



# Hargreaves Lansdown PLC

Unaudited preliminary results for the  
year ended 30 June 2008

# Forward-looking statements

These presentation slides contain forward-looking statements and forecasts with respect to the financial condition and the results of Hargreaves Lansdown PLC.

These statements are forecasts involving risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future.

There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this presentation should be construed as a profit forecast.

Nothing in this presentation should be seen as a promotion or solicitation to buy HL Plc shares. It should be remembered that the value of shares can fall as well as rise and therefore you could get back less than you invested.

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# 2008 Highlights

*“Strong performance in a challenging year”*

	Year ended 30 June 2008	Year ended 30 June 2007	Increase
Total operating income	£120.3m	£98.8m	22%
Underlying operating profit	£57.8m	£40.7m	42%
Underlying earnings per share	9.0p	6.4p	41%
Underlying operating margin	48%	41%	+ 7pts
Assets under administration	£11.1bn	£10.2bn	9%

• Total ordinary dividend of 5.485p and special dividend of 2.324p



# Assets under administration and management

# Assets under administration



	Year ended 30 June 2008 £'bn	Year ended 30 June 2007 £'bn	Increase
<b>Assets under administration (AUA)</b>			
Vantage	10.0	9.1	
Other	0.2	0.2	
<b>AUA Total</b>	<b>10.2</b>	<b>9.3</b>	<b>10%</b>
<b>Assets under management (AUM)</b>			
Portfolio Management Service (PMS)	0.9	0.8	
Multi-manager funds excluding PMS	0.4	0.5	
<b>AUM Total</b>	<b>1.4</b>	<b>1.3</b>	<b>8%</b>
<b>Less: Multi-manager funds in Vantage</b>	<b>(0.4)</b>	<b>(0.5)</b>	
<b>Total assets under administration</b>	<b>11.1</b>	<b>10.2</b>	<b>9%</b>

# Analysis of Asset Growth



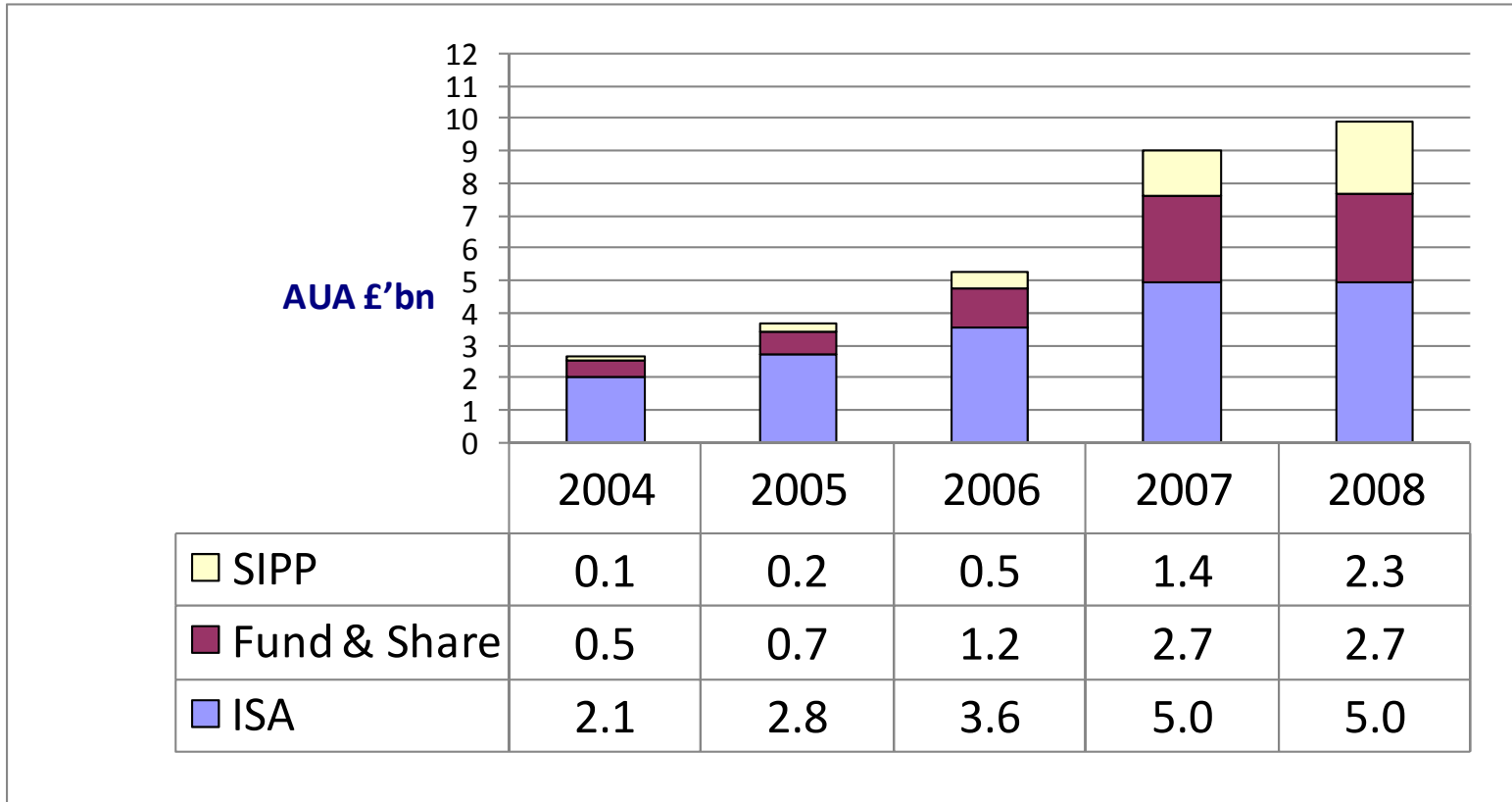
YE 30 June 2008	ISA £'bn	SIPP £'bn	F&S £'bn	Rounding	Vantage £'bn
Opening AUA	5.0	1.4	2.7		9.1
Net new business	0.8	1.1	0.5	(0.1)	2.3
Market movements	(0.8)	(0.2)	(0.5)		(1.5)
Other				0.1	0.1
<b>Closing AUA</b>	<b>5.0</b>	<b>2.3</b>	<b>2.7</b>		<b>10.0</b>

