

H1 2023 RESULTS

Strong Financial Performance,
Strategic Delivery on track

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**HARGREAVES
LANSDOWN**

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H1 2023 RESULTS

➤ **HIGHLIGHTS OF H1**
Chris Hill, CEO

➤ **STRONG H1 2023 FINANCIAL PERFORMANCE**
Amy Stirling, CFO

➤ **DELIVERING OUR STRATEGY**
Chris Hill, CEO

➤ **Q&A**
Chris Hill, CEO & Amy Stirling, CFO

STRONG FOUNDATIONS LAID IN CHALLENGING MARKETS



Strong financial results

- H1 Underlying Profit up 30%
- Return of higher NIM drives revenue



Strategic Execution on track

- Executing against our plan
- Building strong foundations

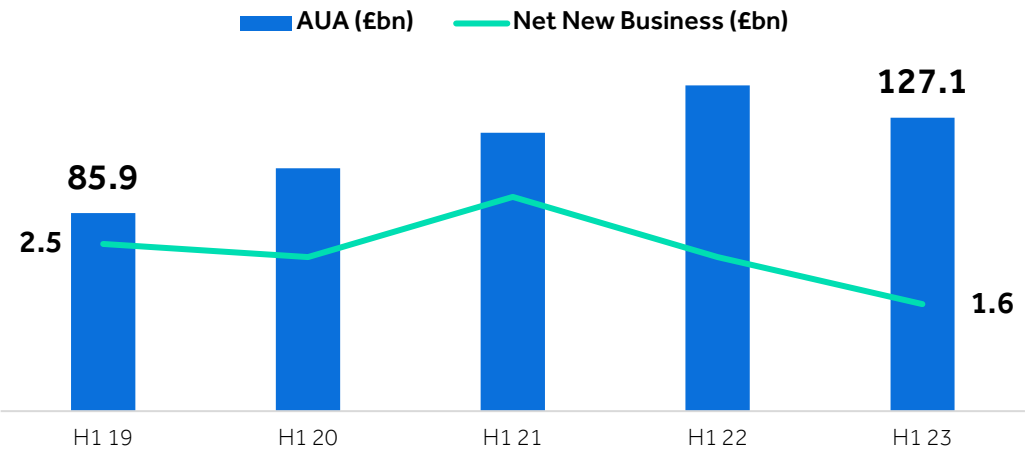


Continued focus on clients

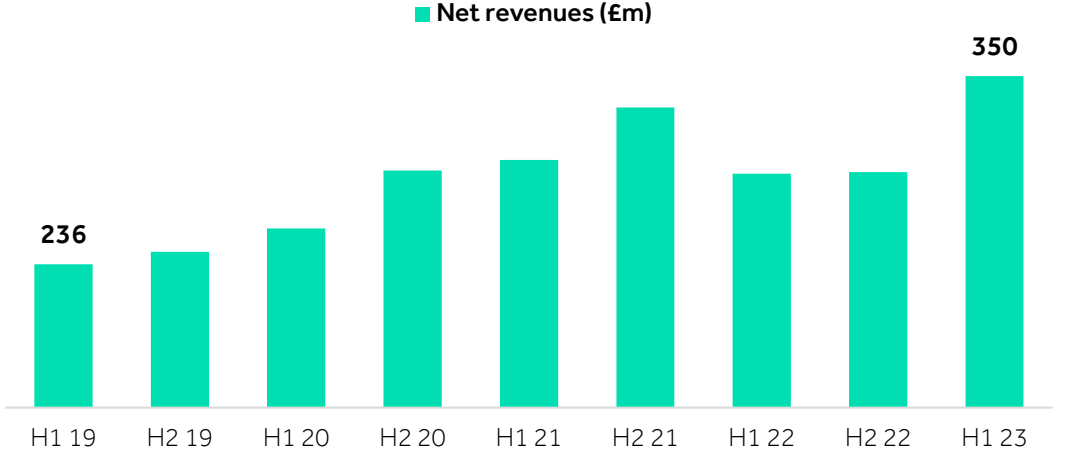
- Ongoing inflation
- Active Savings offers market leading rates
- Low consumer and investor confidence

STRONG H1 FINANCIAL PERFORMANCE

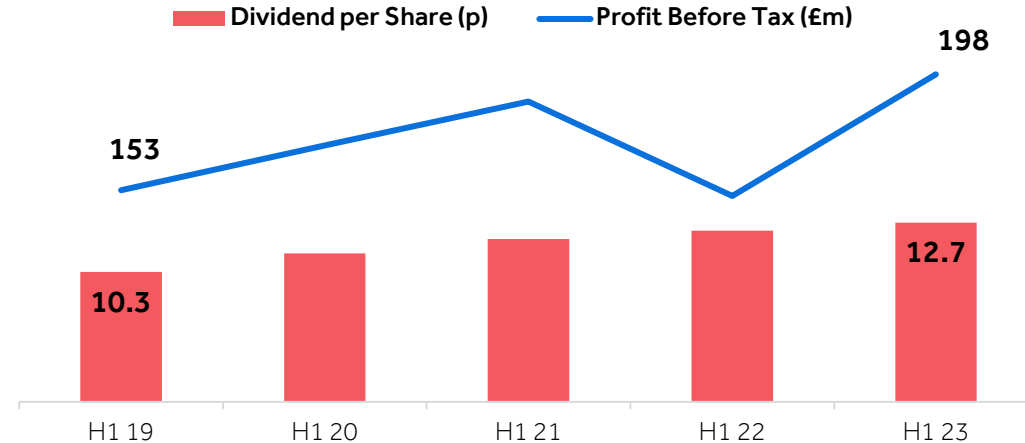
Assets and flows reflect diversified platform



