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28 June 2024

Record Financial Group Investor presentation pack

Recordfg.com

Disclaimer

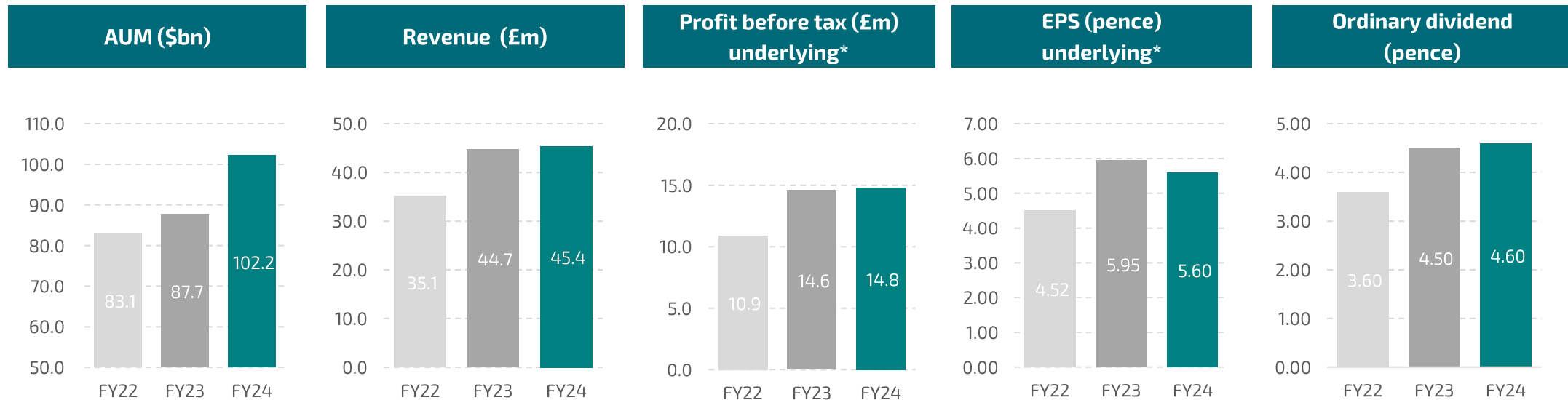
IMPORTANT INFORMATION

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.

FY24 Headlines

✦ AUM	\$102.2bn	+17%	✦ New leadership with changes aligned to succession plans
✦ Revenue	£45.4m	+2%	✦ Refocused product suite to six core product categories
✦ Underlying Op margin	32%		✦ Launch of new asset management products
✦ Underlying PBT	£14.8m	+1%	✦ Strong foundation for growth with highest ever AUM
✦ Ordinary dividend	4.60p	+0.10p	✦ Fifth consecutive year of net AUM inflows, totaling \$32.6bn in aggregate
✦ Special dividend	0.60p	-0.08p	



*Underlying PBT and EPS excludes the impact of the one-off non-cash impairment of intangible assets



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About Record

Business Strategy Update

Financial Performance

Summary & Outlook

About Record

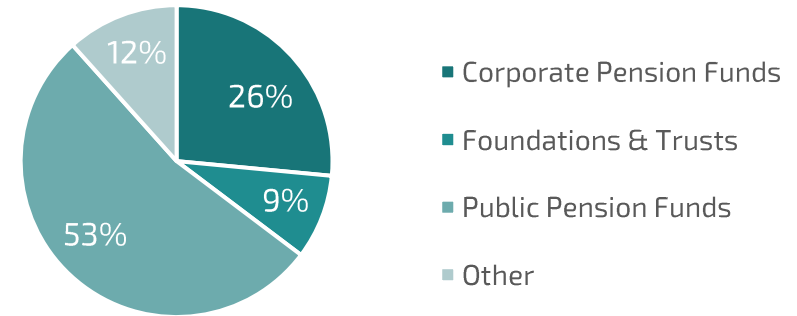
- Founded in 1983 and publicly listed on the LSE
- Group manages over \$100bn of assets for over 100 institutional clients worldwide
- Over 100 group employees spread across office in London, Windsor, Zurich, Frankfurt and Amsterdam
- Regulated by the FCA in the UK, the SEC and CFTC in the US, and BaFin in Germany

Why Record?

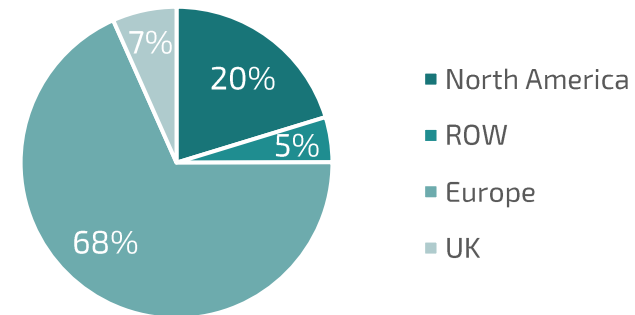
A proven ability to structure and deliver large bespoke investment solutions

- Large enough to structure and deliver multi-billion USD mandates
- Small enough to be flexible in addressing institutional clients' unique requirements
- Systems, expertise, and culture required to add-value in an increasingly complex world

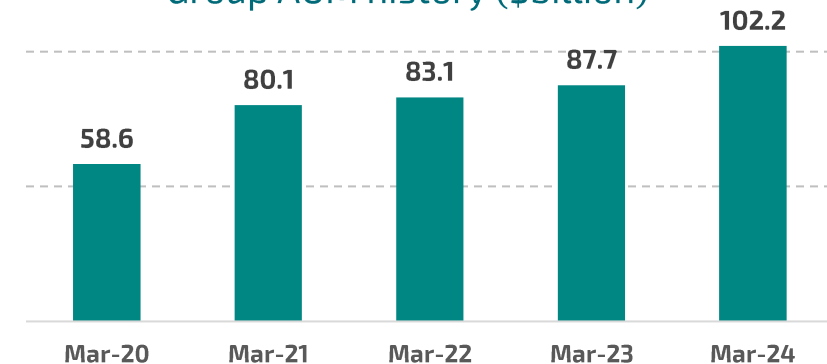
Group AUM by Client Type (31 March 2024)



Group AUM by Geography (31 March 2024)



