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November 2022

Record plc Interim results 6 months ended 30 Sep 2022

Disclaimer

IMPORTANT INFORMATION

This document does not constitute an offer to sell or an invitation to buy shares in Record plc or any other invitation or inducement to engage in investment activities. Certain statements, beliefs and opinions in this document are forward-looking, which reflect the Company's current expectations and projections about future events. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The value of investments, and the income from them, may go down as well as up, and is not guaranteed. Past performance cannot be relied on as a guide to future performance. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any forward-looking statements, which speak only as of the date of this document.



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Agenda

Business strategy update

Product performance

Financial performance

Growth drivers and progress in 3 year plan

Record well-positioned to capitalise on growth drivers...

Change from FX manager to asset manager gaining momentum and improving results (PBT +46% over 12 mths)

Growth in revenue (+35%) in last 12 months achieved across broad product suite

Innovative, higher revenue-margin products are improving operating margin

Broader expertise - recruitment of experienced hires (e.g. fixed income, frontier FX, structured products)

BaFin licence and RAIF Lux fund structure underpin expansion plans across Europe collaborating with experienced partners

Growth in pipeline of opportunities in both new and existing products

Increase in performance fees linked to interest rate differentials: H1-23: £2.8m (FY-22: £0.5m)

...to achieve attractive medium-term financial targets



Revenue > £60m p.a. for FY-25



Operating margin c. 40% by FY-25
(inflation willing)



Ordinary dividend target payout ratio
range between 70% to 90% of EPS



Performance fees give further
opportunities to outperform targets

Summary and outlook: H1-23

- ✦ Continued progress on implementation of change in strategy in all core areas: growth, modernisation and succession
- ✦ Excellent platform for revenue growth in H2-23 and into FY-24 – high AUME diversified across higher-margin products and strong pipeline of attractive product and collaboration opportunities
- ✦ Diversification of skillsets including structuring, distribution, investment management and currency and derivatives
- ✦ BaFin licence and new Luxembourg (RAIF) structure both underpin and further reinforce expansion plans in Europe
- ✦ Partnership and collaboration with likeminded specialist partners including AGL (US-based syndicated loan manager), CAZ Investments (US-based private equity firm) and VTeam (Asia's largest supply-chain finance platform)
- ✦ Focus on future opportunities linked to the Digital asset economy reflected by modest investments into start-up and early-stage entities aiming to disrupt the financial services sector
- ✦ Strong capital position & committed strategy provide solid platform for continued value creation
- ✦ Board's confidence in future growth underpinned by further increase in interim dividend in line with progressive dividend policy



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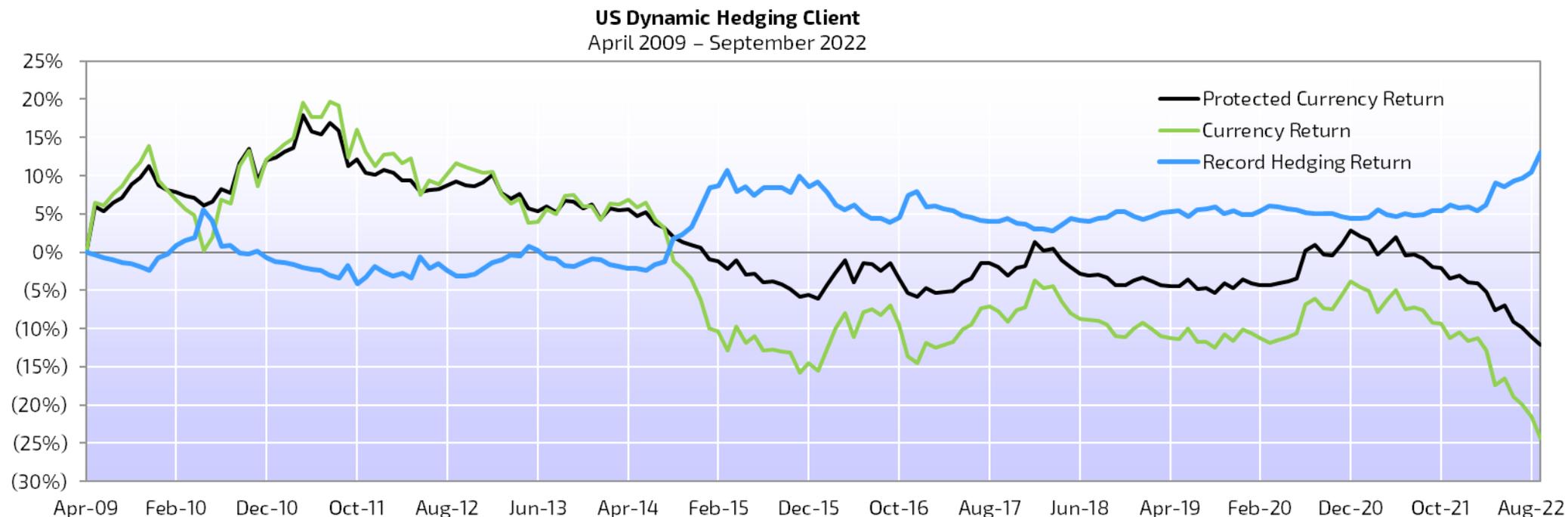
Business strategy update

Product performance

Financial performance

US Dynamic Hedging client

Performance



As at September 2022	Protected Currency Return	Currency Return	Record Hedging Return
Inception to date (cum.)	(12.18%)	(24.31%)	13.02%
Inception to date (ann.)	(0.96%) p.a.	(2.05%) p.a.	0.92% p.a.

Source: Record Currency Management and WM/Reuters. Protected currency return is calculated as the weighted average currency return plus the contribution from hedging. Performance has been re-scaled to a 0%-100% dynamic range. Data is cumulative from 30 April 2009 to 30 September 2022.