Robust revenue



Profit Before Tax & Dividend



Strong support for existing and new clients

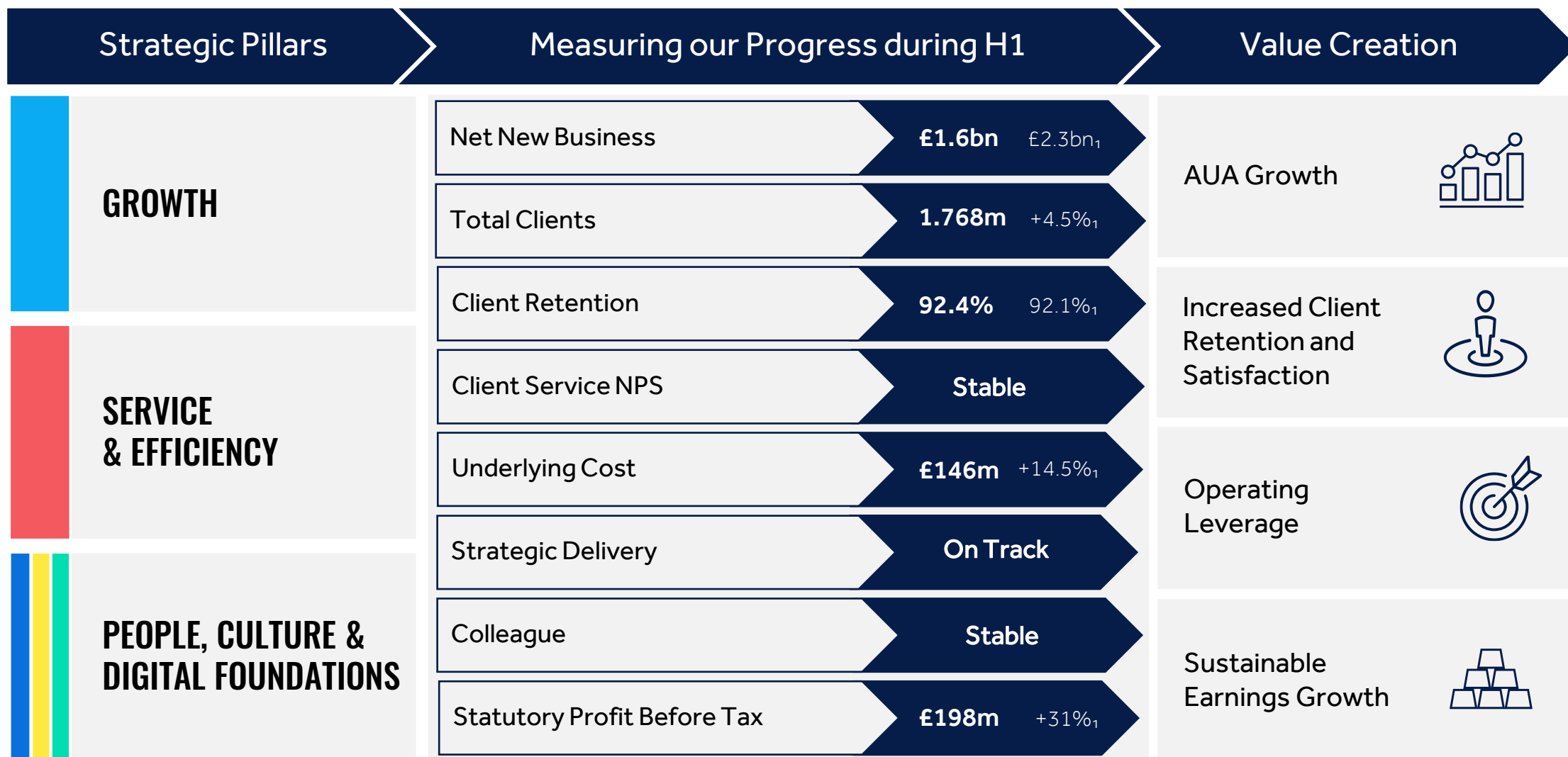


1. Platform D2C Market Share as at 30th September 2022

STRONG H1 2023 FINANCIAL PERFORMANCE

Amy Stirling, CFO

MAKING PROGRESS ON ALL OUR STRATEGIC METRICS



STRONG FINANCIAL PERFORMANCE IN THE FIRST HALF

£ million	6 months to 31 Dec 22	6 months to 31 Dec 21	% +/-	6 months to 30 June 22	% +/-
Revenue	350.0	291.1	+20.2%	291.9	+20.2%
Revenue Margin (bps) ¹	55	42	+31.0%	45	+22.2%
Total Costs	160.4	139.9	+14.7%	173.1	(7.3%)
Total Strategic Spend	14.3	12.3	(19.7%)	15.9	(11.1%)
Underlying Costs	146.1	127.6	+14.5%	157.1	(7.0%)
Underlying profit before tax^{2, 3}	211.9	163.5	+29.6%	134.0	+58.1%
Underlying Diluted EPS ³	35.5p	27.8p	+27.7%	22.6p	+55.3%
Statutory profit before tax^{2, 3}	197.6	151.2	+30.7%	118.0	+67.5%
Statutory Diluted EPS ³	33.1p	25.7p	+28.8%	19.9p	+66.3%
Dividend per share	12.70p	12.26p	+3.6%		

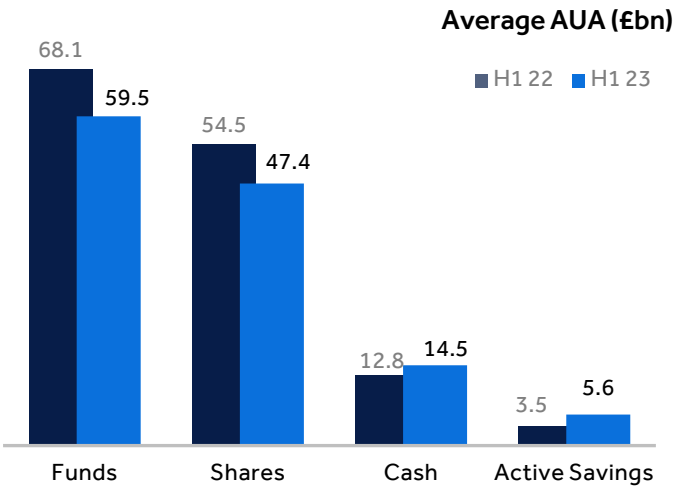
(1) Revenue margin based on 4 main asset classes – funds, shares, cash, HL Funds.

(2) Revenue less costs does not equal pbt because of impact of other minor items, namely fair value gains on derivatives, finance income and finance costs.

