

Old Mutual Limited

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Quilter off to flying start but there may be speed bumps ahead

Quilter PLC (LON:QLT), the wealth management firm spun out of Old Mutual PLC (LON:OML), surged to a handy premium on its market debut on Monday.

Having set an offer price of 145p, at which price the company was capitalised at around £2.76bn, the shares raced ahead to 158p in early deals in London. The shares are also listed in South Africa, where trading in the shares kicked off at 8.00am London time.

READ: Old Mutual sets price range for Quilter IPO

Quilter is one of the oldest names in the City, having been established in 1777.

Quilter lists on LSE and JSE. #quilter pic.twitter.com/bPT8MNg45x

— Michelle Andrews (@mrsandrewsm) June 25, 2018

"Today is an important milestone in the history of our business and I am immensely proud of what we have achieved. We are delighted to be in a position to list as a standalone business and are excited by the opportunities ahead of us," said Paul Feeney, the chief executive officer of Quilter.

"We are making good progress towards our vision of becoming the UK's leading wealth management business. Our proven multi-channel business model is delivering value for our customers, advisers and shareholders. Having established leading positions across one of the largest wealth management markets in the world, and it is a structural growth market, I believe we have great momentum to build on our success and a bright future ahead," he added.

Old Mutual's remaining unit, Old Mutual Limited, which currently includes South African lender Nedbank, is due to list in Johannesburg and London on Tuesday; by the end of the year that unit will be divided into three separate entities: Old Mutual Wealth; Old Mutual Emerging Markets and Nedbank.

Quilter PLC Secondary Listing. <https://t.co/27vboDt1ll>

— JSE (@JSE_Group) June 25, 2018

Despite the warm reception given to Quilter's flotation, Russ Mould, the investment director at rival wealth management firm AJ Bell, warned there may be a few bumps along the way for the company.

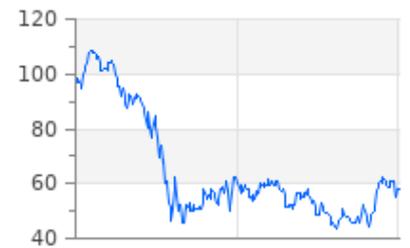
"Quilter got off to a good start in early trading, rising 6.2% to 154p. Yet longer-term there are reasons to suggest it may not have a smooth time on the stock market," Mould cautioned.

"First, more than half of Old Mutual's shareholders are based in South Africa. They are all getting free shares in Quilter as part of the demerger, alongside Old Mutual's other shareholders. You have to question whether South Africa-based individuals would really want exposure to the UK wealth management industry, particularly as Quilter isn't a market leader in any of its fields.

Price: 58.32

Market Cap: £2.75 billion

1 Year Share Price Graph



December 2019 June 2020 December 20

Share Information

Code: OMU

Listing: LSE

52 week	High	Low
	110.2	42.76

Sector: Insurance

Website: www.oldmutual.com

Company Synopsis:

Old Mutual Limited (OML) is a premium African financial services group that offers a broad spectrum of financial solutions to retail and corporate customers across key markets in 17 countries.

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"That leads us to the second point: Quilter is a very broad business and, while operating in a growth industry, it doesn't really stand out as having any particular strengths versus its peer group.

"Third, it is going through a complicated IT upgrade which is a major risk often underappreciated by investors. Any IT failures could have negative implications for the business, just as we've seen with numerous other financial companies undergoing technology upgrades such as Barclays Stockbrokers and Aviva," Mould said.

Broker Numis Securities said the offer price was in line with its 143p valuation.

"Based on the announced IPO price of 145p (previous price range: 125-155p) and our previously published target price of 143p (-1% indicated downside), we adopt a HOLD rating," the broker said.

"The IPO price values the company at 13.0x FY19 P/E / 3.5% yield, comparing to our valuation 12.8x/3.5%. It also compares to peers Brewin 13.9x/5.1%, Rathbones 16.8x/2.7% and SJP 15.8x/5.1%.

"We think that the small discount to wealth sector comparables is appropriate, taking into account what we see as a business model lacking focus, an operating margin target that might be missed, uncertainties around the completion / implementation of a new IT platform, uncertain resolution of an FCA investigation and a long-term [stock] overhang," Numis concluded.

--- adds broker comment ---

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