



# 1Q17 results Flow Traders N.V.

Analyst Presentation

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**F L O W** ■ **T R A D E R S**

Amsterdam ■ Cluj ■ Hong Kong ■ New York ■ Singapore

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# 1Q17 key developments & highlights

Flow Traders shows resilient performance in slowest market conditions for over a decade

## ETP market

- Level of volatility in 1Q17 slowed down to the lowest level in over a decade (source: Bloomberg)
- Underlying growth in ETP market continued with global ETP AuM rising 9% q-o-q to € 3,610bn at the end of 1Q17 (Source: BlackRock)
- Especially in Europe a strong rise in ETP AuM was noted (source: Bloomberg/Morningstar)
- Prevailing market sentiment resulted in a drop in total Market ETP value traded by 10% q-o-q
- Market velocity dropped to lowest point since 1Q15

Market ETP Value Traded 1Q17:

€ 4,900 bn (-10% Q-o-Q)

Global ETP AuM end 1Q17:

€ 3,610 bn (+8.6% Q-o-Q)

## Flow Traders

- Flow Traders ETP Value Traded reached € 174.8bn in 1Q17, with ongoing strong momentum in the US
- Flow Traders' 1Q17 ETP Value Traded showed strong growth Y-o-Y (+14%) versus a declining market ETP Value Traded Y-o-Y (-19%)
- Flow Traders' 1Q17 NTI of € 48.3m reflects a resilient performance in historically slow market conditions
- Expenses developed as budgeted in 1Q17, as Technology investments and FTE growth continued
- Flow Traders further strengthened its presence in the ETF markets globally, amongst others by expanding its official liquidity provider ship by 20% Q-o-Q
- Progress made in establishing FX trading and setting up the Hong Kong office
- Continued strong cash flow resulted in further growth of Flow Traders' Regulatory Capital
- Flow Traders had zero loss days in 1Q17, making it over 34 months without a trading loss
- Rollout of strategic initiatives occurred in line with expectations and no changes have been made to our 2017 targets

Flow Traders' ETP Value Traded 1Q17:

€ 174.8bn (-8% Q-o-Q)

Flow Traders' NTI 1Q17:

€ 48.3m (-30% Q-o-Q)

Net Profit 1Q17:

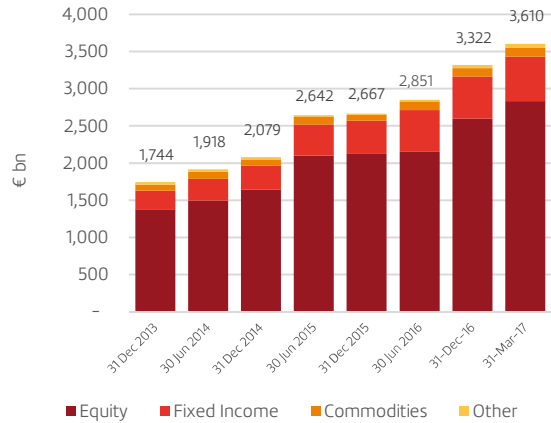
€ 13.6m (-45% Q-o-Q)

EPS 1Q17:

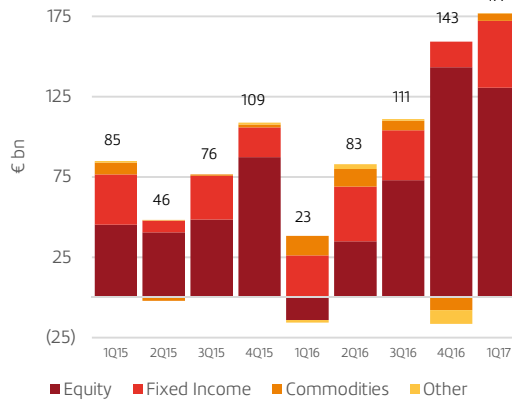
€ 0.29

# ETP growth drivers continue, trading activity was low in 1Q17

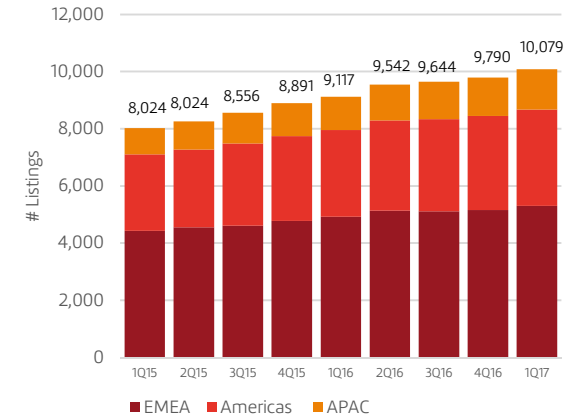
Global ETP Assets under Management grew 8.6% in 1Q17 confirming underlying upward trend



