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LPLA.OQ - LPL Financial Holdings Inc at Goldman Sachs U.S. Financial Services Conference

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OVERVIEW:

Company Summary

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CONFERENCE CALL PARTICIPANTS

Alexander Blostein *Goldman Sachs - Managing Director & Senior Analyst, Global Investment Research*

PRESENTATION

Alexander Blostein - *Goldman Sachs - Managing Director & Senior Analyst, Global Investment Research*

Great. Well, we're going to get started with our next session. It's my pleasure to introduce Rich Steinmeier, recently appointed CEO, and Matt Audette, President and CFO.

LPL is one of the largest wealth management platforms in the U.S. with $1.6 trillion in client assets serving over 28,000 financial advisors. Over the course of 2024, LPL has maintained its industry leading organic growth, executed on several large transactions and continued to expand on what these financial advisors, get to affiliate with a firm.

With accelerating growth in the business, we will spend time with Rich and Matt on how they view LPL's prospects into 2025 and their new and expanded roles. So thank you both for being here. Rich, congrats again and welcome to our conference for the first time. Matt, welcome back and good to see you both.

QUESTIONS AND ANSWERS

Alexander Blostein - *Goldman Sachs - Managing Director & Senior Analyst, Global Investment Research*

So why don't we get started with a little bit of a big picture question Rich for you on your CEO priorities. You joined the firm in 2018. You've been at the forefront of many of LPL's growth initiatives which resulted in industry leading organic and M&A growth, as I mentioned earlier. As a new CEO, talk to us a little bit about what your key strategic priorities are for the business and maybe expand on what's likely to be the same and what could change.

Rich Steinmeier - *LPL Financial Holdings Inc - Chief Executive Officer*

Thanks Alex. It's really nice to be with you and nice to be here with all of you as well. So I do think as a CEO that came in under a crisis event, there's often a question that says, okay, are you going to make severe pivots in the way that the firm operates.

But the firm has been operating and performing really well. And so I think so much of this is actually much more about being a steady hand on the wheel to make sure that what we were doing right, and what has led to that growth, continues to drive.

And so for us, the firm, for me is a very special firm in that it is incredibly client centric. It is oriented to the success of our clients of advisors and institutions. And so making sure that it is still unambiguous, that that is exactly how we're focused as a firm, that consistency is really important to me and to us collectively.

I do think the second thing which is slightly different for the firm is we want to move down to be a great employer as well. And so that means empowering across all levels of the organization, distributed decision making. We do serve 28,000 clients and so many of those get into specific nuanced interactions and problems and challenges.

And you want to make sure that at all levels of the organization, we can distribute decision making so that you can solve those client problems as quickly and as efficiently as possible. And so that for me will be employee empowerment.

And then the third is, as we have grown incredibly fast, as you noted, leading growth firm, one of the things that we need to increase that focus on is not just growth, it's growth and efficiency. And so there's a heightened focus on making sure we can pay greater attention to and drive greater operating leverage inside of the business.

And so that will be the focus areas for the firm, which is keeping client front of mind, making sure that the employees feel like this is a great place to build a career, empowerment to make decisions at a more localized level, and then comprehensively, really change the focus and enhanced focus towards operating margin.

Alexander Blostein - *Goldman Sachs - Managing Director & Senior Analyst, Global Investment Research*

Great. Let's pick up on that for a second. So one of the pivots you mentioned on the last earnings call is LPL's increased focus on driving operating leverage. So it's a bit of a two-part question. So Rich, we'll start with you and then we'll move over to Matt.

So I guess when it comes to driving operating leverage, obviously revenue is a big part of that. And generating additional revenue on client assets is clearly a focus here. So could you maybe expand on the levers that you have to drive that sort of incremental revenue base, incremental fees on your existing client assets?

Rich Steinmeier - *LPL Financial Holdings Inc - Chief Executive Officer*

es, absolutely. So when you think about that, that's a focus on monetization of the assets at hand. And so when we are taking a look at that, we still look at driving brokerage to advisory, and that's a better solution for clients, not in all situations, but when suitable brokerage to advisory is still a play, especially as we bring on new institutions and large institutions.

One of the reasons, a lot of times you'll see sizable institutions make a decision to come to us is our integrated operating environment where we have our own proprietary advisory platforms as well as our brokerage platform. And you'll see an acceleration there, a movement from brokerage to advisory.

