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EDITED TRANSCRIPT

LPLA.OQ - LPL Financial Holdings Inc To Acquire Commonwealth Financial Network

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OVERVIEW:

Company Summary

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

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Dan Fannon *Jefferies - Analyst*

Bill Katz *TD Cowen - Analyst*

Steven Chubak *Wolfe Research - Analyst*

Devin Ryan *Citizens - Analyst*

Benjamin Budish *Barclays - Analyst*

Mike Brown *Wells Fargo Securities, LLC - Analyst*

PRESENTATION

Operator

Good morning, and welcome to the LPL Financial's conference call on the purchase of Commonwealth. As a reminder, this conference call may be recorded.

Joining the call today are LPL Financial Chief Executive Officer; Rich Steinmeier; LPL Financial President and Chief Financial Officer, Matt Audette; and Commonwealth Chief Executive Officer, Wayne Bloom. They will offer introductory remarks, and then the call will open for questions. Please note that the company has posted a press release and supplementary presentation on the Investor Relations section of its website, investor.lpl.com.

Today's call will include forward-looking statements, including statements about LPL Financial's future financial and operating results, outlook, business strategies and plans, as well as other synergies and opportunities that management foresees. Such forward-looking statements reflect management's current estimates or beliefs and are subject to known and unknown risks and uncertainties that may cause actual results or the coming events to differ materially from those expressed or implied in such forward-looking statements.

For more information about such risks and uncertainties, the company refers listeners to the Safe Harbor disclosures contained in the press release and supplemental presentation as well as the risk factors and other disclosures contained in the company's recent filings with the Securities and Exchange Commission.

In addition, comments during this call will include certain non-GAAP financial measures. For a reconciliation and discussion of these measures, please refer to the company's supplementary presentation.

With that, I will now turn the call over to Mr. Steinmeier.

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

Thank you so much, operator; and thank you, everyone, for joining our call. We are very excited to discuss LPL's acquisition of Commonwealth which, as many of you know, is a firm that has set the mark for what it means to serve independent advisors. They've been led by an orientation to client service that is second to none and certainly one that we espouse as well.

There are many parallels in how our two firms have come to market and developed over time, pioneering the movement to independence with a common orientation to put advisors first. Our firms have shared a mutual respect for each other as we've grown over the decades.

While we have come to market slightly differently, as we've engaged in deeper conversations with them, we learned just how harmonious our two firms are. The opportunity to bring them together feels incredibly powerful not just for LPL and Commonwealth, but for advisors on both sides and the collective 7 million American families we serve.

I'll expand more on this in a moment, but we've long admired the intensely loyal advisor base Commonwealth has developed. With nearly five decades of serving advisors in an exceptional fashion, they've built something truly special.

Over the last few months, I've had the distinct pleasure of getting to know their founder, Joe Deitch, and key members of their leadership team and have gained a greater appreciation for what they've created. Matt and I look forward to sharing the strategic and financial merits of the transaction with you.

But before we do, I am honored to be sitting here in Waltham, Massachusetts, across the table from Commonwealth's Chief Executive Officer, Wayne Bloom. Wayne, I would love to turn it over to you for some thoughts on today's announcement.

Wayne Bloom - *Commonwealth Financial Network - Chief Executive Officer*

Thank you, Rich; and thank you, everyone, for joining us this morning. This is a pivotal moment for Commonwealth and me personally, as I've been here for 36 years and have competed with LPL the entire time. And here I am, completely excited about this partnership for our advisors, their clients, and the Commonwealth team.

I know some of you on the call are more familiar with Commonwealth than others, so perhaps providing additional context beyond what we shared in the materials might be helpful. First, Joe Deitch founded Commonwealth in 1979 based on two guiding principles: quality and community. And for more than 45 years, we've adhered to these principles every day in support of our affiliated advisors.

