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# LPL Financial to Acquire Commonwealth Financial Network

**March 31, 2025**

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# Notice to Investors: Safe Harbor Statement

Certain of the statements included in this presentation, such as those regarding the completion of the acquisition of Commonwealth Financial Network (“Commonwealth”) by LPL Financial Holdings Inc. (together with its subsidiaries, including LPL Financial LLC, “LPL”) and the expected onboarding of assets and advisors associated therewith; the transition of Commonwealth’s business to LPL’s platform; the expected costs and benefits of the transaction, including future investment capacity, estimated onboarding and integration costs, retention rates, technology spend and estimated run-rate EBITDA\* and Adjusted EPS\* accretion as well as planned service enhancements; financing and capital management plans, including share repurchase activity, and their effect on LPL’s leverage and credit rating; LPL’s plans to preserve Commonwealth’s culture, brand and advisor experience and the synergies LPL expects to realize as a result of such transaction, our estimated addressable market, growth, plans, priorities, business strategies, capabilities and outlook, organic asset growth, future service offerings, target leverage ratio, constitute forward-looking statements within the meaning of federal securities laws. The words “anticipates,” “assumes,” “believes,” “estimates,” “expects,” “intends,” “may,” “plans,” “predicts,” “projects,” “shall,” “should,” “will” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are made based on current expectations and beliefs concerning future developments and their potential effects upon Commonwealth, LPL or both. In particular, no assurance can be provided that the assets reported as serviced by financial advisors affiliated with Commonwealth (“Commonwealth Advisors”) will translate into assets serviced by LPL, that Commonwealth Advisors will transition registration to LPL, that institutions served by Commonwealth or Commonwealth Advisors will join LPL or that the benefits that are expected to accrue to Commonwealth, LPL and their respective advisors and stockholders as a result of the transaction described herein will materialize. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, including economic, legislative, regulatory, competitive and other factors, and there are certain important factors that could cause actual results or the timing of events to differ, possibly materially, from expectations or estimates expressed or implied in such forward-looking statements. Important factors that could cause or contribute to such differences include: the failure of the parties to satisfy the closing conditions applicable to the acquisition in a timely manner or at all, including obtaining the required regulatory approvals; disruptions to the parties’ businesses as a result of the announcement and pendency of the transaction; difficulties or delays in recruiting or transitioning Commonwealth Advisors to LPL, onboarding Commonwealth end-clients and businesses to LPL, or transitioning Commonwealth assets from their current third-party custodian to LPL; the inability of LPL to sustain revenue and earnings growth or to fully realize revenue or expense synergies or the other expected benefits of the transaction, which depend in part on LPL’s success in onboarding assets currently served by Commonwealth Advisors; disruptions to Commonwealth’s or LPL’s businesses due to transaction-related uncertainty or other factors making it more difficult to maintain relationships with their respective financial advisors and their clients, employees, other business partners or governmental entities; the inability of LPL or Commonwealth to implement onboarding plans and other consequences associated with acquisitions; the choice by clients of Commonwealth Advisors not to open brokerage or advisory accounts at LPL; unforeseen liabilities arising from the acquisition of Commonwealth; changes in general economic and financial market conditions, including retail investor sentiment; fluctuations in the value of assets under custody; and the effects of competition in the financial services industry, including competitors’ success in recruiting Commonwealth Advisors. Certain additional important factors that could cause actual results or the timing of events to differ, possibly materially, from expectations or estimates expressed or implied in such forward-looking statements can be found in the “Risk Factors” and “Special Note Regarding Forward Looking Statements” sections included in LPL’s most recent Annual Report on Form 10-K and in subsequent filings with the Securities and Exchange Commission. Except as required by law, LPL specifically disclaims any obligation to update any forward-looking statements as a result of developments occurring after the date of this presentation, and you should not rely on those statements as representing LPL’s views as of any date subsequent to the date of this presentation.

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# Notice to Investors: Non-GAAP Financial Measures

This presentation includes certain financial measures which are not presented in accordance with U.S. generally accepted accounting principles ("GAAP"), including Adjusted EPS, Adjusted Net Income, Gross Profit, EBITDA, Adjusted EBITDA and Credit Agreement EBITDA. These non-GAAP financial measures may exclude items that are significant to understanding and assessing the Company's financial results. These non-GAAP financial measures supplement the Company's GAAP disclosures, are subject to inherent limitations, and should not be considered in isolation or as an alternative to the GAAP measure. The Company's presentation of these non-GAAP measures may not be comparable to similarly titled measures used by other companies.

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 LPL'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 LPL. Specific non-GAAP financial measures have been marked with an asterisk (\*) within this presentation. Reconciliations and calculations of such measures can be found in the appendix of this presentation.

Adjusted EPS is defined as adjusted net income, a non-GAAP measure defined as net income plus the after-tax impact of amortization of other intangibles, acquisition costs, certain regulatory charges, losses on extinguishment of debt and amounts related to the departure of the Company's former Chief Executive Officer, divided by the weighted average number of diluted shares outstanding for the applicable period. The Company presents adjusted net income and adjusted EPS because management believes that these metrics can provide investors with useful insight into the Company's core operating performance by excluding non-cash items, acquisition costs and certain other charges that management does not believe impact the Company's ongoing operations. Adjusted net income and adjusted EPS are not measures of the Company's financial performance under GAAP and should not be considered as alternatives to net income, earnings per diluted share or any other performance measure derived in accordance with GAAP. For a reconciliation of net income and earnings per diluted share to adjusted net income and adjusted EPS, please see the appendix of this presentation. We refer to adjusted EPS presented on a forward-looking basis as run-rate adjusted EPS. LPL does not provide net income, the closest GAAP measure, on a forward-looking basis because it contains certain components, such as taxes, over which LPL cannot exercise control. Accordingly, a reconciliation of LPL's net income to run-rate adjusted EPS cannot be made available without unreasonable effort.

