



3Q17 results Flow Traders N.V.

Analyst Presentation

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F L O W ■ **T R A D E R S**

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3Q17 key developments & highlights

Flow Traders continues to grow its market footprint and to roll out structural growth initiatives

ETP market

- Level of volatility in 3Q17 slowed down further Q-o-Q *
- Underlying growth in ETP market continued with global ETP AuM growing 3.1% Q-o-Q to € 3,718bn at the end of 3Q17 *
- Prevailing market sentiment resulted in a drop in total Market ETP value traded by 14% Q-o-Q
- Market trading activity slowed down further in all regions
- Market velocity continued to decline to all time lows in 3Q17

Market ETP Value Traded 3Q17:
€ 4,154bn (-14% Q-o-Q)

Global ETP AuM end 3Q17:
€ 3,718bn (+3.1% Q-o-Q)

Flow Traders

- Flow Traders increased its global market share to over 4% in 3Q17, its highest level ever
- Flow Traders' ETP Value Traded YTD shows strong growth Y-o-Y (+16%) versus a declining market ETP Value Traded (-12%) over the same period
- Flow Traders' 3Q17 NTI of € 31.7m is a result of less investor activity and further decrease in market volatility
- Underlying fixed expense growth YTD reached +18% in 3Q17, which is in line with guidance for full year 2017
- Flow Traders expects the declining trend in cost growth to continue in 4Q17 towards the lower end of the guided 15-20% cost growth range for full year 2017
- Growth initiatives are underway and developing as planned in all regions
- 3Q17 EBITDA margin was 24%, as a result of the operating leverage of our business model and very slow market conditions
- Flow Traders is comfortably on schedule to meet all MiFID 2 requirements
- Flow Traders intends to increase the pay-out ratio to at least 75% for 2017

Flow Traders' ETP Value Traded 3Q17:
€ 162.3bn (-12% Q-o-Q)

Flow Traders' NTI 3Q17:
€ 31.7m (-32% Q-o-Q)

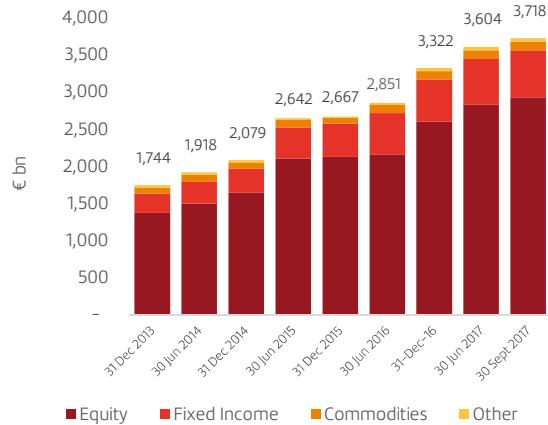
Net Profit 3Q17:
€ 5.6m (-55% Q-o-Q)

EPS 3Q17:
€ 0.12

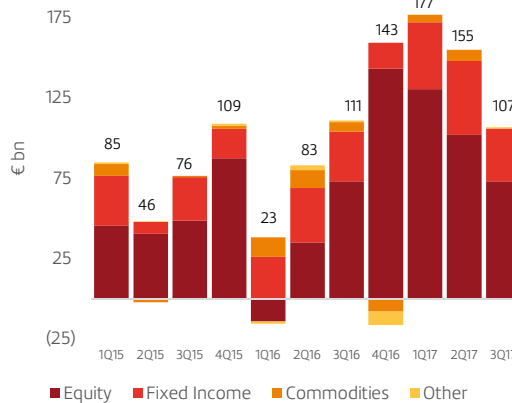
* Source: Bloomberg

ETP market growth intact, investor activity slowed down further in 3Q17

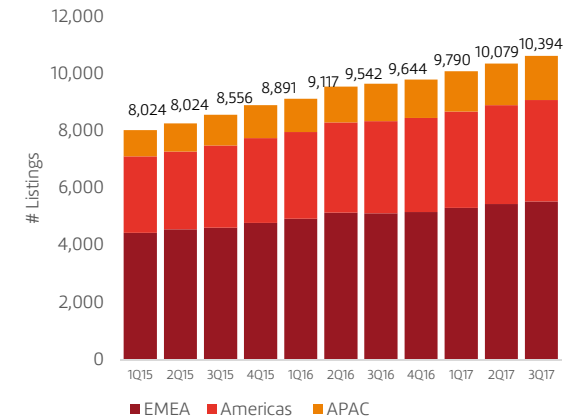
Global ETP Assets under Management grew 3.1% in 3Q17 (Euro terms)



