

FLOW TRADERS Q223 RESULTS

Amsterdam, the Netherlands – Flow Traders Ltd. (Euronext: FLOW) announces its unaudited Q223 results and 2023 Half Year report.

Highlights

- Flow Traders recorded Normalized Total Income of €47.3m in Q223, which comprises Normalized NTI of €49.5m reflecting a subdued market trading environment and Normalized Other Income/(Loss) of (€2.2m) derived from the net of unrealized gains and losses to the firm's strategic investments portfolio.
- Flow Traders' ETP Value Traded declined 26% y/y given the decline in the overall market trading environment. Declines in volume affected the market as a whole and was therefore seen across the board in equity, fixed income and currency, crypto, and commodity trading.
- Normalized Operating Expenses were at €42.3m in Q223, compared to €49.7m in Q222, with fixed operating expenses coming in slightly below last quarter.
- As of 30 June 2023, Flow Traders employed 653 FTEs compared to 667 as of 31 March 2023.
- Normalized EBITDA in Q223 came in at €5.0m, compared to €36.5m in Q222.
- Q223 Normalized Net Profit amounted to €0.4m, with Normalized basic EPS of €0.01.
- Trading capital stood at €574m at the end of the first quarter, generating a 67% return on trading capital¹.
- Shareholders' equity was €586m at the end of the quarter vs. €622m at the end of Q123.
- Interim FY23 dividend set at €0.30 per share with an ex-dividend date on 15 August 2023.

Financial Overview

€million	Q223	Q222	Change	H123	H122	Change
Normalized total income	47.3	86.2	(45%)	158.9	234.5	(32%)
Normalized net trading income²	49.5	83.7	(41%)	159.9	232.1	(31%)
EMEA	30.7	50.4	(39%)	88.7	158.8	(44%)
Americas	9.6	18.6	(48%)	42.6	40.2	6%
APAC	9.3	14.7	(37%)	28.7	33.0	(13%)
Normalized other income²	(2.2)	2.5	(189%)	(1.0)	2.4	(142%)
Normalized employee expenses ³	18.4	28.5	(35%)	58.3	82.4	(29%)
Technology expenses	16.7	14.9	12%	33.3	28.7	16%
Other expenses	7.2	6.3	14%	14.5	12.2	19%
Normalized operating expenses	42.3	49.7	(15%)	106.1	123.4	(14%)
Normalized EBITDA	5.0	36.5	(86%)	52.9	111.1	(52%)
Depreciation / amortisation	4.7	3.9	19%	9.6	7.7	25%
Write off of (in) tangible assets	-	-	-	-	0.2	-
Normalized profit before tax	0.3	32.6	(99%)	43.2	103.2	(58%)
Normalized tax	(0.1)	6.4	(102%)	8.5	21.1	(60%)
Normalized net profit	0.4	26.1	(98%)	34.7	82.1	(58%)
Normalized basic EPS ⁴ (€)	0.01	0.60		0.80	1.88	
Normalized EBITDA margin	11%	42%		33%	47%	

Value Traded Overview

€billion	Q223	Q222	Change	H123	H122	Change
Flow Traders ETP Value Traded	333	449	(26%)	755	971	(22%)
Europe	144	193	(25%)	340	431	(21%)
Americas	163	230	(29%)	370	486	(24%)
Asia	25	26	(4%)	45	54	(17%)
Flow Traders non-ETP Value Traded	916	1,165	(21%)	2,047	2,599	(21%)
Flow Traders Value Traded	1,248	1,613	(23%)	2,802	3,569	(21%)
Equity	699	831	(16%)	1,524	1,855	(18%)
Fixed income	265	298	(11%)	612	616	(1%)
Currency, Crypto, Commodity	247	463	(47%)	587	993	(41%)
Other	39	21	86%	79	105	(25%)
Market ETP Value Traded[†]	9,872	13,676	(28%)	21,221	28,670	(26%)
Europe	464	567	(18%)	1,036	1,334	(22%)
Americas	8,164	11,951	(32%)	17,696	25,256	(30%)
Asia	1,245	1,158	7%	2,489	2,170	15%
Asia ex China	373	400	(7%)	738	792	(7%)

Regional Highlights**EUROPE:**

- Maintained position as a leading liquidity provider in ETPs amidst a significant decline in market trading volumes and low volatility which resulted in lower turnover and tighter bid/ask spreads in the quarter.
- In light of the subdued market environment, there was a continued focus on further developing tailored fixed income trading strategies, resulting in an increase of 40% in ADV traded in EUR IG.
- The increased synergies between the CCC trading desks continued to support relationship expansion, exemplified by the 50% growth in CCC counterparty connectivity in H1 2023 and expanded product coverage with the provision of liquidity for the first European exchange listed Bitcoin futures on Eurex.

