



Flow Traders Ltd.

Q423 & FY23 Results Presentation

8 February 2024

F L O W ■ **T R A D E R S**

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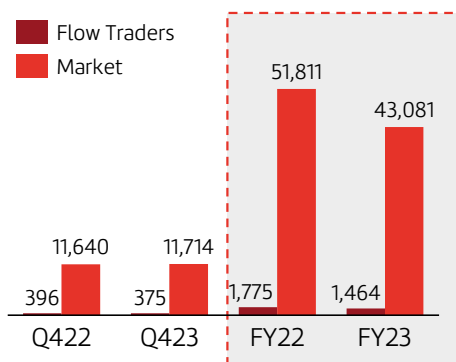
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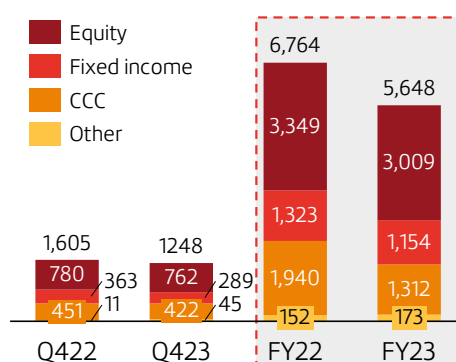
Q423 & FY23 snapshot

Q423 saw an improvement in market trading volumes but volatility remained subdued.

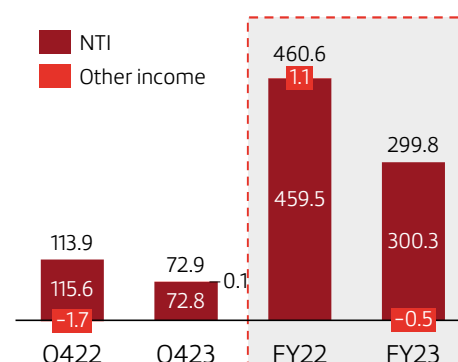
ETP Value Traded (€bn)



Total Value Traded (€bn)



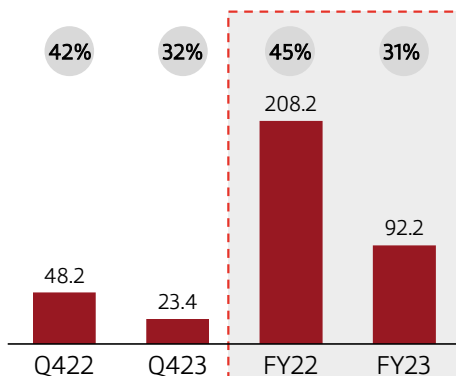
Normalized Total Income (€m)



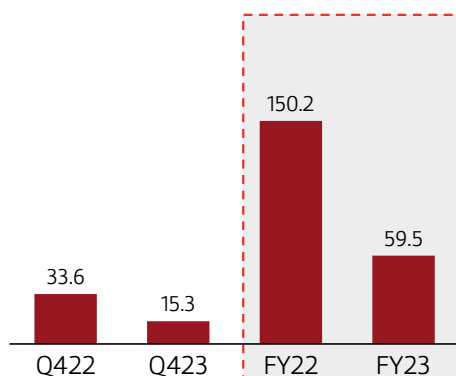
Highlights

- Market trading volumes improved in the quarter both q/q and y/y, however volatility remained subdued and reached lows for the year.
- Flow Traders ETP Value Traded decreased by 5% y/y in Q423 vs. Q422 and by 18% in FY23 vs FY22.
- Normalized Operating Expenses were €49.4m in Q423 vs. €65.7m in Q422 due to lower variable remuneration.
- Normalized Fixed Operating Expenses were €174.1m for FY23, coming in below guidance of €175-€185m.
- Generated Normalized Net Profit of €15.3m in Q423 amidst subdued market conditions.
- 646 FTEs at the end of Q423 vs. 660 at the end of Q422, compared to guidance of broadly flat for the year.
- Proposed final 2024 dividend of €0.15.

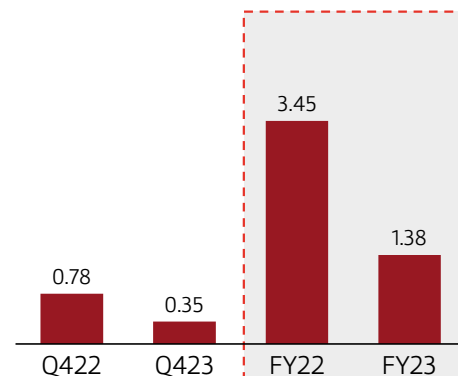
Normalized EBITDA (€m) and margin



Normalized Net Profit (€m)

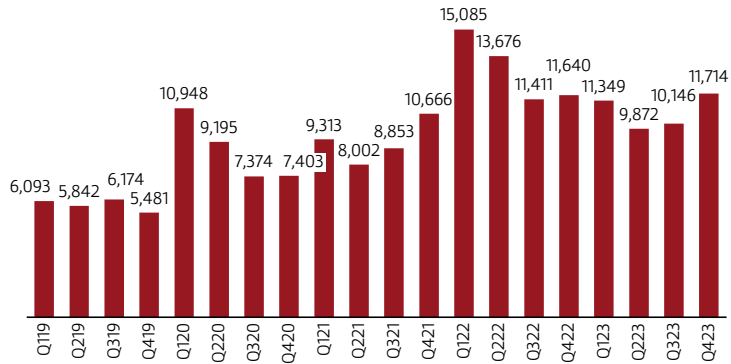


Normalized EPS (€)



