

Record

Fund launch update

Launch of new EM sustainable finance fund

Financial services

The announcement of the launch of the Record Emerging Market Sustainable Finance Fund in partnership with UBS Global Wealth Management brings to fruition the first of the group's new product initiatives within its modernisation and growth strategy. The initial fund size is larger than we assumed and there is good potential for growth in the long term.

Year end	Revenue (£m)	PBT (£m)	EPS* (p)	DPS** (p)	P/E (x)	Yield (%)
03/19	25.0	8.0	3.25	2.30	31.4	2.3
03/20	25.6	7.7	3.26	2.30	31.3	2.3
03/21	25.4	6.2	2.73	2.30	37.4	2.3
03/22e	32.0	11.4	4.76	2.30	21.4	2.3

Note: *EPS is diluted. **DPS excludes special dividends.

New fund reflects existing strengths and innovation

The Record Emerging Market Sustainable Finance Fund has been launched in an exclusive strategic partnership with UBS Global Wealth Management arm of the UBS Group, which is a longstanding client of Record. The fund size at launch will be approximately \$750m, which is above our previous assumption of c \$350m. While not specified, we expect the management fee to be commensurate with an actively managed fixed-income fund providing diversifying revenue and opening up a new area for growth and product development in years to come. The fund draws on Record's longstanding currency expertise and newly developed ESG and sustainable investment capabilities. The fund aims to improve the flow of finance to projects in emerging markets by absorbing currency risk and helping stabilise EM exchange rates; for investors the fund will provide daily liquidity and the manager aims for an attractive, reliable return. An update on Record's new strategy can be found in our [note](#) following the FY21 results released earlier this month.

FY22 estimates increased

Reflecting the higher-than-expected fund launch size we have increased our revenue estimate for the current year by 4%, which translates to a 9% increase at the level of diluted earnings per share. See Exhibit 2 for further details. As in previous estimates we do not allow for further unannounced prospective fund flows or potential performance fees.

Valuation

Updating our comparative valuation table (Exhibit 1) shows that Record trades on a premium to the average P/E and EV/EBITDA ratios for a selection of UK asset managers. The positive impact of one of Record's new product initiatives seen in our estimate upgrade in this note is supportive as is the opportunity for long-term development of sustainable investment products and the potential for performance fees over time.

30 June 2021

Price 102.00p
Market cap £196m

Net cash (£m) excluding seed fund cash at end-March 2021 16.1

Shares in issue 199.1m

Free float 53%

Code REC

Primary exchange LSE

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 18.9 47.6 158.2

Rel (local) 18.1 40.2 119.7

52-week high/low 102.0p 31.7p

Business description

Record is a specialist independent currency and derivatives manager. It provides a number of products and services for institutional clients, including passive and dynamic hedging, and a range of currency for return strategies, including funds and customised segregated accounts.

Next events

Q122 trading update 17 July 2021

Q222 trading update 22 October 2021

Analysts

Andrew Mitchell +44 (0)20 3681 2500

Martyn King +44 (0)20 3077 5745

financials@edisongroup.com

[Edison profile page](#)

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Valuation comparison

We have updated our comparative valuation table including a selection of quoted UK fund managers. The Record share price has shown further strength over recent weeks and still trades at a premium to the average prospective (calendarised) P/E and EV/EBITDA multiples, although this has been moderated by our latest estimate increase.

Exhibit 1: Comparing valuation with UK fund managers

	Price (p)	Market cap (£m)	P/E 2021e (x)	P/E 2022e (x)	EV/EBITDA 2021e (x)	Dividend yield (%)
Ashmore	388	2,761	14.7	14.8	10.1	4.4
City of London Investment Group	538	273	12.4	12.0	N/A	5.6
Impax Asset Management	1,164	1,543	38.3	28.9	33.5	0.7
Jupiter	273	1,507	10.7	10.2	6.5	6.3
Liontrust	1,750	1,068	17.5	14.8	12.1	2.7
Man Group	182	3,653	10.9	10.7	7.9	4.2
Polar Capital	824	825	13.4	12.1	8.6	4.0
Schroders	3,542	9,462	16.7	15.4	12.5	3.2
Average			16.8	14.9	13.0	3.9
Record	102.0	197	24.0	20.0	17.5	2.3

Source: Refinitiv, Edison Investment Research. Note: P/E and EV/EBITDA on a calendar-year basis. Record's dividend yield excludes the special dividend. Priced at 29 June 2021.

