

# Q1 2020 Earnings Key Metrics

LPL Financial Holdings Inc.

Q1 2020 Earnings

April 30, 2020

# Notice to Investors: Safe Harbor Statement

Statements in this presentation regarding LPL Financial Holdings Inc.'s (together with its subsidiaries, the "Company") future financial and operating results, growth, priorities, business strategies and outlook, including forecasts and statements relating to the Company's future brokerage and advisory asset levels and mix, organic asset growth, deposit betas, Core G&A\* expenses (including outlook for 2020), Gross Profit\* benefits, investments and capital returns, as well as any other statements that are not related to present facts or current conditions or that are not purely historical, constitute forward-looking statements. These forward-looking statements are based on the Company's historical performance and its plans, estimates, and expectations as of April 30, 2020. Forward-looking statements are not guarantees that the future results, plans, intentions, or expectations expressed or implied by the Company will be achieved. Matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, legislative, regulatory, competitive, and other factors, which may cause actual financial or operating results, levels of activity, or the timing of events, to be materially different than those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include: the spread of COVID-19 and its direct and indirect effects on global economic and financial conditions; changes in interest rates and fees payable by banks participating in the Company's client cash programs; the Company's strategy and success in managing client cash program fees; changes in general economic and financial market conditions, including retail investor sentiment; fluctuations in the levels of advisory and brokerage assets, including net new assets, and the related impact on revenue; effects of competition in the financial services industry; the success of the Company in attracting and retaining financial advisors and institutions, and their ability to market effectively financial products and services; whether retail investors served by newly-recruited advisors choose to move their respective assets to new accounts at the Company; changes in the growth and profitability of the Company's fee-based business; the effect of current, pending and future legislation, regulation and regulatory actions, including disciplinary actions imposed by federal and state regulators and self-regulatory organizations and the implementation of Regulation BI (Best Interest); the costs of settling and remediating issues related to regulatory matters or legal proceedings, including actual costs of reimbursing customers for losses in excess of the Company's reserves; changes made to the Company's services and pricing, and the effect that such changes may have on the Company's gross profit\* streams and costs; execution of the Company's plans and its success in realizing the synergies, expense savings, service improvements and/or efficiencies expected to result from its investments, initiatives, acquisitions, and programs, and the other factors set forth in Part I, "Item 1A. Risk Factors" in the Company's 2019 Annual Report on Form 10-K, as may be amended or updated in the Company's Quarterly Reports on Form 10-Q or other filings with the SEC. Except as required by law, the Company specifically disclaims any obligation to update any forward-looking statements as a result of developments occurring after April 30, 2020, even if its estimates change, and statements contained herein are not to be relied upon as representing the Company's views as of any date subsequent to April 30, 2020.

## \*Notice to Investors: 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. **Specific Non-GAAP financial measures have been marked with an \* (asterisk) within this presentation. Reconciliations and calculations of such measures can be found on page 26-29.**

Gross profit is calculated as net revenues, which were \$1,463 million for the three months ended March 31, 2020, less commission and advisory expenses and brokerage, clearing, and exchange fees ("BC&E"), which were \$871 million and \$17 million, respectively, for the three months ended March 31, 2020. 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 measures that may not be comparable to those of others in its industry. Management believes that gross profit amounts can provide investors with useful insight into the Company's core operating performance before indirect costs that are general and administrative in nature. For a calculation of gross profit, please see page 26 of this presentation.

EBITDA is defined as net income plus interest and other expense, income tax expense, depreciation and amortization, and amortization of intangible assets. 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. For a reconciliation of net income to EBITDA, please see page 27 of this presentation. 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.

EPS Prior to Amortization of Intangible Assets is defined as GAAP earnings per share ("EPS") plus the per share impact of amortization of intangible assets. The per share impact is calculated as amortization of intangible assets expense, net of applicable tax benefit, divided by the number of shares outstanding for the applicable period. The Company presents EPS Prior to Amortization of Intangible Assets because management believes the metric can provide investors with useful insight into the Company's core operating performance by excluding non-cash items that management does not believe impact the Company's ongoing operations. EPS Prior to Amortization of Intangible Assets is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to GAAP EPS or any other performance measure derived in accordance with GAAP. For a reconciliation of EPS Prior to Amortization of Intangible Assets to GAAP EPS, please see page 28 of this presentation.

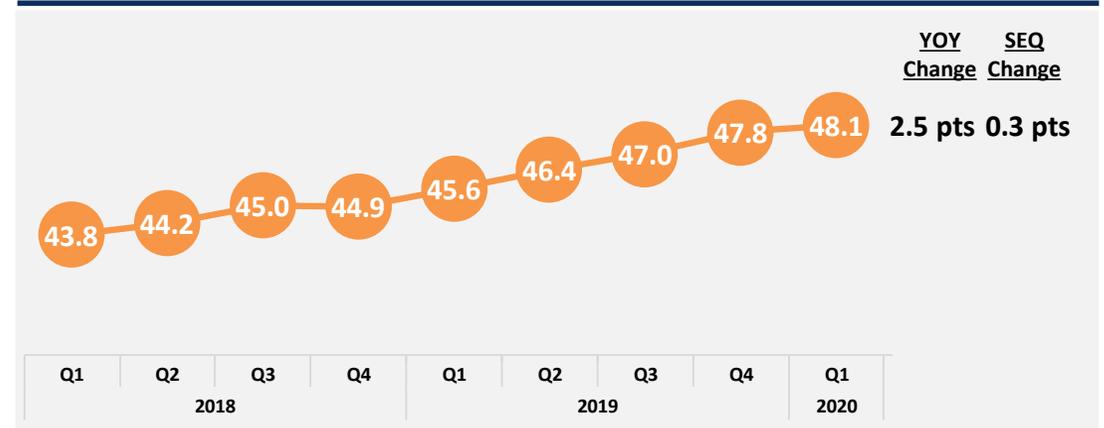
Core G&A consists of total operating expenses, which were \$1,226 million for the three months ended March 31, 2020, excluding the following expenses: commission and advisory, regulatory charges, promotional, employee share-based compensation, depreciation and amortization, amortization of intangible 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 page 29 of this presentation. The Company does not provide an outlook for its total operating expenses because it contains expense components, such as commission and advisory expenses, that are market-driven and over which the Company cannot exercise control. Accordingly, a reconciliation of the Company's outlook for Core G&A to an outlook for total operating expenses cannot be made available without unreasonable effort.

