

HARGREAVES  
LANSDOWN

# 2021 INTERIM RESULTS

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# STRATEGIC EXECUTION DELIVERING FURTHER GROWTH

Supporting clients through challenging markets

## Calendar Year 2020

- 221,700 net new clients
- £8.5bn net new business
- £354.8m profit before tax

## H1 Clients

- 84,000 net new Clients
- 1,496,000 active clients
- 92.9% retention rate

## Digital Wealth Management

- Significant increase in digital engagement
- Launch of Cash ISA
- New Digital Retirement tools

## H1 Growth

- £120.6bn assets under administration
- £3.2bn net new business
- £188.4m profit before tax

PHILIP JOHNSON

# CFO UPDATE

# FINANCIAL HIGHLIGHTS

£ million	H1 2021	H1 2020	+/-
Revenue	299.5	257.9	16%
Profit before tax	188.4	171.1	10%
Diluted EPS	32.1p	29.3p	10%
Interim dividend per share	11.9p	11.2p	6%

Average AUA  
**+7%**

Revenue  
**+16%**

Profit before tax  
**+10%**

Interim dividend  
**+6%**

# REVENUE BY ASSET TYPE

Revenues up 16%, average FTSE All Share down 17%

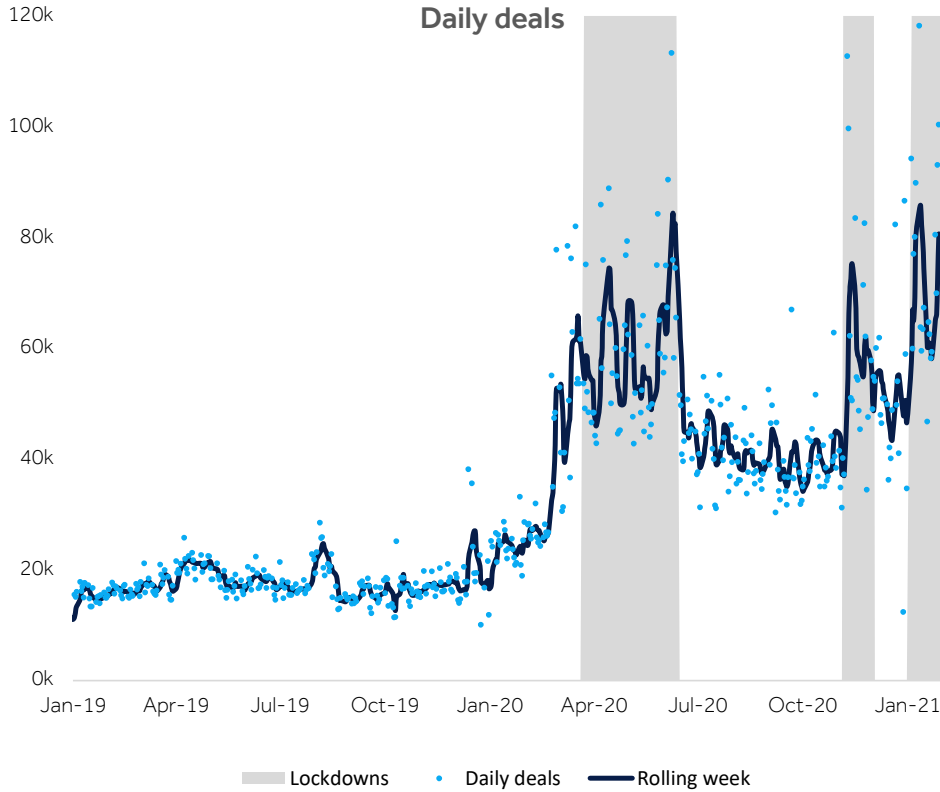
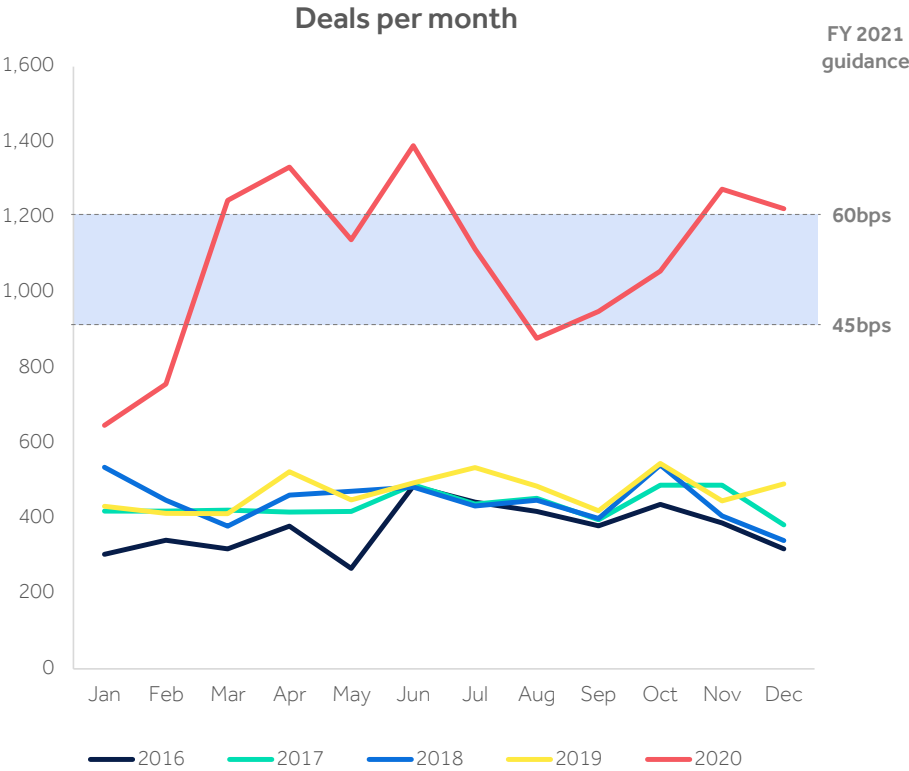
Asset class	H1 2021 revenue £ million	H1 2020 revenue £ million	+/-	H1 2021 average AUA £ billion	H1 2020 average AUA £ billion	+/-	H1 2021 margin bps	H1 2020 margin bps	31 Dec 20 closing AUA £ billion
Funds	109.7	109.6	0%	54.2	54.6	(1%)	40	40	59.2
Shares	113.2	45.7	148%	39.9	35.0	14%	56	26	45.9
Cash	32.8	46.0	(29%)	13.2	11.2	18%	50	82	12.5
HL Funds	29.4	33.9	(13%)	8.0	9.2	(13%)	73	73	8.5
Other <sup>(1)</sup>	14.4	22.7	(37%)	2.5	1.3	92%			2.9
Double-count <sup>(2)</sup>		-		(8.0)	(9.1)				(8.4)
	299.5	257.9	16%	109.8	102.2	7%			120.6

