

# 2021 Capital Markets Day

*From restructuring & disposals...  
to growth, efficiency & sustainable returns*

3 November 2021

Quilter

# Disclaimer

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# Agenda

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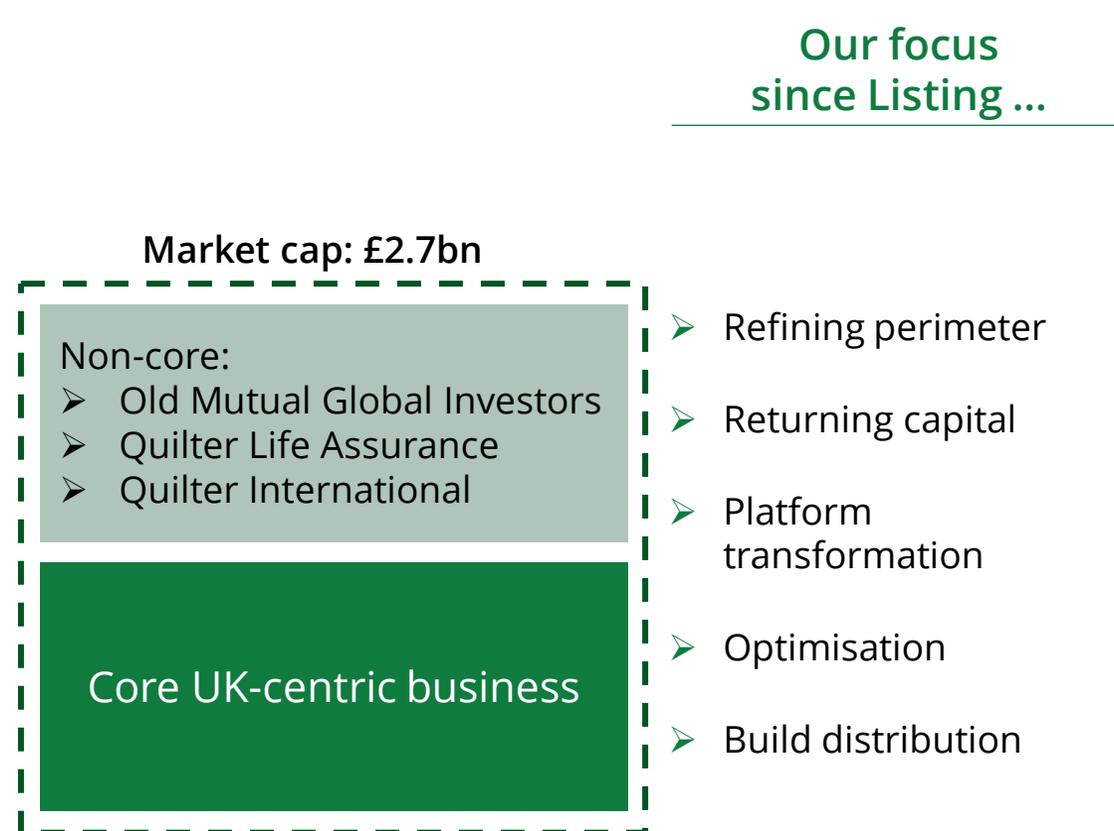
9.30am	<b>Driving growth and efficiency</b>	Paul Feeney – Chief Executive Officer
10.00am	<b>Affluent clients</b>	Steven Levin – Head of Affluent Stephen Gazard – Head of Quilter Advice channel
11.10am	<b>Break</b>	
11.30am	<b>High Net Worth clients</b>	Andy McGlone – Head of High Net Worth
12.00pm	<b>Financials and efficiencies</b>	Mark Satchel – Chief Financial Officer Karin Cook – Chief Operating Officer
12.40pm	<b>Closing remarks</b>	Paul Feeney – Chief Executive Officer

*We will have Q&A opportunities after the Affluent and High Net Worth sections, and at the close.*

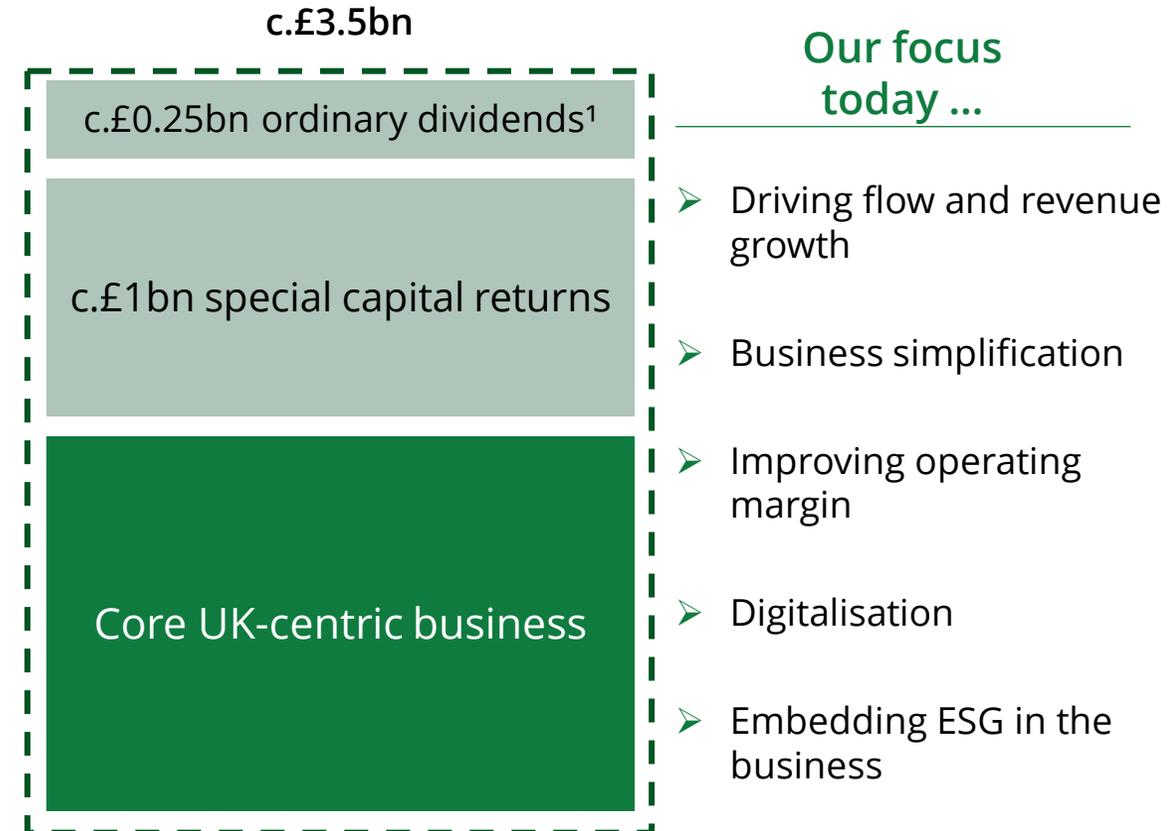
*Note: Unless otherwise stated, all flow and AuMA numbers throughout this presentation are as at 30 September 2021 and all financials as at 30 June 2021. Restated financials are on an unaudited, pro forma basis.*

# Why today's CMD? Quilter is at an inflection point

## Quilter at Listing in 2018



## Quilter in 2021



**Completion of three year transformation since Listing into a modern, simple, full-service wealth manager**

1. Paid since Listing.

# Today's key updates

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## Flows

- Driving flows to 6% net flow target

## Growth

- Target 2025 adjusted pre-tax profit at more than double 2020

## Reorganisation

- Simplified business segmentation, organised around core UK clients

## Efficiency

- Further £45m cost saves, supporting 2023 and 2025 operating margin targets

## Dividend

- Increased dividend pay-out ratio range to 50% to 70%<sup>1</sup>

## Quilter International

- Proposed return of £350m to shareholders

1. 50-70% of post-tax, post-interest adjusted profit.



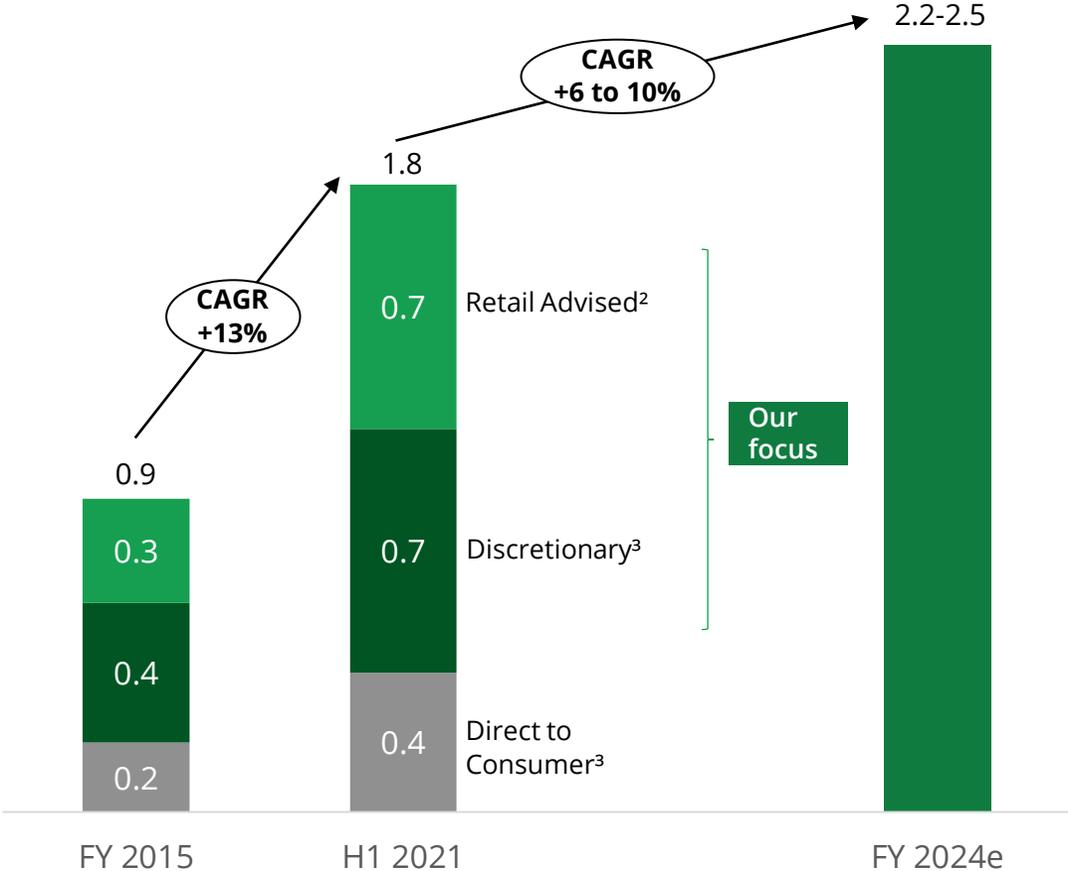
# Strategic outlook: driving growth and efficiency

Paul Feeney

Quilter

# UK Wealth: a secular growth opportunity

UK wealth management market growth and forecast<sup>1</sup>  
AuA, £tn

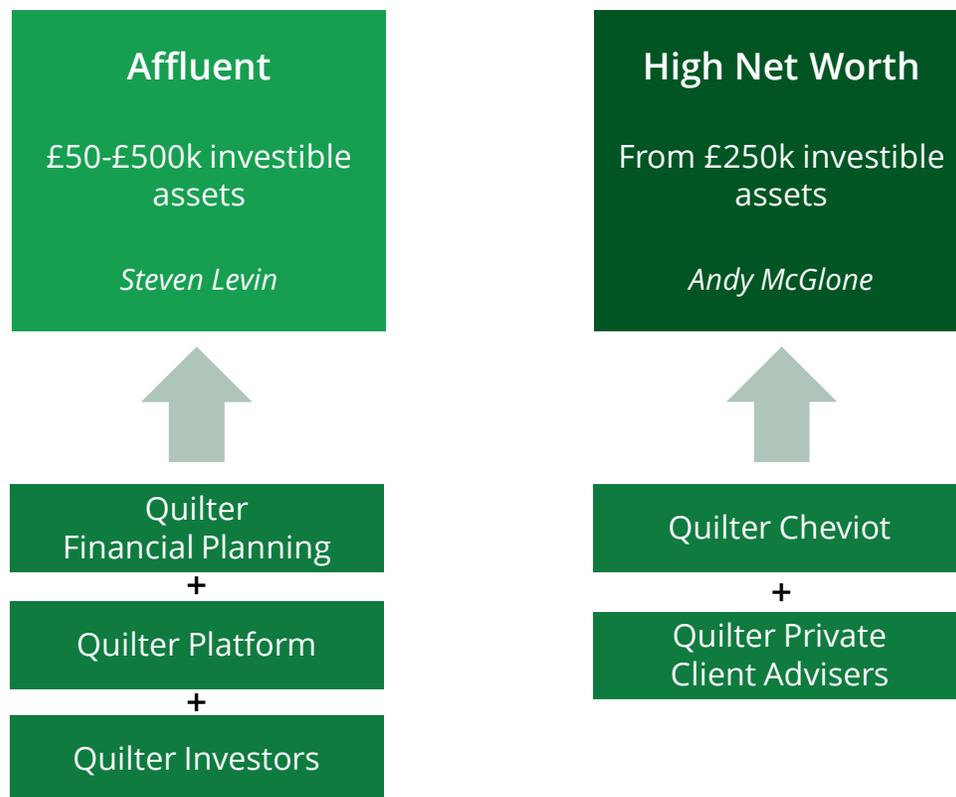


- Strong market growth as flows consolidate onto Platforms
- Retail advised market continues to be a high growth market
- Discretionary market remains largest wealth market sector

Sources and notes:  
 1. Fundscape Platform report Q2'21, June 2021. Retail Advised Platform AuA, adding £144bn St. James Place AuM.  
 2. Compeer UK Wealth Management Report, 2021.  
 3. Wealth managers and private banks, Boring Money Online Investing June 2021. Estimated H1 AuM, Wealth manager and Private banks Discretionary AUM only.  
 Using different sources results in some overlap in underlying participants and AuMA.

# New Quilter: simpler business, organised around two core client segments

## Moving to two new client reporting segments

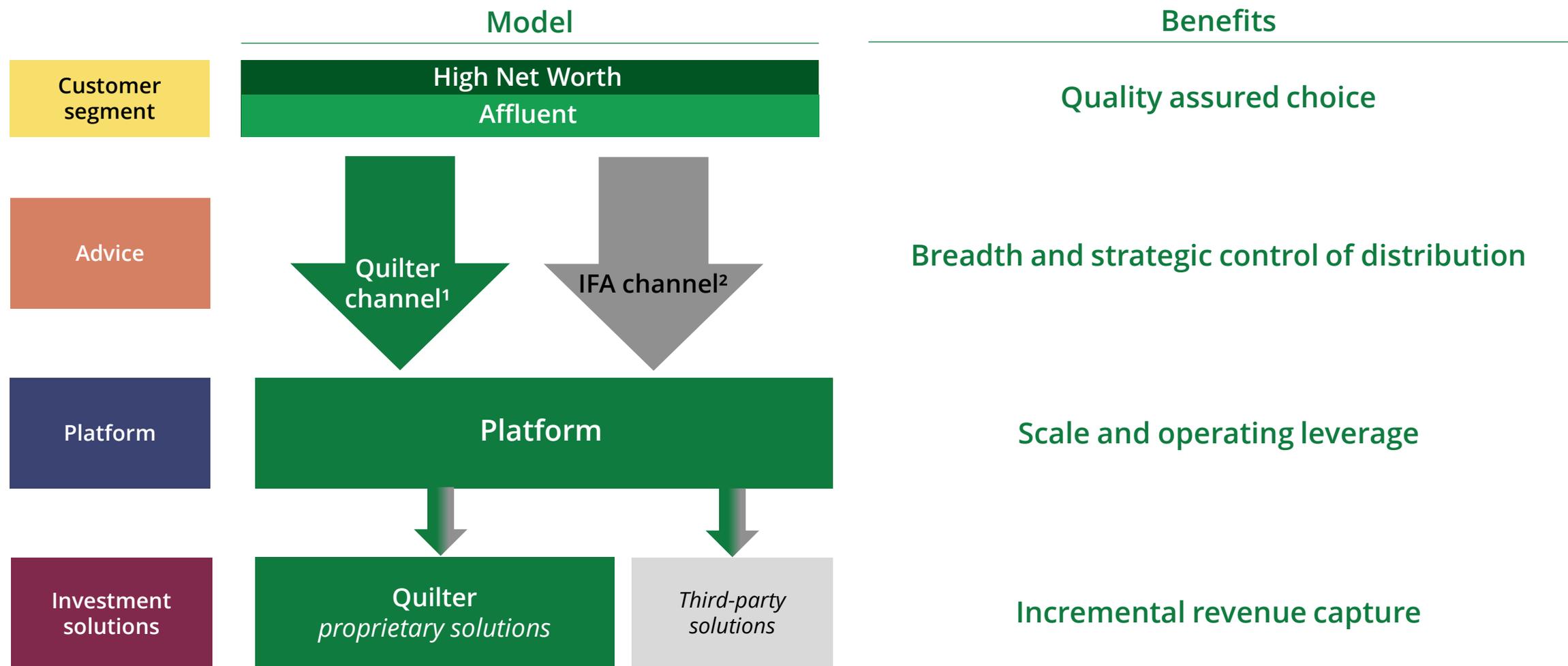


## Benefits and synergies from the new segmentation

- Client-centric approach
- Improved customer experience
- Simpler operating model
- Operational efficiencies
- Enhanced opportunities for value creation

New segmentation further sharpens our client focus

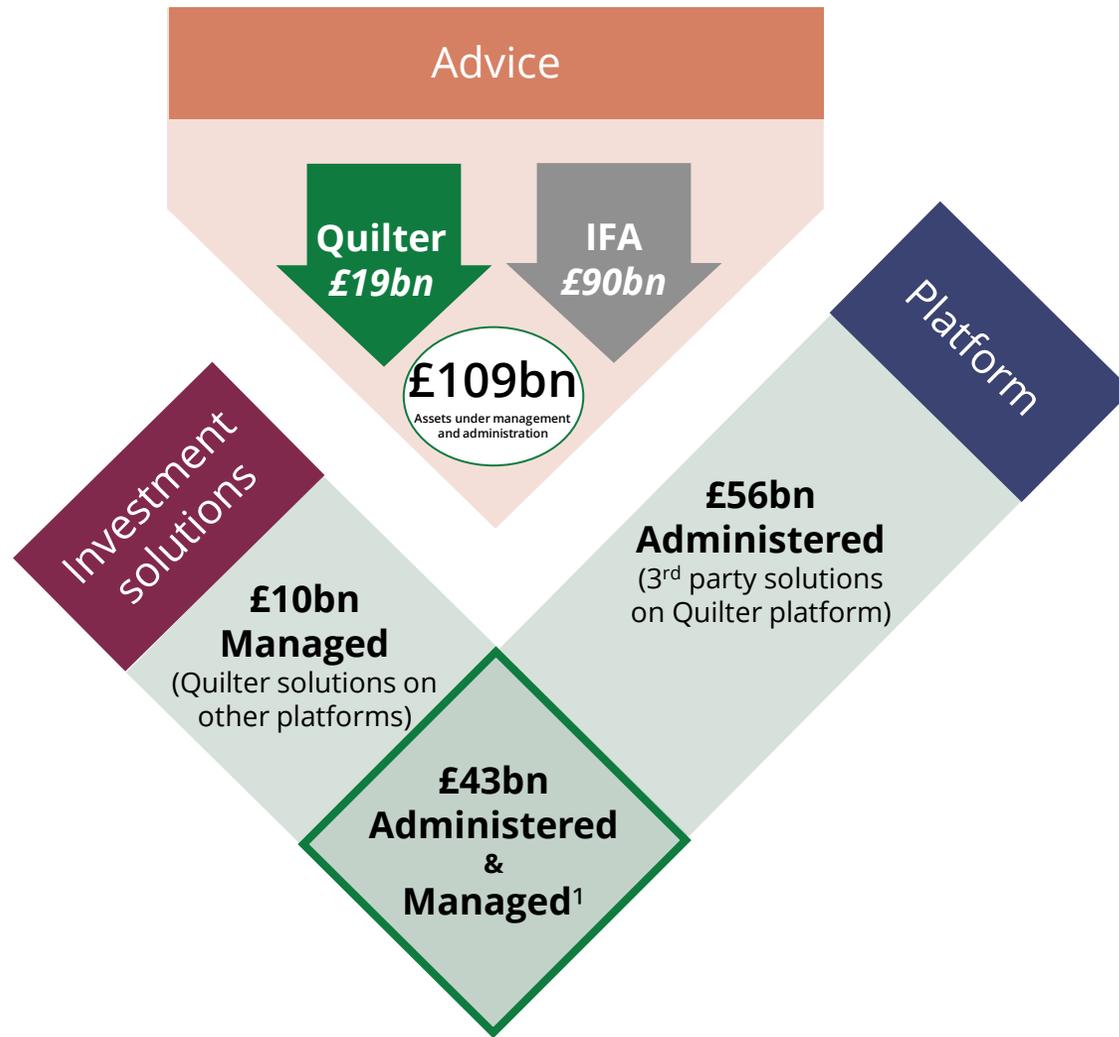
# Quilter: a differentiated model with clear benefits to clients and shareholders



1. Restricted financial planners ("RFPs") within Affluent and High net worth segments: 1,701 as at 30 June 2021.

2. Channel includes Direct clients within High Net Worth.

# Quilter: a value-adding integrated model



## What we do?

- Originate client assets
- Administer client assets
- Manage client assets

Note: Assets rounded to nearest billion.

1. Includes High Net Worth managed assets together with Affluent assets administered by Quilter Platform and managed in Quilter investment solutions.

