

Analyst Presentation



HARGREAVES
LANSDOWN

A RECORD YEAR FOR NET NEW BUSINESS

WE DELIVERED GROWTH ACROSS THREE KEY AREAS

Clients

- 118,000 new active clients, up 18%
- 954,000 active clients, up 14%
- 95.4% client satisfaction survey (FY 2016 95.1%)
- 94.7% client retention rate (FY 2016 94.3%)

Growth

- Record Net New Business of £6.9bn
- £79.2bn Assets Under Administration

Earnings

- Profit before tax £265.8m, up 21%
- Earnings Per Share 44.6p up 20%

Clients
+14%

AUA
+28%

FTSE All-Share
+13.8%

Profit before tax
+21%



Philip Johnson
Financials

FINANCIAL HIGHLIGHTS

STRONG REVENUE AND PROFIT GROWTH

£ million	2017	2016	+/-
Net revenue	385.6	326.5	18%
Profit before tax	265.8	218.6	21%
Diluted EPS	44.6p	37.3p	20%
Ordinary dividend per share	29.0p	24.1p	20%
<i>Ordinary dividend payout ratio</i>	65%	65%	
Total dividend per share	29.0p	34.0p	(15%)

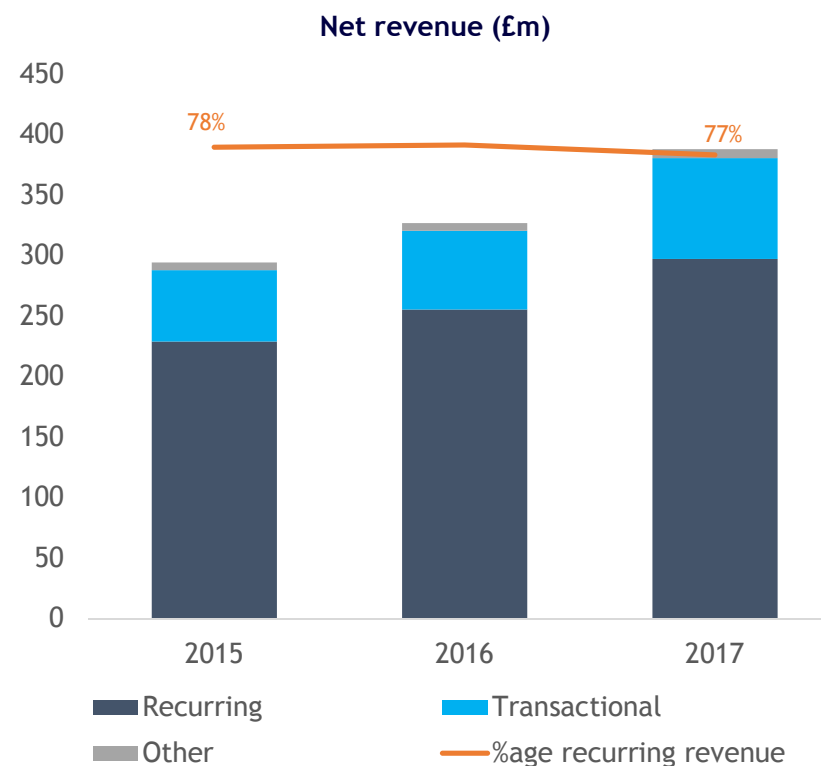


NET REVENUE

GROWTH DRIVEN BY NET NEW BUSINESS, DEALING VOLUMES AND MARKET APPRECIATION

£ million	2017	2016	+/-
Net recurring revenue	296.9	255.3	16%
Transactional income	81.2	65.0	25%
Other income	7.5	6.2	21%
Net revenue	385.6	326.5	18%

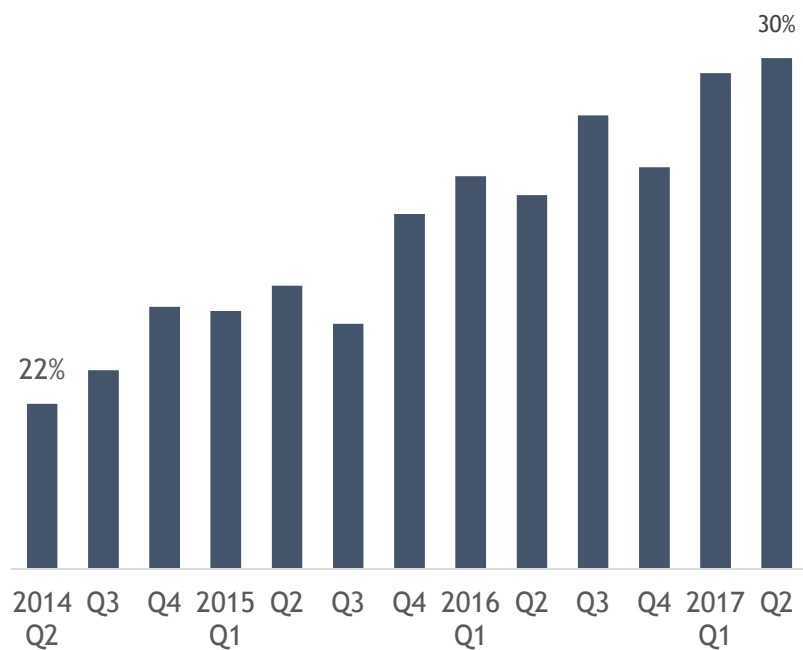
- High quality recurring revenue stream
 - Proportion of recurring revenues at 77%
 - Client retention rates at 95%
 - 73% of AUA within tax-wrappers



