



# Hargreaves Lansdown PLC

Unaudited preliminary results for the  
year ended 30 June 2007

# 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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# 2007 highlights



## ● Excellent financial performance

	Year ended 30 June 2007	Year ended 30 June 2006	Increase
Total operating income	£98.8m	£73.5m	34%
Underlying operating profit	£40.7m	£24.3m	67%
Underlying earnings per share	6.4p	4.2p	52%
Underlying operating margin	41%	33%	+ 8pts

● Strong growth in AUA: up 67% to £10.2bn

● Highly successful IPO



# Assets under administration and management

# Strong growth in AUA



	Year ended 30 June 2007 £'bn	Year ended 30 June 2006 £'bn	Increase
<b>Assets under administration (AUA)</b>			
Vantage	9.1	5.4	
Other	0.2	0.2	
<b>AUA Total</b>	<b>9.3</b>	<b>5.6</b>	<b>66%</b>
<b>Assets under management (AUM)</b>			
Portfolio Management Service (PMS)	0.8	0.5	
Multi-manager funds excluding PMS	0.5	0.2	
<b>AUM Total</b>	<b>1.3</b>	<b>0.7</b>	<b>86%</b>
<b>Less: Multi-manager funds in Vantage</b>	<b>(0.5)</b>	<b>(0.2)</b>	
<b>Total assets under administration</b>	<b>10.2</b>	<b>6.1</b>	<b>67%</b>

# Vantage dominates growth in AUA



Year ended 30 June	2007 £'bn	2006 £'bn
Opening AUA	5.4	3.6
Net new business	2.1	1.1
Market movements / interest (bal)	0.8	0.6
Hargreaves Lansdown plc shares	0.8	
<b>Closing AUA</b>	<b>9.1</b>	<b>5.4</b>

• 69% increase in Vantage AUA to £9.1bn

• 2007 growth includes £805m in relation to Hargreaves Lansdown shares from IPO as at 30 June 2007.

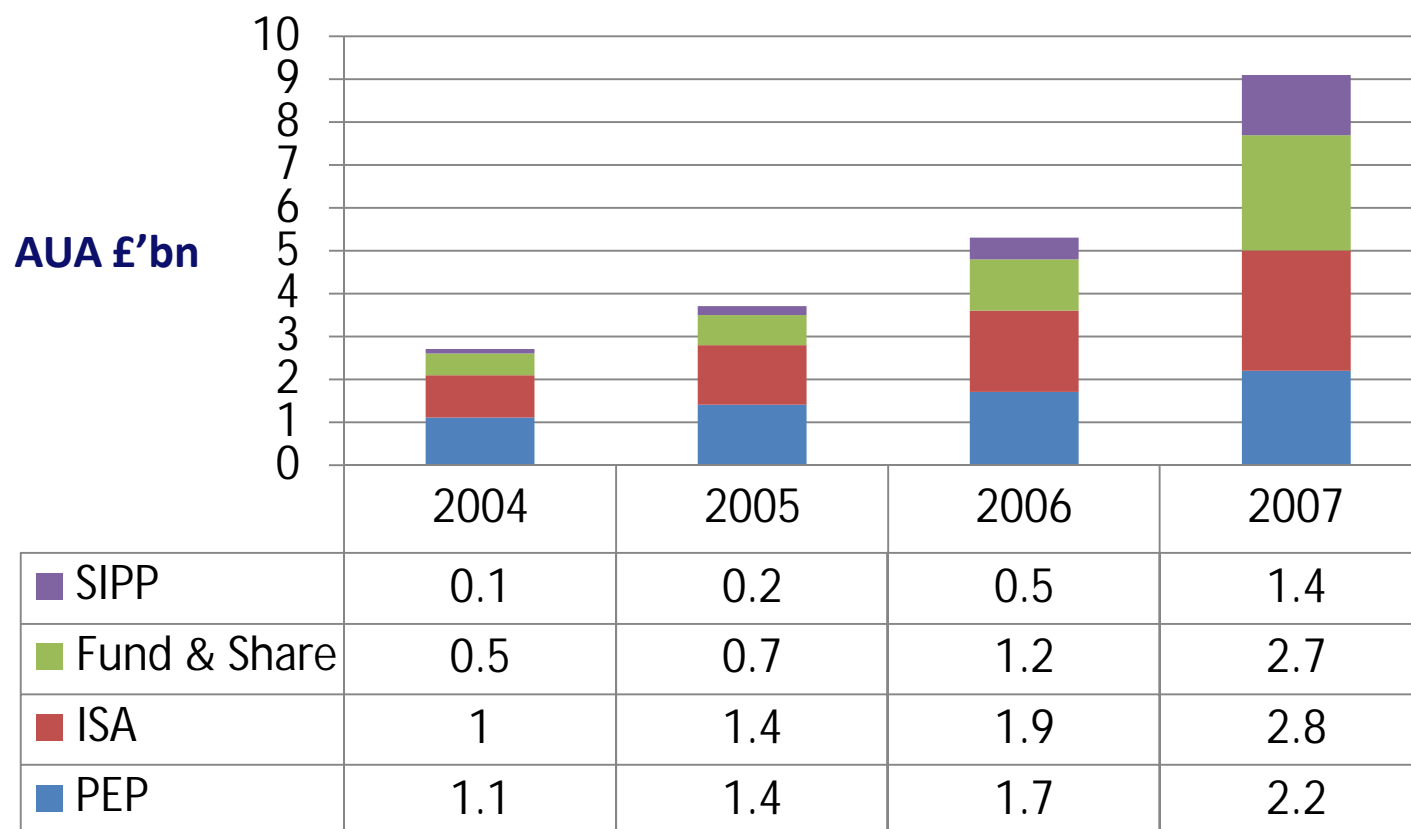
• In 2007, 71% of net new business was transacted in the second half of the year (2006: 73%)