<sup>(1)</sup> Includes Active Savings; FundsLibrary contained within this line until its disposal in February 2020

<sup>(2)</sup> Deducted to avoid double-count as average AUA in Funds for platform fee and in HL funds for annual management charge

# STOCKBROKING VOLUMES

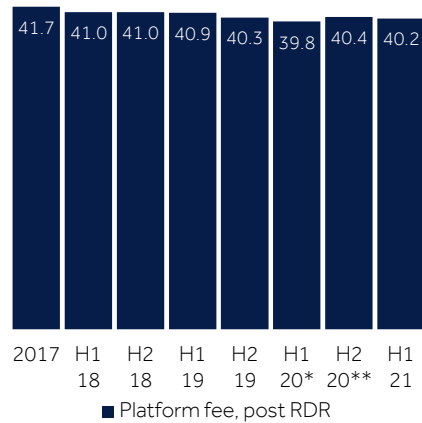
Trading volumes, lockdowns and guidance



# REVENUE MARGINS

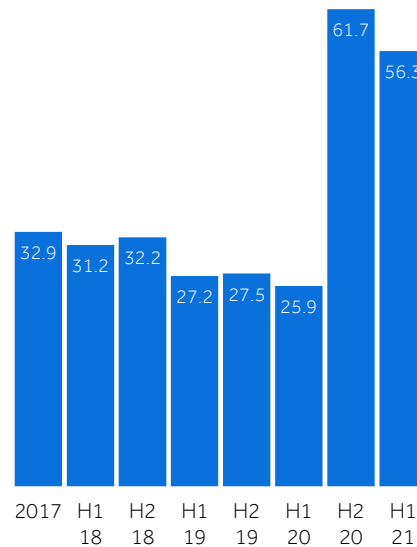
Stable platform fee and initial forward guidance on other classes

**FUNDS**  
Guidance: 40-41bps

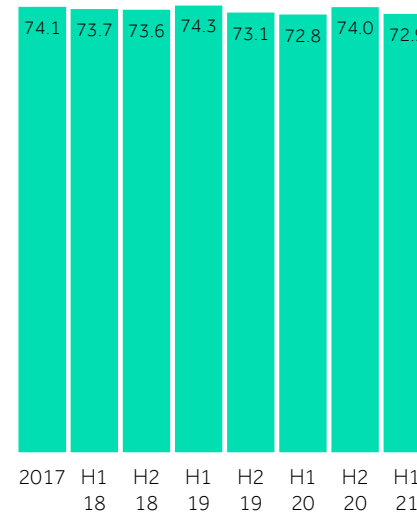


\*40.7bps without WEIF and WIF waiver  
\*\* 40.9 bps without WEIF and WIF waiver

