

# Transcript of the Quilter plc Annual General Meeting 2023

Thursday 18 May 2023

# Transcript of the Quilter plc Annual General Meeting 2023

## Quilter Chair's 2023 AGM Statement

Good morning. I'm Ruth Markland, Chair of your Board of Directors.

I joined the Board of Quilter on Listing in 2018, as your Senior Independent Director and I assumed my responsibilities as Chair at the conclusion of last year's AGM.

On my right is Tim Breedon, our Senior Independent Director. On my left is Steven Levin, our Chief Executive Officer, and to Steven's left is Mark Satchel, our Chief Financial Officer. Our fellow Board colleagues are sitting in the front row of the audience, except for Neeta Atkar, Moira Kilcoyne and Paul Matthews who are unable to attend today. Mark Pugh, our Audit Partner from PwC, is also in the audience. I may invite my colleagues to help me answer your questions today.

Before I handover to Steven there are two areas that I want to cover this morning:

- First, I'll run through the main changes to your Board last year.
- Second, I'll make some observations on capital returns and dividends.

Let me take each of those in turn:

2022 was a significant year for Quilter, not just because of the challenging environment for the entire Wealth Management industry but also because it marked a transition in the leadership of your Company.

I'll talk firstly about our change of Chief Executive Officer, and then about the other changes to your Board. On 1 November 2022 Paul Feeney stepped down as Chief Executive Officer. I'd like to record my thanks to Paul for his service to Quilter over the last decade. Paul had the vision to build the integrated wealth manager that Quilter is today. He also successfully listed the Company and oversaw the disposal of those parts of the business which were considered non-core. These disposals generated around £1.5 billion of surplus capital the vast majority of which was returned to shareholders. We wish Paul well in all his future endeavors.

As a Board we were unanimous in our view that Steven Levin was the right person to take on the executive leadership of Quilter. With his deep knowledge of our business, he is very well-placed to take Quilter on the next phase of our strategic journey. Steven had been responsible for our Affluent segment, the largest revenue and profit contributor to the Group.

He has been instrumental in building our business in recent years and he has proven expertise in large scale transformations, having successfully delivered our Platform Transformation Programme. I am greatly looking forward to working with him to deliver on Quilter's potential. My principal focus, and that of your Board, is to support, challenge and guide Steven and his team to ensure that we meet and exceed the goals we've set ourselves. Steven will talk through his review of business performance shortly.

As a Board we're agreed that Quilter is a well-positioned business operating in structural growth markets. We have a unique franchise and strong market positions but there is more to do to ensure

that we capture our share of the opportunity. Given the uniqueness of our franchise and our strong market positions, we believe that under Steven's leadership, we can deliver significant returns for our shareholders.

Let me now turn to changes on your Board since the beginning of 2022.

Rosie Harris stood down in April; Glyn Jones stood down in May; and Glyn Barker in November 2022. I'd like to thank them all for their contributions to Quilter.

We welcomed Neeta Atkar to the Board in August and she was appointed Chair of the Board Risk Committee on 1 October 2022. Neeta has a deep understanding of risk and regulation having spent her executive career working at the Bank of England and the Financial Services Authority before taking on numerous roles in the financial services industry, most recently as the Chief Risk Officer at TSB. She is also a member of the Board Audit Committee.

Following my appointment to the Chair of Quilter, Tim Breedon took on my previous responsibilities as our Senior Independent Director and Chair of the Board Remuneration Committee. I'd like to express my thanks to Tim for the counsel he provides me as our Senior Independent Director.

More broadly, in terms of governance, I am pleased to report that the Quilter Board meets the recommendations of the FTSE Women Leaders Review targets. We also meet the Parker Review recommendation that all FTSE 350 boards should have at least one Director from a minority ethnic group on their board.

Next, I'd like to say a few words on dividend and capital returns.

One of the notable aspects of 2022 was the £328 million return of capital to shareholders following the sale of Quilter International. We undertook this through a B-share scheme and Share Consolidation. This reduced the number of shares in issue by around 250 million shares and it means we've reduced our share count since Listing by around a quarter.

