



Hargreaves Lansdown PLC

Unaudited interim results for the
6 months ended 31 December 2009

10 February 2010

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 Hargreaves Lansdown 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.

Contents

- 🕒 Interim Results Overview
- 🕒 Financial Highlights and Results
- 🕒 Strategy and Outlook
- 🕒 Conclusions
- 🕒 Appendices

Stephen Lansdown
Executive Director

Mike Evans
Chairman

Tracey Taylor
Finance Director

H1 overview

Strong growth

- 🕒 Growth in revenue (+14%), adjusted EPS and PBT¹ (+16%)
- 🕒 Solid results despite interest rate headwind
- 🕒 Net new business £1.4 bn (+56%), AUA £15.6 bn (+58%)
- 🕒 Strong client recruitment
- 🕒 Costs remain well controlled
- 🕒 Enhanced interim dividend

¹ Adjusted PBT excludes one-off costs related to new offices

Highlights

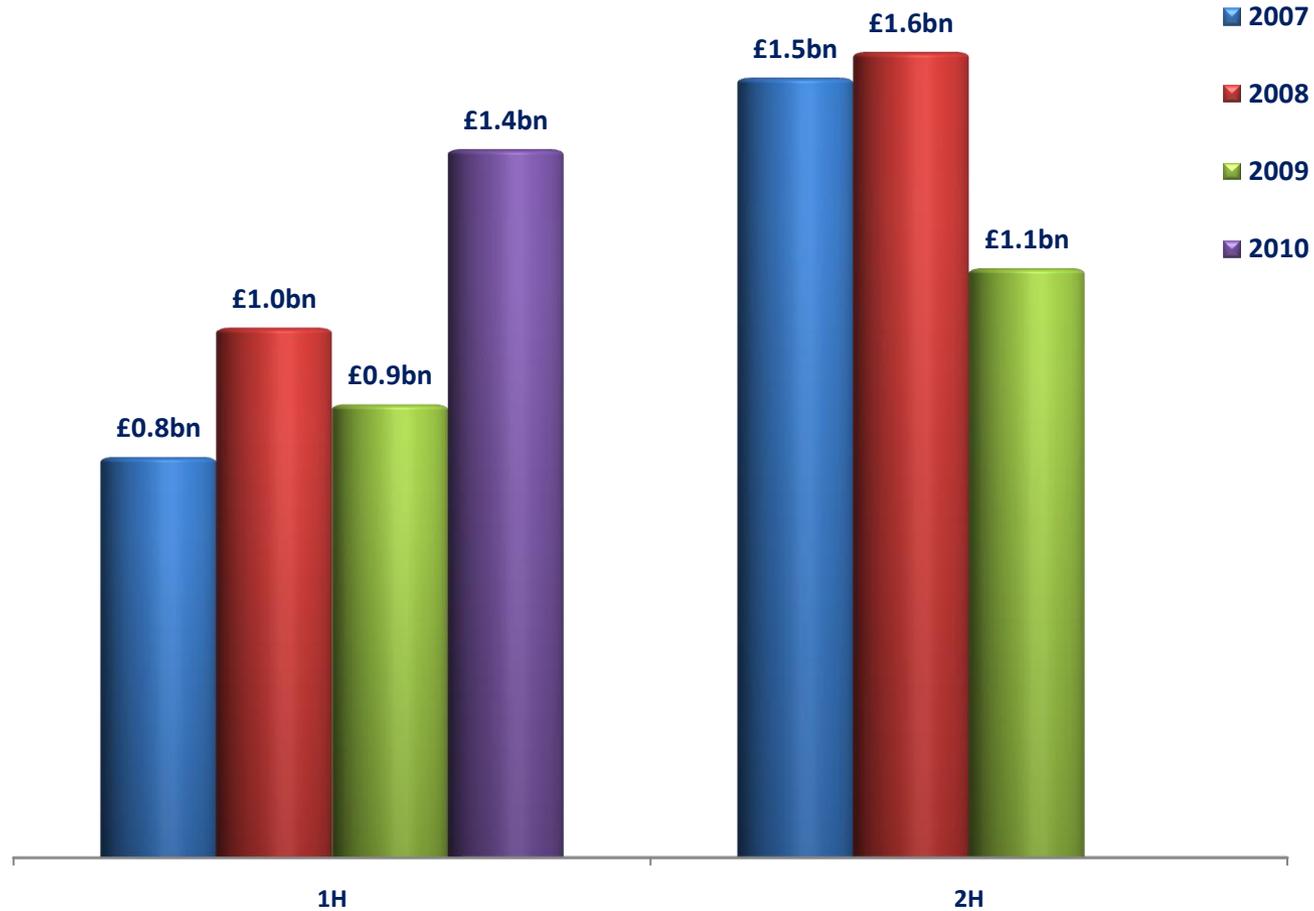
58% growth in AUA

		1H 2010	1H 2009	FY 2009
Total AUA	+58%	£15.6bn	£9.9bn	£11.9bn
Net new business inflows	+56%	£1.4bn	£0.9bn	£2.0bn
Net inflows % of opening AUA		12%	8%	18%
FTSE All-Share	+25%	2760.80	2209.29	2172.08

