



Flow Traders N.V.

Q420 & FY20 Results Presentation

12 February 2021

F L O W ■ T R A D E R S

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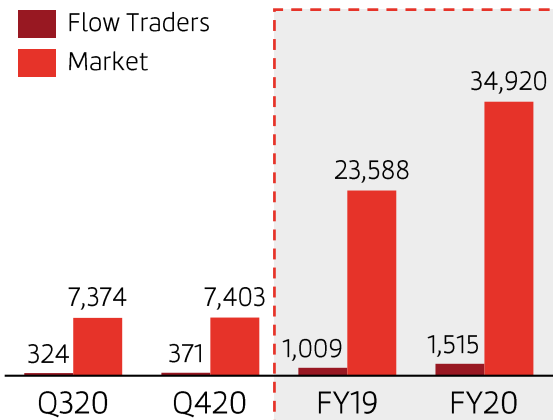
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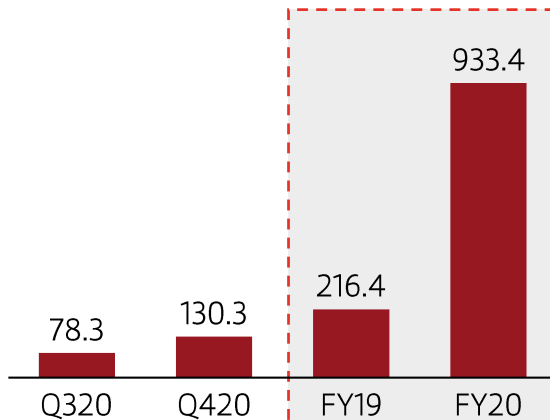
Q420 & FY20 results snapshot

Strongest ever Q4 with higher activity levels driven by strategic reallocations by investors – tops off a record year by all metrics

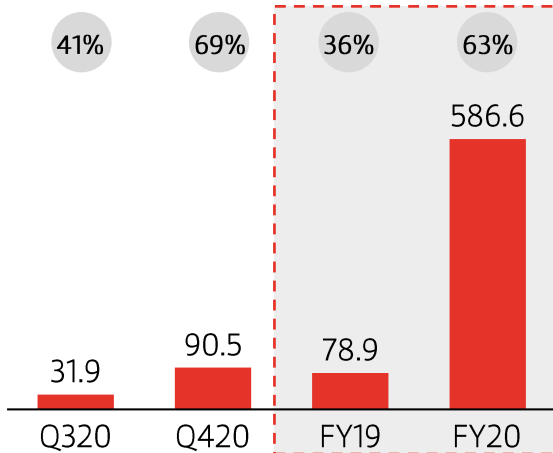
ETP Value Traded (€bn)



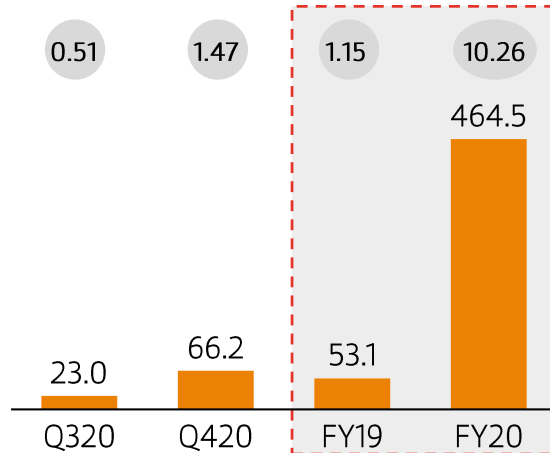
NTI (€m)



EBITDA (€m) and margin



Net Profit (€m) and EPS (€)

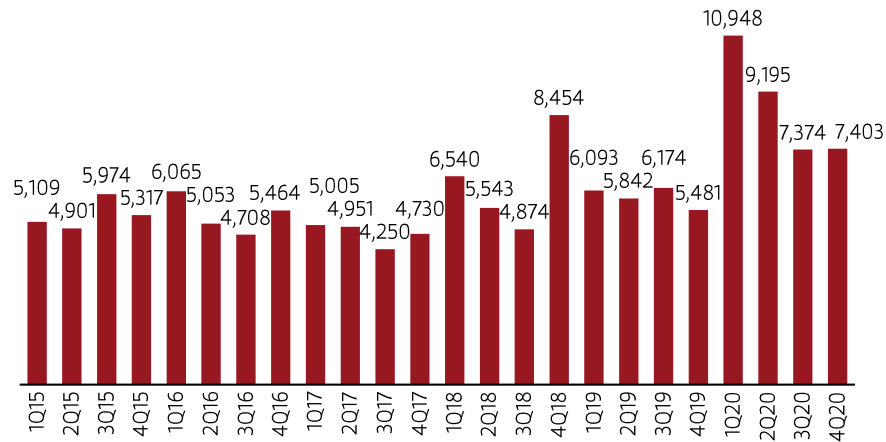


Highlights

- Market ETP Value Traded increased by 0.4% quarter-on-quarter and increased 48% FY20 vs FY19
- Flow Traders ETP Value Traded increased 14% quarter-on-quarter and increased 50% FY20 vs FY19, outperforming the broader market
- Recorded NTI of €130.3m in Q420 reflecting higher activity levels and strategic reallocations by investors. FY20 NTI was €933.4m vs €216.4m in FY19
- Total operating expenses of €39.8m incurred in Q420, which include €3.4m of one-off expenses and also reflect the positive impact of the accounting treatment of the new share plan. One-off expenses in FY20 amounted to €11.4m out of total operating expenses of €346.8m
- 554 FTEs as at 31 December 2020 compared to 532 FTEs as at 30 September 2020 and 513 as at 31 December 2019
- Q420 EBITDA reached €90.5m with a margin of 69% contributing to FY20 EBITDA of €586.6m with a margin of 63%
- Q420 Net Profit amounted to €66.2m with EPS of €1.47. FY20 Net Profit amounted to €464.5m with EPS of €10.26
- Propose a final FY20 dividend of €2.50, implying a €6.50 total dividend for FY20 and a 63% dividend pay-out ratio
- Repurchase of shares of up to €25m over 12 months in connection with employee incentive plans

