Flow Traders Q1 2025 Trading Update

Thursday, 24th April 2025

Transcript produced by Global Lingo
London – 020 7870 7100
www.global-lingo.com

Flow Traders Q1 2025 Results

Operator: Hello, and welcome to the Flow Traders First Quarter 2025 Results Call. Please note, this conference is being recorded. For the duration of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end of the call. This can be done by pressing star one on your telephone keypad to register your question. If you require assistance at any point, please press star zero and you will be connected to an operator.

I will now hand you over to your host, Eric Pan, Head of Investor Relations, to begin today's conference. Please go ahead, sir.

Eric Pan: Good morning, and thank you for joining Flow Traders first quarter 2025 trading update 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'm joined here on the call by Flow Traders' CEO, Mike Kuehnel, as well as our newly appointed Co-Chief Trading Officer, Alex Kieft, and Marc Jansen, who will run through this results presentation. Prior to detailing our results, Mike will share a summary of the leadership update. Afterwards, we will be happy to take any questions you may have.

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, and good morning, everyone, and thank you for dialing in. Prior to detailing the results, I would like to provide context in relation to my decision not to seek re-election as CEO for full term at the upcoming AGM. After much reflection, I have decided to pursue my passion to increase my proximity to the emerging AI space and to contribute directly to accelerating the application of this technology to a broader array of use cases, spanning across the financial industry and beyond.

I have become a strong believer in the potential impact of this technology, both from a business and societal lens. And this is something I'm personally very passionate about pursuing going forward. To ensure a smooth transition and to support the handover to the best of my abilities, I will seek re-election until 31st August 2025 at the AGM on 13th June.

I'm immensely proud of what we have collectively achieved as evidenced by our strengthened position as a globally diversified trading firm. 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 have full confidence in Flow Traders' future and the established leadership team, 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'm also delighted to be joined today by Marc Jansen, who will also be nominated as Executive Director of the Flow Traders Limited Board and appointed as Co-Chief Trading Officer alongside Alex Kieft, also appointed as Co-Chief Trading Officer.

Now, I would like to move on to sharing our first quarter results.

The first quarter of 2025, as a whole, saw increased activity in the market trading environment, while volatility levels in the quarter were also elevated. Flow Traders' ETP value traded increased by 24% in the quarter compared to the same period last year, outpacing the market's 20% year-over-year increase and by 20% when compared to last quarter.

Total value traded increased by 11% year-over-year and 4% quarter-over-quarter. Flow Traders' value traded across each of our asset classes also saw corresponding increases that were largely in line with the increase in the total value traded. We achieved a net trading income of €140.2 million in the quarter, our third straight quarter of triple-digit NTIs and only the second time in the company's history.

The strength in the quarter was driven mostly by increased activity in equity across Europe and Asia, offset somewhat by a lower contribution from digital assets when compared to the first quarter of last year, which benefited from the spot Bitcoin ETF launches in the US.

Total income was €135.1 million for the quarter, when including a €5.1 million loss in other income. As a reminder, other income reflects the unrealized gains and losses of our investment portfolio, which also includes digital assets holdings and can fluctuate from quarter-to-quarter.

In addition, we recorded a €10.5 million impairment in intangible assets related to some of our digital assets holdings as the value of digital assets experienced pullback in the first quarter after a few quarters of increases. It is important to note that we hedged some of these digital assets holdings, and we saw a corresponding increase in our NTI as an offset in the quarter.

However, given IFRS accounting standards have lagged behind the rapid adoption of digital assets, we had to allocate the gains and losses separately above and below the line. Fixed operating expenses in the fourth quarter were €50.8 million, an increase of 15% year-over-year and a 12% increase compared to the fourth quarter. The increase was to support selected hiring of subject matter experts, as well as increased technology investments to further support our growth and diversification strategy.

Given our relatively fixed cost base and high operating leverage, we generated an EBITDA of €62.3 million in the quarter, a 1% increase compared to the same period a year ago and a 46% margin. As a reminder, our variable employee compensation is set at 32.5% of operating results, which aligns employee incentives with those of shareholders.

