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Authorisation

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Janus Henderson (JHG)

FY22 results preview

Recommendation

Buy (unchanged)

Price

A\$38.27

Target (12 months)

A\$43.81 (previously A\$45.37)

GICS Sector

Diversified Financials

Expected Return

Capital growth	14.5%
Dividend yield	4.8%
Total expected return	19.3%

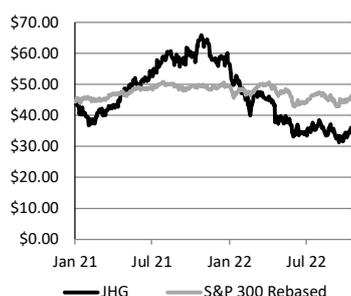
Company Data & Ratios

Enterprise value	A\$5.4bn
Market cap	A\$6.4bn
Issued capital	167m
Free float	100%
Avg. daily val. (52wk)	A\$5.0m
12 month price range	A\$31.66-56.22

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	37.35	32.39	59.39
Absolute (%)	2.5	18.2	-35.6
Rel market (%)	-0.2	7.0	-35.1

Absolute Price



SOURCE: IRESS

Review of forecasts ahead of FY results

The company are due to report full year results for the year to 31 Dec 2022 on 2 Feb. Ahead of this we have reviewed our forecasts. We have marked the model to market for positive (US\$) returns in equities in Q4 (8.0% assumed compared to our previous assumption of under 2%) and assuming that JHG's bond returns are slightly positive. Redemptions in the quarter are expected to include US\$2.6bn outflow from a Sterling Buy & Maintain Credit Strategy and a US\$4.0bn from a European institutional client. Having spoken to the company we understand that October and November saw retail outflows of around \$2.0bn (available from publicly available platforms such as Morningstar and Simfund). Allowing for December and other institutional outflows, we estimate JHG will have seen over \$10bn of outflows during the quarter.

The net result of higher market levels and higher outflows is a slight upgrade to our FY22 FUM forecast to \$279.0bn from \$263.5bn previously. As a result, our EPS is 0.6% higher for FY22, 5.5% higher for FY23 and 5.6% higher for FY24.

Investment view: Target Price A\$43.81 per share, BUY

The new CEO, Ali Dibadj, gave an update on the business at the Q3 presentation, with one of the key messages being to reduce operating costs by \$40-45m to allow reinvestment elsewhere in the business, and we hope to see further progress with this update. Despite this, the company remains at the whim of market levels and customer flows. We believe the company is proactively managing its product mix to offer attractive products to its clients, however the underlying rate of outflows is currently above 8%, a level which we regard as too high in the medium term. Despite this, cash generation remains good and we continue to find the shares attractively valued. The higher FUM and operating revenue gives a revised value of US\$30.61 per share. This is 4.6% higher than our previous valuation of US\$29.26 per share. Using the current AUD:USD exchange rate of 0.70 gives a valuation of A\$43.81 per share. This is 3.0% lower than our previous valuation of A\$45.37 per share, due to the strength of the A\$ the exchange rate has moved from AUD:USD of 0.64 to 0.70 since we last reviewed our valuation).

Earnings Forecast

Y/e December 31	2021a	2022e	2023e	2024e
Adjusted revenue (US\$m)	2,215	1,648	1,487	1,479
EBITDA underlying (US\$m)	1,007	642	593	619
NPAT (underlying) (US\$m)	759	483	447	468
EPS (adjusted) (UScps)	450	288	270	282
EPS growth (%)	30%	-36%	-7%	5%
PER (x)	6.4	9.8	9.8	9.4
Price/book (x)	1.0	1.0	1.0	0.9
EV/EBITDA (x)	3.7	5.8	6.3	6.1
Price/CF (x)	5.1	9.4	9.6	9.2
Dividend (AU¢ps)	203	202	185	200
Franking (%)	0.0%	0.0%	0.0%	0.0%
Yield (%)	5.3%	5.3%	4.8%	5.2%
ROE (%)	16.2%	10.7%	9.9%	9.9%

SOURCE: BELL POTTER SECURITIES ESTIMATES

FY 2022 Preview

Quarterly market returns

In the following two figures show index returns for major equity markets and total returns for some major bond markets over the four calendar quarters in 2022.