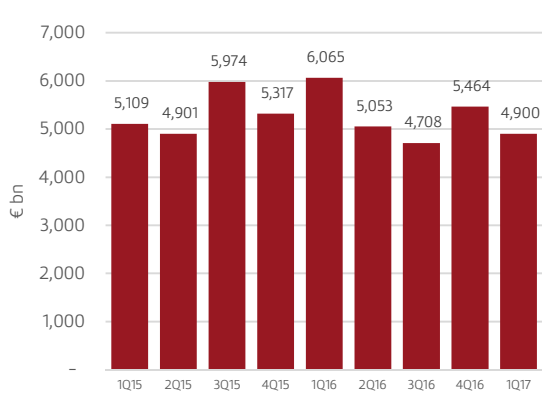
Net inflow\* trends show ongoing strong flows in Equity ETPs in 1Q17



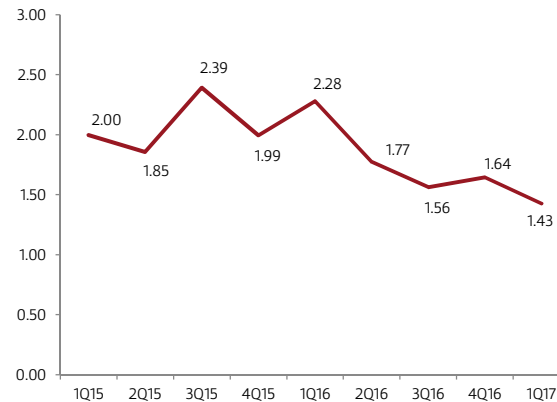
ETP listings increased by 216 in 1Q17, driven by APAC and the Americas



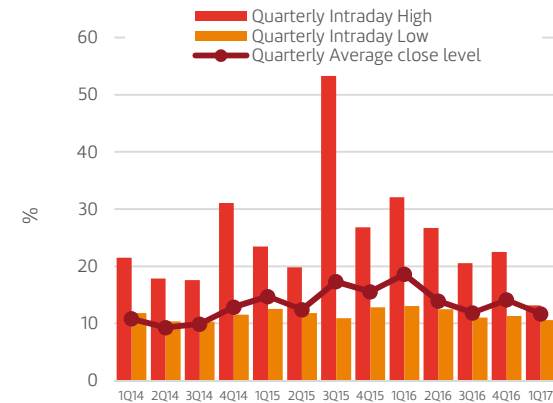
On-Exchange Market ETP Value Traded fell 10% versus 4Q16 as market activity was low in 1Q17



Market Velocity \*\* decreased to lowest point in 9 quarters as Market ETP AuM continued to grow and ETP Value Traded slowed down in the quarter



VIX showed lowest average levels in the quarter in over a decade \*



\* Source: Blackrock, Flow Traders, Bloomberg

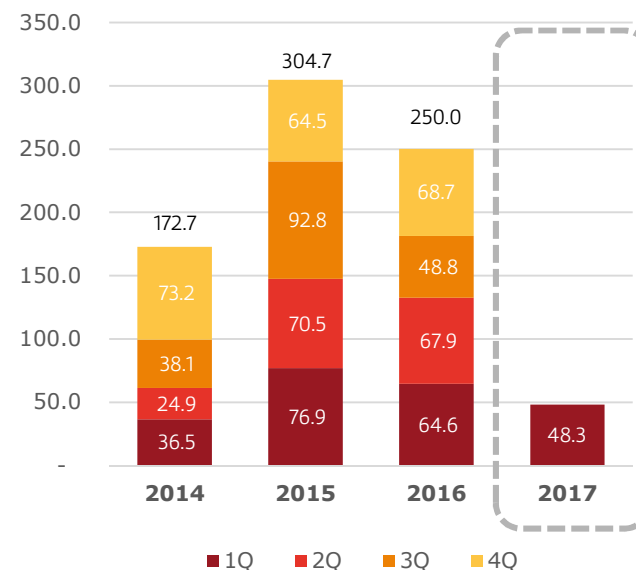
\*\* Market Velocity is the Market ETP Value Traded divided by the Market ETP Assets under Management

