

# Acquisition of Pental Group



**Rob Adams, CEO & Managing Director**

**Chris Green, Chief Financial Officer**

**25 August 2022**

Trust is earned.

Perpetual 

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# Disclaimer

This presentation is in summary form and is not necessarily complete. It should be read together with Perpetual Limited's (Perpetual) and Pental Group Limited's (Pental) consolidated financial statements and other announcements lodged with the Australian Securities Exchange, which are available at [www.asx.com.au](http://www.asx.com.au). The presentation is general information and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances.

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# A compelling combination

**Rob Adams**

**CEO and Managing Director**

# A defining acquisition

## Significant acceleration of global build-out and growth potential

Creates a leading global multi-boutique asset management business with improved scale and reach

Strong presence across all major markets, with significant capacity for growth

**A\$201b**  
in AUM<sup>1</sup>

Combines two respected firms to create a leading global multi-boutique asset manager

**A\$1.4b**  
in revenue<sup>2</sup>

A contemporary business model combining the advantages of boutique investment autonomy while leveraging institutional grade infrastructure

**7**  
boutique brands

Strong, respected brands all retained

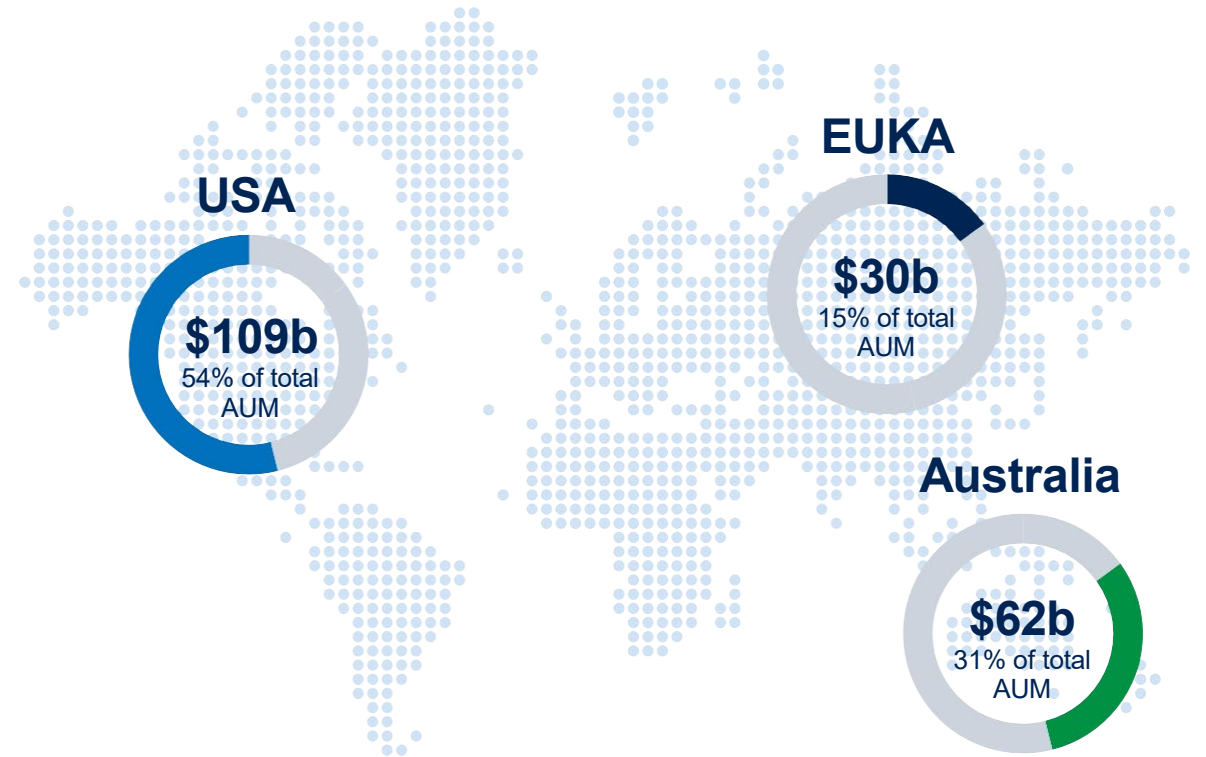
**>100**  
investment strategies<sup>4</sup>

Highly complementary investment capabilities covering the majority of key markets globally

**A\$15b**  
Dedicated ESG AUM<sup>5</sup>

Creates a global leader in ESG investing, with Trillium, Regnan and dedicated ESG capabilities

Global combined AUM by client geography (\$A)<sup>3</sup>



Source: Company filings and publicly available information for the quarter ended 30-Jun-2022.

1. AUM from PAMI and PAMA, excludes FUA from PCT and PP. AUM split per last reported by Pental at 30-Jun-2022, geographical splits based on client domicile, AUM for Pental Australia includes Westpac and Cash. 2. Perpetual's FY22 revenue excludes revenue from Group Investments, Group Support Services, and the impact of Significant Items. Pental's revenue is taken as the last 12 months to Mar-22. 3. EUKA includes Europe, UK and Asia; Australia incl. Australia and New Zealand, Pental cash AUM classified as Australia 4. Number of Investment strategies as at 30-Jun-2022. 5. Dedicated ESG is AUM that has a specialist ESG investment approach and combines both Perpetual and Pental AUM.

