

FLOW TRADERS Q322 TRADING UPDATE

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Amsterdam, the Netherlands - Flow Traders N.V. (Euronext: FLOW) announces its unaudited Q322 trading update.

Highlights

- Flow Traders recorded Normalized total income of €112.2m in Q322 comprising Normalized NTI of €111.7m reflecting a more active fixed income market and trading environment and Normalized other income of €0.4m derived from the strategic investments portfolio. YTD 9m22 Normalized total income was €346.7m vs €304.1m in YTD 9m21
- Flow Traders Value Traded was flat quarter-on-quarter whereas the overall ETP market was down as increases in fixed income and currency, crypto and commodity trading were offset by lower equity trading, highlighting the success of the trading diversification strategy
- Normalized operating expenses of €63.3m incurred in Q322 contributing to YTD 9m22 Normalized operating expenses of €186.7m. 16.5% year-on-year increase in fixed operating expenses when adjusted for effect of USD strengthening and targeted base compensation increases
- Normalized employee expenses reflect increased variable remuneration due to an improved operating result, impact of strategic headcount growth and the full effect of the targeted base compensation increases
- 639 FTEs as at 30 September 2022 compared to 611 FTEs as at 30 June 2022 - new graduate intake classes welcomed in Trading and Technology in September
- Normalized EBITDA in Q322 reached €48.8m representing a margin of 44% contributing to YTD 9m22 Normalized EBITDA of €159.9m with a margin of 47%
- Q322 Normalized net profit amounted to €34.5m with Normalized basic EPS of €0.79. YTD 9m22 Normalized net profit amounted to €116.6m with Normalized basic EPS of €2.67
- Regulatory Own Funds Requirement (OFR) as at 30 September 2022 was €323m, resulting in excess capital of €228m as at 30 September 2022. Trading capital stood at €634m at the end of the third quarter
- Existing share buyback program of up to €25m increased by a further €15m for a total size of up to €40m - €9.1m of shares already repurchased since 22 July 2022

Financial Overview

€million	Q322	Q222	Change	YTD 9m22	YTD 9m21	Change
Normalized total income	112.2	86.2	30%	346.7	304.1	14%
Normalized net trading income	111.7	83.7	33%	343.9	303.7	13%
EMEA	87.4	50.4	74%	246.3	186.0	32%
Americas	14.4	18.6	(23%)	54.7	66.3	(18%)
APAC	9.9	14.7	(33%)	42.9	51.4	(17%)
Normalized other income	0.4	2.5	(83%)	2.8	0.4	-
Normalized employee expenses ¹	40.1	28.5	41%	122.6	111.0	10%
Technology expenses	16.1	14.9	8%	44.8	36.5	23%
Other expenses ²	7.1	6.3	13%	19.4	13.5	43%
Normalized operating expenses	63.3	49.7	27%	186.7	161.0	16%
Normalized EBITDA¹	48.8	36.5	34%	159.9	143.1	12%
Depreciation / amortisation	4.4	3.9		12.1	11.4	
Write off of (in) tangible assets	-	-		0.2	-	
Normalized profit before tax	44.5	32.6	37%	147.7	131.8	12%
Normalized tax	9.9	6.4		31.0	25.7	
Normalized net profit	34.5	26.1	32%	116.6	106.1	10%
Normalized basic EPS ³ (€)	0.79	0.60		2.67	2.42	
Normalized EBITDA margin	44%	44%		47%	47%	

Value Traded Overview

€billion	Q322	Q222	Change	YTD 9m22	YTD 9m21	Change
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Flow Traders ETP Value Traded	409	449	(9%)	1,379	1,131	22%
Europe	178	193	(8%)	609	522	17%
Americas	212	230	(8%)	697	538	30%
Asia	20	26	(24%)	74	70	5%
Flow Traders non-ETP Value Traded	1,182	1,165	2%	3,781	2,978	27%
Flow Traders Value Traded⁴	1,591	1,614	(1%)	5,160	4,108	26%
Equity	714	831	(14%)	2,567	2,251	14%
Fixed income	344	298	15%	960	758	27%
Currency, Crypto, Commodity	495	463	7%	1,489	970	53%
Other	37	21	72%	141	129	10%
Market ETP Value Traded⁵	11,410	13,676	(17%)	40,170	26,169	54%
Europe	532	567	(6%)	1,866	1,503	24%
Americas	9,638	11,951	(19%)	34,894	21,954	59%
Asia	1,240	1,158	7%	3,411	2,712	26%
Asia ex China	395	400	(1%)	1,187	1,033	15%

Regional Highlights

EUROPE:

- Strong trading performance in the region with the successful leverage of the investments made across the fixed income business. Flow Traders once again maintained its position as the leading liquidity provider in ETPs, both on- and off-exchange
- Corporate credit trading business continues to gain further traction across the market. Flow Traders' coverage of the EM bond market has been further strengthened during the quarter. Continued to see a quote rate of >80% for the majority of the Bloomberg Barclays Corporate Bond index and have retained Top 5 Bloomberg dealer rankings for executed tickets and volume in Flow Traders' Euro IG universe
- Continued to support new products and listings across the crypto space - worked extensively with exchanges and ETP issuers around the Ethereum upgrade. Further investments made by Flow Traders Capital are aligned with growing focus on DeFi given Flow Traders is one of the leading global architects for maturing this proposition

