

QUILTER PLC

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

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Quilter plc (the "Company")

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

FOR IMMEDIATE RELEASE

1 April 2021

Quilter PLC

("Quilter" or the "Group")

PROPOSED SALE OF QUILTER INTERNATIONAL TO UTMOST GROUP LIMITED ("UTMOST") FOR APPROXIMATELY £483 MILLION;

SIMPLIFIES QUILTER AS A HIGHER GROWTH, UK FOCUSED, WEALTH MANAGER

TRANSACTION HIGHLIGHTS:

- Proposed sale of Quilter International to Utmost (the "Sale"), following a detailed strategic review. The Sale is unanimously agreed by the Quilter Board to be in the best interests of shareholders, taken as a whole, and is expected to support the continued delivery of good outcomes for customers and other stakeholders.
- Total consideration for the Sale is anticipated to be approximately £483 million, inclusive of a 5% interest charge on the base consideration of £460 million from 1 January 2021 to Completion of the Sale ("Completion") (assuming Completion at 31 December 2021), implying a price to 2020 Solvency II Own Funds multiple of 0.84x.
- Completion of the Sale is expected to occur around end-2021, conditional on Quilter shareholder approval, customary regulatory approvals in the Isle of Man, Ireland, Hong Kong, Singapore and the Dubai International Financial Centre, and anti-trust approval from the European Commission.

STRATEGIC BENEFITS FOR QUILTER:

- The Sale will simplify Quilter and focus the Group on its higher growth UK wealth management business. From the beginning of 2022 Quilter will target annualised Net Client Cash Flow ("NCCF") growth of at least 6 percent of opening AuMA in the medium term, an increase from the Group's

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previous 5 percent per annum target reflecting the revised corporate perimeter which will exclude the lower growth Quilter International business.

- Quilter expects to deliver a standalone operating margin of at least 25% in 2023 and at least 30% by 2025, after absorbing stranded costs and subject to normal market conditions. A portion of the net cash proceeds from the Sale are expected to be utilised to accelerate selected growth and optimisation initiatives to enhance revenue and support cost reductions.
- The Group will provide further detail of its UK focused growth strategy and financial targets at a Capital Markets Day expected to be held during the fourth quarter of 2021.

CAPITAL DISCIPLINE AND USE OF PROCEEDS:

Quilter remains committed to capital discipline which has been demonstrated through meaningful shareholder distributions following divestments of Quilter Life Assurance and Old Mutual Global Investors.

- Net cash proceeds of approximately £450 million are expected from the Sale after allowing for transaction costs.
 - An allocation from these net cash proceeds is expected to be applied as a contribution from Quilter International to Quilter's Full Year 2021 dividend on a pro rata basis to earnings for calendar 2021.
 - Further, the Board of Quilter is currently minded to undertake a capital distribution to shareholders of the majority of the net cash proceeds. A final decision on quantum and mechanism of distribution will be made at the time of Completion of the sale, after taking account of prevailing market and business conditions, as well as potential opportunities for business investment.
 - Quilter will continue to engage with its shareholders on the range of strategic growth opportunities available to the Group and the optimum means of returning capital prior to reaching any conclusions in this regard. Any such distribution will be subject to normal regulatory approvals.
 - The residual portion of the net cash proceeds from the Sale are expected to be used to fund selected growth initiatives and accelerate the next phase of optimisation, supporting revenue enhancement and further cost reductions, and thereby delivering operating margin improvements.
- Quilter will recommence the return of the residual £200 million Quilter Life Assurance sale proceeds, with an initial tranche of £50 million of the next £100 million of regulatory approved buyback expected to commence shortly.

Paul Feeney, Chief Executive of Quilter, said:

"Following a detailed strategic review, we are delighted to announce the proposed sale of Quilter International to Utmost which represents an attractive valuation for our shareholders and an excellent outcome for all stakeholders. It allows us to focus on accelerating our growth and efficiency plans as well as further simplifying and focusing our business around its core UK high net worth and affluent customer

proposition. It also gives us the ability to deliver a further meaningful capital distribution to shareholders. With the recent completion of our platform transformation programme, we are set up for strong growth.

