

FY24 RESULTS

HARGREAVES
LANSDOWN



Introduction

AGENDA

1. Summary of takeover offer and timetable
2. FY24 progress
3. Financial performance
4. Findings from our business wide review and our Strategy



Dan Olley

Chief Executive Officer



Amy Stirling

Chief Financial Officer

Summary of the offer and timetable

Summary of the offer and timeline

OFFER SUMMARY

- Firm and final¹ cash offer of 1,140p per share from the Consortium², the price at which the Independent Board had previously said they would be willing to recommend the offer.
- Comprised of:
 - cash consideration of 1,110p per share; and
 - a dividend of 30p per share in respect of FY24
- As an alternative to the Cash Offer, the Consortium is also offering eligible shareholders an Alternative Offer - the ability to elect for an unlisted equity rollover alternative in respect of some or all of their shares, on the terms set out in the announcement
 - Eligible shareholders will be able to elect for the Alternative Offer in relation to some or all of their holding of HL shares.
- Acquisition to be implemented by way of a Court-sanctioned scheme of arrangement
- The Independent Directors intend to unanimously recommend the Cash Offer to shareholders

TIMELINE OF KEY EVENTS

KEY EVENTS	DATE
Publication of Scheme document	Within 28 days of announcement (or such later date as the parties and Takeover Panel agree)
Shareholder Meetings	As soon as reasonably practicable after the Scheme Document is published
Expected completion	Q1 2025 (subject to the satisfaction of certain conditions)

1. The financial terms of the Cash Offer and the Alternative Offer are final and will not be increased or improved, except that Bidco reserves the right to increase and improve the financial terms of the Offer if there is an announcement of an offer or a possible offer for HL by a third party offeror or potential offeror.

2. a newly formed company to be indirectly owned by CVC Private Equity Funds, Nordic Capital XI Delta, SCSp (acting through its general partner, Nordic Capital XI Delta GP SARL) and Platinum Ivy B 2018 RSC Limited

FY24 Progress

My key areas of focus for my first year at HL

Thoroughly reviewed all areas of the business and set up for success going forward



Align organisation behind a **clear set of initial priorities** to improve short term focus and execution.



Assess **executive leadership team** and strengthen where required.



Revisit and **refresh strategy** around a clear purpose for the business.



In parallel, undertake a **business wide review** of the direction of the Group, its overall performance and client value proposition.



Review and refine detailed **financial and operating plans** to set core priorities & targets for the medium term.

We have made strong progress against our initial priorities



Delight clients, drive growth

- ✓ Returned our **Service standards** to the levels we and our clients expect
- ✓ **Extended proposition** for low confidence clients (Ready Made & Passives funds) and in Active Savings launched UK only multi-bank cash ISA
- ✓ New “**Easy Bank Transfer**” option and new ‘**News section**’ launched
- ✓ Reviewed **marketing** effectiveness



Save to Invest

- ✓ Leveraged **Robotic Process Automation (RPA)** across first processes
- ✓ Launched **automation tools** such as Salesforce and Amazon connect
- ✓ Reviewed **3rd Party Spend** (Consultants, Contractors, Software etc.)



Increase pace

- ✓ Increased focus and alignment through **OKR pilot** (Start less; Finish more)
- ✓ Created **clear commercial owners and Lines of Business**
- ✓ Pilot **new change operating model** to accelerate change delivery
- ✓ Introduced **data led performance reporting**



Focus on our people

- ✓ Realigned and strengthened **Executive Leadership team**
- ✓ Formed and engaged **Senior Leadership team** (ELT – 1)
- ✓ Reset **performance expectations**

FY24 summary



Resilient financial results



Strong inflows, especially in H2, partially offset by clearly understood outflows:

- NNB H1: £1.0bn H2: £3.2bn



Pace increasing, tangible progress made against four initial priorities



Business-wide review completed, progress already being made against findings

£155.3bn

AUA
+16%

78k

Net New Clients
+15%

£4.2bn

NNB
-12%

£764.9m

Revenue
+4%

£456.0m

Underlying PBT
+4%

43.2p

Dividend
+4%

FY24

Financial performance

FY24 Financial performance

£ MILLION	FY24	FY23	+ / -
Revenue	764.9	735.1	4%
Underlying Operating Costs	(338.5)	(314.6)	8%
Finance Income	29.6	18.3	
Underlying profit before tax¹	456.0	438.8	4%
- Strategic Investment Cost	(39.9)	(36.1)	
- Intangible Impairment	(14.4)	-	
- Restructuring Cost	(5.4)	-	
Statutory profit before tax	396.3	402.7	(2%)
- Tax	(103.1)	(79.0)	
Statutory profit after tax	293.2	323.7	(9%)
Statutory Diluted EPS	61.7p	68.2p	(10%)
Total Ordinary Dividend per share	43.2p	41.5p	4%

- Revenue growth driven by AUA uplift and increased share dealing volumes
- Underlying Cost growth; H1 10.5%, H2 reduced to 5%
- Impairment as at half year and Restructuring costs reflect leadership refresh
- Corporation Tax increase from 19% to 25% in April 23 so full year impact in FY24
- EPS reduction results from the full year impact of tax rate change (c. 5.2p impact)
- 4% full year dividend increase proposed, in line with Guidance

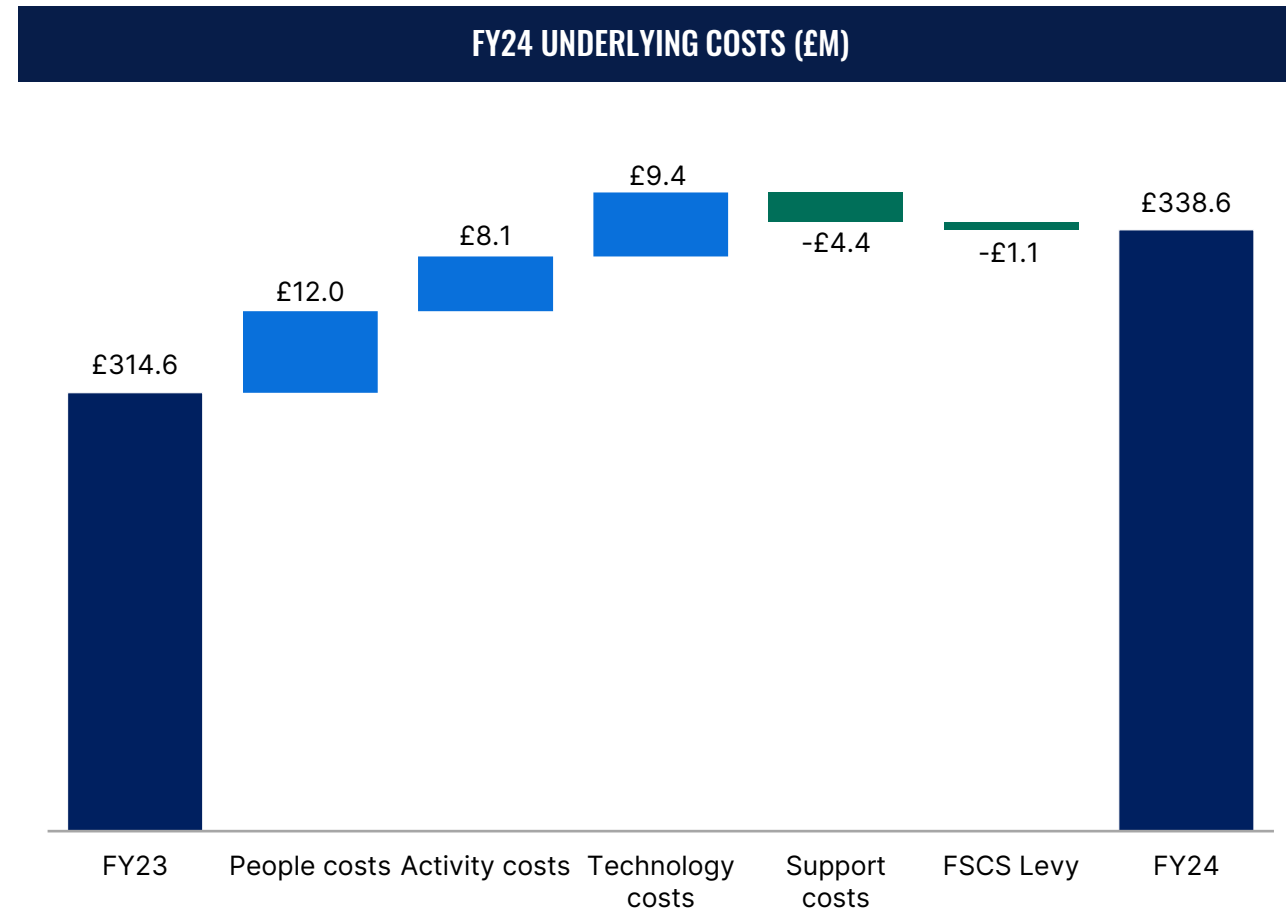
1. Underlying profit before tax and underlying diluted earnings per share are alternative performance measures which exclude the impact of strategic investment and related spend of £59.7m (FY23: £36.1m) in the period.

