FLOW TRADERS

Fourth Quarter and Full Year Results 2018

Friday, 8th February 2019

Transcript produced by Global Lingo
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www.global-lingo.com

Fourth Quarter and Full Year Results 2018

Operator: Good morning ladies and gentlemen. Thank you for holding, and welcome to the Flow Traders Full Year Results 2018 Event Call. At this moment, all the participants are in the listen-only mode. After the presentation, there will be an opportunity to ask questions. I would like to hand over the conference to Serge Enneman. Please go ahead.

Serge Enneman: Thank you, operator. Good morning, all. On behalf of Flow Traders, I would like to thank you all for joining us today. This morning we have released our fourth quarter and full year 2018 results. Our Co-CEOs, Dennis Dijkstra and Sjoerd Rietberg, will present prepared remarks, after which they will be available to answer your questions.

Before we begin, let me draw your attention to the disclaimer on Page 2. Please be advised that, if you continue to listen to this presentation, you are bound to this disclaimer. Also, please note that the results we will discuss in this presentation are unaudited results. With these formalities out of the way, I would now like to hand over the call to Dennis for his opening remarks.

Dennis Dijkstra: Thank you, Serge. Good morning all, and thank you for joining this call, where we provide more colour on our fourth quarter and full year 2018 results, which we released this morning. In line with the pick-up in the market activity, as shown in the monthly statistics published on our website, Flow Traders' financial performance showed a strong finish to what was already a very successful year. Flow Traders is proud to present its best fourth quarter net trading income so far. When taking a closer look at Flow Traders' performance in 2018, it is clear that Flow Traders has grown in market presence and in trading more financial products as our Value Traded shows.

The continuous focus on our strategic development initiatives resulted in a broader presence and increased scale in trading, as an example. Flow Traders now provides liquidity in over 6,500 ETPs and other financial products, as an official liquidity provider, on 161 venues. The leverage of our trading infrastructure successfully supports our strategy to diversify into markets like Currencies and Fixed Income. This lays the foundation for our growth path into the future, as we will highlight later on in this presentation.

Flow Traders' strong NTI growth in 2018 led to an improved capital base. Trading capital increased to €425 million at the end of 2018. Our required core Tier 1 capitals showed, at the same time, little variance throughout the year, confirming our efficient setup. All this was realised while Flow Traders continued to comfortably meet all regulatory requirements. Taking all this into account, Flow Traders has decided to propose a final dividend for 2018 of €1.00, bringing Flow Traders' total dividend to €2.35, pending shareholder approval at our upcoming AGM.

Let us now take a closer look at the market developments of Flow Traders' accomplishments. First, we take a closer look at the ETP market dynamics, in the last quarter of 2018, on Slide 4. As shown on the top left-hand side of this slide, market ETP Value Traded showed a strong increase in the fourth quarter of 2018. This was driven by geopolitical developments and central bank policies, affecting market sentiment and leading to a decline in financial markets globally. As shown at the bottom left-hand side, this decline also impacted the assets under management in the ETP industry in the fourth quarter; especially equity ETPs were impacted by these developments. The assets under management declined in value following the decline in the market, although no material outflows out of ETPs were noted.

With ETPs' assets-under-management value declining versus end of June 2018 and ETP Value Traded rising, velocity grew substantially in the fourth quarter, as is shown at the graph at the bottom right-hand side of the slide. The biggest jump in ETP Value Traded was witnessed in the US, where the increase was especially visible in the top ten most traded products, often US equity-related ETPs.

Now, we turn to our quarterly and annual performance over 2018 on the next slide. For this, I will hand over to Sjoerd.

Sjoerd Rietberg: Thank you, Dennis, and good morning, all. On this slide, we present an overview of our key performance indicators for the fourth quarter and for full year 2018. The disciplined execution of Flow Traders' growth strategy result in strong increase in Value Traded and a record NTI for the year. Diversification of our trading activities and leverage of our trading infrastructure enabled Flow Traders to trade more financial products than ever before. Flow Traders' team-driven approach to develop new business resulted in a strong increase in our trading capabilities.

When looking at our performance in the fourth quarter of 2018, per region, the NTI increased strongly in all of them, but especially in APAC. Realised volatility in the Asian markets was higher in the fourth quarter, led by China. This had an impact on spreads and volumes. We were able to capture momentum in the market activity here, resulting in a strong increase in our quarterly NTI. ETP Value Traded also grew, although not by as much as the market Value Traded did. Nevertheless, Flow Traders' growing presence in the OTC trading space, in combination with the strong growth in number of ETPs traded, has resulted in a performance that follows the resource invested in the past 18 months in APAC. The establishment of our Hong Kong office is an example of this, and we will continue to focus on growing our presence in the region in the future.

