ALISTAIR OSBORNE | BUSINESS COMMENTARY

Currency trader learns hard lesson

Thanks to Trump tariff mayhem, Argentex found itself 'exposed to significant volatility in foreign exchange rates'. But that's only part of the story

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Monday April 28 2025, 9.15pm, The Times

So that's what you call "a global expert in currency risk management": an outfit that takes four days to implode from a market value of £52 million to a £3 million rescue takeover. And all, apparently, because of Donald Trump.

What is this company, you ask? The Aim-listed Argentex, the self-styled "debt-free, cash-rich business", operating as a "riskless principal broker for non-speculative commercial currency transactions". Do note "cash-rich" and "riskless".

Despite such claims all over its comedy website, it has wound up skint: news that appears to have been as big a shock to the useless board, chaired by the ex-Camelot UK lottery chief Nigel Railton, as to its luckless shareholders.

Here's the short version of events, as relayed in a series of gruesome updates last week. Thanks to Trump tariff mayhem, Argentex found itself "exposed to significant volatility in foreign exchange rates", mainly due to "the rapid devaluing of the US dollar". That triggered "margin calls" from its banks affecting its "near-term liquidity position".

The result? By Tuesday it had suspended the shares at 43.2p. And by Friday night? No choice but to roll over to a 2.49p-a-share cash takeover from its rival IFX Payments, also the provider of a £6.5 million bridge loan. By then, chief executive Jim Ormonde was also out of the door.

Still, it's the longer version that highlights the failings of both the executive management and a board that still boasts Argentex's former chairman Digby Jones. Questions must be asked, too, over the auditor Deloitte, which gave the 2024 accounts a clean bill of health as recently as April 2.

Argentex, which floated at 106p in June 2019, acts as a middleman between companies and banks, striking contracts to sell clients dollars, say, at a fixed price in the future. And it was only at the full-year figures at the start of this month that, alongside £50.3 million revenues and a 9 per cent rise in clients to 2,113, the group banged on about its "strong balance sheet" with £18.4 million net cash. As Ormonde put it at the time, Argentex was "well positioned to take advantage of exciting growth opportunities".

Maybe Trump proved too exciting because, only three weeks later, the business had entirely unravelled. Amid the annual report's reassuring patter on "risk management" — where the word "risk" turns up 391 times — Argentex makes a key point over "liquidity risk": "To mitigate margin calls from banking counterparties, the group's portfolio facilitates a blend of terms that enable client margin calls."

In practice, though, this is not what seems to have happened. In what may have been an attempt to grab market share, Argentex was said to be offering "zero-zero" deals: not asking clients for any upfront margin or any so-called variation margin in response to big currency moves that affected the terms of their contract. At the same time, though, it left itself fully exposed to margin calls from its banks, thought to include Barclays and Citigroup.

The upshot? As the dollar slid by more than the board ever expected, Argentex lacked the balance sheet for the game it was playing, swiftly burning through its cash. Its choice? Either going bust or the IFX rescue, backed by 58 per cent of investors: "the best outcome in very difficult circumstances" as Railton put it.

Yet, as its former co-founder boss Harry Adams posted on LinkedIn: “It has been devastating to watch something so extraordinary that I cared so much about, drift so far in such a short space of time with no credible explanation, leaving shareholders with close to nothing.” Indeed, in the view of one investor: “It’s unbelievably incompetent management.” As Argentex verdicts go, that’s bang on the money.

Cheap eats

Takeaways are getting cheaper. Go back to April 2021 and a nice Deliveroo, served up by one of its lead chefs Goldman Sachs, would have set you back 390p a share. Not any more. Now the group’s board, advised by the same Goldman Sachs, is “minded” to recommend that America’s Doordash be allowed to wolf it down for less than half of that: just 180p.

Has the meal gone off since Covid’s “pig out to peg out” honcho, one Rishi Sunak, hailed Deliveroo “a true British tech success story”? Well, not obviously. Back then, a £226 million pre-tax loss on sales of £1.19 billion and an operating cashflow of £7.4 million, earned it a £7.6 billion price tag. Now its boss, Will Shu, has far tastier figures: pre-tax profits last year of £12.2 million on £2.07 billion sales, with operating cashflow of £149 million. Yet the board, chaired by Claudia Arney, thinks it’s worth just £2.7 billion.

Sure, interest rates have risen, post-Covid growth has slowed and Doordash, valued at $79 billion, has the cash for growth. Yet it can also afford to pay up for its best strategic route into the UK and Europe.
Its indicative bid on April 5 was timed for the fallout from Trump’s tariffs and a year-low for Deliveroo shares. And, on Morgan Stanley maths, it works out at a “22 per cent premium