



LPL FINANCIAL HOLDINGS INC. Q4 2021 EARNINGS KEY METRICS

February 3, 2022

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 and outlook, including forecasts and statements relating to the Company's future advisory and brokerage asset levels and mix, organic asset growth, deposit betas, Core G&A* expenses (including outlook for 2022), promotional, share-based compensation and depreciation and amortization expenses, Gross Profit* benefits, EBITDA* benefits, payout ratio, client cash balances and yields, service and fee revenue, transaction revenue, investments, capital returns, planned share repurchases and the expected benefits and costs of the acquisition of Waddell & Reed's wealth management business, 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. These forward-looking statements are based on the Company's historical performance and its plans, estimates and expectations as of February 3, 2022. Forward-looking statements are not guarantees that the future results, plans, intentions or expectations expressed or implied by the Company will be achieved. Matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, legislative, regulatory, competitive and other factors, which may cause actual financial or operating results, levels of activity or the timing of events to be materially different from those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include: the spread of COVID-19 and its direct and indirect effects on global economic and financial conditions; changes in interest rates and fees payable by banks participating in the Company's client cash programs; the Company's strategy and success in managing client cash program fees; changes in general economic and financial market conditions, including retail investor sentiment; fluctuations in the levels of advisory and brokerage assets, including net new assets, and the related impact on revenue; the effects of competition in the financial services industry; the success of the Company in attracting and retaining financial advisors and institutions, and their ability to market effectively financial products and services; whether retail investors served by newly-recruited advisors choose to move their respective assets to new accounts at the Company; changes in the growth and profitability of the Company's fee-based offerings; 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 costs of settling and remediating issues related to regulatory matters or legal proceedings, including actual costs of reimbursing customers for losses in excess of the Company's reserves; changes made to the Company's services and pricing, and the effect that such changes may have on the Company's Gross Profit* streams and costs; execution of the Company's plans and its success in realizing the synergies, expense savings, service improvements and/or efficiencies expected to result from its investments, initiatives, acquisitions and programs; the successful integration of the Waddell & Reed wealth management business; and the other factors set forth in Part I, "Item 1A. Risk Factors" in the Company's 2020 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 SEC. 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 3, 2022, even if its estimates change, and statements contained herein are not to be relied upon as representing the Company's views as of any date subsequent to February 3, 2022.

THIS PRESENTATION INCLUDES DATA AS OF DECEMBER 31, 2021, 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.**

EPS prior to amortization of intangible assets and acquisition costs is defined as adjusted net income, a non-GAAP measure defined as net income plus the after-tax impact of amortization of other intangibles and acquisition costs, divided by the weighted average number of diluted shares outstanding for the applicable period. The Company presents adjusted net income and EPS prior to amortization of intangible assets and acquisition costs because management believes that these metrics can provide investors with useful insight into the Company's core operating performance by excluding non-cash items and acquisition costs that management does not believe impact the Company's ongoing operations. Adjusted net income and EPS prior to amortization of intangible assets and acquisition costs are not measures of the Company's financial performance under GAAP and should not be considered as an alternative 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 EPS prior to amortization of intangible assets and acquisition costs, please see the appendix of this presentation.

Gross profit is calculated as total revenue less advisory and commission expense and brokerage, clearing and exchange fees ("BC&E"). 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.

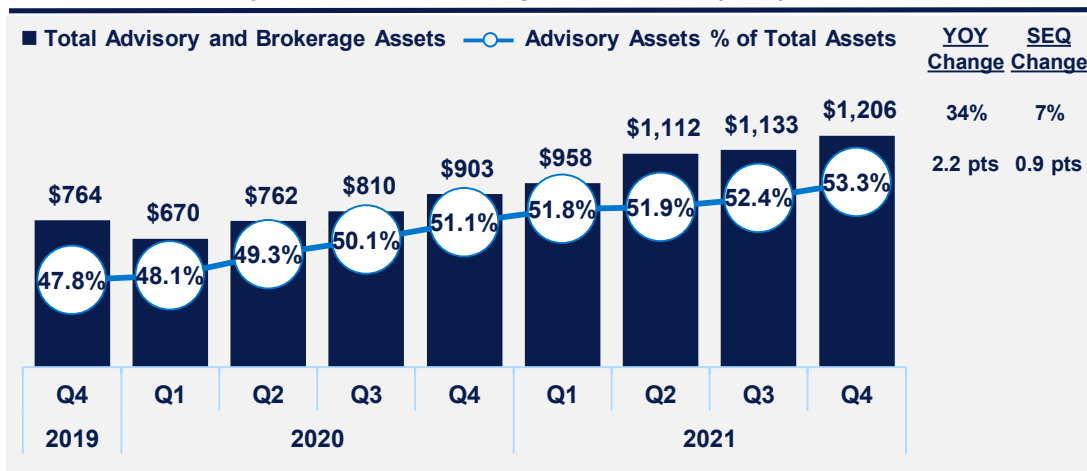
Core G&A consists of total expense less the following expenses: advisory and commission; depreciation and amortization; amortization of other intangibles; brokerage, clearing and exchange; interest expense on borrowings; loss on extinguishment of debt; promotional; acquisition costs; employee share-based compensation; and regulatory charges. 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 core G&A to the Company's total expense, 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 core G&A to an outlook for total expense 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. During the third quarter of 2021, the Company changed its definition of EBITDA to include the loss on extinguishment of debt and has updated prior period disclosures to reflect this change as applicable. 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.

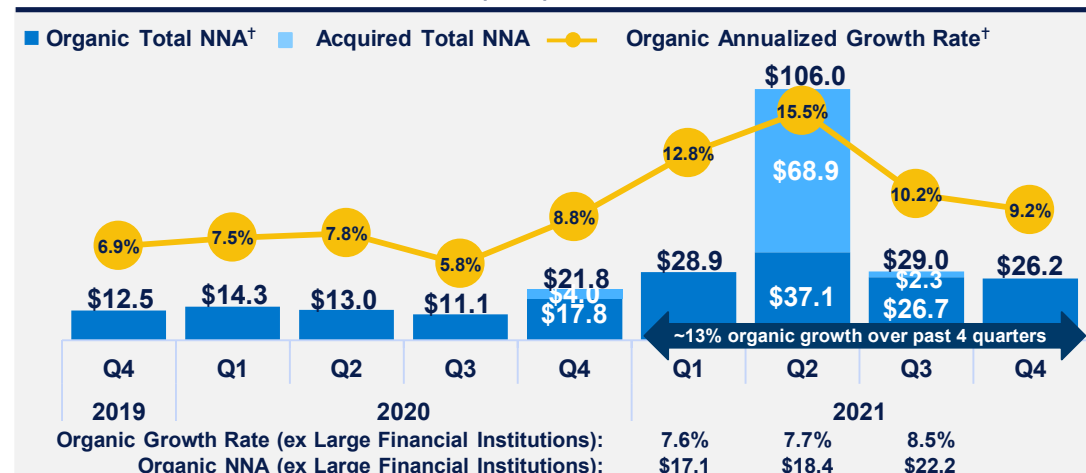
THIS PRESENTATION INCLUDES DATA AS OF DECEMBER 31, 2021, UNLESS OTHERWISE INDICATED.

We continue to drive long-term business growth...

Total Advisory and Brokerage Assets (\$B)



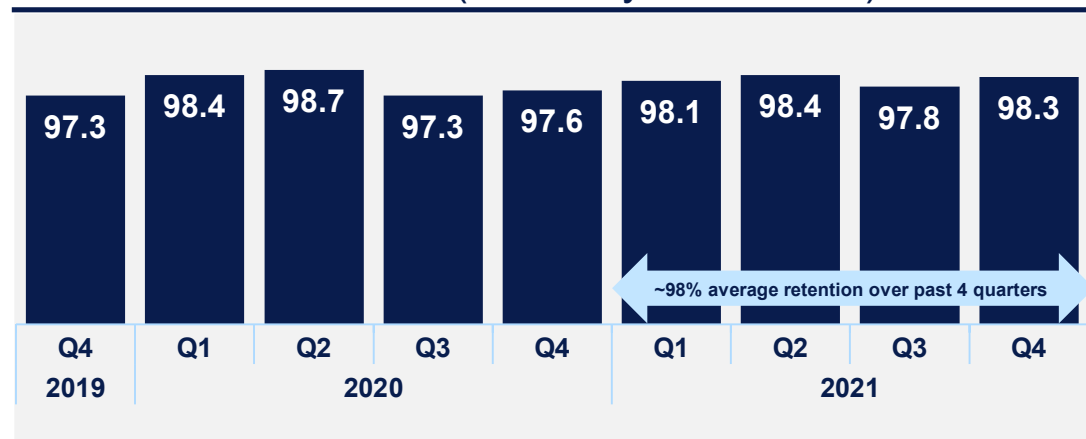
Total Net New Assets⁽¹⁾ (\$B)



Recruited Assets⁽²⁾ (\$B)



AUM Retention Rate⁽³⁾ (Quarterly Annualized)



[†] Waddell & Reed assets and net new assets were not included in organic net new assets or in the calculation of organic net new asset annualized growth rates through Q3 2021 as we completed Waddell & Reed onboarding. Starting in Q4 2021, Waddell & Reed assets and net new assets are included in total net new assets and in the calculation of net new asset annualized growth rates.

...And solid financial results

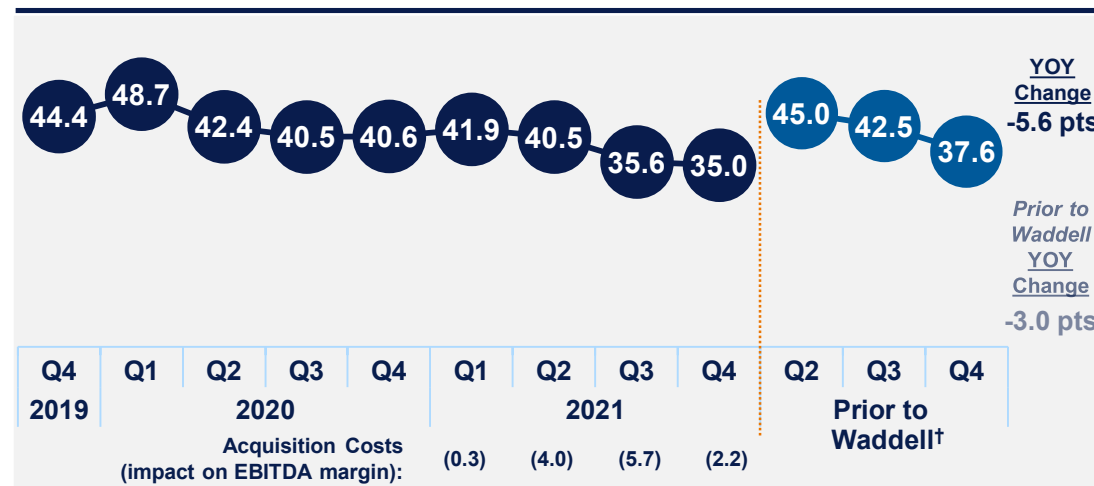
Gross Profit* (\$M)



EBITDA* (\$M)



EBITDA* as a % of Gross Profit*



EPS Prior to Amortization of Intangible Assets and Acquisition Costs*

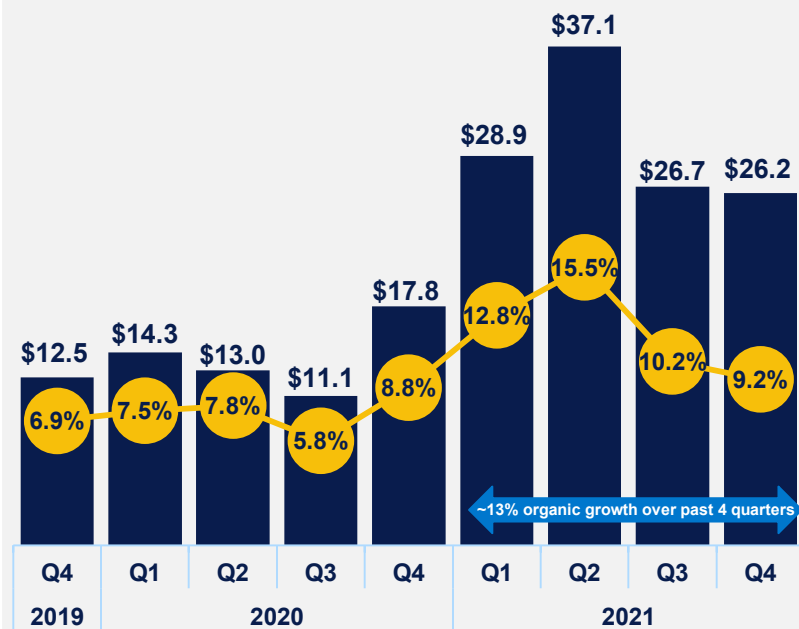


* "Prior to Waddell" represents results from LPL not including EBITDA or acquisition costs from Waddell & Reed.

