Henderson Global Investors

Monday 3rd October 2016

Andrew Formica, Chief Executive

Thank you, good morning and thank you all for joining us. It's a real pleasure to be announcing today the recommended merger of Henderson Group with Janus Capital to form Janus Henderson Global Investors.

Together we are creating a global active asset manager which has the privilege of managing on behalf of our clients over US$320bn. This is a truly transformative step for each of our companies, accelerating both businesses' ambitions for growth and their desire to diversify and globalise.

The transaction as you'll have seen has consciously been constructed as a merger of equals, both firms individually have strong underlying growth potential but together we have a fantastic opportunity to improve on that.

Through our discussions it has become abundantly clear that this merger creates significant benefits for our clients, increases the opportunity for our staff and provides demonstrable value for shareholders in both the short and the longer term for them.

A lot of people have asked how would this happen, and I say there are four key reasons that really stand out to me on why this merger is such a good deal for those constituents.

Firstly, the combination will vastly expand our client facing teams and our distribution presence across all the major client segments around the world that we service.

Second, it will create a firm with a more diverse scalable product offering with increased depth and breadth of investment teams supporting more consistent outcomes on behalf of our clients. The benefits of the complementary investment expertise of both firms will create enhanced coverage of active investment strategies across public markets, strengthening both our traditional and our alternative strategies.

Third, the complementary global nature of the businesses will create an environment with increased opportunity for our employees to work and to grow professionally. Janus Henderson Global Investors will combine the best talent from each organisation which will result in an even stronger combined business.

And finally, the combined business will have a more diversified revenue mix, stronger scale, and will be able to deliver meaningful operational synergies. This will lead to increased profitability and allow the new firm to continue to grow and more importantly, invest in new opportunities throughout the market cycle.

Joining me today on the call is Dick Weil, CEO of Janus Capital, currently in their headquarters in Denver, Colorado. Over the course of this year I have got to know Dick well. It has been a pleasure to work with him on the transaction and personally I'm pleased to be asked to lead our new business together with him.

For those of you who don't know Dick I'd say he's whip smart, engaging and absolute to his core focussed on working on behalf of his clients. I personally couldn't have asked for a better partner and it's a pleasure to work with him on what is a truly exciting future path for Henderson and for Janus.

Given as you can imagine it's still very early in the morning in Denver I'm going to let Dick finish his coffee and I'll do most of the talking on this call, but I know Dick will be happy to take any of the questions you might have for him at the end. Roger Thompson is also here with me to talk about the financial benefits of today's transaction.

Let me start by giving you a sense of why Janus is such a great partner for us and why now is the right time for us to take this step. I've summarised this on slide four in the presentation.

First and foremost, both businesses start from a positon of relative strength in their home market. Janus and Henderson are two highly complementary businesses who have been very successful and have leveraged that success to expand abroad. That success has at its heart a strong investment culture, one that I say is tangible, has been nurtured and is protected in both firms. Both Janus and Henderson are focused on our clients. We have well matched investment capabilities and complementary geographic footprints. As a combined company we will have an 'at scale' business in each of the US, Europe and Asia.

In all of the work I've done so far with Dick and his team I've been struck by just how well we've collaborated, and that is so important and gives me great confidence for the future. It should not be a surprise for you then to note that in both of our corporate strategies we seek to be trusted and valued by our clients. In addition, active management is at the heart of what we both do. Our ability to share a broader range of active investment styles with a truly global client base will be at the core of our future success.

Together we're well positioned to succeed in an industry where diversification and economies of scale are increasingly holding the key to increased profitability. We see the opportunity to deliver compelling value to shareholders of both businesses, initially through substantial cost synergies as we remove duplication, and over the longer term through higher revenue growth as we leverage the enhanced client development team. We expect to deliver double digit earnings accretion to both company shareholders in the first 12 months after close.

Let's take a closer look at the key features of what we're announcing today on the transaction overview slide.

The new company will be called Janus Henderson Global Investors and will be led by Dick and myself. In regard to the name we are blessed to have two well-known names in Janus and Henderson to draw upon. Janus has a strong name in the US Retail market, is a top 20 mutual fund complex and has over US$30bn in direct Retail clients. Given that the US is both our largest client base today and also our largest opportunity set for future growth it was a clear and easy decision to lead with Janus.

At closing, Janus Henderson Global Investors will be listed on the New York Stock Exchange and we will also maintain our listing on the Australian Stock Exchange. We are also asking our current shareholders to support a delisting from the London Stock Exchange, which if approved would be effective at closing. The merger will be effected through a share exchange, with each Janus share being exchanged for approximately 4.7 shares in Henderson. The combined market capitalisation of the new firm will be approximately US$6bn.

The combined firm will be made up of approximately 43% Janus shareholders, 57% Henderson shareholders. Particularly pleasing for me is that Dai-ichi Life who is the largest shareholder of Janus at the moment, having 20% will be the largest shareholder of the combined Group with pro forma ownership of approximately 9% at closing, and they have committed to remaining a valued strategic partner going forward.

We are thrilled that Dai-ichi has pledged its support for this transaction and has signed a new strategic agreement that will be effective at closing. Dai-ichi also intends to increase its holdings in the future to at least 15%, and to that end has purchased a series of warrants that will facilitate its ambitions in this regard.

Furthermore, Dai-ichi is very keen on the potential of working with the Henderson side of our new business and anticipates additional investments in the Henderson product range of up to US$500m. When it comes to locations, Janus Henderson Global Investors will have significant operations in London and Denver, with members of the Executive Committee based in both locations. Dick and I will be co-located here in the London offices of Henderson. There are meaningful cost synergies we have identified as part of this transaction and Roger will get into the details a bit later in the presentation.

