

Transcript of Old Mutual AGM – 30 April 2018

Patrick O'Sullivan: Well, good morning, ladies and gentlemen, and welcome to the 2018 Annual General Meeting of Old Mutual plc. This is the 19th AGM of this FTSE 100 company since our initial listing in July 1999. As you can probably imagine, a quorum is present, so I can declare the meeting open.

Hopefully by now those of you have been attending will know that I am the Chairman of the company, and Patrick O'Sullivan is my name.

So, it's a pleasure to welcome our shareholders and others who are tuning into this AGM remotely through our webcast of today's proceedings. By now hopefully also you will be aware of the members of the Board, but let me start by introducing the Directors who are here today.

Alongside me on the platform, on my right is Bruce Hemphill, who's the Group Chief Executive; Ingrid Johnson, the Group CFO; Danuta Gray, who is Chairman of the Remuneration Committee; and Trevor Manuel, Chairman of Old Mutual Group Holdings in South Africa.

On my left, Colin Campbell, who is the Group Company Secretary; next to him, Alan Gillespie, our Senior Independent Director; Roger Marshall, Chairman of our Group Audit Committee.

And in the front row, sitting over here, maybe you could just stand, that would be terrific, thank you. Adiba Ighodaro and Mike Arnold, who is Chairman of the Board Risk Committee as well.

We have apologies from Zoe Cruz and Vassi Naidoo who are not with us today.

You will also be aware that during the year Dr Nkosana Moyo and Nonkululeko Nyembezi stepped down from the Board.

So, there is some good news in that since we published the AGM circular at the end of March, we have been able to finalise the timetable for the remaining steps of the managed separation. In the last few days, many of you will have received a copy of a very large tome, our shareholder circular, which describes these final steps and seeks your approval to proceed with them. Copies of the circular are available after the meeting should you like to have another one. The resolutions to approve these final steps will be considered at additional shareholder meetings which will be held here at our offices in London on Friday 25th May.

If the resolutions are supported at those meetings and the schemes of arrangement described in the circular are subsequently approved by the High Court here in London, Old Mutual plc will be de-listed and you will receive shares in two new companies: Old Mutual Limited, the South African-based emerging markets business; and Quilter plc, the UK-based wealth management business.

Because of this, I anticipate that today's meeting will be the last Annual General Meeting of Old Mutual plc as a publicly listed company, and with a certain sigh of relief and a tinge of sadness, I would like to thank all of you for your support and particularly for all the shareholders who've stood by us

over the years since our listing in July 1999.

Over that period, just as a matter of record, the market capitalisation of the Group has grown from £5.8 billion to £12.6 billion at the close of business last Friday. Your Board is satisfied that direct ownership of our underlying businesses at these valuations will allow you to inherit strong businesses which have even greater growth opportunities going forward.

So, let me now turn to some procedural matters relating to this Annual General Meeting. The Notice of the Meeting was included in the shareholder circular which was posted to shareholders and made available on our website, as I said earlier, at the end of March. The resolutions that make up the principal business of the AGM are set out on pages 5 to 8 of that circular. Voting on each resolution will be conducted by a poll. All shareholders and proxies here today should have received a poll card on their way in. If you did not receive such a card and, are entitled to vote, please ask one of the attendants to let you have a card right now.

With that, I shall ask Bruce Hemphill to make a few remarks about current trading and the final steps in implementing our strategy of managed separation. After Bruce's comments, I will move on to the formal part of the AGM. There will then be an opportunity for you to raise any questions which you have in respect of the business of the AGM. Bruce, over to you.

Bruce Hemphill:

Thank you, Chairman, and good morning everyone. This morning I will give you a brief overview of trading for the first quarter of this year, details of which were released to the markets this morning. Old Mutual's businesses continue to trade in line with the expectations that we outlined in our full year results which were published on 15th March 2018. Quilter plc, which was previously called Old Mutual Wealth, saw continuation of the strong momentum it generated in 2017. Net client cash flows were up 14% on the prior period at £1.6 billion excluding the single strategy asset management business that we have agreed to sell. Assets under management and administration were down 2% to £111.6 billion again excluding the single strategy business as the strong client cashflows partially offset by negative market movements.

