

**FLOW TRADERS Q422 RESULTS**

Amsterdam, the Netherlands – Flow Traders Ltd. (Euronext: FLOW) announces its unaudited Q422 results.

**Highlights**

- Flow Traders recorded Normalized total income of €113.9m in Q422 comprising Normalized NTI of €115.6m reflecting a continued active trading environment and Normalized other income of €(1.7)m with revisions to the valuations of certain investments. FY22 Normalized total income was €460.6m vs €387.1m in FY21
- Flow Traders Value Traded was broadly flat quarter-on-quarter as was the overall ETP market. Strong increases in equity and fixed income value traded further demonstrated the growing resilience and trading diversification of the business
- Normalized operating expenses of €65.7m incurred in Q422 contributing to FY22 Normalized operating expenses of €252.4m. 19% year-on-year increase in fixed operating expenses when adjusted for effect of USD strengthening and targeted base compensation increases
- 660 FTEs as at 31 December 2022 compared to 639 as at 30 September 2022
- Normalized EBITDA in Q422 reached €48.2m representing a margin of 42% contributing to FY22 Normalized EBITDA of €208.2m with a margin of 45%
- Q422 Normalized net profit amounted to €33.6m with Normalized basic EPS of €0.78. FY22 Normalized net profit amounted to €150.2m with Normalized basic EPS of €3.45
- Regulatory Own Funds Requirement (OFR) as at 31 December 2022 was €274m, resulting in excess capital of €264m as at 31 December 2022. Following the completion of the corporate holding structure update on 13 January 2022, group consolidated regulatory capital is no longer applicable going forward. Trading capital stood at €651m at the end of the fourth quarter, generating a 71% return on trading capital
- Flow Traders proposes a final FY22 dividend of €0.80, implying a total dividend of €1.50 for FY22 and a 51% dividend payout ratio

**Financial Overview**

€million	Q422	Q322	Change	FY22	FY21	Change
<b>Normalized total income</b>	113.9	112.2	2%	460.6	387.1	19%
<b>Normalized net trading income</b>	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%)
<b>Normalized other income</b>	(1.7)	0.4	-	1.1	3.1	(63%)
Normalized employee expenses <sup>1</sup>	41.4	40.1	3%	164.0	140.3	17%
Technology expenses	16.4	16.1	2%	61.2	49.7	23%
Other expenses <sup>2</sup>	7.9	7.1	11%	27.3	18.7	46%
<b>Normalized operating expenses</b>	65.7	63.3	4%	252.4	208.6	21%
<b>Normalized EBITDA<sup>1</sup></b>	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	-	-
<b>Normalized profit before tax</b>	43.5	44.5	(2%)	191.2	163.2	17%
Normalized tax	10.0	9.9	-	41.0	32.3	-
<b>Normalized net profit</b>	33.6	34.5	(3%)	150.2	130.9	15%
Normalized basic EPS <sup>3</sup> (€)	0.78	0.79		3.45	3.00	
Normalized EBITDA margin	42%	44%		45%	46%	

**Value Traded Overview**

€billion	Q422	Q322	Change	FY22	FY21	Change
<b>Flow Traders ETP Value Traded</b>	396	409	(3%)	1,775	1,541	15%
Europe	179	178	1%	787	703	12%
Americas	195	212	(8%)	892	741	21%
Asia	22	20	13%	96	97	(1%)
<b>Flow Traders non-ETP Value Traded</b>	1,209	1,182	2%	4,989	4,209	19%
<b>Flow Traders Value Traded<sup>f</sup></b>	1,605	1,591	1%	6,765	5,750	18%
Equity	780	714	9%	3,349	3,121	7%
Fixed income	363	344	5%	1,323	1,036	28%
Currency, Crypto, Commodity	451	495	(9%)	1,940	1,422	36%
Other	11	37	(71%)	152	171	(11%)
<b>Market ETP Value Traded<sup>g</sup></b>	11,640	11,410	2%	51,811	36,835	41%
Europe	506	532	(5%)	2,371	2,035	17%
Americas	9,871	9,638	1%	44,675	31,056	44%
Asia	1,353	1,240	9%	4,764	3,744	27%
Asia ex China	403	395	2%	1,591	1,377	16%

