Flow Traders Q3 2026 Trading Update

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Operator: Hello, and welcome to the Flow Traders' Third Quarter 2026 Trading Update Conference Call. For the first part of the call, the participants will be in listen-only mode. And afterwards, there will be a question and answer session. If you wish to ask a question, please press the pound key on your telephone keypad to enter the queue. You may also submit written questions via the form at the bottom of the player.

I would now like to hand the call over to Dick Peters. Please go ahead.

Dick Peters: Good morning, and thank you for joining Flow Traders' third quarter 2026 results presentation. As you may have seen, we have published our results early this morning. I am joined today by our CEO, Thomas Spitz, and our Co-Chief Trading Officer, Alex Kieft, who will take you through the results. After our prepared remarks, we will be happy to take any questions you may have.

Before we begin, let me draw your attention to the disclaimer on page two. As always, this presentation is for information purposes only, and the results we will be discussing are unaudited.

I will now hand over to Thomas for the update.

Thomas Spitz: Thank you, Dick. Let me start with a high level overview of our Q3 performance. The third quarter saw seasonally lower ETF market activity. We reported a net profit of €6.4 million and a basic EPS of €0.15 for the quarter. While year-to-date net profit was €97.6 million with a basic EPS of €2.22.

Year-to-date, our ETF value traded increased 15% year-on-year, compared with 41% for the market, reflecting continued ETF market growth. During 3Q '26, our ETF value traded decreased 2% quarter-on-quarter compared with the market, which was down 6%.

Year-to-date NTI reached €388.2 million, up 7% year-on-year, driven by our traditional business, where NTI was up 26% year-on-year. The year-to-date return on trading capital was 47%. In Q3, we generated an NTI of €84.5 million, down 43% quarter-on-quarter, equating to a 30% return on trading capital.

NTI in our traditional business was €70.8 million, reflecting lower market volatility. In our digital asset business, NTI was €13.8 million, as the operating environment of this activity remained challenging. Fixed operating expense were €180.2 million year-to-date, up 19% compared to year-to-date 2025, and in line with our guidance of €235 million to €245 million for the full year.

In Q3, our fixed operating expense were €64.8 million, up 9% Q-on-Q. Year-to-date, EBITDA was €153.4 million, up 2% year-on-year with a margin of 39%. EBITDA was €17.5 million for Q3, equating to an EBITDA margin of 20%. We ended the quarter with 630 FTEs, down from 641 at the end of Q2 2026.

Overall, we continued to build out Flow Traders in line with our Horizon 2030 strategy, which is supported by a continued growth in our traditional business.

I will now hand it over to Alex to walk you through the market environment and the regional performances.

Alex Kieft: Thank you, Thomas, and good morning, everyone. Let me start with the market environment.

ETF assets under management reached a new record, over €21 trillion. That's a 33% increase year-over-year, and it was driven by continued fund inflows and strong market performance. Activity, however, was lower. Value traded was down 6% quarter-on-quarter, and it's down 20% from the Q1 peak. Year-to-date, volumes are still up 41%.

Volatility was also lower. The VIX was down 12% quarter-on-quarter and flat year-over-year. Velocity is down 10%, both quarter-on-quarter and year-on-year, which is typical when volatility is lower. All in all, it was a quieter market, but the market as a whole keeps growing and the fundamentals remain strong.

Moving to digital assets. Bitcoin is down 6% year-to-date and more than 33% from the October peak. The broader crypto market was largely in line with Bitcoin. Digital asset ETF value traded rose a modest 7% quarter-on-quarter, but is still down 31% year-over-year. Tokenized assets, on the other hand, continued to see solid growth, 7% quarter-on-quarter and 62% year-over-year. While the broader crypto market remains subdued, we do see that the long-term trends remain intact.

I'll now go to the regional performance of our traditional business.

Year-to-date, NTI is up in all regions for our traditional business. However, on a quarterly basis, it is lower across all three regions. That's primarily driven by lower volatility, leading to fewer market dislocations.

In Europe, we remain a leading liquidity provider both on and off exchange. Year-to-date, our NTI is up 31%, in line with the broader market volume growth. Quarterly, our volumes were down 8% versus the markets down 14%. Lower volatility led to fewer dislocations, and that's why our NTI was down more than just from the volumes that you would infer from just the volumes.

