Q423 & FY23 Results

Thursday, 8th February 2024

Q423 & FY23 Results Presentation

Eric Pan: Good morning. Thank you all for joining Flow Traders Fourth Quarter and Full Year 2023 Results Call. As you will have no doubt already seen, we released our results first thing this morning. I am joined here on the call by Flow Traders CEO, Mike Kuehnel, as well as Global Co-Head of Trading, Alex Kieft, who will run through this results presentation. Afterwards, we will be happy to take any questions you may have.

Before we begin, let me draw your attention to the disclaimer on page two. Please be advised that if you continue to listen to this presentation, you are bound by this disclaimer. Also, please note that the results we will discuss in this presentation are unaudited.

With the formalities out of the way, I will now like to hand over to Mike for his opening remarks.

Mike Kuehnel: Thank you very much, Eric.

Good morning, and thank you all for joining this call, where we will provide additional colour on our fourth quarter and full year 2023 results.

2023 as a whole saw a decrease in the levels of market activity when compared to '22, amidst a significantly lower volatility environments. Market ETP value traded decreased 17% year-on-year as there were fewer macroeconomic and geopolitical events throughout the year. The fourth quarter of 2023 was marginally more active than the third, and this was reflected in ETP market value traded increasing by 1% quarter-on-quarter. However, volatility reached new lows for the year in November and December, after a brief spike in October. Our own ETP value traded decreased slightly in Q4 compared to Q3, and for 2023 as a whole, decreased by 18% compared to 2022.

Despite the decline, ETP value traded in 2023 was well over €1.4 trillion and the fourth-best year ever in the company's 20-year history. This is once again a testament to our expanding global footprint and growth strategy.

Value traded across each of our three asset class pillars for the year saw corresponding declines in line with the market, with crypto seeing the largest decline year-on-year given the market developments in late 2022. Nevertheless, the asset class started to regain interest from investors late in 2023 in anticipation of the spot Bitcoin ETF approvals in the US. Regardless of the market environment, we continue to invest in our trading capabilities and digital assets and stood ready to provide liquidity to our trading counterparties as market activity returned. Consequently, this subdued market environment translated into normalised total income of €72.9 million for the quarter. This comprises net trading income of €72.8 million and other income of €0.1 million. As a reminder, the other income line item reflects the unrealised gains and losses of our strategic investment portfolio.

2023 as a whole saw normalised total income of €299.8 million, which was 35% less than '22, as market turnover and volatility was significantly more elevated last year.

Despite one of the lowest volatility quarters since before COVID, we were able to generate normalised EBITDA of €23.4 million in Q4, given our diversified business model. Overall, in 2023, normalised EBITDA came in at €92.2 million with a margin of 31%. As a reminder, our normalised income statement presentation removes the distorting impact of IFRS 2 in relation to share-based payments and excludes one-off non-recurring costs in order to provide an underlying performance view across the financial periods.

Q4 normalised net profit amounted to €15.3 million, with normalised basic EPS of €0.35. Ultimately, we recorded normalised net profit for 2023 of €59.5 million, with normalised basic EPS of €1.38. Taking all of this into account, Flow Traders proposes a final dividend for 2023 of €0.15, which equates to a total dividend of €0.45 for 2023. This will be paid in June following our AGM.

Regardless of the market environment, we continue to focus on implementing our strategic growth agenda during the quarter, which saw further confirmation of our structural growth across different regions and asset classes.

I will now hand over to Alex Kieft, our Global Co-Head of Trading, to review recent ETP market Dynamics on slide four.

Alex Kieft: Thanks, Mike, and good morning, everyone.

As shown at the top-left of this slide, ETP market value traded increased in the fourth quarter compared to the previous quarter, and is up slightly compared to the same period a year ago. Value traded for the year was down 17% compared to 2022. Implied volatility, as represented by the fix, was flat this quarter compared to the third quarter, but down about 30% when compared to 2022, given fewer macroeconomic and geopolitical events this year.

