2Q 2025 Results

Thursday, July 31st, 2025

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Operator: Hello. Welcome to the Flow Traders Second Quarter 2025 Results Conference Call and audio webcast hosted by Eric Pan, Head of Investor Relations. For the first part of the call, participants will be in listen-only mode, and afterwards there will be a question and answer session. If you wish to ask a question, please press key pound five, on your telephone keypad. You can also submit a question below the player.

I would now like to hand the call over to Eric Pan. Mr. Pan, please go ahead.

Eric Pan: Good morning. Thank you for joining Flow Traders Second Quarter 2025 Results Conference Call. As you all have no doubt already seen, we released our trading update first thing this morning, along with the leadership update. I am joined here on the call by Flow Traders CEO, Mike Kuehnel, as well as our Co-Chief Trading Officers, Alex Kieft and Marc Jansen, who will run through this results presentation. We will be happy to take any questions you may have after the presentation.

Before we begin, let me draw your attention to the disclaimer on page two. Please be advised that if you continue to listen to this presentation, you are bound by this disclaimer. Also, please note that the results we will discuss in this presentation are unaudited.

With the formalities out of the way, I would now like to hand over to Mike for his opening remarks.

Mike Kuehnel: Thank you very much, Eric. Good morning, everyone, and thank you for dialing. In the second quarter of 2025, as a whole, saw elevated activity and market trading environment, with volumes and volatility in traditional asset classes seeing a meaningful step up when compared to the same period a year ago. Flow Traders' ETP value traded increased by 42% in the quarter compared to the last year and is largely in line with the market's 50% year-over-year increase. Total value traded increased by 14% year-over-year to close to €1.7 trillion, the third highest quarter in company history. We achieved a net trading income of €143.4 million in the quarter, our fourth straight quarter of triple digit NTI and the first time in the company's history. It was also the fifth triple digit NTI in the last six quarters, a strong validation of our growth and diversification strategy.

The strength in the quarter was driven mostly by a sharp increase in activity in traditional asset classes across Europe and the Americas. The increase occurred mostly in the first half of April, following the Liberation Day tariff announcements from the new US administration. The flurry of activity did not last very long, however, as a pause in the implementation of the tariffs was announced only a few days after the initial announcement.

Market activity declined gradually from the second half of April into May and June, with volatility in July running below historical averages. The higher-than-average market volatility in traditional asset classes in the early part of the quarter was offset by meaningfully lower volatility within digital assets. Similar to historical trends, crypto continues to exhibit countercyclical attributes when compared to traditional asset classes. As a result, we saw meaningfully lower contributions from digital assets in the quarter when compared to the same quarter a year ago, and especially when compared to the first quarter.

Total income came in at €143.9 million for the second quarter, which included a €0.5 million gain in other income. As a reminder, other income reflects the unrealized gains and losses of our investment portfolio, which also includes digital asset holdings and can fluctuate from quarter to quarter.

Fixed operating expenses in the quarter were €49.8 million, an increase of 15% year-over-year and a 2% decrease compared to the first quarter. We continue to plan for a meaningful step up in fixed OPEX this year to support select hiring of subject matter experts as well as increased technology investments, given our growth and diversification strategy.

We recorded a €2.5 million reversal of impairments in intangible assets related to our digital asset trading book in the quarter. This is a partial reversal of the €10.5 million impairment we recorded in the first quarter. As a reminder, these below-the-line positions are hedged, and the gains or losses of the offsetting trades are recorded in our NTI.

Given our relatively fixed cost base and high operating leverage, we generated an EBITDA of €68 million in the quarter, more than triple our results from a year ago, at a 47% margin, compared to 29% a year ago. As a reminder, our variable employee compensation is set at 32.5% of operating results, which aligns employee incentives with those of our shareholders.

Net profit for the quarter increased to €51.3 million, almost quadruple the €13 million from the same period a year ago, with the basic EPS of €1.18. Despite much of the elevated activity in early April having dissipated in May and June and lower contribution from digital assets, the solid results of this quarter serve as continued validation of our growth and diversification strategy.

I will now hand it over to Alex for the next few slides.

Alex Kieft: Thanks, Mike, and good morning everyone. As shown at the top left-hand side of the slide, market ETP value traded increased by 50% in the second quarter compared to the same period a year ago, and by 14% compared to the first quarter. Implied volatility in the quarter, as represented by the VIX, increased by 67% year-over-year and by 20% compared to the first quarter. Total ETP assets under management increased by 7% in the first half and 22% year-over-year to almost €15 trillion, giving continued record fund[?] [06.41] inflows into ETPs in the quarter and the strength of the overall market. ETP velocity increased in the second quarter compared to the first quarter, to the highest level seen in more than two years.

