Quilter 2023 Full Year Results

6 March 2024

Steven Levin: Good morning, everyone, and welcome to our 2023 full year results.

I'm going to do three things this morning. I'm going to take you through our business highlights, I'm going to cover the flows and improved momentum that we're seeing, particularly in our Affluent segment, and I'm going to update you on the three key strategic priorities that we've set out. Mark will then walk through the financials and I'll summarise and take Q&A.

We're one year into the changes that I want to implement and we're in good shape. We've delivered strong profit and markedly higher operating margins.

Let me start with a few of the key highlights.

The 2023 results were really strong. We achieved a 25% increase in adjusted profit to £167 million. That's by far the highest profit we've achieved with the current portfolio of businesses. It reflects robust cost performance and higher revenues. As a result, our operating margin at 27% was above our 2025 target. Our business transformation plans are well on track. We've driven hard on our simplification programme and we've delivered that a year early. Earnings per share increased 19% and the Board is proposing a total dividend of 5.2p, an increase of 16%.

So, all in all, a year of really strong progress and good returns for shareholders.

Now, a year ago I set out my three clear priorities to improve our business and, as you can see, we've been really busy. Let me draw out a few things that we are particularly proud of.

First, in Building Distribution, Quilter Partners moved from pilot to implementation. We completed around £750 million of back book transfers and we overtook our nearest platform peer to become the largest adviser platform by assets and new business flows.

Secondly, we've materially enhanced our proposition delivering a CashHub, tiered adviser charging and adviser co-branding.

And third, we've worked really hard on efficiency and I'm particularly pleased that we've delivered our targets ahead of schedule.

Let's now turn to flows. As you know, it was a tough year for business across the market, but we are really pleased with our progress. The Quilter channel again delivered strong net flows in both segments. 17% of opening assets in High Net Worth and 10% in Affluent. Gross inflows in High Net Worth held up well, but year on year net flows were flat. Like our peers, we saw a rise in outflows in the IFA and Direct channel. That's for two main reasons.

First, a larger number of higher value withdrawals from clients as a response to higher interest rates, and secondly, the impact of IFA consolidation, as some IFA firms did move assets. So far in Q1 this year, we've seen modest positive inflows in High Net Worth and we expect an improving trend through the year. Finally, in Affluent, IFA new business flows of £5.3 billion were up 7% year on year in a market that was down overall. So, a pretty good outcome, which meant that our share of IFA flows increased to 8% from 7.4% in 2022.

The next slide gives a perspective of what's happening across our solutions.

First, in line with the industry, the High Net Worth segment saw growth that has been predominantly been in the managed portfolio space. And we see considerable scope for future growth here. In

Affluent, outflows from Cirilium Active were more than offset by inflows and switching into Cirilium Blend, Passive and WealthSelect. The breadth of our offering enables us to meet changing client demands and adapt to the trend away from Fund of Funds towards MPS solutions. And this works for Quilter too. While we do give up a little bit of margin when this happens, it means we retain the assets.

Overall, there were core business inflows into our Affluent solutions of £1.5 billion, representing around 6% of net opening balances. That is an excellent result in the context of the market last year.

The bottom right graph shows the breakdown of assets in Quilter Investors. A few years' back it was highly dependent on Cirilium Active, but now Cirilium Active is supported by Blend and Passive variants. And WealthSelect has become our largest range after delivering strong investment performance.

We've also started to introduce WealthSelect to selected third party platforms this year. This breadth puts our solutions in a far stronger position.

Turning to the Affluent segment, the business is delivering really strong results. We see a huge opportunity for further profit growth here. When you look under the bonnet, we have three highly complementary revenue streams across our portfolio.

First, our Platform which is differentiated from peers by its scale, its strong service and its leading proposition. We are now the UK's largest adviser platform by assets and flows and our Platform has operating metrics which are as good as any in the industry. It's also highly scalable and offers strong operational leverage.

Second, our solutions business, Quilter Investors. This supports our own advisers and IFAs by providing effective risk-based investment choices to clients at good value and this business is also highly scalable.

Finally, distribution. As well as the strong position we have in the IFA market, we've got our own Quilter channel which has consistently generated new flows. But this business isn't yet fully optimised and that's contributing to higher costs. Our simplification plans will address this, reducing costs and improving productivity.

That said, we've already made good progress in the Affluent segment.

First on the top left, you'll see we've continued to gain share of flows across the advised platform market. That's the green line. Not only is our share of new business the highest it's been since well before our Platform transformation, but it is higher than our share of stock for the first time in a long while. And that's really important because it means our stock of business is getting gradually younger and therefore of longer potential duration and that will drive an improving net flow position.

Second in the top right, you'll see that whilst overall number of restricted advisers were broadly flat year on year, gross flows per adviser have increased to £2.8 million. We're continuing to improve productivity with an increase of 22% over the last three years and this has significantly lowered the gap between us and some of our competitors. We're now at a base from which we are looking to grow adviser numbers.

