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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): July 29, 2021**

**LPL Financial Holdings Inc.**

(Exact name of registrant as specified in its charter)

|  |  |  |
|--|--|--|
| <b>Delaware</b><br>(State or other jurisdictions<br>of incorporation)    | <b>001-34963</b><br>(Commission File Number) | <b>20-3717839</b><br>(I.R.S. Employer<br>Identification No.) |
| <b>4707 Executive Drive,</b><br>(Address of principal executive offices) | <b>San Diego,</b><br><b>California</b>       | <b>92121</b><br>(Zip Code)                                   |

Registrant's telephone number, including area code: **(800) 877-7210**

**N/A**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrants under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                        | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common Stock - par value \$0.001 per share | LPLA              | The Nasdaq Global Select Market           |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 2.02 Results of Operations and Financial Condition.**

On July 29, 2021, LPL Financial Holdings Inc. (collectively with its subsidiaries, the "Company") issued a press release announcing its financial results for the three months ended June 30, 2021. A copy of the press release is furnished with this Form 8-K and attached hereto as Exhibit 99.1.

Exhibit 99.1 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

99.1 [Press Release dated July 29, 2021 \("LPL Financial Announces Second Quarter 2021 Results"\)](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LPL FINANCIAL  
HOLDINGS INC.

By: /s/ Matthew J. Audette \_\_\_\_\_

Name: Matthew J. Audette

Title: Chief Financial Officer

Dated: July 29, 2021

## LPL Financial Announces Second Quarter 2021 Results

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### Key Financial Results

- **Diluted earnings per share ("EPS") increased 15% year-over-year to \$1.46.**
  - Net Income increased 17% year-over-year to \$119 million.
- **EPS Prior to Amortization of Intangible Assets and Acquisition Costs\* increased 30% year-over-year to \$1.85.**
  - Gross Profit\* increased 23% year-over-year to \$602 million.
  - Core G&A\* increased 13% year-over-year to \$252 million.
  - EBITDA\* increased 18% year-over-year to \$243 million and EBITDA\* as a percentage of Gross Profit\* was 40%.

### Key Business Results

- **Total Advisory and Brokerage Assets increased 46% year-over-year to \$1.1 trillion.**
  - Advisory assets increased 54% year-over-year to \$578 billion.
  - Advisory assets as a percentage of total assets increased to 51.9%, up from 49.3% a year ago.
- **Total Organic Net New Assets were \$37 billion, translating to 16% annualized growth, and \$95 billion over the past twelve months, translating to 12% annualized growth.**
  - Organic net new advisory assets were \$21 billion, translating to 17% annualized growth.
  - Organic net new brokerage assets were \$16 billion, translating to 14% annualized growth.
- **Acquired Net New Assets were \$69 billion, of which \$35 billion were brokerage and \$33 billion were advisory, from the acquisition of the wealth management business of Waddell & Reed.**
- **Recruited Assets<sup>(1)</sup> were \$35 billion, more than triple a year ago.**
  - Recruited Assets over the trailing twelve-months were \$80 billion, more than double a year ago.
- **Business Solutions subscriptions increased to approximately 2,100, up 400 sequentially and more than double a year ago.**
  - Annualized revenue from Business Solutions increased to approximately \$20 million, up by 54% year-over-year.
- **Advisor count<sup>(2)</sup> was 19,114, up 1,442 sequentially and 2,141 year-over-year.**
  - This included the addition of over 900 advisors from Waddell & Reed and over 200 advisors from M&T.
- **Total client cash balances were \$48.4 billion, an increase of \$0.1 billion sequentially.**
  - Client cash balances as a percentage of total assets were 4.4%.

\*See page 14 and the end notes to this release for further details about these non-GAAP financial measures.

## Key Updates

- **Acquisition of Waddell & Reed's Wealth Management business**
  - Closed the acquisition on April 30, 2021.
  - Onboarded advisors serving approximately 98% of client assets, equivalent to approximately \$69 billion.
  - Estimated run-rate EBITDA increased to \$85 million+.
- **Large financial institutions**
  - **BMO Harris Financial Advisors ("BMO"):** Onboarded \$3.1 billion of brokerage assets in Q2, which substantially completes the onboarding of BMO's approximate \$15 billion total assets.
  - **M&T Bank:** Onboarded the retail brokerage and advisory business of M&T Bank, with \$21.9 billion total assets, of which \$15.6 billion assets transitioned onto our platform in Q2. The remaining \$6.3 billion of assets are held directly with sponsors and expected to onboard over the next several months.
  - **CUNA Brokerage Services, Inc. ("CBSI"):** Signed an agreement with CBSI to join LPL's platform. CBSI supports over 500 advisors serving approximately \$36 billion in brokerage and advisory assets\*\* and expects to onboard in early 2022.
- **Share repurchases**
  - The Company plans to restart share repurchases in Q3 2021, initially focused on offsetting dilution, with an estimated \$40 million per quarter.

## Key Capital and Liquidity Results

- Corporate Cash<sup>(3)</sup> was \$278 million.
- Leverage Ratio<sup>(4)</sup> was 2.26x.
- Dividends paid of \$20 million.
- On May 18, 2021, issued \$400 million of senior unsecured notes related to the acquisition of Waddell & Reed's wealth management business.

**SAN DIEGO - July 29, 2021** — LPL Financial Holdings Inc. (Nasdaq: LPLA) (the "Company") today announced results for its second quarter ended June 30, 2021, reporting net income of \$119 million, or \$1.46 per share. This compares with \$102 million, or \$1.27 per share, in the second quarter of 2020 and \$130 million, or \$1.59 per share, in the prior quarter.

"Over the past quarter, we remained focused on our mission of taking care of our advisors, so they can take care of their clients," said Dan Arnold, President and CEO. "This focus positioned us to continue enhancing the appeal of our model, which contributed to another quarter of solid recruiting, retention, and business growth. As we look ahead, we aim to continue investing in our model and increasing our market share within the advisor-centered marketplace."

"We delivered another quarter of strong results", said Matt Audette, CFO. "We drove new highs for assets and organic growth while also completing the onboarding of BMO, M&T and Waddell & Reed. Looking ahead, our business momentum and financial strength position us well to continue serving our clients, growing our business, and creating long-term shareholder value."

## **Dividend Declaration**

The Company's Board of Directors declared a \$0.25 per share dividend to be paid on August 27, 2021 to all stockholders of record as of August 13, 2021.

## **Conference Call and Additional Information**

The Company will hold a conference call to discuss its results at 5:00 p.m. ET on Thursday, July 29. To listen, call 877-677-9122 (domestic) or 708-290-1401 (international); passcode 5050359, or visit [investor.lpl.com](http://investor.lpl.com) (webcast). Replays will be available by phone and on [investor.lpl.com](http://investor.lpl.com) beginning two hours after the call and until August 5, and August 19, respectively. For telephonic replay, call 855-859-2056 (domestic) or 404-537-3406 (international); passcode 5050359.

\*\*Including approximately \$4.4 billion of assets on third party management platforms, which LPL does not include in its reporting of total advisory and brokerage assets.

## **About LPL Financial**

LPL Financial Holdings Inc. (Nasdaq: LPLA) was founded on the principle that the firm should work for the advisor, and not the other way around. Today, LPL is a leader\* in the markets we serve, supporting more than 19,000 financial advisors, and approximately 800 institution-based investment programs and 450 independent RIA firms nationwide. We are steadfast in our commitment to the advisor-centered model and the belief that Americans deserve access to objective guidance from a financial advisor. At LPL, independence means that advisors have the freedom they deserve to choose the business model, services, and technology resources that allow them to run their perfect practice. And they have the freedom to manage their client relationships, because they know their clients best. Simply put, we take care of our advisors, so they can take care of their clients.

