

LPL Financial Announces First Quarter 2020 Results

First Quarter 2020 Key Performance Indicators

- **Earnings per share ("EPS") increased 7% year-over-year to \$1.92.**
 - Net Income was \$156 million, up slightly year-over-year.
- **EPS Prior to Amortization of Intangible Assets** increased 7% year-over-year to \$2.06.**
- **Total Brokerage and Advisory Assets decreased 2% year-over-year to \$670 billion, while the S&P 500 index was down 9% year-over-year.**
 - Advisory assets increased by 3% year-over-year to \$322 billion.
- **Total net new assets were an inflow of \$12.5 billion, translating to a 6.5% annualized growth rate, bringing the past twelve-month average organic growth rate to 4.4%.**
 - Total net new asset annualized growth rate was 5.3% in January, 7.4% in February, and 7.0% in March.
 - Net new advisory assets were an inflow of \$12.5 billion, translating to a 13.6% annualized growth rate, and net new brokerage assets were flat for the quarter.
 - Recruited Assets⁽¹⁾ were \$8.4 billion, contributing to a trailing twelve-month total of \$36.2 billion.
 - Advisor count⁽²⁾ was 16,763, up 299 from Q4 2019 and 574 year-over-year.
 - Year-to-date production retention rate was 99.0%, up from 96.2% a year ago.
- **Total client cash balances were \$47.8 billion, up \$14.1 billion or 42% sequentially.**
 - Client cash balances as a percentage of total assets were 7.1%, up from 4.4% in Q4.
- **Gross Profit** increased 4% year-over-year to \$576 million.**
- **EBITDA** increased 1% year-over-year to \$280 million.**
 - EBITDA** as a percentage of Gross Profit** was 49% in Q1, bringing the past twelve-month average to 47%.
 - Core G&A** increased 5% year-over-year to \$223 million, and decreased 3% sequentially.
- **Shareholder capital returns were \$170 million, translating to \$2.09 per share.**
 - Share repurchases were \$150 million for 1.8 million shares at an average purchase price of \$83.
 - Weighted-average fully diluted share count was 81.2 million, down 6% year-over-year.
 - Dividends were \$20 million.
- **Cash available for corporate use was \$236 million, up from \$204 million in Q4.**
- **Credit Agreement Net Leverage Ratio⁽³⁾ was 2.07x.**

Key Updates

- **On April 28th, announced the planned acquisition of assets of Lucia Securities, a firm with ~20 advisors and ~\$1.5B of client assets, at an expected transaction multiple of ~6x post-synergy EBITDA**.**
 - **Added new disclosure on Insured Cash Account (ICA) balances in the Key Metrics presentation.**
 - **Q1 Core G&A** was \$223M, or an annualized run-rate of ~\$890M. Current full-year plans are to be in the lower half of the 2020 outlook range of \$915 to \$940M, with expenses building gradually over the year.**
 - **Completed \$150M of share repurchases in Q1 2020.**
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SAN DIEGO - April 30, 2020 — LPL Financial Holdings Inc. (Nasdaq: LPLA) (the “Company”) today announced results for its first quarter ended March 31, 2020, reporting net income of \$156 million, or \$1.92 per share. This compares with \$155 million, or \$1.79 per share, in the first quarter of 2019 and \$127 million, or \$1.53 per share, in the prior quarter.

"Over the past several years, we have built a strong and resilient operating platform with differentiated capabilities and service that positioned us in a place of strength to serve our advisors and their clients," said Dan Arnold, President and CEO. "As we factor in the impact of the current climate, we see even bigger opportunity ahead and are well-positioned to support advisors in the marketplace. Given this, we remain focused on executing our strategy to serve advisors and to create long-term shareholder value."

"In the first quarter, our continued business growth combined with the natural hedges in our model drove another quarter of strong financial outcomes", said Matt Audette, CFO. "We grew gross profit, stayed disciplined on expenses, and generated the highest quarter of earnings per share in our history. Looking forward, our financial strength positions us well to continue investing to drive organic growth while also staying flexible to adjust spending if macro conditions warrant."

