



Flow Traders N.V.

Investor Presentation

May 2020

F L O W ■ **T R A D E R S**

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

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Flow Traders' response to COVID-19

Flow Traders has been able to continuously provide liquidity and pricing to the ETP markets on a global basis during the pandemic

People

- Successful implementation of our business continuity plan – primary focus throughout has been the health and wellbeing of employees and their families
- 80% of colleagues started working from home almost immediately after the BCP was fully activated. Colleagues have adapted extremely well and those based in the office and back-up locations are respecting social distancing
- Split teams and activated back-up trading locations within 2 weeks in all regions (Amsterdam, New York and Hong Kong)
- Continue to hire selectively to fill vacancies
- All salaries continue to be paid 100% without recourse to any government assistance programmes

Issuers, Investors & Counterparties

- Continuously provided liquidity and pricing despite extraordinary and challenging market circumstances – €441.6bn ETP value traded in Q120
- End-investors, issuers and counterparties have been reassured by our continuous presence when markets were under pressure which has enabled them to trade in all circumstances and when liquidity is most sought after
- During these extra ordinary market circumstances Flow Traders remained in a close dialogue with issuers, exchanges and regulators to make sure the markets functioned in an orderly manner
- Compliant with our regulatory requirements
- Flow Traders and other liquidity providers acted as a stabilising mechanism when markets were most turbulent
- Market infrastructure, as well as our own, has proven highly resilient with no outages
- Committed to paying 2019 final dividend as an interim dividend given AGM postponement

Communities

- To continue giving back to our communities, we will establish a Flow Traders Foundation with the aim of promoting and funding charitable initiatives on health and wellbeing globally
- Accelerated and increased the annual charitable contributions – all employees were able to contribute €5,000 each to charitable initiatives related to the COVID-19 pandemic. Total consideration of c. €2.5m which has already been distributed to, amongst others, Erasmus MC, Voedselbank, VentilatorPAL, The Courage Fund, The Community Chest and Mount Sinai
- Actively backing all our vendors by supporting their businesses through retaining their services and prompt payment

Q120 snapshot

Exceptional and challenging market environment experienced globally across all products – Flow Traders’ business and operations functioned as normal following the coronavirus (COVID-19) outbreak

ETP market dynamics Q120

- Record ETP Value Traded and extremely high levels of market activity in March
- Market ETP Value Traded increased 100% quarter-on-quarter and 80% vs Q119
- Global Assets under Management (AuM*) invested in ETPs at the end of Q1 20 reached €4,801 billion, 15% decrease vs end of 2019
- VIX levels increased markedly in mid-March

Flow Traders performance Q120

- Flow Traders ETP Value Traded increased 76% quarter-on-quarter and increased 71% vs Q119
- Flow Traders recorded NTI of €495.0m in Q120 reflecting this exceptional market environment with strong performance across all regions. Compares to NTI of €46.1m in Q419 and €63.1m in Q119
- Total operating expenses of €171.2m incurred in Q120. €0.9m of one-off expenses predominantly due to the activation and implementation of Flow Traders’ business continuity plan
- 503 FTEs as at 31 March 2020 compared to 513 as at 31 December 2019
- Q120 EBITDA reached €323.7m with a margin of 65%
- Q120 Net Profit amounted to €262.3m
- Regulatory Own Funds Requirement (OFR) as at 31 March 2020 was €261m, resulting in excess capital of €273m as at 31 March 2020. Trading capital stood at €771m at the end of the first quarter

Market ETP Value Traded Q120
€10,948 billion (+100% Q-o-Q)

Global ETP AuM Q120
€4,801 billion (-15% Q-o-Q)

Flow Traders ETP Value Traded Q120
€441.6 billion (+76% Q-o-Q)

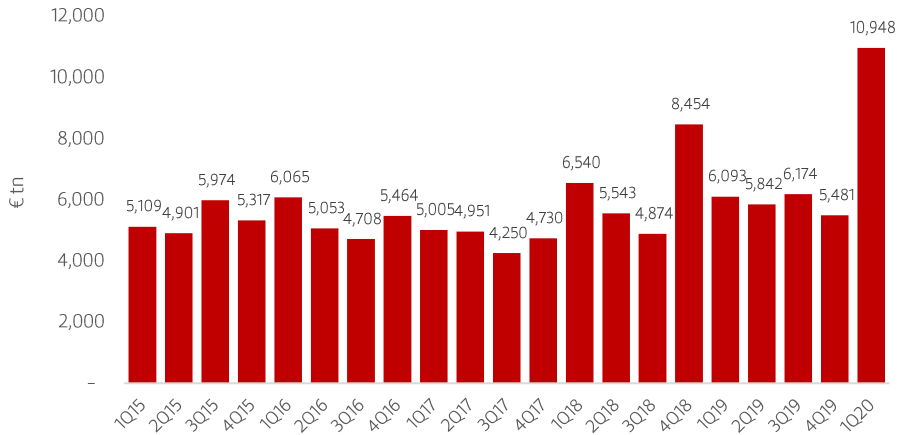
Flow Traders non-ETP Value Traded Q120
€1,215 billion (+63% Q-o-Q)

