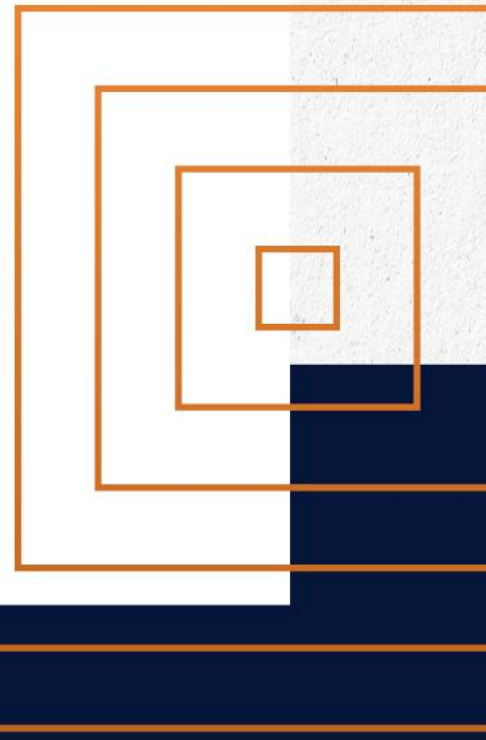


# LPL Financial

## Q2 2025 Earnings

### Prepared Remarks



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### 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, plans, priorities, business strategies, capabilities, and outlook, including forecasts and statements relating to the Company's future financial and operating results, growth, plans, priorities and business strategies, including forecasts and statements related to the Company's ICA yield, service and fee revenue, transaction revenue, tax rate, Core G&A\* expenses (including outlook for 2025, promotional expense, interest expense and income, depreciation and amortization, leverage ratio (including plans to reduce leverage), payout rate, corporate cash, run-rate EBITDA, transaction revenue, operating margin and share repurchases, if any; the expected closing of the Company's acquisition of Commonwealth Financial Network ("Commonwealth"), the Company's retention of Commonwealth advisors following the closing and Commonwealth's future financial and operating performance; and the amount and timing of the onboarding of acquired, recruited or transitioned brokerage and advisory assets, including from Commonwealth and First Horizon Bank, 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. They reflect the Company's expectations and objectives as of July 31, 2025 and are not guarantees that the expectations or objectives expressed or implied will be achieved. The achievement of such expectations and objectives involves risks and uncertainties that may cause actual results, levels of activity or the timing of events to differ materially from those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include: the failure to satisfy the closing conditions applicable to the Company's purchase agreement with Commonwealth; difficulties and delays in onboarding the assets of acquired, recruited, or transitioned advisors, including the receipt and timing of regulatory approvals that may be required; disruptions in the businesses of the Company that could make it more difficult to maintain relationships with advisors and their clients; the choice by clients of acquired or recruited advisors not to open brokerage and/or advisory accounts at the Company; changes in general economic and financial market conditions, including retail investor sentiment; changes in interest rates and fees payable by banks participating in the Company's client cash programs, including the Company's success in negotiating agreements with current or additional counterparties; the Company's strategy and success in managing client cash program fees; changes in the growth and profitability of the Company's fee-based offerings and asset-based revenues; fluctuations in the levels of advisory and brokerage assets, including net new assets, and the related impact on revenue; effects of competition in the financial services industry and the success of the Company in attracting and retaining financial advisors and institutions, and their ability to provide financial products and services effectively; whether the retail investors served by newly-recruited advisors choose to move their respective assets to new accounts at the Company; the effect of current, pending and future legislation, regulation and regulatory actions, including disciplinary actions imposed by federal and state regulators and self-regulatory organizations; the cost of defending, settling and remediating issues related to regulatory matters or legal proceedings, including civil monetary penalties or actual costs of reimbursing customers for losses in excess of our reserves or insurance; changes made to the Company's services and pricing, including in response to competitive developments and current, pending and future legislation, regulation and regulatory actions, and the effect that such changes may have on the Company's Gross Profit\* streams and costs; execution of the Company's capital management plans, including its compliance with the terms of the Company's amended and restated credit agreement, the committed revolving credit facility and LPL Financial's committed revolving credit facility, and the indentures governing the Company's senior unsecured notes; strategic acquisitions and investments, including pursuant to the Company's liquidity and succession solution, and the effect that such acquisitions and investments may have on the Company's capital management plans and liquidity; the price, availability and trading volumes of shares of the Company's common stock, which will affect the timing and size of future share repurchases by the Company, if any; whether advisors affiliated with Commonwealth and First Horizon Bank will transition registration to the Company and whether assets reported as serviced by such financial advisors will translate into assets of the Company; the execution of the Company's plans and its success in realizing the synergies, expense savings, service improvements or efficiencies expected to result from its investments, initiatives and acquisitions, expense plans and technology initiatives; the performance of third-party service providers to which business processes have been transitioned; the Company's ability to control operating risks, information technology systems risks, cybersecurity risks and sourcing risks; and the other factors set forth in the Company's most recent Annual Report on Form 10-K, as may be amended or updated in the Company's Quarterly Reports on Form 10-Q or other filings with the Securities and Exchange Commission. Except as required by law, the Company specifically disclaims any obligation to update any forward-looking statements as a result of developments occurring after July 31, 2025 and you should not rely on statements contained herein as representing the Company's view as of any date subsequent to July 31, 2025.

