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ASX Market Announcements Office
ASX Limited
Exchange Centre
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Regal Partners, in consortium with BPEA EQT, confirms a non-binding, indicative all-cash proposal to acquire Perpetual

Regal Partners ("Regal" or the "Company"), in a strategic consortium with BPEA Private Equity Fund VIII's indirect wholly-owned subsidiary Morello Pte. Limited (the "BPEA EQT Fund"), has proposed a transformational acquisition of Perpetual Limited ("Perpetual"), whereby Regal will seek to acquire 100% of Perpetual's asset management businesses, significantly accelerating the growth and scale of its current investment and distribution platform.

HIGHLIGHTS

- Regal and the BPEA EQT Fund (together, the "Consortium"), have made a non-binding indicative all-cash proposal (the "Proposal") to Perpetual for the acquisition of 100% of the ordinary fully paid shares in Perpetual by way of a scheme of arrangement for a price of A\$30.00 per share.
- The Consortium believes that the Proposal provides Perpetual and its shareholders with an outcome that is superior to the acquisition of Pandal Group Limited ("Pandal"), and has requested that Perpetual engage with the Consortium in order to progress the Proposal.
- Regal and the BPEA EQT Fund have agreed that Regal will seek to acquire the asset management businesses of Perpetual and, simultaneously, the BPEA EQT Fund will seek to acquire the Perpetual Corporate Trust and Private Clients businesses.
- An acquisition of Perpetual's asset management businesses provides a compelling opportunity for Regal to accelerate the growth and scaling of its investment and distribution platform globally and to further diversify its existing product, revenue and client base.
- The combination of Regal's and Perpetual's asset management businesses would create a leading provider of active investment strategies globally, with over A\$90 billion in AUM across traditional and alternative asset classes, servicing a deep pool of client relationships across institutional, HNW and retail channels.
- The Proposal is consistent with Regal's growth ambitions, including the pursuit of inorganic growth where it makes sense.
- At this stage, the Consortium has sought engagement and due diligence in order to assess whether a binding proposal can be put to the Board of Perpetual.
- Following completion of the merger between Regal and ASX-listed VGI Partners and the subsequent successful capital raising, Regal's balance sheet is strong. As a result, we expect multiple funding sources and funding markets to be available to Regal should the Proposal progress further.



The Company's Chief Executive Officer and Managing Director, Brendan O'Connor, said:

"We are delighted to form a consortium with the BPEA EQT Fund to enable the approach to Perpetual and provide a compelling opportunity for our shareholders to create a leading ASX-listed provider of active investment strategies globally.

As stated in our recent capital raise presentation, inorganic growth opportunities represent one pillar of our ongoing growth strategy as we seek to further diversify our revenue, product and client base and leverage our existing operating platform.

We believe the Proposal we have submitted is compelling for Perpetual shareholders and, importantly, is more attractive than maintaining the status quo and proceeding with the proposed acquisition of Pendal."

Regal is excited to evaluate this opportunity further as we believe that:

1. the Proposal is consistent with our growth-focused strategy and global ambitions
2. the Proposal provides a unique opportunity to complement our existing specialist, diversified alternatives platform with a highly regarded global investment franchise across large addressable markets in the US, Europe, Asia and Australia
3. there are opportunities in leveraging the combined businesses' platforms and capabilities to provide enhanced outcomes for clients, investment management teams and staff
4. the combined businesses will provide an attractive balance for shareholders of Regal, enabling a large and stable management fee base to be complemented by a differentiated contribution from performance fees generated by aligned and capable investment management teams.

We are pleased to be making this Proposal with the BPEA EQT Fund as:

1. it allows the Consortium to put forward an attractive all-cash proposal, with the potential for Perpetual shareholders to elect to receive Regal shares as consideration¹ or to mix-and-match, providing maximum flexibility for Perpetual shareholders
2. the BPEA EQT Fund is a highly credentialled owner and operator of a Corporate Trust and Private Clients business and therefore an ideal partner to embark on the separation and transition of the businesses
3. the BPEA EQT Fund's interests are highly aligned with ours to be an attractive owner of Perpetual's businesses.

The Consortium will assess the optimal funding strategy, and to that end, we note our access to existing funds (through Regal's existing balance sheet capacity and BPEA Private Equity Fund VIII's existing fund commitments) and bank debt funding.

Mr O'Connor added:

"Together with the BPEA EQT Fund, we are seeking Perpetual's engagement to develop the Proposal further, including through due diligence and the development of transaction documentation. We hold the Perpetual Asset Management investment teams in high regard and look forward to the opportunity to engage with the key personnel who we view as critical to the success of the asset management business going forward."

¹ The issue of Regal shares as scrip consideration is subject to Regal shareholder approval, if required. Given the composition of the Regal shareholder base, it is anticipated that sufficient Regal shareholders would, on entry into binding agreements with Perpetual, indicate to the market their intention to vote in favour of any such required resolution subject to no superior proposal emerging. If elections are made for 100% or more of Regal shares on issue at the time of announcing the Scheme Implementation Deed, there would be a proportionate scale back.



STATUS OF THE PROPOSAL

Any transaction, should it eventuate, will be conditional on the satisfactory completion of due diligence, a unanimous recommendation from the Board of Perpetual, the BPEA EQT Fund's final internal approvals, final Regal Board approval and the termination of the Scheme Implementation Deed with Pental.

The Company notes that the Proposal has been rejected by the Board of Perpetual. While this is disappointing given the Consortium's belief that the Proposal is compelling for Perpetual shareholders for the reasons set out below, we will seek to understand the Perpetual Board's rationale and constructively engage with their concerns.

Regal will continue to keep the market informed of any material developments in accordance with its continuous disclosure obligations.

SUMMARY OF THE NON-BINDING, INDICATIVE PROPOSAL

On 2 November 2022, the BPEA EQT Fund and Regal submitted a consortium non-binding and indicative all-cash proposal for the acquisition of 100% of the issued shares of Perpetual by way of a scheme of arrangement at a price of A\$30.00 per share ("Offer Price"). This represents an offer of up to A\$1.749 billion in aggregate in cash consideration to Perpetual's shareholders.

In addition, Regal is prepared to provide Perpetual's shareholders with the option to elect to receive Regal shares or any combination of cash and Regal shares². Based on our preliminary analysis, it is expected that capital gains tax rollover relief would be available for those shareholders who are able to and elect to receive Regal shares in relation to some or all of their Perpetual shareholding.

The Offer Price under the Proposal is at a significant premium to both recent market prices for Perpetual shares and historical earnings-based multiples for Perpetual shares. Specifically, the Offer Price represents:

- a premium of 16.0% to the 1-day volume weighted average price of Perpetual shares on 2 November 2022 of A\$25.68;
- a premium of 23.3% to the 30-day volume weighted average price of Perpetual shares up to and including 2 November 2022 of A\$24.32; and
- an EV / FY23 EBITDA multiple of 9.2x which is a premium of 27.7% to the long-term average of the corresponding one-year forward EV / EBITDA multiple for Perpetual over the last three years.

BENEFITS OF THE TRANSACTION

The Proposal is subject to Perpetual not proceeding with its proposed acquisition of Pental. The Consortium believes that the Proposal provides Perpetual and its shareholders with an outcome that is superior to the acquisition of Pental for the following reasons:

- The terms of the proposed acquisition by Perpetual of Pental were agreed some time ago and are not reflective of current market conditions and valuations of asset managers which have deteriorated since that time. An acquisition of Pental by Perpetual today would be at a lower value were it to reflect the movement in market conditions and valuations since the time of that agreement;

² The issue of Regal shares as scrip consideration is subject to Regal shareholder approval, if required. Given the composition of the Regal shareholder base, it is anticipated that sufficient Regal shareholders would, on entry into binding agreements with Perpetual, indicate to the market their intention to vote in favour of any such required resolution subject to no superior proposal emerging. If elections are made for 100% or more of Regal shares on issue at the time of announcing the Scheme Implementation Deed, there would be a proportionate scale back.



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- Perpetual shareholders are providing a mix of Perpetual shares and cash to Pental shareholders and although the value of the Perpetual shares has declined since the date of announcement of the proposed acquisition (to reflect deteriorating market conditions and valuation of asset management businesses), the cash consideration being paid by Perpetual for Pental has not been reduced, meaning that the cash being provided for Pental is in excess of current market value or the transaction is more reliant on the realisation of synergies and with more of those synergies needing to be paid to Pental shareholders relative to Perpetual's assessment at the time of entering into the agreement to acquire Pental;
 - Under the Proposal, Perpetual shareholders can receive an all cash offer, providing a sum certain value for their Perpetual shares at a significant premium to the current market price;
 - Immediate value certainty under the Proposal should be more desirable relative to the proposed acquisition of Pental because:
 - the proposed acquisition of Pental represents an uncertain outcome, the success of which is underpinned by the imperative to realise synergies over time that outweigh the potential for dis-synergies arising from AUM attrition, key management departures and integration risk; and
 - the combination of Perpetual and Pental represents an overlapping and increased exposure to the segments of the asset management industry that are likely to face structural challenges in the medium to long term.
 - Immediate value certainty under the Proposal should be more desirable relative to a standalone Perpetual because:
 - the declining outlook for profitability driven by the challenging revenue environment against Perpetual management's guidance for 4-6% expense growth for FY23; and
 - the competition for management focus and capital allocation from each of the businesses under Perpetual's current business structure in order to drive investment and development, whereas the BPEA EQT Fund and Regal would separate the businesses in accordance with their key competencies and areas of strength.
 - Furthermore, if Perpetual shareholders elect to receive Regal shares for part of their consideration³, they will benefit from:
 - a) owning a scaled and diversified pure-play asset management business with leading alternative and traditional asset management capabilities;
 - b) an investment in Regal, which has had strong and sustained growth momentum, including positive flows in the September 2022 quarter, a quarter where peer ASX-listed asset managers experienced outflows; and
 - c) significant synergy opportunities from combining the two businesses, including the distribution of Regal and Perpetual products across their respective distribution channels.

³ The issue of Regal shares as scrip consideration is subject to Regal shareholder approval, if required. Given the composition of the Regal shareholder base, it is anticipated that sufficient Regal shareholders would, on entry into binding agreements with Perpetual, indicate to the market their intention to vote in favour of any such required resolution subject to no superior proposal emerging. If elections are made for 100% or more of Regal shares on issue at the time of announcing the Scheme Implementation Deed, there would be a proportionate scale back.



NEXT STEPS

We look forward to constructively engaging with the Board of Perpetual to progress to due diligence and will keep the market informed of any material developments in accordance with our continuous disclosure obligations.

THIS ANNOUNCEMENT HAS BEEN AUTHORISED FOR RELEASE BY THE BOARD OF REGAL

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ABOUT REGAL PARTNERS LIMITED

Regal Partners Limited is an ASX-listed, specialist alternatives investment manager with over A\$5.4 billion in assets under management. Formed on 3 June 2022 following the merger of VGI Partners and Regal Funds Management, the Group specialises in managing a diverse range of investment strategies covering hedge funds, private markets and real assets on behalf of institutions, family offices, charitable groups and private investors.

Regal currently houses four dedicated alternatives investment management businesses – Regal, VGI Partners, Kilter Rural and Attunga Capital – together employing approximately 100 employees, including 45 investment professionals, located in offices across Sydney, Melbourne, Singapore and New York.

ABOUT BPEA EQT

BPEA EQT is part of EQT, a purpose-driven global investment organization in active ownership strategies. BPEA EQT combines the private equity teams from Baring Private Equity Asia and EQT Asia, creating a comprehensive Asian private equity presence with local teams in eight cities across the region, a 25-year heritage, and more than US\$25 billion of capital deployed since inception. In addition to BPEA EQT, EQT's strategies in the region include EQT Infrastructure and the real estate division EQT Exeter. Morello Pte. Limited is an indirectly, wholly-owned subsidiary of BPEA Private Equity Fund VIII which closed in September 2022 with total capital commitments of US\$11.2 billion.

Funds affiliated with BPEA EQT are experienced acquirors and operators of trust and corporate services businesses, owning two of the largest global providers in Vistra and Tricor (including ownership through Tricor of New Zealand Guardian Trust). Under BPEA EQT's ownership and investment, BPEA EQT has implemented a long-term plan to transform Vistra into a leading scalable, client-focused, technology enabled, global platform, through a combination of strong organic growth, operating leverage and strategic acquisitions, while increasing both employee numbers and number of clients served. Similarly, BPEA EQT's investment in Tricor also demonstrates the firm's deep sector expertise in trust & corporate services and ability to be responsible custodians, having demonstrated an excellent track record of stewardship as owners of highly regulated Trust businesses.