

FLOW TRADERS Q123 TRADING UPDATE

Amsterdam, the Netherlands – Flow Traders Ltd. (Euronext: FLOW) announces its unaudited Q123 trading update.

Highlights

- Flow Traders recorded Normalized Total Income of €111.6m in Q123, which comprises Normalized NTI of €110.4m reflecting a continued active trading environment and Normalized Other Income of €1.2m derived from the firm's strategic investments portfolio.
- Flow Traders' ETP Value Traded saw solid increases quarter-over-quarter despite a slight decline in the overall ETP market. Increase in equity trading was offset by lower fixed income and currency, crypto, and commodity trading, demonstrating again the benefits of the continued diversification of the business.
- Normalized Operating Expenses were at €63.8m in Q123, compared to €65.7m in Q422, with fixed operating expenses coming in slightly below Q422.
- As of 31 March 2023, Flow Traders employed 667 FTEs compared to 660 as of 31 December 2022.
- Normalized EBITDA in Q123 came in at €47.9m, representing a margin of 43%, compared to €48.2m in Q422 and a margin of 42%.
- Q123 Normalized Net Profit amounted to €34.3m, with Normalized basic EPS of €0.79.
- Trading capital stood at €647m at the end of the first quarter, generating a 65% return on trading capital.
- Shareholders' equity was €622m at the end of the quarter vs. €606m at the end of Q422, with a Normalized return on equity of 22%.

Financial Overview

€million	Q123	Q422	Change	Q123	Q122	Change
Normalized total income	111.6	113.9	(2%)	111.6	148.3	(25%)
Normalized net trading income	110.4	115.6	(4%)	110.4	148.4	(26%)
EMEA	58.1	66.2	(12%)	58.1	108.5	(46%)
Americas	33.0	37.1	(11%)	33.0	21.6	53%
APAC	19.4	12.3	58%	19.4	18.3	6%
Normalized other income	1.2	(1.7)	-	1.2	(0.1)	-
Normalized employee expenses ¹	39.9	41.4	(4%)	39.9	54.0	(26%)
Technology expenses	16.6	16.4	1%	16.6	13.8	20%
Other expenses	7.3	7.9	(7%)	7.3	5.9	24%
Normalized operating expenses	63.8	65.7	(3%)	63.8	73.7	(13%)
Normalized EBITDA	47.9	48.2	(1%)	47.9	74.6	(36%)
Depreciation / amortisation	5.0	4.7	-	5.0	3.8	-
Write off of (in) tangible assets	-	-	-	-	0.2	-
Normalized profit before tax	42.9	43.5	(2%)	42.9	70.7	(39%)
Normalized tax	8.6	10.0	-	8.6	14.7	-
Normalized net profit	34.3	33.6	2%	34.3	56.0	(39%)
Normalized basic EPS ² (€)	0.79	0.78		0.79	1.29	
Normalized EBITDA margin	43%	42%		43%	50%	

Value Traded Overview

€billion	Q123	Q422	Change	Q123	Q122	Change
Flow Traders ETP Value Traded	422	396	7%	422	522	(19%)
Europe	196	179	10%	196	238	(18%)
Americas	206	195	6%	206	255	(19%)
Asia	21	22	(7%)	21	29	(28%)
Flow Traders non-ETP Value Traded	1,131	1,209	(6%)	1,131	1,434	(21%)
Flow Traders Value Traded^f	1,554	1,605	(3%)	1,554	1,956	(21%)
Equity	826	780	6%	826	1,025	(19%)
Fixed income	348	363	(4%)	348	318	10%
Currency, Crypto, Commodity	340	451	(25%)	340	530	(36%)
Other	40	11	276%	40	84	(52%)
Market ETP Value Traded^g	11,349	11,640	(2%)	11,349	15,085	(25%)
Europe	572	506	13%	572	767	(25%)
Americas	9,533	9,871	(3%)	9,533	13,305	(28%)
Asia	1,244	1,353	(8%)	1,244	1,013	23%
Asia ex China	364	403	(10%)	364	392	(7%)

Regional Highlights**EUROPE:**

- Solid trading performance in the region with meaningful contributions from all asset classes. Flow Traders maintained its #1 position as the leading liquidity provider in ETPs, both on- and off-exchange.
- Continued focus on the fixed income and corporate credit trading market. Achieved top 5 Bloomberg and MarketAxess dealer rankings in the EM Portfolio Trading segment.
- U.K. subsidiary received authorization from the Financial Conduct Authority (FCA) which further drives the expansion of Flow Traders' physical presence in the U.K. post Brexit.

AMERICAS:

- Robust trading performance within the entire fixed income segment throughout the quarter, reinforcing the importance of Flow Traders' ongoing diversification strategy in the U.S.
- Contributions from all ETF segments with an increase in on- and off-exchange rebalancing activity evident in the first half of the quarter.
- Opened the Chicago office on 1 February and continued to focus on operationalizing and establishing the office as well as driving access for trading and technology talent in the region.

