



Quilter Financial Planning

3 May 2019

Quilter

Presentation agenda

- Introduction
- UK advice market – a decade of disruption
- The Quilter advice strategy
- The Quilter advice business



Introduction

Quilter

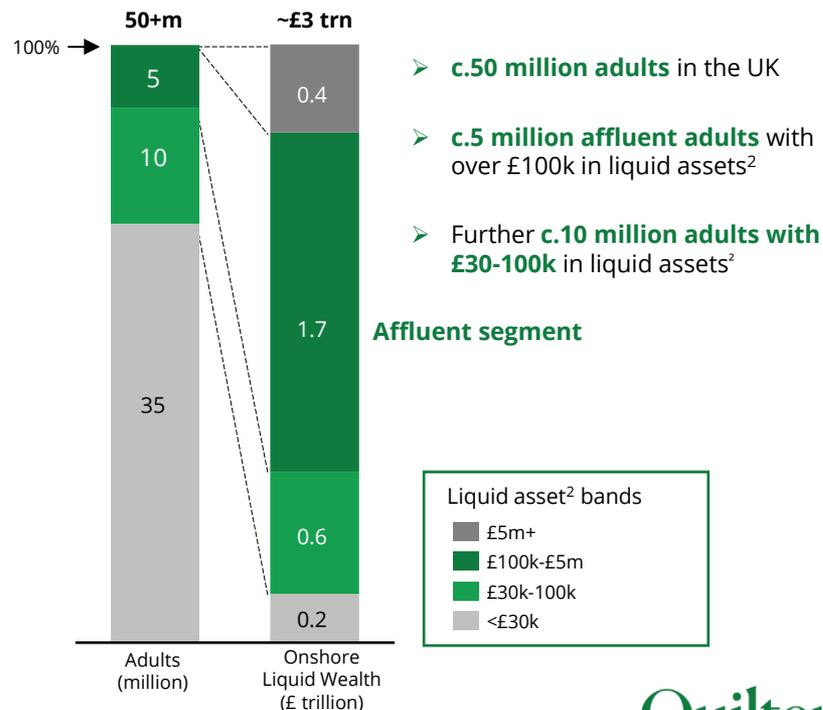
Quilter: A leading, UK-centric full service wealth manager

Business snapshot

- Leading UK and cross-border wealth manager with £100bn+ of customer assets
- Advice-led investment solutions to affluent customers in the UK and selected international markets
- LSE and JSE listed, with ~£2.8bn market cap
- A proven track record, with scale in a growing market, and momentum for future profit growth
- Optimisation Phase 1 commenced