Flow Traders NTI Q120:
€495.0 million

EPS Q120
€5.71

Sharp increase in ETP market activity in Q120

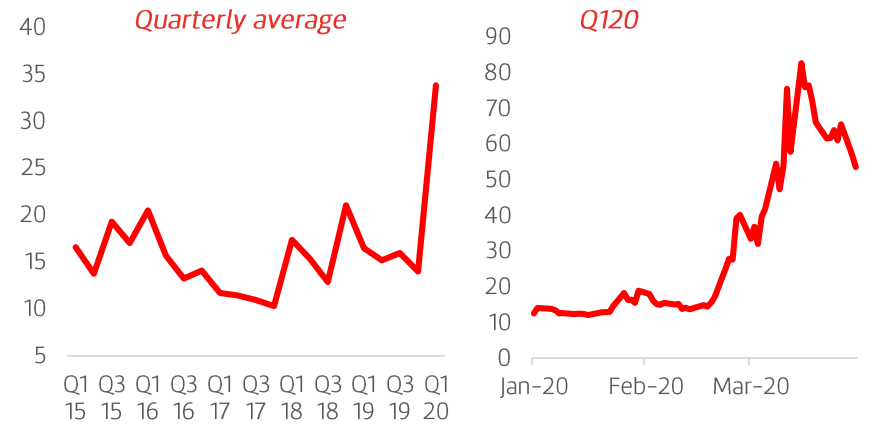
ETP Value Traded *



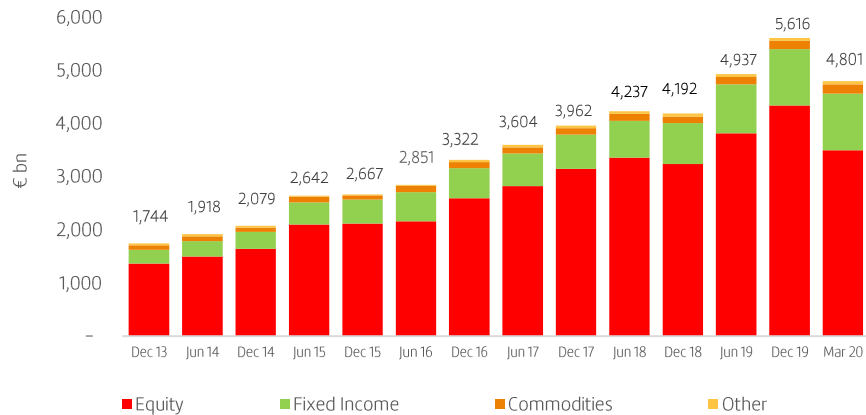
GENERAL MARKET DEVELOPMENTS

- Impact of COVID-19 outbreak across all markets and asset classes
- Significant government and central bank interventions – Fed commenced purchasing fixed income ETFs

VIX



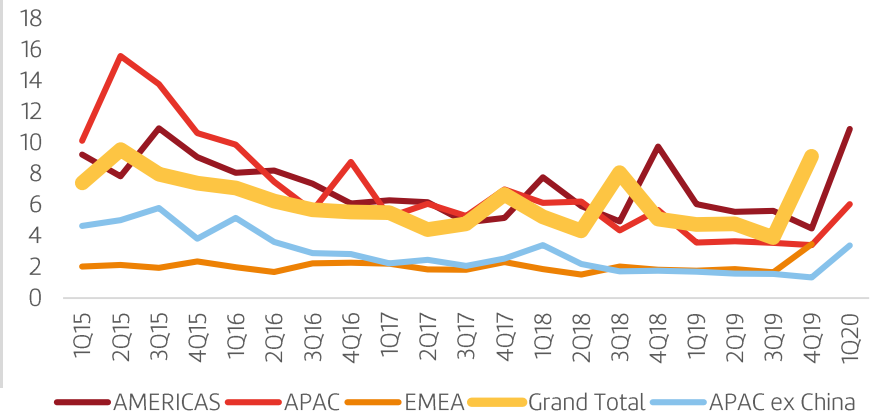
ETP AuM **



ETP MARKET DEVELOPMENTS

- 15% decrease in ETP AuM in Q120 vs Q419
- Record ETP Value Traded – increased by 100% Q-o-Q in Q120 and by 80% Y-o-Y
- Implied volatility (VIX) increased markedly from end of February
- As a result of the above ETP velocity increased in Q120

ETP velocity



* Source: Bloomberg, iShares, Tradeweb, Bloomberg RFQ, Flow Traders. See appendix