Gross profit is calculated as total revenue less advisory and commission expense; brokerage, clearing and exchange expense; and market fluctuations on employee deferred compensation. All other expense categories, including depreciation and amortization of property and equipment and amortization of other intangibles, 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 the appendix of this presentation.

EBITDA is defined as net income plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles. Adjusted EBITDA is defined as EBITDA, a non-GAAP measure, plus acquisition costs, certain regulatory charges, amounts related to the departure of the Company's former Chief Executive Officer and losses on extinguishment of debt. LPL presents EBITDA and adjusted EBITDA because management believes that it can be a useful financial metric in understanding LPL's earnings from operations. EBITDA and adjusted EBITDA are not measures of LPL'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. For a reconciliation of net income to EBITDA and adjusted EBITDA, please see the appendix of this presentation. We refer to EBITDA presented on a forward-looking basis as run-rate EBITDA. LPL does not provide net income, the closest GAAP measure, on a forward-looking basis because it contains certain components, such as taxes, over which LPL cannot exercise control. Accordingly, a reconciliation of LPL's net income to run-rate EBITDA cannot be made available without unreasonable effort.

Credit Agreement EBITDA is defined in, and calculated by management in accordance with, the Company's amended and restated credit agreement ("Credit Agreement") as "Consolidated EBITDA," which is consolidated net income (as defined in the Credit Agreement) plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles, 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. For a reconciliation of net income to Credit Agreement EBITDA, please see the appendix of this presentation.

# Transaction Summary

## Transaction Overview

- LPL to acquire 100% of Commonwealth Financial Network in an equity acquisition
- Signed on March 28 and anticipate closing in the second half of 2025, subject to regulatory approvals and other customary closing conditions
- LPL expects to onboard Commonwealth Advisors and client assets onto its platform in mid-2026

## Business Overview

- Commonwealth supports ~2,900 independent financial advisors in the U.S., managing ~\$285B of brokerage and advisory assets<sup>†</sup>
- Asset mix is ~75% advisory and ~25% brokerage, with client cash sweep balances of ~\$6B<sup>†</sup>
- Commonwealth has developed a loyal advisor base and has garnered numerous industry accolades, including 11 consecutive first place J.D. Power awards for Independent Advisor Satisfaction

## Strategic Rationale

- Provides Commonwealth's advisors and their clients with access to LPL's differentiated capabilities and technology
- Increases LPL's scale and capacity to invest in capabilities, technology and service to help advisors serve their clients and differentiate in the marketplace
- LPL plans to develop Office of Advisor Advocacy to leverage Commonwealth's differentiated service model and elevate the experience for all LPL advisors

## Capital Structure

- LPL anticipates financing this transaction through a combination of corporate cash, debt<sup>‡</sup> and equity
- To maintain a strong and flexible capital position, we plan to pause share repurchases, resulting in pro-forma net leverage within management's target leverage range of 1.5x to 2.5x
- We are committed to maintaining our investment grade rating

## Purchase Price

- Transaction structured as an equity purchase with a price of ~\$2.7B
- Estimated run-rate EBITDA\* multiple of ~8.0x<sup>‡‡</sup>

## Shareholder Value Creation

- Estimated low single-digit accretion to run-rate Adjusted EPS\* by end of 2026<sup>‡‡</sup>
- Estimated run-rate EBITDA\* accretion of ~\$415M+<sup>§</sup> when fully ramped
- Estimated onboarding and integration costs of ~\$485M<sup>§§</sup>

<sup>†</sup> As of 12/31/2024

<sup>‡</sup> LPL has secured a bridge financing commitment for the majority of the purchase price, which will be reduced upon receipt of proceeds from longer term financing options

<sup>‡‡</sup> Based on unaudited preliminary financial information of Commonwealth for the year ended December 31, 2024

<sup>§</sup> Estimated run-rate EBITDA\* accretion of ~\$415M based on Commonwealth Advisors' assets as of 12/31/24 and ~90% retention; increases with higher levels of asset retention; and is burdened by amortization from transition assistance loans. Based on unaudited preliminary financial information of Commonwealth for the year ended December 31, 2024.

<sup>§§</sup> Estimated onboarding and integration costs are based on 90% retention. In addition, estimated technology spend of \$155M will be capitalized and amortized over time.

# Commonwealth Financial Network at-a-glance

## Overview of Commonwealth

Commonwealth is the **largest independently owned wealth management firm** in the U.S. and a **top five independent broker-dealer**<sup>†</sup>

Commonwealth is the **standard-bearer for advisor satisfaction** through its differentiated **high-touch service model**, with dedicated advisor teams and established support infrastructure

## Key Metrics<sup>‡</sup>

**~2,900**  
Advisors

**~\$285B**  
Assets Under Management (AUM)

**98%**  
Advisor Retention<sup>§</sup>

**~11%**  
AUM CAGR<sup>§§</sup>

**75%**  
Advisory Assets

**~\$6B**  
Cash Balances

<sup>†</sup> Ranking based on total assets under management; 2024 Cerulli reports

