Q1 2019 Earnings Key Metrics

LPL Financial Holdings Inc.

Q1 2019 Earnings

May 2, 2019

LPL Financial

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 brokerage and advisory asset levels and mix, deposit betas (and related Gross Profit* benefit), Core G&A* expenses (including outlook for 2019) and investments, 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 May 2, 2019. 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 than those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include: changes in interest rates and fees payable by banks participating in the Company's cash sweep programs; the Company's strategy and success in managing cash sweep 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; 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 a new account at the Company; changes in the growth and profitability of the Company's fee-based business; 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 initiatives and programs, and the other factors set forth in Part I, "Item 1A. Risk Factors" in the Company's 2018 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 May 2, 2019, 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 May 2, 2019.

*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 some or all of 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. Management has also presented certain non-GAAP financial measures further adjusted to reflect the impact of the Company's acquisitions of AdvisoryWorld and the broker/dealer network of National Planning Holdings, Inc. ("NPH"). Reconciliations and calculations of such measures can be found on page 26.**

Gross profit is calculated as net revenues, which were $1,372 million for the three months ended March 31, 2019, less commission and advisory expenses and brokerage, clearing, and exchange fees ("BC&E"), which were $800 million and $16 million, respectively, for the three months ended March 31, 2019. All other expense categories, including depreciation and amortization of fixed assets and amortization of intangible assets, 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 its gross profit amounts to be non-GAAP measures that may not be comparable to those of others in its industry. Management believes that gross profit amounts 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 page 23 of this presentation.

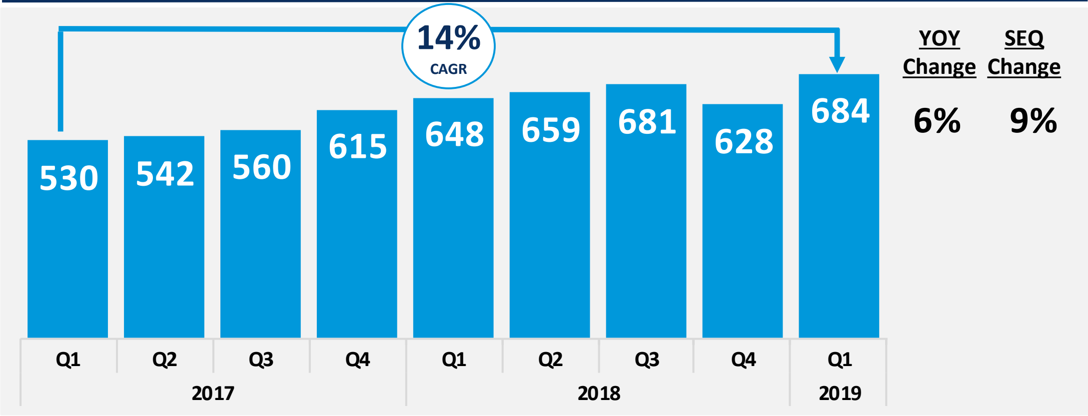
EBITDA is defined as net income plus interest expense, income tax expense, depreciation, amortization, and loss on extinguishment of debt. The Company presents EBITDA because management believes that it can be a useful financial metric in understanding the Company's earnings from operations. EBITDA is 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, or as an alternative to cash flows from operating activities as a measure of profitability or liquidity. For a reconciliation of net income to EBITDA, please see page 24 of this presentation. In addition, the Company's EBITDA can differ significantly from EBITDA calculated by other companies, depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, and capital investments.

EPS Prior to Amortization of Intangible Assets is defined as GAAP earnings per share (EPS) plus the per share impact of Amortization of Intangible Assets. The per share impact is calculated as Amortization of Intangible Assets expense, net of applicable tax benefit, divided by the number of shares outstanding for the applicable period. The Company presents EPS Prior to Amortization of Intangible Assets because management believes the metric can provide investors with useful insight into the Company's core operating performance by excluding non-cash items that management does not believe impact the Company's ongoing operations. EPS Prior to Amortization of Intangible Assets is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to GAAP EPS or any other performance measure derived in accordance with GAAP. For a reconciliation of EPS Prior to Amortization of Intangible Assets to GAAP EPS, please see page 25 of this presentation.

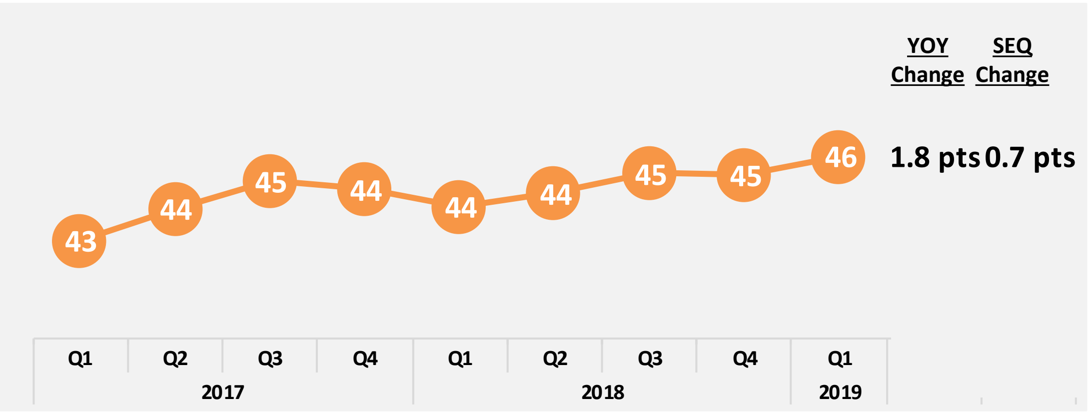
Core G&A consists of total operating expenses, which were $1,135 million for the three months ended March, 31 2019, excluding the following expenses: commission and advisory, regulatory charges, promotional, employee share-based compensation, depreciation and amortization, amortization of intangible assets, and brokerage, clearing, and exchange. Management presents Core G&A because it believes Core G&A reflects the corporate operating 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 commission and advisory expenses, 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 operating expenses as calculated in accordance with GAAP. For a reconciliation of Core G&A to the Company's total operating expenses, please see page 26 of this presentation. The Company does not provide an outlook for its total operating expenses because it contains expense components, such as commission and advisory expenses, 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 operating expenses cannot be made available without unreasonable effort.

Our business continued to grow and shift towards advisory

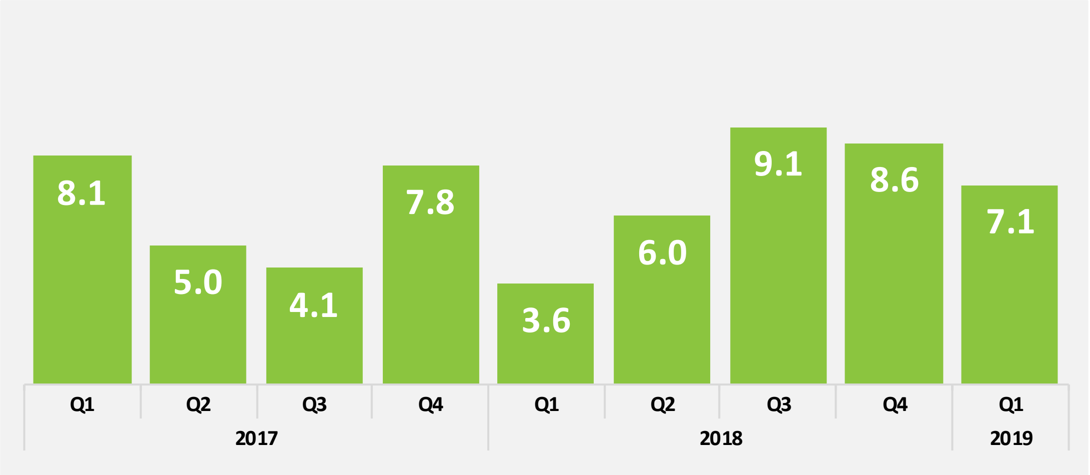
Total Brokerage and Advisory Assets ($ billions)



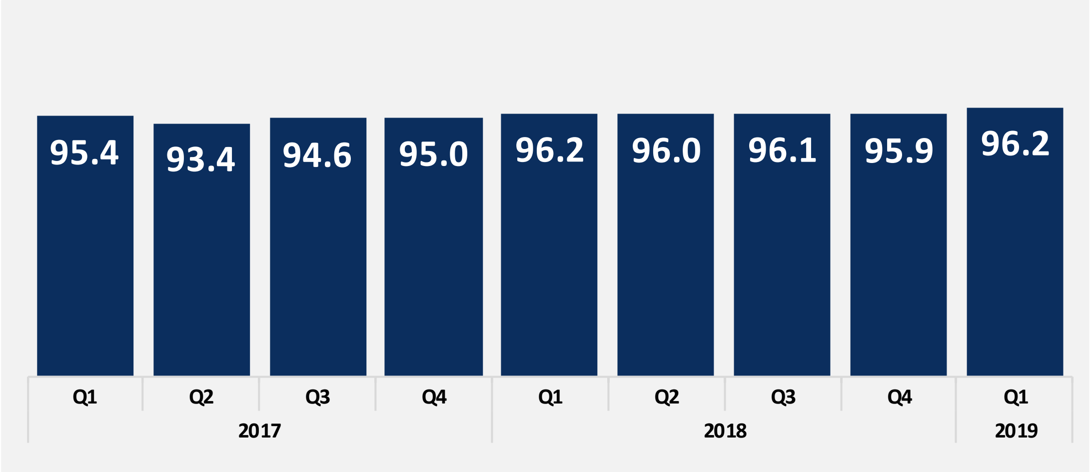
Advisory Assets as a percent of Total Assets



Recruited Assets[1] ($ billions)

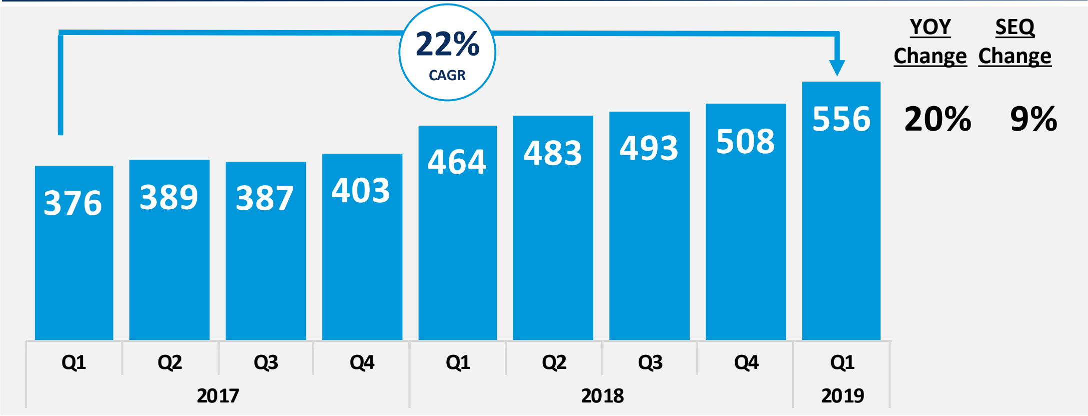


Production Retention Rate[2] (YTD Annualized %)

