

# **Hargreaves Lansdown plc**

**Unaudited interim results for the  
6 months ended 31 December 2012**

# Forward-looking statements

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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.

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Ian Gorham, Chief Executive

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# Overview and financial results

**Tracey Taylor**

Finance Director

# HY 2013 highlights

## Excellent financial results

- ✔ Pre-tax profits up 30%, EPS up 33%
- ✔ 24% increase to interim dividend at 6.3p per share

## Improved trading conditions vs H1 2012

## Excellent business volumes

- ✔ More transfer business
- ✔ More clients investing new money
- ✔ Increase in dealing volume (share dealing volumes +10%, funds +12%)

## Strong organic growth

- ✔ Record AUA of £30.4bn
- ✔ 446,000 active Vantage clients, 21,000 new clients
- ✔ £1.65bn of assets gathered (H1 2012: £1.16bn)

Revenue

**+24%**

(£140.3m vs. £112.9m)

Operating profit

**+30%**

(£92.1 vs. £71.1m)

Operating margin

**+2.6pts**

(65.6% vs. 63.0%)

AUA

**+30%**

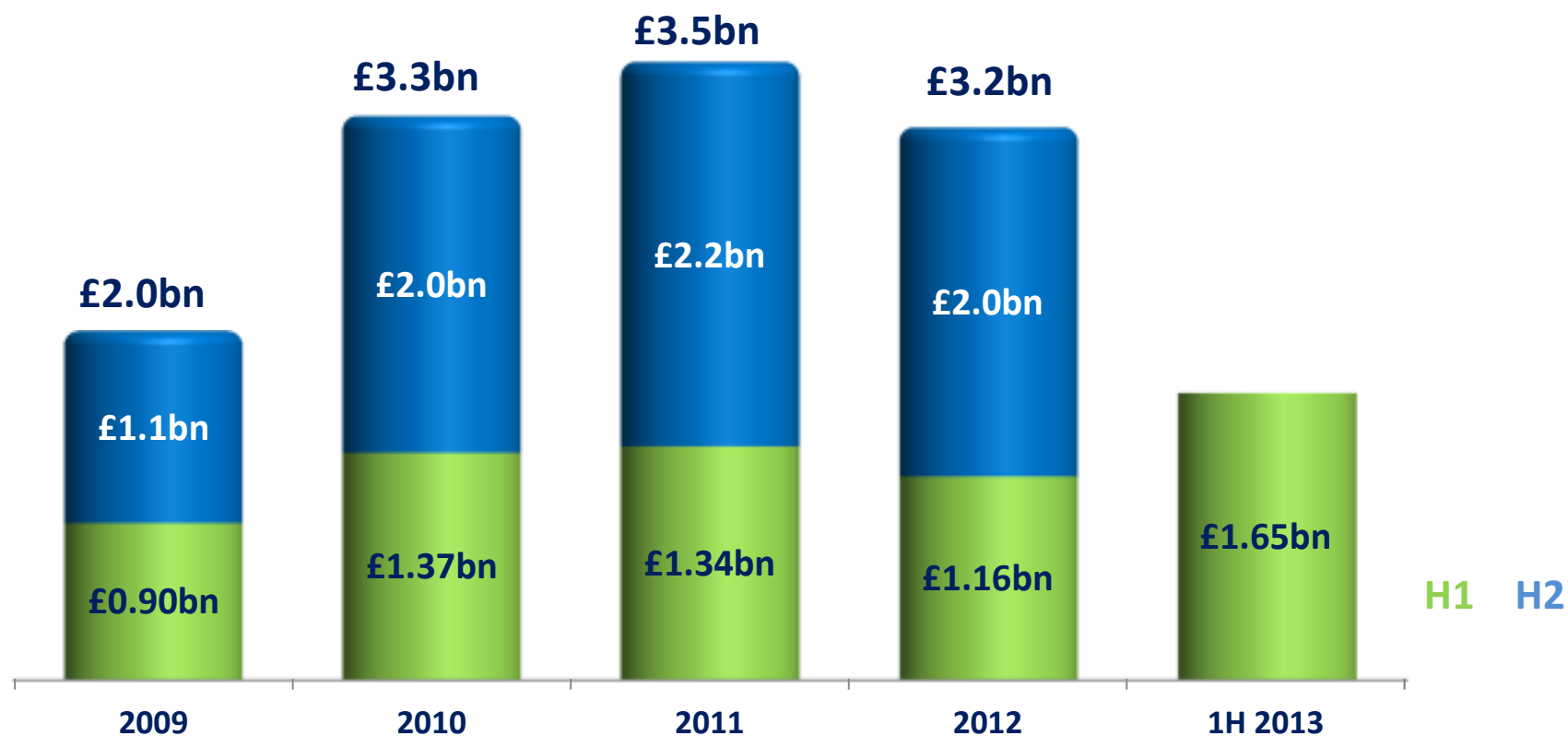
(£30.4bn vs. H1 2012  
£23.4bn)

FTSE All-Share

**+7%**

(H1 2012: -6%)

# £1.65bn net new inflows



Net new business inflows FY 2009 to 1H 2013 (£ billion), first vs. second half

# H1 2013 financial headlines

		1H 2013	1H 2012	FY 2012	
Revenue	+24%	<b>£140.3m</b>	£112.9m	£238.7m	<b>£27.4m increase to recurring revenue</b>
Operating profit	+30%	<b>£92.1m</b>	£71.1m	£150.6m	<b>Further operating margin improvement</b>
Operating profit margin	+2.6pts	<b>65.6%</b>	63.0%	63.1%	
Operating profit is stated after					
- Total FSCS levy expense	+140%	<b>£1.2m</b>	£0.5m	£4.8m	<b>Effective tax rate has reduced in line with main CT rate</b>
Profit before tax as reported	+30%	<b>£93.7m</b>	£72.0m	£152.8m	
Effective tax rate	-2.1pts	<b>23.9%</b>	26.0%	25.9%	
EPS (diluted)	+33%	<b>15.0p</b>	11.3p	24.1p	<b>Interim dividend up 24% to 6.3p</b>
Dividend per share	+24%	<b>6.3p</b>	5.1p	22.59p	

# A strong financial position

	Dec 2012 £m	June 2012 £m
<b>Regulatory capital</b>		
Capital resources*	145	157
Regulatory capital requirement	(22)	(21)
Declared interim dividend	(29)	(82)
<b>Total surplus capital after dividend</b>	<b>94</b>	<b>54</b>
<b>Cash flow</b>		
Operating cash flow % **	100%	104%
Cash bought forward	145	
Profit after tax	71	
Non cash – incl. depreciation	2	
Dividends paid during the period	(82)	
Other items	(3)	
<b>Cash resources (before interim dividend)</b>	<b>133</b>	

**Strong, conservative balance sheet - No debt**

**Low normal capex requirement**

**Large regulatory capital surplus  
( > 4x capital requirement)**

**Consistently cash generative**

\* Pro-forma capital resources including 1H 2013 profits

\*\* Operating cash flows as a % of operating profit



# Revenue

26% increase in recurring revenues (81% of total)

**Ave. level of AUA +24%**

**Vantage revenue  
margin sustained**

**Reduction in LIBOR**

**Recurring revenue – fees,  
interest, renewal income**

**Transactional income – incl.  
dealing commission, advice  
fees**

**Other income**

**Total revenue**

+26%

+11%

+106%

+24%

**1H 2013**

**%**

**£114.3m**

**81%**

**£22.7m**

**16%**

**£3.3m**

**2%**

**£140.3m**

**1H 2012**

**%**

**£90.9m**

**81%**

**£20.4m**

**18%**

**£1.6m**

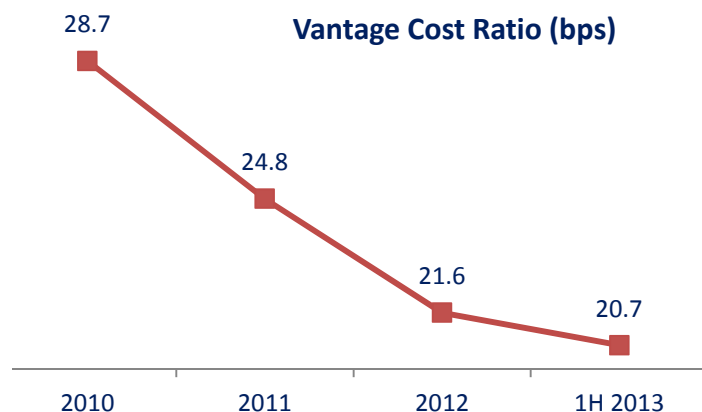
**1%**

**£112.9m**

# Interbank lending rates vs. base rate



# Operating leverage



**Administration costs  
controlled**

**Vantage cost ratio improved  
by 1bps**



**Scope for ongoing  
improvements**

**Investments in new initiatives  
and service – staff costs not  
capex**

Operating costs (excluding loyalty bonus) as a % of average AUA

# Costs controlled

15% growth in costs vs. 24% revenue growth

Staff cost increase includes investment in new initiatives

Loyalty bonus cost increased in line with AUA

Increased spend on marketing incentives

SIPP loyalty bonus from January 2013

## Total operating costs

+15%

Includes:

Staff costs

+17%

Marketing + distribution spend

+22%

Commission payable

+11%

Ave. no of staff (FTE)

1H 2013

1H 2012

£48.2m

£41.8m

£24.4m

£20.8m

£5.6m

£4.6m

£9.0m

£8.1m

693

643

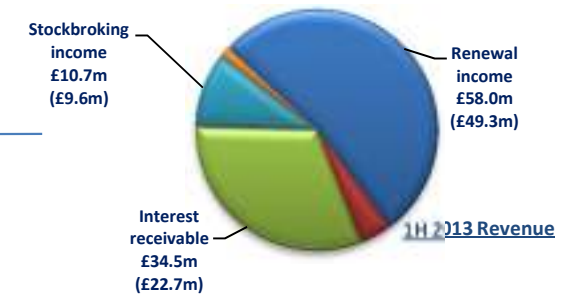
# Divisional results

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	Revenue	Operating profit
1H 2012	£112.9m	£71.1m
Vantage	+£22.9m	+£18.2m
Discretionary & Managed	+£2.2m	+£1.3m
Third party & Other services	+£2.3m	+£1.5m
1H 2013	£140.3m	£92.1m

