



Q1 Investor Presentation

April 2013

 LPL Financial

Member FINRA/SIPC

Safe harbor disclosure



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An established leader in the financial services industry



We provide financial advisors with the most versatile and cost effective business platform for delivering personal, conflict-free financial advice to a range of clients from the mass market to high-net-worth individuals

Key Facts and Figures	
Advisors ⁽¹⁾	17,907
Total Assets	\$373 billion
RIA Assets	\$41 billion
Open architecture platform offering 8,900 products from >690 manufacturers	

(1) Advisor count includes 4,555 CCS advisors and 13,352 LPL advisors



(1) Source: Financial Planning magazine 1996-2012, based on total revenues
 (2) Source: 2010 Kenneth Kehrler study Based on number of financial institutions served



Serving advisors through a conflict-free business model

	No Proprietary Products	No Investment Banking	No Market Making	No Direct-to-Consumer Business	Supports Independent Financial Advisors	Fully Open Architecture	Integrated RIA & Brokerage Platform
LPL Financial	✓	✓	✓	✓	✓	✓	✓
MorganStanley SmithBarney	✗	✗	✗	✗	✗	✗	✗
BankofAmerica Merrill Lynch	✗	✗	✗	✗	✗	✗	✗
WELLS FARGO	✗	✗	✗	✗	✓	✗	✗
Edward Jones	✓	✓	✓	✓	✗	✗	✗
Ameriprise Financial	✗	✓	✓	✗	✗	✗	✗
UBS	✗	✗	✗	✗	✗	✗	✗
Northwestern Mutual	✗	✓	✓	✗	✗	✗	✗
RAYMOND JAMES	✗	✗	✗	✗	✓	✗	✗
charles SCHWAB	✗	✓	✓	✗	✓	✓	✗
TD AMERITRADE	✗	✓	✓	✗	✓	✓	✗



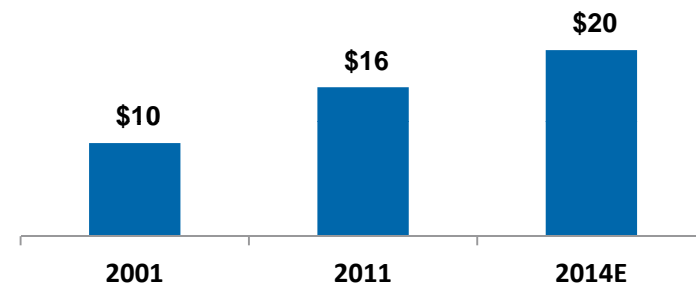
Favorable and growing industry trends

Key Trends⁽¹⁾

- Over \$27 trillion in addressable retail assets
- Strong growth in fee based assets – 19% CAGR from 2008 through 2011
- More than 10,000 baby boomers retiring daily
- Wirehouses are expected to cede 7% of asset market share by 2014
- 22% of advisors are considering a move to a new firm in the next two years
- RIA fastest growing channel, forecasted to add 5% market share by 2016

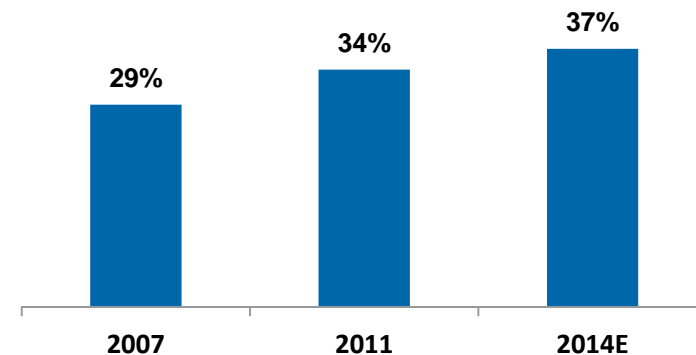
Boom in Retirement Assets⁽²⁾

(\$ trillions)



Secular Shift to Independence

Independent Channels' Market Share by Assets ⁽³⁾



(1) Key trend sources are: Cerulli Quantitative Update – The State of U.S. Retail and Institutional Asset Management, 2012 PewResearchCenter.org, Cerulli Quantitative Update – Advisors Metrics 2012 and Cogent Research 2012 Advisor Channel Migration Trends Study

