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ASX Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Regal Partners Announces Acquisition of PM Capital Limited; Group FUM to Increase to \$10.8bn

Regal Partners Limited (ASX:RPL) ("RPL", "Regal Partners" or the "Company") is pleased to announce it has entered into an agreement to acquire 100% of the issued share capital of PM Capital Limited ("PM Capital"), a multi-award-winning investment management company with a core focus on global long / short equities and fixed income strategies.

Established in 1998 by current Chairman and Chief Investment Officer ("CIO") Paul Moore, the business services a diverse range of Australian retail investors and financial advisory groups, managing in excess of \$2.7bn of funds under management ("FUM") as at 30 September 2023.

The upfront consideration for the acquisition is \$20 million in cash, subject to net debt and working capital adjustments, with deferred, and largely conditional, consideration consisting of the issuance of approximately \$130 million of converting redeemable preference shares in RPL ("Converting Shares"), subject to RPL shareholder approval.

On completion, Regal Partners' total group FUM will increase to \$10.8 billion¹, inclusive of the recently announced partnership with Taurus Funds Management, on a pro forma basis.

Regal Partners' CEO, Brendan O'Connor, said "The addition of PM Capital to the Regal Partners group will provide a further extension to Regal's existing global equities and credit investment capabilities. Paul Moore and his highly experienced investment team are well-recognised as one of Australia's leading long / short equity and fixed income managers, with a strong track record of successfully managing capital for investors for over 25 years. We are delighted that Paul and his team have chosen to partner with Regal and we look forward to meaningfully contributing to the growth of their business over the years ahead."

Regal Partners expects the acquisition to be accretive to its earnings per share ("EPS") in 2024, pre any synergies. The cash component of the consideration for the acquisition is intended to be funded by a combination of existing cash sources and investments on Regal Partners' balance sheet.

PM Capital Chairman and CIO, Paul Moore, said "This new partnership will facilitate our ability to leverage Regal's exceptional corporate and business support infrastructure and distribution capabilities that have been developed under the leadership of their CEO Brendan O'Connor. It will also provide to PM Capital the best practice discipline of a non-executive Board. I would also add that Regal, like PM Capital, invest alongside their clients and have a business owner mentality.

"Most importantly, this partnership will allow me to minimise my non-investment distractions, and thereby allow the PM Capital Investment team to focus on what matters most, investing. This has been the most important factor that I personally, have considered. There will be no change to PM Capital's investment philosophy and process. Over 35 plus years in the industry, I suspect my DNA is well understood - investing and independence and a willingness to stand firm irrespective of short-term market pressures."

Further information on the acquisition of PM Capital and briefing details, commencing at 11am AEDT today, 3 November 2023, are set out overleaf.



TRANSACTION OVERVIEW

Regal Partners has entered into an agreement to acquire 100% of the issued share capital of PM Capital Limited, a multi-award-winning investment management company, founded in 1998 by current Chairman and CIO, Paul Moore. Servicing a diverse range of Australian retail investors and advisory groups, the business manages in excess of \$2.7 billion of FUM across long / short equities and fixed income strategies.

KEY FUNDS AND INVESTMENT STRATEGIES

As at 30 September 2023, PM Capital managed over \$2.7 billion of FUM,² comprising:

- Global Long / Short Equities strategy: \$1.8 billion, including the PM Capital Global Companies Fund and the ASX-listed investment company, PM Capital Global Opportunities Fund Limited (ASX:PGF) ("PGF");
- Australian Long / Short Equities strategy: \$99 million, via the PM Capital Australian Companies Fund; and
- Enhanced Yield Fixed Income strategy: \$788 million, including the PM Capital Enhanced Yield Fund.

All three core strategies have delivered strong investment performance since their inception, outperforming their respective benchmarks.³ PM Capital's flagship strategy, the Global Long / Short Equities strategy, is multi-award-winning, including recently being named category winner for International Equities (Alternative Strategies) at the 2023 Zenith Fund Awards.⁴

The PM Capital Global Companies Fund remains highly ranked in Morningstar's latest peer analysis of Equity World Large Blend funds in Australia, ranking #1 out of 191 funds over 3 years, #3 out of 165 funds over 5 years and #6 out of 110 funds over 10 years.⁵

In addition, PM Capital's \$700m+ ASX-listed investment company, PGF, has generated strong returns for shareholders, with PGF ranked as the top performing ASX-listed investment company for the 5 years to September 2023, generating a total shareholder return of 15.6%⁶ per annum. PGF currently trades at a premium to its Net Tangible Assets per share.