Increased market activity in Q420 in EMEA and APAC, US flat

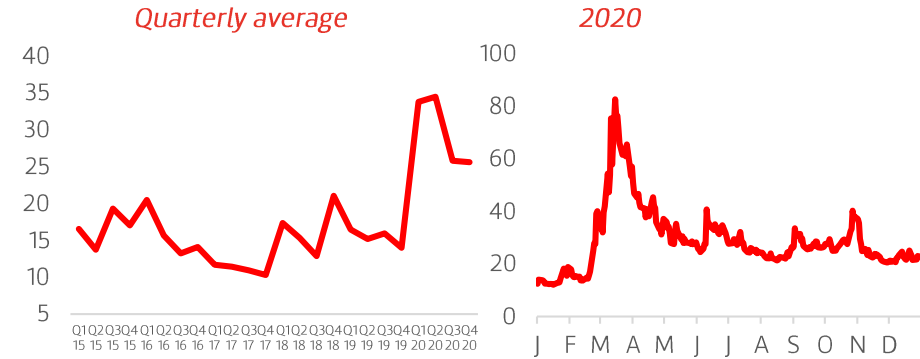
ETP Value Traded (€bn) *



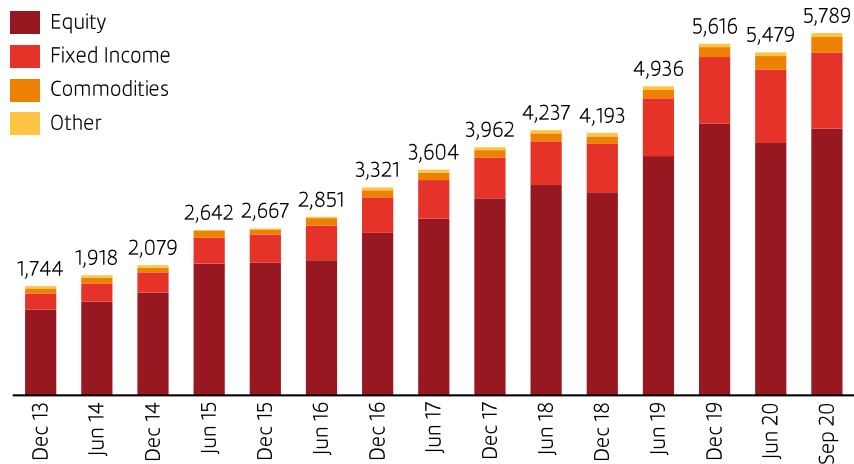
GENERAL MARKET DEVELOPMENTS

- Increased levels of activity in Q4 as markets reacted to the US elections and COVID-19 developments
- Strategic reallocations by investors
- Central Bank interventions still evident

VIX



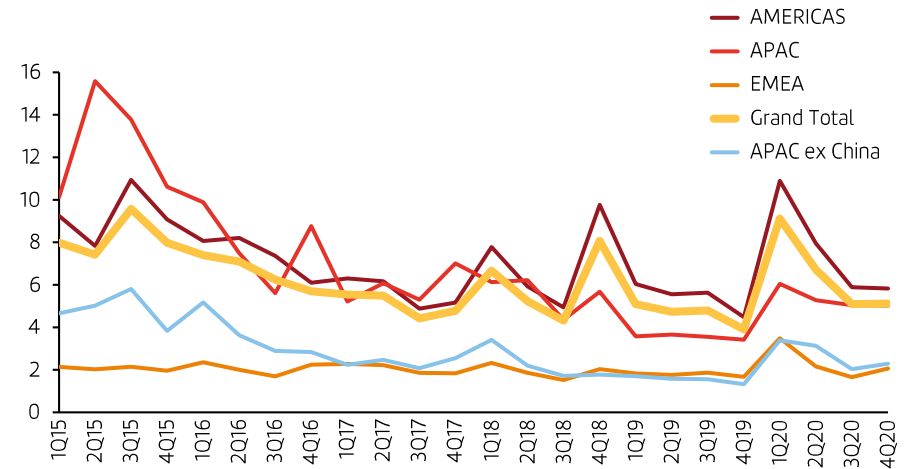
ETP AuM (€bn) **



ETP MARKET DEVELOPMENTS

- Highly resilient ETP ecosystem throughout 2020
- Growing AuM - €5,789bn at the end of Q3 with robust FI and ESG inflows
- 0.4% Q-o-Q increase in ETP Value Traded in Q4 - increased 48% in FY20 vs FY19
- Broadly similar implied volatility (VIX) in Q4 vs Q3
- Increased ETP velocity in EMEA and APAC in Q4
- Strong outlook for the ETP market

ETP velocity



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

** Source: BlackRock ETP Landscape. Q420 was not published at time of reporting

Q420 & FY20 regional performance overview

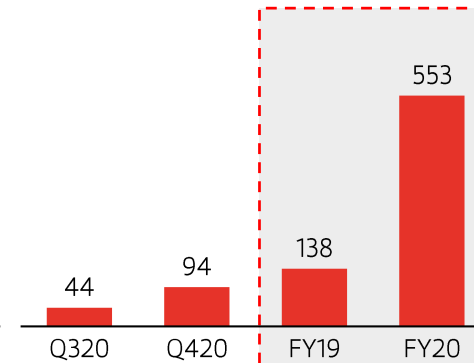
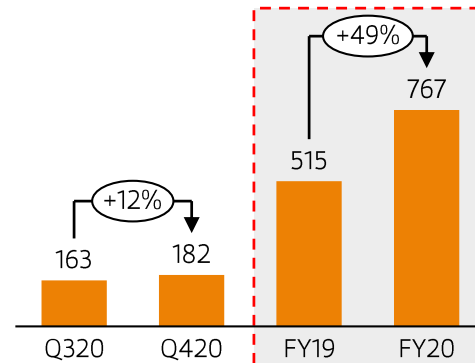
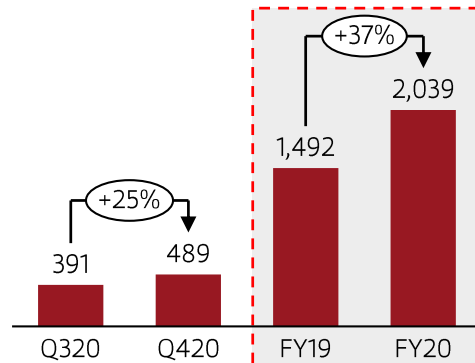
Market ETP Value Traded (€bn)

Flow ETP Value Traded (€bn)

NTI (€m)