We continued to drive solid organic growth with a Net New Asset growth rate of ~9% in Q4 and ~13% for the past year

Total Organic Net New Assets⁽¹⁾ (\$B)

■ Organic Total NNA⁺
 — Organic Annualized Growth Rate⁺



Organic Growth Rate (ex Large Financial Institutions):	2020	2021
Organic Growth Rate (ex Large Financial Institutions):	7.6%	7.7%
Organic NNA (ex Large Financial Institutions):	\$17.1	\$18.4
Organic NNA (ex Large Financial Institutions):	\$17.1	\$22.2

Organic Net New Advisory Assets⁽⁴⁾ (\$B)

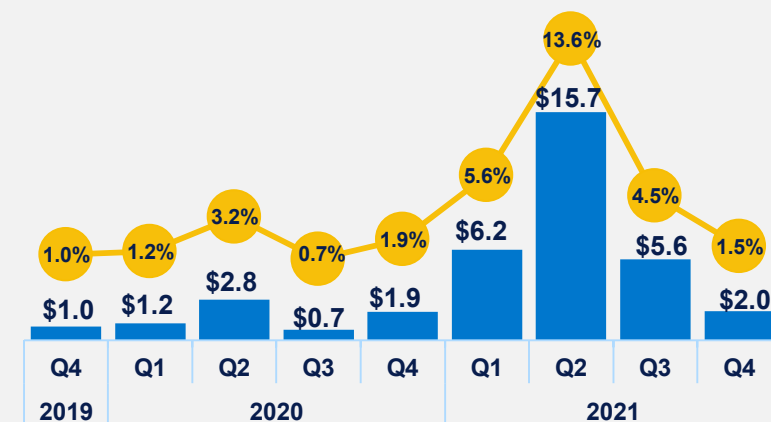
■ Organic Advisory NNA⁺
 — Organic Annualized Growth Rate⁺



Organic Growth Rate (ex Large Financial Institutions):	2020	2021
Organic Growth Rate (ex Large Financial Institutions):	15.4%	14.7%
Organic NNA (ex Large Financial Institutions):	\$17.7	\$18.3

Organic Net New Brokerage Assets⁽⁵⁾ (\$B)

■ Organic Brokerage NNA⁺
 — Organic Annualized Growth Rate⁺



Organic Growth Rate (ex Large Financial Institutions):	2020	2021
Organic Growth Rate (ex Large Financial Institutions):	-0.5%	0.1%
Organic NNA (ex Large Financial Institutions):	-\$0.6	\$0.1
Organic NNA (ex Large Financial Institutions):	-\$0.6	\$1.1

Net Brokerage to Advisory Conversions ⁽⁶⁾ (B):	2019	2020	2021
Net Brokerage to Advisory Conversions ⁽⁶⁾ (B):	\$1.9	\$2.4	\$3.3
Net Brokerage to Advisory Conversions ⁽⁶⁾ (B):	\$1.9	\$2.4	\$3.4

⁺ Waddell & Reed assets and net new assets were not included in organic net new assets or in the calculation of organic net new asset annualized growth rates through Q3 2021 as we completed Waddell & Reed onboarding. Starting in Q4 2021, Waddell & Reed assets and net new assets are included in total net new assets and in the calculation of net new asset annualized growth rates.

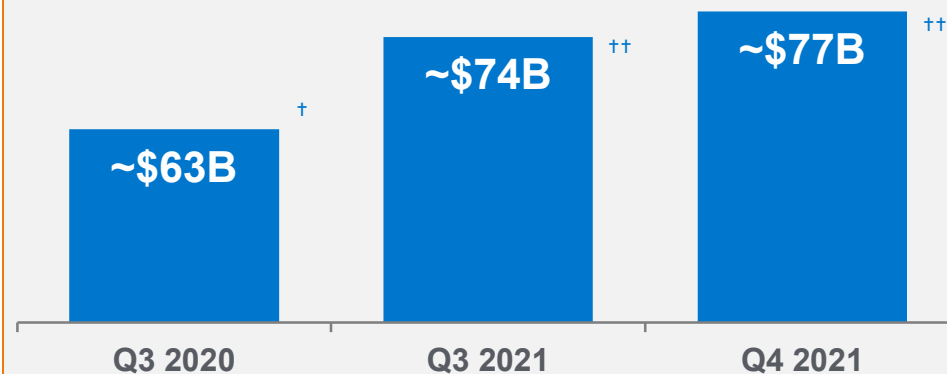
Waddell & Reed update: Run-rate EBITDA expectations increased to \$90M+

Transaction Details at Signing

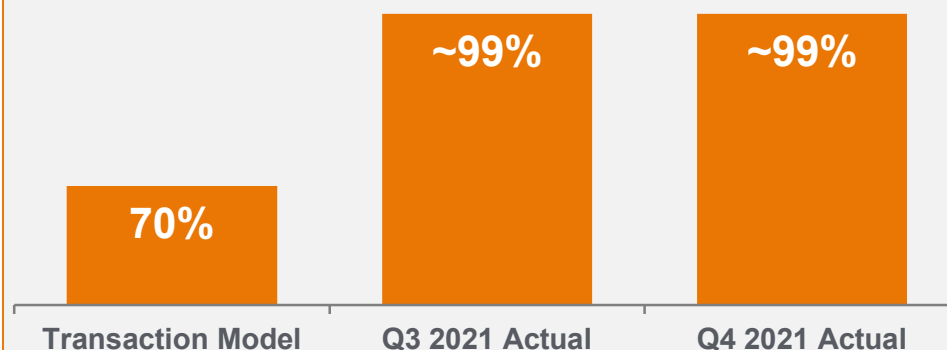
- On December 2, 2020, we signed an agreement to acquire Waddell & Reed's wealth management business
- Transaction structured primarily as an equity purchase with a price of \$300M
- Waddell & Reed's wealth management client assets were ~\$63B with asset mix of ~45% advisory and ~55% brokerage (as of September 30, 2020)
- Waddell & Reed's wealth management business had over 900 advisors, serving ~\$70M of client assets per advisor (as of September 30, 2020)

Retention Update

Waddell & Reed's wealth management client assets increased ~\$3B compared to Q3

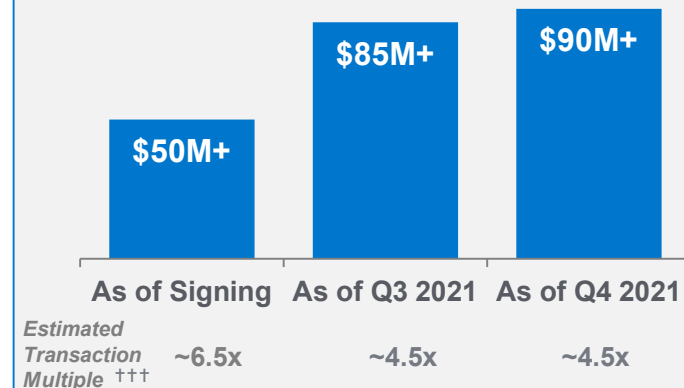


Final asset retention rate from Waddell & Reed was ~99%

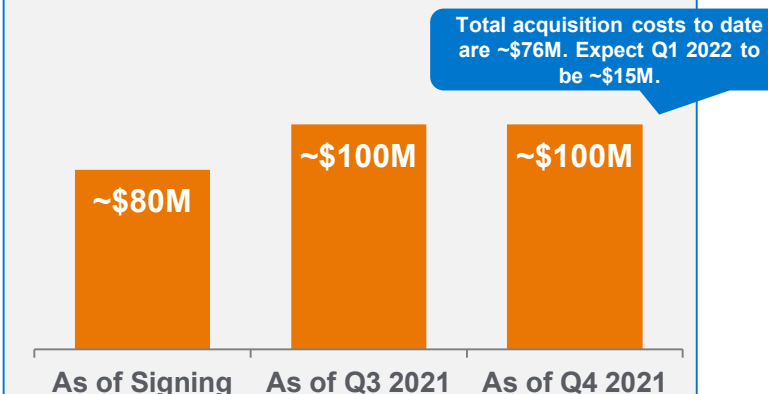


Financial Update

Estimated Run-Rate EBITDA* expectations increased to \$90M+



Acquisition Costs are estimated to be ~\$100M

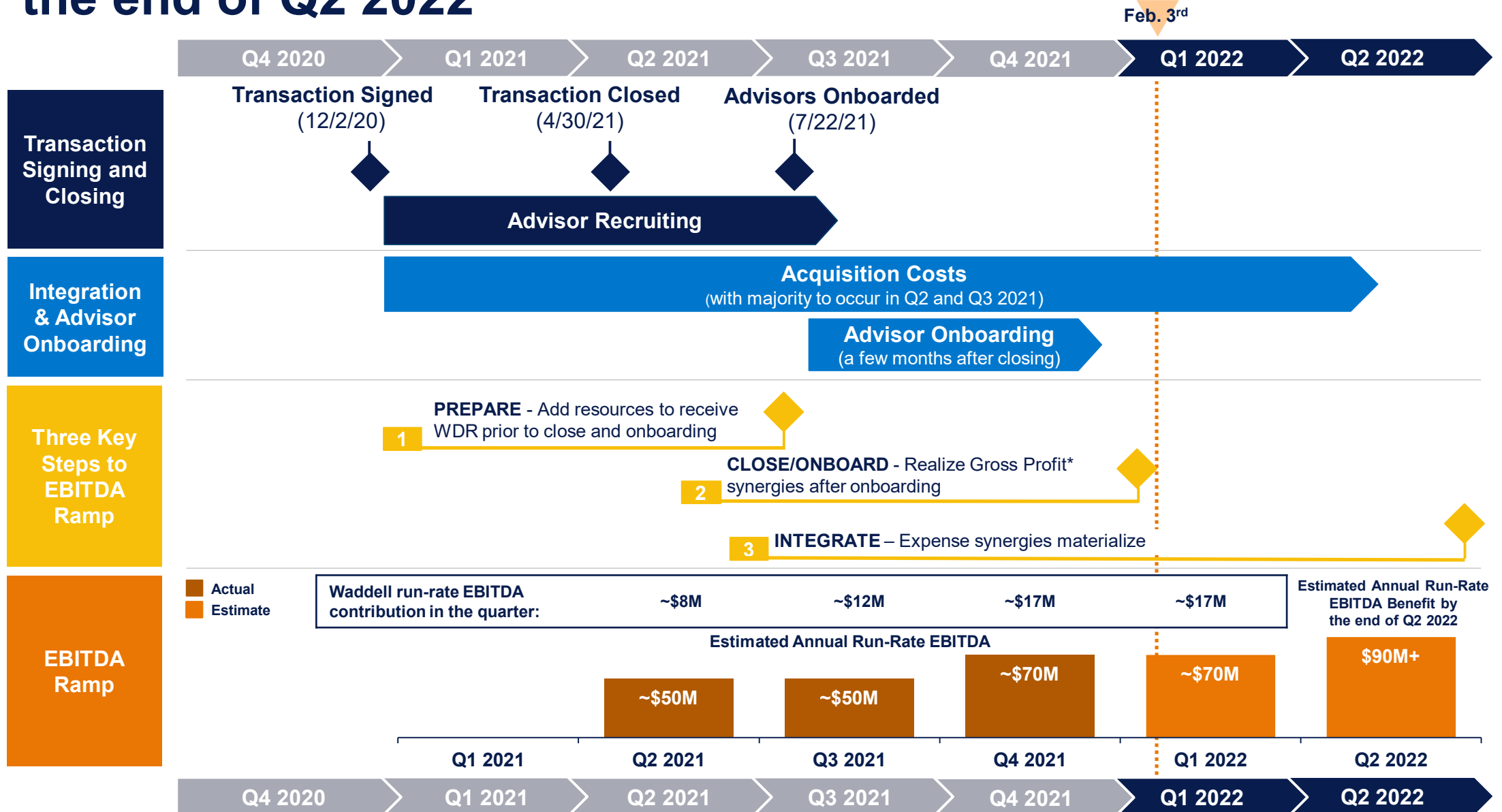


[†] Q3 2020 as reported by Waddell & Reed in its Earnings Release

^{††} The ~\$74B of Waddell & Reed assets in Q3 2021 and ~\$77B in Q4 2021 include ~\$2B of retirement assets, which LPL does not include in total asset reporting, and ~\$1B of assets that did not convert.

^{†††} Technology investments related to the integration of Waddell & Reed are included in transaction multiple calculation.