Highlights

Net new business inflows up 56%

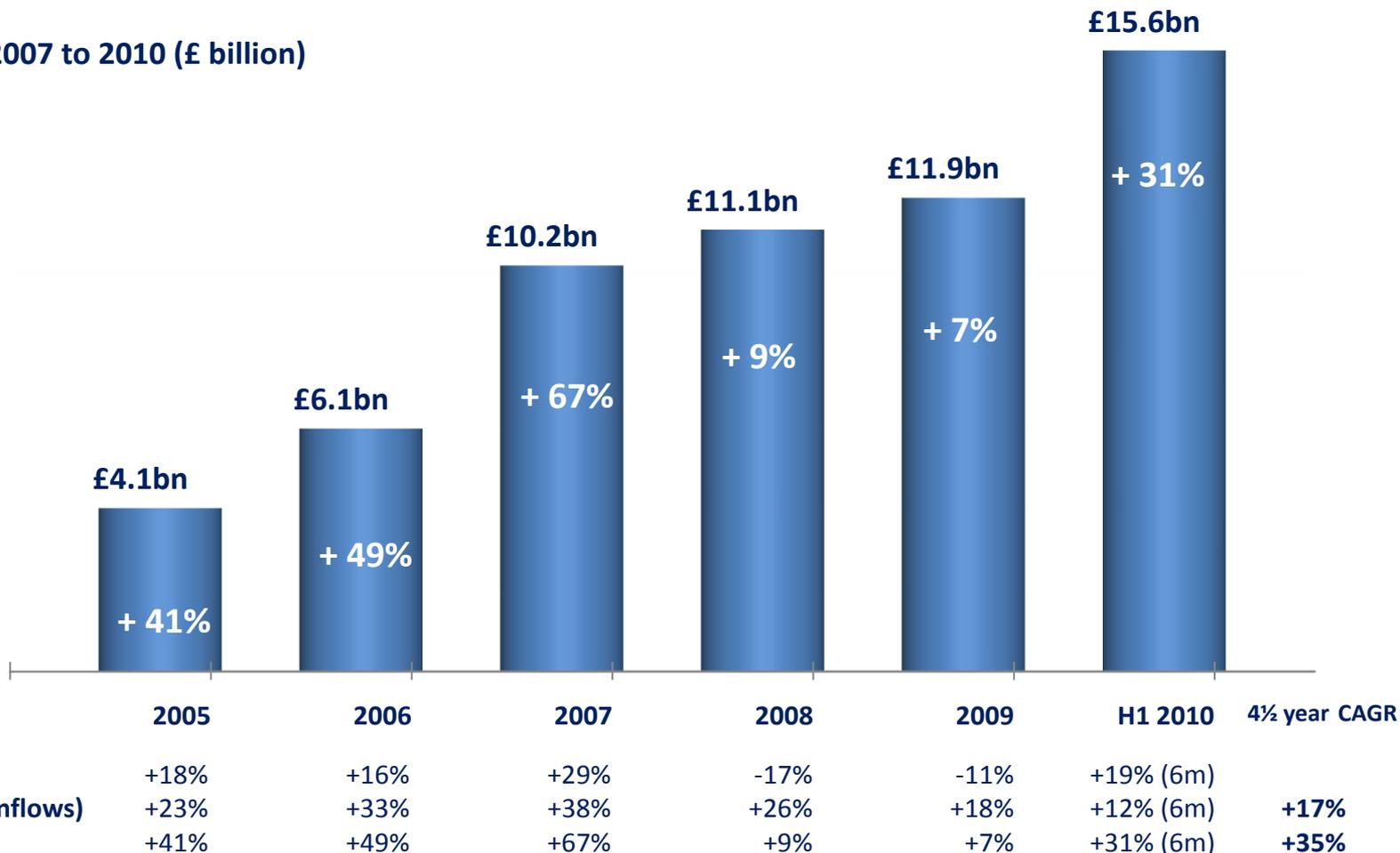
Net new business inflows FY 2007 to 2010 (£ billion) – first vs second half



Highlights

35% p.a compound growth in AUA over 4½ years

Total AUA FY 2007 to 2010 (£ billion)



¹ Organic growth based on net inflows as a % of opening AUA

Dividend

Early payment

Interim ordinary dividend
Interim special dividend
Total interim dividend

Final ordinary dividend
Final special dividend
Total final dividend

Total ordinary dividend
Total special dividend
Total dividend per share

Total interim dividend – March 2010
Group cash at 31 Dec 2009
Group reg. capital surplus 31 Dec 2009