Global ETP market continues to grow in Q423 and FY23

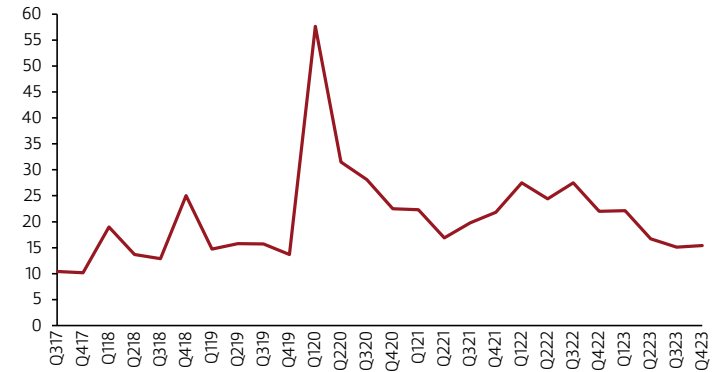
ETP Value Traded (€bn) *



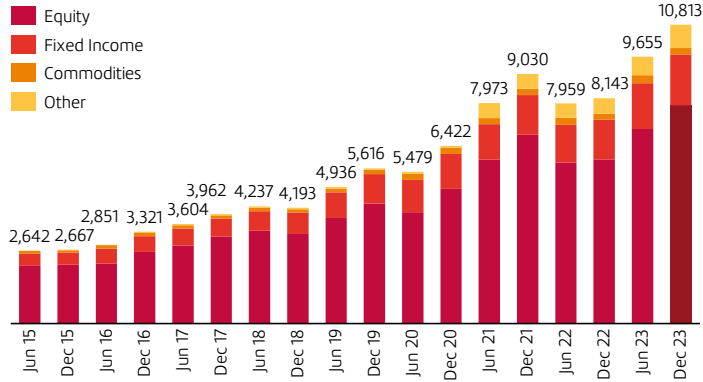
GENERAL MARKET DEVELOPMENTS

- Market ETP Valued Traded increased by 1% y/y in Q423 vs. Q322 but declined by 17% y/y in FY23 vs. FY22.
- Subdued levels of implied volatility (VIX) continued in Q423 as a brief increase in volatility in October was offset by the lowest levels of the year in December.

Average Implied Volatility (VIX)



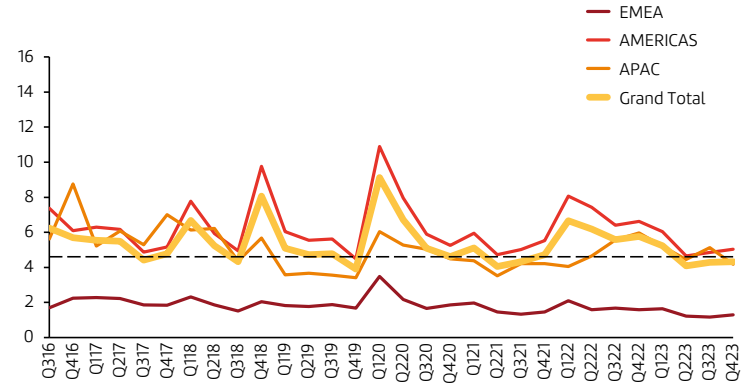
ETP AuM (€bn) **



ETP MARKET DEVELOPMENTS

- 33% increase in ETP AuM since the end of 2022 to €10,812bn due to the rebound in the market and continued fund inflows into ETPs.
- Slight uptick in ETP velocity in Q423 across all regions.
- Strong outlook remains for the ETP market.

ETP Velocity

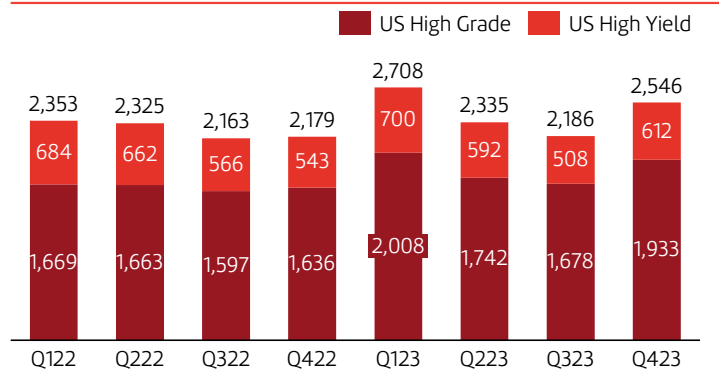


* Source: Bloomberg, iShares, Tradeweb, Bloomberg RFQ, Flow Traders. See appendix

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

Fixed income and crypto market dynamics

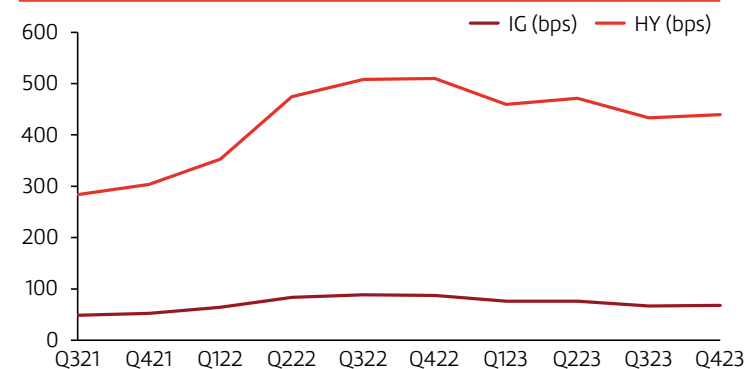
TRACE volumes (\$bn)



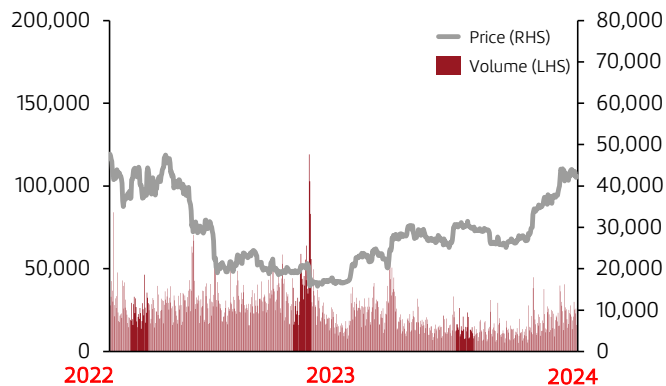
BOND MARKET DEVELOPMENTS

- U.S. Investment Grade and High Yield bond volumes increased in Q423 on both a quarter-over-quarter and year-over-year basis.
- CDX spreads remain relatively static in Q423 compared to Q323 and lower than Q422.