\* Top RIA custodian (Cerulli Associates, 2019 U.S. RIA Marketplace Report)

No. 1 Independent Broker-Dealer in the U.S (Based on total revenues, Financial Planning magazine June 1996-2020)

No. 1 provider of third-party brokerage services to banks and credit unions (2019-2020 Kehler Bielan Research & Consulting Annual TPM Report)

Fortune 500 as of June 2021

Securities and Advisory services offered through LPL Financial LLC ("LPL Financial"), a registered investment advisor. Member FINRA/SIPC. We routinely disclose information that may be important to shareholders in the "Investor Relations" or "Press Releases" section of our website.

## Forward-Looking Statements

Statements in this press release regarding:

- the Company's future financial and operating results, growth, priorities and business strategies, including forecasts and statements relating to future expenses (including 2021 Core G&A\* outlook) and the Company's intent to restart share repurchases;
- future capabilities, future advisor service experience, future investments and capital deployment, long-term shareholder value and the planned integration of Waddell & Reed's wealth management business (the "Waddell & Reed Acquisition"); and
- 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 July 29, 2021. Forward-looking statements are not guarantees that the future results, plans, intentions or expectations expressed or implied 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 from those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include:

- changes in general economic and financial market conditions, including retail investor sentiment;
- changes in interest rates and fees payable by banks participating in the Company's client cash programs, including the Company's strategy and success in managing client cash program fees;
- changes in the growth and profitability of the Company's fee-based business;
- fluctuations in the levels of advisory and brokerage assets, including net new assets, and the related impact on revenues;
- effects of competition in the financial services industry and the success of the Company in attracting and retaining financial advisors and institutions;
- whether the retail investors served by newly-recruited advisors choose to move their respective assets to new accounts at the Company; 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 our 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;
- the execution of the Company's plans and its success in realizing the synergies, expense savings, service improvements and efficiencies expected to result from its initiatives, acquisitions and programs;
- the effects of the COVID-19 pandemic, including efforts to contain it;
- the successful onboarding of advisors and client assets in connection with the Waddell & Reed Acquisition; and
- the other factors set forth in Part I, "Item 1A. Risk Factors" in the Company's 2020 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 Securities and Exchange Commission.

Except as required by law, the Company specifically disclaims any obligation to update any forward-looking statements as a result of developments occurring after the date of this earnings release, even if its estimates change, and you should not rely on statements contained herein as representing the Company's views as of any date subsequent to the date of this press release.

**LPL Financial Holdings Inc.**  
**Condensed Consolidated Statements of Income**  
(In thousands, except per share data)  
(Unaudited)

|   | Three Months Ended |                   | % Change | Three Months Ended |          |
|---|--------------------|-------------------|----------|--------------------|----------|
|   | June 30,<br>2021   | March 31,<br>2021 |          | June 30,<br>2020   | % Change |
| <b>REVENUES</b>                                 |                    |                   |          |                    |          |
| Advisory  | \$ 846,313         | \$ 722,046        | 17 %     | \$ 523,370         | 62 %     |
| Commission                                      | 598,233            | 557,229           | 7 %      | 427,453            | 40 %     |
| Asset-based                                     | 279,620            | 264,706           | 6 %      | 247,067            | 13 %     |
| Transaction and fee                             | 137,100            | 140,944           | (3 %)    | 119,478            | 15 %     |
| Interest income                                 | 6,914              | 6,518             | 6 %      | 6,540              | 6 %      |
| Other   | 30,078             | 16,174            | 86 %     | 42,751             | (30 %)   |
| Total revenues                                  | <u>1,898,258</u>   | <u>1,707,617</u>  | 11 %     | <u>1,366,659</u>   | 39 %     |
| <b>EXPENSES</b>                                 |                    |                   |          |                    |          |
| Advisory and commission                         | 1,273,202          | 1,108,899         | 15 %     | 859,847            | 48 %     |
| Compensation and benefits                       | 183,853            | 161,540           | 14 %     | 143,320            | 28 %     |
| Promotional                                     | 64,349             | 54,181            | 19 %     | 44,540             | 44 %     |
| Depreciation and amortization                   | 36,704             | 35,499            | 3 %      | 26,890             | 36 %     |
| Amortization of intangible assets               | 19,925             | 17,431            | 14 %     | 16,689             | 19 %     |
| Occupancy and equipment                         | 41,452             | 43,584            | (5 %)    | 43,066             | (4 %)    |
| Professional services                           | 22,500             | 15,625            | 44 %     | 13,620             | 65 %     |
| Brokerage, clearing and exchange                | 23,459             | 19,364            | 21 %     | 18,565             | 26 %     |
| Communications and data processing              | 14,930             | 11,993            | 24 %     | 14,361             | 4 %      |
| Other   | 31,064             | 24,900            | 25 %     | 22,194             | 40 %     |
| Total operating expenses                        | <u>1,711,438</u>   | <u>1,493,016</u>  | 15 %     | <u>1,203,092</u>   | 42 %     |
| Non-operating interest expense and other        | 25,171             | 25,059            | — %      | 26,289             | (4 %)    |
| Loss on extinguishment of debt                  | —                  | 24,400            | n/m      | —                  | — %      |
| <b>INCOME BEFORE PROVISION FOR INCOME TAXES</b> | <u>161,649</u>     | <u>165,142</u>    | (2 %)    | <u>137,278</u>     | 18 %     |
| <b>PROVISION FOR INCOME TAXES</b>               | <u>42,548</u>      | <u>35,522</u>     | 20 %     | <u>35,616</u>      | 19 %     |
| <b>NET INCOME</b>                               | <u>\$ 119,101</u>  | <u>\$ 129,620</u> | (8 %)    | <u>\$ 101,662</u>  | 17 %     |
| <b>EARNINGS PER SHARE</b>                       |                    |                   |          |                    |          |
| Earnings per share, basic                       | <u>\$ 1.49</u>     | <u>\$ 1.63</u>    | (9 %)    | <u>\$ 1.29</u>     | 16 %     |
| Earnings per share, diluted                     | <u>\$ 1.46</u>     | <u>\$ 1.59</u>    | (8 %)    | <u>\$ 1.27</u>     | 15 %     |
| Weighted-average shares outstanding, basic      | <u>80,063</u>      | <u>79,697</u>     | — %      | <u>78,940</u>      | 1 %      |
| Weighted-average shares outstanding, diluted    | <u>81,728</u>      | <u>81,622</u>     | — %      | <u>80,127</u>      | 2 %      |

**LPL Financial Holdings Inc.**  
**Condensed Consolidated Statements of Income**  
(In thousands, except per share data)  
(Unaudited)

|   | Six Months Ended<br>June 30, |                   | % Change |
|---|------------------------------|-------------------|----------|
|   | 2021                         | 2020              |          |
| <b>REVENUES</b>                                 |                              |                   |          |
| Advisory  | \$ 1,568,359                 | \$ 1,102,397      | 42 %     |
| Commission                                      | 1,155,462                    | 930,897           | 24 %     |
| Asset-based                                     | 544,326                      | 532,573           | 2 %      |
| Transaction and fee                             | 278,044                      | 256,574           | 8 %      |
| Interest income                                 | 13,432                       | 16,082            | (16 %)   |
| Other   | 46,252                       | (8,467)           | n/m      |
| Total revenues                                  | <u>3,605,875</u>             | <u>2,830,056</u>  | 27 %     |
| <b>EXPENSES</b>                                 |                              |                   |          |
| Advisory and commission                         | 2,382,101                    | 1,730,642         | 38 %     |
| Compensation and benefits                       | 345,393                      | 290,122           | 19 %     |
| Promotional                                     | 118,530                      | 101,938           | 16 %     |
| Depreciation and amortization                   | 72,203                       | 53,534            | 35 %     |
| Amortization of intangible assets               | 37,356                       | 33,259            | 12 %     |
| Occupancy and equipment                         | 85,036                       | 82,612            | 3 %      |
| Professional services                           | 38,125                       | 28,225            | 35 %     |
| Brokerage, clearing and exchange                | 42,823                       | 35,589            | 20 %     |
| Communications and data processing              | 26,923                       | 25,196            | 7 %      |
| Other   | 55,964                       | 48,422            | 16 %     |
| Total operating expenses                        | <u>3,204,454</u>             | <u>2,429,539</u>  | 32 %     |
| Non-operating interest expense and other        | 50,230                       | 55,607            | (10 %)   |
| Loss on extinguishment of debt                  | 24,400                       | —                 | 100 %    |
| <b>INCOME BEFORE PROVISION FOR INCOME TAXES</b> | <u>326,791</u>               | <u>344,910</u>    | (5 %)    |
| <b>PROVISION FOR INCOME TAXES</b>               | <u>78,070</u>                | <u>87,607</u>     | (11 %)   |
| <b>NET INCOME</b>                               | <u>\$ 248,721</u>            | <u>\$ 257,303</u> | (3 %)    |
| <b>EARNINGS PER SHARE</b>                       |                              |                   |          |
| Earnings per share, basic                       | <u>\$ 3.11</u>               | <u>\$ 3.25</u>    | (4 %)    |
| Earnings per share, diluted                     | <u>\$ 3.05</u>               | <u>\$ 3.19</u>    | (4 %)    |
| Weighted-average shares outstanding, basic      | <u>79,880</u>                | <u>79,223</u>     | 1 %      |
| Weighted-average shares outstanding, diluted    | <u>81,608</u>                | <u>80,659</u>     | 1 %      |