In respect of the 2022 financial year, your Board are recommending a Final Dividend of 3.3 pence per share which, if approved later in this meeting, will bring our total dividend for 2022 to 4.5 pence per share. That'll take our overall pay-out ratio to just below the mid-point of our revised 50% - 70% range.

As part of the papers before you today, you will see that we are seeking approval to undertake an "Odd-lot Offer". This entails Quilter making an offer to eligible shareholders with fewer than 200 shares, to purchase their shares at a modest premium to the market price. We expect the offer to reduce our current shareholder register by around half.

These proposals will reduce the cost of managing our shareholder base and it will allow investors holding small numbers of shares to dispose of their holdings in a timely and cost-effective manner. Eligible shareholders can, of course, elect to retain their shareholding in Quilter, should they so choose.

On behalf of the Board, I would like to thank our management team and all our colleagues for their effort, focus and commitment to achieving our goals despite challenging markets. I'm humbled by

our people's resilience, dedication, and over-riding focus on delivering for our customers and clients. Thank you also to our shareholders for your continued support.

I'd now like to hand over to our Chief Executive Officer, Steven, to summarise our business performance in 2022.

### **Quilter Chief Executive Officer's 2023 AGM Statement**

Good morning, everyone.

Thank you for joining us today. First off, let me introduce myself. I'm Steven Levin and, as the Chair has said, I took over as Chief Executive Officer of Quilter last November.

I've run a number of businesses within the Quilter Group over the years, including the Platform, Quilter Investors and several of the businesses that we've sold. Quilter has got a great market position and has a huge amount of potential and that's what really excites me. We've got a great platform and we've got a great asset management business and both of those businesses are hugely scalable. We've got an excellent proposition for our High Net Worth clients in Quilter Cheviot and we've also got the UK's second largest advice business.

But our business is more complex and less efficient than it could be. I know there are areas where we can do better. Our UK advice led strategy is the right one. It needs some tweaking as the market changes and that's to be expected. However, tighter execution of our strategy is what really matters as we build towards delivering faster growth and higher returns.

I'll come back to what we are doing to drive your business forward in a moment but let me now turn to our performance over the last year.

I'm pleased with the profit out-turn of £134 million last year, down just 3% on 2021 – you all know that it was a very challenging operating environment last year, so this a good result in that context.

There were three things that had a significant impact on our results in 2022.

- the decline in equity markets,
- the rise in bond yields which reduced the value of bond portfolios; and
- higher interest rates globally.

The first two had a negative impact on our assets under management and administration and the latter provided some revenue benefit to offset that. Let me walk you through the details.

In 2022, we delivered net flows of £1.8 billion, that was about half of the level we saw in 2021. Management fee revenue was lower due to market levels but this was partially offset by higher other revenue, principally interest income. Costs were down 2% to £472 million versus the £480 million of the prior year.

By completing our optimisation plans, accelerating some of the simplification initiatives and maintaining cost discipline we more than offset inflationary expense increases. So, as I have

already said, adjusted profit declined by 3% to £134 million. That gave an operating margin of 22%, flat on where we were a year ago.

This translated into Adjusted Diluted Earnings per share of 7.9 pence, an increase of 7%. That increase was mainly due to the benefit of a lower share count from the share buyback and share consolidation scheme partially offset by a more normal tax rate.

Now, I said earlier that I'd summarise my key priorities for taking our business forward:

**First – We're going to Build Distribution**

- Growing our market share of IFA flows – doing more business with more firms on the platform;
- Ensuring Quilter is an attractive proposition for our own advisers; and
- Adding new investment managers and advisers in High Net Worth.

**Secondly – We're Enhancing our Propositions**

- We have refreshed the Cirilium Fund range and pricing; and
- Our platform pricing will be more competitive where needed to attract flows.

**Third – I want to Drive Efficiency**

- We will reduce complexity and right-size the cost base for the size and shape of the business we are today.

All of this will drive stronger profitability and deliver a 25% operating margin by 2025 and 30% in the longer term

Let me leave you with the words I started with: I know there is a lot we can do better.

This is a business with a huge amount of potential and I want to see that delivered.

-ends-