

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

As of June 30, 2019

| (End of Period \$ in thousands, unless noted) | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|
| Gross Profit* | | | | | | | | | | |
| Sales-based commissions | \$ 203,531 | \$ 190,999 | \$ 199,468 | \$ 193,545 | \$ 196,530 | \$ 187,232 | \$ 174,052 | \$ 160,098 | \$ 181,843 | \$ 186,577 |
| Trailing commissions | 275,604 | 270,360 | 270,455 | 293,330 | 291,555 | 287,578 | 251,891 | 242,913 | 238,863 | 234,587 |
| Advisory | 481,309 | 453,938 | 474,102 | 458,087 | 438,917 | 422,388 | 375,928 | 356,945 | 346,515 | 329,859 |
| Commission and advisory fees | 960,444 | 915,297 | 944,025 | 944,962 | 927,002 | 897,198 | 801,871 | 759,956 | 767,221 | 751,023 |
| Production based payout | (831,178) | (777,889) | (818,382) | (817,211) | (797,785) | (761,537) | (690,811) | (657,063) | (657,826) | (637,960) |
| Commission and advisory fees, net of payout | 129,266 | 137,408 | 125,643 | 127,751 | 129,217 | 135,661 | 111,060 | 102,893 | 109,395 | 113,063 |
| Client cash | 161,815 | 173,139 | 147,774 | 127,174 | 121,386 | 104,084 | 88,333 | 81,617 | 71,848 | 59,651 |
| Other asset-based | 126,736 | 123,224 | 117,907 | 121,721 | 117,217 | 115,253 | 105,374 | 102,336 | 101,602 | 97,572 |
| Transaction and fee | 118,335 | 122,480 | 119,254 | 118,941 | 116,455 | 116,648 | 103,145 | 103,999 | 109,361 | 108,162 |
| Interest income and other, net of advisor deferred compensation | 15,583 | 15,730 | 13,154 | 13,460 | 13,910 | 8,214 | 10,805 | 9,498 | 10,252 | 11,916 |
| Total net commission and advisory fees and attachment revenue | 551,735 | 571,981 | 523,732 | 509,047 | 498,185 | 479,860 | 418,717 | 400,343 | 402,458 | 390,364 |
| Brokerage, clearing, and exchange expense | (15,994) | (16,144) | (16,000) | (15,844) | (15,433) | (15,877) | (15,480) | (13,491) | (13,890) | (14,186) |
| Gross Profit* | 535,741 | 555,837 | 507,732 | 493,203 | 482,752 | 463,983 | 403,237 | 386,852 | 388,568 | 376,178 |
| G&A Expense | | | | | | | | | | |
| Core G&A* | 210,514 | 212,520 | 216,185 | 209,244 | 192,148 | 201,039 | 194,607 | 178,769 | 176,428 | 177,026 |
| Regulatory charges | 8,632 | 7,873 | 9,593 | 7,421 | 8,321 | 6,440 | 5,433 | 4,433 | 5,428 | 5,270 |
| Promotional | 41,423 | 51,349 | 45,141 | 52,628 | 43,407 | 67,427 | 60,066 | 42,935 | 32,006 | 36,654 |
| Employee share-based comp. | 7,306 | 7,967 | 5,045 | 6,332 | 6,125 | 5,606 | 4,212 | 4,940 | 5,033 | 5,229 |
| Total G&A | 267,875 | 279,709 | 275,964 | 275,625 | 250,001 | 280,512 | 264,318 | 231,077 | 218,895 | 224,179 |
| EBITDA* | 267,866 | 276,128 | 231,768 | 217,578 | 232,751 | 183,470 | 138,919 | 155,775 | 169,673 | 151,999 |
| Depreciation and amortization | 22,584 | 23,470 | 21,897 | 22,838 | 22,220 | 20,701 | 20,138 | 21,996 | 21,190 | 20,747 |
| Amortization of intangibles | 16,249 | 16,168 | 15,672 | 15,676 | 15,682 | 13,222 | 9,997 | 9,352 | 9,453 | 9,491 |
| Non-operating interest expense | 33,957 | 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 | 195,076 | 203,774 | 162,443 | 147,359 | 162,909 | 119,926 | 79,890 | 96,640 | 112,769 | 75,271 |
| PROVISION FOR INCOME TAXES | 48,984 | 48,376 | 42,145 | 40,494 | 44,143 | 26,396 | 15,792 | 38,498 | 44,335 | 27,082 |
| NET INCOME | \$ 146,092 | \$ 155,398 | \$ 120,298 | \$ 106,865 | \$ 118,766 | \$ 93,530 | \$ 64,098 | \$ 58,142 | \$ 68,434 | \$ 48,189 |
| Earnings per share, diluted | \$ 1.71 | \$ 1.79 | \$ 1.36 | \$ 1.19 | \$ 1.30 | \$ 1.01 | \$ 0.69 | \$ 0.63 | \$ 0.74 | \$ 0.52 |
| Weighted-average shares outstanding, diluted | 85,350 | 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 | \$ 1.85 | \$ 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, which were \$1,390 million for the three months ended June 30, 2019 less commission and advisory expenses and brokerage, clearing, and exchange fees, which were \$838 million and \$16 million, respectively, for the three months ended June 30, 2019. 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 to the Company's total operating expenses, please see below.

