

A woman with blonde hair, wearing a pink jacket and a backpack, is looking upwards and to the right. A man with glasses, wearing a blue shirt and a dark vest, is smiling and looking towards the camera. They are in a forest setting with trees and foliage. A large teal triangle is on the right side of the image.

HARGREAVES
LANSDOWN

**EMPOWERING
PEOPLE TO SAVE
AND INVEST WITH
CONFIDENCE**

GROWTH AND DEVELOPMENT IN H1 2019

Clients

- 45,000 new active clients
- 1,136,000 active clients
- 93.5% client retention rate

Assets

- Net new business of £2.5bn
- £85.9bn of Assets Under Administration

Earnings

- Profit before tax of £153.4m
- Earnings per share 26.1p (+4%)
- Interim dividend 10.3p (+2%)

Proposition and Service

- Launch of Active Savings Easy Access
- Launch of Wealth 50
- The best client service in the market¹

1. Platform UK D2C: The Investor Experience, November 2018

PHILIP JOHNSON

CFO UPDATE

FINANCIAL HIGHLIGHTS

£ million	H1 2019	H1 2018	+/-
Net revenue	236.4	216.0	9%
Profit before tax	153.4	146.9	4%
Diluted EPS	26.1p	25.0p	4%
Interim dividend per share	10.3p	10.1p	2%

Net revenue

+9%

Average FTSE All Share

(3%)

Profit before tax

+4%

Interim dividend

+2%

REVENUE BY ASSET TYPE

80% recurring revenues; margins in line with expectations

Asset class	H1 2019 revenue £ million	H1 2018 revenue £ million	+/-	H1 2019 average AUA £ billion	H1 2018 average AUA £ billion	+/-	H1 2019 margin bps	H1 2018 margin bps	31 Dec 2018 closing AUA £ billion	2019 margin guidance bps
Funds	103.2	97.8	6%	50.1	47.4	6%	41	41	46.6	40-41
Shares	42.1	42.9	(2%)	30.8	27.3	13%	27	31	28.5	27-33
Cash	33.2	18.2	82%	9.9	8.4	18%	67	43	10.4	60-70
HL Funds	34.7	33.3	4%	9.3	9.0	3%	74	74	8.6	70-75
Other ⁽¹⁾	23.2	23.8	(3%)	0.2	-				0.4	
Double-count ⁽²⁾	-	-		(9.3)	(9.0)				(8.6)	
	236.4	216.0	9%	91.0	83.1	10%			85.9	