**SHARES**  
2021 guidance: 45-60bps

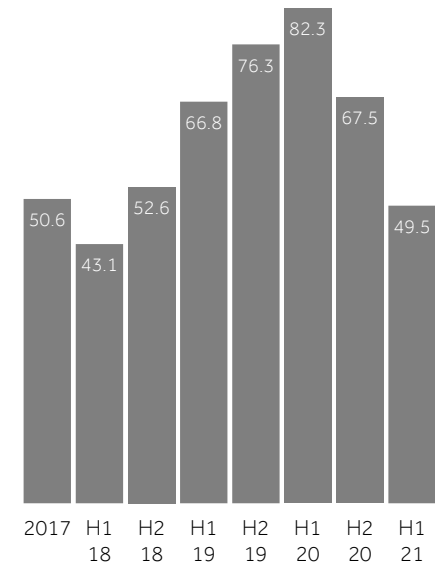


**HL FUNDS**  
2021 guidance: 70-74bps



2022 guidance: 66-70bps

**CASH**  
2021 guidance: 34-40bps



2022 initial guidance: 10-15bps

# OPERATING COSTS

Higher client activity, acquisition and engagement levels during COVID

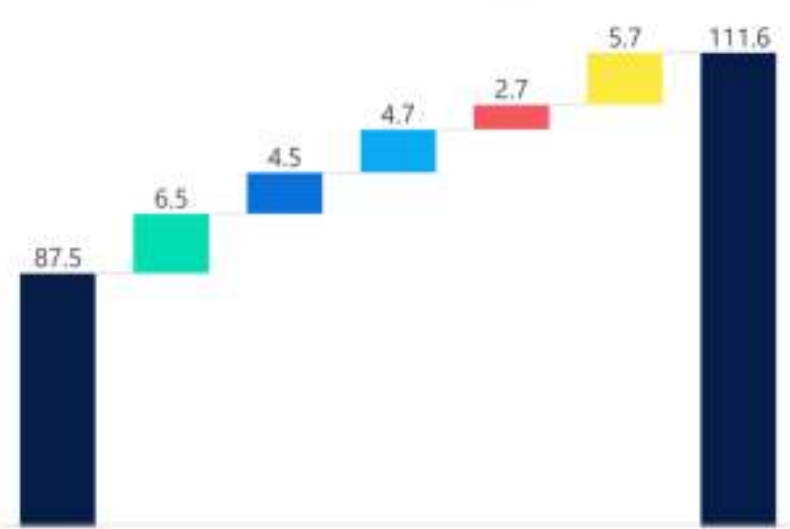
£ million	H1 2021	H1 2020	+/-
Staff costs	55.5	50.5	
Marketing	10.5	6.0	
Dep'n & financial costs	9.5	8.4	
Other costs	36.1	22.6	
Costs (ex. FSCS levy)	111.6	87.5	27%
FSCS levy	0.4	1.7	
Total operating costs	112.0	89.2	26%

- Significant increase in client activity, new client acquisition and client engagement
- Resultant cost drivers as per H2 FY20:
  - Additional servicing costs supporting higher client activity levels within COVID working configurations
  - Additional dealing costs from record volumes; linked to £67m of additional revenues
  - Increased marketing from acquiring 84,000 net new clients and engaging with our existing client base, resulting in £3.2bn of NNB
  - Investing in technology and our proposition
- Creating capacity to invest with continued control over remaining costs

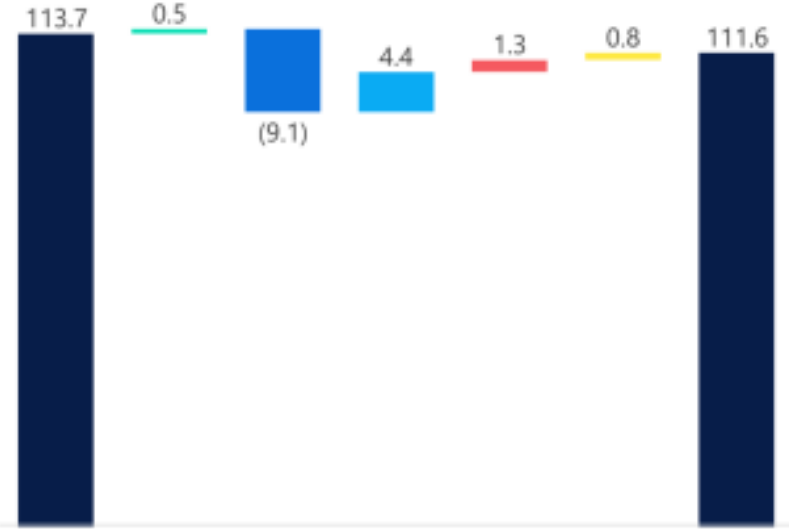


# OPERATING COSTS (EX-FSCS LEVY)

Reconciliation to prior year and previous six months



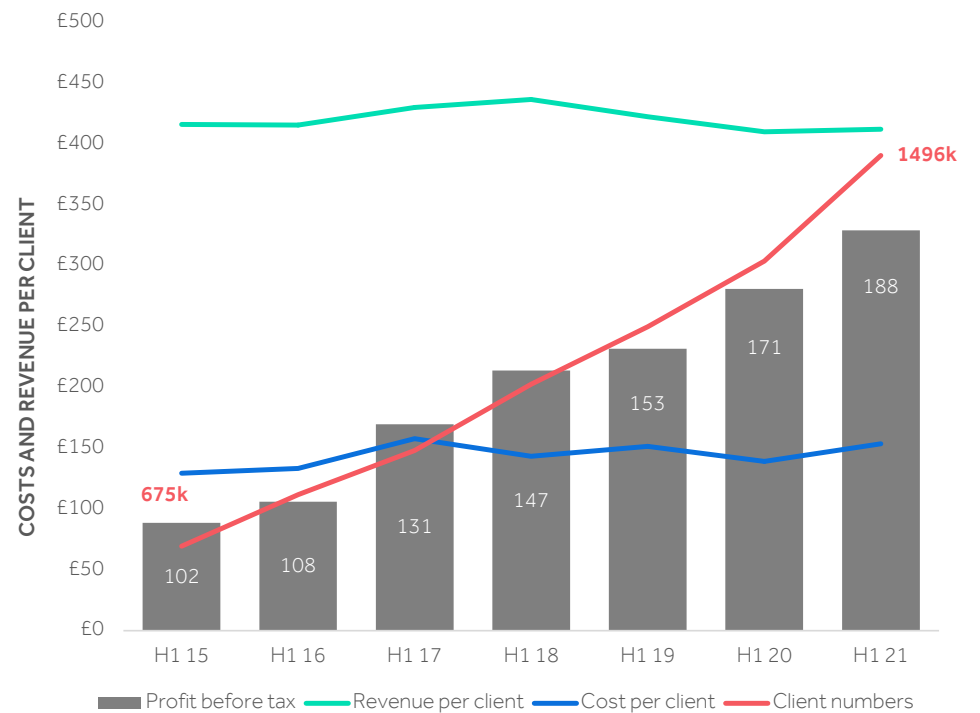
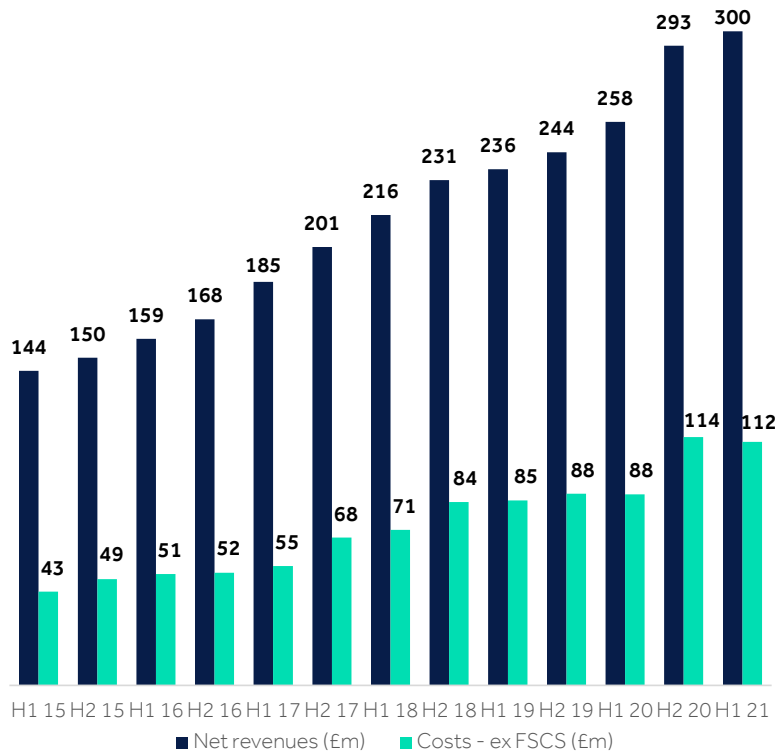
	Activity	Staff	Other	H1 21
	Marketing	Technology		H1 20
£ million	H1 2021	H1 2020	+/-	
Costs (ex. FSCS levy)	111.6	87.5	27%	
FSCS levy	0.4	1.7		
Total operating costs	112.0	89.2	26%	