In summary, the secular industry trend across the ETP universe continues to be strong. Market activity in the second quarter was the highest in more than two years but remained well below levels seen in 2022 and 2020.

I will now move on to the dynamics within the fixed income and crypto markets. As shown on the top left of the slide, trading volumes in the investment grade and high-yield bond markets increased in the second quarter compared to last year, but investment grade volumes decreased compared to the first quarter. Volatility, as measured by the MOVE index, increased slightly, both compared to last year and last quarter. Trading volumes in cryptocurrencies increased in the quarter compared to last year but declined meaningfully compared to the first quarter. Global crypto ETP market value traded also increased compared to last year but declined compared to the first quarter.

Moving on to the next slide. On slide six, we present an overview of some of the key performance indicators for the quarter on a regional basis. As mentioned earlier, market ETP value traded increased substantially in the quarter when compared to the same period a year ago. However, market ETP value traded declined in Europe and Asia in the second quarter when compared to the first. The robust and comprehensive trading capabilities that we have developed over the years across different regions and asset classes put us in a great position to capture opportunities that arise in different parts of the market through different market environments.

In Europe, we maintained our position as a leading liquidity provider in ETPs amidst increased market activity and volatility in the quarter. We were able to benefit from the sudden, but short-lived spike in volatility in April on top of the continued record fund inflows into ETFs.

In the Americas, Liberation Day tariff announcements drove significant increases in market trading volumes and volatility in April, alongside continued record fund inflows into ETFs. However, market activity subsided in June and May, given the quick pause in the implementation of the tariffs.

In Asia, trading volumes remained elevated in Hong Kong and China in the quarter when compared to the same period last year, but were lower quarter-on-quarter, given the initial tariffs that were already announced in the first quarter. Trading volumes in China has doubled versus a year ago, and it's now 2-3 times that of Europe.

Marc Jansen: Volumes in other regions increased both year-on-year and quarter-and-quarter as a result of the new tariff announcements. As a result, this was the company's best second quarter result in Asia, following a record year last year. In digital assets, volumes in crypto increased compared to the same period last year but declined compared to the first quarter. Volatility declined meaningfully, both year-on-year and quarter-on-quarter. As a result, we saw much lower contributions from digital assets this quarter when compared to both last year and last quarter.

Let's move on to the next slide. Fixed operating expenses in the quarter increased by 15%, when compared to last year, to €49.8 million, due mostly to increased employee and other expenses. It decreased by 2% quarter-over-quarter. We delivered a strong 49% EBITDA margin in the quarter, compared to 29% in the same period a year ago, given the high operating leverage inherent in our business. We ended the second quarter with 607 FTEs, a decrease from the 619 FTEs at the end of the first quarter. We continue to expect fixed operating expenses for the year to be in the range of €190-210 million, given additional technology investments and targeted additions of subject matter experts in growth areas, partially offset by expected operational efficiency gains.

On slide eight, we take a look at the historical performance of the company in the context of market volatility. The chart on the left shows our company steady NTI growth since our IPO. This growth is due to investments we've made in trading across regions and asset classes. Our strategy of growth and diversification allows us to seize opportunities wherever possible. As a result, we can deliver strong results even when market activity is low and gain significantly during volatile periods. The chart on the right highlights our consistently strong average EBITDA margins of over 40%. The success comes from the high operating leverage in our business, helped by our flexible compensation approach. Our mix of fixed and variable compensation brings employee pay to company profitability. This ensures our employees' interests align with those of our shareholders.

On slide nine, we highlight that trading capital is essential for any trading firm, and increasing it is a key priority for us. Due to strong past returns on trading capital, we decided last year to expand our training capital base further. We did this by suspending the dividend and seeking external debt. Thanks to this decision and strong profits, we have grown our trading capital to record levels, increasing it by 33% year-on-year and 4% since the first quarter, reaching €831 million.

Our shareholders equity also reached record levels, growing by 29% year-on-year to €821 million by the end of the second quarter. This growth matches the increase in trading capital. With increased market activity, we achieved strong returns for the first half of the year, 75% on average trading capital and 26% on equity.