Net profit for the quarter decreased to €36.3 million from €45.9 million in the same period a year ago, with a basic EPS of €0.84, given the aforementioned impairment and higher fixed operating expenses. The strong results this quarter, despite the much lower contribution from digital assets serves further validation of our growth and diversification strategy as we were able to find opportunities in other asset classes.

I will now hand it over to Alex Kieft, our Co-Chief Trading Officer, to review recent ETP market dynamics on the next slide.

Alex Kieft: Thanks, Mike, and a very good morning, everyone. As shown at the top left-hand side of this slide, market ETP value traded increased by 20% in the first quarter compared to the same period a year ago and by 9% compared to the fourth quarter.

Implied volatility in the quarter, as represented by the VIX, increased by 30% year-over-year and by 7% compared to the fourth quarter. Total ETP assets under management increased by 3% in the first quarter versus the fourth quarter and 22% year-over-year to over €14 trillion, given record fund inflows ETPs in the quarter and the strength of the overall market, particularly in Europe.

ETP velocity increased in the first quarter compared to the fourth quarter and was on par with the levels seen in the same period a year ago.

In summary, market activity increased in the first quarter when compared to last year, but slightly less so when compared to the fourth quarter, while the secular industry trend across the ETP universe continues to be strong.

I will now move on to the dynamics within the fixed income and crypto markets.

As shown on the top left of this slide, trading volumes in the investment grade and high-yield bond markets increased in the first quarter, both compared to last year as well as the fourth quarter. However, volatility as measured by the MOVE index declined, both compared to last year and last quarter.

Trading volumes in digital assets declined in the quarter compared to the fourth quarter, but remained higher than the same period a year ago. Global crypto ETP market value traded also declined in the first quarter versus the fourth quarter, but remained significantly greater than the same period last year. However, it's worth pointing out that net fund flows into crypto ETP were significantly lower in the first quarter than last year, given the spot bitcoin ETF launches in the US last January.

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 improved in the quarter when compared to the same period a year ago as well as the fourth quarter. The robust and comprehensive trading capabilities that we have developed over the years across different regions and asset classes put us in the position to capture opportunities that arose in different parts of the market in the quarter.

Given the limited trading capital base, we deployed more capital to the equity asset classes across Europe and Asia in the period. The better opportunities in those regions and asset classes, plus the additional capital provided by our trading capital expansion plan propelled us to another strong first quarter.

In Europe, we maintained our position as a leading liquidity provider in ETPs amidst increased market activity and heightened levels of volatility in the quarter. We were able to benefit from the record net fund flows into ETPs as well as asset rotation into European equity in the quarter.

In the Americas, volumes in the quarter were more muted compared to Europe and Asia as uncertainties driven by changes in foreign trade policies resulted in less trading activity compared to other regions. As a result, we allocated more trading capital to Europe and Asia in the quarter, given the better opportunities in those regions.

In Asia, volumes remained elevated in the quarter in Hong Kong and China, given continued investor interest following the stimulus unveiled by the government in the fourth quarter. This allowed us to achieve our second best quarterly result in Asia following the record quarter we just had in the fourth quarter of last year.

In digital assets, which trades 24/7 globally, volumes in crypto remained elevated compared to last year. However, net fund flows into crypto ETPs were down significantly compared to the same period a year ago as cryptocurrencies pulled back following a record year in the fourth quarter of last year.

I will now hand it back to Mike for the next slide.

Mike Kuehnel: Thank you, Alex. Fixed operating expenses in the quarter increased by 12% when compared to the fourth quarter to €50.8 million and was up 15% year-over-year, given our planned targeted headcount additions and increased technology investments. We delivered a strong 46% EBITDA margin in the quarter compared to 48% in the same period a year ago, given the high operating leverage inherent in our business.

We ended the quarter with 619 FTEs, an increase from the 609 FTEs at the end of last year. For 2025, we continue to expect fixed operating expenses to be in the range of €190 million to €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. As you can see in the chart on the left, the company has delivered structural NTI growth since the IPO with higher highs and higher lows given the investments we have made in our trading capabilities across different regions and asset classes. Our growth and diversification strategy has enabled the company to capture opportunities wherever they arose. This positions the company to deliver solid results during periods of muted market activity, while periods of high volatility provide strong upside.

