



Record plc
Interim results
Six months to 30 September 2017

17 November 2017

Disclaimer



IMPORTANT INFORMATION

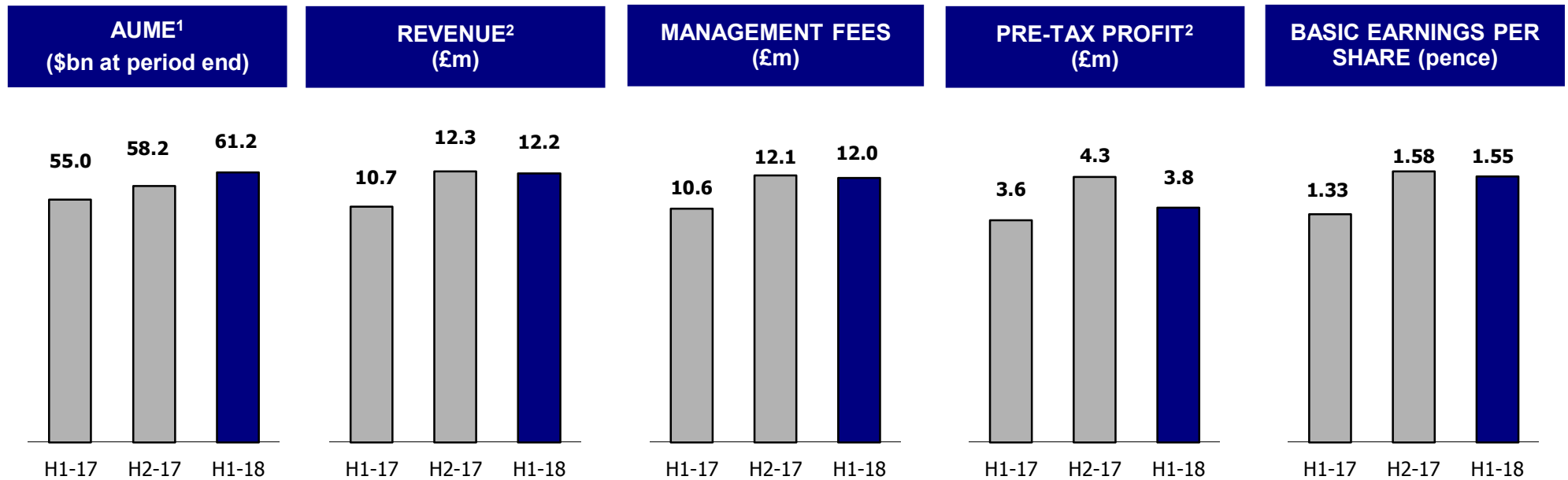
This document does not constitute an offer to sell or an invitation to buy shares in Record plc or any other invitation or inducement to engage in investment activities. Certain statements, beliefs and opinions in this document are forward-looking, which reflect the Company's current expectations and 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.



Headlines

- AUME \$61.2bn at 30 September 2017 (+5%)
- Revenue £12.2m (up 14% on H1-17)
- Management fees of £12.0m (H1-17: £10.6m)
- Operating profit margin of 31% (H1-17: 33%)
- Pre-tax profit £3.8m (up 6% on H1-17)
- Basic EPS of 1.55p per share (H1-17: 1.33p per share)
- Interim dividend of 1.15p per share, payable on 22 December 2017
- Shareholders' equity £25.8m at 30 September 2017
- July 2017: 22.3m shares repurchased via Tender offer for £10m



1 – The definition of AUME is provided on page 27

2 – Revenue and pre-tax profit data for comparative periods has been restated. An explanation for the restatement and a reconciliation to previously published data is provided on pages 32-33

Changes in presentation of accounts

Re-presentation of other income

- Non-operating items specifically:
 - Gains or losses on own hedging
 - Gains or losses on seed fund trading
 - Gains or losses on FX conversion
- Formerly presented as “*other income*” within “*revenue*”
- Now presented as “*other income and expenditure*” on face of statement of comprehensive income

- Restated “operating profit” and restated “profit before tax” are the same as “underlying operating profit” and “underlying profit before tax” in previously published reports

Re-classification of external investment in the seed funds

- Formerly classified as “*non-controlling interest*” in equity
- Now classified as “*financial liabilities*” in current liabilities

- “*Equity attributable to owners of the parent*” is unchanged

- The “*financial liabilities*” are in no sense debt

	FY-17 (Original)		FY-17 (Restated)
	Underlying £m	Consol. £m	Consol. £m
Total revenue	23.1	23.9	23.0
Cost of sales	(0.5)	(0.3)	(0.3)
Gross profit	22.6	23.6	22.7
Admin. exp.	(14.9)	(15.0)	(15.1)
Other inc. & exp.	-	-	0.1
Operating profit	7.7	8.6	7.7
Finance income	0.2	0.1	0.2
Profit before tax	7.9	8.7	7.9
Taxation	(1.6)	(1.6)	(1.6)
Profit after tax	6.3	7.1	6.3
Attributable to			
Non-controlling interest	n/a	0.8	n/a
Owners of the parent	6.3	6.3	6.3



Agenda

- Business strategy
- Product performance
- Financial performance



Current environment

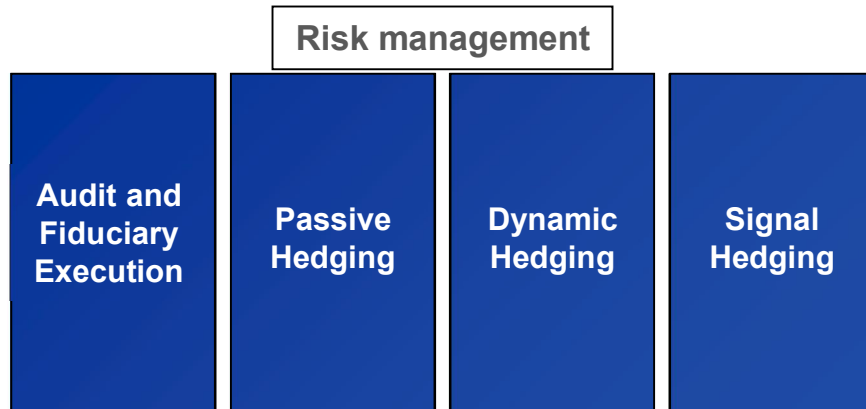
- Environment of political uncertainty and change creates opportunities
 - Draws investors' attention to inherent currency risk
 - Increased focus on bespoke and differentiated services
 - Particularly in Passive Hedging, and evident across all products
 - Multi-Strategy attracting interest
 - Performance and diversification valuable in low return environment
 - Broader capabilities in cash and collateral management
 - Going beyond mandatory variation margin requirements, by both service offered and clients
 - Significant resources dedicated to address various regulatory changes (EMIR, MiFID II, Brexit)
 - Operating margins affected by additional resource requirements to innovate and enhance products to meet clients' developing needs
-



