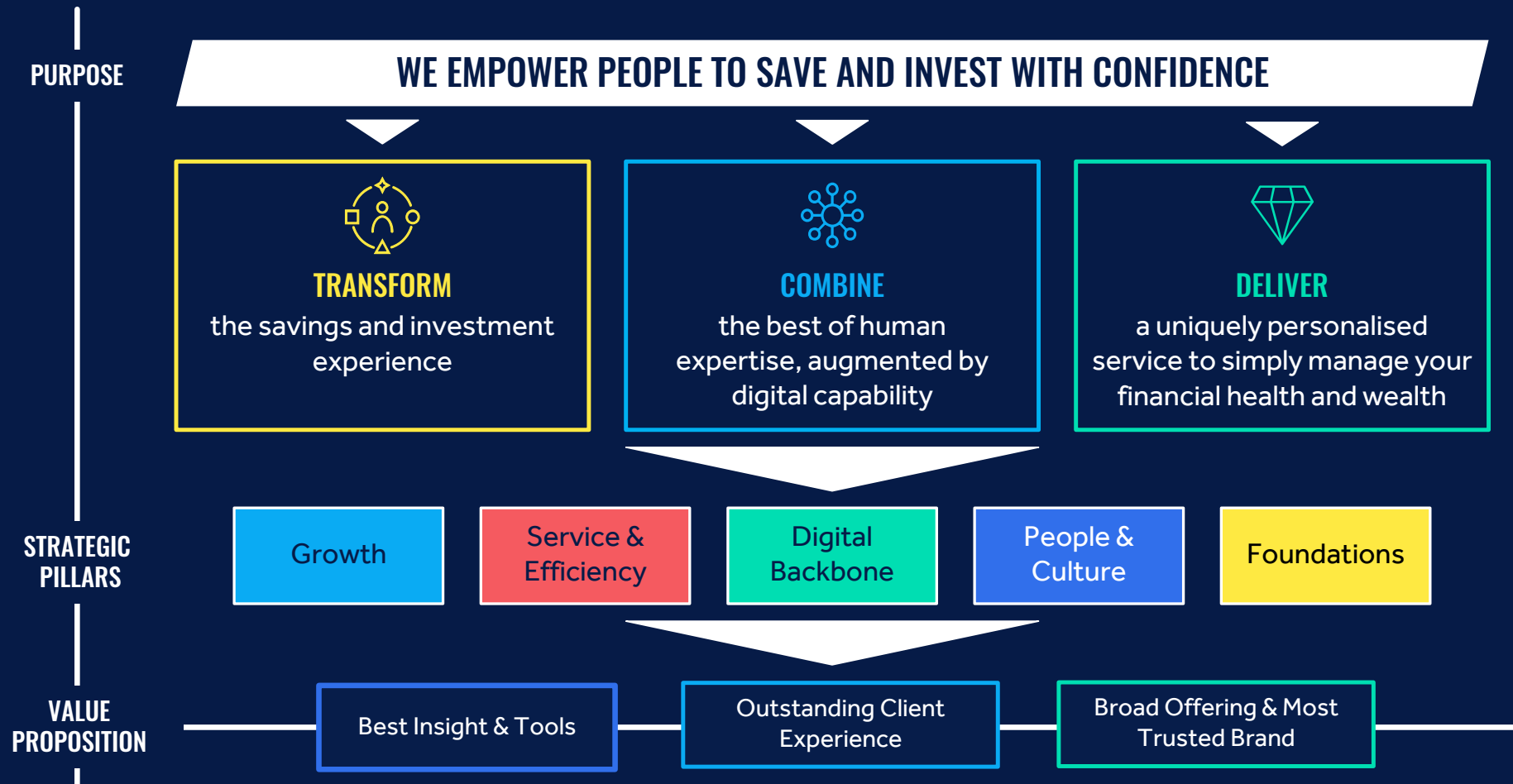


# 2022 ANNUAL RESULTS

[www.hl.co.uk](http://www.hl.co.uk)

HARGREAVES  
LANSDOWN

# CONFIDENT IN OUR STRATEGY



# MACRO ENVIRONMENT IN 2022

## SHORT TERM

Global markets and investor confidence have fallen impacting asset values and flows

## MEDIUM TERM

- Our strategy is to build on a leading position
- Delivery is off to a good start

This will drive:

- Next level of outstanding client service
- Extended market leadership
- Strong growth and returns

## FY22

- £5.5bn Net New Business
- 92,000 Active New Clients
- 92.1% Client Retention
- Record Q4 flows in Active Savings
- £269.2m Profit Before Tax
- 39.7p Dividend per Share