	Activity	Staff	Other	H1 21
	Marketing	Technology		H2 20
£ million	H1 2021	H2 2020	+/-	
Costs (ex. FSCS levy)	111.6	113.7	(2%)	
FSCS levy	0.4	12.0		
Total operating costs	112.0	125.7	(11%)	

# PROFIT BEFORE TAX

Business continues to scale through unprecedented market conditions



# EPS AND DIVIDENDS

Operating our communicated dividend policy

£ million	H1 2021	H1 2020	+/-
Operating profit	188.1	169.7	11%
Finance income	0.8	1.6	
Finance costs	(0.5)	(0.2)	
<b>Profit before tax</b>	<b>188.4</b>	<b>171.1</b>	<b>10%</b>
Tax	(36.4)	(31.8)	
Profit after tax	152.0	139.3	9%
Diluted share count (m)	474.5	475.6	
<b>Diluted EPS (p)</b>	<b>32.1</b>	<b>29.3</b>	<b>10%</b>

Pence per share	2021	2020	+/-
Interim	11.9	11.2	6%
Final		26.3	
<b>Total ordinary</b>		<b>37.5</b>	
Ordinary dividend payout ratio on underlying diluted EPS		65%	
Special – underlying earnings		9.2	
Special - FundsLibrary		8.2	
Total underlying dividend		46.7	
<b>Total dividend</b>		<b>54.9</b>	
Total underlying dividend payout ratio on underlying diluted EPS		81%	

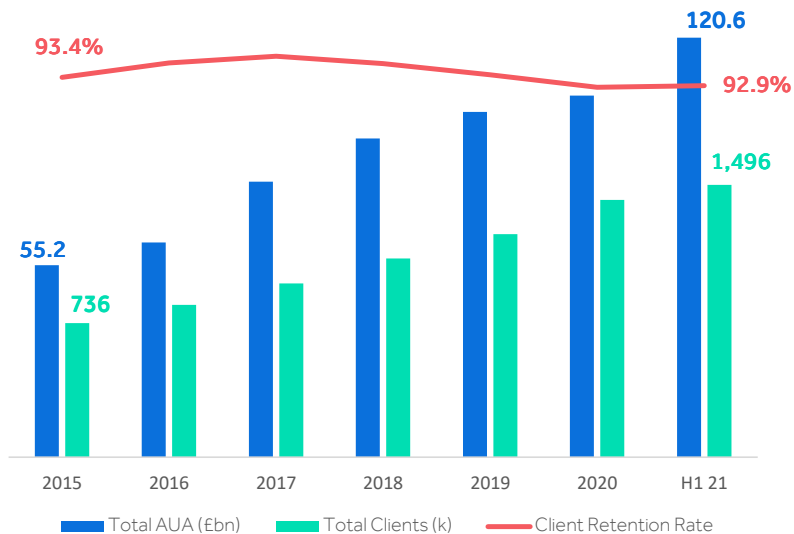
CHRIS HILL

# CEO UPDATE

# DELIVERING GROWTH THROUGH THE CYCLE

Continued delivery in difficult market conditions

## Clients - Assets - Retention



- Equity trading volumes up 123% YoY

## Market Environment

- Widespread market volatility through H1
- COVID-19 pandemic providing ongoing challenge
- Investor confidence grew through the period
- Acceleration of already evident structural changes