# Dual distribution channels: our strategy for advice

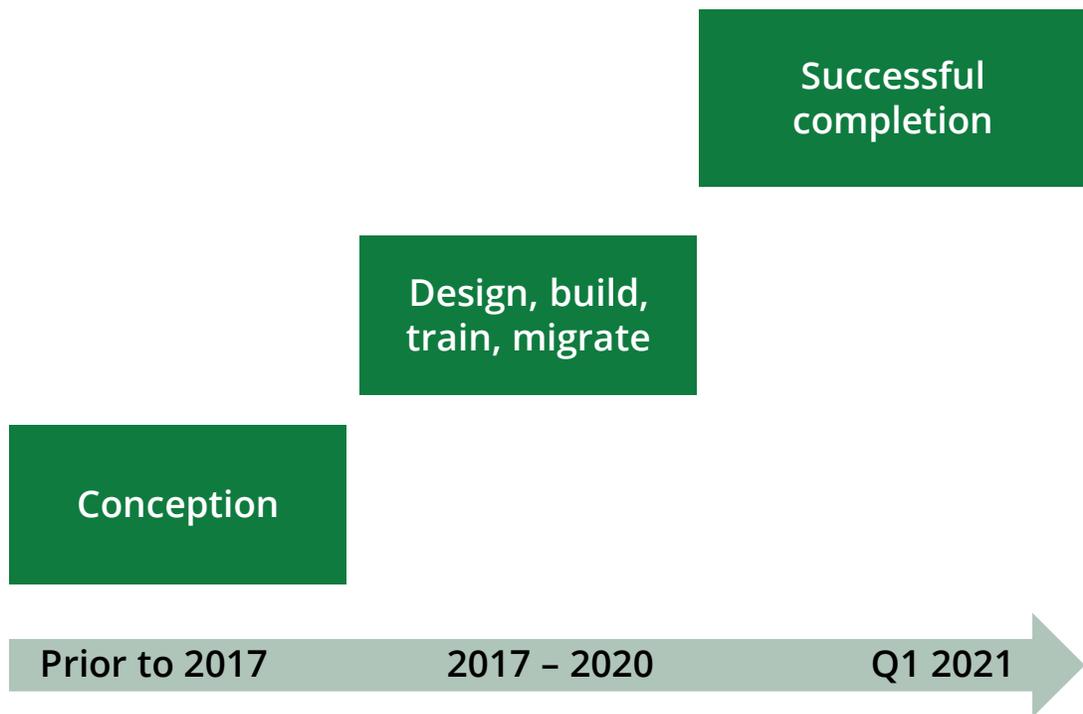


	Affluent	High Net Worth
Quilter channel	<ul style="list-style-type: none"><li>➤ Return to adviser growth in 2022. Mid-single digit medium-term growth target</li><li>➤ Capture greater share of flow onto our Platform</li><li>➤ Manage back-book opportunity</li><li>➤ Increase use of our investment solutions</li></ul>	<ul style="list-style-type: none"><li>➤ Grow numbers of client-facing individuals</li><li>➤ Build out integrated advice/ investment management proposition</li></ul>
IFA channel	<ul style="list-style-type: none"><li>➤ Broaden and deepen relationships with large IFAs</li><li>➤ Retain strong relationship with smaller IFAs</li><li>➤ Greater use of our investment solutions</li></ul>	<ul style="list-style-type: none"><li>➤ Build on existing strong IFA relationships</li><li>➤ Quilter Cheviot discretionary fund management available to Platform IFAs</li><li>➤ Enable IFAs to “white label” Managed Portfolio Service</li></ul>

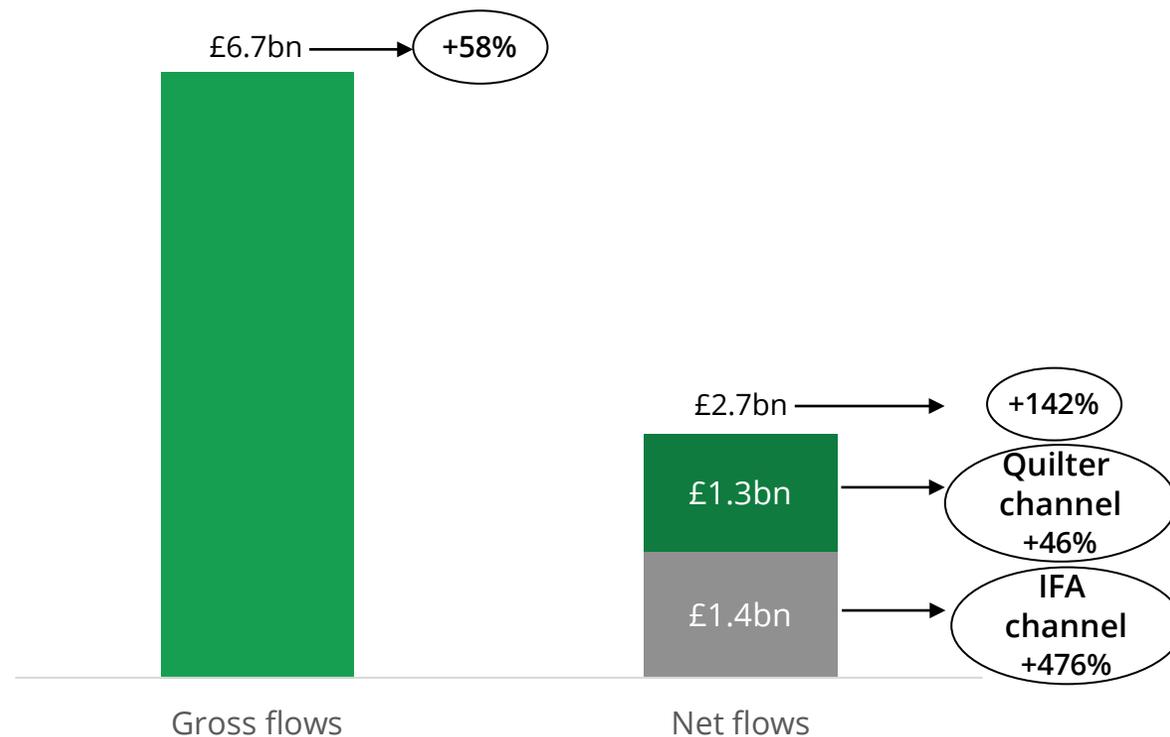
# New Platform: a highly competitive offering building on our existing scale



Successful platform transformation delivering tangible benefits



Already driving strong flows: Q3 2021 YTD<sup>1</sup>



1. Growth compared to nine months to 30 September 2020.

# New Platform: a best in class proposition for advisers

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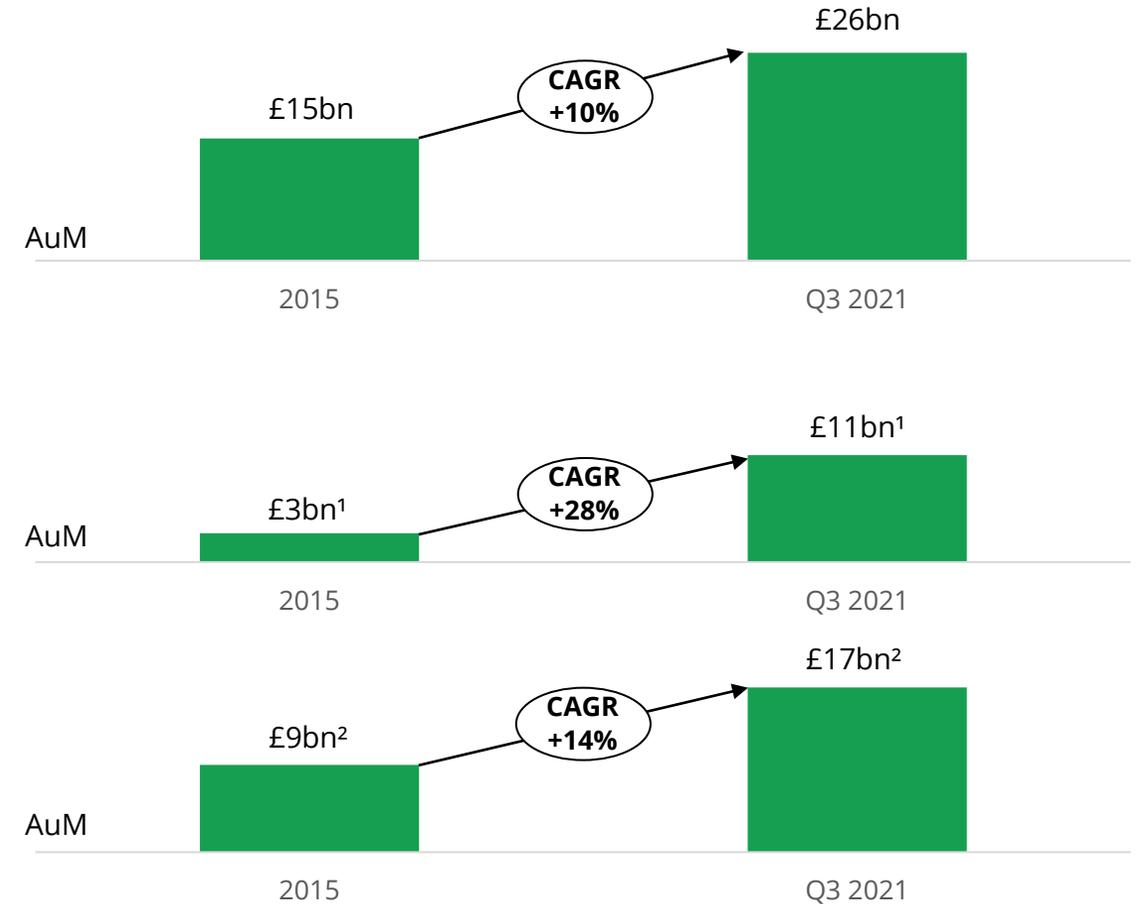
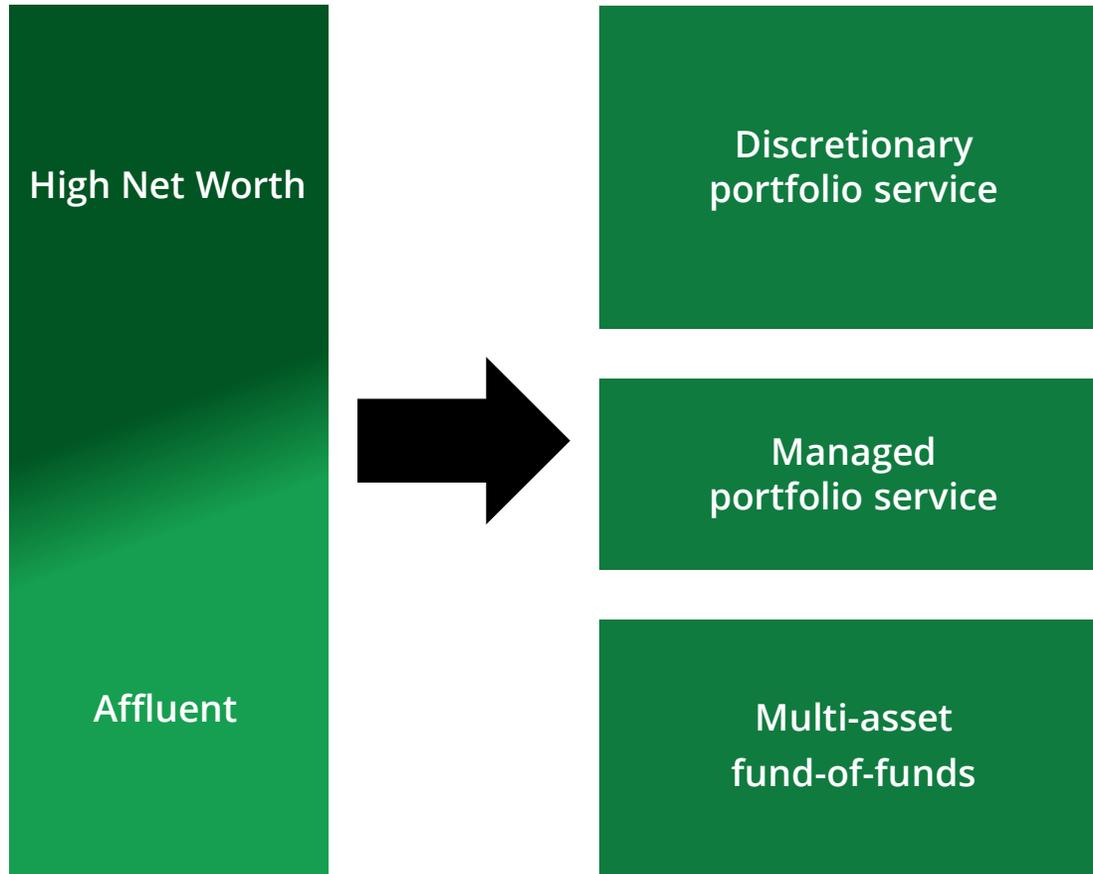
Tools and solutions  
to help adviser firms grow

Cost effective and scalable  
intuitive user experience and ease of use

Support advisers to deliver  
Exceptional client service

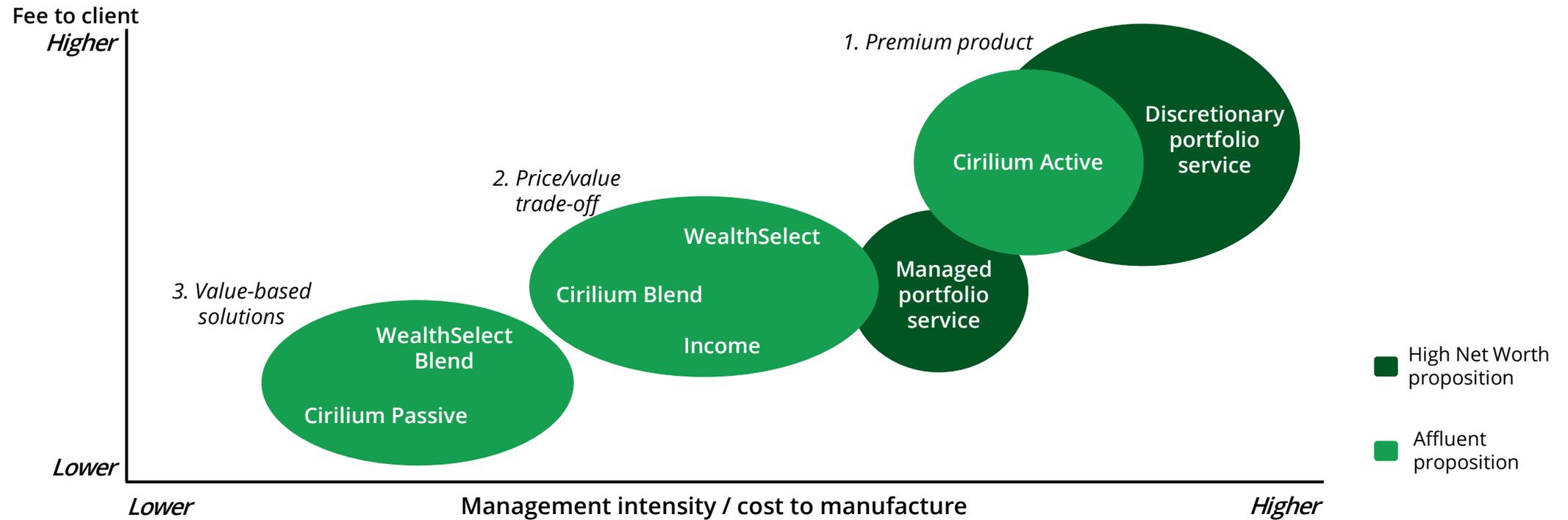
Delivering a differentiated  
proposition for adviser firms

# Delivering the right investment solution for our clients



1. Includes WealthSelect and Quilter Cheviot MPS AuM.  
 2. Includes Quilter Investors AuM excluding WealthSelect assets.

# Our solutions strategy to meet client needs

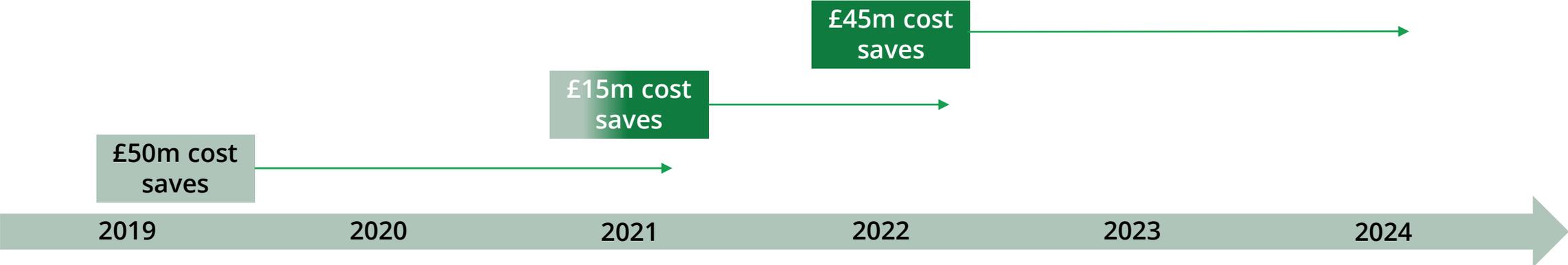


1. Higher pricing differential for more bespoke and actively managed services
2. Offer propositions with appropriate price/ value/ cost to manufacture trade-off for clients who are more value conscious
3. Provide a range of lower fee/ lower cost to manufacture solutions for clients focussed on competitive pricing

# Delivering the next stage of efficiency improvements

Optimisation (2019 launch): Benefit – £65m<sup>1</sup>

Simplification (2021 launch): Benefit – £45m



Phase:	<b>1. Operational efficiencies</b>
Focus on:	<ul style="list-style-type: none"> <li>Operational efficiency initiatives</li> <li>Support services focused</li> </ul>
Impact/outcome:	<ul style="list-style-type: none"> <li>Efficiency savings and paves the way for phase 2</li> </ul>

Phase:	<b>2. Enhancing efficiency</b>
Focus on:	<ul style="list-style-type: none"> <li>Reduce complexity</li> <li>IT &amp; operating model focused</li> </ul>
Impact/outcome:	<ul style="list-style-type: none"> <li>Underpins 2023 and 2025 operating margin targets</li> </ul>

1. Includes £15m announced with FY 2020 results in March 2021.

# Investing for the generations of tomorrow

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Hybrid advice

Digital accessibility

Digital solutions



# Building a responsible wealth manager

## Targets<sup>1</sup>

### Our offering to clients

- ESG preferences embedded in advice process
- Platform provides visibility across ESG metrics
- Solutions aligned to ESG values and risk appetite

- Every client ESG profiled as part of advice process
- ESG and carbon-rating tools available on Platform
- ESG metrics embedded in investment proposition

## KPIs

### What being a responsible wealth manager means to Quilter

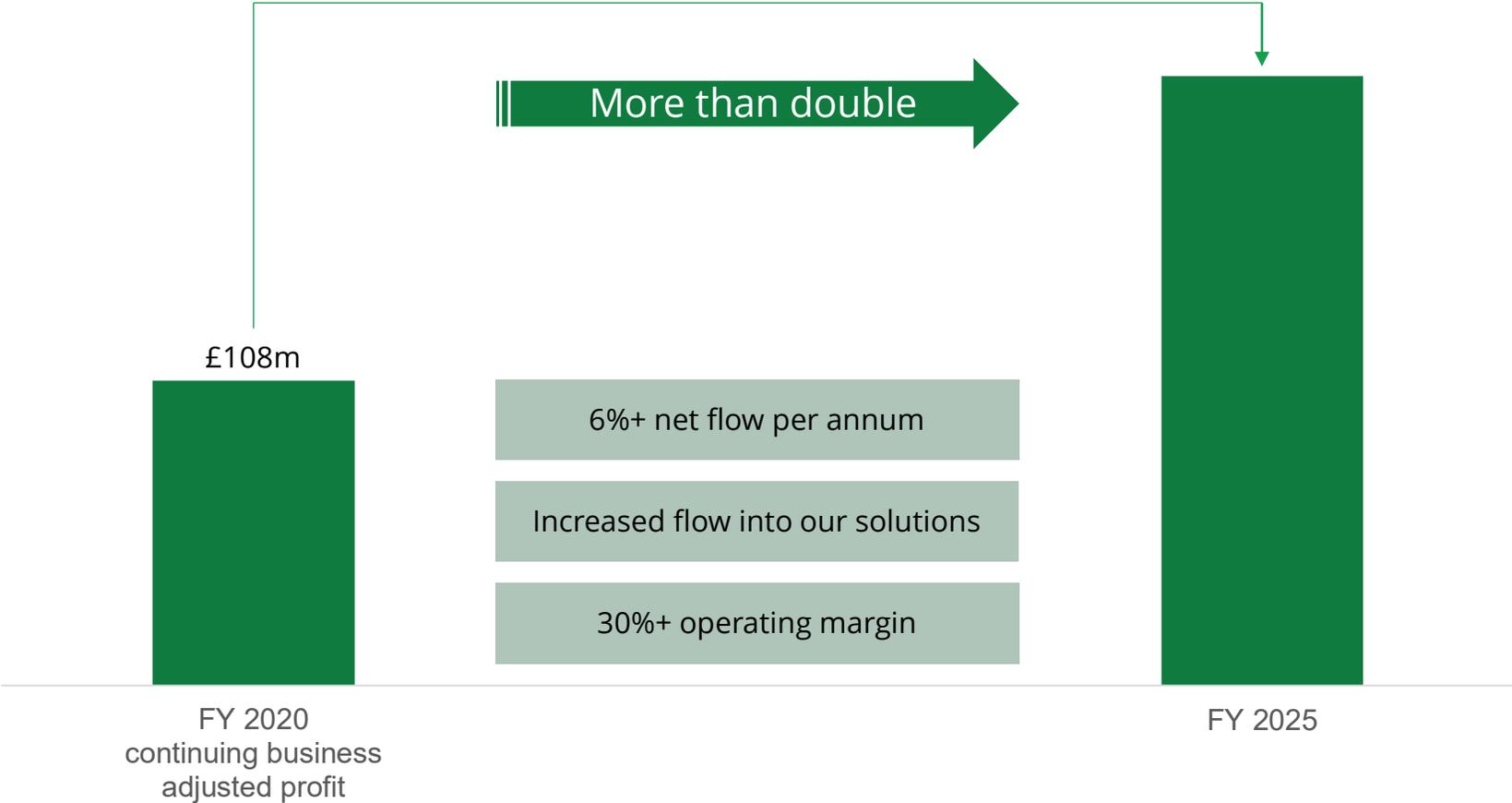
- Reduce our carbon footprint
- Acting and investing responsibly
- Responsible employer, attracting, developing and retaining talent
- Embracing inclusivity

- Quantum of assets in ESG funds/solutions
- TCO<sub>2</sub> per full-time colleague/contractor
- Ethnic/ gender diversity in senior roles

1. To be achieved by end-FY 2022.

# Quilter 2025: delivering a high-quality earnings compounder

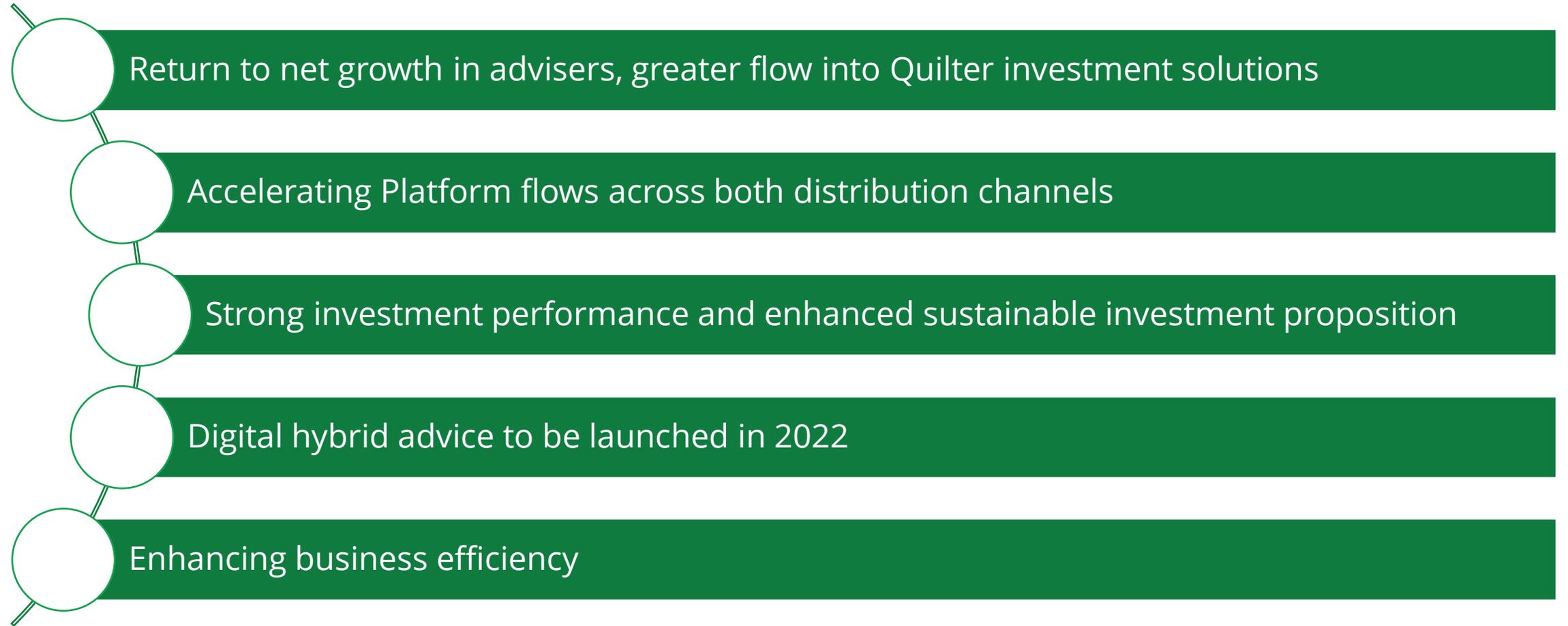
Expect to deliver mid-teens EPS growth and to more than double adjusted profit by 2025



Note: Not to scale.