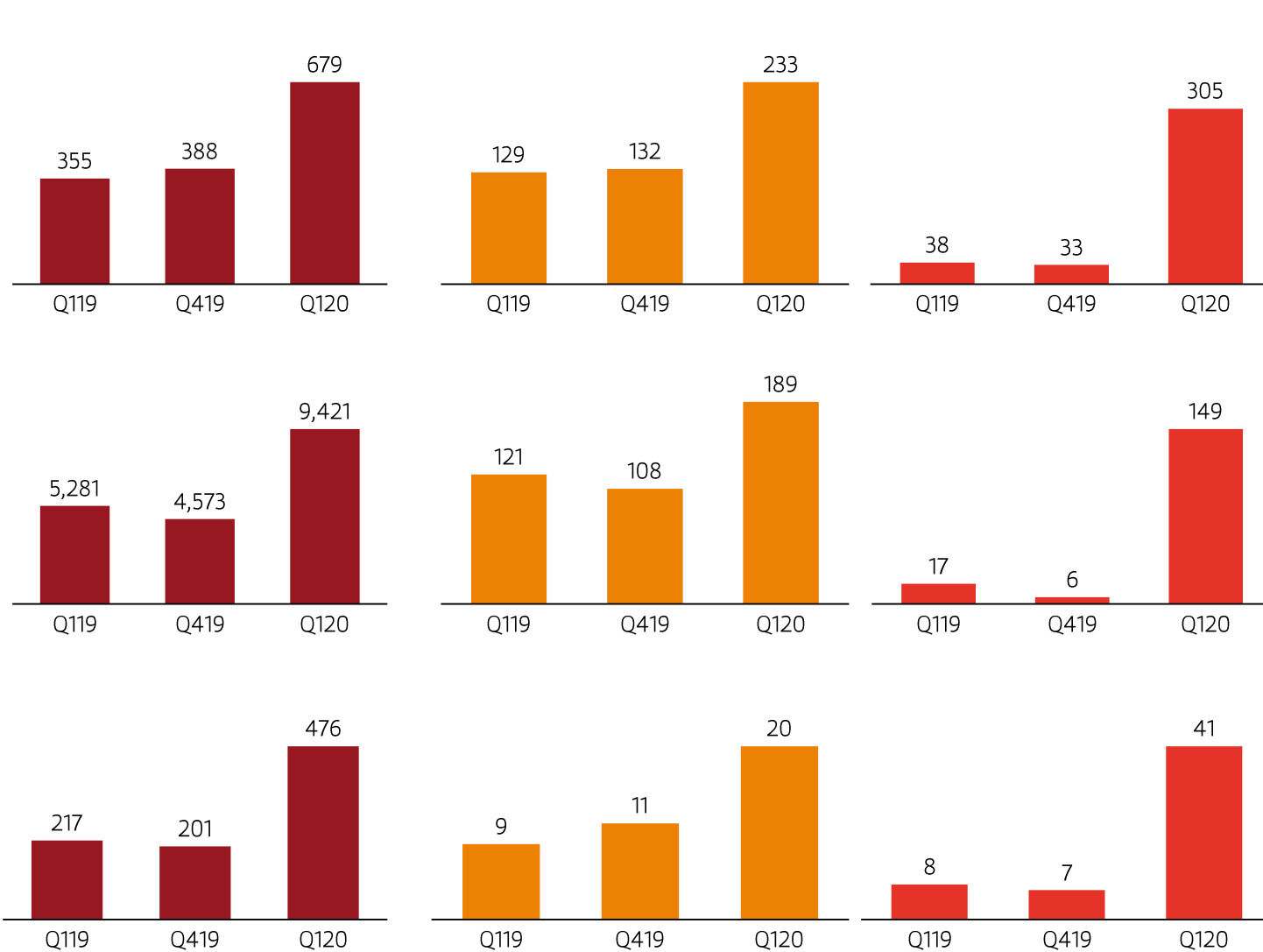
** Source: BlackRock ETP Landscape

Regional performance overview

Market ETP Value Traded (€bn)

FT ETP Value Traded (€bn)

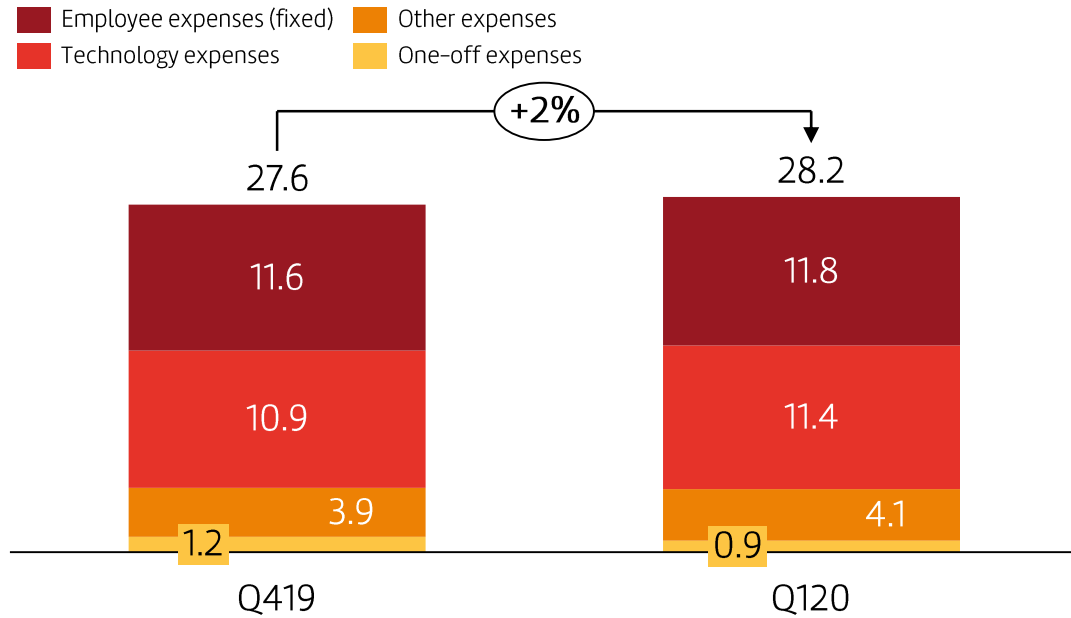
NTI (€m)



