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ASX Announcement

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## **Perpetual to acquire a 75% interest in US-based asset manager, Barrow Hanley and undertake an Equity Raise to provide funding towards the acquisition and future growth**

- Barrow, Hanley, Mewhinney & Strauss, LLC (“Barrow Hanley”) is a US-based global investment management business with approximately US\$44.1 (A\$63.9) billion in FUM across US, global, and emerging markets equities, and fixed income strategies.
- A\$465 million transformational Acquisition to accelerate global growth, diversify investment capabilities and establish a platform to build world class distribution capabilities.
- The Acquisition is an important step in Perpetual’s strategy to deliver sustained, quality growth by adding world class investment capabilities and establishing a global footprint for Perpetual Investments.
- Expected to generate Underlying EPS accretion of more than 20% on an annualised basis from the date of completion<sup>1</sup>.
- Completion of the Acquisition expected by end of first half FY2021, subject to customary regulatory and other approvals.
- Acquisition to be funded from proceeds of an equity raise (the “Offer”), combined with a new debt facility and available cash.
- The new fully underwritten debt facility of A\$284 million (US\$195 million) to have gearing levels of 1.1 and a pathway to reduce to below 1.0 within 12 months of completion, and to zero within five years.
- The Offer comprises a fully underwritten A\$225 million institutional placement and non-underwritten Share Purchase Plan (“SPP”) targeting to raise up to A\$40 million.
- Balance of the Offer proceeds, following the Acquisition, will be used to provide greater financial flexibility in the context of COVID-19 to continue to execute Perpetual’s strategy, including pursuing other identified growth opportunities.

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<sup>1</sup>EPS accretion is based on UPAT on an annualised basis from the date of completion (EPS calculations exclude any shares issued under the SPP). EPS accretion also excludes earnings from two complementary bolt-on acquisitions that are in an advanced state and which collectively are estimated to contribute A\$5-6 million to EBITDA on an annualised basis if they proceed which is uncertain

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Perpetual Limited (Perpetual) today announced that it has entered into an agreement with BrightSphere Investment Group Inc. (“BSIG”) to acquire BSIG’s 75% interest in Barrow Hanley for US\$319 million (A\$465 million) (the “Acquisition”)<sup>2</sup>.

Based in Dallas, Barrow Hanley is a diversified investment manager with funds under management (FUM) of approximately US\$44.1 (A\$63.9) billion across 21 key strategies. Barrow Hanley has a team of 95 staff, including 54 investment professionals who invest with a value orientation across US equities, global equities, global emerging markets equities and fixed income strategies with offices in Dallas, and a presence in London<sup>3</sup> and Hong Kong.

The Acquisition will be funded via a combination of proceeds from the Offer, a new debt facility and available cash. The remaining proceeds from the Offer will provide greater financial flexibility, in light of current and any further COVID-19 impacts on Perpetual and the market, to continue to execute Perpetual’s strategy, including other identified organic and inorganic growth opportunities. Perpetual have also raised a fully underwritten new debt facility (US\$ denominated) for this acquisition of A\$284 million (US\$195 million), at gearing levels of 1.1 with a pathway to reduce to below 1.0 within 12 months of completion and to zero within five years.

The Acquisition price presents a total enterprise value for 75% of Barrow Hanley of A\$465 million (US\$319 million), which represents 8 times pro forma EBITDA.

This Acquisition is consistent with Perpetual’s strategy to build world-class investment and distribution capability and brings together two complementary investment management brands, both with a successful and long-term track record of value investing.

The Acquisition is expected to more than triple Perpetual’s FUM from A\$28.4 billion to A\$92.3 billion<sup>4</sup> and add 21 key new strategies across asset classes, strategies and geographies. On a pro forma basis, post the acquisitions of Barrow Hanley and Trillium, Perpetual’s FUM will be comprised of 14% Australian equities, 48% US equities (inclusive of Trillium’s 6%), 11% global equities and 27% cash & fixed income. Perpetual completed the acquisition of Trillium on 30 June 2020.

Perpetual believes that it will be able to leverage its existing distribution capabilities to drive growth in Barrow Hanley’s highly rated US value equities, global value equities, global emerging markets equities and fixed income strategies, and will accelerate its investment in distribution in the US and Europe to support the global growth of both Barrow Hanley and the recently acquired Trillium.

Barrow Hanley will retain its brand and continue to operate independently with no change to its investment process, key personnel or existing management expected. Investment and management team members will retain their 25% ownership, providing both strong alignment and continuity for Barrow Hanley’s clients and Perpetual.

Perpetual Chief Executive Officer and Managing Director, Rob Adams said, “This is a compelling acquisition. It provides Perpetual with world-class investment teams, diversifies our client base by sector and geography, and presents us with significant growth opportunities in the Australian market and a formidable platform to scale our business internationally.

“Barrow Hanley has a 40-year track record of value investing with a highly regarded brand, an experienced and invested management team and a broad, blue-chip, institutional client base; many of whom have been with the company for more than 20 years.

