



# Flow Traders N.V.

Q221 & H121 Results Presentation

23 July 2021

**F L O W ■ T R A D E R S**

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

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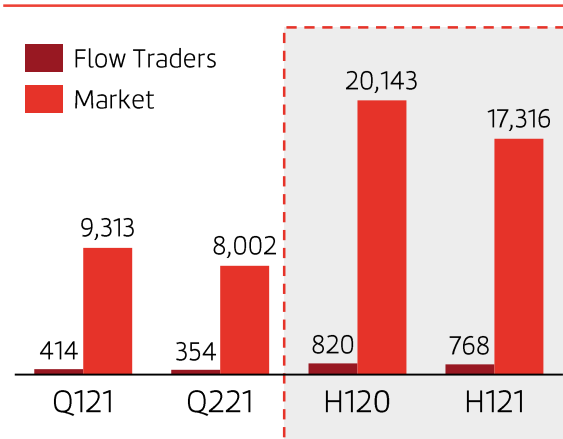
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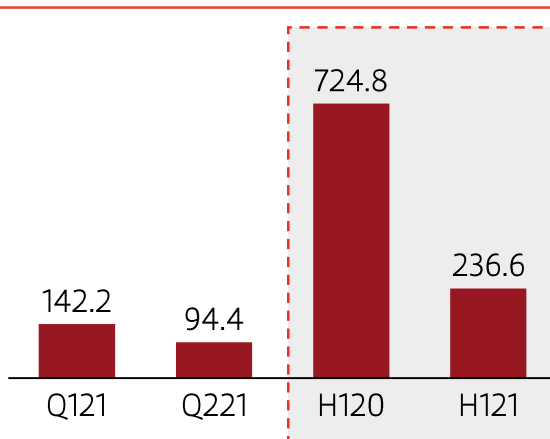
# Q221 & H121 snapshot

More normalised market environment in Q2

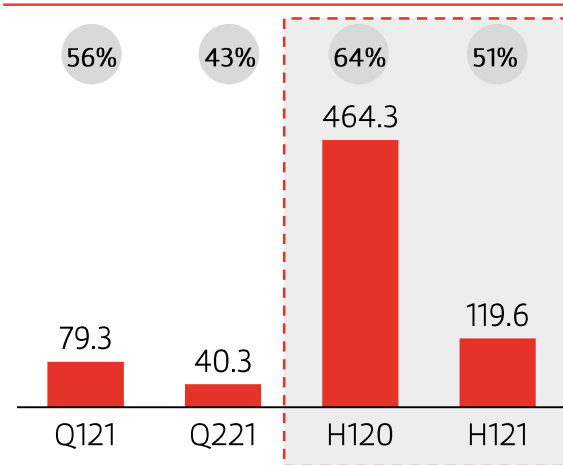
## ETP Value Traded (€bn)



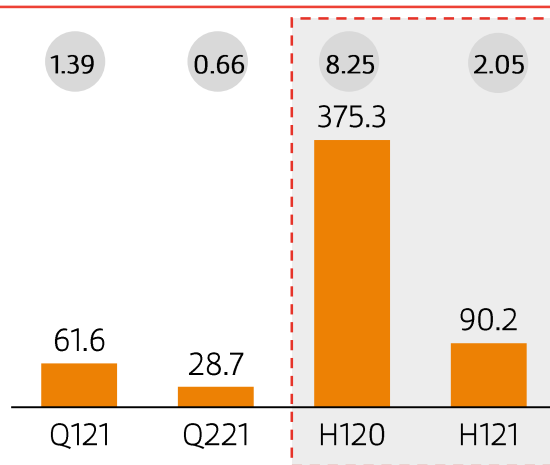
## NTI (€m)



## EBITDA (€m) and margin



## Net Profit (€m) and basic EPS (€)

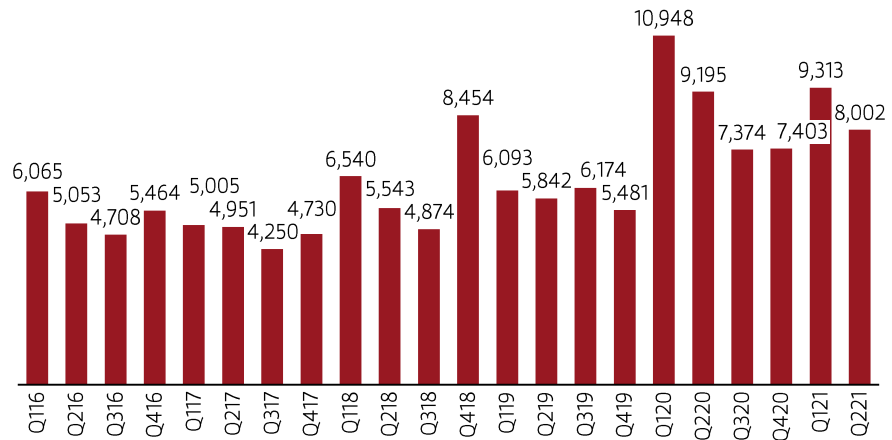


## Highlights

- Market ETP Value Traded decreased 14% quarter-on-quarter and decreased 14% H121 vs H120
- Flow Traders ETP Value Traded decreased 15% quarter-on-quarter and decreased 6% H121 vs H120
- Flow Traders recorded NTI of €94.4m in Q221 reflecting a more normalised market environment. This compares to NTI of €142.2m in Q121 and €229.9m in Q220. H121 NTI was €236.6m vs €724.8m in H120
- Total operating expenses of €54.1m incurred in Q221 which includes €0.6m of one-off COVID-19 and business continuity plan-related expenses
- 577 FTEs as at 30 June 2021 compared to 566 FTEs as at 31 March 2021
- Q221 EBITDA reached €40.3m with a margin of 43% contributing to H121 EBITDA of €119.6m with a margin of 51%
- Q221 Net Profit amounted to €28.7m with basic EPS of €0.66. H121 Net Profit amounted to €90.2m with basic EPS of €2.05
- IFR/IFD came into force on 26 June 2021 with the initial impact being broadly neutral
- Completed €20m share buyback announced in April 2021. Additional repurchase of shares of up to €20m commencing on 23 July 2021 for up to 12 months
- Interim FY21 dividend set at €1 per share and the ex-dividend date is 17 August 2021