YE 30 June 2007	ISA £'bn	SIPP £'bn	F&S £'bn		Vantage £'bn
Opening AUA	3.7	0.5	1.2		5.4
Net new business	0.8	0.8	0.5		2.1
Market movements	0.5	0.1	0.2		0.8
HL Shares			0.8		0.8
<b>Closing AUA</b>	<b>5.0</b>	<b>1.4</b>	<b>2.7</b>		<b>9.1</b>

# Vantage AUA by tax wrapper



*73% of Vantage AUA in tax wrappers (2007: 70%)*

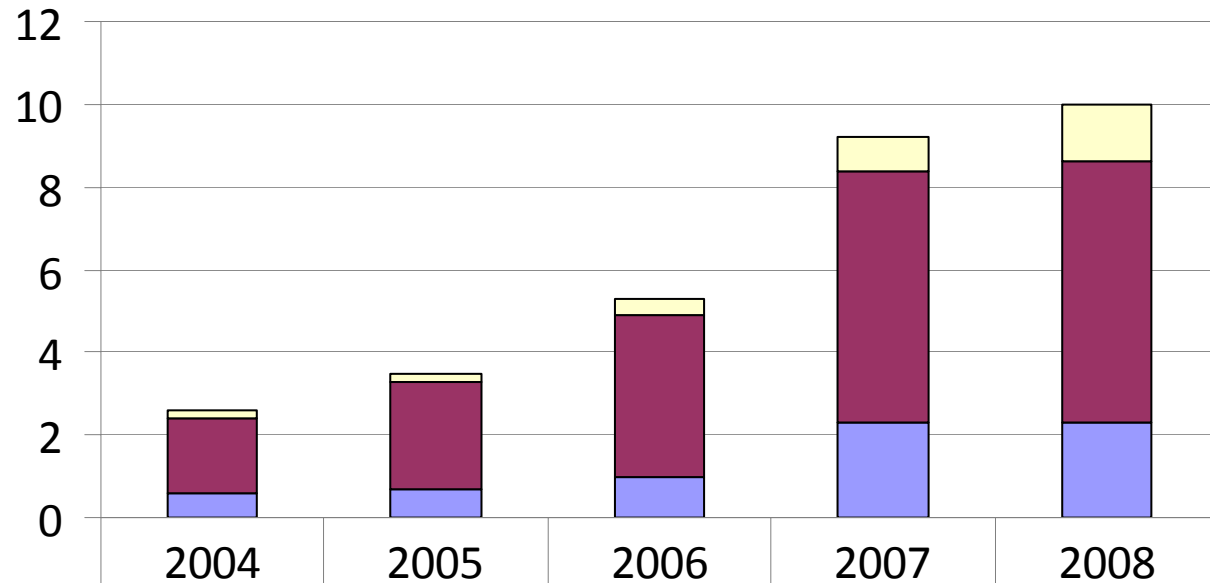




# Vantage AUA by asset class



AUA £'bn



■ Cash	0.2	0.2	0.4	0.8	1.4
■ Funds	1.8	2.6	3.9	6.1	6.3
■ Equities	0.6	0.7	1	2.3	2.3



# Discretionary - AUM

Portfolio Management Service	30 June 2008	30 June 2007	Increase
Portfolio Management Service	£929m	£784m	18%
Multi-manager excl. PMS	£443m	£484m	-8%
Total AUM	£1,372m	£1,268m	
PMS assets in HL multi-manager	£588m	£516m	14%
% PMS in HL multi-manager	63%	66%	-3 pts
Number of PMS clients	8,763	6,443	36%
Average client value	£106.0k	£121.8k	-13%



# Financial results



# Income statement

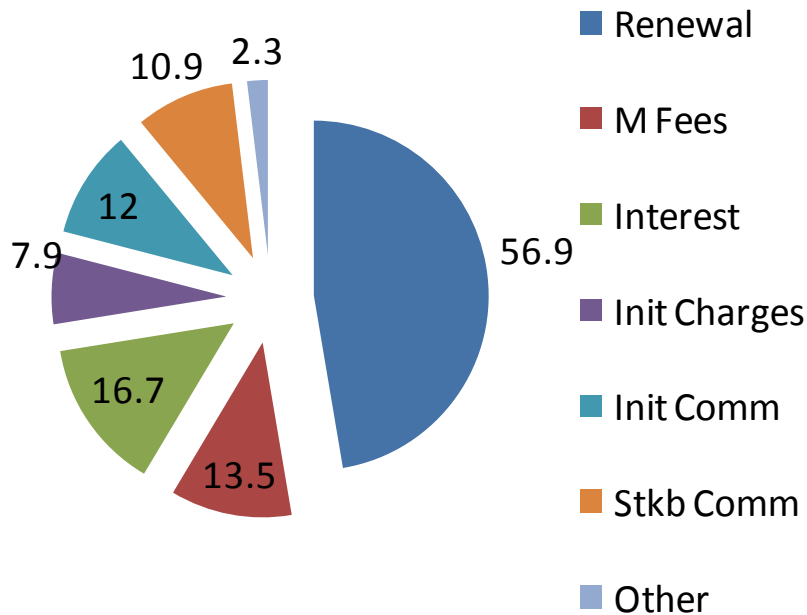
	Year ended 30 June	2008 £'m	2007 £'m
Revenue		120.3	98.8
Underlying administrative expenses		(62.6)	(58.1)
<b>Operating profit before exceptional administrative expenses</b>		<b>57.8</b>	<b>40.7</b>
Exceptional administrative expenses		-	(29.6)
Operating profit		57.8	11.0
Non operating income – investment revenue and other gains		3.2	13.4
Profit before taxation		60.9	24.4
Taxation		(18.5)	(7.4)
Profit after taxation		42.4	17.0



