



# Flow Traders N.V.

Investor Presentation

November 2019

**F L O W** ■ **T R A D E R S**

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

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# 3Q19 results snapshot

Robust trading performance in EMEA and APAC offset weaker than expected trading in the US

## ETP market dynamics 3Q19

- Market ETP Value Traded grew 6% quarter-on-quarter and 7% YTD9m19 vs YTD9m18
- Global Assets under Management (AuM\*) invested in ETPs at the end of 3Q19 reached €5,157 billion, which is a 4% increase Q-o-Q
- ETP market flows traded via MTFs have stabilised now that MiFID II has been in effect over 1 year
- VIX levels increased during 3Q19; particularly in August

## Flow Traders performance 3Q19

- Flow Traders ETP Value Traded grew 12% quarter-on-quarter and 21% YTD9m19 vs YTD9m18, significantly outpacing the overall market growth
- Flow Traders recorded NTI of €53.3m in 3Q19 as robust trading performance in EMEA and APAC offset weaker than expected trading in the US
- Fixed operating expenses increased by 4% quarter-on-quarter and by 9% in YTD 9m19 vs YTD 9m18, which also reflects the impact of IFRS 16
- Net Profit for the quarter was €12.9m with EPS of €0.28
- Regulatory Own Funds Requirement (OFR) as at 30 September 2019 was €158m, resulting in an excess capital of €135m
- Consolidated position as leading liquidity provider in ETPs in EMEA
- Focus remains on improving efficiency, enlarging the ETP footprint and trading diversification into other asset classes

Market ETP Value Traded 3Q19:  
**€6,174 billion (+6% Q-o-Q)**

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Global ETP AuM end 3Q19:  
**€5,517 billion (+4% Q-o-Q)**

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Flow Traders' ETP Value Traded 3Q19:  
**€264.1 billion (+12% Q-o-Q)**

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Flow Traders' non-ETP Value Traded 3Q19:  
**€817 billion (+18% Q-o-Q)**

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Flow Traders' NTI 3Q19:  
**€53.3 million (-1% Q-o-Q)**

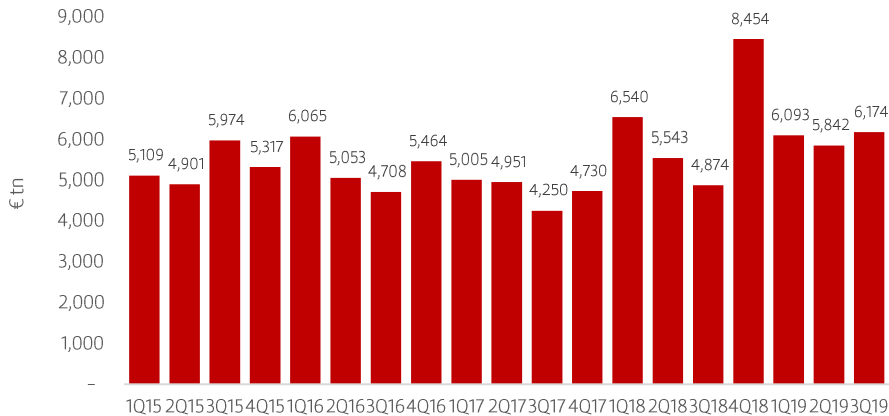
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EPS 3Q19:  
**€0.28**

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# ETP market activity increased in 3Q19

