

Interim Management Statement

Hargreaves Lansdown Plc

Hargreaves Lansdown Plc ('the Group') today publishes its Interim Management Statement as required by the UK Listing Authority's Disclosure and Transparency rules. This statement covers the period from 1 July 2014 to 13 October 2014, and includes trading results for the three months ended 30 September 2014 ("Q1 2015"). The comparatives are for 1 July 2013 to 30 September 2013 ("Q1 2014").

Summary

- Record level of Assets Under Administration ("AUA"), increasing by £0.1 billion in the three months to 30 September 2014 to £47.0 billion (June 2014: £46.9bn).
- Net new business inflows of £0.97bn (Q1 2014: £1.26bn).
- Client initiated share deals up 10% to 606,000 in the quarter.
- Total active client numbers rose by 10,000 (Q1 2014: 20,000) to 662,000.
- Net revenue £70.8m, (Q1 2014: £70.1m).
- Good results in challenging investment conditions

Hargreaves Lansdown is pleased to report an increase in assets under administration to £47.0 billion and net new business inflows for the quarter of £0.97 billion. Net client numbers rose by 10,000.

The group's results for the first quarter of the year must be considered in light of the prevailing conditions for investment. The FTSE All Share index fell by almost 2% to 3533.93, in comparison to gains in the same period last year of almost 5% and the previous year almost 4%. Potential stock market gains are a key incentive for retail investors to act and have not been present this quarter, as markets have reflected uncertainty regarding the Scottish referendum, concern over Middle East and Ukrainian conflicts and unfavourable Eurozone economic data.

IMA Total UK net retail fund sales were on average 39% lower¹ and UK retail stockbroking trades 13% lower² in July and August 2014 compared to the same months in 2013, as investors stayed on the sidelines. Despite these factors, organic growth in Hargreaves Lansdown's AUA and client numbers has continued. Management consider the results commensurately healthy for a period of weaker stock markets:

	Q1 2015	Q1 2014	Q1 2013
FTSE All share change Q1	-1.84%	+4.69%	+3.71%
Net new clients	+10,000	+20,000	+7,000
Net new assets	+£0.97bn	+£1.26bn	+£0.55bn

This year's comparative figures also reflect a one-off transfer out of 2,180 low asset value legacy corporate pension accounts to an appropriate external arrangement, whereas a year ago we benefited from c. 3,000 additional new clients and c. £0.1 billion of new business during the quarter from the Royal Mail IPO.

Investor confidence in markets remains significantly lower. The Hargreaves Lansdown Investor Confidence Survey Index averaged 102 for the quarter compared to 119 for the same quarter last year³. As a result we expect client activity may be significantly skewed towards H2 2015, when traditionally the tax year end acts as an incentive to invest and in previous years up to 68% of annual net new business has been gathered.

We continue to monitor relative performance and are pleased that Hargreaves Lansdown continues to be successful. Our net new fund business figures compare well when juxtaposed against the fall in overall UK net fund sales during July and August and our stockbroking volumes show similar strength when compared to market trends. Asset and client retention ratios remain strong at 92.6% and 92.3% respectively. Client transfers in continue to outweigh transfers out by several multiples, and transfers out continue to wane. Visits to HL.co.uk by the UK public continue to grow strongly both in absolute terms and by comparison to other market websites.

Interest rates remained low during the period. Previously highlighted industry-wide FCA rule changes also meant fixed term deposits could not be placed during the quarter. This will continue to affect revenue until the end of December 2014. We expect to have arrangements in place to recommence placing term deposits for SIPP client

money from 1 January 2015 or soon after. Accordingly, assuming a constant interest rate environment, we expect interest rate margin for H1 2015 to be c60bps with the full year margin to still be in the range of 50bps to 60bps. Overall revenue margin expectations remain unchanged, with no price changes planned.

The Directors have concluded that a suite of new cash-related services for clients can be developed without any current need for a banking licence. Work is now in train to develop these services. The company reports good progress on previously announced plans to launch 3 additional Multi-manager funds, with launch (subject to regulatory approval) expected in the New Year. We continue to progress our new retirement planning service and other initiatives. Corporate business remains strong, with a number of new schemes gained during the period.

As ever, future stock market levels and investor confidence will have a significant part to play during the remainder of our financial year. However, we remain confident of growing the business further to the benefit of our clients and shareholders.

