



# Half year results 2023

Announced 1 August 2023

[www.man.com](http://www.man.com)

LSE:EMG



## Business update

**Luke Ellis**

Chief Executive Officer





# H1 2023 was a period of sustained organic growth for Man Group

\$151.7bn

Assets under management

## Net inflows reflect demand for our range of investment strategies and solutions

- Net inflows of \$2.6 billion for the six months ended 30 June 2023, 2.5% ahead of the industry<sup>1</sup>
- Positive investment performance of \$5.1 billion, 0.6% ahead of peers<sup>2</sup>

8.7¢

Core MF EPS

## Resilient core management fee EPS demonstrates the benefit of our diversified business model

- Run-rate net management fee revenue of \$946 million as at 30 June 2023
- \$32 million of core performance fees reflect a difficult first quarter for trend-following strategies

5.6¢

H1 2023 dividend

## Consistent shareholder returns and strategic acquisition to support our long-term growth

- Completed the \$125 million share buyback programme announced in March 2023
- Announced the acquisition of Varagon, a leading US middle-market private credit manager

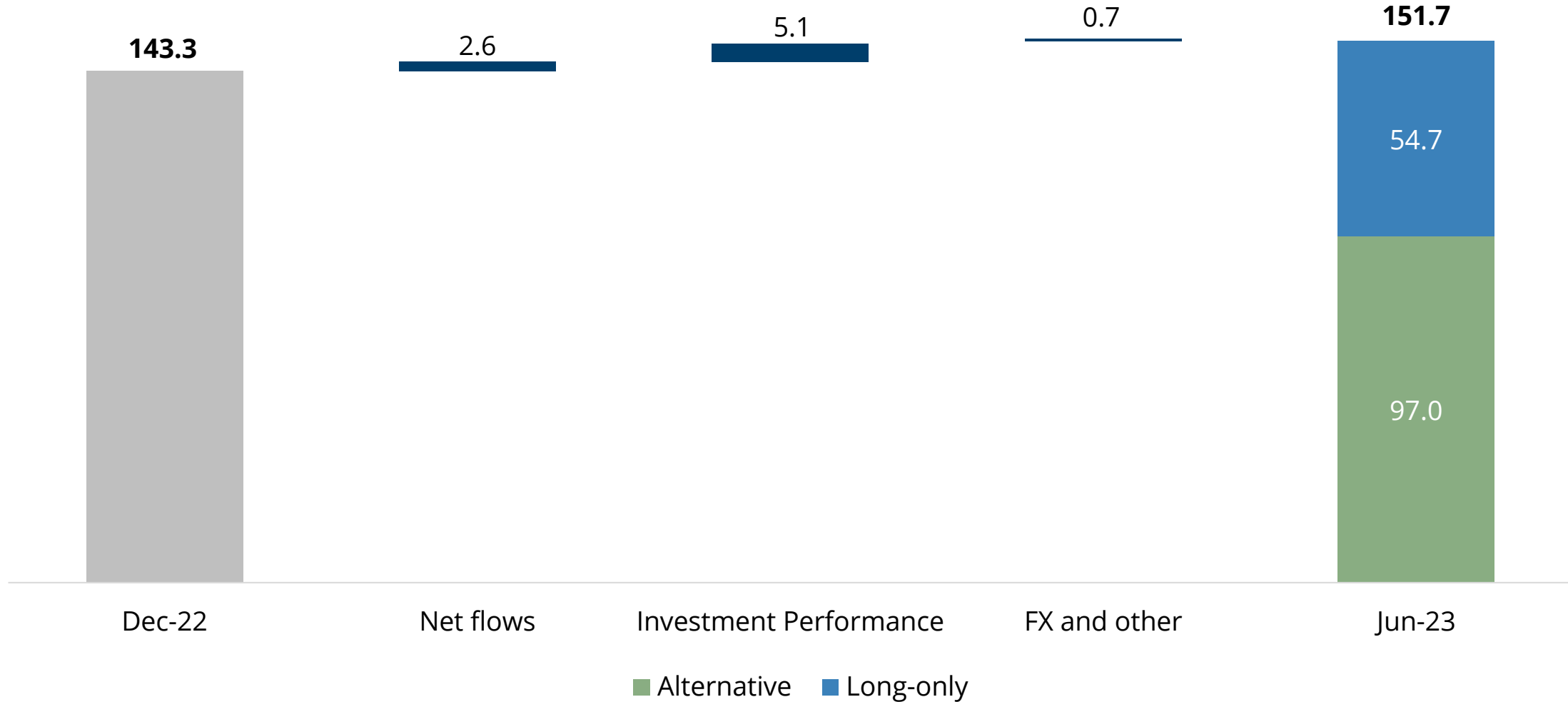
1. Based on asset-weighted industry net flows. Source: HFR, Morningstar, Man Group analysis

2. Relative performance versus peers is calculated using an asset-weighted average performance relative to peers for all strategies where we have identified and can access an appropriate peer composite. As at 30 June 2023 it covers 86% of the AUM of the firm and excludes infrastructure managed account mandates, Man Global Private Markets and collateralised loan obligations. Past performance is not an indication of future performance

Note: all earnings per share measures shown above are on a diluted basis

# Continued net inflows drive record assets under management

Assets under management (AUM), \$bn



# Positive investment performance across both alternative and long-only

## Investment performance

	Absolute \$bn	Relative \$bn	
Alternative	0.9	0.3	<ul style="list-style-type: none"> <li>The first quarter was a difficult period for trend-following strategies</li> <li>Strong performance from AHL TargetRisk (+7.3%)</li> </ul>
Long-only	4.2	0.5	<ul style="list-style-type: none"> <li>Relative investment performance of +1.0% across both categories</li> <li>Strong alpha from GLG Continental Europe (+4.4%) and Numeric EM (+2.6%)</li> </ul>
Total	5.1	0.8	<ul style="list-style-type: none"> <li>Overall asset-weighted outperformance of 0.6%<sup>1</sup></li> </ul>