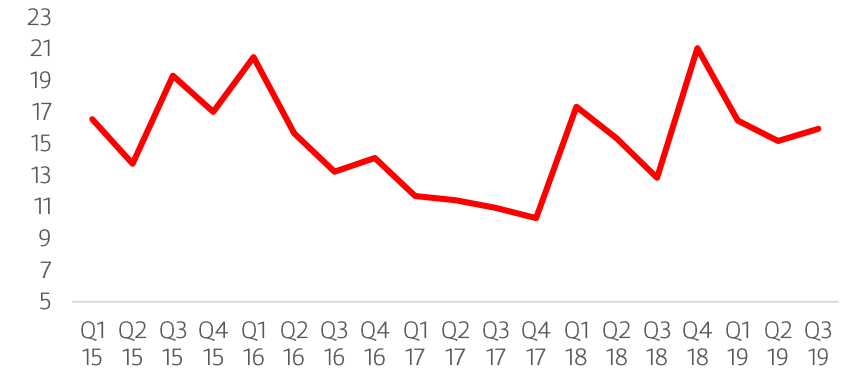
## ETP Value Traded development \*\*



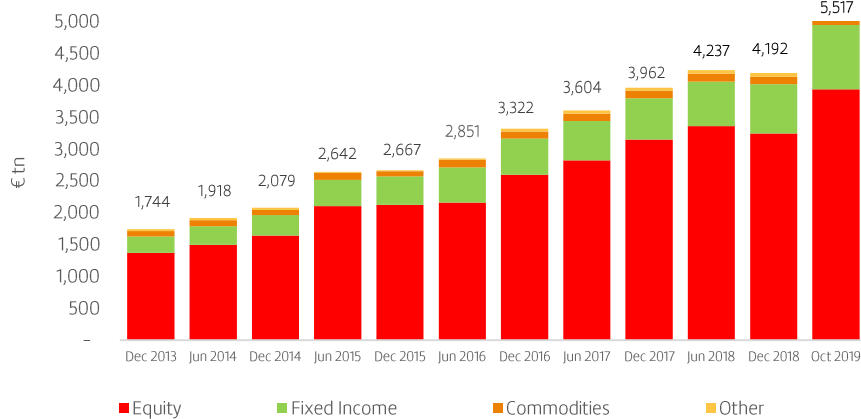
### GENERAL EVENTS IMPACTING GLOBAL MARKETS

- Central bank actions (inc. Fed rate cuts)
- Developments around Brexit had an impact on market sentiment in Europe
- US – China trade tensions continued in 3Q
- Attacks on Saudi Arabia's energy infrastructure

## Quarterly average VIX



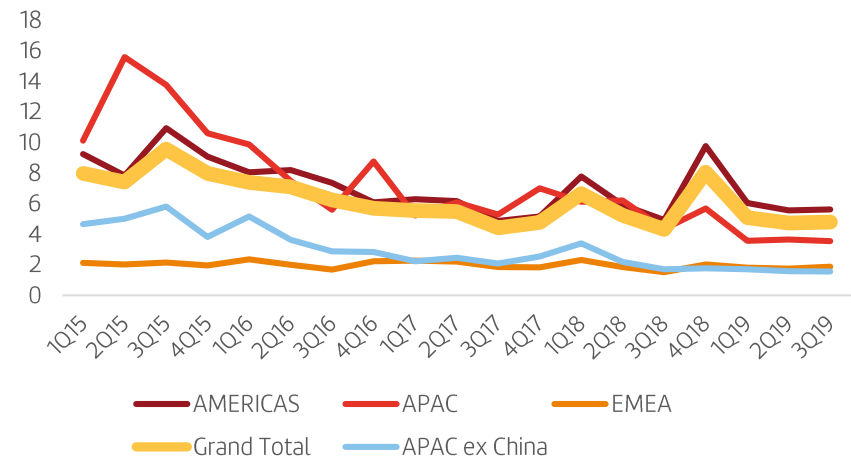
## ETP AuM development \*\*



### ETP MARKET DEVELOPMENTS

- Global ETP AuM have recovered strongly in 2019, signalling underlying growth trends in sector still in tact (\*\*\*)
- ETP AuM growth in Equities and Fixed Income continues
- Global ETP Value Traded increased by 6% Q-o-Q in 3Q19
- Implied volatility (VIX) ticked up during 3Q19
- As a result of the above, ETP Velocity increased slightly in 3Q19 compared to 2Q19

## ETP velocity



\*: Based on realized volatility in INDU, SPX, LSE, ENX, HSI, SHSZ300. Source Bloomberg  
 \*\*: Source Bloomberg, iShares, Tradeweb, Bloomberg RFQ, Flow Traders. See appendix  
 \*\*\*: BlackRock iShares ETP Landscape update 2Q19 was not published at time of reporting