# Revenue by type

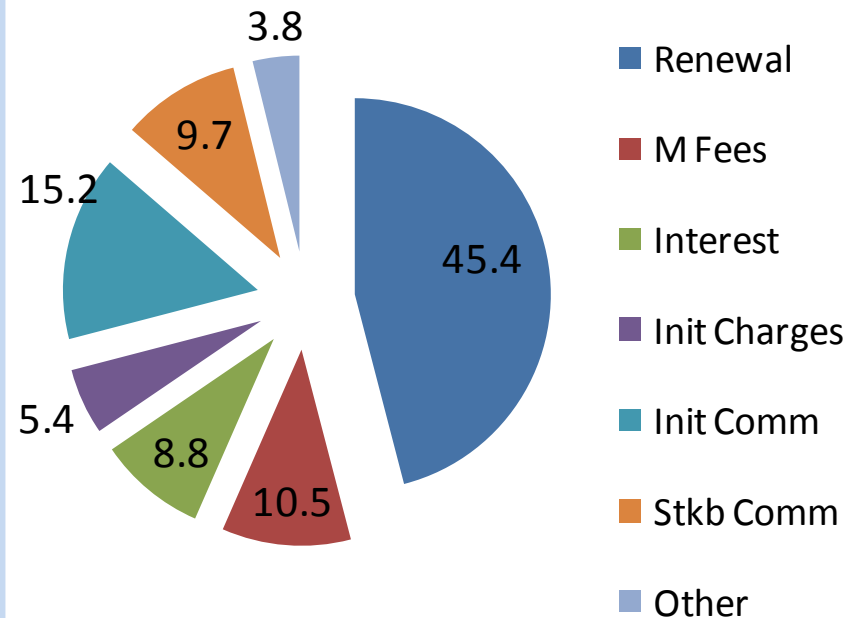
## Year ended 30 June 2008

Revenue £'million



## Year ended 30 June 2007

Revenue £'million



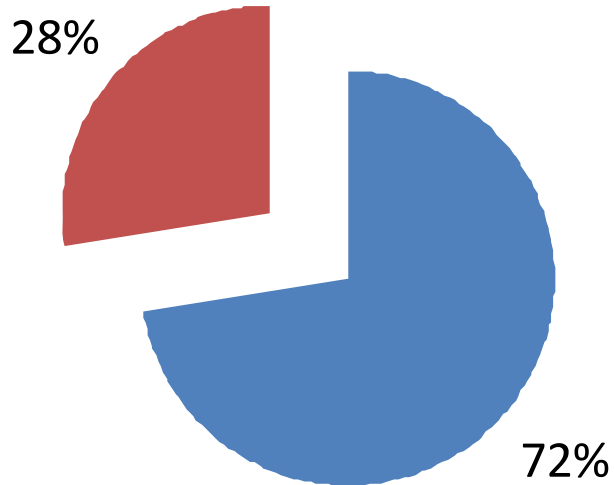
# Continued growth in “recurring” revenues



