

FY2023 ANNUAL RESULTS



**HARGREAVES
LANSDOWN**

Agenda

1. Introduction
2. 2023 Business Performance
3. Strategic Update on Growth
4. Wrap-up
5. Q&A

Speakers



Dan Olley

Chief Executive Officer



Amy Stirling

Chief Financial Officer



Ruchir Rodrigues

Chief Client and Commercial Officer

WHAT I'M HEARING FROM CLIENTS

“



Investing can be **overwhelming** – many clients don't know how and others don't have the time



Even if they do know, the client journey can be **difficult**



Once they decide, clients want to do what they want **in one place**

How we solve client needs

Client need



Clients say

Build my confidence

Make it easy

Give me choice

How we help

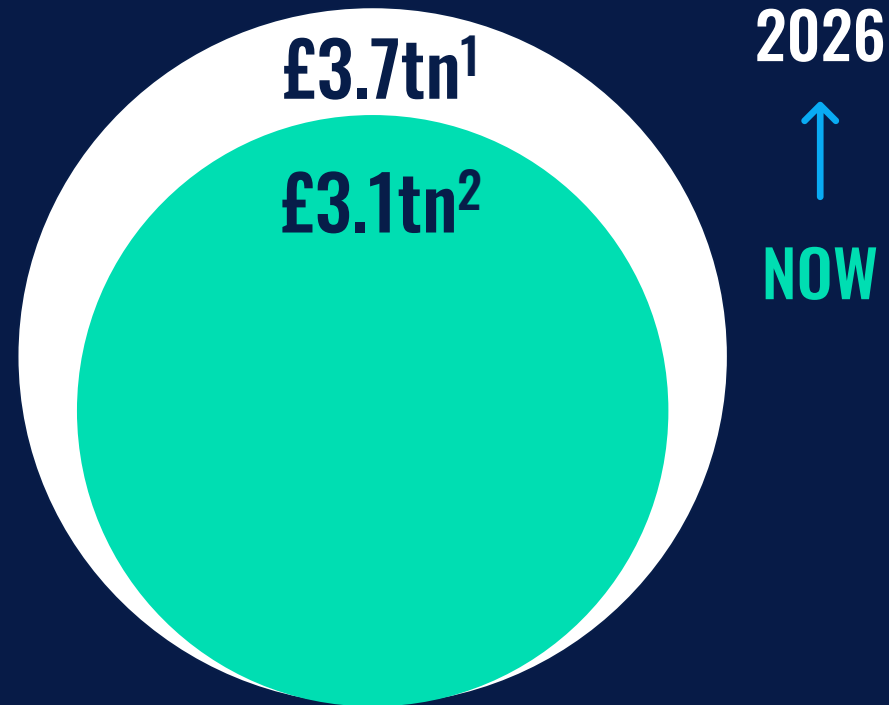
The right information, to the right clients, at the right time

Seamless journeys across the channels clients want

Broadest range of solutions to meet all clients' needs, under one log in

Introduction

WE ARE WELL PLACED TO CAPTURE THE GROWING MARKET OPPORTUNITY



Over **1.8m clients** and counting



Most **trusted** industry platform³



#1 client NPS vs classic platform³ competitors

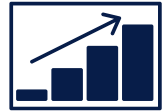


Full suite of **tax wrappers**, 14,000 **investment options** and **Active Savings**



Well placed to meet **regulatory** and **structural shifts**

My four areas of focus



Drive client and asset growth

Increase focus on tailored client content and a seamless experience backed by great service and a broad product range



Increase pace

Drive execution pace and agility to continuously deliver additional client value at speed



Save to Grow

Continuously strive to be fitter and leaner as a business, so we can save to invest more for clients



