

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

As of March 31, 2018

(End of Period \$ in thousands, unless noted)	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Gross Profit*									
Sales-based Commissions	\$ 187,232	\$ 174,052	\$ 160,098	\$ 181,843	\$ 186,577	\$ 188,943	\$ 196,364	\$ 218,266	\$ 214,814
Trailing commissions	287,578	251,891	242,913	238,863	234,587	234,324	235,322	227,489	221,913
Advisory	422,388	375,928	356,945	346,515	329,859	325,383	321,911	322,955	319,432
Commission and advisory fees	897,198	801,871	759,956	767,221	751,023	748,650	753,597	768,710	756,159
Commission and advisory expense	(761,697)	(697,725)	(663,765)	(663,046)	(645,063)	(646,501)	(657,432)	(660,680)	(636,011)
Commission and advisory fees, net of payout	135,501	104,146	96,191	104,175	105,960	102,149	96,165	108,030	120,148
Cash Sweep	104,084	88,333	81,617	71,848	59,651	48,756	40,701	40,857	43,401
Other asset-based	115,253	105,374	102,336	101,602	97,572	95,380	97,590	96,940	92,850
Transaction and fee	116,648	103,145	103,999	109,361	108,162	102,788	108,413	101,824	102,690
Interest income and other	8,375	17,719	16,200	15,472	19,019	11,883	17,139	10,850	10,205
Total net commission and advisory fees and attachment revenue	479,860	418,717	400,343	402,458	390,364	360,956	360,008	358,501	369,294
Brokerage, clearing, and exchange expense	(15,877)	(15,480)	(13,491)	(13,890)	(14,186)	(14,213)	(13,098)	(13,609)	(13,589)
Gross Profit*	463,983	403,237	386,852	388,568	376,178	346,743	346,910	344,892	355,705
G&A Expense									
Core G&A*	201,039	194,607	178,769	176,428	177,026	180,974	175,385	168,076	175,433
Regulatory charges	6,440	5,433	4,433	5,428	5,270	6,275	4,436	5,567	1,183
Promotional	67,427	60,066	42,935	32,006	36,654	35,602	42,609	34,717	35,684
Employee Share-based Comp.	5,606	4,212	4,940	5,033	5,229	4,772	4,431	4,721	6,428
Other Historical Adjustments	-	-	-	-	-	-	-	-	-
Total G&A	280,512	264,318	231,077	218,895	224,179	227,623	226,861	213,081	218,728
EBITDA*	183,470	138,919	155,775	169,673	151,999	119,120	120,049	131,811	136,977
Depreciation & Amortization	20,701	20,138	21,996	21,190	20,747	19,783	18,434	18,749	18,962
Amortization of Intangibles	13,222	9,997	9,352	9,453	9,491	9,499	9,502	9,509	9,525
Non-operating Interest Expense	29,622	28,894	26,519	26,261	25,351	24,895	23,889	23,804	23,890
Loss on Extinguishment of debt	-	-	1,268	-	21,139	-	-	-	-
INCOME BEFORE PROVISION FOR INCOME TAXES	119,926	79,890	96,640	112,769	75,271	64,943	68,224	79,749	84,600
PROVISION FOR INCOME TAXES	26,396	15,792	38,498	44,335	27,082	23,207	16,270	31,900	34,208
NET INCOME	\$ 93,530	\$ 64,098	\$ 58,142	\$ 68,434	\$ 48,189	\$ 41,736	\$ 51,954	\$ 47,849	\$ 50,392
Earnings per share, diluted	\$ 1.01	\$ 0.69	\$ 0.63	\$ 0.74	\$ 0.52	\$ 0.46	\$ 0.58	\$ 0.53	\$ 0.56
Weighted-average shares outstanding, diluted	92,784	92,386	92,042	92,013	92,004	91,014	89,951	89,699	89,621

*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.

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	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Core G&A	\$201	\$195	\$179	\$176	\$177	\$181	\$175	\$168	\$175
Regulatory charges	6	5	4	5	5	6	4	6	1
Promotional	67	60	43	32	37	36	43	35	36
Employee share-based compensation	6	4	5	5	5	5	4	5	6
Other historical adjustments	0	0	0	0	0	0	0	0	0
Total G&A	281	264	231	219	224	228	227	213	219
Commissions and advisory	762	698	664	663	645	647	657	661	636
Depreciation & amortization	21	20	22	21	21	20	18	19	19
Amortization of intangible assets	13	10	9	9	9	9	10	10	10
Brokerage, clearing and exchange	16	15	13	14	14	14	13	14	14
Total operating expense	\$1,092	\$1,008	\$940	\$926	\$914	\$918	\$925	\$916	\$897

* Certain numbers may not foot due to rounding.