



# Janus Henderson Group PLC (JHG)

Updated September 10<sup>th</sup>, 2022, by Tiago Dias

## Key Metrics

<b>Current Price:</b>	\$25	<b>5 Year CAGR Estimate:</b>	23.9%	<b>Market Cap:</b>	\$4.2 B
<b>Fair Value Price:</b>	\$56	<b>5 Year Growth Estimate:</b>	3.0%	<b>Ex-Dividend Date:</b>	11/05/2022 <sup>1</sup>
<b>% Fair Value:</b>	45%	<b>5 Year Valuation Multiple Estimate:</b>	17.3%	<b>Dividend Payment Date:</b>	11/24/2022 <sup>1</sup>
<b>Dividend Yield:</b>	6.2%	<b>5 Year Price Target</b>	\$64	<b>Years Of Dividend Growth:</b>	2
<b>Dividend Risk Score:</b>	D	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Buy

## Overview & Current Events

Janus Henderson Group plc is an independent global asset manager, specializing in active investment across all major asset classes. With \$300 billion in assets under management, the company focuses on active fund management by investment managers with unique individual perspective, who are free to implement their own investment views, within a strong risk management framework. This \$4.2 billion market cap company has raised its dividend for the past 2 years.

JHG reported Q2 2022 earnings on July 28<sup>th</sup>, 2022. For the quarter, earnings-per-share equalled \$0.56, compared to the \$0.79 per share the company reported in Q2 2021. While JHG has not yet declared their next dividend, we expect that a new \$0.39 quarterly dividend will be announced, in line with their historical average. This dividend would be well covered by the company's earnings. The company also conducted \$56 million in share buybacks during the quarter.

The company's earnings have been heavily affected by the ongoing challenging market environment, which impacts the company's outlook and flows, with AUM decreasing by 17% during the quarter. The company's management team expressed concern with the difficult market environment, mixed investment performance and loss of market share, and the CEO is working with the team to turn the opportunities they see for Janus Henderson into a strategy with a winning execution plan.

## Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
<b>EPS</b>	\$1.17	\$1.31	\$1.72	\$1.70	\$1.65	\$1.83	\$2.61	\$2.21	\$0.87	\$3.59	<b>\$3.70</b>	<b>\$4.29</b>
<b>DPS</b>	\$0.61	\$0.45	\$0.66	\$0.74	\$0.89	\$1.11	\$1.40	\$1.44	\$1.44	\$1.50	<b>\$1.56</b>	<b>\$1.81</b>
<b>Shares</b>	88	90	88	86	86	200	196	186	180	169	<b>168.0</b>	<b>165.0</b>

Asset management companies work by charging fees on the assets that they manage; this means that any increases in assets under management result in higher revenues and earnings. In a bull market where investors are entering the market this allows asset management companies to have increased fee income, and subsequently their revenues and earnings increase rapidly, the reverse however is also true, and in bear markets, or in the event of serious asset performance issues, the fund outflows put significant pressure on the companies' earnings, and even their ability to offer competitive managed funds for its clients to invest in.

For these reasons we estimate only 3% annual growth over the next 5 years, and estimate earnings of \$4.29 per share in 2027, with a dividend per share of \$1.81.

## Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
<b>Avg. P/E</b>	14.0	15.0	15.0	20.0	8.0	17.0	11.0	10.0	26.0	10.0	<b>6.8</b>	<b>15.0</b>
<b>Avg. Yld.</b>	3.6%	2.2%	2.5%	2.2%	3.0%	3.5%	4.6%	6.3%	6.4%	3.9%	<b>6.2%</b>	<b>2.8%</b>

<sup>1</sup> Estimated date.

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Janus Henderson has traded with an average PE ratio of about 15 times earnings over the past decade. We expect that the company's multiple will revert to the mean, and as such expect a significant positive re-rating over the next 5 years.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	52%	34%	38%	44%	54%	61%	54%	65%	166%	42%	42%	42%

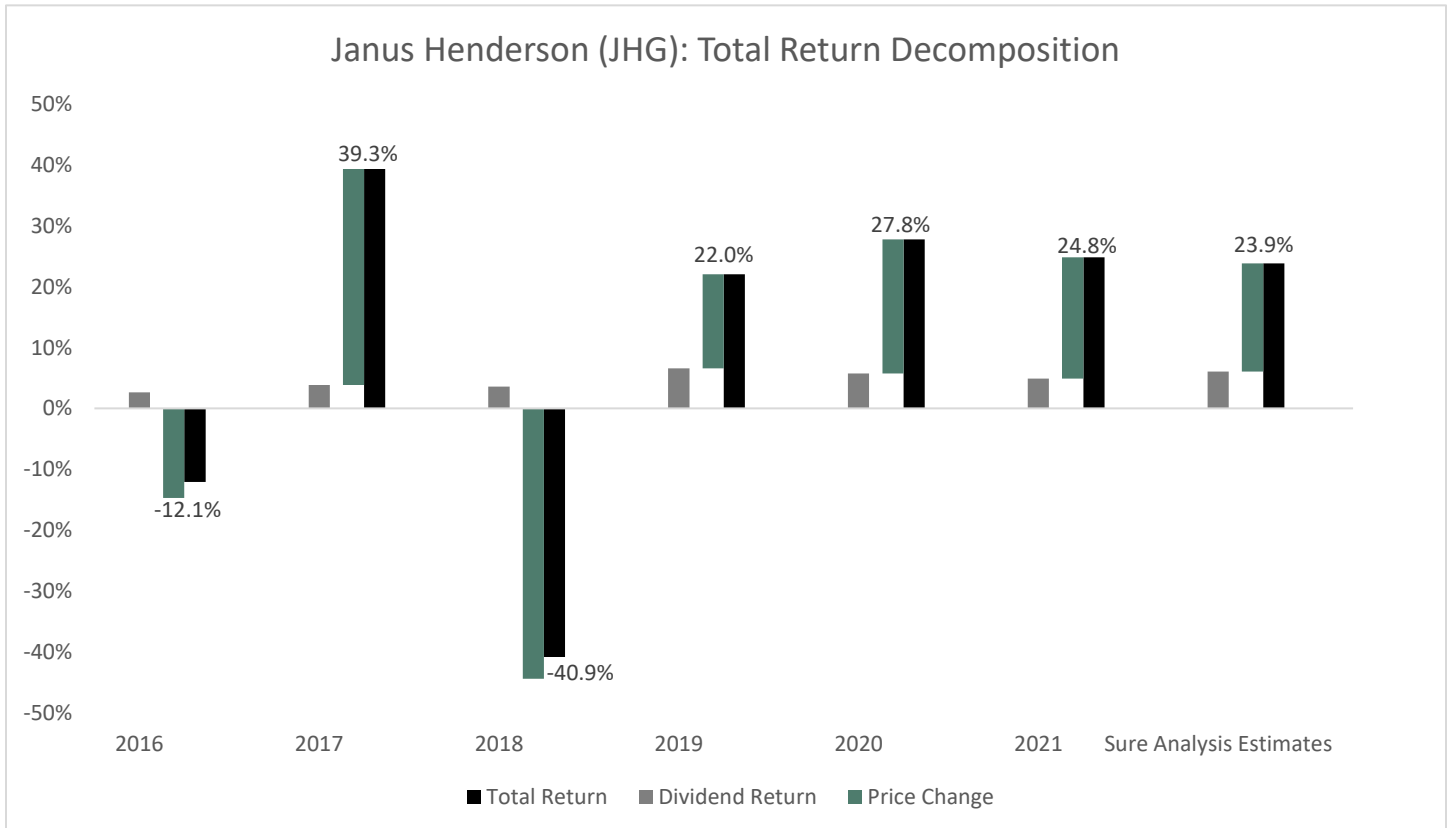
Janus Henderson has two main competitive advantages over its competitors, scale and history. The \$300 billion in assets under management allows them to have enormous economies of scale which permit the company to spend resources to get information advantages over retail and even smaller asset management firms. This allows them better investment opportunities, and higher returns, while also permitting the charging of smaller and smaller fees. Additionally, the longstanding history of the company allows them to have a long- and well-established client base, as well as the prestige and reputation of a longstanding asset manager, which gives a clear advantage when acquiring new clients.

That said asset managers live and die by the assets they have under management, and if they are unable to transform these advantages into new clients and new assets to manage, the company will have a hard time during a prolonged bear market.

## Final Thoughts & Recommendation

With an attractive 6.2% dividend yield, we are forecasting total return potential of 23.9% per annum, driven by the yield and 3% growth, as well as a notable valuation re-rating back to an historical norm. As a result, the company earns a buy rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Revenue</b>	854	953	1,014	1,155	1,018	1,818	2,306	2,192	2,299	2,767
<b>Gross Profit</b>	363	407	444	752	657	1,124	1,505	1,406	1,510	1,893
<b>Gross Margin</b>	42.5%	42.7%	43.8%	65.1%	64.5%	61.8%	65.2%	64.1%	65.7%	68.4%
<b>SG&amp;A Exp.</b>	62	63	70	411	397	629	785	784	789	907
<b>D&amp;A Exp.</b>	89	91	94	23	28	53	63	63	49	41
<b>Operating Profit</b>	128	172	196	317	232	442	657	559	672	945
<b>Op. Margin</b>	15.0%	18.1%	19.3%	27.5%	22.8%	24.3%	28.5%	25.5%	29.2%	34.2%
<b>Net Profit</b>	172	206	402	330	189	656	524	428	162	622
<b>Net Margin</b>	20.1%	21.6%	39.7%	28.6%	18.6%	36.1%	22.7%	19.5%	7.0%	22.5%
<b>Free Cash Flow</b>	261	275	183	373	221	426	642	425	628	885
<b>Income Tax</b>	(12)	0	14	6	35	(211)	162	138	60	206

## Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Total Assets</b>	2,217	2,415	2,548	2,505	2,433	7,273	6,912	7,622	6,691	6,728
<b>Cash &amp; Equivalents</b>	319	358	365	565	323	794	917	797	1,108	1,119
<b>Acc. Receivable</b>	236	358	429	345	166	420	309	335	374	352
<b>Goodwill &amp; Int.</b>	1,160	1,052	1,055	1,008	1,143	4,739	4,601	4,593	4,070	3,917
<b>Total Liabilities</b>	954	1,036	964	953	583	2,207	1,915	2,038	1,871	1,901
<b>Accounts Payable</b>	475	557	452	432	26	22	7	57	3	3
<b>Long-Term Debt</b>	240	246	233	222	-	379	319	316	313	310
<b>Total Equity</b>	1,257	1,372	1,582	1,536	1,648	4,837	4,839	4,887	4,716	4,648
<b>LTD/E Ratio</b>	0.19	0.18	0.15	0.14	-	0.08	0.07	0.06	0.07	0.07

## Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Return on Assets</b>	7.1%	8.9%	16.2%	13.1%	7.7%	13.5%	7.4%	5.9%	2.3%	9.3%
<b>Return on Equity</b>	13.8%	15.7%	27.2%	21.2%	11.9%	20.2%	10.8%	8.8%	3.4%	13.3%
<b>ROIC</b>	10.8%	13.2%	23.4%	18.4%	10.4%	18.0%	9.7%	7.6%	2.9%	12.1%
<b>Shares Out.</b>	88	90	88	86	86	200	196	186	180	169
<b>Revenue/Share</b>	7.89	8.39	8.89	10.01	9.16	11.20	11.77	11.62	12.78	16.42
<b>FCF/Share</b>	2.41	2.42	1.60	3.23	1.99	2.63	3.28	2.26	3.49	5.25

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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