(2) Cerulli Quantitative Update – Retirement Markets, 2012

(3) As measured by assets in the independent and RIA channels - Cerulli Quantitative Update – Intermediary Distribution 2012

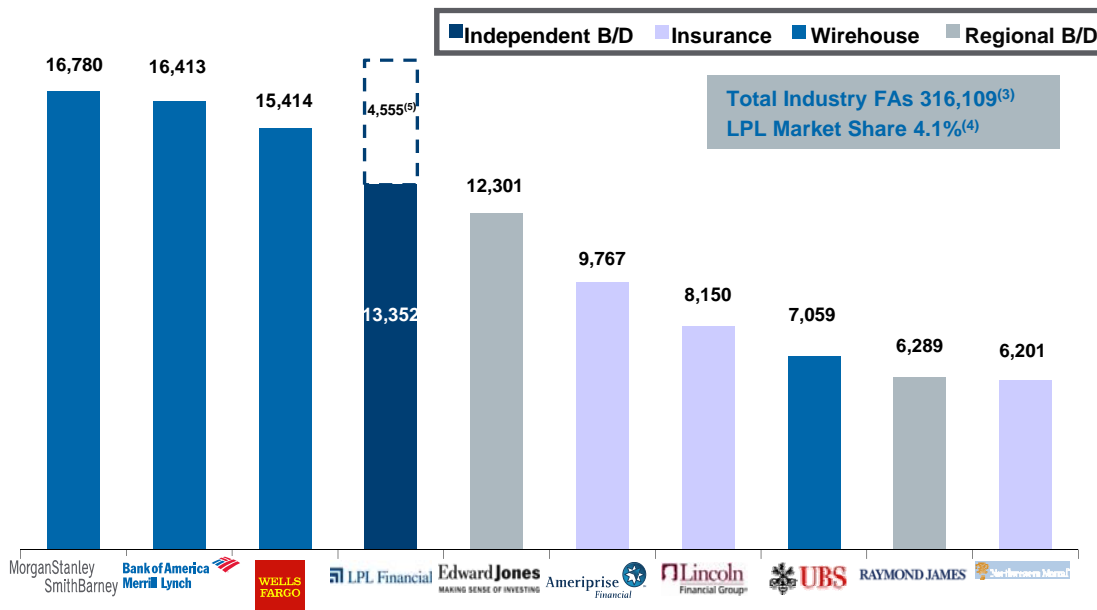
Positioned to capitalize on industry trends



Ranked #1 as leading destination for advisors, with 43% indicating they would consider LPL Financial⁽¹⁾