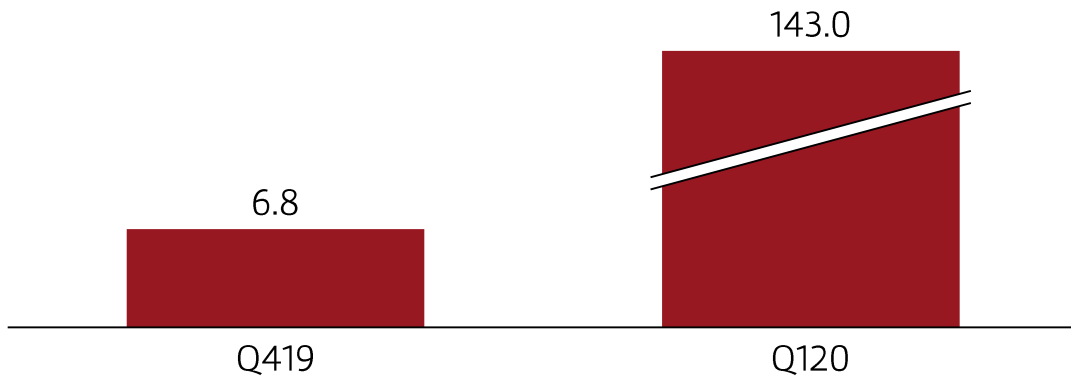
- Continuously provided liquidity and pricing to ETP markets globally
- Strong performance across all regions
- No loss days were recorded in the quarter
- No outages or downtime experienced
- Trading results, reflecting the levels of market activity, were evenly distributed across regions, asset classes and trading days
- Benefited from the focus and investment in recent quarters in the US operation and in fixed income
- Split teams are operational and back-up trading locations in Amsterdam, New York and Hong Kong have been activated

Strong cost discipline in Q120

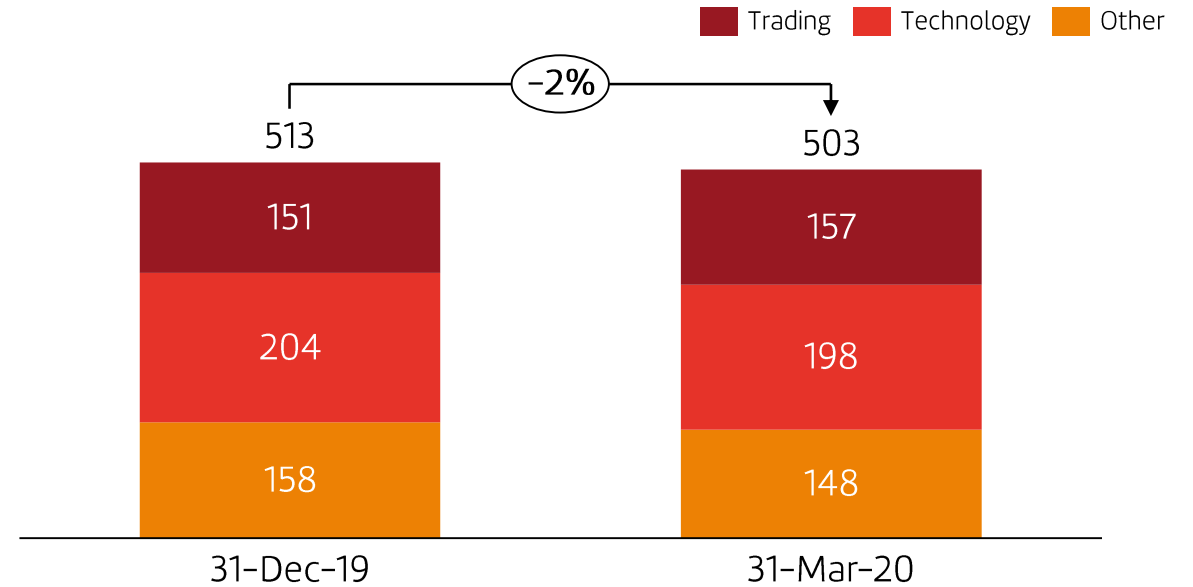
Fixed operating expenses (€m)



Employee expenses (variable) (€m)



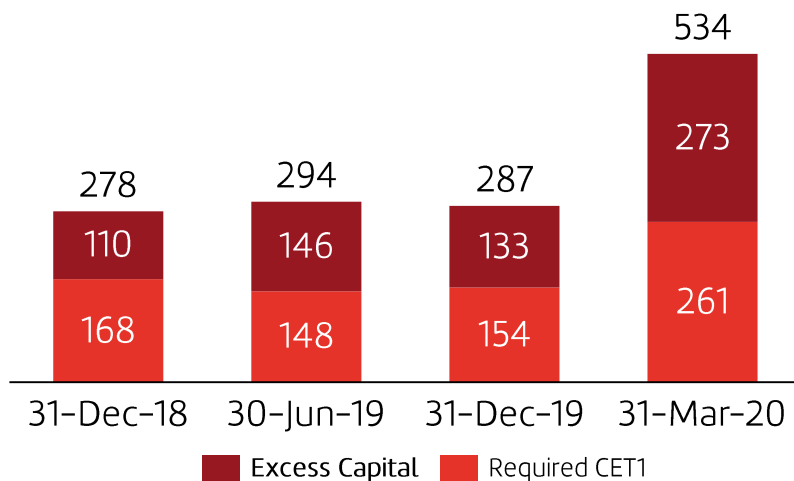
FTEs



- Strong cost discipline in Q120
- Impact of having new hires from Q419 on the payroll for a full quarter in Q120 as well as continued investment in technology infrastructure
- €0.9m of one-off expenses relating to activation of the business continuity plan
- Maintain guidance - maximum 10% increase in fixed operating expenses for 2020
- FTEs remained broadly flat - in line with previous guidance
- Variable employee expenses reflect improved overall financial performance

