

# Q4 2020 Earnings Key Metrics

LPL Financial Holdings Inc.

Q4 2020 Earnings

February 4, 2021

# 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 advisory and brokerage asset levels and mix, organic asset growth, deposit betas, Core G&A\* expenses (including outlook for 2021), 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 February 4, 2021. 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; the 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 February 4, 2021, 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 February 4, 2021.

## \*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 pages 22-25.**

Gross profit is calculated as net revenues, which were \$1,581 million for the three months ended December 31, 2020, less advisory and commission expenses and brokerage, clearing and exchange fees ("BC&E"), which were \$1,030 million and \$18 million, respectively, for the three months ended December 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 22 of this presentation.

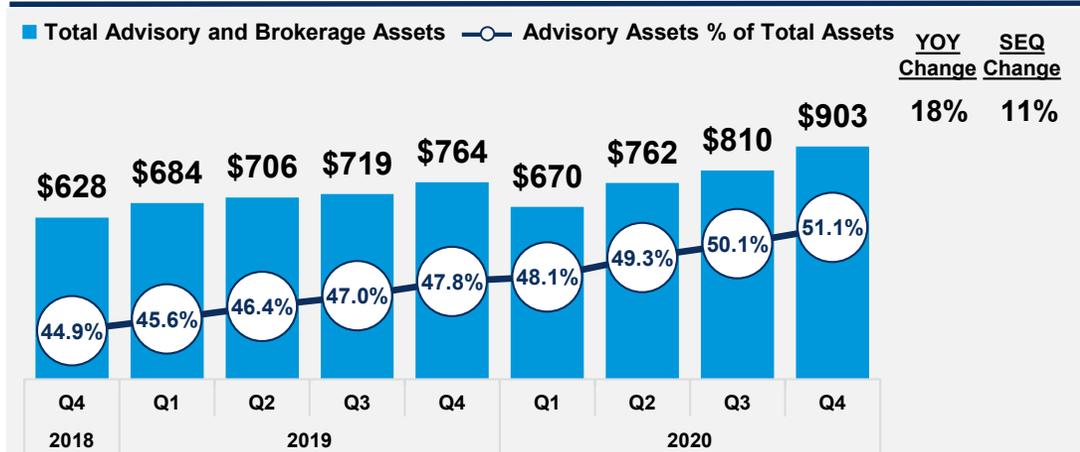
EBITDA is defined as net income plus interest and other expense, income tax expense, depreciation and amortization, and amortization of intangible assets. The Company presents EBITDA because management believes that it can be a useful financial metric in understanding the Company's earnings from operations. 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 23 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 GAAP EPS to EPS Prior to Amortization of Intangible Assets, please see page 24 of this presentation.

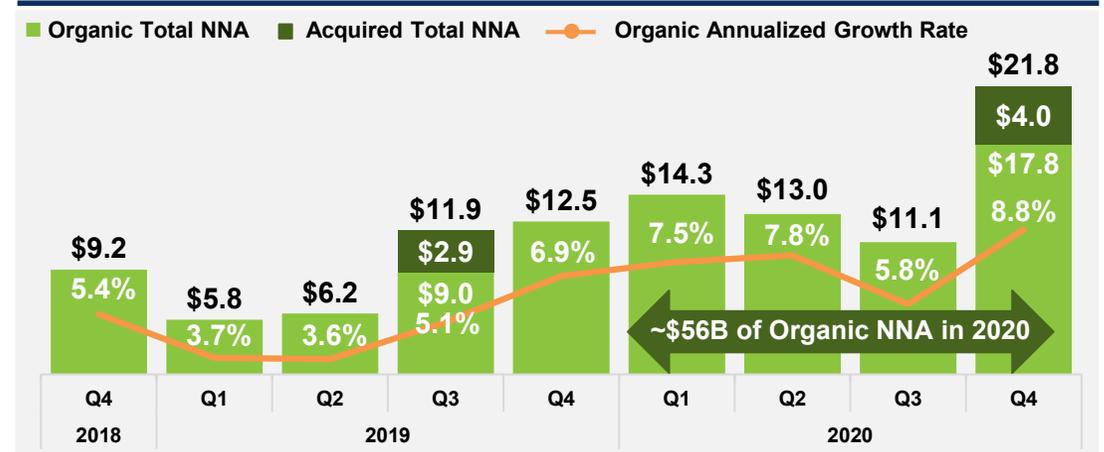
Core G&A consists of total operating expenses, which were \$1,410 million for the three months ended December 31, 2020, excluding the following expenses: advisory and commission, regulatory charges, promotional, employee share-based compensation, depreciation and amortization, amortization of intangible 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 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 page 25 of this presentation. 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.

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

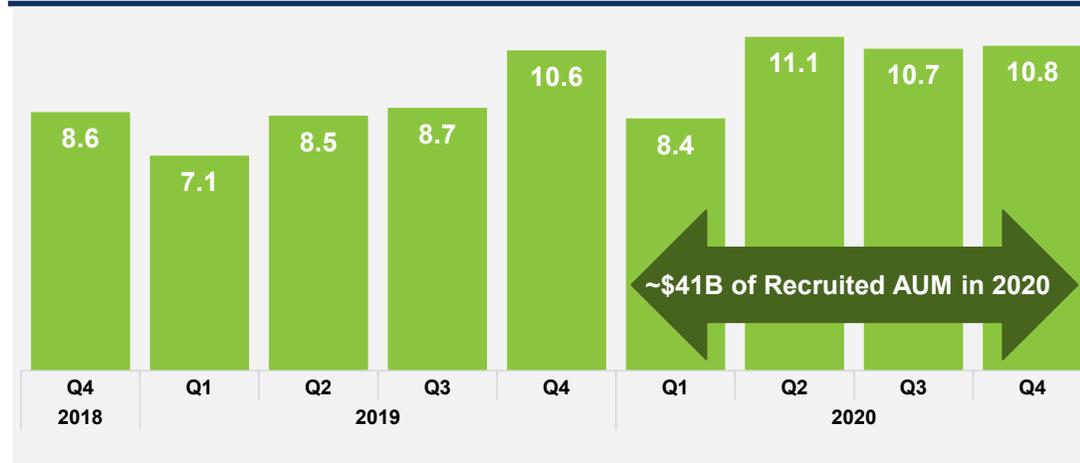
## Total Advisory and Brokerage Assets (\$ billions)



## Total Net New Assets<sup>(1)</sup> (\$ billions)



## Recruited Assets<sup>(2)</sup> (\$ billions)

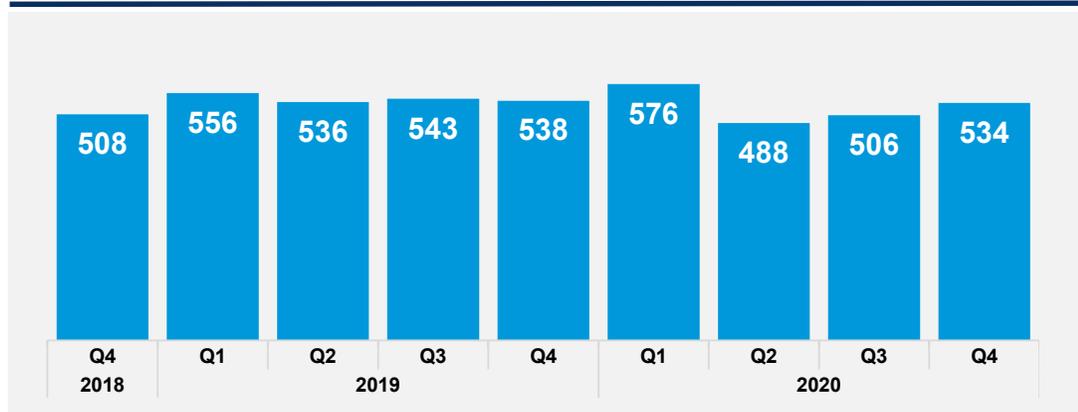


## Production Retention Rate<sup>(3)</sup> (YTD Annualized %)



# ...And solid financial results

Gross Profit\* (\$ millions)



EBITDA\* (\$ millions)



EBITDA\* as a % of Gross Profit\*



EPS Prior to Amortization of Intangible Assets\*



# We continued to drive solid organic growth with a Net New Asset growth rate of ~9% in Q4 and 7%+ for the past year

## Total Net New Assets<sup>(1)</sup> (\$ billions)

- Organic Total NNA
- Acquired Total NNA
- Organic Annualized Growth Rate



## Net New Advisory Assets<sup>(4)</sup> (\$ billions)

- Organic Advisory NNA
- Acquired Advisory NNA
- Organic Annualized Growth Rate



## Net New Brokerage Assets<sup>(5)</sup> (\$ billions)

- Organic Brokerage NNA
- Acquired Brokerage NNA
- Organic Annualized Growth Rate



Net Brokerage to Advisory Conversions<sup>(6)</sup> (billions): \$1.4 \$1.4 \$1.8 \$1.7 \$1.9 \$2.4 \$1.6 \$2.0 \$2.6

