ARGENTEX GROUP PLC

Full year results and strategy update

12 month period ended
31 December 2023

Jim Ormonde, CEO | **Guy Rudolph**, Interim CFO

2 May 2024

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Management Team

Jim Ormonde

Chief Executive Officer

Jim joined Argentex in October 2023 and as CEO sets the strategic direction of the business. He oversees the front office, including the business development and revenue generation of Argentex. Previously, he was CEO of Cardsave, one of Europe's largest independent payments businesses. He was also a director of Retail Merchant Services which was sold successfully to TCV Private Equity. He has acted as a consultant and adviser to various Fintech businesses, including Argentex, and is currently Non-Executive Chairman of Gusbourne plc, an AIM listed English wine producer.

Guy Rudolph

Interim Chief Financial Officer

Guy joined Argentex in January 2024. At Argentex he is responsible for financial strategy of the Group and the entire finance function as well as legal and corporate governance matters across the Group. In addition, he is responsible for the Group's sustainability strategy. Guy is a qualified chartered accountant and began his career at PwC before joining Vodafone where he spent 16 years driving transformation across international teams in his roles as Group Audit and Risk Director, and Director of Group Financial Operations. He was also the deputy CFO of Camelot from 2017 to 2022 and later interim Director of Group Finance at Rank Group plc.

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SECTION 1

FY23 results

FY23

Headline Figures

TOTAL REVENUE

£49.9M

12 months to Dec 22 – £50.4m
9 months FY22 – £41.0m

OPERATING PROFIT

£8.1M 28%

12 months to Dec 22 – £11.3m
9 months FY22 – £8.1m

TOTAL CLIENTS TRADED

1,938 11%

12 months to Dec 22 – 1,750
9 months FY22 – 1,595

NEWLY TRADED CLIENTS

649 23%

12 months to Dec 22 – 546
9 months FY22 – 409

EPS

4.6p

12 months to Dec 22 – 8.1p

9 months FY22 – 6.2p

DPS

0.75p

9 months FY22 – 2.25p

NET CASH at 31 December 2023

£18.3m

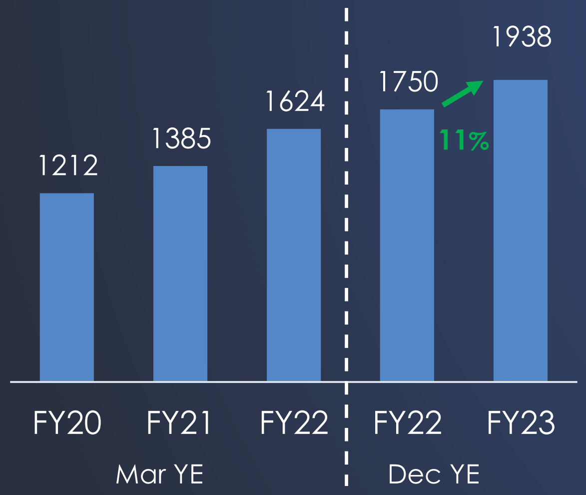
31 December 2022 – £16.2 m

1) We changed from March year end to December year end in December 2022.; 12 month figures to December 2022 shown for comparative purposes
2) Growth rates shown are 12 months to December 23 vs. 12 months to December 22

