

## QUILTER PLC

(previously, Old Mutual Wealth Management Limited)

Incorporated under the Companies Act 1985 (UK) with registered number 06404270 and re-registered as a public limited company under the Companies Act 2006) (UK)

The Company has a primary listing on the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange.

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Quilter plc (the "Company")

# NEWS RELEASE

11 August 2020

Quilter plc interim results for the six months ended 30 June 2020

## Financial results ahead of market expectations in a challenging environment, demonstrating operational resilience and cost discipline with a strong balance sheet driving shareholder returns

### Management basis - continuing business

- Adjusted profit before tax for the Group of £71 million (H1 2019: £89 million) demonstrating a resilient performance in challenging markets.
- Adjusted diluted earnings per share from continuing operations of 3.5 pence (H1 2019: 4.1 pence) supported by a lower tax rate and a modest reduction in average share count as a result of the Group's capital return programme.
- Interim dividend of 1.0 pence per share positioned at the low end of the Group's target pay-out range with the Board to make a decision on the overall 2020 pay-out ratio with the Full Year Results in March 2021.
- Assets under Management/Administration ("AuMA") of £107.4 billion at 30 June 2020 (FY 2019: £110.4 billion) showing a recovery from the first quarter-end position of £95.3 billion.
- Net Client Cash Flow ("NCCF") of £1.1 billion representing a significant increase on the comparative period (H1 2019: £0.3 billion) due to lower outflows and stable gross sales of £5.8 billion (H1 2019: £6.0 billion).
- Integrated net flows of £1.4 billion (H1 2019: £1.4 billion) demonstrating the consistency of the Group's multi-channel model.
- IFRS profit before tax attributable to equity holders from continuing operations of £46 million (H1 2019: loss of £40 million).
- Operating margin of 21% (H1 2019: 26%) reflecting the challenging revenue environment.
- Expense discipline maintained with year-on-year cost growth limited to £5 million despite incremental costs from acquired businesses of c.£12 million and an increase in the FSCS levy of £4 million, reflecting further savings from the Optimisation programme and additional savings of £15 million from management actions.

### Statutory results

- IFRS profit after tax of £43 million (H1 2019: loss of £17 million) supported by higher policyholder tax benefits due to market movements in the period.
- Basic earnings per share of 2.4 pence (H1 2019: (0.9) pence).
- Diluted earnings per share from continuing operations of 2.4 pence (H1 2019: (1.7) pence).
- Headline diluted earnings per share of 2.4 pence (H1 2019: 10.5 pence).
- Headline basic earnings per share of 2.4 pence (H1 2019: 10.5 pence).
- Solvency II ratio of 197% after payment of the interim dividend (H1 2019: 181% (including QLA)).

### Strategic progress

- UK Platform Transformation Programme on track.
  - Initial migration of 38,500 accounts from 25,000 clients representing Assets under Administration ("AuA") of £4.3 billion (c.8% of Platform assets) in February 2020 has progressed well.
  - Significant migration encompassing c.75% of total Platform assets is targeted for the fourth quarter 2020, with the remaining migration planned for early 2021.
- Capital return programme of £375 million initiated through a share buyback after full year results:
  - Tranche 1 of £50 million completed at an average price of 116.1 pence per share; and
  - Tranche 2 of up to £125 million initiated on 25 June 2020. £27 million of Tranche 2a completed up to close of business on 10 August 2020 at an average price of 144.1 pence per share.
- Share register simplification through completion of the Odd-lot Offer at a price of 120.2 pence (ZAR 2813 cents) per share, which has reduced the total number of shareholders on the Quilter share register by c.45% at a cost of £21 million.

**Paul Feeney, Chief Executive Officer, said:**

“The first half of 2020 was a uniquely challenging environment which has forced us all to reconsider the way we socially interact and undertake business activities. In terms of our financial performance, strategic progress and focus on operational improvement, I am pleased Quilter has come through this period extremely well and delivered for all our stakeholders – colleagues, clients, communities as well as our owners. I wish to acknowledge the fantastic efforts and resolute focus of my colleagues right across the organisation, whose dedication has made that happen in these very challenging times.

In response to revenue challenges in the first half of 2020, we pulled hard on the cost lever, both through structural cost reduction via our Optimisation programme and tactically with a planned reduction in discretionary expenditure of around £30 million this year. Our cautious outlook with broadly stable market conditions for the remainder of the year means we continue to expect revenue headwinds. As a consequence, we will maintain a firm handle on expenses with a modestly lower second half out-turn for costs anticipated to offset the expected impact from revenue headwinds.

We are pleased to see the significant pick-up in net flows across the business in the first half, with gross flows remaining resilient despite the market turmoil and retention rates improving. This gives us confidence that we can deliver improving flows as the Platform migration project completes. That project is now in its final stages with c.80% of total UK Platform assets expected to be migrated this year despite us adapting our plans to meet the logistical challenges presented by COVID-19. Our priority is to ensure adviser readiness to deliver a smooth and safe migration for all our customers and advisers.

Notwithstanding short-term uncertainties, Quilter remains well positioned in an industry with secular long-term growth prospects. The business is in good shape and we look forward to the future with confidence.”