AMY STIRLING

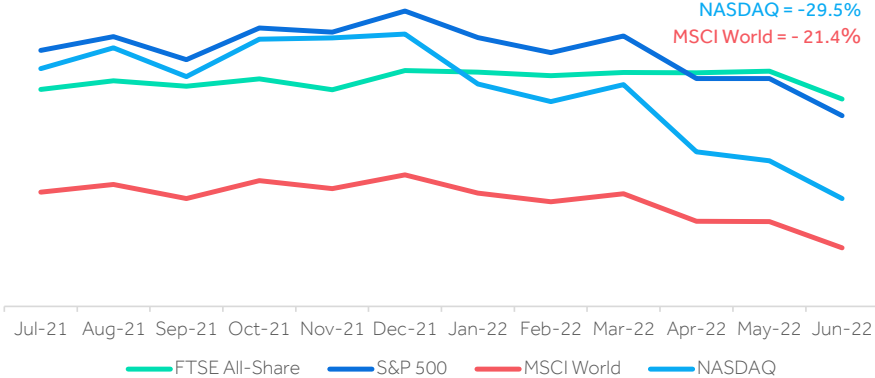
# CFO UPDATE

# CHALLENGING MARKET BACKDROP

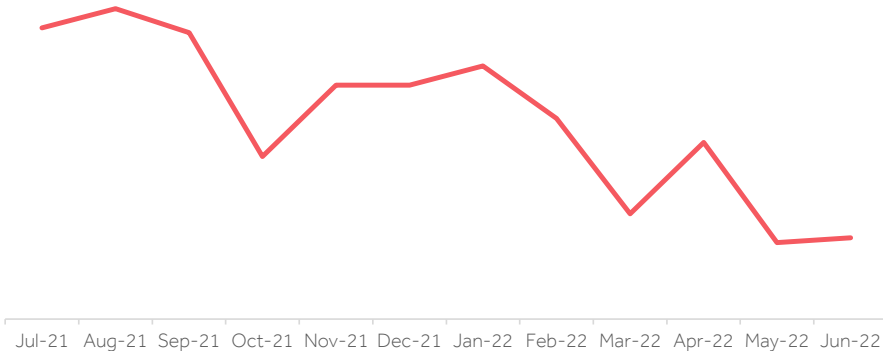
Market Performance - Significant Dip

6 months to June 22

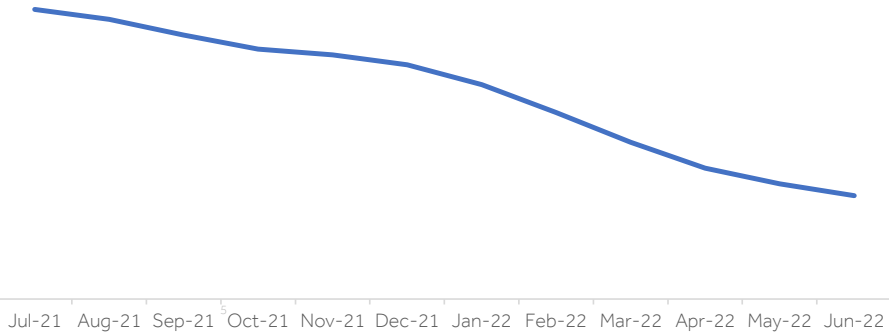
FTSE All Share = - 6.3%  
 S&P = -20.6%  
 NASDAQ = -29.5%  
 MSCI World = - 21.4%



Investor Confidence<sub>1</sub> - Down 53%



Consumer Confidence<sub>2</sub> - All time low



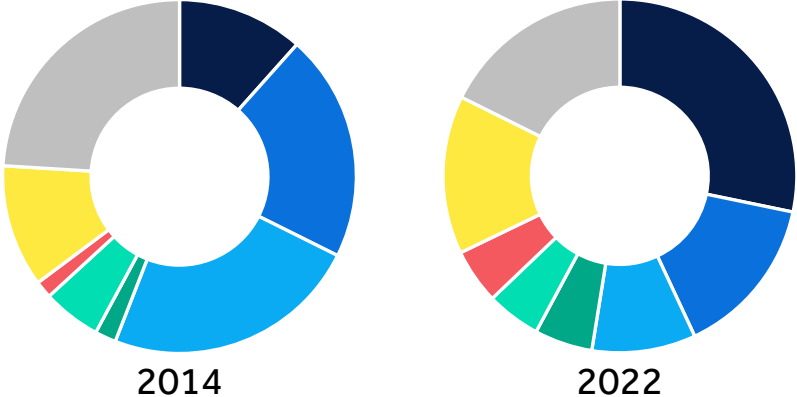
- In H2 FY22 challenging conditions impacted asset values globally
- Consumer confidence at a low point
- Markets seen a significant downturn
- Investor confidence fallen to lowest levels since 2018, with confidence in all sectors falling in July

1. HL Monthly Investor Confidence Survey  
 2. OECD Consumer Confidence Index - UK (CCI)

# CLIENT INSIGHT SHOWS IMPACT OF GLOBAL MARKETS

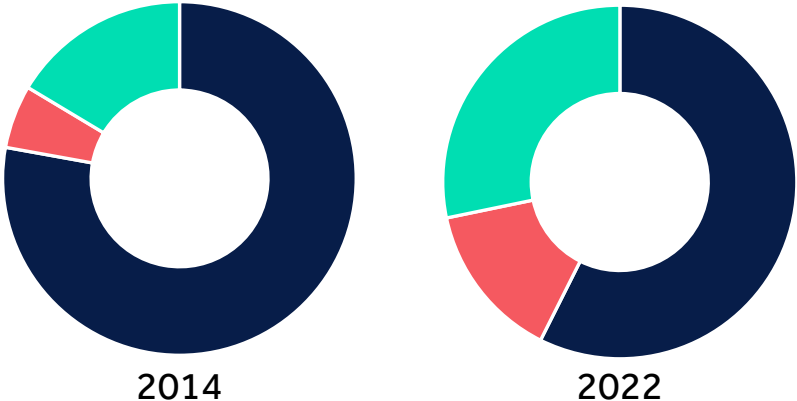
## Funds AUA %

- Global Funds
- UK Small & Mid-Cap
- UK Equity Income Funds
- North America Funds
- Europe Funds
- Responsible Funds
- Mixed Investment Funds
- Other



## Equities AUA %

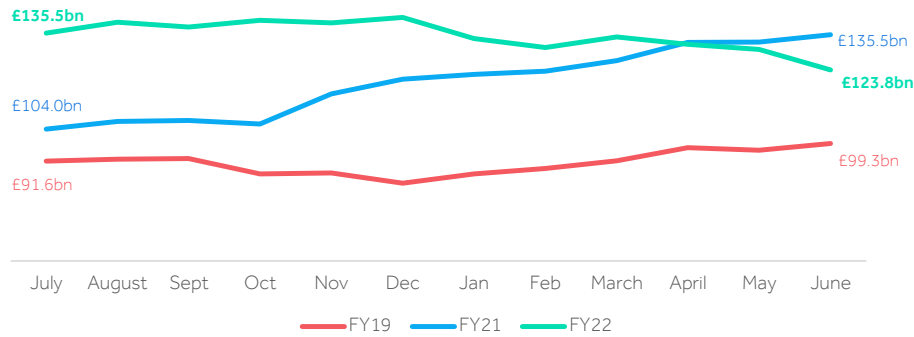
- UK Equities
- Overseas Equities
- Investment Trust