We estimate reaching an annual EBITDA benefit of \$90M+ by the end of Q2 2022



We continue to scale and expand our solutions portfolio

We have expanded our overall solutions portfolio to now include Planning and Advice Services in addition to Business Solutions

Business Solutions

Business Solutions has grown to ~3,000 subscriptions, with annualized revenue of ~\$28M

Professional Services

- **Digital and employee-powered solutions** that provide practice management expertise to increase practice-level growth and operational efficiency
- Higher revenue and higher cost due to **full support from a LPL team**
- Subscriptions average **\$1,500+ per month**

Current Portfolio

- **CFO Solutions:** Optimize the growth, scale, and profitability of the advisor's business
- **Marketing Solutions:** Unleash digital marketing to generate new prospects and connect with existing clients
- **Admin Solutions:** Reduce daily tasks with experienced and trained administrative help

Business Optimizers

- **Digital solutions** that provide risk mitigation and business continuity services to support practice operations and succession planning
- Lower revenue and lower cost since they **deliver digital capabilities**
- Subscriptions average **\$100+ per month**

Current Portfolio

- **M&A Solutions:** Comprehensive buyer and seller programs supporting all aspects of advisor practice M&A
- **Remote Office Solutions:** Smart, secure office network and connectivity technology to support remote operations
- **Resilience Plan:** Provides advisors with client service coverage during a short-term leave of absence
- **Assurance Plan:** LPL-backed succession plan to protect advisors' businesses and support their families and clients

Planning and Advice Services

Launched in Q1 2022

- **Digital and employee-powered solutions** that help advisors expand the breadth and depth of their advice
- Helps advisors increase marketplace differentiation while limiting additional complexity and risk
- Subscriptions expected to average **~\$1,000 per month**

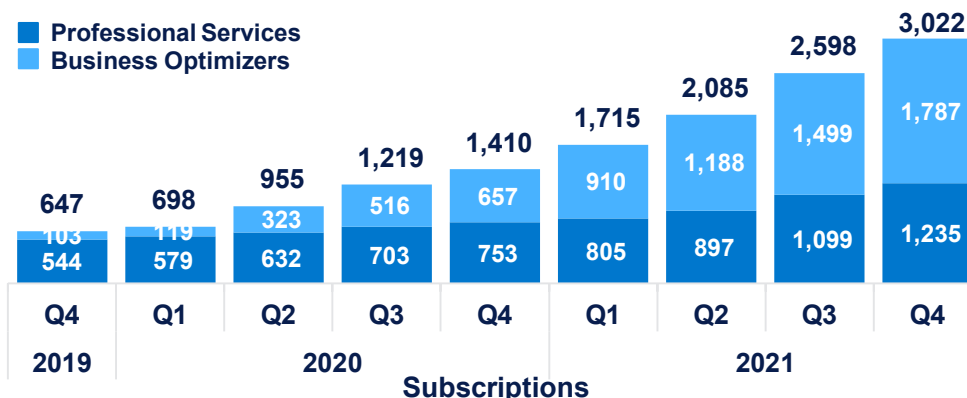
Current Portfolio

- **Paraplanning:** Create financial plans for clients, which advisors can deliver as part of their existing relationship or charge separately

In Development

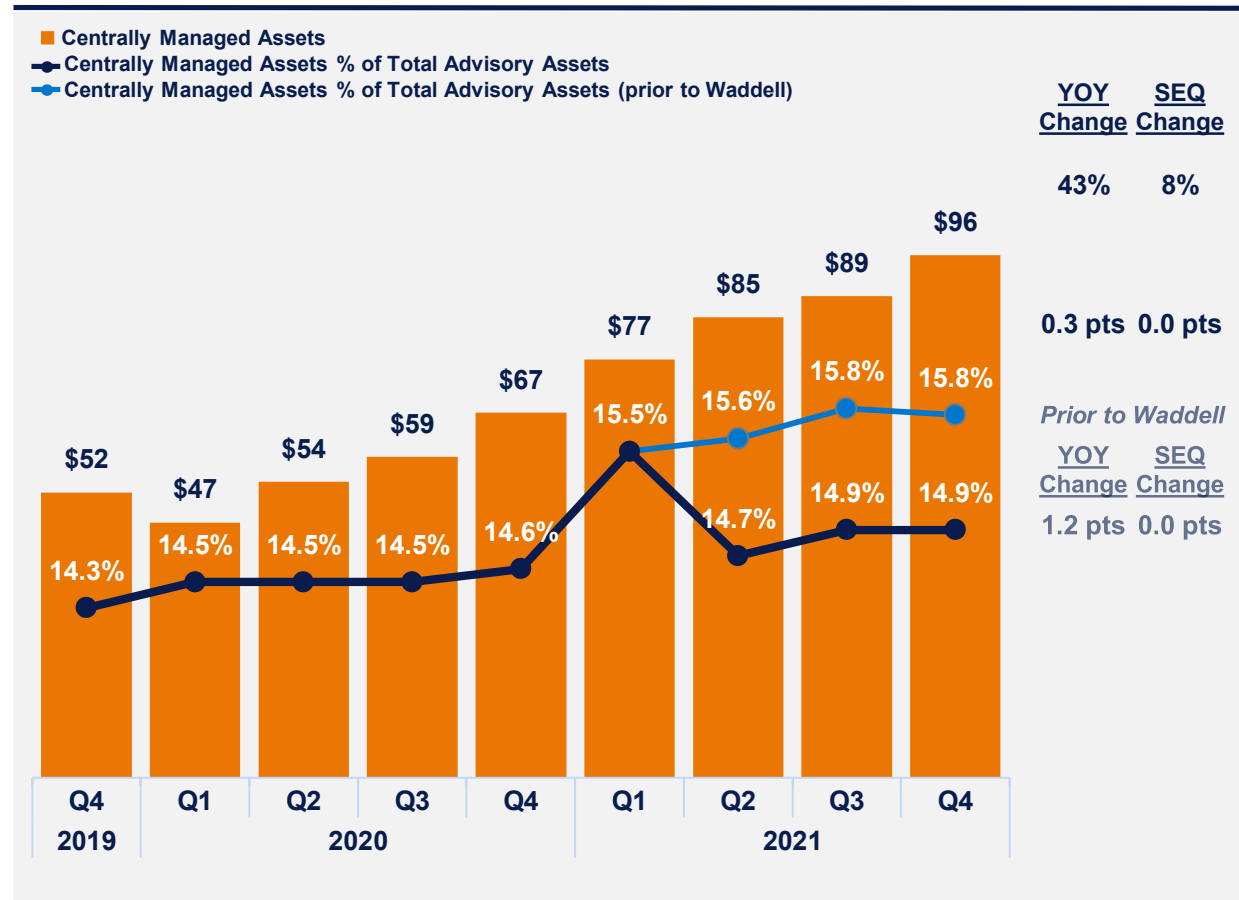
Tax Planning

High Net Worth services

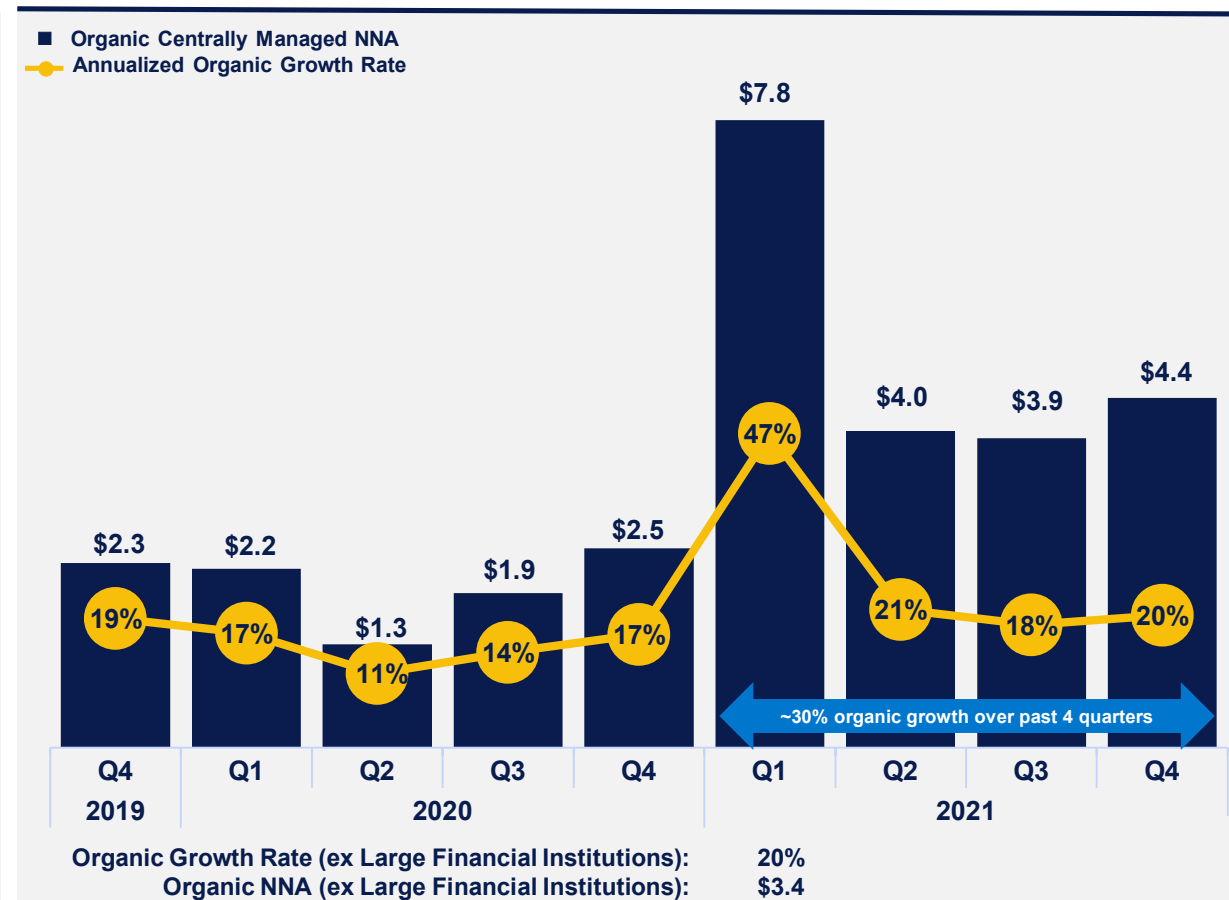


Centrally Managed Assets grew at a 20% organic growth rate in Q4 and are now nearly \$100B

Centrally Managed Assets⁽⁷⁾ (\$B)

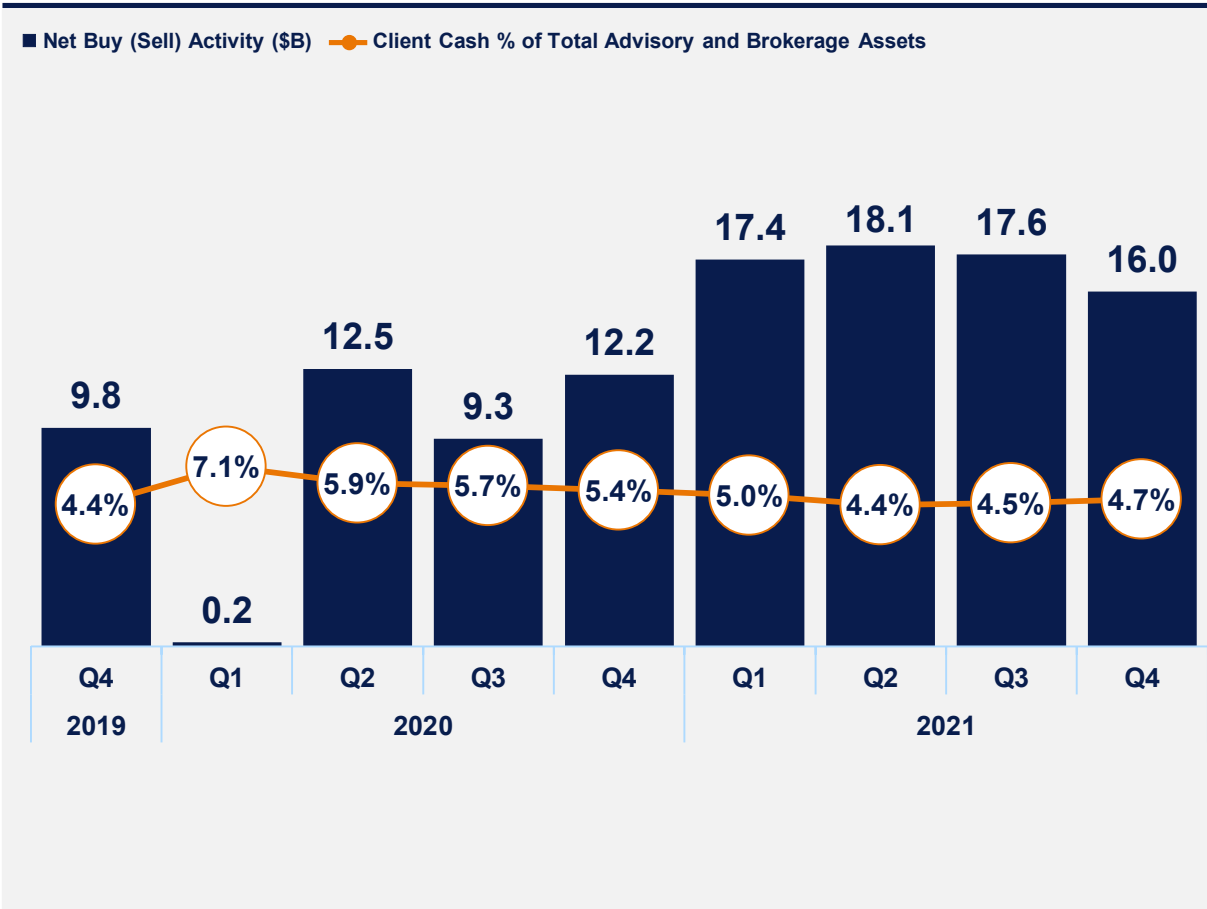


Centrally Managed Net New Assets⁽⁸⁾ (\$B)