Quilter highlights from continuing operations <sup>1</sup>	H1 2020	H1 2019
<b>Assets and flows</b>		
AuMA (£bn) <sup>2</sup>	107.4	107.3
Gross sales (£bn) <sup>2</sup>	5.8	6.0
NCCF (£bn) <sup>2</sup>	1.1	0.3
NCCF/opening AuMA <sup>2</sup>	2%	1%
Integrated flows (£bn) <sup>2</sup>	1.4	1.4
Productivity (£m) <sup>2,3</sup>	1.5	1.6
Asset retention <sup>2</sup>	92%	88%
<b>Profit &amp; loss</b>		
IFRS profit/(loss) before tax attributable to equity holders from continuing operations (£m) <sup>2</sup>	46	(40)
IFRS profit/(loss) after tax from continuing operations (£m)	44	(32)
Adjusted profit before tax (£m) <sup>2</sup>	71	89
Operating margin <sup>2</sup>	21%	26%
Revenue margin (bps) <sup>2</sup>	52	55
Return on equity <sup>2</sup>	6.2%	9.2%
Adjusted diluted EPS from continuing operations (pence) <sup>2</sup>	3.5	4.1
Diluted earnings per share from continuing operations (pence)	2.4	(1.7)
<b>Non-financial</b>		
Restricted Financial Planners (“RFPs”) <sup>4</sup>	1,808	1,803
Investment Managers (“IMs”) <sup>4</sup>	169	163

<sup>1</sup>Continuing operations represent Quilter plc excluding results of Quilter Life Assurance (“QLA”) (for 2019) which was sold on 31 December 2019 to ReAssure.

<sup>2</sup>Alternative Performance Measures (“APMs”) are detailed and defined on pages 5 to 7.

<sup>3</sup>Is the measure of the value created by integrated NCCF from our advice business per average Restricted Financial Planner.

<sup>4</sup>Closing headcount as at 30 June.

### Alternative Performance Measures (“APMs”)

We assess our financial performance using a variety of measures including APMs, as explained further on pages 5 to 7. In the headings and tables presented from page 11 onwards, these measures are indicated with an asterisk: \*.

# Shareholder information

The Quilter Board has declared an interim dividend of 1.0 pence per share. The interim dividend will be paid on Monday 21 September 2020 to shareholders on the UK and South African share registers on Friday 4 September 2020.

## Dividend Timetable

ZAR rate set for dividend payable to shareholders on the South Africa branch register	Friday 7 August 2020
Dividend announcement in pounds sterling with South Africa ZAR equivalent	Tuesday 11 August 2020
Last day to trade cum dividend in South Africa	Tuesday 1 September 2020
Shares trade ex-dividend in South Africa	Wednesday 2 September 2020
Shares trade ex-dividend in the UK	Thursday 3 September 2020
Record Date in UK and South Africa	Friday 4 September 2020
Interim dividend payment date	Monday 21 September 2020

From the opening of trading on Tuesday 11 August 2020 until the close of business on Friday 4 September 2020, no transfers between the London and Johannesburg registers will be permitted. Share certificates for shareholders on the South African register may not be dematerialised or rematerialised between Wednesday 2 September and Friday 4 September 2020, both dates inclusive.

## Additional information

For Shareholders on our South African share register a dividend of 22.97432 cents per share will be paid on Monday 21 September 2020 to shareholders, based on an exchange rate of 22.97432, being the exchange rate set on Friday 7 August 2020. Dividend Tax will be withheld at the rate of 20% from the amount of the gross dividend of 22.97432 South African cents per share paid to South African shareholders unless a shareholder qualifies for exemption. After the Dividend Tax has been withheld, the net dividend will be 18.37946 South African cents per share. The Company had a total of 1,840,554,972 shares in issue at today's date.

If you are uncertain as to the tax treatment of any dividends you should consult your own tax advisor.

## Odd-lot Offer

In March 2020, as part of our drive for greater efficiency and in line with our desire to act in the best interests of all our shareholders, the Board launched an Odd-lot Offer for shareholders registered on the London and Johannesburg Stock Exchanges. The Odd-lot Offer was a way of offering shareholders who held fewer than 100 Ordinary Shares the opportunity to sell their shares at a 5% premium to the market price (the 'Offer Price'), without incurring any dealing costs. Odd-lot Holders could choose to sell all of their shares at the Offer Price or they could choose to keep their shareholding in Quilter.

The Odd-lot Offer closed on 15 May 2020. Quilter purchased a total of 16,263,364 of its own ordinary shares of 7 pence each. Following the implementation of the Odd-lot Offer, the Company's shareholder base has been reduced by circa 45% (209,282 shareholders). This reduction will reduce administrative costs, including, for example, the costs of printing and distributing financial statements, circulars and notices.

The Odd-lot Shares were held in Treasury and subsequently on 1 June 2020 were transferred to the Company's Employee Benefit Trust to satisfy awards under employee share schemes.

## Share Buyback

Following the completion of the sale of Quilter Life Assurance to Reassure Group plc for £425 million (and interest income of £21 million), the Quilter Board announced that they planned to return the full net surplus sale proceeds (after disposal costs) of £375 million to shareholders.

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement as a whole.

The full announcement can be found on the company's website at [www.quilter.com/investor-relations](http://www.quilter.com/investor-relations) and <https://senspdf.jse.co.za/documents/2020/JSE/ISSE/QLTE/Quilter.pdf>.

Copies of the full announcement may also be requested at the company's registered office, at no charge, during office hours.

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