# Increased market activity in Q121, more subdued in Q221

## ETP Value Traded (€bn) \*

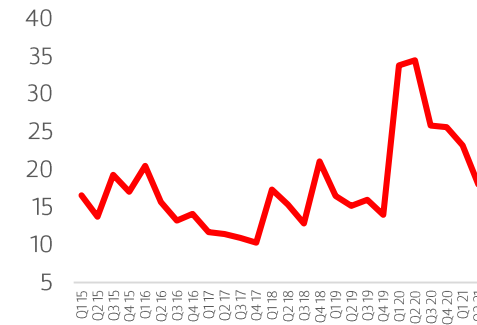


### GENERAL MARKET DEVELOPMENTS

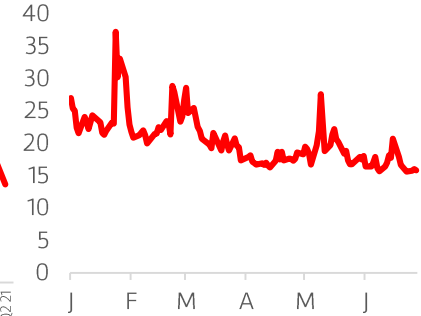
- Flows dominated by the shift towards ESG investing
- Central Bank interventions still evident
- Reduction in implied volatility (VIX) in Q2

## VIX

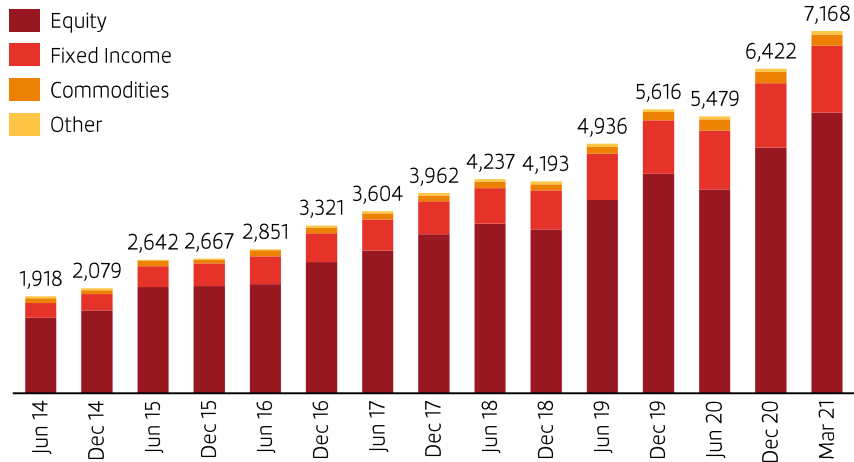
### Quarterly average



### H1 2021 daily average



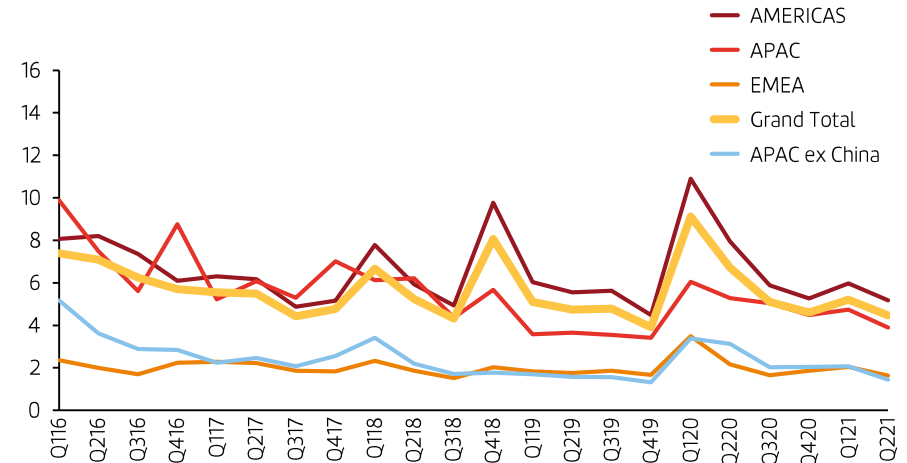
## ETP AuM (€bn) \*\*



### ETP MARKET DEVELOPMENTS

- Growing AuM - €7,168bn at the end of Q121 with robust ESG inflows
- 14% Q-o-Q decrease in ETP Value Traded in Q2 - decreased 6% H121 vs H120
- Reduced ETP velocity in Q2
- Strong outlook remains for the ETP market

## ETP velocity



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

\*\* Source: BlackRock ETP Landscape. Q221 was not published at time of reporting

# Q221 & H121 regional performance overview

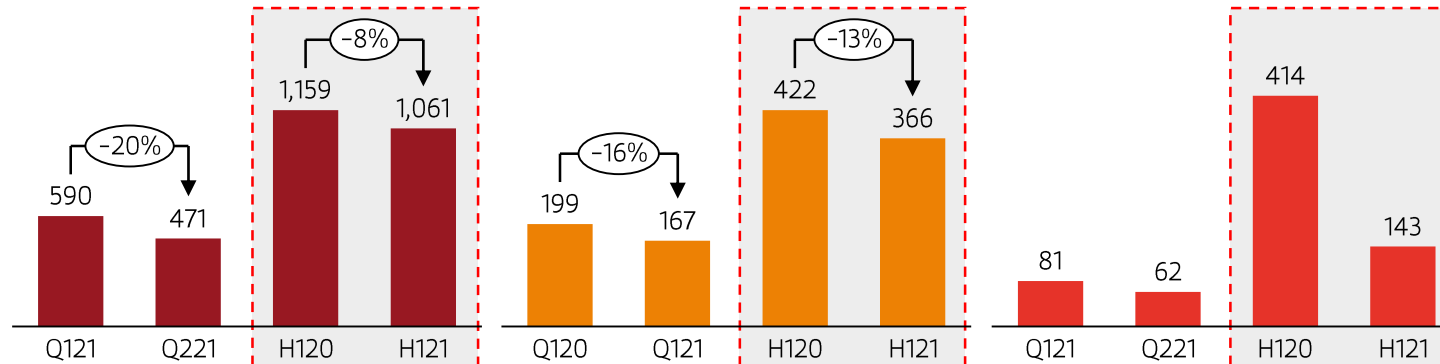
Market ETP Value Traded (€bn)

