Quilter plc – 2021 Full Year Results

9 March 2022

Paul Feeney: Good morning, all. Welcome back to Senator House. It's been two years since we've done an in-person results presentation, and it's good to be back, albeit in uncertain times, and our thoughts and hearts are very much with the Ukrainian people at a moment like this. Even so, we're pleased to be delivering a great set of results and we're also pleased with the strategic reshaping of the business during 2021, some of which we covered at our Capital Markets Day back in November.

As with previous results presentations, I'll cover the strategy and say a few words on the individual business lines, and Mark will run through the financials, and then I'll come back to sum up before we move to Q&A.

Let me start with a summary of the major strategic steps we took in 2021. The most notable event happened early in the new year, when we completed the migration onto our new platform, and we're already seeing the benefits of that through a sustained improvement in flows. And we'll continue to actively market the platform to new IFAs and do more with our existing partner firms throughout 2022. 2021 was also a year in which we took some tough decisions around our adviser base. Having completed the platform transformation programme, it's important to have an adviser force that's aligned to the Quilter proposition, and more productive, and we've now achieved this. We'll be growing from here, and I'll say more on this shortly.

We largely completed our optimisation plans, delivering £61million of cost savings by the end of 2021, and we'll deliver another £45million of savings over the next three years, through the Simplification plans we set out at our Capital Markets Day. So good progress across the board.

The other significant event was, of course, the sale of Quilter International at the end of November for £481million. Following the sale, we committed to return £350million to shareholders. Mark will set out the details of how we intend to do that later. With the disposal of Quilter International, we completed the restructuring needed to make Quilter a simpler, faster growing, UK Wealth Manager. And to reflect that, we now report the business under two new segments: Affluent and High Net Worth. Separately, we completed our existing £375million share buyback in January this year, returning the surplus proceeds from the sale of Quilter Life Assurance. That means by the middle of this year, we'll have made special capital returns of about £1billion to shareholders, on top of ordinary dividends since we listed. So, a busy year, and a strong one for Quilter, I hope you'll agree.

And what I'm really pleased about is that as well as being busy on the strategic front, we also delivered a strong financial performance last year. Both our segments – Affluent and High Net Worth – delivered 10% revenue growth, as you can see at the top here. And each of the main business units delivered revenue growth in excess of that, with the exception of our advice businesses, where we've been busy repositioning for future growth. So, with total revenue growth of 10% and cost growth limited to 5%, we delivered a 28% increase in adjusted profit, to £138million. We're clearly moving in the right direction. For me, one of the most important targets we set out at our Capital Markets Day was to more than double our profit by 2025 off the 2020 base, and as you can see in the bottom right, we're tracking well to meet that goal.

Now, before I turn to flows, a reminder of our business model: we've got £112billion of total assets, and we administer £102billion of client assets. That's the £58billion and the £44billion you can see on the slide. And then we manage £54billion of client assets: that's the £10billion and the £44billion. Most important are the £44billion of client assets that are both managed and administered by us – the sweet spot, if you like. And it is the fastest growing part of our

business. Now, we attract those assets through two distribution channels: our advisers, and independent financial advisers. So let me jump to where those flows come from. In the year, we saw £2.4billion of net inflows from our Quilter channel. That represented 15% of opening assets under advice, and with very healthy growth up 50% year on year. We also attracted £2billion of net inflows from independent advisers, up from virtually zero in 2020.

I'm delighted we are seeing strong engagement from IFAs using our new platform. That meant total new inflows as a percentage of opening assets under management and administration were actually 5% last year. However, the drag from non-core operations reduced the overall level of net inflows to 4% of opening assets. That's outflows for money that Quilter Investors manages on behalf of the businesses we sold, to Reassure and Utmost.

So let's turn to how flows have been trending over time. You can immediately see the substantial step up in both gross and net flows by both segments in 2021. As a reminder, the reason we look at both net and gross is that while gross flows are an important measure of franchise performance, it is, of course, net flows that pay the bills. The lines on each graph show you the gross and net flows as a percentage of opening balances, the difference between them being the outflows across the business. On the right, you can see that encouraging net pickup in flows from Q4 last year. We categorise outflows between controllable and uncontrollable. Uncontrollable outflows typically include first customers who are drawing income from their pension, their ISA or other wrappers. And second, the non-core business which, as you've seen, was about a percentage point drag on our net flow performance last year. Together, these represent about two thirds of our outflows. The other third are controllable outflows; business we lose to competitors. Within these controllable outflows, two things are happening: first, the level of business we lose to other platforms is trending down, because our platform is much stronger, there is less need for IFAs to take their business elsewhere. But we're also seeing increasing consolidation in the adviser market, and when an adviser is acquired, they are generally incentivised to move their business to their new home. That will remain a headwind, so it's important to drive up gross inflows to hit our 6% target. I'll touch on the progress we're making towards this with the new platform in a moment.