# Strong focus on scale and efficiency lead to further market share gains

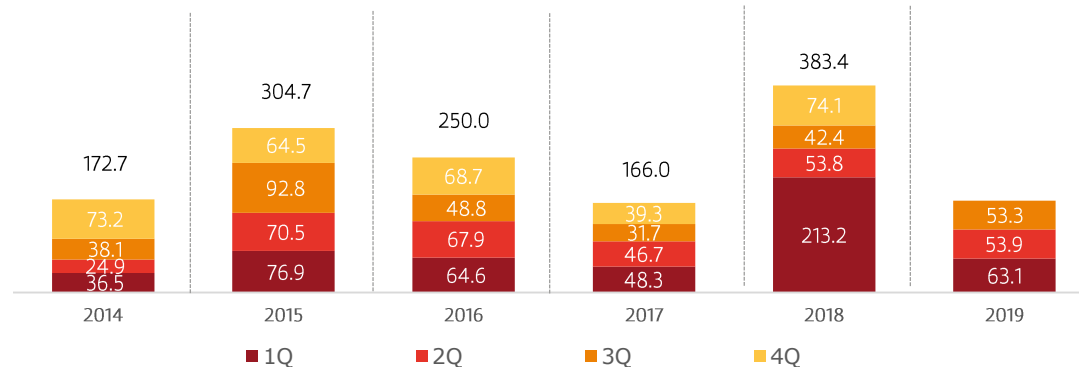
## KPIs

*In €bn unless otherwise stated*

	3Q19	2Q19	Δ	YTD19	YTD18	Δ
<b>Flow Traders ETP Value Traded</b>	<b>264.1</b>	<b>235.4</b>	<b>12%</b>	<b>758.0</b>	<b>626.6</b>	<b>21%</b>
<i>Europe</i>	132.8	121.0	10%	382.5	350.2	9%
<i>Americas</i>	118.5	105.0	13%	344.7	251.6	37%
<i>APAC</i>	12.8	9.3	37%	30.8	24.8	24%
<b>Flow Traders Non-ETP Value Traded</b>	<b>817</b>	<b>694</b>	<b>18%</b>	<b>2,249</b>	<b>1,874</b>	<b>20%</b>
<b>Flow Traders NTI (€m)</b>	<b>53.4</b>	<b>53.9</b>	<b>(1%)</b>	<b>170.3</b>	<b>309.4</b>	<b>(45%)</b>
<i>Europe</i>	35.2	32.1	10%	104.8	109.4	(4%)
<i>Americas</i>	9.4	15.3	(39%)	41.9	175.5	(76%)
<i>APAC</i>	8.7	6.5	34%	23.6	24.5	(4%)
<b>Market ETP Value Traded</b>	<b>6,174</b>	<b>5,842</b>	<b>6%</b>	<b>18,108</b>	<b>16,959</b>	<b>7%</b>
<i>Europe</i>	394	355	11%	1,104	1,001	10%
<i>Americas</i>	5,284	5,002	6%	15,567	14,329	9%
<i>APAC</i>	496	485	2%	1,437	1,629	(12%)
<i>APAC excl. China</i>	217	209	4%	643	707	(9%)

(\*): Market Value Traded is based on Flow Traders Market reference data, corrected for MTF inclusion

## NTI progression (€m)



## EMEA

- Flow Traders ETP market share continued to grow, consolidating our number 1 position on-screen as well as OTC in the EMEA market
- Flow Traders ETP Value Traded reached €133bn, 10% higher than 2Q19, compared to a 11% increase in market ETP Value Traded versus 2Q19
- Number of counterparties continued to grow
- Became a remote member of the Tel Aviv Stock Exchange to act as liquidity provider in Israel to support Blackrock's iShares ETP listings
- Well prepared for all Brexit scenarios