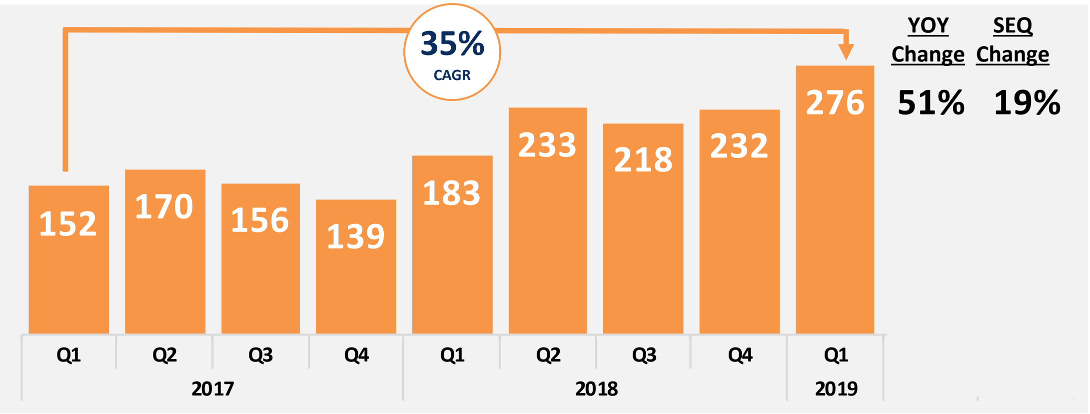


Financial performance has steadily improved

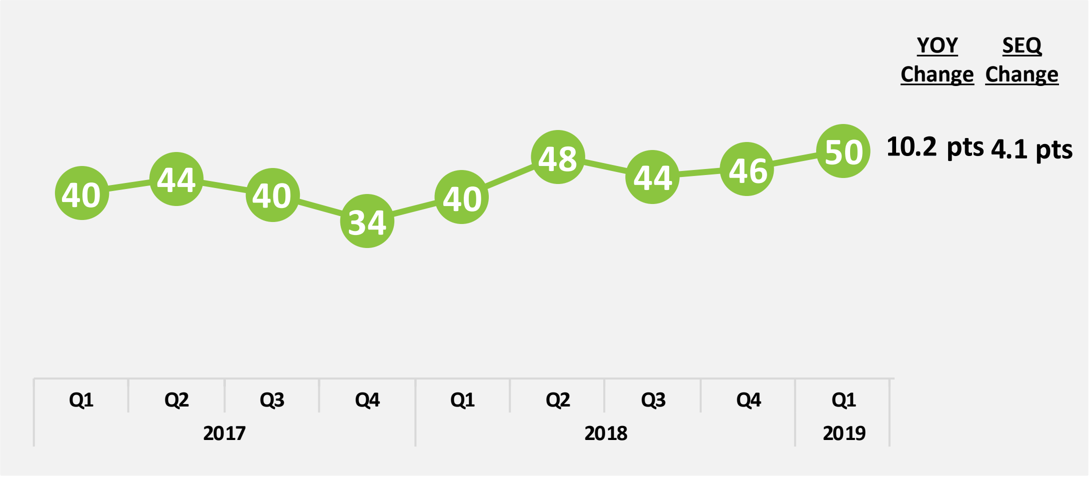
Gross Profit* ($ millions)



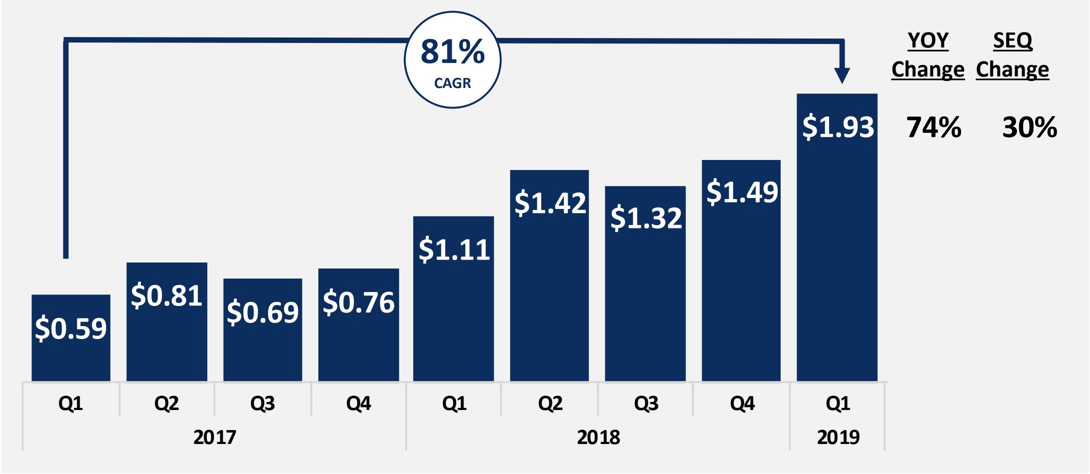
EBITDA* ($ millions)



EBITDA as a % of Gross Profit

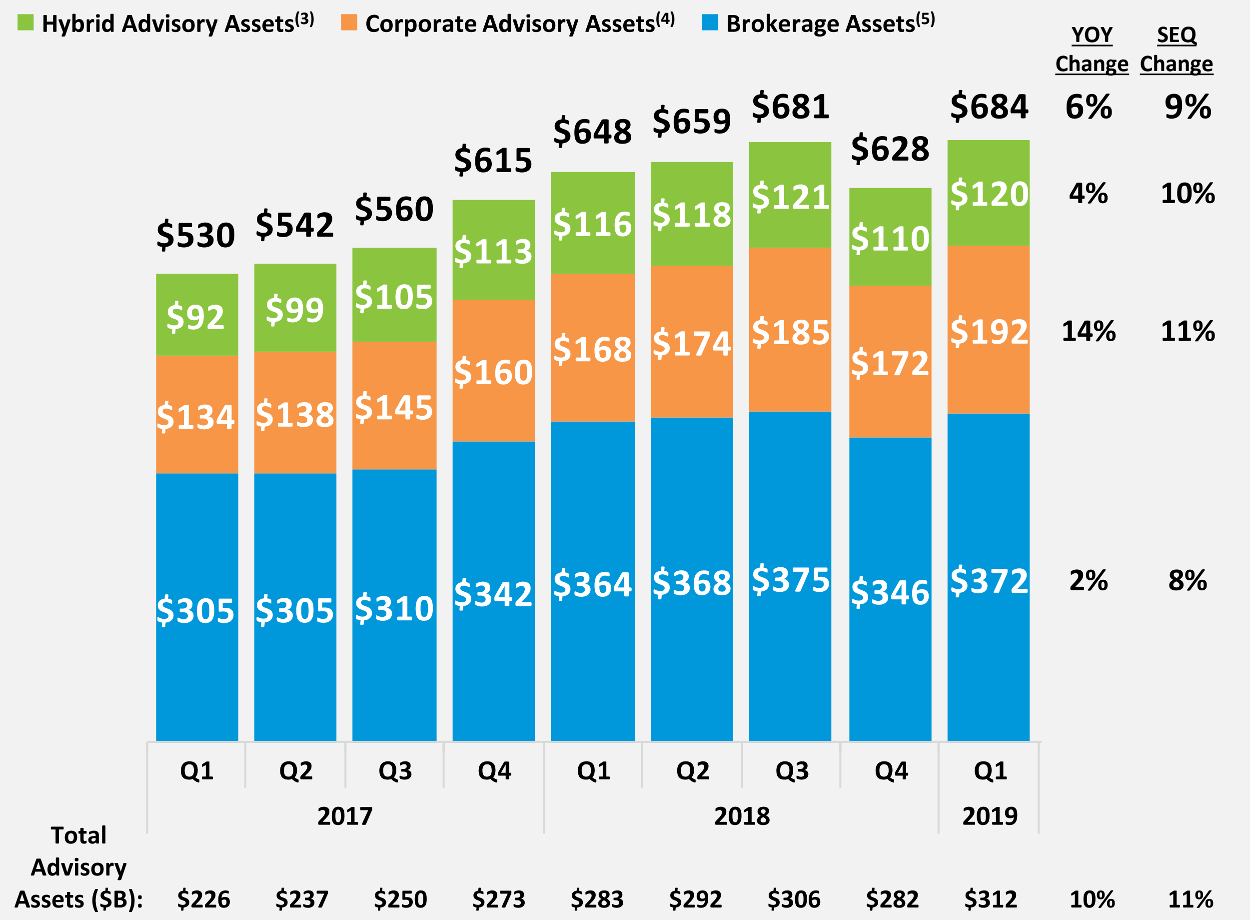


EPS Prior to Amortization of Intangible Assets*

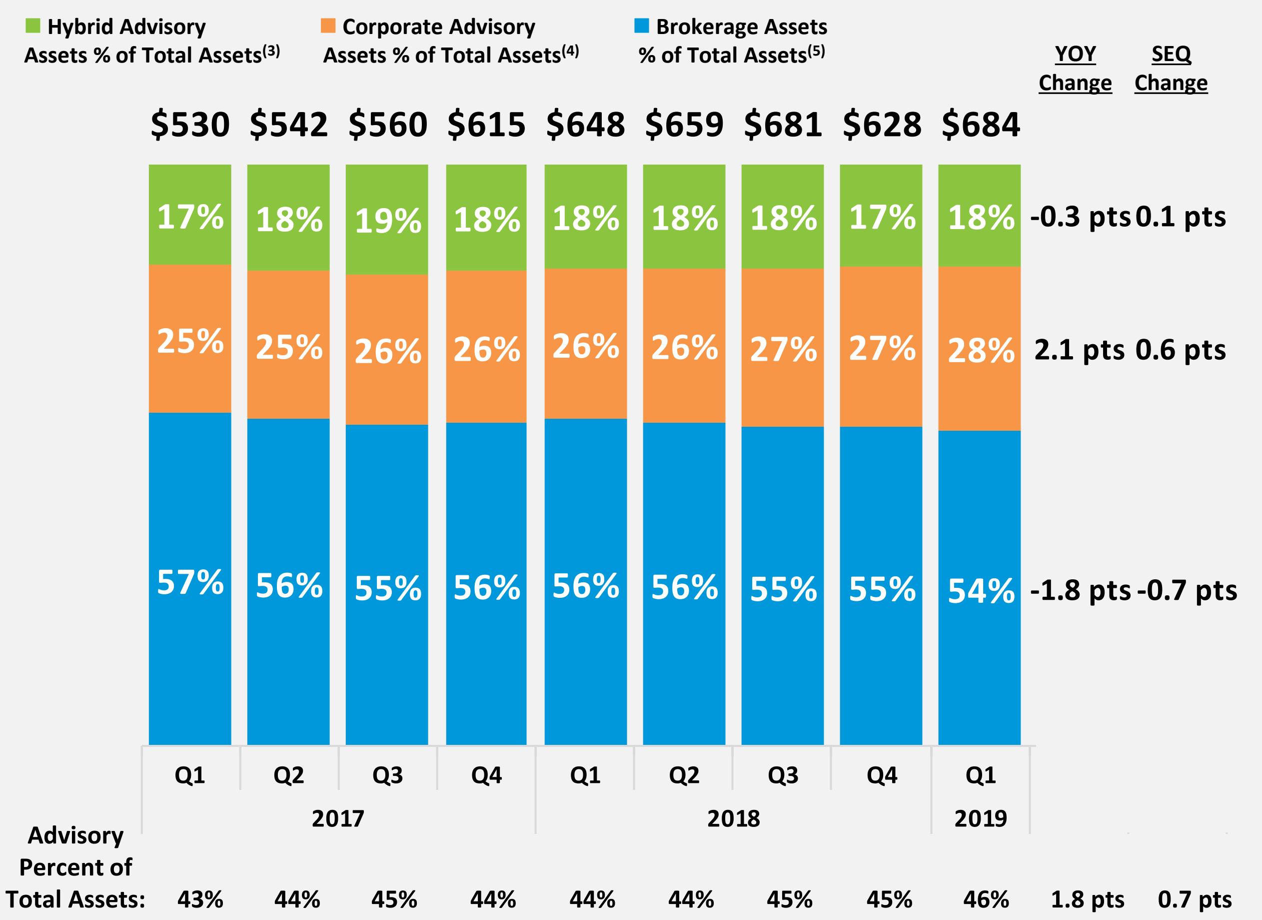


Q1 Total Brokerage and Advisory Assets increased 6% year-over-year to $684 billion and Advisory Assets were 46% of total assets

Total Brokerage and Advisory Assets ($ billions)