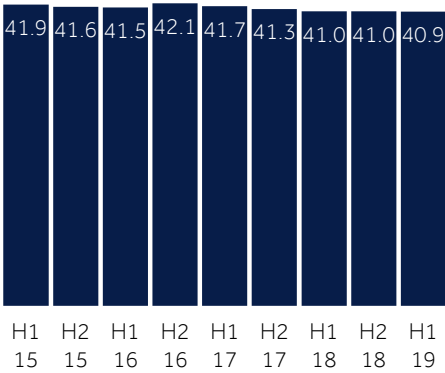
⁽¹⁾ Includes Active Savings

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

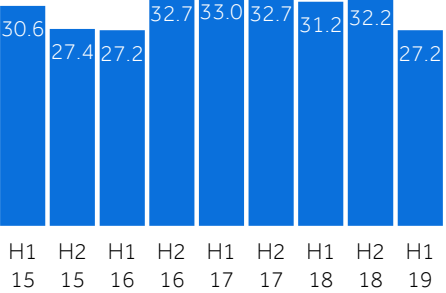
REVENUE MARGINS

Stability over time

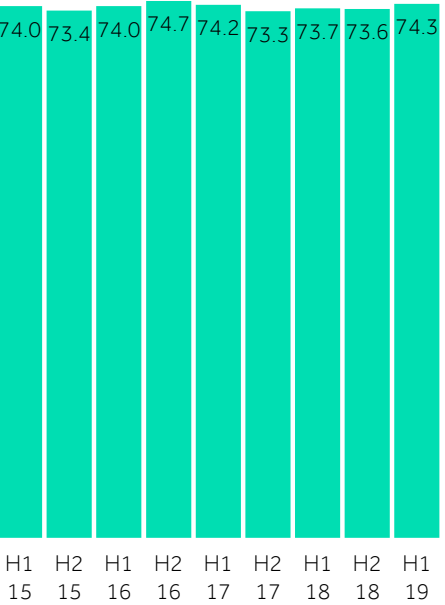
FUNDS
Guidance: 40-41bps



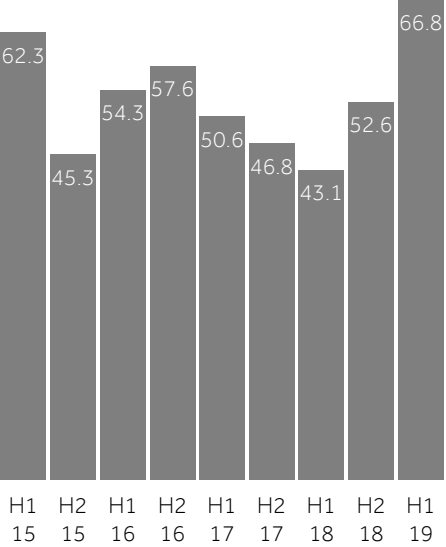
SHARES
Guidance: 27-33bps



HL FUNDS
Guidance: 70-75bps



CASH
Guidance: 60-70bps



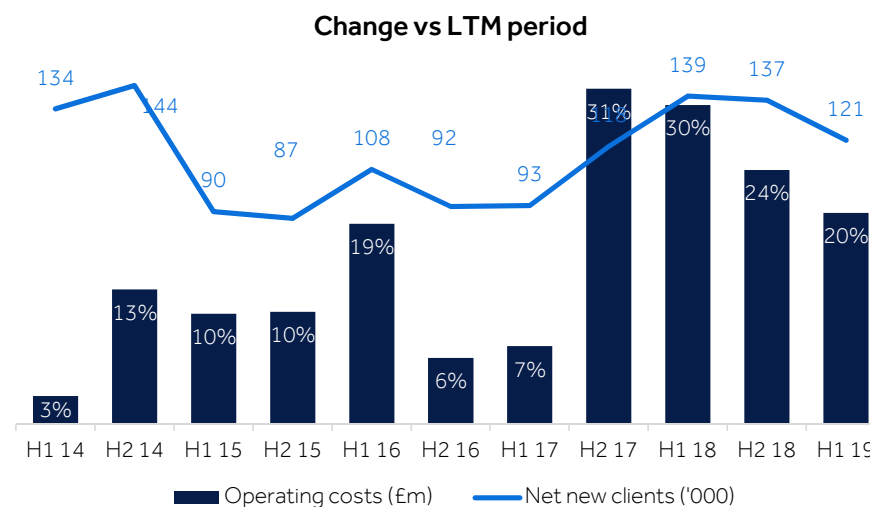
■ Platform fee, post RDR

OPERATING COSTS

Moderating the rate of investment

£ million	H1 2019	H1 2018	+/-
Staff costs	49.5	41.8	18%
Marketing	6.0	6.9	(13%)
Dep'n & financial costs	5.8	4.4	32%
Other costs	23.5	18.1	30%
Costs (excl FSCS levy)	84.8	71.2	19%
FSCS levy	0.3	(0.3)	
Total operating costs	85.1	70.9	20%

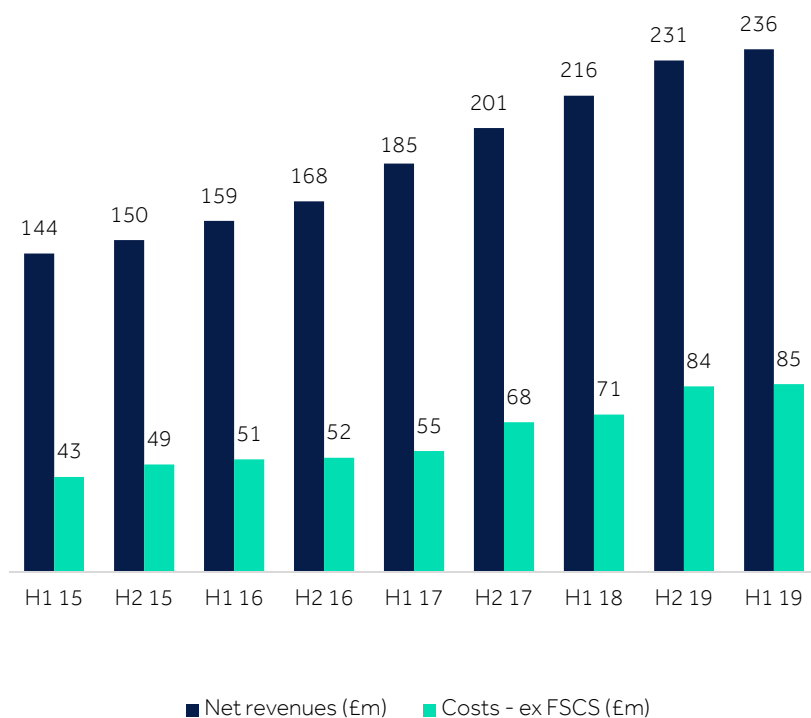
- Additional staff costs due to increased headcount
- Marketing down due to adoption of IFRS 15 and consequent impact on treatment of transfer-related client cash incentives



- Depreciation rose due to higher capex in recent years
- Other costs grown due to higher dealing charges and increased computer maintenance costs (associated with higher headcount)

PROFIT BEFORE TAX AND EPS

4% growth in diluted earnings per share



€ million	H1 2019	H1 2018	+/-
Operating profit	152.4	146.2	4%
Finance income	1.2	0.7	
Finance costs	(0.2)	-	
Profit before tax	153.4	146.9	4%
Tax	(29.3)	(27.9)	
Profit after tax	124.1	119.0	4%
Diluted share count (m)	475.8	475.2	
Diluted EPS (p)	26.1	25.0	4%

DIVIDENDS

Operating our communicated dividend policy

Pence per share	2019	2018	+/-
Interim	10.3	10.1	2%
Final		22.1	
Total ordinary		32.2	
Ordinary dividend payout ratio		65%	
Special		7.8	
Total		40.0	
Total dividend payout ratio		81%	

- Responsible approach to balance sheet capital management
- Progressive ordinary dividend, with intention of maintaining payout ratio at 65% across the cycle
- Retentions to fund growth, investment and regulatory capital needs
- Commitment to returning excess cash via special dividends
- Interim dividend increased 2%

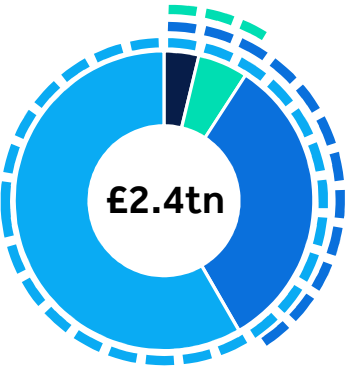
CHRIS HILL

CEO UPDATE

OUR OPPORTUNITY

Significant addressable market undergoing structural change

We have a small share of a £2.4tn market



Hargreaves Lansdown: £85.9bn	
D2C Platform: £206.7bn ¹	HL = 39%
Addressable Wealth: £1.0tn ²	HL = 8%
Addressable Wealth + Cash: £2.4tn ²	HL = 3%

- People are living longer
- Shift of wealth to older clients
- Complex savings environment
- Ongoing low asset yields
- Market volatility
- Political uncertainty

Clients need help...

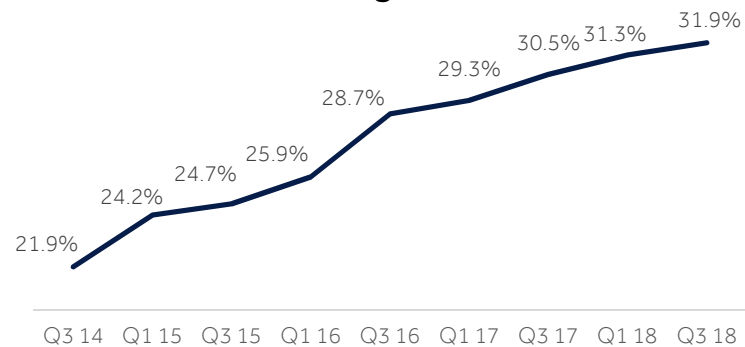
- Help me understand
- Help me manage
- Just make it simple for me to do
- ...and want exceptional experience
- Compelling proposition
- Excellent service
- Tailored client engagement

GROWTH

Continued strong performance in challenging markets

AuA	£m
At 30 June 2018	91.6
Net new business	2.5
Market movements	(8.2)
At 31 December 2018	85.9

Stockbroking Market Share



Source: Compeer Q3 2018 Benchmarking Report

- **Significant volatility** due to Brexit and US/China trade tensions
- Markets finished the period c13% lower
- **Record low investor confidence**
- The Investment Association reported the **worst market net retail fund outflows ever** over a three month period to November 2018
- Despite all this, **HL is still growing** – positive net new business, 45,000 net new clients and increased market share
- Inflows driven by transfers, allowances and new money

DELIVERING VALUE

Investing in client experience

Understanding clients

What they need

How we should talk to them

Motivating factors

Exceptional client experience

Compelling proposition

Excellent service

Tailored client engagement

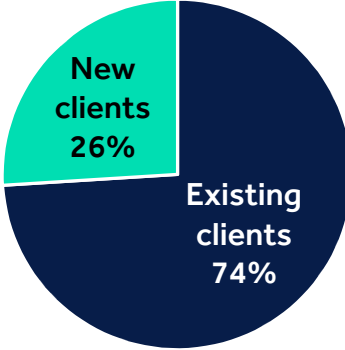
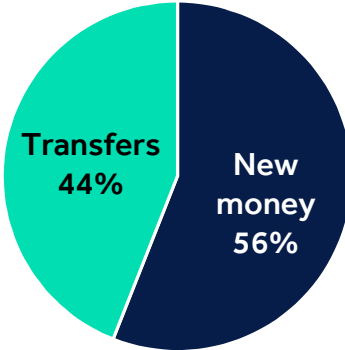
Resilient business model

Drives client engagement

Encourages consolidation

Supports life-long relationship

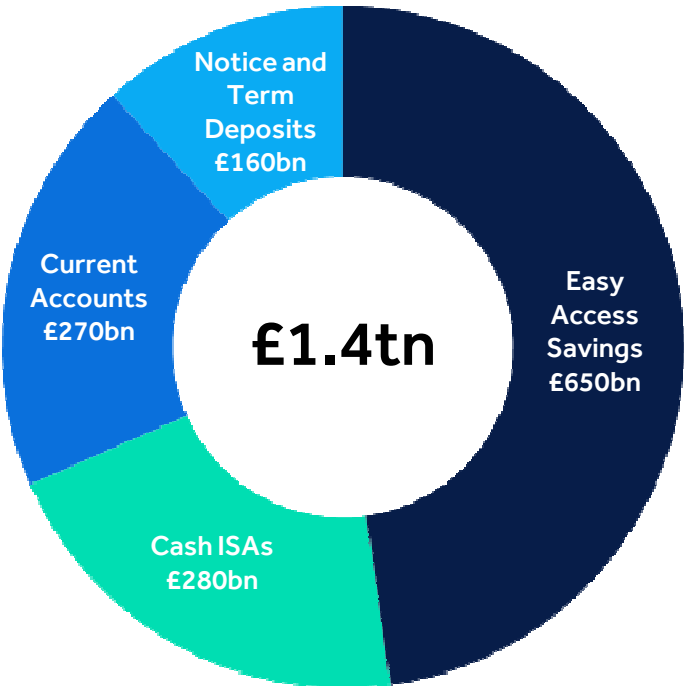
Strong gross inflows



DEVELOPING THE PROPOSITION: ACTIVE SAVINGS

Making savings fair and simple

2018 household cash savings market



Source: Oliver Wyman

Savers need solutions

- Poor interest rate information
- Difficult to manage multiple accounts
- Hard to switch providers
- 40% of savers have never switched