US CDX index



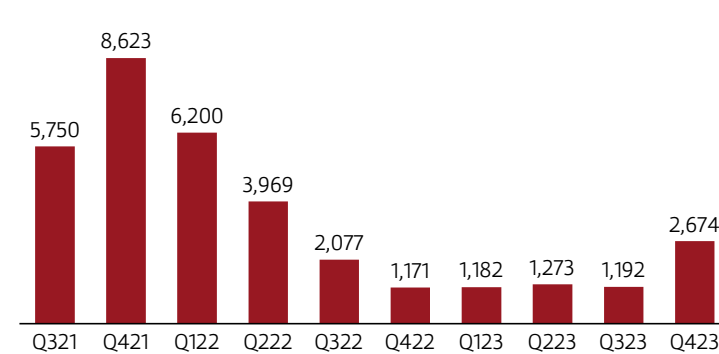
Bitcoin volume (m) and price (\$)



CRYPTO MARKET DEVELOPMENTS

- Trading volume and volatility in digital assets rebounded in Q423 after declining 3 sequential quarters.
- Crypto ETP value traded in Q423 increased sequentially and year-on-year.

Global Crypto ETP value traded (€m)



Q423 & FY23 regional performance overview

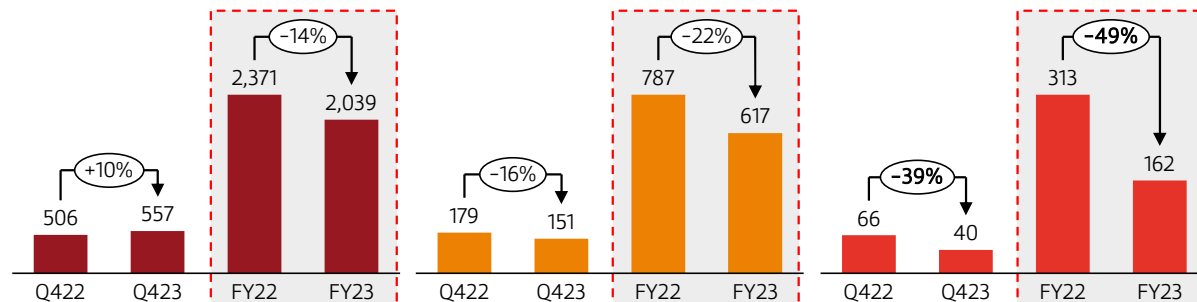
Market ETP Value Traded (€bn)

Flow ETP Value Traded (€bn)

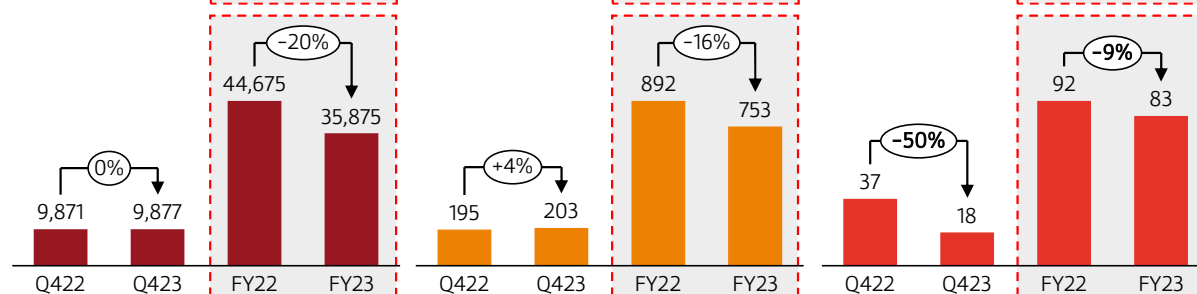
NTI (€m)

Q423 and FY23 Highlights

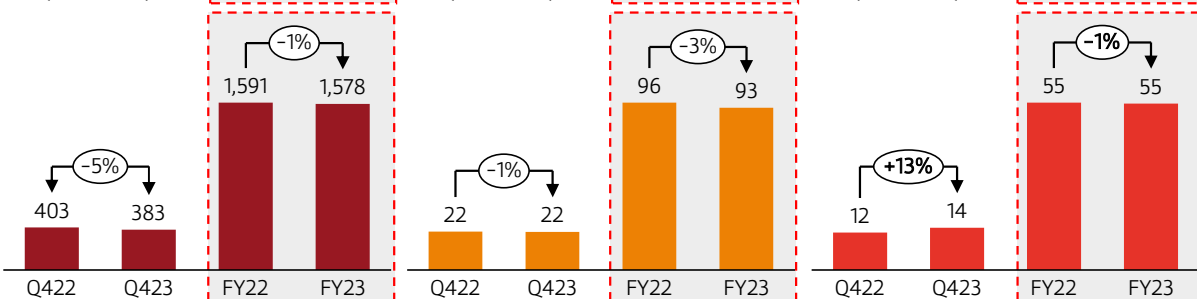
Europe



Americas



Asia



- Maintained position as a leading liquidity provider in ETPs in Q423 and FY23 amidst subdued market trading volumes and low volatility which resulted in lower turnover and tighter bid/ask spreads in the period and over the year.
- Focus on further developing fixed income trading strategies, resulting in an increase of >20% in ADV traded in EUR IG in FY23.
- Continue to invest in the digital asset space yielding noticeable results given the growing institutional interest in the asset class over the past year.