1H 2010

Pence per share

8.00p

1.60p

9.60p

£44.6m

£70 m

£73 m

% of PAT

FY 2009

Pence per share

3.065p

-

3.065p

4.229p

2.807p

7.036p

65% 7.294p

25% 2.807p

90% 10.101p

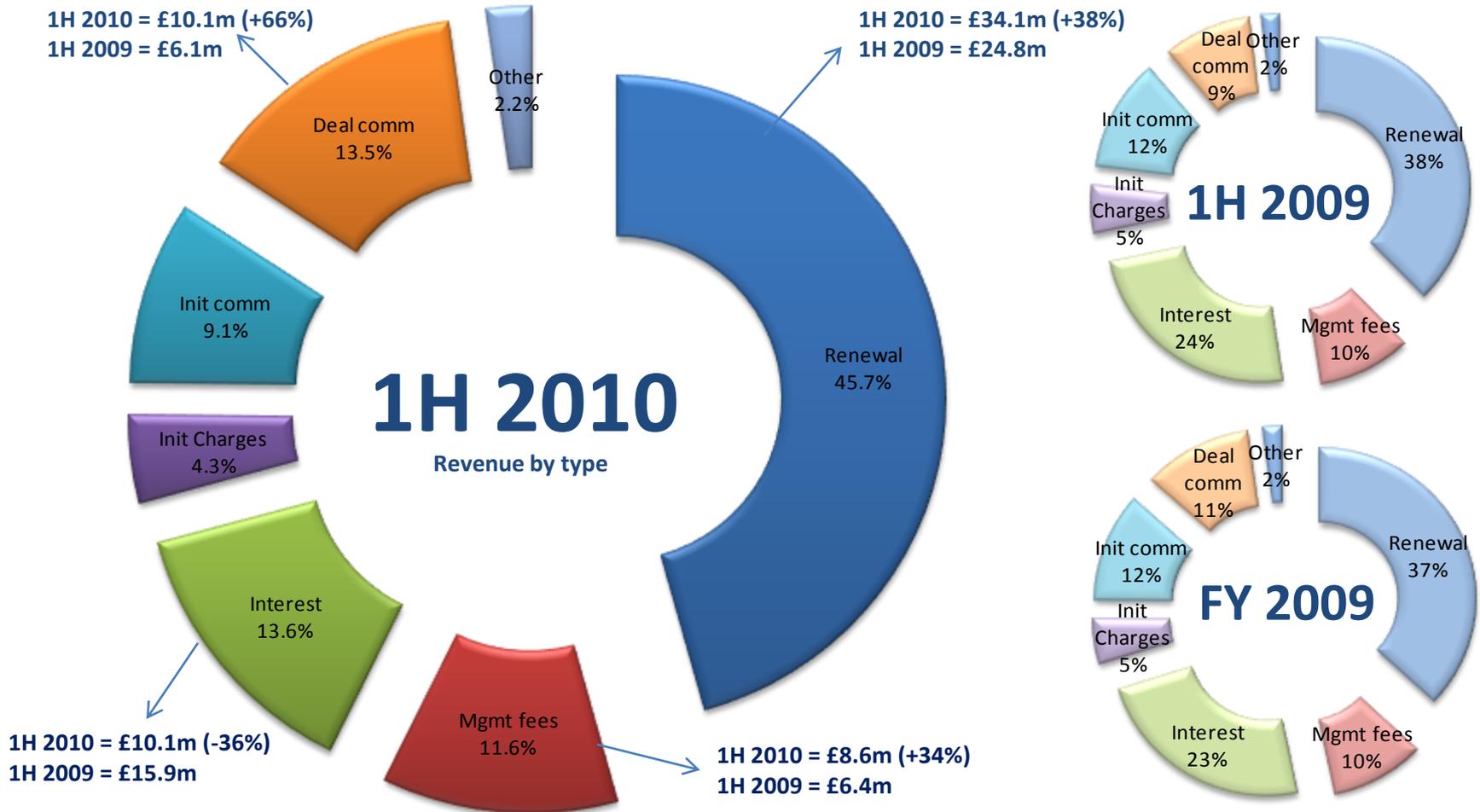
Group results

		1H 2010	1H 2009	FY 2009
Revenue	+14%	£74.6m	£65.6m	£132.8m
One-off costs		£3.3m	£0.8m	£1.4m
Adjusted operating profit ¹	+20%	£42.7m	£35.7m	£71.2m
Other income	-75%	£0.4m	£1.6m	£3.3m
Adjusted pre tax profit ¹	+16%	£43.1m	£37.3m	£74.5m
Adjusted profit after tax ¹	+16%	£30.8m	£26.5m	£53.4m
Operating profit margin				
- excluding one off costs		57.2%	54.4%	53.6%
- including one off costs		52.8%	53.2%	52.5%
Average FTSE All-Share	+5%	2543.52	2431.73	2269.93
FTSE All-Share	+25%	2760.80	2209.29	2172.08

¹ Adjusted profit excludes one-off costs related to new offices

Revenue

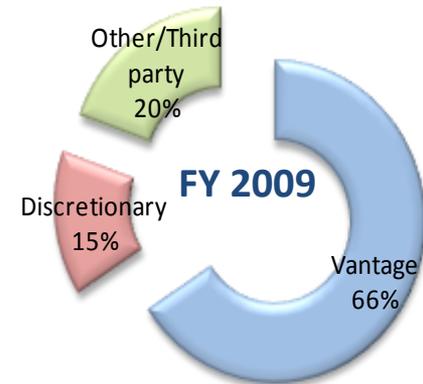
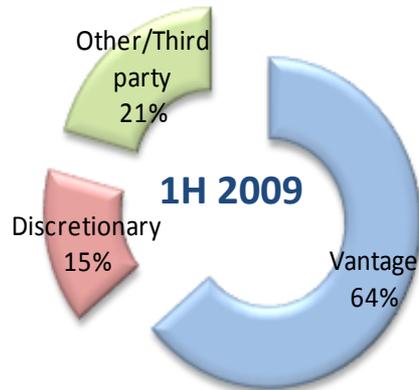
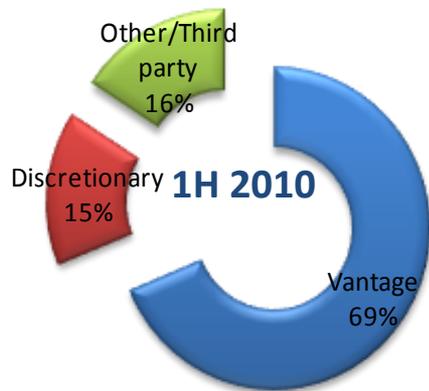
Recurring revenues 71% (1H 2009: 72%)