# Quilter: catalysts for growth

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Next phase of our strategy: focused on growth and efficiency



# Affluent

Steven Levin  
Stephen Gazard

Quilter

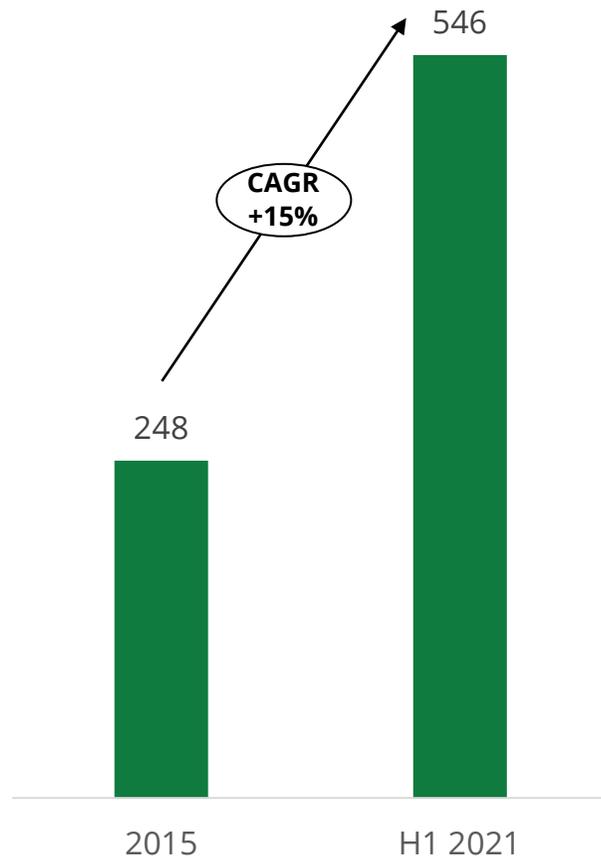
# Bringing the proposition together: a customer-centric, integrated approach



- Simple and clear
  - All solutions mutually supportive
  - End-to-end service delivery
  - Customer outcome focus
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- Greater client activity
  - Improved persistency

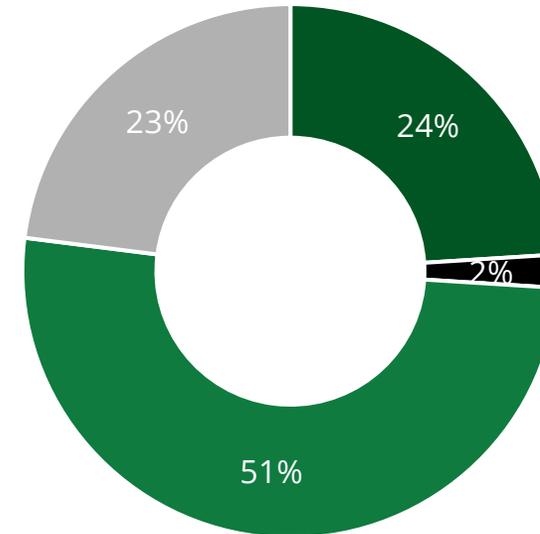
# Affluent market: large and growing

UK retail advised platform market<sup>1</sup>  
AuA, £bn



1. Source: Fundscape Q2 2021. Retail Advised not including SJP AuM.

UK platform market by product type<sup>1</sup>



■ ISA ■ Investment Bonds ■ SIPP & Pension ■ Unwrapped

- Increased focus on savings, nationally
- Transfer of assets from traditional wrappers onto platforms
- Continued strong growth outlook

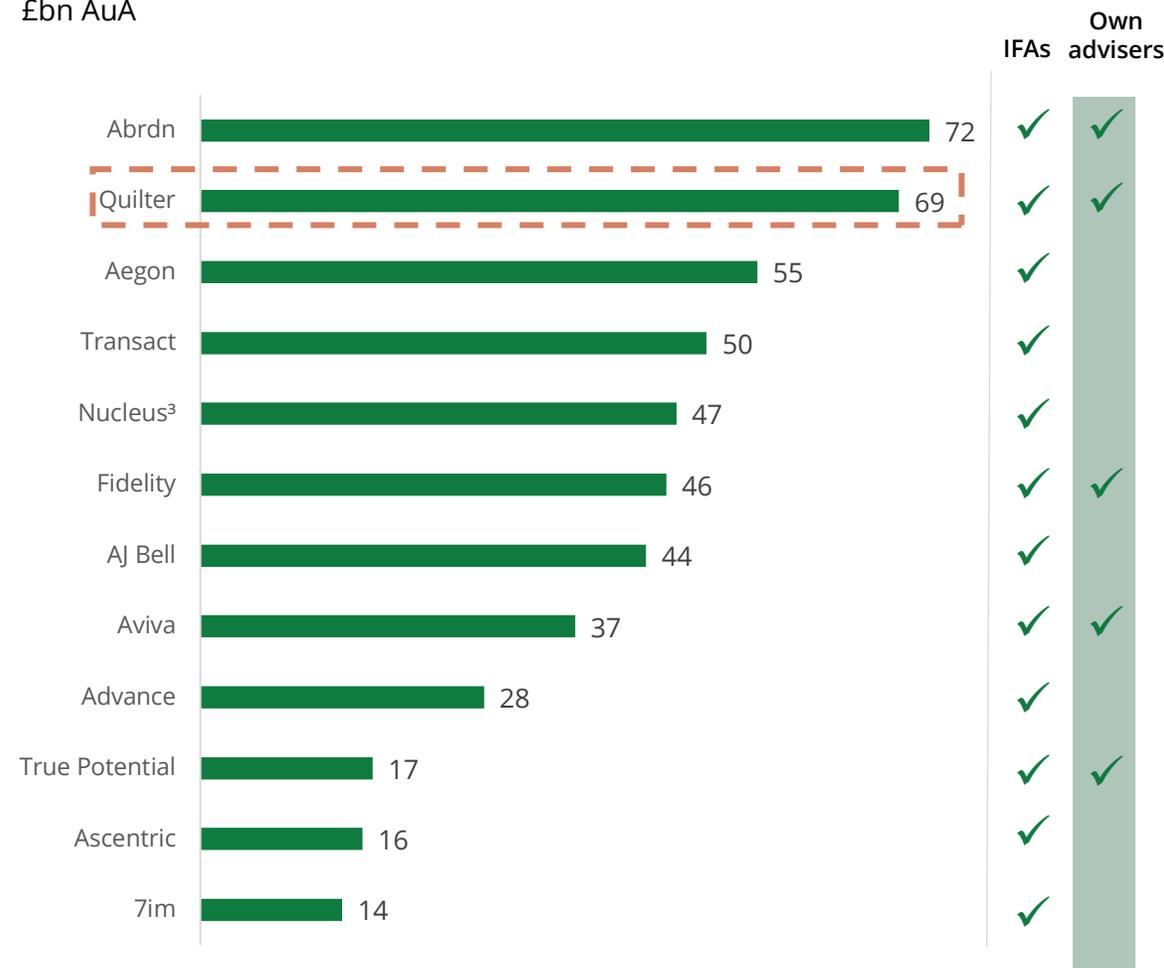
# A market leading advice and platform provider

Second largest adviser network in the market by adviser number<sup>1</sup>

Rank		Restricted advisers
1	St James's Place	c.4,500
2	Quilter	c.1,700
3	Tilney Smith & Williamson	c.850
4	True Potential	c.800
5	Openwork	c.750

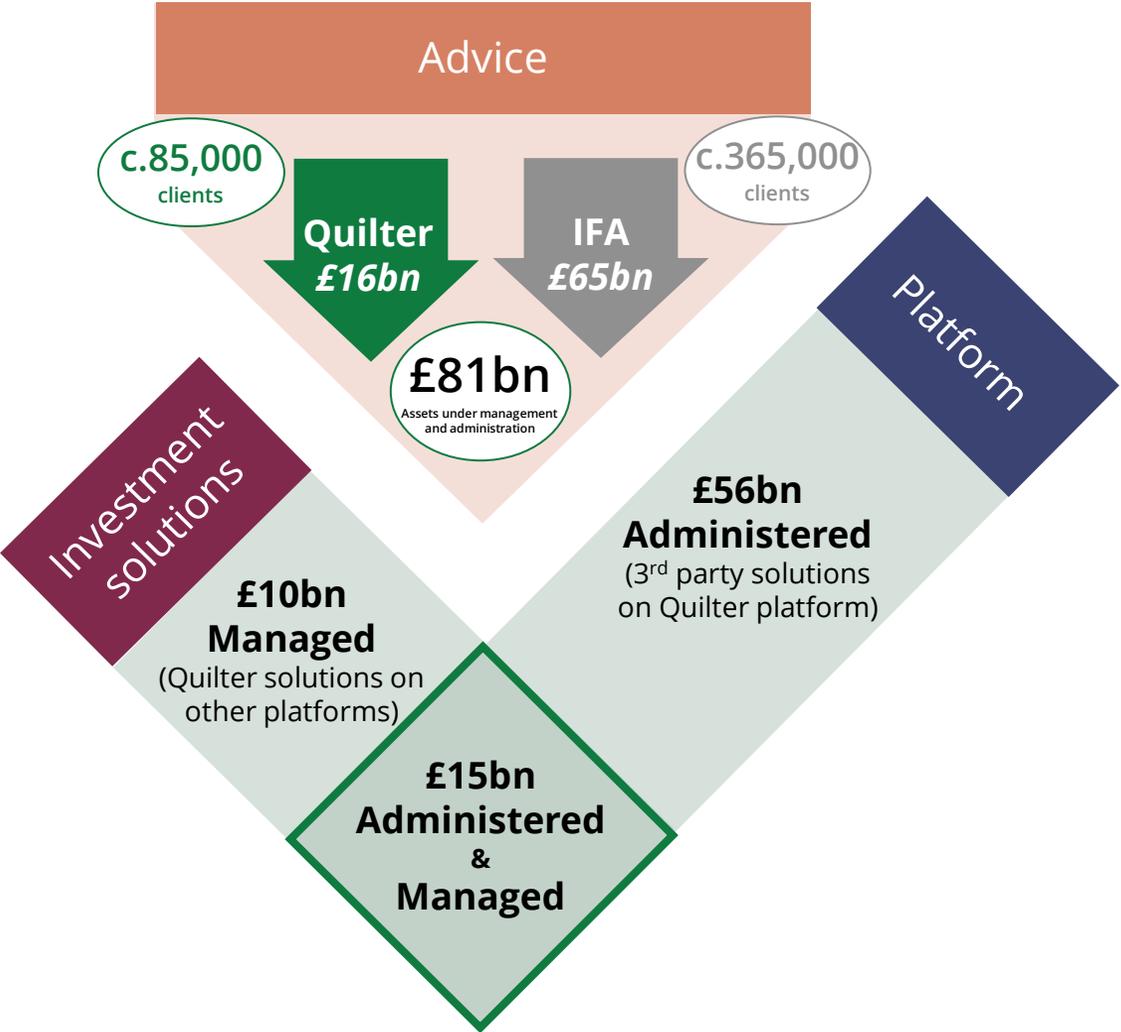


Quilter is the second largest retail advised platform<sup>2</sup>  
£bn AuA



1. SJP as at 30 June 2021, Quilter as at 30 June 2021, True Potential as at 30 September 2021, OpenWork as at December 2019. Tilney Smith & Williamson represents 'CF30s' which may include investment managers as well as advisers, source FTAdviser Strategic Insight Rankings.  
 2. Source: Fundscape Q2 2021.  
 3. Pro forma James Hay and Nucleus.

# Dual channel integrated model uniquely placed to capture growth



## What we do

- Originate customer assets
  - 1,639 Quilter restricted financial planners
  - c.4,000 active IFA firms
- Administer customer assets
  - Platform £71bn assets
- Manage customer assets
  - £25bn funds under management in Quilter investment solutions

Note: Assets rounded to nearest billion.

# Affluent segment: distribution economics

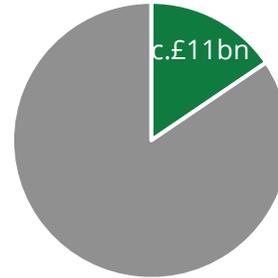


Quilter channel

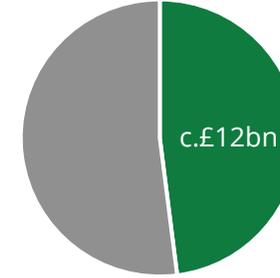
## Advice

- Generate advice revenue
- Manage advice risk

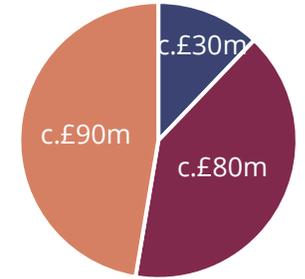
## Platform AuA



## Investment solutions AuM



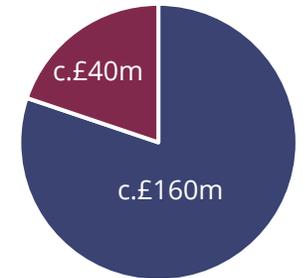
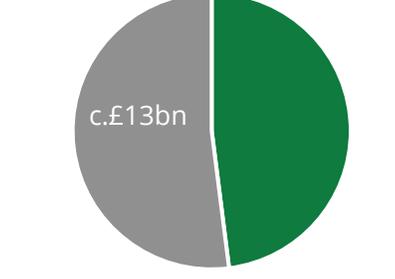
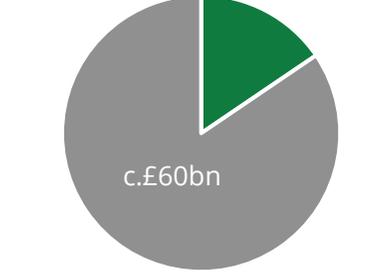
## Indicative revenue



c.£200m p.a.

IFA channel

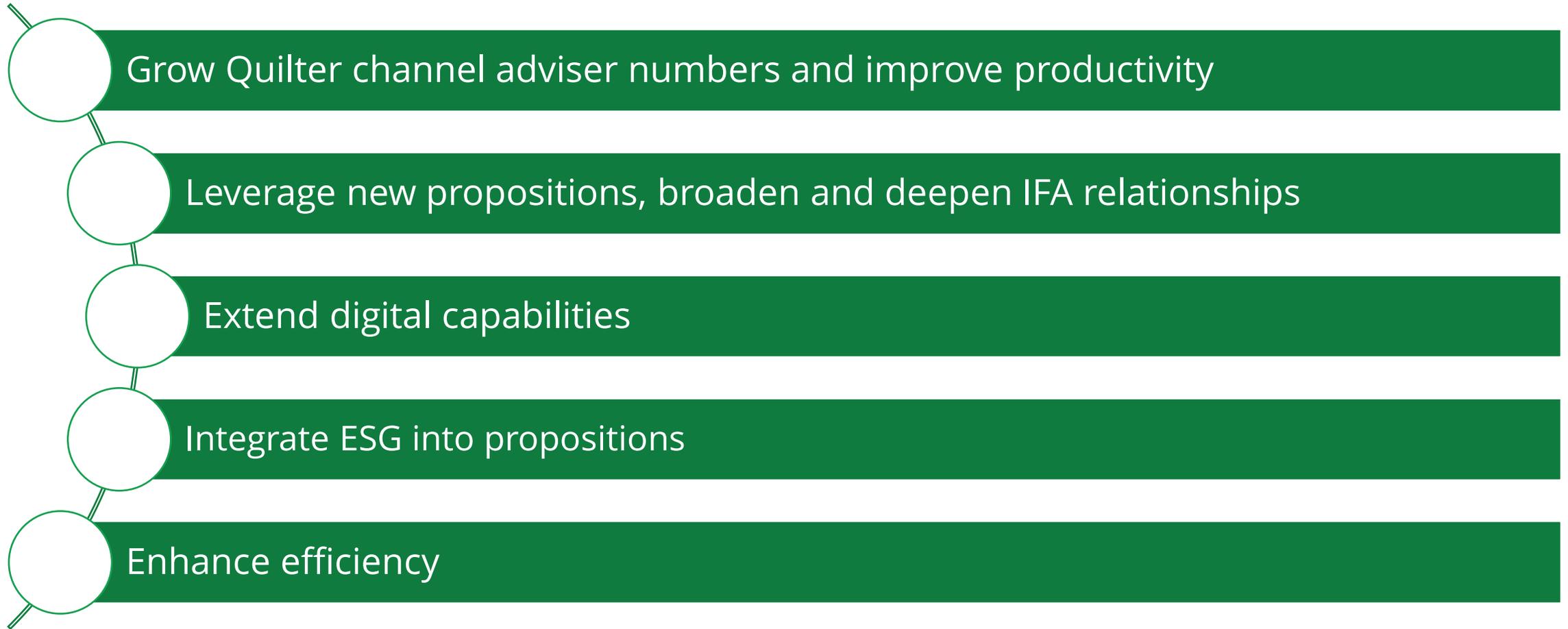
- No advice revenue
- No advice risk



c.£200m p.a.

# Affluent priorities: delivering growth and efficiency

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# Affluent proposition: two strong distribution channels



Quilter channel	Expected net flow growth rate
<ul style="list-style-type: none"><li>➤ Grow advisers and continue productivity increases</li><li>➤ Strategic alignment with proposition</li><li>➤ Digital solutions</li></ul>	high single digit
IFA channel	
<ul style="list-style-type: none"><li>➤ Attracting firms to a market-leading platform</li><li>➤ Strategy focused on high-growth and high-volume IFAs</li><li>➤ Digital solutions</li></ul>	mid- to high single digit

# Repositioning Advice to drive strategic alignment, higher productivity and faster growth



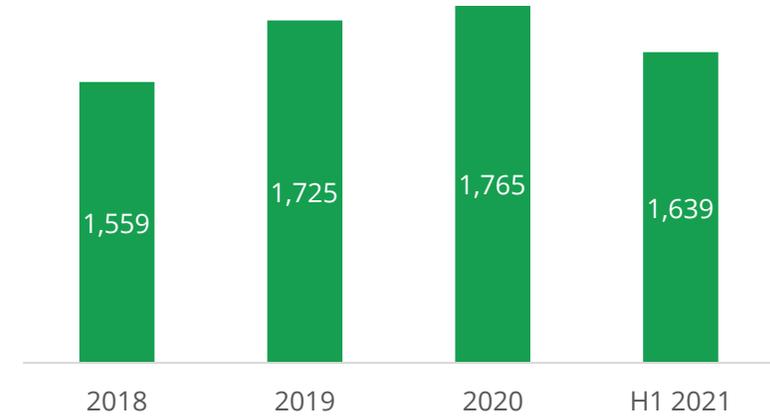
## Why we refocused

- Excess choice, mixed productivity
- Reduced complexity, strengthened controls, refocused

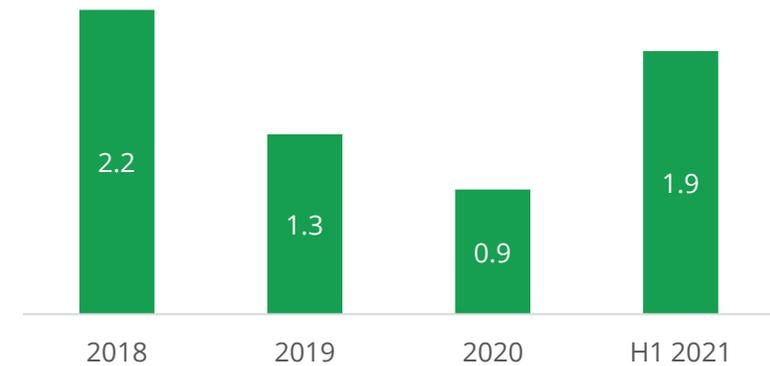
## What we delivered

- Improved adviser productivity and profitability
- Strong foundation for growth and further efficiency

Quilter advisers (RFPs)<sup>1</sup>



RFP productivity<sup>2</sup>  
£m



1. Restated from H1 2021 Interim results to account for the movement of Quilter Private Client Advisers to the High Net Worth segment.

2. Defined as integrated net client cash flow (annualised) per average Restricted Financial Planner. Restated to account for the movement of Quilter Private Client Advisers to the High Net Worth segment.

# Delivering the home of quality-assured financial advice

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## Advice priorities

Build growth options  
for tomorrow

Drive  
productivity

Grow  
adviser numbers

# Adviser numbers: returning to mid-single digit net growth



## Unique, dual pronged approach to adviser recruitment

Advisers who want to focus on delivering advice

Quilter brand,  
Quilter solutions

Advisers who want to grow their business through Quilter

Own brand,  
Quilter solutions

- Focused growth through organic recruitment
  - Attractive propositions
  - Optionality for advisers' exit planning
- Financial Adviser School providing solid base to grow advisers further

# Driving adviser productivity, generating flow growth



## Quilter channel firms' platform usage for new client gross sales<sup>1</sup>

	Number of advisers	Trend	Flow capture on Quilter Platform	Business philosophy
Exclusively using Quilter	c.80%	Maintain high engagement	95-100%	Support/ maintain
Strong users of Quilter		Majority of flows to Quilter Top-ups with other existing platform relationships	85-90%	Support/ maintain
Lighter users	c.20%	Equal split between Quilter & other platforms	c.50%	Encourage greater Quilter usage

- In aggregate, sales<sup>2</sup> from new clients managed on the Quilter Platform increased from c.50% to c.80% currently
- Opportunity to manage greater share of advised client assets on the Quilter Platform over time through back-book transfers

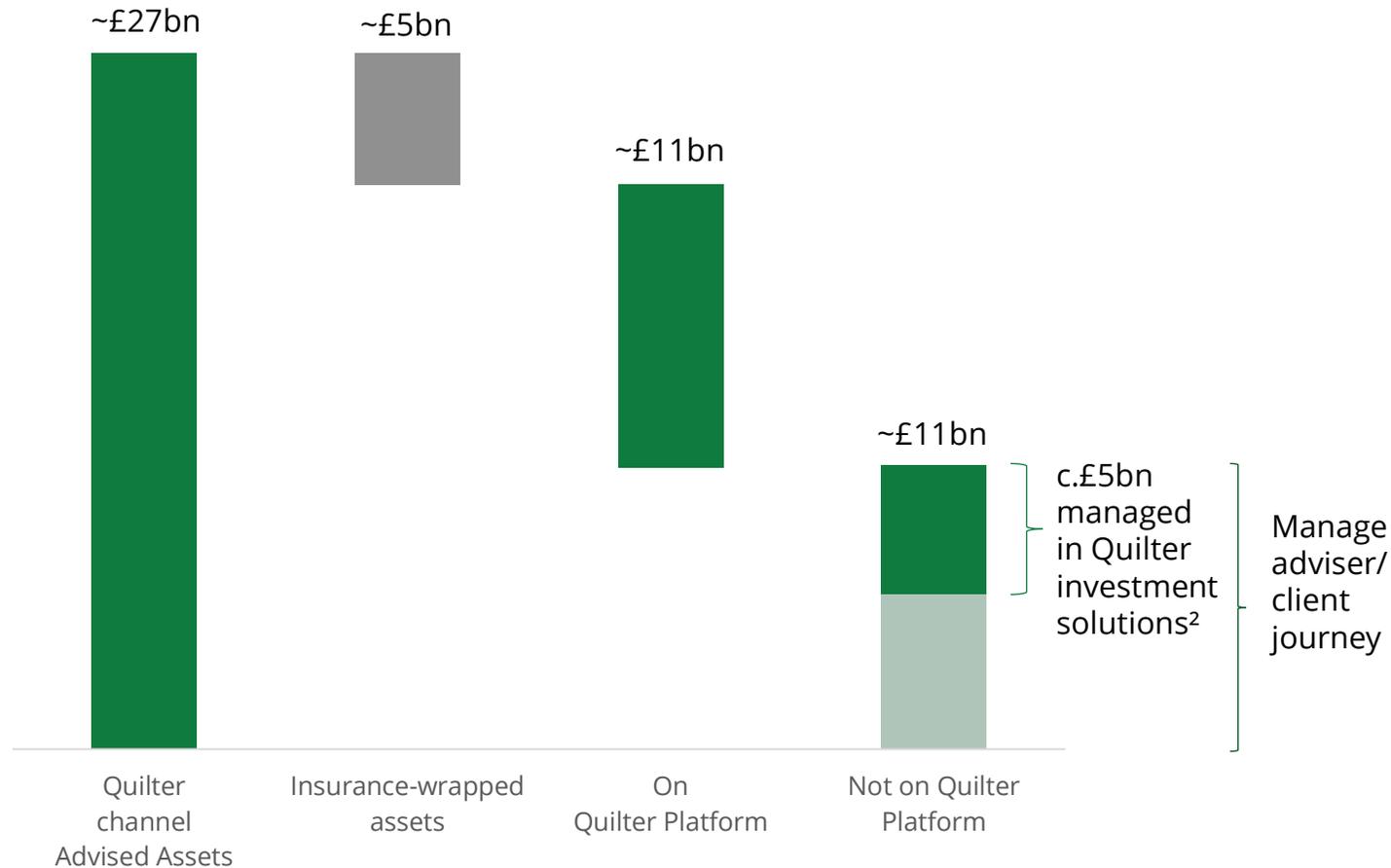
1. Gross sales from the Quilter restricted panel matrix made to new clients.  
 2. Year to date, as at end-September 2021.

