



# 2011 Interim Results

**Andrew Formica**  
Chief Executive

**Shirley Garrod**  
Chief Financial Officer

All information in £ unless otherwise stated

Wednesday 17 August 2011



# 2011 Interim Results

**Andrew Formica**  
Chief Executive

## 1H11 overview

- Total income up 40%; underlying profit up 80%; EPS up 60%<sup>1</sup>
- Interim dividend 1.95p per share (1H10: 1.85p)
- £575m net inflows into Henderson retail
- Positive net flows in Henderson and Gartmore absolute return funds
- Gartmore acquisition ahead of expectations
- Debt re-financed; maintained prudent capital position

<sup>1</sup> Compared to 1H10



2

## Gartmore acquisition – overview

- 91%<sup>1</sup> asset retention; 93%<sup>2</sup> management fee retention
- Key staff retained
- Good investment performance
- 1H11 performance fees £13.2m<sup>3</sup>
- Integration well advanced – costs in line with guidance
- Cost savings now realised; Gartmore added at operating margin exceeding 50%
- Gartmore UK retail funds rebranded Henderson
- Significant enhancement expected in underlying EPS in 2011<sup>4</sup>

<sup>1</sup> Based on net flows since announcement of acquisition, excluding net notified redemptions and market movements

<sup>2</sup> Net management fee run-rate based on 30 Jun 2011 AUM

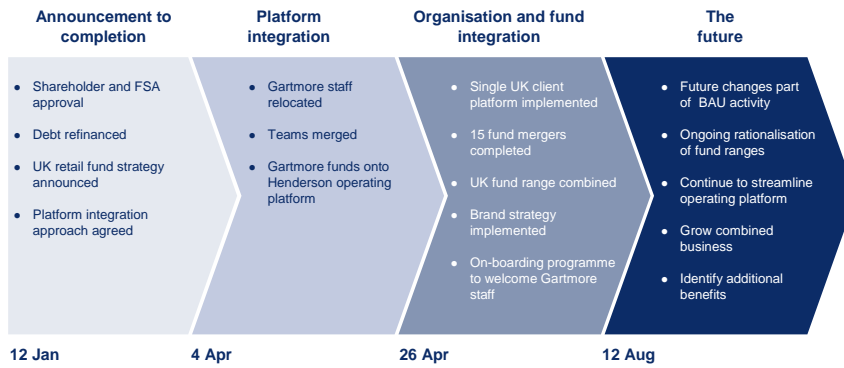
<sup>3</sup> £12.8m performance fees were earned by Gartmore pre completion and not recognised in the Group's 1H11 results

<sup>4</sup> Statements regarding the benefits of the acquisition or that the acquisition will be earnings enhancing are not and do not constitute a profit forecast and should not be interpreted to mean that Henderson Group's underlying earnings per share following the acquisition will necessarily match or be greater than the historical published earnings per share of Henderson Group or Gartmore



3

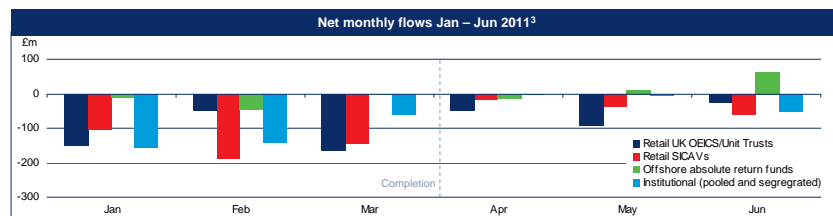
## Gartmore acquisition – update on integration



4

## Gartmore acquisition – performance and flows

Funds at/above benchmark (%) <sup>1</sup>	AUM <sup>2</sup> £m	1 year	3 year	5 year
Equities	12,898	67	67	74
Fixed Income	544	71	25	25
<b>Total</b>	<b>13,442</b>	<b>67</b>	<b>65</b>	<b>72</b>