Administrative costs

		1H 2010	1H 2009	FY 2009
Staff costs	-2%	£18.1m	£18.4m	£37.2m
Commission payable (loyalty bonus)	+28%	£5.5m	£4.3m	£8.3m
Marketing spend	+64%	£3.6m	£2.2m	£6.0m
Depreciation, financial costs	0%	£0.8m	£0.8m	£1.9m
Other overheads	-7%	£3.9m	£4.2m	£8.2m
Net Costs	+7%	£31.9m	£29.9m	£61.6m
One-off costs	+313%	£3.3m	£0.8m	£1.4m
Total Costs	+15%	£35.2m	£30.7m	£63.0m
Ave. no of staff		607	608	607
% variable staff costs (bonus)		29%	28%	30%

Divisional results



Revenue, by division

- Vantage	+22%
- Discretionary	+16%
- Other/third party	-14%

1H 2010

£51.3m

£11.5m

£11.8m

£74.6m

1H 2009

£42.0m

£9.9m

£13.7m

£65.6m

FY 2009

£87.5m

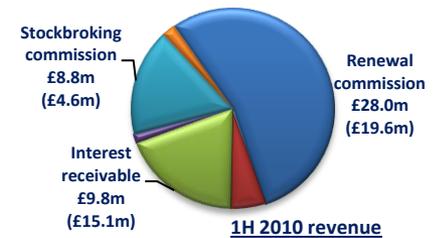
£19.3m

£26.0m

£132.8m

Vantage

- Lower interest margin
- Costs well controlled
- 60% growth in AUA
- Strong client recruitment



		1H 2010	1H 2009	FY 2009
Revenue	+22%	£51.3m	£42.0m	£87.5m
Average revenue margin	-12bps	78bps	90bps	92bps
Adjusted operating profit margin	-0.2pts	59.9%	60.1%	58.5%
No. of active Vantage clients ('000)*	+16%	300	259	282
No. of active Vantage accounts ('000)*	+15%	471	410	442
Clients registered for online access	+6pts	68%	62%	66%
Vantage AUA at end of period*	+60%	£14.4bn	£9.0bn	£10.9bn

* Includes £179m assets, 6,000 clients and 9,900 accounts previously classified as 'Other AUA'

Vantage AUA

69% of Vantage AUA in tax wrappers (Jun 09: 71%)

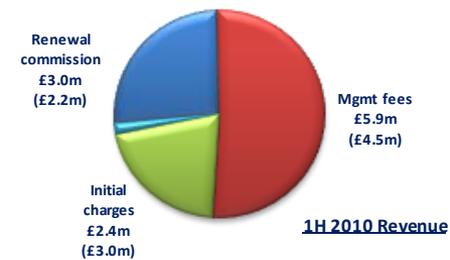
	SIPP £bn	ISA £bn	F&S/Other £bn	Total £bn	1H 2009 £bn	FY 2009 £bn
Total AUA at start of period	2.9	4.8	3.2	10.9	10.2	10.2
Net new business inflows	0.5	0.4	0.4	1.3	0.8	1.8
Market movement *	0.4	1.0	0.8	2.2	(2.0)	(1.1)
AUA at end of period**	3.8	6.2	4.4	14.4	9.0	10.9
Net new business %	17%	8%	13%	12%	8%	18%
Market movement %	14%	21%	25%	20%	-20%	-11%
Net business inflows 1H 2009	0.5	0.1	0.2		0.8	

* Market movements includes other growth factors, such as retained investment income, totalling £78m (FY 2009: £117m). Figures contain roundings.

** Vantage AUA includes £179m assets previously classified as 'Other AUA'

Discretionary

- Fewer advisers
- Asset gathering
- Strong client recruitment



		1H 2010	1H 2009	FY 2009
Revenue	+16%	£11.5m	£9.9m	£19.3m
Recurring revenue	+8pts	77%	69%	71%
Adjusted operating profit margin	+12.5pts	54.3%	41.8%	46.3%
No. of PMS clients ('000)	+11%	10.7	9.6	10.2
Average PMS client value at year end (£'000)	+28%	115.4	90.3	96.6
Discretionary AUM at period end	+42%	£1.75bn	£1.23bn	£1.39bn

Discretionary AUM

Net new business inflows £110m (1H 2009: £101m)

	H1 2010 £bn	H1 2009 £bn	FY 2009 £bn
AUM at start of period	1.39	1.37	1.37
Net new business inflows *	0.11	0.10	0.24
Market movement	0.25	(0.24)	(0.22)
AUM at end of period	1.75	1.23	1.39
Net new business %	8%	7%	18%
Market movement %	18%	-18%	-16%

* Includes multi-manager funds new business inflows held in Vantage H1 2010: £0.03bn, FY 2009 £0.04bn

Third Party/Other Services



- Third party revenue still expected to decline
- Other services, potential for growth

		1H 2010	1H 2009	FY 2009
Revenue	-14%	£11.8m	£13.7m	£26.0m
Adjusted operating profit margin	+2.3pts	48.4%	46.1%	42.6%
No. of annuities		-10%		
Certificated dealing volumes		-8%		
Corporate pensions “recurring” revenue ¹		£3.3m	£3.5m	£6.8m

