

## Group Interim Management Statement, January - September 2022

Frankfurt/ Main, 18 October 2022

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### **flatexDEGIRO with solid financial and operational performance despite challenging markets**

- Revenues in Q3 2022 of EUR 91.9m, up 4.3% compared to previous year's quarter (Q3 2021: EUR 88.1m)
  - Revenue per transaction in Q3 2022 reaches EUR 5.15, an increase of 6.5% (Q3 2021: EUR 4.83)
  - EBITDA in Q3 2022 of EUR 37.6m, a growth of 25.1% compared to previous year's quarter (Q3 2021: EUR 30.1m)
  - Management guidance of reaching revenues of at least EUR 400m in 2022 with an Adj. EBITDA margin on last year's level confirmed
  - Over 376,000 new customer accounts acquired in the first nine months, resulting in a total customer base of 2.4m, customer retention rate of 98.4%
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*Frank Niehage, CEO of flatexDEGIRO AG: "The market environment remains challenging, with high inflation, rising interest rates and fears of recession and geopolitical risks weighing heavily on the overall sentiment in the capital markets. However, our ongoing growth and financial performance clearly demonstrate the solidity of our business model and the quality of our customer base. Together with the tailwind from a strongly rising interest income and the commercial measures we have taken, we are very confident to increase our revenue per trade in the fourth quarter 2022, further accelerating into next year."*

## Major events during the third quarter 2022

- **Increase of DEGIRO handling fee by 50 cent per transaction**

In light of general inflationary trends, DEGIRO has increased its handling fee by EUR 0.50, effective 1 September 2022. With a major and growing share of transactions settled by flatexDEGIRO stemming from DEGIRO, this relatively small increase adds up when applied to millions of transactions.

- **flatexDEGIRO waives negative interest charge for clients**

After the European Central Bank (ECB) decision in mid-July 2022 to raise the interest rate on deposit facility from minus 50 basis points to 0 basis points, flatexDEGIRO immediately passed on the resulting cost benefits directly to its customers and waive completely the negative interest charge as of 1 August 2022.

- **Sponsorship of Champions League participant FC Sevilla**

Following flatex's positive experience as the main sponsor of Borussia Mönchengladbach, flatexDEGIRO is continuing its successful sponsorship strategy to additionally increase brand awareness on an international level. To this end, DEGIRO became Sevilla FC's main global partner.

## Financial Position and Results of Operations

*Muhamad Chahrour, CFO of flatexDEGIRO AG and CEO of DEGIRO: "We have once more proven our ability to keep revenue per trade well above 5 Euro while maintaining industry-leading growth rates. Strong net cash inflows of 5 billion Euro in just nine months, a customer retention rate of over 98 percent and general customer activity on 2019 levels show the high customer quality, that will allow us to further increase the value of our operations significantly in the short and medium term. Higher interest rates and our own commercial measures have the clear potential to raise EBT next year by more than 50 million Euro."*

## Maintaining strongest customer growth in the industry

By the end of September 2022, the number of customer accounts reached 2.36 million, an increase of 14.2 percent compared with the 2.06 million customer accounts on 31 December 2021. Overall, around 376,000 new customer accounts (gross) were added in the first nine months of 2022, out of which around 94,000 in the third quarter 2022. flatexDEGIRO has again left its main peers far behind in the past nine months and further consolidated its position as the fastest-growing pan-European online broker.

In continuation of its strategy to fully focus on the online brokerage business, flatexDEGIRO has already offboarded around 35,000 non-brokerage customer accounts during the first nine months of 2022. Furthermore, around 10,000 customer accounts were closed by flatexDEGIRO in the course of the customer migration in Austria from DEGIRO to flatex. By the end of the year, flatexDEGIRO expects these strategic organizational off-boardings to amount to a total of around 100,000 customer accounts, with little impact on overall transactions settled.

The customer retention rate was 98.6 percent at the end of the first nine months 2022.