# We continue to drive long-term business growth...

## Total Brokerage and Advisory Assets (\$ billions)



## Advisory Assets as a percent of Total Assets



## Recruited Assets<sup>(1)</sup> (\$ billions)



## Production Retention Rate<sup>(2)</sup> (YTD Annualized %)

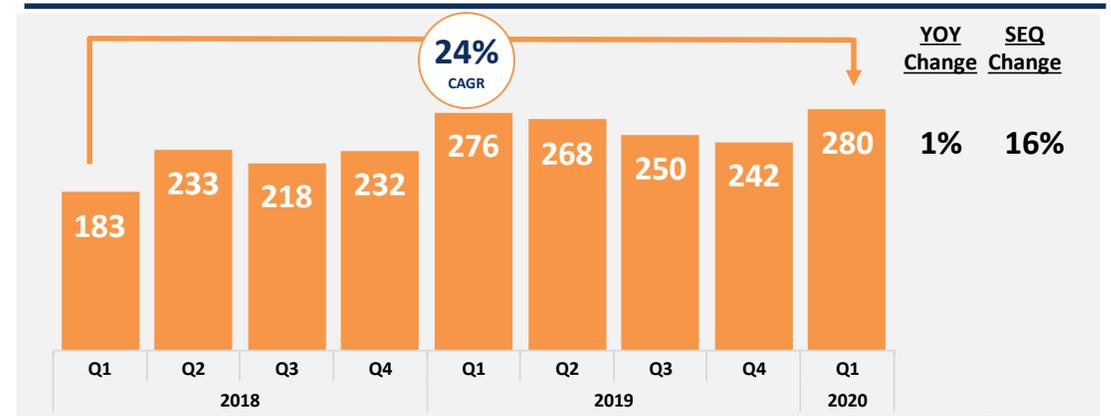


# ...And solid financial results

## Gross Profit\* (\$ millions)



## EBITDA\* (\$ millions)



## EBITDA\* as a % of Gross Profit\*

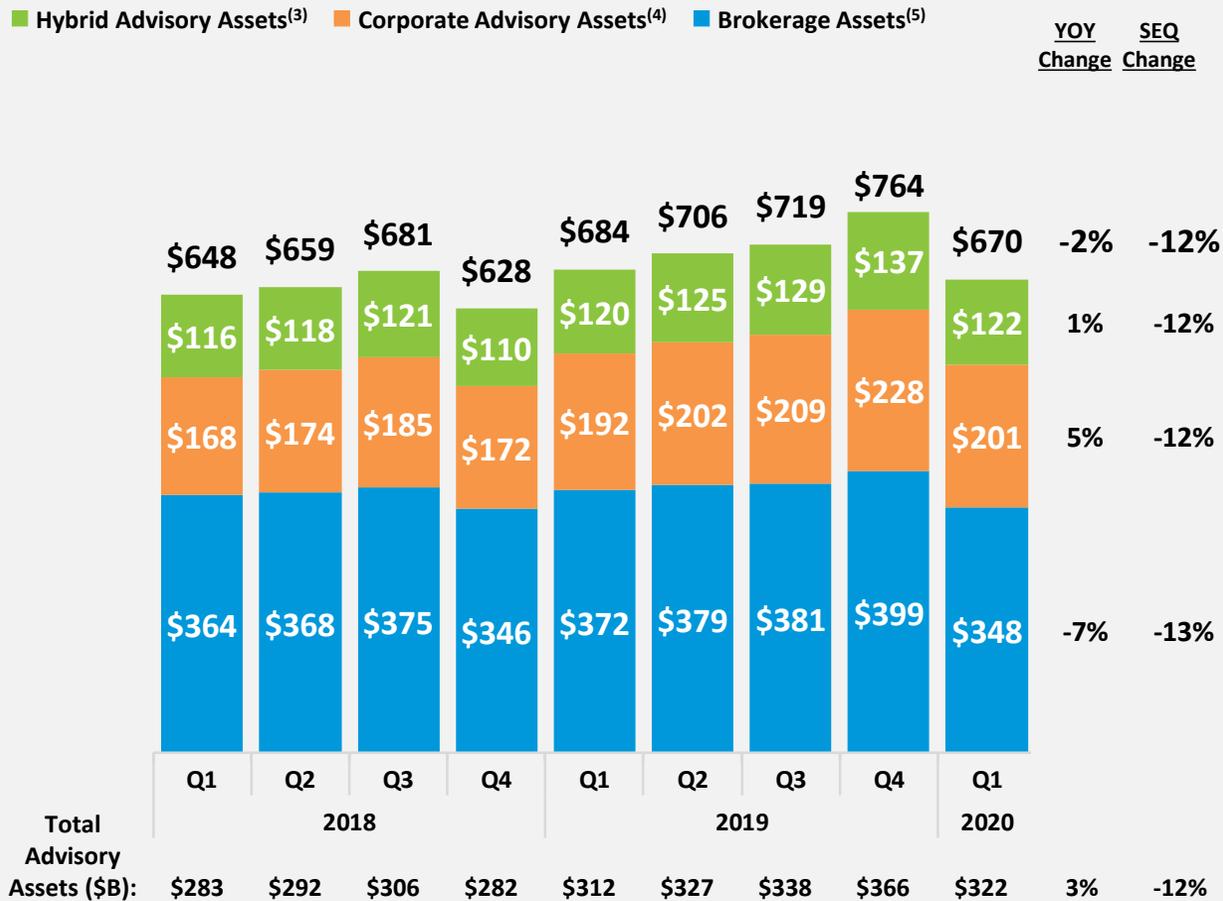


## EPS Prior to Amortization of Intangible Assets\*

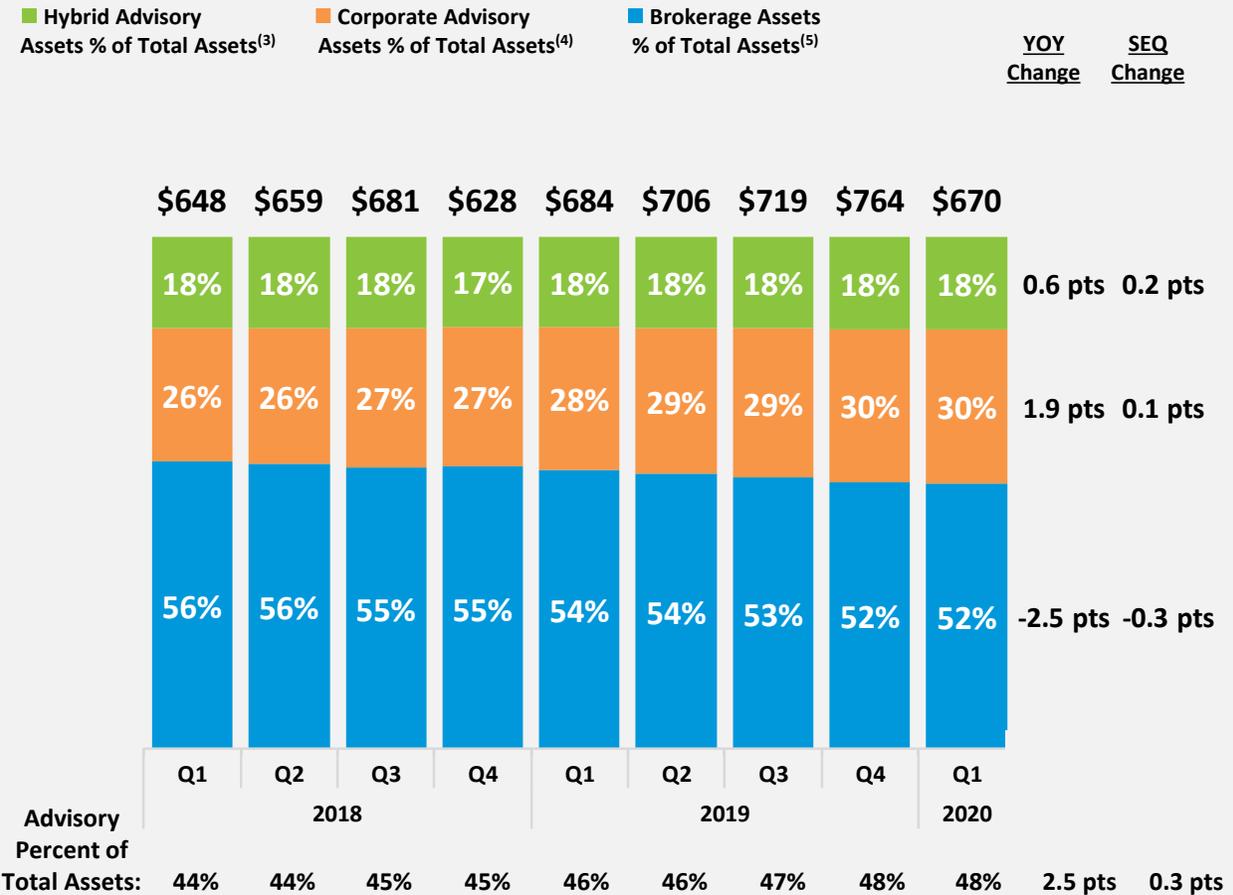


# Q1 Total Brokerage and Advisory Assets were \$670B and over 48% Advisory

## Total Brokerage and Advisory Assets (\$ billions)

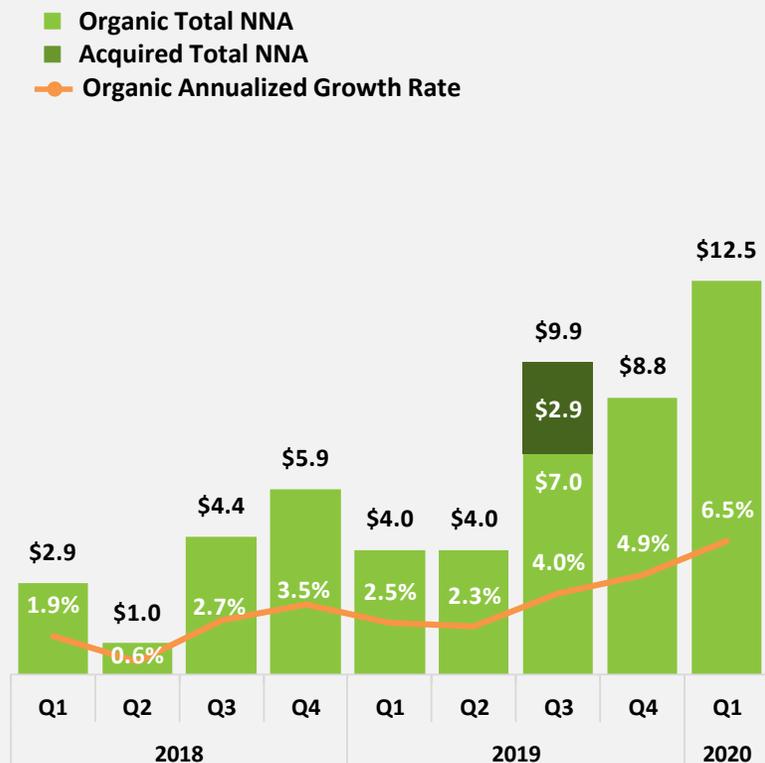


## Total Brokerage and Advisory Asset Mix

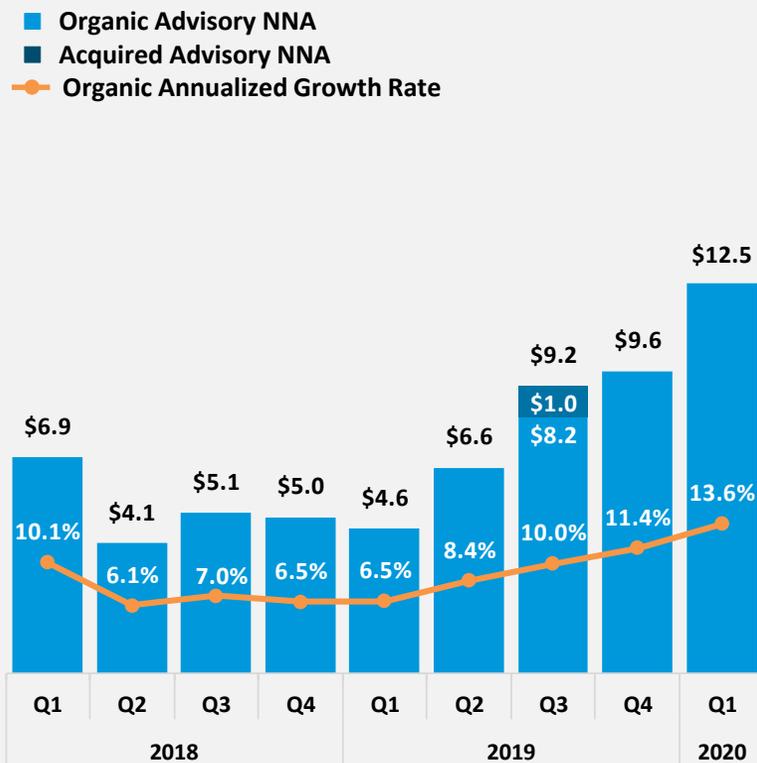


# We continued to drive higher organic growth; Q1 total organic Net New Assets were an inflow of \$12.5B

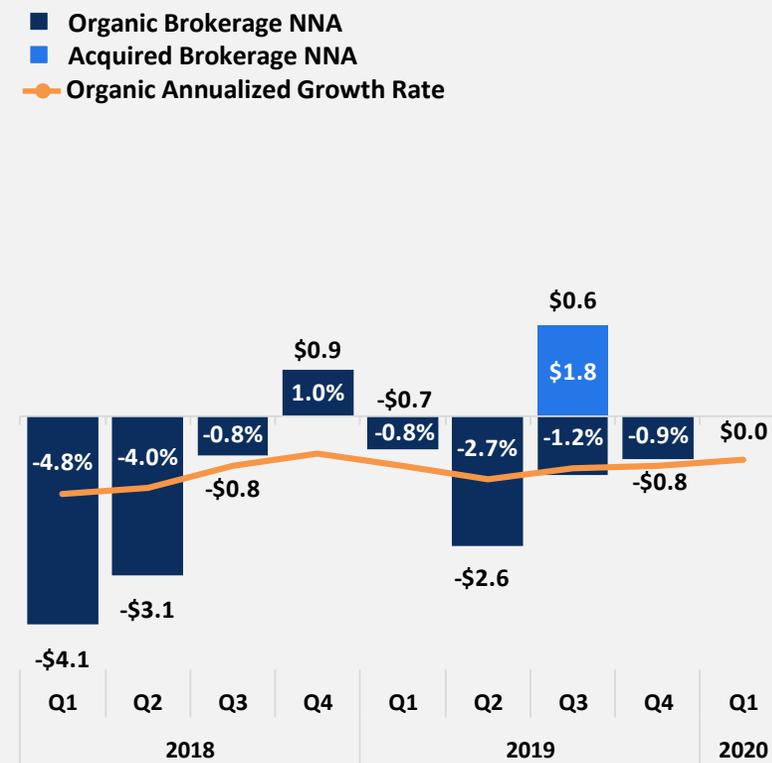
## Total Net New Assets (\$ billions)



## Net New Advisory Assets<sup>(6)</sup> (\$ billions)



## Net New Brokerage Assets<sup>(7)</sup> (\$ billions)

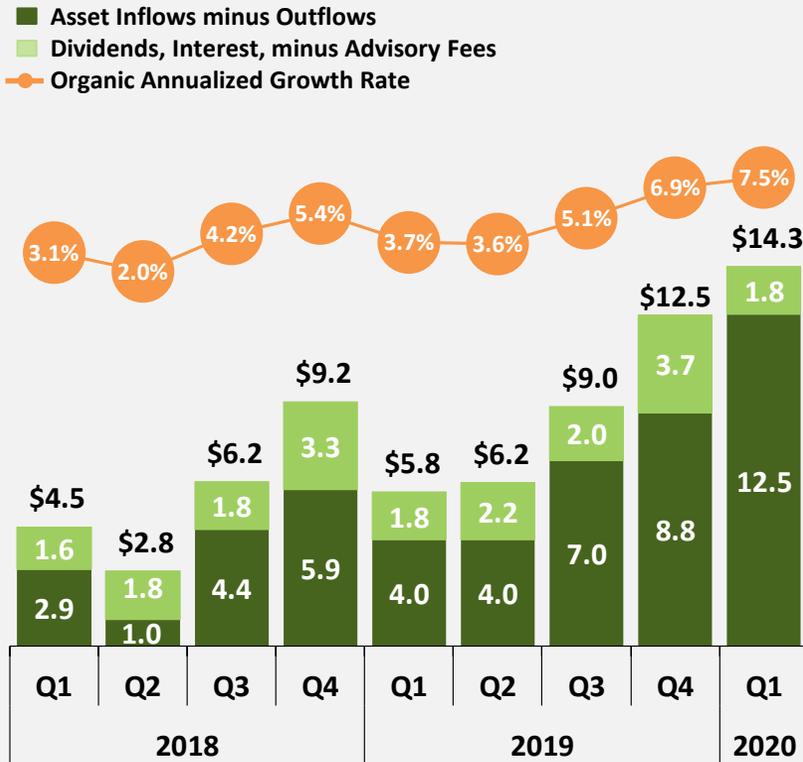


Net Brokerage to Advisory Conversions<sup>(8)</sup> (billions): \$2.5 \$1.8 \$1.7 \$1.4 \$1.4 \$1.8 \$1.7 \$1.9 \$2.4

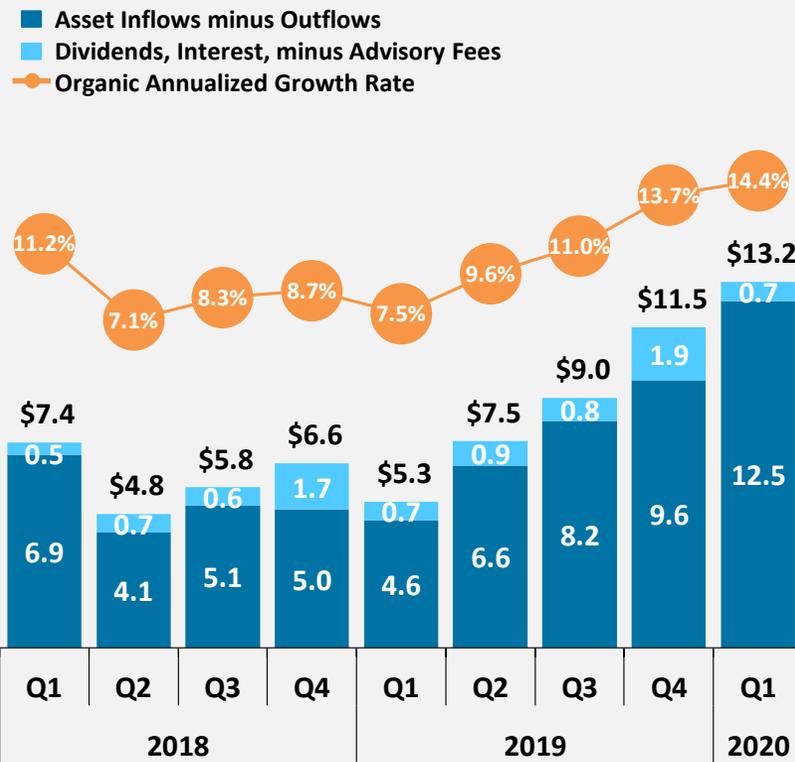
# Starting in Q2, we will align our Net New Asset definition with market practice by including Dividend & Interest inflows and Advisory Fee outflows

- We have provided the history below to show the combined contribution of Dividend & Interest inflows and Advisory Fee outflows on our historical results
- On average, these factors contribute ~1.5% organic growth on an annual basis for our business

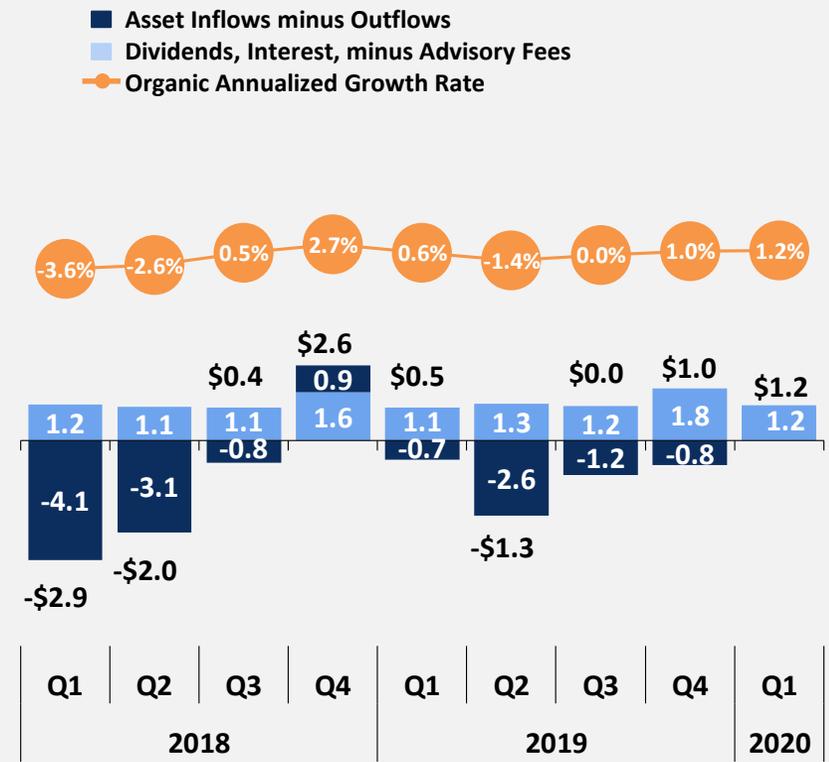
## Total Net New Assets (\$ billions)