In the US, Flow Traders executed on its growth strategy in 2018 as well. OTC Value Traded grew substantially, and the number of counterparties grew to over 100, some of who are large asset managers in the US ETP space. NTI realised in the US, in the course of 2018, was already strong, following performance in the first quarter.

Our fourth quarter NTI grew 71% quarter on quarter. That was a strong increase, although somewhat below our ambitions. Although we doubled our OTC Value Traded in the fourth quarter, the specific increase in market Value Traded in the top ten most-traded ETPs confirms that there's still some upside for Flow Traders in the US market. We are focused on growing our OTC business as well as our market footprint in the US, in the future.

In the EMEA region, we continued to consolidate our leading position in ETPs as a liquidity provider. Our Value Traded and NTI grew strongly, as we connected more counterparties and continued to trade even more ETPs on all venues. Market Value Traded on NTFs grew 24% versus the previous quarter. Flow Traders continues to be the dominant liquidity provider on NTFs in Europe. Furthermore, the development of the FX trading initiative went according to plan. We are now connected to four platforms, serving a few dozen of counterparties already. The counterparties are, as I said before, interested and can be connected swiftly to our FX offering. In 2019, the FX initiative will be rolled out across more regions and more currency pairs, to provide liquidity on a continuous basis. As the graph on the bottom left-hand shows, this together led to an NTI in the fourth quarter that ranks as best quarterly NTI in the fourth quarter ever.

Let's now turn to Slide Number 6, where we will highlight our financial performance. For this, I would like to hand back to Dennis.

Dennis Dijkstra: Thanks. The simplified profit-loss presented here confirms that we have a strong cost control, leading to an overall fixed cost growth for 2018 that was well within the guided range. Efficiency improvements and controlled growth of our FTEs to support our diversification and trading led to a 6% quarter-on-quarter increase of fixed costs, which resulted in a fixed cost growth overall in 2018 of 7%. Now, almost half of our FTEs is related to technology. In the overview of the fixed cost growth in the fourth quarter, other expenses grew 60%. That was mainly due to an €800,000 one-off charge for the early termination of an old office rent in the United States.

The variable compensation pool amounted to 33% of the operational profit annually, following the IFRS treatment of that equity participation plan. The profit-loss overview in the appendix explains what the impact of the equity participation plan for our employees was on the variable expenses, under IFRS 2018, which reduced variable expenses reported from 36% of the operational profits to 33%, as reported.

The effective tax rate was 17.5% in the fourth quarter, which means that Flow Traders realised an earnings per share of €0.56 for the quarter, resulting in a record full year earnings per share of €3.46.

Now we take a closer look at the development of Flow Traders' capital position in the fourth quarter. On this slide, we show our required core Tier 1 capital levels and our current access capital on the top left-hand side. There it shows that after correction for our dividends in 2018, Flow Traders' capital buffers have remained strong and stable throughout 2018. As our solvency ratio with our prime brokers also improved following the increase in our cash position, Flow Traders has decided to propose a final dividend of €1.00. With this final dividend proposal, which is pending AGM approval, Flow Traders paid out a total dividend of €2.35, which is a 68% dividend payout ratio. This again shows that our capital base is sufficient to support our future growth plans, as well returning excess capital to our investors.

What those future growth initiatives are going to be can be made clear by looking back at how Flow Traders' strategic ambitions have developed in 2018. For that, I would like to hand back to Sjoerd.

Sjoerd Rietberg: Thank you, Dennis. On this slide, we look back at what we have accomplished in 2018 and what our strategic focus was. So, looking at all the strategic objectives, it may seem clear that Flow Traders has made good progress in all of the focus areas identified for 2018. Flow Traders remains a leading ETP liquidity provider globally and grew its presence in all regions, but especially in the US and Asia, although our presence in EMEA of course grew through the launch of the FX initiative and the opening of a branch office in London. The opening of this London office is done in anticipation of the Brexit later this year and to facilitate institutional trading, given the size of the financial industry there. In Asia, our Hong Kong office developed further into becoming one of the leading liquidity providers in ETPs in the Hong Kong market.

At the same time, Flow Traders leveraged further on its trading infrastructure, to diversify trading into other financial products. Flow Traders has begun providing liquidity in more financial products like FX, Fixed Income and futures on a continuous basis on platforms across the globe. Diversification of our trading strategies will be part of our strategy going forwards. As highlighted earlier by Dennis, all this was done while keeping a tight grip on cost growth. All in all, Flow Traders has laid a strong foundation in 2018 for the future, a future that will, as said, focus on further diversification of our trading capabilities, this to strengthen our position as a liquidity provider in the financial markets and to maximise the growth of our NTI.