ASIA:

- Higher market volatility across the board in January and March resulted in wider spreads, even as volumes were relatively unchanged.
- Enabled the trading of fixed income during Asian hours by leveraging the infrastructure successfully developed in Europe and the Americas. Global coverage of index products and selected single bonds on a 24-hour basis presents a more comprehensive offer to counterparties in the APAC region.
- Executed first trades in China under Flow Traders' own QFII license. Continued to build out trading operations in China with the purpose of helping to develop the local ETF market in making domestic and international indices more efficient and available to investors.

Flow Traders Capital

- Flow Traders Capital continues to work closely and collaboratively with our existing portfolio companies and analyze new investment opportunities in the context of private markets adjusting to an evolving macro environment.
- Whilst investment pace remains relatively subdued – the team is working through a strong pipeline in both the traditional finance and digital asset ecosystem.
- In Q1, Flow Traders Capital participated in the seed round financing of both Crossover Markets and Econia Labs. Our existing portfolio company MEMX also welcomed a new funding round in the quarter to support the launch of the MEMX Options exchange.
- To date, Flow Traders Capital has made a total of 25 investments representing a total value of €27.0m.

Share Buyback Program

- As of 20 April 2023, the total number of shares purchased under the ongoing €40m share buyback program is 1,159,791 shares at an average price of €21.33 for a total consideration of €24.7m. The purpose of the current buyback program is to return excess capital to shareholders. The intention is that shares repurchased as part of this program will initially be held in treasury and may be cancelled going forward.
- 3,249,770 shares are held in treasury as at 20 April 2023 with 1,227,124 treasury shares repurchased for the purpose of satisfying the requirements of various employee incentive plans and 2,022,646 shares repurchased for the purpose of returning excess capital to shareholders.

Outlook

- While the number of FTEs has increased slightly from the end of FY22 given the ongoing commitment to onboard additional talent in key growth areas, FTEs are expected to remain broadly flat during 2023 given expected attrition. Given the firm's focus on cost efficiency, Normalized Fixed Operating Expenses in 2023 are still expected to be in the range of €175m – €185m as communicated previously.

Management Comments

Mike Kuehnel, CEO, stated:

“It was an honor to succeed Dennis as CEO of Flow Traders on 1 February and I’m highly excited about the long-term growth opportunities for the firm’s multi-faceted business. We continue to investigate attractive growth and investment opportunities globally that align with our core business while diligently executing and implementing the firm’s existing growth strategy as outlined in our Capital Markets Update (CMU) last July.

“Irrespective of a significantly changed and challenging market environment, Flow Traders delivered another robust quarter as our ongoing strategic trading diversification continues to increase the resilience of the business alongside attractive results. Once again, we demonstrated the highly accretive nature of our trading capital with returns of 65%, achieved amidst an ever-evolving market backdrop. From a cost efficiency perspective, it was encouraging to see that our fixed operating expenses base reduced slightly in the quarter versus last quarter and we will continue to focus on increasing the underlying efficiency of the business as we leverage the investments made in prior years.

“Enhancing our broader employee talent pool, remaining a top employer of choice in our sector and reinforcing our commitment to our Diversity, Equity & Inclusion Policy continue to be key strategic focus areas. Accordingly, we were excited to have hosted our first ever ‘Connecting Women in Fintech’ event in collaboration with Euronext in February and launched on International Women’s Day a partnership with ‘FemaleXFinance’, an organization focused on fostering talent in the field of finance.

“We continue to be excited about Flow Traders’ future growth prospects, driven by our ongoing asset class and geographical diversification, growth in strategic optionality, and the structural tailwinds from long-term industry trends including the shift to passive investing, electronification, digitalization and regulation.”

Folkert Joling, Chief Trading Officer, added:

“The business delivered a solid trading performance in the first quarter with all regions contributing meaningfully across all asset classes. We continue to expand and broaden our trading activities further in different products and asset classes and this is exemplified in the resiliency of the business through different market cycles. While there were some disruptions in certain segments of the market in the quarter as a result of the banking crises in the U.S. and Europe, our robust and prudent approach to risk management meant we remained active in providing liquidity to the market. It is also promising to note the start of a recovery across the digital assets markets during the first quarter. We believe that going forward these markets will see a more prominent role for fully regulated players such as Flow Traders.”