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# Broad-based client demand for our differentiated offering

Net flows

	H1 2022 \$bn	H1 2023 \$bn	
Alternative	4.8	1.3	<ul style="list-style-type: none"> <li>Strong client demand for liquid alternative strategies</li> <li>Continued growth of Man Institutional Solutions</li> </ul>
Long-only	(1.6)	1.3	<ul style="list-style-type: none"> <li>Inflows across systematic and discretionary long-only</li> <li>Continued growth of liquid credit strategies</li> </ul>
Total	3.2	2.6	<ul style="list-style-type: none"> <li>Net inflows of 1.8%<sup>1</sup>, ahead of the industry by 2.5%<sup>2</sup></li> </ul>

1. Calculated as: net flows / beginning of period AUM

2. Based on asset-weighted industry net flows. Source: HFR, Morningstar, Man Group analysis

# Varagon acquisition presents a significant opportunity for growth

*A leading US middle market private credit manager with \$11.8 billion of AUM<sup>1</sup>*

Adds **complementary private credit** investment capabilities

- Focus on sponsor-backed, mid-market senior secured loans; lead or co-lead lender in over 90% of deals<sup>2</sup>
- Strong origination capabilities; sponsor relationships with blue-chip private equity firms
- High quality investment process; default rate of 0.05%<sup>2</sup>, lower than the industry<sup>3</sup>

Builds **scale in the US** and provides access to the insurance channel

- \$11.8 billion AUM and \$15.4 billion commitments<sup>1</sup> underpin near term growth
- Significant majority of client base in US, with a strong presence in the insurance channel
- 88 employees, largely based in New York, with additional offices in Fort Worth and Chicago

**Institutional quality**, with a track-record of servicing large clients

- Track record of raising capital from institutional clients; 13% AUM CAGR over the last three years
- Similar to Man Group, Varagon provide solutions at scale for their clients
- AIG, Corebridge and Aflac relationships demonstrate the ability to service large institutions

Deal terms and structure present **significant value creation** potential

- Long-term alignment through management equity roll over
- Meaningfully accretive in first full year following completion
- Significant distribution opportunity: our extensive sales network will support Varagon's continued growth

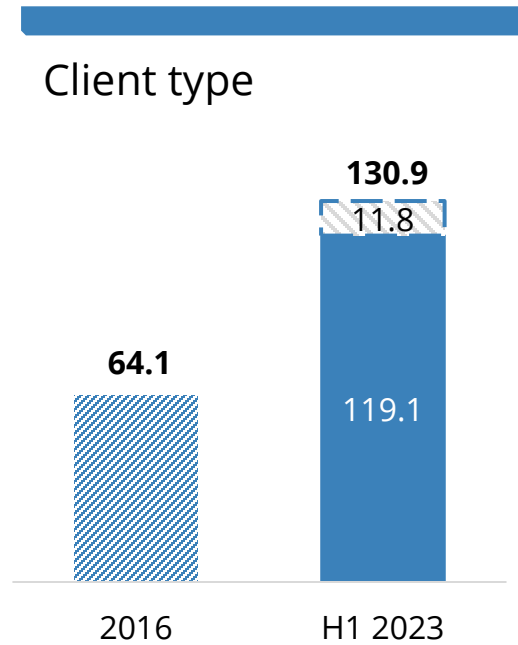
1. As at 31 December 2022. AUM excludes dry powder, commitments include dry powder

2. Since inception

3. 1.6% for the Cliffwater direct lending index and 1.7% for the LCD S&P / LSTA leveraged loan index

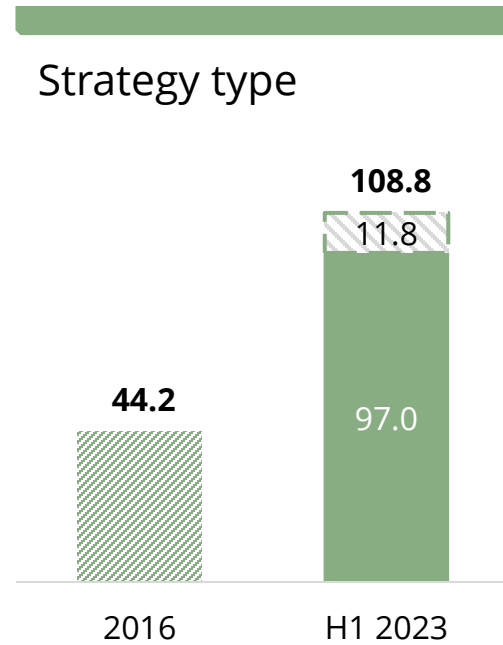
# Strong long-term growth shows underlying quality of the business

Since CEO appointment in 2016 to H1 2023



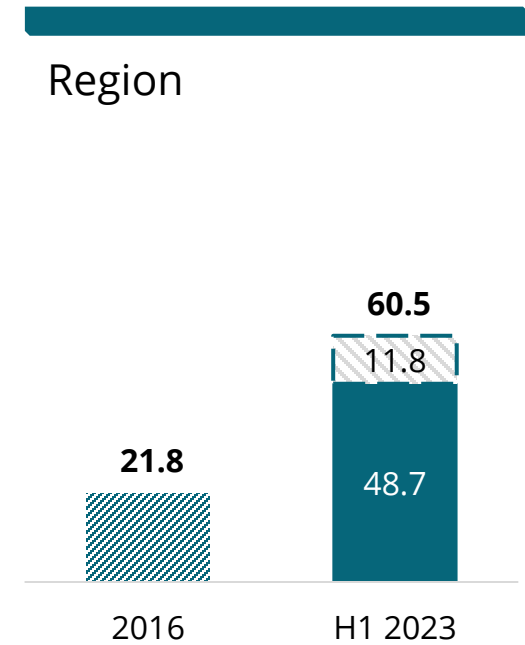
**+104%**

Institutional AUM, \$bn



**+146%**

Alternative AUM, \$bn



**+178%**

Americas<sup>1</sup> AUM, \$bn





## Financial highlights

**Antoine Forterre**

Chief Financial Officer



# H1 2023 results demonstrate the resilience of our business model

\$513m

Core net revenue

- Core net management fees of \$460 million, 2% lower than H1 2022
- Core performance fees of \$32 million after a difficult first quarter for trend-following strategies