## Americas

- Flow Traders ETP market share in 3Q19 was consistently above 2%
- Flow Traders ETP Value Traded reached €119bn, which is a 13% increase versus 2Q19, compared to a 11% increase in market ETP Value Traded versus 2Q19
- Continued to grow its position in the region with lower than expected NTI mainly driven by Fixed Income as the business is being repositioned for future growth
- Sustained strong OTC momentum as more ETP flow was traded with additional, newly connected counterparties

## APAC

- Flow Traders ETP market share improved markedly from 2Q19 given favourable market conditions and focused trading strategies
- Flow Traders ETP Value Traded, ex China, reached €13bn, 37% higher than 2Q19, compared to a 4% increase in market ETP Value Traded versus 2Q19
- Completed the consolidation of the dealing rooms in APAC and trading has been optimized by moving all trading desks for on-screen liquidity provision to Hong Kong

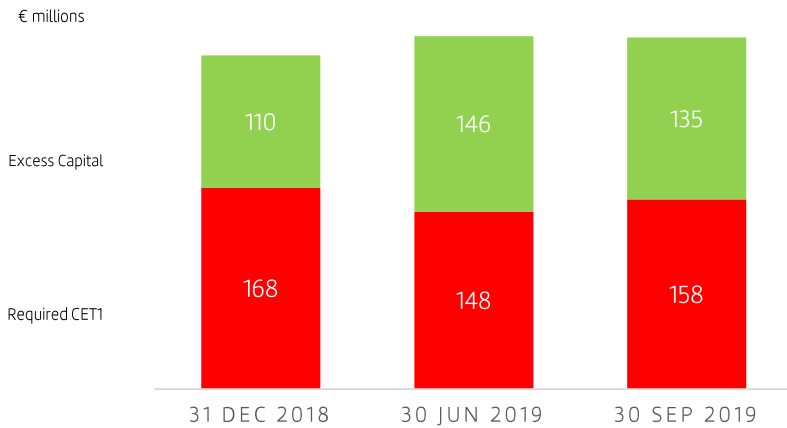
# Strong cost control supports financial performance in 3Q19

€ millions	3Q19	2Q19	▲	YTD 9m19	YTD 9m18	▲
<b>Net Trading Income</b>	<b>53.3</b>	<b>53.9</b>	(1%)	<b>170.3</b>	<b>309.4</b>	(45%)
<i>Employee expenses (fixed)</i>	11.1	10.6	5%	32.0	26.5	21%
<i>Technology expenses</i>	10.0	9.3	7%	28.8	26.6	8%
<i>Other expenses</i>	3.9	4.0	(4%)	11.4	13.4	(14%)
<b>Fixed operational expenses</b>	<b>25.0</b>	<b>23.9</b>	4%	<b>72.2</b>	<b>66.5</b>	9%
<i>Employee expenses (variable)</i>	8.8	9.1	(3%)	30.9	76.8	(60%)
<b>Total operational expenses</b>	<b>33.8</b>	<b>33.0</b>	2%	<b>103.1</b>	<b>143.3</b>	(28%)
<b>EBITDA</b>	<b>19.5</b>	<b>20.9</b>	(7%)	<b>67.2</b>	<b>166.1</b>	(60%)
<i>Depreciation / Amortisation</i>	3.7	3.7		10.9	6.5	
<i>Write offs tangible assets</i>	-	0.0		0.1	0.1	
<i>(Profit) or loss on subsidiaries</i>	-	(0.1)		(0.1)	(3.1)	
<b>Profit Before Tax</b>	<b>15.8</b>	<b>17.3</b>	(8%)	<b>56.3</b>	<b>162.6</b>	(65%)
<i>Tax</i>	2.9	3.5		10.4	27.5	
<b>Net Profit</b>	<b>12.9</b>	<b>13.8</b>	(6%)	<b>45.9</b>	<b>135.1</b>	(66%)
EPS (in €)	0.28	0.30		0.99	2.91	
EBITDA margin	37%	39%		39%	54%	