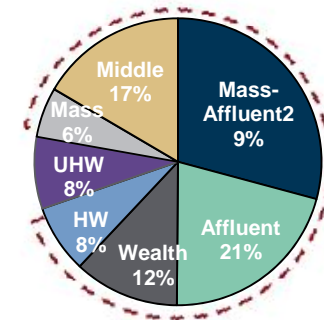
Top 4 Broker-Dealer in the Industry

Select Competitors as of 12/31/12 by Number of Advisors⁽²⁾



Market Leader with Growing Share

- Expanded addressable assets to 92% of the \$27 trillion market



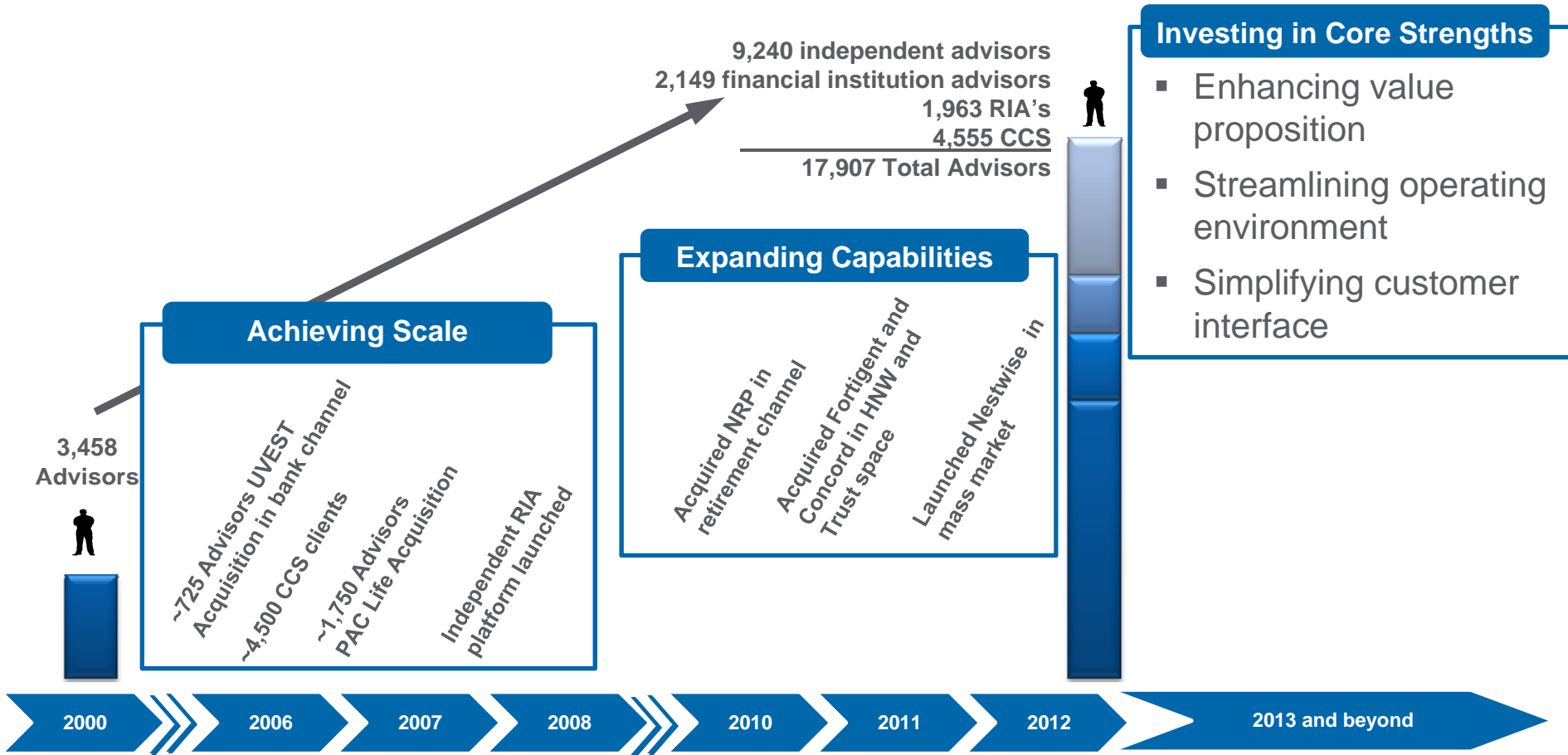
- Independent market share expanded from 4.6% in 2004 to 10.1% in 2011
- \$41 billion in RIA assets
- \$70 billion in retirement assets serving more than 25,000 plans⁽⁶⁾

(1) Source: Cogent Research - 2012 Advisor Channel Migration Trends Study
 (2) Source: Company Financials; based on most recently available figures
 (3) Source: Cerulli and Company Financials; based on most recently available figures as of 12/31/2011
 (4) LPL market share as of 12/31/2011 to coincide with most recent industry data
 (5) LPL provides support to additional financial advisors who are affiliated and licensed with insurance companies
 (6) Includes additional estimated retirement plan assets supported by our advisors and custodied with third party providers who do not provide reporting feeds

Evolving Growth Strategy...



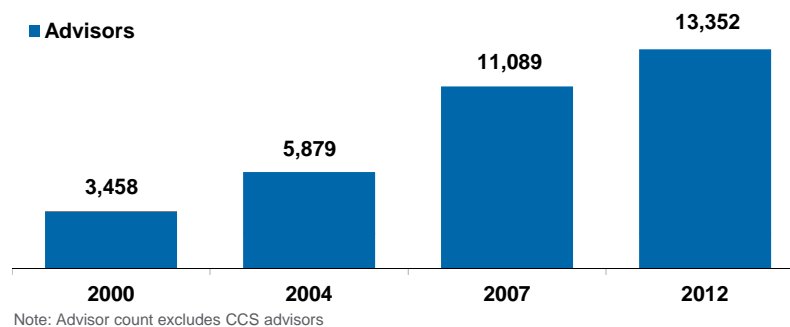
Uniquely situated to leverage scale and scope to deliver additional value to our advisors