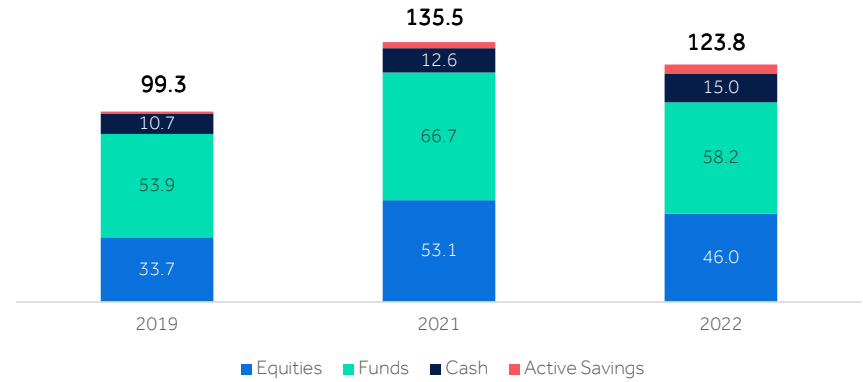
- Global funds now represent 28% of Fund AUA, a meaningful shift away from UK Income and Mid & Small Cap
- Responsible funds now represent 5% of Fund AUA
- Investment trusts represent 28% of Equity AUA with Scottish Mortgage Trust, Witan and RIT Capital amongst the most widely held
- Global exposure contributing to £20.6bn negative market movement in H2 FY22

# RESILIENT BUSINESS PERFORMANCE

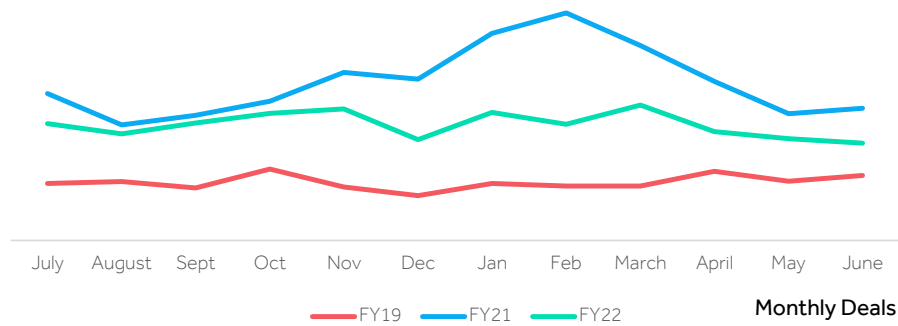
AUA impacted by Market Movement



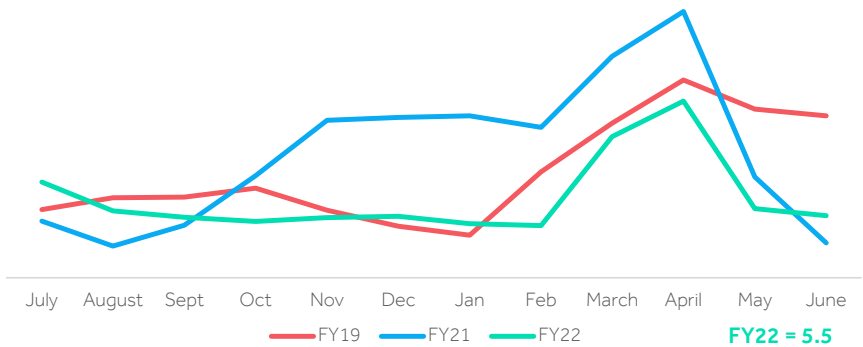
Increase in cash reflects lower risk appetite



Trading volumes ahead of pre-pandemic levels



A more concentrated TYE for Net New Business (£bn)



Monthly Deals  
 FY22 = c.870k  
 FY21 = c.1.2m  
 FY19 = c.440k

FY22 = 5.5  
 FY21 = 8.7  
 FY19 = 7.3

\*Comparators of FY19 – pre-pandemic and FY21 – prior year

# FINANCIAL PERFORMANCE

£ million	FY19	FY21	FY22	+/-
Revenue	480.5	631.0	583.0	(8%)
Revenue Margin (bps) <sup>1</sup>	47	52	43	(17%)
<b>Total Costs</b>	<b>179.4</b>	<b>266.0</b>	<b>313.0</b>	<b>18%</b>
Total Strategic Spend	-	-	(28.3)	-
<b>Underlying Costs</b>	<b>179.4</b>	<b>266.0</b>	<b>284.7</b>	<b>7%</b>
<b>Underlying profit before tax<sup>2,3</sup></b>	<b>305.8</b>	<b>366.0</b>	<b>297.5</b>	<b>(19%)</b>
Underlying Diluted EPS <sup>3</sup>	52.0p	62.5p	50.4	(19%)
<b>Statutory profit before tax<sup>2,3</sup></b>	<b>305.8</b>	<b>366.0</b>	<b>269.2</b>	<b>(26%)</b>
Statutory Diluted EPS <sup>3</sup>	52.0p	62.5p	45.6p	
<b>Dividend per share</b>	<b>42.0p</b>	<b>50.5p</b>	<b>39.7p</b>	

(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 £28.3m 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.

