

LPL Financial Announces First Quarter 2023 Results

Key Financial Results

- **Net Income was \$339 million, translating to diluted earnings per share ("EPS") of \$4.24, up 159% from a year ago**
- **Adjusted EPS* increased 130% year-over-year to \$4.49**
 - Gross profit* increased 52% year-over-year to \$1,020 million
 - Core G&A* increased 16% year-over-year to \$326 million
 - EBITDA* increased 111% year-over-year to \$564 million

Key Business Results

- **Total advisory and brokerage assets increased 1% year-over-year to \$1.18 trillion**
 - Advisory assets decreased 1% year-over-year to \$621 billion
 - Advisory assets as a percentage of total assets decreased to 52.8%, down from 53.7% a year ago
- **Total organic net new assets were \$21 billion, representing 7.5% annualized growth**
 - Organic net new advisory assets were \$14 billion, representing 9% annualized growth
 - Organic net new brokerage assets were \$7 billion, representing 5% annualized growth
- **Recruited assets⁽¹⁾ were \$13 billion**
 - Recruited assets over the trailing twelve months were \$85 billion, up approximately 12% from a year ago
- **LPL Services Group had annualized revenue of \$38 million in Q1, up 26% from a year ago**
 - Services Group subscriptions were 4,944 at the end of Q1, up 1,415 year-over-year
- **Advisor count⁽²⁾ was 21,521, up 246 sequentially and 1,430 year-over-year**
- **Total client cash balances were \$55 billion, a decrease of \$10 billion sequentially and \$7 billion year-over-year**
 - Client cash balances as a percentage of total assets were 4.6%, down from 5.8% in the prior quarter and 5.3% a year ago

Key Capital and Liquidity Results

- **Corporate cash⁽³⁾ was \$234 million**
- **Leverage ratio⁽⁴⁾ was 1.34x**
- **Share repurchases were \$275 million and dividends paid of \$24 million**

Key Updates

- **BancWest Investment Services ("BWIS"):** Following the close of BMO's acquisition of Bank of the West, BMO plans for BWIS to join LPL's Institution Services platform in the second half of 2023. BWIS supports ~85 financial advisors who collectively serve ~\$7.8B of brokerage and advisory assets.**
- **Fixed Rate ICA Update:** Added \$3 billion of fixed rate ICA contracts, increasing fixed rate balances to ~55% of the ICA portfolio, which is within management's target range of 50 - 75%.
- **Debt Rating:** S&P upgraded LPL to a rating of BBB- on April 5, 2023, establishing us as an investment grade credit with both of our rating agencies.

*See the Non-GAAP Financial Measures section and the endnotes to this release for further details about these non-GAAP financial measures.

**Estimates are based on prior business reported by BWIS, which has not been independently and fully verified by LPL Financial.

SAN DIEGO — April 27, 2023 — LPL Financial Holdings Inc. (Nasdaq: LPLA) (the “Company”) today announced results for its first quarter ended March 31, 2023, reporting net income of \$339 million, or \$4.24 per share. This compares with \$134 million, or \$1.64 per share, in the first quarter of 2022 and \$319 million, or \$3.95 per share, in the prior quarter.

“Over the past quarter, we remained focused on our mission of taking care of our advisors, so they can take care of their clients,” said Dan Arnold, President and CEO. “At the same time, we continued to invest in our model and thus enhance its appeal, which led to another quarter of solid business results and increased market share.”

“As we move into 2023, we remain focused on serving our advisors, growing our business, and delivering shareholder value,” said Matt Audette, CFO and Head of Business Operations. “In Q1, we continued to grow assets organically in both our traditional and new markets, closed two strategic acquisitions, continued our momentum with our liquidity & succession capability, and are preparing to onboard Commerce Bank and Bank of the West in the second half of the year. As we look ahead, our business momentum and financial strength position us well to continue creating long-term shareholder value.”

Dividend Declaration

The Company's Board of Directors declared a \$0.30 per share dividend to be paid on June 1, 2023 to all stockholders of record as of May 18, 2023.

Conference Call and Additional Information

The Company will hold a conference call to discuss its results at 5:00 p.m. ET on Thursday, April 27. The conference call will be accessible at investor.lpl.com/events, with a replay available until May 18.

Contacts

Investor Relations
investor.relations@lplfinancial.com
(617) 897-4574

Media Relations
media.relations@lplfinancial.com
(980) 321-1232

About LPL Financial

LPL Financial Holdings Inc. (Nasdaq: LPLA) was founded on the principle that the firm should work for the advisor, and not the other way around. Today, LPL is a leader in the markets we serve⁽⁵⁾, serving more than 21,000 financial advisors, including advisors at approximately 1,100 enterprises and at approximately 500 registered investment advisor (“RIA”) firms nationwide. We are steadfast in our commitment to the advisor-mediated model and the belief that investors deserve access to personalized guidance from a financial advisor. We believe advisors should have the freedom to choose the business model, services and technology they need and to manage their client relationships. Simply put, we take care of our advisors, so they can take care of their clients.

LPL and its affiliated companies provide financial services only from the United States.