# Flow Traders' ETP Value Traded shows ongoing momentum in the US

## KPIs Flow Traders

Consolidated overview						
<i>In €bn unless otherwise stated</i>	1Q17	4Q16	Δ	YTD 2017	YTD 2016	Δ
<b>Flow Traders ETP Value Traded</b>	<b>174.8</b>	<b>189.4</b>	<b>(8%)</b>	<b>174.8</b>	<b>153.4</b>	<b>14%</b>
Europe	106.2	127.9	(17%)	106.2	96.5	10%
Americas	63.2	54.5	16%	63.2	46.7	35%
APAC	5.4	7.0	(22%)	5.4	10.2	(47%)
<b>Flow Traders NTI (€m)</b>	<b>48.3</b>	<b>68.7</b>	<b>(30%)</b>	<b>48.3</b>	<b>64.6</b>	<b>(25%)</b>
Europe	30.6	44.4	(31%)	30.6	39.9	(23%)
Americas	13.1	16.9	(23%)	13.1	16.0	(18%)
APAC	4.6	7.3	(37%)	4.6	8.7	(47%)
<b>Flow Traders RevCap (bps)</b>	<b>2.8</b>	<b>3.6</b>	<b>(0.9)</b>	<b>2.8</b>	<b>4.2</b>	<b>(1.5)</b>
Europe	2.9	3.5	(0.6)	2.9	4.1	(1.3)
Americas	2.1	3.1	(1.0)	2.1	3.4	(1.4)
APAC	8.5	10.5	(2.0)	8.5	8.5	(0.1)
<b>Market ETP Value Traded (1)</b>	<b>4,900</b>	<b>5,464</b>	<b>(10%)</b>	<b>4,900</b>	<b>6,061</b>	<b>(19%)</b>
Europe	233	250	(7%)	233	266	(12%)
Americas	4,255	4,605	(8%)	4,255	5,257	(19%)
APAC	411	609	(32%)	411	538	(24%)

## Flow Traders NTI (in €m)



## Highlights

- Overall Flow Traders' ETP Value Traded slightly outperformed the market, but sensitivity of product mix traded impacted NTI development
- In Europe Flow Traders' ETP Value Traded fell 17% quarter-on-quarter, as overall trading appetite decreased, narrowing spreads, and the product mix traded showed an increased focus on the liquid part of the market. This impacted profit potential in Europe in 1Q17, despite the reported record growth of AuM in Europe in 1Q17
- In the Americas Flow Traders outpaced the declining Market ETP Value Traded with an 16% increase. Overall Revenue Capture developed in line with market trends
- In Asia, trading developed in line with the market, technological developments are being implemented and markets moved in line with global market sentiment

## Variable costs decreased in 1Q17, providing cushion in slower trading conditions

Consolidated (in €m)	1Q17	1Q17 vs		YTD 2017	YTD 2016	YTD17 vs YTD16
		4Q16	4Q16			
<b>Net Trading Income</b>	<b>48.3</b>	<b>68.7</b>	<b>(30%)</b>	<b>48.3</b>	<b>64.6</b>	<b>(25%)</b>
Employee expenses (fixed)	(7.7)	(6.4)	<b>22%</b>	(7.7)	(5.9)	31%
Employee expenses (variable)	(9.3)	(16.1)	<b>(42%)</b>	(9.3)	(15.4)	(40%)
Technology expenses	(9.2)	(9.4)	<b>(1%)</b>	(9.2)	(8.4)	10%
Other expenses	(3.8)	(3.7)	<b>3%</b>	(3.8)	(2.6)	46%
<b>Operational Expenses</b>	<b>(30.1)</b>	<b>(35.5)</b>	<b>(15%)</b>	<b>(30.1)</b>	<b>(32.4)</b>	<b>(7%)</b>
<b>EBITDA</b>	<b>18.2</b>	<b>33.1</b>	<b>(45%)</b>	<b>18.2</b>	<b>32.2</b>	<b>(44%)</b>
Depreciation / Amortisation	(1.7)	(1.6)		(1.7)	(1.7)	
Write offs tangible assets	-	(0.1)		-	(2.1)	
Result subsidiaries	0.0	(0.2)		0.0	0.0	
<b>Profit Before Tax</b>	<b>16.5</b>	<b>31.2</b>	<b>(47%)</b>	<b>16.5</b>	<b>28.5</b>	<b>(42%)</b>
Tax	(2.9)	(6.2)		(2.9)	(5.2)	
<b>Net Profit</b>	<b>13.6</b>	<b>25.0</b>	<b>(45%)</b>	<b>13.6</b>	<b>23.2</b>	<b>(41%)</b>
EPS (in €)	0.29	0.54		0.29	0.50	
EBITDA margin (in %)	38%	48%		38%	50%	

