

Financial Communication - Preliminary Figures 2022

Operational development

The trading activity of customers in online brokerage usually shows a high correlation to the volatility of the stock markets. For investors, volatile markets naturally result in a greater number of trading opportunities, especially when sentiment is fundamentally positive. In 2022, geopolitical and macroeconomic influences had a strong negative impact on sentiment in the capital market and among retail investors in particular. Despite of the volatility of the stock markets being higher in 2022 than in 2021, trading activity of retail investors decreased significantly. A normalization in activity was foreseeable, especially after the record trading levels of the previous two years, but the intensity of the trend reversal could not have been anticipated at the beginning of the year.

The trading activity of flatexDEGIRO customers declined by 44.4 percent to an average of 30 transactions per customer in 2022 (previous year: 54).

The customer base grew by 16.3 percent to 2.40 million in the past fiscal year (previous year: 2.06 million). This growth already takes into account the closure of around 73,000 customer accounts, which flatexDEGIRO itself initiated for strategic reasons (see "Focus on high-growth online brokerage"). The (gross) increase in customer accounts in 2022 amounted to 22.4 percent or around 462,000 (previous year: around 800,000).

In 2022, flatexDEGIRO settled 67.0 million transactions, a decline of 26.4 percent from the record figure of the previous year (2021: 91.0 million).

Most global equity indices lost between 20 percent and 35 percent in 2022. Total customer assets under custody at flatexDEGIRO fell by only 10.0 percent to 39.5 billion euros (December 31, 2021: 43.9 billion euros). In the same period, securities held under custody decreased by 11.7 percent to 36.2 billion euros (December 31, 2021: 41.0 billion euros), while customer cash deposits increased by 14.9 percent to 3.2 billion euros (December 31, 2021: 2.8 billion euros).

Financial position and results of operations

In both 2022 and the comparable period of 2021, the reported financial indicators were strongly influenced by effects from the reversal (2022) and recognition (2021) of provisions for long-term variable compensation (Stock Appreciation Rights Plan, SARs) and, in 2021, by expenses in the personnel area in connection with business combinations. The reversals in 2022 amounted to 38.3 million euros and are presented as other operating income in revenues. The adjustments in 2021 amounted to 65.0 million euros and were presented in personnel expenses.

Revenues in 2022 decreased by 2.5 percent to 407.0 million euros (previous year: 417.6 million euros). Adjusted for income from reversals of provisions for SARs, operating revenues (Adjusted Revenues) amounted to 368.5 million euros (-11.7 percent).

Commission income amounted to 272.2 million euros in 2022 (previous year: 339.7 million euros), a decrease of 19.9 percent. Commission income per transaction increased by 8.8 percent to 4.06 euros (previous year: 3.73 euros).

EBITDA of 183.3 million euros was generated in fiscal 2022 (previous year: 112.1 million euros), a year-on-year increase of 63.5 percent. Excluding the reversal of provisions for SARs, Adjusted EBITDA amounted to 145.0 million euros (previous year: 177.1 million euros), a year-on-year decrease of 18.1 percent.

Net profit increased by 106.0 percent to 106.2 million euros (previous year: 51.6 million euros). Excluding the reversal of provisions for SARs, Adjusted Net profit amounted to 78.6 million euros (previous year: 96.5 million euros), a decrease of 18.6 percent.

Focus on high-growth online brokerage

flatexDEGIRO sees its greatest growth and earnings potential in a targeted expansion of its online brokerage offering in the Core Markets (Netherlands, Germany and Austria) and the Growth Markets (Spain, France, Portugal, Italy, Switzerland, UK and Ireland). Accordingly, B2B activities not related to brokerage, including a five-digit number of customer accounts in this area, were terminated. In online brokerage itself, flatexDEGIRO withdrew from the peripheral markets of Hungary and Norway, where DEGIRO had serviced around 6,000 customer accounts. As part of the brand consolidation, DEGIRO customers in Austria were migrated to the much larger flatex brand. A similar process took place in the Netherlands, where a migration from flatex to the much larger DEGIRO brand took place. Freed-up internal resources can thus be used in a more targeted manner for profitable growth in the remaining 16 countries.