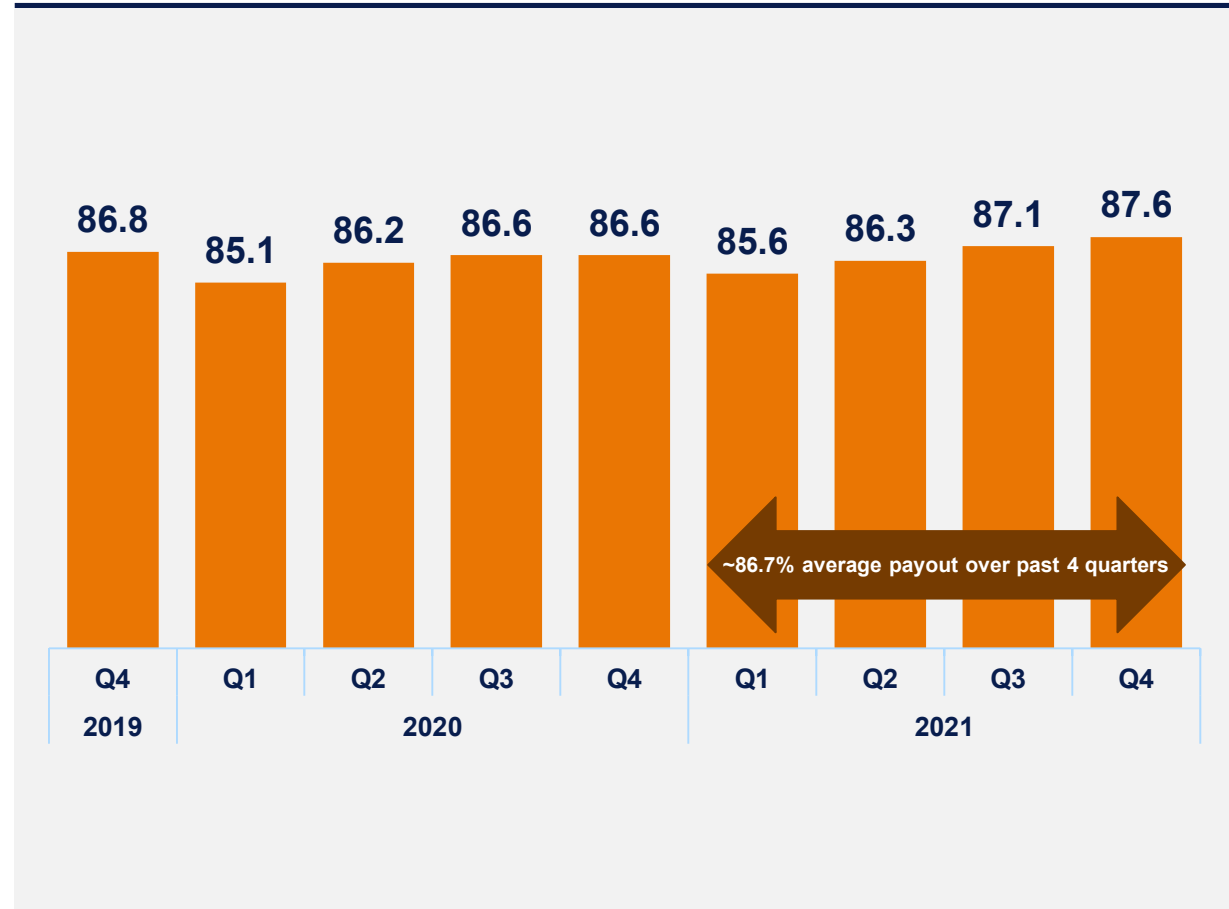


Net Buy (Sell) Activity was \$16B in Q4, while the Payout Rate was 87.6%

Net Buy (Sell) Activity⁽⁹⁾



Payout Rate (%)

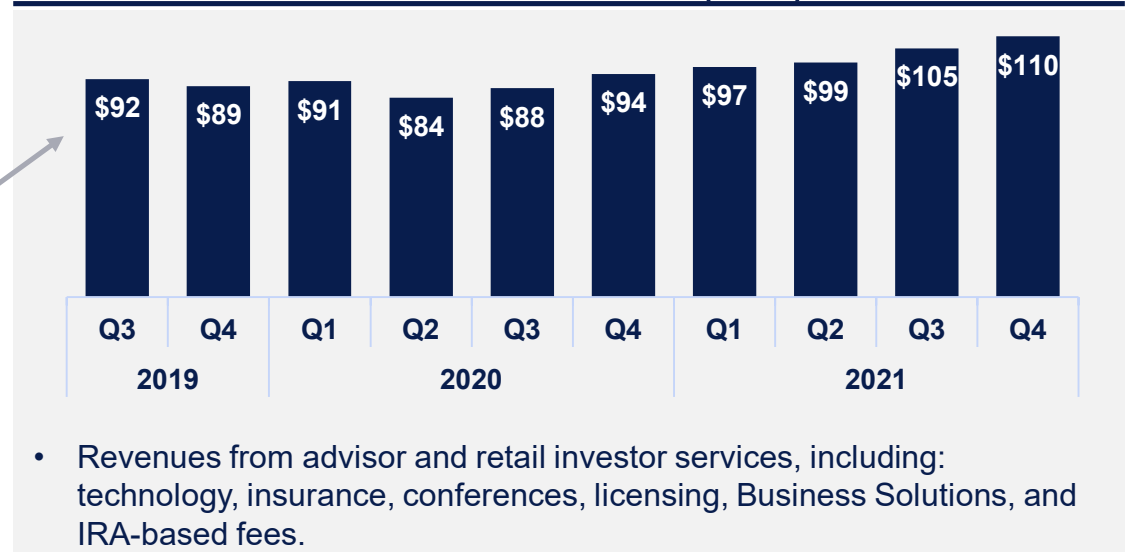


We updated our disclosures to provide greater transparency into our revenues

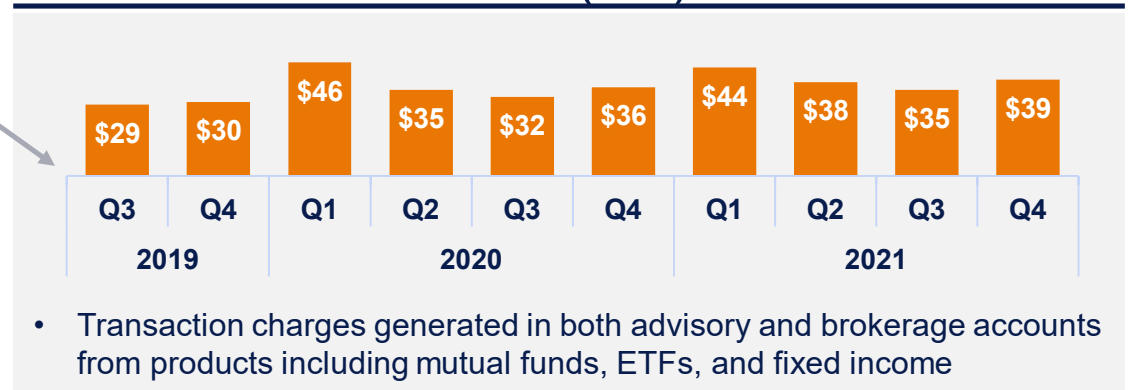
Transaction and Fee Revenue (\$M)



Service and Fee Revenue (\$M)

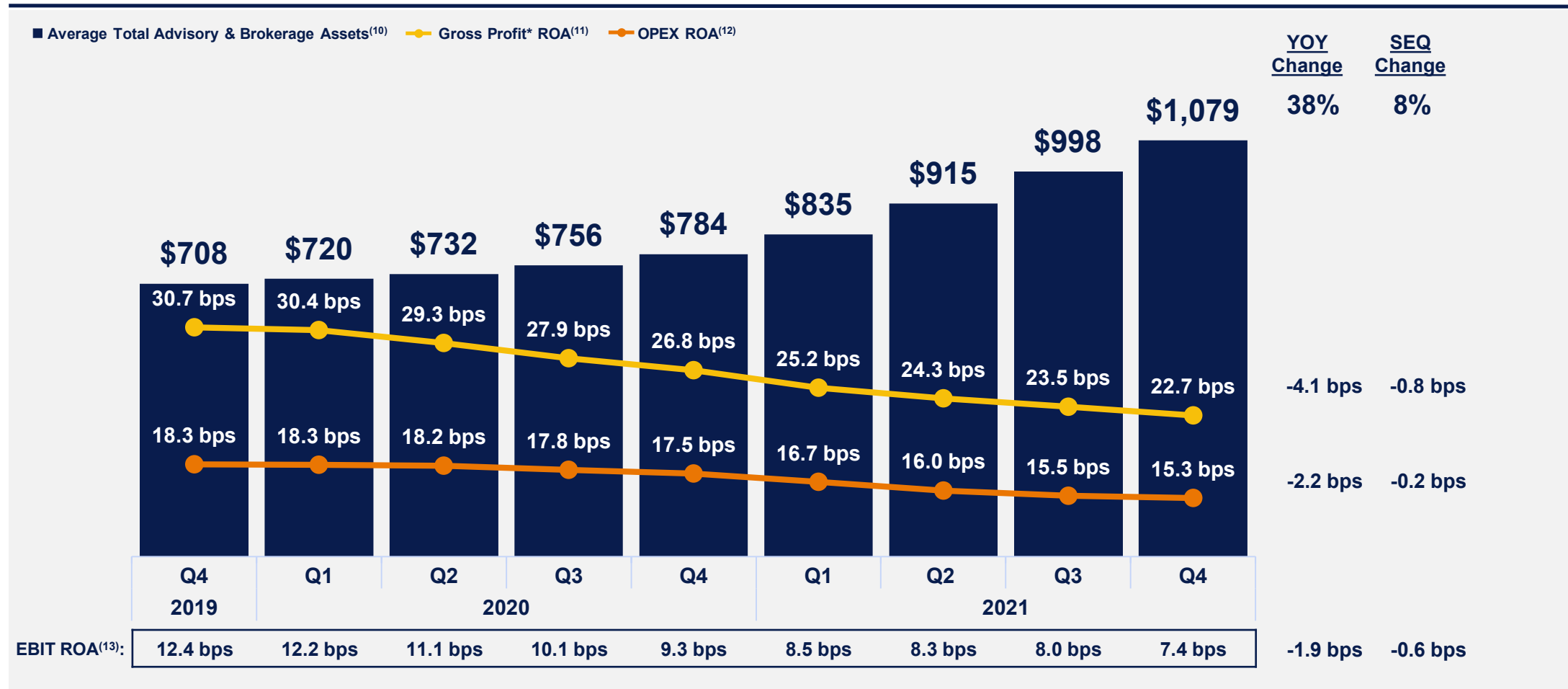


Transaction Revenue (\$M)



We continued to drive solid EBIT TTM ROA in Q4

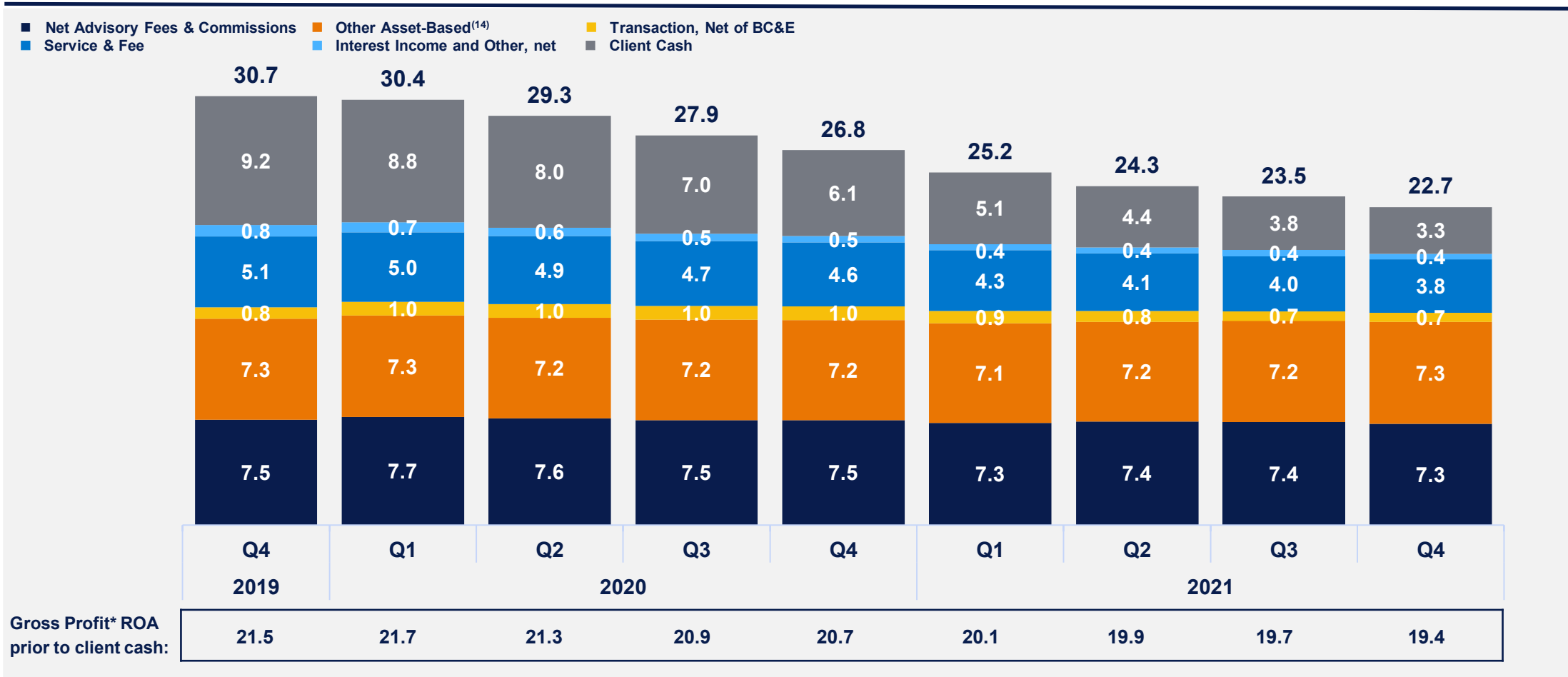
Average Total Advisory & Brokerage Assets (\$B)



Note: All periods were based on the trailing twelve months.