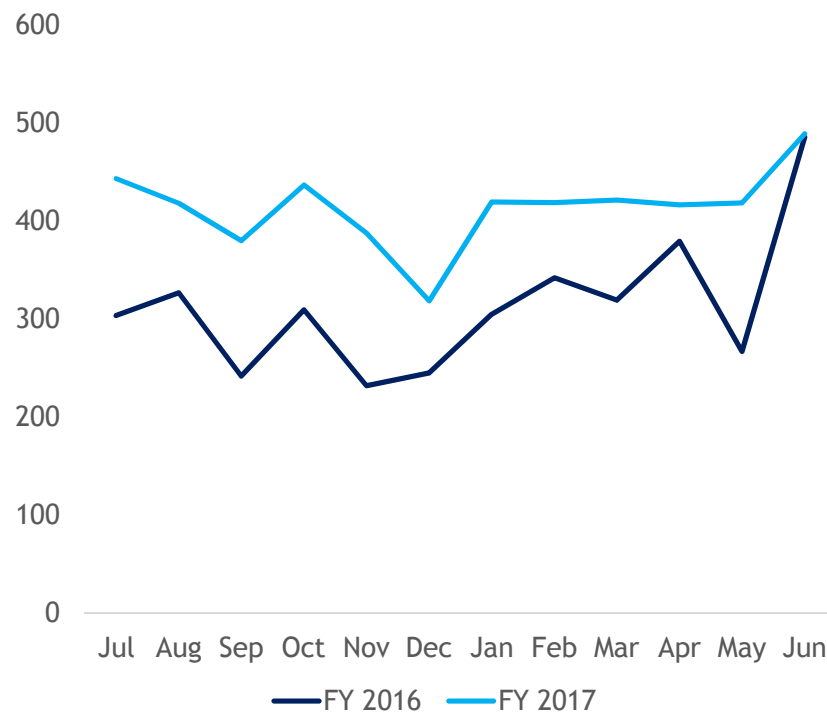
TRANSACTIONAL REVENUES

INCREASED MARKET SHARE; DEALING VOLUMES UP 32%

Execution-only market share



Monthly dealing volumes (£k)



REVENUE BY ASSET TYPE

AUA, MARGINS AND GUIDANCE

Asset class	2017 revenue £ million	2016 revenue £ million	+/-
Funds	169.4	147.2	15%
Shares	76.3	57.8	32%
Cash	36.6	31.2	17%
HL Funds	56.5	44.1	28%
Other	46.8	46.2	1%
	385.6	326.5	18%

2017 average AUA £ billion	2016 average AUA £ billion	+/-
40.9	33.3	23%
23.3	19.3	21%
7.5	5.5	36%
7.7	5.9	31%
(7.7)*	(5.9)*	
71.7	58.1	23%

2017 margin bps	2016 margin bps	2018 Guidance
41	44	40-41bps
33	30	27-33bps
49	56	35-45bps
73	75	70-75bps

- Funds: margin now stable post RDR sunset clause, scale discounts available for clients
- Shares: strong revenue and margin growth due to higher dealing volumes in 2017
- Cash: margin falling as August 2016 base rate cut is working through rolling deposit cycle
- Strong growth in HL Funds assets due to launch of Select funds
- Other fees include advisory fees, Funds Library and ancillary services
- Asset-based revenues up 21% versus 12% increase in average market levels
- 2017 closing AUA at £79.2bn versus 2017 average AUA of £71.7bn

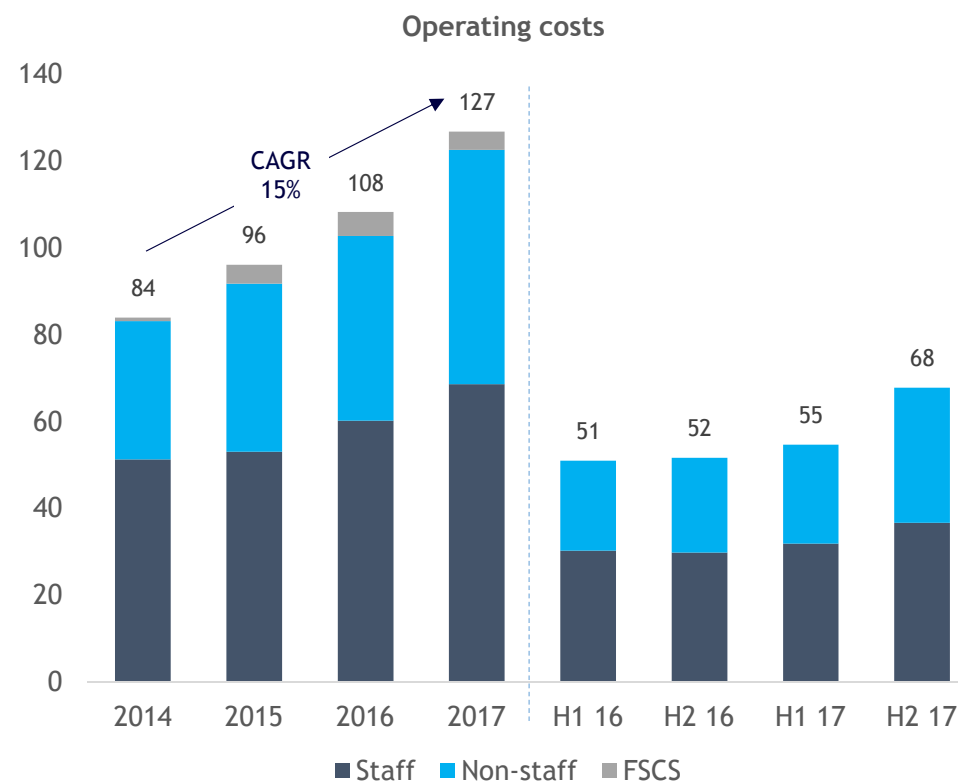
7 * Deducted to avoid double-count as average AUA in Funds for platform fee and in HL funds for annual management charge

