



Flow Traders Ltd.

Q422 & FY22 Results Presentation

9 February 2023

F L O W ■ **T R A D E R S**

AMSTERDAM ■ CLUJ ■ HONG KONG ■ LONDON ■ MILAN ■ NEW YORK ■ PARIS ■ SHANGHAI ■ SINGAPORE

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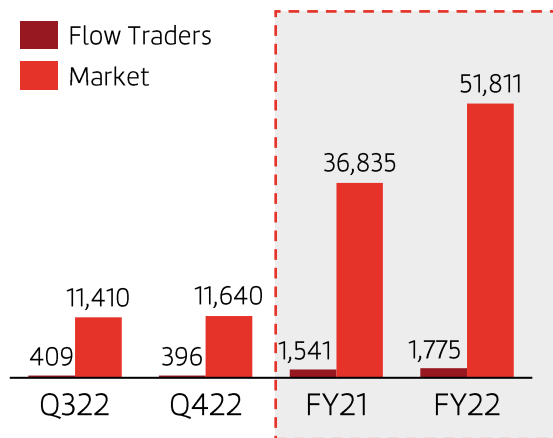
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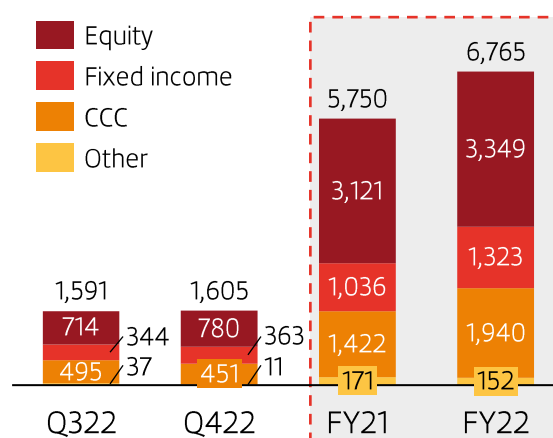
Q422 & FY22 snapshot

Q4 further demonstrated Flow Traders growing resilience and trading diversification – strong financial performance recorded in 2022

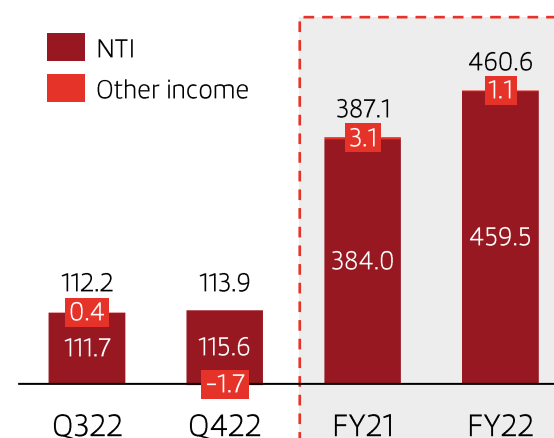
ETP Value Traded (€bn)



Total Value Traded (€bn)



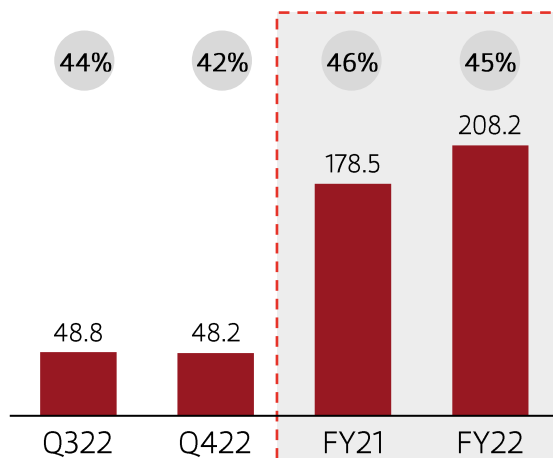
Total Income (€m)



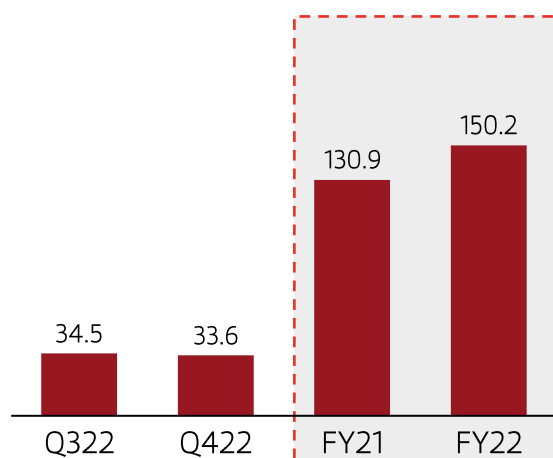
Highlights

- Considerable progress made in delivering strategic growth agenda – expanding the trading footprint across multiple products and asset classes
- Structural return on recent investments has created a more diverse and resilient business – greater relative fixed income NTI contribution in 2022
- Record value traded across all asset class pillars
- Robust and prudent approach to risk management – particularly relevant for managing FTX situation
- Healthy margins maintained as investments continue and amidst certain macro headwinds
- FTEs increased to 660 at the end of 2022
- Proposed final FY22 dividend of €0.80 – €1.50 total FY22 dividend

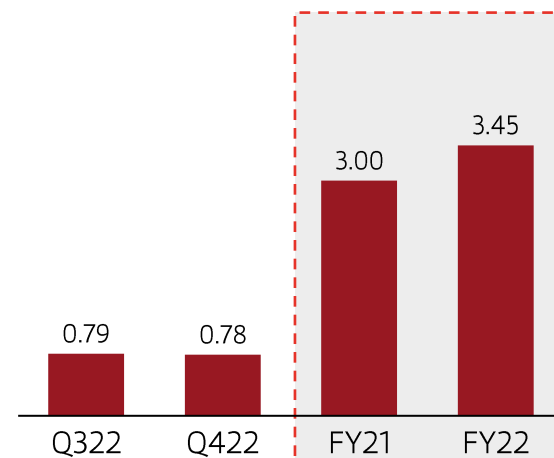
Normalized EBITDA (€m) and margin



Normalized Net Profit (€m)

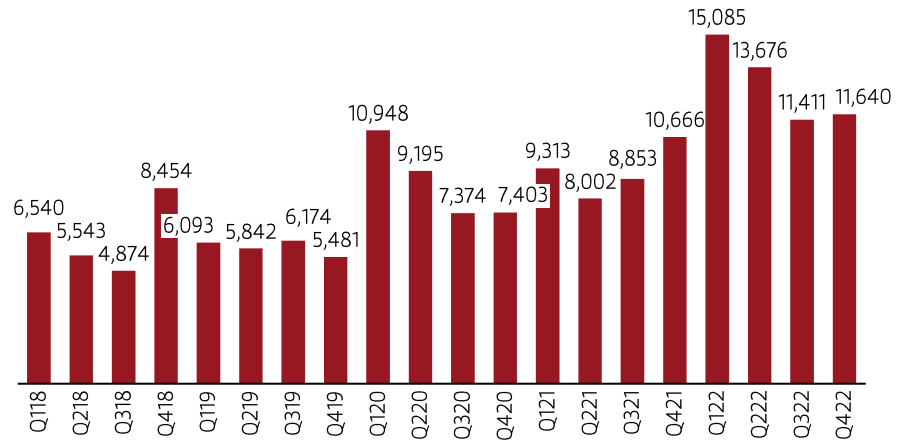


Normalized EPS (€)