Operational summary

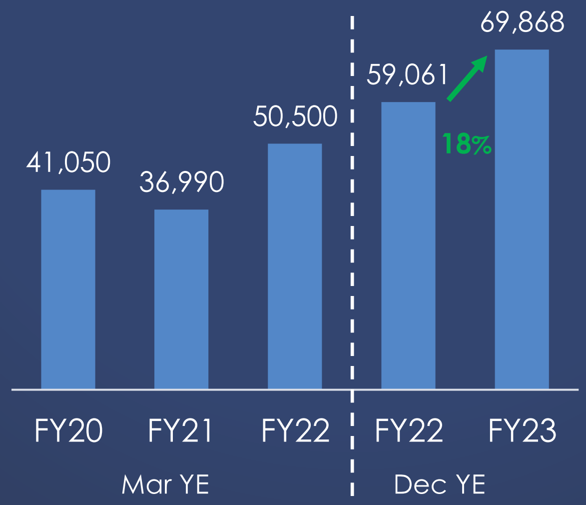
More clients trading

No. of clients trading



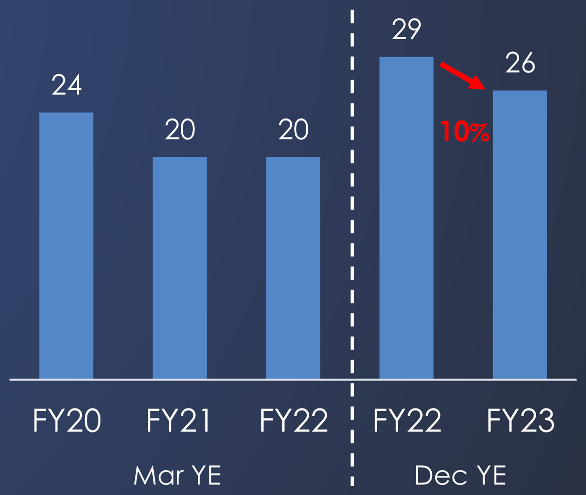
Trading more frequently

No. of trades



But spending less

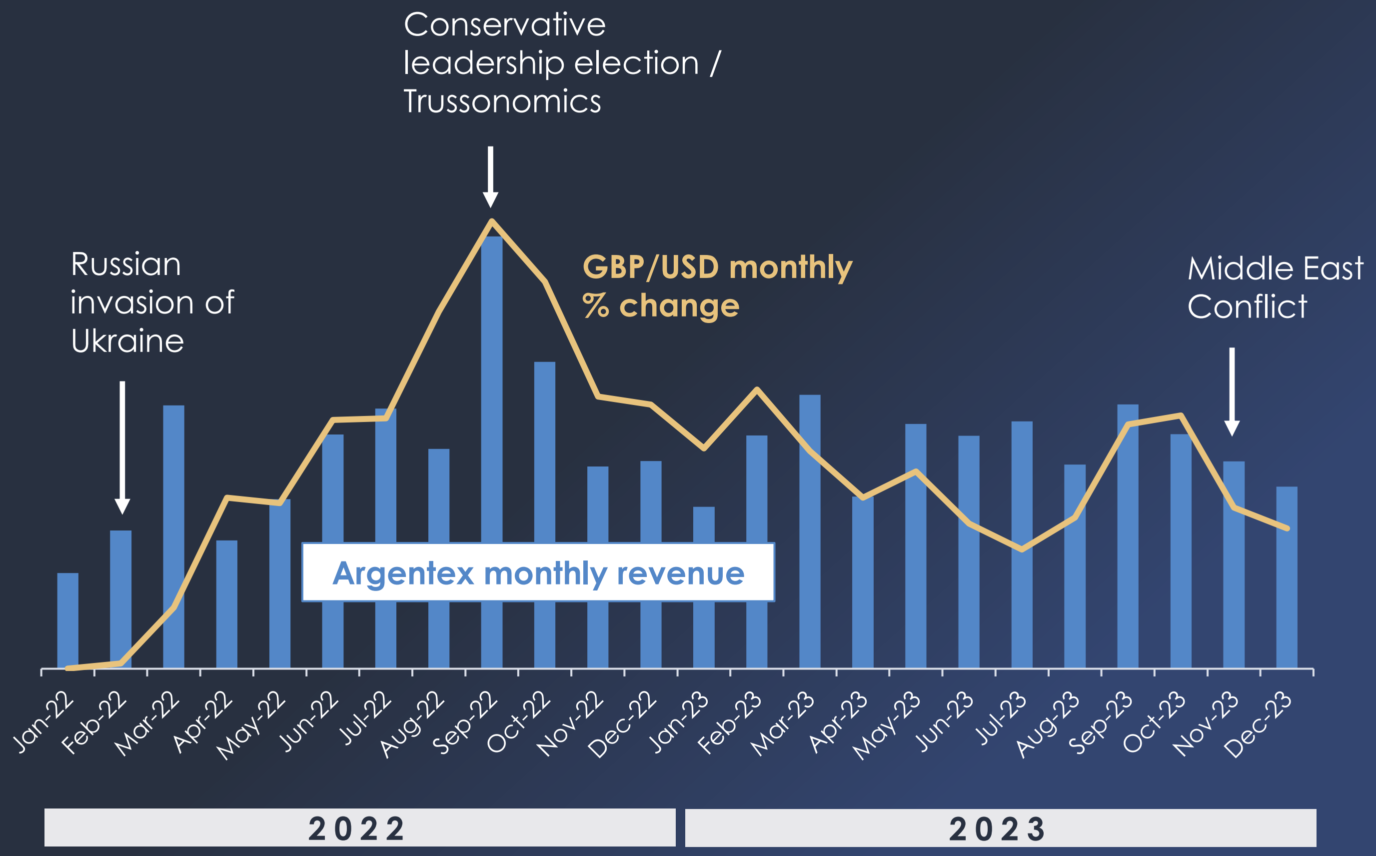
Average revenue per client (£k)