But a note of caution. The year end figure includes a firm of 27 advisers who sold themselves to a competitor in January. We looked at that deal, but the price just didn't stack up to deliver shareholder value. There is a slide in the appendix which sets out the base level from which we will look to grow our Affluent RFPs.

The bottom left looks at gross and net flows on our Platform. We really outperformed the market here increasing gross new business flows by 9% in a shrinking market. Our net flows were down year on year, but way less than the market. Across the industry, there were actually only £9 billion of net inflows in the year, and Quilter took almost £2 billion of that. That's around 20%. And I think that's a great result.

Finally in the bottom right, you can see our back book transfers. At the interims, we said were aiming to do more in second half and we did that, delivering around £750 million for the year overall. And we'd expect a similar outcome this year.

So, we've got a strong Affluent business delivering good results today and we've got clearer plans to improve it even further.

A year ago, I made driving efficiency one of my key priorities. We delivered an operating margin of 27% in 2023. We're now focused on getting to the 30% medium-term target that we've set driven by the three programmes you can see on the left. Advice transformation, the evolution of our High Net Worth operating model, and organisational simplification.

Now, I'm not going to put a timeframe on how long it will take, given both markets and our own investment plans. But we are certainly planning to move at pace.

Let me update you on each of the programmes.

Transformation of our advice business will come from three focus areas. Building the right advice business, recruiting the right advisers and investing in the right advice firms for tomorrow. We are investing in our adviser technology to reduce cost and enhance productivity which will also make Quilter a more attractive destination for advisers. And that will support our longer-term growth trajectory as well.

We're in the scoping phase of this project and I'm pleased with the progress so far. The project's got a three to four year timeframe, with milestones offering incremental updates and benefits along the way.

Second, we know we need to increase the growth rate of our adviser base significantly. We've completed a period of strategic alignment of our existing firms and you can see the benefit of that in our adviser productivity. We've now re-invested in our recruitment team, we've increased organic recruitment and seen a decline in adviser attrition. In fact, the majority of losses last year were advisers retiring. But importantly, with our varied adviser exit options, we've maintained both the clients and their assets.

The big delta here is within the actual network firms where market headwinds have held back their own recruitment, but as conditions improve, we will support those firms to grow.

We are also in the process of upgrading our current Financial Adviser School into a broader Academy. We want to ensure that advisers land not just with the qualifications, but also with the soft skills and the knowledge of our systems and our processes so that they can be successful.

We've hired a new experienced hand to drive this and we're investing to scale up the number of candidates enrolled in our Academy significantly over the next few years.

We expect these three initiatives, the direct recruitment, supporting network firms and upgrading our adviser school to contribute to momentum in adviser numbers this year and to deliver more meaningful growth from 2025 onwards.

Finally, we want to ensure that we've got a proposition that fits for advisers across the whole spectrum. At the interims, I said were piloting Quilter Partners. Quilter Partners fills a gap in our portfolio for both existing network and external firms. But it won't be for everyone, but it's a strong proposition for a firm who might have considered moving to a consolidator.

We've now taken three businesses through the pilot to become Quilter Partners and we've got a further four firms in the final stage. We're investing to give them capital to grow, which we believe will be highly accretive to shareholder returns.

Now let me turn to our High Net Worth business.

We are continuing to invest and to broaden our High Net Worth franchise by adding investment managers and advisers. We expect the total number of client-facing professionals to reach 300 in the medium term.

Our focus in 2023 was ensuring that we had advice capability in every Quilter Cheviot office. With that in place, our aim now is to bring in advisers who can attract clients with more complex financial needs and to build a higher value client base.

Investment performance is strong across all timeframes and we expect that to translate into continued momentum in flows, particularly into MPS on platform.

We're also delighted to have our new CIO join this week. She brings deep experience in the High Net Worth space.

In terms of efficiency, we are simplifying our corporate structure into a single authorised entity later this year. Importantly, this will allow us to manage client relationships in a more seamless way and to reduce costs.

The first visible step in moving towards the single operating model was the rebrand of our High Net Worth financial planning business to Quilter Cheviot Financial Planning. And you can see some of the branding on the right of the slide here.

Now an update on the last of those three initiatives that will deliver the 30% operating margin. That's the simplification programme.

The first phase, targeted savings of £45 million, and that was delivered a year early by the end of 2023.

The second phase is well underway. We're targeting a further £50 million of savings by the end of 2025.

The Advice Transformation and High Net Worth evolution plans that I've covered, will play an important part here, together with simplifying our governance structures and fully implementing our two segment model.

Now let me turn to the external environment. There are two topics I want touch on today. One is consumer duty and the other is ongoing adviser servicing obligations.

Let me start with Consumer Duty. As you know, we built Quilter to be a modern wealth manager with clients at the centre of all we do. The nature of our business model meant we were well positioned for the introduction of Consumer Duty, but we recognise that Consumer Duty also creates an expectation for firms to continuously improve how they deliver customer value.