The strong second quarter results confirm the success of our trading capital expansion plan and our diverse trading strategies. We believe that with more capital, we can continue to achieve significant returns and strengthen our position as a leading global trading firm, providing liquidity and efficiency in many financial markets.

Moving to the next slide, I will discuss market trends and our strategy. Slide ten highlights four key megatrends that support our strategy, and they remain strong. These trends shape our market environment, providing many opportunities for us. Importantly, these trends complement and strengthen each other. A key trend for our business is the growing acceptance of exchange-traded products and passive investing. In the second quarter of this year alone, total industry assets under management in ETPs grew by €1.8 trillion. This figure is expected to rise from €17 trillion today to €25 trillion by 2030, showing the strength and importance of the ecosystem we are a key part of.

Electronification of trading is crucial for our activities, especially in the fixed income asset class. It's a major trend in corporate credit and emerging markets sovereign bonds. Increased use of electronic trading fits well with our tech-driven strength. Fixed income ETF assets are expected to grow from €2.5 trillion now to €6 trillion by 2030. This growth is partially because of the increased electronification.

With the recent regulatory developments on digital assets, there's more institutional interest globally. We expect continued growth in investor demand for this asset class, which is a long-term growth opportunity for our company. The technology behind it could push the tokenization of real assets from €260 billion today to €30 trillion by 2030.

And finally, regulations benefit our business by ensuring fair execution and transparency, creating a level playing field for all. More oversight in digital assets provides industry safeguards, and it removes barriers for investors. We are collaborating with global regulators to enhance transparency, efficiency and liquidity across all markets and asset classes.

Let's move on to the last slide. On this slide, I will recap the firm's four key strategic pillars to grow, strengthen and accelerate the business. First, we are optimizing our core and increasing our capital. We aim to create a strong and efficient business model by improving our trading base. At the same time, we are growing our capital to enhance the value of our trading strategies across different asset classes and regions. The Trading Capital Expansion plan from last year provides the necessary funds for us to continue expanding and diversifying.

Second, we are expanding and improving our trading skills by using our in-house infrastructure capabilities and expertise. We are exploring new products and improving our existing trading strategies. Our investment in digital asset trading over the past eight years shows our commitment to this strategy.

Third, we focus on technology and innovation. We plan to use new technologies and data insights to improve our pricing and enhance efficiencies in trading.

Finally, we are diversifying our business and revenue streams. We invest in new business ideas and partnerships for connectivity, platforms, data and tokens. By partnering with others, we aim to boost innovation in financial markets and grow our revenue. We are very excited about the launch of AllUnity, our euro-based stablecoin, with DWS and Galaxy. It's an instrument that we expect to help bridge the world of traditional finance and digital assets. We are revolutionizing and bringing new possibilities to traditional finance as we know it.

In conclusion, by focusing on our four main strategic goals, we believe that success, like we've seen this quarter, will become standard as we continue to deliver on each of these strategic priorities.

I will now hand the call back to Mike for final remarks.

Mike Kuehnel: Thanks, Marc. I'm immensely proud of what we have collectively achieved during my tenure here at the company, which has culminated in the company's first fourth consecutive quarter of triple-digit NTI and the fifth in the last six quarters. Equally, I take pride in the development and growth of our global leadership team. Cultivating and attracting talent has been a pivotal focus during my four years, and I'm thrilled about the current standing of this team.

I would like to extend my warmest welcome to my successor, Thomas Spitz, as he takes over the mandate to grow and expand the company. I have full confidence in Flow Traders' future and the leadership team in place, as well as its ability to grow and become an even more significant force in promoting transparency, efficiency and resilience within global financial markets.

I will now hand the call over to Eric for the Q&A.

Questions and Answers

Eric Pan: Thanks, Mike. This concludes the formal part of our presentation. We would now like to open up the floor for any questions you may have. Operator.

Operator: Ladies and gentlemen, we are now ready to take your questions. If you wish to ask a question, please press key pound five on your telephone keypad. You can also submit a question below the player. And our first question comes from Julian Dobrovolschi from ABN AMRO ODDO. Please go ahead.

Julian Dobrovolschi (ABN AMRO ODDO BHF): Hi. Good morning. Can you hear me?

Eric Pan: Yeah, we can hear you.

Mike Kuehnel: Yes.