On Slide Number 10, we show the strategic focus areas for Flow Traders in 2019. It may come as no surprise that, based on the accomplishments in 2018, Flow Traders continues to focus in its growth strategy on expanding its global presence in ETP trading, both in products and trading relationships, with a focus on the Americas and APAC, intensifying and expanding our liquidity providership in financial products globally, in both equity and FIC, to support our support in ETP trading and to become the one-stop liquidity platform in financial products globally. We also want to grow our technological infrastructure, to increase scale, while at the same time improving our trading efficiencies. And finally, we'll continue to control our cost growth development and we'll reiterate our guidance of max of 15% fixed cost growth, on an annual basis, for 2019. With this, Flow Traders will grow its presence in the financial industry into the future.

To show that Flow Traders is already on that path of diversification, we turn to Slide 11, where we show our current involvement in the financial industry and how we see that evolving in the future. As has been mentioned many times before, Flow Traders is diversifying liquidity, providing into other financial products such as bonds, equity and FX. Our presence in ETPs and futures is already leading. We, however, want to grow our presence in those products and asset classes where we see an opportunity to add value to the market and to our business case. We will do this through providing liquidity in the same way we provide liquidity in ETPs and futures. This will, at the same time, also support our presence in ETP trading globally.

By leveraging on our knowledge, people and infrastructure, we know that we will be able to grow our addressable market in the future. Markets are constantly moving and developing, and Flow Traders wants to remain at the forefront of the financial markets, by becoming ultimately a one-stop-shop liquidity platform for anyone looking for liquidity in financial markets across the globe. Flow Traders has always been present in the underlying equity and FIC markets, and on the next slide, we show a historic break-up of our total Value Traded into equity and FIC, on a quarterly basis, since the first quarter of 2016. That shows that Flow Traders has experience in trading the underlying financial markets, as we've always been involved in those markets via ETP trading, which explains our conviction to further diversify into more asset classes and more financial products.

Let's turn to Slide Number 12. On this Slide Number 12, we show a break-up of Flow Traders' total Value Traded, since the first quarter 2016, split up in equity and FIC. As the graph shows, the total Value Traded, let alone some quarterly fluctuations following market developments, shows that structural diversification in Flow Traders' Value Traded has already taken place in the past years, with a strong emphasis on FIC. Nevertheless, a good part of Flow Traders' total Value Traded is executed in the equity space, through ETPs and other products. As our trading capabilities evolved through time, we have become active in more and more products and asset classes, to be able to capture more of the market's trading activity. Given our strong presence in ETP trading globally, we will use that knowledge and those capabilities to provide liquidity in underlying asset classes, which will also contribute to our efforts to offer better price in ETPs to our counterparties and will drive our diversification ambition.

With this, I conclude our presentation, and I will now hand it back to call – to Serge.

Serge Enneman: Thank you, Sjoerd. This concludes our prepared presentation. We would now like to open up the floor for any questions you may have. Operator?

Operator: Ladies and gentlemen, we will start the question and answer session now. To be registered for the question and answer queue, please press star one on your telephone. So, if you have a question, please press star one on your telephone. Go ahead. The first question is from Mr Ron Heijdenrijk. Please go ahead.

Ron Heijdenrijk (ABN AMRO): Good morning, gentlemen. Can you hear me?

Dennis Dijkstra: Yes.

Sjoerd Rietberg: Yes, we can all –

Ron Heijdenrijk: Oh, perfect, perfect, there was a big silence there. Good morning. Three questions from my side. One is, could you give some insight on the market share development in the different markets in the fourth quarter versus third quarter?

Secondly, could you give some further insight on the revenue capture in the US? I seem to remember that at the Q3 stage, you commented that Q3 was a dip and early Q4 saw already a bounce back. So, that must have tailed off again into the end of the quarter then.

Then, on cost, you had 7% cost growth on your fixed cost line in 2018, even slightly less if you strip out the one-off. Still, your guidance is up to 15% per year. Should we expect an acceleration here versus 2018, or how do you see that in the next two years, for instance?

And then maybe finally, if I may, do you have some insight on the profitability/revenue capture in the non-ETP products, compared to the ETP products? If you grow there, should we start pencilling in a positive or negative mix effect? That's it, thank you.