... Propels fundamental growth drivers

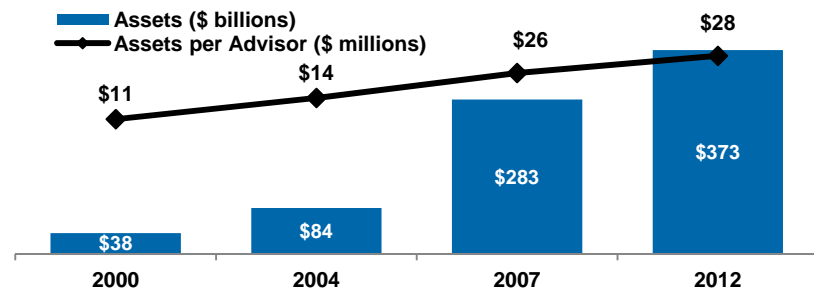
Grows advisor base

- Expanding retail assets served
- Diversify advisors served
- Recruiting across all channels



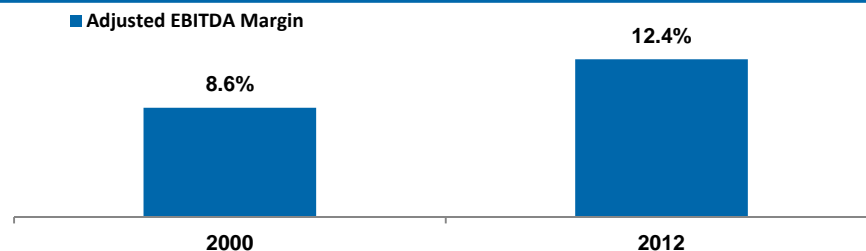
Increases AUM per Advisor

- New capabilities
- Enabling advisor efficiency
- Business consulting and research



Improves Operational Efficiency

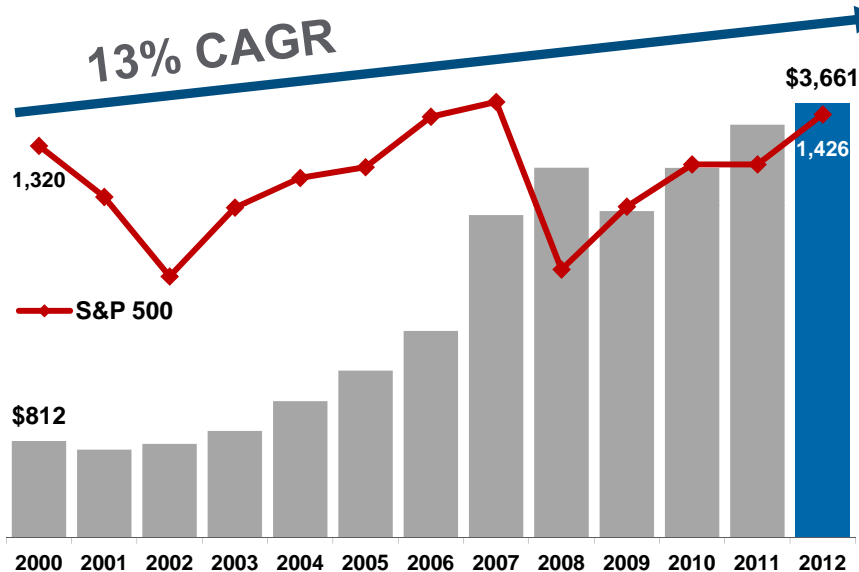
- Benefit of scale
- Technology investments/automation
- Service Value Commitment