27%

Core PBT margin<sup>1</sup>

- Fixed cash costs of \$180 million<sup>2</sup>, reflecting planned investment to support growth
- 50% compensation ratio, at the top of our guided range

\$137m

Core PBT

- Decrease in core PBT primarily driven by decrease in core performance fees
- Core performance fee PBT also lower as a result of deferred variable compensation charges

\$618m

Net financial assets

- Strong and liquid balance sheet supports organic and inorganic growth opportunities
- Seed investments<sup>3</sup> of \$634 million

1. Defined as: core profit before tax / core net revenue

2. Includes fixed compensation and other cash costs

3. Net of \$191m exposure via total return swaps

# \$151.7 billion of assets under management

AUM, \$bn

	AUM at 31 Dec 2022	Net flows	Investment performance	FX & other	AUM at 30 Jun 2023
Absolute return	46.0	1.0	0.1	0.2	47.3
Total return	28.8	0.3	0.7	(0.4)	29.4
Multi-manager	20.2	0.0	0.1	0.0	20.3
<b>Alternative</b>	<b>95.0</b>	<b>1.3</b>	<b>0.9</b>	<b>(0.2)</b>	<b>97.0</b>
Systematic	31.6	0.7	3.1	0.3	35.7
Discretionary	16.7	0.6	1.1	0.6	19.0
<b>Long-only</b>	<b>48.3</b>	<b>1.3</b>	<b>4.2</b>	<b>0.9</b>	<b>54.7</b>
<b>Total</b>	<b>143.3</b>	<b>2.6</b>	<b>5.1</b>	<b>0.7</b>	<b>151.7</b>

\$5.1bn

Investment performance

+2.5%

Relative net flows<sup>1</sup>

+0.6%

Relative performance<sup>2</sup>

1. Based on asset-weighted industry net flows. Source: HFR, Morningstar, Man Group analysis

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# Growth in run rate core net management fees

Core net management fees (NMF), \$m

	Actuals (six months to)		Run rate	
	H1 2022	H1 2023	Dec-22	Jun-23
Absolute return	251	260	526	535
Total return	106	88	177	178
Multi-manager	16	17	38	37
<b>Alternative</b>	<b>373</b>	<b>365</b>	<b>741</b>	<b>750</b>
Systematic	41	39	77	83
Discretionary	55	54	99	113
<b>Long-only</b>	<b>96</b>	<b>93</b>	<b>176</b>	<b>196</b>
Other <sup>1</sup>	-	2	-	-
<b>Core net management fees</b>	<b>469</b>	<b>460</b>	<b>917</b>	<b>946</b>
Margin, bps			64	62

**\$460m**

Core NMFs in H1 2023

**\$946m**

Run rate NMF at Jun-23

**62 bps**

Run rate NMF margin

1. Other is comprised of service-related fees

# Difficult period for performance fee generation

Core performance fees (PF), gains on investments and FX, and PF eligible AUM

\$m	H1 2019	H1 2020	H1 2021	H1 2022	H1 2023
AHL Alpha	7	5	30	28	2
AHL Dimension	2	-	-	-	-
AHL Evolution	86	6	129	187	1
GLG absolute return	10	9	4	2	5
Other alternatives	19	8	121	183	22 <sup>1</sup>
Long-only	1	1	-	4	2
<b>Core performance fees</b>	<b>125</b>	<b>29</b>	<b>284</b>	<b>404</b>	<b>32</b>
Gains/(losses) on investments and FX	17	3	17	(21)	19
<b>Total</b>	<b>142</b>	<b>32</b>	<b>301</b>	<b>383</b>	<b>51</b>
<b>PF eligible AUM (\$bn)</b>	<b>42.1</b>	<b>41.8</b>	<b>57.1</b>	<b>62.2</b>	<b>62.1</b>

**\$62.1bn**

PF eligible AUM

**\$25.5bn**

AUM at high-water mark

**c.\$75m**

PF accrued at Jul-23<sup>2</sup>

1. Includes \$16m of performance fees from Man Strategies 1783 and \$6m from other strategies

2. Accrued and uncrystallised at July 2023, and due to crystallise in H2 2023

Past performance is not an indication of future performance



# Costs reflect planned investment to support growth

Core costs, \$m

		H1 2022	H1 2023	Change
Core costs	Fixed compensation	110	118	7%
	Variable compensation	233	139	(40%)
	Other cash costs	56	62	11%
	Asset servicing	30	27	(10%)
	D&A	25	24	(4%)
	Net finance expense	6	6	0%
	<b>Total</b>	<b>460</b>	<b>376</b>	<b>(18%)</b>
Key metrics	<i>Fixed cash costs<sup>1</sup></i>	<i>166</i>	<i>180</i>	<i>8%</i>
	<i>Compensation ratio</i>	<i>40%</i>	<i>50%</i>	
	<i>Core PBT margin<sup>2</sup></i>	<i>46%</i>	<i>27%</i>	

50%

Compensation ratio

27%

Core PBT margin<sup>2</sup>

\$370m

FX adj. 2023 fixed cost target  
(assuming GBPUSD of 1.30)