# Capturing client assets back-book opportunity



## Quilter channel advisers' client assets<sup>1</sup>

AuMA



- Client assets on other platforms due to legacy Platform capability
- New Platform provides opportunity for back-book migration to Quilter
- Quilter already gaining management fees on third-party platform assets

1. Estimated.  
2. Administered on third-party platforms.

# Affluent proposition: two strong distribution channels



## Quilter channel

- Grow advisers and continue productivity increases
- Strategic alignment with proposition
- Digital solutions

high single  
digit

## IFA channel

- Attracting firms to a market-leading platform
- Strategy focused on high-growth and high-volume IFAs
- Digital solutions

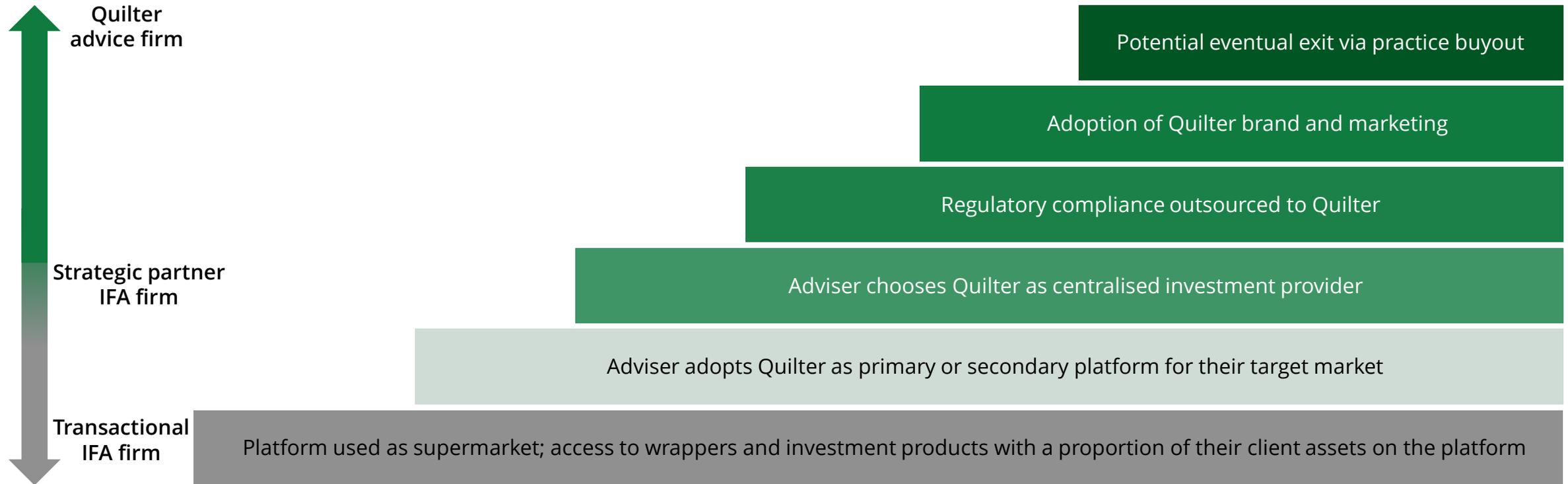
Expected net flow  
growth rate

mid- to high  
single digit

# An integrated approach to adviser relationships



Differentiated ability to support advisers across the market unique to Quilter

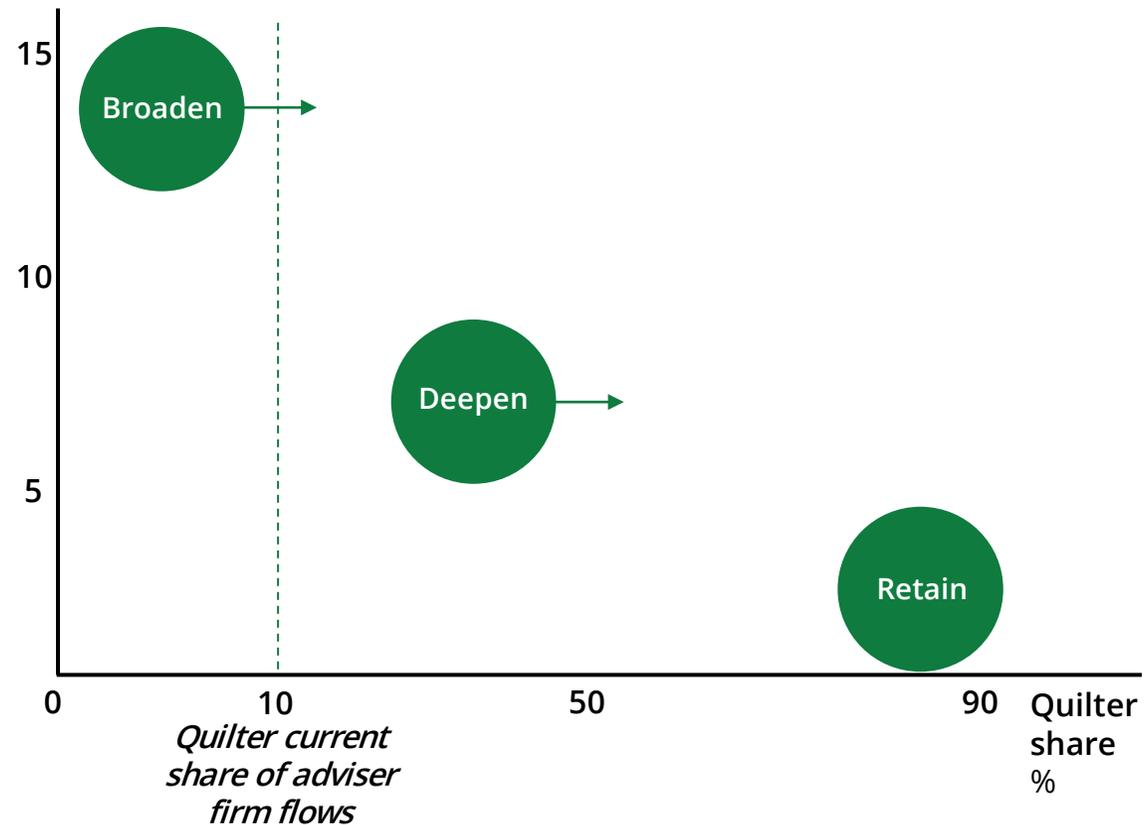


# IFA channel growth strategy: broaden, deepen, retain



## Accessible market opportunity by targeted adviser firm

Firms' market flows  
£bn, annually



### “Retain”: Core supporters

- Smaller IFAs where Quilter is principal Platform
- **Service well in a cost efficient manner**

### “Deepen”: Large, existing supporters

- Large IFAs where Quilter has strong relationship
- **Deepen relationship and grow market share**

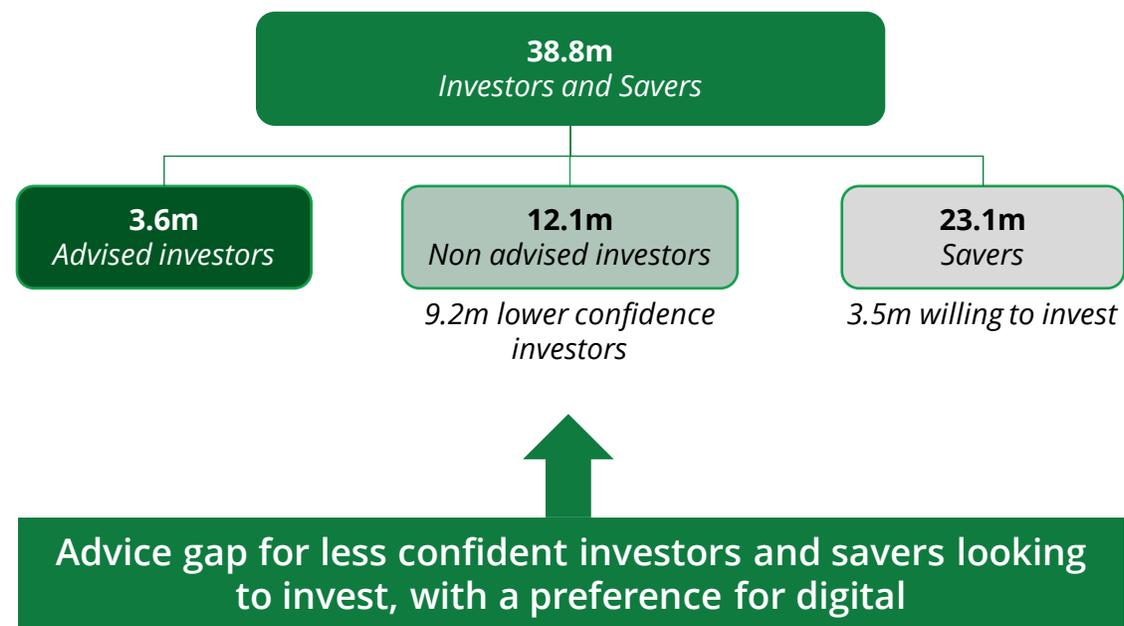
### “Broaden”: Large, non-supporting advisers

- Large IFAs where Quilter has limited relationship
- c.700 IFA firms
- **Aim to gain significant new market share**

# Launching digital-first advice channel through hybrid advice



## UK market size for digital advice<sup>1</sup>



## Quilter's hybrid advice proposition

- **Rationale**
  - Target segment lacks access to advice
  - Requires scale and efficiency
  - Many potential customers prefer to engage digitally
- **Customer target audience and opportunity**
  - £50-100k to invest
  - 'Warm' introductions from 26 affinity partnership relationships
- **Route to market**
  - Scaling up nascent telephone-based advice capability
  - Developing enhanced digital client proposition
  - New hybrid proposition to be piloted and launched in 2022

1. Boring Money Insights, Advice May 2021.

# Future digital innovation: responding to client preferences

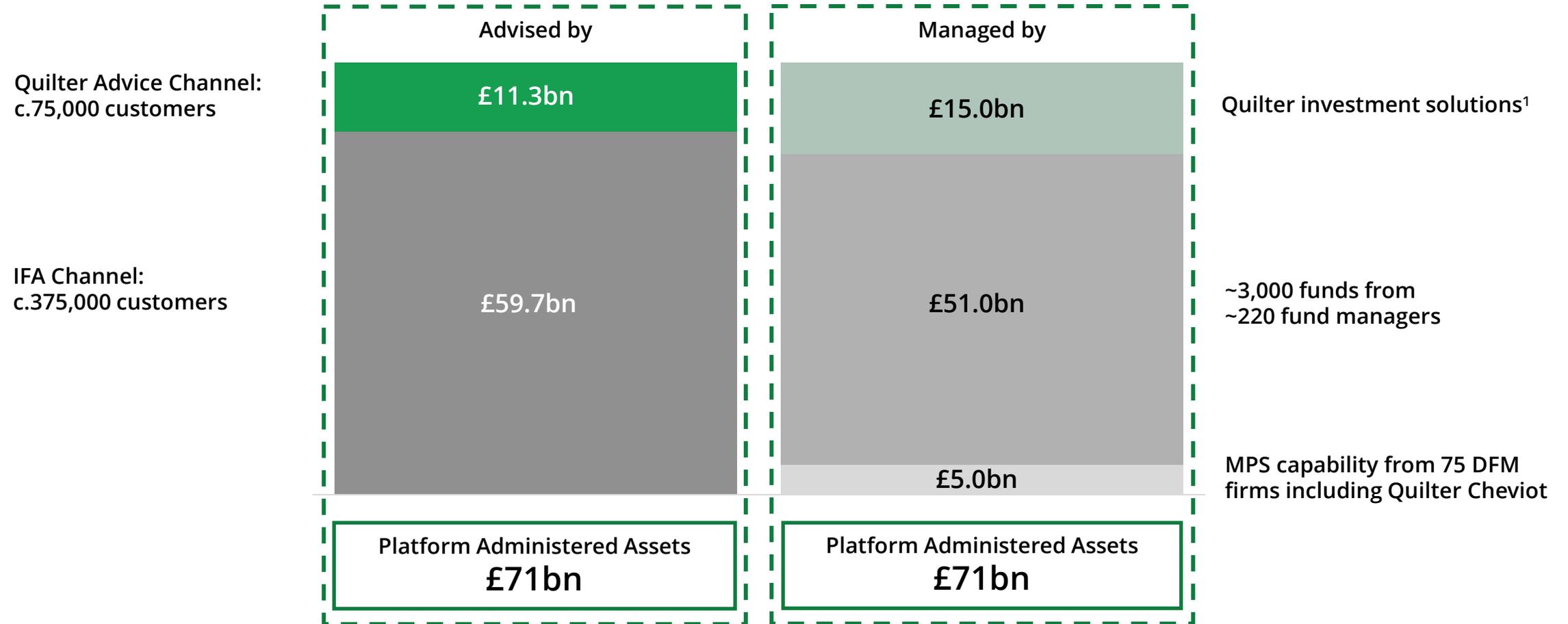


## Incubating future clients for Quilter



	Client 1: Andrea	Client 2: Ben	Client 3: Claire	Client 4: Claire's brother
<b>Wealth profile</b>	£500K invested	£250K invested	First time pension investor	£30K to invest
<b>Client situation</b>	<ul style="list-style-type: none"> <li>➤ One of the adviser's wealthiest clients, with complex financial needs</li> <li>➤ Andrea expects at least annual face-to-face service meetings</li> </ul>	<ul style="list-style-type: none"> <li>➤ 40-year old professional, accumulating wealth</li> <li>➤ After initial face-to-face advice, online reviews suit his busy schedule unless anything major changes</li> </ul>	<ul style="list-style-type: none"> <li>➤ New client via a workplace seminar</li> <li>➤ Current needs are straightforward</li> <li>➤ She refers her brother</li> </ul>	<ul style="list-style-type: none"> <li>➤ After a brief call, adviser sends a link to join Quilter's self-service enabled investment platform</li> <li>➤ It includes a range of educational investment, guidance and tools to help select and apply for an ISA with Quilter funds</li> </ul>
<b>Suitable proposition</b>	<ul style="list-style-type: none"> <li>➤ Face-to-face advice and bespoke servicing packs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Ad hoc face-to-face meetings based on Ben's needs</li> <li>➤ Remote advice (video) with online servicing packs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Remote advice (video) with online servicing packs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Digital-first</li> </ul>

# New Platform: a scale business supporting two strong channels



1. Does not include £10bn assets managed by Quilter investment solutions and administered on third-party platforms.

# New Platform: a best in class proposition



## Exceptional client service

### We help advisers to deliver an exceptional service to clients

- The most comprehensive suite of products and trusts
- 75% of funds are at the best available price in the market<sup>1</sup>
- Complete flexibility for clients taking an income

## Efficiency and scalability

### We help build efficient and scalable adviser businesses

- The most intuitive platform with more digital processes
- Unique automated cash management feature
- Best in class client reporting

## Driving adviser growth

### We are the growth engine for advisers

- Smarter investment options to attract a broader base of clients
- Straight through processing to power efficient client asset consolidation
- Widest family discount structure to capture intergenerational wealth transfers

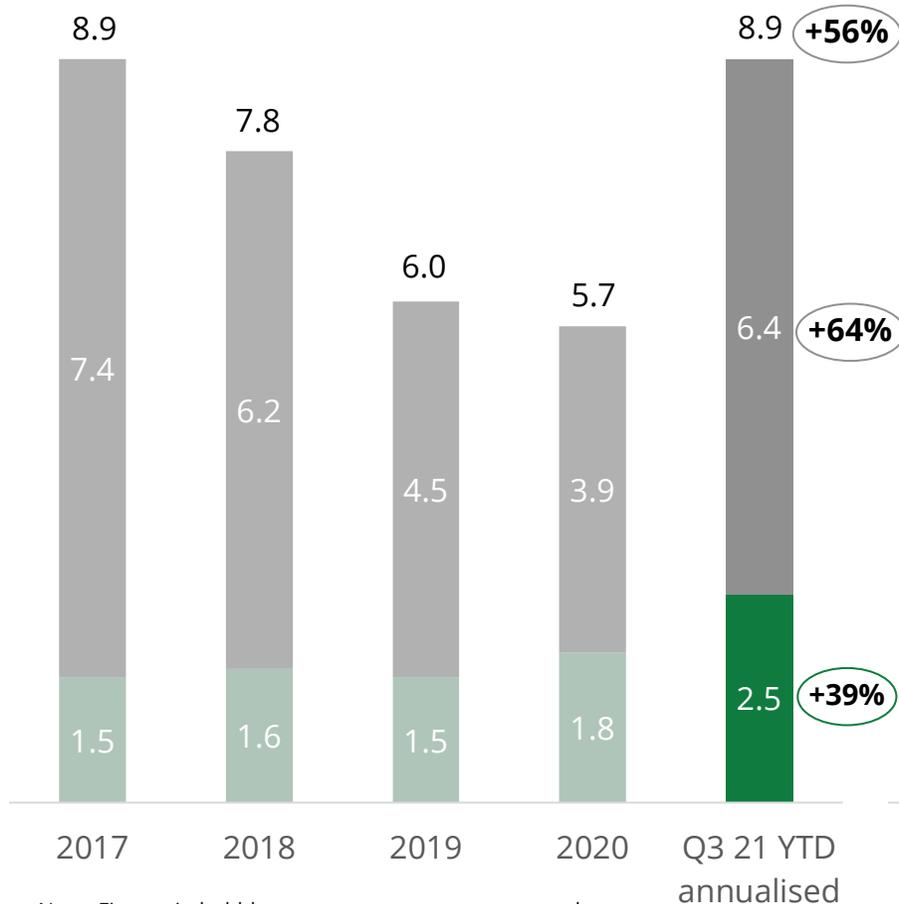
1. According to Adviser Asset Analytics Report, March 2020.

# New Platform already driving strong flows



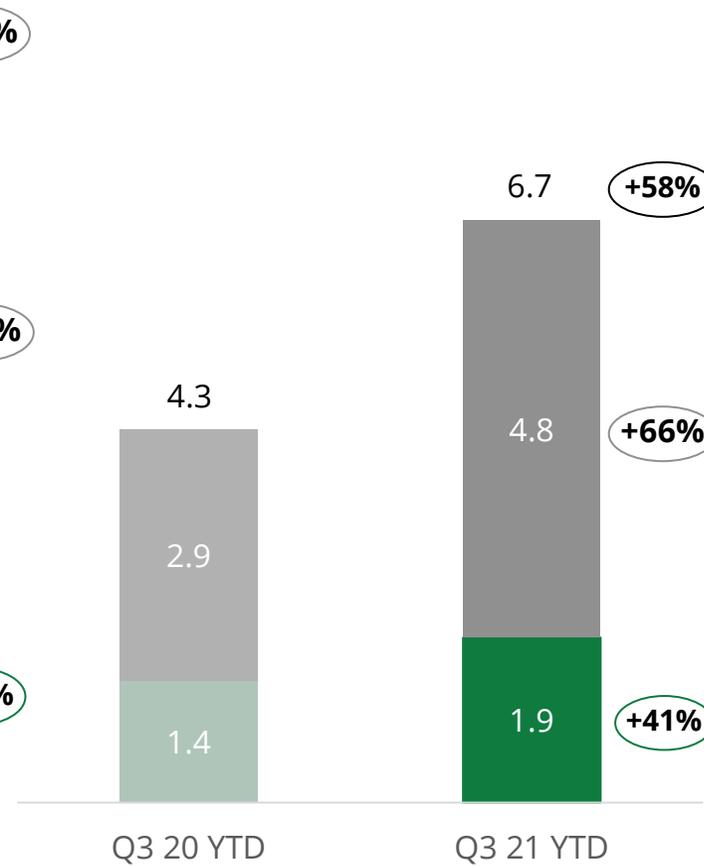
Quilter lost flow in the IFA channel in the run up to PTP – now sharply reversed

Gross flows per annum, £bn



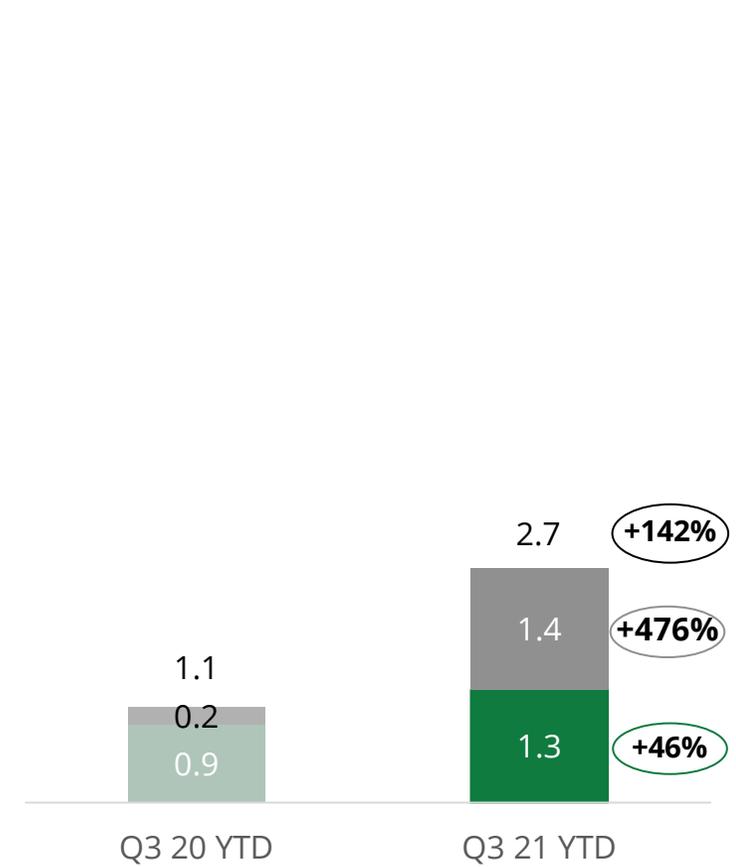
New Platform is driving strong gross ...

Gross flows YTD, £bn



...and net flows

Net flows YTD, £bn



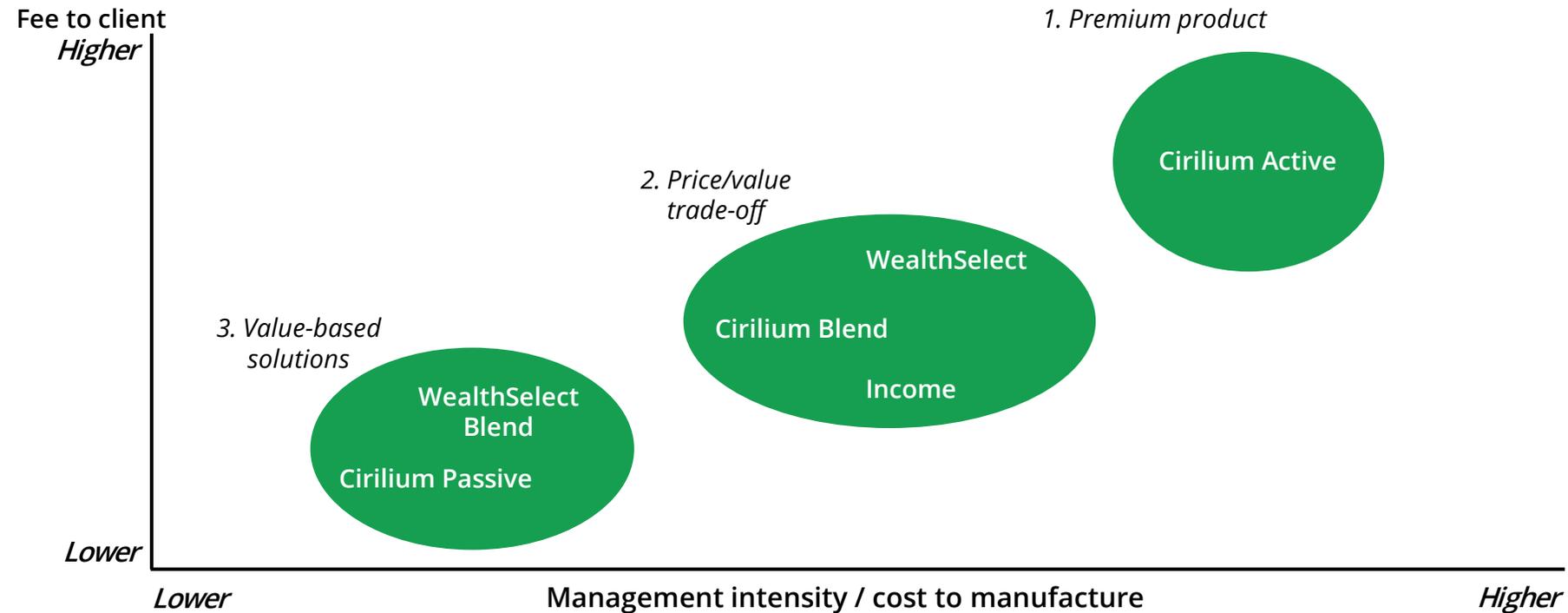
Note: Figures in bubbles represent year-on-year growth.

■ Quilter channel ■ IFA channel

# Positioning our solutions to meet client needs



83% of solutions ahead of performance comparators over 5 years<sup>1</sup> and 100% achieved a positive absolute return



- Cirilium portfolios all top quartile<sup>2</sup> over 3, 5 and 10 years, with Balanced in top decile
- Since launch, Cirilium Active portfolios outperformed 88%-97% of the time for all rolling 5-year time periods versus their respective comparator
- Since inception, 15 of 16 WealthSelect portfolios outperforming their respective IA comparator

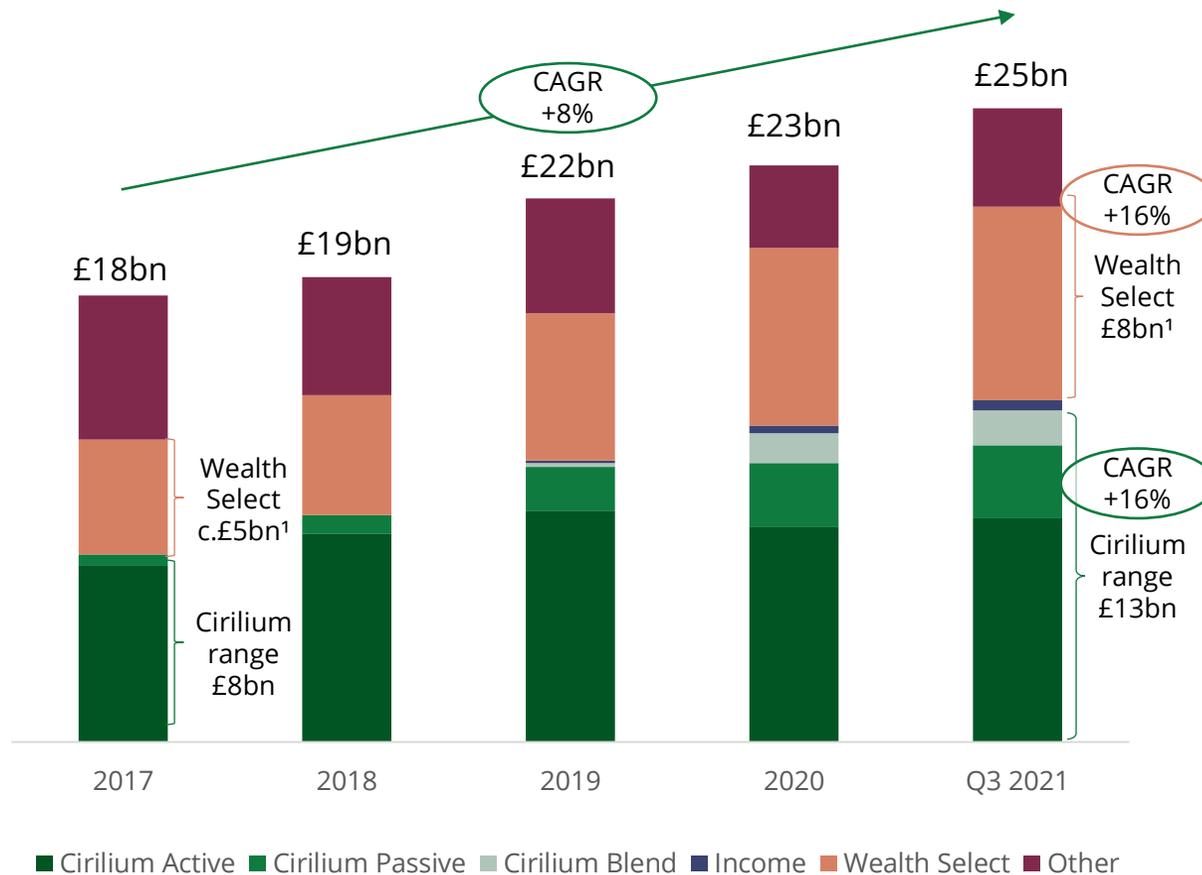
1. According to Adviser Asset Analytics Report, March 2020.  
 2. Net of fees.