Capital position remains strong and conservative

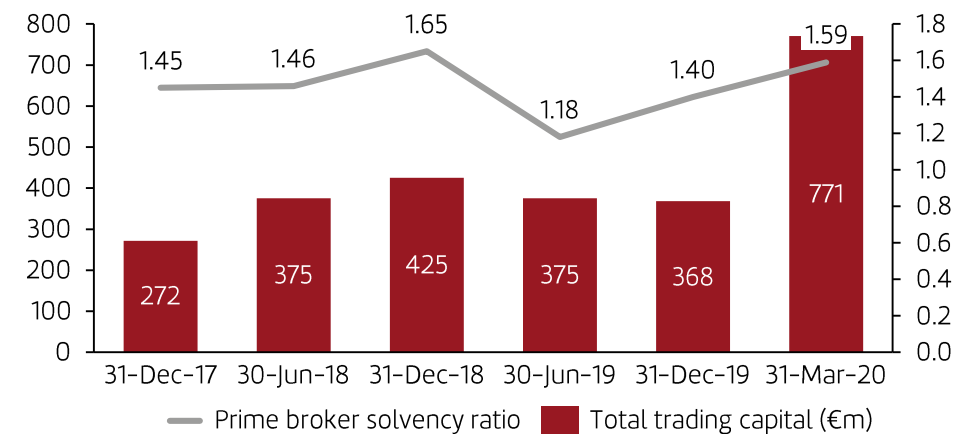
Regulatory Own Funds Requirement (OFR) (€m)



CAPITAL POSITION HIGHLIGHTS

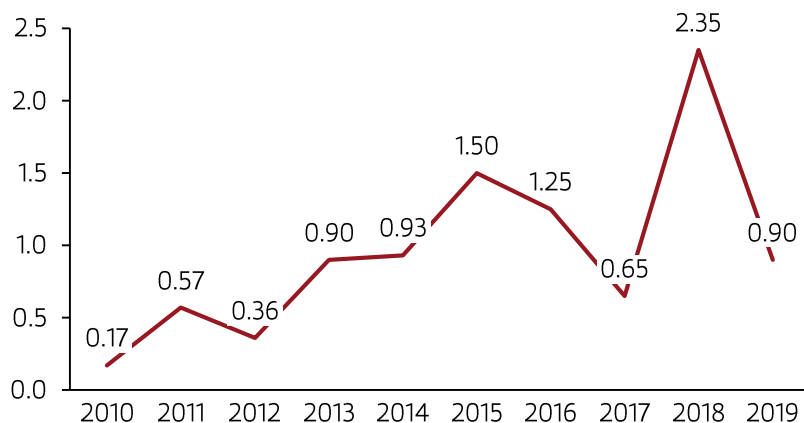
- Trading capital remained comfortably above Prime Broker requirements and Own Fund Requirements in Q120
- Current Regulatory Own Funds Requirement increased to €261m reflecting increased trading activity and heightened market and operational risk
- €273m of excess capital as at 31 March 2020
- Trading capital of €771m as at 31 March 2020

Prime broker solvency ratio



Note: Total Trading Capital divided by Prime Broker haircut

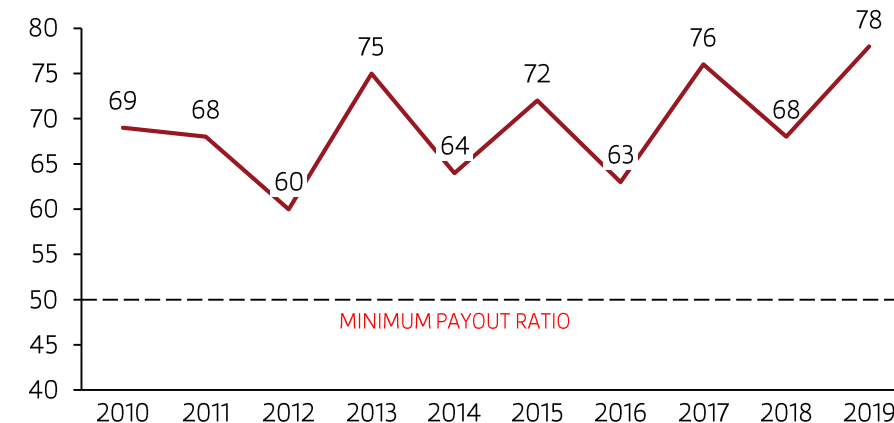
Annual dividend (€)



DIVIDEND HIGHLIGHTS

- Pays annual dividend in 2 instalments
- Dividend policy targets to return at least 50% of net profits to shareholders
- Proposed final 2019 dividend of €0.55 paid as interim dividend due to AGM postponement
- Aggregate dividend paid out since IPO amounts to €6.65
- €20 million share buyback programme successfully completed

Annual dividend payout ratio (%)

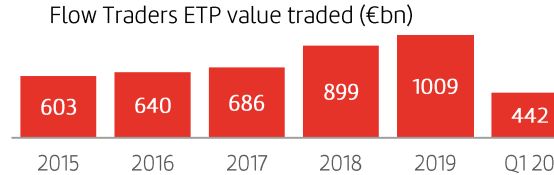
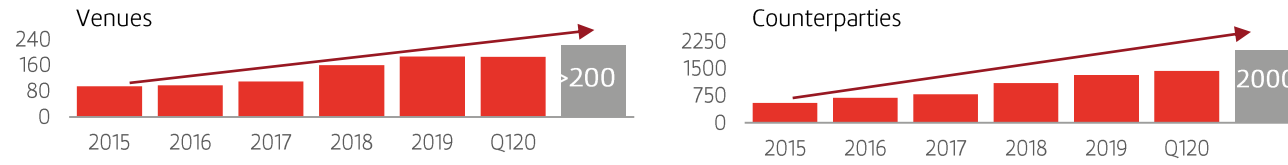