Flow ETP Value Traded (€bn)

NTI (€m)

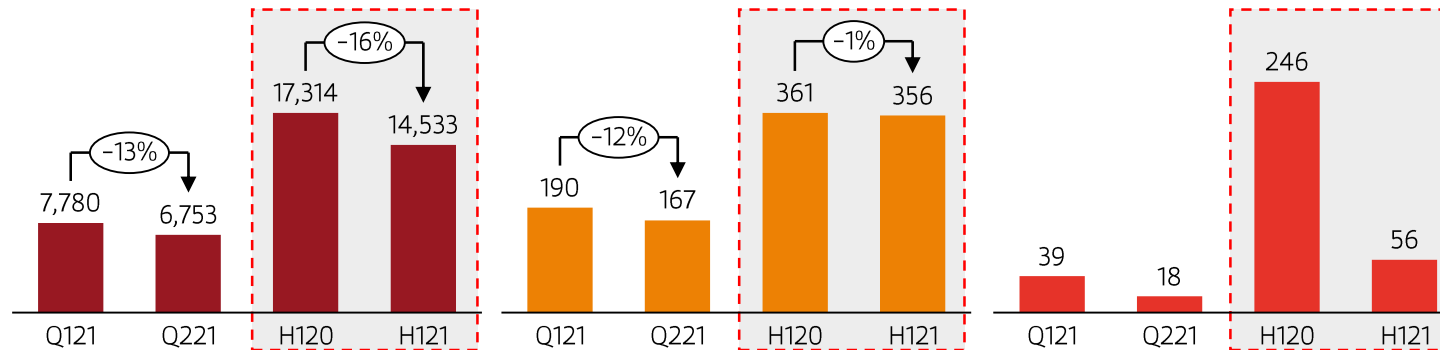
Q2 Highlights

EMEA



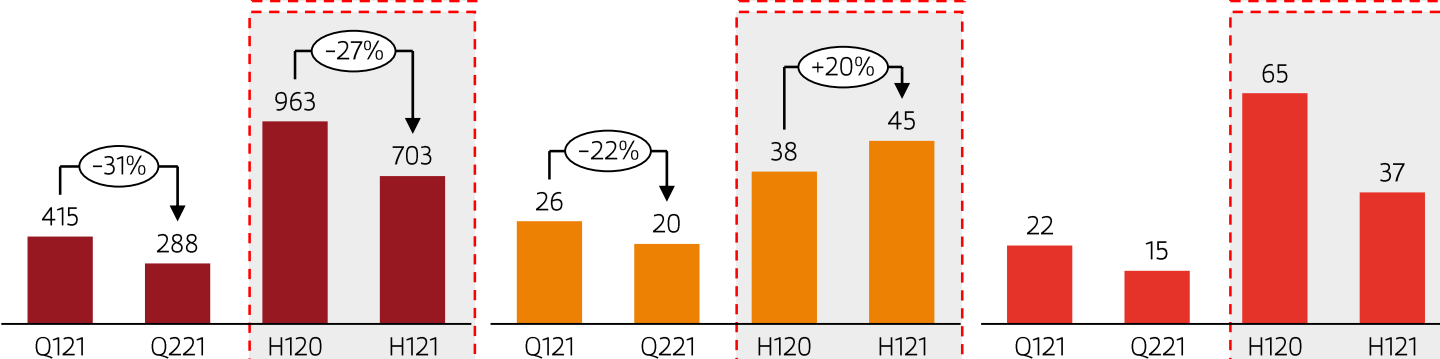
- Maintained position in Q2 as the leading liquidity provider in ETPs, both on- and off-exchange. Robust trading performance in EMEA with contributions from cryptocurrency market making activities
- Successfully completed connectivity migration for FX to further increase counterparty reach
- New branch office in Paris was opened in May
- Partnered with TP ICAP to be one of the initial liquidity providers on the launch of an innovative wholesale trading platform for cryptocurrency

Americas



- Continued to expand Lead Market Maker activity with issuers - worked closely with iShares around the launch of two sustainable ETFs; BlackRock U.S. Carbon Transition Readiness ETF (LCTU) and BlackRock World ex U.S. Carbon Transition Readiness ETF (LCTD)
- Sustained OTC momentum in Q2 as Flow Traders' Single Dealer Platform (SDP) went live and more flow was traded with additional, newly connected counterparties
- Commenced coverage of Grayscale products in the US and crypto ETPs in Canada as Flow Traders seeks to be the liquidity provider of choice