<sup>‡</sup> As of 12/31/2024, unless otherwise noted

<sup>§</sup> Average advisor headcount retention from 2020-2024

<sup>§§</sup> Reflects 5-year CAGR from 2019-2024

# Commonwealth has a highly complementary advisor offering

*Like-minded culture with a focus on advisor satisfaction*

## The standard bearer for independent advisor satisfaction

J.D. Power ranks Commonwealth  
**#1 in Independent Advisor Satisfaction**

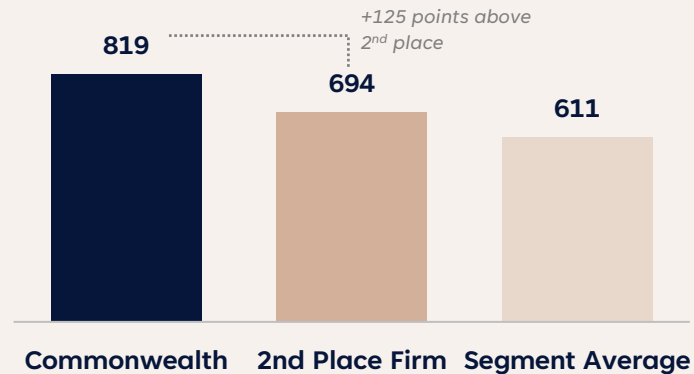
Among Financial Investment Firms

**11**

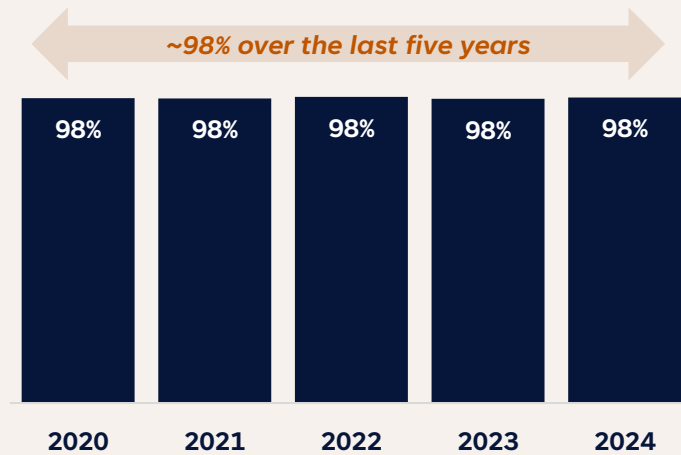
Consecutive First Place  
J.D. Power Awards



**2024 J.D. Power Results<sup>†</sup>**  
Commonwealth vs. 2<sup>nd</sup> Place Firm and Peer Average



**Advisor Headcount Retention<sup>‡</sup>**



<sup>†</sup> 2024 U.S. Financial Advisor Satisfaction Study; based on a 1,000-point scale  
<sup>‡</sup> Average advisor headcount retention from 2020-2024

# We will leverage Commonwealth to elevate the experience for all LPL advisors



## We will preserve Commonwealth's unique culture, brand and advisor experience

### Brand

- Respected throughout the wealth management industry as a standard-bearer for service excellence
- We will maintain the Commonwealth brand

### Service and Support

- A culture that prioritizes exemplary client service
- The recipient of 11 consecutive J.D. Power awards for #1 in Independent Advisor Satisfaction

### Leadership

- Commonwealth CEO Wayne Bloom will join LPL's leadership team
- Commonwealth founder Joe Deitch will assume an advisory role to LPL's Board of Directors

## Commonwealth's advisors will benefit from LPL's industry-leading scale and onboarding experience

### Industry-Leading Scale

- LPL's capacity to invest in:
  - ✓ Capabilities
  - ✓ Technology
  - ✓ Service

### Competitive Economics

- Competitive and simplified payout grid
- Competitive transition assistance to support advisors financially through onboarding

