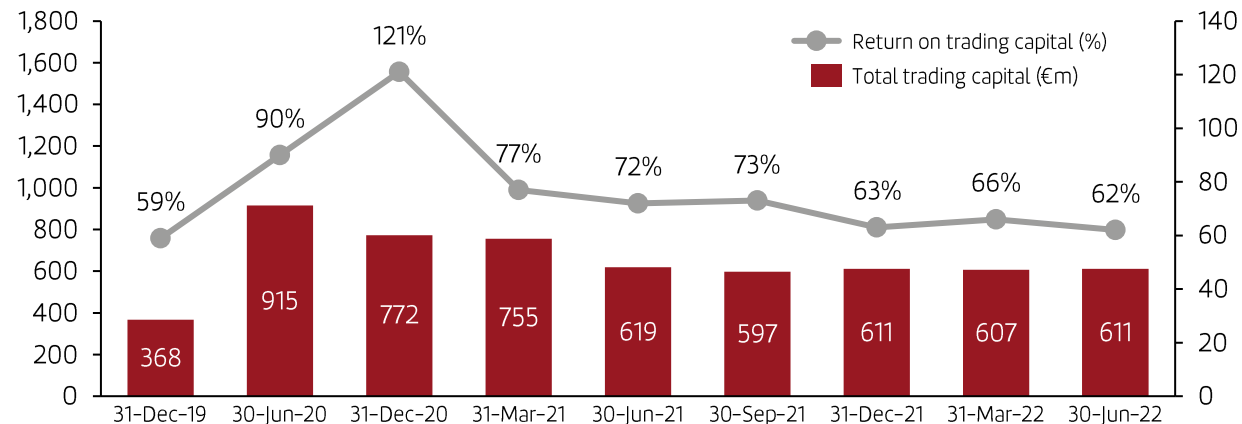


Note: CET1 position as at 31 December 2021 is net of the announced FY21 final dividend (€15m)