We would highlight that major equity indices had a difficult Q1 through to Q3 22, but many markets staged a recovery in Q4 22, with the most relevant for JHG being developed US and Europe.

Bonds also had a difficult 2022, and in Q4 continued to be flat or down in major markets.

As noted above the US Dollar weakened in Q4, which boost overseas FUM in US dollar terms.

Figure 1 - Quarterly equity returns (in local currency terms)

Equity returns - local currency	Q1 22	Q2 22	Q3 22	Q4 22
DOW JONES INDUS. AVG	-4.6%	-11.3%	-6.7%	15.4%
S&P 500 INDEX	-4.9%	-16.4%	-5.3%	7.1%
NASDAQ COMPOSITE	-9.1%	-22.4%	-4.1%	-1.0%
S&P/TSX COMPOSITE INDEX	3.1%	-13.8%	-2.2%	5.1%
Euro Stoxx 50 Pr	-9.2%	-11.5%	-4.0%	14.3%
FTSE 100 INDEX	1.8%	-4.6%	-3.8%	8.1%
CAC 40 INDEX	-6.9%	-11.1%	-2.7%	12.3%
DAX INDEX	-9.3%	-11.3%	-5.2%	14.9%
IBEX 35 INDEX	-3.1%	-4.1%	-9.0%	11.7%
FTSE MIB INDEX	-8.5%	-14.9%	-3.0%	14.8%
OMX STOCKHOLM 30 INDEX	-13.4%	-10.6%	-2.3%	11.7%
SWISS MARKET INDEX	-5.5%	-11.7%	-4.4%	4.5%
NIKKEI 225	-3.4%	-5.1%	-1.7%	0.6%
HANG SENG INDEX	-6.0%	-0.6%	-21.2%	14.9%
CSI 300 INDEX	-14.5%	6.2%	-15.2%	1.8%
S&P/ASX 200 INDEX	0.7%	-12.4%	-1.4%	8.7%

SOURCE: BLOOMBERG

Figure 2 - Quarterly bond total returns (in local currency terms)

Bond returns - 10y GOVT tot ret	Q1 22	Q2 22	Q3 22	Q4 22
US	-6.6%	-5.2%	-5.9%	0.2%
UK	-4.6%	-4.1%	-13.4%	4.7%
FR	-5.6%	-6.6%	-5.0%	-3.0%
Ger	-5.8%	-6.0%	-5.4%	-3.2%
Italy	-5.7%	-8.3%	-6.8%	-0.4%
Swiss	-5.1%	-2.6%	-1.6%	-2.8%
Australia	-8.4%	-5.4%	-0.7%	-0.4%

SOURCE: BLOOMBERG

Forecast FUM

In the following table we show the recent development of, and our forecasts for Q4 22 FUM. Note that JHG reports in US\$ and all figures are in US\$, unless otherwise labelled. Notable changes from our previous forecast are:

- We expect net outflows to be worse than our previous forecast at \$10.2bn in Q4 compared to our previous forecast of \$5.9bn.
- Market returns, particularly equities were stronger in Q4 than we were anticipating. We had expected market and other moves of \$-5.2bn. We now expect \$+15.1bn

We therefore expect the company to have finished 2022 with FUM of \$279.0bn of FUM. This is 36% lower compared to FUM of \$432.4bn at the start of the year. Of this movement around \$66bn of FUM or 15.3% left by way of net outflows or from the disposal of Intech (\$35.5bn). The company will have lost around \$88bn of FUM or 20.5% of opening through market and FX moves in 2022.

