

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

As of December 31, 2017

(End of Period \$ in thousands, unless noted)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Gross Profit*									
Sales-based Commissions	\$ 174,052	\$ 160,098	\$ 181,843	\$ 186,577	\$ 188,943	\$ 196,364	\$ 218,266	\$ 214,814	\$ 229,303
Trailing commissions	251,891	242,913	238,863	234,587	234,324	235,322	227,489	221,913	234,183
Advisory	375,928	356,945	346,515	329,859	325,383	321,911	322,955	319,432	324,241
Commission and advisory fees	801,871	759,956	767,221	751,023	748,650	753,597	768,710	756,159	787,727
Commission and advisory expense	(697,725)	(663,765)	(663,046)	(645,063)	(646,501)	(657,432)	(660,680)	(636,011)	(685,127)
Commission and advisory fees, net of payout	104,146	96,191	104,175	105,960	102,149	96,165	108,030	120,148	102,600
Cash Sweep	88,333	81,617	71,848	59,651	48,756	40,701	40,857	43,401	27,217
Other asset-based	105,374	102,336	101,602	97,572	95,380	97,590	96,940	92,850	96,845
Transaction and fee	103,145	103,999	109,361	108,162	102,788	108,413	101,824	102,690	96,849
Interest income and other	17,719	16,200	15,472	19,019	11,883	17,139	10,850	10,205	11,708
Total net commission and advisory fees and attachment revenue	418,717	400,343	402,458	390,364	360,956	360,008	358,501	369,294	335,219
Brokerage, clearing, and exchange expense	(15,480)	(13,491)	(13,890)	(14,186)	(14,213)	(13,098)	(13,609)	(13,589)	(12,836)
Gross Profit*	403,237	386,852	388,568	376,178	346,743	346,910	344,892	355,705	322,383
G&A Expense									
Core G&A*	194,607	178,769	176,428	177,026	180,974	175,385	168,076	175,433	179,490
Regulatory charges	5,433	4,433	5,428	5,270	6,275	4,436	5,567	1,183	7,835
Promotional	60,066	42,935	32,006	36,654	35,602	42,609	34,717	35,684	34,782
Employee Share-based Comp.	4,212	4,940	5,033	5,229	4,772	4,431	4,721	6,428	4,083
Other Historical Adjustments	-	-	-	-	-	-	-	-	567
Total G&A	264,318	231,077	218,895	224,179	227,623	226,861	213,081	218,728	226,757
EBITDA*	138,919	155,775	169,673	151,999	119,120	120,049	131,811	136,977	95,626
Depreciation & Amortization	20,138	21,996	21,190	20,747	19,783	18,434	18,749	18,962	22,526
Amortization of Intangibles	9,997	9,352	9,453	9,491	9,499	9,502	9,509	9,525	9,532
Non-operating Interest Expense	28,894	26,519	26,261	25,351	24,895	23,889	23,804	23,890	18,465
Loss on Extinguishment of debt	-	1,268	-	21,139	-	-	-	-	-
INCOME BEFORE PROVISION FOR INCOME TAXES	79,890	96,640	112,769	75,271	64,943	68,224	79,749	84,600	45,103
PROVISION FOR INCOME TAXES	15,792	38,498	44,335	27,082	23,207	16,270	31,900	34,208	18,291
NET INCOME	\$ 64,098	\$ 58,142	\$ 68,434	\$ 48,189	\$ 41,736	\$ 51,954	\$ 47,849	\$ 50,392	\$ 26,812
Earnings per share, diluted	\$ 0.69	\$ 0.63	\$ 0.74	\$ 0.52	\$ 0.46	\$ 0.58	\$ 0.53	\$ 0.56	\$ 0.28
Weighted-average shares outstanding, diluted	92,386	92,042	92,013	92,004	91,014	89,951	89,699	89,621	95,340

*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 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, 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 measures that may not be comparable to those of others in its industry. Management believes that Gross Profit can be useful to investors because it shows 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. Prior to 2016, the Company calculated Core G&A as consisting of total operating expenses, excluding the items described above, as well as excluding other items that primarily consisted of acquisition and integration costs resulting from various acquisitions and organizational restructuring and conversion costs. Beginning with results reported for Q1 2016, Core G&A was presented as including these items that were historically adjusted out.

EBITDA is defined as net income plus interest expense, income tax expense, depreciation, and amortization. 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	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Core G&A	\$195	\$179	\$176	\$177	\$181	\$175	\$168	\$175	\$179
Regulatory charges	5	4	5	5	6	4	\$6	1	8
Promotional	60	43	32	37	36	43	\$35	36	35
Employee share-based compensation	4	5	5	5	5	4	\$5	6	4
Other historical adjustments	0	0	0	0	0	0	\$0	0	0.6
Total G&A	264	231	219	224	228	227	\$213	219	227
Commissions and advisory	698	664	663	645	647	657	\$661	636	685
Depreciation & amortization	20	22	21	21	20	18	\$19	19	23
Amortization of intangible assets	10	9	9	9	9	10	\$10	10	10
Brokerage, clearing and exchange	15	13	14	14	14	13	\$14	14	13
Total operating expense	\$1,008	\$940	\$926	\$914	\$918	\$925	\$916	\$897	\$957