On the chart on the right, you can see the strong and healthy through-the-cycle average EBITDA margins of over 40% over the years, given the high operating leverage inherent in our business, of which our flexible compensation philosophy plays a large role. Given our fixed versus variable compensation structure and the firm-wide bonus pool, employee compensation tracks in line with the profitability of the company and aligns the interest of our employees with those of our shareholders.

I will now hand it over to Marc.

Marc Jansen: Thanks, Mike, and good morning, everyone.

Moving to slide nine. Trading capital is the lifeblood of any trading firm and bolstering our trading capital is a strategic priority. Given the strong historical return on trading capital, we took the decision last year to accelerate the expansion of our trading capital base with the suspension of the dividend and the pursuit of external debt. As a result of this major decision and strong profit generation, we continue to grow our trading capital base to record levels, and were able to increase our trading capital by 32% year-on-year and 4% versus the fourth quarter to €803 million.

Shareholders' equity also continues to grow to record levels and increased by 25% year-on-year to a record €787 million at the end of the first quarter, tracking the level of increase in trading capital. Despite the rapid increase in trading capital and shareholders' equity, we still delivered a strong 68% return on average trading capital and a 21% return on equity in the quarter.

The strong first quarter results serve as validation of the firm's trading capital expansion plan and the continued expansion of our diversified set of existing and newly emerging trading strategies. We continue to believe that with the additional capital, we can deliver significant returns and further strengthen our company's role as a leading global trading firm, providing liquidity and efficiency across a wide range of financial markets.

Moving to the next slide, I will discuss market trends and our strategy. On slide 10, you can see that the supportive megatrends, which underline the firm's strategy remain very much intact. These four key megatrends continue to shape our market environment, acting as tailwinds to our business and offer an abundance of opportunities for the company.

Crucially, these trends all feed into and reinforce each other. Particularly relevant to our core business is the ever-increasing acceptance of ETPs and growth in passive investing. Total industry ETP AUM increased by over $200 billion in the first quarter of this year and is projected to increase from today's $15 trillion to $25 trillion by 2030, underscoring the strength and importance of the ecosystem we are a key part of.

Electronification of trading is critical for all of our activities, but in particular it is within the fixed income asset class, where this is a key structural trend in corporate credit and emerging markets sovereign bonds. Increasing adoption of electronic trading ties into our core technology-enabled competency set.

Fixed income ETF AUM is projected to triple from $2 trillion to $6 trillion by 2030. With the recent regulatory developments regarding digital assets, institutional interest in this asset class also continues to increase globally. We anticipate continued growth in investor demand as the asset class remains a long-term growth opportunity, with the underlying technology forecast to drive growth and the tokenization of real-world assets from an estimated $250 billion today up to $30 trillion by 2030.

Then lastly, regulation continues to be conducive to our business in terms of creating a level playing field from the aspect of execution transparency. For digital assets, increased regulatory oversight helps to create safeguards around the industry while removing barriers for investors. We continue to work with regulators all around the world to drive increased transparency, efficiency and improve liquidity across all markets and asset classes.

Moving 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. The first is the continued optimization of our core and grow trading capital. This means building an increasingly resilient and efficient business model through dedicated optimization of the firm's trading core, while simultaneously growing the firm's capital base to accelerate the monetization of all existing and new trading strategies across asset classes and regions.

The trading capital expansion plan we instituted last year was a significant step for the company in ensuring that we have the necessary capital to grow and diversify the business across regions and asset classes.

The second is the continued expansion and enhancement of our trading capabilities. We will leverage our proprietary infrastructure capabilities and expertise to expand into adjacent products and enhance existing trading strategies. Our consistent investment into our digital asset trading capabilities over the past eight years that enabled us to be a first-mover in this emerging asset class, serves as a great example of this strategic pillar.

Third is technology and innovation. We will further adopt emerging technologies and increase the utilization of data insights within trading to improve our own pricing competency as well as internal hedging and execution efficiencies. This is what our CTO, Owain Lloyd, is working on, given the wealth of experience and expertise he brings in this area.