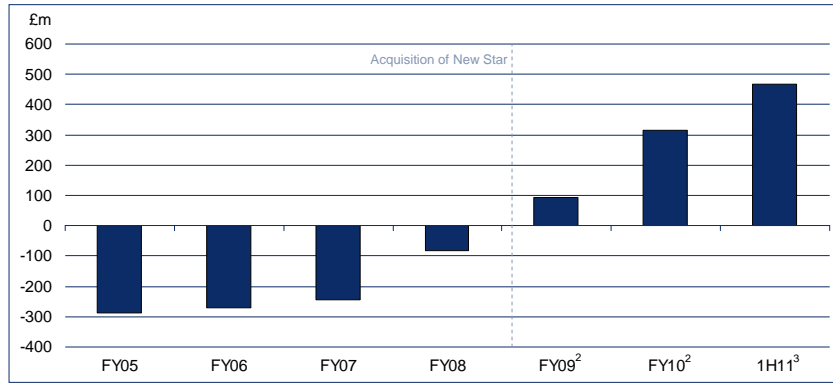


<sup>1</sup> Asset weighted of funds measured as at 30 Jun 2011. Retail fund ranges are measured relative to peers.  
<sup>2</sup> Excludes Hermes JV  
<sup>3</sup> Net flows net of notified redemptions. Private Equity and Investment Trusts excluded.



5

## Henderson UK retail net flows<sup>1</sup>



<sup>1</sup> 1H11 net flows reflect new classifications, net flows in prior years are disclosed based on the historical classification  
<sup>2</sup> Excluding New Star UK retail take-on in FY09 (£4.7bn) and Henderson International Property Fund transfer to Aviva Investors in FY10 (£175m)  
<sup>3</sup> Excluding Gartmore take-on in 1H11 (£6.5bn) and Gartmore net outflows (£166m excluding net notified redemptions)

**New Star acquisition transformed UK retail business**



6

## Gartmore integration advertising



April – June 2011



7

## Gartmore fund merger advertising

**Peking Beijing**  
**New Amsterdam New York**  
**Gartmore Henderson**

**Frances Ethel Gumm Judy Garland**  
**William Henry Pratt Boris Karloff**  
**Gartmore Henderson**

**Siam Thailand**  
**New Holland Australia**  
**Gartmore Henderson**

*It's simply a change of name.*

**Henderson GROUP plc**

July – August 2011



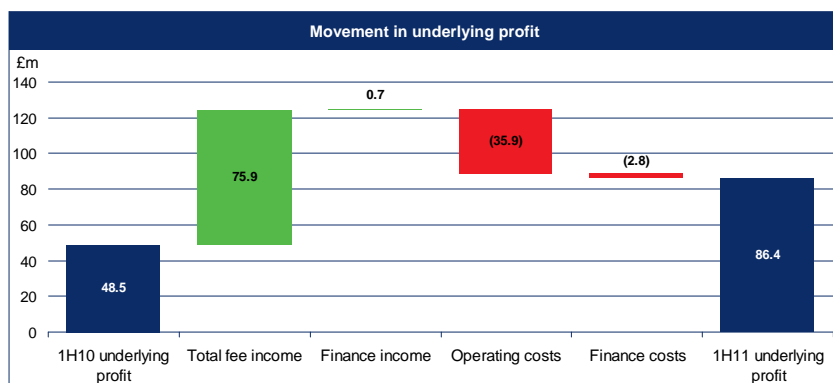
8



# 2011 Interim Results

Shirley Garrood  
Chief Financial Officer

## Underlying profit before tax



## Drivers of net increase in total fee income

- 51% of increase from management fees
  - Gartmore take-on
  - Higher equity market levels
- 39% of increase from performance fees
  - Absolute return funds, including 2 Gartmore AlphaGen funds
  - Henderson SICAVs with 30 June year ends
- 10% of increase from transaction fees
  - Impact of Gartmore for 3 months
  - Higher market levels

## Sources of performance fees

Henderson: £41.1m; Gartmore: £13.2m

Sourced from	1H11 £m <sup>1</sup>	1H10 £m	2H10 £m	Benchmark	1H11 No. of funds	1H10 No. of funds	2H10 No. of funds
Institutional clients	20.5	19.9	10.9	Rel	35	16	19
Absolute return funds	17.6	3.0	1.5	Abs	26	10	3
SICAVs	13.8	1.2	0.1	Abs/Rel	18	3	4
Property	0.5	0.3	0.2	Abs/Rel	4	2	4
Investment Trusts	1.6	0.2	0.7	Abs/Rel	1	1	2
Private Equity	0.3	-	4.8	Abs	1	-	1
<b>Total</b>	<b>54.3</b>	<b>24.6</b>	<b>18.2</b>		<b>85</b>	<b>32</b>	<b>33</b>