TRANSACTION RATIONALE

Deeply Experienced, Multi-Award-Winning Investment Capability. PM Capital, under CIO Paul Moore, has established a highly successful track record of managing global long / short equities for over 25 years, supported by a highly experienced investment team that will further enhance Regal Partners' existing global equities capabilities currently operating across Sydney, Singapore and New York. The business also brings over 20 years' experience in the management of short duration, defensive fixed income strategies, complementing Regal Partners' recent expansion into alternative income strategies across private credit and resources royalties.

Highly Complementary and Well-Diversified Investor Base. PM Capital's diversified investor base, consisting primarily of Australian retail investors and financial advisory groups, is expected to be highly complementary to Regal Partners' existing wholesale investor base of domestic and offshore institutions, family offices and private investors, providing opportunities for both groups to access new distribution channels and opportunities via existing relationships and networks. The addition of PM Capital's listed investment company, PGF, will increase total FUM held across Regal Partners' closed-ended ASX-listed vehicles to approximately \$2.4 billion⁷, representing over 24,000 securityholders.

Scale Benefits and Access to Enhanced Corporate, Operational and Distribution Platform. The combination of PM Capital and Regal Partners is expected to deliver a number of operating efficiencies and benefits from increased scale, including PM Capital's ability to leverage Regal Partners' highly developed corporate and business support infrastructure and well-established distribution capabilities.

Strong Alignment of Interests, Financially Accretive. The acquisition structure reflects Paul Moore's long-term commitment to the PM Capital business going forward, alongside his shared vision of the significant benefits of partnering with Regal Partners, with 87% of the total potential acquisition consideration being in RPL scrip, converting on specified dates between completion of the acquisition and 1 July 2028 (subject to certain conditions). The acquisition is expected to be accretive to RPL's earnings per share in 2024, pre any synergies.



CONSIDERATION AND FINANCING

RPL proposes to pay up to approximately \$150 million for the acquisition of 100% of the issued share capital of PM Capital, subject to net debt and working capital adjustments.

PM Capital is currently 100% employee and founder owned. A significant portion of the consideration for the acquisition will be delivered as Converting Shares, where the conversion to ordinary RPL shares is subject to various long-term arrangements, including Paul Moore's continued employment and certain revenue and FUM targets, among other conditions. Converting Shares will be non-voting and non-transferable and will carry a right to receive dividends equivalent to those received by RPL's ordinary shareholders.

The key components of the consideration are summarised below:

- Upfront cash consideration of \$20 million ("Upfront Consideration") (subject to customary adjustments, including for working capital and net debt); plus
- Scrip consideration of approximately \$130 million in Converting Shares ("Scrip Consideration") issued on completion of the acquisition, comprising:
 - a) Deferred conditional scrip consideration of approximately \$80 million of Converting Shares in RPL, converting to ordinary shares in RPL at various dates between 30 September 2024 and 30 September 2026, subject to satisfaction of certain conditions;
 - b) Deferred scrip consideration of approximately \$10 million of Converting Shares in RPL, converting to ordinary shares in RPL on 30 September 2026; and
 - c) Deferred conditional scrip consideration of approximately \$40 million of Converting Shares in RPL, converting to ordinary shares in RPL at various dates between 1 July 2026 to 1 July 2028, subject to satisfaction of specific revenue targets.

Further information regarding the consideration for the acquisition is provided in Appendix A to this announcement. RPL will fund the Upfront Consideration from existing cash sources and investments on balance sheet, and will seek RPL shareholder approval for the issuance of the Converting Shares with respect to the Scrip Consideration ("Scrip Consideration Shareholder Resolution").

Six existing shareholders in RPL, holding greater than 50% of the total RPL ordinary shares currently on issue, have executed voting intention deeds poll in favour of RPL, in which each has irrevocably undertaken to procure that all RPL ordinary shares held by that shareholder are voted in favour of the Scrip Consideration Shareholder Resolution.