Increased levels of ETP market activity in Q4

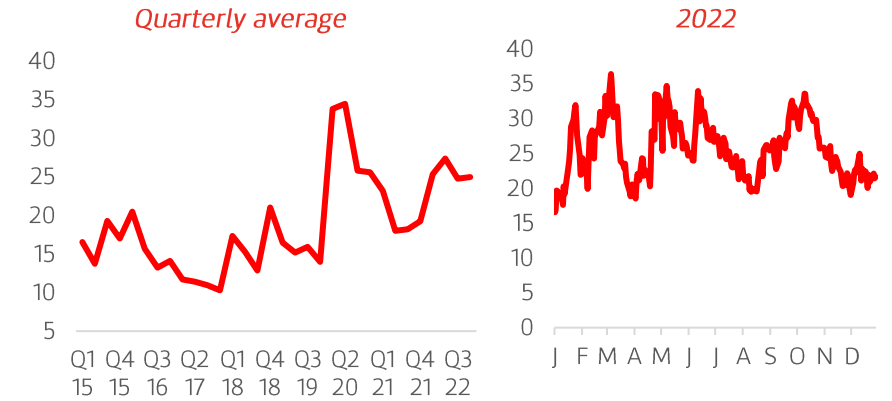
ETP Value Traded (€bn) *



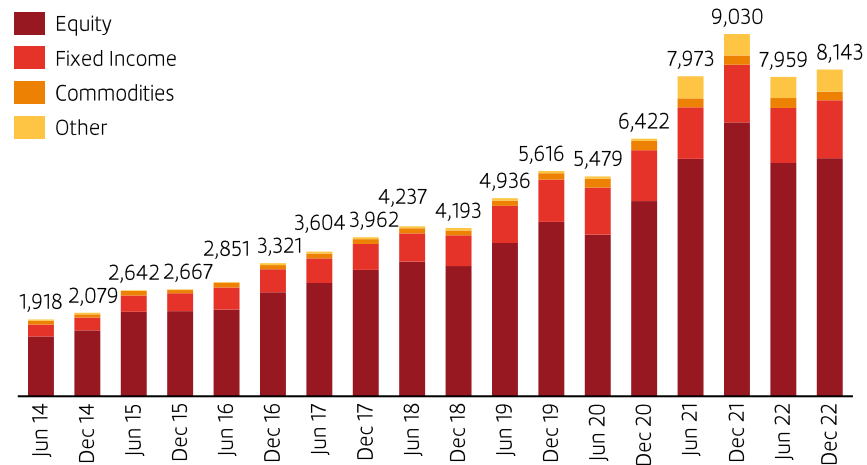
GENERAL MARKET DEVELOPMENTS

- Flows dominated by equities and fixed income – increased fixed income activity following interest rate volatility and inflation impacts
- Central Bank interventions still evident
- Elevated levels of implied volatility (VIX) into Q4 – although lower than in Q3 – with the markets continuing to absorb macroeconomic events

VIX



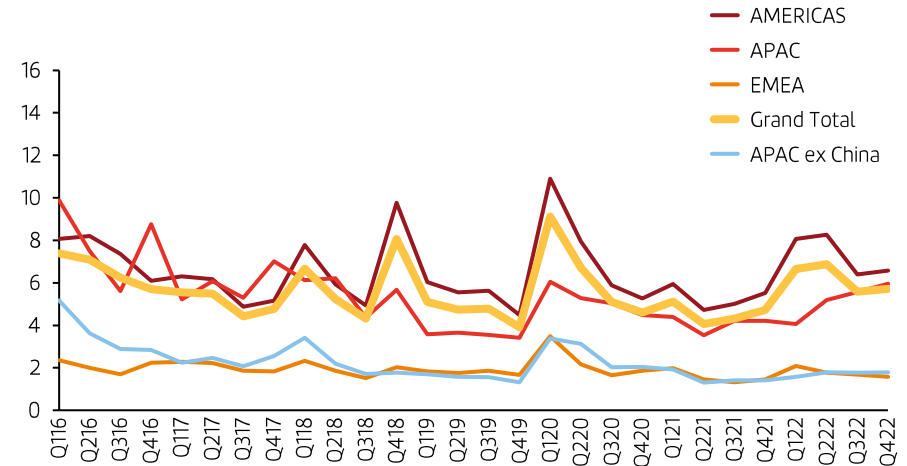
ETP AuM (€bn) **



ETP MARKET DEVELOPMENTS

- 10% reduction in AuM since the start of 2022 to €8,143bn
- 2% Q-o-Q increase in ETP Value Traded in Q4 – 41% increase FY22 vs FY21
- Downtick in ETP velocity in H2 22 driven by Americas and EMEA
- Strong outlook remains for the ETP market

ETP velocity

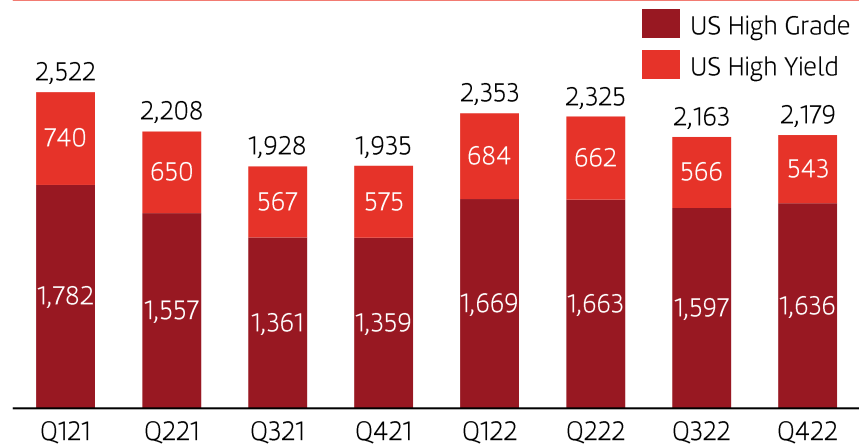


* Source: Bloomberg, iShares, Tradeweb, Bloomberg RFQ, Flow Traders. See appendix

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

Fixed income and crypto market dynamics

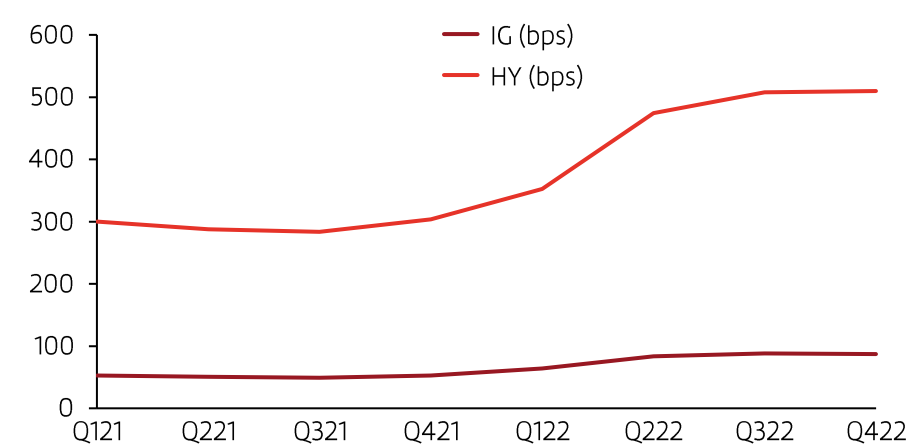
TRACE volumes (\$bn)