Conference Call and Additional Information

The Company will hold a conference call to discuss its results at 5:00 p.m. EDT on Thursday, April 30. To listen, call 877-677-9122 (domestic) or 708-290-1401 (international); passcode 1367917, or visit investor.lpl.com (webcast). Replays will be available by phone and on investor.lpl.com beginning two hours after the call and until May 7 and May 21, respectively. For telephonic replay, call 855-859-2056 (domestic) or 404-537-3406 (international); passcode 1367917.

About LPL Financial

LPL Financial is a leader in the retail financial advice market and the nation's largest independent broker-dealer[†]. We serve independent financial advisors and financial institutions, providing them with the technology, research, clearing and compliance services, and practice management programs they need to create and grow their practices. LPL enables them to provide objective guidance to millions of American families seeking wealth management, retirement planning, financial planning and asset management solutions. LPL.com

[†]Based on total revenues, Financial Planning magazine June 1996-2019.

Securities and Advisory Services offered through LPL Financial, LLC, a registered investment advisor, Member FINRA/SIPC.

****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.

EPS Prior to Amortization of Intangible Assets is defined as GAAP 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 that 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 footnote 35 on page 19 of this release.

Gross Profit is calculated as net revenues, which were \$1,463 million for the three months ended March 31, 2020, less commission and advisory expenses and brokerage, clearing, and exchange fees, which were \$871 million and \$17 million, respectively, for the three months ended March 31, 2020. 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 financial measures that may not be comparable to those of 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.

Core G&A consists of total operating expenses, which were \$1,226 million for the three months ended March 31, 2020, 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 footnote 8 on page 17 of this release. 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.

EBITDA is defined as net income plus interest and other expense, income tax expense, depreciation and amortization, and amortization of intangible assets. 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. 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. For a reconciliation of EBITDA to net income, please see footnote 24 on page 18 of this release.

Credit Agreement EBITDA is defined in, and calculated by management in accordance with, the Company's credit agreement ("Credit Agreement") as "Consolidated EBITDA," which is Consolidated Net Income (as defined in the Credit Agreement) plus interest expense, tax expense, depreciation and amortization, amortization of intangible assets, and 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, or as an alternative to cash flows from operating activities as a measure of profitability or liquidity. In addition, the Company's calculation of Credit Agreement EBITDA can differ significantly from adjusted EBITDA calculated by other companies, depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, capital investments, and types of adjustments made by such companies. For a reconciliation of Credit Agreement EBITDA to net income, please see footnote 24 on page 18 of this release.

Forward-Looking Statements

Statements in this press release regarding the Company's future financial and operating results, growth, priorities and business strategies, including forecasts and statements relating to future expenses (including 2020 Core G&A** outlook), future capabilities, future advisor service experience, future investments and capital deployment, long-term shareholder value and the planned acquisition of Lucia Securities, 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 April 30, 2020. Forward-looking statements are not guarantees that the future results, plans, intentions, or expectations expressed or implied 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 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; the Company's strategy and success in managing client cash program fees; changes in the growth and profitability of the Company's fee-based business; fluctuations in the levels of advisory and brokerage assets, including net new assets, and the related impact on revenue; effects of competition in the financial services industry and the success of the Company in attracting and retaining financial advisors and institutions; 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 and the implementation of Regulation BI (Best Interest); 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; 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, acquisitions and programs; the effects of the COVID-19 pandemic; satisfaction of closing conditions, and successful onboarding of advisors and client assets, in connection with the acquisition of assets from Lucia Securities; and the other factors set forth in Part I, "Item 1A. Risk Factors" in the Company's 2019 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, even if its estimates change, and you should not rely on statements contained herein as representing the Company's views 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 March 31, | | % Change |
|--|---------------------------------|-------------------|----------|
| | 2020 | 2019 | |
| REVENUES | | | |
| Commission | \$ 503,444 | \$ 461,359 | 9% |
| Advisory | 579,027 | 453,938 | 28% |
| Asset-based | 285,506 | 296,363 | (4%) |
| Transaction and fee | 137,096 | 122,480 | 12% |
| Interest income, net of interest expense | 9,542 | 12,321 | (23%) |
| Other | (51,218) | 25,218 | n/m |
| Total net revenues | <u>1,463,397</u> | <u>1,371,679</u> | 7% |
| EXPENSES | | | |
| Commission and advisory | 870,795 | 799,698 | 9% |
| Compensation and benefits | 146,802 | 136,912 | 7% |
| Promotional | 57,398 | 51,349 | 12% |
| Depreciation and amortization | 26,644 | 23,470 | 14% |
| Amortization of intangible assets | 16,570 | 16,168 | 2% |
| Occupancy and equipment | 39,546 | 33,106 | 19% |
| Professional services | 14,605 | 19,612 | (26%) |
| Brokerage, clearing and exchange | 17,024 | 16,144 | 5% |
| Communications and data processing | 10,835 | 12,327 | (12%) |
| Other | 26,228 | 26,403 | (1%) |
| Total operating expenses | <u>1,226,447</u> | <u>1,135,189</u> | 8% |
| Non-operating interest expense and other | <u>29,318</u> | <u>32,716</u> | (10%) |
| INCOME BEFORE PROVISION FOR INCOME TAXES | 207,632 | 203,774 | 2% |
| PROVISION FOR INCOME TAXES | 51,991 | 48,376 | 7% |
| NET INCOME | <u>\$ 155,641</u> | <u>\$ 155,398</u> | —% |
| EARNINGS PER SHARE | | | |
| Earnings per share, basic | <u>\$ 1.96</u> | <u>\$ 1.84</u> | 7% |
| Earnings per share, diluted | <u>\$ 1.92</u> | <u>\$ 1.79</u> | 7% |
| Weighted-average shares outstanding, basic | <u>79,507</u> | <u>84,487</u> | (6%) |
| Weighted-average shares outstanding, diluted | <u>81,166</u> | <u>86,742</u> | (6%) |

