

Flow Traders 3Q 2024 Trading Update

Amsterdam, the Netherlands - Flow Traders Ltd. (Euronext: FLOW) announces its unaudited 3Q 2024 trading update.

Highlights

- Flow Traders recorded Net Trading Income of €107.3m and Total Income of €114.6m in 3Q24, compared to €67.6m and €67.7m, respectively, in 3Q23.
- Flow Traders' ETP Value Traded increased 9% in 3Q24 when compared to the same period last year.
- Total Operating Expenses were €64.0m in 3Q24, compared to €55.3m in 3Q23, with Fixed Operating Expenses of €45.3m in the quarter, compared to €47.6m in 3Q23 (including one-off expenses).
- EBITDA was €50.5m in 3Q24, generating an EBITDA margin of 44%, compared to €12.4m and 18%, respectively, in 3Q23.
- Net Profit was €37.5m in 3Q24, yielding a basic EPS of €0.87, compared to a Net Profit of €6.3m and EPS of €0.15 in 3Q23.
- Trading capital stood at €668m at the end of 3Q24 and generated a 58% return on trading capital¹, compared to €624m and 56% in 2Q24.
- Shareholders' equity was €666m at the end of 3Q24, compared to €638m at the end of 2Q24.
- Flow Traders employed 646 FTEs at the end of 3Q24, compared to 635 at the end of 2Q24.

Financial Overview

€million	3Q24	3Q23	Change	YTD24	YTD23	Change
Net trading income	107.3	67.6	59%	313.9	227.6	38%
Other income	7.2	0.1		6.4	2.0	
Total income	114.6	67.7	69%	320.4	229.6	40%
Revenue by region²						
Europe	70.2	33.6	109%	187.2	125.2	50%
Americas	20.8	22.0	(5%)	75.5	64.1	18%
Asia	23.6	12.1	96%	57.7	40.3	43%
Employee expenses						
Fixed employee expenses	20.4	19.3	6%	61.5	58.5	5%
Variable employee expenses	18.8	7.7	143%	53.7	35.8	50%
Technology expenses	17.2	15.8	8%	49.7	49.1	1%
Other expenses	7.7	11.5	(33%)	22.4	26.0	(14%)
One-off expenses ³	0.0	1.0	(100%)	0.0	4.3	(100%)
Total operating expenses	64.0	55.3	16%	187.4	173.8	8%
EBITDA	50.5	12.4	309%	133.0	55.8	138%
Interest Expense	0.5	0.0		0.6	0.0	
Depreciation & amortisation	4.1	4.5	(8%)	12.8	14.1	(9%)
Profit/(loss) on equity-accounted investments	(1.3)	0.2	(614%)	(1.9)	(4.4)	(57%)
Profit before tax	44.7	8.1	450%	117.7	37.2	216%
Tax expense	7.1	1.8	294%	21.2	7.9	170%
Net profit	37.5	6.3	495%	96.4	29.3	228%
Basic EPS ⁴ (€)	0.87	0.15	498%	2.23	0.68	228%
Fully diluted EPS ⁵ (€)	0.85	0.14	507%	2.18	0.65	236%
EBITDA margin	44%	18%		42%	24%	

Revenue by Region

€million	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Europe	58.5	33.1	33.6	42.6	68.4	48.6	70.2
Americas	32.8	9.3	22.0	18.1	41.3	13.4	20.8
Asia	19.2	9.0	12.1	13.6	19.9	14.2	23.6

Value Traded Overview

€billion	3Q24	3Q23	Change	YTD24	YTD23	Change
Flow Traders ETP Value Traded	365	334	9%	1,121	1,089	3%
Europe	161	127	26%	460	467	(1%)
Americas	177	181	(2%)	583	551	6%
Asia	28	26	8%	78	71	9%
Flow Traders non-ETP Value Traded	1,192	994	20%	3,470	3,041	14%
Flow Traders Value Traded	1,557	1,328	17%	4,591	4,130	11%
Equity	835	723	15%	2,408	2,248	7%
Fixed income	225	253	(11%)	706	865	(18%)
Currency, Crypto, Commodity	440	303	45%	1,327	890	49%
Other	57	49	18%	150	127	18%
Market ETP Value Traded⁶	11,748	10,146	16%	34,741	31,367	11%
Europe	612	446	37%	1,790	1,482	21%
Americas	9,536	8,301	15%	28,590	25,997	10%
Asia	1,600	1,399	14%	4,361	3,888	12%
Asia ex China	555	457	22%	1,438	1,195	20%

Trading Capital

	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Trading Capital (€m)	651	647	574	585	584	609	624	668
Return on Trading Capital ¹	71%	65%	67%	59%	51%	52%	56%	58%
Average VIX ⁷	25.4	21.0	16.7	15.1	15.4	13.9	14.2	17.1

Market Environment

Europe

Equity trading volumes in the quarter increased when compared to the same period a year ago but declined when compared to last quarter. Market volatility, on average, was roughly flat compared to the same period a year ago and increased compared to last quarter.

Fixed Income trading volumes increased compared to the same period a year ago but declined compared to last quarter.

Americas

Equity trading volumes in the U.S. increased when compared to the same period a year ago but declined when compared to last quarter. Market volatility in the U.S. increased when compared to the same period a year ago as well as last quarter.