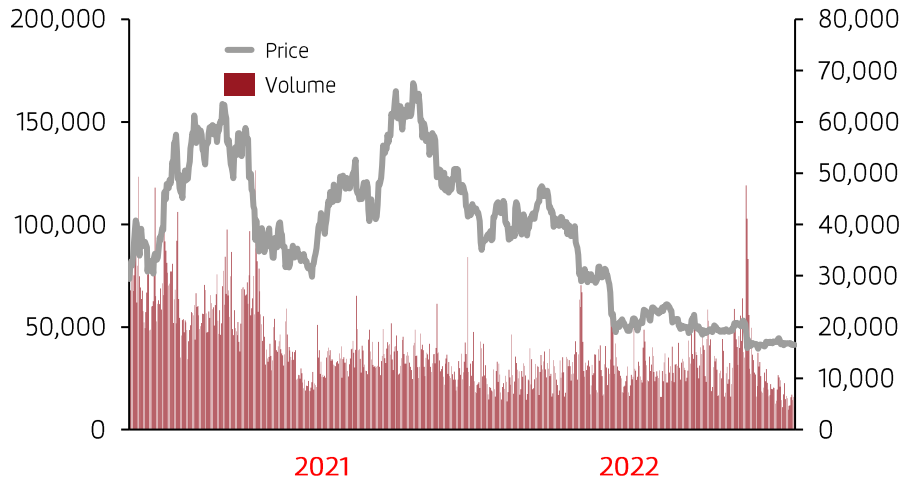
BOND MARKET DEVELOPMENTS

- Investment grade and high yield bond volumes increased in H122 compared to H222
- Widening CDX spreads in 2022 vs 2021 – particularly in Q3 and Q4 2022
- Corresponding widening of Fixed Income ETF spreads

US CDX index



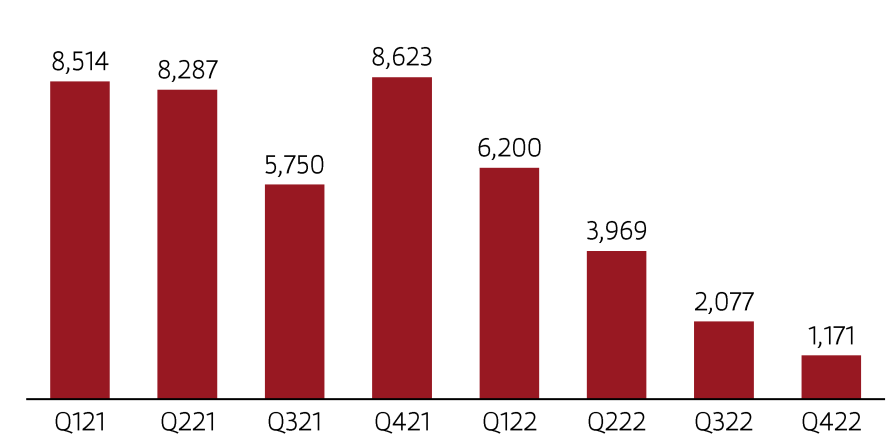
Bitcoin price (\$) and volume (\$m)



CRYPTO MARKET DEVELOPMENTS

- BTC traded down significantly during 2022
- Volume spike in November 2022 following the collapse of FTX
- Further sharp reduction in crypto ETP value traded in Q3 and Q4 reflecting the broader market backdrop

Global Crypto ETP value traded (€m)



Q422 & FY22 regional performance overview

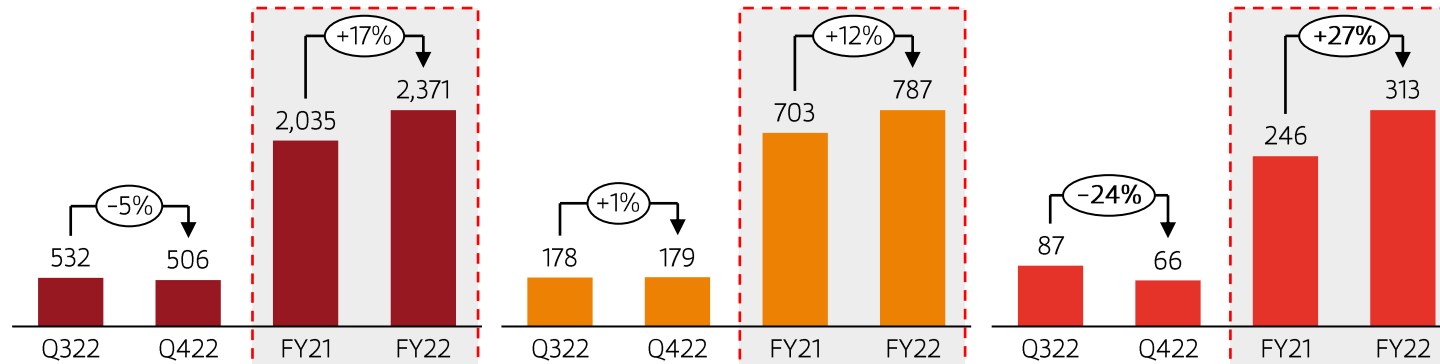
Market ETP Value Traded (€bn)

Flow ETP Value Traded (€bn)

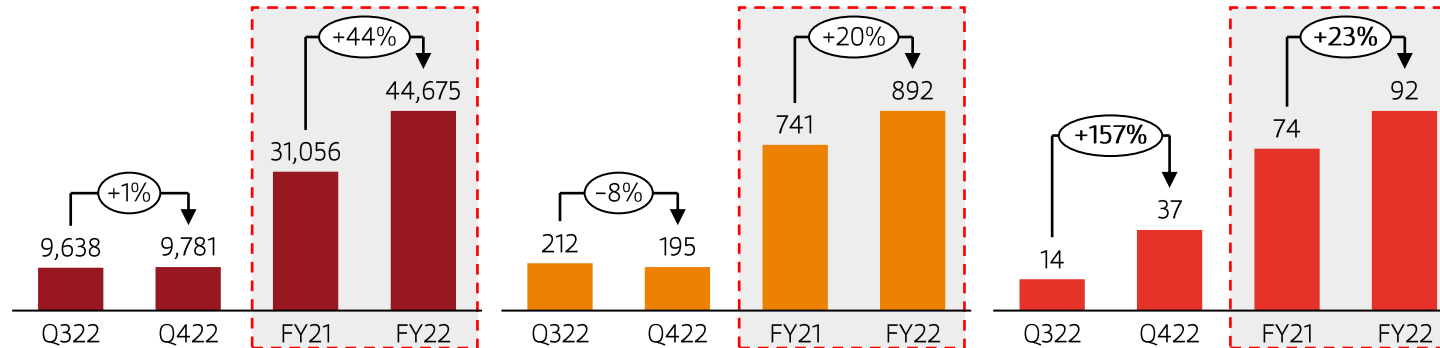
NTI (€m)