- NTI and fixed operating expenses remained broadly flat Q-o-Q, confirming tight cost control
- FY19 fixed cost growth guidance remains max +15% annually
- Main driver of the increased fixed cost base relates to new hires. Technology spend has also increased as we invest further in the trading business
- Variable expenses include IFRS accounting treatment for employee share participation plans of previous years
- IFRS 16 affects depreciation and other expenses
- 3Q19 overall Effective Tax Rate was 18%

# Capital position remains strong and conservative

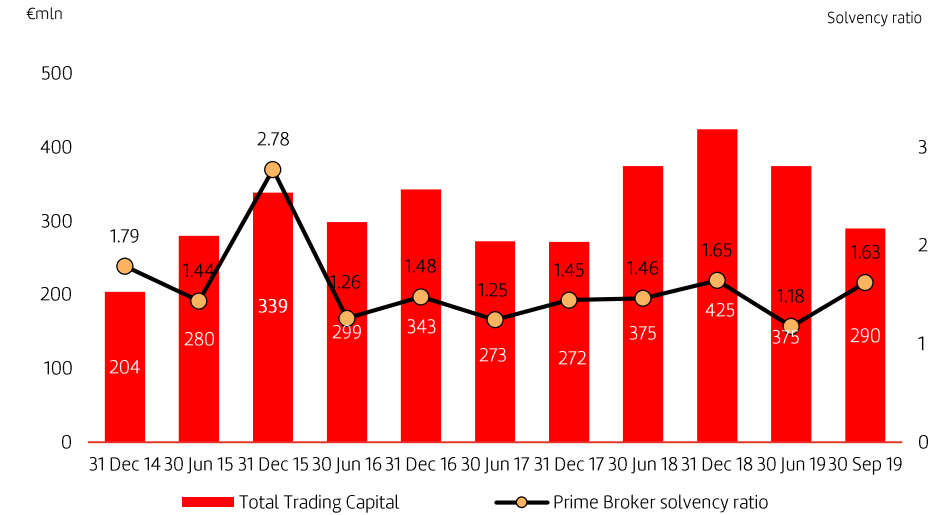
## Regulatory Own Funds Requirement (OFR)



### CAPITAL POSITION HIGHLIGHTS

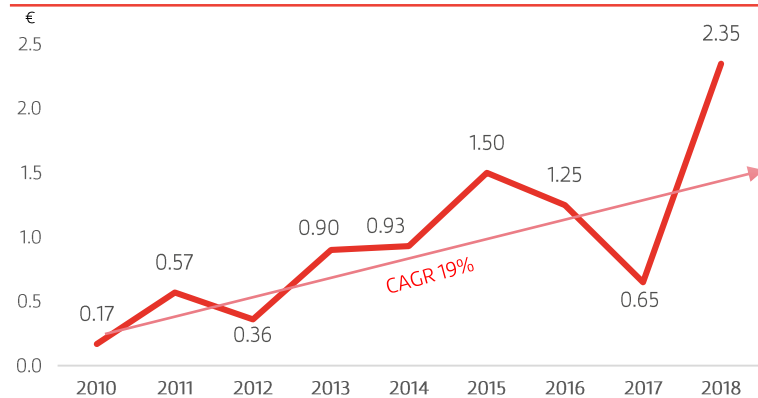
- Flow Traders' trading capital remained comfortably above our Prime Broker requirements and Own Fund Requirements under CRR in 3Q19
- Regulatory Own Funds Requirement under CRR of €158m resulted in an excess capital of €135m as at 30 September 2019
- Prime Broker solvency ratio remained within boundaries with trading capital at €290m as at 30 September 2019