At Old Mutual Limited, which includes the business previously known as Old Mutual Emerging Markets, continuing operations started the year on a positive note and results from operations are in line with management's expectations. Since the year end, shareholder investment returns reflect the impact of lower equity markets in South Africa and Zimbabwe. The management of Old Mutual Limited remain focused on tightly managing the cost base and delivering on its strategy. Old Mutual Limited will be holding an analysts' presentation in Johannesburg on 17th May, which will be a useful roundup of how it is delivering on its strategy and this will be webcast for you all to watch.

Nedbank's performance for the first three months of 2018 is also in line with management's expectations. Nedbank will provide a more detailed performance update at its AGM on 10th May.

So, in summary, it has been a solid start to the year for Old Mutual and I now want to say a few words about the managed separation strategy that we unveiled in March 2016. We've achieved a huge amount in the past years and we're now on track to complete ahead of our schedule and on budget. We've already unlocked significant value for shareholders through cost and debt reduction, and we expect to deliver further value as the businesses get closer to listing.

The next steps needed to complete the managed separation are the required court and shareholder approvals and we are confident that the court will support our proposals and that our shareholders will support the Board's recommendation in favour of voting for the managed separation at the upcoming General Meeting. And that's all I wish to say this morning, so thank you for your attention and I'll now hand back to the Chairman.

Patrick O'Sullivan: Thank you Bruce. I might just say that the Board is exceptionally pleased with the work done by Bruce and his team to get us to this point. We feel like we're maybe just a little bit like the Grand National, but we've got some way to go to the end and hopefully we won't fall at any of the fences, but we are absolutely delighted with the exceptional performance by management.

So, now for the formal part of the meeting. Before putting the first resolution, I would like to deal with questions on any of the AGM resolutions in a single session if I may. So, I would ask you please if you would raise your attendance card and wait for a roving microphone before asking your question. The reason we need the microphones is clearly because of the broadcast. Then please start by giving us your name. So, now I will open it to questions.

The gentleman there.

Dinesh Chen: Thank you, Chairman. My name is Dinesh Chen, I'm an individual shareholder. Around 20 years ago when this company listed here in London, the whole investment the thesis was that as a purely South African company you suffered a discount, you weren't valued properly, so you wanted to expand and so you started in the UK, in Scandinavia, later on in America, and dare I say you built quite a successful conglomerate of very well performing businesses. But now over the past few years you just seem to be dismembering the company bit by bit by bit. You sold our asset management business in North America, and you got out of Scandinavia, you're selling LatAm, you sold out of India, you're selling Global Investors, and the whole thing, it just seems it's just to save this head office costs which you claim is about £120-odd million, but then you say it will cost £24 million for the successor companies to have their head office costs, and another additional £20 million for the other administrative work, about £70 million a year saving after taxes about 1p a share. So, just to save 1p a share you've completely gone against the strategy - to use the words of the Chairman of that time his words were, he was trying to make a stool with three legs and, you know, we're going to be left with two extremely politically risky companies. Number one, Quilter are specialising in UK wealth management in a country on the verge of electing Jeremy Corbyn and his agenda to wipe out private wealth and we're having a wealth management company here, and another purely African company which I don't need to elaborate the risk about. Already there's talk in South Africa of land redistribution, etc. And you sold growing businesses like, for example, Old Mutual in India. That's a country when the next seven years they'll create as much wealth as they have had in the past 4,000 years of their history. And you just sold that.

So, basically three questions, Chairman. Number one, is that saving of 1p a share worth all this dismemberment? That's the first question. Shall I ask all three, Chairman?

Patrick O'Sullivan: Please.

Dinesh Chen:

The second question is regarding, we'll be getting shares in Nedbank in the second stage of this dismemberment, and the question is, is Nedbank considering a secondary listing on the London Stock Exchange or not, because it seems like we'll ... we stood by you for 20 years and you've completely gone full circle in your whole investment thesis and we'll be left with these shares which are listed in Jo'burg, which is a fine stock exchange, all credit to it, but why can't Nedbank consider listing on London itself for the benefit of shareholders here? We're just left with a completely illiquid stock and all kinds of taxation problems, etc, etc.