And last but definitely not least, diversify our business model and revenue streams. We will continue to invest in adjacent business propositions as well as in connectivity, platforms, data and tokens via dedicated partnerships to accelerate innovation across financial markets and to diversify existing revenue streams. We are looking forward to the launch of AllUnity, our euro-denominated stablecoin partnership with DWS and Galaxy. It's an instrument that we expect to help to bridge the world of traditional finance and digital assets, revolutionizing and bringing new possibilities to traditional finance as we know.

To conclude, as we execute on these four key strategic pillars, we are proud to deliver a third consecutive triple-digit NTI quarter, only the second time in our company's history. We are confident that such quarters will be a regular occurrence going forward as we deliver on each of these strategic priorities.

I will now hand the call back to Eric.

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

Questions and Answers

Operator: Thank you, Eric. If you would like to ask a question or make a contribution on today’s call, please press star one on your telephone keypad. To withdraw your question, please press star two. We will take our first question from Julian Dobrovolschi from ABN AMRO. Your line is open. Please go ahead.

Julian Dobrovolschi (ODDO BHF): Hello. Good morning, everyone. Thanks for taking my questions. I have three to begin with. Maybe the first one is on the one-off impairment component. To be honest, a bit surprising this for the first time. We certainly had much larger pullbacks in digital assets in the past. Again, a bit surprised by the announcement.

Can you please again explain in kind of simple terms how you went about that? Maybe what goes into it? And also, did you impair the entire portfolio of crypto holdings or just few assets, which imploded in the last quarter? That's the first question.

The second one is on the wage growth. Quite steep in my view. So 20% quarter-over-quarter and 18% year-over-year. Clearly, a bit of that is driven by higher number of FTEs that you now hire. But if I am just looking at the average wage per FTE, this one is up 20% quarter-over-quarter. I would appreciate if you could highlight some factors what is driving that?

Maybe finally, on trading capital, probably a bit of a technical question. You were at €775 million at the end of 2024, net profits €36 million in Q1. According to my math, you should be ended up with €811 million trading capital, but you reported €803 million. I was just wondering from where does the difference come from? Thank you.

Mike Kuehnel: Thanks, Julian. Let me maybe start with the second question because that very much relates to our growth strategy and diversification strategy. I think a fair reflection of where we stand on that curve is that we had two focus points, which we need to get right and will further get right.

One is very much looking into driving efficiencies and upgrading also the talent base in order to accelerate the entire simplification, automation effort across the organization. The other point is we are still, as I said before, very much dedicated on deploying talent on to growth areas. I think what has evolved over the last few years is that we have become more multifaceted on this. One key element I can highlight is the entire effort across the firm now very systematically and globally on improving, enhancing our pricing capabilities, which is very much also a tech effort, led to a decision to also not just further promote internal talent, but also to hire subject matter experts in order to make sure that we can accelerate.

The good news is there are two components, I think, economically that are relevant. One is, as we embrace further and further the tooling, the simplification, there will be efficiency gains down the road in order to improve our cost position. Secondly, as we are leaning into these growth opportunities, we do expect that some of them might have an exponential payout curve. This is related to further adoption of digital assets, ETPs, deeper penetration in markets we are focused on, but equally, our capability in order to monetize trading activity much more dominantly in the future than today.

I think this is a very strategic effort and interconnected and synergetic, I shall say, from an economic stand. The overlay is that, and I said it before, the entire perspective of the global leadership team on cost efficiency and cost containment is quite critical for us. So in that sense, I think this is quite relevant for us.

Yes, sorry, maybe we stop here.

Julian Dobrovolschi: Yes. Just a quick follow-up. Thanks for the answer, Mike. In terms of the outlook for 2025, is this more of a run-rate figure that we should consider for the next couple of the quarters? Because obviously, I mean, if I'm just looking at a fixed OPEX run rate for the whole year, you end up at €200 million, and that's exactly in the middle of the guidance range but just that [inaudible] [00:24:30] modelling.

Mike Kuehnel: That's a very fair estimate. Just to continue building credibility also on this point, I think the entire focus of the firm on really maintaining cost efficiency. Sometimes we highlight the importance of operational leverage in the firm. That is still a top priority for the firm. What I think is a challenge, and that is not just a challenge for Flow as you start investing, as you hire subject matter experts, there is a missing link between the cost and the payout, if you will.