Exhibit 2: Financial summary

£'000s	2018	2019	2020	2021	2022e
Year end March					
PROFIT & LOSS					
Revenue	23,834	24,973	25,563	25,412	31,968
Operating expenses	(16,735)	(17,089)	(17,996)	(19,333)	(20,563)
Other income/(expense)	173	(8)	82	41	0
Operating Profit (before amort. and except.)	7,272	7,876	7,649	6,120	11,405
Finance income	56	113	88	33	38
Profit Before Tax	7,328	7,989	7,737	6,153	11,443
Taxation	(1,182)	(1,559)	(1,365)	(802)	(2,174)
Minority interests	0	0	48	0	0
Attributable profit	6,146	6,430	6,420	5,351	9,269
Revenue/AUME (excl. perf fees) bp	5.1	4.9	4.9	4.8	5.4
Operating margin (%)	30.5	31.5	29.9	24.1	35.7
Average Number of Shares Outstanding (m)	206.5	198.1	197.1	196.2	194.9
Basic EPS (p)	3.03	3.27	3.26	2.75	4.77
EPS - diluted (p)	2.98	3.25	3.26	2.73	4.76
Dividend per share (p)	2.30	2.30	2.30	2.30	2.30
Special dividend per share (p)	0.50	0.69	0.41	0.45	2.10
Total dividend (p)	2.80	2.99	2.71	2.75	4.40
BALANCE SHEET					
Non-current assets	2,339	2,161	4,868	5,153	4,488
Intangible Assets	228	288	470	420	405
Tangible Assets	910	761	751	683	533
Investments	1,115	1,112	2,472	3,046	3,046
Other	86	0	1,175	1,004	504
Current Assets	29,737	31,427	31,149	28,045	32,759
Debtors	6,775	7,562	8,704	8,006	9,769
Cash	12,498	12,966	14,294	6,847	9,798
Money market instruments	10,198	10,735	7,958	12,932	12,932
Other	266	164	193	260	260
Current liabilities	(5,525)	(6,158)	(6,955)	(5,992)	(6,246)
Creditors	(2,630)	(2,736)	(3,009)	(3,426)	(4,180)
Financial liabilities	(2,467)	(2,621)	(2,191)	(1,696)	(1,696)
Other	(428)	(801)	(1,755)	(870)	(370)
Non-current liabilities	0	(29)	(901)	(407)	(407)
Net Assets	26,551	27,401	28,161	26,799	30,594
Minority interests	0	60	132	0	0
Net assets attributable to ordinary shareholders	26,551	27,341	28,029	26,799	30,594
No of shares at year end (m)	199.1	199.1	199.1	199.1	199.1
NAV per share (p)	13.3	13.7	14.1	13.5	15.4
CASH FLOW					
Operating Cash Flow	2,746	7,026	6,543	6,798	9,177
Capex	(236)	(72)	(243)	(230)	(140)
Cash flow from other investing activities	7,899	(561)	1,513	(6,210)	(112)
Dividends	(6,810)	(5,517)	(5,888)	(5,290)	(5,474)
Other financing activities	(10,367)	(613)	(943)	(2,368)	(500)
Other	146	205	346	(147)	0
Net Cash Flow	(6,622)	468	1,328	(7,447)	2,951
Opening cash/(net debt)	19,120	12,498	12,966	14,294	6,847
Closing net (debt)/cash	12,498	12,966	14,294	6,847	9,798
Closing net (debt)/cash inc money market instruments	22,696	23,701	22,252	19,779	22,730
AUME (\$bn)					
Opening	58.2	62.2	57.3	58.6	80.1
Net new money flows	(1.2)	(4.5)	4.6	9.7	1.6
Market/other	5.2	(0.4)	(3.3)	11.8	0.8
Closing	62.2	57.3	58.6	80.1	82.5

Source: Record accounts; Edison Investment Research

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia