



Flow Traders Ltd.

Q223 & HY23 Results Presentation

28 July 2023

F L O W ■ **T R A D E R S**

AMSTERDAM ■ CLUJ ■ HONG KONG ■ LONDON ■ MILAN ■ NEW YORK ■ PARIS ■ SHANGHAI ■ SINGAPORE

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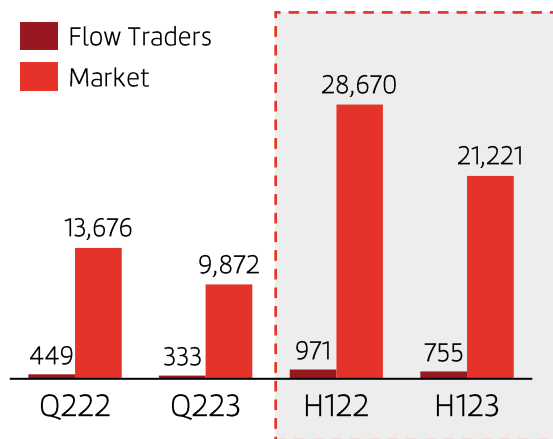
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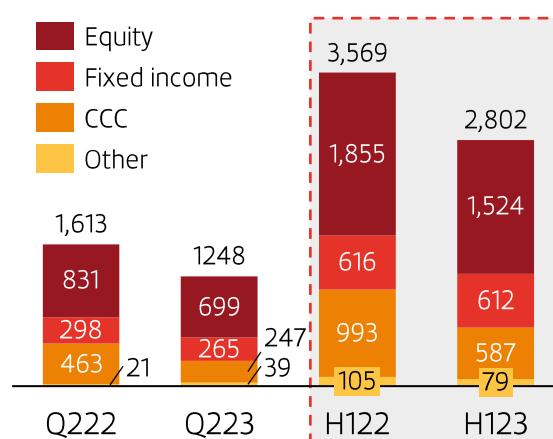
Q223 & HY23 snapshot

Q2 saw a subdued market trading environment across most regions and asset classes

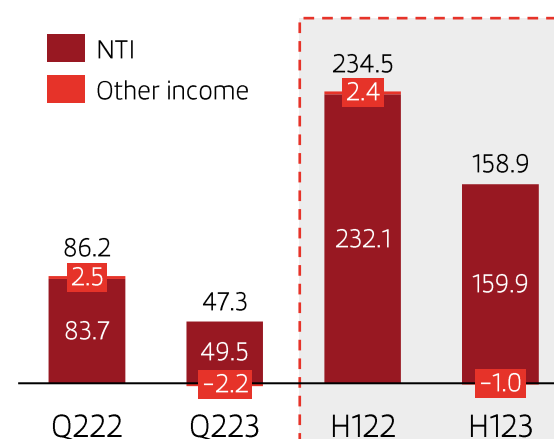
ETP Value Traded (€bn)



Total Value Traded (€bn)



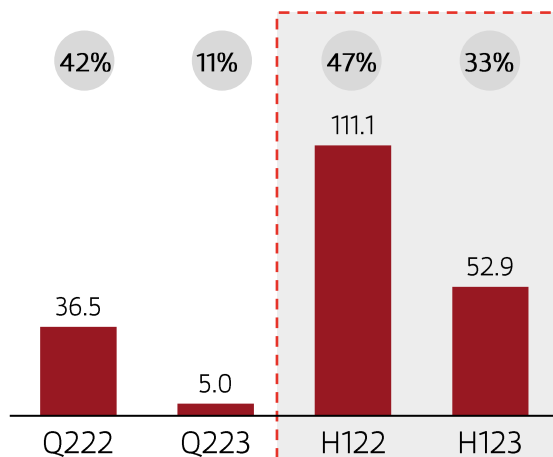
Normalized Total Income (€m)



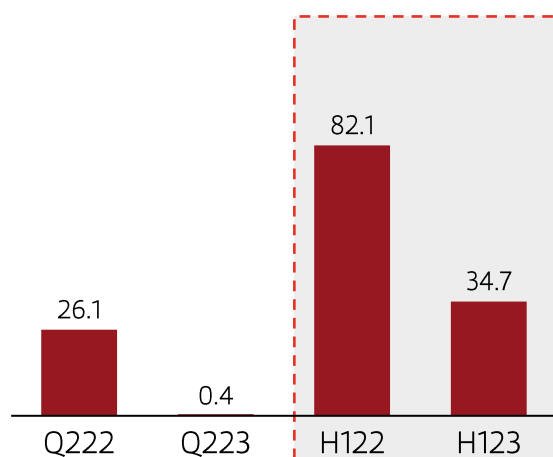
Highlights

- Subdued market trading volumes and low volatility resulted in lower turnover and tighter spreads in the quarter
- Market ETP Value Traded decreased by 28% in Q223 vs Q222 and by 26% in H123 vs H122
- Flow Traders ETP Value Traded decreased by 26% y/y and by 22% in H123 vs H122
- Normalized operating expenses were €42.3m in Q223 vs. €49.7m in Q222 due to lower variable remuneration
- Generated positive Normalized Net Profit of €0.4m in Q223 amidst subdued market conditions as a result of the flexible business model
- 653 FTEs as of 30 June 2023 vs 667 as of 31 March 2023
- Proposed interim 2023 dividend of €0.30

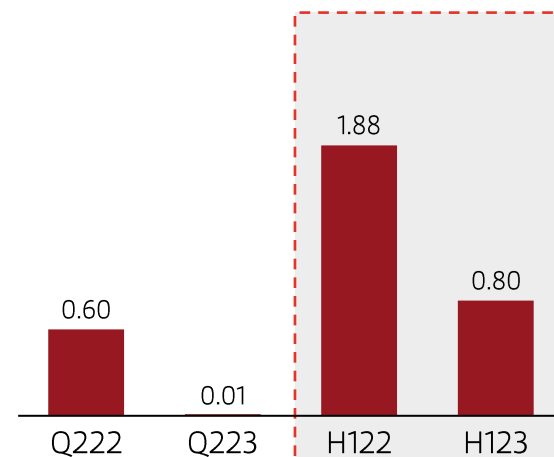
Normalized EBITDA (€m) and margin



Normalized Net Profit (€m)

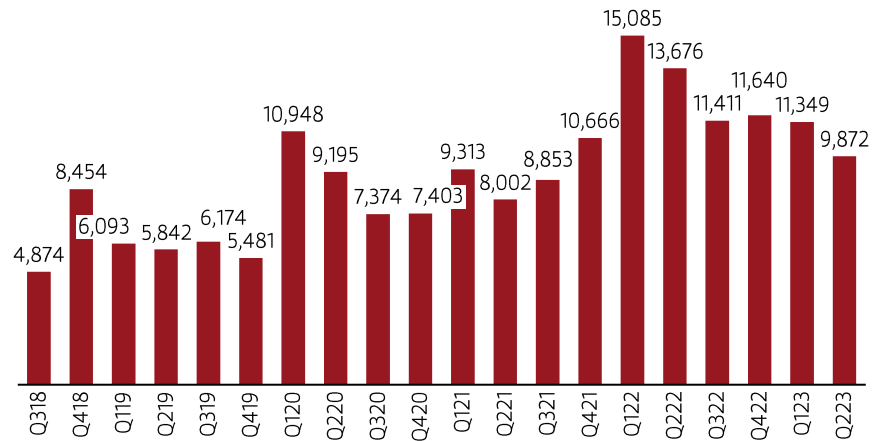


Normalized EPS (€)



