

H1 FY24 RESULTS

HARGREAVES
LANSDOWN



Agenda

1. Summary of progress year to date
2. Financial performance
3. Business update
 - Observations after six months
 - Opportunities and challenges
 - Evolution of our strategy
 - Progress against our initial four priorities
4. Q&A



Dan Olley

Chief Executive Officer



Amy Stirling

Chief Financial Officer

H1 FY24 summary



Resilient financial results



Strong inflows, offset by clearly understood outflows



Business-wide review largely complete



Pace increasing, tangible progress against four initial priorities

£368.2m

Revenue
+5%

£221.5m

Underlying PBT
+5%

13.2p

Dividend
+4%

£1.0bn

NNB
-38%

£142.2bn

AUA
+12%

H1 FY24

Financial performance

H1 FY24 Financial performance

£ MILLION	H1 FY24	H1 FY23	+ / -
Revenue	368.2	350.0	5%
Underlying Costs	(161.0)	(146.1)	10%
Finance and Other Income	14.6	8.4	74%
Underlying profit before tax^{1, 2}	221.5	211.9	5%
Underlying Diluted EPS ²	34.6p	35.5p	(3%)

- Revenue growth driven by AUA uplift and base rate benefits to NIM
- Underlying Cost increase in line with guidance
- YOY base rate uplift increases Finance Income
- EPS reduction results from tax rate change (c. 2.5p impact)

H1 FY24 Statutory performance

£ MILLION	H1 FY24	H1 FY23	+ / -
Underlying profit before tax¹	221.5	211.9	5%
- Strategic Investment Cost	(21.7)	(14.3)	52%
- Intangible Impairment	(14.4)	-	n/a
- Restructuring Cost	(2.9)	-	n/a
Statutory profit before tax	182.5	197.6	(8%)
- Tax	(47.3)	(40.4)	17%
Statutory profit after tax	135.2	157.2	(14%)
Statutory Diluted EPS	28.5p	33.1p	(14%)
Interim Dividend per share	13.2p	12.7p	4%

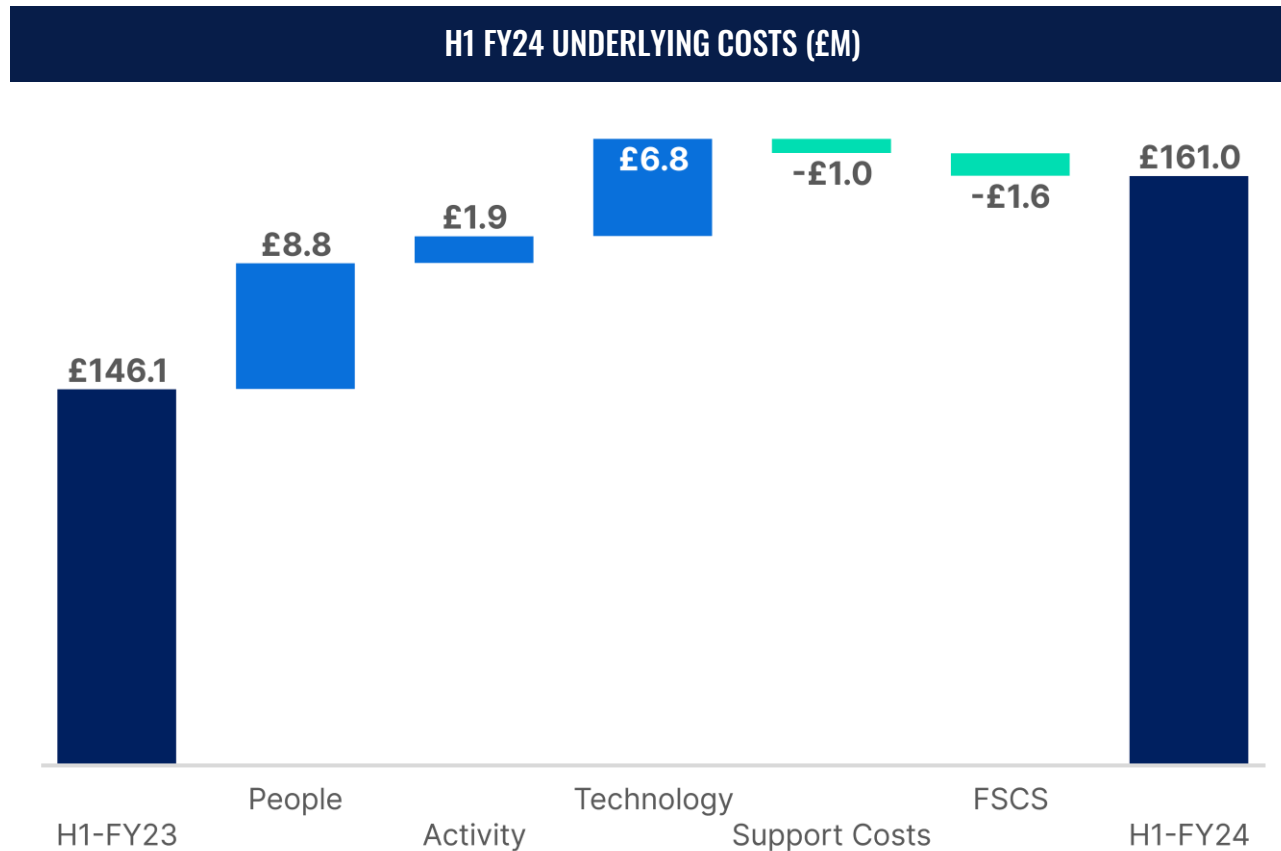
- Increase in Strategic Investment Cost as guided
- IT roadmap simplification drives impairment of advisor efficiency tool and financial health check
- Costs incurred in leadership refresh
- Corporation Tax increase from 19% to 25%
- EPS reduction driven by below the line cost and tax rate
- 4% Interim Dividend increase as guided