Securities and Advisory services offered through LPL Financial LLC (“LPL Financial”), an SEC-registered broker-dealer and investment advisor. Member FINRA/SIPC. We routinely disclose information that may be important to shareholders in the “Investor Relations” or “Press Releases” section of our website.

Forward-Looking Statements

This press release contains statements regarding:

- the amount and timing of the onboarding of acquired or recruited brokerage and advisory assets;
- the Company's future financial and operating results, growth, priorities and business strategies; and
- future capabilities, future advisor service experience, future investments and capital deployment, including share repurchase activity and dividends, if any, and long-term shareholder value.

These and 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

April 27, 2023 and are not guarantees that 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;
- 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 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 revenues;
- effects of competition in the financial services industry and the success of the Company in attracting and retaining financial advisors and enterprises;
- 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 costs 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, and the effect that such changes may have on the Company's gross profit streams and costs;
- the execution of the Company's plans and its success in realizing the synergies, expense savings, service improvements and efficiencies expected to result from its initiatives, acquisitions and programs; 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 the date of this earnings release, and you should not rely on statements contained herein as representing the Company's view as of any date subsequent to the date of this press release.

LPL Financial Holdings Inc.
Condensed Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

	Three Months Ended			Three Months Ended		
	March 31, 2023	December 31, 2022	Change	March 31, 2022	Change	
REVENUE						
Advisory	\$ 954,057	\$ 902,440	6%	\$ 1,047,097	(9%)	
Asset-based:						
Client cash	418,275	419,215	—%	84,716	n/m	
Other asset-based	203,473	191,797	6%	211,685	(4%)	
Total asset-based	621,748	611,012	2%	296,401	110%	
Commission:						
Trailing	317,653	311,194	2%	345,194	(8%)	
Sales-based	286,072	271,089	6%	240,331	19%	
Total commission	603,725	582,283	4%	585,525	3%	
Service and fee	118,987	120,022	(1%)	112,812	5%	
Transaction	48,935	46,790	5%	46,726	5%	
Interest income, net	37,358	37,168	1%	7,745	n/m	
Other	33,022	33,472	(1%)	(30,613)	n/m	
Total revenue	2,417,832	2,333,187	4%	2,065,693	17%	
EXPENSE						
Advisory and commission	1,370,634	1,341,743	2%	1,374,134	—%	
Compensation and benefits	233,533	223,952	4%	192,034	22%	
Promotional	98,223	80,455	22%	87,002	13%	
Occupancy and equipment	60,173	58,144	3%	51,112	18%	
Depreciation and amortization	56,054	54,241	3%	45,454	23%	
Interest expense on borrowings	39,184	37,082	6%	27,211	44%	
Brokerage, clearing and exchange	26,126	19,251	36%	22,600	16%	
Amortization of other intangibles	24,092	22,542	7%	21,196	14%	
Communications and data processing	17,675	18,525	(5%)	15,127	17%	
Professional services	14,220	19,336	(26%)	19,022	(25%)	
Other	33,421	38,697	(14%)	37,422	(11%)	
Total expense	1,973,335	1,913,968	3%	1,892,314	4%	
INCOME BEFORE PROVISION FOR INCOME TAXES						
	444,497	419,219	6%	173,379	156%	
PROVISION FOR INCOME TAXES						
	105,613	100,137	5%	39,635	166%	
NET INCOME						
	\$ 338,884	\$ 319,082	6%	\$ 133,744	153%	
EARNINGS PER SHARE						
Earnings per share, basic	\$ 4.30	\$ 4.01	7%	\$ 1.67	157%	
Earnings per share, diluted	\$ 4.24	\$ 3.95	7%	\$ 1.64	159%	
Weighted-average shares outstanding, basic	78,750	79,483	(1%)	79,976	(2%)	
Weighted-average shares outstanding, diluted	79,974	80,875	(1%)	81,572	(2%)	

LPL Financial Holdings Inc.
Condensed Consolidated Statements of Financial Condition
(In thousands, except share data)
(Unaudited)

	March 31, 2023	December 31, 2022
ASSETS		
Cash and equivalents	\$ 469,785	\$ 847,519
Cash and equivalents segregated under federal or other regulations	1,807,283	2,199,362
Restricted cash	105,587	90,389
Receivables from clients, net	582,055	561,569
Receivables from brokers, dealers and clearing organizations	51,596	56,276
Advisor loans, net	1,154,298	1,123,004
Other receivables, net	695,088	677,766
Investment securities (\$36,683 and \$36,758 at fair value at March 31, 2023 and December 31, 2022, respectively)	50,807	52,610
Property and equipment, net	816,496	780,357
Goodwill	1,765,890	1,642,468
Other intangibles, net	580,063	427,676
Other assets	1,088,857	1,023,230
Total assets	\$ 9,167,805	\$ 9,482,226
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Client payables	\$ 2,132,621	\$ 2,694,929
Payables to brokers, dealers and clearing organizations	112,706	147,752
Accrued advisory and commission expenses payable	195,607	203,292
Corporate debt and other borrowings, net	2,850,791	2,717,444
Accounts payable and accrued liabilities	397,735	448,630
Other liabilities	1,285,412	1,102,627
Total liabilities	6,974,872	7,314,674
STOCKHOLDERS' EQUITY:		
Common stock, \$0.001 par value; 600,000,000 shares authorized; 130,085,949 shares and 129,655,843 shares issued at March 31, 2023 and December 31, 2022, respectively	130	130
Additional paid-in capital	1,933,988	1,912,886
Treasury stock, at cost — 51,748,968 shares and 50,407,844 shares at March 31, 2023 and December 31, 2022, respectively	(3,159,714)	(2,846,536)
Retained earnings	3,418,529	3,101,072
Total stockholders' equity	2,192,933	2,167,552
Total liabilities and stockholders' equity	\$ 9,167,805	\$ 9,482,226