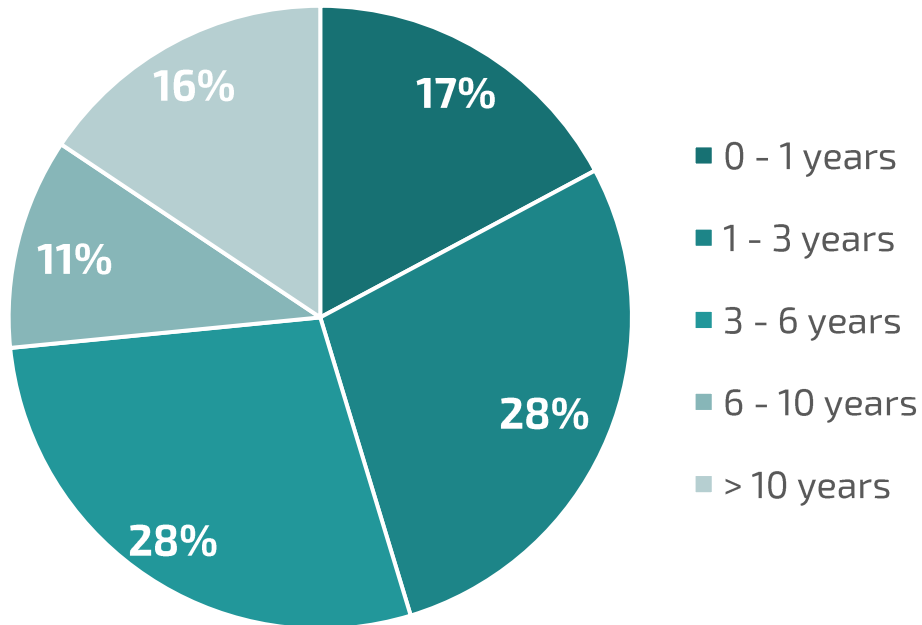
Group AUM history (\$billion)



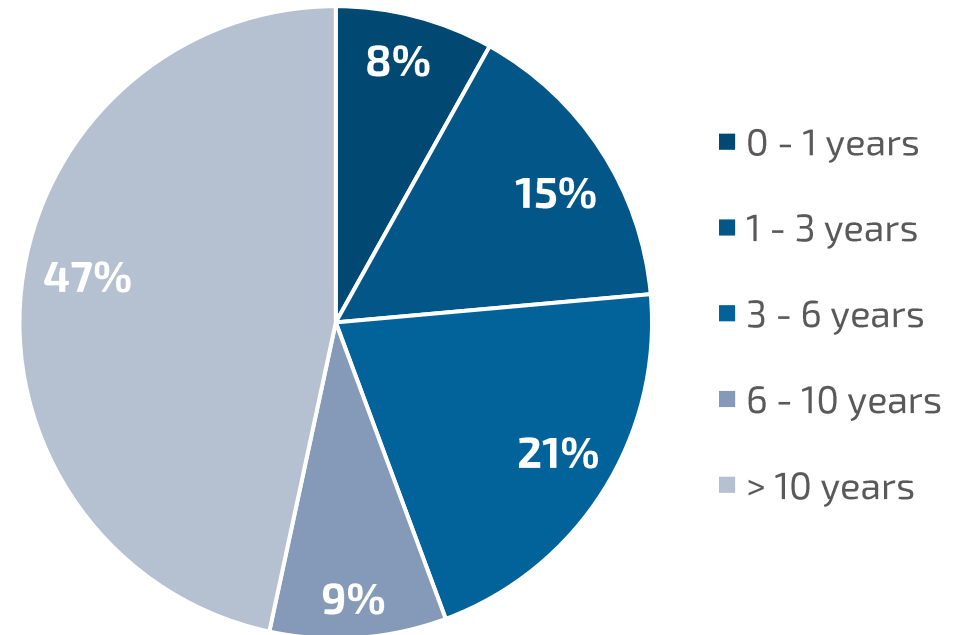
Client Longevity

Bespoke approach and performance encourages longevity

Client longevity as at 31 March 2024 (Numbers)



Client longevity as at 31 March 2024 (AUM)





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Business Strategy Update

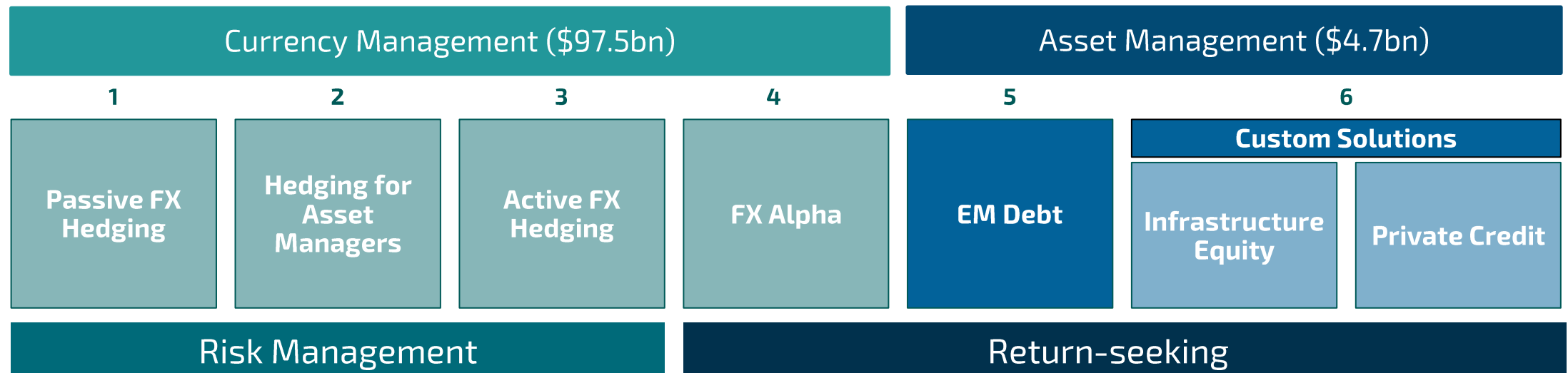
Financial Performance

Summary & Outlook

Products and Services

Renewed focus on core products and services

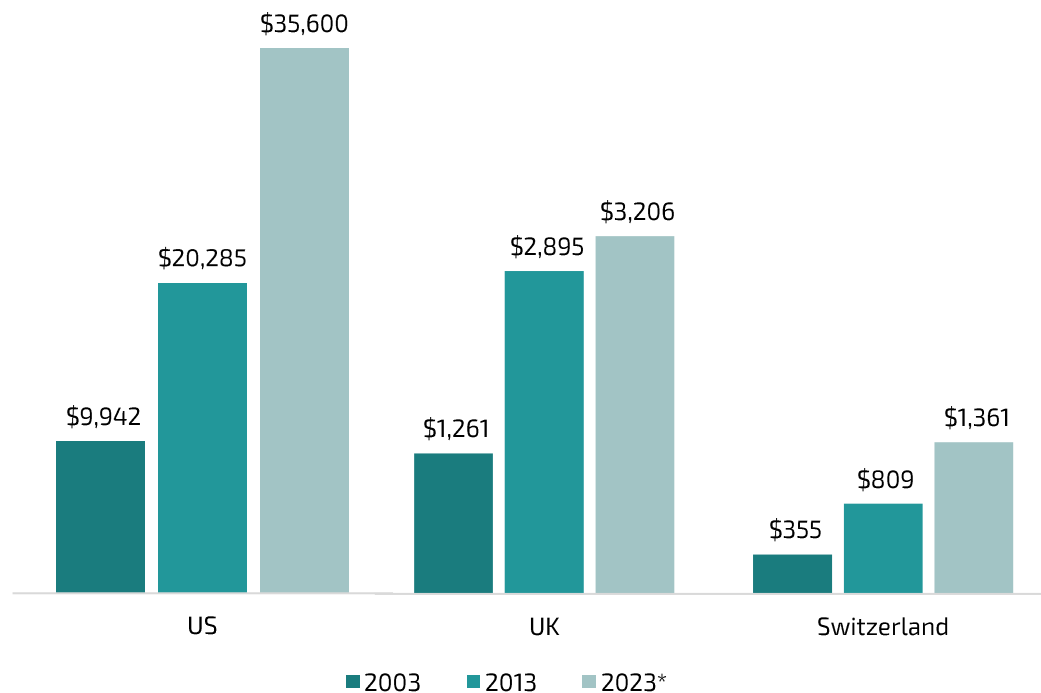
- ✦ Record is a specialist asset manager offering both Risk Management and For-Return products to large institutional investors
- ✦ We have refocused on six distinct product categories where we can offer a unique value proposition and where we can be best-in-class



