FLOW TRADERS

Transcript of the

2015 Half Year Analyst Presentation

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Good day, and welcome to the Flow Traders half year results 2015 conference call. At this time I would like to turn the conference over to Mr. [Sjoerd Rietberg]. Please go ahead.

SR: Thank you, operator. Good morning everyone, and on behalf of Flow Traders, thanks for joining this presentation regarding the results [of] the first half of 2015. Presenting today will be co-CEO Dennis Dijkstra and current speaker, myself, co-CEO Sjoerd Rietberg. I move on to the disclaimer. I want to make clear to everyone that this presentation may contain forward looking statements which are based on Flow Traders' current expectations and projections, and we also use non-IFRS recognized metrics, like net trading income, ebitda and revenue capture, to describe the performance of the company. If you choose to continue to listen to this presentation you are bound to the disclaimer as shown in this presentation and in the press release as sent out this morning. We will first present our prepared remarks, and after that there will be time for Q&A. Having said that, I have it handed over to co-CEO Dennis Dijkstra.

DD: Thanks, Sjoerd. Before diving into the highlights I would like to touch upon quickly on the very recent IPO of Flow traders. As you are aware, our successful IPO took place five weeks ago, on July 10th of 2015. The listing day was a day on which we celebrated the building of a successful global company which is leading in electronic ETP liquidity providing. It also was the first day in the next phase of Flow Traders. The IPO process has significantly raised the profile of Flow Traders, and we were excited. But it was time also to get back to work and execute our growth strategy afterwards. In this presentation and call we sometimes use the term "adjusted profit", "adjusted earnings per share" and "adjusted ebitda". These are metrics that are adjusted for the one off IPO-related cost, which we already accounted for in our first half year results 2015. These costs are 800k Euro IPO-related expenses, and [33] million Euros related to the accelerated vesting and cancellation of the stock appreciation rights, on which I will elaborate later in this presentation.

On slide number 3 we have some highlights regarding Q2 2015. In the second quarter of 2015 we traded 150 billion Euros of ETPs, resulting in a net trading income of 70.5 million Euros. This is driven by a robust ETP value traded in the underlying markets we operate in, and further increase of our revenue capture to 4.7 basis points. With especially a strong contribution from our Asian operation. In the first half of 2015 we had zero loss days, while the average net trading income on a daily basis was well over 1 million euros, showing the strength of our well-diversified business of providing ETP liquidity on a global basis in all underlying asset classes. During the quarter we remained focused on our cost base, and we were thereby able to maintain our adjusted ebitda margin at 52%. Our highly cashflow generative business model has resulted in an adjusted net profit of 29.3 million Euros for the last quarter. As our business is highly cashflow generative, this also enables us to pay our shareholders an interim dividend of 50 cents per share, which represents 38% of our adjusted net profit over the first half of 2015, and is in line with our dividend policy of paying out at least 50% of our annual net profit, paid out on a semi-annual basis. As mentioned, we have accounted for some IPO-related one-off expenses in the first half of 2015 already, accumulating to 33.8 million Euro pretax. As I mentioned, this contains of 800k advisory and other related costs, and 33 million Euros related to the stock appreciation rights. These rights were granted to certain key employees back in 2009 and 2011. These SARs vested accelerated due to the IPO process, and are paid by the company as a one-time cash bonus to these employees. This has been disclosed and very well documented in the prospectus. For more information we refer to the prospectus as such.

On slide number 4, some more information about the underlying market and our performance in the market itself. As a leading global ETP liquidity provider we play this crucial role in the fast growing ETP industry. ETP assets under management, are widely expected to double to 6 trillion U.S. Dollars by 2019, or 5.5 trillion Euros, representing some 20 percent growth year over year. There is a secular shift in the asset management industry, driven by the appreciation of the benefit of passive investing via ETPs. More and more funds are invested via these ETPs, because of their transparency, liquidity and because of their low costs. As an example, the Wall Street Journal reported recently, in July, that for the first time ever ETPs surpassed hedge funds in terms of global assets under management. ETP assets on the management continue to grow, and ETPs have seen inflows into every major asset class in the first half 2015, and especially in fixed income ETPs, showed relatively strong inflows.