## Net New Advisory Assets<sup>(6)</sup> (\$ billions)

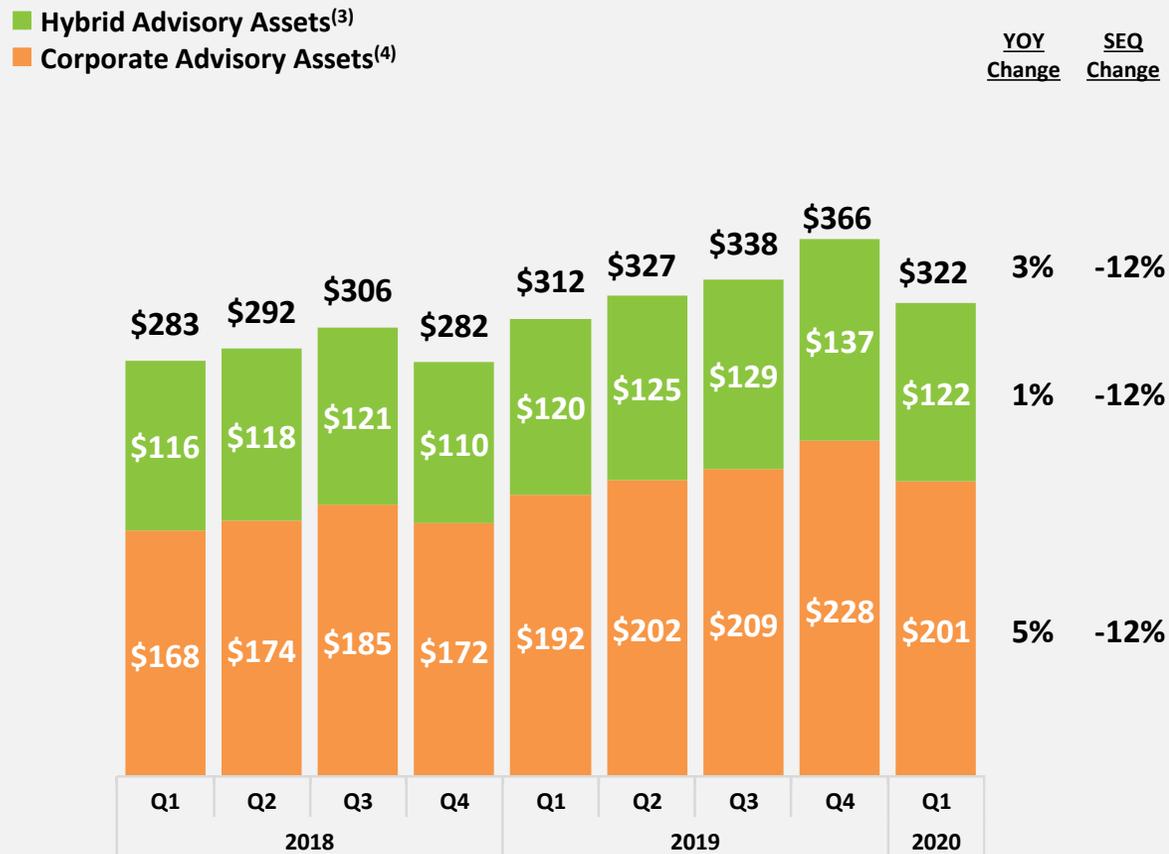


## Net New Brokerage Assets<sup>(7)</sup> (\$ billions)

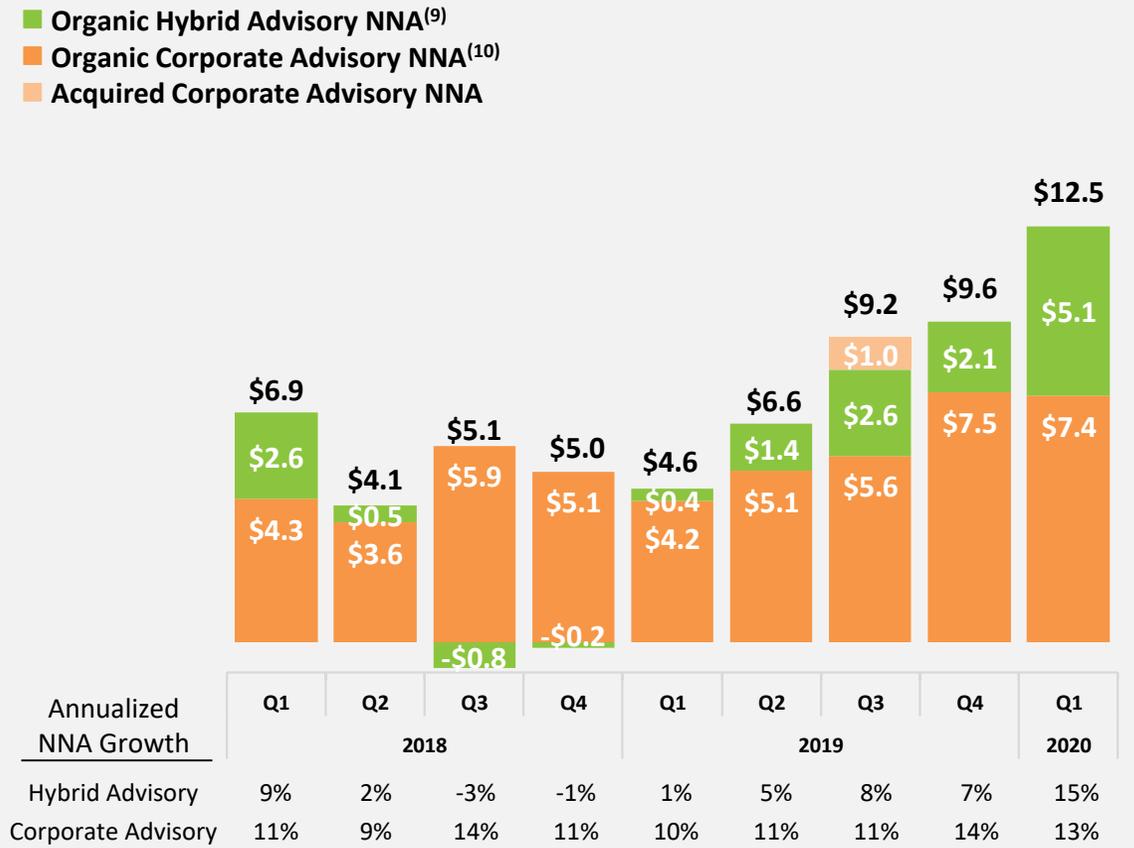


# We continue to drive higher organic advisory asset growth over time

## Corporate and Hybrid Advisory Platform Mix (\$ billions)

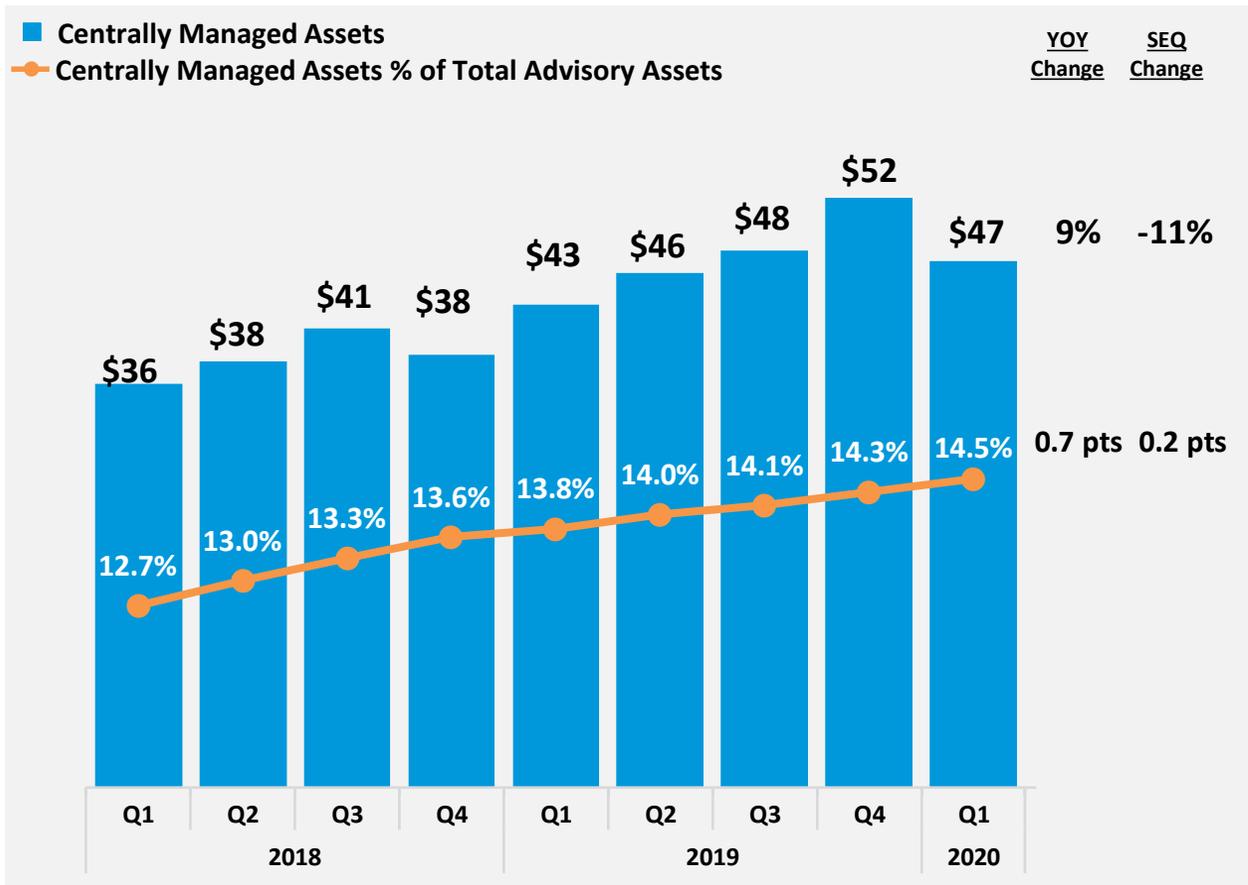


## Corporate and Hybrid Advisory NNA Mix (\$ billions)

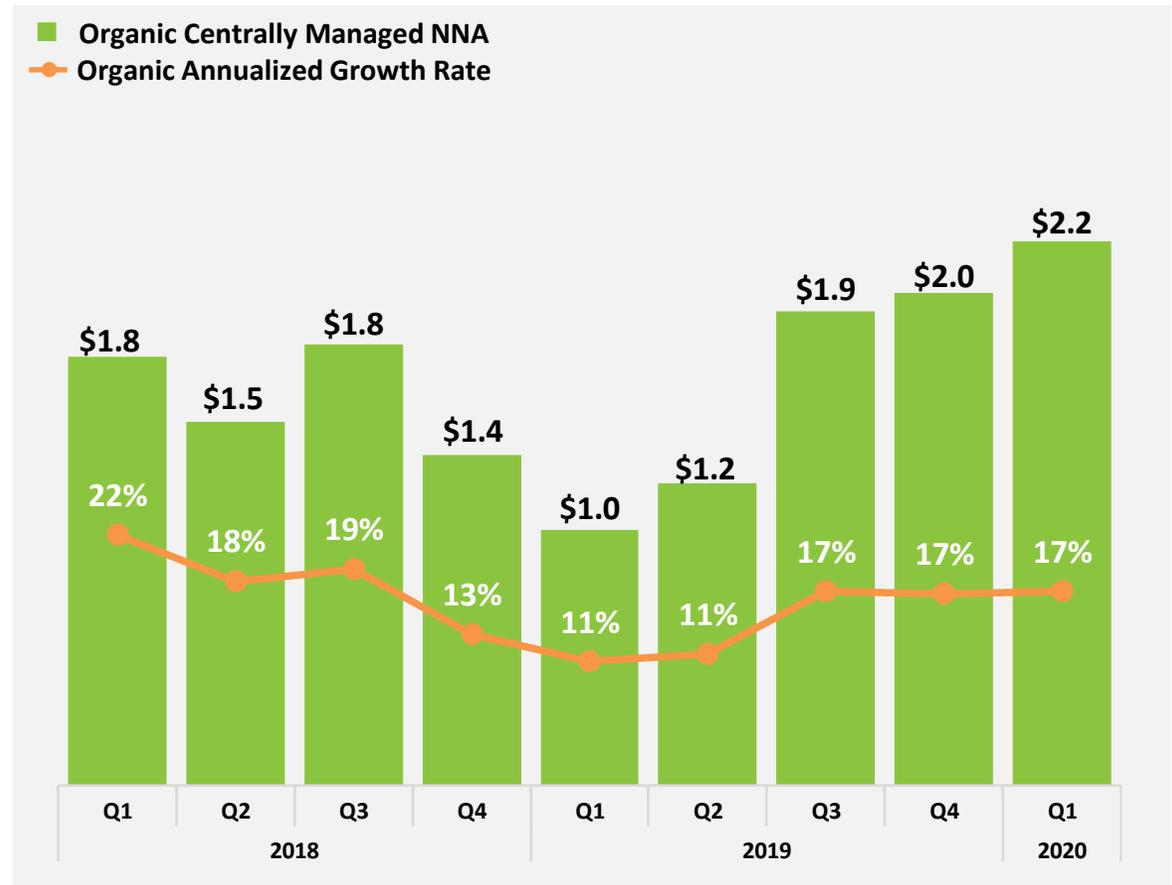


# Centrally Managed Asset organic growth continued to be solid, with inflows increasing to \$2.2B in Q1

Centrally Managed Assets<sup>(11)</sup> (\$ billions)