“Having been an investor in Barrow Hanley’s global equities strategy since 2016 via our Perpetual Private business, we have been impressed with the rigour of their investment process and quality of their investment professionals. We have developed a strong relationship with the Barrow Hanley team and developed an in-depth understanding of their business and see an alignment in our goals. We look forward to expanding this relationship and applying our strong distribution experience and capabilities to help grow their business,” Mr Adams said.

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<sup>2</sup> Hedging protection in place to minimise foreign exchange risk

<sup>3</sup> Pending transition and Financial Conduct Authority approval

<sup>4</sup> US denominated FUM translated at AUD: USD 0.69 at 30 June 2020

CEO and Executive Director of Barrow Hanley, Cory Martin said, “We are confident that we have found the perfect partner and complementary culture to continue our shared mission of delivering competitive investment results with a resolute commitment to clients. This strategic partnership offers the opportunity to further develop our current growth initiatives and to reinvest in our business while maintaining our focus on successfully managing client portfolios. We appreciate the team at BrightSphere for their many years of supporting both Barrow Hanley and our client partners.

“Perpetual’s Australian footprint and offices in Singapore, Boston, San Francisco and Portland coupled with Barrow Hanley’s existing offices in Dallas, and presence in London and Hong Kong, is expected to greatly enhance our ability to serve our clients globally while providing direct local access to these key markets. The strategic and cultural alignment is clear and we are excited about our future together,” Mr Martin said.

### **Details of the Placement**

A fully underwritten institutional placement of A\$225 million (“The Placement”) with new placement shares (“New Shares”) to be issued at a fixed price of A\$30.30 (the “Placement Issue Price”). This represents a:

- 9.8% discount to Perpetual's last closing price on 24 July 2020 of A\$33.61 per share; and
- 9.3% discount to the VWAP of Perpetual ordinary shares traded during the 5 trading days up to and including 24 July 2020 of A\$33.39 per share.

New Shares issued as a result of the Placement will rank equally with existing Perpetual shares and are expected to settle on 30 July 2020 and commence trading on the following business day, 31 July 2020.

The Placement will result in the issue of approximately 7.4 million shares, representing approximately 15.7% of Perpetual’s existing shares on issue. Perpetual is relying on the ASX “Class Waiver Decision – Temporary Extra Placement Capacity” dated 9 July 2020 to conduct the Offer.

The Placement is being conducted today, with Perpetual shares in trading halt until the outcome of the Placement is announced.

Approximately A\$205 million of the Placement will be used towards funding for the Acquisition. Perpetual’s conservative financial profile post-transaction will enable significant flexibility to execute on a range of identified organic and inorganic opportunities which were delayed due to COVID-19 while maintaining balance sheet strength.

### **Details of the SPP**

Following completion of the Placement, Perpetual will offer existing eligible shareholders the opportunity to participate in a non-underwritten SPP, targeting to raise up to A\$40 million<sup>5</sup>. This amount is intended to provide a fair opportunity for non-institutional investors to participate alongside the Placement.

Under the SPP, eligible Perpetual shareholders will have the opportunity to apply for up to A\$30,000 of new shares without incurring broker or transaction costs.

The issue price of the new shares under the SPP (“SPP Shares”) will be the lower of:

- The Placement price; and
- The 5 day VWAP of Perpetual shares up to and including the closing date of the SPP (currently scheduled for 26 August 2020) less a 2% discount, rounded to the nearest cent.

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<sup>5</sup> While this reflects Perpetual’s current assessment of the estimated size of the SPP which would provide a fair opportunity for non-institutional investors to participate, Perpetual may increase or decrease this amount in its discretion having regard to matters including the level of applications under the SPP. Any scaleback of the SPP will be pro rata to existing shareholding

Full details of the SPP will be set out in the SPP offer booklet, which is expected to be released to the ASX and dispatched to eligible Perpetual shareholders on 4 August 2020.

### Guidance on FY20 Results and Dividend Settings

Further to the 4Q20 FUM update released to the ASX on 16 July 2020, Perpetual expects to report a statutory net profit of \$82.0 million and an underlying profit after tax<sup>6</sup> of \$93.5 million for FY20<sup>7</sup>.

The Board will consider the payment of an FY20 final dividend under the existing dividend policy to pay dividends within a range of 80-100% of statutory NPAT on an annualised basis. However, as the Acquisition is a transformational milestone in Perpetual's growth strategy, Perpetual intends to change its dividend policy in the future to reflect its material impact on the Group's statutory earnings profile upon completion. Perpetual expects the Acquisition to be DPS accretive in the first year.