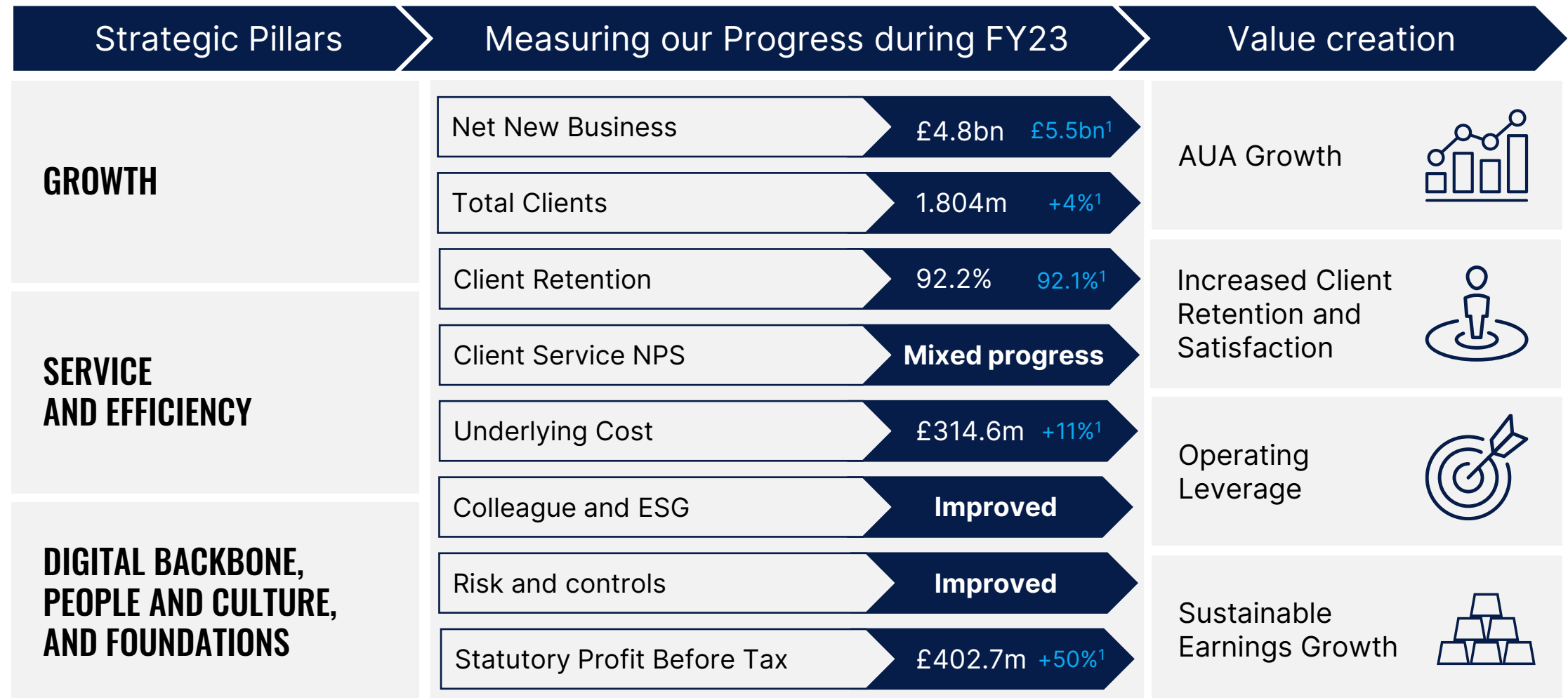
Focus on our people

Make HL great for colleagues and clients – the right culture, with the right people in the right roles, focused on the right things

Amy Stirling, Chief Financial Officer

2023 Business Performance

Making progress on all strategic metrics



1. Prior year (FY 22) comparator in blue

Financials

2023 Financial performance

| £ MILLION | FY22 | FY23 | + / - |
|--|---------|---------|-------|
| Revenue | 583.0 | 735.1 | 26% |
| Revenue Margin (bps) ¹ | 43 | 57 | 33% |
| Total Costs | (313.0) | (350.7) | 12% |
| Total Strategic Spend | (28.3) | (36.1) | 28% |
| Underlying Costs | 284.7 | 314.6 | 11% |
| Underlying profit before tax ^{2, 3} | 297.5 | 438.8 | 47% |
| Underlying Diluted EPS ³ | 50.4p | 74.3p | 47% |
| Statutory profit before tax ^{2, 3} | 269.2 | 402.7 | 50% |
| Statutory Diluted EPS ³ | 45.6p | 68.2p | 50% |
| Dividend per share | 39.7p | 41.5p | 4.5% |

- All key revenue lines returned to growth in H2
- Underlying cost increase but benefiting from cost savings
- 50% increase in statutory PBT YoY demonstrating business resilience
- 4.5% ordinary dividend growth reflecting robust financial performance against a challenging backdrop

1. Revenue margin based on total revenue divided by average total AuA

2. Revenue less costs does not equal PBT because of the impact of other minor items, namely finance income and finance costs.