**LPL Financial Holdings Inc.**  
**Condensed Consolidated Statements of Financial Condition**  
(In thousands, except share data)  
(Unaudited)

|   | June 30, 2021       | March 31, 2021      | December 31, 2020   |
|---|---------------------|---------------------|---------------------|
| <b>ASSETS</b>   |                     |                     |                     |
| Cash and cash equivalents   | \$ 906,720          | \$ 839,144          | \$ 808,612          |
| Cash segregated under federal and other regulations   | 741,432             | 839,428             | 923,158             |
| Restricted cash   | 78,648              | 73,507              | 67,264              |
| Receivables from:   |                     |                     |                     |
| Clients, net of allowance   | 531,784             | 453,132             | 405,106             |
| Product sponsors, broker-dealers and clearing organizations   | 275,189             | 240,465             | 233,192             |
| Advisor loans, net of allowance   | 776,513             | 558,144             | 547,372             |
| Others, net of allowance  | 371,240             | 351,443             | 306,640             |
| Securities owned:   |                     |                     |                     |
| Trading — at fair value   | 30,169              | 47,964              | 29,252              |
| Held-to-maturity — at amortized cost  | 10,708              | 11,972              | 13,235              |
| Securities borrowed   | 13,395              | 13,565              | 30,130              |
| Fixed assets, net of accumulated depreciation and amortization  | 600,763             | 588,736             | 582,868             |
| Operating lease assets  | 96,844              | 99,306              | 101,921             |
| Goodwill  | 1,646,631           | 1,513,866           | 1,513,866           |
| Intangible assets, net of accumulated amortization  | 486,355             | 383,794             | 397,486             |
| Deferred income taxes, net  | 24,364              | 24,246              | 24,112              |
| Other assets  | 629,261             | 576,699             | 539,357             |
| <b>Total assets</b>   | <b>\$ 7,220,016</b> | <b>\$ 6,615,411</b> | <b>\$ 6,523,571</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                     |                     |                     |
| <b>LIABILITIES:</b>   |                     |                     |                     |
| Drafts payable  | \$ 154,230          | \$ 151,397          | \$ 178,403          |
| Payables to clients   | 1,329,397           | 1,294,664           | 1,356,083           |
| Payables to broker-dealers and clearing organizations   | 109,089             | 125,563             | 89,743              |
| Accrued advisory and commission expenses payable  | 215,107             | 195,044             | 187,040             |
| Accounts payable and accrued liabilities  | 747,669             | 655,787             | 681,554             |
| Income taxes payable  | 5,718               | 58,546              | 28,145              |
| Unearned revenue  | 135,600             | 123,152             | 95,328              |
| Securities sold, but not yet purchased — at fair value  | 1,398               | 1,316               | 206                 |
| Long-term and other borrowings, net   | 2,727,336           | 2,332,809           | 2,345,414           |
| Operating lease liabilities   | 133,321             | 136,419             | 139,377             |
| Finance lease liabilities   | 106,239             | 106,393             | 107,424             |
| <b>Total liabilities</b>  | <b>5,665,104</b>    | <b>5,181,090</b>    | <b>5,208,717</b>    |
| <b>STOCKHOLDERS' EQUITY:</b>  |                     |                     |                     |
| Common stock, \$0.001 par value; 600,000,000 shares authorized; 128,431,247 shares issued at June 30, 2021 and 127,585,764 shares issued at December 31, 2020 | 128                 | 128                 | 127                 |
| Additional paid-in capital  | 1,808,135           | 1,787,095           | 1,762,770           |
| Treasury stock, at cost — 48,203,446 shares at June 30, 2021 and 48,115,037 shares at December 31, 2020   | (2,407,035)         | (2,406,221)         | (2,391,062)         |
| Retained earnings   | 2,153,684           | 2,053,319           | 1,943,019           |
| <b>Total stockholders' equity</b>   | <b>1,554,912</b>    | <b>1,434,321</b>    | <b>1,314,854</b>    |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 7,220,016</b> | <b>\$ 6,615,411</b> | <b>\$ 6,523,571</b> |

**LPL Financial Holdings Inc.**  
**Management's Statements of Operations<sup>(5)</sup>**  
(In thousands, except per share data)  
(Unaudited)

Certain information presented on pages 8-14 of this release is presented as reviewed by the Company's management and includes information derived from the Company's Unaudited Condensed Consolidated Statements of Income, non-GAAP financial measures, and operational and performance metrics. For information on non-GAAP financial measures, please see the section titled "Non-GAAP Financial Measures" that begins on page 14 of this release.

|  | Quarterly Results |                   |              |                   |             |
|--|-------------------|-------------------|--------------|-------------------|-------------|
|  | Q2 2021           | Q1 2021           | % Change     | Q2 2020           | % Change    |
| <b>Gross Profit<sup>(6)</sup></b>  |                   |                   |              |                   |             |
| Advisory   | \$ 846,313        | \$ 722,046        | 17 %         | \$ 523,370        | 62 %        |
| Sales-based commissions  | 249,596           | 236,273           | 6 %          | 159,512           | 56 %        |
| Trailing commissions   | 348,637           | 320,956           | 9 %          | 267,941           | 30 %        |
| Advisory fees and commissions  | 1,444,546         | 1,279,275         | 13 %         | 950,823           | 52 %        |
| Production-based payout <sup>(7)</sup>   | (1,247,321)       | (1,095,377)       | 14 %         | (819,953)         | 52 %        |
| Advisory fees and commissions, net of payout   | 197,225           | 183,898           | 7 %          | 130,870           | 51 %        |
| Client cash  | 90,377            | 97,104            | (7 %)        | 116,266           | (22 %)      |
| Other asset-based <sup>(8)</sup>   | 189,243           | 167,602           | 13 %         | 130,801           | 45 %        |
| Transaction and fee  | 137,100           | 140,944           | (3 %)        | 119,478           | 15 %        |
| Interest income and other, net <sup>(9)</sup>  | 11,111            | 9,170             | 21 %         | 9,397             | 18 %        |
| <b>Total net advisory fees and commissions and attachment revenue</b>                | <b>625,056</b>    | <b>598,718</b>    | <b>4 %</b>   | <b>506,812</b>    | <b>23 %</b> |
| Brokerage, clearing and exchange expense   | (23,459)          | (19,364)          | 21 %         | (18,565)          | 26 %        |
| <b>Gross Profit<sup>(6)</sup></b>  | <b>601,597</b>    | <b>579,354</b>    | <b>4 %</b>   | <b>488,247</b>    | <b>23 %</b> |
| <b>G&amp;A Expense</b>   |                   |                   |              |                   |             |
| Core G&A <sup>(10)</sup>   | 251,679           | 236,263           | 7 %          | 222,406           | 13 %        |
| Regulatory charges   | 7,416             | 7,595             | (2 %)        | 6,115             | 21 %        |
| Promotional (ongoing) <sup>(12)(42)</sup>  | 64,135            | 54,181            | 18 %         | 44,540            | 44 %        |
| Acquisition costs <sup>(12)</sup>  | 23,782            | 2,429             | n/m          | —                 | 100 %       |
| Employee share-based compensation  | 11,136            | 11,356            | (2 %)        | 8,040             | 39 %        |
| <b>Total G&amp;A</b>   | <b>358,148</b>    | <b>311,823</b>    | <b>15 %</b>  | <b>281,101</b>    | <b>27 %</b> |
| <b>EBITDA<sup>(11)</sup></b>   | <b>243,449</b>    | <b>267,531</b>    | <b>(9 %)</b> | <b>207,146</b>    | <b>18 %</b> |
| Depreciation and amortization  | 36,704            | 35,499            | 3 %          | 26,890            | 36 %        |
| Amortization of intangible assets  | 19,925            | 17,431            | 14 %         | 16,689            | 19 %        |
| Non-operating interest expense and other   | 25,171            | 25,059            | — %          | 26,289            | (4 %)       |
| Loss on extinguishment of debt   | —                 | 24,400            | n/m          | —                 | — %         |
| <b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>                                      | <b>161,649</b>    | <b>165,142</b>    | <b>(2 %)</b> | <b>137,278</b>    | <b>18 %</b> |
| PROVISION FOR INCOME TAXES   | 42,548            | 35,522            | 20 %         | 35,616            | 19 %        |
| <b>NET INCOME</b>  | <b>\$ 119,101</b> | <b>\$ 129,620</b> | <b>(8 %)</b> | <b>\$ 101,662</b> | <b>17 %</b> |
| Earnings per share, diluted  | \$ 1.46           | \$ 1.59           | (8 %)        | \$ 1.27           | 15 %        |
| Weighted-average shares outstanding, diluted   | 81,728            | 81,622            | — %          | 80,127            | 2 %         |
| EPS Prior to Amortization of Intangible Assets and Acquisition Costs <sup>(41)</sup> | \$ 1.85           | \$ 1.77           | 5 %          | \$ 1.42           | 30 %        |