Trends in Addressable Markets

Currency Management

Strong Growth in AUM of Pension Funds (US\$bn)



Asset Management

Strong Growth in Private Market Asset Allocations (US\$tn)

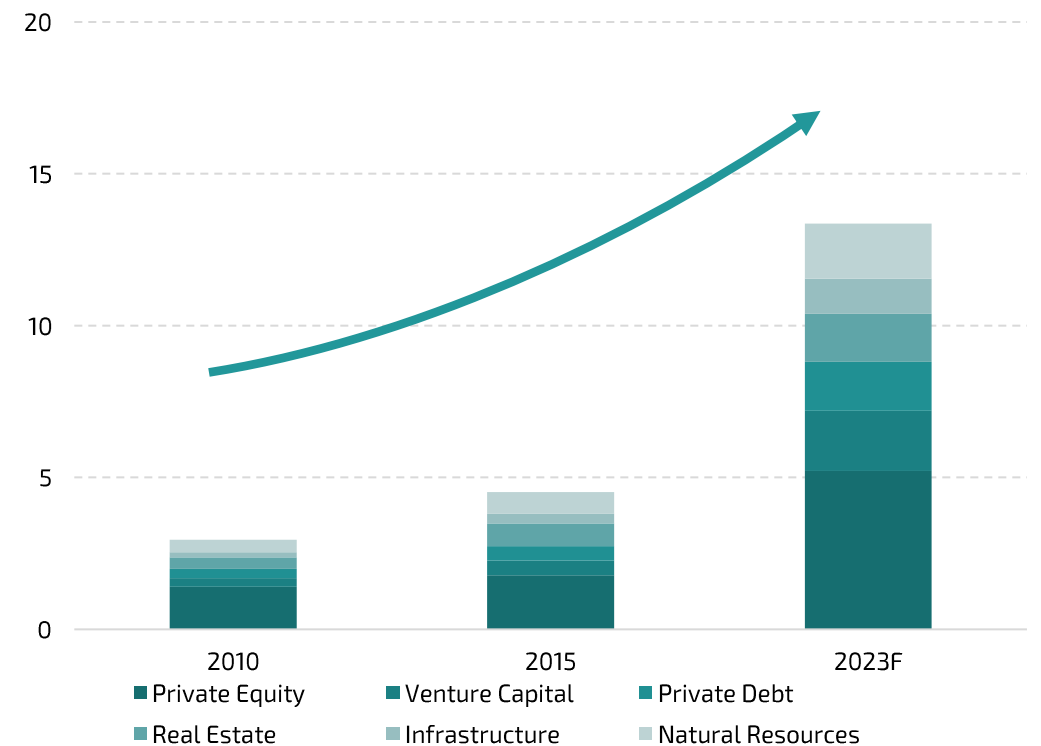


Chart 1 Source: Thinking Ahead Institute, Global Pension Assets Study, 2024. *Figures for 2023 are preliminary estimates.

Chart 2 Source: 2022 Preqin Global Private Equity Report. Preqin Future of Alternatives 2025 Asset Classes. Real Estate and Real Assets include real estate and infrastructure but exclude natural resources.

Management and Strategic Evolution

Organic Growth

- ✦ Grow established products by addressing institutional clients' unique requirements in times of macroeconomic change
 - ✦ Expansion of US Team
 - ✦ New Leadership in EM & Frontier
- ✦ Grow higher-margin products by benefitting from multi-decade trends in bank-disintermediation and private markets

Improve Quality of Earnings

- ✦ Reduced number of new initiatives and focus on balanced contribution from 6 core products
- ✦ Business organised around products with clearly defined responsibility and accountability in all teams
- ✦ Investment in people, systems, and brand

Operational Excellence

- ✦ Proprietary operational framework optimised for Record core products
- ✦ New IT leadership team & expansion of in-house development team
- ✦ Creating a stable platform for growth



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Business Strategy

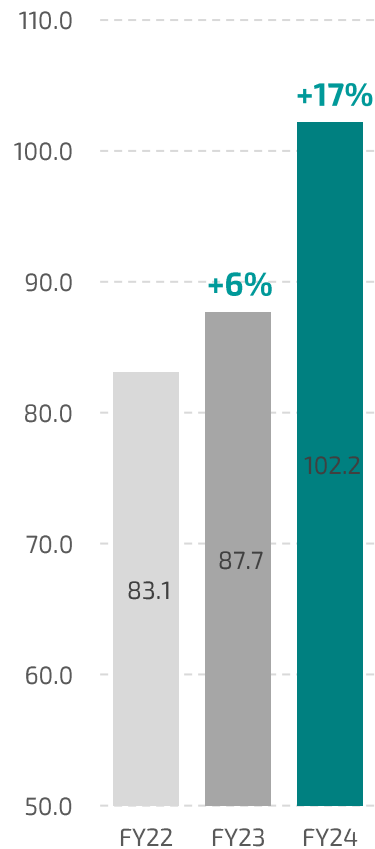
Financial Performance

Summary & Outlook

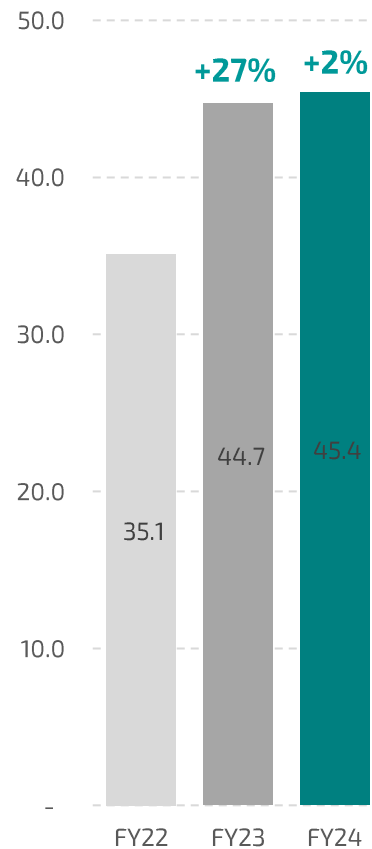
Financials

KPIs

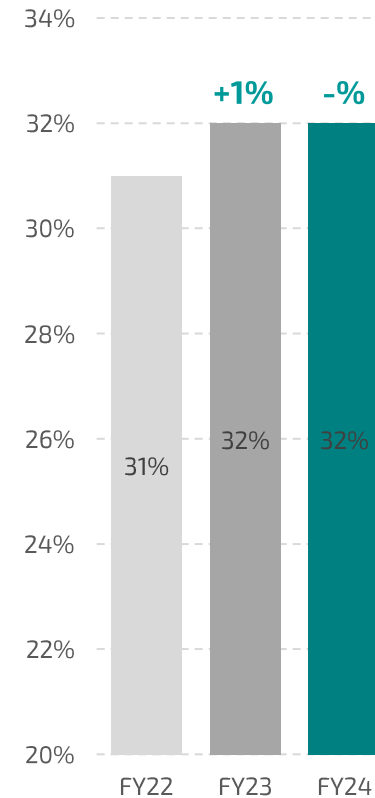
AUM (\$bn)



