

## Trading update Hargreaves Lansdown plc

This Hargreaves Lansdown plc ('the Group') trading update covers the period from 1 January 2015 to 19 May 2015. It includes trading results for the four and ten months ended 30 April 2015. In line with our previously announced intention, this trading update replaces our former policy of issuing an Interim Management Statement (IMS) to 31 March. The revised timing allows us to provide fuller commentary on the period to 30 April, including the important UK tax year end. All comparatives have been updated to cover the four or ten month period to 30 April 2014.

### Highlights

- Record net inflows of £2.75 billion in the four months to 30 April 2015 (four months to 30 April 2014: £2.55 billion).
- An increase of £6.2 billion Assets under Administration ("AUA") in the four months to 30 April 2015.
- Record level of AUA now £55.3 billion (31 December 2014: £49.1 billion). Assets now 22% higher than one year ago.
- Cumulative total net inflows of £5.00 billion in the ten months to 30 April 2015 (ten months to 30 April 2014: £5.34 billion).
- Continued high client and asset retention rates of 93.4% and 92.7% respectively.
- Year-to-date total net revenue of £241.0 million (ten months to 30 April 2014: £239.3 million).
- Net new active Vantage clients up 40,000 in the four months (four months to 30 April 2014: 46,000).
- Total active clients as at 30 April 2015: 715,000 (30 April 2014: 630,000), up 13% from one year ago.

### Chief Executive's Statement

#### Growth

We are pleased to report net inflows of client AUA of £2.75 billion over the important first four months of the 2015 calendar year. This is a record for net inflows in any similar period in Hargreaves Lansdown's history, being 8% higher than the previous record set last year. Asset growth was helped by both strong business levels and continued high client and asset retention rates of 93.4% and 92.7% respectively.

The new "pension freedoms" available to the public from 6 April 2015 have also been a success. New assets of all types in the period 1 January to 5 April were a record for any similar period, but the period post 6 April has seen particular interest in pensions. As one of the UK's largest pensions and drawdown companies, Hargreaves Lansdown has invested heavily in at-retirement support and planning tools, and has been one of the few companies in the UK fully ready to service the public at the start of pension freedoms. These preparations have paid off as the Group has benefited from both extensive new business and consolidation through inward transfers. We have also experienced lower than expected withdrawals from pensions as clients appear to be using the freedoms extremely sensibly, further evidence of the wisdom of trusting the British public with their own money.

Cumulative net asset inflows for the year to date are now £5.00 billion, only marginally behind the comparative ten month period in 2014 (£5.34bn). Assets Under Administration now stand at £55.3 billion, (30 April 2014: £45.5 billion), up 22% from one year ago.

Active Vantage clients rose by 40,000 in the four months and now number 707,000 (30 April 2014: 622,000). Although client gathering has not quite reached the heights of 2014, which benefited from the exceptional Royal Mail share offer, new client numbers remain strong. We are proud to expect to shortly pass 1 million active client accounts.

#### Revenue

Year to date net revenue stands at £241.0m. Net revenue has been boosted by new assets and funds under management and is marginally ahead of last year. Main headwinds continue to be lower interest rate margins compared to 2014 and the comparative effect of lower prices introduced on 1 March 2014, especially for clients holding fund assets. Revenue has also been affected by a reorganisation of the Group's collection method for overseas foreign exchange revenue as we bring it in-house. This work will deliver more long term efficiency and robustness over this income but will have caused a

reduction in this revenue source of circa £3.5m for the six months to 30 June 2015, when the reorganisation will be completed and foreign exchange income will return to normal levels.

The Group is pleased to report that it has successfully transitioned cash held in Self Invested Personal Pensions (SIPPs) to trustee arrangements. As a result we returned to placing client monies held in SIPPs on term deposit from 20 April 2015. The new arrangements have allowed us to offer higher interest rates for clients in the SIPP whilst also maintaining revenue. As a result we continue to predict a cash interest margin for the year in the range of 0.5% - 0.6%.

## **Costs**

Whilst costs remain controlled and underlying business is excellent we take this opportunity to highlight a significant increase to our expected Financial Services Compensation Scheme (FSCS) levy contribution. This is now estimated at £4.6million following a recent upward revision to the amounts being raised under the scheme. This will be fully absorbed in our results to 30 June 2015. For comparison last year the levy was £2.1million. It is extremely frustrating that shareholders must bear such costs with the current FSCS system placing an unfair burden on reputable and blameless firms.

## **Progress**

Our results are particularly pleasing in the context of the wider market. Net Retail Sales through UK Fund Platforms for the three months to 31 March 2015 were £2.56 billion, down 39% compared to £4.21 billion in 2014\*. Hargreaves Lansdown has had a very successful time in a sluggish wider environment.