3. Underlying profit before tax and underlying diluted earnings per share are alternative performance measures which exclude the impact of strategic investment spend and dual running costs of £36.1m (FY22 £28.3m) in the period.

Financials

H2 sees return to revenue growth across all key asset classes

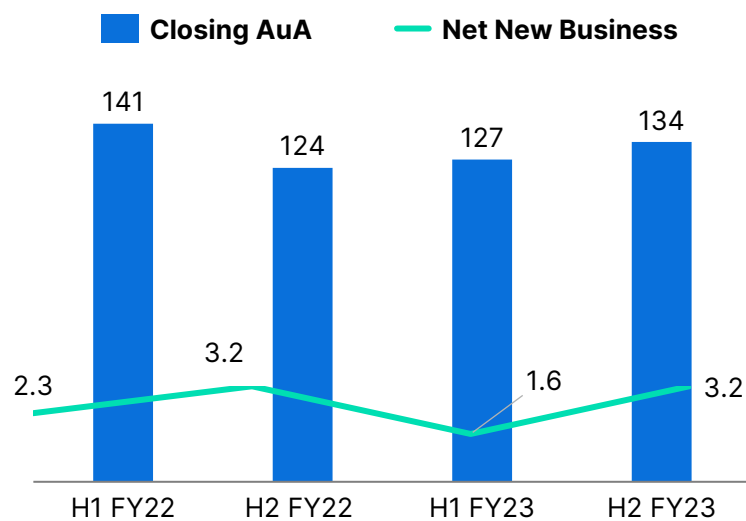
| ASSET CLASS | REVENUE (£ MILLION) | | | AVERAGE AUA (£ BILLION) | | | REVENUE MARGIN (BPS) | |
|---------------------------------|---------------------|--------------|------------|-------------------------|--------------|-----------|----------------------|-------|
| | H1 23 | H2 23 | +/- | H1 23 | H2 23 | +/- | H1 23 | H2 23 |
| Funds | 117.9 | 118.5 | 1% | 59.5 | 62.0 | 4% | 40 | 38 |
| Shares | 70.2 | 77.5 | 10% | 47.4 | 50.3 | 6% | 30 | 31 |
| HL Funds | 27.0 | 27.3 | 1% | 8.2 | 8.6 | 5% | 66 | 63 |
| Cash | 121.6 | 147.1 | 21% | 14.5 | 13.5 | (7%) | 168 | 218 |
| Active Savings | 3.2 | 5.5 | 72% | 5.6 | 7.2 | 29% | 11 | 15 |
| Other | 10.1 | 9.2 | (9%) | - | - | - | - | - |
| Double Count¹ | - | - | - | (8.1) | (8.6) | - | - | - |
| Total | 350.0 | 385.1 | 10% | 127.1 | 133.0 | 5% | - | - |

- Revenue up 10% H2 vs H1 with growth across all key asset classes
- Modest improvement in Funds and HL Funds revenue with positive momentum from new fund launches
- Average share trading volume 35k in H2 vs 31k in H1
- Cash AUA reducing from Jun 22 high
- Step up in Active Savings AUA and margin to 15bps in H2

Financials

Resilient NNB and return to AUA growth in the Year

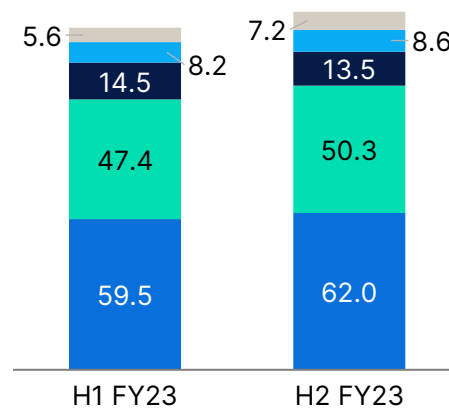
CLOSING AUA AND NNB (£ BN)



- **Gradual recovery in AUA** as markets return to modest growth
- **NNB in H2 reflects clear call to action** at tax year end and continued strength of Active Savings campaign