### Simplified Onboarding Process

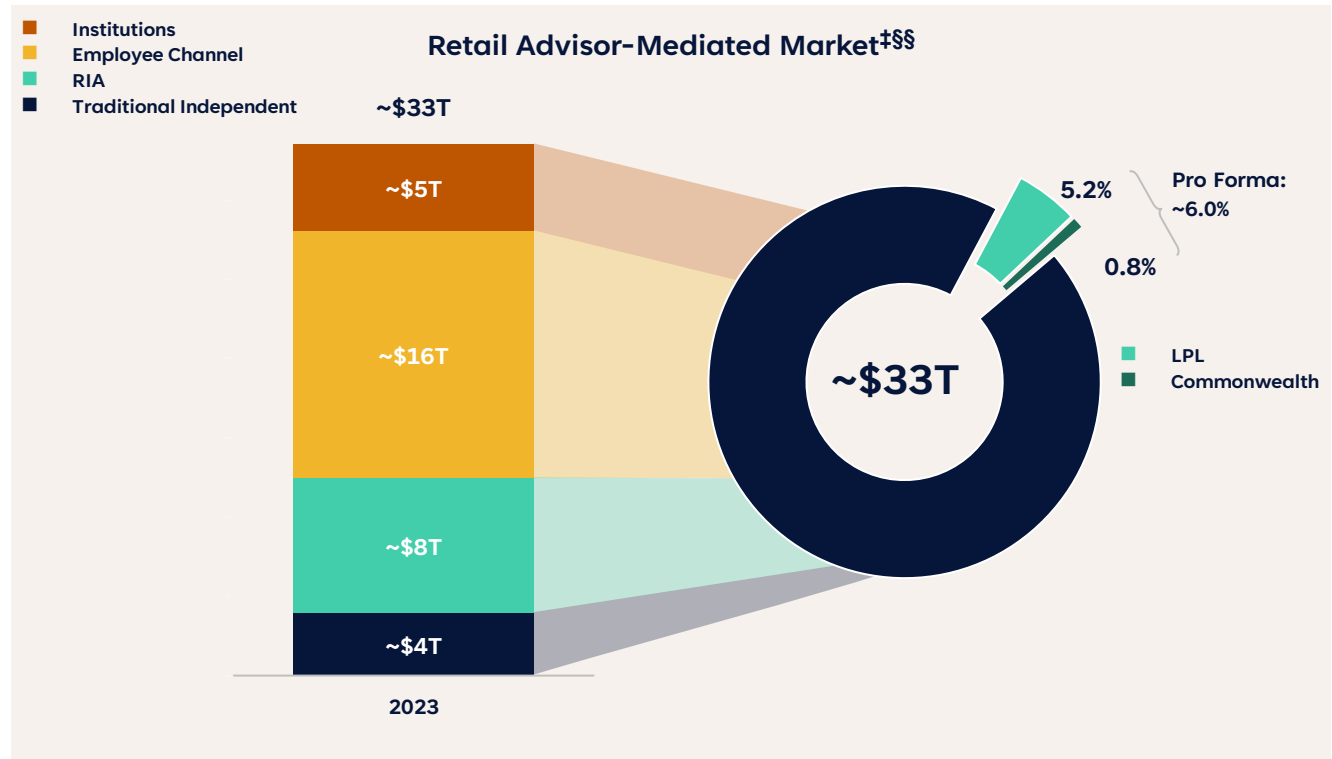
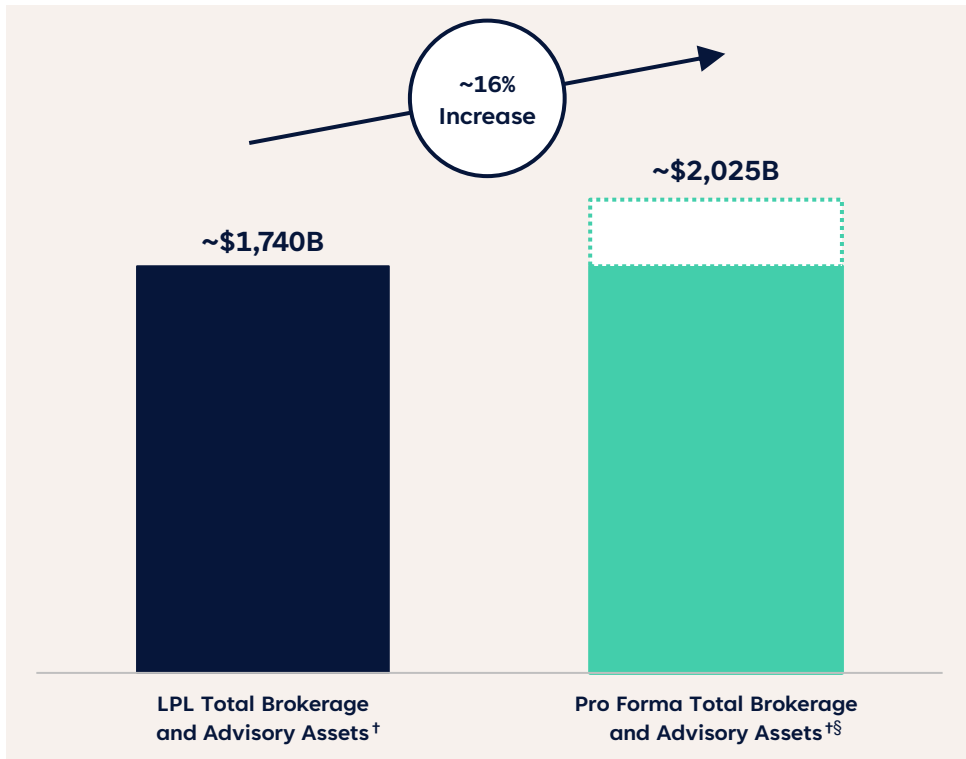
- Limited repapering, specialized transition teams, personalized outreach and onboarding guidance
- Commonwealth Advisors will have flexibility in how they affiliate and partner with LPL

## As part of the transaction, LPL will establish an Office of Advisor Advocacy

- Commonwealth CEO Wayne Bloom will oversee development of the new office, harnessing decades of learning at Commonwealth to help **elevate the experience for all LPL advisors**
- This will be achieved through:
  - ✓ Establishment of comprehensive advisor feedback mechanism
  - ✓ Increased accountability in reducing advisor pain points
  - ✓ Serving as a trusted resource to advisors

# Commonwealth extends our leading position across the advisor-oriented channel

Acquisition of Commonwealth enhances our scale across the retail advisor-mediated market<sup>‡</sup>



† As of 12/31/2024

‡ Estimated market sizing based on 2024 Cerulli reports. See endnote (1) for additional detail.

§ Calculated as the sum of total brokerage and advisory assets of LPL and total brokerage and advisory assets of Commonwealth as of 12/31/2024, without any other adjustments