Revenue growth driven by AUA uplift and NIM

ASSET CLASS	REVENUE (£ MILLION)			AVERAGE AUA (£ BILLION)			REVENUE MARGIN (BPS)	
	H1 FY24	H1 FY23	+/-	H1 FY24	H1 FY23	+/-	H1 FY24	H1 FY23
Funds	120.4	117.9	2%	62.4	59.5	5%	39	40
Shares	72.4	70.2	3%	52.6	47.4	11%	28	30
HL Funds	26.1	27.0	(3%)	8.8	8.2	7%	59	66
Cash	132.8	121.6	9%	12.3	14.5	(15%)	216	168
Active Savings	8.5	3.2	166%	8.6	5.6	55%	20	11
Total	368.2	350.0		136.0	127.1			

- AUA growth from positive market movement (£7.2bn) and NNB (£1.0bn)
- Funds margin absorbs price impact from JISA and LISA changes
- Better overnight rates drives NIM benefit – client rates increased in September, December and January 2024
- Cash AUA closed at 8.5% of AUA as clients invest, save or withdraw
- Continued step up in Active Savings AUA and margin to 20bps

Underlying costs in line with guidance



- **People** – wage inflation and investment in our Helpdesk and Operations teams
- **Activity** – overseas dealing mix higher, trading volumes lower, payment costs now benefitting from Pay by Bank
- **Technology** – reflecting Cloud migration opex and inflation
- **Support** – prior year dilapidations one off
- **FSCS Levy** – credit in H1, now expecting FY in line with FY23

Balance sheet progress

LIQUIDITY - £ MILLION	H1 FY24	FY23	+/-
Net Cash Position	536.3	503.3	7%

CAPITAL - £ MILLION	H1 FY24	FY23	+/-
Shareholder funds	713.5	709.7	1%
Qualifying capital	530.3	518.4	2%
Regulatory capital ¹	(262.5)	(248.3)	6%
Surplus to regulatory capital requirement ¹	267.8	270.1	(1%)

- Net cash increase reflects term deposit maturity
- Increase in regulatory capital requirement driven by AUA growth inc. Active Savings
- ICARA also requires self-assessment of risk; modest increase as a result of level of change underway in the business
- Capital surplus is stated before risk appetite

Financial performance

Areas of focus

Platform cash and NIM

FCA “Dear CEO” letter on interest earned on cash

Key findings	HL approach
On average, platforms retain 50% of earned interest ¹	We retained 40% in Q2 FY24, expect 36% in Q3 FY24
61% of platforms that retain interest also charge for holding cash	No charge for holding cash on HL platform or in Active Savings
Variance in quality of disclosures to consumer on retention of interest	We are making further changes to T&Cs and website navigation

Current base rate: 5.25%

Current HL rates per account²:

- Fund and Share (GIA) 2.25% - 2.90%
- ISA, JISA and LISA 3.00% - 3.70%
- SIPP 3.45% - 4.20%
- Drawdown 3.65% - 4.55%



January 2024 changes to the rates set out above passed a further c.£20m back to our clients on an annualised basis.