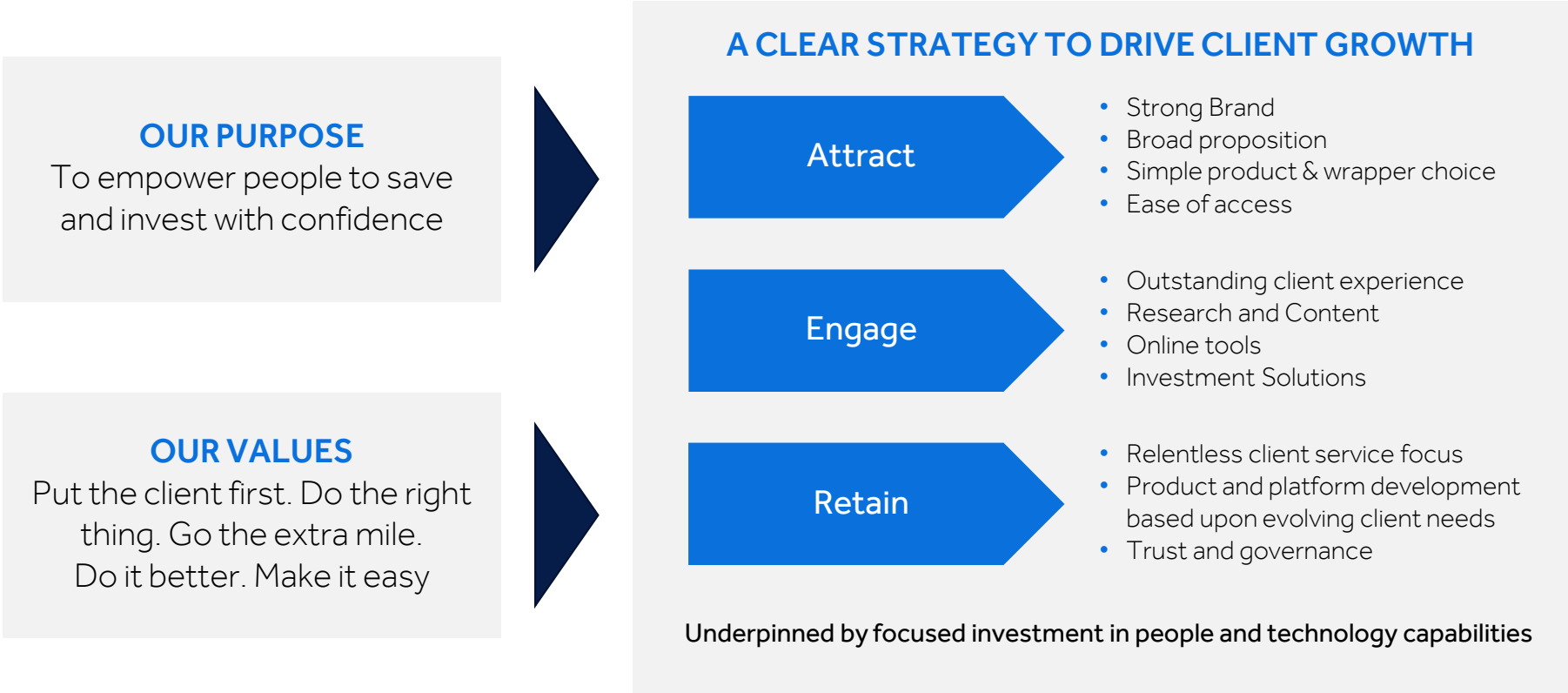
## HL Growth

- Net New Business of £3.2bn, up 39% on prior year
- AUA of £120.6bn
- 84,000 Net New Clients, up 68% on prior year
- Leading market share of 42.5%\*

\* Platform UK D2C: Market Overview, February 2021, data as at 30 September 2020

# CLEAR PURPOSE AND VALUES UNDERPIN A CLEAR STRATEGY

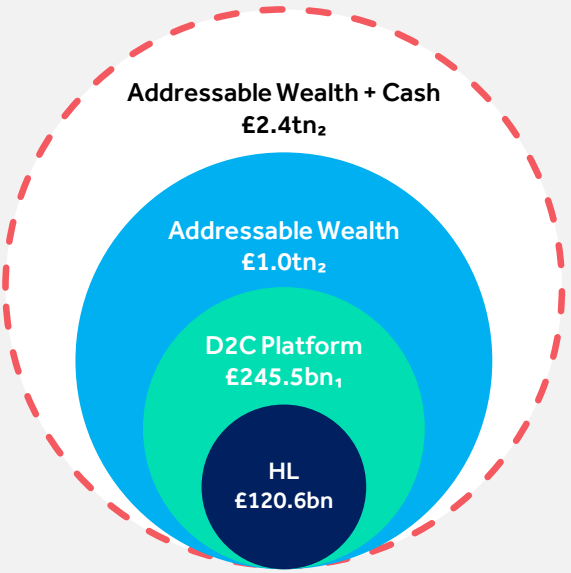
We are the leading digital wealth manager



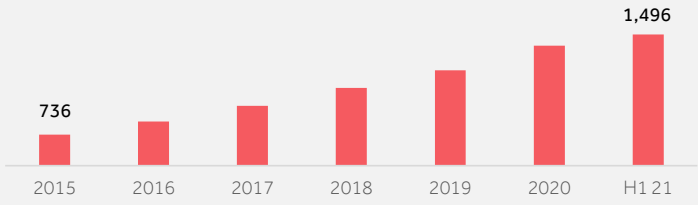
# CAPTURING GROWTH IN AN ATTRACTIVE MARKET

Competitively positioned to capture structural growth opportunity and win market share

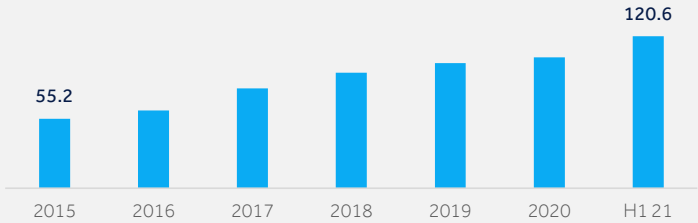
We have a small and growing share of a £2.4tn wealth and savings market that continues to grow.