# An ideal business model based on boutique investment autonomy leveraging institutional grade infrastructure

Bringing together the best elements of both a pure boutique model and a traditional institutional model

## The Boutique Model

Promotes investment autonomy of investment teams

- ✔ Maintains investment autonomy and identity
- ✔ A strong sense of independent culture and personality within each boutique
- ✔ Aligns with client preference for specialist asset management capabilities
- ✔ Attractive model to attract and retain the best investment talent, allowing full focus on managing money



## The Institutional Model

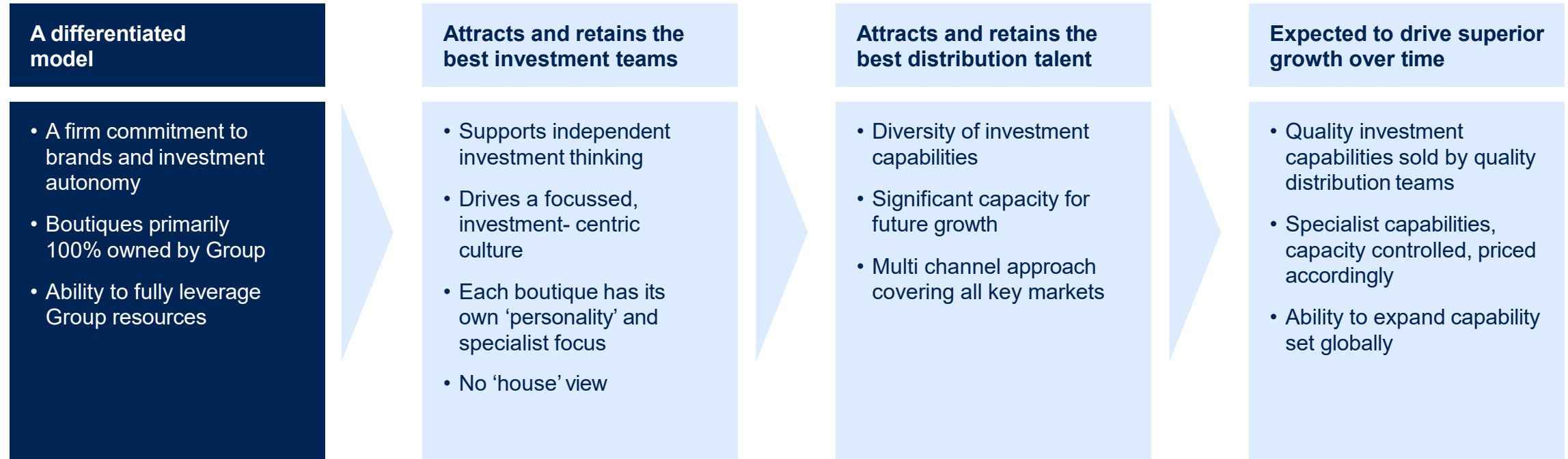
Provides scale, stability and robust global governance

- ✔ High quality global governance and risk oversight
- ✔ Large balance sheet and corporate stability
- ✔ Robust technology platform
- ✔ Financial resources to invest in each boutique as required
- ✔ Enhanced ability to seed new capabilities
- ✔ Provides investment teams with a global growth platform

The combination of Perpetual and Pental enables economies of scale to generate efficiencies across global governance, risk and digital investment. At the same time, the combination maximises the value of each investment team through the retention of key brands, culture and investment autonomy

# Advantages of our global multi-boutique model

Combining the advantages of a true boutique approach with the benefits of scale



PENDAL



# Offer overview

Strategically and financially compelling opportunity for shareholders of both firms



## Attractive offer unanimously recommended by Pental's Board

Pental shareholders will receive 1 Perpetual share for every 7.50 Pental shares plus A\$1.976 cash per Pental share. The cash component will be reduced by the cash component of any final FY22 Pental dividend

## A scrip and cash offer that allows shareholders in both companies to participate in the growth of the combined business

The combined business will have a proforma ownership of 53%<sup>1</sup> Perpetual and 47%<sup>1</sup> Pental and operate as Perpetual Limited

## Financially attractive with double digit EPS accretion estimated in year one<sup>2</sup>

This estimate includes projected annualised pre-tax synergies of A\$60m. Full run-rate of synergies to be delivered within 2 years of completion.

The offer price implies an EV/EBITDA multiple<sup>3</sup> of 8.3x pre-synergies, 6.7x post synergies

## Funding via a new debt facility with a clear pathway for a reduction in gearing

Pro forma leverage is expected to be ~1.3x net debt/EBITDA (~1.7x gross debt/EBITDA) shortly after implementation with a clear pathway to ~0.8x net debt/EBITDA (~1.2x gross debt/EBITDA) in year 3 post implementation

**Pental's Board has unanimously recommended the offer  
With strong support from Pental's portfolio managers**

1. Based on 7.50x exchange ratio and 383.1m Pental shares outstanding at implementation. 2. Estimated EPS accretion for Perpetual shareholders on an underlying basis assumes full run rate of synergies. Assumes December implementation. EPS accretion calculated with reference to broker consensus earnings for both Pental and Perpetual. Note accounting treatment and definitions of UPAT will need to be aligned post transaction. 3. Based on consensus earnings for Pental and Perpetual's closing share price at 24 August 2022 of \$30.30. Enterprise value calculated assuming Pental declares a final FY22 dividend in line with Bloomberg consensus estimates and reported net debt at 31 March 2022.