Q422 Highlights

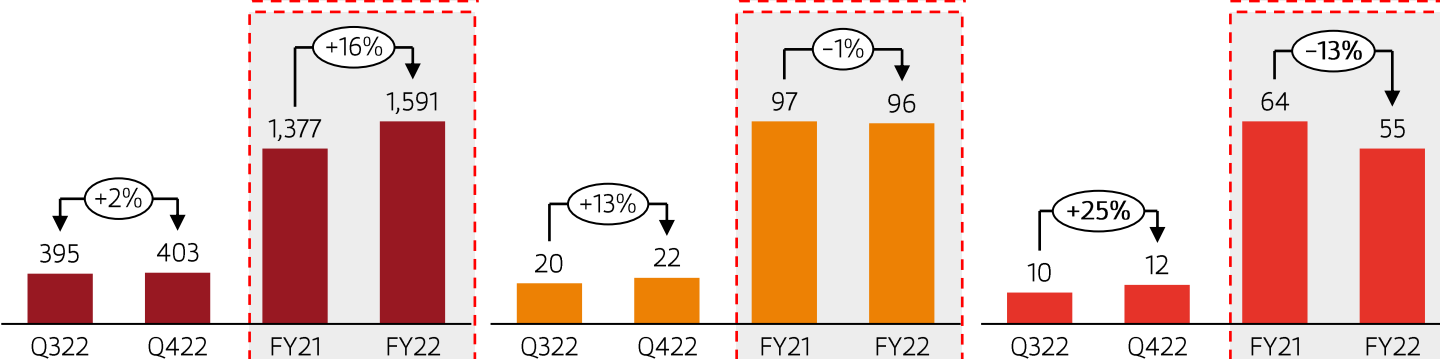
Europe



Americas



Asia

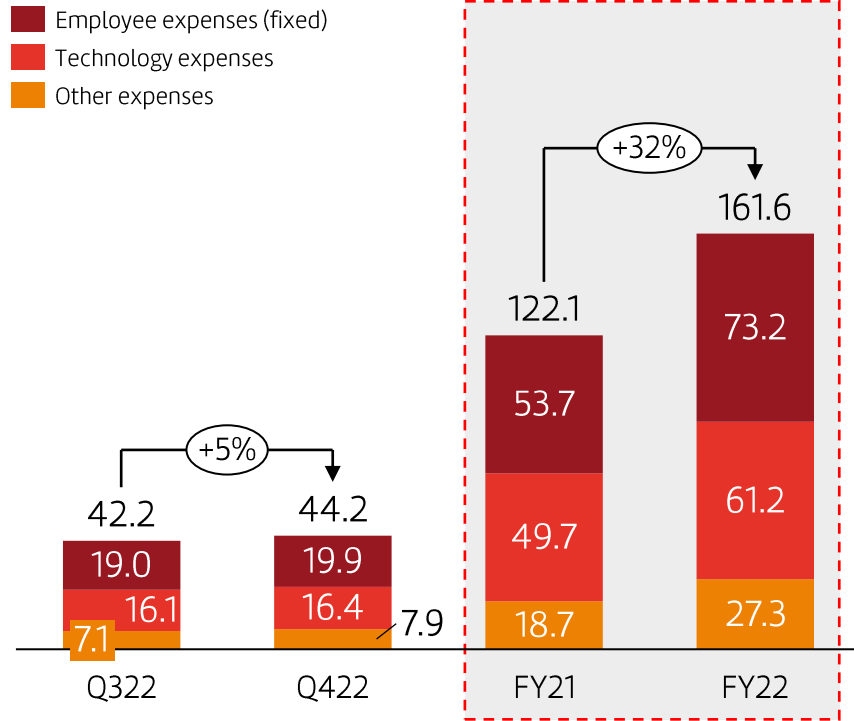


- Robust trading performance in the region with meaningful contributions from all asset classes. Flow Traders maintained its position as the leading liquidity provider in ETPs, both on- and off-exchange
 - Fixed income and corporate credit trading business continues to increase its presence across the market. Retained Top 5 Bloomberg dealer rankings for executed tickets and volume in Flow Traders' Euro IG universe
 - Immaterial exposure to FTX and confirmed participation and remain well-positioned in the digital assets space – supporting the Binance recovery fund to provide liquidity to distressed crypto assets
-
- Fixed income trading contributed to a strong trading performance in Q4 in the Americas effectively leveraging recent investments amidst ongoing interest rate volatility. Further build-out of the fixed income business with continued improvement in various RfQ platform rankings in Q4
 - Continued focus on international equity pricing capabilities, including ADR trading. Opened a new office in Chicago on 1 February 2023 to further benefit from the city's unique talent pool and academic diversity
 - Creating closer proximity to the many innovative players in the US digital assets space to ensure Flow Traders remains well positioned to be part of this defining moment in the future of finance and technology
-
- Continuing to build out activities in China, following receipt of Flow Traders' QFII license and the opening of the Shanghai office, with the purpose of helping to develop the local ETF market in making domestic and international indices efficiently available to investors
 - Flow Traders has started to leverage the US and European fixed income business with coverage in Asian trading hours for global coverage of both index products and selected single bonds
 - Acted as market maker in the CSOP Bitcoin Futures ETF (3066) which is HKEX's first virtual asset ETF and reflects Flow Traders' ongoing support for crypto and digital asset ETPs globally

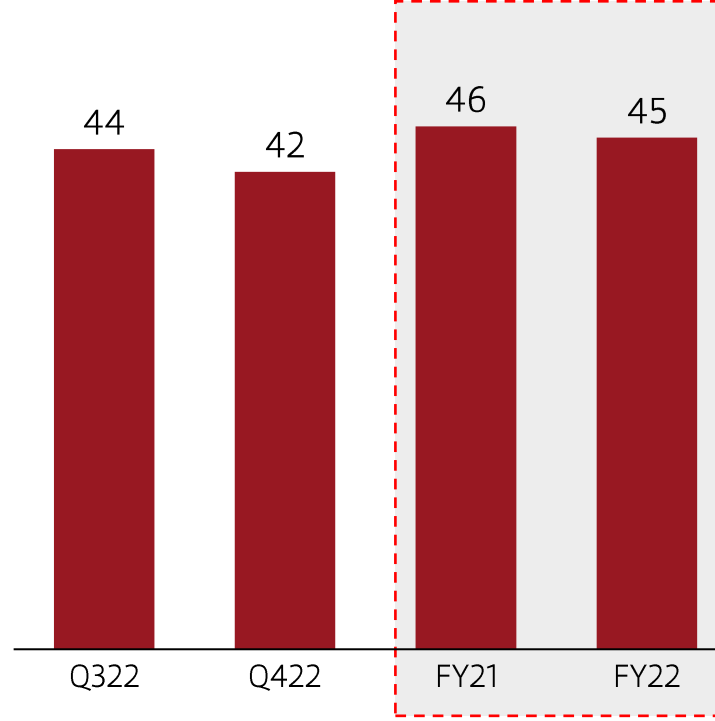
Note: Asia market ETP value traded excludes China

