

FLOW TRADERS Q323 TRADING UPDATE

Amsterdam, the Netherlands – Flow Traders Ltd. (Euronext: FLOW) announces its unaudited Q323 trading update.

Highlights

- Flow Traders recorded Normalized Net Trading Income of €67.6m and Normalized Total Income of €68.0m in Q323.
- Flow Traders' ETP Value Traded declined 18% y/y given the decline in the overall market trading environment.
- Normalized Operating Expenses were €52.1m in Q323, with Normalized Fixed Operating Expenses of €46.7m.
- Flow Traders employed 658 FTEs at the end of Q323, compared to 653 at the end of Q223.
- Normalized EBITDA in Q323 came in at €15.9m, generating a Normalized EBITDA margin of 23%.
- Q323 Normalized Net Profit was €9.4m, with Normalized basic EPS of €0.22.
- Trading capital stood at €585m at the end of the quarter, up from €574m at the end of Q223 and generating a 59% return on trading capital¹.
- Shareholders' equity was €590m at the end of the quarter, up from €586m at the end of Q223.

Financial Overview

€million	Q323	Q322	Change	YTD23	YTD22	Change
Normalized Total income	68.0	112.2	(39%)	226.9	346.7	(35%)
Normalized Net trading income²	67.6	111.7	(40%)	227.5	343.9	(34%)
EMEA	33.0	87.4	(62%)	121.7	246.3	(51%)
Americas	22.3	14.4	54%	64.8	54.7	19%
APAC	12.3	9.9	25%	41.0	42.9	(4%)
Normalized Other income²	0.4	0.4	-	(0.6)	2.8	-
Normalized employee expenses ³	24.8	40.1	(38%)	83.1	122.6	(32%)
Technology expenses	15.8	16.1	(2%)	49.1	44.8	10%
Other expenses	11.5	7.1	61%	26.0	19.4	34%
Normalized operating expenses	52.1	63.3	(18%)	158.2	186.7	(15%)
Normalized EBITDA	15.9	48.8	(67%)	68.8	159.9	(57%)
Depreciation / amortisation	4.5	4.4	2%	14.1	12.1	(17%)
Write off of (in) tangible assets	0.0	-	-	0.0	0.2	-
Normalized profit before tax	11.4	44.5	(74%)	54.6	147.7	(63%)
Normalized tax	2.0	9.9	(80%)	10.5	31.0	(66%)
Normalized net profit	9.4	34.5	(73%)	44.2	116.6	(62%)
Normalized basic EPS ⁴ (€)	0.22	0.79	(73%)	1.02	2.67	(62%)
Normalized EBITDA margin	23%	44%		30%	46%	

Value Traded Overview

€billion	Q323	Q322	Change	YTD23	YTD22	Change
Flow Traders ETP Value Traded	334	409	(18%)	1,089	1,379	(21%)
Europe	127	178	(28%)	467	609	(23%)
Americas	181	212	(14%)	551	697	(21%)
Asia	26	20	31%	71	74	(4%)
Flow Traders non-ETP Value Traded	994	1,182	(16%)	3,041	3,781	(20%)
Flow Traders Value Traded	1,328	1,591	(17%)	4,130	5,160	(20%)
Equity	723	714	1%	2,248	2,567	(12%)
Fixed income	253	344	(26%)	865	960	(10%)
Currency, Crypto, Commodity	303	495	(39%)	890	1,489	(40%)
Other	49	37		127	141	
Market ETP Value Traded[†]	10,146	11,410	(11%)	31,366	40,170	(22%)
Europe	446	532	(16%)	1,482	1,866	(21%)
Americas	8,301	9,638	(14%)	25,997	34,894	(25%)
Asia	1,399	1,240	13%	3,887	3,411	14%
Asia ex China	457	395	16%	1,193	1,187	1%

Market Environment

- Market-wide, trading volumes and volatility across almost all regions and asset classes remained muted in the quarter. While trading volumes improved compared to last quarter, they remain down significantly compared to the same period a year ago. Market volatility, on the other hand, continued to decline compared to last quarter. Average VIX reached a low of 14 in the month of July before rebounding slightly in August and September.
- Looking across the regions, the same market-wide dynamic was seen within each region, with some regions faring better than others. The Americas saw a stronger rebound in trading volumes in the quarter compared to EMEA as it experienced a more severe decline in the prior quarter. APAC saw a similar rebound in the quarter compared to the last quarter and continues to outperform all other regions, driven in part by a strong rebound in trading volumes in China.
- Volumes and volatility also remained depressed from an asset class perspective. In a continuation from last quarter, fixed income fared slightly better than other asset classes in terms of volumes but volatility was down significantly compared to a year ago, similar to the other classes. Cryptocurrencies continue to see the most pressure as Bitcoin, the bellwether of the industry, continued the downward trend in trading volumes and volatility as compared to the prior quarter.