• In Vantage, no management fees are charged on equities and non-qualifying funds within the Fund and Share account.

# Vantage AUA by tax wrapper

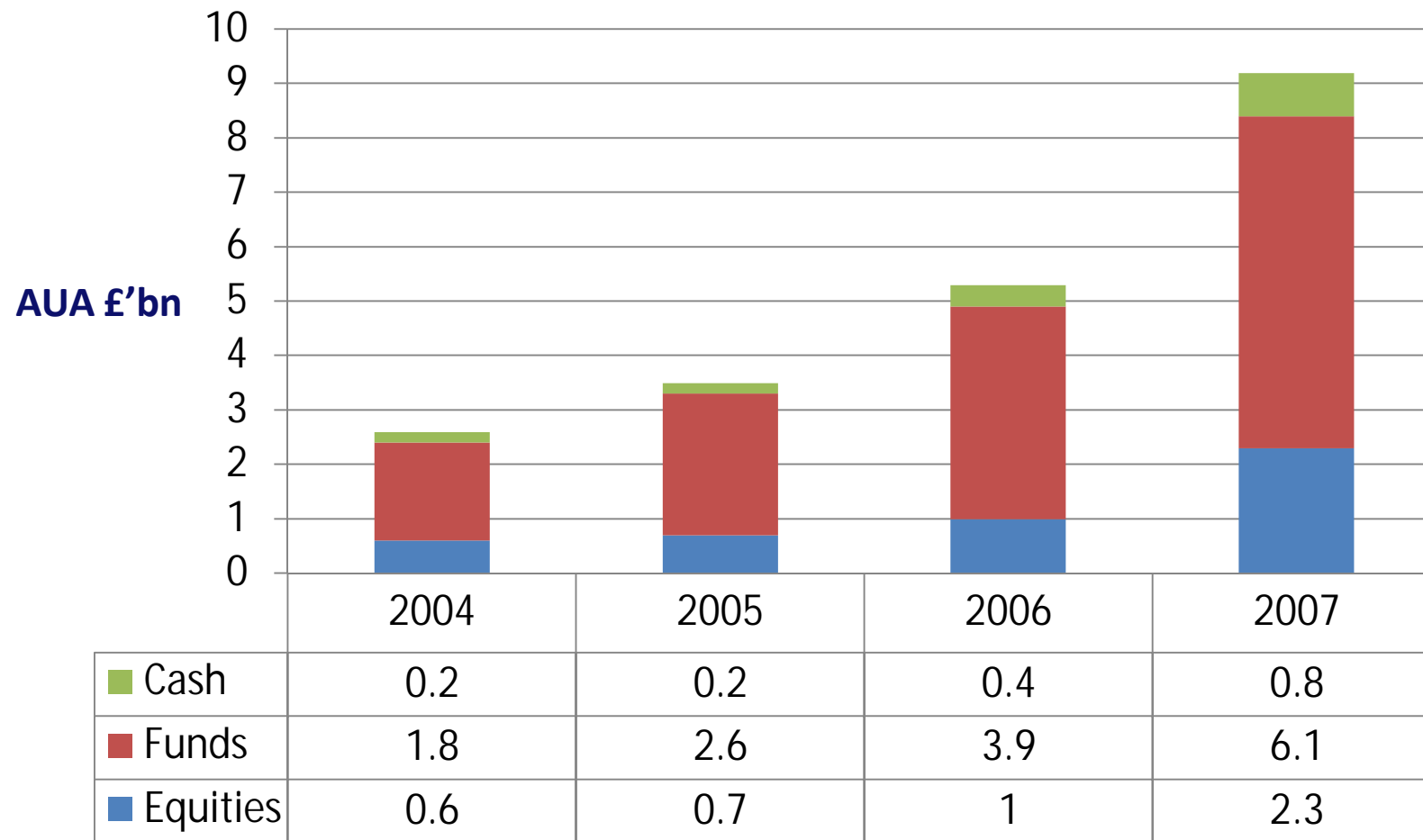


70% of Vantage AUA in tax wrappers





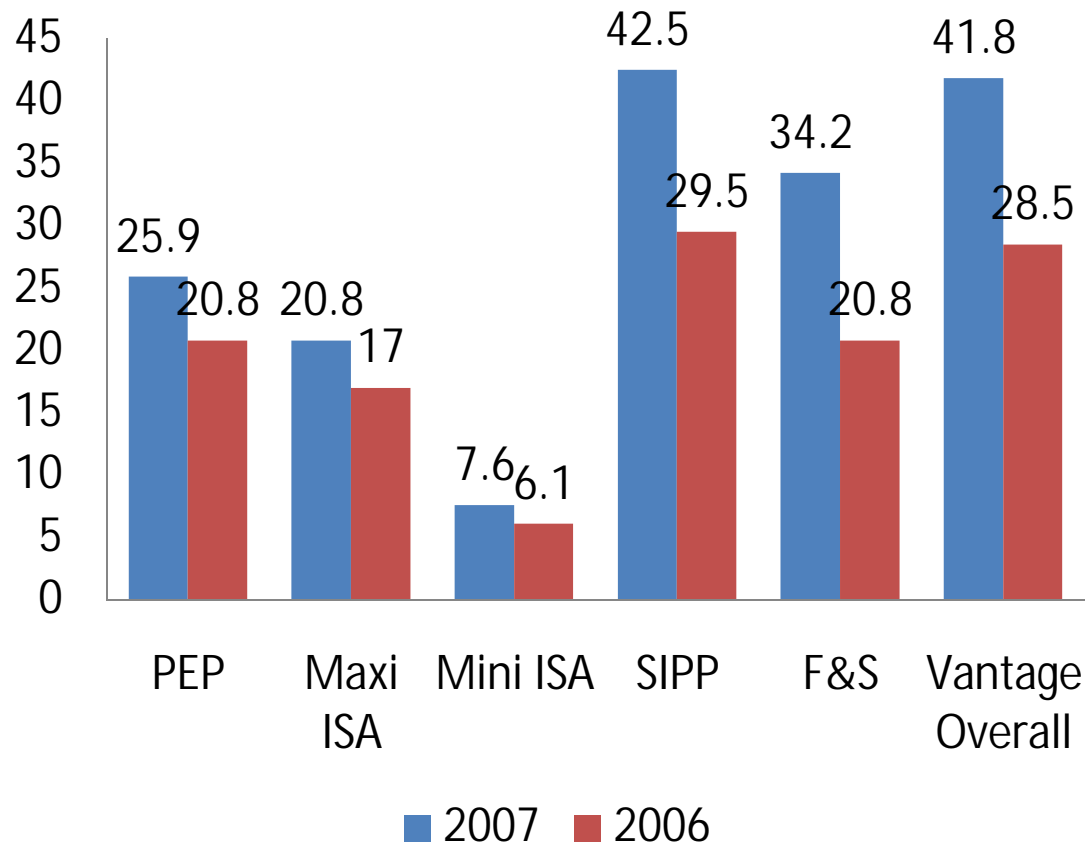
# Vantage AUA by asset class



# Vantage sub-account values £'000

Particularly strong growth in SIPPs (44%)

Average value of Vantage client overall has increased by 47%



# Other Vantage statistics



As at 30 June		2007	2006	Increase
Number of Vantage clients	'000	218	188	16%
Number of Vantage accounts	'000	368	299	23%
Number of accounts / client		1.7	1.6	6%
Average client value	£'000	41.8	28.5	47%
Average age	Years	58.1	58.4	-1%
Percentage registered for online access	%	50	27	23 pts