Julian Dobrovolschi: Thank you. Good morning, and thanks for taking my questions. I have three, if I may. So the first one is on the US, if you could give us some color on your strong performance in the US. I'm just wondering from where does that come from. Also, if you look at the revenue capture, this also increased. And usually I think if you look in the past performances, and this is driven by your crypto trading activity, which you also said it was weak in Q2. So I was just wondering from where is this booster to the NTI in America comes from? And then I have to follow up.

Alex Kieft: Yeah. Thanks, Julian. Happy to take the question. So what we normally see in our US is that when volatility and market activity increases meaningfully, that that presents opportunities to us. We've seen that historically as well in volatile times. And then really, the size and depth of the market, combined with larger relative opportunities, improve our profitability there, just as we saw in 2022 or 2020. As to crypto, what we also typically see is that in times of heightened volatility in equities and fixed income is that people tend to worry more about that part of their portfolio rather than on crypto. So we saw just muted trading activity, in general, in crypto. We see a bit as counter-cyclical and really as diversified away from the rest of our business. So we were able to allocate more capital towards equities and fixed income, given the limited amount of opportunities we saw in the crypto market.

Julian Dobrovolschi: Understood. Thanks for that. And then two on the stablecoins. Obviously, AllUnity, I think this is quite an important project for you. And so far, it's not really reflected in the share price. Generally speaking, if you take a step back, can you remind us again about the whole intention with the project and maybe also speak about what kind of economics do you expect to drive with it? Customer deposits, AUM growth, distribution, etc., etc.

Marc Jansen: Yeah. Thanks, Julian. I can take that question. So AllUnity is a tokenization platform that will be launching a MiCAR compliant euro stablecoin called EURAU. The launch of that is today actually on a platform called Bullish. Our unit is backed by Flow Traders, DWS and Galaxy Digital. Flow Traders is a market maker to the EURAU stablecoin, Galaxy Digital supporting with the infrastructure buildout, and DWS is the asset manager partner to AllUnity. The economics of the stablecoin is similar of those of other stablecoins on the market, but the difference between AllUnity and other stablecoins is that AllUnity is BaFin regulated and is MiCAR compliant.

Mike Kuehnel: And [inaudible] [23.55] –

Julian Dobrovolschi: And then the question on the distribution –

Mike Kuehnel: If I just say one point.

Julian Dobrovolschi: Yeah, please go ahead.

Mike Kuehnel: All the bits and pieces Marc shared were very much in the center of our discussions back then, but I think it's also important, just a bit of reflecting on the discussion we had in the past. The sheer utility function of the stablecoin has become very known globally as to the ability to connect traditional financial markets with digital assets markets. And we stated in the past, and can state it again, we have a quite agnostic perspective, but very much want to embrace the interoperability between both traditional finance and digital assets. So if more and more demand comes to the market for digital assets, and this might be in the form of parking[?] [24.57] liquidity in AllUnity, parking liquidity or investing in tokens in the cryptocurrency remit, but down the road, also with real world assets that are tokenized, then the utility of the stablecoin is very much important in order to increase efficiency across financial markets. And I think with the stablecoin initiative now, we are very much setting the stage for a European version of liquidity bridge between TradFi and digital assets. And I think that is a very important strategic step we are taking here in order to facilitate that innovation curve.

Julian Dobrovolschi: Yeah. Understood. So thanks, Mike, for the flavor. Also, an extension of this, I was just wondering because you spoke about the fact that Flow Traders will be the prime liquidity provider of the stablecoin. And I guess we just have to wait and see what's going to be the uptake of it, but hopefully it's going to be a decent one. When you start trading the coin, obviously you'll generate spreads, revenue in a way, so you'll generate money out of it. I guess you also don't know exactly to which extent, but I was also wondering if you look at the customer deposits of AllUnity, can you actually use that in some sort, as a trading buffer for your trading capital? I.e. can you leverage, somehow, those deposits with the prime brokers to trade other products as well?

Marc Jansen: Thanks for the question, Julian. As AllUnity is BaFin regulated, like the deposits are held 1 to 1, so we are not able to use that. So no, that's not a possibility as EURAU is fully backed 1 to 1 towards the euro, so we cannot use those funds for trading.

Julian Dobrovolschi: Understood. All right. Thank you so much. And for those that go on a holiday, enjoy the summer break.

Mike Kuehnel: Thank you.

Operator: Thank you. We will now go to the written questions. The first one comes from Diego Pineda[?] [27.12]. He says, 'Hello. Can you provide a bit more color on capital allocation through 2025?'