Sjoerd Rietberg: Thanks, Ron, I'll tackle the first questions for you. So, market share developments, what we have seen in the fourth quarter in the different regions is that in Europe, we've actually increased our market share a little bit again, also following further investments in infrastructure and also following the launch of several new ETPs in which we are immediately official liquidity provider. So, hence we've been able to further increase our presence there. In the US, there was not a notable difference compared to other quarters in the past, in terms of market share developments. And in the Asian region, we've seen a small uptick in our market share, also driven by the fact that we have become an official liquidity provider on the Hong Kong exchange for around 100 listed names there, since we set up our Hong Kong office actually, where we now are able to become official liquidity provider. So, all in all, globally we see not a massive movement in our market share. But we see a little bit of an uptick and still some growth there.

Then your question regarding revenue capture, especially in the US, you're right that in the third quarter the results in the US were a little bit subdued. In the fourth quarter it fluctuated. It was quite okay. What we've seen there is that the top ten products were responsible for the biggest growth in terms of Value Traded. Of course, we've seen a massive growth there in total Value Traded in the fourth quarter compared to the third quarter. As mentioned before, we're not yet present in these top names, hence also the performance we have reported today.

At the same time, what we do see there is that our institutional trading offering really starts to grow quite rapidly. As mentioned in the presentation, we now have over 100 institutional counterparts connected in the US, including a few big names. And as you might recall from previous calls we had, is that revenue capture in general of our OTC trading activity is a bit less than on exchange, hence also the impact on the average revenue capture.

Dennis Dijkstra: Yes, hello, the cost growth. So, as said, we said a maximum of 15% cost growth going forward. As you also can see from the numbers, one of the bigger driver of our cost growth is our fixed employee expenses. We do anticipate to further grow, to support the growth and footprint of our business. So, also there, the 15% is not a target number. We, of course, expect it to be lower. But it's, kind of, a maximum we've set for ourselves.

And then your last question about profitability of ETPs versus non-ETPs, as you might be aware, we trade a lot of products around a certain exposure. So, it's impossible to determine if the trading income is made with, let's say, the ETP or the related hedge or other products that we trade. So, that's, kind of, difficult.

Ron Heijdenrijk: And I understand that if it's a – if it's a single trade, obviously an ETP versus all the other instruments in the line, including the FX part of that. But you now also go naked into the FX market, for instance. So, on the – on the bits that you go naked into the market, would then be the profitability be the same as on ETP-related trading, or would it be higher/lower?

Sjoerd Rietberg: Yes, it's still a bit of a mix, Ron. So, actually, so for example, in the fourth quarter, we traded around somewhere between €150-200 billion of currencies – and part of it is still coming from our ETP liquidity providing, in this fourth quarter. And of course, you can imagine that this is combined with our direct liquidity offering in the currency space. And of course, we aim to track as closely as possible as we can the profitability for each individual trade. Combined, it's quite a massive combination of transactions we are doing, which are all related or inter-related, in the space in which we operate.

So, for us, the main thing is that we aim to provide liquidity in all these different asset classes. The more we trade, both in terms of asset class, products, and financial markets and with different distribution channels, so including MTFs, including the RfQ platforms and including on exchange, that all adds up. Eventually we just want to grow that offering, want to grow our net traded income resulting from that, and we do this by growing our Value Traded.

Ron Heijdenrijk: Thank you.

Operator: The next question is from Mr Werner from UBS. Please go ahead.

Michael Werner (UBS): Thank you. I've got two questions. One is a bit of a follow-up on the previous question on the revenue capture in the US. I think we saw revenue capture expand in Europe and Asia quarter on quarter, whereas in the US this is essentially flat. And I was wondering if you could offer a little bit of guidance as to at least how Q1 is panning out when it comes to that? Again, just looking at the Q2 to Q4 revenue capture change, it was down quite sharply, despite volatility rising. So, again, I think you've eluded that this is partly due to mix shift, but any other colour would be helpful.

And then second, I guess in terms of thinking about capital allocation across the different regions, I know the US and Asia businesses are still very much growth areas for you guys. But is there any way to indicate, the geographical return on capital across the three major segments, between the US, Europe and Asia? Thank you.

Sjoerd Rietberg: Thank you. Sure, revenue capture in the US, yes, as mentioned indeed, it has to do with product mix which we are trading over there, indeed. So, as mentioned, the biggest growth there in the top names, we see of course our growth in the – we see it coming back again in Q3, Q4, because there is quite some trading activity growth there.

For the Q1 numbers, it's a bit – what we see in the US is that Value Traded there is going down a little bit, although in the EMEA region it's actually stable. And of course in the US, we also see that the Value Traded is going down, especially also in these top ten products where we're not that active. So, that might give a bit of colour on how the market developments are in Q1.