Our target market

c.5 million affluent adults with £1.7 trillion wealth¹



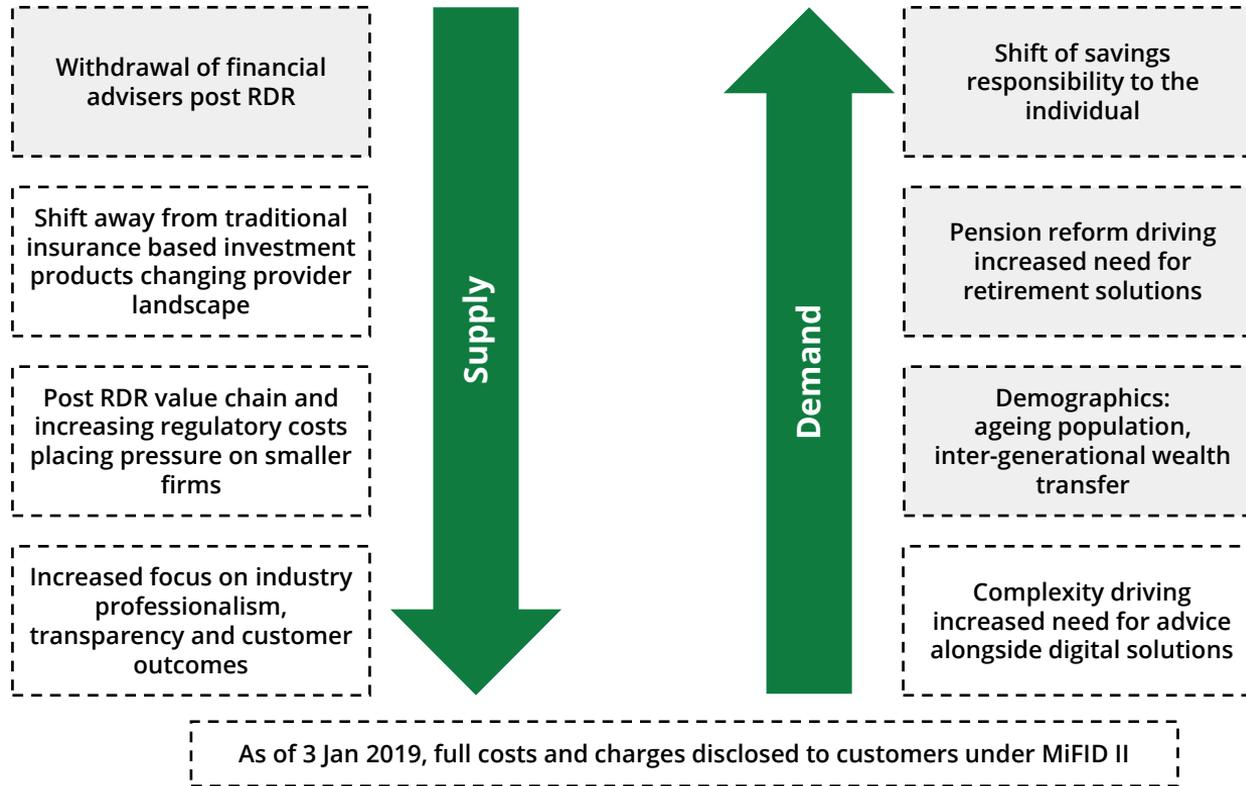
1. Source: GlobalData, Financial Wealth in the UK: Sizing the Market Opportunity, March 2017. Data shown for 2017 forecast.
2. Liquid assets includes cash/deposits, ordinary stocks and shares, government and other bonds and other collective investment schemes.



UK advice market A decade of disruption

Quilter

A decade of disruption: supply and demand



Race for distribution



Diminished number of advisers



Increased demand for advice

Winners:

- Scale players
- Successful consolidators
- Regional boutique players

New entrants:

- Re-emergence of banks
- Potential scale acquirer?
- Guided / Robo-advice player

Losers:

- Sole traders
- Unsuccessful consolidators
- Subscale networks



The Quilter advice strategy

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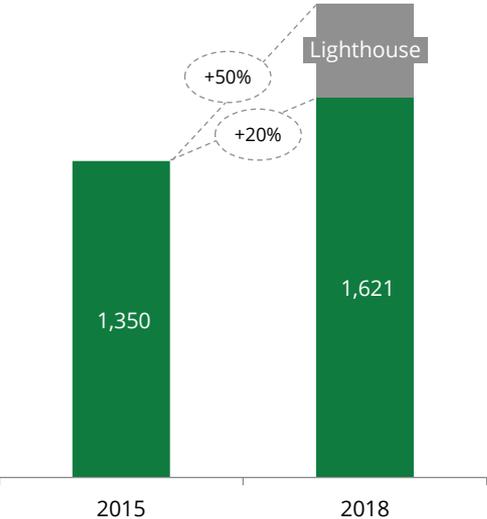
Advice business: Strategic priorities

Delivering an excellent customer experience through controlled distribution

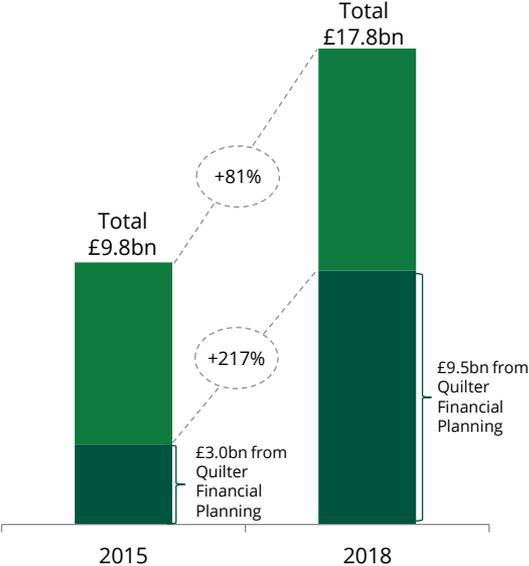
- The **customer sits at the heart of our strategy** and demonstrable delivery of good customer outcomes remains our focus
- The provision of advice is one of the core foundations of Quilter's strategy, **providing strong and sustainable NCCF** to the group
- To **build on our strong position** in the UK restricted advice market through:
 - Continued expansion of our national wealth business, organically and through targeted acquisitions
 - Growth of wealth network, organically and through opportunistic acquisitions
 - Growth in advice revenues and integrated flows, from developing and building on successful acquisitions such as Caerus (Jun 2017) and Charles Derby (Feb 2019)
- To **build a sustainable advice business**, while supporting growth elsewhere in Quilter