Q4 TTM Gross Profit* ROA decreased year-over-year, primarily driven by lower interest rates

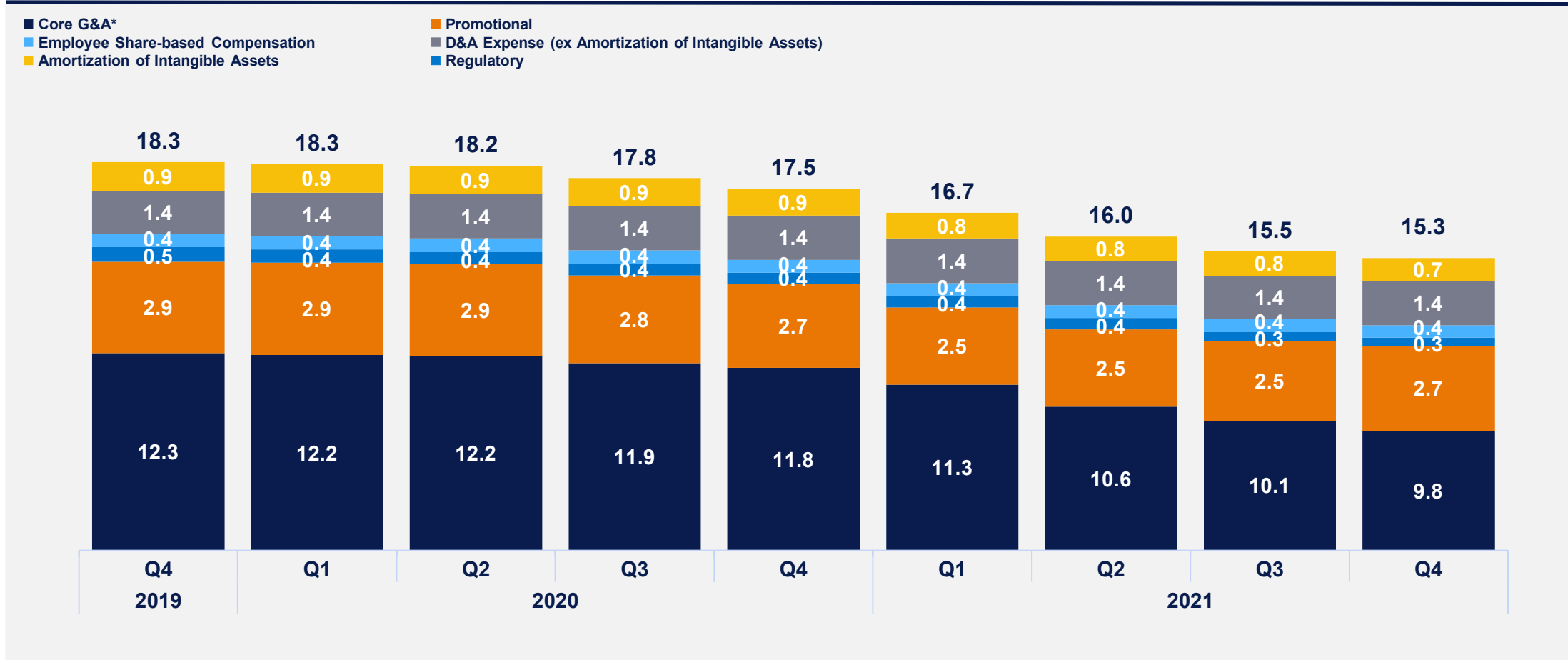
Gross Profit* ROA⁽¹¹⁾ (bps)



Note: All periods were based on the trailing twelve months.

OPEX TTM ROA remained roughly flat as we grow assets and manage expenses

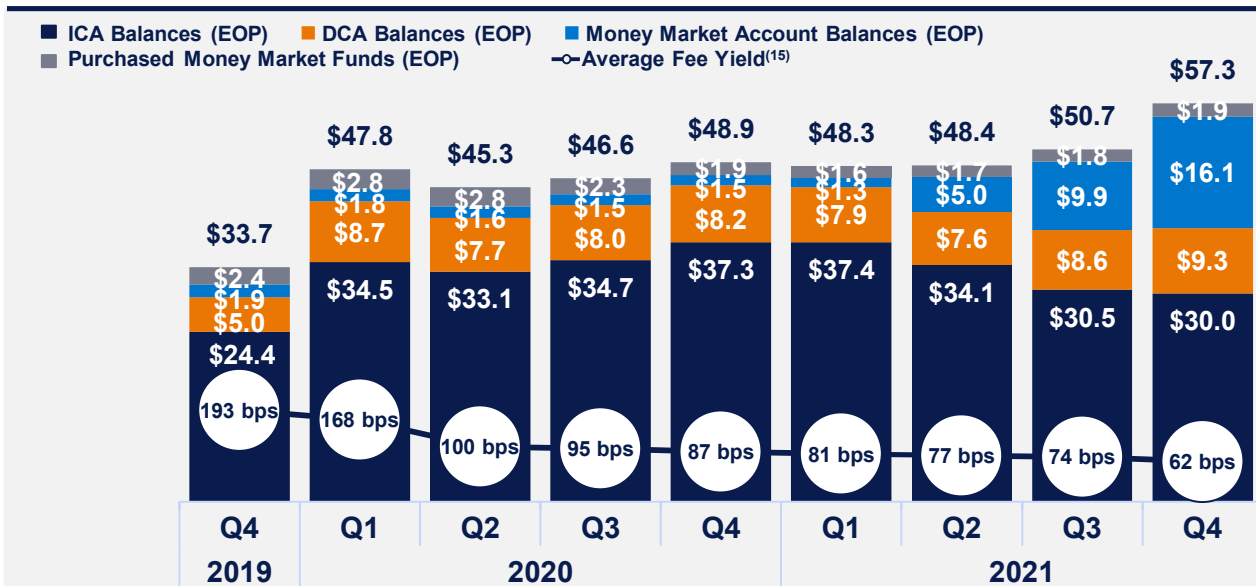
Total OPEX % of Assets⁽¹²⁾ (bps)



Note: All periods were based on the trailing twelve months.

We are well positioned to benefit from rising interest rates on client cash balances

Client Cash balances (\$B)



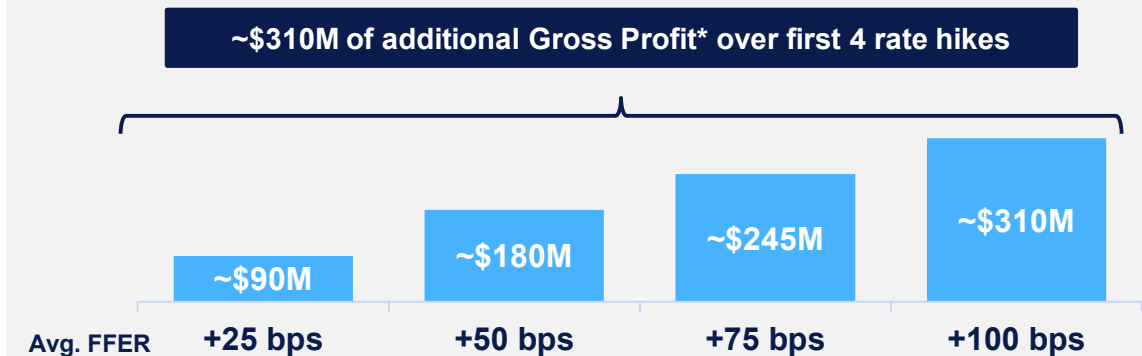
Fee Yields (in bps)

ICA	222	195	127	118	108	99	98	101	101
DCA	184	142	31	38	30	29	24	24	19
Purchased MM	29	29	27	20	13	9	9	7	6
MM Account	69	58	16	9	5	3	1	3	3
Average	193	168	100	95	87	81	77	74	62
Client Cash % of Total Assets	4.4%	7.1%	5.9%	5.7%	5.4%	5.0%	4.4%	4.5%	4.7%

Annual potential Gross Profit* benefit from rising interest rates

- Over the last interest rate cycle, our deposit beta averaged ~15%
 - Early in the cycle, deposit betas were much lower, and ours averaged ~2.5% over the first 4 Fed rate hikes
- If we applied those deposit betas from the last cycle to our current client cash balances, this would translate to:
 - ~\$310M of Annual Gross Profit* over the first 4 rate hikes, equivalent to ~\$90M per rate hike for the first 2 and ~\$65M per rate hike for the next 2, at a ~2.5% deposit beta
 - After the first 4 rate hikes, ~\$50M of annual Gross Profit* per rate hike at a ~25% deposit beta

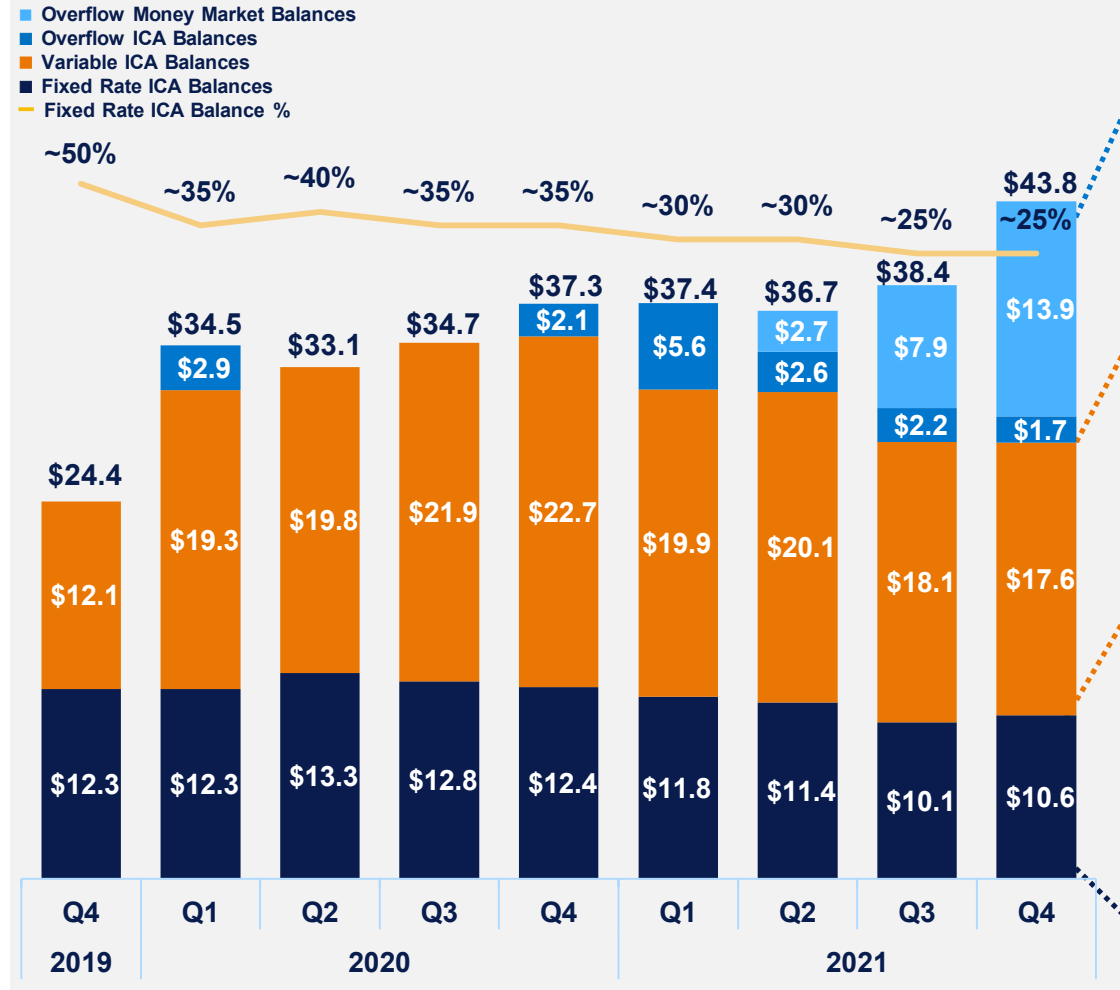
Estimated Interest Rate Sensitivity based on current balances and last interest rate cycle deposit betas



Note: Assumes change based on Q4 2021 end of period ICA balances. Additionally, as money market overflow balances shift back into ICA, there would be an additional upside of ~\$30M per rate hike after the first two rate hikes at a ~2.5% deposit beta.

In Q4, client cash balances continued to grow

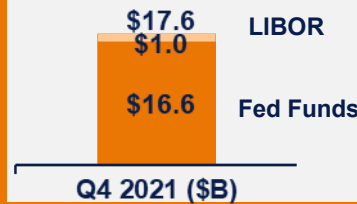
ICA balances, including Money Market Overflow (\$B)



Overflow balances provide capacity when balances spike

- When ICA balances exceed our fixed and variable contract capacity, we use ICA and money market overflow contracts
- In the current interest rate environment, the interest rate earned on overflow ICA contracts averages 1 to 2 basis points, while money market sweep contracts earn ~4 basis points

Variable balances are mostly indexed to Fed Funds



- Most variable balances are indexed to Fed Funds + a spread (~20 to ~30 bps)
- However, some are indexed to one month LIBOR
- In the current environment, new variable contracts are averaging Fed Funds flat

Fixed rate ICA contracts are laddered over ~4 years

- **New contract:** In Q4, we added ~\$0.5B of 3 year fixed rate balances maturing in 2024, with a ~80 bps yield consistent with the 3-year point at the curve when contracted
- **Renewed contract:** In Q1, we reached an agreement to renew a \$1B contract that was maturing in Q1 of 2022 with a ~325 bps yield. The new contract is for 4 years maturing in 2026 with a ~140 bps yield, consistent with the 4-year point of the curve when contracted



*Weighted average yield across ladder is ~260 bps

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

2022 Core G&A* context

- Our 2021 Core G&A* was \$1,058M, which was in the upper half of our outlook range of \$1,045M to \$1,060M. This translates to ~8% year-over-year Core G&A growth prior to costs related to Waddell & Reed
- We are seeing positive results as we continue to prioritize investments that drive organic growth and deliver operating leverage in our core business. Given this, in 2022 we plan to increase Core G&A in a similar zone
- Our 2022 Core G&A* outlook range is ~7% to ~9.5% year-over-year growth, or \$1,135M to \$1,160M, with investments focused in two main areas:
 - Core business growth, including investments in technology and capabilities, and a full year of Waddell & Reed
 - Expand addressable markets and scale new services – Business Solutions, new affiliation models, and large financial institutions

Recent expense trajectory, prior to acquisitions



Core G&A* outlook



[†] Based on the Company's 2018 Core G&A* prior to NPH and AdvisoryWorld related expenses compared to the Company's 2017 Core G&A* prior to NPH-related expenses.

