

## Flow Traders 2Q 2024 Results

**Amsterdam, the Netherlands - Flow Traders Ltd. (Euronext: FLOW) announces its unaudited 2Q 2024 results.**

### Highlights

- Flow Traders recorded Net Trading Income of €79.5m and Total Income of €76.2m in 2Q24, compared to €49.5m and €51.4m, respectively, in 2Q23.
- Flow Traders' ETP Value Traded increased 4% in 2Q24 when compared to the same period last year.
- Total Operating Expenses were €55.2m in 2Q24, compared to €48.2m in 2Q23, with Fixed Operating Expenses of €44.9m in the quarter, compared to €45.0m in 2Q23 (including one-off expenses).
- EBITDA was €21.1m in 2Q24, generating an EBITDA margin of 28%, compared to €3.2m and 6%, respectively, in 2Q23.
- Net Profit was €12.8m in 2Q24, yielding a basic EPS of €0.30, compared to a Net Loss of -€4.3m and EPS of -€0.10 in 2Q23.
- Trading capital stood at €624m at the end of 2Q24 and generated a 56% return on trading capital<sup>1</sup>, compared to €609m and 52% in 1Q24.
- Shareholders' equity was €635m at the end of 2Q24, compared to €631m at the end of 1Q24.
- Flow Traders employed 635 FTEs at the end of 2Q24, compared to 633 at the end of 1Q24.
- Flow Traders has initiated a multi-layered trading capital expansion plan including a revision of its dividend policy.

### Financial Overview

€million	2Q24	2Q23	Change	1H24	1H23	Change
<b>Net trading income</b>	<b>79.5</b>	<b>49.5</b>	61%	<b>206.6</b>	<b>160.0</b>	29%
Other income	(3.3)	1.9	NM	(0.8)	1.9	NM
<b>Total income</b>	<b>76.2</b>	<b>51.4</b>	48%	<b>205.8</b>	<b>161.9</b>	27%
<b>Revenue by region<sup>2</sup></b>						
Europe	48.4	33.1	46%	116.7	91.6	27%
Americas	13.5	9.3	45%	54.9	42.1	30%
Asia	14.3	9.0	60%	34.3	28.2	21%
Employee expenses	31.7	22.4	42%	76.2	67.3	13%
Fixed employee expenses	21.5	19.2	12%	41.1	39.2	5%
Variable employee expenses	10.3	3.2	224%	35.2	28.1	25%
Technology expenses	16.8	16.7	1%	32.6	33.3	(2%)
Other expenses	6.6	7.2	(8%)	14.8	14.5	2%
One-off expenses <sup>3</sup>	0.0	1.9	(100%)	0.0	3.3	(100%)
<b>Total operating expenses</b>	<b>55.2</b>	<b>48.2</b>	15%	<b>123.6</b>	<b>118.5</b>	4%
<b>EBITDA</b>	<b>21.1</b>	<b>3.2</b>	552%	<b>82.2</b>	<b>43.4</b>	89%
Depreciation / amortisation	4.4	4.7	(5%)	8.7	9.7	(10%)
Profit/(loss) on equity-accounted investments	(0.2)	(4.2)	(94%)	(0.6)	(4.6)	(87%)
<b>Profit before tax</b>	<b>16.4</b>	<b>(5.6)</b>	NM	<b>72.8</b>	<b>29.1</b>	150%
Tax expense	3.6	(1.4)	NM	14.1	5.6	150%
<b>Net profit</b>	<b>12.8</b>	<b>(4.3)</b>	NM	<b>58.7</b>	<b>23.5</b>	150%
Basic EPS <sup>4</sup> (€)	0.30	(0.10)	NM	1.35	0.54	149%
Fully diluted EPS <sup>5</sup> (€)	0.29	(0.09)	NM	1.33	0.52	153%
EBITDA margin	28%	6%		40%	27%	

## Revenue by Region

€million	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Europe	58.5	33.1	33.6	42.6	68.3	48.4
Americas	32.8	9.3	22.0	18.1	41.3	13.5
Asia	19.2	9.0	12.1	13.6	19.9	14.3

