



# 1H 18 results Flow Traders N.V.

Analyst Presentation

27 July 2018

**F L O W** ■ **T R A D E R S**

Amsterdam ■ Cluj ■ Hong Kong ■ New York ■ Singapore

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## Flow Traders delivered a record performance in 1H18

1H18 characterized by an eventful 1Q and a markedly slower 2Q, despite several geopolitical developments

### ETP market

- Assets in the underlying ETP market (AuM) grew to €4,237 bn (+6.9% HY-o-HY)\*\*
- Strong increase in volatility in 1Q18, before a decline in 2Q18 to levels just above historic averages
- 1H18 Market ETP Value Traded rose 21% Y-o-Y
- Market trading activity slowed down in 2Q18 after the strong 1Q18. Geopolitical developments across the globe did not spark much additional trading activity
- Consequently, in 1H18 market velocity varied, with elevated levels in 1Q18 and lower levels again in 2Q18
- ETP market flows traded via MTFs grew after the implementation of MiFID II as flows moved to lit venues

Market ETP Value Traded 1H18:

**€ 12,084 bn (+35% HY-o-HY)**

Flow Traders Non-ETP Value Traded 1H18:

**€ 1,313 bn (+22% HY-o-HY)**

\* Source: Bloomberg

\*\* Source: Blackrock ETP Landscape

### Flow Traders

- NTI reached a record €266.9m in 1H18, with record levels of value traded for Flow Traders. 2Q NTI reached €53.8m, reflecting the market slow down Q-o-Q
- Fixed costs grew 0.8% Q-o-Q, resulting in fixed costs growth in 1H18 of 4.1% Y-o-Y
- 2Q18 EBITDA margin of 36%, resulting in a 1H18 EBITDA margin of 57%
- Net Profit reached €126.8m in 1H18, resulting in an EPS of €2.73
- Interim dividend for FY18 set at €1.35
- Under the CRR capital requirement regulation, our Own Funds Requirement was €179 million as at 30 June 2018, resulting in excess capital of €111 million
- In APAC, Flow Traders became a designated Securities Market Maker on the Hong Kong Stock Exchange (SEHK), a Liquidity Provider on the Hong Kong Futures Exchange (HKFE) and a registered market maker in ETFs on the Tokyo Stock Exchange (TSE)
- In EMEA, FX liquidity providing has started, strategy is to roll out to more FX venues and counterparties in the coming months and accelerate growth
- In Americas, OTC trading continued to grow further and represents now already 25% of total values traded in the US by Flow Traders

Flow Traders' ETP Value Traded 1H18:

**€ 448.7 bn (+38% HY-o-HY)**

Flow Traders' NTI 1H18:

**€ 266.9 m (+276% HY-o-HY)**

EPS 1H18:

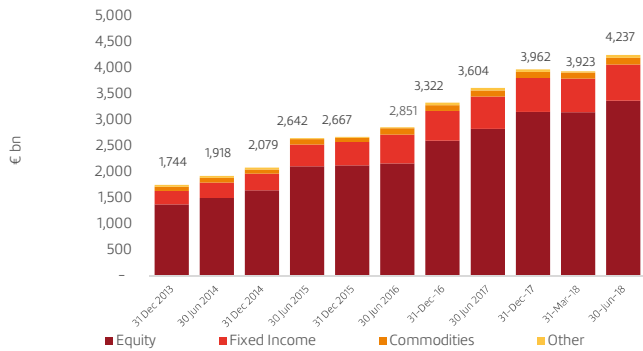
**€ 2.73**

Interim dividend 2018:

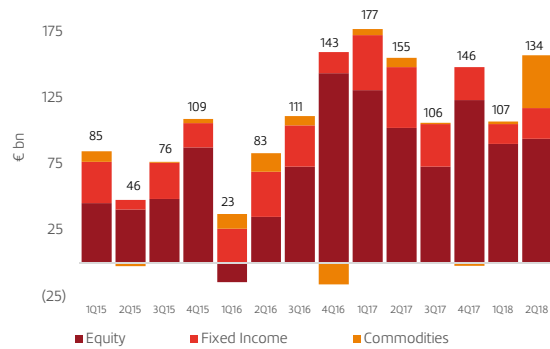
**€ 1.35**

# ETP market show ongoing momentum, triggered by good market activity in various asset classes

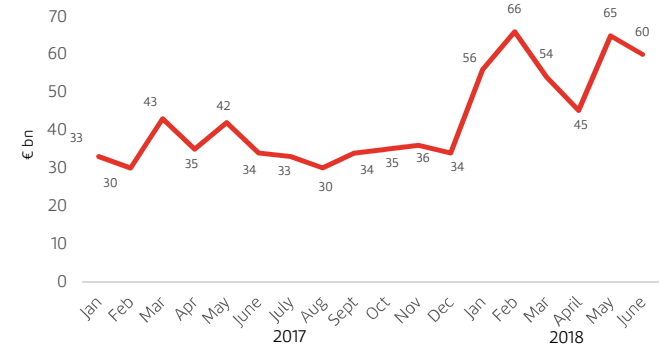
Global ETP Assets under Management (AuM) growth picked up again to reach new highs



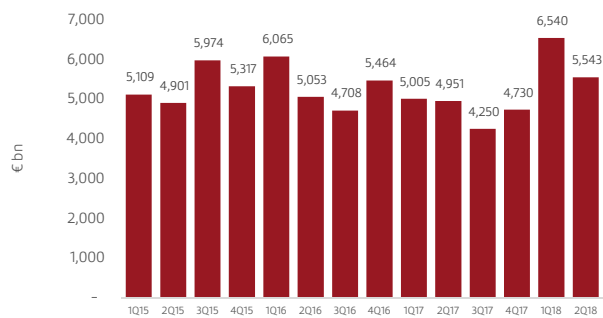
Net flow trends show change in activity in Equity-ETPs. Commodities ETPs showed a clear pickup in 2Q18



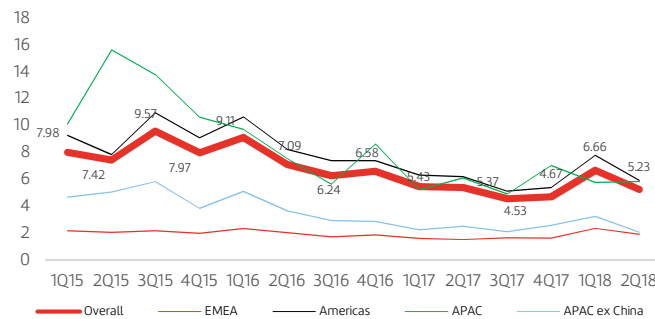
EMEA flow on MTFs show a clear pickup in 2018 after MiFID II came into force



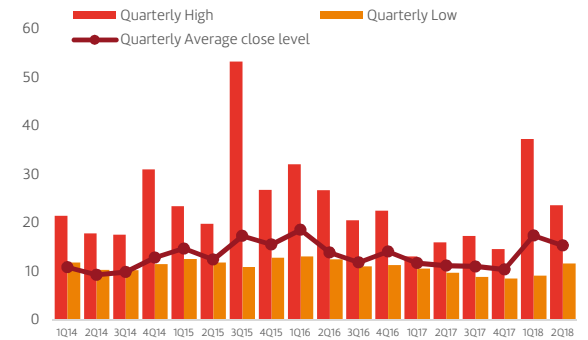
Market ETP Value Traded show upward trend line since 3Q17, with an exceptional increase in 1Q18



Velocity confirms trend line in ETP Values Traded with an exceptional performance in 1Q18



After pickup in 1Q18 in VIX, average volatility in the quarter fell back but remained above historic averages



\* Source: Blackrock, Flow Traders, Bloomberg  
 \*\* Market Velocity is the Market ETP Value Traded divided by the Market ETP Assets under Management

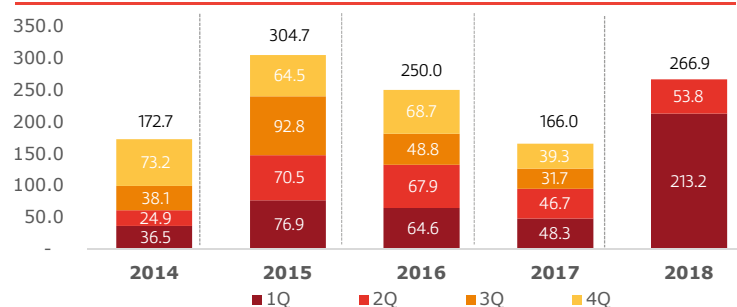
## Flow Traders grew its market presence globally in 1H18