While we're an independent broker-dealer, our advisors are advanced in their journey to advisory with the vast majority of our flows being fee based. And now, to add the immense resources of LPL to the best advisor network on the planet -- and yes, I'm absolutely biased about that -- our advisors can unlock even more success for their businesses and clients.

For this transaction, Goldman Sachs guided us through an extensive process that included several credible suitors from all walks of our industry. Several of these folks are industry colleagues; many would have been excellent partners for the Commonwealth community.

Beyond financial considerations, many criteria were considered including technology, investment in financial planning products, service models, and important initiative such as their strategy around investing in the affiliated advisors' practices, just to name a few. While LPL met every one of these criteria, two key factors ultimately sealed the deal, the people and LPL's commitment to maintaining Commonwealth as an intact community.

Under Rich's leadership, the team clearly demonstrated an unwavering dedication to independent advice and choice, which entirely aligns with how we view our advisor relationships. Equally important, LPL is the only firm that had the vision to not only preserve our culture of community and dedication to our advisors, but they explicitly wanted us to remain intact under the LPL umbrella to incorporate what we stand for into their existing network, especially our approach to delivering exceptional service to advisors.

This was the differentiation that allowed the LPL offer to rise above the others, and I'm incredibly excited to take our 11-time J.D. Power winning formula to LPL and do our best to help them integrate our indispensable service mindset into their network of advisors. It was a long and thorough process. Ultimately, the senior team at LPL stood out from everyone else with their preparation and vision for the combined entities.

With that, I'll turn it back to Rich.

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

Great. Thanks so much, Wayne. At LPL, our aspiration is to be the best firm in all of wealth management. Our partnership with Commonwealth is a significant leap forward, bringing us closer to realizing that aspiration. Now, let me share some background on Commonwealth.

They are the largest independently owned wealth management firm in the country, serving approximately 2,900 advisors and roughly \$285 billion in client assets. They are the absolute standard bearer for service excellence in the independent advisor market, earning 11 consecutive J.D. Power awards for the number one independent advisor satisfaction. Peerless in our industry, they have developed, cultivated, and refined over many years an approach to client service that established the gold standard.

Studying Commonwealth first from outside and then getting a solid glimpse of what's on the inside and spending time with Wayne and his leadership team, I can tell you there is a lot here spanning from how they receive an operationalized feedback, how they foster personalization and advisor interactions, how they communicate progress and opportunities to their advisors, how they hold themselves deeply accountable for the advisor experience at all levels, and most importantly, the deep and consistent commitment to a partnership culture that transcends community into something that feels much more like a family.

The prospect of combining Commonwealth's advisor-centric, deliberate approach to service excellence with LPL's tremendous resources, advanced technology, and breadth of capabilities create something better than either firm can deliver individually and solidifies an unrivaled position in the market. The benefits of this combination expand well beyond the scale it brings to the LPL platform and the efficiencies it creates.

It brings capabilities with the potential to create a step function change in the way we serve our advisors. In that spirit, it is our intention to preserve Commonwealth's unique culture, brand, and advisor experience so that we can learn and devise the best way to scale it across the entire LPL network and advance our industry-leading position.

With that as context, I'm pleased to announce that following the close of our transaction, Wayne will be joining LPL's leadership team, overseeing the Commonwealth community. In addition, he will help us stand up a new Office of Advisor Advocacy, harnessing his decades of learning at Commonwealth to help elevate the experience for all LPL advisors.

In summary, we are very excited about this partnership with Commonwealth and the opportunity to deliver unparalleled value together. We look forward to welcoming their colleagues, advisors, and clients to the LPL family.

With that, I'll turn the call over to Matt to review the financials.

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

Thank you, Rich. I'm glad to speak with everyone on today's call. Before I get into the details, I want to note that in addition to our press release issued this morning, we also published a presentation on our Investor Relations website that gives additional insight into our acquisition of Commonwealth. Now, turning to the acquisition.

As Rich said, this is an exciting transaction, bringing together two industry leaders in the wealth management sector and significantly advancing our strategic priorities. As for the terms of the deal, the transaction is structured as an equity purchase with a price of approximately \$2.7 billion in cash.