Also, we can look at our deep partnerships with product manufacturers. We still think there's opportunities there to go deeper with them to monetize differently in the way we look at the products on the platform. And then you look at emerging opportunities for us, to serve our clients and allow them to serve their end-investors and do so in a way that broadens their participation in the financial wallet.

So think of banking and lending being a particular point of emphasis for us, specifically as you look at securities-based line of credit, having an integrated set of capabilities there that are much easier for them to actually present to the clients, integrated into our ClientWorks system, the ability to open accounts there, e-sign, fund those accounts, withdraw those accounts. Just an easier use model there across SBLOC. Increasing to look as well at things like, even our cash management account, which we have one but the functionality in it probably isn't as efficient as we would want it to be. And so building capabilities there. So you see a greater orientation towards not just operational cash, but then moving to transactional cash inside of that investment account.

And then probably lastly, I'd say there are other opportunities as we look at the product set specifically as we look in alts. So we are building and continue to build into a much more robust set of offerings, capabilities, and selling agreements to allow our advisors to access alternative investments.

And so you put that together, there's probably other opportunities as we look and strengthen our relative value proposition in the marketplace. There are opportunities for us to take a look at pricing appropriately for the value delivered.

Alexander Blostein - *Goldman Sachs - Managing Director & Senior Analyst, Global Investment Research*

And that last point on the alts, I guess also ties back to the product manufacturers, monetization opportunities.

Matt over to you. I guess on your expanded role right now as not only CFO but also President of LPL, can you talk a little bit about the plans to drive additional efficiencies in the business as you think about that extra contribution to operating leverage?

Matthew Audette - *LPL Financial Holdings Inc - Chief Financial Officer, President*

Definitely Alex. I think kind of building on what Rich said, I think that the focus we've had on driving operating leverage has always been there. And I think what you have with the new leadership team from the top down is really just an extra enhanced focus on driving that opportunity. When you think about where we add costs as we grow, it's really in people and it's people on the front lines that are now in my overall purview. It is service, it is supervision, is operations.

And those are areas where the opportunity to either automate from an operations standpoint or from a service side, really. Folks are calling in for things like status or updates or training. These are all things where you can deploy technology or automation or training to really reduce those costs.

So I think when you think about that from a CFO lens, they're just us allocating more of our investment dollars into those areas. It's just a re-prioritization that can really drive that operating leverage, which as CFO, warms my heart.

Second, then you look at it from the President lens, I think the really cool thing is these same investments, like the things that we're doing to reduce costs are going to reduce things that bother our clients in the first place. So back to being able to drive growth.

If you're an advisor, and no longer have to call the service center to get status on something, not only have we reduced our costs, they're happier. So I think we've got an opportunity or a moment in time where we can, every dollar we're investing is going to drive operating leverage, but also drive the client experience improvement that ultimately is going to drive an increase in the value that ultimately supports more organic growth.

So I think the two of us are excited up here, but I think the team overall, to really put extra effort and dollars of the existing pools, right, just reallocated to this effort.

Rich Steinmeier - *LPL Financial Holdings Inc - Chief Executive Officer*

I would say Alex, that last part that Matt said is incredibly important. As you lead an organization across 9,000 people, they need to understand what you stand for. They need to understand what the clear goals and objectives of the firm are.

And I think historically, it had been driving growth at the firm and I think it is about driving growth with operating leverage. So calling that out explicitly so that leaders can understand and embrace that strategy is important because it needs to cascade through the firm so that you're making the right decisions to achieve both, not just one or the other.

Alexander Blostein - *Goldman Sachs - Managing Director & Senior Analyst, Global Investment Research*

Trickling that down through the whole organization makes a lot of sense. So, let's talk about growth for a little bit. LPL has delivered best-in-class organic growth in the high single-digit to kind of low double-digit range very consistently really since, I want to say 2020. We've spoken on that topic many times. With record recruiting momentum as you highlighted on the last call, can you talk to us a little bit about your early expectations for 2025 and –NNA growth? And what are some of the key building blocks supporting those expectations?

Rich Steinmeier - *LPL Financial Holdings Inc - Chief Executive Officer*

I think for our firm, one of the things that's really important as you think about foundationally, one of the big deltas when I joined 6.5 years ago, if you look at where, how we perform today versus how we performed then, The starting point was making sure our advisors are satisfied, our existing clients, our existing institutional clients and driving down that attrition.