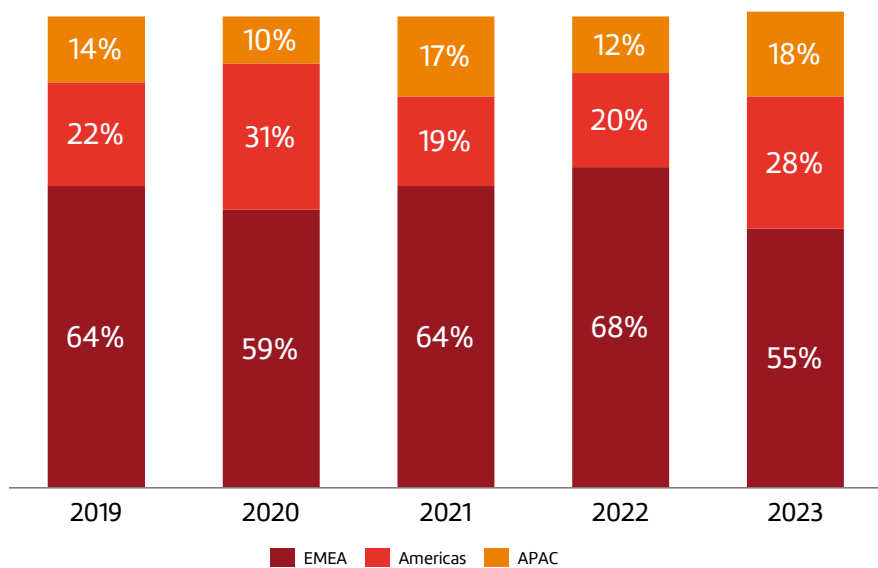
- Systematically grew our international ETF equity offering via leveraging our existing capabilities, most recently with the addition of ADRs to our product coverage.
- Expansion of our Americas footprint with the establishment of the Chicago office as our second U.S. office and additional talent hub for the firm.
- Prepared for the first U.S. spot Bitcoin ETF launches as a lead market maker for our partners reflecting our commitment to supporting the continued evolution of crypto and digital assets.

- Positive contribution from our China operations in the first year following the approval of our QFII license and opening of our Shanghai representative office.
- In-line with our commitment to the evolution of crypto and digital assets across all markets, prepared for the potential launch of spot Bitcoin ETFs in Asia as the Hong Kong Securities and Futures Commission approved the possibility of ETF listings.

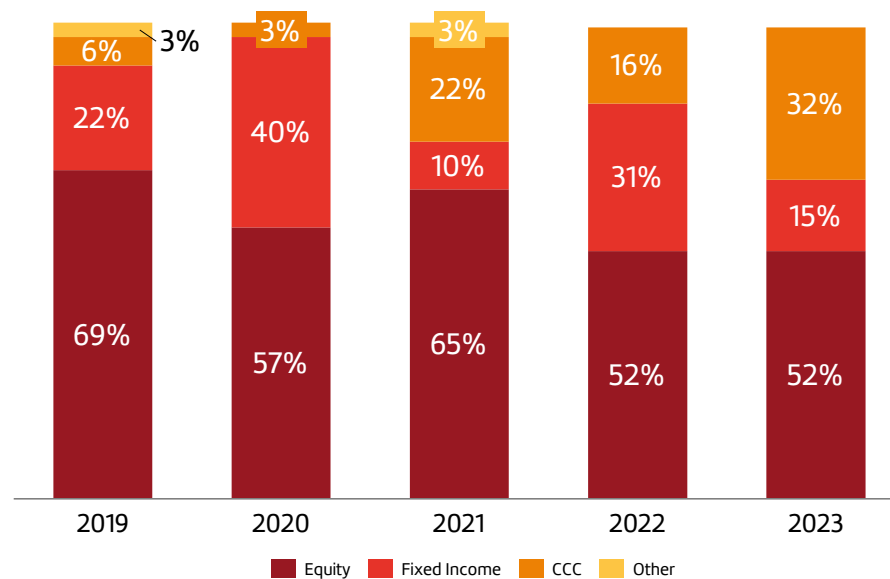
Note: APAC market ETP value traded excludes China

Continued global expansion and asset class diversification

Geographical Mix (NTI, %)



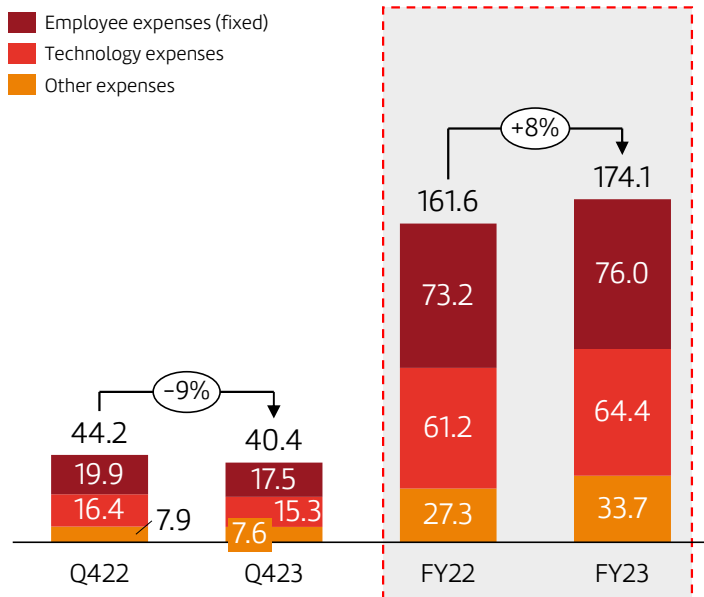
Asset Class Mix (NTI, %)