We anticipate closing in the second half of 2025 and expect to onboard Commonwealth advisors and client assets onto our platform in mid-2026. In terms of accretion, we expect run rate EBITDA to be roughly \$415 million when we are fully ramped and synergies are realized, which we expect to occur by the end of 2026.

As Rich mentioned, there are elements of the Commonwealth advisor experience we want to preserve as they convert to the LPL platform. To ensure we develop the capabilities and infrastructure needed to achieve our goals, we are planning on \$155 million of technology spend, which will be capitalized and amortized over time.

As for onboarding and integration costs, we are planning for approximately \$485 million. These costs include resources to help onboard Commonwealth advisors and client assets and account closure and transfer fees paid to Commonwealth's current clearing firm. We expect these costs will largely be complete by mid-2026.

Pulling this together, the purchase price of \$2.7 billion, along with the planned technology spend and onboarding and integration costs, works out to roughly 8 times EBITDA, consistent with our long-standing capital allocation framework for M&A.

Turning to financing. Our financial strength positions us well to undertake this transaction, and we anticipate financing by issuing a combination of both debt and equity. In terms of our pro forma leverage at close, we expect it to be 2.25 times, a little above the midpoint of our target range of 1.5 to 2.5 times.

To uphold our commitment to maintaining a strong and flexible capital position, following the close, we have a near-term plan to reduce leverage closer to the midpoint of the range. As part of that plan, we have paused share repurchases, which we will revisit once we onboard Commonwealth guided by our leverage ratio at that time and our overall capital allocation frame.

In closing, we are excited to welcome Commonwealth to LPL. We believe this combination significantly accelerates progress toward our vision to be the best firm in wealth management, while at the same time, delivering compelling financial returns for our shareholders.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Michael Cyprys, Morgan Stanley.

Michael Cyprys - Morgan Stanley - Analyst

Hoping to kick off with a question for Wayne since you've joined the call here. Maybe you could talk -- hoping you could talk about the growth that you've seen at Commonwealth over the years.

You've grown that to \$285 billion of assets in a highly competitive industry. Can you talk about the steps that you've taken over the years in managing the business and the steps you've taken to be recognized for the industry-leading service that was mentioned on the call here?

Wayne Bloom - Commonwealth Financial Network - Chief Executive Officer

Yeah. Sure, I'd be happy to. There's a few things that go into that formula. First and foremost, we're very selective with the advisors who affiliate with us. They tend to be primarily fee-based. They are always investor-centric.

We try and make sure they fit the culture and the community. So there's good synergies and relationships with how we work with the advisors. It's very much, as I mentioned before, quality and community rules today at Commonwealth.

Aside from that, we've invested a lot of money in technology, marketing. Practice management is another huge staple of Commonwealth. We run several different programs, most notably our Power in Practice, which is something that runs for a couple of years that totally -- advisors jump in and they get totally immersed in assessing their practice and helping them develop marketing plans.

We also have an in-house business consulting group that helps them from everything from laying out their mission, vision, value, strategy. It's really just a complete commitment to advisors and trying to meet them where they are. That's also a really important element of it.

We don't have necessarily one blueprint and we try and put advisor into it. We try and wrap around the individual advisors, what they're trying to do, how they're trying to position their firm, how they want to run their business, what markets they want to serve. And it's just a back and forth.

As far as the service excellence, that's a staple of Commonwealth. There's nothing we're more proud of than our 11 J.D. Power Awards. It really comes down to a single word at Commonwealth, and that's care.

And the team here really cares about each other. They care about the advisors. They care about their business. They care about helping them do a great job for their investors. And when you wrap all those things together, you tend to get high satisfaction and pretty good organic growth as well.

Operator

Dan Fannon, Jefferies.

Dan Fannon - Jefferies - Analyst

I was hoping you guys could help bridge the EBITDA of the \$120 million as of the 12/31 level to the over \$400 million you're expecting post integration, how much of that is expense synergies versus revenue synergies, and then give a little bit more specifics around the buckets to where you think you can leverage the most.