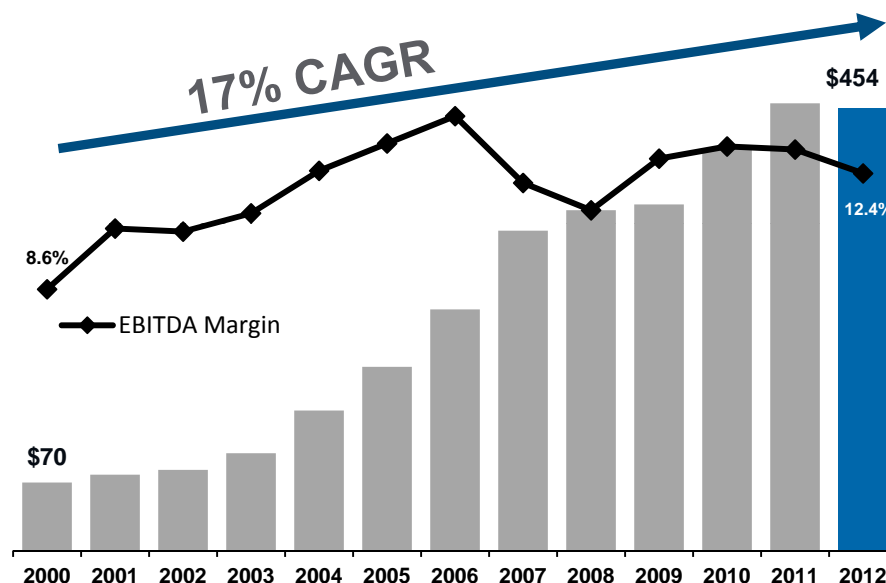
Proven track record across market cycles



Net Revenue, \$ in millions



Adjusted EBITDA, \$ in millions

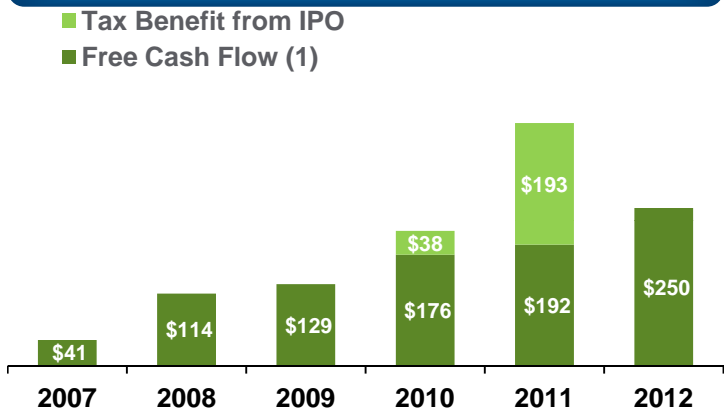


Key Takeaways

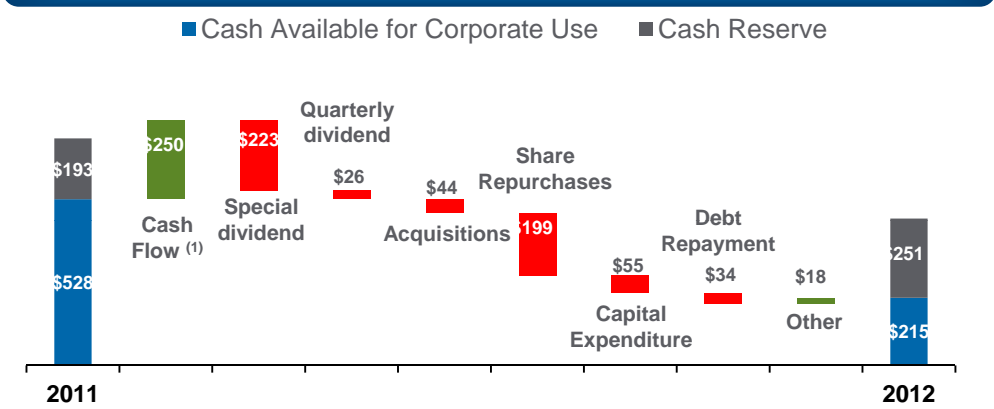
- History of investing in business, even in down markets, to sustain growth
- Expanded margins 380 basis points, or 31 basis points per year on average
- Significant margin upside driven by normalized rate environment

Strong cash generation enables reinvestment and returns

Strong Free Cash Flow Generation



Capital Deployment in 2012



Investments to grow our business

- Acquisitions: Concord, NRP, Fortigent and Veritat
- Technology and compliance investments

Dividends

- \$249 million since IPO through December 31, 2012, inclusive of a special dividend of \$2.00/share
- Increased quarterly dividend by 12.5% to \$0.135