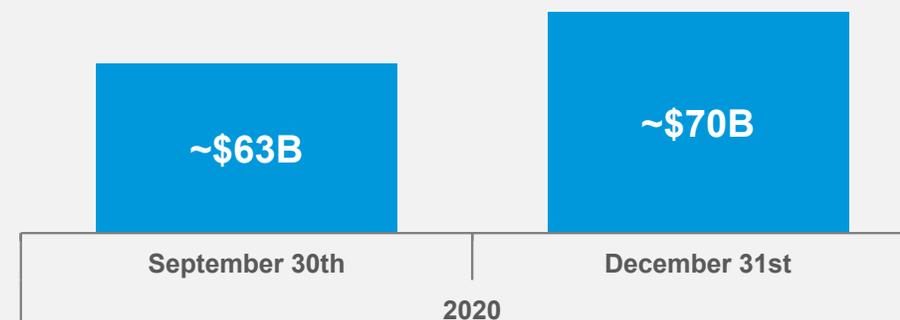
# Update on our agreement to acquire Waddell & Reed's wealth management business

## Transaction Details at Signing

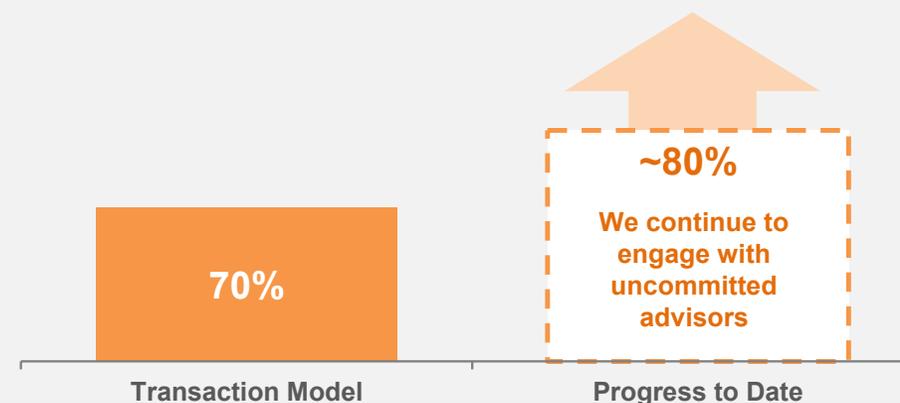
- On December 2<sup>nd</sup>, we signed an agreement to acquire Waddell & Reed's wealth management business
- Transaction structured primarily as an equity purchase with a price of **\$300M**
- Estimated onboarding and integration costs of **~\$85M**
- Estimated Run-Rate EBITDA\* accretion of **~\$50M+** by twelve months following close
- Transaction multiple of **~6.5x<sup>†</sup>** or lower
- Waddell & Reed's wealth management client assets were **~\$63B** with asset mix of ~45% advisory and ~55% brokerage *(as of September 30, 2020)*
- Waddell & Reed's wealth management business has over **900 advisors**, serving ~\$70M of client assets per advisor

## Progress to Date

Waddell & Reed's wealth management client assets have increased by **~\$7B**



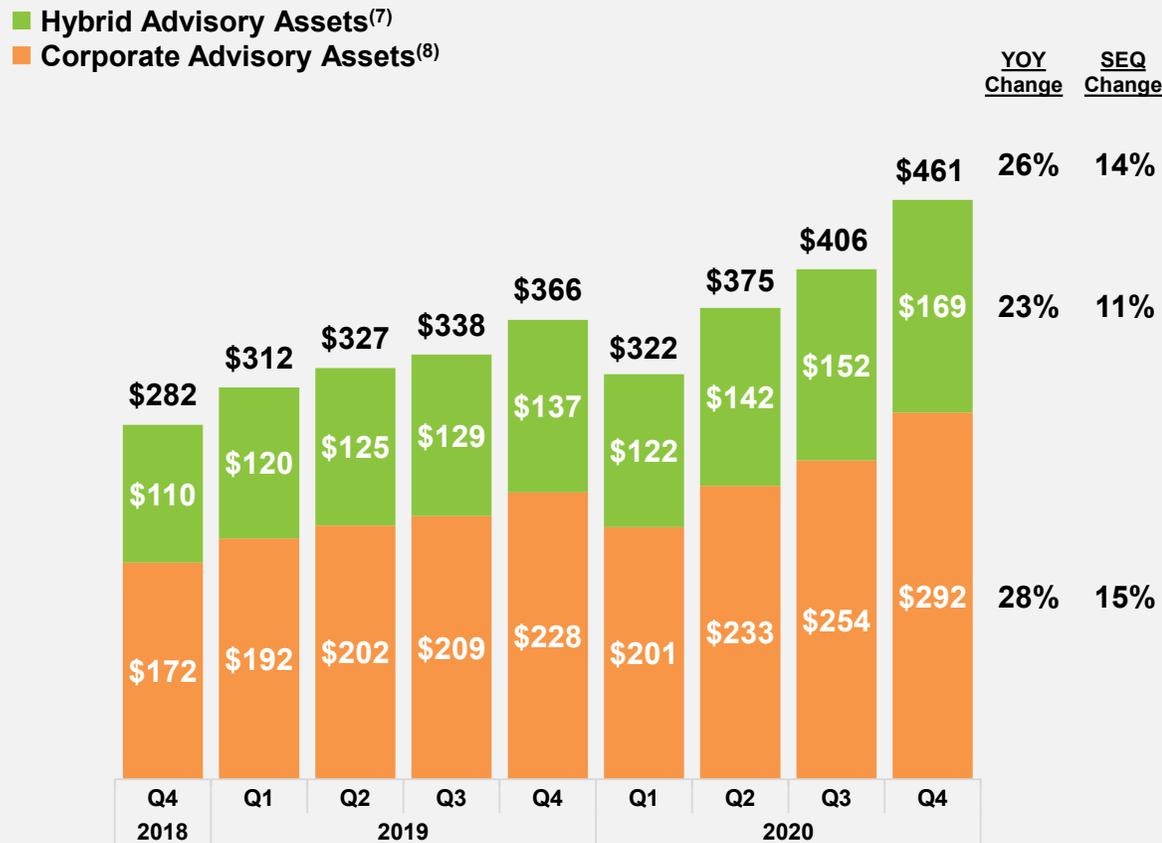
Waddell & Reed advisors serving **~80%** of client assets have already committed to join our platform following the close of the transaction



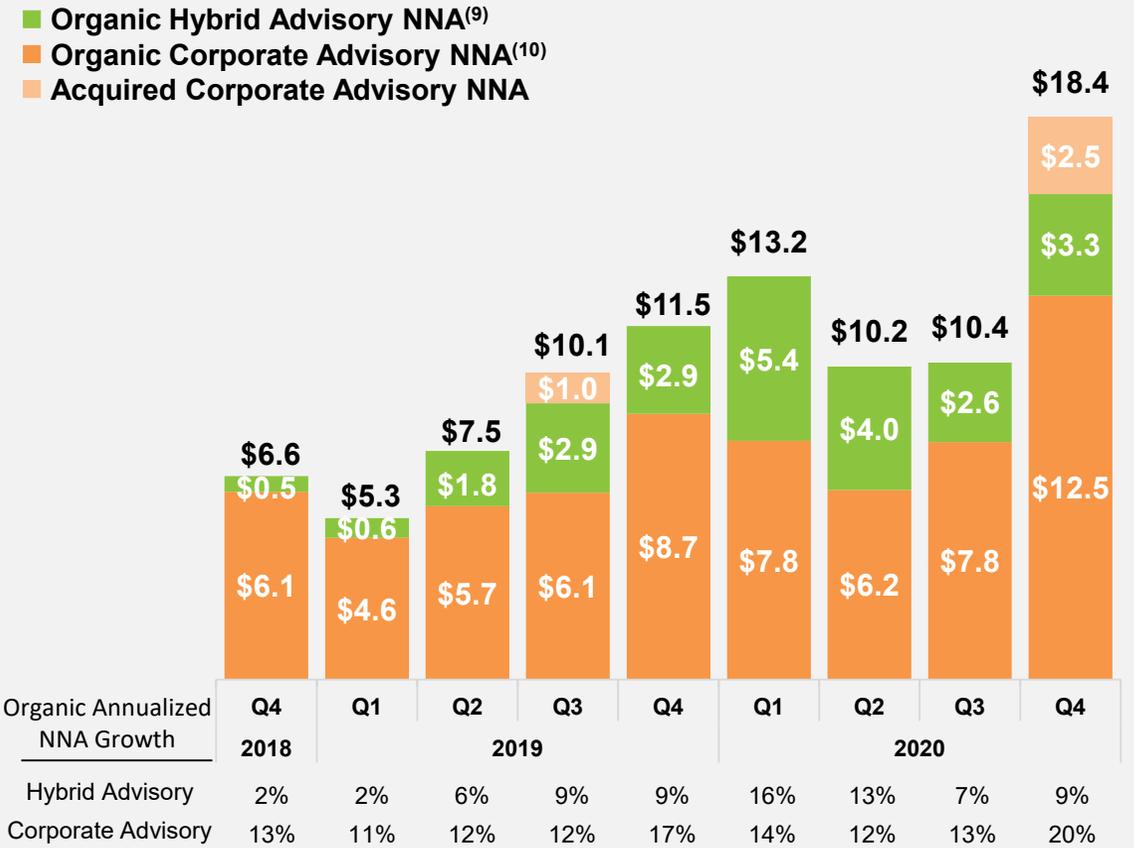
<sup>†</sup>Estimated transaction multiple of ~6.5x or lower based on \$50M+ of run-rate EBITDA\* relative to ~\$335M total consideration; total consideration includes purchase price plus onboarding and integration costs, net of capital related to Waddell & Reed's wealth management business