Decreased levels of ETP market activity in Q2

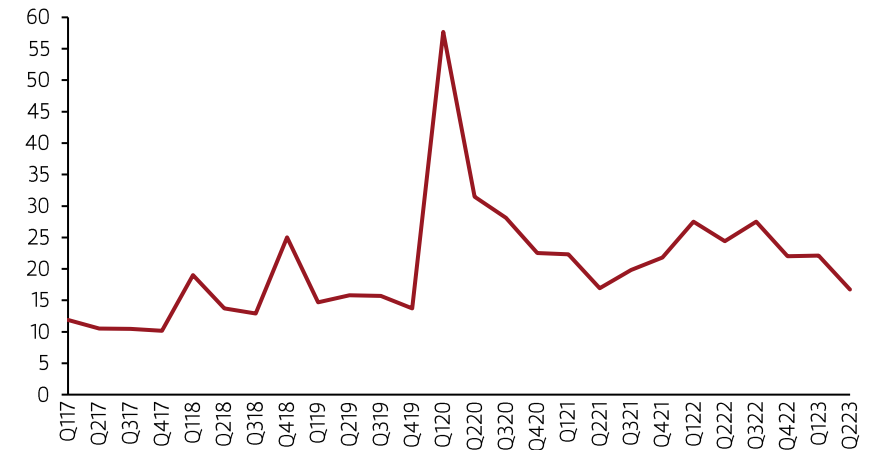
ETP Value Traded (€bn) *



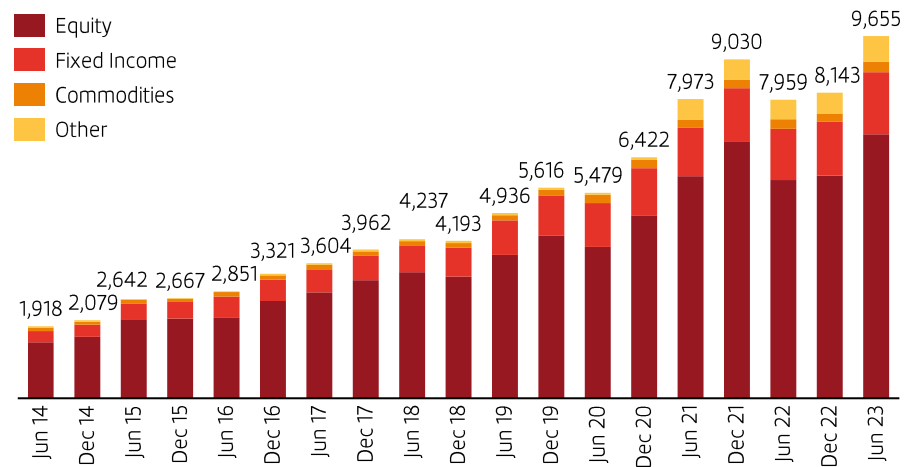
GENERAL MARKET DEVELOPMENTS

- Market ETP Valued Traded declined by 28% y/y in the quarter vs. Q222 as turnover declined
- Depressed levels of implied volatility (VIX) continued in Q2 with few headline events.

Average Implied Volatility (VIX)



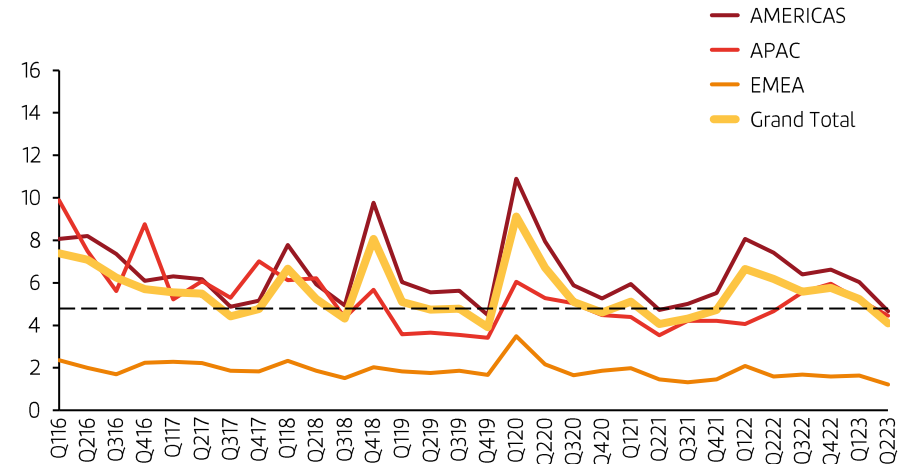
ETP AuM (€bn) **



ETP MARKET DEVELOPMENTS

- 19% increase in AuM since the end of 2022 to €9,655bn
- Downtick in ETP velocity in H1 23 across all regions
- Strong outlook remains for the ETP market

ETP Velocity

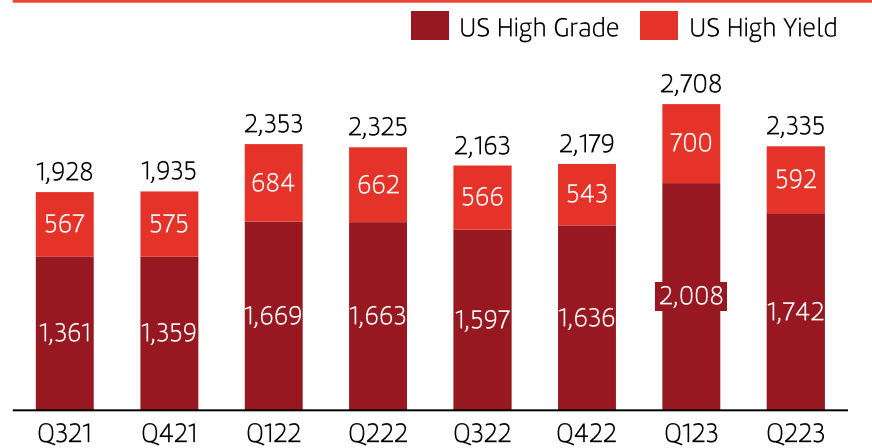


* Source: Bloomberg, iShares, Tradeweb, Bloomberg RFQ, Flow Traders. See appendix

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

Fixed income and crypto market dynamics

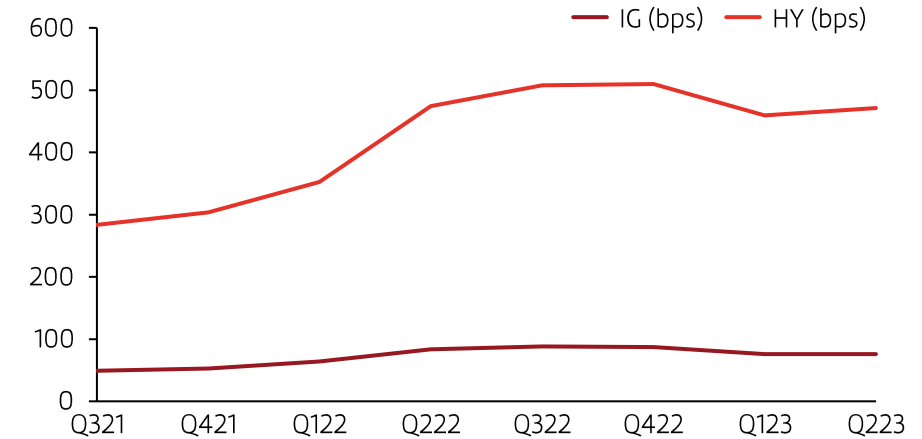
TRACE volumes (\$bn)



