



Interim results 2019

5 August 2019

Quilter

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Presentation agenda

Business review

Paul Feeney

Financial review

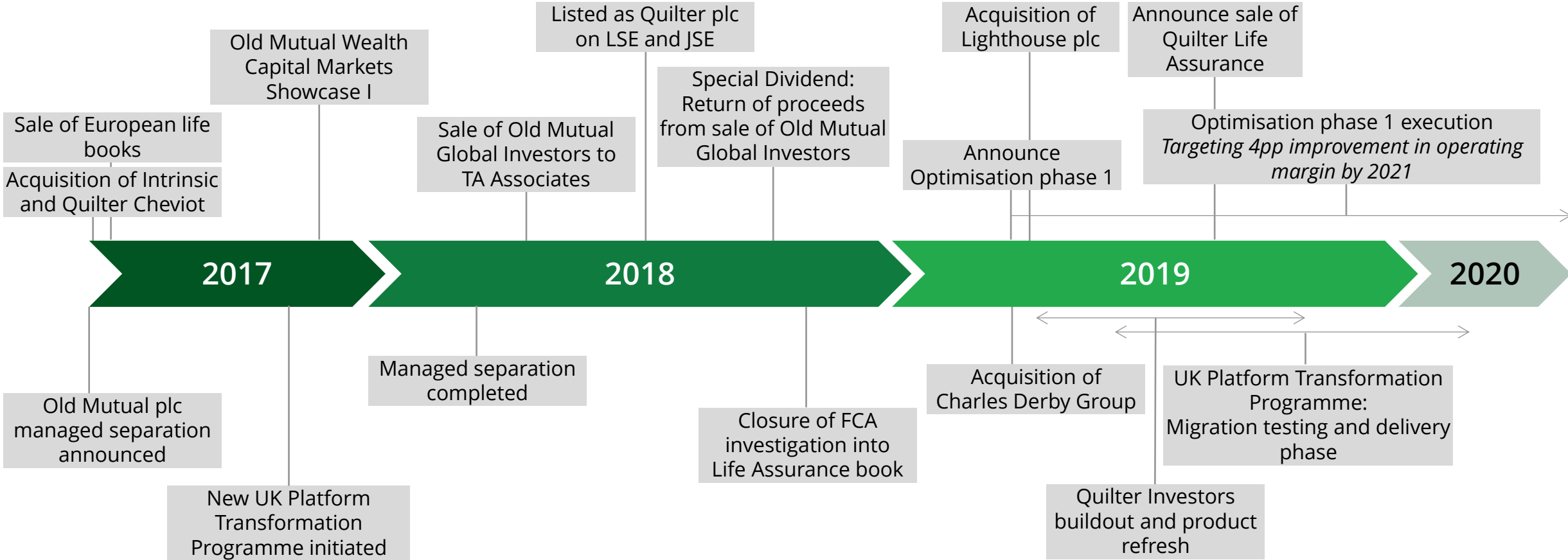
Mark Satchel

Concluding remarks

Paul Feeney

Q&A

Our journey to deliver a focussed UK wealth management business

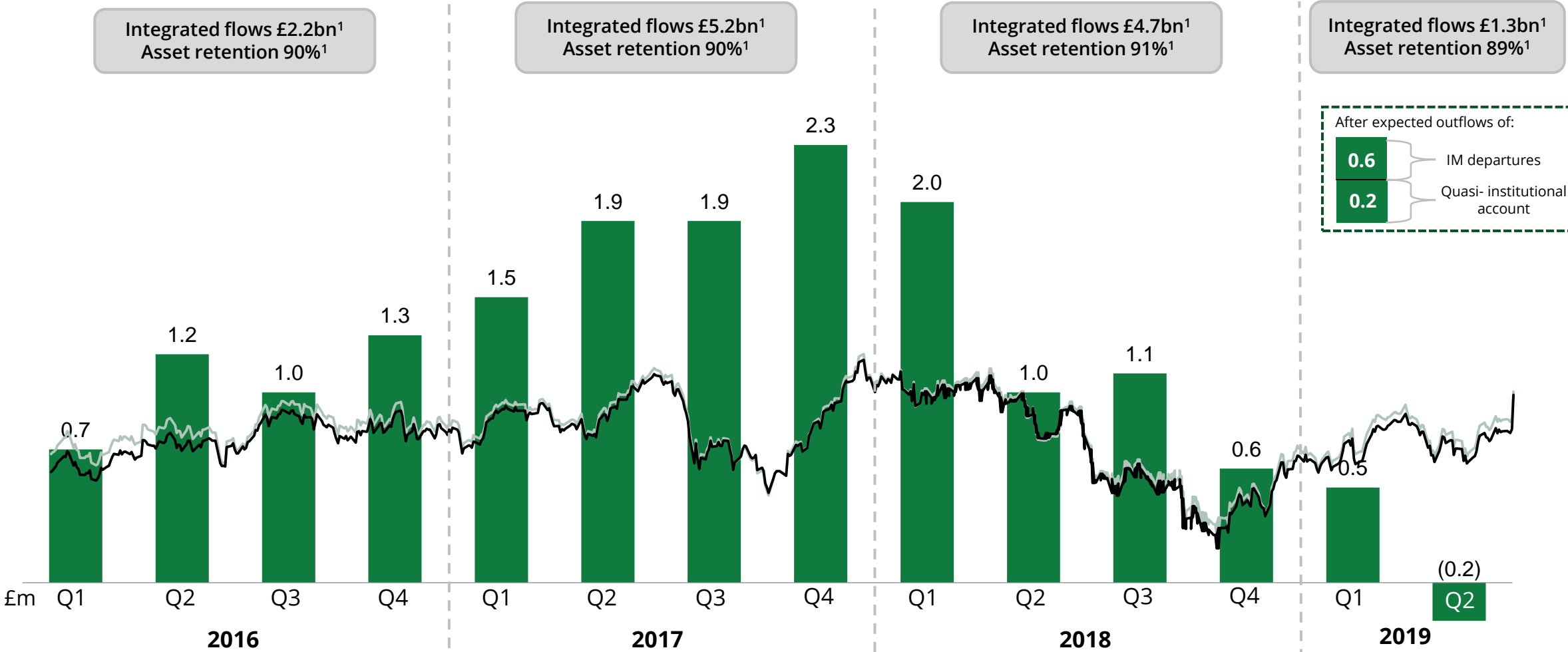


H1 2019 highlights: financial, strategic and operational progress

Financial	Strategic	Operational
<p>Solid financial performance</p> <p>Adjusted profit up 5% to £115m in a challenging flow environment</p>	<p>Investing in advice</p> <p>Charles Derby Group & Lighthouse plc acquisitions consolidate our position as the second largest advisory business in the UK</p>	<p>PTP progressing well</p> <p>UK Platform upgrade well advanced – confident in delivery</p>
<p>Strong capital</p> <p>Solvency II ratio 181% Recommended interim dividend of 1.7 pence per share¹</p>	<p>Focussing business perimeter</p> <p>Agreed sale of Quilter Life Assurance to ReAssure for £425m</p>	<p>Good optimisation progress</p> <p>Programme delivery driving operating margin improvement</p>