[‡] Based on the Company's total 2018 Core G&A*.

Our balance sheet remained strong in Q4...

Corporate Cash[†] (\$M)



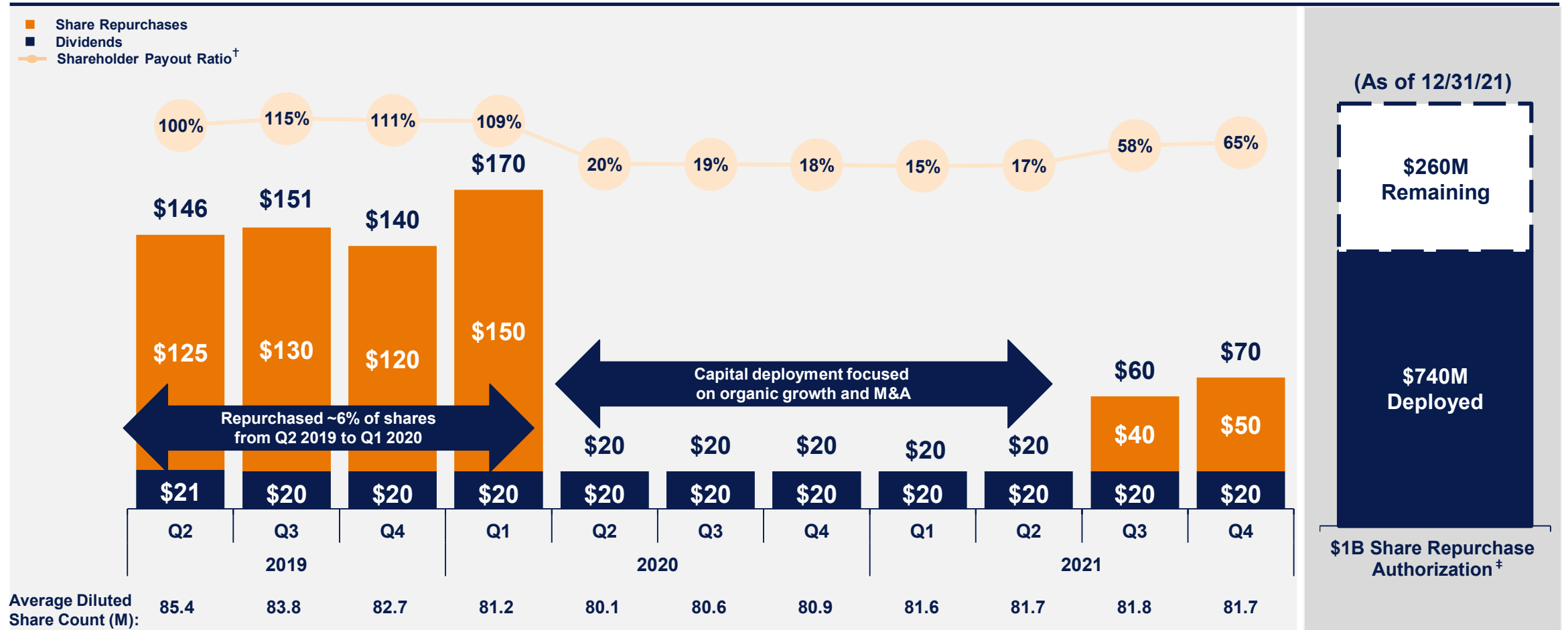
Leverage Ratio



[†] We define corporate cash as the sum of cash and equivalents from the following: (1) cash held at the Parent, (2) excess cash at LPL Financial per the Credit Agreement, which is the net capital held at LPL Financial in excess of 10% of its aggregate debits, or five times the net capital required in accordance with Exchange Act Rule 15c3-1, and (3) other available cash, which includes cash and equivalents held at The Private Trust Company, N.A. in excess of Credit Agreement capital requirements, and cash and equivalents held at non-regulated subsidiaries.

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

Share Repurchases and Dividends (\$M)



[†] Shareholder Payout Ratio is defined as (Dividends + Share Repurchases) / Net Income

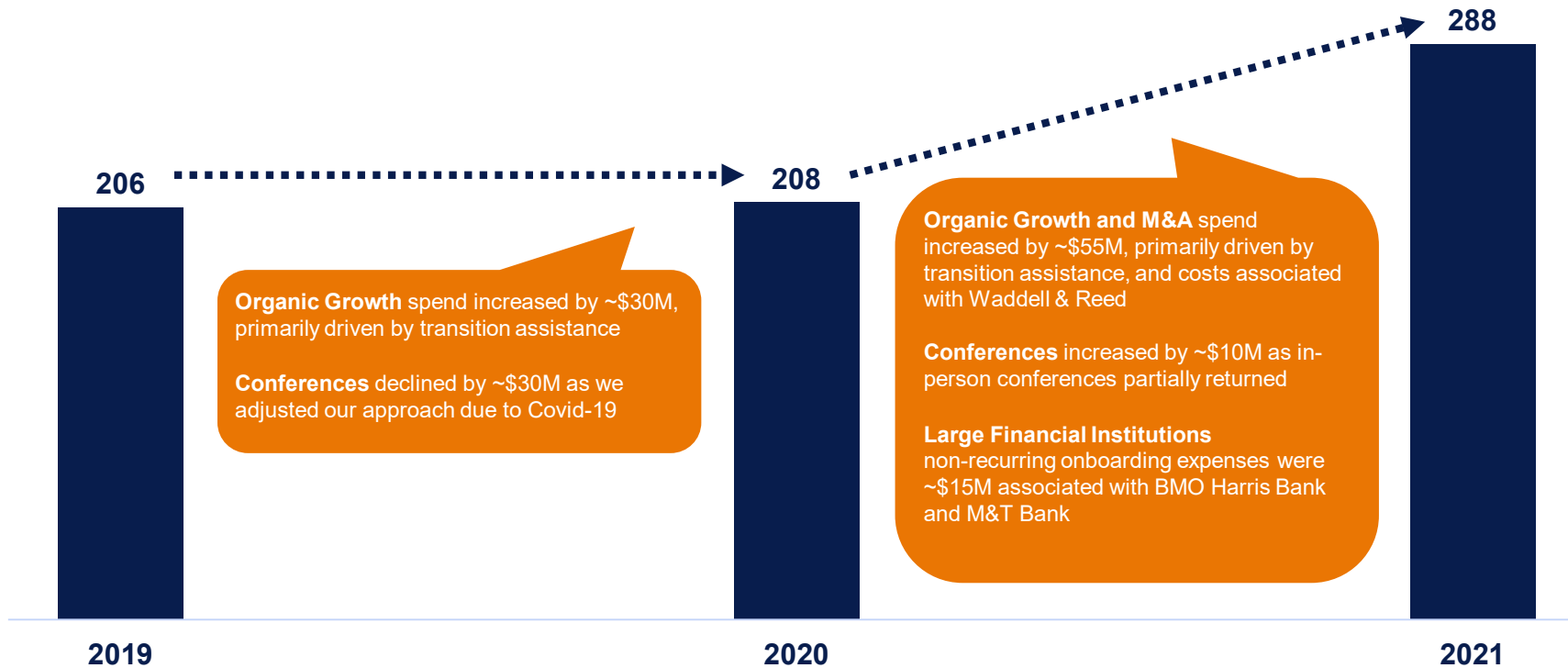
[‡] Increased share repurchase authorization to \$1B as of December 31, 2018.



APPENDIX

Key drivers of promotional expense growth

Promotional Expense (\$M)



Context for 2022:

- Organic Growth** investments will be primarily driven by our level of recruiting and the resulting transition assistance
- Conferences** expected to increase as we plan to return to in person events
- Large Financial Institutions** non-recurring expenses associated with onboarding BMO Harris Bank and M&T Bank are largely complete, so 2022 non-recurring expenses will be primarily driven by onboarding CUNA

Management P&L – in total, prior to Waddell, and Waddell standalone

	LPL Total			LPL prior to Waddell [†]			Waddell standalone [†]		
	Q2 2021	Q3 2021	Q4 2021	Q2 2021	Q3 2021	Q4 2021	Q2 2021	Q3 2021	Q4 2021
Gross Profit*									
Advisory	\$ 846	\$ 960	\$ 997	\$ 779	\$ 854	\$ 890	\$ 68	\$ 106	\$ 108
Sales-based commissions	250	240	248	241	231	238	9	8	10
Trailing commissions	349	371	364	336	353	346	13	18	18
Advisory fees and commissions	1,445	1,570	1,610	1,355	1,438	1,474	90	132	136
Production based payout	(1,247)	(1,368)	(1,410)	(1,175)	(1,256)	(1,292)	(73)	(113)	(118)
Advisory fees and commissions, net of payout	197	202	200	181	183	182	17	19	18
Client cash	90	91	82	90	91	82	-	0	0
Other asset-based	189	210	220	181	192	198	8	18	22
Service and Fee	99	105	110	94	98	103	6	7	7
Transaction	38	35	39	37	32	35	0	3	5
Interest income and other, net	11	10	12	11	10	11	0	0	0
Total net advisory fees and commissions and attachment revenue	625	654	663	594	606	611	31	48	52
Brokerage, clearing and exchange expense	(24)	(23)	(20)	(19)	(20)	(19)	(5)	(3)	(1)
Gross Profit*	602	631	643	575	586	592	27	45	51
G&A Expense									
Core G&A	252	271	299	240	248	276	12	23	24
Regulatory charges	7	6	8	7	6	8	-	-	-
Promotional (ongoing) ⁽²¹⁾	64	84	86	57	73	76	7	10	10
Employee share-based compensation	11	10	10	11	10	10	-	-	-
Acquisition Costs ⁽²¹⁾	24	36	14	-	-	-	-	-	-
Total G&A	358	406	418	316	337	370	19	33	34
EBITDA*	244	225	225	259	249	222	8	12	17

Note: Totals may not foot due to rounding.

[†] LPL prior to Waddell and Waddell standalone columns do not include acquisition costs.

Outlook Summary

Gross Profit

- Q1 2022 Payout rate decrease to ~86.5%
- Q1 2022 ICA yield decrease of a few bps sequentially
- Q1 2022 Service & Fee Revenue increase of a few million sequentially
- Q1 2022 Transaction Revenue relatively flat sequentially

Expenses

- 2022 Core G&A of \$1,135M to \$1,160M
- Q1 2022 Core G&A of \$280M to \$285M
- Q1 2022 Promotional expense in the low \$90M range
- Q1 2022 Share-Based Comp expense increase of a few million sequentially
- Q1 2022 Depreciation & Amortization expense increase of ~\$5M sequentially

Other

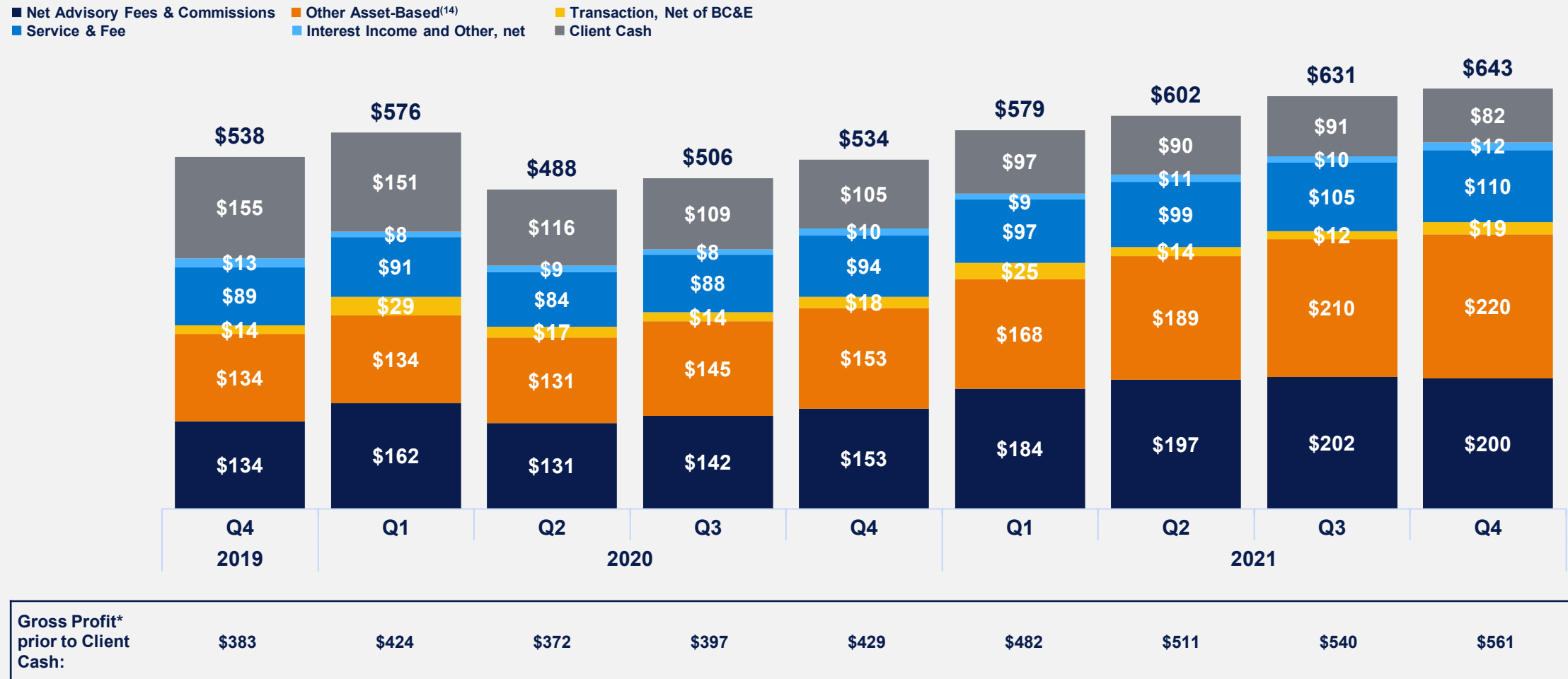
- Q1 2022 Share repurchases at a similar level to Q4 2021