Alex Kieft: Yes. Thanks for the question. So we typically can redeploy capital quite on a day-to-day basis where we see opportunities. The market opportunities as presented throughout 2025 were predominantly within the equities and fixed income markets and regionally more in in Q1 and APAC, and then Q2 just globally. So more was deployed towards equities trading and fixed income and less so towards crypto, given the volatility in the market and the opportunities that I presented.

Operator: All right. We'll go to the next question from Rick Lucas[?] [28.16]. He says, 'Is there a difference in opportunities and challenges between the European, American and Asia-Pacific segments? And if so, how do you capitalize on these differences?'

Alex Kieft: In Europe, we are a market leader in trading ETPs, and our product coverage, we cover pretty much any ETF in Europe. So we will maintain that position and provide liquidity to our counterparties and partner with the issuers. In the Americas, given the size of the market there, what we see is that when volatility increases, we also see a meaningful contribution to our NTI. And it still, as the largest capital market, represents a meaningful growth opportunity for us. But it is a much more competitive market, and you need to excel many fronts in order to really be a key player there. On the RFQ front, we are one of the leaders there. We're in the top five, typically, on providing liquidity on a RFQ basis, but on exchange, our market share is still lower. In Asia Pacific, that is also a meaningful growth opportunity for us. The Chinese ETF market alone is now 2-3 times the size of Europe, and it's opening up to foreign investment firms and to market makers. And that presents a meaningful opportunity for us. In general, it's a bit more fragmented the market, and each market has its own nuances. So many more markets in Asia represent an opportunity for us, and we've established ourselves as a global ETF market maker. And we try to be present in every market and provide liquidity to enhance the markets there, and also for our own revenue capture.

Operator: All right. Thank you. The next question comes from Nuno Rosa[?] [30.35]. He asks, 'Can you provide more clarity on what drove the Q[?] operational cost increase of 40%? And also, what does the €8m impairment of intangibles refer to?'

Marc Jansen: Yes. Thank you for the question. So most of the difference in the operational cost increase can be explained by an increase in variable comp. Also, the fixed increases over cost can be explained by additional hires due to our strategy. On the €8m impairment of intangibles, I believe that is the difference between our Q1 and Q2 posted impairment of intangibles. So, as many of you maybe can recollect, in Q1 we posted a -€10 million on impairment. And this quarter we posted a reversal of €2 million. So in total you get them to €8 million of impairment of intangibles.

Alex Kieft: And to add, this is part of our trading book. So there's a corresponding positive recorded in NTI. That's because of how some of these positions have to be recognized under IFRS accounting. And, therefore, this line item came below the line as an impairment. But again, we generally apply hedges, and there is a corresponding positive in the NTI.

Operator: All right. Thank you. The next question is, 'There is a difference in net profit in addition to the trading capital of about €23 million. Can you elaborate on that?'

Marc Jansen: Yes, our trading capital did not increase as much as our net profit due to cash flows we had to pay out in the second quarter. And well, some of these cash flows are, for example, our annual tax bills.

Operator: All right. And the next question again from Rick Lucas. He asked, 'What qualities will Thomas Spitz as CEO bring to the table, in your preliminary judgment, and how will he be different from Mike? Will he steer Flow Traders in a new direction? And if so, which one?'

Mike Kuehnel: Yeah, I can take this question. So, Thomas will join the firm with a diverse background across trading, sales and research, in a very international setting, and he has demonstrated, throughout his career, drive to identify opportunities to innovate. And in the short-term, addressing the question on changes to the strategy, Thomas will continue the execution of the firm's growth and diversification strategy that was laid out in the Capital Markets Update in 2022 and the Trading Capital Expansion Plan as announced in July last year. What Thomas will do is to bring his wealth of experience, as just outlined, to the table, in order to enhance these strategies and drive increased investments in certain areas where he sees the biggest opportunities for the firm. I think the capabilities and his experience will help us to find tangible opportunities to accelerate where possible, building upon the strengths and the profile we have built over the last few years.

Operator: All right. Thank you for that. Right now, there are currently no questions sent to the operator. Questions that are not answered currently might be answered at a later stage. So I would now like to hand over the call back to Eric Pan for any closing remarks.

Eric Pan: Thank you, Operator. We would like to thank all the analysts for participating in today's call, as well as the questions that were submitted online. Please note that we will host our next analyst call when we release our third quarter trading update in October. Details and timing for this call will follow in due course.

This now ends the call. Thanks again. Have a great day.

[END OF TRANSCRIPT]