# Our Corporate and Hybrid Advisory platforms continue to grow

Corporate and Hybrid Advisory Platform Mix (\$ billions)

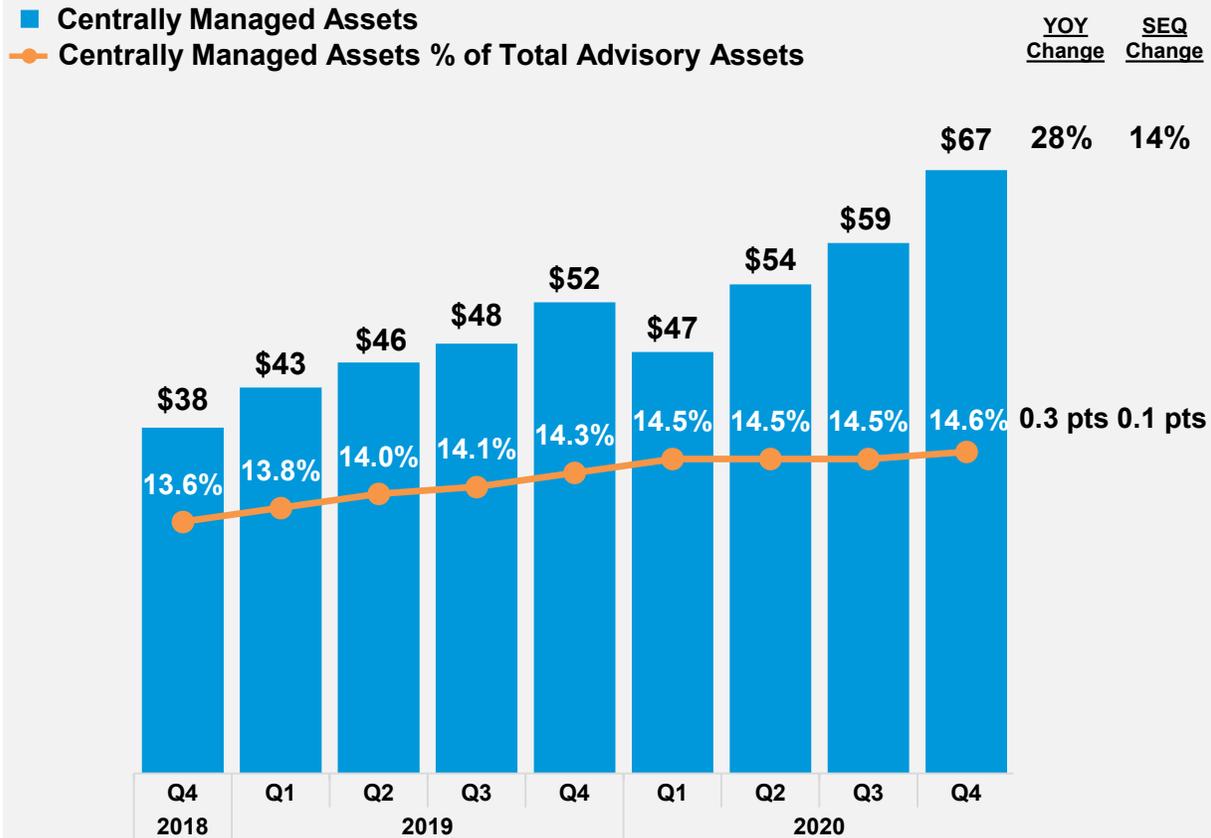


Corporate and Hybrid Advisory NNA Mix (\$ billions)



# We grew Centrally Managed Assets at a 17% organic growth rate in Q4

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

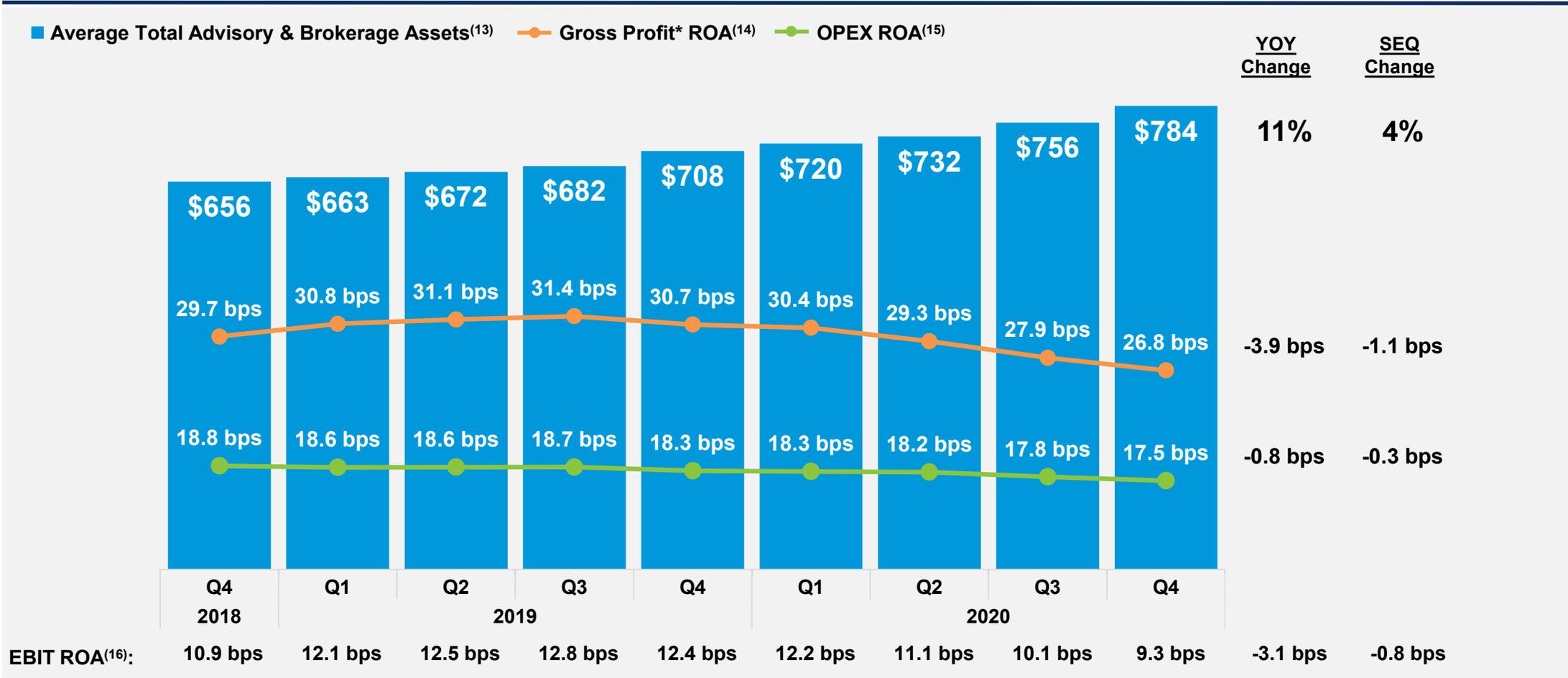


Centrally Managed NNA<sup>(12)</sup> (\$ billions)