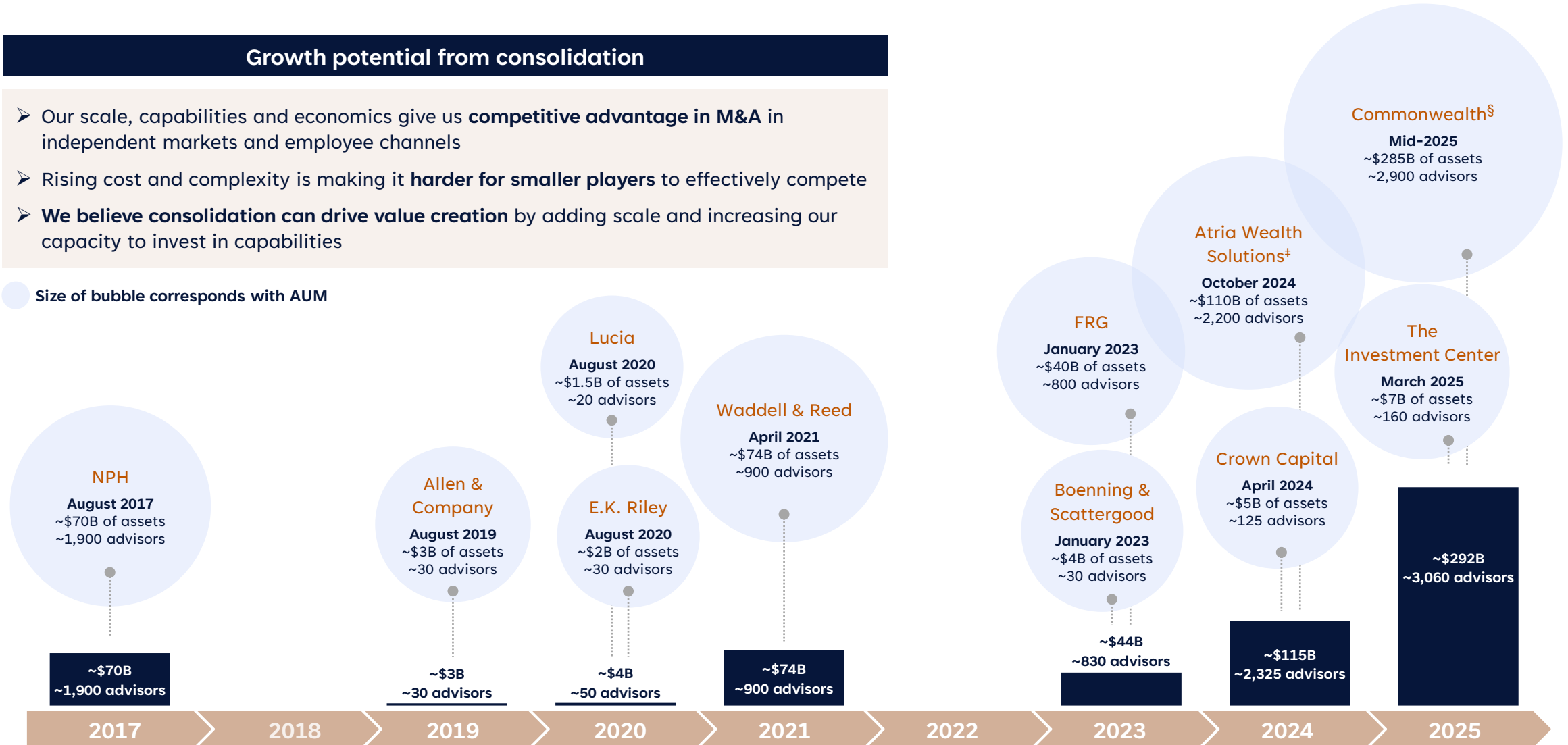
§§ Figures presented reflect total assets under management of LPL and Commonwealth as of 12/31/2024

# M&A<sup>†</sup> is a key part of our strategy, and complements our organic growth

## Growth potential from consolidation

- Our scale, capabilities and economics give us **competitive advantage in M&A** in independent markets and employee channels
- Rising cost and complexity is making it **harder for smaller players** to effectively compete
- **We believe consolidation can drive value creation** by adding scale and increasing our capacity to invest in capabilities

Size of bubble corresponds with AUM



<sup>†</sup> Includes both closed and pending acquisitions

<sup>‡</sup> Assets and advisors as of 9/30/2024, assuming 100% retention

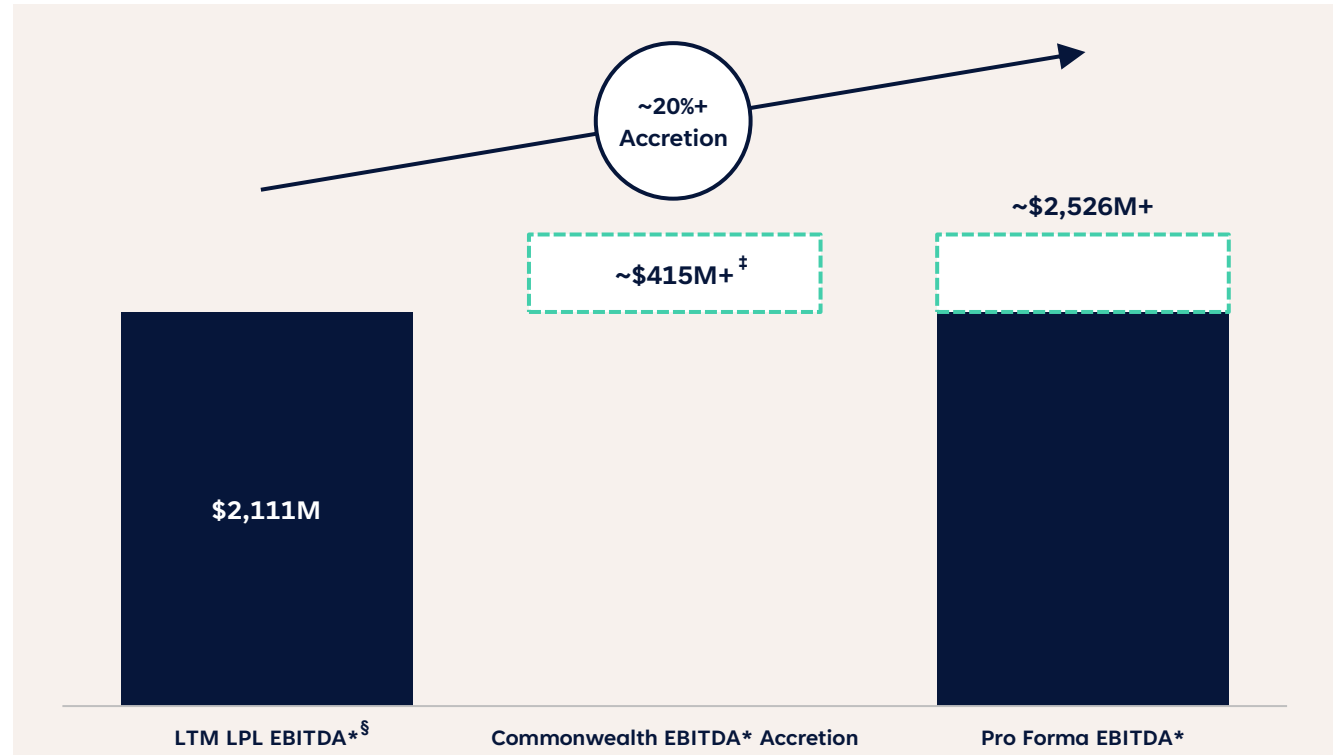
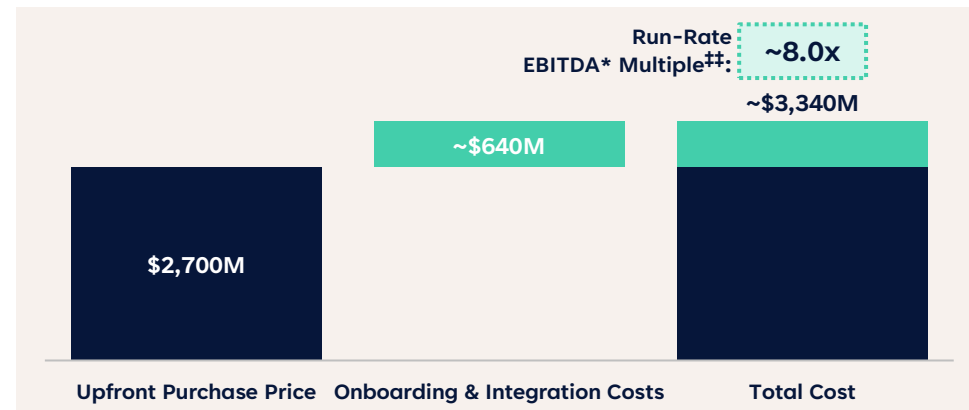
<sup>§</sup> Assets and advisors as of 12/31/2024, assuming 100% retention