# Discretionary - AUM



Portfolio Management Service	30 June 2007	30 June 2006	Increase
Portfolio Management Service	£784m	£493m	59%
Multi-manager excl. PMS	£484m	£249m	94%
Total AUM	£1,268m	£742m	
PMS assets in HL multi-manager	£516m	£308m	67%
% PMS in HL multi-manager	66%	62%	4 pts
Number of PMS clients	6,443	4,839	33%
Average client value	£121.8k	£101.9k	20%



# Financial results



# Income statement

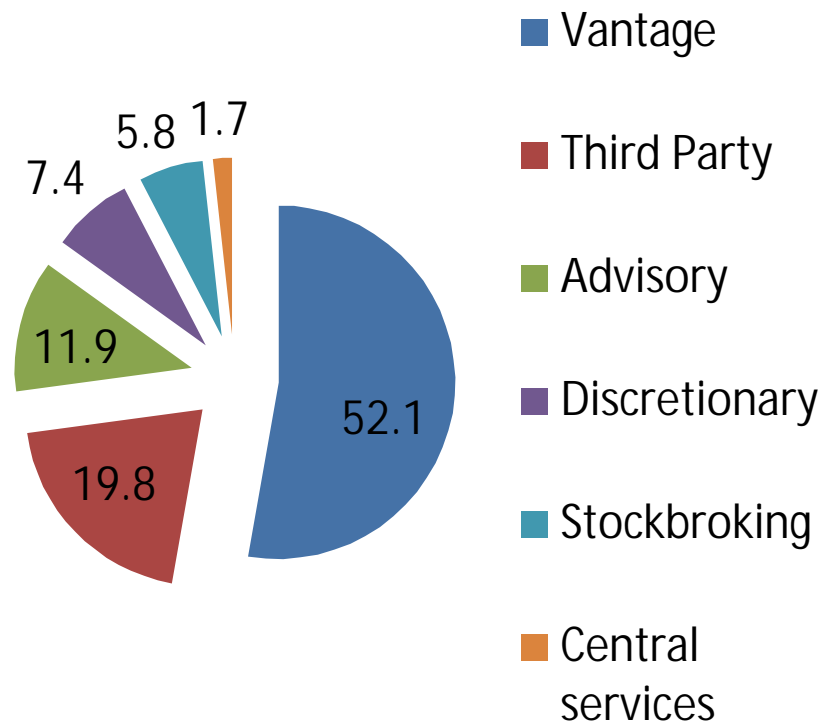
Year ended 30 June	2007 £'m	2006 £'m
Revenue	98.8	73.5
Underlying administrative expenses	(58.1)	(49.2)
<b>Operating profit before exceptional administrative expenses</b>	<b>40.7</b>	<b>24.3</b>
Exceptional administrative expenses	(29.6)	(19.6)
Operating profit	11.0	4.6
Non operating income – investment revenue and other gains	13.4	3.0
Profit before taxation	24.4	7.6
Taxation	(7.4)	(1.6)
Profit after taxation	17.0	6.0