Recent initiatives include further enhanced processes to better support vulnerable customers, lower platform and Cirilium Active pricing, tiered adviser charging, a communications toolkit to ensure our marketing is clear and understandable and embedding Consumer Duty principles across our culture.

We also supported advisers with managing their own Consumer Duty engagement and their compliance requirements.

Now, ongoing adviser service obligations. Delivering ongoing advice is core to how we operate and we have policies in place that underline the need for advisers to meet their obligations here. Where we identify problems or receive complaints, we investigate and remediate as necessary. Where appropriate, we also take action against the adviser.

Our complaints related to ongoing servicing have remained at a consistently low level over the last four years. However, as you know, in mid-February, the FCA wrote to around 20 advice firms, including

Quilter, requesting information regarding ongoing servicing. We strongly believe in the need to deliver good customer outcomes and in light of this, we have commenced a review of historical data and practices across our network to determine what, if any, additional action may be required on this issue. This may lead to remedial costs, but it's too early to quantify at this stage.

Right, before I hand over to Mark, let me conclude by repeating some of the targets that we're driving towards.

First, operating margin. We're already ahead of our 2025 operating margin target of 25%. An operating margin target of at least 30% is the right goal for us and I want to deliver that as soon as possible.

Next in terms of flows, we still expect to deliver a 4-5% flow rate when markets fully normalise and we expect to deliver modest profit growth this year off the strong base we delivered in 2023, again assuming broadly stable markets. And, so far in 2024, we've seen a better market environment for flows.

On that note let me hand over to Mark.

Mark Satchel: Thank you, Steven, and good morning everyone.

Now, the four messages I'd like you to take away are one, we've delivered a strong set of results which we can build on further. Two, the revenue margin has been resilient. Three, we've continued to deliver strong cost control. And lastly, our balance sheet remains in great shape, allowing us to deliver healthy dividend growth while having capacity to support our ambitions.

In terms of the numbers, adjusted profit and operating margin, they both stack up very well against market expectations.

Let me walk you through the details.

Starting top left, net flows of £0.8 billion in the core business were just under half of their level a year ago. Our average AuMA was broadly in line with that of the prior year.

And top right, you can see the slightly lower management fee revenue was offset by higher investment revenue.

Costs, bottom left, were down 3% to £458 million. By accelerating some of the simplification initiatives and maintaining cost discipline, we largely offset inflationary expense increases. As a result, we increased adjusted profit by 25% to £167 million. That gave an operating margin of 27%, up five percentage points on a year ago. And it means we exceeded our 25% by our 2025 target. We delivered adjusted diluted earnings per share of 9.4 pence, an increase of 19%.

This next slide takes a step back to look at slightly longer-term progress since we established the current business perimeter. Since 2020, we have improved our operating margin by eight percentage points, and this has led to a 55% increase in adjusted profit from the pro forma 2020 base and that's despite the market declines of 2022 and broadly flat markets in 2023. That has led to an 81% increase in EPS over the same period, supported by the capital return programme we undertook in 2022. We remain on track to reach our goal of doubling EPS by 2025 from the pro forma 2020 base.

Turning now to our two segments. Our High Net Worth business delivered a resilient performance this year. Revenues were flat despite modestly lower average AuM. Planned investment in the advice base led to higher costs and consequently a slightly lower profit. In the Affluent segment, revenues grew 2% supported by higher investment income which more than offset a decline in advice and investment management fees and the Cirilium Active reprice in the first half.

Costs remain well under control with a 5% year on year decline. As a result, the Affluent segment delivered an 18% increase in adjusted profit and a 5% improvement in operating margin. We are very pleased with this result.

Now let's turn to revenue margins, starting with our investment propositions. In High Net Worth, on the left, the overall margin was broadly stable with the share of margin earned on cash balances largely offsetting the impact of mix changes.

In contrast in Affluent, there were two main contributors to the funds management margin decline. First, the planned reprice of our Cirilium Active portfolios, and secondly, the mix effect from inflows and switches into lower cost products like WealthSelect, Cirilium Passive and Cirilium Blend.

Although the overall 2023 Affluent managed margin was 41 basis points, the exit run rate was around 39 basis points. Looking ahead, I would expect the overall margin to remain in a mid to high 30s basis points range, depending on mix.

Next, I wanted to explain the resilience of the Platform margin last year. While the overall margin was unchanged, there were two significant moving parts. First, repricing our Platform cost us around £18.5 million an annualised basis or around 2.5 basis points of Platform margin. And secondly, we are currently earning 130 basis points on around £1.3 billion of Platform cash, so income of around £17.5 million also on an annualised basis.

These two figures broadly offset, leaving the Platform margin unchanged.

Going forward, we'd expect some of the interest rate benefit to diminish and for mix effects to continue. As a result, my expectations would be for an annual decline of around a basis point a year.