Figure 3 - FUM forecasts

Janus Henderson (JHG) Net-flows and FUM (US\$)	FY2020	Q1	Q2	Q3	Q4	FY2021	Q1	Q2	Q3	Q4e	FY2022e	FY2023e	FY2024e
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Dec-22	Dec-23	Dec-24
Equities													
Open	204.0	219.4	224.9	240.1	236.2	219.4	244.3	221.3	177.0	161.8	244.3	168.7	170.4
Sales	30.9	10.5	8.6	7.5	8.1	34.7	8.5						
Redemptions	-49.1	-12.0	-10.5	-10.1	-11.3	-43.9	-12.3						
Net-flows	-16.3	-1.5	-1.9	-2.6	-3.2	-9.2	-3.8	-5.8	-4.1	-6.0	-19.7	-8.5	-8.6
Market and FX	31.7	7.0	17.1	-1.3	11.3	34.1	-19.2	-38.5	-11.1	12.9	-55.9	10.2	10.3
Close	219.4	224.9	240.1	236.2	244.3	244.3	221.3	177.0	161.8	168.7	168.7	170.4	172.1
Fixed Income													
Open	74.8	81.5	79.5	80.5	79.5	81.5	79.6	75.5	64.5	58.5	79.6	54.6	52.1
Sales	28.9	5.9	5.9	4.7	5.6	22.1	6.0						
Redemptions	-16.0	-5.5	-6.0	-4.0	-5.5	-21.0	-6.0						
Net-flows	-1.1	0.4	-0.1	0.7	0.1	1.1	0.0	-3.3	-1.2	-4.2	-8.7	-2.7	-2.6
Market and FX	7.8	-2.4	1.1	-1.7	0.0	-3.0	-4.1	-7.7	-4.8	0.2	-16.4	0.2	0.2
Close	81.5	79.5	80.5	79.5	79.6	79.6	75.5	64.5	58.5	54.6	54.6	52.1	49.8
Quantitative Equities (INTECH)													
Open	45.2	42.0	41.3	43.4	39.1	42.0	38.0	0.0	0.0	0.0	38.0	0.0	0.0
Sales	2.4	0.2	0.2	0.1	0.1	0.6	0.2						
Redemptions	-11.8	-2.3	-1.5	-4.5	-4.3	-12.6	-35.5						
Net-flows	-9.4	-2.1	-1.3	-4.4	-4.2	-12.0	-35.3	0.0	0.0	0.0	-35.3	0.0	0.0
Market and FX	6.2	1.4	3.4	0.1	3.1	8.0	-2.7	0.0	0.0	0.0	-2.7	0.0	0.0
Close	42.0	41.3	43.4	39.1	38.0	38.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multi Assets													
Open	39.8	48.0	49.5	53.2	53.9	48.0	59.7	53.9	46.5	43.8	59.7	45.2	44.4
Sales	11.4	3.0	2.4	2.6	4.3	12.3	2.3						
Redemptions	-7.9	-2.2	-1.9	-1.8	-2.2	-8.1	-4.5						
Net-flows	3.5	0.8	0.5	0.8	2.1	4.2	-2.2	-0.9	-0.2	-0.5	-3.8	-2.2	-2.2
Market and FX	4.7	0.7	3.2	-0.1	3.7	7.5	-3.6	-6.5	-2.5	1.8	-10.8	1.4	1.4
Close	48.0	49.5	53.2	53.9	59.7	59.7	53.9	46.5	43.8	45.2	45.2	44.4	43.6
Alternatives													
Open	11.0	10.7	9.9	10.4	10.6	10.7	10.7	10.3	11.7	10.5	10.7	10.5	10.4
Sales	2.8	1.1	1.3	1.1	1.2	4.7	0.9						
Redemptions	-3.9	-2.0	-1.0	-0.8	-1.2	-5.0	-1.1						
Net-flows	-1.1	-0.9	0.3	0.3	0.0	-0.3	-0.2	2.2	-0.3	-0.1	1.6	-0.5	-0.5
Market and FX	0.8	0.1	0.2	-0.1	0.1	0.3	-0.2	-0.8	-0.9	0.1	-1.8	0.4	0.4
Close	10.7	9.9	10.4	10.6	10.7	10.7	10.3	11.7	10.5	10.5	10.5	10.4	10.3
Total													
Open	374.9	401.7	405.2	427.7	419.4	401.7	432.4	361.1	299.8	274.7	432.4	279.0	277.3
Net-flows	-24.4	-3.3	-2.5	-5.2	-5.2	-16.2	-41.5	-7.8	-5.8	-10.8	-65.9	-13.9	-13.8
Market, FX & other moves	51.2	6.8	25.0	-3.1	18.2	46.9	-29.8	-53.5	-19.3	15.1	-87.5	12.2	12.3
Close	401.7	405.2	427.7	419.4	432.4	432.4	361.1	299.8	274.7	279.0	279.0	277.3	275.8
Average FUM	344.4	403.4	420.8	431.9	425.9	420.5	396.7	328.5	305.0	276.8	326.8	278.1	276.5
Flows as a % of opening FUM													
	-6.5%	-0.8%	-0.6%	-1.2%	-1.2%	-4.0%	-9.6%	-2.2%	-1.9%	-3.9%	-15.2%	-5.0%	-5.0%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES NOTE Q1 2022 SHOWS \$35.5BN OF REDUCTION FROM THE SALE OF INTECH/QUANT EQUITIES AS AN OUTFLOW