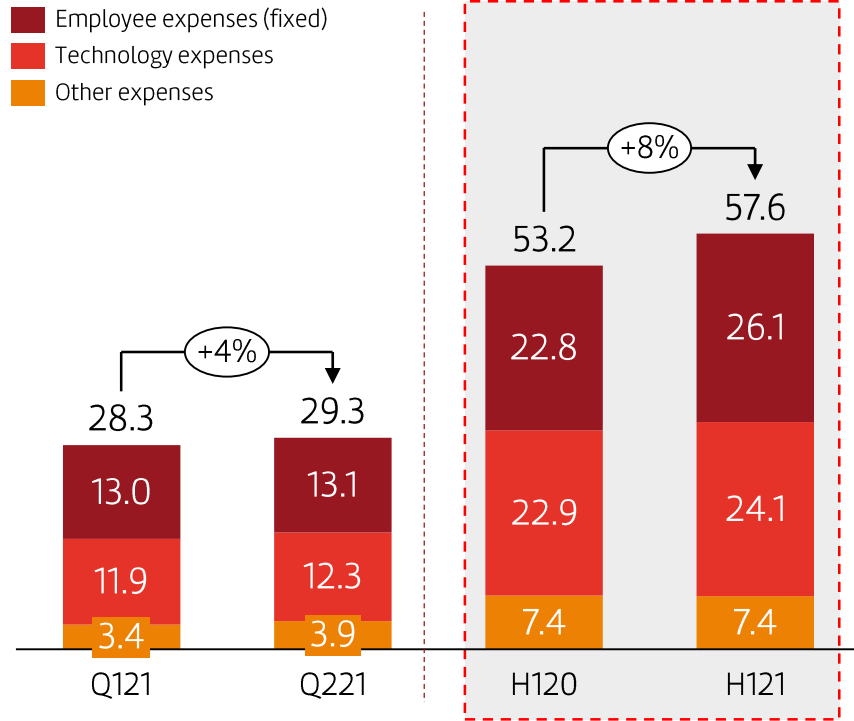
APAC



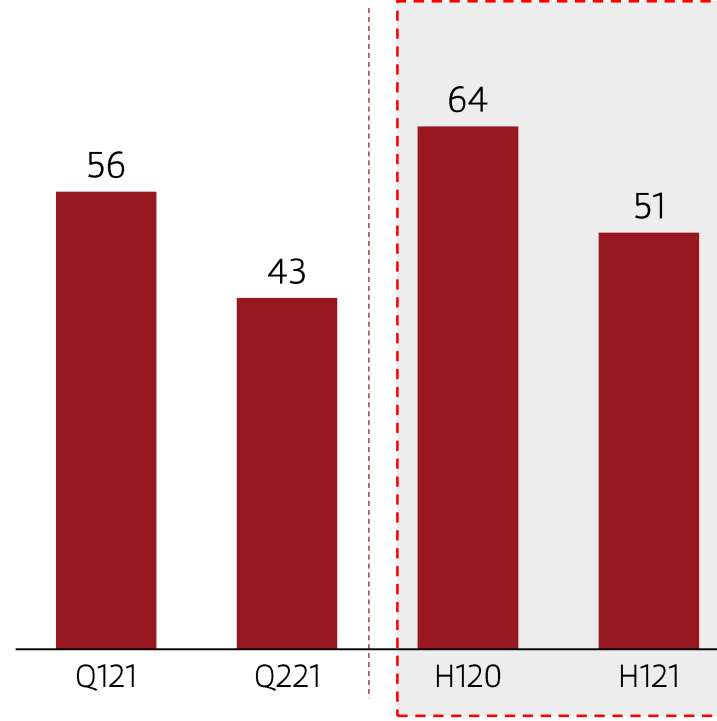
- Active in equity exposure trading for OTC counterparties in APAC across all major US ETFs 24/5
- Market maker in the newly launched cash-settled Mini USD/CNH (US dollar/Offshore Renminbi) Futures on HKEX
- Finalised preparations for the Qualified Foreign Institutional Investor (QFII) registration in China with the filing submitted in early Q3

# Continued strong cost discipline

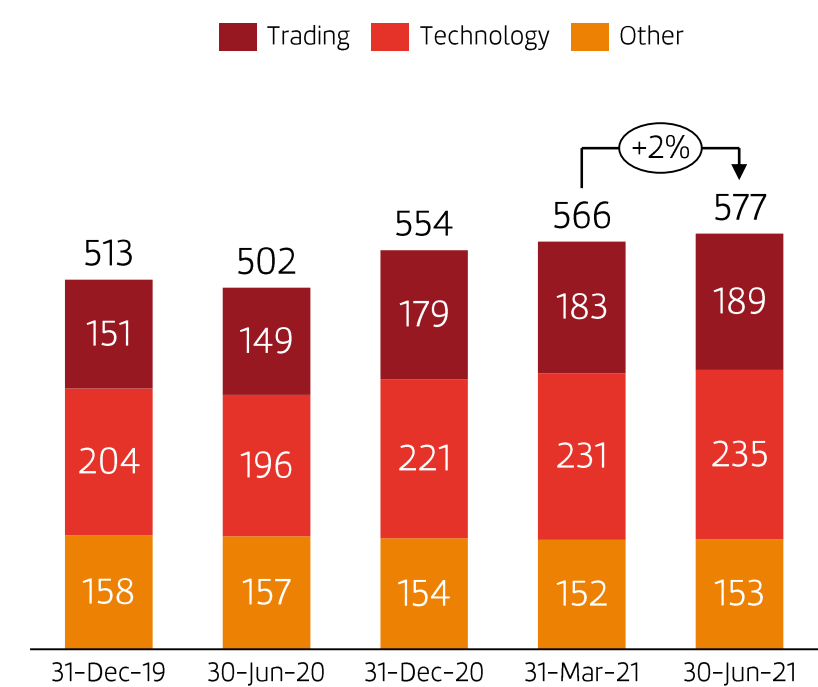
## Fixed operating expenses (€m)\*



## EBITDA margin (%)



## FTEs

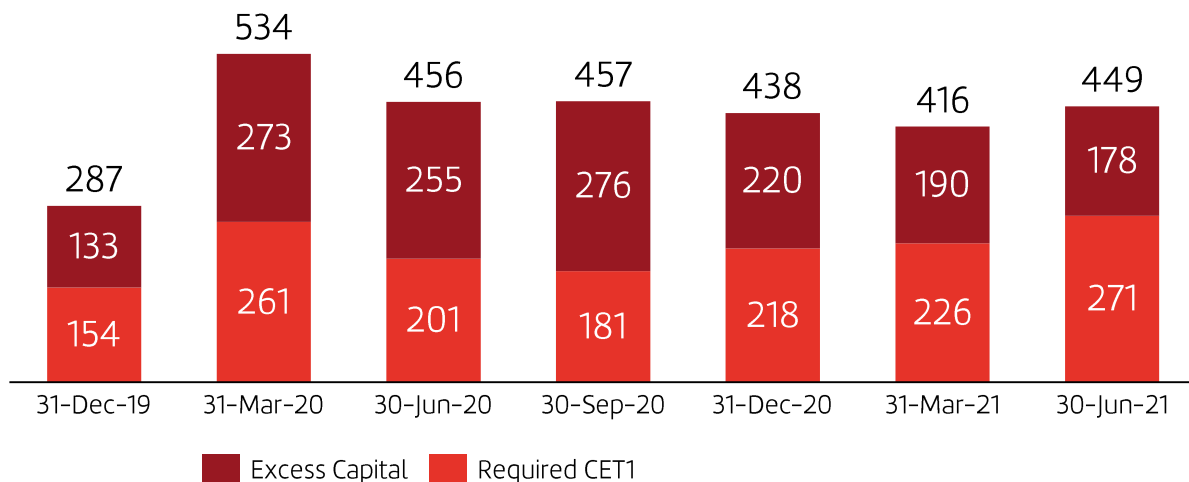


- Main drivers of Y-o-Y and Q-o-Q increases in fixed expenses relate to new hires to support growth strategy and efficiency improvements as well as technology investments
- 2% increase in FTEs in Q2 2021 to further support growth in product coverage, asset classes and trading platforms
- €0.6m one-off expenses in Q2 (€1.3m in H121) relating to ongoing activation of the business continuity plan
- Maintain guidance - maximum growth in fixed operating expenses of c. 15% for 2021