## Prime broker solvency ratio



Note: Total Trading Capital divided by Prime Broker haircut

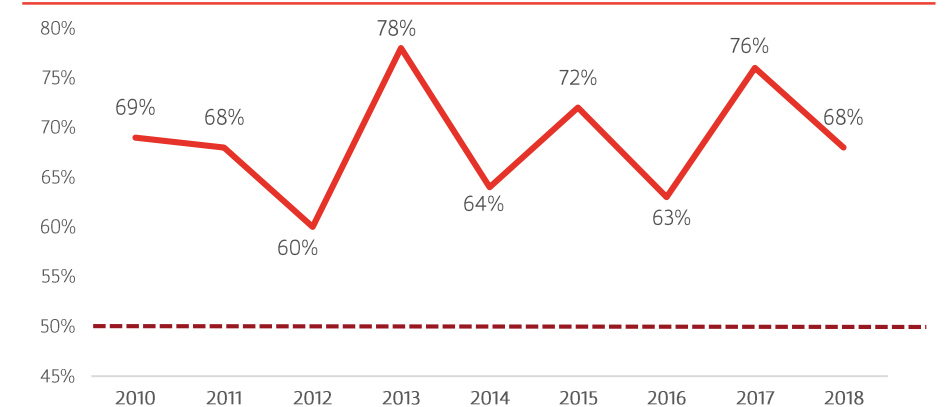
## Annual dividend



### DIVIDEND HIGHLIGHTS

- Flow Traders intends to pay its annual dividend in 2 instalments
- Dividend policy targets to return at least 50% of its net profits to shareholders
- Flow Traders paid an 2019 interim dividend of €0.35
- Aggregate dividend paid out since IPO amounts to €6.10 including interim dividend for FY19


## Annual dividend payout ratio






# 2019 strategy is to build on pricing capabilities to maximize NTI growth

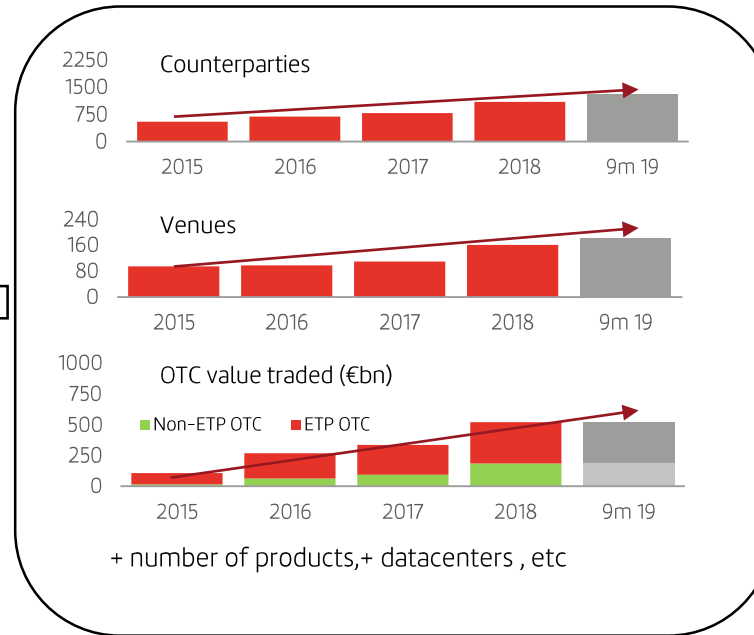
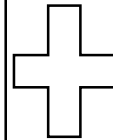
By growing scale and optimizing efficiency, NTI growth potential maximizes

✓ Coverage   
  In scope   
 ✗ No complete coverage

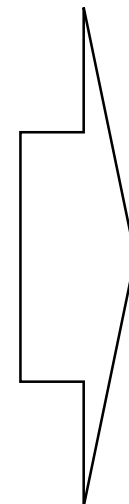
Asset class	Equity	Fixed Income	Commodities	Currencies
Products				
ETPs	✓	✓	✓	✓
Futures	✓	✓	✓	✓
Spot	✗	✗	n/a	✓
FWD/NDF	✗	n/a	n/a	✗