In the first nine months of 2022, all business regions recorded significant customer account growth, ranging from 26 percent in the **Growth Markets** (France, Spain, Portugal, Italy, Switzerland, UK, Ireland) to 8 percent in the **Core Markets** (Austria, Germany, the Netherlands). In absolute terms, the strongest customer account growth was also achieved in the Growth Markets (+172,000), resulting in an increased customer base of around 850,000. flatexDEGIRO continues to have the largest customer base in its Core Markets (around 1.40 million customer accounts).

## Increased revenue per transaction stabilize revenue

Revenues in the first nine months of 2022 amounted to EUR 301.6 million (9M 2021: EUR 314.2 million), down just 4.0 percent year-on-year despite a significant decline in number of trades of 25 percent compared with the first nine months of 2021. Significantly higher revenue per transaction, given an optimized monetization, contributed positively to this development. In connection with long-term variable compensation (Stock Appreciation Rights Plan, SARs), the release of provisions of EUR 20.6 million was recognized in the other operating income in the first nine months of 2022.

Average revenue per transaction<sup>1</sup> reached EUR 5.26 in the first nine months 2022, a year-on-year increase of 19.3 percent (9M 2021: EUR 4.41). The strong growth mainly results from the use of early and late trading by customers in the international markets, the successful launch of the ETP partnerships at DEGIRO with Société Générale and BNP Paribas in December 2021 and the optimized pricing structure at DEGIRO since December 2021. Further positive effects from the increase of handling fees at DEGIRO by EUR 0.50 per trade (effective as of 1 September 2022) and additional interest income stemming from the ECB's depository rate being raised from 0 basis points to 75 basis points (effective mid-September 2022) have not yet impacted materially the revenue per transaction in the first nine months 2022, but will do so starting in the fourth quarter 2022.

## High earning power maintained

EBITDA in the first nine months of 2022 increased by 52.2 percent to EUR 126.7 million (9M 2021: EUR 83.2 million), corresponding to an EBITDA margin of 42.0 percent (9M 2021: 26.5 percent). This includes marketing expenses of around EUR 40.5 million, which increased by EUR 11.8 million year-on-year (9M 2021: EUR 28.7 million). Adjusted EBITDA reached EUR 106.0 million in the first nine months of the year (9M 2021: EUR 146.1 million).

## Lower trading activity across the industry

The number of transactions settled via flatexDEGIRO's platforms was 53.4 million in the first nine months of 2022. This represents a decrease of 24.9 percent compared to the 71.2 million transactions from the first nine month of 2021, in which the first quarter 2021 had seen exceptionally strong trading activity due to the meme stock hype. Transactions in the third quarter 2022 amounted to 15.3 million, 16.3 percent less than in the third quarter 2021 (Q3 2021: 18.2 million).

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<sup>1</sup> excluding reversals of provisions recognized in the other operating income

## **Net cash inflows of EUR 5 billion in 9M 2022**

During the first nine months of 2022, net cash inflows<sup>2</sup> amounted to a total of EUR 5.0 billion, out of which existing customer accounts added EUR 2.1 billion (net). New customer accounts won in 2022 contributed EUR 2.8 billion (net) to the increase. From the total net cash inflows, flatexDEGIRO customers invested the vast majority (EUR 4.3 billion) in securities. Total customer cash under custody reported on 30 September 2022 rose by over EUR 0.6 billion to EUR 3.5 billion (31 December 2021: EUR 2.8 billion).

Major international equity indices such as DAX40, S&P500, FTSE250 or NASDAQ100 lost between 24 percent and 33 percent during the same period. Securities under custody at flatexDEGIRO declined over the last nine months by only 16.7 percent from EUR 41.0 billion on 31 December 2021 to EUR 34.2 billion on 30 September 2022, proving the quality of our customers.

