

Henderson strengthens North American business with acquisition of Geneva Capital Management

30 June 2014

Henderson Global Investors (“Henderson”, “the Group”) has entered into an agreement to acquire the entire issued share capital of Geneva Capital Management (“Geneva”). Founded in 1987, Geneva has assets under management (“AUM”) of US\$6.3bn¹ in Mid- and Small-Cap US growth equities.

- An important strategic milestone in the development of Henderson’s North American business
- Geneva will add US equity investment capabilities and extend US institutional client base
- Initial consideration of US\$130m; deferred consideration linked to revenue retention of up to US\$45m; and growth-related earn-out of up to US\$25m
- Expected to be underlying earnings accretive in the first full year post acquisition.

North American business update

- Henderson’s North American business continues to grow rapidly, doubling its AUM since 2011²
- In May 2014, the US Mutual fund range reached US\$10bn for the first time, with net inflows of US\$1.4bn in the year to date³
- A US based institution awarded a significant new mandate to the Henderson Global Equity team in May 2014
- Having joined in 2013, the US high yield team has achieved 2nd percentile investment performance in its first full year of operation. Investment grade expertise has been added to the team to expand Henderson’s US and global credit platform
- The acquisition of Geneva will enable Henderson to continue to build its North American business.

¹ As at 31 May 2014.

² From US\$5.9bn as at 31 December 2011 (excluding assets transferred to TIAA Henderson Real Estate as part of the property related transactions completed on 1 April 2014) to US\$12.0bn as at 31 May 2014.

³ Five months to 31 May 2014.

Acquisition of Geneva Capital Management

- Accelerates delivery of Henderson's strategy to grow and globalise its business
 - Post acquisition, the North American business will have approximately US\$18.3bn⁴ of AUM, representing nearly 15% of the Group on a pro forma basis
- Geneva's investment expertise in US growth equities fills an important capability gap for Henderson
 - Geneva has a long track record in managing Mid- and Small-Cap growth equities, underpinned by a disciplined and consistent investment process
 - The addition of Geneva will double Henderson's number of US-based investment professionals
- The acquisition will transform Henderson's North American presence, bringing proven institutional distribution capabilities to complement Henderson's successful retail franchise
 - The acquisition will quadruple Henderson's US institutional AUM⁵
 - It will create a well-balanced client base, split broadly equally between retail and institutional
- Geneva's principals have signed long-term employment contracts and have agreed to reinvest at least 30% of net sale proceeds into Geneva products
- There is a strong cultural fit between the two firms and Geneva principals will become valued members of Henderson's equity and North American management teams
- Over time, the transaction creates opportunities to build new products with US content (e.g. Global Small-Cap and US All-Cap); launch new US equity retail products; and market Henderson capabilities more actively to US institutions.

⁴ Based on Henderson US AUM as at 31 May 2014 and Geneva AUM as at 31 May 2014.

⁵ To around US\$8bn.

Andrew Formica, Chief Executive of Henderson, said: "Developing our presence in North America is a strategic priority for Henderson. The acquisition of Geneva is a major step towards achieving our growth ambitions as a global asset manager. It will increase our assets under management in the US by over 50%, add investment management expertise in US equities and extend our US institutional client base.

"We look forward to working with the Geneva team, to ensure that all of our clients benefit from our new partnership. Henderson clients will gain access to Geneva's strong track record in identifying high quality growth companies in US equities, while Geneva clients will continue to benefit from a stable team and an unchanged investment process, now backed by a global pure play asset manager."

Amy Croen, Co-Founder and Managing Principal of Geneva, said: "The team at Geneva is excited to join Henderson. With the backing of a strong international partner who is very supportive of our existing investment strategy and platform, we look forward to taking our business to the next stage of its development.

"On behalf of our clients, we will continue to apply the same consistent investment approach and process that have generated strong risk-adjusted returns since our foundation in 1987."

Transaction details

The consideration is structured in three tranches.

- Up front consideration of US\$130m
- Deferred consideration of up to US\$45m, payable over five years after closing if revenue retention targets are met
- Earn-out of up to US\$25m, payable over five years after closing if Geneva achieves stretch targets in relation to revenue growth.