<sup>1</sup> Excludes £12.8m of Gartmore performance fees earned prior to completion

*2H11 expected to be substantially lower than 1H11*



12

## AUM with performance fee potential

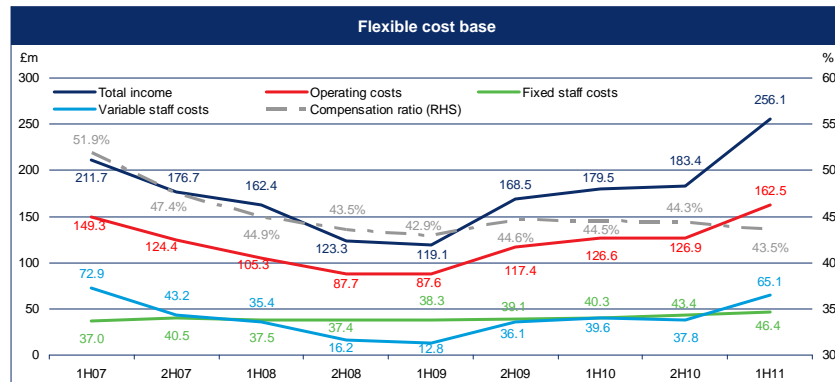
	30 Jun 11		31 Dec 10		31 Dec 09	
	No. of funds	% of AUM with performance fee potential	No. of funds	% of AUM with performance fee potential	No. of funds	% of AUM with performance fee potential
Institutional clients	81	44	75	51	61	44
Absolute return funds	39	100	17	100	14	100
SICAVs	23	67	19	99 <sup>1</sup>	18	100
Property	29	73	29	73	29	80
Investment Trusts	10	66	10	70	10	71
Private Equity	7	100	6	100	6	100
<b>Total</b>	<b>189</b>	<b>43</b>	<b>156</b>	<b>50</b>	<b>138</b>	<b>46</b>

<sup>1</sup> Includes fund switch from UK retail which does not have a performance fee opportunity



13

## Total income and operating costs



14

## Operating costs

	1H11 Em	1H10 Em	% change	2H10	FY10 Em
Variable staff costs	65.1	39.6	64	37.8	77.4
Fixed staff costs	46.4	40.3	15	43.4	83.7
Investment administration	14.1	11.6	22	11.7	23.3
Office expenses	8.9	8.3	7	7.9	16.2
Information technology	6.3	6.1	3	6.6	12.7
Other expenses	20.2	19.0	6	18.0	37.0
Depreciation	1.5	1.7	(12)	1.5	3.2
<b>Operating costs</b>	<b>162.5</b>	<b>126.6</b>	<b>28</b>	<b>126.9</b>	<b>253.5</b>
<b>Operating margin</b>	<b>36.1%</b>	<b>29.1%</b>	<b>-</b>	<b>30.8%</b>	<b>30.0%</b>

- Higher variable staff costs reflect the Group's profitability
- Higher fixed staff costs due to increased headcount (Gartmore) and salary inflation
- Higher investment admin costs due to increase in funds (Gartmore)
- Lower IT spend vs 2H10 as projects delayed to focus on Gartmore integration
- Increase in other expenses mainly due to higher marketing spend, primarily UK retail funds
- Improved operating margin due to Gartmore acquisition, higher equity markets and higher performance fees earned

**Improved operating margin**



15

## Acquisition impacts and other items

Non-recurring items	1H11 £m
Gartmore integration costs	(51.7)
<b>Non-recurring items before tax</b>	<b>(51.7)</b>
Tax on non-recurring items	11.5
Non-recurring tax	12.9
<b>Non-recurring items after tax</b>	<b>(27.3)</b>

- Gartmore integration costs
  - Staff related, deal and structuring, fund mergers, office relocation and reorganisation, transition of outsourced retail and investment operations
  - Expect to incur remaining c£18m in 2H11
- Non-recurring tax
  - Group re-assessed future utilisation of unrecognised tax losses following the Gartmore acquisition
  - A deferred tax asset of £12.9m recognised in respect of expected utilisation of these losses
- Other acquisition impacts (see Appendix)
  - Gartmore related employee share awards
  - Investment management contracts amortisation
  - Void property finance charges