Enhanced Passive Hedging

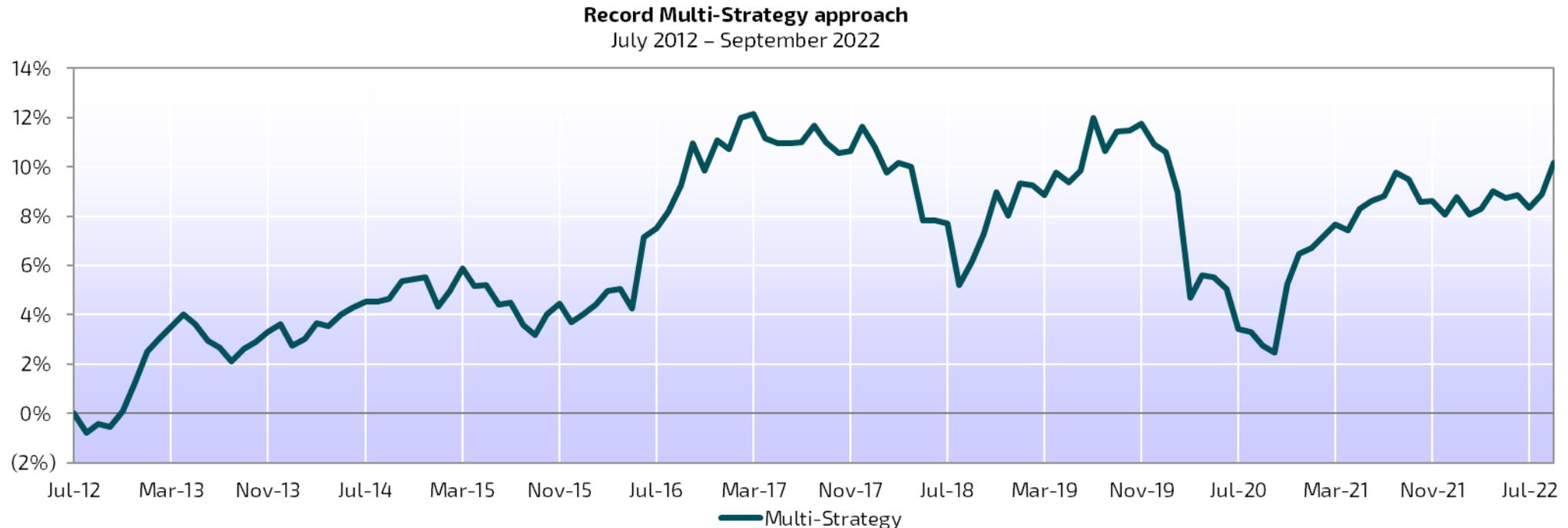
- ✦ Reduce cost of hedging through flexibility in implementation, without varying hedge ratio
- ✦ Two key areas
 - ✦ Direct costs of maintaining hedge
 - ✦ Embedded interest rate differential
- ✦ Episodic nature of opportunities means higher level of discretionary oversight required
- ✦ Total value added relative to a fixed-tenor benchmark for an enhanced Passive Hedging programme for a representative account

	Return for half year to 30 Sep 2022	Return since inception p.a.
Value added by enhanced Passive Hedging programme relative to a fixed-tenor benchmark	0.11%	0.10%

Source: Record Currency Management. Data from October 2014 to September 2022. Live track record based on a fixed-tenor costed benchmark.

Multi-Strategy

Performance

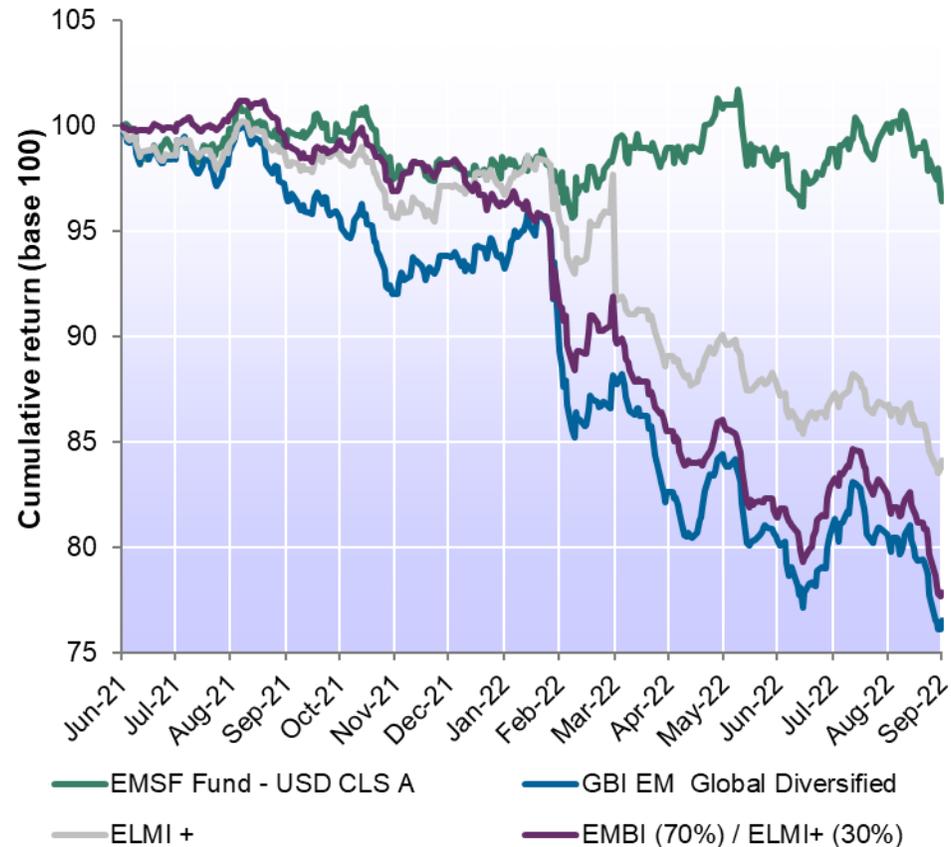


<i>As at September 2022</i>	Multi-Strategy
Returns (cum.)	10.16%
Returns (ann.)	0.96% p.a.
Volatility	3.04% p.a.

Source: Record Currency Management and Bloomberg. The performance of the multi-strategy is based on a combination of live and third party index returns for the individual strands from 31 Jul 2012 to 30 Sep 2016. Thereafter, performance is based on live composite returns. Performance has been scaled to a 4% target volatility and is presented in USD.

Record EM Sustainable Finance Fund (EMSF)

Record EM Sustainable Finance Fund performance since inception (28 June 2021)



Record EM Sustainable Finance Fund Total NAV (\$m) since inception (28 June 2021)



Source: Record. Data as at 30 September 2022.



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Business strategy update

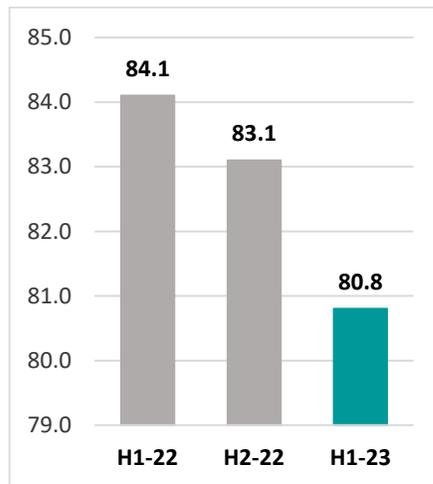
Product performance

Financial performance

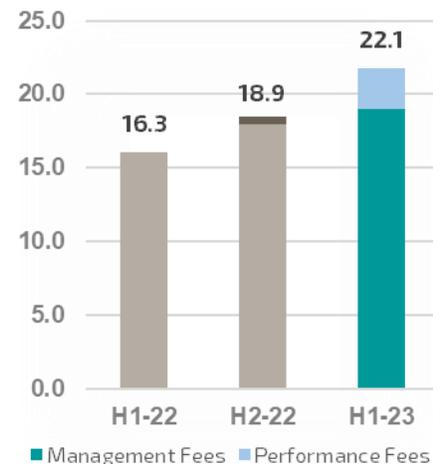
Financials

KPIs

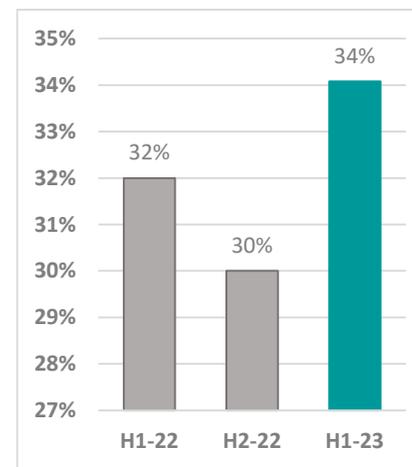
AUME (\$bn)