Evolution of the advice model

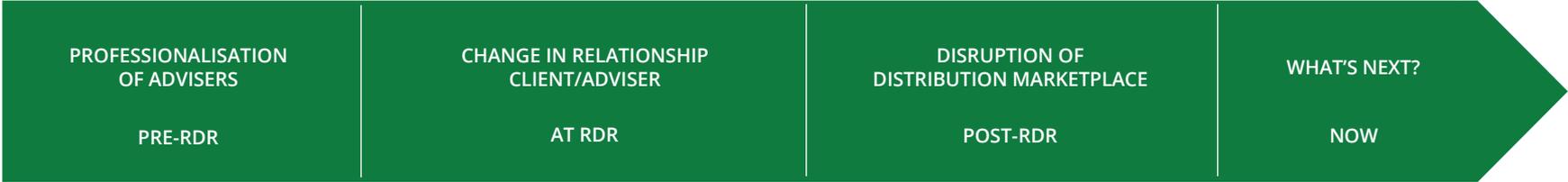
Quilter RFPs



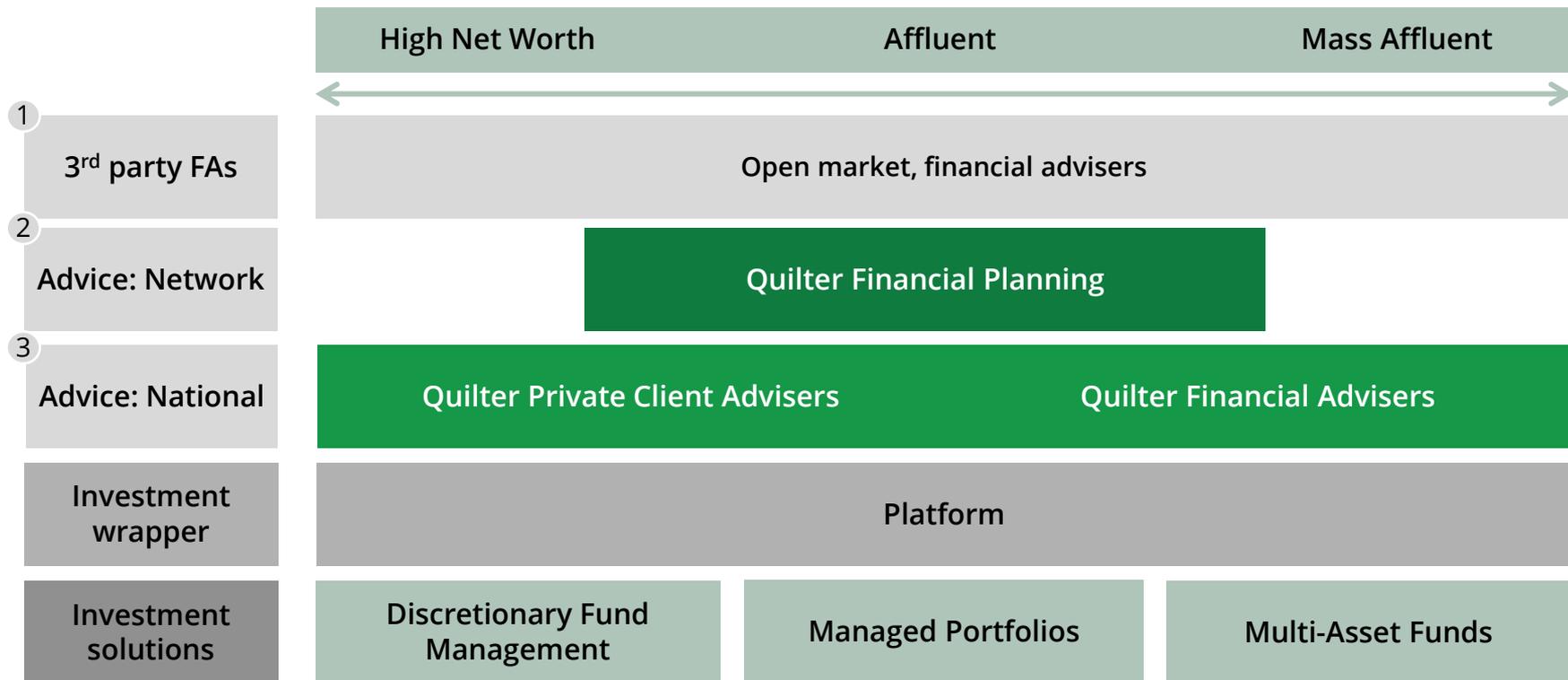
Quilter Investors' AuM



- FCA focus on value for money
- Advice automation and technology
- Pensions freedom
- Constrained supply of advisers



Advice is at the heart of what we do



Why National?

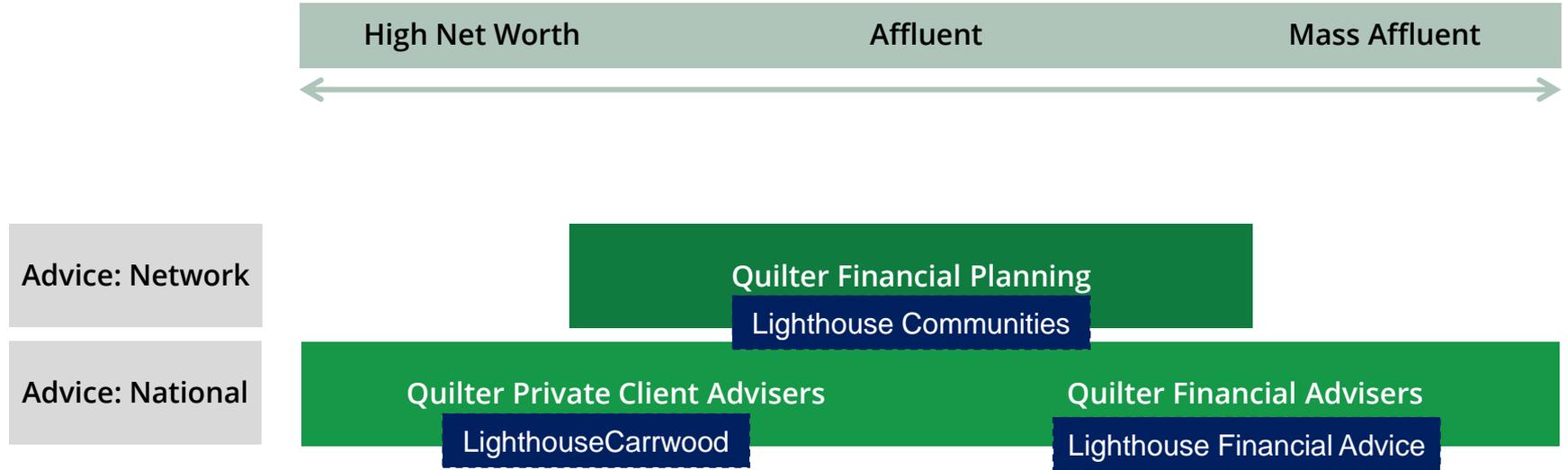
- Quilter Private Client Advisers operates across 6 offices in the UK
- Average portfolio size¹ : £326,000
- Achieved £1.1bn of integrated assets¹
- Strong proposition at the higher end of the market
- Customer validation through feedback and increasing recurring fees
- Building on a proven model to accelerate growth and deliver integrated flows

1. As at 31 December 2018.

What does Charles Derby Group add?