16

## Tax and EPS

	1H11 £m	1H10 £m	% change	FY10 £m
Underlying profit before tax	86.4	48.5	78	100.7
Tax on underlying profit	(18.1)	(10.5)	(72)	(20.6)
<b>Underlying profit after tax</b>	<b>68.3</b>	<b>38.0</b>	<b>80</b>	<b>80.1</b>
Effective tax rate on underlying profit	20.9%	21.6%	-	20.5%
Basic EPS on underlying profit after tax attributable to equity holders of the parent	7.6	4.7	62	10.2p



17

## Financial position – debt, equity and ratios

£m	30 Jun 11	31 Dec 10
6.5% senior, unrated, fixed rate notes due May 2012	142.6	175.0
7.25% senior, unrated, fixed rate notes due March 2016	150.0	-
<b>Total gross debt at par</b>	<b>292.6</b>	<b>175.0</b>
Less: unrestricted cash and cash equivalents <sup>1</sup>	156.0	154.2
Net debt	136.6	20.8
Total equity	727.4	354.9
<b>Gearing ratios and interest cover</b>	<b>30 Jun 11</b>	<b>31 Dec 10</b>
Gross debt/total equity	0.4x	0.5x
Net debt/total equity	0.2x	0.1x
Gross debt/EBITDA <sup>2</sup>	1.6x	1.5x
Net debt/EBITDA <sup>2</sup>	0.7x	0.2x
Interest cover	13x	13x

<sup>1</sup> Unrestricted cash and cash equivalents excludes £4.7m (31 Dec 2010: £5.0m) held in escrow and £10.0m (31 Dec 2010: £17.4m) held in the Group's manager dealing accounts

<sup>2</sup> Calculations based on 1H11 EBITDA annualised



18



# 2011 Interim Results

Andrew Formica  
Chief Executive

## Investment performance

Asset weighted of funds measured<sup>1</sup>

Funds at/above benchmark (%) <sup>2</sup>	1 year %	3 years %
<b>Investment Management</b>		
UK OEICs/ Unit Trusts	64	64
SICAVs	48	90
US mutuals	20	78
Investment Trusts	93	63
Offshore absolute return funds	100	97
Segregated mandates	76	90
Liquidity funds	86	86
<b>Total</b>	<b>65</b>	<b>75</b>
<b>Asset class</b>		
Equities	54	75
Fixed Income	98	82
Property <sup>3</sup>	66	12
<b>Total</b>	<b>66</b>	<b>67</b>

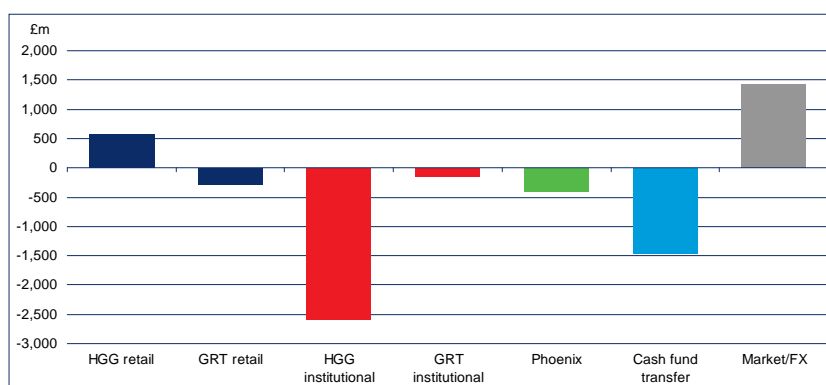
<sup>1</sup> Includes Gartmore. Excludes NSIM as the Group's interest was disposed of on 1 Jul 2011  
<sup>2</sup> Asset weighted of funds measured as at 30 Jun 2011. Retail fund ranges are measured relative to peers.  
<sup>3</sup> Based on performance as at 31 Dec 2010



