



# LPL FINANCIAL HOLDINGS INC. Q4 2023 INVESTOR PRESENTATION

February 1, 2024

# Notice to Investors: Safe Harbor Statement

Statements in this presentation regarding LPL Financial Holdings Inc.'s (together with its subsidiaries, the "Company") future financial and operating results, growth, priorities, business strategies, capabilities, and outlook, including forecasts and statements relating to the Company's future advisory and brokerage asset levels and mix, organic asset growth, market share, deposit betas, core G&A\* expenses (including outlook for 2024) and expenses associated with the Company's strategic relationship with Prudential Financial, Inc. ("Prudential"), service offerings, operating margin, Gross Profit\* benefits, EBITDA\* benefits, target leverage ratio, client cash balances and yields, service and fee revenue, investments, acquisitions (including Liquidity & Succession transactions), capital returns, planned share repurchases, if any, the anticipated closing of pending transactions, and the amount and timing of the onboarding of acquired, recruited or transitioned brokerage and advisory assets, 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 February 1, 2024 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: difficulties and delays in onboarding the assets of acquired or recruited 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; 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 enterprises, and their ability to market 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 settling and remediating issues related to regulatory matters or legal proceedings, including actual costs of reimbursing customers for losses in excess of our reserves; 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; 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 Prudential will transition registration to the Company and whether assets reported as serviced by such financial advisors will translate into assets of the Company; the failure to satisfy the closing conditions applicable to the strategic relationship agreement between the Company and Prudential, including regulatory approval; the negotiation of the civil monetary penalty and definitive documentation in connection with the settlement of the industry-wide civil investigation into compliance with records preservation requirements for business-related electronic communications stored on personal devices applicable to broker-dealer firms and investment advisors; 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 February 1, 2024 and you should not rely on statements contained herein as representing the Company's view as of any date subsequent to February 1, 2024.

**THIS PRESENTATION INCLUDES DATA AS OF DECEMBER 31, 2023, UNLESS OTHERWISE INDICATED.**

# Notice to Investors: Non-GAAP Financial Measures

Management believes that presenting certain non-GAAP financial measures by excluding or including certain items can be helpful to investors and analysts who may wish to use this information to analyze the Company's current performance, prospects and valuation. Management uses this non-GAAP information internally to evaluate operating performance and in formulating the budget for future periods. Management believes that the non-GAAP financial measures and metrics discussed herein are appropriate for evaluating the performance of the Company. **Specific Non-GAAP financial measures have been marked with an asterisk (\*) within this presentation. Reconciliations and calculations of such measures can be found 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 and a regulatory charge in the third quarter of 2023 related to an investigation of the Company's compliance with records preservation requirements for business-related electronic communications stored on personal devices or messaging platforms that have not been approved by the Company, 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 a regulatory charge 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.

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.

Core G&A consists of total expense less the following expenses: advisory and commission; depreciation and amortization; interest expense on borrowings; brokerage, clearing and exchange; amortization of other intangibles; market fluctuations on employee deferred compensation; loss on extinguishment of debt; promotional (ongoing); employee share-based compensation; regulatory charges; and acquisition costs. Management presents core G&A because it believes core G&A reflects the corporate expense categories over which management can generally exercise a measure of control, compared with expense items over which management either cannot exercise control, such as advisory and commission, or which management views as promotional expense necessary to support advisor growth and retention, including conferences and transition assistance. Core G&A is not a measure of the Company's total expense as calculated in accordance with GAAP. For a reconciliation of the Company's total expense to core G&A, please see the appendix of this presentation. The Company does not provide an outlook for its total expense because it contains expense components, such as advisory and commission, that are market-driven and over which the Company cannot exercise control. Accordingly a reconciliation of the Company's outlook for total expense to an outlook for core G&A cannot be made available without unreasonable effort.

EBITDA is defined as net income plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles. The Company presents EBITDA because management believes that it can be a useful financial metric in understanding the Company's earnings from operations. EBITDA is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP. For a reconciliation of net income to EBITDA, please see the appendix of this presentation.

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, 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.

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# LPL investment highlights

- 1 Industry leader in the advisor-mediated marketplace with scale and structural tailwinds
- 2 Horizontal expansion strategy with a goal of meeting all ~300,000<sup>†</sup> advisors where they are
- 3 Significant capacity to invest in vertical integration capabilities that enhance the advisor value proposition and drive growth
- 4 Resilient business model with natural hedges to market volatility
- 5 Disciplined expense management, enabling operating leverage
- 6 Capital-light business model with flexible allocation framework

# LPL overview

## Who we are

- We serve the advisor-mediated marketplace as the largest independent broker-dealer in the U.S. and a top custodian
- We provide advisors with the front-, middle- and back-office support they need to serve the large and growing market for comprehensive financial advice

**#1 Independent Broker-Dealer**  
*Financial Planning Magazine*

**Top RIA Custodian**  
*Cerulli Associates*

**Fortune 500 Company**

## What we do

- **We serve advisors and enterprises so they can...**
  - Help their clients achieve life’s goals and dreams
  - Run thriving businesses
- **We deliver...**
  - Value-added capabilities that help advisors and enterprises provide differentiated experiences for their clients
  - Personalized solutions from flexible and compelling affiliation models, to services that help advisors and enterprises run extraordinary businesses
  - Liquidity & Succession capabilities for advisors seeking to transition their business

## Who we serve

**~22,700 Advisors**

**~\$1.4T Assets**

- **Independent Advisors:** ~12,700
- **Independent RIA:** ~6,300 (~570 firms)
- **Enterprise Services:** ~3,700 (~1,100 enterprises)
- **Advisor channel:** ~\$1,020B
- **Enterprise channel:** ~\$330B

## Our mission and vision



### Mission

We take care of our advisors and enterprises so they can take care of their clients



### Vision

Become the leader across the advisor-mediated marketplace

# LPL by the numbers

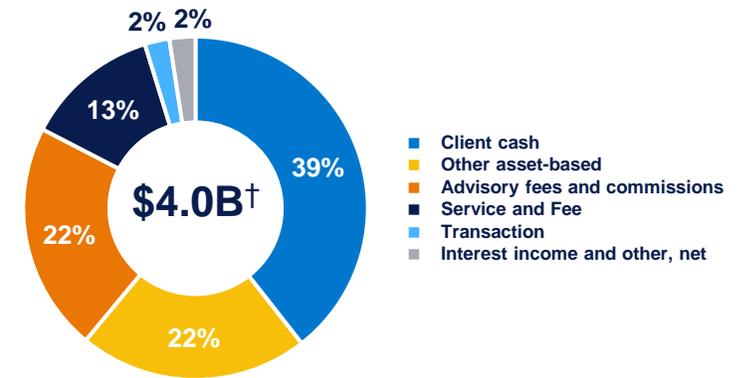
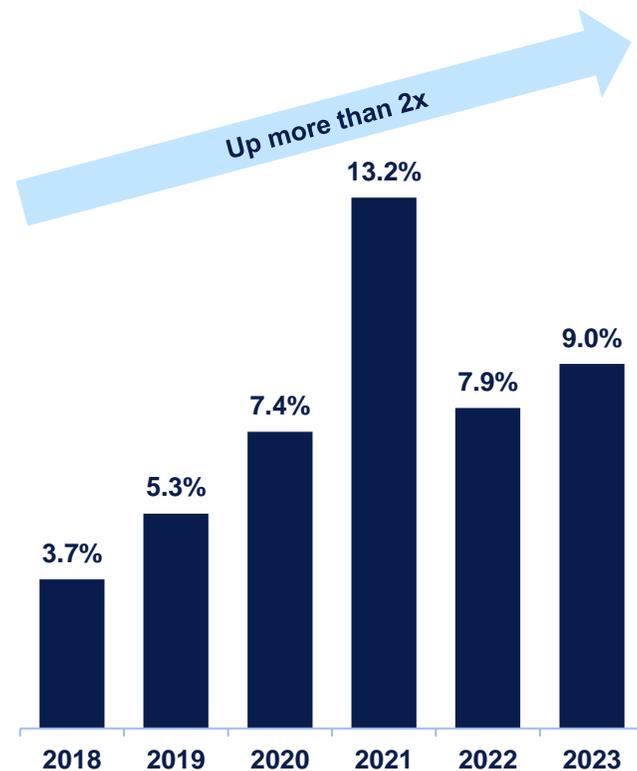
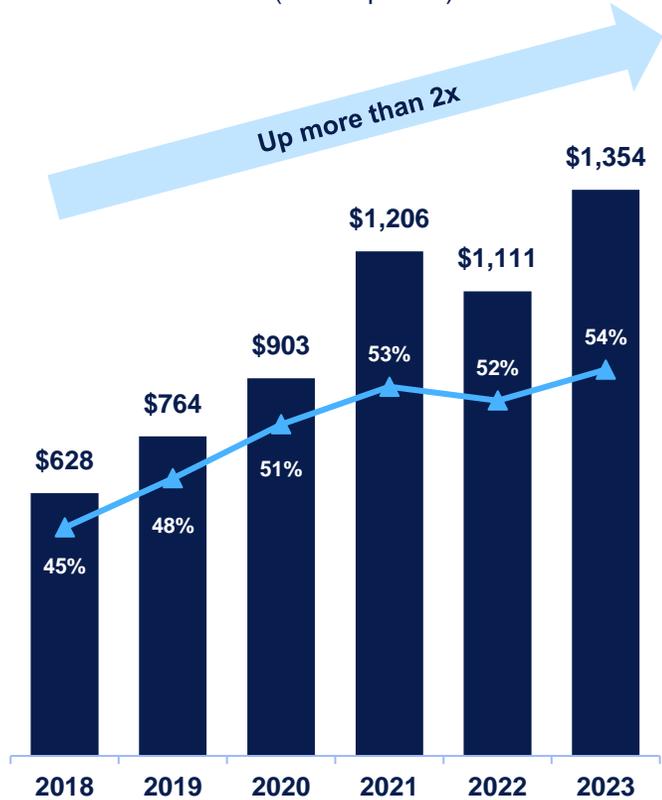
## Industry-leading scale

## Financial highlights

**Total Advisory and Brokerage Assets (\$B)**  
(end of period)

**Total Organic Net New Assets ("NNA")**  
Annualized Growth<sup>(1)</sup>

**Gross Profit\* Contribution**



49% Operating margin<sup>(2)†</sup>

\$15.72 Adjusted EPS\*†

1.63x Leverage ratio<sup>(3)‡</sup>

▲ Advisory % of Total Advisory and Brokerage Assets

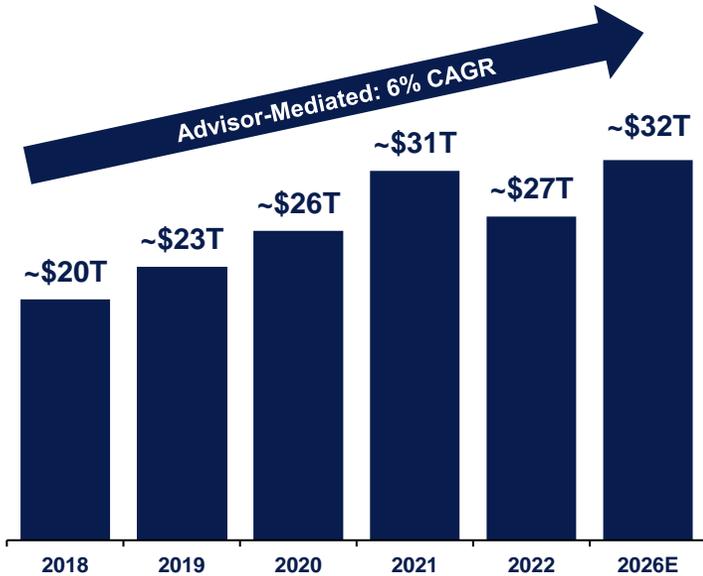
Note: Totals may not foot due to rounding  
 † Represents LTM results through December 31, 2023  
 ‡ As of December 31, 2023

Incl. dividends and interest, less advisory fees. Prior to Q4 2021, excludes the assets of Waddell & Reed.