Share buybacks

- Significant share repurchases - \$288 million since IPO through December 31, 2012
- \$87 million remaining in repurchase plan as of December 31, 2012

(1) Defined as change in cash available for corporate use per debt agreement, before capital expenditures, acquisitions, dividends, debt repayment and share repurchases



Operational update

- Improving advisor productivity quarter to date
- Market improvement and investor engagement lead to an extended business development sales cycles
 - Net new advisor growth notably slow in 1H 2013 as advisor conversions temporarily decelerate
- Long-term net new advisor outlook remains positive as industry trends remain intact and our pipeline is strong, particularly with large enterprises
 - Savings in 1Q related to transition assistance will be deployed when business development accelerates

Drivers	Q1'12	Q4'12	Q1'13 Outlook
Net New Advisors	115	182	Slow growth in 1H 2013
Commissions per Advisor	\$144	\$140	Improving
Annualized Advisory Net New Flows	9%	9%	7-12%
Payout Rate	86.4%	87.7%	Normalizing
Operational Expense ⁽¹⁾	\$133	\$141	\$5 mm sequential growth
S&P500	1,408	1,426	1,557 to date ⁽²⁾
ICA Fee	92	87	10-12 bp compression across year

(1) Operational expenses excludes production payout, D&A, adjustments and promotional expense; promotional expenses includes transition assistance and conference spend

(2) Market data is as of 03/22/13

LPL is a unique investment opportunity



Industry leader with scale and growing share

Highly attractive secular growth trends

Expanding fundamental growth drivers

Proven track record across market cycles

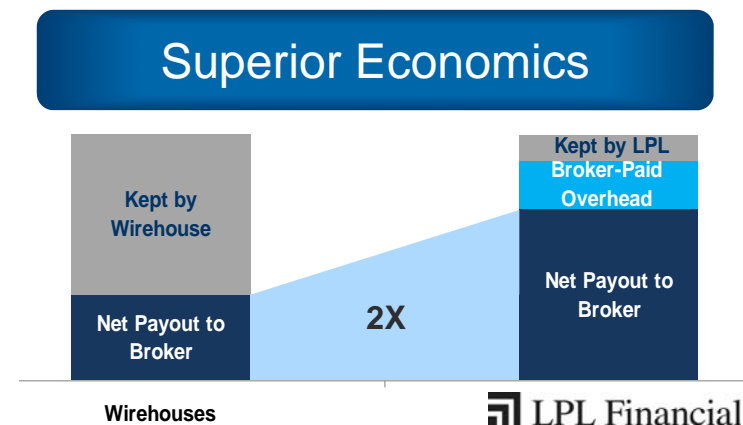
Strong cash generation and return of capital

Appendix



Distinct value proposition to our advisors

- Provide consulting, training, service and technology that helps advisors grow
- Superior economics and build equity
- Differentiated from other independents
 - Self-clearing capability
 - Positioned to manage regulatory complexity
- High advisor and investor satisfaction
 - Advisor Net Promoter Score = 50%⁽¹⁾
- LPL affiliated advisors are 18% more profitable than other independent advisors⁽²⁾



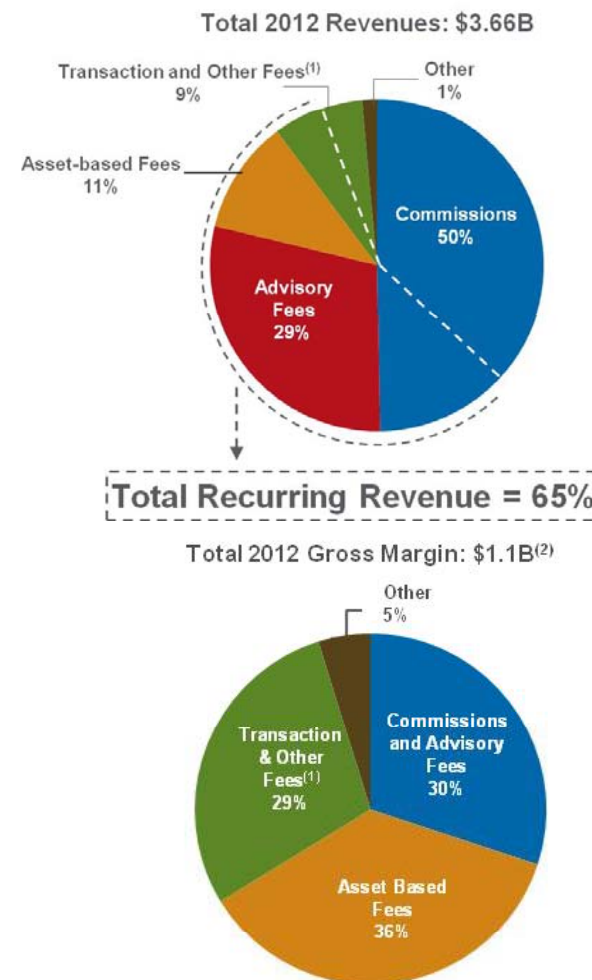
(1) 3rd party survey measures how likely an LPL advisor would be to recommend LPL to a colleague by totaling the "promoters" and subtracting the "detractors"
 (2) Source: 2010 study commissioned by LPL and conducted by PwC