And I think we've been really successful in having that anchor point where we're driving attrition of our existing clients down to levels that, are industry leading, I think as well. And when you get to that point usually, and what we've seen is not only do we drive down the attrition, we make them satisfied, we see advocacy from those clients.

When you have advocates in your clients speaking out and understanding that we're still a disruptor in the marketplace. And so many of the advisors that join our firm are joining from other firms. And some of those firms, you may see a set of advisors that may be a little more risk averse. And so having a pioneer that is going out there and moving into that independent ecosystem to be able to call back and say, no, this is actually fantastic. It is much better than I ever thought.

And I would tell you that is the a consistent refrain that I hear when I speak to advisors that came out of firms that I used to work at. They will say my gosh, look, everything isn't perfect, but I can't believe I didn't do this sooner. That is constantly the refrain, not, I wished I wouldn't have done this or man, I have consternation. It's like this was such a no-brainer, I can't believe I didn't do it sooner.

So, satisfying those existing clients, getting them to be advocates, getting them to be outspoken, so they call back into the old institutions. And then obviously that leads to the new store sales, which is the recruiting. We are the 500-pound gorilla in the marketplace. We are out there, speaking to all advisors in the marketplace, we are increasingly more and more attractive in the marketplace. As we have had the capacity as we've grown and we've had the capacity to out-invest in our capability set, what we see is that we are distancing ourselves from kind of legacy IBD competitors in terms of capabilities, capacity to invest and really value proposition delivered, sustainable capital, being a publicly traded firm.

And then we used to be gapped relative to the wirehouses, we have closed material gaps relative to the wirehouses. And so, as you look at those two being kind of the barbell side of the industry, we are a really attractive player in both of those segments, and I feel bullish about our ability to continue to progress our wins. And so much of our wins and improvement in organic growth has been us actually having share capture improvement of advisors changing firms. And a kind of static advisor changing dynamic.

Now, the other side though is in addition to just individual advisors, we continue to strengthen our offering in the institutional market. And if you think about the dynamics of the institutional market, these are firms that largely think that wealth is a critical component of their go to market strategy, but it isn't likely their core business.

And as such, as you think about their capacity to achieve what is the scale required to make the investments to have a competitive offering that's being increasingly challenging for them to make those investments. But the bigger challenge is that their competitors oftentimes, take banks that are competing with Bank of America, JPMorgan.

As you take regional, super regionals, even community banks and credit unions, the expectations from their clients is not that they just have a passable wealth solution. The expectation is they have a world-class wealth solution. That is available through our firm. And so that is building the momentum that we have inside of financial institutions.

As we extend that into other offerings and other marketplaces, and notably, we just converted Prudential three weeks ago and that now I think created a beachhead for us to look at in those insurance providers who increasingly have advisors that feel more like wealth advisors.

And again, there, with a fantastic partner that is Prudential, our ability to serve them well will allow us to continue to build that offering and then move into an additional market that is a sizable market, as well. Take that together, feel like strengthening in new store sales, continuing to drive down our attrition and then same store sales, that ability to drive the growth inside either the practice on the institutional side or the individual advisor practice. And we continue to strengthen our offering in that space. We feel good about the sustainability of the organic growth at the firm.

Alexander Blostein - *Goldman Sachs - Managing Director & Senior Analyst, Global Investment Research*

Great. Well, let's double click into a couple of these bigger themes and the supporting factors for your guys' growth over time. And one of the LPL strategic growth pillars has always been expanding into new addressable markets, high net worth private wealth has been one of them. And that's, I guess perhaps one of the newer channels where you're spending more time and resources.

So maybe help us frame and size the business today, its contribution to the firm's organic growth as we kind of go through different layers of the drivers of that net new asset growth. And I guess more importantly, what do you think this business could contribute to organic growth over the next couple of years?

Rich Steinmeier - *LPL Financial Holdings Inc - Chief Executive Officer*

Great question. If you look at the evolution of the firm, we had been oriented in kind of that our legacy history would say we were in that mass emerging wealth environment or market. We have built capabilities that have allowed us to move into the high net worth and begin to ascend into serving ultra-high net worth with intentionality.

And so that's a $5 trillion market opportunity for which at the moment, we sit with less than $200 billion of our assets in that serving high net worth ultra-high net worth. And, yet we've built increasing capabilities there, and so you see us stacking into our alternatives offering that I alluded to a little bit earlier that we think we'll be at parity with the leading firms in the industry by mid-year next year.