# Vantage

78% of Group revenue



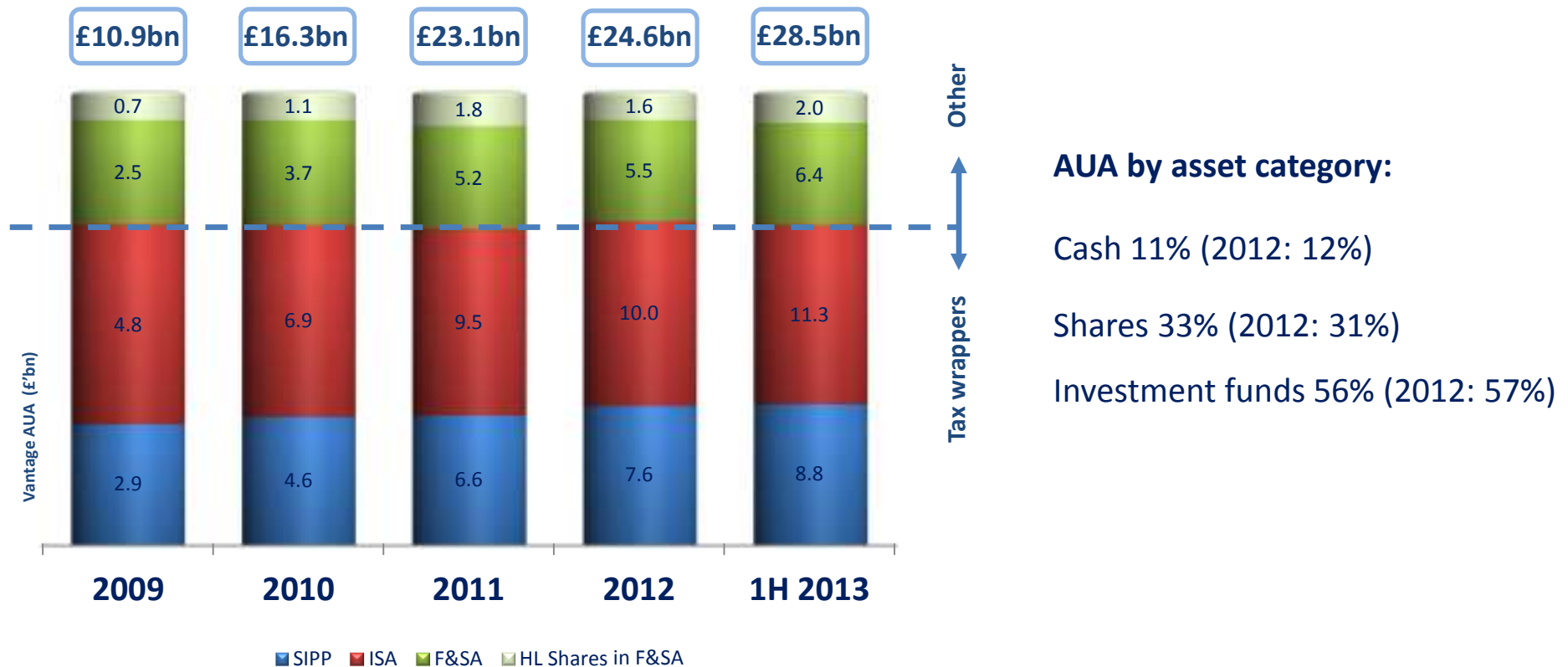
- Monthly ave. AUA +24%, revenue +26%
- Revenue margin sustained
- Cost ratio improved

		1H 2013	1H 2012	FY 2012
Revenue	+26%	£109.9m	£87.0m	£185.7m
Average revenue margin (excl loyalty bonus)	+2bps	81bps	79bps	81bps
Operating profit margin	+3.3pts	66.9%	63.6%	63.7%
Average cost ratio (on AUA, excl loyalty bonus)	-1bps	21bps	22bps	22bps
No. of active Vantage clients ('000)	+13%	446	396	425
No. of active Vantage accounts ('000)	+7%	*653	*608	*626
Vantage AUA at end of period	+30%	£28.5bn	£21.9bn	£24.6bn
Vantage net new business inflows	+39%	£1.54bn	£1.11bn	£3.06bn

\* 22,000 Protected Rights SIPP accounts were merged in FY 2012

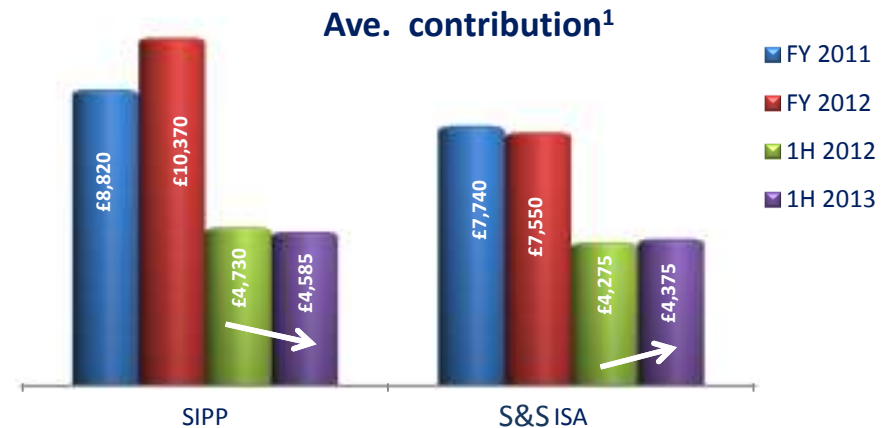
# £28.5 bn Vantage AUA

71% of Vantage AUA are held in tax wrappers (Jun 2012: 72%)



# £1.54 bn Vantage net new business

Net new business	1H 2013	1H 2012
Vantage SIPP	£0.7bn	£0.5bn
Vantage ISA	£0.4bn	£0.3bn
Vantage F&S/Other	£0.4bn	£0.3bn
<b>Vantage Total</b>	<b>£1.5bn</b>	<b>£1.1bn</b>



- 32% increase to number of S&S ISA contributions in H1; 29% increase in SIPP
- Ave. S&S ISA (main) contribution +2%
- 7% increase to regular savings vs. June 2012. Run rate £254m
- Increased volume (+41%) and value (+65%) of SIPP transfer business
- Improved market conditions
- SIPP loyalty bonus, transfer incentives



- Households are still facing financial challenges
- Ave. SIPP contribution -3%
- Increased benefit withdrawals from SIPP (annuities +£30m, income drawdown +£20m)



- Very high client (94.5%) and asset (94.1%) retention rates

<sup>1</sup> Average contribution for those clients who have contributed during the year, includes both member and employer contributions includes SIPP tax relief



# Good momentum in Vantage

**21,000**  
**net new clients**

vs 16500 H1 2012  
(H1 2011: 15800)



**£1.5bn**  
**net new business**

vs £1.1bn H1 2012  
(H1 2011: £1.3bn)



# Discretionary and managed

11% of Group revenue

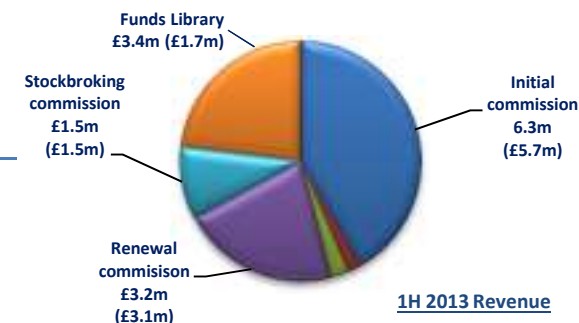


- 15% increase in AUM since June
- Increased levels of new business inflows

		1H 2013	1H 2012	FY 2012
Revenue	+17%	£15.4m	£13.2m	£27.3m
Recurring revenue	-3pts	89%	92%	90%
Operating profit margin	-0.9pts	65.8%	66.7%	67.4%
No. of PMS clients ('000)	+7%	12.5	11.7	12.0
Discretionary AUM at period end	+22%	£2.76bn	£2.26bn	£2.41bn
Net new business inflows to PMS	+94%	£99m	£51m	£150m

# Third Party/Other Services

11% of Group revenue



- Funds Library 100% revenue growth
- Increase in annuities income
- Corporate Pension revenue reduced in favour of Vantage

		1H 2013	1H 2012	FY 2012
Revenue	+18%	£15.0m	£12.7m	£25.7m
Operating profit margin	+1.4pts	56.2%	54.8%	54.4%
Third party personal pensions revenue	+42%	£4.7m	£3.3m	£6.5m
Funds Library revenue	+100%	£3.4m	£1.7m	£3.7m
Third party corporate pensions revenue	-29%	£2.4m	£3.4m	£6.2m

\* Relates to Currency, CFDs and Spreadbetting

# Summary and outlook

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## Increase in half year earnings

- Challenging economy
- Investor confidence
- Client recruitment and excellent new business volumes

## Outlook for H2 2013

- Lower interest rates
- January 2013: positive markets (FTSE All-Share +6%)
- In-specie transfers, SIPP Loyalty Bonus, end of tax year

**Results commentary**

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**Group strategy update**

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**Regulation and the market**

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**Ian Gorham**

Chief Executive

# Excellent results across the board...

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**Profit:** **£93.7m** **+30%** (£72.0m)

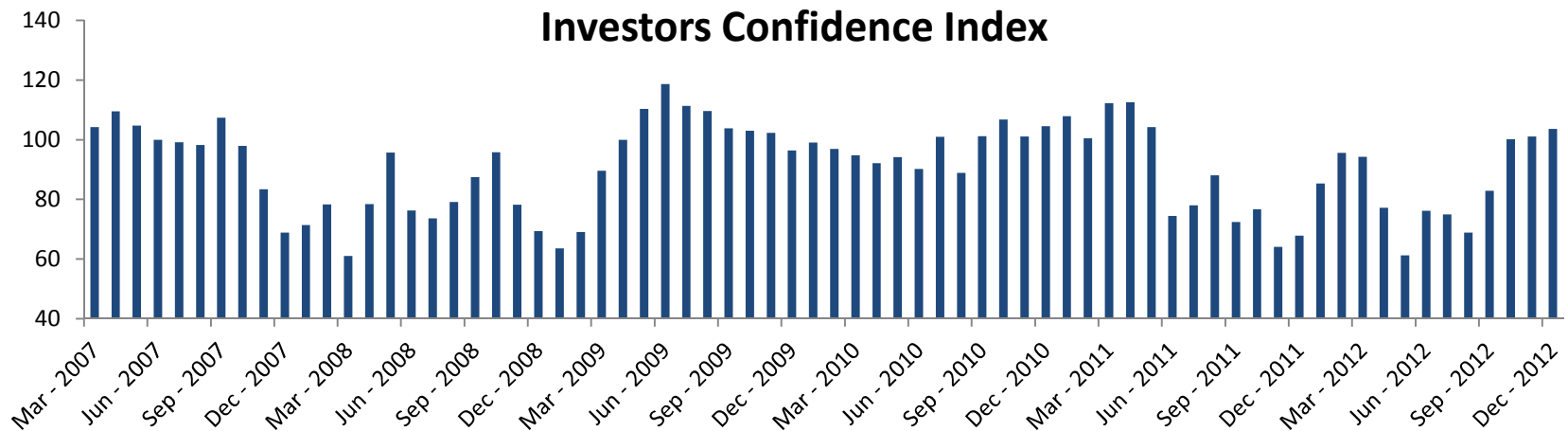
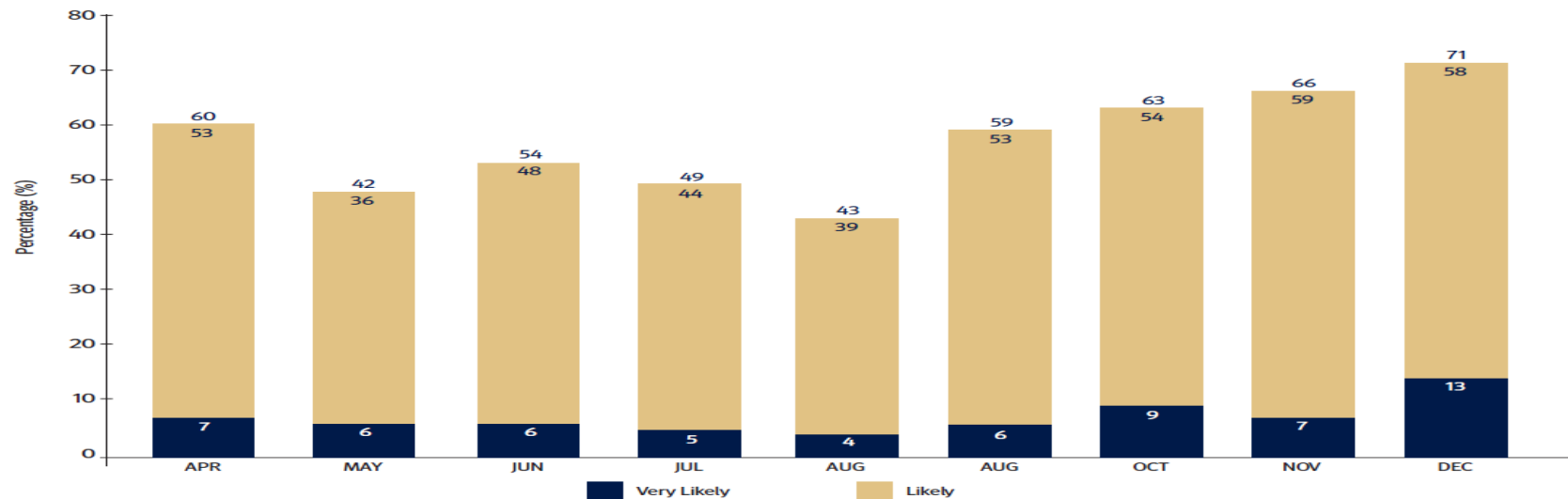
**New Clients:** **+21,000** **+27%** (+16,500)