### KPIs Flow Traders (\*)

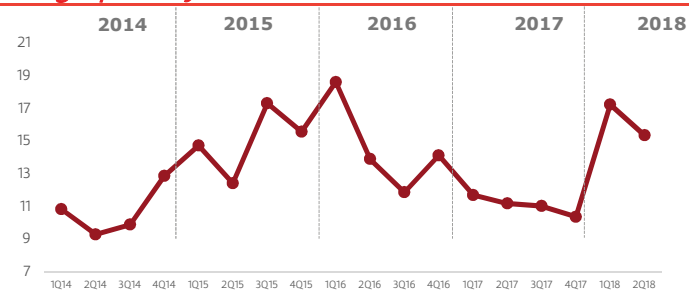
#### Consolidated overview

<i>In €bn unless otherwise stated</i>	1H18	2H17	Δ	YTD 18	YTD 17	Δ
<b>Flow Traders ETP Value Traded</b>	<b>448.7</b>	<b>326.3</b>	<b>38%</b>	<b>448.7</b>	<b>359.5</b>	<b>25%</b>
<i>Europe</i>	255.7	199.7	28%	255.7	218.6	17%
<i>Americas</i>	175.7	114.9	53%	175.7	129.7	36%
<i>APAC</i>	17.4	11.7	48%	17.4	11.3	54%
<b>Flow Traders Non- ETP Value Traded</b>	<b>1,313</b>	<b>1,073</b>	<b>22%</b>	<b>1,313</b>	<b>1,142</b>	<b>15%</b>
<b>Flow Traders NTI (€m)</b>	<b>266.9</b>	<b>71.0</b>	<b>276%</b>	<b>266.9</b>	<b>95.0</b>	<b>181%</b>
<i>Europe</i>	81.9	49.0	67%	81.9	65.7	25%
<i>Americas</i>	167.4	12.7	1217%	167.4	21.3	684%
<i>APAC</i>	17.7	9.3	90%	17.7	8.0	122%
<b>Market ETP Value Traded</b>	<b>12,084</b>	<b>8,981</b>	<b>35%</b>	<b>12,084</b>	<b>9,956</b>	<b>21%</b>
<i>Europe</i>	720	593	21%	720	676	6%
<i>Americas</i>	10,237	7,334	40%	10,237	8,392	22%
<i>APAC</i>	1,127	1,053	7%	1,127	887	27%
<i>APAC excl. China</i>	509	396	29%	509	371	37%

### Flow Traders NTI (in €m)



### Average quarterly VIX



### Highlights

- 1H18 value traded outperformed market developments, indicating market share gains across all regions
- Flow Traders' performance continued to grow, following the roll out of its organic long term growth strategy and diversification of the mix of assets traded
- Growth initiatives started to contribute to the overall performance in 1H18, albeit not materially
- OTC trading in the US keeps on gaining momentum, with the number of US counterparties up by 66% and OTC trading now representing about 25% of total value traded in the US

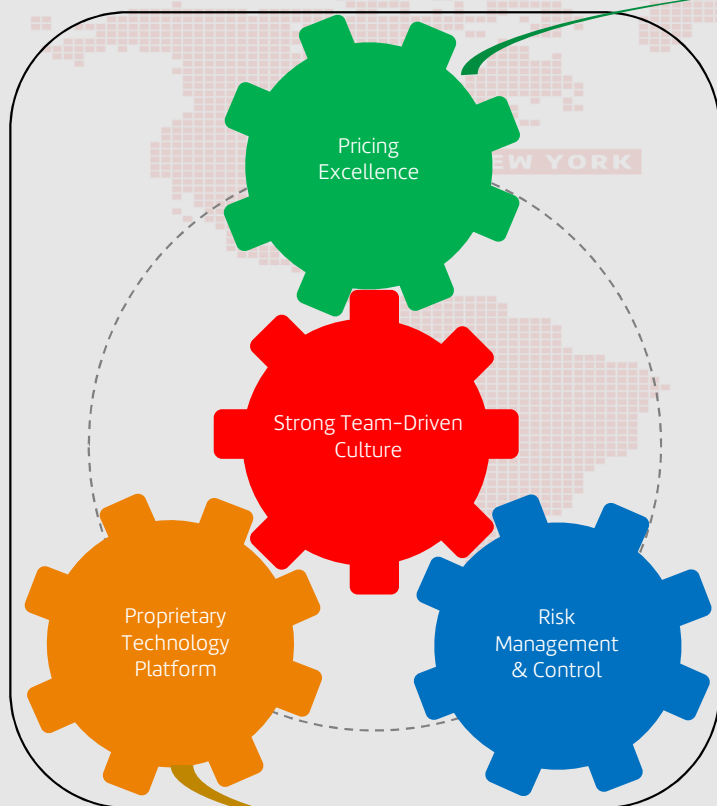
(\*): Market Value Traded is restated based on Flow Traders Market reference data. YTD volumes have been corrected versus previous reports due to MTF inclusion