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

| | Quarterly Results | | |
|---|-------------------|-------------------|-------------------|
| | Q1 2020 | Q4 2019 | Q3 2019 |
| REVENUES | | | |
| Commission | \$ 503,444 | \$ 476,920 | \$ 474,993 |
| Advisory | 579,027 | 533,259 | 514,363 |
| Asset-based | 285,506 | 288,925 | 292,140 |
| Transaction and fee | 137,096 | 118,291 | 121,222 |
| Interest income, net of interest expense | 9,542 | 10,966 | 11,531 |
| Other | (51,218) | 19,534 | 1,276 |
| Total net revenues | <u>1,463,397</u> | <u>1,447,895</u> | <u>1,415,525</u> |
| EXPENSES | | | |
| Commission and advisory | 870,795 | 893,831 | 856,635 |
| Compensation and benefits | 146,802 | 149,128 | 138,300 |
| Promotional | 57,398 | 51,050 | 61,715 |
| Depreciation and amortization | 26,644 | 25,663 | 24,062 |
| Amortization of intangible assets | 16,570 | 16,631 | 16,286 |
| Occupancy and equipment | 39,546 | 35,320 | 34,417 |
| Professional services | 14,605 | 17,772 | 17,666 |
| Brokerage, clearing and exchange expense | 17,024 | 15,927 | 16,380 |
| Communications and data processing | 10,835 | 12,465 | 12,535 |
| Other | 26,228 | 30,569 | 27,599 |
| Total operating expenses | <u>1,226,447</u> | <u>1,248,356</u> | <u>1,205,595</u> |
| Non-operating interest expense and other | 29,318 | 31,384 | 31,944 |
| Loss on extinguishment of debt | — | 3,156 | — |
| INCOME BEFORE PROVISION FOR INCOME TAXES | <u>207,632</u> | <u>164,999</u> | <u>177,986</u> |
| PROVISION FOR INCOME TAXES | <u>51,991</u> | <u>38,323</u> | <u>46,272</u> |
| NET INCOME | <u>\$ 155,641</u> | <u>\$ 126,676</u> | <u>\$ 131,714</u> |
| EARNINGS PER SHARE | | | |
| Earnings per share, basic | <u>\$ 1.96</u> | <u>\$ 1.57</u> | <u>\$ 1.61</u> |
| Earnings per share, diluted | <u>\$ 1.92</u> | <u>\$ 1.53</u> | <u>\$ 1.57</u> |
| Weighted-average shares outstanding, basic | <u>79,507</u> | <u>80,701</u> | <u>81,833</u> |
| Weighted-average shares outstanding, diluted | <u>81,166</u> | <u>82,695</u> | <u>83,844</u> |