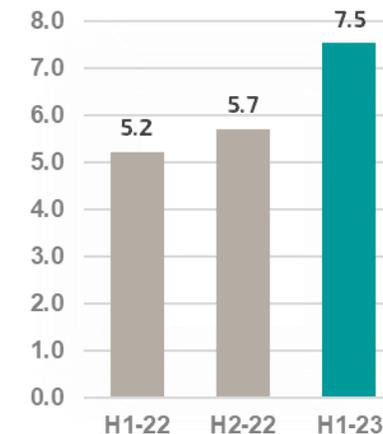
Revenue



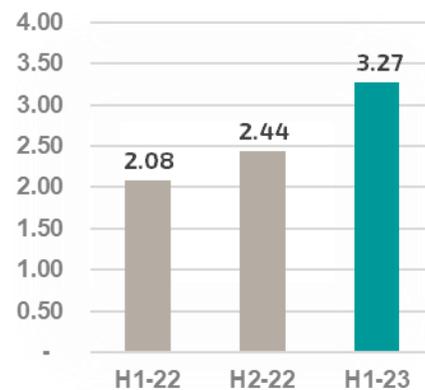
Operating margin



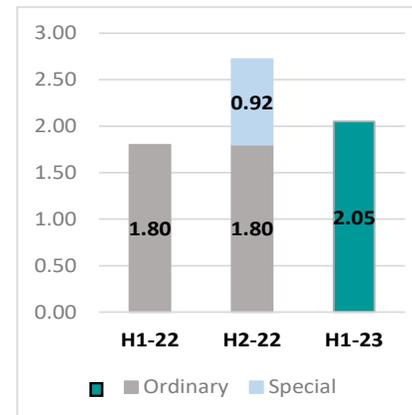
Profit before tax (£m)



EPS (pence)

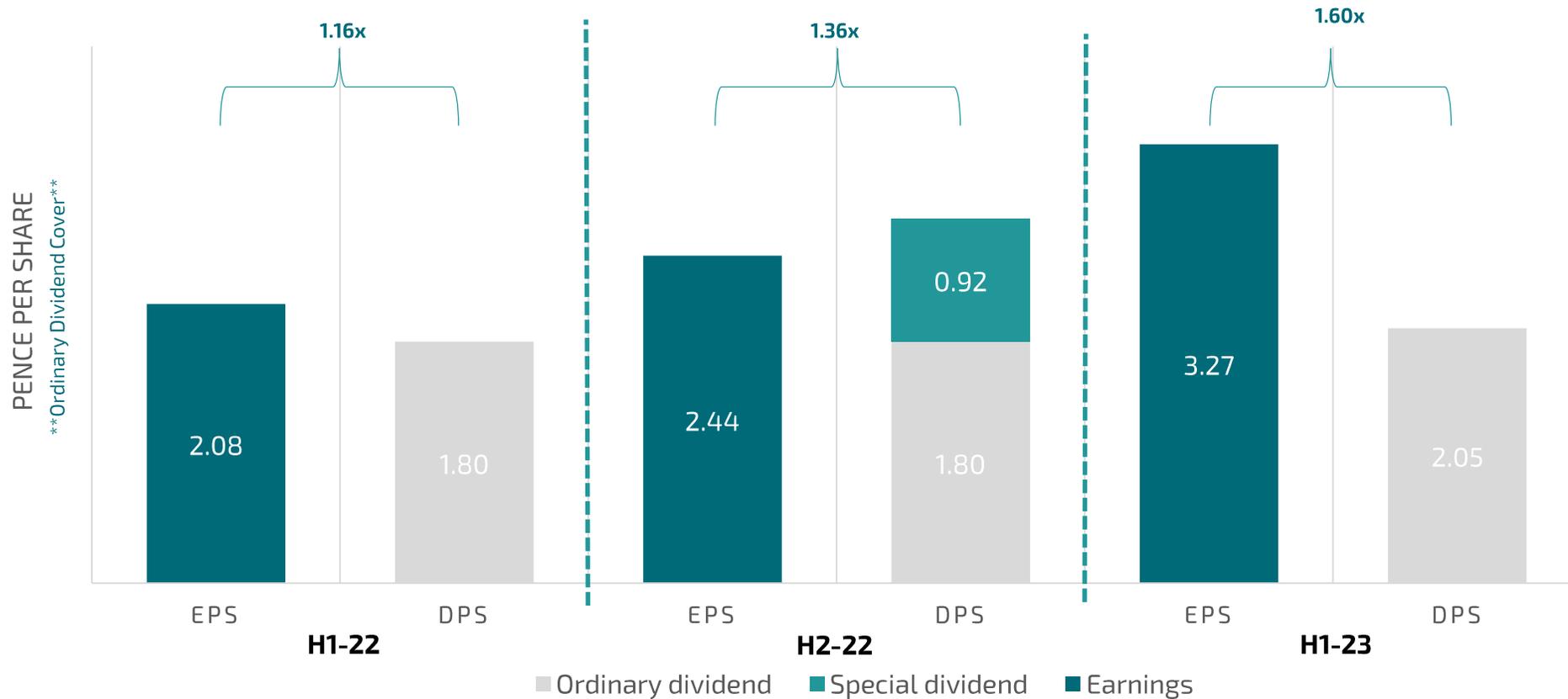


Dividend per share (pence)