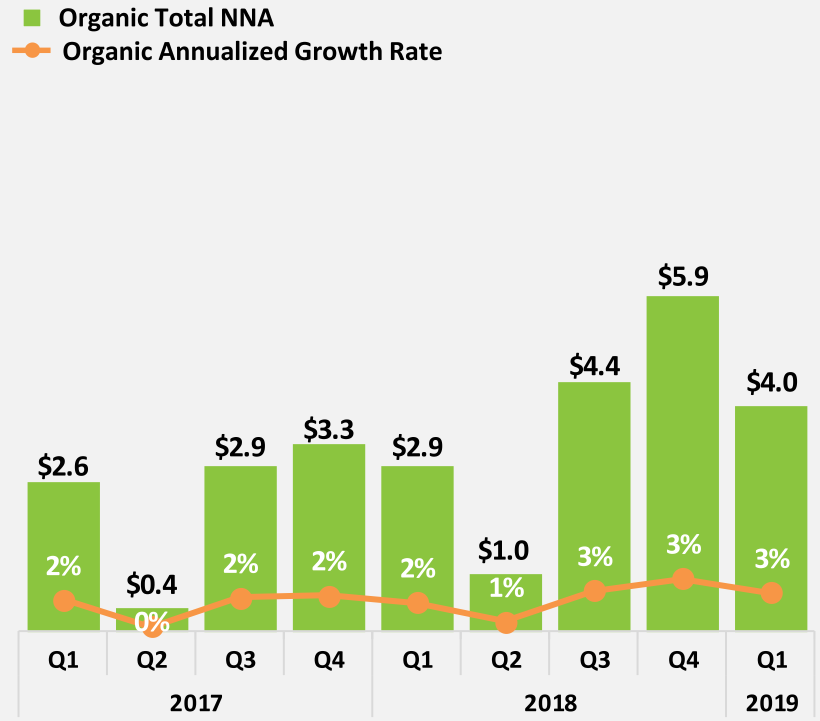


Total Brokerage and Advisory Asset Mix

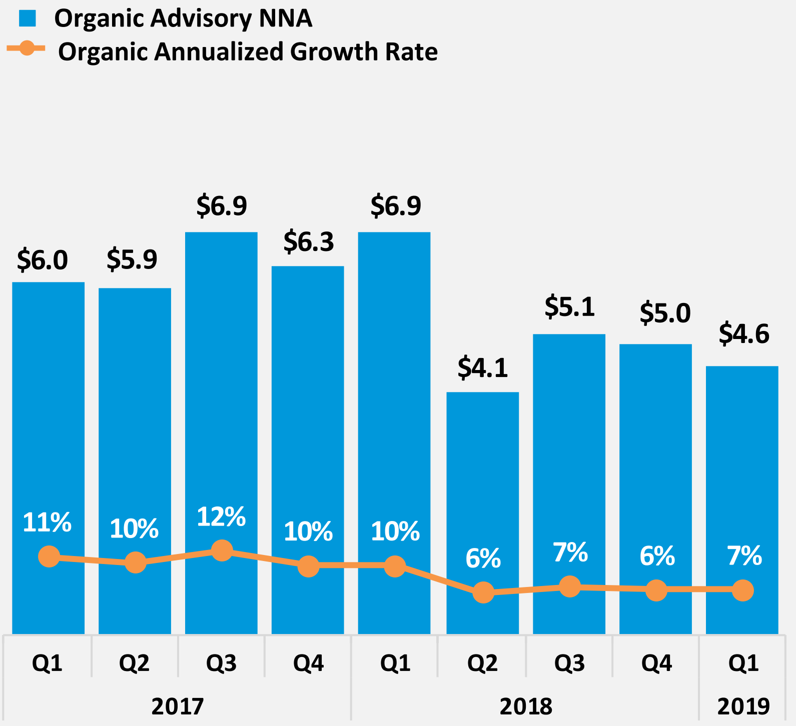


Q1 Total Net New Assets were an inflow of $4.0 billion

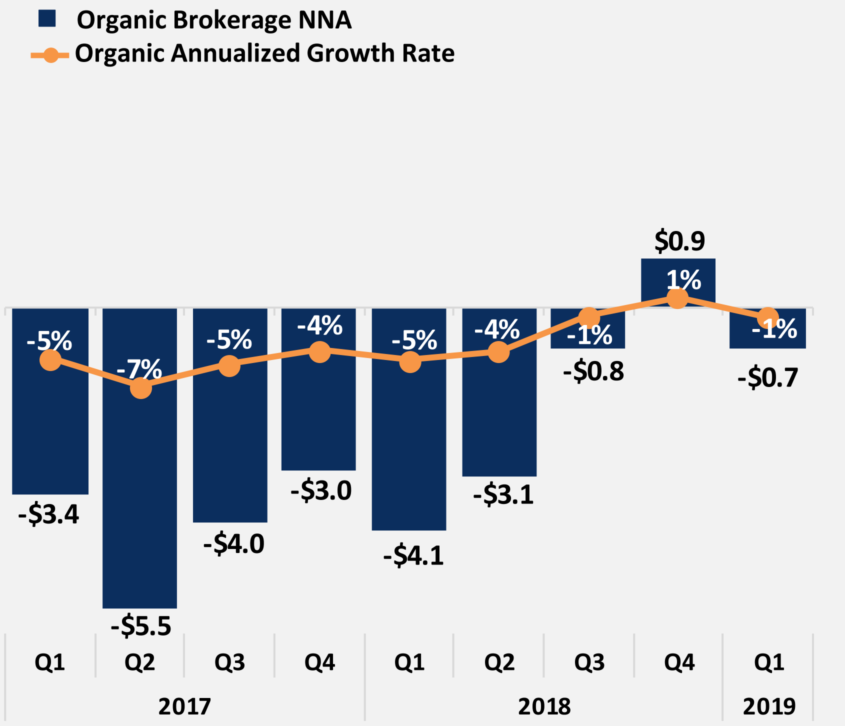
Total Net New Assets ($ billions)



Net New Advisory Assets(6) ($ billions)



Net New Brokerage Assets(7) ($ billions)

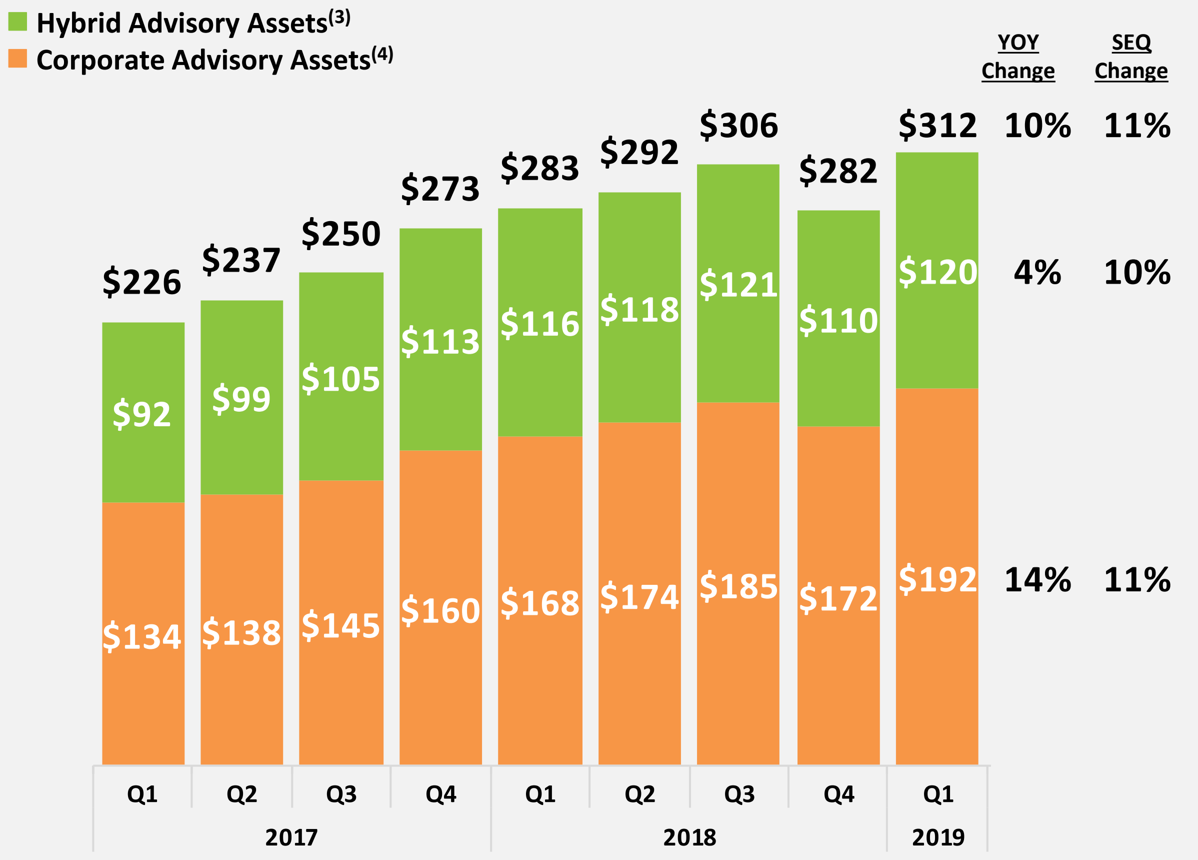


Net Brokerage to Advisory Conversions(8) (billions): $2.3 $2.0 $1.9 $2.1 $2.5 $1.8 $1.7 $1.4 $1.4

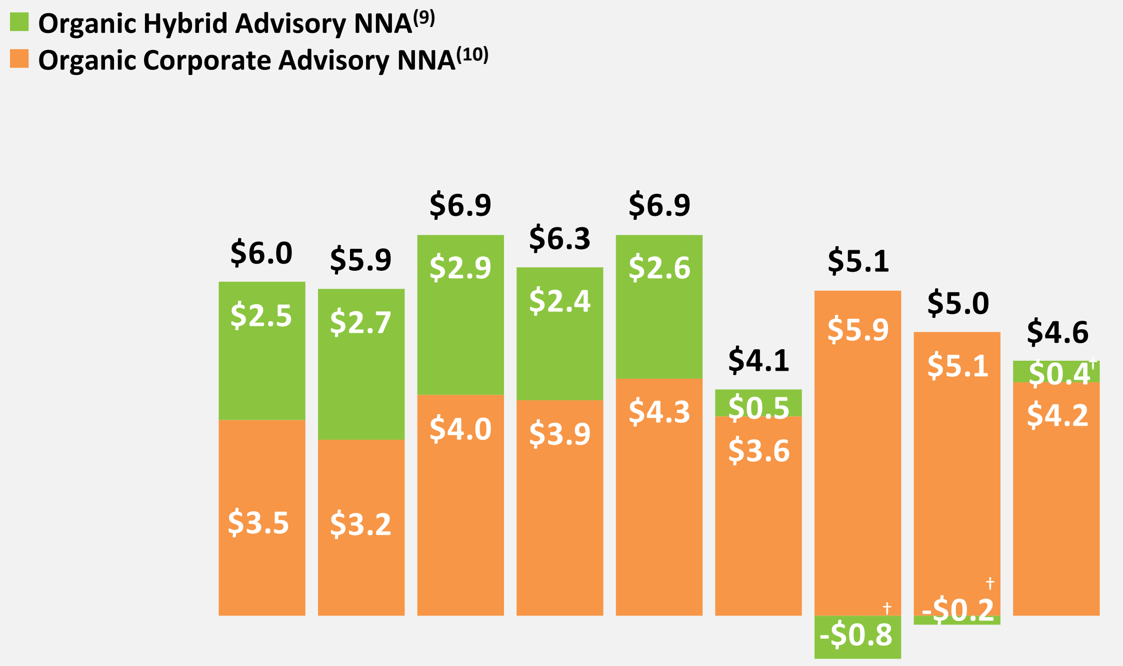
Note: Q3 2018 includes $2.4 billion of outflows (of which $1.5 billion was advisory) and Q4 2018 includes $0.7 billion of outflows (of which $0.3 billion was advisory) from a small number of hybrid firms, consistent with the Company's expectations as discussed on its Q2 and Q3 2018 earnings calls. Q1 2019 includes $0.6 billion of outflows (of which $0.3 billion was advisory) related to a large hybrid firm.