1. Includes fixed compensation and other cash costs

2. Defined as: core profit before tax / core net revenue

# Core earnings impacted by lower core performance fees

P&L, \$m

		H1 2022	H1 2023	Change
Core net revenue	Management fees	469	460	(2%)
	Performance fees	404	32	(92%)
	<b>Total<sup>1</sup></b>	<b>855</b>	<b>513</b>	<b>(40%)</b>
Core PBT	Management fees	149	133	(11%)
	Performance fees	246	4	(98%)
	<b>Total</b>	<b>395</b>	<b>137</b>	<b>(65%)</b>
Core EPS, ¢	Management fees	9.1	8.7	(4%)
	Performance fees	14.9	0.2	(99%)
	<b>Total</b>	<b>24.0</b>	<b>8.9</b>	<b>(63%)</b>
DPS, ¢	Interim announced	5.6	5.6	-

**\$513m**

Core net revenue

**8.7¢**

Core management fee EPS

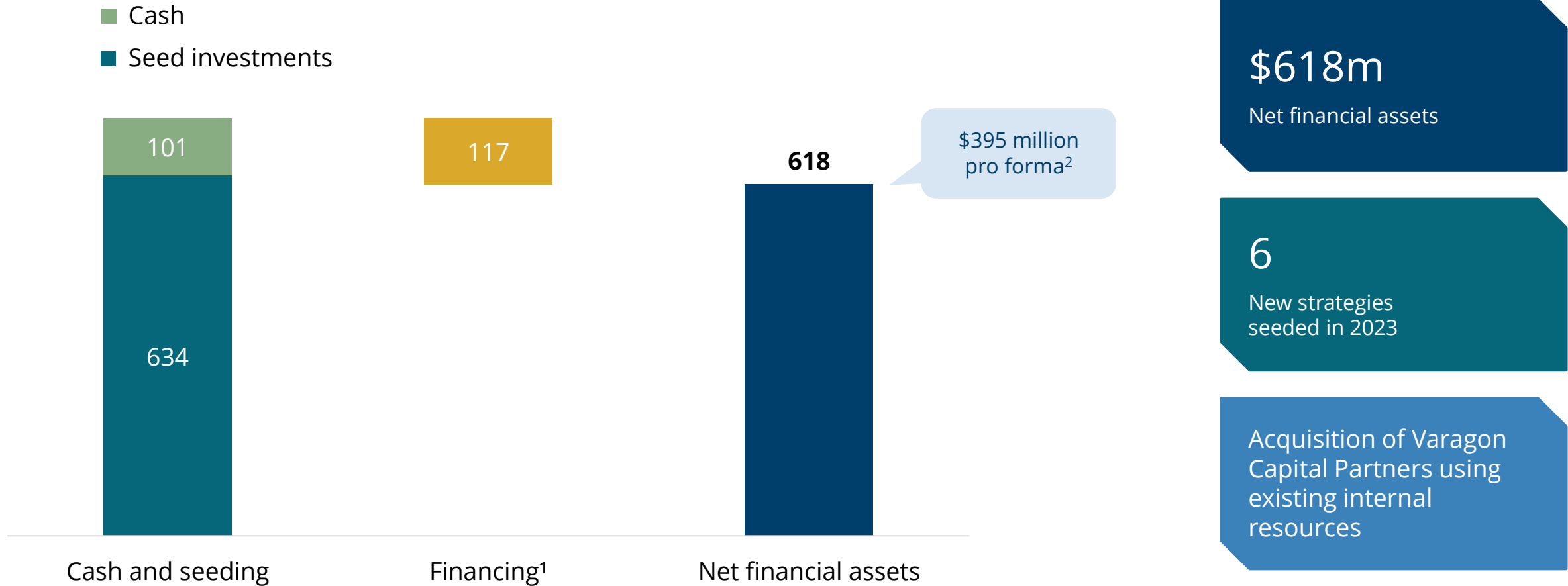
**5.6¢**

Announced interim dividend

1. Total core net revenue includes core gains/(losses) on investments and sub-lease rental income

# Robust and highly liquid balance sheet

Net financial assets as at 30 June 2023, \$m



1. Financing comprises \$52m of payables under repo arrangements and \$65m of borrowings under our revolving credit facility   
 2. Pro forma for H1 performance fee receipts, net of the proposed 2023 interim dividend and the \$183m upfront consideration for Varagon

# Varagon acquisition has potential for significant value creation

*Deal terms and financial considerations*

## Transaction

### 73% stake acquired at closing

- Management rolling entire 27% equity stake, with put / call arrangements (at fair market value) in years 8, 9 and 10

### 8.1x 2022A profit before tax

- \$183m<sup>1</sup> cash consideration payable at closing, financed using existing internal resources

### Multi-year investment management agreements

- Aflac, Corebridge and AIG, have agreed to continue their existing multi-year investment management agreements
- Up to \$93m in extension payments subject to maintaining a predetermined level of capital commitments over a nine-year period

### Expected to complete in Q3 2023

## Guidance

### Reporting category

- AUM of \$11.8bn<sup>2</sup> will be reported in the 'total return' category

### Revenue margin

- c. 95 bps on invested capital (NAV); 2022 actuals include \$2m of performance fees

### Fixed cash costs

- ~\$50m of incremental fixed cash costs, split 50:50
- No cost synergies planned