AMERICAS:

- Refined focus of the U.S. fixed income trading strategy and operations to drive increased systematic trading, leveraging the growing electronification and automation trend of the asset class.
- Enhanced exposure to the counterparty and issuer network while supporting the growth of the ETF ecosystem in the U.S. with the new office in Chicago, bringing the number of U.S. institutional counterparties to nearly 500.
- Further strengthened existing footprint in the lead market making space by assisting with the launches and conversions of several fixed income ETFs focused on high yield and treasury ETFs, as well as co-authoring a thematic ETFs thought leadership piece with BlackRock.

ASIA:

- Strengthened the regional presence with the enhancement of the local leadership team in APAC, reflecting the importance of the hub in fostering trading capabilities and partnerships.
- Continued to accelerate build out of the trading operation in China with new counterparty and issuer relationships with the purpose of helping to develop the local ETF market in making domestic and international indices more efficient and available to investors.
- As part of the firm's expanding APAC strategy, began making markets for the new RMB Dual Counter instruments on HKEX, further underscoring the firm's strong commitment to improving the accessibility of these assets to investors.

Flow Traders Strategic Capital

- Interest in strategically partnering with Flow Traders remains high and while the pace of new investment activity has reduced amidst the current market environment, the pipeline for new investment in both digital assets and traditional finance ecosystems remains strong.
- The dedicated team remains committed to working with our portfolio companies and continues to work through a strong pipeline of potential investment opportunities across different technologies and asset classes that align with our core business strategy.

Share Buyback

- Given the subdued market trading environment in the quarter, the period of execution for the €15m share repurchase extension announced on 27 October 2022 will be extended by 12 months.

Outlook

- Continued focus on operational and cost efficiencies across the business and expect Normalized Fixed Operating Expenses to be in the range of €175m – 185m and headcount to be broadly flat for the year, in-line with previous guidance.

Management Comments

Mike Kuehnel, CEO, stated:

“We saw challenging market dynamics during the second quarter, with a sharp decline in trading volumes and volatility across almost all regions and asset classes as highlighted in our pre-close call. This resulted in a subdued quarter for Flow Traders, but the ability to achieve a positive Normalized Operating Profit even in such conditions demonstrates the flexibility and resilience of our business model. With the improvements in market trading volumes towards the end of the quarter we are encouraged that the lull in the market during the quarter was a cyclical adjustment to the heightened volatility we saw over the past year.

From a cost perspective, we reduced our fixed operating expenses quarter-on-quarter and we will continue to focus on improving the underlying operational efficiency of the business. We also strengthened our leadership team and welcomed three new Non-Executive Directors in April as well as Hermien Smeets-Flier joining us earlier this month. Each of them bring a wealth of experience and expertise to our firm and will positively contribute to the development and execution of our growth strategy.

We continue to be excited about Flow Traders’ future growth prospects, driven by our ongoing asset class and geographical diversification, growth in strategic optionality, and the ability to leverage the structural long-term financial ecosystem trends including the shift to passive investing, electronification, digitalization and regulation.”

Folkert Joling, Chief Trading Officer, added:

“During the quarter the low market turnover and volatility translated into fewer trading opportunities. However, we remained focused on building out new trading capabilities and infrastructure further in the different regions and asset classes in order to take advantage of opportunities when market volumes and volatility return. We are particularly encouraged by the build out and development of our ETP business in China after the receipt of the QFII license a little over six months ago, as well as the enhancement of our local leadership team in APAC to capitalize on the growing opportunities in the region.

Despite the low market turnover in the quarter, the secular tailwinds from the growth of ETPs across different asset classes around the world continues unabated. We further refined our U.S. fixed income strategy with the increased focus on systematic trading, leveraging the increasing electronification of the asset class. While regulators in the U.S. took greater scrutiny in the digital asset market during the quarter, we believe increased regulation will result in a more robust and transparent digital assets market in the future, which bodes well for regulated market participants like Flow Traders.”

Preliminary Financial Calendar

15 August 2023	Proposed FY23 interim dividend ex-dividend date
16 August 2023	Proposed FY23 interim dividend record date
18 August 2023	Proposed FY23 interim dividend payment date
30 September 2023	Start silent period ahead of Q323 trading update
26 October 2023	Release Q323 trading update (no analyst conference call)

Analyst Conference Call and Webcast

The Q223 results analyst conference call will be held at 10:00 am CEST on Friday 28 July 2023. The presentation can be downloaded at 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.