LPL Financial Holdings Inc.
Management's Statements of Operations
(In thousands, except per share data)
(Unaudited)

Certain information in this release is presented as reviewed by the Company's management and includes information derived from the Company's unaudited condensed consolidated statements of income, non-GAAP financial measures and operational and performance metrics. For information on non-GAAP financial measures, please see the section titled "Non-GAAP Financial Measures" in this release.

	Quarterly Results				
	Q1 2023	Q4 2022	Change	Q1 2022	Change
Gross Profit₍₆₎					
Advisory	\$ 954,057	\$ 902,440	6%	\$ 1,047,097	(9%)
Trailing commissions	317,653	311,194	2%	345,194	(8%)
Sales-based commissions	286,072	271,089	6%	240,331	19%
Advisory fees and commissions	1,557,782	1,484,723	5%	1,632,622	(5%)
Production-based payout ₍₇₎	(1,342,668)	(1,313,026)	2%	(1,405,698)	(4%)
Advisory fees and commissions, net of payout	215,114	171,697	25%	226,924	(5%)
Client cash ₍₈₎	438,612	439,181	—%	84,721	n/m
Other asset-based ₍₉₎	203,473	191,797	6%	211,991	(4%)
Service and fee	118,987	120,022	(1%)	112,812	5%
Transaction	48,935	46,790	5%	46,726	5%
Interest income and other, net ₍₁₀₎	20,960	21,957	(5%)	8,385	150%
Total net advisory fees and commissions and attachment revenue	1,046,081	991,444	6%	691,559	51%
Brokerage, clearing and exchange expense	(26,126)	(19,251)	36%	(22,600)	16%
Gross Profit₍₆₎	1,019,955	972,193	5%	668,959	52%
G&A Expense					
Core G&A ₍₁₁₎	326,177	327,040	—%	280,907	16%
Regulatory charges	7,732	9,325	(17%)	7,323	6%
Promotional (ongoing) ₍₁₂₎₍₁₃₎	101,163	84,077	20%	87,411	16%
Acquisition costs ₍₁₃₎	3,092	6,435	(52%)	13,323	(77%)
Employee share-based compensation	17,964	12,232	47%	12,755	41%
Total G&A	456,128	439,109	4%	401,719	14%
EBITDA₍₁₄₎	563,827	533,084	6%	267,240	111%
Depreciation and amortization	56,054	54,241	3%	45,454	23%
Amortization of other intangibles	24,092	22,542	7%	21,196	14%
Interest expense on borrowings	39,184	37,082	6%	27,211	44%
INCOME BEFORE PROVISION FOR INCOME TAXES	444,497	419,219	6%	173,379	156%
PROVISION FOR INCOME TAXES	105,613	100,137	5%	39,635	166%
NET INCOME	\$ 338,884	\$ 319,082	6%	\$ 133,744	153%
Earnings per share, diluted	\$ 4.24	\$ 3.95	7%	\$ 1.64	159%
Weighted-average shares outstanding, diluted	79,974	80,875	(1%)	81,572	(2%)
Adjusted EPS ₍₁₅₎	\$ 4.49	\$ 4.21	7%	\$ 1.95	130%

LPL Financial Holdings Inc.
Operating Metrics
(Dollars in billions, except where noted)
(Unaudited)

	Q1 2023	Q4 2022	Change	Q1 2022	Change
Market Drivers					
S&P 500 Index (end of period)	4,109	3,840	7%	4,530	(9%)
Russell 2000 Index (end of period)	1,802	1,761	2%	2,070	(13%)
Fed Funds daily effective rate (average bps)	452	366	86bps	12	440bps
Advisory and Brokerage Assets₍₁₆₎					
Advisory assets	\$ 620.9	\$ 583.1	6%	\$ 624.3	(1%)
Brokerage assets	554.3	527.7	5%	538.8	3%
Total Advisory and Brokerage Assets	\$ 1,175.2	\$ 1,110.8	6%	\$ 1,163.1	1%
Advisory as a % of Total Advisory and Brokerage Assets	52.8%	52.5%	30bps	53.7%	(90bps)
Assets by Platform					
Corporate advisory assets ₍₁₇₎	\$ 415.3	\$ 389.1	7%	\$ 415.8	—%
Independent RIA advisory assets ₍₁₇₎	205.6	194.0	6%	208.5	(1%)
Brokerage assets	554.3	527.7	5%	538.8	3%
Total Advisory and Brokerage Assets	\$ 1,175.2	\$ 1,110.8	6%	\$ 1,163.1	1%
Centrally Managed Assets					
Centrally managed assets ₍₁₈₎	\$ 94.6	\$ 89.2	6%	\$ 93.8	1%
Centrally Managed as a % of Total Advisory Assets	15.2%	15.3%	(10bps)	15.0%	20bps

