



# 1Q18 results Flow Traders N.V.

Analyst Presentation

24 April 2018

**F L O W** ■ **T R A D E R S**

Amsterdam ■ Cluj ■ Hong Kong ■ New York ■ Singapore

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# Flow Traders' business model confirmed in 1Q18

Flow Traders delivers its best quarterly trading result since inception

## ETP market dynamics 1Q18

- VIX spiked at the start of February 2018. Average level of implied volatility (VIX) in 1Q18 was 17.35 (\*), which was a 67% increase Q-o-Q
- Global Assets under Management (AuM\*\*) invested in Exchange Traded Products (ETPs) at the end of 1Q18 reached €3,92 bn, which is a marginal decline Q-o-Q as ETP markets were faced with two months of net outflows, especially in the US
- Market ETP Value Traded rose 38% in 1Q18, with particularly a sharp increase in Value Traded in the US
- MiFID II effect on ETP market is predominantly visible with substantial increase in traded volumes on MTFs

Market ETP Value Traded 1Q18:  
**€ 6,540 bn (+38% Q-o-Q)**

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Global ETP AuM end 1Q18:  
**€ 3,923 bn (-1% Q-o-Q)**

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## Flow Traders performance 1Q18

- Best quarterly trading result (NTI) to date, with strong performance across all region
- NTI increased to €213.2 million, against €39.3 million in 4Q17 and €48.3 million in 1Q17
- Flow Traders' Value Traded in ETPs grew to almost €244 billion, showing market share gains across all regions
- Flow Traders' Value Traded in other products than ETPs grew to almost €693 billion
- Fixed costs fell 2% Q-o-Q, as Flow Traders continued to operate cost-consciously
- EBITDA margin 1Q18 was 63% compared to 34% in 4Q17
- Net Profit grew to €109.7 million, resulting in an EPS of €2.36
- Under the CRR capital requirement regulation, our own funds requirement was €151 million as at 31 March 2018, resulting in excess capital of € 183 million
- Dividend policy remains unchanged, Flow Traders targets to pay out at least 50% of its net profit
- Flow Traders remains the leading market maker in ETPs in EMEA

Flow Traders' ETP Value Traded 1Q18:  
**€ 243.7 bn (+49% Q-o-Q)**

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Flow Traders' non-ETP Value Traded 1Q18:  
**€ 692.8 bn (+31% Q-o-Q)**

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Flow Traders' NTI 1Q18:  
**€ 213.2 m (+443% Q-o-Q)**

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EPS 1Q18:  
**€ 2.36**

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\* Source: Bloomberg  
\*\* Source: Blackrock ETP Landscape

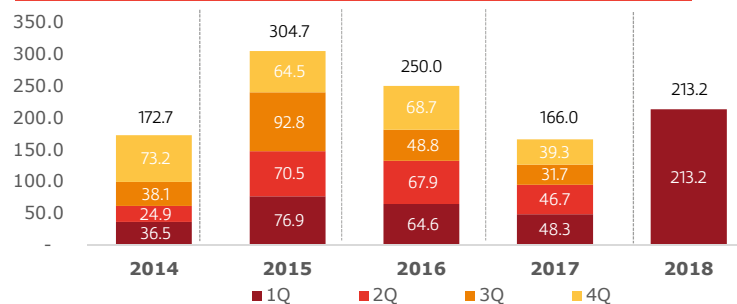
## Flow Traders gained market share in all regions