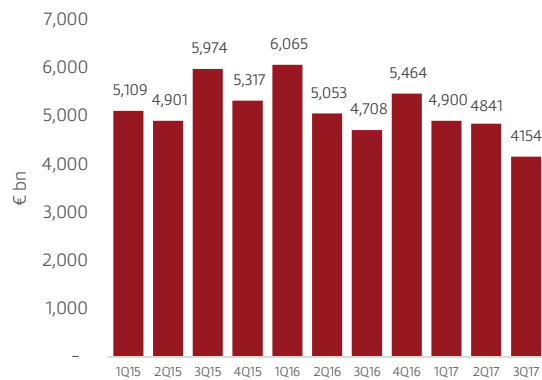
Net inflow trends show ongoing flows in Equity – and Fixed income ETPs *



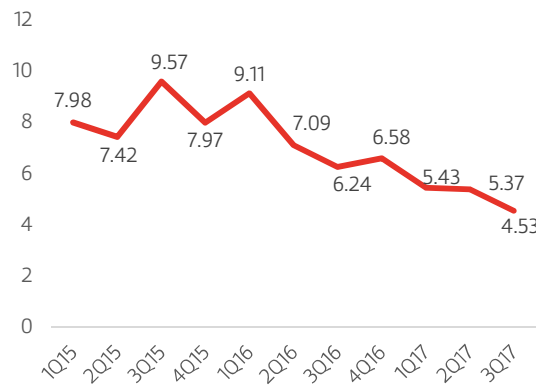
Number of ETP listings continued to grow to new highs across all regions



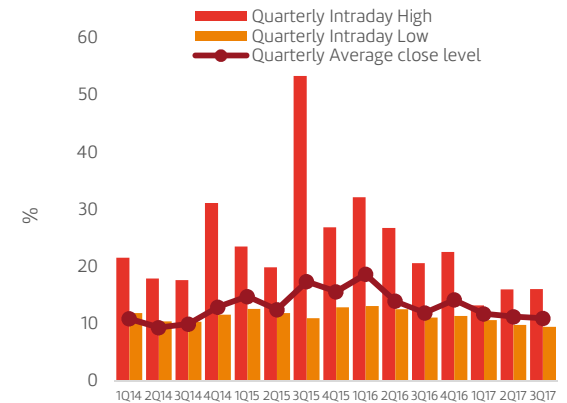
On-Exchange Market ETP Value Traded declined to lowest level since 1Q15



Market Velocity decreased to lowest point since 1Q15**



VIX continued decline led to levels close to all time lows in the third quarter *



* Source: Blackrock, Flow Traders, Bloomberg

** Market Velocity is the Market ETP Value Traded divided by the Market ETP Assets under Management

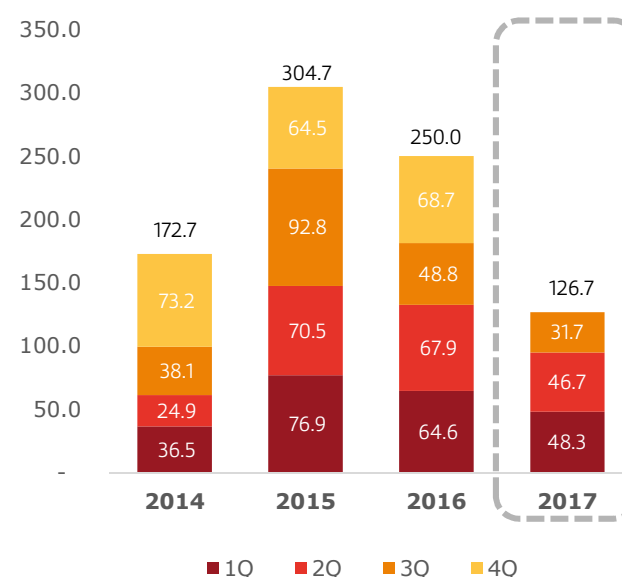
Further market share gains driven mostly by the US and Asia