But it’s important that you realise the rationale for this transaction is not about the cost synergies, it’s about what we can do to grow in the future; together we can grow faster than we could on our own. On our estimates we can achieve two to three percentage points of net new money growth above what we could have achieved on our own. Lastly, we expect the transaction to close in the second quarter of 2017.

Moving on to transaction rationale, leading any investment management firm today you are constantly asking yourself how do we remain relevant to our clients and how should we adjust to the structural changes and challenges of the industry. When Dick and I talked about these questions earlier in the year the answers led up to today’s announcement.

Thinking about the client benefits we can see that we need to demonstrate to our clients that this transaction delivers for them, it needs to make sure it delivers for them broader investment expertise, delivers for them greater choice, and delivers for them improved client service. At Henderson our recent acquisitions show how this can work. For example, the Tactical Income Fund which came into Henderson with Perennial is a great addition to our fixed income product line and it was made better as they leveraged Henderson’s global fixed income capabilities. The ability to replicate this on a wider scale through Janus is immensely powerful.

We also see opportunities to offer clients a greater choice of investment propositions. For example, Janus has been one of the leading US mutual fund platforms but yet has not succeeded in offering international or alternative products through this channel, something Henderson could immediately provide. Conversely, the capabilities of INTECH look like an ideal fit for a number of our clients in Europe and the UK.

And finally, we’ll be able to build stronger relationships with our largest distributors with an enhanced and truly global service model. Our clients have ambitions to be more global and we need to move with them.

Turning to the right hand side of this slide, it's a useful reminder of the structural drivers affecting all of us in our industry. Five structural trends are top in mind for both Dick and I: rising costs, the need for distribution scale, fee transparency, regulatory change and its associated costs and the growth of passive funds.

The key to addressing all of these challenges can be found in our ability to create economies of scale and diversification. The combination we've announced today is better equipped to respond and to face these challenges. I'm firmly convinced that the best answer for addressing the client needs and the structural drivers affecting the industry is a new breed of active asset manager, one with a global brand, presence and capabilities, and today we create such a business.

Before I delve into the combination it's worth spending a few minutes looking at both businesses which will give you a greater understanding of how much we have in common. Let me first start with Henderson. As you all know, Henderson has been executing well on our strategy to grow and globalise our business. I'm particularly pleased to see that as at the end of August our assets under management stood at £100bn, more than double the amount we managed for clients when I took over in 2008.

Over this period, not only have we moved to a position of strong organic growth, we have also executed well on strategic acquisitions, and you'll note the success we've had from New Star in 2009 and Gartmore in 2011 that we've spoken about with you in the past. To me the transaction we're announcing today is an obvious next step, it enables us to remain true to our global ambitions and growth trajectory and to adapt to an ever changing market backdrop.

As I worked with Dick on this transaction we were both struck that we had three fundamental things in common. Firstly, our businesses both keep the client front of mind in everything we do, and that is so critical to long-term success in this industry. Second, we both understand the fundamental importance of our people and culture to achieving long-term success. Thirdly and finally, we both take a long term view in the decisions we make. So with this transaction we are focused on executing well, not only to deliver short-term financial benefit, but also to deliver longer term value to our clients and shareholders. In Janus Capital we found a partner with a similar vision, approach and guiding principles.

Now I'd just like to hand over to Dick to give you his perspective and also tell you their story.

Richard Weil, Chief Executive Officer, Janus Capital Group Inc.

Thank you, Andrew, thank you everyone for joining us, it's a terrifically exciting day. As Andrew mentioned, I am Dick Weil, the CEO of Janus Capital Group, and because as shareholders of Henderson you may be a little less familiar with my company I wanted to spend a minute to introduce you to us.

Janus was founded in 1969 on the base foundation of fundamental research and active management which is consistent with who we are today. We have approximately 110 active investment strategies encompassing US and global equity, mathematical equity, fundamental fixed income, global macro fixed income, multi asset and alternative strategies.

Our global distribution footprint includes 21 offices worldwide across intermediary, Institutional and self-directed channels. Similar to Henderson, we are very passionate about delivering a strong, long-term risk adjusted investment performance and exceptional client service as the foundation for our company.

As you can see on the slide, our investment performance is very solid with 78% of our companywide assets under management in the top two Morningstar quartiles as of June 30, measured on a three year basis.

So let me tell you a little bit about why I think this is such a great marriage for Janus. Soon after I arrived in 2010 we set out on a strategic path which we called *Intelligent Diversification*. Fundamentally *Intelligent Diversification* was about deleveraging the balance sheet and about diversifying the business across different product types and different client types. We've made a lot of progress over the years on this path. Our fixed income business now represents approximately 25% of our AUM, compared with only 5% at the end of 2009 with seven consecutive years of organic growth.

Similarly, we've diversified our geographic footprint. Assets outside the United States for us now represent 24% of our AUM versus only 8% at the end of 2009, and that has been driven by five consecutive years of organic growth.

Let me also turn to the great support we've had with our partnership with Dai-ichi Life. They have been just an absolute first class supportive owner and partner for us and with their help we have managed to build a very substantial business in Tokyo. They are a wonderful strategic partner and they are also our largest shareholder and it was very important for both Andrew and I to go to Tokyo and meet with Dai-ichi Life and secure their deep and committed support for this transaction. So we're very pleased to have that support and be communicating that today.

At Janus we've built up a world class global macro fixed income business with the great help and leadership of Bill Gross, and have increased our product offerings to include exchange-traded products as well more recently. So, I think you can see the fundamental strategic path that Janus has been on, called *Intelligent Diversification*, is accelerated by the combination with Henderson. We see the business logic as being very evident of this combination, and the strategic logic as well.