First, let's look at each of our segments, starting with Affluent. This is going to be an important source of our future profit growth. While the profit growth in 2021 – up 6% – may seem modest, there were two notable items constraining momentum. Firstly, the Affluent segment contributed the majority of the tactical cost savings in 2020, and so normalisation has been a headwind in 2021. Secondly, Affluent is where the majority of the stranded costs from Quilter International landed. The business is well set up for growth and I expect to see that coming through this year. Advice is key to that – so let's look at what we've been doing with our Advice business. This time last year, I said we wanted to reposition our advice teams to reduce risk, improve productivity and increase alignment and that's exactly what we've been doing. With solid foundations now in place, we've set ourselves up for success in terms of ramping up our new RFP growth. Steve Gazard has hired a new Recruitment and Establishment Director from a leading competitor, reporting directly into him. And we've increased our recruitment headcount, as we said we would. And while the market remains competitive, we've seen adviser attrition rates level off to more normalised levels following the completion of the planned exits, which provides comfort on the outlook.

What we're really pleased about though is what you can see at the bottom of the slide, a sharp improvement in productivity. Our platform is capturing over 80% of new flows from our advisers, and flows into our Quilter Cheviot Solutions are also ahead of plan. Getting a productive adviser base who are aligned with both meeting client needs and delivering flows onto our platform and into our solutions is really important, and that's what we've done. I said earlier that driving up new gross flows onto our platform would be critical to deliver the group's 6% flow target. So how are we doing here? The left of this slide shows our market share of gross flows through the platform in green, against our two main listed competitors, all using data from Fundscape. You can see the pickup in our market share since the introduction of

the new platform. And on the right, you can see our quarterly gross flows from both our advisers and IFAs for the last two years. That improving market share is reflected in the sharp improvement of our quarterly flows over the last year, and as we set out in November, we've got clear and detailed plans to deliver more here, by doing more through existing IFA relationships, and by broadening our reach amongst IFAs who don't presently use our platform. The changes we've made to our adviser force have also contributed to the pickup in the flow we are seeing from our channel. As I said earlier, net flows from our advisers were up 50% on last year, and we've still got the back-book opportunity that we talked about in November, which will also support increased flows from our advisers over time.

Let me say a few words on Quilter Investors, where we know we can do better. We've been making some strategic changes to build for the future. As we said at the Capital Markets Day, the most notable initiative is the enhancement of our £10billion WealthSelect range. Earlier this week, this became the most comprehensive managed portfolio service in the UK, with the launch of our new responsible and sustainable portfolio offering, and I'm delighted that Square Mile have awarded each of our new ESG solutions their top ESG rating. This will help advisers deliver a more personalised service to a wider range of clients. We're catering for ESG preferences, as well as risk appetite and preferred investment style. We've created the first joined up end-to-end ESG proposition in the entire market. We've also implemented an improved charging structure on the new portfolios with an explicit discretionary management fee designed to help clients better understand what they're paying. That fee, when implemented across the full range, will also remove the noise from the quarterly rebalancing we saw last year. It will have an impact on the optics of our reported revenue margins for Quilter investors, which Mark will talk to, but the actual economics and total revenues will be completely unchanged.

Last year, we saw outflows of £83million from fund closures, which are unavoidable when you have non-core portfolios in runoff. As a heads up, we undertook a fund closure in January for £69million of assets, which will show up in Q1 flows, but there's nothing more planned here. Going forward, the main structural drag to Quilter Investors' flows should just be non-core rundown – the money we manage for the businesses we've sold. For this reason, I expect a substantially better flow performance from Quilter Investors this year.

Right, let me turn to our other segment. I'm delighted with the performance of our High Net Worth segment last year. Flow was up nearly four-fold, revenue up 10% and profit up 44%. Here, our advice business moved into profit on a standalone basis, and we saw strong positive jaws from the segment. I'd also highlight the strong flows performance. Quilter Private Client Advisers, our high-end advice business, continues to make a great contribution to net inflows, and we also saw a strong improvement in IFA flows, which more than doubled. High Net Worth's overall net inflows are back to the best levels we've ever seen from this business. Our ESG innovations, which include integrated investment research and dedicated solutions, are being very well received. Recognising the success some of our discretionary fund management competitors have had with managed portfolio services as a gateway product, last year, we launched our MPS as a more compelling proposition to target increased flows from independent adviser firms, and we're already seeing the benefit of this in our flows. What is particularly pleasing is that this segment finished the year strongly, both in terms of quarterly inflows and client engagement, so I'm expecting another good year in 2022.

Now, this slide summarises what we said at our Capital Markets Day, and compares it with the progress we've made in 2021. It's our report card, if you like. I'm not going to go through all the points on this slide, as Mark will pick up the key points in a moment, but I think we've made an excellent start. And while we know there is more work to be done, we remain confident in our ability to deliver.

Right, before I hand over to Mark, let me say a few words about the outlook, and set out my main priorities for 2022. Now, as this is a presentation about 2021 results, we don't want to

get drawn into detail on current year trading, but given what's going on in Ukraine, and with current volatility, I know that's front of mind for all of us. What I can tell you is that up to the end of February, our year to date net flows were running comfortably ahead of 2021 levels. While the current global uncertainty makes it hard to know how the tax year end season and investor sentiment will play out this year; that's not a hedge, guys, we just don't know, none of us know. But the continued momentum across our business from last year into early this year absolutely gives me confidence that the refocused Quilter we've built is more than capable of delivering net inflows of 6%.