Share Buyback

- After a brief pause during a period of unusually subdued market trading environment, execution of the €15m share buyback program that was previously extended until 26 October 2024 will commence shortly.

Outlook

- The firm continues to remain fully focused on operational and cost efficiencies across the business while implementing its prioritized growth strategies. Normalized Fixed Operating Expenses are expected to remain in the range of €175–185m for the full year and headcount is expected to remain broadly flat for the year, in-line with previous guidance.

Management Comments

Mike Kuehnel, CEO

“We saw an improved trading environment in the third quarter when compared to the second quarter, though volumes and volatility were still down significantly compared to the same period last year. We are, however, seeing a slight increase in volatility recently after a period of subdued market activity. We are pleased to see our diversification strategy yielded solid results during a seasonally quiet period which we may not have been able to achieve otherwise when looking at the varying degrees of rebounds in different segments of the market globally. While the structural growth of ETPs across different asset classes around the world continues unabated, the recent surge of investor interest in bonds and digital assets, offset in turn by less interest in equity, validates the strategic and economic relevance of our diversification strategy.

Throughout the quarter, we remained focused on structurally enhancing our trading capabilities and related infrastructure in different asset classes and regions to take full advantage of arising opportunities when market volumes and volatility return. In Europe, given the continued increase of institutional interest towards the digital assets space, we are increasingly focused on supporting trading of new products and accelerating the related infrastructure build-up, which we will provide more information on in the coming quarters. We continue to be optimistic in relation to the regulatory development in both Europe and progressive conversations in the Americas on digital assets. In the Americas, we appointed Bill Stush as the firm’s regional CEO and continue to be focused on systematically enhancing our ETP proposition in North America and Latam as well as building our algorithmic fixed income trading capabilities. In APAC, we remained focused on building out our China operations amidst a rebound in trading volumes there.

From an efficiency and cost perspective, we are on track with our previous cost guidance as we remain focused on balancing our key growth initiatives while improving the underlying operational efficiency of the business in parallel. We believe the continuous fostering of talent through all cycles of the market that has underpinned the success of Flow Traders remains as important as ever.

During the quarter, the firm’s leadership experienced a transition as Folkert Joling left the firm as Chief Trading Officer after a 17-year tenure and Hermien Smeets-Flier was approved by our shareholders and formally elected as Chief Financial Officer and member of the Flow Traders Board. Hermien will focus on further expanding the effectiveness of our global control functions in the coming months and we are delighted that she has joined our firm. I continue to be excited to be able to lead Flow Traders at this important juncture in its growth trajectory with a variety of tangible growth opportunities ahead of us. Together with the Flow Traders’ leadership team, I therefore very much look forward to unlocking the full potential of the firm’s growth initiatives as we build a truly global diversified liquidity provider and market maker.”

Preliminary Financial Calendar

18 January 2024	Start silent period ahead of Q423 / FY23 results
8 February 2024	Release Q423 / FY23 results (incl. analyst conference call)
1 March 2024	Release 2023 Annual Report
31 March 2024	Start silent period ahead of Q124 trading update
25 April 2024	Release Q124 trading update (no analyst conference call)
13 June 2024	AGM

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About Flow Traders

Flow Traders is a leading trading firm providing liquidity in multiple asset classes, covering all major exchanges. Founded in 2004, Flow Traders is a leading global ETP market maker and has leveraged its expertise to expand into fixed income, commodities, digital assets and FX. Flow Traders' role in financial markets is to ensure the availability of liquidity and enabling investors to continue to buy or sell financial instruments under all market circumstances, thereby ensuring markets remain resilient and continue to function in an orderly manner. In addition to its trading activities, Flow Traders has established a strategic investment unit focused on fostering market innovation and aligned with our mission to bring greater transparency and efficiency to the financial ecosystem. With nearly two decades of experience, we have built a team of over 600 talented professionals, located globally, contributing to the firm's entrepreneurial culture and delivering the company's mission.