EBITDA is defined as net income plus interest and other expense, income tax expense, depreciation and amortization, amortization of intangible assets 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 | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|--------------|--------------|
| Core G&A | \$211 | \$213 | \$216 | \$209 | \$192 | \$201 | \$195 | \$179 | \$176 | \$177 |
| Regulatory charges | 9 | 8 | 10 | 7 | 8 | 6 | 5 | 4 | 5 | 5 |
| Promotional | 41 | 51 | 45 | 53 | 43 | 67 | 60 | 43 | 32 | 37 |
| Employee share-based compensation | 7 | 8 | 5 | 6 | 6 | 6 | 4 | 5 | 5 | 5 |
| Total G&A | 268 | 280 | 276 | 276 | 250 | 281 | 264 | 231 | 219 | 224 |
| Commissions and advisory | 838 | 800 | 793 | 822 | 801 | 762 | 698 | 664 | 663 | 645 |
| Depreciation & amortization | 23 | 23 | 22 | 23 | 22 | 21 | 20 | 22 | 21 | 21 |
| Amortization of intangible assets | 16 | 16 | 16 | 16 | 16 | 13 | 10 | 9 | 9 | 9 |
| Brokerage, clearing and exchange | 16 | 16 | 16 | 16 | 15 | 16 | 15 | 13 | 14 | 14 |
| Total operating expense | \$1,161 | \$1,135 | \$1,123 | \$1,152 | \$1,104 | \$1,092 | \$1,008 | \$940 | \$926 | \$914 |

* Certain numbers may not foot due to rounding.

| Commission and advisory expense reconciliation | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| Production based payout | \$831,178 | \$777,889 | \$818,382 | \$817,211 | \$797,785 | \$761,537 | \$690,811 | \$657,063 | \$657,826 | \$637,960 |
| Advisor deferred compensaton | 6,844 | 21,809 | (25,072) | 4,739 | 2,834 | 160 | 6,914 | 6,702 | 5,220 | 7,103 |
| Commission and advisory expense | \$838,022 | \$799,698 | \$793,310 | \$821,950 | \$800,619 | \$761,697 | \$697,725 | \$663,765 | \$663,046 | 645,063 |

| Interest income and other, net of non-production expense reconciliation | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|-----------------|----------------|-----------------|-----------------|
| Interest income, net of interest expense | \$11,690 | \$12,321 | \$11,784 | \$10,512 | \$10,133 | \$7,781 | \$6,542 | \$6,162 | \$5,976 | \$5,793 |
| Plus: Other Revenue | 10,737 | 25,218 | (23,702) | 7,687 | 6,611 | 593 | 11,177 | 10,038 | 9,496 | 13,226 |
| Less: Advisor deferred compensation | (6,844) | (21,809) | 25,072 | (4,739) | (2,834) | (160) | (6,914) | (6,702) | (5,220) | (7,103) |
| Interest income and other, net of advisor deferred compensation | \$15,583 | \$15,730 | \$13,154 | \$13,460 | \$13,910 | \$8,214 | \$10,805 | \$9,498 | \$10,252 | \$11,916 |