- Strategic investment to acquire the remainder of Charles Derby Group we did not own, to **fast track** development of national advice business, focused on mass affluent customers
- Builds upon success of already profitable Quilter Private Client Advisers – **complementary** as Quilter Private Client Advisers is focussed on upper affluent and HNW customers
- Expect acquisition to deliver:
 - **Growth in RFPs** – Charles Derby Group has a track record of delivering strong growth in RFPs (currently > 200)
 - **Increase productivity** by leveraging their **strong lead generation** and marketing capabilities
 - Opportunity for **cost synergy** by integrating processes with Quilter Financial Planning
- Together with Quilter Private Client Advisers and Strategic Partners, will **drive higher levels of NCCF generation**

What does Lighthouse add?



- Shared focus on delivering good customer outcomes
- Brings considerable scale to the National advice strategy
- Enhances Lighthouse customer proposition by offering Quilter's Investment Solutions and Platform



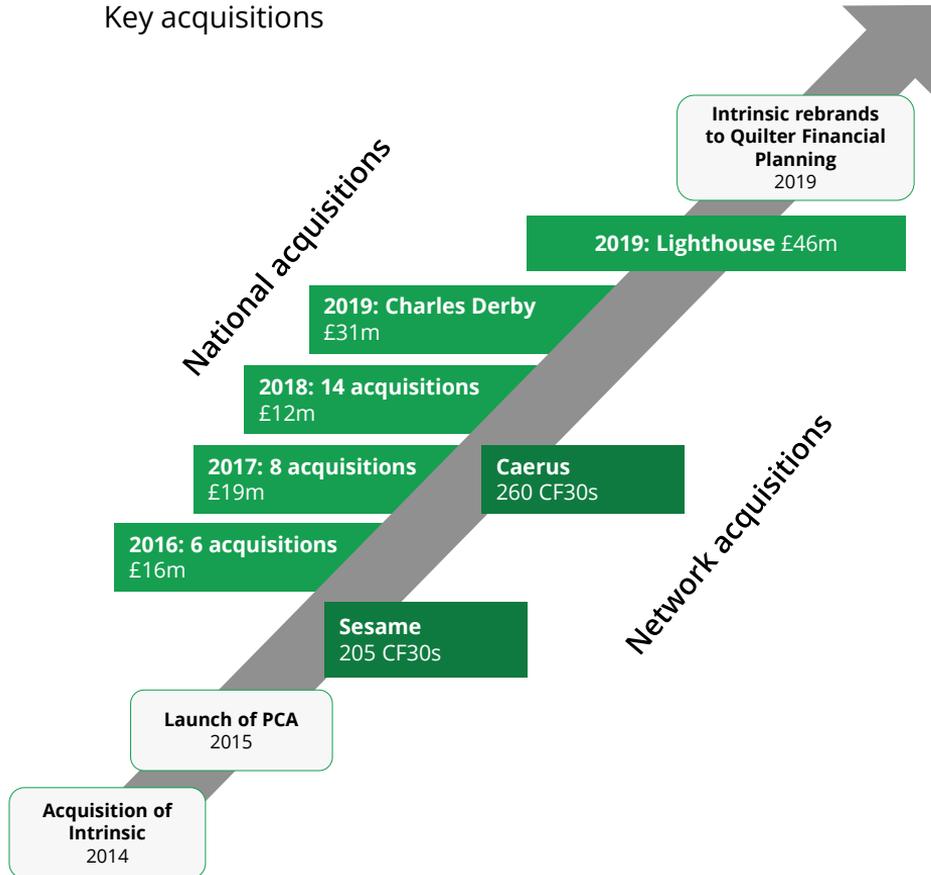
The Quilter advice business

Quilter

Scale-up: Strong adviser growth through investment and acquisition

Inorganic growth of RFPs

Key acquisitions



Acquisition philosophy: Network

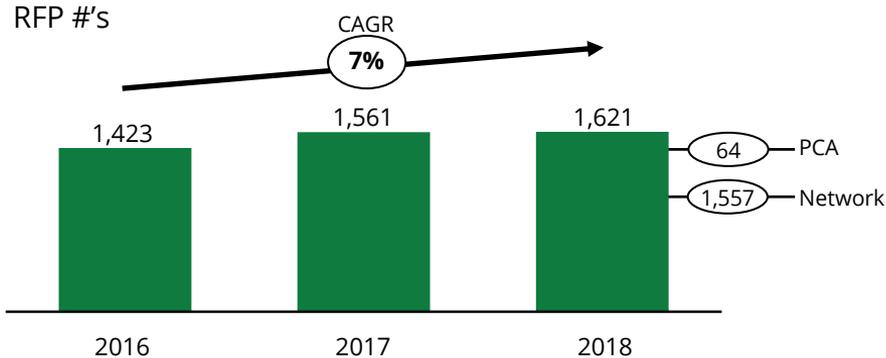
- Targets larger in scale
- Focus on adding RFPs (“CF30s”), which in time delivers flow to Group
- Acquisitions opportunistic in nature