Right, in terms of my 2022 priorities, first, while we've seen a good improvement in flows in 2021, we want to do better and get to our 6% flow target. Next, we want to get back to proper growth in our adviser numbers, while driving more flows into our solutions. We'll also deliver our Simplification plans to take £45million of costs out of the business by end 2024, and drive the operating margin up to the targets we set out to you. And with that, let me hand over to Mark to present the detailed financial results. Mark.

Mark Satchel: Thanks Paul, and good morning to you all. Let's start with a refreshed version of a slide I used at the Capital Markets Day, which shows the shape of our P&L, and in terms of headline numbers, you can see that we generated £138million of adjusted profits on a continuing basis up 28%, and as Paul said, we're on track to deliver our target of doubling profits by end 2025, off the 2020 base. Back in 2020, the cost of running our head office was about the same as the contribution from the High Net Worth segment, and over 2021, we have grown the High Net Worth business substantially while reducing the costs of running the company. We've also grown the Affluent segment, and that's despite it absorbing stranded costs from the sale of Quilter International as well as a meaningful amount of the tactical cost saves we made in 2020 reversing during the year. Overall, we now have a much better balance to our business.

Now let me take you through my usual discussion of the moving parts. We achieved net flows of £4billion up from £1.5billion in 2020, so when combined with positive market movements, we enjoyed a 17% increase in average assets under management and administration. We increased revenues by 10% while containing the overall revenue margin decline to a single basis point, and I've put the detailed business margin slide in the appendix, where you'll see it's been a very stable year overall. And we contained the cost increase to 5% and I'll get into the detail of costs a little later. That led to a 3 percentage point improvement in the operating margin and increase in adjusted profit to £138million. So after the transitory benefits from a deferred tax credit in the first half, that I explained at the interims, we delivered a 42% increase in adjusted diluted EPS to 7.4p per share. Without the deferred tax credits, that increase would have been more in line with the profit increase.

Let me now turn to how we stack up against the targets we set out at the Capital Markets Day. First – operating margin: as you know, we are aiming to deliver operating margins of at least 25% by 2023, and more than 30% by 2025. We achieved an outcome of 22% in 2021, which was an overachievement against our expectations. Given the current environment, we currently aim for a broadly stable operating margin this year, but that will obviously be market dependant, and I'll get into the cost moving parts shortly.

Next, in terms of EPS, we target a compound growth rate in the mid-teens by 2025 off the 2020 base. The dotted line on the lower graph shows an assumed steady 15% compound growth rate, and again, as you can see, we are ahead of where we need to be and that would have been the case, even without the deferred tax credit.

Turning now to costs, I'm pleased to report that total costs of £480million came below our £500million target, helped by the full amount of 2020's tactical cost savings not fully reversing, and an expected supplemental FSCS levy that did not materialise. On the left here, I've shown you the cost breakdown along the lines we set out at the Capital Markets Day. You can see the trend in various cost lines as a percentage of revenues is broadly in line with the guidance

we set out in November. The waterfall on the right summarises the main changes in the expense base in 2021. First, inflation and high FSCS levies added around £13million. Then we absorbed £10million of stranded costs from the sale of Quilter International. And we experienced anticipated cost increases of £28million arising from the reversal of last year's £42million of tactical cost savings. And finally, in-year optimisation benefits and the lack of dual-running property costs generated savings of £27million.

Now let me turn to the cost outlook – and I'm not going to give you a specific cost guidance this year. Our guidance on operating margin expectations should enable you to populate your models, but you should factor in first inflation, and here I am expecting around a 4% uplift in staff and general costs this year. Secondly, higher FSCS levies. Third, tactical cost savings normalising further, and there is about £6million more to reverse as a consequence of the normalising of the Covid environment. Fourthly, factor in business related growth, and of course, finally, there will be savings from our Simplification programme, although do bear in mind that most of these will be weighted towards the back end of the programme once the Utmost TSA comes to an end

Now let me comment on a few notable below the line items. We spent £22million in respect of Optimisation programme during the year, which took the total spend to £81million, leaving £10million of costs related to that programme still to come. There was the final £2million of spend from the managed separation costs, which were flagged back when we listed that related to the rebranding of the UK platform once the migrations were complete. And the total costs of the Platform Transformation project came in at £202million in line with budget. Finally, we took additional provisions of £7million in respect of DB to DC transfers, and we have begun making payments to customers. We are making good progress on remediation activity and that programme remains ongoing. Looking into 2022 through to 2024, we said that we expect our Simplification-related expense to be around £55million, and the spend on revenue enhancing initiatives to come in at around £35million, with both of these likely to be weighted towards the back end of that three-year programme.

Let me now turn to capital and cash. First on Solvency: we began the year with a ratio of 217% and we finished at 275%. The sale of Quilter International was the most significant contributor to the increase. Once the special capital return is completed, we expect the overall capital ratio to be back around the 220% level. You'll also see that I've called up the proportion of our capital that relates to the tier-2 subordinated bond, and I've done this because we have a call option on that bond around this time next year. We have yet to make a decision on what we'll do about that, but one option could be to call it and replace it with a cheaper senior debt instrument, and so I wanted to flag well in advance what the capital impact would be from doing that.