Continued investment to drive strategic growth – healthy margins maintained

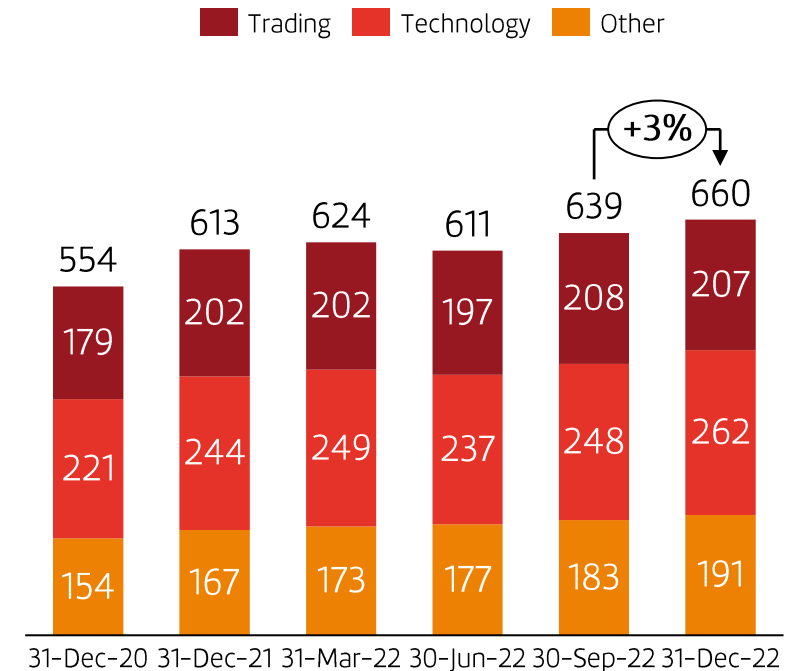
Normalized fixed operating expenses (€m)*



Normalized EBITDA margin (%)



FTEs



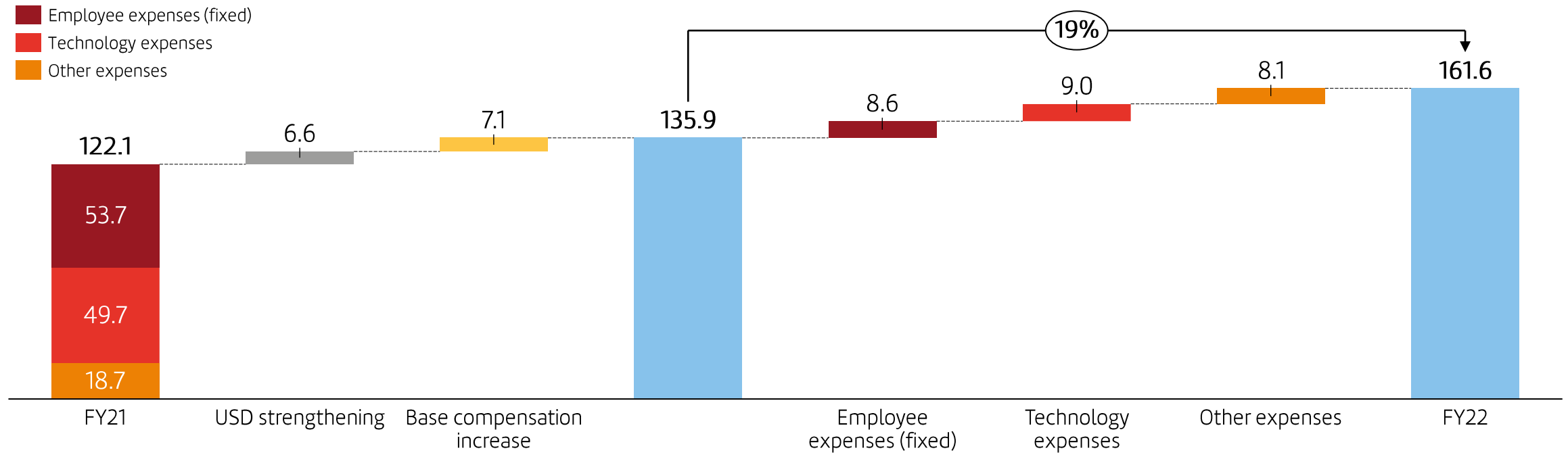
- Main drivers of Y-o-Y and Q-o-Q increases in fixed expenses relate to FX impact across all categories, new hires to support growth strategy, targeted base compensation increases and continued technology investments
- Profit share / variable remuneration pool adjusted to 32.5% of operating result to reflect the shift in total compensation mix following the base compensation increases
- €14.1m of non-recurring strategic advisory costs – excluded from fixed operating expenses
- While Flow Traders remains committed to bringing onboard additional talent in growth business areas, FTEs are expected to remain broadly flat during 2023 given expected efficiency gains. There is a strong commitment to maintain the fixed operating cost base in line with the December 2022 run-rate. Accordingly, normalized fixed operating expenses in 2023 are expected to amount to c. €175m – €185m

* Excludes one-off expenses

Fixed operating expenses development in 2022

19% year-on-year increase in fixed operating expenses when adjusted for USD strengthening and targeted base compensation increases

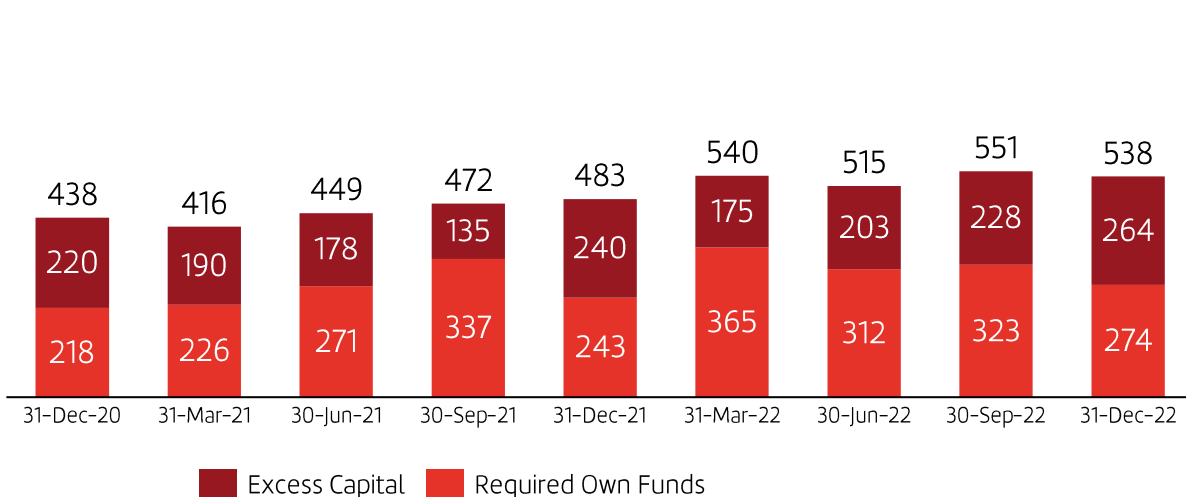
FY21 vs FY22 normalized fixed operating expenses (€m)



- 32% Y-o-Y increase in fixed operating expenses – 19% when adjusted for USD strengthening and targeted base compensation increases
- €6.6m impact of strengthening USD vs EUR across all expense categories
- €7.1m impact of base compensation increases is offset by the change of the profit-sharing percentage to 32.5% of operating result from 35% – ensures income statement neutral impact overall