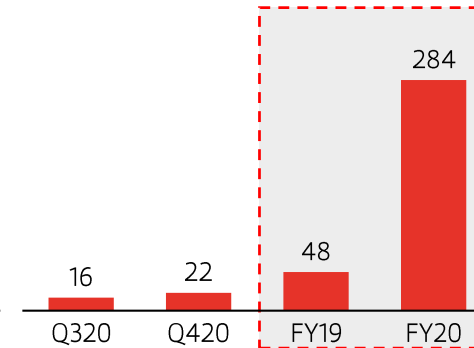
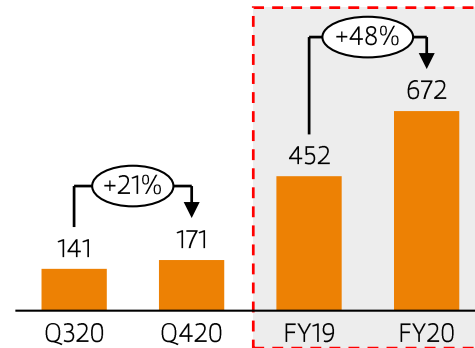
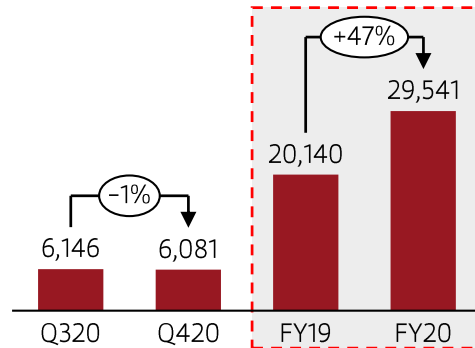
Highlights

EMEA



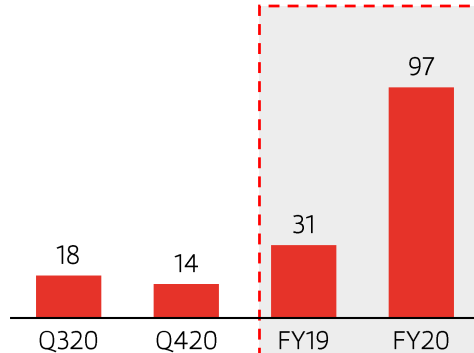
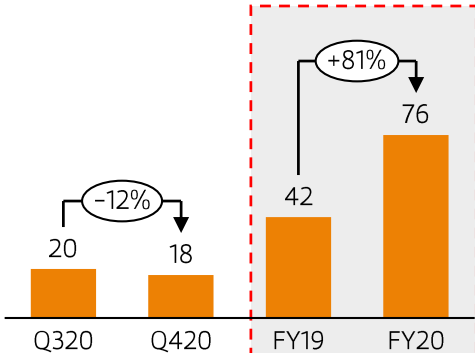
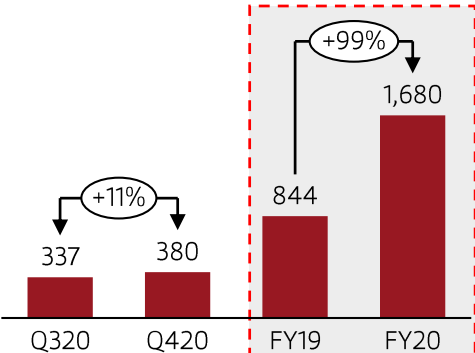
- Reinforced position as the leading liquidity provider in ETPs, both on- and off-exchange, by gaining market share in EMEA year-on-year. Hold top position off-exchange in Equity, Fixed Income and Commodity ETFs
- Strong trading performance in the core ETP business with a focus on optimising spread capture alongside positive NTI contributions from non-ETP trading as returns from investments in trading diversification become evident
- Continued to be a top three market maker on major FX ECNs in spot metals
- #1 market maker in cryptocurrency ETPs, active on 15 exchanges globally, providing 24/7 liquidity, as well as being a leading spot OTC liquidity provider

Americas



- Improved trading performance with continued market share gains with Flow Traders ETP value traded materially outperforming market ETP value traded in Q420
- Further expansion of the counterparty base including successfully onboarding two of the top 20 institutional counterparties in the US in Q4
- Championed the global growth of the ETP ecosystem through expanding Flow Traders' footprint in Latin America
- Flow Traders approved as Secondary Market Corporate Credit Facility (SMCCF) Eligible Seller by the Federal Reserve Board of New York (FRBNY) on 23/10