Regional development

Both the Core Markets (Netherlands, Germany, Austria) and the Growth Markets (Spain, France, Portugal, Italy, Switzerland, UK, and Ireland) grew significantly in 2022 with 213,000 and 224,000 new customer accounts (gross), respectively. In terms of customer accounts as of December 31, 2021, this corresponds to growth of 16 percent in the Core Markets and 34 percent in the Growth Markets. Due to the strategic decision to divest a five-digit number of customers in the B2B business and to consolidate the flatex and DEGIRO brands in Austria and the Netherlands in 2022, the net increase in customer accounts in the Core Markets was lower than in the Growth Markets.

Expansion of the Supervisory Board and Management Board

In order to account for the significant growth of the company and to strengthen corporate governance, flatexDEGIRO expanded both the Supervisory Board and the Management Board of flatexDEGIRO AG to four members each. By resolution of the Annual General Meeting in May 2022, Aygül Özkan was elected to the Supervisory Board of flatexDEGIRO AG. From 2010 to 2013, Aygül Özkan was Minister for Social Affairs, Women, Family, Health, Construction and Integration in Lower Saxony. Effective January 1, 2023, Muhamad Chahrour was appointed Deputy CEO and Chief Operating Officer (COO). Dr. Benon Janos succeeded Muhamad Chahrour as Group CFO. Also effective January 1, 2023, Stephan Simmang joined the Management Board as Chief Technology Officer (CTO).

Processing of BaFin findings fully on schedule

In November 2022, as part of the presentation of the results of a special audit pursuant to section 44 of the German Banking Act (Kreditwesengesetz), the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin) informed the Company, among other things, that risk mitigation strategies applied with respect to margin loans issued by DEGIRO are temporarily not applicable due to procedural weaknesses. While this finding neither directly affects the commercial business nor results in direct product restrictions, flatexDEGIRO is pushing ahead with a remediation of the identified deficiencies at full speed and aims at a successful implementation of the necessary procedural measures still in the course of 2023. By appointing a special representative, BaFin has the possibility, depending on the progress made in remedying the deficiencies and in consultation with the special representative, to adjust measures even before a follow-up audit, which usually takes place after 12-24 months.

Furthermore, with the issuance of a non-material fine of 1.05 million euros, the misdemeanor proceedings due to infringements in 2020/2021 mentioned in the 2022 half-year report have been fully concluded.

Outlook

After several years of strong expansion of the customer base, flatexDEGIRO expects customer growth also in 2023 to be 50 percent to 100 percent above the average growth rates of major peer companies. Customer trading activity is difficult to forecast. For the 2023 baseline scenario, Management assumes that the trading activity of retail investors will remain at the level seen in the second to fourth quarters of 2022. In addition, rising interest income on customer cash under custody totaling around 3.2 billion euros at year-end 2022 will make a significant additional contribution to revenues and earnings.

In the view of the Management Board, this gives rise to the potential to increase adjusted sales slightly in 2023 and to achieve an adjusted EBITDA margin of over 40 percent and an adjusted EBT margin of over 30 percent.

Beyond 2023, Management will continue to drive the strategic increase in profitability through targeted expansion of the customer offering and strict cost discipline.

Publication of commercial KPI on a monthly basis

In order to increase transparency, the Management Board of flatexDEGIRO AG has decided to publish the monthly development of operational key figures on customer growth, the number of processed transactions, and customer assets under custody in the future. The publication is scheduled to take place on the third trading day after the end of each month on the website of flatexDEGIRO (www.flatexDEGIRO.com > Investor Relations > Reports & Financial Calendar, <https://flatexdegiro.com/en/investor-relations/reports-financial-calendar>).