## Value Traded Overview

€billion	2Q24	2Q23	Change	1H24	1H23	Change
<b>Flow Traders ETP Value Traded</b>	<b>347</b>	<b>333</b>	4%	<b>755</b>	<b>755</b>	0%
Europe	147	144	2%	300	340	(12%)
Americas	177	163	8%	406	370	10%
Asia	23	25	(8%)	50	45	10%
<b>Flow Traders non-ETP Value Traded</b>	<b>1,132</b>	<b>916</b>	24%	<b>2,278</b>	<b>2,047</b>	11%
<b>Flow Traders Value Traded</b>	<b>1,479</b>	<b>1,248</b>	18%	<b>3,034</b>	<b>2,802</b>	8%
Equity	754	699	8%	1,573	1,524	3%
Fixed income	212	265	(20%)	482	612	(21%)
Currency, Crypto, Commodity	465	247	89%	887	587	51%
Other	48	39	23%	92	79	17%
<b>Market ETP Value Traded<sup>6</sup></b>	<b>11,014</b>	<b>9,872</b>	12%	<b>22,993</b>	<b>21,221</b>	8%
Europe	583	464	26%	1,178	1,036	14%
Americas	9,090	8,164	11%	19,054	17,696	8%
Asia	1,341	1,245	8%	2,761	2,489	11%
Asia ex China	444	373	19%	883	738	20%

## Trading Capital

	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Trading Capital (€m)	634	651	647	574	585	584	609	624
Return on Trading Capital <sup>1</sup>	67%	71%	65%	67%	59%	51%	52%	56%
Average VIX	25.1	25.4	21.0	16.7	15.1	15.4	13.9	14.2

## Market Environment

### Europe

Equity trading volumes in the quarter increased both year-over-year and quarter-over-quarter but remain below the levels seen in 2021 and 2022. Market volatility improved slightly this quarter compared to the prior quarter but remains below the same period a year ago and well below the levels seen in 2021 and 2022.

Fixed Income trading volumes increased year-over-year but were flat-to-down on a quarter-on-quarter basis depending on the MTF platform.

### Americas

Equity trading volumes in the U.S. were mixed as NYSE saw declines both on a year-over-year and quarter-on-quarter basis, while Nasdaq saw a slight increase both on a year-over-year and quarter-on-quarter basis. Market volatility in the U.S. was similar to Europe as the VIX saw a slight increase quarter-on-quarter but remains below the same period a year ago and well below the levels seen in 2021 and 2022.

Fixed Income trading volumes in the U.S. were similar to Europe, increasing year-over-year but declined on a quarter-on-quarter basis. Market volatility declined both year-over-year and quarter-on-quarter, and remains well below the levels seen in 2022.

## **Asia**

Equity trading volumes in Asia were mixed across the region. Trading volumes declined on the Hong Kong and Tokyo Stock Exchanges both year-over-year and quarter-on-quarter while volumes increased significantly in China both year-over-year and quarter-on-quarter.

## **Digital Assets**

Within Digital Assets, which trades across regions on a 24/7 basis, trading volumes in Bitcoin (the barometer of the industry) declined by double-digits quarter-on-quarter as the elevated initial fund flows into U.S. spot Bitcoin ETFs in the first quarter slowed significantly to flows more in-line with traditional ETFs in the second quarter. However, volumes were still elevated compared to the same period a year ago. Volatility in Digital Assets, as indicated by the BitVol index, was also down single-digits quarter-on-quarter but up by double-digits year-over-year.

## **Trading Capital Expansion Plan**

In recent years, Flow Traders has successfully diversified its core trading model into diversified asset classes and geographies, which resulted in increased optionality for the business. The Board sees a significant range of emerging opportunities to accelerate growth for the firm, stemming from the investments it has made in these new markets and through diversifying its revenue streams. It believes now is the time to seize these opportunities and move the firm into a growth phase by meaningfully expanding its trading capital base, especially given the strong historical returns it has made on trading capital.

In recent months, the firm has been exploring various options to achieve this expansion in trading capital. It has concluded that the most cost-effective way to expand the firm's trading capital base is to retain additional earnings on the Company's balance sheet, as part of a multi-layered trading capital expansion plan.

## **Revised Dividend Policy**

Accordingly, the firm is suspending regular dividend payments until further notice, a decision that will accelerate the expansion of the trading capital base and that the Board is confident will generate long-term value for shareholders.

## **External Debt Funding**

Flow Traders is also currently working on other parts of the plan and has recently secured a €25 million bank term loan as a first step towards embracing debt financing to unlock the growth opportunities the firm sees. Management is also actively exploring other debt financing options that will enable the firm to take full advantage of the opportunities it sees.