OPERATING COSTS

SUPPORTING INCREASED SCALE AND COMPLEXITY

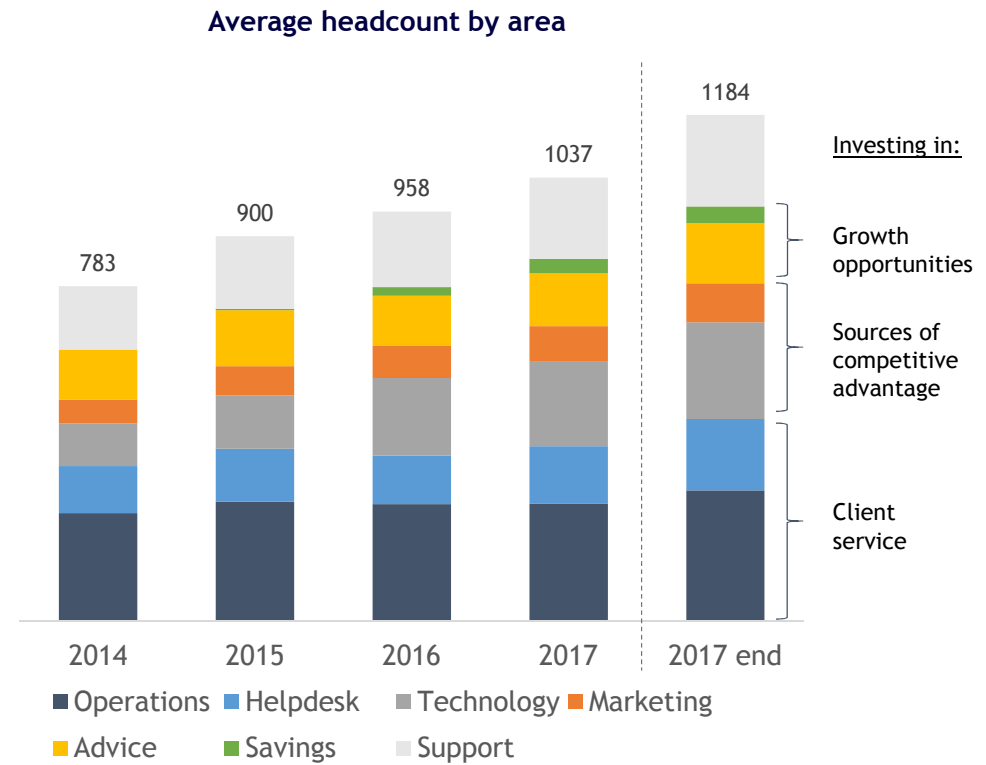
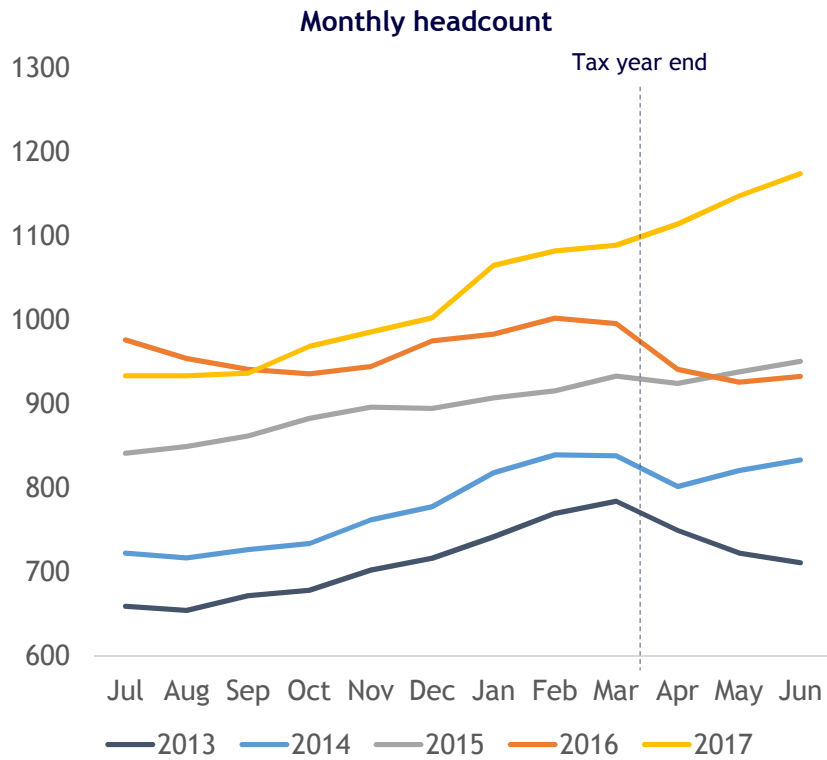
£ million	2017	2016	+/-
Staff costs	68.6	60.2	14%
Marketing	14.3	11.2	
Dep'n & financial costs	9.0	6.1	
Other costs	30.6	25.2	
FSCS levy	4.2	5.5	
Total operating costs	126.7	108.2	17%

- Headcount increased to support client service and client activity levels
- Marketing costs up in H2 as signalled
- Depreciation up due to peer to peer closure
- Other costs up due to increased dealing charges and impact of regulation