### Highlights

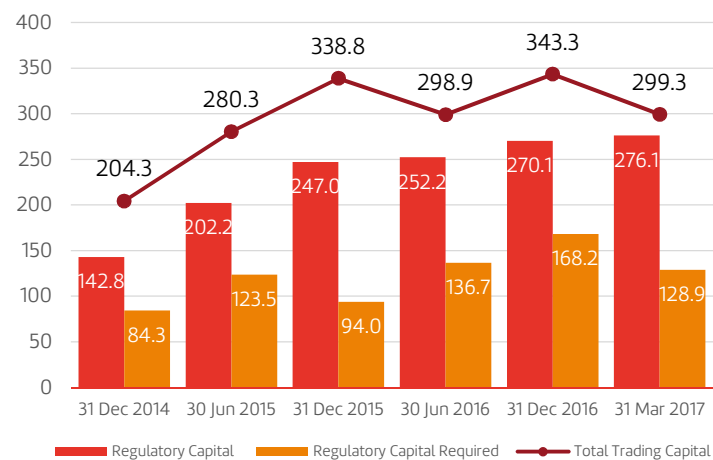
- Technology expenses remained flat quarter-on-quarter, following tight cost control
- Fixed employee expenses rose 22%, following events and recruitment costs
- Variable employee expenses decreased 42%, as operational profit decreased quarter on quarter, showing the cushioning effect on cost development by lower NTI
- Effective tax rate in 1Q17 was 17.4%

# Balance Sheet remains healthy and unleveraged

## Condensed consolidated Financial Position

Condensed Balance Sheet (In €m)	31 Mar 17	31 Dec 16	Δ 31 Mar 17 vs. 31 Dec 16
<b>Assets</b>			
Trading Capital	299.3	343.3	(44.0)
Property, Equipment and Intangible Assets	23.5	23.2	0.3
Other Assets	21.2	24.6	(3.5)
<b>Total Assets</b>	<b>344.0</b>	<b>391.1</b>	<b>(47.1)</b>
<b>Equity &amp; Liabilities</b>			
Other Liabilities	53.8	113.1	(59.3)
Tax Liabilities	6.7	7.9	(1.2)
<b>Total Liabilities</b>	<b>60.5</b>	<b>121.0</b>	<b>(60.5)</b>
<b>Total Equity</b>	<b>283.5</b>	<b>270.1</b>	<b>13.4</b>

## Development of regulatory capital



## Highlights

- Trading capital at the end of 1Q was EUR 299m, following the compensation payments and taxes payments in 1Q17
- Regulatory Capital Required returned end 1Q17 to normal levels versus 4Q16, as there was a short term increase in margin requirements in the US at the end of 2016
- Flow Traders now uses 3 global Prime Brokers and is expected to expand further in 2017 to further reduce risks and optimize trading
- Focus continues to be on organic growth and maximizing NTI

# Flow Traders continues to execute its organic growth strategy



## Pricing

- Number of liquidity provider ships grew to almost 5,000 (+20% Q-o-Q)
- Number of Institutional Counterparties grew to well over 550 end 1Q17
- Process underway to open Hong Kong office, seen operational by end 2017
- Process underway to set up FX trading, seen operational by end 2017



## Technology

- Implemented infrastructural improvements by end 1Q17 in Asia
- Improved connectivity to markets across different regions
- Further adapted technological infrastructure to comply with upcoming regulation



