

LPL Financial Holdings Inc. - Historical Management's Statements of Operations

As of March 31, 2019

(End of Period \$ in thousands, unless noted)	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Gross Profit*									
Sales-based commissions	\$ 190,999	\$ 199,468	\$ 193,545	\$ 196,530	\$ 187,232	\$ 174,052	\$ 160,098	\$ 181,843	\$ 186,577
Trailing commissions	270,360	270,455	293,330	291,555	287,578	251,891	242,913	238,863	234,587
Advisory	453,938	474,102	458,087	438,917	422,388	375,928	356,945	346,515	329,859
Commission and advisory fees	915,297	944,025	944,962	927,002	897,198	801,871	759,956	767,221	751,023
Commission and advisory expense	(799,698)	(793,310)	(821,950)	(800,619)	(761,697)	(697,725)	(663,765)	(663,046)	(645,063)
Commission and advisory fees, net of payout	115,599	150,715	123,012	126,383	135,501	104,146	96,191	104,175	105,960
Cash sweep	173,139	147,774	127,174	121,386	104,084	88,333	81,617	71,848	59,651
Other asset-based	123,224	117,907	121,721	117,217	115,253	105,374	102,336	101,602	97,572
Transaction and fee	122,480	119,254	118,941	116,455	116,648	103,145	103,999	109,361	108,162
Interest income and other	37,539	(11,918)	18,199	16,744	8,375	17,719	16,200	15,472	19,019
Total net commission and advisory fees and attachment revenue	571,981	523,732	509,047	498,185	479,860	418,717	400,343	402,458	390,364
Brokerage, clearing, and exchange expense	(16,144)	(16,000)	(15,844)	(15,433)	(15,877)	(15,480)	(13,491)	(13,890)	(14,186)
Gross Profit*	555,837	507,732	493,203	482,752	463,983	403,237	386,852	388,568	376,178
G&A Expense									
Core G&A*	212,520	216,185	209,244	192,148	201,039	194,607	178,769	176,428	177,026
Regulatory charges	7,873	9,593	7,421	8,321	6,440	5,433	4,433	5,428	5,270
Promotional	51,349	45,141	52,628	43,407	67,427	60,066	42,935	32,006	36,654
Employee share-based comp.	7,967	5,045	6,332	6,125	5,606	4,212	4,940	5,033	5,229
Total G&A	279,709	275,964	275,625	250,001	280,512	264,318	231,077	218,895	224,179
EBITDA*	276,128	231,768	217,578	232,751	183,470	138,919	155,775	169,673	151,999
Depreciation and amortization	23,470	21,897	22,838	22,220	20,701	20,138	21,996	21,190	20,747
Amortization of intangibles	16,168	15,672	15,676	15,682	13,222	9,997	9,352	9,453	9,491
Non-operating interest expense	32,716	31,756	31,705	31,940	29,622	28,894	26,519	26,261	25,351
Loss on extinguishment of debt	-	-	-	-	-	-	1,268	-	21,139
INCOME BEFORE PROVISION FOR INCOME TAXES	203,774	162,443	147,359	162,909	119,926	79,890	96,640	112,769	75,271
PROVISION FOR INCOME TAXES	48,376	42,145	40,494	44,143	26,396	15,792	38,498	44,335	27,082
NET INCOME	\$ 155,398	\$ 120,298	\$ 106,865	\$ 118,766	\$ 93,530	\$ 64,098	\$ 58,142	\$ 68,434	\$ 48,189
Earnings per share, diluted	\$ 1.79	\$ 1.36	\$ 1.19	\$ 1.30	\$ 1.01	\$ 0.69	\$ 0.63	\$ 0.74	\$ 0.52
Weighted-average shares outstanding, diluted	86,742	88,163	89,878	91,684	92,784	92,386	92,042	92,013	92,004
EPS Prior to Amortization of Intangible Assets	\$ 1.93	\$ 1.49	\$ 1.32	\$ 1.42	\$ 1.11	\$ 0.76	\$ 0.69	\$ 0.81	\$ 0.59

*Notice to Investors: Non-GAAP Financial Measures

Gross profit, Core G&A and EBITDA are non-GAAP financial measures. Management believes that presenting certain non-GAAP financial measures by excluding or including certain items can be helpful to investors and analysts who may wish to use some or all of this information to analyze the Company's current performance, prospects, and valuation. Management uses this non-GAAP information internally to evaluate operating performance and in formulating the budget for future periods. Management believes that the non-GAAP financial measures and metrics discussed herein are appropriate for evaluating the performance of the Company.

Gross Profit is calculated as net revenues, less commission and advisory expenses and brokerage, clearing, and exchange fees. All other expense categories, including depreciation and amortization of fixed assets and amortization of intangible assets, are considered general and administrative in nature. Because the Company's gross profit amounts do not include any depreciation and amortization expense, the Company considers its gross profit amounts to be non-GAAP financial measures that may not be comparable to those of others in its industry. Management believes that Gross Profit can provide investors with useful insight into the Company's core operating performance before indirect costs that are general and administrative in nature.

Core G&A consists of total operating expenses, excluding the following expenses: commission and advisory, regulatory charges, promotional, employee share-based compensation, depreciation and amortization, amortization of intangible assets, and brokerage, clearing, and exchange. Management presents Core G&A because it believes Core G&A reflects the corporate operating expense categories over which management can generally exercise a measure of control, compared with expense items over which management either cannot exercise control, such as commission and advisory expenses, or which management views as promotional expense necessary to support advisor growth and retention including conferences and transition assistance. Core G&A is not a measure of the Company's total operating expenses as calculated in accordance with GAAP. For a reconciliation of Core G&A against the Company's total operating expenses, please see below.

EBITDA is defined as net income plus interest expense, income tax expense, depreciation, amortization, and loss on extinguishment of debt. The Company presents EBITDA because management believes that it can be a useful financial metric in understanding the Company's earnings from operations. EBITDA is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of profitability or liquidity. In addition, the Company's EBITDA can differ significantly from EBITDA calculated by other companies, depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, and capital investments.

\$ in millions	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Core G&A	\$213	\$216	\$209	\$192	\$201	\$195	\$179	\$176	\$177
Regulatory charges	8	10	7	8	6	5	4	5	5
Promotional	51	45	53	43	67	60	43	32	37
Employee share-based compensation	8	5	6	6	6	4	5	5	5
Total G&A	280	276	276	250	281	264	231	219	224
Commissions and advisory	800	793	822	801	762	698	664	663	645
Depreciation & amortization	23	22	23	22	21	20	22	21	21
Amortization of intangible assets	16	16	16	16	13	10	9	9	9
Brokerage, clearing and exchange	16	16	16	15	16	15	13	14	14
Total operating expense	\$1,135	\$1,123	\$1,152	\$1,104	\$1,092	\$1,008	\$940	\$926	\$914

* Certain numbers may not foot due to rounding.