

# Old Mutual PLC Sale of Single Strategy Asset Management Business of Old Mutual Wealth to TA Associates

FINAL

## Company Participants

- Mark Satchel, Director
- Paul Feeney, CEO
- Tim Tookey, CFO

## Other Participants

- Andrew Sinclair, VP
- Tom Eckett, Analyst
- Unidentified Participant, Analyst

## Presentation

### Operator

Welcome to the Old Mutual Wealth update. (Operator Instructions) Just to remind you, the call is being recorded. I'm now pleased to present our host, Paul Feeney, CEO of Mutual Wealth. Please begin.

### Paul Feeney {BIO 17570862 <GO>}

Thank you. Hi, guys. Thank you for joining us today. I'm joined here by Tim Tookey, our CFO; and Mark Satchel, our Corporate Finance Director. So I'll say a few words of introduction, then we'll be happy to take your questions.

First of all, we're pleased to be announcing the sale of our Single Strategy asset management business today to TA Associates for an expected total consideration of GBP 600 million. So this is made up of cash consideration of GBP 570 million payable on or before completion, with approximately GBP 30 million anticipated to be payable primarily over 2019 and -- to 2021, as surplus capital is released from the business.

So this has been a great business for us. And we're really pleased with how it's grown under our stewardship. But as we said, like with our showcase in November, it's a different business with very different characteristics to the rest of our business in terms of customers, product and distribution. It's institutionally focused, the rest of our business is retail focused. A large part of its economic value comes from performance fees, which are potentially much more volatile than the rest of our business. And it doesn't share

distribution with the rest of our business, which is built upon an advice-led proposition. So simply put, it's less aligned to our business model moving forward.

So while we would have been happy to own this business long term as a distinctly branded boutique asset manager, given its very different characteristics to the rest of our businesses, we felt it was in everybody's best interest to consider both internal and external options for the business. And the potential external purchases included financial buyers, strategic buyers and existing industry players. Against this highly competitive backdrop, TA Associates emerged as the most attractive bidder on a number of grounds, including price and ability to execute. We believe that selling the Single Strategy business today and allowing our management efforts and investment priorities to be wholly focused on delivering on our ambition of building the U.K.'s leading wealth manager will deliver the best outcome, both for our plc's current shareholders and Quilter's future shareholders.

While legal ownership is going to transfer at closing, the timing of which is difficult to predict at the moment due to the need for regulatory approvals, the actual economic ownership of the business is going to transfer to TA Associates on the 1st of January 2018. Therefore, accrued profit in the business from the Single Strategy business will transfer with the business when the transaction completes. All profits up until the end of December this year will be due to us, to Old Mutual Wealth.

So importantly, there is no price adjustment for any changes in overall market levels. This, obviously, gives us downside protection from market movements, which in the context of the ongoing work regarding the plc balance sheet and developing the capital needs of our own balance sheet, this is important for us.

As you know, we've already started breaking out the financials of the multi asset and Single Strategy businesses, with the former an integral part of our business. So work is well underway to ensure a smooth transition of the businesses and to ensure that appropriate transitional arrangements are in place to support the Single Strategy business. So we're pleased with the outcome to date.

With that, I'm happy to take questions. Let me hand back to the operator.

## Questions And Answers

### Operator

(Operator Instructions) And our first question comes from Andy Sinclair of Bank of America Merrill Lynch.

### Q - Andrew Sinclair {BIO 17749036 <GO>}

I have 3 questions, if I may. Firstly, I just want to check if there's any distribution agreements or other responsibilities for either the group or the Single Strategy business to each other after this transaction completes? Secondly, just wanted to check if there's

any particular capital being passed across with the Single Strategy business, anything we should be aware of there? And thirdly, just on liquidity in the group. And in particular, within Old Mutual Wealth continues to build strongly. Just wondered at which point -- at what point do you think that starts to look excessive?

**A - Paul Feeney** {BIO 17570862 <GO>}

Okay. Thanks, Andy. Mark, do you want to take the first one, any distribution agreements?

**A - Mark Satchel** {BIO 18275874 <GO>}

Sure. Yes. So Andy, we will continue to work very much with the Single Strategy business going forward. We committed to supporting them and making sure that they are -- had access to our platforms and other things just like they currently do and just as other third-party distributors do. So we expect that we will continue to have an ongoing fruitful relationship with them, along terms -- along very similar terms to what exists for other top partners that we use on a regular basis.