Dividend policy

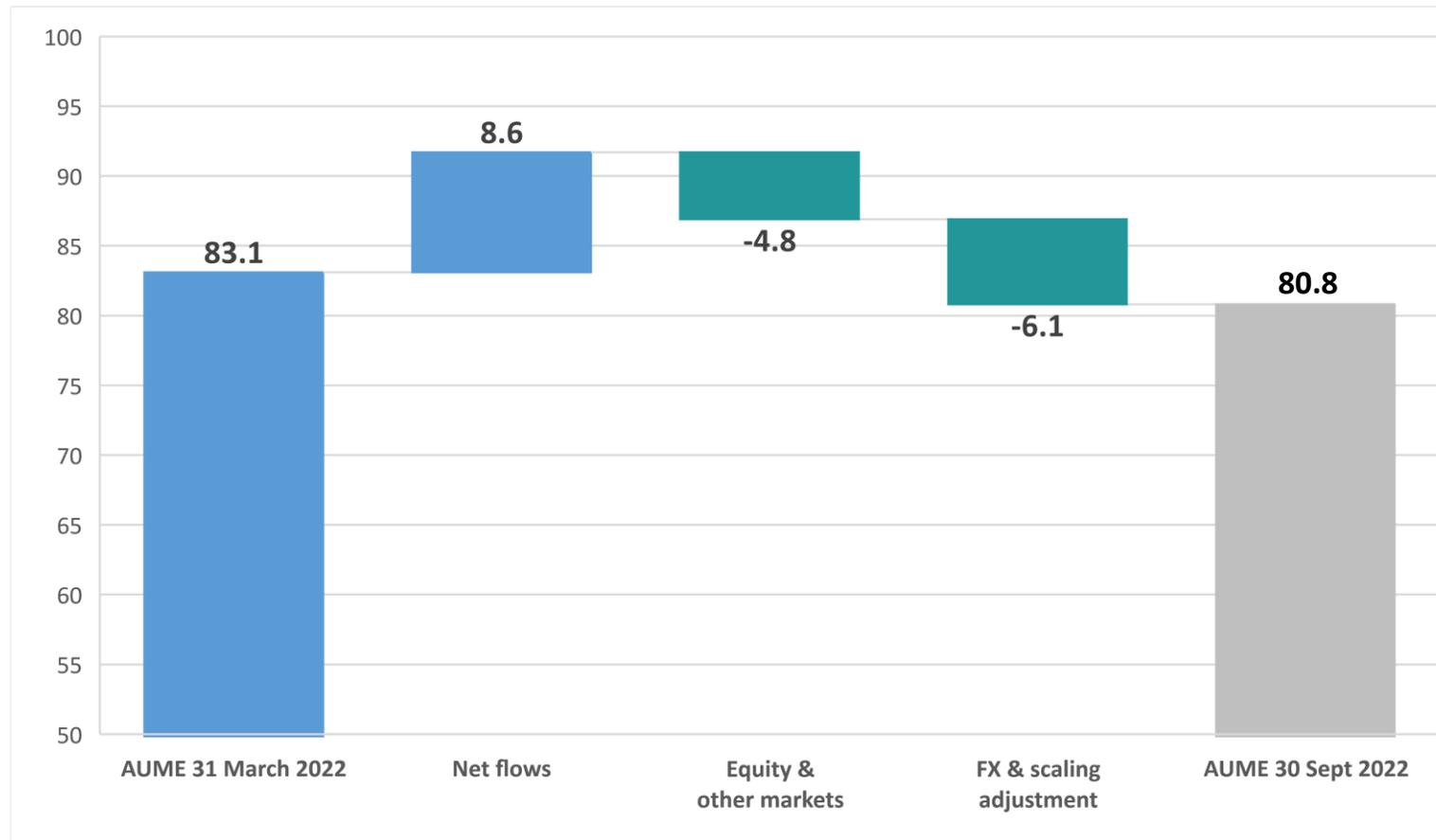
- ✦ Targets progressive and sustainable dividend growth in line with trend in profitability
- ✦ Targets annual ordinary payout ratio between 70% - 90% of EPS
- ✦ No change to policy over last 3 years – strong and consistent history of dividend payments



Financials

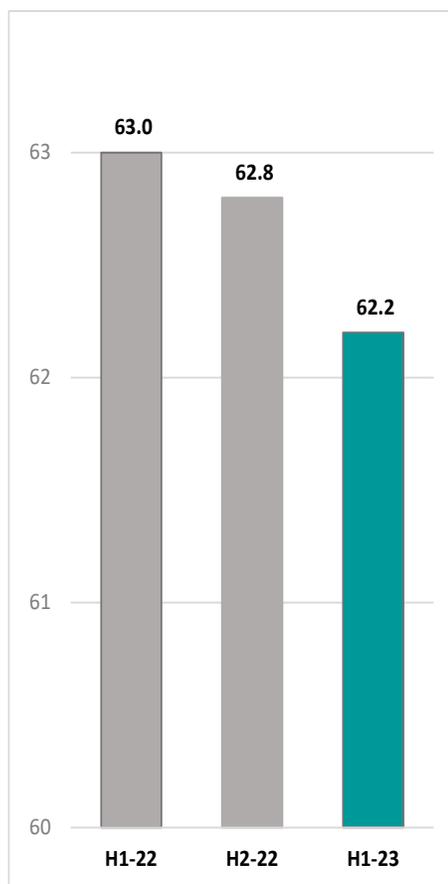
AUME movement

AUME bridge for the 6 month period ended 30 September 2022 (\$bn)

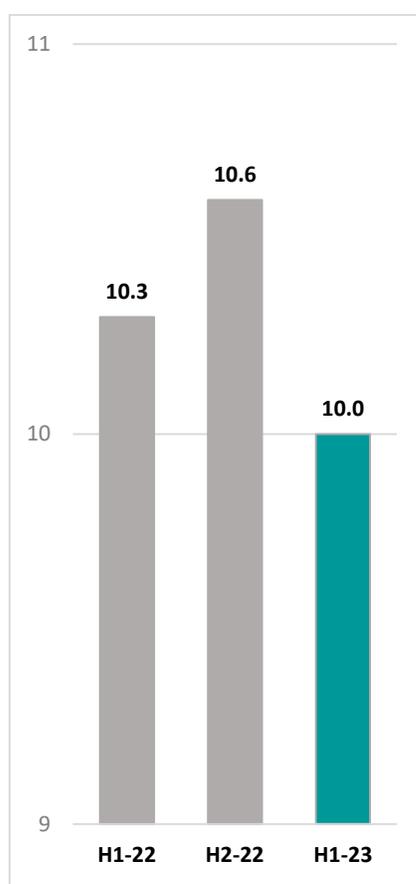


AUME by product

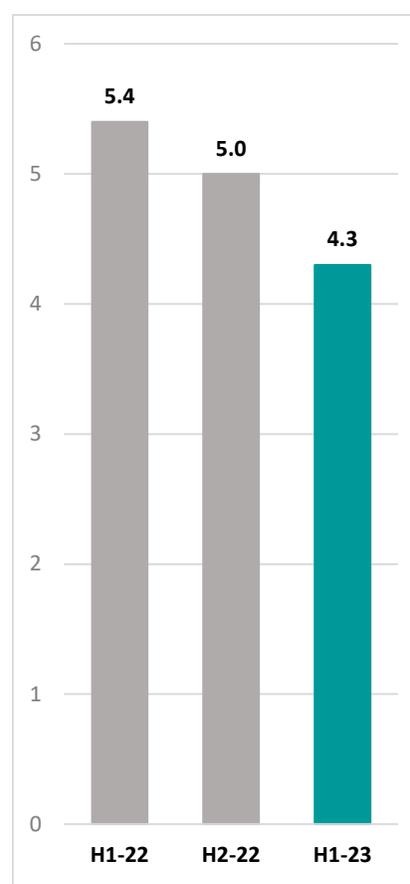
Passive Hedging (\$bn)