1) We changed from March year end to December year end in December 2022. 2) Excludes private clients

WHAT IMPACTED TRADING VOLUMES?

Volatility fell markedly YoY



Volatility based on GBP/USD monthly percentage change v Jan-22 of $1.34

2022 levels of volatility (and trading) were anomalously high:

Trussonomics

Conservative leadership campaign

Ukraine

2023 was much less volatile:

Suppressed levels of trading from our institutional clients (1/3 of revenues)

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P&L

	FY23	FY22 (12 months)	
	£m	£m	% change
Revenue	49.9	50.4	(1)%
Variable costs incl. commissions	(13.2)	(15.4)	14%
Gross margin	36.7	35.0	5%
Gross margin %	*74%*	*69%*	*5ppt*
Other income	1.1	0.0	
Administrative costs:			
Staff costs	(18.1)	(13.4)	(35)%
Other costs	(7.8)	(7.6)	(3)%
Depreciation and amortisation	(3.9)	(2.7)	(44)%
Operating profit	8.1	11.3	(29)%
Operating profit %	*16%*	*22%*	
EBITDA	11.9	14.0	(15)%
EPS	4.6p	8.1p	(43%)
	No.	No.	
Av. Headcount (incl members & directors)	169	119	
Year end headcount (incl members & directors)	196	137	
	£m	£m	
Memo: Staff costs incl. commissions	*(28.3)*	*(24.8)*	

Flat revenues

- Average client spend fell 10% yoy offsetting an 11% increase in total clients
- Suppressed activity in the Institutional segment as a result of low volatility

43% increase in average headcount (predominantly sales and back-office staff)

D&A increase
primarily due to office expansion in the UK and NL and technology spend

Reduction in operating margins
due to investment in headcount and premises

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Cash flow

	£m
Net cash as at 1 January 2023	**16.2**
EBITDA	**11.9**
Lease payments	(1.5)
Capex	(4.7)
Working capital	2.9
Movement in amounts payable to clients	(1.9)
OCF	**6.7**
Net interest	0.8
Tax paid	(2.0)
FCF	**5.5**
Dividends paid	(3.4)
NCF	**2.1**
Net cash as at 31 December 2023	**18.3**

Investment in premises and software development

Dividends paid of £3.4m, including interim dividend for FY23 of £0.9m

£2.1m cash generated in the year

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Balance sheet

	As at **31 Dec 23** £m	As at **31 Dec 22** £m	***YoY Movement*** *£m*
Fixed assets	17.8	10.4	*7.4*
Cash and cash equivalents	33.0	29.0	*4.0*
Other assets[1]	11.6	11.5	*0.1*
Derivative financial assets	48.7	66.5	*(17.8)*
Total Assets	**111.1**	**117.4**	**(6.3)**
Trade and other payables	(40.7)	(31.4)	*(9.3)*
Derivative financial liabilities	(29.4)	(47.2)	*17.8*
Total Liabilities	**(70.1)**	**(78.6)**	**8.5**
Net Assets	**41.0**	**38.8**	**2.2**
Total Equity	**41.0**	**38.8**	**2.2**
Cash and cash equivalents	*33.0*	*29.0*	*4.0*
Less: segregated client funds	*(14.7)*	*(12.8)*	*(1.9)*
Net cash	***18.3***	***16.2***	***2.1***
Collateral held at Institutional counterparties (other assets)	*5.7*	*10.0*	*(4.3)*

Additional office space in UK and the Netherlands

Increase in cash of £4m (gross); £2.1m net

1) Includes trade and other receivables, deferred tax asset, collateral held at institutional counterparties