### KPIs Flow Traders

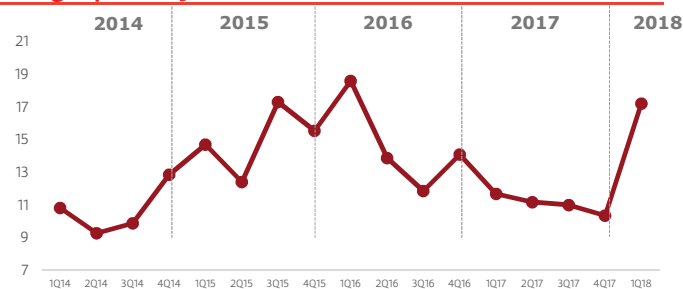
#### Consolidated overview

<i>In €bn unless otherwise stated</i>	1Q18	4Q17	Δ	1Q17	Δ
<b>Flow Traders ETP Value Traded</b>	<b>243.7</b>	<b>164.0</b>	<b>49%</b>	<b>174.8</b>	<b>39%</b>
<i>Europe</i>	142.9	103.5	38%	106.2	35%
<i>Americas</i>	91.8	54.6	68%	63.2	45%
<i>APAC</i>	9.0	5.9	53%	5.4	66%
<b>Flow Traders Non- ETP Value Traded</b>	<b>692.8</b>	<b>529.8</b>	<b>31%</b>	<b>544.1</b>	<b>27%</b>
<b>Flow Traders NTI (€m)</b>	<b>213.2</b>	<b>39.3</b>	<b>443%</b>	<b>48.3</b>	<b>342%</b>
<i>Europe</i>	49.5	27.6	79%	30.6	62%
<i>Americas</i>	152.7	5.8	2,535%	13.1	1,069%
<i>APAC</i>	11.0	5.9	87%	4.6	140%
<b>Market ETP Value Traded (*)</b>	<b>6,540</b>	<b>4,730</b>	<b>38%</b>	<b>5,005</b>	<b>31%</b>
<i>Europe</i>	382	303	26%	339	13%
<i>Americas</i>	5,616	3,807	48%	4,255	32%
<i>APAC</i>	542	620	(13%)	410	32%
<i>APAC excl. China</i>	303	226	34%	176	72%

### Flow Traders NTI (in €m)



### Average quarterly VIX



### Highlights

- Market values traded grew substantially in 1Q18, especially in the Americas
- Flow Traders gained market share in all regions in 1Q18
- Flow Traders has grown its performance, following the roll out of its organic growth strategy and diversification of its traded product portfolio

(\*): Market Value Traded is restated based on Flow Traders Market reference data.

## Prudent cost management supported the strong performance in 1Q18

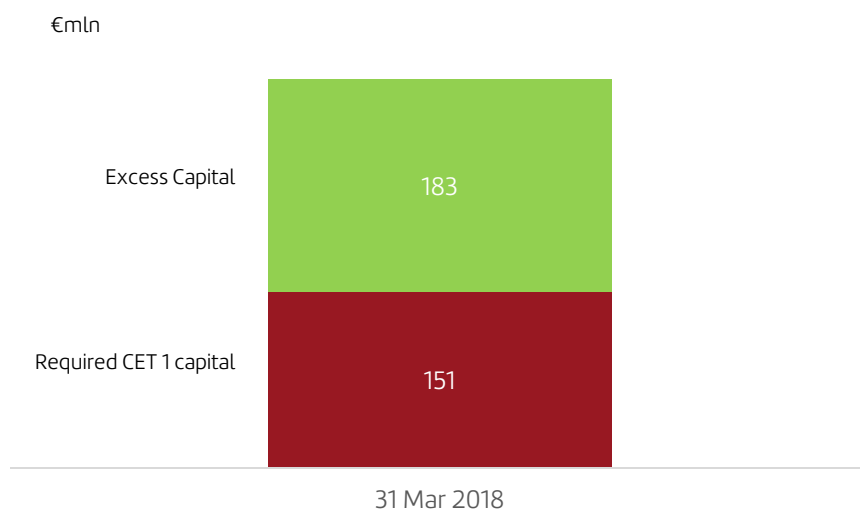
<b>Consolidated (in €m)</b>	<b>1Q18</b>	<b>4Q17</b>	<b>1Q18 vs 4Q17</b>	<b>1Q17</b>	<b>1Q18 vs. 1Q17</b>
<b>Net Trading Income</b>	<b>213.2</b>	<b>39.3</b>	<b>443%</b>	<b>48.3</b>	<b>342%</b>
Employee expenses (fixed)	8.8	8.8	-	7.7	13%
Technology expenses	8.9	9.3	(5%)	9.2	(4%)
Other expenses	4.1	3.9	3%	3.8	7%
<b>Fixed operational Expenses</b>	<b>21.7</b>	<b>22.0</b>	<b>(2%)</b>	<b>20.8</b>	<b>4%</b>
Employee expenses (variable)	57.5	4.0	1,331%	9.3	518%
<b>Total operational expenses</b>	<b>79.2</b>	<b>26.1</b>	<b>204%</b>	<b>30.1</b>	<b>163%</b>
<b>EBITDA</b>	<b>133.9</b>	<b>13.2</b>	<b>913%</b>	<b>18.2</b>	<b>637%</b>
Depreciation / Amortisation	2.0	2.0		1.7	
Write offs tangible assets	-	0.5		-	
Result subsidiaries	-	(0.1)		-	
<b>Profit Before Tax</b>	<b>131.9</b>	<b>10.8</b>	<b>1,121%</b>	<b>16.5</b>	<b>700%</b>
Tax	22.2	2.9		2.9	
<b>Net Profit</b>	<b>109.7</b>	<b>7.9</b>	<b>1,282%</b>	<b>13.6</b>	<b>705%</b>
EPS (in €)	2.36	0.17		0.29	
EBITDA margin (in %)	63%	34%		38%	