## Dividend (€) and payout ratio (%)



## Trading capital

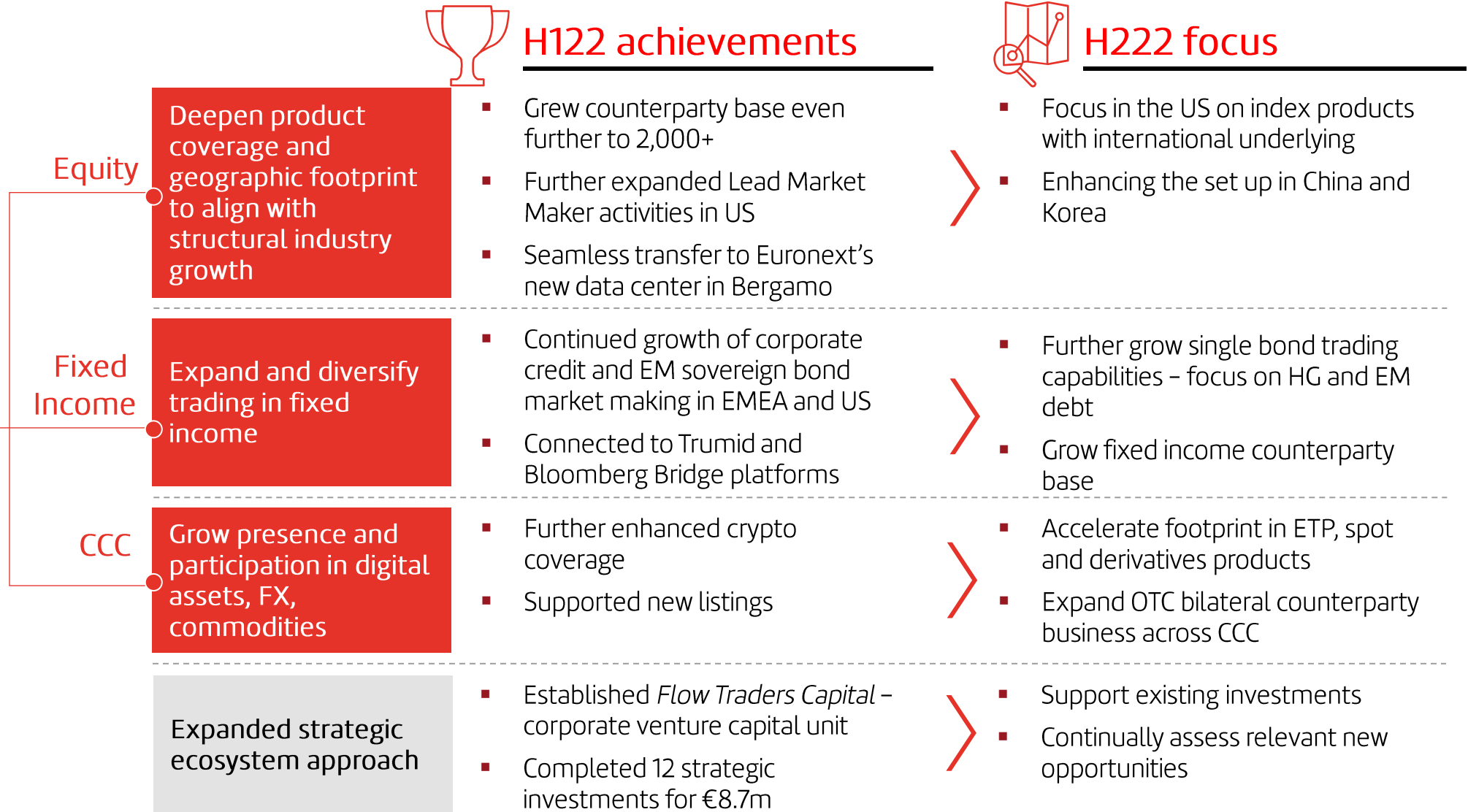


Note: Trading capital equals CET1, deferred variable remuneration and any unpaid dividends. Return on trading capital defined as LTM NTI divided by end of period trading capital

- OFR decreased to €312m reflecting composition of the trading book. €228m of excess capital (30 June December 2022)
- Trading capital stood at €611m as at 30 June 2022 – continued demand for trading capital given expanded trading activities
- IFR / IFD came into force on 26 June 2021
- €0.70 FY22 interim dividend – up to €25m new share buyback announced
- Total capital returns to shareholders since IPO in 2015 amounts to €16.17 including FY22 interim dividend and €45m aggregate announced share buybacks

# 2022 progress

Significant strategic achievements in 2022 to date with clear focus areas for the remainder of the year