Attractive financial model

- Diverse revenue sources with embedded growth
 - 95%+ retention
 - No advisor concentration greater than 3%
 - Recurring revenue of 65%
 - High margin attachment revenue driven by self-clearing capability
- Expenses are primarily variable (~80% of the cost base)
 - Production expense provides growth incentive and protection in down markets
 - Scalable infrastructure
- 35+% Adjusted EBITDA as a percent of Gross Margin (excludes advisor production expense)

Note: Financials are as of 12/31/12



- (1) Other fees include individual advisor and account fees
(2) Gross Margin is a non-GAAP number calculated as net revenues less production expenses



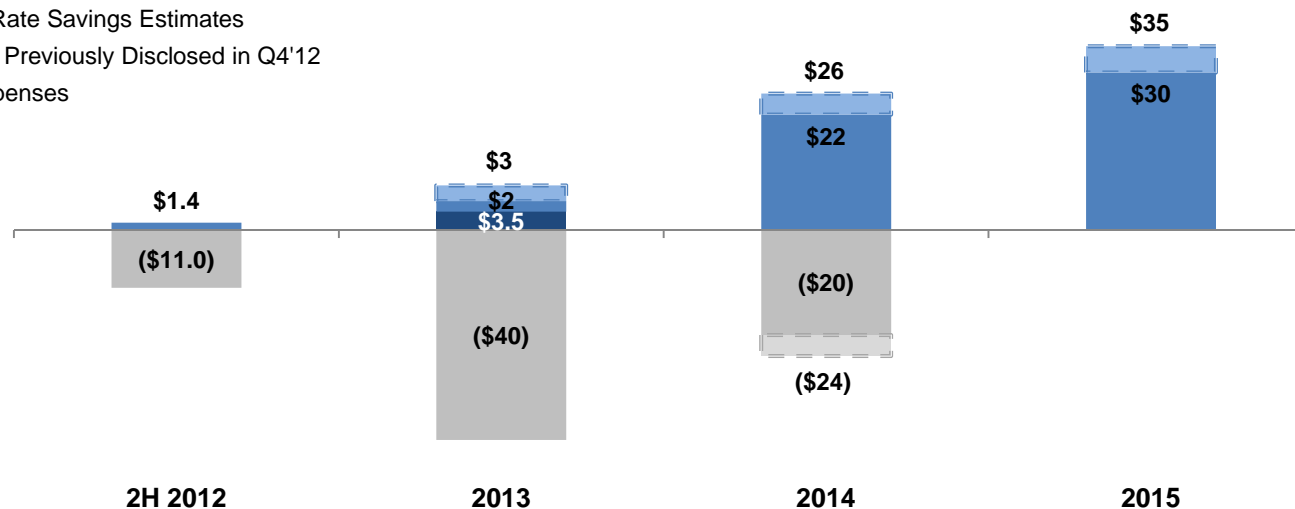
Accelerating our Service Value Commitment

2013 – 2015 Goals

- Position LPL for sustainable long-term growth
- Deliver efficiencies in operating model
- Enhance service experience for advisors and work environment for employees
- Improve processes to achieve faster turnaround time for advisors