# Pendal - a highly respected global, multi-boutique asset manager

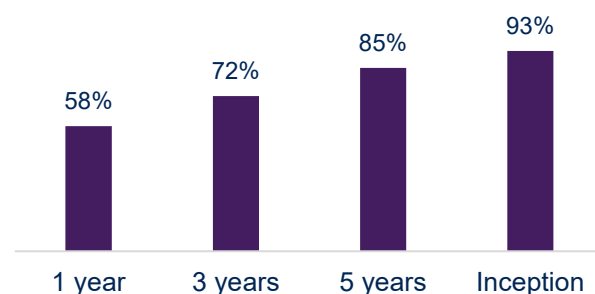
World-class investment teams with significant capacity for growth

## Key facts

Assets under Management <sup>1</sup>	A\$111b
Fee Revenue <sup>2</sup>	A\$668m
Underlying Profit Before Tax <sup>2</sup>	A\$255m
Investment professionals <sup>3</sup>	107
Sales professionals <sup>3</sup>	53

## Investment performance<sup>1</sup>

Percentage of eligible AUM outperforming benchmark



## Brands

### PENDAL

An Australian brand with Australian equities, global equities, cash, multi-asset and fixed income capabilities



A global equities asset manager with specialist capabilities in US, UK, European, Asian, emerging markets, global equities and fixed income

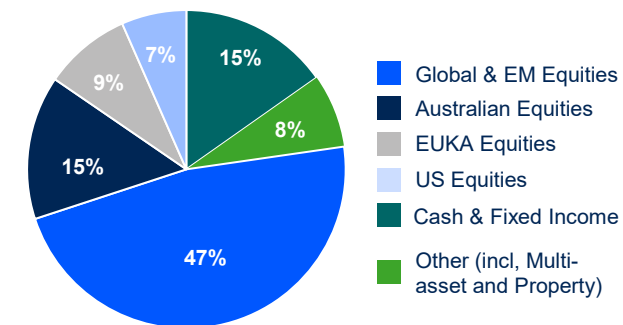
### Regnan

A responsible investment specialist

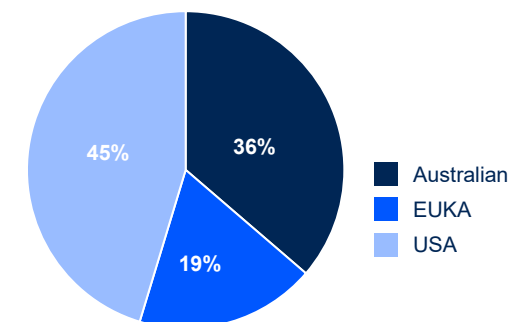


A US based value-investor with US equities, International equities, fixed income and multi-asset strategies

## AUM by Asset Class<sup>1</sup>



## AUM by Client domicile<sup>1</sup>



Source: Company filings, other publicly available information. All numbers refer to Australian Dollar.

1. As at 30 June 2022. Australia AUM includes cash. 2. For the 12 months ending 31 March 2022. 3. As at the date of the 2021 Annual Report



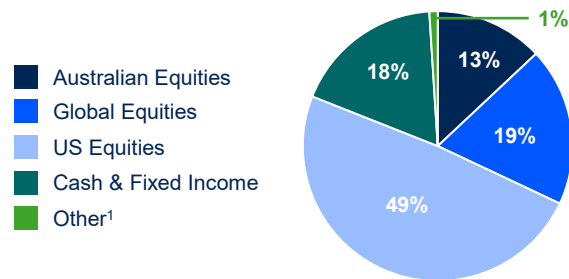
# Combined business improves asset class and distribution channel diversity



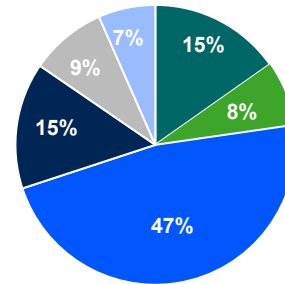
PENDAL

Pro-Forma Business<sup>3</sup>

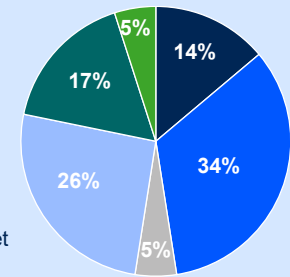
AUM by Asset Class



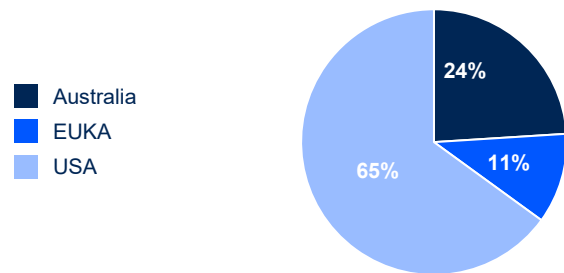
- Global & EM Equities
- Australian Equities
- EUKA Equities
- US Equities
- Cash & Fixed Income
- Other (incl. Multi-asset and Property)



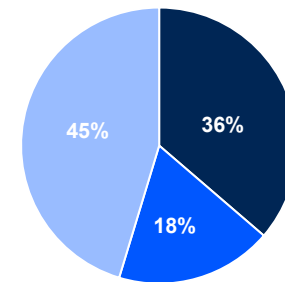
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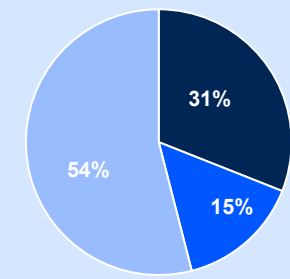
AUM by Client domicile