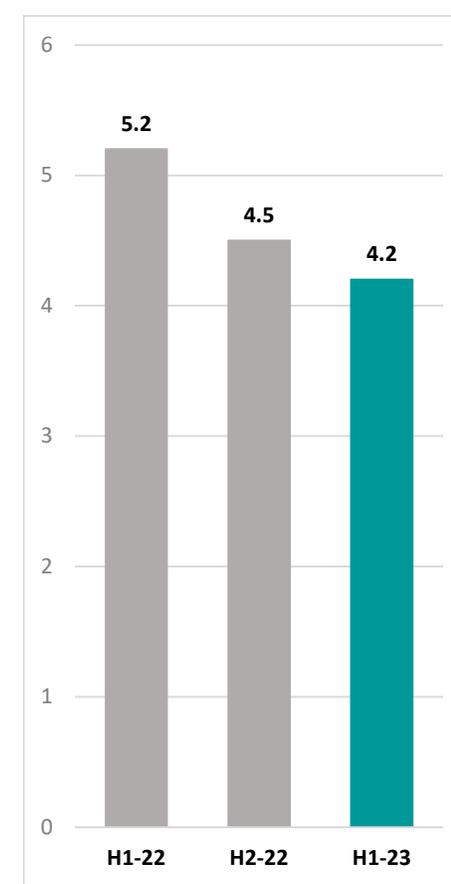
Dynamic Hedging (\$bn)



Currency for Return (\$bn)



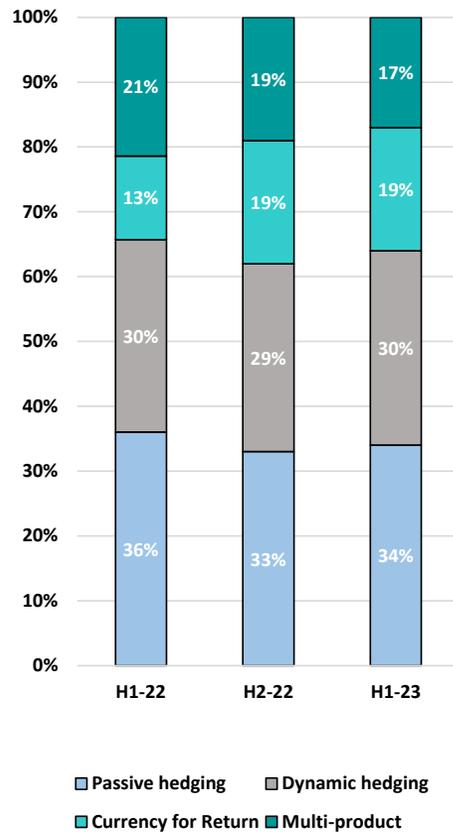
Multi-product (\$bn)