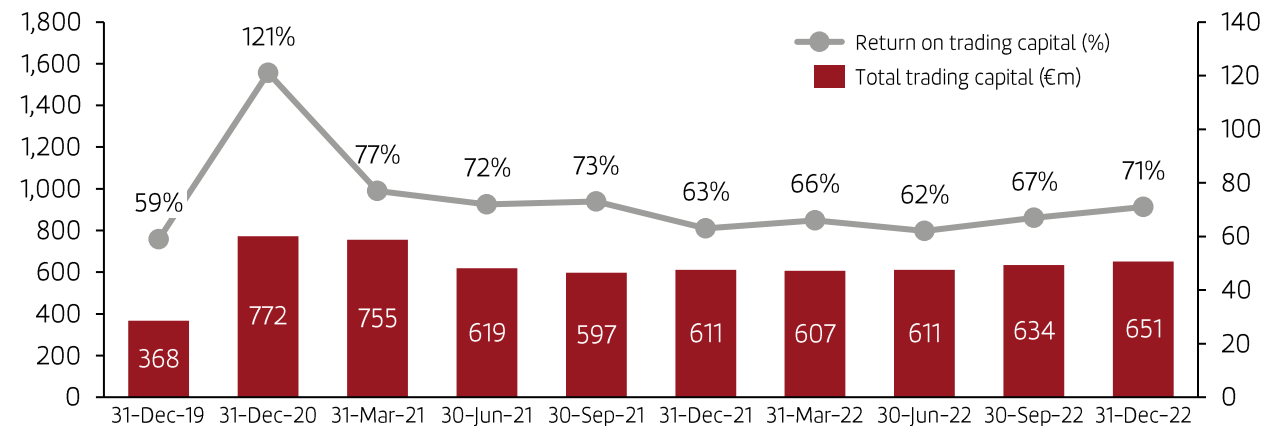
Capital update

Regulatory Own Funds Requirement (OFR) (€m)

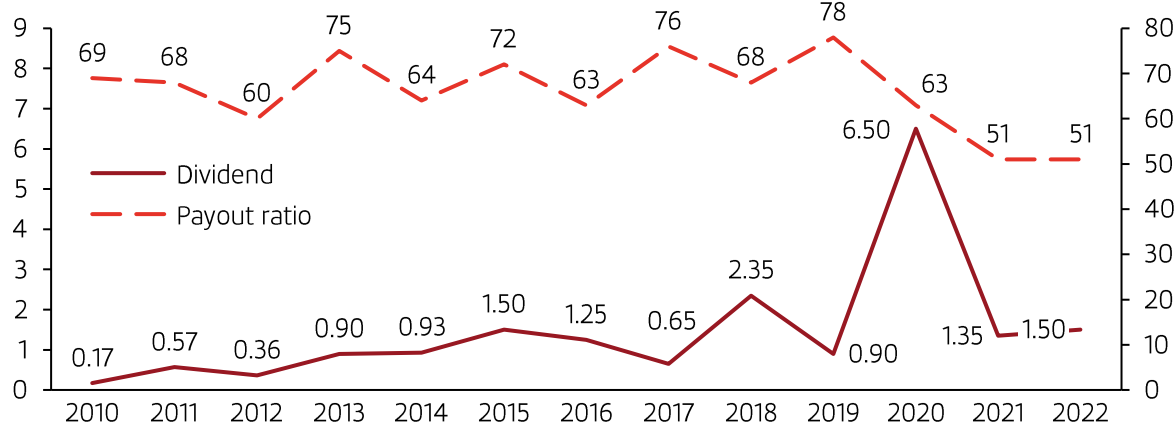


Note: CET1 position as at 31 December 2022 is net of the announced FY22 final dividend (€35m)

Trading capital



Dividend (€) and payout ratio (%)

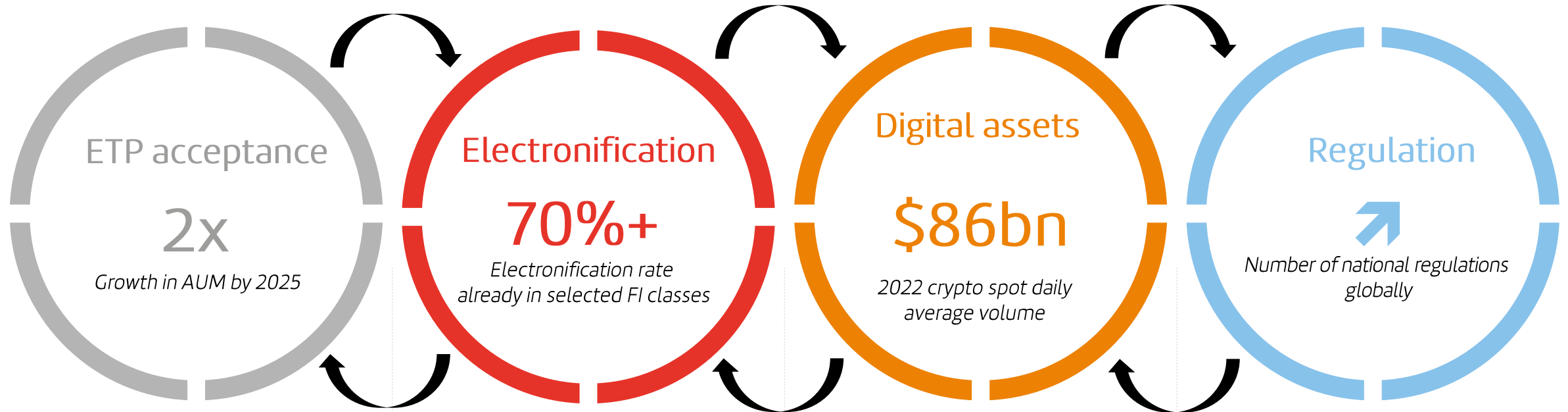


Note: Payout ratio calculated using IFRS EPS

- OFR decreased to €274m reflecting composition of the trading book. €264m of excess capital (31 December 2022)
- €232m pro forma own funds requirement as a result of the corporate holding structure update – group consolidated regulatory capital is no longer applicable going forward
- Trading capital stood at €651m as at 31 December 2022 – remains highly accretive and has been consistently in excess of 60% over recent quarters
- €0.80 FY22 final dividend – total dividend for 2022 of €1.50

Supportive mega trends remain intact

Four key trends continue to shape Flow Traders' market environment, largely offering an increased market opportunity set



- **Continuously growing ETP Assets Under Management** as the acceptance and rise of passive investing continues unabated
- Significant penetration **potential** across multiple dimensions, including markets, regions and client types

- Further trade electronification in **FICC and other asset classes**, with **substantial potential**
- Rise in **electronic trading of FX derivatives** and shift of electronically traded spot FX from **D2D to D2C platforms**

- Long-term **growth opportunity**, notwithstanding recent market events
- Crypto and DeFi expected to **drive transformation** across financial markets

- Increasing standards for **trade execution, reporting, and settlement** harmonization
- Accelerating **regulatory dialogue** around digital assets

Key strategic objectives

Significant strategic achievements in 2022 with clear focus areas for 2023 – fully aligned with the road to €1bn NTI ambition



Flow Traders Capital – systematic strategic ecosystem approach

Accelerating Flow Traders overall strategy by driving electronification and transparency while deepening presence across financial markets innovation