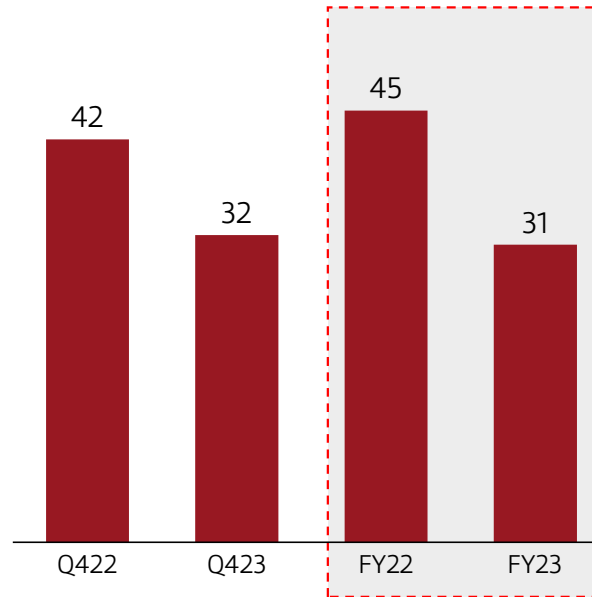
- Built on our heritage as a leading European ETP liquidity provider and expanded operations globally, with NTI contributions from the Americas and Asia accounting for 45% of total group NTI in FY23.
- Investments in the firm's asset class diversification yielded strong results as fixed income and commodity, crypto and currency together accounted for 47% of total group NTI in FY23.
- 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.

Continued investment to drive strategic growth – solid margins maintained despite lower revenues

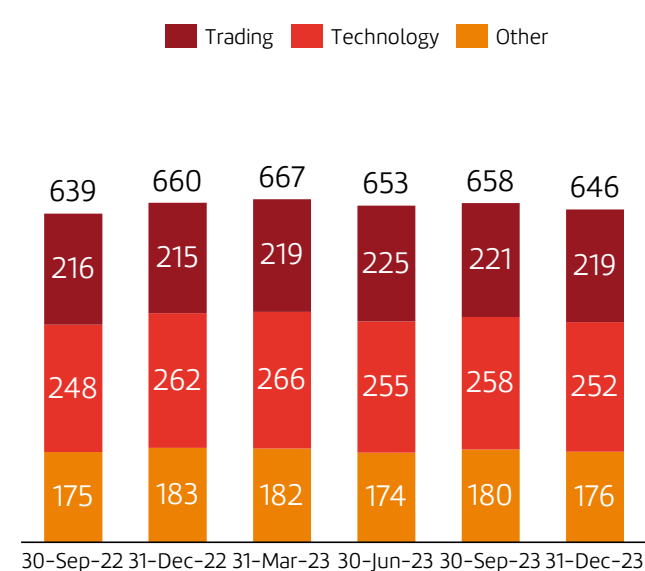
Normalized fixed operating expenses (€m)*



Normalized EBITDA margin (%)



FTEs

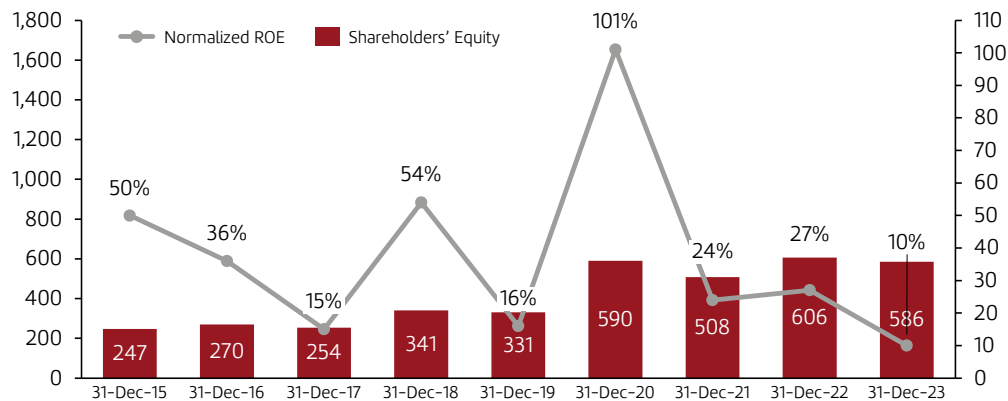


- Normalized fixed operating expenses of €40.4m in Q423 decreased by 9% compared to Q422 and the FY23 expense of €174m came in below guidance of €175-185m.
- Main drivers of y/y increases in fixed expenses relate to targeted base compensation increases implemented in Q222, continued technology investments and inflationary pressures.
- The firm remains fully focused on operational and cost efficiencies across the business while implementing its growth and diversification strategies. For FY24, Normalized Fixed Operating Expenses are expected to be in the same range as FY23 for the full year as headcount is expected to be flat to down for the year, offset by continued technology investments and inflationary pressures.