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

Yeah. Sure, Dan. This is Matt. I think when you think about synergies, broadly, it's in the buckets that you would typically see, right? So revenue synergies on bringing Commonwealth from their current clearing firm onto our platform, which is typically benefits of cash sweep economics as well as the revenue share and record keeping on the assets or the sponsor revenues themselves.

And then the third category is just your typical expense synergies on the expense side of leveraging our platform overall. With an asterisk around, which I think you heard us cover, I think, well in the prepared remarks and the materials, making sure that we have the right investments to make sure that we are maintaining the Commonwealth culture, the service experience as we discussed.

So those are the categories. But at the highest level, I'd say that the typical synergies that you would expect for a deal like this, we're bringing someone who clears through a third party onto our platform.

Dan Fannon - Jefferies - Analyst

And just to clarify, so a larger percentage of revenue synergies and expense synergies in those numbers.

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

Yeah. We'll provide breakouts and things along the way as we typically do not have a click down for you right now, other than to emphasize, it is the typical categories at the typical levels that you would see in prior years. So there's nothing at the extremes, that's different, that I would highlight.

Dan Fannon - Jefferies - Analyst

Got it. And then just a follow-up on the growth, 11% AUM CAGR for Commonwealth, but that obviously includes some beta. Can you strip out the organic growth over the last several years of the business on a stand-alone basis?

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

Yeah. I think broadly, they grow in the -- similar to us, I think, at the top of the industry in the mid to the high single digits from an organic growth standpoint. And then you can back into the market part of that.

Operator

Bill Katz, TD Cowen.

Bill Katz - TD Cowen - Analyst

Congrats on the transaction. For Mr. Bloom, I'm curious. You mentioned a number of things that have powered your franchise over the last several years, but you also mentioned the import of LPL Financials. So in particular, I was wondering if you could highlight where you see the opportunity for incremental services.

And then for Rich, I'm curious. From your perspective, what do you see as some of the incremental best practices that might accelerate growth for the legacy part of the business?

Wayne Bloom - Commonwealth Financial Network - Chief Executive Officer

Several things that obviously come with the benefits of scale at Commonwealth, at our size. Certainly not a small firm, but when you combine it with the synergies and savings and pricing power and efficiencies that you get being combined someone such as LPL, that will spill right through to Commonwealth and the whole network.

When we looked at some of the specific things -- and we always look at them through the lens of our advisor. How will they look at it? What is good for them is ultimately good for the firm.

So just a few other things, you could look at their business solutions, CFO services, virtual services for the advisors to outsource some of their work, look at their Alts platform.

We've got a pretty robust platform within 40 or 50 products. They probably got double or triple that. You look at the advantages that will come from self-clearing. We're looking forward to putting our tech stacks together and improving them and delivering even more for the advisors.

Richard Steinmeier - LPL Financial Holdings Inc - Chief Executive Officer

Well, let me hit that second half, Bill. Thanks, Wayne. So it's nice to hear from you, Bill. So you had asked about some of the benefits coming from Commonwealth. So let me sift through those sequentially.

First off, I think I alluded to it in the opening remarks, but maybe let me embellish this. This firm is without peer in the way that they serve their advisors. And it's not because they answer the phone quicker than everyone else; it is because there is an unrelenting commitment to delivering an exceptional experience to advisors.

That starts from their responsiveness. That also leads into the way they have structured their technology is to receive feedback consistently. It leads to their having a responsiveness with over 5,500 inputs from advisors in the last 12 months that they respond to inside of 24 hours when advisors have opportunities for improvement either in the way that Commonwealth is supporting them or in the way that they can do business together.

There comes to an approach that they take to building and developing an employee experience. And that's one area that I've emphasized in the past as one that we want to elevate. As Wayne and I sat down together, one of the first things he had said to me was you cannot deliver an exceptional client experience if you don't put your employees first.