**Net New Assets:** **+£1.65bn** **+42%** (+£1.16bn)

**Assets:** **£30.4bn** **+30%** (£23.4bn)

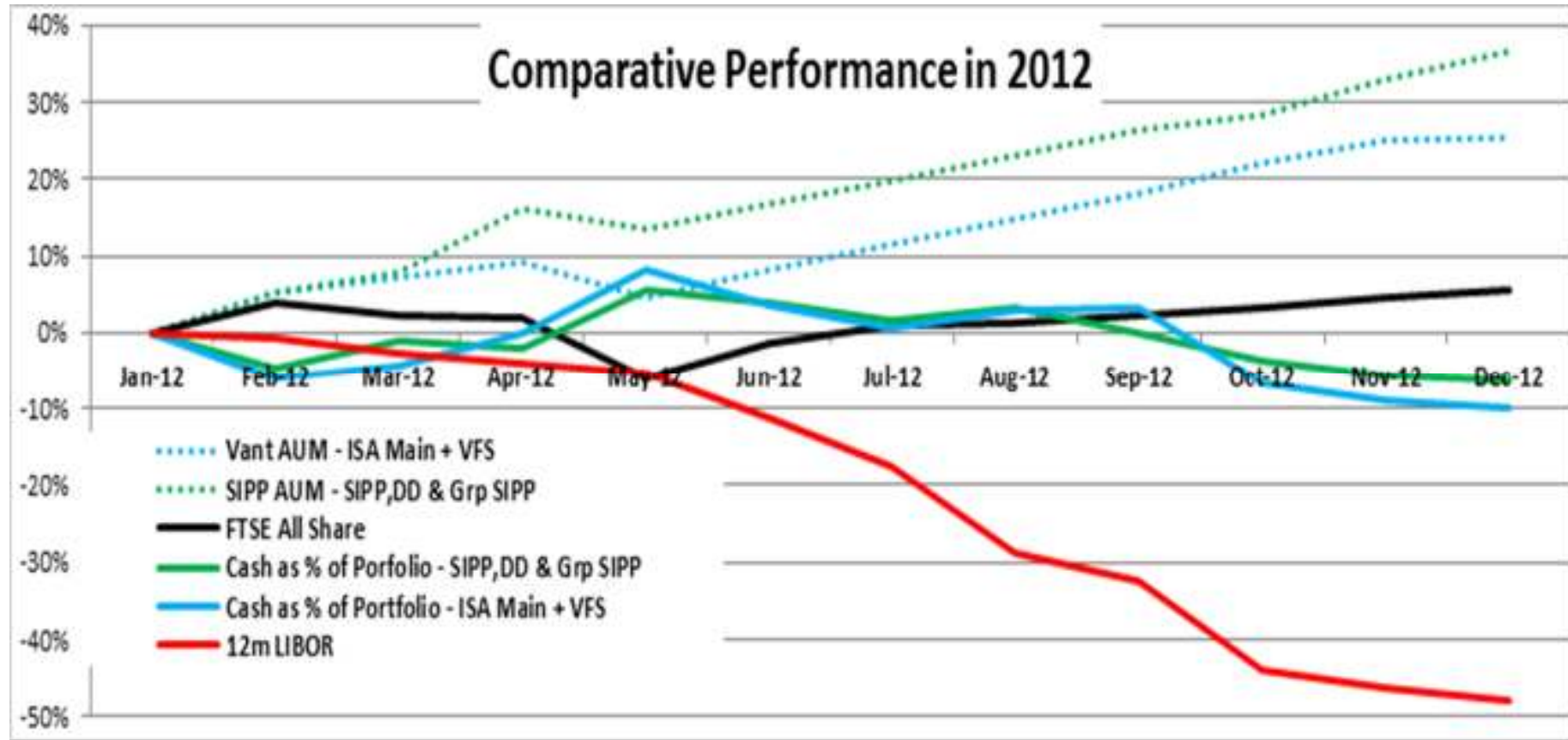
**All areas of business performing well**

# Investor confidence on increase...



Source: Hargreaves Lansdown Investor Confidence Surveys to December 2012 : Above: % who believe UK stock market will be higher in 1 year's time. Below: relative confidence index as calculated by Hargreaves Lansdown.

# ...and interest rates on decrease...



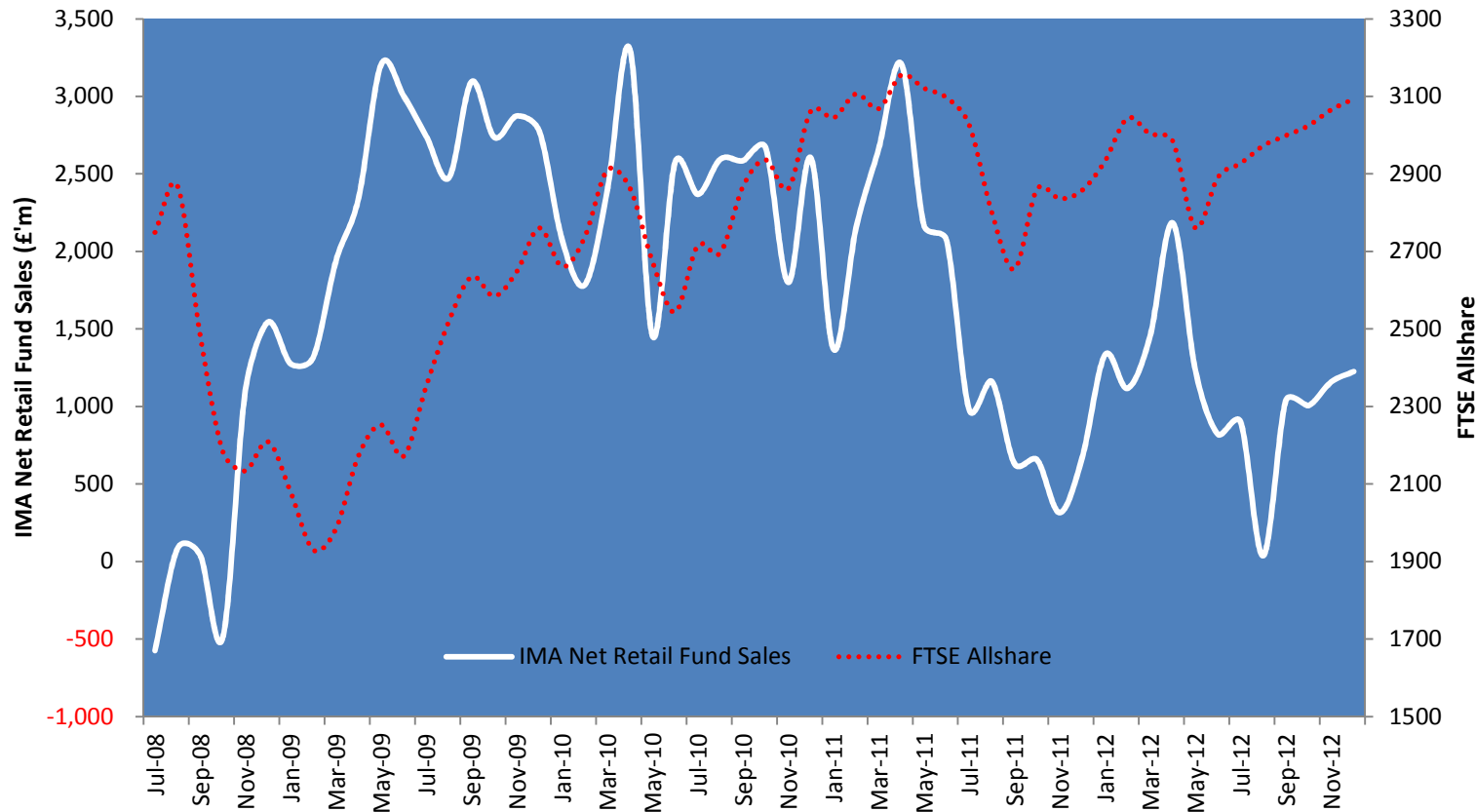
## Falling interest rates help gather new assets

Source: Bank of England for 12m LIBOR, combined with Hargreaves Lansdown AUA and portfolio data. Base date 1 January 2012.



# Environment better but remains subdued...

Retail fund sales picked up in final quarter.....








Source: IMA retail fund sales figures

# .. bucked a challenging environment

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Challenges remain:

-  UK economic fundamentals remain weak
-  Sovereign debt has not gone away
-  Stress on personal finances
-  Continued cuts and employment uncertainty
-  Need to pay down debt

**= Strengthening of our business and offer has been key to success**

# Investment and scalability sustained....

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## Offers, Service and Value enhancement

Incentives and advertising

**+37%** (£1.34m vs £0.98m)

### Staff additions vs Dec 2011

Web and IT development

**+25**

Corporate and Pensions

**+31**

Other

**+24**

Total new staff

**+80**

“Investment for future” related

**70%** (56 staff +8.8%)

Scale related

**30%** (24 staff +3.8%)

Staff additions as at 31 December 2012 vs 31 December 2011. Incentives and advertising 1H2013 vs 1H2012. Staff increase % as % of staff numbers (637) at 31 December 2011

# Key messages

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**Excellent results across the group**



**Success has benefited from hard work and investment**



**Remains a very scalable business**



**Underlying challenges for retail investors remain**



**Strong January – remember tax year end in 2<sup>nd</sup> half**



**Delighted with progress**

Results commentary

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**Group strategy update**

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Regulation and the market

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# We said: expect to see...



**Best Direct to Client - gather assets**



**Organic – gift horses only**



**UK – until overseas necessary**



**Focused, low risk, efficient business**



**Marketing and investment led approach**



**Energy into organic commercial opportunities**



**High upside low risk favoured**



**Operational strength**

# Group strategy : a reminder



Excellent service

Asset gathering

Efficiency improvements

Quality staff



**Best Prices, Best Service, Best Information**



**Investment Supermarket : Best for any investment**



**Digital Strategy : More channels for new business**



**Pensions: Structural opportunity + corporate**

# Investment Supermarket

“Hargreaves Lansdown : the best place to buy any investment direct”

Equity deals

760,000 +10%

Overseas Equity deals

36,000 +55%

Cash ISA

Passive investments

Investment Trusts

ETFs and ETCs

Drawdown

All contributing additional  
profit + driving site and client  
volume



Increasing alignment with supermarket behaviour



# Digital Strategy: Rewarding and important

**“Mobile and digital media provide more channels for new business”**

Reinforced dominance of digital media:



**23%** (June 2012: 21%) of site visits through mobile media

**17.54 million** web visits **+25%**

**Paid search traffic + 31%**

**Cost per click just + 9.8%**

**Investment Times on iPad**

**Organic search traffic + 41%**

**14,000 app deals Q4 2012 +75%**

**HL Live 82,000 downloads**

**HLTV watched by 425,000 people**  
(year to 31 Dec 2012)

**Mobile visits Q4 2012 +174%**

1. Versus same period last year unless stated

# Pensions & Corporate

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## The Ingredients:

**Corporate Vantage (Long term)**

+

**Additional pensions incentives (Near term)**

(Cost c£3m FY 2013, c£6m thereafter, to accelerate growth)

+

**Auto Enrolment (Medium term)**

=

**Pensions Opportunity**

# Corporate Vantage & SIPP - update

Key performance indicators,  
growth in:

6 months

 **Members\***

31 Dec 2012

10,206

30 June 2012

4,734

Annualised  
Growth

**+232%**

 **Schemes\***

64

47

**+72%**

 **Annual premiums\***

£65.7m

£29.6m

**+244%**

 **Value of AUA**

£222.4m

£94.8m

**+270%**

 **Value of SIPP assets (non-corporate)**

**+33%**

\* numbers relate to schemes either live or in implementation (ie won and contracted)

# The power of compound contributions

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For example, £20 million for 20 years:

**= £1.2bn Net New Assets!\***

Very dependable assets and income:

- Received in all economic weathers
- Cross-selling opportunity
- Natural advertising of DIY concept



\* £20m contributions received annually for 20 years, assuming 6% average market growth p.a and 6% increase in contributing company headcount p.a

# Why Auto-enrolment is important

- **Auto enrolment** : By 2017 all employers will have to auto-enrol eligible staff into a suitable workplace pension and pay contributions on their behalf

The **UK is still growing engagement with** with direct investing:

Average investment in an equity fund per head of population:



\$38,710



£9,776

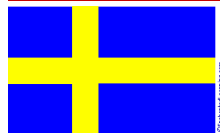
Where engagement is high, **public policy** has been key:



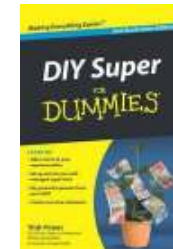
Australia: “Super” system



United States: 401K



Sweden: policy of funded pension promises



# Key messages

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**Strategy is delivering. Lots more for it to deliver.**



**Exciting new developments coming**



**Hard for others to replicate - cost, expertise and distribution**

**- Hargreaves Lansdown can grow in all circumstances**

Results commentary

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Group strategy update

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**Regulation and the market**

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# The Wonderful World of Regulation

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**News.....**

**Not a lot.**

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**RDR1 commenced.**

**Early days. Adviser fees, qualifications.**

**Excellent for transfers inwards in stock**

**Initial post RDR1 trading positive for advisory**

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**RDR2 rules “delayed.”**

**Latest FSA estimate for rules “Q1 2013”**

**Still expect  $\geq$  1 year to implement**



# Current RDR 2 expectation....



Rules in Consultation.... So can change!



Recap:

Separate charges  
for each service

Stated **AMC** on investments fall  
No commission, **fees** replace  
(Non HL) **Advice expensive & for high net worth**

Unit rebates

**Continue to use distribution power**

Pre-31 Dec unaffected?  
SIPPs not included

Currently **expect to apply any changes to all clients**

Everyone else in market  
must do it too


We will **watch and wait. Proven correct.** Early  
movers have not benefitted. No reason to adopt  
early (except to excite analysts!)

**At least 1 year to comply**

# Our “best guess” on post-RDR 2.....



We have no crystal ball, but based on our experience the scenario we favour is:

-  **“Utility tariffs”** - pricing hard to compare
-  Behavioural economics same – **clients seek overall value**
-  Pricing = **“ballpark pricing” competitiveness = best value**
-  Better deal for **High Net Worth** - not material cost
-  Same **great service** and **investment in the business**
-  **Gradual reduction in margins** due to technology and scale
-  **Continued increase in volume** more than offsets margin reduction
-  After initial interest, **very tough for anyone with no name, scale or distribution**

**We monitor very carefully, but think nothing likely to change quickly**

**If we're wrong, we'll act pragmatically, and have most resources at disposal**

# Likely revenue and charging scenario

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**The overall cost of investing through HL will not rise for the average client. It will remain much cheaper than using an adviser.**



**We have successfully modelled charging competitive fees in place of commission revenue. We still expect revenue and profit not to be materially affected.**



***If* the market became more price driven, we would respond. This would have short term revenue implications, but accelerate market share and volume.**

# Competition: No current impact. Widening gap...

Participants (launched)	AUA (Sept 2012)	Mkt Share	AUA Growth
<b>Hargreaves Lansdown (1981)</b>	<b>£26.7bn</b>	<b>28%</b>	<b>+28%</b>
No.2 (1986)	£12.32bn	13%	+21%
No.3 (1987)	£6.70bn	7%	+4%
No.4 (1997)	£5.0bn	5%	+11%
No.5 (2001)	£4.5bn	5%	+13%
No.6 (1987)	£3.56bn	4%	+19%

**Net transfers in from competitors: + 48%**

**Biggest and also growing the fastest**

2. Source for AUA market share : MoneyMarketing January 2013 using research from the Plaforum report "Direct Platform Guide" February 2013. Net transfers in 6 months to 31 December 2012 vs 6 months to 31 December 2011

## .. and popularity of self-directed rising?

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Google searches for Hargreaves Lansdown year to 31/12/12



Google searches for Hargreaves Lansdown since 1/1/13 (RDR1)



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CF30 Authorised UK Advisers

11/06/2011

05/12/2012

28,835

27,649



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= **1,186** CF30 authorised left authorisation in last 18 months  
= **just 1:2265** advisers per head of UK population  
= Advice market contracting at **-2.7%** per annum (US: -2.3%).

Source: Google Searches: Hargreaves Lansdown and related terms using Google Analytics. CF30 data: From FSA freedom of information request December 2012 overlaid with UK population statistics (Google).

# Growing market but *not* new:

Competitors at 31 December 2010:

**817**

Current competitors at last count:

**781**

of which:

Platforms:

**11%**

Life companies:

**8%**

Banks:

**29%**

Stockbrokers:

**12%**

Wealth managers:

**9%**

Advised:

**4%**

All willing to take  
investments

It is not hard to get a licence to look after people's money but ....

..... it is exceptionally hard to build **profitable scale in the direct market**

Source: Hargreaves Lansdown: Number of transferring counterparties in/out 6 months to 31 December 2012. Percentages generated from random sample of 200 of 781 counterparties.

# Barriers to entry remain....

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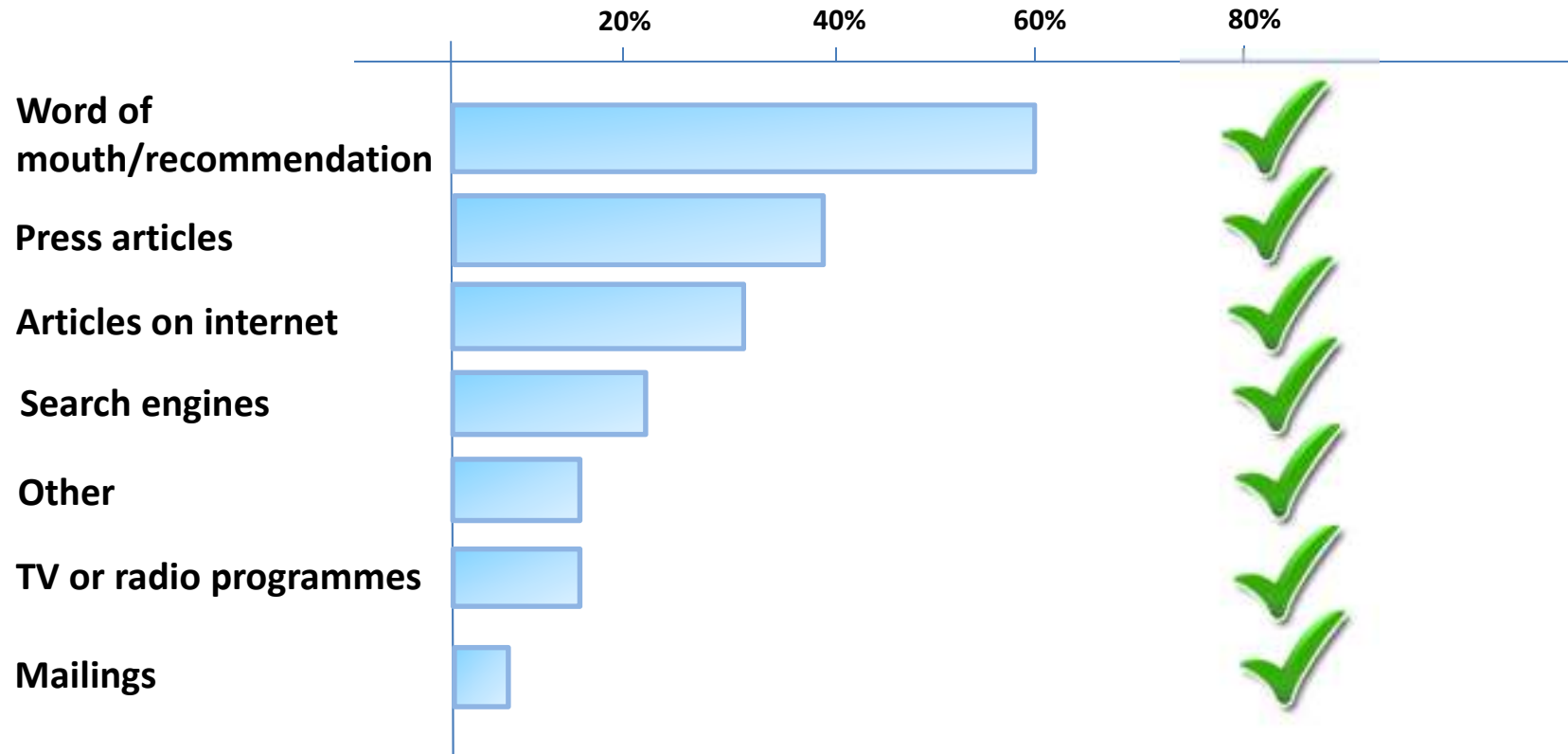
## Need:

- ❶ **Platform technology**: more available but an associated cost. HL owns.
- ❷ Trusted contact/potential **client list**: HL has more than 1.7 million
- ❸ Retail investment **marketing resources** & knowledge
- ❹ **Expertise**: it's not easy and attracting top expertise demands scale
- ❺ **Servicing** the client is very different to platform administration. HL has +700 staff for a reason
- ❻ **Scale** – There are high fixed costs
- ❼ Very **long term payback** doesn't suit many investors eg. Private Equity
- ❽ **Increasing regulatory costs** & complexity to deal direct. Europe.
- ❾ Need **trusted brand** – clients now wary who they trust with money
- ❿ Need **powerful balance sheet** for market volatility and investment

**None of these barriers will go away as a result of RDR**

# Finding it in the first place....

Question: “How did you come to use [this platform]?”