20

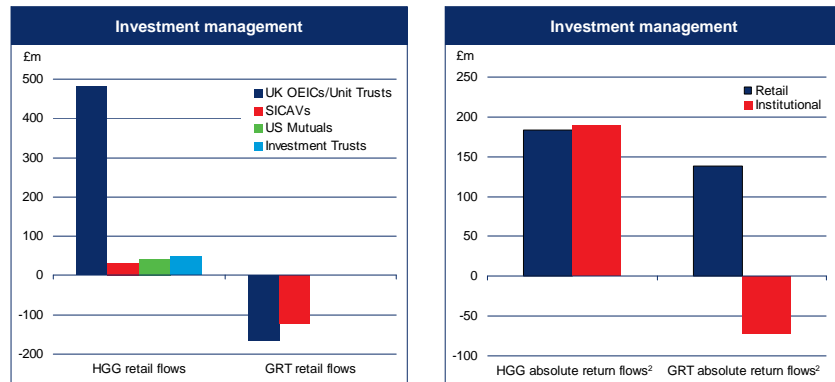
## AUM movement in 1H11

By channel



21

## AUM movement in 1H11 – retail and absolute return<sup>1</sup>



<sup>1</sup> All flows in these charts are shown as reported and excluding previously notified redemptions  
<sup>2</sup> Retail absolute return flows in the right-hand side chart are included in the retail flows in left-hand side chart



22

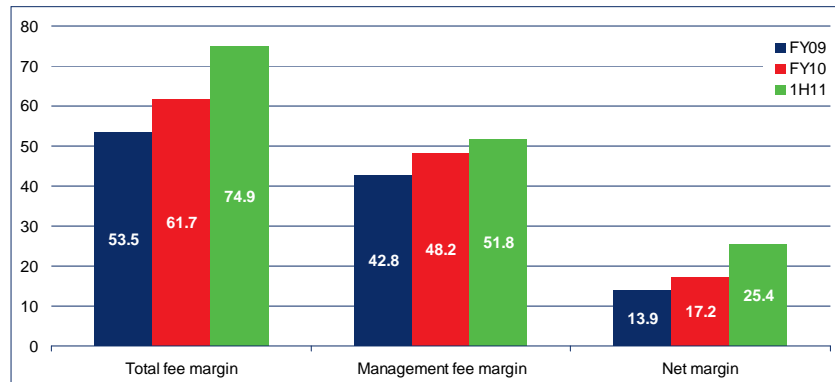
## AUM pipeline at 30 June 11

- Phoenix £1.2bn on notice, no material impact on revenues
- NSIM £1.1bn AUM transfer on 1 July
- Gartmore £224m notified redemptions outstanding
- Flat Institutional pipeline
- Net Property pipeline of £1.5bn



23

## Fee margins



*Continued improvement in margins*



24

## Key points from 1H11 – recap

- Good investment performance
- Net inflows into UK retail and absolute return funds
- Improving fee and operating margins
- Reducing compensation ratio
- Strong growth in profitability
- Prudent capital position
- Gartmore exceeds expectations



25

## Outlook and priorities for 2H11

- Volatile markets and economic uncertainty impacting client behaviour
- Extract further benefits of Gartmore acquisition
- Focus on distribution of retail and absolute return funds
- RDR implementation delayed, FSA consultation continues
- Market volatility expected to continue
- Remain close to clients through challenging markets



26



# 2011 Interim Results

## Appendix

- Profit and loss
- AUM and fund flows in 1H11
- Combined Group AUM
- Gartmore purchase consideration
- Gartmore acquisition accounting
- Investment performance – top 20 listed asset funds by AUM
- Number of shares for EPS calculation
- EPS calculation