# Acquisition strengthens our leading position to create shareholder value

## Key Financial Considerations

- Estimated **low single-digit** accretion to run-rate Adjusted EPS\* by end of 2026<sup>‡</sup>
- Estimated onboarding and integration costs of **~\$485M<sup>†</sup>**
- Estimated technology spend of **~\$155M**, which will be capitalized and amortized over time
- Estimated run-rate EBITDA\* accretion of **~\$415M<sup>‡</sup>** when fully ramped

## Acquisition of Commonwealth drives meaningful EBITDA\* accretion



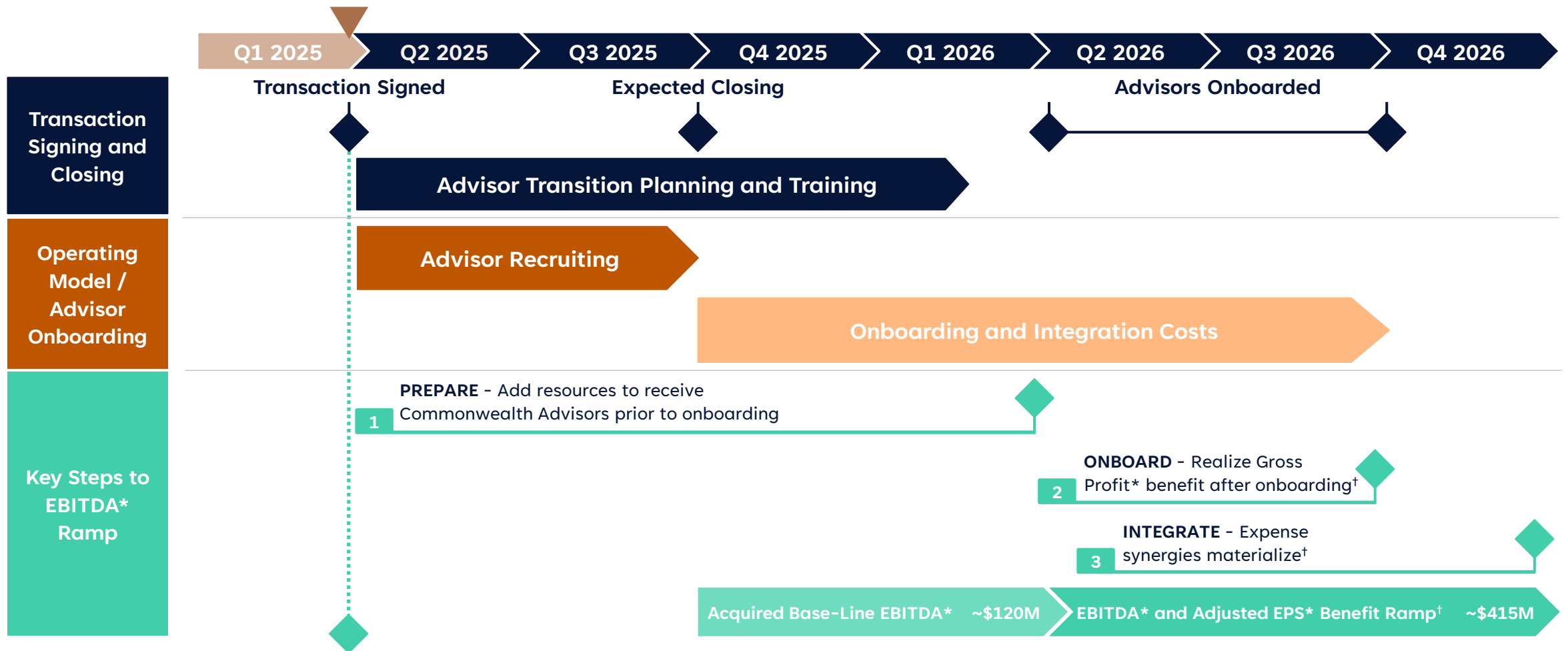
<sup>†</sup> Estimated onboarding and integration costs are based on 90% retention

<sup>‡</sup> Estimated run-rate EBITDA\* accretion of ~\$415M based on Commonwealth Advisors' assets as of 12/31/24 and ~90% retention; increases with higher levels of asset retention; and is burdened by amortization from transition assistance loans. Following close of the transaction, acquired base-line EBITDA\* is expected to be ~\$120M. Based on unaudited preliminary financial information of Commonwealth for the year ended December 31, 2024.