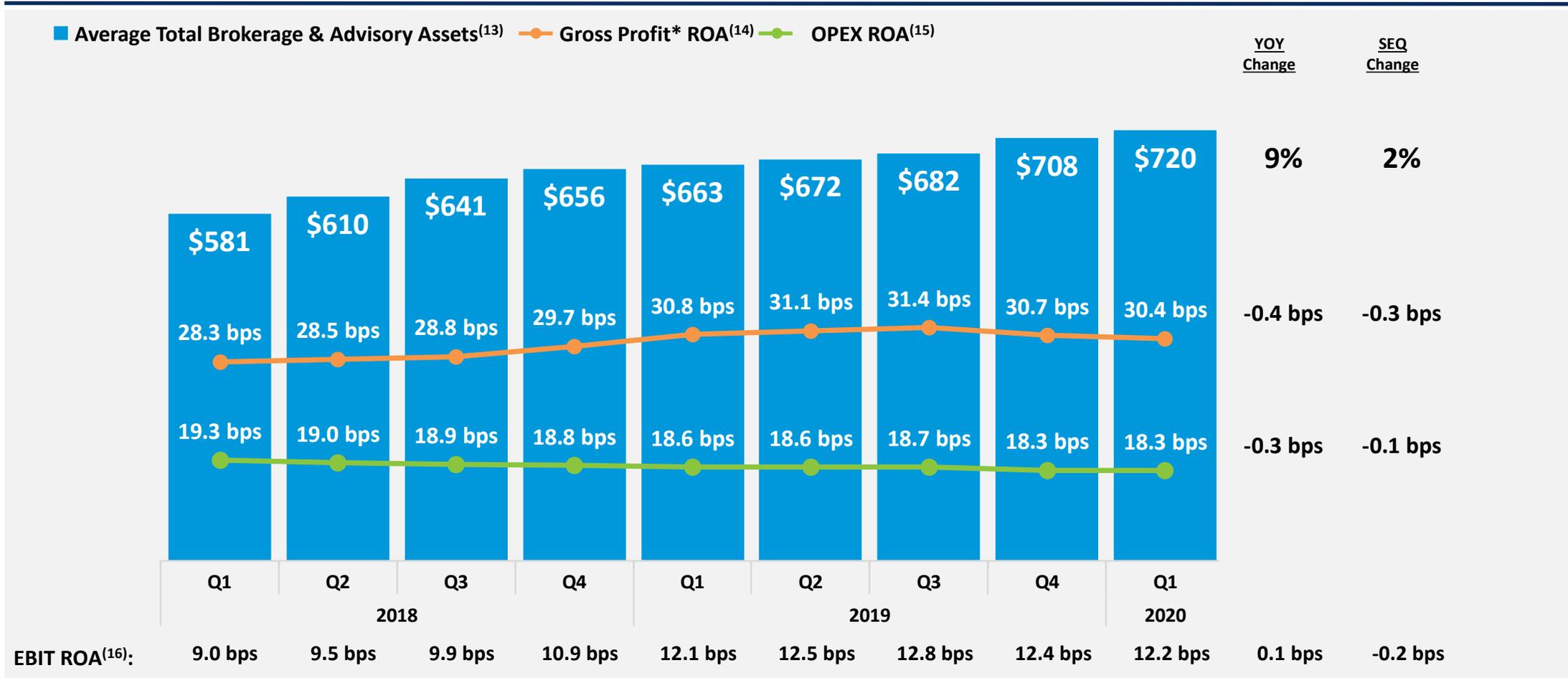


Centrally Managed NNA<sup>(12)</sup> (\$ billions)



# While average assets have increased, we continue to drive solid EBIT ROA

Average Total Brokerage & Advisory Assets (\$ billions)

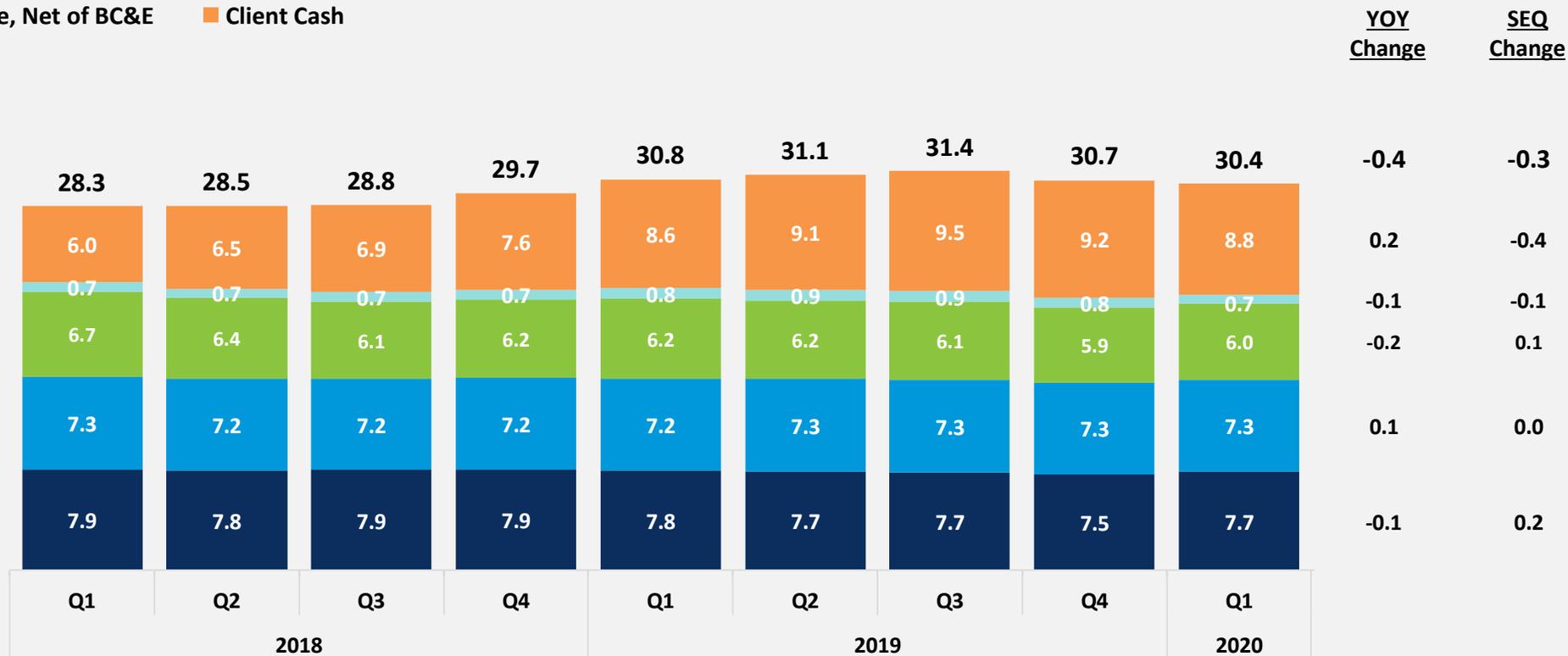


Note: All periods were based on the last trailing twelve months.

# Gross Profit\* ROA was largely flat year-over-year, apart from revenues that do not scale with assets

## Gross Profit\* ROA<sup>(14)</sup> (bps)

■ Net Commission & Advisory Fees   
 ■ Other Asset-Based<sup>(17)</sup>   
 ■ Interest Income and Other, net  
■ Transaction & Fee, Net of BC&E   
 ■ Client Cash

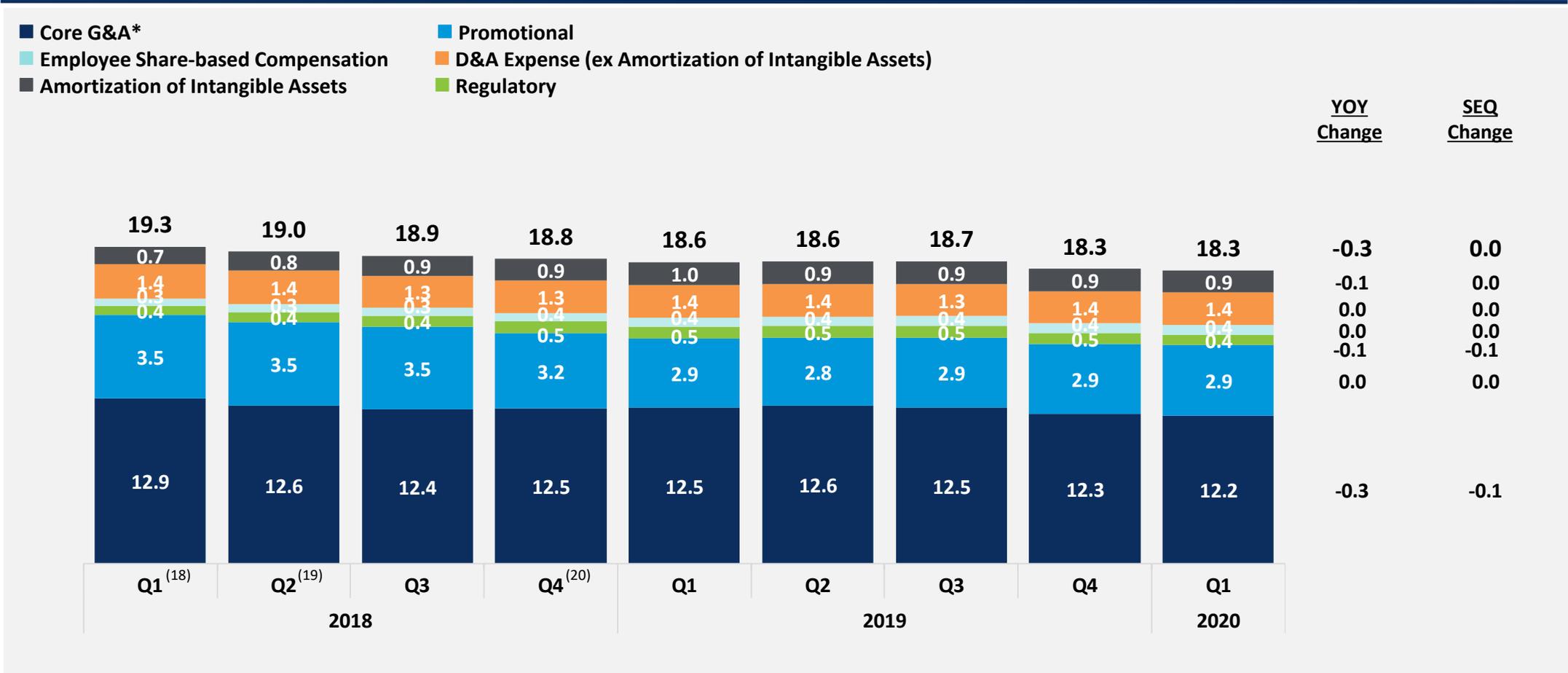


Gross Profit* ROA prior to client cash:	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	YOY Change	SEQ Change
	22.3	22.0	21.9	22.1	22.2	21.2	21.9	21.5	21.7	-0.5	0.2

Note: All periods were based on the last trailing twelve months.

# OPEX % of Assets continued to decrease, primarily driven by Core G&A\*

Total OPEX ROA<sup>(15)</sup> (bps)

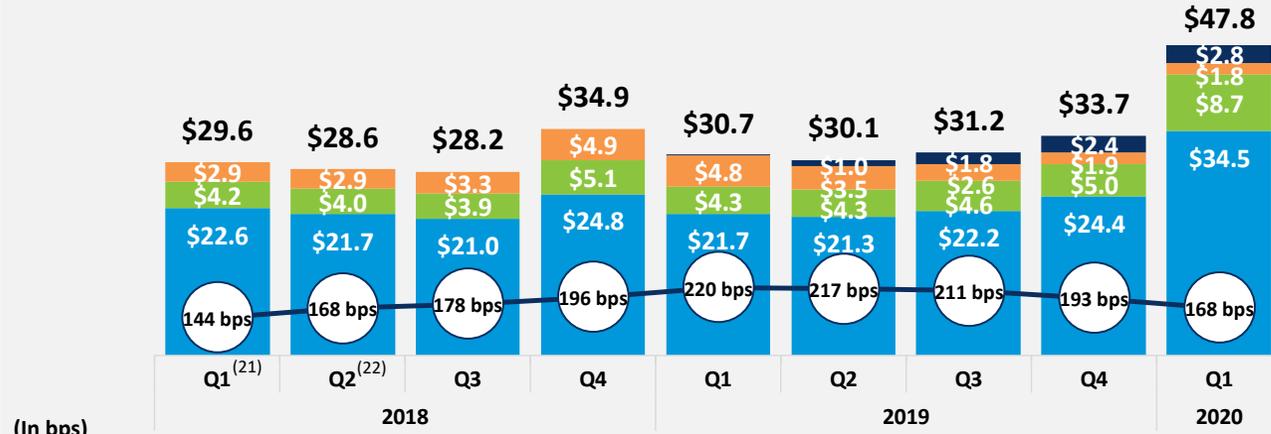


Note: All periods were based on the last trailing twelve months.