Revenue growth driven by AUA uplift and higher trading volume

ASSET CLASS	REVENUE (£ MILLION)			AVERAGE AUA (£ BILLION)			REVENUE MARGIN (BPS)	
	FY24	FY23	+/-	FY24	FY23	+/-	FY24	FY23
Funds	249.3	236.4	5%	65.4	60.7	8%	38	39
Shares	165.7	147.7	12%	55.4	48.8	14%	30	30
HL Funds	53.2	54.3	(2%)	9.3	8.4	11%	57	65
Cash	260.7	268.7	(3%)	12.4	14.0	(11%)	210	192
Active Savings	19.9	8.7	129%	9.3	6.4	45%	21	14
Total (1)	764.9	735.1	4%	142.6	130.0	10%	54	56

- AUA growth from positive market movement (£17.1bn) and NNB (£4.2bn)
- Funds margin absorbs full year price impact from JISA and LISA changes in Q3 FY23
- H2 average daily dealing volumes up 23% on H1 at 38,000
- HL funds margin compression from new lower cost passive funds launch and growth of workplace fund
- Lower client cash held in Investment Accounts offsets NIM increase
- Active Savings revenue more than **doubled** through AUA growth and margin improvement

Underlying costs in line with guidance



- Underlying costs increased 8% yoy: H1 increase 10.4%, H2 increase 5%
- **People:** wage inflation and investment in our Helpdesk and Operations teams, offset by reduction in contractor costs
- **Activity:** growth in trade volumes and overseas average trade values, partially offset by Pay by Bank
- **Technology:** reflecting Cloud migration, adoption of Salesforce and inflation
- **Support:** prior year VAT recovery and dilapidations one off
- **FSCS Levy:** credit in H1, and regulator revising down costs

Strategic Investment Spend

£ MILLION	To FY23	FY24	To FY24
Strategic Investment Opex	64.4	39.9	104.3
Strategic Investment Capex ⁽¹⁾	19.9	4.3	24.2
Strategic spend	84.3	44.2	128.5
Restructuring Costs		5.4	5.4

(1) Included in the strategic investment capex is £9.2m that was subsequently impaired in FY24.

- Unchanged Strategic Spend envelope (£225m = £175m + £50m dual running)
- Now expect to complete certain programmes during FY27, remaining ~£97m phased over FY25 & FY26 with tail in FY27
- On-going delivery across client experience, business automation and transaction processing and Infrastructure
- New programmes underway in FY24: Bereavements process redesign, Data centre migration to the Cloud, strategic solution for Workplace to enable growth
- Impairment of £14.4m taken at Interims (includes £9.2m Strategic Investment Capex and £5.2m pre FY22 spend)
- Restructuring costs: leadership change costs taken below the line

Balance sheet and Capital Return

LIQUIDITY - £ MILLION	FY24	FY23	+/-
Net Cash Position	636.6	503.3	26%
CAPITAL - £ MILLION	FY24	FY23	+/-
Shareholder funds	815.1	709.7	15%
Qualifying capital	631.0	518.4	22%
Minimum regulatory capital ¹	282.2	248.3	14%
DIVIDEND – PENCE PER SHARE	FY24	FY23	+/-
Interim Ordinary	13.2	12.7	4%
Final Ordinary	30.0	28.8	4%
Total Dividend	43.2	41.5	4%

- Net cash increase; £345.5m cash generated from operating activities and £199.2m dividend payments
- Qualifying capital adjusts for Intangibles and final ordinary dividend
- Increase in regulatory capital requirement driven by AUA growth inc. Active Savings and self-assessment of risk
- (1) Minimum regulatory capital is stated before management buffer
- Total Ordinary Dividend proposed of 43.2p; 4% growth as guided

Findings from Business wide review and Our Strategy

FY24 business wide review identified clear opportunities

Review confirmed both the fundamental strengths of the business and the initial observations on opportunities.



Work is already well underway through the initial priorities, with further findings built into the refreshed strategic plan.

A reminder of our strategy – addressing the review findings

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
(EASE OF USE)

Combine the best of colleague and digital capability
(TRUST)

Leverage economies of scale to drive client value
(VALUE)

Responsible and resilient business

Great People, Great Culture

How will we measure success



Client retention and satisfaction



AUA growth



Operating leverage



Sustainable operating margins



Colleague engagement

Summary



We have made considerable progress over the last 12 months



The business wide review shows the job to be done, which is aligned with the strategy presented at interims



Reigniting our **growth rate**, requires a **combination of reversing the asset retention trends and attracting new clients** from our target segments, **while decoupling cost growth from client growth, through automation and simplification**



Significant **transformation and investment** required which will touch most parts of the business, with delivery unlikely to be linear



Over the medium to longer term the **opportunity is clear**, and as we execute we will aspire to **deliver attractive growth**

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