

21 April 2020

Quilter plc

## First Quarter 2020 Trading Update

### Quilter plc (the “Group”) reports positive Q1 net flows and updates on the impact of COVID-19

#### Business highlights

Note – the sale of Quilter Life Assurance (“QLA”) completed on 31 December 2019. Comparative figures exclude QLA.

- Assets under Management and Administration (“AuMA”) of £95.3 billion at the end of March 2020, with:
  - Net inflows of £0.5 billion, stable on prior year (Q1 2019: £0.5 billion) offset by significant negative market movements towards the end of the quarter. Increased integrated net flows of £0.8 billion continue to demonstrate the robustness of the Quilter business model (Q1 2019: £0.6 billion);
  - First quarter gross sales of £3.3 billion, 6% higher than the prior year period (£3.1 billion);
  - UK Platform gross and net flows both ahead of Q1 2019, Quilter Cheviot returns to net inflows of £0.1 billion; and
  - Average AuMA for the quarter at £105.2 billion versus £105.7 billion for full year 2019.
- First migration of advisers and customers onto the new platform conducted successfully in February 2020.
- Approximately £28 million of the first tranche of share buyback completed by the end of March at an average price of 110 pence per share.

#### Managing through COVID-19

- Approximately 98% of Quilter’s staff are now working remotely including over 200 contact centre-based colleagues servicing its UK and International platforms. Contingency plans have been implemented through accelerated delivery of IT and remote telephony solutions. This has allowed Quilter to maintain high client service levels and to support advisers and customers on-line and by telephone. Quilter has no plans to take advantage of any of the government backed support schemes.
- In the latter weeks of the quarter, against a backdrop of high market volatility, transfers out from the Quilter platform to competitor platforms reduced significantly while transfers in remained steady, due to a relatively higher level of business continuity and adviser support. March was the strongest month of the quarter for net flows. Throughout the period Quilter was, and continues to be, open for business.
- The Group has reviewed its financial budgets and operating plans in response to the challenges arising from COVID-19 and an unpredictable operating outlook. Quilter is operationally resilient and remains focussed on completing principal projects including the Platform Transformation Programme and Optimisation plans.
- The Group recognises that lower AuMA will lead to a materially lower run-rate of revenues and while the Group is undertaking a number of management actions to reduce expenses, it no longer expects to achieve its 27% operating margin target in 2020.
- At end March 2020 the Group held cash of c.£750 million across its holding companies and has an estimated pro forma Group Solvency II ratio of c.210% following planned capital returns. Accordingly, given this strong financial position, the Group intends to continue with the first tranche of the buyback, recommend payment of the 2019 final dividend and to undertake the Odd-lot Offer.

#### Quilter plc: Three months ended 31 March 2020

Quilter plc (£bn), unaudited	Q1 2020	Q1 2019
AuMA <sup>1</sup>	95.3	103.6
Gross sales	3.3	3.1
NCCF	0.5	0.5
Total integrated net flows	0.8	0.6
<i>of which Quilter Financial Planning generated</i>	<i>0.7</i>	<i>0.6</i>
Defined Benefit to Defined Contribution transfers	0.3	0.2

<sup>1</sup>Following the sale of QLA which completed on 31 December 2019, figures have been restated to exclude QLA and Other Shareholder assets. 31 March 2019 AuMA restated (previously disclosed £114.9billion).

#### Paul Feeney, CEO of Quilter plc, commented:

“After a good start to the quarter in terms of flows, revenues and profitability, the global health crisis caused by COVID-19 has significantly altered economic and market expectations for the foreseeable future. The path and timing of the reversion to a more normal environment remain unclear and we expect this to be reflected in further market volatility.

“In such uncharted waters, with no clear map, we must be guided by our values. My priority is to protect our employees, while continuing to serve the customers and advisers who rely upon us. With 98% of staff working from home, we have not only provided the technological support required but increased the practical, emotional and mental support available for employees and managers via our existing wellbeing programme, *Thrive*. What we are asking of our people is not easy and I understand the challenges they face. Despite this, our colleagues are determined to support customers and advisers as always. I have never been more proud of our people.

“While lower levels of AuMA will have an impact on revenues, the vast majority of our revenues are recurring by nature. Our capital and cash levels are in a strong position, and our Board of Directors therefore continues to recommend approval of the 2019 final dividend at the 2020 AGM. We remain in the market to facilitate the first tranche of the buyback from the proceeds of the QLA sale and we are proceeding with the Odd-lot Offer, which shareholders approved at the 2019 AGM. In addition to our Optimisation programme which is already in train, we have various capital and cost levers that can be utilised as a response to further financial market stresses, if required. Quilter has a robust business model and the fundamentals that underpin our investment proposition remain strong. We operate in a large market with secular growth potential, people still need to save for their retirement and they need trusted financial advisers to help guide and support them on that journey. I am confident we will emerge from this crisis in good shape and even more connected to our customers, our advisers and ourselves.”

