

QUILTER PLC

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)  
ISIN CODE: GB00BDCXV269

JSE SHARE CODE: QLT

Quilter plc (the "Company")

8 August 2023

## **Quilter plc interim results for the period ended 30 June 2023**

**Quilter delivers 25% increase in adjusted profit and improved operating margin. Further growth and efficiency initiatives underway**

**Steven Levin, Chief Executive Officer, said:**

"We have delivered a strong improvement in first half profitability, pleasing flow outcomes in the Quilter channel and improved our market share of new advised platform flows. Our business model is fully aligned with the principles of the Consumer Duty regime and my focus is on doing more for our customers to improve business momentum in the near-term, and deliver faster growth and higher returns to shareholders in the longer-term. We are targeting an additional £50 million of Simplification savings by 2025 and we expect consensus profit estimates for this year to increase materially."

### **Highlights**

- Assets under Management and Administration ("AuMA") of £101.7 billion at the end of June 2023, increased by 2% on 31 December 2022 (£99.6 billion) principally due to positive market movements of £1.9 billion and:
  - Core business gross inflows of £5.5 billion in the first half which were broadly evenly spread between each quarter. Core net inflows in the first half were £0.7 billion (Q1: £409 million, Q2: £247 million). This reflected a good performance from the Quilter channel in both High Net Worth and Affluent with a more muted performance from our IFA/Direct channels across both segments. Market share of gross platform flows increased in both quarters. Notably, Q2 flows were up 5% year-on-year despite a 9% decline in the overall market over the same period.
  - Non-core net outflows of £0.5 billion (H1 2022: £0.2 billion) which relate to assets we still manage on behalf of businesses we have sold.
- Adjusted profit before tax increased by 25% to £76 million (H1 2022: £61 million). Revenue increased by 3% to £312 million (H1 2022: £303 million) supported by revenue generated on corporate cash balances. This was coupled with strong expense discipline which delivered a third consecutive decline in first half costs, despite inflationary pressures, and supported an increase in the operating margin to 24% (H1 2022: 20%).
- We expect to deliver our target £45 million Simplification cost savings by end 2023, a year earlier than planned. An additional £50 million of Simplification (Phase 2) savings are targeted for delivery by the end of 2025, with initiatives in train to improve each of our businesses.
- Stabilisation in Quilter restricted adviser headcount which increased by nine financial planners on December 2022 levels.
- Adjusted diluted earnings per share increased 34% to 4.3 pence (H1 2022: 3.2 pence) supported by the share count reduction from our capital return programme in 2022.
- IFRS profit after tax attributable to shareholders of £5 million (H1 2022: £151 million) with the period-on-period variance largely due to market valuation changes in the policyholder tax charge. Basic earnings per share of 0.4 pence (H1 2022: 9.8 pence).
- Interim Dividend of 1.5 pence per share versus 1.2 pence per share for 2022, representing an increase of 25%.

- Solvency II ratio of 240% after payment of the Interim Dividend (31 December 2022: 230%).
- Basic headline earnings per share of 0.4 pence (H1 2022: 10.2 pence). The basic headline earnings per share figures for the prior period have been re-presented as disclosed in note 8 in the full announcement.
- Diluted headline earnings per share of 0.4 pence (H1 2022: 10.1 pence). The diluted headline earnings per share figures for the prior period have been re-presented as disclosed in note 8 in the full announcement.

### Key financial highlights

We assess our financial performance using a variety of measures including alternative performance measures ("APMs"), as explained further on pages 19 to 21 of the full announcement. In the headings and tables presented, these measures are indicated with an asterisk: \*.

<b>Quilter highlights from continuing operations<sup>1</sup></b>	<b>H1 2023</b>	H1 2022
<b>Assets and flows – core business</b>		
AuMA* (£bn)	<b>98.3</b>	95.2
Gross flows* (£bn)	<b>5.5</b>	5.8
Net inflows* (£bn)	<b>0.7</b>	1.6
Net inflows/opening AuMA* (annualised)	<b>1%</b>	3%
<b>Assets and flows – reported</b>		
AuMA* (£bn)	<b>101.7</b>	98.7
Gross flows* (£bn)	<b>5.5</b>	5.9
Net inflows* (£bn)	<b>0.2</b>	1.4
Net inflows/opening AuMA* (annualised)	<b>0%</b>	3%
<b>Profit and loss</b>		
IFRS profit before tax attributable to equity holders (£m)	<b>7</b>	182
IFRS profit after tax (£m)	<b>5</b>	151
Adjusted profit before tax* (£m)	<b>76</b>	61
Operating margin*	<b>24%</b>	20%
Revenue margin* (bps)	<b>48</b>	47
Adjusted diluted EPS from continuing operations* (pence) <sup>2</sup>	<b>4.3</b>	3.2
Interim dividend per share from continuing operations (pence)	<b>1.5</b>	1.2
Basic earnings per share from continuing operations (pence) <sup>2</sup>	<b>0.4</b>	9.9

<sup>1</sup>Continuing operations represent Quilter plc, excluding the results of discontinued operations relating to the sale of the Single Strategy business in 2018.