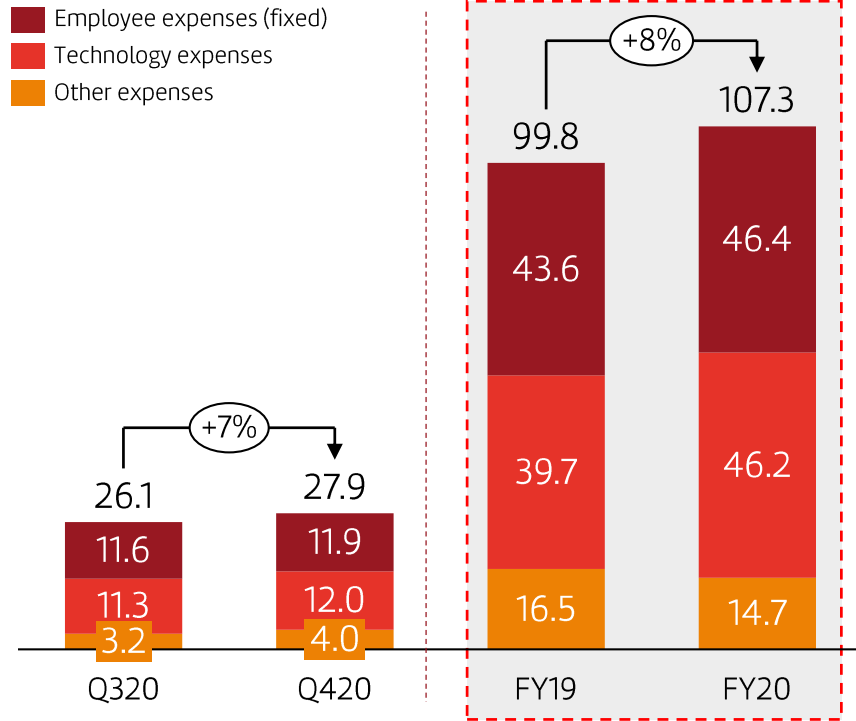
APAC



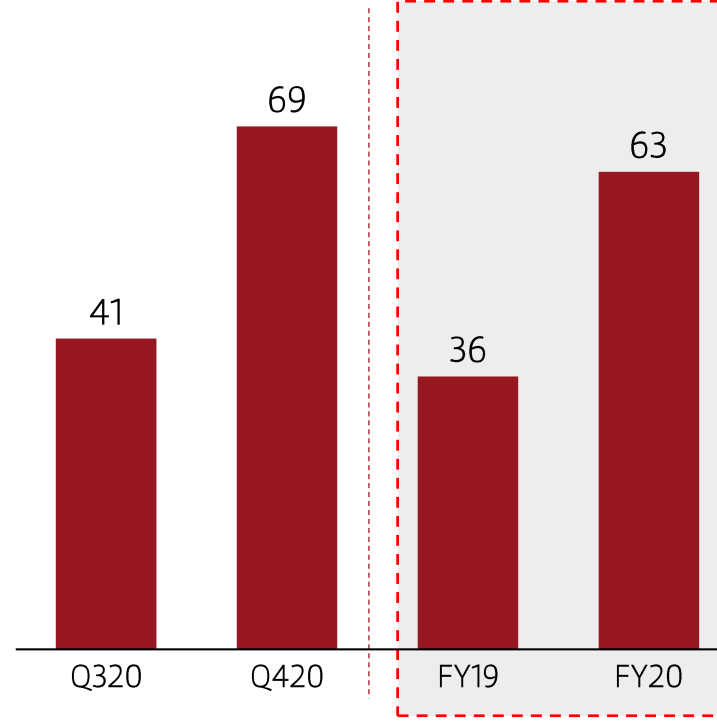
- APAC saw the largest regional percentage increase in ETP value traded in 2020 with record volumes across numerous exchanges
- Strong growth in off-exchange both in the terms of number of counterparties and value traded through the trading of global products in the APAC time zone
- Strengthened partnerships in the region with key stakeholders, including partnership with HKEx to be the lead market maker in their MSCI futures and a number of new successful ETF listings across the region

Continued strong cost discipline and high operational leverage

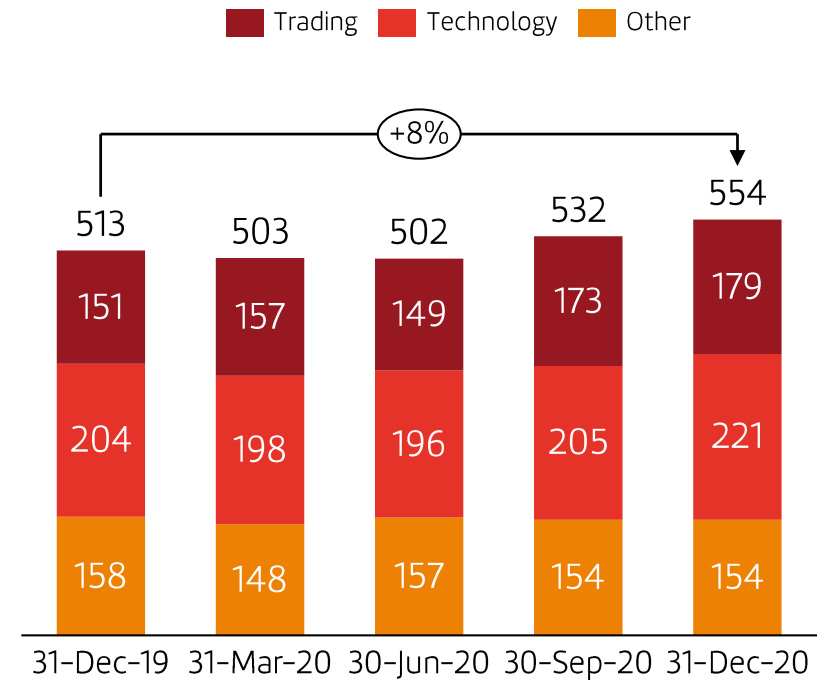
Fixed operating expenses (€m) *



EBITDA margin (%)



FTEs



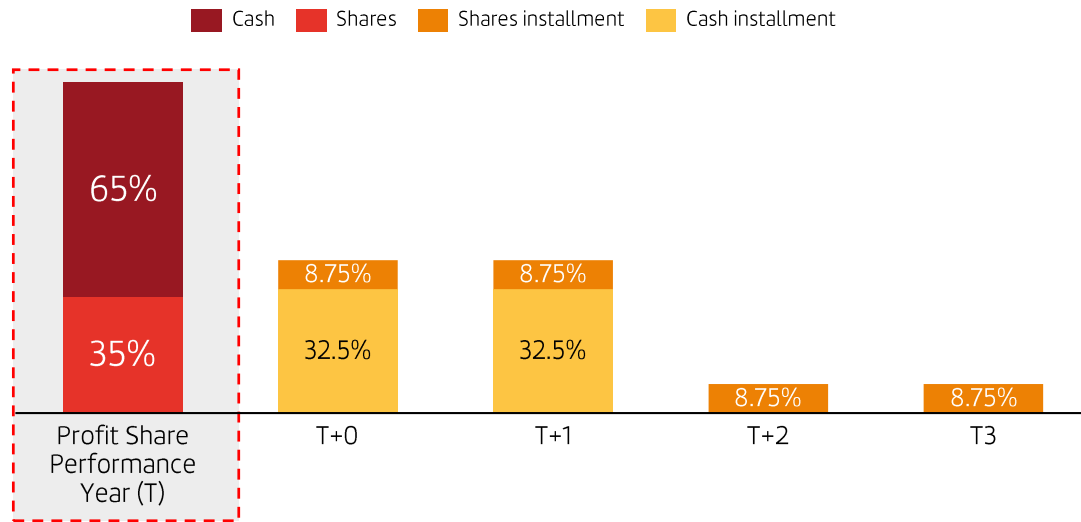
- Main drivers of Y-o-Y and Q-o-Q increases in fixed expenses relate to technology investments to support growth strategy and efficiency improvements as well as new hires
- 8% increase in FTEs in 2020 to support growth in product coverage, asset classes and trading platforms
- Q420 and FY20 EBITDA margin positively impacted by accounting treatment of new share plan
- €3.4m of one-off expenses in Q4 relating to the ongoing activation of the business continuity plan (€0.9m) and donation to the Flow Traders Foundation (€2.5m), bring the total donation to €10.0m in line with previous commitments
- To accelerate further diversification and support the ever-increasing growth in product coverage, asset classes and trading platforms, guidance has been revised to a maximum growth in fixed operating expenses of c. 15% for 2021