ETP assets under management grew by more than 30% from the end of 2022, predominantly due to the strength of the overall market, but net ETP inflows was also strong, coming in just behind the record year we saw in 2021. We also saw an uptick in ETP velocity in this, alongside the rebound of value traded when compared to the previous quarter.

In summary, the momentum and the outlook across the ETP universe continues to be strong.

I will now move on to the dynamics within the fixed income and crypto markets.

As shown on the top-left of this slide, investment-grade and high-yield bond markets have rebounded from a volume perspective after declining in the previous two quarters and is also higher compared to the same period a year ago.

Credit spreads remained relatively the same in Q4 compared to Q3 but are still narrower when compared to Q4 2022.

From a crypto market perspective, Bitcoin and the other digital currencies experienced a sharp price increase in the fourth quarter, along with a rebound in both volume and volatility, as investor interest in the asset class was revived by the imminent spot Bitcoin ETF launches in the US. Global crypto ETP value traded saw a corresponding rebound in the quarter.

Now review Flow Trader's regional performance.

On this slide, we present an overview of some of the key performance indicators for the fourth quarter as well as for the full-year 2023 on a regional basis. As Mike mentioned earlier, market ETP value traded improved slightly in the fourth quarter compared to both the third quarter and the same period a year ago. However, value traded for the full year decreased by double-digit compared to 2022.

In Europe, we maintained our position as a leading liquidity provider in ETPs over the year, amidst the broad decline in market trading volumes and volatility, which resulted in lower turnover and tighter bid of spreads.

Our continued focus on further developing fixed income trading strategies and increasing our product coverage resulted in an increase in euro investment-grade average daily volume traded by more than 20% compared to the previous year, and our multiyear investment in the digital asset space is yielding noticeable results given the growing institutional interest in the asset class.

Moving to the Americas, we continue to systematically grow our international ETF offering by leveraging our existing capabilities, most recently with the addition of ADRs to our product coverage both on exchange and to our counterparties. We further expanded our footprint with the establishment of the Chicago office as our second US office and additional talent hub for the firm. We also prepared for the first US spot Bitcoin ETF launches, acting as a lead market maker for our partners, which reflects our commitment to support the continued evolution of crypto and digital assets.

Lastly, with respect to Asia, we saw solid trading performance in the quarter with positive contribution from our China operations in the first year following the approval of our QFII licence and opening of our Shanghai office. From a digital asset standpoint, we are prepared for the potential launch of spot Bitcoin ETFs in Asia, as the Hong Kong SFC approved the possibility of ETF listings.

I will now hand over to Mike for the next slide.

Mike Kuehnel: Thank you, Alex.

On slide seven, we present both the NTI by region and NTI by asset class breakdown as they demonstrate the progress of our regional and asset class diversification strategy, as presented at our Capital Markets update back in July of 2022.

In 2023, NTI contributions from the Americas and Asia accounted for 45% of total Group NTI, up from 32% in 2022 and 36% in 2021. From an asset class perspective, NTI contributions from fixed income and commodity, crypto and currency together accounted for 7% of total Group NTI in 2023. While this is flat compared to 2022, both years are up from the 39% in '21.

Our diversification strategy and the high degree of flexibility to quickly deploy trading capital across different asset classes gave us the opportunity to steer liquidity to optimally capture market dislocations where they occurred.

Moving to the next slide on expenses. After a few years of rapid expansion, we are now focused on cost and operational efficiency while implementing our growth strategy at the same time. And as you can see, we achieved a 9% year-on-year decrease in normalised fixed operating expenses in the fourth quarter. For the full year, normalised fixed operating expenses came in at €174 million, slightly below our guidance of €175-185 million. This is up 8% compared to 2022, mainly due to the targeted base compensation increases implemented in Q2 of 2022 as well as continued technology investments and inflationary pressures.