I would like to thank all our Quilter International colleagues for their dedication, professionalism and service to our customers, which has resulted in the creation of such a strong franchise. I am confident that the agreement we have reached with Utmost will ensure the continued success of the business, with a focus on delivering good customer outcomes, as well as providing a range of career opportunities for Quilter International's employees within an enlarged international business."

Paul Thompson, Chief Executive of Utmost, said:

"This is a highly attractive acquisition for Utmost and underscores the importance of our Utmost International business. Quilter International is highly complementary to our existing International business from both an operational, product and distribution perspective.

I look forward to welcoming all the staff, customers and distribution partners to our Group. We are delighted to work with Quilter on this transaction and look forward to a productive partnership in the future."

This summary should be read in conjunction with the full text of this announcement. This announcement is available at www.Quilter.com/investor-relations. A Circular containing details of the Sale and a Notice convening a General Meeting of Quilter will be sent to Quilter shareholders as soon as is practicable.

A presentation by Paul Feeney, CEO, & Mark Satchel, CFO, will be held via conference call at 08:30am BST today. This will be followed by a live Q&A session. We strongly advise dialling in five to ten minutes prior to the start of the presentation.

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1. Introduction

Quilter announces that it has entered into an agreement with Utmost Holdings Isle of Man Limited, a subsidiary of Utmost Group Limited with respect to the sale of Quilter International, which is comprised of Quilter's entire shareholding in Quilter International Holdings Limited and Quilter International Ireland dac.

The consideration payable to Quilter pursuant to the Sale comprises a base consideration of £460 million plus a 5% interest charge on this sum for the period from 1 January 2021 to Completion, representing estimated total consideration of approximately £483 million payable in cash on Completion (assuming Completion on 31 December 2021). This represents a price to 2020 Solvency II Own Funds multiple of 0.84x. Quilter has the option of Quilter International declaring a pre-completion dividend of up to £15 million in which case the base consideration of £460 million will be reduced by a commensurate amount.

Net cash proceeds on Completion are expected to be approximately £450 million after allowing for transaction costs.

2. Background to and reasons for the Sale

Quilter International has been an important part of the Group for many years and constitutes a well-regarded business, with a strong position in offshore wealth management across the markets in which it operates. However, Quilter International is less strategically aligned to Quilter's UK proposition, with limited connectivity to the rest of the UK business. The customer overlap between Quilter's UK customers and Quilter International has reduced in recent years with an increasing proportion of Quilter International sales coming from non-UK customers.

Furthermore, the financial profile of Quilter International differs from the rest of Quilter. Quilter International is a life insurance savings business, with a higher margin back-book which is running off faster than lower margin new business is being written. As a consequence, Quilter International's annualised NCCF as a percentage of opening AuMA has been at a lower rate than that of the rest of Quilter and its revenue contribution has been on a declining annual trend.

The Group has undertaken considerable actions over the last few years to reduce costs within Quilter International to offset the reduction in revenue. Under Quilter's continued ownership, Quilter International would have required investment to support further cost reduction in order to maintain profitability and facilitate cash distributions. Given the value that could be received for Quilter International, and the ability to redeploy capital investment into the core UK business, the Board concluded that it would be in shareholders' best interests to conduct a strategic review to determine the best option for continued value creation.

The Group received multiple offers for Quilter International and the Board has unanimously concluded that the offer by Utmost to acquire the business for an estimated total consideration of approximately £483 million should be recommended to shareholders. The Board believes the Sale will realise a higher value than could be generated from Quilter's continued ownership, taking the further investment requirements into account and the associated execution risks. It will also enable the Group to consider undertaking a capital distribution of the majority of the net cash proceeds to shareholders.

Within Utmost's larger international business, where it will be considered a core element of the franchise, Quilter International will be better positioned to maintain its focus on delivering good customer outcomes. Quilter believes that the transaction will also provide a wide range of career opportunities for Quilter International's employees within an enlarged international business.