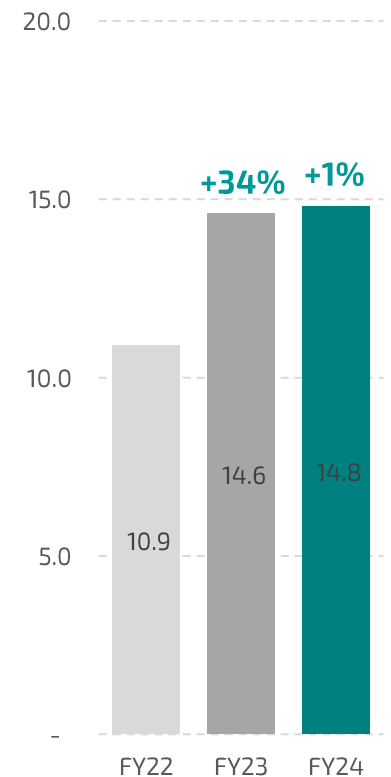
Revenue (£m)



Operating margin (underlying)



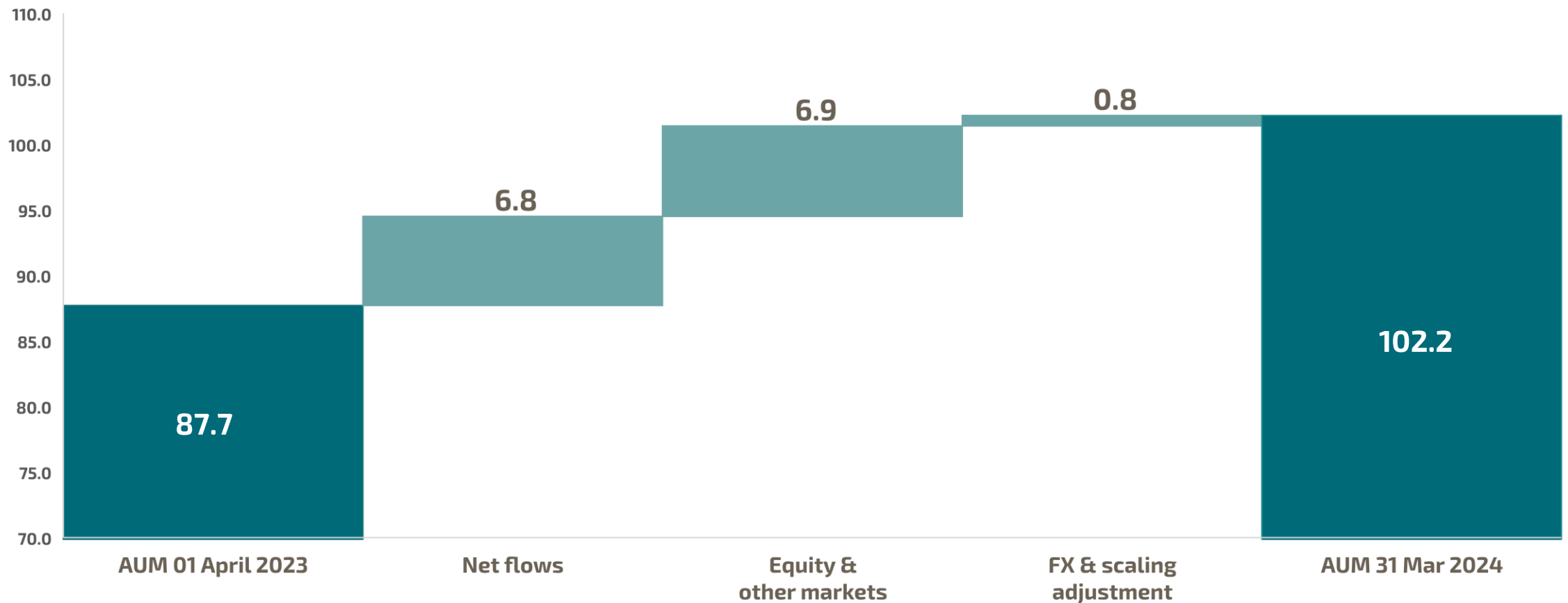
Profit before tax (£m) (underlying)



Financials

AUM movement

AUM bridge for the year ended 31 March 2024 (\$bn)