NIM considerations:

- Platform cash on glide path to c.£11.5bn at year end
- Continue to expect 180-200bps NIM if base rate >3.00%³

Confidence in Strategic Investment Spend (£175m + £50m)

	WHAT WE ARE DELIVERING	SPEND TO DATE	CORE PROGRAMMES	MEASURES OF SUCCESS
CLIENT EXPERIENCE	Tailored, multi-channel interactions and journeys	£33.6m	<ul style="list-style-type: none"> Website navigation and content platform Open Banking payment functionality Client tools and solutions 	AUA growth
RELEVANCY AND PERSONALISATION ENGINE	Data and AI capabilities and analytics		<ul style="list-style-type: none"> AI and data modelling capability BI Platform development 	Increased client retention and satisfaction
TRANSACTION PROCESSING	State-of-the-art core processing platform	£27.1m	<ul style="list-style-type: none"> Robotic Process Automation Platform APIs Compliance, Financial Crime tooling 	Colleague engagement
BUSINESS AUTOMATION	SaaS-based core		<ul style="list-style-type: none"> Service tooling, including Amazon Connect and Salesforce 	Operating leverage
INFRASTRUCTURE	Cloud-based platform	£20.7m	<ul style="list-style-type: none"> Cloud capability Security Data centre migration 	Sustainable operating margins
		£99.8m¹		

1. Includes £18.4m spend to date on mobilisation and capability build since inception.

Capital management framework set

1

ROBUST BALANCE SHEET

Regulatory capital requirement mainly driven by AUA growth and internal assessment of risk profile.

Appropriate management buffer will be held above regulatory requirement.

2

INVESTMENT FOR GROWTH AND EFFICIENCY

Capital deployed for investment in the business to enable growth and to drive efficiency.

Organic investment in people capability, technology and innovation.

Selective inorganic investment to accelerate delivery of strategy may be considered.

3

ORDINARY DIVIDEND POLICY

Progressive ordinary dividend primary source of shareholder return.

Specific annual guidance given during investment period to FY26.

4

OTHER CAPITAL RETURNS

As Board assesses surplus is available for distribution, will be returned as part of full year cycle.

Specific mechanism to be determined at that time.

FY24 guidance updated

REVENUE MARGIN

- Top end of range NIM (c.200 bps) and Active Savings (c.20 bps)
- Low end of the range Shares (c.28 bps) given muted dealing volumes
- Funds and HL Funds unchanged

STRATEGIC OPEX SPEND

- Top end of in year range (£35–£45m) as delivery increased

UNDERLYING COST

- Low end of range given latest view on FSCS levy (9.0%-11.0%)