**LPL Financial Holdings Inc.**  
**Operating Metrics<sup>(5)</sup>**  
(Dollars in billions, except where noted)  
(Unaudited)

|  | Q2 2021           | Q1 2021         | Change     | Q2 2020         | Change     |
|--|-------------------|-----------------|------------|-----------------|------------|
| <b>Market Drivers</b>                                  |                   |                 |            |                 |            |
| S&P 500 Index (end of period)                          | 4,298             | 3,973           | 8%         | 3,100           | 39%        |
| Fed Funds Daily Effective Rate (FFER) (average bps)    | 7                 | 8               | (1bps)     | 6               | 1bps       |
| <b>Advisory and Brokerage Assets</b>                   |                   |                 |            |                 |            |
| Advisory Assets <sup>(13)</sup>                        | \$ 577.6          | \$ 496.7        | 16%        | \$ 375.3        | 54%        |
| Brokerage Assets <sup>(14)</sup>                       | 534.7             | 461.6           | 16%        | 386.4           | 38%        |
| <b>Total Advisory and Brokerage Assets</b>             | <b>\$ 1,112.3</b> | <b>\$ 958.3</b> | <b>16%</b> | <b>\$ 761.7</b> | <b>46%</b> |
| Advisory as a % of Total Advisory and Brokerage Assets | 51.9 %            | 51.8 %          | 10bps      | 49.3 %          | 260bps     |
| <b>Assets by Platform</b>                              |                   |                 |            |                 |            |
| Corporate Platform Advisory Assets <sup>(15)</sup>     | \$ 383.6          | \$ 317.5        | 21%        | \$ 233.5        | 64%        |
| Hybrid Platform Advisory Assets <sup>(16)</sup>        | 194.0             | 179.2           | 8%         | 141.9           | 37%        |
| Brokerage Assets                                       | 534.7             | 461.6           | 16%        | 386.4           | 38%        |
| <b>Total Advisory and Brokerage Assets</b>             | <b>\$ 1,112.3</b> | <b>\$ 958.3</b> | <b>16%</b> | <b>\$ 761.7</b> | <b>46%</b> |
| <b>Centrally Managed Assets</b>                        |                   |                 |            |                 |            |
| Centrally Managed Assets <sup>(17)</sup>               | \$ 84.7           | \$ 77.0         | 10%        | \$ 54.4         | 56%        |
| Centrally Managed as a % of Total Advisory Assets      | 14.7 %            | 15.5 %          | (80)bps    | 14.5 %          | 20bps      |

**LPL Financial Holdings Inc.**  
**Operating Metrics<sup>(5)</sup>**  
(Dollars in billions, except where noted)  
(Unaudited)

|  | Q2 2021         | Q1 2021        | Change      | Q2 2020        | Change      |
|--|-----------------|----------------|-------------|----------------|-------------|
| <b>Net New Assets (NNA)</b>                                |                 |                |             |                |             |
| Net New Advisory Assets <sup>(18)</sup>                    | \$ 54.9         | \$ 22.7        | n/m         | \$ 10.2        | n/m         |
| Net New Brokerage Assets <sup>(19)</sup>                   | 51.1            | 6.2            | n/m         | 2.8            | n/m         |
| <b>Total Net New Assets</b>                                | <b>\$ 106.0</b> | <b>\$ 28.9</b> | n/m         | <b>\$ 13.0</b> | n/m         |
| <b>Organic Net New Assets (NNA)<sup>(20)</sup></b>         |                 |                |             |                |             |
| Organic Net New Advisory Assets                            | \$ 21.4         | \$ 22.7        | n/m         | \$ 10.2        | n/m         |
| Organic Net New Brokerage Assets                           | 15.6            | 6.2            | n/m         | 2.8            | n/m         |
| <b>Total Organic Net New Assets</b>                        | <b>\$ 37.1</b>  | <b>\$ 28.9</b> | n/m         | <b>\$ 13.0</b> | n/m         |
| Net Brokerage to Advisory Conversions <sup>(21)</sup>      | \$ 3.2          | \$ 3.3         | n/m         | \$ 1.6         | n/m         |
| Organic Advisory NNA Annualized Growth <sup>(22)</sup>     | 17.3 %          | 19.7 %         | n/m         | 12.7 %         | n/m         |
| Total Organic NNA Annualized Growth <sup>(22)</sup>        | 15.5 %          | 12.8 %         | n/m         | 7.8 %          | n/m         |
| <b>Net New Advisory Assets</b>                             |                 |                |             |                |             |
| Corporate Platform Net New Advisory Assets <sup>(23)</sup> | \$ 49.0         | \$ 17.1        | n/m         | \$ 6.2         | n/m         |
| Hybrid Platform Net New Advisory Assets <sup>(24)</sup>    | 6.0             | 5.6            | n/m         | 4.0            | n/m         |
| <b>Total Net New Advisory Assets</b>                       | <b>\$ 54.9</b>  | <b>\$ 22.7</b> | n/m         | <b>\$ 10.2</b> | n/m         |
| Centrally Managed Net New Advisory Assets <sup>(25)</sup>  | \$ 4.0          | \$ 7.8         | n/m         | \$ 1.3         | n/m         |
| <b>Client Cash Balances</b>                                |                 |                |             |                |             |
| Insured Cash Account Balances                              | \$ 34.1         | \$ 37.4        | (9%)        | \$ 33.1        | 3%          |
| Deposit Cash Account Balances                              | 7.6             | 7.9            | (4%)        | 7.7            | (1%)        |
| <b>Total Bank Sweep Balances</b>                           | <b>41.7</b>     | <b>45.3</b>    | <b>(8%)</b> | <b>40.8</b>    | <b>2%</b>   |
| Money Market Account Cash Balances                         | 5.0             | 1.3            | 285%        | 1.6            | 213%        |
| Purchased Money Market Funds                               | 1.7             | 1.6            | 6%          | 2.8            | (39%)       |
| <b>Total Money Market Balances</b>                         | <b>6.7</b>      | <b>3.0</b>     | <b>123%</b> | <b>4.5</b>     | <b>49%</b>  |
| <b>Total Client Cash Balances</b>                          | <b>\$ 48.4</b>  | <b>\$ 48.3</b> | <b>—%</b>   | <b>\$ 45.3</b> | <b>7%</b>   |
| Client Cash Balances as a % of Total Assets                | 4.4 %           | 5.0 %          | (60bps)     | 5.9 %          | (150bps)    |
| <b>Client Cash Balance Average Fees<sup>(26)</sup></b>     |                 |                |             |                |             |
| Insured Cash Account Average Fee - bps                     | 98              | 99             | (1)         | 127            | (29)        |
| Deposit Cash Account Average Fee - bps                     | 24              | 29             | (5)         | 31             | (7)         |
| Money Market Account Average Fee - bps                     | 1               | 3              | (2)         | 16             | (15)        |
| Purchased Money Market Fund Average Fee - bps              | 9               | 9              | —           | 27             | (18)        |
| <b>Total Client Cash Balance Average Fee - bps</b>         | <b>77</b>       | <b>81</b>      | <b>(4)</b>  | <b>100</b>     | <b>(23)</b> |
| Net Buy (Sell) Activity <sup>(27)</sup>                    | \$ 18.1         | \$ 17.4        | n/m         | \$ 12.5        | n/m         |