Financials

Income statement

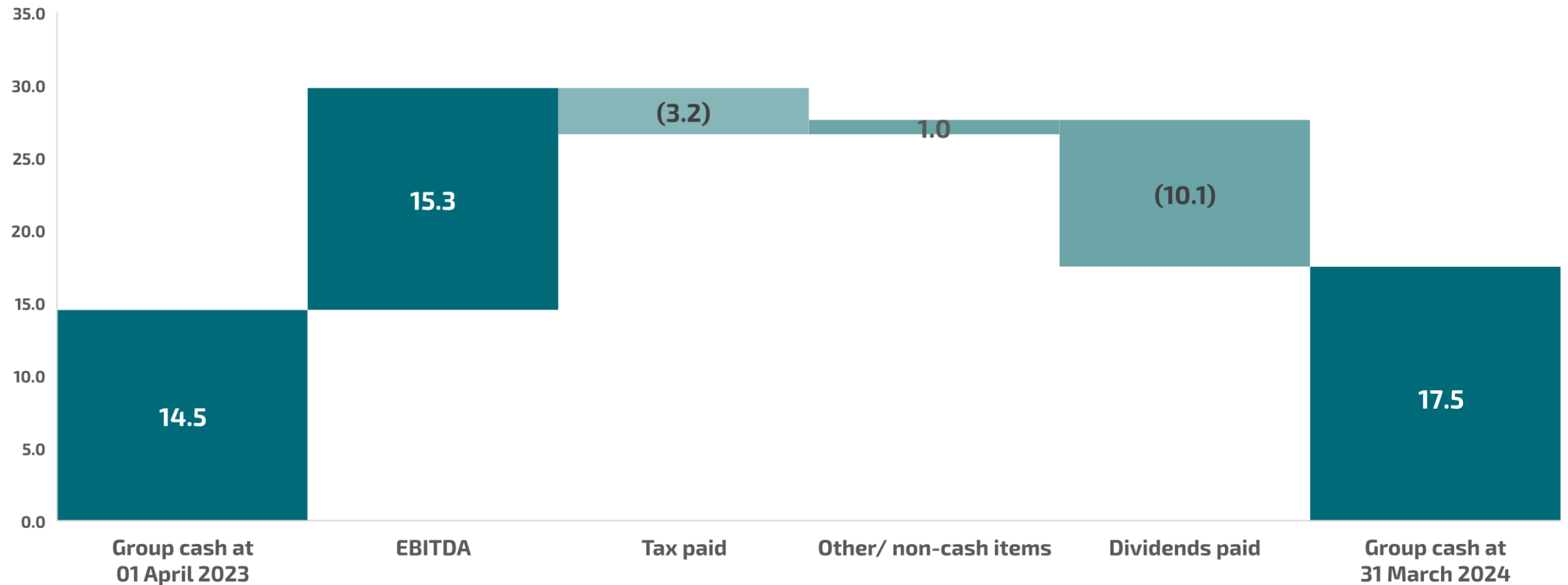
	FY22	FY23	FY24
	£m	£m	£m
Management fees	34.1	38.3	38.7
Performance fees	0.5	5.8	5.8
Other currency services income	0.6	0.6	0.9
Total revenue	35.2	44.7	45.4
Cost of sales	(0.2)	-	(0.1)
Gross profit	34.9	44.7	45.3
Administrative expenses	(23.7)	(29.9)	(30.7)
Other income and expenditure	(0.4)	(0.3)	(0.1)
Operating profit (pre impairment of intangible assets)	10.9	14.5	14.5
<i>Operating Profit Margin (underlying)</i>	31%	32%	32%
Impairment of intangible assets	-	-	(1.9)
Net finance income	-	0.1	0.3
Profit before tax	10.9	14.6	12.9
Taxation	(2.2)	(3.3)	(3.7)
Profit after tax	8.6	11.3	9.2

- ✦ Growth in management fees
- ✦ Strong investment performance gives repeat of high level of performance fees
- ✦ Increase in overheads due to full year impact of high inflationary environment and cost of living pressures
- ✦ Underlying operating profit margin maintained at 32%
- ✦ One-off cost of £1.9m for impairment of IT platform
- ✦ Increase in CT rate from 19% to 25%

Financials

Cash

Cash bridge for the year ended 31 March 2024 (£m)



Balance Sheet and Capital

✦ Balance Sheet

- ✦ Maintain sufficient capital and liquidity headroom over regulatory requirements
- ✦ Maintain liquidity level sufficient to support investment opportunities and requirements

✦ Organic Investment

- ✦ Maintain market leading technology and infrastructure as core competitive competence
- ✦ Potential to add specialist asset management expertise, businesses and teams of individuals

✦ Dividends

- ✦ Full year ordinary dividend of 4.60p (82% of underlying EPS) in line with our dividend policy. Special dividend of 0.60p

£m	FY22	FY23	FY24
Cash & MM deposits	17.3	14.5	17.5
Net assets	25.9	28.3	28.9
Regulatory capital	5.4	7.1	8.3
Regulatory capital surplus	19.9	19.8	20.6
Operating Profit Margin (underlying)	31%	32%	32%
Ordinary dividend per share	3.60p	4.50p	4.60p

Financial Outlook

- ✦ Strong cash generation and robust capital position provide a solid platform for improved quality of earnings, revenue growth and margin expansion over the medium-term
- ✦ Expect management fees to be broadly flat for FY25 reflecting full-year impact of headwind due to client mandate switch in FY24 Q3 (c. £3m annualised)
- ✦ Costs will be carefully managed to be in line with management fees, while accommodating investment to support future growth
- ✦ We will provide an update on medium-term growth plans later this year on completion of our strategic review



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About Record

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Summary & Outlook

Summary

- ✦ We are a specialist asset manager offering best-in-class products to large global investors
- ✦ Renewed focus on six core product categories
- ✦ Strong cash generation and robust capital position provides solid platform for supporting organic growth
- ✦ Start FY-25 with highest ever AUM and strong pipeline of opportunities

