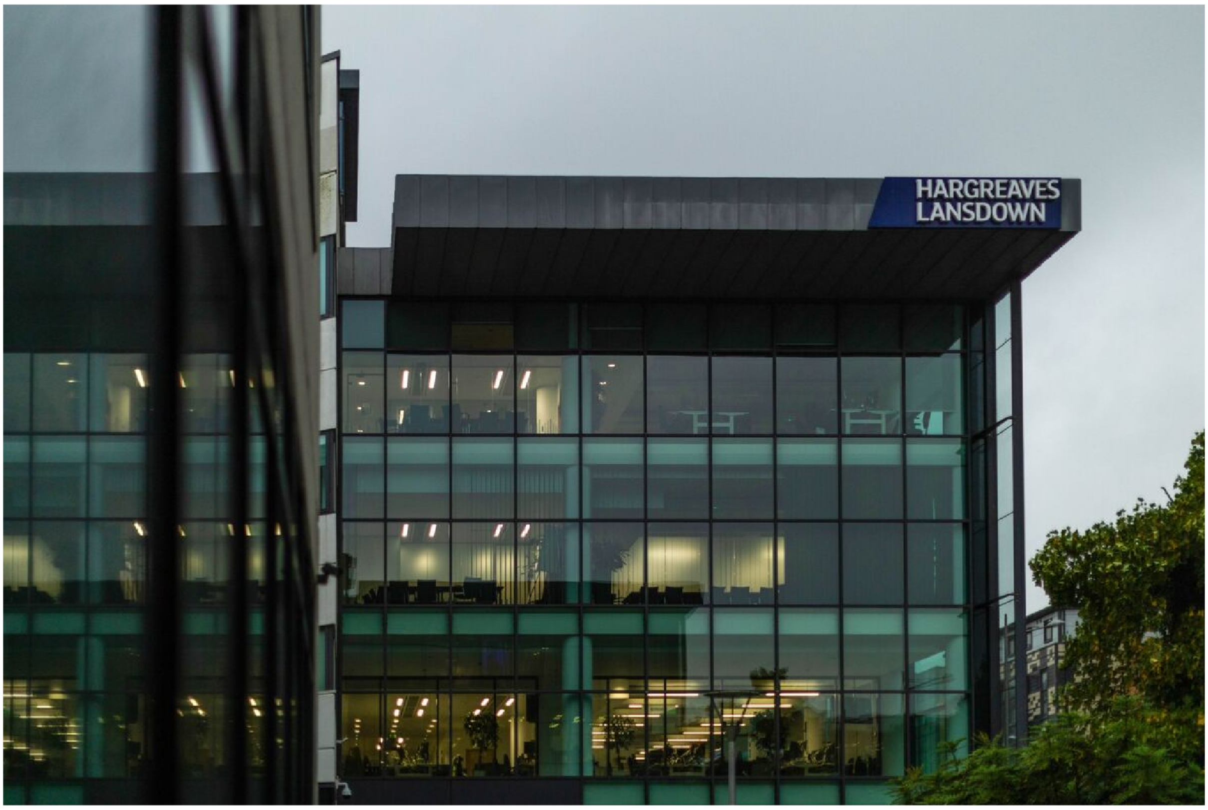
Markets | Finance

CVC, ADIA to Buy Hargreaves Lansdown in £5.4 Billion Deal

- Group to pay 1,140 pence per share for UK investment platform
- Co-founder Peter Hargreaves agrees to invest half of his stake



The headquarters of Hargreaves Lansdown Plc in Bristol, UK. *Photographer: James Beck/Bloomberg*

By Leonard Kehnscherper
August 9, 2024 at 8:17 AM GMT+2
Updated on August 9, 2024 at 9:14 AM GMT+2

A group of private equity suitors have agreed to buy Hargreaves Lansdown Plc in a deal that values the UK investment platform at £5.4 billion ($6.9 billion).

Hargreaves Lansdown is unanimously recommending shareholders support the offer by CVC Capital Partners, Nordic Capital and a subsidiary of Abu Dhabi Investment Authority, according to a statement on Friday. The price of 1,140 pence per share includes 30 pence for its 2024 final dividend, and represents a 54.1% premium to Hargreaves's close on April 11, the last business day before the group's initial approach to the board.

Hargreaves Lansdown's shares rose as much as 2.6% in early London trading.

The deal for Hargreaves Lansdown marks the latest high-profile exit from the London Stock Exchange this year, fueled by a broader comeback in dealmaking activity and UK stocks' relatively cheap valuations. Pepsi bottler Britvic Plc, Royal Mail owner International Distribution Services Plc and cybersecurity outfit Darktrace Plc are among the companies to have been bought up or accepted offers this year.

Read More: Foreign Appetite for UK Firms at 2021-High on Cheap Valuations

Hargreaves Lansdown's board said in June it would support an offer at this value. The deal also has an option for Hargreaves shareholders to choose to invest some or all of their shares alongside the bidders.

The rollover equity alternative gives shareholders the opportunity to co-invest in the consortium's unlisted acquisition vehicle, subject to an overall maximum participation of 35% of the equity.

Hargreaves Lansdown was co-founded in 1981 by Peter Hargreaves and Stephen Lansdown. Both have sold stakes in recent years but together they still own about a quarter of the company, making them among the richest people in the country. Both Hargreaves and Lansdown have agreed to vote in favor of the deal. Hargreaves has chosen to co-invest half his 19.8% stake while Lansdown will sell his entire 5.7% holding.

That means Hargreaves will bank £535 million and retain a significant stake in the private company, according to calculations by Bloomberg. Lansdown will walk away with around £309 million.

In a separate release, Hargreaves said that net new business of $4.2 billion for the full-year was down from £4.8 billion a year earlier. The Bristol-based firm reported pretax profit for the full year of £396 million, missing the average analyst estimate, while revenue rose 4% to £765 million.

The consortium will partly finance its acquisition of Hargreaves with a £1.75 billion interim senior term loan facility to be provided by undisclosed third-party lenders. Bloomberg reported last week that Apollo Global Management and KKR & Co. are among a group of private credit funds providing the loan.

Read More: Apollo, KKR Back Hargreaves Lansdown Bid With £1.75 Billion Loan

The firm is Britain's biggest platform for retail investors, with almost 1.9 million customers and £155 billion in assets under management and administration. But in recent years rivals like AJ Bell Plc and Interactive Investor have started to win market share, helped by their lower fees.
– With assistance from Laura Benitez

(Updates with share price move in the third paragraph and deal details from the fourth paragraph,)