\* Excludes one-off expenses

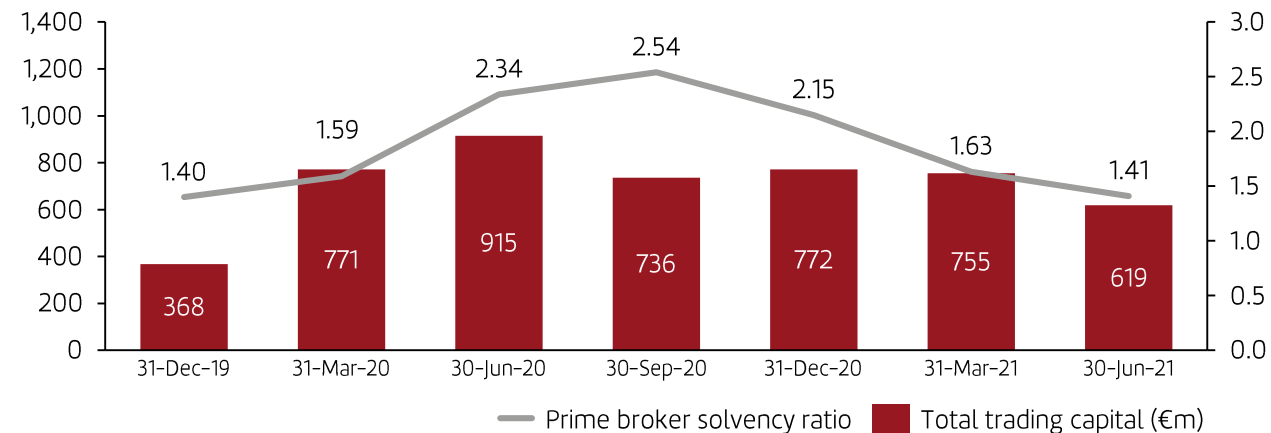
# Conservative capital position

## Regulatory Own Funds Requirement (OFR) (€m)



Note: CET1 position as at 30 June 2021 is net of the FY21 interim dividend (€44m) and the share repurchase programme (€20m)

## Prime broker solvency ratio

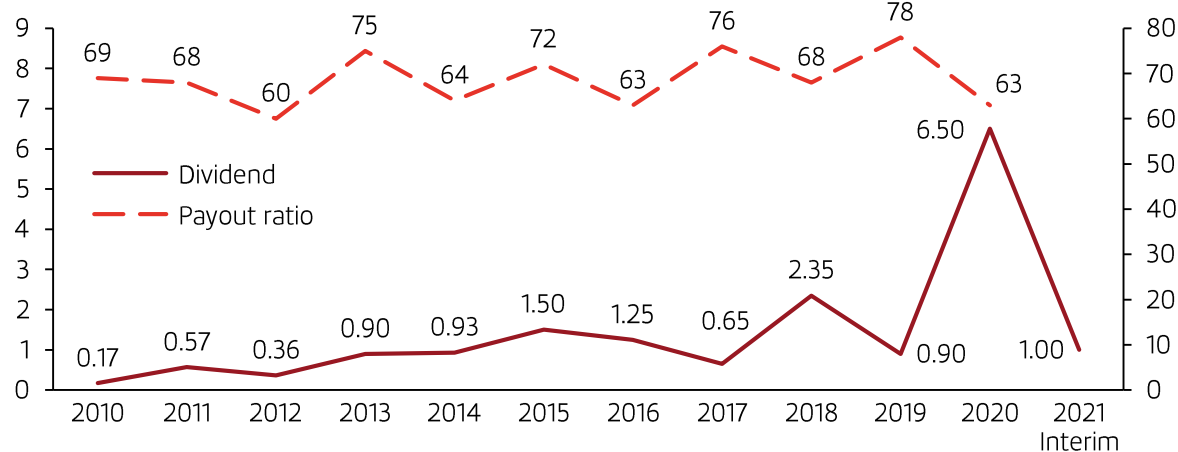


Notes

1. Prime broker solvency ratio = total trading capital divided by Prime Broker haircut

2. Total trading capital as at 30 June 2021 comprises CET1, FY21 interim dividend (€44m), deferred variable remuneration and share repurchase programme (€20m)