In the first half of 2015, ETP[AUM grew by 38 percent compared to the first half of 2014, measured in Euros. The market ETP value traded grew at an even faster rate of 51 percent over the same period. Especially the Asian market showed a significant increase in ETP value traded, with large increases in mainland China, but also other surrounding markets, compared to a year before. We are proud to report two quarters of robust net trading income, representing a total of 147.4 million Euros for the first half of 2015, representing a growth rate of a 140 percent year over year. This sizable increase in net trading income is a result of both more ETP value traded, and our higher revenue capture. Despite the fact that we do not focus only on market share, but rather focus on quality of the execution of our liquidity providing, our ETP value traded increased 48 percent year over year, to 330 billion Euros, while our revenue capture increased by 62%, to 4.5 basis points.

On slide number 5 some data on our consolidated results. Which remain relatively straightforward. As we benefit from our operational leverage, as a result of our low and predictable fixed cost base. This is shown in our adjusted ebitda margin, that increased to 52 percent for the first half of 2015, up from 43 percent last year. We will discuss this in more detail later. Our adjusted net profit is 60.7 million Euros for the first half of 2015, and it was 29.3 million Euros for the second quarter of ’15. The second quarter is characterized by continued strong results, although our net trading income decreased somewhat to Q1, as it has done in line with the underlying ETP value traded. All offices contributed year over year to our net training income growth, as we will show on the next couple of slides.

SR: Thanks, Dennis. Let’s first take a look at our European operation, on slide number 6. So, in Europe we have seen the ETP assets on the management growing by 26 percent year over year, to 467 billion Euros, and the market ETP value traded increased by 64 percent year over year, partially driven, of course, by some elevated volatility, especially in the first quarter of 2015. Our European office posted strong results, showing a 141 percent increase in net trading income in the first half of 2015, compared to the same period in 2014. This is driven by the already mentioned increase of ETP value traded in the market, in combination with a higher revenue capture, resulting from our focus on the quality of execution of our liquidity providing in ETPs. Despite our focus on this quality of execution, we have maintained our leading position in terms of market share on the five major European cash exchanges. Next to that, we have further increased the number of institutional counterparties we can trade with, driving increased volume in our off-exchanged liquidity providing activities.

Quarter on quarter we have seen a small decrease in market value traded, partially resulting from a lower market volatility. This is reflected as well in a corresponding decrease in the flow in our own ETP value traded, compared to the first quarter, resulting in a nevertheless robust net trading income of 45.6 million Euro for European operations.

So let's move on to the next slide, where we show our American operations. In the Americas, asset under management increased to almost 2 trillion Euros by the end of the first half of 2015, reflecting a growth rate of 39 percent year over year, and the market ETP value traded grew at a similar pace, of 38 percent year over year.

In the first half of 2015 our net trading income was 21 million Euros, up 45 percent from the first half of 2014, while our ETP value traded was up 28% year over year. This results in a higher revenue capture of just under 2 basis points, compared to the 1.7 basis points revenue capture we saw in the first half of 2014.

Although we saw a quarter on quarter drop in market ETP value traded drop of 13 percent in the Americas, and even 21 percent in the products we are most active in, we feel that we are very well-positioned to benefit from the fact that we obtained our FINRA membership in the first half of 2015. Because this membership gives us the opportunity to further expand our product and asset class coverage, as well as start our institutional trading business in the US. This is something that will take some time, but it fits our strategy of incremental and continuous improvement of our operations.

Having said that, I'd like to move on to our fastest growing office in this first half year, on slide number 8: our Asian operations. So in the markets we saw that the asset under management had grown 54 percent year over year, to 208 billion Euros, and the market ETP value traded has grown significantly, by over 250 percent year on year, to 839 billion Euros in the first half of 2015 compared to the same period of 2014.

Our net trading income has outpaced both the asset under management growth and market ETP value traded; it grew by 338 percent year over year, to 29.7 million Euros for the period. This has been driven by the strong growth in value traded, and by a significant increase in the revenue capture, to 10.7 basis points for the first half of 2015.

This increase in value traded in both the market and in our operations is a result of structural changes in the Asian financial marketplaces, as well as from more China-related market activity.

In the second quarter, net trading income growth was 31 percent compared to the first quarter, reflecting the continued growth of the ETP assets under management and market value traded.

In 2014, we have invested significantly in our Asian offices, both in terms of infrastructure and in terms of experience of the workforce, and we are pleased to see that these investments enable us to capitalize on a positive underlying ETP market developments. Dennis.