This next slide walks you through our interest rate sensitivity to help you with your modelling. In both High Net Worth and Affluent, we use our pricing power to obtain higher interest rates than clients would be able to obtain themselves. In High Net Worth, we currently have around £1 billion of client cash balances which have reduced from around £1.4 billion at the start of 2023. We currently retain a margin of 75 basis points and we pass on the remainder to clients. And that means about 85% of the interest earned is passed onto customers.

In Affluent, our Platform sets out a clear sharing arrangement between clients and ourselves at different interest rate levels. As a reminder, the cash balances on our Platform are primarily to cover expected fees. So, we don't expect that balance to change meaningfully as the actual interest benefit to individuals is pretty modest.

On Platform cash, we pass the majority of the benefit on to clients. They currently receive around 70% of the interest we obtain and as a reminder, these are generally small balances.

Finally, in terms of shareholder cash balances, there was an average balance of around £1.5 billion last year which we expect to decline gradually over time. As a result, I'd expect 2024 to see a broadly similar investment return to 2023.

Let's now turn to the detail on costs where I'm very pleased with another year on year decline in the cost base to £458 million. And that was achieved despite inflationary headwinds and our investments in growth. And, as I always say, the important thing is managing down the base costs as a percentage of revenues and that's key to sustainable operating margin expansion.

You can see that the cost of revenue generating staff as a percentage of revenues was broadly stable, principally reflecting investment in the business. Variable compensation was also at a broadly similar proportion of revenues to 2022.

The waterfall on the right hand side summarises the main cost changes year on year. Increases came from inflation and investment in the business, including costs associated with Consumer Duty.

Cost reductions came from lower FSCS levies and, most significantly, management actions including acceleration of our simplification programme.

We did overachieve on costs in 2023 versus where we guided to at the interims, which was for a cost base of closer to £480 million. I've called out the main contributors to that in the pie chart here. Around 20% was from lower than anticipated FSCS levies, around 25% from lower than anticipated change spend, and the remainder came from accelerated simplification and direct management actions.

When it comes to thinking about 2024 costs, I'm expecting around £25 million of cost push from inflation, around £5 million brand investment, a further £15 million on business investment and our working assumption is that the FSCS levy will be at a more normal level, so around £10 million higher. Against that I'd assume around £20 million of in-year simplification benefit. Accordingly, we'd expect our 2024 cost base to see a mid to high single digit increase from the 2023 level.

Of course, I would also expect some additional costs related to the historic advice review that Steven mentioned, but am not able to quantify those at this stage.

Now let me turn to the balance sheet which as you know is in an extremely strong position with a year-end solvency ratio of 271%. I've set out the usual graphical walk showing the major movements in the solvency ratio and cash positions. These are all largely straightforward and the only notable point I would call out, is that we did have the benefit of a change in the way the PRA calculates our risk margin.

This has freed up around £80 million of capital and that has contributed to an increase in the Solvency II ratio of around 14 percentage points. That capital is still in our regulated life company, so that's why it doesn't show up as a cash benefit. My expectation is that we will upstream it to the holding companies later this year.

The Board has proposed a final dividend of 3.7 pence per share which, together with the interim dividend, takes the full year dividend to 5.2 pence. That's an increase of 16% on last year and represents a payout ratio of 61%.

And as I've also highlighted on the slide, we also conducted an Odd-lot Offer in 2023. Those shares have been transferred into our Employee Benefit Trust to fund future awards under staff share schemes.

Before I get to detailed targets, I want to say a few words on the operating environment. For 2024 we're anticipating a gradually improving environment for flows and market momentum, and interest rates gradually declining from around the middle of the year.

That should mean that investment income will probably remain elevated through the first half before starting to ease. We expect that to lead to a gradual shift in the nature of the P&L with broadly stable investment income offset by increasing fee revenues as markets pick up and flows increase, leaving us cautiously optimistic on the year.

You'll be familiar with our usual targets slide. The main points I'd call out are, as we've said several times today, we are ahead of where we expected to be on operating margin and we are focused on reaching our 30% target as soon as we can.

Secondly, as I've already noted, we do expect the Affluent Managed revenue margin to be a little lower than we previously guided given where we exited the year.

In summary, I'm very pleased about the profit performance in 2023 and current trajectory of the business. And with that, let me hand back to Steven.

Steven Levin: Thank you, Mark .

So, as you can see, we're doing a lot to invest in our business and drive towards our longer-term targets. Let me summarise how we responded to the challenges of 2023.

While the market was clearly difficult, we improved our Platform market share, achieving a very healthy level of flows in the Quilter channel and we continued to grow our share of IFA new business.

The Quilter Platform is now the number one advised market platform in the market for both assets and flows. And despite market consolidation, we've stabilised our adviser numbers in what remains a challenging environment.

We've offset P&L headwinds from high inflation and a lack of market momentum by maintaining strong cost discipline, reducing costs 5% in absolute terms over the last two years.