Next – cash, and again, you can see the big uplift in cash as a result of the Quilter International disposal, as well as the cash outflows from buybacks and dividend payments. What is also pleasing is the net £130million received from subsidiaries after capital contributions. We finished the year with £750million of cash on the balance sheet, with around £500million earmarked for capital return and dividend, as well as the planned expenditures that we talked about at the Capital Markets Day. The residual cash of around £250million is broadly in line with our long-term risk appetite.

Now let me turn to capital returns and the dividend. First, as you will have seen, we completed our £375million share buyback from Quilter Life Assurance proceeds in January of this year, and that reduced our share count by around 14%, to offset the dilution from that disposal. Next, the Board is recommending a final dividend of 3.9p per share, to take the total dividend for the year to 5.6p. As we indicated previously, we're treating the share of Quilter International's contribution to the total group full-year earnings as a distribution, pro-rata to each share of the dividend. And that's because the Quilter International sale was structured as a locked box transaction. That equates to a £25million distribution or 1.6p of the total

dividend. So the annual increase in the overall dividend is 22% on 2020, and the continuing business dividend has increased from 2.9p per share in 2020 to 4p in 2021; an increase of 38%.

As Paul said, we are also moving ahead with the capital return from the sale of Quilter International. The Board intends to distribute £328million in this fashion through a B-share scheme subject to shareholder approval. Let me walk you through the detail of how that will work. At the completion of the Quilter Life Assurance buyback, we had 1.64billion shares in issue. We intend to issue a B-share to all shareholders on a one for one basis once the scheme is formally approved at a General Meeting. Once issued, the B-shares will be redeemed on the same day or the following day for 20p per B-share. They will not trade or be listed. At the same time, we will do an ordinary share consolidation to adjust for the impact of the distribution. The consolidation ratio will be set immediately prior to the publication of the shareholder circular, which I expect to be at the end of March. Full details of the B-share scheme, with an explanatory letter from our Chair, will be posted to shareholders shortly.

You'll recognise this as our usual targets and outlook slide that we refreshed at the Capital Markets Day. There are a couple of minor things I'd call out: as I said earlier, we are aiming for a broadly stable operating margin this year, before reaching our 25% goal in 2023, as ever, subject to market levels. The other thing I wanted to pick up on was Paul's comment on our flagship WealthSelect solution. When the updates are implemented on the existing range, we will earn a modest fee on around an additional £2billion of assets in our Affluent segment, that sit on our platform but are not presently managed in Quilter Investor Funds, and so Quilter Investors' assets will rise by this amount. However, as these are largely cash-based funds, the management fee margin is very small, so while there will be a small amount of additional revenues, the inclusion of an additional £2billion of assets in Quilter Investors will have a negative impact on the revenue margin we report for Quilter Investors in the Affluent segment. And that's just the maths. Roughly speaking, assets will be up around 10% but revenue only up modestly, so you can expect around 4-5 basis point decline in reported margin for Quilter Investors. However, this is clearly just optics, without any impact on the business economics. We expect the updates to the existing range to be implemented around the mid-year, and so you'll see around half that margin impact in the second half of the year, and the full impact in 2023. But I just emphasise again, this is pure optics, and does not have any impact on our expected revenue trajectory, and of course, the overall Group AuMA and group revenue margins won't change.

So, in summary, I'm very happy with our financial performance in 2021. We delivered strong operating leverage, as well as excellent profit and EPS growth. On expenses, we met or exceeded all our financial targets, and our balance sheet remains highly liquid and prudently capitalised. In 2022, we will maintain a firm control of costs, and continue to drive growth and improve efficiency, and with that, let me hand back to Paul to conclude.

Paul Feeney: Thanks Mark. Right, before we go to Q&A, let me wrap up. 2021 was a great year, and we're now focused on driving our business forward to deliver the targets we set out to you at our Capital Markets Day in November. We've got clear plans to support those goals. In our Affluent business, we'll continue to improve productivity and grow adviser numbers, and we'll grow our base of independent advisers as well. We'll also continue to innovate to meet evolving client needs, like we've done with our relaunched WealthSelect, a better ESG-enabled proposition for both our advisers and IFAs, and we'll leverage the capability of our platform further, and pilot our hybrid advice proposition. In our High Net Worth segment, we'll continue to build out our integrated advice and investment management offering and grow the number of client-facing individuals, and we're going to open up our High Net Worth propositions to over 6000 independent advisers by marketing our propositions to IFAs who only use platforms like ours. And we'll continue to drive growth and deliver efficiencies to enhance operating leverage, and that'll create value for all our stakeholders. So in summary, what we are aiming to deliver in 2022 is good revenue growth, supported by growing assets managed on our platform and in

our solutions, an improving operating margin trending towards the targets we've set out, helped by our Simplification plans, and of course, we'll continue to deliver attractive returns to shareholders, both from Quilter International's special return and from an improving dividend pay-out ratio over time. Of course, as I stand here today, what I can't control is the market, and customer response to geo political factors, and the awful events unfolding in Ukraine, but what I can say is we've built a strong plan for growth ahead, and with that, let's open up for questions. We'll start in the room first. David.