LPL Financial Holdings Inc.
Condensed Consolidated Statements of Financial Condition
(Dollars in thousands, except par value)
(Unaudited)

| | March 31, 2020 | December 31, 2019 |
|---|---------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 418,202 | \$ 590,209 |
| Cash segregated under federal and other regulations | 1,217,692 | 822,697 |
| Restricted cash | 67,701 | 58,872 |
| Receivables from: | | |
| Clients, net of allowance | 360,533 | 433,986 |
| Product sponsors, broker-dealers, and clearing organizations | 218,690 | 177,654 |
| Advisor loans, net of allowance | 457,470 | 441,743 |
| Others, net of allowance | 351,169 | 298,790 |
| Securities owned: | | |
| Trading — at fair value | 29,199 | 46,447 |
| Held-to-maturity — at amortized cost | 14,361 | 11,806 |
| Securities borrowed | 15,927 | 17,684 |
| Fixed assets, net of accumulated depreciation and amortization | 542,821 | 533,044 |
| Operating lease assets | 103,870 | 102,477 |
| Goodwill | 1,503,648 | 1,503,648 |
| Intangible assets, net of accumulated amortization | 423,341 | 439,838 |
| Deferred income taxes, net | 517 | — |
| Other assets | 385,625 | 401,343 |
| Total assets | \$ 6,110,766 | \$ 5,880,238 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES: | | |
| Drafts payable | \$ 149,832 | \$ 218,636 |
| Payables to clients | 1,328,882 | 1,058,873 |
| Payables to broker-dealers and clearing organizations | 117,860 | 92,002 |
| Accrued commission and advisory expenses payable | 155,360 | 174,330 |
| Accounts payable and accrued liabilities | 454,241 | 557,969 |
| Income taxes payable | 65,282 | 20,129 |
| Unearned revenue | 109,420 | 82,842 |
| Securities sold, but not yet purchased — at fair value | 295 | 176 |
| Long-term and other borrowings, net | 2,467,719 | 2,398,818 |
| Operating lease liabilities | 142,922 | 141,900 |
| Finance lease liabilities | 107,596 | 108,592 |
| Deferred income taxes, net | — | 2,098 |
| Total liabilities | 5,099,409 | 4,856,365 |
| STOCKHOLDERS' EQUITY: | | |
| Common stock, \$.001 par value; 600,000,000 shares authorized; 127,035,564 shares issued at March 31, 2020 and 126,494,028 shares issued at December 31, 2019 | 127 | 126 |
| Additional paid-in capital | 1,720,276 | 1,703,973 |
| Treasury stock, at cost — 48,177,751 shares at March 31, 2020 and 46,259,989 shares at December 31, 2019 | (2,392,712) | (2,234,793) |
| Retained earnings | 1,683,666 | 1,554,567 |
| Total stockholders' equity | 1,011,357 | 1,023,873 |
| Total liabilities and stockholders' equity | \$ 6,110,766 | \$ 5,880,238 |

LPL Financial Holdings Inc.
Management's Statements of Operations⁽⁴⁾
(In thousands, except per share data)
(Unaudited)

Certain information presented on pages 8-15 of 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" that begins on page 3 of this release.