The business overall continues to demonstrate healthy normalised EBITDA margins despite a subdued markets trading environment. At year-end, our FTE headcount is down 2% to 646 compared to the end of 2022, which is also below our guidance of broadly flat for the year. For 2024, while we remain committed to bringing on board additional talent in gross business areas, FTEs are expected to remain broadly flat to down for the year given, expected efficiency gains.

The firm remains fully focused on operating and cost efficiencies across the business while implementing our growth and diversification strategy.

Normalised fixed operating expenses are expected to be in the range of €175-185 million for the full year, which is slightly up from 2023, given continued investments in technology and inflationary pressures.

I will now discuss Flow Traders capital position on the next slide.

On slide nine, we show Flow Traders shareholders equity on the top left-hand side of the slides, given we are no longer subject to CET1 regulatory requirements at the parent company level. Shareholders' equity remains strong at €586 million at year-end, and our normalised return on equity has averaged nearly 40% since our IPO.

On the top right-hand side of the slide, you can see our trading capital position. Trading capital, as stated before, is the lifeblood of our business and has the ability to generate attractive returns, as shown on the chart. Our trading capital was roughly flat at €584 million at the end of the year, while return on trading capital still exceeded 50% despite a rather subdued market trading environment over the past year.

Considering all these developments and the growth opportunities we very much see ahead, Flow Traders has set the full-year '23 final dividend at €0.15 per share, a payout at 51% and in line with our dividend policy of paying out at least 50% of net profits.

With regards to share buybacks, €3.2 million worth of shares were repurchased in the fourth quarter as part of the €15 million share buyback programme, announced back in October 2022. The programme is on track to be completed by October '24.

Moving to the next slide, I will discuss now market trends, our strategy and recent achievements.

On slide number ten, you can see that the supportive megatrends, which we outlined at the Capital Markets update approximately 18 months ago, remain very much intact. These four key megatrends continue to shape our market environment, acting as tailwinds to our business and offer increased opportunities. Crucially, these trends all feed into and reinforce each other. Particularly relevant to our core business is the ever-increasing acceptance of ETPs and growth in passive investing.

Total industry ETP AUM is projected to grow two and a half times from today's $10 trillion to $25 trillion by 2030, which underscores the strength and importance of the ecosystem we are a key part of.

Electronification of trading is critical for all of our activities, but in particular it is within our fixed income business, where this is a key structural trend in corporate credit and emerging market sovereign bonds. Increasing adoption of electronic trading ties into our core technology-enabled competency set. As highlighted in the fixed income white paper we published last year, credit algos have comprised almost 50% of executed volumes in euro credit in the last two to three years, particularly in the sub-1 million ticket sizes.

Fixed income ETF AUM is also projected to triple from $2 trillion today to $6 trillion by 2030.

With the recent regulatory developments around digital assets, there is growing institutional interest in this asset class, and total assets invested in cryptocurrencies have increased by $400 billion from the end of second quarter of '23 to about $1.6 trillion today.

With the SEC approving the first spot Bitcoin ETFs in the US last month, we anticipate growing investor demand for digital assets, and it remains a long term-growth opportunity, with the underlying technology expected to drive significant transformation across global financial markets in the coming years.

Lastly, regulation continues to support our business in terms of creating a level playing field from the aspect of execution transparency, as exemplified by the recent proposal to adapt a consolidated tape in the EU. In addition, increased regulatory adoption of digital assets will also create more opportunities for our firm, and we are an active participant in accelerating these discussions with regulators.

Moving to the last slide, handing over to Alex again.

Alex Kieft: Thank you, Mike.

With those key market trends in mind, our strategic goals and objective across our three asset class pillars remain fully aligned with the ambition outlined at the Capital Markets update. We made significant progress in 2023 and have clear focus areas for 2024 and beyond, which are all entirely consistent with our long-term strategic outlook.