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About Flow Traders

Flow Traders is a leading global financial technology-enabled liquidity provider in financial products, historically specialized in Exchange Traded Products (ETPs), now expanding into other asset classes. Flow Traders ensures the provision of liquidity to support the uninterrupted functioning of financial markets. This allows investors to continue to buy or sell ETPs or other financial instruments under all market circumstances. We continuously grow our organization, ensuring that our trading desks in Europe, the Americas and Asia can provide liquidity across all major exchanges, globally, 24 hours a day. Founded in 2004, we continue to cultivate the entrepreneurial, innovative and team-oriented culture that has been with us since the beginning. Please visit www.flowtraders.com for more information.

Normalized Performance

- Flow Traders makes certain adjustments to various IFRS expense and profit measures in order to derive Alternative Performance Measures (APM). The policy is to exclude or adjust items that are considered to be significant in both nature or size and where the treatment as an adjusted item provides stakeholders with useful information to assess the year-on-year or quarter-on-quarter underlying performance. On this basis, the following items were adjusted or excluded for the Q223 trading update:
 - Removal of IFRS 2 treatment of share-based payments which include the deferral of a portion of the current year share plans as well as recognition of prior years' share plans. This adjustment provides insights into the relationship between the current year variable employee expenses and current year trading performance.
 - Other income line includes all the realized and unrealized results on Flow Traders' long-term equity investments whether accounted for as Fair Value Other Comprehensive Income (FV OCI), Fair Value Profit and Loss (FVPL) or Results of Equity Accounted Investments.
 - Exclusion of one-off expenses which relate specifically to the completed corporate holding structure update. These are not considered to be part of the underlying operating expenses of the business.
 - Tax expenses are adjusted based upon the pre-tax adjustments and/or excluded items above.

IFRS Financial Overview and Normalized to IFRS Reconciliation

€million	Q223	Q222	Change	H123	H122	Change
Total income	51.4	83.5	(38%)	161.9	231.4	(30%)
Net trading income	49.5	84.0	(41%)	160.0	232.7	(31%)
Other income	1.9	(0.5)	n/m	1.9	(1.3)	n/m
Employee expenses ³	22.4	35.4	(37%)	67.3	90.3	(25%)
Technology expenses	16.7	14.9	12%	33.3	28.7	16%
Other expenses	7.2	6.3	14%	14.5	12.2	19%
One-off expenses ⁶	1.9	8.5	(78%)	3.3	11.8	(72%)
Total operating expenses	48.2	65.1	(26%)	118.5	143.0	(17%)
EBITDA	3.2	18.3	(82%)	43.4	88.4	(51%)
Profit before tax	(5.6)	14.3	n/m	29.1	80.3	(64%)
Net profit	(4.3)	11.2	n/m	23.5	63.5	(63%)
Basic EPS ⁴ (€)	(0.10)	0.26		0.54	1.46	
Fully diluted EPS ⁷ (€)	(0.09)	0.25		0.52	1.41	
EBITDA margin	6%	22%		27%	38%	

- 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%. €1.9m of one-off expenses are also excluded.
- Tax based on estimated expected effective tax rate for the relevant financial period: Q223 – 31.6%; Q123 – 20.0%; Q222 – 19.7%.
- A summary reconciliation of Normalized to IFRS is presented below:

€million	Q223	Q222	H123	H122
Normalized EBITDA	5.0	36.5	52.9	111.1
FV OCI adjustment	(0.1)	(2.9)	(1.7)	(3.2)
Results of equity-accounted investments	4.2	0.1	4.6	0.2
One-off expenses ⁶	(1.9)	(8.5)	(3.3)	(11.8)
Prior year share plans	(1.9)	(6.2)	(10.0)	(14.1)
Current year share plan deferral	(2.1)	0.4	1.0	6.2
Other variable remuneration adjustment	-	(1.1)	-	-
IFRS EBITDA	3.2	18.3	43.4	88.4
Normalized net profit	0.4	26.1	34.7	82.1
Profit before tax IFRS adjustments	(6.0)	(18.3)	(14.1)	(22.9)
Tax difference	1.3	3.3	2.8	4.3
IFRS net profit	(4.3)	11.2	23.5	63.5

Notes

- Return on trading capital defined as LTM NTI divided by end of period trading capital.
- Normalized NTI is adjusted for the fair value change of economic offsetting positions presented in the NTI line instead of Other income. Normalized Other income is adjusted for Fair value through other comprehensive income and Results of equity-accounted investments.
- Normalized employee expenses is adjusted for the impact of share-based variable remuneration payments from prior years. Fixed employee expenses for the quarter were: Q223 – €19.2m; Q123 – €20.0m; Q222 – €18.2m.
- Weighted average shares outstanding: Q223 – 43,289,018; Q123 – 43,142,742; Q222 – 43,731,905.
- Source – Flow Traders analysis.
- One-off expenses of €1.9m predominantly related to previously capitalized expenses incurred as part of the balance sheet review work.
- Determined by adjusting the basic EPS for the effects of all dilutive share-based payments to employees.

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