Flow Traders Capital

€25m

Current portfolio value

2+ years

Deployment period

>20

Long-term investments

10 years

Investment horizon

Innovative early-stage ventures

Target companies in Financial Markets and Digital Assets

Selected 2022 investments

Equities

RFQ-hub
CONSORTIUM

May 2022

Primary
Portal

July 2022

Fixed
Income

LEDGER
EDGE

August 2022

CCC



March 2022



April 2022

ONDO

April 2022



ELWOOD
May 2022

astaria

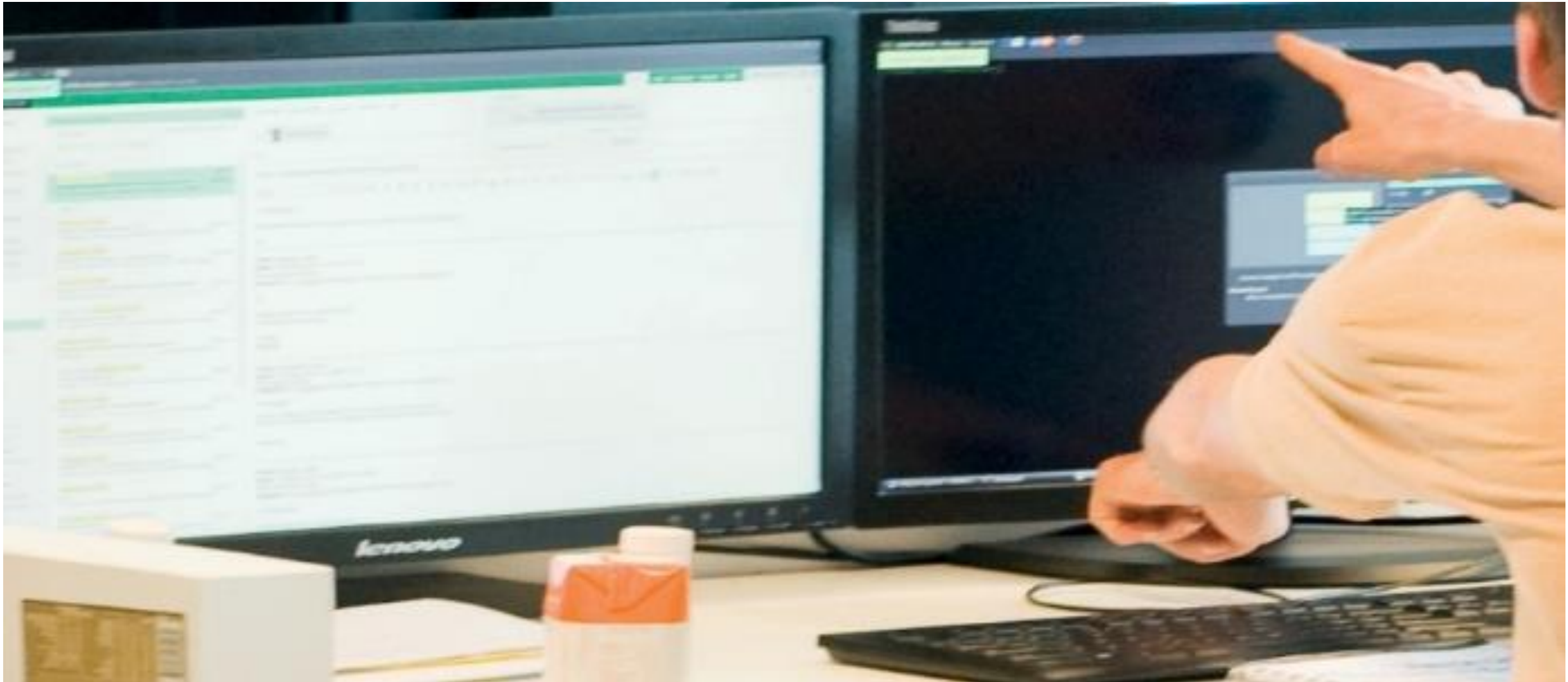
May 2022



June 2022

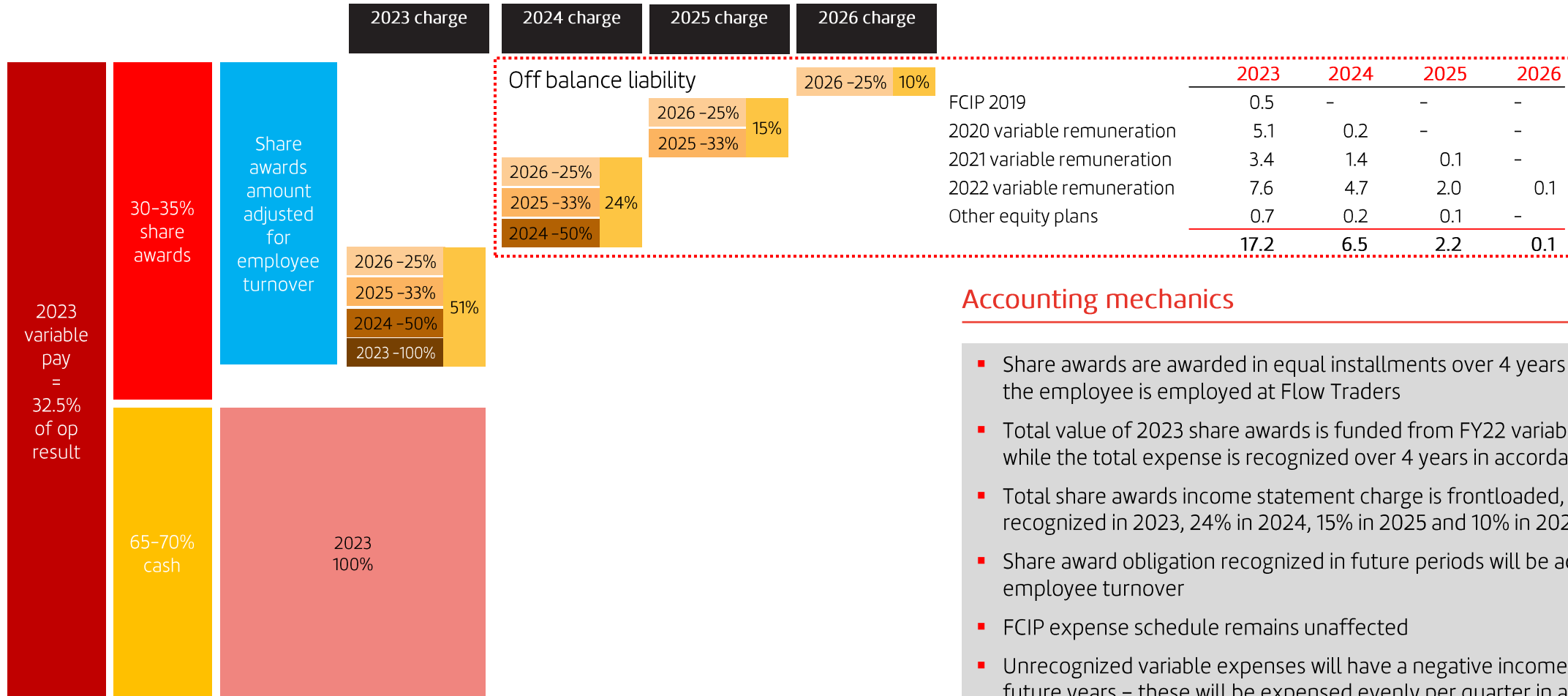
Q&A

Thank you!