What we will expect to see is that we have efficiency gains as the company grows. I think the most important point from an economic point of view, we do believe still firmly believe that the top line growth will be higher than the evolution of our cost base, right? The mid to long-term perspective is very much on increasing our margins on this front, yes.

Julian Dobrovolschi: Okay. Thank you.

Mike Kuehnel: Then in terms of the trading capital question, so clearly - and I think we talked about this in the past, but I just want to reiterate the difference between trading capital and our shareholders' equity and specifically based on the numbers you mentioned. Most of the difference was due to currency translation reserve loss in the quarter, given the strengthening of the euro from the end of December date to the end of March date, which lowered our shareholders' equity by €13 million.

We paid out annual cash bonuses in February, which lowered trading capital when compared to net profits. The difference between shareholders' equity and trading capital is mostly due to timing as shareholders' equity is based, as you know, on accrual accounting basis, whereas the trading capital is based on actual cash flows.

I hope that this at least, as an overview, explains why there are differences, but also very happy to engage further to deep dive into the numbers.

Julian Dobrovolschi: Okay. That's clear. Then on the one-off impairment, please?

Mike Kuehnel: Yes. I'll hand over to Marc. He can share a bit more insight on this.

Marc Jansen: Yeah. Thank you, Mike. While we don't disclose the exact contribution of digital assets to our profitability in the quarter due to trade sensitivities, we can say that the trading volumes in cryptocurrencies and crypto ETPs remained elevated in the period. The contribution from digital assets was on par with that of the fourth quarter. However, as you obviously have seen, we recorded a €10.5 million impairment in intangible assets related to some of our digital assets holding as the value of digital assets experienced a pullback in the first quarter after a few quarters of rapid increases.

We hedged some of these digital asset holdings. And due to that, we saw a corresponding increase in our NTI as an offset in the quarter. However, given IFRS accounting standards have lagged behind the rapid adoption of digital assets, we had to allocate the gains and losses separately above and below the line. However, we do view the whole book as one big trading book. And due to that why - yeah, like you see, now due to these IFRS accounting standards, gains and losses, which can switch other out.

Julian Dobrovolschi: Yeah. Thanks, Alex. Sorry to kind of drill down on this, but I'm just curious why this quarter? Because we've seen pullbacks in the past and you've never done that. So why this time?

Marc Jansen: Well, we continue to evolve our business. Yes, like we take on different ways of investments or trades, and like, we haven't had this kind of an investment on the book in previous quarters. That is why you didn't see those there yet. And due to the way it's structured, yes, we do see now a lag on intangible assets, impairment on intangible assets.

Mike Kuehnel: And Julian, if I may add, I think what Marc just highlighted is highly relevant for us strategically. When we started building our crypto business, it was probably a one-dimensional route in our head in terms of providing liquidity on spot crypto. Reality is that the entire evolution has evolved, and we talked about that in the past as well. But now we are seeing it more as a commercial flywheel effort. There are many different opportunities. The market is evolving. There is more institutional retail adoption, appetite, interest.

What we are trying to make sure is that we're embracing all these different profit pools, if you will, holistically at the same time. That is probably from the outside, difficult to predict. But at the same time, I think the trajectory is giving us a very strong push in, yeah, you need to embrace it holistically and deliver into all these different bits and pieces.

The point on IFRS lagging behind creates then that conundrum maybe that the P&L as a whole, right, still reflects the true economic performance of the company, but the lines that are hit are different in this case.

Julian Dobrovolschi: Okay. Let's say, I'm just very keen to have a deep understanding of that, but I guess I also understand that you probably cannot share more than what you can share.

Mike Kuehnel: Yeah.

Julian Dobrovolschi: Okay. Maybe one final comment. Sorry to take so much of the time on the line. Any comments that you can share on the current trading conditions? I mean, clearly, I think expectations so far are building quite high, given the very massive volatility we've seen in a couple of days of April, but anything that you can share regarding trading maybe on the volume and spread side?