KPIs Flow Traders

Consolidated overview

In €bn unless otherwise stated	3Q	2Q	Δ	YTD	YTD	Δ
	2017	2017		Sep 17	Sep 16	
Flow Traders ETP Value Traded	162.3	184.7	(12%)	521.8	450.7	16%
Europe	96.1	112.4	(14%)	314.7	289.7	9%
Americas	60.3	66.5	(9%)	190.0	135.7	40%
APAC	5.8	5.8	(0%)	17.1	25.4	(33%)
Flow Traders NTI (€m)	31.7	46.7	(32%)	126.7	181.3	(30%)
Europe	21.4	35.0	(39%)	87.1	113.1	(23%)
Americas	6.9	8.3	(16%)	28.3	50.5	(44%)
APAC	3.4	3.4	1%	11.3	17.7	(36%)
Flow Traders RevCap (bps)	2.0	2.5	(0.6)	2.4	4.0	(1.6)
Europe	2.2	3.1	(0.9)	2.8	3.9	(1.1)
Americas	1.1	1.2	(0.1)	1.5	3.7	(2.2)
APAC	5.8	5.8	-	6.7	7.0	(0.3)
Market ETP Value Traded (1)	4,154	4,841	(14%)	13,893	15,823	(12%)
Europe	194	226	(14%)	654	723	(10%)
Americas	3,527	4,137	(15%)	11,919	13,693	(13%)
APAC	433	477	(9%)	1,320	1,407	(6%)
APAC excl China	170	194	(13%)	540	714	(24%)

Flow Traders NTI (in €m)



Highlights

- Overall Flow Traders' ETP Value Traded declined less than the market, but product mix traded continued to impact NTI development
- In Europe, Flow Traders' ETP Value Traded fell 14% q-o-q, in line with overall declining market volumes and with narrowing spreads. This impacted profit potential in Europe in 3Q17, despite the reported record growth of AuM in the region in 3Q17 (see appendix)
- In the Americas Flow Traders ETP Value Traded declined less than the Market ETP Value Traded. Revenue Capture remained stable q-o-q, reflecting market trends. OTC trading developed as expected, with additional counterparties connected
- In Asia, trading remained stable, outpacing the market, with margins remaining stable as well. Pick up in performance noted there, following improvements in Flow Traders' infrastructure and targeted growth of the team

Note (1): Market Value Traded is restated based on Flow Traders Market reference data.

Fixed cost growth year to date in line with FY17 target

	3Q 2017	2Q 2017	3Q17 vs 2Q17	YTD Sep 17	YTD Sep 16	YTD17 vs YTD16
Consolidated (in €m)						
Net Trading Income	31.7	46.7	(32%)	126.7	181.3	(30%)
Employee expenses (fixed)	8.1	7.6	6%	23.4	19.1	22%
Technology expenses	9.2	9.5	(3%)	28.0	25.4	10%
Other expenses	3.6	3.9	(10%)	11.3	8.5	33%
Fixed operational Expenses	20.8	21.1	(1%)	62.7	53.0	18%
Employee expenses (variable)	3.3	8.6	(62%)	21.2	42.7	(50%)
Total operational expenses	24.1	29.7	(19%)	83.8	95.7	(12%)
EBITDA	7.6	17.0	(55%)	42.8	85.6	(50%)
Depreciation / Amortisation	1.8	1.7		5.2	4.7	
Write offs tangible assets	0.0	0.0		0.0	2.7	
Result subsidiaries	0.0	0.0		0.0	0.0	
Profit Before Tax	5.8	15.3	(62%)	37.6	78.2	(52%)
Tax	(0.3)	(2.8)		(6.0)	(11.3)	
Net Profit	5.6	12.5	(55%)	31.6	66.9	(53%)
EPS (in €)	0.12	0.27		0.68	1.44	
EBITDA margin (in %)	24%	36%		34%	47%	