From an equity standpoint, we continue to deepen our product coverage and geographic footprint to align with structural industry growth. We expanded our presence in the Americas with a new office and additional talent hub in Chicago.

We also increased onshore trading in China, following the receipt of our QFII licence with a new office in Shanghai. For 2024, we will continue to focus on enhancements to, and the expansion of our global ETP business and expand our activities in China.

Within fixed income, we further expanded our trading activities and product coverage. In 2023. We increased our average daily volume traded in euro investment-grade bonds by 20% year-over-year, while the electronification of the fixed income markets continues to evolve.

For 2024, we will continue to refine and expand our algorithmic trading activities to strengthen the combined ETP and underlying bond offering.

In terms of CCC, the focus here remains to grow our presence and participation in digital assets, FX and commodities. We retain our long-term conviction around digital assets and accordingly have continued to grow our presence in global crypto markets. We continue to expand our coverage of crypto instruments and make markets on numerous crypto ETP launches, including the recent spot Bitcoin ETF launches in the US. For 2024. We will continue to strive to be on the forefront and as a leading player of digital asset innovation and expand the OTC bilateral counterparty business across CCC as a whole.

To complete the picture, our strategic ecosystem approach is complemented by Flow Traders Capital, which in 2023 was highlighted by the launch of AllUnity, a euro stablecoin partnership with DWS Asset Management and Galaxy Digital.

For 2024, we will continue to assess relevant new market – new strategic opportunities and partnerships focused on financial market innovation.

I will now hand back the call to Eric.

Eric Pan: Thanks, Alex. This concludes the formal part of our presentation. We would now like to open up the floor for any questions you may have. Operator?

Questions and Answers

Operator: Yeah. As a reminder, if you would like to ask a question or make a contribution on today's call, please press star one on your telephone keypad. To withdraw your question, please press star two. We'll take now the first question from Julian Dobrovolschi from ABN AMRO. Your line is open now.

Julian Dobrovolschi (ABN AMRO ODDO BHF): Hello. Good morning, gentlemen, and thanks for taking my questions. I have three. Perhaps we can go one by one. To start with, I have a few questions on the market share in EMEA. If you look at the percentage, this deteriorated even further in Q4, to about 27%, while they were like at about, I think, about 33% or so in the first half of the year. And it seems that pricing is kind of the main culprit here. You mentioned this is due to pricing wars, with peers having a stronger balance sheet. I'm not going to name any names, but I just wanted to understand, is this an effect only due to the weak volumes in the market, or is this more of a structural change that we can expect going forward as well?

Mike Kuehnel: I'll take the question. Good morning. So, historically, we've also seen periods of indeed lower volatility and lower trading volumes, and then we see that our market share tends to decline, whereas on the flip side, in terms of higher activity, our trading strategies tend to capture more of the market. So we think this is purely driven by market circumstances. And we also haven't seen a significant, noticeable increase with new entrants in the European ETF market.

Julian Dobrovolschi: I don't really understand the argument, to be frank because maybe, let's say, I do agree with you, that percentage-wise, indeed, market shares was dropping in low, let's say, volumes and volatility environments, but it was dropping from about 37-40% to by another two, three percentage points. But now we are much lower than that. So just, again, trying to understand if this is a kind of a sequence of growing with the market, and at the same time, not being able to catch up with the growth in the market, or again, it's just a bit of a one-off that we just can't really, let's say, get the grasp of it.

Mike Kuehnel: Yeah. We are still a market leader in the European ETF market. What you see in terms of lower volatility is that indeed, some players with – and that they're able, with a bigger balance sheet, to also capture a bit of the market. But typically, in terms of higher volatility, that's when our technology as well as our trading strategies tend to outperform the others.

Julian Dobrovolschi: And then, do you have some stats that you can share with us, also the market shares maybe position-wise in Europe? Are you still able to maintain the number one in EMEA, or you lose this one to some other peers?