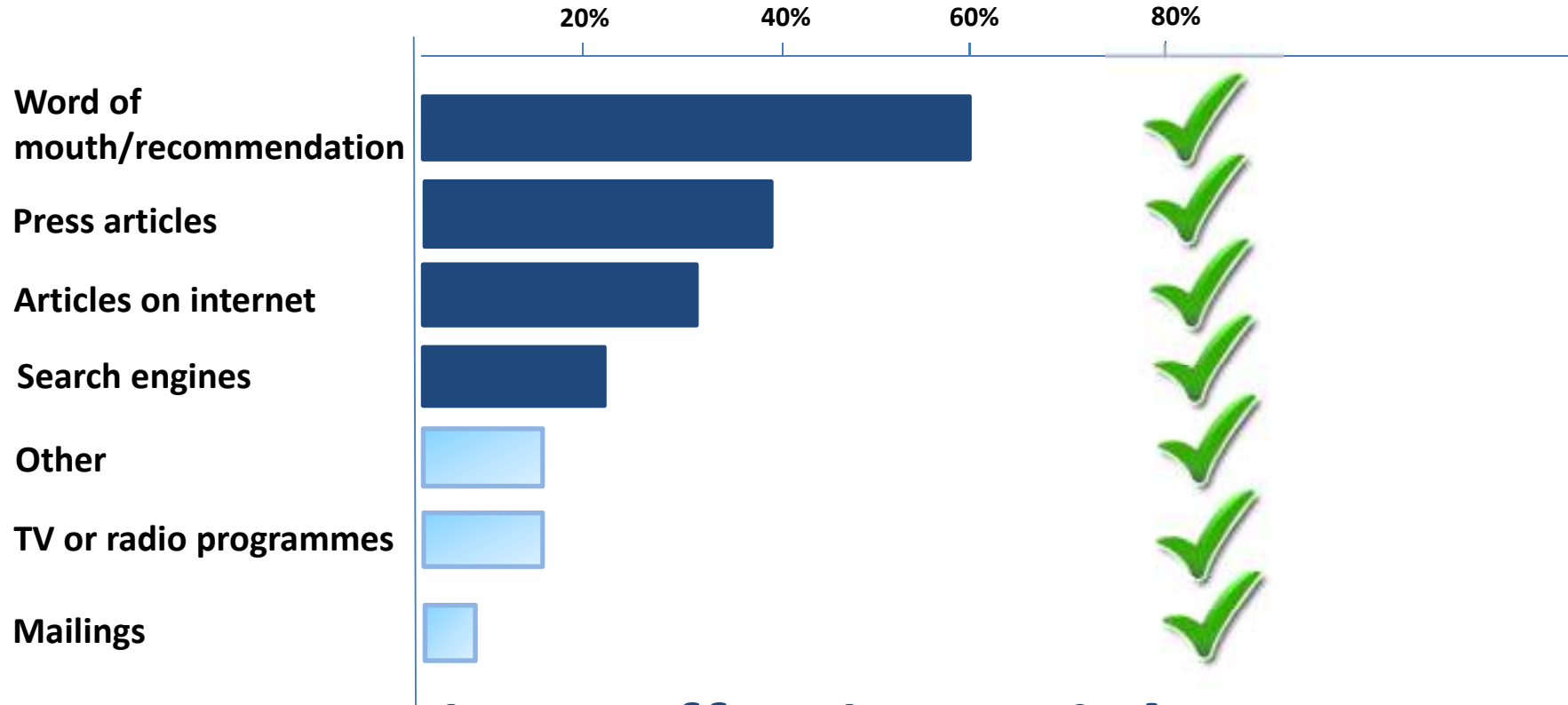


Source: Research from The Platform, published January 2013, survey of 1,017 Telegraph readers



# Finding it in the first place....

Question: “How did you come to use [this platform]?”



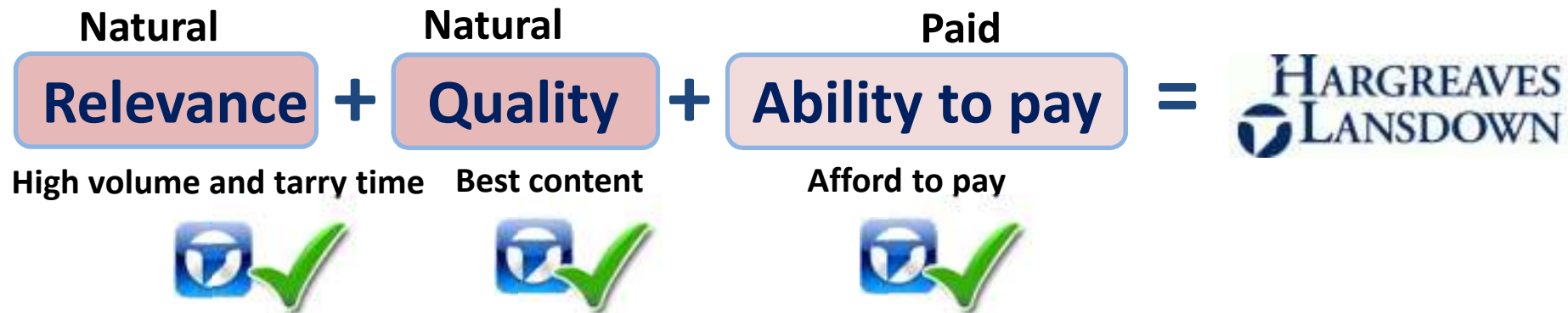
**Expensive stuff to invest in!**

Source: Research from The Platform, published January 2013, survey of 1,017 Telegraph readers



# Online Visibility.....

Search engine/click through optimisation is a function of:



[Self-invested personal pension - Wikipedia, the free encyclopedia](#)

[en.wikipedia.org/wiki/Self-invested\\_personal\\_pension](http://en.wikipedia.org/wiki/Self-invested_personal_pension)

A **Self-Invested Personal Pension (SIPP)** is the name given to the type of UK government-approved personal pension scheme, which allows individuals to make ...

[Investment choice](#) - [History](#) - [Structure](#) - [Tax treatment](#)

[SIPPs - Hargreaves Lansdown](#)

[www.hl.co.uk](http://www.hl.co.uk) > [Home](#) > [Pensions & retirement](#)

The Hargreaves Lansdown low cost Vantage **SIPP** helps you take control of your pension.

**SIPPs** give you more choice over where you can invest your money ...

[Cheapest Sipp: Build a low cost DIY pension...](#)

[www.monacavinnovart.com](http://www.monacavinnovart.com) > [Savings](#)

1.Source: Google search for SIPP 28 January 2013. Some paid advertising removed from image.

# UK website popularity rankings (by hits)



hl.co.uk

445th

The Times

478

Comparethemarket.com

489

Post Office

490

Bloomberg

496

hl.co.uk in July 2010 :

999



1.Source: Alexa.com at 28 January 2013,

# Expert commentary dominance....

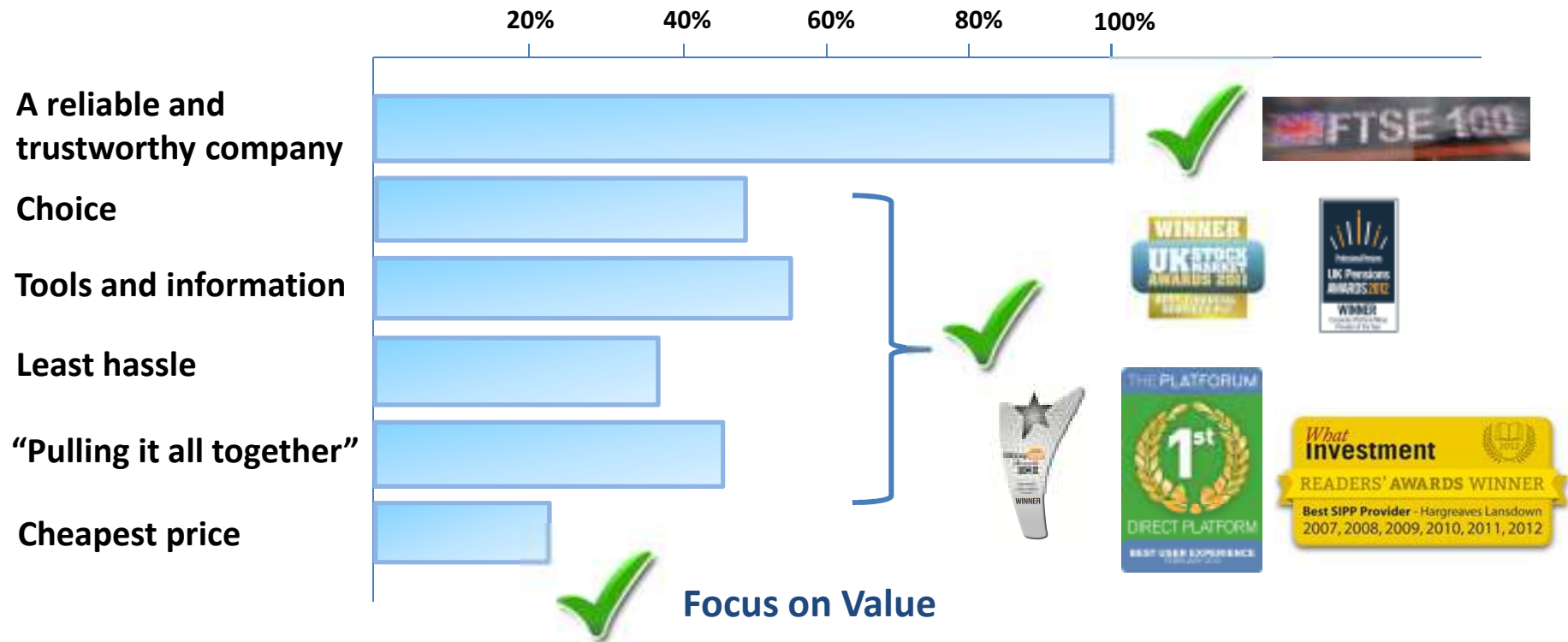


**Substantial investment in PR**

Source: Hargreaves Lansdown: PR mentions across HL designated "core publications" December 2012

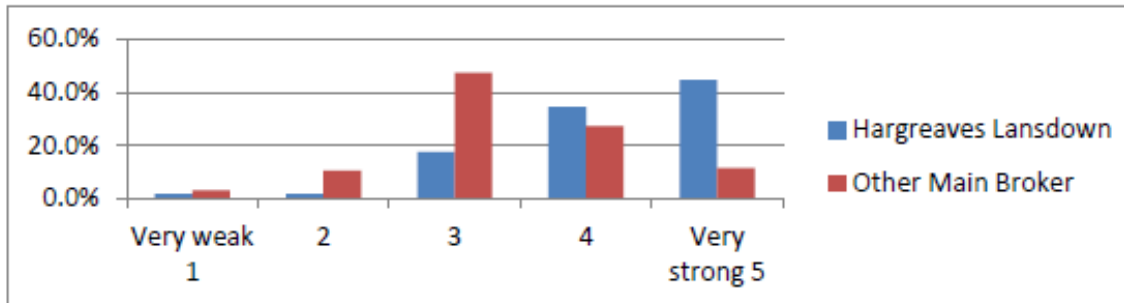
# Deciding where to invest....

Question: “Why did you choose to invest [with this platform]?”