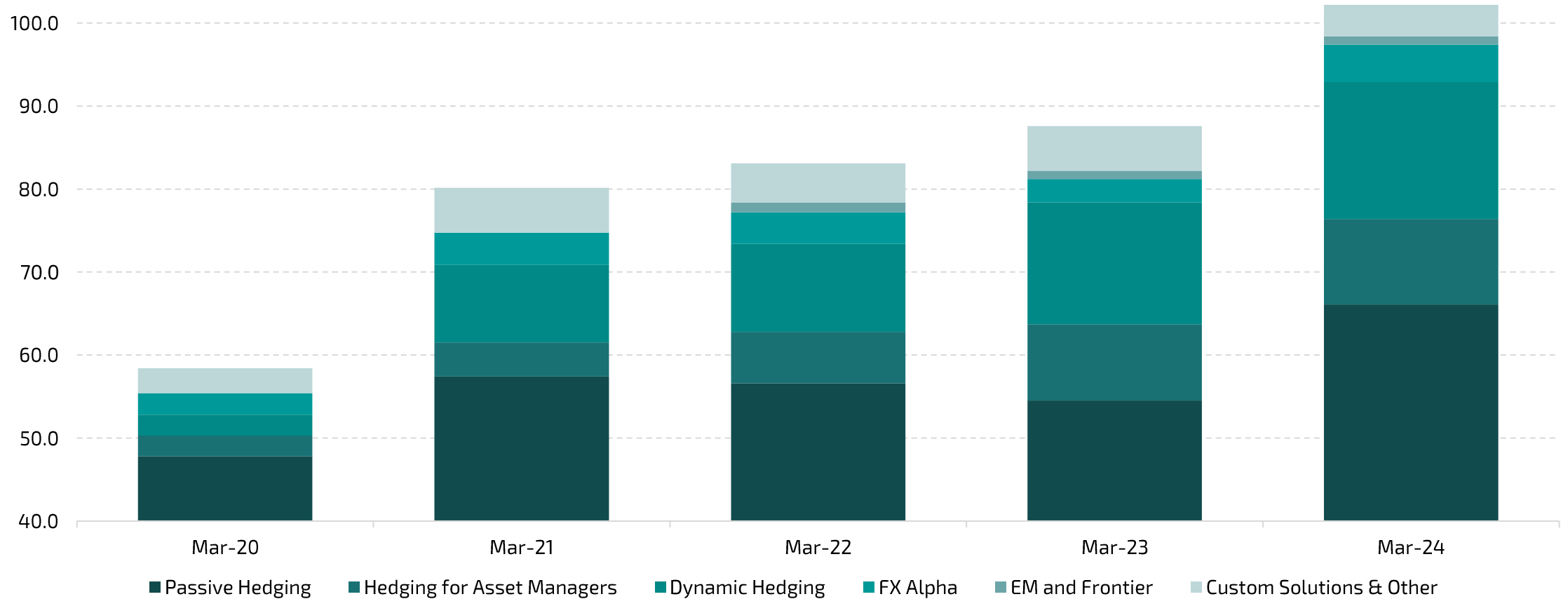


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Appendices

AUM Evolution

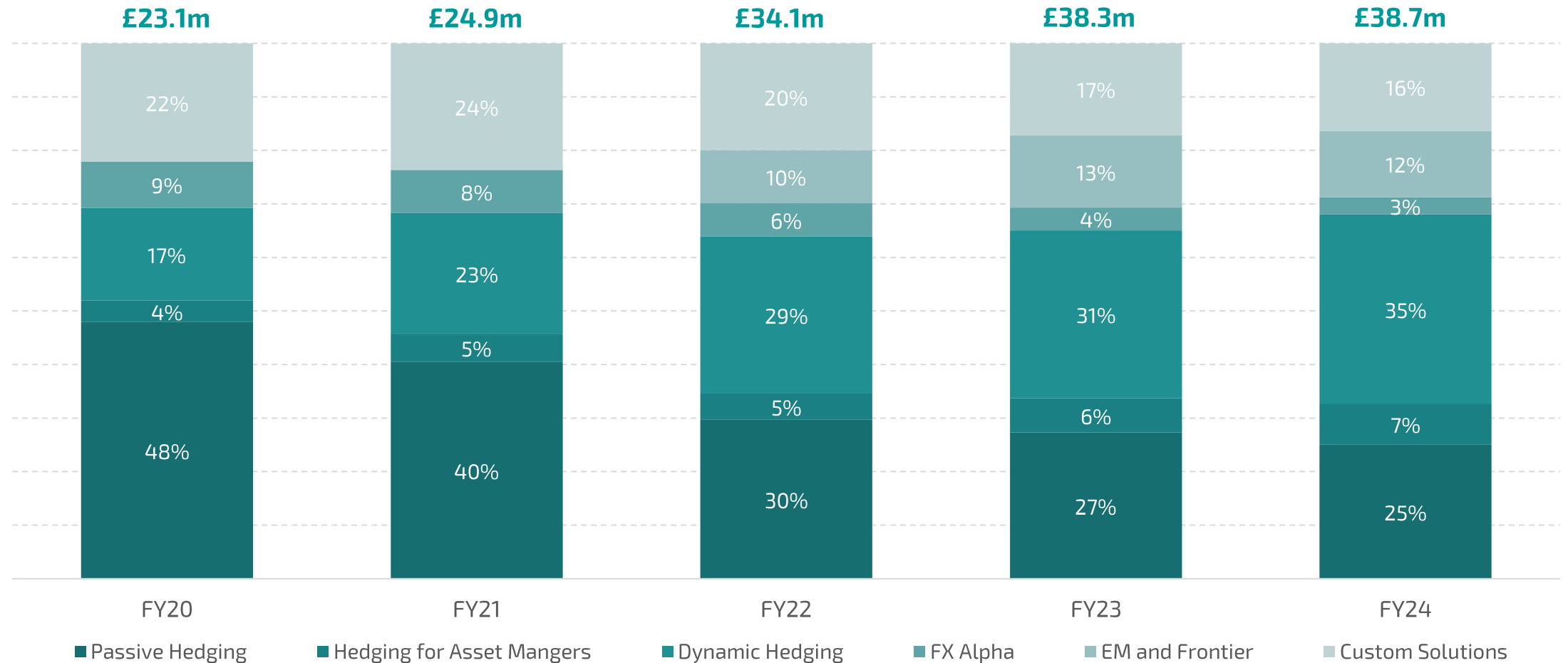
AUM by Product (\$bn)



Source: Record Currency Management Limited. Note: AUM data are as at 28th March 2024.

Financials

Management fee analysis – change in revenue mix



Financials

Client concentration

	AUM (\$bn)	Revenue	
		£m	%
Clients 1-10	51.3	33.7	74%
Clients 11-20	23.6	5.4	12%
Other	27.3	6.3	14%
Total	102.2	45.4	100%

Sustainability at Record

Our approach to sustainability is integrated within our governance, investment and risk management processes.

Responsible investment

Investment in bonds issued by development finance institutions

100%

UN PRI score

76

UN PRI signatory

6 years

Private capital invested in bonds issued by development finance institutions

\$973m



Since 2007



Since 2018



Since 2018



Since 2018



Since 2021



Since 2021



Since 2022

Climate action

Renewable energy across all offices globally

100%

CDP Score

B-

Emissions offset for 15th year running

100%

Scope 3 greenhouse gas emissions breakdown reported

First time

Our people

New gender diversity targets

Committed

Community fundraising

£28.1k

Staff volunteering hours

118

Ethnic Minority representation

31%

Record plc Board of Directors

Executive Management

Dr Jan Witte	Chief Executive Officer	✦	Joined record in 2012. Was Global Head of Sales between 2021 and 2023 and CEO of Record Currency Management Limited from May 2023.
		✦	Jan was a postdoctoral researcher in Maths at Oxford University and completed a DPhil in numerical analysis
Steve Cullen	Chief Financial Officer (Effective to 30 th June 2024)	✦	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 2013
		✦	Experience: over 30 years of accounting and finance experience, including over 20 years within financial services
Richard Heading	Chief Financial Officer Elect (Effective from 1 st July 2024)	✦	Qualified as a Chartered Accountant with PwC in 1999. Richard spent 15 years at Willis Group (later WTW) in various senior finance roles and was Group Finance Director at IG Group.
		✦	Nearly 30 years' accounting, financial and strategic planning experience, including over 20 years in financial services.

Non-Executive Directors

David Morrison	Non-Executive Chairman	✦	Appointed as a Non-Executive director and Chair-elect in March 2023
		✦	Chairman of CPP Group plc, eConsult Health Ltd and Trustee and Member of the Council of Management of the Ditchley Foundation
Matt Hotson	Independent Non-Executive Director	✦	Appointed as a Non-Executive Director in July 2021
		✦	Group CFO for the Mishcon de Reya Group
Krystyna Nowak	Independent Non-Executive Director	✦	Appointed as a Non-Executive Director in September 2021
		✦	Senior Managing Director of the Teneo People Advisory Board Practice, Senior Independent Director of abrdn Asian Income Fund Ltd