I did not espouse that perspective at the time when we sat together, and I've subsequently ruminated on that and realized he was 100% right. And so modeling and learning off of their employee experience and how we build so that our employees are as absolutely committed to the outcomes for advisors as they are, I think, will be incredibly important.

I would say maybe one that doesn't come right to the front. But when you think about the brand experience, look, these are the two leading firms in the independent advisor category. They serve a different segment of advisors.

And you put these two firms together with the best-of-breed capabilities, and I think it will be very attractive to wirehouse advisors to recognize that this is a firm that will serve them with distinction. And so I'm excited about the coming together of these two incredibly powerful brands and companies and what we will mean in the external marketplace.

Bill Katz - TD Cowen - Analyst

Great. Maybe just a follow-up. Just maybe more of a financials question. I think everything is geared off of 12/31, so maybe a couple of parts to this. One is, how do we think about the mix between equity and fixed income with the assets just given the market turbulence year-to-date?

And then just in terms of the 90% of retention, is that a bottoms-up view in terms of canvassing the financial advisor network within Commonwealth that you feel good about that number?

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

Yeah. I think on the AUM, right? I think -- and you hit on the run rate EBITDA that we've got factored in all the typical assumptions, including retention at 90%. But we are using AUM that will be about two years old from that run rate at end of 2026. So obviously, between now and then, organic growth as well as the market will impact that.

I think your point on bridging from the last three months of market volatility, I mean, I think that from an asset mix standpoint, I would just look at how our assets overall typically move -- mix of debt and equity, to your point, looking at a balanced fund. I think that will get you directionally close, which would probably have AUM down a few percentage points, maybe three. I'm not trying to be overly precise on that. I think that's just the best way to look at it.

I think as far as the retention assumption, maybe I'll start off there and maybe kick it over to Rich for some thoughts. But I think when we look at the retention assumptions for an M&A, you've seen us do a wide range of assumptions. And it's really about the nature of the property and the capabilities of the match that we bring to bear.

And we've had acquisitions where it was an aggregation of multiple firms pulled together, and those retention assumptions are a bit lower. And then we've had acquisitions where it really is a tight community and a tight culture where those retention assumptions have been higher. And I think to state the obvious, what we have here is the latter of those two examples.

So maybe, Rich, I'll maybe turn it over to you to give a little bit more color on that.

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

Yeah. I think the most important thing here is that we are not changing the Commonwealth experience. We are not changing the Commonwealth brand. We are not changing the way that advisors will do their business day to day.

We are -- we believe that they do business in an exceptional way, and we are actually looking to bend LPL to look more like Commonwealth. And so with Wayne leading advisor community, with us insulating that community, with us using the same service associates, with us helping to train them in time on how the combined technology platform which will be a best-of-breed platform, you put those together, it says what the advisors will be getting is better than what they're getting today. But the things that they love today will sustain.

I think if you put those together, that says we would be really -- I would be surprised if we weren't able to be very convincing. Look, I get today is a different day and there's a lot of folks having to read through a lot of emotions and understanding that a firm that was built on 46 years of excellence and community building, they'll have to go through what today's event means.

But we're intending to bring the best of breed to these advisors. We deeply respect this firm. And we want to bend LPL to look more like Commonwealth, not the other way around.

Operator

Steven Chubak, Wolfe Research.

Steven Chubak - *Wolfe Research - Analyst*

Congrats on the deal. Rich, I mean, you've been clear on your ambitions to increase your capture rate of breakaway wirehouse teams. Just given Commonwealth's reputation for attracting and servicing some of these larger teams, just want to better understand how the deal can strengthen your value prop with attracting more of those breakaway wirehouse advisors.

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

Yeah. I think that advisors that are leaving wirehouses are looking for a couple of things. They're looking for an at-scale player with unparalleled technology. They do not want to see a step backwards. That is LPL in spades.