And to meet the demand from clients for cash investment products, we've added the CashHub to our Platform and specifically tax advantage investments for High Net Worth clients.

We all know about the large advice gap and the secular growth opportunity from an ageing population where self-provision for retirement is increasingly important. The chart on the left puts that into perspective.

Over the next decade, market forecasts suggest that face-to-face advice will experience a 6-7% compound annual growth rate. That will be driven by 1.5 million new customers entering the wealth management ecosystem, by meaningful intergenerational wealth transfers, by an increased uptake in advice from younger cohorts, as well as underlying market growth. There are a lot of customers who need advice given the broad lack of financial awareness across the population. This a significant opportunity for us and we intend to capture it.

Let me leave you with our vision of what we want Quilter to be. We are building the UK's best in class wealth manager for our clients and their advisers and we will achieve that by growing the number of advisers and investment managers, by supporting them with best in class technology to improve their productivity, by delivering strong and consistent investment performance, by building Quilter into a nationally-recognised brand and by continuing to drive efficiency.

We are really excited about the opportunity ahead and with that, let me open up for questions.

Greg. Sorry, Andy. You're always first, Andy. We'll go to Greg this time.

Greg Simpson
BNP Paribas: I've asked less than three questions. First, just going to go back onto or to go on to the topic of ongoing servicing. Could you give us some context around how your CRM and adviser data and monitoring cope with these are and have been in the past in terms of fulfilling those kind of requests if your requirements are to go back a number of years?

Then, a kind of a follow-up to that is, it seems like the regular, there is a kind of a push to kind of move more people out of ongoing advice from the regulator to cut people off or providers to challenge whether people need to pay for ongoing advice. Yeah, can you explain talk through how you can adapt the business model to change that different backdrop?

And thirdly, can we just have an update on the investment performance of the active side and if there's any kind of optimism around the flows going back into the Cirilium Active range? Thank you.

Steven Levin: Thanks, Greg. So first up on adviser servicing. I mean there not a lot I'm going to add to what I've said already. We've kicked off a review. We have not seen any increase in complaints, so our data doesn't reveal any change in complaints over the last few years. We've got clear policies and procedures and controls in place. Where we have seen any issues we have dealt with those, but that's what we've got in place. We felt it was responsible to kick off a wider review. We have got a network business. It's not something's going to happen overnight. We've got to gather data and engage across the business. So that will take some time, but we will update you as soon as we have more.

On the second question about is there a push to move away from ongoing advice? Look, we believe advice is critically important and we have done a lot of work historically on the value of ongoing advice and we completely maintain that view. We also know and believe, if we look at the advisers in our own network, look at the advisers that I deal with across the markets, the IFAs that we see, the advisers that we see are really focused on giving ongoing advice and supporting their customers. The advisers we deal with generally care very, very heavily about their clients and ensuring that they get good outcomes. Occasionally there may be some people in the advice industry who aren't delivering their expectations and you know that we will deal with. But by and large, the advice industry is an industry that really cares about customers and we think ongoing advice is critically important. We have changed through Consumer Duty. We have said that advisers have got to confirm and justify with every customer that they do need and want ongoing advice. So, there is the option that customers don't want that and don't need that and that's up for clients to decide. But we, as I say, we think that ongoing advice is critical for delivering outcomes.

The last point on investment performance. So, we made some changes to the Cirilium Active investment team. That was just over a year ago, just sort of November of 22. During the course of last year, we spent the year restructuring some of the portfolios and with portfolios of that size, it takes some time. The team running that, running Cirilium Active are the team that have been running Cirilium Blend and Passive very successfully and they've got a fantastic track record on Cirilium Blend. So, we're very comfortable that we've got the right processes, the right team in place. Performance last year was, let's call it was okay. We would like performance to be better, but it was, just to be clear, the year of a significant transition. We've been talking a lot to our advisers and to clients that are in those portfolios and explaining the transition that we've been going through and generally we've been receiving very good and positive feedback from that.

I think embedded in this all has been, as you're seeing across the industry, a shift to more lower cost solutions. So, Blend and Passive solutions as well. So, it's difficult to say exactly what the future flow outlook will look because of that sort of overlying thematic as well. But we think we've got the range of solutions with Active, Blend and Passive in Fund of Fund format and in managed portfolio service.

Thank you. Alright, Greg. Sorry, sorry.

Greg; That’s two shots.

Steven Levin: Two shots for Greg.

Andy Sinclair Bank of America: Andy Sinclair from Bank of America. Three as usual from me.

First, just on the £80 million benefit you mentioned from the risk margin change that you said you’d potentially upstream later in the year. What's the thought on this, or is it too early given what's going on with the ongoing advice servicing? Is that something to kind of hold back for now, but can either be used to pay for that or special capital return? Just thoughts on that cash.