Year ended 30 June 2008

Revenue £'million

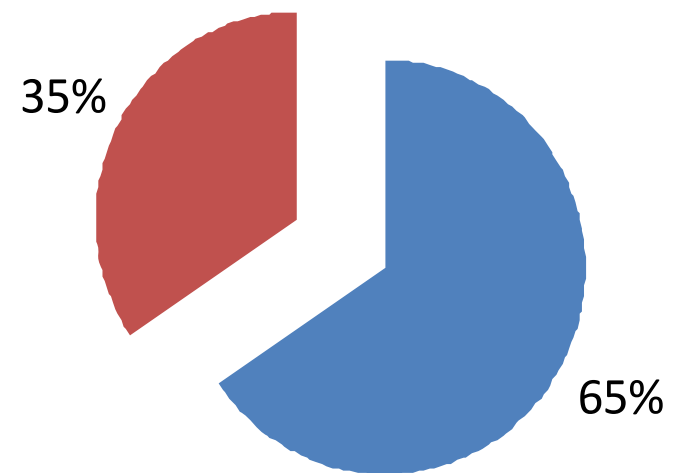
■ Recurring ■ Non Recurring



Year ended 30 June 2007

Revenue £'million

■ Recurring ■ Non Recurring

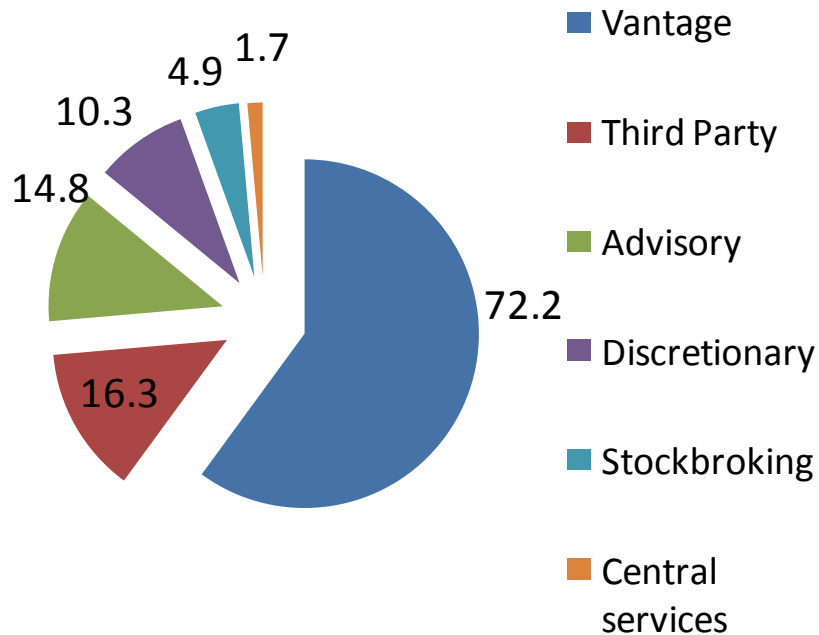




# Revenue by division

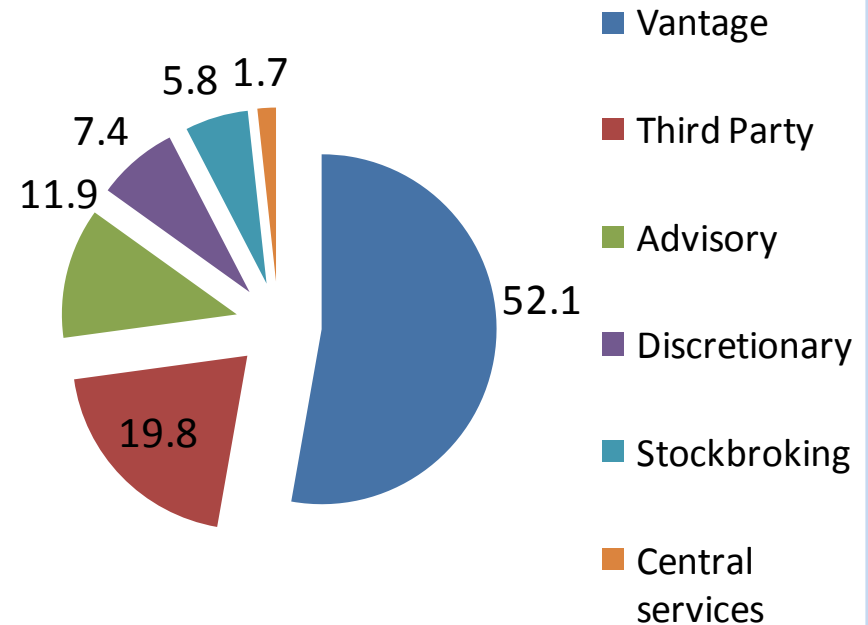
## Year ended 30 June 2008

### Revenue £'million



## Year ended 30 June 2007

### Revenue £'million



# Divisional highlights



Vantage	Net inflows maintained in challenging conditions
Discretionary	Fund performance suffered
Advisory	Inflows increased, strong client growth
Third Party Corporate solutions	Shift in focus to Group SIPP
Third Party Personal L&P	Annuity business has performed well
Stockbroking	Continued shift to Vantage and online