## Dividend (€) and payout ratio (%)

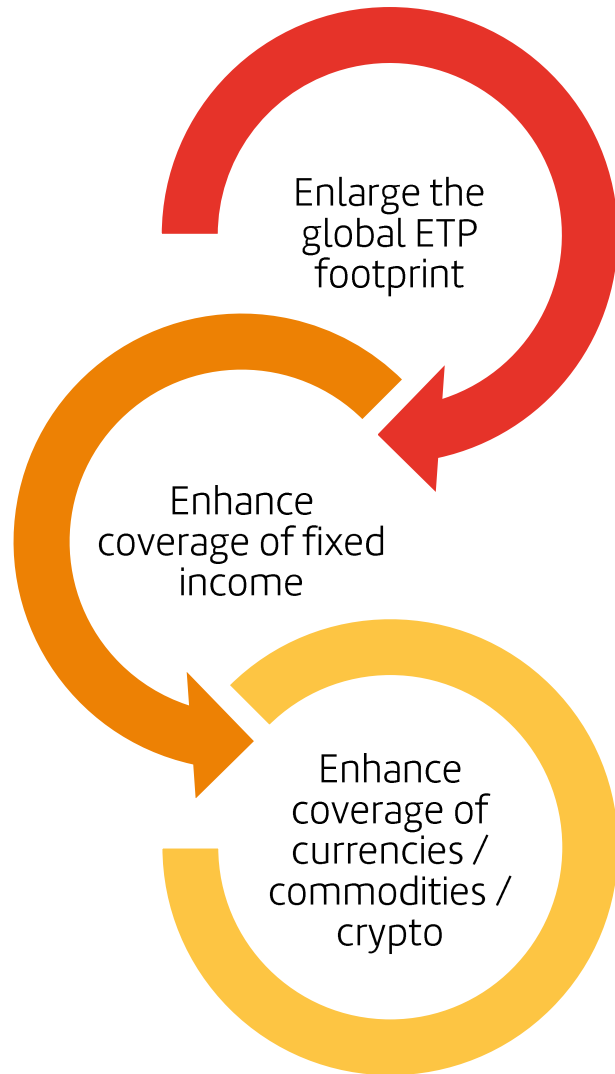


- Trading capital (€619m as at 30 June 2021) remained comfortably above Prime Broker requirements and Own Fund Requirements
- OFR increased to €271m reflecting composition of the trading book. €178m of excess capital (30 June 2021)
- IFR / IFD came into force on 26 June 2021
- FY21 interim dividend set at €1 per share
- Total dividends paid to shareholders since IPO amounts to €14.15 including FY21 interim dividend



# Medium-term growth focus areas

Consistent focus – enhanced coverage of fixed income, currency, commodity and crypto products alongside enlarging the global ETP footprint to drive structural NTI growth



- Continuously refine and deepen Flow Traders’ product coverage and footprint to align with structural ETP industry growth
  - Continued AuM growth in 2021 – surpassed \$7 trillion for the first time
  - Global ESG ETP AuM reached new record of \$280 billion at end May 2021<sup>2</sup> – record YTD net inflows of \$74 billion
  - Global crypto ETFs / ETPs AuM reached new record of \$9 billion at end May 2021<sup>2</sup> – YTD net inflows of \$3.7 billion
- Remain market leader in Europe and seek to be top 3 in the US and APAC

- Fixed income is a growing ETP asset class
  - Fixed income ETPs account for c. 1% of \$100 trillion global fixed income securities market and forecasted to grow to \$2 trillion by 2024<sup>1</sup>
- Promote and drive market electronification and develop a transparent and fair level playing field
- Goal is to be global top 2 liquidity provider in fixed income ETPs

- Leveraging our global infrastructure to provide liquidity to currency pools and counterparties
- Seek to be top 15 FX liquidity provider on Euromoney
- Further grow commodities by building on top 5 rank on major FX ECNs in spot metals
- Develop crypto business to unlock additional liquidity pools and maintain #1 market maker position in crypto ETPs

1. Source: BlackRock “Turning point” (July 2020)  
2. Source: ETFGI.com (June 2021)



# 2021 strategic progress

## Priorities

## H121 achievements

## H221 focus

### 1 Enlarge the global ETP footprint

- ✓ Total number of ETP counterparties grew to c. 1,900 and connected to >180 venues
- ✓ Supporting major new issues in the US as Lead Market Maker
- ✓ Single Dealer Platform went live in the US
- ✓ Deepening ecosystem relationships in APAC
- ✓ Commenced coverage of Grayscale products in the US and crypto ETPs in Canada

- Continue expansion of counterparty base
- Increase and deepen product coverage
- Additional venue and country connections
- Follow-up on submitted QFII registration in China

### 2 Enhanced coverage of fixed income

- ✓ Further expanded FI infrastructure (new interfaces and market data)
- ✓ Retained #1 off-exchange position in Europe in ETPs

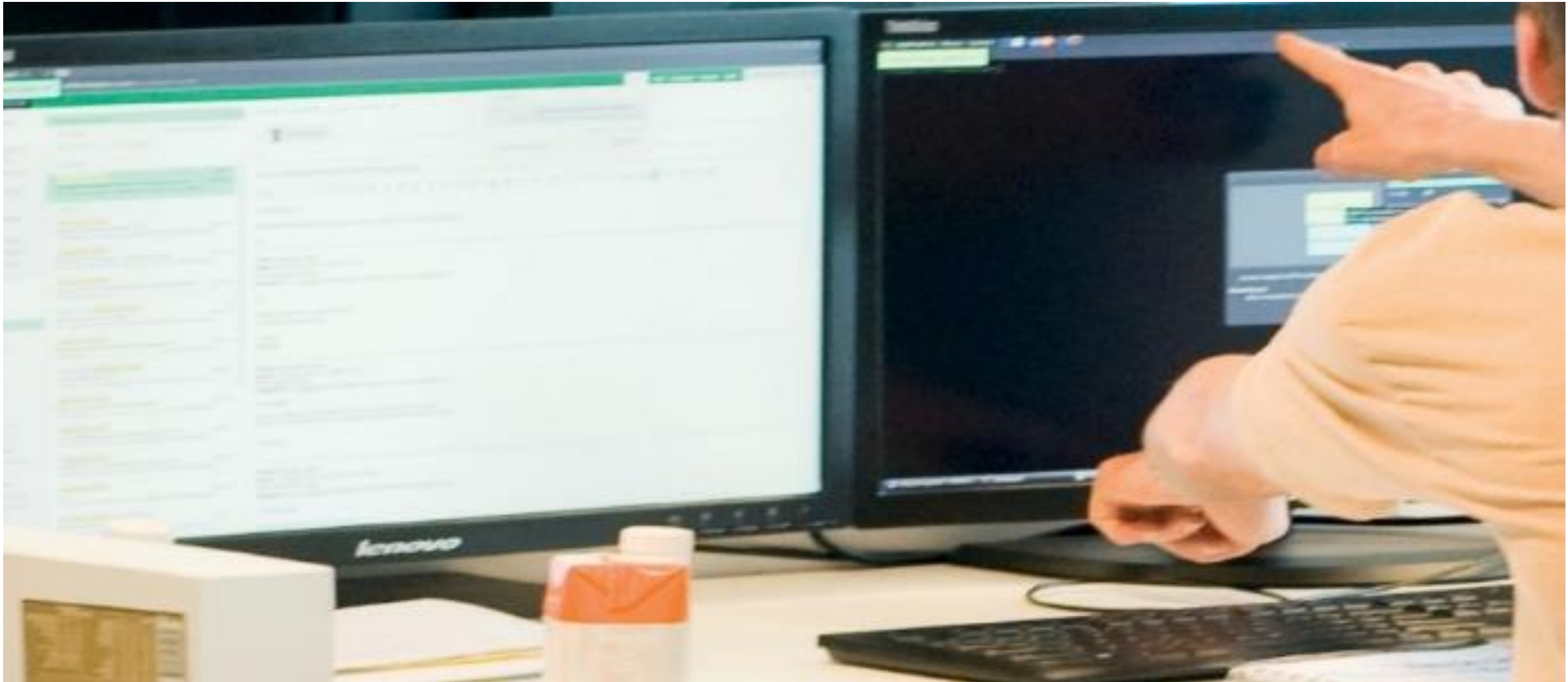
- Further enhance pricing capabilities
- Access more liquidity and increase volumes
- Continue to improve access to underlying markets