28

## Profit and loss

	1H11 £m	1H10 £m	% change	FY10 £m
Management fees (net of commissions)	176.0	137.4	28	282.5
Transaction fees	24.2	16.6	46	36.8
Performance fees	54.3	24.6	121	42.8
<b>Total fee income</b>	<b>254.5</b>	<b>178.6</b>	<b>42</b>	<b>362.1</b>
Finance income	1.6	0.9	78	0.8
<b>Total income</b>	<b>256.1</b>	<b>179.5</b>	<b>43</b>	<b>362.9</b>
Operating costs	(162.5)	(126.6)	(28)	(253.5)
Finance costs	(7.2)	(4.4)	(64)	(8.7)
<b>Total expenses</b>	<b>(169.7)</b>	<b>(131.0)</b>	<b>(30)</b>	<b>(262.2)</b>
<b>Underlying profit before tax</b>	<b>86.4</b>	<b>48.5</b>	<b>78</b>	<b>100.7</b>
Gartmore related employee share awards	(21.1)	-	-	-
Intangible amortisation	(15.8)	(5.8)	(172)	(11.6)
Void property finance charge	(0.9)	(1.1)	18	(2.1)
<b>Recurring profit before tax</b>	<b>48.6</b>	<b>41.6</b>	<b>17</b>	<b>87.0</b>
<b>Non-recurring items before tax</b>	<b>(51.7)</b>	<b>-</b>	<b>-</b>	<b>(10.5)</b>
<b>(Loss)/profit before tax</b>	<b>(3.1)</b>	<b>41.6</b>	<b>n.m.</b>	<b>76.5</b>
Tax on recurring profit	(7.5)	(8.6)	13	(16.1)
Tax on non-recurring items	11.5	-	-	0.6
Non-recurring tax	12.9	-	-	16.4
<b>Total tax</b>	<b>16.9</b>	<b>(8.6)</b>	<b>n.m.</b>	<b>0.9</b>
<b>Profit after tax</b>	<b>13.8</b>	<b>33.0</b>	<b>(58)</b>	<b>77.4</b>
Effective tax rate on underlying profit	20.9%	21.6%	-	20.5%
Basic EPS on underlying profit after tax attributable to equity holders of the parent	7.6	4.7	62	10.2p
Basic EPS based on profit attributable to equity holders of the parent	1.5	4.1	(63)	9.9p



29

## AUM and fund flows in 1H11

£m	AUM by channel							Closing AUM	Closing AUM ave net mngmt fee
	Opening AUM	Gartmore take-on AUM <sup>1</sup>	HGG net flows	GRT net flows <sup>2</sup>	Group net flows	Cash fund transfer <sup>3</sup>	Market/FX		
	1 Jan 11		1H11	1H11	1H11	1H11		30 Jun 11	bps <sup>4</sup>
Retail	23,039	9,866	575	(290)	285	207	189	33,586	76
Institutional ex Phoenix	31,817	5,849	(2,590)	(148)	(2,738)	(1,670)	885	34,143	38 <sup>5</sup>
<b>Total Group ex Phoenix</b>	<b>54,856</b>	<b>15,715</b>	<b>(2,015)</b>	<b>(438)</b>	<b>(2,453)</b>	<b>(1,463)</b>	<b>1,074</b>	<b>67,729</b>	
Phoenix	6,753	-	(407)	-	(407)	-	347	6,693	
<b>Total Group</b>	<b>61,609</b>	<b>15,715</b>	<b>(2,422)</b>	<b>(438)</b>	<b>(2,860)</b>	<b>(1,463)</b>	<b>1,421</b>	<b>74,422</b>	<b>56</b>

AUM by asset type									
Equities	30,515	13,843	(2,276)	(368)	(2,644)	-	1,912	43,626	68
Fixed Income	18,349	538	(308)	(66)	(374)	(1,463)	(1,058)	15,992	31
Property	11,821	-	197	-	197	-	355	12,373	45
Private Equity	924	1,334	(35)	(4)	(39)	-	212	2,431	
<b>Total Group</b>	<b>61,609</b>	<b>15,715</b>	<b>(2,422)</b>	<b>(438)</b>	<b>(2,860)</b>	<b>(1,463)</b>	<b>1,421</b>	<b>74,422</b>	<b>56</b>

<sup>1</sup> Before notified redemptions of £368m at completion

<sup>2</sup> Since completion of the Gartmore acquisition

<sup>3</sup> The transfer of the Henderson Liquid Assets Fund to DB Advisors

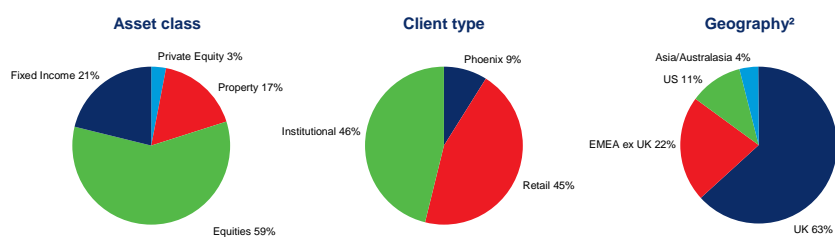
<sup>4</sup> Private Equity AUM and net management fees (incl the Hermes JV) are excluded from this analysis due to the confidential nature of these fee arrangements and, therefore, excluded from the average management fee basis points