Preliminary Financial Calendar

26 April 2023	AGM
28 April 2023	FY22 final dividend proposed ex-dividend date
2 May 2023	FY22 final dividend proposed record date
4 May 2023	FY22 final dividend proposed payment date
30 June 2023	Start silent period ahead of 1H23 results
28 July 2023	Release 1H23 results (inc. analyst conference call)
15 August 2023	Proposed FY23 interim dividend ex-dividend date
16 August 2023	Proposed FY23 interim dividend record date
18 August 2023	Proposed FY23 interim dividend payment date
30 September 2023	Start silent period ahead of 3Q23 trading update
26 October 2023	Release Q322 trading update (no analyst conference call)

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About Flow Traders

Flow Traders is a leading global financial technology-enabled liquidity provider in financial products, historically specialized in Exchange Traded Products (ETPs), now expanding into other asset classes. Flow Traders ensures the provision of liquidity to support the uninterrupted functioning of financial markets. This allows investors to continue to buy or sell ETPs or other financial instruments under all market circumstances. We continuously grow our organization, ensuring that our trading desks in Europe, the Americas and Asia can provide liquidity across all major exchanges, globally, 24 hours a day. Founded in 2004, we continue to cultivate the entrepreneurial, innovative and team-oriented culture that has been with us since the beginning. Please visit www.flowtraders.com for more information.

Normalized Performance

- Flow Traders makes certain adjustments to various IFRS expense and profit measures in order to derive Alternative Performance Measures (APM). The policy is to exclude or adjust items that are considered to be significant in both nature or size and where the treatment as an adjusted item provides stakeholders with useful information to assess the year-on-year or quarter-on-quarter underlying performance. On this basis, the following items were adjusted or excluded for the Q123 trading update:
 - Removal of IFRS 2 treatment of share-based payments which include the deferral of a portion of the current year share plans as well as recognition of prior years' share plans. This adjustment provides insights into the relationship between the current year variable employee expenses and current year trading performance.
 - Other income line includes all the realized and unrealized results on Flow Traders' long-term equity investments whether accounted for as Fair Value Other Comprehensive Income (FV OCI), Fair Value Profit and Loss (FVPL) or Results of Equity Accounted Investments.
 - Exclusion of one-off expenses which relate specifically to the completed corporate holding structure update. These are not considered to be part of the underlying operating expenses of the business.
 - Tax expenses are adjusted based upon the pre-tax adjustments and/or excluded items above.

IFRS Financial Overview and Normalized to IFRS Reconciliation

€million	Q123	Q422	Change	Q123	Q122	Change
Total income	110.5	115.5	(4%)	110.5	148.0	(25%)
Net trading income	110.5	115.7	(5%)	110.5	148.7	(26%)
Other income	–	(0.2)	–	–	(0.8)	–
Employee expenses ¹	44.9	46.6	(4%)	44.9	54.9	(18%)
Technology expenses	16.6	16.4	1%	16.6	13.8	20%
Other expenses	7.3	7.9	(7%)	7.3	5.9	24%
One-off expenses ⁵	1.5	1.5	0%	1.5	3.3	(55%)
Total operating expenses	70.3	72.4	(3%)	70.3	77.9	(10%)
EBITDA	40.2	43.2	(7%)	40.2	70.1	(43%)
Profit before tax	34.7	38.0	(9%)	34.7	66.1	(47%)
Net profit	27.7	29.5	(6%)	27.7	52.3	(47%)
Basic EPS ² (€)	0.64	0.68		0.64	1.20	
Fully diluted EPS ³ (€)	0.62	0.65		0.62	1.17	
EBITDA margin	36%	37%		36%	47%	

- 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%. €1.5m of one-off expenses are also excluded.
- Tax based on estimated expected effective tax rate for the relevant financial period: Q123 - 20.0%; Q422 - 22.9%; Q122 - 20.8%.
- A summary reconciliation of Normalized to IFRS is presented below:

€million	Q123	Q422	Q122
Normalized EBITDA	47.9	48.2	74.6
FV OCI adjustment	(1.6)	1.2	(0.3)
Results of equity-accounted investments	0.4	0.4	0.1
One-off expenses ⁵	(1.5)	(1.5)	(3.3)
Prior year share plans	(8.2)	(7.0)	(7.9)
Current year share plan deferral	3.1	1.9	5.8
Other variable remuneration adjustment	-	-	1.1
IFRS EBITDA	40.2	43.2	70.1
Normalized net profit	34.3	33.6	56.0
Profit before tax IFRS adjustments	(8.1)	(5.5)	(4.6)
Tax difference	1.6	1.4	1.0
IFRS net profit	27.7	29.5	52.3

Notes

- Fixed employee expenses: Q123 - €20.0m; Q422 - €19.9m; Q122 - €16.1m.
- Weighted average shares outstanding: Q123 - 43,142,742; Q422 - 43,050,126; Q122 - 43,514,470.
- Determined by adjusting the basic EPS for the effects of all dilutive share-based payments to employees.
- Source - Flow Traders analysis.
- One-off expenses of €1.5m predominantly relating to the finalisation of the corporate holding structure update completed on 13 January 2023.
- Return on trading capital defined as LTM NTI divided by end of period trading capital. Return on equity defined as Net Profit divided by the average of beginning and end period shareholders' equity, annualized.

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