- Australia
- EUKA
- USA



- Australia
- EUKA
- USA



AUM: A\$90.4b (45%)<sup>2</sup>

AUM: A\$111.0b (55%)<sup>2</sup>

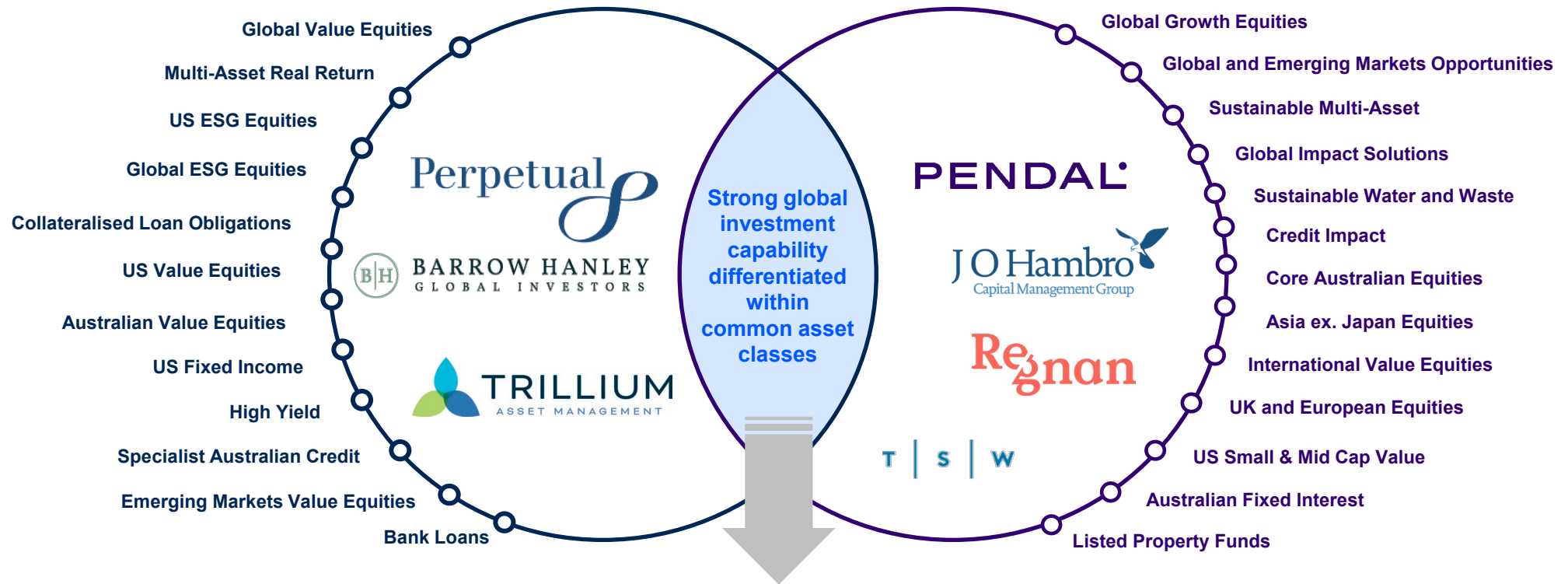
AUM: A\$201.4b (100%)

Source: Company filings and management information for the quarter ended 30-Jun-2022. Asset management AUM (excludes FUA from PCT and PP)

1. "Other" AUM for Perpetual represents funds that are managed by external managers and Multi-Asset investments. 2. For Perpetual, refers to PAMA for Australian and New Zealand client domicile and PAMI for all other domiciles. AUM for Pental Australia includes Westpac and Cash. 3. Combined percentages in AUM by Asset Class are subject to rounding.

# Diversified set of investment capabilities

Bringing together strong, differentiated investment capabilities



	Australian equities	Australian fixed income	International equities	US equities	ESG style strategies
Perpetual	Value-style	Credit focused	Value-style	Value-style	Shareholder advocacy and integrated ESG investing (Trillium)
Pental	Core-style	Rates driven	Core and Relative-value	Core/value	Thematic and Impact investing and engagement (Regnan)

# Leading global voice in ESG, with impact investing platform ingrained across the group

## Dedicated ESG



Pioneer ESG asset management firm implementing a holistic, fully ESG-integrated investment process using proprietary ESG scoring methodology. Focused exclusively on responsible investing and advocacy since its founding in 1982



A leader in thematic and impact investment solutions and shareholder advocacy, also providing advice and insights into ESG issues (both internally and to external clients)



Ethical or sustainable funds where specific ESG criteria are central to the funds investment approach

## Integrated ESG<sup>1</sup>

PENDAL



High quality investment strategies where consideration of ESG factors is incorporated into investment analysis, decision making and ownership practices

## Mandates with ethical screens



Managing client-specific SRI mandates utilising Barrow Hanley's proprietary ESG scoring system with additional ESG screening

Note: Excludes TSW which is yet to incorporate ESG factors into its investment processes

1. This label has been adopted based on the UN PRI approach. ESG integration is defined here: <https://www.unpri.org/fixed-income/what-is-esg-integration/3052.article>

# Significantly enhanced global distribution platform

Bringing forward years of growth for each firm



Combined global distribution team immediately provides deeper coverage across all key markets



Expanded capability set and deeper capacity enhances ability to build distribution partnerships globally, both retail and institutional



Global ESG leadership position across key markets



Better positioned to build market position in more markets sooner



Perpetual and Pental Australian equities businesses to be managed separately and to have dedicated, separated distribution