1. Including 0.43 pence per share in respect of QLA's first half profit contribution.

Lower net flows in 2019 partly attributable to expected outflows

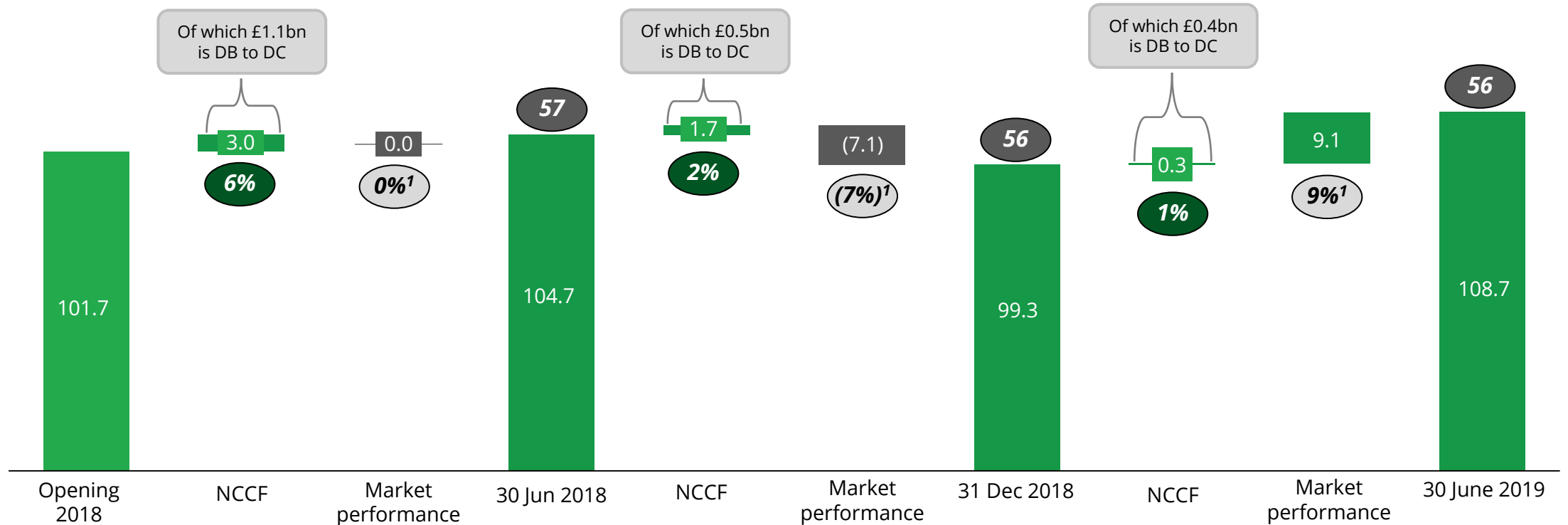


— FTSE-100²
 — FTSE All-Share²
 ■ NCCF excl. Quilter Life Assurance

1. Excludes Quilter Life Assurance.
 2. Source: Factset.

NCCF and AuMA growth

AuMA evolution from continuing operations
£bn



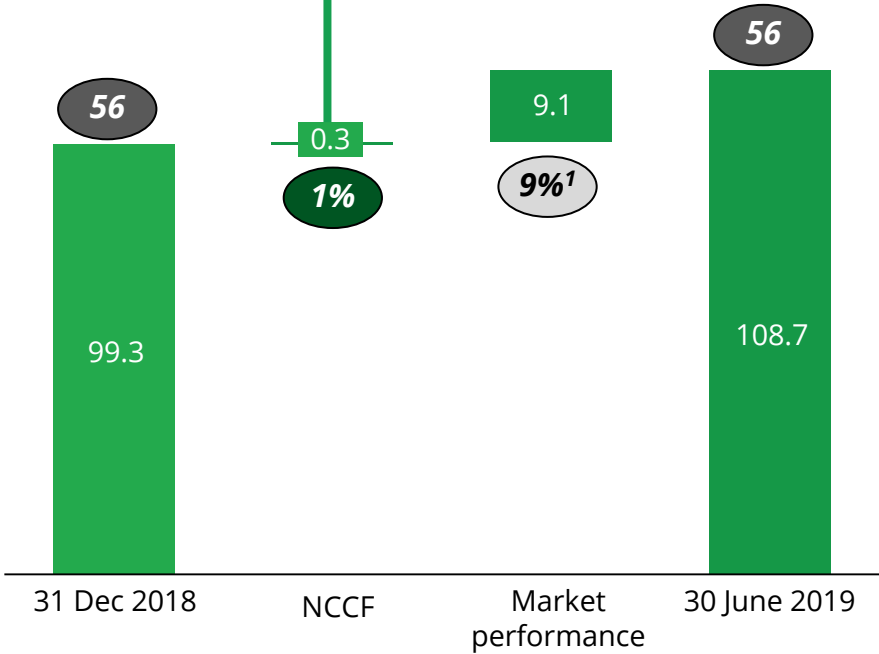
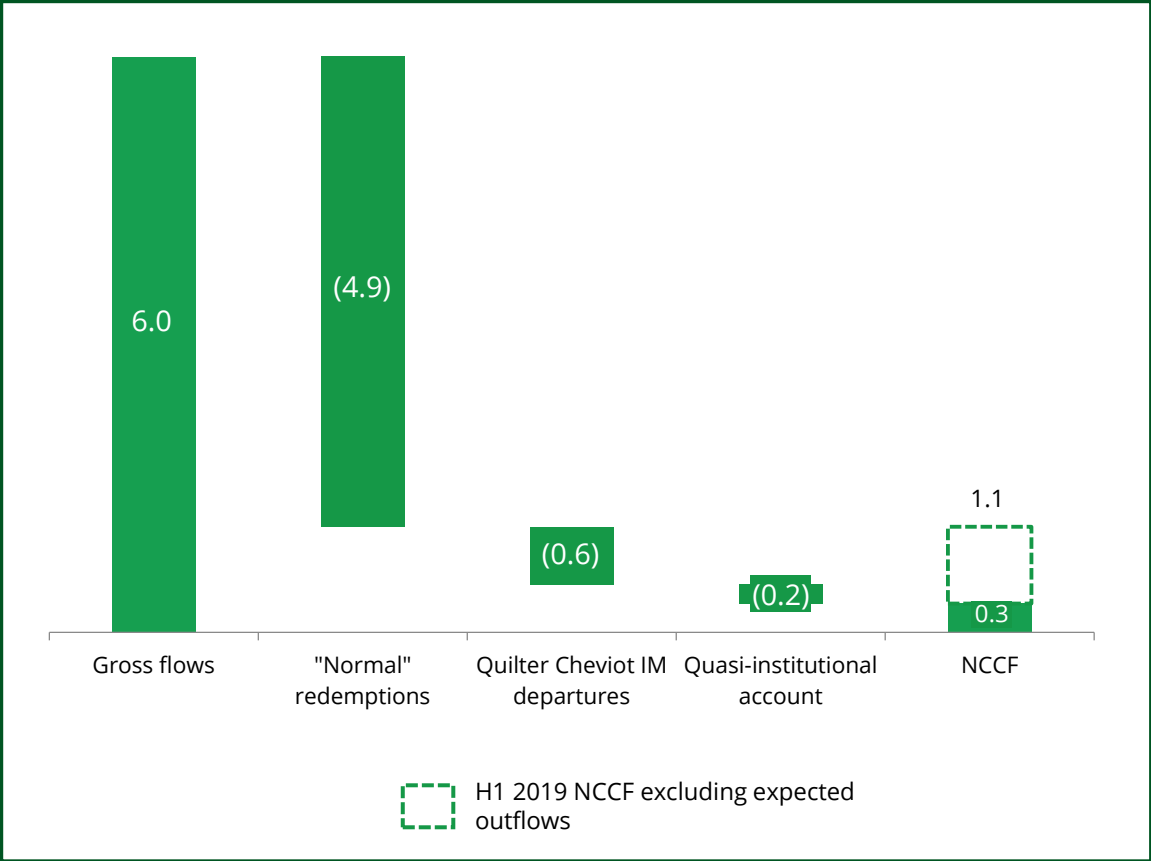
% NCCF as % of opening AuMA excl. Quilter Life Assurance
 % Market growth
 bps Revenue margin

1. Market performance defined as market investment movement / opening AuMA.

NCCF and AuMA growth

AuMA evolution from continuing operations

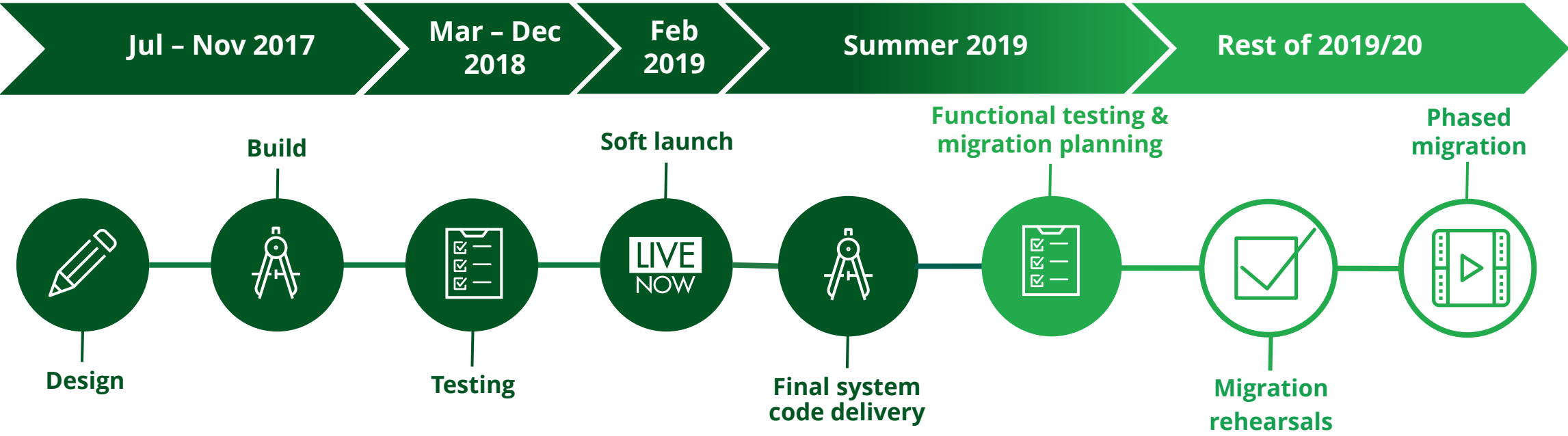
£bn



% NCCF as % of opening AuMA excl. Quilter Life Assurance
 % Market growth
 bps Revenue margin

1. Market performance defined as market investment movement / opening AuMA.

UK Platform Transformation Programme: gearing up for migration



Final mile of the journey...

Migration data validation nearly complete

Rigorous functional testing to ensure the system meets our demanding quality standards is progressing well

c.£25 million additional costs for programme completion in 2020 reflecting additional migration resourcing and longer dual running

Scheduling full dress rehearsals ahead of first migration phase planned by early 2020

● Complete ● In progress ○ Not started

Optimisation: good progress made

What we have done	What we have left to do
<ul style="list-style-type: none"> ➤ Initial simplification and unification of the support functions ➤ Quick win tactical efficiencies delivered ➤ Staff restructuring ➤ Third party contract renegotiation ➤ Property and facilities savings ➤ Commenced system changes to support further rationalisation 	<ul style="list-style-type: none"> ➤ Transform our support functions into shared services ➤ Implement group wide cost categories ➤ General ledger build ➤ Standardise processes and automate as appropriate



Investment performance: Quilter Cheviot & Quilter Investors

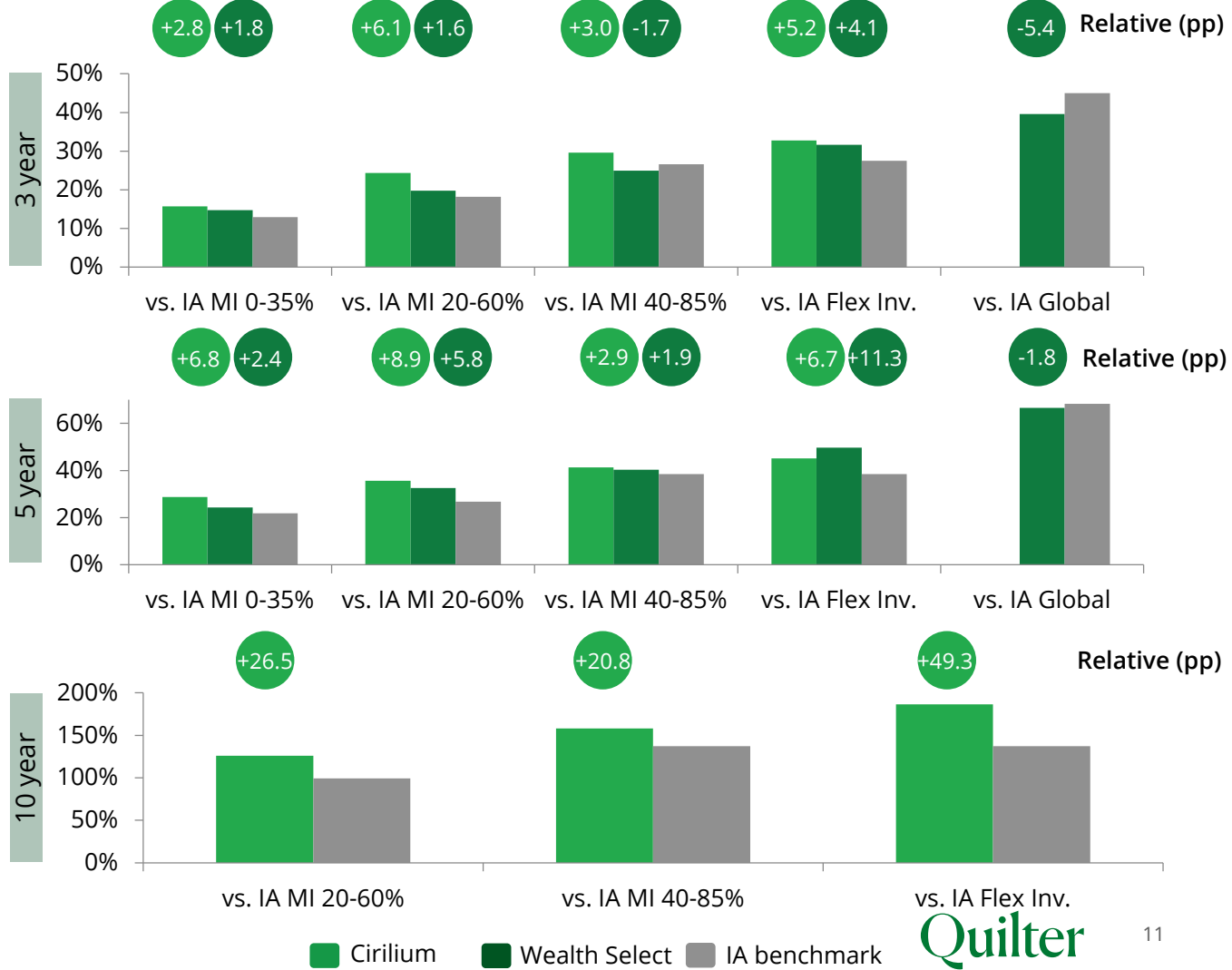
Quilter Cheviot Cumulative returns

Quilter Cheviot PCI performance vs. peers, as at 31 March 2019



Cirilium & Wealth Select

Performance vs respective Investment Association sector average
Cumulative returns: at 28 June 2019





Financial review

Mark Satchel

5 August 2019

Quilter

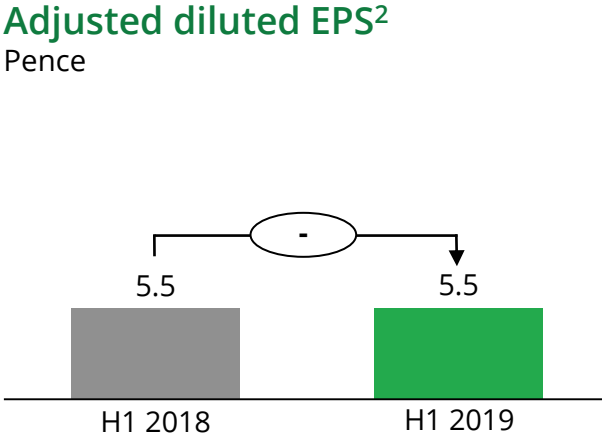
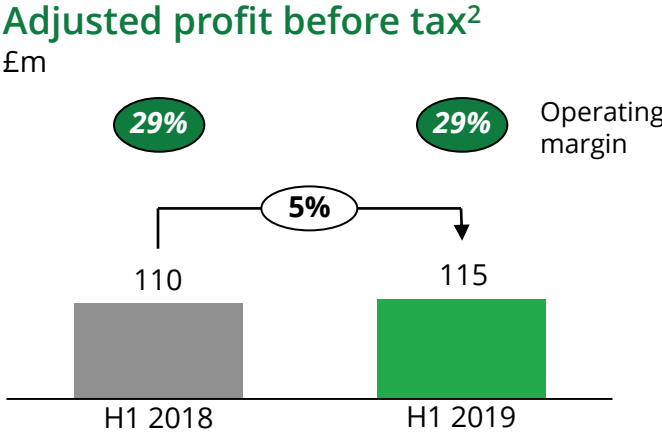
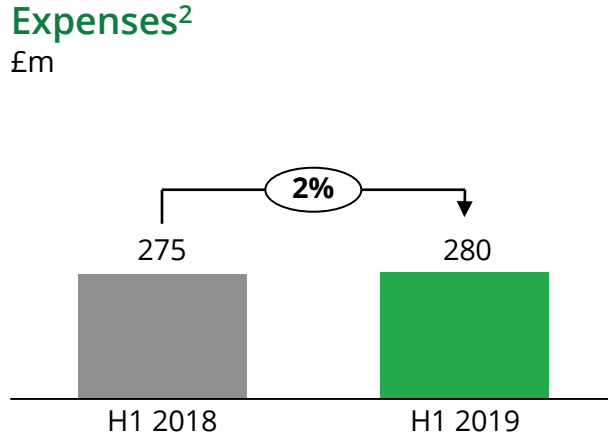
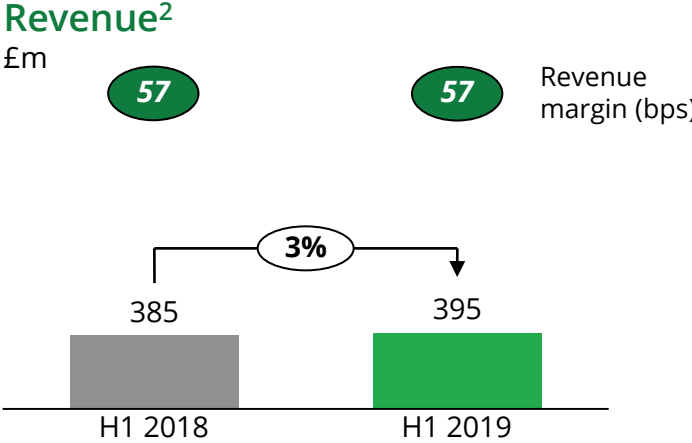
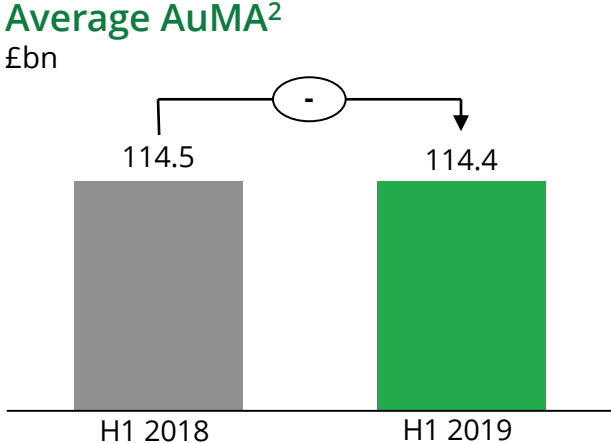
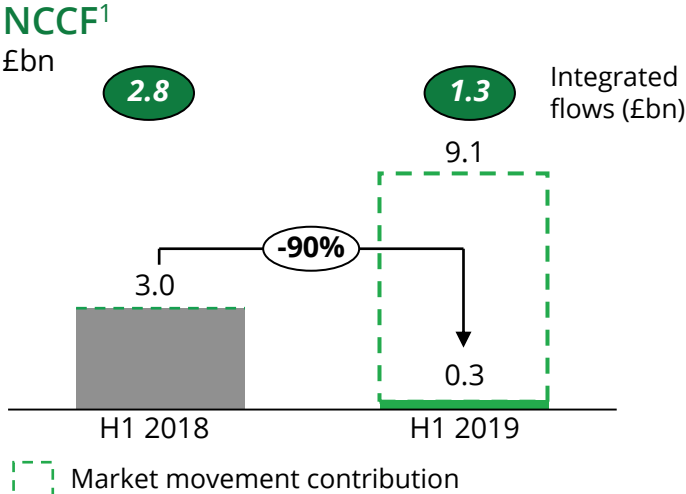
Executive summary: solid performance in H1 2019

- ✓ Adjusted profit growth of 5% to £115m
- ✓ Adjusted diluted earnings per share of 5.5p in line with prior year
- ✓ Interim dividend of 1.7 pence per share¹
- ✓ NCCF of £0.3bn²
- ✓ Integrated flows of £1.3bn²
- ✓ Good growth in RFPs

Key Performance Indicators from continuing operations including QLA		H1 2019	H1 2018	Δ
Financial:				
NCCF/opening AuMA ²	%	1	6	(5pp)
Integrated flows ²	£bn	1.3	2.8	(54%)
AuMA	£bn	118.4	116.5	+2%
- Of which QLA	£bn	12.1	14.5	(17%)
Adjusted profit before tax	£m	115	110	+5%
- Of which QLA	£m	26	27	(4%)
IFRS (loss)/profit after tax ³	£m	(17)	342	
Operating margin	%	29	29	-
- Excl. QLA	%	26	25	+1pp
Non-financial:				
Restricted Financial Planners ('RFPs')	#	1,803	1,590	+13%
Investment Managers ('IMs')	#	163	168	(3%)

1. Inclusive of 0.43 pence per share in respect of QLA's first half profit contribution.
 2. Excluding Quilter Life Assurance (QLA).
 3. Represents total IFRS (loss)/profit including discontinued operations.