### Total compensation

- At the upper end of our 40-50% guided range

### Finance costs

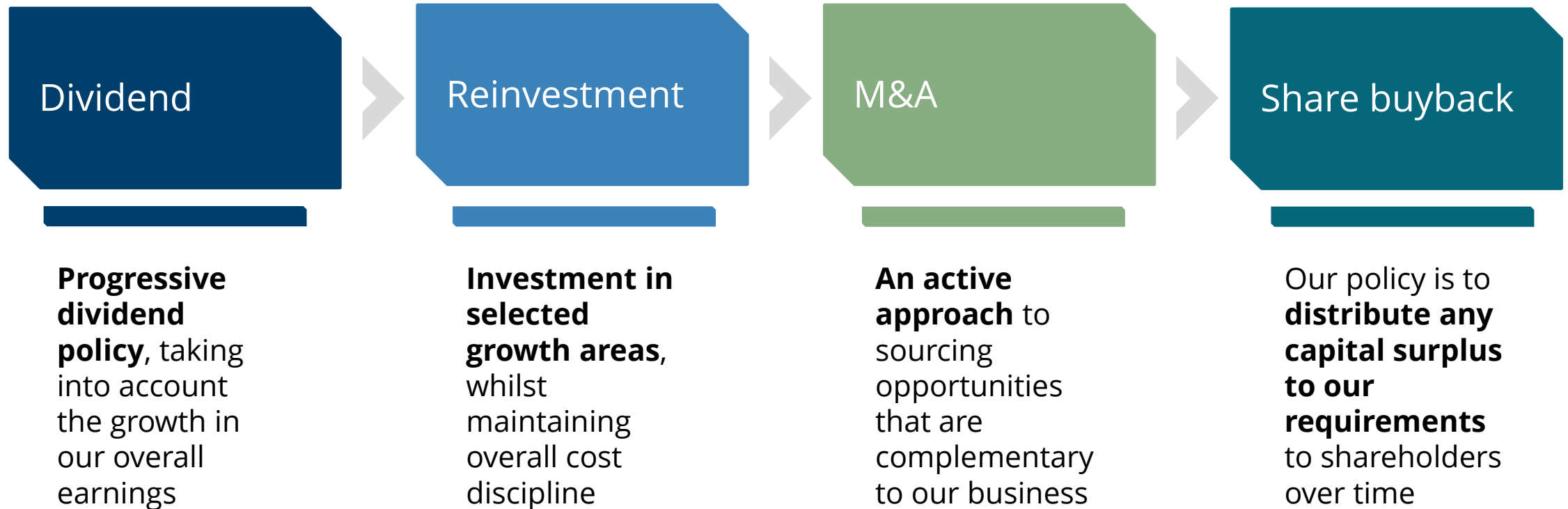
- More seed positions to be financed externally
- ~\$10m increase in net finance expense

### Expected to be meaningfully accretive to core EPS

1. Subject to a closing balance sheet adjustment reflecting any excess or deficit against a minimum working capital target  
2. As at 31 December 2022

# Unchanged, clear framework for our balance sheet

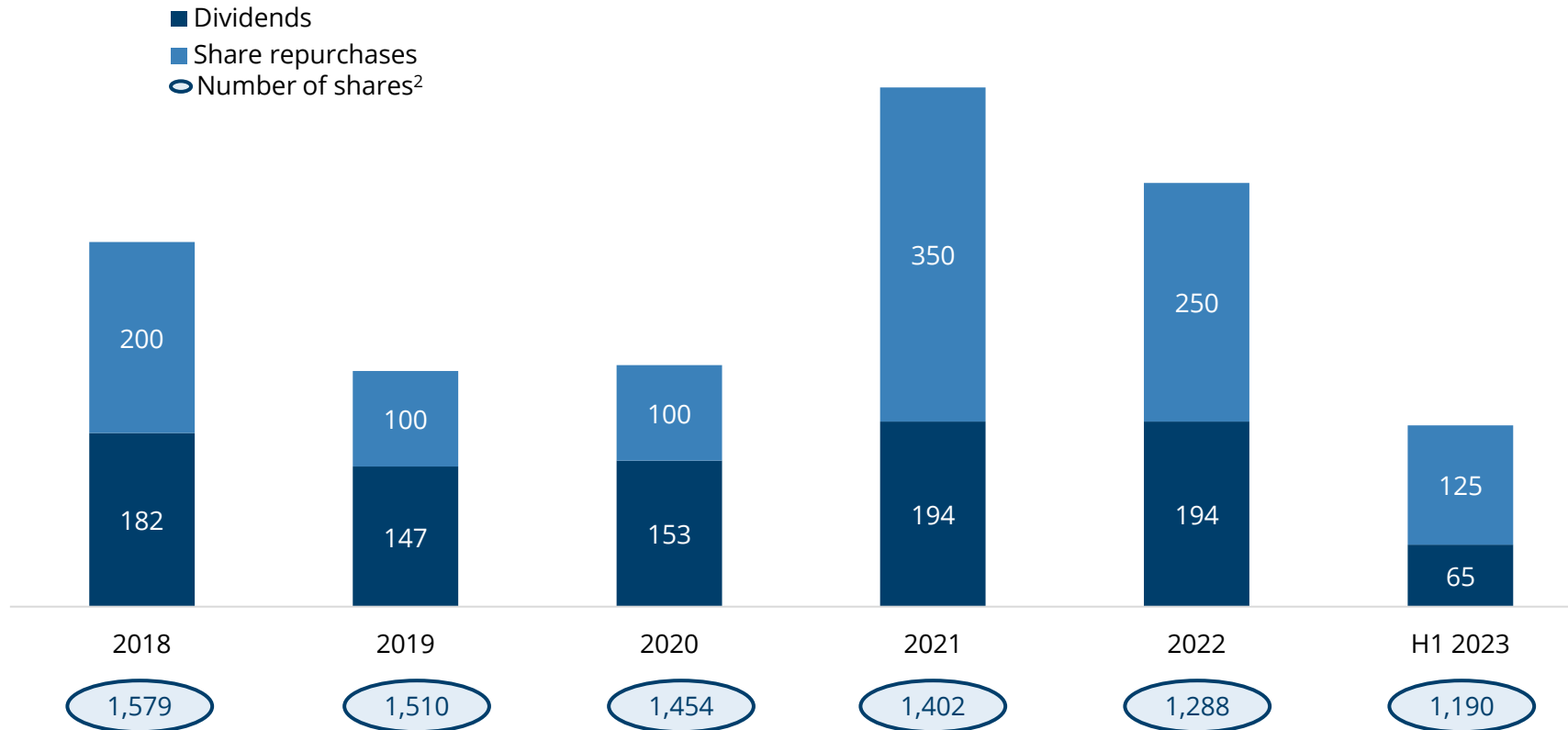
*Disciplined capital allocation policy focused on returns to shareholders*