## Reiterating Flow Traders' long term strategic focus on organic growth and maximizing NTI growth

Flow Traders' 1H18 financial performance is a result of our commitment to our long term growth strategy. This commitment translates into:

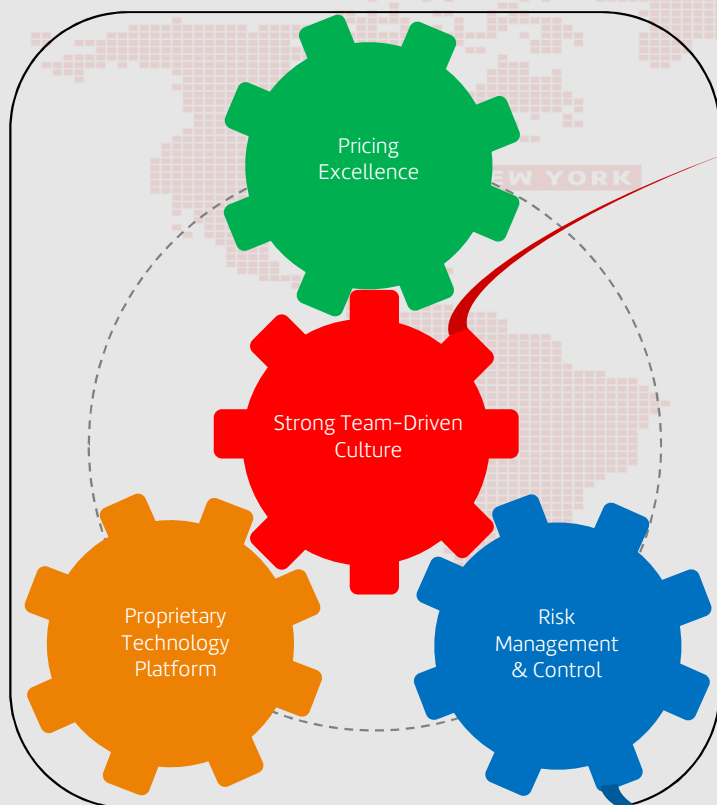
- Flow Traders continuously focusing on organic growth and remaining the leading technology-enabled ETP liquidity provider
- Flow Traders continuously growing its global presence in ETPs with a strong focus on the Americas and APAC region
- Flow Traders accelerating the diversification of its trading activities into new asset classes and related products
- Flow Traders remaining disciplined on costs, growing fixed expenses by a maximum of 15% annually

## Update on execution of Flow Traders long term growth strategy -1



- Pricing excellence developed in 1H18 (versus end 2017) through:
  - \* 8% growth in official liquidity providerships to over 6,000 ETPs, covering over 50% of all outstanding ETPs (in total est. 11k)
  - \* 10% growth in number of counterparties to 775, with momentum in the US
  - \* 5% growth in number of venues connected to 109, connecting currencies venues, new MiFID II venues and dark pools
  - \* improved trading capabilities in EMEA following the FX rollout
- Technology developed in 1H18 (versus end 2017) through:
  - \* enabling new desks to trade currencies, bonds and ETPs in all regions
  - \* connecting new venues across the globe
  - \* good implementation and successful follow up of MiFID II
  - \* enabling status as designated Securities Market Maker on Hong Kong Stock Exchange, Liquidity Provider on Hong Kong Futures Exchange and registered ETF Market Maker on Tokyo Stock Exchange
  - \* decreasing dependencies on third parties, allowing for better cost control