Recently announced trading volume market share statistics for UK execution only equity stockbroking\*\* show Hargreaves Lansdown with a record high market share of 24.2% for the quarter to 31 March 2015. This compares to 22.7% for the previous quarter and 23.6% for the same quarter last year.

Our three new Hargreaves Lansdown multi-manager fund launches in the first four months of the year (UK Growth, European, and Asia and Emerging Markets) were all highly successful. With amounts subscribed, market growth and extra contributions since launch these three funds alone have added £410m to funds under management. Total funds under management are now £5.8 billion. We plan to launch further Hargreaves Lansdown funds in the second half of 2015.

Work progresses well on our plans to offer cash and peer to peer lending services to clients. A strong team has been recruited and is working on developing our new service. We see no reason to change our previously advised approximate timescale of 18-24 months from announcement (February 2015) to planned launch.

Hargreaves Lansdown is the UK's largest provider of stocks and shares Junior ISAs (JISAs). From 6 April 2015 clients were able to transfer Child Trust Funds (CTFs) into JISAs and we saw over 5,500 requests to inward transfer CTFs to JISAs processed in the 24 days to 30 April alone. Whilst the sums involved are relatively small, such accounts bring more family assets into our excellent service and serve to reinforce the strong future relationship between clients and Hargreaves Lansdown.

Amongst other new initiatives, by 30 June 2015 we expect to launch HL Portfolio Plus, a non-advised service giving our clients the ability to invest directly in ready-made fully managed and rebalanced portfolios run by our investment experts.

Corporate Vantage continued its good progress, with business picking up after the hiatus caused by auto-enrolment activity involving our main target market in the first half of the year.

Our share of web traffic continues to increase, with hl.co.uk far out in front of competitors as the most popular personal investment website of its type in the UK. We experienced around 5.3 million daily unique visits to hl.co.uk during April, up 43% from 3.7m in April 2014.

The search for a new Chief Financial Officer (CFO) continues. Whilst applications, many from very senior industry figures, have been extensive, no suitable candidate has yet been selected. We consider it important to get exactly the right person for the job. In the meantime Simon Cleveland, a Partner at Deloitte, has indicated he is happy to continue in his role as interim CFO. At subsidiary board level Nigel Bence, our colleague of 27 years, recently retired as Chief Operating Officer (COO). After many excellent applications for this role, we are pleased to welcome Vikki Williams as Hargreaves Lansdown's new COO. Vikki joins us on 1 June 2015 and previously held senior positions at Barclays and Hays.

Hargreaves Lansdown has always aimed to be the best for overall value. Although never complacent, we remain happy with our current strong position. We will keep the marketplace and feedback from our clients under review to ensure we remain the best value place for the UK public to buy investments.

### Ian Gorham, Chief Executive, May 2015

\*As issued by The Investment Association 30 April 2015. \*\* Stockbroking data from Compeer Limited 11 May 2015

## Assets Under Administration (AUA)

Total assets under administration can be broken down as follows:

	30 Apr 15 £'billion	31 Dec 14 £'billion	30 June 14 £'billion	30 Apr 14 £'billion
<b>Vantage Assets Under Administration (AUA)</b>	<b>52.4</b>	<b>46.3</b>	<b>44.2</b>	<b>42.9</b>
<b>Assets Under Administration and Management (AUM)</b>				
Portfolio Management Services (PMS)	2.9	2.7	2.6	2.6
Multi-Manager Funds held outside of PMS	2.9	2.3	1.9	1.9
<b>AUM Total</b>	<b>5.8</b>	<b>5.0</b>	<b>4.5</b>	<b>4.5</b>
Less: Multi-manager funds (AUM) included in Vantage AUA	(2.9)	(2.2)	(1.9)	(1.8)
<b>Total Assets Under Administration</b>	<b>55.3</b>	<b>49.1</b>	<b>46.9</b>	<b>45.5</b>

The value of assets held within the Vantage service, the Group's direct-to-private investor platform, increased by 13% from £46.3 billion at 31 December 2014 to £52.4 billion at 30 April 2015. During the same period, the UK stock market increased by 6.4%. The increase in assets can be attributed to £2.7 billion net new business inflows and a £3.4 billion positive impact of the market and other growth factors during the period. During the ten months to 30 April 2015, net business inflows to Vantage totalled £4.9 billion compared with £5.1 billion during the ten months to 30 April 2014.

The period leading up to the tax year-end on 5 April is the most important from the perspective of gathering assets. In the full tax year ended 5 April 2015, new Vantage and PMS ISA contributions were £2.52 billion compared with £2.03 billion for the tax year ended 5 April 2014. The Group also continued to attract transfers of assets into its Vantage ISA service. Investments into the Vantage and PMS Self Invested Personal Pensions (SIPPs) including transferred business, new contributions and basic rate tax relief were £2.91 billion in the tax year ended 5 April 2015, compared with £2.75 billion in the previous tax year. There have been further inflows outside tax shelters into the Vantage Fund and Share account.