LPL Financial Holdings Inc.
Operating Metrics
(Dollars in billions, except where noted)
(Unaudited)

	Q1 2023	Q4 2022	Change	Q1 2022	Change
Net New Assets (NNA)₍₁₉₎					
Net new advisory assets	\$ 14.6	\$ 12.6	n/m	\$ 17.4	n/m
Net new brokerage assets	9.9	8.6	n/m	0.2	n/m
Total Net New Assets	\$ 24.5	\$ 21.3	n/m	\$ 17.6	n/m
Organic Net New Assets					
Organic net new advisory assets	\$ 13.7	\$ 12.6	n/m	\$ 17.4	n/m
Organic net new brokerage assets	7.1	8.6	n/m	0.2	n/m
Total Organic Net New Assets	\$ 20.8	\$ 21.3	n/m	\$ 17.6	n/m
Net brokerage to advisory conversions ₍₂₀₎	\$ 2.1	\$ 1.5	n/m	\$ 2.9	n/m
Organic advisory NNA annualized growth ₍₂₁₎	9.4%	9.3%	n/m	10.8%	n/m
Total organic NNA annualized growth ₍₂₁₎	7.5%	8.2%	n/m	5.8%	n/m
Net New Advisory Assets₍₁₉₎					
Corporate RIA net new advisory assets	\$ 10.4	\$ 8.4	n/m	\$ 10.6	n/m
Independent RIA net new advisory assets	4.2	4.3	n/m	6.8	n/m
Total Net New Advisory Assets	\$ 14.6	\$ 12.6	n/m	\$ 17.4	n/m
Centrally managed net new advisory assets ₍₁₉₎	\$ 1.7	\$ 1.3	n/m	\$ 3.3	n/m
Client Cash Balances₍₂₂₎					
Insured cash account sweep	\$ 39.7	\$ 46.8	(15%)	\$ 32.6	22%
Deposit cash account sweep	10.2	11.5	(11%)	9.4	9%
Total Bank Sweep	49.9	58.4	(15%)	42.0	19%
Money market sweep	2.6	3.0	(13%)	18.2	(86%)
Total Client Cash Sweep Held by Third Parties	52.5	61.4	(14%)	60.2	(13%)
Client cash account	2.1	2.7	(22%)	1.6	31%
Total Client Cash Balances	\$ 54.6	\$ 64.1	(15%)	\$ 61.7	(12%)
Client Cash Balances as a % of Total Assets	4.6%	5.8%	(120bps)	5.3%	(70bps)
Client Cash Balances Average Yields - bps₍₂₃₎					
Insured cash account sweep	320	291	29	102	218
Deposit cash account sweep	318	254	64	24	294
Money market sweep	30	32	(2)	7	23
Client cash account ₍₂₄₎	400	322	78	13	387
Total Client Cash Balances Average Yield - bps	308	273	35	59	249
Net buy (sell) activity ₍₂₅₎	\$ 36.9	\$ 25.0	n/m	\$ 11.0	n/m

Note: Totals may not foot due to rounding.

LPL Financial Holdings Inc.
Monthly Metrics
(Dollars in billions, except where noted)
(Unaudited)

	March 2023	February 2023	Change	January 2023	December 2022
Advisory and Brokerage Assets⁽¹⁶⁾					
Advisory assets	\$ 620.9	\$ 606.1	2%	\$ 615.2	\$ 583.1
Brokerage assets	554.3	541.7	2%	549.7	527.7
Total Advisory and Brokerage Assets	\$ 1,175.2	\$ 1,147.8	2%	\$ 1,164.9	\$ 1,110.8
Net New Assets (NNA)⁽¹⁹⁾					
Net new advisory assets	\$ 6.3	\$ 4.3	n/m	\$ 4.0	\$ 7.4
Net new brokerage assets	4.3	1.0	n/m	4.6	4.2
Total Net New Assets	\$ 10.6	\$ 5.2	n/m	\$ 8.6	\$ 11.7
Net brokerage to advisory conversions ⁽²⁰⁾	\$ 0.7	\$ 0.8	n/m	\$ 0.6	\$ 0.5
Organic Net New Assets (NNA)					
Net new advisory assets	\$ 6.3	\$ 4.3	n/m	\$ 3.1	\$ 7.4
Net new brokerage assets	3.9	1.0	n/m	2.2	4.2
Total Organic Net New Assets	\$ 10.1	\$ 5.2	n/m	\$ 5.4	\$ 11.7
Client Cash Balances⁽²²⁾					
Insured cash account sweep	\$ 39.7	\$ 40.7	(2%)	\$ 43.5	\$ 46.8
Deposit cash account sweep	10.2	10.3	(1%)	10.8	11.5
Total Bank Sweep	49.9	51.0	(2%)	54.3	58.4
Money market sweep	2.6	2.8	(7%)	2.9	3.0
Total Client Cash Sweep Held by Third Parties	52.5	53.8	(2%)	57.2	61.4
Client cash account	2.1	2.4	(13%)	2.5	2.7
Total Client Cash Balances	\$ 54.6	\$ 56.2	(3%)	\$ 59.7	\$ 64.1
Net buy (sell) activity ⁽²⁵⁾	\$ 13.4	\$ 12.4	n/m	\$ 11.1	\$ 7.9
Market Drivers					
S&P 500 index (end of period)	4,109	3,970	4%	4,077	3,840
Russell 2000 Index (end of period)	1,802	1,897	(5%)	1,932	1,761
Fed funds effective rate (average bps)	465	457	8bps	433	409

Note: Totals may not foot due to rounding.