# Consistent and significant capital returns

Dividends and share repurchases, \$m<sup>1</sup>



**\$190m**

Shareholder returns  
H1 2023

**\$2.1bn**

Shareholder returns  
2018 – H1 2023

**33%**

Increase in earnings  
participation<sup>3</sup>

1. Dividends are shown for the financial year in relation to which they were declared, calculated using basic number of shares at period end. Share repurchases are shown in the year of announcement

2. Weighted average basic number of shares, in millions

3. Calculated using weighted average basic number of shares, in millions, between 2018 and 2023



# Positioning

**Luke Ellis**

Chief Executive Officer



# A technology-empowered, diversified active investment management firm

We are a global leader in liquid alternatives and solutions

- A track record of delivering alpha at scale in a range of market environments and providing access to liquidity

We offer a compelling range of investment strategies

- Highly customisable and innovative investment strategies, with a proven ability to launch and grow products that meet clients' evolving requirements

We have a scalable platform powered by talent and technology

- A single operating platform, underpinned by talent and technology, that can handle scale, complexity and customisation

# A global leader in liquid alternatives and solutions

35+ years of experience

A track record of  
*delivering uncorrelated returns*

AHL Alpha	2.0%
AHL Dimension	3.6%
AHL TargetRisk	7.3%
Alternative Risk Premia	1.8%
GLG Alpha Select	5.3%
Man 1783	1.5%

Selected investment  
performance  
in H1 2023

The ability to offer  
*customised solutions at scale*

\$100.9bn  
*or 67%*

AUM customised  
for individual  
client needs

One of the *largest liquid alternatives*  
providers

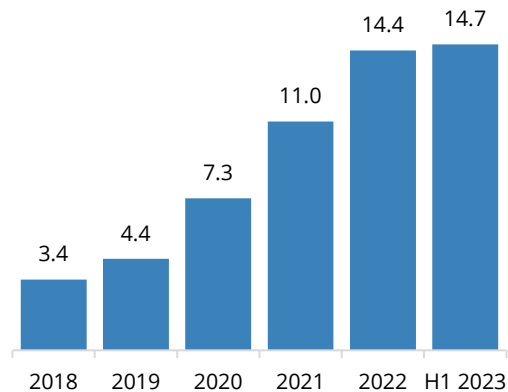
\$43.7bn  
*or 45%*

Alternative AUM  
with daily or weekly  
liquidity terms

# A global leader in liquid alternatives and solutions

*Solutions continue to be a key driver of growth*

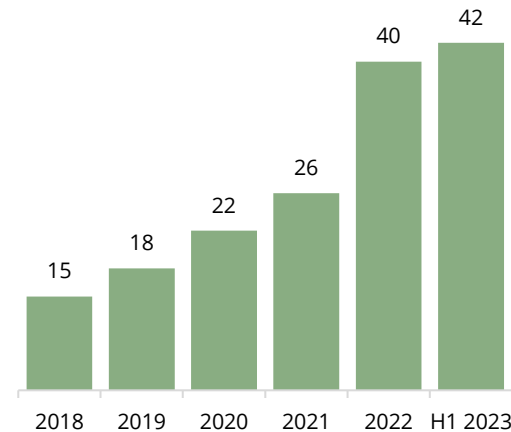
Significant growth achieved since launch