# We are a market leader with scale advantages and structural tailwinds

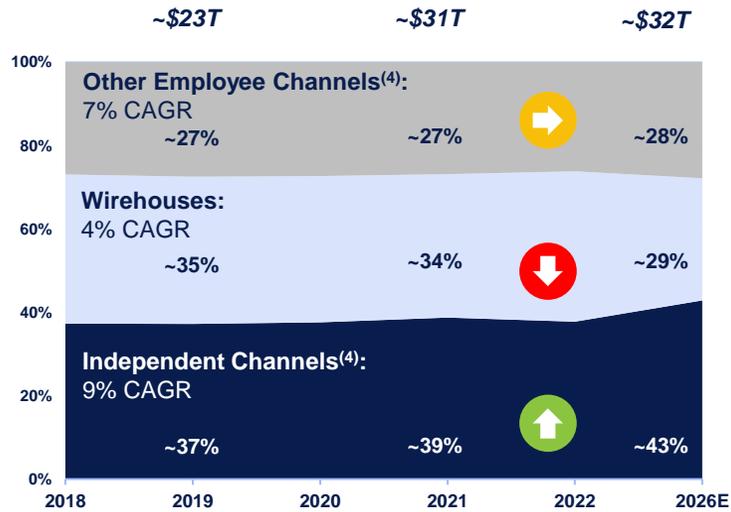
## Growing demand for advice

Projected Growth in US Retail Advisor-Mediated Market†§

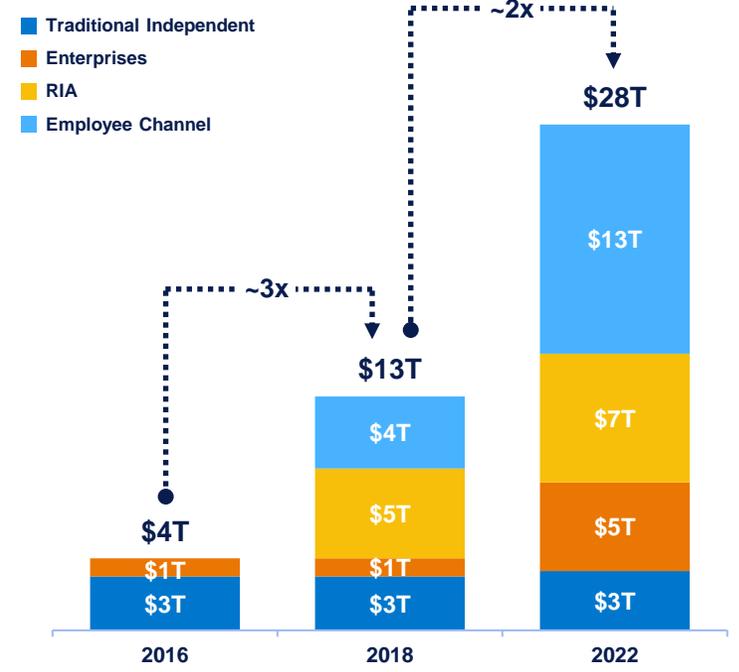


## Independent channel gaining share

Total U.S. Retail Advisor-Mediated Assets

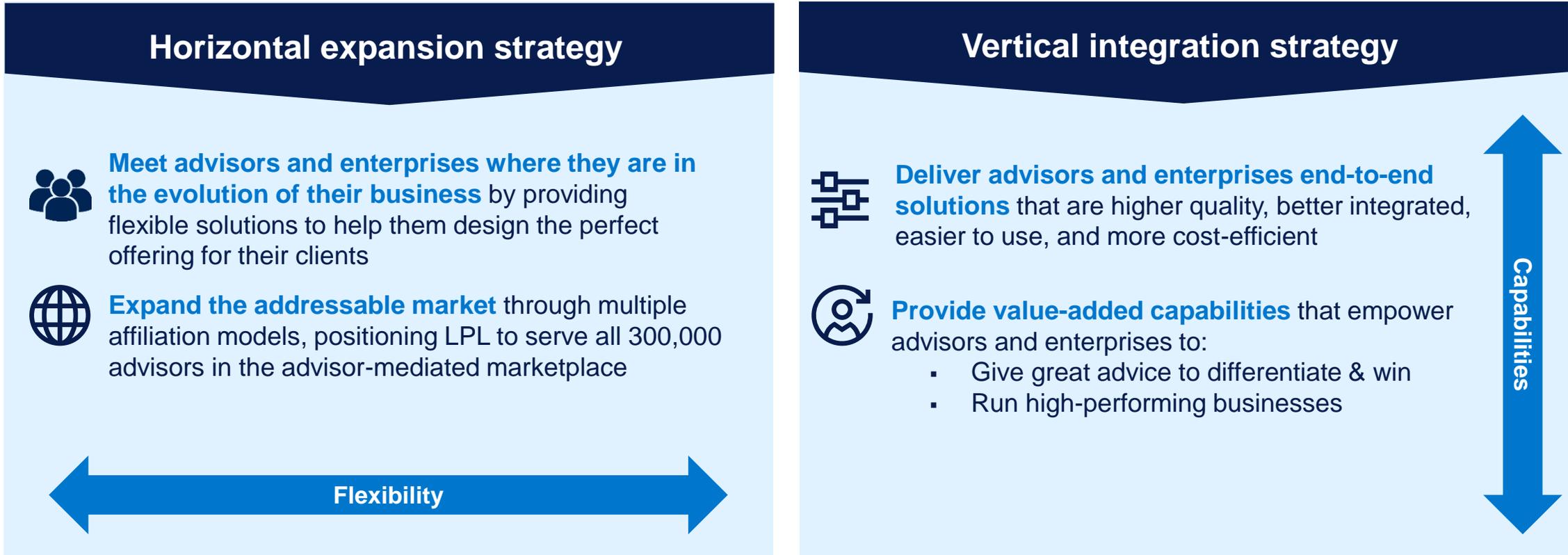


## Market leader, with expanded addressable markets‡§



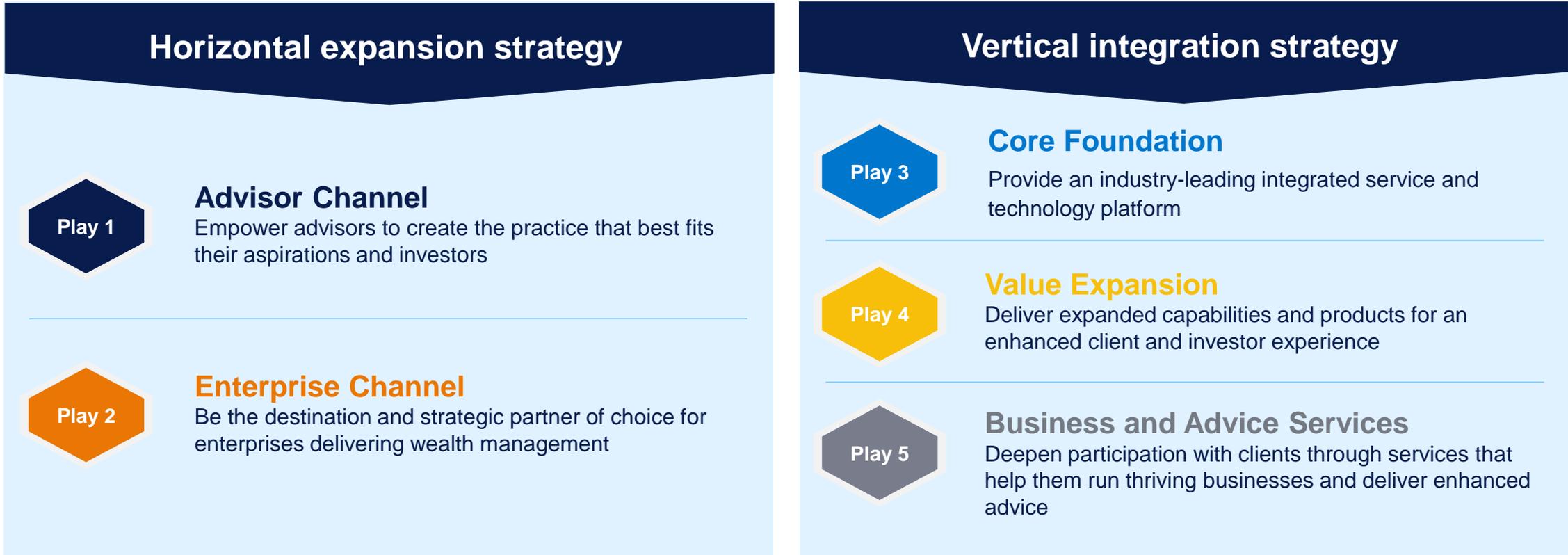
Note: Totals may not foot due to rounding.  
 † 2023 Cerulli U.S. Retail and Institutional Asset Management Report and Cerulli Lodestar projections. Excludes self-directed market  
 ‡ Estimated market sizing based on 2023 Cerulli reports. See endnote (5) for additional detail  
 § Figures presented reflect total assets

# We are providing value-added capabilities that drive our market expansion



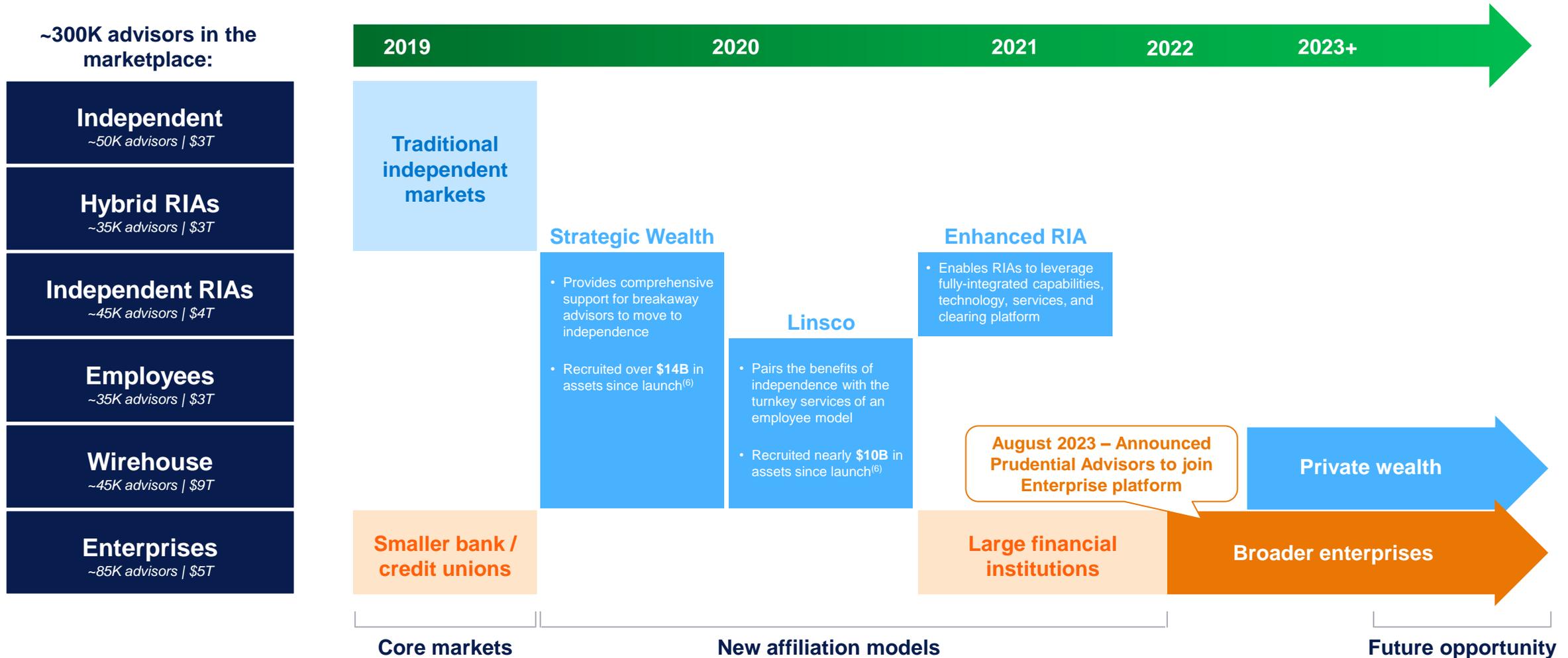
**Foundation:** *Infrastructure that supports scalability, flexibility, and resiliency is core to our value proposition*

# To execute on our strategic priorities, we organize our efforts into five strategic plays



**Enablers:** Empower the organization to innovate, collaborate, and thrive as we deliver on the promises we make to our clients

# Our horizontal expansion strategy enables us to meet all ~300,000<sup>†</sup> advisors where they are



<sup>†</sup> 2023 Cerulli Broker-Dealer Marketplace

# We are a market leader in independent advisor channels, with a growing opportunity in the employee channel

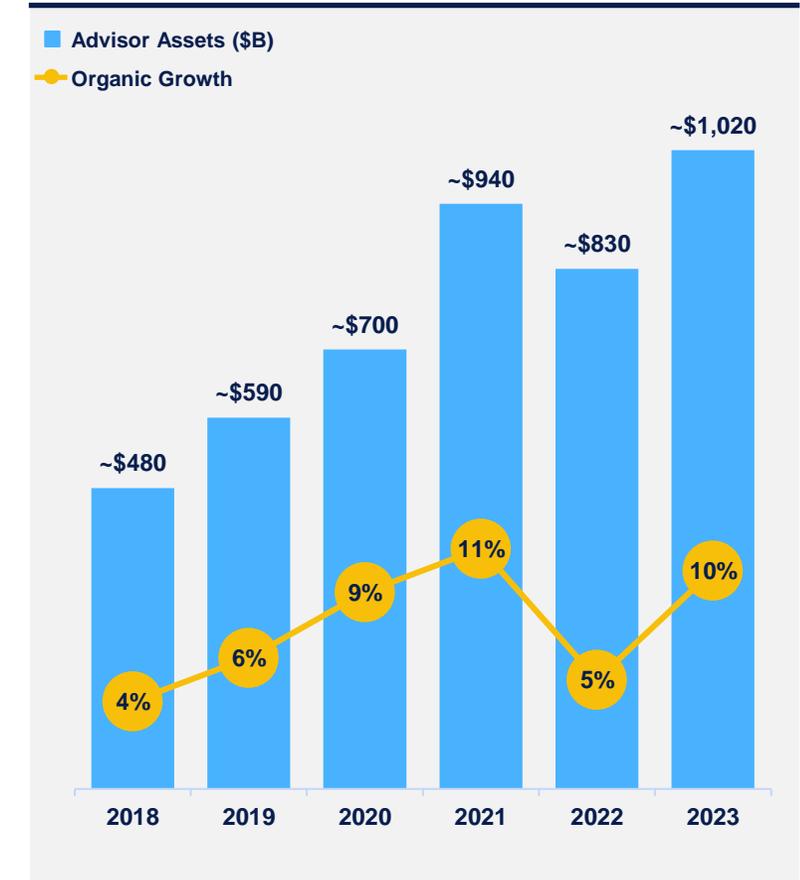
## Growing advisor opportunity

- Initially, we served advisors in the **independent market**, where advisors own and operate their businesses
  - We expand our market leadership through continued enhancements to capabilities and competitive pricing
- By building on what we already do well, we've unlocked the ability to support a broader set of advisors: **Strategic Wealth, Independent Employee and Enhanced RIA**
  - To power these new models, we embedded a new layer of services that extends our vertical integration, while also enhancing the overall client experience
- This combination has expanded our opportunity to serve all segments of the advisor-mediated market

## Value proposition

<b>Flexible Models</b>	<ul style="list-style-type: none"> <li>▪ Traditional Independent Model</li> <li>▪ Strategic Wealth</li> <li>▪ Independent Employee</li> <li>▪ Enhanced RIA</li> </ul>
<b>Differentiated Economics</b>	<ul style="list-style-type: none"> <li>▪ Compelling ongoing economics</li> <li>▪ Transition assistance</li> <li>▪ Lower technology costs and fees</li> </ul>
<b>Complete Book Ownership</b>	<ul style="list-style-type: none"> <li>▪ Advisors have complete ownership of their practice</li> </ul>
<b>Value-added capabilities</b>	<ul style="list-style-type: none"> <li>▪ Technology and operating platform</li> <li>▪ Integrated products and solutions</li> <li>▪ Compliance and risk management</li> </ul>
<b>Business Services</b>	<ul style="list-style-type: none"> <li>▪ Portfolio of services to help advisors run thriving businesses</li> <li>▪ Solve the most compelling problems facing advisors</li> </ul>

Organic NNA has driven the majority of advisor asset growth



# We provide a compelling value proposition for enterprises to outsource their wealth business

## Growing enterprise opportunity

- Initially, we focused on **financial institutions** as our primary opportunity for outsourced wealth management
- As we onboarded several financial institutions in recent years, we've built a number of new capabilities and continue to innovate based on learnings from those onboardings
- In doing so, we've exposed new opportunities to serve **broader enterprises, expanding our addressable market from \$1T to \$5T**
- Prudential Advisors is a recent example of our opportunity with broader enterprises, expanding our presence into the insurance broker-dealer market
- To capitalize on this opportunity, there are additional capabilities we are building
- Our value proposition resonates for enterprises outsourcing for the first time or looking to upgrade their existing provider