Ian Gorham
Chief Executive
October 2014

Notes

1 Source: IMA Total net retail sales figures for July and August 2014 (September 2014 not yet available).

2 Source: Compeer stockbroking market figures for July and August 2014 (September 2014 not yet available).

3 Hargreaves Lansdown monthly survey of Investor Confidence (available at www.hl.co.uk/news/investors-confidence-index).

Assets Under Administration

Total assets under administration at 30 September 2014 can be broken down as follows:

	30 Sept 2014	30 June 2014	30 Sept 2013
	£'billion	£'billion	£'billion
Vantage Assets Under Administration (AUA)*	44.3	44.2	37.0
Assets Under Management (AUM)			
Portfolio Management Service (PMS)	2.7	2.6	2.3
Multi-Manager Funds held outside of PMS	2.0	1.9	1.3
AUM Total	4.7	4.5	3.6
Less: Multi-manager funds (AUM) included in Vantage AUA	(2.0)	(1.9)	(1.3)
Total Assets Under Administration and Management	47.0	46.9	39.3

* Figures are subject to rounding

Net new business for the first quarter was £0.97 billion which was 23% lower than the prior year (Q1 2014: £1.26 billion).

During the first quarter the value of assets held within the Vantage service, the Group's direct-to-private investor platform, increased marginally from £44.2 billion at 30 June 2014 to £44.3 billion at 30 September 2014 (ISA £17.5 billion, SIPP £13.6 billion and Fund & Share £13.2 billion). This can be attributed to £0.95 billion net new business inflows and a £0.85 billion negative impact of stock market movements during the period.

The value of assets held in Hargreaves Lansdown's Portfolio Management Service (PMS) and range of multi-manager funds increased by 3.3% from £4.57 billion as at 30 June 2014 to £4.71 billion as at 30 September 2014. This is attributable to net new business inflows of £123 million and a £23 million positive impact from investment performance.

Business volumes

Client initiated share dealing volumes totalled 606,000 for the first quarter, representing a 10% increase on the previous year. Due to a lowering of the minimum value for income reinvestment, automated deals, including reinvestment and regular savings, grew significantly by 455% to 168,000. Total deals were therefore 774,000.

The number of active Vantage clients increased by 10,000 (Q1 2014: 20,000) over the first quarter, from 643,000 as at 30 June 2014 to 653,000 as at 30 September 2014. The number of active accounts held by these clients increased from 898,000 to 910,000

Net operating revenue

Net operating revenue by division:	Q1 2015 £'million	Q1 2014 £'million	% Increase
Vantage	52.7	53.1	-1%
Discretionary	12.1	10.5	+15%
Third Party & Other	6.0	6.5	-8%
Total	70.8	70.1	+1%

Note: In addition to the above net operating revenue, the Group received £0.3 million of interest on its own cash in the three month period ended 30 September 2014 compared with £0.6 million for the same period in the previous year.

As highlighted in the full year results published last month we have now moved to focusing on net operating revenue in order to better compare performance over time. The Q1 2014 operating revenue was previously reported as £77.9m but after stripping out commission payments of £7.8m the comparable net revenue is £70.1 million.

Total net revenue increased by 1% as interest rate headwinds continued. Excluding interest revenue net operating revenue would have been £63.8 million versus £58.8 million, an increase of 8.5%. The key drivers of this revenue growth have been the higher level of Vantage Assets under Administration compared to the same period in the previous year, and increased stockbroking commission from higher dealing volumes. These have more than offset the fall in interest revenue resulting from significantly lower rates on offer and the hiatus in placing term deposits. The proportion of Vantage assets held as cash at 30 September 2014 was 9.5% compared to 9.1% at 30 June 2014.

Financial position

On 26 September 2014 the Group paid a second interim dividend and a special dividend totalling £117.7m, as announced in September's Preliminary announcement. The Group's operating activities remain highly cash generative. Throughout the quarter the Group maintained a strong cash and balance sheet position, free from debt and with a high level of surplus regulatory capital.

Conference call for analysts and shareholders

Going forward, Hargreaves Lansdown intends to host a conference call for analysts and shareholders in conjunction with its Interim Management Statements. As such, there will be a conference call for analysts and shareholders at 09:00 (UK time) on Tuesday 14 October 2014 during which Ian Gorham, the Chief Executive Officer, will make a short statement on the results. The majority of the session will be dedicated to a question and answer session. 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.

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14 October 2014

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.