Encouragingly, in Europe, our on-exchange market share was up due to continuous improvements to our pricing and risk models. In the US, our year-to-date NTI is still up 45%, primarily driven by the increase in market volumes and our ability to trade with the increase of trading capital.

In Q3, our volume was up 8% versus the markets down 10%. However, lower volatility weighed on our NTI.

In APAC, the market is up 82% year-to-date, and our volumes are up 41%. NTI year-over-year is up 7%. Q3, however, was different, as volumes and volatility were both markedly lower on a quarterly basis, so our NTI dropped 50% compared to a strong second quarter.

In APAC, in China, we're still growing, and this quarter we saw a meaningful NTI contribution from China to our APAC revenues. APAC in general remains a core growth region for the firm.

I'll now move to our digital assets business.

I'll start with our European DA ETF. The market is down 35% year-to-date, broadly in line with the crypto downturn. Q3 was slightly better, with the market up 11% and our volumes up 21%. However, crypto ETFs are a useful proxy, but our NTI comes from a much wider range

of products. Therefore, even though volumes are up, our DA NTI is down 15% quarter-on-quarter and 46% year-on-year.

The outlook remains intact. For example, tokenized real world asset volumes are up 7% and 62% year-over-year, which is aligned with our investments in tokenization and 24/7 on-chain trading of our Horizon 2030 strategy.

I'll now hand it back to Thomas, who will go over the financials.

Thomas Spitz: Thank you, Alex. As shown in this slide, fixed operating expenses were €180.2 million year-to-date, a 19% increase compared to year-to-date 2025, and are in line with our fixed operating expenses guidance for the full year 2026 of €235 million to €245 million. For full year 2026, we expect to end in the middle of our guided fixed operating expenses range.

Our fixed operating expenses were €64.8 million in Q3, up 9% quarter-on-quarter. These increases were primarily driven by ongoing technology investments, the addition of subject matter experts, and one-off expenses. The one-off expenses in Q3 amounted to roughly €4 million regarding severances and related expenses.

Our year-to-date EBITDA margin was 39%, down from 42% year-on-year, driven by increased fixed operating expenses. We ended the quarter with 630 FTEs, down 2% Q-on-Q, while continuing to make targeted additions to our teams.

Turning to capital. In Q3, our trading capital stood at €1,137 million compared to €1,150 million at the end of Q2, following a repayment of the RCF. On that trading capital base, we delivered an ROTC of 47% during the year-to-date.

Shareholders' equity further strengthened to €984 million at the end of Q3, an increase of 13% versus full-year 2025. Return on equity was 14% for the year-to-date compared to 16% in full-year 2025.

Dick Peters: Thank you, Thomas and Alex. That concludes our prepared remarks. We would now like to open the floor for questions. Operator, please go ahead.

Questions and Answers

Operator: Ladies and gentlemen, we are now ready to take your questions. You may enter the queue by pressing pound key five on your telephone keypad, or you may submit a written question via the form at the bottom of the player. The first question comes from Julian Dobrovolschi from ABN AMRO-ODDO BHF. Please go ahead.

Julian Dobrovolschi (ABN AMRO-ODDO BHF): Hi. Good morning, gentlemen. Thanks for taking my questions. I have couple on two topics, revenue capture and trading capital. To begin with revenue capture first. EMEA volumes came slightly ahead of consensus expectation, but NTI was a pretty large miss. And you also explained it, that's basically driven by revenue capture, which is an implied figure. So I was just wondering why is that the case, and is it just really a matter of volatility and dislocation, or do you also see more competition in the market that makes you quote finer just to maintain and maybe even gain a bit of the volume? I think also market shares went a bit up in core ETF business in EMEA, so perhaps you quoting finer would be an explanation for revenue coming a bit down.

Then also related to that, the performance on revenue capture versus volume, it's a bit different in US and APAC versus EMEA – actually, in US versus EMEA. Just wondering, why did US revenue capture hold up so well while EMEA and APAC fell so large?

Thomas Spitz: Yeah. Thank you, Julian. So indeed, our revenue capture in Europe was down quite a lot compared to the second quarter. One factor is indeed the decline in volatility leading to fewer market dislocations. Also the products that are being traded, they matter. Some have a different revenue capture profile than others. In this quarter, we saw a bit less of the higher margin products being traded.