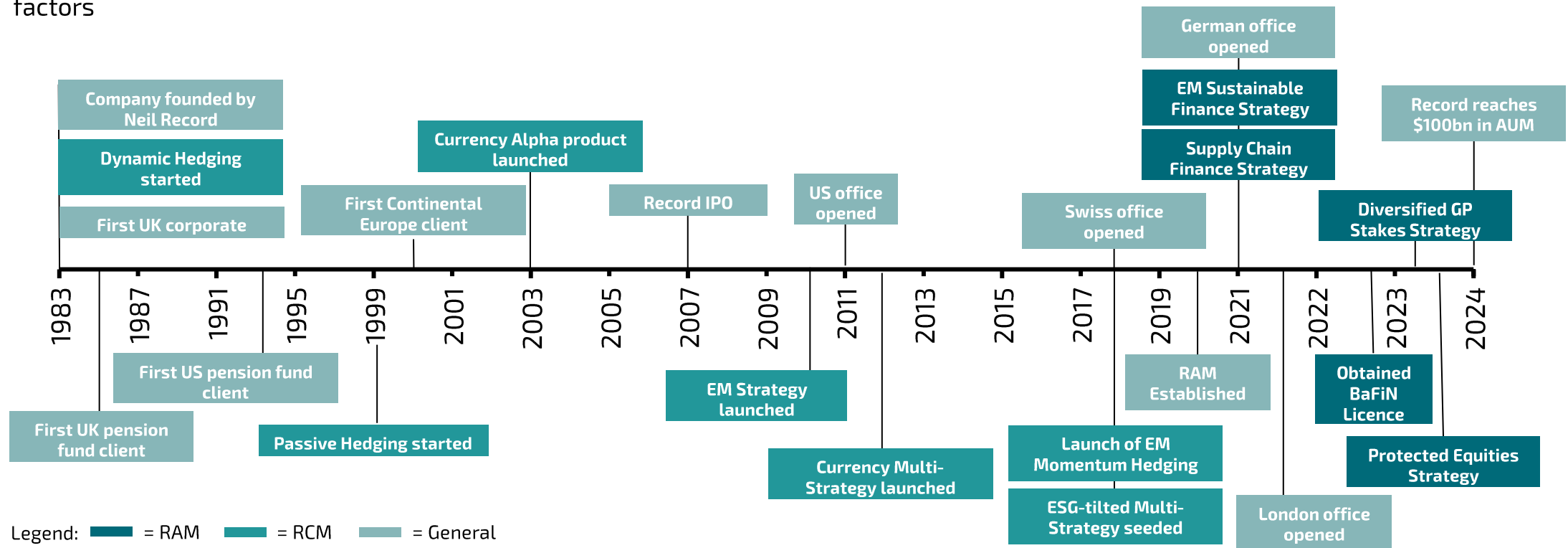
Record AM Products

Fund	Rationale	Start/launch
EMSF	Emerging Market Sustainable Finance is an EM debt strategy which invests in currencies of emerging and frontier markets and in bonds issued by MDB's and sovereigns, within a well-diversified portfolio. Launched June 2021.	June 2021
Infrastructure	Co-Investment Fund with initial size of approximately EUR 1bn, providing long term resilient revenue sources from contracted cashflows	Exp: FY25
GP Stakes	Exposure to a growing portfolio of minority equity stakes in 62 leading private market asset managers (GPs). This strategy aims for an attractive return (20% p.a., net USD) driven by cash flow from GPs management fees, carried interest and balance sheet.	April 2023
Protected Equities	A multi-manager strategy, combining global long-only equity exposure with a left-tail hedging solution, targeting 10% p.a. (net, USD). The strategy is designed to achieve long term capital appreciation by investing in listed companies with favourable characteristics (e.g., size, value & quality), whilst maintaining continuous protection to mitigate the impact of steep intermediate drawdowns.	June 2023
Liquid Credit Solutions	A short-term fixed income, alternative credit strategy that invests in account receivables with less than 1 year to maturity targeting 9% p.a. (net USD).	January 2023

Record Financial Group

Journey so far

- ✦ Record Currency Management (RCM), a **leading currency management firm**, was established over 40 years ago in 1983 by Neil Record
- ✦ Record Asset Management (RAM) was established in 2020 to offer best in-class **cross-asset client solutions** to Institutional and Family Office clients globally
- ✦ RAM is a **client-driven** organisation, building on Record's long-standing expertise and capabilities in delivering **customised solutions**, implementation infrastructure and **bespoke portfolios** based on asset allocation, return profile, risk tolerance, themes, and ESG & Impact factors



Regulation

Record Currency Management Limited:

- ✦ Authorised and regulated by the Financial Conduct Authority.
- ✦ Registered as Investment Adviser with the Securities and Exchange Commission.
- ✦ Registered as Commodity Trading Adviser with the Commodity Futures Trading Commission.
- ✦ Exempt International Adviser in Ontario, Alberta & Quebec, Canada.
- ✦ Registered as exempt with the Australian Securities & Investment Commission.

Record Currency Management (US) Inc.:

- ✦ Registered as Investment Adviser with the Securities and Exchange Commission.
- ✦ Registered as Commodity Trading Adviser with the Commodity Futures Trading Commission.

Record Asset Management GmbH:

- ✦ BaFin asset management license granted in Germany.

RAM Strategies GmbH:

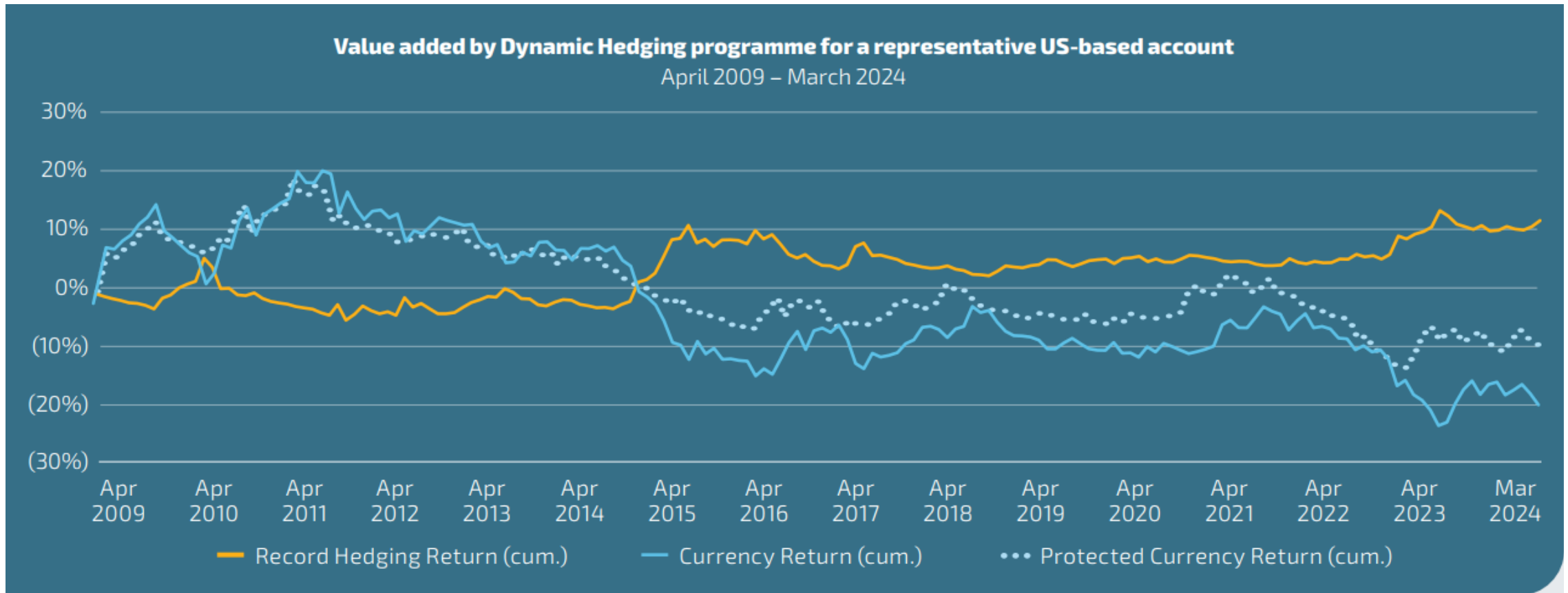
- ✦ Tied Agent of AHP on BaFin register (fund distribution).