¹ “Recurring” revenue from corporate pensions refers to additional initial commission earned on existing pension schemes e.g due to new members joining the scheme

Group Strategy

Asset gathering

Excellent service

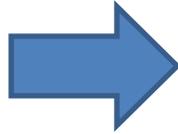
Efficiency improvements

Quality staff



Opportunities

Asset gathering



SIPP

Corporate Vantage

ISAs, increased allowance

RDR

Outlook

- 🕒 Market performance, as always, is key
- 🕒 Budget, further tax changes
- 🕒 Low interest rates in second half
- 🕒 Regulation, limited impact of RDR
- 🕒 Increased capacity, new offices



Conclusions

- ✔ Strong organic growth
- ✔ Opportunities to build on momentum
- ✔ Strong balance sheet, cash generative, strong cost control
- ✔ Strong management team, and increased capacity

– well positioned for continued growth

Appendices

Index

Contents	Slide	Contents	Slide
Financial		AUA and volumes	
Basis of preparation/IFRS 8	24	Assets under administration	36
New segmental reporting	25	Vantage AUA analysis	37
Vantage revenue	26	Vantage AUA analysis – sector breakdown	38
Discretionary revenue	27	Vantage revenue and average AUA	39
Third party/other revenue	28		
Third party corporate pensions revenue	29	Other	
Third party investments revenue	30	Vantage – other information	40
Third party personal pensions revenue	31	Awards	41
Third party other services revenue	32		
Operating profit margin growth	33		
Regulatory capital	34		
Cash flow statement	35		

Basis of preparation/IFRS 8

Group reorganisation and adoption of IFRS 8 ‘Operating Segments’

This year the Group is required to comply with the requirements of the new accounting standard IFRS 8 “Operating Segments”. As a result, previously published information will reflect a number of restatements when presented as comparative information in the Group’s interim and full year results. The accounting standard requires the identification of those segments which are regularly reviewed by the chief operating decision maker, being the Board, and the disclosure of profit and revenue used by the chief operating decision maker. The implementation of IFRS 8 has no effect on amounts presented on the face of the Income Statement or the Balance Sheet.

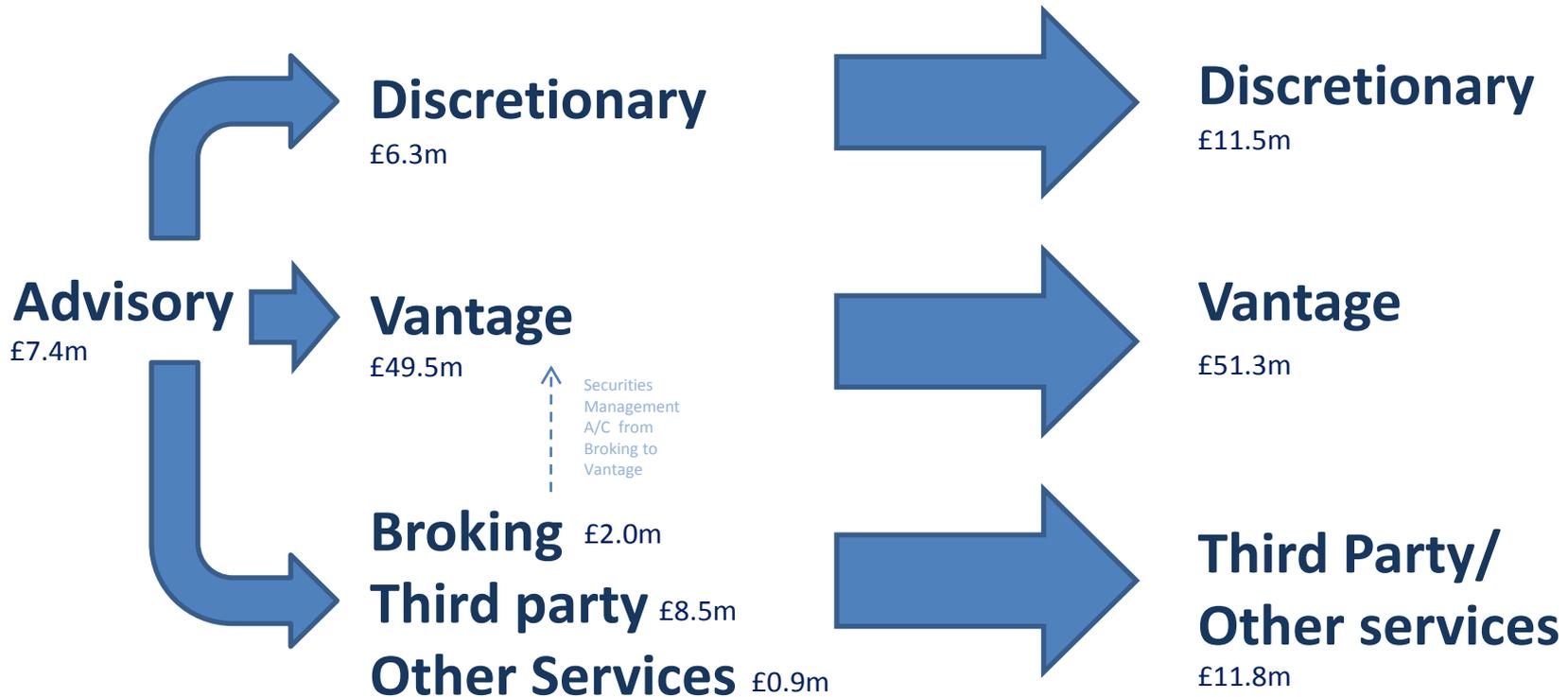
The Board monitors the business organised into three segments: Vantage, Discretionary and Third Party/Other Services. The results of these segments are published within the December 2010 interim management report. In previous years we have provided the results of five divisions. The key differences are:

- The Securities Management account and other legacy nominee services are now reported within the Vantage business (previously within a separate Stockbroking division);
- Other stockbroking services - certificated dealing services, CFD’s and Foreign Exchange services – are now reported within the Third Party/Other Services segment (previously within a separate Stockbroking division);
- All advisory business transacted is now reported within the segment to which the business relates, either Vantage, Discretionary or Third Party/Other Services, rather than in a separate Advisory division;
- Central Services activities, namely banking services and data services, are now reported within the Third Party/Other Services segment.

New segmental reporting

H1 2010 revenue (old structure)

H1 2010 revenue (new structure)



Vantage Revenue

		1H 2010	1H 2009	FY 2009
Renewal commission	+43%	£28.0m	£19.6m	£39.2m
Management fees	+47%	£2.8m	£1.9m	£3.9m
Interest receivable	-35%	£9.8m	£15.1m	£29.9m
Initial commission	+167%	£0.8m	£0.3m	£0.9m
Stockbroking commission	+91%	£8.8m	£4.6m	£12.0m
Non investment income	+120%	£1.1m	£0.5m	£1.6m
Total	+22%	£51.3m	£42.0m	£87.5m
% of Group revenue		69%	64%	66%

Discretionary Revenue

		1H 2010	1H 2009	FY 2009
Renewal commission	+36%	£3.0m	£2.2m	£4.6m
Management fees	+31%	£5.9m	£4.5m	£9.0m
Initial charges	-20%	£2.4m	£3.0m	£5.4m
Interest receivable	-100%	£0.0m	£0.1m	£0.1m
Other	+100%	£0.2m	£0.1m	£0.2m
Total	+16%	£11.5m	£9.9m	£19.3m
% of Group revenue		15%	15%	15%

Third Party & Other Services Revenue

		1H 2010	1H 2009	FY 2009
Corporate pensions	-20%	£3.9m	£4.9m	£8.9m
Investments	+12%	£2.8m	£2.5m	£4.7m
Personal life & pensions	-19%	£2.6m	£3.2m	£6.6m
Other services	-19%	£2.5m	£3.1m	£5.8m
Total	-14%	£11.8m	£13.7m	£26.0m
% of Group revenue		16%	21%	20%

Third Party - Corporate Pensions Revenue

		1H 2010	1H 2009	FY 2009
Renewal commission	0%	£0.3m	£0.3m	£0.5m
Initial commission	-23%	£3.4m	£4.4m	£8.0m
Advisory fees	0%	£0.2m	£0.2m	£0.4m
Total	-20%	£3.9m	£4.9m	£8.9m
% of Group revenue		5%	7%	7%

Third Party - Investments Revenue

		1H 2010	1H 2009	FY 2009
Renewal commission	+8%	£2.6m	£2.4m	£4.3m
Initial commission	+100%	£0.2m	£0.1m	£0.4m
Total	+12%	£2.8m	£2.5m	£4.7m
% of Group revenue		4%	4%	4%

Third Party - Personal Pensions Revenue

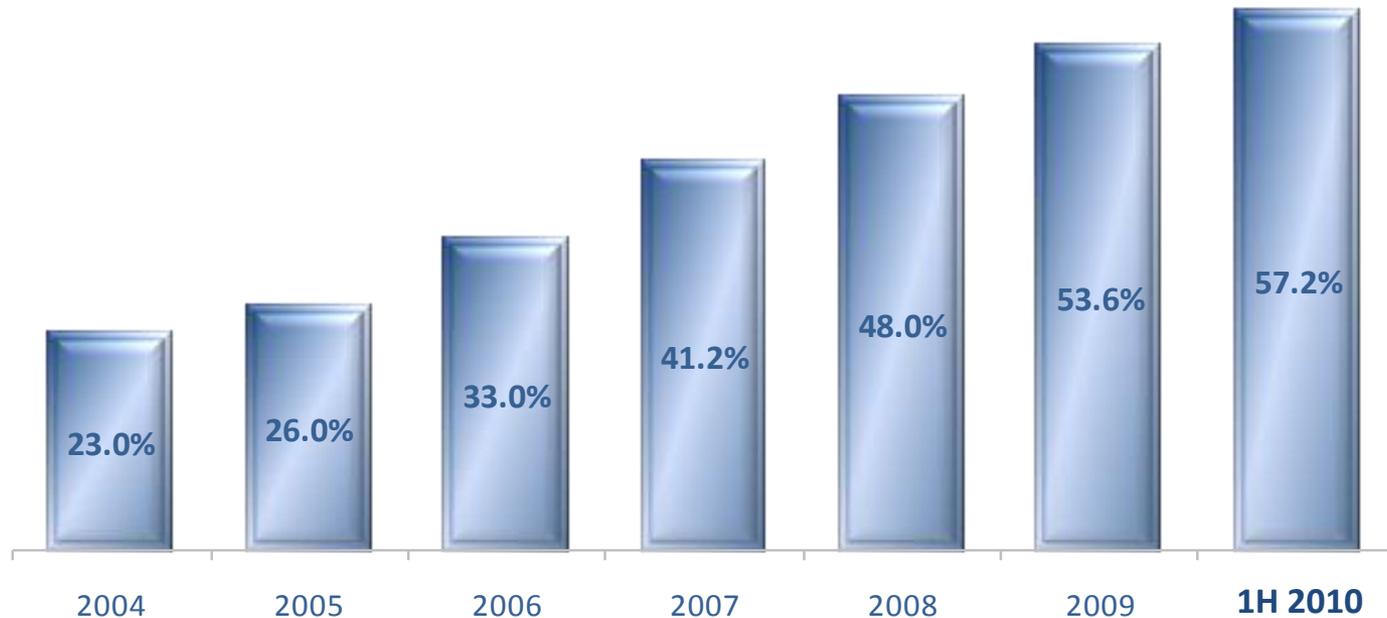
		1H 2010	1H 2009	FY 2009
Renewal commission	-33%	£0.2m	£0.3m	£0.5m
Initial commission	-17%	£2.4m	£2.9m	£6.1m
Total	-19%	£2.6m	£3.2m	£6.6m
% of Group revenue		3%	5%	5%