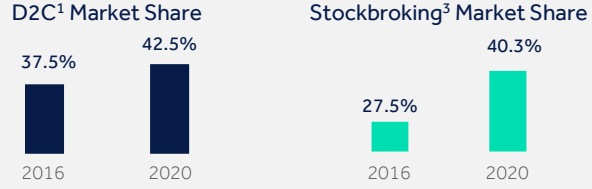
Growth in clients (k)



Growth in AUA (£bn)



Growth in Market Share



1. Platform UK D2C Market Update February 2021, data as at 30 September 2020  
 2. Oliver Wyman. Addressable wealth includes self-directed, financial adviser and independent wealth manager segments mainly serving upper affluent.  
 3. Compeer XO Quarterly Benchmarking Report, data as at 30 September 2020

# IN STEP WITH THE DEVELOPING MARKET ENVIRONMENT

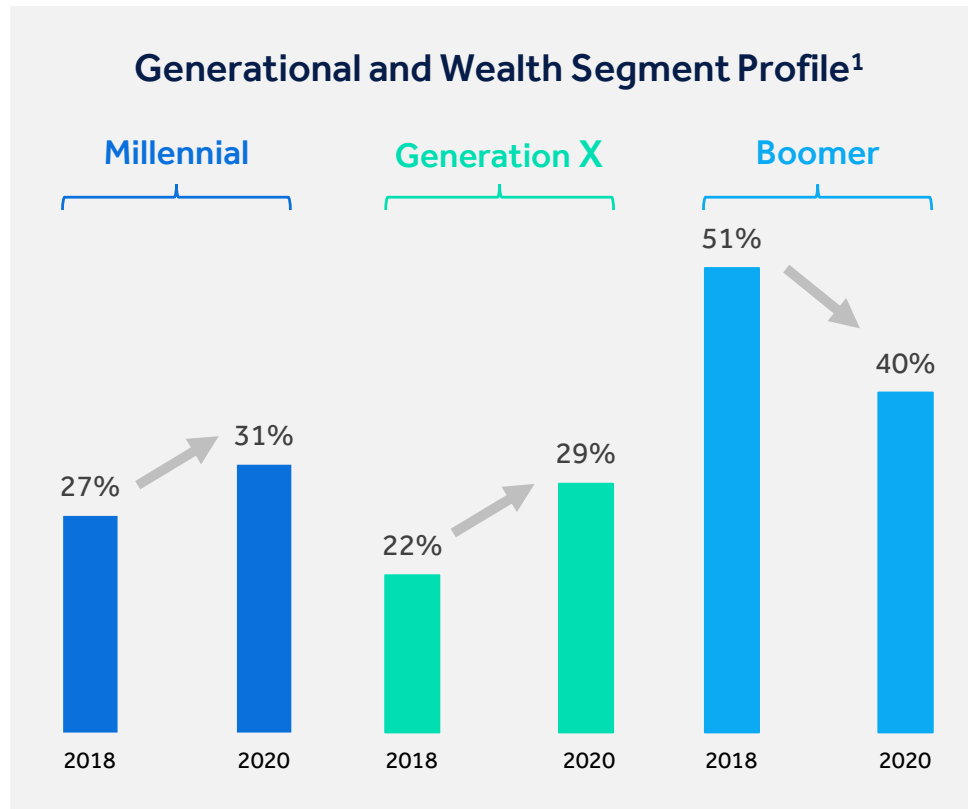
People are living longer 

Ongoing low asset yields 

Political & market uncertainty 

Complex savings environment 

Individual responsibility 

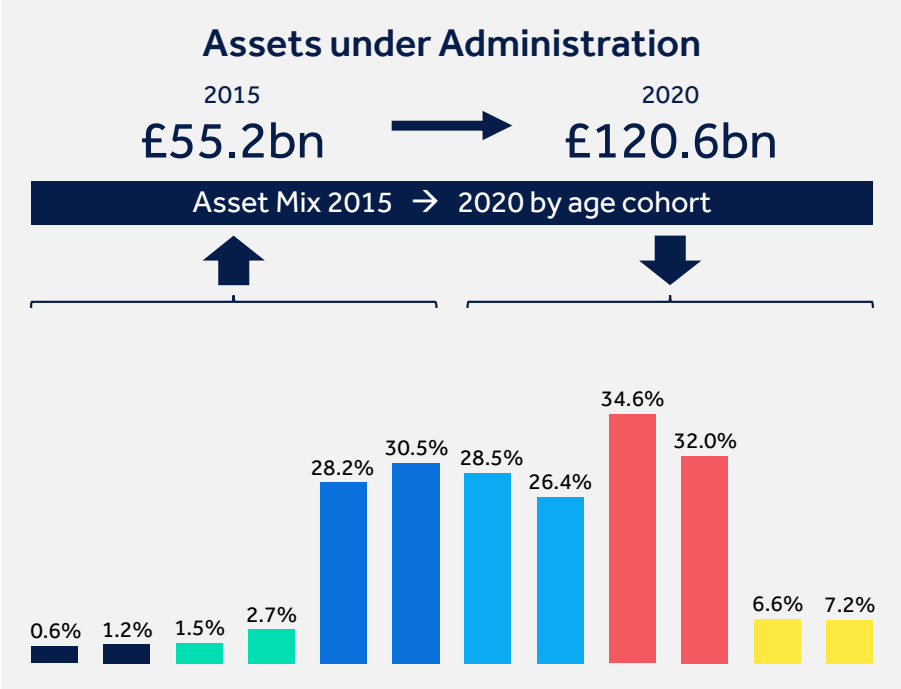
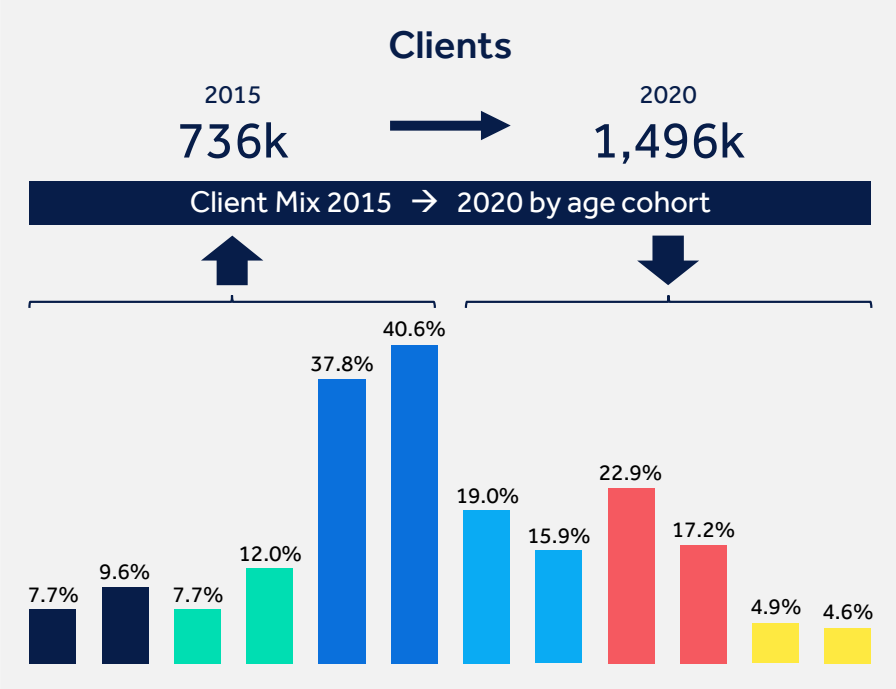