## **Outlook**

### **Fourth quarter 2022 expected to show further increase of revenue per trade**

In-line with typical seasonal developments, trading activity during the fourth quarter is expected to pick up again, supported by portfolio sorting to realize tax losses before the end of the fiscal year, earnings seasons with higher visibility on full-year performance and US mid-term elections. Customer account growth during the last three months is likewise expected to accelerate against the second and third quarter. Newly introduced referral programs (Member-get-member) and an ambassador program in collaboration with universities, business schools and investment clubs in key growth markets such as France, Spain, Portugal and Italy are expected to further support sustainable customer growth beyond the fourth quarter 2022.

The fourth quarter 2022 is expected to show further increases to revenue per trade due to a significantly higher interest income and further commercial measures taken already during the third quarter.

### **Significant benefit from increasing interest rates**

Based on flatexDEGIRO's existing liquidity portfolio of approx. EUR 2.5 billion as of 30 September 2022, the current ECB depository rate of 75 basis points will result in an additional interest income in the fourth quarter of approx. EUR 5 million. In case of further increases of the ECB's depository rate to a level of 125 to 200 basis points, the annualized EBT potential would amount to approx. EUR 30 to 50 million.

### **Higher monetization due to 50 cent more handling fee at DEGIRO**

In light of general inflationary trends, DEGIRO has increased its handling fee by EUR 0.50, effective 1 September 2022. With a major and growing share of transactions settled by flatexDEGIRO stemming from DEGIRO, this relatively small increase adds up when applied to millions of transactions. For the fourth quarter 2022, management expects this measure to contribute approx. EUR 3.5 million to EBT, corresponding to an annualized EBT potential of approx. EUR 14 million.

### **Further commercial measures to support near-term expansion of revenue per trade**

During the fourth quarter 2022, DEGIRO will significantly extend customer access to margin loans. The product will be made available to basically all of the over 1.5 million DEGIRO customers. So far, it is only available to a fraction of DEGIRO customers (approx. 250k). Under conservative assumptions, the additional margin loan potential could amount to well over EUR 300 million. At current interest rate levels of 400 basis points, this would equate to an annualized EBT potential of approx. EUR 13 million.

Following the successful introduction of DEGIRO's ETP partnerships with BNP Paribas and Société Générale in the Netherlands, France and Germany in December 2021, the partnerships will be further

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<sup>2</sup> only including customer accounts existing on 30 September 2022

extended during the fourth quarter 2022 to Italy, Switzerland, Spain and Portugal. By enhancing its product offering in these growth markets with such high revenue products, DEGIRO increases its attractiveness for existing and new customers while tapping into additional growth and monetization potential of around EUR 4 million, on an annualized basis.

### **Seasonal increase of trading activity and customer growth**

In-line with typical seasonal developments, trading activity during the fourth quarter is expected to pick up again, supported by portfolio sorting to realize tax losses before the end of the fiscal year, earnings seasons with higher visibility on full-year performance and US mid-term elections. Customer account growth during the last three months is likewise expected to accelerate against the second and third quarter. Newly introduced referral programs (Member-get-member) and an ambassador program in collaboration with universities, business schools and investment clubs in key growth markets such as France, Spain, Portugal and Italy are expected to further support sustainable customer growth beyond the fourth quarter 2022.

### **Full year 2022 guidance**

The Management Board expects to generate revenues of at least EUR 400 million in 2022. Average revenue per transaction is expected to be significantly above the previous year's level at well over EUR 5 (2021: EUR 4.59). Due to the significantly improved monetization, the Management Board expects to achieve an Adjusted EBITDA margin on prior-year's level for the full year 2022.

## Key figures

		9M 2022	9M 2021	Change in %	Q3 2022	Q3 2021	Change in %
<b>Financials</b>							
Revenues	EUR m	301.6	314.2	-4.0	91.9	88.1	+4.3
Average revenue per transaction*	EUR	5.26	4.41	+19.3	5.15	4.83	+6.5
EBITDA	EUR m	126.7	83.2	+52.2	37.6	30.1	+25.1
EBITDA margin	%	42.0	26.5	+58.6	40.9	34.1	+19.9
Adj. EBITDA	EUR m	106.0	146.1	-27.5	24.2	38.4	-37.0
Adj. EBITDA margin	%	37.7	46.5	-18.8	30.8	43.6	-29.3
<b>Commercial</b>							
Customer accounts at the end of the period	m	2.36	1.94	+21.3	2.36	1.94	+21.3
New customer accounts (gross)	k	376.2	658.8	-42.9	93.8	120.3	-22.0
Customer account growth	%	16.0	33.9	-	4.0	6.2	-
Transactions settled	m	53.4	71.2	-24.9	15.3	18.2	-16.3