**LPL Financial Holdings Inc.**  
**Monthly Metrics<sup>(5)</sup>**  
(Dollars in billions, except where noted)  
(Unaudited)

|   | June 2021         | May 2021          | May to June<br>Change | April 2021        | March 2021      |
|---|-------------------|-------------------|-----------------------|-------------------|-----------------|
| <b>Advisory and Brokerage Assets</b>                  |                   |                   |                       |                   |                 |
| Advisory Assets <sup>(13)</sup>                       | \$ 577.6          | \$ 559.0          | 3%                    | \$ 550.5          | \$ 496.7        |
| Brokerage Assets <sup>(14)</sup>                      | 534.7             | 515.1             | 4%                    | 512.7             | 461.6           |
| <b>Total Advisory and Brokerage Assets</b>            | <b>\$ 1,112.3</b> | <b>\$ 1,074.1</b> | <b>4%</b>             | <b>\$ 1,063.2</b> | <b>\$ 958.3</b> |
| <b>Net New Assets (NNA)</b>                           |                   |                   |                       |                   |                 |
| Net New Advisory Assets <sup>(18)</sup>               | \$ 11.2           | \$ 5.7            | n/m                   | \$ 38.0           | \$ 12.5         |
| Net New Brokerage Assets <sup>(19)</sup>              | 14.8              | 0.4               | n/m                   | 35.9              | 6.9             |
| <b>Total Net New Assets</b>                           | <b>\$ 26.0</b>    | <b>\$ 6.1</b>     | <b>n/m</b>            | <b>\$ 73.8</b>    | <b>\$ 19.4</b>  |
| Net Brokerage to Advisory Conversions <sup>(21)</sup> | \$ 0.9            | \$ 1.0            | n/m                   | \$ 1.3            | \$ 1.2          |
| <b>Client Cash Balances</b>                           |                   |                   |                       |                   |                 |
| Insured Cash Account Balances                         | \$ 34.1           | \$ 34.5           | (1%)                  | \$ 35.0           | \$ 37.4         |
| Deposit Cash Account Balances                         | 7.6               | 7.6               | —%                    | 7.5               | 7.9             |
| <b>Total Bank Sweep Balances</b>                      | <b>41.7</b>       | <b>42.0</b>       | <b>(1%)</b>           | <b>42.5</b>       | <b>45.3</b>     |
| Money Market Account Cash Balances                    | 5.0               | 4.3               | 16%                   | 3.7               | 1.3             |
| Purchased Money Market Funds                          | 1.7               | 1.5               | 13%                   | 1.5               | 1.6             |
| <b>Total Money Market Balances</b>                    | <b>6.7</b>        | <b>5.8</b>        | <b>16%</b>            | <b>5.2</b>        | <b>3.0</b>      |
| <b>Total Client Cash Balances</b>                     | <b>\$ 48.4</b>    | <b>\$ 47.8</b>    | <b>1%</b>             | <b>\$ 47.7</b>    | <b>\$ 48.3</b>  |
| Net Buy (Sell) Activity <sup>(27)</sup>               | \$ 6.0            | \$ 5.2            | n/m                   | \$ 6.9            | \$ 6.9          |
| <b>Market Indices</b>                                 |                   |                   |                       |                   |                 |
| S&P 500 Index (end of period)                         | 4,298             | 4,204             | 2%                    | 4,181             | 3,973           |
| Fed Funds Effective Rate (average bps)                | 8                 | 6                 | 2bps                  | 7                 | 7               |

**LPL Financial Holdings Inc.**  
**Financial Measures<sup>(5)</sup>**  
(Dollars in thousands, except where noted)  
(Unaudited)

|   | Q2 2021           | Q1 2021           | Change       | Q2 2020           | Change       |
|---|-------------------|-------------------|--------------|-------------------|--------------|
| <b>Commission Revenues by Product</b>                             |                   |                   |              |                   |              |
| Annuities   | \$ 305,100        | \$ 280,776        | 9%           | \$ 217,637        | 40%          |
| Mutual funds  | 195,688           | 173,150           | 13%          | 133,800           | 46%          |
| Fixed income  | 34,862            | 32,162            | 8%           | 18,463            | 89%          |
| Equities  | 30,517            | 38,911            | (22%)        | 27,985            | 9%           |
| Other   | 32,066            | 32,230            | (1%)         | 29,568            | 8%           |
| <b>Total commission revenues</b>                                  | <b>\$ 598,233</b> | <b>\$ 557,229</b> | <b>7%</b>    | <b>\$ 427,453</b> | <b>40%</b>   |
| <b>Commission Revenues by Sales-based and Trailing Commission</b> |                   |                   |              |                   |              |
| <b>Sales-based commissions</b>                                    |                   |                   |              |                   |              |
| Annuities   | \$ 112,619        | \$ 95,539         | 18%          | \$ 64,287         | 75%          |
| Mutual funds  | 50,250            | 47,279            | 6%           | 29,716            | 69%          |
| Fixed income  | 34,862            | 32,162            | 8%           | 18,463            | 89%          |
| Equities  | 30,517            | 38,911            | (22%)        | 27,985            | 9%           |
| Other   | 21,348            | 22,382            | (5%)         | 19,061            | 12%          |
| <b>Total sales-based commissions</b>                              | <b>\$ 249,596</b> | <b>\$ 236,273</b> | <b>6%</b>    | <b>\$ 159,512</b> | <b>56%</b>   |
| <b>Trailing commissions</b>                                       |                   |                   |              |                   |              |
| Annuities   | \$ 192,481        | \$ 185,237        | 4%           | \$ 153,350        | 26%          |
| Mutual funds  | 145,438           | 125,871           | 16%          | 104,084           | 40%          |
| Other   | 10,718            | 9,848             | 9%           | 10,507            | 2%           |
| <b>Total trailing commissions</b>                                 | <b>\$ 348,637</b> | <b>\$ 320,956</b> | <b>9%</b>    | <b>\$ 267,941</b> | <b>30%</b>   |
| <b>Total commission revenues</b>                                  | <b>\$ 598,233</b> | <b>\$ 557,229</b> | <b>7%</b>    | <b>\$ 427,453</b> | <b>40%</b>   |
| <b>Payout Rate</b>  | <b>86.35 %</b>    | <b>85.62 %</b>    | <b>73bps</b> | <b>86.24 %</b>    | <b>11bps</b> |