And the third question is could you give some sort of clear guidance as to these successor companies whose shares we'll inherit, Quilter and Old Mutual Emerging Markets. What do you expect going forward, their earnings per share? You must have made some kind of plans, I hope. What do you expect their EPS would be for the coming future? Thank you, Chairman.

Patrick O'Sullivan:

Thank you, Mr Chen. Indeed, in a space of ten minutes you've managed to encompass many of the questions that have arisen over the last ten years in the history of the Group as to what its value was as a group of different companies in different jurisdictions. The Board took a very strong view when Bruce was hired that he would have complete carte blanche, and I'm going to ask him to address some of the issues on value, to do whatever was the right thing for all of the shareholders and as we pointed out many times, both here and in South Africa, this Board was charged with doing the right things for all shareholders. There is an enormous degree of difference of opinion between an emerging markets investor who doesn't want to own developed markets, and vice versa, developed market investors who don't want to own emerging markets businesses. We suffered as a group over the last ten years on significant discount to what we believed the value of the company was which approached at least 25% for most of that time. And on that basis, we took the view after Bruce's extensive work when he joined us, with all of our advisors, that it would be of far greater benefit to shareholders to put the shares into their hands, the shares that they wanted to continue to hold. So, for example, developed market investors, largely speaking, want to hold Quilter. Emerging markets investors want to hold Old Mutual Limited, and we're delighted with the developments in South Africa which, of course, support inward investment and we are the first major institution of global scale to give that positive message about the value of South Africa as an investment destination.

Nedbank itself isn't listed in London but it's the highly performing fourth largest bank in southern Africa with great prospects for the rest of Africa, again matching the shareholders will in due course we believe, although they'll be some time factor as you've pointed out where shares will get switched, for those who don't want to hold Nedbank longer-term.

But as to the issue on the penny a share, frankly I think it's substantially more than that and I'll ask Bruce to address the value issues.

Bruce Hemphill:

Thanks, Chairman. Thanks, Mr Chen. Good morning to you. I think the Chairman's touched on the issues quite well but let me just summarise. Running the London office with the debt structure amounts to close to £200 million a year. Now, we've significantly reduced debt and we believe that the ongoing recurring cost saving should be in the order of £75 million. So, if you PV that it's a very substantial number. I can't convert it into pence per share.

The other point to make is that the company for many years traded at what we call a conglomerate discount. You described it as a conglomerate.



And basically, what we're saying is that the multiple upon which the conglomerate earnings trade is at a significant discount to the multiple that the underlying businesses will trade at, or should trade at, once listed. So, if you look at the underlying business peer group, you will see that the median of that peer group is significantly higher than the multiple at which the business has been trading historically, and we believe that that will unlock significant value for shareholders. Coming back to some of the points the Chairman made, one of the reasons for that unlock, we believe, is that you will be able to attract into the stock those investors who are specialist development market investors who don't have a mandate to invest in emerging markets, and similarly you will be able to attract specialist emerging markets investors who do not have mandates to invest in developed market stocks, and on the back of that we expect a re-rating of these businesses subsequent to the listings which will unlock significant value for shareholders.

Patrick O'Sullivan: Then you asked a final question, and I'll come back to you, good. You asked a question around the forward earnings forecast for those businesses. We have never made forward earnings forecasts on any of the businesses, but I would recommend you read the listing document for Old Mutual Limited and Quilter's prospectus which are very clear about how they see their competitive position in the markets in which they're operating. Ingrid, sorry.

Ingrid Johnson: I was just going to add you mentioned the £74 million annual saving that is operating costs. We've reduced £1 billion in debt, so that's a further £70 to 80 million per annum saving in interest costs. So, it's the combined which is significant.

Dinesh Chen: It was only to reduce the interest costs to pay off debt. You've sold lots of businesses which would have contributed to earnings as well.

Ingrid Johnson: If you look at the weighted average cost of capital of the businesses we actually sold, on balance it was largely neutral or slightly less than our weighted average cost of capital. So, on a run rate basis we're actually better off with the businesses that we're holding rather than what we sold.