- Structural growth drivers are playing out
- Research and experience indicate shift to young segments intending to invest
- 2020 experience has created further impetus
- Increased demand for HL to support digital-led wealth management



# IN STEP WITH CHANGING DEMOGRAPHICS

Positioned to service the changing requirements of the client base

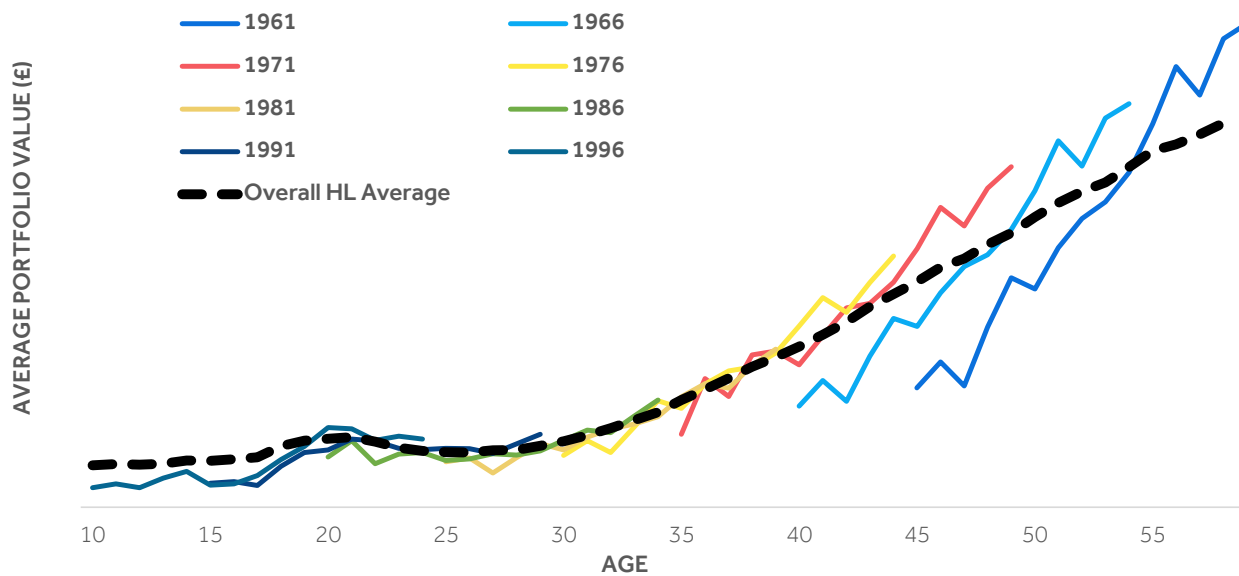


Under 18	Starting Independent Life	Saving for the future	Approaching retirement	Retirement	Later Life
<18	18-29	30-54	55 - 64	65 - 74	75+

# BUILDING LIFETIME VALUE

Recognising the value opportunity from changing demographics and a growing client base