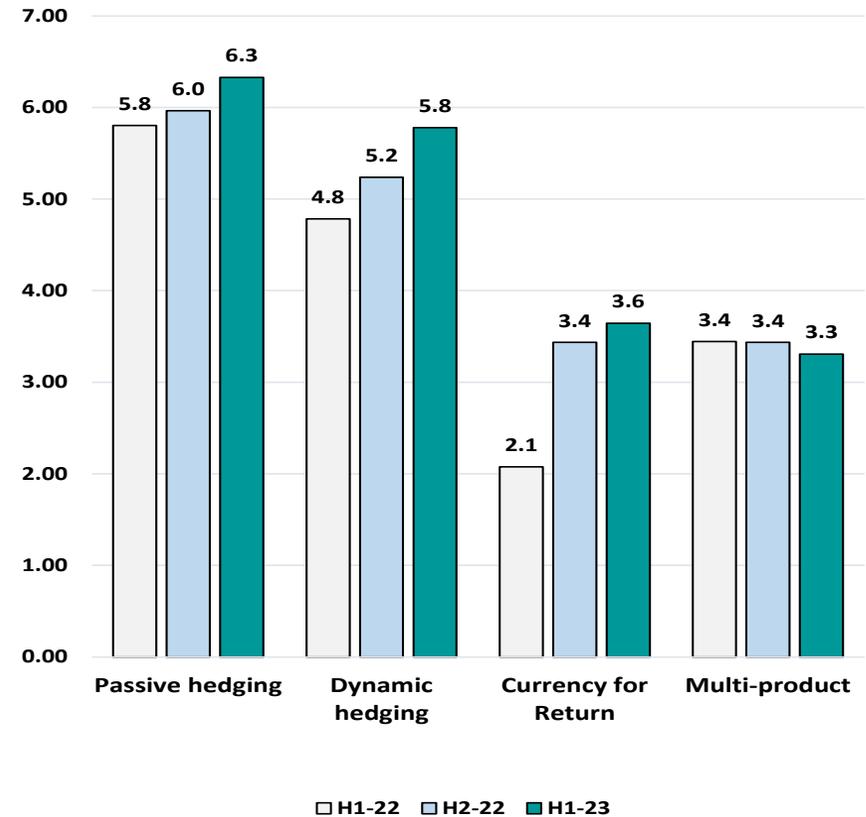
Financials

Management fee analysis

Management fees analysis by product

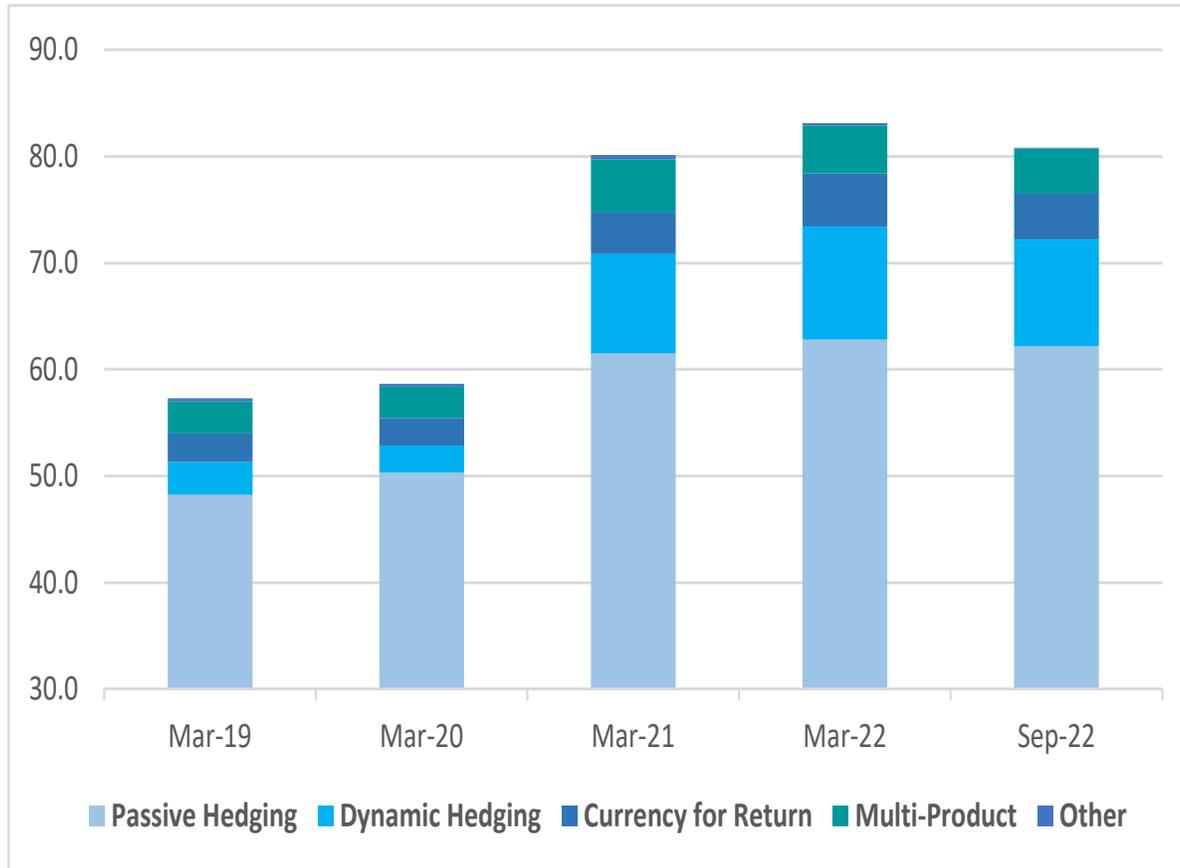


Management fees by product (£m)

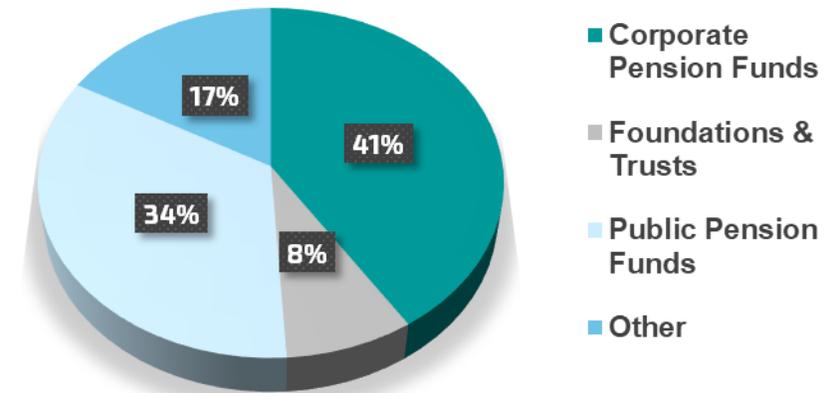


AUME evolution

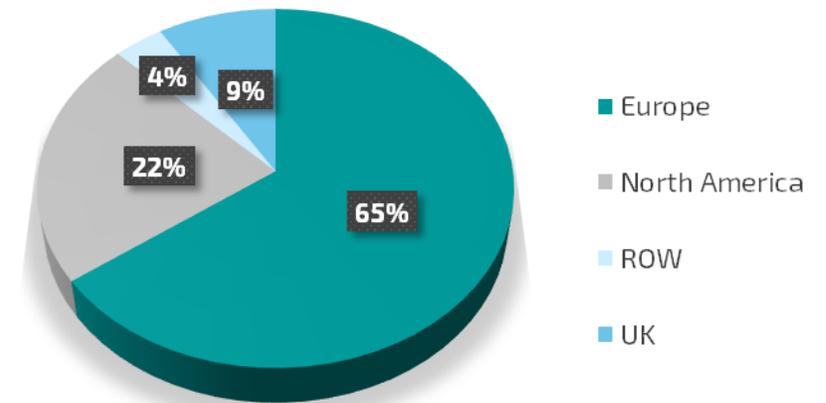
AUME by product (\$bn)



AUME by client type



AUME by geography

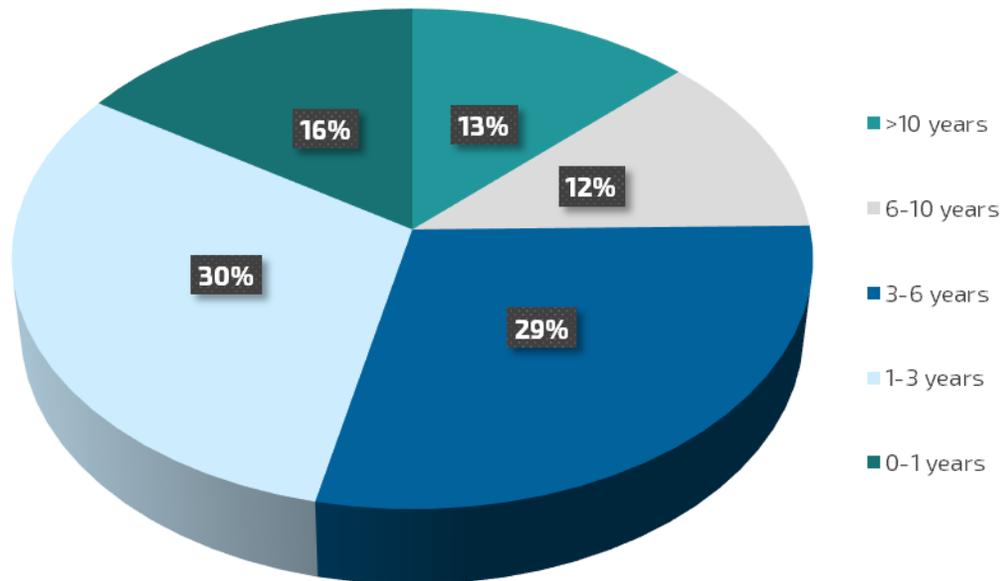


Source: Record Currency Management Limited. Note: AUME data are as at 30 September 2022. AUME expresses the total notional exposure of Passive Hedging and Currency for Return products, and the maximum hedgeable exposure of Dynamic Hedging products.

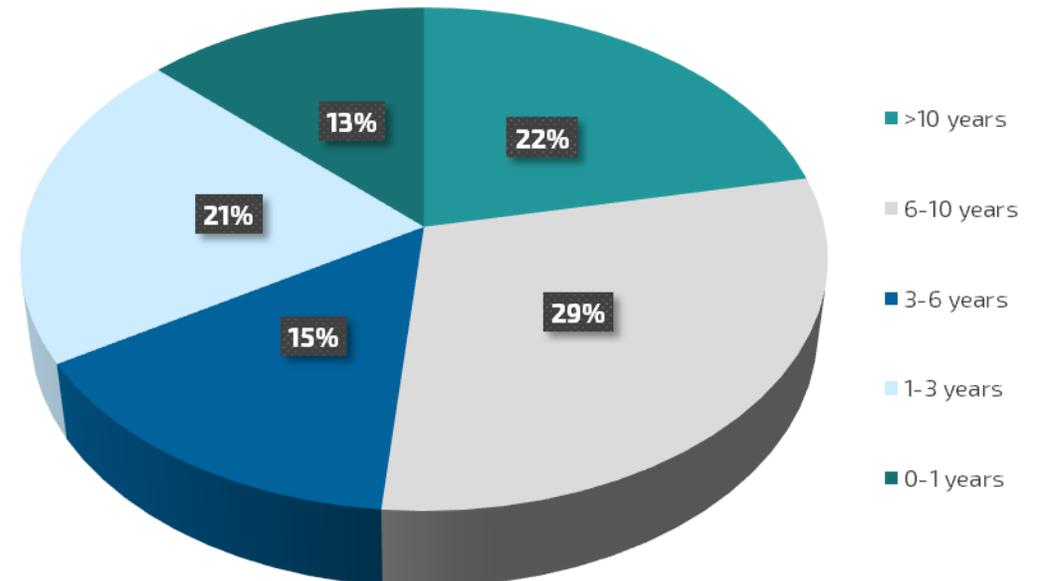
Financials

Client longevity

Client longevity as at 30 September 2022 (Numbers)



