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# Old Mutual Acquisition of United Asset Management

**19 June 2000**





# Speakers

## Johannesburg

**Mike Levett**

*Old Mutual - Chairman and C.E.O.*

## London

**Eric Anstee**

*Old Mutual - Group Finance Director*

## Boston

**James F. Orr III**

*United Asset Management - President and C.E.O*



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**Building a world class  
multinational asset  
management business**



# Introduction

- **Old Mutual to acquire 100% of UAM equity for \$1.46 billion in cash**
- **Acquisition consistent with core strategic and financial objectives of Old Mutual**
- **Increases multinational asset management capability of Old Mutual through strategic addition of a substantial U.S. asset management platform**
- **Diversifies earnings stream**



# Old Mutual Strategic Objectives

- **Focus on shareholder value**
- **Continue to leverage insurance expertise**
- **Build a leading multinational fund management franchise**
- **Continue to exploit cost and technology advantages**
- **Develop international businesses**
  - **30% of earnings ex-Africa by 2005**

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# Commitment to Asset Management

**Old Mutual is committed to developing a global asset management capability**

- **Asset management is a core requirement across all asset gathering business lines**
- **Underlying economics and returns of asset management businesses are highly attractive**
- **A strong U.S. capability is crucial to building a global asset management franchise**
  - **Largest market with over \$6 trillion in assets**
  - **Attractive growth rates**

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# Acquisition Strategy

## Leverage Old Mutual

- UK Private Clients (200,000)
- SA customers (5 million)
- Emerging Market Insurance Initiative

## Optimize US Home Presence

- Critical Mass
- Broader Product Range
- Cross sell among affiliates
- Restructure affiliate economics
- Management flexibility and accountability



## Focused Core Managers



- 42 Affiliates
- \$188 billion AUM

- Framework
- Synergies
- Expertise

Fund Management  
Expertise





# Transaction Highlights

**UAM substantially broadens and diversifies Old Mutual geographic reach and business capabilities**

- In excess of 25% of operating income generated outside South Africa

**Triples global AUM to approximately \$275 billion**

- Ranks high amongst active equity managers in the world
- Over 80% of AUM held outside South Africa

**Attractive financial terms**

- 1.2% of AUM
- 7.3x LTM EBITDA
- IRR comfortably meets Old Mutual's hurdle rate





# Transaction Summary

- **Terms:** **Cash Acquisition Agreement**
- **Price:** **\$25 per UAM share**  
**\$1.46 billion Equity Value**  
**\$2.2 billion Enterprise Value**
- **Transaction Multiples:** **21.6% Premium to Market**  
**7.3x LTM EBITDA**  
**2.5x LTM Revenues**  
**1.2% of AUM**
- **Financial Consequences:** **Accretive to cash EPS (pre synergies)**  
**Pro forma gearing ratio <30%**
- **Closing:** **4Q 2000**



# Strategic Fit

**Acquisition of UAM consistent with Old Mutual goal of creating a world class global asset manager**

- ✓ **Advances international growth strategy**
- ✓ **Expands asset management business in major money centers**
- ✓ **Builds multi-style capability**
- ✓ **Grows third party funds**
- ✓ **Leverages multi-channel distribution**



# Developing UAM Post-Acquisition

## Old Mutual acts as catalyst for change

- **Develop a focused and coordinated US asset management business**
- **Leverage fundamental strengths of UAM**
  - **Asset management talent**
  - **Diversity**
  - **Client base**
- **Build on existing well known brands**
- **Focus on product and distribution synergies across affiliates**
- **Realign economic incentives across business model**



# Implementation

- **Detailed plan formulated through discussions held over past nine months**
- **Affiliate-specific approach**
- **Meetings already held with all major affiliates accounting for over 80% of total AUM**
- **Significant senior management involvement**
  - **Old Mutual executives earmarked**
  - **UAM management committed and incentivised**