You look at us building into our banking and lending capabilities, you look at building high net worth capabilities. And as we have put those all together, we introduced and launched last November the Private Wealth affiliation model itself.

Recognizing that that is a different set of advisors that have a core orientation to serving high net worth and ultra-high net worth families, and recognizing that they see themselves differently inside of the marketplace. And we've brought on four teams, over $2 billion in assets, over the last year into that affiliation model. We feel really good as a kind of come out year that felt it exceeded our expectations.

And most notably, Alex, I've talked to two of those teams in the last month, just checking in on how they're going and they are loving being at LPL. And they have talked about our tech. One of the teams came from a regional bank, the other came from a wirehouse, but they specifically called out our technology, our operating environment being more efficient, having more flexibility in the product offering.

So you can think about that, being at a firm that might offer proprietary structured products, they had access to like 11 proprietary structured products. They have access to 500 different structured products at our firm. And so they can think about different solution sets for their clients.

And so we've been encouraged by not just the momentum we've seen but the satisfaction, and that's really important as you build a new affiliation model. You need to have those folks feel satisfied so they call back and say, okay, I'm willing to be an advocate for you because this is how we continue to introduce new models to serve new segments of the marketplace. So feeling good about early momentum and about our ability to go further in penetrating that high net worth, ultra-high net worth segment.

Alexander Blostein - *Goldman Sachs - Managing Director & Senior Analyst, Global Investment Research*

It's a large addressable market, as you said, right. So it's obviously quite important. Let's talk about an institutional business for a couple of minutes. You guys have been very active on that front as well with several large-scale wins. Prudential being the most recent example.

It feels like there's a sort of a subcategory of institutional transactions, just kind of how you talk about the individual business. They're the same that's probably applicable to the institutional model where having capabilities now in the insurance channel could open that up a bit more.

So talk to us a little bit about how Prudential has gone. What kind of proof of concept you could derive from that as you talk to other insurance companies? And I guess more importantly, as you look out into your pipeline for '25, '26, what does that look like on the institutional front?

Rich Steinmeier - *LPL Financial Holdings Inc - Chief Executive Officer*

Let's take insurance. So if you look at that insurance/product manufacturer segment, that's a $1.5 trillion incremental market opportunity for us that we are now, we have built and made an investment over 18 months to build capabilities to serve distinctively Prudential, and think about that as an integration of annuity and insurance data with wealth data.

Whereas, heretofore, and folks sitting out there at insurance firms, they are swivel-chairing over from one system where they're doing their insurance business to the other system where they're doing their wealth business. The systems don't talk to each other. You're not seeing a combined experience for the client. You're not seeing that oftentimes show up in terms of the end-investor portal.

And so this is about the integration of that data, the integration of those experiences, it's much more efficient for the advisor and it's actually much better for the end-investor as well.

And so it took us a bit of work to get through that integration. It's the same type of integration we're doing on the bank and trust side to be able to serve a financial institution more broadly across the bank, the retail wealth business, as well as the trust business, bringing those systems together the data together. So you have an advisor, being able to serve a client, regardless of that kind of orientation.

Prudential, as we went into partnership with them, they're a fantastic firm. I spent the past day with them yesterday. To be able to go into market with a leader that knows where they're headed, that has a very strong orientation marketplace incredible brand, a leadership team that knows the business inside and out, that was a real privilege for us. Because they hold you to a standard. We already hold ourselves to a very high standard, but having a partner like Prudential, they hold you to a high standard as well. It's very akin to us going into and building into the large bank relationship with M&T Bank, a fantastic firm as well.

And so when you think about how we built and invested in those capabilities, what you're going to see, I think is you're going to see Prudential’s business is going to improve dramatically. You can see the operating margins improve dramatically, but you're also going to see the attractiveness in the market for advisors who are insurance-based advisors that really want to be at a firm with a strong brand. They want lead generation which Prudential has and they want world class platforms available, which many of the firms don't have today.

What I would expect over time, Alex, is as those advisors, one, we delivered Prudential on time, exactly when we identified it. That's a $100 million-plus dev effort that we delivered on the date that we both said 14 months earlier. We've had good success in the last three weeks and I think you will see the advisors becoming advocates over time there as well.

What that should lead to is increased conversations in the marketplace. And I think the way I think about it is this pivot that occurred in 2021, when M&T bank, that was running a $21 billion wealth, program chose us. So many of their peers said, I can't believe you were thinking about outsourcing. Like, what's that about?

And I think after that, what you often heard was the leadership in the C-suite in those banks asking why aren't you outsourcing like M&T? It's much more efficient, you're shedding risk, you're shedding operating costs, and you're actually modernizing the platform.

In the same way, I would expect the Prudential relationship with us to be a watershed event in terms of other firms then questioning why do we have this kind of standalone business and wealth running a BD, we're running brokerage operations, we're running compliance?

It doesn't seem like we need to and we don't have the capacity to invest in that because it's not necessarily our core business. So I am hopeful and I think we are seeing the early kind of green shoots if you will of other firms coming to a similar type of decision making process. Now, transparently that decision making process is lengthy, often go through a build, buy, or partner analysis and that can take months. And so we're starting to help some firms go through that process.

Alexander Blostein - *Goldman Sachs - Managing Director & Senior Analyst, Global Investment Research*

It's a good analogy of M&T because that was definitely a pretty big pivotal moment for you guys in the institutional channel. Let's turn to some of the inorganic initiatives. LPL has recently closed on the Atria deal and refreshed the expected EBITDA contribution to $150 million from $140 million on higher market levels, largely. And I think that assumes about 80% retention levels as well.

What's been the feedback through the onboarding process so far? And I guess what could lead to additional upside as you sort of look further out. Markets have obviously been supportive, but from what you're hearing, when you're thinking about the attrition levels assumed in the deal, how is that tracking?

Matthew Audette - *LPL Financial Holdings Inc - Chief Financial Officer, President*

Things are going well, I mean, I think the key is, keep in mind it's an acquisition. So we've closed on it and I think the real meat of the work if you will, the onboarding, isn't going to occur until mid-next year. So I think that's when really things, the rubber hits the road if you will.

I think, so far, I think where we are in the process, things have gone very well. We're right where we expected to be. Right now is about making sure we're doing the recruiting process, making sure they're getting trained up to speed on our systems and tools.

And really us building all the technology and the integration capabilities for that conversion event later in '25. So headline is all good. I think when you look at the components that can drive EBITDA, retention of advisors is the number one factor. We underwrote the deal at 80%. The best thing, is we underwrote that 80% when Rich was in his old role, bless you, so he's responsible as CEO for managing himself on that. He told me guaranteed we'll hit. So no problems there.

Rich Steinmeier - *LPL Financial Holdings Inc - Chief Executive Officer*

A lot of time managing myself.

Matthew Audette - *LPL Financial Holdings Inc - Chief Financial Officer, President*

He talks to himself into a corner. It's weird. But it's like, hey, whatever it takes, you let him do it. And I think then the other drivers are just going to be the synergy realization. And it's just early to have a view on that. We still feel very confident in it.

But as you get close to onboarding, that's when the synergies start to get realized, that's where if there is an improvement, we would know it at that time. Then as you highlighted, the markets, right. They've been conducive, if that continues, EBITDA would go up. If it doesn't, it could go the other way and you know that. Sso headline is this all is going well.

Alexander Blostein - *Goldman Sachs - Managing Director & Senior Analyst, Global Investment Research*

Great. All right, I'll stay with you for a couple of minutes. Let's touch on cash, cash sweep, cash revenues, all, all those fun things. It's encouraging and fingers crossed, but it's encouraging to see cash balances finally find its floor and generally stabilize for the last couple of months. We had a couple of positive data points from you guys, from the industry broadly.

On top of that, LPL is kind of shielded from some of the movement in short term interest rates given 70% or so of the ICA book is termed out, right. So you still kind of benefited from positive repricing in that part of the book. So are we at a point now where you think LPL's cash revenues could actually begin to grow again? And as you’re thinking about 2025 any updates on where cash balances are tracking so far in December?

Matthew Audette - *LPL Financial Holdings Inc - Chief Financial Officer, President*

Yeah, December? We haven't done November Alex, just jumping ahead of us.

Rich Steinmeier - *LPL Financial Holdings Inc - Chief Executive Officer*

10 days in.

Matthew Audette - *LPL Financial Holdings Inc - Chief Financial Officer, President*

I'll give you November. December is too far. You're asking for too much.

To answer your question, it certainly seems like that. When you just look at the empirical data, cash had stabilized really throughout the year, the percentage started to decline just because the denominator was really going up.

But you really had some stability and when you look at the last few months, cash balances before you get to the increases from Prudential and from Atria, right, which drive cash balances up, just the organic flows. When you look at the last few months, September, you had a few $100 million growth, and even October, right, where month one of a quarter is just biased to be a decline as advisory fees hit predominantly in that month, we had an increase in October.

And then you look ahead to November, putting aside the impact of Prudential coming on. It's up a few $100 million again. So I think you've now got three months in a row. December is a month that it is biased to be up as well.

So, with that as the empirical data, it certainly feels like it's stabilized. You couple that with operating in that 3% or slightly under 3% of AUM, you're starting to get to the levels at a minimum of the cash needed to manage the account. So I'm with you fingers crossed, but I think the things that we are looking at, it looks like stability, meaning as we grow from here organically, all else being equal, you would see cash grow.

Alexander Blostein - *Goldman Sachs - Managing Director & Senior Analyst, Global Investment Research*

Great. All right. Well, I think we're all definitely looking forward to that. And we won't get those questions on every call like we have for the last 10, 12 to 18 months.

Matthew Audette - *LPL Financial Holdings Inc - Chief Financial Officer, President*

You're in charge of that. You guys ask the question.

Alexander Blostein - *Goldman Sachs - Managing Director & Senior Analyst, Global Investment Research*

You know, we ask what investors want to talk about. So, let's talk about capital management for a couple minutes. So following the Atria deal, LPL’s leverage ratio should be somewhere at the midpoint of your targeted range 1.5x to 2.5x and you signaled expectations to restart buybacks. So thinking about $100 million in the fourth quarter, I guess absent of any material acquisitions, maybe talk about how you think about the pace of share repurchases from here.

Matthew Audette - *LPL Financial Holdings Inc - Chief Financial Officer, President*

Yeah, I think we see value in the stock. To your point on buying back shares now at $100 million. I think we continue to see value in the share price that it's at. So I think when you then pivot to our capital allocation, we're going to continue to take the same approach we've always taken, which is allocating it in the areas that drive the best returns.

So to your point, absent a big opportunity from an M&A standpoint, then we're looking at how much capital we can allocate to drive organic growth and how much capital we can allocate to share purchases. We see both as driving value.

Organic growth, we think is a higher and better use of capita, and so, that's where we allocate first and foremost. But when you look at the free cash flow that we generate, we're going to have cash and liquidity above and beyond that. We're an active repurchase of our shares.

And really the only scenarios we're kind of paused is when we do have material M&A like with Atria. And then as we get on the other side of that, we're restarting like we did in this quarter.

So headlines are we see value in share purchases and we'll continue to focus on keeping that leverage ratio in that range. I think it's a really foundational point, gives us a strong stable balance sheet that is supportive of organic growth, and we won't waiver for that. And we'll allocate capital where it drives the best returns.

Alexander Blostein - *Goldman Sachs - Managing Director & Senior Analyst, Global Investment Research*

Yeah, I guess on that M&A point, you guys had a very busy year between the institutional channels, the ones there and your integration there, and obviously Atria coming in. As you look at your acquisition pipeline, as you look at your appetite for deals in the marketplace today, what does that look like? To what degree the stabilization and cash revenues and maybe growth in cash revenues makes the economic model just a little bit easier to underwrite to? And does that inform your M&A outlook for the next 12 to 18 months?

Matthew Audette - *LPL Financial Holdings Inc - Chief Financial Officer, President*

I think we've always been pretty disciplined and I'd say conservative on underwriting for cash. I don't think that changes things too dramatically. I think it's just more of the opportunity set. I think one of the biggest opportunities you have is more internally in our Liquidity & Succession offering.

When you start to think about the boxes you can check on something, it's M&A, at a good multiple 6x to 8x that we typically do. From a quality of earnings standpoint, there is no cash sweep in those economics when you're doing that offering.

And probably what's most exciting and most important is just the long term strategic value of really helping bridge a practice from the current generation to the next generation doing it in a way that drives compelling economics, and doing it in a way Where we're really positioning the next gen advisor to be utilizing our tools and services and being on the offering, our Linsco offering, that we think is probably the best -- one of the best places to be.

