

**BRIGHTSPHERE**  
Investment Group

# BrightSphere Announces Divestiture of Two Affiliates – Barrow, Hanley, Mewhinney & Strauss, LLC and Copper Rock Capital Partners

July 26, 2020

# Forward-Looking Statements

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This presentation includes forward-looking statements, including those related to the after-tax proceeds from our disposition of Barrow Hanley, the expected closing date of the transaction, Barrow Hanley's financial results for the six months ended June 30, 2020, our liquidity and use of capital resources, including share repurchases and expected ENI per share accretion, and the performance of our Affiliates. The words or phrases "expect," "anticipate," "estimate," and other similar expressions are intended to identify such forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Such statements are subject to various known and unknown risks and uncertainties and readers should be cautioned that any forward-looking information provided by or on behalf of the Company is not a guarantee of future performance.

Actual results may differ materially from those in forward-looking information as a result of various factors, some of which are beyond the Company's control, including, but not limited to, those discussed in the Company's most recent Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 2, 2020, Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on May 11, 2020, and subsequent SEC filings, including risks related to the disruption caused by the COVID-19 pandemic, which has and is expected to continue to materially affect our business, financial condition, results of operations and cash flows for an extended period of time, as well as those related to the expected closing of the transaction, the timing of such closing and the satisfaction of necessary closing conditions. Due to such risks and uncertainties and other factors, the Company cautions each person receiving such forward-looking information not to place undue reliance on such statements. Further, such forward-looking statements speak only as of the date of this presentation and the Company undertakes no obligations to update any forward looking statement to reflect events or circumstances after the date of this communication or to reflect the occurrence of unanticipated events.

## **Non-GAAP Financial Measures**

This communication contains non-GAAP financial measures. Reconciliations of GAAP to non-GAAP financial measures are included in the Appendix of this communication. Adjusted EBITDA is defined as economic net income before interest, income taxes, depreciation and amortization. The Company notes that its calculation of Adjusted EBITDA may not be consistent with Adjusted EBITDA as calculated by other companies. The Company believes Adjusted EBITDA is a useful liquidity metric because it indicates the Company's ability to make further investments in its business, service debt and meet working capital requirements.

# Summary of Transactions

## Overview of Transactions

### Barrow Hanley:

- BrightSphere to sell its 75.1% equity interest in Barrow, Hanley, Mewhinney and Strauss (“BHMS”) to Perpetual Limited (“Perpetual”), a publicly listed Australian financial services firm (ASX: PPT)
- Financial terms as follows:
  - Purchase price: \$319 million in cash
  - In addition to the purchase of BrightSphere’s equity interest in BHMS, Perpetual to redeem BrightSphere’s seed capital in BHMS strategies, totaling an additional \$44 million (based on June 30, 2020 market value)
  - BrightSphere anticipates utilizing a portion of its deferred tax assets to offset cash tax expenses associated with the transaction by up to 50%
  - Expected total after-tax proceeds (incl. seed capital) of approximately \$320 million

### Copper Rock:

- In a separate transaction, BrightSphere has also entered into an agreement to sell its majority interest in Copper Rock Capital Partners (“Copper Rock”) to Spouting Rock Asset Management LLC who has agreed to transfer a portion of such equity to the management team of Copper Rock, with the result that the management team will become the majority owner of Copper Rock
- Expected after-tax proceeds (incl. seed capital) of approximately \$15 million excluding earn-out and upside sharing arrangements

## Barrow Hanley Overview

- Value-oriented investment manager with 40+ year track record; product offerings include U.S., global and emerging markets equity and fixed income
- \$44 billion of Assets Under Management as of June 30, 2020
- Estimated YTD June 30, 2020 GAAP net income attributable to controlling shareholders and Adjusted EBITDA of \$17 million and \$20 million, respectively<sup>(1)</sup>

## Approvals and Expected Closings

- **Barrow Hanley:** subject to customary closing conditions and regulatory approvals; transaction expected to close in Q4 2020
- **Copper Rock:** transaction has closed

(1) See Appendix: Barrow Hanley Reconciliation: GAAP to Adjusted EBITDA (Estimated).