HEADCOUNT

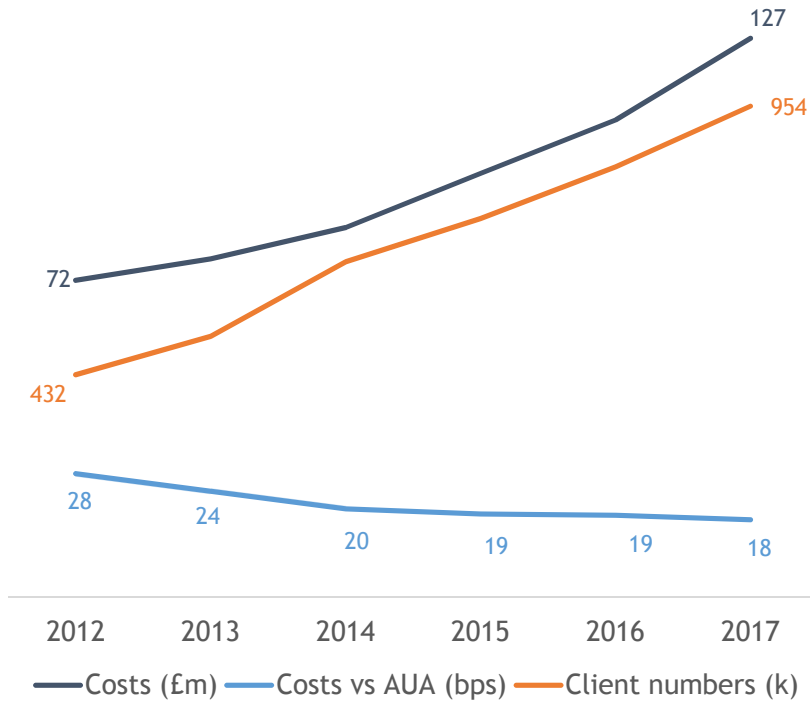
CHANGING OUR RESOURCING MODEL TO SUPPORT CLIENTS BETTER



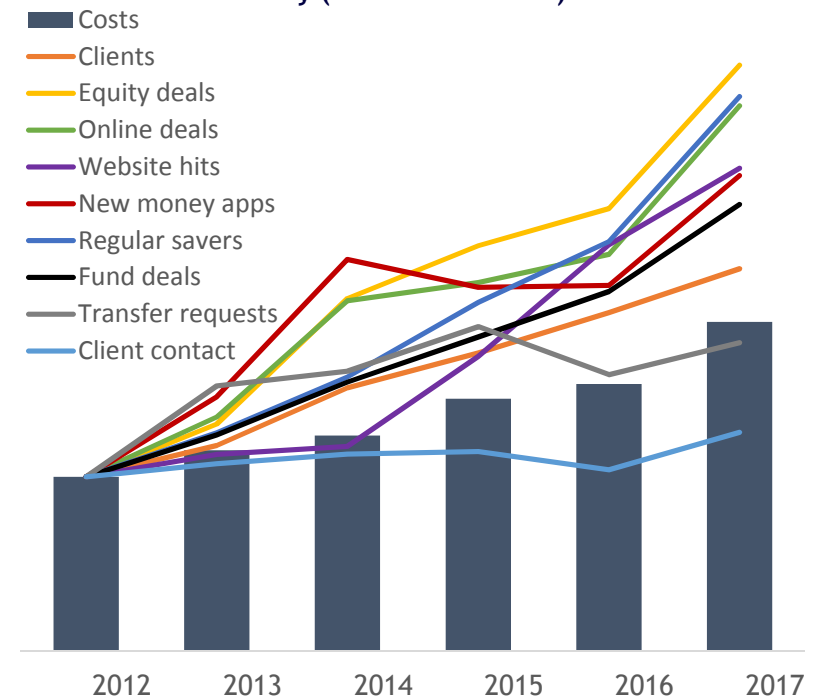
SCALABLE PLATFORM

INCREASED CLIENT NUMBERS AND ACTIVITY VOLUMES

Efficiency



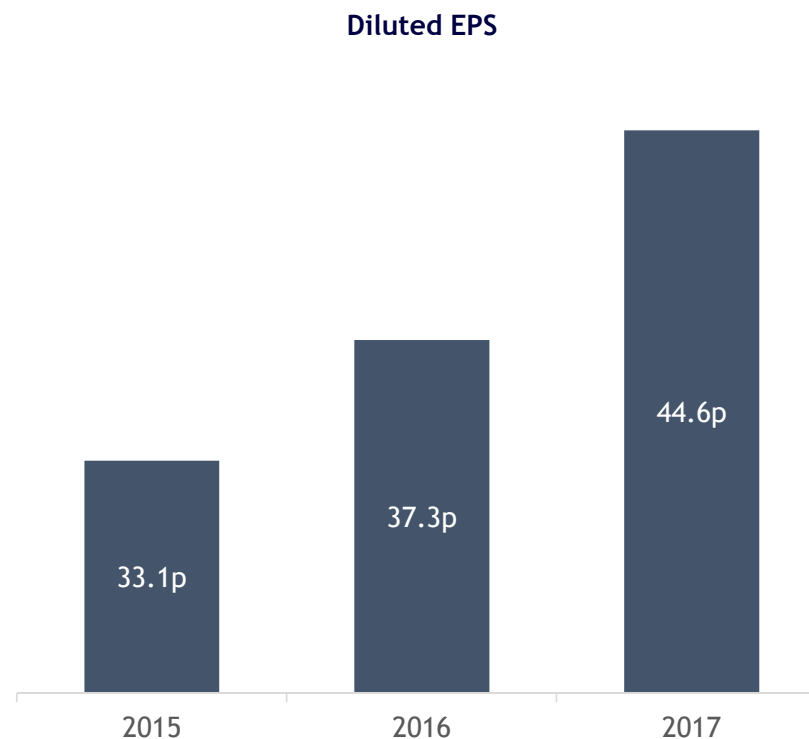
Activity (indexed off 2012)