<sup>‡‡</sup> Based on unaudited preliminary financial information of Commonwealth for the year ended December 31, 2024

<sup>§</sup> LPL's LTM EBITDA\* includes results for the twelve months ending 12/31/24 and is a non-GAAP measure. A reconciliation of LTM net income to LTM EBITDA\* appears in the appendix of this presentation. LPL Financial Member FINRA/SIPC

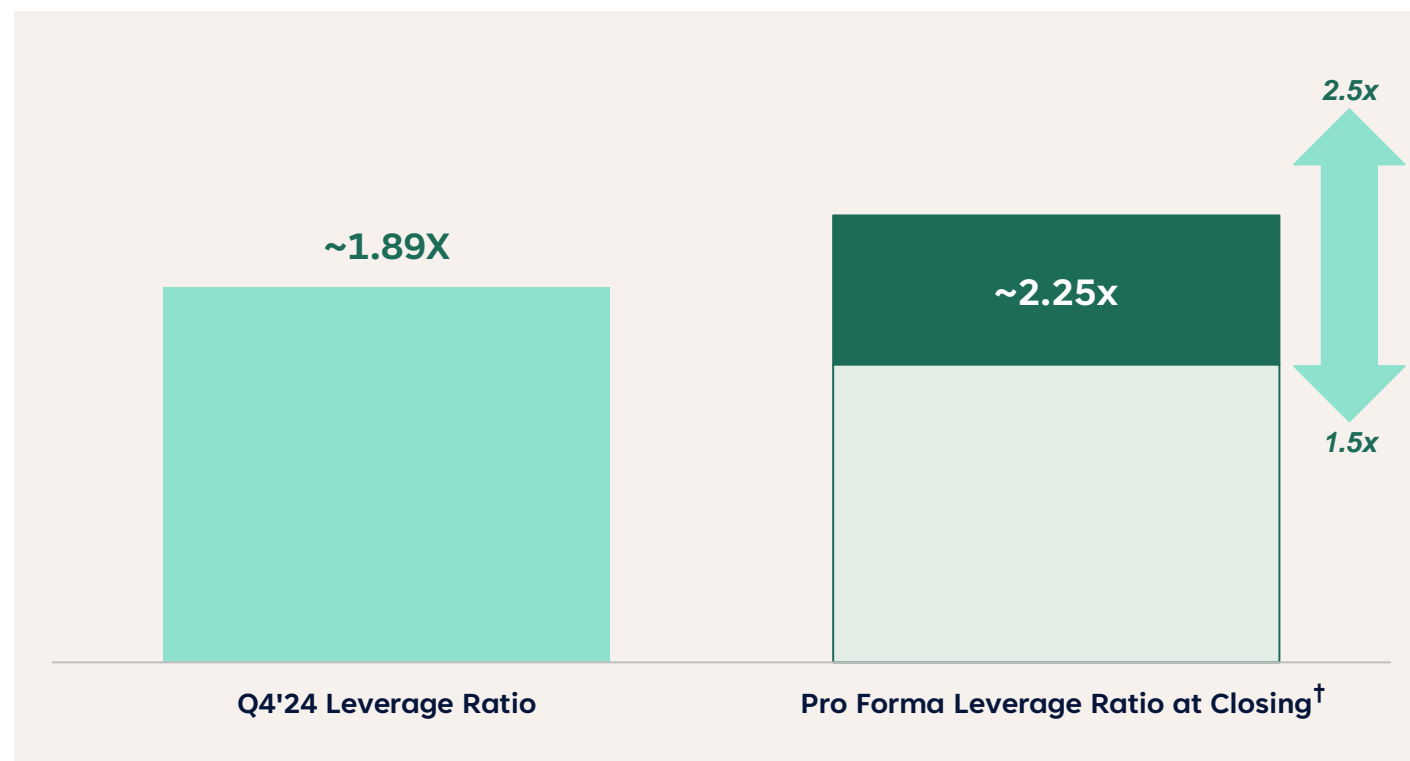
# We estimate an annual EBITDA\* benefit of ~\$415M when fully ramped



† Upon close of the transaction, acquired base-line EBITDA\* is expected to be ~\$120M. Following completion of onboarding and integration of Commonwealth, revenue and expense synergies are expected to result in run-rate EBITDA\* of ~\$415M. Based on unaudited preliminary financial information of Commonwealth for the year ended December 31, 2024.