# Revenue by division



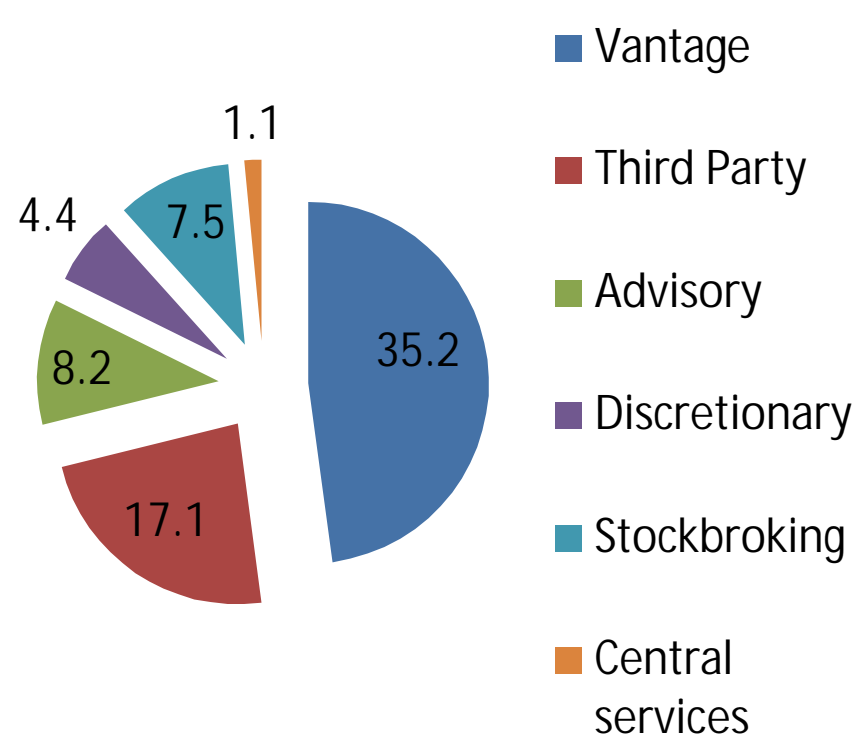
Year ended 30 June 2007

Revenue £'million



Year ended 30 June 2006

Revenue £'million



# Divisional highlights



- Vantage – strong asset growth
- Discretionary – good fund performance and inflows
- Advisory – improved efficiencies, increasing interest
- Third Party:
  - Corporate solutions – improved conversion on schemes, growth in larger schemes, higher profile
  - Personal L&P – Strong growth in annuity business
- Stockbroking – first class trading service for Vantage and servicing clients equity requirements