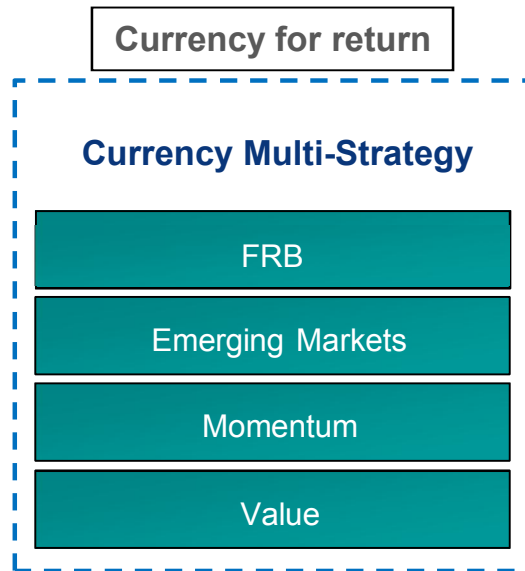
Strategy

- Develop client relationships and generate new sales in FY-18
- Sustain marketing effort in US, UK and continental Europe
 - Offices in New York and Zürich
- Focus on offering flexible currency management strategies
 - Tailored offerings act as key differentiator
 - Will require continued investment in systems and people
- Continue to enhance Hedging products and Currency for Return products
 - Increasingly offering complementary collateral and cash management
- Grow diversity by investment strategy, objectives, client location
- Retain appropriate capital resources in the business

Diverse product offering



- Currency hedging
 - Dynamic Hedging – First Live Programme 1983
 - Passive Hedging – First Live Programme 1999
 - Signal Hedging – First Live Programme 2016



- Currency for return
 - FRB – First Live Programme 2003
 - Emerging Markets – First Live Programme 2009
 - Momentum – First Live Programme 2012
 - Value – First Live Programme 2012
 - Currency Multi-Strategy – First Live Programme 2012