### 3 Enhanced coverage of currencies / commodities / crypto

- ✓ Build FX bilateral connectivity and trade processing
- ✓ Consistently trade \$5-10bn FX daily
- ✓ Successfully connected to Bloomberg FX platform
- ✓ Partnered with TP ICAP on the launch of their new crypto trading platform
- ✓ #1 market maker in crypto ETPs

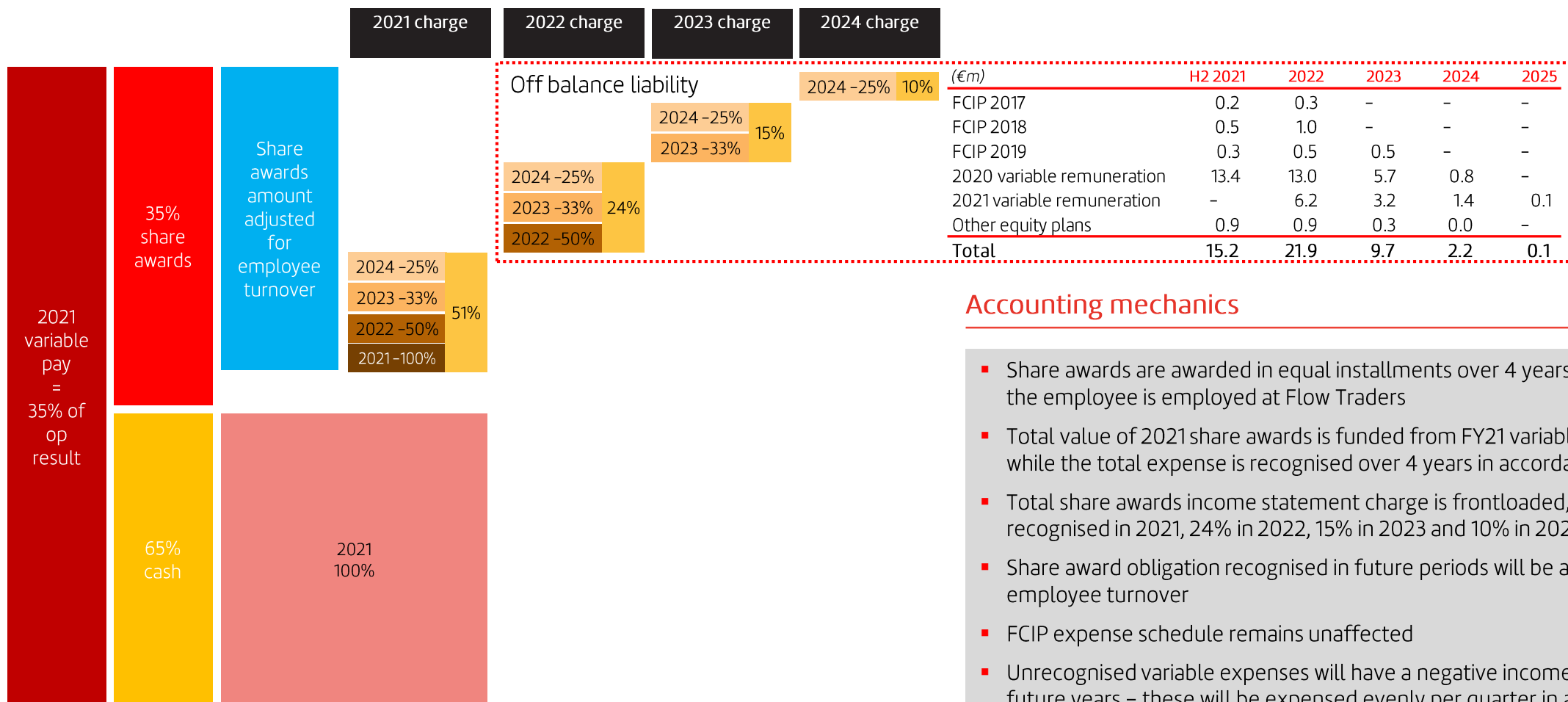
- Scale FX bilateral counterparty business
- Increase products / instruments coverage
- Broaden prime broker base

*Thank you!*



# Unrecognised variable expenses schedule

Share plan has a different accounting treatment to the previous FCIP which creates a 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 2021 share awards is funded from FY21 variable remuneration pool, while the total expense is recognised over 4 years in accordance with IFRS
- Total share awards income statement charge is frontloaded, whereby 51% is recognised in 2021, 24% in 2022, 15% in 2023 and 10% in 2024
- Share award obligation recognised in future periods will be adjusted for expected employee turnover
- FCIP expense schedule remains unaffected
- Unrecognised variable expenses will have a negative income statement impact in future years – these will be expensed evenly per quarter in a given year