**LPL Financial Holdings Inc.**  
**Capital Management Measures<sup>(5)</sup>**  
(Dollars in thousands, except where noted)  
(Unaudited)

|  | Q2 2021             | Q1 2021             | Q4 2020             |
|--|---------------------|---------------------|---------------------|
| <b>Corporate Cash<sup>(3)</sup></b>                              |                     |                     |                     |
| Cash at Parent   | \$ 170,258          | \$ 286,156          | \$ 201,385          |
| Excess Cash at LPL Financial per Credit Agreement                | 74,152              | 41,941              | 67,574              |
| Other Available Cash   | 33,983              | 12,177              | 10,960              |
| <b>Total Corporate Cash</b>                                      | <b>\$ 278,393</b>   | <b>\$ 340,274</b>   | <b>\$ 279,919</b>   |
| <b>Leverage Ratio</b>  |                     |                     |                     |
| Total Debt   | \$ 2,753,950        | \$ 2,356,625        | \$ 2,359,300        |
| Total Corporate Cash   | 278,393             | 340,274             | 279,919             |
| <b>Credit Agreement Net Debt</b>                                 | <b>\$ 2,475,557</b> | <b>\$ 2,016,351</b> | <b>\$ 2,079,381</b> |
| Credit Agreement EBITDA (trailing twelve months) <sup>(28)</sup> | \$ 1,094,465        | \$ 954,752          | \$ 961,225          |
| <b>Leverage Ratio</b>  | <b>2.26 x</b>       | <b>2.11 x</b>       | <b>2.16 x</b>       |

| June 30, 2021  |                     |                              |                   |                |            |
|--|---------------------|------------------------------|-------------------|----------------|------------|
| Total Debt   | Balance             | Current Applicable Margin    | Yield At Issuance | Interest Rate  | Maturity   |
| Revolving Credit Facility <sup>(a)</sup>               | \$ —                | ABR+25bps                    |                   | — %            | 3/15/2026  |
| Broker-Dealer Revolving Credit Facility <sup>(b)</sup> | —                   | FFR+125bps                   |                   | — %            | 7/31/2024  |
| Senior Secured Term Loan B                             | 1,053,950           | LIBOR+175 bps <sup>(c)</sup> |                   | 1.854 %        | 11/12/2026 |
| Senior Unsecured Notes <sup>(d)</sup>                  | 400,000             | 4.625% Fixed                 | 4.625 %           | 4.625 %        | 11/15/2027 |
| Senior Unsecured Notes <sup>(e)</sup>                  | 900,000             | 4.000% Fixed                 | 4.000 %           | 4.000 %        | 3/15/2029  |
| Senior Unsecured Notes <sup>(f)</sup>                  | 400,000             | 4.375% Fixed                 | 4.375 %           | 4.375 %        | 5/15/2031  |
| <b>Total / Weighted Average</b>                        | <b>\$ 2,753,950</b> |                              |                   | <b>3.324 %</b> |            |

- (a) Secured borrowing capacity of \$1 billion at LPL Holdings, Inc. (the "Parent").
- (b) Unsecured borrowing capacity of \$300 million at LPL Financial LLC.
- (c) The LIBOR rate option is one-month LIBOR rate and subject to an interest rate floor of 0 basis points.
- (d) The Senior Unsecured Notes were issued in November 2019 at par.
- (e) The Senior Unsecured Notes were issued in March 2021 at par.
- (f) The Senior Unsecured Notes were issued in May 2021 at par.

**LPL Financial Holdings Inc.**  
**Key Business and Financial Metrics<sup>(5)</sup>**  
(Dollars in thousands, except where noted)  
(Unaudited)

|  | Q2 2021        | Q1 2021        | Change     | Q2 2020        | Change     |
|--|----------------|----------------|------------|----------------|------------|
| <b>Advisors</b>  |                |                |            |                |            |
| Advisors   | 19,114         | 17,672         | 8 %        | 16,973         | 13 %       |
| Net New Advisors   | 1,442          | 385            | n/m        | 210            | n/m        |
| Annualized advisory fees and commissions per Advisor <sup>(29)</sup>     | \$ 314         | \$ 293         | 7 %        | \$ 226         | 39 %       |
| Average Total Assets per Advisor (\$ in millions) <sup>(30)</sup>        | \$ 58.2        | \$ 54.2        | 7 %        | \$ 44.9        | 30 %       |
| Transition assistance loan amortization (\$ in millions) <sup>(31)</sup> | \$ 34.7        | \$ 30.2        | 15 %       | \$ 28.6        | 21 %       |
| Total client accounts (in millions)                                      | 6.7            | 6.1            | 10 %       | 5.8            | 16 %       |
| <br>   |                |                |            |                |            |
| Employees - period end   | 5,344          | 4,815          | 11 %       | 4,585          | 17 %       |
| <b>Productivity Metrics</b>  |                |                |            |                |            |
| Business Solutions Subscriptions <sup>(32)</sup>                         | 2,100          | 1,700          | 24 %       | 950            | 121 %      |
| Advisory Revenues as a % of Corporate Advisory Assets <sup>(33)</sup>    | 1.00 %         | 1.01 %         | (1 bps)    | 1.02 %         | (2 bps)    |
| Gross Profit ROA <sup>(34)</sup>   | 24.3 bps       | 25.2 bps       | (0.9 bps)  | 29.3 bps       | (5.0 bps)  |
| OPEX as a % of Advisory and Brokerage Assets <sup>(35)</sup>             | 16.0 bps       | 16.7 bps       | (0.7 bps)  | 18.2 bps       | (2.2 bps)  |
| EBIT ROA <sup>(36)</sup>   | 8.3 bps        | 8.5 bps        | (0.2 bps)  | 11.1 bps       | (2.8 bps)  |
| AUM Retention Rate (quarterly annualized) <sup>(37)</sup>                | 98.4 %         | 98.1 %         | 30 bps     | 98.7 %         | (30 bps)   |
| Recurring Gross Profit Rate <sup>(38)</sup>                              | 83.2 %         | 82.4 %         | 80 bps     | 86.8 %         | (360 bps)  |
| EBITDA as a % of Gross Profit  | 40.5 %         | 46.2 %         | (570 bps)  | 42.4 %         | (190 bps)  |
| <br>   |                |                |            |                |            |
| Capital Expenditure (\$ in millions) <sup>(39)</sup>                     | \$ 43.9        | \$ 41.1        | 7 %        | \$ 37.9        | 16 %       |
| <br>   |                |                |            |                |            |
| Share Repurchases (\$ in millions)                                       | \$ —           | \$ —           | — %        | \$ —           | — %        |
| Dividends (\$ in millions)   | 20.0           | 20.0           | — %        | 19.7           | 2 %        |
| <b>Total Capital Allocated (\$ in millions)</b>                          | <b>\$ 20.0</b> | <b>\$ 20.0</b> | <b>— %</b> | <b>\$ 19.7</b> | <b>2 %</b> |
| Weighted-average Share Count, Diluted                                    | 81.7           | 81.6           | — %        | 80.1           | 2 %        |
| <b>Total Capital Allocated per Share<sup>(40)</sup></b>                  | <b>\$ 0.25</b> | <b>\$ 0.25</b> | <b>— %</b> | <b>\$ 0.25</b> | <b>— %</b> |

**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 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 below are appropriate for evaluating the performance of the Company.

**EPS Prior to Amortization of Intangible Assets and Acquisition Costs**

EPS Prior to Amortization of Intangible Assets and Acquisition Costs is defined as GAAP EPS plus the per share impact of amortization of intangible assets and acquisition costs. The per share impact is calculated as amortization of intangible assets expense and acquisition costs, 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 and Acquisition Costs because management believes that the metric can provide investors with useful insight into the Company's core operating performance by excluding non-cash items and acquisition costs that management does not believe impact the Company's ongoing operations. EPS Prior to Amortization of Intangible Assets and

Acquisition Costs 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 and Acquisition Costs to GAAP EPS, please see footnote 41 on page 19 of this release.