# Growing with our customers: broadening the offering to meet client needs



## Breadth of client and adviser-relevant investment solutions

## Investment product lifecycle management



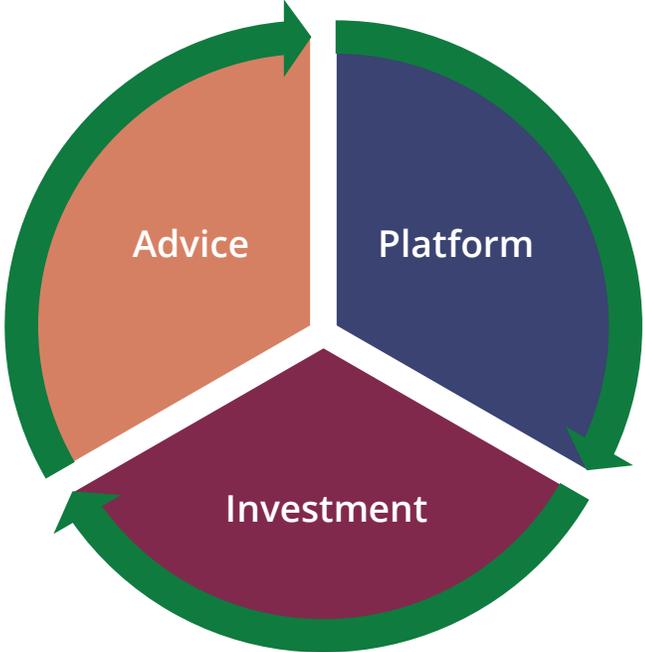
- Strong and consistent asset growth
- Continued growth in Cirilium range through diversification
- WealthSelect established strong momentum
  - Added to Quilter adviser channel matrix
- New ESG range offers further diversification and added future growth potential
- Excellent growth in core products offsetting headwinds from non-core run-off

Note: numbers rounded to billions.

1. Does not include Wealth Select AuM which is not directly managed by Quilter Investors.

# ESG: progress towards vision of embedding across the customer journey

- Interactive adviser/client tools
- Integration into advice process
- ESG advice training



- Platform includes ESG ratings
- Portfolio carbon-rating tools

- WealthSelect+ to include ESG filters
- ESG core to investment process

# Continuing to innovate for the generations of tomorrow

## Already implemented

- Flexible payment dates
- Wider investment range
- Flexi ISA
- Junior ISA, Family Linking
- Enhanced Online Customer Centre

## Launching soon

- WealthSelect+
- Embed ESG

## Future roadmap



- Hybrid advice, digital-first channel
- Mobile app of Online Customer Centre
- Quilter bespoke DFM inside pension wrapper



# Conclusion: confident in building flow and growing revenues

---

*Helping  
customers feel  
more secure  
about their future*

**Quilter**  
Affluent Segment

*Helping advisers  
to run a more  
successful  
advice business*

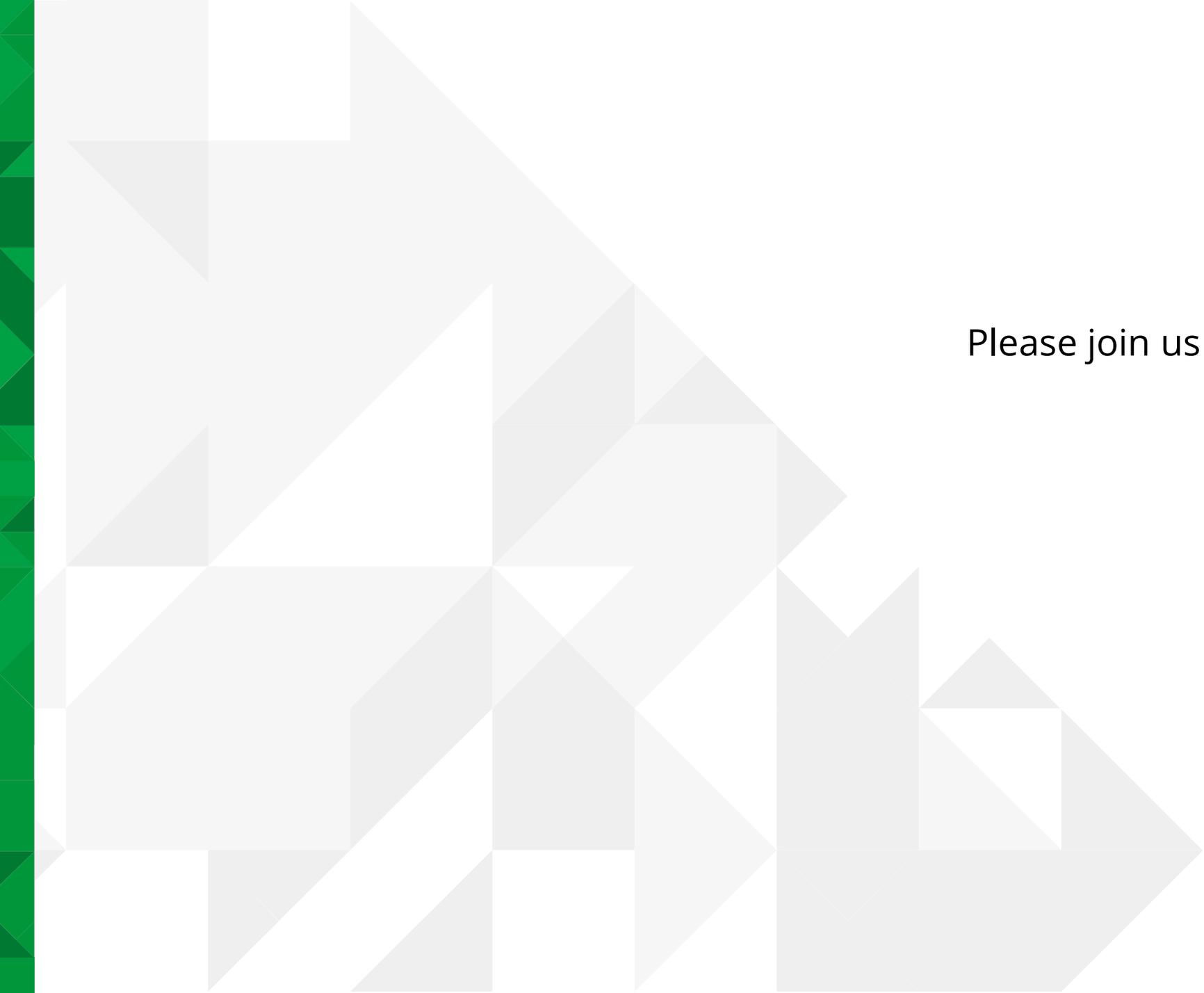
- One integrated segment
- Growing adviser numbers, improving productivity
- New Platform driving growth
- Broadening investment solutions to meet adviser and client needs
- Enhancing efficiency



# Q&A

Paul Feeney  
Steven Levin  
Stephen Gazard

# Quilter



## *Break*

Please join us back online/ in the room  
at 11.30am (GMT)

# Quilter



# High Net Worth

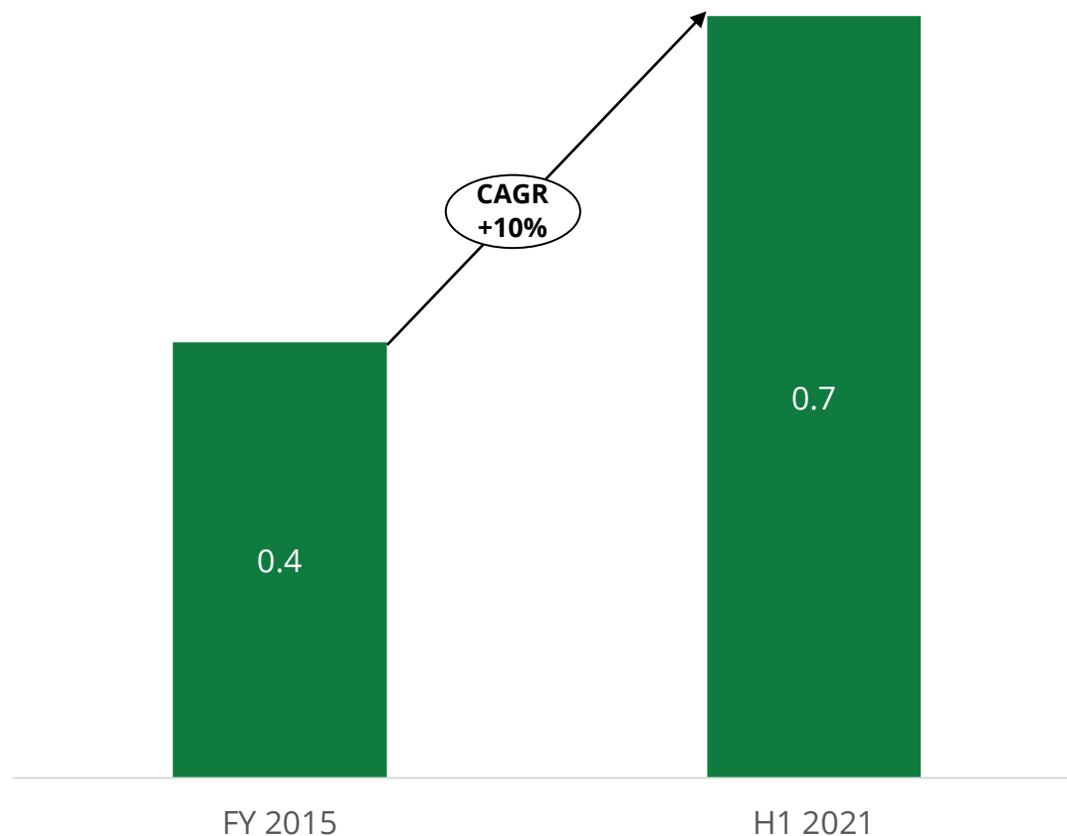
Andy McGlone

Quilter

# High Net Worth market

## UK discretionary market<sup>1</sup>

AuA, £tn



## Quilter Cheviot plays alongside the largest non-bank discretionary wealth managers<sup>2</sup>

AuA, £bn

#	Firm	AUM (£bn)
1	Tilney Smith & Williamson	48
2	Schroders Cazenove Capital	48
3	Brewin Dolphin	46
4	Rathbone Brothers	45
5	Investec Wealth & Investment	40
6	Canaccord Genuity	30
7	<b>Quilter Cheviot</b>	<b>28</b>

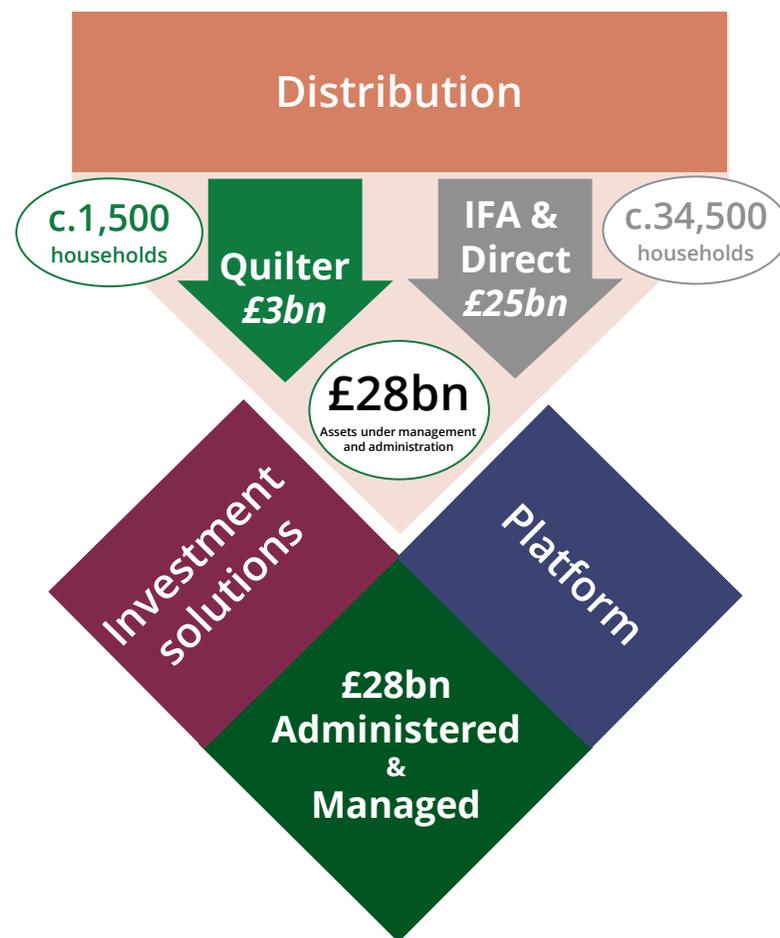
1. Wealth managers and private banks, Boring Money Online Investing June 2021. Estimated H1 AuM, Wealth manager and Private banks Discretionary AUM only.

2. Private Asset Management 2021, excludes St. James's Place and Global Banks such as Barclays, UBS, JPMorgan and Citi Private Bank. Quilter Cheviot as at 30 September 2021, all other data as at 31 December 2020.

# Bringing the proposition together: aligning expertise, resources and services



# High Net Worth: a value-adding integrated model

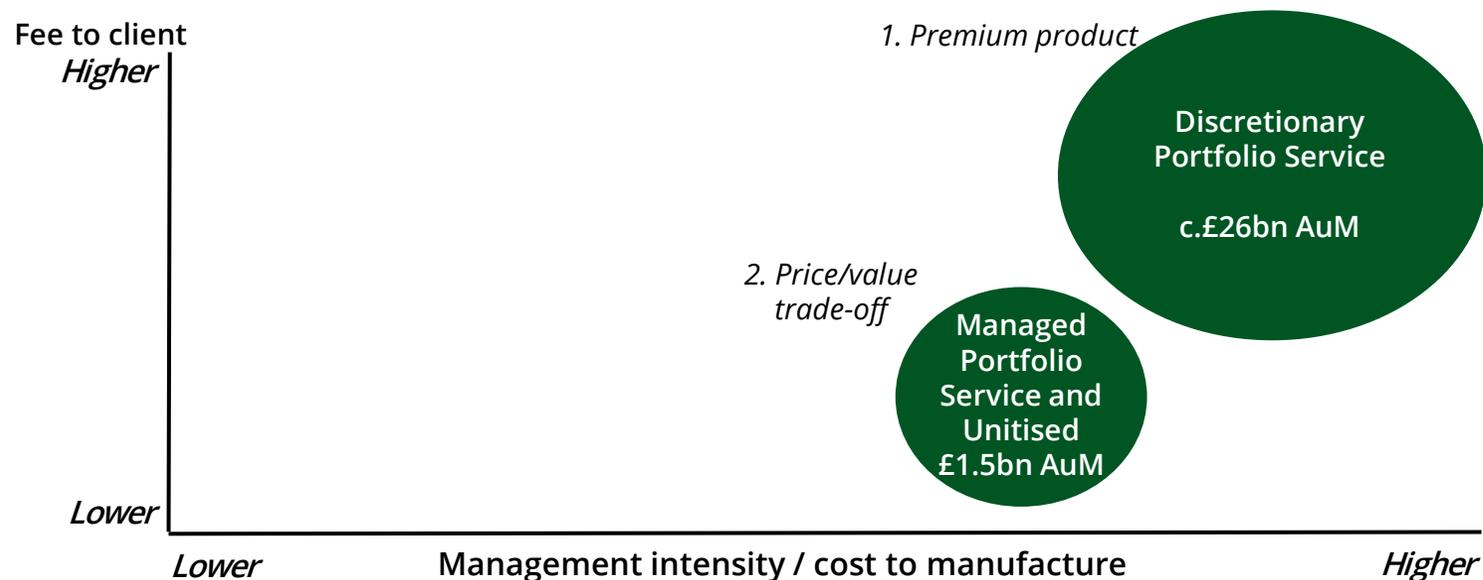


## What we do

- Combined investment solutions and administration
  - and now, integrated advice offering
- Across 230 client facing individuals
  - 170 investment managers
  - 60 financial planners

Note: Assets rounded to nearest billion.

# Positioning our solutions to meet client needs



Large in-house research team, with specialist offerings including

- ESG solutions
- Charities offering
- AIM portfolio service

## Discretionary Portfolio Service:

- Core, flagship service, client serviced by dedicated manager with tailored, actively managed portfolio
- Growth opportunities through IFA channel, Quilter advice channel, and Platform discretionary investment hub

## Managed Portfolio Service:

- Preferred solution for smaller valued accounts – gateway for younger generations of clients
- Faster growing segment of market
- Re-launching offering to boost growth

# High Net Worth priorities: delivering growth and efficiency

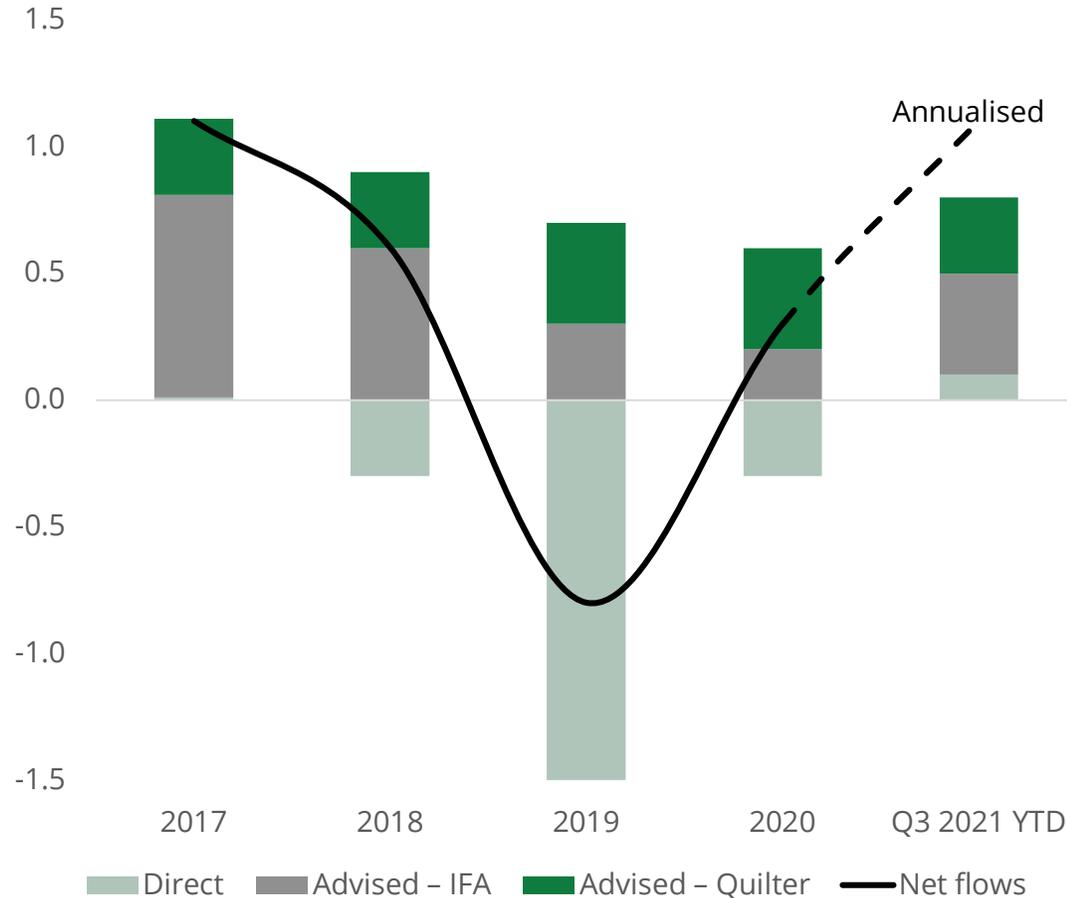
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# Getting back to growth

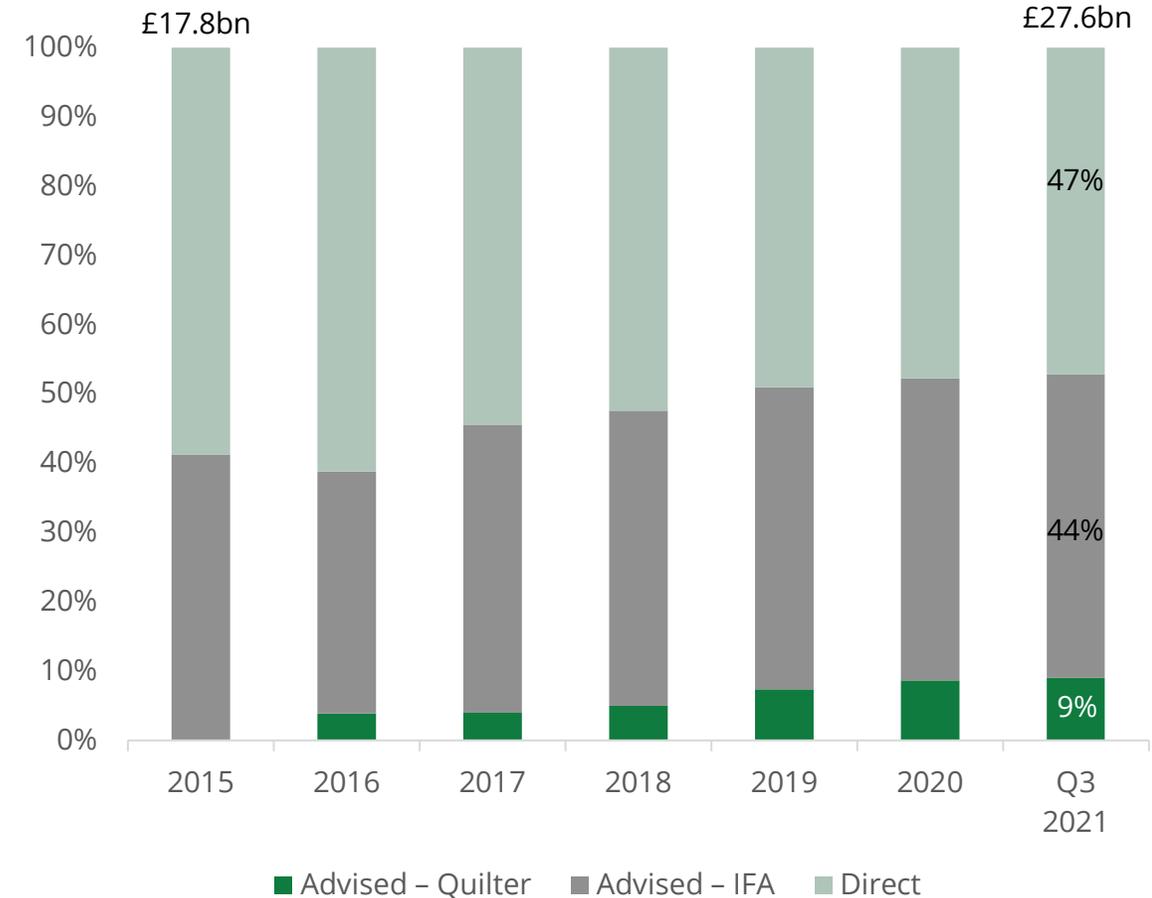
## Steady contributor to Group net flows

AuM, £bn



## In-house advice proposition growing quickly from a low base

AuM by channel



# High Net Worth: strong distribution channels

## Quilter channel

### Rationale

- Strong growth from low base
- Higher persistency
- Integrated client experience

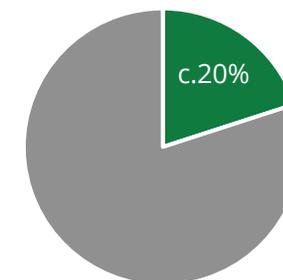
### Advice

- Revenue c.£30m p.a.
- Operates at breakeven
- Manage advice risk

### Flows

- Q3 2021 YTD:
- Gross flows £0.4bn
  - Net flows £0.3bn

### Revenues



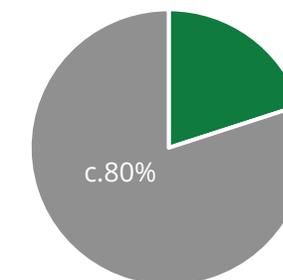
c.£40m p.a.