# We continued to drive solid EBIT ROA in Q4

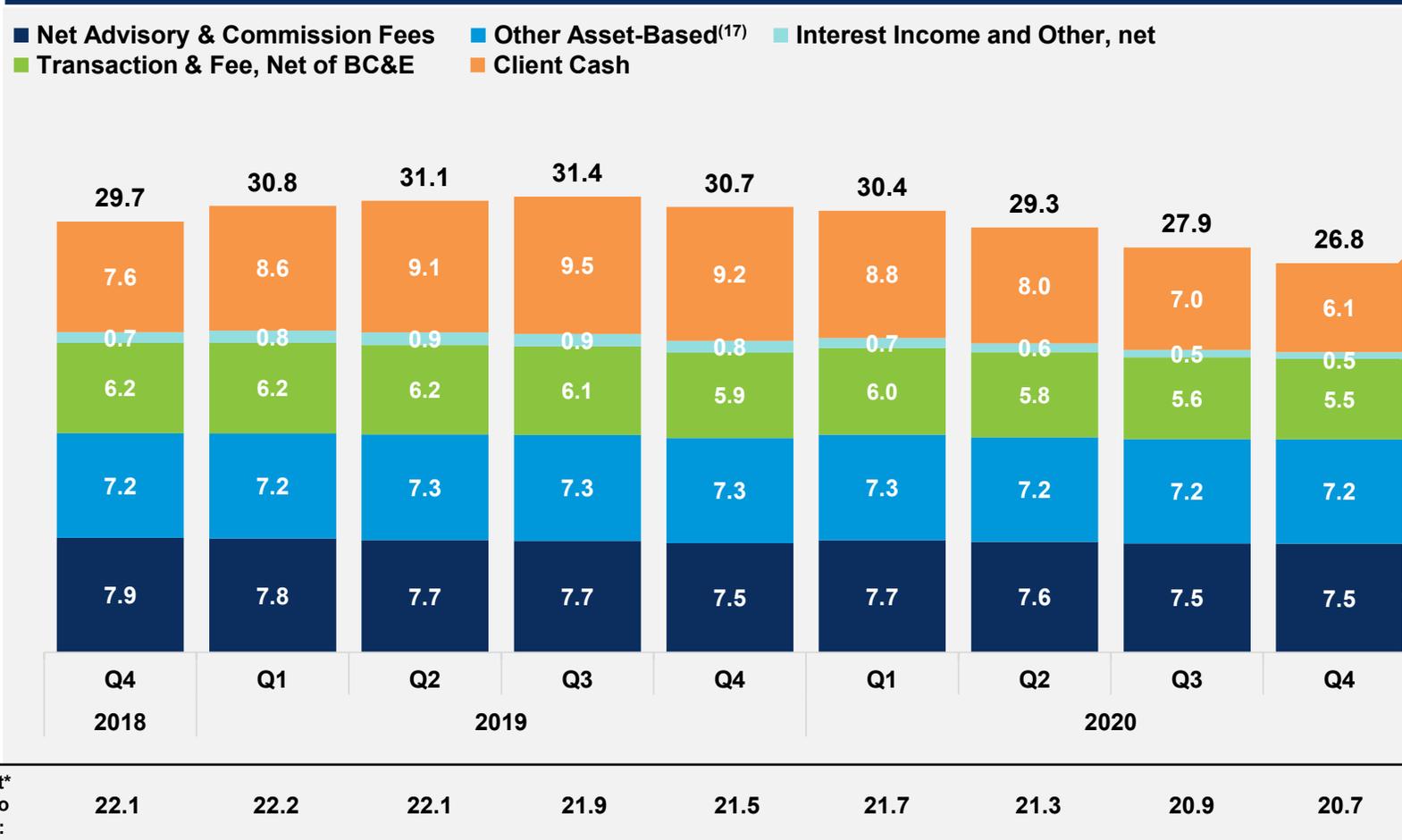
## Average Total Advisory & Brokerage Assets (\$ billions)



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

# Gross Profit\* ROA decreased year-over-year, primarily driven by lower interest rates

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



**Our Gross Profit ROA is primarily impacted by 3 key drivers**

**Client Cash** and **Interest Income and Other** ROAs have declined year-over-year as **lower interest rates** reduce returns on client and corporate cash

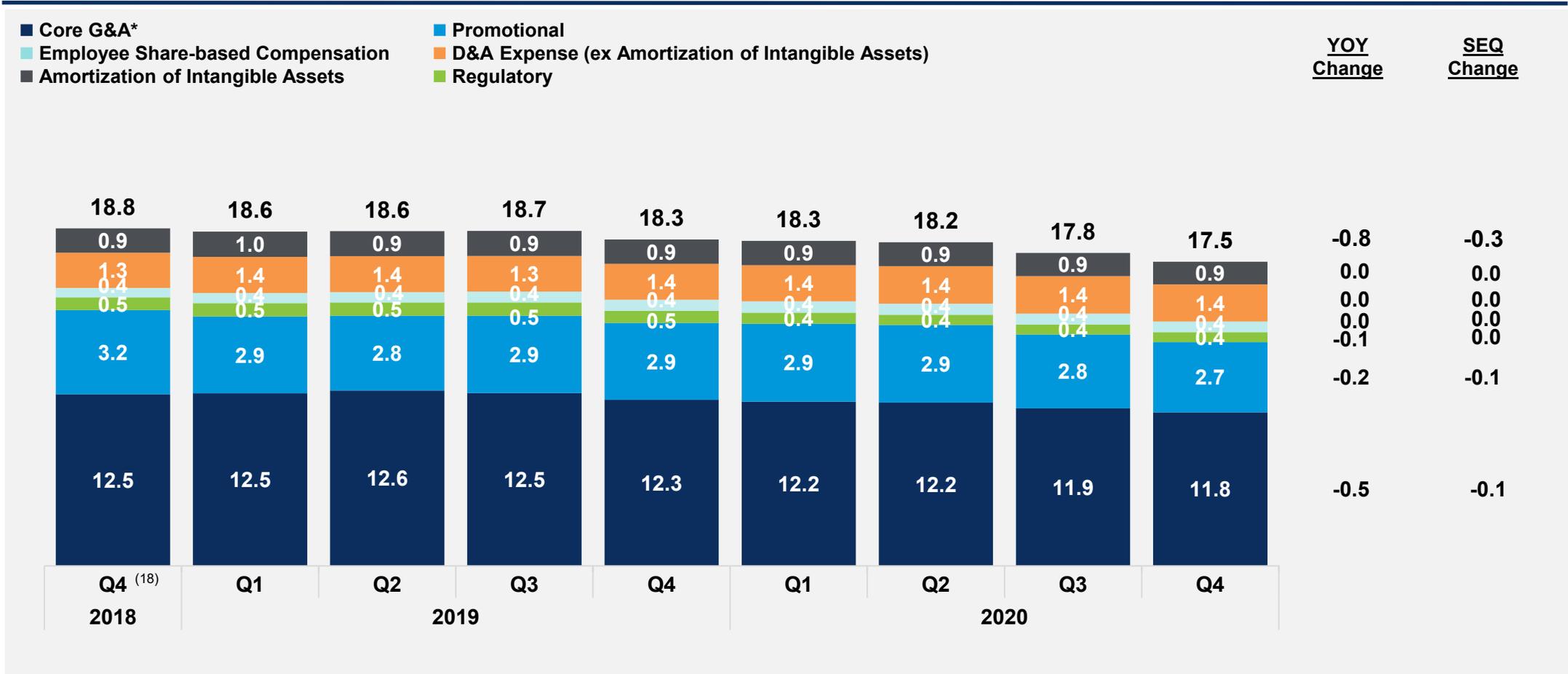
**Transaction & Fee** ROA is driven by **Advisor count** and **trading levels**; market driven asset growth causes a ROA decline even as advisor driven fees continue to grow, as they don't move with assets

**Asset levels** drive **Advisory & Commission Fees** and **Other Asset Based** ROAs, which have remained consistent as advisors continue to shift to advisory and we leverage our distribution capabilities

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

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

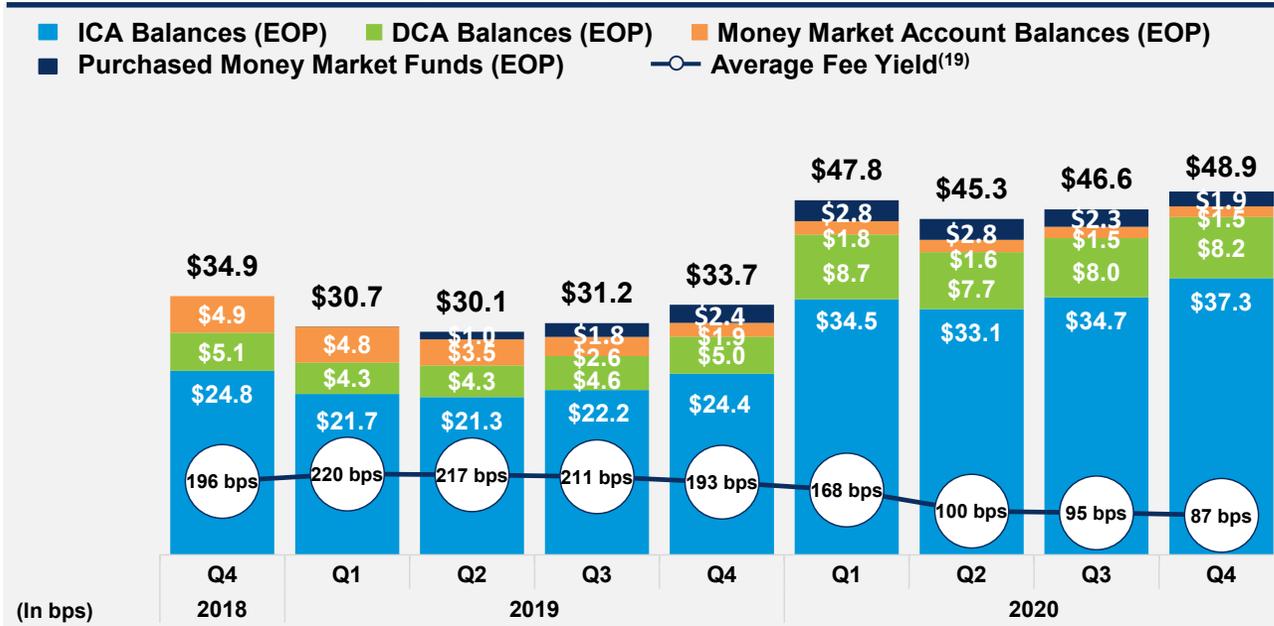
Total OPEX % of Assets<sup>(15)</sup> (bps)