Key figures

		2022	2021	Change in %	Q4 2022	Q4 2021	Change in %
Financial KPI							
Revenues	m EUR	407.0	417.6	-2.5	105.4	103.4	2.0
Adjusted* Revenues	m EUR	368.5	417.6	-11.7	88.0	103.4	-14.9
Commission income	m EUR	272.2	339.7	-19.9	53.0	78.9	-32.8
Interest income	m EUR	71.5	59.3	20.5	22.1	16.6	33.2
Other operating income**	m EUR	63.2	18.5	241.2	30.3	7.9	283.0
Commission per transaction	EUR	4.06	3.73	8.8	3.90	3.98	-2.1
EBITDA	m EUR	183.3	112.1	63.5	56.5	28.8	96.2
EBITDA margin	%	45.0	26.8	67.8	53.7	28.0	91.8
Adjusted* EBITDA	m EUR	145.0	177.1	-18.1	39.0	31.0	25.9
Adjusted* EBITDA margin	%	39.3	42.4	-7.2	44.5	30.0	48.2
Net income	m EUR	106.2	51.6	106.0	-	-	-
Adjusted* Net income	m EUR	78.6	96.5	-18.6	-	-	-

* Excluding effects from the recognition (2021) and reversal (2022) of provisions for long-term variable compensation (Stock Appreciation Rights Plan, SARs) and in 2021 from expenses in the personnel area from the business combinations

** includes in 2022 effects from the reversal of provisions for long-term variable compensation (Stock Appreciation Rights Plan, SARs)

PRELIMINARY FIGURES (UNAUDITED)

		2022	2021	Change in %	Q4 2022	Q4 2021	Change in %
Commercial KPI							
Customer accounts end of period	m	2.40	2.06	16.3	2.40	2.06	16.3
New customer accounts (gross)	k	462	800	-42.2	86	141	-39.2
New customer account growth	%	22.4	60.1	-62.7	3.7	7.3	-49.8
Transactions settled	m	67.0	91.0	-26.4	13.6	19.8	-31.3
Average transaction per customer account p.a.		30	54	-44.4	23	40	-42.2
					Q4 2022	Q3 2022	Veränderung in %
Assets under Custody	bn EUR	39.5	43.9	-10.0	39.5	37.7	4.8
- thereof: Securities	bn EUR	36.2	41.0	-11.7	36.2	34.0	6.5
- thereof: Cash	bn EUR	3.2	2.8	14.3	3.2	3.5	-8.6

		2022	2021	Change in %	Q4 2022	Q3 2022	Change in %
Regional split - Customer accounts							
flatexDEGIRO	m	2.40	2.06	16.3	2.40	2.36	1.8
Core Markets	m	1.41	1.30	8.4	1.41	1.40	0.5
Growth Markets	m	0.88	0.67	31.4	0.88	0.84	4.4
Research Markets	m	0.11	0.10	17.5	0.11	0.11	-0.9
		2022	2021	Change in %	Q4 2022	Q4 2021	Change in %
Regional split - Transactions							
flatexDEGIRO	m	67.0	91.0	-26.4	13.7	19.8	-30.8
Core Markets	m	46,0	57.7	-20.3	9.6	12.8	-25.2
Growth Markets	m	18,8	29.9	-37.2	3.6	6.2	-41.1
Research Markets	m	2.3	3.4	-34.2	0.4	0.7	-42.7

Disclaimer

Preliminary results

This release contains preliminary information that is subject to change and does not purport to be complete.

Non-IFRS key figures (APMs)

This presentation contains non-IFRS measures, including Adjusted EBITDA. These measures are alternative performance measures as defined by the European Securities and Markets Authority ("ESMA"). flatexDEGIRO presents these non-IFRS measures because (i) they are used by management to measure performance, including in presentations to the Management Board and members of the Supervisory Board and as a basis for strategic planning and forecasting; and (ii) they represent measures that flatexDEGIRO believes are widely used by certain investors, securities analysts and other parties as supplemental measures of operating and financial performance. These non-IFRS measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered a substitute for analysis of flatexDEGIRO's operating results as reported under IFRS. Non-IFRS measures are not a measure of flatexDEGIRO's performance or liquidity under IFRS and should not be considered as an alternative to net income or other performance measures derived under IFRS or other generally accepted accounting principles, or as an alternative to cash flows from operating, investing or financing activities.

Forward-looking statements

This release may contain forward-looking statements and information identified by terminology such as "expect", "aim", "anticipate", "intend", "plan", "believe", "estimate" or "will". Such forward-looking statements are based on current expectations and certain assumptions that may be subject to a variety of risks and uncertainties. Actual results achieved by flatexDEGIRO AG may differ materially from these forward-looking statements. flatexDEGIRO assumes no obligation to update these forward-looking statements or to revise them in the event of developments that differ from those anticipated.