## IFA and Direct channel

- Critical growth market
- Opportunities to broaden and deepen
- Platform opportunity

- Based on investment manager relationship
- No advice revenue
- No advice risk

- Q3 2021 YTD:
- Gross flows £1.7bn
  - Net flows £0.5bn

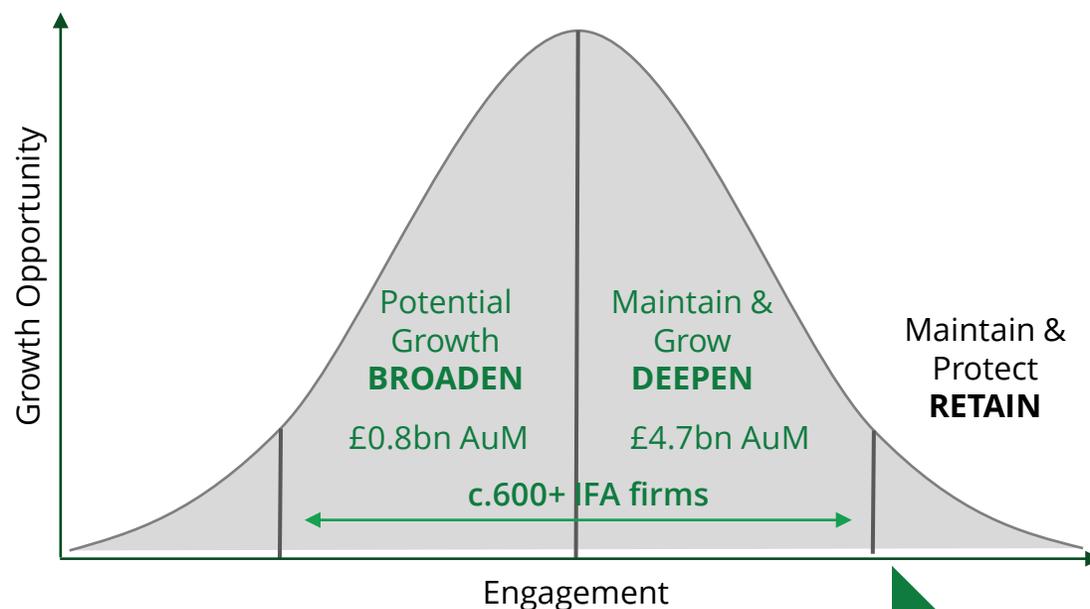


c.£160m p.a.

# IFA channel: broadening and deepening relationships



## Driving growth through greater levels of engagement



Driving engagement with firms to leverage personal relationships between investment managers and clients

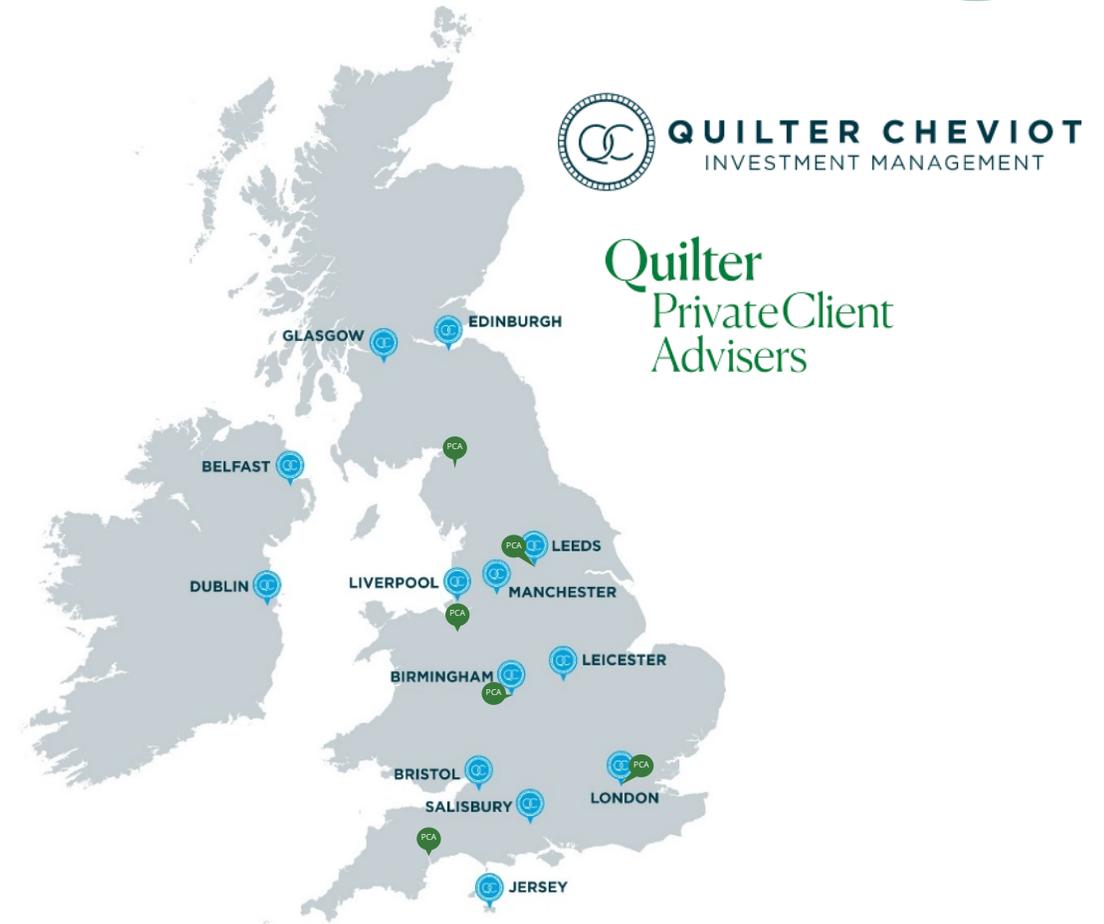
- IFA channel foundation of last 25 years' growth
- Active engagement with 35%+ IFAs<sup>1</sup>
  - Some advisers favour platform-based solutions
- Sales team work with investment managers to drive growth
- Platform discretionary investment hub and re-launched MPS to broaden and deepen adviser relationships
- Strategic partnerships and professional connections key conversion markets

1. Based in the UK who use discretionary capabilities to service their clients.

# Integrating new in-house advice capability to drive growth



- Client-centric integrated advice and investment service proposition
- Priority to grow number of client-facing individuals
- Organic-led growth supplemented by targeted inorganic additions



# Continuing to innovate around the needs of our clients

## Already implemented

- MPS Building Blocks
- ESG integrated in investment research
- Dedicated ESG solutions
- Re-launched AIM service
- Dublin office to service European clients

## Launching soon

- ESG: fully integrated through investment & advice processes
- E-delivery of client reports

## Future roadmap

- Discretionary Portfolio Service via Quilter Platform
- New client and adviser portals and app
- Electronic on-boarding



# Embedding ESG throughout our processes

- Active ownership agenda
- 2020 Stewardship Code signatory
- Engagement record



- Tailored ESG screening for discretionary portfolios
- Positive Change Strategy
- Climate Assets Fund

- Focus on core investment list
- Signatory to UN Principles of Responsible Investment
- Joint processes with research and Responsible Investment teams

## Concluding remarks

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### Quilter

High Net Worth Segment

*Managing the financial needs of clients  
through a tailored approach*

- Integrating financial planning with investment management
- Growing market share
- Aligning expertise, resources and services
- Innovating to improve client proposition and efficiencies
- Opportunities peers do not have



# Q&A

Andy McGlone

Quilter



# Financials and driving efficiencies

Mark Satchel  
Karin Cook

Quilter

# Financials and driving efficiencies: what we will cover today

---

## Resegmentation and Q3 flows

- Affluent and High Net Worth financial characteristics

## Revenue dynamics

- Revenue margin as an output

## Efficiency

- Simplification plans

## Expenses

- Cost management and operating margin targets

## Dividend

- Revised dividend policy

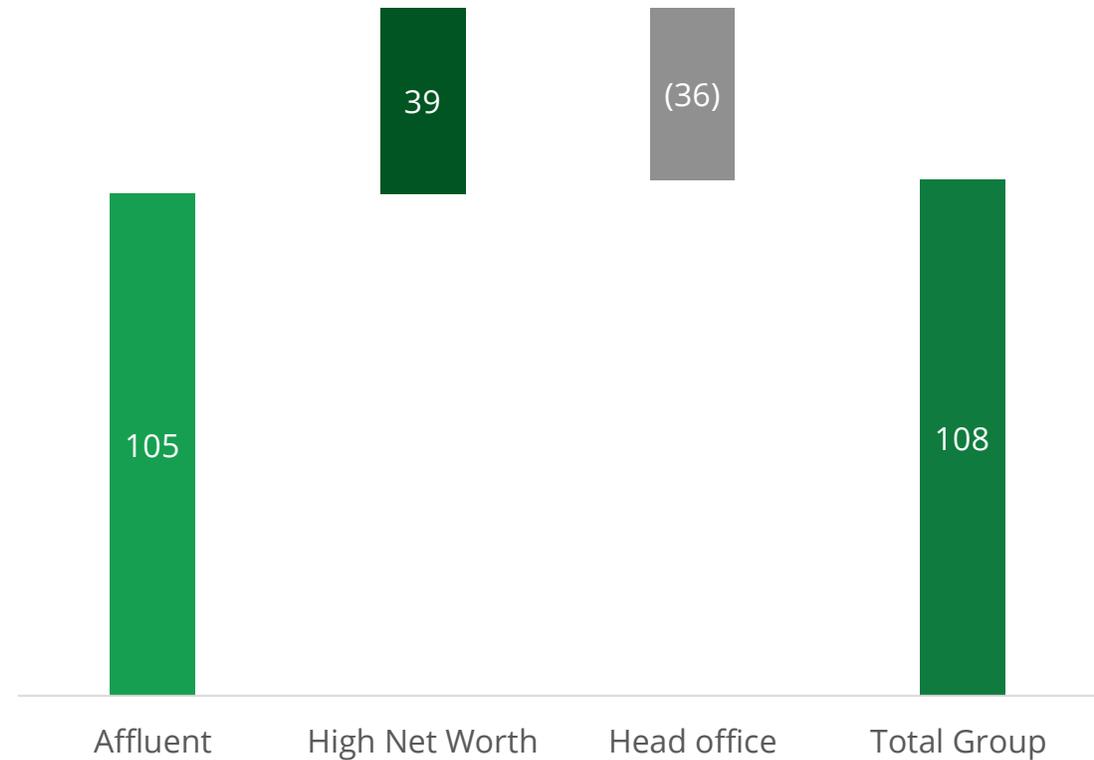
## Quilter International

- Capital return plans

# Quilter financials: a cleaner, simpler P&L

## Adjusted pre-tax profit

£m, FY 2020 continuing business, unaudited pro forma



- Affluent a strong growth engine
- High Net Worth a smaller historic contribution but excellent growth outlook
- Head office includes dual-running property expenses and pre-Quilter International sale head office allocations
  - Expect to trend down to high £20 millions over time
- Plan to more than double Group adjusted profit by 2025

# New client segments: financial characteristics

	Affluent
AuMA	<ul style="list-style-type: none"> <li>➤ c.£80bn, with c.£25bn directly managed<sup>1</sup></li> </ul>
Net flows	<ul style="list-style-type: none"> <li>➤ Annualised growth of 4% for 2021 YTD<sup>1</sup></li> <li>➤ Expected growth rate higher than Group 6% target</li> </ul>
Retention	<ul style="list-style-type: none"> <li>➤ Platform standalone retention in low 90s%</li> </ul>
Revenues	<ul style="list-style-type: none"> <li>➤ c.65% of Group total</li> <li>➤ Other revenue advice-based</li> </ul>
Revenue margin	<ul style="list-style-type: none"> <li>➤ Administration margin mid-20bps</li> <li>➤ Investment solutions margin mid-40s to 50s bps</li> </ul>
Operating margin	<ul style="list-style-type: none"> <li>➤ Currently mid- to high-20s%</li> <li>➤ Significant scope to improve</li> </ul>

1. As at 30 September 2021.

## Key financials, pro forma, unaudited

	FY19	FY20	1H20	1H21
Net management fees (£m)	298	278	136	149
Other revenues (£m)	90	92	44	50
Expenses (£m)	(269)	(265)	(134)	(155)
Adjusted profit (£m)	119	105	46	44

## KPIs

Net flows (£bn)	0.5	1.2	0.8	1.6
Net flows / opening AuMA (%)	0.8%	1.8%	2.3%	4.3%
Closing AuMA (£bn)	68.2	73.7	66.4	79.4
Restricted financial planners	1,725	1,765	1,724	1,639
Productivity (£m)	1.3	0.9	1.1	1.9

# New client segments: financial characteristics

	High Net Worth
AuMA	<ul style="list-style-type: none"> <li>➤ c.£28bn<sup>1</sup>, all directly managed</li> </ul>
Net flows	<ul style="list-style-type: none"> <li>➤ Annualised growth of 4% for 2021 YTD<sup>1</sup></li> <li>➤ Expected growth rate modestly lower than Group 6% target</li> </ul>
Retention	<ul style="list-style-type: none"> <li>➤ Remains robust in low 90s%</li> </ul>
Revenues	<ul style="list-style-type: none"> <li>➤ c.35% of Group total</li> <li>➤ Other revenue is advice based</li> </ul>
Revenue margin	<ul style="list-style-type: none"> <li>➤ Stable in low 70bps</li> </ul>
Operating margin	<ul style="list-style-type: none"> <li>➤ Currently low-20s%</li> </ul>

1. As at 30 September 2021.

2. Includes investment managers and c.60 restricted financial planners.

## Key financials, pro forma, unaudited

	FY19	FY20	1H20	1H21
Net management fees (£m)	171	168	84	93
Other revenues (£m)	25	25	13	12
Expenses (£m)	(155)	(154)	(79)	(79)
Adjusted profit (£m)	41	39	18	26

## KPIs

Net flows (£bn)	(0.8)	0.3	0.2	0.4
Net flows / opening AuMA (%)	(3.6)%	1.2%	1.7%	3.2%
AuMA (£bn)	24.2	25.3	23.3	27.0
Client-facing individuals <sup>2</sup>	229	231	231	230

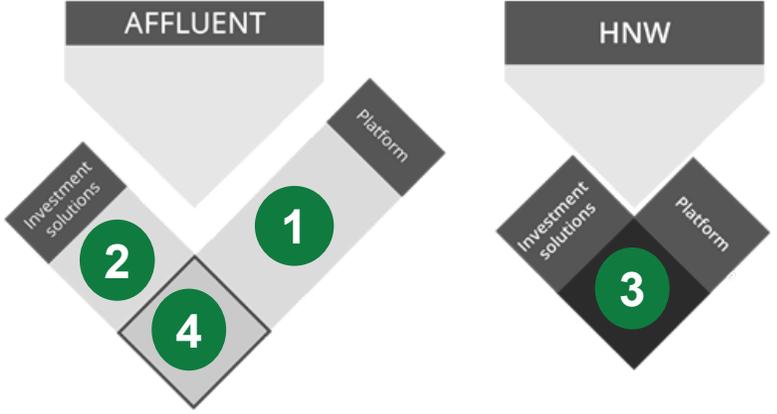
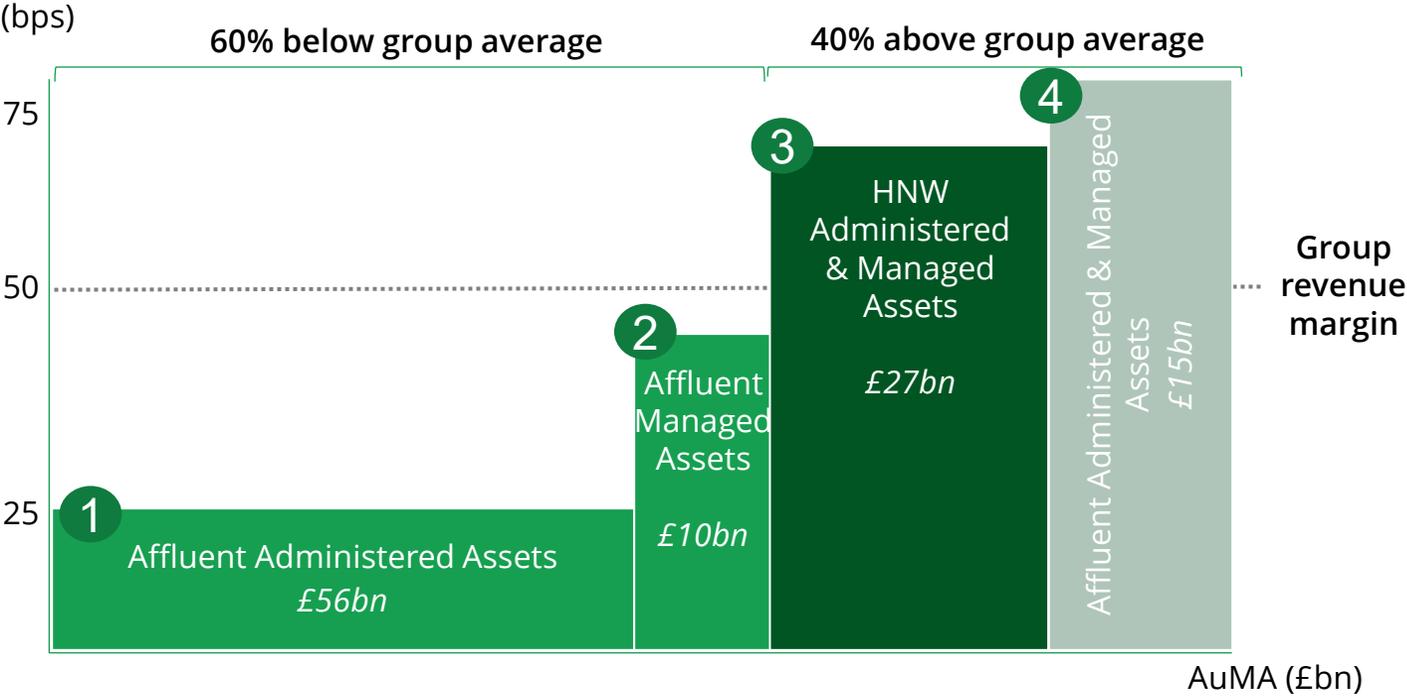
# Presenting our flows in line with client segmentation

Q3 2021 YTD	Opening AuMA (£bn)	Gross flows (£m)	Net flows (£m)	Closing AuMA (£bn)	Of which: Quilter Solutions AuMA (£bn)	Annualised net flows/ Op AuMA	Expect to grow over time	
<b>Affluent segment</b>								
Quilter channel	9.6	1,915	1,337	11.3	7.4	19%	 21% Platform assets managed in Quilter solutions	
IFA channel	52.8	4,760	1,371	58.3	7.4	3%		
Non-core business	1.4	63	(28)	1.4	0.2	(3%)		
<b>Sub-total (=Quilter Investment Platform)</b>	<b>63.8</b>	<b>6,738</b>	<b>2,680</b>	<b>71.0</b>	<b>15.0</b>	<b>6%</b>		
<b>via Third party platforms:</b>								
Quilter channel	4.7	752	181	4.7	5.0	4%		
IFA channel	2.4	226	(345)	2.5	2.5	(21%)		
Non-core business	2.8	144	(276)	2.7	2.7	(14%)		
<b>Sub-total</b>	<b>9.9</b>	<b>1,122</b>	<b>(440)</b>	<b>9.9</b>	<b>10.2</b>	<b>(6%)</b>		
<b>Total Affluent segment</b>	<b>73.7</b>	<b>7,860</b>	<b>2,240</b>	<b>80.9</b>	<b>25.2</b>	<b>4%</b>		
<b>High Net Worth segment</b>								
Quilter channel	2.1	366	290	2.4	2.4	19%	 49% Quilter assets managed in Quilter solutions	
IFA channel and Direct	23.2	1,696	487	25.2	25.2	3%		
<b>Total High Net Worth segment</b>	<b>25.3</b>	<b>2,062</b>	<b>777</b>	<b>27.6</b>	<b>27.6</b>	<b>4%</b>		
<b>Total</b>	<b>99.0</b>	<b>9,922</b>	<b>3,017</b>	<b>108.5</b>	<b>52.8</b>	<b>4%</b>		

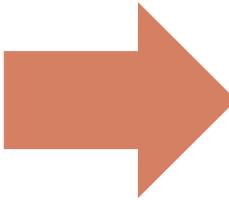
Note: Difference in Quilter Channel AuMA on third party platforms in Quilter Solutions relates to the administration of the Climate Assets fund.

# Revenue margin dynamic

Revenue margin an output rather than an input



Growth expectations	Very good	Good	Good	Very good
Operating margin benefit	Very good	Excellent	Good	Excellent



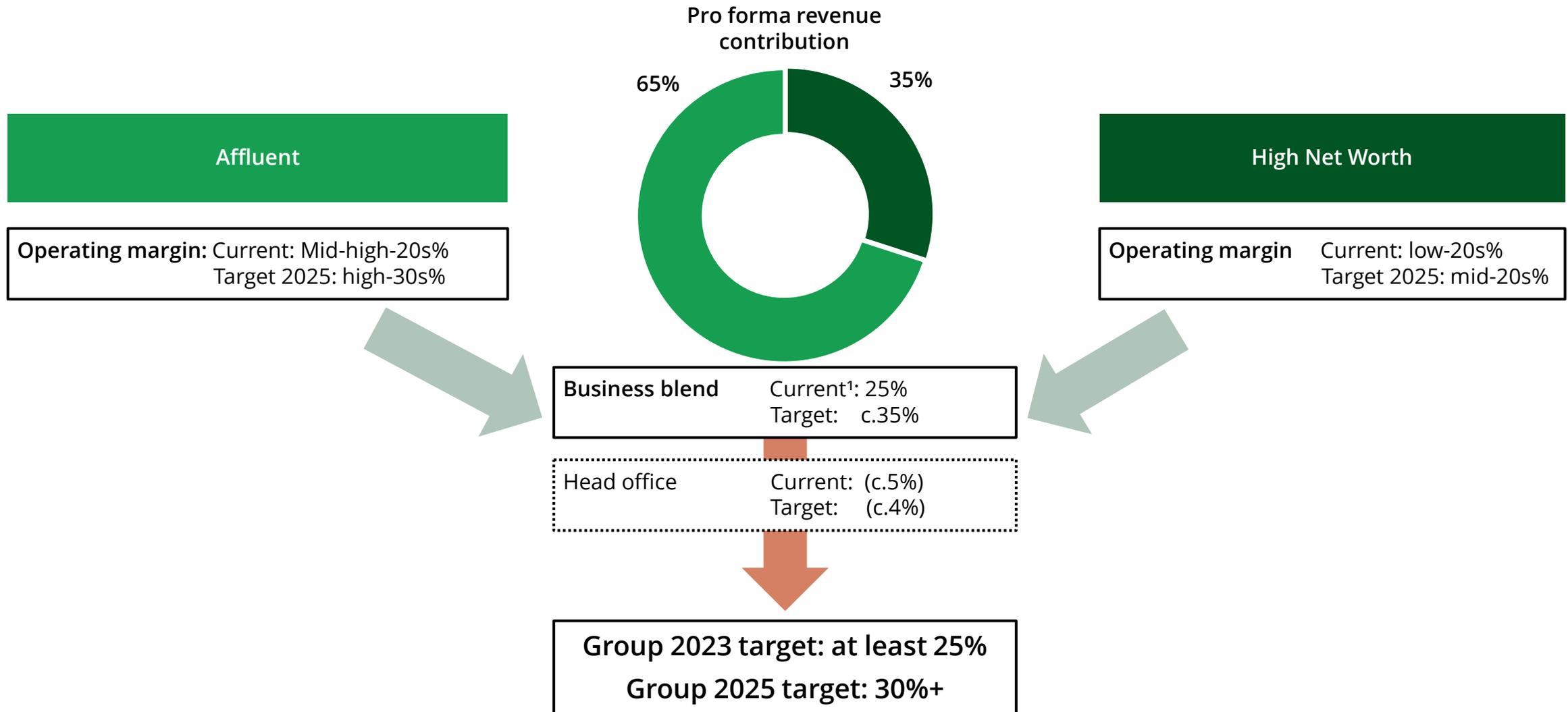
Focus on driving revenue and improving operating margin

# How we manage costs

	Cost analysis (£m)		As a percentage of revenues		Medium-term expectations <sup>1</sup>
	2020	H1 2021	2020	H1 2021	
Support staff costs	126	63			
Operations	35	13			
Technology	30	16			
Property	43	15			
Other base costs <sup>2</sup>	28	13			
<b><i>Sub-total base costs</i></b>	<b><i>262</i></b>	<b><i>120</i></b>	<b><i>46%</i></b>	<b><i>39%</i></b>	<b><i>Trending down as a result of Simplification</i></b>
Revenue-generating staff base costs	86	46	15%	15%	Mid-teens%
Variable staff compensation	55	39	10%	13%	Low- to mid-teens%
Other variable costs <sup>3</sup>	26	17			Will fluctuate with markets and discretionary investment
<b><i>Sub-total variable costs</i></b>	<b><i>167</i></b>	<b><i>102</i></b>	<b><i>30%</i></b>	<b><i>34%</i></b>	<b><i>Low- to mid-30s%</i></b>
Regulatory/ PI costs	27	26	5%	9%	Mid-single digit
<b>Total costs</b>	<b>456</b>	<b>248</b>	<b>81%</b>	<b>82%</b>	<b>Trending to high 60s% by 2025</b>

1. In 'normal' market conditions.
2. 'Other base costs' includes depreciation and amortisation, audit fees, shareholder costs, Listed Group costs and governance.
3. 'Other variable costs' includes technology including FNZ costs, development spend, and corporate functions variable costs.

# 2023 and 2025 operating margin target drivers



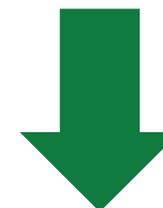
1. Adjusted for half-year share of FSCS levies and fees.