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 4 years on the condition that the employee is employed at Flow Traders
- Total value of 2023 share awards is funded from FY22 variable remuneration pool, while the total expense is recognized over 4 years in accordance with IFRS 2
- Total share awards income statement charge is frontloaded, whereby 51% is recognized in 2023, 24% in 2024, 15% in 2025 and 10% in 2026
- Share award obligation recognized in future periods will be adjusted for expected employee turnover
- FCIP expense schedule remains unaffected
- 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	Q422	Q322	Change	FY22	FY21	Change
Normalized total income	113.9	112.2	2%	460.6	387.1	19%
Normalized net trading income	115.6	111.7	3%	459.5	384.0	20%
EMEA	66.2	87.4	(24%)	312.5	245.8	27%
Americas	37.1	14.4	157%	91.7	74.4	23%
APAC	12.3	9.9	25%	55.2	63.8	(13%)
Normalized other income	(1.7)	0.4	-	1.1	3.1	(63%)
Normalized employee expenses ¹	41.4	40.1	3%	164.0	140.3	17%
Technology expenses	16.4	16.1	2%	61.2	49.7	23%
Other expenses ²	7.9	7.1	11%	27.3	18.7	46%
Normalized operating expenses	65.7	63.3	4%	252.4	208.6	21%
Normalized EBITDA¹	48.2	48.8	(1%)	208.2	178.5	17%
Depreciation / amortisation	4.7	4.4	-	16.8	15.3	-
Write off of (in) tangible assets	-	-	-	0.2	-	-
Normalized profit before tax	43.5	44.5	(2%)	191.2	163.2	17%
Normalized tax	10.0	9.9	-	41.0	32.3	-
Normalized net profit	33.6	34.5	(3%)	150.2	130.9	15%
Normalized basic EPS ³ (€)	0.78	0.79		3.45	3.00	
Normalized EBITDA margin	42%	44%		45%	46%	

IFRS income statement (unaudited)

€million	Q422	Q322	Change	FY22	FY21	Change
Total income	115.5	111.7	3%	458.7	384.0	19%
Net trading income	115.7	111.8	4%	460.2	384.1	20%
Other income	(0.2)	(0.1)	-	(1.5)	-	-
Employee expenses ¹	46.6	39.9	17%	176.8	156.2	13%
Technology expenses	16.4	16.1	2%	61.2	49.7	23%
Other expenses	7.9	7.1	11%	27.3	18.7	46%
One off expenses	1.5	0.8	94%	14.1	-	-
Total operating expenses	72.4	63.9	13%	279.3	224.6	24%
EBITDA	43.2	47.8	(10%)	179.3	159.4	12%
Profit before tax	38.0	43.4	(12%)	161.7	144.7	12%
Net profit	29.5	33.8	(13%)	126.8	114.9	10%
Basic EPS ³ (€)	0.68	0.78		2.92	2.63	
Fully diluted EPS ⁶ (€)	0.65	0.75		2.76	2.52	
EBITDA margin	37%	43%		39%	42%	

- 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%. €1.1m of one-off expenses is also excluded
- Tax based on estimated expected effective tax rate for the relevant financial period: Q422 - 22.9%; Q322 - 22.3%; FY22 - 21.4%; FY21 - 19.8%
- A summary reconciliation of Normalized to IFRS is presented below:

€million	Q422	Q322	FY22	FY21
Normalized EBITDA	48.2	48.8	208.2	178.5
FV OCI adjustment	1.2	(0.5)	(2.6)	(2.5)
Results of equity-accounted investments	0.4	-	0.6	(0.6)
One off expenses	(1.5)	(0.8)	(14.1)	-
Prior year share plans	(7.0)	(4.2)	(25.4)	(27.3)
Current year share plan deferral	1.9	4.4	12.5	11.3
Other variable remuneration adjustment	-	-	-	-
IFRS EBITDA	43.2	47.8	179.3	159.4
Normalized net profit	33.6	34.5	150.2	130.9
Profit before tax IFRS adjustments	(5.5)	(1.1)	(29.5)	(18.4)
Tax difference	1.4	0.4	6.1	2.5
IFRS net profit	29.5	33.8	126.8	114.9

Notes

- Fixed employee expenses: Q422 - €19.9m; Q322 - €19.0m; FY22 - €73.2m; FY21 - €53.7m
- FY21 other expenses includes €2.4m of business continuity plan-related expenses previously classified as one-off expenses
- Weighted average shares outstanding: Q422 - 43,050,126; Q322 - 43,615,044; FY22 - 43,476,990; FY21 - 43,699,300. 42,834,624 shares outstanding as at 31 December 2022
- Value traded comprises ETPs, Futures and Cash
- Source - Flow Traders analysis
- Determined by adjusting the basic EPS for the effects of all dilutive share-based payments to employees

Recent monthly market updates

	2022												2021
	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec
On & Off Exchange* Value Traded - Global (€bn)	3,640	3,976	4,024	4,244	3,623	3,544	4,253	5,119	4,303	5,377	4,477	5,230	4,261
On & Off Exchange* Value Traded - EMEA (€bn)	168	180	158	184	164	184	187	198	182	289	245	233	184
On & Off Exchange Value Traded - Americas (€bn)	3,000	3,269	3,512	3,658	3,022	2,958	3,608	4,569	3,774	4,651	3,983	4,671	3,680
On & Off Exchange Value Traded - APAC (€bn)	472	527	354	402	437	402	458	352	347	437	249	326	398
<i>EMEA - Off Exchange Market Value Traded on MTF** (€bn)</i>	107	110	93	109	99	118	114	114	105	167	140	132	107
<i>EMEA - Off Orderbook* Market Value Traded (€bn)</i>	20	21	16	25	23	20	25	29	26	45	36	33	22
<i>Americas - Off Exchange Market Value Traded (€bn)</i>	1,336	1,394	1,444	1,508	1,293	1,227	1,458	1,628	1,297	1,531	1,238	1,440	1,205
<i>APAC - On & Off Exchange Market Value Traded in China (€ bn)</i>	346	381	223	277	305	264	304	222	232	279	141	201	292
Assets under Management*** - Global (€bn)	8,143	n/a	n/a	8,183	n/a	n/a	8,525	n/a	n/a	9,064	n/a	n/a	9,030
Assets under Management - EMEA (€bn)	1,278			1,267			1,370			1,468			1,454
Assets under Management - Americas (€bn)	5,957			6,023			6,198			6,597			6,597
Assets under Management - APAC (€bn)	908			893			957			999			979
# of ETP listings - Global	14,688	14,602	14,507	14,372	14,220	14,042	13,958	13,791	13,698	13,567	13,508	13,371	13,287
# of ETP listings - EMEA	5,316	5,319	5,303	5,281	5,225	5,135	5,121	5,839	5,043	4,999	5,056	5,028	5,013
# of ETP listings - Americas	6,141	6,093	6,077	6,029	5,958	5,924	5,895	2,897	5,786	5,735	5,667	5,595	5,547
# of ETP listings - APAC	3,231	3,190	3,127	3,062	3,037	2,983	2,942	5,055	2,869	2,833	2,785	2,748	2,727
Average VIX per month	22.05	23.66	30.37	27.55	22.37	25.46	28.56	29.98	24.16	27.48	26.31	23.57	21.82
VIX high per month	24.62	26.01	33.82	32.46	26.57	28.56	33.17	34.19	31.44	35.15	33.62	33.48	30.61
VIX low per month	19.96	20.43	26.46	23.11	19.74	21.69	24.26	26.34	19.62	19.20	20.62	17.08	17.21

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

***: BlackRock Global ETP Landscape for December 2020. ETFGI for 2021 onwards

Sources: Blackrock Global ETP Landscape, Tradeweb, Bloomberg, Flow Traders analysis