The number of active Vantage clients increased by 40,000 over the four months, from 667,000 as at 31 December 2014 to 707,000 as at 30 April 2015. The number of active accounts held by these clients increased from 926,000 to 979,000 and included an increase of 20,000 SIPP accounts and 27,000 ISA accounts, taking the totals to 224,000 and 500,000 respectively.

The value of assets held in Hargreaves Lansdown's Portfolio Management Service (PMS) and range of multi-manager funds, increased by 16% from £5.0 billion as at 31 December 2014 to £5.8 billion as at 30 April 2015. This figure includes £2.9 billion (31 December 2014: £2.2 billion) of Hargreaves Lansdown multi-manager funds administered through Vantage.

## Operating revenue

	Four Months Ended 30 April 2015 £'million	Four Months Ended 30 April 2014 £'million	Increase	10 Months Ended 30 April 2015 £'million	10 Months Ended 30 April 2014 £'million	Increase
<b>*Operating net revenue by division</b>						
Vantage	71.6	73.2	-2%	179.8	180.4	-0.3%
Discretionary	18.1	15.1	+20%	42.6	36.8	+16%
Third Party & Other	7.2	8.8	-18%	18.6	22.1	-16%
<b>Total</b>	<b>96.9</b>	<b>97.1</b>	<b>-0.2%</b>	<b>241.0</b>	<b>239.3</b>	<b>+0.7%</b>

\* Operating net revenue is total revenue after deducting any loyalty bonus paid to clients. Gross revenue for the four months was £129.3m and the loyalty bonus was £32.4m (4 months 2014: £125.7m and £28.7m).

Operating revenue for the four months is 0.2% lower than the corresponding period last year. The positive impact of higher asset values and net new business inflows have been offset by the impact of lower margins earned on client money and funds held on the platform.

For the year-to-date operating revenue is slightly higher. In terms of margin, the year-to-date cash revenue margin stands at 0.54% and the revenue margin on funds held on the Vantage platform at 0.46%.

In the year to 30 June 2015 the group expects to have to absorb a Financial Services Compensation Scheme levy estimated at up to £4.6m. The FSCS levy is calculated and applied to companies on a formulaic basis to cover the costs of other defaulting regulated firms in the market and does not reflect any wrongdoing on Hargreaves Lansdown's part.

During the period we have also restructured the collection method for overseas foreign exchange income relating to overseas trading by clients. We have decided to bring this activity in-house using our own foreign exchange service. The new collection method, a change required at short notice, will give us better control and long term robustness over this income and will also allow us to pass on the benefits of the resulting efficiencies in reduced overseas trading costs for many clients. The development work necessitated a hiatus in collecting this income over recent months, with a one-off revenue reduction estimated at £3.5m for the six months to 30 June 2015, when this work will be complete and foreign exchange revenue will return to normal.

## Financial position

On 10 April 2015 the Group paid an interim dividend totalling £34.4m, as announced in February 2015 in the Interim Report. The Group's operations remain highly cash generative. The Group has remained free from debt and maintained a strong cash and balance sheet position, with a substantial surplus over the required regulatory capital.

## Investor and analyst call

Hargreaves Lansdown will be hosting a conference call for analysts and shareholders in conjunction with these results at 07.45 (UK time) on 20th May 2015. The call is dedicated to a question and answer session hosted by Ian Gorham, the Chief Executive Officer. The numbers for the live dial-in facility will be as follows:

Calling from the United Kingdom	0800 368 0649
United Kingdom (local)	020 3059 8125
All other locations	+44 20 3059 8125

An audiocast of the call will be made available shortly after the call has finished and will be available at:

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

## For further information please contact:

### Hargreaves Lansdown +44 (0)117 988 9880

For media enquiries:  
Danny Cox, Head of Communications  
+44(0)117 317 1638  
Ian Gorham, Chief Executive Officer

For analyst enquiries:  
James Found, Head of Investor Relations  
+44(0)117 988 9898

Hargreaves Lansdown plc  
Registered office: One College Square South, Anchor Road, Bristol BS1 5HL  
Registered: Number 02122142, England  
20 May 2015

## Forward looking statements

*This announcement contains forward-looking statements with respect to the financial condition, results and business of the Group. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend on circumstances, that will occur in the future. The Group's actual results may differ materially from the results expressed or implied in these forward-looking statements. Nothing in this announcement should be construed as a profit forecast. This announcement is unaudited. This statement should not 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. Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this document may not conform exactly to the total figure given for that column or row.*