| | Quarterly Results | | | | |
|--|-------------------|-------------------|-------------|-------------------|-------------|
| | Q1 2020 | Q4 2019 | % Change | Q1 2019 | % Change |
| Gross Profit⁽⁴⁾ | | | | | |
| Sales-based commissions | \$ 228,391 | \$ 193,980 | 18% | \$ 190,999 | 20% |
| Trailing commissions | 275,053 | 282,940 | (3%) | 270,360 | 2% |
| Advisory | 579,027 | 533,259 | 9% | 453,938 | 28% |
| Commission and advisory fees | 1,082,471 | 1,010,179 | 7% | 915,297 | 18% |
| Production based payout ⁽⁵⁾ | (920,835) | (876,654) | 5% | (777,889) | 18% |
| Commission and advisory fees, net of payout | 161,636 | 133,525 | 21% | 137,408 | 18% |
| Client cash | 151,398 | 155,322 | (3%) | 173,139 | (13%) |
| Other asset-based ⁽⁶⁾ | 134,108 | 133,603 | —% | 123,224 | 9% |
| Transaction and fee | 137,096 | 118,291 | 16% | 122,480 | 12% |
| Interest income and other, net ⁽⁷⁾ | 8,364 | 13,323 | (37%) | 15,730 | (47%) |
| Total net commission and advisory fees and attachment revenue | 592,602 | 554,064 | 7% | 571,981 | 4% |
| Brokerage, clearing, and exchange expense | (17,024) | (15,927) | 7% | (16,144) | 5% |
| Gross Profit⁽⁴⁾ | 575,578 | 538,137 | 7% | 555,837 | 4% |
| G&A Expense | | | | | |
| Core G&A ⁽⁸⁾ | 223,211 | 230,182 | (3%) | 212,520 | 5% |
| Regulatory charges | 6,157 | 7,893 | n/m | 7,873 | n/m |
| Promotional | 57,398 | 51,050 | 12% | 51,349 | 12% |
| Employee share-based compensation | 8,648 | 7,179 | 20% | 7,967 | 9% |
| Total G&A | 295,414 | 296,304 | —% | 279,709 | 6% |
| EBITDA⁽⁴⁾ | 280,164 | 241,833 | 16% | 276,128 | 1% |
| Depreciation and amortization | 26,644 | 25,663 | 4% | 23,470 | 14% |
| Amortization of intangible assets | 16,570 | 16,631 | —% | 16,168 | 2% |
| Non-operating interest expense and other | 29,318 | 31,384 | (7%) | 32,716 | (10%) |
| Loss on extinguishment of debt | — | 3,156 | n/m | — | n/m |
| INCOME BEFORE PROVISION FOR INCOME TAXES | 207,632 | 164,999 | 26% | 203,774 | 2% |
| PROVISION FOR INCOME TAXES | 51,991 | 38,323 | 36% | 48,376 | 7% |
| NET INCOME | \$ 155,641 | \$ 126,676 | 23% | \$ 155,398 | —% |
| Earnings per share, diluted | \$ 1.92 | \$ 1.53 | 25% | \$ 1.79 | 7% |
| Weighted-average shares outstanding, diluted | 81,166 | 82,695 | (2%) | 86,742 | (6%) |
| EPS Prior to Amortization of Intangible Assets ⁽⁴⁾⁽³⁵⁾ | \$ 2.06 | \$ 1.68 | 23% | \$ 1.93 | 7% |

LPL Financial Holdings Inc
Management's Statements of Operations Trend⁽⁴⁾
(In thousands, except per share data)
(Unaudited)

| | Quarterly Results | | |
|--|-------------------|-------------------|-------------------|
| | Q1 2020 | Q4 2019 | Q3 2019 |
| Gross Profit(4) | | | |
| Sales-based commissions | \$ 228,391 | \$ 193,980 | \$ 194,342 |
| Trailing commissions | 275,053 | 282,940 | 280,651 |
| Advisory | 579,027 | 533,259 | 514,363 |
| Commission and advisory fees | 1,082,471 | 1,010,179 | 989,356 |
| Production based payout(5) | (920,835) | (876,654) | (857,384) |
| Commission and advisory fees, net of payout | 161,636 | 133,525 | 131,972 |
| Client cash | 151,398 | 155,322 | 162,517 |
| Other asset-based(6) | 134,108 | 133,603 | 129,623 |
| Transaction and fee | 137,096 | 118,291 | 121,222 |
| Interest income and other, net (7) | 8,364 | 13,323 | 13,556 |
| Total net commission and advisory fees and attachment revenue | 592,602 | 554,064 | 558,890 |
| Brokerage, clearing, and exchange expense | (17,024) | (15,927) | (16,380) |
| Gross Profit(4) | 575,578 | 538,137 | 542,510 |
| G&A Expense | | | |
| Core G&A(8) | 223,211 | 230,182 | 215,198 |
| Regulatory charges | 6,157 | 7,893 | 7,905 |
| Promotional | 57,398 | 51,050 | 61,715 |
| Employee share-based compensation | 8,648 | 7,179 | 7,414 |
| Total G&A | 295,414 | 296,304 | 292,232 |
| EBITDA(4) | 280,164 | 241,833 | 250,278 |
| Depreciation and amortization | 26,644 | 25,663 | 24,062 |
| