

Quilter

Interim Results
8 August 2023

2023

Disclaimer

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By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Quilter plc's control including amongst other things, international and global economic and business conditions, the implications and economic impact of the conflict in Ukraine, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing and impact of other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Quilter plc and its affiliates operate. As a result, Quilter plc's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Quilter plc's forward-looking statements.

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Business update

Quilter



Steven Levin

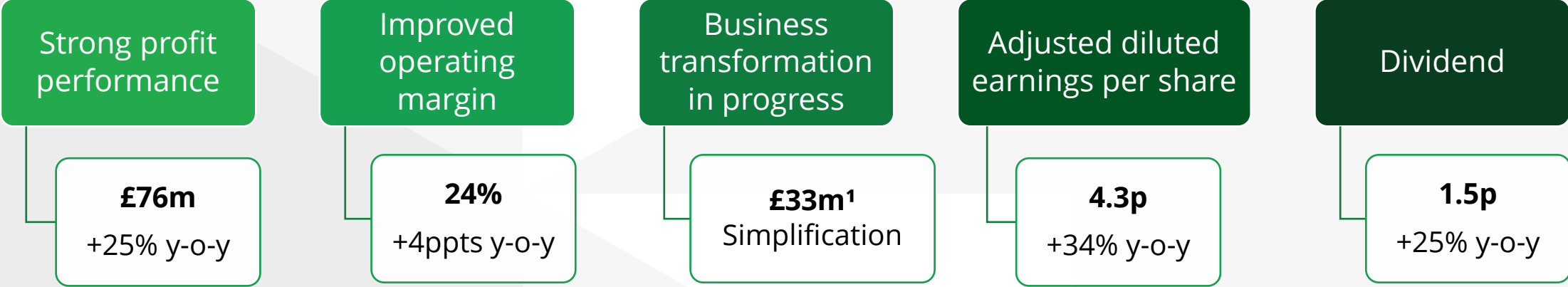
Chief Executive Officer

Introduction

Quilter

Results overview: strong first half performance

Highlights H1 2023:



¹Annualised run-rate cost savings

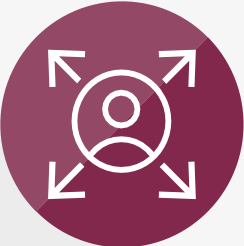
H1 2023 AuMA and flows: good Quilter channel performance

	AuMA	Gross flows	Net flows	Net / opening % (annualised)	
High Net Worth	Quilter Channel	£2.6bn	£0.3bn	£0.2bn	17%
	IFA/Direct Channel	£23.3bn	£0.9bn	£(0.1)bn	(1)%
Affluent	Quilter Channel	£15.9bn	£1.8bn	£0.9bn	11%
	IFA Channel	£55.8bn	£2.6bn	£0.0bn	0%
	Funds on other platforms	£1.6bn	£0.1bn	£(0.2)bn	(20)%
Quilter plc reported ¹	Quilter plc core ¹	£98.3bn	£5.5bn	0.7bn	1%
	Non-Core	£3.4bn	£0bn	£(0.5)bn	(26)%
	Quilter plc reported ¹	£101.7bn	£5.5bn	£0.2bn	0%

1. Includes Inter-segment dual assets.

Delivery against our three strategic priorities underway

Building Distribution



- ✓ RFP Adviser stability
- ✓ Rolling out Quilter Partners
- ✓ Increased flow from target "potential growth" IFA firms
- ✓ Reducing leakage, improving alignment
- ✓ Back book transfers of £326m
- ✓ Leading market share for advised platform gross flows

Enhancing Propositions



- ✓ Cirilium Active portfolio manager changes
- ✓ Cirilium Active reprice
- ✓ Platform repricing
- ✓ Introduced cash margin on Platform
- ✓ Introduced tiered adviser charging
- ✓ Cash Hub (H2 2023)

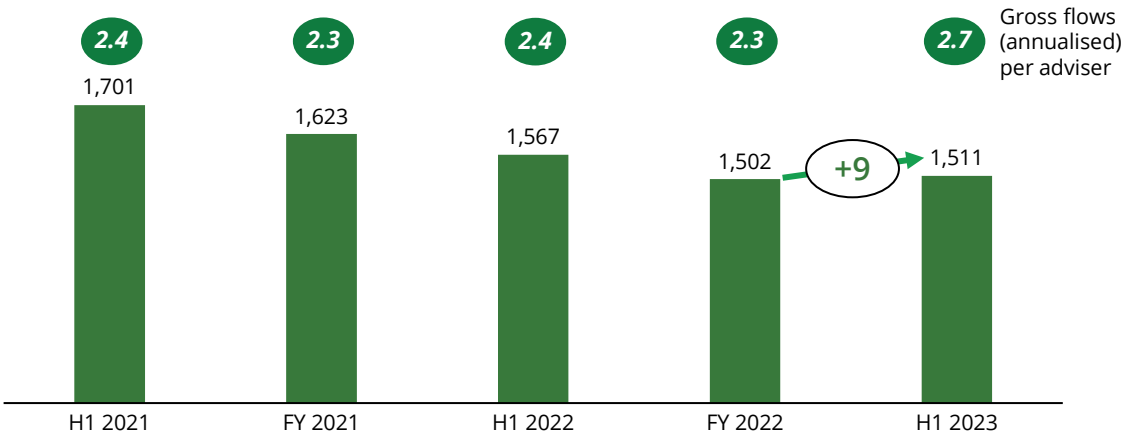
Driving Efficiency



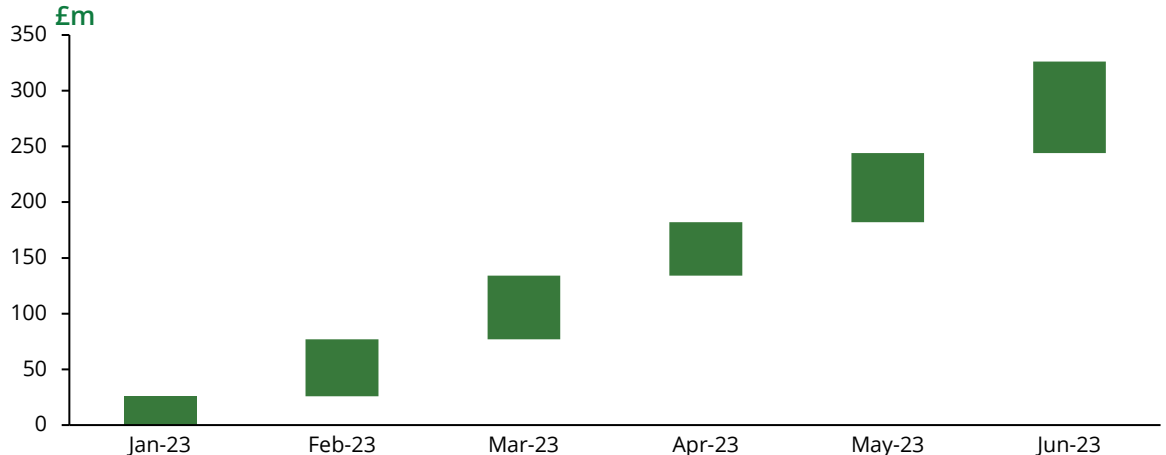
- ✓ Simplification Phase I accelerated
- ✓ £45m Simplification benefit to be achieved a year early, by end 2023
- ✓ Well on track to deliver 25% operating margin by 2025
- ✓ Additional £50m Simplification II benefit