 = focus 2019

Growth in pricing capabilities



Technological improvements and growing market presence



MAXIMIZE NTI GROWTH

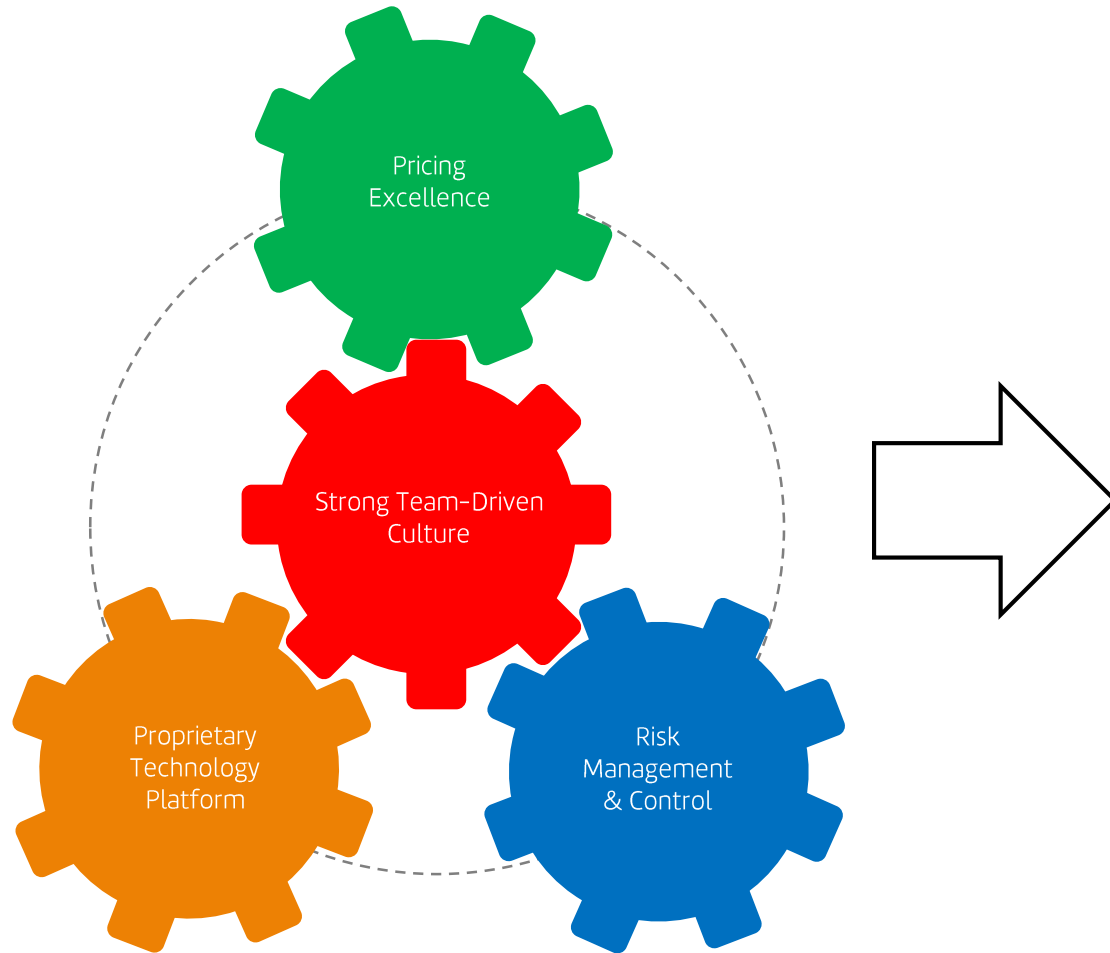
## HIGHLIGHTS

- Growth focus is on growing coverage of products, supported by technological improvements and growing market presence to maximize NTI growth potential
- Pricing of products traded, connectivity and transparency are key to growth
- NTI growth is realized through growing Value Traded and optimizing Revenue Capture
- Going forward focus will remain on further diversification of trading to optimize scale and technology investments to improve efficiency



# Strategic focus remains on efficiency and scale through diversification in 2020

Foundation built in recent years leads to 4 strategic focus areas to enable growth globally through diversification



Intensify and expand liquidity providing in ETPs and the underlying asset classes globally

Grow technology infrastructure to increase scale and data processing while at same time increase trading efficiency

Continue to operate cost conscious, reiterate fixed expense growth guidance of max 15% annually for 2020 and beyond

Expand presence in ETP trading, both in products and trading relations, especially in the Americas and APAC

*Thank you!*