# United Asset Management

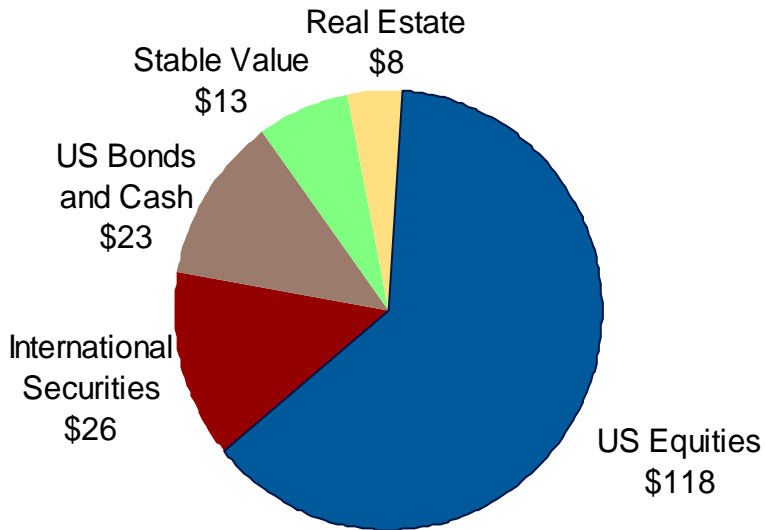
**Headquartered in Boston, UAM is one of the largest independent investment management organizations in the world**

- **UAM operates as a financial holding company with 42 affiliates and approximately \$188 billion of assets under management**
- **Generated approximately \$300 million in LTM EBITDA**
- **Wide spectrum of investment disciplines**
- **Range of investment management services to institutions, retail mutual funds and high net worth investors**
- **Client reach throughout the US, Canada and international**

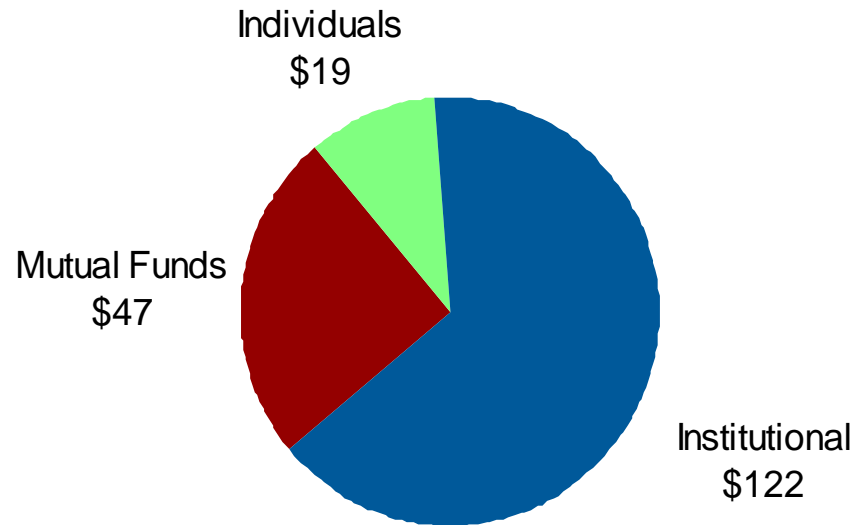


# Balanced mix of products and clients

**Asset Mix  
(Dollars in Billions)**



**Assets by Client Type  
(Dollars in Billions)**





# Strengths and Challenges

**Acquisition builds on UAM strengths while addressing a number of challenges**

## **Strengths**

- **Asset management and mutual fund scale**
- **Over 20 funds rated four star or better**
- **Strong institutional client base**
- **Spectrum of product and investment disciplines**

## **Challenges**

- **Distribution**
- **Technology**
- **Development Capital**
- **Re-equitisation programs**



# Star Brand Names

**PILGRIM  
BAXTER  
& ASSOCIATES**

**\$26 billion AUM**

Small cap. growth investments,  
mutual fund family

**Pell  
Rudman**

**\$8 billion AUM**

Provides strategic planning, asset  
allocation to wealthy individuals and  
families