Building distribution

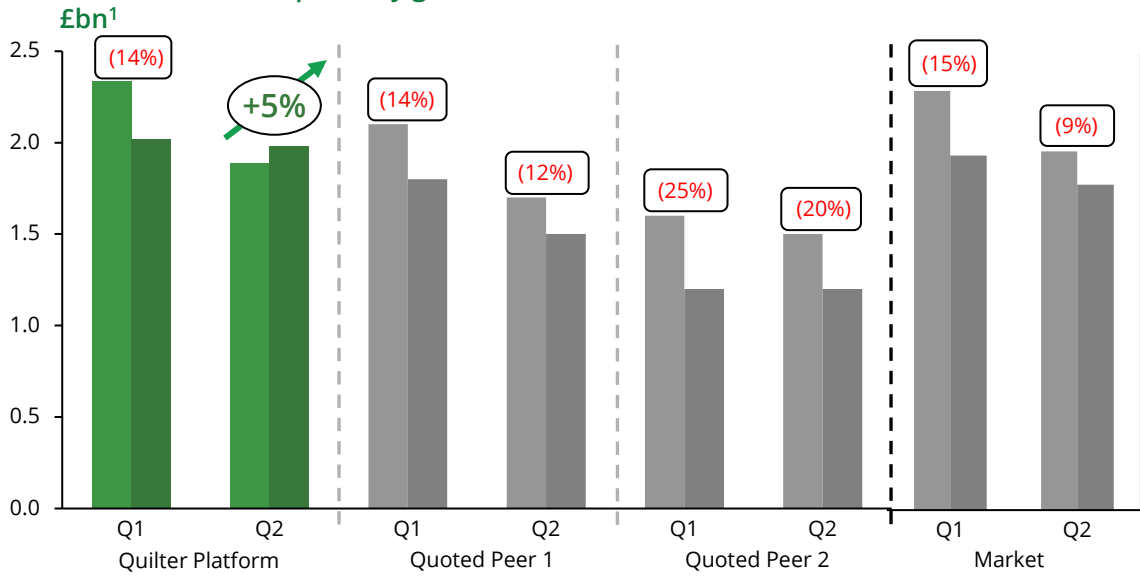
Adviser numbers: QFP & PCA



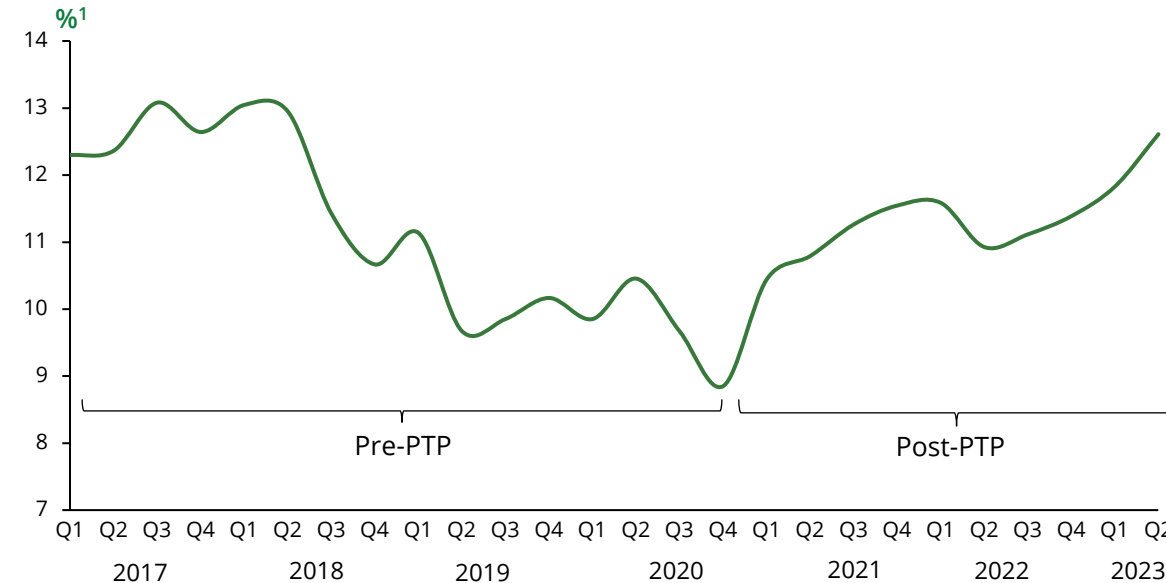
Backbook transfers year-to-date



Platform market: quarterly gross flows 2022 vs 2023



Platform Gross market share



1. Platform market share sourced from Fundscape.



Delivery against our three strategic priorities underway

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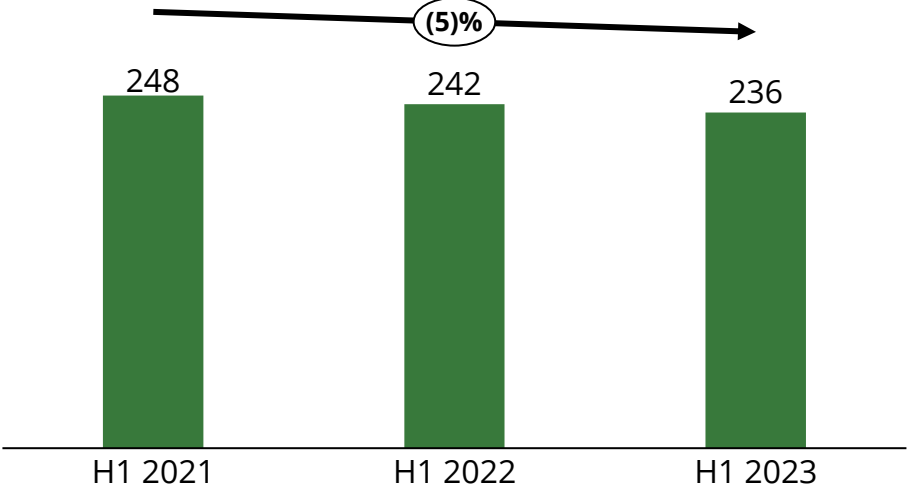
Driving Efficiency



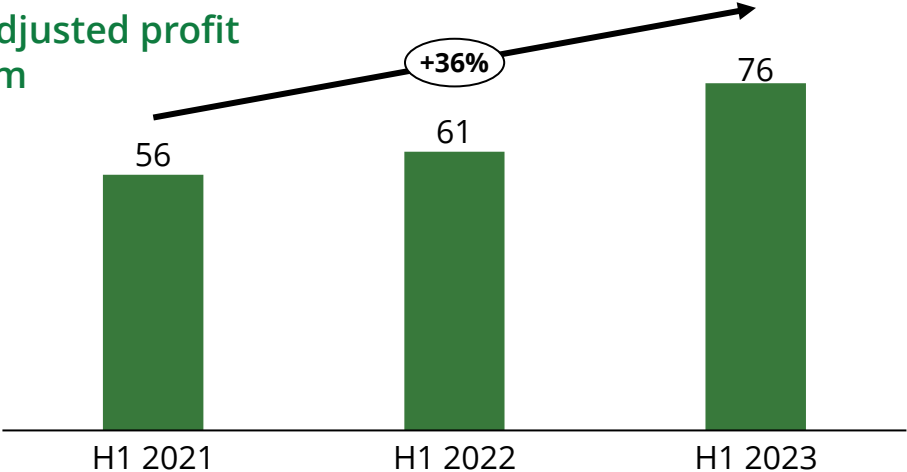
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Driving efficiency

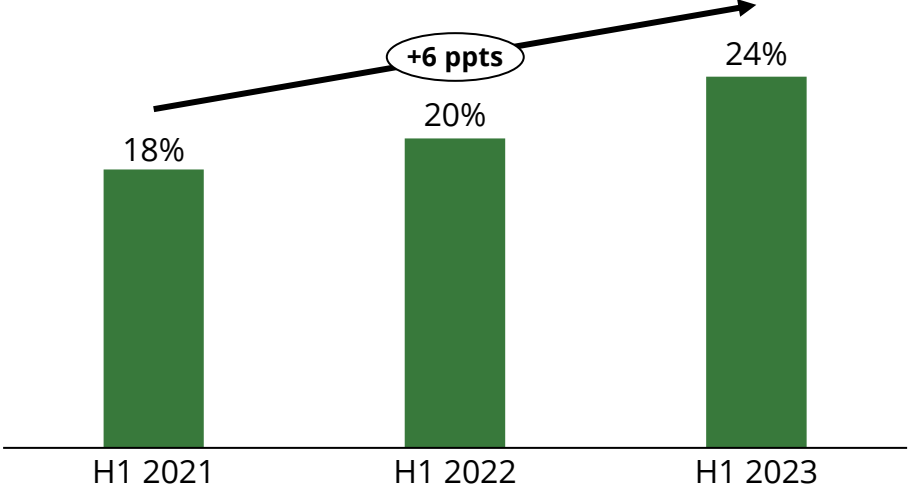
Operating expense
£m



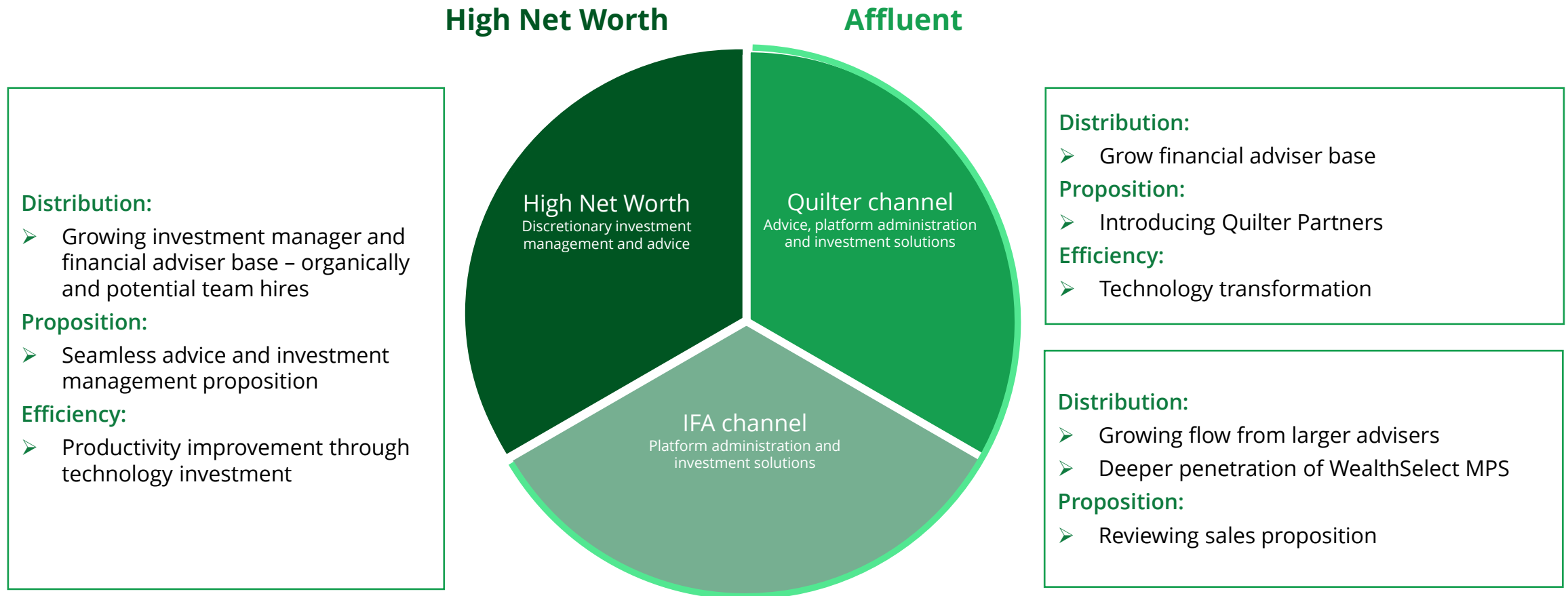
Adjusted profit
£m



Operating margin
%



Strategic initiatives underway



Simplification II

- Target £50m additional savings by end 2025, longer term operating margin goal of 30%

Strategic initiatives underway

High Net Worth

Affluent

Distribution:

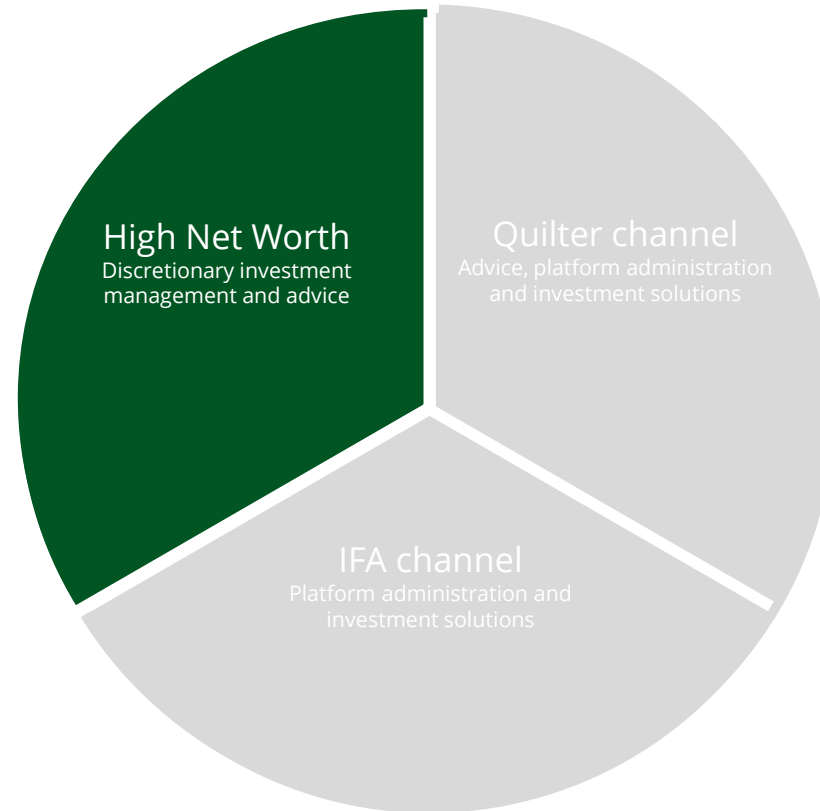
- Growing investment manager and financial adviser base – organically and potential team hires

Proposition:

- Seamless advice and investment management proposition

Efficiency:

- Productivity improvement through technology investment



Distribution:

- Grow financial adviser base

Proposition:

- Introducing Quilter Partners

Efficiency:

- Technology transformation

Distribution:

- Growing flow from larger advisers
- Deeper penetration of WealthSelect MPS

Proposition:

- Reviewing sales proposition

Simplification II

- Target £50m additional savings by end 2025, longer term operating margin goal of 30%

Strategic initiatives underway

High Net Worth

Affluent

Distribution:

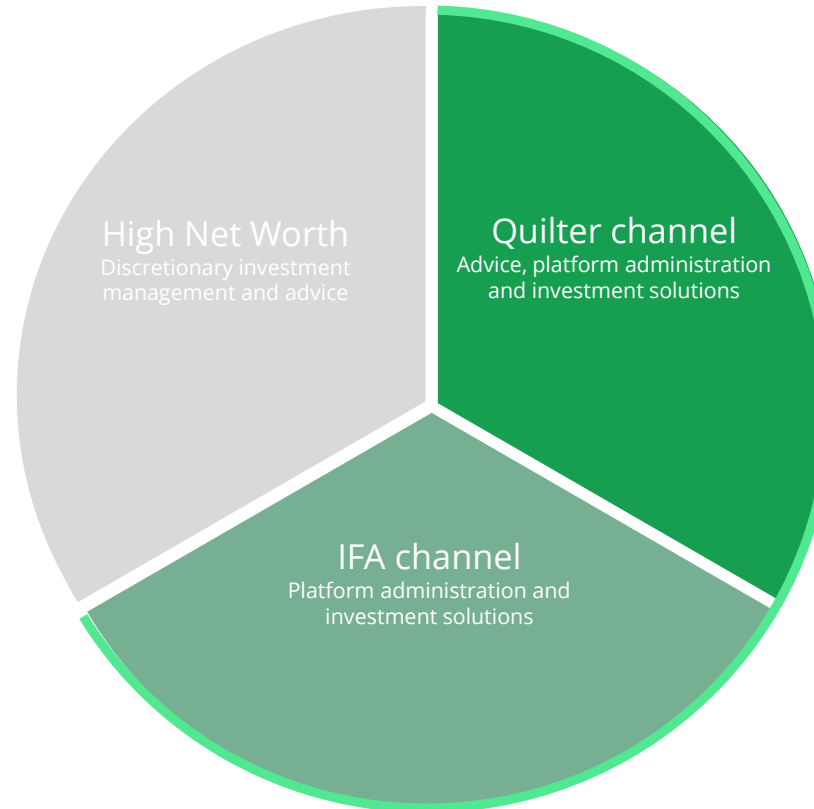
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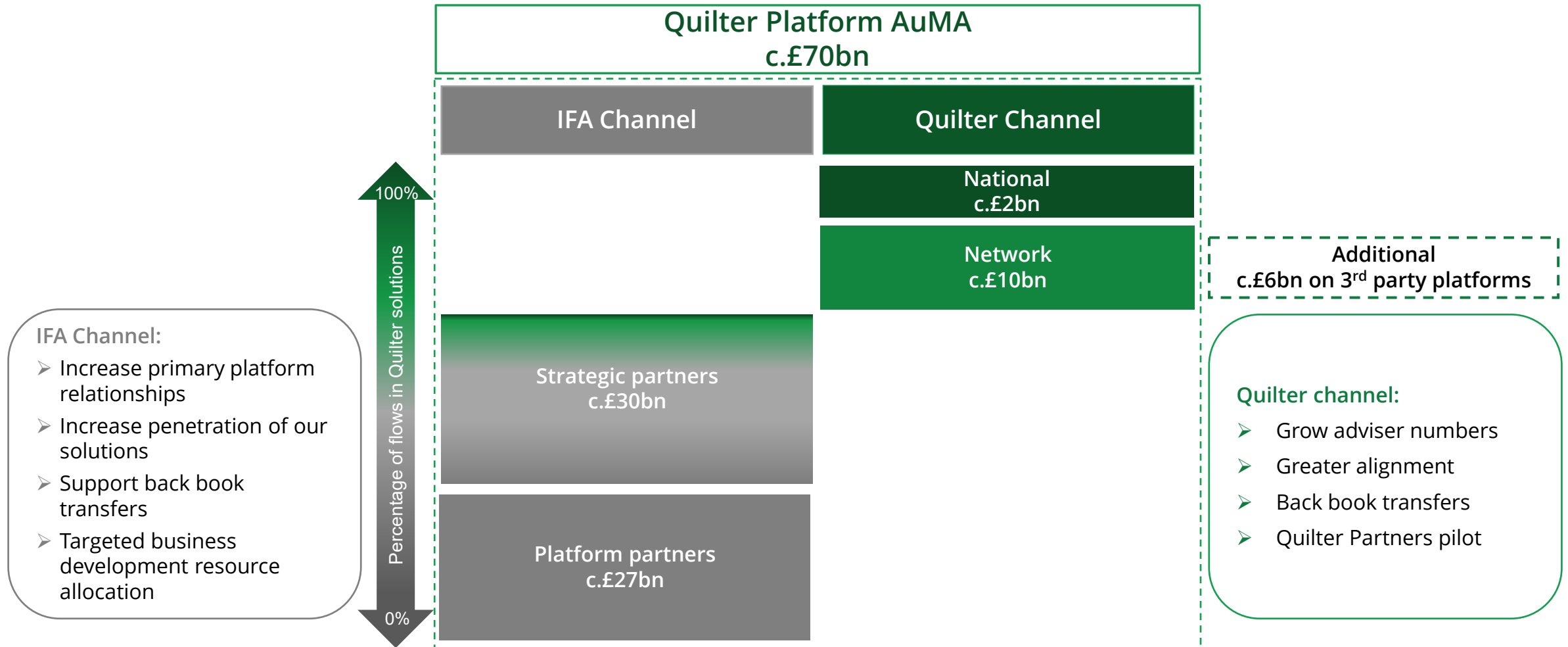
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Simplification II

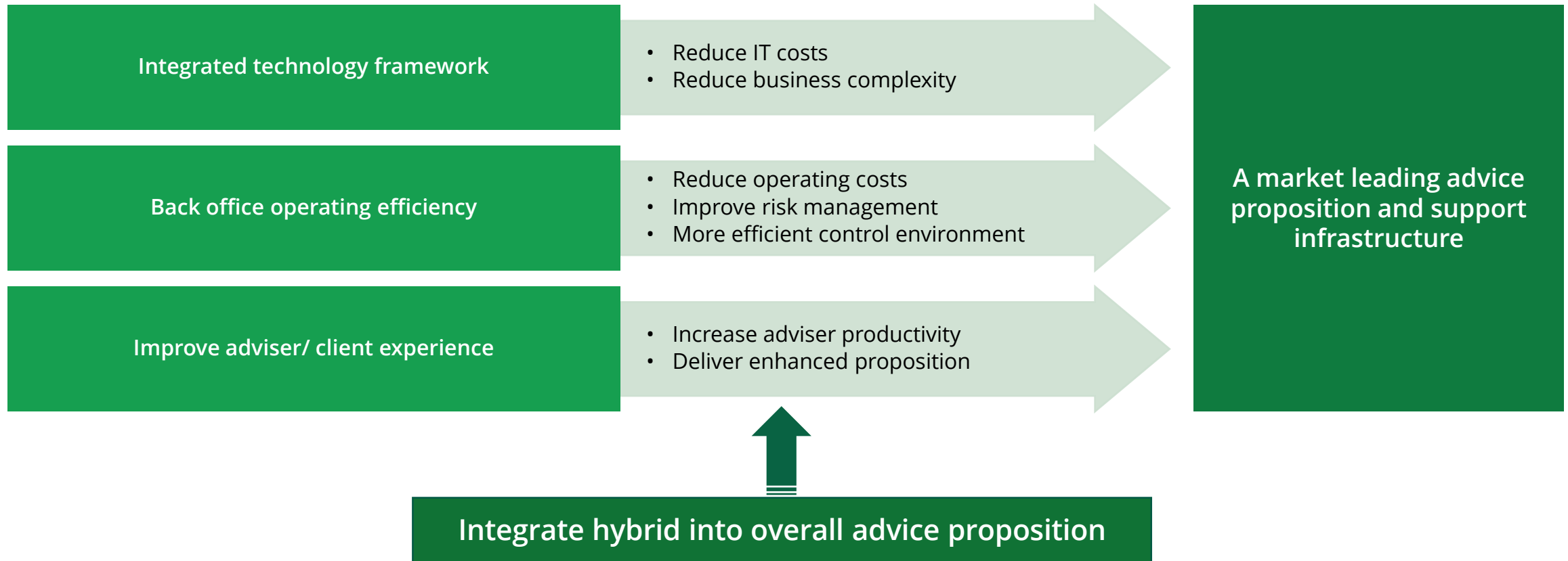
- Target £50m additional savings by end 2025, longer term operating margin goal of 30%

Advice: unique breadth of proposition and distribution

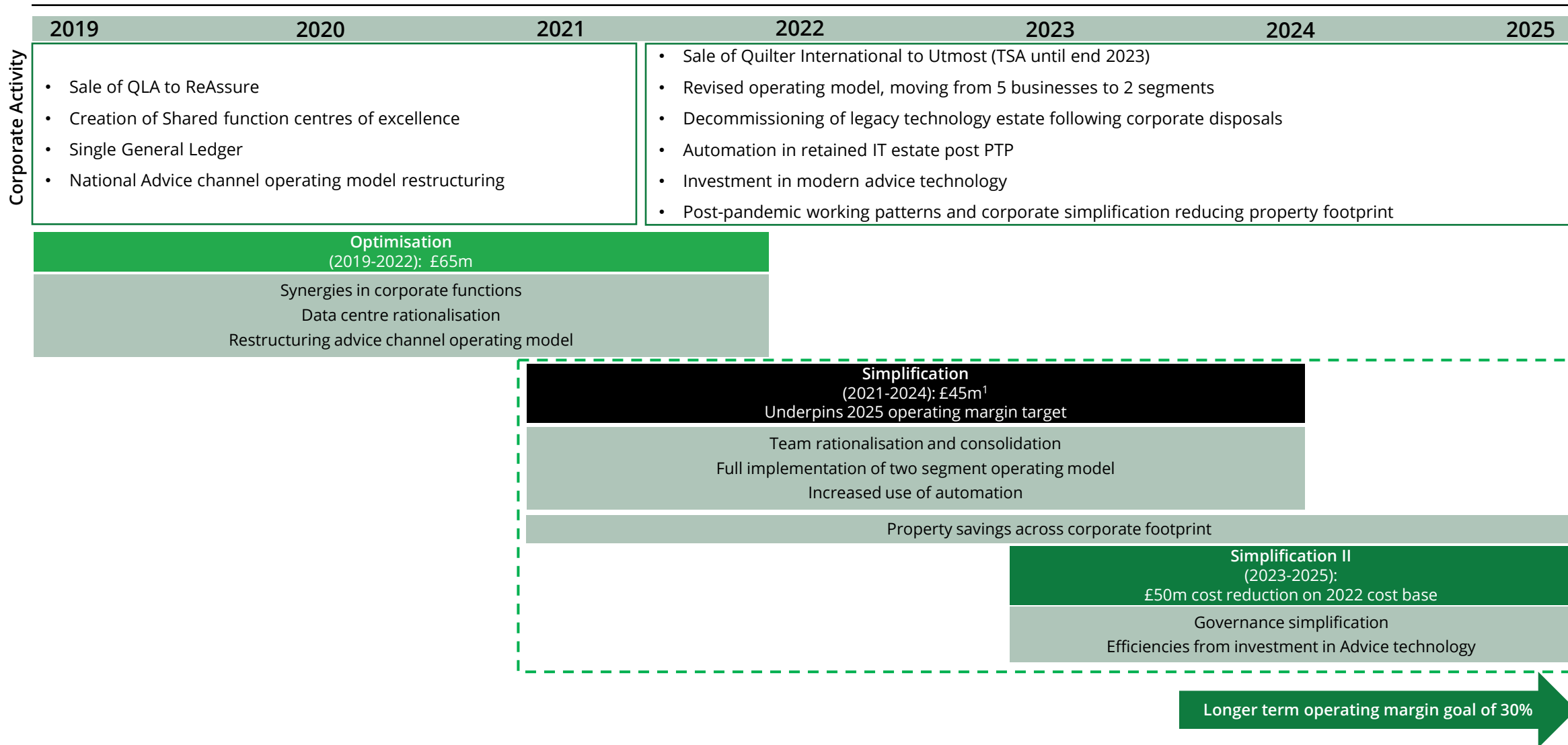


A scalable and efficient advice operating model

Transforming our advice technology and processes to unlock proposition and cost benefits



Continuing our efficiency journey



1. Includes £33m announced as delivered and closed in H1 2023 results.

Managing through all market conditions

Challenges

- Cost-of-living squeezing flows
- Uncertain markets weigh on investor sentiment
- Adviser consolidation leading to market disruption
- P&L headwinds from inflation and lacklustre markets
- Higher interest rates make cash more attractive to clients

Response

- Improving gross flow market share: #1 advised retail platform
- Proposition enhancements to support adviser productivity
- Stabilisation of RFP numbers
- Continued focus on cost management
- Cash savings hub to support cash as an asset class

Focused on enhancing proposition, building distribution and driving efficiency

What we are driving for

Operating margin

- 25% in 2025
- 30% longer term goal
- Simplification phase II savings of £50m delivered by the end of 2025

Net flows / opening AuMA

- Incremental improvement in 2023
- 4-5% net flows / opening AuMA when markets normalise, and aspire to build momentum further

Financial review

Quilter



Mark Satchel

Chief Financial Officer

Introduction

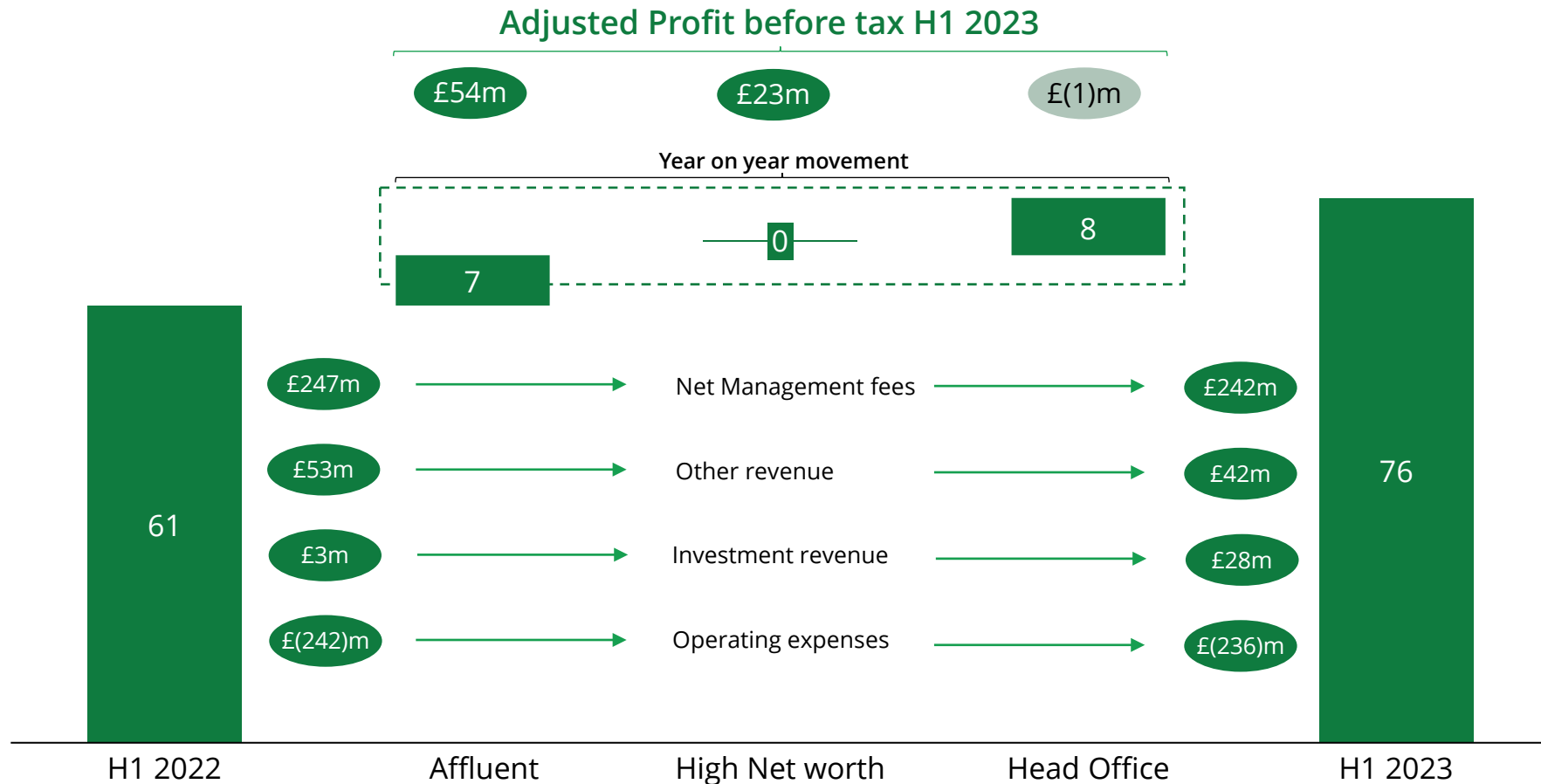
Quilter

H1 2023 results: summary

- Persistency on a reported basis of 89% (H1 2022: 92%)
- Revenue margins stable
- Increased investment revenue
- Strong cost discipline
- Remain well capitalised and liquid

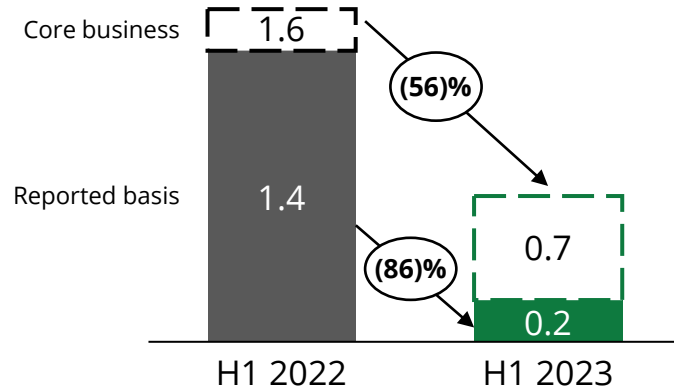
Key financials		H1 2023	H1 2022	Δ
Continuing operations				
Net flows / Opening AuMA - Core business	%	1	3	(2) pts
Net flows / Opening AuMA - Reported basis	%	0	3	(3) pts
Adjusted profit before tax	£m	76	61	+25%
IFRS profit after tax	£m	5	151	(97)%
Operating margin	%	24	20	+4 pts
Adjusted diluted earnings per share	p	4.3	3.2	+34%
Key performance indicators		H1 2023	FY 2022	Δ
AuMA - Core business	£bn	98.3	96.2	+2%
AuMA - Reported basis	£bn	101.7	99.6	+2%
Total Restricted Financial Planners ("RFPs")	#	1,511	1,502	+1%
Investment Managers ("IMs")	#	178	179	(1)%

H1 2023 results: adjusted profit contribution

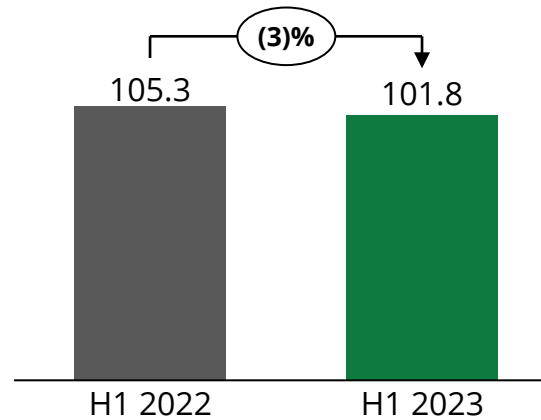


Operating leverage drives strong growth in adjusted profit and EPS

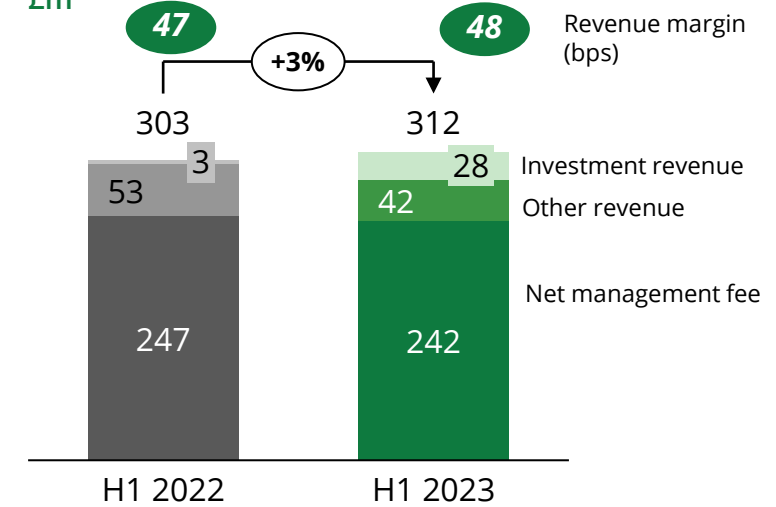
Net flows
£bn



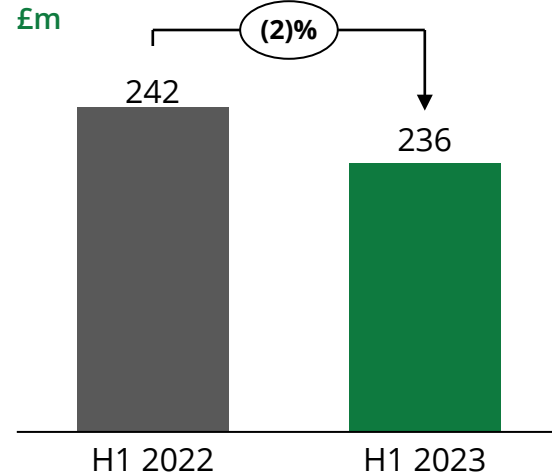
Average AuMA
£bn - Reported basis



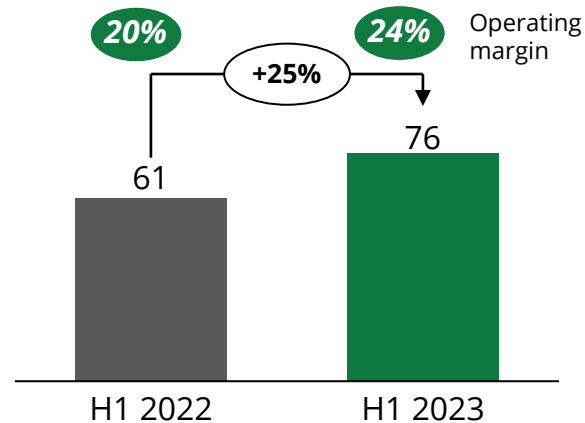
Revenue
£m



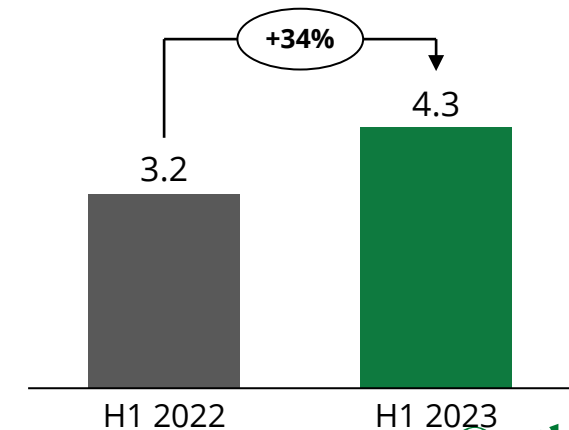
Operating Expenses
£m



Adjusted profit before tax
£m

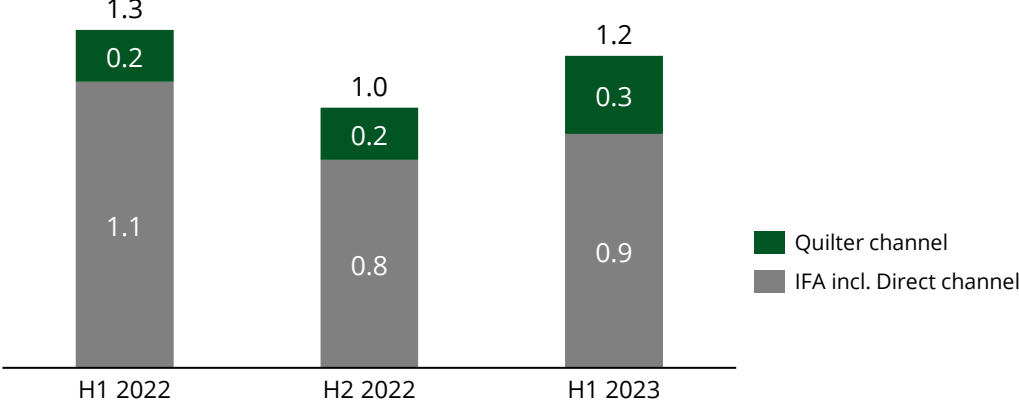


Adjusted diluted EPS
Pence

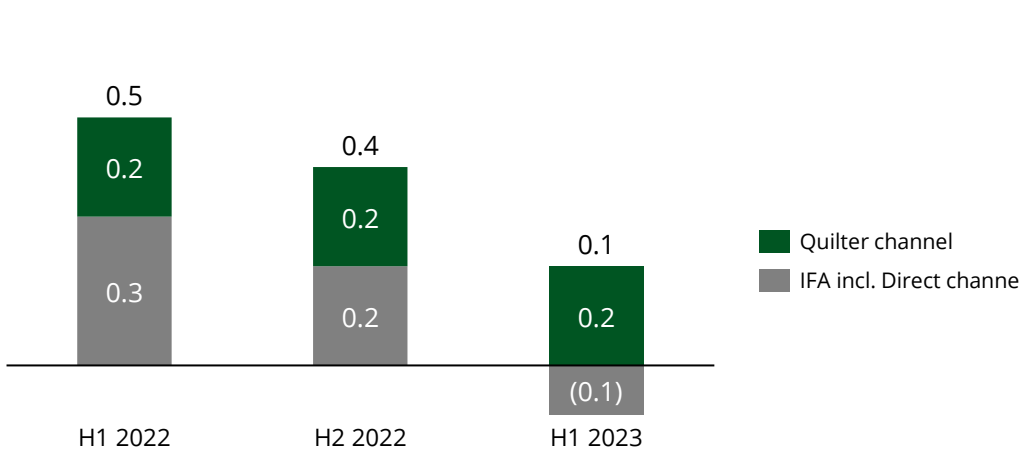


High Net Worth: resilient performance

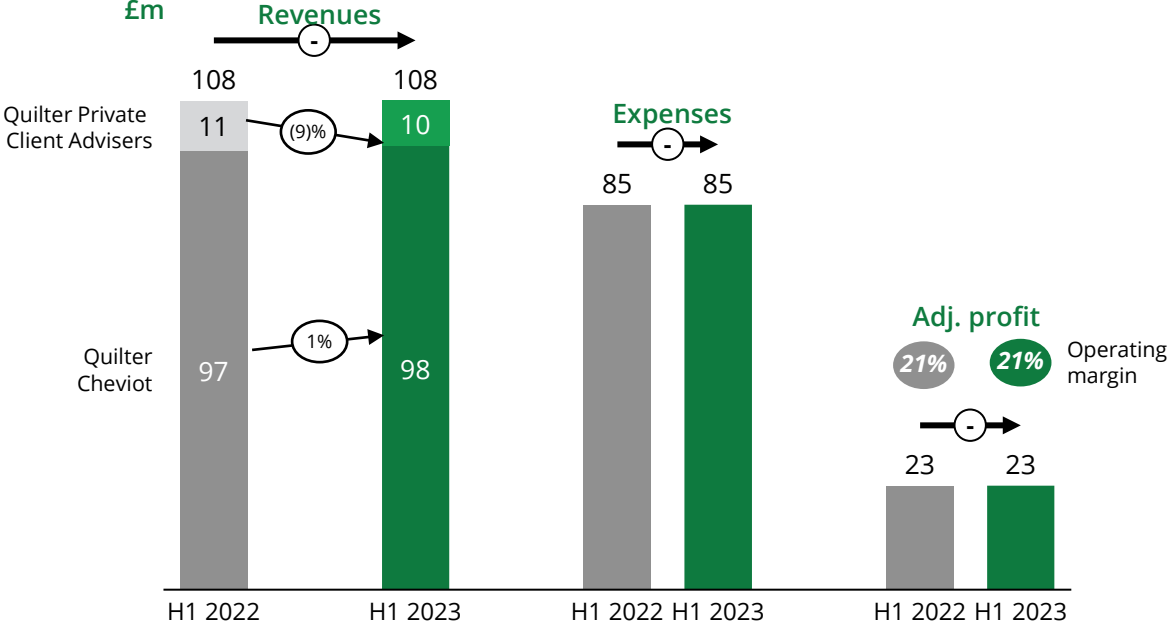
Gross flows
£bn



Net flows
£bn



Financials
£m



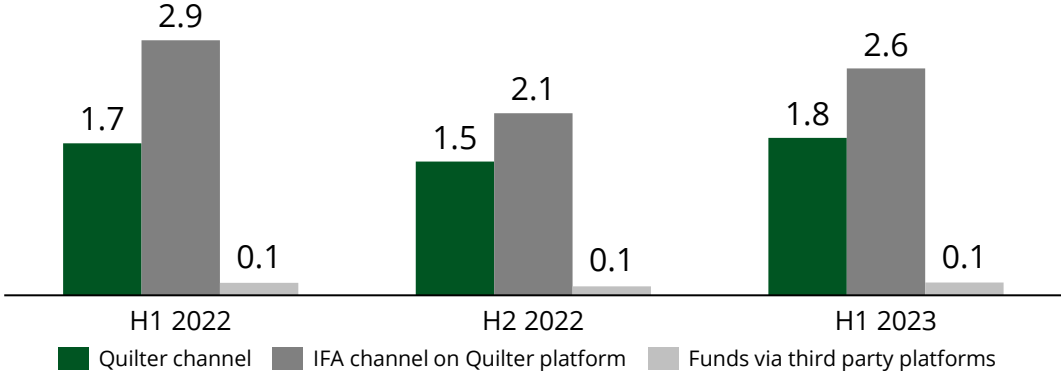
Highlights

- Steady performance in revenue, costs and profit
- Resilient Gross flows and strong Quilter channel performance
- Revenue margin increased to 73bps (H1 2022: 71 bps) supported by interest on client balances

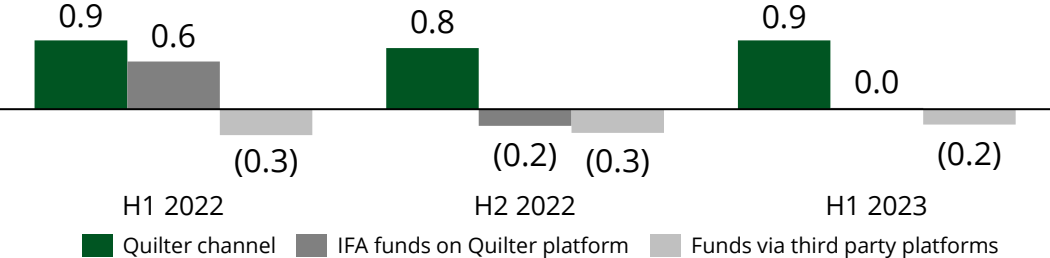
Rounding differences may arise on the numbers above.

Affluent: strong profit performance, stable Quilter channel flows

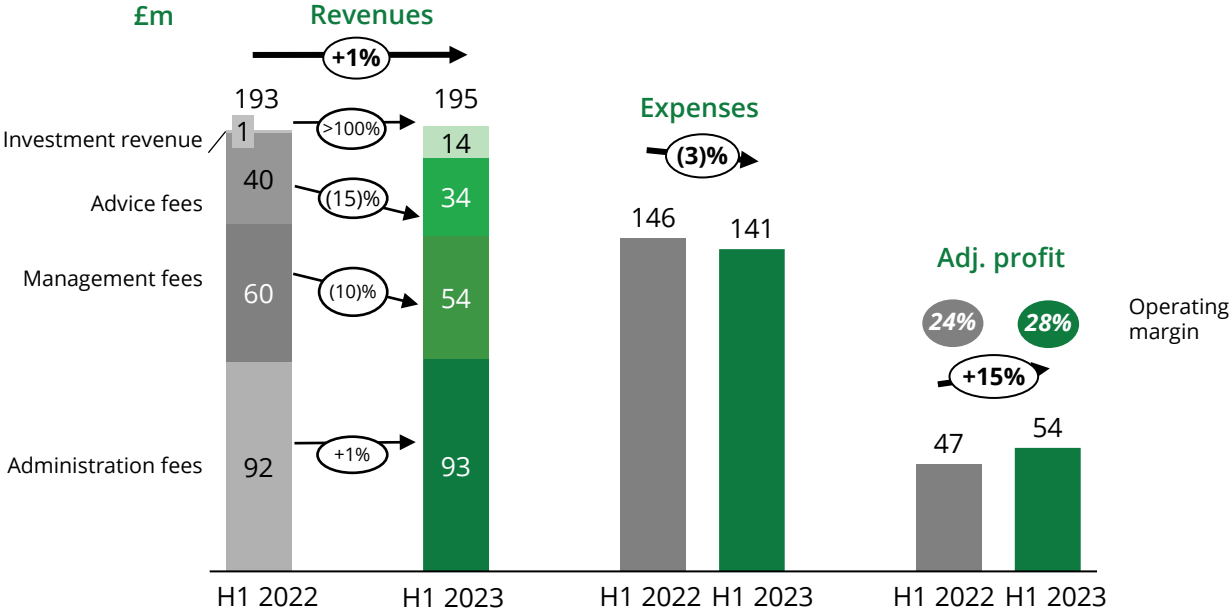
Gross flows
£bn – Core business



Net flows
£bn – Core business



Financials
£m



Rounding adjustments may arise on numbers above.

Highlights

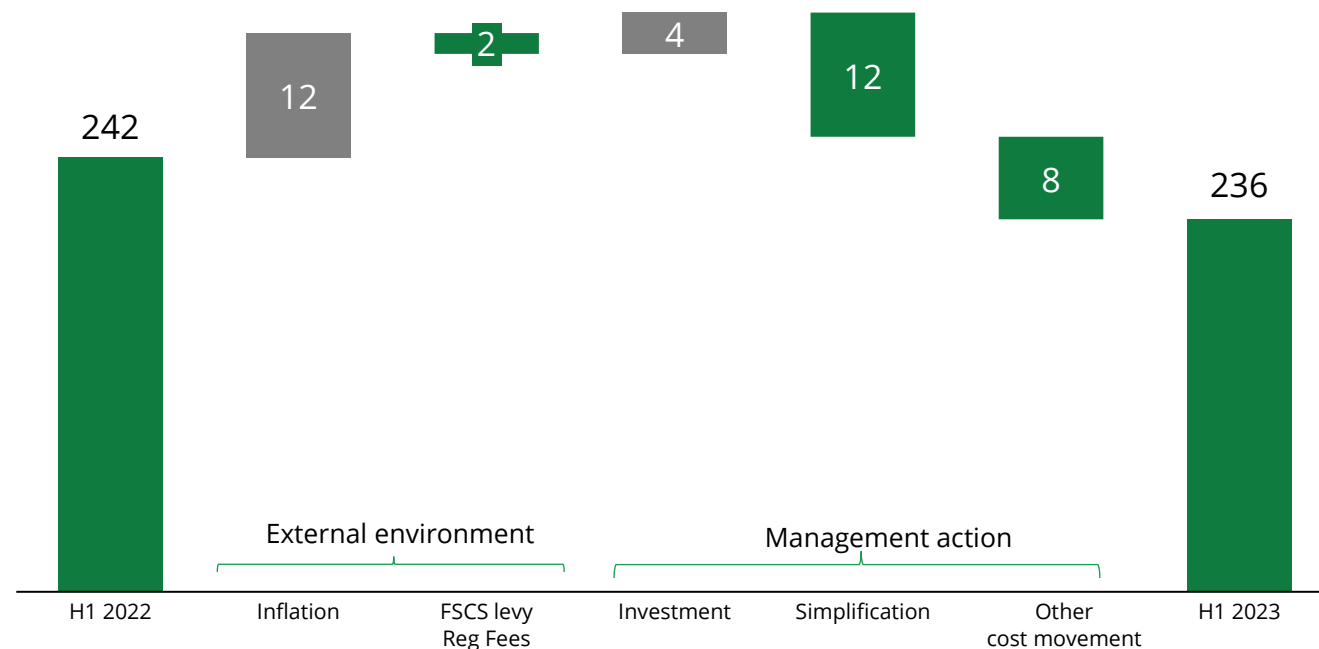
- Strong financial performance
- Steady revenues supported by investment revenue
- Strong cost management
- Revenue margins:
 - Affluent Managed assets of 43bps (H1 2022: 47bps) after planned reprice of Cirilium Active
 - Affluent Administered assets of 27 bps (H1 2022: 26bps)



Continued expense discipline driving operating margin improvement

	Cost analysis (£m)		As a percentage of revenues	
	H1 2023	H1 2022	H1 2023	H1 2022
Support staff costs	54	58		
Operations	8	9		
Technology	12	14		
Property	15	16		
Other base costs ¹	16	15		
Sub-total base costs	105	112	34%	37%
Revenue-generating staff base costs	51	49	16%	16%
Variable staff compensation	38	39	12%	13%
Other variable costs ²	28	26	9%	9%
Sub-total variable costs	117	114	38%	38%
Regulatory/ PI costs	14	16	4%	5%
Total operating expenses	236	242	76%	80%