PROFIT AND DILUTED EPS

ONE-OFF CAPITAL GAIN FROM DISPOSAL OF LEGACY ASSET

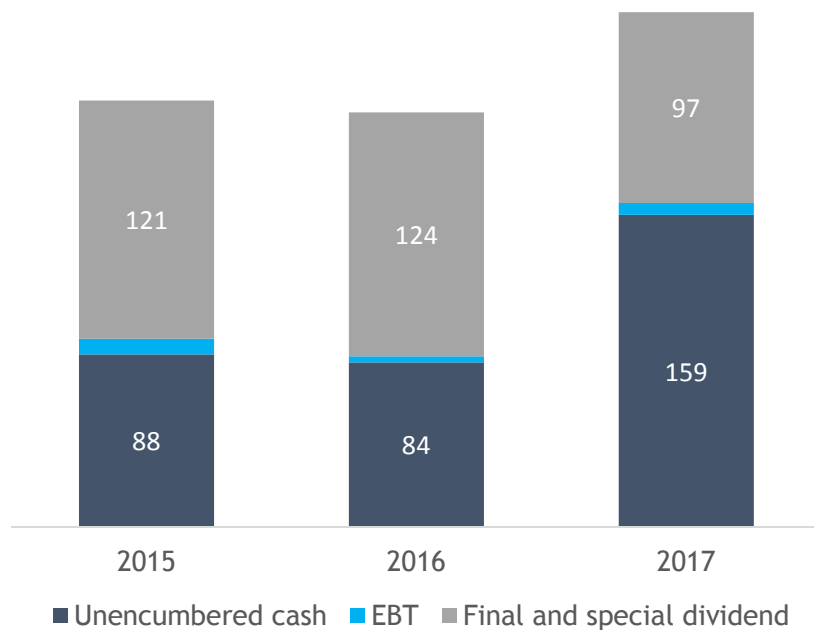
£m	2017	2016	+/-
Operating profit	261.1	218.3	20%
Euroclear disposal gain	3.7	-	
Other net income	1.0	0.6	
Profit before tax	265.8	218.9	21%
Tax	(53.8)	(41.6)	
Profit after tax	212.0	177.3	
Diluted share count (m)	474.7	474.7	
Diluted EPS (p)	44.6	37.3	20%



LIQUIDITY AND CAPITAL

ROBUST BALANCE SHEET

Liquidity (£m)



Capital	£m
Shareholder funds	307
Less: intangible assets and other deductions	(19)
Tangible capital	288
Less: provision for dividend	(97)
Qualifying capital	191
Less: estimated regulatory capital requirement	(133)
Capital surplus	58

DIVIDENDS

2017 DECLARATION AND CLARIFIED DIVIDEND POLICY

Dividends (p)	2017	2016	+/-
Interim	8.6	7.8	
Final	20.4	16.3	
Total ordinary	29.0	24.1	20%
<i>Ordinary payout ratio</i>	65%	65%	
Special	n/a	9.9	
Total	29.0	34.0	(15%)

- Responsible approach to balance sheet 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



Chris Hill
Strategy

A SUCCESSFUL YEAR IN METRICS AS WELL AS STRATEGIC DEVELOPMENT

SUCCESS IN DELIVERING GROWTH AND DEVELOPING FOR THE FUTURE

Growth

Client satisfaction survey* 95.4% +0.3%

Net New Business £6.9bn +15%

AUA £79.2bn +28%

Net revenue £385.6m +18%

Profit before tax £265.8m +21%

Strategic Development

- Developing our client service



- Developing our capabilities



- Maintaining the business



GOOD PERFORMANCE THROUGH CHANGING CONDITIONS

First half

Tough conditions but we built share...

- Low investor confidence; uncertainty post Brexit
- Investor confidence pick up from November
- HL platform share up to 37.8% (Mar '16 37.5%)
- HL XO stockbroking share up to 30.1% (Mar '16 26.9%)

Net New Business £2.3bn (-15%)

Second half

We maximised opportunity...

- Increase in ISA allowance
- Tax year end
- CF Woodford Income Focus fund
- Client focused delivery:
 - Evolution of digital platform
 - New mobile app
 - Explore additional channels
 - Launch Lifetime ISA
 - HL Select UK Income Fund

Net New Business £4.6bn (+41%)

118,000
net new
clients
+18%

£6.9bn
NNB
+15%

THE MARKET IS DEVELOPING AND A BIGGER MARKET IS A BIGGER OPPORTUNITY

Society has some big challenges

- A £314bn savings gap
- Long term changes in demographics mean people are older for longer
- The decline of Defined Benefit and rise of Defined Contribution. The complexity of Annual Allowances.
- Long term low yield environment

So our proposition will have broader appeal

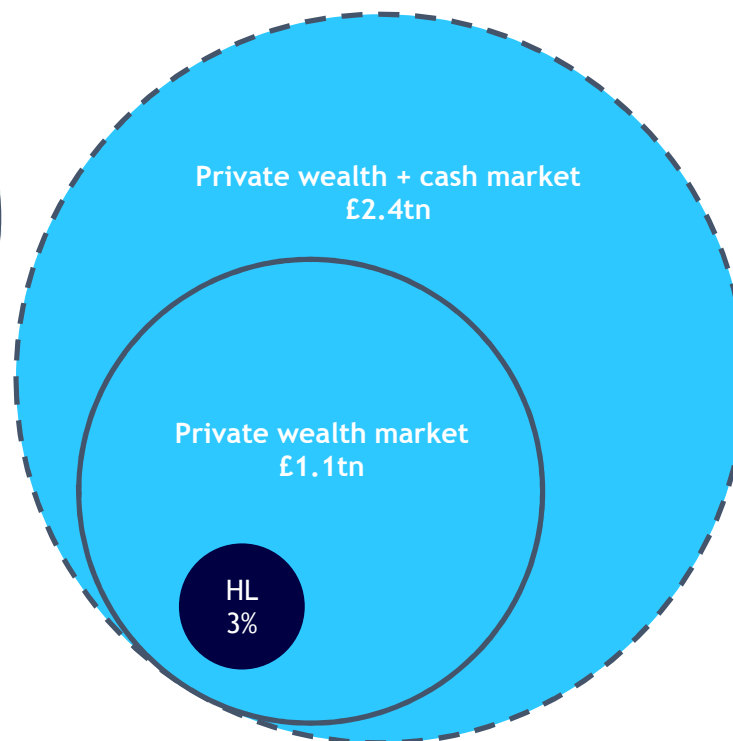
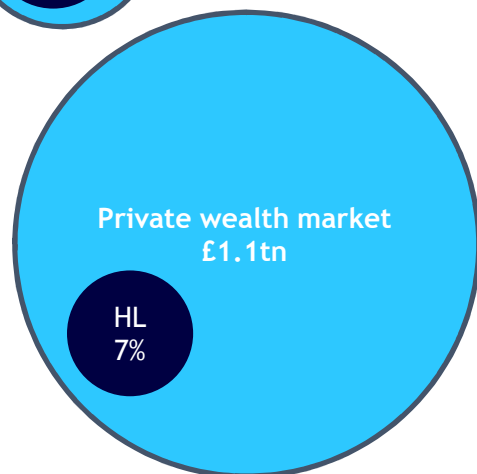
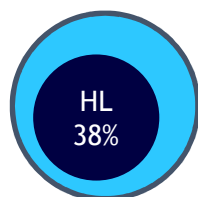
- People need to take charge of their money and manage it themselves over a longer period
- Saving and investing is becoming more complicated
- Pension Freedoms, the challenge of Drawdown, six types of ISA - we can help people to make the most of their money
- The Advice market is changing... people want help