\* excluding revenues resulting from the release of provisions in relations to the variable, long-term incentive program (Stock appreciation rights); €13.4m in Q3 2022 and € 20.7m in 9M 2022

		9M 2022	9M 2021	Change in %	Q3 2022	Q2 2022	Change in %
<b>Customer accounts</b>							
<b>flatexDEGIRO</b>	<b>m</b>	<b>2.36</b>	<b>1.94</b>	<b>21.3</b>	<b>2.36</b>	<b>2.29</b>	<b>3.0</b>
Core Markets	m	1.40	1.23	14.0	1.40	1.38	1.6
Growth Markets	m	0.84	0.62	35.4	0.84	0.80	5.4
Research Markets	m	0.11	0.09	22.9	0.11	0.11	2.8
		<b>9M 2022</b>	<b>9M 2021</b>	<b>Change in %</b>	<b>Q3 2022</b>	<b>Q3 2021</b>	<b>Change in %</b>
<b>Transactions</b>							
<b>flatexDEGIRO</b>	<b>m</b>	<b>53.4</b>	<b>71.2</b>	<b>-24.9</b>	<b>15.3</b>	<b>18.2</b>	<b>-16.3</b>
Core Markets	m	36.4	44.7	-18.6	10.5	12.0	-13.2
Growth Markets	m	15.1	23.7	-36.1	4.3	5.5	-22.1
Research Markets	m	1.9	2.8	-31.9	0.5	0.7	-24.3

## For more information, please contact:

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## About flatexDEGIRO AG

flatexDEGIRO AG (WKN: FTG111, ISIN: DE000FTG1111, Ticker: FTK.GR) operates the leading and fastest growing online brokerage platform in Europe. Based on modern, in-house state-of-the-art technology, customers of the flatex and DEGIRO brands are offered a wide range of independent products with execution on top TIER 1 exchanges. The technological edge as well as the high efficiency and strong economies of scale enable flatexDEGIRO to continuously improve its service offering to customers.

With more than 2 million customer accounts and over 91 million securities transactions processed in 2021, flatexDEGIRO is the largest retail online broker in Europe. In times of bank consolidation, low interest rates and digitalization, flatexDEGIRO is ideally positioned for further growth. Within the next five years, flatexDEGIRO aims to expand its customer base to 7-8 million customer accounts and process 250-350 million transactions per year - even in years of low volatility.

For more information, visit <https://www.flatexdegiro.com/en>

## Disclaimer

### Non-IFRS measures (APMs)

This presentation includes 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 as (i) they are used by its management to measure performance, including in presentations to the Management Board and Supervisory Board members 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 other similarly titled measures of other companies and have limitations as analytical tools and should not be considered as a substitute for analysis of flatexDEGIRO's operating results as reported under IFRS. Non-IFRS measures are not a measurement of flatexDEGIRO's performance or liquidity under IFRS and should not be considered as alternatives to consolidated net profit or any other performance measure derived in accordance with IFRS or other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

### Forward-looking statements

This release may contain forward-looking statements and information, which may be identified by formulations using terms such as "expects", "aims", "anticipates", "intends", "plans", "believes", "seeks", "estimates" or "will". Such forward-looking statements are based on our current expectations and certain assumptions, which may be subject to variety of risks and uncertainties. The results actually achieved by flatexDEGIRO AG may substantially differ from these forward-looking statements. flatexDEGIRO assumes no obligation to update these forward-looking statements or to correct them in case of developments, which differ from those anticipated.