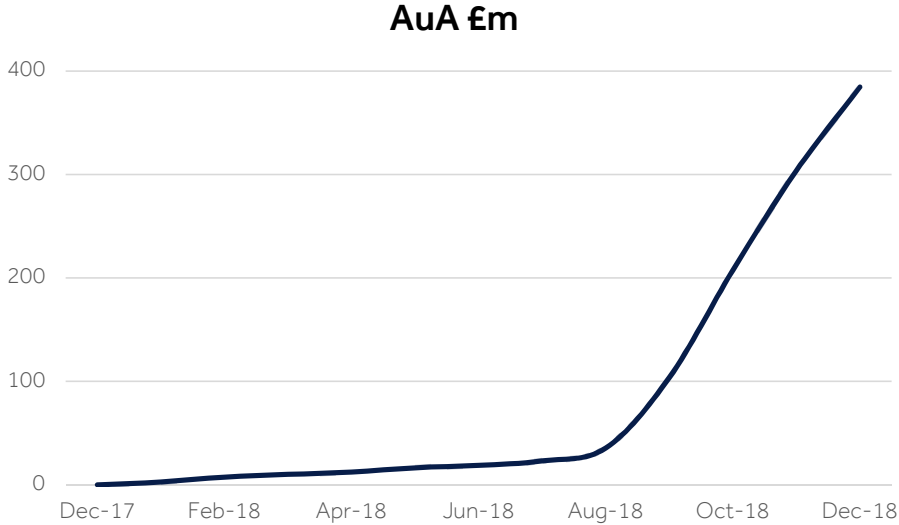
Active Savings marketplace

- Better and more consistent returns
- Greater transparency – know the rate and when it expires
- Simple switching: nine banks, 26 products, one easy log in
- Easy for clients to manage cash alongside their investments

DEVELOPING THE PROPOSITION: ACTIVE SAVINGS

Top quartile rates

Term	HL Active Savings	Rank	Best Buy	Typical high street bank
NEW – Easy Access	COMING SOON		1.50%	0.20%
Up to 6 months	1.40%	8/24	1.76%	0.55%
1 year	2.03%	5/154	2.15%	0.80%
2 years	2.20%	20/156	2.40%	1.00%
3 years	2.40%	4/120	2.50%	1.40%
5 years	2.50%	13/95	2.75%	1.75%



- Active Savings launched on 4 September 2018
- Great rates from nine partner banks from just one account
- Easy Access coming soon

DEVELOPING THE PROPOSITION: WEALTH 50

Listening to clients

We canvassed 6,500 current and potential DIY investors. They told us they wanted:

- One **single list**
- To have **3-5 funds per sector**
- One **tracker** option per sector
- **Ability to filter** the list based on client need:
 - Objective
 - Risk
 - Yield
 - Cost
 - Sector
- **Transparency** and clarity on how HL selects, reviews and excludes funds on the list



- 1** Consolidated and refined the Wealth 150 and Wealth 150+ into a single list
- 60** List reduced in length to reflect optimum level of choice for clients
- 10** Tracker funds included
- Better** Screening tools to aid fund selection
- More** Information and clearer explanations for why funds are on the list

DEVELOPING THE PROPOSITION: WEALTH 50

Delivering value and service

30%

Average saving on standard annual charges

£61m

Total client rebates last year

5.8%

Average outperformance of benchmark

11.8%

Average outperformance over Investment Association sector average

19

Members of the investments team

- The Wealth 50 is central to our proposition and a vital part of our value promise to clients
- HL negotiated exclusive savings on behalf of clients that aren't available anywhere else
- We assess fund manager philosophy, process, team, style and pay
- We take this seriously – our experienced investments team devotes more than 23,000 hours every year to research
- The Wealth 50 refresh will save clients a further **c£7m per year**