Third Party - Other Services Revenue

		1H 2010	1H 2009	FY 2009
Stockbroking commission	-13%	£1.3m	£1.5m	£3.0m
Interest receivable	-57%	£0.3m	£0.7m	£1.0m
Other	0%	£0.9m	£0.9m	£1.8m
Total	-19%	£2.5m	£3.1m	£5.8m
% of Group revenue		3%	5%	4%

Operating profit margin

Adjusted Operating Profit Margin Growth



Regulatory capital

	31 Dec 2009	30 Jun 2009	31 Dec 2008
	£'000	£'000	£'000
Share capital & reserves	80,798	84,650	74,895
Intangible assets	(235)	(237)	(235)
Regulatory adjustments	(1,333)	(1,333)	(1,333)
Net capital	79,230	83,080	73,327
Regulatory requirement	6,179	6,179	5,765
Surplus group capital	73,051	76,901	67,562
Proposed dividend	(44,600)	(32,700)	(14,225)
Total	28,451	44,201	53,337
Surplus of regulated companies	£21m	£34m	£26m

Regulatory capital increases with retained earnings, reduced by dividends and any acquisition of intangible assets. Regulatory requirement increases as business grows, the above figure being the Tier 1 minimum capital requirement

Dec 2008 and June 2009 regulatory requirement based on audited figures

Simplified cash flow statement

	HL Cash	Client Settlement	Total
	£'m	£'m	£'m
Cash bought forward	77	10	87
Profit after tax	28		28
Non cash – incl. depreciation	1		1
Tax charged less tax paid	3		3
Dividend	(33)		(33)
Capital expenditure	(3)		(3)
Increase in trade debtors	(1)	(12)	(13)
(Decrease)/increase in trade creditors	(2)	10	8
Cash carried forward	70	8	78

Assets under administration

	AUA	AUM	Less MM funds in Vantage	1H 2010	1H 2009	FY 2009
	£bn	£bn	£bn	£bn	£bn	£bn
AUA at start of period	10.9	1.4	(0.4)	11.9	11.1	11.1
Net new business inflows	1.3	0.1	(0.0)	1.4	0.9	2.0
Market movement	2.2	0.2	(0.1)	2.3	(2.1)	(1.2)
AUA at end of period	14.4	1.7	(0.5)	15.6	9.9	11.9
Net new business inflow %	12%	7%		12%	8%	18%
Daily ave. FTSE All-Share				2543.52	2431.73	2269.93

FTSE All-Share has increased by 27% since 30 June 2009

AUA at 31 December 2009 includes £1.0bn representing Hargreaves Landown plc shares held in Vantage