H1 2023 expense progression £m

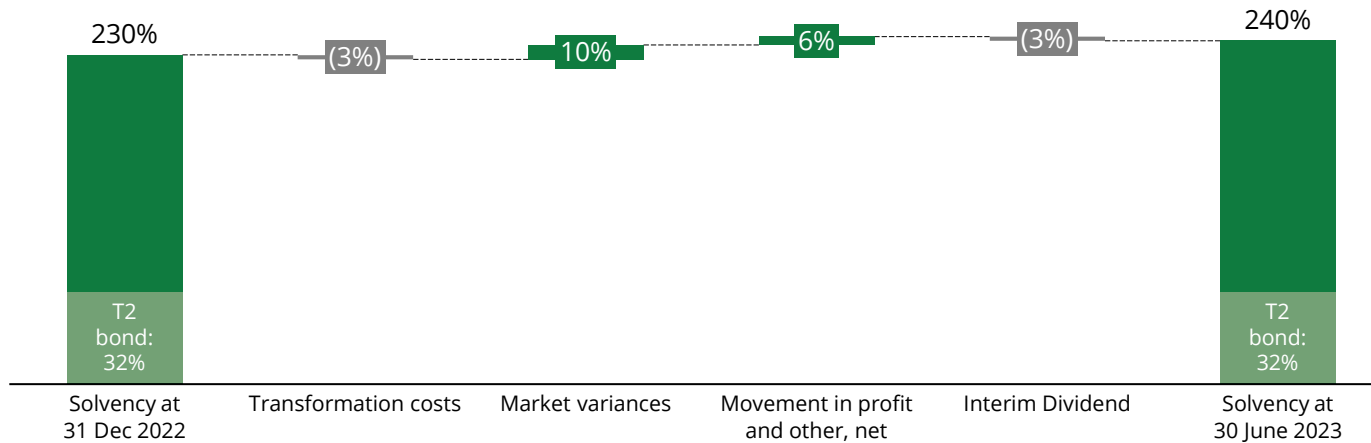


1. Other base costs includes depreciation and amortisation, audit fees, shareholder costs, listed Group costs and governance.

2. Other variable costs includes FNZ costs, development spend and corporate functions variable costs.

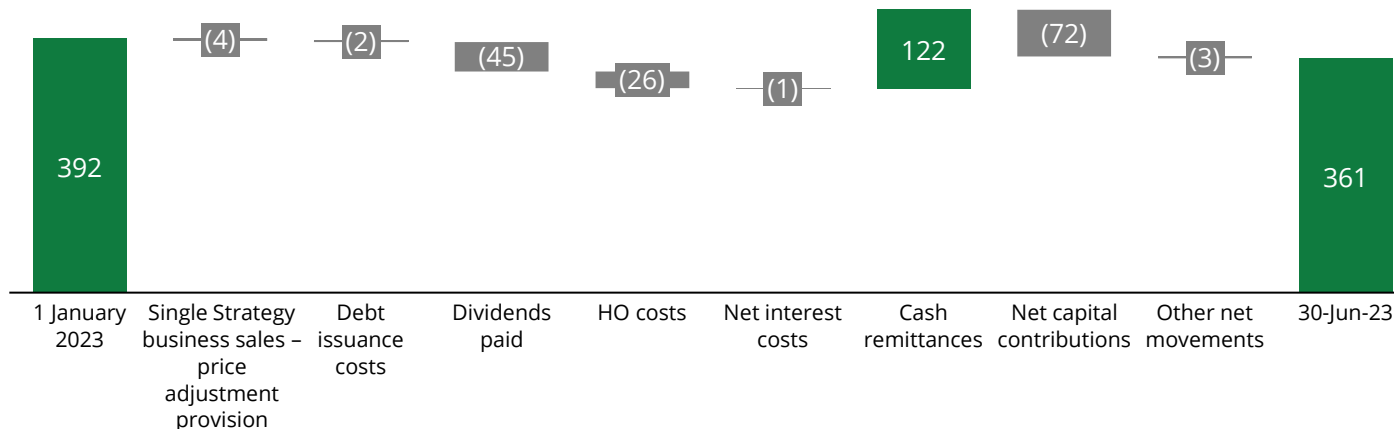
Strong solvency ratio and cash position

Solvency II ratio



- Strong Solvency II ratio
- January: issue of £200 million of 8.5% Fixed Rate Reset Subordinated Notes due April 2033, with a call option in January 2028

Holding company cash £m



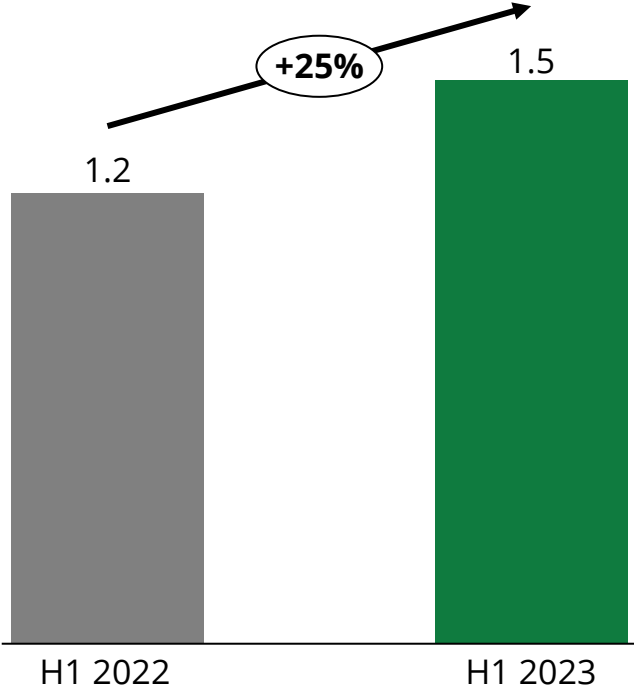
- c.£120m of holding company cash reserved for
 - Interim dividend
 - Simplification costs
 - Select growth investment

Note: Solvency II chart figures may not sum to totals due to rounding. Pro forma as currently unaudited.

Interim dividend and Odd-Lot Offer

Interim dividend

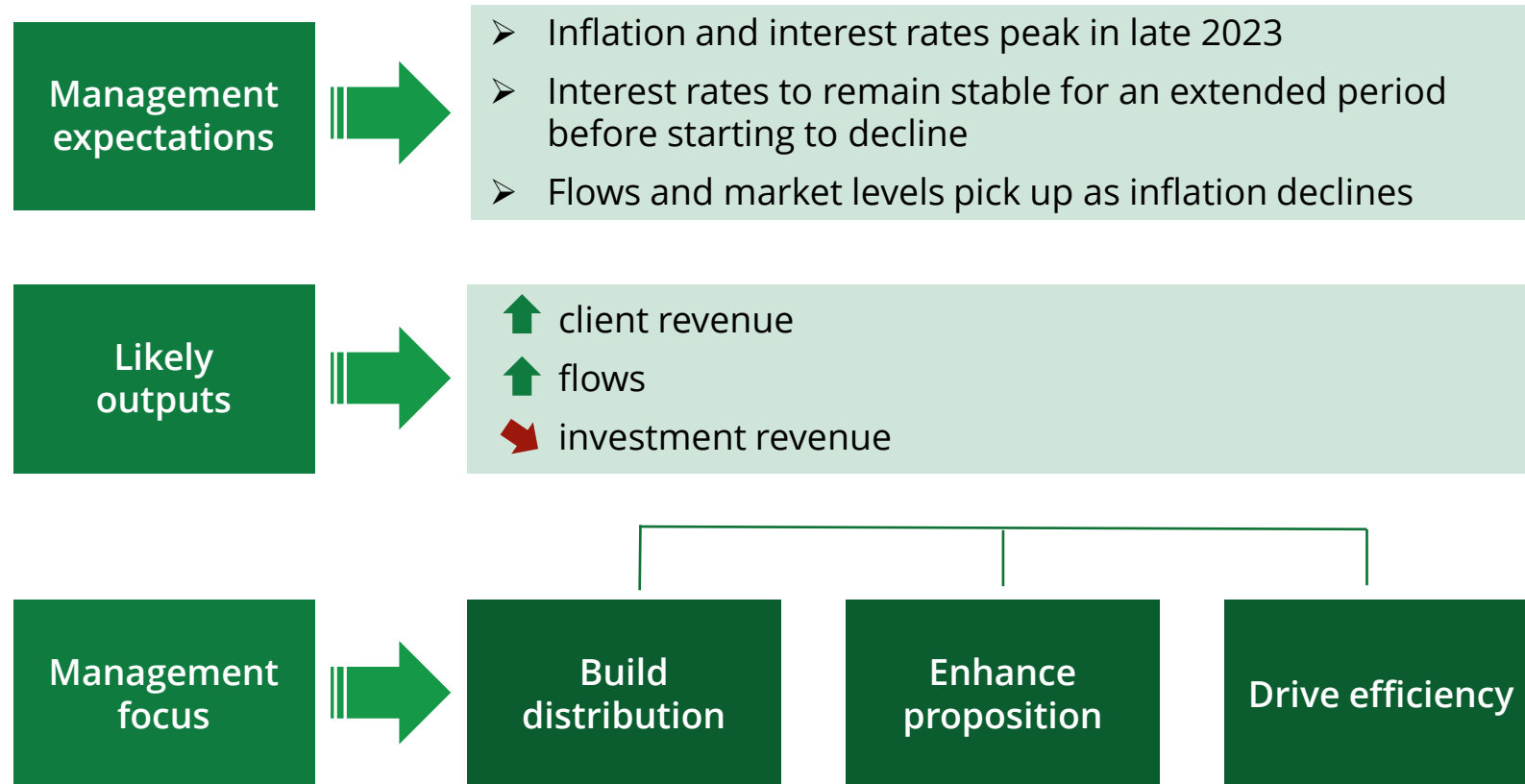
- Board declared 2023 interim dividend of 1.5p, up 25% from H1 2023
- Improved dividend pay-out ratio of 61% versus (H1 2022 55%)
- Board expects to continue moving up the pay-out range, over time