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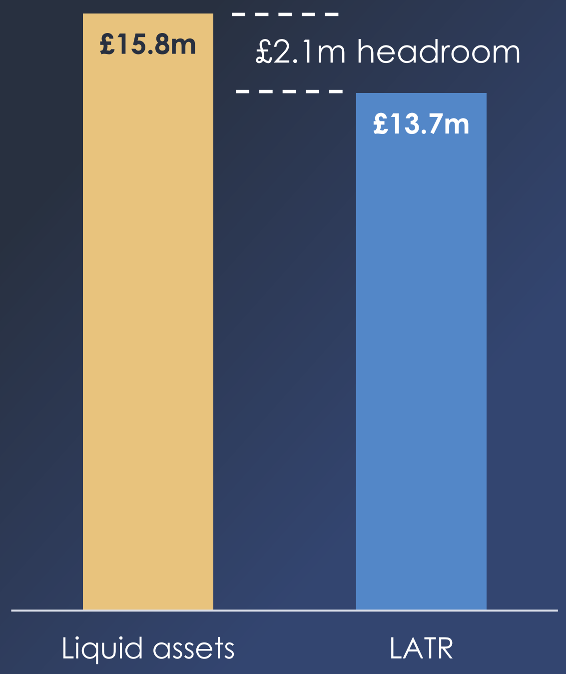
Most of net cash is already needed for Reg. cash requirements

Just £2.1m headroom at end March



*LATR = Liquid Asset Threshold Requirement

£15.8m Liquid assets

Varies significantly month to month due to margin calls and ongoing working capital movements

Variation margin calls make our cash position very volatile

Ongoing working capital swings also affect cash balances

£13.7m Regulatory Cash needed

Varies month to month

Calculated daily, based on ongoing costs plus stress tests

Reg Cash needed at end March:	£m
Cost of executing business plan	11.2
Stress tests covering credit, market and operational risk:	2.5
Total Reg cash needed	13.7

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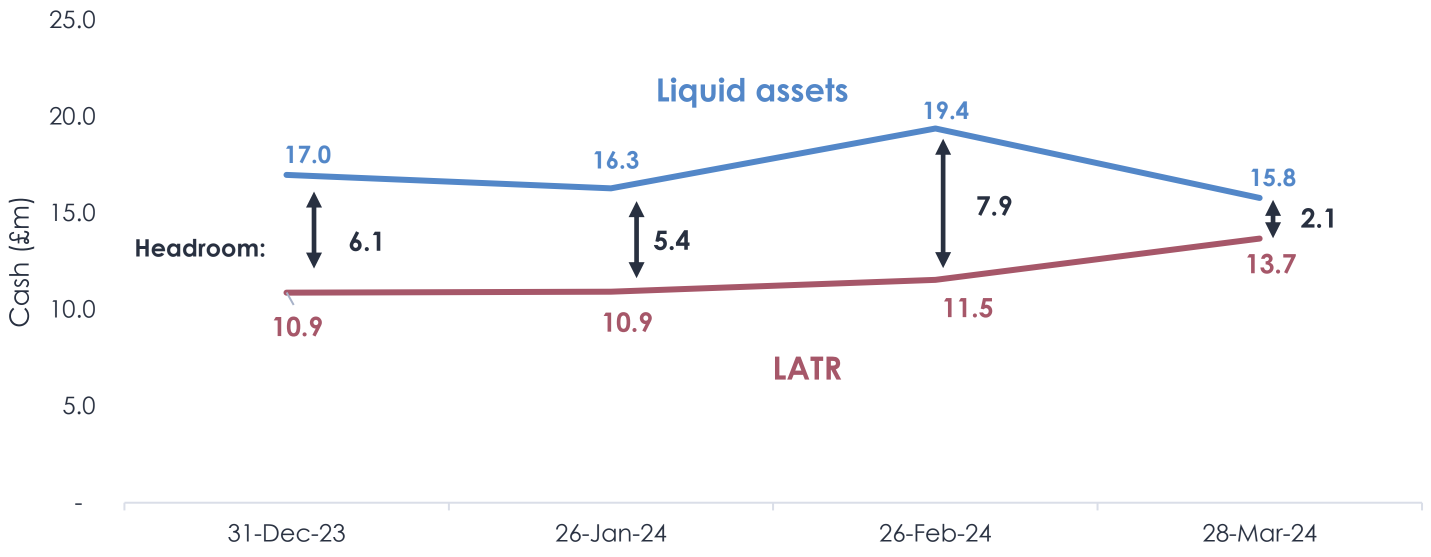
Both net cash and Reg. cash requirements can vary significantly