- Reduced revenue from lower trading volumes in FY22 as expected
- Underlying costs below guidance reflecting lower client activity levels and focus on cost control
- Strategic investment underway – will deliver scalability, efficiency and enhanced client propositions
- 3% ordinary dividend growth as guided



# IN LINE REVENUE DELIVERY

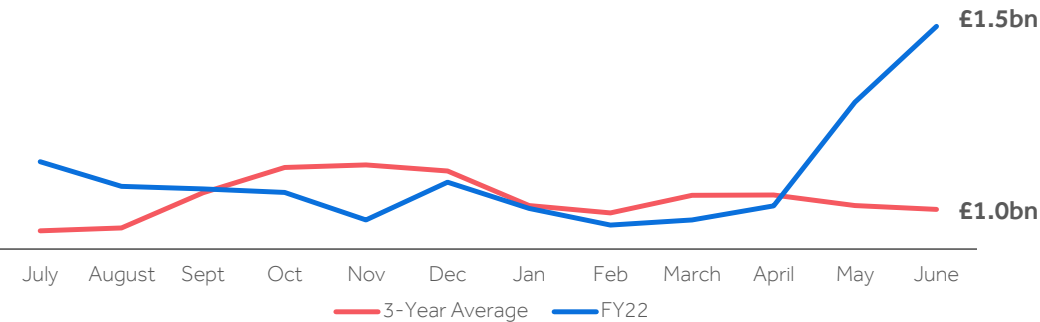
Asset class £ million	FY19	FY21	FY22 H1	FY22 H2	FY22	+/-
<b>Funds</b>	206.2	232.9	133.2	121.3	254.5	9%
Margin (bps)	41	40	39	39	39	(2%)
<b>Shares</b>	86.2	258.0	101.8	93.1	194.9	(24%)
Margin (bps)	27	57	37	37	37	(35%)
<b>HL Funds</b>	68.3	60.7	31.4	28.9	60.3	(1%)
Margin (bps)	72	72	69	68	69	(4%)
<b>Cash</b>	73.2	50.7	11.3	38.7	50.0	(1%)
Margin (bps)	74	39	18	54	37	(1%)
<b>Other<sup>(1)</sup></b>	46.6	28.7	13.4	9.9	23.3	(19%)
<b>Total Revenue</b>	<b>480.5</b>	<b>631.0</b>	<b>291.1</b>	<b>291.9</b>	<b>583.0</b>	<b>(8%)</b>
<b>Margin (bps)</b>	<b>47</b>	<b>52</b>	<b>42</b>	<b>44</b>	<b>43</b>	<b>(19%)</b>

<sup>(1)</sup> Includes Active Savings

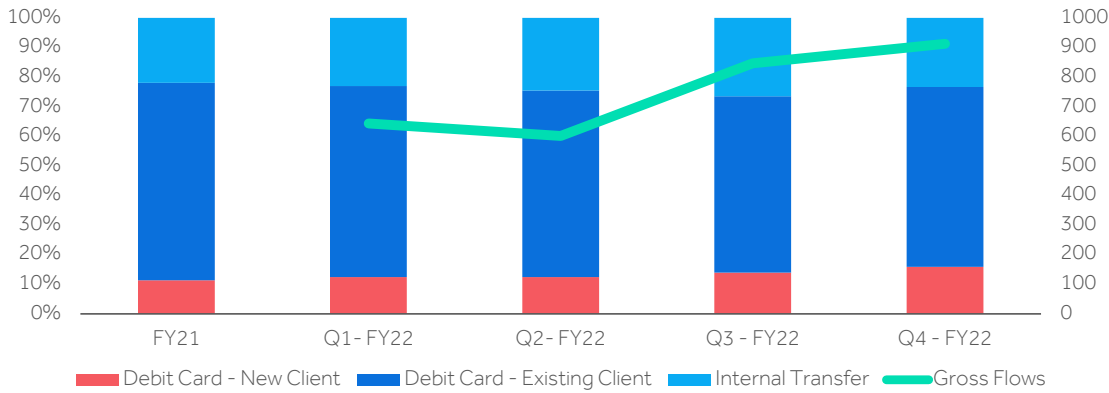
- Business resilience driven by diversified revenue model
- Shares revenue sees impact of strong prior year driven by pandemic
- All revenue margin in line with Guidance

# ACTIVE SAVINGS DRIVING GROWTH AND RETENTION

Active Savings NNB

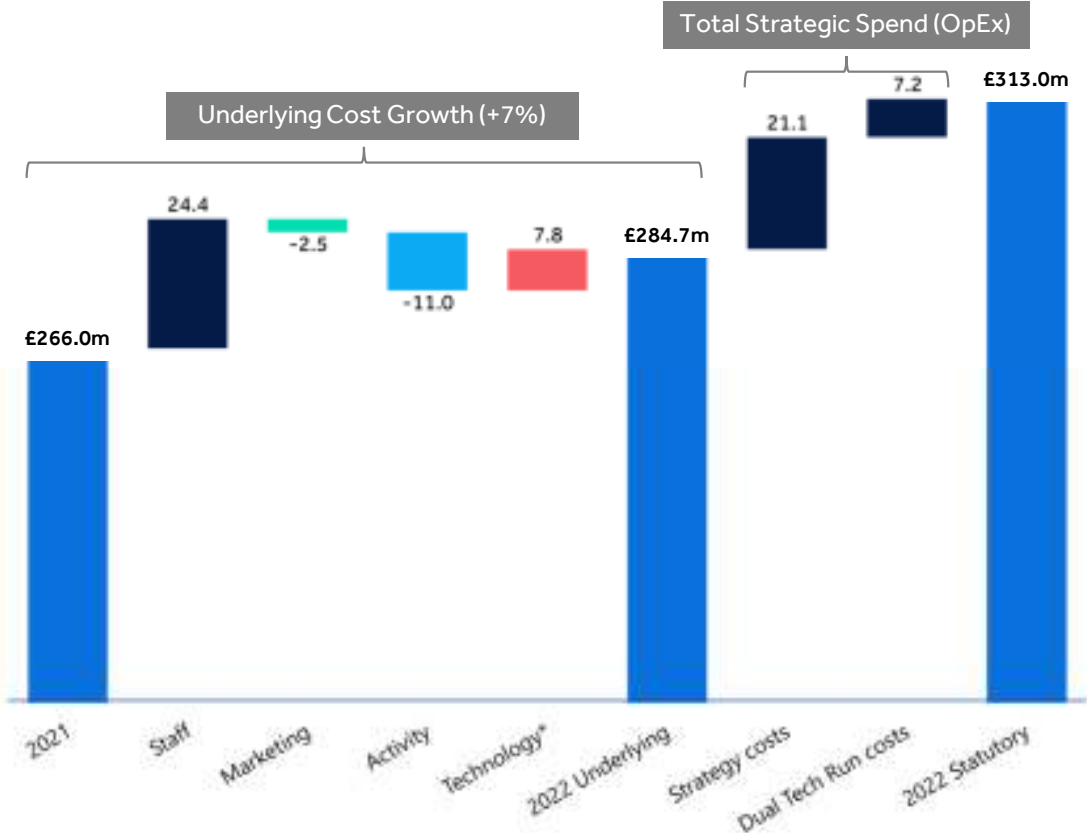


Flows by Type



- We now hold over £4.6bn assets and have 114,000 client accounts with significant growth in Q4
- One of our most recommended client journeys
- Driving growth and retention in challenging markets
- Market leading rates available (2 available as at 1<sup>st</sup> August)
- Flows come from existing cash on the platform (24%), new cash from existing clients (62%) and new clients to HL (14%)