But before I turn it back over to Andrew, let me make one other point. We won't achieve those goals of delivering on the business logic and the strategic logic if we don't bring the people together and create an exciting new company out of the wonderful people we have in each of our separate companies. The special magic I see in this combination is, at every turn over recent months when our leadership teams have been working together to build the common vision for our future, we've been talking about very challenging ideas, and on both sides I think I've been deeply impressed, as has Andrew, with the way the teams have worked together, with the common approach to the business and to each other. So for really the human reasons I'm most optimistic about the future of this combination. And in particular, partnership with Andrew. Andrew's just been a terrific partner and person through the negotiations of some again very sensitive stuff, and I'm looking forward to partnering with Andrew in the years ahead to take advantage of this tremendous opportunity that we're describing today.

So with that, let me turn it back to Andrew for the rest of his presentation.

Andrew Formica

Thanks, Dick, and I echo the sentiments of what Dick said there. I think in terms of how well the teams have worked together has been just phenomenally powerful to work through this with them and have that shared passion and excitement about what we're creating. Also, as you heard from Dick there, the story around Janus, its history, its direction, what it does at its core, its vision and its philosophy, echoes Henderson in so many ways, and it's made the discussions and bringing these businesses together so much easier because at the heart of it all the strategic alignment and the cultural underpins are so similar, it's been very, very easy for all the discussions and decisions we've had to make. So it really gives us a great starting position straight out of the gate at day one.

If we move on to the next slide and look at what the combination of Janus and Henderson looks like. The combined firm will have enhanced scale and market position. We'll have over US$320bn of assets under management. We'll be a top 50 global asset manager, and top 20 of independent asset managers. We'll be one of the top 20 mutual fund complexes in the US. One of the top 10 largest Retail managers in the UK. Have over US$16bn of assets under management sourced from clients in Japan; and also US$24bn sourced out of Australia, which will put us just outside the top 10 down in that market. Serving our clients will be a global team of over 400 investment managers, and a substantial team of distribution professionals worldwide looking after our clients.

If we now turn and look at the product and investment discipline breakdown of Janus Henderson Global Investors, which you see on this slide, the combined product line up will be much more balanced and diverse. It also addresses a number of product gaps that each firm had independently. If we're looking at the assets under management by investment discipline, as you can see here if we look at the top right graph, the breakdown of the combined firm is much, much more balanced, and includes strong US, global and European equity presence, as well as strong fixed income business, and a growing and exciting alternative business within that.

At the graph on the bottom of the slide, you can see that as a combined company there are a number of product gaps that have been filled for each of the firms. Janus' strong US equity, mathematical equity, US fixed income and global macro fixed income, are very well complemented by our global and European equity, global fixed income, and alternative businesses. You can see clearly there our investment teams are well matched, but also complementary, which means very little disruption to our combined client base.

The geographical breakdown of the combined business also tells a very strong and compelling story. Both Janus and Henderson have been focused on expanding our global presence. Janus shareholders know this as part of their strategy labelled *Intelligent Diversification*, and at Henderson you'll know of our five year strategy around growth and globalisation. We have both made some pretty decent progress, but this transaction accelerates our globalisation efforts tremendously, certainly much more quickly than either of us could have done on our own.

If you're looking at the map you can see that the proforma geographic footprint of the combined firm will be significantly expanded through this transaction. Janus' US business will be supplemented with approximately US$20bn of assets from our business. Our strong market position in the UK and Continental Europe is further enhanced by US$10bn of assets from Janus. Both firms present in Asia ex. Japan and Australia, will nearly double at the close. Assets in Japan will be US$16bn. And this reflects Janus' success, together with their strategic partner Dai-ichi, in growing business in that market. And with our foothold in Latin America, we believe we can accelerate our development in what's been a particularly important region for us, and also one of our fastest growing areas.

Most importantly, when you're looking at this page, Janus Henderson Global Investors will be more balanced globally, and the breakdown of our business looks much more similar to the broader industry. With roughly 50% of the assets under management in the US, a third in the EMEA region, and the balance of our assets in Japan and the Asia Pacific regions, we have a much stronger positioning in the top global markets, and we are excited about the opportunities to further expand these businesses.

Moving on to the combined leadership. Obviously the Co-CEO structure is something I'm sure there are questions about. Dick and I recognise that that is a special arrangement for a special set of circumstances. We have a shared vision for a global fund management group, and frankly we've developed a very close working relationship. Starting today there will be a significant amount of work for both of us meeting with clients, employees and shareholders of both respective companies. It is our belief that the Co-CEO structure will allow greater reach of the combined organisation, will reduce the integration risk, and we intend to make the most of what the benefits it brings to the business. Quite frankly, I'd say both of us are up for the challenge.

Now if you look at the rest of the leadership team it's a fantastic team drawn upon the strengths of both firms. I personally had the chance to spend quite a bit of time with each of those on the Janus team, and I've been so impressed with their focus, their drive, their dedication to the business, and in particular their dedication and focus for their clients. It really is a very strong team across the board and something I'm really pleased to be asked to be leading with Dick on.

It also goes without saying that there are many other leaders in the respective organisations not pictured or mentioned on this page, but it is important to note that there are senior leaders across our investment teams and distribution teams that will continue to play a driving role in the combined firm as we deliver on the potential that this combination has.

With all that said, I'd like to now just turn over to Roger who will give a deeper dive into some of the financial metrics of the transaction.

Roger Thompson, Chief Financial Officer

Thanks, Andrew. Let me start by echoing Andrew and Dick's excitement about this merger. It's been great working with Dick, Jennifer McPeek, who is Janus' CFO, and the rest of Janus' Executive Committee over the past few months, which gives me great confidence in how we and our broader teams will work collaboratively together at Janus Henderson.