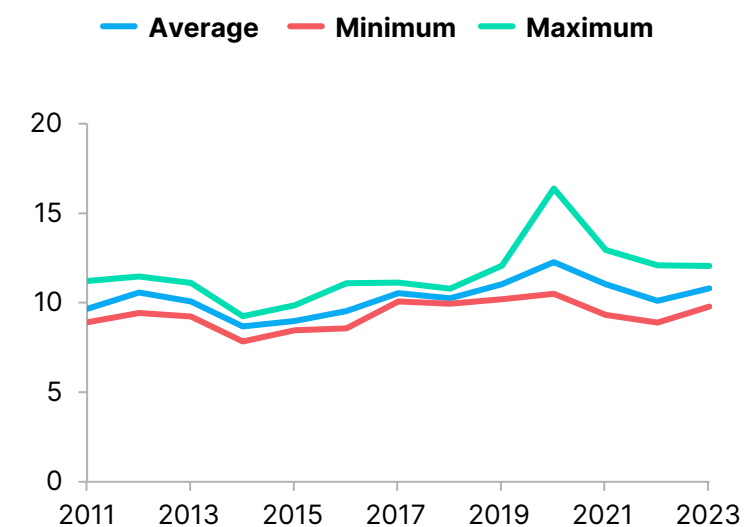
AVERAGE AUA ASSET MIX (£ BN)

HL Savings Cash Funds
HL Funds Shares



- **Growth across all asset classes in H2** from market movement and NNB
- **Mix shift in total cash** (Investment + Active Savings) as cash becomes return generating asset

INVESTMENT CASH AS A % AUA



- **Investment account cash % of AUA reducing** due to reinvestment, active savings transfers and withdrawals
- **Long term trend range of 8-16%, 9.8% at end of FY23**