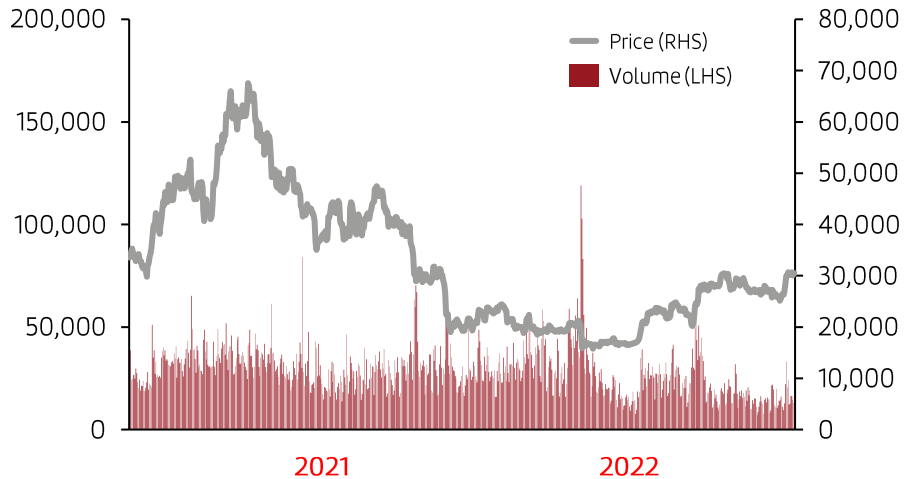
BOND MARKET DEVELOPMENTS

- U.S. Investment grade bond volumes increased in Q223 compared to Q222 but High Yield volumes decreased
- CDX spreads tightened in Q223 compared to Q222
- Corresponding tightening of Fixed Income ETF spreads

US CDX index



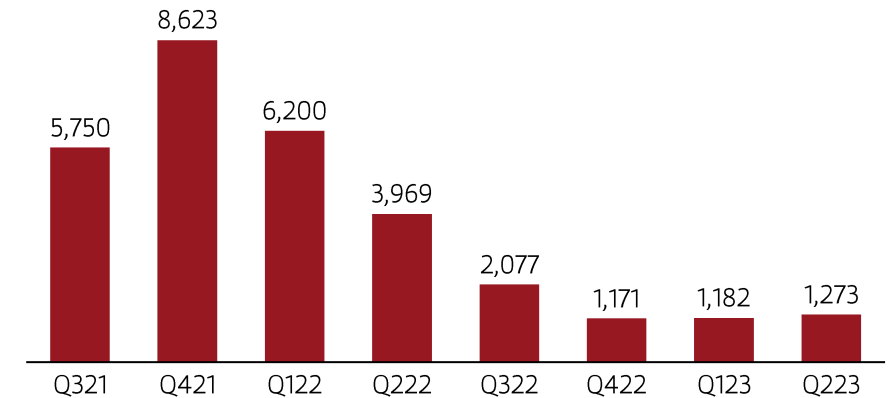
Bitcoin price (\$) and volume (\$m)



CRYPTO MARKET DEVELOPMENTS

- Bitcoin's value recovered in Q223 but volumes were down 50% compared to Q222
- Crypto ETP value traded in Q223 was down 68% compared to Q222

Global Crypto ETP value traded (€m)



Q223 & H123 regional performance overview

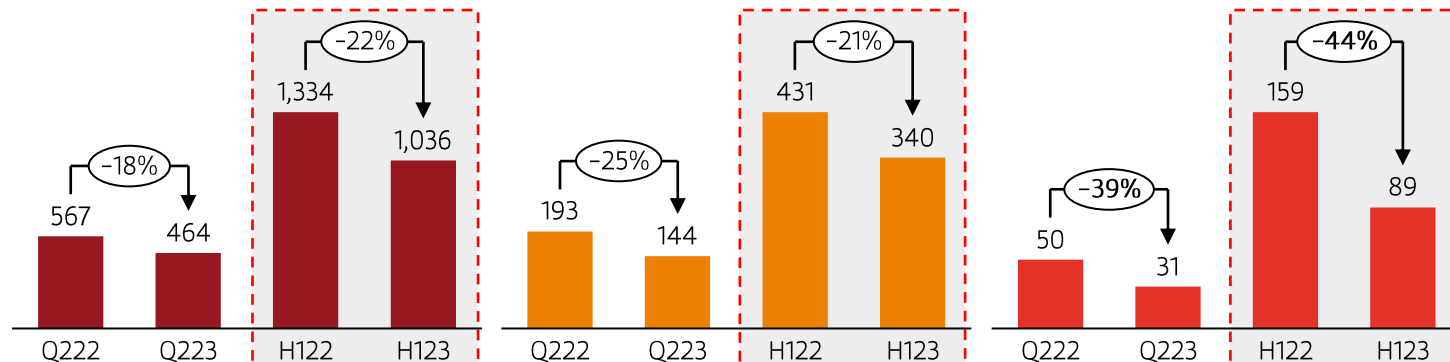
Market ETP Value Traded (€bn)

Flow ETP Value Traded (€bn)

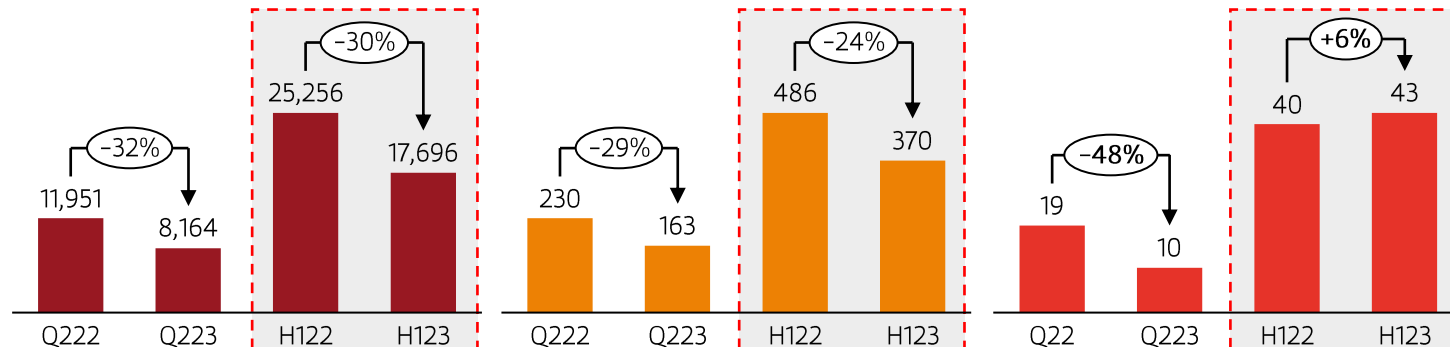
NTI (€m)