# MODEST UNDERLYING COST GROWTH IN THE YEAR



\*Technology includes net of other costs (inc FSCS, L&P, Other) of £1.9m

- Underlying cost growth of 7%
- Staff: Average FTE up 208 to 1,984 from capability build
- Marketing: lower client acquisition volumes – particularly in H2
- Activity: lower client trading volumes
- Technology: Licence spend increase
- Total Strategic Spend: Investment programme underway

# OUR STRATEGIC INVESTMENT PROGRAMME DRIVES EFFICIENCY, SCALABILITY AND INNOVATION

GROWTH
SERVICE & EFFICIENCY
DIGITAL BACKBONE
PEOPLE & CULTURE
FOUNDATIONS

## Investment Cost

£175m – CapEx 60%, OpEx 40%

Investment in build of Augmented Advice and Investment Solutions

Partnerships for key client experience and cost saving initiatives e.g. Ecospend

Establishing cloud foundations and key partnerships for data management

Delivery of key regulatory change e.g. Consumer Duty

	CapEx	OpEx	Total
FY22	£5m	£21m	£26m
FY23	c.£40m	c.£30m	£65-£75m
FY24-26	c.£49m	c.£30m	£74-£84m
<b>Total</b>	<b>c.£94m</b>	<b>c.£81m</b>	<b>£175m</b>

## Dual Tech Running Costs

£50m

- Parallel running costs incurred across legacy and cloud technology to de-risk our strategic transformation
- FY22 Dual Running primarily represent the implementation of a Cloud Platform

Total
£7m
c.£20m
c.£23m
<b>c.£50m</b>

## Annualised Cost Savings

£55m

- Our strategic model expects £55m of annualised cost savings by FY26
- There were no cost savings expected in FY22
- C.£15m of cost savings in FY23

Total
£0m
c.£15m
c.£40m
<b>c.£55m</b>

# BALANCE SHEET STRENGTH SUPPORTS INVESTMENT AND DIVIDEND PROGRESSION

Liquidity Surplus - £ million	2021	2022
<b>Net Cash Position</b>	<b>503.5</b>	<b>508.0</b>

Capital Surplus - £ million	2021	2022
Shareholder funds	593.5	575.1
Qualifying capital	373.6	404.3
Regulatory capital requirement	(182.7)	(219.1)
<b>Capital surplus</b>	<b>190.9</b>	<b>185.2</b>

Dividend - Pence per share	2021	2022
Interim	11.9	12.3
Final	26.6	27.4
<b>Total Ordinary</b>	<b>38.5</b>	<b>39.7</b>

- Debt free balance sheet
- Strong operating cash flow generation
- Healthy capital surplus maintained
- 3% increase in ordinary dividend

# FY23 GUIDANCE

## CMD Guidance (Feb 22)

## FY23 Guidance

### REVENUE MARGIN

Blended Revenue Margin of 42-44bps in FY23

Blended Revenue Margin of 44bps to 47bps in FY23

- Fund – 38-39bps
- HL Funds – 55-60bps
- Share – 35-40bps
- Cash – 90-110bps

### UNDERLYING COST

Underlying Cost Growth from 8-9.5% from FY23

Underlying Cost Growth on lower base of 9.5%-11.5% in FY23

### TOTAL STRATEGIC SPEND

£65m of £175m strategic spend in FY23 and £20m Dual Running Costs

£65 – 75m of £175m strategic spend in FY23 and c.£20m Dual Running Costs

### DIVIDEND

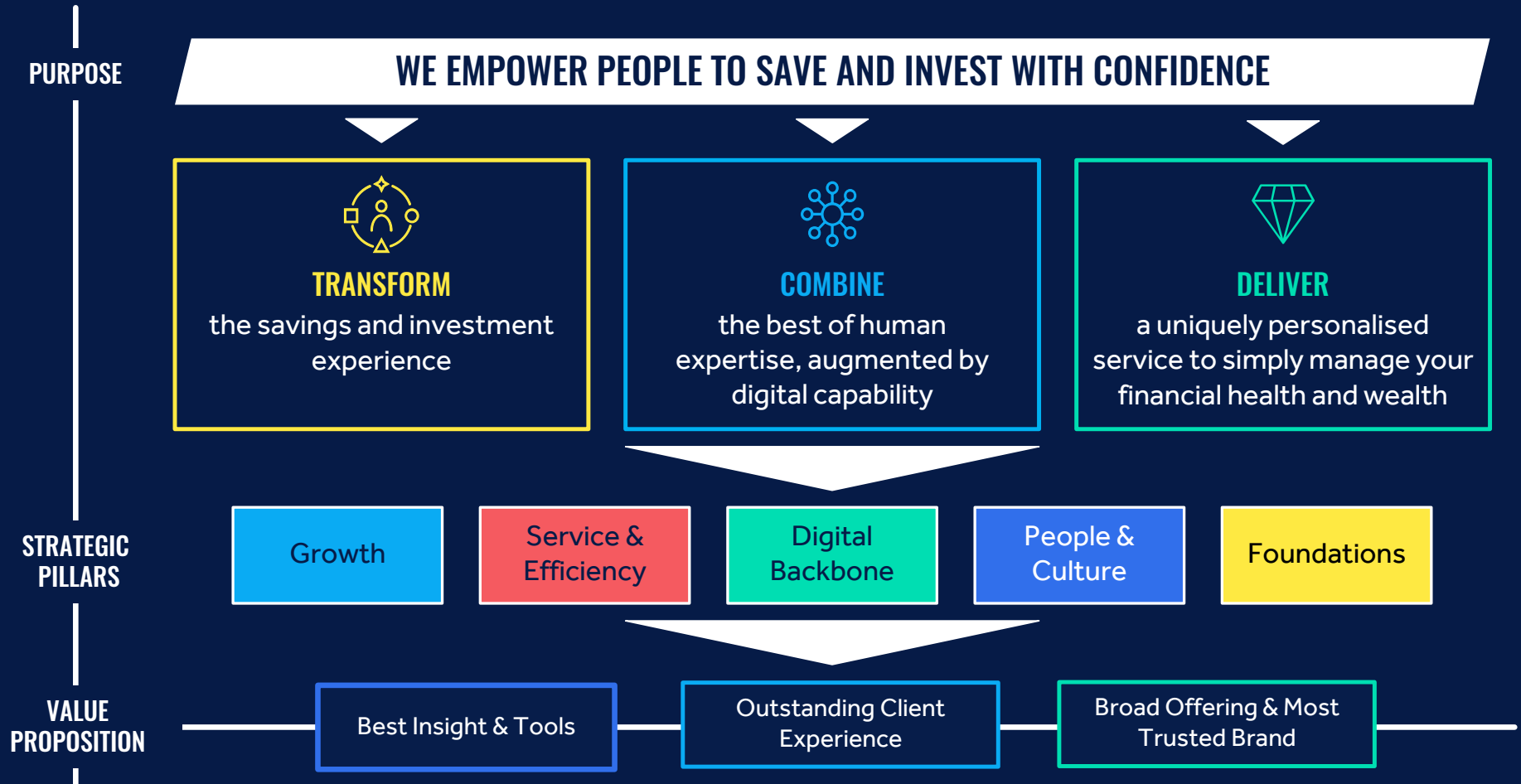
3% Ordinary Dividend Growth for FY23

3% Ordinary Dividend Growth for FY23

CHRIS HILL

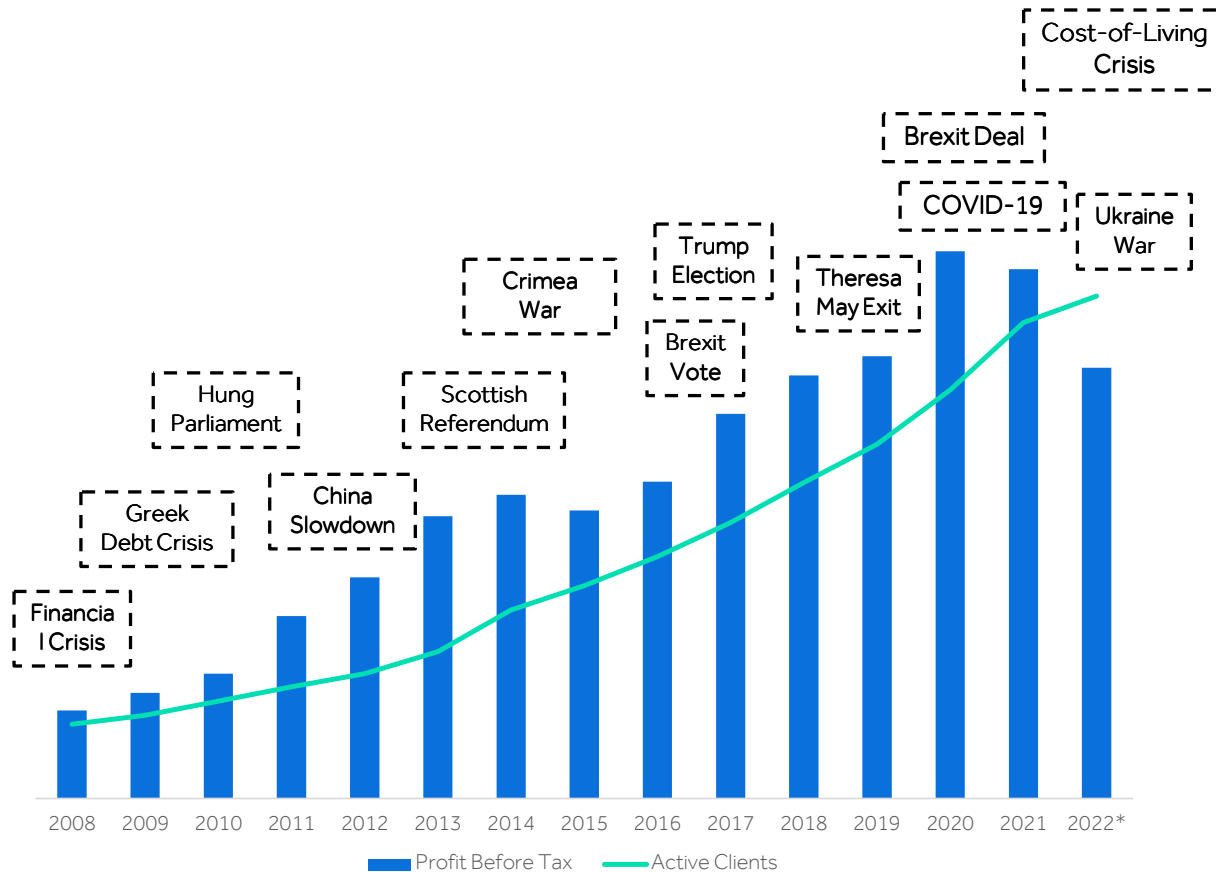
# CEO UPDATE

# EXECUTING AGAINST A £3-£4TRN MARKET OPPORTUNITY



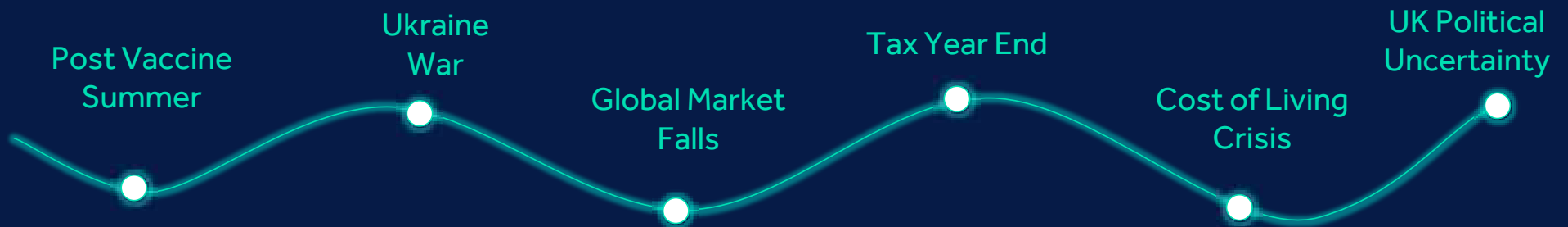


# DELIVERY THROUGH CHALLENGING CONDITIONS



- Strong track record
- Organic growth trend continues with 92,000 clients in FY22
- Market leader with industry leading margins, strong cash flow and balance sheet
- Confident in our ability to support clients through cost-of-living crisis and market uncertainty

# SUPPORTING CLIENTS THROUGHOUT 2022



Best Insight  
& Tools

Outstanding  
Client  
Experience

Broad  
Offering &  
Most Trusted  
Brand

# EMPOWERING CLIENTS TO SAVE AND INVEST WITH CONFIDENCE IN 2022

#1 D2C brand awareness<sub>1</sub> - enhanced through  
"Switch your Money On" campaign

#1 rated Investor Experience<sub>2</sub>

Over 290m digital visits and 61%  
of digitally active clients using app

100,000 listens to our  
"Switch your Money On" podcast

590,000 nudges to clients about  
diversification, cash and risk

98% YoY increase in visits to HL Learn for  
educational insights and 260k guide downloads

More than 10,000 funds and shares  
available to invest in

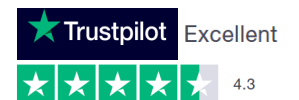
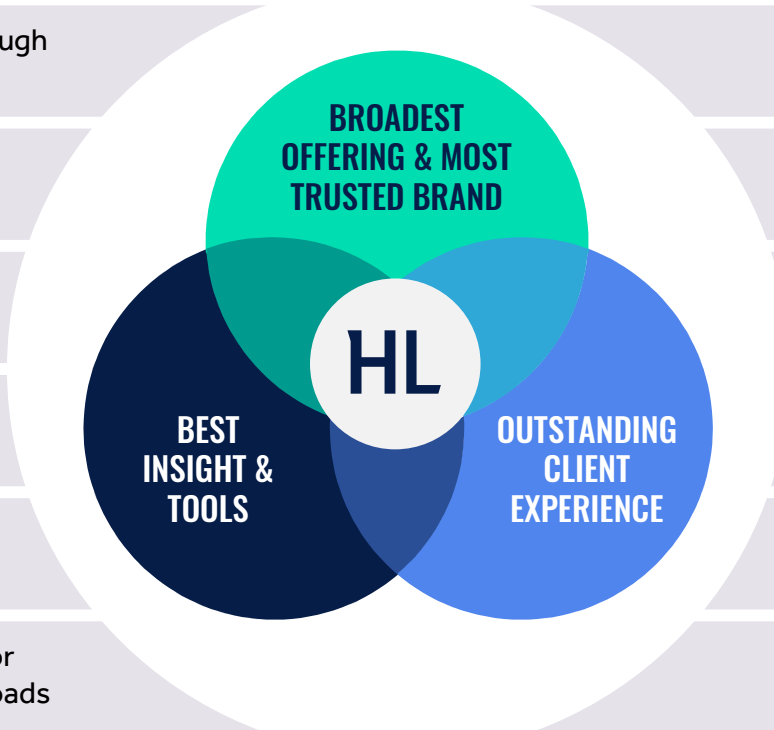
Market leading savings rates for  
over 86% of the year