Yes, but Q2 to Q4, we have been working a lot, of course, on connecting to more institutional counterparties. We've had an exceptional Q1 in 2018, which, of course, kind of, blurred the numbers for the next few quarters. At the same time, our focus is continuously optimising our infrastructure internally. So, actually what we have been able to do is deliver a better revenue capture for the ETPs, if you take a look at Value Traded ETPs over NTI. At the same time, I'd like to reiterate here that we chose to not focus that much anymore on the revenue capture in these ETPs, since we are expanding into these other asset classes. So, it, kind of, becomes a blended number of course. In the US, we have been able to have a kind of first ETP, kind of, stable revenue capture, if you want to look at that. But again for us the main focus is to grow our presence in all these markets and also especially expand it to different asset classes.

And you notice, of course, that in Asian region, we are trading quite some ETPs but also trading some different asset classes. In the US, it's relatively more ETP focused still. And in Europe, of course, we are leading in the sense that we are expanding into FX liquidity providing, also focusing a lot on growing our Fixed Income activities. Hence, probably the blend is a bit more in Europe than it is in the US.

Dennis Dijkstra: Coming back to your question about the capital allocation, it's probably, kind of – both from a regulatory perspective and from a prime broker perspective, it's kind of evenly distributed amongst Europe and the US, and with a smaller portion allocated to the Asian region. And also there, we do have a lot of flexibility to move both cash and capital around within the group. So, there's – let's say, if required, we have a lot of flexibility to facilitate trading, also giving the headroom we have at the moment.

Michael Werner: Thank you.

Operator: The next question is from Gregory Simpson from Exane. Please go ahead.

Gregory Simpson (Exane BNP Paribas): Yes, morning guys, so just a follow-up on the US, sorry. It's clear there's a mix effect towards liquid products in the fourth quarter. My question would be, if you were to look at your spreads on an individual product basis, did revenue capture and spreads go up in the fourth quarter or not? And the follow-up to that is then, if I were to look at your business two years ago, it was making €16–20 million of NTI in the US. Today it's

€14 million in the fourth quarter. So, do you still think we could, kind of, get back above those levels that we saw historically, or has there been some kind of structural change around, say, competition in the market?

And then just a quick final one, the strategy to be a one-stop shop providing liquidity in FX and Fixed Income, have you done any work on the potential revenue contribution you think is, kind of, out there to achieve? Thank you very much.

Sjoerd Rietberg: Thanks, Gregory. Revenue capture spread developments in the US, well, as noted already, the revenue capture if – assuming we're looking again at the ETP space - is more or less stable in the US, in the third quarter. Again, it really has to do also with the growth of our institutional trading offering. Of course, we also want to be present there, so we are quite aggressively pricing there and aggressively gaining market shares. When markets move – in general, what we do see, if markets move more, if there's more volatility, we tend to make more money. Of course, you know that spreads tend to increase a little bit, and there tends to be more market activity as well. So, that is, in general, still positive for us as an organisation.

At the same time, in the fourth quarter, we did not see any big dislocations in the market. So, I think markets actually proved themselves to be very efficient, which is in a sense a good thing for the end investor. At the same time, in general, what we still see is that with more market activity, more trading activity, we definitely can increase our net trading income. Underlying, of course, we still benefit from the shift from active to passive investment. So, we still benefit from the growing ETP industry. Hence – while at the same time, we still believe that we can leverage our infrastructure into other asset classes. And that eventually should of course bring us the future growth of our NTI and eventually be beneficial both for the investors and the financial markets.

With regards to our ambition to really become this one-stop shop in the financial markets, it's really based upon the fact that with being a liquidity provider in ETPs, we are already connected to all these different asset classes. We already have the experience in these asset classes. We know how they work. We know how these products work. At the same time, it also gives us an axe in providing liquidity to any counterparty that wants. We are now transforming, in fact, our organisation into an organisation not only providing liquidity in these ETPs but also into other assets, starting, of course, with the currencies and with the Fixed Income space.

What the exact outcome will be in terms of the contribution in terms of revenue capture, in terms of NTI contribution, that is something we cannot say too much about currently. But, of course, we do have the ambition – because we see as also shown in one of the later slides of the presentation, we do see there are massive opportunities in these markets, given the sheer size of these markets and also given the inefficiencies which are sometimes present, if you compare to nowadays equity and ETP markets.

Gregory Simpson: Okay, can I just check? Do you think the volumes and revenue capture in these products is less volatile than the ETF market, or is it still quite a cyclical market?

Sjoerd Rietberg: It's an interesting question actually, because what we, first of all do expect is, by diversifying we, at least, reduce the volatility of our net trading income. Actually what we've already seen, in the past decade, by growing our organisation, both geographically and in terms of product – expanding in terms of product coverage, so just by being present in those other asset classes, we expect a positive – or, in fact a negative effect on the volatility of our earnings, and of course a positive contribution to our NTI in terms of what we can capture there.

And also, if you take a look at how big these markets are, if you know what's being traded in the currency market nowadays and how sometimes what kind of efficiencies are still possible there. If you take a look at the Fixed Income space, where there's quite some changes taking place in terms of further automation and making these markets more easily accessible, there's really a lot of opportunity to increase the efficiency of these markets. At the same time benefit from providing liquidity there and really grow our net trading income.

Gregory Simpson: Okay, thank you.

Operator: The next question is from Anil Sharma from Morgan Stanley. Please go ahead.

Anil Sharma (Morgan Stanley): Morning guys, just a couple of questions. In terms of your Asian business, it looks like the revenue capture or the revenue margin was up quite significantly, quarter on quarter or year over year, whichever way you want to look at it. And I think the last time we saw this level was Q4 2015. So, I'm just trying to understand, is this related to the changes i.e. the opening of the Hong Kong office, or is there something else going on in that market more specifically? If you could just help elaborate as to what's going on with the revenue capture there.

And then the second question was around Q1, I mean, obviously, if I look at the, sort of, exchange traded volumes on cash and derivatives around, sort of, Europe and the US, it looks like things are down pretty significantly year on year. I've noticed that obviously you guys haven't provided an outlook statement. So, I just wondered if you could comment as to how trading is developing, sort of, so far in Q1. Thank you.

Sjoerd Rietberg: Thank you. So, on the revenue capture in Asia, what we see there is there's a bit more volatility in the revenue capture, also given the size of our operations. I hope that's clear. At the same time, what we do see, of course, is that also our investments pay off. So, it's a bit of a mix of both probably of what you've mentioned; a bit more activity in the markets as well as a more structural – improved approach of ourselves in that region. Although, at the same time, given the size of operations, some change are also quickly visible.

Regarding Q1, Dennis, you want to…?

Dennis Dijkstra: Yes, I think I said – I think Sjoerd, kind of, touched upon it already. I think in Europe we see, kind of, let's say, the same activity for ETPs as we've seen in Q4. And yes, you were right, in Asia and in the US, it's down somewhat.

Anil Sharma: Okay, that's helpful. Thank you. And just to follow up on the Asia revenue capture point, it is extremely volatile, so how should we be thinking about the forward – the forward run rate? Is Q4 a good guide, or would you expect it to trend higher than that or lower than that? Like, how should we think about it?

Sjoerd Rietberg: Yes, our focus in Asia is really on expanding our business, both on and off exchange. Especially the off-exchange business is growing rapidly there as well. We are, of course, planning on expanding our currency offering as well. So, actually by further diversifying and growing our business over there, we expect to show more stability in the regionals in Asia, or more predictability, as I said, just given the increase of the size we want to have there.

Anil Sharma: Okay, thank you. That's helpful, thank you.

Operator: The next question is from Albert Ploegh from ING Bank. Please go ahead.

Albert Ploegh (ING Bank): Yes, good morning all. Yes, a couple of questions from my end left. Yes, maybe first one is a bit technical on the variable compensation, and the slide that you put in the deck, is in that respect, helpful. But how should we see, let's say, the percentage evolving in the P&L for, let's say, for 2019? You referred to the 33% of variable comp over 2018. Should we take anything into account of the €9.1 million adjustment that is shown in the slide that might filter through the P&L in 2019 somehow? So, some colour there would be helpful.

And then maybe coming back, unfortunately, a little bit to the same kind of questions, I guess. In your statements, you mentioned yourself that you were also somewhat disappointed in the US. Listening to all the answers and questions raised so far, it seems it's much more related to how the market developed in the fourth quarter. But are you in yourselves still pleased with the margin development that you do see in the OTC trading, or is that also maybe slightly below budget? So, to get a bit of feeling there.

And is there any reason why you would put more IT spend in to become yourself a bit more active in the top ten active ETF products in the US? Or do you still believe that's, yes, a bad investment, as you can simply not make any margin there while trading? So, to get some flavour there, thank you.