* Liquid assets = Cash, less amounts payable to clients, less any non-Argentex LLP accounts (see reconciliation)

** LATR = Liquid Asset Threshold Requirement (i.e. Regulatory cash needed to be held in order to trade)

*** Argentex LLP accounts only considered for purposes of considering liquid assets threshold requirement, given it is the entity trading in the UK and regulated by the FCA

Liquid assets (def'n below) fluctuate with trading and margin calls

Reg cash required varies with size of business, positions taken and the impact of those on our stress test calculations

Headroom fluctuates as a result as indicated

Reconciliation of statutory group cash to net cash	**31-Dec-23**
Cash and cash equivalents:	33.0
Less segregated client funds	(14.7)
Net cash:	**18.3**

Reconciliation of net cash to liquid assets	
Net cash at 31 December 2023:	18.3
Removal of non-Argentex LLP accounts***	(1.3)
Liquid assets:	**17.0**

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SECTION 2

Strategy update

KEY FINDINGS

Strategic review

We are well positioned in FX

Deep expertise in FX solutions and bespoke client service

Distinct brand and reputation

The underlying business is growing (clients and trading volume)

Things we need to fix

Significantly exposed to market volatility & visibility on client intentions is low

Narrow product suite lacking core offerings

Scope for increased automation - sales processes are manual and time-intensive

Platform remains underinvested with limited scalability or self-service functionality

Little customer segmentation

Right size the cost base

We have a clear, actionable plan to transform the business

Argentex today

"Pure" FX focused
Limited share of customer spend
Commoditised offering
Exposure to FX volatility leads to unpredictable transaction volumes

"High touch" sales/service model
Difficult to scale
High cost

Business model lacks scalability

Limited use of technology and data

UK-centric

Argentex in the future

Full-service alternative banking platform
Increased predictability of revenues
Diversification of earnings
Greater wallet share
Pull-through of additional FX revenue

Segmented customer base with differentiated service levels

Scalable business model

Strong technology and data capability
Greater visibility of client needs
Leverage automation to drive cost and service benefits

International footprint
Licensed across EU

A COMPREHENSIVE PLAN

Transforming the business

Delivering significant revenue upside from FY26

FY24	FY25	FY26	FY27	FY28
FIX	BUILD & DEPLOY		ACCELERATE	

1. Operational excellence
Drive operational and Financial efficiencies, including enhanced client retention
FX Options– structured solutions for sophisticated clients

2. Product diversification
Enhance our product offering with a focus on accelerating move into Alternative banking

3. Geographic expansion
Focused expansion, leveraging existing markets and licenses with targeted expansion into complementary new markets

1. OPERATIONAL EXCELLENCE

Financial and operational efficiencies

Improved cost control

FY2024 targets:

£3m reduction in opex

£1m staff cost cuts (natural attrition)

£1.5m from restructured sales commissions – in line with industry norms

Licencing & Capital efficiencies

Focus on creating new branches where we have licences already

Current model is inefficient as all transactions assessed under MiFID2
- Spot & Forward need EMI licence only
- Options need MiFID2

Potential liquidity benefits from splitting the licence regime

Delivering a best in class customer experience

Segmenting our customers properly

Top **10** — **28%** of revenue

White glove service at high end

Top **11-100** — **37%** of revenue

Continued focus on mid/upper corporates

Remaining **1838** — **35%** of revenue

Light touch/online service at low end
(with lower cost to serve)