# Administrative costs

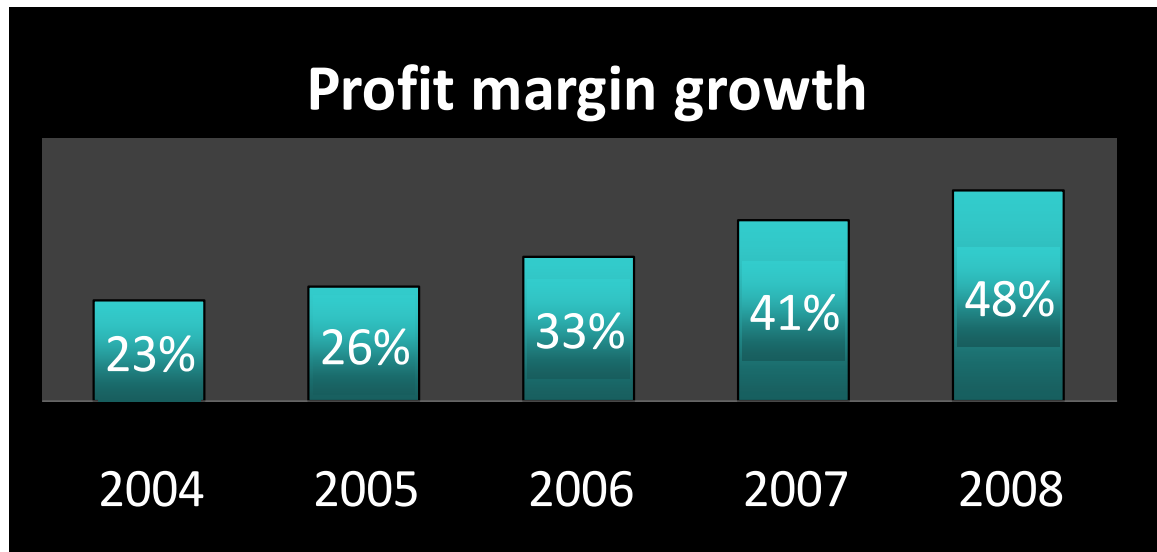
*Administrative costs under control*

Year ended 30 June	2008 £'m	2007 £'m	Increase
Staff costs	36.5	34.5	6%
Commission payable	10.2	9.3	10%
Marketing spend	6.2	5.8	7%
Depreciation, amortisation and financial costs	1.4	0.8	75%
Other administration costs and overheads	8.3	7.7	8%
<b>Total administrative expenses</b>	<b>62.6</b>	<b>58.1</b>	<b>8%</b>
<b>Exceptional administrative expenses</b>	<b>-</b>	<b>29.6</b>	



# Increasing profit margin

- HL business model is scaleable
- Revenue depends on asset values, not activity
- Margins vary across divisions



# Margin mix across divisions (2007)

above average



Above Average	Margin
3P Investments	70% - 80%
Discretionary	60% - 70%
Vantage (excl. SIPP)	50% - 60%

41.0%



below average

Below Average	Margin
Stockbroking	20% - 30%
3P Corporate	20% - 30%
Vantage SIPP	10% - 20%
Advisory	10% - 20%
3P Personal L&P	0% - 10%

# Margin mix across divisions (2008)



above average



48.0%



below average

	Above Average	Margin
➡	3P Investments	70% - 80%
⬆	Discretionary	70% - 80%
➡	Vantage (excl. SIPP)	50% - 60%
⬆	Stockbroking	50% - 60%

	Average	Margin
⬆	Vantage SIPP	40% - 50%

	Below Average	Margin
➡	Advisory	10% - 20%
⬆	3P Corporate	10% - 20%
➡	3P Personal L&P	0% - 10%

# Simplified Cash flow statement



Year ended 30 June 2008	HL Cash £'m	Client Settlement £'m	Total
<b>Cash brought forward</b>	<b>33</b>	<b>15</b>	<b>48</b>
Profit after tax	42		42
Depreciation	1		1
Tax charged less tax paid	11		11
Purchase own shares	(3)		(3)
Sale of own shares	1		1
Dividend	(14)		(14)
Capital	(1)		(1)
(Increase) in trade debtors	(6)	(19)	(25)
Increase in trade creditors	1	7	8
Increase in funding	(1)	1	0
<b>Cash carried forward</b>	<b>64</b>	<b>4</b>	<b>68</b>

## Cash flow...

- Client settlement cash not really indicative of Group cash flow
- Low cap ex requirement
- Low working cap requirement
- Profit readily converts to cash
- High dividend capacity
- Office move likely to require cash in the region of £10m in 2010.

# Summary balance sheet



As at 30 June	2008 £'000	2007 £'000
Non current assets	7,119	8,641
Current assets	146,010	100,794
<b>Total assets</b>	<b>153,129</b>	<b>109,435</b>
Current liabilities	82,374	64,130
Non current liabilities	444	810
<b>Total liabilities</b>	<b>82,818</b>	<b>64,940</b>
<b>Net assets</b>	<b>70,311</b>	<b>44,495</b>
Equity		
Retained earnings	59,255	31,018
Other	11,056	13,477
<b>Total</b>	<b>70,311</b>	<b>44,495</b>