Dennis Dijkstra: Yes, first of all, your question about the variable compensation, our policy is quite clear, 36% of the operational profit goes into a global profit-sharing pool, of which part of it is used as an incentive for our employees to buy stock in Flow Traders. So, a big part of it is deferred. So, as said, or as is shown in the slide, about €9.2 million of that is deferred, which will come into or will be paid to the employees in the coming four years. So, if you divide the €9.2 million by four, which will be the impact going forwards per year to the bonus pool.

Albert Ploegh: Yes.

Dennis Dijkstra: And also there are rights of – any current year's FCIP is deferred, but previous years will be taken into account under IFRS purposes.

Coming back – I think, I know for sure that Sjoerd will answer it as well, I think our US asset always is the biggest ETP market in the US. We have always been able to leverage the knowledge and infrastructure and pricing we have. Also, there we started initially on screen, in a few products. We have been expanding it, growing our market share, growing the number of liquidity venues, exchanges, darkpools we trade on, and since a year also OTC. So, we are, and we will remain very positive about the outlook of the markets.

Also, there how – I wouldn't say it's easy, but, let's say, if you see how much value traded OTC we are doing already, all the product developments, the efficiencies, and mind you, it is already a very competitive market. So, also there, since starting the company, or the office, in New York ten years ago, it has grown significantly, and we expect it to grow also going forward.

Albert Ploegh: Okay, thank you.

Operator: The next question is from Mr Syed Anil Akbar from Kempen. Please go ahead.

Syed Anil Akbar (Kempen): Hi guys and congratulations on the results. This is – what I wanted to first point out was in Asia, if we look at – and I don't want to – I apologise if we're going back and over this again, what you see in Q4 is that the market share has slightly declined from Q3, or is it something that is, yes, am I missing here on this one? But I think – yes, so what explains this? If you compare Q3 and Q4, you see a slight decline in market share. And if – on the other hand, if we look into the Q1 guidance that you're providing, I still would want to know, when we see the on-exchange volumes have, sort of, been weak as we've seen across, like, exchanges in the figures that they have given, so, and you're saying that the EMEA volumes for you guys are more or less the same. Does that mean that it's primarily on the OTC side and on the off-exchange revenues that you're seeing a strong growth? And does that, like, sort of, dampen the revenue capture for Q1? Just some colour on that would be helpful, thank you.

Sjoerd Rietberg: Regarding your APAC question, yes, I think it's important to realise that in APAC we have not – it's kind of scattered around the ETP market, as you might know, and, of course, we also report the Chinese ETP market volume separately. In APAC, historically we've always been also more active there; in the futures' space, for example, a lot of activity there. As you might now, we've also put out a press release by which we are supporting actually Eurex in Germany during Asian hours with trading activity. So there's a bit more of a blended liquidity-providing operations in Asia. And it's actually further expanding and further diversifying already a bit. Hence, also, a bit more volatile NTI we see in the Asian region, especially also a bit more – less of a relationship between the market share in ETP Value Traded or the ETPs versus the – versus the NTI we run there. So, the NTIs actually build up from liquidity providing and ETPs and liquidity providing in other asset classes, where the blend is a bit more tilted towards other asset classes than ETPs.

So, that explains a bit the NTI in the Asian region. At the same time, there also has been a bit more market activity, and that also explains quite a bit of the – the bit of a wider, bigger revenue capture.

Syed Anil Akbar: Okay. And the first question – and the other question that was on Q1 slightly, because we've seen volumes on exchange, sort of, being weak in Europe specifically. But you guys say that, like, the volumes for you – for ETPs trading, has been more or less the same as A4. So, are you seeing more volumes on OTC side, or what is happening there?

Sjoerd Rietberg: Yes, well, also in the EMEA region, we do see that the volumes are relatively okay compared to the average multi-volume in Q4. In the US and Asia we do see a bit of a down trend, indeed, in the Value Traded, in the markets. So, that's the numbers we are looking at, in terms of market volumes.

Syed Anil Akbar: Okay.

Dennis Dijkstra: And also there, we – on Slide 3, we do give some colour on the difference between on and off screen being traded by us. And that is very visible, a big part of it is off-screen or OTC, and that's including MTFs, right. So, also there, as said, taking into account the fact that we are accelerating our OTC trading in Asia and also the US, it – just exchange trading, ETP volumes do not give the full picture.

Syed Anil Akbar: Okay. Thank you.

Operator: The next question is from Michael Roeg from the Degroof Petercam. Please go ahead.

Michael Roeg (Degroof Petercam): Good morning, gentlemen. I have two questions about the US and one about Europe. In the US, the €140 billion ETP Value Traded, how much of that is roughly in your OTC activities?