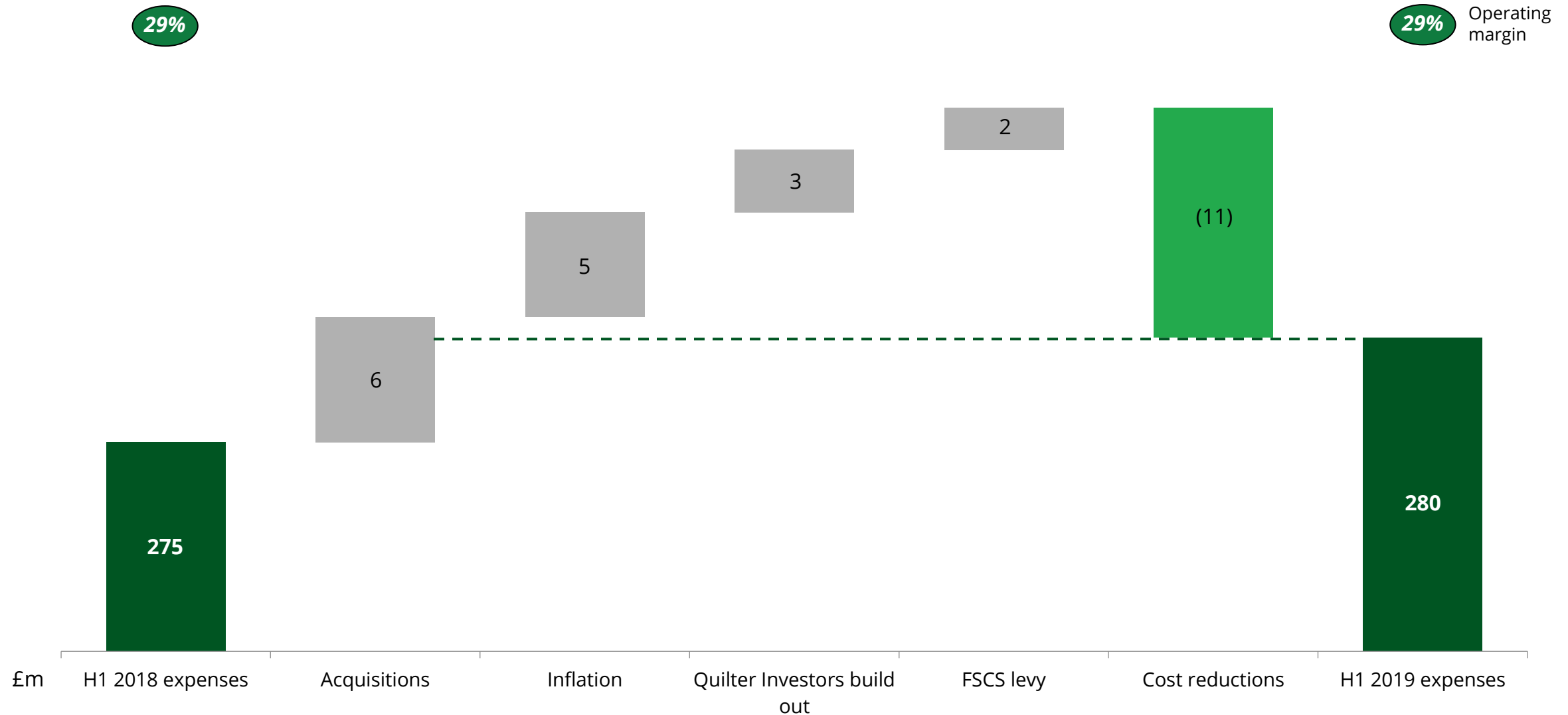
Resilient performance



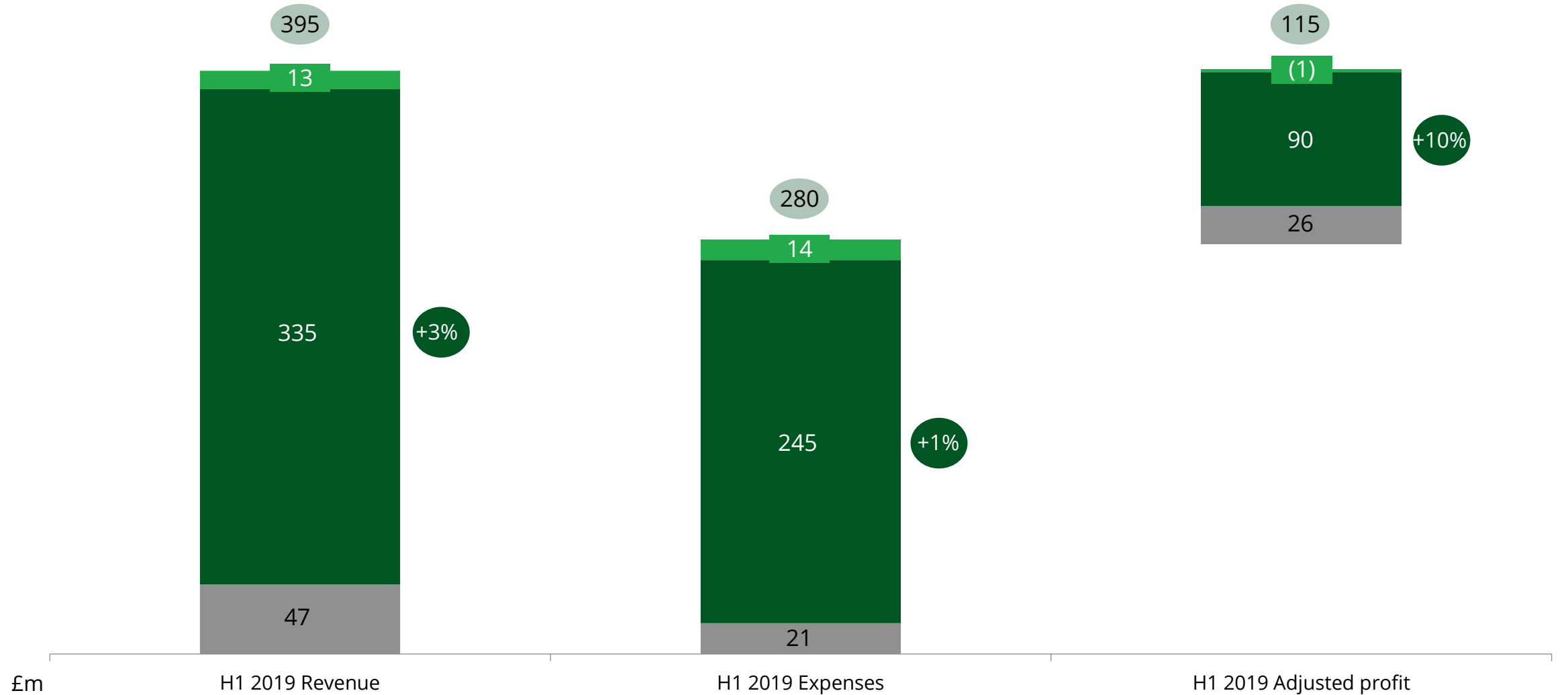
1. Excluding Quilter Life Assurance (QLA).
 2. Including Quilter Life Assurance (QLA).

Continued disciplined expense management

Expenses, before impact of acquisitions, better than “broadly flat” guidance



Strong organic growth after impact of acquisitions



■ Quilter Life Assurance

■ Underlying business

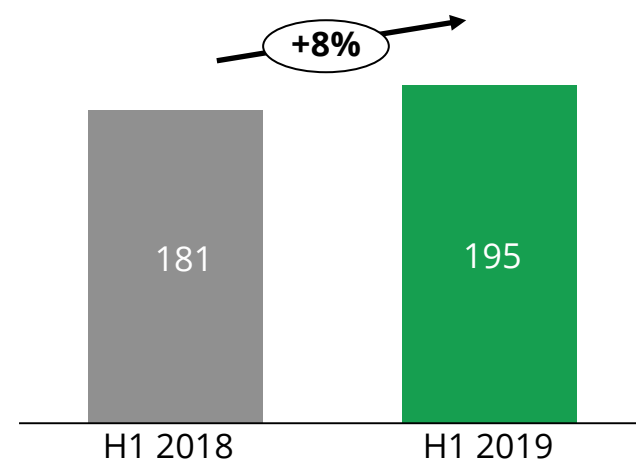
■ Acquisitions

○ Total

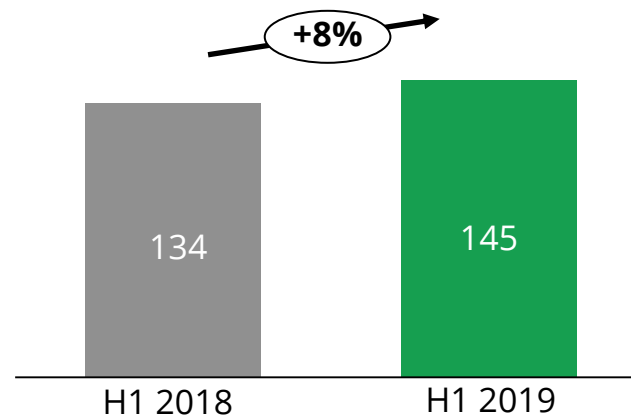
● Underlying business year on year growth

Advice and Wealth Management: building foundations for growth

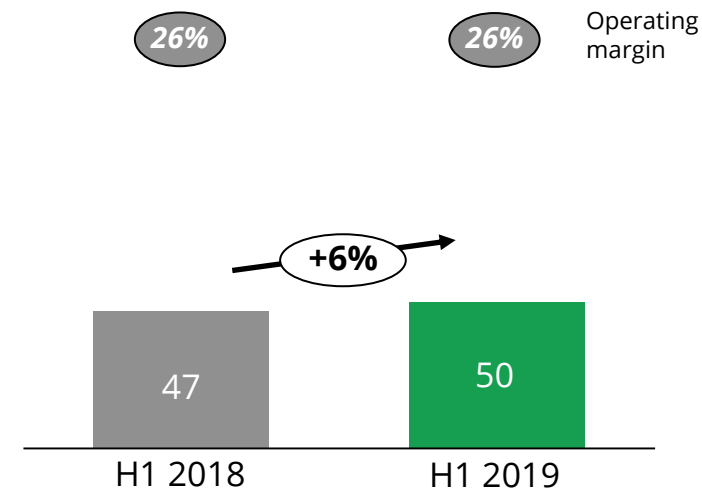
Revenue
£m



Expenses
£m



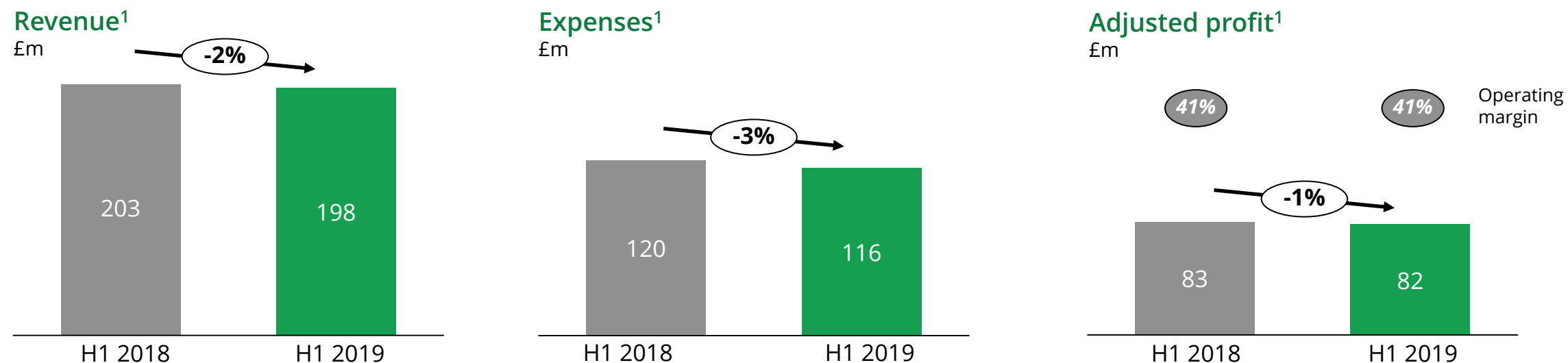
Adjusted profit
£m



- Quilter Investors revenues up 20%
- Improving revenue bps in Quilter Investors and stable in Quilter Cheviot
- £0.8bn of exceptional outflows in Quilter Cheviot as guided
- Lower productivity in Quilter Financial Planning resulting from lower DB to DC transfers and general market sentiment

KPIs		H1 2018	H1 2019
Revenue margin	bps	65	67
NCCF	£bn	2.3	-
NCCF / Opening AuM	%	11	-
Closing AuM	£bn	43.7	45.1
Average AuM	£bn	42.0	43.5

Wealth Platforms: solid performance, stable profits



- Revenue decrease primarily due to run-off of closed life book
- Expense reductions achieved
- Asset retention in the continuing business remained strong at 90% for Wealth Solutions and 92% for the International business
- Revenue margin decrease aligned with expectations
- Platform gross new business sales down as DB to DC transfers reduce

KPIs		H1 2018	H1 2019
Revenue margin ¹	bps	44	42
NCCF ²	£bn	2.2	0.6
NCCF ² / Opening AuA ¹	%	6	1
Closing AuA ¹	£bn	86.0	87.5
Average AuA ¹	£bn	83.2	84.3