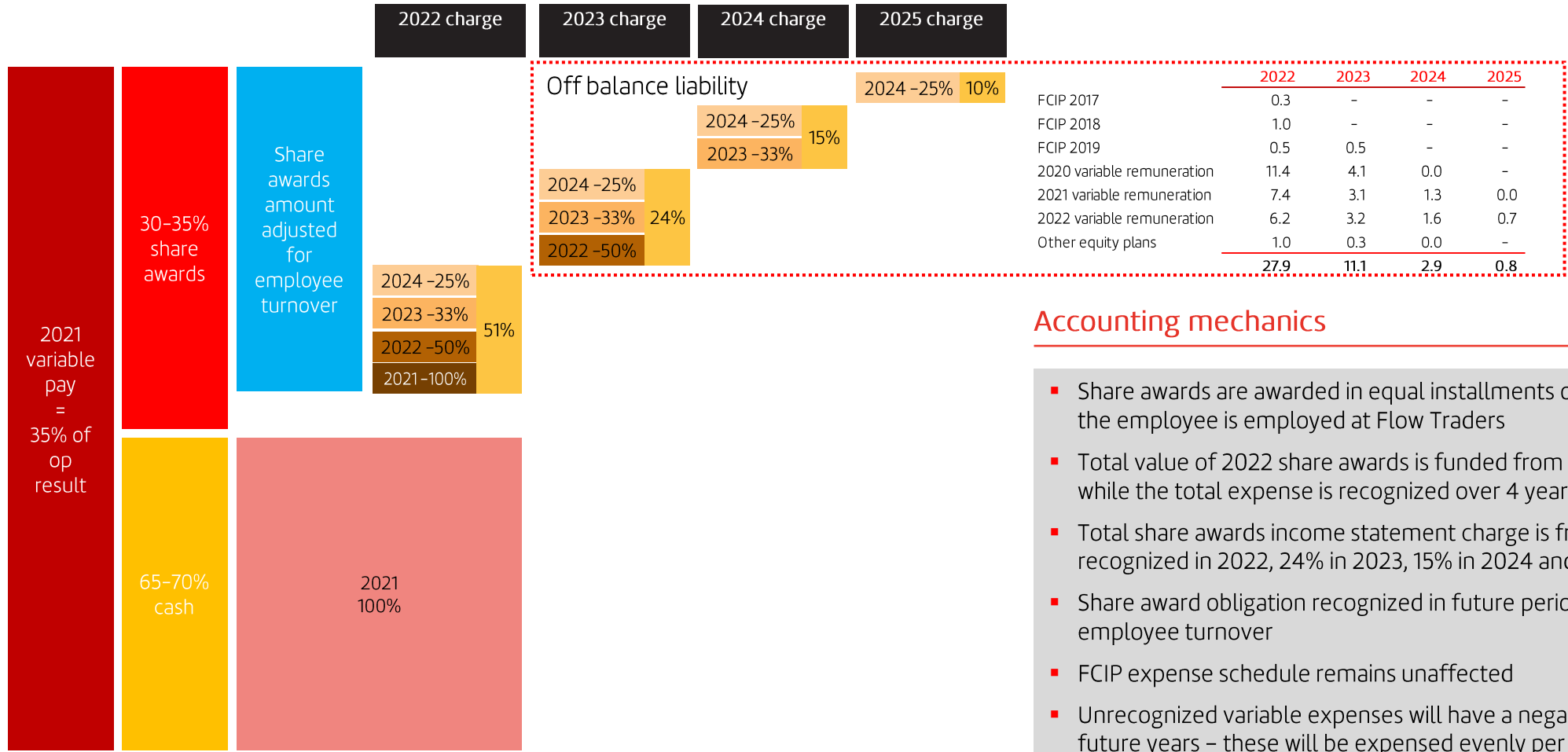
# Q&A

*Thank you!*



# Unrecognized variable expenses schedule

Share plan has a different accounting treatment to the previous FCIP which creates an unrecognised variable expenses schedule



## Accounting mechanics

- Share awards are awarded in equal installments over 4 years on the condition that the employee is employed at Flow Traders
- Total value of 2022 share awards is funded from FY22 variable remuneration pool, while the total expense is recognized over 4 years in accordance with IFRS 2
- Total share awards income statement charge is frontloaded, whereby 51% is recognized in 2022, 24% in 2023, 15% in 2024 and 10% in 2025
- Share award obligation recognized in future periods will be adjusted for expected employee turnover
- FCIP expense schedule remains unaffected
- Unrecognized variable expenses will have a negative income statement impact in future years – these will be expensed evenly per quarter in a given year

# Normalized income statement (unaudited)

€million	Q222	Q122	Change	H122	H121	Change
<b>Normalized total income</b>	86.2	148.3	(42%)	234.5	236.9	(1%)
<b>Normalized net trading income</b>	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%)
<b>Normalized other income</b>	2.5	(0.1)	-	2.4	0.2	-
Normalized employee expenses <sup>1</sup>	28.5	54.0	(47%)	82.4	85.7	(4%)
Technology expenses	14.9	13.8	8%	28.7	24.1	(20%)
Other expenses <sup>2</sup>	6.3	5.9	7%	12.2	8.7	41%
<b>Normalized operating expenses</b>	49.7	73.7	(32%)	123.4	118.5	4%
<b>Normalized EBITDA<sup>1</sup></b>	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	-	
<b>Normalized profit before tax</b>	32.6	70.7	(54%)	103.2	110.8	(7%)
Normalized tax	6.4	14.7		21.3	21.3	
<b>Normalized net profit</b>	26.1	56.0	(53%)	82.1	89.5	(8%)
Normalized basic EPS <sup>3</sup> (€)	0.60	1.29		1.88	2.03	
Normalized EBITDA margin	42%	50%		47%	50%	

# IFRS income statement (unaudited)

€million	Q222	Q122	Change	H122	H121	Change
<b>Total income</b>	83.5	148.0	(44%)	231.4	236.6	(2%)
<b>Net trading income</b>	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%)
<b>Other income</b>	(0.5)	(0.8)	-	(1.3)	-	-
Employee expenses <sup>1</sup>	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%
<b>Total operating expenses</b>	65.1	77.9	(16%)	143.0	117.1	22%
<b>EBITDA</b>	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)	
<b>Profit before tax</b>	14.3	66.1	(78%)	80.3	112.1	(28%)
Tax	3.1	13.7		16.8	21.8	
<b>Net profit</b>	11.2	52.3	(79%)	63.5	90.2	(30%)
Basic EPS <sup>3</sup> (€)	0.26	1.20		1.46	2.05	
Fully diluted EPS <sup>5</sup> (€)	0.25	1.17		1.41	1.99	
EBITDA margin	22%	47%		38%	51%	