DIVIDEND

- c.4% Ordinary Dividend Growth for the full year

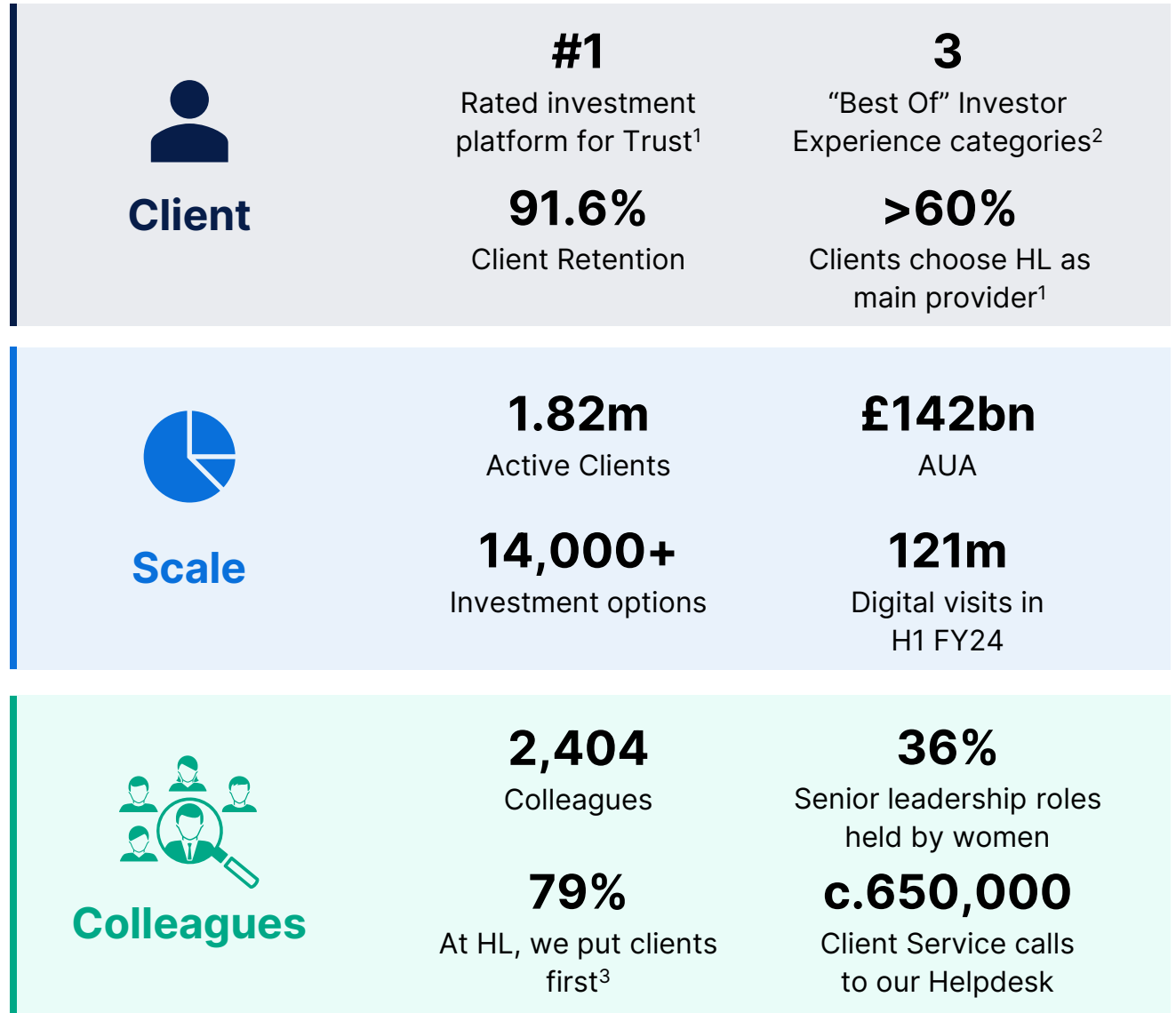
H1 FY24

Business update

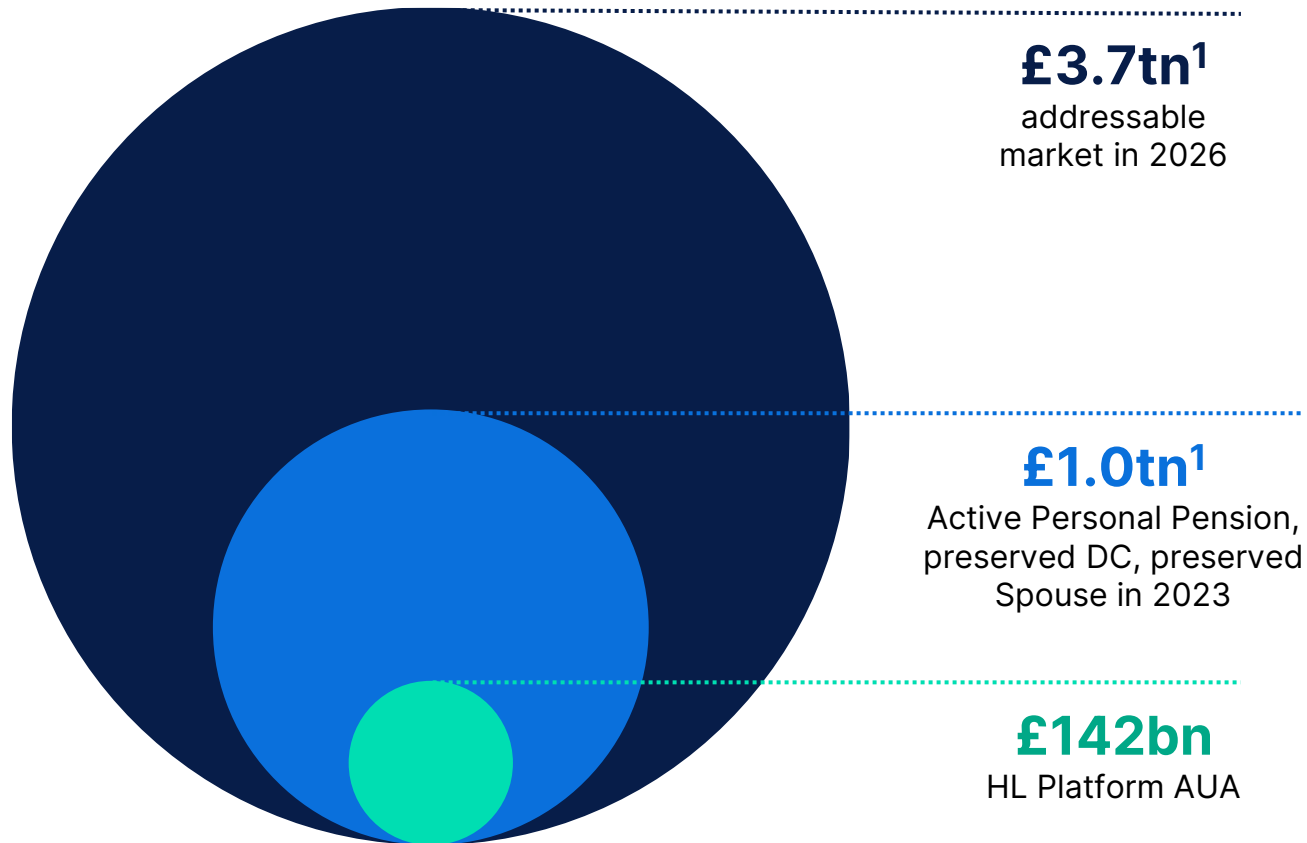
HL

My first six months

1. Joined a great business
2. Great colleagues
3. Strong sense of purpose
4. True focus on serving our clients every day



Operating in a large and growing market with clear client needs



13%

Households overall are on track for a comfortable retirement²

34%

People in the UK with less than £1,000 of savings³

£40bn