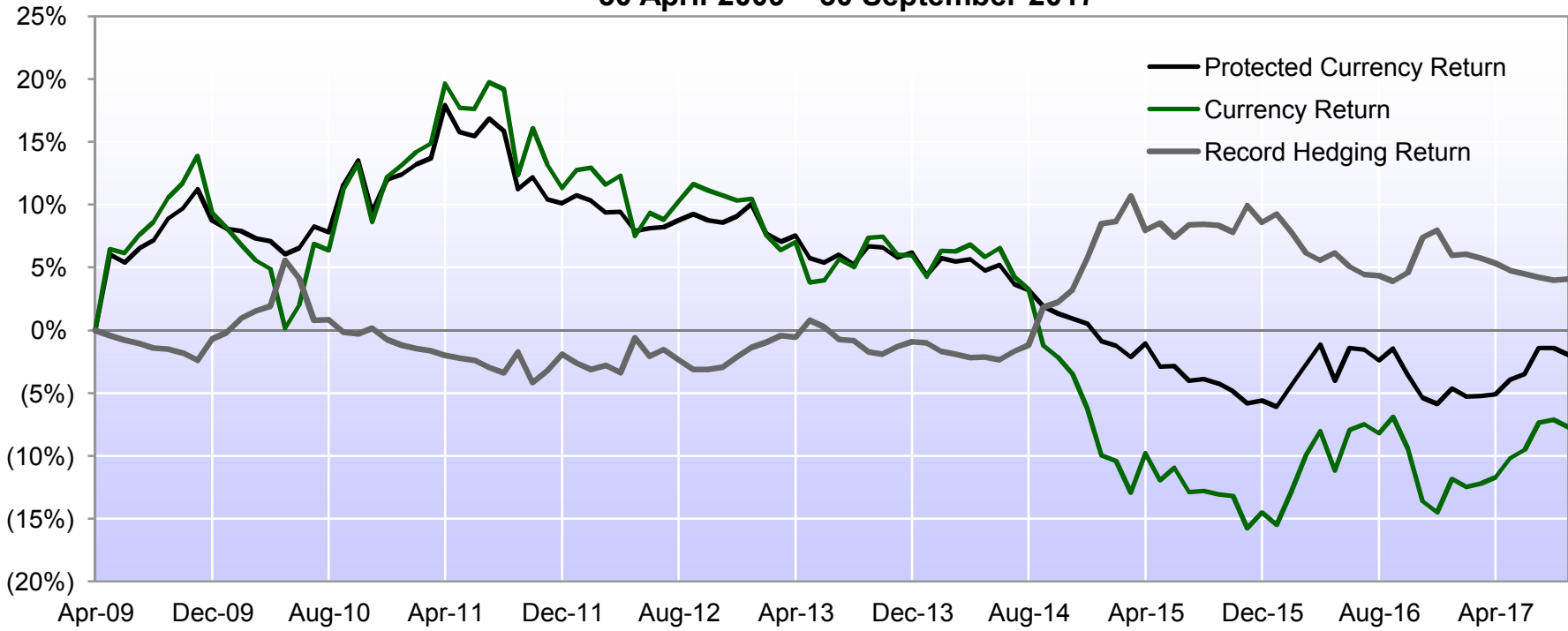
Agenda

- Business strategy
- Product performance
- Financial performance



Performance of a US Dynamic Hedging Client

US Dynamic Hedging Client
30 April 2009 – 30 September 2017



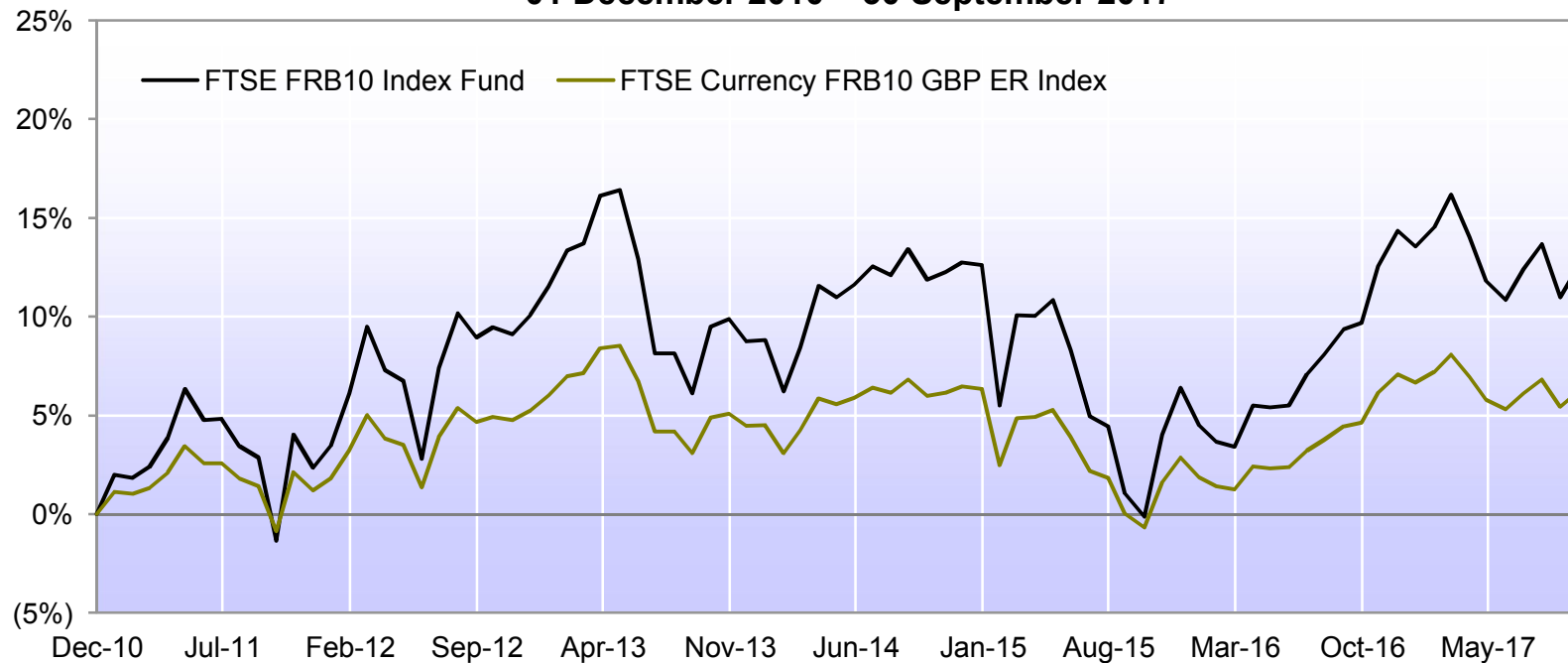
As at 30 September 2017	Protected Currency Return	Currency Return	Record Hedging Return
Inception to date (cum.)	(1.93%)	(7.70%)	4.07%
Inception to date (ann.)	(0.23%) p.a.	(0.95%) p.a.	0.48% p.a.

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 2017.



FRB10 Fund Performance

**Record Currency FTSE FRB10 Index Fund
01 December 2010 – 30 September 2017**



As at 30 September 2017	FTSE FRB10 Index Fund (x1.8)
Returns (cum.)	12.45%
Returns (ann.)	1.73% p.a.
Volatility	7.21% p.a.

Source: Record Currency Management, FTSE International Ltd. Returns to 30 September 2017.

Emerging Market Currency Strategy Performance



**Record Emerging Market Strategy
30 November 2009 – 30 September 2017**



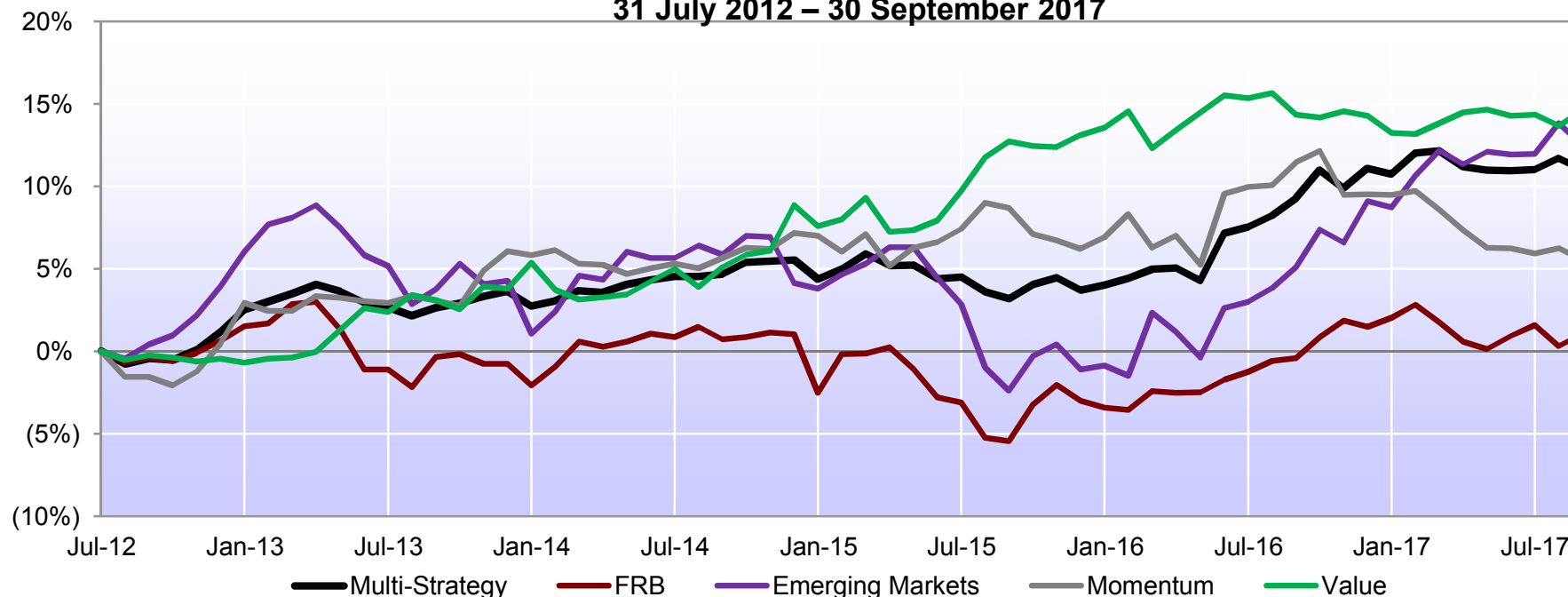
As at 30 September 2017	Emerging Market Strategy
Returns (cum.)	18.03%
Returns (ann.)	2.14% p.a.
Volatility	6.58% p.a.

Source: Record Currency Management. Total returns based on EM Beta product from 30 November 2009 to 31 December 2010 and Record EM Currency Fund from 1 January 2011 to 30 September 2017.



Multi-Strategy Performance

**Record Multi-Strategy approach
31 July 2012 – 30 September 2017**



As at 30 September 2017	Multi-Strategy	FRB	Emerging Markets	Momentum	Value	DBCR +*
Returns (cum.)	10.99%	1.04%	12.47%	5.49%	14.59%	7.09%
Returns (ann.)	2.04% p.a.	0.20% p.a.	2.30% p.a.	1.04% p.a.	2.67% p.a.	1.33% p.a.
Volatility	2.41% p.a.	3.73% p.a.	5.08% p.a.	3.70% p.a.	3.00% p.a.	3.13% p.a.

Source: Record Currency Management and Bloomberg. The aggregate 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.

*Deutsche Bank currency index excess returns in USD: equally weighted strategies in Carry (includes EM currencies), Momentum and Value.