Strategy update



Leveraging our global ETP trading footprint to drive further growth

Focus remains on enlarging the ETP footprint



Americas

- US is the largest ETP market globally with single regulatory regime
- Technology (e.g. RfQ adoption) and regulatory changes (e.g. unbundling, best execution) will create a more level playing field and ability to grow share
- Already top 3 in OTC with current set-up and momentum continues to grow
- More products and additional large counterparties to generate more flow
- Confident of increased success with building blocks in place



Europe

- Growing ETP market in 2019 with increasing regulatory alignment
- MIFID II has led to step change in transparency with trading moving away from dark pools to MTFs
- Retrenchment of market participants
- Flow Traders sees almost all flow which drives pricing capabilities
- Flow Traders is successfully defending and enhancing a strong market position – 35%+ onscreen market share

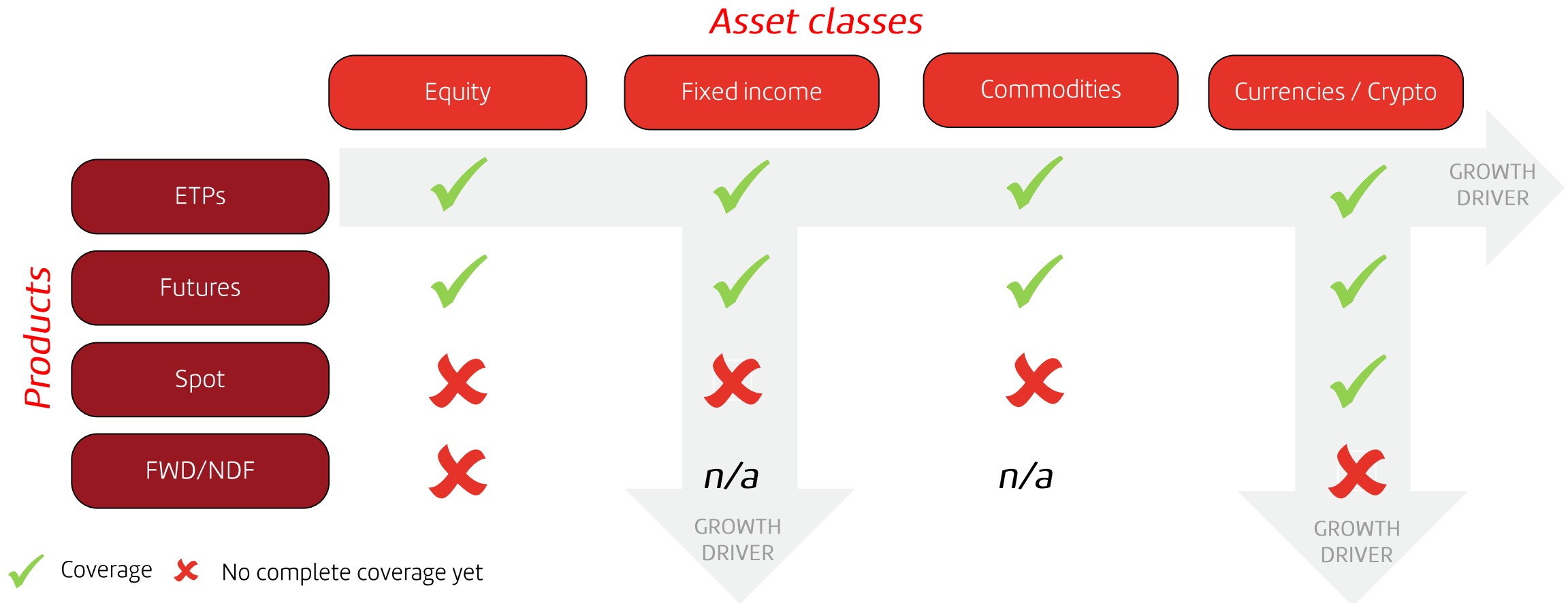


Asia

- Second largest regional ETP market dominated by China
- Highly fragmented landscape
- Flow Traders currently operates in Asia ex-China – examining entering this market in the near future
- High degree of relationship-driven trading led by domestic banks (often also ETP issuers themselves)

Three near term key growth drivers – fixed income and currencies alongside ETP core strength

Technology and regulatory developments are catalysts for these key growth drivers



- Growth focus is on enhanced coverage of fixed income and currency products alongside enlarging the global ETP trading footprint
- Pricing of products traded, connectivity and transparency are key
- NTI growth is realised through growing Value Traded **and** optimising Revenue Capture
- Improved efficiency through greater scale and continued technology investments

2020 strategic priorities

1 Expand leading ETP liquidity provider position and continue to grow ETP ecosystem through more venues, products and counterparties