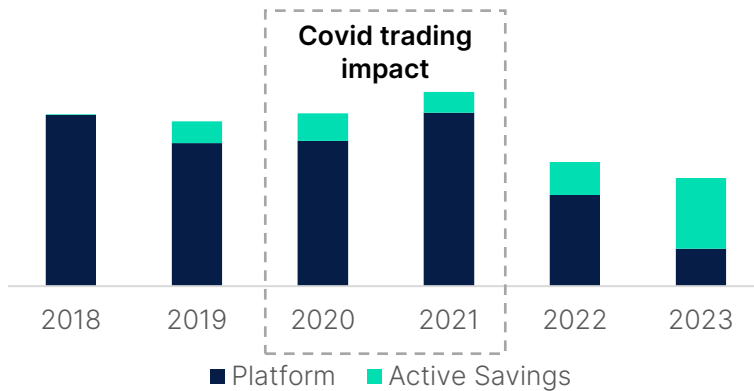
Total market inflows into Cash ISA in 2023

£4,094

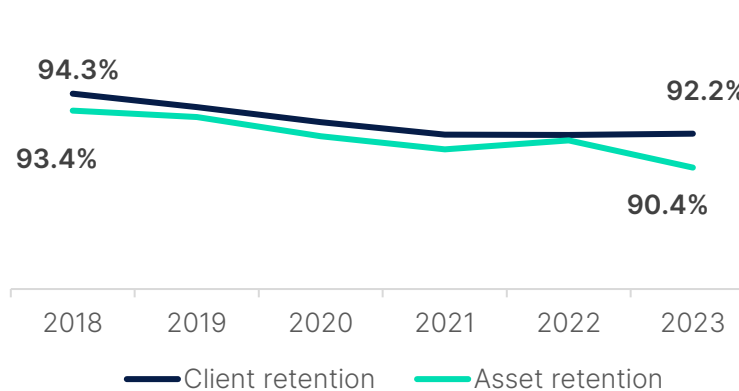
Return on £1,000 invested into global tracker in the early days of ISAs

The business is growing but performance has slowed

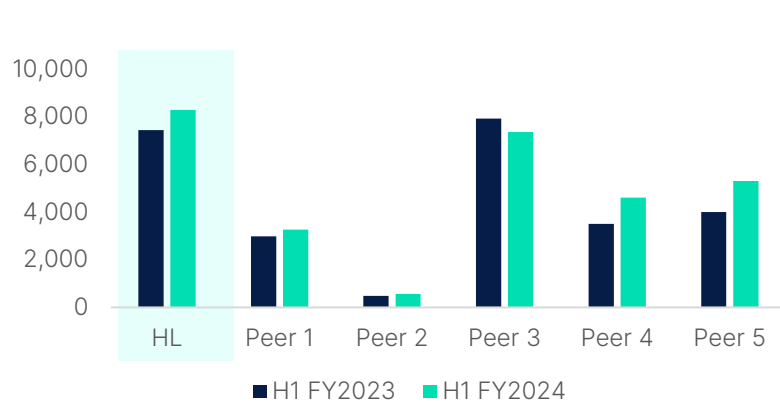
NNB growth decelerating
YoY (£bn)



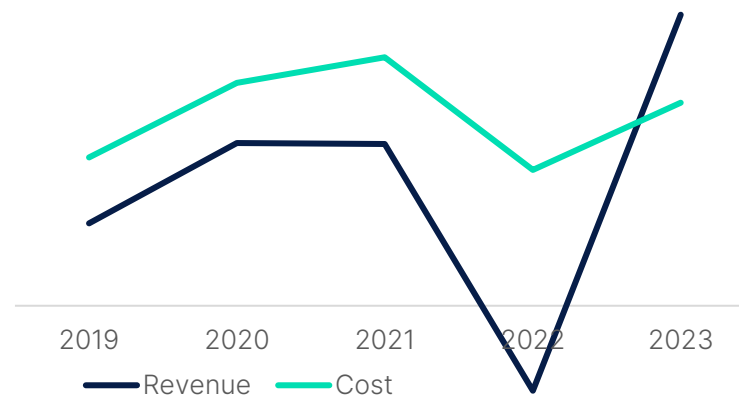
Slowly decreasing retention levels
Client retention rate (%)



Gross inflows are growing above peers
Inflows (£m)



Decreasing operating leverage
Annual change (%)

