

Trading update

17 October 2022

Hargreaves Lansdown plc today issues a trading update in respect of its first quarter ended 30 September 2022.

Highlights

- Continued strategic delivery with Active Savings performing well, our US Fund to launch on 1st November and the pilot launch of the first of our digital Augmented Advice tools on track for the second quarter.
- Net new business of £0.7 billion in the period and closing Assets under Administration (“AUA”) of £122.7 billion.
- Net new client growth of 17,000 in the period, taking us to 1,754,000 active clients, with client retention rate of 92.2%.
- Revenue for the period of £162.9 million, up 15% (FY2022: £142.2m) driven by higher revenue on cash.
- Raising FY2023 revenue margin guidance to 49-52bps from 44-47bps.

Chris Hill, Chief Executive Officer, commented:

“The impact of the challenging macroeconomic and geopolitical backdrop on asset values, client confidence and propensity to invest has been seen across our industry. Against this backdrop we have delivered £0.7 billion of net new business and welcomed a further 17,000 net new clients in the quarter, reflecting both the diversified nature of our platform and also the trust clients place in us. Our focus remains on helping new and existing clients navigate these tough times and engaging with them to help improve their financial resilience. Cash savings are high on the agenda for clients and we have seen a further £0.7 billion of net flows into Active Savings leading to a record £5.3 billion of assets. Although flows into risk based investments remain subdued, both client and asset retention rates remain strong and in line with last year.

We are on track for both our new US Fund launch on 1st November and the pilot launch of our Augmented Advice proposition later this calendar year as we build delivery momentum against our strategic roadmap.

I have been really pleased to see HL recognised, for the first time, as 31st on the list of the UK’s most valuable 75 brands, according to Kantar’s reputable BrandZ ranking. This is testament to the success of the brand awareness campaigns we have delivered and the emphasis we place on building long-term relationships with clients and our wider stakeholders. In addition we welcome confirmation from the FCA that they will be undertaking a holistic review of the advice and guidance boundary, which we have been encouraging for several years and will hopefully enable us to do more to help our clients, particularly through Augmented Advice and the investment solutions we are developing.”

Trading performance

- Active client growth of 17,000 in the quarter (FY2022: 23,000) driven by net new clients in the SIPP, ISA and Active Savings accounts. Client retention at 92.2% is marginally ahead of the last full year (FY2022: 92.1%) as is asset retention at 91.9% (FY2022: 91.8%).
- Net new business of £0.7 billion in the quarter (FY2022: £1.3bn), reflects moderated flows being seen across the market; Active Savings continues to perform well and has been the recipient of the majority of net new flows.
- Closing AUA of £122.7 billion reflects adverse market movement across the quarter of £1.8 billion with negative performance in September offsetting July’s positive movement.
- Total revenue in the quarter of £162.9 million (FY2022: £142.2m) up 15% as the increase in net interest margin, more than offsets the reduction in share dealing volumes and the revenue impact of lower year-on-year AUA.
- Share dealing volumes have averaged 700,000 per month in the quarter (FY2022: 861,000) with volumes modestly increasing on a monthly basis.

Strategic Progress

Throughout Q1 we have continued to progress our FY2023 areas of focus with specific delivery in our Growth and Client Service & Efficiency strategic pillars including:

- HL US Fund ready to launch on 1st November, UK Income fund to follow in the second quarter.
- Active Savings reached £5.3 billion AUA in the period with 73% of Q1 flows being new money to HL.
- Delivered first stage of vendor optimisation programme, enabling cost savings in line with plan.

- Miguel Baptista joined as our Chief Data Officer from Howden Joinery Group Plc, bringing data capability critical for our future personalised service.
- Phase one of the Amazon Connect Service Platform to go live on the second quarter.
- First in-house developed Amazon Web Services (AWS) solution delivered to the cloud which will enable greater efficiencies in our Pension Transfers process

Outlook

As we progress through this year, given the uncertain economic environment and market conditions, we remain focused on cost control and investment discipline. We are raising our FY2023 revenue margin guidance to 49-52 bps; cash margin guidance increased to 130-150 bps and shares margin guidance decreased to 30-35 bps. All other guidance remains unchanged.

We look forward to sharing more on our progress against our strategic initiatives as part of our interim results on 15th February 2023.

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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, clients and share dealing volumes

Key metrics	3 months to 30 September 2022	2 months to 30 June 2022	4 months to 30 April 2022	3 months to 31 December 2021	3 months to 30 September 2021
Revenue (£m)	162.9	95.4	196.5	148.9	142.2
Net new clients	17,000	2,000	42,000	25,000	23,000
Total active clients	1,754,000	1,737,000	1,734,000	1,693,000	1,667,000
Client Retention Rate (%)	92.2	90.9	91.8	92.8	92.6
Asset Retention Rate (%)	91.9	91.8	91.4	92.2	92.1
Share dealing volumes per month	700,000	755,000	927,000	908,000	861,000

Assets under administration

AUA (£billion)	3 months to 30 September 2022	2 months to 30 June 2022	4 months to 30 April 2022	3 months to 31 December 2021	3 months to 30 September 2021
Opening AUA	123.8	132.3	141.2	138.0	135.5
Net new business - platform	-	0.1	2.3	0.7	0.9
Net new business – Active Savings	0.7	0.6	0.2	0.3	0.4
Total net new business	0.7	0.7	2.5	1.0	1.3
Market movements and other	(1.8)	(9.2)	(11.4)	2.2	1.2
Closing AUA	122.7	123.8	132.3	141.2	138.0

Closing AUA (£billion)	As at 30 September 2022	As at 30 June 2022	As at 30 April 2022	As at 31 December 2021	As at 30 September 2021
Funds	57.4	58.2	62.9	69.0	67.8
Shares	45.2	45.9	50.7	55.2	53.7
Cash	14.8	15.0	14.6	13.1	12.9
HL Funds	7.8	8.0	8.5	9.1	9.1
Active Savings	5.3	4.6	4.0	3.8	3.5
Double count ¹	(7.8)	(7.9)	(8.4)	(9.0)	(9.0)
Total	122.7	123.8	132.3	141.2	138.0

Average AUA (£billion)	3 months to 30 September 2022	2 months to 30 June 2022	4 months to 30 April 2022	3 months to 31 December 2021	3 months to 30 September 2021
Funds	59.8	60.0	63.5	68.3	68.0
Shares	47.5	47.7	51.5	55.2	53.9
Cash	14.8	14.9	14.1	13.0	12.6
HL Funds	8.1	8.2	8.6	9.1	9.1
Active Savings	5.1	4.4	3.9	3.7	3.4
Double count ¹	(8.1)	(8.1)	(8.5)	(9.0)	(9.1)
Total	127.2	127.1	133.1	140.3	137.9

¹ 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.