# Client Cash balances increased to ~\$48B in Q1, up 42% sequentially

## Client Cash balances (\$ billions)

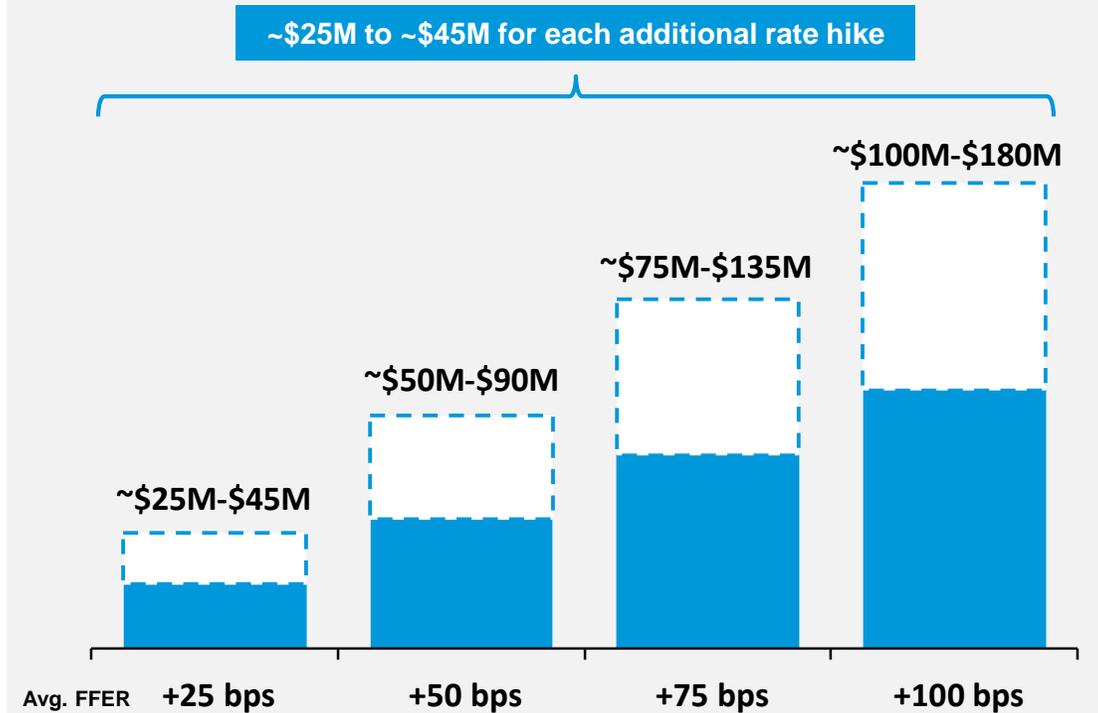
- ICA Balances (EOP)
- DCA Balances (EOP)
- Money Market Account Balances (EOP)
- Purchased Money Market Funds (EOP)
- Average Fee Yield<sup>(23)</sup>



(In bps)	Q1 <sup>(21)</sup>	Q2 <sup>(22)</sup>	Q3	Q4	Q1	Q2	Q3	Q4	Q1
ICA Fee Yield	152	179	189	215	250	249	241	222	195
DCA Fee Yield	150	175	198	207	220	226	217	184	142
Purchased MM Fee Yield	n/a	n/a	n/a	n/a	n/a	n/a	29	29	29
MM Account Fee Yield	71	72	75	75	77	74	68	69	58
Average Fee Yield :	144	168	178	196	220	217	211	193	168
Client Cash % of Total Assets:	4.6%	4.3%	4.1%	5.6%	4.5%	4.3%	4.3%	4.4%	7.1%

## Annual potential Gross Profit\* benefit from rising interest rates

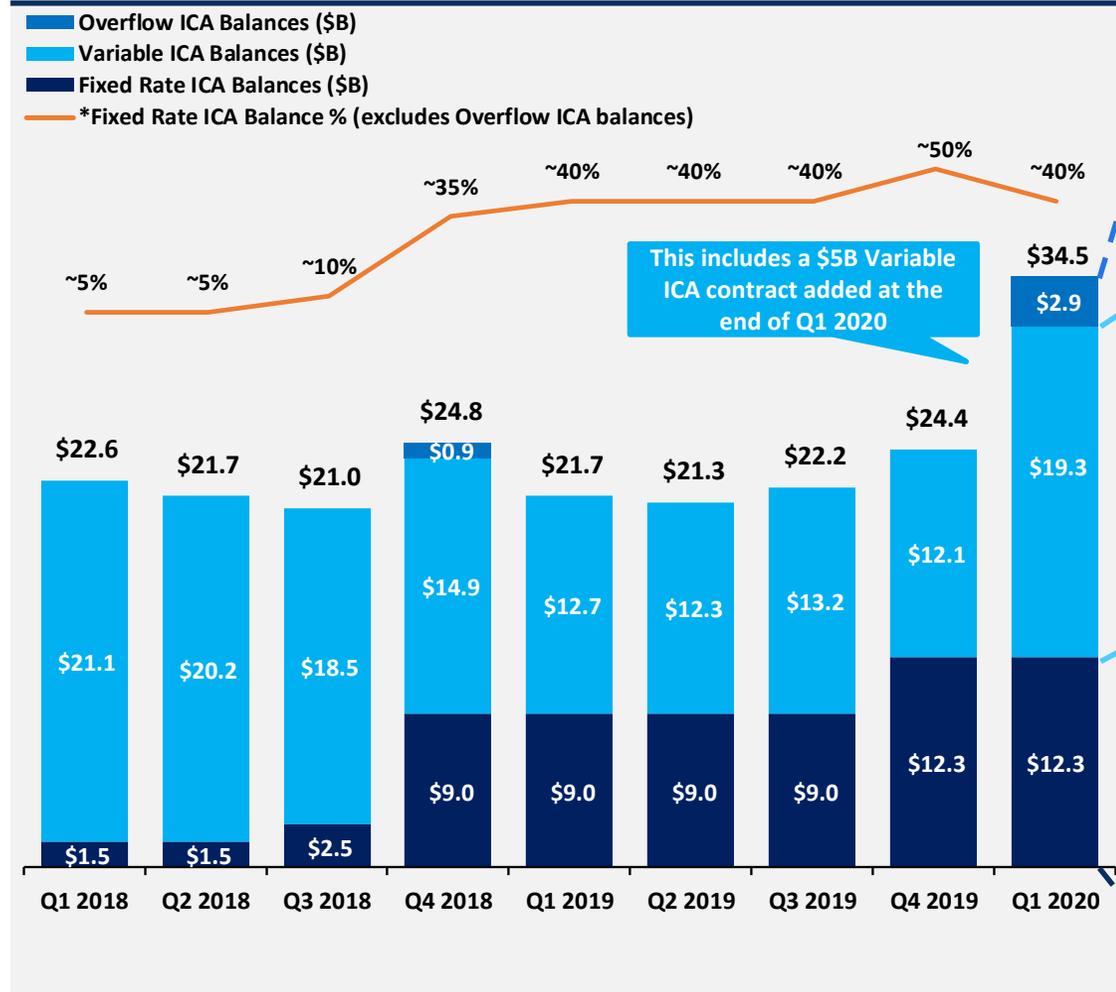
Estimated Interest Rate Sensitivity with ICA Balances of ~\$35B at ~50% Fixed Rate



Note: assumes change based on ~\$35B of ICA balances, deposit betas of 25-50%, ~\$15M change in DCA revenue, and ~\$3M change in interest expense on floating rate debt

# Our ICA portfolio has a combination of fixed and floating rate balances

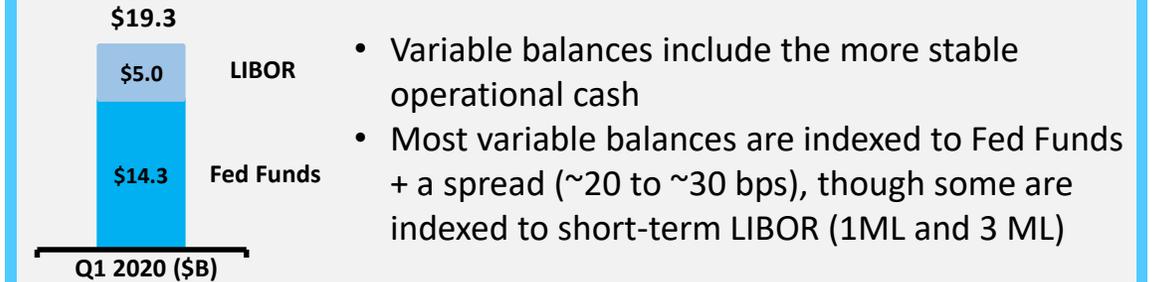
We target having 50-75% of our ICA portfolio in fixed rate balances



## Overflow balances provide capacity when balances spike

- When elevated market volatility leads ICA balances to temporarily exceed our variable contract capacity, we use overflow contracts
- However, since they are uncommitted balances that are short-term in nature, they typically yield ~FFE with no spread

## Variable balances are mostly indexed to Fed Funds



## Fixed rate ICA contracts are laddered over ~5 years



Note: Yields shown on this page are prior to client deposit rates (~1 bps) and administrator fees (~4 bps)

\*Note: Fixed Rate ICA Balance % excludes ICA Overflow Balances

# We remain focused on investing to drive organic growth while also staying flexible to adjust spending if macro conditions warrant

## Long-term cost strategy

- Deliver operating leverage in core business
- Prioritize investments that drive additional growth
- Drive productivity and efficiency
- Adapt cost trajectory as environment evolves

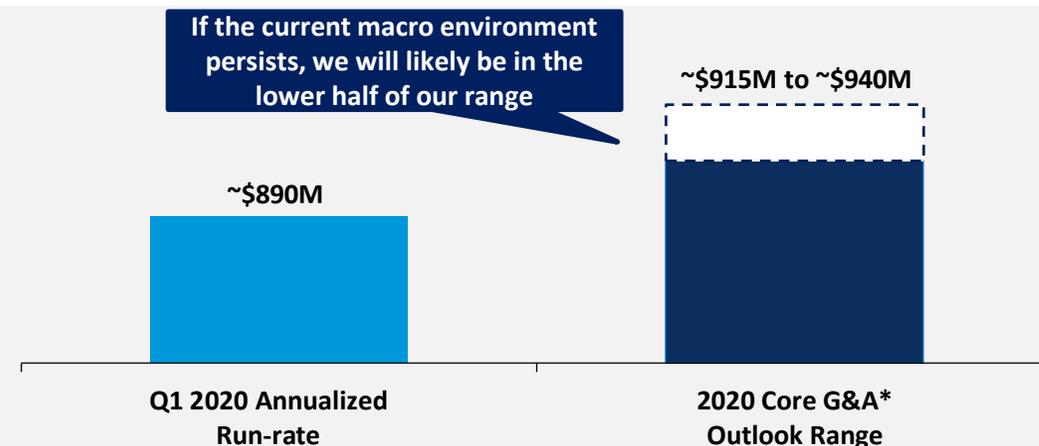
## 2020 Core G&A\* context

- Our 2020 Core G&A\* plans are for a range of \$915M to \$940M (~5.5% to ~8% growth) to drive growth across existing and new markets
- In Q1, Core G&A\* was \$223M, or an annualized rate of ~\$890M, below the low end of our 2020 outlook range
- As we look ahead, we are currently planning to be in the lower half of our outlook range
- We have also sequenced our spending to build gradually through the year, which positions us to be flexible depending on how the year plays out
- That said, our priority remains driving organic growth, especially given that environments like these can have some of the best opportunities to invest for growth

## Recent expense trajectory, prior to acquisitions



## Core G&A\* outlook



<sup>†</sup> Based on the Company's 2018 Core G&A\* prior to NPH and AdvisoryWorld related expenses compared to the Company's 2017 Core G&A\* prior to NPH-related expenses.

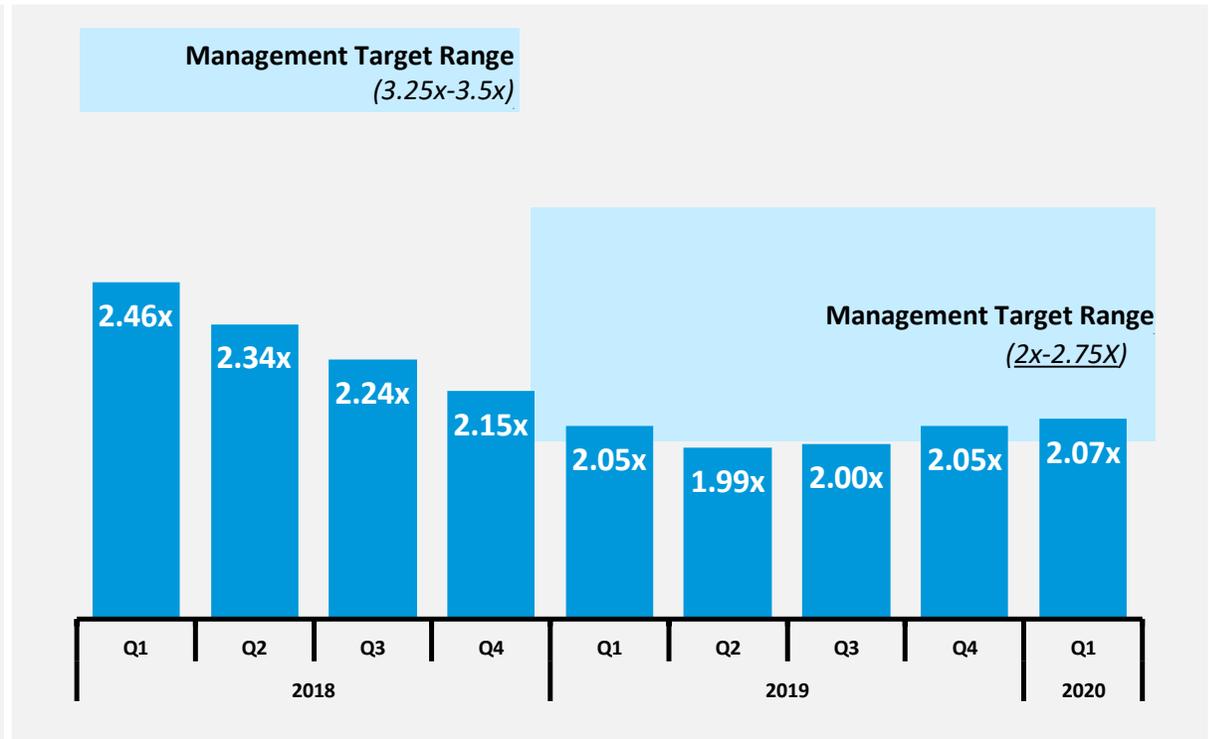
<sup>‡</sup> Based on the Company's total 2018 Core G&A\*.

