

Transcript of the Quilter plc Annual General Meeting 2022

Thursday 12 May 2022

Transcript of the Quilter plc Annual General Meeting 2022

Quilter Chair's 2022 AGM Statement

Good morning and welcome to Quilter's 2022 Annual General Meeting. I am Glyn Jones, the Chair of your Board of Directors, and I am delighted that I can welcome you all here today in person at our new Head Office, Senator House. This is a particularly poignant moment for me as I will be stepping down as Chair and as a Director of the Company at the conclusion of this meeting.

Let me set out the three areas that I will cover this morning:

- First, as this will be my last AGM, I want to briefly reflect on some of the journey we have been on since I was appointed Chair, prior to our Listing in June 2018;
- Secondly, I will provide some context on the changes to your Board since the last AGM; and
- Finally, I'll make some observations on financial strength, capital returns and dividends.

Let me take each of these in turn.

As I look back over my tenure as your Chair, it is clear we have achieved a major transformation. Taking what was Old Mutual Wealth in 2016, a subsidiary of a quoted FTSE-100 company with a business mix largely reflecting historical decisions, and turning it into the strategically cohesive, UK wealth manager that Quilter is today has been a major achievement.

This required a "managed separation" from our former parent: building a new Board and putting governance structures in place that were fit for purpose for a newly quoted PLC and Listing the business on the London and Johannesburg stock exchanges in June 2018.

Although a lot of hard work was required to get the Company to the point of Listing, we then had the task of reshaping and refocusing the business to ensure that it was well positioned to compete in the UK wealth management market. To achieve this, inter alia we undertook three significant divestitures: Old Mutual Global Investors in 2018, Quilter Life Assurance in 2019 and Quilter International in 2021.

Today, these disposals have made Quilter a smaller but far simpler, more focused UK business. Disposals have generated gross cash of £1.5 billion of which around £1.0 billion will have been returned to shareholders between Listing in June 2018 and June 2022, with a further £300 million up streamed to our former parent, pre-listing. These actions have firmly established our capital discipline credentials as a quoted company.

But our journey as a listed Company has not just been about selling businesses.

The Board has also supported and encouraged the Executive team as they focused on making the business more operationally efficient and delivered business critical projects such as our Platform Transformation Programme and our business Optimisation plans which targeted cost savings of around £65 million. Management has also set out further Simplification plans to reduce operating costs by a further £45 million by the end of 2024.

Since Listing, our Executive team has also been significantly strengthened, and our back-office functions overhauled to drive best practices.

At our Capital Markets Day in November 2021, we announced a reorganisation of the Company into two new operational segments, Affluent and High Net Worth. This brings greater clarity and focus to the business as it looks to capitalise on the opportunities we see ahead.

Within each segment, we pursue a dual distribution strategy – own distribution based on our own restricted advisers and third-party distribution through our relationships with independent financial advisers. A strong position in each of these channels is unique to Quilter and stands us in good stead versus our peers.

I should also say a few words on the sale of Quilter International which completed in November 2021 and concluded the reshaping of our corporate perimeter.

Gross proceeds of £481 million were received from the sale. After allowing for costs associated with the transaction and retained proceeds of £90 million to fund further business simplification and investment, we intend to return approximately £350 million to shareholders. £25 million will be returned in the next few days through a contribution from Quilter International to the Quilter 2021 Full Year dividend and the remaining amount through a capital return. The General Meeting which follows this meeting will deal with that capital return so I will not dwell on those matters further here.

Let me now turn to changes on your Board since the last AGM.

In 2021 we saw two additions to the Board with Tazim Essani and Chris Samuel being appointed as Non-executive Directors in March 2021 and July 2021 respectively.

Tazim's experience in senior executive roles at regulated financial services businesses has equipped her well to provide strategic guidance and constructive challenge to Quilter's leadership team. In addition to now serving on our Board Remuneration and Board Audit Committee, Tazim is also one of our Workforce Engagement Directors who bring the voice of the employee into our Boardroom with a particular focus on diversity.

Chris is an experienced Non-executive Director and has chaired the Quilter Financial Planning Board with distinction for the past eighteen months. He has considerable experience in financial services, particularly in the areas of investment and asset management. This experience has enabled him to provide challenge, advice and support to Quilter's management team on business performance and operational matters.

In January 2022, Rosie Harris, who has been Chair of the Quilter Board Risk Committee since 2017, announced that she would not stand for re-election at this AGM as a recent external appointment created practical difficulties for her attending Quilter meetings. Rosie stood down from the Quilter Board on 30 April. A search for a successor to Rosie as Chair of the Board Risk Committee is under way and well advanced. In the meantime, George Reid has agreed to take on this important role until a permanent successor is in place.

Finally, in terms of Chair succession, Ruth Markland, our Senior Independent Director is chairing a newly constituted Sub-Committee of the Board Corporate Governance and Nominations Committee to identify and recommend to the Board an appropriate individual to be appointed as

the next Chair of Quilter. As I will be stepping down at the end of this meeting, Ruth will become interim Chair of Quilter until a successor is in place. As Ruth will mention later, we are well advanced in that search. Tim Breedon has agreed to take on Ruth's responsibilities as Senior Independent Director while Ruth acts as Interim Chair.

In terms of governance, I am pleased to report that the Quilter Board meets the recommendations of the FTSE Women Leaders Review (formerly the Hampton-Alexander Review) for one third of its members to be women. This requirement has been met at all times since the Group's Listing in June 2018. During the year, three of the Board's five Committees were chaired by female Directors. We also meet the Parker Review recommendation that all boards should have at least one ethnic minority Director.

Finally, I would like to say a few words on financial strength and capital returns.

When Quilter Listed back in 2018, your Board deliberately adopted prudent cash and capital policies so as to ensure our balance sheet was conservatively positioned. Our strengths in this regard have served us well throughout moments of exceptional market volatility during this period and continue to do so during current market volatility.

Unlike many FTSE-350 companies, this financial strength allowed us to continue to pay dividends during the Covid-19 pandemic, as well as returning capital to shareholders through a share buyback programme and an Odd-lot Offer to small retail shareholders which shrank our share register by nearly half.

The net surplus proceeds of the Quilter Life Assurance sale were also returned to shareholders through a phased £375 million buyback programme which we started in early 2020 and completed in January 2022.

In respect of the 2021 results, your Board are recommending a final dividend of 3.9 pence per share which, if approved later in this meeting, will bring our total dividend for 2021 to 5.6 pence per share, with the overall pay-out ratio at the low-end of our revised 50% - 70% range which we announced at the Capital Markets Day in November.

So, in summary, 2021 was a year of significant progress for Quilter, a year in which we completed the reshaping of our corporate perimeter, have enhanced our customer propositions, delivered good profit growth, and reorganised our business into two new segments. We are now focused on organic growth and delivering strong profit growth from our simpler UK centric business.

On behalf of the Board, I would like to thank our management team and all our colleagues for their efforts, focus and commitment to achieving our goals in what has continued to be challenging business conditions, involving a combination of virtual and physical working environments. I am humbled by our staff's resilience, dedication, and over-riding focus on delivering for our customers and clients with this all the more evident over the past two years of heightened Covid-19 driven uncertainty.

Thank you also to our shareholders for your continued support.

The role of your Board is to steward your Company so that it is well positioned whatever the external environment. Over the six years of my chairmanship, we have faced numerous external challenges, but I am pleased to say that we have navigated those periods of turbulence well. I

believe Quilter is better positioned, strategically and financially today than at any point in our history.

Before I hand over to our CEO, Paul Feeney, to summarise our business performance in 2021, I would like to finish by saying the last six years have not only been an incredibly exciting journey for Quilter, but it has also been immensely fulfilling for me personally.

It has been an absolute pleasure to work alongside Paul Feeney, Mark Satchel and my board colleagues to oversee the reshaping of Quilter into the business it is today, a firm that is incredibly well positioned strategically, performing well and has many years of continued success ahead of it. I wish the management team, all our colleagues and wider stakeholders all the best for the future.

Over to you Paul.

Quilter Chief Executive Officer's 2022 AGM Statement

Many thanks Glyn.

Before I summarise our business achievements in 2021, I wanted to take a moment to record my appreciation for all you have done for us as Chair of the company over the last six years.

Back in 2016 when our former parent, Old Mutual, fired the starting gun on managed separation, we knew we had a mountain to climb – you shared my vision of what Quilter could be, and built a Board of many-talents to guide us on our path.

And what can I say, our journey has certainly been eventful – we have had to contend with a number of external shocks and surprises from Brexit and the Pandemic, to financial markets volatility and more besides.

Throughout that period, you have been steadfast in both your support and challenge as we have navigated those uncertainties and reshaped Quilter into the strongly positioned business it is today, ready to deliver on its potential, as a modern UK Wealth Management business.

And on a personal level, I appreciate all the wise counsel you have provided and the direct and constructive input that you have given. Thank you again for all you have done for us and for me, and you have all of our best wishes for the future.

Now let me turn to the progress of the Company during 2021. We are pleased with both the strategic reshaping of the business and the financial performance achieved in the year.

Let me start with a summary of the major strategic steps we took in 2021:

- The most notable event happened early in the year when we completed the migration of advisers and clients onto our new platform.
- We have already seen the benefit of that with net flows onto our platform more than doubling in 2021.

- We also took some tough decisions around our adviser base to make it more focused and more productive.
- And we completed our Optimisation plans, delivering £61 million of cost savings by the end of 2021. We'll also deliver another £45 million of savings over the next three years through the Simplification plans we set out at our Capital Markets Day in November 2021.

As our Chair has already said, the other significant event was, of course, the sale of Quilter International for £481 million which completed the corporate reshaping to focus our business.

But what I'm really pleased about is that, as well as being busy on the strategic front, we also delivered a strong financial performance in 2021.

Both our segments – Affluent and High Net Worth – delivered 10% revenue growth.

So, with revenue growth of 10% and cost growth limited to 5%, we delivered a 28% increase in adjusted profit to £138 million.

And a low tax rate combined with a lower share count meant that we delivered an increase in Earnings Per Share of 42%.

We're clearly moving in the right direction.

For me, one of the most important targets we set out at our Capital Markets Day was to more than double our profit by 2025 off the 2020 base.

And in 2021 we made great initial progress towards that goal.

However, 2021 is behind us and we're now focused on driving our business forward, to deliver the targets we set out to you at our Capital Markets Day last November.

We've got clear plans to support those goals:

In our Affluent business:

- We'll continue to improve productivity and grow adviser numbers
- And we'll grow our base of independent advisers as well
- We'll also continue to innovate to meet evolving client needs
- And we'll leverage the capability of our Platform further and pilot our hybrid advice proposition

In our High Net Worth Segment:

- We'll continue to build-out our integrated advice and investment management offering and grow the number of client facing individuals;
- And we're going to open up our High Net Worth propositions to independent advisers using our platforms;

- And we'll continue to drive growth and deliver efficiencies to enhance operating leverage – and that'll create value for all our stakeholders.

Our strategy includes becoming the responsible wealth manager. By that we mean acting and investing responsibly for our customers, colleagues and society.

Across both segments of our business, ESG factors are already integrated within our investment process, with this complemented by our customer profiling tool to help advisers navigate this complex area with their clients.

Following the enhancement of our WealthSelect managed portfolio proposition and introduction of our new ESG Focused Discretionary Portfolio Strategy, I'm delighted that our customers now have the flexibility and choice of a dedicated suite of responsible and sustainable investment solutions to meet their needs. Our Climate Assets fund also continues to go from strength to strength.

This year we are developing a climate action plan across our investments and business operations. We aim to align our plan with the Science Based Targets initiative's net zero standard for financial institutions, which is due to be published early in 2023. We have already set a near term emissions reduction target in our business operations - our Scope 1 and 2 emissions - an 80% reduction by 2030, from a 2020 baseline.

Being the responsible wealth manager is also about our culture. I want Quilter to be a place that is inclusive of all, celebrates diversity and gives everyone the opportunity to be their best. We will soon launch our Inclusion & Diversity Action Plan, supporting our targets to further increase the representation of women and ethnic minority groups across our Senior Leadership Community.

So, in summary, we delivered a strong performance in 2021. However, in 2022 market volatility from changing macroeconomic conditions and increased geopolitical uncertainty, including the war in Ukraine, has weighed on investor sentiment. So, we anticipate gross new flows across the UK wealth savings market are likely to remain subdued this year.

The Fundscape data released this morning shows that in first quarter of 2022, we led our peers in gross sales and improved our market share of net flows. As a result, I can tell you that up to the end of April, year-to-date net inflows onto our UK Platform and into our High Net Worth Segment are both broadly in line with the comparable period of 2021, which is a satisfactory start to the year. However, as we said in our first quarter market update, lower equity markets and higher bond yields have obviously had a negative impact on our AuMA which stood at £107 billion at the end of March, down from £112bn at year-end.

As I stand here today, what is obviously beyond my control is the market and our customers' response to geopolitical factors and the awful events in Ukraine.

But what I can say is we've built firm foundations, have a plan to deliver strong growth ahead and we are confident of delivering upon it over the next three years.

And with that, let me hand back to our Chair.

-ends-