# Key Transactions Highlights

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- ✓ Proceeds provide significant capital and liquidity to:
  - ✓ Pay down debt and return additional capital to shareholders through share repurchases; anticipating double digit accretion to 2021 ENI per share
  - ✓ Support affiliate growth through seed capital
- ✓ Results in pro forma business mix that has historically generated positive net flows
- ✓ Further focuses BrightSphere's business mix on Quant & Solutions and Alternatives businesses (88% of pro forma Adjusted EBITDA<sup>(1)</sup>) enhancing the company's organic growth profile while increasing the portion of AUM under long term contracts to 29%  
(1)
- ✓ BSIG's remaining affiliates well positioned and fully autonomous
  - ✓ Acadian and Landmark are scaled, global leaders in their respective businesses
  - ✓ Campbell Global (forest focused), TSW (liquid alpha) and ICM (small cap focused) have differentiated positions in attractive, niche businesses
- ✓ Attractive price and multiple received demonstrates high intrinsic value of BrightSphere's businesses, particularly relative to current trading levels

(1) Pro forma Adjusted EBITDA shown for the quarter ended March 31, 2020. Pro forma AuM shown for the period ended March 31, 2020.

# Pro Forma Business Mix Positioned to Generate Organic Growth



## Quant & Solutions <sup>(1)</sup>

- Highly scalable offerings with substantial capacity and growing global demand
- Leveraging data and technology in computational factor-based investment process
- Versatile, highly-tailored, outcome-driven investing to achieve client-specific goals
- Ongoing product innovation responds to evolving client needs
- Multi-Asset Class capability meeting increased demand for broad-based, bespoke investment solutions

## Alternatives <sup>(1)</sup>

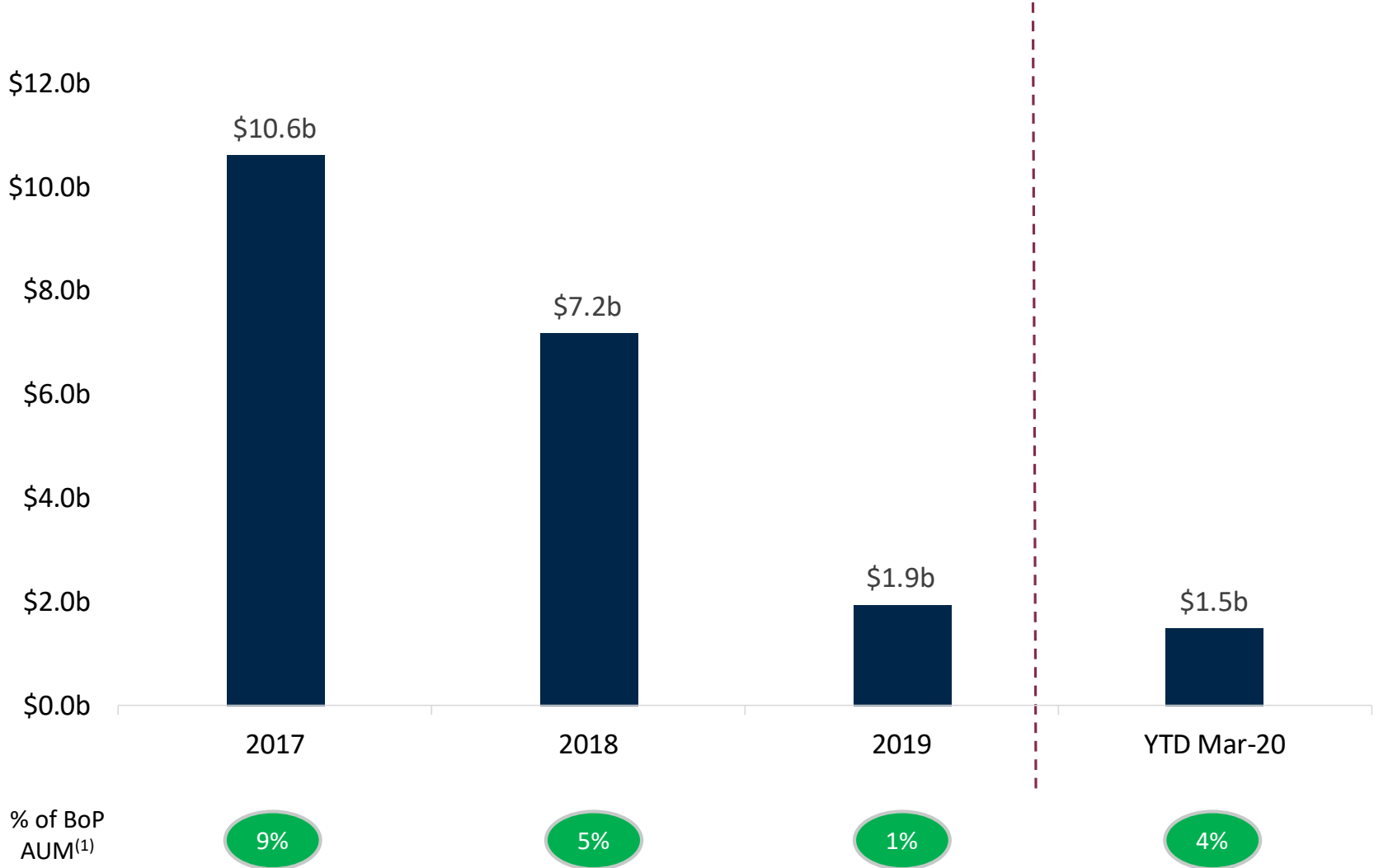
- Diverse secondaries private market strategies in private equity, real estate and real assets
- Predominately private market, with selected differentiated liquid strategies
- More than 90% of revenue comprising management fees from long-term committed capital
- Long-dated investment periods provide long-term committed assets
- Growing global investor base and substantial capacity