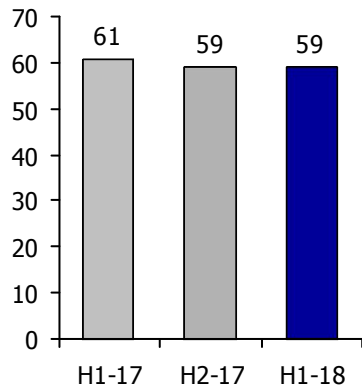
Agenda

- Business strategy
- Product performance
- Financial performance

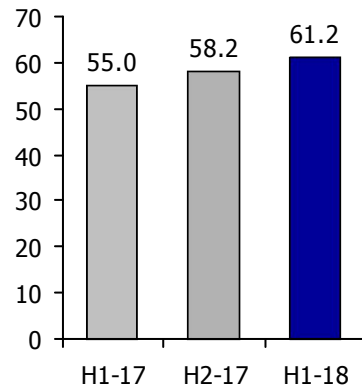


Financial KPIs

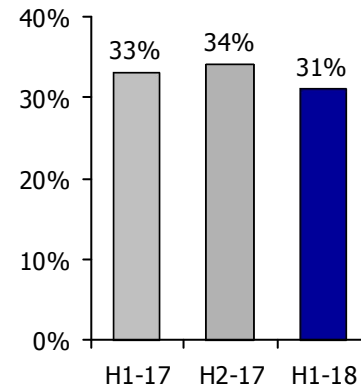
Client numbers



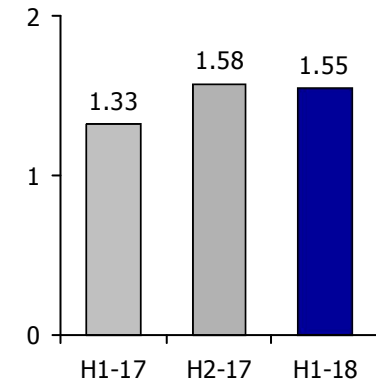
AUME (\$bn)



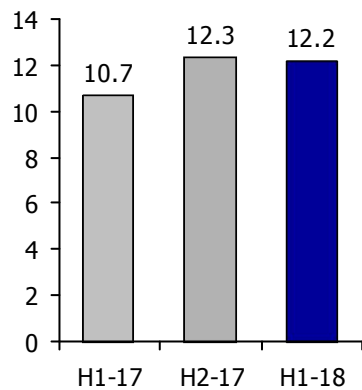
Operating margin¹



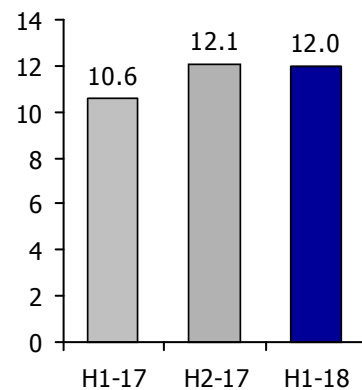
EPS (pence)



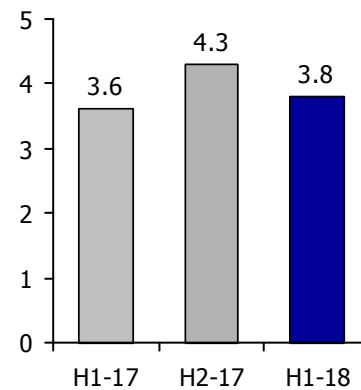
Revenue¹ (£m)



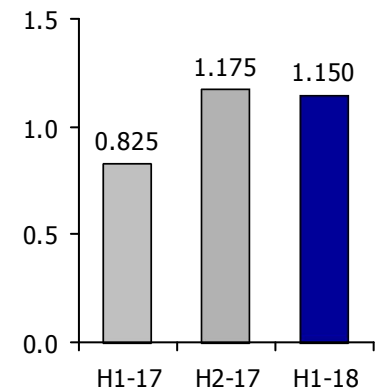
Management fees (£m)



Profit before tax¹ (£m)



Ordinary DPS (pence)

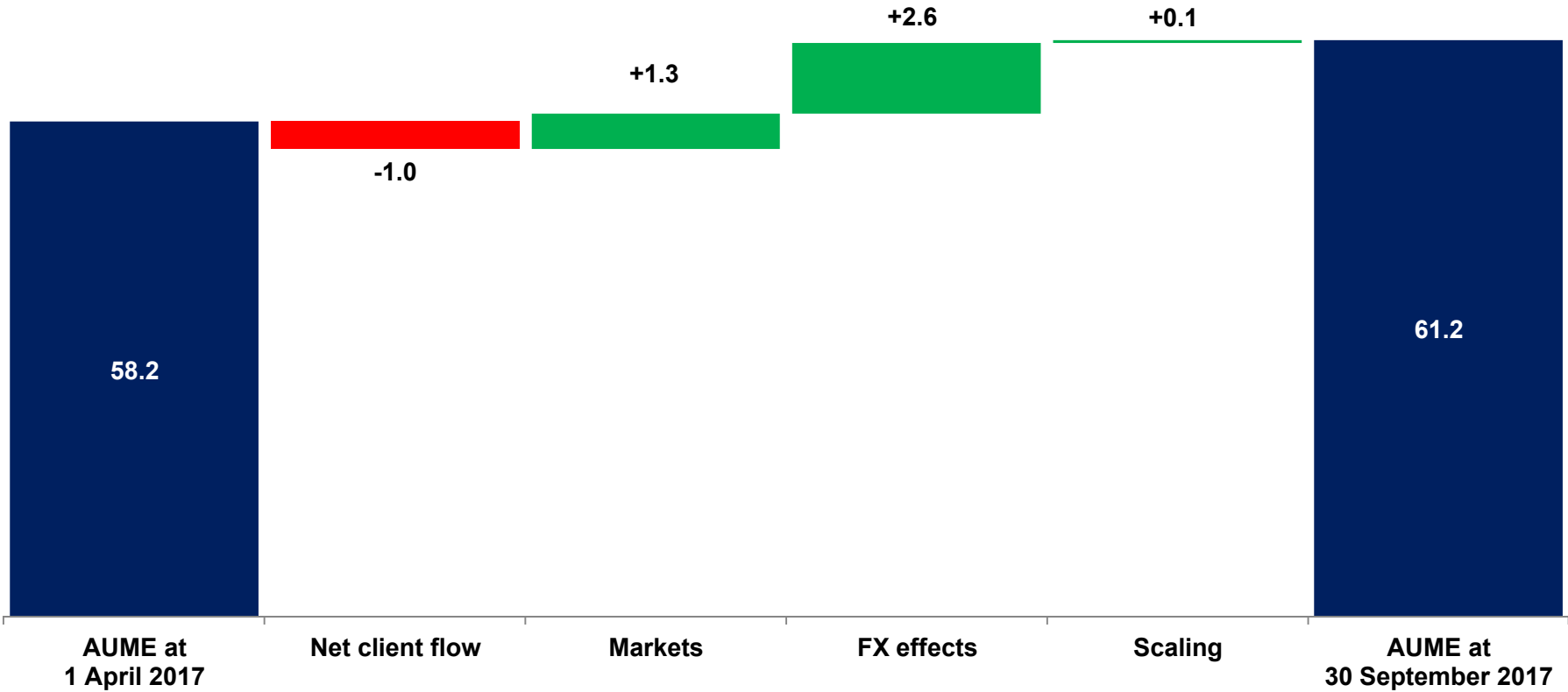


1 – Revenue, operating margin and profit before tax data for comparative periods have been restated. An explanation for the restatement and a reconciliation to previously published data is provided on pages 32-33