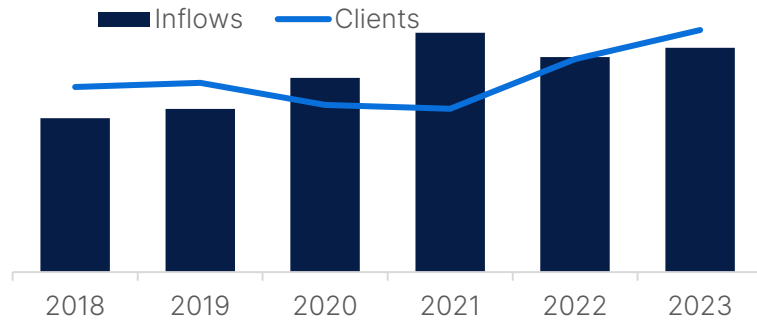


- Service quality must return to our high standards
- Opportunity to further enhance and expand digital experience
- Cost growth has exceeded revenue progress

We have clear data and insight to address these trends

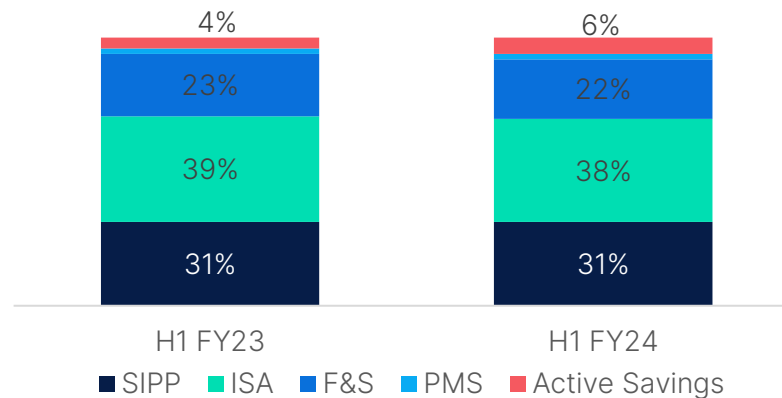
New client and asset acquisition

No. of clients, Gross inflows (£m)



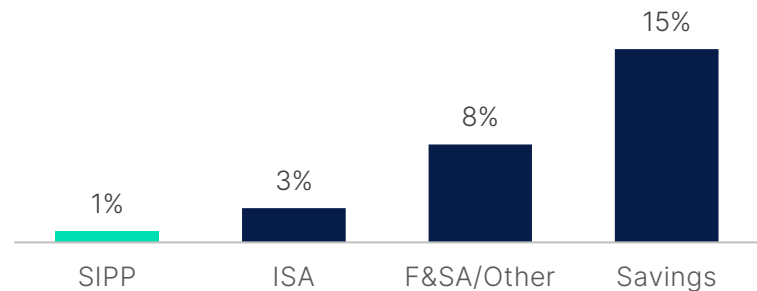
Product mix of our client base

Average AUA %



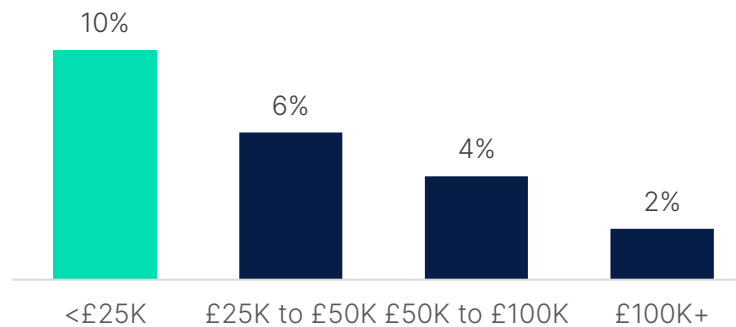
Withdrawal comparison by product

Withdrawals as % of AUA in H1 FY24







ISA withdrawals per client segment

Withdrawals as % of ISA AUA in H1 FY24



- We continue to attract strong inflows
- Client base weighted to ISA and F&S, with SIPP 31% AUA
- Transfers to Banks and Building Societies Cash ISA from Stocks and Shares ISA has increased
- Stickiness of clients varies by product with SIPP withdrawals lowest at 1%
- ISA withdrawals highest with lower balance accounts

Evolution of our strategy

Why do we exist	Making it easy to save and invest for a better future					
What are we going to do	Transform the investing experience			Leverage economies of scale to drive client value		Combine the best of colleague and digital capability
How are we going to do it	Build confidence	Make it easy	Broad choice	Lean and efficient	Great people, great culture	
How will we measure success	Client retention and satisfaction		AUA growth	Operating leverage	Sustainable operating margins	Colleague engagement
Where do we start 2024 priorities						
	Delight clients, drive growth	Save to invest	Increase execution pace	Right people, right roles		