### Highlights

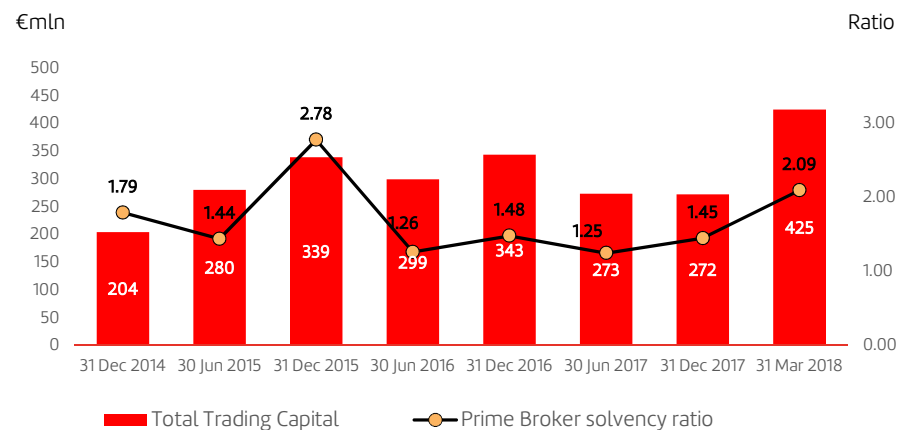
- 1Q18 fixed costs fell 2% Q-o-Q as Flow Traders continued to operate cost-consciously
- FY18 fixed cost growth guidance remains max +15%
- FTE grew to 411 in 1Q18 from 394 end 4Q17
- Variable expenses include the IFRS treatment of the employee participation plan
- Overall Effective Tax Rate was 16.9% in 1Q18

## Regulatory capital well within new capital requirements – dividend policy reiterated

### CET 1 ratio well above required levels under CRR – Flow Traders NV



### Development of Prime Broker solvency ratio



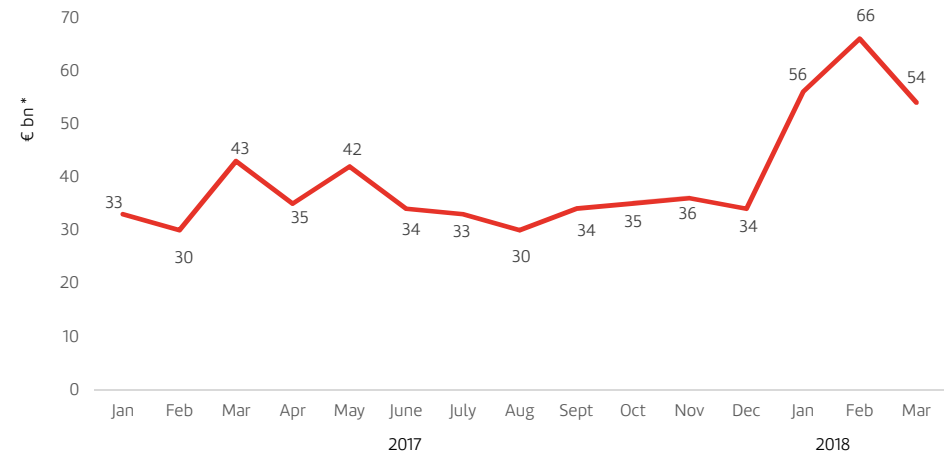
Note \*: Total Trading Capital divided by Prime Broker haircut