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

# Q4 Client Cash balances increased 5% sequentially

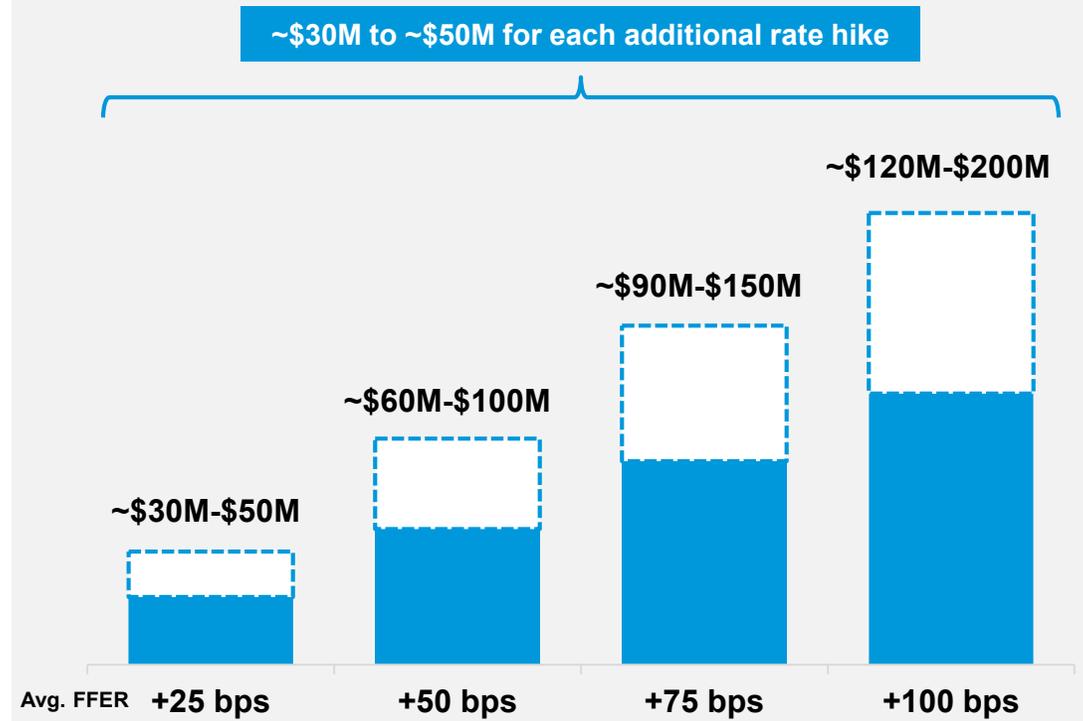
## Client Cash balances (\$ billions)



(In bps)	2018	2019	2020
ICA Fee Yield	215	249	195
DCA Fee Yield	207	226	142
Purchased MM Fee Yield	n/a	n/a	29
MM Account Fee Yield	75	74	58
<b>Average Fee Yield :</b>	<b>196</b>	<b>217</b>	<b>100</b>
<b>Client Cash % of Total Assets:</b>	<b>5.6%</b>	<b>4.3%</b>	<b>5.9%</b>

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

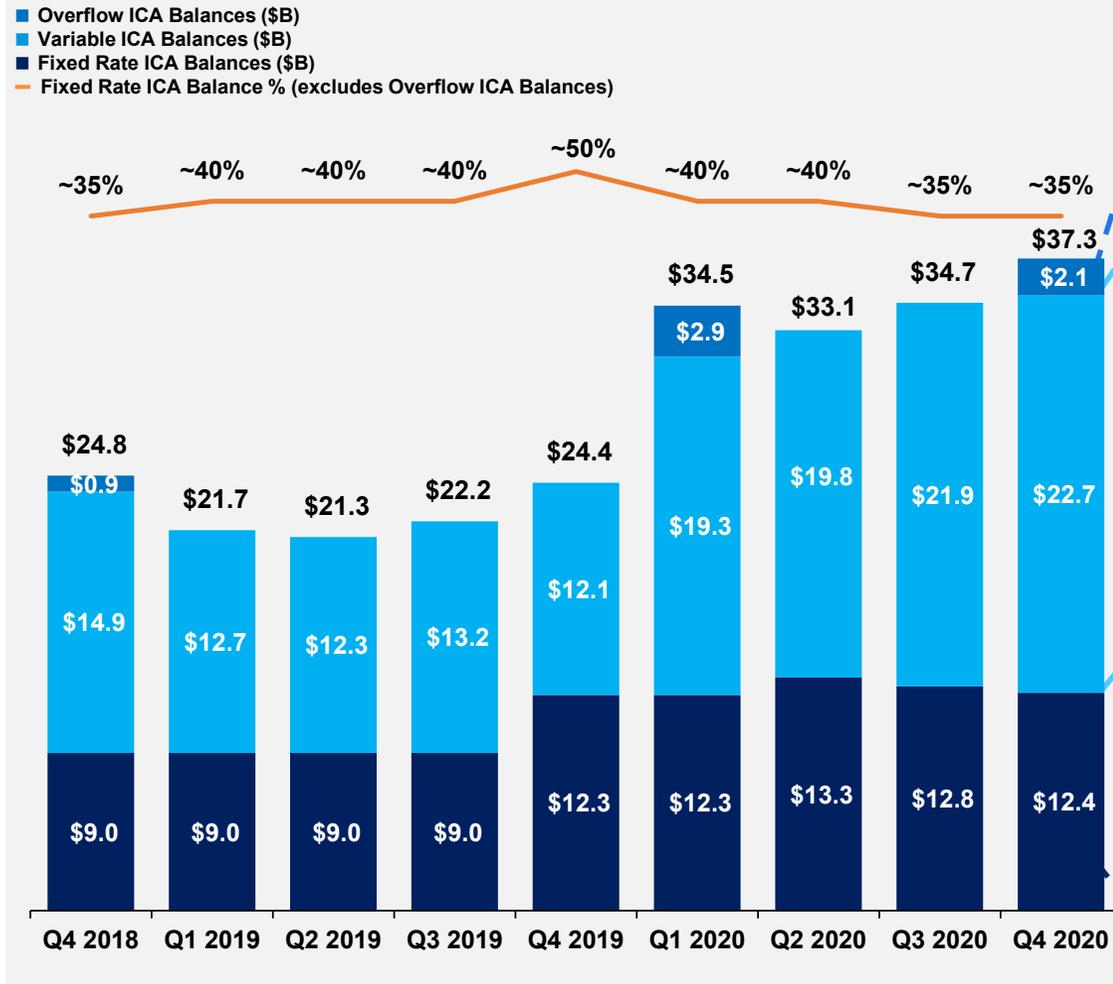
Estimated Interest Rate Sensitivity with ICA Balances of ~\$37B (with ~\$12B of fixed ICA balances)



Note: assumes change based on Q4 2020 end of period ICA balances of ~\$37B (with ~\$12B of fixed ICA balances), deposit betas of 25-50%, ~\$15M change in DCA revenue per 25 bps rate hike, and ~\$3M change in interest expense on floating rate debt per 25 bps rate hike

# In Q4, ICA balances remained well above 2019 levels

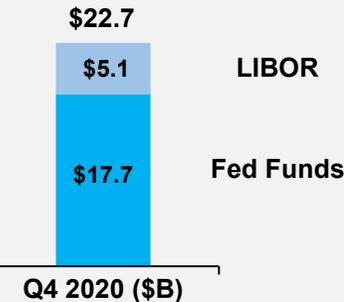
## ICA balances remain elevated



## 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
- In the current interest rate environment, the net interest rate earned on overflow contracts averages 1 to 2 basis points

## Variable balances are mostly indexed to Fed Funds



- Most variable balances are indexed to Fed Funds + a spread (~20 to ~30 bps)
- However, some are indexed to short-term LIBOR (1ML and 3 ML)

## 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), other than overflow yields which are shown as net of these fees.

# We remain focused on investing to drive organic growth while delivering long-term operating leverage in our core business

## 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

## 2021 Core G&A\* context

- Our 2020 Core G&A\* was \$925M, translating to a 6.5% year-over-year growth rate, which was in the lower half of our \$915M to \$940M outlook range
- We are seeing positive results as we continue to prioritize investments that drive organic growth and deliver operating leverage in our core business
- Given this, in 2021 we plan to continue investing for growth at a similar rate to 2020
- Our 2021 Core G&A\* outlook range is ~5.5% to ~8% year-over-year growth prior to Waddell & Reed, or \$975M to \$1,000M