Then in addition, we do indeed see a continuous – it is a competitive market, so we also need to maintain market share, sometimes need to quote a bit tighter. And you see that with us being a large share of the market, we do see that whenever we do something, our competition reacts, and it's always a bit of back and forth in terms of the spreads, but I think it was mainly driven by lower volatility.

Now in the US and in APAC. In the US, it comes from a lower base. So that's why I think in general, our revenue capture there is a bit more sticky, but from a lower number. APAC specifically in Q2, there was a lot of volatility also in Korea. That is subdued in Q3. In general, in Q3, we just saw a bit more of the plain vanilla ETFs and therefore also a lower margin per ETF traded, alongside the lower volatility and fewer dislocations.

Julian Dobrovolschi: Okay, clear. And then on trading capital. Honestly, the return to trading capital, and I guess you would agree with me, it's quite scary, 30% in Q3, which is much below everything that you have reported until this quarter, also through the up and down cycles in the market. It is at 47% year-to-date, and you have a target of about [inaudible] [00:14:57] percent over four quarters run rate. And I think you'd explain it with the fact I think, indeed, there is a low NTI because of low volatility and fewer dislocations. The question is, how realistic is really for you to get above 50% return target that you have in a normalized vola environment? So that's A.

Then B, you have also talked in the past about growing the balance sheet, which you are doing really well, and that's nice to see, but then you've been saying that you to deploy this capital at attractive returns in the past. So how would that attractive return metric compares with 30% that you've have realized in Q3? And then also from that, what's your real hurdle rate for deploying capital? What are you trying to usually aim for at the beginning of the quarter? That would be nice to know.

Then part C of the trading capital is, just wondering how much of the drag, if there is any, comes from capital that wasn't really deployed in Q3, given the fact that you have perhaps seen fewer dislocations, i.e., fewer opportunities to deploy this at attractive returns.

Thomas Spitz: Yeah. Thanks, Julian. I will start with your last part of the question. So indeed, we did see that in Q3, we had a bigger part that we could not directly deploy in trading strategies, so we used it to offset just the financing on our book. So I think that that is also how you should see it, that we now have a bigger balance sheet and throughout the cycle, we expect that we can use it often, but there will be periods of lower volatility where we cannot use everything.

Obviously, we have doubled our available capital now in the course of two years, and there were quarters where we used everything, but where I think it is for us also an evolution whereby we develop new trading strategies where we can then deploy it that are slightly different from our ETF business.

I think in our ETF business, you will see that we are a bit market dependent. We also react to the market. We provide liquidity, so if there's less activity, we also won't be able to fully utilize everything. So I think that weighed a bit this quarter. But we still believe that long-term, we will be able, and especially in periods of higher volatility, that we'll be able to use all the capital and then generate also excess returns on those.

Julian Dobrovolschi: Thanks. And if may I come back to this? Can you give us a bit of a pro forma number? If you'd, let's say, look at only deployed capital, what would be the returns from that?

Alex Kieft: I think, Julian, maybe just going back, addressing that and also going back to your first question, I think what's important to understand is that, so the way we look at our capital base, and we understand that the 47% is in the spotlight also in relation to the target that we put forward on the 50% for 2030. I think what's important for people to realize is that as we, at least try to explain during our Capital Markets Day as well, is that we are going through the motions to build out the capabilities that we need to deploy capital at greater scale. And that's something that will take time, right? But we're making good progress on that as we continue to invest in the teams, the technology, and also the trading strategies and the business that we need for that.

In terms of your question, what is the normalized level of trading capital if we take out the trading of the not allocated? I don't think that's something we should comment on as of today.

Julian Dobrovolschi: Then part B then of my question, if 50% is achievable in a normalized trading environment – and then again, you probably would say this is a long-term target. Would that, let's say, kind of imply that if, let's say, 2027 environment would kind of replicate the one of what we're seeing now, we should then expect returns of below 50%? Would that make sense to think about?

Thomas Spitz: Sorry, Julian, could you repeat the question? I couldn't fully hear it. Apologies.

Julian Dobrovolschi: Yeah. The part B of my question was if you can get 50% returns on trading capital, assuming the volatility remains muted and there are not enough dislocations.

Thomas Spitz: I think part of that is also up to us to develop new trading strategies as we're doing, also as we outlined in our Horizon 2030. So that's going to be part of the strategy as well. And then also optimizing our returns in our existing business to make sure we get to that target that we set out.

Julian Dobrovolschi: Clear. All right. Thank you.