**PACIFIC FINANCIAL RESEARCH  
INVESTMENT MANAGEMENT**

**\$5 billion AUM**

Focus on high quality companies trading at  
discounts to intrinsic value, based on  
exhaustive research and screening

**P.I.C.**  
PROVIDENT  
INVESTMENT  
COUNSEL

**\$26 billion AUM**

Growth-equity investing  
with emphasis on  
fundamental research

**DWIGHT**  
ASSET MANAGEMENT COMPANY

**\$13 billion AUM**

Management of stable  
value asset portfolios

**ROGGE**  
GLOBAL PARTNERS

**\$6 billion AUM**

Management of global and  
international fixed-income assets



**\$7 billion AUM**

International investments,  
manages mutual funds, trusts and  
wealthy individuals

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.

**\$25 billion AUM**

Institutional value-orientated  
manager



**\$7 billion AUM**

“Growth at reasonable price”  
investment strategy





# Old Mutual Pro Forma

**UAM is a transforming acquisition for Old Mutual**

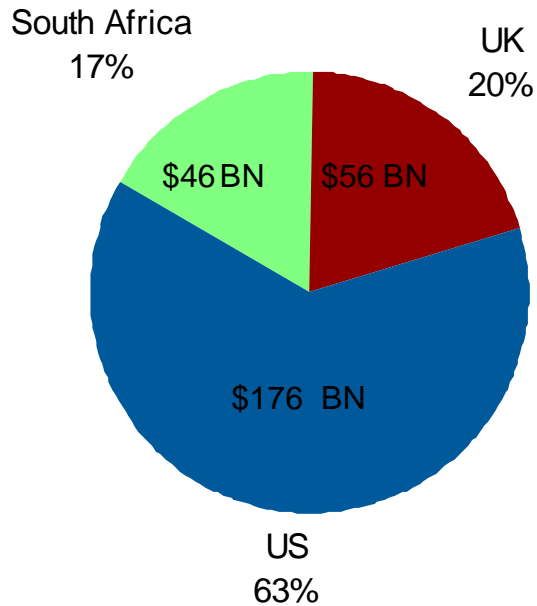
- **Enhances Old Mutual's position as a leading financial institution with capabilities across asset management, life insurance and banking**
- **Additive to Old Mutual's strong customer base**
- **Diversifies earnings profile**
  - **Pro forma ex-Africa cash operating earnings represent 25% of overall institution**
  - **Asset management cash earnings contribution in excess of 25%**



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# Old Mutual Pro Forma for UAM and Gerrard