**\$14bn+**

AUM in Man Institutional Solutions

Partnerships with large allocators globally



**42**

Number of solutions with institutional clients

Expanding into new distribution channels

Mutual fund product in the US, distributed by American Beacon

'Double Brain' product in Japan, in partnership with a large local bank

Fideuram - Intesa Sanpaolo Private Banking strategic partnership

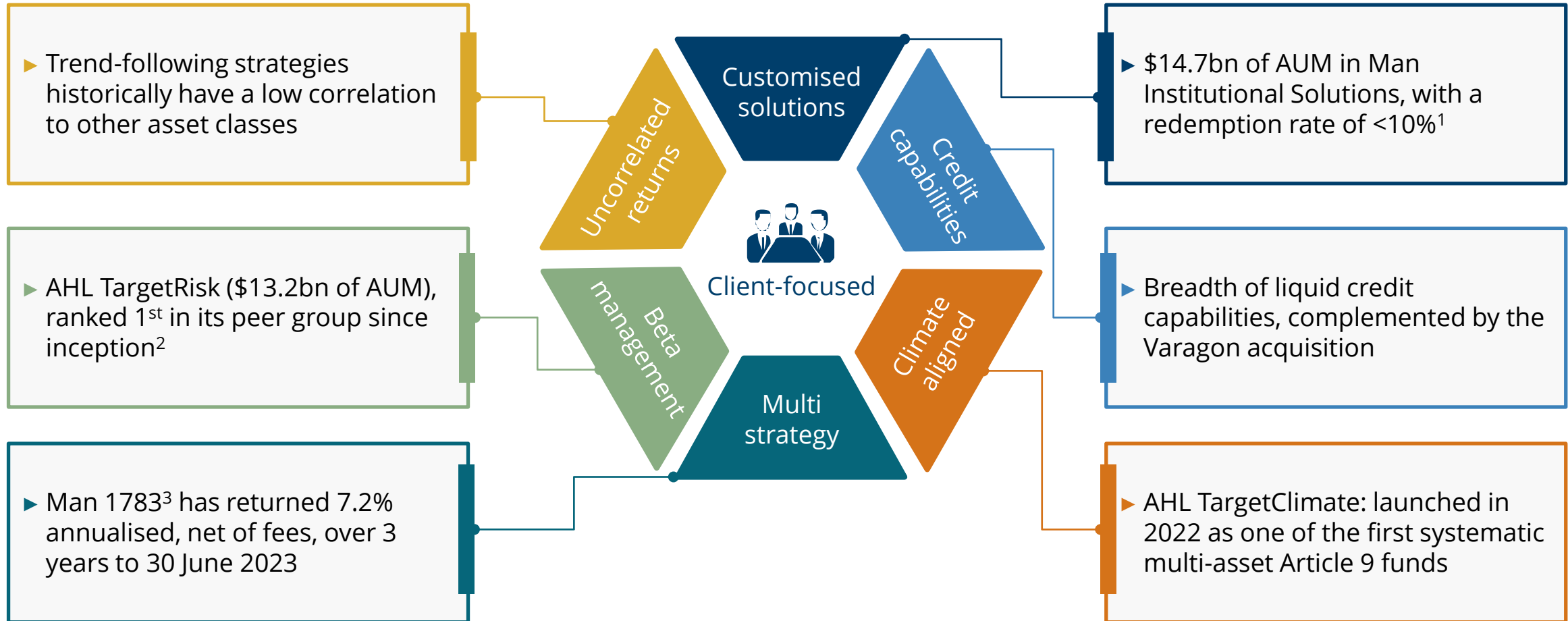
**\$7bn+**

AUM in cross-content strategies distributed via retail partnerships



# A compelling range of investment strategies

*Designed to meet evolving client requirements*



1. Mean redemption rate between 2018 and H1 2023

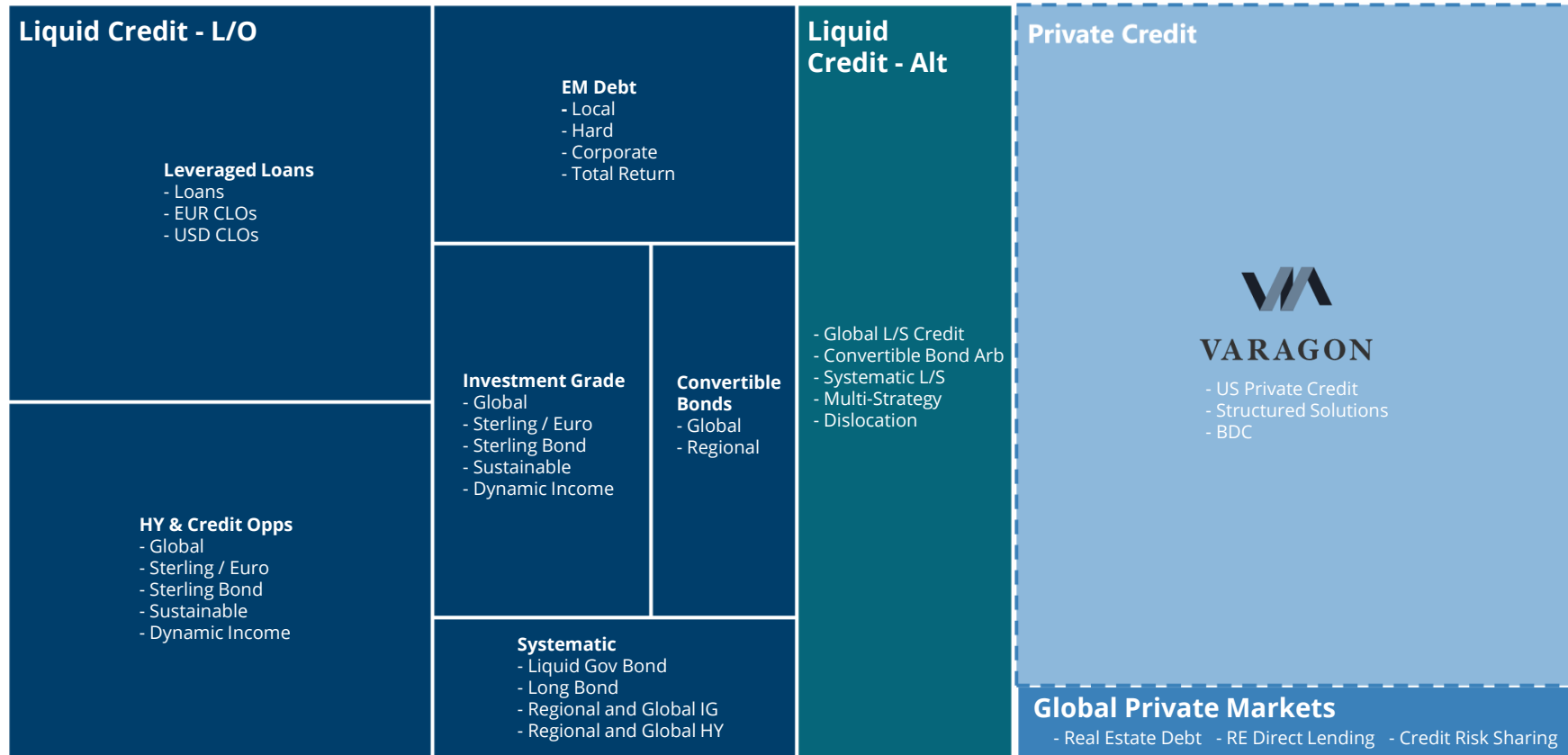
2. Peer group is constituents of the HFR Risk Parity 10vol index that have live track records in line with or longer than AHL TargetRisk

3. Represented by Man Strategies 1783 Class F1 USD

Past performance is not an indication of future performance

# A compelling range of investment strategies

*Our comprehensive global credit platform, with specialist investment teams managing \$20+ billion of AUM*




**Focus on alpha**, participating in markets and specialities where we have an edge

Concentrated portfolios with **research driving conviction** in value-oriented opportunities


**Utilising scale**, the centralised platform, and existing relationships to our advantage

# A scalable platform powered by talent and technology


*ArcticDB: internally developed state-of-the-art technology to support high performance at scale*