**A - Paul Feeney** {BIO 17570862 <GO>}

Okay. Mike, do you want to take the second one while you're on, any capital being passed across to the...

**A - Mark Satchel** {BIO 18275874 <GO>}

So Andy, we obviously ensure that the business is well capitalized at the point of transfer. That's being the business is in growth mode. So the capital needs are increasing. Some of the deferred consideration or most of the deferred consideration is in relation to additional capital that we will be putting into the business in a standalone capacity that we expect to unwind as a consequence of the separation. It takes a while for it to unwind through the regulatory calculation, which is why it is deferred and it will be returned to us in due course under the agreement.

**Q - Andrew Sinclair** {BIO 17749036 <GO>}

So that GBP 30 million gives kind of a fair quantum for that, is that fair to say?

**A - Mark Satchel** {BIO 18275874 <GO>}

Correct.

**A - Paul Feeney** {BIO 17570862 <GO>}

Okay. Tim, do you want to take the liquidity question?

**A - Tim Tookey** {BIO 4817047 <GO>}

Yes. I mean, on liquidity, works -- the work is still going on, Andy, around the, what I'll call, the simultaneous equations of plc's balance sheet and our own. But remember on this one that we don't know yet when legal completion will take place. So it's quite likely that

will take place after management separation is complete. So it -- we'll be taking all sorts of things into account in that ongoing work.

## Operator

(Operator Instructions) And we have a follow-up from Andy Sinclair of Bank of America Merrill Lynch.

### Q - Andrew Sinclair {BIO 17749036 <GO>}

No one else is going. So I'll have another shot. Just one more question. Just for the ongoing operational and IT responsibilities for the 2-year period, just wondered if you could tell us the revenue and cost implications for the remaining group?

### A - Paul Feeney {BIO 17570862 <GO>}

Mark?

### A - Mark Satchel {BIO 18275874 <GO>}

Sorry, Andy, just repeat. That's the -- you said ongoing IT...

### Q - Andrew Sinclair {BIO 17749036 <GO>}

The release mentioned ongoing operational and IT transactional service agreements for the -- for a period of two years. Just wondered on the revenues and expense implications for the remaining group of that?

### A - Mark Satchel {BIO 18275874 <GO>}

So that's all been done at cost and the current arrangements. And really, it's just a normal GSA that we've set up with some of the work we've done on other disposals in Germany, Switzerland or the rest of it. Andy, the total amount of all transitional services is somewhere in the region of GBP 9 million or GBP 10 million a year. And that's a runoff over time. But it's costed up. Things sort of mark up when anything obstructs that. So the natural underlying business is mutual in terms of the cost that it's incurring as far as that's concerned.

## Operator

And our next question comes from Johny Lambridis[ph]

### Q - Unidentified Participant

Recently, as in six months ago, Old Mutual Wealth got a capital injection from the plc of GBP 200 million. Just trying to work out now with you receiving GBP 570 million, whether that's going to be repaid or if the GBP 570 million would all stay within Old Mutual Wealth into the proposed listing?

**A - Paul Feeney** {BIO 17570862 <GO>}

I'll hand that to Tim.

**A - Tim Tookey** {BIO 4817047 <GO>}

Yes. Johnny[ph], thanks for joining the call. So as I said back in showcase, work is ongoing with the day 1 balance sheets of Old Mutual Wealth as Quilter will be as well as separation. So the GBP 200 million that was injected was really just the first stage of that. In fact, I think first step or first stage is how we described it in the prelims in August. So the work is ongoing. Clearly, the timing of completion of the transaction with TA Associates is unknown. So it is quite possible that, that completion will come through once also all the managed separation and the listing of Quilter will then be -- going to be -- have been completed. So on that basis, we're happy to prepare for listing with appropriate balance sheet and liquidity work that make sure we're adequately capitalized, taking that potential timing into account. So there's still work going on, on this front.

**A - Mark Satchel** {BIO 18275874 <GO>}

But we will -- I think the likelihood is that we'll --

**A - Paul Feeney** {BIO 17570862 <GO>}

The likelihood is that the completion will happen after listing. So we're factoring all of this into the balance sheet work that we're doing -- and the work that's going on developing, the working capital pieces that are necessary for the prospectus.

**Q - Unidentified Participant**

Okay. So will the -- although profits will pass to the new owners 1 January, completion is expected on the, what, Third Quarter of next year?