Q1 Corporate Advisory Assets increased 14% year-over-year to $192 billion

Corporate and Hybrid Advisory Platform Mix ($ billions)



Corporate and Hybrid Advisory NNA Mix ($ billions)

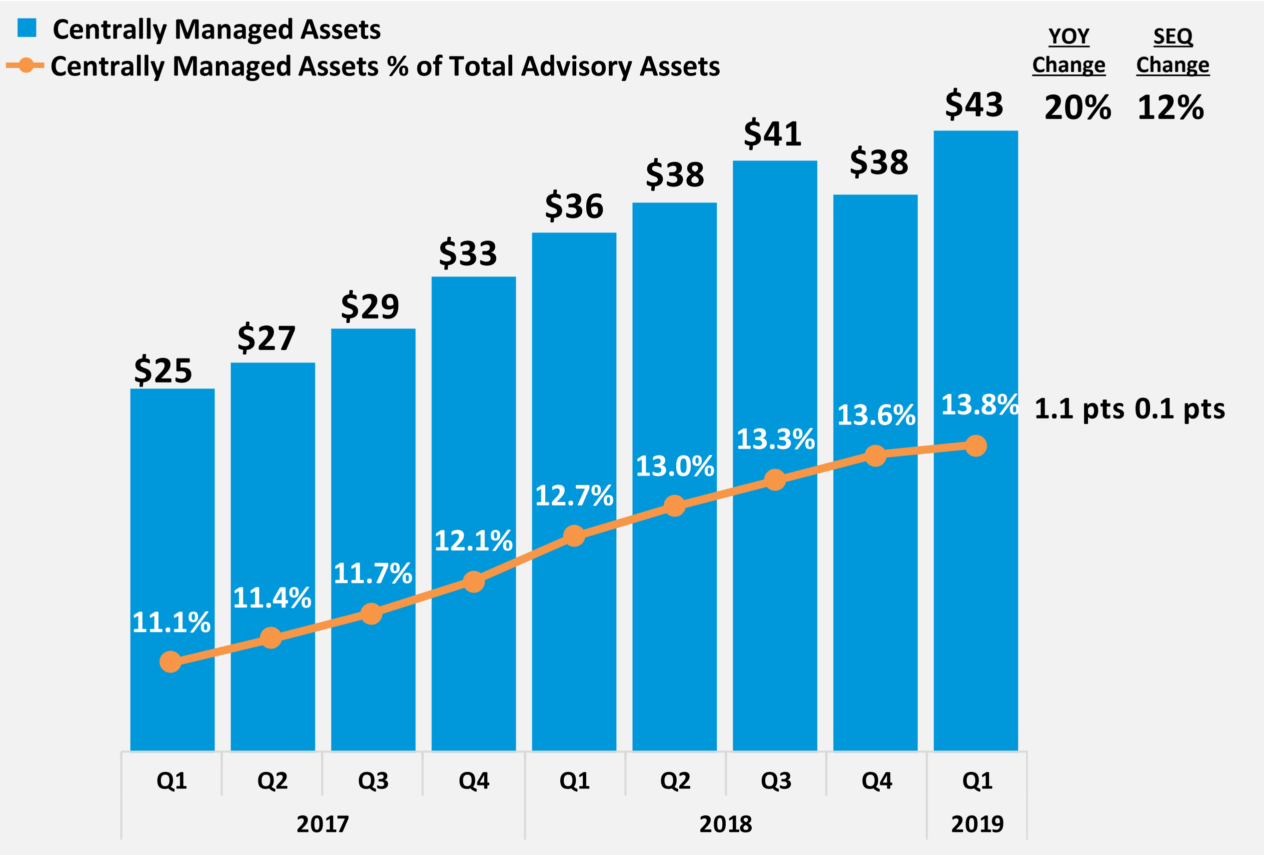


Annualized NNA Growth	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Hybrid Advisory	12%	12%	12%	9%	9%	2%	-3%	-1%	1%
Corporate Advisory	11%	10%	12%	11%	11%	9%	14%	11%	10%

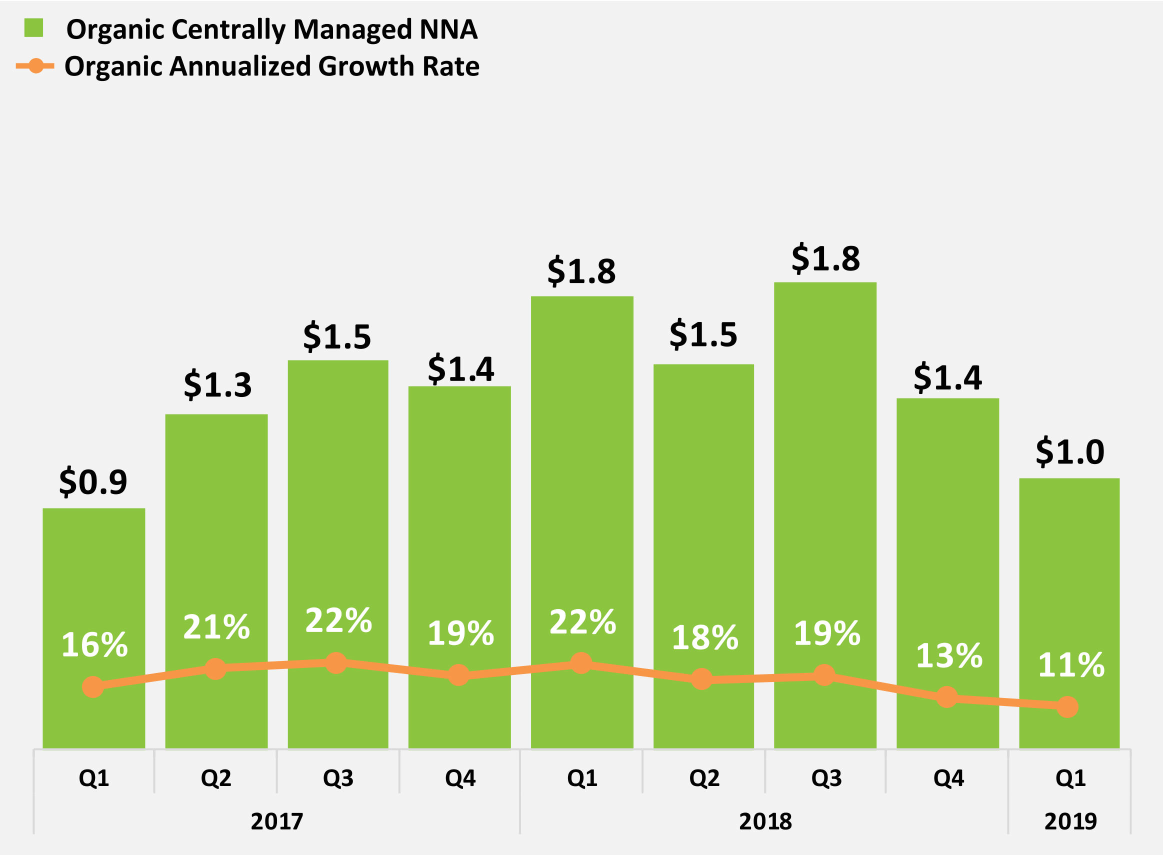
† Q3 2018 includes $2.4 billion of outflows (of which $1.5 billion was advisory), Q4 2018 includes $0.7 billion of outflows (of which $0.3 billion was advisory), from a small number of hybrid firms, consistent with the Company's expectations as discussed on its Q2 and Q3 2018 earnings calls. Q1 2019 includes $0.6 billion of outflows (of which $0.3 billion was advisory) related to a large hybrid firm.

Q1 Centrally Managed Assets increased 20% year over year to $43 billion

Centrally Managed Assets[11] ($ billions)

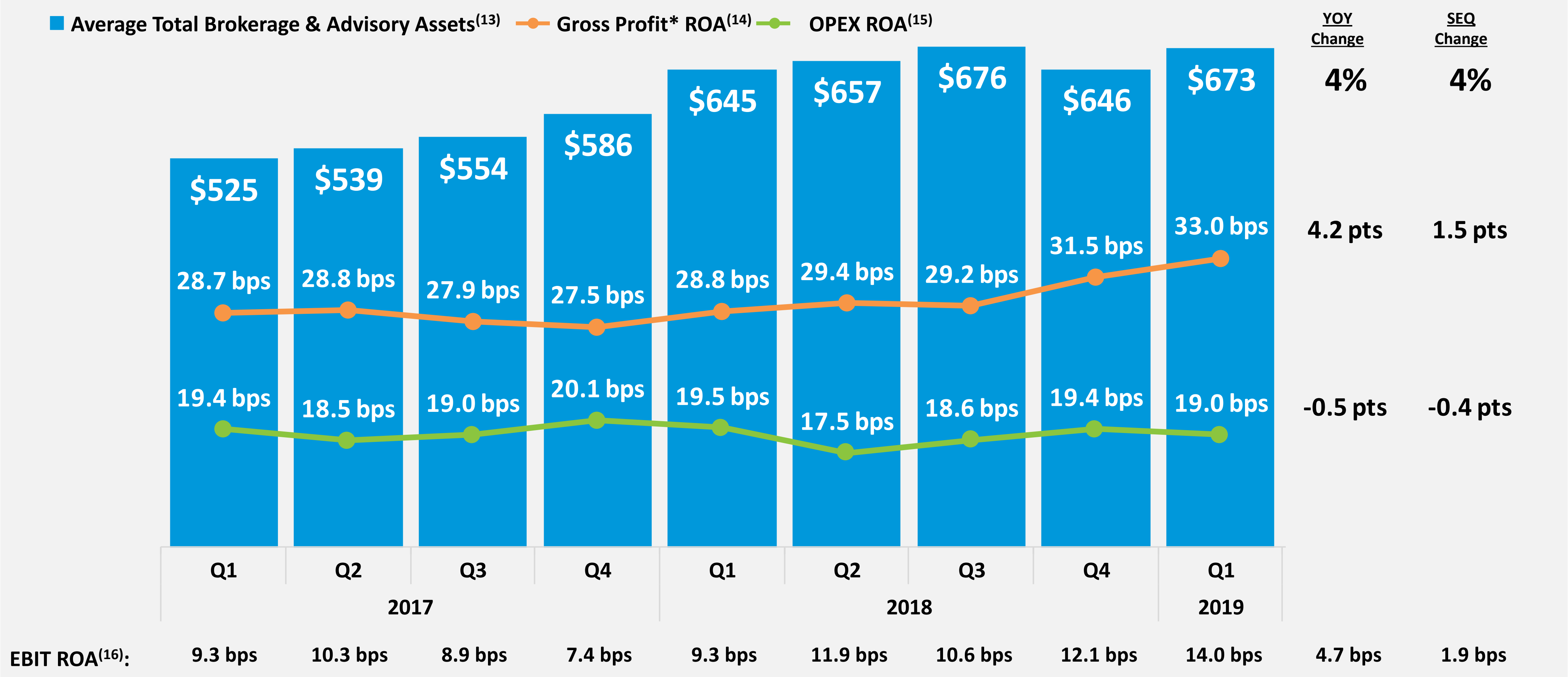


Centrally Managed NNA[12] ($ billions)



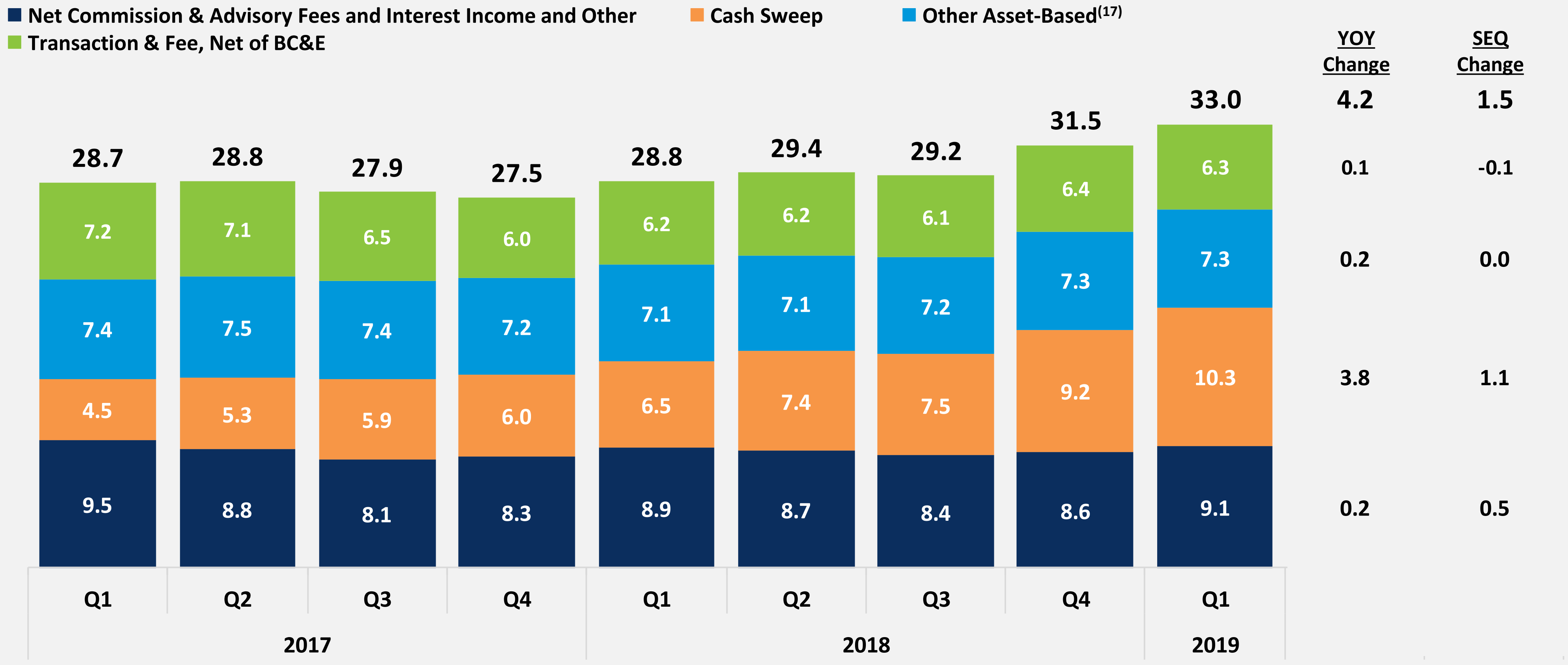
Q1 EBIT ROA was 14.0 basis points, up 4.7 basis points year-over-year