* Excludes one-off expenses

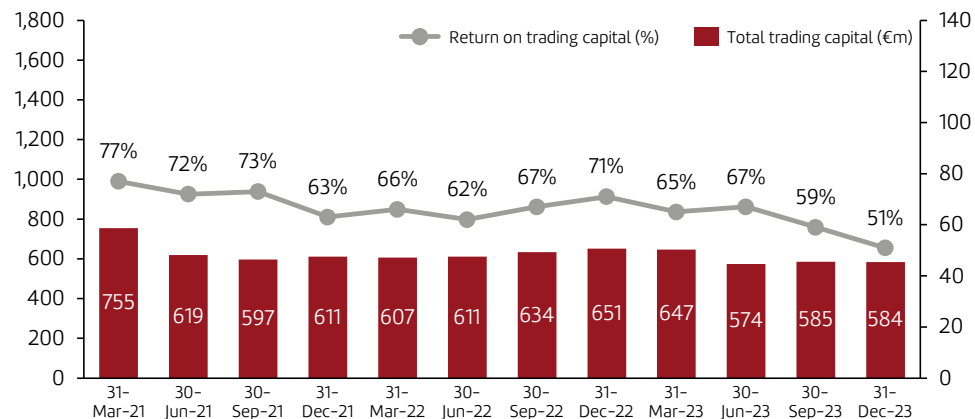
Trading Capital

Shareholders' Equity and Normalized ROE



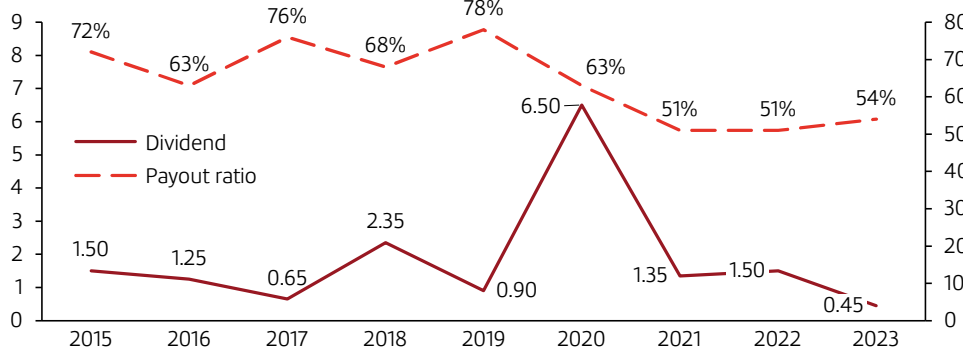
Note: Normalized ROE calculated as the LTM net profits divided by the average of the prior year end of period and current end of period shareholders' equity.

Trading capital



Note: Return on trading capital defined as LTM NTI divided by end of period trading capital

Dividend (€) and payout ratio (%)

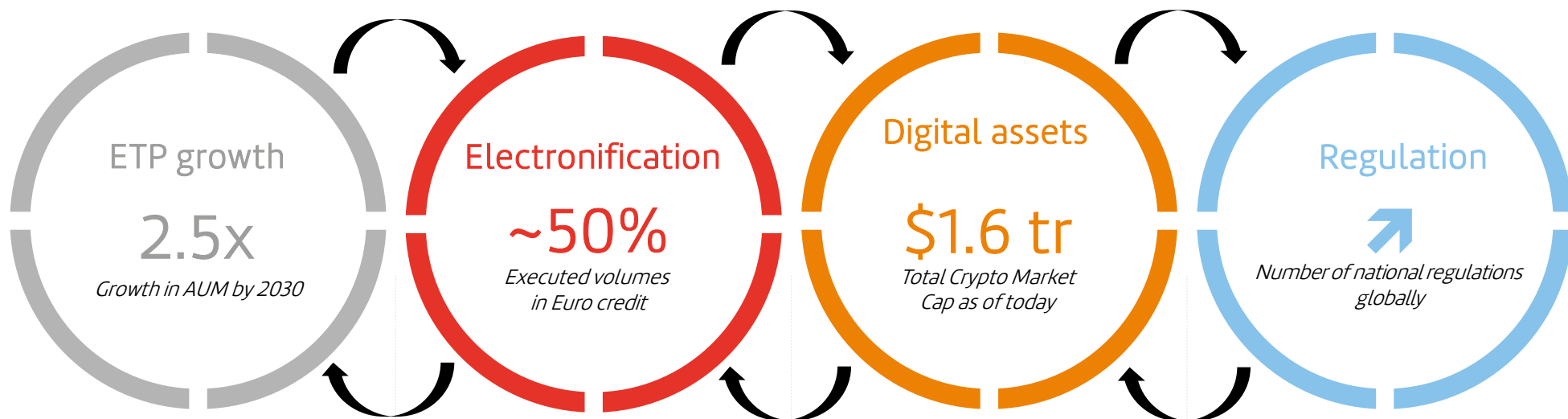


Note: Payout ratio calculated using IFRS EPS

- Shareholders' Equity was down slightly at €586m at the end of Q423 compared to €590m at the end of Q323.
- Trading capital was €584m at the end of Q423 and return on trading capital was 51% in the quarter.
- Proposed final FY23 dividend of €0.15, which together with the interim dividend of €0.30 results in total FY23 dividend of €0.45, a 54% payout ratio.
- €3.2m worth of shares were repurchased in Q423 as part of the €15m share buyback program.

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 2023 to \$25 trillion in 2030
- ETFs remain a small % of global capital markets with <2% of fixed income and <7% of equities in 2023

- 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 2023 to \$6 trillion in 2030

- Long-term **growth opportunity** after the recent rebound in interest
- First spot Bitcoin ETFs launched in the U.S.
- First European exchange listed Bitcoin futures launched on Eurex

- Increasing standards for **trade execution, reporting, and settlement** harmonization, e.g. proposed EU consolidated tape
- Accelerating **regulatory dialogue around digital asset**, e.g. Bitcoin ETF approvals, MiCA

Key strategic objectives

Significant strategic achievements in 2023 with clear focus areas for 2024



Equity

Deepen product coverage and geographic footprint

FY23 achievements

- Expansion with new offices in Chicago and Shanghai

FY24 focus

- Enhancements to and expansion of our global core ETP business
- Expand trading activities in China

Fixed Income

Expand and diversify trading in fixed income

- >20% increase in EUR IG ADV traded
- Continued growth of corporate credit and EM sovereign bond coverage in EMEA and US

- Refine and expand our algorithmic trading activities to strengthen the combined ETP and underlying bond offering

CCC

Grow presence and participation in digital assets, FX, commodities

- Further enhanced crypto coverage globally
- Preparation for the launch of U.S. listed spot Bitcoin ETFs

- Be on the forefront and leading player of digital asset innovation
- Increase OTC bilateral counterparty business across CCC

Expanded strategic ecosystem approach

- Launch of AllUnity, a Euro-stablecoin partnership with DWS Asset Management and Galaxy Digital

- Assess relevant new strategic opportunities and partnerships focused on financial market innovation

Q&A

Thank you!