The market is moving towards solutions, this creates an opportunity

- Clients increasingly want solutions not information
- Our scale combined with our capability places us well to help people to address these challenges
- Our platform combined with our knowledge puts us uniquely positioned to capitalise on the solutions required

WE SEE OPPORTUNITY TO CONTINUE TO GROW QUICKLY

Platform market
£190bn

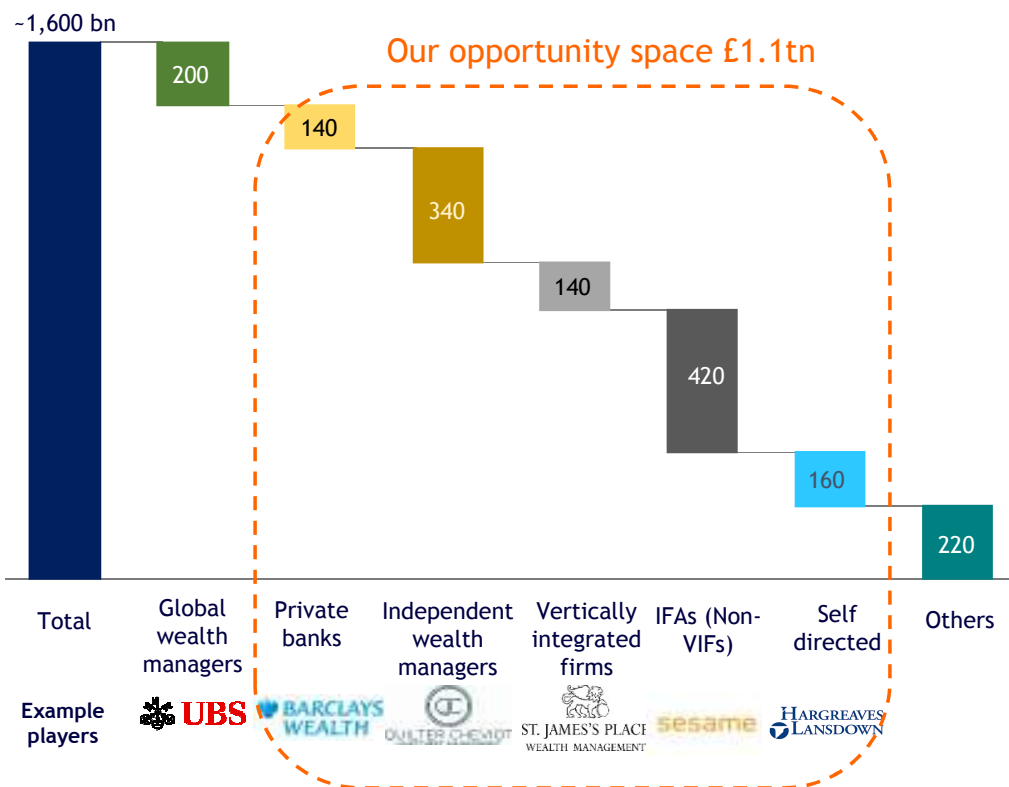


- The platform market has **£190bn** of assets
- HL has a **38%** market share
- Add in advised assets and the total private wealth market has **£1.6tn** of assets
- We believe we are the best solution for **£1.1tn** of this
- We currently only have **7%** market share
- The cash market is worth a further **£1.3tn**

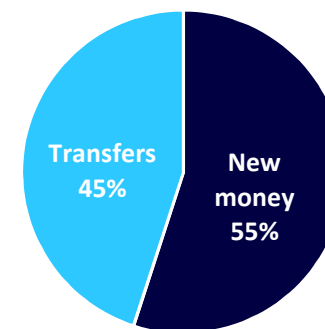
OUR CORE OPPORTUNITY

WE HAVE JUST 7% OF A £1.1TN ADDRESSABLE INVESTMENT MARKET

Breakdown of UK private wealth market by intermediary*



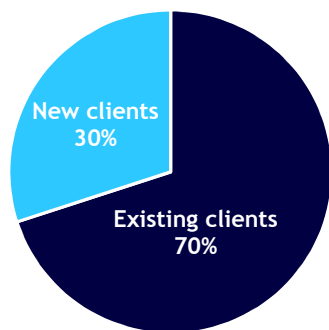
FY 2017 gross inflows



- We have a high share of the self directed market
- This market is only 10% of the total
- Our opportunity includes IFAs, independent wealth managers and VIFs, of which our share is just 7%
- We are already competing in this space
 - Transfers from Banks +43%
 - 36% of transfers from Life companies