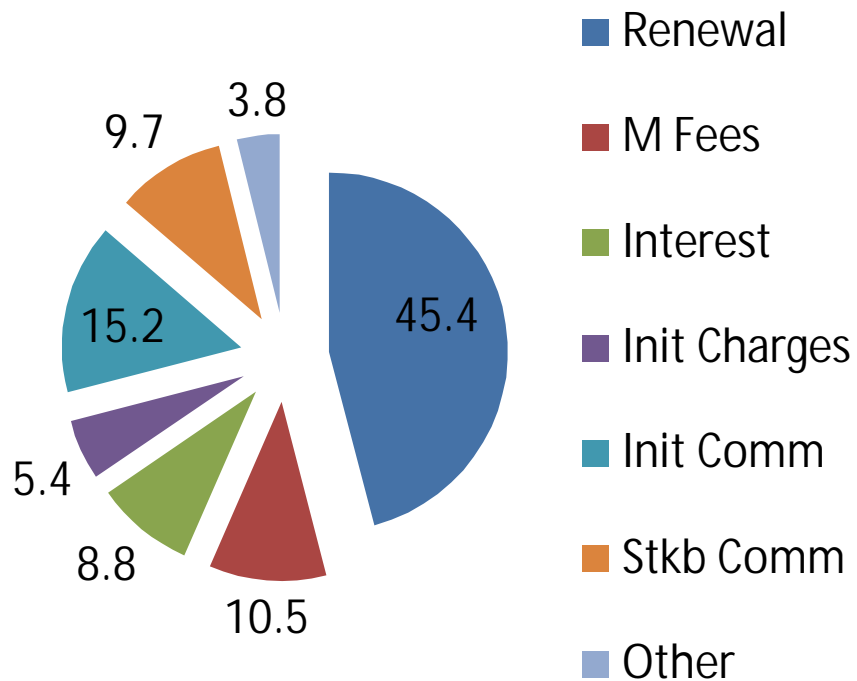


# Revenue by type



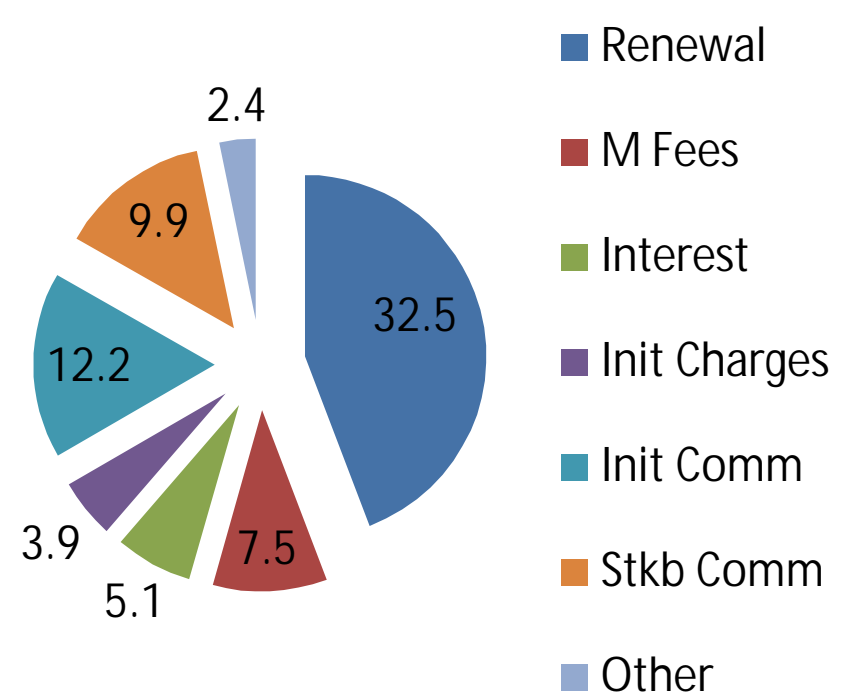
Year ended 30 June 2007

Revenue £'million



Year ended 30 June 2006

Revenue £'million



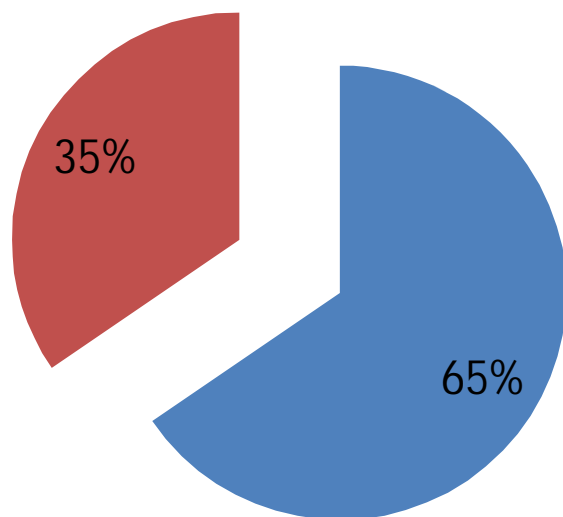
# Strong growth in “recurring” revenues



## Year ended 30 June 2007

Revenue £'million

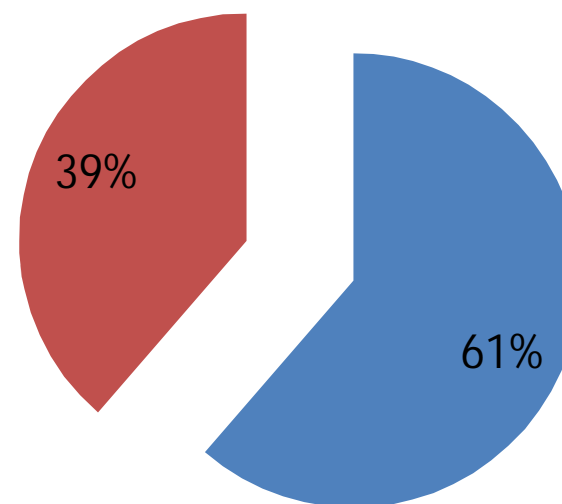
■ Recurring ■ Non Recurring



## Year ended 30 June 2006

Revenue £'million

■ Recurring ■ Non Recurring



# Administrative costs



- Recurring cost growth substantially below revenue growth

Year ended 30 June	2007 £'m	2006 £'m	Increase
Staff costs	34.5	28.1	23%
Commission payable	9.3	7.9	18%
Marketing spend	5.8	4.7	23%
Depreciation, amortisation and financial costs	0.8	1.1	-27%
Other administration costs and overheads	7.7	7.4	4%
<b>Total administrative expenses</b>	<b>58.1</b>	<b>49.2</b>	<b>18%</b>
<b>Exceptional administrative expenses</b>	<b>29.6</b>	<b>19.6</b>	<b>51%</b>

# Staff costs



## Flat average employee costs

Year ended 30 June	2007 £'m	2006 £'m	Increase
Staff costs	34.5	28.1	
Directors & senior managers	(6.9)	(5.4)	
	27.6	22.7	22%
Average number of staff excl. management	609	503	21%
Average charge per employee	£45k	£45k	0%