LPL Financial Holdings Inc.
Financial Measures
(Dollars in thousands, except where noted)
(Unaudited)

	Q1 2023	Q4 2022	Change	Q1 2022	Change
Commission Revenue by Product					
Annuities	\$ 344,061	\$ 331,251	4%	\$ 299,734	15%
Mutual funds	165,038	157,961	4%	189,527	(13%)
Fixed income	35,267	32,249	9%	25,205	40%
Equities	25,890	25,626	1%	34,633	(25%)
Other	33,469	35,196	(5%)	36,426	(8%)
Total commission revenue	\$ 603,725	\$ 582,283	4%	\$ 585,525	3%
Commission Revenue by Sales-based and Trailing					
Sales-based commissions					
Annuities	\$ 162,176	\$ 153,863	5%	\$ 106,733	52%
Mutual funds	37,477	33,601	12%	47,545	(21%)
Fixed income	35,267	32,249	9%	25,205	40%
Equities	25,890	25,626	1%	34,633	(25%)
Other	25,262	25,750	(2%)	26,215	(4%)
Total sales-based commissions	\$ 286,072	\$ 271,089	6%	\$ 240,331	19%
Trailing commissions					
Annuities	\$ 181,885	\$ 177,388	3%	\$ 193,001	(6%)
Mutual funds	127,561	124,360	3%	141,982	(10%)
Other	8,207	9,446	(13%)	10,211	(20%)
Total trailing commissions	\$ 317,653	\$ 311,194	2%	\$ 345,194	(8%)
Total commission revenue	\$ 603,725	\$ 582,283	4%	\$ 585,525	3%
Payout Rate₍₇₎	86.19%	88.44%	(225bps)	86.10%	9bps

LPL Financial Holdings Inc.
Capital Management Measures
(Dollars in thousands, except where noted)
(Unaudited)

	Q1 2023	Q4 2022
Cash and equivalents	\$ 469,785	\$ 847,519
Cash at regulated subsidiaries	(408,288)	(392,571)
Excess cash at regulated subsidiaries per the Credit Agreement	172,705	4,439
Corporate Cash₍₃₎	\$ 234,202	\$ 459,387
Corporate Cash₍₃₎		
Cash at Parent	\$ 54,603	\$ 448,180
Excess cash at regulated subsidiaries per the Credit Agreement	172,705	4,439
Cash at non-regulated subsidiaries	6,894	6,768
Corporate Cash	\$ 234,202	\$ 459,387
Leverage Ratio		
Total debt	\$ 2,870,225	\$ 2,737,900
Total corporate cash	234,202	459,387
Credit Agreement Net Debt	\$ 2,636,023	\$ 2,278,513
Credit Agreement EBITDA (trailing twelve months) ₍₂₆₎	\$ 1,963,737	\$ 1,639,114
Leverage Ratio	1.34x	1.39x

Total Debt	March 31, 2023			
	Balance	Current Applicable Margin	Interest Rate	Maturity
Revolving Credit Facility _{(a)(b)}	\$ 135,000	ABR+25 bps	8.250 %	3/15/2026
Broker-Dealer Revolving Credit Facility _(c)	—	SOFR+135 bps	6.220 %	8/3/2023
Senior Secured Term Loan B _(b)	1,035,225	LIBOR+175 bp _{S(d)}	6.412 %	11/12/2026
Senior Unsecured Notes	400,000	4.625% Fixed	4.625 %	11/15/2027
Senior Unsecured Notes	900,000	4.000% Fixed	4.000 %	3/15/2029
Senior Unsecured Notes	400,000	4.375% Fixed	4.375 %	5/15/2031
Total / Weighted Average	\$ 2,870,225		5.209 %	

- (a) Secured borrowing capacity of \$1 billion at LPL Holdings, Inc. (the "Parent").
- (b) In March 2023, we amended our Credit Agreement to transition our Parent Revolving Credit Facility and Term Loan B from LIBOR-based to SOFR-based interest rates, which became effective in March and April 2023, respectively.
- (c) Unsecured borrowing capacity of \$1 billion at LPL Financial LLC.
- (d) The LIBOR rate option is one-month LIBOR rate and subject to an interest rate floor of 0 basis points.