Q223 Highlights

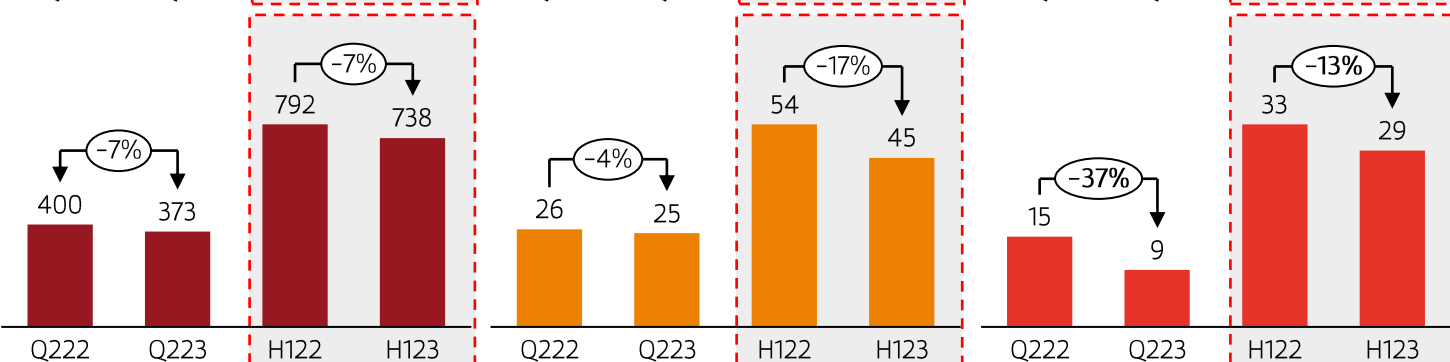
Europe



Americas



Asia



- Maintained position as a leading liquidity provider in ETPs in the first half of 2023 amidst subdued market trading volumes and low volatility which resulted in lower turnover and tighter bid/ask spreads in the quarter.
- Continued focus on further developing fixed income trading strategies, resulting in an increase of 40% in ADV traded in EUR IG.
- Increased synergies between the CCC trading desks continued to support relationship expansion, exemplified by the 50% growth in CCC counterparty connectivity in H1 2023 and the provision of liquidity for the first European exchange listed Bitcoin futures on Eurex.

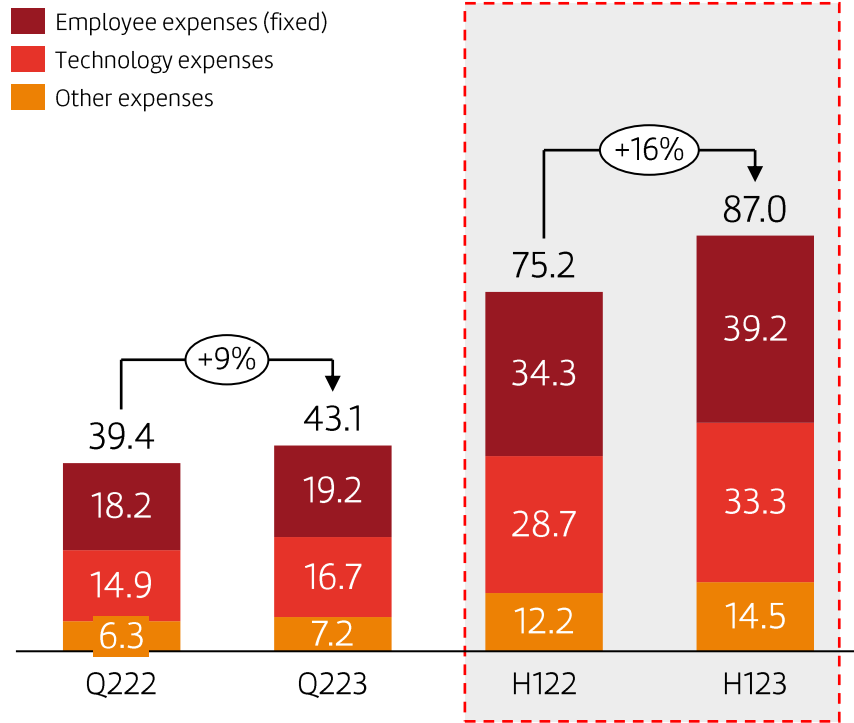
- Refined focus of the U.S. fixed income trading strategy and operations to drive increased systematic trading, leveraging the growing electrification and automation trend of the asset class.
- Enhanced exposure to the counterparty and issuer network with the new office in Chicago and onboarded several new counterparties, bringing the number of U.S. counterparties to nearly 500.
- Further strengthened existing footprint in the lead market making space by assisting with the launches and conversions of several fixed income ETFs focused on high yield and treasury ETFs, as well as co-authoring a thematic ETFs thought leadership piece with BlackRock.

- Strengthened the regional presence with the enhancement of the local leadership team in APAC, reflecting the importance of the hub in fostering trading capabilities and partnerships
- Continued to accelerate build out of the trading operation in China with new counterparty and issuer relationships.
- As part of the firm's expanding APAC strategy, began making markets for the new RMB Dual Counter instruments on HKEX, further underscoring the firm's strong commitment to improving the accessibility of these assets to investors.

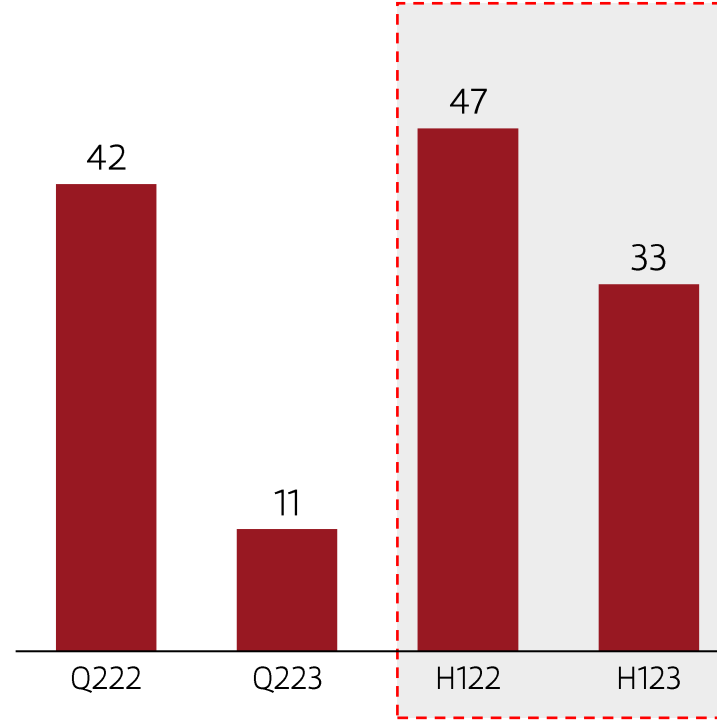
Note: APAC market ETP value traded excludes China

Continued investment to drive strategic growth – healthy margins maintained

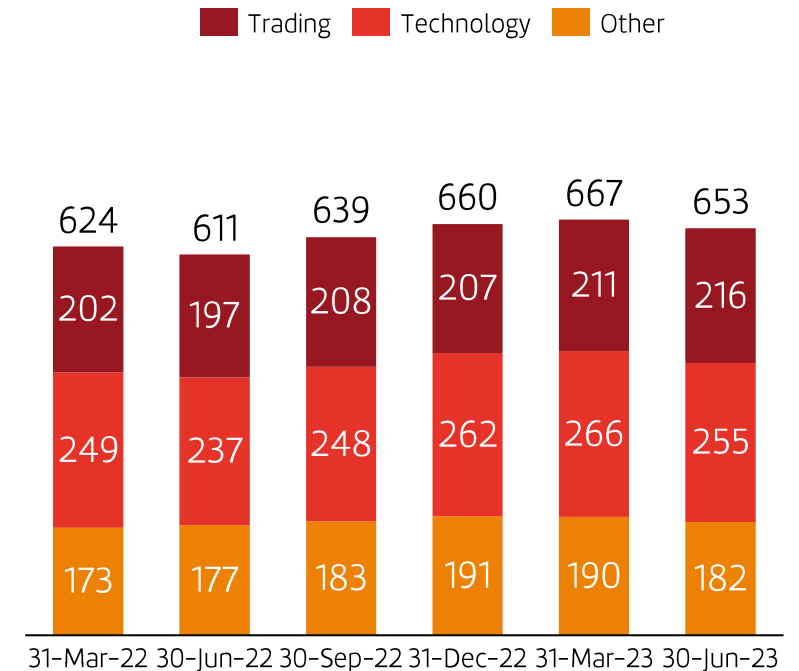
Normalized fixed operating expenses (€m)*