1. Including Quilter Life Assurance (QLA).
2. Excluding Quilter Life Assurance (QLA).

Quilter Life Assurance: key metrics

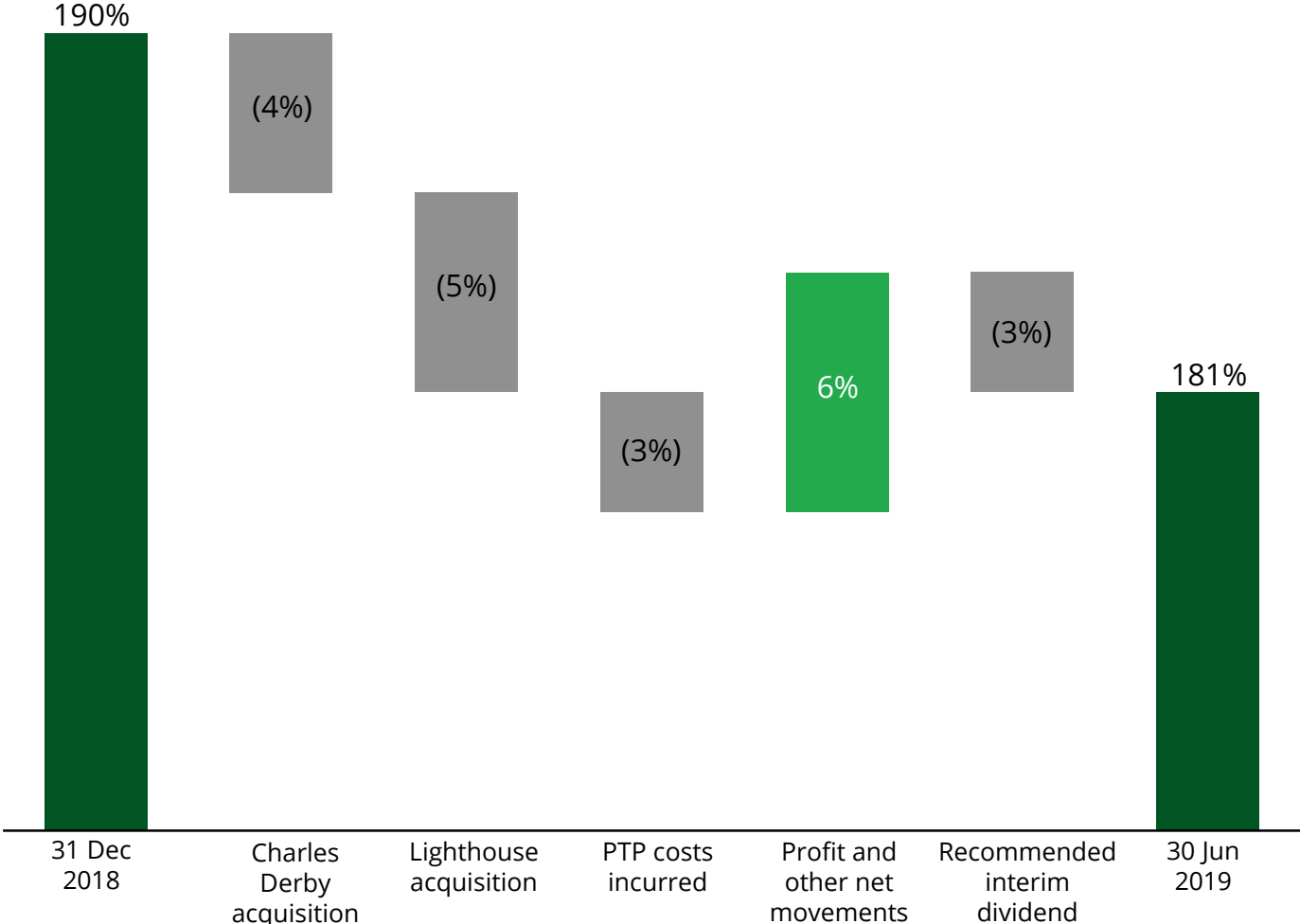
- Agreed sale of Quilter Life Assurance to ReAssure for consideration of £425m, subject to regulatory approval
- Completion expected by end 2019
- Perimeter change drives c.5pp rebasing of the group operating margin
- Pro-forma MCEV of £406m at 31 December 2018¹
- Pro-forma own funds of £354m at 31 December 2018¹

Quilter Life Assurance key financial highlights		H1 2019	FY 2018
Total revenue	£m	47	109
Expenses	£m	(21)	(52)
Adjusted profit before tax	£m	26	57
Operating margin	%	55	54
NCCF	£bn	(1.2)	(2.3)
Closing AuA	£bn	12.1	12.4
- Of which pension	£bn	5.5	5.5
- Of which savings and bonds	£bn	3.4	3.2
- Of which institutional	£bn	2.9	3.4
- Of which protection	£bn	0.3	0.3
Average AuA	£bn	12.2	14.3
Revenue margin	bps	63	69
Asset retention	%	77	81
Of which pension asset retention	%	80	81

1. After £130m dividend in 2019.

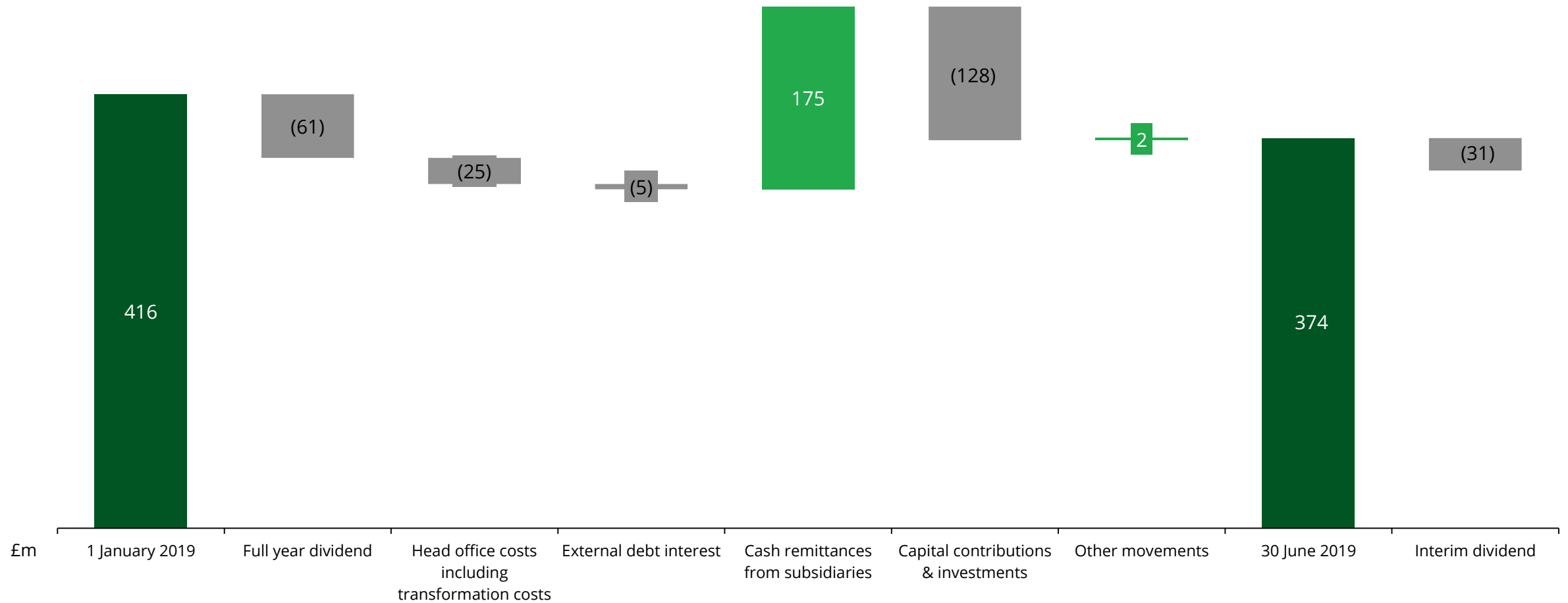
Strong solvency position

Solvency II ratio



- Reductions in own funds of £76m due to acquisitions (Charles Derby Group and Lighthouse plc) and £31m for interim dividend
- Provides capacity for strategic investments including UK Platform Transformation Programme

Holding company cash



Financial summary

- Adjusted profit +5% to £115m
- Prudently capitalised liquid balance sheet
- Capital discipline credentials maintained
- Continued expense management a focus for second half of 2019
- Improving operational leverage through to 2021, driven by optimisation
- Delivering in terms of guidance