Record number of clients adding to  
tax wrappers at Tax Year End

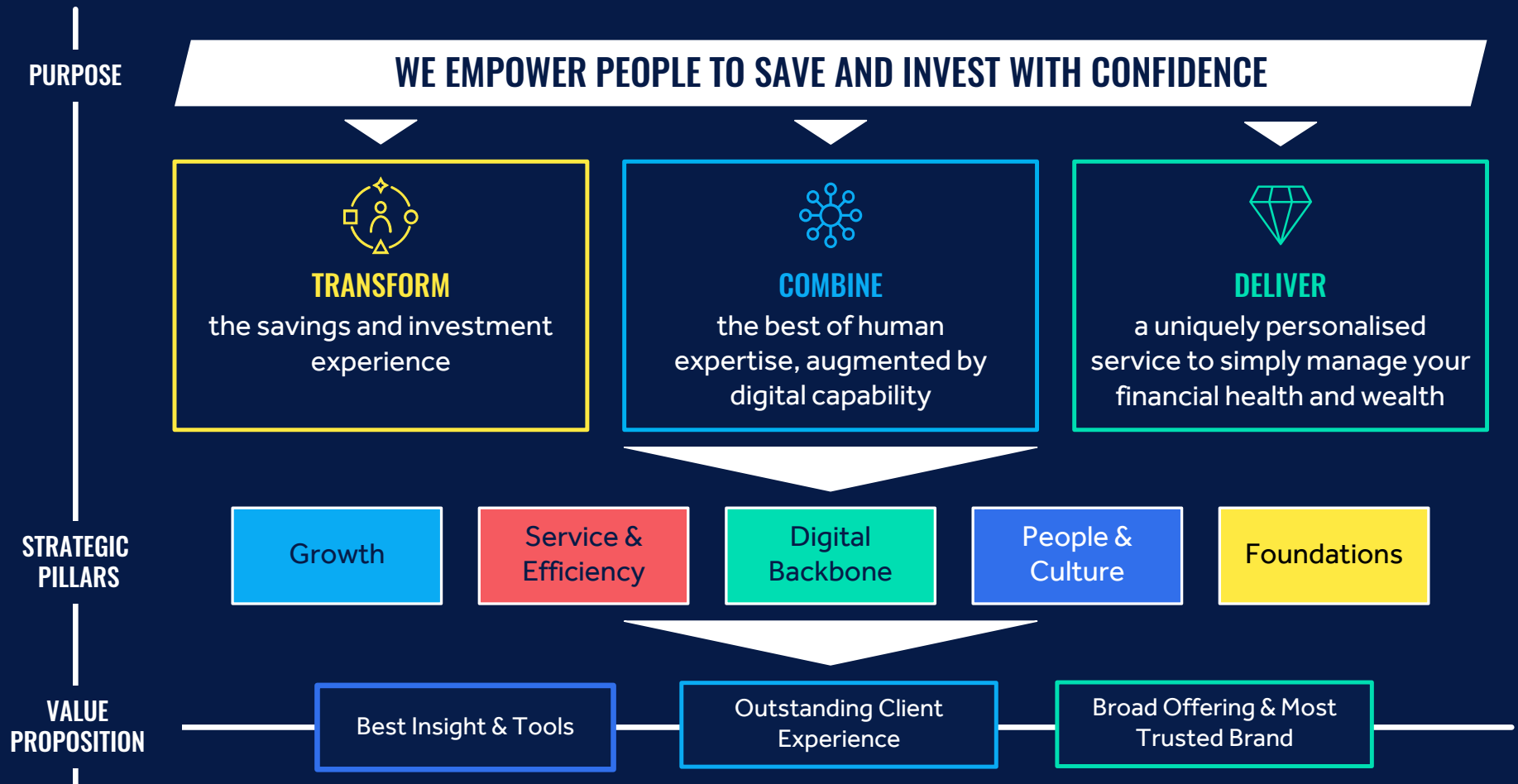
1.3m Helpdesk calls answered and 410,000  
emails to clients

1,300+ articles giving insight on investment

Average saving across  
Wealth Shortlist funds of 20.3%



# FOUNDATIONS SET AND DELIVERY UNDERWAY



# STRATEGIC DELIVERY BY PILLAR – GROWTH

## GROWTH OUTCOMES

- Establish a range of investment solutions to serve investors at all stages and experience levels
- Help clients manage cash savings in a more effective and time efficient way
- Combine the best of digital and human engagement to enhance the client experience

## 2022 DELIVERY

Launched HL Growth Fund and ETF research

Designed and built key features of Augmented Advice

Partnered with 2 new banks in Active Savings

## 2023 FOCUS

Launch new HL funds - starting with US building block in Q2\*

Launch Augmented Advice pilot at the end of H1

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

\*Subject to regulatory approval

# STRATEGIC DELIVERY BY PILLAR – SERVICE & EFFICIENCY

## SERVICE & EFFICIENCY OUTCOMES

- Enhance the quality of engagement, by delivering a hyper-personalised experience. Adding value with every interaction and increasing client service NPS
- Build for scale and speed, increasing resilience and creating a leaner operating model taking out underlying cost

### 2022 DELIVERY

Partnered with AWS to build new Cloud Service and Ecospend to adopt open banking capabilities

Launched new Retail Offer Service

Increased productivity across service including 8% reduction in FTE and 60% faster transfers

### 2023 FOCUS

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

Launch open banking payments across key journeys creating efficiency and reducing costs

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

# STRATEGIC DELIVERY BY PILLAR – DIGITAL BACKBONE

## DIGITAL BACKBONE OUTCOMES

- Enable cost efficient scale through off the shelf innovation through cloud and platform
- Realise the value of our unparalleled data insight
- Evolve our digital foundations enabling innovation and change at pace

### 2022 DELIVERY

Partnered with industry leading vendors to build out identity and personalisation

Implemented data foundations for future AI driven guidance

Launched design system for consistent accessibility and UX across products

### 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

# STRATEGIC DELIVERY BY PILLAR – PEOPLE & CULTURE

## PEOPLE OUTCOMES

- Evolve HL culture to deliver the next generation of wealth management at pace
- Build the environment to develop and enhance colleague performance retaining and attracting the right mix of talent

### 2022 DELIVERY

Key hires in Advice, Fund Management and Technology

Established hybrid working model

'Breathing space' payment to support colleagues with cost-of-living crisis

### 2023 FOCUS

Continue journey to adopt product-led ways of working

Driving efficiencies through operating model changes, governance and controls accountabilities

Develop, engage and empower colleagues in a changing environment



# STRATEGIC DELIVERY BY PILLAR – FOUNDATIONS

## FOUNDATIONS OUTCOMES

- Enhance our key systems and processes to deliver resilient service at scale
- Build capability in our enabling functions to support our strategic delivery

### 2022 DELIVERY

Enhanced capability in our Risk & Compliance teams

Driven operational resilience improvements

Delivered initiatives to build scalability such as upgraded Banking and Drawdown systems

### 2023 FOCUS

Execute key regulatory change e.g. Consumer Duty

Continue to update key systems to enhance our operational resilience and scalability

Further develop enabling functions to support agile ways of working

# MEASURING PROGRESS ON STRATEGIC DELIVERY METRICS



# OUTLOOK

<b>SHORT TERM</b>	We expect continued impact of economic and geopolitical turbulence; focused on what we <b>can</b> control	<b>FY23</b> Specific guidance given
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<b>MEDIUM TERM</b>	Confident in our strategy, the market opportunity and our ability to deliver	Positive Operating JAWs NNB of £20bn <b>Timing dependent on markets and investor confidence</b>
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Broad Addressable Market



Increased Client Retention & Satisfaction



AUA Growth



Operating Leverage



Sustainable Earnings Growth