Actual remarks made on the Company's earnings conference call could vary from the prepared remarks presented here. A webcast replay of the Company's earnings conference call will be available on the Investor Relations section of the Company's website, [investor.lpl.com/events](http://investor.lpl.com/events). Please refer to the Company's earnings release for additional information.

### \*Notice to Investors: Non-GAAP Financial Measures

The prepared remarks set forth herein include discussion of certain non-GAAP financial measures. At the time these remarks were made, listeners were referred to the Company's earnings release, which had been previously published on the Company's website at [investor.lpl.com](http://investor.lpl.com), and which contained reconciliations of such non-GAAP financial measures to comparable GAAP figures. Management believes that presenting certain non-GAAP financial measures by excluding or including certain items can be helpful to investors and analysts who may wish to use this information to analyze the Company's current performance, prospects and valuation. Management uses this non-GAAP information internally to evaluate operating performance and in formulating the budget for future periods. Management believes that the non-GAAP financial measures and metrics discussed herein are appropriate for evaluating the performance of the Company. These non-GAAP financial measures include but are not limited to adjusted pre-tax margin, adjusted EPS, Gross Profit and Core G&A.

### *Rich Steinmeier, CEO*

Thanks Operator, and thank you to everyone for joining our call, it's a pleasure to speak with you again.

After an outstanding start to the year, we delivered another quarter of strong business performance and excellent financial results, while continuing to advance key initiatives. We entered the second quarter against a backdrop of elevated macroeconomic uncertainty and market weakness. While markets rebounded sharply as the quarter progressed, questions remain regarding the resiliency of the equity markets. In this rapidly evolving operating environment, our advisors continued to serve as a steady hand, helping to guide their clients, and reinforcing our commitment to support them.

OK. Now, let's turn to our Q2 results. In the quarter, total assets increased to a record \$1.9T, as solid organic growth was complemented by higher equity markets. We attracted organic net new assets of \$21B, representing a 5% annualized growth rate. Our second quarter business results led to strong financial performance with adjusted EPS of \$4.51, an increase of 16% from a year ago.

Next, let's turn to our strategic plan and progress across our organic and inorganic initiatives. Our vision is clear: we aspire to be the best firm in wealth management. To do that, we are focused on three key priorities. One, pursuing novel and differentiated strategies that enable the firm's sustained success. Two, creating an extraordinary employee experience, so employees in turn, deliver an unparalleled client experience. And three, leading the firm with operational excellence through increased intentionality and rigor. Effectively executing on these focus areas will help us sustain our industry leading growth, while delivering improved operating leverage.

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With that as context, let's review a few highlights of our business growth. In the second quarter, Recruited Assets were \$18B, bringing our total for the trailing twelve months to \$161B. In our traditional independent market, we added approximately \$15B in assets during Q2, where despite a broader slowdown of industry-wide advisor movement, we maintained our industry-leading capture rates of advisors in motion, while also expanding the breadth and depth of our pipeline.

With respect to our expanded affiliation models, Strategic Wealth, Independent Employee, and our enhanced RIA offering, we delivered another solid quarter, recruiting roughly \$3B in assets. And, as we look ahead, we expect that the increasing awareness of these models in the marketplace, and the ongoing enhancements to our capabilities, will drive sustainable growth.