Fixed Income trading volumes in the U.S. increased both when compared to the same period a year ago as well as last quarter. Volatility declined when compared to the same period a year ago but increased when compared to last quarter.

Asia

Equity trading volumes in Asia increased across the region (Japan, Hong Kong, and China) both when compared to the same period a year ago as well as last quarter. Market volatility was mixed across the region as volatility increased both year-on-year and quarter-on-quarter in Japan but declined both year-on-year and quarter-on-quarter in Hong Kong and China.

Digital Assets

Within Digital Assets, which trades across regions on a 24/7 basis, trading volumes in Bitcoin (the barometer of the industry) declined when compared to the same period a year ago but increased compared to last quarter. Volatility, as indicated by the BitVol index, remains higher than the same period a year ago but declined when compared to last quarter.

Trading Capital Expansion Plan

In recent years, Flow Traders has successfully diversified its core trading model across different asset classes and geographies, which resulted in increased optionality for the business. The Board sees a range of emerging opportunities to accelerate growth for the firm by systematically expanding its trading capital base.

At the last results update, the Board declared a suspension of the dividend and announced a €25 million bank term loan as the first steps in boosting the firm's trading capital. The additional capital immediately helped increase the capacity of the firm to capture the opportunities that arose during early August given the significant spike in volatility and dislocation across financial markets around the world. Looking ahead, the Board will look for the most economical debt financing options to further expand the firm's trading capital to accelerate the firm's growth.

Completion of Share Buyback Program

€2.2m worth of shares were repurchased during the quarter. This completes the €15m share buyback extension program originally announced on 27 October 2022, of which the period of execution was announced on 28 July 2023 to be extended by 12 months to 26 October 2024. The total number of shares purchased under the program was 850,882 shares, with an average price of €17.63, and represents 1.9% of total outstanding shares.

Outlook

Fixed operating expenses guidance for the year remains unchanged and is expected to be in the same range as FY23 as headcount is expected to be roughly flat for the year, offset by continued technology investments and inflationary pressures.

CEO Statement

Mike Kuehnel, CEO

"Following the strategic decision to accelerate the expansion of our trading capital base last quarter, we successfully demonstrated the validity of our growth and diversification strategy and capital expansion plan by delivering another triple-digit NTI quarter. This is the second time this year and the best third quarter result in the company's 20-year history. The additional capital, following the suspension of the firm's dividend payments and the addition of a bank term loan, coupled with the increase in volatility, enabled us to deliver a 58% return on trading capital in the quarter. The ability to effectively capture the opportunities that arose during the sudden, but short-lived, spike in volatility in early August across financial markets globally demonstrated the continued robustness of our trading strategies and further validates our growth and diversification strategy.

During the third quarter, market trading volumes increased when compared to the same period a year ago but were flat-to-down when compared to the second quarter. However, volatility levels increased given the macroeconomic uncertainties, the geopolitical turmoil around the world and the unexpected changes in central bank interest rate policies, which resulted in sudden and unexpected asset rotations. The quick but widespread nature of these asset movements resulted in temporary price dislocations that we were able to capture, while continuing to provide stability and liquidity to the financial markets we operate in. With pockets of opportunities coming from different segments of the market throughout the year so far (e.g. Digital Assets in 1Q, EMEA Equities in 2Q, and EMEA and APAC Equities in 3Q), the strategic investments we made over the years to diversify our business across different regions and asset classes continue to yield strong results.

As we continue to invest in new trading capabilities, we will also look to leverage these capabilities by enhancing our proprietary technology stack. With Owain, our new CTO, on board, we are excited about advancements in our technological capabilities, particularly around the quantitative insights to be gained from the treasure trove of data available to us. These new technological initiatives can help us with further improving our pricing and hedging competence to capture more opportunities across the markets we trade in. They are on top of the firm-wide streamlining and automation work that continues in the background to systematically improve efficiency and strengthen our core operations as the firm continues to grow and scale.

We believe this is a pivotal time for Flow Traders. With a unique combination of our trading talent and technology infrastructure, the opportunity set we see across all financial markets globally, and our recently announced trading capital expansion plan, we are excited about driving the company into the next phase of its growth."

Preliminary Financial Calendar

13 February 2025

Release of 4Q24 and FY24 financial results

Analyst Conference Call and Webcast

The 3Q24 results analyst conference call will be held at 10:00 am CET on Thursday 31 October 2024. The presentation can be downloaded at <https://www.flowtraders.com/investors/results-centre> and the conference call can be followed via a listen-only audio webcast. A replay of the conference call will be available on the company website for at least 90 days.

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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 in trading ETPs 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.

Notes

1. Return on trading capital defined as LTM NTI divided by end of period trading capital.
2. Revenue by region includes NTI, Other Income, and inter-company revenue.
3. One-off expenses related to the completed corporate holding structure update and capital structure review work.
4. Weighted average shares outstanding: 3Q24 - 43,095,744; 2Q24 - 43,270,311; 3Q23 - 43,293,467.
5. Determined by adjusting the basic EPS for the effects of all dilutive share-based payments to employees.
6. Source - Flow Traders analysis.
7. Starting in 3Q24, average VIX is calculated as the average of VIX daily closing prices.

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