* Excludes one-off expenses

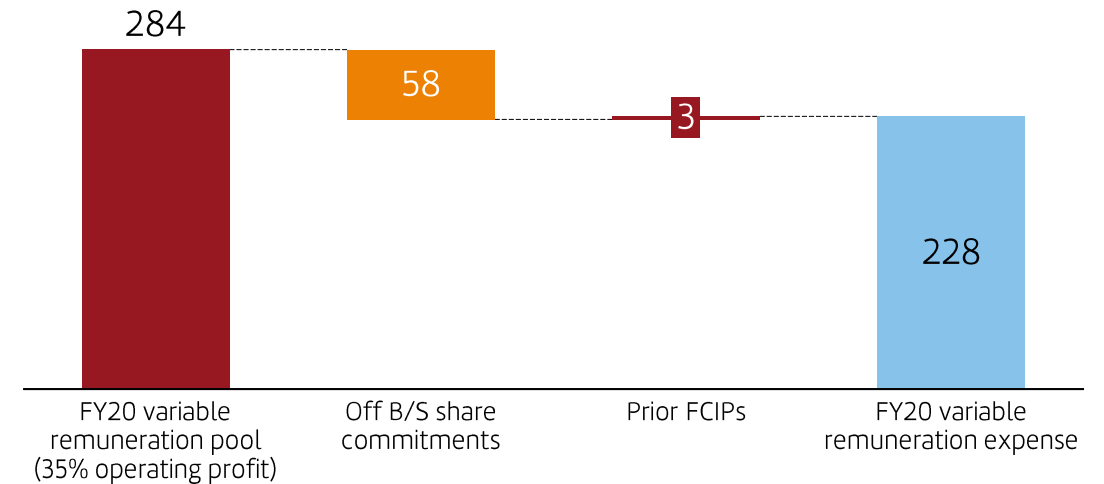
Variable remuneration update

Updated remuneration policy for all staff to further align with current and future regulatory requirements as well as to create additional alignment of employees with other stakeholders – variable remuneration pool remains at 35% of operating profit

New variable remuneration structure



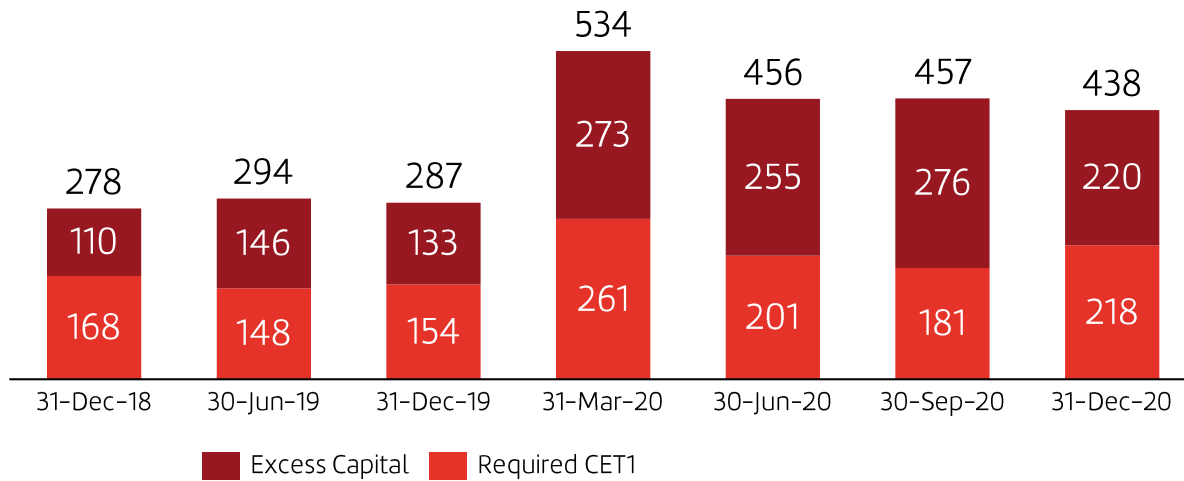
FY20 impact of new share plan



- FCIP (Flow Cash Incentive Plan) where employees purchased shares has been replaced with a new share plan – provides up to 50% of variable remuneration in shares. Shares are awarded in equal installments over 4 years on the condition that the employee is employed at Flow Traders
- New share plan accounted for in Q4 – income statement impact from FCIP reversal and implementation of the new share plan
- Overall, the variable employee expenses in the income statement are lower than the 35% of operational profit target for the variable remuneration pool – total value of the 2020 share awards is funded from the FY20 variable remuneration pool, the total expense is recognised through the income statement over 4 years in accordance with IFRS

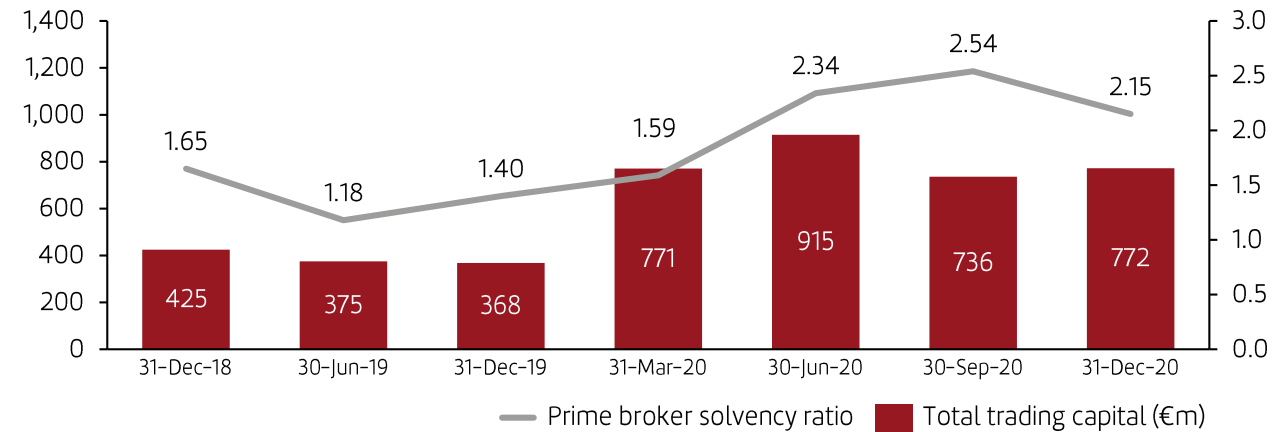
Capital position remains strong and conservative