**Regional Highlights****EUROPE:**

- 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
- Flow Traders was again the lead sponsor at the Fixed Income Leadership Summit which took place in Nice in October as the 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
- As a regulated and listed firm, Flow Traders is well-positioned in the digital assets space, utilizing proprietary trading infrastructure and diversified liquidity provision to continually support partners and the ecosystem through on- and off-exchange trading, accurate pricing, strategic investments, and centralized and on-chain market making. Regarding FTX, Flow Traders has an immaterial exposure and continues to manage risk effectively. Moreover, Flow Traders is supporting the Binance recovery fund which will provide liquidity to distressed crypto assets and is a key step ensuring greater stability in the broader crypto ecosystem

**AMERICAS:**

- 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. Flow Traders has also 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

**ASIA:**

- 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

### **Flow Traders Capital**

- Flow Traders Capital team has found that recent developments across the digital assets market have led to a number of strategic investment opportunities arising at more attractive entry valuations. Interest in strategically partnering with Flow Traders remains high and whilst new investment activity has reduced, focus has intensified on strategic planning with existing portfolio companies. The pipeline for new investment in both digital assets and traditional finance ecosystems remains strong
- To date, Flow Traders Capital has made a total of 23 investments to date representing a total value of €25.3m – this reflects minor adjustments to the portfolio in Q4 through a robust valuation process

### **Share Buyback Program**

- As of 8 February 2023, the total number of shares purchased under the ongoing €40m share buyback program is 1,159,791 shares at an average price of €21.33 for a total consideration of €24.7m. The purpose of the current buyback program is to return excess capital to shareholders. The intention is that shares repurchased as part of this program will initially be held in treasury and may be cancelled going forward
- 3,513,011 shares are held in treasury as at 8 February 2023 with 1,490,365 treasury shares repurchased for the purpose of satisfying the requirements of various employee incentive plans and 2,022,646 shares repurchased for the purpose of returning excess capital to shareholders

### **Corporate Structure and Leadership**

- On 13 January 2023, Flow Traders completed the update to its corporate holding structure. This followed receipt of shareholder approval at an Extraordinary General Meeting held on 2 December 2022 and fulfilment of all regulatory and other customary closing conditions. As a result of the update, the top holding company is now Flow Traders Ltd, an exempted company limited by shares under the law of Bermuda with the listing on Euronext Amsterdam retained. The update of the corporate holding structure enables Flow Traders to become more competitive as a global liquidity provider, particularly in relation to regulatory capital management. Different capital requirements will apply following the update of the holding structure which are expected to expand Flow Traders' strategic growth options. Furthermore, it will create a more level playing field with global peers with respect to the regulatory capital framework. Flow Traders' regulated entities will continue to be subject to supervision by their respective regulators
- Mike Kuehnel assumed the role of Chief Executive Officer of Flow Traders Ltd. on 1 February 2023. Dennis Dijkstra's intention not to seek reappointment and the CEO succession plan was announced on 18 November 2022

### **Outlook**

- 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 compared to €161.6m in 2022
- Substantial progress has been made in the detailed and thorough review of Flow Traders' capital structure as announced at the time of the previous trading update and Flow Traders will remain focused on all arising opportunities to create shareholder value through systematic capital management going forward

## **Management Comments**

### **Mike Kuehnel, CEO, stated:**

*“In 2022 as a whole, we made considerable progress delivering on our strategic growth ambitions which has seen an even more resilient and diverse business emerge. It is encouraging to see a structural return on our recent investments in the business. Indeed, 2022 saw record value traded versus last year across our three asset class pillars and we continue to grow our institutional counterparty base which now stands at more than 2,200. The successful completion of the update to our corporate holding structure means that we now have even greater trading flexibility and have laid the groundwork to undertake any potential inorganic growth activity.*”

*“Operating expense growth moderated in the fourth quarter and 2023 will see a continued focus on increasing the underlying efficiency of the business as we seek to further leverage the investments made in prior years. We also maintained our conservative capital position while implementing this growth strategy. Remaining cognisant of our trading capital position as well as the growth opportunities ahead, we have elected to pay a €0.80 per share final dividend to shareholders.*”

