



## Park Sutton Insight: October 18, 2016

### Janus Capital & Henderson Group Merge, Now Janus Henderson Global Investors

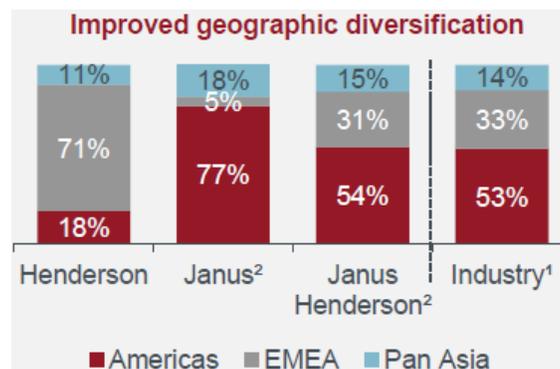
- Announced 10/3/16, expected to close June 2017.
- “Merger of equals creates a firm with \$322b AUM, market cap of \$6b.
- Henderson will acquire Janus for \$2.61b.
  - All stock deal, 8% premium.
  - **8.5x** EBITDA multiple for Janus without synergies, **6.3x** multiple with synergies.
  - 1 share of Janus will be exchanged for 4.719 newly issued shares in Henderson.
- Prior to announcement, Henderson traded at 12.2x EBITDA, and Janus traded at 7.8x EBITDA. As of 10/18/2016, Henderson traded at 13.0x and Janus traded at 7.9x EBITDA.
- Henderson will cede its listing on the LSE; new company will primarily trade on the NYSE.
- Expect to generate \$110m in annual cost synergies within a year of closing.
  - Much due to tax savings. Corporate tax rate in America is 35%, while in U.K. it is 20%.
- Pro-forma 2015 revenues will be \$2.2b.
- Intent is to generate 2 to 3% of extra inflows through selling each other’s products.
- One-time merger costs of \$185m.
- New firm will be top 50 global asset manager, top 20 in U.S., and top 10 in retail UK market.
- Henderson and Janus CEOs will be co-CEOs; Janus CEO Dick Weil will relocate to London.
- Janus will own 43%, Henderson will own 57%.
- Japanese insurer Dai-ichi is largest Janus shareholder and will approve the merger. Post-merger they will own 9% of the combined entity, and increase their stake to at least 15%.
- Performance over last year, as of 10/18/2016. Henderson in orange, Dow Jones US Asset Managers Index in red, and Janus in blue:



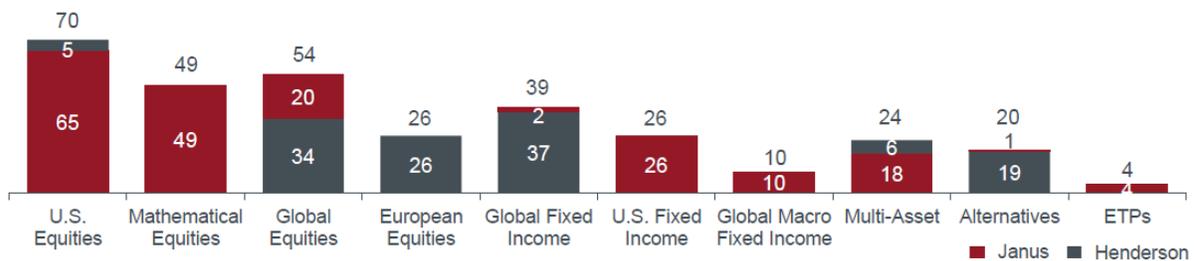
- Henderson
  - \$127b AUM as of June 2016.
  - \$259.4m June 30, 2016 annualized EBITDA, 10.3% EBITDA CAGR since 2012.
  - Share price dropped 20% after Brexit.
  - Fund outflows of \$.2B since 2009; outflows were \$19.9b from 2009 to 2012, but from 2013 to 1H2016, inflows were \$19.7b.
- Janus
  - \$195b AUM as of June 2016.
  - \$301.8m June 30, 2016 annualized EBITDA, 4.3% EBITDA CAGR since 2012.
  - Past year saw fund outflows, flat share price, declining earnings.
  - Fund outflows of \$62b since 2009.

### PSA Thoughts

- Both have been hurt by heavy market flows to passive strategies. Active managers like Henderson and Janus are competing with lower-cost passive management options, and mergers like this represent an attempt to diversify and enhance client product offerings.
- Henderson represents 40% of the combined AUM and accounted for less than 50% of the combined 2015 EBITDA; however, it will own 57% of the combined entity.
- The two firms have little overlap, both in terms of geography and investment capabilities. This will allow the combined firm to offer more products to existing clients without cannibalizing sales.
  - Janus is strong in the U.S. and Japan, while Henderson is strong in Europe:



- The two firms' investment products are complementary:



- It is interesting to see Henderson executing a transformational North American merger. In 2013, Park Sutton advised mid-cap growth manager Geneva Capital on their sale to Henderson; this acquisition gave Henderson more of an institutional U.S. beachhead. The Henderson – Janus merger might pave the way toward more transformational mergers given an industry backdrop of slow net flows to active asset managers.
- Andrew Formica, the CEO of Henderson is 45, and Dick Weil, the CEO is 52. PSA thinks the idea of co-CEOs here is unusual and will be interested to see how this plays out over the next several years.
- \$1b+ transactions are rare in the asset management sector. This transaction represents only the 10<sup>th</sup> \$1b+ transaction out of 209 asset management transactions since 2014.

#### **\$1b+ Asset Management Transactions since 2014 (by Enterprise Value):**

<b>Date</b>	<b>Enterprise Value</b>	<b>AUM</b>	<b>Target</b>	<b>Buyer</b>	<b>% Acquired</b>
4/15/2014	\$6,250	\$221,000	Nuveen Investments	TIAA-CREF	100%
6/20/2015	\$4,000	\$100,000	First Eagle Investment Management	Blackstone/Corsair Management	60%
5/23/2016	\$3,369	\$77,000	American Capital	Ares Capital	100%
4/23/2015	\$2,792	\$184,728	Santander Asset Management	Pioneer Investments	100%
10/3/2016	\$2,610	\$195,000	Janus Capital	Henderson Global Investors	100%
4/23/2015	\$2,500	\$36,000	DE Shaw Group	Hillspire	20%
12/21/2015	\$2,439	\$149,300	American Century Investments	Nomura Holdings	41%
3/18/2015	\$2,000	\$11,000	Jana Partners	Dyal Capital Partners	20%
1/28/2014	\$1,200	\$135,554	F&C Asset Management	Bank of Montreal	100%
10/8/2015	\$1,150	\$266,000	Russell Investments	TA Associates	100%

Note: Enterprise Value and AUM in millions.

Source: Park Sutton Advisors research.