Let's look in some detail at the value creation from this transaction. Starting with cost synergies, the collective teams at Janus and Henderson have worked to identify and evaluate areas of overlap, and where we believe the combined firm can operate more effectively and more efficiently. Based on this work, which has been reviewed independently by external accountants, we are expecting to generate at least US$110m in run rate net cost synergies, which will be weighted towards the first 12 months, but will be fully realised in the three years post-completion. We expect one-off implementation costs to achieve these synergies to be between US$165m and US$185m.

While, as Andrew has shown, there is minimal overlap in investment management and distribution, overlapping roles across the company are a major source of synergy, backed up by significant non-staff cost savings. We are focusing on finalising client facing roles as soon as we can to minimise disruption to clients, and are committed to treating our people fairly, with decisions made transparently and collaboratively.

Given the high level of synergy expected, the transaction is double digit earnings accretive for both companies in the first 12 months after close. With strong execution, as you have seen from us in the past, this transaction will deliver significant short-term financial benefits. However, as Andrew said earlier, the sustainable value is generated longer term. The opportunity to leverage Janus' distribution and client reach to market Henderson's capabilities, as well as introducing the benefits of Janus products to Henderson's clients, is significant. To give you an indication of the potential we see, our ambition is as a combined business to boost net new money growth by 2 to 3 percentage points per annum once integration is complete.

This slide gives you a sense of the size and scale of Janus Henderson's financial resources and our attitude to how we will deploy them. For those of you who follow Henderson, note that we will transition to reporting in US dollars under US GAAP. The numbers you see here simply adjust our 2015 IFRS reported numbers to give you a high level comparison of the two businesses, with the biggest presentational change being that management fees are shown on a gross basis including commission. In the Appendix there's a financial overview which shows Henderson's income statements in a comparable format with Janus.

On a combined basis, so before any synergies, the combined business has revenues of over US$2.2bn, and EBITDA of almost US$700m. The cost synergies, as announced today, represent 16% of combined underlying EBITDA. The expense synergies will start to boost EBITDA in the first year following completion, and the revenue synergies we've just spoken about will follow. The combined business will continue to be highly cash generative, and will operate a conservative balance sheet, providing stability across market cycles, and supporting opportunities to deploy capital resources for future growth. We remain committed to an investment grade credit rating. The Board of Janus Henderson is expected to retain a progressive dividend policy, with a pay out ratio in-line with that currently delivered by Henderson.

So in summary, this merger of highly complementary businesses will be double digit accretive in the first year following completion, and more importantly will lead to enhanced and more diversified growth in the future.

I'll hand you back to Andrew.

Andrew Formica

Thanks for that, Roger. The last slide up here now before opening up to questions is around our aligned vision for success for the future. Dick and I have always had a shared vision for the industry and for our business to be successful in it, and for the combined future of the firm we set that out here, which is based on becoming the leading trusted global active investment manager.

We're confident we can accomplish this through firstly maintaining a clear focus on our clients. We both do this today, but we will do it on an even greater scale in the future.

Second, continue to pursue our ambition to deliver superior risk adjusted returns across a broader range of investment styles. You heard from Dick that that's absolutely the heart of the genesis of when Janus was set up, and it remains as well to Janus as what Henderson does as well.

Third, focusing on a passion for delivering best in class service to our clients.

Fourth, fostering the best employee talent in the industry, which will help us attract and retain the best people.

And then finally, creating and embedding a deeply collaborative culture across the firm.

Much works lies ahead of us, but we are very excited to be taking this step forward together, and we believe that we'll create a collective positive outcome for clients, shareholders and employees.

With that said, we're all happy to take your questions, and I'll hand it back to the operator.

Q&A session

Question 1

Arnaud Giblat, Exane BNP Paribas

I have three questions please. First, Andrew, in terms of attrition expectations on the AUM, should we expect any? Historically I think in terms of large scale M&A you've said it was a path you weren't necessarily focused on because it created a lot of disruption, and potentially you could see consultant's being put on hold. So I'm wondering if you foresee this to become the case, or because of the high complementarity of the business it might not be? And specifically as well, could you maybe talk a bit about how US Retail or general Retail behaviour in terms of a large scale deal.

My second question is on Dai-ichi Life. I'm wondering what proportion of revenues emerged from Janus from AUM managed on their behalf? Is there any commitment for them to invest through Henderson?

And finally on the FCA waiver, are you going to need an FCA waiver? How is the deal going to be structured if that's not the case? Thank you.

Andrew Formica

I'll pick up questions one and three and give a quick comment on two, but I'll also get Dick to add to your second question on Dai-ichi Life as he's obviously had much greater experience with them, which has been phenomenally successful for Janus.

The point on attrition, the first point, you are right, the investment teams are quite complementary and in the vast majority of cases there's very little change to the investment teams that will be managing client money, so there should be little disruption. There is some change in some areas and we need to work through that and we're not in a position to talk about what they might be at this stage, but the vast, vast majority is not.

That said, any transaction of this size will see consultants will want to evaluate it, they'll want to understand it, so you would have to expect that the growth momentum of the organisations will be disrupted for a period, certainly through now to completion and as they work through the plans for going there. It doesn't actually mean there will significant attrition but it means growth potential will be diminished for a period. We understand that, but the combination is so powerful for what it leads down the track, and as I said earlier, Dick and I focus on the longer term that we're trying to create, but that very short-term disruption will be short-term. We've seen that with New Star, we saw that with Gartmore, that where we did see that it was temporary and actually the business was much stronger through that.

But also, I think the business has a much higher proportion of Retail, around two thirds of the business is Retail, up to 70% versus Institutional, and in that regard, the Retail business tends to wait and evaluate. On the Institutional side, a lot of the Institutional business that Janus has had comes from their INTECH subsidiary and that's totally unaffected through here and the team is intact, the distribution for them is unchanged, so we'd like to hope that we can get through the inevitable questions that consultants and gatekeepers may have with as minimal disruption as possible.