- Non asset and capital intensive balance sheet
- High returns on equity
- £68.2m (2007: £48.1m) cash includes
  - £3.8m (2007: £15.2m) client settlement balances
  - £10.9m (2007: £12.4m) of restricted cash held within the EBT
  - £53.5m (2007: £20.6m) unrestricted cash
- Ordinary dividend for the year 5.485p
- Special dividend for the year 2.324p



# Outlook and strategy



# Administrative Strategy

- Focus on service
- Continuous improvements to platform and infrastructure
- Encourage online take-up and range of services
- Maintain tight cost control
- Re-location of staff into a single location





# Marketing strategy

- Maintain dialogue
- Target new clients
- Flexibility, responsiveness and opportunism
- Maintain and improve profile
- Improved data capture and data mining



# Key Opportunities

- Protected rights monies
- Transfers into Vantage
- Life company assets
- Annuities market
- AUA for acquisition



# Conclusions



# Conclusions

- ✔ Resilient business
- ✔ HL is well positioned in the market
- ✔ Volatility will impact profit growth
- ✔ ...but long term prospects remain very positive



# Appendices



# Vantage Revenue

	Year Ended 30 June 08 £'m	Year Ended 30 June 07 £'m	% Increase
Renewal commission	45.0	34.2	32%
Management fees	3.9	3.4	15%
Interest receivable	15.1	7.3	107%
Initial commission	0.8	1.0	-20%
Stockbroking commission	7.2	5.0	44%
Non investment income	0.3	1.1	-73%
<b>Total</b>	<b>72.2</b>	<b>52.1</b>	<b>39%</b>
% Of Group revenue	60%	53%	



# Third Party Revenue

	Year Ended 30 June 08 £'m	Year Ended 30 June 07 £'m	% Increase
Corporate Solutions	7.0	10.0	-30%
Investments	5.6	6.6	-15%
Personal life and pensions	3.8	3.2	19%
<b>Total</b>	16.3	19.8	-18%
% Of Group revenue	14%	20%	



# Corporate Solutions Revenue

	Year Ended 30 June 08 £'m	Year Ended 30 June 07 £'m	% Increase
Renewal commission	0.7	0.6	17%
Initial commission	5.9	9.2	-36%
Advisory fees	0.3	0.2	50%
<b>Total</b>	7.0	10.0	-30%
% Of Group revenue	6%	10%	





# Investments Revenue

	Year Ended 30 June 08 £'m	Year Ended 30 June 07 £'m	% Increase
Renewal commission	5.3	6.0	-12%
Interest	-	0.1	-100%
Initial commission	0.3	0.3	-
Non investment income	-	0.1	-100%
<b>Total</b>	<b>5.6</b>	<b>6.6</b>	<b>-15%</b>
% Of Group revenue	5%	7%	



# Personal Life & Pensions Revenue

	Year Ended 30 June 08 £'m	Year Ended 30 June 07 £'m	% Increase
Renewal commission	0.4	0.4	-
Initial commission	3.4	2.9	17%
<b>Total</b>	<b>3.8</b>	<b>3.2</b>	<b>19%</b>
% Of Group revenue	3%	3%	



# Advisory Revenue

	Year Ended 30 June 08 £'m	Year Ended 30 June 07 £'m	% Increase
Renewal commission	0.9	0.7	29%
Management fees	4.0	3.0	33%
Initial charges	7.9	5.4	46%
Initial commission	1.6	1.8	-11%
Advisory fees	0.4	1.0	-60%
<b>Total</b>	<b>14.8</b>	<b>11.9</b>	<b>24%</b>
% Of Group revenue	12%	12%	



# Discretionary Revenue

	Year Ended 30 June 08 £'m	Year Ended 30 June 07 £'m	% Increase
Renewal commission	4.6	3.4	35%
Management fees	5.3	3.7	43%
Interest receivable	0.1	0.1	-
Other	0.3	0.2	50%
<b>Total</b>	<b>10.3</b>	<b>7.4</b>	<b>39%</b>
% Of Group revenue	9%	7%	



# Stockbroking Revenue

	Year Ended 30 June 08 £'m	Year Ended 30 June 07 £'m	% Increase
Management fees	0.3	0.3	-
Interest	0.5	0.7	-29%
Dealing commission	3.8	4.7	-19%
Non investment income	0.3	0.1	200%
<b>Total</b>	<b>4.9</b>	<b>5.8</b>	<b>-16%</b>
% Of Group revenue	4%	6%	