DD: Yeah, let's look a bit more in detail on our low and predictable cost base, on slide number 9. I will go across the slide, from top to bottom. So first up with our personnel expenses on a fixed basis; we've increased our head count by 28 during the first half of 2015; our head count, mainly in our trading operations area, to 243 employees on a global scale.

Our variable employee expenses consist of our global profit sharing pool, being effectively 36% of our operational profit. In addition, due to IFRS accounting purposes, we also have included the expenses related to the stock appreciation rights in this line item as well. We have adjusted this in the adjusted column, for your purposes.

Our IT expenses are up slightly, but well within expectations, enabling us to continuously improve and invest in our global technology platform. We see a slight increase in our other expenses, due to some additional advisory costs and some temporary double housing costs related to our Amsterdam office.

The first half year of 2015 average tax rate is 23%, due to the impact of the SARs settlement. We still expect to have an effective 20% tax rate going forward.

To be complete, once again, the one-off IPO-related costs, which are in total almost 33 million Euros, we have adjusted for in the first half year as well.

On the next slide, a view on our consolidated balance sheet. Trading capital further increased by net profits over the first six months. In addition, we've increased the [capital] member capital by 22.2 million Euros, due to the issuance of membership rights in the beginning, in Q2. We still represent our equity as membership rights, because the company was not converted into an N.V. yet, before the listing in Q3. Our capital was well within the prime broker and regulatory capital requirements.

Further to mention is the increase in the other liabilities, which is mainly driven by the stock appreciation rights liability that were paid after the end of the second quarter, in Q3. In addition we have been able to further increase our credit facilities with our prime brokers during the second quarter.

This brings us to our dividend policy. As said, we're proud to compensate our shareholders with our first dividend as a public company. Given our highly cash-flow generative business model, we have been able to pay our shareholders 50 cents per share, totaling about 23.3 million Euros as a dividend. This represents a payout ratio of 38 percent of our adjusted net profits, which is in line with our policy to pay at least 50 percent of our annual net profit on a semi-annual basis. This brings us to our medium to long term guidance.

SR: Thanks. So, on slide number 12 we refer to our medium to long term guidance. This consists of three items. We aim to grow our net trading income on average on the medium to long term, ahead of the growth of global ETP asset under management. In terms of our cost base, we aim to continue to control our fixed costs in line with what we have done in the past years. And finally, we aim to reclaim enough capital to support future growth of the business, while at the same time being able to pay out dividend in excess of 50 percent of annual net profit, paid semi-annually.

And this brings us to our final slide of our prepared remarks, which is giving some insight in how we expect and where we aim to grow. On slide number 13 we share our growth drivers. On the one hand we see, we remain seeing external growth catalysts, which are beneficial for our business. So for example, the further proliferation of passive investments and the expected growth of the assets under management in the ETP industry, but also regulatory changes that will lead, for example, to more ETP traded on exchange. On the other hand, we see internal growth opportunities, such as the continuous improvement of our infrastructure - also made in the second quarter - and the mentioned growth of the number of institutional counterparties we traded with, but also getting access to more flow by connecting to new venues presents us with new and more growth opportunities.

As we have always done, we will continue to grow our business in an incremental way. So we will continuously improve ourselves in every aspect of our operations. And this has made us who we are today: a global, leading ETP-focused liquidity provider that can provide best in class pricing in all asset classes, during almost all market circumstances, via our proprietary technology platform, both on and off exchange in a well-controlled manner. This, combined with our unique team-driven culture, positions us ideally for further deliverance of our strategic focus areas. And this brings us to the summary of our prepared remarks. We had two very successful quarters in the first half of 2015, resulting in a strong growth of our net trading income year over year, outpacing the growth in ETP assets under management. As mentioned already, we are pleased to announce that this enables us to pay our shareholders our first dividend as a listed company, of 50 cents per share. We are now available for your questions. Operator, can you take over?

Thank you, Sjoerd Rietberg. [Question asking instructions] We will now take our first question, from Bruce Hamilton from Morgan Stanley. Please go ahead.

Q: Hi, morning, guys. I just had a few questions, if okay. Firstly, on sort of Asia and the outlook, obviously the first half has been very, very strong, but clearly, you know, the market's been on a bit of a slide in the last few weeks. I guess, I mean, one would normally expect that that would have a negative consequence firstly, in terms of sort of we should be fading the first half growth. Then, secondly, have you had any loss days, either in Q2 or since Q2, associated with Asia or any other volatility?