Mike Kuehnel: Yeah, we tend to be number one or number two, depending on what segment you look at, and still very big gap towards the others.

Julian Dobrovolschi: Right, cool. Thank you. Then maybe a second one. It's on the CCC, so it's basically slide, I'm looking at slide number 7, out of 18 in the presentation. So if you look at the mix component of CCC in the NTI for 2023, that is 32%, we understand from the past that pretty much is, I would say most of it is crypto-driven, and that's why it was taking a larger share when the crypto market was actually in the sweet spot, for example, 2021, and then weak in 2022. So 32% of the NTI for 2023, that's about €100 million, which I think is quite sizeable. Can you please talk about the mix there? So in particular, how much of that is crypto-driven?

Mike Kuehnel: Yeah, so we don't specifically carve out the split particularly, but we have seen a noticeable increase in institutional and investor interest in the crypto asset class, especially in the last quarters of the year. So while this is a decent chunk, we also continuously refine our strategies in both commodities as well as FX, where we also continue to grow.

Alex Kieft: Julian, if I may add just an additional perspective. So internally, we also very much look into recurring revenues. And I think it's fair to say that after the fallout of FTX, there was a big question mark globally, what's happening around the broader digital asset space. What Alex just highlighted is actually a key piece of our strategy we are now seeing, and the milestone being the ETF Bitcoin spot launch, a significant increase in institutional appetite, and also the regulatory landscape evolving in a positive way, specifically in Europe.

So I think that the focus over the last few years in building underlying infrastructure and pricing competency and leveraging our counterparty network is now paying off; and not just paying off as another spike in the market, but a function of a prolonged structural trend on digital assets evolution in the broader market. I think that's a key point to add.

Julian Dobrovolschi: No, Mike, this is definitely very, let's say, good to see. Absolutely. I mean, this is something that I guess people appreciate that eventually, it's nice to hear that you're able to collect the fruits of the investments that you've done in the past in the strategy. The concern here that I have is that if you – even if you take, let's say, even if you assume, say 50% of the 32% of the CCC NTI is generated by the crypto, and I think, let's say ballpark, I would tend to believe that I'm right, that's about €50 million in revenues over the whole year from cryptos. And I would assume it's back end loaded, so H2 loaded, out of which €70 million – you've generated about €75 million in NTI in EMEA. And I believe that crypto revenues are pretty much kind of attributed to the EMEA trading desk.

So if you just strip out basically crypto revenues in H2, from the overall EMEA revenues in H2, and then you do the back calculation to get to basis points, kind of revenue capture, I get to something like in between 1-1.5 basis points, which is way, way below than what you guys were able to generate before starting the diversification strategy.

So this is a bit of a concern. And I might be wrong in my calculations, but even if you try to play around with the figures, nevertheless, the revenue captures in Europe have been dropping significantly in Q3 and Q4. So that's a bit of a concern.

Mike Kuehnel: Yeah, I think there are a few points to add to that. So clearly the market share metric is important, but we very much steer our company by profitability. So what Alex highlighted specifically, low-volume environments, we tend to protect our P&L more than others, who are willing to take lower profit shares in these trades. But that does not mean that there is a structural trend which works against that. It's a conscious strategic choice on our side.

The second point is we've been vocal about having built and cultivated a product-agnostic and, from a regional perspective, agnostic trading model. So the more we drive our diversification, the more we are able to deploy capital to higher-yielding opportunities. And I think that's important to highlight. Because if you – if you just look into the evolution of the asset class penetration across the globe, and then if you take – break it down to Europe, if you sense that we are shifting capital from equity into crypto, for instance, that there's a structural breakage, if you will, in our model. But actually, what we are doing is to tactically opportunistically deploy our capital in order to make sure that we increase our return on trading capital. And we do that in a high-velocity environment. Right? So this is not a strategic choice and against equity towards crypto, but building the infrastructure in order to be able to capture these opportunities.