## Update on execution of Flow Traders long term growth strategy -2



- **Team-driven Culture** developed in 1H18 (versus end 2017) through:
  - \* FTE growth of +4.5% to 412 FTEs end 1H18
  - \* actively rotate employees internally across offices
  - \* building out our internal Flow Academy to increase knowledge sharing
  - \* launching employee participation plan
  - \* preparing the start of our graduate software development program
- **Risk & Control** developed in 1H18 (versus end 2017) through:
  - \* allowing the business to grow while improving operational efficiencies
  - \* preventing loss days
  - \* completing KYC processes on almost 70 new counterparties
  - \* controlling “going live” of new desks and trading venues
  - \* adjusting to new regulatory capital requirements in record time
  - \* tight cost control, allowing for maximization of shareholder returns



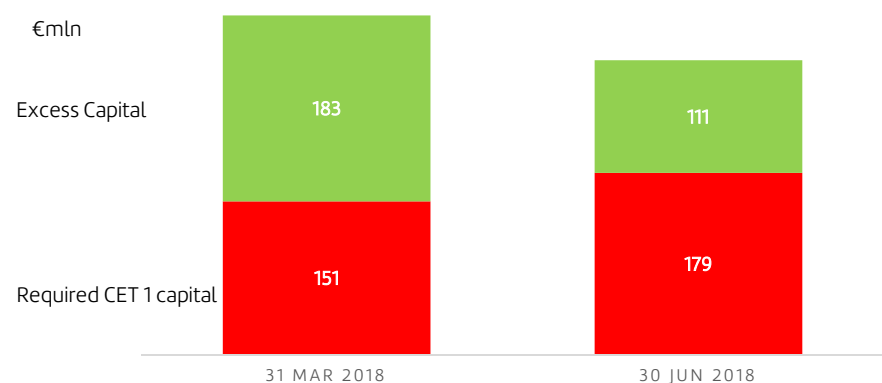
## Strong financial performance in 1H18

Consolidated (in €m)	1H18 vs			YTD18 vs		
	1H18	2H17	2H17	YTD 18	YTD 17	YTD17
<b>Net Trading Income</b>	<b>266.9</b>	<b>71.0</b>	<b>276%</b>	<b>266.9</b>	<b>95.0</b>	<b>181%</b>
Employee expenses (fixed)	17.6	16.8	5%	17.6	15.4	15%
Technology expenses	17.5	18.5	(5%)	17.5	18.8	(7%)
Other expenses	8.4	7.5	13%	8.4	7.7	9%
<b>Fixed operational Expenses</b>	<b>43.6</b>	<b>42.9</b>	<b>1.7%</b>	<b>43.6</b>	<b>41.9</b>	<b>4.1%</b>
Employee expenses (variable)	70.0	7.3	859%	70.0	17.9	292%
<b>Total operational expenses</b>	<b>113.6</b>	<b>50.2</b>	<b>127%</b>	<b>113.6</b>	<b>59.7</b>	<b>90%</b>
<b>EBITDA</b>	<b>153.3</b>	<b>20.8</b>	<b>636%</b>	<b>153.3</b>	<b>35.2</b>	<b>335%</b>
Depreciation / Amortisation	4.1	3.8		4.1	3.4	
Write offs tangible assets	0.1	0.5		0.1	-	
(Profit) or loss on subsidiaries	(3.1)	(0.1)		(3.1)	-	
<b>Profit Before Tax</b>	<b>152.2</b>	<b>16.6</b>	<b>815%</b>	<b>152.2</b>	<b>31.8</b>	<b>378%</b>
Tax	25.3	3.1		25.3	5.7	
<b>Net Profit</b>	<b>126.8</b>	<b>13.5</b>	<b>840%</b>	<b>126.8</b>	<b>26.1</b>	<b>386%</b>
EPS (in €)	2.73	0.29		2.73	0.56	
EBITDA margin (in %)	57%	29%		57%	37%	

