

Transcript of the Quilter plc Annual General Meeting 2021

Thursday 13 May 2021

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- GLYN JONES**
1. Good morning and welcome to the Quilter 2021 Annual General Meeting. I am Glyn Jones, the Chairman of the Board of Directors of Quilter. Please note that this meeting is being recorded and the telephone lines are muted until we reach the part of the meeting when we invite shareholders to ask questions on the business of the meeting. Due to the impact of Covid-19 and UK government advice restricting gatherings in order to ensure the health and safety of all participants, and in accordance with article 28 of our Articles of Association, this year we are once again holding an AGM with limited attendance. As the AGM is an important date in our calendar, we will publish a transcript of this meeting on our website immediately after the meeting.
 2. Given the circumstances I am joined by our CFO, Mark Satchel, our Company Secretary, Patrick Gonsalves and myself. We are physically present at Senator House and are forming the required quorum for our meeting. We are joined on the phone today by Mark Pugh, our Audit Partner from PwC, and a representative from PLC Nominees, one of our South African shareholders.

Paul Feeney will not be present today to provide the usual CEO review of the year. However, his summary of the business performance last year is set out on pages 20 to 26 of the 2020 Annual Report for you to review at your leisure. And I would also refer you to the Annual Results presentation slides on our corporate website. These slides, presented by Paul Feeney and Mark on 10 March 2021 cover amongst other relevant matters, our business performance and financial results in 2020 and the considerable strategic progress made.

3. I would like to report to you on four areas this morning:

- First, I will provide some context on how your company operated through the challenging environment we have all experienced over the last year;
- Secondly, I want to reflect on the substantial progress we have made in the reshaping of Quilter, since we listed in June 2018;
- Thirdly, I will provide some context on the changes to your Board since the last AGM;
- And finally, I'll make some observations on the Company's financial strength, capital returns and dividends.

4. Let me take each of those in turn:

2020 was a year unlike any other I have experienced over my long career working in financial services. One has to go back to the 1918 Spanish flu to find a comparable global health pandemic to that seen from COVID-19. As you know, the resulting lockdown measures and restrictions on travel and social activity led to a sharp global economic downturn on a scale not seen since the 1929 Great Depression. Thankfully a swift and reasonably coordinated global policy response involving unparalleled monetary and fiscal stimulus staved off what could have been economic catastrophe.

5. As a consequence, after the equity market initially experienced one of the sharpest bear markets on record the economic stimulus measures and expectation of effective vaccines being rolled out globally led to a remarkable equity market rally.

6. These events clearly presented unprecedented challenges across the world. From a Quilter perspective, the immediate focus was threefold:

- To protect the health and wellbeing of our staff by shifting to working

from home.

- To ensure continuity of service to advisers and end customers, notwithstanding the move to home working and maintaining operational resilience.
 - To protect the financial health of the business when faced with huge uncertainty as to how much worse things could get.
- 7.** On the first, our executive team did an excellent job in rapidly rolling out technology to facilitate home working and to modify our processes and controls accordingly; this included increased digitalisation and heightened data and cyber security controls.
- 8.** These changes allowed us to meet our second challenge – providing continuity of service to our customers and operational resilience. Across Quilter, our staff have done a magnificent job to adapt to the new environment. We recognised early on, however, that for some staff home working would be difficult and potentially stressful. Strong support services were put in place to assist. Throughout the crisis, the executive also stepped up their staff communications to reduce the risk of staff feeling isolated.
- 9.** On the third, the financial position of the business – our focus was on maintaining our balance sheet strength and ensuring our capacity to generate cash and profits. Planned actions to curtail costs and cut back on discretionary spend have supported our profitability and ability to manage cash resources during the year. I should also note that Quilter did not furlough any staff or receive any UK Government assistance at any stage through the crisis.

- 10.** Overall, therefore, I am pleased to report that while the profit out-turn for 2020 was below the level we had planned for at the beginning of the year, it was nevertheless a very respectable outcome given the circumstances. I am pleased to note that our financial results for 2020 were indeed well-received by the market.
- 11.** I should also note that as a consequence of our profit out-turn being below plan, this had a negative impact on the variable compensation pool for all employees. Our Executive Directors recommended that they forego any pay-out under the short-term variable scheme for 2020 and redirect any funding towards a modest pool for more junior staff.
- 12.** Now let me turn to the strategic reshaping of the business. At last year's AGM I said that Quilter had come to the market in 2018 as very much a work-in-progress, with a significant amount of corporate restructuring needed to turn the company into the business we wanted it to be.
- 13.** Since we listed the business, we have undertaken a number of disposals and acquisitions to achieve that reshaping. Each of these steps has been very deliberate, with the goal of fulfilling our objective of turning Quilter into a focused, UK centric wealth management business, capable of delivering on the growth potential offered by its core market.
- 14.** I am pleased to confirm that over the course of 2020 and into early 2021, we have concluded the last of the significant steps that were required to complete this process. These were:
- the completion of the customer and adviser migrations onto our new UK fund administration platform, and
 - concluding the strategic review of Quilter International, proposing its sale to Utmost plc.

15. Let me say a few words on each:

The final migration of around 5,000 adviser firms onto our new UK fund administration Platform in February 2021 was the culmination of a multi-year major transformation project. Our objective was to put our UK Platform onto more robust technology and to improve our market offering by adding both product functionality and broadening the range of investments we can administer on behalf of customers.

16. The final two migrations from the old platform to the new were both undertaken successfully during full UK lockdowns, circumstances that simply could not have been envisaged at the outset of the project. We are delighted to have completed this transformation and look forward to harnessing the power of the new Platform to accelerate our growth in the years ahead. Early signs are very positive in terms of increased NCCF.