## Recent expense trajectory, prior to acquisitions



## Core G&A\* outlook

**2020 Actual**

**\$925M**

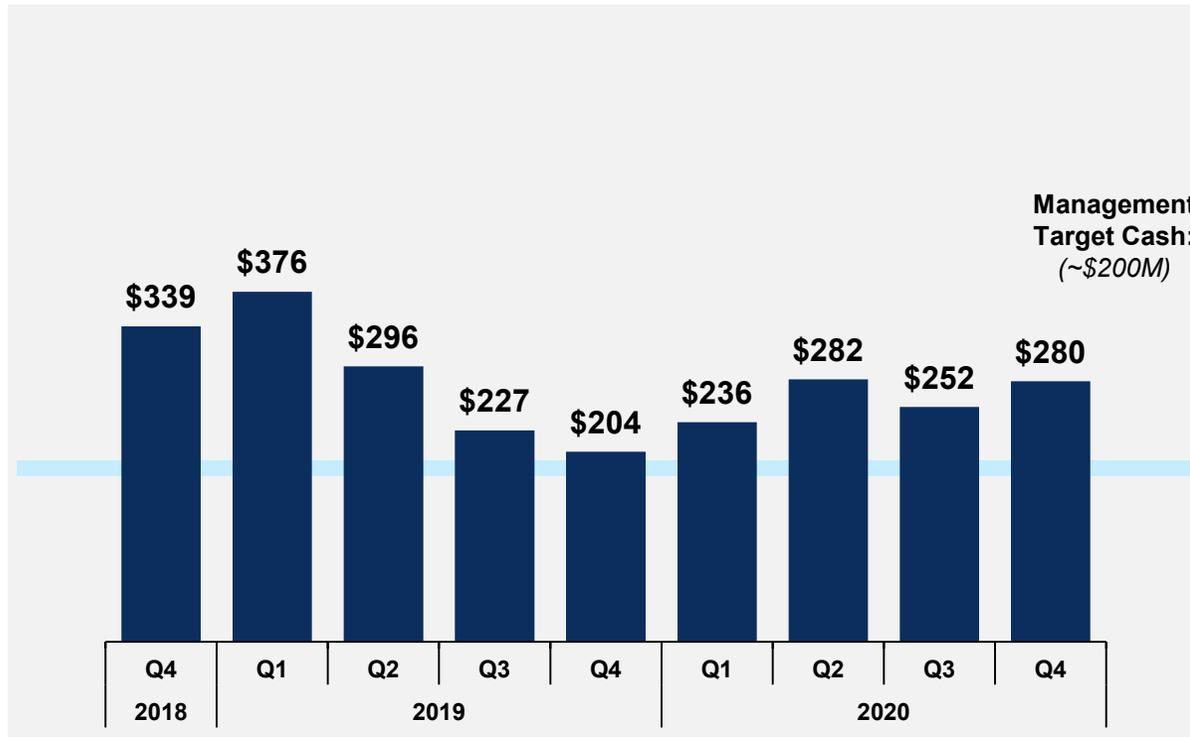
**2021 Outlook**  
Prior to Waddell & Reed

**\$975M - \$1,000M**

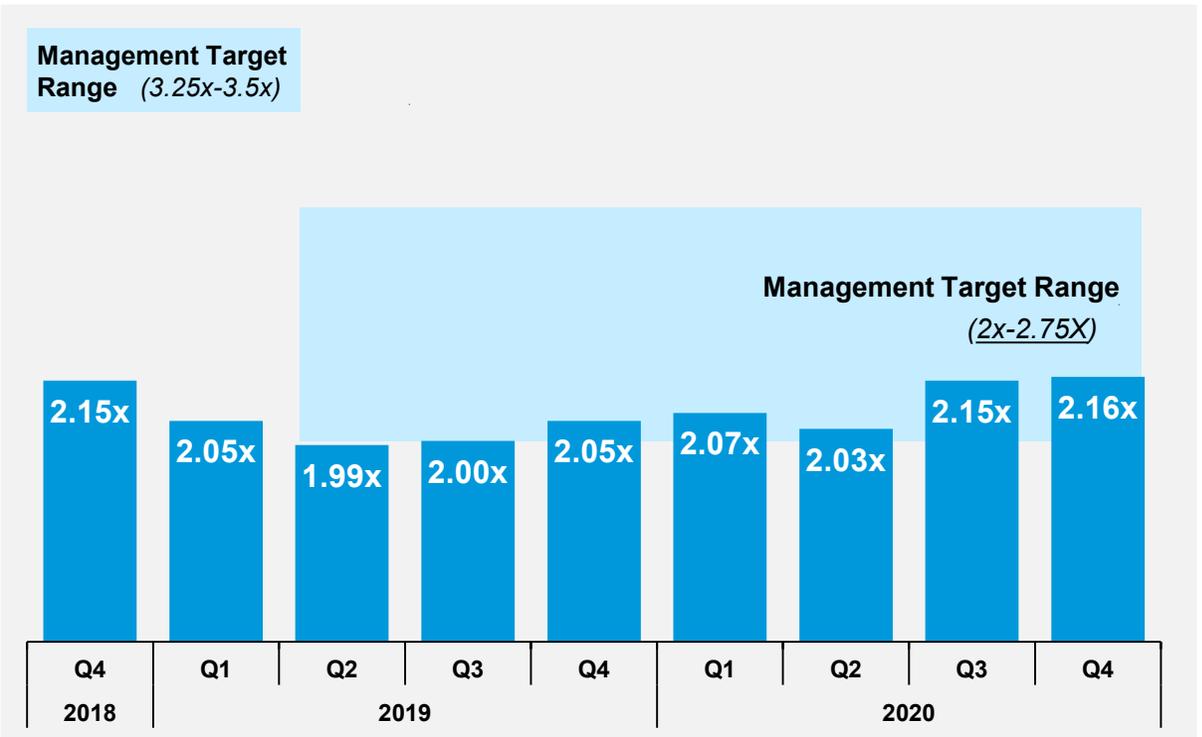
<sup>†</sup> Based on the Company's 2018 Core G&A\* prior to NPH and AdvisoryWorld related expenses compared to the Company's 2017 Core G&A\* prior to NPH-related expenses. <sup>‡</sup> Based on the Company's total 2018 Core G&A\*.

# Our balance sheet remained strong in Q4...

Cash Available for Corporate Use (\$ millions)



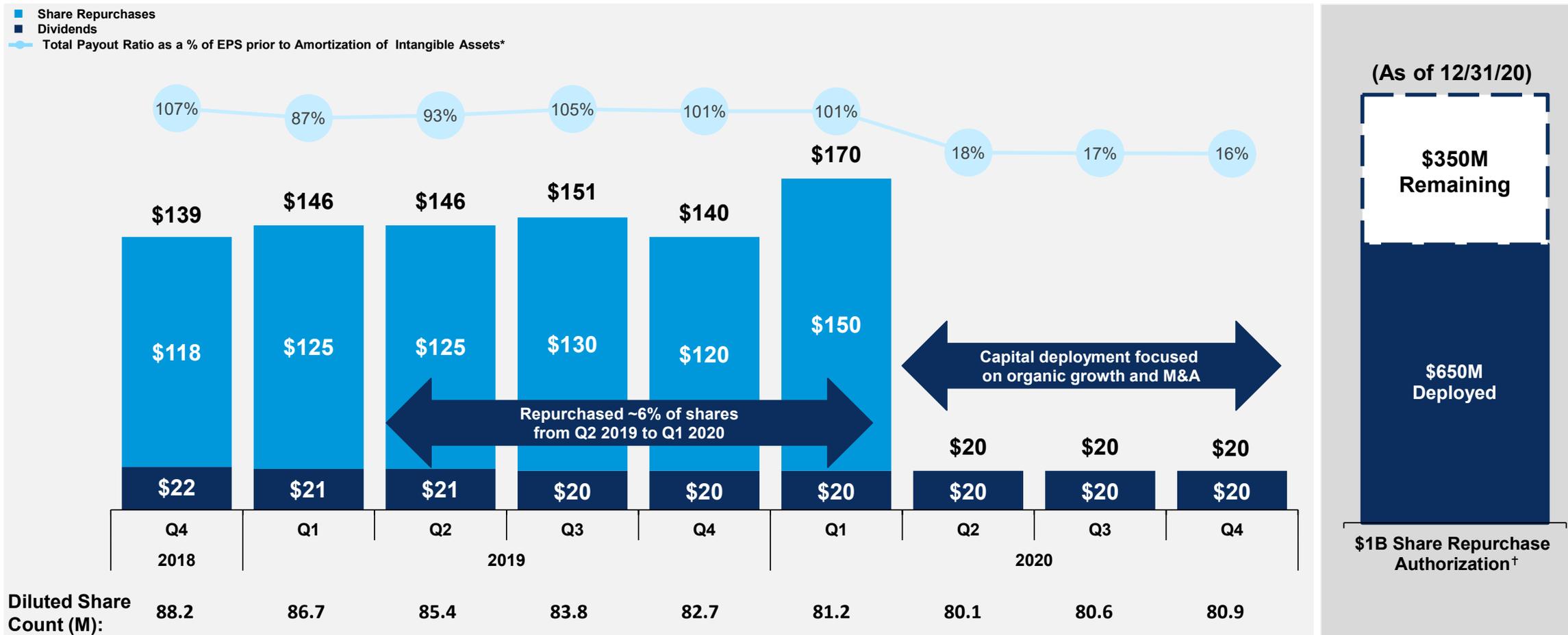
Credit Agreement Net Leverage Ratio



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

...And we are currently prioritizing capital deployment to organic growth and M&A

### Shareholder Capital Returns (\$ millions)

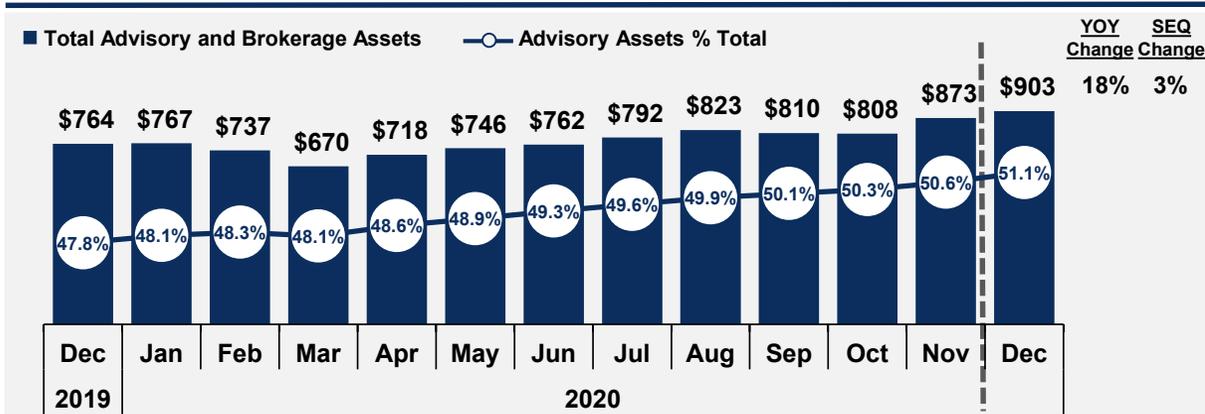


<sup>†</sup> Increased share repurchase authorization to \$1B as of December 31, 2018.