Average Total Brokerage & Advisory Assets ($ billions)



Q1 Gross Profit* ROA increased 4.2 basis points year-over-year

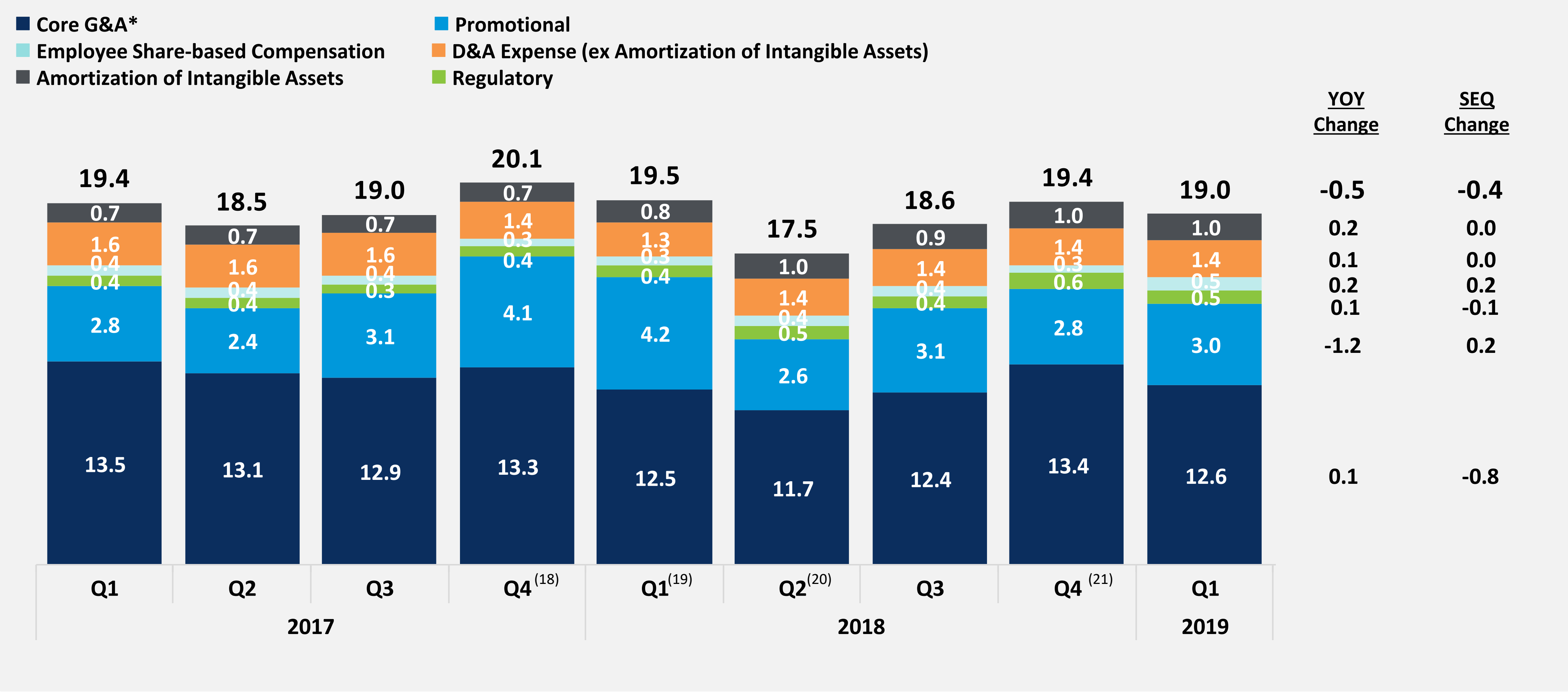
Gross Profit* ROA[14] (bps)



Note: updated bars in Q4 2018 to combine Net Commission & Advisory Fees with Interest Income and Other

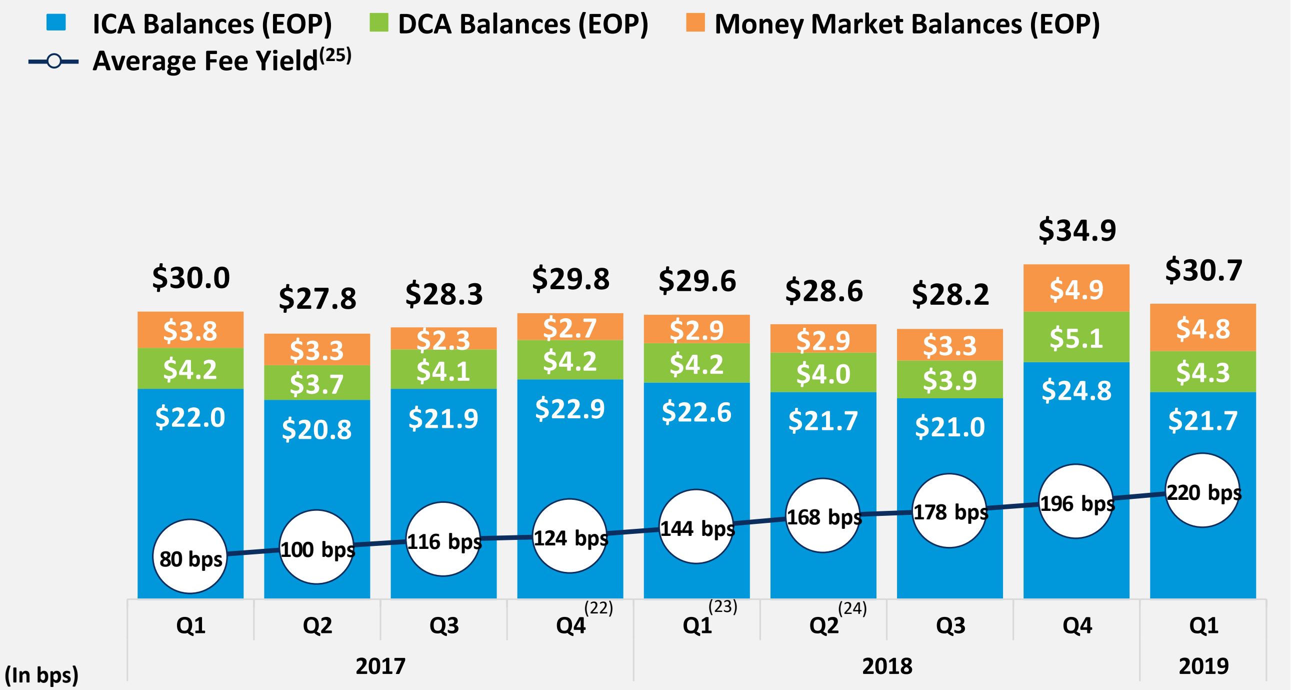
Q1 Total OPEX ROA decreased 0.5 basis points year-over-year

Total OPEX ROA[15] (bps)



Q1 Cash Sweep yields increased 76 basis points year-over year, and fixed balances made up ~40% of the ICA portfolio

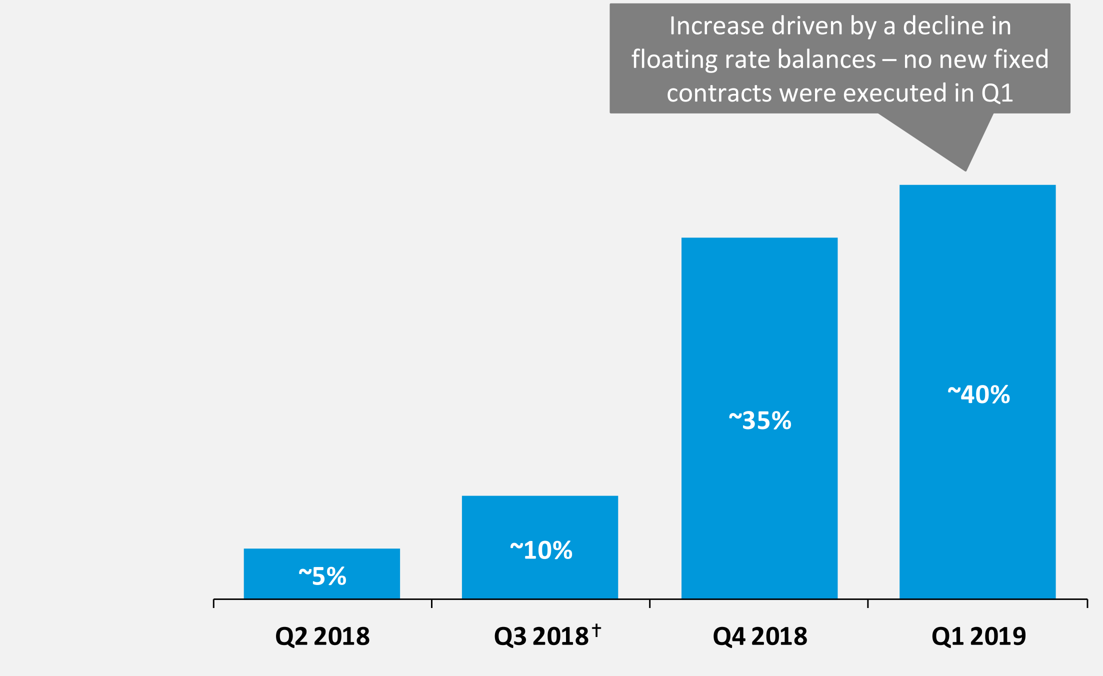
Client Cash Sweep balances ($ billions)



(In bps)

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
ICA Fee Yield	88	108	124	132	152	179	189	215	250
DCA Fee Yield	62	85	100	113	150	175	198	207	220
MM Fee Yield	53	69	67	69	71	72	75	75	77
Average Fee Yield :	80	100	116	124	144	168	178	196	220
Cash Sweep % of Total Assets:	5.7%	5.1%	5.1%	4.8%	4.6%	4.3%	4.1%	5.6%	4.5%

Fixed rate portion of ICA portfolio

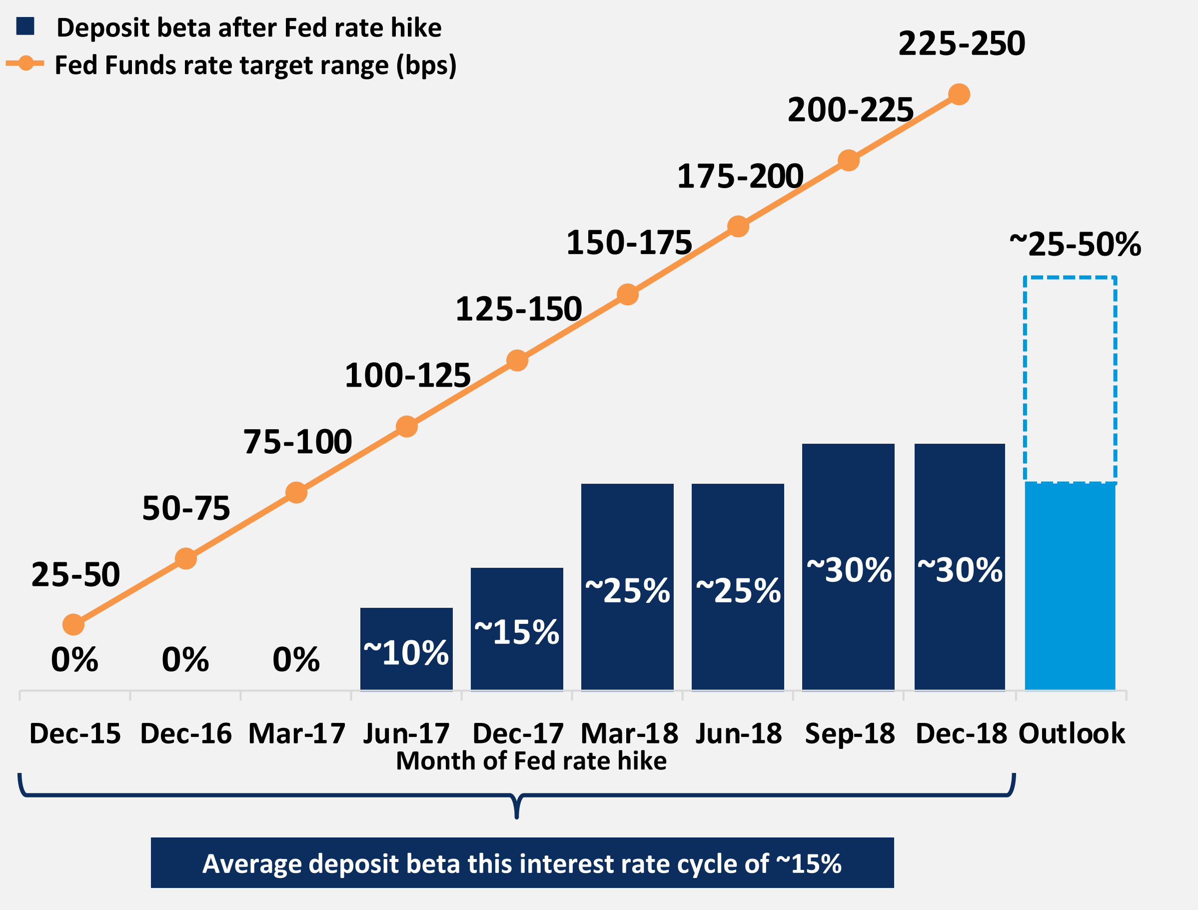


	Q2 2018	Q3 2018†	Q4 2018	Q1 2019
Fixed balances ($B)	~$1.5	~$2.5	~$9.0	~$9.0
Average duration (26)	~3 years	~3 years	~4 years	~4 years