This consideration will be fully funded from Henderson's existing cash resources.

Transaction and integration costs are expected to be around US\$10m, the majority of which will be incurred in 2014.

This transaction is expected to generate single digit underlying EPS accretion in the first full year post close and returns greater than the Group's cost of capital.

Henderson currently operates under a regulatory capital waiver, which will remain in place until April 2016. Taking into account the effects of this transaction, Henderson expects to meet its capital requirements without recourse to the waiver during 2015.

This transaction is expected to close on 1 October 2014, subject to customary consents.

About Geneva

Founded in 1987, Geneva Capital Management is a US growth equity manager with assets under management of US\$6.3bn as at 31 May 2014, specialising in Mid- and Small-Cap high quality equity growth strategies. The firm is headquartered in Milwaukee, Wisconsin and is 100% employee owned, with a team of 25 including 11 investment professionals.

Geneva's key investment professionals are co-founders Bill Priebe and Amy Croen, together with managing principals Michelle Picard and Scott Priebe. This team, which has worked together for over a decade, will continue to manage Geneva's rigorous investment process and disciplined approach to portfolio management with commitment to high quality investment strategy and attention to client service. Nicholas Bauer, Director of Consultant Relations, will enhance Henderson's growing North American distribution team with his extensive institutional experience.

The firm's client base is comprised of institutional investors and high net worth individuals. Institutional investors include public pension funds, corporate pension and profit sharing plans, non-profit organisations, endowments and foundations. The firm also acts as a sub-advisor to a number of third party mutual funds.

Geneva's reported profit before tax for 2013 was US\$15.4m. Gross assets were US\$8.6m as at 31 December 2013.

About Henderson

Henderson is an independent global asset manager, specialising in active investment. Named after its first client and founded in 1934, Henderson is a client-focused global business with over 800 employees worldwide and assets under management of £72.5bn (pro forma 1 April 2014). Its core areas of investment expertise are European equities, global equities, global fixed income, multi-asset and alternatives.

Henderson is dual-listed on the Australian Securities Exchange (ASX) and the London Stock Exchange (LSE) and has a market capitalisation of approximately £2.8bn (May 2014).

Further information can be found at www.henderson.com/group.

Transaction advisors

Fenchurch Advisory Partners and Sandler O'Neill + Partners, L.P. acted as financial advisors to Henderson. Geneva was advised by Park Sutton Advisors.

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Market briefing

Andrew Formica, CEO, and Roger Thompson, CFO, will host two market briefings on 30 June 2014:

- Briefing 1: 8:30am (Sydney time) / 11:30pm (London time, 29 June 2014) for the Australian investment community
- Briefing 2: 9:00am (London time) / 6:00pm (Sydney time) for the investment community outside Australia.

Teleconference details

We recommend participants start dialling in 5 to 10 minutes prior to the start of the presentation. To link up to the briefing, dial one of the following numbers:

From:

United Kingdom	0800 694 0257 (free call)
Australia	1800 020 199 (free call)
USA	1 8669 669 439 (free call)
All other countries	+44 (0)1452 555 566 (this is not a free call number)
Conference title	Henderson Group, Market Briefing
Conference ID	Briefing 1: 666 07206 Briefing 2: 662 13988
Chairperson	Andrew Formica

To view the presentation slides which will be used during the briefing, please either join the audio webcast or click on the link on the Henderson Group homepage: www.henderson.com/group.

Audio webcast details

You can also listen to the briefings via live audio webcast:

- Briefing 1: 8:30am (Sydney time) / 11:30pm (London time, 29 June 2014)
- Briefing 2: 9:00am (London time) / 6:00pm (Sydney time).

To join either audio webcast, go to www.henderson.com/group and click on the relevant link on the homepage.

An archive of the webcast will be available shortly after the event.

Forward-looking statements and other important information

This announcement contains forward-looking statements with respect to the financial condition, results and business of Henderson Group plc. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend on circumstances, that will occur in the future. Henderson's actual future results may differ materially from the results expressed or implied in these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

The content of the websites referred to in this announcement is not incorporated into and does not form part of this announcement. Nothing in this announcement should be construed as or is intended to be a solicitation for or an offer to provide investment advisory services.