# Enhancing efficiency: Optimisation laid the foundations for further improvement

## Phase 1: Optimisation

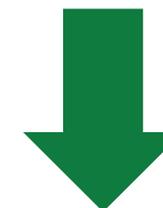
- Closer business integration, creating central support
- Rationalised technology
- Reduced third-party spend

5,000+  
Suppliers



<2,000  
Suppliers

5  
General Ledgers



1  
General Ledger

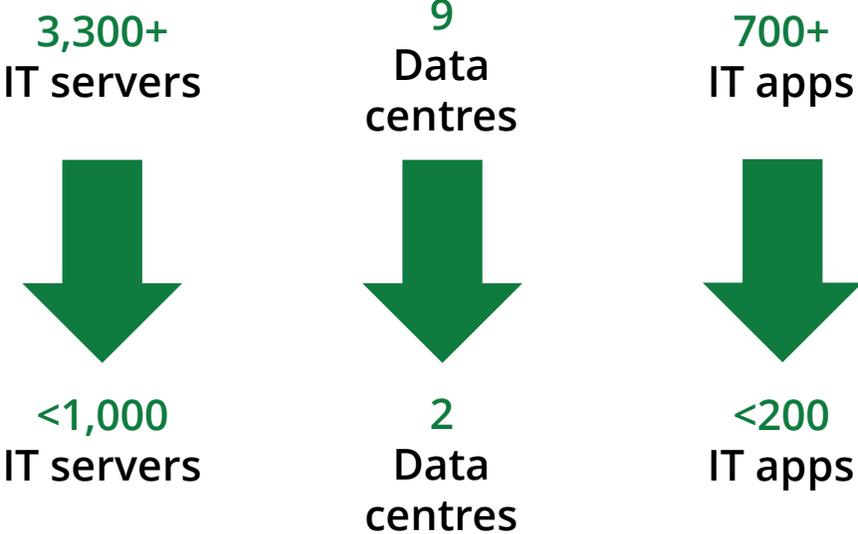
Phase 1: Optimisation	2018-2021
Targeted savings	£65 million <sup>1</sup>
One-off costs to deliver	£91 million <sup>1</sup>

1. Includes £15m additional savings and £16m additional costs to deliver announced with FY 2020 results in March 2021.

# Enhancing efficiency: delivering operational leverage and improved client experience

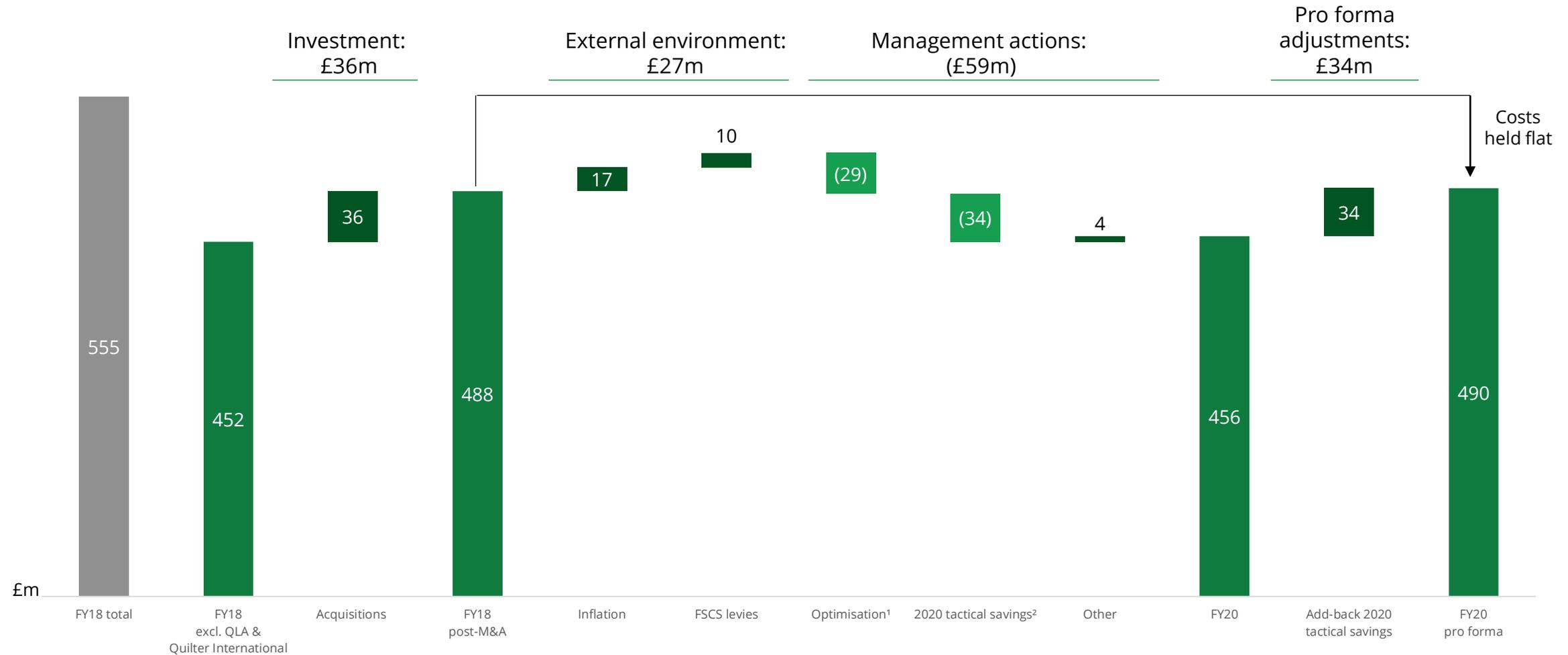
## Phase 2: Simplification

- Business disposals an enabler for efficiency
- IT, Operations and organisational design greatest opportunity for further simplification
- Automation to improve customer experience
- Client segmentation enabler for further structural simplification



Phase 2: Simplification	2022-2024
Targeted savings	c.£45 million
One-off costs to deliver	c.£55 million

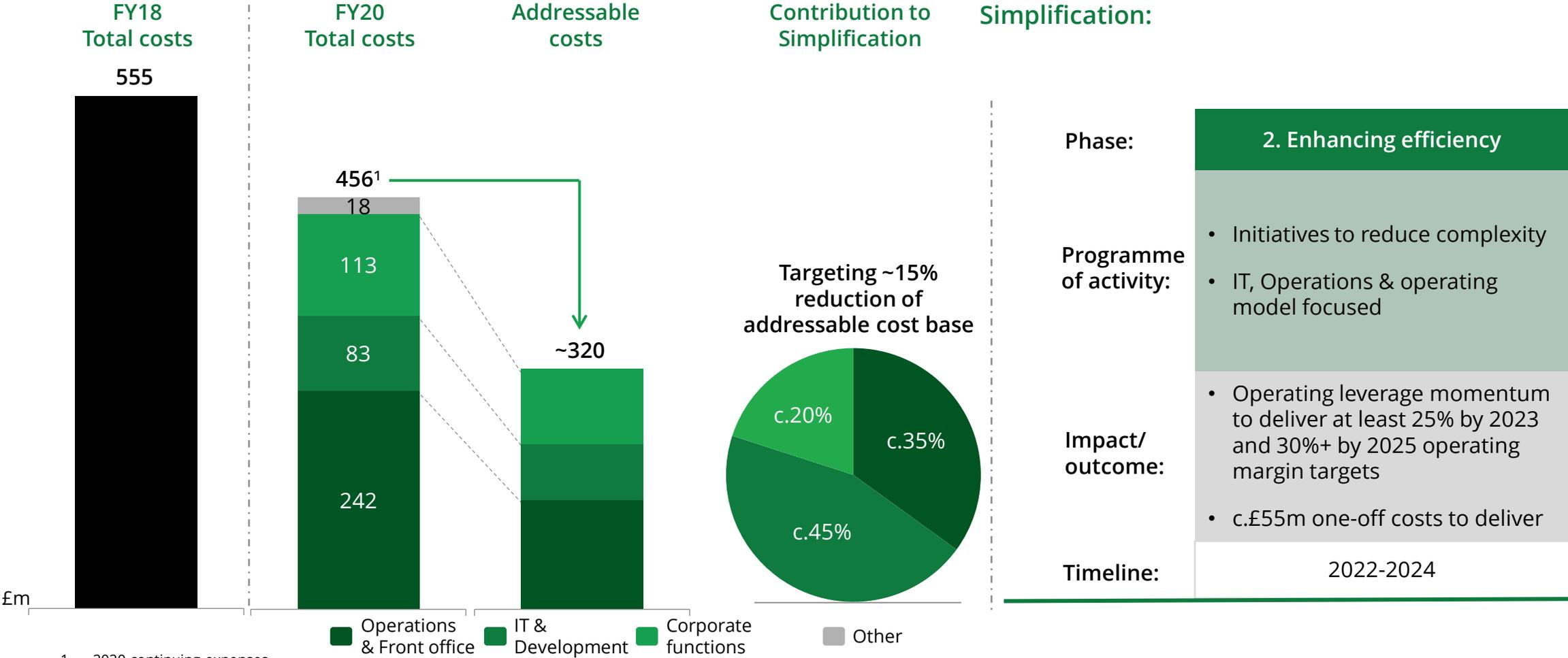
# Optimisation's benefit to our cost base



**Expect 2021 continuing costs to be less than £500m**

1. Excludes c.£10m run-rate benefit achieved by Quilter International.
2. Excludes c.£8m benefit achieved by Quilter International.

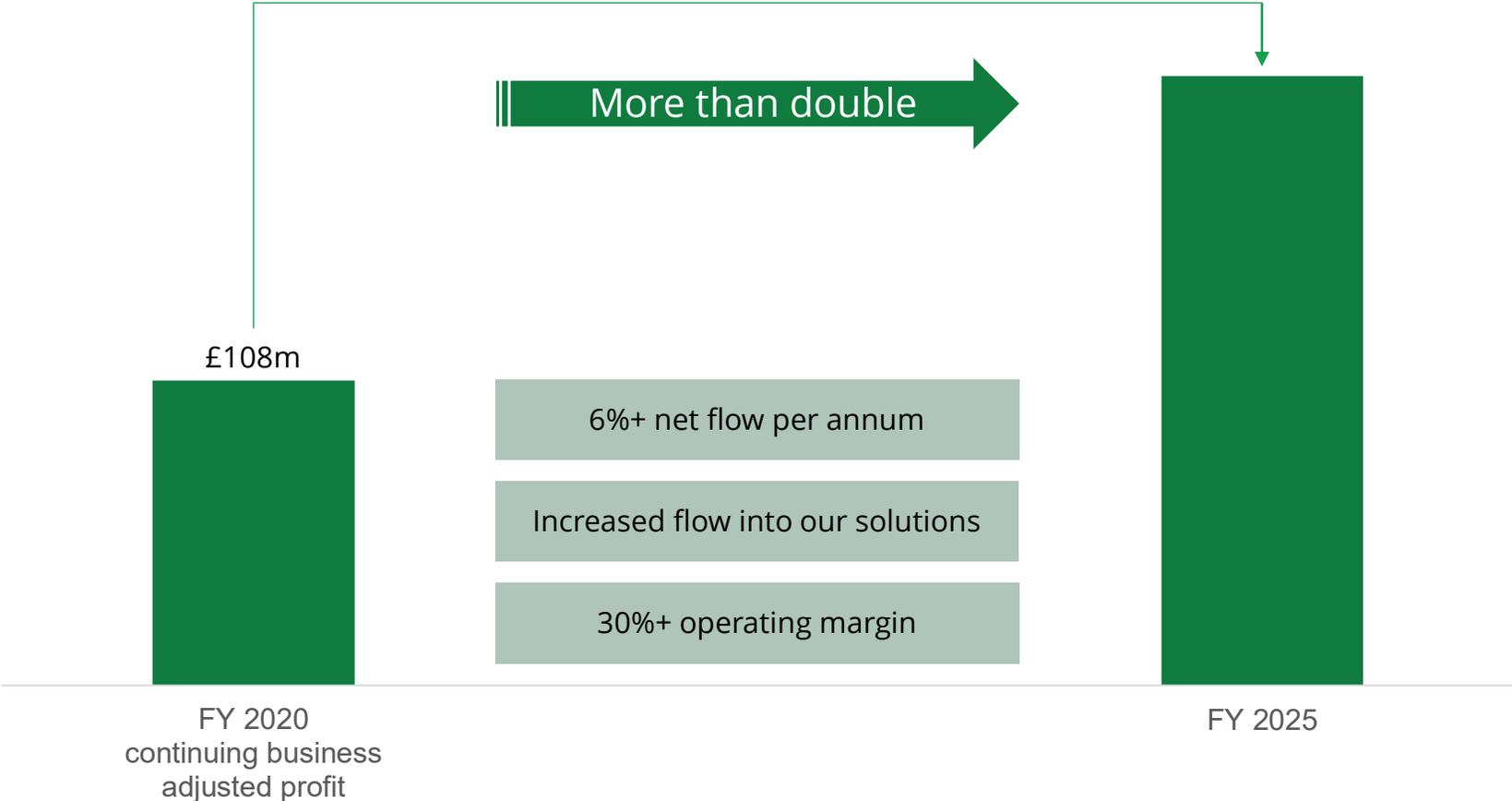
# Next phase of Optimisation: Simplification



1. 2020 continuing expenses.

# P&L concluding remarks: to more than double adjusted profit by 2025

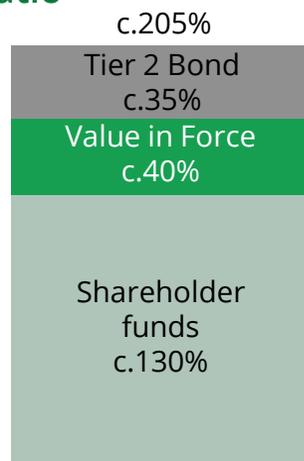
Expect to deliver mid-teens EPS growth and to more than double adjusted profit by 2025



Note: Not to scale.

# Cash, capital and dividend

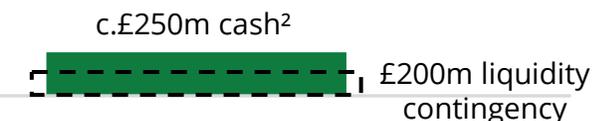
## Solvency II ratio<sup>1</sup> (%)



## Head office assets & liabilities (£m)



## Holding company liquidity (£m)



### Liquidity

- Aim to maintain £200m contingency to cover 1: 200 stress event
- Subsidiary dividend policy returns cash to holding company to manage centrally

### Capital

- Expect Solvency II ratio to trend down over time but liquidity the binding constraint
- Could consider refinancing Tier 2 Bond at call date with senior/ICAAP-compliant instrument given high Solvency II ratio<sup>3</sup>

### Net free cash

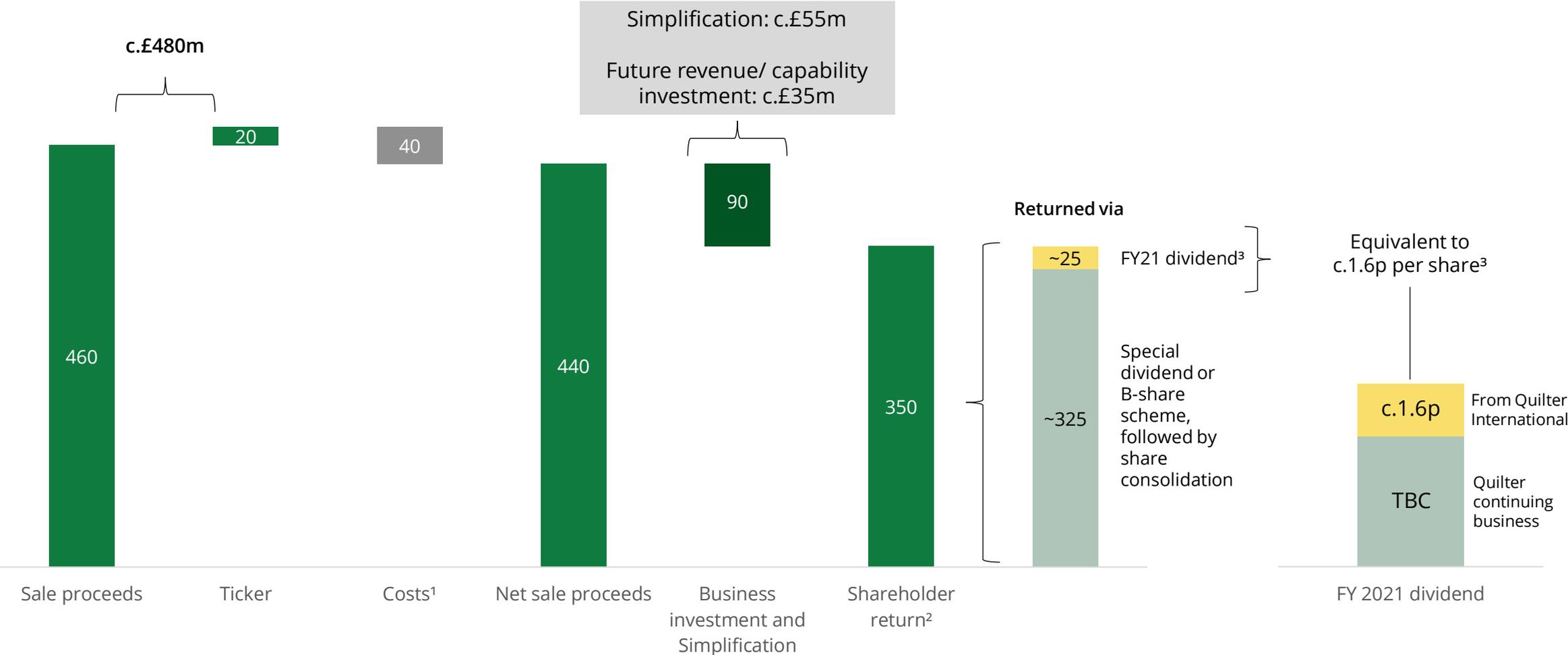
- 80% free cash conversion ratio maintained reflecting new business capital strain
- 10% free cash retained for bolt-on acquisitions

### Dividend

- **New dividend policy of 50% to 70% of adjusted post-tax post-interest profit**

1. 2020 continuing business basis, post-capital return.  
 2. Post-capital return and Optimisation/Simplification spend.  
 3. Subject to regulatory approval.

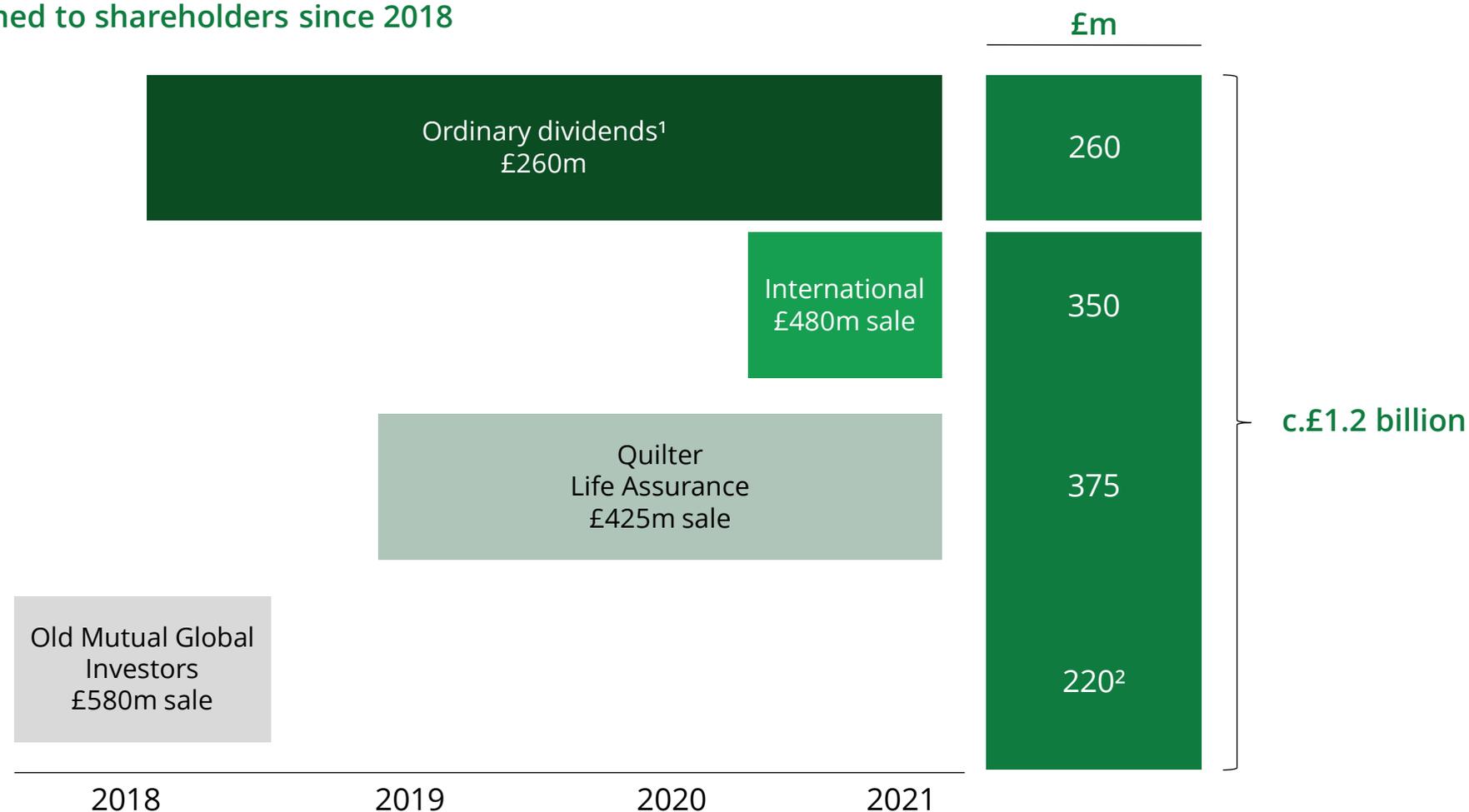
# Quilter International: c.75% of gross proceeds returned to shareholders



Note: FY 2021 dividend chart not to scale.  
 1. Total separation costs, including legacy TSA decommissioning.  
 2. Subject to regulatory approval.  
 3. Based on grossing up the H1 2020 interim dividend on a pro rata basis.

# Nearly 50% of market cap at Listing returned to shareholders

Capital returned to shareholders since 2018



1. Ordinary dividends inclusive of 2018 final through to 2021 interim.  
 2. Additional £300m paid down pre-IPO debt from Parent.