Financials – AUME movement

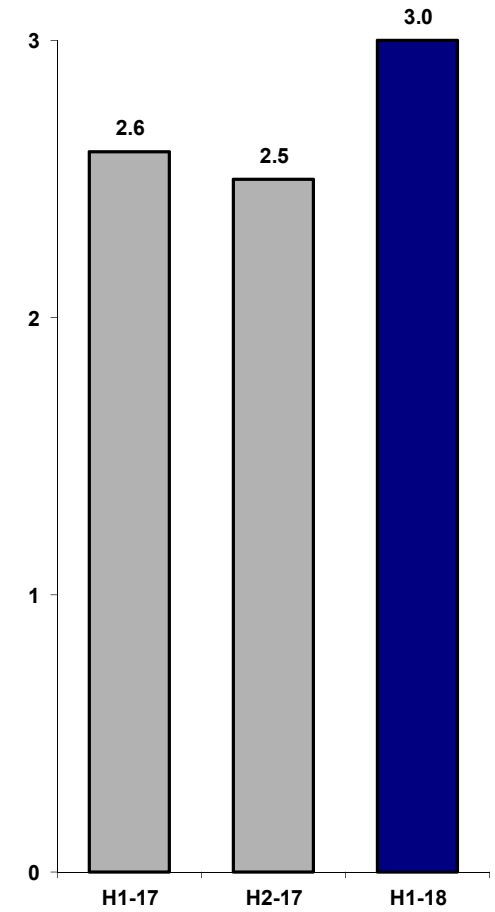
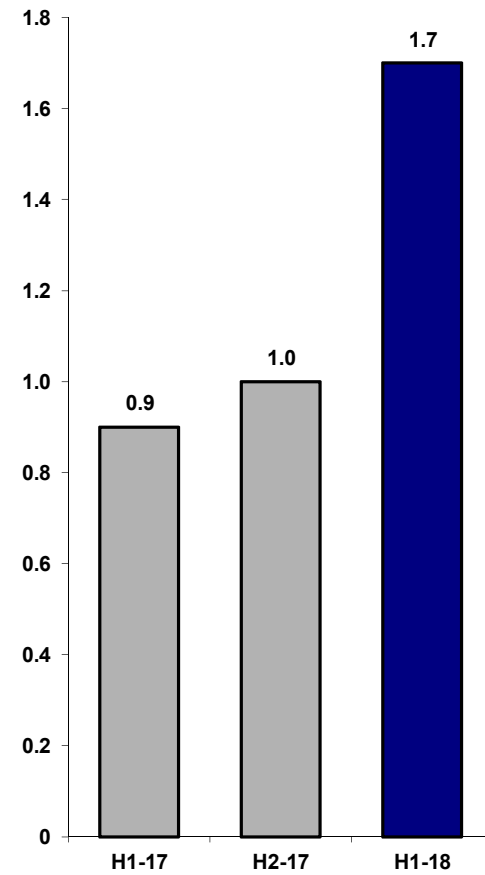
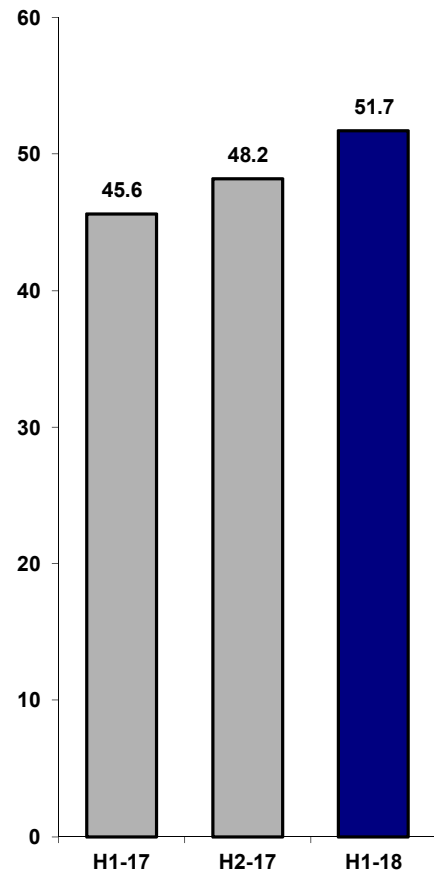
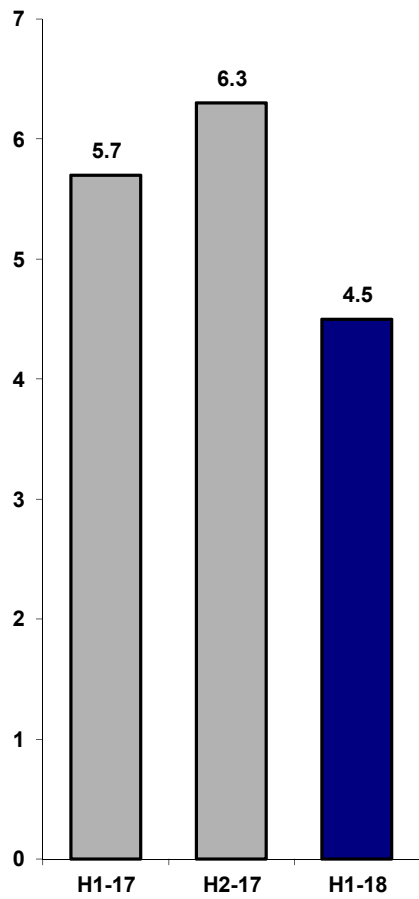
AUME bridge for the six months ended 30 September 2017 (\$bn)





AUME by product at period end

Dynamic Hedging (\$bn) **Passive Hedging (\$bn)** **Currency for Return (\$bn)** **Multi-product (\$bn)**