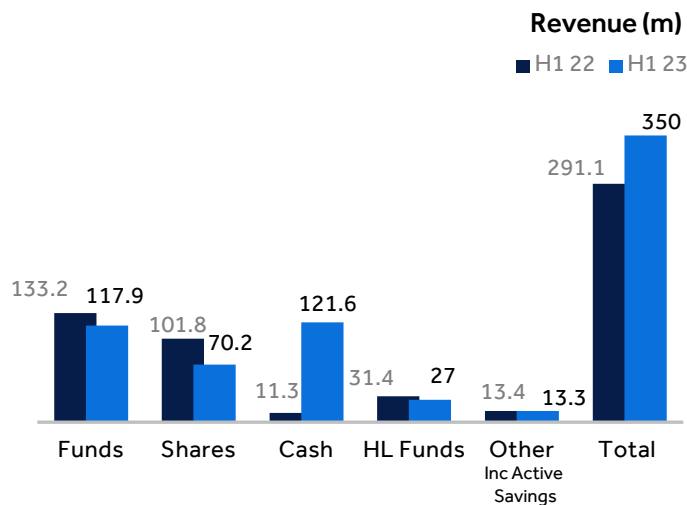
(3) Underlying profit before tax and underlying diluted earnings per share are new alternative performance measures which exclude the impact of strategic investment spend and dual running costs of £14.3m in the period. Prior period comparatives are provided on the same basis as they were reported prior to the introduction of the new alternative performance measures.

DIVERSIFIED SERVICE OFFERING CREATES REVENUE RESILIENCE

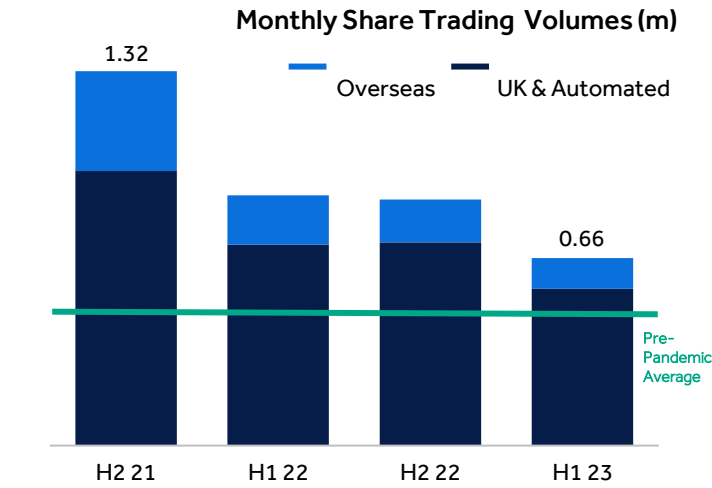
AUA by Asset Class



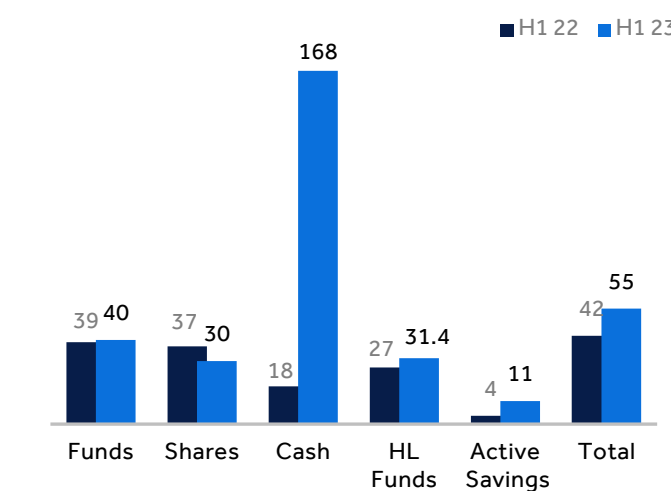
Year on Year Revenue



Share Dealing



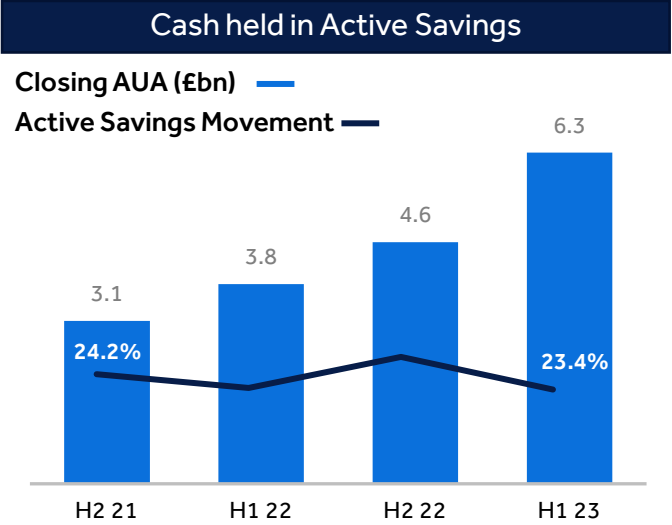
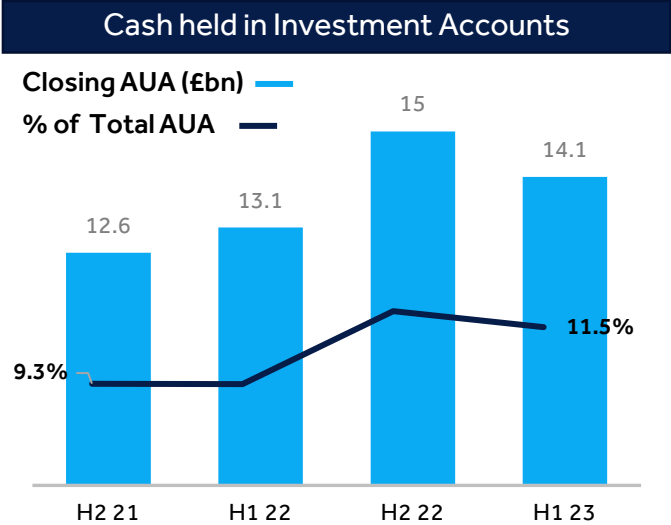
Revenue Margin



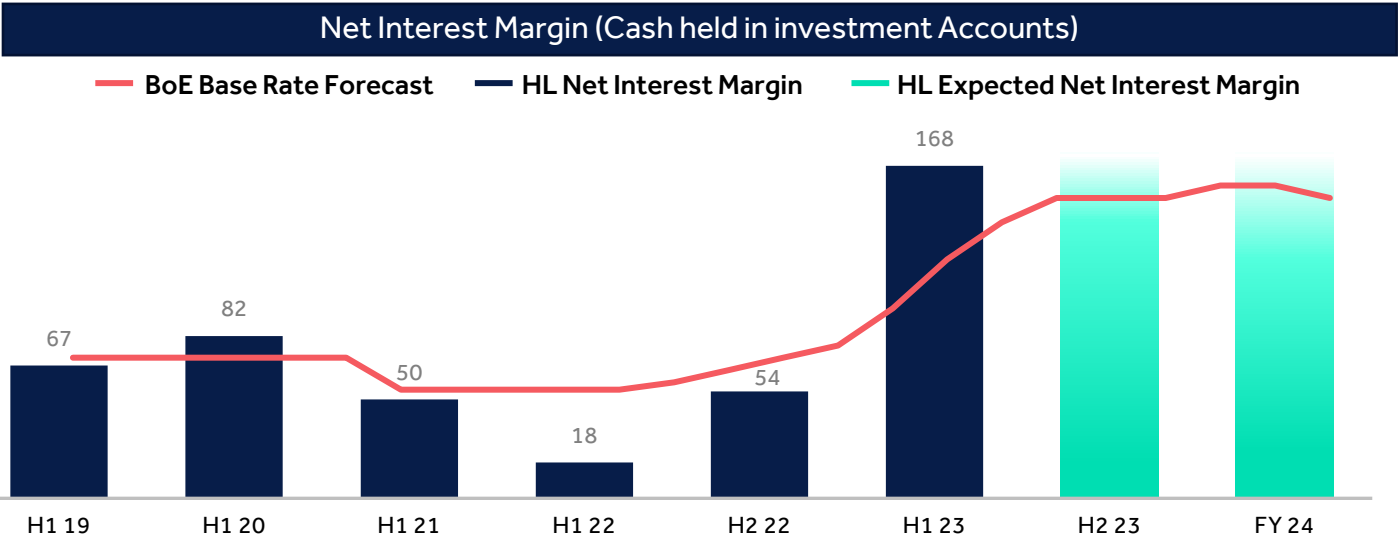
- Whilst closing AUA is up 2.7%, average AUA is down 8.6% yoy
- Cash held in Investment Accounts represents 11.4% average AUA
- Share Trading volumes down vs pandemic peak still ahead of pre-pandemic

- Increase in cash held in Investment Accounts and Base Rate increases drives NIM and Revenue increase
- NIM in H1 reflects acceleration of base rate changes in Q2 passed through in Jan 23
- Trading volume reduction drives Shares margin reduction
- Revenue mix shift increases recurring Revenue to 84% of total

CASH IS DRIVING FLOW AND MARGIN



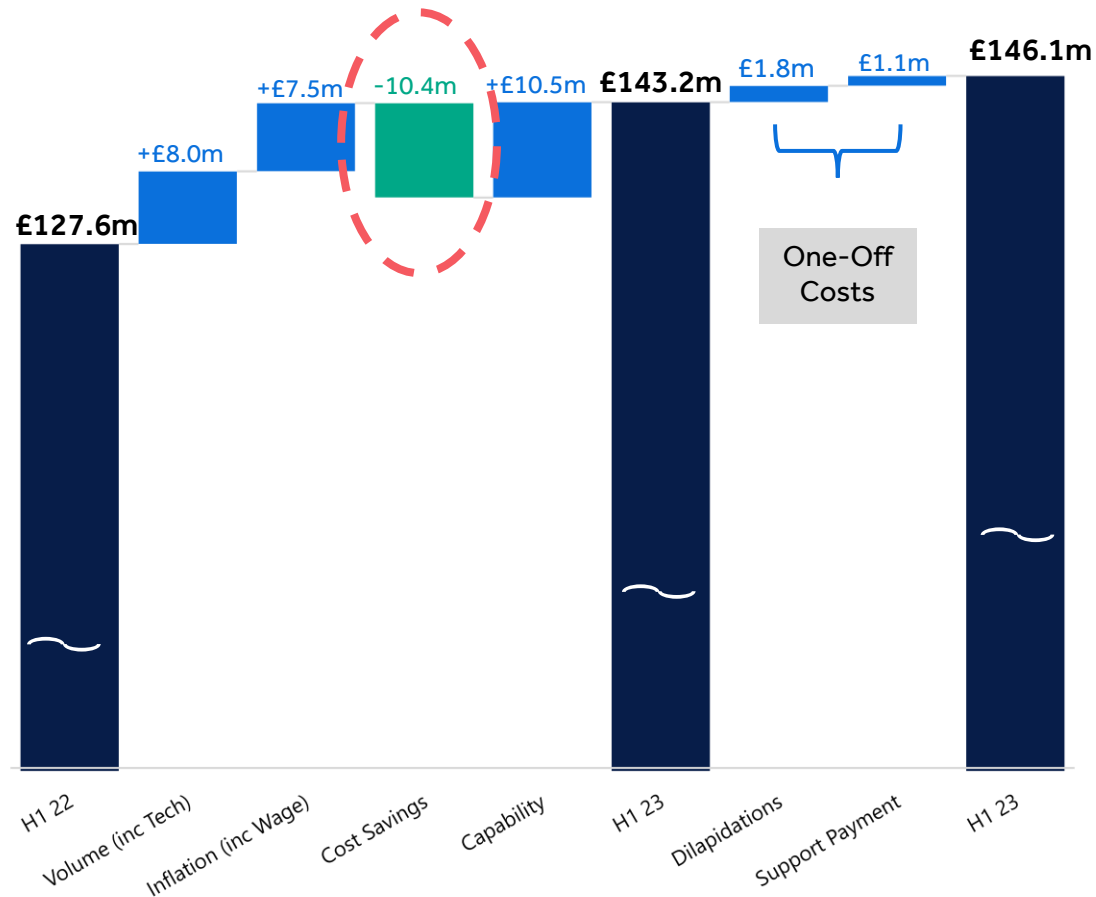
- Cash held in Investment Accounts grows with AUA over time at c.11% of AUA; peaked at £15bn (12.8%) end Jun 22
- Active Savings brings new money and retains assets on the platform; movement from Investment Accounts is consistent at c. 25% of Gross flow



- Increase in Base Rates has driven step up in NIM
- Q2 BoE increases passed through as one uplift to client rates in Jan 23
- Q3 NIM will be lower than Q2 as a result
- Any further Base Rates rises will have minimal NIM impact

UNDERLYING COST SEEING THE BENEFIT OF COST SAVINGS





H1 23 Underlying Costs



H1 23 and FY23 Cost Outlook

- Benefit of cost savings (£8.4m labour cost and £2.0m procurement benefits) coming through as planned offsetting investment in Capability
- Volume - driven by payment costs (increase due to new cash onto the platform) and planned increase in Tech run spend, offset by trading volume reductions
- Inflation in labour and energy costs
- One off costs comprise increase to Dilapidations provision for Bristol office and Support payment for colleagues given inflation pressures
- **Now expect FY23 Underlying Cost growth at top end of guidance range (c.11.5%) as a result of One-Offs in H1**

DELIVERING COST SAVINGS

	Strategic Investment Cost (Inc Dual Running)	H1 23 Cost Savings	Value Creation
GROWTH	<ul style="list-style-type: none"> Investment capability increase and launch of 2 new funds Augmented tool development and pilot launch 	-	AUA Growth 
SERVICE & EFFICIENCY	<ul style="list-style-type: none"> AWS Connect Contact Centre roll-out underway Multi-skilling Teams 	Labour Costs £1.2m Procurement £2.0m	Increased Client Retention and Satisfaction 
DIGITAL BACKBONE	<ul style="list-style-type: none"> Cloud platform build-out, Internal Teams supporting Data capability increase and payments efficiency focus 	Labour Costs £7.2m	Operating Leverage 
PEOPLE, CULTURE & FOUNDATIONS	<ul style="list-style-type: none"> Building alignment across Consumer Duty regulation Evolving colleague value proposition 	-	Sustainable Earnings Growth 
H1 23	£23.4m	£10.4m	H1 23: Capex £9.1m/Opex £14.3m
FY 23	£50-55m	£15-£20m	
FY24-26	£137m - £142m	£25-£30m	
Total (Strategic Spend + Dual Running)	£175m + £50m = £225m	c.£55m run rate	

UPDATED FULL YEAR FY23 GUIDANCE

REVENUE MARGIN

Now expect Overall Revenue Margin of 50bps to 55bps in FY23

- Fund – 38-39 bps (no change)
- HL Funds – 55-60 bps (no change)
- Share – 30-35 bps (no change)
- Cash – 160-170 bps (from 130-150 bps)

UNDERLYING COST

Now expect Underlying Cost Growth at top end of range (9.5%-11.5%) as a result of H1 one-offs

TOTAL STRATEGIC INVESTMENT COST

Now expect £50-55m Total FY23 spend (inc. Dual Run Tech run)

DIVIDEND

c. 3% Ordinary Dividend Growth for FY23

DELIVERING OUR STRATEGY

Chris Hill, CEO

CLEAR STRATEGY DRIVING DELIVERY



CLIENT FOCUSED STRATEGY AND A DIVERSIFIED OFFERING

Trading through the pandemic

'Enabling me to trade when the market is right'

Monthly Share Trading



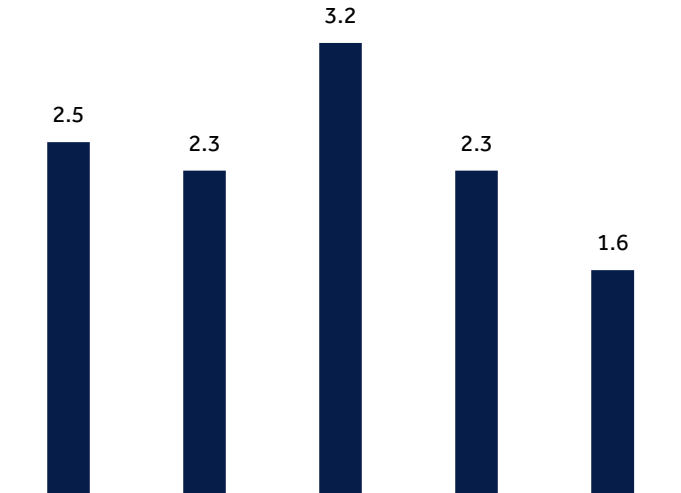
2019 H1 23

- Improving proposition
 - Share Exchange
 - Digital Voting
 - Retail Book partnership

Long-term diversified investment

'Offering a proposition to build my financial resilience'

— NNB £bn



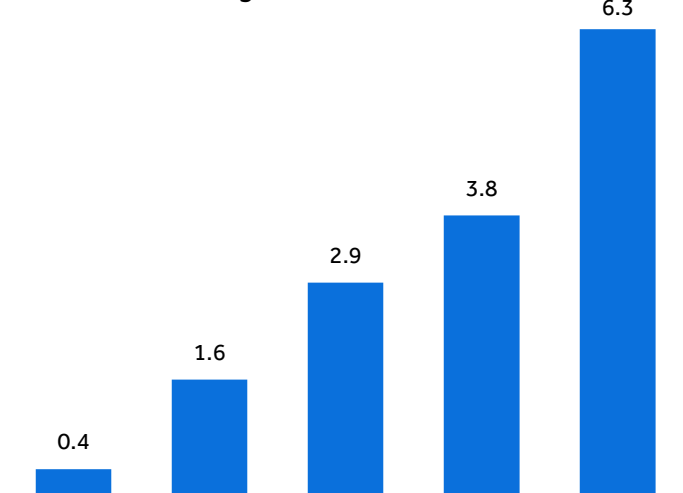
H1 19 H1 20 H1 21 H1 22 H1 23

- Broadening our offering
- New Funds - SIPP Default, HL US Fund, HL UK Income Fund
- Managed Portfolios (Q3)

Cash

'Giving me access to market-leading cash products'

— Active Savings AUA £bn



H1 19 H1 20 H1 21 H1 22 H1 23

- Improving functionality
- Broadening products
- Launching Cash ISA

GROWTH

2023 FOCUS

Dial-up Active Savings – increased marketing with rates momentum and developing functionality including payments

Launch new HL funds - including 3 HL Managed Portfolio funds in March

Launch Augmented pilot at the end of H1

H1 DELIVERY

Scaled Active Savings business to reach £6.3bn Assets under Administration, making it the largest retail savings platform in the UK

Successful launch of HL US Fund & conversion of HL UK Income Fund managing £591m and £1.8bn of AUM respectively

First Augmented Tools in pilot including Financial Health Check and coaching



SERVICE & EFFICIENCY

2023 FOCUS

Develop client ability to connect with right colleagues and expertise, first time through cloud as a service platform

Launch critical innovations across key journeys creating efficiency and reducing costs

Deliver £8m cost savings through automation, productivity improvements and vendor management

H1 DELIVERY



Initiated roll out of Amazon Connect including increasing efficiency through call steering



Launched updated Share Exchange (formerly Bed & ISA), new voting options and partnered with Retail Book to enable more clients to access book builds



Cost Savings to date of £3.2m driven through increased efficiency and procurement savings

DIGITAL BACKBONE

2023 FOCUS

New centralised digital identity to offer market leading personalised experience

Speed up release of internal and external tools, build resilience and efficiency through AWS partnership

Deliver £7m resource cost recycling

H1 DELIVERY

Cloud based approach provides access to market leading technology whilst reducing time to delivery and augments ability to create and deliver personalised content. Including:






- Managing digital identity, security and resilience
- Powering, delivering and directing website and client journeys
- Data management and storage
- Removing complexity and streamlining payments

Delivered £7.2m cost saving in H1 through refocusing technology teams on strategic delivery of key initiatives including building augmented tools



BROAD OFFERING BUILT ON CLIENT NEEDS

Market Leading Insight & Data¹

 DIGITAL 120m DIGITAL VISITS	 HELPDESK 700k CALLS & EMAILS	 TRADES 10m TRADES	 TRANSACTIONS 8.1m TRANSACTIONS	 APP VISITORS 1.1m VISITORS	3RD PARTY & OPEN BANKING DATA
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Outstanding Client Experience & Trusted Brand

1	 BROADEST OFFERING	2	 NEXT GENERATION 'AUGMENTED' TOOLS & EXPERIENCE
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1 DATA DRIVES IMPROVEMENTS TO OUR PROPOSITION AND CLIENT SERVICE

> INVESTMENT SOLUTIONS – HL US FUND

£144m New Money
invested
since launch

£591m Assets Under
Management
at end of H1

- ✓ Insight highlighted client interest in US so sector prioritised in HL fund evolution
- ✓ Utilises increased investment capability including strategic asset allocation
- ✓ Actively managed through segregated mandates

38% of initial US Fund investors part of Better Investors Audience

> BEST-IN-CLASS TRADING FUNCTIONALITY

10,000+
Funds and Equities
available on platform

- ✓ **SHARE EXCHANGE**
Digitalised and simple UK and Overseas equity to equity Bed & ISA and Bed & SIPP functionality
- ✓ **DIGITAL VOTING**
Online self-service proxy voting service in partnership with Broadridge
- ✓ **ACCESS TO PRIMARY CAPITAL RAISES**
Client access to primary capital raises e.g. IPO's through partnership with Retail Book

2 DATA DRIVES THE NEXT GENERATION 'AUGMENTED' CLIENT EXPERIENCE

DATA LED FOUNDATIONS IN PLACE...

> BETTER INVESTORS

690k Tailored nudges delivered to clients

65% Increase in Educational hub visits

✓ Tailored content and nudges delivered to clients supporting them with key investment understanding

DIVERSIFICATION



REBALANCING



CASH



RISK



> SAVINGS & RESILIENCE

✓ 5-point methodology established in partnership with Oxford Economics

✓ Barometer tool live providing insight for clients and wider stakeholders on financial resilience

...CAPABILITIES IN TESTING WITH CLIENTS

> TOOLS AND COACHING

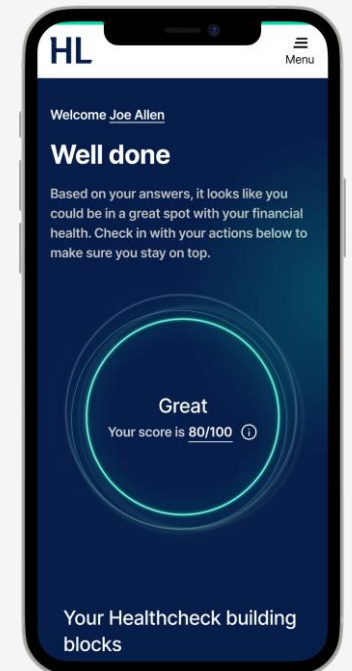
✓ FINANCIAL HEALTH CHECK

Personalised report with educational content and peer comparison based on financial resilience barometer methodology

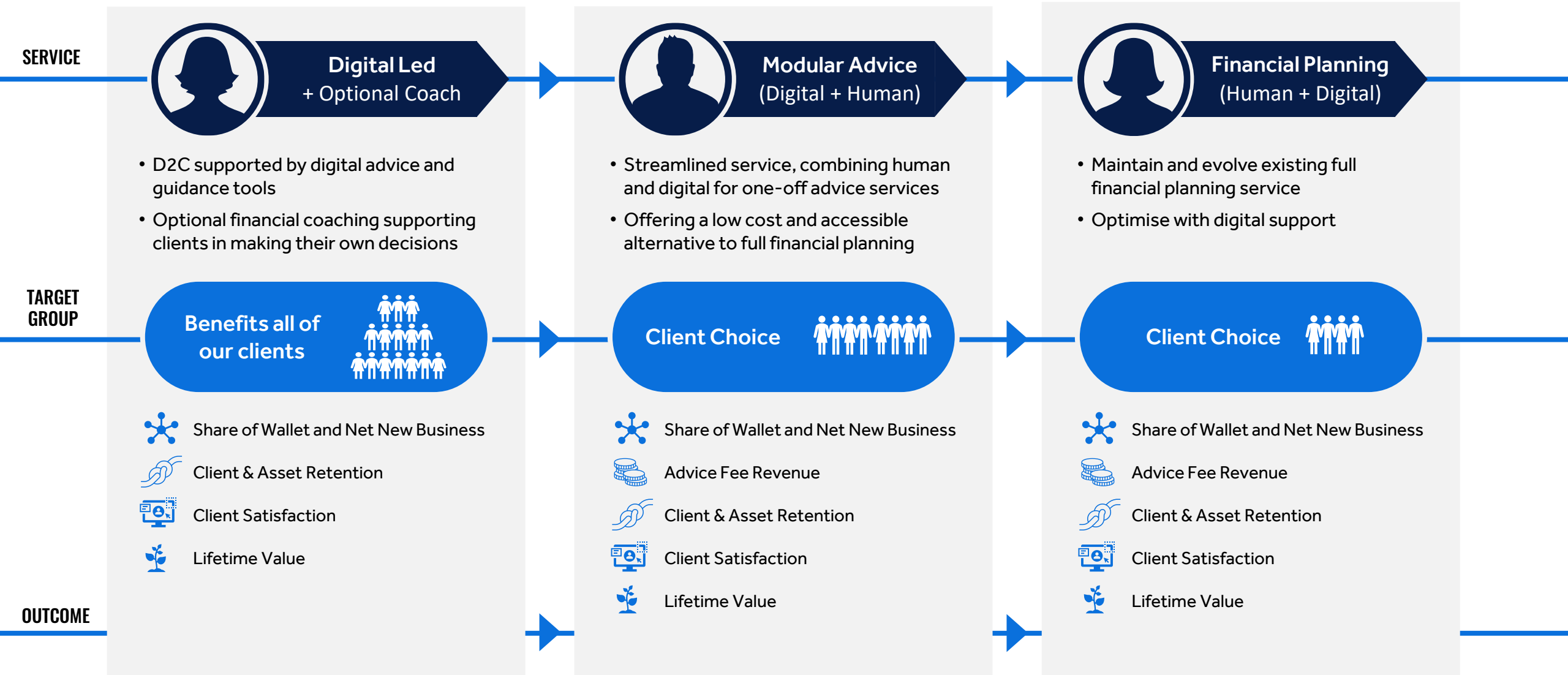
✓ FINANCIAL COACHING

Offering clients access to a financial coach, clearing jargon to empower them in making their own investment decisions

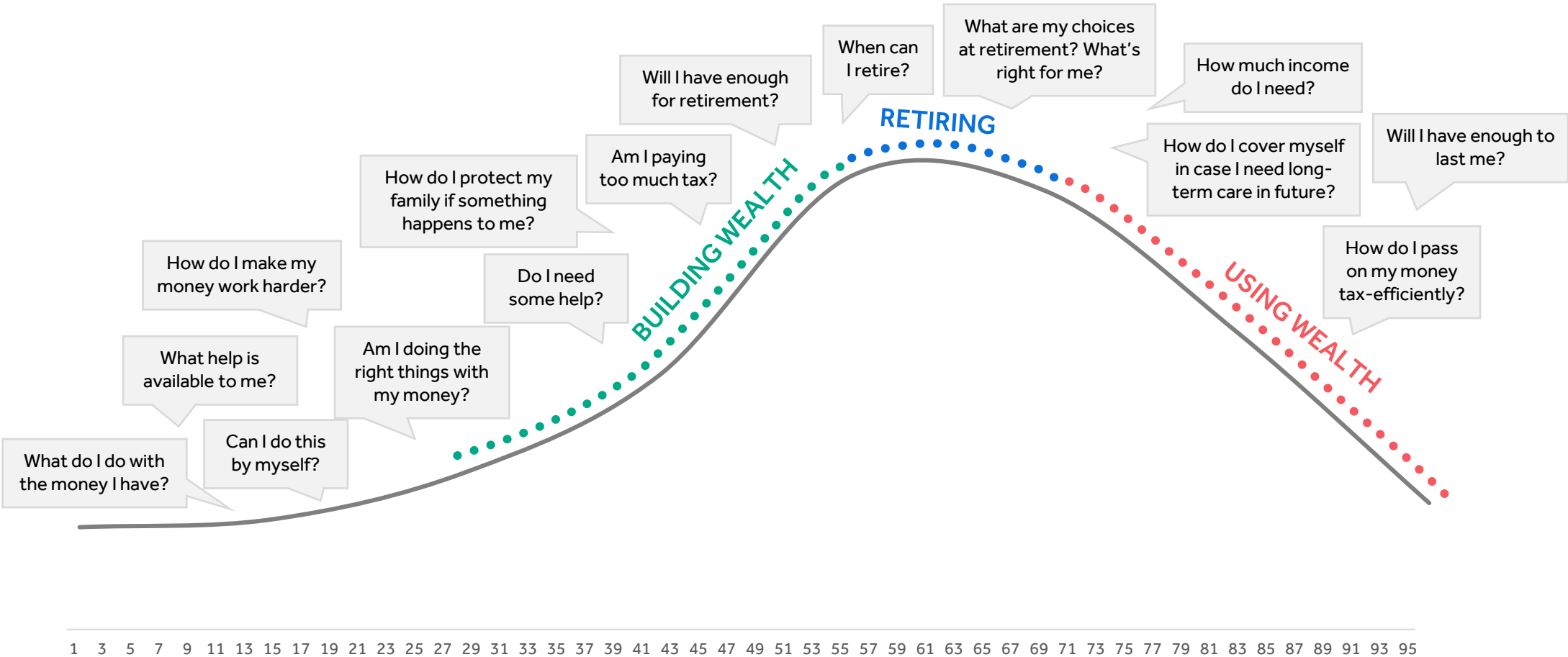
✓ MORE IN DEVELOPMENT



BUILDING AN OFFERING THAT BENEFITS ALL OF OUR CLIENTS

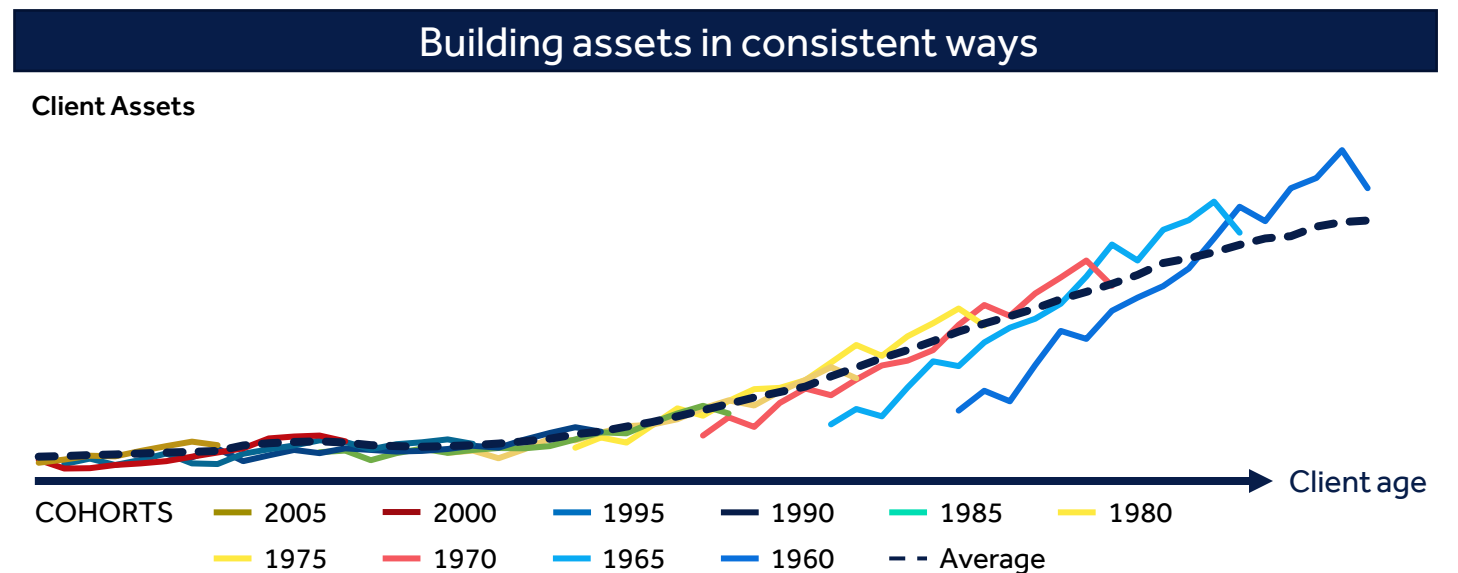
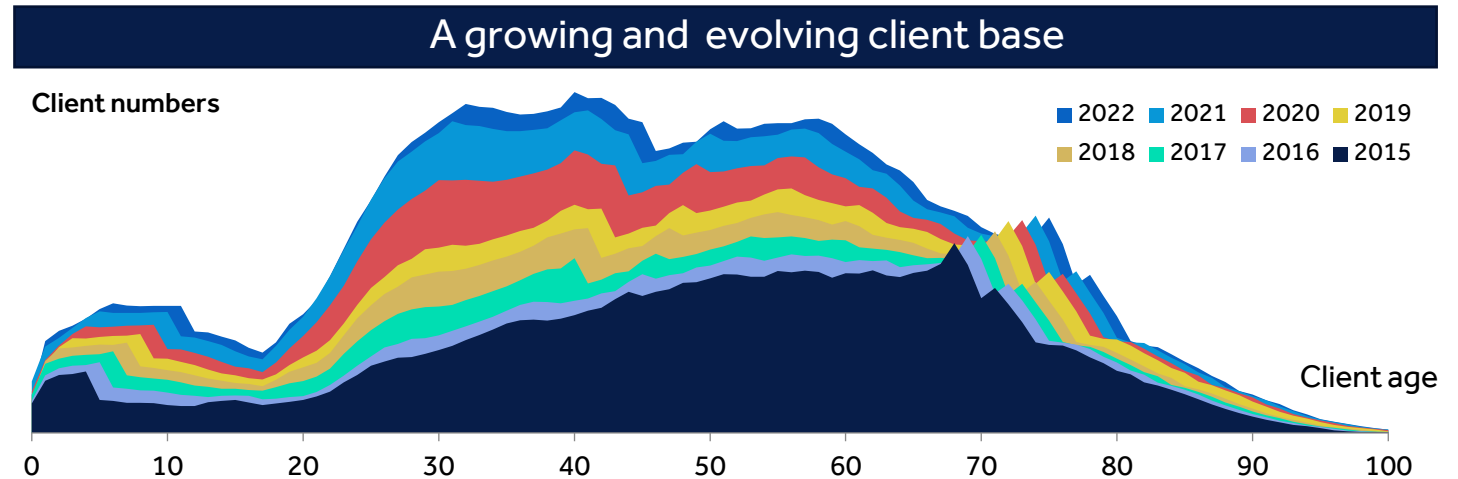


SUPPORTING THEM ACROSS THEIR LIFETIME OF NEEDS



DELIVERING A STRATEGY TO BUILD LIFETIME VALUE

- We have a strong stock of clients across the age spectrum
- Client needs and requirements change as they progress through this lifecycle
- Data helps us to build and act on this insight with confidence
- Data enables us to develop
 - breadth of our offering with the needs of clients in mind
 - Augmented tools to support clients throughout the lifecycle in ways to build lifetime value



DELIVERING AGAINST OUR STRATEGY AND TARGETS

- Strong H1 performance highlights resilient model
- Strategic execution on track with further development expected in H2
- We will continue to benefit from diversified offering as macro environment changes

APPENDIX

REVENUE AND MARGIN DETAIL

Asset Class £ million	6 months to 31 Dec 22	6 months to 31 Dec 21	H1 23 vs H1 22 %	6 months to 30 June 22	H1 23 vs H2 22 %	Avg AUA H1 23	Avg AUA H1 22
Funds	117.9	133.2	(11.5%)	121.3	(3%)	59.5	68.1
Margin (bps)	40	39		39			
Shares	70.2	101.8	(31.1%)	93.1	(25%)	47.4	54.5
Margin (bps)	30	37		37			
HL Funds	27.0	31.4	(14.0%)	28.9	(7%)	8.2⁽²⁾	9.1⁽²⁾
Margin (bps)	66	69		68			
Cash	121.6	11.3	>100%	38.7	>100%	14.5	12.8
Margin (bps)	168	18		54			
Other⁽¹⁾	13.3	13.4	(0.8%)	9.9	+34%	5.6	3.5
Total Revenue	350.0	291.1	+20.2%	291.9	+19.9%	127.1	139.0
Margin (bps)	55	42		45			

(1) Includes Active Savings