Waddell & Reed

- Full run-rate EBITDA benefit by the end of Q2 2022 increased to \$90M+
- Q1 2022 run-rate EBITDA of ~\$70M
- Acquisition costs unchanged at ~\$100M, including ~\$15M in Q1 2022

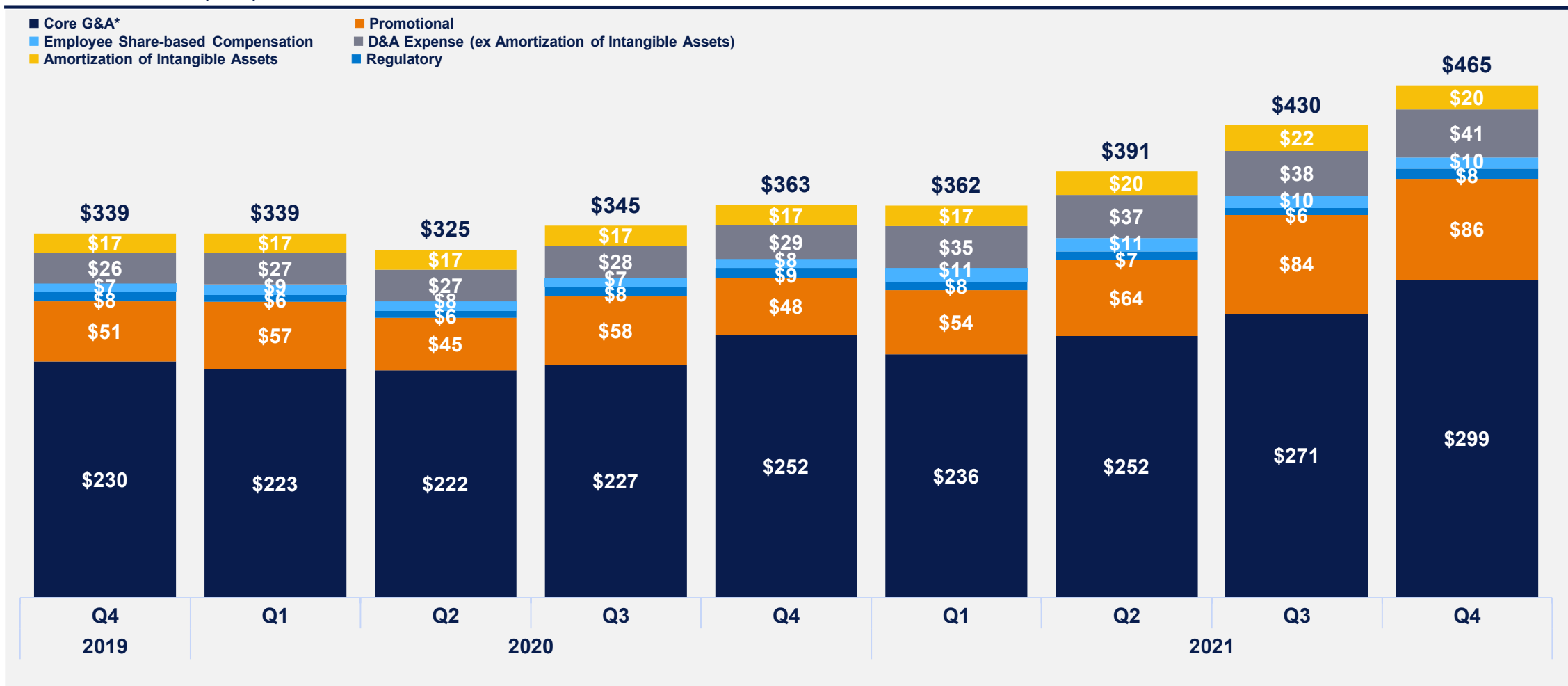
Q4 Gross Profit* increased 2% sequentially

Gross Profit* (\$M)



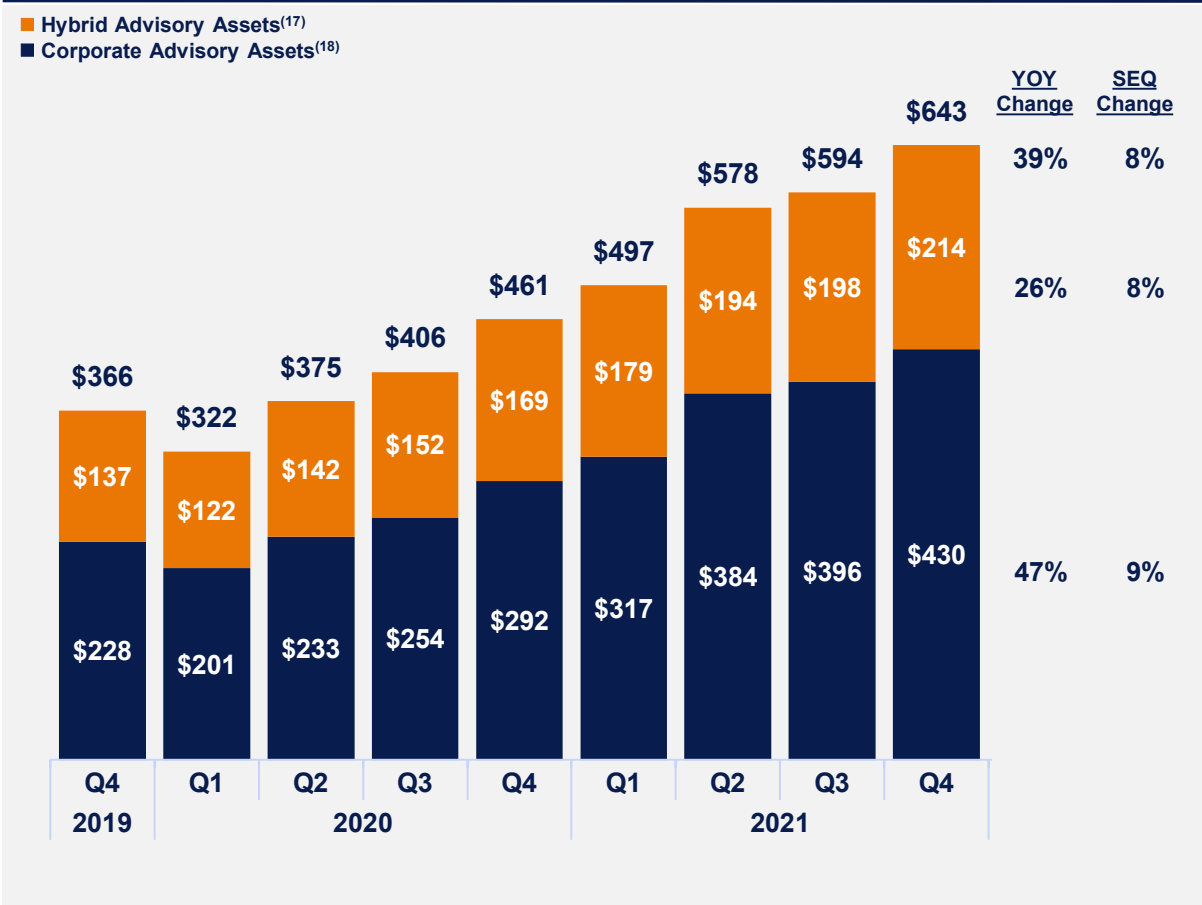
Q4 Total OPEX increased 8% sequentially, and 28% year-over-year

Total OPEX⁽¹⁶⁾ (\$M)

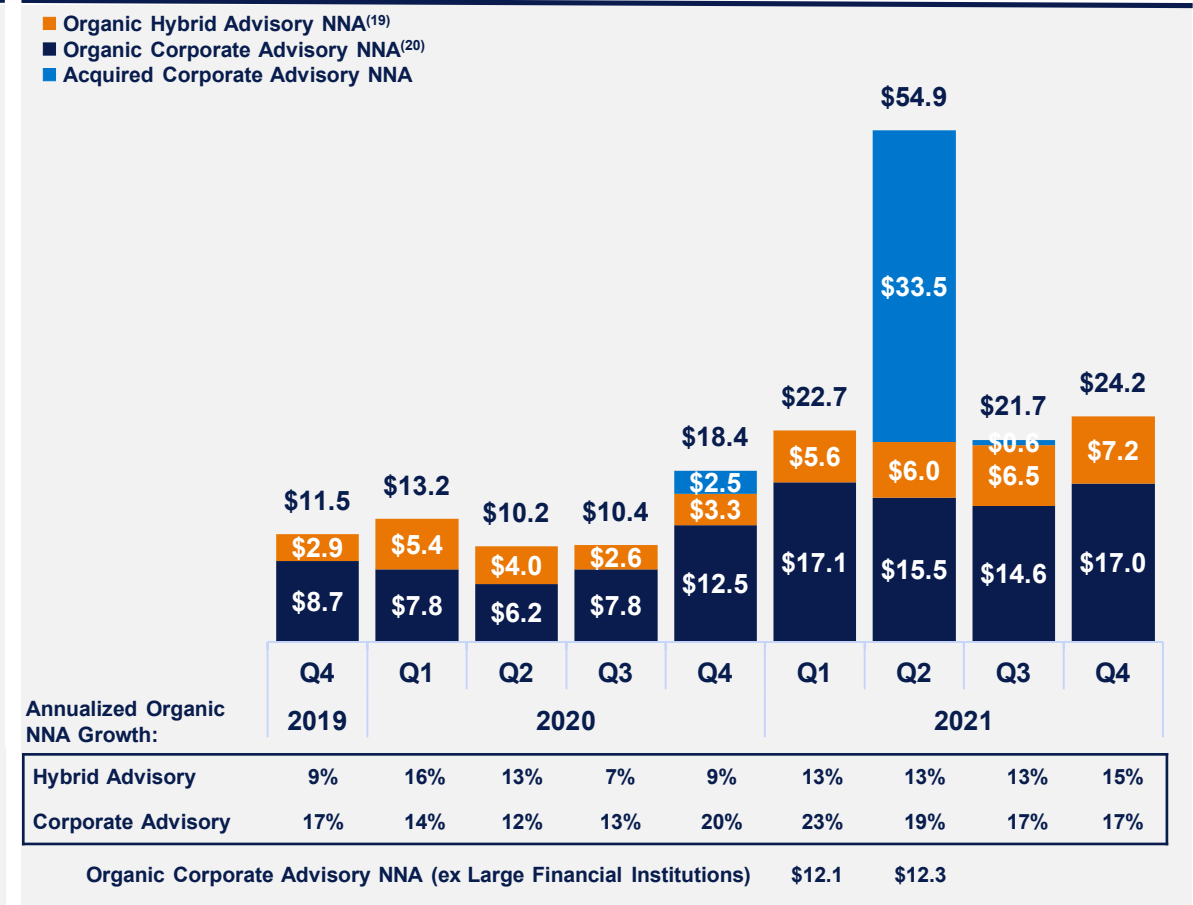


Our Corporate and Hybrid Advisory platforms continue to grow

Corporate and Hybrid Advisory Platform Mix (\$B)

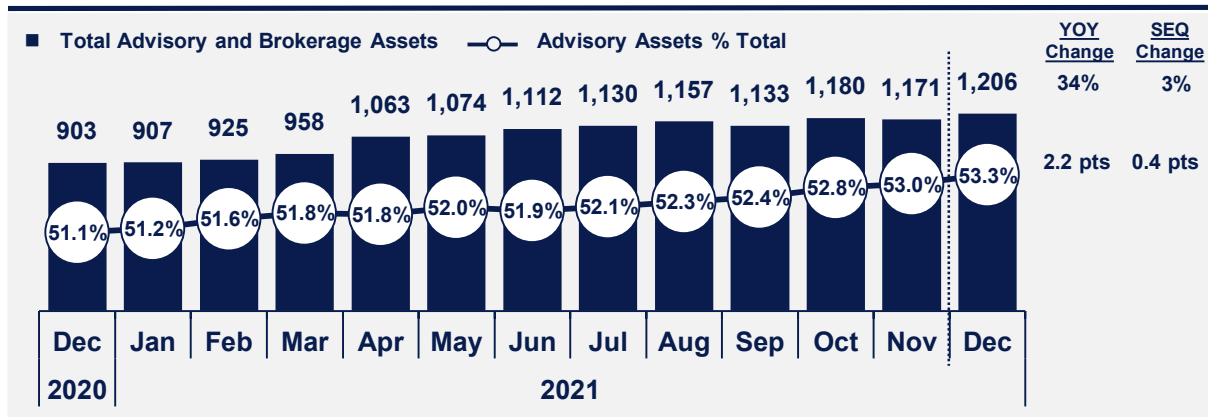


Corporate and Hybrid Advisory NNA Mix (\$B)