# Financing and Leverage Overview

## Pro Forma Leverage Ratio<sup>(2)</sup>



## Key Priorities

- ✓ LPL anticipates financing this transaction with a combination of **corporate cash, debt and equity**
- ✓ At closing, we expect to be above the midpoint of management's target leverage range of **1.5x to 2.5x**, with a near-term path to reduce leverage to the midpoint of the range
- ✓ Maintaining a **strong balance sheet** is critical to our strategy and a key consideration for advisors
- ✓ We are committed to maintaining our **investment grade rating** and continuing to improve our positioning

† Based on unaudited preliminary financial information of Commonwealth for the year ended December 31, 2024

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# Appendix

# Reconciliation

## 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. Below is a calculation of gross profit\* for the periods presented herein:

\$ in millions	2024
<b>Total revenue<sup>(3)</sup></b>	<b>\$12,385</b>
Advisory and commission expense	7,751
Brokerage, clearing and exchange expense	128
Employee deferred compensation	5
<b>Gross Profit<sup>(3)</sup></b>	<b>\$4,501</b>

## Adjusted EPS\* and Adjusted Net Income\*

Adjusted EPS\* and adjusted net income\* are non-GAAP financial measures. Please see a description of adjusted EPS\* and adjusted net income\* under “Non-GAAP Financial Measures” on page 3 of this presentation for additional information. Below are reconciliations of net income and earnings per diluted share to adjusted net income\* and adjusted EPS\* for the periods presented herein:

in millions, except per share data	2024	
	Amount	Per Share
<b>Net income / earnings per diluted share</b>	<b>\$1,059</b>	<b>\$14.03</b>
Amortization of other intangibles	135	1.79
Acquisition costs <sup>(4)</sup>	106	1.40
Regulatory charges <sup>(5)</sup>	18	0.24
Departure of former Chief Executive Officer <sup>(6)</sup>	(14)	(0.19)
Loss on extinguishment of debt	4	0.05
Tax benefit	(62)	(0.82)
<b>Adjusted net income / adjusted EPS</b>	<b>\$1,245</b>	<b>\$16.51</b>
Average diluted share count	75.4	

Note: Totals may not foot due to rounding

# Reconciliation

## Net Income to EBITDA\*, Adjusted EBITDA\* and Credit Agreement EBITDA\*

EBITDA\*, Adjusted EBITDA\* and Credit Agreement EBITDA\* are non-GAAP financial measures. Please see a description of EBITDA\*, Adjusted EBITDA\* and Credit Agreement 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\*, Adjusted EBITDA\* and Credit Agreement EBITDA\* for the periods presented herein:

\$ in millions	<b>2024</b>
<b>Net income</b>	<b>\$1,059</b>
Interest expense on borrowings	274
Provision for income taxes	334
Depreciation and amortization	309
Amortization of other intangibles	135
<b>EBITDA</b>	<b>\$2,111</b>
Acquisition costs <sup>(4)</sup>	106
Regulatory charges <sup>(5)</sup>	18
Departure of former Chief Executive Officer <sup>(6)</sup>	(14)
Loss on extinguishment of debt	4
<b>Adjusted EBITDA</b>	<b>\$2,224</b>
	<b>2024</b>
<b>EBITDA</b>	<b>\$2,111</b>
<b>Credit Agreement adjustments</b>	
Acquisition costs and other <sup>(4)(5)</sup>	224
Employee share-based compensation	89
M&A accretion <sup>(7)</sup>	235
Advisor share-based compensation	3
Loss on extinguishment of debt	4
<b>Credit Agreement EBITDA</b>	<b>\$2,665</b>
Total debt	5,517
Total corporate cash	479
<b>Credit Agreement Net Debt</b>	<b>\$5,038</b>
<b>Leverage Ratio</b>	<b>1.89x</b>

Note: Totals may not foot due to rounding

# Endnotes

- (1) Estimated market sizing based on 2024 Cerulli reports, unless otherwise noted. Below are reconciliations of each market:

Traditional Market	RIA Market	Employee Channel	Institution Channel
Independent B/D	Hybrid RIA	National & Regional B/D	Insurance B/D
	Independent RIA	Wirehouse	Bank Trust
		(-) Adj. to avoid double-counting Boutique B/D	Product Manufacturers*
			Boutique B/D*
			Retail bank B/D
			(-) Adj. to Retail bank B/D: Chase & Wells Fargo

\* Estimated market sizing based on LPL estimates. Product Manufacturers defined as fund companies with an adjacent traditional wealth management business serving individuals. Boutique B/D defined as National & Regional B/Ds with less than \$50B AUM, which we view as an Institution market opportunity

- (2) The company calculates its leverage ratio as total debt less total corporate cash, divided by Credit Agreement EBITDA\* for the trailing twelve months.
- (3) The departure of the Company's former Chief Executive Officer resulted in other income of \$26.4 million during the three months ended December 31, 2024 related to the clawback of share-based compensation awards.
- (4) Acquisition costs include the costs to setup, onboard and integrate acquired entities and other costs that were incurred as a result of the acquisitions. The below table summarizes the primary components of acquisition costs for the periods presented:

\$ in millions	2024
Fair value mark on contingent consideration <sup>(8)</sup>	\$42
Professional services	21
Compensation and benefits	35
Promotional	7
Other	1
<b>Acquisition costs</b>	<b>\$106</b>

- (5) Regulatory charges for the year ended December 31, 2024 include charges related to a settlement with the SEC to resolve the Company's civil investigation of certain elements of the Company's Anti-Money Laundering ("AML") compliance program. The Company has recorded an \$18.0 million charge for the quarter ended September 30, 2024 and reached a settlement with the staff of the SEC and paid the civil monetary penalty in January 2025.
- (6) The departure of the Company's former Chief Executive Officer resulted in other income of \$26.4 million related to the clawback of share-based compensation awards which was offset by share-based compensation expense of \$12.0 million related to the modification of certain stock options that were retained as per the settlement agreement that the Company reached with the former Chief Executive Officer.
- (7) M&A accretion is an adjustment to reflect the annualized expected run rate EBITDA\* of an acquisition as permitted by the Credit Agreement for up to eight fiscal quarters following the close of the transaction.
- (8) Represents a fair value adjustment to our contingent consideration liabilities that is reflected in other expense in the consolidated statements of income.