Next, we added approximately \$1B of assets in the traditional bank and credit union market. We also continued to make progress with large institutions, where we announced that First Horizon would transition its wealth management business to our Institution Services platform. As a reminder, First Horizon supports approximately 120 financial advisors managing roughly \$17B in client assets, which we expect to onboard later in Q3.

Turning to overall asset retention, it remains industry leading at 98% for the second quarter, and over the last twelve months. This is a testament to our continued efforts to enhance the advisor experience, through the delivery of new capabilities and technology, and the evolution of our service and operations functions.

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As a complement to our organic growth, in July, we completed the conversion of Atria Wealth Solutions. This is no small feat when you consider that Atria had seven distinct broker-dealers that used multiple custodians. This is a testament to our experienced team, and the diligent investments we've made in recent years, and it highlights our differentiated transition capabilities relative to the rest of the industry. As for retention, we're still finalizing results, but anticipate asset retention landing at approximately 82%, ahead of our initial target of 80%.

Now, as for our pending acquisition of Commonwealth Financial Network, our leadership team has had the pleasure of spending focused time with Commonwealth advisors and leadership over the last four months. This has been time well spent, helping to foster increasingly constructive conversations. Today, we have a better understanding of what's important to them, preserving and fostering the Commonwealth community and culture. Plus, we've had the opportunity to showcase the resources and capabilities at LPL. The combination creates a firm with the scale, the experience, and the permanent capital needed to serve and support their growth for decades to come. As a result, we have made steady progress with advisor commitments and remain on track to achieve our retention target.

We expect to close the transaction tomorrow morning, and are excited to hit the ground running as we prepare to onboard this community of advisors.

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To summarize, we are pleased with the second quarter results, and we feel great about our position as a critical partner to our advisors and institutions, while we continue to create long-term value for our shareholders. With that, I'll turn the call over to Matt.

### *Matt Audette, President and CFO*

Thanks, Rich. I'm glad to speak with everyone on today's call. To Rich's point, it's been an active quarter, with the team delivering tremendous results at a rapid pace. To re-iterate some of those highlights, we delivered another quarter of industry-leading organic growth, launched our first-ever national marketing campaign, continued to make progress in the institutional channel as we prepare to onboard First Horizon, successfully onboarded Atria, and completed all pre-close work for our acquisition of Commonwealth. Our disciplined execution continues to translate into strong business and financial results, with our cost-efficiency work pulling through to sustainable improvements in our margins.

Now turning to a few highlights from our Q2 business results. Total advisory and brokerage assets were \$1.9T, up 7% from Q1, as continued organic growth was complemented by higher equity markets.

Total organic net new assets were \$21B, an approximately 5% annualized growth rate, a strong result both on an absolute and relative basis. On the recruiting front, Q2 recruited assets were \$18B, contributing to \$161B over the trailing twelve months.

With respect to large onboardings, during the quarter, we successfully completed the conversion of Atria's seven broker-dealers, continued to prepare for First Horizon, which we expect to onboard in Q3, and

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we're progressing towards closing Commonwealth as planned. As Rich mentioned, we expect to close the transaction tomorrow and convert Commonwealth's assets to our platform in the fourth quarter of 2026, which has moved out slightly from our original timeframe, as we've begun to scope the tech and operational work required to ensure advisors have an exceptional experience. At close, we continue to expect run-rate EBITDA to be roughly \$120M, and approximately \$415M once fully integrated, which is underpinned by our 90% retention target. With that as context, and given the timing of the close, we'll include Commonwealth in our guidance items today. I would just note, given we have not yet closed the deal, there could be some variability in the line-item geography.

Looking at Q2 financial results, the combination of organic growth and expense discipline, led to an adjusted pre-tax margin of approximately 38%, and adjusted EPS of \$4.51. Gross Profit was \$1,304M, up \$32M sequentially.

As for the key drivers, commission and advisory fees net of payout were \$349M, down \$14M from Q1. Our payout rate was 87.3%, up approximately 60 basis points from Q1, largely due to typical seasonality.