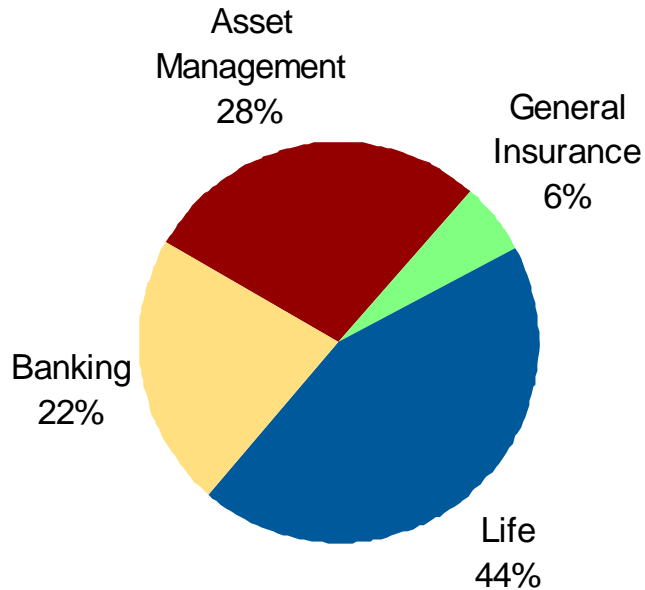
## Assets under Management



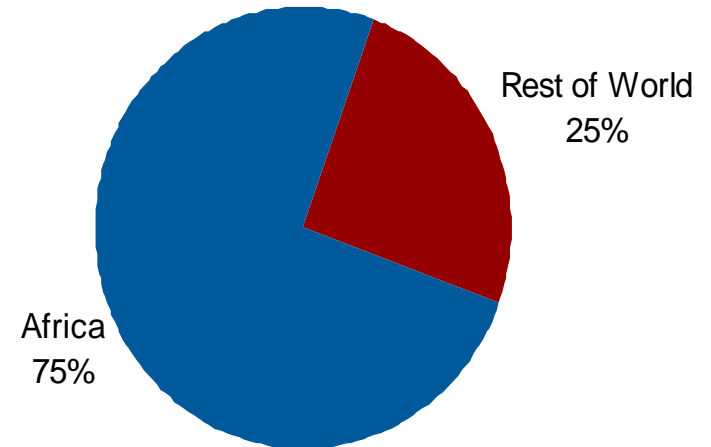


# Old Mutual Pro Forma for UAM and Gerrard

**1999 Cash Operating Profits  
by Business Area**



**1999 Cash Operating Profits  
by Geography**



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# Financial Considerations

**Financial implications of transaction to Old Mutual are attractive**

- **Immediately accretive to cash earnings**
- **Comfortably meets stated hurdle rate of 12%**
- **Acquisition financing from existing cash resources and debt facilities**
- **Gearing remains below 30% of total capitalization**



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# Conclusion

## Attractive strategic and financial transaction

- **Transforms Old Mutual's global asset management platform with substantial U.S. acquisition**
- **Significant broadening and diversification of Old Mutual's earnings, clients and AUM base**
- **Attractive financial terms**



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# Appendix



# Recent Transactions

<b>Date</b>	<b>Transaction</b>	<b>Transaction Value (\$MM)</b>	<b>Percent of AUM</b>	<b>EBITDA Multiple</b>
<b>June 2000</b>	<b>Old Mutual / United Asset Management</b>	<b>\$2,225</b>	<b>1.2%</b>	<b>7.3x</b>
June 2000	Caisse des Depots et Consignations / NVEST	2,200	1.6	12.1
March 2000	Nationwide / Gartmore Investment Mgmt.	1,648	2.0	NA
November 1999	Allianz / PIMCO Advisors	3,300	1.8	15.9
January 1998	AMVESCAP / LGT Asset Mgmt.	1,300	2.4	NA
November 1997	Merrill Lynch / Mercury	5,230	3.0	17.2



# Forward-Looking Statements

**This presentation contains “forward-looking statements.” These statements include descriptions of Old Mutual’s and United Asset Management’s expectations about the acquisition, future earnings and other results of operations, operational plans, views of future industry or market conditions, and other statements that include words like “may,” “expects,” “believes,” and “intends,” and that describe opinions about future events.**

**Investors should not rely on these statements as though they were guarantees. These statements are current only when they are made. Neither Old Mutual’s nor United Asset Management’s management has any obligation to revise or update these statements based on future developments. Known and unknown risks, including those relating to the integration of United Asset Management by Old Mutual, may cause United Asset Management’s and/or Old Mutual’s actual results and performances to be materially different from those expressed or implied by these statements. Old Mutual is not subject to the periodic reporting requirements of the SEC. Some of the risks, uncertainties and other factors relating to United Asset Management are that: most of United Asset Management’s revenues are based on the market value of managed assets and, therefore, will rise and fall with changes in the economy and financial markets; the investment management business is highly competitive; the investment management business is susceptible to internal shifts and frequently requires firms to adapt; and United Asset Management’s affiliated firms depend significantly on key employees. These and other risk factors are identified and more thoroughly explained in Exhibit 99.1 to United Asset Management’s Annual Report on Form 10-K filed on March 21, 2000 with the SEC.**