## Risk Management & Control

- Further deepened and diversified relationships with Prime Brokers
- 34 months now without a loss day
- Further prepared for and anticipated on MiFID II developments



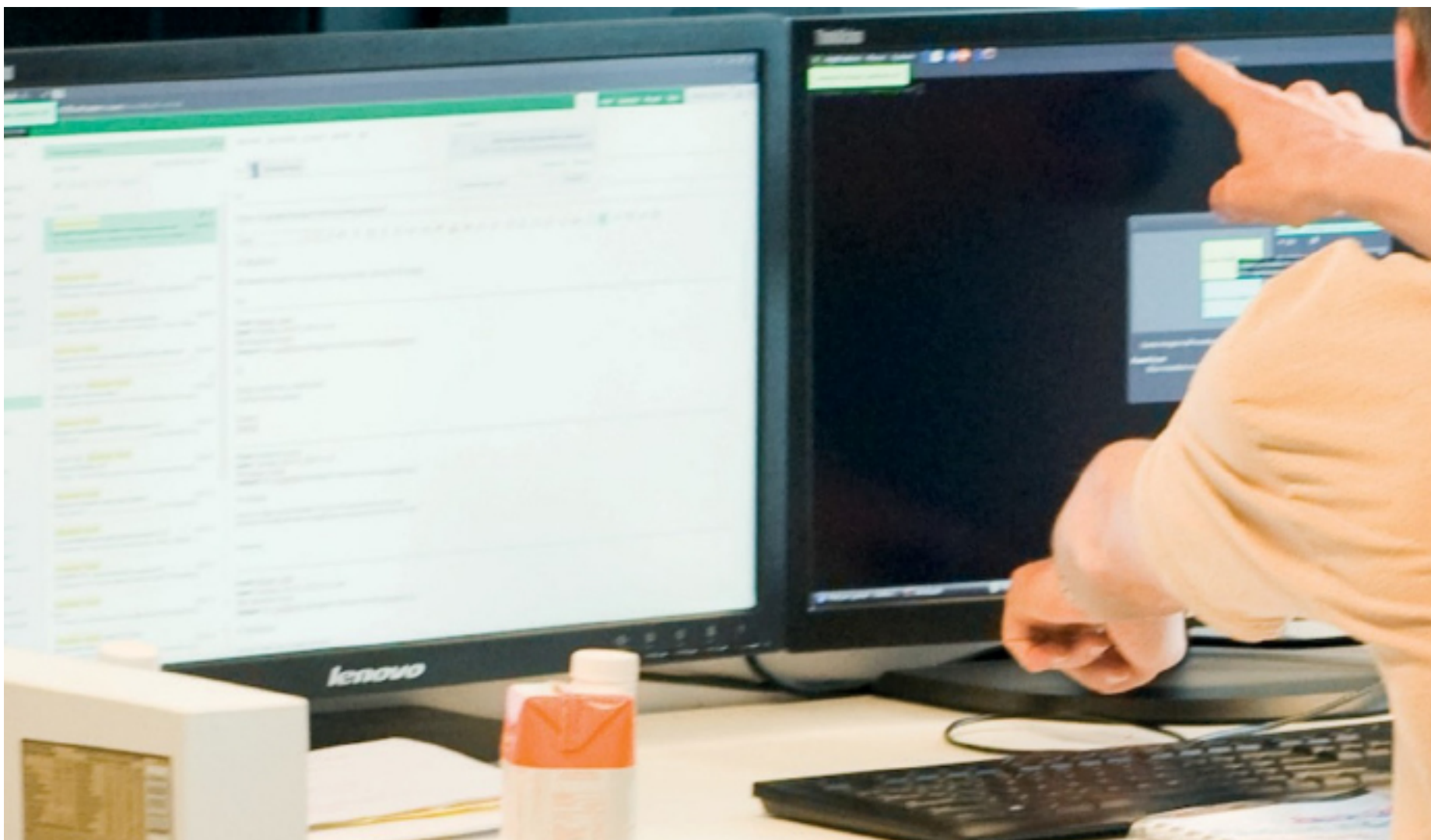
## Culture

- New website Flow Traders launched, including the recruitment section
- Flow Traders Academy has been launched to increase internal knowledge sharing
- In 2H17 Flow Traders will launch an employee participation plan



Questions?