Looking ahead to Q3, we anticipate our payout rate will increase to approximately 87.6%, driven by the typical seasonal build in the production bonus, as well as our acquisition of Commonwealth.

With respect to client cash revenue, it was \$414M, up \$5M from Q1. Overall client cash balances ended the quarter at \$51B, down \$2B sequentially, primarily driven by continued elevated levels of net buying activity.

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Within our ICA portfolio, the mix of fixed rate balances ended the quarter at roughly 65%, slightly above the midpoint of our target range of 50% to 75%. Looking more closely at our ICA yield, it was 342 basis points in Q2, up 5 basis points from Q1, as higher renewal rates on our fixed rate contracts offset lower average cash balances. As we look ahead to Q3, based on where client cash balances and interest rates are today, as well as the Commonwealth-related cash, we expect our ICA yield to be roughly flat sequentially.

As for Service and Fee revenue, it was \$152M in Q2, up \$7M from Q1, primarily driven by strong organic growth. Looking ahead to Q3, we expect Service and Fee revenue to increase by approximately \$20M sequentially, driven by revenues from our annual Focus conference, as well as our pending acquisition of Commonwealth.

Moving on to Q2 transaction revenue. It was \$61M, down \$7M sequentially due to lower trading volumes. As we look ahead to Q3, we expect transaction revenue to increase by approximately \$5M sequentially, primarily driven by Commonwealth.

Now let's turn to expenses, starting with Core G&A. It was \$426M in Q2, below our outlook range for the quarter, as we continue to make progress on our renewed focus on driving operating leverage in the business. For the full year 2025, given our cost initiatives are tracking ahead of schedule, we are lowering our 2025 outlook to a range of \$1,720M to \$1,750M, which includes \$170M to \$180M of expense related to Prudential and Atria. Additionally, given the expected close of Commonwealth tomorrow, we've factored these expenses into our overall core G&A outlook, and expect an incremental \$160M to \$170M.

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As a result, our new core G&A outlook range is \$1,880M to \$1,920M. To give you a sense of the near-term timing of the spend, in Q3, we expect Core G&A to be in a range of \$495M to \$510M, including Commonwealth.

Moving on to Q2 promotional expense. It was \$164M, up \$12M from Q1, primarily driven by conference spend and transition assistance resulting from our strong recruiting. Looking ahead to Q3, we expect promotional expense to increase by approximately \$35M, driven by conference spend as we will host our annual Focus conference next month, as well as transition assistance related to Commonwealth.

Turning to depreciation and amortization, it was \$96M in Q2, up \$4M sequentially. Looking ahead to Q3, we expect depreciation and amortization to increase by roughly \$5M.

As for interest expense, it was \$102M in Q2, up \$22M sequentially, driven by our April debt issuance.

Looking ahead to Q3, given revolver balances following the close of the Commonwealth transaction, we expect interest expense to increase by approximately \$5M from Q2.

Moving on to our tax rate, it was approximately 26% in Q2. Looking ahead, we expect Q3 to be around 27%, as we anticipate recording a reserve on a couple of tax matters.

Turning to capital management. As a reminder, we funded Commonwealth through a combination of corporate cash, debt and equity. We ended Q2 with corporate cash of \$3.6B, up \$3B from Q1, which included proceeds from our capital raises. Following the close, we expect corporate cash to come back

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down closer to our management target range of roughly \$200M, and as such, we expect Q3 interest income to be approximately \$40M.

As for our leverage ratio, it was 1.23x at the end of Q2. In line with the plans we shared previously, we expect our leverage ratio to be approximately 2.25x following the close, with a path to deleverage to approximately 2x by the end of 2026.

Moving on to capital deployment. Our framework remains focused on allocating capital aligned with the returns we generate: investing in organic growth first and foremost, pursuing M&A where appropriate, and returning excess capital to shareholders.

In Q2, the majority of our capital deployment was focused on supporting organic growth and M&A, where we continued to allocate capital to our Liquidity and Succession solution. To uphold our commitment to maintaining a strong and flexible capital position, we paused share repurchases, which we will revisit once we onboard Commonwealth.

In closing, we delivered another quarter of strong business and financial results. As we look forward, we remain excited about the opportunities we have to continue to drive growth, deliver operating leverage, and create long-term shareholder value.

With that, Operator, please open the call for questions.