The second thing was the Advice School/Academy, whatever we want to call it. Great to hear some plans to get that to over 80 graduates by 25. Just wondering, can you give us the numbers in the Adviser School today? How's that changed over the last year, how many graduated in the last year?

And then third was just on wider adviser headcount. You've said you want to grow the advice force in 24. Again, great to hear. But also mentioned that headwind of 27 in Q1. Are you still expecting to grow even allowing for that 27 headwind or is it kind of growing from after that 27 headwind? And as part of that what sustainably do you need to grow to get to that 4-5% flows target? What do you need for adviser growth? Thank you.

Mark Satchel: Andy, the first one, the £80 million, it probably is just a bit too early. I've outlined before the sort of deliberations that the Board goes through in terms of contemplation of things like dividends and capital

and the position of the business and I'm expecting that we'll continue to have those discussions at a Board level as we go forward.

Steven Levin: Thanks, Andy. So, on the questions about the Academy. So, the Academy, we got 48 graduates over the last year that came through into our advice business. The number of people in the school is typically around 100 and we're looking to grow that. Not all of them become restricted financial planners, so the number that I gave is the restricted financial planners, so some start out and become mortgage advisers first and that can be the training ground for the future and they can come into our network on that basis. But I think the number you're most interested in is the number that we quote as a restricted financial planner number. And obviously not everyone who goes through the school does get through the qualifications. We've made some changes to improve that as well. So, the changes in the Academy, we've added a couple of weeks to the programme. We think that will just help on getting the success rate through and converting it into an Academy and doing those softer skills and teaching the advisers about our own processes I think will allow them to hit the ground running a lot faster. But what that does is that's lengthened the course a bit, so there's that factor as well as to how it is. But we're looking to grow and so that 80 number that we've given for 2025, that again is the number that we'd want to turn into restricted financial planners. There'll obviously be a bigger number than that in the school, just allowing for some that will not finish and some that will become mortgage advisers.

And your last question, sorry, on adviser headcount. Look, we have said previously we are always going to be responsible with shareholder money. We are not going to chase deals that we don't think deliver value and we have pointed out that it has been sort of a pretty hot market. So, you know if things like that happen, we will do what we believe is the right thing. We've set out and we've clearly disclosed what we've seen and we've got a base in the appendix. We're looking to grow from the base that we've given and in terms of the level of growth, we're not going to give a more detailed forecast than that at this point.

Yes, Enrico?

Enrico Bolzoni
JP Morgan: Hi, thank you. It's Enrico Bolzoni, JP Morgan. A couple of questions from me please. So, first of all, just briefly going back to the assessment you're doing with respect to the ongoing advice fees, can you just confirm whether the current system you have in place to log interaction with clients has been the same for the last few years or for example, if it changed when you also completed the re-platforming or if the two things are completely unrelated, just like to see if there's some consistency in the system you've been using in the past.

The second question relates to the school again. So, can you just give us an idea again of what's the differential in productivity between the adviser that just graduate from the school and the existing one and whether you think that actually, with the changes you're making the gap will shrink so the new adviser will be more productive from the beginning?

And then finally, I was just keen to hear your thoughts, this a question that's been partially been asked already, but in light of these changes and regulatory pressure and the need to be sure that everything is logged and there's full transparency, do you think that actually this will be a tailwind or an headwind when it comes to the trend of more IFA businesses considering becoming restricted in the future and maybe being supported by a bigger umbrella structure as opposed to be on their own? Thanks.

Steven Levin: Thanks, Enrico. So, in terms of the first question, the adviser systems that we use, they have been the same in our advice business and they haven't been affected by the platform transformation. That's the answer to that one.

In the adviser school, so the differential in productivity, the advisers coming out of an adviser school, as you would expect, have materially lower productivity than an experienced and established adviser and it takes a few years for advisers to get up to the productivity levels of established advisers. We think our changes to the Academy will accelerate that, but we would still expect a new adviser to take a few years to build up to the level of productivity of the others. But across our book, we're managing an entire adviser force as a book.

And the last question on whether we expect there to be any headwinds or tailwinds on advisers becoming independent or restricted, I think that advisers are going to be increasingly attracted to quality. There are some very good quality IFA businesses out there and no challenge or concerns about that. But I think a business like Quilter, we have got the strength of our brand reputation, we do the right things, a fantastic proposition. We've got good technology which we're investing in even further. So, I think that in time, those things will actually help and be a sort of a driver towards quality.

What I will also just point out, which I think you've sort of obviously recognised, because of our business we have a natural level of diversification. We actually have three channels in our business. We've got the IFA channel in the Affluent segment, we've got our own advisers in the Affluent segment and we've got our High Net Worth channel and High Net Worth business. So, I think that level of diversification and natural strength gives us an advantage over many other companies in this space. Rahim?

Rahim Karim Investec: Morning, it's Rahim Karim from Investec. Two questions if I may. Can I just push you a little bit in terms of the comments you made about flows at the beginning of the year. How much of that is market and sentiment driven and are you seeing an impact from a reduction in the losses from consolidators and is that partly why you're more confident in the outlook for the rest of the year?