Materially expanded global distribution footprint from day one

US, UK and European Intermediary (retail) coverage significantly deeper

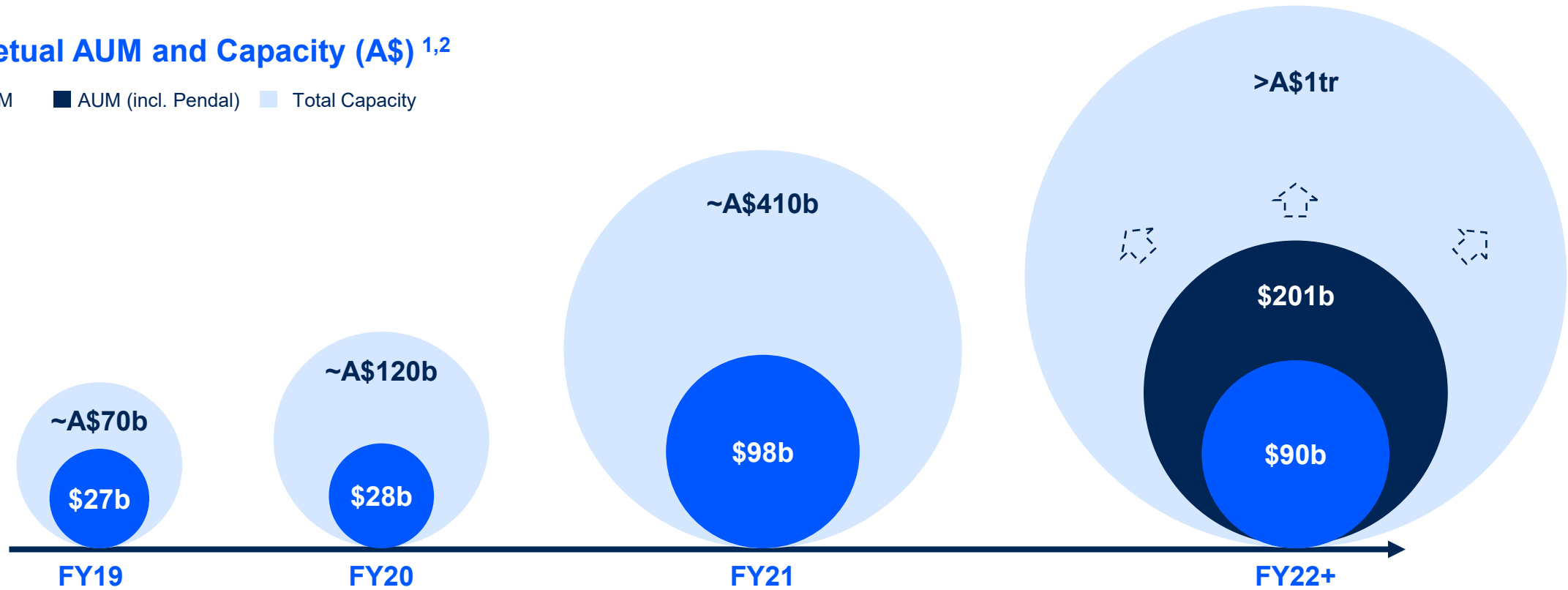
Contemporary product platforms across all key markets and channels

Increased ability to invest in distribution, including digital marketing, new products and new channels

# Acquisition provides a step-change in AUM and a significant uplift in capacity for future growth

## Perpetual AUM and Capacity (A\$) <sup>1,2</sup>

■ AUM ■ AUM (incl. Pental) ■ Total Capacity



- Leading domestic asset management player
- Capability focused on Australian equities, Australian credit & fixed income and multi-asset
- Capacity constraints in domestic sectors

- Acquisition of Trillium delivering leading ESG capability and significant capacity uplift across Global and US equities

- Acquisition of Barrow Hanley providing significant capacity uplift across Global and US equities, US fixed income and Global emerging markets equities

- A defining acquisition of Pental, providing a step-change in AUM and capacity for further growth
- Combined global distribution team will immediately enhance growth potential of all boutiques

1. Capacity is indicative only and subject to adjustment based on market movements and trading conditions. Capacity estimate as at FY22 based on Perpetual management estimates of both Pental and Perpetual's capacity. 2. Closing AUM as reported at the end of each reporting period.

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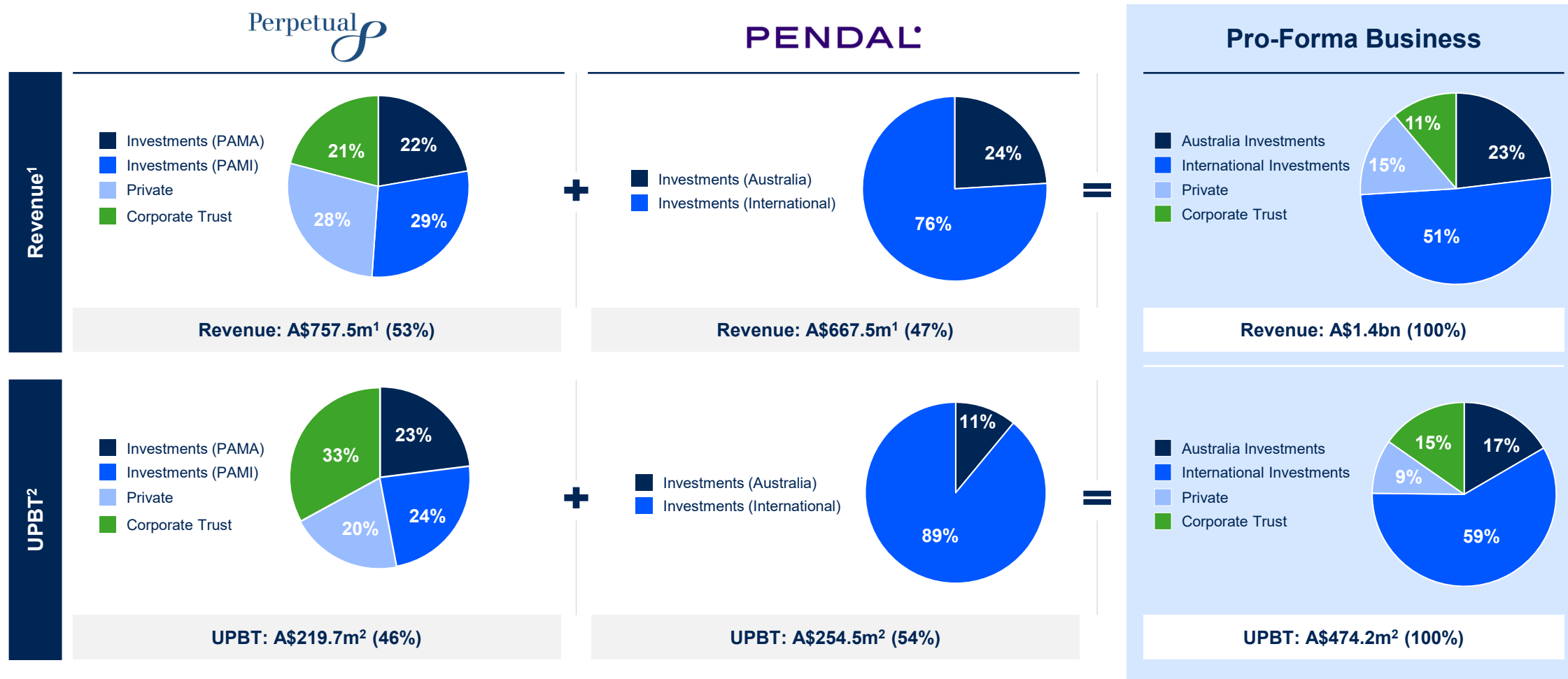
# Pro-forma Financials and Synergies