<sup>5</sup> Calculated including all Phoenix AUM and revenue



30

## Combined Group AUM<sup>1</sup>



<sup>1</sup> At 30 Jun 2011, before notified redemptions

<sup>2</sup> By source of client

**Diversified business**



31

## Gartmore purchase consideration

	No. of shares	Share price £	Amount £m
Equity consideration at acquisition announcement	242,639,403	1.382	335.3
Movement in share price		0.349	84.7
Equity consideration at completion	242,639,403	1.731	420.0
Comprising:			
Gartmore external shareholders	202,223,894	1.731	350.0
Gartmore employee benefit trust (own shares)	40,415,509	1.731	70.0
Add: fair value of Gartmore related employee share awards to date of completion <sup>1</sup>			15.4
Fair value of purchase consideration			435.4
Less: Gartmore employee benefit trust (own shares)	40,415,509		(70.0)
Cost of acquisition			365.4

<sup>1</sup> Gartmore related employee share awards represent the pre-acquisition share-based payment charge for awards to Gartmore employees originally made in 2010 and exchanged into Henderson Group plc shares upon completion on the same terms as the original awards



32

## Gartmore acquisition accounting

	£m
Gartmore net assets at acquisition	198.2
Fair value adjustments	(285.6)
Recognition of investment management contracts	220.9
Deferred tax on recognition of investment management contracts	(57.4)
Total fair value adjustments	(122.1)
Fair value of assets and liabilities acquired	76.1
Goodwill	289.3
Cost of acquisition	365.4



33

## Gartmore acquisition accounting

	Period	£m <sup>1</sup>
<b>Gartmore related employee share awards</b>	1H11	21.1
Post-acquisition share-based payment charge for awards to Gartmore employees made in 2010; amounts assume 100% vesting	FY11	33.2
FY11 includes acceleration of vesting for departing Gartmore employees	FY12	11.8
	FY13	4.6
<b>Intangible amortisation</b>	1H11	10.0
Investment management contracts (IMC) amortised on a straight line basis	FY11	30.1
Deferred tax liability recognised at acquisition (£57.4m) will be credited to the income statement matching the IMC amortisation	FY12	40.2
	FY13	40.2
	FY14	40.2
	FY15	36.1
	FY16	27.8
	FY17	6.3
<b>Void property finance charge</b>	1H11	0.2
A 15 year lease agreement entered into by Gartmore in Sep 2010		
£2.2m over 15 years, declining over time		

<sup>1</sup> 1H11 amounts are actual amounts reflected in the Group's interim results. All future amounts are estimates and subject to change.



34

## Investment performance

### Top 20 investment management funds by AUM

Fund	AUM (£m) 30 Jun 10	Fund range	Fund manager	1 year	3 years	5 years
International Opportunities <sup>1</sup>	2,254	US Wholesale	Team			
All Stock Credit <sup>2</sup>	1,753	Institutional OEIC	Payne			
Horizon Pan-European Equity <sup>1</sup>	1,684	SICAV	Stevenson			
European Selected Opportunities <sup>1</sup>	1,521	Retail OEIC	Bennett			
Latin American <sup>1</sup>	1,362	SICAV	Palmer			
Strategic Bond <sup>1</sup>	1,165	Retail OEIC	Pattullo/J Barnard			
Horizon Global Technology <sup>1</sup>	1,116	SICAV	O'Gorman/Warmerdam			
UK Enhanced <sup>2</sup>	1,060	Institutional OEIC	Elms			
European Growth <sup>1</sup>	1,039	Retail OEIC	Pease/Rowe			
Continental European <sup>1</sup>	975	SICAV	Bennett			
Long Dated Credit <sup>2</sup>	925	Institutional OEIC	Payne			
Cautious Managed <sup>1</sup>	876	Retail OEIC	Burvill			
China Opportunities <sup>1</sup>	719	Retail OEIC	Awdry			
Multi-Manager Income and Growth <sup>1</sup>	667	Retail OEIC	McQuaker			
Global Equity Income <sup>1</sup>	659	US Wholesale	Crooke/Curtis			n/a
Preference and Bond <sup>1</sup>	632	Retail OEIC	Pattullo/J Barnard			
Credit Alpha <sup>2</sup>	606	Institutional OEIC	Ross			n/a
Horizon Global Property Equities <sup>1</sup>	542	SICAV	G Barnard/Sumner			
High Alpha Credit <sup>2</sup>	537	Institutional OEIC	Thariyan/Adams			n/a
Fixed Interest Unit Trust <sup>1</sup>	496	Retail OEIC	Pattullo/J Barnard			
<b>Total</b>	<b>20,588</b>					