Revised forecasts and changes

We show our revised forecasts in the following table.

Figure 4 - P&L forecasts

Janus Henderson (JHG) Quarterly Earnings	FY2020	Q1	Q2	Q3	Q4	FY2021	Q1	Q2	Q3	Q4e	FY2022e	FY2023e	FY2024e
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Dec-22	Dec-23	Dec-24
Reported Revenue	2,298.6	644.0	738.4	687.4	693.2	2,767.0	602.8	539.2	496.9	439.1	2,078.0	1,874.9	1,864.2
Distribution costs	464.4	127.4	134.8	142.1	143.3	551.6	124.6	111.5	102.7	90.8	429.6	387.6	385.4
Pro forma adjusted revenue	1,834.2	516.6	603.6	545.3	549.9	2,215.4	478.2	427.7	394.2	348.4	1,648.5	1,487.3	1,478.9
Underlying expenses	1,087.9	302.9	324.5	281.6	299.6	1,208.6	272.3	266.7	258.2	208.9	1,006.1	894.6	859.7
Underlying EBITDA	746.3	213.7	279.1	263.7	250.3	1,006.8	205.9	161.0	136.0	139.5	642.4	592.7	619.2
One-off expenses	12.8	3.5	1.6	2.8	2.5	10.4	19.5	4.7	4.1	4.1	32.4	16.4	16.4
Reported EBITDA	733.5	210.2	277.5	260.9	247.8	996.4	186.4	156.3	131.9	135.4	610.0	576.3	602.8
Underlying D&A	24.4	6.8	6.3	6.0	6.0	25.1	5.7	6.3	5.9	5.9	23.8	23.6	23.6
Underlying EBIT	721.9	206.9	272.8	257.7	244.3	981.7	200.2	154.7	130.1	133.6	618.6	569.1	595.6
Acquisition related Amortisation	12.4	1.9	1.9	1.9	2.1	7.8	1.9	0.7	0.6	0.6	3.8	2.4	2.4
Reported EBIT / Adj operating income	696.7	201.5	269.3	253.0	239.7	963.5	178.8	149.3	125.4	128.9	582.4	550.3	576.8
Underlying interest expense	12.9	3.2	3.2	3.2	3.2	12.8	3.2	3.2	3.1	3.1	12.6	10.8	10.8
Underlying investment gains (losses)	57.5	1.6	1.8	4.7	-7.3	0.8	-32.2	-109.4	11.0	0.0	-130.6	0.0	0.0
Underlying non-operating income (expenses)	39.7	-0.1	-2.7	3.6	8.0	8.8	-7.8	0.6	13.9	0.0	6.7	0.0	0.0
Other one-off non-operating income (expenses)	0.0	0.0	0.0	3.1	0.0	3.1	-21.4	-5.4	-4.7	0.0	-31.5	0.0	0.0
Underlying EBT	806.2	205.2	268.7	262.8	241.8	978.5	157.0	42.7	151.9	130.5	482.1	558.3	584.7
Reported EBT	781.0	206.2	271.6	267.6	237.2	963.4	114.2	34.9	132.2	125.8	407.1	539.5	565.9
Underlying tax expense	155.3	43.1	79.7	51.9	47.8	222.5	22.8	36.7	27.9	26.1	113.5	111.7	118.9
One-off related tax expense (offset)	-78.2	0.0	0.0	0.4	0.0	0.4	14.6	-0.3	0.9	0.0	15.2	-3.8	-3.8
Minorities	-13.4	7.8	-3.9	0.0	-1.0	2.9	20.1	101.0	-7.0	0.0	114.1	0.0	0.0
Underlying NPAT	637.5	169.9	185.1	210.9	193.0	758.9	154.3	107.0	117.0	104.4	482.7	446.6	467.8
Reported NPAT	690.5	170.9	188.0	215.3	188.4	743.4	96.9	99.5	96.4	99.7	392.5	431.6	452.8