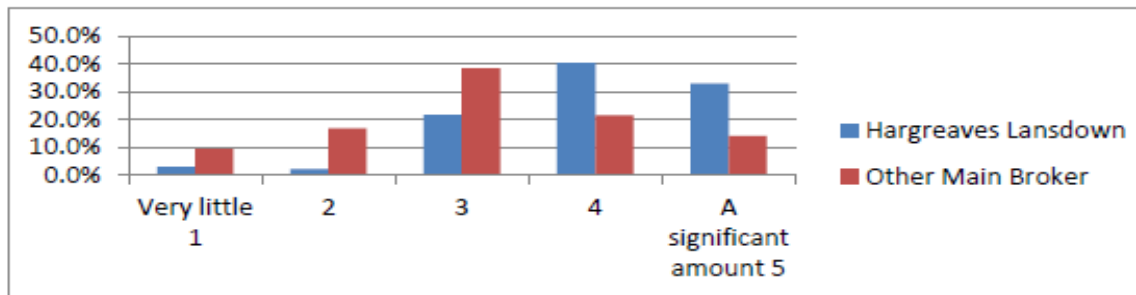


Source: Research by The Platform, published January 2013, survey of 1017 Daily Telegraph readers

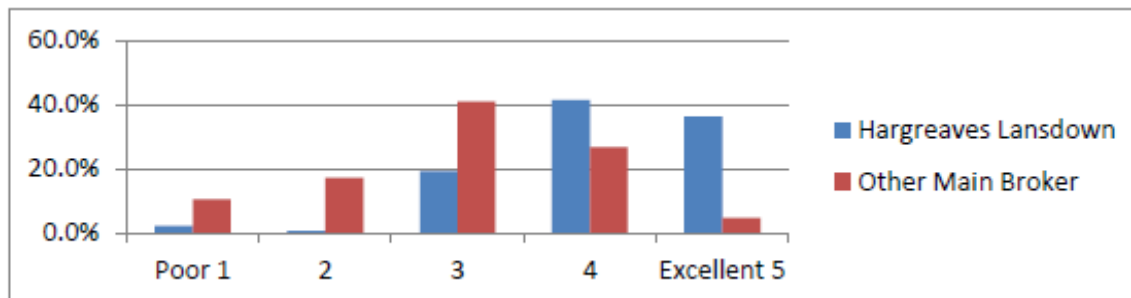
# Survey of clients who use other brokers



**“How would you rate financial strength”**



**“How much do we instil confidence to make financial decisions?”**



**“How would you rate value for money?”**

1.Source: HL survey of 250 clients who currently use another broker, October 2012

# Great service...

Money out  
1H 2013: 5.9%  
(1H 2012: 6.1%)



Vantage asset retention is **94.1%**

Increase in  
annuitisation in  
advance of regulatory  
change + drawdown

→ SIPP

ISA

F&S/Other

**Vantage**

**1H 2013**

**1H 2012**

94.8%

96.1%

95.7%

95.7%

91.1%

89.3%

**94.1%**

**93.9%**








“Please evaluate the overall quality of service you received”



Retained business based on average value of Assets under Administration over 6 months to 31 December 2012 vs 6 months to 31 December 2011

# Key messages

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-  Visibility, distribution, scale, quality, reputation are key.
-  Price matters but price alone doesn't do it. Value is the key.
-  Direct investing is growing. Hargreaves Lansdown dominant.
-  Very hard to enter if don't have scale or distribution.
-  No launch in last 10 years has gained meaningful market share.
-  Will what clients want change?
-  Could market dynamics change?



# Beneficial demographic trends

---

A growing need to **save earlier, and for longer**

A need to take **more personal responsibility**

**Trend** away from advice **towards self-directed investing**

**Growth of the “defined contribution”** generation

**More post retirement options** eg. income drawdown

**Auto-enrolment** : Compulsion & increased awareness

# In summary

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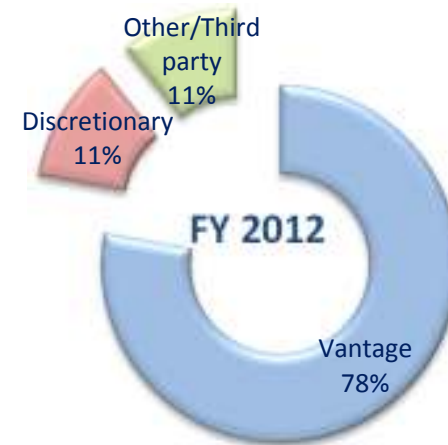
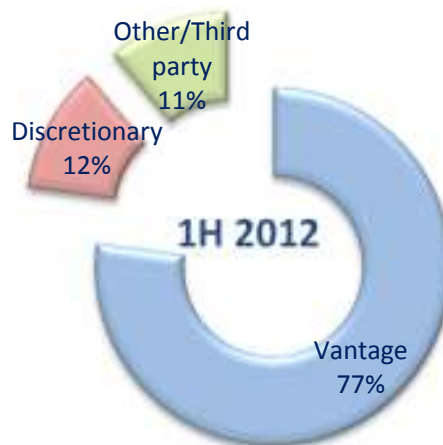
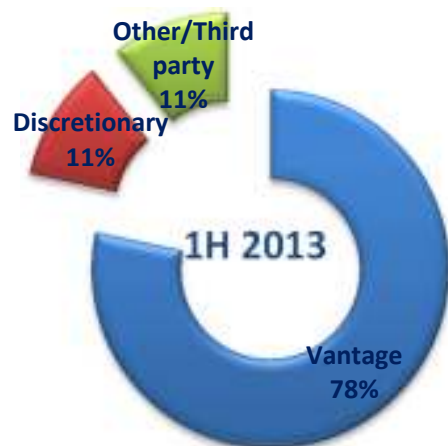
-  **Excellent results**, new assets and new clients
-  **Strategy** continues to be very important
-  Many positive factors driving a **growing market**
-  Currently beating competition, both new and existing
-  **Wait** on regulation - sensible strategy, remain confident
-  **Excited about the future**

# Appendices

# Index

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# Divisional Revenue



## Revenue, by division

- Vantage	+26%
- Discretionary/Managed	+17%
- Third Party/Other	+18%

### 1H 2013

**£109.9m**  
**£15.4m**  
**£15.0m**  
**£140.3m**

### 1H 2012

£87.0m  
 £13.2m  
 £12.7m  
 £112.9m

### FY 2012

£185.7m  
 £27.3m  
 £25.7m  
 £238.7m

# Divisional Revenue

<b>Vantage Revenue</b>		<b>1H 2013</b>	<b>1H 2012</b>	<b>FY 2012</b>
Renewal income	+18%	<b>£58.0m</b>	£49.3m	£102.3m
Management fees	+34%	<b>£4.7m</b>	£3.5m	£7.8m
Interest receivable	+52%	<b>£34.5m</b>	£22.7m	£51.2m
Initial commission income	-	<b>£0.4m</b>	£0.4m	£0.9m
Stockbroking income	+11%	<b>£10.7m</b>	£9.6m	£20.1m
Advice and other charges	+7%	<b>£1.6m</b>	£1.5m	£3.4m
<b>Total</b>	<b>+26%</b>	<b>£109.9m</b>	<b>£87.0m</b>	<b>£185.7m</b>
% of Group revenue		<b>78%</b>	77%	78%

## Discretionary and Managed Revenue

Renewal income	+18%	<b>£4.5m</b>	£3.8m	£7.9m
Management fees	+12%	<b>£9.1m</b>	£8.1m	£16.5m
Advice charges	+40%	<b>£1.4m</b>	£1.0m	£2.2m
Interest receivable	-	<b>£0.1m</b>	£0.1m	£0.3m
Other	-	<b>£0.2m</b>	£0.2m	£0.4m
<b>Total</b>	<b>+17%</b>	<b>£15.4m</b>	<b>£13.2m</b>	<b>£27.3m</b>
% of Group revenue		<b>11%</b>	12%	11%

## Third Party and Other Services Revenue

Corporate pensions	-29%	<b>£2.4m</b>	£3.4m	£6.2m
Investments	+13%	<b>£2.7m</b>	£2.4m	£4.7m
Personal life & pensions	+42%	<b>£4.7m</b>	£3.3m	£7.1m
Other services	+47%	<b>£5.3m</b>	£3.6m	£7.7m
<b>Total</b> (further breakdown on next page)	<b>+18%</b>	<b>£15.0m</b>	<b>£12.7m</b>	<b>£25.7m</b>
% of Group revenue		<b>11%</b>	11%	11%

# Third Party & Other Services Revenue

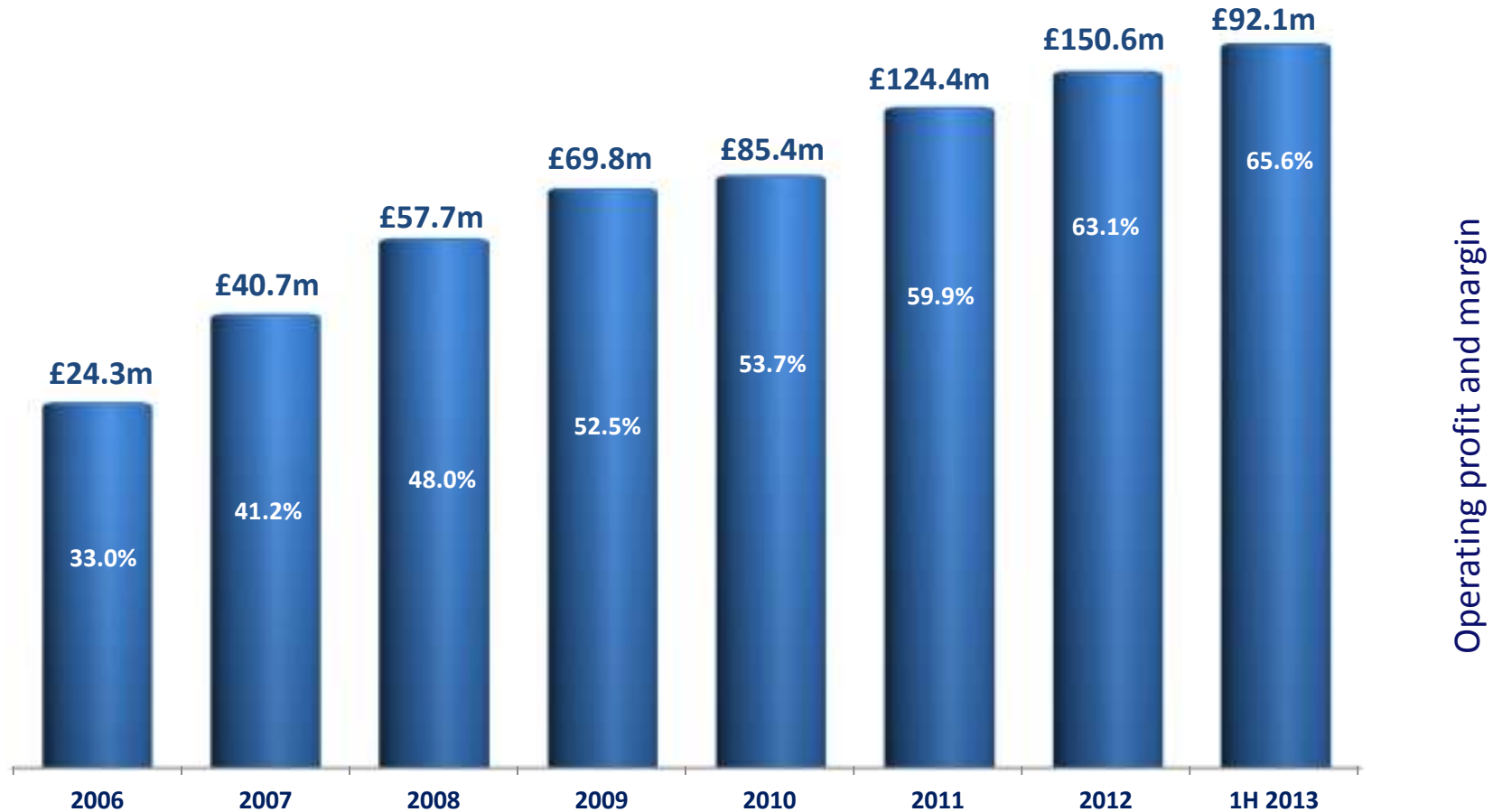
				1H 2013	1H 2012	FY 2012	
<b>Corporate Pensions Revenue</b>							
Renewal income			-	£0.5m	£0.5m	£1.1m	
Initial income	- corporate annuities		-33%	£0.2m	£0.3m	£0.6m	
	- corporate pensions		-39%	£1.4m	£2.3m	£4.0m	
Advisory fees			+50%	£0.3m	£0.2m	£0.5m	
Total			-29%	£2.4m	£3.4m	£6.2m	
<b>Investments Revenue</b>							
Renewal income			+4%	£2.4m	£2.3m	£4.5m	
Initial income			+100	£0.2m	£0.1m	£0.2m	
Total			+13%	£2.7m	£2.4m	£4.7m	
<b>Personal Pensions Revenue</b>							
Renewal income			-33%	£0.2m	£0.3m	£0.5m	
Initial income	- annuities		+57%	£4.4m	£2.8m	£6.1m	
	- pensions/other		-50%	£0.1m	£0.2m	£0.5m	
Total			+42%	£4.7m	£3.3m	£7.1m	
<b>Other Services Revenue</b>							
Stockbroking income			-6%	£1.6m	£1.7m	£3.1m	
- <i>Certificated</i>			-20%	£0.4m	£0.5m	£0.7m	
- <i>Currency services</i>	} HL Markets		-11%	£0.8m	£0.9m	£1.7m	
- <i>CFD &amp; Spreadbetting</i>			+33%	£0.4m	£0.3m	£0.7m	
Interest receivable			-	£0.2m	£0.2m	£0.5m	
Funds Library income			+100%	£3.4m	£1.7m	£3.7m	
Other			-	-	-	£0.4m	
Total			+47%	£5.3m	£3.6m	£7.7m	
<b>Total Third Party &amp; Other Services Revenue</b>				+18%	£15.0m	£12.7m	£25.7m