And then recapping on 2023, I think, I have to, again, confirm that we can't predict the future, which also is not the plan, but what we can do is to really further enhance a) the trading capabilities, the capital deployment in terms of availability and velocity internally, and to make sure that we have a predictive way in spotting the most attractive opportunities for the firm. And then the evolution around the year is what you see right now.

So, coming back to your point, there's no concern on our side as to our European market share. And a very important piece is also the research we do, the observations we collect on competitor behaviour. So there's no new competitor stepping into the market. However, the point on it's a different market environment, and you see then other players becoming more dominant, that we saw, but it's not a concern on our side strategically.

Julian Dobrovolschi: Thanks, Mike. But that kind of also bridges to my third question. As you said, that you're kind of looking in a market, always being on the lookout to deploy the capital in the best, let's say, area for trading. If I'm looking then on the returns and trading capital in Q4, this declined further to 61 percentage points, whilst it was 59 in Q2, and then it was even 67% in – sorry – it was 69 in Q3, 59 in Q3 and 67 in Q2. And I think in Q2, you also generated quite a weak NTI of about, what is it, €50 million only. Anything that we can try to extract in terms of understanding of deploying trading capital into the high-yielding asset classes from before?

Mike Kuehnel: Yeah, I think I need to shed a bit more light onto this. So the way I look at it, I turn it around mentally and say we have seen quite challenging 2023 for the firm, and that's a function of diversification, only working if you have differences in volatility and volumes. But we have seen times in – throughout 2023 where global levels, both on volatility and volumes came down. Yet, the company was able to generate about 50% in trading capital. I think that's a very strong message to make, but it's definitely not our ambition, as you have heard it before. So the way I now turn it around is we have now further doubled down throughout the year in '23 to increase the velocity of capital, to further invest in the competency set both on hedging and pricing. So the trading strategies more broadly, and as we have been vocal about, we have been making progress both on crypto and on the regional footprint, specifically in China.

So the gist to it, in my view, is if we are now seeing a change in market environment, and January was a good indication that volatility seems to come back, I'm not able to make a prediction, but we see what then happens to our trading model. So all these strategies then work together and bring us back to higher trading capital return levels. So I feel this is rather a strong element of the firm having been able to still being highly accretive in very difficult market environments and now hopefully stepping with the continued strategy into better time.

Julian Dobrovolschi: Understood. Thank you so much.

Operator: We'll take now our next question from Michael Roeg from de Groof/Petercam. Your line is open now.

Michael Roeg (Bank de Groof/Petercam): Yes. Good morning, gentlemen. I have a question about the crypto ETP business. Do you see other competitors also preparing to enter this market like you are doing, and are these the same names that you encounter in your equity and fixed income ETP business?

Mike Kuehnel: Well, of course, the major milestone recently was the launch of the spot Bitcoin ETFs in the US.

There you do see that the same players who are active in ETFs and also have a crypto franchise that they are there. We, of course, had also prepared very well for that event, as it was a highly anticipated event, and we were able to provide liquidity in all those ETFs. So we typically do see that the few competitors that do both ETFs and crypto, that they can also do it; but you need to be native in both ETFs as well as having a crypto franchise.

Michael Roeg: And in the US, your market share is, of course, much smaller than in Europe, but not everybody probably enters this market. Do you see your market share in the ETP crypto business roughly similar to your regular business, or is it already higher because not everybody is active there?

Mike Kuehnel: Probably higher, yeah, probably higher. And we're just taking step back, seeing us vis-a-vis the competition. I think what works for us is that we started investing early on, so we're trading crypto for seven years by now. I think the infrastructure build up gives us a clear competitive edge. Personally, I feel that FDX has done a lot to public perception on how important it is to be fully transparent – regulated and a trusted party.