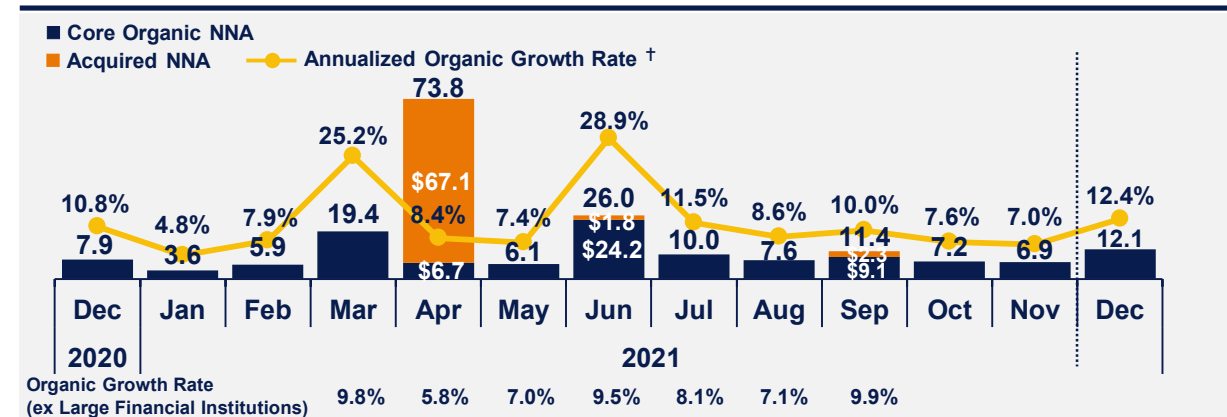


Monthly metrics dashboard through December 2021

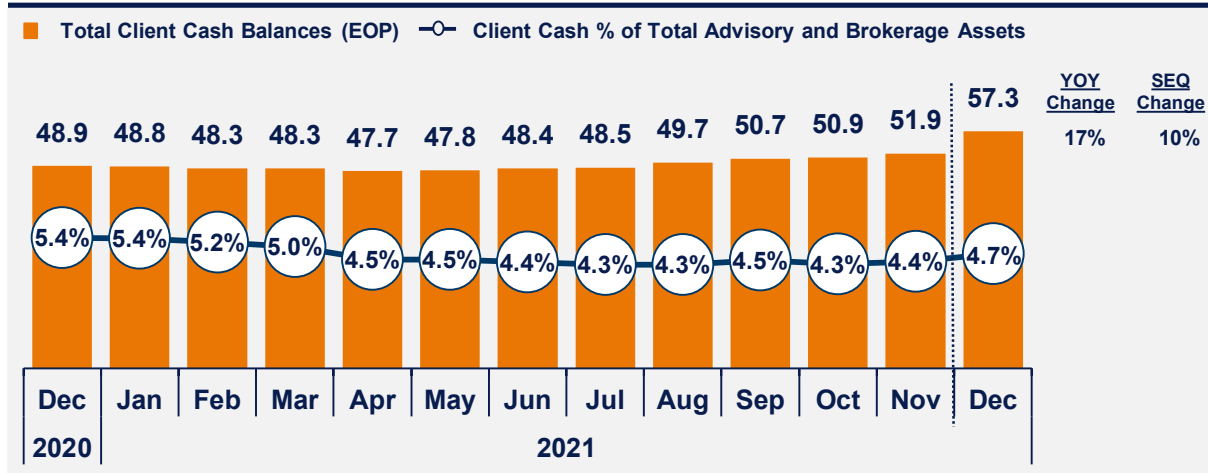
Total Advisory and Brokerage Assets (\$B)



Total Net New Assets (\$B)



Client Cash Balances (\$B)



Net Buy (Sell) Activity (\$B)



† Calculated as current period total organic net new assets multiplied by twelve, divided by preceding period Total Advisory and Brokerage Assets.

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.

Set forth below is a calculation of gross profit* for the periods presented herein.

\$ in millions	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Total revenue	\$2,094	\$2,021	\$1,898	\$1,708	\$1,581	\$1,460	\$1,367	\$1,463	\$1,448
Advisory and commission expense	1,431	1,367	1,273	1,109	1,030	937	860	871	894
Brokerage, clearing and exchange fees	20	23	23	19	18	18	19	17	16
Gross Profit	\$643	\$631	\$602	\$579	\$534	\$506	\$488	\$576	\$538

Net Income to EBITDA*

EBITDA* is a non-GAAP financial measure. Please see a description of 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* for the periods presented herein.

\$ in millions	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
NET INCOME	\$108	\$103	\$119	\$130	\$112	\$104	\$102	\$156	\$127
Interest expense on borrowings	27	27	25	25	25	25	26	29	31
Provision for income taxes	28	35	43	36	34	32	36	52	38
Depreciation and amortization	41	38	37	35	29	28	27	27	26
Amortization of other intangibles	20	22	20	17	17	17	17	17	17
EBITDA	\$225	\$225	\$243	\$243	\$217	\$205	\$207	\$280	\$239

Note: During the third quarter of 2021, the Company changed its definition of EBITDA to include the loss on extinguishment of debt and has updated prior period disclosures to reflect this change as applicable.

Note: Totals may not foot due to rounding.

Reconciliation

EPS Prior to Amortization of Intangible Assets and Acquisition Costs* and Adjusted Net Income*

EPS prior to amortization of intangible assets and acquisition costs* and adjusted net income* are non-GAAP financial measures. Please see a description of EPS prior to amortization of intangible assets and acquisition costs* and adjusted net income* under “Non-GAAP Financial Measures” on page 3 of this presentation for additional information. Below are the following reconciliations of EPS prior to amortization of intangible assets and acquisition costs* and adjusted net income* for the periods presented herein:

in millions, except per share data	Q4 2021		Q3 2021		Q2 2021		Q1 2021		Q4 2020		Q3 2020		Q2 2020		Q1 2020		Q4 2019	
	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
Net income / earnings per diluted share	\$108	\$1.32	\$103	\$1.26	\$119	\$1.46	\$130	\$1.59	\$112	\$1.38	\$104	\$1.29	\$102	\$1.27	\$156	\$1.92	\$127	\$1.53
Amortization of other intangibles	\$20	\$0.25	\$22	\$0.26	\$20	\$0.24	\$17	\$0.21	\$17	\$0.21	\$17	\$0.21	\$17	\$0.21	\$17	\$0.20	\$17	\$0.20
Acquisition costs	\$14	\$0.17	\$36	\$0.44	\$24	\$0.29	\$2	\$0.03	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
Tax benefit	(\$9)	(\$0.11)	(\$15)	(\$0.19)	(\$12)	(\$0.14)	(\$5)	(\$0.06)	(\$5)	(\$0.06)	(\$5)	(\$0.06)	(\$5)	(\$0.06)	(\$5)	(\$0.06)	(\$5)	(\$0.05)
Adjusted net income / EPS prior to amortization of intangible assets and acquisition costs	\$133	\$1.63	\$145	\$1.77	\$151	\$1.85	\$144	\$1.77	\$124	\$1.53	\$116	\$1.44	\$114	\$1.42	\$167	\$2.06	\$139	\$1.68
Diluted share count	81.7		81.8		81.7		81.6		80.9		80.6		80.1		81.2		82.7	

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 are reconciliations of Core G&A* to the Company’s total expense for the periods presented herein:

\$ in millions	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Total expense	\$1,958	\$1,883	\$1,736	\$1,542	\$1,435	\$1,325	\$1,229	\$1,256	\$1,283
Advisory and commission	1,431	1,367	1,273	1,109	1,030	937	860	871	894
Depreciation and amortization	41	38	37	35	29	28	27	27	26
Interest expense on borrowings	27	27	25	25	25	25	26	29	31
Brokerage, clearing and exchange	20	23	23	19	18	18	19	17	16
Amortization of other intangibles	20	22	20	17	17	17	17	17	17
Loss on extinguishment of debt	0	0	0	24	0	0	0	0	3
Total G&A	\$418	\$406	\$358	\$312	\$317	\$301	\$281	\$295	\$296
Promotional (ongoing) ⁽²¹⁾	86	84	64	54	48	58	45	57	51
Acquisition costs ⁽²¹⁾	14	36	24	2	0	0	0	0	0
Employee share-based compensation	10	10	11	11	8	7	8	9	7
Regulatory charges	8	6	7	8	9	8	6	6	8
Core G&A	\$299	\$271	\$252	\$236	\$252	\$227	\$222	\$223	\$230

Note: Totals may not foot due to rounding.

Endnotes

- (1) In April 2020, the Company updated its definition of net new assets to include dividends plus interest, minus advisory fees (see FNs 4 and 5). Net new assets figures for periods prior to Q2 2020 appearing in this presentation have been recast using the updated definition.
- (2) Represents the estimated Total Advisory and Brokerage Assets expected to transition to the Company's 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 including the initial quarter of the transition, and the actual amount transitioned may vary from the estimate.
- (3) Reflects retention of total advisory and brokerage assets, calculated by deducting quarterly annualized attrition from total advisory and brokerage assets, over the prior-quarter total advisory and brokerage assets.
- (4) Consists of total client deposits into advisory accounts (including advisory assets serviced by Allen & Company of Florida, LLC ("Allen & Company") advisors) less total client withdrawals from advisory accounts, plus dividends, plus interest, minus advisory fees (see FN 1). The Company considers conversions to and from advisory accounts as deposits and withdrawals respectively. Annualized growth is calculated as the current period organic Net New Advisory Assets divided by preceding period total Advisory Assets, multiplied by four.
- (5) Consists of total client deposits into brokerage accounts (including brokerage accounts serviced by Allen & Company advisors) less total client withdrawals from brokerage accounts, plus dividends, plus interest (see FN 1). The Company considers conversions to and from brokerage accounts as deposits and withdrawals respectively. Annualized growth is calculated as the current period organic Net New Brokerage Assets divided by preceding period total Brokerage Assets, multiplied by four.
- (6) Consists of existing custodied assets that converted from brokerage to advisory, less existing custodied assets that converted from advisory to brokerage.
- (7) Represents those advisory assets in LPL Financial's Model Wealth Portfolios, Optimum Market Portfolios, Personal Wealth Portfolios and Guided Wealth Portfolios platforms.
- (8) Consists of total client deposits into Centrally Managed Assets (see FN 7) accounts less total client withdrawals from Centrally Managed Assets accounts. Annualized growth is calculated as the current period Net New Centrally Managed Assets divided by preceding period total Centrally Managed Assets, multiplied by four.
- (9) Represents the amount of securities purchased less the amount of securities sold in client accounts custodied with LPL Financial. Reported activity does not include any other cash activity, such as deposits, withdrawals, dividends received or fees paid.
- (10) Represents the average month-end Total Advisory and Brokerage Assets for the period.
- (11) Represents total trailing twelve-month Gross Profit* for the period, divided by average month-end Total Advisory and Brokerage Assets for the period (see FN 10).
- (12) Represents total trailing twelve-month operating expenses for the period, excluding production-related expense ("OPEX"), divided by average month-end Total Advisory and Brokerage Assets for the period (see FN 10). Production-related expense includes advisory and commissions expense and brokerage, clearing and exchange expense. For purposes of this metric, operating expenses includes Core G&A*, Regulatory, Promotional, Employee Share-Based Compensation, Depreciation & Amortization and Amortization of Other Intangibles.
- (13) EBIT ROA is calculated as Gross Profit ROA (see FN 11) less OPEX ROA (see FN 12).
- (14) Consists of revenues from the Company's sponsorship programs with financial product manufacturers and omnibus processing and networking services, but not including fees from client cash programs. Other asset-based revenues are a component of asset-based revenues and are derived from the Company's unaudited consolidated statements of income.
- (15) Calculated by dividing revenue for the period by the average balance during the quarter.
- (16) Represents operating expenses for the period, excluding production-related expense. Production-related expense includes advisory and commissions expense and brokerage, clearing and exchange expense. For purposes of this metric, operating expenses includes Core G&A*, Regulatory, Promotional, Employee Share-Based Compensation, Depreciation & Amortization and Amortization of Other Intangibles.
- (17) Consists of total assets on LPL Financial's independent advisory platform serviced by investment advisor representatives of separate investment advisor firms ("Hybrid RIAs"), rather than of LPL Financial.
- (18) Consists of total assets on LPL Financial's Independent RIAs serviced by investment advisor representatives of LPL Financial or Allen & Company.
- (19) Consists of total client deposits into advisory accounts on LPL Financial's independent advisory platform less total client withdrawals from advisory accounts on its independent advisory platform. Annualized growth is calculated as the current period Net New Hybrid Advisory Assets divided by preceding period total Hybrid Advisory Assets, multiplied by four.
- (20) Consists of total client deposits into advisory accounts on LPL Financial's corporate RIA advisory platform less total client withdrawals from advisory accounts on its corporate advisory platform. Annualized growth is calculated as the current period Net New Corporate Advisory Assets divided by preceding period total Corporate Advisory Assets, multiplied by four.
- (21) Acquisition costs incurred during the fourth quarter of 2021 include the costs to setup, onboard and integrate acquired entities and are driven primarily by \$6.0 million of compensation and benefits expense, \$6.0 million of professional services expense, and \$1.7 million of promotional expense. Acquisition costs incurred during the third quarter of 2021 include the cost to setup, onboard and integrate acquired entities and are driven primarily by \$14.8 million of compensation and benefits expense, \$12.4 million of promotional expense, \$5.8 million of professional services expense, and other expenses that are included in the respective line items in the unaudited consolidated statements of income. Acquisition costs incurred during the second quarter of 2021 primarily include \$13.9 million of compensation and benefits expense, \$6.3 million of professional services expense, \$1.6 million of occupancy and equipment expense, and \$1.2 million of communications expense.