Huge and complex volumes of data



Inconsistent and fragmented data



Server bottlenecks and job queues



Obscure, idiosyncratic languages

Today's tools are **not built** for real-world data and use-cases



We developed ArcticDB, a **high-performance** time series database



## Fast

Processes billions of rows and columns in seconds



## Flexible

Supports data of any shape and any size



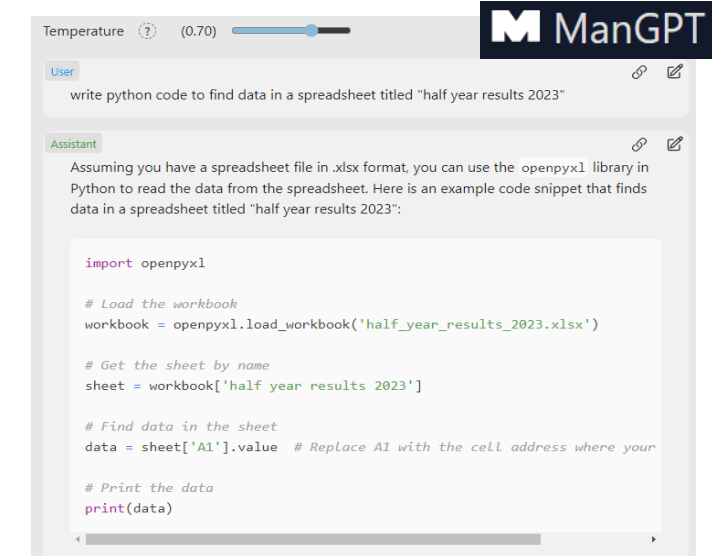
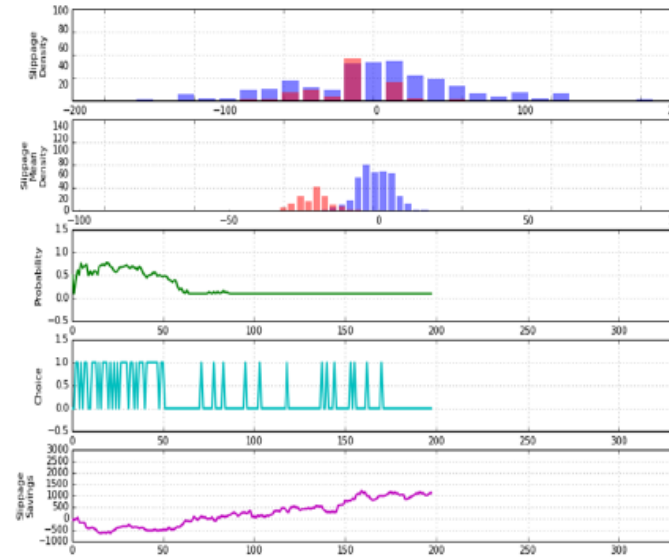
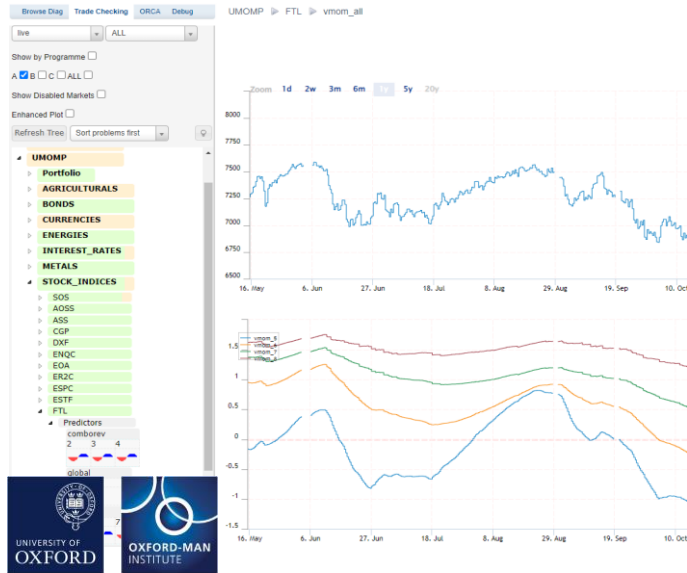
## Familiar

Speaks Pandas and is installable in one command

It has **transformed** the way in which we handle large data sets

# A scalable platform powered by talent and technology

*Artificial intelligence is considered a core competence; early adoption of technology across our business is a key competitive advantage*



Artificial intelligence has been a **core aspect of alpha research** in our investment processes since 2014

One way we use machine learning is in **electronic trade execution**, to route order flow from across the firm more efficiently

Generative AI has **major potential to increase productivity**, enabling our talent to upskill and execute more efficiently

# H1 2023 results demonstrate the benefit of our diversified business model

We are a global leader in liquid alternatives and solutions

We offer a compelling range of investment strategies

We have a scalable platform powered by talent and technology

**\$97.0bn**

AUM from alternatives  
(30 June 2023)

**2.5%**

Relative net flows<sup>1</sup>  
(H1 2023)

**80+**

New hires in quant / technology  
(H1 2023)

**\$5.1bn**

Investment performance  
(H1 2023)

**\$11.8bn**

AUM from Varagon acquisition  
(31 Dec 2022)

**460+**

Investment professionals  
(30 June 2023)

\$618m of unrestricted net financial assets<sup>2</sup> to drive future growth

1. Based on asset-weighted industry net flows. Source: HFR, Morningstar, Man Group analysis

2. As at 30 June 2023

Past performance is not an indication of future performance



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# Well positioned to deliver growth in 2023 and beyond

A period of sustained organic growth drives record assets under management

Net inflows reflect continued demand for our range of investment strategies and solutions

Varagon acquisition diversifies our offering to global institutions and distributors

Continued investment in technology to build on our position at the forefront of the industry

Investment performance, client service, and culture remain core focus areas under new CEO

# Q&A

A data pack with additional financial information and modelling guidance can be found on our website  
[www.man.com/investor-relations](http://www.man.com/investor-relations)



- Karan Shirgaokar (Head of Investor Relations)



- +44 (0)20 7144 1434



- [investor.relations@man.com](mailto:investor.relations@man.com)

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