Second question, around the U.S. I guess there the growth looks to be slightly below the market growth rate. Obviously it's a market where you're looking to increase penetration. It sounded like you're still confident longer term, but should we look for that sort of, you know, growth above the market to be the case in the second half? Or is it going to be longer dated, or what? What sort of signpost do we need to look for for momentum to improve there? Is it going to be linked to rates rising, how do you actually think about that.

And then thirdly, just on the dividend, just to make sure I have understood: you're going to – there will be a catch up dividend at the full year, so you get the payout 50 percent for the full year, versus the 38% payout at the half year, and the way to think about the payout is only for the clean earnings, excluding the SAR and IPO costs, just to check. Thank you.

SR: Thanks, Bruce. I'll take the first questions with regards to the Asia and U.S. offices, and Dennis will give you an answer on the dividend question. So, first of all, indeed, the Asian outlook. What we have seen is that these Asians markets have grown indeed significantly compared to the first half in 2014. Of course this is partially driven by some events in the Chinese markets, however it is also the case that there are more structural changes going on with regards to these Chinese markets. So what we have seen is that the accessibility of the underlying liquidity in the Chinese financial market places has improved, of course, in the last twelve to eighteen months and this of course also means that the markets and the market activity related to these Chinese markets, and also the impact of the Chinese markets in the global financial marketplace, has increased. So there are some structural reasons to believe that the contribution of our Asian office will continue to grow. However, indeed, of course there are some… part of the growth in net trading income we've seen, is driven by more events, incidents on events we've seen in this Asian marketplace. But in general we also feel strongly that there is a structural change, a structural opportunity for us in the Asian region.

With regards to your question in terms of loss days: we have not seen any loss days in this year.

And in the US, with regards to your U.S. question: indeed we have seen our office growing, or at least, quarter on quarter indeed we have seen a growth rate below the market growth rate. This is partly due to the fact that the market activity, the market ETP value traded in these products in which we are most active, is even lower than in the market as a whole. So we have seen the market ETP value traded going down by 13 percent quarter on quarter; we have seen the market activity, the market ETP value traded in the products we are most active in, going down by 21 percent; and our ETP value traded went down with 36% percent. And we've also seen a net trading income drop, of course, there, with 37 percent. So this is partially due to the product coverage we have. As mentioned before, we have relatively small operations in the Americas. We are making sure that we are well-positioned and we are continuously improving the setup the we have there, and in fact, part of the reasons why we did this initial public offering in the 10th of July, is also to attract new talent. To grow our business and to make sure that we have enough people to completely cover the whole American marketplace. That we can actually provide liquidity in all the ETPs in the U.S. market. Having said that, I hand it over to over to Dennis for the dividend question.

DD: Just to be sure on the dividend: we've shown the dividend on an adjusted net profit basis, so after… not taking into account the costs related to the IPO. So we've been a bit cautious on the first half year, proposing almost 40% of our adjusted net profit. And as you've said, there will be a catch up with the final dividend, also for the first half year, so our dividend policy remains that we want to pay on an annual basis at least 50 percent of our net profit, and for 2015 it will be on an adjusted net profit basis.

Q: Can I just follow up on the U.S.? Could you give us some color on which products… [which are your products under] coverage, where, you know, the growth has been a bit less exciting. Just to get a scent.

SR: Yes. What we see – if you take a look at the market values traded, especially you see that the major names, as we've also discussed during the roadshow, for example the SPYs, where we see almost 50 percent of the value traded in these SPYs, in these major names, the drop in volume is relatively low. So there is still a lot of market activity in these names. But we have seen that due to the fact that the emerging markets were not that actively traded in the first half of the year, that these are products we are active in, just to give you an example of one name, where the drop is bigger than the drop in the market as whole.

Q: Got it. Okay, thank you.

We will now take our next question; from Daniele Brupbacher from UBS. Please go ahead.

Q: Yeah, good morning and thank you for the presentation. Just a couple of questions also on the P&L dynamics. I think you gave some indication as to how the P&L looks like mid-January. I was just wondering whether you could give some indications as to how you navigated to the weekend early in July when we had these Grexit fears, I think, just ahead of the IPO, and whether you are ready to disclose some numbers there. Just to get a bit of a feeling for how such a day looks like.