Regulatory Own Funds Requirement (OFR) (€m)



Note: CET1 position as at 31 December 2020 is net of the FY20 final dividend (€112m) and the share repurchase programme (€25m)

Prime broker solvency ratio

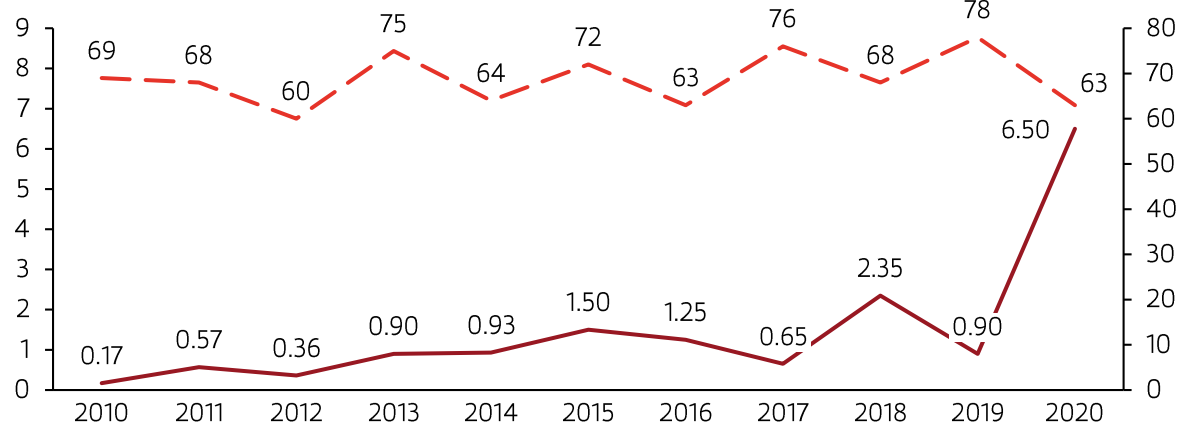


Notes

1. Prime broker solvency ratio = total trading capital divided by Prime Broker haircut

2. Total trading capital as at 31 December 2020 comprises CET1, FY20 final dividend (€112m), deferred variable remuneration and share repurchase programme (€25m)

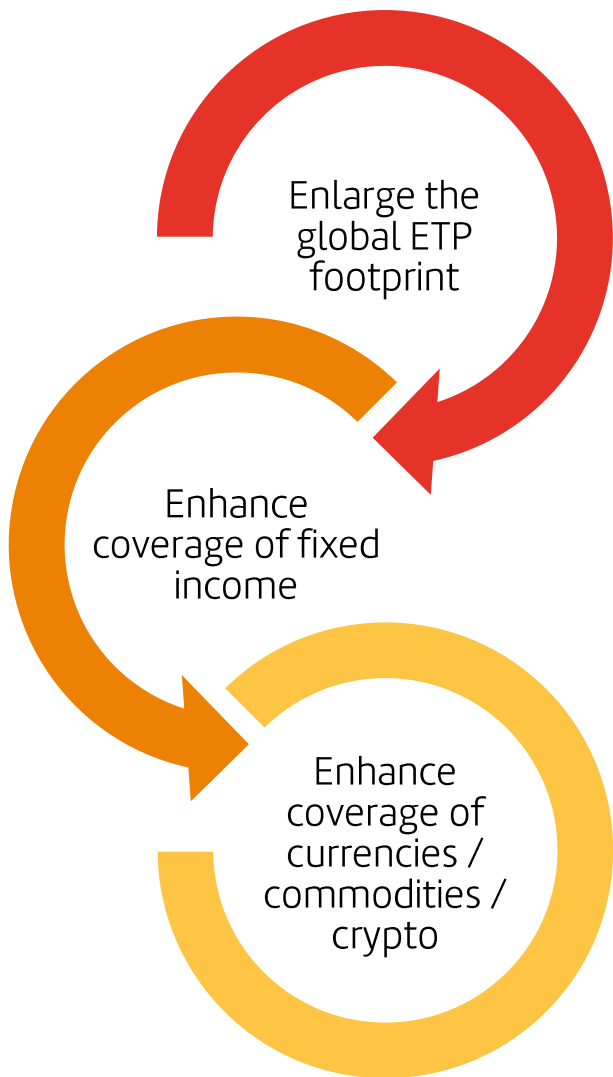
Dividend (€) and payout ratio (%)



- Trading capital (€772m as at 31 December 2020) remained comfortably above Prime Broker requirements and Own Fund Requirements
- OFR increased to €218m reflecting higher levels of trading activity. €220m of excess capital (31 December 2020)
- IFR / IFD impact expectations are unchanged – some capital relief given the incoming requirements should be more tailored to Flow Traders' specific risk profile – will be partially offset by new business activities
- FY20 final dividend set at €2.50
- Total cash return to shareholders since IPO amounts to €13.58 including FY20 dividends and €20m share buyback

Medium-term growth focus areas

Consistent focus – enhanced coverage of fixed income, currency, commodity and crypto products alongside enlarging the global ETP footprint to drive structural NTI growth



- Continuously refine and deepen Flow Traders’ product coverage and footprint to align with structural ETP industry growth
 - Continued AuM growth in 2020
 - Champion the opening of new markets (e.g. Latin America)
 - Global ESG ETP AuM reached new record of \$187 billion at end 2020² – 206% annual increase and will grow further
- Remain market leader in Europe and seek to be top 3 in the US and APAC

- Fixed income is the fastest growing ETP asset class
 - Fixed income ETPs account for c. 1% of \$100 trillion global fixed income securities market and forecasted to grow to \$2 trillion by 2024¹
- Promote and drive market electronification and develop a transparent and fair level playing field
- Goal is to be global top 2 liquidity provider in fixed income ETPs

- Leveraging our global infrastructure to provide liquidity to currency pools and counterparties
- Seek to be top 15 FX liquidity provider on Euromoney
- Further grow commodities by building on top 5 rank on major FX ECNs in spot metals
- Develop crypto business to unlock additional liquidity pools and maintain #1 market maker position in crypto ETPs