Financials

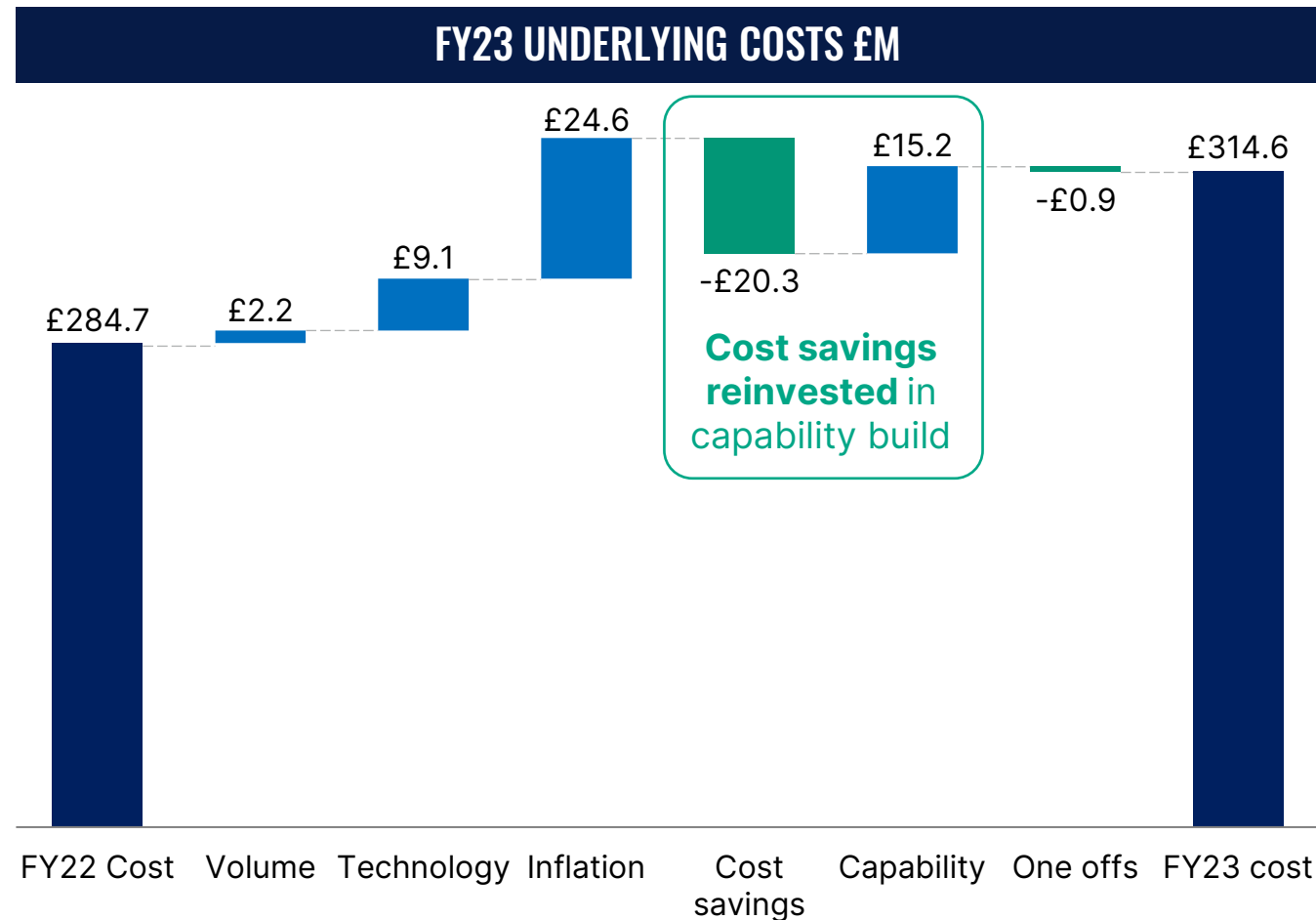
Sustainable NIM over the medium term

| BASE RATE | EXPECTED MARGIN RANGE ¹ |
|----------------|------------------------------------|
| 5.25% or above | 180-200bps |
| 3%-5.25% | 180-200bps |
| 2%-3% | 150-190bps |

- FCA Platform cash submission in July 23 provided detail on policy, governance, approach and rates
- The stabilisation of the yield curve provides better forward visibility on NIM
- >85% pass through of base rate rises across all Account types in the last 12 months
- Sustainable NIM while base rate is 2% or higher