Acquisition philosophy: National

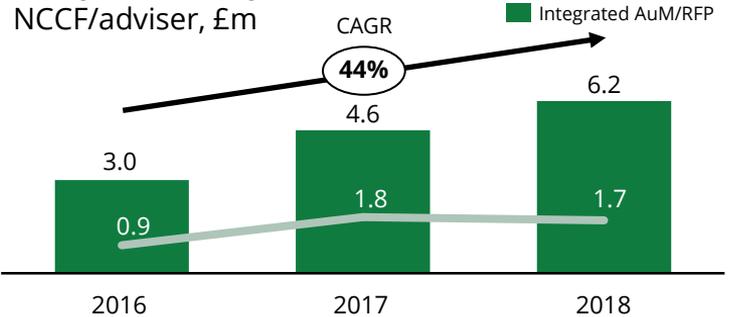
- Due diligence looks for right geographical, cultural and customer fit
- Focus on acquiring customers and assets
- Greater number of potential transactions, but mostly focused on smaller acquisitions

Advice and Wealth Management: Advice contribution

Quilter Financial Planning & PCA



RFP productivity¹



1. Integrated productivity including PCA.

Growth drivers

RFPs

- ✓ Recruitment in a fragmented market
- ✓ Financial Adviser School
- ✓ Adviser conversion from Independent to Restricted
- ✓ Acquisition

Productivity

- ✓ Pensions freedom
- ✓ Productivity growth with tenure/seasoning
- ✓ PCA and Quilter Cheviot alignment

Delivery for customers

- ✓ Co-ordinated customer experiences
- ✓ Wide range of managed investment solutions
- ✓ Delivering value

Why do advisers join us?

Proposition, scale and development opportunities

Key benefits to advisers

- **Attractive** home for advisers
- Protect advisers and customers with **robust proposition**
- **Knowledge of advice** and advice businesses
- **Investment in technology** and digital capabilities
- **Ongoing development and training** for advisers
- **Practice buy-out model** provides business continuity and value realisation



Investing in the future – Financial Adviser School

- Acquired in 2016
- **Commitment to future** of face-to-face advice
- Makes advice more accessible, **supports advice firm growth**
- **Promote professionalism** and confidence in industry
- At 31 December 2018, **100 students** graduated to date; 94 students enrolled
- In 2018 the school was repurposed to provide a higher number of graduates (c.100 p.a. from 2020) to help accelerate Quilter RFP growth

Summary of our vision

Advice: National

Business model now proven & delivering:

- Advice profitability
- Higher anticipated household wealth demographic
- Good alignment with wider Quilter propositions
- Aligns well with Quilter strategic plans, delivers value to Group on many levels

Over time we expect to scale the model to deliver:

- Expanded reach into the affluent customer segment
- Greater geographic coverage
- Increased group integrated flows
- Further alignment across Quilter Group
- Scalable advice propositions for high-end and middle UK built upon Quilter's strong investment solutions and platforms, designed to meet customer needs
- Increased organic customer generation, increased NCCF and optimise the business

Advice: Network

A well established, mature business:

- Delivering consistent flows into Quilter solutions
- Servicing mass-affluent customer base across middle UK
- Good alignment with wider Quilter propositions
- Aligns well with relationships held with ~4,000 3rd party, open-market adviser firms

Over time we expect to evolve the model to deliver:

- Fewer but larger appointed representative firms
- Increased group integrated flows, where we design solutions for customers
- Further alignment with Quilter Investors and Wealth Platforms
- Increased support for advisers and customers through technology
- Opportunistic acquisitions undertaken to add scale and the ability to grow acquired firms by adding RFPs

Quilter investment case

A unique combination of capabilities, scale and market positions

1

Full service wealth manager providing choice and delivering good customer outcomes

2

Leading positions across one of the world's largest wealth markets with strong structural growth drivers