AMERICAS:

- Acted as Lead Market Maker (LMM) on the Charles Schwab Crypto Thematic ETF USA, the iShares Water Management Multisector ETF (IWTR), the full Bondbloxx treasury suite and on SPKX and SPKY from Convexity Shares as Flow Traders' LMM presence in the US grows
- Further build-out of the fixed income business as Flow Traders commenced pricing IG bonds in the US with 2,500 ISINs currently covered with a plan in place to expand the coverage universe to 8,000 - 12,000 ISINs

ASIA:

- Successfully obtained QFII license approval in China which is a key step in the overall China market strategy and has enabled the execution of the first on-shore trades
- Flow Traders is committed to growing the Hong Kong ETP markets and as part of this has joined the HKEx Cash Market Consultative Panel - also further strengthens the continuing cooperation with HKEx

Flow Traders Capital

- Fewer investments during the third quarter given the developments across the crypto and digital asset space. Announced new investments in Crossover Markets, GoGo pool, Infinity Exchange, Kemet Trading, and Sei Network as well as providing additional funding for two existing investments. Flow Traders total investment in the third quarter amounted to €5.1m and now has a total of 23 current investments to date representing a total value of €28.5m
- Corporate venture capital strategy is already paying off by selecting and entering investments that provide Flow Traders with an immediate benefit for the existing core liquidity providing business

Outlook

- Flow Traders announces an increase of the existing share buyback program of up to €25m by an additional amount of up to €15m for a total size of up to €40m over a period of 12 months from the start of the forthcoming open period. As of 26 October 2022, the total number of shares purchased under this program since 22 July 2022 is 469,434 shares at an average price of €19.46 for a total consideration of €9.1m. The purpose of the buyback is to return excess capital to shareholders. The intention is that shares repurchased as part of this program will initially be held in treasury. 3,259,529 shares are held in treasury as at 26 October 2022 with 58% of these treasury shares repurchased for the purpose of satisfying the requirements of various employee incentive plans and the remaining 42% repurchased for the purpose of returning excess capital to shareholders

- n On 21 October 2022, Flow Traders announced a proposed implementation of an updated corporate holding structure, as an enabler of its global strategic ambition. This proposed update will involve a top holding company in Bermuda and is the result of a thorough legal and capital structure review. This will be formally proposed to shareholders at an Extraordinary General Meeting, scheduled to take place on 2 December 2022 at 14.00 CET

Management Board Comments

Dennis Dijkstra, CEO, stated:

"This quarter delivered further proof points with respect to the diligent execution of our strategic growth agenda, particularly in fixed income. Our liquidity provision across the fixed income space which includes ETFs as well as corporate credit and emerging markets sovereign bonds continues to be positively received by the buy-side and we were delighted to be the lead sponsor once again at the recent Fixed Income Leadership Summit in Nice. Another landmark for Flow Traders was the successful approval of our QFII license which is a key part of our plan to enter the mainland China market. Given the strong financial performance in the quarter and within the context of our capital allocation framework, we have elected to increase the current share buyback program to a new total size of up to €40 million. This buyback will further enhance the capital returns to our shareholders."

"We have also worked hard this quarter on laying the groundwork for the future. The proposed update to the corporate holding structure was announced on 21 October 2022 and is a natural enabler for the strategic ambition which the team outlined at the Capital Markets Update held in July. In addition, we created an Executive Committee in order to accelerate the implementation of our strategy as well as to ensure that our leadership talent pool grows alongside the needs of the business. Lastly, it is also pleasing that in a highly competitive employment market, we are still able to attract and recruit the best talent and we welcomed a large intake of 18 new graduates in September to complement our already highly talented team."

Folkert Joling, Chief Trading Officer, added:

"The third quarter saw a more active fixed income market given interest rate and inflation impacts. This contributed to an overall strong trading performance, which was particularly evident in EMEA. Across other asset classes, realized volatility remained subdued compared to earlier in the year. Our trading footprint continues to grow as we successfully executed our first ever on-shore China trades. From a broader trading perspective, we remained focused on executing our growth plans with respect to our business lines of Equity, Fixed Income and Crypto, Currencies and Commodities. We have enduring confidence in our ability to expand our trading activities across these various asset classes going forward."

Mike Kuehnel, Chief Financial Officer, added:

"Indicative of the success of our trading diversification strategy, Flow Traders achieved a return on trading capital of 67% in Q3. Once again, the firm's trading capital continues to generate attractive and economically accretive returns. From an operating cost perspective, we have had to contend with a changing macro environment which has brought rising inflation as well as a strengthening US dollar. We are therefore seeking to absorb these impacts while at the same time ensuring we continue to invest in the business in order to execute our strategy and deliver sustainable returns for our stakeholders. The adjusted profit-sharing percentage continues to effectively ensure that the base compensation increases implemented in Q2 are income statement neutral as communicated before. A key focus for the remainder of this year and next is to further increase the underlying efficiency of the business as we prepare ourselves for Flow Traders' next stage of growth."