David McCann: Hello, I'm Dave McCann from Numis, just one from me. Just on the operating margin guidance you've given us of flat, I guess, 22 percentage points, well, 22% rather, than it was last year, can you give us a sense as to how much, I guess, you know, if we were extrapolating it linearly towards the target we might have expected, you know, a one/two percentage point increase this year, so can you give us some colour on…so how much of that being stable rather than increasing a bit is just because you're marking to market, where markets are now, and have you assumed any kind of tactical cost saves in there, like you did in 2020, to get to that 22%, or is that a lever you could pull in addition?

Paul Feeney: Mark, do you want to take that one?

Mark Satchel: It's a lever we can pull. I mean, obviously we've done it before, but a large part of our cost base can't adjust as fast as what's going on within revenues, right? So it's impractical, given the kind of cost base we've got, and we also want to continue investing in the business to create longer-term value, shareholder value enhancement. So it's a bit of a balancing act. Look, if we were doing this presentation three weeks ago, I'd have probably said a slight improvement in operating margin, compared to where we are at the moment. It's quite a moving sort of feast, which I'm sure you can appreciate. And so there's probably a component of market adjustment in there, but probably compared to where markets were yesterday, it probably doesn't factor in everything that's happened in the last few days is probably what I'd say to that.

Enrico Bolzoni: Alright, thanks. Enrico Bolzoni, JP Morgan. Couple of questions from me. So the first one: clearly positive feedback year to date as at the end of February. I was just keen to know if…what advisers have been telling you? Is it customers are…they got a bit scared and so they are looking for advice and putting more money, or is it something else? I was just curious to get some colour there. Then the second question was in terms of clearly marketing, but in terms of the platform margins, what should we expect going forward? Is it still roughly one business point decline per year, or something different? And then finally, on the 6% target that you say you are, you know, confident that you can achieve, how much of the current scenario is factored in in that statement? So shall we see a bounce back to the 6% or something else? Thank you.

Paul Feeney: What are advisers telling us? Two things: first of all, clients want to know how their existing investments are doing, their existing portfolios, and what we should be doing. So our portfolio managers and advisers are working hand in glove, our investment managers, our portfolio managers and our advisers. Two: quite frankly, at this time, this is where you see the real benefit of an advice-led wealth management model. People aren't left to their own devices. The first thing is helping give people peace of mind that they're in globally-diversified, well-managed portfolios. So that's the first thing. The second thing, clearly people are saying, you know, "Should we invest now? Shouldn't we invest now?" Advisers are really advising, you know, let's, as opposed to, "Dump it in…" "Let's keep it in," you know, money cost averaging at the moment. So Steve – Steve's the Head of our Advice business.

Steve Gazard: Yeah, no, I mean, I think exactly to Paul's point, sorry, exactly to Paul's point, that it is in times like this that clients reach out to their advisers, and that kind of reassuring arm around the shoulder that kind of provides them that commitment, that we're in it for the long-term financial plan, that we're achieving their goals, their ambitions, their dreams, as it were, and making

sure that we're aligned with that, and then being clear that they're in diversified portfolios. We'll inevitably see some kind of ebb and flow through that, but at the moment, you know, the advisers are saying they're being reached out to more than ever at the moment.

Paul Feeney: Good. Platform margins, I think we've guided to an average one basis point decline. Steve, is that right?

Mark Satchel: Yeah, one basis point decline, yeah.

Paul Feeney: Okay. And on the 6% target, like, I think I've given you probably more guidance than I've done in previous years, I've given you a bit of a guidance as to how we started the year, up until the, you know, end of February/early March. And I've also said I don't know where it goes, fundamentally, from here, in terms of our, you know, clearly we want to hit our 6% target, but we'll have to wait and see how this thing unfolds. What I have said though is we've built a business and we've seen that already, early in the New Year, which is more than capable of hitting our 6% target, and that's what we're focused on, Enrico. Andy.

Andy Sinclair: Thanks, it's Andy Sinclair from Bank of America. Three from me, if that's okay, as usual. Two on advisers and one on Quilter Investors. So firstly, it was just on adviser headcount expectations for 2022. I think you previously said that 2022 might be a little bit lower for growth, I just wondered…we've had a few more transactions since then, I just wondered kind of what the outlook is for 2022, should that just the same, kind of mid-single digit as the coming years. Secondly, it was just an update on the Financial Adviser School, just if you could give us an update of where we are now, kind of what have we seen in terms of graduates, and how much of recruitment is expected to be coming from the Adviser School? And thirdly, it was just on Quilter Investors, just with lots of fund to fund, and managed portfolio solutions being launched in the wider market, can you just remind us how much of Quilter Investors AUM is actually on other platforms, as opposed to coming through your own platform today? Thank you very much.