Client longevity as at 30 September 2022 (AUME)



Financials

Cost analysis

	H1-22 £m	H2-22 £m	H1-23 £m
Personnel (excluding Group Bonus)	5.0	5.8	6.3
Non-personnel cost	2.9	4.3	4.5
Administrative expenditure excluding Group Bonus	7.9	10.1	10.8
Group Bonus	2.8	2.9	3.8
Total administrative expenditure	10.7	13.0	14.6
Other income and expenditure	0.3	0.1	0.0
Total expenditure	11.0	13.1	14.6

Financials

Income statement

	H1-22 £m	H2-22 £m	H1-23 £m
Management fees	16.1	18.0	19.0
Performance fees	0.0	0.5	2.8
Other currency services income	0.2	0.3	0.3
Total revenue	16.3	18.8	22.1
Cost of sales	(0.2)	(0.0)	(0.0)
Gross profit	16.1	18.8	22.1
Operating costs (excl. variable remuneration)	(7.9)	(10.1)	(10.8)
Variable remuneration	(2.8)	(2.9)	(3.8)
Other income and expenditure	(0.3)	(0.1)	0.0
Total expenditure	(11.0)	(13.1)	(14.6)
Operating profit	5.2	5.7	7.5
Operating Profit Margin	32%	30%	34%
Net finance income	-	0.0	-
Profit before tax	5.2	5.7	7.5
Taxation	(1.2)	(1.1)	(1.3)
Profit after tax	4.0	4.6	6.2

Financials

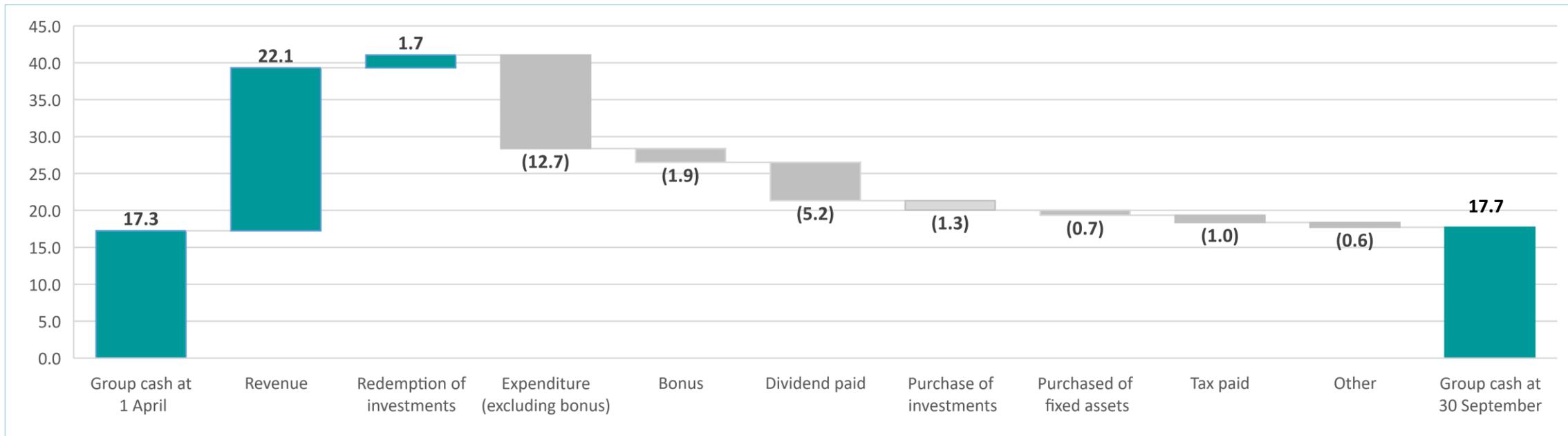
Balance sheet

	H1-22 £m	H2-22 £m	H1-23 £m
Fixed assets	0.9	1.0	1.4
Right to use assets	0.4	1.4	1.2
Other investments	3.2	3.4	3.6
Deferred tax	0.5	0.3	0.2
Non-current assets	5.0	6.1	6.4
Trade and other receivables	8.8	9.9	12.2
Derivative financial assets	0.0	0.0	0.0
Money market instruments > 3 months	5.9	13.9	0.0
Cash and cash equivalents	11.4	3.3	17.7
Current assets	26.1	27.1	29.9
Current liabilities	(5.8)	(6.2)	(7.4)
Net current assets	20.3	20.9	22.5
Lease liability		(1.0)	(0.8)
Other non current liabilities	(0.1)	(0.1)	(0.1)
Net assets	25.2	25.9	28.0
Shareholders' equity	25.2	25.9	28.0
Non-controlling interest	0.0	0.0	0.0
Total equity	25.2	25.9	28.0

Financials

Cash

CASH BRIDGE FOR THE YEAR ENDED 30 SEPTEMBER 2022 (£m)



✦ The Group's cash management strategy employs a variety of treasury management instruments including cash, money market deposits and treasury bills with maturities of up to 1 year. Whilst the Group manages and considers all of these instruments as cash (which is subject to its own internal cash management process), not all of these instruments are classified as cash or cash equivalents under IFRS.



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Appendices

Financials

Concentration

	AUME \$bn	Management Fees	
		£m	%
Clients 1-10	44.7	14.7	77%
Clients 11-20	23.1	3.1	17%
Other	13.0	1.2	6%
Total	80.8	19.0	100%

Hedging mandates

Underlying asset allocation

	Equity	Fixed Income	Other
Passive Hedging	21%	29%	50%
Dynamic Hedging	90%	-	10%
Currency for return & Cash	-	-	100%

Share Schemes

Long Term Incentive Plan (“LTIP”)

- ✦ Share plan to incentivise delivery of long-term performance and strategy delivery
- ✦ Maximum award for Executive Directors of 150% of base salary
- ✦ Vesting subject to performance and delivery against EPS and TSR targets (2/3 and 1/3 respectively)
- ✦ Malus and clawback provisions apply

Group bonus scheme

- ✦ Payments linked to individual performance objectives – claw back provisions apply
- ✦ Scheme uses a bonus pool calculated based on pre-bonus operating profit (H1-23: 33%)
- ✦ Remuneration Committee retains discretion to vary the bonus pool between 25% to 35%
- ✦ The scheme is shared amongst all staff based on “profit share units”
- ✦ For all senior employees including Board Directors:
 - ✦ 1/3rd ‘Mandatory’ Shares (subject to “lock up” for up to 3 years)
 - ✦ 1/3rd Cash plus 1/3rd Cash or Shares