Financials

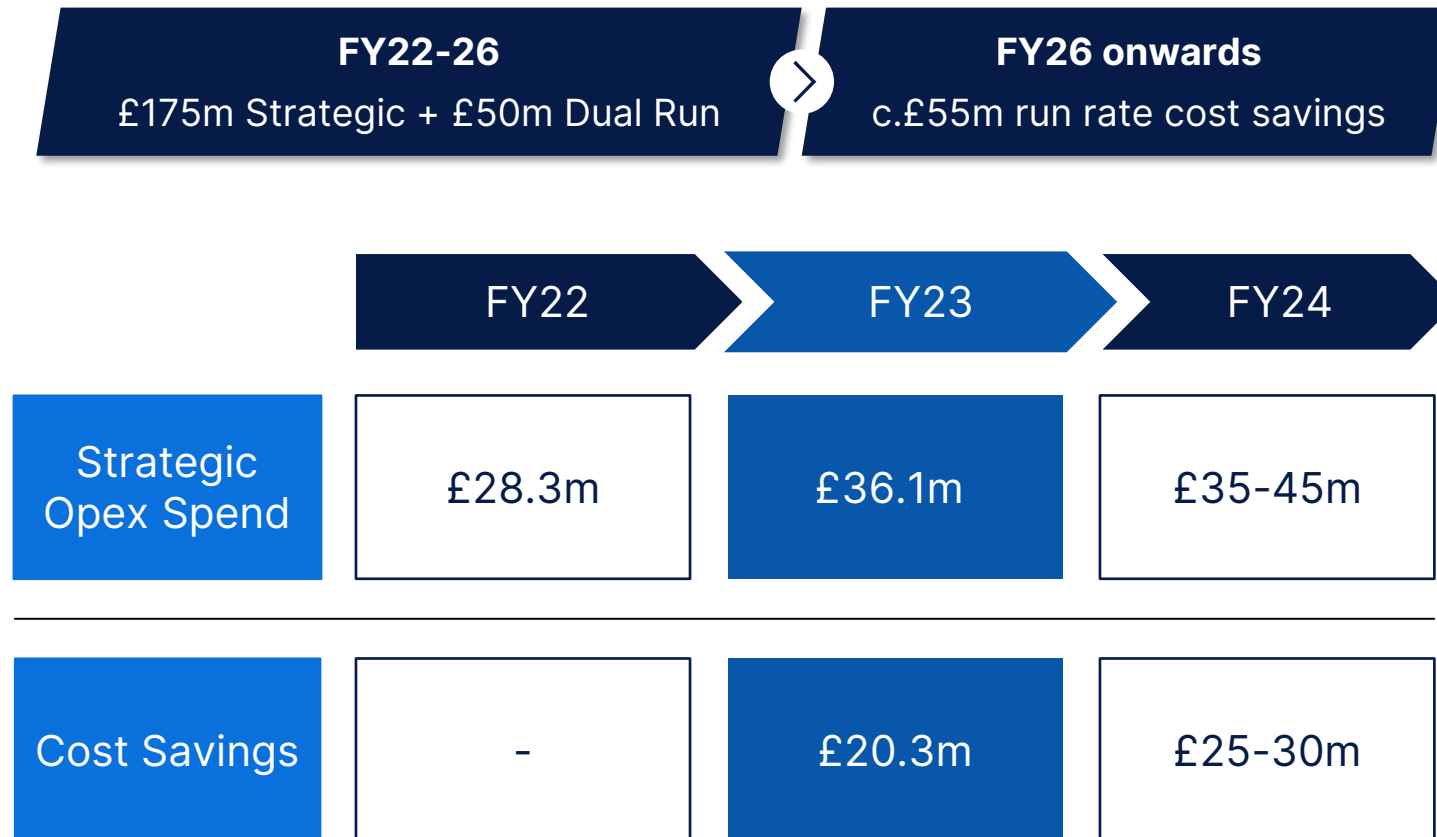
Underlying costs below guidance at HY



- **Volume** - Reduction in dealing costs offset by increased data requirements and payment costs
- **Technology** - SAAS licence impact
- **Inflation** - Staff costs, revised remuneration approach and Energy
- **Cost Savings** - £15.5m labour cost and £4.7m dealing costs more than offsetting Capability investment
- **One off costs** - Dilapidations provision, colleague support payments, VAT reclaim, offset by FSCS rebate

Financials

Investing for growth and efficiency



- Still expected to be in the original guidance of £175m strategic spend and £50m dual run
- FY23 Strategic Opex Spend reflects our slower ramp up
- Capitalised spend to date is £19.9m
- Expect to spend £35-45m Strategic Opex and deliver £25-30m Cost Savings in FY24

Financials

Financial strength supports investment and stable capital return

| LIQUIDITY SURPLUS - £ MILLION | FY22 | FY23 |
|--------------------------------------|-------------|-------------|
| Net Cash Position | 508.0 | 503.3 |

| CAPITAL SURPLUS - £ MILLION | FY22 | FY23 |
|--|-------------|-------------|
| Shareholder funds | 575.1 | 709.7 |
| Qualifying capital | 404.3 | 518.4 |
| Estimated regulatory capital requirement | (219.1) | (248.3) |
| Estimated capital surplus | 185.2 | 270.1 |

| DIVIDEND - PENCE PER SHARE | FY22 | FY23 |
|-----------------------------------|-------------|-------------|
| Interim | 12.26 | 12.70 |
| Final | 27.44 | 28.80 |
| Total Ordinary | 39.70 | 41.50 |

- Our priority continues to be ensuring our robust financial strength
- We are investing in the business to support our growth and efficiency agenda
- Capital allocation being considered by the Board – update in due course

FY24 GUIDANCE

REVENUE MARGIN

- Fund – 36.5-38.5bps
- HL Funds – 55-60bps
- Share – 28-32bps
- Cash – 180-200bps
- Active Savings – 15-20bps

UNDERLYING COST

9.0%-11.0% inc. reversal of FSCS levy

STRATEGIC OPEX SPEND

£35-£45m

DIVIDEND

4% Ordinary Dividend Growth

Ruchir Rodrigues, Chief Client and Commercial Officer

Strategic Update on Growth

Strategic update

My reflections so far

CLIENT FIRST

FCA Consumer Duty dimensions

PRODUCTS & SERVICES



PRICE & VALUE



CONSUMER UNDERSTANDING



CONSUMER SUPPORT



Client outcomes are in our DNA and we have delivered a robust **Consumer Duty Framework**

WEALTH OF DATA



Millions of interactions for **relevant client insights**, with significant impact when scaling

UNTAPPED GROWTH



Substantial opportunity to grow through our value proposition

Strategic update

Driving growth through our client value proposition

WHAT CLIENTS WANT

BUILD MY CONFIDENCE



CONTENT
TAILORED AND ACCESSIBLE

MAKE IT EASY



EXPERIENCE
EASY AND IN YOUR OWN WAY

GIVE ME CHOICE



PRODUCT
BROADEST CHOICE

OUR VALUE PROPOSITION

In-house research coverage of over 250 funds and listed instruments

Relevant content that **delivered +£433m in new flows into gilts**

Educational content, including ESG research

#1 ranked investment App¹

Advisory group **achieved "chartered status"**

Launched innovative open banking **Pay by Bank technology**

Over 14,000 investment options, incl. 19 HL Funds

Best-in-class family ISAs: JISA, LISA, S&S ISA and Cash ISA and award-winning pension