2 Expand currency trading capabilities

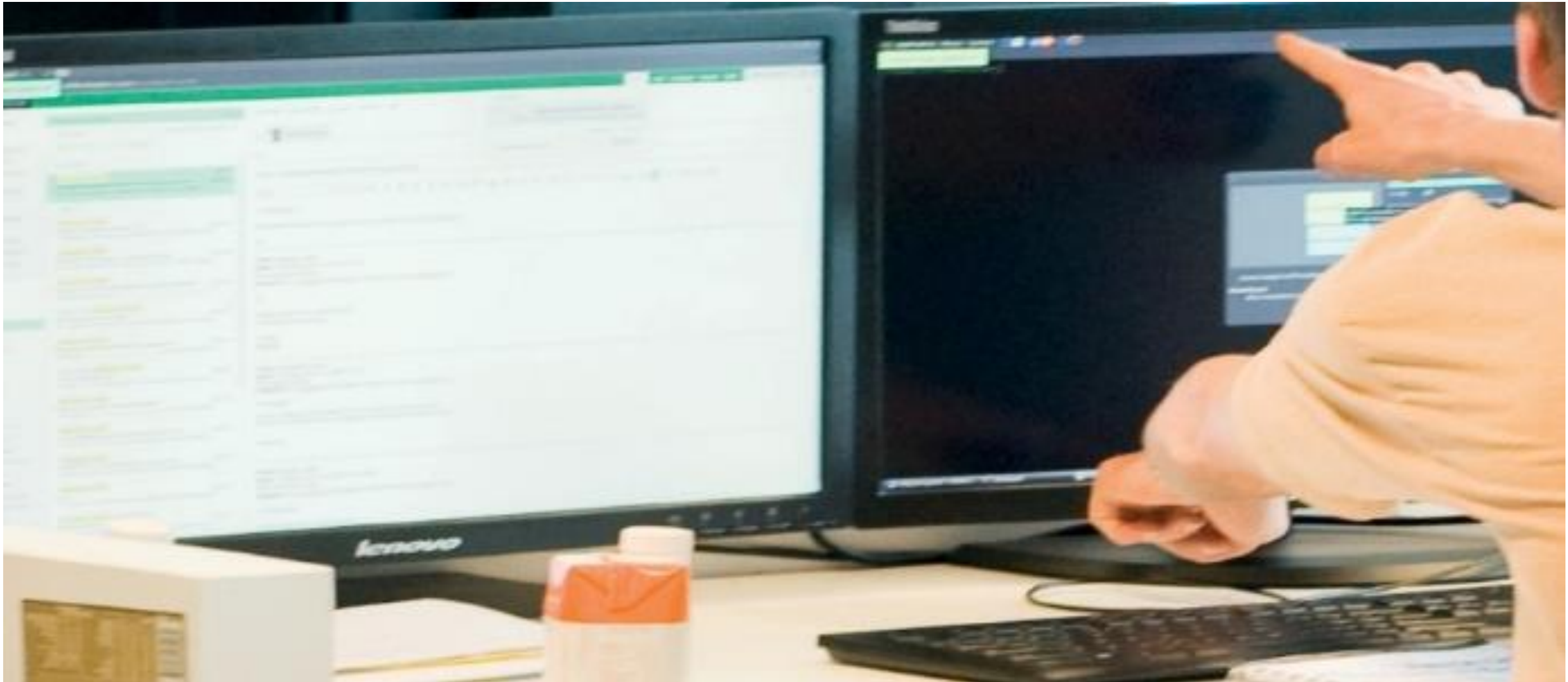
3 Expand fixed income trading capabilities – will strengthen fixed income ETP trading

4 Drive efficiency improvements through technology infrastructure and data processing

5 Maintain strong capital position and robust risk management framework

6 Strong cost discipline as growth investments are made

Structural NTI growth potential



Summary income statement

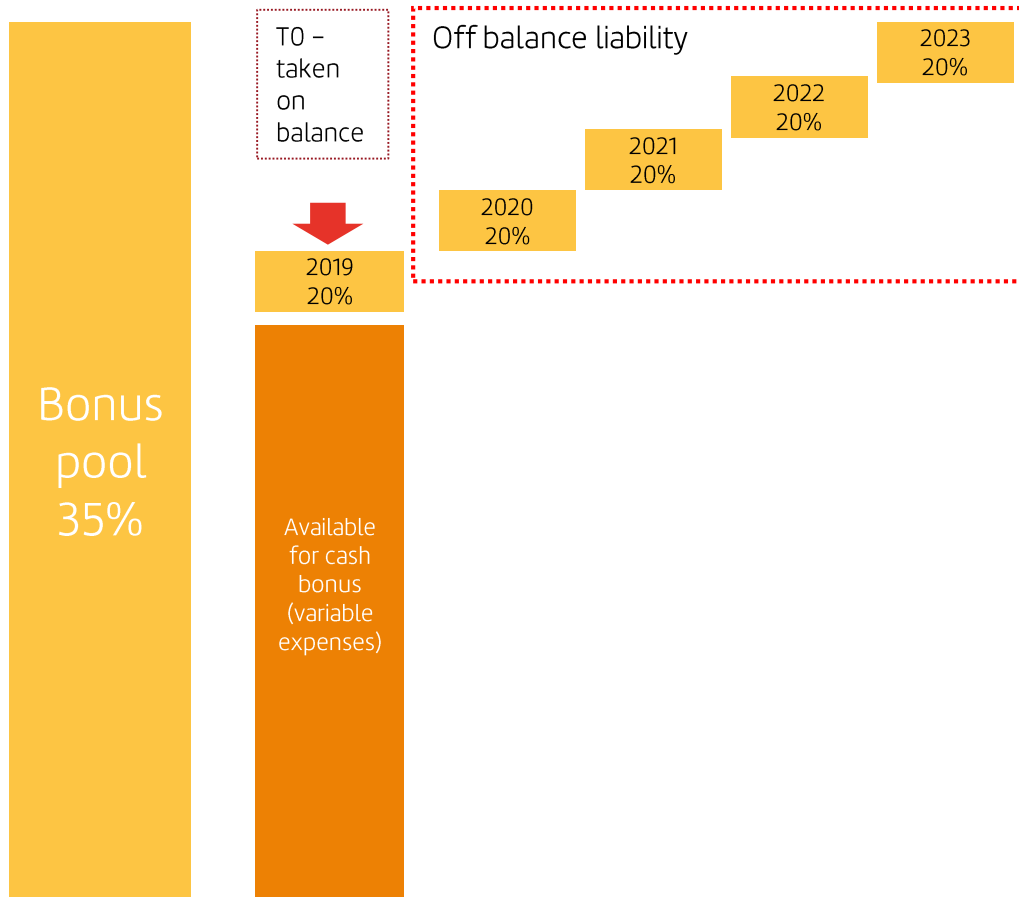
€ millions	Q120	Q419	Q120	Q119
Net Trading Income	495.0	46.1	495.0	63.1
<i>Employee expenses*</i>	154.9	18.4	154.9	23.3
<i>Technology expenses</i>	11.4	10.9	11.4	9.5
<i>Other expenses</i>	4.1	3.9	4.1	3.5
<i>One-off expenses</i>	0.9	1.2	0.9	-
Total operational expenses	171.2	34.4	171.2	36.3
EBITDA	323.7	11.7	323.7	26.8
<i>Depreciation / Amortisation</i>	3.6	3.7	3.6	3.6
<i>Write offs, tangible assets</i>	-	-	-	-
<i>Results subsidiaries</i>	-	1.0	-	-
Profit Before Tax	320.1	9.0	320.1	23.2
<i>Tax</i>	57.8	1.8	57.8	4.0
Net Profit	262.3	7.2	262.3	19.2
EPS (€)	5.71	0.16	5.71	0.41
EBITDA margin	65%	25%	65%	42%