## Liquid Alpha <sup>(1)</sup>

- Demonstrated long-term alpha generation across diverse, long-only international and domestic public securities strategies including equities and fixed income
- Strong performance over market cycles driven by consistent investment discipline
- Expansion into in-demand, higher fee offerings support healthy operating margins
- Disciplined adherence to investment processes across market cycles

(1) Certain smaller Acadian strategies are included in Alternatives and certain TSW strategies are included in Quant & Solutions where the classification is more appropriate.

# Pro Forma Business' Net Client Cash Flows Have Been Strong

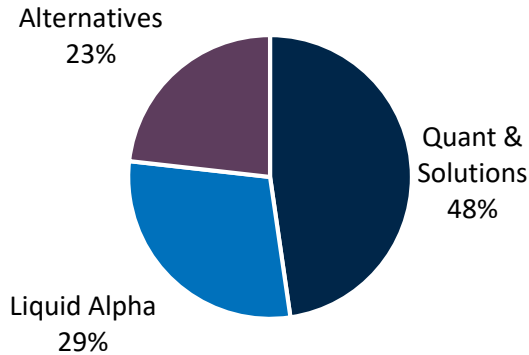


(1) Beginning of period AuM figures exclude Heitman for 2017 and 2018. Pro Forma excludes historical net client cash flows from Barrow Hanley and Copper Rock. YTD % of BoP AuM shown on an annualized basis.

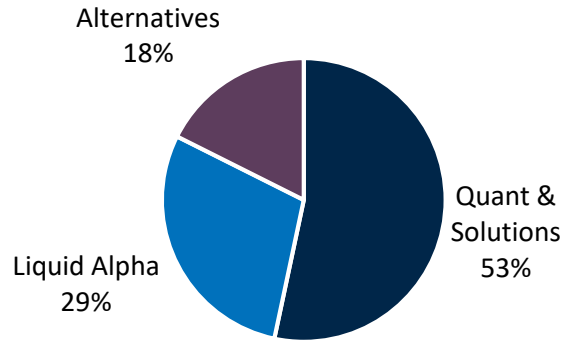
# More Attractive Pro Forma Business Mix – by Earnings Metric <sup>(1)</sup>