MAINTAINING EXCELLENT SERVICE

Providing clients with the service they expect

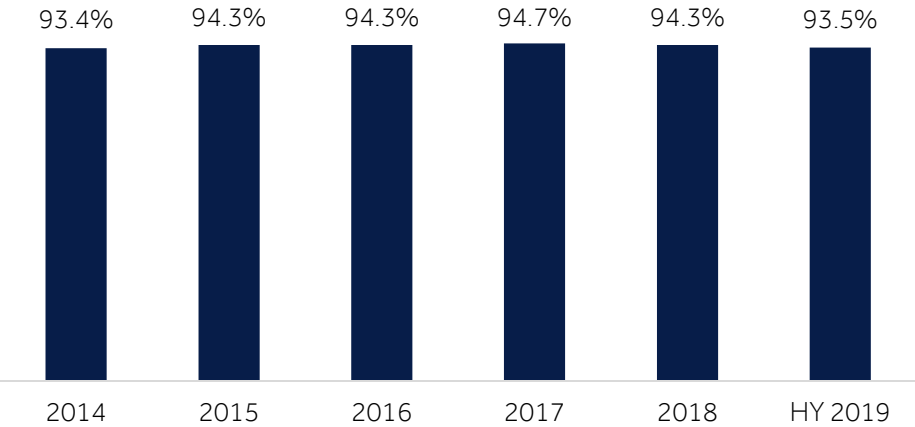
Service metrics

Metric	H1 2017	H1 2019	Change
Active clients	876,000	1,136,000	+30%
Transactions	5.4m	6.1m	+14%
Helpdesk contacts	680k	890k	+30%
Call answering (seconds)	30	18	-12 secs
Calls answered immediately	41%	57%	+16% pts
Same day email response	57%	71%	+14% pts

Continuous improvement to deliver scalability and efficiency including:

- Introduction of BACS transfers for cash ISAs
- Installing AI-driven training software for Helpdesk colleagues

Consistently high client retention



Net Promoter Score¹

48.3%

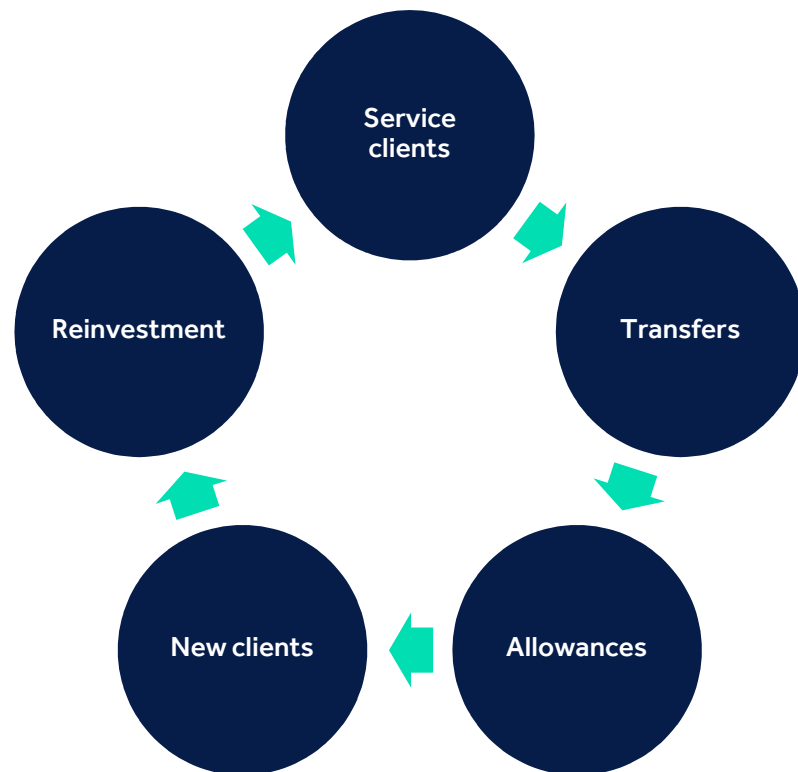
Client Satisfaction

85.0%

1. Net Promoter, NPS and the NPS-related emoticons are registered service marks and Net Promoter Systems are service marks of Bain & Company Inc., Satmetrix Systems Inc. and Fred Reichheld

TAILORING CLIENT ENGAGEMENT

Developing our capabilities to engage with a varied client base



- Continuing to improve and develop **segment targeting** helps us to understand our clients better
- **Bespoke messaging** is vital in ensuring content lands well
- Providing a wide variety of **topical, helpful and useful content** is critical to addressing client concerns
- **Responding quickly** to trends and changes through **multiple channels** helps us to stay relevant and front-of-mind
- Constant **review and iteration** allows us to improve on past campaigns that we know performed well
- Focus on **optimising client journeys** ensures that we make things easier and clearer for clients

OUTLOOK

- We have a significant market opportunity
- We will continue to invest responsibly in the business to capture this
- Conditions remain difficult but our diverse proposition positions us well
- We are well positioned to deliver on our strategic ambition

