

## Trading update

14 May 2020

Hargreaves Lansdown plc (“Hargreaves Lansdown” or the “Company” or the “Group”) today publishes a trading update in respect of the four month period to 30 April 2020 (“the period”).

### Highlights

- Net new business of £4.0 billion in the period
- Year to date net new business of £6.3 billion
- Assets under administration (“AUA”) of £96.7 billion as at 30 April 2020
- 1,368,000 active clients, with net new clients of 94,000 in the period
- Year-to-date total revenue of £448.1 million, up 13%, supported by record dealing volumes

### Chris Hill, Chief Executive Officer, commented:

“During this exceptionally volatile and challenging period, Hargreaves Lansdown has performed strongly, adding 94,000 net new clients and £4.0 billion of net new business.

We have and continue to be focused on the health and well-being of our colleagues and their families. We are not seeking government assistance, nor are we furloughing any employees or enacting any redundancy programmes. I would like to thank all my colleagues for their hard work, commitment and unwavering focus on delivering the right outcomes for our clients throughout this period. I am proud that their resolve and dedication has risen in response to the challenges we are all now facing and that we have been able to support all of our clients through a time of elevated and unprecedented volumes of activity.

The investment that we have deliberately undertaken over the past three years into our service, its scalability, our marketing and our technology has enabled us to support and protect the interests of our clients throughout the COVID-19 crisis. In these challenging times, it is critical we can support people in managing their investments and savings according to their desired outcomes. Retail investors have a vital role to play in the recovery and I would like to thank all of our clients for their continued support.

There remains much uncertainty in the coming months and hence, like many businesses, we cannot predict levels of new business or client activity. However, we are confident that the strategy we have invested in, with our focus on the needs of UK investors and savers and delivering the highest level of client service, means that we are well positioned to deliver continued attractive long-term growth.”

### Assets under administration and net new business

£ billion	Four months to 30 April 2020	Ten months to 30 April 2020
Opening AUA	105.2	99.3
Net new business	4.0	6.3
Market movements	(12.4)	(8.8)
Founders transfers	(0.1)	(0.1)
<b>Closing AUA</b>	<b>96.7</b>	<b>96.7</b>

The past four months have presented unique challenges for society, governments, businesses, stock markets and investors. Hargreaves Lansdown’s strategy, business model, breadth of proposition and focus on service have allowed us to support our clients and colleagues through these challenges and perform strongly. This has resulted in client engagement and activity building through the period, particularly across the tax year-end, in terms of net new business, net new clients and share trading volumes.

Net new business was £4.0 billion during the period (2019: £2.9 billion), taking year to date net inflows to £6.3 billion (2019: £5.4 billion). This is a strong rebound from the difficult macro and political environment for retail investment flows during the first half of the financial year. Net new business growth was driven by the usual factors of existing clients using their tax allowances during the ISA season, ongoing wealth consolidation onto our platform from existing clients and flows into our cash management service “Active Savings”, where AUA is now over £2 billion. This growth was further accelerated following

the significant market falls in early March, as existing clients added money to their accounts and new clients joined Hargreaves Lansdown to take advantage of the opportunity to invest at lower prices.

Net new clients for the period were 94,000, taking total active client numbers to 1,368,000. Our client service, reputation and breadth of proposition are core to Hargreaves Lansdown and were particularly important during the COVID-19 events. As we typically do during this period, we increased our marketing and advertising presence, this year supplemented by a campaign centred on London and the South-East. The campaign "Switch your money ON" was particularly aimed at the ISA market along with overall brand awareness. This, together with our direct digital marketing expertise, resulted in substantial numbers of net new clients in the period, taking year to date net new clients to 144,000. Many of these clients are relatively new to investing and over the coming months, we will be focused on how we can support them through a lifetime of investing to meet their long-term desired outcomes beyond the near term investment opportunities resulting from COVID-19.

Falling stock markets driven by the global impact of COVID-19 have led to a negative market movement in AUA in the period of £12.4 billion. There was also a withdrawal of cash by one of our founders following a reduction in their Hargreaves Lansdown plc shareholding earlier this year. When combined with net new business and market movements, AUA was £96.7 billion as at 30 April 2020.

### **Revenue**

Revenue for the period was £190.2 million (2019: £159.5m). The period had two distinct phases where revenues initially benefited from a greater level of AUA at the beginning of the calendar year and a higher cash revenue margin. However, at the start of March, the significant market falls caused by COVID-19 and the subsequent emergency cuts to the UK base rate of interest negatively impacted asset-related revenue streams. These impacts were more than offset by significantly higher stock broking revenues driven by record dealing activity. March and April both saw a series of new daily records and monthly dealing levels more than double the highs ever experienced before this period. Overall, this has resulted in year to date revenue of £448.1 million (2019: £395.9m), 13% higher than last year.