<sup>2</sup>The Financial Reporting Council published a thematic review on earnings per share in September 2022. The EPS figures for H1 2022 have been restated following the publication of this guidance as disclosed in note 8 to the interim financial statements.

## Financial review

### Review of financial performance

#### Overview

During the first half of 2023, the Group achieved a strong improvement in profit performance. Global market indices experienced a modest recovery in the period, underpinning growth in Assets under Management and Administration ("AuMA"). The European Central Bank and the Bank of England continued to raise interest rates, supporting investment revenue, and management continued to demonstrate strong cost control.

The Group's reported AuMA was £101.7 billion at the end of the period, representing a 2% increase on the opening position, with positive market movements of £1.9 billion and net inflows of £0.2 billion. The average AuMA for the period was £101.8 billion, compared to £105.3 billion in the same period last year, a decrease of 3%. Adjusted profit before tax of £76 million increased 25% on the comparable period (H1 2022: £61 million). This growth reflects effective cost management in an inflationary environment as well as higher investment revenue resulting from interest income earned on cash and capital resources. This offset a decline in net management fee revenue of 2% due to average AuMA being 3% lower during the period.

#### Alternative Performance Measures ("APMs")

We assess our financial performance using a variety of measures including APMs, as explained further on pages 19 to 21 of the full announcement. In the headings and tables presented, these measures are indicated with an asterisk: \*.

#### Key financial highlights

We have changed our reporting where we share a margin on client cash. This margin is now included in net management fee revenue rather than other income. Comparative figures have been restated. This change brings us into line with peers across the industry. For the first half the benefit of interest margin on client balances was £6 million in High Net Worth and £1 million in Affluent (H1 2022: £2 million in High Net Worth and £nil million in Affluent).

Reporting of assets and flows have been restated to show non-core AuMA outside of core business AuMA reporting. Non-core AuMA and associated gross and net flows represents assets managed on behalf of businesses we have previously sold together with some legacy funds which are in run-off and remain in outflow, with the run-rate of decline included in prior periods. The core business AuMA and movements therein better represents the performance of the Group.

Quilter highlights from continuing operations <sup>1</sup>	H1 2023	H1 2022
<b>Assets and flows - core business</b>		
AuMA* (£bn)	98.3	95.2
Gross flows* (£bn)	5.5	5.8
Net inflows* (£bn)	0.7	1.6
Net inflows/opening AuMA* (annualised)	1%	3%
Gross flows per adviser* (£m) <sup>2</sup>	2.7	2.4
Asset retention* (annualised)	90%	92%

<b>Assets and flows - reported</b>		
AuMA* (£bn)	101.7	98.7
Gross flows* (£bn)	5.5	5.9
Net inflows* (£bn)	0.2	1.4
Net inflows/opening AuMA* (annualised)	0%	3%
<b>Profit and loss</b>		
IFRS profit before tax from continuing operations attributable to equity holders (£m)	7	182
IFRS profit after tax from continuing operations (£m)	5	151
Adjusted profit before tax* (£m)	76	61
Operating margin*	24%	20%
Revenue margin* (bps)	48	47
Return on equity* (annualised)	7.5%	5.9%
Adjusted diluted EPS from continuing operations* (pence) <sup>4</sup>	4.3	3.2
Interim dividend per share from continuing operations (pence)	1.5	1.2
Basic earnings per share from continuing operations (pence) <sup>4</sup>	0.4	9.9
<b>Non-financial</b>		
Total Restricted Financial Planners ("RFPs") in both segments <sup>3</sup>	1,511	1,567
Discretionary Investment Managers in High Net Worth segment <sup>3</sup>	178	176

<sup>1</sup>Continuing operations represent Quilter plc, excluding the results of discontinued operations from the sale of the Single Strategy business in 2018.

<sup>2</sup>Gross flows per adviser is a measure of the value created by our Quilter distribution channel.

<sup>3</sup>Closing headcount as at 30 June.

<sup>4</sup>The Financial Reporting Council published a thematic review on earnings per share in September 2022. The EPS figures for H1 2022 have been restated following the publication of this guidance as disclosed in note 8 to the interim financial statements.

Detailed analysis on net flows by business segment is shown in the Supplementary Information section of this announcement.