FINANCIAL IMPACT

In the 12 months to June 2023, PM Capital earned \$16.8 million in management fees (a 0.70% average fee margin)⁸, performance fees of \$17.6 million and net profit after tax (normalised to RPL's definition) of \$13.4 million.

Regal expects the acquisition to be accretive to RPL's earnings per share in 2024, pre synergies. Regal anticipates modest cost synergies from the transaction, with near-term growth opportunities likely driven from the co-ordination of and assistance in future marketing and distribution activities.

TIMETABLE

RPL expects to hold an Extraordinary General Meeting ("EGM") in December 2023 to seek RPL shareholder approval for the Scrip Consideration Shareholder Resolution. The Notice of Meeting for the EGM is due to be released in the coming weeks. If shareholder approval is obtained, RPL anticipates that the acquisition of PM Capital will complete in late December 2023.



INVESTOR BRIEFING AT 11AM (AEDT) TODAY – 3 NOVEMBER 2023

A briefing will be held at 11am (AEDT) today, 3 November 2023, to discuss the PM Capital acquisition and recently announced Taurus Funds Management partnership. The session will be hosted by Regal Partners CEO Brendan O'Connor. The slides that will be referenced during the presentation will be released in a separate ASX announcement.

Please click [here](#) to access the webcast presentation. Please enter your name, email and company to register for the webcast. The webcast will be interactive, with questions able to be submitted online during the event using the "Ask a Question" box. We also encourage investors to submit questions in advance (preferably before 10:40am AEDT) via the registration page or by emailing them to investorrelations@regalpartners.com.

Please click [here](#) to pre-register for the conference call by telephone. Participant dial-in numbers (conference ID 10034899) below if no pre-registration:

Australia (toll free)	1800 809 971	New Zealand (toll free)	0800 453 055
Sydney	+61 2 9007 3187	Other	+61 7 3145 4010

AUTHORISED FOR RELEASE BY:

Ian Cameron, Joint Company Secretary

CONTACT INFORMATION:

Ingrid Groer, CFA

Head of Corporate Affairs

Regal Partners Limited

Phone: 1800 571 917 (inside Australia)

+61 2 8197 4350 (outside Australia)

Email: investorrelations@regalpartners.com

ABOUT REGAL PARTNERS LIMITED

Regal Partners Limited is an ASX-listed, specialist alternatives investment manager. Formed on 3 June 2022 following the merger of VGI Partners Limited and Regal Funds Management Pty Limited, the group manages a broad range of investment strategies covering long / short equities, private markets, real & natural assets and credit & royalties on behalf of institutions, family offices, charitable groups and private investors.

The group houses four dedicated alternative investment management businesses – Regal Funds Management, VGI Partners, Kilter Rural and Attunga Capital – together employing approximately 110 employees, including over 50 investment professionals, located in offices across Sydney, Melbourne, Singapore, Hong Kong and New York.⁹

Combining deep industry experience, extensive networks and multi-award-winning performance track records, Regal Partners seeks to be a leading provider of alternative investment strategies in Australia and Asia.

ABOUT PM CAPITAL

PM Capital, founded in 1998 by its Chairman and CIO, Paul Moore, is a globally-focused fund manager that manages money on behalf of private clients, the clients of financial advisers and institutions. PM Capital's goal is to build long-term wealth by investing in global markets with patience and conviction. It has won numerous awards for its investment performance and the investment team has a significant portion of their wealth invested in PM Capital's funds, demonstrating strong alignment with investors.



¹ Pro-forma funds under management is for 30 September 2023 and is approximate, rounded and has not been audited. Pro forma FUM for the group (including Kilter Rural, Attunga Capital and Taurus Funds Management) includes non-fee earning funds.

² Of the total \$2.7bn of PM Capital FUM, \$2.3bn is fee-earning FUM.

³ As at 30 September 2023.

⁴ The Zenith Fund Awards were issued on 13 October 2023 by Zenith Investment Partners (ABN 27 130 132 672, AFSL 226872) and are determined using proprietary methodologies. The Fund Awards are solely statements of opinion and do not represent recommendations to purchase, hold or sell any securities or make any other investment decisions. To the extent that the Fund Awards constitutes advice, it is General Advice for Wholesale clients only without taking into consideration the objectives, financial situation or needs of any specific person, including target markets where applicable. Investors should seek their own independent financial advice before making any investment decision and should consider the appropriateness of any advice. Investors should obtain a copy of and consider any relevant PDS or offer document before making any investment decisions. Past performance is not an indication of future performance. Fund Awards are current for 12 months from the date awarded and are subject to change at any time.