"A key takeaway from the recent Capital Markets Update was the importance of engaging more intensely in the ecosystem we operate and thrive in. With that in mind, we have continued to support new products and listings across the crypto space and, notably, worked with exchanges and ETP issuers around the Ethereum upgrade. The pace of our strategic investments has naturally slowed somewhat with the advent of the 'crypto winter' which has allowed for more time to work with partners on build-out and development. Nonetheless, Flow Traders Capital still announced five investments during the third quarter."

Preliminary Financial Calendar

2 December 2022	EGM
12 January 2023	Start Silent Period ahead of Q422 / FY22 results
9 February 2023	Release Q422 / FY22 results (incl. analyst conference call)
24 February 2023	Release 2022 Annual Report
31 March 2023	Start Silent Period ahead of Q123 trading update
21 April 2023	Release Q123 trading update (no analyst conference call)
26 April 2023	AGM

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About Flow Traders

Flow Traders is a leading global financial technology-enabled liquidity provider in financial products, historically specialized in Exchange

Traded Products (ETPs), now expanding into other asset classes. Flow Traders ensures the provision of liquidity to support the uninterrupted functioning of financial markets. This allows investors to buy or sell ETPs or other financial instruments under all market circumstances. We continuously grow our organization, ensuring that our trading desks in Europe, the Americas and Asia can provide liquidity across all major exchanges, globally, 24 hours a day. Founded in 2004, we continue to cultivate the entrepreneurial, innovative and team-oriented culture that has been with us since the beginning. Please visit www.flowtraders.com for more information.

Normalized performance

- n 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 Q322 trading update:
 - i 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
 - i 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
 - i Exclusion of one-off expenses which relate specifically to the proposed corporate holding structure update and the Capital Markets Update. These are not considered to be part of the underlying operating expenses of the business
 - i Tax expenses are adjusted based upon the pre-tax adjustments and/or excluded items above

Normalized to IFRS reconciliation

€million	Q322	Q222	Change	YTD 9m22	YTD 9m21	Change
Total income	111.7	83.5	34%	343.1	303.7	13%
Net trading income	111.8	84.0	33%	344.5	303.7	13%
Other income	(0.1)	(0.5)	-	(1.3)	-	-
Employee expenses ¹	39.9	35.4	13%	130.2	119.2	9%
Technology expenses	16.1	14.9	8%	44.8	36.5	23%
Other expenses	7.1	6.3	13%	19.4	11.6	67%
One off expenses	0.8	8.5	(91%)	12.5	1.9	-
Total operating expenses	63.9	65.1	(2%)	207.0	169.3	22%
EBITDA	47.8	18.3	161%	136.2	134.5	1%
Profit before tax	43.4	14.3	204%	123.7	123.2	0%
Net profit	33.8	11.2	203%	97.4	98.9	(2%)
Basic EPS ³ (€)	0.78	0.26		2.23	2.25	
Fully diluted EPS ⁶ (€)	0.75	0.25		2.16	2.18	
EBITDA margin	43%	22%		40%	44%	

- n 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%. €0.8m of one-off expenses is also excluded

- n Tax based on estimated expected effective tax rate for the relevant financial period: Q322 - 22.3%; Q222 - 19.7%; YTD 9m22 - 21.0%; YTD 9m21 - 19.5%

- n A summary reconciliation of Normalized to IFRS is presented below:

€million	Q322	Q222	YTD 9m22	YTD 9m21
Normalized EBITDA	48.8	36.5	159.9	143.1
FV OCI adjustment	(0.5)	(2.9)	(3.7)	(0.3)
Results of equity-accounted investments	-	0.1	0.2	(0.1)
One off expenses	(0.8)	(8.5)	(12.5)	-
Prior year share plans	(4.2)	(6.2)	(18.3)	(18.7)
Current year share plan deferral	4.4	0.4	10.6	10.5
Other variable remuneration adjustment	-	(1.1)	-	-
IFRS EBITDA	47.8	18.3	136.2	134.5

Normalized net profit	34.5	26.1	116.6	106.1
Profit before tax IFRS adjustments	(1.1)	(18.3)	(24.0)	(8.6)
Tax difference	0.4	3.3	4.7	1.4
IFRS net profit	33.8	11.2	97.4	98.9

Notes

1. Fixed employee expenses: Q322 - €19.0m; Q222 - €18.2m; YTD 9m22 - €53.3m; YTD 9m21 - €40.2m
2. YTD 9m21 other expenses includes €1.9m of business continuity plan-related expenses previously classified as one-off expenses
3. Weighted average shares outstanding: Q322 - 43,615,044; Q222 - 43,731,905; YTD 9m22 - 43,620,841; YTD 9m21 - 43,875,028. 43,439,853 shares outstanding as at 30 September 2022
4. Value traded comprises ETPs, Futures and Cash
5. Source - Flow Traders analysis
6. Determined by adjusting the basic EPS for the effects of all dilutive share-based payments to employees

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Market Abuse Regulation

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Attachment

- 1 [Flow Traders - Q322 Trading Update vF](#)