The second question is on your market share again, in the US. Looking at the numbers in Q4, you shed a little bit of market share compared to Q3. However, there was quite a shift towards more liquid names, where your position is traditionally not as strong as with the less liquid names. So, would you say that in those less liquid names that you gained market share there, in Q4?

And then my third question is on Europe. Have you noticed any kind of shift in ETP assets under management from the UK to Continental Europe, where perhaps your market share is stronger than in the UK?

Sjoerd Rietberg: So, regarding your first question on the OTC trading in the US, the numbers we trade there, what we have seen is that consistently these numbers have been going up. As mentioned, we grew to over 100 institutional counterparties, and we're trading, yes, currently already a decent size there. To be honest, I don't have the exact numbers here for you, but I can say it is already, yes, probably, in terms of 10–20% of Value Traded, which is already in the institutional trading space, of the Value Traded that we trade. I hope that helps a bit.

Your question on market share, in the top ten names, indeed, we're traditionally not that present. And again, I want to say, which I've already mentioned before, we are present there, we're doing something, we're just not that present. We do, for example, provide liquidity to institutional counterparties in the most liquid names. There's not really something notable I can say right now about a differentiation between the top ten or the top 50 names or anything. It's also not something we're really looking into. At the same time, it is always – we're always improving ourselves, providing liquidity in all these different names. And especially from an institutional trading perspective, we really want to be, for the ETPs as well, a one-stop shop. So, we don't want to differentiate between certain names where we do and certain names where we don't want to provide liquidity. We will provide liquidity in any of the ETPs in the US. So, that's what I wanted to say clearly.

Your question on the EMEA region and then the UK part, yes, we are already a global liquidity provider. So, we are in that sense indifferent in which location we are providing liquidity. It's not so much that we are less present in the UK market in terms of providing liquidity in UK-listed or LSE-listed ETPs. I do think we are one of the biggest, if not one of the biggest, liquidity provider on the LSE. And the same is true for other European mainland exchanges. So, at the same time, for us, the shift, it doesn't really matter. Of course, we do follow developments on the whole Brexit debate very closely. We will make sure we are prepared for whatever the outcome will be.

Michael Roeg: Okay, so any potential shift would have no meaningful impact on your EMEA business.

Sjoerd Rietberg: No, we don't expect that.

Michael Roeg: Okay, then I'll sneak in a fourth question as well, sorry. On Slide 11, you have an overview of the expansion of your activities, and I was wondering about those orange bricks on the slide. Do they require a very different risk system compared to your ETP risk systems? Is that something that you have to work on or programme, or is that relatively easy to implement?

Sjoerd Rietberg: Well, the great thing about Flow Traders is that we have been built in this company – we built this company around providing liquidity in ETPs. So, ETPs is a product which gives any investor exposure to any asset class. And the nice thing about that is that, as a company, we already have the experience and connectivity in all these asset classes. And hence, we also have to have the right risk systems in place and controls in place, to manage exposure to these asset classes. So, our strategy is really to leverage our infrastructure, our knowledge, our software and our people into those asset classes and into those products where we already have experience. So, the short answer is no, we don't have to invest a lot of time and effort in expanding into these asset class, because in most of these cases, we already have the connectivity, we have already trading systems in place.

At the same time, of course, you can think that it makes sense, of course, there would need to make some investments. So, in terms of knowing better how to price things, making sure we are connected to the right prime brokers and all these kind of elements which do play a role. But in general, for most of the expansion which we have planned, most of the elements are already in-house.

Michael Roeg: Okay, so if you want to price a very illiquid bond, you don't have to build a new risk system to limit the risk of failures or whatsoever.

Sjoerd Rietberg: No, because via the current ETP trading, we are, of course, already exposed to these Fixed Income products. So, we already have to know them. We already have to measure our exposures there, at the same time as when we would trade them individually as a liquidity provider.

Michael Roeg: Okay, good, thank you.

Operator: Ladies and gentlemen, if you have any additional questions, please press star one. Mr Enneman, there are no further questions.

Serge Enneman: Okay, thank you, operator. We would like to thank the analysts for their questions and remarks. Please note that we will host our next analyst call when we release our half year 2018 results, scheduled to take place on 24th July 2019. Details for this call will follow in due course. Our first quarter trading update is scheduled to take place on 16th April 2019, via press release only as usual, following by our first investor day on 18th April 2019.

We will now end this call. Thank you all for your attention and have a good day.

Operator: Ladies and gentlemen, this concludes the Flow Traders event call. You may now disconnect your lines. Thank you, have a nice day.

[END OF TRANSCRIPT]