They are looking for a firm that has a service orientation and culture that has an expectation that when they have issues, when they have opportunities they identify, there is 100% responsiveness. That is Commonwealth in spades.

And so they have been trafficking with larger, more complex advisors. Though we have same, we also serve really well to large at-scale teams. But -- and they have a premium brand.

We are retaining that brand. We are retaining that service tier. We are retaining that experience. And so I think you will see us recruit into the Commonwealth experience.

And so we will be attracting wirehouse advisors directly into that best-of-breed experience, which is the Commonwealth service experience plus the LPL strength and capabilities. It is set of services that support those advisors that are more sophisticated.

We've got a whole cadre of high net worth services. We continue to introduce more. And so I think we will have a firm that will be without compromise on capabilities, and it will be without compromise on the service and responsiveness that those advisors demand.

When you put those together, I think what it will change, Steven, most notably in the marketplace, is consideration. These firms more often than not win when they get in front of advisors. And so I think that this coming together in time will amplify both of these firms brands and will allow us to get greater consideration to have advisors begin conversations with us about joining our collective firm.

Steven Chubak - *Wolfe Research - Analyst*

Great. And Rich, you've touched on this a little bit already, but I was hoping you could maybe just drill down into how you're planning to deploy some of Commonwealth's best-in-class servicing capabilities at scale across the border platform and how that might translate into some better growth or financial outcomes for LPL.

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

Yeah. So I think -- well, let's talk about it. I alluded to some of this. It all starts with an employee experience. It all starts with leading employees to believe as strongly at every level of the firm -- frontline employees, supervisory, associates, et cetera, for them to be as committed to the journey that the firm is on as the senior leadership team. That is an alchemy that we have been working towards at LPL that they have cracked the code on at Commonwealth.

And so bringing Wayne, taking his insights, taking Andrew Daniel's insights, taking Joe Deitch's insights, taking Peter Wheeler's insights as to how this firm built that exceptional experience through the employees, that's step one, building and enhancing our employee experience.

Step two is building technical capabilities to receive in the input from advisors inside of our ClientWorks ecosystem, on our advisory platforms, in the ways that our field management team engages advisors, receiving the input of advisors, prioritizing that, and then being responsive to the advisors on which we're going to take action and in what sequence or, if something is already planned to be built in time, revealing that.

And I think it is having bigger ears so that we can hear more and being more responsive into the advisors. As well, I think they have some really unique technology capabilities that we will build into to help us prioritize that overall advisor tech stack.

When you put that together, I think, Steven, the thing that is really impressive -- I think we had a previous question about growth rates at Commonwealth. The one thing that sticks out pretty notably to us is their same-store sales growth rate. That is the advisor's ability to grow their own business, as Wayne has already alluded to a number of the capabilities that they have here.

But we would expect to see them moving. Yeah, we would expect to see our -- as we ingest more of those capabilities, you'll see, I think, greater stickiness with our firm. And I think we would hope to see greater same-store sales growth. Wayne, did you have more you want to add to that?

Wayne Bloom - *Commonwealth Financial Network - Chief Executive Officer*

Yeah. I think you were exactly right here, Rich. Just a couple of things I'll add. Just one, the aligning the financial interest of the team along with the goals is also super important. The inherent care that they have to have, understanding, and putting advisors first has to be there.

We also do have some very unique technology. A big part of Commonwealth's special sauce is our feedback tool. On any page of our website, an advisor or anyone on their team can click and a dialogue box will pop up. And they're able to submit a suggestion on technology or ask a question or make a comment or a complaint or give someone kudos.

That submission then gets intelligently routed to the right people at Commonwealth. We get, ballpark, 5,000 of those a year on a wide variety of topics. 92%, 93% of them are responded to within 24 hours, most of them actually within a couple of hours.

And it's that engagement, right, that we have with our advisors, that feedback mechanism, that they are really part of Commonwealth. And they help us prioritize our technology. And we actually made that tool even outward facing a few years ago.