## Business update

### People, operational resilience and projects

- Quilter's over-riding priority in these unprecedented times is to ensure the safety of its employees and so mobilised, at pace, to make sure people could work from home as quickly as possible. The Group has adopted an active engagement strategy to ensure colleagues are supported during this time. Quilter's colleague well-being programme, Thrive, has been adjusted to ensure it is appropriate for a remote working environment including providing advice on how best to work remotely as well as helping those struggling with isolation.
- Technology has been a key enabler for Quilter's remote working transition. In the space of three weeks from mid-March, the Group implemented network telephony systems and delivered thousands of laptops, headsets, docking stations, monitors and softphones to enable colleagues to work remotely. The modest numbers of remaining office-based staff are performing essential support roles, with this being managed in accordance with Government advice.
- Quilter is also encouraging more "digital" access and solutions such as digital signatures, with many legacy paper-based processes reengineered to have a greater degree of automation and client focus. An increased number of online customer registrations have been undertaken on the UK Platform this quarter, and in the International business over half the interactions with advisers are now on-line through Wealth Interactive digital accounts.
- The Group's advice-focussed business model has demonstrated its resilience in a challenging environment. Net inflows continued throughout March. While the Group saw some de-risking late in the quarter through asset reallocation towards money market funds, the business attracted net inflows on a weekly basis throughout the quarter and March 2020 was the strongest month of the quarter for net flows. A slower second quarter is anticipated as the economic effects of the current situation become more widely felt.
- In the latter weeks of the quarter, against a backdrop of high market volatility, the transfers out from the UK platform to competitor platforms that the Group would expect in the normal course of business reduced significantly, while transfers in remained steady. Feedback from advisers indicates that this was due to Quilter's higher level of business continuity and adviser support relative to some peers.
- Platform Transformation Programme ("PTP"): Given the evolving situation and uncertainties created by COVID-19, the Group is currently planning for a range of scenarios and outcomes while continuing to prepare for the second and final migration by the end of the summer 2020, however:
  - The Group's objective with PTP is to ensure a smooth and safe platform transition, with timing scheduled to reduce disruption for advisers and customers. COVID-19 makes the feasibility of achieving that outcome on the current timeline more uncertain.
  - The current national lock-down may impact adviser readiness plans, training programmes and dress rehearsals ahead of the anticipated final migration date. Quilter's priority remains to complete the programme as quickly as possible while maintaining a low risk tolerance – achieving this may require extended timelines and, potentially, a review of the migration phasing.
  - The Group will update the market, no later than its Interim Results in August, as to any changes in timing and associated costs which are not expected to be material in a Group context.
- Other Group projects and initiatives including Optimisation, investment into digitalisation and automation of the advice process, and the build out of new solutions within Quilter Investors, are materially on track to deliver benefits as previously communicated.

### Financial resilience

- While the majority of Group income is recurring, lower AuMA will reduce revenue run-rates. Lower levels of housing market activity are also expected to reduce the mortgage advisory income within Quilter Financial Planning.
- This is no ordinary crisis. The Group recognises this and whilst it is taking decisive measures to reduce its cost base to protect profitability, it is also cognisant of its social responsibilities as a business operating in these unprecedented times. This may limit some of the measures that the Group would normally expect to undertake in response to difficult operating conditions.
- Should markets remain broadly consistent with the current trading ranges over the remainder of 2020, the Group expects to reduce expenditure by c.£30 million in the current year through lower variable compensation, reduced marketing spend and other short-term initiatives. As indicated at its Full Year Results, Quilter no longer expects to meet its targeted 27% operating margin for 2020 due to lower market levels leading to lower AuMA and hence revenues.
- Quilter remains in a strong financial position. At the end of March, the Group had c.£750 million of cash across its holding companies after completing c.£28 million of its initial buyback tranche of £45 million at an average price of 110 pence per share.
- On a pro forma basis, after completion of the first tranche of the share buyback and the Odd-lot Offer, and after payment of the final 2019 dividend, Quilter estimates its Group Solvency II ratio to be c.210%. The Group has low leverage, with its sole outstanding debt obligation being a £200 million Tier 2 bond which matures in 2028. The Group also has access to revolving credit facilities of £125 million provided by a syndicate of five banks with a maturity date of February 2025. These have remained undrawn since inception in 2018.
- Quilter will hold its AGM on 11 May 2020. The Board of Directors has reviewed and continues to recommend approval of the proposed final dividend per share of 3.5 pence. As a significant provider of retirement solutions to the UK public, Quilter believes companies who are able to do so should maintain dividends which provide important income for pension plans, particularly for those individuals in retirement.
- An application for a second buyback tranche has been submitted to the FCA. Subject to their approval, the decision by the Quilter Board of Directors to authorise the second tranche of the buyback will be based on market and business conditions prevailing at the time. This reflects the Board's desire to maintain a conservative cash position and capital structure, consistent with its prudent risk appetite.
- The Quilter Board of Directors currently intends to proceed with the Odd-lot Offer. In accordance with the schedule published on 11 March 2020, the pricing of the Odd-lot Offer will represent a 5% premium to the volume-weighted average price of ordinary shares traded on the London Stock Exchange and the Johannesburg Stock Exchange over the five trading days prior to Friday 24 April 2020. If you are an Odd-lot Holder, you can read more about the Offer and how to keep or sell your Quilter shares on the Group's website at [quilter.com/olo](http://quilter.com/olo). Odd-lot Holders should read the letter and form they have been sent and check the deadline to return their election which is set out on the Group's website at [quilter.com/olo](http://quilter.com/olo).

## Quilter plc data tables for the three months ended 31 March 2020 (£bn)

Q1 gross flows, net flows & AuMA (£bn) <sup>1</sup>	AuMA as at 31 December 2019	Gross sales	Gross outflows	Net flows	Market and other movements	AuMA as at 31 March 2020
Quilter Investors <sup>2</sup>	21.6	1.5	(1.3)	0.2	(3.7)	18.1
Quilter Cheviot	24.2	0.7	(0.6)	0.1	(3.6)	20.7
<b>Advice &amp; Wealth Management</b>	<b>45.8</b>	<b>2.2</b>	<b>(1.9)</b>	<b>0.3</b>	<b>(7.3)</b>	<b>38.8</b>
Quilter Wealth Solutions	57.2	1.7	(1.2)	0.5	(8.2)	49.5
Quilter International	20.5	0.4	(0.3)	0.1	(2.2)	18.4
<b>Wealth Platforms</b>	<b>77.7</b>	<b>2.1</b>	<b>(1.5)</b>	<b>0.6</b>	<b>(10.4)</b>	<b>67.9</b>
<b>Elimination of intra-group assets</b>	<b>(13.1)</b>	<b>(1.0)</b>	<b>0.6</b>	<b>(0.4)</b>	<b>2.1</b>	<b>(11.4)</b>
<b>Quilter plc</b>	<b>110.4</b>	<b>3.3</b>	<b>(2.8)</b>	<b>0.5</b>	<b>(15.6)</b>	<b>95.3</b>
	AuMA as at 31 December 2018	Gross sales	Gross outflows	Net flows	Market and other movements	AuMA as at 31 March 2019
Quilter Investors <sup>2</sup>	18.5	1.0	(0.8)	0.2	1.1	19.8
Quilter Cheviot	22.2	0.7	(0.6)	0.1	1.3	23.6
<b>Advice &amp; Wealth Management</b>	<b>40.7</b>	<b>1.7</b>	<b>(1.4)</b>	<b>0.3</b>	<b>2.4</b>	<b>43.4</b>
Quilter Wealth Solutions	49.4	1.6	(1.2)	0.4	2.8	52.6
Quilter International	18.3	0.4	(0.3)	0.1	0.8	19.2
<b>Wealth Platforms</b>	<b>67.7</b>	<b>2.0</b>	<b>(1.5)</b>	<b>0.5</b>	<b>3.6</b>	<b>71.8</b>
<b>Elimination of intra-group assets</b>	<b>(10.7)</b>	<b>(0.6)</b>	<b>0.3</b>	<b>(0.3)</b>	<b>(0.6)</b>	<b>(11.6)</b>
<b>Quilter plc</b>	<b>97.7</b>	<b>3.1</b>	<b>(2.6)</b>	<b>0.5</b>	<b>5.4</b>	<b>103.6</b>

<sup>1</sup>AuMA restated to exclude Other Shareholder assets in the comparative figures.

<sup>2</sup>Quilter Investors AuMA restated for comparative purposes by £0.8 billion for 31 December 2018, 31 March 2019 and 31 December 2019 respectively to include Quilter Financial Planning assets transferred as at 1 January 2020.

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## About Quilter plc

Quilter plc is a leading wealth management business in the UK and internationally, helping to create prosperity for the generations of today and tomorrow.

Quilter plc oversees £95.3 billion in customer investments (as at 31 March 2020).

It has an adviser and customer offering spanning: financial advice; investment platforms; multi-asset investment solutions; and discretionary fund management.

The business is comprised of two segments: **Advice and Wealth Management** and **Wealth Platforms**.

**Advice and Wealth Management** encompasses the financial planning businesses, Quilter Financial Planning, Quilter Private Client Advisers and Quilter Financial Advisers; the discretionary fund management business, Quilter Cheviot; and Quilter Investors, the Multi-asset investment solutions business. **Wealth Platforms** includes the Old Mutual Wealth UK Platform and Quilter International, including AAM Advisory in Singapore.

Since its IPO in June 2018, the Group's businesses have progressively re-branded to Quilter. The UK Platform will be the final business to rebrand; this will follow the safe delivery of the new platform technology. Descriptor for re-branded business units:

Previous	New
Intrinsic	Quilter Financial Planning
Old Mutual Wealth Private Client Advisers	Quilter Private Client Advisers
Quilter Investors	Quilter Investors
Quilter Cheviot	Quilter Cheviot
UK Platform	Quilter Wealth Solutions
International	Quilter International
Heritage	Quilter Life Assurance

## Disclaimer

This announcement may contain certain forward-looking statements with respect to certain Quilter plc's plans and its current goals and expectations relating to its future financial condition, performance and results.

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

Quilter plc undertakes no obligation to update the forward-looking statements contained in this announcement or any other forward-looking statements it may make.

Nothing in this announcement should be construed as a profit forecast.