BrightSphere

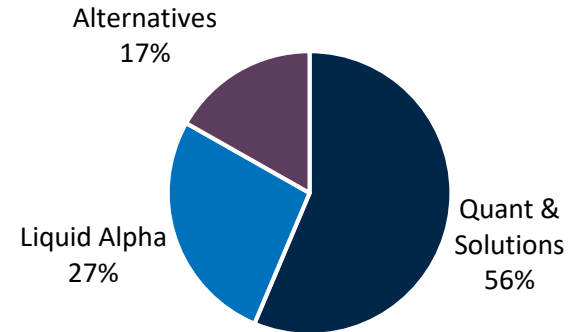
ENI Revenue



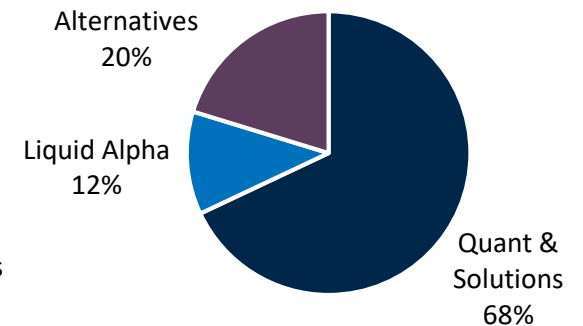
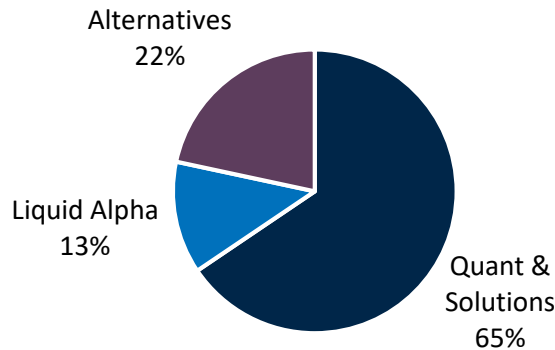
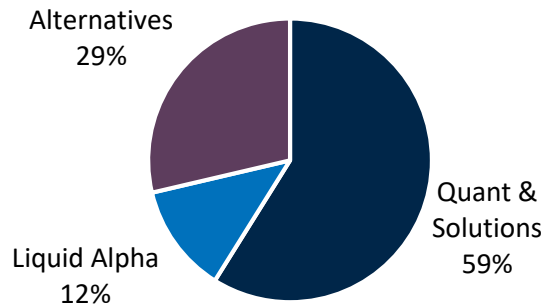
Economic Net Income <sup>(2)</sup>



Adjusted EBITDA <sup>(2)</sup>



Pro Forma



Note: See our quarterly report on Form 10-Q for the quarterly period ended March 31, 2020 for additional information on the Company's calculation of economic net income and adjusted EBITDA.

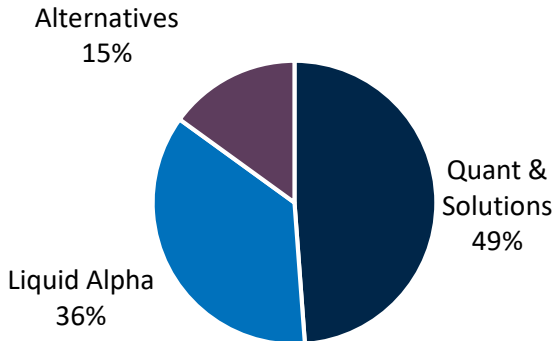
(1) All figures shown are for the quarter ended March 31, 2020. Pro forma figures give effect to the dispositions of Barrow Hanley and Copper Rock.

(2) Figures represent percentage of segment economic net income and adjusted EBITDA, and excludes economic net income and adjusted EBITDA of head office and other costs classified as 'other' as reflected in the segment reporting in the company's Form 10-Q.