**Net inflows for the core business** of £0.7 billion for the first half of 2023 were 56% lower than the prior period (H1 2022: £1.6 billion). Gross flows of £5.5 billion declined by 5% on the prior period (H1 2022: £5.8 billion) while outflows of £4.8 billion were 14% higher than the prior period reflecting increased withdrawals from clients that are already in drawdown to offset the impact of higher living costs, and for some clients who chose to repay debt obligations given the higher interest rate environment.

In the **Affluent segment** core business, the Quilter channel delivered steady net flows of £0.9 billion (11% of opening balances) compared to £0.9 billion (10% of opening balances) in the prior period. We have changed our reporting of Quilter channel flows, so this figure represents the net flows onto our Platform from Quilter Financial Planning less the outflow from assets managed by our advisers on other platforms. These balances largely represent back book transfers which totalled £326 million in the first half of 2023. The revised disclosure provides a better representation of performance of the activity within this channel. Gross inflows of £1.8 billion were up 6% on the comparative period (H1 2022: £1.7 billion), despite lower volumes across the total retail advised market demonstrating the continued strength of our integrated channel. Productivity, representing Quilter channel gross flow per adviser, also increased in line with

our business objectives. Outflows increased to £0.9 billion (H1 2022: £0.8 billion) due to higher customer drawdown as previously referenced. This was partially offset by a reduction in regretted outflows reflecting lower levels of consolidator activity in this channel during the period.

Despite the subdued level of flows across the industry, IFA channel gross inflows of £2.6 billion (H1 2022: £2.9 billion) held up against the prior period as we continued to improve our market share of new business. Lower net inflows of £17 million (H1 2022: £654 million) reflected increased customer withdrawals and ongoing consolidator activity. This latter item was more than offset by net positive flows to the Quilter Platform from competitor platforms. At a net level, inflows as a percentage of opening AuMA (annualised) for the IFA channel was 0% (H1 2022: 2%).

Fund flows via third-party platforms gave rise to net outflows of £0.2 billion (H1 2022: net outflows of £0.3 billion) predominantly due to planned fund closures and a slowdown in the Compass fund range run-off.

The Quilter Investment Platform continues to maintain the leading market share of gross sales, against our Retail Advised Platform peers, based on the latest available Fundscape data (Q2 2023).

Persistency for the Affluent segment was below the prior period at 89% (H1 2022: 91%) as inflationary and interest rate pressures increased withdrawal activity as already mentioned.

	AuMA* as at 31 December 2022 (£bn)	Gross flows* (£m)	Net Flows* (£m)	AuMA* as at 30 June 2023 (£bn)
<b>2023 YTD</b>				
<b>AFFLUENT SEGMENT</b>				
Quilter channel	15.4	1,775	863	15.9
IFA channel on Quilter Investment Platform	54.1	2,557	17	55.8
Funds via third-party platform	2.0	144	(190)	1.6
<b>Total Affluent segment core business</b>	<b>71.5</b>	<b>4,476</b>	<b>690</b>	<b>73.3</b>
	AuMA* as at 31 December 2021 (£bn)	Gross flows* (£m)	Net Flows* (£m)	AuMA* as at 30 June 2022 (£bn)
<b>2022 YTD</b>				
<b>AFFLUENT SEGMENT</b>				
Quilter channel	16.6	1,713	866	14.8
IFA channel on Quilter Investment Platform	60.0	2,874	654	53.7
Funds via third-party platform	2.5	141	(326)	2.2
<b>Affluent segment core business</b>	<b>79.1</b>	<b>4,728</b>	<b>1,194</b>	<b>70.7</b>

The **High Net Worth segment** recorded gross inflows of £1.2 billion, 8% lower than the first half of 2022 (£1.3 billion) reflecting lower market activity. Net inflows of £0.1 billion were lower than the prior period (H1 2022: £0.5 billion), with robust gross flows from the Quilter channel offsetting a slowdown in IFA flows

and a small number of unrelated larger account losses, notably in the charity and corporate account sector. Lower persistency of 91% (H1 2022: 95%) reflected some clients opting to use existing investments to repay debt obligations given the higher interest rate environment.

**The Group's core business AuMA** ended the period at £98.3 billion, up 2% from the opening position (FY 2022: £96.2 billion), due to positive market movements of £1.4 billion and net inflows of £0.7 billion. The Affluent segment AuMA increased by 3% to £73.3 billion (FY 2022: £71.5 billion) of which £23.4 billion is managed by Quilter, versus the opening position of £22.7 billion. High Net Worth's AuM was £25.9 billion, up 2% from the opening position of £25.5 billion, with all assets managed by Quilter.

In total, £49.0 billion or 50% of AuMA is managed by Quilter across the Group (FY 2022: £48.0 billion, 50%).