Odd-lot offer

- Odd-lot Offer was approved by shareholder at the Company's 2023 Annual General Meeting
- Entails Quilter making an offer to eligible shareholders (holders of less than 200 shares) to repurchase their shares at a 5% premium to the market price

Operating environment: maintaining our focus on delivery



Group targets and 2023 guidance

	FY 2022 Guided Group Targets	Group target
Net flows	<ul style="list-style-type: none"> ➤ c.4-5% of opening AuMA per annum as markets normalise, and aspire to build momentum further 	➤ Unchanged
Revenue margins	<ul style="list-style-type: none"> ➤ High Net Worth managed assets (Quilter Cheviot) stable around 70 bps ➤ Affluent managed asset mix dependent – trending down to low 40's bps ➤ Affluent administered assets (Quilter Platform) trending down c.1 bp p.a 	➤ Unchanged
Operating margin	<ul style="list-style-type: none"> ➤ Targeting 25% in 2025 and build to 30% in the longer term thereafter 	➤ Unchanged
Dividend	<ul style="list-style-type: none"> ➤ Policy pay-out range of 50% to 70% of post-tax, post-interest adjusted profit 	➤ Unchanged
Below the line items	<ul style="list-style-type: none"> ➤ c.£55m cost to achieve in respect of Simplification, £17m spent to date ➤ c.£35m revenue/capability investment 	➤ c.£120m on total simplification (£65m incremental for additional £50m benefit) inclusive of cost of Advice transformation and High Net Worth evolution
	2023 guidance	
Net flows	➤ Building towards medium-term targets	
Revenue margins	➤ Platform pricing initiative leading to an additional basis point decline over next 18 months	



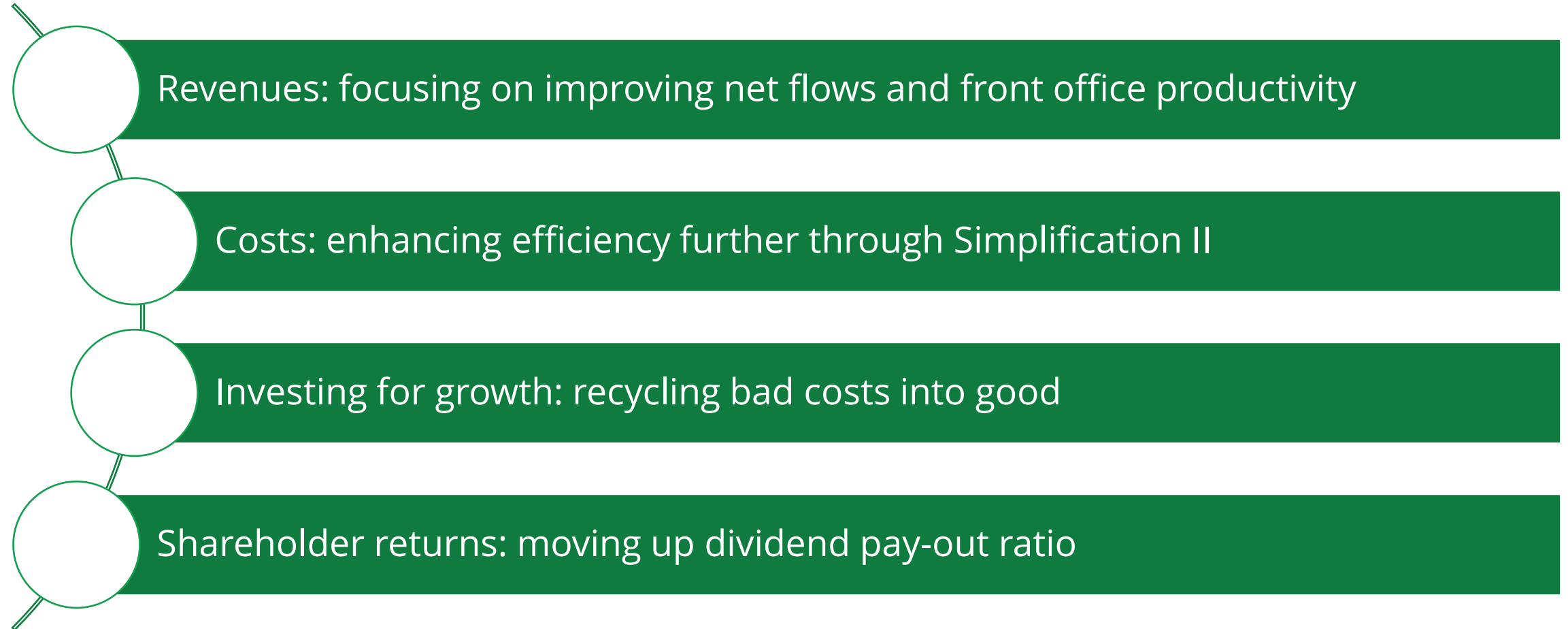
Steven Levin

Chief Executive Officer

Concluding remarks

Quilter

Delivering faster growth, more efficiently: our investment case



Q&A

Quilter



Appendix

Quilter

Movement in assets and flows

2023 YTD gross flows, net flows & AuMA (£bn), unaudited	AuMA* as at 31 December 2022	Gross flows* (£m)	Net Flows* (£m)	AuMA* as at 30 June 2023	Of which managed by Quilter AuM as at 30 June 2023
AFFLUENT SEGMENT					
Quilter channel	15.4	1,775	863	15.9	12.2
IFA channel on Quilter Investment Platform	54.1	2,557	17	55.8	9.6
Funds via third-party platform	2.0	144	(190)	1.6	1.6
Total Affluent segment core business	71.5	4,476	690	73.3	23.4
HIGH NET WORTH SEGMENT					
Quilter channel	2.4	266	195	2.6	2.6
IFA channel incl. Direct	23.1	884	(141)	23.3	23.3
Total High Net Worth Segment	25.5	1,150	54	25.9	25.9
Inter-Segment Dual Assets¹	(0.8)	(122)	(88)	(0.9)	(0.3)
Quilter plc core business	96.2	5,504	656	98.3	49.0
Non-core	3.4	41	(457)	3.4	2.2
Quilter plc reported	99.6	5,545	199	101.7	51.2
AuMA breakdown:					
Affluent administered only	50.0	2,371	302	51.1	
Affluent managed and administered	17.0	1,620	701	18.3	
Affluent external platform	7.9	526	(770)	7.3	
Quilter channel	17.8	2,041	1,058	18.5	
IFA channel	78.4	3,463	(402)	79.8	
Non-core business	3.4	41	(457)	3.4	

¹Inter-segment dual assets reflect funds sold by Quilter Cheviot and managed by Quilter Investors and the Quilter Cheviot bespoke managed portfolio services solution available to advisers on the Quilter Investment Platform. This is excluded from total AuMA to ensure no double count takes place.

Quilter Investors: investment performance

As at 30 June 2023

	Fund vs IA Sector comparator	June-YTD	3Y	5Y	10Y	Since inception ¹
Cirilium Active	Cirilium Conservative Portfolio	3	2	3	1	1
	Cirilium Balanced Portfolio	2	2	3	2	1
	Cirilium Moderate Portfolio	3	3	4	3	1
	Cirilium Dynamic Portfolio	3	2	4	2	1
	Cirilium Adventurous Portfolio	3	2	3		3
Cirilium Blend	Cirilium Conservative Blend Portfolio	2	2			1
	Cirilium Balanced Blend Portfolio	1	2			1
	Cirilium Moderate Blend Portfolio	2	2			1
	Cirilium Dynamic Blend Portfolio	1	1			2
	Cirilium Adventurous Blend Portfolio	1	1			1
WealthSelect Managed Active	WealthSelect Managed Active 3	1	1	1		1
	WealthSelect Managed Active 4	2	2	1		1
	WealthSelect Managed Active 5	1	1	1		1
	WealthSelect Managed Active 6	2	2	2		1
	WealthSelect Managed Active 7	2	1	1		1
	WealthSelect Managed Active 8	2	1	1		1
	WealthSelect Managed Active 9	2	1	1		1
	WealthSelect Managed Active 10	3	2	3		3
WealthSelect Managed Blend	WealthSelect Managed Blend 3	1	1	1		1
	WealthSelect Managed Blend 4	1	2	1		1
	WealthSelect Managed Blend 5	1	2	1		1
	WealthSelect Managed Blend 6	2	2	2		1
	WealthSelect Managed Blend 7	2	2	1		1
	WealthSelect Managed Blend 8	1	1	1		1
	WealthSelect Managed Blend 9	1	1	1		1
	WealthSelect Managed Blend 10	3	2	3		3

Investment performance

- Continued to deliver an excellent performance from our WealthSelect managed portfolio range
- Cirilium Passive and Blend also performed well during the first half of the year
- Following the change in manager at Cirilium Active late last year, performance has improved significantly with second quartile performance in the period since that change was implemented.

Note: Rankings represent Quartile rankings against respective IA sectors. Cirilium Passive is not measured against an IA comparator and hence does not appear in this table.

1. Cirilium Active launched on 2nd June 2008, with the Adventurous portfolio launching in June 2017. Cirilium Blend launched on 27th July 2019 and WealthSelect launched on 28th February 2014.

High Net Worth: investment performance

Investment Performance

<i>30 June 2023</i>	Absolute Performance		
	1 Year	3 Year	5 Year
Quilter Cheviot DPS Client Growth Composite	5.3%	14.5%	18.4%
Quilter Cheviot DPS Client Balanced Composite	2.9%	9.4%	12.7%

<i>30 June 2023</i>	Benchmark/Peer		
	1 Year	3 Year	5 Year
Quilter Cheviot DPS Client Growth Composite	4.4%	14.5%	17.7%
Quilter Cheviot DPS Client Balanced Composite	3.0%	10.4%	13.7%

Highlights

- Our Growth oriented DPS continued to modestly outperform its benchmark over 1, 3 and 5 years
- Balanced DPS was broadly in line with benchmark over 1 year but modestly underperformed by around a percentage point over three and five years

Note: Past performance is not a guide to future performance and may not be repeated. UK: Suitable for professional clients.