And in terms of how it works for the Retail markets in the US or in other jurisdictions, typically I'd say the Retail client takes a more 'wait and see' approach generally anyway. There is very little change in the manager line up, so I don't anticipate a huge amount of change. Where we're strong in US Retail is areas that haven't been areas that have been largely represented by Janus, and where Janus's large funds and great strengths have come from are areas that we aren't represented in, so we see very little impact there.

Turning to your point around capital and the FCA waiver, given this is an all-stock merger, there's no need for us to apply for a waiver or is our intention at this stage. Yes, the regulators will be involved and aware of the conversations and now that the deal's announced we'll be able to have more detailed discussions with them, but it's not anticipated at this stage that there will be a need to re-establish the waiver, which you know expired earlier this year.

And then for the point on Dai-Ichi, maybe I'll hand over to Dick to talk about how they've seen that relationship develop and blossom, because I know it's been a phenomenal part of the success of Janus.

Richard Weil

Thank you, Andrew. At Janus, we're currently managing approximately US$2.2bn of Dai-ichi Life's own assets, they're mostly general account assets. In addition, Dai-chi Life has been a 50% owner of a company called DIAM, which has been a partner for Janus and helped us distribute to other third party clients an additional almost US$5bn of AUM; so in combination, those two pieces have been terrific for us.

DIAM itself is going through a transition this weekend and is now merging with some parts and pieces owned by Mizuho Bank and is now called Asset Management One, also happening over this past weekend. So their story is changing but we think they're in a position to be an even more powerful partner going forward.

Lastly, we noted on an earlier slide that we have managed to gather US$16bn in AUM in Japan, and while it isn't quite as direct as this is Dai-ichi's general account assets and these are the assets helped by the affiliate DIAM, I think just the brand presence and the confidence that the business community in Tokyo has in us has been just sincerely enhanced by our partnership with Dai-ichi and obviously we're looking forward, and Dai-ichi is, very importantly, looking forward to sharing that with the newly combined Janus Henderson.

With that, I'll turn it back to Andrew.

<u>Question 2</u>

Anil Sharma, Morgan Stanley

Morning guys, I just have a couple of questions please.

I just wondered if you could elaborate a bit more on some of the decisions and responsibilities between co-CEO roles, and obviously with the listing in London going, I'm just curious as to how the responsibility will be shared.

Secondly, just to follow up on your expectation of asset retention there, typically, obviously Henderson has got a pretty strong execution track record and I'm just wondering if you could give us some sense, Andrew, as to what the management's thoughts were behind this transaction.

And then thirdly, just in terms of some of the key fund managers and management and Board level, what's the compensation structure and incentivisation going to look like? Is it going to be based on EPS growth for the new company or is it going to be on asset flow? If you could help us think through incentivisation then that would be helpful, thanks.

Andrew Formica

In terms of the co-CEO arrangement, it really is felt the best position for the firm looking forward. Dick brings a wealth of experience both at his time at Janus and in his previous time at PIMCO, and the execution risk of having both Dick and I able to sit there and bring our experiences there on the combined business just makes it so much a lower risk in terms of what we're trying to do.

And also, the starting point from both of us is that we have such a strong alignment in terms of what it means to be successful in the industry, the focus, the values, the behaviour that we drive in a business, and being able to share that, given the breadth of the challenges that we have on this business, is really, really important. We work incredibly well together. It is important that the co-CEOs are located together, so Dick will be relocating from Denver to London as part of this transaction, and we'll be sitting side-by-side because I think that's absolutely important to it.

But I think it is to be remembered that this is something that honestly I think you will see as a lot more seamless than it may look in terms of what you say. In terms of responsibilities, we are both responsible for the entire business. We've got in place appropriate ways to work with our teams and to drive that, but we're not, at this stage, segregating into one area or the other, we have joint responsibility for delivery firstly at the integration phase and then obviously the growth phase of this business.

You mentioned about the listing going is that critical to anything? No, I think the decisions taken really reflect the ideal position for the business looking forward. It makes sense for Dick and I to be in London. For a global business, London still acts as the best global financial centre or pivot for a business that spans everything from Asia, Europe to the US, and London sits in the middle of that, so that makes sense.

In terms of listing, the New York Stock Exchange makes sense. We are a global investment management firm, the biggest peer group that you'll be measuring and comparing us against reside over there. It's the deepest pool of liquidity in terms of capital allocations and flows around the stock. It is just the most natural point that you would put that in.

You then asked about management views on asset retention. It's too early to give you any definitive view. I think my comments earlier give you comfort that we do expect, firstly, the limited overlap should provide some comfort, but we do also appreciate that there will be time for clients, consultants and gatekeepers to understand this. So far, the reactions from clients have been incredibly encouraging. The calls we've had so far today have been very, very supportive, and we'll keep you updated as we work through the phase further on that.

And then the final point you asked around was the compensation structure around management and PMs. The Board of the business will be a shared Board between Henderson and Janus. Richard Gillingwater, the Henderson Chairman, will assume the overall Chair of Janus Henderson Global Investors; and Glenn Schafer, who is the current Chair of Janus Capital, will become Deputy Chairman. There will be equal representatives drawn from both sides of the business on that, and they will set the compensation structure for Dick, myself and the executive teams going forward, and they'll take soundings from shareholders and look at the most appropriate metrics for that.

In terms of the PM integration, interestingly, the compensation arrangements have broadly similar outcomes at both firms. Janus' compensation arrangements are typically around more profit-based in terms of taking full allocation of cost; and if you apply broadly similar metrics, you get to a similar level of compensation for the key PMs in the Henderson side. So we will be looking to move towards a common platform in the majority of cases around PM compensation, and we believe looking at the way and the pay out and what's been delivered in the past is eminently achievable, whilst also reinforcing the key messages and cultural behaviour that we'd expect.

Dick, is there anything you'd add to any of those key points?