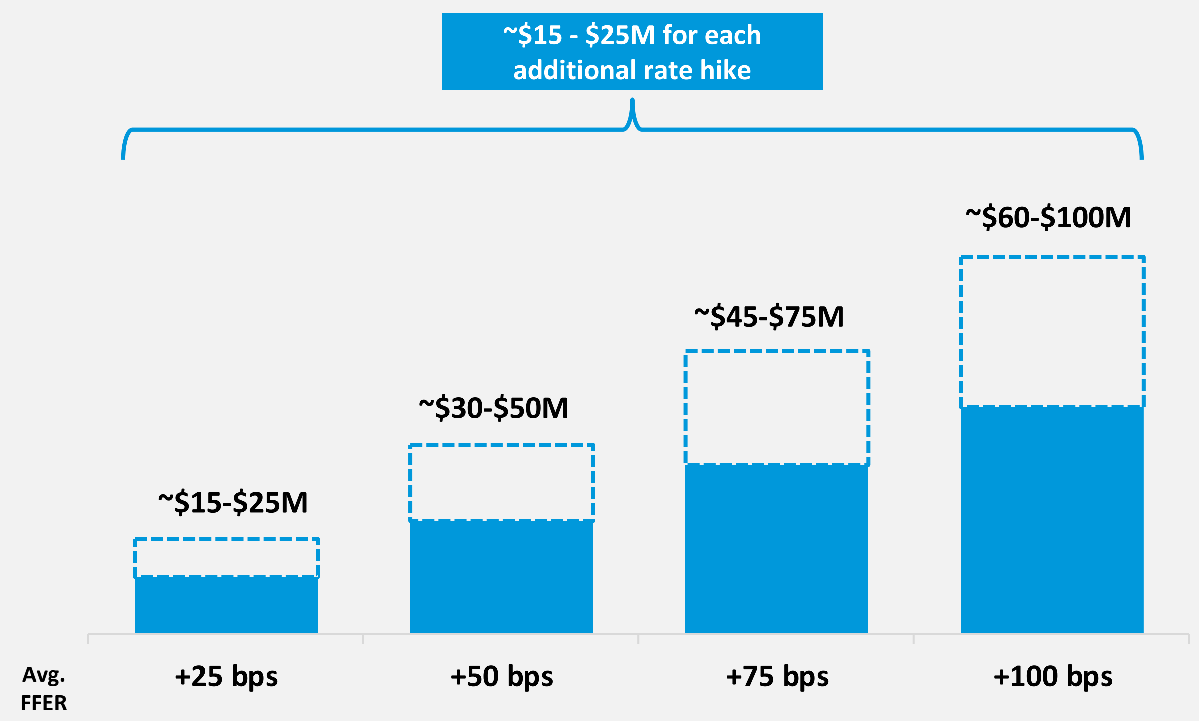
† Reflects fixed rate ICA contracts executed in Q3 2018, and the balances moved in early Q4 2018.

Our deposit beta has remained low through this interest rate cycle, and was ~30% for the December 2018 rate hike

ICA deposit beta history and outlook



Annual potential Gross Profit* benefit on floating rate cash sweep balances



Note: Gross Profit* benefit assumes approximately ~60% of ICA balances are at floating rates, ICA deposit betas of 25-50%, and ~$5M of DCA upside for each rate hike

We plan to continue investing for growth in 2019

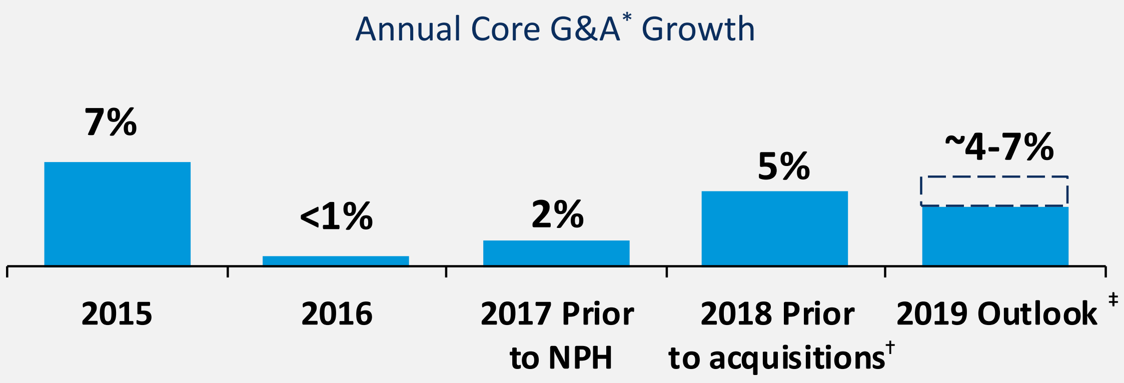
Long-term cost strategy

- Focus on delivering operating leverage
- Prioritize investments that drive organic growth
- Drive productivity and efficiency
- Adapt cost trajectory as environment evolves

Core G&A* context

- Maintained 2019 Core G&A* outlook range of $850 to $875M, or ~4 to 7% year-over-year growth
- Q1 Core G&A* was $213M, in line with this outlook range

Lower recent expense trajectory, prior to acquisitions



Core G&A* outlook

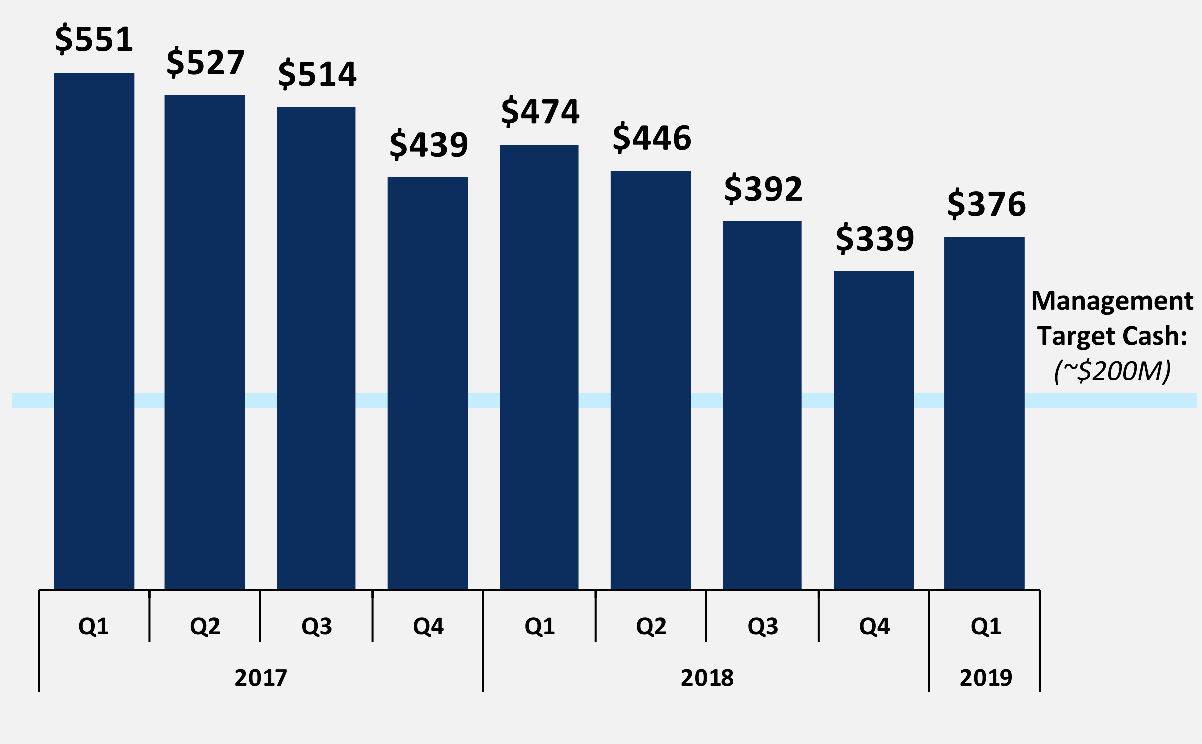
Current Outlook: $850 to $875 million

† 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.

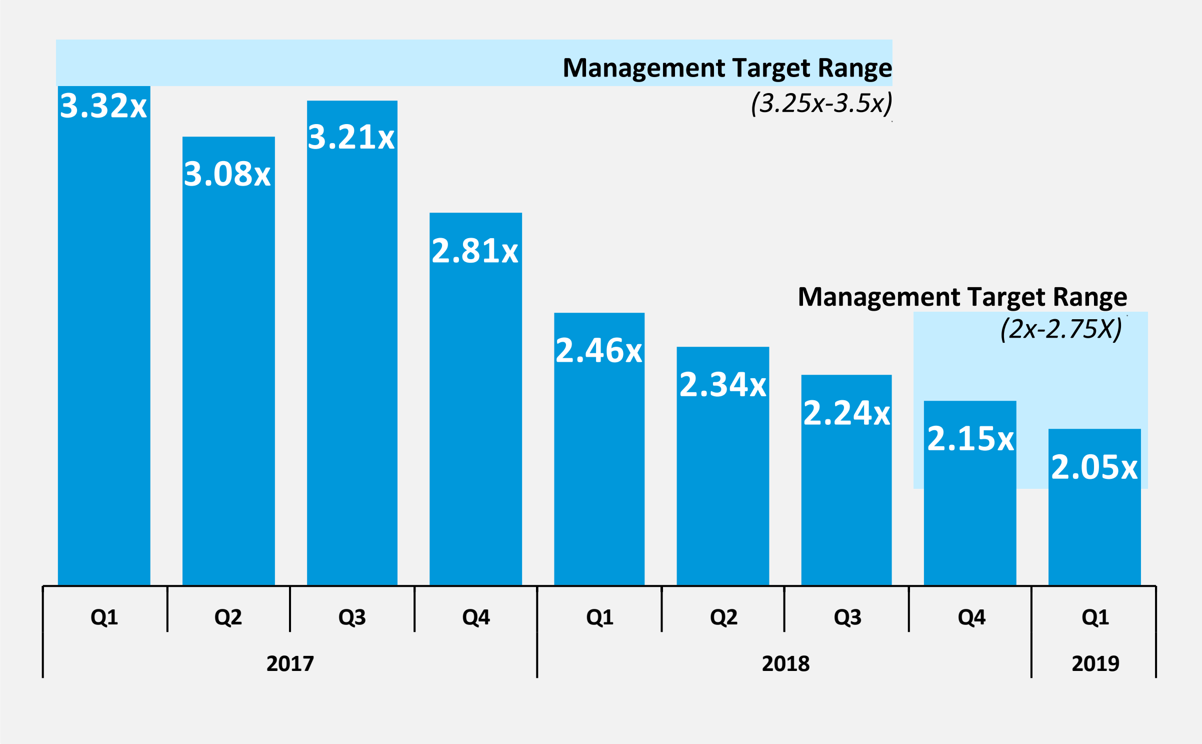
‡ Based on the Company's total 2018 Core G&A*.