LPL Financial Holdings Inc.
Key Business and Financial Metrics
(Dollars in thousands, except where noted)
(Unaudited)

	Q1 2023	Q4 2022	Change	Q1 2022	Change
Advisors					
Advisors	21,521	21,275	1%	20,091	7%
Net new advisors	246	231	n/m	215	n/m
Annualized advisory fees and commissions per advisor ⁽²⁷⁾	\$ 291	\$ 281	4%	\$ 327	(11%)
Average total assets per advisor (\$ in millions) ⁽²⁸⁾	\$ 54.6	\$ 52.2	5%	\$ 57.9	(6%)
Transition assistance loan amortization (\$ in millions) ⁽²⁹⁾	\$ 46.7	\$ 45.4	3%	\$ 41.4	13%
Total client accounts (in millions)	8.0	7.9	1%	7.3	10%
Employees	6,648	6,415	4%	6,051	10%
Services Group					
Services Group subscriptions ⁽³⁰⁾					
Professional Services	1,753	1,484	18%	1,328	32%
Business Optimizers	2,955	2,802	5%	2,138	38%
Planning and Advice	236	193	22%	63	n/m
Total Services Group subscriptions	4,944	4,479	10%	3,529	40%
Services Group advisor count	3,324	3,039	9%	2,481	34%
AUM retention rate (quarterly annualized) ⁽³¹⁾	98.7%	98.2%	50bps	98.3%	40bps
Capital Management					
Capital expenditures (\$ in millions) ⁽³²⁾	\$ 101.3	\$ 74.4	36%	\$ 73.5	38%
Share repurchases (\$ in millions)	\$ 275.0	\$ 150.0	83%	\$ 50.0	n/m
Dividends (\$ in millions)	23.6	19.9	19%	20.0	18%
Total Capital Returned (\$ in millions)	\$ 298.6	\$ 169.9	76%	\$ 70.0	n/m

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 below are appropriate for evaluating the performance of the Company.

Adjusted EPS and Adjusted net income

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 and acquisition costs, 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 and acquisition costs 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 endnote disclosures in this release.

Gross profit

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 endnote disclosures in this release.

Core G&A

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; 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 endnote disclosures in this release. 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

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 endnote disclosures in this release.

Credit Agreement EBITDA

Credit Agreement EBITDA is defined in, and calculated by management in accordance with, the Company's amended and restated credit agreement ("Credit Agreement") as "Consolidated EBITDA," which is Consolidated Net Income (as defined in the Credit Agreement) plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles, and is further adjusted to exclude certain non-

cash charges and other adjustments, including unusual or non-recurring charges and gains, and to include future expected cost savings, operating expense reductions or other synergies from certain transactions. The Company presents Credit Agreement EBITDA because management believes that it can be a useful financial metric in understanding the Company's debt capacity and covenant compliance under its Credit Agreement. Credit Agreement EBITDA is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP. For a reconciliation of net income to Credit Agreement EBITDA, please see the endnote disclosures in this release.

Endnote Disclosures

- (1) Represents the estimated total advisory and brokerage assets expected to transition to the Company's primary broker-dealer subsidiary, LPL Financial, in connection 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.
- (2) The terms "Financial Advisors" and "Advisors" refer to registered representatives and/or investment advisor representatives affiliated with LPL Financial, an SEC-registered broker-dealer and investment advisor. Year-over-year figure reflects the addition of 562 advisors from CUNA Brokerage Services, Inc. in Q2 2022.
- (3) Corporate cash, a component of cash and equivalents, is 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, Financial Resources Group Investment Services, 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 and Financial Resources Group Investment Services, LLC, is net capital in excess of 10% of their aggregate debits, or five times the net capital required in accordance with Exchange Act Rule 15c3-1) and (3) cash and equivalents held at non-regulated subsidiaries.
- (4) Compliance with the Leverage Ratio is only required under the Company's revolving credit facility.
- (5) The Company was named Top RIA custodian (Cerulli Associates, 2022 U.S. RIA Marketplace Report); No. 1 Independent Broker-Dealer in the U.S. (based on total revenues, Financial Planning magazine 1996-2022); and, among third-party providers of brokerage services to banks and credit unions, No. 1 in AUM Growth from Financial Institutions; No. 1 in Market Share of AUM from Financial Institutions; No. 1 in Market Share of Revenue from Financial Institutions; No. 1 on Financial Institution Market Share; No. 1 on Share of Advisors (2021-2022 Kehrer Bielan Research and Consulting Annual TPM Report). Fortune 500 as of June 2021.
- (6) Gross profit is a non-GAAP financial measure. Please see a description of gross profit under the "Non-GAAP Financial Measures" section of this release for additional information. Below is a calculation of gross profit for the periods presented (in thousands):

	Q1 2023	Q4 2022	Q1 2022
Total revenue	\$ 2,417,832	\$ 2,333,187	\$ 2,065,693
Advisory and commission expense	1,370,634	1,341,743	1,374,134
Brokerage, clearing and exchange expense	26,126	19,251	22,600
Employee deferred compensation ₍₃₃₎	1,117	—	—
Gross profit	\$ 1,019,955	\$ 972,193	\$ 668,959

- (7) Production-based payout is a financial measure calculated as advisory and commission expense plus (less) advisor deferred compensation. The payout rate is calculated by dividing the production-based payout by total advisory and commission revenue. Below is a reconciliation of the Company's advisory and commission expense to the production-based payout and a calculation of the payout rate for the periods presented (in thousands, except payout rate):