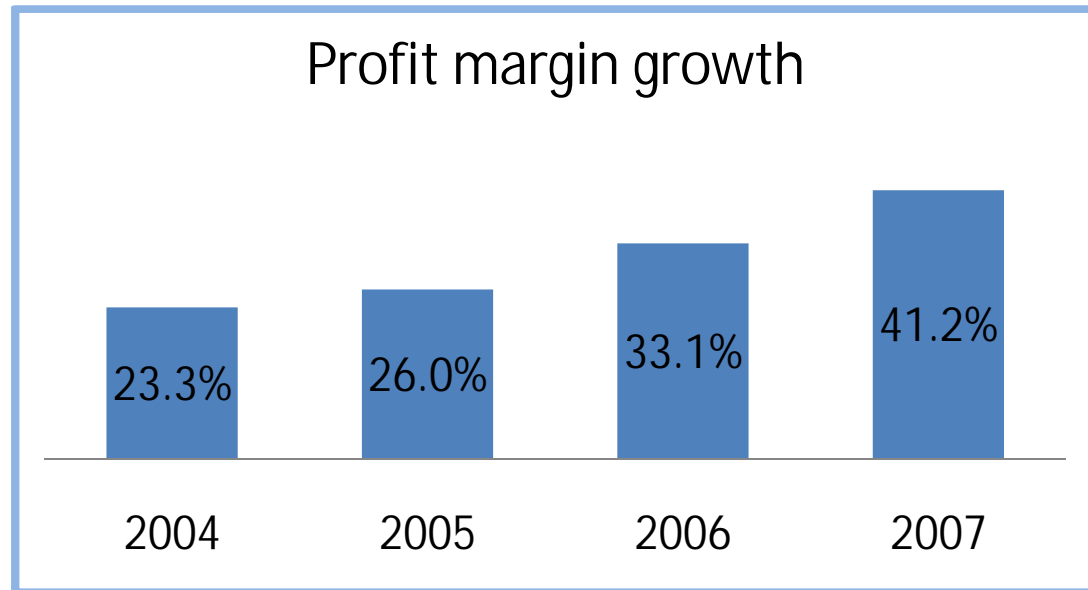
# Operating profit margins



- HL business model is scaleable

- Rate depends upon business flows as a proportion of asset values

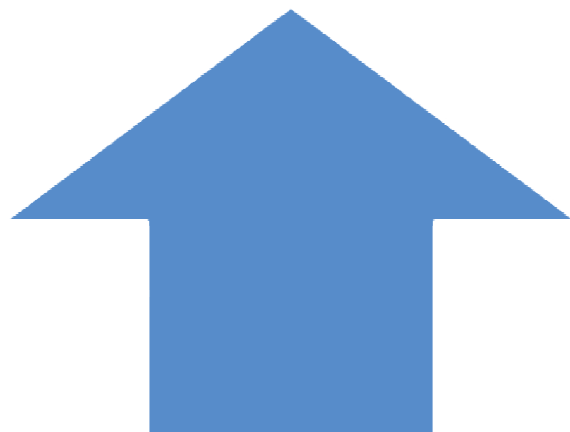
- Margins vary across divisions



# Margin mix across divisions (2007)



above average



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

41.2%



below average

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

# Cash flow statement



Year ended 30 June	2007 £'m	2006 £'m
<b>Profit for the year after tax</b>	<b>17.0</b>	<b>6.0</b>
Non operating cash adjustments	(9.3)	0.8
<b>Net cash from operating activities</b>	<b>7.7</b>	<b>6.8</b>
Net cash from / used in investing activities	39.7	(17.3)
Net cash used in financing activities	(13.0)	(7.9)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>34.3</b>	<b>(18.4)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>13.7</b>	<b>32.1</b>
<b>Cash and cash equivalents at end of year</b>	<b>48.1</b>	<b>13.7</b>

➤ Highly cash generative business

➤ Low working capital and cap ex requirements

➤ Substantial dividend capacity: min 60% of distributable earnings

➤ Office consolidation likely to cost £10m-£15m in next 2-3 years

# Summary balance sheet



As at 30 June	2007 £'000	2006 £'000
Non current assets	8,641	3,969
Current assets	100,794	75,172
Total assets	109,435	79,141
Current liabilities	64,130	57,610
Non current liabilities	810	4,062
Total liabilities	64,940	61,672
Net assets	44,495	17,469
Equity		
Retained earnings	31,018	27,361
Other	13,477	(9,892)
Total	44,495	17,469