### **Gross Profit**

Gross Profit is calculated as total revenues, which were \$1,898 million for the three months ended June 30, 2021, less advisory and commission expenses and brokerage, clearing and exchange fees, which were \$1,273 million and \$23 million, respectively for the three months ended June 30, 2021. 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 Gross Profit to be a non-GAAP financial measure that may not be comparable to similar measures used by 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. For a calculation of Gross Profit, please see footnote 6 on page 16 of this release.

### **Core G&A**

Core G&A consists of total operating expenses, which were \$1,711 million for the three months ended June 30, 2021, excluding the following expenses: advisory and commission, regulatory charges, promotional, employee share-based compensation, depreciation and amortization, amortization of intangible assets, brokerage, clearing and exchange and acquisition costs. 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 advisory and commission 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 footnote 10 on page 17 of this release. The Company does not provide an outlook for its total operating expenses because it contains expense components, such as advisory and commission 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.

### **EBITDA**

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. 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. For a reconciliation of EBITDA to net income, please see footnote 11 on page 17 of this release.

### **Credit Agreement EBITDA**

Credit Agreement EBITDA is defined in, and calculated by management in accordance with, the Company's credit agreement ("Credit Agreement") as "Consolidated EBITDA," which is Consolidated Net Income (as defined in the Credit Agreement) plus interest expense, tax expense, depreciation and amortization, and amortization of intangible assets, and is further adjusted to exclude certain non-cash charges and other adjustments, including unusual or non-recurring charges and gains, and to include future expected cost savings, operating expense reductions or other synergies from certain transactions. The Company presents Credit Agreement EBITDA because management believes that it can be a useful financial metric in understanding the Company's debt capacity and covenant compliance under its Credit Agreement. Credit Agreement 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. In addition, the Company's calculation of Credit Agreement EBITDA can differ significantly from adjusted EBITDA calculated by other companies, depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, capital investments, and types of adjustments made by such companies. For a reconciliation of Credit Agreement EBITDA to net income, please see footnote 28 on page 18 of this release.

## Endnote Disclosures

- (1) Represents the estimated total advisory and brokerage assets expected to transition to the Company's broker-dealer subsidiary, 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) The terms "Financial Advisors" and "Advisors" refer to registered representatives and/or investment advisor representatives affiliated with LPL Financial, an SEC registered broker-dealer and investment adviser.
- (3) We define corporate cash as the sum of cash and cash equivalents from the following: (1) Cash held at the Parent, (2) Excess cash at LPL Financial per the Credit Agreement, which is the net capital held at LPL Financial in excess of 10% of its aggregate debits, or five times the net capital required in accordance with Exchange Act Rule 15c3-1, and (3) Other available cash, which includes cash and cash equivalents held at the Private Trust Company in excess of Credit Agreement capital requirements, excess cash at Waddell & Reed, LLC per the Credit Agreement, or the net capital held in excess of 10% of its aggregate indebtedness, and cash and cash equivalents held at non-regulated subsidiaries.
- (4) Compliance with the Leverage Ratio is only required under our revolving credit facility.
- (5) Certain information presented on pages 8-14 includes non-GAAP financial measures and operational and performance metrics. For more information on non-GAAP financial measures, please see the section titled "Non-GAAP Financial Measures" that begins on page 14 of this release.
- (6) Gross Profit is a non-GAAP financial measure. Please see a description of Gross Profit under "Non-GAAP Financial Measures" on page 14 of this release for additional information. Below is a calculation of Gross Profit for the periods presented (in thousands):

|                                       | Q2 2021           | Q1 2021           | Q2 2020           |
|---------------------------------------|-------------------|-------------------|-------------------|
| Total revenues                        | \$ 1,898,258      | \$ 1,707,617      | \$ 1,366,659      |
| Advisory and commission expenses      | 1,273,202         | 1,108,899         | 859,847           |
| Brokerage, clearing and exchange fees | 23,459            | 19,364            | 18,565            |
| <b>Gross profit<sup>(+)</sup></b>     | <b>\$ 601,597</b> | <b>\$ 579,354</b> | <b>\$ 488,247</b> |

(+) Balances may not foot due to rounding.

- (7) Production-based payout is an operating measure calculated as advisory and commission expenses less advisor deferred compensation expenses. Below is a reconciliation of production-based payout against the Company's advisory and commission expenses for the periods presented (in thousands):

|   | Q2 2021             | Q1 2021             | Q2 2020           |
|---|---------------------|---------------------|-------------------|
| Production-based payout                 | \$ 1,247,321        | \$ 1,095,377        | \$ 819,953        |
| Advisor deferred compensation expenses  | 25,881              | 13,522              | 39,894            |
| <b>Advisory and commission expenses</b> | <b>\$ 1,273,202</b> | <b>\$ 1,108,899</b> | <b>\$ 859,847</b> |

- (8) Consists of revenues from the Company's sponsorship programs with financial product manufacturers and omnibus processing and networking services, but does not include 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.
- (9) Interest income and other, net is an operating measure calculated as interest income plus other revenues, less advisor deferred compensation expenses. Below is a reconciliation of interest income and other, net against the Company's interest income and other revenues for the periods presented (in thousands):

|  | Q2 2021          | Q1 2021         | Q2 2020         |
|--|------------------|-----------------|-----------------|
| Interest income                              | \$ 6,914         | \$ 6,518        | \$ 6,540        |
| Plus: Other revenue                          | 30,078           | 16,174          | 42,751          |
| Less: Advisor deferred compensation expenses | (25,881)         | (13,522)        | (39,894)        |
| <b>Interest income and other, net</b>        | <b>\$ 11,111</b> | <b>\$ 9,170</b> | <b>\$ 9,397</b> |

(10) Core G&A is a non-GAAP financial measure. Please see a description of Core G&A under "Non-GAAP Financial Measures" on page 14 of this release for additional information. Below is a reconciliation of Core G&A against the Company's total operating expenses for the periods presented (in thousands):

|   | Q2 2021           | Q1 2021           | Q2 2020           |
|---|-------------------|-------------------|-------------------|
| <b>Core G&amp;A Reconciliation</b>        |                   |                   |                   |
| <b>Total operating expenses</b>           | \$ 1,711,438      | \$ 1,493,016      | \$ 1,203,092      |
| Advisory and commission                   | 1,273,202         | 1,108,899         | 859,847           |
| Depreciation and amortization             | 36,704            | 35,499            | 26,890            |
| Amortization of intangible assets         | 19,925            | 17,431            | 16,689            |
| Brokerage, clearing and exchange expense  | 23,459            | 19,364            | 18,565            |
| <b>Total G&amp;A</b>                      | <b>358,148</b>    | <b>311,823</b>    | <b>281,101</b>    |
| Promotional (ongoing) <sup>(12)(42)</sup> | 64,135            | 54,181            | 44,540            |
| Acquisition costs <sup>(12)</sup>         | 23,782            | 2,429             | —                 |
| Employee share-based compensation         | 11,136            | 11,356            | 8,040             |
| Regulatory charges                        | 7,416             | 7,595             | 6,115             |
| <b>Core G&amp;A</b>                       | <b>\$ 251,679</b> | <b>\$ 236,263</b> | <b>\$ 222,406</b> |

(11) EBITDA is a non-GAAP financial measure. Please see a description of EBITDA under "Non-GAAP Financial Measures" on page 14 of this release for additional information. Below is a reconciliation of EBITDA against the Company's net income for the periods presented (in thousands):

|  | Q2 2021           | Q1 2021           | Q2 2020           |
|--|-------------------|-------------------|-------------------|
| <b>EBITDA Reconciliation</b>             |                   |                   |                   |
| Net income                               | \$ 119,101        | \$ 129,620        | \$ 101,662        |
| Non-operating interest expense and other | 25,171            | 25,059            | 26,289            |
| Provision for income taxes               | 42,548            | 35,522            | 35,616            |
| Loss on extinguishment of debt           | —                 | 24,400            | —                 |
| Depreciation and amortization            | 36,704            | 35,499            | 26,890            |
| Amortization of intangible assets        | 19,925            | 17,431            | 16,689            |
| <b>EBITDA</b>                            | <b>\$ 243,449</b> | <b>\$ 267,531</b> | <b>\$ 207,146</b> |

(12) Acquisition costs include the cost to setup, onboard and integrate acquired entities and primarily include \$13.9 million of compensation and benefits expenses, \$6.3 million of professional services expenses, \$1.6 million of occupancy and equipment expenses, \$1.2 million of communications expenses, and other expenses that are included in the respective line items in the Condensed Consolidated Statements of Income.