Record Currency Management (Switzerland) GmbH:

- ✦ Representative Office of RCML application pending with FINMA and fund distribution.

Dynamic Hedging

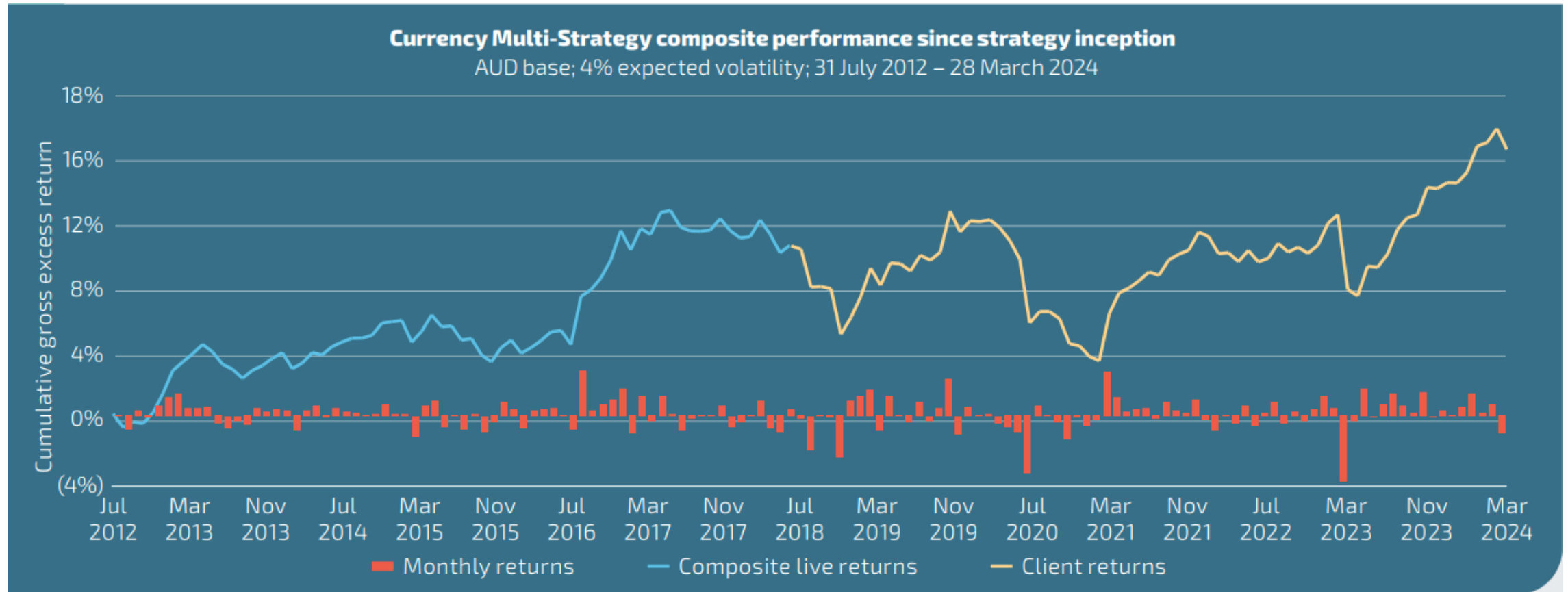
Performance



Risk disclaimer: These graphs illustrate historic returns for representative accounts. Individual client asset allocations, strategy, currencies and other criteria may materially alter actual returns.

Currency Multi-Strategy (FX Alpha)

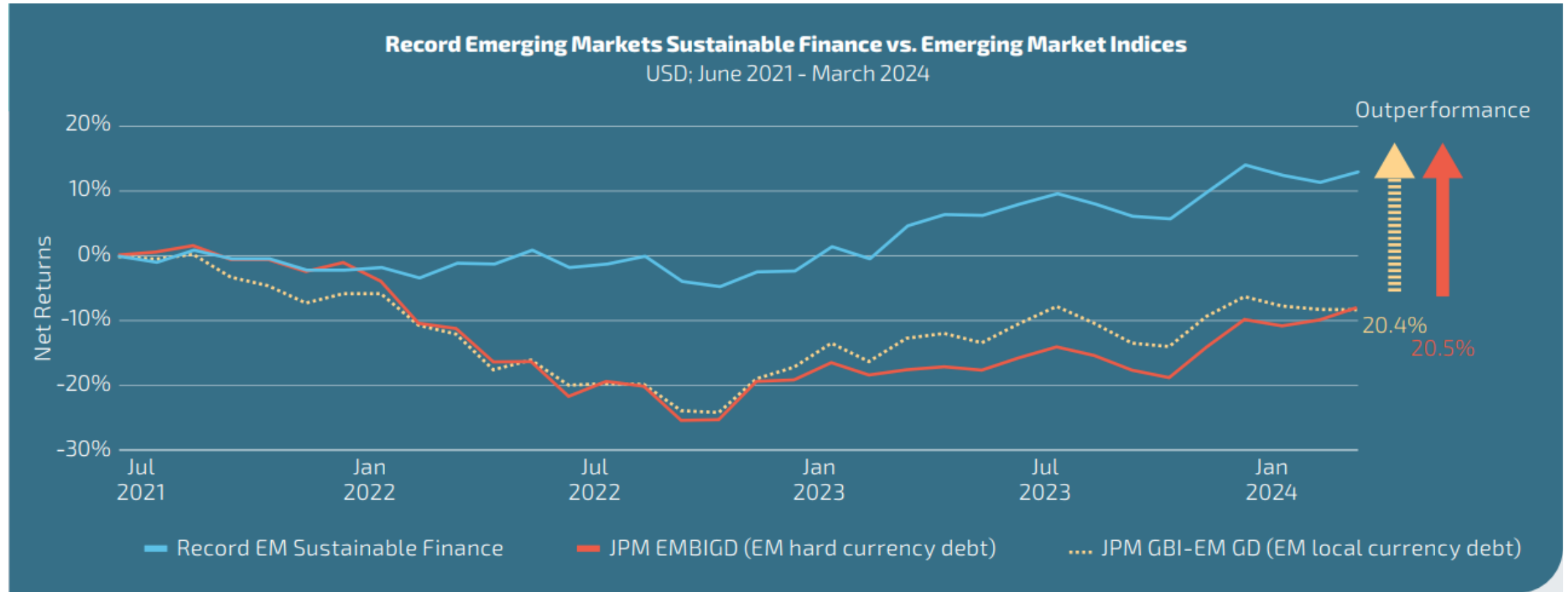
Performance



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Emerging Markets Sustainable Finance

Performance



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