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

We expect adjusted revenue to be down 12% to \$439.1m vs Q3 22 and adjusted operating income to be \$128.9m, 3% lower than Q3 22.

Figure 5 – Q2 Forecasts and change vs Q2 21 and Q1 22 (US\$m)

Janus Henderson (JHG) Quarterly Earnings	BP Q4e	Change vs Q3		Q4 21	Change vs Q4 21
		Q3 22	22		
	Jun-22	Sep-22		Dec-21	
Reported Revenue	439.1	496.9	-12%	693.2	-37%
Distribution costs	90.8	102.7	-12%	143.3	-37%
Pro forma adjusted revenue	348.4	394.2	-12%	549.9	-37%
Underlying expenses	208.9	258.2	-19%	299.6	-30%
Underlying EBITDA	139.5	136.0	3%	250.3	-44%
One-off expenses	4.1	4.1	0%	2.5	64%
Reported EBITDA	135.4	131.9	3%	247.8	-45%
Underlying D&A	5.9	5.9	0%	6.0	-2%
Underlying EBIT	133.6	130.1	3%	244.3	-45%
Acquisition related Amortisation	0.6	0.6	0%	2.1	-71%
Reported EBIT / Adj operating income	128.9	125.4	3%	239.7	-46%
Underlying interest expense	3.1	3.1	0%	3.2	-3%
Underlying investment gains (losses)	0.0	11.0	NM	-7.3	NM
Underlying non-operating income (expenses)	0.0	13.9	NM	8.0	NM
Other one-off non-operating income (expenses)	0.0	-4.7		0.0	
Underlying EBT	130.5	151.9	-14%	241.8	-46%
Reported EBT	125.8	132.2	-5%	237.2	-47%
Underlying tax expense	26.1	27.9	-6%	47.8	-45%
One-off related tax expense (offset)	0.0	0.9		0.0	
Minorities	0.0	-7.0		-1.0	
Underlying NPAT	104.4	117.0	-11%	193.0	-46%
Reported NPAT	99.7	96.4	3%	188.4	-47%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Changes to forecasts

As a result of lower markets, we show our changes to forecasts in the following Figure and note:

- Our forecast revenue is 0.6% higher in FY22, compared to our previous estimate and 5.7% and 5.6% higher in FY23 and FY24 respectively.

- EBITDA is 0.6% higher in FY22, and 5.6% and 5.5% higher in FY23 and FY24 respectively.
- EPS is 0.6% higher in FY22, and 5.6% higher in FY23 and FY24 respectively.
- The change to our dividend forecast in A\$ largely reflects the currency movements applied to a US\$ dividend.

Figure 6 – Changes

Earnings Revisions	FY22e (new)	FY22e (previous)	% Change	FY23e (new)	FY23e (previous)	% Change	FY24e (new)	FY24e (previous)	% Change
Reported revenue (US\$m)	1648.5	1638.3	0.6%	1487.3	1406.9	5.7%	1478.9	1399.6	5.7%
EBITDA underlying (US\$m)	642.4	638.6	0.6%	592.7	562.9	5.3%	619.2	588.2	5.3%
NPAT (underlying) (US\$m)	482.7	479.7	0.6%	446.6	422.8	5.6%	467.8	443.1	5.6%
EPS (adjusted) (UScps)	288.4	286.6	0.6%	269.5	255.2	5.6%	282.3	267.4	5.6%
Dividend (A¢ps)	202.3	201.7	0.3%	185.0	169.0	9.5%	200.5	177.0	13.2%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Valuation

We value JHG using DCF valuation, with a WACC of 11.2% applied to EBITDA after tax. A summary is shown in the Figure below.