# Our balance sheet remained strong in Q1...

Cash Available for Corporate Use (\$ millions)



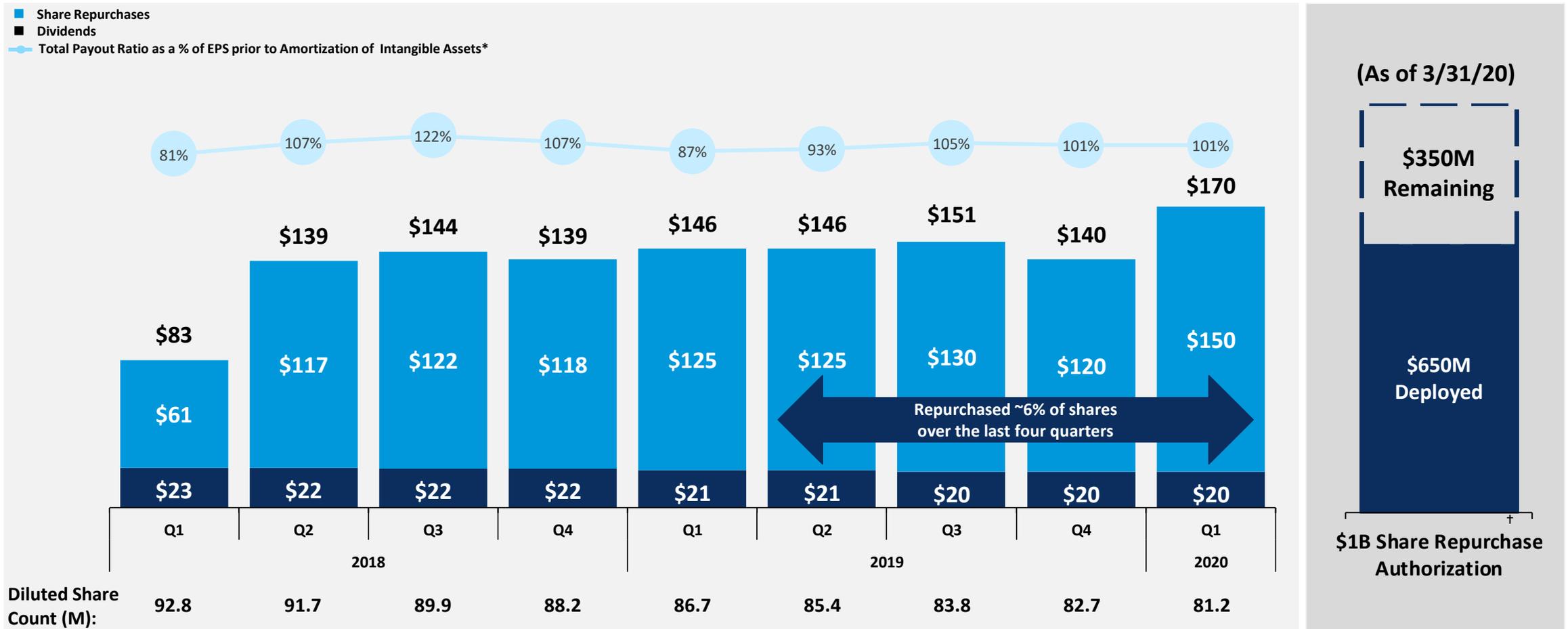
Credit Agreement Net Leverage Ratio



Note: Term Loan B and Senior Notes do not have financial covenants

...And we have continued to return capital to shareholders, though we are now paused on share repurchases given the uncertainty in the macro environment

### Shareholder Capital Returns (\$ millions)

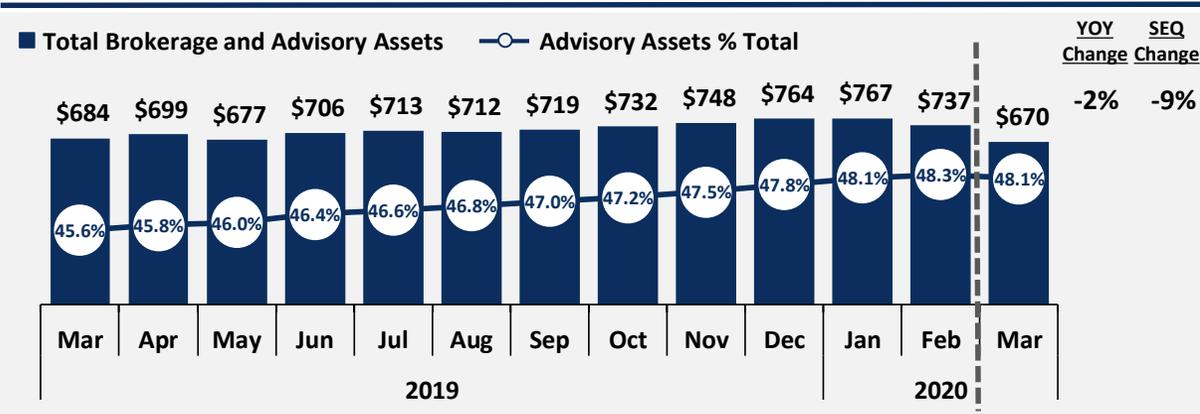


† Increased share repurchase authorization to \$1B as of December 31, 2018

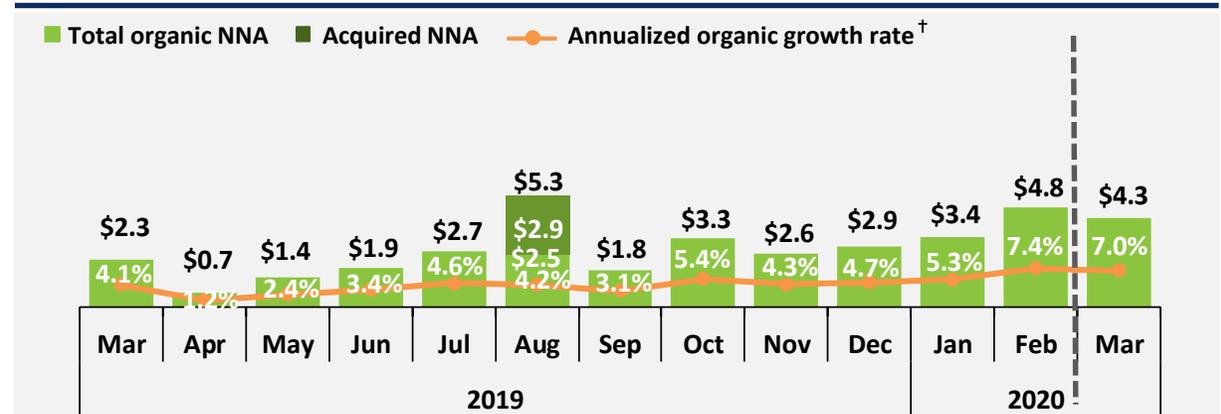
# Appendix

# Monthly metrics dashboard through March 2020

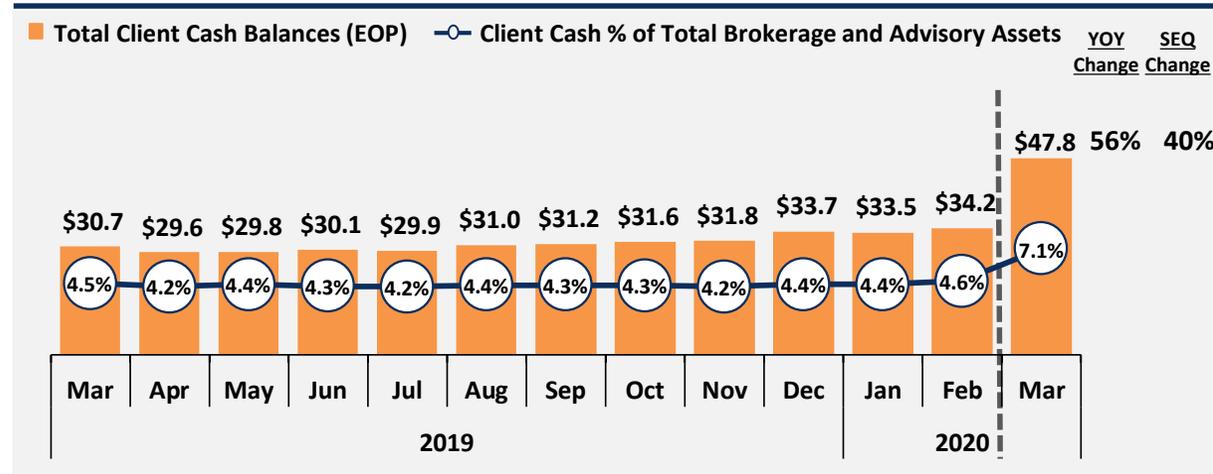
## Total Brokerage and Advisory Assets (\$ billions)



## Total Net New Assets (\$ billions)



## Client Cash Balances (\$ billions)



## Net Buy (Sell) Activity (\$ billions)

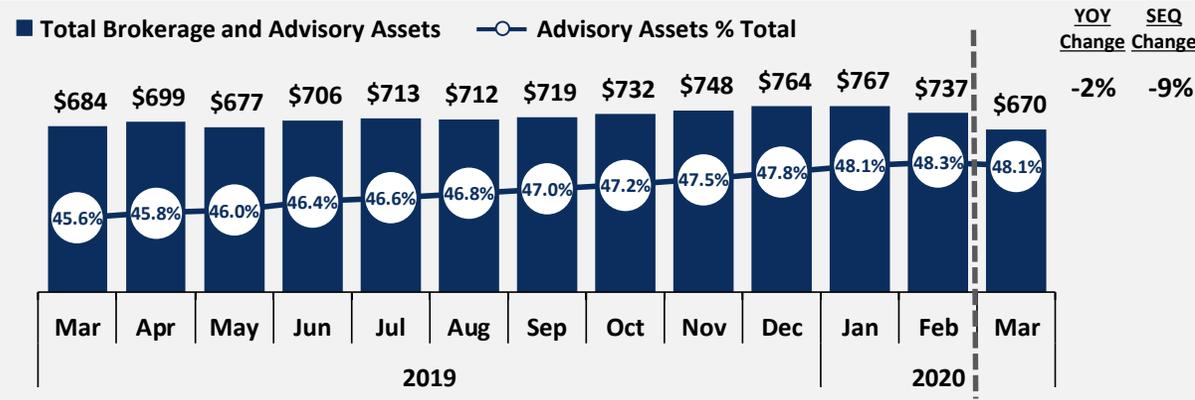


† Calculated as current period total organic net new assets multiplied by twelve, divided by preceding period total brokerage and advisory assets

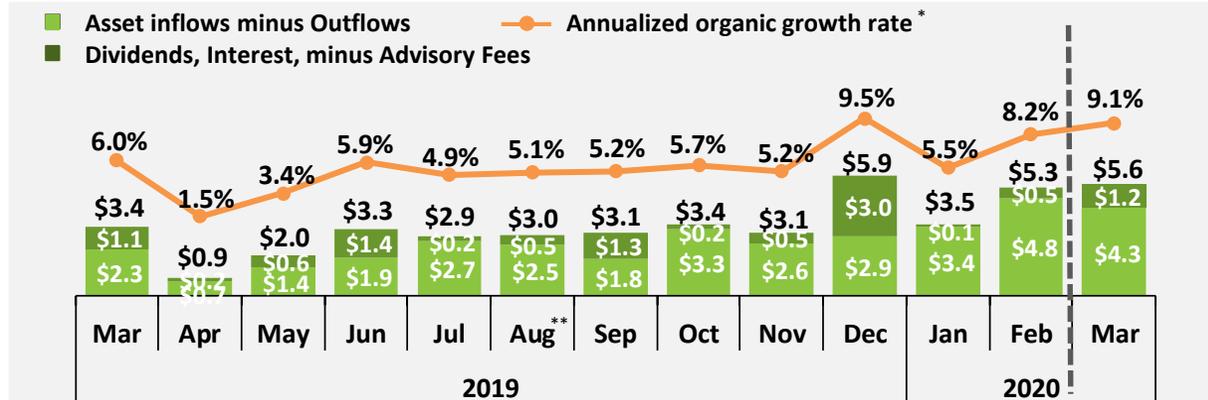
# Monthly metrics dashboard through March 2020

- We have provided the history below to show the combined contribution of Dividend & Interest inflows and Advisory Fee outflows on our historical results
- On average, these factors contribute ~1.5% organic growth on an annual basis for our business

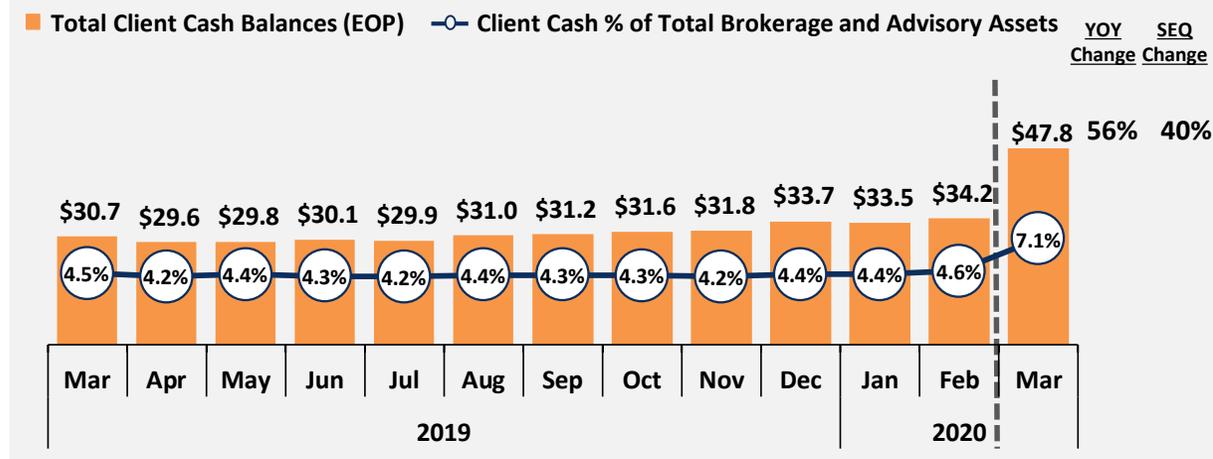
## Total Brokerage and Advisory Assets (\$ billions)