Mike Kuehnel: Yeah. We stick to our prior message that we are not able to give any indication on our NTI performance. What we can say, however, that the market activity and volatility we have seen recently benefited us and specifically the high levels of volatility recently in the first couple of weeks of April.

I think just to maybe substantiate it a bit, the levels reached in April, for way of background, weren't close to the levels we saw during COVID when intraday implied volatility levels went above 80 on the VIX during the most volatile days and averaged around 60 for almost two straight weeks and more than 50 for three straight weeks. So by contrast, the average implied volatility for the first couple of weeks of April averaged less than 40 and the highest level intraday barely touched 60. So maybe this is helping you a bit to compare the different settings here.

Julian Dobrovolschi: That was it. Thank you so much guys. Thank you.

Mike Kuehnel: Thanks, Julian.

Operator: Thank you. We will take our next question from Reg Watson from ING. Your line is open. Please go ahead.

Reginald Watson (ING): Morning, all. Thanks. I think Julian touched on most of this. And Mike, thanks for the color on VIX because I think the base reading is we've had three episodes where VIX has traded above 50 in its entire history, those being the pandemic and GFC and obviously, this month. So to the outside world, it looks like this ought to be a repeat of the pandemic, but it's quite clear I think from your brief summary just then in terms of intraday and the extent to which things move that we're not going to see anything like that kind of NTI.

I do have a question to ask with some slight color on this, which is that during the pandemic, you did actually come out with a statement effectively providing a positive profit warning on the NTI generation from the elevated levels of VIX. Could you perhaps sort of cast your mind back to that period and sort of explain what the triggers were for that announcement and what triggers you might set today for a similar announcement?

Mike Kuehnel: Yeah. That's a very good question, Reg, and thanks for joining this morning's call. The way I would describe it is that the business has meaningfully advanced strategically and setup-wise. We are now in a situation where we have, A, created a stronger base load of the company. And equally, we have been quite vocal on the impact of diversification. We can now basically make a point that the rising volatility in many different areas across asset classes and regions is giving us an uplift in our top line.

I think this is an important message as to the expectation setting on how the business model is reacting to these different market sentiments, if you will. In 2020, the company, probably from an expectation level setting was still in a transformation, right, and going into that full adopted diversification play. And equally, I think COVID, as a whole, impacting the entire world globally instantaneously, if you will, has never been a situation in which the company has operated in, right, in similar degrees.

So we felt that managing expectations adequately was a must-have given how the business model reacted to these situations. So I try to stay a bit generic on this because ultimately, yes, we were diversified in 2020, but I think our narrative has been spot on in explaining what we are trying to build. The mentioning of asset agnostic or asset class agnostic and agnostic as to geographies, more trading capital. I think there's a higher degree of predictability and reference points understanding from the outside world how our business model is reacting in different market circumstances.

Reginald Watson: Okay. Understood. And then can I move on to APAC? I think you demonstrated quite a strong uplift in APAC VT. Is that something we should expect to continue as part of this strategy in terms of building a stronger platform and greater diversification?

Mike Kuehnel: Yeah. Maybe let me start by making a general comment. I think our mind starts with just highlighting again the strategic importance of APAC for Flow Traders. And I made similar comments in the past. We do like that there is fragmentation, which is more difficult to embrace for competitors, and we started our business in a quite fragmented setting in Europe. There are pieces of our DNA that gave us and still gives us an opportunity to really thrive in these markets. That's number one.

Number two is, as we have more capital, we can deploy more capital and seek more opportunities. That's definitely a plus, and that is a repeating schedule. I shall even say it's not just repeating, it's intensifying because as the company grows also in trading capital, we are able to capture these opportunities much more systematically and with a bigger magnitude down the road.

The third point, we have been extremely active on the external side in building strategic relationships across the landscape there. So just to give you a very tangible example, the entire ETP adoption, we're not stepping into the markets where ETP adoption is now thriving or about to thrive with a technical mindset. We are building deep ties to the counterparty base to the buy side. And we are providing all our technological skills in order to have a right to play, right to win in these markets.