### Key Dates

| Event   | Date  |
|---|---|
| Record Date for SPP   | 7pm (Sydney AEST time), Friday 24 July 2020         |
| Trading Halt  | Monday, 27 July 2020                                |
| Announcement of the Acquisition and Equity Raising              | Monday, 27 July 2020                                |
| Placement Bookbuild   | Monday, 27 July 2020                                |
| Announcement of the Outcome of the Placement                    | Tuesday, 28 July 2020                               |
| Trading Halt Lifted   | Tuesday, 28 July 2020                               |
| Settlement of Placement   | Thursday, 30 July 2020                              |
| Allotment and Normal Trading of New Shares Under the Placement  | Friday, 31 July 2020                                |
| SPP Offer Opens   | Tuesday, 4 August 2020                              |
| SPP Offer Booklet Dispatched to Eligible Shareholders           | From Tuesday, 4 August 2020                         |
| Release of FY20 Financial Year Results <sup>7</sup>             | Thursday, 20 August 2020                            |
| SPP Closing Date  | 5pm (Sydney AEST time)<br>Wednesday, 26 August 2020 |
| Announcement of Results of SPP                                  | Monday, 31 August 2020                              |
| Issue Date for SPP Shares & record date for FY20 Final dividend | Friday, 4 September 2020                            |
| Commencement of Trading of SPP Shares                           | Monday, 7 September 2020                            |
| Holding Statements for SPP Shares Dispatched                    | Tuesday, 8 September 2020                           |

<sup>6</sup> Underlying profit after tax (UPAT) represents Perpetual's measure of the results of the ongoing business of the Group as determined by the Board and management

<sup>7</sup> Subject to completion of the 30 June 2020 external audit

The Acquisition completion is expected by the end of first half of FY2021, subject to regulatory and customary approvals including Barrow Hanley client consents.

### Advisors

Goldman Sachs is acting as financial advisor on the Acquisition and Vedder Price in Chicago, United States is acting as legal advisors on the Acquisition with Herbert Smith Freehills as legal advisors to the Offer. Goldman Sachs and BofA Securities are acting as Joint Lead Managers, Lead Managers and Underwriters to the Placement.

### Additional Information

Further details of the Acquisition and Offer, including applicable dates are set out in the accompanying Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Placement and SPP.

### Investor Call

A briefing will take place via conference call at 10:30am (Sydney AEST time) on 27 July 2020.

#### Webcast link:

<https://edge.media-server.com/mmc/p/nijsoazk>

#### Teleconference details:

<https://s1.c-conf.com/diamondpass/10008837-invite.html>

#### Participants must pre-register for the conference call.

Following pre-registration, participants will receive the teleconference details and a unique access passcode.

The Investor Presentation will be lodged with the ASX on the date of the announcement of the Offer and will be available on [www.dealroadshow.com](http://www.dealroadshow.com).

**Investors will need to contact their Lead Manager sales representative to obtain the password for Dealroadshow.**

[ENDS]

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Sylvie Dimarco  
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(Authorising Officer)

## About Perpetual

Perpetual is a financial services group operating in funds management, financial advisory and trustee services. Our origin as a trustee company, coupled with our strong track record of investment performance, has created our reputation as one of the strongest brands in financial services in Australia.

## About Barrow Hanley

Founded in 1979, Barrow Hanley is a diversified investment management firm offering more than 21 value-oriented investment strategies spanning global equities and US fixed income. Recognised as one of the remaining true, traditional value firms, Barrow Hanley enjoys a unique boutique culture whose singular focus remains to assist clients in meeting their investment objectives, by providing consistent value exposure utilizing our proven philosophy. Today, Barrow Hanley has 95 employees (including 54 investment professionals) and manages US\$44.1 billion in assets for a variety of clients including corporate, public, multi-employer pension plans, mutual funds, endowments and foundations, and sovereign wealth funds across North America, Europe, Asia, Australia and Africa.

## Important Notice

This announcement is not for distribution or release in the United States.

This announcement is not financial product advice and has not taken into account your objectives, financial situation or needs. This announcement has been prepared for release in Australia. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or in any jurisdiction in which such an offer would be illegal. The new shares have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the new shares to be offered and sold in the Placement may not be offered or sold, directly or indirectly, to any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. The new shares to be offered and sold in the SPP may not be offered and sold to any person in the United States or to any person that is acting for the account or benefit of a person in the United States.

This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of Perpetual, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions.

These forward-looking statements should not be relied upon as a representation or warranty, express or implied, as to future matters or an indication or guarantee of future performance. Prospective financial information has been based on current expectations about future events and is, however, subject to risks, uncertainties, contingencies and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. **Readers are strongly cautioned not to place undue reliance on forward-looking statements, including in respect of the Company's FY20 results, 4Q20 market conditions and FY21 outlook, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused in relation to the Company and otherwise by the COVID-19 pandemic.** The forward-looking statements are based on information available to Perpetual as at the date of this announcement. None of Perpetual, its representatives or advisers undertakes any obligation to update any forward-looking statement to reflect events or circumstances after the date of this review, subject to disclosure obligations under the applicable law or any relevant listing rules of the ASX.