Share Scheme

- ✦ Share Scheme rules include performance hurdles and claw back provisions for share-based payments issued to Executive Directors

Record plc Board of Directors

Executive management

Name		
Leslie Hill	Chief Executive Officer	<ul style="list-style-type: none">Joined Record in 1992 and was appointed Head of Sales and Marketing in 1999. Leslie was appointed as Chief Executive Officer of Record plc in February 2020Previous experience includes working at Lloyds Bank and Merrill Lynch, where Leslie was Director and Head of Corporate Foreign Exchange Sales worldwide
Steve Cullen	Chief Financial Officer	<ul style="list-style-type: none">ICAEW FCA qualified. Steve joined Record in 2003 as Financial Controller and was appointed as Chief Financial Officer and joined the Record plc Board in March 2013Experience: over 30 years of accounting and finance experience, including almost 20 years within financial services

Non-executive Directors

Name		
Neil Record	Chairman	<ul style="list-style-type: none">Founded Record in 1983; principal shareholder and Chairman ever sincePreviously worked as an economist at the Bank of England, and now acknowledged as one of the leading figures in the currency investment management industry
Tim Edwards	Senior Independent Director	<ul style="list-style-type: none">Appointed as a Non-executive Director in March 2018 and as Senior Independent Director in July 2021Chair of Schroder UK Public Private Trust, EndLyz UK Limited, Karus Therapeutics Limited and Storm Therapeutics Limited, and a director of AstronauTX Limited
Matt Hotson	Independent Non-executive Director	<ul style="list-style-type: none">Appointed as a Non-executive Director in July 2021Group CFO for the Mishcon de Reya Group
Krystyna Nowak	Independent Non-executive Director	<ul style="list-style-type: none">Appointed as a Non-executive Director in September 2021Senior Managing Director of the Teneo People Advisory Board Practice

AUME definition

Passive Hedging mandates:

- ✦ the aggregate nominal amount of passive hedges actually outstanding in respect of each client;

Dynamic Hedging mandates:

- ✦ total amount of clients' investment portfolios denominated in liquid foreign currencies, and hence capable (under the terms of the relevant mandate) of being hedged;

Currency for Return mandates:

- ✦ the maximum aggregate nominal amount of outstanding forward contracts for each client;

Multi-product mandates:

- ✦ the chargeable mandate size for each client;

Cash:

- ✦ the total set aside by clients and managed and/or "equitised" using futures by Record.

Sustainability at Record

Our approach to sustainability is linked with our new corporate strategy: diversification, modernisation, succession.



Responsible Investment

We have identified responsible investment as an essential prerequisite to successful, resilient and prudent investment management. Our [Responsible Investment](#) policy communicates our approach, and is embedded into our portfolio management and monitoring processes.

Climate Action

Our focus on climate resilience is core to our corporate purpose and is aligned with our responsibility to our stakeholders. We incorporate climate change considerations across all areas of our business, with the aim to reduce climate-related risk and support the transition to a low-carbon economy.

Our People

We are a people-led business and strive to always have a positive impact on our employees, our community and wider society. We believe that having an inclusive and diverse workforce better enables us to meet our clients' needs, offering different perspectives and pathways to solving problems and innovating.



Since 2007



Since 2018



Since 2018



Since 2018



Since 2020



Since 2021

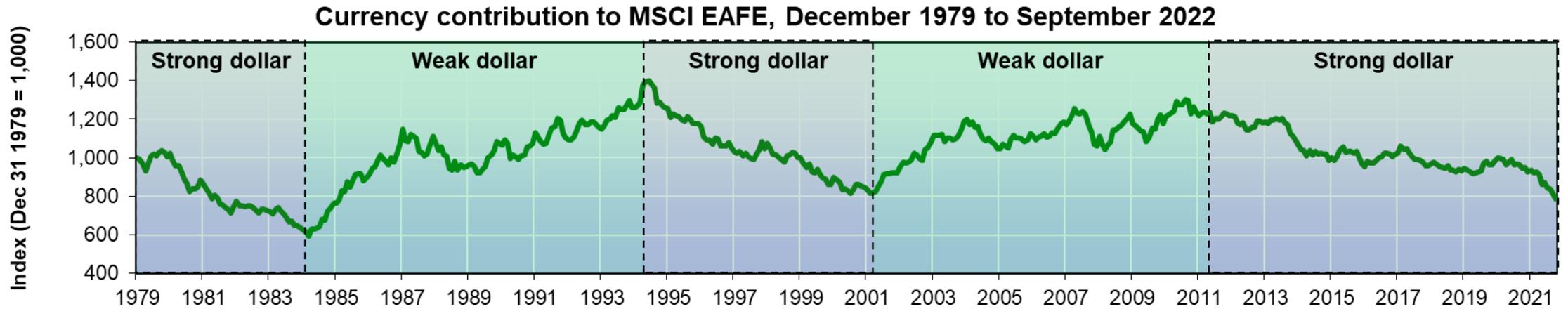


Since 2021

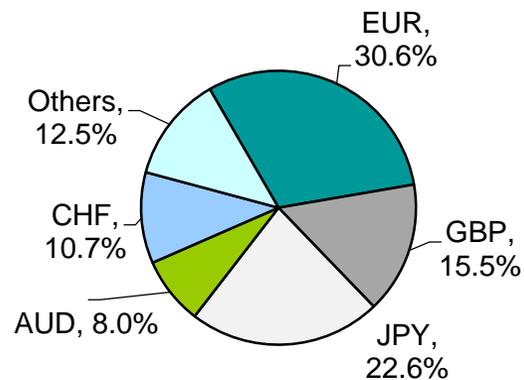
Progress on ESG commitments

- ✦ Record EM Sustainable Finance Fund
 - ✦ Aiming to improve the flow of finance to projects in emerging markets by absorbing currency risk and helping stabilise EM exchange rates
- ✦ Approximately \$1billion of EMSF AUM investment in sustainable development bonds at 30 September 2022
- ✦ 100% renewable energy across UK offices and reported to CDP for first time
- ✦ Inaugural standalone climate report published written in line with TCFD recommendations
- ✦ D&I progress with improvement in gender pay gap
- ✦ Strengthening sustainability governance during 2022 to promote accountability and encourage progress
 - ✦ Implementation of recognised suitability disclosure framework

Cyclical behaviour of the US Dollar



MSCI EAFE Weights (Sep 30, 2022)



Currency contribution	Gross Ret. % p.a.	Vol. % p.a.
1 year	-16.8%	6.4%
3 years	-5.2%	6.4%
5 years	-5.0%	5.8%
10 years	-4.4%	5.8%
Since inception (Dec 31 1979)	-0.6%	8.2%

Source: Record, MSCI, WM/Reuters. Dec 1979 – Sep 2022. Currency returns account for interest rate differential ("currency surprise").