Highlights

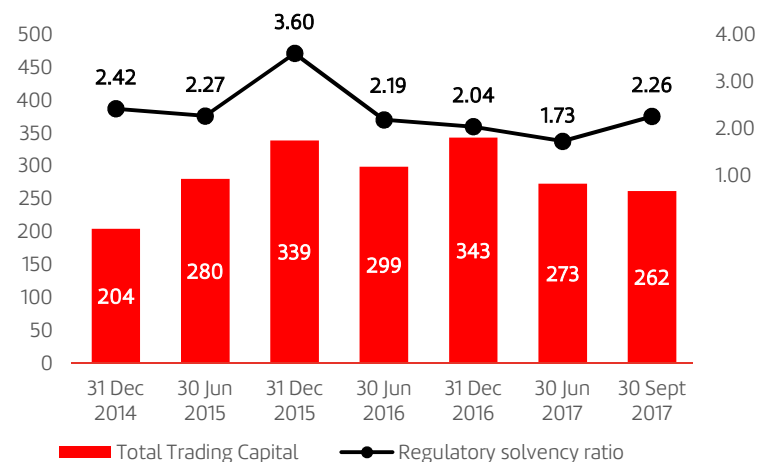
- 18% growth in operational fixed expenses YTD, which is well within the guided 15–20% range for 2017. We expect cost growth to slow down further towards the lower end of the range in the course of 4Q17
- Fixed employee expenses rose 6% q–o–q, reflecting the start of new trading recruits in September after University graduation in the summer
- Variable employee expenses decreased 62%, in line with the decline in operating profit
- Year to date tax rate is 16%

Balance Sheet remains healthy, sufficient buffer for growth and return

Condensed consolidated Financial Position

Condensed Balance Sheet (In €m)	Δ 30 Sept 17		
	30 Sept 2017	31 Dec 2016	vs. 31 Dec 16
Assets			
Trading Capital	262	343	(81)
Property, Equipment and Intangible Assets	27	23	4
Other Assets	21	25	(4)
Total Assets	310	391	(81)
Equity & Liabilities			
Other Liabilities	62	113	(51)
Tax Liabilities	1	8	(7)
Total Liabilities	63	121	(58)
Total Equity	247	270	(23)

Development of regulatory solvency ratio*



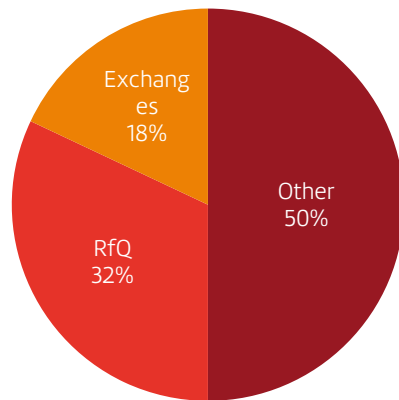
Note *: Total Trading Capital divided by Regulatory Capital Required

Highlights

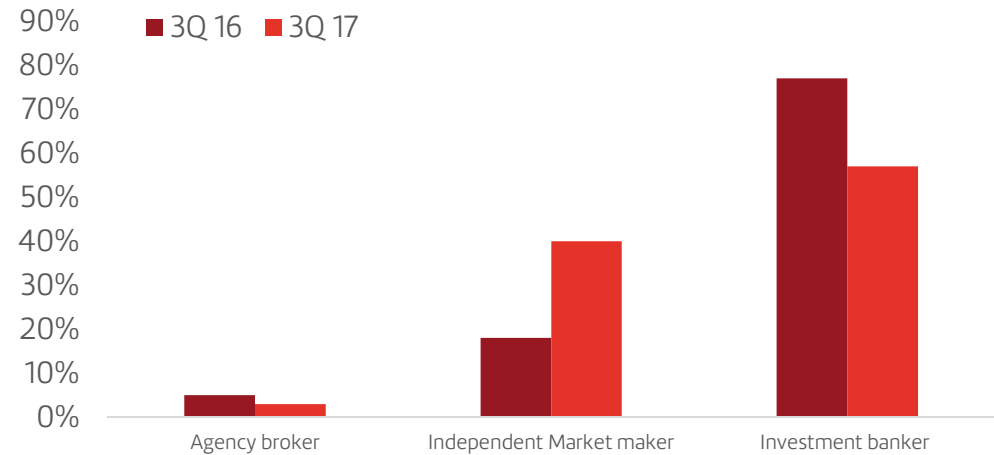
- Trading capital at the end of 3Q17 was € 262m, following the interim dividend payment in the quarter and the slowdown in trading
- Regulatory solvency ratio shows enough buffer to meet our obligations, even under more volatile market circumstances
- Flow Traders plans to raise its pay-out ratio to at least 75% for 2017, pending shareholder approval