Operator: Ladies and gentlemen, just as a reminder, if you have a question, you may register it by pressing pound key five on your telephone keypad to enter the queue. You may also submit written questions via the form at the bottom of the player. We will now take a moment to allow you to register your question. The next question comes from Reg Watson from ING. Please go ahead.

Reg Watson (ING): Morning, all. Just wanted to check in with you, and come back on the revenue capture question that Julian had. What I've noticed is that in the last couple of quarters, you have taken share in terms of VT, but at the expense of revenue capture. And I think I'd asked this question last time around, and you said there were no explicit links between the two, but it is starting to look like a trend now after once this happens stance, twice as possibly a coincidence. If we see this in the fourth quarter, our revenue capture is weak, then presumably the link is that in order to gain or maintain share, you need to actually cut your margins.

Thomas Spitz: Yeah. If you are a big percent of the market, there obviously is some link, but it's not that we actively try to buy share there. We continuously evaluate and we provide liquidity. We always compete per trade for the best price. We see that we can get a margin on a trade, we will capture it. And that indeed can imply that in periods of lower volatility or if there is a change in the market or a new competitor, that then it will be lower.

Yeah, and obviously it is something that we also are looking at on how to optimize it, and that can be either improving our pricing models, improving our risk, making sure that we improve our hedging so that we maintain a larger part of the edge that we do per trade. And that is all something that we are very actively working on.

And also being helped by the investments we are making on research and technology, that will also strengthen our core business, and we do that to support our revenue base.

Reg Watson: Okay. From what you said, it feels like that revenue capture is just structurally shrinking. Because if I look, you make the observation that during periods of low volatility, the revenue capture is low. But if I look at the return on trading capital table at the bottom of page two on your release, you have average VIX in there, and there are periods of very similar vola in prior quarters where the return on trading capital was a lot higher, and that was only 12 months ago if I look at any of the quarters in the prior 12 months, year-on-year. So these numbers paint a picture of diminishing returns for the industry and for Flow Traders as a whole. Is that a fair interpretation of that picture?

Alex Kieft: I think maybe to take that question, Reg. So if you, for instance, look at the numbers that we have on the table the number you are looking at, of course, return on trading capital is a mixed effect, right? It's the traditional and the digital business combined. If we look at other periods where we had lower volatility, then you can also see that some parts of the business have performed better. So I can see where you're coming from an aggregated point of view.

In addition to that, I think your question also ties back to the question that Julian asked in terms of the deployment of capital. So I think there are different elements that play into that, but I would not necessarily directly conclude exactly the same from the numbers.

Reg Watson: Okay. I mean, I think what I'm trying to get is you've been very clear at your Capital Markets Day earlier this year that you don't expect a structural turnaround in Flow Traders' business model to be visible until the second half of next year. And I just want to understand if we can expect a continuation of the trends that we see in that table at the bottom of page two basically until second half of next year. So I don't wish to judge you now, wish to give you time to actually make that change. But should we then say, well, this is business as usual until second half '27?

Thomas Spitz: I'll take this one. So first of all, it's never business as usual for us. I mean, I think I commented that we're obviously disappointed with our performance this quarter. We never consider a quarter as business as usual. I think there is a couple of elements playing out at the same time. If you compare your Q3 '26 to Q3 '25, Q3 '26 you have a combined element, combined factors of much lower digital asset activity and low volatility. While if you go back one year ago, Q3 '25 was a very high quarter of activity for digital assets.

If you refer again to your table at the bottom of page two, you will see that on the other hand, our traditional business has been pretty resilient, even though not at the level we like it to be. So for us, every quarter, we target to improve on the previous one what we said in our Capital Markets Day, and still maintain it, is that for some of the structural changes we want to implement, especially in term of diversifying strategies, building up medium frequency trading, quantitative trading. This will have a longer ramp-up time than a couple of quarters.

In the meantime, our job for the next few quarters is to do as much as we can with our current business model and the improvement that we bring quarter-on-quarter within the current market environment.

Reg Watson: Okay. Thanks, Thomas. Appreciate that.

Dick Peters: Okay. Thank you, Reg. If there are no further questions, then I believe we can conclude the call for today. We appreciate your continued interest in Flow Traders, and look forward to speaking with you again during our full year 2026 results. That concludes the call for today.

Operator: Thank you all. You may now disconnect.

[END OF TRANSCRIPT]