SVC savings and investment ramp up through 2015⁽¹⁾ \$ in millions

- Annual Run-Rate Savings Estimates
- Cost Savings Previously Disclosed in Q4'12
- Projected Expenses



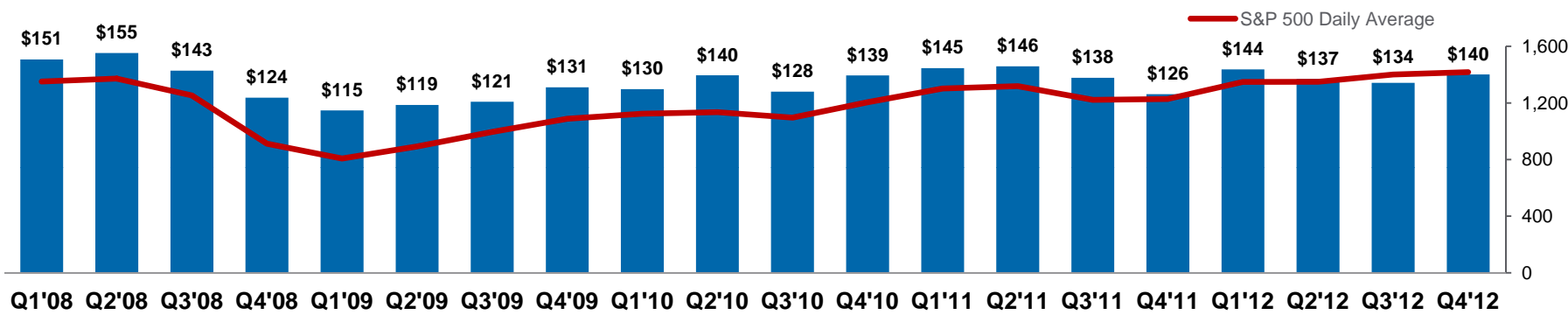
(1) Estimated annual pre-tax savings are related to the Service Value Commitment and these estimates are subject to change.

Quarterly trends



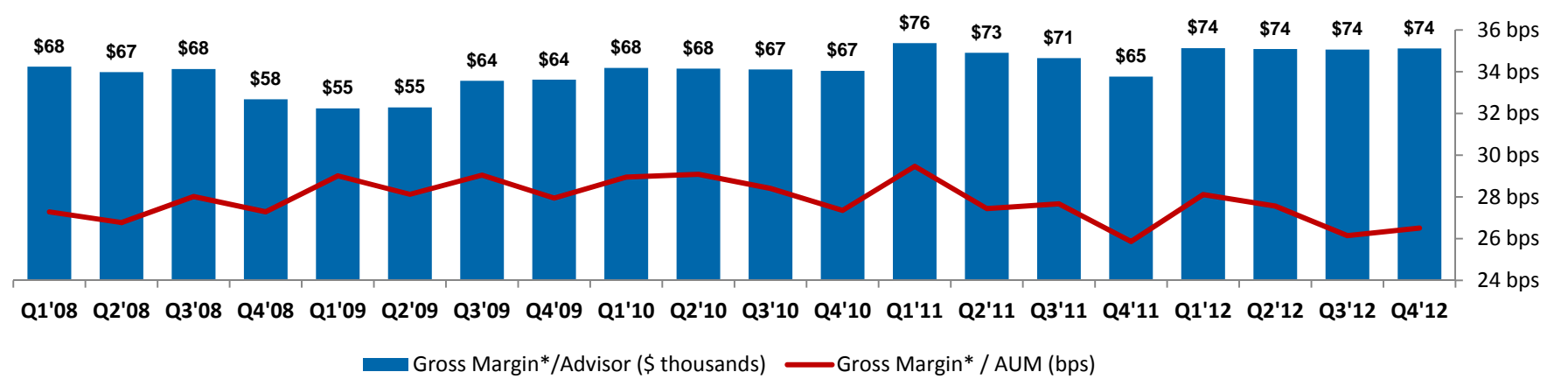
Cyclicality in Advisor Production

Annualized Commissions per Advisor (\$ thousands)



Gross Margin Ratios Remain Steady as Business Evolves

Gross Margin* per Advisor (\$thousands) and Gross Margin*/AUM (bps)



*Excludes cash sweep revenue