2024 priorities

Delight clients, drive growth



Driving growth through our client value proposition

What clients say

IT'S DAUNTING

IT'S TOO HARD

I WANT IT ALL IN ONE PLACE

Our value proposition

BUILD MY CONFIDENCE

MAKE IT EASY

GIVE ME CHOICE

Delight clients, drive growth

Continue to drive strong inflows

- **Content driven flows**, financial education and increased personalisation
- **Frictionless digital inflows**

Enhance client experience

- **Resetting service levels** through Service Transformation project
- Enhance and **extend digital experience**

Evolve product mix

- **Accelerating Active Savings** as a key gateway product
- **Enhancement of pension and retirement** proposition and tools
- Helping our clients **maximise their tax allowances**

RELEVANCY AND PERSONALISATION



Continue to drive strong inflows

Content driven flows

Enhanced understanding of customer segments and behaviour patterns

£1.8bn Inflows into gilts

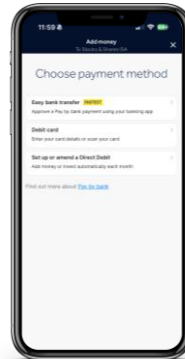
£100m Inflows driven by '5 to watch' campaign during first month

Investment Masterclass pilot



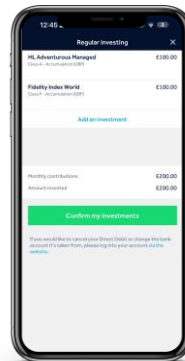
Six-week free course on how to invest with confidence

Frictionless inflows



Easy Bank Transfer live across Active Savings, S&S ISA and F&S Accounts

£1bn Top ups made since launch¹



Improved regular savings functionality in app

£466k New monthly savings set up via the app (in January 2024)

1. April 2023 for Active Savings, November for F&S and S&S ISA.



Further enhancing client experience

Resetting service levels

Improved Helpdesk capacity

+11%

colleagues hired to Helpdesk filling the vacancies

+11pp

increase in calls answered in 20 seconds

Increased colleague capability



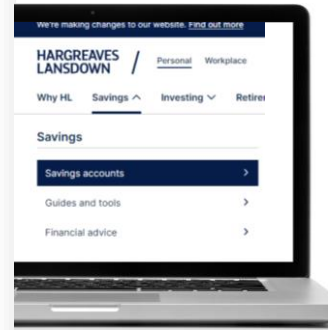
Overhauled recruitment and onboarding process

SalesForce and Amazon Connect operational across Helpdesk allowing colleagues to improve service



Seamless digital experience

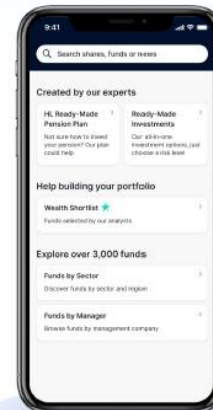
New site navigation and web journeys



+20.7%

uplift in conversion rate of transfers in

New Search page in mobile app



+51%

increased purchases of the HL's Ready-Made Investments (RMI)



Evolving product mix

Accelerating Active Savings



Launched first-of-its-kind Multi-Bank Cash ISA



Above-the-line marketing campaign increasing brand awareness

96%

Retention rate among Active Savings clients

Pension and retirement proposition



Launched a new lifestyling arrangement for SIPP clients - Ready-Made Pension Plan

+70%

Increase in clients investing their cash on the same day as opening a SIPP

+8.4%

Higher conversion on new web navigation






2024 priorities

Save to invest

HL



Delivering value to our clients from our economies of scale

Save to invest	Competitive prices	Efficiency from scale in trading
 <p>Disciplined management of third party spend</p>	<p>Discounted fund management fees on HL platform driven by our scale:</p>	<p>25 brokers execute client-initiated (electronic) trades on platform</p>
 <p>Established internal robotic process automation teams (RPA)</p>	<p>66% Funds offer a discount across HL's Wealth Shortlist</p>	<p>£18 Price improvement¹ per average trade is benefiting our clients</p>
 <p>Optimised org structure and sharpened accountabilities</p>	<p>12bps Average discount across the top 100 funds by value</p>	

1. Price improvement for trades executed in 2023, HL estimate.



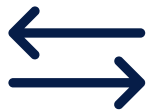
2024 priorities

Increase execution pace



Increasing accountability, agility, efficiency and delivery

Last six months saw a focus on new ways of working



Launched **end-to-end business unit** teams with embedded cross-functional capability



Pilot of **Objectives and Key Results (OKR)** approach to drive alignment and performance