Normalized EBITDA margin (%)



FTEs

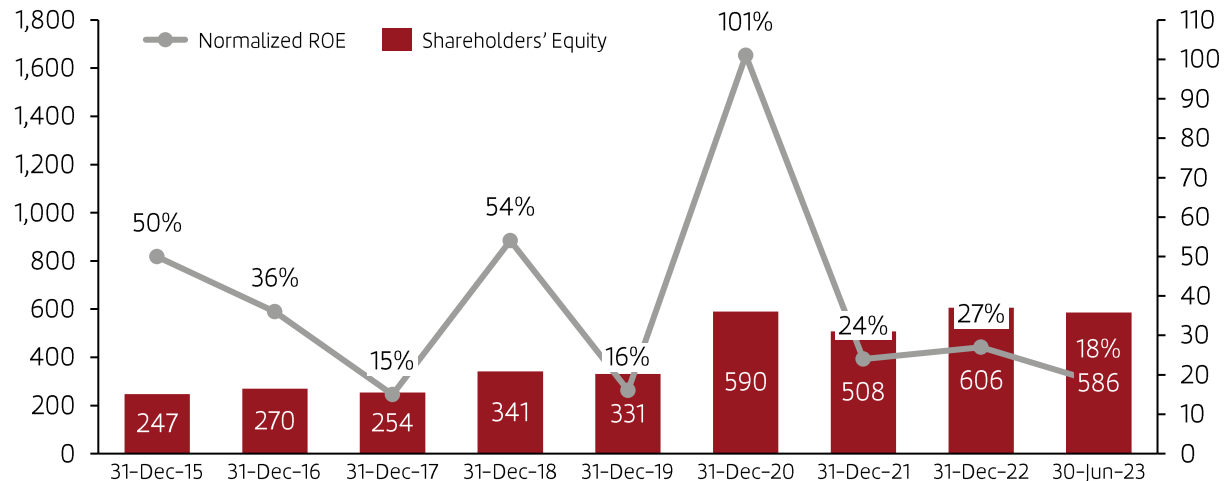


- Main drivers of y-o-y increases in fixed expenses relate to new hires to support growth strategy, targeted base compensation increases and continued technology investments. Profit share / variable remuneration pool was adjusted to 32.5% of operating result in Q222 to reflect the shift in total compensation mix following the base compensation increases.
- While Flow Traders remains committed to bringing onboard additional talent in growth business areas, FTEs are expected to remain broadly flat during 2023 given expected efficiency gains. There is a strong commitment to maintain the fixed operating cost base in line with the December 2022 run-rate. Accordingly, Normalized fixed operating expenses in 2023 are expected to be in the range of €175 – 185m, in-line with previous guidance.

* Excludes one-off expenses

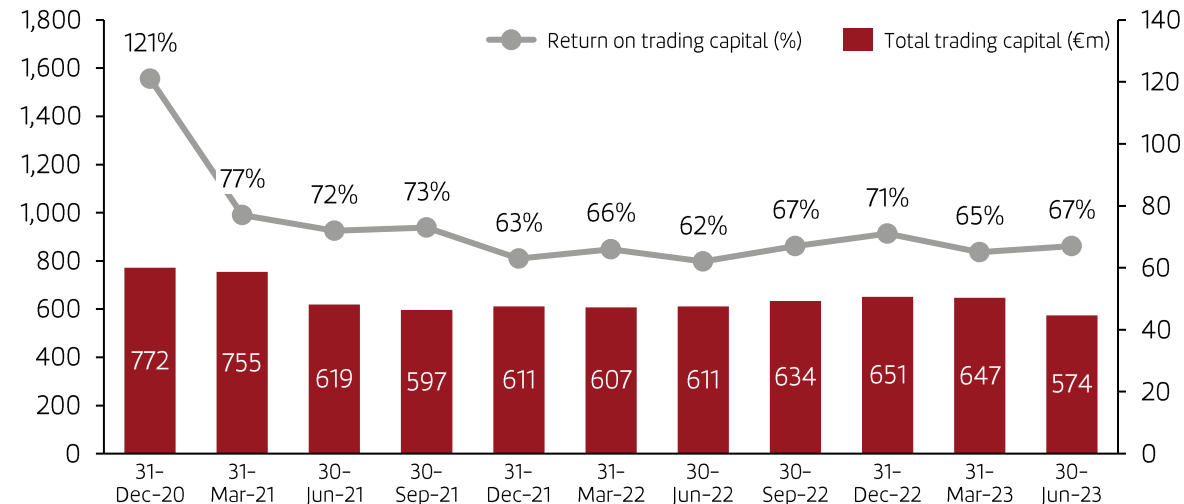
Capital update

Shareholders' Equity and Normalized ROE



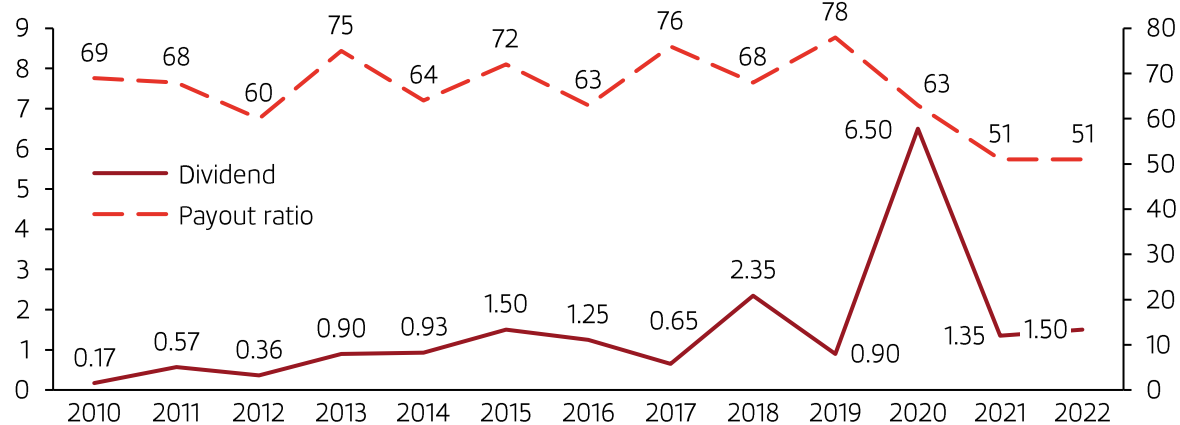
Note: Normalized ROE calculated as the LTM net profits divided by the average of the prior year end of period and current end of period shareholders' equity.

