

# Trading update

12 May 2022

Hargreaves Lansdown plc today issues a trading update in respect of the four months ended 30 April 2022.

## Highlights

- Encouraging start on strategic initiatives launched at the February Capital Markets Day, with early focus on cost savings and efficiency.
- Client growth of 90,000 year to date; client retention rate 92.4% for the year to date.
- Net new business of £2.5 billion in the period, £4.8 billion year to date, closing Assets under administration (“AUA”) of £132.3 billion.
- Revenue for the period of £196.5 million (FY2021: £233.2m) in line with expectations.
- Reiterating FY2022 guidance whilst raising revenue margin on cash to 30-35bps for FY22.

## Chris Hill, Chief Executive Officer, commented:

“We are off to an encouraging start on the strategic initiatives we set out at our Capital Markets Day, which will build our capability to innovate and scale and enable us to take advantage of the growth in the wealth management sector. Our initial focus is on driving efficiency and cost savings in our operations whilst ensuring we maintain the market leading service our clients expect from us particularly in these current uncertain times.

The challenging backdrop driven by unprecedented macro-economic and geo-political events has impacted markets and investor confidence, in turn leading to moderated flows and asset levels with net new business of £2.5 billion in this period. We saw a significant step up in flows in March and April from our tax year end campaign which focused on the benefits of long-term saving and investing, with £1.8 billion of tax wrapped inflows leading to a record 747,000 clients contributing to their ISAs and pensions this tax year.”

## Trading performance

- Client growth at 90,000 year to date is in line with pre-Covid levels (FY2019: 87,000) excluding direct book acquisitions; client retention at 92.4% has remained broadly constant throughout the year (FY2021: 92.1%).
- Net new business of £2.5 billion in the period, £4.8 billion year to date reflects moderated flows being seen across the market. 2021 flows benefited from improving market and investor confidence resulting from Covid vaccine roll-out, investment of excess cash built up during lock down and elevated interest in share trading.
- Closing AUA of £132.3 billion incorporates adverse market movement throughout the period driven partly by exposure to global equity markets, particularly US technology stocks with the Nasdaq down 21% over the period.
- Share dealing averaged 45,000 deals per day in the period, in line with expectations and guidance.
- Our tax year end campaign “Switch your money on” focused on the benefits of long-term saving and investing and helped clients maximise the benefit of tax efficient investing despite the market environment. Across the campaign period we saw £1.8 billion of inflows including £0.6 billion in the first 5 days of April. Across tax year ending 5 April 2022, we have seen a record 747,000 clients contributing to their ISAs and pensions.
- Total revenue in the period of £196.5 million (2021: £233.2m) was in line with expectations with the increase in net interest margin as a result of base rate rises offsetting the revenue impact of lower AUA.

## Strategic Progress

We have made an encouraging start against all strategic initiatives set out at our Capital Markets Day, with our early focus on client service and efficiency, which will deliver cost savings whilst improving our client experience.

- Pension transfer times (recorded by industry index Origo) reduced from 43.3 days in April 21 to 21.2 days in April 22 - driving efficiency and significantly improving the client experience.
- Client Service NPS over our busiest period of the year, tax year end, hit 54% - our highest score since early 2019.
- 65.2% of digitally active clients used the HL mobile app between Jan and March (2021: 59.4%).
- Our Trustpilot score reached 4.3, confirming our ‘Excellent’ rating (2021: 3.7).
- Active Savings offered 6 market leading rates over the second half of April and added Santander International, bringing the number of partner banks up to 15.

## Outlook

As we head toward the end of our financial year, given the uncertain economic environment and market conditions, we are focused on cost control and investment discipline. We are reiterating our FY2022 guidance whilst raising expected revenue margin on cash to 30-35bps for the full financial year as we see the impact of base rate rises starting to come through.

We look forward to sharing more on our progress against our strategic initiatives as part of our full year update on 5<sup>th</sup> August 2022.

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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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## Revenue and clients

Key metrics	4 months to 30 April 2022	10 months to 30 April 2022	4 months to 30 April 2021	10 months to 30 April 2021
Revenue (£m)	196.5	487.6	233.2	532.7
Net new clients	42,000	90,000	126,000	210,000
Total active clients	1,734,000	1,734,000	1,622,000	1,622,000

## Assets under administration

Average AUA (£billion)	4 months to 30 April 2022	3 months to 31 December 2021	3 months to 30 September 2021	2 months to 30 June 2021	4 months to 30 April 2021
Funds	63.5	68.3	68.0	65.7	61.3
Shares	51.5	55.2	53.9	52.6	49.0
Cash	14.1	13.0	12.6	12.7	12.9
HL Funds	8.6	9.1	9.1	9.0	8.6
Active Savings	3.9	3.7	3.4	3.1	3.0
Double count <sup>1</sup>	(8.5)	(9.0)	(9.1)	(8.9)	(8.5)
Total	133.1	140.3	137.9	134.2	126.3

Closing AUA (£billion)	As at 30 April 2022	As at 31 December 2021	As at 30 September 2021	As at 30 June 2021	As at 30 April 2021
Funds	62.9	69.0	67.8	66.6	64.6
Shares	50.7	55.2	53.7	53.1	52.3
Cash	14.6	13.1	12.9	12.6	12.9
HL Funds	8.5	9.1	9.1	9.0	8.9
Active Savings	4.0	3.8	3.5	3.1	3.0
Double count <sup>1</sup>	(8.4)	(9.0)	(9.0)	(8.9)	(8.8)
Total	132.3	141.2	138.0	135.5	132.9

Average AUA (£billion)	10 months to 30 April 2022	10 months to 30 April 2021
Funds	66.3	57.0
Shares	53.3	43.6
Cash	13.3	13.1
HL Funds	8.9	8.3
Active Savings	3.7	2.7
Double count <sup>1</sup>	(8.8)	(8.2)
Total	136.7	116.5

<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 2022	3 months to 31 December 2021	3 months to 30 September 2021	2 months to 30 June 2021	4 months to 30 April 2021
Opening AUA	141.2	138.0	135.5	132.9	120.6
Net new business	2.5	1.0	1.3	0.9	4.6
Market movements	(11.4)	2.2	1.2	1.7	7.9
Founder transfer*	-	-	-	-	(0.2)
Closing AUA	132.3	141.2	138.0	135.5	132.9

\* Represents cash withdrawals from the disposal proceeds of a placement of Hargreaves Lansdown plc shares by a founder during the period.