I also sense that our franchise value, as indicated by our counterparty network, is a significant addition because clearly what you will see, or what we would expect to see, is growing adoption of crypto ETP and digital assets more broadly. So in my mind, there is even an opportunity to have now a foundation to build upon and exponentially grow into it, if digital assets will become a main theme in the market. And I would very much hope that the firm will be able to benefit from that going forward.

And the last point to add on this, I think, as you have seen, for instance, by the AllUnity partnership, which Alex highlighted, we are taking a very active stance in building this market, and this is very much in line also with our strategy. So back then, when the company was founded, we talked about we are here to increase transparency, connectivity and efficiency in markets.

I very much believe that blockchain technology and digital assets is a unique opportunity for financial markets to improve, and us being not just a trading counterparty but also a strategic investor, and very specifically building into a stablecoin, which many people feel is at the centre of financial market evolution around digital assets, looking into broader trading propositions. That's a unique opportunity for the firm.

Michael Roeg: Then, about this ETP crypto business. Historically, it was always said that the strength of Flow Traders is ability to trade in complex products where you can price where others can't, multi-currency, multi-market, different time zones, etc., and not so much speed. What is the crypto ETP kind of business? Is it a speed business or is it also complexity of pricing?

Alex Kieft: It is also a matter of having the infrastructure in order to wire or transact, transfer digital currencies. So that adds a different layer of complexity rather than pure pricing or pure speed, which we have built up, as Mike mentioned, over the past seven years, and is now fully in our DNA and in our operations. And that adds another head that allows us to provide the best liquidity both on the exchange and to account counterparties.

Michael Roeg: Okay, clear. Then I have a question about the dividend. The dividend proposal is a payout of 54%, but that is unreported EPS, whereas the normalised EPS on that, it's only 33% payout. Given that you focus on these KPIs, these non-GAAP KPIs, like normalised EBITDA, normalised net profit, why did you decide to do roughly 50% payout unreported EPS?

Mike Kuehnel: So we looked into this from, let's say, transparency perspective, and felt that the reported layer is the most relevant one and also wanted to treat that with a high degree of consistency. So the way we feel, the normalised perspective is important for investors to see is more the year in, year out true performance. But from a kind of accounting and capital deployment perspective, we felt that the reported layer is the more relevant one.

Michael Roeg: I'm actually a bit surprised by that, given the emphasis on normalised profitability, not only by you but also investors and analysts and also with other companies who typically focus on adjusted items for all kinds of strange IFRS things. So I think it would be better if you would change this to roughly 50% on the normalised EPS. But this is just a recommendation.

Then I have a question about the headcount that decreased by 12 people in Q4. Did that have any kind of impact, like for instance a reversal of capitalised variable remuneration?

Mike Kuehnel: No, that was not – that was not the point. So, as you will appreciate, we have – we are operating in a, let's say, highly competitive environment. What is important for us is what I mentioned before. The changes we did in terms of base comp and the changes in the broader leadership team and the alignment on our key strategies was important for us in order to really bring our key talents behind our strategy and also great excitement on where we are as the firm and how we are looking into '24. So it's not a concern. But I do acknowledge we are operating in an environment where we need to be on the lookout constantly.

By the way, this is true across all regions, right? There are different tensions or competitive threats in the US compared to APAC, compared to then EMEA. So it is a top priority for management in order to make sure that we retain our talent and, more importantly, the reference I made earlier, we are still very much in a growth mind. And we do acknowledge that in order to grow the business, if there are needs and opportunities to hire external talent, bringing people on board in order to further accelerate our growth, we will have a very open mind to it.

Michael Roeg: Okay, that's clear. Thank you, sir, very much.

Operator: We currently have no questions coming through. As a final reminder, if you'd like to ask a question, please press star one now. We'll take the next question from Julian Dobrovolschi from ABN AMRO. Your line is open now.