• Non asset and capital intensive balance sheet

• High returns on equity

• £48.1m cash includes

• £15.2m client settlement balances

• £12.4m of restricted cash held within the EBT

• £20.5m unrestricted cash



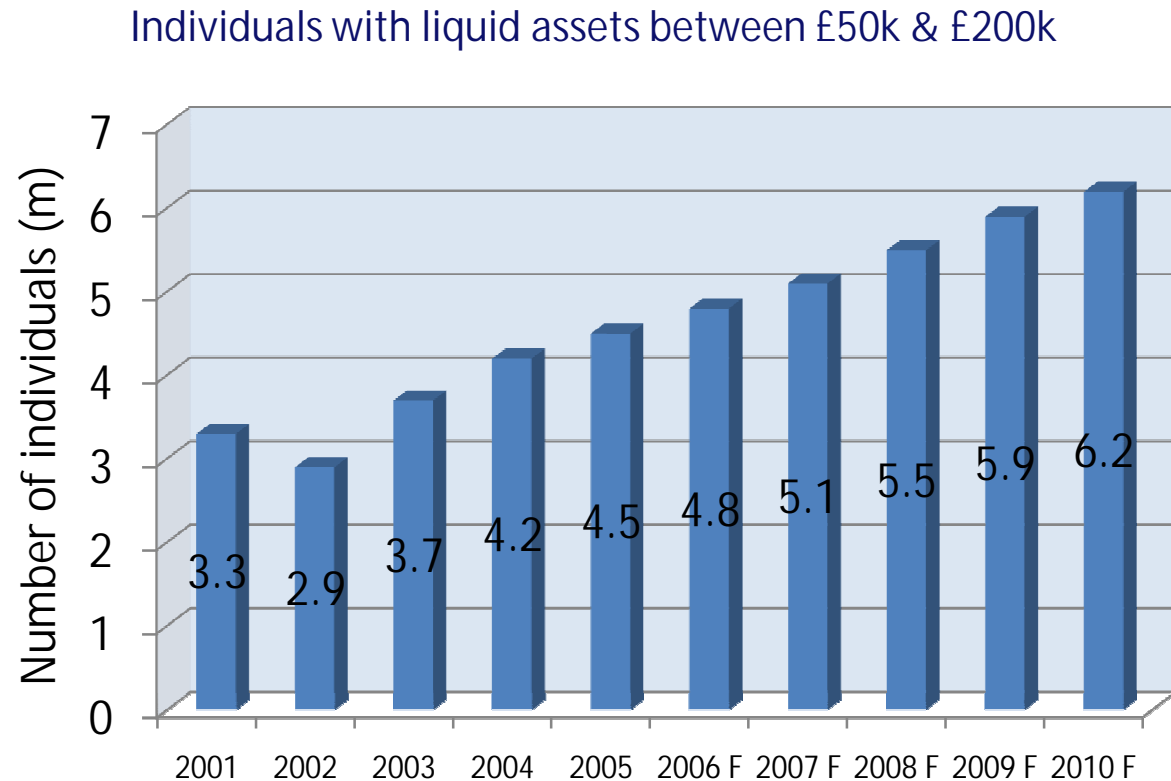


# Outlook and strategy

# Market potential



➤ Increasingly wealthy population: 6.2m having £50k-£200k liquid assets by 2010



(Source: Datamonitor)

# Market potential



- Ageing and increasingly wealthy population
- Growing collective investment funds market
- Pensions market - greater awareness of need to save.
- Property slowdown
- Online access / broadband
- Growth in use of wrap platforms

- Availability of information - will promote execution-only market
- Funds of funds – good performance, growing brand
- Annuities - baby boomers reaching retirement
- Advice – prompted by life events such as retirement
- Pep / ISA merger – cash ISA money becomes eligible for Vantage

# Group strategy



- Continued focus on service
- Maintain flexibility, responsiveness and opportunism
- Continuity of marketing
- Improve brand awareness
- Improve margins

- Further enhancement of platform
- Encourage clients to transact business online
- Expand financial practitioners division
- Single location

# Marketing strategy



- Keep and grow existing clients
- Continually improve service
- Remain nimble, opportunistic and relevant
- Improved data capture and data mining

- Test new products
- Continue advertising
- PR / media



# Conclusions

# Outlook for Hargreaves Lansdown



- ✔ **Market potential exists**
- ✔ **Scalable successful business model**
- ✔ **Non capital intensive, limited capex business**
- ✔ **Excellent cash generation characteristics**

- ✔ **Successful asset gathering set to continue**
- ✔ **Maintain commitment to clients and quality of service**
- ✔ **Flotation has raised Group's profile and is delivering on its strategic objectives**
- ✔ **Confident of Group's prospects, subject to market performance**