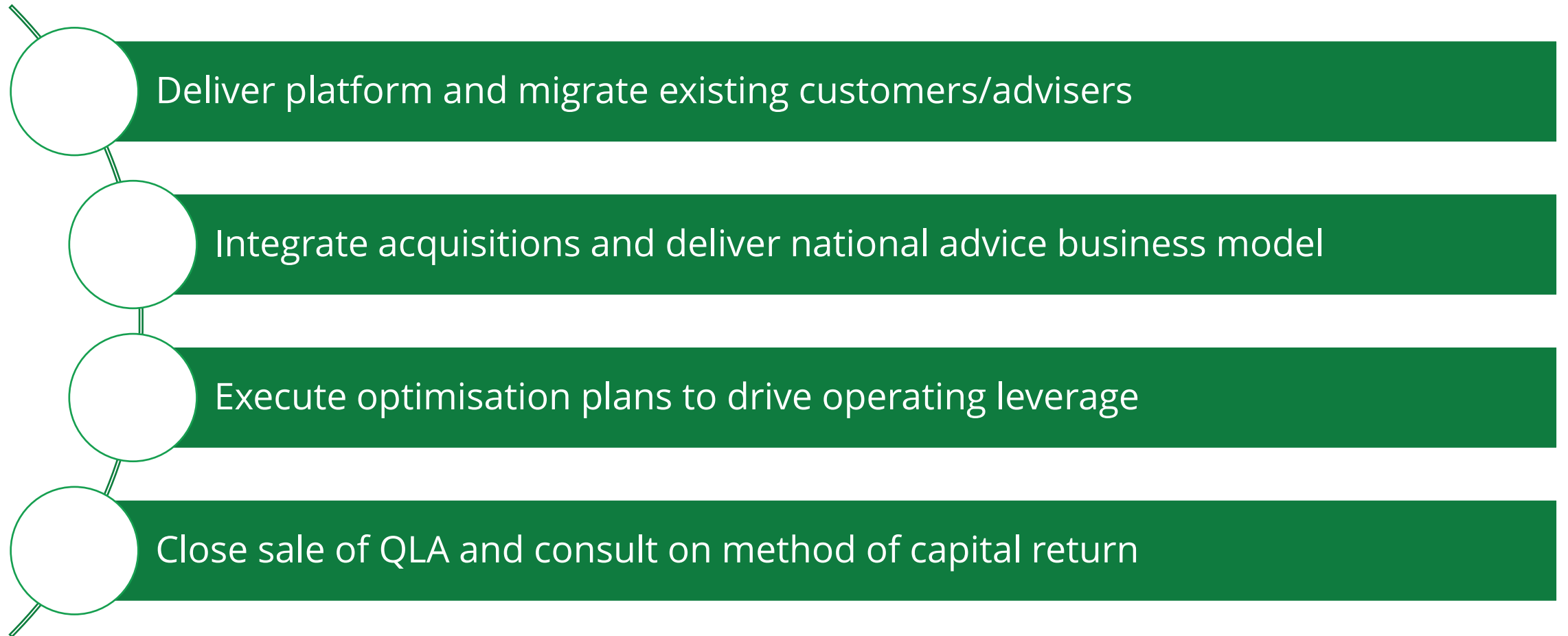


Concluding remarks

Paul Feeney
5 August 2019

Quilter

Key tasks for H2 2019 and 2020



Confident in prospects for 2020 and beyond

Q&A





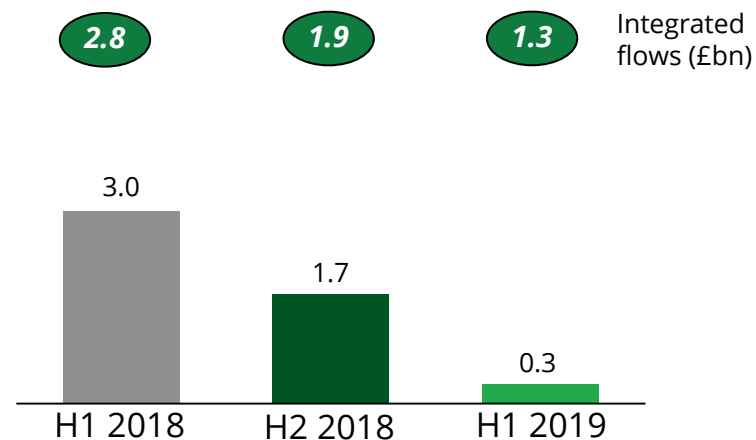
Appendix

5 August 2019

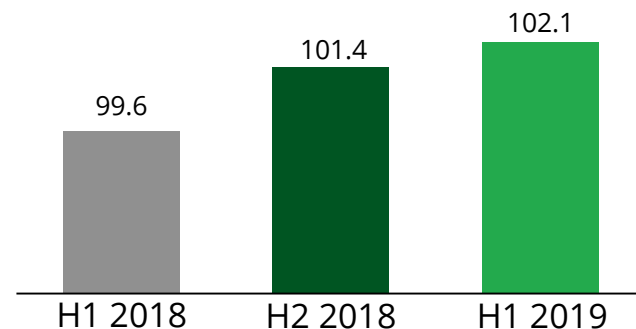
Quilter

Group performance excluding Quilter Life Assurance (unaudited)