Evolve our selling model

Customer lifetime value will be at the centre of our sales model

Aligning commission to customer lifetime value

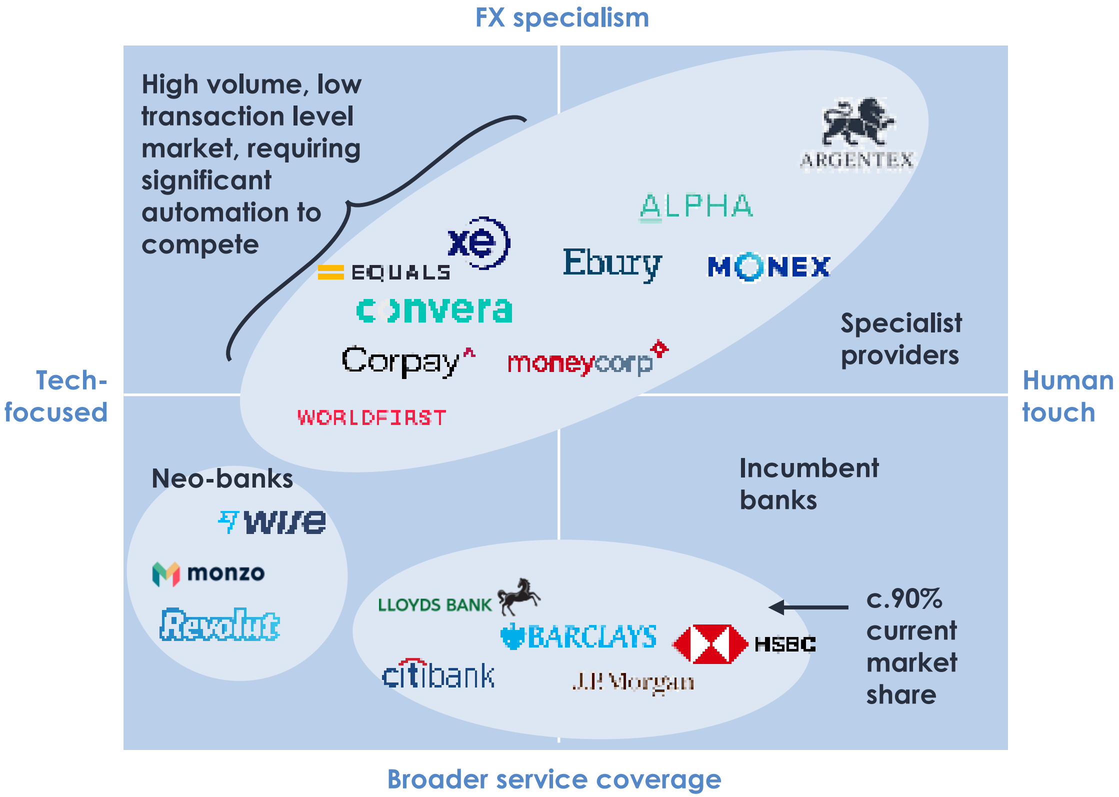
KPI-led approach rewards ongoing sales & dealer involvement

2. PRODUCT DIVERSIFICATION

Cross Border transactions and Alternative Banking

Taking advantage of two major converging markets

Multi-Currency Risk Management and Payments services market



Source(s): Teneo: Expert interviews; Teneo research and analysis

Our advantage vs traditional banks

Greater service and flexibility

Specialist international payments and FX expertise

Improved management of treasury risk

Our advantage vs other specialist FX providers

"White glove" bespoke service model

Track-record in segment

Highly respected brand, strongly trusted

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Accelerating our progression in Alternative Banking:

Multi-currency payments

Virtual IBANs

Mass payments

Reporting

Fund finance

Multi-currency risk

FX brokerage

Credit facilities

Bespoke advisory

Technology

Platform

Client Integration

APIs

Client Coverage

Corporate

Institutional

Multi-jurisdictional

We need a full service offering to meet high value client needs and to capitalise on low-touch revenue lines

Leveraging existing locations and targeting complementary markets

Existing locations

Netherlands
Trading since 2022

Australia
Licence granted in May 2024

Dubai
Expecting licence in H2'24

Expanding our footprint commercially

EU branches
Passport off the Netherlands licence

Acquire existing teams

Incentivise with profit share model

Summary

FY 2023 was a year of strategic review and meaningful change across the business

The business has a strong brand and reputation and is well positioned in its core FX markets

There are multiple growth opportunities in the large and growing adjacent markets

We are committed to repositioning the business as a leading cross border financial solutions expert to take advantage of these opportunities

Our comprehensive transformation plan is based on 3 key areas:

Operational excellence

Product diversification

Geographic expansion