1 <sup>st</sup> quartile/outperform/positive	3 <sup>rd</sup> quartile
2 <sup>nd</sup> quartile	4 <sup>th</sup> quartile/underperform/negative

<sup>1</sup> Percentile ranking measured 30 Jun 2011  
<sup>2</sup> Performance relative to benchmark



35

## Number of shares for EPS calculation

	1H11 No. m	FY11E No. m
<b>Weighted average</b>		
Issued share capital	957.6	1,028.2
Less: own shares held	(64.5)	(72.8)
<b>Weighted average number of ordinary shares for the purpose of basic EPS</b>	<b>893.1</b>	<b>955.4</b>
Add: dilutive impact of share options and awards	71.1	74.1
<b>Weighted average number of ordinary shares for the purpose of diluted EPS</b>	<b>964.2</b>	<b>1,029.5</b>



36

## EPS calculation<sup>1</sup>

	1H11 £m	1H10 £m	FY10 £m
Underlying profit before tax	86.4	48.5	100.7
Less: taxation on underlying profit	(18.1)	(10.5)	(20.6)
Underlying profit after tax	68.3	38.0	80.1
Add/(less): non-controlling interests after tax	-	(0.7)	0.5
<b>Underlying profit after tax attributable to equity holders of the parent</b>	<b>68.3</b>	<b>37.3</b>	<b>80.6</b>
Less: Gartmore related employee share awards after tax	(15.5)	-	-
Less: intangible amortisation and void property finance charge after tax	(11.7)	(5.0)	(9.2)
(Less)/add: non-recurring items after tax	(27.3)	-	6.5
<b>Profit after tax attributable to equity holders of the parent</b>	<b>13.8</b>	<b>32.3</b>	<b>77.9</b>
Weighted average number of ordinary shares for the purpose of basic EPS (m)	893.1	788.1	788.4
Weighted average number of ordinary shares for the purpose of diluted EPS (m)	964.2	827.0	849.2
<b>Basic EPS based on underlying profit after tax</b>	<b>7.6p</b>	<b>4.7p</b>	<b>10.2p</b>
<b>Basic EPS</b>	<b>1.5p</b>	<b>4.1p</b>	<b>9.9p</b>
<b>Diluted EPS based on underlying profit after tax</b>	<b>7.1p</b>	<b>4.5p</b>	<b>9.5p</b>
<b>Diluted EPS</b>	<b>1.4p</b>	<b>3.9p</b>	<b>9.2p</b>

<sup>1</sup> All EPS calculations based on profit attributable to equity holders of the parent



37

## Forward-looking statements

This presentation issued by Henderson Group plc is a summary of certain information contained in the stock exchange announcements dated 17 August 2011 (relating to the interim results of Henderson Group for the period ended 30 June 2011) and should be read in conjunction with, and subject to, the full text of those announcements.

This presentation contains forward-looking statements with respect to the financial condition, results and business of Henderson Group. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend on circumstances, that may or may not occur in the future. There are a number of factors that could cause Henderson Group's actual future performance and results to differ materially from the results expressed or implied in these forward-looking statements. The forward-looking statements are based on the Directors' current view and information available to them at the date of this presentation. Henderson Group makes no undertaking to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. Nothing in this presentation should be construed as a profit forecast.