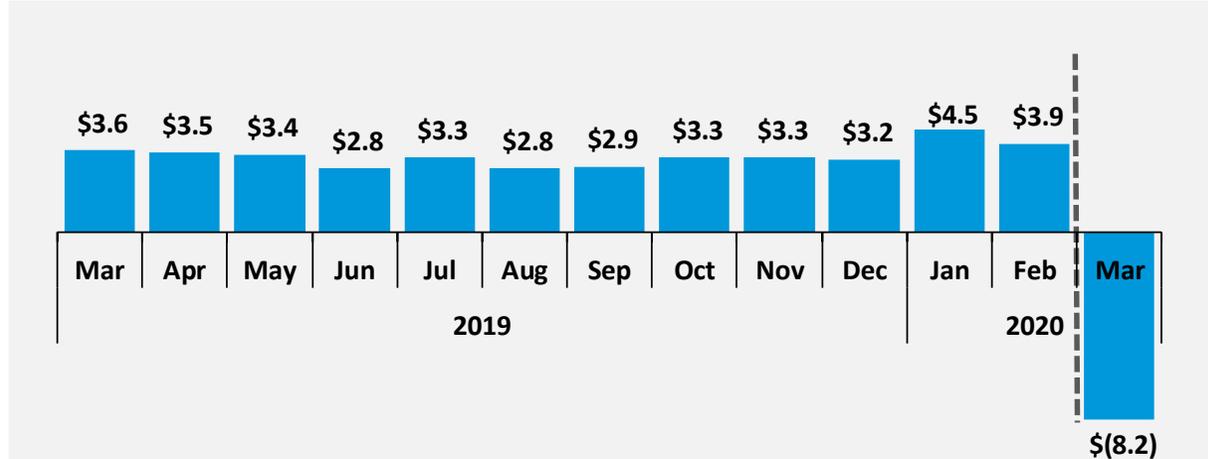
## Total NNA with Dividends, Interest & Advisory Fees (\$ billions)



## Client Cash Balances (\$ billions)



## Net Buy (Sell) Activity (\$ billions)

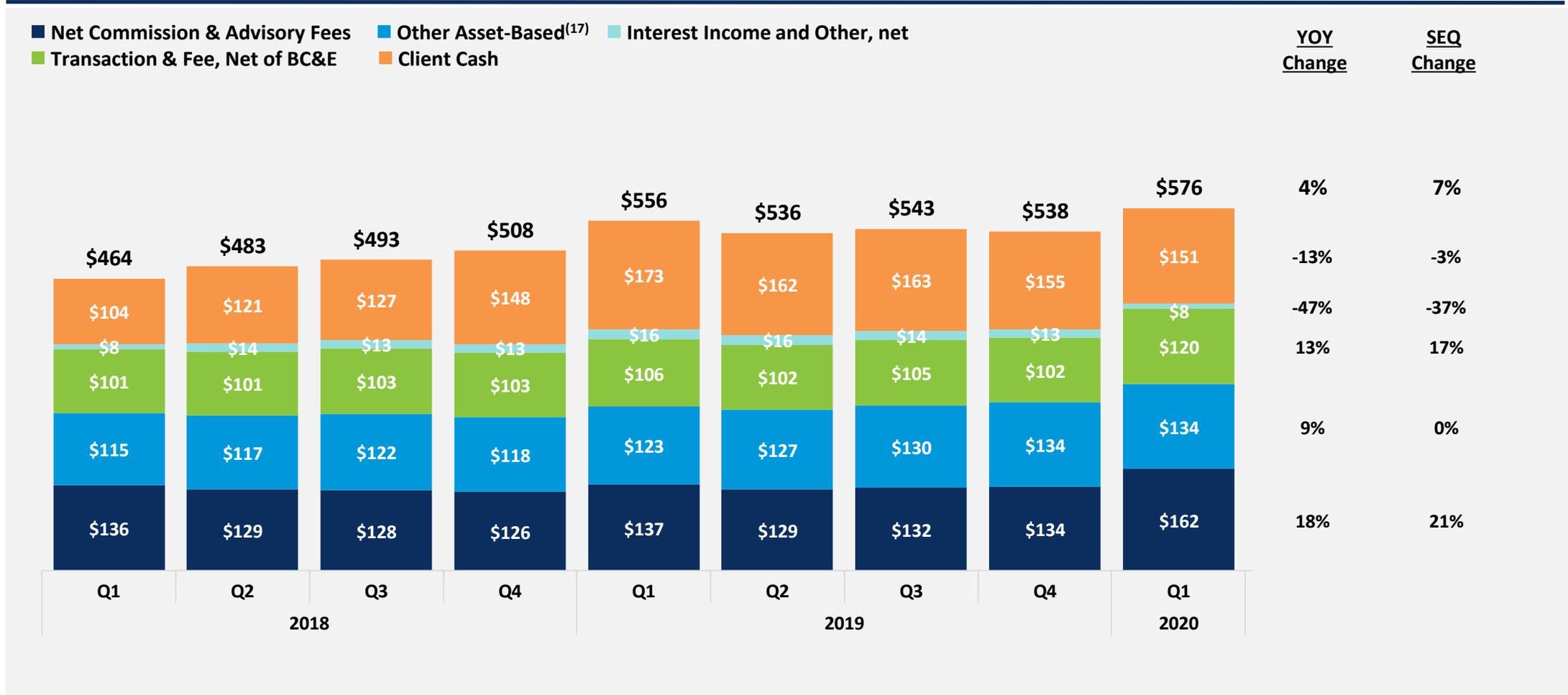


\* Calculated as current period total organic net new assets multiplied by twelve, divided by preceding period total brokerage and advisory assets

\*\*Total net new assets excludes \$2.9 billion of total brokerage and advisory assets acquired in the August 2019 acquisition of Allen & Company of Florida, LLC (Allen & Company)

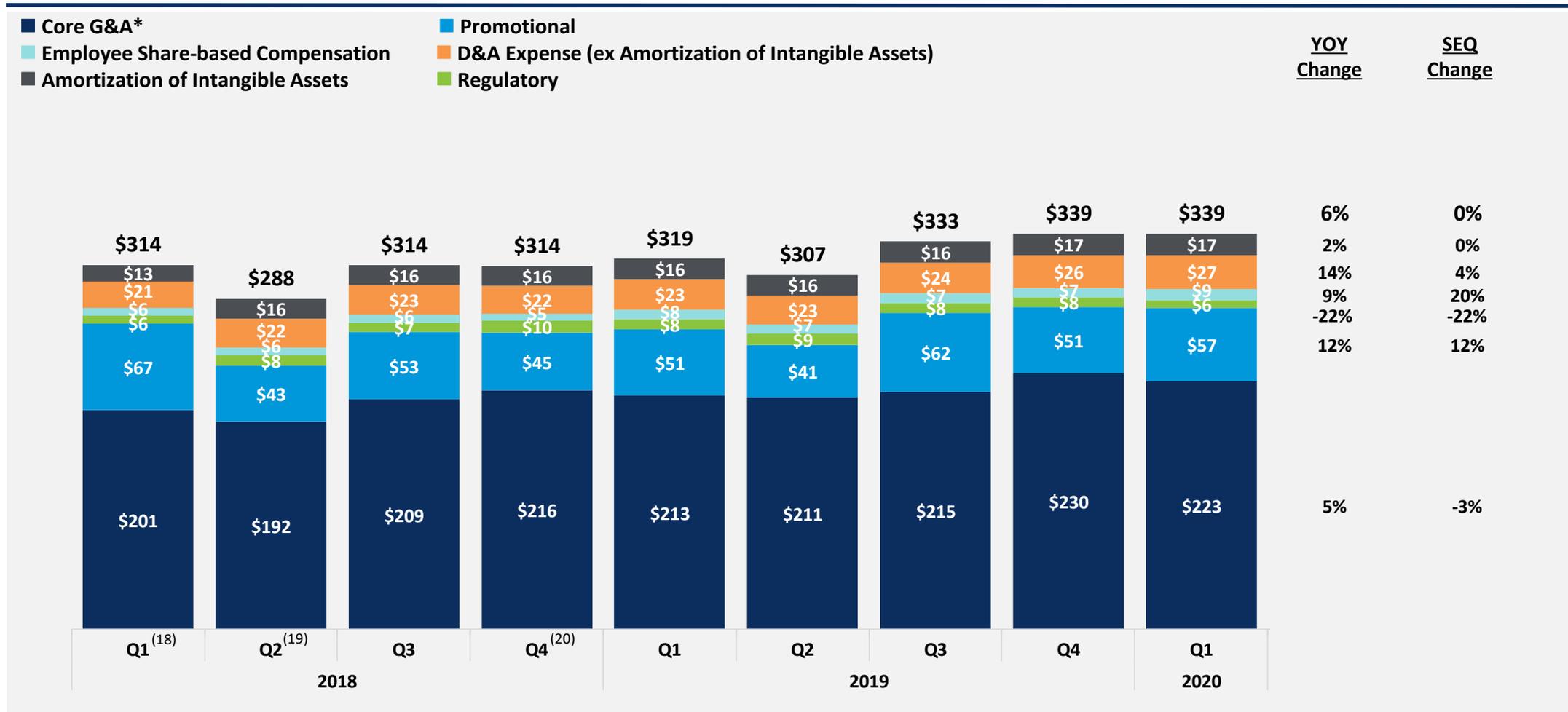
# Q1 Gross Profit\* increased 4% year-over-year

Gross Profit\* (\$ millions)



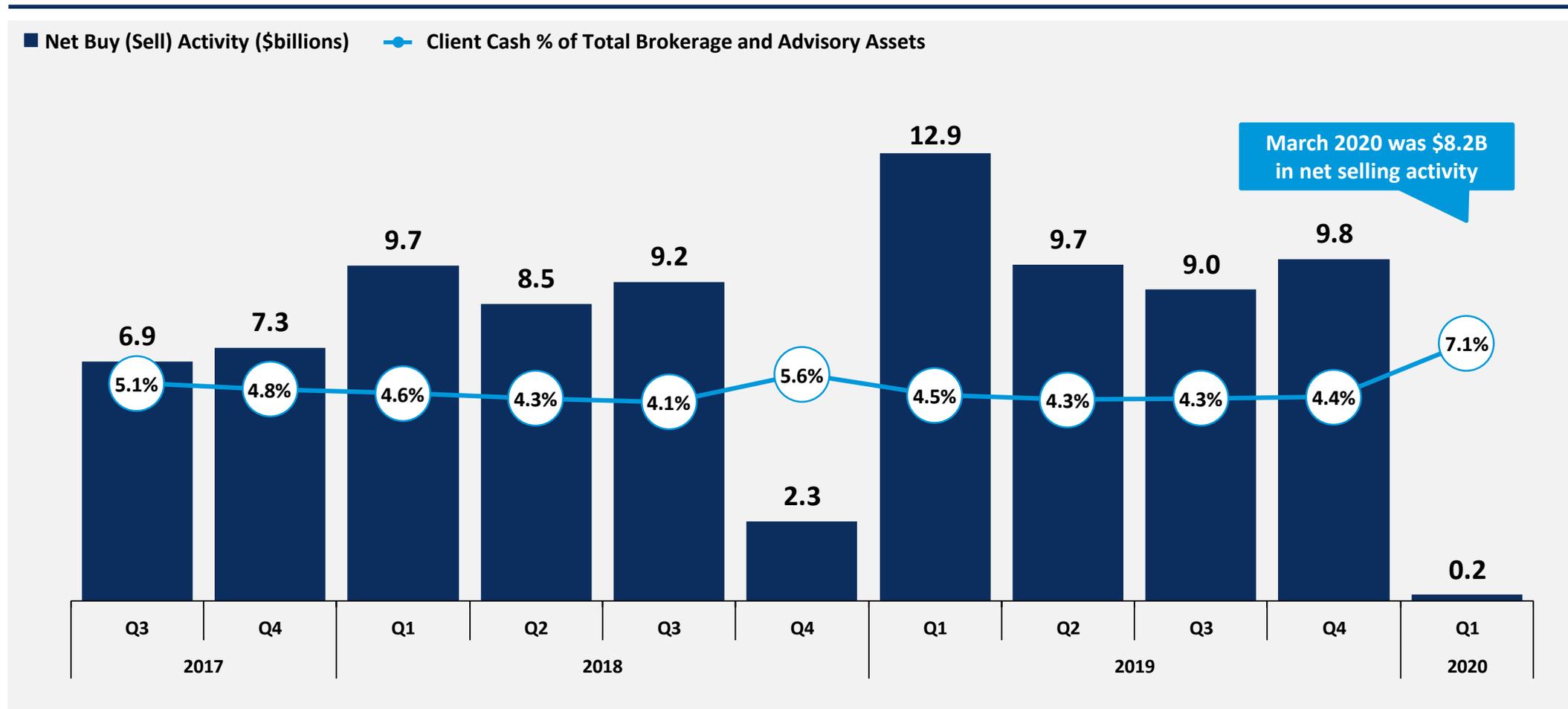
# Q1 Total OPEX was flat sequentially, and increased 6% year-over-year

Total OPEX<sup>(24)</sup> (\$ millions)