3. Information on Quilter International

Quilter International is an investment platform provider of cross-border investment solutions aimed primarily at affluent and high net worth UK residents seeking investment solutions outside of the UK, as well as expatriates and international investors in selected offshore markets. It began operating in the Isle of Man in 1984, growing to become a top three offshore wealth manager. It is headquartered in the Isle of Man with a regulated presence in the Isle of Man, Ireland, Hong Kong, Singapore, and the Dubai International Financial Centre.

Quilter International had assets under administration and management of £21.8 billion in the financial year ended 31 December 2020, with c.90 thousand policies and gross sales of £1.6 billion. Quilter International offers its investment solutions through its main products: Select Bond, Portfolio Bond, Wealth Bond and Wealth Interactive and Trust planning.

In the year ended 31 December 2020, Quilter International contributed revenues of £118 million (on an adjusted basis) and IFRS profit before tax of £57 million to Quilter. The 2020 profit before tax included c.£8 million of tactical cost savings that are not expected to recur in 2021. As at 31 December 2020, Quilter International had total assets of £22.6 billion and Solvency II Own Funds of £575 million. To end 2020, Quilter International had contributed c.£10 million of Quilter's optimisation cost savings of £46 million on a run-rate basis (see Appendix for further financial data on Quilter International).

4. Summary of terms of the Sale

The consideration payable to Quilter pursuant to the Sale comprises a base consideration of £460 million plus a 5% interest charge on the base consideration for the period from 1 January 2021 to Completion, representing an estimated total consideration of approximately £483 million payable in cash on Completion (and assuming Completion on 31 December 2021). This represents a price to 2020 Solvency II Own Funds multiple of 0.84x.

Net cash proceeds on Completion are expected to be approximately £450 million after allowing for transaction costs.

The Sale constitutes a Class 1 transaction for Quilter under the UK Listing Rules and Completion of the Sale is therefore conditional on, *inter alia*, the approval of Quilter shareholders at a General Meeting of shareholders.

The Sale is also subject to customary regulatory approvals in the Isle of Man, Ireland, Hong Kong, Singapore and the Dubai International Financial Centre and anti-trust approval from the European Commission, which are all currently expected to be received by the end of the fourth quarter of 2021. A Circular containing further details of the Sale and a Notice convening the General Meeting will be sent to Quilter shareholders as soon as practicable.

As is usual in transactions of this nature, the Sale Agreement sets out the required approvals that must be obtained and the obligations on the parties to obtain them, as well as customary warranties and a

customary “no leakage” covenant based on the 31 December 2020 accounts date. Quilter has the option of Quilter International declaring a pre-completion dividend of up to £15 million in which case the base consideration of £460 million will be reduced by a commensurate amount. The transaction documentation also includes a customary tax indemnity, certain transitional services to be provided between Quilter and Quilter International, and a transitional licence permitting Quilter International to continue to use the Quilter brand, for a limited period following Completion.

5. Use of proceeds and financial effects of the Sale

Use of proceeds

The Sale will have an immediate positive impact on Quilter’s capital and liquidity position. Following Completion, and prior to any distribution, the Group is expected to have a Solvency II ratio of c.270%.

An allocation from these net cash proceeds is expected to be applied as a contribution from Quilter International to Quilter’s Full Year 2021 dividend on a pro rata basis to earnings for calendar 2021. Further, the Board of Quilter is currently minded to undertake a capital distribution of the majority of the net cash proceeds to shareholders. A final decision on the quantum and mechanism of distribution will be taken at the time of Completion in light of prevailing market and business conditions, as well as potential opportunities for business investment. Quilter will continue to engage with its shareholders on strategic opportunities and optimum means of returning capital ahead of reaching any conclusions in this regard. Any such distribution will be subject to normal regulatory approvals.

The remainder of the net cash proceeds are expected to be used to fund selected growth initiatives and accelerate the next phase of cost optimisation, supporting revenue enhancement and further cost reductions, and thereby delivering operating margin improvements.