# Appendix



# Monthly markets update as published

## ETP Market Update March 2017

	2017			2016									
	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	July	June	May	Apr	Mar
On & Off Exchange Value Traded - Global (€bn)	<b>1,918</b>	<b>1,408</b>	<b>1,573</b>	<b>1,871</b>	<b>2,135</b>	<b>1,456</b>	<b>1,759</b>	<b>1,454</b>	<b>1,495</b>	<b>1,973</b>	<b>1,508</b>	<b>1,572</b>	<b>1,820</b>
On & Off Exchange Value Traded - EMEA (€bn)	84	73	76	85	98	65	68	64	84	102	65	73	83
On & Off Exchange Value Traded - Americas (€bn)	1,650	1,215	1,391	1,542	1,786	1,277	1,572	1,260	1,271	1,706	1,302	1,325	1,533
On & Off Exchange Value Traded - APAC (€bn)	185	120	106	244	251	113	119	131	140	164	141	174	205
Off Exchange reported Market Value Traded - EMEA (€bn)	35	33	29	35	40	28	27	29	37	42	27	30	35
Off Exchange reported Market Value Traded - Americas (€bn)	606	453	538	603	633	439	527	447	466	593	455	464	535
Assets under Management - Global (€bn)	<b>3,610</b>	<b>3,556</b>	<b>3,363</b>	<b>3,323</b>	<b>3,215</b>	<b>3,047</b>	<b>3,017</b>	<b>3,012</b>	<b>2,963</b>	<b>2,849</b>	<b>2,818</b>	<b>2,716</b>	<b>n/a</b>
Assets under Management - EMEA (€bn)	595	574	548	541	524	514	511	509	502	482	480	471	n/a
Assets under Management - Americas (€bn)	2,700	2,670	2,521	2,498	2,402	2,251	2,228	2,234	2,198	2,112	2,081	2,017	n/a
Assets under Management - APAC (€bn)	315	312	294	283	288	282	278	269	263	256	257	227	n/a
# of ETP listings - Global	<b>10,079</b>	<b>9,897</b>	<b>9,834</b>	<b>9,792</b>	<b>9,723</b>	<b>9,717</b>	<b>9,625</b>	<b>9,515</b>	<b>9,489</b>	<b>9,460</b>	<b>9,341</b>	<b>9,237</b>	<b>9,051</b>
# of ETP listings - EMEA	5,306	5,196	5,169	5,155	5,144	5,151	5,110	5,109	5,097	5,107	5,073	5,041	4,899
# of ETP listings - Americas	3,370	3,344	3,317	3,291	3,250	3,228	3,206	3,142	3,144	3,119	3,068	3,028	2,996
# of ETP listings - APAC	1,403	1,357	1,348	1,346	1,329	1,338	1,309	1,264	1,248	1,234	1,200	1,168	1,156
# of new ETP products - Global	<b>98</b>	<b>62</b>	<b>56</b>	<b>95</b>	<b>88</b>	<b>94</b>	<b>111</b>	<b>39</b>	<b>69</b>	<b>131</b>	<b>114</b>	<b>96</b>	<b>103</b>
# of new ETP products - EMEA	16	16	16	39	60	23	25	5	23	46	47	35	56
# of new ETP products - Americas	26	37	33	34	16	29	54	11	23	40	29	40	35
# of new ETP products - APAC	56	9	7	22	12	42	32	23	23	45	38	21	12

\* 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

# Glossary

Adjusted Earnings	Earnings (NTI, Net Profit, EBITDA, etc.) adjusted for one-off expenses related to the IPO and SARs expenses
EBITDA	Earnings before interest, tax, depreciation, amortization and write-offs
EBITDA Margin	EBITDA as percentage of Net Trading Income
NTI	Net Trading Income, i.e. gross trading income minus direct trading-related expenses such as trading fees, clearing fees, short stock fees, interest expenses directly related to the financing of positions, etc.
Value Traded	Cumulative value of trades. Unless indicated otherwise, this excludes creation and redemption volume, and therefore refers to secondary market volume only, ie. both on- and off-exchange
Revenue Capture	Relates to Revenue Capture in basis points calculated taking Flow Traders NTI divided by Flow ETP Value Traded * 10,000
YTD	Year to Date