Chris Green

CFO

# Expands asset management revenue and UPBT

Whilst retaining diversification benefits and non market linked revenues through PP and PCT



Source: Perpetual management information, company filings and publicly available information.

<sup>1</sup> Perpetual revenue refers to the last 12 months ending Jun-22. Note this excludes revenue from Group Investments and the impact of Significant Items. Pental revenue refers to the last 12 months ending Mar-22. <sup>2</sup> Perpetual UPBT refers to the last 12 months ending Jun-22. Pental UPBT refers Operating Profit in the last 12 months ending Mar-22. Note for Perpetual, this excludes revenue from Group Investments, Group Support Services, and the impact of Significant Items.

# Offer cash component will be fully funded by a new debt facility

## Target gross debt ratio of 1.2x within 3 years of implementation

- Cash component of the offer<sup>1</sup>, totaling A\$757 million, will be funded by a new debt facility
- New debt facility will also re-finance the existing debt facility and includes undrawn headroom for liquidity management purposes.
- Both Pental and Perpetual are well capitalised businesses with significant seed capital pools, which we will actively manage to invest in new expansion opportunities
- Pental expecting to pay down borrowings and close current facility as part of implementation

### Implementation

**~1.7x**

Gross debt / pro forma EBITDA  
(post synergies)  
(~1.3x Net debt / pro forma EBITDA)

**A clear pathway to  
reduction**

### 3 years post implementation

**~1.2x**

Gross debt / pro forma EBITDA  
(~0.8x Net debt / pro forma EBITDA)

**Dividend policy of 60-90% payout of UPAT remains unchanged**

1. The cash component of the consideration will be reduced in equal amounts by any final FY22 dividend declared by Pental prior to transaction close.



# Combined synergies expected to deliver substantial value; integration will be led by experienced execution team

## Targeted annual pre-tax synergies of ~A\$60 million

- ✓ Run-rate pre-tax expense synergies of A\$60 million expected to be achieved by the end of the second year post implementation, with 50% expected to be achieved by the end of year one<sup>1</sup>
- ✓ Synergies will not directly impact key investment brands and teams
- ✓ Synergies estimated at ~8%<sup>2</sup> of combined asset management cost base and opportunity to optimise business further over time
- ✓ One-off cost to achieve synergies of A\$110m with majority incurred over 18 months<sup>3</sup> and other transaction costs of A\$40m

## Integration principles and implementation

- ✓ Experienced team, through Barrow Hanley and Trillium acquisitions, handling integration
- ✓ No change to key investment teams, their investment processes or investment autonomy
- ✓ Positive track record of delivering cost synergies
- ✓ Maintain client experience for both Perpetual and Pandal clients throughout and beyond integration
- ✓ Clear governance and leadership from day one
- ✓ Uninterrupted management of combined fund range whilst meeting client expectations, risk appetite and regulatory requirements

Completion estimated to occur late 2022 / early 2023 subject to conditions

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# Closing Remarks

**Rob Adams**

**CEO and Managing Director**

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# A defining acquisition that creates a leading global multi-boutique asset manager

Bringing together two storied brands with high quality investment capabilities



Contemporary business model combining the advantages of boutique investment autonomy while leveraging institutional grade infrastructure



Significant deepening of global distribution footprint driving improved growth over time



Creates a global leader in ESG investing, better able to capitalise on the mega-trend in ESG



Strategically and financially compelling for both Perpetual and Pandal shareholders

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# Q&A

**Rob Adams**  
CEO and Managing Director

**Chris Green**  
Chief Financial Officer

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🌐 [linkedin.com/company/perpetual-limited/](https://www.linkedin.com/company/perpetual-limited/)

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## About Perpetual

Perpetual Limited (ASX:PPT) is an ASX-listed, diversified financial services company, which has been serving clients since 1886. Across our four businesses: Perpetual Asset Management Australia, Perpetual Asset Management International, Perpetual Corporate Trust and Perpetual Private, we aim to protect and grow our clients' wealth, knowing that by doing so we can make a difference in their lives. We have been earning the trust of our clients for more than 130 years and pride ourselves on our long-standing client relationships – Trust is earned, every day.

For further information, go to [www.perpetual.com.au](http://www.perpetual.com.au)

Perpetual's Head Office is located in Sydney, with offices in Adelaide, Brisbane, Canberra, Melbourne, Perth, Chicago, Amsterdam, London, Hong Kong and Singapore.

Trillium's offices are located in Boston, San Francisco and Edinburgh.

Barrow Hanley office is located in Dallas.

# Thank you

The background of the entire slide is a close-up photograph of three dandelion seed heads. The seed heads are positioned diagonally from the top left towards the bottom right. They are rendered in a light, ethereal blue color, contrasting with the deep, dark blue background. The fine, hair-like structures of the seeds are clearly visible, creating a delicate, web-like texture. The lighting is soft, highlighting the intricate details of the seed heads.