Paul Feeney: Okay, thanks Andy. Well, I'm going to obviously hand over to Steve and Steven for these, but I'll just say a couple of things. Adviser headcount expectation for 2022; we did guide a sort of low single digit percentage growth this year, moving to mid-percentage digit growth next year, and I think that's what we're expecting. But Steve, is that…can you put some flavour on that?

Steve Gazard: Yeah, sure, 100%. So I guess Andy, on that, we've been clear in our kind of conversations on this that ultimately, as we realigned our business and led to a more focused business, we would actively support the exit of advisers that weren't aligned with that. Having completed that, what I'm really pleased about is we've seen our attrition levels normalise in line with plan now, so from that perspective, absolutely, along with that, Paul's already referred to the fact that we've added into recruitment and including the joining of a recruitment director from one of our leading competition, so that's driving our organic recruitment. So as I sit here today or stand here today, ultimately, I'm confident that our plans are being delivered on that, so mid-single digit still seems entirely where I would expect us to be. If I take Financial Adviser School, within that, then ultimately, absolutely, the Adviser School remains core to that growth plan. Ultimately, we expect around 100 graduates as per normal from there, with more of those landing with us, within Quilter versus a third party external market like it used to. So again, we remain on plan to deliver those.

Paul Feeney: Great. And then Quilter Investors, I think very little is on, well, sorry, Steven, go for that.

Steven Levin: Yeah, so Andy, there's £26billion assets under management in Quilter, and £16billion of those on our platform, and as it says in the deck, £10billion is on other platforms. A large chunk of that is on Aegon, but then that includes the amount of money that we've identified as non-core, which is on Utmost and the Reassure platform, and then some sort of assets spread across the rest of the platforms in the industry.

Paul Feeney: So I think about £2.6/2.7billion is in what we'd call non-core, so in other words, with the businesses that we've sold. So as Steven says, with Reassure and Utmost, and the rest is on other platforms, so the majority of that is on one platform. Further questions?

JP Crutchley: There's one on the phone, shall we take that one first?

Question taker: Thank you. Ladies and gentlemen, if you do wish to ask a question, please press zero one on your telephone keypad. If you wish to withdraw your question, you may do so by pressing zero two to cancel. Our first question comes from Nicholas Herman at Citi. Please go ahead.

Nicholas Herman: Oh yes, thank you for taking my question and thank you for the presentation. Just a couple from me on costs please. Costs were…well, firstly on the…firstly just for clarifying on the 2021 costs, which were, well, notably below the original guidance and then you took down that guidance at the first half results to less than £500million, and you've even beaten that. So I think you flagged the first half that there was discretionary spend that you could flex. I just wanted to clarify which discretionary spend was flexed end up at the 2021 costs, to begin with, when we look at the cost split that you can provide. Secondly, you've mentioned also the first half results that you would be impacted, you could be impacted by inflation if that turned out higher than you expected. Could you just remind us that sensitivity of what level of inflation is embedded in your costs, in your targets and kind of if we ended up seeing inflation exceeding this by a couple of percentage points, how that would affect your plan? And then finally, we saw, I mean, a competitor of yours, Hargreaves Lansdowne, they've said they want to invest a lot more in technology, in hybrid advice, given the scale of the opportunity, given how fast the pace of technology and how fast, how fast the competitor environment is moving, is there…do you see a need, did you see a potential to…I guess, can you see a potential that you are investing enough to meet your targets, and therefore…or are you comfortable that your technology spend is enough to ensure that your offering remains cutting edge? Thank you.

Paul Feeney: Okay, well, I'm going to ask Mark to take the first two, in terms of which discretionary spends, you know, was less than we could, and then…

Mark Satchel: Inflation. So I hope I got all that, Nicholas, the line wasn't fantastic. But just in terms of sort of the areas that probably didn't materialise in as much costs last year as we were expecting, that was mainly around the continuation of being in a Covid-type environment for a large part of the second half, which hadn't sort of been fully factored in. I referenced the £6million of tactical spend that still needs to reverse from the savings that we benefited from in 2020, that may need a small bit of development in that, but predominantly travel, entertainment, marketing, client and adviser events, those sorts of things were the main factors driving that. In addition, I also called out in the presentation, obviously, the FCA levies, the FSCS levy twice a year, we normally get a good sight in shot of that, normally sort of towards the end of the first quarter, start of the second, which is when most of it is booked, so we tend to have a much higher bowl for FSCS levies in the first half of the year. And then they do all the detailed calculations and then we normally get a supplemental levy that comes through towards the back end of Q3, which is also what I was expecting last year. Last year, they actually waived, or they didn't impose a supplemental levy for FSCS in the second half, which is actually unusual; they normally would. So we got the benefit of that coming through then too, which I had been anticipating was going to cost us more and it then ended up not costing us more. In terms of the question around inflation and the sensitivity of our targets, as I said at the Capital Markets Day, I've been…embedded within our targets is a higher inflation rate for a period of time. Now, in my own planning on that, I've assumed that for this year, and I've reiterated again today, that we'll have inflation of around about 4%. And that's a big chunk of our costs – obviously staff, and then also some IT contracts, which tend to be sort of CPI-linked. Not always every year, but I won't go into the complications of that, but it's around 4% sort of cost

increase from inflation this year, and then I'm expecting a normalisation back down to the Bank of England long-term rates in about 2024. So it's sort of a shift down. Of course, if that doesn't happen or if inflation runs higher for a period of time which means it then gets baked into later years, you know, we'll need to see the impact of that in the broader context of business performance, the market and everything else, and the impact that might have on targets. So Paul, I don't know if you want to talk about the £35million investment we've got?