Richard Weil

I feel embarrassed to say no but I think you gave an excellent answer, so unless there's a further question I'll leave it at that.

Anil Sharma

That was really helpful. So just to reiterate my understanding, so there's no lock-up for key PMs?

Andrew Formica

No, there's not a series of compensation arrangements being put into lock-up for people because I think the ongoing arrangements that both firms have already act as strong incentives for them, and we're not disrupting those plans, there are significant deferrals associated with those plans anyway. But more importantly, the individual PMs and their investment teams are unaffected in the way they run money and they've got an enhanced distribution platform on which their capabilities will be based. So I think the excitement of the business that's generated is something that certainly, talking to my key PMs over here, they're being incredibly positive on the breadth of the client relationships and reach that developed through this.

<u>Question 3</u>

Peter Lenardos, RBC

Good morning Dick, Andrew and Roger, a few questions for you please.

First of all, you were very clear on the cost savings, I was wondering if you could comment on any potential tax savings that the business might have as a result of its Jersey domicile and London headquarters. That would be question number one.

Question number two would be on timing; I know that your announcement this morning said the merger document would not come out until after your fiscal ’16 results. Does that mean that the shareholder votes will not occur until Q2 of next year?

And then the final question I just had was more on procedure. You both are quite clear that you’ve been in discussions for a few months now. I was wondering if you could give any further detail on who approached who and under what basis. Thank you.

Andrew Formica

Thanks, Peter, I’ll throw it over to Roger in a sec on the tax savings.

In terms of the timing, we actually anticipate, on the current timetable, that the voting and merger approvals will be at Q1 vote, probably towards the back end of Q1, with anticipation that it will be early in Q2 that the merger will close. So we’d like to hope it will be approximately six months from now, so the latter part of April; but obviously as we go through the process we’ll be able to update you more but that should be your expectation.

And on the tax savings, I’ll throw over to Roger and then I’ll answer your third question.

Roger Thompson

As you said, Peter, we’re a Jersey plc but UK tax based and it really means no major change for the tax rates of the individual subsidiaries, so no advantage or disadvantage.

Peter Lenardos

And, Andrew, any commentary on background to the merger?

Andrew Formica

Yes, your final question is who approached who. It’s funny, everyone keeps asking that and I’d have to say I don’t think it’s actually a particularly relevant question from the point of view that we have conversations with Chief Execs all the time, and as you know, my ambitions have always been the US and I talk to Dick and peers like him about what’s happening in passive funds in the US, DOL, active strategies. And Dick, equally, having questions about what’s happening in Europe and MiFID II; and people suggested earlier in the year that Dick and I get together, as knowing both of us, in terms of our ambitions and what we’re doing and our initial conversation, I think it was as early as February when Dick was passing through London, focused really on those industry issues. I don’t think either person approached either/or. But what came about from that was how similar we were looking at the industry and how similar what we saw as a solution to the challenges and the issues the industry face and how we were addressing them in our business.

That led to just further discussions, and as I travelled through the States I’d drop down and catch up with Dick, and as he’d be travelling through London. It’s really out of those conversations that had started purely at an industry level and then led to well, hang on a minute, at some point it was clear to both of us that to achieve our own ambitions we would have to do a transformational deal or a larger transaction to give us greater scale in the markets we’re operating in. And we just merged into a point of saying, “Well, hang on a minute, let’s explore whether it works for both of us”.

The industrial logic looked pretty clear, but when you actually started engaging with some of his key people, his management team for example, it just really brought to life that what looked great on paper was actually even more fantastic in reality. So, I would say it sort of emerged as such.

The other question I get asked is: was this driven or impacted in any way by Brexit? Not at all. The conversations were happening before Brexit; they continued through that. They weren't accelerated or slowed down because of the Brexit vote, they just went at their natural pace.

At the end of the day whenever the Brexit discussions conclude the UK is going remain a core and big financial market for our products, as will Europe. We both firms need to be represented there. When you look at this on a ten, 15-year view, as Dick and I both focus on this, the Brexit debate is just a drop in the ocean in that regard, in that timeline.

Does that help, Peter?

Peter Lenardos

That's very clear. Thank you gentlemen.

<u>Question 4</u>

Gurjit Kambo, JP Morgan Cazenove

Just a couple of questions. Firstly in terms of the two to three percentage points increase that you see, is that on the whole AUM that you're thinking about, so on the US$320m?

Andrew Formica

Billion, yes.

Gurjit Kambo

It's on the whole lot, yes?

Andrew Formica

It is on the whole lot.

Gurjit Kambo

Okay, and that's over the course of what, medium-term, is that how you're thinking about that?

Roger Thompson

What we're saying there, Gurjit, is that we're expecting two to three percentage points more net new business than we would have done before as individual businesses. So, as we said, these are two successful businesses, so if you thought these businesses could raise 3% or 4% before we're talking about them raising 2% to 3% more than that.

Gurjit Kambo

Right, okay. Clear.

And then what happens with Geneva? How much overlap is there with Geneva and Janus?

Andrew Formica

Geneva is predominantly focused on small and midcap, and actually relatively close to capacity on small cap. Janus has a phenomenal track record in small cap US equities as well, but interestingly they're also reaching capacity. When we've looked at this the current expectation is that those investment processes will remain separate, as much because of the capacity and the areas they're in; they've got strong processes, they've got strong client support, and really there's no synergy at all to bring them together. Neither team has the capacity to run the others should we do that anyway. So, you should expect there will very little change if anything in that the process that we say, I mean Milwaukee are running the same process, although they will come under the umbrella of Janus Henderson Global Investors.

Gurjit Kambo

And then one for Dick. In terms of the performance of some of Janus' funds in terms of flows, I think you've seen some good improvement in the last couple of years. I know last year there was still an outflow, but I think Q2 might have started to improve. Do you see any areas where Henderson can help the underlying flow dynamics for Janus via distribution?