Our balance sheet remained strong in Q1…

Cash Available for Corporate Use ($ millions)

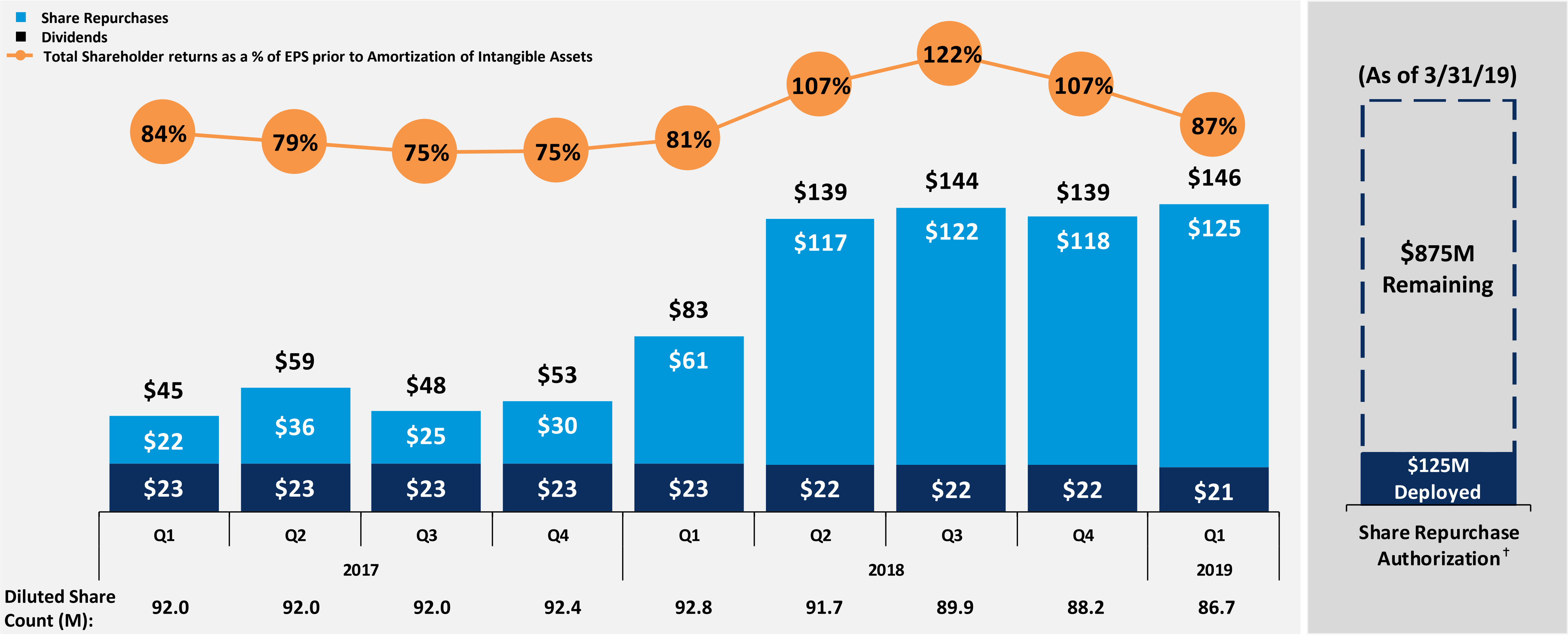


Credit Agreement Net Leverage Ratio



…And we have continued to return capital to shareholders

Shareholder Capital Returns ($ millions)

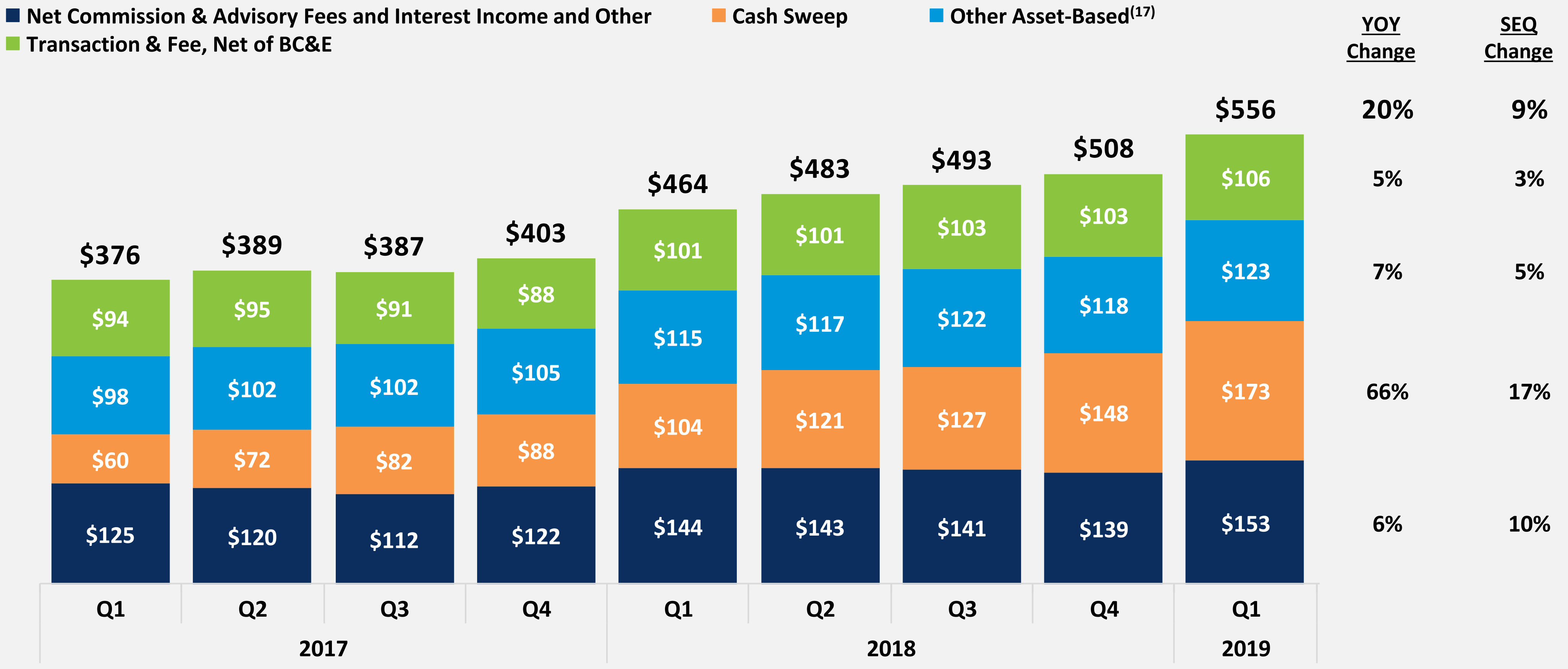


† Increased share repurchase authorization to $1B as of December 31, 2018

Appendix

Q1 Gross Profit* increased 20% year-over-year

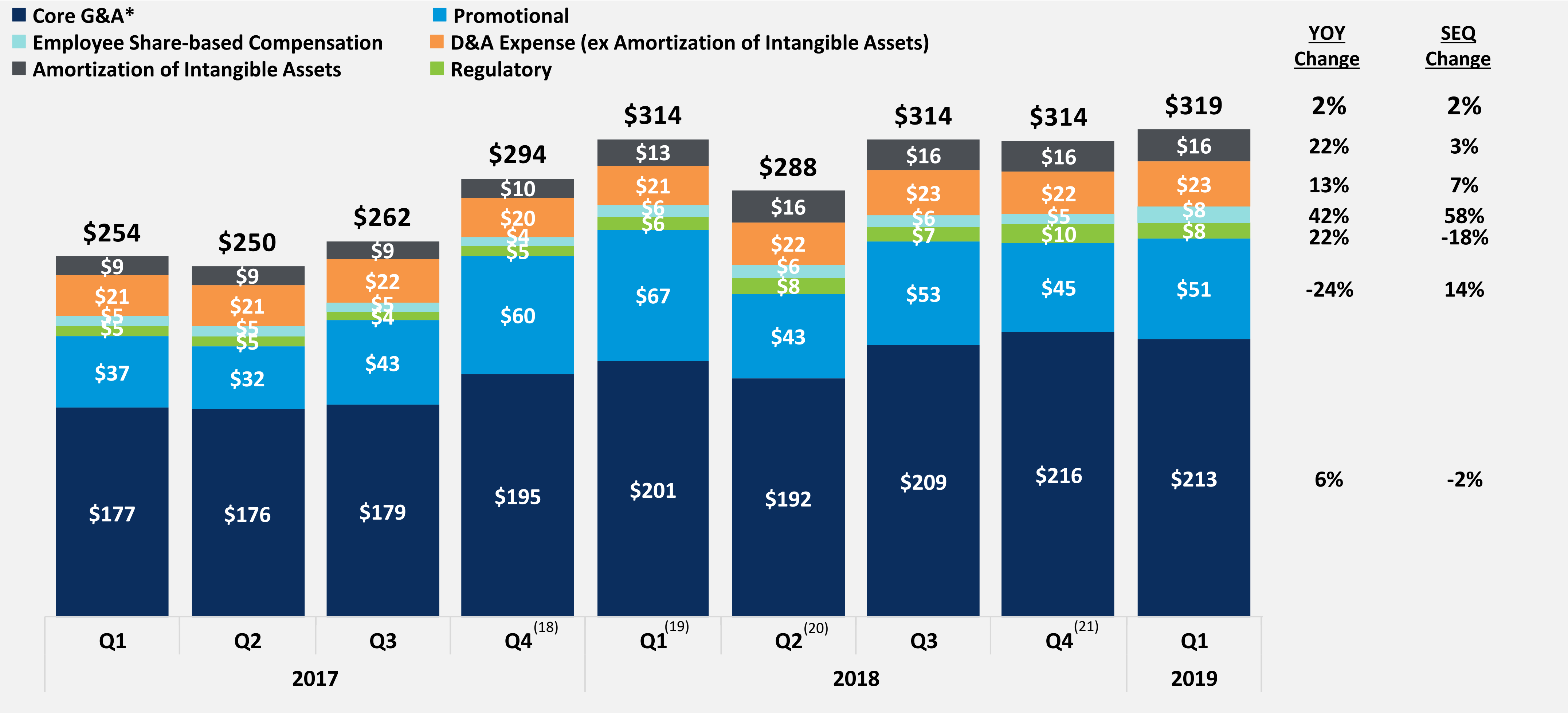
Gross Profit* ($ millions)



Note: updated bars in Q4 2018 to combine Net Commission & Advisory Fees and Interest Income and Other

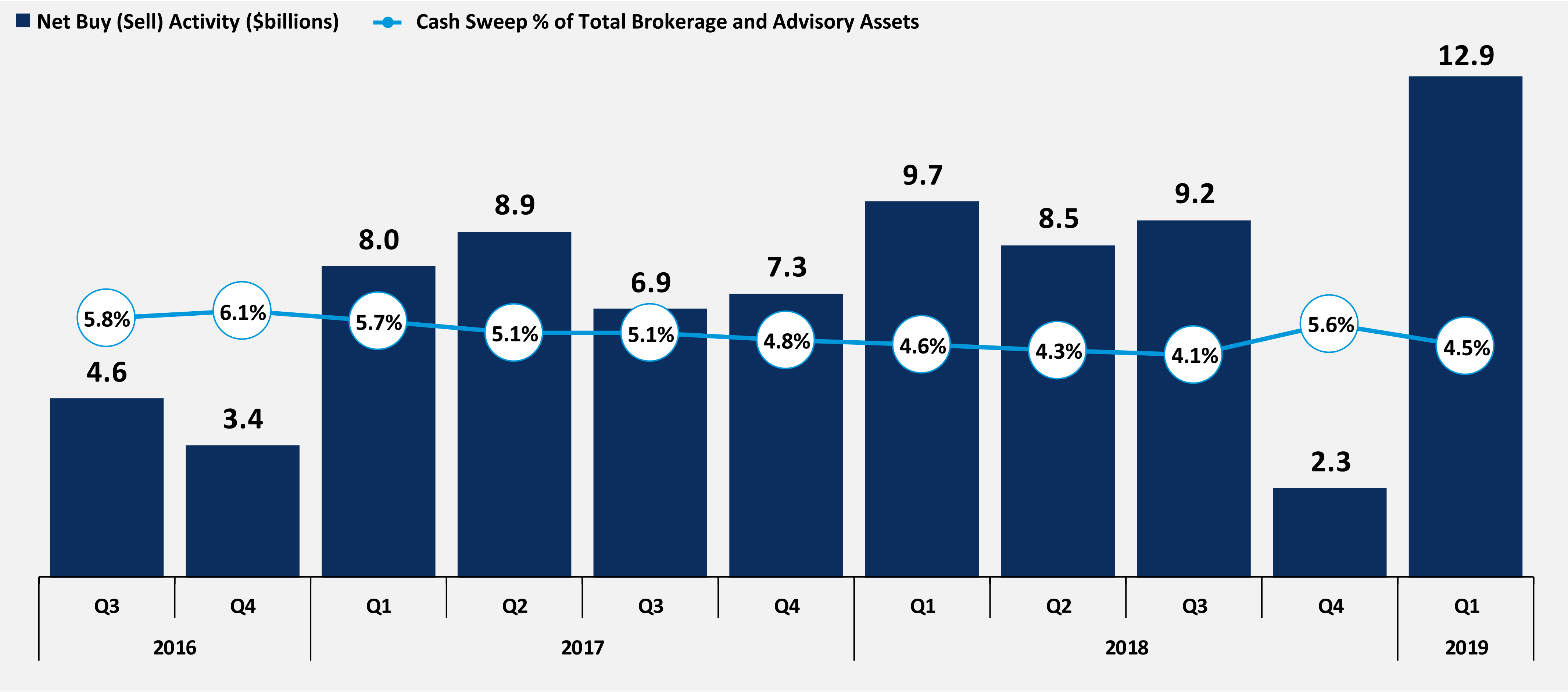
Q1 Total OPEX increased 2% year-over-year