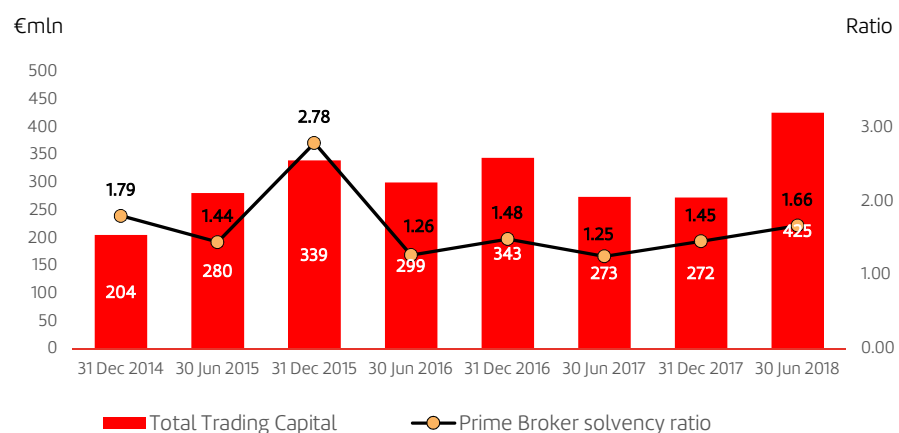
- 2018 YTD cost growth is +4.1%, with focus on Technology- and FTE expenses
- FY18 fixed cost growth guidance remains max +15%
- FTEs grew 4.5% from 394 end 2017 to 412 end 2Q18
- Variable expenses include the IFRS treatment of the employee participation plan (FCIP)
- Variable compensation pool amounted to 32% of Profit before Tax, following IFRS treatment FCIP
- Profit in subsidiaries relates to sale shares in subsidiary Think ETF Asset Management B.V.
- 1H18 overall Effective tax Rate was 16.7%

# Regulatory capital remains well within CRR capital requirements – interim dividend FY18 set at €1.35

*CET 1 required levels under CRR – Flow Traders NV*



*Development of Prime Broker solvency ratio\**



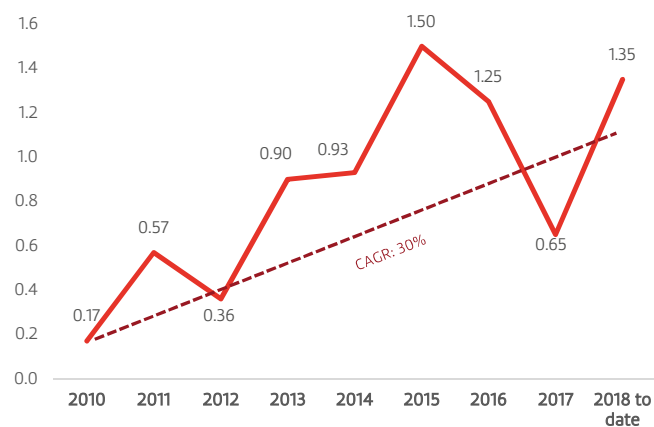
Note \*: Total Trading Capital divided by Prime Broker haircut

## Highlights

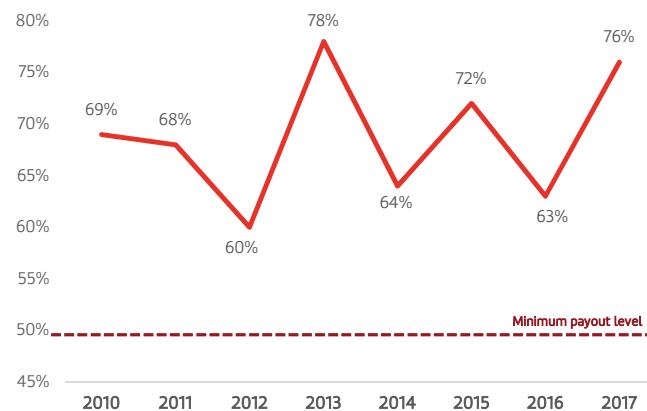
- Flow Traders' trading capital remained comfortably above our Prime Broker requirements and Own Fund Requirements under CRR
- Own Funds Requirement under CRR of €179 million resulted in an excess capital of €111 million as at 30 June 2018
- Based on our strong and unleveraged balance sheet and high free cash flow generation, Flow Traders announces an interim dividend of €1.35
- Regarding the new IFR/IFD legislation, Flow Traders is currently involved in various discussions and advocacies, implementation is still expected in 2020