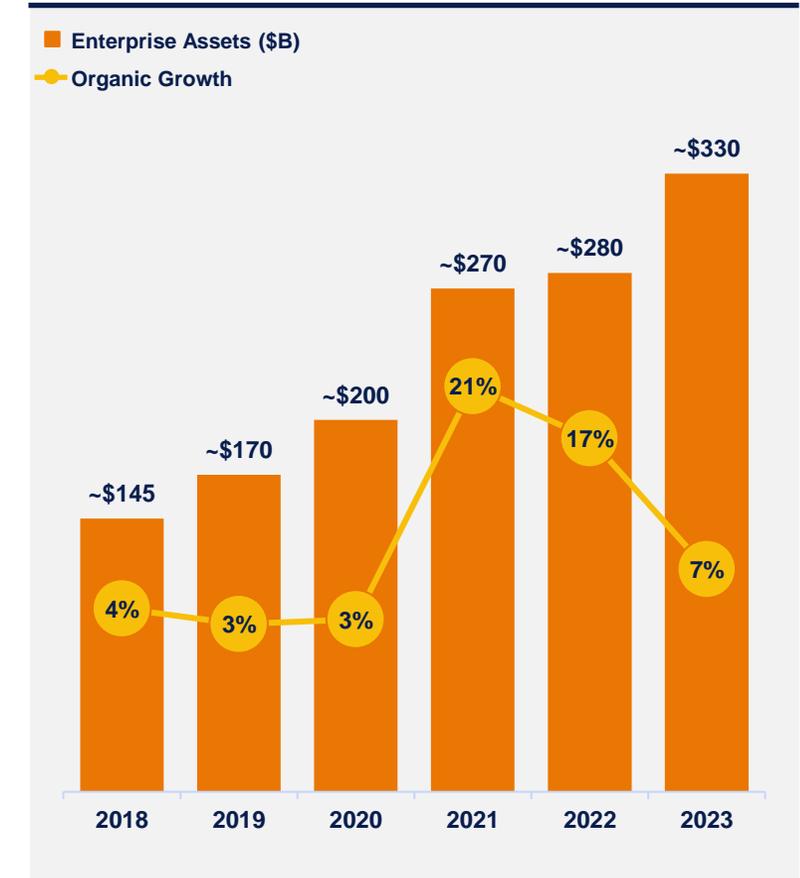
## Value proposition

<b>Accelerate Growth</b>	<ul style="list-style-type: none"> <li>Enhanced client experience</li> <li>Attract new advisors</li> <li>Improved capacity to invest in the business</li> </ul>
<b>Reduce Cost and Risk</b>	<ul style="list-style-type: none"> <li><b>Operational efficiency and technology:</b> outsourced back- and middle-office support                             <ul style="list-style-type: none"> <li>Can lead to ~10 point improvement in operating margin†</li> </ul> </li> <li><b>Regulatory and risk reduction:</b> transferred regulatory and compliance risk</li> </ul>
<b>Seamless Conversion Process</b>	<ul style="list-style-type: none"> <li>Minimize business disruption through integration and operational support</li> <li>Dedicated onboarding team with experience transitioning several large enterprises to our platform</li> </ul>

## Enterprise economics

<b>Attractive Margins</b>	<ul style="list-style-type: none"> <li>Due to size and asset mix, Gross Profit* ROA for Large Enterprises is typically ~15 bps+</li> <li>The lower ROA is factored into our TA underwriting process</li> <li>Given our scale, there is also a <b>lower cost to serve</b> enterprises</li> <li>Overall, new enterprise partnerships are <b>in-line with our broader margins</b></li> </ul>
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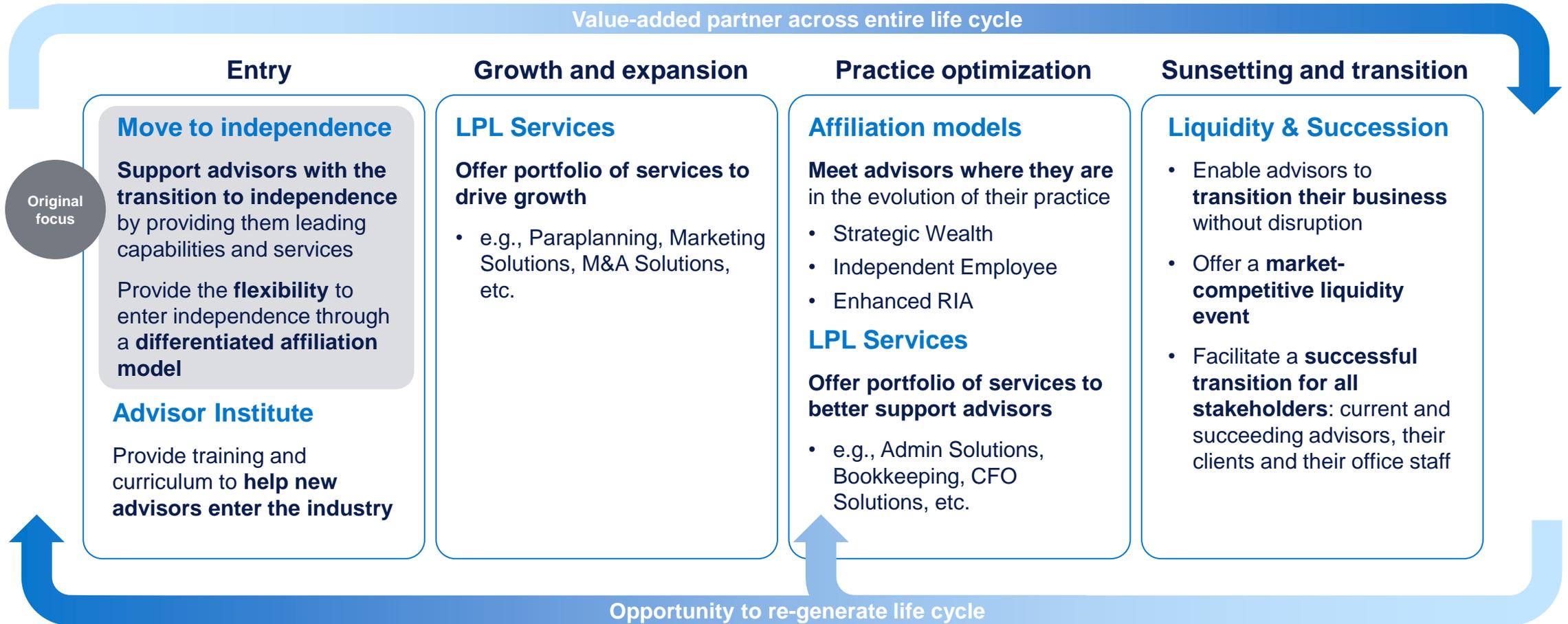
Organic NNA has driven the majority of enterprise asset growth



† 2021 Kehler Bielan Research & Consulting Report

# Extending our vertical integration by solving for the needs of advisors at every stage of their practice

Life cycle of an advisor



# Our operating platform delivers industry-leading flexibility and integrated workflows

## Lead with choice and flexibility

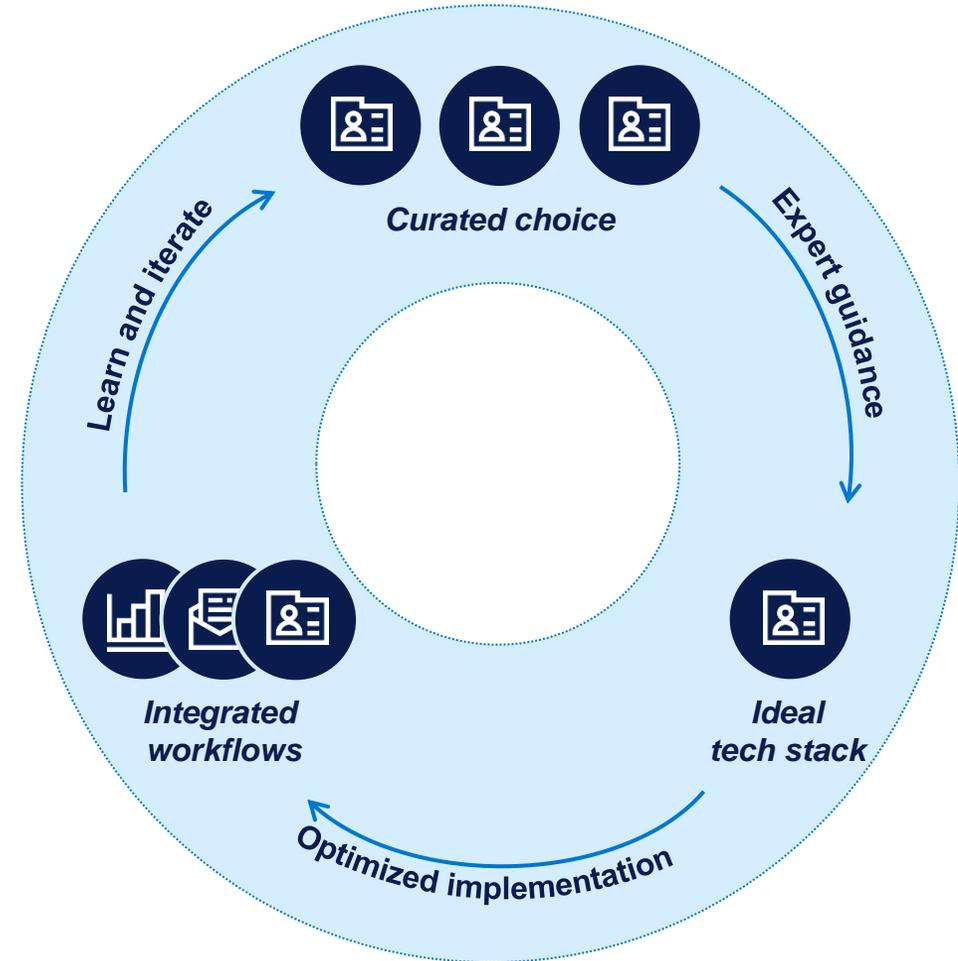
- Promote optionality by integrating a broad array of third-party tools
- Design and deliver proprietary capabilities as needed

## Guide advisors to best-fit solutions

- Leverage unique expertise to match advisors to the right capabilities
- Guide advisors and enterprises to solutions optimized for cost

## Streamline integrated workflows

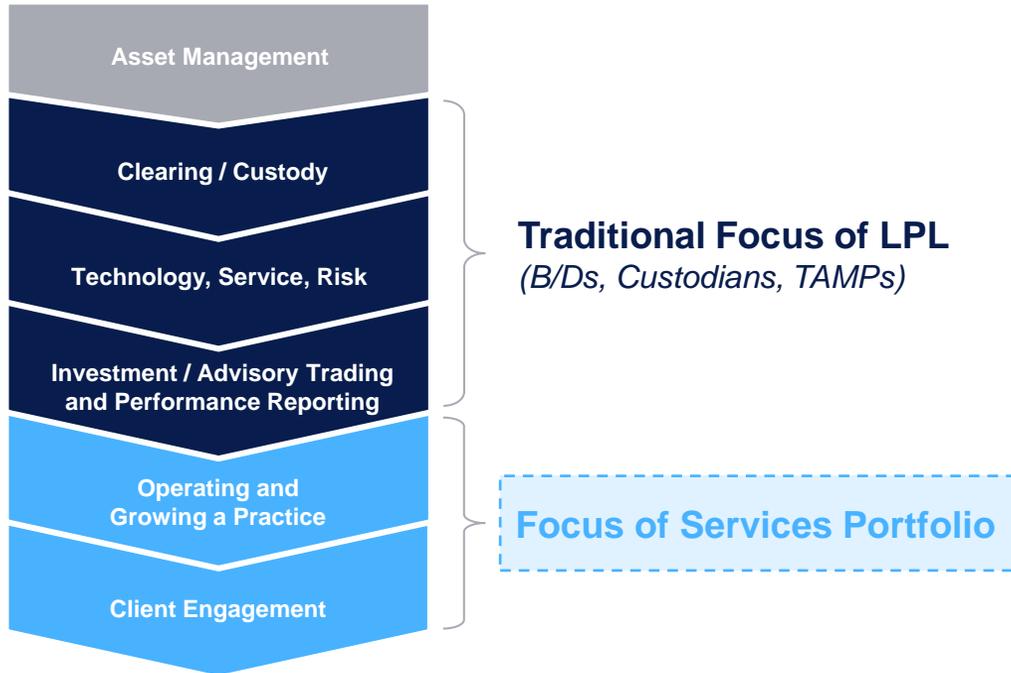
- Make it easy for advisors to execute seamlessly across our ecosystem
- Provide access to practice management insights to drive advisor growth



# Our Services Group is an innovation engine and driver of organic growth...

## Deepening our vertical integration

## Helping advisors and enterprises deliver on their value proposition



### New Store Sales

- Enabling **\$32B** in Recruited AUM<sup>(6)</sup> since launch
- Expanding our addressable markets by supporting new affiliation models
- Attracting new advisor and enterprise profiles

### Same Store Sales

- **~2x** faster growth among users of our Services Group vs. those that don't
- Supporting advisors and enterprises to acquire more new end-clients
- Giving advisors and enterprises the tools to deepen relationships with existing clients

### Retention

- **~1.5x** higher NPS scores among users of our Services Group vs. those that don't
- Increasing client asset retention
- More likely to recommend LPL

# ...and has grown to ~5,800 subscriptions, with broad adoption across our diverse services

**Planning & Advice Services**

- **Digital and employee-powered solutions** that help advisors and enterprises expand the breadth and depth of their advice
- Helps advisors and enterprises increase marketplace differentiation while limiting additional complexity and risk
- **Current Portfolio:** Paraplanning and Tax Planning
- **Recently Launched:** High Net Worth Services

**Business Services**

**Business Optimizers**

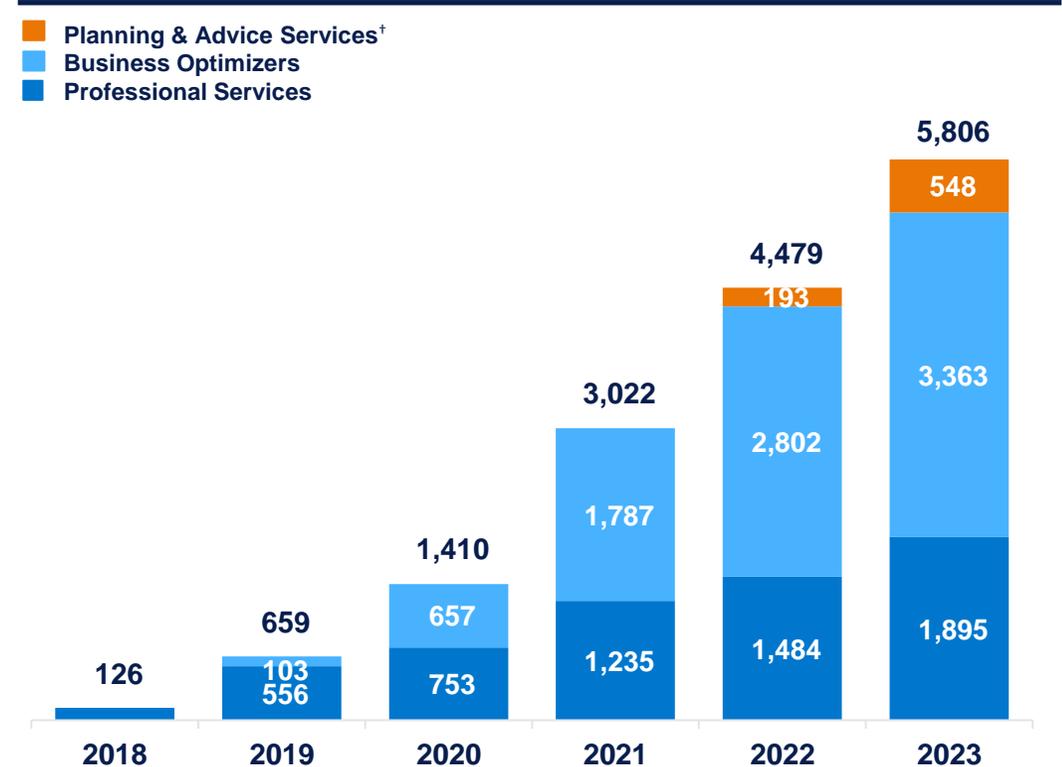
- **Digital solutions** that provide risk mitigation and business continuity services to support business operations and succession planning
- Lower revenue and lower cost since they **deliver digital capabilities**
- **Current Portfolio:** M&A Solutions, Digital Office, Resilience Plan and Assurance Plan
- **In Development:** Digital Marketing