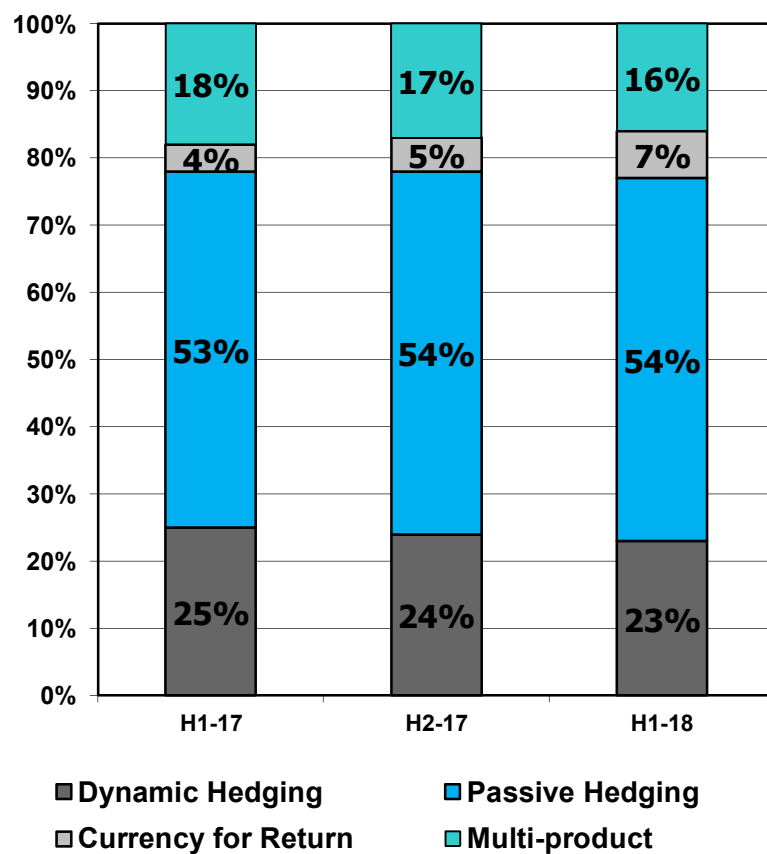
Average AUME, fee rates and fees

	Average AUME (\$bn)		Average management fee rates (bps)		Management fees (£m)	
	H1-18	FY-17	H1-18	FY-17	H1-18	FY-17
Dynamic Hedging	5.2	5.9	14	12	2.8	5.6
Passive Hedging	50.1	45.2	3	4	6.4	12.1
Currency for Return	1.3	0.9	17	15	0.8	1.0
Multi-product	2.8	2.7	18	20	2.0	4.0

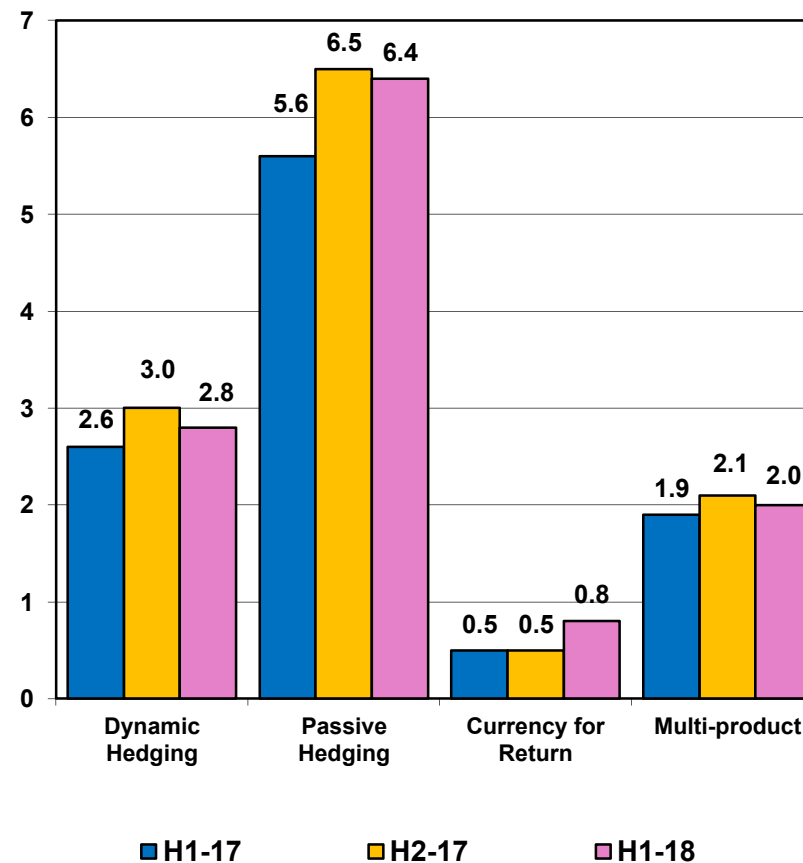
Financials – fee analysis



Management fees analysis by product



Management fees by product (£m)



Financials – cost analysis



	H1-17 (restated ¹) £m	H2-17 (restated ¹) £m	H1-18 £m
Personnel (excluding Group Profit Share)	3.4	3.7	4.0
Non-personnel cost	2.1	2.6	2.7
Administrative expenditure excluding Group Profit Share	5.5	6.3	6.7
Group Profit Share	1.5	1.8	1.6
Total administrative expenditure	7.0	8.1	8.3
Other income and expenditure ¹	0.1	(0.3)	-
Total expenditure	7.1	7.8	8.3

¹ – Other income and expenditure and total expenditure data for comparative periods have been restated. An explanation for the restatement and a reconciliation to previously published data is provided on pages 32-33

Financials – income statement



	H1-17 (restated ¹)	H2-17 (restated ¹)	H1-18
	£m	£m	£m
Management fees	10.6	12.1	12.0
Other currency services income	0.1	0.2	0.2
Total revenue	10.7	12.3	12.2
Cost of sales	(0.1)	(0.2)	(0.2)
Gross profit	10.6	12.1	12.0
Operating costs (excl. variable remuneration)	(5.5)	(6.3)	(6.7)
Variable remuneration	(1.5)	(1.8)	(1.6)
Other income and expenditure	(0.1)	0.2	-
Total expenditure	(7.1)	(7.9)	(8.3)
Operating profit	3.5	4.2	3.7
Operating Profit Margin	33%	34%	31%
Finance income	0.1	0.1	0.1
Profit before tax	3.6	4.3	3.8
Taxation	(0.7)	(0.9)	(0.6)
Profit after tax	2.9	3.4	3.2

1 – Data for comparative periods has been restated. An explanation for the restatement and a reconciliation to previously published data is provided on pages 32-33

Financials – earnings



	H1-17 (restated ¹) £m	H2-17 (restated ¹) £m	H1-18 £m
Profit before tax	3.6	4.3	3.8
Tax	(0.7)	(0.9)	(0.6)
Profit after tax	2.9	3.4	3.2
eps – basic	1.33p	1.58p	1.55p
eps – diluted	1.33p	1.57p	1.52p
Total ordinary dividend per share	0.825p	1.175p	1.15p
Special dividend per share	-	0.910p	-
Dividend cover (ordinary and special)	1.0x		1.3x

¹ Data for comparative periods have been restated. An explanation for the restatement and a reconciliation to previously published data is provided on pages 32-33