Dinesh Chen: Okay, thank you. Perhaps maybe after the meeting I could have a ...

Patrick O'Sullivan: Yes, we'd be delighted to take more detailed questions. Thank you. Other questions?

Leon Bonnie: Good morning shareholders and all the Board members, those brilliant people you have on top here. There's a couple of questions I want to ask you if you know your history very well of this company, and I stand right here about ten years ago when I opposed the merger of Skandia. You all said this all going to bring a lot of benefit to us. It take three years or four, somebody must answer this question clearly, don't say think and if you look at the prospectus. It take nearly four years to disentangle the IT system. Is that correct, Mr Chairman? And what was the cost?

Patrick O'Sullivan: Yes, Mr Bonnie, you were talking about – nice to see you again, by the way. I didn't recognise you with the hat.

Leon Bonnie: Well, that's alright. It doesn't matter. All jockeys have their own colours.
(Laughter)

Patrick O'Sullivan: Did – and you're referring to Skandia being ... when we sold Skandia Nordic?

Leon Bonnie: No, no, no, no. I'm talking about the merger.

Patrick O'Sullivant: The merger?

Leon Bonnie: Remember the word merger. If you don't understand it I'll spell it for you.

Patrick O'Sullivan: In 2006?

Leon Bonnie: The merger – I opposed it right here. I said that thing is going to cost you a lot of money and it will take you virtually four years to do the IT alone and that was overrunning on cost. Here again you did not put a price of the merger in the IT system, and you subcontracted to who? I can't find the name who's in the IT.

Patrick O'Sullivan: I know what you're referring to. You're referring to –

Leon Bonnie: No, no, no, no. Hold on. I'm asking you a straight question and if you don't know the colour of my hat, I'll put my hat down. I asked you where is the price for that's handled the IT system, but I give you a reference what happened with the previous merger. It take them over four years to do the merger IT system. And here again you subcontract the IT system but you didn't put no name nor price and you're all supposed to be brilliant.

Patrick O'Sullivan: No, you're referring – we did refer to this last year. This is the write-off of the IT system.

Leon Bonnie: No, no, no, no, no. Listen, listen – no. Don't mishandle my question. I'm asking you a straightforward question. As a Chairman you should give me due respect. I said to you again I'll give you the history of what happened previously. Right there I stand up, it maybe ten years ago, who remembers, who's living long enough to remember that. I opposed it. What I'm saying here now and then your Board did not put a price for the IT separation and who you subcontracted to because the previous one you subtracted and it took over three to four years. It didn't complete the merger of the IT system. Secondly, you said when you reported to the London Stock Exchange we are where we want to be. So, I am asking you, your own words, you say you would uplift the dividend when the company is on a good footing. Now, if you are where you want to be as if you're climbing a hill simply, your dividends should increase. You haven't. You haven't maintained your dividends from stopping the previous couple of years, so what you are saying is the way a telling person would say, you get that one? So, speak the truth. Say what you say here and say what you told the London Stock Exchange a month ago that you are where you want to be. Your mate Mr Buxton can outsmart you, I didn't know an Irishman can be outsmarted.

(Laughter)

You see? So, therefore you can answer these two questions.

Patrick O'Sullivan: Yes. Can I just say to you that on the IT side –

Leon Bonnie: No, no, no. Let me finish. That gentleman had a long –

Patrick O'Sullivan: May I answer the question on the IT and then we'll come back to your second or third question?

Leon Bonnie: Good.

Patrick O'Sullivan: On the IT side, the businesses, and it's part of the reason that we have chosen the course we've chosen, the businesses have never been integrated, so their IT systems were never tangled.

Leon Bonnie: Thank you.

Patrick O'Sullivan: Your second question?

Leon Bonnie: No, no. Well, so therefore when you were telling us three or four years ago to integrate the system that was – you weren't around, obviously. But what they were saying is untruth, but now you are saying that it wasn't. The second question is who you're subcontracting this IT system to and what the costs would be. We need to know. We are shareholders.

Patrick O'Sullivan: Yes. The new investment in IT in Quilter is with FNZ.