Richard Weil

Well, thanks. Absolutely I do. Henderson has wonderful client relationships and distribution capabilities in a lot of places we don't. Most significantly take a look at the UK Retail market: we couldn't really in any timeframe look to build those wonderful relationship and brand position in that marketplace. So, it's natural to think that there may be some appetite in that marketplace for some of what we do, whether it's on the fixed income side or the equity side or even alternatives. So we think that this is very much a two-way opportunity set. We have some relationships most particularly here in the US that I think will benefit from being introduced to what Henderson is doing, and vice versa. So I think this is definitely expected to enhance our growth opportunities going forward after we get through the transition period.

Gurjit Kambo

And then just one final one. Just on the regulatory oversight how should we think about that versus the FCA or the SEC looking at it? Obviously it's a US listed company now; how should we think about that?

Andrew Formica

It's a good question. We still need to do further work with the regulators on both sides of the Atlantic. Though the current expectation is given the listing will move to New York that the listing will be under the offices of the SEC; that the existing Janus European and UK operations will fold into the Henderson businesses, and that would become a perimeter of which the FCA would regulate. And the Henderson US businesses would come under the existing Janus US business and that would be SEC registered. So you should expect to see the regulatory perimeter will go round the regions and we'll have both the SEC and the FCA as important components.

But at the moment, because of the size of our international operations, we've tended to have all the regional businesses just come under the one regulatory parameter. It's likely that will change that you'll just have a European franchise or regulated business that is FCA registered.

Gurjit Kambo

That's very clear. Thanks very much.

Andrew Formica

I should add to that, Gurjit, that we don't expect any detrimental impact on capital through this transaction, but obviously we'll need to work through that. But there's no anticipated increased capital requirements associated with this structure.

Gurjit Kambo

Thanks very much, Andrew.

<u>Question 5</u>

Daniel Garrod, Barclays

Good afternoon, three quick ones from me. Firstly I just wanted to probe the revenue growth outlook comments a little bit further, that 2% to 3% additional net new money growth. Under the original 2018 Henderson plan you already had somewhat aggressive flow assumptions of sort of 6% to 8% net new money in that. To what extent is there any overlap? Some of that must have been built on you've expanded US teams, you've made US acquisitions, so is it completely separate to have 2% to 3% additional net new money at a Group level over what were quite aggressive net flow assumptions for yourself standalone? If you could make any comments on that.

Secondly, the comments around current trading conditions, the £100bn Henderson AUM at the end of August, that obviously doesn't make any reference to flows, which was the crucial issue the last time you reported. Probably seeing where indices and FX have ended up end of August versus end of June you could have been at that level anyway. So can you make any comments about Retail outflows in particular, have they been continuing at Henderson?

And then the third question I just wanted to pick up what you said there about capital. Obviously one of your competitors in the UK, listed in the UK, just increased its regulatory capital requirements after guidance with the FCA. You've obviously suspended your share buy-back this morning, but presumably that's a technical associated with the deal. How would you feel about your own capital position independent of this deal, given what you've seen there with the competitor?

Andrew Formica

In terms of the revenue growth targets, a lot of the capabilities that we're seeing good growth in we'll continue to see good growth. We've made a significant number of investments. You take, for example, our Emerging Market equity capability, it's seen great growth and will continue to do so, and hopefully be able to benefit from the greater reach that comes through this.

I know analysts don't like to focus on revenue synergies – I totally understand that and I think the deal on the financial synergy supports the shareholder benefits – but the point to talk about the revenue synergies is simply you would not do this deal, I would not do this deal, Dick would not do this deal just for financial reasons, or financial synergy reasons, cost synergies. It's because we do believe, absolutely have conviction that this business will be a stronger, better, faster-growing business than we could achieve on our own.

We can't promise that to you. I can't point to you exactly how much numbers and what that's going to look like. We're trying to give you a guide to where that would be. If you go and have a look at the example of what we've had with NewStar and Gartmore for example, where in 2015 over half of the flows we had came into either products or managers that we acquired through those transactions, there's no reason that that similar level can't come through. It takes several years because there is a number of disruption and client acceptance to come through, but it's because of that that it's the most important and compelling reason for that.

In the next couple of years industry flows are impacted to some extent a little bit, as you saw in our numbers. You asked about current trading, the flow picture, I think we were pretty explicit on the flow picture in the early part of July, post-Brexit. Since then what we've seen is a significantly reduced pattern that you saw in that very elevated period post the Referendum.

Retail is still in modest outflows, but it is very, very modest from where you've come back to. But it's been offset by Institutional positive flows which continues to build well, given some of the capabilities we've done.

We will update you on our Q3 trading in a couple of weeks' time on the normal schedule, so I won't say any more than that. We'll be able to update that. But overall I'd say it's a much more muted picture to what you had seen in the very immediate aftermath of the Brexit vote.

And finally on UK capital, you're referring to one of our competitors who obviously raised the capital requirements that they have. There's really nothing we could add at this stage. If there was we would have put it out. You mentioned the share buy-back being suspended; it's exactly, it's a technicality linked to this transaction rather than anything to do with capital. As you know, our waiver for consolidated supervision expired in March this year. We submitted a new ICAAP to the FCA which ultimately will determine the capital position for the Group as they see it going forward. They've yet to opine on that. It may be imminent; it may take another couple of months. You just don't know with the regulators. Only after that would we be in a position to see if the read through of Aberdeen's statement has any impact on us or whether it's an Aberdeen specific; we just don't know.