Financial effects of the Sale on the Retained Group

Following the Sale, the Group is expected to be a higher growth business and from the beginning of 2022 Quilter will target annualised NCCF growth of at least 6 percent of opening AuMA in the medium term, an increase on its current 5 percent per annum target reflecting the exclusion of the lower growth Quilter International business from the ongoing corporate perimeter. Subject to delivering currently expected AuMA volumes and business mix from these selected growth initiatives, the Directors believe the Group’s overall annual rate of revenue margin decline should slow in the near-term, and the Group’s revenue margin should become increasingly stable.

Management will implement a series of optimisation initiatives which are expected to increase the Group’s standalone operating margin from c.20% in 2020 on a pro forma basis (excluding stranded costs of c.£8 million expected to arise post-Completion) to at least 25% by 2023 and at least 30% by 2025, after absorbing stranded costs and subject to normal market conditions. The Group intends to provide an update on these initiatives at a Capital Markets Day expected to be held during the fourth quarter of 2021.

6. Summary information on the Retained Group and future strategy

Following Completion, Quilter will be a simpler business with a clear focus on its leading market position in the UK wealth management sector. The Group will continue to help manage and create wealth for high net worth and affluent customers through its unique combination of capabilities across the wealth value chain. It will continue to provide customers with the services to develop suitable financial plans, manage

investments in attractive solutions (in line with their objectives and risk appetites) and provide access to modern wealth wrappers via the Group's platform. The Group's purpose and strategy will continue to be underpinned by its core beliefs, of better choice for customers, sound financial advice, and modern, simple and transparent products which are easily accessible.

Following the completion of the migration of customers and advisers onto the Group's new UK Platform technology earlier this year, the Directors believe Quilter is now well placed to accelerate growth in NCCF. This will be achieved through capturing a greater share of new business from its own restricted financial planners as well as looking to grow market share in the open market channel which serves independent financial advisers. The Group believes the product and functional capability of its new UK Platform combined with its traditional strengths in supporting and servicing advisers will deliver propositions that will be regarded as market leading.

Quilter's strategy is to create value for shareholders through maintaining and strengthening the competitiveness of its customer proposition across all the Group's segments. The Group is focused on leveraging the strength of its two strong distribution channels, new Platform technology, and outcome-based investment solutions offering, delivering these from an efficient operating base, to generate an attractive and sustainable level of earnings.

The Group's existing dividend guidance of a pay-out ratio at the upper end of its policy range of 40% to 60% remains unchanged.

Quilter and Utmost will also work together to ensure a range of modern, flexible international life assurance products will continue to be available to all participants on the Quilter Platform.

The Board expects the execution of Quilter's strategy to result in improved customer satisfaction, enhanced earnings and increased returns for shareholders.

7. Information on Utmost

Quilter International will be acquired by Utmost Isle of Man Holdings Limited, a subsidiary of Utmost Group Limited.

About Utmost Group Limited

Utmost Group Limited is a specialist life assurance group. Its principal businesses are Utmost International and Utmost Life and Pensions, which together are responsible for over £37 billion of primarily unit-linked policyholder assets for around 510,000 customers.

Utmost Group Limited is authorised and regulated by the UK's Prudential Regulation Authority as lead regulator with subsidiaries or branches regulated in numerous jurisdictions including the Isle of Man, Ireland, Singapore and Hong Kong.

About Utmost International

Utmost International provides international life assurance to affluent, high-net-worth and ultra-high-net-worth individuals through Utmost Wealth Solutions, and group risk and savings solutions to multi-national corporates through Utmost Corporate Solutions.

In 2020, Utmost International had £30 billion of assets under administration, 130,000 customers, and wrote £1.6 billion of new business premiums. It was formed through the acquisition of insurers that were previously owned by major insurance groups. Uniting them under a common strategy and achieving significant synergies has created a financially and operationally robust insurance group that is strongly positioned to win new business.