So I think, putting money in that area, is a really good use of capital. And then outside of that for things like an Atria, that would just depend on what the market looks like, if there's an opportunity where it's a fit to our culture, a fit to our offering, and most importantly, the price makes sense. Then we will engage and if it fits those first two boxes and the price doesn't make sense, we'll just continue to recruit.

Alexander Blostein - *Goldman Sachs - Managing Director & Senior Analyst, Global Investment Research*

Great. Rich, over to you. I want to wrap things up kind of where we started. You talked about 2025 and your more near term plans, but when you zoom further out and the business is obviously executing well, you guys are performing great. What are some of the interesting opportunities you see a little bit further out? And if you kind of have to put your, I don't know, five-year hat on, what is the vision for the firm, longer term?

Rich Steinmeier - *LPL Financial Holdings Inc - Chief Executive Officer*

Well, I think if you put your five-year hat on for the firm, I'd say when I joined this firm, I think we solidly reflected ourselves as an IBD. And I think we shed that skin over the last five years. We have built affiliation models. We are the most flexible firm to join in the industry. There's no asterisk on that. That's an exclamation point at the end of that sentence.

What does that mean to advisors? It means they don't have to think about changing firms as their business evolves over time. They may want to start out in the W2 model. They may want to move out of that into a 1099 construct. And over time, they may want to move out even of our corporate RIA and establish their own RIA where we act as a custodian.

And so when you think about that, we went through that first and in this conference, you would call that the expansion of the TAM. I would call that an ability to serve the entire market, but also to take our existing clients and to follow them.

But I think the next leg on the journey of this firm was we went from an IBD to being a leading wealth management firm. I think if you look out the next five years, I think the expectation that we would have as a leadership team at the firm is to be the leading wealth management firm in the marketplace.

And that means we are setting the expectations of what advisors should get out of a leading firm. It means we are setting the pricing expectations of how the market should be delivered. It means that we are setting capabilities that are innovative. Because if you think about the history of that independent channel market, it used to be, wow, I get an incredibly strong value proposition.

The economics that are delivered to the advisor are disproportionate. The book ownership makes it clear. It is unambiguous who owns the client who owns the business. The implications for that are not just continuity of the way I run my business and not, when I depart my firm, somebody trying to destroy my business. That's ridiculous.

It means that when we depart the firm, we look insular and say, why did we not serve them well? But in addition to that, the knock-on is, as you look and stare into so many of these advisors retiring, they want to monetize their life's work. And so having an offering that allows them to monetize their life's work, but also do it at long term capital gains instead of ordinary income, that also is a structural advantage.

You put those together, and in the past, you would have said, well, if you come to independence, you get that dominant value proposition, or I could stay at a wirehouse and I could have industry leading capabilities.

And when I look at the bridge of what we're building over that five-year arc, I think it's shorter than that. We're no longer going to be either this proposition or industry leading capabilities. We are going to be this value proposition, which is dominant and industry leading capabilities. You put those together, I feel really bullish about our ability to lead the market.

When you pivot that and think about the institutional business there, we are making investments that others just plain straightforwardly are not making. We're making investments in the integration of bank and trust. We're making investments in the integration of insurance and wealth data.

And so as we build those capabilities and make those investments, we are the firm that when you go to RFP and you are looking at a partner and I mean, a partner, not a stack of vendors who are, here's my custodian plus my advisory platform plus my integrated tech plus my performance reporting plus my, plus my.

We replace a stack of 15 different vendors. We show up as a partner who sits across the table or beside the table with our clients to help make their wealth businesses successful.

So in both of the segments that we participate in, I think we have an industry leading offering inside the institutional business, we are deeply committed to it. We think there's an ability to win there, not only because we show up better, but also the threshold for what it means to be an at scale player continues to increase.

And so I think a lot more firms are going to look at whether they partner instead of the way that they deliver the business themselves. On the advisor side, we see our ability to serve the entire market but serve it with a value proposition that we think is second to none and continues to strengthen. You put that together and I like the outlook of this firm over the next five years. Take that and put it into a management team, that I think is fantastic. I get the privilege to work with this gentleman every day. He teaches me every single day. I learn from him and just, it's a fantastic partnership.

And if we're humble and go to the market in the right way, keep our client centricity. I think the momentum that we built at the firm should continue.

Alexander Blostein - *Goldman Sachs - Managing Director & Senior Analyst, Global Investment Research*

Well, that's a great vision. I think it's a good note to leave it on. Thank you both for joining us today. Again welcome for the first time. More to come. Thank you.