And then the second question is about M&A. If I'm reading the music well, you know that the organic progress that you're making probably makes you feel more confident about doing M&A, is that correct? And if so, where do you see the most interesting parts for the business?

Steven Levin: Thank you, Rahim. So, on flows it's difficult to say exactly what is driving the flows until we see some numbers from some of our peers, which will probably only come up at the end of Q1 when we get that data. We would put it down to some definite improvements in the market, but we think we're also making market share gains and we think some of the initiatives that we've done over the last few years are really starting to bear fruit. That's the feedback that we would get.

I think the slowdown in consolidation, I mean there was some reporting yesterday in some of the trade press with some details and showing some slowdown in the number of consolidated deals. And I think we have seen that. We get a sense that that is happening in the market. The interest rate, high industry environment and some of the challenges are certainly causing, I think, causing fewer deals and maybe some other distractions in some of the businesses out there. So, I think that can be contributed. But I would actually think that's probably the smallest impact that we've seen so far because I think that's been sort of more recent. But I think all of those factors apply. But I think we focused on making our business, getting our business into a really good position. We've said before that the market will turn and we want to make sure that when the market turns, we get out the blocks fastest. And I think that the initiatives we've done and have got have put us in a really good position for that.

On your second question about M&A, we've said before that we are looking and open to deals in the advice space. We've got this amount of capital that we've set aside that we will look to do bolt-on deals in the advice space. I've also said before that we're going to be really responsible about how we do that. So that's one area that we will look at. The other area that we will look at is in our High Net Worth space in terms of advice there as well as investment management teams. And we think that there can be some disruption in that market and opportunities there. So, those are the two main areas that we would look at. Yes.

Alex Medhurst Barclays: Yeah, hi, Alex Medhurst, Barclays. Thanks for taking my questions. Sorry to labour the point a little bit on the ongoing advice review, but I think it's important. Conscious of your comments that it's going to take some time to go through the reviews here. Can we just confirm whether you've got sufficient evidence to make that review? So, it's just an investigation into the practices or whether there's also any risk of there not being evidence from your own CRM systems of advice being provided in all cases.

A second question, just to follow up on that, have you had incoming from claims management companies yet on the topic of ongoing advice servicing?

And then just a separate question the adviser growth rate. Can you comment a little bit on your gross adviser adds during times 2023? You know, is that up or down year on year and where are those gross adviser adds coming from. Thank you.

Steven Levin: Thank you, Alex. In terms of your first question, we just kicked off a review. We are going to look holistically at both the delivery of the ongoing advice and the evidence of the ongoing advice. And I think they're both important and that's what we're going to do.

In terms of incoming from complaints, as I've said, we have not seen a material, we've seen no increase in our complaints over the last four years for ongoing advice. They're at a very low level and they've remained at very low level. That's what we've seen right up till now.

In terms of gross adviser adds, the number of advisers we added was higher last year than the year before. But you've seen the net numbers and in fact the number of attrition that we've had is also declining and a large part of the attrition actually has been retirements where we've retained the assets, as I said.

Sorry, I think we had James in the corner there, yeah.

James Allen Liberum: Thanks. James Allen from Liberum. Three questions if I can. First, the MPS was launched on other platforms. Which platforms has that been launched on and how's that going so far, appreciating it's probably early days.

At the application with the FCA for direct authorisation at Quilter Cheviot, what exactly does that mean and what are the benefits of that?

And then thirdly, you take samples of advisers to check whether they have records of ongoing advice being given to clients each year. How big is that sample on an annual basis just for context?

Steven Levin: Alright, so Marcus may have to help me because I can recall right now as I stand two of the three. So, the MPS has been launched on Parmenion and M&G and what's the third one? Morningstar. Morningstar. So, those are three platforms we've launched on. It's just been launched. We are looking to add it to more platforms as well, but it's just been launched and so the flows so far are negligible. And I do expect, to be clear, it will take time to build up, these things always do, but we think this the right initiative for the medium and longer term.

In terms of the second question which was about…?

Mark Satchel: DA application.

Steven Levin: DA application of QC. So, the way our business works at the moment is the advisers sitting in Quilter Cheviot are actually, they are authorised through Quilter Financial Planning, which is a separate company to Quilter Cheviot. So, at the moment we have to have some relatively cumbersome things in terms of Chinese walls, clients have to contract twice, things like that, that are just inefficient. And so, the process of getting QC as the legal entity directly authorised to give advice means that the advisers sitting in that business will no longer be authorised representatives of a sister company which sits in the Affluent segment. They will be directly sitting in the High Net Worth business and that will streamline a lot of things for just operational stuff within the business. And that will make we think benefits for both productivity and for costs. So that's the issue there, you know?