We do not know whether these elevated dealing volumes will continue, but in light of the volumes seen in the period, we now expect the full year revenue margin on shares to be in the range of 35bps to 40bps. As previously discussed, interest rate changes do not immediately impact our net interest margin because of the use of term deposits. Based on there being no further interest rate changes, our guidance for the full year cash margin would be in the range of 70bps to 75bps. As normal, we will give out revenue margin guidance for the next financial year in our year-end results scheduled for 7 August 2020.

Elevated levels of client acquisition, trading volumes and debit card payments onto the platform boost revenues but also come with associated costs. These activity-related costs will flow into the second half of our financial year, together with our brand marketing campaign. In addition there has been a notified increase in the FSCS' budget for 2020/21, which will give rise to a likely charge in this current year of between £12.5 million and £13.0 million compared to £6.8 million last year.

### **Dividend**

The Board considers these to be strong trading results, validating the Group's strategy and business model. The Group continues to have a robust capital and liquidity position, additionally supported by the receipt of £40 million Funds Library net disposal proceeds at the end of February 2020. The Board's current intention remains to operate its stated dividend policy for the 2020 financial year.

### **Response to COVID-19**

#### **Our Colleagues**

We have been focused throughout on the welfare of our colleagues and ensuring that they can continue to deliver the levels of client service we and they aspire to within a safe and healthy working environment. This has seen the majority of our colleagues move to working from home, with certain functions remaining in the office where necessary to support clients. The office environment has adapted to ensure that appropriate social distancing and hygiene practices are all maintained. The investments we have made in our service, technology and operational resilience over the past three years have been critical to this outcome.

#### **Our Clients**

These are difficult times for our clients, with each individual having their own concerns over the health, welfare and financial security of themselves and their loved ones. We have done our utmost to support them where possible, from increasing

the numbers of colleagues on phone lines, deploying more resources to supplement our usual timely and informative market updates with further insight and comment, enabling more and more digital management of their affairs via mobile and website journeys and ensuring protection of their identity and data.

### **Our Community**

We are a firm believer in playing a positive, supportive and leading role in our local community and that has never been more so than now. We support our local charities through our charitable trust, the HL Foundation, and we have stepped up this support through this crisis particularly for NHS charities, in support of the Bristol Nightingale Hospital and through a number of other initiatives. Our colleagues have also stepped up with volunteering and various fund raising activities.

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### **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.*

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## Assets under administration

Average AUA (£billion)	4 months to 30 April 2020	3 months to 31 December 2019	3 months to 30 September 2019	2 months to 30 June 2019	4 months to 30 April 2019
Funds	49.4	54.6	54.6	53.1	50.2
Shares	32.5	35.4	34.6	33.3	31.4
Cash	13.2	11.3	11.1	10.7	10.5
HL Funds	8.2	9.2	9.3	9.4	9.1
Active Savings	1.9	1.5	1.2	0.9	0.6
Double count <sup>1</sup>	(8.1)	(9.1)	(9.2)	(9.3)	(9.0)
Total	97.1	102.9	101.6	98.1	92.8

AUA (£billion)	As at 30 April 2020	As at 31 December 2019	As at 30 September 2019	As at 30 June 2019	As at 30 April 2019
Funds	47.9	55.9	54.2	53.8	52.7
Shares	32.5	36.5	34.9	33.7	33.4
Cash	14.1	11.1	11.3	10.8	10.9
HL Funds	7.7	9.4	9.2	9.4	9.4
Active Savings	2.1	1.6	1.3	1.0	0.8
Double count <sup>1</sup>	(7.6)	(9.3)	(9.1)	(9.4)	(9.4)
Total	96.7	105.2	101.8	99.3	97.8

Average AUA (£billion)	10 months to 30 April 2020	10 months to 30 April 2019
Funds	52.5	50.1
Shares	34.0	31.0
Cash	12.0	10.1
HL Funds	8.8	9.2
Active Savings	1.6	0.4
Double count <sup>1</sup>	(8.7)	(9.1)
Total	100.2	91.7

<sup>1</sup>All HL Funds are held in Vantage or the Portfolio Management Service (PMS) and are included in the Funds category of the table with the exception of a small balance held off platform by third parties. To avoid double counting the amount held in Vantage or PMS has been deducted.

AUA (£billion)	4 months to 30 April 2020	3 months to 31 December 2019	3 months to 30 September 2019	2 months to 30 June 2019	4 months to 30 April 2019
Opening AUA	105.2	101.8	99.3	97.8	85.9
Net new business <sup>1</sup>	4.0	0.6	1.7	1.9	2.9
Market movements	(12.4)	2.8	0.8	(0.4)	9.0
Founder transfer <sup>2</sup>	(0.1)	-	-	-	-
Closing AUA	96.7	105.2	101.8	99.3	97.8

<sup>1</sup>Net new business in the 4 months to 30 April 2019 includes £267m of flows acquired from Witan Investment Services.

<sup>2</sup>Net new business excludes the withdrawal of £110 million of Hargreaves Lansdown plc placing proceeds during the period that were held by a founder.