Trust is earned.

Perpetual 

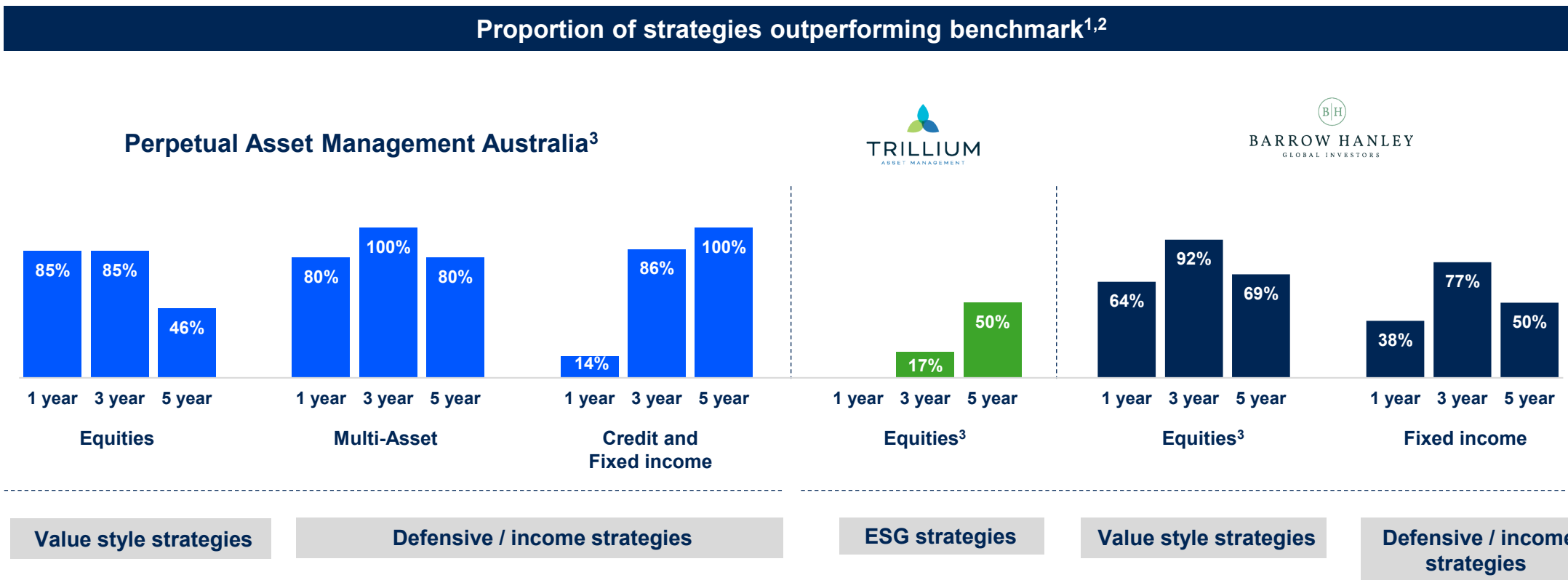
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# Appendices

# Perpetual – recent investment performance

At at 30 June 2022

## Proportion of strategies outperforming benchmark<sup>1,2</sup>



1. Performance as at 30 June 2022. 2. Past performance is not an indicator of future performance. See [www.perpetual.com.au](http://www.perpetual.com.au), [www.barrowhanley.com](http://www.barrowhanley.com) and [www.trilliuminvest.com](http://www.trilliuminvest.com) for relevant performance. The product disclosure statements (PDS) or disclosure document of any of the capabilities or funds should be considered before deciding whether to acquire or hold units in any such offering. 3. Trillium includes US Equities and Global Equities, Barrow Hanley equities includes US Equities and Global Equities. These strategies are available to US investors only.



# Pendal – recent investment performance<sup>1</sup>

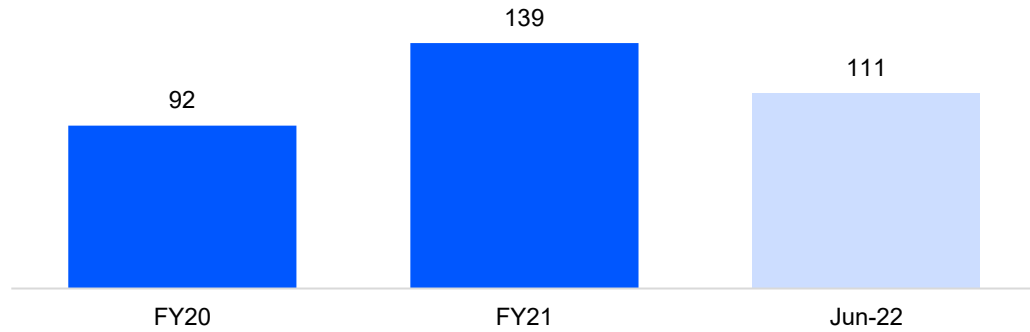
At at 30 June 2022

(A\$b)	AUM		% AUM outperforming		
	Jun 22	1 Yr	3 Yr	5 Yr	Inception
Global / International	47.7	50%	50%	87%	88%
Australia	16.2	66%	98%	96%	98%
Cash	10.7	79%	100%	100%	92%
UK	7.4	33%	62%	46%	100%
US	7.3	100%	100%	78%	100%
Multi asset	6.8	72%	71%	74%	97%
Fixed Income	6.2	31%	89%	98%	97%
Emerging Markets	4.7	100%	100%	100%	99%
Europe	1.5	48%	48%	48%	91%
Property	1.3	4%	92%	100%	100%
Asia	0.9	4%	99%	99%	97%
Other <sup>2</sup>	0.2	95%	85%	85%	100%
<b>Total AUM</b>	<b>111.0</b>	<b>58%</b>	<b>72%</b>	<b>85%</b>	<b>93%</b>