	Q1 2023	Q4 2022	Q1 2022
Advisory and commission expense	\$ 1,370,634	\$ 1,341,743	\$ 1,374,134
(Less) Plus: Advisor deferred compensation	(27,966)	(28,717)	31,564
Production-based payout	\$ 1,342,668	\$ 1,313,026	\$ 1,405,698
Advisory and commission revenue	\$ 1,557,782	\$ 1,484,723	\$ 1,632,622
Payout rate	86.19%	88.44%	86.10%

- (8) Client cash revenue as presented in Management's Statements of Operations is calculated as client cash revenue, which is a component of asset-based revenue on the Company's condensed consolidated statements of income, plus interest income on client cash account ("CCA") balances segregated under federal or other regulations, less revenue from purchased money market funds. Below is a reconciliation of client cash revenue per the condensed consolidated statements of income to client cash revenue per Management's Statements of Operations for the periods presented (in thousands):

	Q1 2023	Q4 2022	Q1 2022
Client cash	\$ 418,275	\$ 419,215	\$ 84,716
Plus: Interest income on CCA balances segregated under federal or other regulations ⁽¹⁰⁾	20,337	19,966	311
(Less): Revenue from purchased money market funds ⁽⁹⁾	—	—	(306)
Total client cash revenue	\$ 438,612	\$ 439,181	\$ 84,721

- (9) Consists of revenue from the Company's sponsorship programs with financial product manufacturers, omnibus processing and networking services, and revenue from purchased money market funds but does not include fees from client cash programs.
- (10) Interest income and other, net is a financial measure calculated as interest income, net plus (less) other revenue, plus (less) deferred compensation, less interest income on CCA balances segregated under federal or other regulations. Below is a reconciliation of interest income, net and other revenue to interest income and other, net for the periods presented (in thousands):

	Q1 2023	Q4 2022	Q1 2022
Interest income, net	\$ 37,358	\$ 37,168	\$ 7,745
Plus (Less): Other revenue	33,022	33,472	(30,613)
(Less) Plus: Deferred compensation ⁽³³⁾	(29,083)	(28,717)	31,564
(Less): Interest income on CCA balances segregated under federal or other regulations	(20,337)	(19,966)	(311)
Interest income and other, net	\$ 20,960	\$ 21,957	\$ 8,385

- (11) Core G&A is a non-GAAP financial measure. Please see a description of core G&A under the “*Non-GAAP Financial Measures*” section of this release for additional information. Below is a reconciliation of the Company’s total expense to core G&A for the periods presented (in thousands):

	Q1 2023	Q4 2022	Q1 2022
Core G&A Reconciliation			
Total expense	\$ 1,973,335	\$ 1,913,968	\$ 1,892,314
Advisory and commission	(1,370,634)	(1,341,743)	(1,374,134)
Depreciation and amortization	(56,054)	(54,241)	(45,454)
Interest expense on borrowings	(39,184)	(37,082)	(27,211)
Brokerage, clearing and exchange	(26,126)	(19,251)	(22,600)
Amortization of other intangibles	(24,092)	(22,542)	(21,196)
Employee deferred compensation ⁽³³⁾	(1,117)	—	—
Total G&A	456,128	439,109	401,719
Promotional (ongoing) ⁽¹²⁾⁽¹³⁾	(101,163)	(84,077)	(87,411)
Employee share-based compensation	(17,964)	(12,232)	(12,755)
Regulatory charges	(7,732)	(9,325)	(7,323)
Acquisition costs ⁽¹³⁾	(3,092)	(6,435)	(13,323)
Core G&A	\$ 326,177	\$ 327,040	\$ 280,907

- (12) Promotional (ongoing) includes \$3.2 million, \$3.6 million and \$2.3 million of support costs related to full-time employees that are classified within Compensation and benefits expense in the condensed consolidated statements of income for the three months ended March 31, 2023, December 31, 2022 and March 31, 2022, respectively, and excludes costs that have been incurred as part of acquisitions that have been classified within acquisition costs for the same periods.
- (13) Acquisition costs include the costs to setup, onboard and integrate acquired entities. The below table summarizes the primary components of acquisition costs for the periods presented (in thousands):

	Q1 2023	Q4 2022	Q1 2022
Acquisition costs			
Professional services	\$ 1,606	\$ 2,434	\$ 5,558
Compensation and benefits	875	3,543	5,651
Promotional ⁽¹²⁾	210	54	1,904
Other	401	404	210
Acquisition costs	\$ 3,092	\$ 6,435	\$ 13,323

- (14) EBITDA is a non-GAAP financial measure. Please see a description of EBITDA under the “*Non-GAAP Financial Measures*” section of this release for additional information. Below is a reconciliation of net income to EBITDA for the periods presented (in thousands):

	Q1 2023	Q4 2022	Q1 2022
EBITDA Reconciliation			
Net income	\$ 338,884	\$ 319,082	\$ 133,744
Interest expense on borrowings	39,184	37,082	27,211
Provision for income taxes	105,613	100,137	39,635
Depreciation and amortization	56,054	54,241	45,454
Amortization of other intangibles	24,092	22,542	21,196
EBITDA	\$ 563,827	\$ 533,084	\$ 267,240