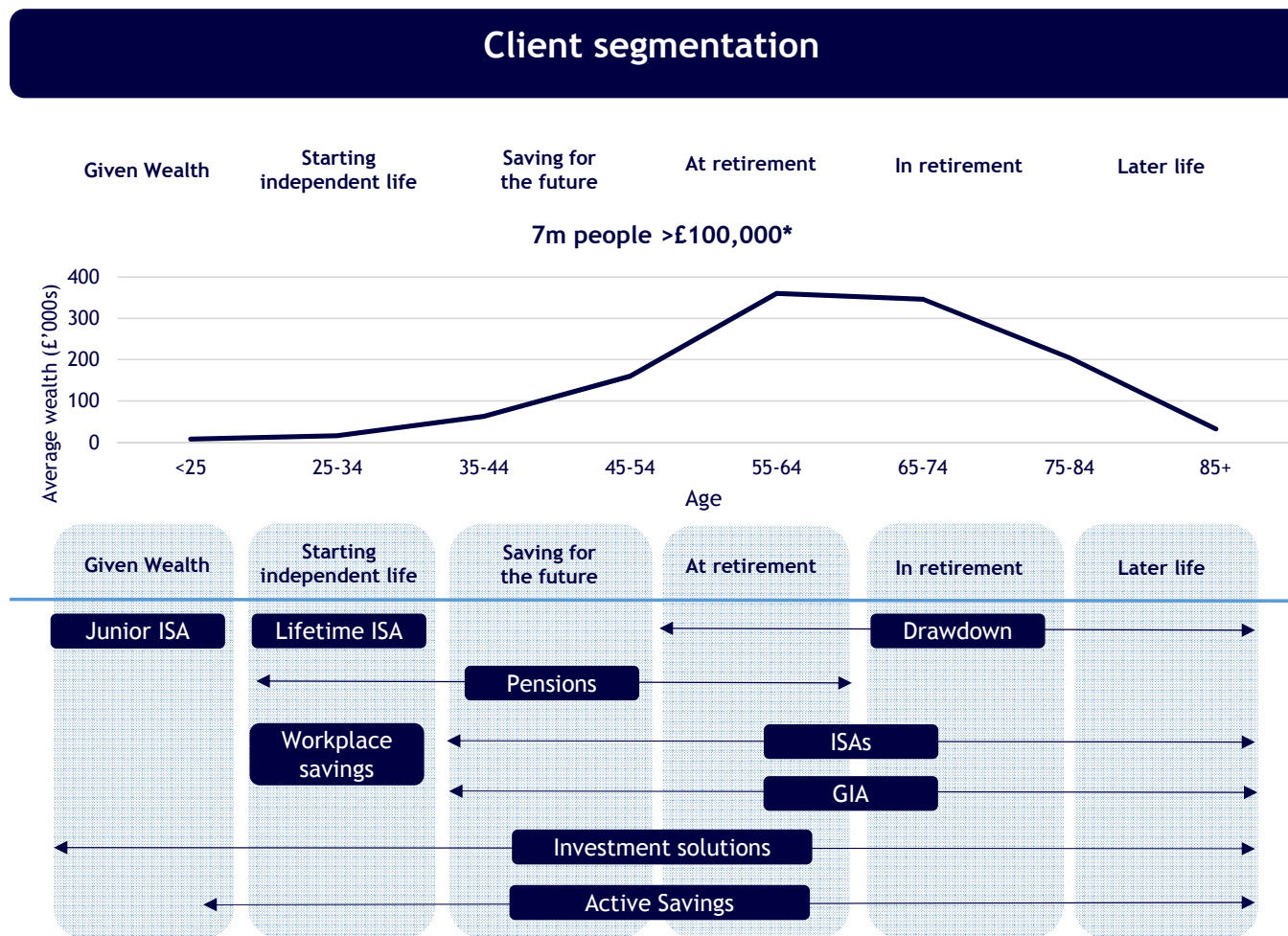
CLIENTS CONTINUE TO ADD ASSETS THROUGHOUT THEIR LIFETIME

FY 2017 gross inflows



- 95% client retention rate
- 77% recurring revenue

Client segmentation



*Office of National Statistics

OUR STRATEGY: TO UNDERSTAND AND SERVICE CLIENTS

SERVICE IS KEY IN THIS MARKET

OUR VISION

We want to be a **household name**. The best place for savers and investors in the UK.

OUR PURPOSE

To empower people to save and invest with confidence.

OUR PROMISES

Safe and secure, easy & efficient, incredible service, lifelong relationship, great value.

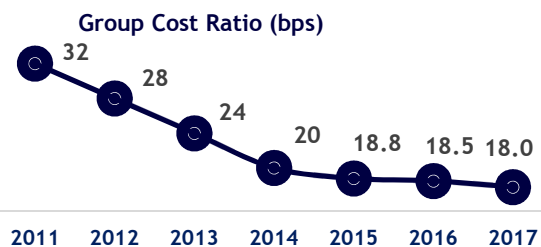
OUR VALUES

Put the client first, go the extra mile, do the right thing, make it easy, do it better.

OUR INVESTMENT IS DIRECTED BY THE EVOLUTION OF SERVICE FOR OUR CLIENTS

Client service and satisfaction is driven by:

1. *Maintaining and improving service levels*



2. *Developing services*

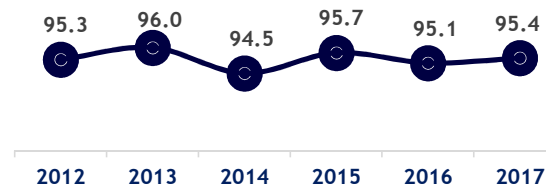
Technology

- HL Tech delivers additional skills
- Oracle platform delivers stability

People

- Agenda focussing on development

Client Satisfaction



Marketing and Digital

- Help us talk to people more directly

Active Savings

- Help people manage their savings

Solutions

- Help people manage their investments

WE WANT TO TALK TO PEOPLE MORE DIRECTLY

Improving digital footprint

Digital visits
YOY

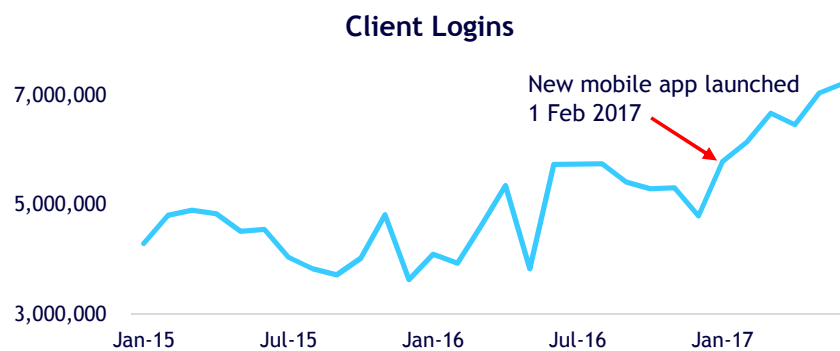
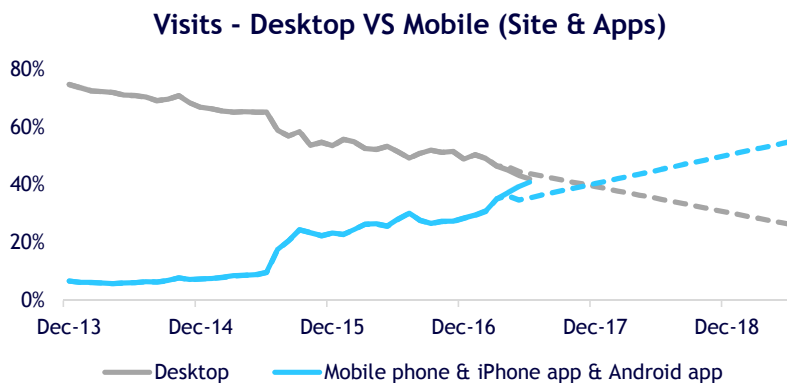
+31%

Trades on
mobile apps
Q4 YOY

+72%

Account tops ups
on mobile Q4
YOY

+308%



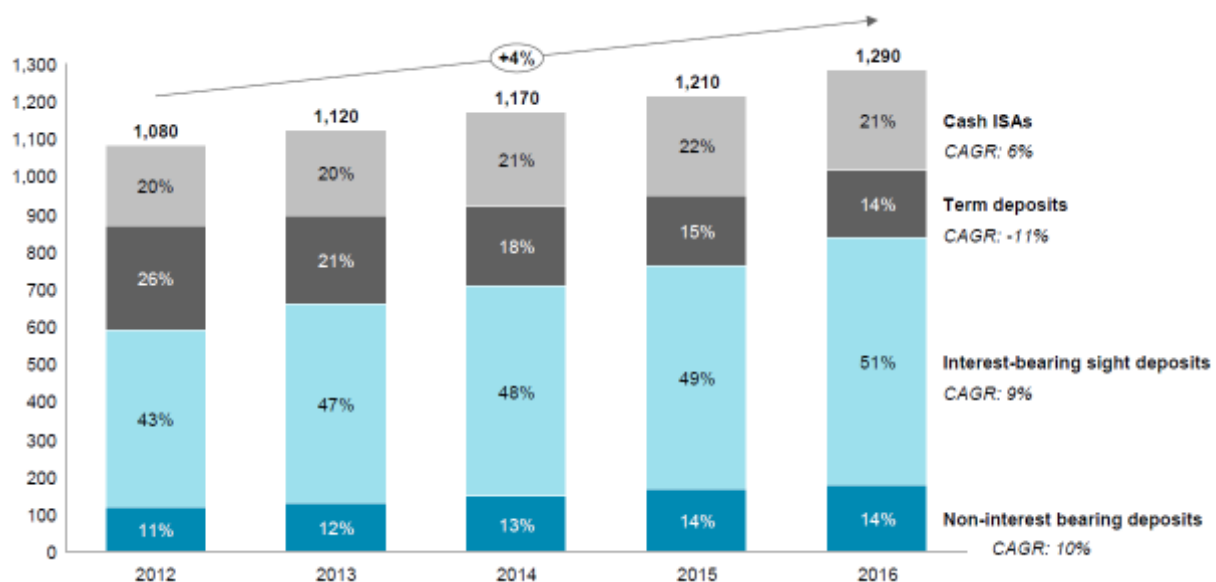
Developing our capability

We will add to:

- Client proposition
- Client insight & data
- Content and awareness
- Marketing performance

WE WANT TO EMPOWER PEOPLE TO MANAGE THEIR SAVINGS

UK households cash savings balances by account type (£bn)



- We remain excited by the potential of this market
- Current client experience is poor
- Targeting live proposition ready to launch around the turn of this year
- Peer to peer plans shelved

93% of UK adult consumers have one or more cash savings product

WE WANT TO EMPOWER PEOPLE TO INVEST WITH CONFIDENCE

SECURITY, EASY & EFFICIENT, INCREDIBLE SERVICE, LIFELONG RELATIONSHIP, GREAT VALUE

Execution only

- UK & Overseas shares
- Funds
- ETFs
- Investment Trusts
- Corporate bonds
- Dedicated dealing desk

Research led

- Wealth 150
- Fund & share factsheets
- Comment & guidance
- Suite of planning, portfolio and analysis tools
- Investment Times

Solutions

- Portfolio +
- Multi manager funds
- HL Select funds

Advised

- One-off advice
- Ongoing advice

Supported by market-leading services: mobile, telephone, platform, helpdesk

JISA

LISA

ISA

SIPP

Drawdown

SUMMARY AND OUTLOOK

- We have had a successful year of growth and development
- There is significant structural opportunity in the UK savings and investments market
- HL is well positioned to compete through client focus and service
- We will continue to invest in our market leading proposition as we address the opportunity