So as they're typing their suggestion, it works almost like Google predictive type. They'll be suggesting something, and it will pop up, oh, are you about to suggest this? And they can give it a thumbs up. They can add a comment or they can say no and continue on submission.

But it's the engagement that they are truly part of this business, that they are truly part of the journey, that they really have a say in the direction of the firm and how we prioritize things has been just instrumental. And I think we've all made suggestions or called companies, and it just goes into a black hole. And then you don't care.

But here, we have so much engagement and care going both ways. Because any time they reach out to us, we're back to them, if not immediately, within a few hours. And we really respect their ideas.

And I remember talking to a friend at an industry conference many years ago, and I told them a story that I just told you. And he looked at me and said, well, how do you get your work done all day, just responding to your reps e-mails?

And number one, rep is sort of a four-letter word at Commonwealth. They're advisors. We work for them; they don't work for us.

And what that person didn't understand is what he viewed as extra work, I view as the lifeblood of Commonwealth. When I think about what we have, there's couple of thousand advisors, a couple of thousand assistants, 4,000 people who are experts in our business who regularly to the tune of 5,000 times a year make suggestions for how to make our business better.

And I think we all know what we actually pay for that free expert consulting. It's nothing, and it makes our best clients feel the most engaged. So sorry, I feel pretty passionate about that. I love telling that story.

Operator

Devin Ryan, Citizens.

Devin Ryan - Citizens - Analyst

Congratulations to all here. Really nice deal. First question, you hit on it. But if I look at this on an EBIT ROA basis, it implies, on the run rate pro forma number, like a 14-basis-point EBIT ROA, which was roughly in line with what you all announced with the Atria deal. And obviously, Commonwealth is 75% advisory. 25% was advisory to Atria.

So I know we don't have anything beyond 2026, but the 14 basis points as a headline, it feels maybe a little bit conservative. So it would just be great to maybe just get a read on that. And then as we look beyond 2026, you hit on a couple, but just love to hear about some of the bigger picture long-term synergies of these two platforms.

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

Sure. Devin, I'll take the first part of that. And maybe Rich, I'll turn it over to you for the second part on the long term.

Look, Devin, I think the headline is I think we feel good about the financial returns here. I think you know -- I don't think from an expectation of integration, the ultimate returns, we're not going to be overly aggressive on what could play out. I think what we're laying out is what we can achieve with confidence.

I think the returns, I think we highlighted the materials and I covered earlier. But just to emphasize, it is based on 12/31/24 year-end AUM, right? So a lot is going to happen over the next two years, whether with respect to organic growth and the markets.

But I would just underscore, it's how we typically underwrite, how we onboard. We feel good with the purchase price level at 8x and of course, there's always upside on things and how those could play out, but that's not what we would underwrite for at an 8x multiple.

So hopefully, that gives you context. There's certainly upside like we've seen in prior years as well. Maybe -- I think beyond that, maybe, Rich, over to you.

Richard Steinmeier - LPL Financial Holdings Inc - Chief Executive Officer

Yeah. Just real quick, Devin. So I think if you think about the long-term synergies, obviously, I think you heard with great passion from Wayne how we will hope to ingest their experience, their responsiveness to up level the service across all of the LPL advisors.

I think the second is I do think that the brand is incredibly powerful. And I think it is attractive, and I think it is more attractive in this construct even. Having a Commonwealth designated experience going forward, I think, will allow us to attract more advisors to the combined firm, which, by the way, I would note, we were the number one acquiring firm last year in the marketplace, and they were the number two.

And so you put together the two firms that attract more advisors than any other firms in the industry and they come together, I think that that should further accelerate. I think that goes to, for me, market consideration.

I do think that this is a big event. I think this is a material event in the industry. I think it will wake more people up that this firm's intention is to be the absolute best firm in wealth management. And I think that that will increase consideration in the marketplace.

And then maybe lastly, I would go to -- we're all aware of the aging advisor base in the industry. We think that we have an incredibly innovative set of solutions in our liquidity and succession solutions. We think they will be very attractive to Commonwealth advisors who are thinking about moving their practice from one generation to the next generation with us stepping in to provide that capital and support.

And so I would think about liquidity and succession solutions in support of the Commonwealth advisors being another opportunity for us to think about long-term synergies.

Operator

Benjamin Budish, Barclays.

Benjamin Budish - Barclays - Analyst

I wanted to check on a few financial details. I guess, first, I apologize if you mentioned this before, but the expected adjusted EBITDA by the end of 2026, is that predicated on current adjusted EBITDA run rate with synergies, but at the current level of AUM and not assuming any incremental growth?

And then the other thing I wanted to check on, Matt, you mentioned that there's a plan to deleverage once Commonwealth is onboarded. Curious how the timing of onboarding and integration costs impact the timing of deleveraging. And what does that mean in terms of when do you get back to a point where you could be repurchasing shares?

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

Yeah. On the first one, the AUM is based on 12/31/24. So it's the most recent period that we have. So that run rate EBITDA by the end of '26 is just taking the onboarding and the synergy realization, but off of that year-end '24 AUM. So to the extent there is growth, whether it be organic market or both, that would obviously -- that would then bias those numbers up.

I think on the timing of deleveraging and reconsideration for share repurchases, if you just look through the timing on when we expect to onboard and realize those synergies, which would be mid to the second half of 2026, that's the time period where we'll reassess based on how leverage is at that time and capital allocation opportunities at that time on whether and how or when to restart share repurchases. So I think second half of '26 is, given that if things play out based on the time line, we've got in the materials, that's where we would be reconsidering.

Operator

Mike Brown, Wells Fargo Securities.

Mike Brown - *Wells Fargo Securities, LLC - Analyst*

Most have been asked, but I just wanted to -- maybe a couple of ticky-tacky questions for you. Just wanted to hear a little bit about the cash levels at Commonwealth. How should we think about that cash as a percentage of client assets? Where is that typically at historically and is where it is currently a good level to consider as we think about modeling this out?

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

A little dog in the background there or something? I think when you look at the cash levels, they're at -- I think when you look at the industry overall, right, I think things have come down to much, much lower levels given the rate environment and clients being fully deployed within asterisk, of course, in the last few months on the volatility you've seen there.

But not unlike us, that \$6 billion that you have on there is around 2% of AUM. Commonwealth has a higher on average AUM than we do per advisor at \$100 million versus ours at \$60 million. And our percentage is in the upper twos.

So I would read those cash balances is in line with how the industry is, which we're at the lows of a percent of AUM. And the dynamics that you've seen play out with us and across the industry, I would expect something similar on that side.

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

Hey, Matt. It's Rich. I'm going to need to step in here for a second. I'm going to need to defend Mike here. That was not a dog in the background. And Mike, we you an apology.

That was Wayne Bloom. He coughs like a dog; and it's odd, I know. I've come to note a little bit. And so Mike and all of our Wells Fargo friends and colleagues, that was no slight meant at you. That was a slight directed at Wayne, but misdirected.

Mike Brown - *Wells Fargo Securities, LLC - Analyst*

Yeah. No dogs are allowed in the office here, so wasn't me. But thanks for clarifying, Rich.

Richard Steinmeier - LPL Financial Holdings Inc - Chief Executive Officer

Yeah. Always looking out for you, Mike.

Operator

There are no further questions at this time. I'd like to turn the call back over to Mr. Steinmeier for closing remarks.

Richard Steinmeier - LPL Financial Holdings Inc - Chief Executive Officer

Thank you so much, operator. I want to underscore how excited we are to join forces with Commonwealth, a truly exceptional firm and a community of advisors. I want to thank Wayne Bloom and Joe Deitch for all they have done and for the partnership moving forward.

Thanks to everyone for joining the call. We will speak with you again soon. Thank you.

Operator

Thank you for your participation. This does conclude the conference. You may now disconnect. Everyone, have a great day.

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