Financials – balance sheet

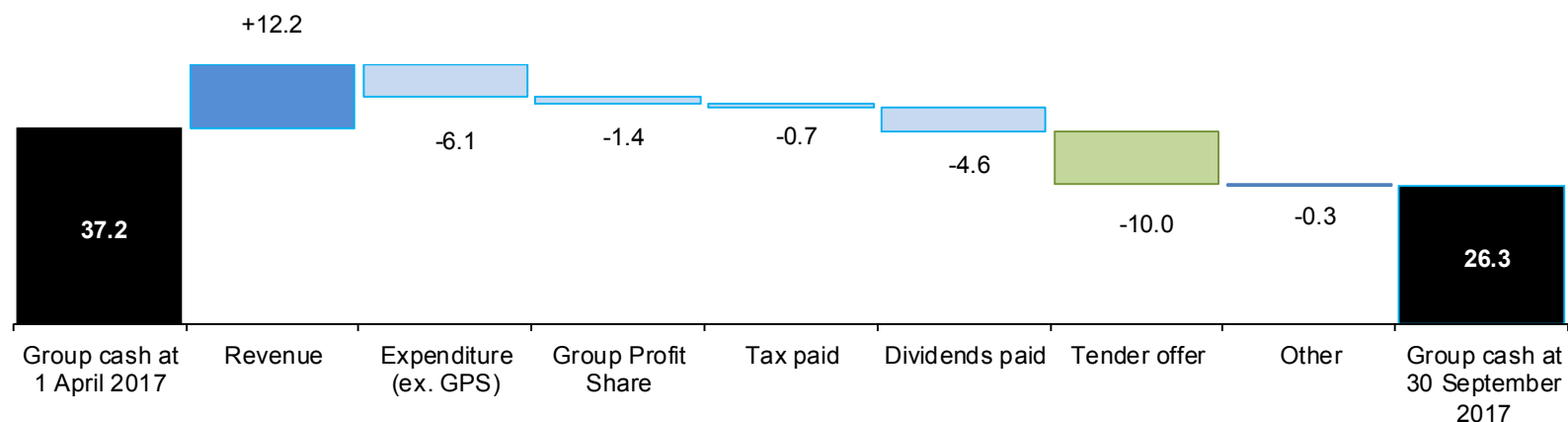
	H1-17 (restated ¹) £m	H2-17 (restated ¹) £m	H1-18 £m
Fixed assets	0.3	1.1	1.0
Deferred tax assets	0.1	0.1	0.3
Non-current assets	0.4	1.2	1.3
Trade debtors and other receivables	6.0	7.0	7.0
Derivative financial assets	-	-	0.5
Money market instruments	20.1	18.1	13.3
Cash and cash equivalents	16.1	19.1	13.0
Current assets	42.2	44.2	33.8
Current liabilities	(7.6)	(8.6)	(9.3)
Net assets	35.0	36.8	25.8
Total equity	35.0	36.8	25.8

1 – Data for comparative periods has been restated. An explanation for the restatement and a reconciliation to previously published data is provided on pages 32-33



Financials – cash

CASH BRIDGE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 (£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 are subject to its own internal cash management process, not all of these instruments are classified as cash or cash equivalents under IFRS.
- The IFRS classification of these instruments has a material impact on the IFRS cash flow statement which considers the flows relating to cash and cash equivalents only, and indicates a £4.8 million cash inflow as a result of transfers between “cash and cash equivalents” and “money market instruments with maturities greater than 3 months”.
- Group cash at 30 September 2017 includes £8.5 million held by the seed funds (1 April 2017: £8.1 million).



Appendices

Management and Board



Executive management

Name	Position	Experience
James Wood-Collins	Chief Executive Officer	<ul style="list-style-type: none"> Joined Record in 2008. Previously a Managing Director at JP Morgan Cazenove advising financial institutions on M&A, IPOs and related corporate finance transactions
Bob Noyen	Chief Investment Officer	<ul style="list-style-type: none"> Joined Record in 1999 with responsibility for Investment & Research Previously worked as Assistant Treasurer for Minorco (now part of Anglo American plc)
Leslie Hill	Head of Client Team	<ul style="list-style-type: none"> Joined Record in 1992 and was appointed Head of Sales and Marketing in 1999 Prior experience includes working at Lloyds Bank and Merrill Lynch, where she was Director and Head of Corporate Foreign Exchange Sales worldwide
Steve Cullen	Chief Financial Officer	<ul style="list-style-type: none"> Qualified as a Chartered Accountant in 1994 and joined Record in 2003 as Financial Controller Appointed to the Board and made Chief Financial Officer on 15 March 2013

Non-executive Directors

Name	Position	Experience
Neil Record	Chairman	<ul style="list-style-type: none"> Founded Record in 1983, principal shareholder and Chairman ever since Acknowledged as one of the leading figures in the currency investment management industry
David Morrison	Senior Independent Director	<ul style="list-style-type: none"> Director of Paywizard plc; a Director of several private companies and a Non-executive Director of N P Record plc between 1987-1996 Founder and Chief Executive of Prospect Investment Management
Jane Tufnell	Non-Executive Director (independent)	<ul style="list-style-type: none"> Co-founded the investment management firm Ruffer in 1994 Currently Senior Independent Director of The Diverse Income Trust plc and a Non-executive Director of JPMorgan Claverhouse Investment Trust plc
Rosemary Hilary	Non-Executive Director (independent)	<ul style="list-style-type: none"> Appointed 1 June 2016. Non-executive Director of Pension Protection Fund, Willis Ltd, Vitality Health and Vitality Life Formerly Chief Audit Officer at TSB and the FCA/FSA; a senior regulator at the FSA and Bank of England



AUME definition

- 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;
 - Passive Hedging mandates:
 - = the aggregate nominal amount of passive hedges actually outstanding in respect of each client;
 - 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.
-



Financials – client numbers

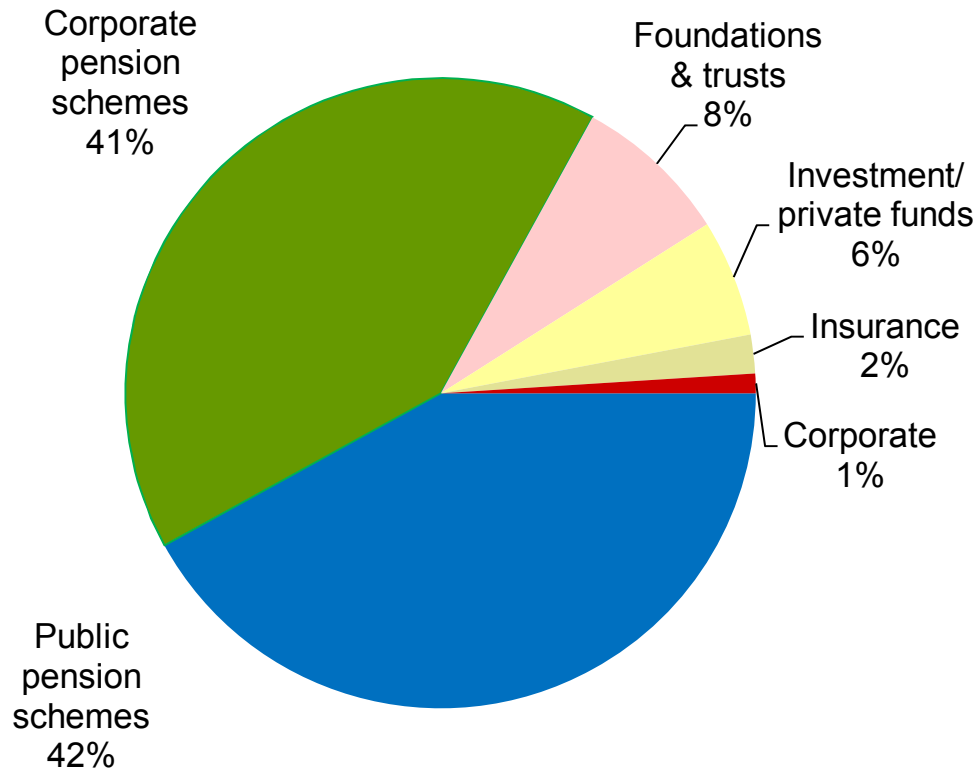
	30 Sep 16	31 Mar 17	30 Sep 17
Dynamic Hedging	7	6	3
Passive Hedging	42	41	43
Hedging	49	47	46
Currency for Return	11	11	11
Multi-product	2	2	2
Other	2	3	2
Less clients with >1 product	(3)	(4)	(2)
Total	61	59	59