## **Share Buyback**

€5.3m worth of shares were repurchased in 2Q24 as part of the €15m share buyback program announced in October 2022, with €2.2m of the program remaining. A portion of the shares to be repurchased under this program could be allocated to employee incentive plans as needed.

## **Outlook**

Fixed operating expenses guidance for the year remains unchanged and is expected to be in the same range as FY23 as headcount is expected to be flat to down for the year, offset by 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 and bolstering trading capital.

## **CEO Statement**

### **Mike Kuehnel, CEO**

“Over the past 18 months, Flow Traders has made a concerted push into new markets, asset classes and geographies, with considerable success. Following the arrival of the newly constituted Board we have conducted a broad-ranging strategic review and concluded that we have a significant opportunity to capitalise on this period of development and move Flow Traders into a growth phase.

A critical element of this development will be the expansion of our trading capital base, especially given the significant returns we have generated on trading capital historically. Following a review of the various options to achieve this, we are implementing a wide-ranging trading capital expansion plan. As a first element of this we recently secured a €25 million bank term loan, and we are looking at several other ways to increase external financing.

We have also concluded that a central pillar of the plan, and the most cost-effective means of increasing our trading capital, is to increase the level of retained earnings in the business. Accordingly, we are suspending regular dividend payments until further notice, a move that will accelerate the expansion of the trading capital base and that the Board is confident will generate long-term value for the shareholders.

We believe that the firm’s new trading capital expansion plan and the continued expansion of our diversified set of existing and newly emerging trading strategies will deliver significant returns and further strengthen Flow Traders’ role as a leading global trading firm, providing liquidity and efficiency across a wide range of financial markets.

Coming to the quarter, market activity remained muted as volatility declined across most major asset classes compared to the same period a year ago. Nevertheless, we continue to expand our relationships across both the TradFi and DeFi ecosystems and actively sought out innovative partnerships to continue to support the adoption of Digital Assets. Internally, we continue to focus on our automation and efficiency initiatives, and we are pleased to have received shareholder and regulatory approval for Owain’s nomination as our Chief Technology Officer and as an Executive Director of the Board.”

## **Preliminary Financial Calendar**

31 October 2024

Release of 3Q24 trading update

## **Analyst Conference Call and Webcast**

The 2Q24 results analyst conference call will be held at 10:00 am CEST on Friday 26 July 2024. The presentation can be downloaded at <https://www.flowtraders.com/investors/results-centre> and the conference call can be followed via a listen-only audio webcast. A replay of the conference call will be available on the company website for at least 90 days.

## **Contact Details**

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## **About Flow Traders**

Flow Traders is a leading trading firm providing liquidity in multiple asset classes, covering all major exchanges. Founded in 2004, Flow Traders is a leading global ETP market maker and has leveraged its expertise in trading ETPs to expand into fixed income, commodities, digital assets and FX. Flow Traders' role in financial markets is to ensure the availability of liquidity and enabling investors to continue to buy or sell financial instruments under all market circumstances, thereby ensuring markets remain resilient and continue to function in an orderly manner. In addition to its trading activities, Flow Traders has established a strategic investment unit focused on fostering market innovation and aligned with our mission to bring greater transparency and efficiency to the financial ecosystem. With nearly two decades of experience, we have built a team of over 600 talented professionals, located globally, contributing to the firm's entrepreneurial culture and delivering the company's mission.

## **Notes**

1. Return on trading capital defined as LTM NTI divided by end of period trading capital.
2. Revenue by region includes NTI, Other Income, and inter-company revenue.
3. One-off expenses related to the completed corporate holding structure update and capital structure review work.
4. Weighted average shares outstanding: 2Q24 - 43,270,311; 1Q24 - 43,515,359; 2Q23 - 43,289,018.
5. Determined by adjusting the basic EPS for the effects of all dilutive share-based payments to employees.
6. Source - Flow Traders analysis.

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Efficiencies are net, before tax and on a run-rate basis, i.e. taking into account the full-year impact of any measure to be undertaken before the end of the period mentioned. The expected operating efficiencies and cost savings were prepared on the basis of a number of assumptions, projections and estimates, many of which depend on factors that are beyond Flow Traders' control. These assumptions, projections and estimates are inherently subject to significant uncertainties and actual results may differ, perhaps materially, from those projected. Flow Traders cannot provide any assurance that these assumptions are correct and that these projections and estimates will reflect Flow Traders' actual results of operations.

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