# Targets and outlook

<b>Net flow</b>	<ul style="list-style-type: none"> <li>➤ Target net flows growth of at least 6% of opening AuMA per annum over medium-term from 2022 onwards, with a higher percentage growth rate from the Affluent segment</li> </ul>
<b>Revenue margins</b>	<ul style="list-style-type: none"> <li>➤ High Net Worth managed assets (Quilter Cheviot) broadly stable around 70bps</li> <li>➤ Affluent managed assets (Quilter Investors) mix dependent, between mid-40s to 50s bps</li> <li>➤ Affluent administered assets (Quilter Platform) trending down c.1bp p.a.</li> </ul>
<b>Expenses</b>	<ul style="list-style-type: none"> <li>➤ Expect 2021 continuing business outturn to be less than £500m</li> </ul>
<b>Adjusted profit</b>	<ul style="list-style-type: none"> <li>➤ Expect to double adjusted profit by 2025 from 2020 continuing business base</li> </ul>
<b>Operating margin</b>	<ul style="list-style-type: none"> <li>➤ Targeting steady improvement to at least 25% in 2023 and 30%+ in 2025, with operating leverage to drive further improvement</li> <li>➤ Assuming broadly stable markets and net flows in line with Group target</li> </ul>
<b>Earnings per share</b>	<ul style="list-style-type: none"> <li>➤ Expect to deliver mid-teens growth on average through to 2025, from 2020 continuing business base</li> </ul>
<b>Dividend</b>	<ul style="list-style-type: none"> <li>➤ Policy pay-out range revised to 50% to 70% of post-tax, post-interest adjusted profit</li> </ul>
<b>Quilter International</b>	<ul style="list-style-type: none"> <li>➤ £350m return, of which c.£25m via 2021 total dividend and c.£325m via special dividend or B-share scheme followed by share consolidation, subject to regulatory and shareholder approval</li> </ul>
<b>Share count</b>	<ul style="list-style-type: none"> <li>➤ Expect to be c.1.4bn post-share buyback and total return of £350m from Quilter International proceeds assuming capital distribution is approved by regulators/shareholders in H1 2022</li> </ul>
<b>Below the line items</b>	<ul style="list-style-type: none"> <li>➤ c.£55m cost to achieve in respect of Simplification</li> <li>➤ c.£35m revenue/capability investment</li> </ul>

# Concluding remarks

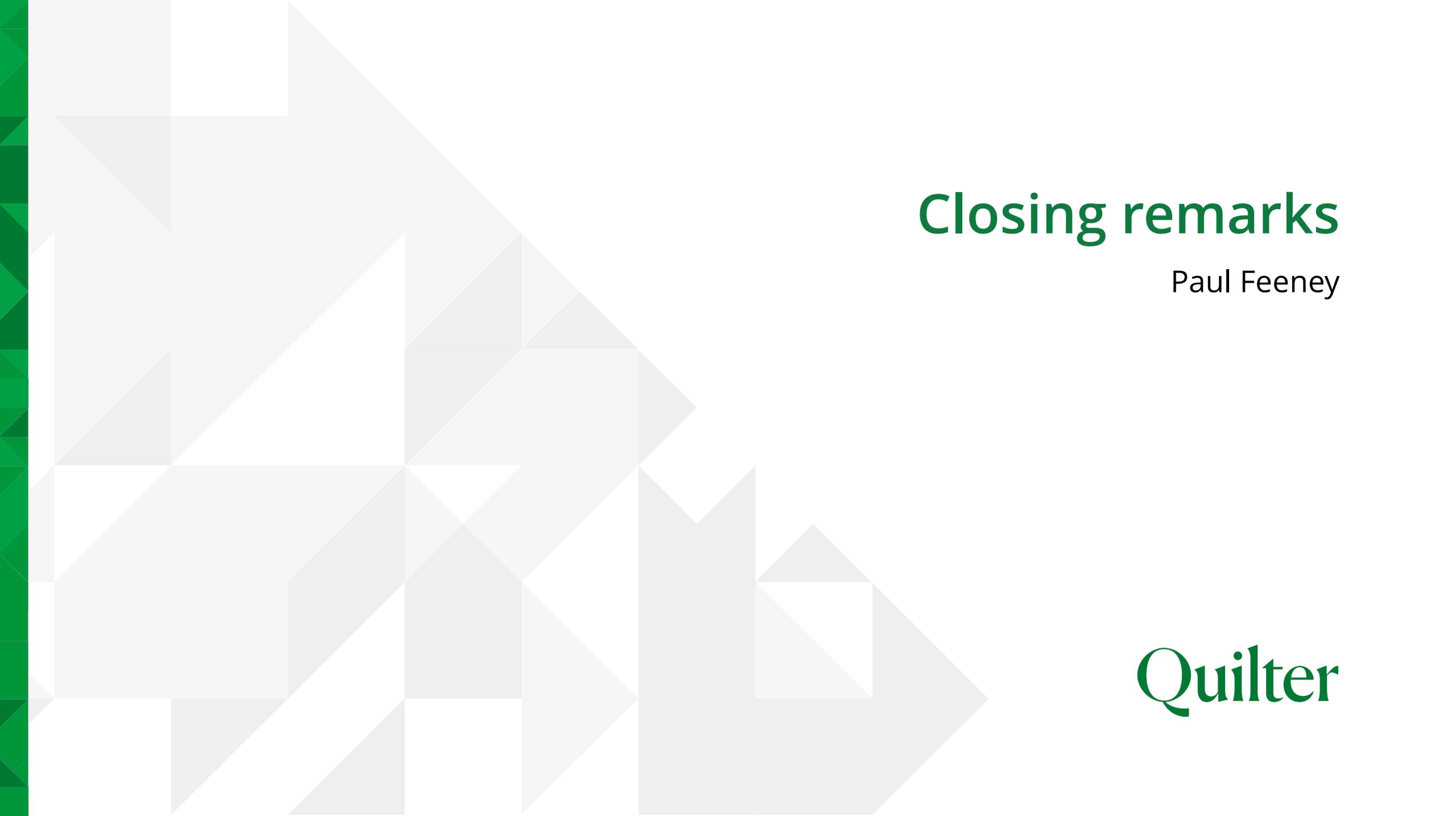
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Ambitious but  
achievable  
targets

Continuing to  
invest

Strong  
shareholder  
returns

£350m special  
capital return by  
end-June 2022



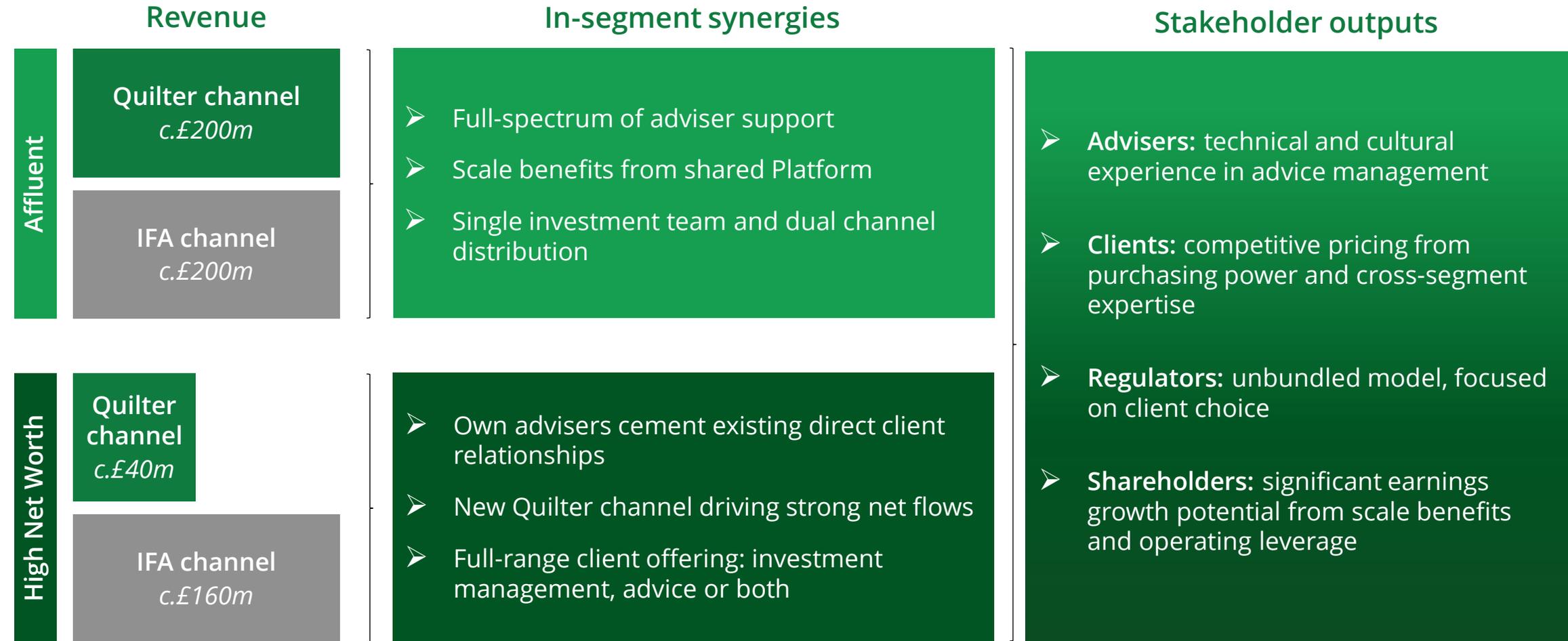
# Closing remarks

Paul Feeney

Quilter

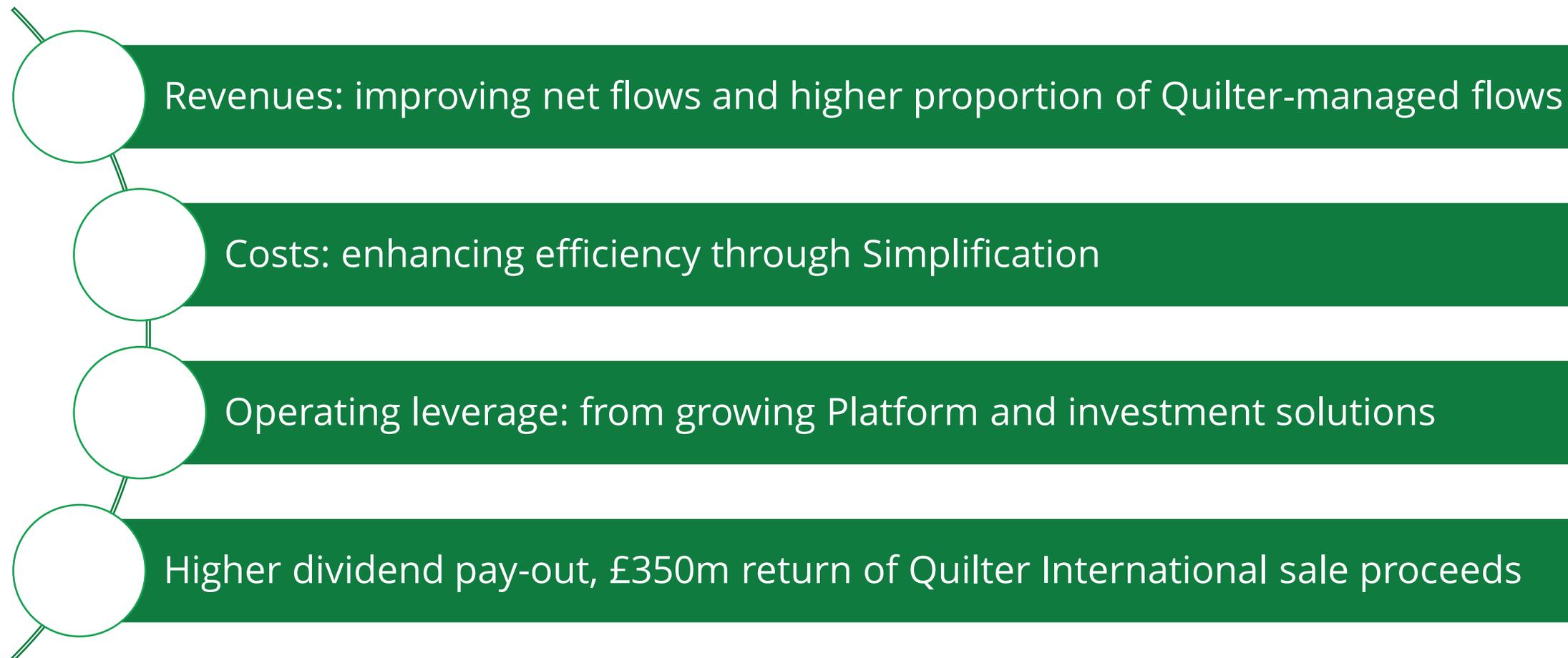
# What you have heard today

## Cohesive and balanced business model meeting all stakeholder needs



## Delivering growth and efficiency: our investment case

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# Q&A

Paul Feeney  
Mark Satchel  
Karin Cook

# Quilter



**Appendix**

**Quilter**

# Key historic financials: Quilter plc continuing business

<b>Total continuing business</b>	<b>FY19</b>	<b>FY20</b>	<b>1H20</b>	<b>1H21</b>
Net management fees (£m)	469	446	220	242
Other revenues (£m)	118	118	59	62
<b>Total revenues (£m)</b>	<b>587</b>	<b>564</b>	<b>279</b>	<b>304</b>
Expenses (£m)	(460)	(456)	(232)	(248)
<b>Adjusted profit (£m)</b>	<b>127</b>	<b>108</b>	<b>47</b>	<b>56</b>
Gross sales (£bn)	10.6	9.8	5.3	6.7
Net flows (£bn)	(0.3)	1.5	1.0	2.0
Net flows / opening AuMA (%)	(0.4%)	1.6%	2.2%	4.0%
Market and inv't perf' (£bn)	10.8	5.1	(3.7)	5.4
AuMA (£bn)	92.4	99.0	89.7	106.4
Average AuMA (£bn)	87.2	90.2	87.8	101.7
Asset retention (%)	87%	91%	91%	91%
Revenue margin (bps)	54	49	50	48
Operating margin (%)	22	19	17	18

Note: Unaudited pro forma.

<b>Total revenues (£m, pro forma)</b>	<b>FY19</b>	<b>FY20</b>	<b>1H20</b>	<b>1H21</b>
<i>Affluent segment</i>	388	370	180	199
<i>High Net Worth segment</i>	196	193	97	105
<i>Head Office</i>	3	1	2	-
<b>Total revenues</b>	<b>587</b>	<b>564</b>	<b>279</b>	<b>304</b>

<b>Total expenses (£m, pro forma)</b>	<b>FY19</b>	<b>FY20</b>	<b>1H20</b>	<b>1H21</b>
<i>Affluent segment</i>	(269)	(265)	(134)	(155)
<i>High Net Worth segment</i>	(155)	(154)	(79)	(79)
<i>Head Office</i>	(36)	(37)	(19)	(14)
<b>Expenses</b>	<b>(460)</b>	<b>(456)</b>	<b>(232)</b>	<b>(248)</b>

<b>Total adjusted pre-tax profit (£m, pro forma)</b>	<b>FY19</b>	<b>FY20</b>	<b>1H20</b>	<b>1H21</b>
<i>Affluent segment</i>	119	105	46	44
<i>High Net Worth segment</i>	41	39	18	26
<i>Head Office</i>	(33)	(36)	(17)	(14)
<b>Adjusted pre-tax profit</b>	<b>127</b>	<b>108</b>	<b>47</b>	<b>56</b>

# Presenting our flows in line with client segmentation

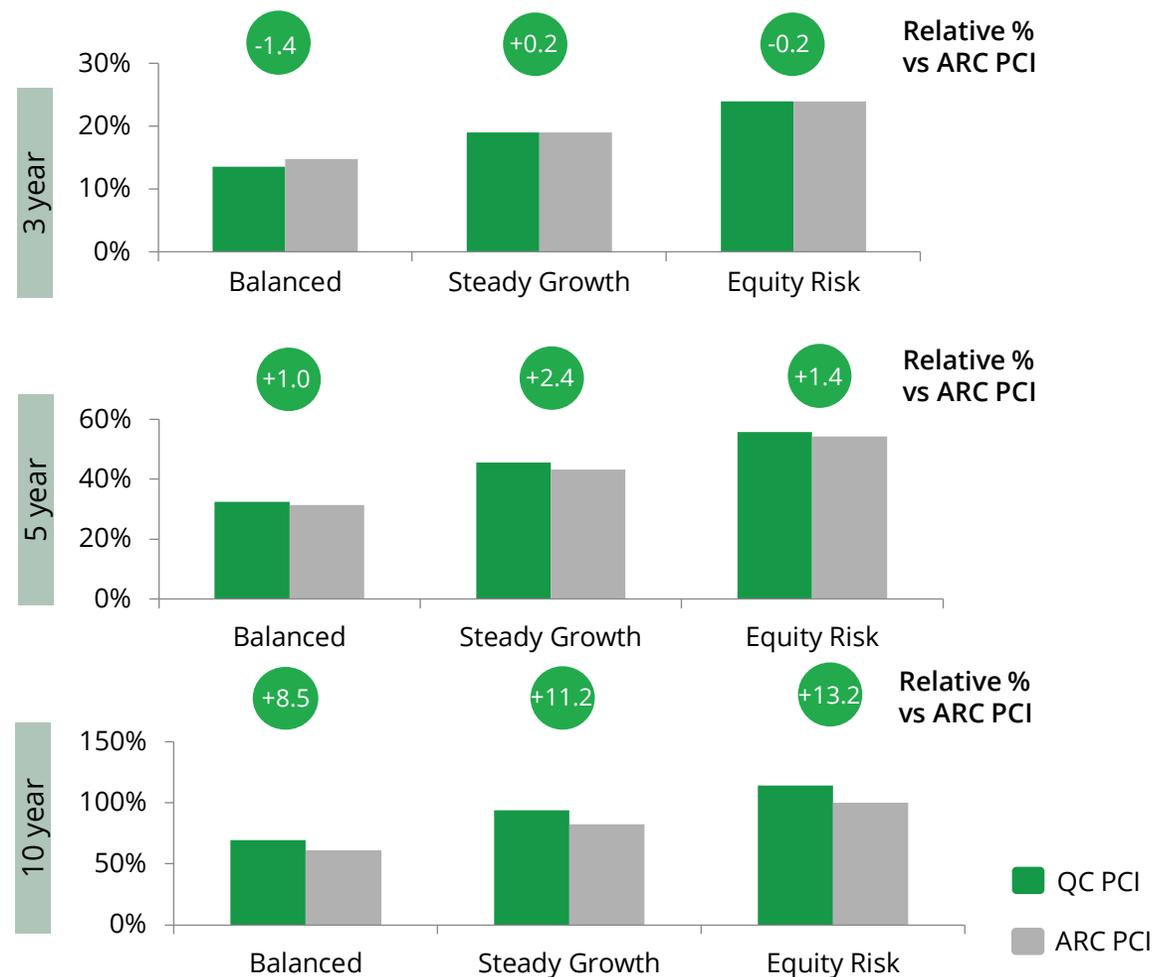
Q3 2021 YTD	Opening AuMA (£bn)	Gross flows (£m)	Net flows (£m)	Closing AuMA (£bn)	Of which: Quilter Solutions AuMA (£bn)	Annualised net flows/ Op AuMA	Expect to grow over time	
<b>Affluent segment</b>								
Quilter channel	9.6	1,915	1,337	11.3	7.4	19%	 <p>% of Platform assets managed by Quilter Investors</p>	
IFA channel	52.8	4,760	1,371	58.3	7.4	3%		
Non-core business	1.4	63	(28)	1.4	0.2	(3%)		
<b>Sub-total (=Quilter Investment Platform)</b>	<b>63.8</b>	<b>6,738</b>	<b>2,680</b>	<b>71.0</b>	<b>15.0</b>	<b>6%</b>		
<b>via Third party platforms:</b>								
Quilter channel	4.7	752	181	4.7	5.0	4%		
IFA channel	2.4	226	(345)	2.5	2.5	(21%)		
Non-core business	2.8	144	(276)	2.7	2.7	(14%)		
<b>Sub-total</b>	<b>9.9</b>	<b>1,122</b>	<b>(440)</b>	<b>9.9</b>	<b>10.2</b>	<b>(6%)</b>		
<b>Total Affluent segment</b>	<b>73.7</b>	<b>7,860</b>	<b>2,240</b>	<b>80.9</b>	<b>25.2</b>	<b>4%</b>		
<b>High Net Worth segment</b>								
Quilter channel	2.1	366	290	2.4	2.4	19%	 <p>% of Quilter AuA managed in Quilter solutions</p>	
IFA channel and Direct	23.2	1,696	487	25.2	25.2	3%		
<b>Total High Net Worth segment</b>	<b>25.3</b>	<b>2,062</b>	<b>777</b>	<b>27.6</b>	<b>27.6</b>	<b>4%</b>		
<b>Total</b>	<b>99.0</b>	<b>9,922</b>	<b>3,017</b>	<b>108.5</b>	<b>52.8</b>	<b>4%</b>		
<b>Quilter Investment Platform</b>	<b>63.8</b>	<b>6,738</b>	<b>2,680</b>	<b>71.0</b>	<b>15.0</b>	<b>6%</b>		
<b>Quilter Investors</b>	<b>23.2</b>	<b>4,151</b>	<b>529</b>	<b>25.2</b>	<b>25.2</b>	<b>3%</b>		
<b>Quilter Cheviot</b>	<b>25.3</b>	<b>2,062</b>	<b>777</b>	<b>27.6</b>	<b>27.6</b>	<b>4%</b>		
<b>Quilter channel</b>	<b>16.4</b>	<b>3,033</b>	<b>1,808</b>	<b>18.4</b>	<b>14.8</b>	<b>15%</b>		
<b>IFA channel</b>	<b>78.4</b>	<b>6,682</b>	<b>1,513</b>	<b>86.0</b>	<b>35.1</b>	<b>3%</b>		
<b>Non-core business</b>	<b>4.2</b>	<b>207</b>	<b>(304)</b>	<b>4.1</b>	<b>2.9</b>	<b>(10%)</b>		

Note: Difference in Quilter Channel AuMA on third party platforms in Quilter Solutions relates to the administration of the Climate Assets fund.

# Investment performance: High Net Worth

## Quilter Cheviot returns

Quilter Cheviot performance vs. ARC Sterling PCI Index, at 30 June 2021



## Strong performance vs peers

Quilter Cheviot PCI Quartile Ranking in ARC Private Client Index, at 30 June 2021

	1 year	3 years	5 years	10 years
ARC PCI Balanced	2	3	2	2
ARC PCI Steady Growth	2	2	2	2
ARC PCI Equity Risk	2	2	2	1

1: Top quartile 2: Second quartile 3: Third quartile 4: Bottom quartile

## Climate Assets Fund 11 year-long outperformance track record

Cumulative performance, at 30 September 2021

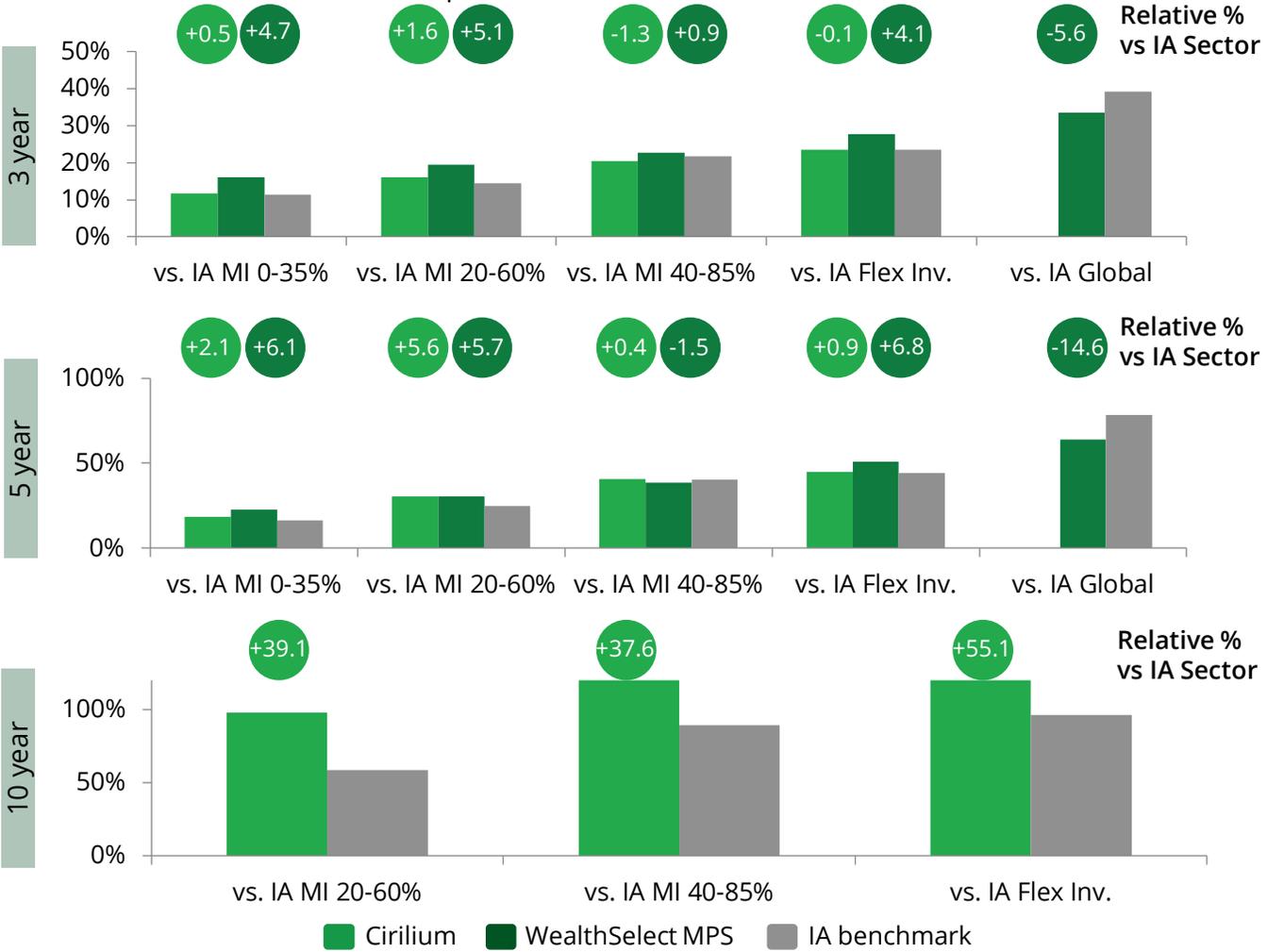
%	YTD	1 year	3 years	5 years	Since inception
Climate Assets Fund – B Acc	8.56	13.05	32.69	51.66	173.13
IA Mixed Investment 40-85% share sector	7.99	16.63	21.30	39.40	118.27
MSCI PIMFA Balanced Index	7.98	15.98	18.40	37.85	138.01

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

# Investment performance: Affluent

## Cirilium & WealthSelect MPS

Performance vs respective Investment Association sector average  
 Cumulative returns: as at 30 September 2021



Note: Past performance is not a guide to future performance and may not be repeated. Cirilium Active and Passive or WealthSelect MPS Active and Blend, total return net of fund fees, percentage growth is AUM weighted. Cirilium Blend has not been included due to not having a 3-year track record. 'IA Global' sector is not a like-for-like comparator for a diversified multi-asset portfolio such as Wealth Select. UK: Suitable for professional clients.

# Mechanism and timetable for capital return

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<b>Distribution mechanism</b>	<ul style="list-style-type: none"><li>➤ Special dividend or B-share scheme followed by share consolidation</li><li>➤ Share count post-share buyback and Quilter International proceed return, assuming capital distribution is approved by regulators/shareholders, expected to be c.1.4bn</li></ul>
<b>Completion</b>	<ul style="list-style-type: none"><li>➤ Proceeds to be received by end-2021</li></ul>
<b>Board and regulatory approvals</b>	<ul style="list-style-type: none"><li>➤ Carried out as part of 2021 year-end process. Formal announcement alongside FY results</li></ul>
<b>AGM</b>	<ul style="list-style-type: none"><li>➤ Shareholder approvals required for issuance and redemption of B-shares</li><li>➤ Circular to be published</li><li>➤ May 2022 General Meeting to feature resolution to approve the return</li></ul>
<b>Distribution to shareholders</b>	<ul style="list-style-type: none"><li>➤ Expected by end-June 2022</li></ul>



Quilter