**A - Tim Tookey** {BIO 4817047 <GO>}

Yes. It's difficult to predict the exact timing of completion. But you're right, when completion happens, then we would expect the value that is accrued post the 1st of January to be for the buyer, for the buyer, that is correct.

**A - Paul Feeney** {BIO 17570862 <GO>}

The profit, yes. Then the value of the transaction completing will, obviously, be ours, Old Mutual Wealth's.

**Operator**

(Operator Instructions) And our next question comes from Azhar Nojie[ph] of Massey Asset Management[ph].

**Q - Unidentified Participant**

It's Sander[ph] here. I just wanted to -- yes, cool. Just to check in terms of the, I guess, the metrics of the sale are now relative to listed -- the reported NAV that you -- of asset management -- of, sorry, of wealth overall. What proportion of that reported NAV would you estimate to be single management business would have made up, let's say, at, let's say, at interim's period?

**A - Paul Feeney** {BIO 17570862 <GO>}

That's definitely one I'm going to pass, if I can. Mark, do you know what the percentage of the reported NAV is of our total reported NAV on...

**A - Mark Satchel** {BIO 18275874 <GO>}

It's round about -- look, it fluctuates quite a lot within the asset management business, depending on what should sort of date you take. At 30 June, I'm not quite sure what the gross is. But at 31/12, it's about GBP 100 million in terms of NAV. So I'm going back to last year, 31/12. I don't have the June number to hand. But that's more or less the amount of the NAV.

**Q - Unidentified Participant**

And I mean, if possible, would you mind sharing that, if you can, maybe at later stage, if that's okay?

**A - Tim Tookey** {BIO 4817047 <GO>}

Sure. Certainly, Sander, it's Tim. When we get to prelims, we'll be able to give more information on this. And of course there is an element of goodwill that will be attached to this when we come actually to finalizing the numbers. We'll be able to give more clarity on this at prelims.

**Operator**

And our next question comes from Tom Eckett of Investment Week.

**Q - Tom Eckett**

I just want to -- do you think you can provide a bit of color about the sort of main drivers behind the sale and just the reasons for doing this at this time, that'll be great.

**A - Paul Feeney** {BIO 17570862 <GO>}

Yes. Sure, Tom. The main reason is simply that the business is great business. We've -- it's grown very well together under our stewardship. But it's less aligned with our overall business. We're building a, I'll call it, building U.K.'s leading management business. We're all completely retail focused. We're an advice-based business. And this is a part of our business which is -- it's different. I mean, it's less closely aligned to that. It's commonly wholesale institutional based. The nature of the earnings of the business are different from the rest of our business because it's a highly performance fee based. Our business is retail focused, apart from this business. It doesn't share the rest of our distribution. So

we thought if we're going to do it, if we're going to look at it, we have to look at it now. And if we wanted to make a decision, as I said a while ago, we'll make a decision on this in time -- well in time and well ahead of our managed separation because people want certainty, obviously. And I think we got a great outcome for everybody.

## Operator

(Operator Instructions) And we do have a follow-up from Tom Eckett of investment Week.

## Q - Tom Eckett

Have another stab. Tim, you've provided a bit of breakdown of ownership on that side so you should know who's going to be working with TA Associates. Is it going to be Richard, who's going to -- who's also part of this buyout? Or if you add a bit on color on that, that will be great as well.

## A - Paul Feeney {BIO 17570862 <GO>}

Yes. No, Tom, we don't do that. But clearly, Richard. But thanks for trying.

## Operator

(Operator Instructions)

## A - Paul Feeney {BIO 17570862 <GO>}

Okay. A bit more questions?

## Operator

No, no further questions at this time.

## A - Paul Feeney {BIO 17570862 <GO>}

Okay, okay. Well guys, listen, thank you very much. We really appreciate you joining the call at such short notice. Obviously, a short notice for a reason. We had to put that out[ph] quite quickly this morning. So appreciate that. We're pleased -- we're very pleased with the deal. We think it's a good deal for everybody. It's a good deal for our shareholders. I think it gives the Single Strategy business a good opportunity. I think it gives certainty and clarity to our listing, which is approaching quicker by the day. So thank you very much, guys. If I don't speak to all of you before the holidays, then have a good holiday. Merry Christmas. See you in the new year.

## Operator

This now concludes the conference. Thank you, all very much for attending. You may now disconnect.

FINAL

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*

Bloomberg Transcript