Mark Satchel: The size of the sampling that we…

Steven Levin: Oh. Yeah, we're not going to get into all the detail of that. We do a large range of checks of different types. We've got our policies, we've got controls. We do sampling. We do visits to adviser firms. We

do a range of things which gives us a sense of compliance with our policies. But as I said, we're going to do a more holistic review.

Any other questions? Should we go to… alright, we'll give Andy another chance because I was rude at the start.

Andy Sinclair Bank of America: It’s alright. Thanks. I'll just go for another couple then.

First, you've mentioned that 27 adviser firm that's going in Q1. Just can you give us an idea of what sorts of assets under management and administration they have with the group at the moment and what your expectations would be for that I guess and timeframe as much as anything.

And just on another question, sorry, on the provision, you've got different types of relationships with your advisers and network business, etc. Do you see any difference in the different types of adviser relationships you have and what that could mean for the ongoing advice servicing review?

Steven Levin: Okay. So, the advice business that we're talking about is around half a billion in AuM.

The second question is the relationships with, but you know we've got various different models within our advice business. We think that, but we don't expect to see material differences between whether it's a national or a network. I don't know at this stage. We're kicking off a review, but we haven't seen any differences in terms of our complaints experience or anything like that.

Shall we go to the lines? Yes.

Moderator: If you join us by the telephone today and you would like to ask a question, please press *1 on your telephone keypad now.

Moderator: A reminder, that’s *1.

Steven Levin: Okay. We're going on the web.

John-Paul Crutchley: The first question on the web is from Mike Christelis at UBS asking about what is the planned spend on the new Academy and will that come in below the adjusted profit line?

Mark Satchel: Okay, so the planned spend, the incremental spend I'm expecting this year is sort of in the low single £1 million sort of two to three kind of level and expect that over the years to probably ramp up to more like a £5 or £6 million over time. That won't come in below the line, that will come in above the line.

John-Paul Crutchley: Second question from David McCann at Numis. How much of a 30% operating margin target is predicated on interest earned on a firm's own cash? And is the FY24 mid-single digit growth in cost guidance for pound millions or percentage increase?

Mark Satchel: The last part of that’s percentage increase. If you look at the rough maths of what I've tried to lay out over there, it should get you to a number and you can calculate back the percentage from that. When it comes to the 30%, look, you can make up your own mind about what you think should happen to markets and the revenue line. Clearly, our operating margin’s a function of two numbers, one of which is revenues, the other one which is costs. So, I’ve given you quite a lot of guidance around costs and my cost expectations in the short to medium term on that. And you'll have your own assumptions about what might happen to interest rates and what might happen to equity markets and bond markets and everything else.

In the back of the release, as we usually do, we've got the splits of our asset base by the various asset classes. So, you can kind of see 60-odd% of that is predominantly in equities. You can get the fixed income ratios and then you'll have your own views what might happen to interest rates. And I think in the presentation I've gone through quite a lot of detail on how you should think about the interest rate calculation.

So, you know, our 30% op margin, as I've always said, is predicated on the basis of some modest market support going forward. I've normally spoken about sort of asset level support of sort of an equity market support of about 5%, which equates to about a 3%, 3.5% overall asset base support. We've now got the added complexity of interest rates in there, which in previous years we didn't need to talk about that much. But that's why we haven't given a specific timeline on it, because it really depends on what your outlook is on what's going to happen to the more macro environment over the next couple of years.

John-Paul Crutchley: I have a question from Keenon at Anchor Stockbrokers. Have you noticed a slowdown in the consolidation of advise firms that have been playing out in the UK industry and what is your expectation on consolidation for the next few years?

Steven Levin: So, as I mentioned a bit earlier, we have seen a bit of a slowdown and it has been reported actually in the press. There's some analysis that's been done in some of the trade press on exact deals and counting deals and stuff like that. So, I think there has been a slowdown. But a lot of people have been talking and expecting that. The high interest rate environment has caused some challenges for some of the heavily geared and high indebted consolidators. And I think that that will probably continue. We're expecting that some of those businesses to come under quite a lot of pressure given the debt that they face. Having said that, there's a lot of players and there are still new ones coming into the market from time to time. So, it's a space that it's certainly a theme that we expect will remain. But I think we probably will see a slower pace than we have seen in the past few years.

John-Paul Crutchley: Okay. And I think one last one from Emmanuel Boakye at Aluwani Capital Partners, thanking you for the presentation, asking about any internal targets to improve ROE?

Mark Satchel: No, we haven't got any specific internal targets on ROE. We never have had and we don't have any plans for that at the moment either.

John-Paul Crutchley: That's it from the web at the moment. Any last questions in the room?

Steven Levin: Okay, well, if there are no other questions, I just want to say thank you. I think we had a really strong set of results which we’re really pleased about the work that we've done across the business and the initiative that we’re building. We think that the position that Quilter has got for the structural growth that we see in the market is incredibly strong and we look forward to delivering on all of that. Thank you very much for your time.

[End of Transcript]