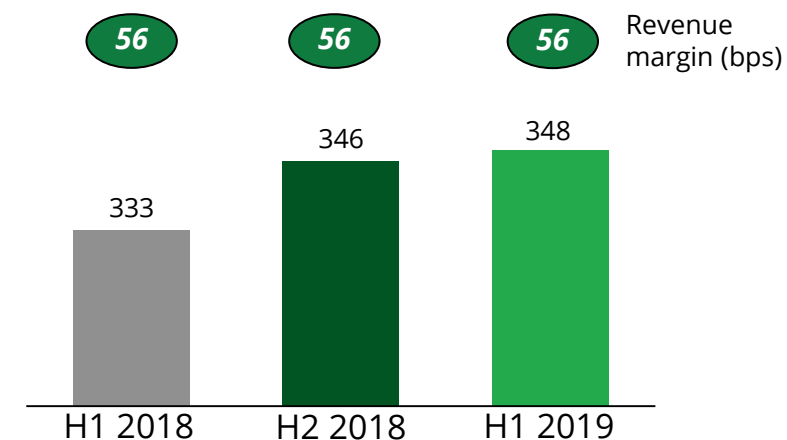
NCCF
£bn



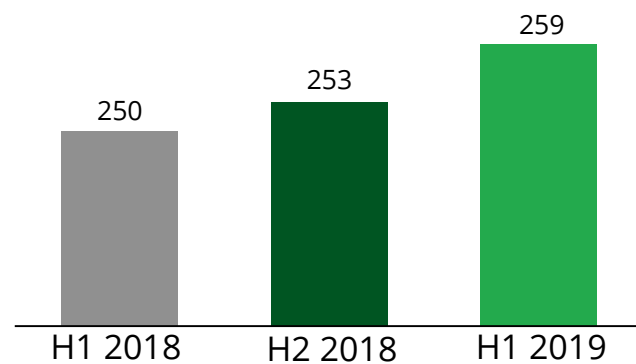
Average AuMA
£bn



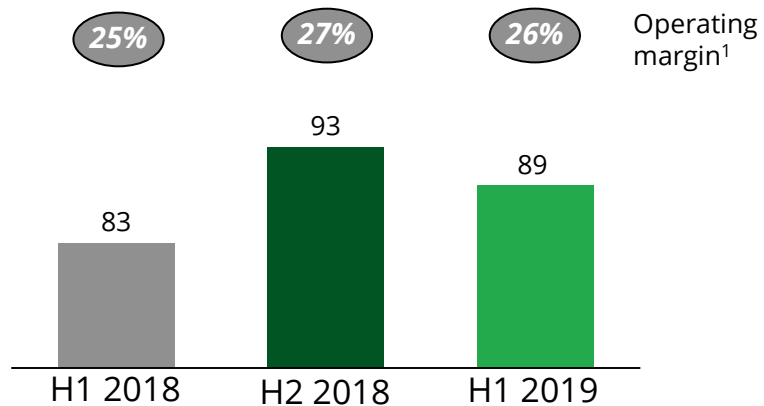
Revenue
£m



Expenses¹
£m

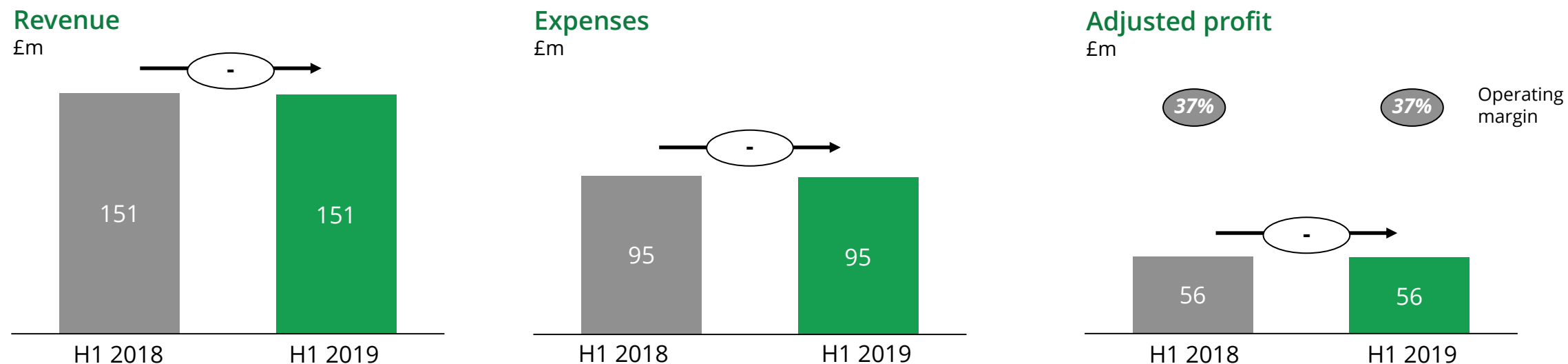


Adjusted profit¹
£m



1. This analysis is excluding any impact from stranded costs and therefore estimated and subject to change.

Wealth Platforms excluding Quilter Life Assurance (unaudited)



- Revenue, expenses and revenue margin in line with prior year
- Asset retention in the continuing business remained strong at 90% for Wealth Solutions and 92% for the International business

KPIs		H1 2018	H1 2019
Revenue margin	bps	39	39
NCCF	£bn	2.2	0.6
NCCF / Opening AuA	%	6	1
Closing AuA ¹	£bn	71.5	75.4
Average AuA ¹	£bn	69.9	72.1

1. Based on gross AuA excluding eliminations.

Quilter Life Assurance solvency (unaudited)

Quilter receives:

- £425m in cash, with up to £30m being settled by way of a pre-completion dividend. Represents 1.2x pro-forma adjusted own funds at 31 December 2018
- Interest on £425m from 1 January 2019 up to completion date (or dividend payment date in the case of the pre-completion dividend)

Quilter Life Assurance		MCEV	Own funds
At 31 December 2018	£m	536	484
"Foreseeable" dividend paid March 2019	£m	(90)	(90)
After "foreseeable" dividend	£m	446	394
Further "foreseeable" dividend to be paid Q3 2019	£m	(40)	(40)
Pro-forma adjusted 31 December 2018	£m	406	354
		Solvency	
Solvency capital requirement at 31 December 2018	£m		272
Solvency II pro-forma coverage ratio	%		130

Updated financial guidance

	Guidance to market at time of Listing	Updates to guidance
Optimisation & operating margin target (pre-tax)	<ul style="list-style-type: none"> ➤ Optimisation: n/a ➤ Target: 30% operating margin (excl. interest) by 2020 after impact of additional expenses expected in 2018, before benefits from any optimisation initiatives ➤ 2018 & 2019 will bear full impact of standalone costs, likely leading to a small decrease in our current operating margin prior to 2020 	<ul style="list-style-type: none"> ➤ £75m one-off costs to deliver optimisation phase 1 initiatives, with c.50% incurred by end of 2019 ➤ Targeting c.2 percentage point improvement in operating margin by 2020 and a further 2 percentage points by 2021, assuming broadly normal market performance from around current levels, together with steady net flows ➤ Sale of Quilter Life Assurance will rebase the Group operating margin by c.5pp. We still target a 2pp improvement in 2020 and 2021 off the revised base
Tax rate	<ul style="list-style-type: none"> ➤ Corporate tax rate to remain below UK marginal rate, due to profit mix and lower tax rate in International 	<ul style="list-style-type: none"> ➤ ETR expected to be 12-14% within a few years, reflecting International's profits, use of capital losses and UK corporation tax rate declining to 17% in 2020
Share count	<ul style="list-style-type: none"> ➤ Shares in respect of staff share schemes expected to vest over the next two years. Future share awards will then be satisfied through on-market purchases 	<ul style="list-style-type: none"> ➤ No change
London relocation	<ul style="list-style-type: none"> ➤ n/a 	<ul style="list-style-type: none"> ➤ Relocation anticipated to increase property costs by £3m in H2 2019, £10m in 2020 while we incur some dual-running costs, and circa £5m of ongoing additional costs thereafter
2019 costs	<ul style="list-style-type: none"> ➤ n/a 	<ul style="list-style-type: none"> ➤ The Group's underlying cost base is expected to remain broadly consistent with 2018 before the impact of acquisitions. Acquisitions are expected to add around £22m of additional expenses to the cost base for FY 2019
UK Platform Transformation Programme	<ul style="list-style-type: none"> ➤ Costs incurred to be between £120m to £160m 	<ul style="list-style-type: none"> ➤ Expect additional costs to complete the programme of approximately £25m above previously targeting top end of the range of £160m

Updated financial guidance continued

	Guidance to market at time of Listing	Updates to guidance
Net client cash flow	<ul style="list-style-type: none"> ➤ Target: NCCF of 5% of opening AuMA (excluding QLA) per annum over medium-term 	<ul style="list-style-type: none"> ➤ No change to target but cautious on 2019 given expected Quilter Cheviot outflows, market conditions and economic and political uncertainty
Revenue margin	<ul style="list-style-type: none"> ➤ Subject to delivering expected AuMA volumes and mix, overall Quilter annual rate of revenue margin decline to slow in near-term and become increasingly stable ➤ Business units managed with intention of delivering revenue and profit growth, may lead to mix driven changes in segment revenue margins over time ➤ Greater proportion of flows into higher revenue margin Advice and Wealth Management segment ➤ Run-off of QLA Institutional book over next one to two years, expected to support to overall revenue margin in near term ➤ Growth of Integrated NCCF to support revenue margin going forward 	<ul style="list-style-type: none"> ➤ Sale of Quilter Life Assurance will reduce the Group revenue margin by c.1bp and the Wealth Platforms segment revenue margin by c.3bp
Managed separation & standalone costs	<ul style="list-style-type: none"> ➤ Old Mutual plc guidance: c.£25-30m p/a additional operating expenses above 2016 level due to Managed Separation and need to operate on standalone basis ➤ c.£16m on annual basis reflected in 2017 year-end reported results, up to £14m of additional annual separation costs to be incurred during 2018 	<ul style="list-style-type: none"> ➤ Standalone listed group operating costs now reflected in cost base at full run-rate ➤ Further c.£12m below-the-line costs in 2019, principally in re-branding
Investment	<ul style="list-style-type: none"> ➤ For the period 2018-2020 total investment estimated to impact expense base by £20-30m, in aggregate 	<ul style="list-style-type: none"> ➤ No change

Updated financial guidance continued

	Guidance to market at time of Listing	Updates to guidance
LTIP costs	<ul style="list-style-type: none"> ➤ New Quilter Performance Shareplan will result in additional LTIP staff costs in 2018 and later years ➤ LTIP costs to increase steadily on a phased basis to approximately £15m per annum by 2020 	<ul style="list-style-type: none"> ➤ No change
Debt costs	<ul style="list-style-type: none"> ➤ £200m subordinated debt at 4.478% 	<ul style="list-style-type: none"> ➤ No change
Cash conversion	<ul style="list-style-type: none"> ➤ Approximately 80% of post-tax operating profit from continuing operations into free cash, partially used to fund debt servicing costs and targeted distribution acquisitions ➤ Distribution acquisitions expected to be up to £20m p.a. 	<ul style="list-style-type: none"> ➤ No change ➤ No change
Dividend policy	<ul style="list-style-type: none"> ➤ Target 40-60% pay-out ratio of post-tax adjusted profits, with the split of interim and final dividends approximately one-third and two-thirds, respectively 	<ul style="list-style-type: none"> ➤ No change
Capital	<ul style="list-style-type: none"> ➤ Subordinated debt security issued to ensure sufficient capital and liquidity to maintain strong capital ratios and free cash balances to withstand severe but plausible stress scenarios 	<ul style="list-style-type: none"> ➤ No change
Other items		
Share count	<ul style="list-style-type: none"> ➤ Shares in respect of staff share schemes expected to vest over the next two years. Future share awards will then be satisfied through on-market purchases 	<ul style="list-style-type: none"> ➤ No change
Seasonal dynamics	<ul style="list-style-type: none"> ➤ FSCS levies paid in first half of year 	<ul style="list-style-type: none"> ➤ No change



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