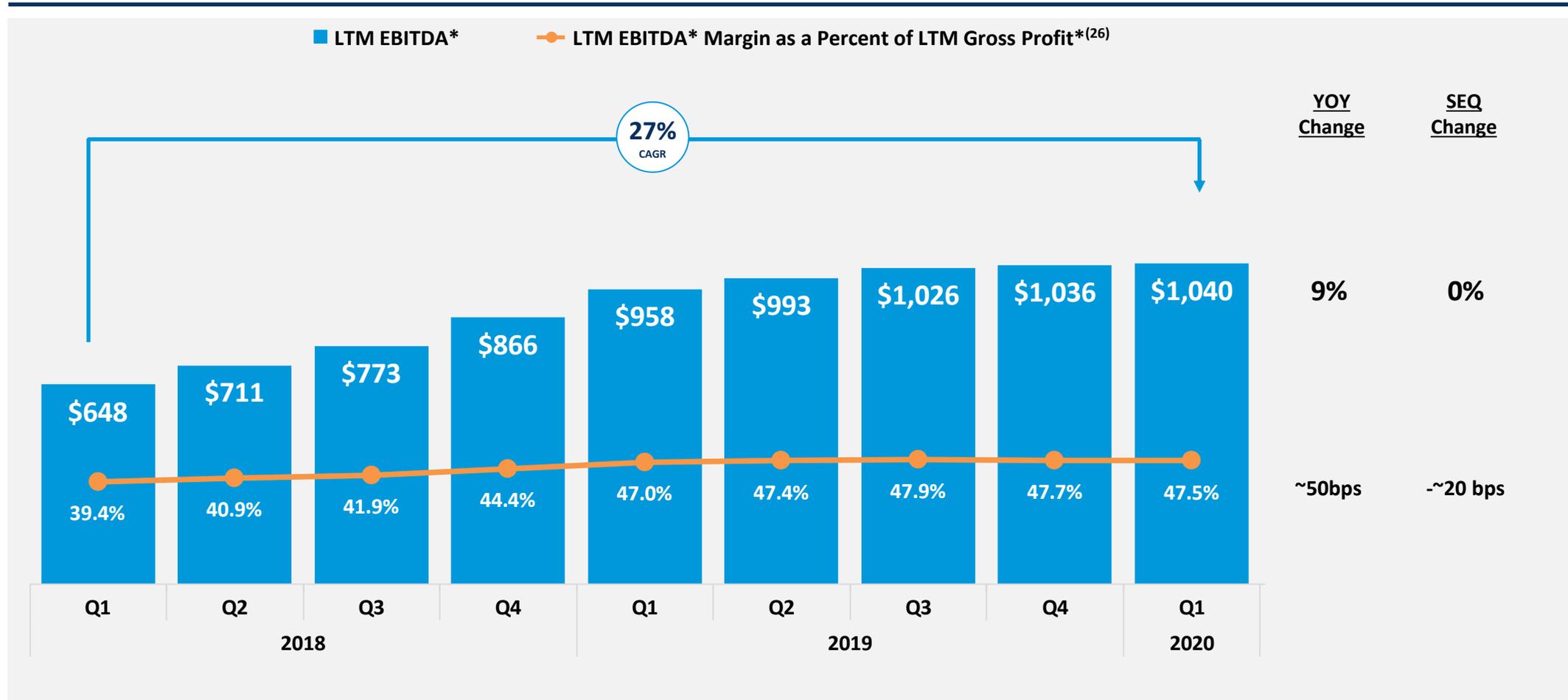
# Net Buy (Sell) Activity was \$0.2 billion in Q1, driven by significant market volatility in March 2020

Net Buy (Sell) Activity<sup>(25)</sup>



# LTM EBITDA\* and margin have grown steadily over the past two years

LTM EBITDA\* (\$ millions)



# Calculation of Gross Profit

Gross Profit is a non-GAAP financial measure. Please see a description of gross profit under “Non-GAAP Financial Measures” on page 3 of this presentation for additional information.

Set forth below is a calculation of Gross Profit for the periods presented on pages 5, 11, 12, and 22.

\$ in millions	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Total Net Revenue	\$1,463	\$1,448	\$1,416	\$1,390	\$1,372	\$1,317	\$1,331	\$1,299	\$1,242
Commission & Advisory Expense	871	894	857	838	800	793	822	801	762
Brokerage, Clearing, & Exchange	17	16	16	16	16	16	16	15	16
Gross Profit	<b>\$576</b>	<b>\$538</b>	<b>\$543</b>	<b>\$536</b>	<b>\$556</b>	<b>\$508</b>	<b>\$493</b>	<b>\$483</b>	<b>\$464</b>

# Reconciliation of Net Income to EBITDA

EBITDA is a non-GAAP financial measure. Please see a description of EBITDA under “Non-GAAP Financial Measures” on page 3 of this presentation for additional information.

Below are reconciliations of the Company’s net income to EBITDA for the periods presented on page 5:

\$ in millions	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
<b>NET INCOME</b>	<b>\$156</b>	<b>\$127</b>	<b>\$132</b>	<b>\$146</b>	<b>\$155</b>	<b>\$120</b>	<b>\$107</b>	<b>\$119</b>	<b>\$94</b>
Non-operating interest expense	29	31	32	34	33	32	32	32	30
Provision for Income Taxes	52	38	46	49	48	42	40	44	26
Depreciation and amortization	27	26	24	23	23	22	23	22	21
Amortization of intangible assets	17	17	16	16	16	16	16	16	13
Loss on Extinguishment of debt	0	3	0	0	0	0	0	0	0
<b>EBITDA</b>	<b>\$280</b>	<b>\$242</b>	<b>\$250</b>	<b>\$268</b>	<b>\$276</b>	<b>\$232</b>	<b>\$218</b>	<b>\$233</b>	<b>\$183</b>

# Reconciliation of EPS Prior to Amortization of Intangible Assets to GAAP EPS

EPS Prior to Amortization of Intangible Assets is a non-GAAP financial measure. Please see a description of EPS Prior to Amortization of Intangible Assets under “Non-GAAP Financial Measures” on page 3 of this presentation for additional information.

Below are the following reconciliations of EPS Prior to Amortization of Intangible Assets to GAAP EPS for the periods presented on page 5:

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
GAAP EPS	\$1.92	\$1.53	\$1.57	\$1.71	\$1.79	\$1.36	\$1.19	\$1.30	\$1.01
Amortization of Intangible Assets (\$ in millions)	\$17	\$17	\$16	\$16	\$16	\$16	\$16	\$16	\$13
Tax Benefit (\$ in millions)	(\$5)	(\$5)	(\$4)	(\$5)	(\$5)	(\$4)	(\$4)	(\$4)	(\$4)
Amortization of Intangible Assets Net of Tax (\$ in millions)	\$12	\$12	\$12	\$12	\$12	\$11	\$11	\$11	\$10
Diluted Share Count	81.2	82.7	83.8	85.4	86.7	88.2	89.9	91.7	92.8
EPS Impact	\$0.15	\$0.15	\$0.14	\$0.14	\$0.13	\$0.13	\$0.13	\$0.12	\$0.10
EPS Prior to Amortization of Intangible Assets	<b>\$2.06</b>	<b>\$1.68</b>	<b>\$1.71</b>	<b>\$1.85</b>	<b>\$1.93</b>	<b>\$1.49</b>	<b>\$1.32</b>	<b>\$1.42</b>	<b>\$1.11</b>

# Reconciliation of Core G&A to Total Operating Expenses

Core G&A is a non-GAAP financial measure. Please see a description of Core G&A under “Non-GAAP Financial Measures” on page 3 of this presentation for additional information.

Below are reconciliations of Core G&A to the Company’s total operating expenses for the periods presented on pages 13, 16, and 23:

\$ in millions	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Core G&A	\$223	\$230	\$215	\$211	\$213	\$216	\$209	\$192	\$201
Regulatory charges	6	8	8	9	8	10	7	8	6
Promotional	57	51	62	41	51	45	53	43	67
Employee share-based compensation	9	7	7	7	8	5	6	6	6
<b>Total G&amp;A</b>	<b>\$295</b>	<b>\$296</b>	<b>\$292</b>	<b>\$268</b>	<b>\$280</b>	<b>\$276</b>	<b>\$276</b>	<b>\$250</b>	<b>\$281</b>
Commissions and advisory	871	894	857	838	800	793	822	801	762
Depreciation & amortization	27	26	24	23	23	22	23	22	21
Amortization of intangible assets	17	17	16	16	16	16	16	16	13
Brokerage, clearing and exchange	17	16	16	16	16	16	16	15	16
<b>Total operating expenses</b>	<b>\$1,226</b>	<b>\$1,248</b>	<b>\$1,205</b>	<b>\$1,161</b>	<b>\$1,135</b>	<b>\$1,123</b>	<b>\$1,152</b>	<b>\$1,104</b>	<b>\$1,092</b>

\$ in millions	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Core G&A	\$216	\$209	\$192	\$201
NPH related Core G&A	15	15	16	19
AdvisoryWorld related Core G&A	2	0	0	0
<b>Total Core G&amp;A prior to NPH and AdvisoryWorld</b>	<b>\$199</b>	<b>\$194</b>	<b>\$176</b>	<b>\$182</b>

† Estimated NPH related Core G&A for Q3 2018 and Q4 2018

# Footnotes

- (1) Represents the estimated total brokerage and advisory assets expected to transition to the Company's broker-dealer subsidiary, LPL Financial LLC ("LPL Financial"), associated with advisors who transferred their licenses to LPL Financial during the period. The estimate is based on prior business reported by the advisors, which has not been independently and fully verified by LPL Financial. The actual transition of assets to LPL Financial generally occurs over several quarters including the initial quarter of the transition, and the actual amount transitioned may vary from the estimate.
- (2) Reflects retention of commission and advisory revenues, calculated by deducting the prior year production of the annualized year-to-date attrition rate, over the prior year total production.
- (3) Consists of total assets on LPL Financial's independent advisory platform serviced by investment advisor representatives of separate investment advisor firms ("Hybrid RIAs"), rather than of LPL Financial.
- (4) Consists of total assets on LPL Financial's corporate advisory platform serviced by investment advisor representatives of LPL Financial or Allen & Company of Florida LLC ("Allen & Company").
- (5) Consists of brokerage assets serviced by advisors licensed with LPL Financial or Allen & Company.
- (6) Consists of total client deposits into advisory accounts (including advisory assets serviced by Allen & Company advisors) less total client withdrawals from advisory accounts. The Company considers conversions to and from advisory accounts as deposits and withdrawals respectively. Annualized growth is calculated as the current period organic Net New Advisory Assets divided by preceding period total Advisory Assets, multiplied by four.
- (7) Consists of total client deposits into brokerage accounts (including brokerage accounts serviced by Allen & Company advisors) less total client withdrawals from brokerage accounts. The Company considers conversions to and from brokerage accounts as deposits and withdrawals respectively. Annualized growth is calculated as the current period organic Net New Brokerage Assets divided by preceding period total Brokerage Assets, multiplied by four.
- (8) Consists of existing custodied assets that converted from brokerage to advisory, less existing custodied assets that converted from advisory to brokerage. This included \$0.3 billion of assets from the acquisition of the broker-dealer network of National Planning Holdings, Inc. ("NPH") in each of Q1 and Q2 2018.
- (9) Consists of total client deposits into advisory accounts on LPL Financial's independent advisory platform less total client withdrawals from advisory accounts on its independent advisory platform. Annualized growth is calculated as the current period Net New Hybrid Advisory Assets divided by preceding period total Hybrid Advisory Assets, multiplied by four.
- (10) Consists of total client deposits into advisory accounts on LPL Financial's corporate advisory platform less total client withdrawals from advisory accounts on its corporate advisory platform. Annualized growth is calculated as the current period Net New Corporate Advisory Assets divided by preceding period total Corporate Advisory Assets, multiplied by four.
- (11) Represents those advisory assets in LPL Financial's Model Wealth Portfolios, Optimum Market Portfolios, Personal Wealth Portfolios, and Guided Wealth Portfolios platforms.
- (12) Consists of total client deposits into Centrally Managed Assets (see FN11) accounts less total client withdrawals from Centrally Managed Assets accounts. Annualized growth is calculated as the current period Net New Centrally Managed Assets divided by preceding period total Centrally Managed Assets, multiplied by four.
- (13) Represents the average month-end Total Brokerage and Advisory Assets for the period.
- (14) Represents total trailing twelve-month Gross Profit\* for the period, divided by average month-end Total Brokerage and Advisory Assets for the period (see FN13).
- (15) Represents total trailing twelve-month operating expenses for the period, excluding production-related expense ("OPEX"), divided by average month-end Total Brokerage and Advisory Assets for the period (see FN13). Production-related expense includes commissions and advisory expense and brokerage, clearing and exchange expense. For purposes of this metric, operating expenses includes Core G&A\*, Regulatory, Promotional, Employee Share-Based Compensation, Depreciation & Amortization, and Amortization of Intangible Assets.
- (16) EBIT ROA is calculated as Gross Profit ROA (see FN14) less OPEX ROA (see FN15).
- (17) Consists of revenues from the Company's sponsorship programs with financial product manufacturers and omnibus processing and networking services, but not including fees from client cash programs. Other asset-based revenues are a component of asset-based revenues and are derived from the Company's Unaudited Condensed Consolidated Statements of Income.
- (18) These results include NPH expense of \$19M in Core G&A\*, \$33M in Promotional expense, and \$5M of Amortization of Intangible Assets expense.
- (19) These results include NPH expense of \$16M in Core G&A\*, \$7M in Promotional expense, and \$7M of Amortization of Intangible Assets expense.
- (20) These results include \$2M in Core G&A\* related to our acquisition of AdvisoryWorld.
- (21) These results include \$2.0 billion in cash sweep balances attributable to the NPH acquisition, including \$0.9 billion of ICA balances, \$0.7 billion of Money Market Account balances, and \$0.4 billion of DCA balances.
- (22) These results include \$2.0 billion in cash sweep balances attributable to the NPH acquisition, including \$1.1 billion of ICA balances, \$0.6 billion of Money Market Account balances, and \$0.4 billion of DCA balances.
- (23) Calculated by dividing revenue for the period by the average balance during the quarter.
- (24) Represents operating expenses for the period, excluding production-related expense. Production-related expense includes commissions and advisory expense and brokerage, clearing and exchange expense. For purposes of this metric, operating expenses includes Core G&A\*, Regulatory, Promotional, Employee Share-Based Compensation, Depreciation & Amortization, and Amortization of Intangible Assets.
- (25) Represents the amount of securities purchased less the amount of securities sold in client accounts custodied with LPL Financial. Reported activity does not include any other cash activity, such as deposits, withdrawals, dividends received, or fees paid.
- (26) Represents LTM EBITDA\* divided by LTM Gross Profit\*.