Ring fenced project teams to deliver strategic programmes



Tangible results already visible



Accelerated time to rollout of **Amazon Connect**



Legacy telephony system decommissioned

4
MONTHS

To implement **Salesforce** in Complaints and Service teams



Evolving our technology estate

WHAT WE ARE DELIVERING

PROGRESS

H1 FY24 ACTIVITY

CLIENT EXPERIENCE

Tailored, multi-channel interactions and journeys



RELEVANCY AND PERSONALISATION ENGINE

Data and AI capabilities and analytics



TRANSACTION PROCESSING

State-of-the-art core processing platform



BUSINESS AUTOMATION

SaaS-based core



INFRASTRUCTURE

Cloud-based platform



- New website navigation
- Easy Bank Transfer
- Self-service Content platform
- AI Workbench & MLOps pipelines in place
- Vulnerable client models being piloted
- New BI Platform in development
- First Robotic Process Automations launched with UiPath
- Completed Amazon Connect rollout
- Initial Salesforce deployments completed
- Revised Cloud migration approach has halved execution estimates



2024 priorities

Right people, right roles



A strong and cohesive leadership team to lead the change



Dan Olley

Chief Executive Officer



Ruchir Rodrigues

Chief Client and Commercial Officer



David James

Chief Marketing and Brand Officer



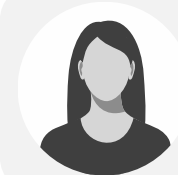
Amy Stirling

Chief Financial Officer



Richard Hebdon

Chief Digital and Technology Officer



TBC

Operations Director



Lucy Thomas

Corporate Affairs Director



Afonso Nascimento

Chief Strategy Officer



Shawn Gamble

Group Chief Risk Officer



Claire Chapman

General Counsel, Company Secretary and Chief People Officer



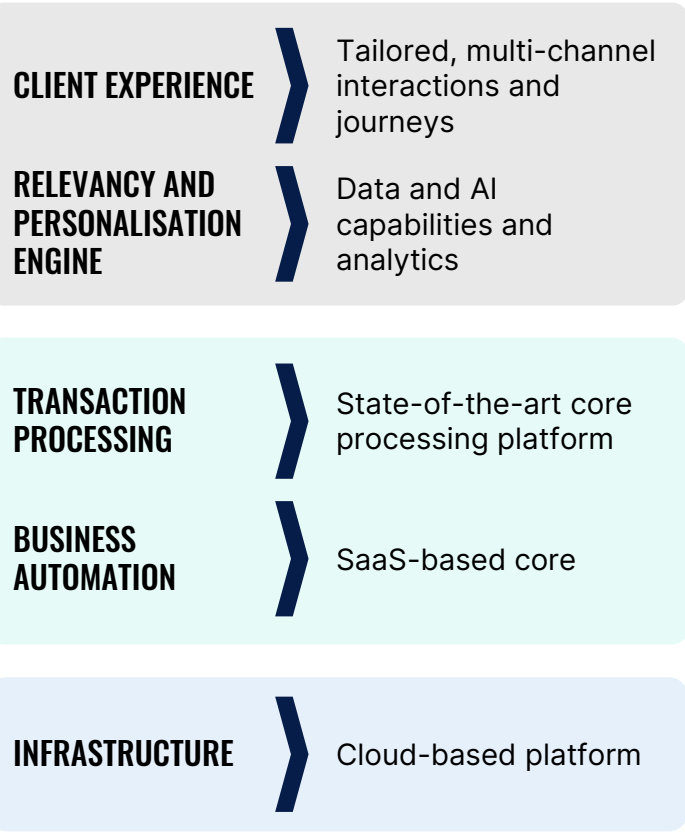
David Daw

Chief Internal Auditor



New Digital and Technology leadership - aligned to the target state

HL Digital Target Operating Model



Richard Hebdon
Chief Digital and Technology Officer

- Significant experience in digital and technology transformation
- Richard held several senior tech leadership positions at RELX, incl. CTO of LexisNexis



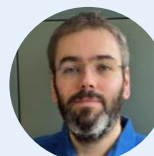
Mohamed Brahim
Client Solutions

- Mohamed leads client facing solutions development
- Prior to HL, CTO at Profile Pensions
- 25 years of experience in Technology and Software Development



Matthew Parkes
Business Automation

- Matt leads the business automation technology teams
- 24 years of expertise in technology and business automation and delivery strategic projects in market leading organisations, including Elsevier and NatWest



Dan Johnson
Infrastructure and Resilience

- Dan leads the technology infrastructure teams responsible for day-to-day Tech operations
- Extensive experience in Dev Ops, IT infrastructure and service delivery
- Prior to HL, CTO at Kuba Payments

Summary



Large and growing market, with real and urgent client needs



Strong and trusted business, with over 1.8m clients and counting



Growth rate has been slowing for some years – **we know what to do about it**



Clear focus now on service and digital experience, efficiency, strong execution



Driving value for clients, colleagues and shareholders

How will we measure success?

1. Increased client satisfaction and retention
2. AUA growth
3. Operating leverage
4. Sustainable operating margin
5. Colleague engagement

Q&A

