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## 'Surely this isn't over yet': Broker casts doubt on £5.4bn Hargreaves bid

Shore Capital's Vivek Raja calls Hargreaves a 'trophy asset' and believes the latest offer on Tuesday for the investment platform remains too low.

BY **JEREMY GORDON**

A fresh bid for Hargreaves Lansdown (HL) may have won the support of its co-founders, but one analyst was 'disappointed' to see the board recommend the offer.

On Tuesday, HL announced that a consortium including European private equity giant CVC and Abu Dhabi's sovereign wealth fund had [made a fourth offer](#) to take it private.

Pitched at £11.40 per share, the offer valued the UK's dominant direct-to-consumer (D2C) platform at about £5.4bn.

However, in a note entitled 'Surely this isn't over yet', Shore Capital analyst Vivek Raja said the revised £5.4bn approach still undervalues the investment platform and that 'this story has further to run', implying a higher bid could be required to win full shareholder support.

HL has now opened its books for the consortium to conduct due diligence, and the board has said it would recommend a bid at this price to shareholders. An extension of the bid deadline to 19 July was also announced on Tuesday.

Raja said he was surprised the directors were recommending the offer, pointing out the board had reiterated in Tuesday's market statement that it remained confident in the company's new management and prospects.

'We are disappointed that HL's board is not backing management to execute its plan as the company enters what should be the final stages of a multi-year replatforming exercise,' said Raja.

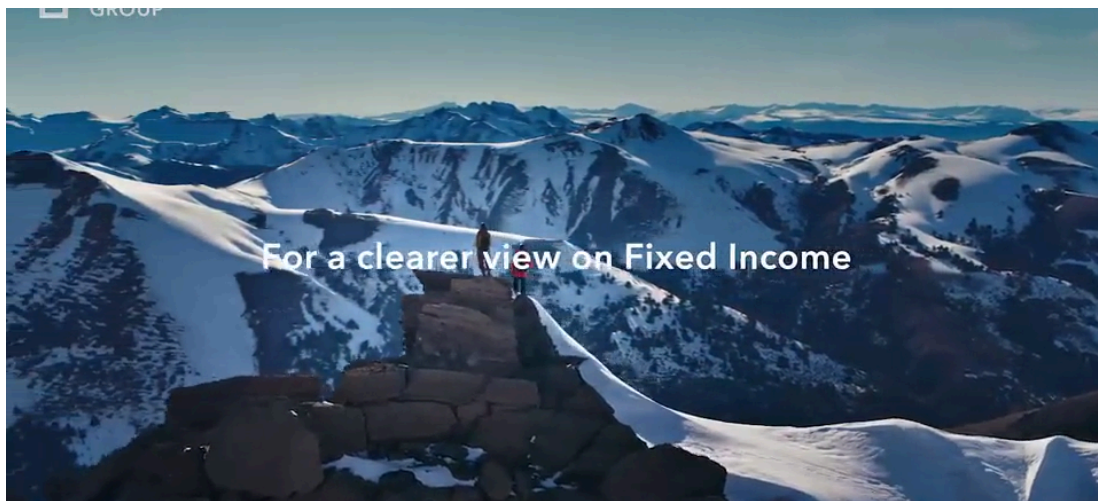
'With its dominant position in the UK D2C platform investing market, which will continue to experience secular growth, we see HL as something of a trophy asset.'

HL chief executive Dan Olley [only took the reins last August](#), while Alison Platt became chair in February.

The swoop from private equity comes after HL ditched its special dividend to embark on a five-year technology spending programme in 2022. The plan was met with ire from co-founder Peter Hargreaves.

Challenging market conditions, as well as competition and price pressure in the D2C space, have also weighed on HL in recent years. The stock is down about 40% over five years despite its 2024 rally.

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Despite this, Shore Capital's analysis suggests that even the latest bid remains a low-ball offer.

Raja said the revised offer values HL at about 17 times 'trough earnings' – or an enterprise value to assets under management ratio of about 3%.

Those metrics compare with 10-year averages of about 28 times earnings and 4.5-5%, respectively.

Raja acknowledged that the lowly valuation did not exist in a vacuum given [regulatory challenges](#) in recent years, but concluded that those estimates were more than priced in for what is still the dominant business in its sector.

Peter Hargreaves and fellow co-founder Stephen Lansdown – who together still own just over a quarter of the business – have suggested to some media outlets they are tempted to accept the latest bid.

Managers holding HL have remained tight-lipped. These include [Nick Train](#), whose fund firm Lindsell Train is the second-biggest shareholder, with a 12% stake.

HL shares have rallied heavily from their March low and are now up 56% in the year to date. The shares are now trading at £11.46p – above the bid price, suggesting markets may be expecting a higher offer.

Christian Kent, a managing director at investment bank Houlihan Lokey, said the potential acquisition 'underscores the valuation disconnect for wealth managers between public and private markets'.

'With over 25 private equity-backed wealth management firms in the UK, this move isn't surprising,' Kent said.

'We expect to see further consolidation among these firms, and with robust private equity backing, HL could emerge as a pivotal player in this consolidation through [merger and acquisition] activities.'

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