(2) HL Funds AUM included in Funds AUA for platform fee and in HL Funds for annual management charge. Total average AUA excludes HL Fund AUM to avoid double-counting.

CASH FLOW AND BALANCE SHEET OVERVIEW

Liquidity - £ million	H1 23	H1 22
Net Cash Position	455.4	432.8

Capital Surplus - £ million	H1 23	H1 22
Shareholder funds	603.9	534.6
Qualifying capital	395.1	371.4
Regulatory capital requirement	(227.1)	(208.1)
Capital surplus	168.0	163.3

Dividend - Pence per share	H1 23	H1 22
Interim	12.7	12.26

BUILDING OUR POSITION AS A RESPONSIBLE BUSINESS



RESPONSIBLE BUSINESS

Launched the Savings & Resilience Barometer providing a tool and content for individuals to better understand their financial resilience

Partnered with 1625 Independent People and Mind Bristol for HL Foundation fundraising

Established environmental targets including Carbon Neutral in Scope 1, 2 and Scope 3 employee commuting/business travel by 2025 and net zero by 2050



RESPONSIBLE PLATFORM

Increased ESG research, fund and equity insight – with an ESG section now available on all fund research notes and rolling out in FY23 on equity research notes

Created new ESG Analysis team to support the development of ESG processes

Increased ESG education and analysis through our Responsible Investment Hub and additional ESG funds on Wealth Shortlist



RESPONSIBLE FUND MANAGER

Launched HL Growth Fund with ESG integration

Announced our strategy to build suite of new funds, each with UK equivalent SFDR Article 8 alignment

Launched a new ESG Investment Policy and Stewardship and Engagement Policy for all HL Funds and platform solutions