### Highlights

- Trading Capital increased sharply in 1Q18 and prime broker solvency ratio remained comfortably above required levels
- Own Funds Requirement under CRR of €151 million resulted in an excess capital of €183 million as per 31 March 2018
- Given the unleveraged balance sheet and strong cash position, also under CRR, Flow Traders reiterates its dividend policy
- The European Commission released a proposal for IFR/IFD regulation end 2017, which is designed for investment firms specifically and more proportionate
- This new IFR/IFD legislation is expected to become effective around 2020

## MiFID II shows beneficial\* impact on ETP market so far

- Transparency in the overall market improved after MiFID II as volumes traded on lit venues, such as MTFs, increased substantially
- Unbundling of research and execution translates for Flow Traders into further growth of number of (potential) counterparties
- SI impact so far seems limited for ETFs, as expected
- Flow Traders continued to be the largest liquidity provider on-exchange and on MTFs in EMEA
- Flow Traders continues to support the principle of MiFID II to create a level playing field in all European markets



\*: Sources: Tradeweb, Bloomberg RFQ

Questions?



*Thank you!*

## Appendix



# Monthly markets update as published at the end of 1Q18

## ETP Market Update March 2018 (unaudited)

	2018			2017											
	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan
<b>On &amp; Off Exchange* Value Traded - Global (€bn)</b>	<b>2,080</b>	<b>2,478</b>	<b>1,983</b>	<b>1,690</b>	<b>1,605</b>	<b>1,435</b>	<b>1,379</b>	<b>1,552</b>	<b>1,320</b>	<b>1,802</b>	<b>1,599</b>	<b>1,550</b>	<b>1,961</b>	<b>1,438</b>	<b>1,605</b>
<b>On &amp; Off Exchange* Value Traded - EMEA (€bn)</b>	118	139	125	99	108	96	99	92	100	105	129	103	127	103	109
<b>On &amp; Off Exchange Value Traded - Americas (€bn)</b>	1,759	2,178	1,680	1,360	1,262	1,186	1,137	1,310	1,080	1,525	1,315	1,297	1,650	1,215	1,391
<b>On &amp; Off Exchange Value Traded - APAC (€bn)</b>	202	162	178	231	236	154	143	150	140	172	155	150	185	120	105
<i>EMEA - Off Exchange Market Value Traded on MTF** (€bn)</i>	54	66	56	34	36	35	34	30	33	34	42	35	43	30	33
<i>EMEA - Off Orderbook* Market Value Traded (€bn)</i>	10	9	12	22	27	23	25	25	28	28	35	26	35	33	29
<i>Americas - Off Exchange Market Value Traded (€bn)</i>	619	720	674	529	452	448	430	461	393	528	475	465	606	453	538
<i>APAC - On &amp; Off Exchange Market Value Traded in China (bn)</i>	102	56	82	166	141	87	86	92	86	103	92	88	119	68	48
<b>Assets under Management*** - Global (€bn)</b>	<b>3,923</b>	<b>3,997</b>	<b>4,055</b>	<b>3,962</b>	<b>3,909</b>	<b>3,883</b>	<b>3,718</b>	<b>3,613</b>	<b>3,590</b>	<b>3,604</b>	<b>3,596</b>	<b>3,622</b>	<b>3,610</b>	<b>3,556</b>	<b>3,363</b>
<b>Assets under Management - EMEA (€bn)</b>	658	667	671	660	652	648	627	609	605	607	604	599	595	574	548
<b>Assets under Management - Americas (€bn)</b>	2,888	2,957	3,015	2,949	2,905	2,891	2,764	2,686	2,674	2,684	2,679	2,710	2,700	2,670	2,521
<b>Assets under Management - APAC (€bn)</b>	377	373	368	354	351	344	327	319	311	313	314	313	315	312	294
<b># of ETP listings - Global</b>	<b>10,959</b>	<b>10,856</b>	<b>10,751</b>	<b>10,757</b>	<b>10,733</b>	<b>10,691</b>	<b>10,619</b>	<b>10,466</b>	<b>10,460</b>	<b>10,394</b>	<b>10,280</b>	<b>10,156</b>	<b>10,079</b>	<b>9,897</b>	<b>9,833</b>
<b># of ETP listings - EMEA</b>	5,517	5,433	5,393	5,486	5,527	5,573	5,532	5,439	5,455	5,443	5,400	5,351	5,306	5,196	5,169
<b># of ETP listings - Americas</b>	3,805	3,815	3,760	3,679	3,634	3,572	3,545	3,513	3,523	3,493	3,449	3,390	3,370	3,344	3,316
<b># of ETP listings - APAC</b>	1,637	1,608	1,598	1,592	1,572	1,546	1,542	1,514	1,482	1,458	1,431	1,415	1,403	1,357	1,348
<b># of new ETP products - Global</b>	<b>179</b>	<b>118</b>	<b>107</b>	<b>115</b>	<b>145</b>	<b>96</b>	<b>122</b>	<b>76</b>	<b>65</b>	<b>76</b>	<b>112</b>	<b>78</b>	<b>98</b>	<b>58</b>	<b>56</b>
<b># of new ETP products - EMEA</b>	125	50	34	50	55	33	32	20	23	18	63	30	16	14	16
<b># of new ETP products - Americas</b>	29	44	57	35	60	47	64	17	22	37	31	31	26	36	33
<b># of new ETP products - APAC</b>	25	24	16	30	30	16	26	39	20	21	18	17	56	8	7