* Of which fixed employee expenses were: Q120 – €11.8m; Q419 – €11.6m; Q119 – €10.3m

Flow Cash Incentive Plan (FCIP) mechanics overview

Payment schedule

FCIP



Accounting considerations

- All 5 future cash incentives are funded out of this year's bonus pool
- Cash incentive will only be paid to employees who remain employed at the company and still hold shares
- This results in a service condition and IFRS accordingly requires that the costs are allocated to that year
- These costs will, however, not impact the bonus pool of that particular year, but as the expenses are taken into the P&L, the % presented in that year will be impacted

Recent monthly market updates

	2020			2019									
	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar
On & Off Exchange* Value Traded - Global (€bn)	5,797	2,938	2,212	1,786	1,654	2,041	1,973	2,462	1,739	1,853	2,228	1,761	2,116
On & Off Exchange* Value Traded - EMEA (€bn)	331	199	149	128	124	136	130	135	129	119	124	111	118
On & Off Exchange Value Traded - Americas (€bn)	5,021	2,495	1,905	1,483	1,354	1,736	1,682	2,155	1,447	1,589	1,934	1,479	1,813
On & Off Exchange Value Traded - APAC (€bn)	446	244	159	175	176	168	160	173	163	145	170	170	186
<i>EMEA - Off Exchange Market Value Traded on MTF** (€bn)</i>	180	114	84	75	76	71	76	70	76	67	71	66	68
<i>EMEA - Off Orderbook* Market Value Traded (€bn)</i>	46	24	18	17	12	22	15	16	14	12	10	10	9
<i>Americas - Off Exchange Market Value Traded (€bn)</i>	1,716	832	723	562	496	562	553	660	492	567	621	538	595
<i>APAC - On & Off Exchange Market Value Traded in China (€ bn)</i>	164	131	78	113	109	97	93	90	97	86	89	101	105
Assets under Management*** - Global (€bn)	<i>Pending</i>	<i>n/a</i>	<i>n/a</i>	5,616	<i>n/a</i>	<i>n/a</i>	5,157	<i>n/a</i>	<i>n/a</i>	4,937	<i>n/a</i>	<i>n/a</i>	4,785
Assets under Management - EMEA (€bn)				928			843			805			778
Assets under Management - Americas (€bn)				4,081			3,756			3,602			3,497
Assets under Management - APAC (€bn)				607			558			530			510
# of ETP listings - Global	12,947	12,910	12,788	12,751	12,709	12,651	12,583	12,457	12,359	12,268	12,158	11,821	11,910
# of ETP listings - EMEA	6,093	6,066	6,025	6,046	6,037	6,019	6,022	5,983	5,953	5,939	5,872	5,649	5,782
# of ETP listings - Americas	4,725	4,726	4,656	4,620	4,599	4,582	4,529	4,473	4,435	4,386	4,374	4,286	4,269
# of ETP listings - APAC	2,129	2,118	2,107	2,085	2,073	2,050	2,032	2,001	1,971	1,943	1,912	1,886	1,859
Average VIX per month	57.73	19.58	14.15	13.74	12.70	15.66	15.72	18.98	13.31	15.84	16.72	13.05	14.65
VIX high per month	77.60	44.43	18.09	16.30	13.39	20.24	19.66	24.59	16.12	18.86	20.55	14.39	18.33
VIX low per month	32.94	13.96	12.10	12.12	11.62	12.90	13.74	15.80	12.07	14.33	12.87	11.03	12.37

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. Last month number is preliminary and may be subject to change

***: BlackRock Global ETP Landscape (issued on a quarterly basis from 2019 onwards)

Sources: Blackrock Global ETP Landscape, Tradeweb, Bloomberg, Flow Traders analysis

Thank you!