Notes: (i) total of client numbers by product type is greater than total client numbers due to some clients having more than one account;
(ii) for pooled funds, client numbers look through pooled funds to individual investor level.



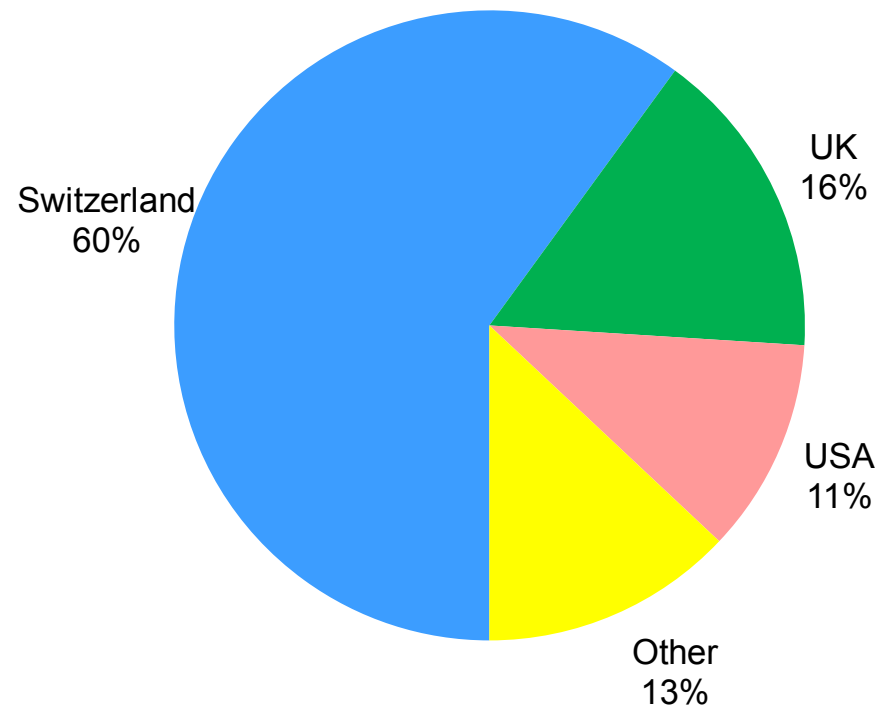
AUME analysis

Split of AUME by client type as at 30 September 2017



Total: \$61.2 bn

Split of AUME by geography as at 30 September 2017



Total: \$61.2 bn

Note: both pie charts look through pooled funds to individual investor level

Financials – concentration



Largest clients by H1-18 management fees

	AUME	Management fees	
	\$bn	£m	%
Clients 1-10	46.3	9.1	76%
Clients 11-20	10.2	1.9	16%
Other clients	4.7	1.0	8%
Total	61.2	12.0	100%

Hedging mandates – underlying assets



Class of assets underlying hedging mandates as at 30 September 2017

	Equity	Fixed income	Other
Dynamic Hedging	96%	-%	4%
Passive Hedging	30%	42%	28%
Multi-product	-%	-%	100%

Restatement of accounts

	Six months ended 30 Sep 17 £'000	Six months ended 30 Sep 16 £'000	Year ended 31 Mar 17 £'000
<p>■ The presentation of gains or losses on hedging, gains or losses on trading within the seed funds and gains or losses on foreign exchange conversion have been reclassified from within revenue to other income or expense on the face of the statement of comprehensive income.</p> <p>■ The pro-rata share of the gains or losses derived from the seed funds which are attributable to the external investors in the funds are adjusted within operating profit as opposed to being included in profit, attributable to the non-controlling interest.</p> <p>■ No change in profit attributable to owners of the parent or to earnings per share</p>	<p>Changes to income statement</p> <p>Historic presentation</p> <p>Revenue 12,023</p> <p>Other income or expense n/a</p> <p>Operating profit 3,528</p> <p>Profit before tax 3,564</p> <p>Profit attributable to non-controlling interests (229)</p> <p>New presentation</p> <p>Revenue 12,203</p> <p>Other income or expense 49</p> <p>Consisting of:</p> <ul style="list-style-type: none"> Gains or losses on DFI and FX conversion (180) Adjustment for gain or loss attributable to external fund investors 229 <p>Operating profit 3,757</p> <p>Profit before tax 3,793</p> <p>Profit attributable to non-controlling interests -</p> <p>Differences</p> <p>Revenue 180</p> <p>Other income or expense 49</p> <p>Consisting of:</p> <ul style="list-style-type: none"> Gains or losses on DFI and FX conversion (180) Adjustment for gain or loss attributable to external fund investors 229 <p>Operating profit 229</p> <p>Profit before tax 229</p> <p>Profit attributable to non-controlling interests 229</p>		

Restatement of accounts



- The net asset value of the investment of external investors in the seed fund has been reclassified.
- The historic classification was a non-controlling interest in equity.
- The new classification is a financial liability.
- There is no change to equity attributable to owners of the parent.

Changes to balance sheet	As at 30 Sep 17 £'000	As at 30 Sep 16 £'000	As at 31 Mar 17 £'000
Historic presentation			
Financial liabilities	n/a	n/a	n/a
Total net assets	30,574	39,280	41,610
Non-controlling interests	4,761	4,256	4,779
Total equity	30,574	39,280	41,610
New presentation			
Financial liabilities	(4,761)	(4,256)	(4,779)
Total net assets	25,813	35,024	36,831
Non-controlling interests	-	-	-
Total equity	25,813	35,024	36,831
Differences			
Financial liabilities	(4,761)	(4,256)	(4,779)
Total net assets	(4,761)	(4,256)	(4,779)
Non-controlling interests	(4,761)	(4,256)	(4,779)
Total equity	(4,761)	(4,256)	(4,779)