\*: 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

\*\*\* Note: Assets under Management estimates as included in Blackrock Global ETP Landscape

Source: Blackrock Global ETP Landscape, Tradeweb, Bloomberg RfQ, Flow Traders analysis

## Historic overview Flow Traders non-ETP Value Traded

### *Historic \* overview Flow Traders non-ETP Value Traded*

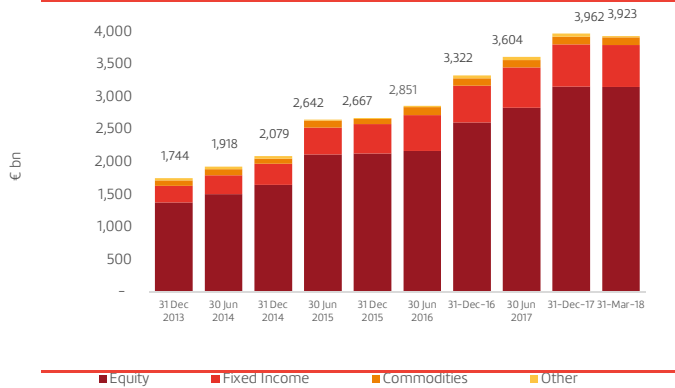
#### Consolidated overview

	1Q	4Q	3Q	2Q	1Q
<i>In €bn unless otherwise stated</i>	2018	2017	2017	2017	2017
<b>Flow Traders ETP Value Traded</b>	<b>243.7</b>	<b>164.0</b>	<b>162.3</b>	<b>184.7</b>	<b>174.8</b>
<b>Flow Traders Non- ETP Value Traded</b>	<b>692.8</b>	<b>529.8</b>	<b>543.0</b>	<b>598.1</b>	<b>544.1</b>
Percentage ETP	26%	24%	23%	24%	24%
Percentage Non-ETP	74%	76%	77%	76%	76%