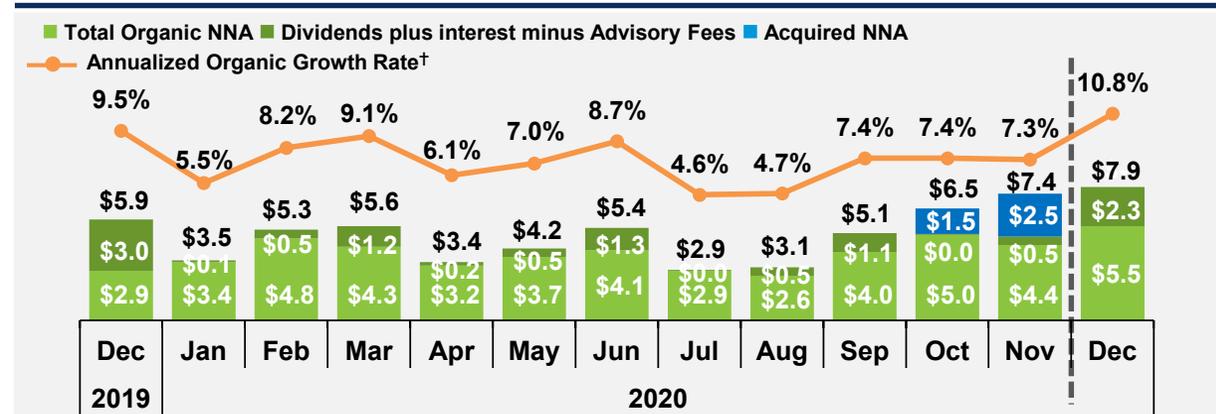
# Appendix

# Monthly metrics dashboard through December 2020

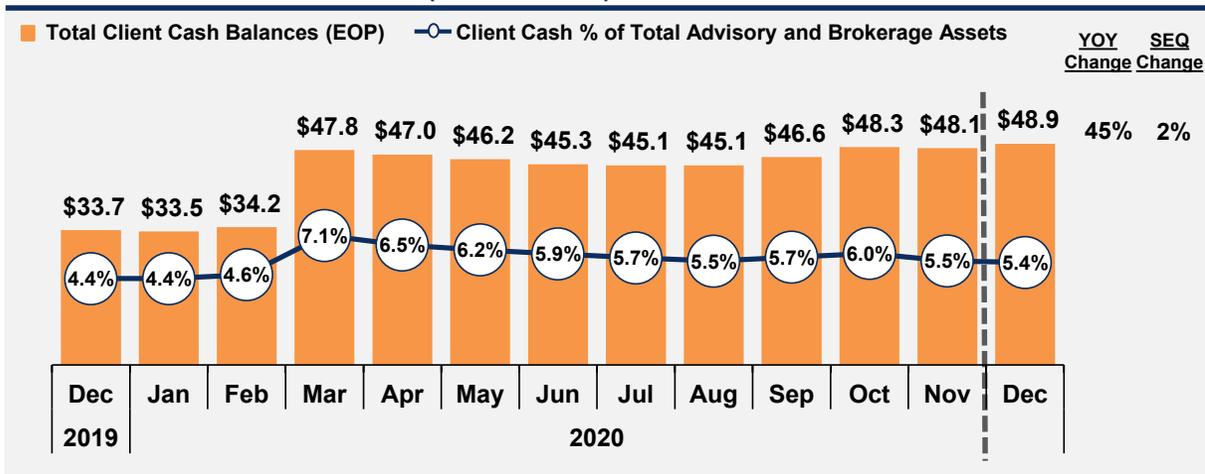
## Total Advisory and Brokerage Assets (\$ billions)



## 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 Advisory and Brokerage Assets.

# Q4 Gross Profit\* increased 6% sequentially

Gross Profit\* (\$ millions)

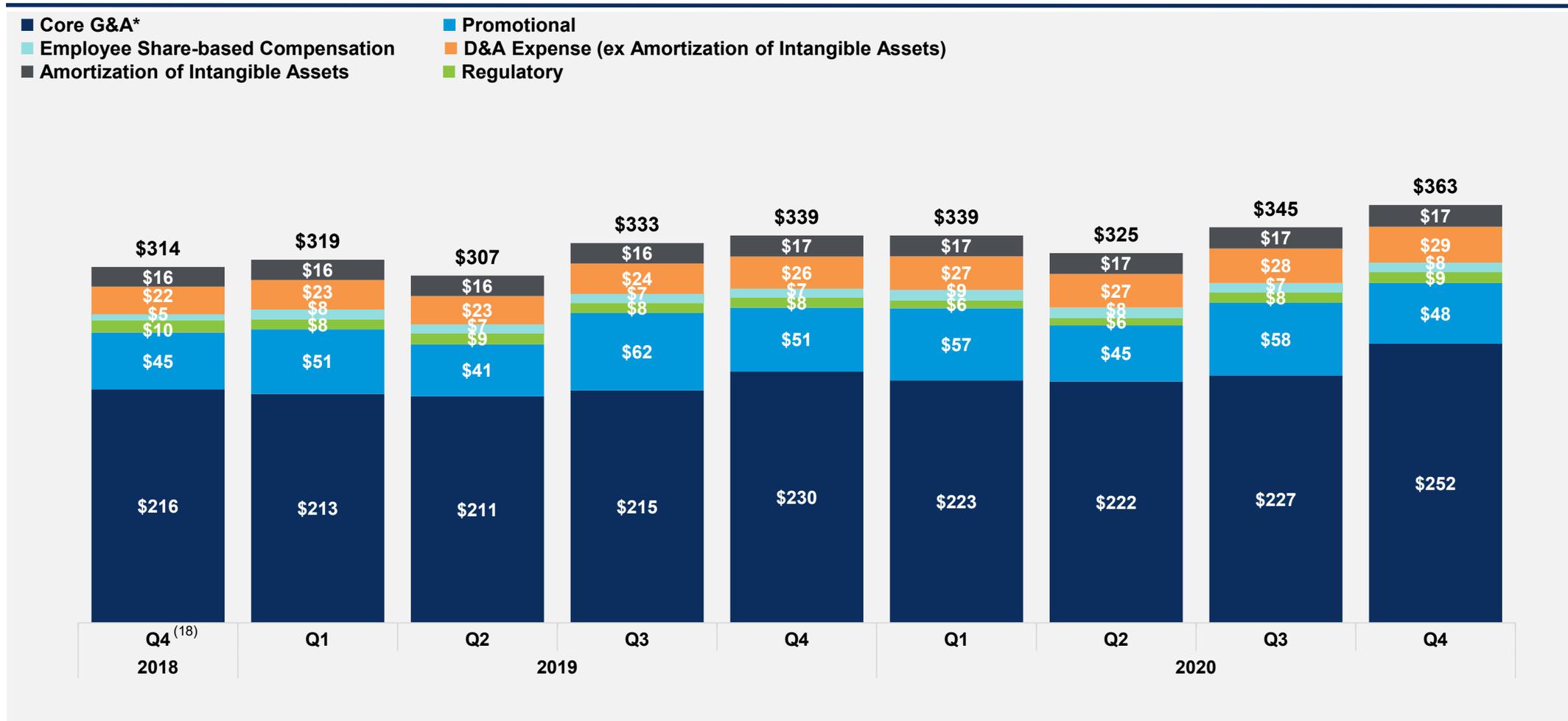
■ Net Advisory & Commission Fees   
 ■ Other Asset-Based<sup>(17)</sup>   
 ■ Interest Income and Other, net  
■ Transaction & Fee, Net of BC&E   
 ■ Client Cash



