

# 2022 INTERIM RESULTS

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HARGREAVES  
LANSDOWN

# H1 2022 HIGHLIGHTS –

Performance in a period of post-pandemic normalisation

## Clients

- 48,000 new active clients
- 1,693,000 active clients
- 92.7% retention rate

## Growth

- Net New Business of £2.3bn
- £141.2bn assets under administration
- D2C market share increase to 43.3%

## Financials

- Flat revenue despite lower share dealing and net interest margins
- £151.2m profit before tax
- Interim dividend of 12.26p per share

## Outlook

- We will be hosting a Capital Markets Day this morning to outline our strategy, vision and medium-term growth and cost targets
- Capital allocation favours reinvestment – special dividend suspended until FY24

JAMES FOUND

# FINANCIALS

# FINANCIAL SUMMARY

Period of post-pandemic normalisation and investment

£ million	H1 2022	H1 2021	+/-
Revenue	291.1	299.5	(3%)
Profit before tax	151.2	188.4	(20%)
<b>Underlying profit before tax<sup>1</sup></b>	<b>163.5</b>	<b>188.4</b>	<b>(13%)</b>
Underlying EPS <sup>1</sup>	27.8	32.1p	(13%)
Interim dividend per share	12.26p	11.9p	3%

(1) Underlying profit before tax and underlying diluted earnings per share are new alternative performance measures which exclude the impact of strategic investment spend of £12.3m 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.

# REVENUE BY ASSET TYPE

Benefit of diversified revenue streams

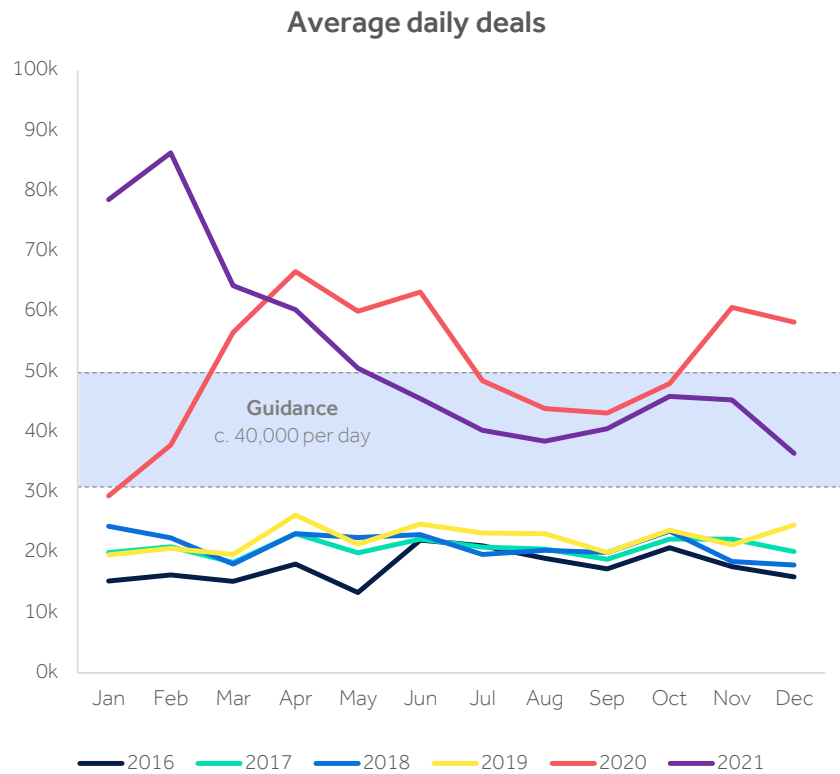
Asset class	H1 2022 revenue £ million	H1 2021 revenue £ million	+/-	H1 2022 average AUA £ billion	H1 2021 average AUA £ billion	+/-	H1 2022 margin bps	H1 2021 margin bps	31 Dec 21 closing AUA £ billion
Funds	133.2	109.7	21%	68.1	54.2	26%	39	40	69.0
Shares	101.8	113.2	(10%)	54.5	39.9	37%	37	56	55.2
Cash	11.3	32.8	(66%)	12.8	13.2	(3%)	18	50	13.1
HL Funds	31.4	29.4	7%	9.1	8.0	14%	69	73	9.1
Other <sup>(1)</sup>	13.4	14.4	(7%)	3.5	2.5	40%			3.8
Double-count <sup>(2)</sup>				(9.0)	(8.0)				(9.0)
	291.1	299.5	(3%)	139.0	109.8	27%			141.2

(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

# STOCKBROKING VOLUMES

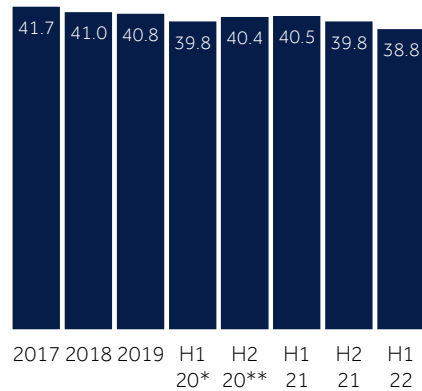
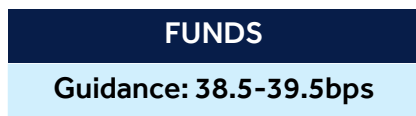
Rebased to higher level across the pandemic



- Dealing volumes doubled across the pandemic
- Volumes settled down at guided levels of roughly 40k per day
- Relative lack of recent market volatility this period
  - Limited number of high volume 'spike' days
  - Reduced overseas dealing as proportion of overall volumes
- Average Shares AUA rose across the period
- Aggregate impact: Shares margins in lower half of 35-45bp guidance range

# REVENUE MARGINS

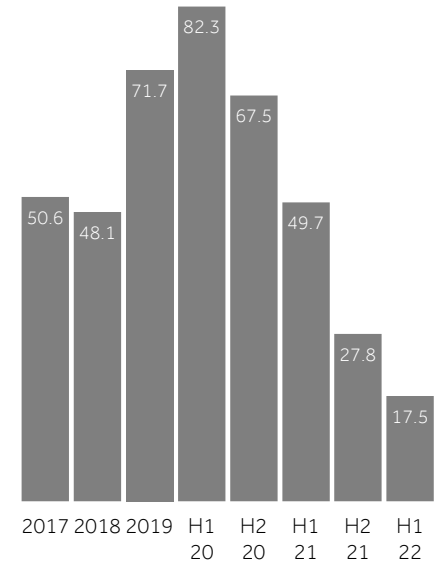
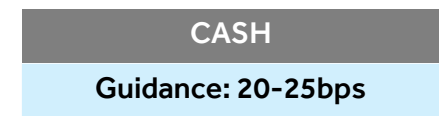
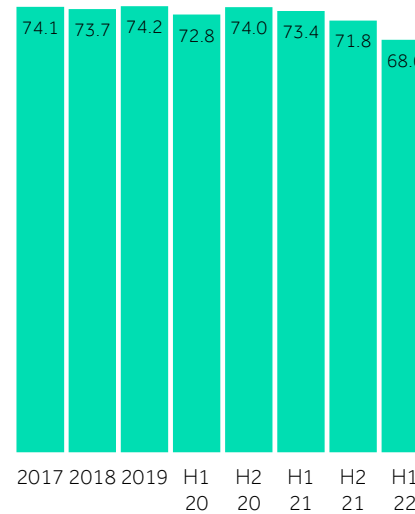
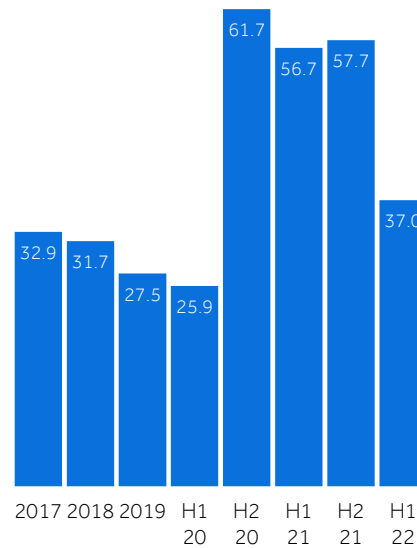
Margins all in line with previous guidance