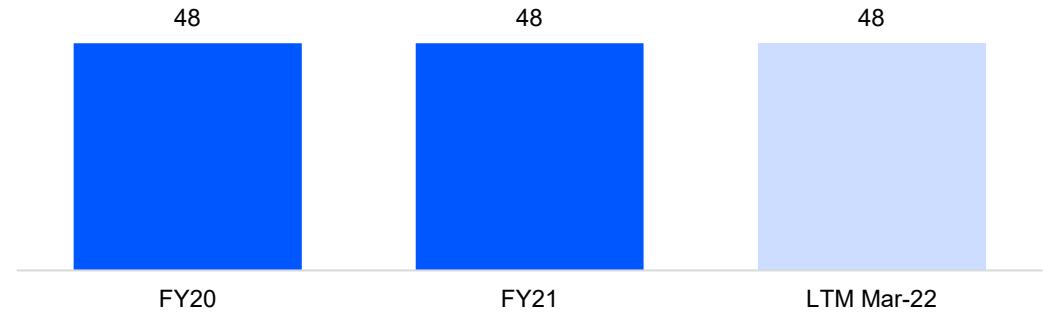
1. Fund performance is pre-fee, pre-tax and relative to the fund benchmark; % of AUM outperforming relates to AUM with sufficient track record only. 2. Other includes Alternatives and Structured Investment Vehicles

# Pendal financial performance overview

Closing AUM (A\$bn)

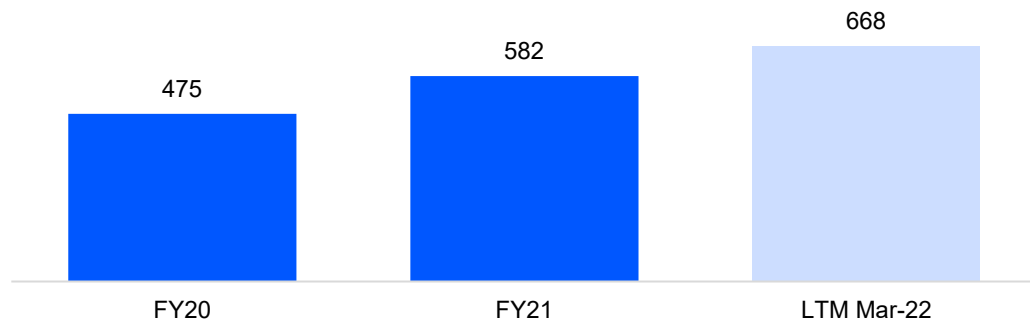


Management Fee Margin (bps)<sup>1</sup>

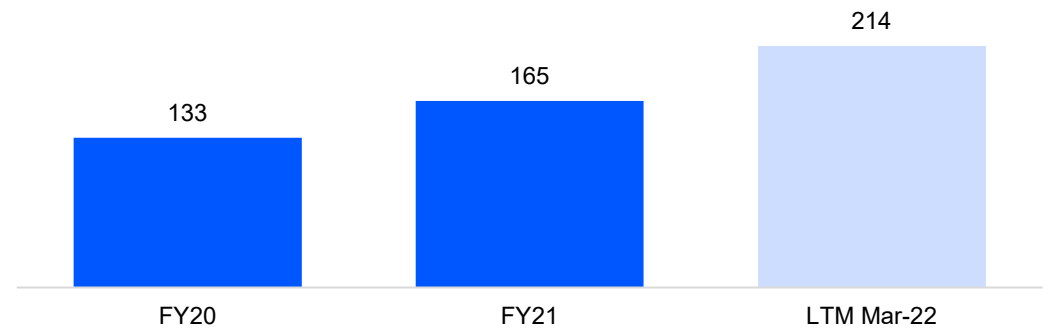


1. LTM Mar-22 based on 1H22 management fee margin.

Revenue (A\$m)



UPAT (A\$m)



Note: based on Pendal's financial year end of September.

# Scheme Implementation Deed – key terms

Key terms	Description
<b>Offer</b>	<ul style="list-style-type: none"><li>Perpetual to acquire 100% of the shares in Pental by way of a recommended Scheme of Arrangement (<b>Scheme</b>).</li></ul>
<b>Consideration</b>	<ul style="list-style-type: none"><li>1 Perpetual share for every 7.5 Pental shares and A\$1.976 cash per Pental share</li><li>Any Pental FY22 dividend paid will be deducted from the cash consideration</li><li>Under a mix and match mechanism, Pental shareholders can elect to receive more cash or more scrip, subject to scale-back</li></ul>
<b>Pental board recommendation</b>	<ul style="list-style-type: none"><li>Pental’s Board has unanimously recommended that Pental shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of Pental shareholders</li></ul>
<b>Conditions</b>	Includes: <ul style="list-style-type: none"><li>Court, regulatory and Pental shareholder approval</li><li>Independent Expert concluding that the Scheme is in the best interests of Pental shareholders</li><li>Obtaining an appropriate level of Pental client consents</li><li>No ‘material adverse change’ or ‘prescribed events’ in relation to either party</li></ul>
<b>Exclusivity</b>	<ul style="list-style-type: none"><li>Customary deal protections in favour of each party, including “no shop”, “no talk”, “no due diligence” and notification rights.</li><li>Perpetual also has the benefit of matching rights in the event of a Competing Transaction in relation to Pental</li><li>Reciprocal reimbursement fees of \$23 million payable in certain circumstances</li></ul>

A copy of the Scheme Implementation Deed entered into between Perpetual and Pental is attached to the ASX announcement of the Transaction.