## Dividend growth trend line showing a 30% CAGR since 2010

*Development of Dividend*



*Development of Dividend Payout Ratio*



### Annual dividend growth in line with NTI increase

- Interim dividend for 2018 is set at €1.35, which is over 50% of our 1H18 EPS
- Interim dividend over 2018 confirms the historic dividend growth path
- Since the 2015 IPO, Flow Traders has returned €4.75 per share to its shareholders, including FY18 interim dividend

# Q&A

*Thank you!*

## Appendix



# Monthly markets update as published at the end of 2Q18

## ETP Market Update June 2018 (unaudited)

	2018						2017												
	June	May	April	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	
On & Off Exchange* Value Traded - Global (€bn)	1,880	1,794	1,870	2,080	2,478	1,983	1,690	1,605	1,435	1,379	1,552	1,320	1,802	1,599	1,550	1,961	1,438	1,605	
On & Off Exchange* Value Traded - EMEA (€bn)	115	126	97	118	139	125	99	108	96	99	92	100	105	129	103	127	103	109	
On & Off Exchange Value Traded - Americas (€bn)	1,574	1,473	1,573	1,759	2,178	1,680	1,360	1,262	1,186	1,137	1,310	1,080	1,525	1,315	1,297	1,650	1,215	1,391	
On & Off Exchange Value Traded - APAC (€bn)	191	195	200	202	162	178	231	236	154	143	150	140	172	155	150	185	120	105	
EMEA - Off Exchange Market Value Traded on MTF** (€bn)	60	65	45	54	66	56	34	36	35	34	30	33	34	42	35	43	30	33	
EMEA - Off Orderbook* Market Value Traded (€bn)	9	10	9	10	9	12	22	27	23	25	25	28	28	35	26	35	33	29	
Americas - Off Exchange Market Value Traded (€bn)	550	514	538	619	720	674	529	452	448	430	461	393	528	475	465	606	453	538	
APAC - On & Off Exchange Market Value Traded in China (€ bn)	123	131	125	102	56	82	166	141	87	86	92	86	103	92	88	119	68	48	
Assets under Management*** - Global (€bn)	4,237	4,271	4,045	3,923	3,997	4,055	3,962	3,909	3,883	3,718	3,613	3,590	3,604	3,596	3,622	3,610	3,556	3,363	
Assets under Management - EMEA (€bn)	714	721	673	658	667	671	660	652	648	627	609	605	607	604	599	595	574	548	
Assets under Management - Americas (€bn)	3,120	3,143	2,977	2,888	2,957	3,015	2,949	2,905	2,891	2,764	2,686	2,674	2,684	2,679	2,710	2,700	2,670	2,521	
Assets under Management - APAC (€bn)	403	407	395	377	373	368	354	351	344	327	319	311	313	314	313	315	312	294	
# of ETP listings - Global	11,180	11,114	11,095	10,959	10,856	10,751	10,757	10,733	10,691	10,619	10,466	10,460	10,394	10,280	10,156	10,079	9,897	9,833	
# of ETP listings - EMEA	5,559	5,551	5,555	5,517	5,433	5,393	5,486	5,527	5,573	5,532	5,439	5,455	5,443	5,400	5,351	5,306	5,196	5,169	
# of ETP listings - Americas	3,930	3,878	3,885	3,805	3,815	3,760	3,679	3,634	3,572	3,545	3,513	3,523	3,493	3,449	3,390	3,370	3,344	3,316	
# of ETP listings - APAC	1,691	1,685	1,655	1,637	1,608	1,598	1,592	1,572	1,546	1,542	1,514	1,482	1,458	1,431	1,415	1,403	1,357	1,348	
# of new ETP products - Global	77	106	86	179	118	107	115	145	96	122	76	65	76	112	78	98	58	56	
# of new ETP products - EMEA	27	39	32	125	50	34	50	55	33	32	20	23	18	63	30	16	14	16	
# of new ETP products - Americas	28	34	19	29	44	57	35	60	47	64	17	22	37	31	31	26	36	33	
# of new ETP products - APAC	22	33	35	25	24	16	30	30	16	26	39	20	21	18	17	56	8	7	

### Notes:

\*: Off Exchange flow EMEA includes Off Orderbook flow printed on exchange and flows via MTFs. This is still excluding flows via SI