Trading capital



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

Dividend (€) and payout ratio (%)

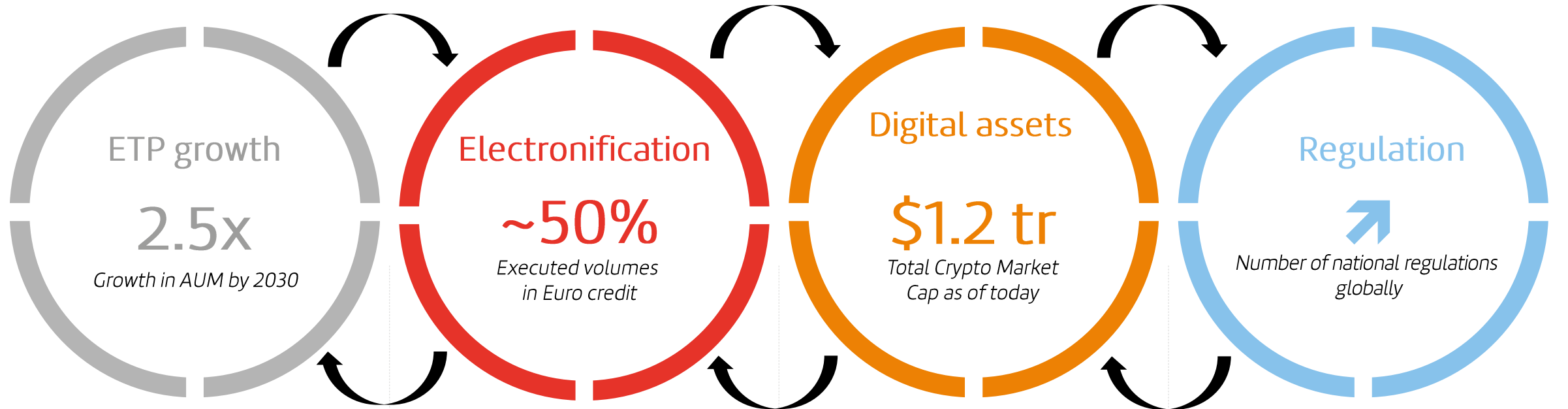


Note: Payout ratio calculated using IFRS EPS

- Shareholders' Equity decreased by €40m to €586m post the payment of the FY22 final dividend
- Trading capital stood at €574m as of 30 June 2023. Return on trading capital was 67% in the quarter – remains highly accretive and has been consistently in excess of 60% over recent quarters
- Proposed interim FY23 dividend of €0.30

Supportive mega trends remain intact

Four key trends continue to shape Flow Traders' market environment, largely offering an increased market opportunity set



- Industry ETF AUM projected to **more than double** from \$10 trillion in Q123 to \$25 trillion in 2030
- ETFs remain a small % of global capital markets with <2% of fixed income and <7% of equities in Q123

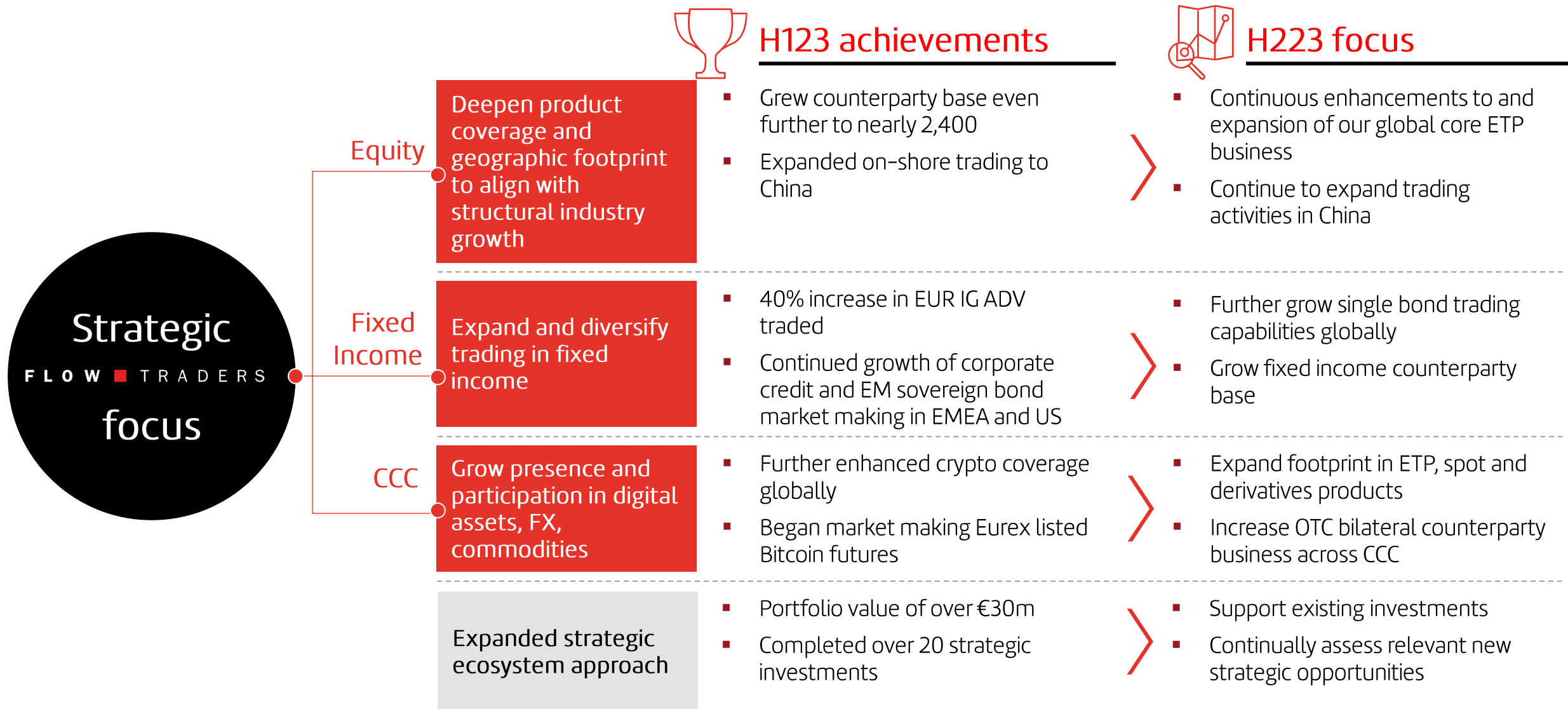
- Credit algos have comprised ~50% of executed volumes in Euro credit in the last 2-3 years, particularly in the sub 1m ticket sizes
- Fixed income ETF AUM projected to **triple** from \$2 trillion in Q123 to \$6 trillion in 2030

- Long-term **growth opportunity**, notwithstanding recent market events
- First European exchange listed Bitcoin futures launched on Eurex, with the largest ETF issuer Blackrock applying for a spot Bitcoin ETF in the U.S. for the first time

- Increasing standards for **trade execution, reporting, and settlement** harmonization, e.g. proposed EU consolidated tape
- Accelerating **regulatory dialogue around digital assets**, e.g. Markets in Crypto-Assets Regulation (MiCA)

Key strategic objectives

Significant strategic achievements in 2023 to date with clear focus areas for the remainder of the year



Flow Traders Strategic Capital – systematic strategic ecosystem approach

Flow Traders invests in companies to build technology businesses that lead to innovation within global financial markets and align with our core business strategy

€30m

Current portfolio
value

2+ years

Deployment
period

>20

Long-term
investments

10 years

Investment
horizon

We invest in innovative early-
stage companies

Investment focus:

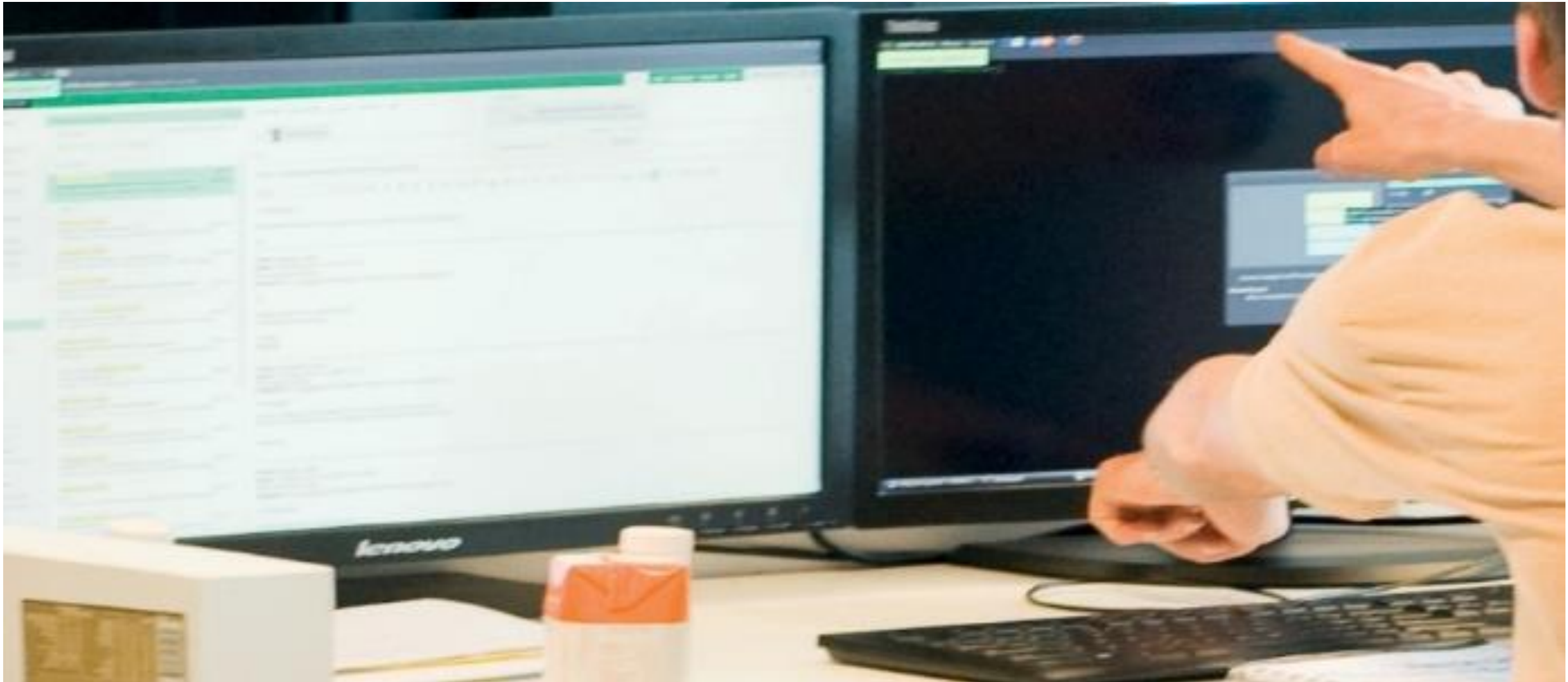
- Globally, with the goal to create greater transparency and market infrastructure improvement and with a focus on:
 - 1) Platforms: Traditional & Digital Asset Market Infrastructure
 - 2) Connectivity: Enterprise Technology
 - 3) Data: Data Analytics and Management
 - 4) Tokens: DeFi and Infrastructure

Investment size / stage:

- Equity: \$1m to 10m
- Tokens: < \$500k
- Stage: lean Seed to Series B
- Lead/Follow: we can lead deals or follow other investors
- Active: we are active investors – we welcome board seats and commercial partnerships

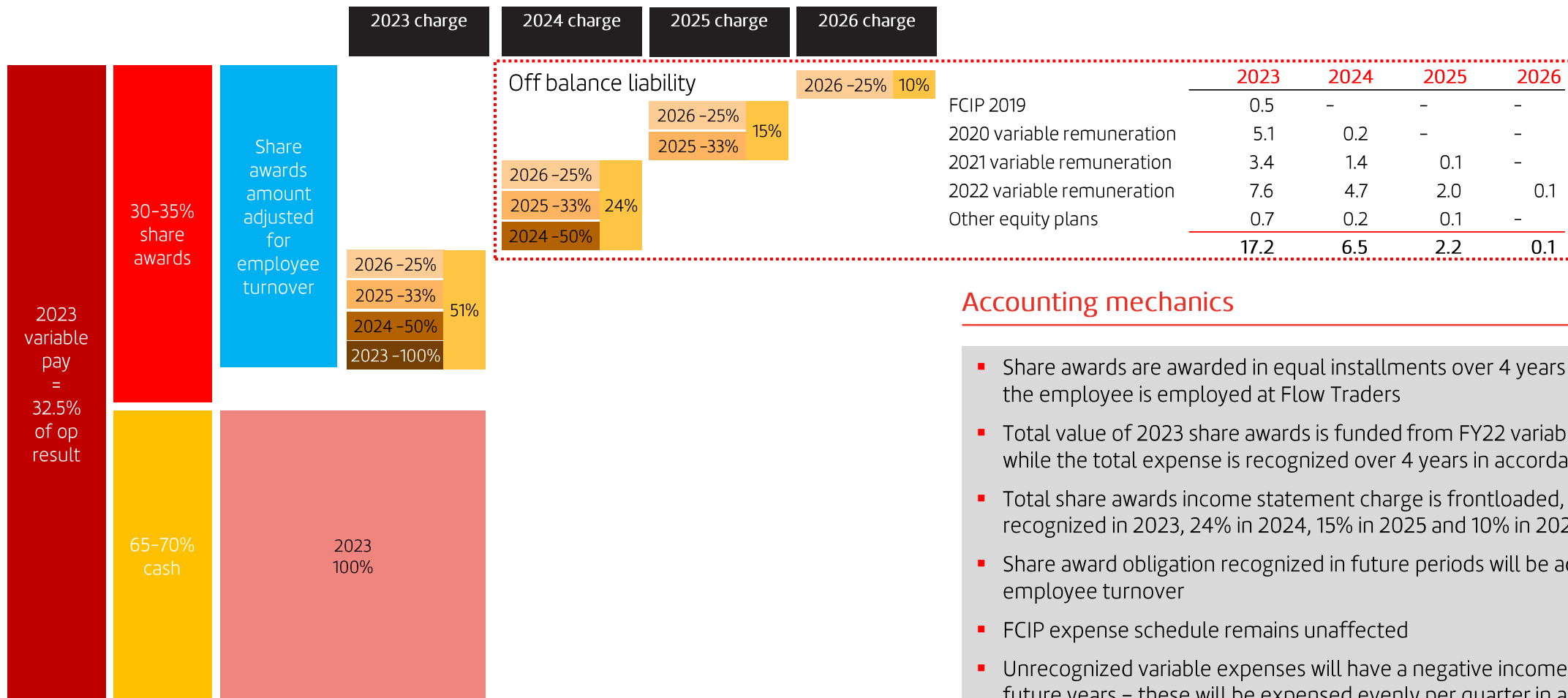
Q&A

Thank you!