Paul Feeney: Yeah, so in terms of are we investing enough in technology – we've invested an awful lot in technology. You know, we've put £202million putting our brand new platform in, and it is the latest, state of the art wealth platform technology. We've done it now. Many of our competitors have still got to go through that. And we've also mentioned that we're holding back £90million from the sale of Quilter International to help us, first with our Simplification plans, but also to invest further, predominantly in technology, particularly for our hybrid advice service. But don't forget, we're reducing a lot of the costs of our IT estate by getting rid of old legacy IT estates, which is bringing our cost base down, and we're investing now, but it's more a plugin to our platform, it's a much simpler…I'm not saying it's simple or easy, but it's a much simpler process than what we've been through. And again, don't forget, advice is in our DNA here at Quilter, this is what we do, okay, this is what we do. We're not entering a new type of business line; we're simply plugging in effectively a more video-based type technology into our existing platform, with advisers who are not peripatetic. So it's man with machine, not man versus machine. It's the stuff that we do. But Steven, do you want to add anything to that? No, okay, I got it right, great.

Question taker: Our next question comes from Greg Simpson from BNP Paribas. Please go ahead.

Greg Simpson: Hi there, thank you for the presentation, and thanks for taking my questions. A few more clarification questions if possible. The first is do you have any guidance on the tax rate for 2022? There were some tax credits in 2021, so do you expect to move up towards the UK tax rate, or maybe a bit lower? The second is on the non-core AuMA, which I think was £1.5billion on the platform and then £2.7billion off the platform, so can you give any colour on the expected pace of runoff of these assets, and maybe the revenue contribution? I'm just trying to think about the headwind there. And then lastly, just to check, does the new platform have any exposure to higher interest rates? I think you do have a kind of cash management account now, so can you potentially earn a higher revenue margin, if UK interest rates do move up? Thank you.

Paul Feeney: Thank you. Well clearly, I'll take the tax rate one, and then I'll ask Mark…no, I'm joking. Mark, do you want to take the tax rate one, then we'll come to Steven on…

Mark Satchel: I'm expecting on a go-forward basis that we'll probably be a percentage point or two below the headline UK corporate tax rate.

Paul Feeney: Okay. In terms of non-core AuMA, as we said, this is predominantly the business in that we've sold to Utmost and to Reassure. The AUM levels will depend on two things: clearly the runoff, there's nothing going in the top of that, so it is, it will be in runoff over time, but it also depends on markets, whether AUM levels stay stable or not. One of the reasons we sold those two businesses, that there was no growth in those businesses. What would we expect? I guess we'd expect kind of a normalised 15%, something like that, a bit higher than…certainly higher than our normal attrition rate, about 15% is what we'd kind of expect. And then you've got to decide what you think markets are going to do. In terms of exposure to higher rates, Steven, on our platform, we can now hold cash on our platform.

Steven: Yes, we can hold cash on our platform, but the way our platform works is that we pass the rates that we earn as interest back to customers, we charge a fee for all the assets on our platform, so at this stage, we don't make an explicit interest margin on client assets on our platform.

Greg Simpson: Thank you.

Paul Feeney: Okay.

Question taker: Our next question comes from Alex Medhurst,with Barclays. Please go ahead.

Alex Medhurst: Yeah, hi guys, thanks for the presentation and thanks for taking my question. Just two for me. Just firstly, on the adviser headcount reduction at Quilter RFPs, can you give some guidance as to the shape of how you expect financial planning revenues to trend, you know, when you expect to return to growth, and if there's any phasing in H1/H2 of this year to come? And then secondly, you know, looking at slight levelling in the platform market share figures, I'm just interested to get your take on why your market share of net flows was that much lower than peers and why your market share of assets continued to decline in each quarter of FY 2021? When do you expect that trend to reverse? And are there sort of any particular levers that we should be looking for as this year progresses? Thanks.

Paul Feeney: Okay. Obviously, I'll go to Steve and then Steven, but just let me say a couple of words first on these, Alex. Financial planning revenues, don't forget our financial…if you look at our total revenues from our financial planning business, because also, you have to include the manufacturing revenues that we get from our financial planning, it's up significantly on last year. We had a 50% increase in our net flows from our financial planning business last year, and that growth more than offsets any lower, 5% lower headcount in our adviser numbers, significantly more so. But Steve, do you want to say any more about that?

Steve Gazard: Sure, yeah, no, absolutely, so I mean, as we've said, I'm absolutely confident that we'll return to that low to mid-digit growth through retention of our existing advisers and the addition of new advisers. As Paul's alluded to, what we've seen already though is that 50% year on year growth from our remaining population as we've had our ability to focus and work with them to help them be more productive and get a wider adoption of both our platform and our QI and QC proposition. So I can absolutely see that going and the launch of the WealthSelect enhancements will only drive that further.