# Costs

		1H 2013	1H 2012	FY 2012
Staff costs	+17%	£24.4m	£20.8m	£43.5m
Commission payable (loyalty bonus)	+11%	£9.0m	£8.1m	£16.4m
Marketing and distribution spend	+22%	£5.6m	£4.6m	£9.4m
Depreciation, financial costs	+8%	£1.3m	£1.2m	£2.6m
Office running costs	-5%	£1.9m	£2.2m	£4.5m
Other costs	+5%	£4.8m	£4.4m	£6.9m
<b>Total administrative expenses</b>	<b>+14%</b>	<b>£47.0m</b>	<b>£41.3m</b>	<b>£83.3m</b>
 Total FSCS levy costs	 +140%	 £1.2m	 £0.5m	 £4.8m
<b>Total operating costs</b>	<b>+15%</b>	<b>£48.2m</b>	<b>£41.8m</b>	<b>£88.1m</b>
 Ave. no of staff (FTE)	 +8%	 693	 643	 657
No of staff at end of period (FTE)	+13%	717	637	658
% variable staff costs (discretionary bonus + share based payment)	+4pts	39%	35%	37%



# Operating profit margin %



# Simplified cash flow statement

	HL Cash	Client Settlement	Total
	£'m	£'m	£'m
<b>Cash bought forward</b>	<b>145</b>	<b>13</b>	<b>158</b>
Profit after tax	71	-	71
Non cash – incl. depreciation	2	-	2
Tax charged less tax paid	4	-	4
Dividends paid during year	(82)	-	(82)
Net capital expenditure	-	-	-
(Increase) in receivables	(5)	(18)	(23)
Increase in payables	-	21	21
Employee benefit trust transactions	(3)	-	(3)
Interest received	1		1
<b>Cash carried forward</b>	<b>133</b>	<b>16</b>	<b>149</b>

# Interim dividend up 24% to 6.3p

Interim ordinary dividend  
Interim special dividend  
**Interim dividend payable 11<sup>th</sup> April**

Total interim dividend – April 2013

**Total final dividend**

Total ordinary dividend

Total special dividend

**Total dividend per share**

**1H 2013**

Pence per share

**6.3p**

-

**6.3p**

**£29.5m**

**% of PAT FY 2012**

Pence per share

5.10p

-

**5.10p**

**17.49p**

65% 15.75p

28% 6.84p

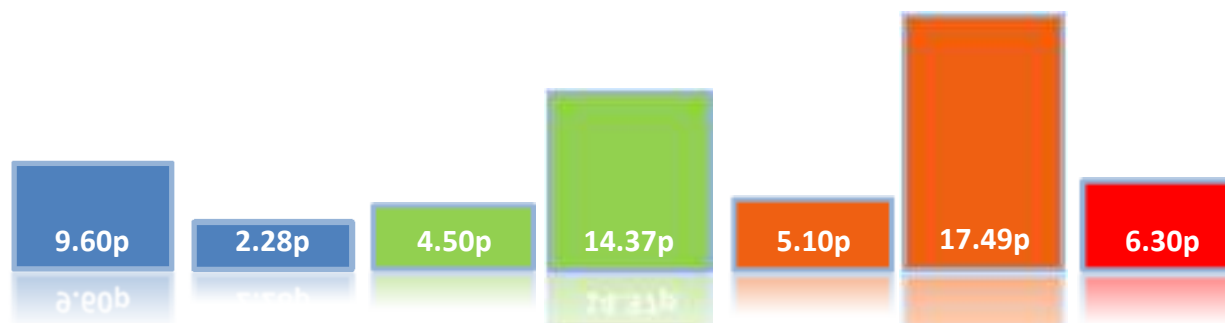
**95% 22.59p**

11.88p 18.87p 22.59p  
2010 Interim 2010 Final 2011 Interim 2011 Final 2012 Interim 2012 Final 2013 Interim



## DIVIDEND

Interim and final dividend (p)

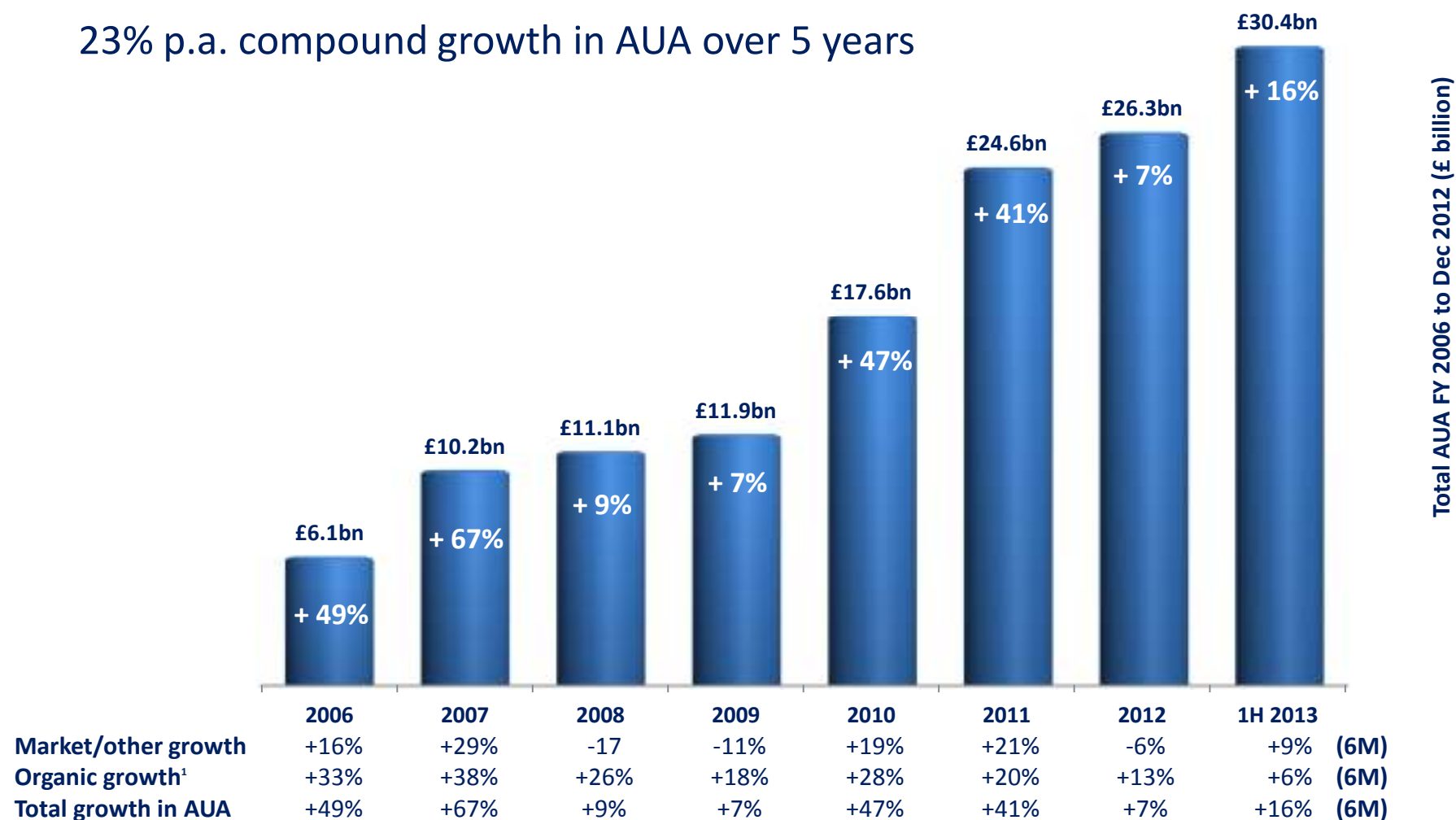


# Assets under administration

	Vantage AUA	Discr. AUM	Less MM funds in Vantage	1H 2013	1H 2012	FY 2012
	£bn	£bn	£bn	£bn	£bn	£bn
AUA at start of period	24.6	2.4	(0.8)	26.3	24.6	24.6
Net new business inflows	1.5	0.2	(0.1)	1.6	1.2	3.2
Market movement	2.3	0.2	(0.1)	2.5	(2.4)	(1.55)
AUA at end of period	28.5	2.8	(0.9)	30.4	23.4	26.3
Net new business inflow %	6%	7%	9%	6%	5%	13%
Daily ave. FTSE All-Share				3021.20	2817.50	2881.72

# Growth in total AUA

23% p.a. compound growth in AUA over 5 years



<sup>1</sup> Organic growth based on net inflows as a % of opening AUA

# Vantage AUA

71% of Vantage AUA in tax wrappers (Jun 12: 72%)

	SIPP** £bn	ISA £bn	F&S/Other*** £bn	Total £bn	1H 2012 £bn	FY 2012 £bn
Total AUA at start of period	7.6	10.0	7.0	24.6	23.1	23.1
Net new business inflows	0.7	0.4	0.4	1.5	1.1	3.1
Market movement *	0.5	0.9	0.9	2.3	(2.3)	(1.6)
AUA at end of period	8.8	11.3	8.4	28.5	21.9	24.6
Net new business %	9%	4%	6%	6%	5%	13%
Market movement %	7%	9%	13%	9%	-10%	-6%
Net business inflows 1H 2012	0.5	0.3	0.3		1.1	

\* Market movements includes other growth factors, such as retained investment income, totalling £194m (FY 2012: £273m). Figures contain roundings.

\*\* Vantage SIPP AUA includes £1,565m income drawdown assets at 31 December 2011 (June 2012: £1,323m)

\*\*\* Vantage Fund & Share Account includes £2.0bn (FY 2012: £1.6bn) of Hargreaves Lansdown plc shares.