■ Platform fee, post RDR

\*40.7bps without WEIF and WIF waiver

\*\* 40.9 bps without WEIF and WIF waiver



Initial 2023 guidance: 40-45bps

# STATUTORY OPERATING COSTS

## Reconciliation and rationale to underlying costs

£ million	H1 22	H1 21	+/-
Operating costs (pre-FSCS)	139.9	111.6	25%
Strategic programme costs:			
- Staff	(6.0)	-	
- Third party data and tech	(2.7)	-	
- Other costs	(3.6)	-	
Underlying operating costs (pre-FSCS)	127.6	111.6	14%
FSCS levy	-	0.4	
Total underlying operating costs <sup>1</sup>	127.6	112.0	14%

(1) Underlying profit before tax and underlying diluted earnings per share are new alternative performance measures which exclude the impact of strategic investment spend of £12.3m 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.

- Underlying costs measure the costs of running HL before the strategic investment programme
  - Strategic spend in H1 22 of £12.3m
  - Looking ahead, we will continue to separately identify the strategic spend plus the dual running costs of the new and legacy tech systems



# UNDERLYING OPERATING COSTS

Growth driven by larger client base and improved client service levels

£ million	H1 22	H1 21	+/-
Staff costs	67.6	55.5	22%
Marketing	9.1	10.5	(13%)
Depreciation & amortisation	7.5	7.4	1%
Activity costs	13.6	16.1	(16%)
Third party data and tech	11.2	10.1	11%
Other costs	18.6	12.0	55%
Operating costs (pre-FSCS)	127.6	111.6	14%
FSCS levy	-	0.4	
Total operating costs	127.6	112.0	14%

## • Staff costs

- client numbers (on avg up 15% YOY in the period) and activity levels within the pandemic working environment have required additional headcount in helpdesk and operations to deliver desired service.
- Increased support function headcount to support growth and position the business for its next phase of growth
- Inflation

- **Marketing** – client acquisition costs down and no cashback transfer incentive in the period

- **Activity costs** – lower dealing volumes due to post-pandemic normalisation

- **Other costs** – increased L&P fees to support governance, oversight and risk management

## Guidance

- FY22 underlying cost growth expected to be c13%
- Beyond FY22 underlying cost growth will fall as per guidance given in the CMD

# PBT AND EPS

## Statutory and underlying earnings

### Statutory

£ million	H1 2022	H1 2021	+/-
Operating profit	151.2	188.1	(20%)
Finance income	0.4	0.8	
Finance costs	(0.4)	(0.5)	
<b>Profit before tax</b>	<b>151.2</b>	<b>188.4</b>	<b>(20%)</b>
Tax	(29.2)	(36.4)	
Profit after tax	122.0	152.0	(20%)
Diluted share count (m)	474.5	474.5	
<b>Diluted EPS (p)</b>	<b>25.7</b>	<b>32.1</b>	<b>(20%)</b>

### Underlying

£ million	H1 2022	H1 2021	+/-
Underlying operating profit	163.5	188.1	(13%)
Finance income	0.4	0.8	
Finance costs	(0.4)	(0.5)	
<b>Underlying profit before tax</b>	<b>163.5</b>	<b>188.4</b>	<b>(13%)</b>
Tax	(31.6)	(36.4)	
Profit after tax	131.9	152.0	(13%)
Diluted share count (m)	474.5	474.5	
<b>Underlying diluted EPS (p)</b>	<b>27.8</b>	<b>32.1</b>	<b>(13%)</b>

# DIVIDENDS

Progressive ordinary dividend to grow by 3%

Pence per share	2022	2021	+/-
Interim	12.26	11.9	3%
Final		26.6	
<b>Total ordinary</b>		<b>38.5</b>	
Ordinary dividend payout ratio		62%	
Special		12.0	
<b>Total dividend</b>		<b>50.5</b>	
Total dividend payout ratio		81%	

## Guidance

- Progressive ordinary dividend to be increased by 3% per annum in FY22 & FY23
- No special dividend in FY22 and FY23
- A resumption of special dividends, subject to market conditions and regulatory capital at the time from FY24 onwards

# Q & A

# FORWARD-LOOKING STATEMENTS

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