There have been no guidance or conversations with the regulator that leads us to feel that there's any difference to what we anticipate or expect, and we just have to wait and see. The regulator is aware of this transaction they've been kept fully informed as we've gone through. They've raised no objections or any other queries at this point. Now that the deal is announced we'll obviously engage with them more fully on our plans, and as we go through it, and if there is any change to the regulatory position to what we've put out we'll show that; but think we've been pretty prudent.

We're already in a capital surplus, which is why we had the share buy-back programme in the first place. The deal will lead to greater profit in terms of the business overall. So I don't anticipate any capital problems for the Group. If anything we'll be in a much stronger balance sheet and capital position as we move forward.

But the immediate impact of the FCA is unknown at this point, and there really is no conversation that I can give you any guidance that it's changed from what we've given you in the past.

Daniel Garrod

Thank you Andrew, very clear.

Question 6

Simon Fitzgerald, Evans and Partners

Maybe a couple of questions here for Roger. Firstly with the combination of the two balance sheets can you just mention if there will be any recognition of any additional goodwill as a combination of the two?

And also, I'm sorry about this, but I don't really know much about Janus' balance sheet, but whether the combined entity will be debt free or have any debt?

Roger Thompson

If I start with the second one. Janus does have a very small amount of debt, that is investment grade debt. As we said, we will continue to maintain that investment grade rating. So the combination of the two companies results in a very low debt for the organisation of around 0.6 times leverage.

In terms of goodwill, as I said this is a straight merger with no additional goodwill. We'll work through the accounting of that as we go through it; but no, you shouldn't expect any new creation.

Simon Fitzgerald

And secondly, the cost, I mean to the US$165m to US$185m, could you give a bit more detail exactly what. I know you mentioned that they're non-staff costs, but maybe if you could outline what are the bigger components in that?

Roger Thompson

We're obviously still at very early days, Simon, in terms of really thinking about what the full costs are of integrating these two businesses. We've worked through that over the last few weeks and we've given what we think is a fairly prudent range here. There's obviously significant integration costs: there will obviously be some redundancy costs so it's a combination of items. And we'll update you as we announce results and go through the process over the next few months.

Question 7

David Humphreys, JCP

Just a follow-up question firstly on the debt position of Janus, there's US$400m of debt there some of which is convertible, can you give some indication as to whether you're comfortable with that level of debt or would you be happy taking the combined group's debt up to the kind of leverage that Janus has at 1.1x EBITDA? And also whether you've assumed that the convertible debt actually converts when this deal happens?

Roger Thompson

Thanks, David. As we've talked about in the past and we'll continue to talk to shareholders about the debt they're comfortable with in the organisation, as you know Henderson has no debt Janus has just over 1x leverage so, as I say, the combined organisation about 0.6, hopefully you're very comfortable at that level. In terms of the convertible we're not saying at this time as to what will happen there.

David Humphreys

The proportion of ownership that you've called out here does that assume that that debt converts or not?

Roger Thompson

No it doesn't, David.

David Humphreys

Okay, that it could be more dilutionary

The second question on the conversion the Dai-ichi option will that be dilutionary?

Andrew Formica

It will be issuing equity but they have paid a fair price for that option so it's not a grant of a warrant to them at nil cost, they are purchasing at a full and fair value for that.

David Humphreys

We all get diluted.

Andrew Formica

If they actually execute that warrant, the warrant is at a 30% premium to the Friday closing price, and the reason that Dai-ichi have that is so that they have some certainty of the level of ownership they can buy at a price. In the past they had a similar structure when they bought into Janus and they purchased entirely the stock on market. And the intention is that they have the ability to, and we expect that they will look to purchase on market but they have the warrant as a way of giving them for their requirement and for their accounting rules to be able to have a price where they know the certainty of where they'll get price.

Richard Weil

It may help just to talk about the history of Dai-ichi when they bought their stake in Janus. We had the same sort of structure where they purchased an option to provide protection in case the price ran away from them and then they went and were active in buying their equity stake in the market; and it turned out as it worked out that they never had to exercise the option, the option is an insurance policy against the price really rising rapidly. But they were able to execute it at modestly higher prices than where the whole process started, but not so high as that they executed on their option.

So nobody can tell what the forward path will be here but certainly a strong intention would be to execute in the marketplace if they get to that point and the price is below their insurance protection at the option.

David Humphreys

That then leads to me asking for clarification around the double-digit accretion of both shareholder basis; does that assume no more leverage, execution on synergies in the first year and the dilutionary impact of Dai-ichi if they exercise the option?

Roger Thompson

The answer to your question, David, is yes, yes and no.

Closing Comments: Andrew Formica

Well thank you all for your time. In conclusion just let me make a few final concluding remarks. I think today's announcement is really a very exciting point in both our firm's future and this transaction accelerates the strategic path of diversification and globalisation that both Dick and I have been on with Henderson and Janus over these past years.

We are combining two highly complementary businesses, with similar cultures, who are both focused on delivering excellent investment performance and service to clients. It's very much at the heart of both business strategy is the focus on client and delivery through active fund management.

So if there were three key messages that I would like you to take away, firstly the combination will vastly increase the distribution presence of the combined firm.

Second, it will create a firm with a more diverse scalable product offering. It's better positioned to meet the evolving needs of a global client base and will create enhanced coverage of active investment strategies across public markets.

And, finally, the combined business will have a much stronger scale with meaningful operational synergies and that will lead to increased profitability.

It really is the result of - all this will lead to - the creation and value for our shareholders, benefits our clients and also opportunities for both our employees and staff.

Thank you for the time you've given today and coming on at short notice. If there are further follow-up questions feel free to go to the IR department at either Henderson or Janus. There is a further call for Janus shareholders scheduled for three o'clock this afternoon, 3:30 London time if anyone has further interest, but that will be led by Dick and Jennifer and I'll be joining that one. But as I said if there's any follow-up questions feel free to come back to either of us and we'll try and answer them as quickly as we can.

Thank you.