Total OPEX[15] ($ millions)



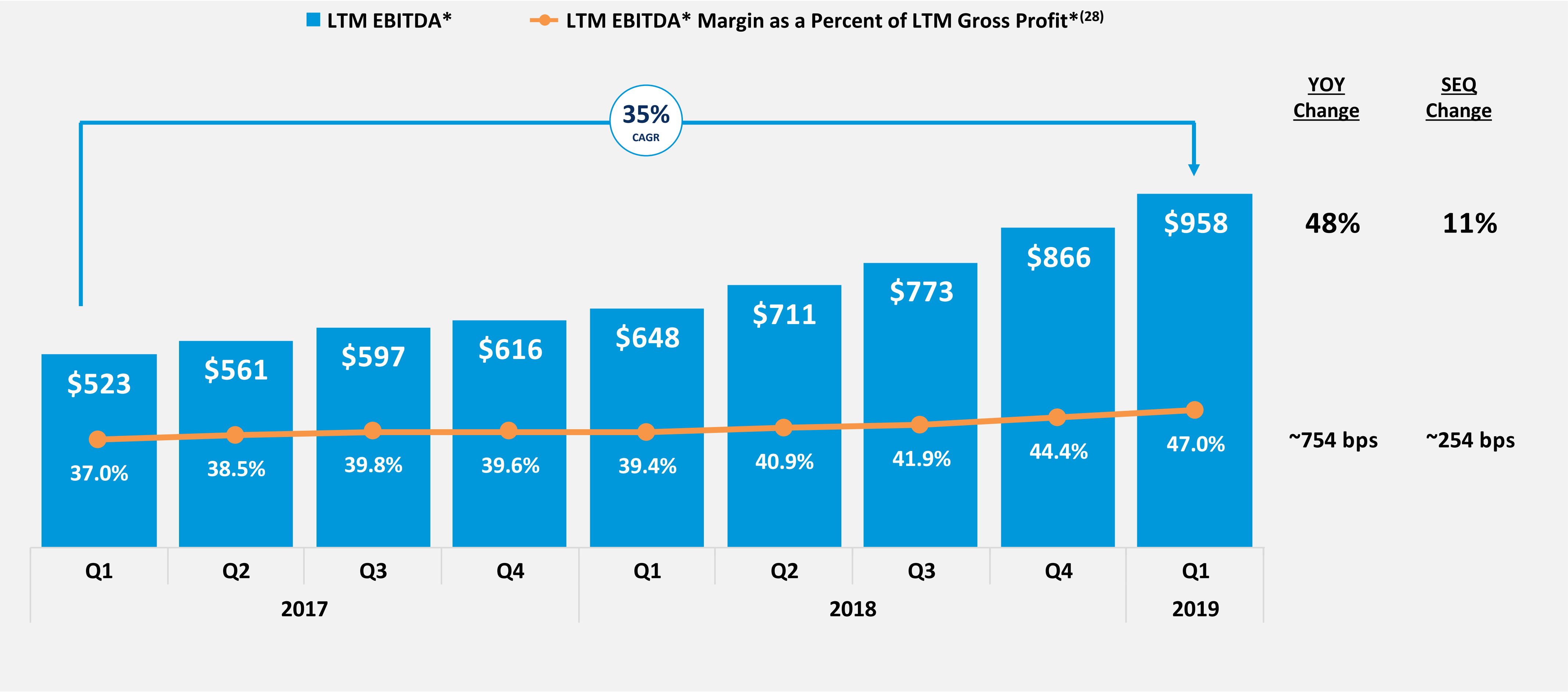
Q1 client cash sweep levels decreased as net buy (sell) activity increased

Net Buy (Sell) Activity[27]



LTM EBITDA* and margin have grown steadily over the past two years

LTM EBITDA* ($ millions)



Calculation of 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 on pages 5 and 10-11.

$ in millions	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Total Net Revenue	$1,372	$1,317	$1,331	$1,299	$1,242	$1,116	$1,064	$1,066	$1,035
Commission & Advisory Expense	800	793	822	801	762	698	664	663	645
Brokerage, Clearing, & Exchange	16	16	16	15	16	15	13	14	14
Gross Profit	$556	$508	$493	$483	$464	$403	$387	$389	$376

Reconciliation of 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 on page 5:

$ in millions	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
NET INCOME	**$155**	**$120**	**$107**	**$119**	**$94**	**$64**	**$58**	**$68**	**$48**
Non-operating interest expense	33	32	32	32	30	29	27	26	25
Provision for Income Taxes	48	42	40	44	26	16	38	44	27
Depreciation and amortization	23	22	23	22	21	20	22	21	21
Amortization of intangible assets	16	16	16	16	13	10	9	9	9
Loss on Extinguishment of debt	0	0	0	0	0	0	1	0	21
EBITDA	**$276**	**$232**	**$218**	**$233**	**$183**	**$139**	**$156**	**$170**	**$152**

Reconciliation of EPS Prior to Amortization of Intangible Assets to GAAP EPS

EPS Prior to Amortization of Intangible Assets is a non-GAAP financial measure. Please see a description of EPS Prior to Amortization of Intangible Assets 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 to GAAP EPS for the periods presented on page 5:

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
GAAP EPS	$1.79	$1.36	$1.19	$1.30	$1.01	$0.69	$0.63	$0.74	$0.52
Amortization of Intangible Assets ($ in millions)	$16	$16	$16	$16	$13	$10	$9	$9	$9
Tax Expense ($ in millions)	($5)	($4)	($4)	($4)	($4)	($4)	($4)	($4)	($4)
Amortization of Intangible Assets Net of Tax ($ in millions)	$12	$11	$11	$11	$10	$6	$6	$6	$6
Diluted Share Count	86.7	88.2	89.9	91.7	92.8	92.4	92.0	92.0	92.0
EPS Impact	$0.13	$0.13	$0.13	$0.12	$0.10	$0.07	$0.06	$0.06	$0.06
EPS Prior to Amortization of Intangible Assets	**$1.93**	**$1.49**	**$1.32**	**$1.42**	**$1.11**	**$0.76**	**$0.69**	**$0.81**	**$0.59**

Reconciliation of Core G&A to total operating expenses

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 operating expenses for the periods presented on pages 12, 15, and 20:

$ in millions	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Core G&A	$213	$216	$209	$192	$201	$195	$179	$176	$177
Regulatory charges	8	10	7	8	6	5	4	5	5
Promotional	51	45	53	43	67	60	43	32	37
Employee share-based compensation	8	5	6	6	6	4	5	5	5
Total G&A	**$280**	**$276**	**$276**	**$250**	**$281**	**$264**	**$231**	**$219**	**$224**
Commissions and advisory	800	793	822	801	762	698	664	663	645
Depreciation & amortization	23	22	23	22	21	20	22	21	21
Amortization of intangible assets	16	16	16	16	13	10	9	9	9
Brokerage, clearing and exchange	16	16	16	15	16	15	13	14	14
Total operating expenses	**$1,135**	**$1,123**	**$1,152**	**$1,104**	**$1,092**	**$1,008**	**$940**	**$926**	**$914**

$ in millions	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Core G&A	$216	$209	$192	$201	$195	$179
NPH related Core G&A†	15	15	16	19	12	3
AdvisoryWorld related Core G&A	2	0	0	0	0	0
Total Core G&A prior to NPH and AdvisoryWorld	**$199**	**$194**	**$176**	**$182**	**$183**	**$176**

† Estimated NPH related Core G&A for Q3 2018 and Q4 2018

Footnotes

(1) Represents the estimated total brokerage and advisory 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.
(2) Reflects retention of commission and advisory revenues, calculated by deducting the prior year production of the annualized year-to-date attrition rate, over the prior year total production.
(3) 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.
(4) Consists of total assets on LPL Financial's corporate advisory platform serviced by investment advisor representatives of LPL Financial.
(5) Consists of brokerage assets serviced by advisors licensed with LPL Financial.
(6) Consists of total client deposits into advisory accounts less total client withdrawals from advisory accounts. The Company considers conversions to and from advisory accounts as deposits and withdrawals respectively. Annualized growth is calculated as the current period Net New Advisory Assets divided by preceding period total Advisory Assets, multiplied by four.
(7) Consists of total client deposits into brokerage accounts less total client withdrawals from brokerage accounts. The Company considers conversions to and from brokerage accounts as deposits and withdrawals respectively. Annualized growth is calculated as the current period Net New Brokerage Assets divided by preceding period total Brokerage Assets, multiplied by four.
(8) Consists of existing custodied assets that converted from brokerage to advisory, less existing custodied assets that converted from advisory to brokerage. This included $0.2 billion of assets from NPH in Q4 2017 and $0.3 billion of assets from NPH in each Q1 and Q2 2018.
(9) 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.
(10) Consists of total client deposits into advisory accounts on LPL Financial's corporate 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.
(11) Represents those advisory assets in LPL Financial's Model Wealth Portfolios, Optimum Market Portfolios, Personal Wealth Portfolios, and Guided Wealth Portfolios platforms.
(12) Consists of total client deposits into Centrally Managed Assets (see FN11) 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.
(13) Represents the average month-end Total Brokerage and Advisory Assets for the period.
(14) Represents annualized Gross Profit* for the period, divided by average month-end Total Brokerage and Advisory Assets for the period (see FN13).
(15) Represents annualized operating expenses for the period, excluding production-related expense ("OPEX"), divided by average month-end Total Brokerage and Advisory Assets for the period (see FN13). Production-related expense includes commissions and advisory 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 Intangible Assets.
(16) EBIT ROA is calculated as Gross Profit ROA (see FN14) less OPEX ROA (see FN15).
(17) Consists of revenues from the Company's sponsorship programs with financial product manufacturers and omnibus processing and networking services, but not including fees from cash sweep programs. Other asset-based revenues are a component of asset-based revenues and are derived from the Company's Unaudited Condensed Consolidated Statements of Income.
(18) These results include NPH expense of $12M in Core G&A*, $23M in Promotional expense, $1M of Amortization of Intangible Assets expense, and $1M of Depreciation expense.
(19) These results include NPH expense of $19M in Core G&A*, $33M in Promotional expense, and $5M of Amortization of Intangible Assets expense.
(20) These results include NPH expense of $16M in Core G&A*, $7M in Promotional expense, and $7M of Amortization of Intangible Assets expense.
(21) These results include $2M in Core G&A* related to our acquisition of AdvisoryWorld.
(22) These results include $1.0 billion in cash sweep balances attributable to the NPH acquisition, including $0.4 billion of ICA balances, $0.4 billion of Money Market balances, and $0.2 billion of DCA balances.
(23) These results include $2.0 billion in cash sweep balances attributable to the NPH acquisition, including $0.9 billion of ICA balances, $0.7 billion of Money Market balances, and $0.4 billion of DCA balances.
(24) These results include $2.0 billion in cash sweep balances attributable to the NPH acquisition, including $1.1 billion of ICA balances, $0.6 billion of Money Market balances, and $0.4 billion of DCA balances.
(25)Calculated by dividing revenue for the period by the average balance during the quarter.
(26) Average duration is calculated as the weighted average life of the fixed rate contracts.
(27) 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.
(28) Represents LTM EBITDA* divided by LTM Gross Profit*.