Then, also, a bit more short term, I'm afraid, but just quoted today, the Q3, could you just give some indications as to how you've been navigating through the past couple of weeks so far?

And then a bit more general question: is there anything happening on the competitive front? Do you see any new entrants, existing entrants becoming more aggressive, captives, et cetera? That would be also helpful, to get your latest thoughts there.

And very lately, probably more a request than a question, I mean, at the time of the IPO and in the prospectus you gave some very useful information with regards to number of ETPs traded, registered liquidity provided, trading venues, you know, average daily number of trades, these kinds of numbers. Could you just update us, either now or later, with those numbers? That would be very helpful. Thank you.

SR: Thanks. Your first question, with regards to the update [field day]. As we have mentioned during the road show, of course during the first week of July, and also the last few trading days of June, there was some elevated market activity indeed related to the Greece situation. And also of course the Chinese markets at these times were quite volatile and busy. As mentioned during the road show, what we have seen is that in these market circumstances, we were continuously able to provide liquidity [on all] the different market circumstances. We haven't had any loss days, to also give some insight there already. And we saw elevated levels of trading activity in these trading days. Of course, after the first weeks of July we have also seen that market activities dropped a little bit again. And that's as far as an update I can give till date.

On the competitive front, yeah, we haven't seen any big changes compared to the latest information we gave in the prospectus, related to the IPO and in the road show we've given. So, to be honest, there is no big updates there.

With regards to your last request; I have some numbers here I can give you, in terms of the number of ETPs in which we are liquidity provider. We have continued to increase the number of products of which we are liquidity provider. With a number of products.

Q: Okay, and [is] the average number of daily trades still around 100.000 and sort of the value traded daily average sort of north of 2 billion or so? Are those the numbers we should work with?

SR: I don't have the exact numbers here at hand, but indeed these are the numbers you can use.

Q: Good, thank you. Just a confirmation, probably: given the way you calculate compensation, with formulas and costs of equity, et cetera, and then together with the SARs… so there is no change expected, basically? That's the question. Or at some point in time are there going to be discussions around compensation, how you want to structure a share based compensation? Or is it still going to be just 50 percent deferred, or any change to the P&L formula, that sort of thing? Sort of a confirmation of the existing…. Uh, compensation.

DD: Thanks Daniele. I think… we are not planning to make any changes in the compensation policy at hand, so it remains focused on a low fixed employee cost base, and a 36 percent all cash, of which 50 percent is deferred a global bonus pool. We do not take the SARS into account for calculating the bonus pool, or anything else. Also, as we speak, we have not made any changes to pay in stock as opposed to cash. So we do not plan to change the compensation policy that's in place as we speak.

Q: Great, good for your employees. Well, thanks.

[Question asking instructions] We will take our next question, from Michiel de Jong from ABN Amro. Please go ahead.

Q: Yes, good morning, gentlemen. Actually just a follow up on your value traded. Both in U.S. and Asia it seems that it's much lower than the market, indicating you've lost quite some market share. Can you indicate to what players you've lost this market share? In the U.S. it is obvious how you want to counter this, but what do you have in place for your Asian business to counter this loss in market share?

SR: I think there are a few things here to mention. Most important one in the Asian region is that we give insight here in the full size of the market, and not the full market is accessible for us yet. So we are of course working on making sure that we get access to these different marketplaces, and indeed, as you mention, we see that our value traded on a year on year basis grew by 57 percent in the Asian region; the market ETP value traded grew by 250 percent. But again, 50 percent of that market is not accessible yet for us. We, of course, all know that it is quite hard to become active on all these exchanges, especially in China, China-related exchanges. So there we see a lot of opportunities for us to become a member in the long run, but at the moment we are not able to do so. And we have seen that especially on these exchanges, of course given the Chinese market situations, that there is a lot of the growth coming from. So with that perspective I would not say that we have lost our market share; it is just the growth in the market, on other marketplaces than we are active on.

Q: Alright, thank you and have you connected to more exchanges in the meanwhile?

SR: We have connected ourselves to two more exchanges in the last few months, indeed. And that enables us to, of course, again increase the number of products for which we can provide liquidity, and it enables us to provide liquidity in a better way on the other 90+ venues we are active on, because we have access to more market information. And it will enable us to hedge ourselves better and optimize and minimize the risks we have while hedging ourselves.

Q: Alright, so it's now 96 venues and still 32 countries?

SR: It's 33 countries right now.

Q: Alright, thank you very much.

Our next question, from Tom Mills from Credit Suisse. Please go ahead.

Q: Good morning guys. I'm not sure if I've misheard this, but I thought I heard you say that you'd increased the size of your prime broker facility? If that's the case, can you give an idea of how much it's increased by and whether any terms have changed around that?

DD: Yes Tom, thanks for the question. I think we've been able to increase the line with one of our main prime brokers, with… about 15 percent of the total capacity. In addition we have been able to further diversify, with… between the two prime brokers as well. So we also have enabled ourselves to further use the dual setup we have on a global basis with the two prime brokers itself. And there were no changes in the conditions.

Q: That's great, thank you very much.

We will now take our next question, from Bruce Hamilton from Morgan Stanley. Please go ahead.

Q: A couple of follow ups. Just on costs, to check. Is there any seasonality in the cost base, that would mean the first half [hard] and second half. And then secondly, just to clarify, I think you're saying 36 percent is the rate we should expect, the variable comp to be paid out at, rather than… I thought you said before 35 to 36, but it sounded like 36 is the number.

Secondly, just to check, again, in terms of, and I think you've got this on a slide, but in terms of your regulatory minimum, your prime brokerage requirements and then what the excess is, given your [current sort of] liquidity position.

And then finally on the margins, obviously they've improved a lot in Asia; a fair but in Europe. Is that just being driven by volatility or is it due to product mix, or… how should we think about that as we're trying to model looking forward?

DD: About the seasonality, I think on the cost basis I think we run this global low predictable cost base. There is not a lot of seasonality in the fixed cost itself, but there might be some one-off small items but in general that we just make some improvements in the global infrastructure. So there will be no seasonality in the cost base.

As said, the bonus pool, it is effectively 36% of our operational profit, and we have not made any changes to the… to this calculation. From a capital perspective, both on regulatory and prime brokers, as you can see on slide number 10, we are well within the requirements of both, prime brokers and our regulators. So we feel we have a very robust capital position to pay our shareholders, but also to further grow the trading going forward, and there have not been any changes in the calculation of the capital requirements for either the regulators or our prime brokers.

SR: And then coming back to your question regarding the revenue capture, the margins per trade. If we take a look at the three different offices, we see that the revenue capture in European offices went indeed up from roughly 3.3 in the first half year of 2014 to around 4.8-5.0 in the first half of 2015. As you know, we strive for having not as much market share, but making sure we have, we call it profit share. The quality of execution needs to be continuously improved. So this is something we strive for. This should lead to a higher revenue capture. So partially it is driven by this. At the same time I have to add of course that in Europe, in the first half of this year there was quite some market activity. And also some elevated levels of volatility due to different situations, such as Greece. So also that had a positive impact on the revenue capture we saw there. And if we take a look in the U.S., we see that the revenue capture increase is less than in Europe, so it went from 1.7 to around 1.9-2.0 basis points. This is driven by this further improving quality of execution, and also the levels of volatility in Americas did not increase that much or were not that much elevated compared to the first half of 2014. And then in the Asian office in fact the same story applies; what we do see there is that the much higher levels of revenue capture are related to more volatility in the markets driven by the Chinese venture market situations. At the same time we have seen a shift of the volume traded. For example, the Japanese marketplace, two marketplaces more associated with China. And on average we do see that the revenue capture in these markets is a bit higher. So also there is both a structural change, and also more incident driven change.

Q: Got it. thank you.

[Question asking instructions] We will now take our next question, from Jan-Willem Knol from ABN Amro. Please go ahead.

Q: Yes, good morning, gentlemen. I had some difficulty in getting through, but I'm there. The question of dividend policy in terms of wording it sounds quite conservative given your cash-generative business model. So the target payout ratio is… the wording is 'of at least 50 percent'. What will determine your ultimate dividend payout policy? What are the main factors you will be looking at? If you have a bit more, let's say view already what the number could be, that would be helpful, of course.

Then, on the regulatory capital you report a quite strong jump in the required regulatory capital; 47 percent year on year. Well, obviously that is driven by your balance sheet growth but that's still… that was only 37 percent, so there's a gap there.