- (15) Adjusted net income and adjusted EPS are non-GAAP financial measures. Please see a description of adjusted net income and adjusted EPS under the “Non-GAAP Financial Measures” section of this release for additional information. Below is a reconciliation of net income and earnings per diluted share to adjusted net income and adjusted EPS for the periods presented (in thousands, except per share data):

	Q1 2023		Q4 2022		Q1 2022	
	Amount	Per Share	Amount	Per Share	Amount	Per Share
Net income / earnings per diluted share	\$ 338,884	\$ 4.24	\$ 319,082	\$ 3.95	\$ 133,744	\$ 1.64
Amortization of other intangibles	24,092	0.30	22,542	0.28	21,196	0.26
Acquisition costs	3,092	0.04	6,435	0.08	13,323	0.16
Tax benefit	(7,152)	(0.09)	(7,659)	(0.10)	(9,078)	(0.11)
Adjusted net income / adjusted EPS	\$ 358,916	\$ 4.49	\$ 340,400	4.21	\$ 159,185	\$ 1.95
Diluted share count	79,974		80,875		81,572	

- (16) Consists of total advisory and brokerage assets under custody at the Company's primary broker-dealer subsidiary, LPL Financial.
- (17) Assets on the Company's corporate advisory platform are serviced by investment advisor representatives of LPL Financial or Allen & Company of Florida, LLC. Assets on the Company's independent RIA advisory platform are serviced by investment advisor representatives of separate registered investment advisor firms rather than representatives of LPL Financial.
- (18) Consists of advisory assets in LPL Financial's Model Wealth Portfolios, Optimum Market Portfolios, Personal Wealth Portfolios and Guided Wealth Portfolios platforms.
- (19) Consists of total client deposits into advisory or brokerage accounts 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.
- (20) Consists of existing custodied assets that converted from brokerage to advisory, less existing custodied assets that converted from advisory to brokerage.
- (21) 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.
- (22) During the second quarter of 2022, the Company updated its definition of client cash balances to include CCA and exclude purchased money market funds. CCA balances include cash that clients have deposited with LPL Financial that is included in Client payables in the condensed consolidated balance sheets. Prior period disclosures have been updated to reflect this change as applicable. The following table presents the Company's purchased money market funds for the periods presented (in billions):

	Q1 2023	Q4 2022	Q1 2022
Purchased money market funds	\$ 15.0	\$ 8.8	\$ 1.6

- (23) Calculated by dividing revenue for the period by the average balance during the period.
- (24) Calculated by dividing interest income earned on cash held in the 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 condensed consolidated balance sheets. Cash held in the CCA that has been used to fund margin lending is as follows for the periods presented (in billions):

	Q1 2023	Q4 2022	Q1 2022
CCA balances that have been used to fund margin	\$ 0.5	\$ 0.5	\$ 0.5

- (25) Represents the amount of securities purchased less the amount of securities sold in client accounts custodied with LPL Financial.

- (26) EBITDA and Credit Agreement EBITDA are non-GAAP financial measures. Please see a description of EBITDA and Credit Agreement EBITDA under the “*Non-GAAP Financial Measures*” section of this release for additional information. Under the Credit Agreement, management calculates Credit Agreement EBITDA for a trailing twelve month period at the end of each fiscal quarter and in doing so may make further adjustments to prior quarters. Below are reconciliations of trailing twelve month net income to trailing twelve month EBITDA and Credit Agreement EBITDA for the periods presented (in thousands):

	Q1 2023	Q4 2022
EBITDA and Credit Agreement EBITDA Reconciliations		
Net income	\$ 1,050,842	\$ 845,702
Interest expense on borrowings	138,207	126,234
Provision for income taxes	331,929	265,951
Depreciation and amortization	210,417	199,817
Amortization of other intangibles	90,456	87,560
EBITDA	\$ 1,821,851	\$ 1,525,264
Credit Agreement Adjustments:		
Acquisition costs and other	\$ 41,979	\$ 50,685
Employee share-based compensation	55,259	50,050
M&A accretion ⁽³⁴⁾	42,031	10,570
Advisor share-based compensation	2,617	2,545
Credit Agreement EBITDA	\$ 1,963,737	\$ 1,639,114

- (27) Calculated based on the average advisor count from the current period and prior periods.
- (28) Calculated based on the end of period total advisory and brokerage assets divided by end of period advisor count.
- (29) Represents amortization expense on forgivable loans for transition assistance to advisors and enterprises.
- (30) Refers to active subscriptions related to professional services offerings (CFO Solutions, Marketing Solutions, Admin Solutions, Advisor Institute, Bookkeeping and Partial Book Sales) and business optimizer offerings (M&A Solutions, Digital Office, Resilience Plans and Assurance Plans), as well as planning and advice services (Paraplanning) for which subscriptions are the number of advisors using the service.
- (31) Reflects retention of total advisory and brokerage assets, calculated by deducting quarterly annualized attrition from total advisory and brokerage assets, divided by the prior quarter total advisory and brokerage assets.
- (32) Capital expenditures represent cash payments for property and equipment during the period.
- (33) 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.
- (34) M&A accretion is an adjustment to reflect the annualized expected run rate EBITDA of an acquisition as permitted by the Credit Agreement for up to eight fiscal quarters following the close of the transaction.