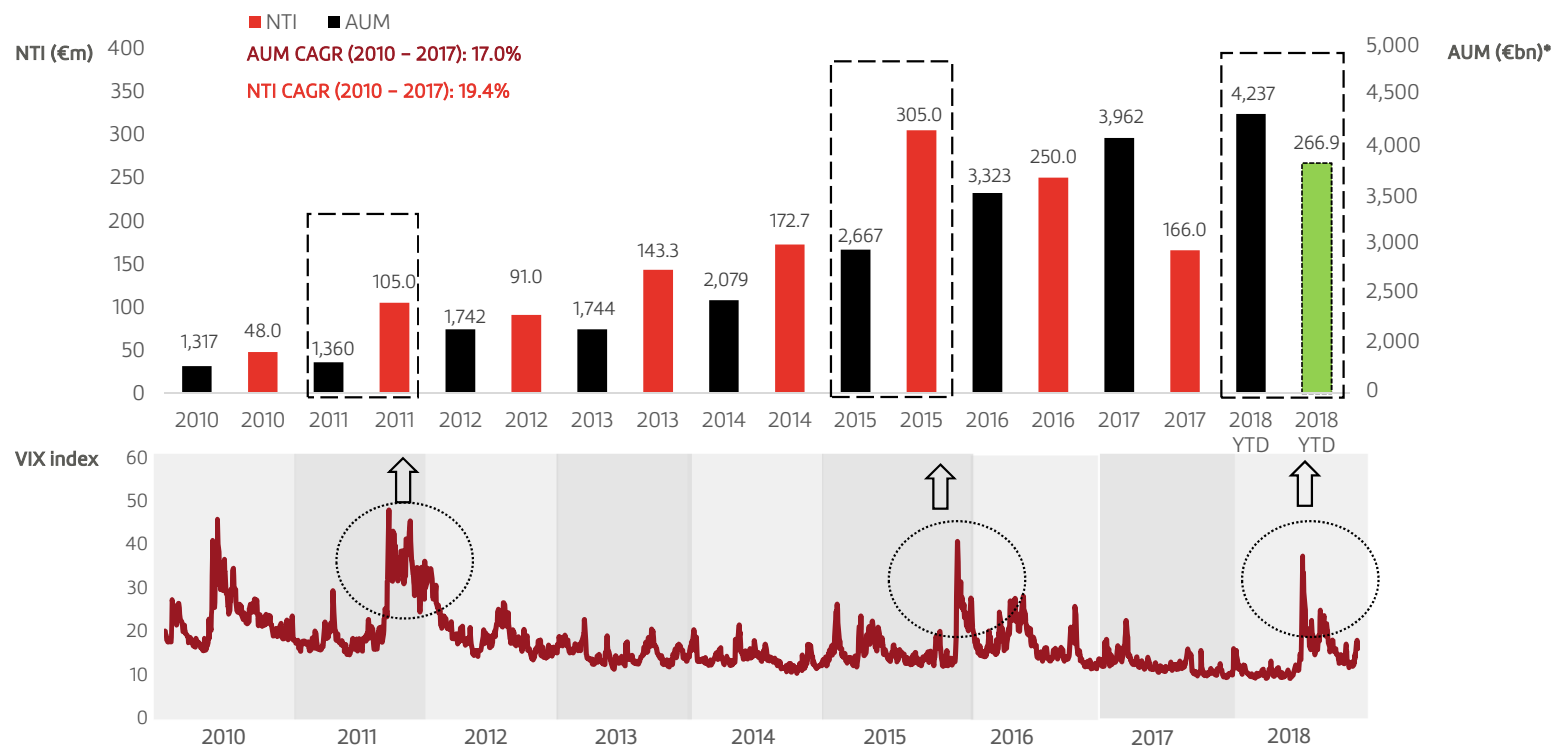
\*\*: Publicly available data about market flows traded on MTFs, representing Tradeweb and Bloomberg RfQ

\*\*\* Assets under Management estimates as included in Blackrock Global ETP Landscape

Source: Blackrock Global ETP Landscape, Tradeweb, Bloomberg RfQ, Flow Traders analysis

# Cyclicality of NTI performance Flow Traders through time made visible versus ETP market dynamics

Flow Traders' NTI (in €m), Market's AUM (€Bn) and VIX index since 2010



Despite varying levels of volatility through the years, Flow Traders NTI growth trend has consistently outperformed the market AuM growth trend since 2010