Leon Bonnie: Yes, and how much it is?

Patrick O'Sullivan: So, not an ...

Leon Bonnie: Well, I can't find it on your research here.

Bruce Hemphill: In total it's, the market guidance is between £120 million and £160 million.

Leon Bonnie: That's a wide margin. Very wide margin, and you didn't put in the errors that you would make, then you're going to say we unforeseen things. Look, if you can speak the truth it will be so helpful for people like me because I only understand the truth. I'm not the enemy of the truth. You understand that sentence? Enemy of the truth. So, I ask you three questions. Where is the dividend equivalent, you were telling us that where you are now because your dividend has not reached when you stop it the first time.

Patrick O'Sullivan: Yes, well, of course, under the new structure each individual company will have its own dividend policy and those are in the documents. So, you will see that they are quite progressive in the sense that ...

Leon Bonnie: No, I'm not talking about –

Patrick O'Sullivan: ... the pay-out rates are relatively high.

Leon Bonnie: I'm not talking in future, I'm talking about this dividend we'll be paid today.

Patrick O'Sullivan: Oh, this dividend? Well, that is an increase on the prior year.

Bruce Hemphill: Yes, so the full year dividend for 2017 was up 17% in sterling and 31% in Rand.

Leon Bonnie: Listen Bruce, I don't think you understand the question properly. Let me address you again. Because I don't have problem with the truth. I said when the dividend was first stopped, do you know the history of it? And what the price of the dividend was then? Look at that first. Look at the dividend when it was first stopped and what the equivalent dividend was at that time. Can you tell me?

Patrick O'Sullivan: We have not reached that level of dividend since the reduction in 2009. That's correct.

Leon Bonnie: Oh, tell him because he's not aware of it. So, what you are saying we are where we want to be. You said that to the London Stock Exchange. I would have thought from that statement we would try – because you said over many years that we would try to reach our dividend level that we previously paid. So, you haven't done that. That one promise you broke. So, maybe there is more. And then again when you come to these companies, you said here last year, you look at the transcript, that you would have a free share sale but now when I look at the thing you only limit it to 1,500. You never mentioned that 1,500 last year. You said they would have a free share sale who want it. Have a look at the scrip dividend and look at all the dividend and see what you said last year. That's what I'm asking.

Patrick O'Sullivan: Can I – well, I understand your point. The statement was that it would be for small shareholders.

Leon Bonnie: No, you did not say that.

Patrick O'Sullivan: We didn't commit to a full free share dealing service.

Leon Bonnie: No, no. You did not say 1,500. Did you say that?

Patrick O'Sullivan: Correct, no, we didn't say a number.

Leon Bonnie: Well, have a look at the transcript and see what you said and come back and tell these people, because –

Patrick O'Sullivan: We'll be happy to talk to you offline about it.

Leon Bonnie: No, talking to you, I don't gain anything talking to you. That's talking to you is like a waste of time. And you can prove it here.

Patrick O'Sullivan: Well I ... that's fine. Thank you very much for that judgement of the value of the meeting. We will be very happy to talk to you afterwards about the –

Leon Bonnie: No, I don't want to talk to you.
(Laughter)

Patrick O'Sullivan: We shall do so. Thank you, Mr Bonnie. Other questions?

Male voice: Good morning, Chairman. The weather is very bad outside. I've just arrived from far away. Now what's going on with your, can you explain to me, I didn't have time to read the books, all the books you sent me. Can you explain to me what's happening to the Old Mutual now? Are you going to scrap it or, you asked me to sell the shares.

Patrick O'Sullivan: Yes, I'm sorry you missed the introduction.

Male voice: Yes, I missed it, yeah, sorry about it.

Patrick O'Sullivan: No, that's perfectly fine. The – what we said there is that you will be as a holder of Old Mutual shares you will receive shares in two new companies, Quilter plc, which is the Old Mutual Wealth company as it will now be called, and Old Mutual Limited which is our South Africa group which also owns 52% Nedbank. In due course when the shares have all settled down for reasons of flowback, you will receive approximately 32% as a shareholder of the Nedbank shares that we hold. And the Chairman of Old Mutual Limited is here and we're happy to take any questions you have in that respect.