*“Despite increasing competition for talent in the market, we have been successful in attracting and recruiting the best talent and have welcomed many new colleagues in the past year. Lastly, on behalf of the entire Board and ExCo, I would like to take the opportunity to pay tribute to the professionalism, resilience, and loyalty of all our colleagues globally this past year. We are immensely grateful to our colleagues for their tremendous hard work which allowed for our considerable operational and strategic achievements and successes in 2022.”*

### **Folkert Joling, Chief Trading Officer, added:**

*“Heightened levels of market activity delivered a strong trading performance in the fourth quarter with all regions contributing meaningfully. We have continued to expand and broaden our trading activities even further across different products and asset classes and this is reflected in the results achieved throughout 2022. Our robust and prudent approach to risk management meant that we were immaterially affected by the collapse of FTX in November and our status as a listed, transparent, seasoned market participant improved our overall standing with investors and other market participants. As to be expected, we reduced our overall trading capital exposure to the various crypto platforms we trade with, fully recognising the increased risks present in the broader crypto market. This trading capital was naturally deployed to other areas of the business. We retain our conviction around the long-term potential of crypto and DeFi from both a trading as well as a technological and financial markets innovation perspective.*”

*“Looking ahead for 2023, we remain focused on executing our growth plans with respect to our business lines of Equity, Fixed Income and Crypto, Currencies and Commodities. Our achievements in 2022 have reinforced our confidence in our ability to deliver further growth going forward.”*

### **Preliminary Financial Calendar**

24 February 2023	Release 2022 Annual Report
31 March 2023	Start Silent Period ahead of Q123 trading update
21 April 2023	Release Q123 trading update (no analyst conference call)
26 April 2023	AGM
28 April 2023	FY22 final dividend proposed ex-dividend date
2 May 2023	FY22 final dividend proposed record date
4 May 2023	FY22 final dividend proposed payment date
30 June 2023	Start silent period ahead of H123 results
21 July 2023	Release H123 results (inc. analyst conference call)

### **Analyst Conference Call and Webcast**

The Q422 results analyst conference call will be held at 10:00 am CET on Thursday 9 February 2023. The presentation can be downloaded at [www.flowtraders.com/investors/results-centre](http://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](http://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 Q422 results:
  - 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

### Normalized to IFRS Reconciliation

€million	Q422	Q322	Change	FY22	FY21	Change
<b>Total income</b>	115.5	111.7	3%	458.7	384.0	19%
<b>Net trading income</b>	115.7	111.8	4%	460.2	384.0	20%
<b>Other income</b>	(0.2)	(0.1)	–	(1.5)	–	–
Employee expenses <sup>1</sup>	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	–	–
<b>Total operating expenses</b>	<b>72.4</b>	<b>63.9</b>	<b>13%</b>	<b>279.3</b>	<b>224.6</b>	<b>24%</b>
<b>EBITDA</b>	<b>43.2</b>	<b>47.8</b>	<b>(10%)</b>	<b>179.3</b>	<b>159.4</b>	<b>12%</b>
<b>Profit before tax</b>	<b>38.0</b>	<b>43.4</b>	<b>(12%)</b>	<b>161.7</b>	<b>144.7</b>	<b>12%</b>
<b>Net profit</b>	<b>29.5</b>	<b>33.8</b>	<b>(13%)</b>	<b>126.8</b>	<b>114.9</b>	<b>10%</b>
Basic EPS <sup>3</sup> (€)	0.68	0.78		2.92	2.63	
Fully diluted EPS <sup>6</sup> (€)	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%. €1.5m 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
<b>Normalized EBITDA</b>	<b>48.2</b>	<b>48.8</b>	<b>208.2</b>	<b>178.5</b>
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	-	-	-	-
<b>IFRS EBITDA</b>	<b>43.2</b>	<b>47.8</b>	<b>179.3</b>	<b>159.4</b>
<b>Normalized net profit</b>	<b>33.6</b>	<b>34.5</b>	<b>150.2</b>	<b>130.9</b>
Profit before tax IFRS adjustments	(5.5)	(1.1)	(29.5)	(18.4)
Tax difference	1.4	0.4	6.1	2.5
<b>IFRS net profit</b>	<b>29.5</b>	<b>33.8</b>	<b>126.8</b>	<b>114.9</b>

### 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. 42,834,628 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

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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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