**Business Services**

**Professional Services**

- **Digital and employee-powered solutions** that provide expertise to increase business-level growth and operational efficiency
- Higher revenue and higher cost due to **full support from an LPL team**
- **Current Portfolio:** CFO Solutions, Marketing Solutions, Admin Solutions, Advisor Institute, Bookkeeping and Partial Book Sales
- **Recently Launched:** CFO Essentials
- **In Development:** Payroll Services

Services Group Subscriptions (end of period)



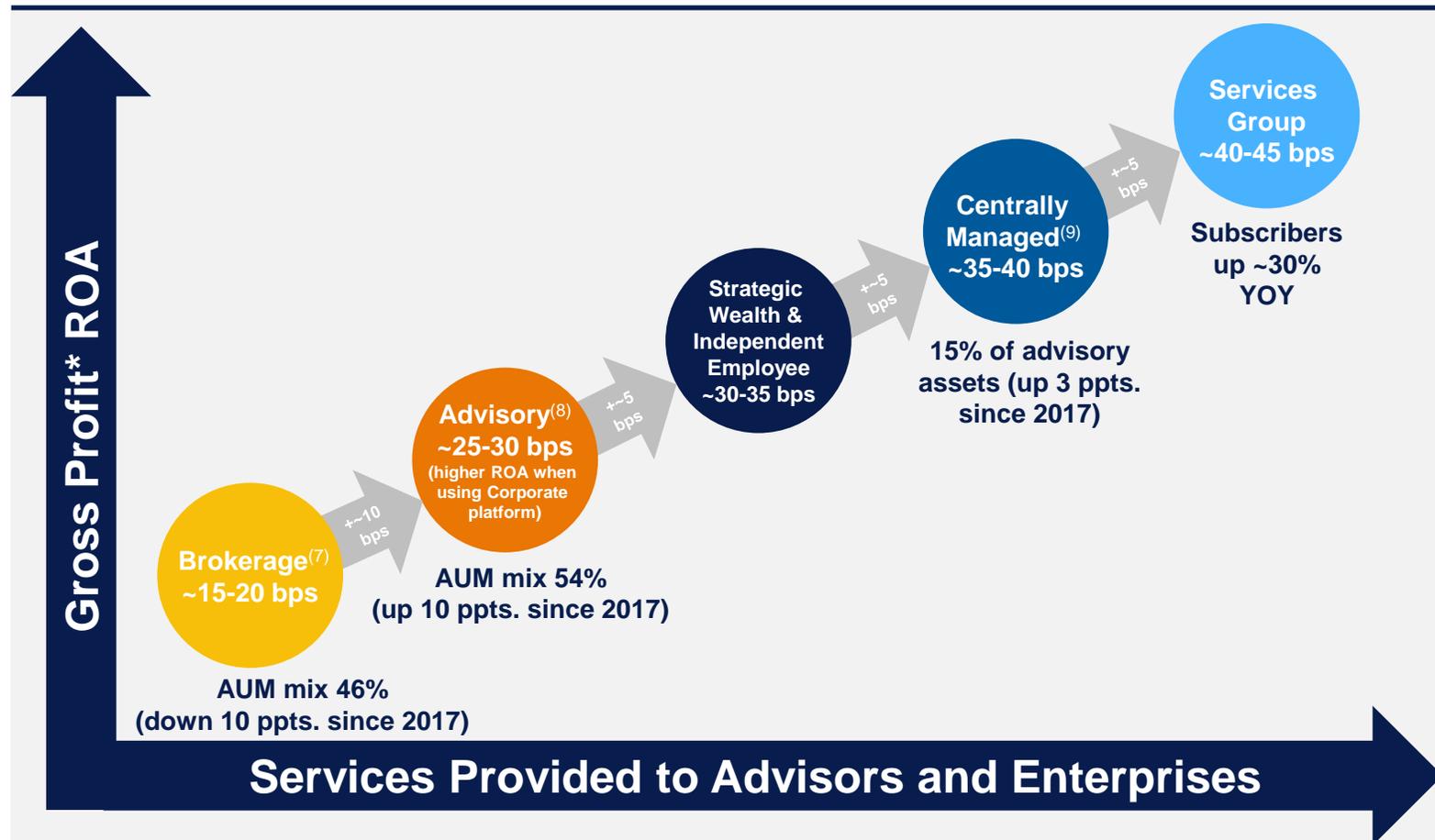
Services Group Advisor Count (end of period)

2018	2019	2020	2021	2022	2023
126	485	1,167	2,266	3,039	3,850

† Subscriptions are the number of advisors using the service

# We provide a range of services to advisors and enterprises, strengthening their business while enhancing our returns

We have seen a favorable mix shift in our platforms



## Key points

- **Brokerage:** Asset growth is driven by Enterprises, where asset mix is primarily brokerage
- **Advisory:** Assets are shifting from brokerage to advisory, as end-clients seek greater levels of support from advisors
  - Prior to enterprises, we are shifting towards advisory at ~2%+ per year
  - ~75% of new client flows are in advisory
- **New Models:** Strategic Wealth & Independent Employee models increase support for advisors and expand our addressable market
- **Centrally Managed:** Platforms can create additional value within advisory
  - Outsourcing portfolio design and management can free up advisors' time to serve clients and grow their business
- **Services Group:** Support advisors and enterprises through an expanded set of offerings and a subscription model

# We are advancing our capabilities to enhance our value proposition and drive growth

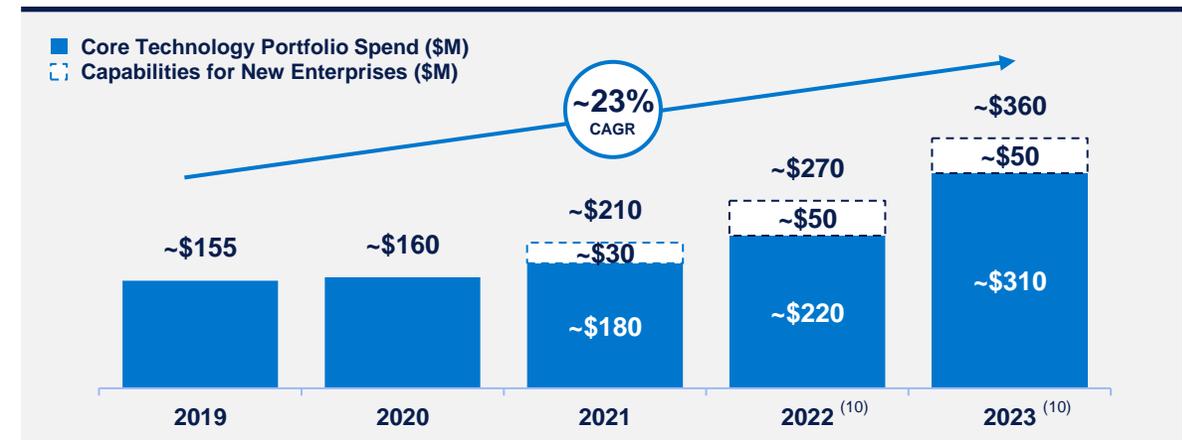
## Investment areas of focus



## We are making investments to drive organic growth...



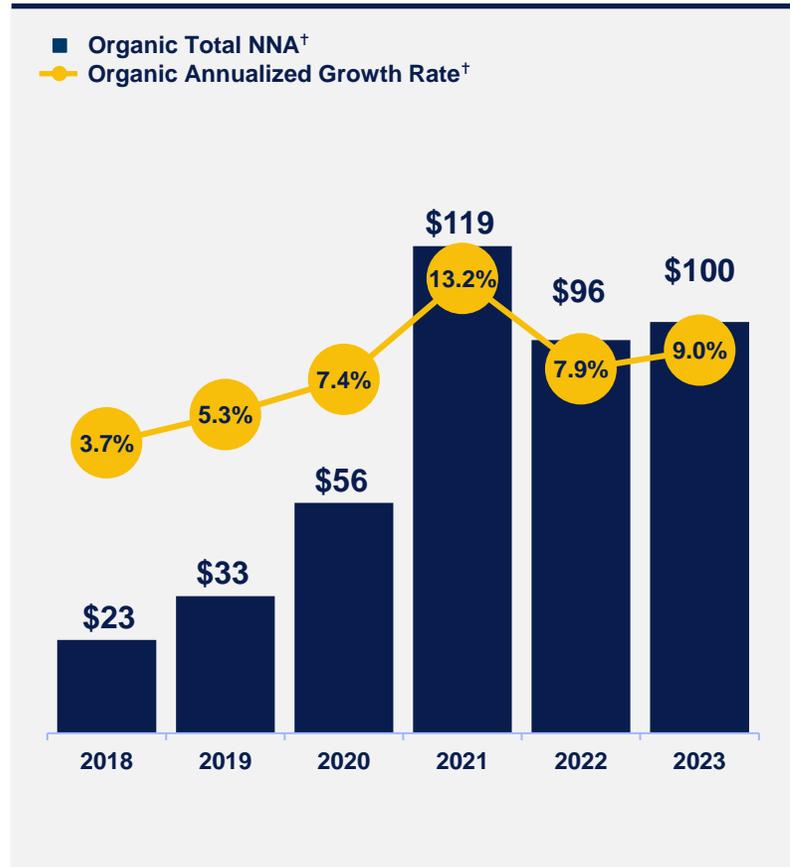
## ...with a focus on Technology



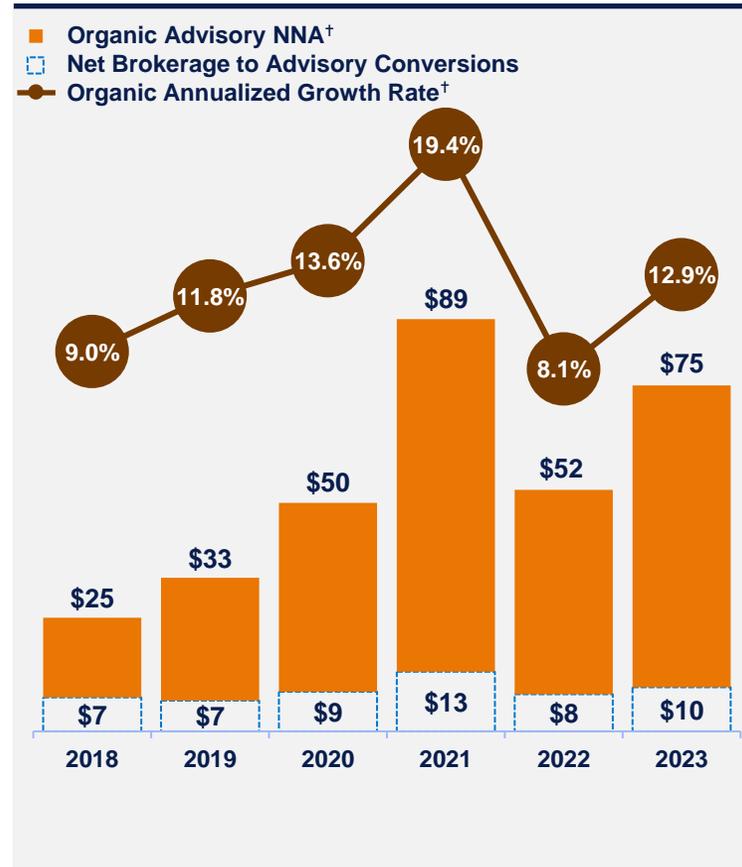
† Prior to Waddell & Reed  
‡ 2022 Core G&A\* growth is based on the Company's total 2021 Core G&A\*

# We continued to drive solid organic growth with a net new asset growth rate of ~9% for the past year

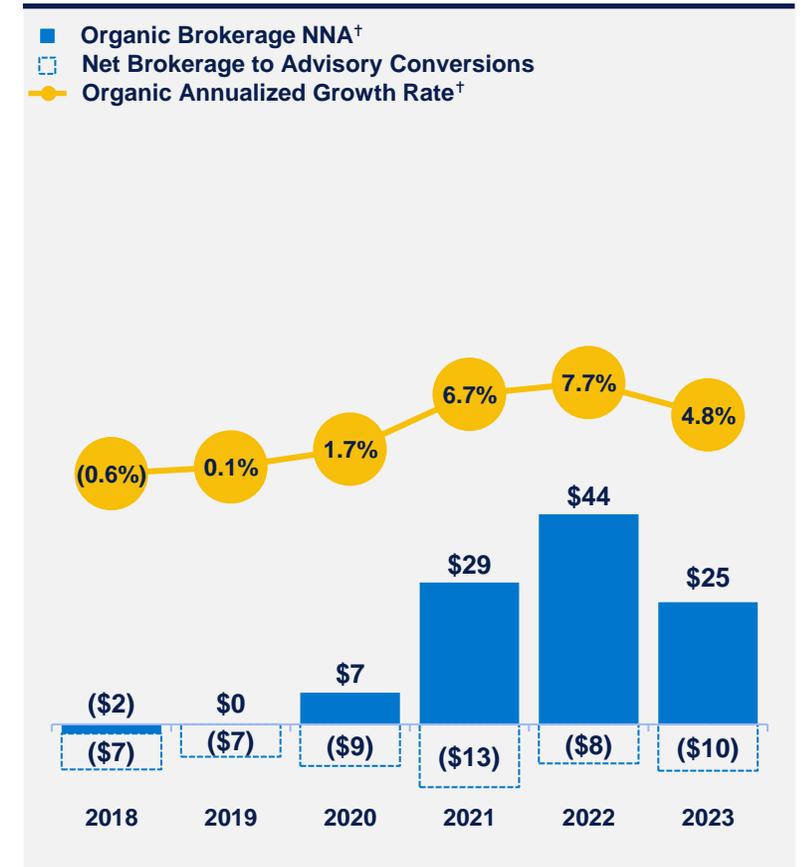
Total Organic Net New Assets<sup>(11)(12)</sup> (\$B)



Organic Net New Advisory Assets<sup>(13)</sup> (\$B)



Organic Net New Brokerage Assets<sup>(13)</sup> (\$B)



† Prior to Q4 2021, net new assets and net new assets growth rates exclude the assets of Waddell & Reed

# We benefit from rising market levels and interest rates, and our business model has natural hedges to market volatility

## Macro benefits

### Market Levels (S&P 500)

Rising market levels drive growth in assets and related revenues including advisory fees, trailing commissions, and sponsor revenues