# Vantage AUA analysis

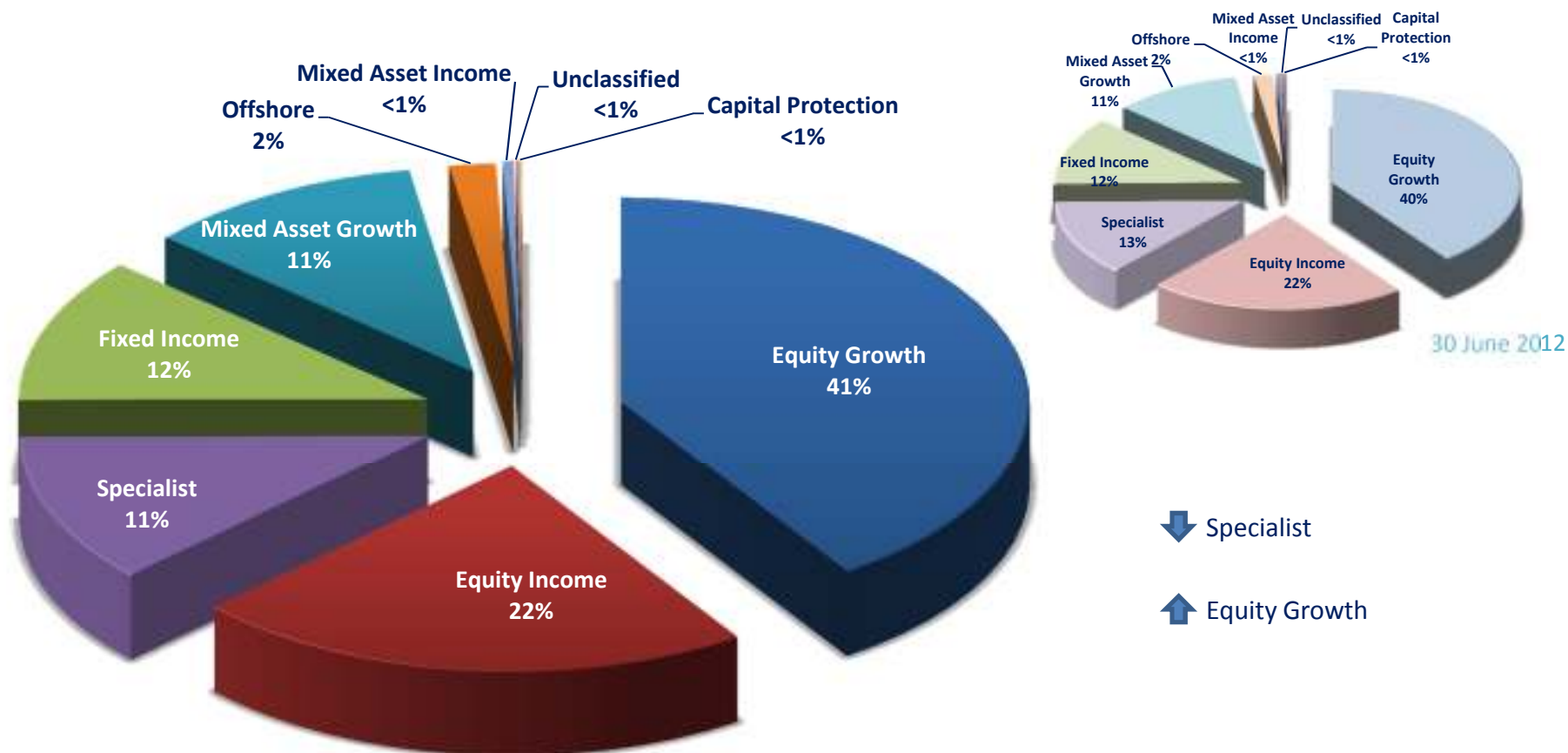
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71% of Vantage AUA in tax wrappers (Jun 2012: 72%)

	SIPP	ISA	F&S/Other	Total
<b>At 31 Dec 2012</b>				
Stocks and shares	26%	20%	58%	<b>33%</b>
Investment funds	54%	73%	36%	<b>56%</b>
Cash	20%	7%	5%	<b>11%</b>
% of Vantage	<b>31%</b>	<b>40%</b>	<b>29%</b>	<b>100%</b>
<b>At 30 Jun 2012</b>				
Stocks and shares	25%	19%	56%	<b>31%</b>
Investment funds	53%	73%	38%	<b>57%</b>
Cash	22%	8%	6%	<b>12%</b>
% of Vantage	<b>31%</b>	<b>41%</b>	<b>28%</b>	<b>100%</b>

# Vantage AUA analysis by sector

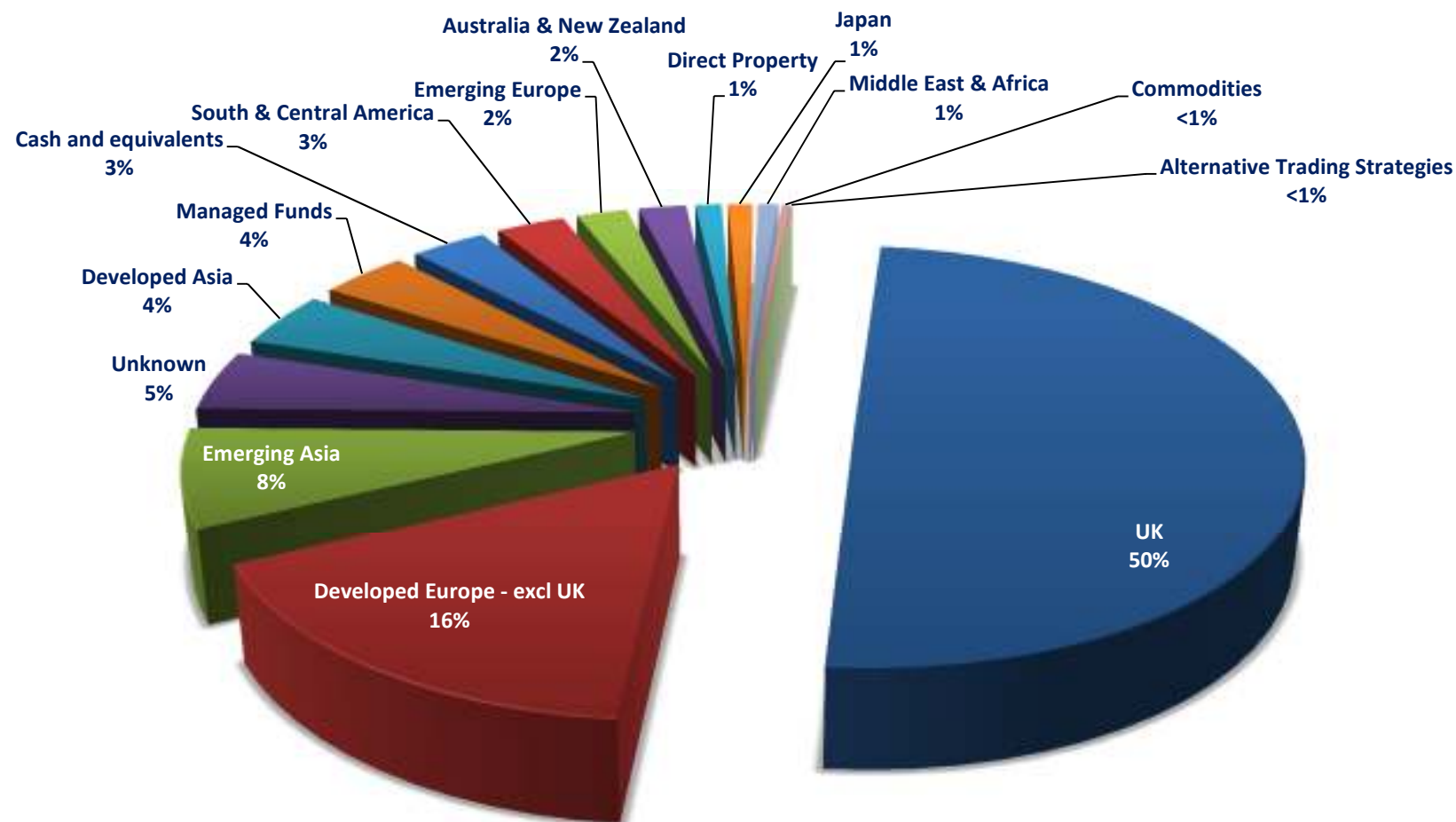
56% of Vantage AUA held as investment funds (Jun 2012: 57%) across the following sectors:





# Vantage AUA analysis by country

Geographical exposure of all Vantage holdings at 31 December 2012:



# Vantage revenue and average AUA

	1H 2013		1H 2012		FY 2012	
	Revenue £'m	Ave Assets £'bn	Revenue £'m	Ave Assets £'bn	Revenue £'m	Ave Assets £'bn
Renewal income	58.0		49.3		102.3	
Initial income	0.4		0.4		0.9	
<b>Total revenue from qualifying funds</b>	<b>58.4</b>	<b>15.0</b>	<b>49.7</b>	<b>12.8</b>	<b>103.2</b>	<b>13.3</b>
Stockbroking income	10.7		9.6		20.1	
Management fees	4.7		3.5		7.8	
<b>Total revenue from other stock</b>	<b>15.4</b>	<b>9.1</b>	<b>13.1</b>	<b>6.6</b>	<b>27.9</b>	<b>7.1</b>
<b>Total revenue from cash</b>	<b>34.5</b>	<b>3.0</b>	<b>22.7</b>	<b>2.4</b>	<b>51.2</b>	<b>2.5</b>
Other income	1.6		1.5		3.4	
<b>Total</b>	<b>109.9</b>	<b>27.0</b>	<b>87.0</b>	<b>21.8</b>	<b>185.7</b>	<b>23.0</b>
Average revenue margin	81bps		79bps		81bps	
Average net revenue margin	74bps		72bps		74bps	

# Vantage – other information

	SIPP	ISA	F&S/Other	Total	1H 2012	FY 2012
No. of equity deals	267,500	235,800	250,600	753,900	682,300	1,470,000
% Internet	98%	81%	89%	89%	87%	87%
No. of fund deals	1,087,900	875,600	213,700	2,177,200	1,939,400	4,077,000
Average active client value at period end (£'000)	66.2	37.6	50.2	63.9	55.2	58.0
Average age (years)	47.7	55.8	58.0	53.9	54.4	54.0
New active accounts <sup>1</sup> ('000)	12	7	9	28	23	41
Clients registered for online access				77%	74%	78%
Clients registered for paperless service				43%	43%	41%

1. 22,000 SIPP protected rights accounts were merged with SIPP VRA main accounts during the FY 2012

# Recent awards

## 2012

Best SIPP Provider – What Investment  
Best Stocks & Shares ISA Provider – What Investment  
Best Fund/Share Dealing Service – What Investment  
Best Online Fund Supermarket – MoneyAM Awards  
Best Overall Finance Provider – Money AM Awards  
Pensions IFA of the year – Tom McPhail – Unbiased.co.uk Media Adviser Awards  
The Direct Platform Best User Experience Ratings presented by The Platform

## 2011

Best Online Funds Service – MoneyAM Awards  
Best Direct-to-Customer Platform – Aberdeen UK Platform Awards 2011  
Best SIPP Provider – What Investment  
Best Financial Services Plc – UK Stock Market Awards 2011  
Best Group SIPP – Pension and Investment Provider Awards (from the Financial Times Limited)