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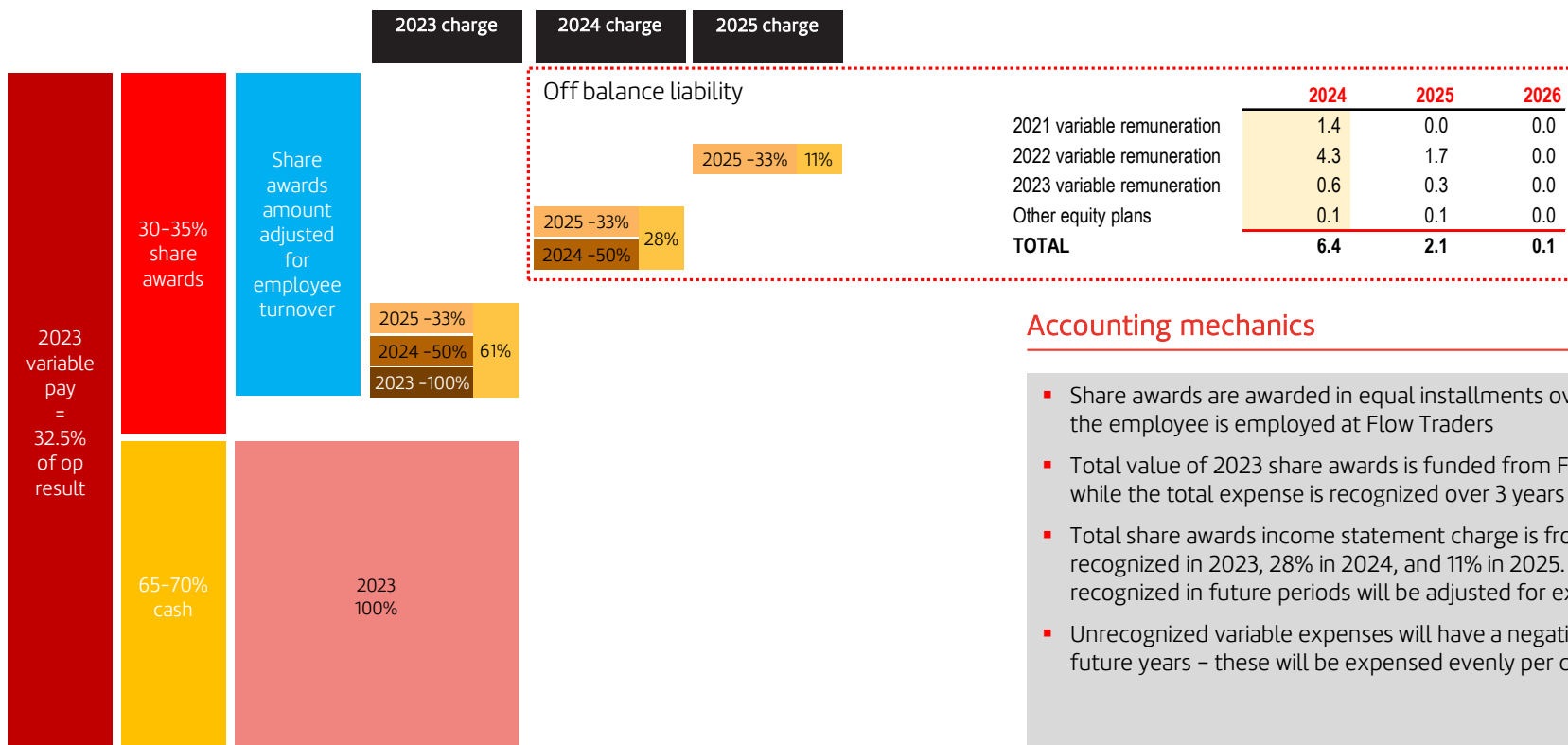
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Appendix



Unrecognized variable expenses schedule

Share plan has a different accounting treatment to the previous FCIP which creates an unrecognised variable expenses schedule



Accounting mechanics

- Share awards are awarded in equal installments over 3 years on the condition that the employee is employed at Flow Traders
- Total value of 2023 share awards is funded from FY23 variable remuneration pool, while the total expense is recognized over 3 years in accordance with IFRS 2
- Total share awards income statement charge is frontloaded, whereby 61% is recognized in 2023, 28% in 2024, and 11% in 2025. Share award obligation recognized in future periods will be adjusted for expected employee turnover
- 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	Q423	Q422	Change	FY23	FY22	Change
Normalized total income	72.9	113.9	(36%)	299.8	460.6	(35%)
Normalized net trading income²	72.8	115.6	(37%)	300.3	459.5	(35%)
EMEA	40.5	66.2	(39%)	162.2	312.5	(49%)
Americas	18.4	37.1	(50%)	83.2	91.7	(9%)
APAC	13.9	12.3	13%	54.9	55.2	(1%)
Normalized other income²	0.1	(1.7)	-	(0.5)	1.1	-
Fixed employee expenses	17.5	19.9	(12%)	76.0	73.2	4%
Technology expenses	15.3	16.4	(6%)	64.4	61.2	5%
Other expenses	7.6	7.9	(4%)	33.7	27.3	23%
Normalized fixed operating expenses	40.4	44.2	(9%)	174.1	161.6	8%
Normalized employee expenses ³	26.5	41.4	(36%)	109.5	164.0	(33%)
Normalized operating expenses	49.4	65.7	(25%)	207.6	252.4	(18%)
Normalized EBITDA	23.4	48.2	(51%)	92.2	208.2	(56%)
Depreciation / amortisation	4.2	4.7	(11%)	18.3	16.8	9%
Write off of (in) tangible assets	0.0	-	-	0.1	0.2	(53%)
Normalized profit before tax	19.2	43.5	(56%)	73.8	191.2	(61%)
Normalized tax	3.9	10.0	(61%)	14.4	41.0	(65%)
Normalized net profit	15.3	33.6	(54%)	59.5	150.2	(60%)
Normalized basic EPS ⁴ (€)	0.35	0.78	(55%)	1.38	3.45	(60%)
Normalized EBITDA margin	32%	42%	(24%)	31%	45%	(32%)

IFRS income statement (unaudited)