### Interest Rates

Rising interest rates benefit our client cash yields

## Annual Gross Profit\* Impact

**~\$10M** <sup>(14)</sup>

Per 1% change in market levels

**~\$35M** <sup>(15)</sup>

Per 25bps change in short-term rates

## Natural offsets to market declines

### Cash Sweep Balance

Increased risk and volatility in the market drives higher cash sweep balances

### Transaction Volume

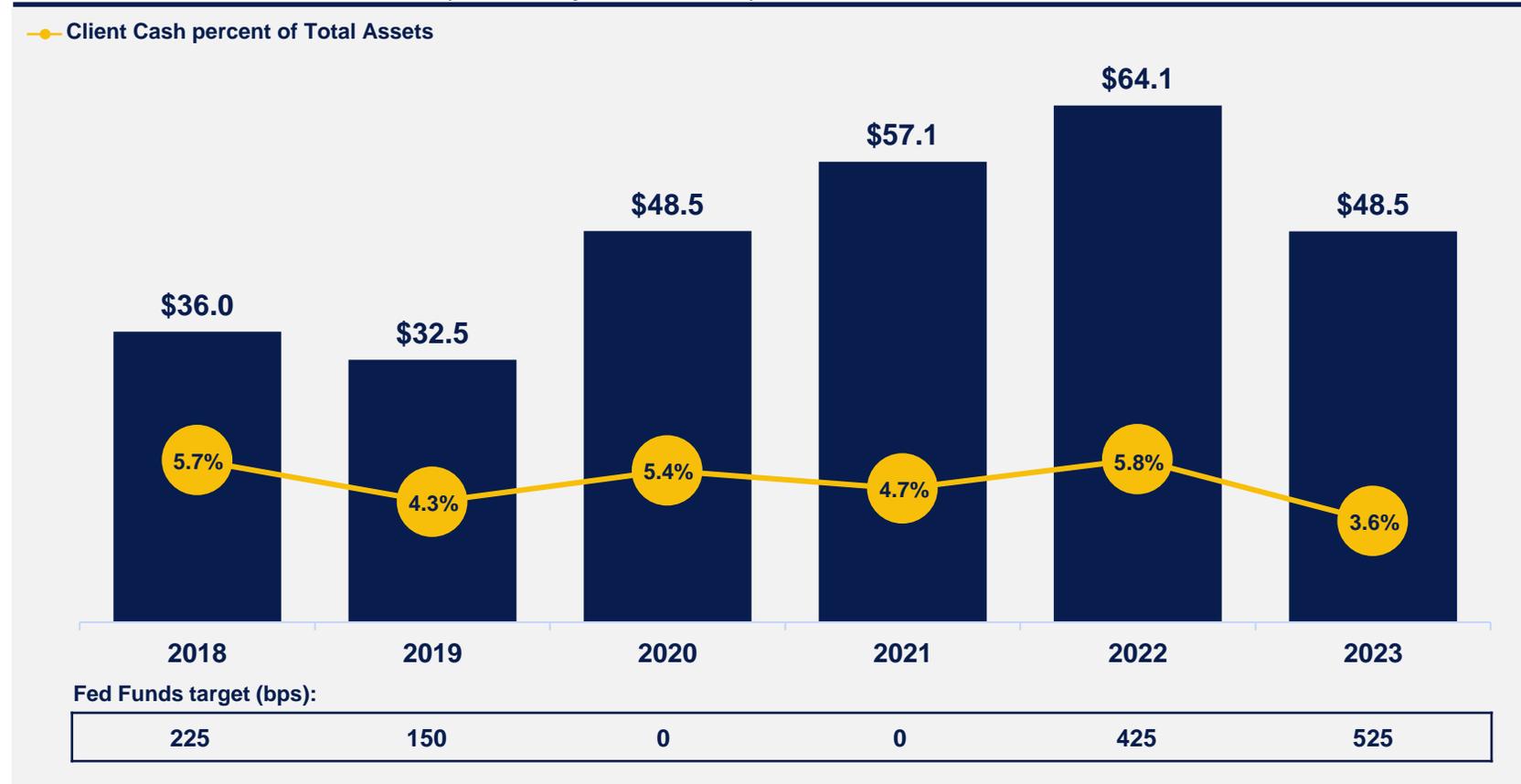
Increased risk and volatility in the market drives additional portfolio rebalancing activity and higher transaction volumes

As equity markets declined in 1H 2022, cash balances increased by ~\$13B, which translates to a **~\$550M benefit annually**<sup>(16)</sup>

Transaction revenue increased **~\$7M** sequentially in Q1 2022

# Our client cash balances are largely operational and as a percent of client assets, have been stable across rate cycles

Client Cash Balances<sup>(17)</sup> (end of period, \$B)



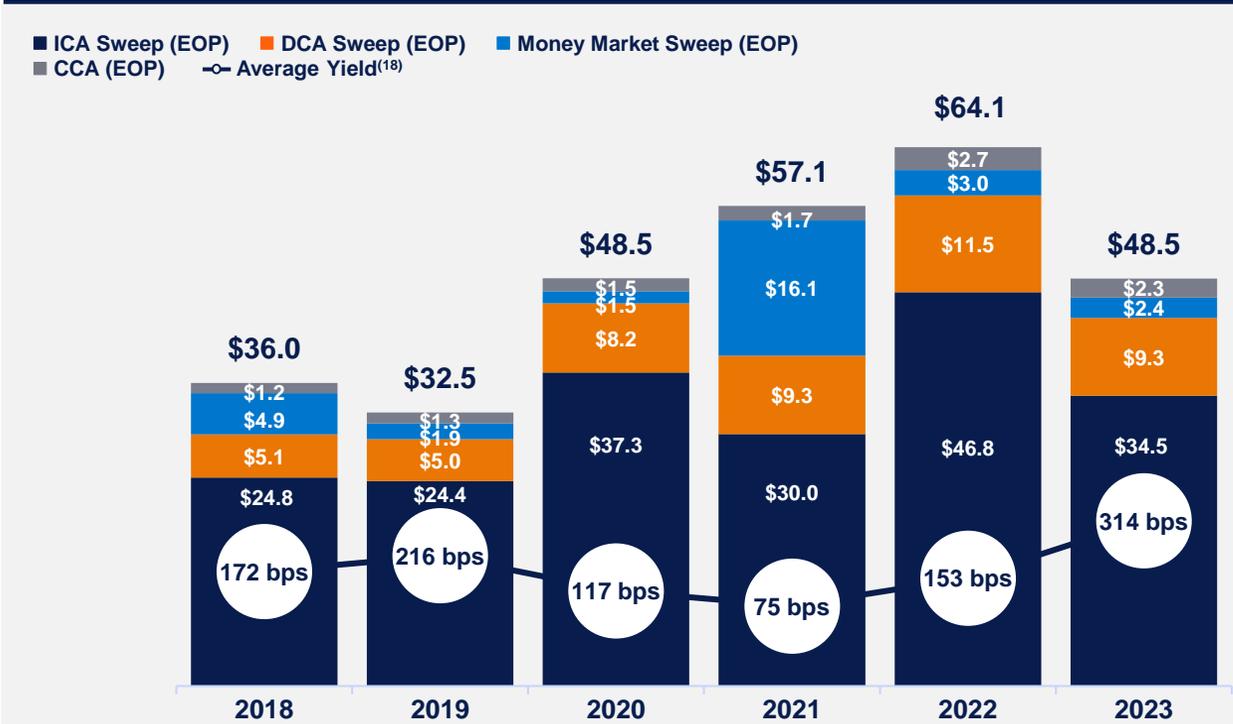
Client cash as a % of assets has averaged ~5%†

- Our client cash balances are largely operational
  - Typically small balances used for rebalancing, paying advisory fees, and customer withdrawals
  - This is reflected in the low client cash balances, which average ~5% or ~\$7K per account
- The primary factor that moves that % of client cash up or down is market sentiment rather than rate seeking behavior
  - When clients are fully deployed in the market, the ratio has gone as low as ~4%, like we saw in 2019 and in the current market
- In Q4 2023, cash was 3.6% of client assets
  - Cash balances increased in the quarter, driven by organic growth and typical seasonality

Note: Totals may not foot due to rounding  
 † Since the start of the last interest rate cycle in Q4'16

# We generate compelling economics on client cash balances

Client Cash Balances<sup>(17)</sup> (end of period, \$B)



Average Yields (in bps)

	2018	2019	2020	2021	2022	2023
ICA Sweep	184	240	133	100	185	319
DCA Sweep	183	211	53	24	125	347
MM Sweep	73	73	22	3	30	29
CCA <sup>(19)</sup>	188	208	56	15	149	442
<b>Total Client Cash</b>	<b>172</b>	<b>216</b>	<b>117</b>	<b>75</b>	<b>153</b>	<b>314</b>

Note: Totals may not foot due to rounding

† Assumes change based on Q4 2023 end of period cash balances. Gross Profit\* benefit is measured relative to a Fed Funds target range of 0 to 25 bps

Annual potential Gross Profit\* benefit from rising interest rates

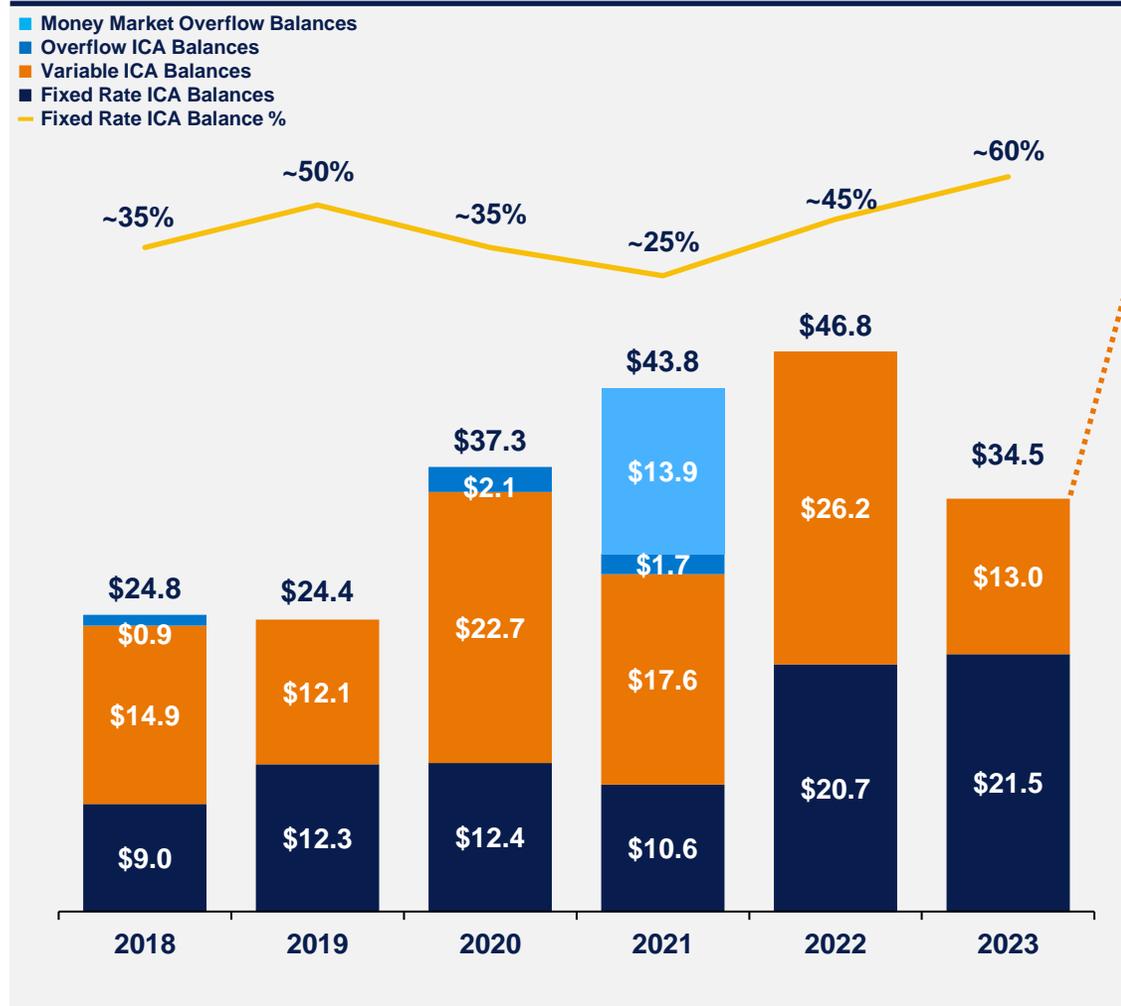
- Over the last interest rate cycle, our deposit beta averaged ~15%
  - Deposit betas averaged ~2.5% over the first 4 hikes, after that betas averaged 25%
- This cycle, deposit betas were consistent on the first 100 bps, and favorable on subsequent hikes
  - This cycle to-date, our deposit betas have averaged ~15%
- Applying historical deposit betas to our current cash balances would yield:
  - ~\$35M of Annual Gross Profit\* per subsequent rate adjustment, at a ~25% deposit beta

Estimated Interest Rate Sensitivity based on current balances †



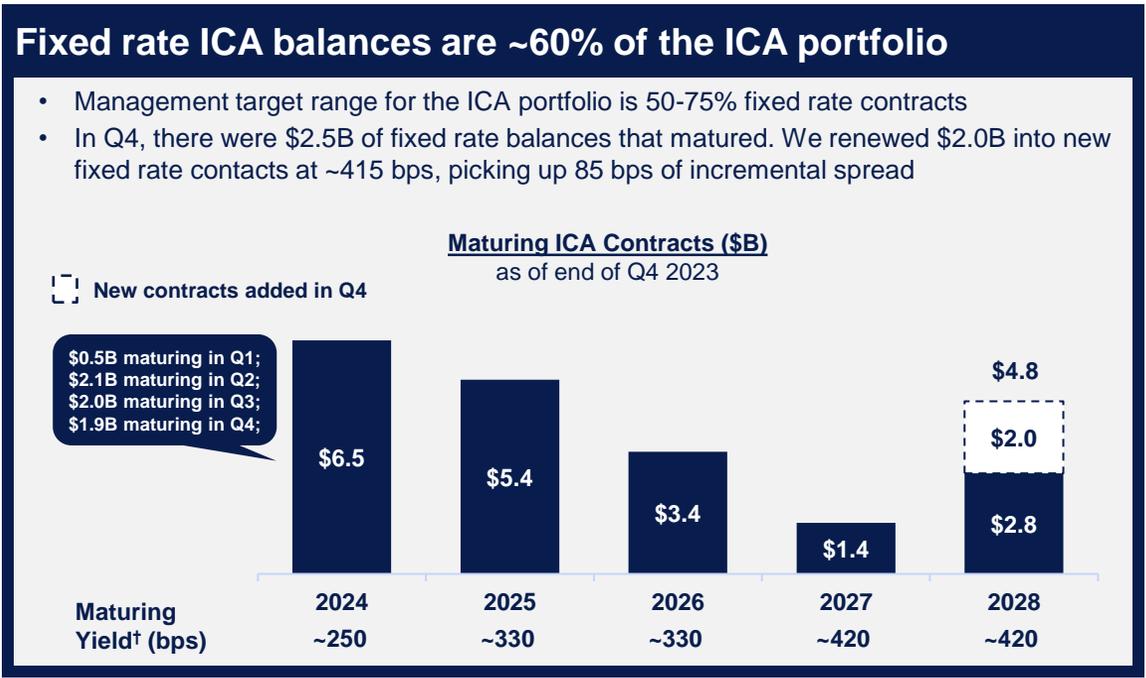
# Fixed rate balances make up ~60% of the ICA portfolio, reducing our sensitivity to movement in short-term interest rates

ICA Balances, including Overflow (end of period, \$B)



**Variable balances are primarily indexed to Fed Funds**

- Our variable ICA balances declined in the year, driven by net buying of \$137.7B
- Most variable balances are indexed to Fed Funds + a spread (~10 to ~15 bps)
- Currently, new variable contracts are averaging Fed Funds plus 15 to 30 bps



† Weighted average yield across ladder is ~330 bps

Note: Yields shown on this page are prior to client deposit rates (~83 bps) and administrator fees (~4 bps). Money market sweep balances are not subject to these costs. Given improved bank deposit demand and the launch of CCA, we no longer have any money market overflow balances

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

## Long-term cost strategy

- Deliver operating leverage in core business
- Prioritize investments that drive additional growth
- Drive productivity and efficiency
- Adapt cost trajectory as environment evolves

## 2024 Core G&A\* context

- Our 2023 Core G&A\* was \$1,369M, translating to 15% year-over-year growth
  - These investments fell roughly equally into three broad areas, with each driving ~4-5% growth in Core G&A\*:
    - First, costs to support core business growth
    - Second, continued investments to expand our addressable markets and to scale new services
    - Third, to accelerate our investments opportunistically, given the favorable market environment in 2023
- Given the evolving market backdrop, and our ongoing efficiency efforts, we plan to slow Core G&A growth in 2024
- Our 2024 Core G&A\* outlook range is ~6.25% to ~8.75% year-over-year growth or \$1,455M to \$1,490M
  - This is prior to expenses associated with Prudential, which we expect to onboard towards the end of this year
  - We expect Core G&A related to Prudential to build late in 2024 and primarily be incurred in 2025

## Recent expense trajectory, prior to acquisitions



† 2022 Core G&A\* growth is based on the Company's total 2021 Core G&A\*

## Core G&A\* outlook

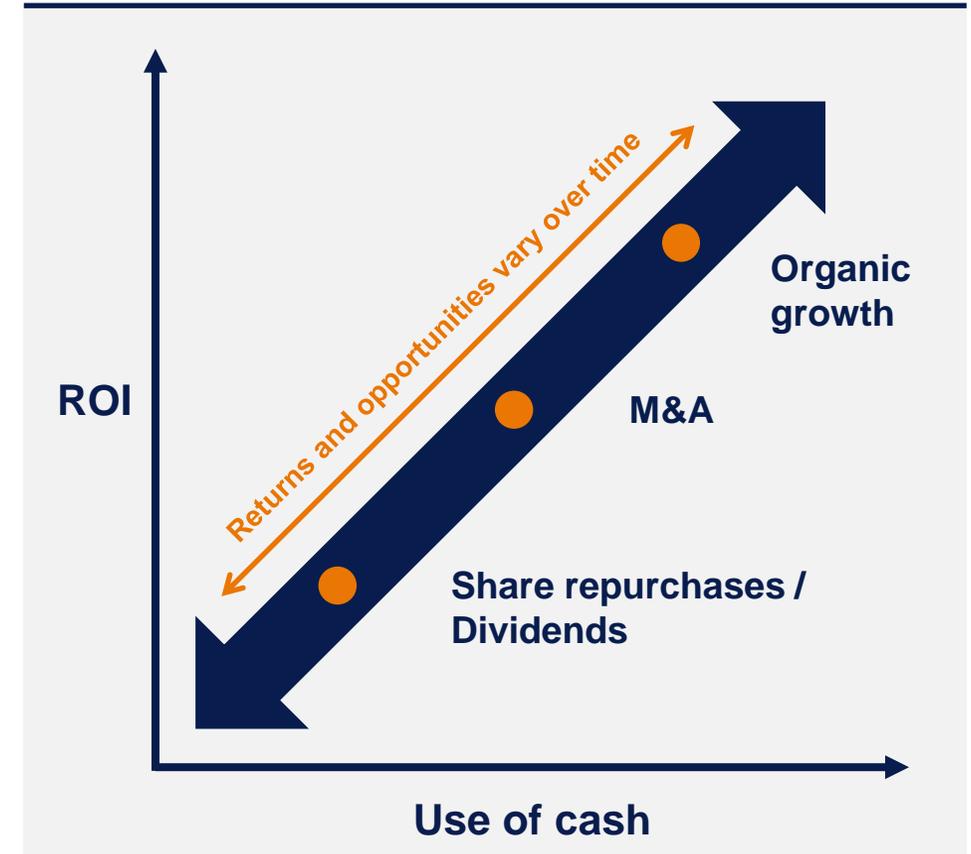


# Our capital management strategy is focused on driving growth and maximizing shareholder value

## Our capital management principles

- **Disciplined capital management to drive long-term shareholder value**
- **Maintain a strong and flexible balance sheet**
  - Flexible debt structure to support capital allocation
- **Prioritize investments to support and drive organic growth**
  - Recruiting to drive net new assets
  - Capital to support advisor and enterprise growth and advisor M&A
  - Investments in capabilities to attract new assets, advisors and enterprises
- **Capitalize on opportunistic M&A**
  - Remain prepared for attractive opportunities
  - Facilitate advisor monetization and transitions through Liquidity & Succession solutions
- **Return excess capital to shareholders**
  - Share repurchases
  - Dividends

## Dynamic capital allocation framework



# Due to our improved earnings profile, we lowered our target leverage range

## Balance Sheet Principles

- Maintain a strong balance sheet that can absorb market volatility while having the capacity to invest for growth
- A **long-term target leverage ratio<sup>(3)</sup> range of 1.5x to 2.5x** positions our balance sheet well over a range of economic cycles and strikes the right balance between preserving balance sheet strength and investing for growth
  - In order to do so, we plan to periodically incur debt, utilizing our parent revolver for near-term needs, replacing with long-term debt as conditions warrant
- We are willing to operate temporarily above or below our target range if conditions warrant
- At the top end of our target leverage range, we have the capacity to deploy up to ~\$3.3B<sup>(20)</sup> of additional capital
- We maintain a management target of \$200 million in Corporate Cash<sup>(21)(22)</sup>

## Leverage Ratio<sup>(3)</sup>



## Credit Ratings<sup>†</sup> | Outlook

- 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

MOODY'S

Baa3 | Stable<sup>‡</sup>

S&P Global  
Ratings

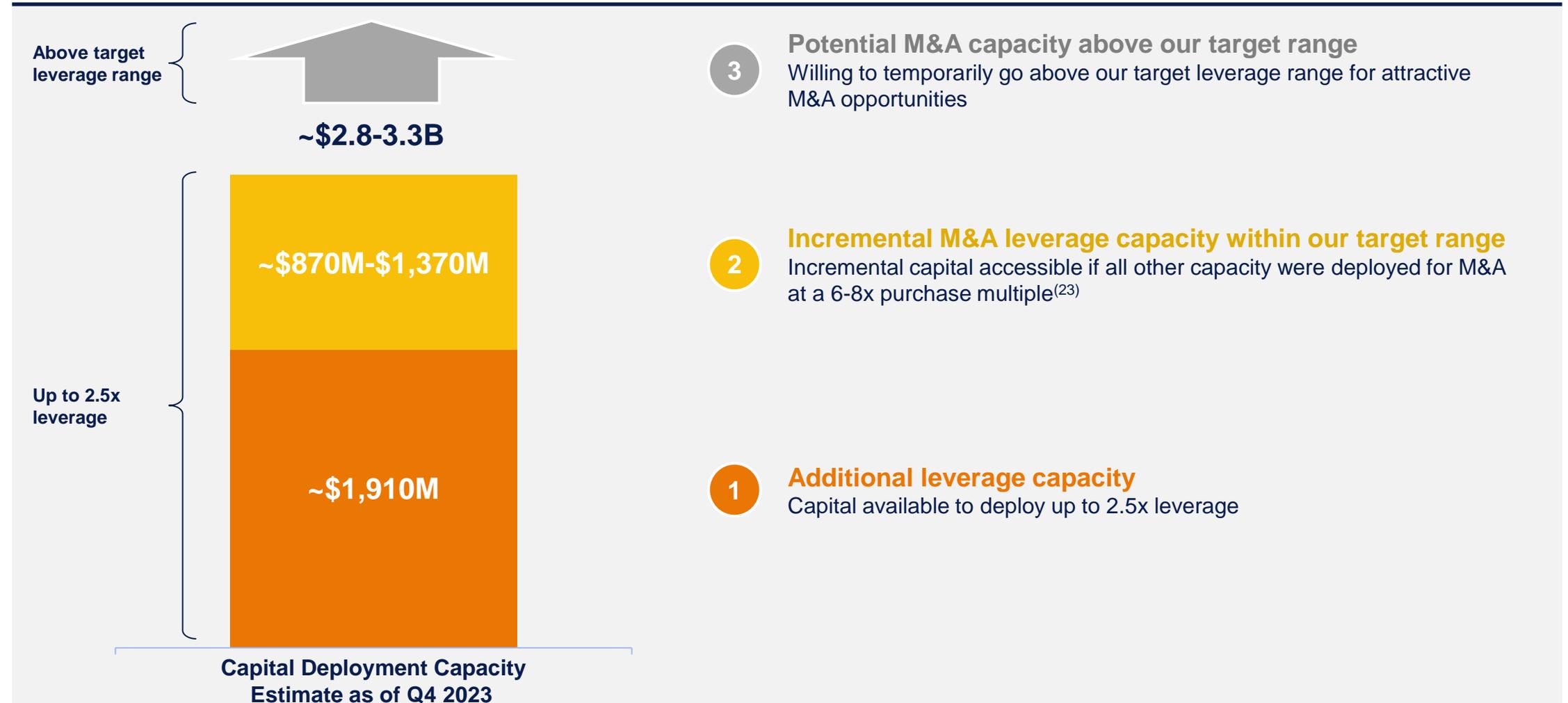
BBB- | Stable<sup>‡</sup>

<sup>†</sup> Represents Moody's senior secured and senior unsecured credit ratings and S&P Issuer Credit Rating

<sup>‡</sup> The senior unsecured rating of LPL Holdings, Inc. was upgraded to investment grade (Baa3) on November 14, 2022 by Moody's; upgraded to investment grade (BBB-) on April 5, 2023 by S&P

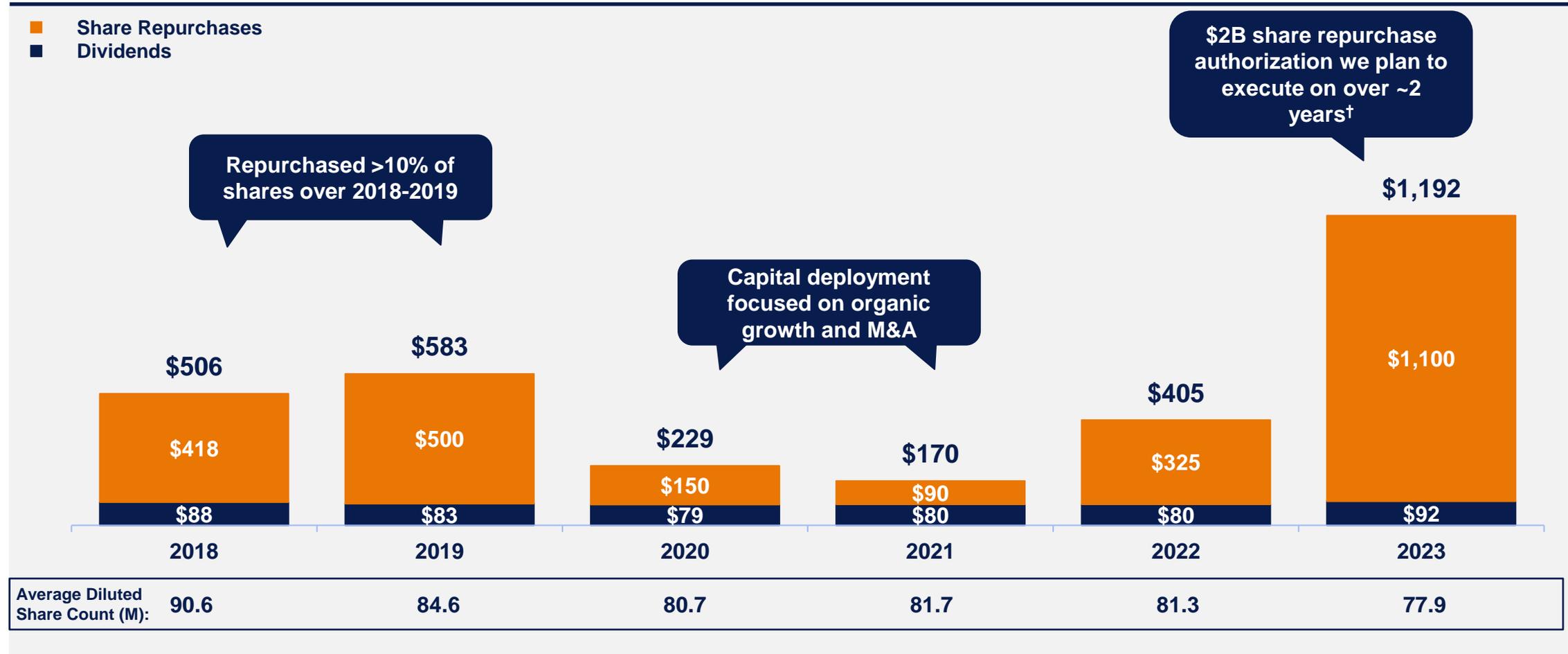
# We have significant capital deployment capacity...

## Capital Deployment Capacity



# ...And we have continued to return capital to shareholders

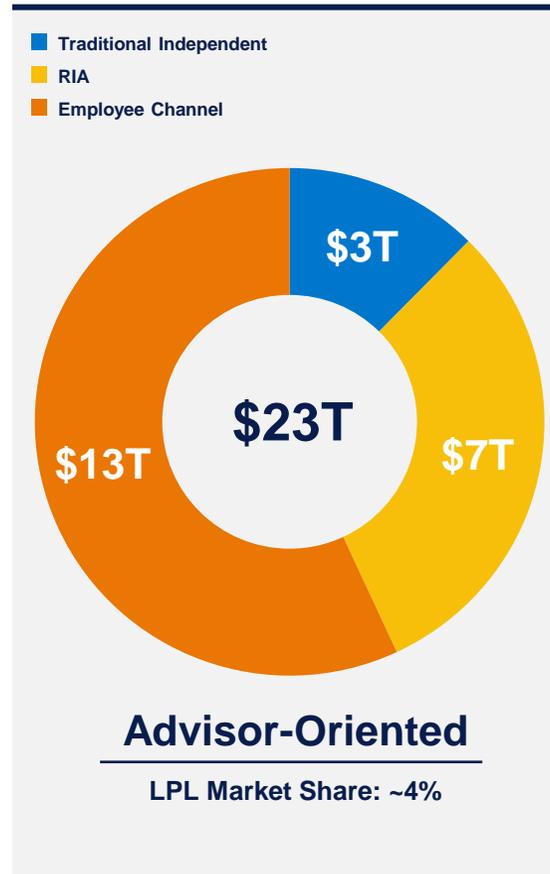
## Share Repurchases and Dividends (\$M)



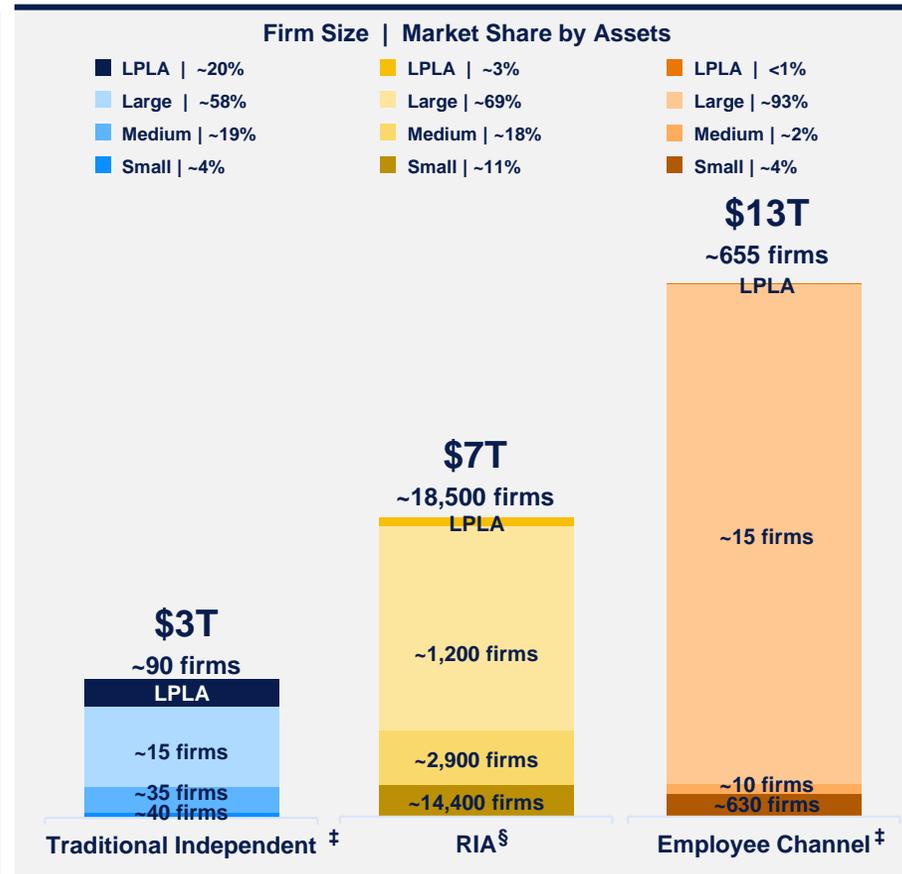
† Increased share repurchase authorization by \$2.0B as of 09/21/2022, which we started to utilize in 2023

# We see potential for consolidation given fragmented markets

## Addressable markets for advisor channel†



## Highly fragmented markets create opportunity for additional consolidation†



## Growth potential from consolidation

- Our scale, capabilities and economics give us **competitive advantages in M&A** in independent markets and employee channels
- The **independent markets are fragmented** with consolidation opportunities
- Rising cost and complexity is making it **harder for smaller players** to compete
- We believe consolidation can drive value** by adding scale, increasing our capacity to invest in capabilities, and creating shareholder value

Note: Totals may not foot due to rounding.

† Estimated market sizing based on 2023 Cerulli reports. See endnote 3 for additional detail

‡ Traditional Independent and Employee Channel sizing: Small (<\$10B); Medium (\$10B - <\$50B); Large (>\$50B)

§ RIA sizing: Small (<\$250M); Medium (\$250M - <\$1B); Large (>\$1B)

# Recent acquisitions have added scale in our traditional markets, accelerated our expansion into new markets and added new capabilities

## Traditional Markets

## New Markets

## Capabilities



2021

~\$74B of assets  
~900 advisors

Large independent broker-dealer network



2020

~\$1.5B of assets  
~20 advisors

Leading San Diego practice



FINANCIAL RESOURCES GROUP  
Investment Services

2023

~\$40B of assets  
~800 advisors

Leading provider of managed programs for financial institutions



ALLEN & COMPANY  
EST. 1932

2019

~\$3B of assets  
~30 advisors

Leading Florida practice, affiliated under employee model

BlazePortfolio®

2020

~\$12M purchase price

Advanced trading and rebalancing capabilities

E.K. RILEY  
INVESTMENTS, LLC

2020

~\$2B of assets  
~30 advisors

Leading Seattle practice



National Planning  
HOLDINGS, INC.

2017

~\$70B of assets  
~1,900 advisors

Large independent broker-dealer network



CROWN  
CAPITAL  
SECURITIES, L.P.

2023<sup>†</sup>

~\$6.5B of assets  
~260 advisors

Leading California practice

BOENNING & SCATTERGOOD  
ESTABLISHED 1914

2023

~\$4B of assets  
~30 advisors

Leading Pennsylvania practice, affiliated under employee model



ADVISORYWORLD  
FINANCIAL TECHNOLOGY

2018

~\$28M purchase price

Proposal generation tools

† Expected to close in the first half of 2024

# We're delivering new liquidity and succession capabilities for advisors seeking to transition

## Background: Solving a need in the marketplace

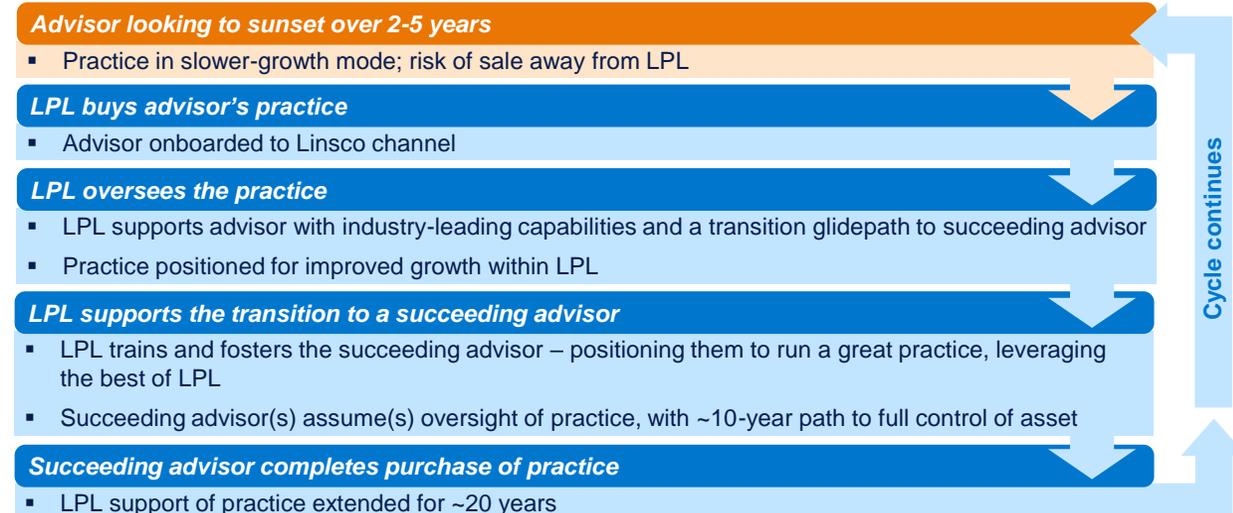
- ~1/3 of advisors are expected to retire or leave the industry over the next decade – representing **\$8.5T** of AUM†
- Historically, advisors' options were limited:
  - Sell to a larger aggregator that may pay an enhanced price, but take control from the advisor
  - Transact with a local advisor, but often at a below-market price

## Our response: New Liquidity & Succession solutions

*New LPL capability to buy practices from advisors seeking a pathway to retirement, looking to free themselves from entrepreneurial burdens, and / or looking for monetization*

- ✓ **Economics** – Allows advisor to monetize their business through a market-competitive transaction
- ✓ **Support** – Empowers advisors through a fully dedicated support model, allowing advisors to rededicate their time and energy to client service
- ✓ **Transition** – Transitions ownership of the business to successor advisors over time

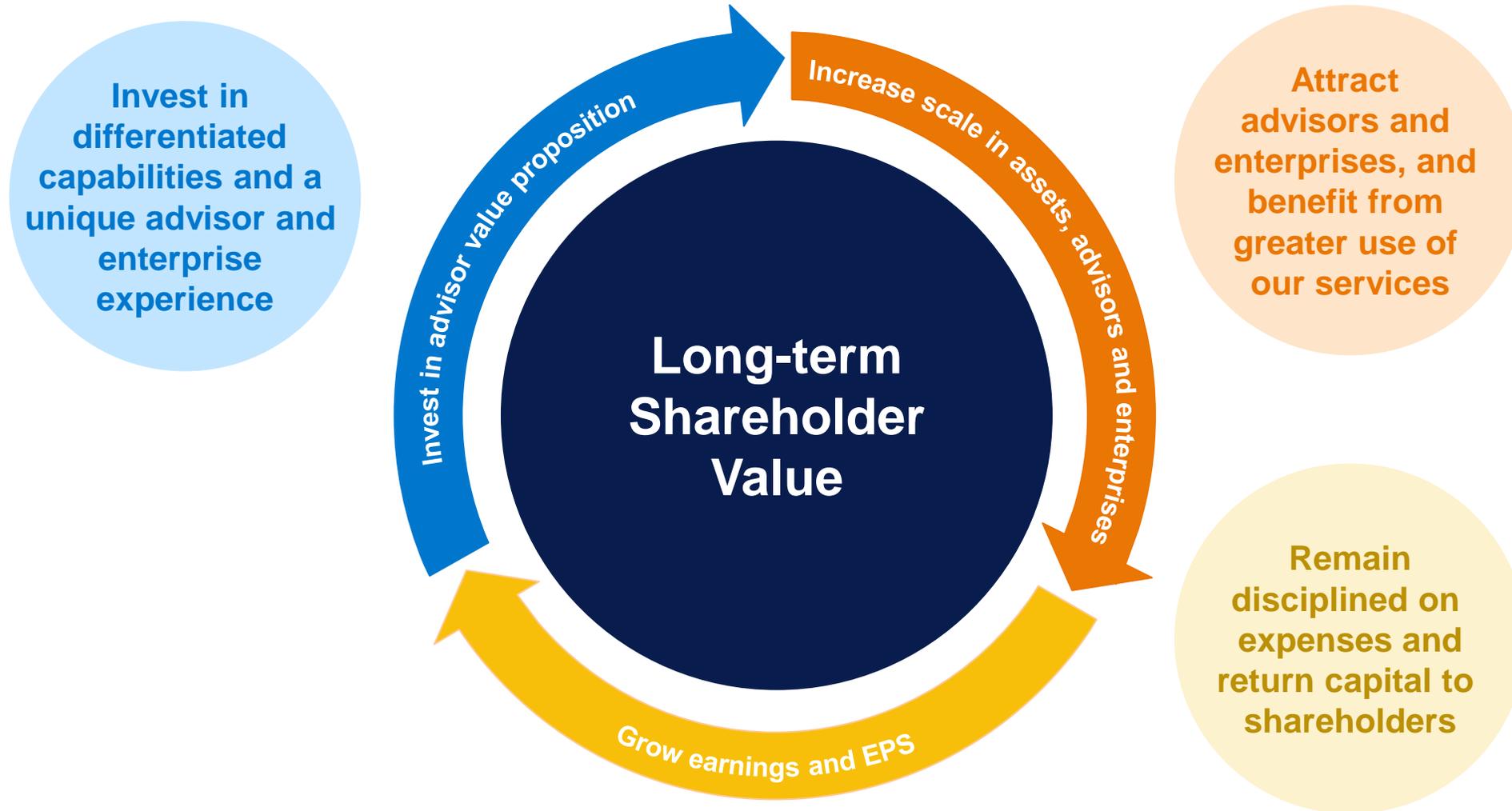
## Direct acquisition lifecycle example



## Building foothold in marketplace with strong initial returns

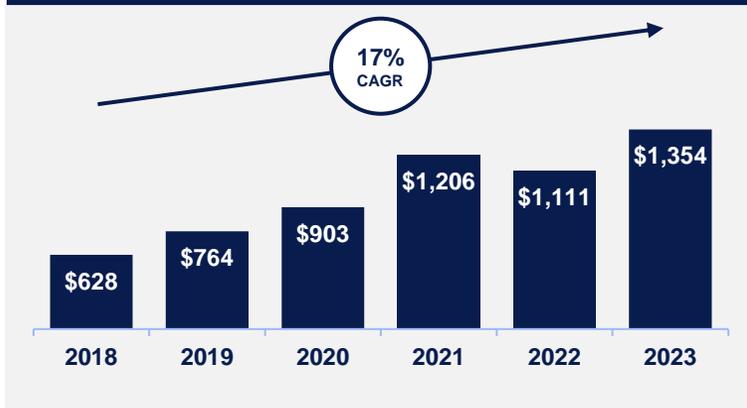
- Enhancing strategic value – by training successor advisors, **deepening the connection with LPL** – and reorienting the practice towards growth
- To date, we have deployed approximately **\$375 million** of capital to close **25 deals**
- Good use of capital — purchase multiples consistent with our M&A framework **~6-8x EBITDA\***
- Based on closed transactions and our pipeline, **average deal size of ~\$10-20M**

# As we continue to invest and increase our scale, we enhance our ability to drive further growth



# We are focused on executing our strategy and delivering results

Total Advisory and Brokerage Assets<sup>(24)</sup> (\$B)



Organic Net New Asset Growth



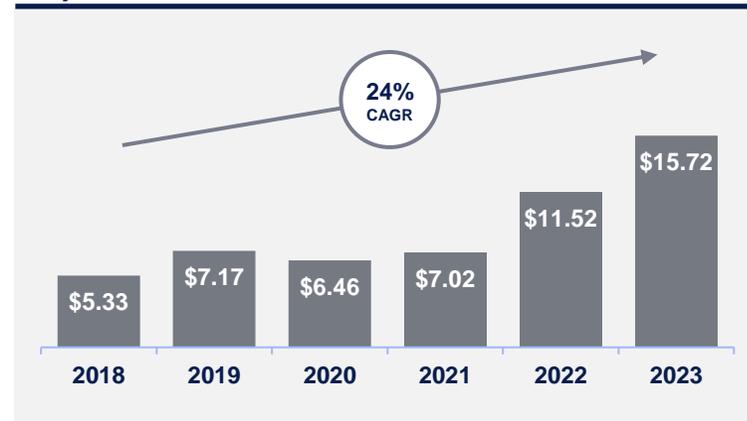
Key Earnings Growth Drivers

- Enhanced Value Proposition**  
(Capabilities, Technology, Service)
- Increased Organic NNA**  
(Opportunities in Traditional Markets)
- New Affiliation Models**  
(Enterprises, Strategic Wealth Services, Independent Employee, Enhanced RIA)
- Greater Use of our Services**  
(Advisory, Corporate, Centrally Managed, Business, Planning & Advice Services, Advisor Capital Solutions)
- Drive Operating Leverage in Core Business while Investing for Additional Growth**
- Increased Scale and Capabilities through M&A**
- Excess Capital Deployment**  
(Technology, Advisor Capital, Returning Capital to Shareholders)

Gross Profit\* (\$M)



Adjusted EPS\*

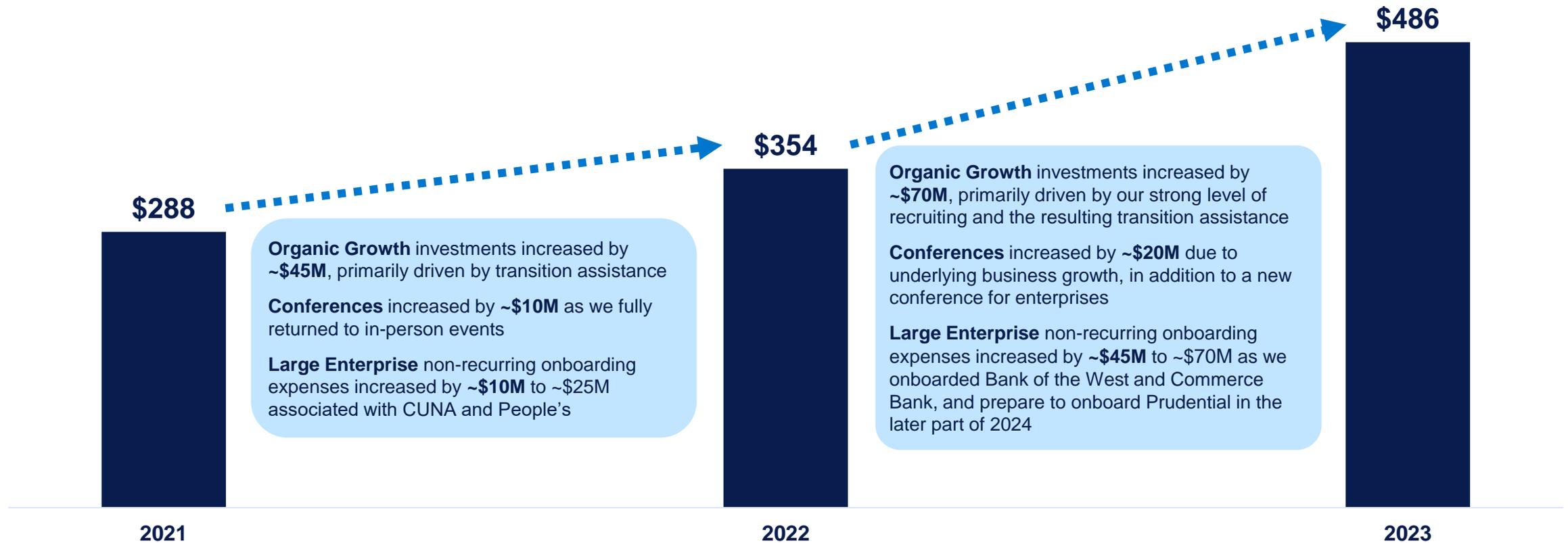




# APPENDIX

# Key drivers of promotional expense growth

Promotional Expense (\$M)



# 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	2023	2022	2021	2020	2019	2018
<b>Total revenue</b>	<b>\$10,053</b>	<b>\$8,601</b>	<b>\$7,721</b>	<b>\$5,872</b>	<b>\$5,625</b>	<b>\$5,188</b>
Advisory and commission expense	5,916	5,325	5,180	3,697	3,388	3,178
Brokerage, clearing and exchange expense	106	86	86	71	64	63
Employee deferred compensation <sup>(25)</sup>	4	-	-	-	-	-
<b>Gross Profit</b>	<b>\$4,027</b>	<b>\$3,190</b>	<b>\$2,455</b>	<b>\$2,103</b>	<b>\$2,172</b>	<b>\$1,948</b>

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

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

\$ in millions	2023	2022	2021	2020	2019	2018
<b>Net income</b>	<b>\$1,066</b>	<b>\$846</b>	<b>\$460</b>	<b>\$473</b>	<b>\$560</b>	<b>\$439</b>
Interest expense on borrowings	187	126	104	106	130	125
Provision for income taxes	379	266	141	153	182	153
Depreciation and amortization	247	200	151	110	96	88
Amortization of other intangibles	107	88	79	67	65	60
<b>EBITDA</b>	<b>\$1,986</b>	<b>\$1,525</b>	<b>\$936</b>	<b>\$909</b>	<b>\$1,033</b>	<b>\$866</b>
Credit Agreement adjustments	209	114	214	52	48	103
<b>Credit Agreement EBITDA</b>	<b>\$2,195</b>	<b>\$1,639</b>	<b>\$1,151</b>	<b>\$961</b>	<b>\$1,081</b>	<b>\$969</b>
Total debt	3,757	2,738	2,839	2,359	2,415	2,381
Total corporate cash	184	459	237	280	204	300
<b>Credit Agreement Net Debt</b>	<b>\$3,574</b>	<b>\$2,279</b>	<b>\$2,602</b>	<b>\$2,079</b>	<b>\$2,211</b>	<b>\$2,081</b>
<b>Leverage Ratio</b>	<b>1.63x</b>	<b>1.39x</b>	<b>2.26x</b>	<b>2.16x</b>	<b>2.05x</b>	<b>2.15x</b>

# Reconciliation

## 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 the following reconciliations of net income and earnings per diluted share to adjusted net income\* and adjusted EPS\* for the periods presented herein:

	2023		2022		2021		2020		2019		2018	
	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
\$ in millions, except per share data												
<b>Net income / earnings per diluted share</b>	<b>\$1,066</b>	<b>\$13.69</b>	<b>\$846</b>	<b>\$10.40</b>	<b>\$460</b>	<b>\$5.63</b>	<b>\$473</b>	<b>\$5.86</b>	<b>\$560</b>	<b>\$6.62</b>	<b>\$439</b>	<b>\$4.85</b>
Regulatory charge <sup>(26)</sup>	40	0.51	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00
Amortization of other intangibles	107	1.38	88	1.08	79	0.97	67	0.83	65	0.76	60	0.66
Acquisition costs <sup>(27)</sup>	48	0.62	36	0.44	76	0.93	-	0.00	-	0.00	-	0.00
Tax benefit	(37)	(0.48)	(33)	(0.40)	(41)	(0.51)	(19)	(0.23)	(18)	(0.21)	(17)	(0.19)
<b>Adjusted net income / adjusted EPS</b>	<b>\$1,224</b>	<b>\$15.72</b>	<b>\$937</b>	<b>\$11.52</b>	<b>\$574</b>	<b>\$7.02</b>	<b>\$521</b>	<b>\$6.46</b>	<b>\$607</b>	<b>\$7.17</b>	<b>\$482</b>	<b>\$5.33</b>
Average diluted share count	77.9		81.3		81.7		80.9		85.0		91.0	

# Reconciliation

## Core G&A\* to Total expense

Core G&A\* is a non-GAAP financial measure. Please see a description of Core G&A\* under “Non-GAAP Financial Measures” on page 3 of this presentation for additional information.

Below is a reconciliation of total expense to Core G&A\* and of Core G&A, prior to the impact of the acquisitions of Waddell & Reed in 2021:

\$ in millions	2023	2022	2021	2020	2019
<b>Total expense</b>	<b>\$8,608</b>	<b>\$7,489</b>	<b>\$7,120</b>	<b>\$5,246</b>	<b>\$4,882</b>
Advisory and commission	5,916	5,325	5,180	3,697	3,388
Depreciation and amortization	247	200	151	110	96
Interest expense on borrowings	187	126	104	106	130
Brokerage, clearing and exchange	106	86	86	71	64
Amortization of other intangibles	107	88	79	67	65
Employee deferred compensation <sup>(25)</sup>	4	-	-	-	-
Loss on extinguishment of debt	-	-	24	-	3
<b>Total G&amp;A</b>	<b>\$2,041</b>	<b>\$1,665</b>	<b>\$1,494</b>	<b>\$1,194</b>	<b>\$1,136</b>
Promotional (ongoing) <sup>(27)</sup>	486	354	288	208	206
Acquisition costs <sup>(27)</sup>	48	36	76	-	-
Employee share-based compensation	66	50	42	32	30
Regulatory charges	71	33	29	29	32
<b>Core G&amp;A</b>	<b>\$1,369</b>	<b>\$1,192</b>	<b>\$1,058</b>	<b>\$925</b>	<b>\$868</b>
\$ in millions	2021				
<b>Core G&amp;A</b>	<b>\$1,058</b>				
Waddell & Reed-related Core G&A	59				
<b>Total Core G&amp;A prior to acquisitions</b>	<b>\$999</b>				

Note: Totals may not foot due to rounding

# Endnotes

- (1) Calculated as annualized current period organic net new assets divided by preceding period assets in their respective categories of advisory assets or total advisory and brokerage assets.
- (2) Calculated by dividing EBITDA\* for the period by Gross Profit\* for the period.
- (3) The Company calculates its leverage ratio as total debt less total corporate cash, divided by Credit Agreement EBITDA for the trailing twelve months.
- (4) Other employee channels include National & Regional B/D, Insurance B/D and Retail bank B/D channels. Independent channels include independent B/D, Hybrid RIA and Independent RIA channels.
- (5) Estimated market sizing based on 2023 Cerulli reports, unless otherwise noted. Below are reconciliations of each market:

Traditional Market	RIA Market	Employee Channel	Enterprise 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 Enterprise market opportunity

- (6) Represents the estimated total advisory and brokerage assets expected to transition to the Company's primary broker-dealer subsidiary, LPL Financial LLC ("LPL Financial"), associated with advisors who transferred their licenses to LPL Financial during the period. The estimate is based on prior business reported by the advisors, which has not been independently and fully verified by LPL Financial. The actual transition of assets to LPL Financial generally occurs over several quarters and the actual amount transitioned may vary from the estimate.
- (7) Consists of brokerage assets serviced by advisors licensed with LPL Financial.
- (8) Consists of total assets on LPL Financial's corporate advisory platform serviced by investment advisor representatives of LPL Financial or Allen & Company of Florida, LLC ("Allen & Company") and total assets on LPL Financial's independent advisory platform serviced by investment advisor representatives of separate investment advisor firms ("Independent RIAs"), rather than of LPL Financial.
- (9) Consists of advisory assets in LPL Financial's Model Wealth Portfolios, Optimum Market Portfolios, Personal Wealth Portfolios, and Guided Wealth Portfolios platforms.
- (10) 2022 and 2023 are prior to M&A- and enterprise-related onboarding spend in technology.
- (11) Organic Net New Assets include assets from Large Enterprises. Below are Net New Assets from Large Enterprises for the periods presented:

\$ in millions	2023	2022	2021	2020	2019	2018
Net new organic advisory assets	\$2.3	\$1.5	\$8.1	\$0.0	\$0.0	\$0.0
Net new organic brokerage assets	8.8	29.8	26.8	0.0	0.0	0.0
<b>Total Organic Net New Assets from Large Enterprises</b>	<b>\$11.1</b>	<b>\$31.3</b>	<b>\$35.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>

- (12) In April 2020, the Company updated its definition of net new assets to include dividends plus interest, minus advisory fees. Unless otherwise noted, net new assets figures for periods prior to Q2 2020 appearing in this presentation have been recast using the updated definition.
- (13) Consists of total client deposits into advisory or brokerage accounts (including advisory or brokerage accounts serviced by Allen & Company advisors) less total client withdrawals from advisory or brokerage accounts, plus dividends, plus interest, minus advisory fees. The Company considers conversions from and to brokerage or advisory accounts as deposits and withdrawals, respectively. Annualized growth is calculated as the current period organic net new advisory or brokerage assets divided by preceding period total advisory or brokerage assets, multiplied by four.

# Endnotes

- (14) Calculated as a one percent change in total assets multiplied by a market correlation factor multiplied by total Gross Profit\* return on assets.
- (15) Assumes change based on Q4 2023 end of period ICA balances, presented on page 22.
- (16) Annual benefit measured in total revenue. Based on variable client cash balances indexed to Fed Funds.
- (17) During the second quarter of 2022, the Company updated its definition of client cash balances to include client cash accounts and exclude purchased money market funds. Client cash accounts include cash that clients have deposited with LPL Financial that is included in Client payables in the consolidated balance sheets. Prior period disclosures have been updated to reflect this change as applicable.
- (18) Calculated by dividing revenue for the period by the average balance during the period.
- (19) Calculated by dividing interest income earned on cash held in the Client Cash Account (“CCA”) for the period by the average CCA balance, excluding cash held in CCA that has been used to fund margin lending, during the period. The remaining cash is primarily held in cash segregated under federal or other regulations in the consolidated balance sheets.
- (20) Calculated using the summation of the following components: (1) corporate cash available to use above \$200M management target range, (2) the additional leverage capacity above current leverage times trailing twelve month Credit Agreement EBITDA, and (3) the additional leverage capacity from an M&A opportunity at a 6x purchase multiple for which capital was deployed up to 2.5x leverage.
- (21) Management’s corporate cash target covers approximately 12 months of principal and interest due on corporate debt.
- (22) Corporate cash, a component of cash and equivalents, includes the sum of cash and equivalents from the following: (1) cash and equivalents held at LPL Holdings, Inc., (2) cash and equivalents held at regulated subsidiaries as defined by the Company's Credit Agreement, which include LPL Financial LLC and The Private Trust Company, N.A., in excess of the capital requirements of the Company’s Credit Agreement, which, in the case of LPL Financial LLC, is net capital in excess of 10% of its aggregate debits, or five times the net capital required in accordance with the Uniform Net Capital Rule, and (3) cash and equivalents held at non-regulated subsidiaries. In Q4 2023, the Company paid net cash income taxes of \$447 million.
- (23) Additional leverage capacity is assumed to be generated by acquired EBITDA\* from an M&A opportunity at a 6-8x purchase multiple for which capital was deployed up to 2.5x leverage.
- (24) Consists of total advisory and brokerage assets under custody at LPL Financial and Waddell & Reed, LLC. As of December 31, 2023, there were no assets under custody at Waddell & Reed.
- (25) During the first quarter of 2023, the Company updated its presentation of employee deferred compensation to be consistent with its presentation of advisor deferred compensation. As a result, gains or losses related to market fluctuations on advisor and employee deferred compensation plans are presented in the same line item as the related increase or decrease in compensation expense for purposes of Management’s Statements of Operations. This change has not been applied retroactively as the impact on prior periods was not material.
- (26) The staff of the SEC proposed a potential settlement with the Company to resolve its civil investigation of the Company’s compliance with records preservation requirements for business-related electronic communications stored on personal devices or messaging platforms that have not been approved by the Company applicable to broker-dealer firms and investment advisors. Under the SEC's proposed resolution, the Company would pay a \$50.0 million civil monetary penalty. The Company has recorded \$40.0 million in regulatory charges for the year ended December 31, 2023 to reflect the amount of the penalty that is not covered by the Company’s captive insurance subsidiary.
- (27) Acquisition costs include the costs to setup, onboard and integrate acquired entities and other costs that were incurred as a result of the acquisition. The below table summarizes the primary components of acquisition costs for the periods presented:

\$ in millions	2023	2022	2021
Fair value mark on contingent consideration <sup>(28)</sup>	\$26.7	-	-
Professional services	10.0	12.0	18.7
Compensation and benefits	6.1	20.6	36.4
Promotional	3.6	2.3	14.3
Other	1.7	1.3	7.0
<b>Acquisition costs</b>	<b>\$48.1</b>	<b>\$36.2</b>	<b>\$76.4</b>

- (28) Represents a fair value adjustment to our contingent consideration liabilities that is reflected in other expense in the consolidated statements of income.