3

Multi-channel proposition and investment performance driving integrated flows and long term customer and adviser relationships

4

Attractive top-line growth and the opportunity for operating leverage

5

Strong balance sheet with low gearing and improving cash generation to drive shareholder returns



Appendix

Quilter

Lighthouse transaction structure

A quality, scale business with considerable growth opportunities

- Quilter to acquire 100% of the issued share capital of Lighthouse at closing
- Recommended all-cash offer of 33 pence per share – equivalent to £46.2m¹
 - Represents approx. 26% premium to the volume-weighted average price for the prior six months
 - Represents 2018 profit after tax multiple of approx. 18x
 - Multiple is approx. 17x after deduction of cash
 - Multiple is approx. 10x after deduction of cash and delivery of synergies
- Funded through existing Quilter cash resources
- Lighthouse shareholders entitled to Lighthouse 2018 final dividend of 0.5 pence per share

1. £42.2m, adjusting for approximately £4.0m excess cash held on Lighthouse's balance sheet.

Lighthouse financial impact

Revenue enhancing acquisition achieving benefits through Quilter's vertically integrated model

- £5-8m¹ one-off transaction and integration costs, including IT investment
- Expect to achieve £2m annualised cost savings from the acquisition, which will be fully realised by March 2021
- Expect Return on Investment to be in mid-teens within 3 years, consistent with Quilter's historical acquisitions
- Group 2020 and 2021 operating margin targets remain unchanged
- Run-rate operating expenses expected to be c.£12m per annum

1. Includes £2 million of costs to achieve synergies.

Lighthouse transaction timeline

Event	Timeline
Regulatory approvals	Engagement with the FCA and CMA ongoing
Posting of Scheme documentation	No later than 28 days post Announcement (15 April)
Lighthouse shareholder meeting	At least 21 days after posting of the Scheme documentation (10 May)
Expected completion	During the second quarter 2019 ¹
Payment of consideration	No later than 14 days after the Scheme effective date

1. Subject to the satisfaction (or, where applicable, waiver) of the Conditions set out in the “Conditions and Further Terms of the Acquisition” in the Announcement.

Summary of Lighthouse financials

Balance sheet ¹ (£m)	2018
Intangible assets	5.3
Property, plant and equipment	1.3
Investment held as fixed asset	1.0
Deferred tax asset	0.8
Fixed assets	8.4
Trade and other receivables	4.4
Cash and cash equivalents	9.6
Current assets	14.0
Trade and other payables	(7.7)
Provisions	(0.4)
Current liabilities	(8.1)
Net current assets	5.9
Non-current provisions	(0.4)
Net assets	13.9
Less intangible assets	(5.3)
Less declared final dividend	(0.6)
Pro forma adjusted net assets²	8.0

Pro forma key financials ^{1,3} (£m)	2018	2017
Net revenue	14.6	14.7
Total administrative expenses	(11.8)	(12.0)
Adjusted profit before tax	2.8	2.7
Adjusted profit after tax	2.5	2.7

1. Lighthouse's disclosure has been adjusted to align with Quilter's reporting definitions to aid comparability and modelling, and is unaudited.
2. Adjusted to reflect intangible assets reduced to nil as will be replaced with goodwill and other intangibles arising from Quilter's acquisition of the business, and the final dividend payment of 0.5pence per share to Lighthouse shareholders. Numbers may not cast due to rounding.
3. Adjustment reflects the netting of Lighthouse's "Cost of Sales" against "Revenues" to derive Net revenue and reclassification of "Amortisation of Intangible Assets" from Total administrative expenses to below the line expenses. Lighthouse's full, audited financial disclosure prior to the aforementioned adjustments can be found on page 41 of Lighthouse's 2018 Annual Report and Accounts.

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Contacts

Investor enquiries

John-Paul Crutchley	UK	+44 207 002 7016 john-paul.crutchley@quilter.com
Keilah Codd	UK	+44 207 002 7054 keilah.codd@quilter.com

Media enquiries

Jane Goodland	UK	+44 77 9001 2066 jane.goodland@quilter.com
Tim Skelton-Smith	UK	+44 78 2414 5076 tim.skelton-smith@quilter.com

Camarco

Geoffrey Pelham-Lane	UK	+44 203 757 4985
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Aprio

Julian Gwillim	SA	+27 11 880 0037
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