Julian Dobrovolschi (ABN AMRO ODDO BHF): Hi, just one more question, one with an angle, particularly on the spot Bitcoin ETF product. Can you please quantify your performance so far, as much as you could see in Jan, for example, because we've pretty much had I guess one full month of trading in this kind of product type? I guess, actually, I want to understand how big of a tailwind this is for you guys and how much NTI can I generate with it. So it would be great if you could talk a bit about for example return on trading capital in this asset class, particularly in the ETF and not in the ETP product. Maybe something on the market share within the CCC products that you provide liquidity, but also why being authorised participant only to 3 out of the 11 approved products, and what sort of liquidity do these three issuers have versus the overall market?

Alex Kieft: Yes, it was of course a highly anticipated event for us, and we had prepared very well. So we were able to provide liquidity in all ten of the ETFs from day one, and we did see elevated volumes in the first days. By now that has subsided. So now it has come down to more regular flows. It's more business as usual.

With regards to the lead market maker question, that is more a reputational benefit. So there can be one lead market maker per instrument. It comes with some additional quoting requirements, and you are then the selected partner for the issuer. But other than the reputational aspect, there is no difference between being a regular market maker or the lead market maker. It just shows our commitment to the asset class and our partners.

Julian Dobrovolschi: And do you see, for example, a difference in flows or volumes across all of these 10, 11 products? Are, for example, some of the issuers more in demand than the other ones? And if so, what would make them stand out versus the other ones?

Alex Kieft: There are differences in terms of volume and inflows. What makes them stand out, I think that is more for the issuers themselves to comment on. From a trading perspective, they are similar, and I think also from a fee perspective there can be differences between them. But it's typically also the clientele of the issuers that determines where the flow is going and their sales efforts to attract the inflows.

Mike Kuehnel: Julian, if I may add one piece to it, as Alex highlighted, it was a much anticipated milestone, and I think it's very fair to say that this was not just anticipated for a few weeks, but actually the way we look into the broader digital assets evolution. We did see this coming, or was hoping for it for quite some time. And further ahead, there will be more adoption coming in, and I very much feel excited about how the issuers, the broader asset management landscape has started embracing it because ultimately, what we need is trust and transparency. And I feel that this is a very key element in helping also us to deploy our trading capabilities in becoming another trusted party, making the new digital assets landscape as mature and transparent as possible.

So in a way, I do expect more to come. I do expect acceleration. I'm excited about MiCA, coming back to the point on regulation in Europe, which is a key element of building in the ecosystem, and we will continue our investment strategy specifically on this piece, looking ahead for the next few years.

Julian Dobrovolschi: Yeah, well, thanks for the add up. And maybe one final one, and then I'm going to shut up. My favourite question of them all. Can you share with us an update on the trading capital upsizing? Are you still considering tapping the capital markets, for example, for increasing the trading capital?

Mike Kuehnel: Yeah, so capital is a key strategic point for us. And coming back to the point I made on trading capital, so one way of growing the firm is bringing more capital in and making sure that we find the best way. The comments we made back then on the TLB are still accurate in a way that this is one of the components we looked into. Clearly, we are quite reflective on pricing and opportunities and for the TLB specifically, given the market environment, as a first-time issuer, there was no attractive window. Since then, we have started looking into alternative ways of financing, and we are currently in the preparation of finding our internal kind of perspective on how to further proceed. But coming back to my first point, capital is key for us and will continue to be key in 24. So more to come.

Julian Dobrovolschi: Looking forward. Thank you so much and good luck.

Operator: We currently have no further questions, so I will hand you back to Eric to conclude today's conference. Thank you.

Eric Pan: Thank you, Operator. We would like to thank all the analysts for participating in today's call. Please note that we will host our next analyst call when we release our second quarter and first half 2024 results in July. Details and timing for this call will follow in due course. Our first quarter trading update is scheduled to be released on the 25th of April.

This now ends the call. Thanks again and have a great day.

Mike Kuehnel: Thanks a lot.

Operator: Thank you for joining today's call. Thank you.

[END OF TRANSCRIPT]