We value the next 10 years EBITDA after tax at US\$2.9bn. We value the terminal value at US\$4.6bn, assuming a no long-term real growth, which on a discounted basis gives a present value of US\$1.4bn. Adding the forecast end 2023 net cash of US\$1.0bn less debt of US\$300m, gives a value for the business of US\$5.1bn or US\$30.61 per share. This is 4.6% higher than our previous valuation of US\$29.26 per share. Using the current AUD:USD exchange rate of 0.70 gives a valuation of A\$43.81 per share. This is 3.0% lower than our previous valuation of A\$45.37 per share, largely due to the strength of the A\$ as the exchange rate has weakened from AUD:USD of 0.64 to 0.70.

Figure 7 - DCF Valuation

WACC Calculation / key assumptions											
Risk free rate	4.0%										
Market risk premium	6.0%										
β = beta	1.20										
Borrowing rate	7.0%										
Tax rate	26.0%										
Target gearing	0.0%										
Cost of equity	11.2%										
Cost of debt	5.2%										
WACC / Discount rate	11.2%										
Inflation	1.0%										
Nominal growth rate	0.0%										
Long-term real growth rate	1.0%										

(US\$m)	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	Beyond
EBITDA	642	593	619	641	630	619	609				
Provisions	0	0	0	0	0	0	0				
Working Capital	0	0	0	0	0	0	0				
Tax paid	-129	-108	-113	-118	-115	-113	-111				
Maintenance Capex	-8	-8	-8	-8	-8	-8	-8				
Growth & Acquisition Capex	0	0	0	0	0	0	0				
Total Cashflow	506	477	498	516	507	498	490	495	500	505	4,550
Total operational NPV (USD 000's)	4,328										
Net debt/ cash	745										
Seed capital	0										
Total NPV	5,073										
Shares in issue	166										
Value per share (US\$)	30.61										
AUD/USD FX Rate	0.70										
Value per share (A\$)	43.81										

SOURCE: BELL POTTER SECURITIES

Janus Henderson (JHG) overview

Company description

Janus Henderson Group plc is an asset management holding entity. Through its subsidiaries, the firm provides services to institutional, retail, and high net worth clients. It manages separate client-focused equity and fixed income portfolios. The firm also manages equity, fixed income, and balanced mutual funds for its clients. It also invests in real estate and private equity on behalf of its clients. Janus Henderson Group plc was founded in 1934 and is based in London, United Kingdom with additional offices in Jersey, United Kingdom and Sydney, Australia.

Investment thesis

The new CEO has joined and highlighted a number of areas of operational improvement.

The combination of resilient net management fee rates and operating margins mean that JHG is generating significant cash. This will enable it to continue to buy and cancel shares which should enhance returns to shareholders. While lower market levels reduce the free cash flow, they also affect the share price at which it buys back shares.

The industry is consolidating in response to a number of pressures on the industry including fee pressures and net outflows, as investors seek specialist mandates or lower fees. Many asset managers are seeking scale to counter these pressures. M&A activity is not without risk, but offers the opportunity to gain scale, control cost and resist fee pressure and should therefore be a net positive.

Catalyst for change. The company has an activist investor, Trian, which has built a significant (19%) stake in the business and has two seats on the Board. Trian's statements suggest it is looking for changes in the business, such as cost reductions, exiting weaker businesses or seeking scale by merging with a rival.

Risks

JHG is subject to all of the following risks:

Key people risk: The loss of any key investment personnel may result in the loss of investment mandates.

Performance and net flows: JHG's ability to attract and retain funds paying high levels of active management fees, depends in part upon showing a track record and on-going capability to achieve performance criteria.

Market risk: Management fees are usually based upon market values of the assets under management. Any significant movements in asset prices can have a material impact on JHG's revenue and earnings.