MiFID 2 is expected to drive ETP flows out of the dark

How investors execute their ETP block flows *



Who Buy-side trades with on RFQ-Hub*



MiFID 2 impact on ETF market structure is expected to be benign

- A significant part of the European ETF market is traded off-exchange
- Split of ETP flows traded in Europe is expected to shift after MiFID 2, as trading moves from OTC to trading venues, such as MTFs**
- We expect an additional drive to MTFs as these trading venues enable the buy-side to comply with its reporting requirement and to evidence best execution
- The most important Request-for-Quote (RfQ) platforms have registered as multilateral trading facilities (MTFs) already
- Flows traded via RFQ-Hub are increasingly traded with independent market makers *
- Given the efficient trading structure in ETPs, it appears at the moment that Systematic Internalisers (SIs) do not add enough to the creation of a level playing field
- We expect the regulators to address this issue

* Source: Flow Traders analysis, ETF Research
** MTFs: Multilateral Trading Facilities

Continued focus on long term organic growth while controlling costs

- Flow Traders' resilient business model is based on pricing excellence, technological superiority, risk focus and strong corporate culture leading to talent retention
- Focussed on organic long term growth and further developing our competitive edge to maintain our position as the #1 liquidity provider
- Remain cost conscious, we expect cost growth to come in at the lower end of the guided 15–20% range for 2017; after 2017 costs are expected to grow by a maximum of 15% annually
- Growth initiatives are underway as planned, first operational deadlines have been met and results so far are as expected
- Flow Traders intends to increase its payout ratio in 2017 to at least 75%, pending shareholder approval

Q&A

Appendix



Monthly markets update as published

ETP Market Update September 2017

	2017									2016			
	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep
On & Off Exchange Value Traded - Global (€bn)	1,344	1,522	1,287	1,769	1,557	1,515	1,918	1,408	1,573	1,872	2,136	1,456	1,759
On & Off Exchange Value Traded - EMEA (€bn)	65	62	67	71	87	68	84	73	76	86	99	65	68
On & Off Exchange Value Traded - Americas (€bn)	1,137	1,310	1,080	1,525	1,315	1,297	1,650	1,215	1,391	1,542	1,786	1,277	1,572
On & Off Exchange Value Traded - APAC (€bn)	143	150	140	172	155	150	185	120	105	244	251	113	119
On & Off Exchange Value Traded - APAC China (bn)	86	92	86	103	92	88	119	68	48	178	168	62	61
Off Exchange reported Market Value Traded - EMEA (€bn)	25	25	28	28	35	26	35	33	29	35	40	28	27
Off Exchange reported Market Value Traded - Americas (€bn)	430	461	393	528	475	465	606	453	538	603	633	439	527
Assets under Management - Global (€bn)	3,718	3,613	3,590	3,604	3,596	3,622	3,610	3,556	3,363	3,323	3,215	3,047	3,017
Assets under Management - EMEA (€bn)	627	609	605	607	604	599	595	574	548	541	524	514	511
Assets under Management - Americas (€bn)	2,764	2,686	2,674	2,684	2,679	2,710	2,700	2,670	2,521	2,498	2,402	2,251	2,228
Assets under Management - APAC (€bn)	327	319	311	313	314	313	315	312	294	283	288	282	278
# of ETP listings - Global	10,619	10,466	10,460	10,394	10,280	10,156	10,079	9,897	9,834	9,792	9,723	9,717	9,625
# of ETP listings - EMEA	5,532	5,439	5,455	5,443	5,400	5,351	5,306	5,196	5,169	5,155	5,144	5,151	5,110
# of ETP listings - Americas	3,545	3,513	3,523	3,493	3,449	3,390	3,370	3,344	3,317	3,291	3,250	3,228	3,206
# of ETP listings - APAC	1,542	1,514	1,482	1,458	1,431	1,415	1,403	1,357	1,348	1,346	1,329	1,338	1,309
# of new ETP products - Global	122	76	65	76	112	78	98	62	56	95	88	94	111
# of new ETP products - EMEA	32	20	23	18	63	30	16	16	16	39	60	23	25
# of new ETP products - Americas	64	17	22	37	31	31	26	37	33	34	16	29	54
# of new ETP products - APAC	26	39	20	21	18	17	56	9	7	22	12	42	32

* Note: AuM estimates as included in Blackrock Global ETP Landscape
Source: Blackrock Global ETP Landscape; Flow Traders analysis

* Source: Flow Traders analysis and Blackrock Global ETP Landscape
Note: AuM is source by Blackrock Global ETP Landscape and we do not have control over this data