Largest D2C savings proposition

RELEVANCY AND PERSONALISATION

Strategic update

Tailored content supporting the right client outcomes

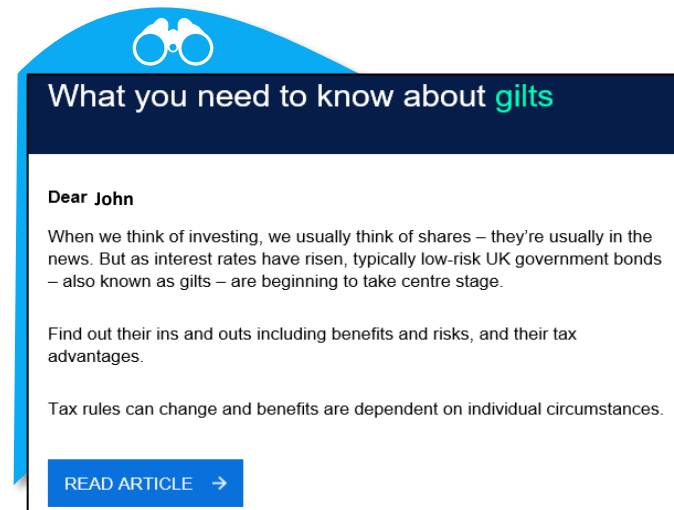
We monitored the signals from the market...

Interest rates had reached their highest level since 2008

Bank savings rates were **not fully reflecting base rate rises**

High-value investors maxed out on ISAs looking for **tax breaks**

...brought expertise and insights to educate clients...



Targeted specific segments with tailored communications, with links to educational **articles** on HL.co.uk

...and generated meaningful impact

**~10%
Click Rate**
vs <5% typically

**9x increase in
volume of Trades**

**+£433m
Net Gilt Flows**
vs single digit millions in H1 22

Strategic update

Cash products addressing major client needs

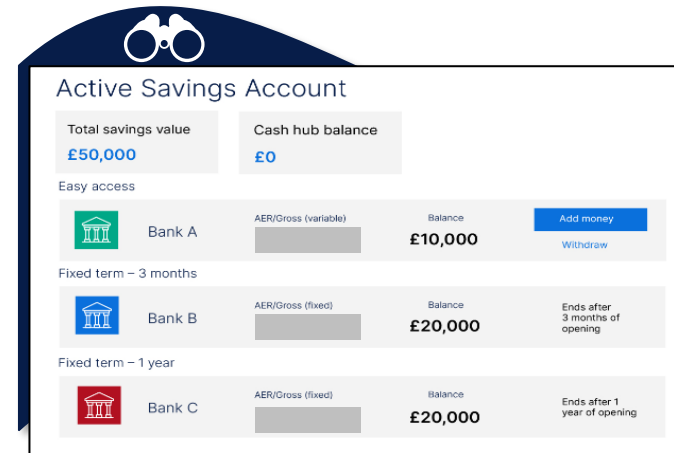
We identified client needs...

Cash treated as an investment class, since interest rate rises

All investments and cash **in one place**

Simplified client deposit journey

...enhanced our Active Savings proposition...



Launched limited access Cash ISA with rates typically at the high end of the market

Increased number of banks and products offered to clients

...and achieved significant results

£85m paid Interest in FY23
vs. £26m in FY22

97% Client Retention
for clients with Active Savings alongside multiple investment products

15bps Margin H2 23
vs. 5bps in H1 23

Strategic update

Building engagement through better client experience



CHANNELS

APP

WEBSITE

HELPDESK

ADVICE

RELEVANCY AND PERSONALISATION

ACHIEVEMENTS
THIS YEAR

Delivered **30%+ uplift in regular savings** via relevant prompts

Improvements to News section resulted in **~6x more views**

Launched **Pay by Bank** for Active Savings – uptake >25% and £400m payments processed

New **online shareholder voting** service

Launched **call back functionality** resulting in a +9% increase in NPS for the relevant calls

Delivered finance coach pilots with 74% of clients rating as very valuable

New leadership in place
Attained **“chartered status”** for advisory

Efficiency gains led to revenue per adviser **increasing by 12%**

FOCUS
NEXT YEAR

Develop **enhanced and consistent UX** with web

Launch new features (incl. SIPP open account and transfer, Pay by Bank)

Build **journeys to help clients** find the right investment for their needs

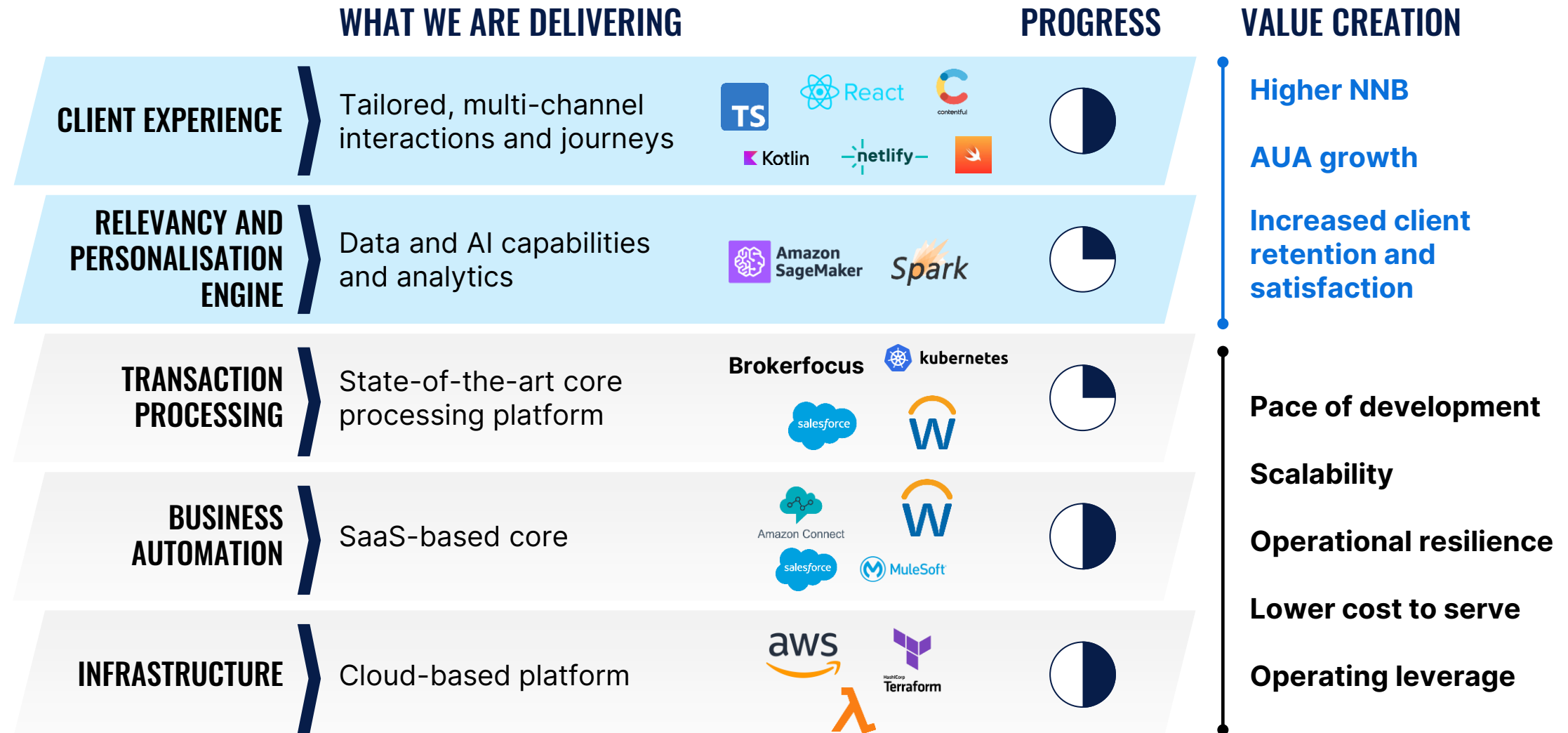
Fixed term proposition for Cash ISA

Expand next phase of **Financial Coaching** pilots to bridge the gap for clients not wanting full advice

Invest in new technology to **improve productivity of advisers**

Strategic update

Digital capabilities driving differentiation and efficiencies



Dan Olley, Chief Executive Officer

Wrap up

Wrap-up

Outlook



Uncertain economic backdrop to continue



Client need remains and market will grow



We have plenty to do and still so much potential to unlock for HL and our clients

Solving Clients Needs



AUA Growth



Increased Client Retention and Satisfaction



Operating Leverage



Sustainable Earnings Growth



Q&A