Why is that relevant? It's relevant because we are creating implicitly more resilience in our top line by being long-term focused on these markets. And then I think the overlay where is APAC going? I think there is increasing adoption in terms of more diversified asset class mix, specifically on the fixed income side after equity. There will be an adoption in terms of digital assets, right, which clearly hits the entire planet, but we expect also APAC to take more appetite on this.

Then the entire fragmentation, I think it's fair to say that over the next years ahead, those markets will become more unified. One impetus is clearly coming from the regulatory landscape, but also the market participants will be eager to consolidate flows and be more unified in trading.

I think that is a unique opportunity with us, further building our infrastructure in that market. Coming back to what I said earlier, APAC remaining a key growth area for the firm going forward.

Reginald Watson: Okay. Thank you. And then my final question. Just coming back to this hedge loss. Have I understood correctly, if you've lost money on the hedge and markets were down, you were effectively longer hedge, short the spot or short the physical or short the book. Is that my correct reading of this? You made money in the book at NTI level because you were short, but the corresponding hedge lost you money, and that's what's booked below the line?

Marc Jansen: Yeah. I think if I understand you correctly, that's correct. We have a hedge against a certain position. One position is making. The other one is losing. Due to IFRS accounting standards, you see those split out.

Reginald Watson: Yeah. Okay. Thank you. Thanks for that. Mike, I think it only remains for me to thank you for being a great CEO and for your leadership of Flow, and wish you all the best in your future endeavors.

Mike Kuehnel: Thank you so much. That means a lot to me. Thank you so much.

Operator: Thank you. As a final reminder, if you would like to ask a question, please signal by pressing star one on your telephone keypad. We will take our next question from Michael Werner from UBS. Your line is open. Please go ahead.

Michael Werner (UBS): Thank you guys. Appreciate the presentation and the opportunity to ask questions. I've got two, if you don't mind. If you could just discuss what you saw in the US business. Yeah, we definitely saw a bit of a decline in revenues there versus I think what the market had anticipated. So any color if there's any kind of one-offs or anything going on there, that would be helpful, especially given the backdrop.

Then second, just coming back to the impairment. I just want to clarify that in a world where the value of the digital assets increases, ultimately, would that mean that your NTI is essentially underreported? My understanding is if you don't get the write-ups, you only take the write-downs when it comes to kind of the impairments. But yes, I was just wondering how that would work with the NTI? Thank you.

Alex Kieft: Thanks, Mike. I'll take the first question. So the US saw, indeed, a bit more muted results as we didn't see the same levels of opportunities in the region as we saw in Europe and Asia. We therefore shifted. We didn't have the same capital allocation towards the US, given the lower perceived opportunities.

Also as a reminder, in Q1 of last year, we saw the spot bitcoin ETF launch there, which was a tailwind to the region. I would like to say that the US is still highly strategic for us. Also in periods of really high volatility, we do see it as a very clear profit center, and we remain fully committed to growing the region further as opportunities arise and as our trading capital base grows and as our trading and pricing and technology advances that we can still tap into that market and be a very relevant player there.

Marc Jansen: I can take your second question. So I think if I understand correctly, yes, it was two parts. The first part about previous NTIs being underreported or not. Like I said, that has not been the case. As also already explained in the previous question, like these kind of structures with impairments weighing on our books in previous quarters. Due to that, yeah, we didn't have under reporting in our NTI in previous quarters.

However, going forward, there is a possibility that due to these accounting standards, either NTI is over or underreported and that in other lines, you would see there are differences. Does that answer your question?

Michael Werner: I think so. Yeah, I'm happy to kind of just try to dive into this offline. But thank you. Again, Mike, I just want to say all the best. It's been a pleasure working with you these past couple of years. So if we don't cross paths again before you leave, I just want to say congrats and wish you the best.

Mike Kuehnel: Likewise. Thank you so much, Michael.

Operator: Thank you. It appears we have no further questions. I will now hand over back to Eric Pan for any additional remarks. Please go ahead, sir.

Eric Pan: Thank you, operator. We would like to thank all the analysts for participating in today's call. Please note that we will host our next analyst call when we release our first half results in July. Details and timing for this call will follow in due course. This now ends the call. Thanks again. Have a great day.

Operator: Thank you for joining today's call. You may now disconnect.

[END OF TRANSCRIPT]