Currency risk: JHG operates funds in multiple currencies, in addition to operating in different markets. Given the share price is in AUD and FUM is reflected in USD, any major movements against the share price currency can significantly impact the USD earnings and subsequently, the valuation of the group.

Regulatory risk: JHG is regulated by multiple agencies in different jurisdictions and changes in the regulatory regimes under which it operates may increase compliance costs and/or increase the capital requirements of the group.

Move to index funds: clients may seek out cheaper passive alternatives in favour of active investment management.

Data, information technology and outsourcing: JHG and its investment teams rely on a wide range of data sources and technology in the day-to-day management of the Funds. Provision of such, and other functions (such as fund accounting and custody) may be outsourced to third parties. JHG may be face reputational risk and/or be liable for losses as a result of the failure of one of these parties, in its role of managing assets on behalf of its clients.

Table 1 - Financial summary

Janus Henderson (JHG)						Price Target (A\$)	43.81	Share Price (A\$)	38.27		
						Recommendation:	Buy	Market Cap (A\$B)	6.43		
INCOME STATEMENT						VALUATION DATA					
Y/e December 31 (US\$m)	2020a	2021a	2022e	2023e	2024e	Y/e December 31 (US\$m)	2020a	2021a	2022e	2023e	2024e
Reported Revenue	2,298.6	2,767.0	2,078.0	1,874.9	1,864.2	Net profit underlying (US\$m)	637.5	758.9	482.7	446.6	467.8
Distribution costs	464.4	551.6	429.6	387.6	385.4	Underlying EPS (USc)	347.4	450.4	288.4	269.5	282.3
Pro forma adjusted revenue	1,834.2	2,215.4	1,648.5	1,487.3	1,478.9	EPS growth (US%)	19.5%	29.7%	-36.0%	-6.5%	4.7%
Underlying expenses	1,087.9	1,208.6	1,006.1	894.6	859.7	Adjusted EPS (AUc)	450.8	600.7	389.8	390.6	409.1
Underlying EBITDA	746.3	1,006.8	642.4	592.7	619.2	EPS growth (AU%)	17.6%	33.3%	-35.1%	0.2%	4.7%
One-off expenses (included in reported)	12.8	10.4	32.4	16.4	16.4	CASH P/E ratio (x)	8.5	6.4	9.8	9.8	9.4
Reported EBITDA	733.5	996.4	610.0	576.3	602.8	CFPS (c)	357	531	289	283	295
Underlying D&A	24.4	25.1	23.8	23.6	23.6	Price/CF (x)	7.6	5.1	9.4	9.6	9.2
Underlying EBIT	721.9	981.7	618.6	569.1	595.6	DPS (AUc) ^{AA}	197.9	202.7	202.3	185.0	200.5
Acquisition related Amort.	12.4	7.8	3.8	2.4	2.4	Yield (%)	5.2%	5.3%	5.3%	4.8%	5.2%
Reported EBIT (Adj op inc)	696.7	963.5	582.4	550.3	576.8	Franking (%)	0%	0%	0%	0%	0%
Underlying interest expense	12.9	12.8	12.6	10.8	10.8	EV/EBITDA (x)	5.0	3.7	5.8	6.3	6.1
Underlying investment gains (losses)	57.5	0.8	-130.6	0.0	0.0	Price/book (x)	1.1	1.0	1.0	1.0	0.9
Underlying non-operating income	39.7	8.8	6.7	0.0	0.0	NTA (\$)	3.61	4.43	2.85	4.23	5.74
Other one-off non-operating income	0.0	3.1	-31.5	0.0	0.0	PROFITABILITY RATIOS					