Unrecognized variable expenses schedule

Share plan has a different accounting treatment to the previous FCIP which creates an unrecognized 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 2023 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 2023, 24% in 2024, 15% in 2025 and 10% in 2026
- 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	Q223	Q222	Change	H123	H122	Change
Normalized total income	47.3	86.2	(45%)	158.9	234.5	(32%)
Normalized net trading income²	49.5	83.7	(41%)	159.9	232.1	(31%)
EMEA	30.7	50.4	(39%)	88.7	158.8	(44%)
Americas	9.6	18.6	(48%)	42.6	40.2	6%
APAC	9.3	14.7	(37%)	28.7	33.0	(13%)
Normalized other income²	(2.2)	2.5	(189%)	(1.0)	2.4	(142%)
Normalized employee expenses ³	18.4	28.5	(35%)	58.3	82.4	(29%)
Technology expenses	16.7	14.9	12%	33.3	28.7	16%
Other expenses	7.2	6.3	14%	14.5	12.2	19%
Normalized operating expenses	42.3	49.7	(15%)	106.1	123.4	(14%)
Normalized EBITDA	5.0	36.5	(86%)	52.9	111.1	(52%)
Depreciation / amortisation	4.7	3.9	19%	9.6	7.7	25%
Write off of (in) tangible assets	-	-	-	-	0.2	-
Normalized profit before tax	0.3	32.6	(99%)	43.2	103.2	(58%)
Normalized tax	(0.1)	6.4	(102%)	8.5	21.1	(60%)
Normalized net profit	0.4	26.1	(98%)	34.7	82.1	(58%)
Normalized basic EPS ⁴ (€)	0.01	0.60		0.80	1.88	
Normalized EBITDA margin	11%	42%		33%	47%	

IFRS income statement (unaudited)

€million	Q223	Q222	Change	H123	H122	Change
Total income	51.4	83.5	(38%)	161.9	231.4	(30%)
Net trading income	49.5	84.0	(41%)	160.0	232.7	(31%)
Other income	1.9	(0.5)	n/m	1.9	(1.3)	n/m
Employee expenses ³	22.4	35.4	(37%)	67.3	90.3	(25%)
Technology expenses	16.7	14.9	12%	33.3	28.7	16%
Other expenses	7.2	6.3	14%	14.5	12.2	19%
One-off expenses ⁶	1.9	8.5	(78%)	3.3	11.8	(72%)
Total operating expenses	48.2	65.1	(26%)	118.5	143.0	(17%)
EBITDA	3.2	18.3	(82%)	43.4	88.4	(51%)
Profit before tax	(5.6)	14.3	n/m	29.1	80.3	(64%)
Net profit	(4.3)	11.2	n/m	23.5	63.5	(63%)
Basic EPS ⁴ (€)	(0.10)	0.26		0.54	1.46	
Fully diluted EPS ⁷ (€)	(0.09)	0.25		0.52	1.41	
EBITDA margin	6%	22%		27%	38%	

- Normalized EBITDA and margin are based on the relevant profit share percentage of operating result for the relevant financial period without any IFRS 2 adjustments for share-based payments. The profit share percentage was adjusted to 32.5% in Q222 from 35%. €1.9m of one-off expenses are also excluded.
- Tax based on estimated expected effective tax rate for the relevant financial period: Q223 - 31.6%; Q123 - 20.0%; Q222 - 19.7%.
- A summary reconciliation of Normalized to IFRS is presented below:

€million	Q223	Q222	H123	H122
Normalized EBITDA	5.0	36.5	52.9	111.1
FV OCI adjustment	(0.1)	(2.9)	(1.7)	(3.2)
Results of equity-accounted investments	4.2	0.1	4.6	0.2
One-off expenses ⁶	(1.9)	(8.5)	(3.3)	(11.8)
Prior year share plans	(1.9)	(6.2)	(10.0)	(14.1)
Current year share plan deferral	(2.1)	0.4	1.0	6.2
Other variable remuneration adjustment	-	(1.1)	-	-
IFRS EBITDA	3.2	18.3	43.4	88.4
Normalized net profit	0.4	26.1	34.7	82.1
Profit before tax IFRS adjustments	(6.0)	(18.3)	(14.1)	(22.9)
Tax difference	1.3	3.3	2.8	4.3
IFRS net profit	(4.3)	11.2	23.5	63.5

Notes

- Return on trading capital defined as LTM NTI divided by end of period trading capital.
- Normalized NTI is adjusted for the fair value change of economic offsetting positions presented in the NTI line instead of Other income. Normalized Other income is adjusted for Fair value through other comprehensive income and Results of equity-accounted investments.
- Normalized employee expenses is adjusted for the impact of share-based variable remuneration payments from prior years. Fixed employee expenses for the quarter were: Q223 - €19.2m; Q123 - €20.0m; Q222 - €18.2m.
- Weighted average shares outstanding: Q223 - 43,289,018; Q123 - 43,142,742; Q222 - 43,731,905.
- Source - Flow Traders analysis.
- One-off expenses of €1.9m predominantly related to previously capitalized expenses incurred as part of the balance sheet review work.
- Determined by adjusting the basic EPS for the effects of all dilutive share-based payments to employees.

Recent monthly market updates

	2023						2022						
	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun
On & Off Exchange* Value Traded - Global (€bn)	3,546	3,431	2,894	4,715	3,328	3,306	3,640	3,976	4,024	4,244	3,623	3,544	4,253
On & Off Exchange* Value Traded - EMEA (€bn)	168	162	133	218	173	182	168	180	158	184	164	184	187
On & Off Exchange Value Traded - Americas (€bn)	2,940	2,874	2,350	4,015	2,754	2,763	3,000	3,269	3,512	3,658	3,022	2,958	3,608
On & Off Exchange Value Traded - APAC (€bn)	438	395	411	482	401	361	472	527	354	402	437	402	458
<i>EMEA - Off Exchange Market Value Traded on MTF** (€bn)</i>	107	102	83	135	111	118	107	110	93	109	99	118	114
<i>EMEA - Off Orderbook* Market Value Traded (€bn)</i>	18	18	16	26	19	20	20	21	16	25	23	20	25
<i>Americas - Off Exchange Market Value Traded (€bn)</i>	1,188	1,110	941	1,466	1,117	1,207	1,336	1,394	1,444	1,508	1,293	1,227	1,458
<i>APAC - On & Off Exchange Market Value Traded in China (€ bn)</i>	291	275	305	339	290	252	346	381	223	277	305	264	304
Assets under Management*** - Global (€bn)	9,798	n/a	n/a	9,193	n/a	n/a	8,143	n/a	n/a	8,183	n/a	n/a	8,525
Assets under Management - EMEA (€bn)				1,477			1,278			1,267			1,370
Assets under Management - Americas (€bn)				6,701			5,957			6,023			6,198
Assets under Management - APAC (€bn)				1,015			908			893			957
# of ETP listings - Global	15,058	14,913	14,888	14,810	14,753	14,692	14,688	14,602	14,507	14,372	14,220	14,042	13,958
# of ETP listings - EMEA	5,319	5,301	5,306	5,279	5,305	5,304	5,316	5,319	5,303	5,281	5,225	5,135	5,121
# of ETP listings - Americas	6,341	6,257	6,254	6,241	6,197	6,152	6,141	6,093	6,077	6,029	5,958	5,924	5,895
# of ETP listings - APAC	3,398	3,355	3,328	3,290	3,251	3,236	3,231	3,190	3,127	3,062	3,037	2,983	2,942
Average VIX per month	14.18	17.80	18.17	22.12	20.33	20.48	22.05	23.66	30.37	27.55	22.37	25.46	28.56
VIX high per month	16.59	20.00	19.54	27.33	22.83	23.25	24.62	26.01	33.82	32.46	26.57	28.56	33.17
VIX low per month	13.28	16.08	16.69	18.84	18.16	18.49	19.96	20.43	26.46	23.11	19.74	21.69	24.26

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