You also mentioned the increase in prime brokers credit lines, but is there any other change in regulatory capital requirements or prime broker requirements which we should be aware of? That would be helpful. Those were my questions, thank you.

DD: Thanks Jan-Willem, for the questions. About the dividend, as said we've paid… we're going to pay as an interim-dividend 38 percent of our adjusted net profit. It's well, well more than 50 percent of our net profit taking into account all one-off IPO-related costs. And also, as this being an interim dividend, and although we're positive on the second half of 2015, we should take some headroom in our interim dividend. I think the policy going forward remains at least 50 percent of our net profit. As you also are aware, if we see any room to pay more than 50 percent, as we've done in the past, we will pay more than 50 percent to our shareholders.

From a capital perspective, as said we have seen a strong increase in both our trading capital and our regulatory capital available, due the fact that we have been able to retain our net profit. And also due to the fact that a big, big part of our cash flows are deferred, so due to the fact that the bonus accrual is not paid out in cash but is paid after any performance year and even 50 percent is further deferred. So our trading capital has grown significantly in the first half year. And also our regular capital available. Giving us enough headroom for our regulatory but also our prime broker requirements. Where we've not seen any changes in the calculations of either the requirements for the regulators or our prime brokers.

Q: You mentioned also earlier that there was room to optimize the prime brokers capital requirements, by diversifying more or having the different parts, different legs of one trade being cleared more at one clearing company. I mean, how far are you in that process?

DD: I think that's an ongoing process, so it's both from a risk perspective, we don't want to be dependent on one prime broker on a global scale. So it's first of all from a business risk perspective, we want to be well-diversified across well-recognized and very credible prime brokers. In addition, it's an ongoing process. We trade more, tens of thousands of ETPs and underlying products, so this is a very… intense process of getting the right and the most efficient margin requirements, both from a regulatory and a prime broker perspective.

Q: Good. Just one follow up, if I may, on working capital. How should we think of the delta between the rise in trading volume going forward, longer term, and the growth in your working capital requirements? I mean, it shouldn't, probably not be one on one, but if your trading growth is 10 percent, what should we be thinking of structurally, longer term, in terms of the growth number then in your working capital?

DD: I think we… we don't anticipate that our working capital has to grow in line with the growth of our trading. Due to the efficiencies of the scale, the economies of scale in our trading, but also due to the efficiencies we can get in calculating our margin and capital requirements for our prime brokers and our regulators. So we feel that it should grow lower than the trading growth itself.

Q: Can you give a bit of a feeling as to the magnitude? So if you talk 10 percent volume growth, what sort of working capital growth should we be thinking of longer term?

SR: It is really hard to give these kinds of numbers, but at the same time I can point you to more market related figures. If you take a look at the U.S. market, we see that the velocity, the value traded in the market, is roughly six times the asset under management; and in Europe is roughly two times the asset under management, on an annual basis. So you can imagine at the moment we provide liquidity and there is a lot of velocity and there is a lot of trading going on, on a daily basis. Also, the value traded can increase a lot. It could lead, of course should have a positive impact on the net trading income, but at the same time it doesn't necessarily mean that we have higher capital requirements. It's really hard to answer your question.

Q: Fair enough. How quickly do you see the European market moving more in line with the velocity of the U.S. market? I mean, there's a big difference, I realize that, but do you see already positive trends there, or is that really a longer… very long term story, very slow progress?

SR: If I take a look at the velocity of the European ETP marketplace, I see that it goes up from a 1.5 to 1.8 level in the first half of 2014, to around the 2 levels in the first half of 2015. These are the numbers I have at hand here. As I mentioned, in the U.S. it was roughly 5.5-6 times the assets under management on an annual basis, and that's still the same in the first half of 2015.

Q: Okay, great. Thanks.

[Question asking instructions] Mr. Rietberg, I would like to turn the call back over to you for any additional or closing remarks.

SR: Yes, thank you very much. Thank you, operator, and thank you all for listening in on this call, and thank you for being with us. Once again, to summarize, we had two very successful quarters in the first half of 2015, resulting in a strong growth of net trading income, as mentioned. We've been able to outpace the grow in the ETP asset under management, and as mentioned already, we are pleased to announce that we are able to pay out 50 cents per share to our shareholders, the first interim dividend as a listed company. Thank you very much for being here, and I wish you all a great day. Operator.

I conclude this conference. Thank you for your participation and have a good day.