IFRS Financial Overview

€million	Q423	Q422	Change	FY23	FY22	Change
Total income	74.3	115.5	(36%)	303.9	458.7	(34%)
Net trading income	72.7	115.7	(37%)	300.3	460.2	(35%)
Other income	1.6	(0.2)	-	3.6	(1.5)	-
Employee expenses ³	39.6	46.6	(15%)	134.0	176.8	(24%)
Technology expenses	15.3	16.4	(6%)	64.4	61.2	5%
Other expenses	7.6	7.9	(4%)	33.7	27.3	23%
One-off expenses ⁶	-	1.5	-	4.3	14.1	-
Adjusted total operating expenses⁸	62.5	72.4	(14%)	236.3	279.3	(15%)
EBITDA	11.8	43.2	(73%)	67.5	179.3	(62%)
Profit before tax	7.4	38.0	(80%)	44.7	161.7	(72%)
Net profit	6.4	29.5	(78%)	36.2	126.8	(72%)
Basic EPS ⁴ (€)	0.15	0.68	(78%)	0.84	2.92	(71%)
Fully diluted EPS ⁷ (€)	0.14	0.65	(78%)	0.81	2.76	(71%)
EBITDA margin	16%	37%	(58%)	22%	39%	(43%)

- 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 a maximum of 32.5% in Q222 from 35%.
- A summary reconciliation of Normalized to IFRS is presented below:

Normalized to IFRS Reconciliation

€million	Q423	Q422	FY23	FY22
Normalized EBITDA	23.4	48.2	92.2	208.2
FV OCI adjustment	1.3	1.2	(0.4)	(2.6)
Results of equity-accounted investments	0.1	0.4	4.5	0.6
One-off expenses ⁶	-	(1.5)	(4.3)	(14.1)
Prior year share plans	(3.6)	(7.0)	(17.3)	(25.4)
Current year share plan deferral	(9.5)	1.9	(7.1)	12.5
Other variable remuneration adjustment	-	-	-	-
IFRS EBITDA	11.8	43.2	67.5	179.3
Normalized net profit	15.3	33.6	59.5	150.2
Profit before tax IFRS adjustments	(11.8)	(5.5)	(29.2)	(29.5)
Tax difference	2.9	1.4	5.9	6.1
IFRS net profit	6.4	29.5	36.2	126.8

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: Q423 - €17.5m, Q323 - €19.3m, Q422 - €19.9m, FY23 - €76.0m, FY22 - €73.2m.
- Weighted average shares outstanding: Q423 - 43,166,257; Q323 - 43,293,467; Q422 - 43,050,125; FY23 - 43,223,129; FY22 - 43,476,991.
- Source - Flow Traders analysis.
- One-off expenses related to the completed corporate holding structure update and balance sheet review work.
- Determined by adjusting the basic EPS for the effects of all dilutive share-based payments to employees.
- Adjusted total operating expenses excludes depreciation of €17.7m (FY22-€16.3m), amortization of €0.6m (FY22-€0.5m) and asset write-offs of €0.1m (FY22-€0.2m)

Recent monthly market updates

	Dec	Nov	Oct	Sep	Aug	Jul	2023		May	Apr	Mar	Feb	Jan	2022
	Dec	Nov	Oct	Sep	Aug	Jul	Jun	Jun	May	Apr	Mar	Feb	Jan	Dec
On & Off Exchange* Value Traded - Global (€bn)	3,802	3,678	4,234	3,257	3,709	3,180	3,546	3,431	2,894	4,715	3,328	3,306	3,306	3,640
On & Off Exchange* Value Traded - EMEA (€bn)	189	189	179	148	148	150	168	162	133	218	173	182	182	168
On & Off Exchange Value Traded - Americas (€bn)	3,133	3,049	3,694	2,696	3,024	2,581	2,940	2,874	2,350	4,015	2,754	2,763	2,763	3,000
On & Off Exchange Value Traded - APAC (€bn)	479	439	361	413	537	449	438	395	411	482	401	361	361	472
<i>EMEA - Off Exchange Market Value Traded on MTF** (€bn)</i>	122	118	111	93	90	91	107	102	83	135	111	118	118	107
<i>EMEA - Off Orderbook* Market Value Traded (€bn)</i>	21	26	20	17	20	22	18	18	16	26	19	20	20	20
<i>Americas - Off Exchange Market Value Traded (€bn)</i>	1,284	1,179	1,369	1,060	1,197	1,037	1,188	1,110	941	1,466	1,117	1,207	1,207	1,336
<i>APAC - On & Off Exchange Market Value Traded in China (€ bn)</i>	350	301	246	282	375	286	291	275	305	339	290	252	252	346
Assets under Management*** - Global (€bn)	n/a	n/a	n/a	9,469	n/a	n/a	9,656	n/a	n/a	9,193	n/a	n/a	n/a	8,143
Assets under Management - EMEA (€bn)				1,524			1,528			1,477				1,278
Assets under Management - Americas (€bn)				6,852			7,009			6,701				5,957
Assets under Management - APAC (€bn)				1,094			1,119			1,015				908
# of ETP listings - Global	15,159	15,058	14,951	14,804	15,195	15,024	15,058	14,913	14,888	14,810	14,753	14,692	14,692	14,688
# of ETP listings - EMEA	5,121	5,106	5,093	5,099	5,315	5,299	5,319	5,301	5,306	5,279	5,305	5,304	5,304	5,316
# of ETP listings - Americas	6,452	6,413	6,373	6,275	6,409	6,310	6,341	6,257	6,254	6,241	6,197	6,152	6,152	6,141
# of ETP listings - APAC	3,586	3,539	3,485	3,430	3,471	3,415	3,398	3,355	3,328	3,290	3,251	3,236	3,236	3,231
Average VIX per month	12.84	14.25	19.10	15.20	16.03	14.08	14.18	17.80	18.17	22.12	20.33	20.48	20.48	22.05
VIX high per month	13.92	17.53	21.28	18.87	18.01	15.94	16.59	20.00	19.54	27.33	22.83	23.25	23.25	24.62
VIX low per month	12.14	12.79	16.76	13.13	13.72	13.37	13.28	16.08	16.69	18.84	18.16	18.49	18.49	19.96

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

***: ETFGI

Sources: Tradeweb, Bloomberg, Flow Traders analysis, ETFGI