About Utmost Life and Pensions

Utmost Life and Pensions is a specialist UK life consolidator, focused on the acquisition of life assurance businesses in the UK. It was formed through the demutualisation and acquisition of the Reliance Mutual and Equitable Life businesses. It looks after 380,000 customers with £7 billion of assets under administration. Utmost Life and Pensions is authorised by the PRA, and regulated by the FCA and the PRA.

8. Expected timetable to Completion

A Circular containing further details of the Sale, the Board's recommendation, and the Notice of the General Meeting and the resolution required to approve the Sale will be sent to Quilter's shareholders as soon as practicable. Completion is expected to occur around the end of the calendar year 2021.

9. Advisers

Goldman Sachs International and JP Morgan Cazenove are acting as Joint Financial Advisers and Corporate Brokers to Quilter in relation to the Sale. Goldman Sachs International is acting as UK Sponsor to Quilter in relation to the Sale. JP Morgan Equities South Africa Proprietary Limited is acting as JSE Transaction Sponsor. Allen & Overy LLP is acting as legal adviser to Quilter.

Important information relating to financial advisers

Goldman Sachs International, which is authorised by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority in the UK, is acting exclusively for Quilter and for no one else in connection with the matters described in this document and is not, and will not be, responsible to anyone other than Quilter for providing the protections afforded to its clients nor for providing advice in connection with the matters set out in this document.

JP Morgan Cazenove, which is authorised by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority in the UK, is acting exclusively for Quilter and for no one else in connection with the matters described in this document and is not, and will not be, responsible to anyone other than Quilter for providing the protections afforded to its clients nor for providing advice in connection with the matters set out in this document.

Forward looking statements

This document contains statements which are, or may be deemed to be, "forward looking statements" which are prospective in nature. All statements other than statements of historical fact are forward-looking statements. They are based on current expectations and projections about future events and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward looking statements can be identified by the use of forward looking words such as "plans", "expects", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates",

"believes", "targets", "aims", "projects" or words or terms of similar substance or the negative thereof, are forward-looking statements, as well as variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements include statements relating to (a) future capital expenditures, expenses, revenues, earnings, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects, (b) business and management strategies and the expansion and growth of Quilter's operations, and (c) the effects of global economic conditions on Quilter's business.

Such forward looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause actual results, performance or achievements of Quilter to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of Quilter to differ materially from the expectations of Quilter, include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation and policy, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, interest rates and currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors. Such forward-looking statements should therefore be construed in light of such factors. Neither Quilter nor any of its directors, officers or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules), Quilter is not under any obligation and Quilter expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The release, publication or distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. This announcement has been prepared for the purposes of complying with the UK Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with laws and regulations of any jurisdiction outside of England.

Cautionary statement

This announcement is not intended to, and does not constitute, or form part of, any offer to sell or an invitation to purchase or subscribe for any securities or a solicitation of any vote or approval in any jurisdiction. Shareholders are advised to read carefully the formal documentation in relation to the Sale once it has been despatched. Any response to the proposals should be made only on the basis of the information in the formal documentation to follow.

Quilter's PLC's LEI number is: 54930092XIVK28RZGM95

This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of Quilter is Patrick Gonsalves, Company Secretary.

Appendix: Key financial data for Quilter International

<i>£m unless stated</i>	2018	2019	2020
<u>Alternative performance measures</u>			
AuMA (£bn)	18.3	20.5	21.8
Gross sales (£bn)	1.8	2.0	1.6
NCCF (£bn)	0.3	0.5	0.3
Total net fee revenue ¹	135	125	118
<u>IFRS</u>			
Profit before tax	43	48	57
Profit after tax	43	47	56
 Solvency 2 own funds ²			575
Carrying value (including goodwill) ³			326

1. On an adjusted basis, as reported in the Supplementary Information to Quilter's 2020 Full Year Results.

2. Based on Isle of Man Financial Services Authority basis for own funds for Quilter International Isle of Man and the Solvency II basis for own funds for Quilter International Ireland.

3. Estimated, subject to 2021 audit.

01 April 2021

JSE Sponsor: J.P. Morgan Equities South Africa Proprietary Limited