Normalized Performance

- Flow Traders makes certain adjustments to various IFRS expense and profit measures in order to derive Alternative Performance Measures (APM). The policy is to exclude or adjust items that are considered to be significant in both nature or size and where the treatment as an adjusted item provides stakeholders with useful information to assess the year-on-year or quarter-on-quarter underlying performance. On this basis, the following items were adjusted or excluded for the Q323 trading update:
 - Removal of IFRS 2 treatment of share-based payments which include the deferral of a portion of the current year share plans as well as recognition of prior years' share plans. This adjustment provides insights into the relationship between the current year variable employee expenses and current year trading performance.
 - Other income line includes all the realized and unrealized results on Flow Traders' long-term equity investments whether accounted for as Fair Value Other Comprehensive Income (FV OCI), Fair Value Profit and Loss (FVPL) or Results of Equity Accounted Investments.
 - Exclusion of one-off expenses which relate specifically to the completed corporate holding structure update. These are not considered to be part of the underlying operating expenses of the business.
 - Tax expenses are adjusted based upon the pre-tax adjustments and/or excluded items above.

IFRS Financial Overview

€million	Q323	Q322	Change	YTD23	YTD22	Change
Total income	67.7	111.7	(39%)	229.6	343.1	(33%)
Net trading income	67.6	111.8	(40%)	227.6	344.5	(34%)
Other income	0.1	(0.1)	–	2.0	(1.3)	–
Employee expenses ³	27.1	39.9	(32%)	94.4	130.2	(28%)
Technology expenses	15.8	16.1	(2%)	49.1	44.8	10%
Other expenses	11.5	7.1	61%	26.0	19.4	34%
One-off expenses ⁶	1.0	0.8	23%	4.3	12.5	(66%)
Total operating expenses	55.3	63.9	(13%)	173.8	207.0	(16%)
EBITDA	12.4	47.8	(74%)	55.8	136.2	(59%)
Profit before tax	8.1	43.4	(81%)	37.2	123.7	(70%)
Net profit	6.3	33.8	(81%)	29.8	97.4	(69%)
Basic EPS ⁴ (€)	0.15	0.78	(81%)	0.69	2.23	(69%)
Fully diluted EPS ⁷ (€)	0.14	0.75	(81%)	0.66	2.16	(69%)
EBITDA margin	18%	43%		24%	40%	

- Normalized EBITDA and margin are based on the relevant profit share percentage of operating result for the relevant financial period without any IFRS 2 adjustments for share-based payments. The profit share percentage was adjusted to 32.5% in Q222 from 35%. €1.0m of one-off expenses are also excluded.
- Tax based on estimated expected effective tax rate for the relevant financial period: Q323 – 22.5%; Q223 – 24.6%; Q322 – 22.0%.
- A summary reconciliation of Normalized to IFRS is presented below:

Normalized to IFRS Reconciliation

€million	Q323	Q322	YTD23	YTD22
Normalized EBITDA	15.9	48.8	68.8	159.9
FV OCI adjustment	(0.1)	(0.5)	(1.8)	(3.7)
Results of equity-accounted investments	(0.2)	0.0	4.4	0.2
One-off expenses ⁶	(1.0)	(0.8)	(4.3)	(12.5)
Prior year share plans	(3.7)	(4.2)	(13.7)	(18.3)
Current year share plan deferral	1.4	4.4	2.4	10.6
Other variable remuneration adjustment	-	-	-	-
IFRS EBITDA	12.4	47.8	55.8	136.2
Normalized net profit	9.4	34.5	44.2	116.6
Profit before tax IFRS adjustments	(3.3)	(1.1)	(17.4)	(24.0)
Tax difference	0.2	0.4	3.0	4.7
IFRS net profit	6.3	33.8	29.8	97.4

Notes

- Return on trading capital defined as LTM NTI divided by end of period trading capital.
- Normalized NTI is adjusted for the fair value change of economic offsetting positions presented in the NTI line instead of Other income. Normalized Other income is adjusted for Fair value through other comprehensive income and Results of equity-accounted investments.
- Normalized employee expenses is adjusted for the impact of share-based variable remuneration payments from prior years. Fixed employee expenses for the quarter were: Q323 – €19.3m; Q223 – €19.2m; Q322 – €19.0m.
- Weighted average shares outstanding: Q323 – 43,293,467; Q223 – 43,289,018; Q322 – 43,615,044.
- Source – Flow Traders analysis.
- One-off expenses of €1.0m predominantly related to previously capitalized expenses incurred as part of the balance sheet review work.
- Determined by adjusting the basic EPS for the effects of all dilutive share-based payments to employees.

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