Male voice: Yeah, but I think it's this now. Are you going to put on the London Stock Exchange the both companies? Or ...?

Patrick O'Sullivan: Yes. Both companies are primary listing for Old Mutual – excuse me – for Quilter on the London Stock Exchange and it will also have a secondary listing in Johannesburg and it will be the reverse for Old Mutual Limited. So, you will be able to trade your Old Mutual Limited shares through London.

Male voice: I see.

Patrick O'Sullivan: Yes sir?

Kevin Moran: Good morning. My name is Kevin Moran. Two questions. Can you assure me that our company has had no business dealings with the Gupta family and ex-President Zuma and ex-President Mugabe? And secondly, what are the chances of us being able to buy more shares through your Equiniti registrar, as you're offering the sale of the shares for free. Are you going to make any offers for us buying any extra shares?

Patrick O'Sullivan: I will get the Company Secretary to address that last question then our CEO will talk about your first question.

Bruce Hemphill: Thank you, Chairman. Clearly the ... what we saw in South Africa from a political perspective was deeply concerning and deeply disheartening. And the same, I think, although to perhaps a lesser extent is true of what we saw in Zimbabwe, and clearly, we have chosen not to engage in any business relationships with the Guptas or their associates.

Patrick O'Sullivan: Colin? On Equiniti?

Colin Campbell: Yes, sure. Just to confirm we aren't offering any additional ability to buy further shares. As the Chairman's explained both transactions are structured as demergers so we're giving the shares to existing shareholders. Obviously both new companies will be listed, we expect there to be a liquid market, but no, we aren't offering any additional facility to buy shares.

Patrick O'Sullivan: That do it, Mr Moran? Other questions?

[Pause]

Well, if there are no further questions, ladies and gentlemen, we'll just move on then to the formal business of the AGM. As I said earlier, we will be conducting the voting by poll. For those of you who are shareholders, please fill in a poll card. Corporate representatives should enter a direction on their directions card. Anthony Hall of our registrars, Equiniti, has kindly agreed to act as scrutineer for the polls. And Anthony is where? Sitting at the back. Very good. Thank you, Anthony.

Those of you who have already sent in proxy forms, and do not wish to alter your vote, need not complete a poll card. In fact, it will make the counting of votes simpler if those shareholders who have already sent in proxy forms, refrain from voting by card now.

Each shareholder should complete one poll card for him or herself. If you have been appointed as a proxy you should complete one poll card for each shareholder for whom you have been appointed. If you have any queries on filling in your card, please raise your hand and a representative of our registrars, Equiniti, will be happy to help you.

On your poll card, please fill in your name and shareholding, or if you are a proxy, the name and holding of the shareholder you are representing. Please clearly mark your votes "for," "against" or "vote withheld" on each resolution. Then sign and date your completed poll card.

So, I now propose formally that each of the resolutions set out in the Notice of Meeting and listed on the poll card is put to the Meeting as a separate resolution. As the resolutions are set out in the Notice and on the poll card, I won't read them out individually.

Resolutions 1, 2(i) to 2(xi), 3, 4, 5 and 6 are being proposed as ordinary resolutions. A simple majority of the shares voted is required for those resolutions.

On the other hand, Resolutions 7, 8 and 9 are being proposed as special resolutions. A majority of not less than 75% of the shares voted is required to pass those resolutions.

I will now give you all a few moments to complete your poll card.

[Pause]

So, I'd be grateful if you'd sign your poll card once you have registered your votes in respect of each of the resolutions on which you wish to vote.

Once the votes cast on the polls have been counted and verified after today's meeting, we will report the outcome to the London Stock Exchange and the other stock exchanges where our shares are listed. We will also publish details on our website.

Details of the proxy votes received for each of the resolutions should be shown now on the screen behind me, if you can read those. I'll just leave them there for a moment.

[Pause]

Well, ladies and gentlemen, that brings to a conclusion the Annual General Meeting, so I can declare the meeting closed. Thank you very much for coming today despite the inclement weather. I hope that we will see you again on May 25th when a very important moment for the history of the Group. Thank you all very much.