Paul Feeney: And I'm going to come to Steven, but let me just say again a couple of words on that. You know, we did, like, £9.1billion of gross flows on our platform last year, up, you know, I guess 40%-odd from the previous year. Our net flows were up 137% on the previous year, so £9.1billion, you know, £3.5billion on the platform. And don't forget, so overall, you know, £1.5billion to £4billion for Quilter, but for the platform, 133% up. So we've seen a significantly greater increase in net flows proportionally than even gross flows. And at the gross flow level, I think us and another competitor were the two top sellers in the whole of the platform market last year. And don't forget, we only put our new platform in just a week or two before this time last year, so I don't see that as falling behind, I see that as certainly more than catching up.

Mark Satchel: Yes, absolutely with that, and just specifically I think the question was touching on our share, market share of net flows across the industry. Now, just how the maths works, a market share of net flow will rise with a lag compared to a market share in gross flow. We had a period, as you all know, before our new platform came in, where we were not getting as big a share as we wanted, but we still had a share of the AUM in the industry, and outflows are a proportion of AUM, but when you've got a mature book. So what is happening is that the outflow share is higher than, for a period, for what our inflow share was, that is turning and you are seeing that, and that will be happening. Last year, just specifically, our share of net client cashflow in the industry did increase by about 2%, and I expect that will continue, but it will increase, it will take a bit of time to get to the same share as the gross sales share of the industry flows, just because of how the maths works.

Paul Feeney: Okay.

JP Crutchley: Okay, we've got a couple of questions on the web, the first one is from Ben Bathurst, who firstly asks about…, "Thanks for the colour on the net flows to end of February," and asks if we can put some numbers around that against how it was this time last year, which I can pass to Mark, who will answer, "No."

Paul Feeney: Nice try, Ben.

JP Crutchley: Then he asks, actually, "What proportion of Quilter Cheviot's assets are currently in the MPS, and can you clarify that the new Quilter Investors offering in MPS will be available to High Net Worth customers, or whether these are two separate MPS offerings?" And then goes on to ask, "Does the ESG-enabled propositions mean you are now fully prepared for MiFID II amendments related to ESG that are likely to apply on advice from this year."

Paul Feeney: Okay, do you want to take the first one?

Mark Satchel: I mean, we're not going to have a running commentary on net flows or gross flows or whatever on a week by week or month by month basis. We put out quarterly updates on that, and I don't plan to deviate from that.

Paul Feeney: Okay. QC assets in MPS, Andy, about 5%?

Andy: 5%.

Paul Feeney: Yeah, so we've got about 5% at the moment, and obviously we think that drive further with our new MPS service. We're already seeing good flow into that and good take-up of that. So Ben, just so I'm clear, were you saying we'll…

JP Crutchley: On the ESG, are we now fully MiFID compliant for advice in ESG, I think was the question.

Paul Feeney: We're complaint with all the regulations, yeah.

JP Crutchley: Okay, I mean, there's another two questions from Rahim at Investec. "Coming back to the Hybrid Advice proposition," and asks whether we're on track to deliver the launch of that in 2022, despite current market uncertainties, "Are you seeing any challenges with securing sufficient skills to deliver this, given the tightness in the market?" and then also, again from Mark maybe on this one, "Can you confirm the level of revenues and costs expected to be incurred in delivering on the TSA with Utmost Group and that these will be anticipated as discontinuing and this impact will not be seen in financial 23 and beyond," I think that's just how that gets accounted for going forward, so it's of the TSA of Utmost and the Hybrid Advice.

Paul Feeney: Okay, Hybrid Advice, we've said we will pilot it in 2022, that's what we've said we've committed to. If we can do a full-scale, then clearly, we'll do it, but given where the market uncertainty at the moment, we've said we'll certainly pilot that in 2022. It's not a skills thing; as I said, advice is in our DNA and we've got a lot of advice capability and advice skill. It's making sure that we can reach that wider, quite frankly, part of the market that at the moment hasn't really had access or been able to afford proper financial advice, that's where the work is, it's not in the…it's not getting the skills to do this.

Mark Satchel: And initially with the TSA with Utmost, it starts off at £10million per annum, which is referenced in the release today, you can see that in there. It clearly is dependent upon the services that we provide in some respects, and that will come down over time, and you'll also see that we have made provisions against the sale in order to decommission systems etc., as that's required and as that goes into runoff. So it starts off at about £10million per annum, and clearly, we factor all of that out, it's a debit in, a credit out, and it gets factored into everything, so it's net neutral from any guidance or anything like that that we provided on a forward looking basis.

JP Crutchley: That's it for the telephone and the web, unless there's anything else in the room?

Paul Feeney: Great. Well thank you, everybody, for your support, thank you for those of you who came, it's very good of you, and I look forward to seeing you all face-to-face shortly, and for our shareholders, Mark and I will be down in South Africa, we'll be getting on our planes tonight, separate planes. Not private ones. And we'll see our UK shareholders shortly thereafter. Thank you very much.

[End of Transcript]