Gross Profit* prior to client cash:	\$360	\$383	\$374	\$380	\$383	\$424	\$372	\$397	\$429
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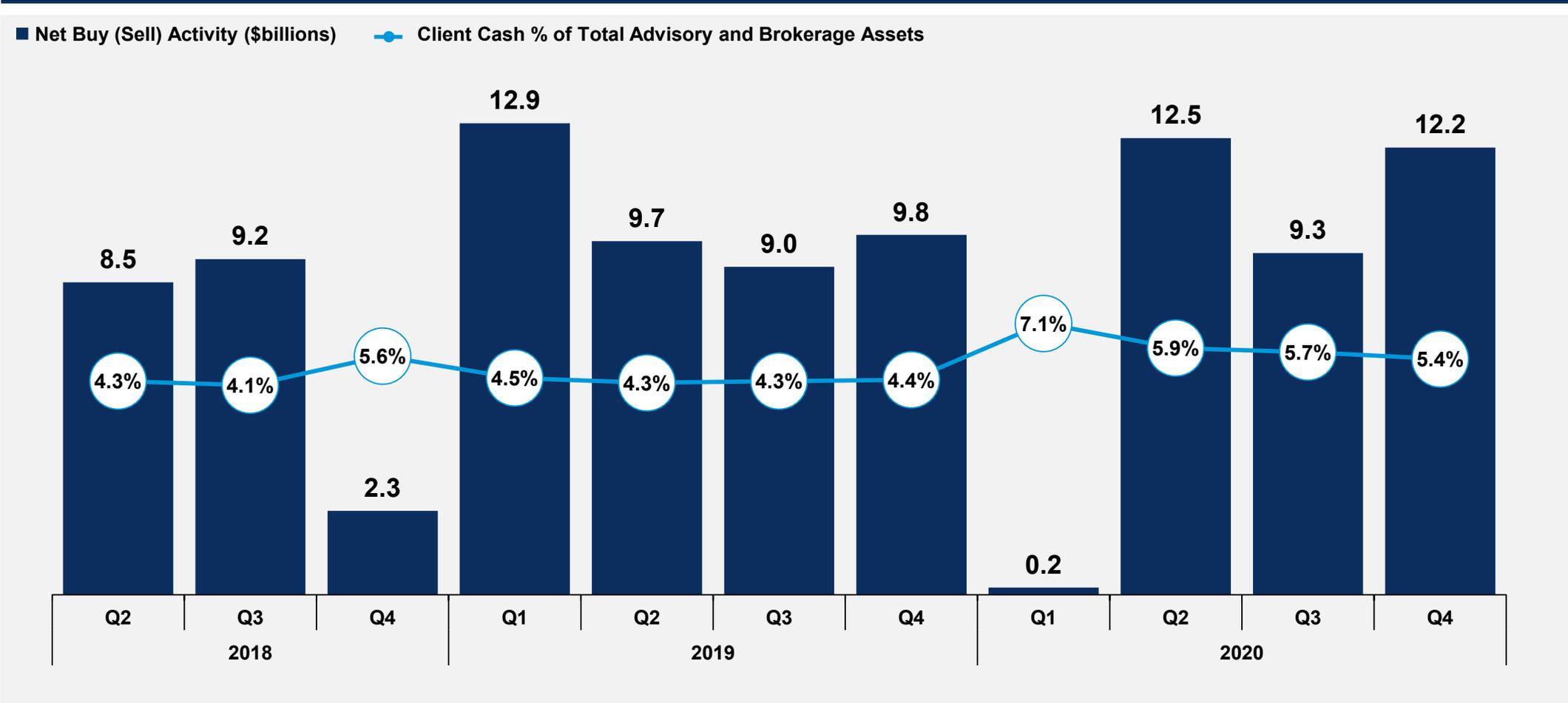
# Q4 Total OPEX increased 5% sequentially, and increased 7% year-over-year

Total OPEX<sup>(20)</sup> (\$ millions)



# Net Buy (Sell) Activity was \$12.2 billion in Q4

Net Buy (Sell) Activity<sup>(21)</sup>



# 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, 9, 10 and 19.

\$ in millions	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Total net revenues	\$1,581	\$1,460	\$1,367	\$1,463	\$1,448	\$1,416	\$1,390	\$1,372	\$1,317
Advisory and commission expense	1,030	937	860	871	894	857	838	800	793
Brokerage, clearing and exchange fees	18	18	19	17	16	16	16	16	16
Gross Profit	<b>\$534</b>	<b>\$506</b>	<b>\$488</b>	<b>\$576</b>	<b>\$538</b>	<b>\$543</b>	<b>\$536</b>	<b>\$556</b>	<b>\$508</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	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
<b>NET INCOME</b>	<b>\$112</b>	<b>\$104</b>	<b>\$102</b>	<b>\$156</b>	<b>\$127</b>	<b>\$132</b>	<b>\$146</b>	<b>\$155</b>	<b>\$120</b>
Non-operating interest expense and other	25	25	26	29	31	32	34	33	32
Provision for income taxes	34	32	36	52	38	46	49	48	42
Depreciation and amortization	29	28	27	27	26	24	23	23	22
Amortization of intangible assets	17	17	17	17	17	16	16	16	16
Loss on extinguishment of debt	0	0	0	0	3	0	0	0	0
<b>EBITDA</b>	<b>\$217</b>	<b>\$205</b>	<b>\$207</b>	<b>\$280</b>	<b>\$242</b>	<b>\$250</b>	<b>\$268</b>	<b>\$276</b>	<b>\$232</b>

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

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:

in millions, except per share data	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
GAAP EPS	\$1.38	\$1.29	\$1.27	\$1.92	\$1.53	\$1.57	\$1.71	\$1.79	\$1.36
Amortization of intangible assets	\$17	\$17	\$17	\$17	\$17	\$16	\$16	\$16	\$16
Tax benefit	(\$5)	(\$5)	(\$5)	(\$5)	(\$5)	(\$4)	(\$5)	(\$5)	(\$4)
Amortization of intangible assets net of tax	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$11
Diluted share count	80.9	80.6	80.1	81.2	82.7	83.8	85.4	86.7	88.2
EPS impact	\$0.15	\$0.15	\$0.15	\$0.15	\$0.15	\$0.14	\$0.14	\$0.13	\$0.13
EPS prior to amortization of intangible assets	<b>\$1.53</b>	<b>\$1.44</b>	<b>\$1.42</b>	<b>\$2.06</b>	<b>\$1.68</b>	<b>\$1.71</b>	<b>\$1.85</b>	<b>\$1.93</b>	<b>\$1.49</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 11, 14 and 20:

\$ in millions	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Core G&A	\$252	\$227	\$222	\$223	\$230	\$215	\$211	\$213	\$216
Regulatory charges	9	8	6	6	8	8	9	8	10
Promotional	48	58	45	57	51	62	41	51	45
Employee share-based compensation	8	7	8	9	7	7	7	8	5
<b>Total G&amp;A</b>	<b>\$317</b>	<b>\$301</b>	<b>\$281</b>	<b>\$295</b>	<b>\$296</b>	<b>\$292</b>	<b>\$268</b>	<b>\$280</b>	<b>\$276</b>
Advisory and commissions	1,030	937	860	871	894	857	838	800	793
Depreciation and amortization	29	28	27	27	26	24	23	23	22
Amortization of intangible assets	17	17	17	17	17	16	16	16	16
Brokerage, clearing and exchange fees	18	18	19	17	16	16	16	16	16
<b>Total operating expenses</b>	<b>\$1,410</b>	<b>\$1,300</b>	<b>\$1,203</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>

\$ in millions	Q4 2018
Core G&A	\$216
NPH related Core G&A <sup>†</sup>	15
AdvisoryWorld related Core G&A	2
<b>Total Core G&amp;A prior to NPH and AdvisoryWorld</b>	<b>\$199</b>

<sup>†</sup> Estimated NPH related Core G&A for Q4 2018

# Footnotes

- (1) In April 2020, the Company updated its definition of net new assets to include dividends plus interest, minus advisory fees (see FNs 4 and 5). Net new assets figures for periods prior to Q2 2020 appearing in this presentation have been recast using the updated definition.
- (2) Represents the estimated Total Advisory and Brokerage 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.
- (3) Reflects retention of advisory and commission revenues, calculated by deducting the prior year production of the annualized year-to-date attrition rate, over the prior year total production.
- (4) Consists of total client deposits into advisory accounts (including advisory assets serviced by Allen & Company advisors) less total client withdrawals from advisory accounts, plus dividends, plus interest, minus advisory fees (see FN 1). 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.
- (5) Consists of total client deposits into brokerage accounts (including brokerage accounts serviced by Allen & Company advisors) less total client withdrawals from brokerage accounts, plus dividends, plus interest (see FN 1). 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.
- (6) Consists of existing custodied assets that converted from brokerage to advisory, less existing custodied assets that converted from advisory to brokerage.
- (7) 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.
- (8) 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").
- (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 FN 11) 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 Advisory and Brokerage Assets for the period.
- (14) Represents total trailing twelve-month Gross Profit\* for the period, divided by average month-end Total Advisory and Brokerage Assets for the period (see FN 13).
- (15) Represents total trailing twelve-month operating expenses for the period, excluding production-related expense ("OPEX"), divided by average month-end Total Advisory and Brokerage Assets for the period (see FN 13). Production-related expense includes advisory and commissions 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 FN 14) less OPEX ROA (see FN 15).
- (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 \$2M in Core G&A\* related to our acquisition of AdvisoryWorld.
- (19) Calculated by dividing revenue for the period by the average balance during the quarter.
- (20) Represents operating expenses for the period, excluding production-related expense. Production-related expense includes advisory and commissions 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.
- (21) 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.