Portfolio vs Age – Through the Generations

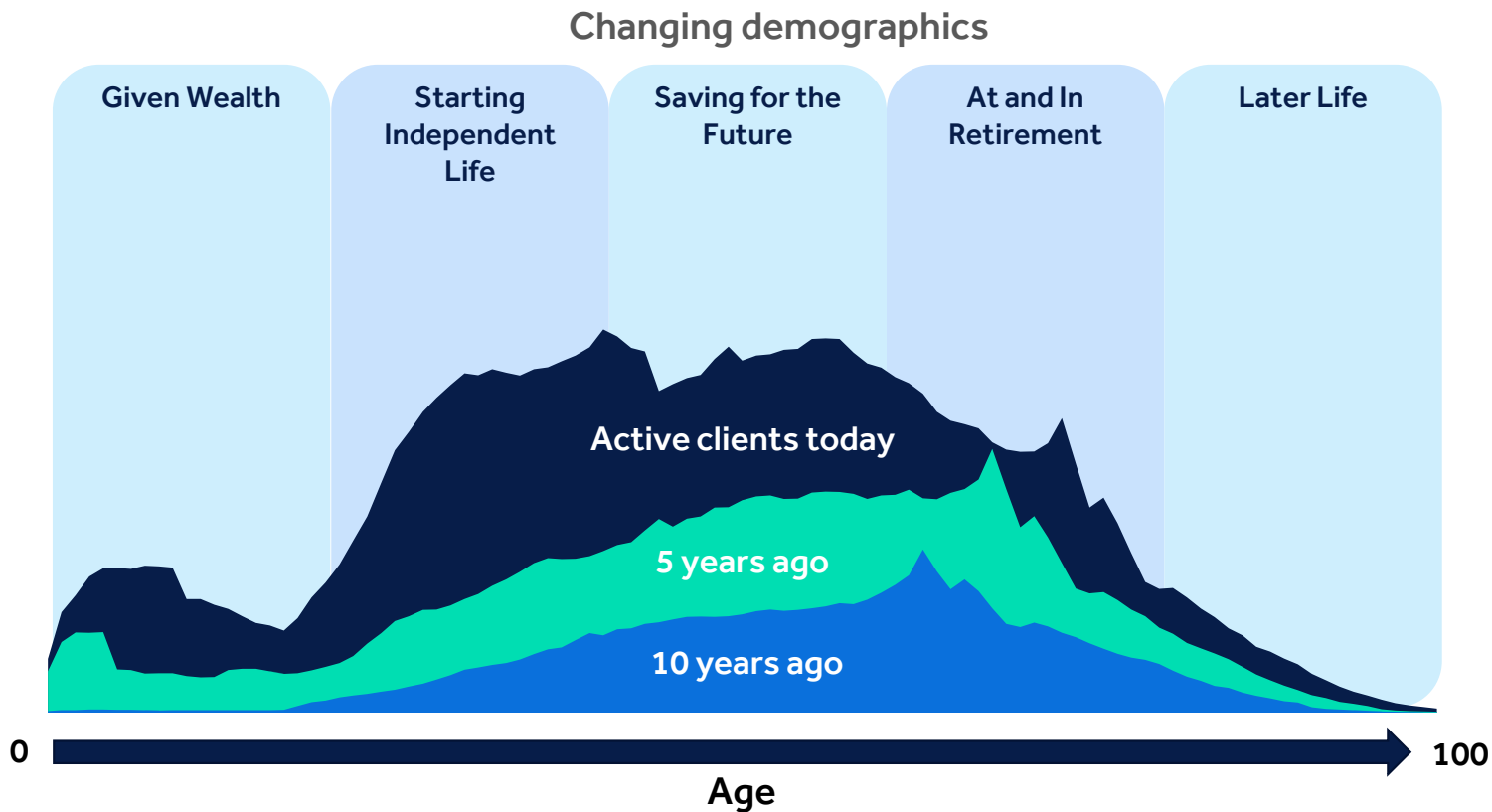


- Clients are saving and investing earlier
- 30 – 54 are the greatest source of future value
- 47% of new clients in H1 were in the 30-54 bracket
- Consistent behavioural patterns over lifetime
- Clients acquired over 2020 demonstrating similar behaviours and value at this stage as previous cohorts

Chart shows various cohorts based on birth year and the average pot size they held with HL when they were at Age X

# LIFELONG RELATIONSHIPS WITH CLIENTS

Attracting younger clients and growing lifetime value per client



- Larger client base with broad offering to support evolving needs
- Increased level of activity from younger cohorts
- Savings and investment journey requires digital wealth management

# CLEAR, SIMPLE STRATEGIC EXECUTION

We have invested to maintain our position as the leading digital wealth manager

Focused investment		Impact					
<ul style="list-style-type: none"> <li>Support enlarged client base engagement through scalability of services and platform</li> <li>Use scale to generate market leading insight</li> <li>Continuously improve the client experience</li> </ul>	Scalability	<b>Clients (m)</b> <b>1.27</b> <b>1.49</b> <small>H1 20   H1 21</small>		<b>Transactions (m)</b> <b>6.8</b> <b>11.9</b> <small>H1 20   H1 21</small>		<b>Trades (m)</b> <b>9.4</b> <b>14.0</b> <small>H1 20   H1 21</small>	
	Smart tools	<ul style="list-style-type: none"> <li>New Wealth Shortlist &amp; Fund Finder functionality</li> <li>Online drawdown calculator</li> <li>New Investment Pathways options for retirement</li> </ul>					
	Ease of Use	<b>Digital Visits (m)</b> <b>91</b> <b>153</b> <small>H1 20   H1 21</small>		<b>Mobile Login (m)</b> <b>32</b> <b>81</b> <small>H1 20   H1 21</small>		<b>Website Login (m)</b> <b>20</b> <b>32</b> <small>H1 20   H1 21</small>	
	Engaging content	<ul style="list-style-type: none"> <li>HL articles read by &gt;3 million unique visitors in 2020 vs 2.3 million in 2019</li> <li>25 million minutes spent reading website content H1 vs 18 million minutes in H1 20</li> <li>475% increase in sign-ups to our editors choice emails</li> </ul>					
	Choice architecture	<ul style="list-style-type: none"> <li>Broad product and service range for broad demographics</li> <li>New Cash ISA to support diversification options</li> <li>Online drawdown improving client outcomes</li> </ul>					

# CONCLUSION AND OUTLOOK

## Continued focused execution

- Strong set of results
- Good start to January ahead of Tax Year End which is important as always
- Cognisant of external environment and uncertainty that remains
- Confident in the market's structural growth opportunity and HL's strategic and competitive position
- Continued focused investment in the leading digital wealth service to deliver growth