17. Next, our International business ...

In December 2020, we announced that your Board was undertaking a strategic review of the International business and in early April we announced the outcome with the proposed sale to Utmost plc for approximately £483 million in cash.

18. I purposely say “proposed” sale because due to the size of the transaction it will need to be approved by you, our shareholders, in a general meeting, as well as receive a number of regulatory approvals.

19. This shareholder approval is not part of the business of this meeting today. We expect that the Class 1 Circular setting out the details of the transaction will be posted to you shortly and a special, General Meeting will be convened in mid June specifically for you to vote on that transaction.

20. As approval for the proposed sale of Quilter International is not on the agenda of this meeting, I will not go into the detail of the transaction here other than to say that the full rationale behind it will be set out in the Circular, and the transaction has been unanimously recommended to you by your Board of Directors.

21. However, I will say that this transaction, if approved, would complete the heavy lifting required to restructure Quilter into the business we want it to be. We believe a sale would give the residual Quilter business a much clearer strategic focus as well as allowing a nimbler, simpler, and faster growing business to flourish ...

22. Again, we have been pleased by the direct feedback from you, our shareholders, as well as market commentary on the proposed transaction.

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

Tim Breedon joined the Board in June 2020. Tim brings a unique blend of experience and expertise as a former CEO in a highly successful FTSE 100 savings and pensions business, and as a seasoned Non-executive Director in both a FTSE 100 company and private equity-backed businesses. He brings a deep understanding of UK regulated financial services, corporate governance in UK public companies, and effective Board challenge. We are delighted to have secured an individual of Tim's calibre and background with extensive knowledge of the long-term savings industry.

24. Jon Little took on a new full-time executive role in early 2020, which meant he was unable to commit the required time to his independent non-executive director role with Quilter. He therefore stepped down from the Quilter Board on 30 September 2020. I would like to record my thanks to Jon for all his support since joining the Quilter Board in May 2017 ahead of our Listing. His valued insights into the wealth management industry were

very informative as we reshaped our business. We all wish him well in his future endeavours.

- 25.** Finally, I am delighted that alongside the Full Year results in March 2021, we were able to announce the appointment of Tazim Essani to the Quilter Board. Tazim has a strong background in strategy, corporate development and mergers and acquisitions gained with Close Brothers, Santander UK and GE Capital and her skills and experience will add considerably to the Board's deliberations.
- 26.** In terms of governance, I am pleased to report that the Quilter Board meets the recommendations of 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. Three of the Board's five Committees are chaired by female Directors.
- 27.** Your Board has carefully considered the recommendations of the Parker Review and the Board's membership met its requirement to have at least one ethnically diverse Director on the Board up until May 2020, when Suresh Kana decided not to seek re-election at the 2020 AGM. Following the appointment of Tazim Essani to the Board, I am pleased to note that the composition of the Quilter Board once again aligns with the Parker Review's recommendations.
- 28.** Finally, I would like to say a few words on financial strength and capital returns.
- When Quilter Listed in 2018, your Board deliberately adopted prudent cash and capital policies and so ensured our balance sheet was conservatively positioned. Our strengths in both these areas has served us well throughout the crisis. We also had the good fortune of receiving the proceeds of the sale of Quilter Life Assurance at the end of 2019, so our cash resources were further strengthened as the economic outlook

deteriorated.

- 29.** Unlike many FTSE-350 companies, this financial strength allowed us to continue to pay dividends in 2020 and meant we could complete our Odd-lot Offer to small retail shareholders. The Odd-lot Offer shrank our share register by nearly half and allowed shareholders with small holdings to sell their shares in a cost-effective manner.
- 30.** We have also continued to return the proceeds of the Quilter Life Assurance sale through a phased buyback programme. As at close of business on Tuesday, we had spent £216.7 million of our targeted £375 million capital return to repurchase 158.2 million shares at an average price of 137 pence per share. It is our intention to substantially complete this capital return programme this year.

Your Board are also recommending a final dividend of 3.6 pence per share which, if approved later in this meeting, will bring our total dividend for 2020 to 4.6 pence per share, with the overall pay-out ratio remaining towards the top-end of our targeted 40% - 60% range.

- 31.** We have also said that, subject to the requisite approvals to enable the sale, we are minded to return the majority of the sale proceeds of Quilter International to shareholders whilst allowing for some retention to fund reinvestment in the business. As the transaction has yet to be approved by shareholders and is not expected to complete until around the turn of 2022 at the earliest, we have yet to reach any firm conclusions on the precise amount or nature of capital return, and expect to consult with shareholders on how best to return capital over the remainder of 2021.
- 32.** So, in conclusion, before we turn to the business of the meeting, let me just say that in terms of current trading, we are performing in line with our expectations. More resilient markets and stronger gross and net inflows in

the first quarter provide a considerably better backdrop to the one we faced at this time 12 months ago.

33. The role of your Board is to steward your company so that it is well positioned whatever the external environment. The last year has thrown up numerous challenges but I am pleased to say that we have navigated that turbulence well and I believe Quilter is better positioned, strategically and financially today than at any point in our history. We remain focused on doing the right thing for our staff, customers, owners as well as the broader community. We have announced stretching goals to improve operating margins and to drive profitable growth in the coming years. Your Board is fully supportive of the plans put forward by the executive to achieve these goals. Later in the year at a capital markets day, the executive will provide further detail on the roadmap for the way ahead.

34. That ends my formal introductory remarks apart from expressing my thanks to all our shareholders for your continued support.

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