(13) Consists of total advisory assets under custody at LPL Financial and Waddell & Reed, LLC.

(14) Consists of brokerage assets serviced by advisors licensed with LPL Financial and Waddell & Reed, LLC.

(15) Consists of total assets on LPL Financial's corporate advisory platform serviced by investment advisor representatives of LPL Financial or Allen & Company.

(16) Consists of total assets on LPL Financial's independent advisory platform serviced by investment advisor representatives of separate registered investment advisor firms ("Hybrid RIAs"), rather than of LPL Financial.

(17) Represents those advisory assets in LPL Financial's Model Wealth Portfolios, Optimum Market Portfolios, Personal Wealth Portfolios and Guided Wealth Portfolios platforms.

(18) Consists of total client deposits into advisory accounts, including advisory assets serviced by BMO Harris Financial Advisors, Lucia and E.K. Riley advisors, less total client withdrawals from advisory accounts, plus dividends, plus interest, minus advisory fees. The Company considers conversions from and to brokerage accounts as deposits and withdrawals, respectively.

(19) Consists of total client deposits into brokerage accounts, less total client withdrawals from brokerage accounts, plus dividends, plus interest. The Company considers conversions from and to advisory accounts as deposits and withdrawals, respectively.

- (20) Consists of net new assets excluding the acquisition of Waddell & Reed.
- (21) Consists of existing custodied assets that converted from brokerage to advisory, less existing custodied assets that converted from advisory to brokerage.
- (22) Calculated as annualized current period organic net new assets divided by preceding period assets in their respective categories of advisory assets or total advisory and brokerage assets. See FN 20.
- (23) 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, plus dividends, plus interest, minus advisory fees. See FN 15.
- (24) 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, plus dividends, plus interest, minus advisory fees. See FN 16.
- (25) Consists of total client deposits into centrally managed assets accounts less total client withdrawals from centrally managed assets accounts, plus dividends, plus interest, minus advisory fees. See FN 17.
- (26) Calculated by dividing revenue for the period by the average balance during the period.
- (27) 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.
- (28) EBITDA and Credit Agreement EBITDA are non-GAAP financial measures. Please see a description of EBITDA and Credit Agreement EBITDA under "Non-GAAP Financial Measures" on page 14 of this release for additional information. Under the Credit Agreement, management calculates Credit Agreement EBITDA for a trailing twelve month period at the end of each fiscal quarter, and in doing so may make further adjustments to prior quarters. Below are reconciliations of EBITDA and Credit Agreement EBITDA to net income for the periods presented (in thousands):

|   | Q2 2021             | Q1 2021        | Q2 2020          |
|---|---------------------|----------------|------------------|
| <b>EBITDA and Credit Agreement EBITDA Reconciliations</b> |                     |                |                  |
| Net income  | \$ 464,958          | 446,519        | 515,693          |
| Non-operating interest expense and other                  | 100,388             | 101,506        | 118,935          |
| Provision for income taxes                                | 143,896             | 136,964        | 172,202          |
| Loss on extinguishment of debt                            | 24,400              | 24,400         | 3,156            |
| Depreciation and amortization                             | 128,401             | 118,587        | 103,259          |
| Amortization of intangible assets                         | 71,455              | 68,219         | 66,176           |
| <b>EBITDA</b>   | <b>\$ 932,598</b>   | <b>896,295</b> | <b>979,421</b>   |
| <b>Credit Agreement Adjustments:</b>                      |                     |                |                  |
| Employee share-based compensation expense                 | \$ 37,954           | 34,558         | 31,281           |
| Advisor share-based compensation expense                  | 2,252               | 2,256          | 2,495            |
| M&A accretion   | 77,017              | —              | —                |
| Other   | 45,144              | 21,843         | 13,700           |
| <b>Credit Agreement EBITDA (trailing twelve months)</b>   | <b>\$ 1,094,865</b> | <b>954,552</b> | <b>1,026,897</b> |

- (29) Calculated based on the average advisor count from the current period and prior period.
- (30) Calculated based on the end-of-period total advisory and brokerage assets divided by end-of-period advisor count.
- (31) Represents amortization expense on forgivable loans for transition assistance to advisors and financial institutions.
- (32) Refers to active and contracted subscriptions related to Professional Services (Admin, Marketing and CFO Solutions) and Business Optimizers (Assurance Plan, Remote Office and M&A Solutions).
- (33) Represents advisory revenues as a percentage of Corporate Platform Advisory Assets for the trailing twelve month period. See FN 15.
- (34) Represents Gross Profit, a non-GAAP financial measure, for the trailing twelve month period, divided by average month-end total advisory and brokerage assets for the trailing twelve month period. See FN 6.

- (35) Represents operating expenses for the trailing twelve month period, excluding production-related expense, divided by average month-end total advisory and brokerage assets for the period. 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, a non-GAAP financial measure, as well as regulatory charges, promotional, employee share-based compensation, depreciation and amortization, and amortization of intangible assets. See FN 10.
- (36) EBIT ROA is calculated as Gross Profit ROA less OPEX as a percentage of Advisory and Brokerage Assets. See FN 34 and FN 35.
- (37) Reflects retention of total advisory and brokerage assets, calculated by deducting quarterly annualized attrition from total advisory and brokerage assets, over the prior-quarter total advisory and brokerage assets.
- (38) Recurring Gross Profit Rate refers to the percentage of the Company's Gross Profit, a non-GAAP financial measure, that was recurring for the trailing twelve month period. Management tracks Recurring Gross Profit, a characterization of Gross Profit and a statistical measure, which is defined to include the Company's revenues from asset-based fees, advisory fees, trailing commissions, client cash programs and certain other fees that are based upon client accounts and advisors, less the expenses associated with such revenues and certain other recurring expenses not specifically associated with a revenue line. Management allocates such other recurring expenses on a pro-rata basis against specific revenue lines at its discretion.
- (39) Capital expenditures represent cash payments for fixed assets during the period.
- (40) Total Capital Allocated per Share equals the amount of capital allocated for share repurchases and cash dividends divided by the diluted weighted-average shares outstanding.
- (41) EPS Prior to Amortization of Intangible Assets and Acquisition Costs is a non-GAAP financial measure. Please see a description of EPS Prior to Amortization of Intangible Assets and Acquisition Costs under "*Non-GAAP Financial Measures*" on page 14 of this release for additional information. Below is a reconciliation of EPS Prior to Amortization of Intangible Assets and Acquisition Costs to the Company's GAAP EPS for the period presented (in thousands, except per share data):

| <b>EPS Reconciliation</b>   | <b>Q2 2021</b> | <b>Q1 2021</b> | <b>Q2 2020</b> |
|---|----------------|----------------|----------------|
| EPS   | \$ 1.46        | \$ 1.59        | \$ 1.27        |
| Amortization of Intangible Assets   | 19,925         | 17,431         | 16,689         |
| Acquisition Costs   | 23,782         | 2,429          | —              |
| Tax Benefit   | (11,700)       | (5,332)        | (4,673)        |
| Amortization of Intangible Assets and Acquisition Costs, Net of Tax Benefit | \$ 32,006      | 14,527         | \$ 12,016      |
| Diluted Share Count   | 81,728         | 81,622         | 80,127         |
| EPS Impact  | \$ 0.39        | \$ 0.18        | \$ 0.15        |
| EPS Prior to Amortization of Intangible Assets and Acquisition Costs        | \$ 1.85        | \$ 1.77        | \$ 1.42        |

- (42) The Company incurred \$0.2 million of promotional expenses as part of acquisitions during the second quarter of 2021 that are presented in the Acquisition Costs line item. See FN 12.