Underlying EBT	806.2	978.5	482.1	558.3	584.7	Y/e December 31 (US\$m)	2020a	2021a	2022e	2023e	...
Reported EBT	781.0	963.4	407.1	539.5	565.9	EBIT/sales (%)	31.4%	35.5%	29.8%	30.4%	31.9%
Underlying tax expense	155.3	222.5	113.5	111.7	116.9	Return on assets (%)	9.2%	11.3%	7.0%	6.3%	6.4%
One-off related tax expense (offset)	-78.2	0.4	15.2	-3.8	-3.8	Return on equity (%)	13.4%	16.2%	10.7%	9.9%	9.9%
Minorities	-13.4	2.9	114.1	0.0	0.0	Dividend cover (x)	2.6	2.9	1.6	2.0	2.0
Underlying NPAT	637.5	758.9	482.7	446.6	467.8	Effective tax rate (%)	19.3%	22.7%	23.5%	20.0%	20.0%
Reported NPAT	690.5	743.4	392.5	431.6	452.8	LIQUIDITY AND LEVERAGE RATIOS					
CASHFLOW						Y/e December 31 (US\$m)	2020a	2021a	2022e	2023e	2024e
EBITDA	733.5	996.4	610.0	576.3	602.8	Net debt/(cash) (US\$m)	-786.4	-796.9	-518.0	-745.1	-994.4
Net interest	0.0	0.0	0.0	0.0	0.0	Net debt/equity (%)	-17%	-17%	-12%	-16%	-21%
Tax paid	-77.1	-217.6	-128.7	-107.9	-113.2	Current ratio (x)	3.0	3.1	4.2	4.6	5.0
Other	0.0	116.6	0.0	0.0	0.0	INTERIMS					
Operating cashflow	656.4	895.4	481.3	468.4	489.6	Half end June 30 (US\$m)	1H20a	1H21a	1H22a	1H23e	1H24e
Capex	-25.9	-9.2	-8.0	-8.0	-8.0	Sales revenue	1072.9	1382.4	1142.0	935.7	930.2
Investments	0.0	0.0	0.0	0.0	0.0	EBIT	317.8	479.7	354.9	284.0	297.2
Asset sales/purchases	0.0	-274.1	0.0	0.0	0.0	Pre tax profit	351.9	473.9	199.7	278.6	291.8
Other	0.0	0.0	0.0	0.0	0.0	Adjusted profit	337.0	477.8	149.1	269.2	282.4
Investing cashflow	-25.9	-283.3	-8.0	-8.0	-8.0	Reported profit	376.2	358.9	196.4	215.4	225.9
Equity raised/bought	-130.8	-443.9	0.0	0.0	0.0	Interim DPS (AUcents) ^{AA}	104.3	101.4	105.4	89.1	100.0
Dividends paid	-272.6	-256.5	-262.8	-228.1	-224.0	Interim adjusted EPS (cents)	146.9	201.3	158.8	134.5	140.9
Other moves	138.7	95.9	-490.9	-5.2	-8.3	BALANCE SHEET					
Financing cashflow	-264.7	-604.5	-753.7	-233.3	-232.3	Y/e December 31 (US\$m)	2020a	2021a	2022e	2023e	2024e
Net change in cash	365.8	7.6	-280.4	227.1	249.2	Cash	1,099.7	1,107.3	826.9	1,054.0	1,303.3
Cash at end of period	1099.7	1107.3	826.9	1054.0	1303.3	Receivables	373.6	351.6	238.4	239.2	237.9
						PPE	77.9	63.3	52.6	52.6	52.6
						Intangibles	4,070.2	3,917.0	3,951.3	3,925.3	3,899.3
						Other	1,069.4	1,288.3	1,975.0	1,975.0	1,975.0
						Total assets	6,690.8	6,727.5	7,044.2	7,246.1	7,468.0
						Payables	232.1	271.6	184.1	184.8	183.7
						Debt	313.3	310.4	308.9	308.9	308.9
						Provisions	424.7	465.7	315.8	316.8	315.1
						Other	901.1	853.2	889.1	889.1	889.1
						Total liabilities	1,957.0	2,064.3	2,619.0	2,620.7	2,617.9
						Shareholders' equity	4,085.6	4,025.4	3,922.1	3,922.1	3,922.1
						Total shareholders funds	4,733.8	4,663.2	4,425.2	4,625.4	4,850.1
						W/A shares on issue*	183.8	168.5	167.4	165.7	165.7

^{AA} Dividends are paid on a quarterly basis

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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