## Summary income statement (unaudited)

<i>€ millions</i>	Q221	Q121	H121	H2120
<b>Net Trading Income</b>	<b>94.4</b>	<b>142.2</b>	<b>236.6</b>	<b>724.8</b>
<i>Employee expenses*</i>	37.3	47.0	84.2	228.7
<i>Technology expenses</i>	12.3	11.9	24.1	22.9
<i>Other expenses</i>	3.9	3.4	7.4	7.4
<i>One-off expenses</i>	0.6	0.7	1.3	1.5
<b>Total Operating Expenses</b>	<b>54.1</b>	<b>63.0</b>	<b>117.1</b>	<b>260.5</b>
<b>EBITDA</b>	<b>40.3</b>	<b>79.3</b>	<b>119.6</b>	<b>464.3</b>
<i>Depreciation / Amortisation</i>	3.8	3.7	7.5	7.2
<i>Write off of (in) tangible assets</i>	-	-	-	-
<i>Results of equity-accounted investments</i>	-	-	(0.1)	(0.1)
<b>Profit Before Tax</b>	<b>36.5</b>	<b>75.5</b>	<b>112.1</b>	<b>320.1</b>
<i>Tax</i>	7.9	14.0	21.8	81.9
<b>Net Profit</b>	<b>28.7</b>	<b>61.6</b>	<b>90.2</b>	<b>375.3</b>
Basic EPS (€)	0.66	1.39	2.05	8.25
Fully diluted EPS (€)	0.64	1.35	1.99	8.25
EBITDA margin	43%	56%	51%	64%

\* Of which fixed employee expenses were: Q221 – €13.1m; Q121 – €13.0m; H121 – €26.1m; H120 – €22.9m

# Recent monthly market updates

	2021						2020											
	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan
<b>On &amp; Off Exchange* Value Traded - Global (€bn)</b>	<b>2,669</b>	<b>2,693</b>	<b>2,641</b>	<b>3,969</b>	<b>2,606</b>	<b>2,739</b>	<b>2,357</b>	<b>2,606</b>	<b>2,440</b>	<b>2,737</b>	<b>2,069</b>	<b>2,568</b>	<b>3,230</b>	<b>2,645</b>	<b>3,320</b>	<b>5,797</b>	<b>2,938</b>	<b>2,212</b>
<b>On &amp; Off Exchange* Value Traded - EMEA (€bn)</b>	161	156	153	217	189	184	155	193	141	136	107	147	176	141	163	331	199	149
<b>On &amp; Off Exchange Value Traded - Americas (€bn)</b>	2,226	2,289	2,238	3,423	2,147	2,209	1,877	2,112	2,091	2,353	1,707	2,086	2,763	2,281	2,850	5,021	2,495	1,905
<b>On &amp; Off Exchange Value Traded - APAC (€bn)</b>	282	248	249	328	269	346	325	301	208	247	254	335	290	222	308	446	244	159
<i>EMEA - Off Exchange Market Value Traded on MTF** (€bn)</i>	95	83	85	125	107	104	87	107	76	71	56	83	95	74	82	180	114	84
<i>EMEA - Off Orderbook* Market Value Traded (€bn)</i>	17	19	18	21	21	20	17	23	17	15	13	17	21	17	22	46	24	18
<i>Americas - Off Exchange Market Value Traded (€bn)</i>	829	747	807	1,103	777	852	742	767	762	826	632	731	997	841	1,101	1,716	832	723
<i>APAC - On &amp; Off Exchange Market Value Traded in China (€ bn)</i>	190	146	154	193	141	195	189	161	104	137	145	218	119	99	115	164	131	78
<b>Assets under Management*** - Global (€bn)</b>	<b>Pending</b>	<b>n/a</b>	<b>n/a</b>	<b>7,168</b>	<b>n/a</b>	<b>n/a</b>	<b>6,422</b>	<b>n/a</b>	<b>n/a</b>	<b>5,788</b>	<b>n/a</b>	<b>n/a</b>	<b>5,480</b>	<b>n/a</b>	<b>n/a</b>	<b>4,801</b>	<b>n/a</b>	<b>n/a</b>
<b>Assets under Management - EMEA (€bn)</b>				1,154			1,053			947			888			780		
<b>Assets under Management - Americas (€bn)</b>				5,216			4,628			4,177			3,971			3,459		
<b>Assets under Management - APAC (€bn)</b>				798			741			664			622			562		
<b># of ETP listings - Global</b>	<b>14,135</b>	<b>13,914</b>	<b>13,758</b>	<b>13,701</b>	<b>13,479</b>	<b>13,386</b>	<b>13,298</b>	<b>13,257</b>	<b>13,165</b>	<b>13,122</b>	<b>13,039</b>	<b>12,980</b>	<b>12,902</b>	<b>13,124</b>	<b>13,027</b>	<b>12,947</b>	<b>12,910</b>	<b>12,788</b>
<b># of ETP listings - EMEA</b>	6,146	6,091	6,048	6,023	5,937	5,916	5,891	5,922	5,906	5,901	5,886	5,885	5,862	6,144	6,114	6,093	6,066	6,025
<b># of ETP listings - Americas</b>	5,488	5,369	5,305	5,286	5,207	5,147	5,113	5,064	5,011	4,971	4,915	4,881	4,847	4,798	4,757	4,725	4,726	4,656
<b># of ETP listings - APAC</b>	2,501	2,454	2,405	2,392	2,335	2,323	2,294	2,271	2,248	2,250	2,238	2,214	2,193	2,182	2,156	2,129	2,118	2,107
<b>Average VIX per month</b>	<b>16.89</b>	<b>20.10</b>	<b>17.52</b>	<b>22.26</b>	<b>23.66</b>	<b>24.91</b>	<b>22.49</b>	<b>25.34</b>	<b>29.38</b>	<b>28.06</b>	<b>22.92</b>	<b>27.17</b>	<b>31.53</b>	<b>31.31</b>	<b>42.17</b>	<b>57.73</b>	<b>19.58</b>	<b>14.15</b>
<b>VIX high per month</b>	19.82	25.58	18.47	28.42	31.50	33.38	27.85	37.46	38.80	33.89	24.47	31.44	39.57	38.08	56.68	77.60	44.43	18.09
<b>VIX low per month</b>	15.12	16.38	16.43	19.48	21.20	21.66	20.46	20.56	24.90	25.46	21.87	24.58	24.32	27.88	31.95	32.94	13.96	12.10

## 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 (issued quarterly)

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