**The Group's revenue margin** of 48 bps was 1 bp higher than the prior period (H1 2022: 47 bps). The revenue margin on administered assets within the Affluent segment was 1 bp higher than the prior period at 27 bps. The revenue margin on managed assets in the Affluent segment decreased by 4 bps to 43 bps as a result of planned reprice of the Cirilium Active range which occurred early in the second quarter. Within the High Net Worth segment the revenue margin increased by 2 bps to 73 bps, supported by revenues from interest margin generated on client balances.

**Adjusted profit before tax** increased by 25% to £76 million (H1 2022: £61 million). The decline in net management fees to £242 million of 2% (H1 2022: £247 million) broadly matched the decline in average AuMA period-on-period of 3% (H1 2023: £101.8 billion compared to H1 2022: £105.3 billion). Net management fees include the investment return on client funds of which £7 million was generated in the first half of 2023 (H1 2022: £2 million). Other revenue decreased by 21% to £42 million (H1 2022: £53 million) reflecting lower new business activity in our mortgage and protection business, and lower equity market levels.

Investment revenue increased from £3 million in the first half of 2022 to £28 million in H1 2023, due to the increase in interest income earned on shareholder cash and capital resources. Operating expenses in the first half of 2023 were £236 million, 2% lower than the prior period (H1 2022: £242 million) primarily due to continued cost discipline, lower FSCS levies and Simplification cost initiatives during the period offset by higher inflation. The Group's operating margin improved by 4 percentage points to 24% (H1 2022: 20%).

**The Group's IFRS profit after tax** from continuing operations was £5 million compared to £151 million for the first half of 2022. The year-on-year decrease in IFRS profit is largely attributable to a variance in policyholder tax outcomes which moved from an expense of £21 million in the period to June 2023 (due to net market gains) to a credit of £145 million (due to market losses) in the period to June 2022.

**Adjusted diluted earnings per share** for continuing operations increased 34% to 4.3 pence (H1 2022: 3.2 pence). This increased more than adjusted profit due to the share consolidation in May 2022.

## Shareholder information

The Quilter Board has declared an Interim Dividend of 1.5 pence per share. The Interim dividend will be paid on Monday 18 September 2023 to shareholders in the UK and South African share registers on Friday 1 September 2023.

## Dividend Timetable

Dividend announcement in pounds sterling with South Africa ZAR equivalent	Tuesday 8 August 2023
Last day to trade cum dividend in South Africa	Tuesday 29 August 2023
Shares trade ex-dividend in South Africa	Wednesday 30 August 2023
Shares trade ex-dividend in the UK	Thursday 31 August 2023
Record Date in UK and South Africa	Friday 1 September 2023
Interim Dividend payment date	Monday 18 September 2023

From the opening of trading on Tuesday 8 August 2023 until the close of business on Friday 1 September 2023, 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 30 August 2023 and Friday 1 September 2023, both dates inclusive.

## Additional information

For shareholders on our South African share register an Interim Dividend of 35.69864 South African cents per share will be paid on Monday 18 September 2023, based on an exchange rate of 23.79909. Dividend Tax will be withheld at the rate of 20% from the amount of the gross dividend of 35.69864 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 Interim Dividend will be 28.55891 South African cents per share. The Company had a total of 1,404,105,498 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 adviser.

## Odd-lot Offer

Following our Odd-lot Offer in 2020, as part of our continued drive for greater efficiency and in line with our desire to act in the best interests of all our shareholders, we plan to undertake another Odd-lot Offer for shareholders registered on the London and Johannesburg Stock Exchanges. The potential Odd-lot Offer was approved by shareholders at the Company's 2023 Annual General Meeting held in May 2023 and will launch within 18 months of the meeting.

The Odd-lot Offer entails Quilter making an offer to eligible shareholders (holders of less than 200 shares) to repurchase their shares at a 5% premium to the volume weighted average price of Ordinary Shares traded on the London Stock Exchange over the five trading days prior to the date on which the offer price is finalised. The Odd-lot Offer will reduce the complexity and cost to Quilter of managing our unusually large shareholder base and will allow shareholders holding small numbers

of shares to dispose of their holdings in a timely and cost-effective manner, without any dealing fees. Eligible shareholders can, of course, elect to retain their shareholding in Quilter plc.

Odd-lot Holders will receive the 2023 Interim Dividend on their Odd-lot Offer shares providing they still hold their shares on the Interim Dividend Record Date, Friday 1 September 2023.

Further information will be provided to eligible shareholders in due course.

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 [Investor relations | Quilter plc](#) and the JSE cloudlink <https://senspdf.jse.co.za/documents/2023/JSE/ISSE/QLTE/HY23Result.pdf>

Copies of the full announcement may also be requested at the company's registered office, by emailing [investorrelations@quilter.com](mailto:investorrelations@quilter.com), at no charge, during office hours.

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