1. Source: BlackRock “Turning point” (July 2020)
2. Source: ETFGI.com (January 2021)

2020 strategic progress and 2021 focus items

Priorities

2020 achievements

2021 focus

1 Enlarge the global ETP footprint

- ✓ Total number of ETP counterparties grew to c. 1,600 and connected to >180 venues
- ✓ Consistently grew value traded in all regions
- ✓ Increased overall market share in ETPs

- Continue expansion of counterparty base
- Increase and deepen product coverage
- Additional venue and country connections

2 Enhanced coverage of fixed income

- ✓ Expanded FI infrastructure (new interfaces and market data)
- ✓ Broadened prime broker set up
- ✓ Increased market share in fixed income ETFs - #1 off exchange position in Europe

- Further enhance pricing capabilities
- Access more liquidity and increase volumes
- Improve access to underlying markets

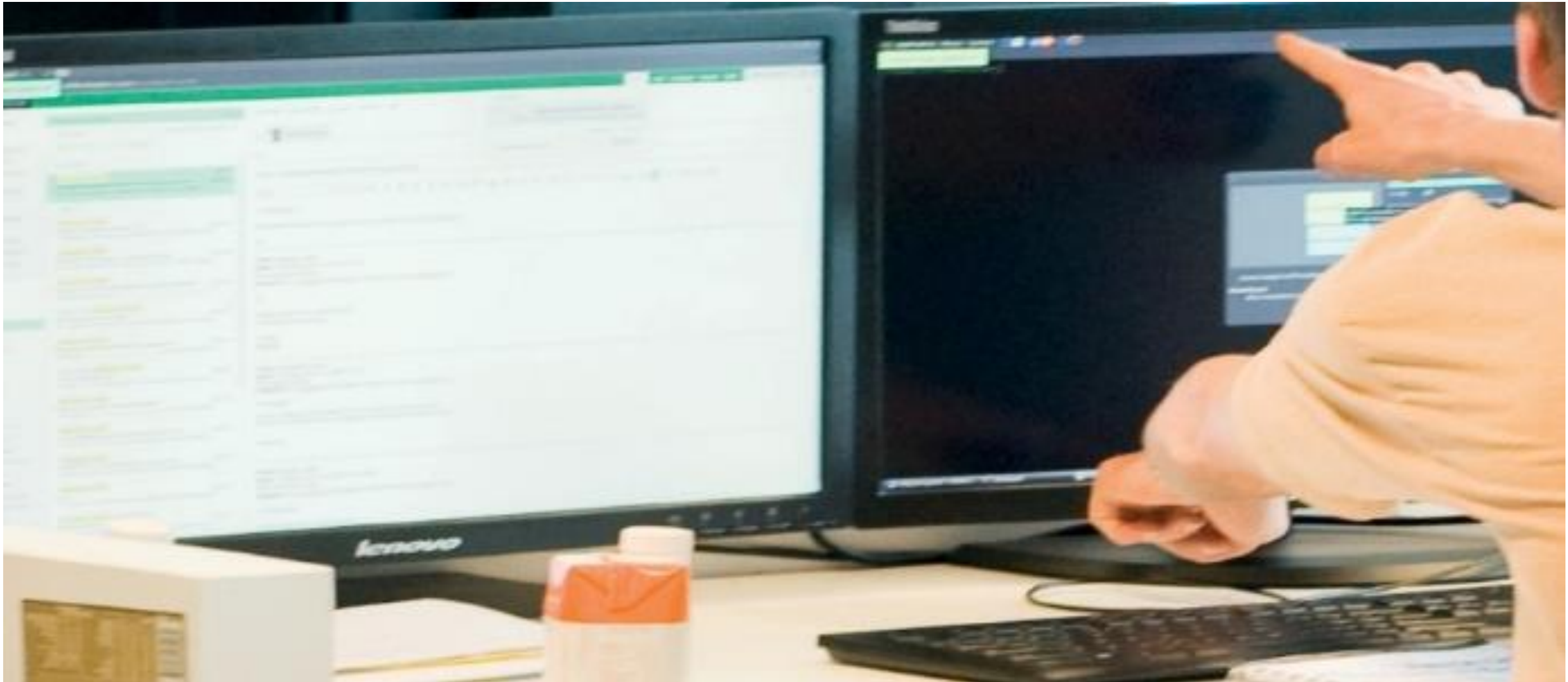
3 Enhanced coverage of currencies / commodities / crypto

- ✓ Consistently trade > \$5bn daily
- ✓ Upgraded technology suite
- ✓ Expanded product and time zone coverage
- ✓ Now among top three market makers on major FX ECNs in spot metals
- ✓ #1 market maker in crypto ETPs

- Build bilateral connectivity
- Increase products / instruments coverage
- Broaden prime broker base