⁵ Morningstar ranking on performance based on performance to 30 September 2023. Past performance is not an indication of future performance and should not be relied upon.

⁶ Source: Bloomberg. Return is gross of franking credits and relates to LICs with a market capitalisation of over \$300m. Past performance is not an indication of future performance and should not be relied upon.

⁷ As at 30 September 2023.

⁸ Calculated on total FUM, including non-fee earning.

⁹ Business information, including brands, staff and offices is prior to inclusion of Taurus Funds Management and PM Capital.



Appendix A: Material terms of the PMC Acquisition

Regal Partners will acquire 100% of the issued share capital in PM Capital for consideration of approximately \$150 million.

The consideration for the acquisition comprises \$20 million of upfront cash consideration (subject to working capital and net debt adjustments), and approximately \$130 million of fully paid Converting Shares at an issue price of \$1.889 per security.¹⁰

Subject to early conversion or redemption in accordance with their terms, the Converting Shares will convert into ordinary shares of Regal Partners as follows:

- a. Approximately \$90 million of Converting Shares (“Deferred Converting Shares”) will convert as follows:
 - o approximately \$25 million of Deferred Converting Shares will convert on 30 September 2024;
 - o approximately \$25 million of Deferred Converting Shares will convert on 30 September 2025; and
 - o approximately \$40 million of Deferred Converting Shares will convert on 30 September 2026, conditional upon various long-term arrangements including Paul Moore’s continued employment (excluding \$10 million of the Converting Shares, which will convert on 30 September 2026 and which are unconditional); and
- b. Conversion of the remaining approximately \$40 million of Converting Shares will occur on each of 1 July 2026, 1 July 2027 and/or 1 July 2028 (each a “Test Date”) in accordance with a specified formula with respect to PM Capital’s realised revenue (net of rebates) over the 5-year period from 1 July 2023 to 1 July 2028 (“Revenue Realised”), under which, at each Test Date:
 - o no Converting Shares will convert if Revenue Realised is less than \$120 million;
 - o 50% or more of Converting Shares will convert at Revenue Realised of between \$120 million and \$150 million on a linear scale; and
 - o 100% of Converting Shares will convert at Revenue Realised of \$150 million or more.

The \$40 million of Converting Shares above will also automatically convert to ordinary shares in RPL if, at any time between 1 July 2026 and 1 July 2028, PM Capital’s external fee-generating FUM reaches or exceeds \$3.5 billion.

Each Converting Share will convert into 1 RPL ordinary share, subject to adjustments to address any pro-rata or bonus issues, share splits, reconstructions, consolidations or subdivisions in the capital of Regal Partners prior to conversion.

The Converting Shares will be non-transferable (except in limited circumstances, including with the consent of Regal Partners), non-voting and will rank equally with ordinary shares in RPL with respect to dividends. Dividends will be paid in cash on the Converting Shares in part (a) above. Dividends received on Converting Shares in part (b) above will be reinvested to acquire additional Converting Shares on the terms of RPL’s announced dividend reinvestment plan, subject to an adjustment to the extent that dividends are not fully franked.

The issuance of the Converting Shares is subject to receipt of approval from RPL’s shareholders under ASX Listing Rule 7.1 and ASX Guidance Note 19. It is expected that a Notice of Meeting for the EGM will be dispatched to RPL shareholders in November 2023, with the EGM to occur in late December 2023. Subject to receipt of RPL shareholder approval of the Scrip Consideration Shareholder Resolution, the acquisition is expected to complete in December 2023. Completion of the acquisition is otherwise subject to finalisation of an internal restructure regarding PM Capital and its related entities, and no prescribed occurrence occurring in respect of Regal Partners between the date of this announcement and completion (including where Regal Partners resolves to reduce its share capital, enters into a buy-back agreement with RPL shareholders or declares any dividend).

¹⁰ The issue price for the Converting Shares has been calculated by reference to the 5-day VWAP of RPL shares from 23 October 2023 to 27 October 2023.