# Recent monthly market updates

	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun
<b>On &amp; Off Exchange* Value Traded - Global (€bn)</b>	<b>4,253</b>	<b>5,119</b>	<b>4,303</b>	<b>5,377</b>	<b>4,477</b>	<b>5,230</b>	<b>4,261</b>	<b>3,384</b>	<b>3,021</b>	<b>3,226</b>	<b>2,678</b>	<b>2,949</b>	<b>2,669</b>
<b>On &amp; Off Exchange* Value Traded - EMEA (€bn)</b>	187	198	182	289	245	233	184	188	160	156	128	159	161
<b>On &amp; Off Exchange Value Traded - Americas (€bn)</b>	3,608	4,569	3,774	4,651	3,983	4,671	3,680	2,839	2,584	2,735	2,221	2,464	2,226
<b>On &amp; Off Exchange Value Traded - APAC (€bn)</b>	458	352	347	437	249	326	398	357	277	334	329	326	282
<i>EMEA - Off Exchange Market Value Traded on MTF** (€bn)</i>	114	114	105	167	140	132	107	104	89	88	69	91	95
<i>EMEA - Off Orderbook* Market Value Traded (€bn)</i>	25	29	26	45	36	33	22	23	18	20	18	17	17
<i>Americas - Off Exchange Market Value Traded (€bn)</i>	1,458	1,628	1,297	1,531	1,238	1,440	1,205	951	887	887	771	879	829
<i>APAC - On &amp; Off Exchange Market Value Traded in China (€ bn)</i>	304	222	232	279	141	201	292	238	159	220	221	219	190
<b>Assets under Management*** - Global (€bn)</b>	<b>8,855</b>	<i>n/a</i>	<i>n/a</i>	<b>9,064</b>	<i>n/a</i>	<i>n/a</i>	<b>9,030</b>	<i>n/a</i>	<i>n/a</i>	<b>8,200</b>	<i>n/a</i>	<i>n/a</i>	<b>7,887</b>
<b>Assets under Management - EMEA (€bn)</b>	1,423			1,468			1,454			1,337			1,293
<b>Assets under Management - Americas (€bn)</b>	6,438			6,597			6,597			5,922			5,712
<b>Assets under Management - APAC (€bn)</b>	994			999			979			941			882
<b># of ETP listings - Global</b>	<b>13,958</b>	<b>13,791</b>	<b>13,698</b>	<b>13,567</b>	<b>13,508</b>	<b>13,371</b>	<b>13,287</b>	<b>13,069</b>	<b>12,895</b>	<b>12,778</b>	<b>12,614</b>	<b>14,295</b>	<b>14,135</b>
<b># of ETP listings - EMEA</b>	5,121	5,839	5,043	4,999	5,056	5,028	5,013	4,937	4,885	4,878	4,823	6,192	6,146
<b># of ETP listings - Americas</b>	5,895	2,897	5,786	5,735	5,667	5,595	5,547	5,473	5,417	5,361	5,295	5,560	5,488
<b># of ETP listings - APAC</b>	2,942	5,055	2,869	2,833	2,785	2,748	2,727	2,659	2,593	2,539	2,496	2,543	2,501
<b>Average VIX per month</b>	<b>28.56</b>	<b>29.98</b>	<b>24.16</b>	<b>27.48</b>	<b>26.31</b>	<b>23.57</b>	<b>21.82</b>	<b>18.51</b>	<b>18.25</b>	<b>19.84</b>	<b>17.76</b>	<b>17.87</b>	<b>16.89</b>
<b>VIX high per month</b>	33.17	34.19	31.44	35.15	33.62	33.48	30.61	26.44	23.23	26.35	22.56	22.18	19.82
<b>VIX low per month</b>	24.26	26.34	19.62	19.20	20.62	17.08	17.21	15.44	15.52	16.20	15.46	14.90	15.12

## Notes:

\*: Off Exchange flow EMEA includes Off Orderbook flow printed on exchange and flows via MTFs. This is still excluding flows via SI

\*\* : Publicly available data about market flows traded on MTFs, representing Tradeweb and Bloomberg RfQ. Last month number is preliminary and may be subject to change

\*\*\*: BlackRock Global ETP Landscape for December 2020. ETFGI for 2021 onwards

Sources: Blackrock Global ETP Landscape, Tradeweb, Bloomberg, Flow Traders analysis