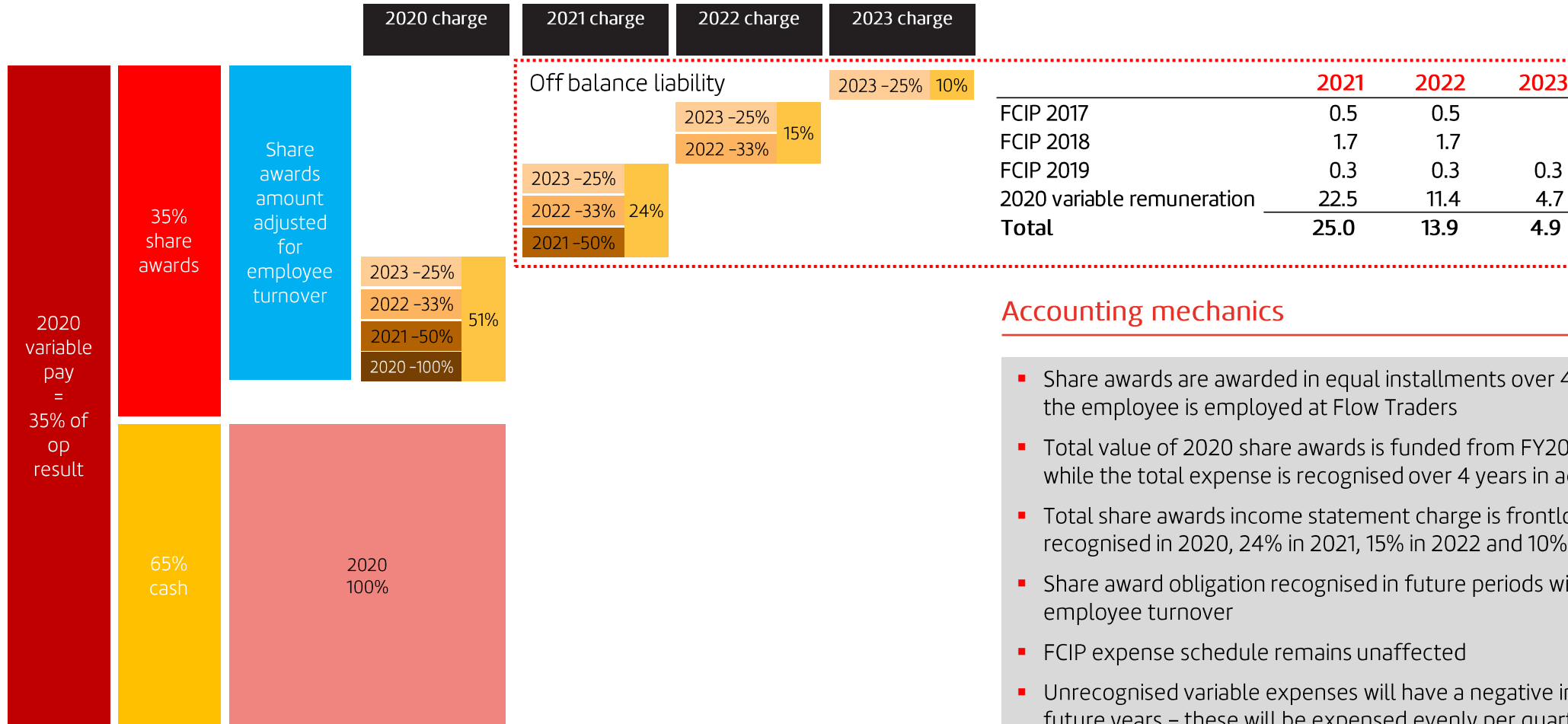
Q&A

Thank you!



Unrecognised variable expenses schedule

New share plan has a different accounting treatment to the FCIP which creates a new unrecognised variable expenses schedule



Accounting mechanics

- Share awards are awarded in equal installments over 4 years on the condition that the employee is employed at Flow Traders
- Total value of 2020 share awards is funded from FY20 variable remuneration pool, while the total expense is recognised over 4 years in accordance with IFRS
- Total share awards income statement charge is frontloaded, whereby 51% is recognised in 2020, 24% in 2021, 15% in 2022 and 10% in 2023
- Share award obligation recognised in future periods will be adjusted for expected employee turnover
- FCIP expense schedule remains unaffected
- Unrecognised variable expenses will have a negative income statement impact in future years – these will be expensed evenly per quarter in a given year

Summary income statement (unaudited)

€ millions	Q420	Q320	FY20	FY19
Net Trading Income	130.3	78.3	933.4	216.4
<i>Employee expenses*</i>	20.4	25.4	274.4	81.3
<i>Technology expenses</i>	12.0	11.3	46.2	39.7
<i>Other expenses</i>	4.0	3.2	14.7	15.0
<i>One-off expenses</i>	3.4	6.5	11.4	1.5
Total Operating Expenses	39.8	46.5	346.8	137.5
EBITDA	90.5	31.9	586.6	78.9
<i>Depreciation / Amortisation</i>	3.7	3.4	14.2	14.6
<i>Write offs, tangible assets</i>	–	–	–	0.1
<i>Results subsidiaries</i>	0.4	–	0.4	(1.1)
Profit Before Tax	86.3	28.4	571.9	65.3
<i>Tax</i>	20.1	5.4	107.4	12.2
Net Profit	66.2	23.0	464.5	53.1
EPS (€)	1.47	0.51	10.26	1.15
EBITDA margin	69%	41%	63%	36%

* Of which fixed employee expenses were: Q420 – €11.9m; Q320 – €11.6m; FY20 – €46.4m; FY19 – €43.6m

Recent monthly market updates

	Dec	Nov	Oct	Sep	Aug	Jul	2020 Jun	May	Apr	Mar	Feb	Jan
On & Off Exchange* Value Traded - Global (€bn)	2,357	2,606	2,440	2,737	2,069	2,568	3,230	2,645	3,320	5,797	2,938	2,212
On & Off Exchange* Value Traded - EMEA (€bn)	155	193	141	136	107	147	176	141	163	331	199	149
On & Off Exchange Value Traded - Americas (€bn)	1,877	2,112	2,091	2,353	1,707	2,086	2,763	2,281	2,850	5,021	2,495	1,905
On & Off Exchange Value Traded - APAC (€bn)	325	301	208	247	254	335	290	222	308	446	244	159
<i>EMEA - Off Exchange Market Value Traded on MTF** (€bn)</i>	87	107	76	71	56	83	95	74	82	180	114	84
<i>EMEA - Off Orderbook* Market Value Traded (€bn)</i>	17	23	17	15	13	17	21	17	22	46	24	18
<i>Americas - Off Exchange Market Value Traded (€bn)</i>	742	767	762	826	632	731	997	841	1,101	1,716	832	723
<i>APAC - On & Off Exchange Market Value Traded in China (€ bn)</i>	189	161	104	137	145	218	119	99	115	164	131	78
Assets under Management*** - Global (€bn)	Pending	n/a	n/a	5,788	n/a	n/a	5,480	n/a	n/a	4,801	n/a	n/a
Assets under Management - EMEA (€bn)				947			888			780		
Assets under Management - Americas (€bn)				4,177			3,971			3,459		
Assets under Management - APAC (€bn)				664			622			562		
# of ETP listings - Global	13,298	13,257	13,165	13,122	13,039	12,980	12,902	13,124	13,027	12,947	12,910	12,788
# of ETP listings - EMEA	5,891	5,922	5,906	5,901	5,886	5,885	5,862	6,144	6,114	6,093	6,066	6,025
# of ETP listings - Americas	5,113	5,064	5,011	4,971	4,915	4,881	4,847	4,798	4,757	4,725	4,726	4,656
# of ETP listings - APAC	2,294	2,271	2,248	2,250	2,238	2,214	2,193	2,182	2,156	2,129	2,118	2,107
Average VIX per month	22.49	25.34	29.38	28.06	22.92	27.17	31.53	31.31	42.17	57.73	19.58	14.15
VIX high per month	27.85	37.46	38.80	33.89	24.47	31.44	39.57	38.08	56.68	77.60	44.43	18.09
VIX low per month	20.46	20.56	24.90	25.46	21.87	24.58	24.32	27.88	31.95	32.94	13.96	12.10