

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



Hargreaves Lansdown

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%)
Underlying profit before tax ¹	163.5	188.4	(13%)
Underlying EPS ¹	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

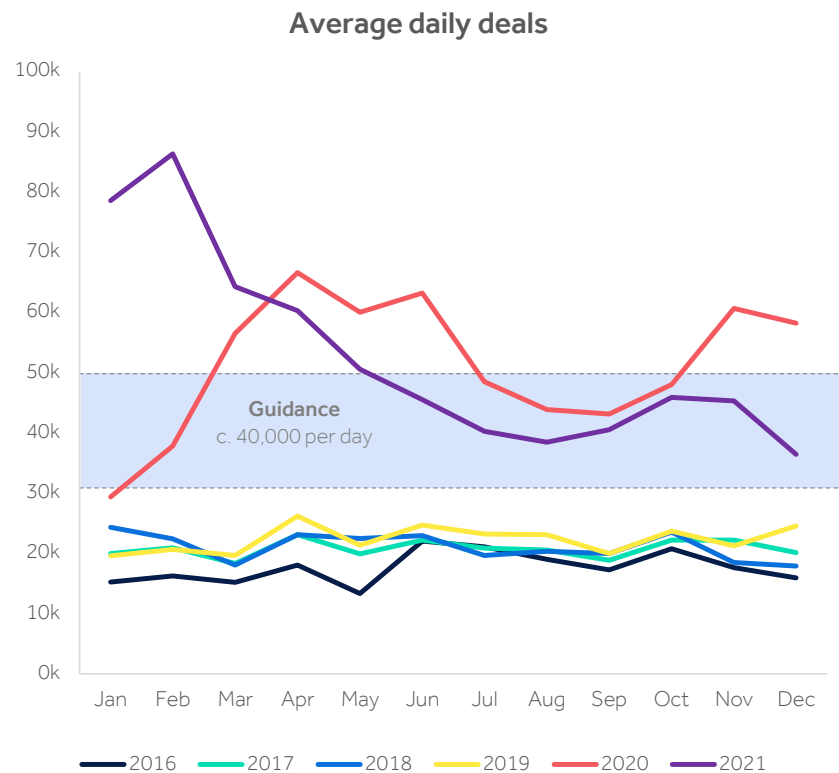
Asset class	H1 2022 revenue £ million	H1 2021 revenue £ million	+/-	H1 2022 average AUA £ billion	H1 2021 average AUA £ billion	+/-	H1 2022 margin bps	H1 2021 margin bps	31 Dec 21 closing AUA £ billion
Funds	133.2	109.7	21%	68.1	54.2	26%	39	40	69.0
Shares	101.8	113.2	(10%)	54.5	39.9	37%	37	56	55.2
Cash	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 ⁽¹⁾	13.4	14.4	(7%)	3.5	2.5	40%			3.8
Double-count ⁽²⁾				(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

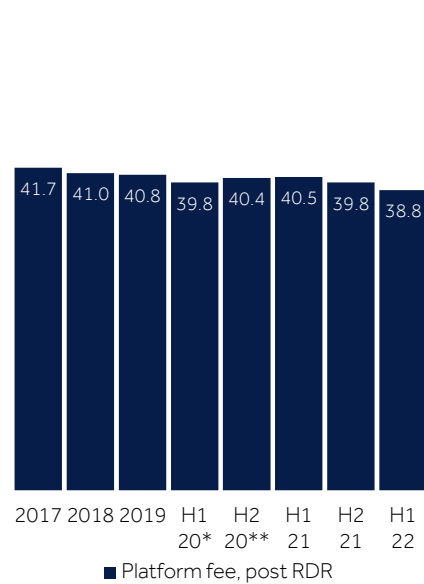
Rebased to higher level across the pandemic



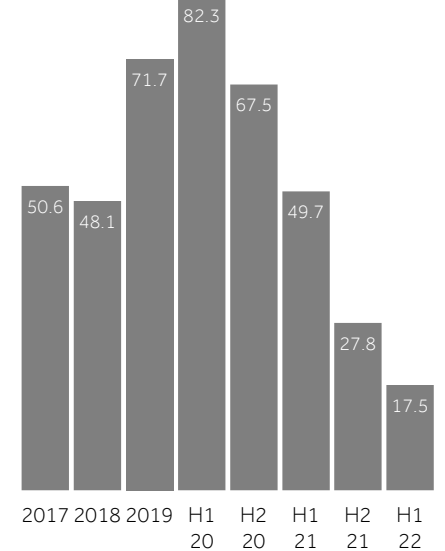
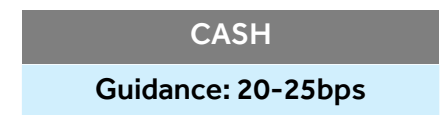
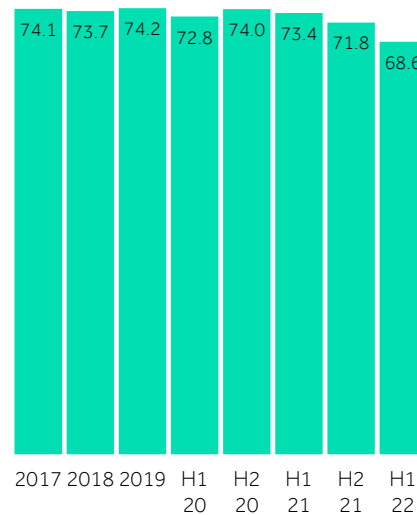
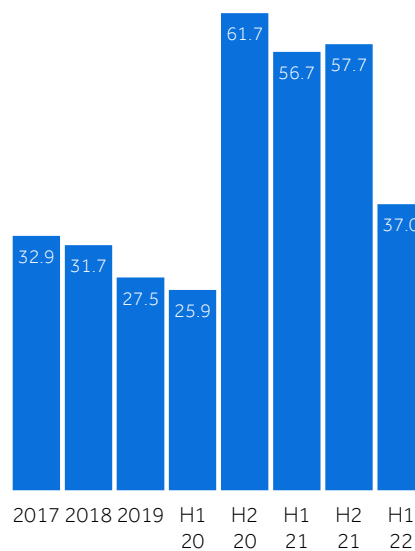
- Dealing volumes doubled across the pandemic
- Volumes settled down at guided levels of roughly 40k per day
- Relative lack of recent market volatility this period
 - Limited number of high volume 'spike' days
 - Reduced overseas dealing as proportion of overall volumes
- Average Shares AUA rose across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

REVENUE MARGINS

Margins all in line with previous guidance



*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 ¹	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)	
Profit before tax	151.2	188.4	(20%)
Tax	(29.2)	(36.4)	
Profit after tax	122.0	152.0	(20%)
Diluted share count (m)	474.5	474.5	
Diluted EPS (p)	25.7	32.1	(20%)

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)	
Underlying profit before tax	163.5	188.4	(13%)
Tax	(31.6)	(36.4)	
Profit after tax	131.9	152.0	(13%)
Diluted share count (m)	474.5	474.5	
Underlying diluted EPS (p)	27.8	32.1	(13%)

DIVIDENDS

Progressive ordinary dividend to grow by 3%

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