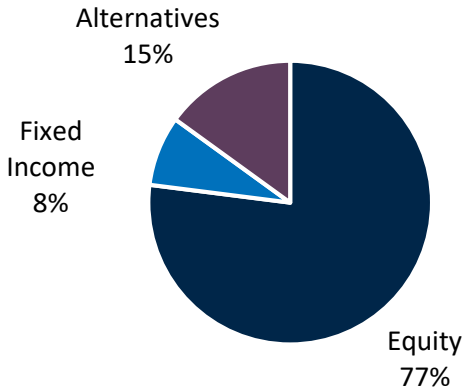
# More Attractive Pro Forma Business Mix – by AUM (1)

BrightSphere

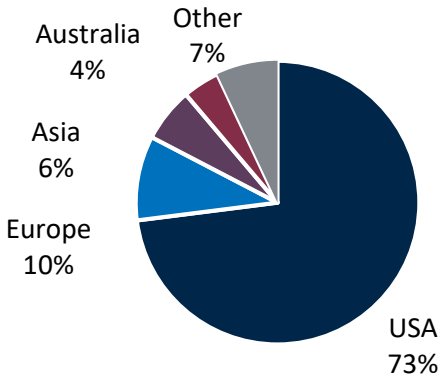
By Segment



By Asset Class

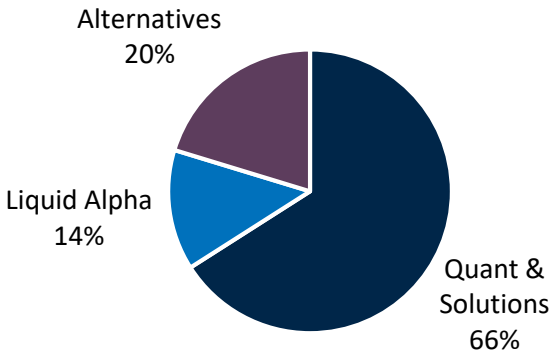


By Client Location

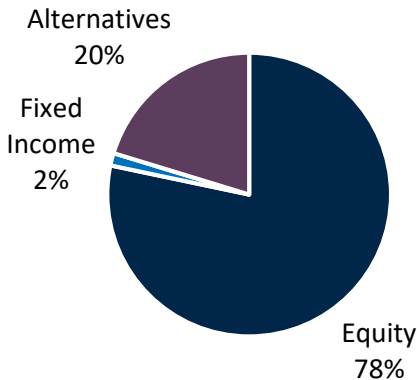


Pro Forma

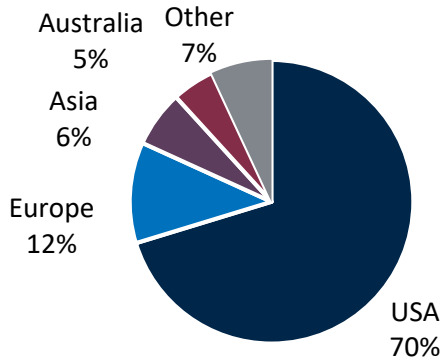
By Segment



By Asset Class



By Client Location



(1) AUM as of Q1 2020. Pro forma figures give effect to the dispositions of Barrow Hanley and Copper Rock.





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# Appendix

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# Barrow Hanley Reconciliation: GAAP to Adjusted EBITDA (Estimated)

<i>\$ in millions</i>	<b>YTD Period Ended June 30, 2020<sup>(1)</sup></b>
<b>U.S. GAAP net income attributable to controlling interests</b>	<b>\$17</b>
<i>Non-cash key employee-owned equity and profit interest revaluations<sup>(2)</sup></i>	<i>(\$3)</i>
<i>Interest income</i>	<i>(\$0)</i>
<i>Interest expense</i>	<i>\$0</i>
<i>Depreciation and amortization</i>	<i>\$0</i>
<i>Income tax expense</i>	<i>\$6</i>
<b>Adjusted EBITDA</b>	<b>\$20</b>

Note: See our quarterly report on Form 10-Q for the quarterly period ended March 31, 2020 for additional information on the Company's calculation of economic net income and adjusted EBITDA.

- (1) This financial data is preliminary and may change. It has been prepared by, and is the responsibility of the Company's management. KPMG LLP, the Company's independent registered public accounting firm, has not audited, reviewed, compiled or performed any procedures with respect to this preliminary financial data, nor have any other independent accountants. There can be no assurance that the Company's actual results for this period will not differ from the preliminary financial data and such changes could be material. Investors should not place undue reliance on the limited preliminary information being provided herein.
- (2) Represents non-cash expenses reflecting changes in the value of Affiliate equity and profit interests held by Affiliate key employees.