Vantage AUA analysis

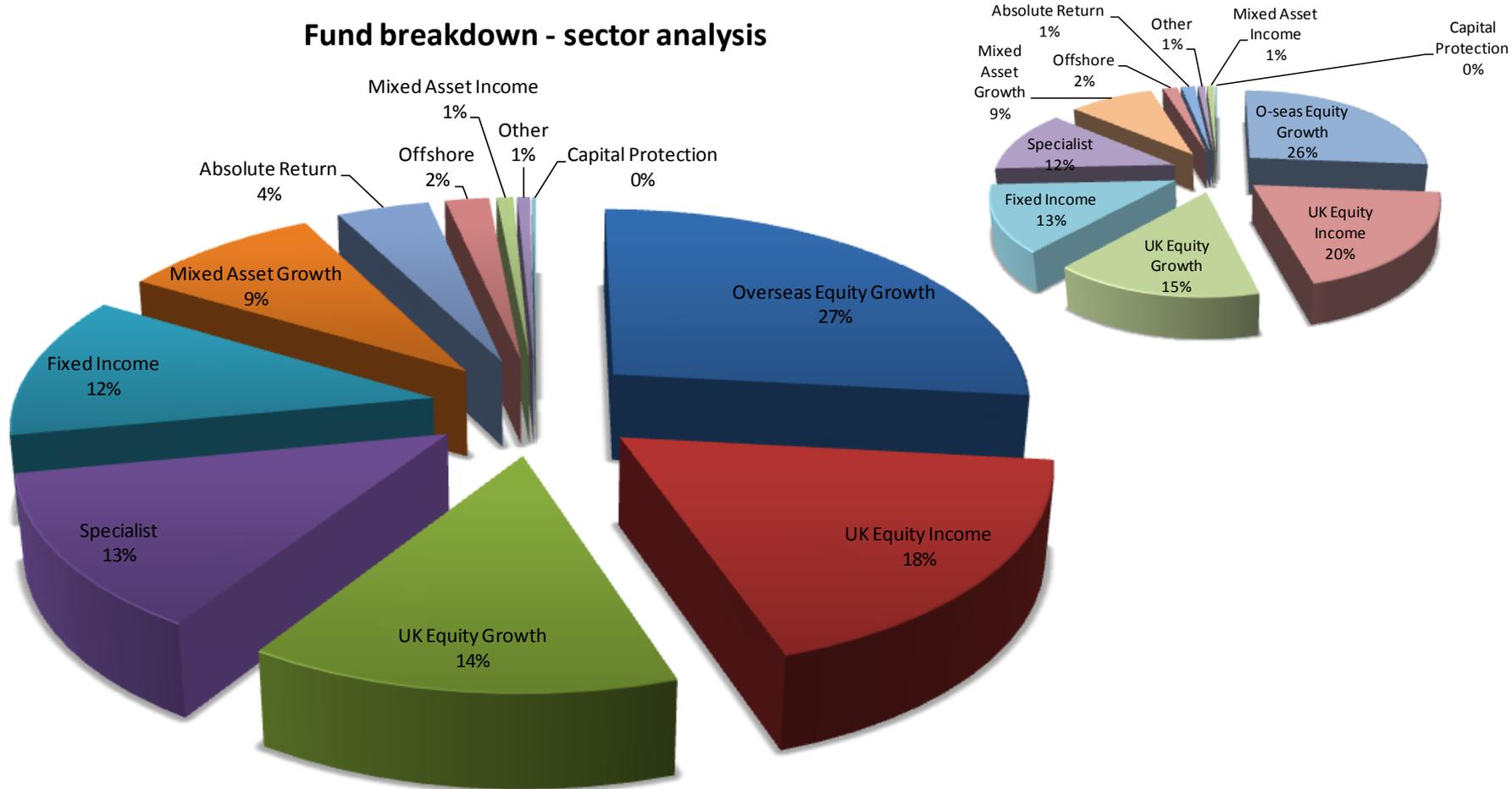
69% of Vantage AUA in tax wrappers (Jun 2009: 71%)

	SIPP	ISA	F&S/Other	Total
At 31 Dec 2009				
Stocks and shares	21%	13%	52%	27%
Investment funds	53%	79%	41%	60%
Cash	26%	8%	7%	13%
% of Vantage	26%	43%	31%	100%
At 30 Jun 2009				
Stocks and shares	17%	13%	53%	26%
Investment funds	45%	77%	41%	58%
Cash	38%	10%	6%	16%
% of Vantage	27%	44%	29%	100%

Vantage AUA analysis by sector

60% of Vantage AUA held as investment funds (Jun 2009: 58%) across the following sectors:

Fund breakdown - sector analysis



Vantage revenue and average AUA

	1H 2010		1H 2009		FY 2009	
	Revenue £'m	Ave Assets £'bn	Revenue £'m	Ave Assets £'bn	Revenue £'m	Ave Assets £'bn
Renewal commission	28.0		19.6		39.2	
Initial commission	0.8		0.3		0.9	
Total revenue from qualifying funds	28.8	7.6	19.9	5.3	40.1	5.4
Stockbroking commission	8.8		4.6		12.0	
Management fees	2.8		1.9		3.9	
Total revenue from other stock	11.6	3.7	6.5	2.4	15.9	2.5
Total revenue from cash	9.8	1.8	15.1	1.6	29.9	1.6
Other income	1.1		0.5		1.6	
Total	51.3	13.1	42.0	9.3	87.5	9.5
Average revenue margin	78bps		90bps		92bps	

Vantage – other information

	SIPP	ISA	F&S/Other	Total	1H 2009	FY 2009
No. of equity deals	160,000	120,000	236,000	516,000	277,000	730,000
% Internet	89%	68%	81%	80%	74%	77%
No. of fund deals	684,000	766,000	231,000	1,681,000	868,000	1,920,000
Average active client value at period end <small>(£'000)</small>	55.2	28.9	35.9	47.7	34.9	38.4
Average age <small>(years)</small>	48.0	58.8	57.0	56.5	56.5	56.6
New active accounts <small>('000)</small>	11	8	10	29		

Awards

2009

Execution Only Stockbroker of the Year - FT and Investors Chronicle

Online SIPP Provider of the year - TAS awards (the Pensions & Investment Group of The Financial Times Limited)

Best Member Communication Strategy - Corporate Adviser Awards

Best SIPP Provider - What Investment

Tony Sellon Memorial Award for services to financial planning - Danny Cox - Institute of Financial Planning

Best Investment Adviser - Money Marketing Awards

2008

Lifetime Achievement Award - Peter Hargreaves - New Breed Advisor Awards

Best use of Platform Technology - New Breed Advisor Awards

Best Online IFA - Online Finance Awards

Best IFA - Personal Finance Awards

Best Investment Manager - FT and Investors Chronicle Wealth Management Awards

IFA Personality of the Year - Mark Dampier - Investment Week Fund Manager of the Year Awards

Most Effective Employer and Adviser Partnership Award - Employee Benefits

Best SIPP Provider - What Investment