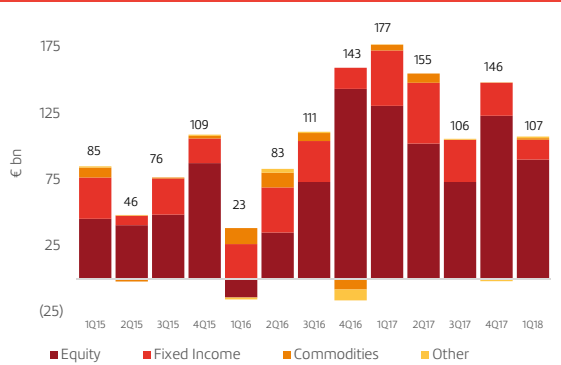
\*:Unaudited results

# ETP volumes traded in the market sharply increases while AuM growth stabilizes

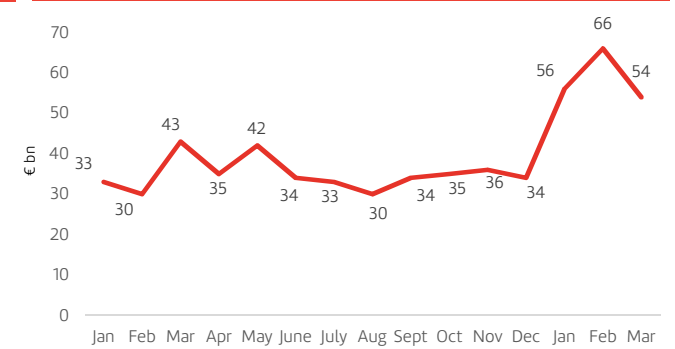
Global ETP Assets under Management (AuM) growth slowed down for the first time, following market movements



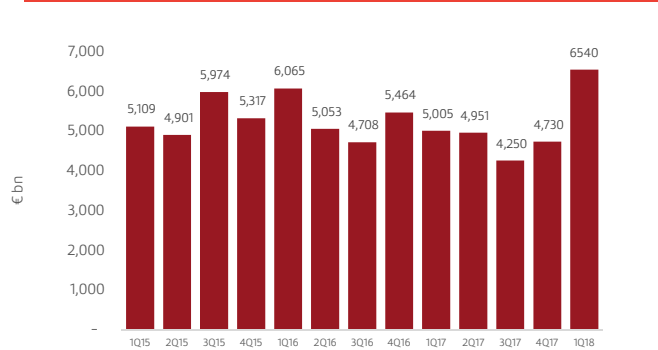
Net flow trends show especially activity in Equity- and Fixed Income ETPs



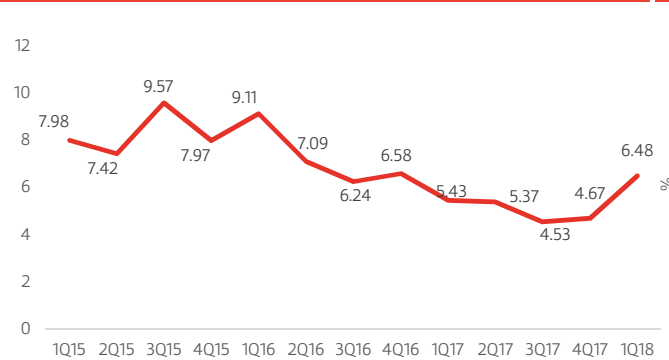
EMEA flow on MTFs show a clear pickup in 2018 after going-live of MiFID II



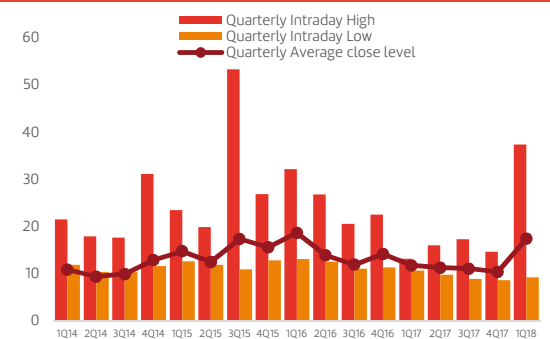
Market ETP Volumes Traded recovered in 1Q18 by 38% Q-o-Q, which is the largest Q-o-Q jump since 1Q16



Velocity increased in 1Q18 substantially, albeit still below 3Q15 levels



VIX recovering from previous lows, but average volatility in the quarter does not exceed historic averages



\* Source: Blackrock, Flow Traders, Bloomberg  
 \*\* Market Velocity is the Market ETP Value Traded divided by the Market ETP Assets under Management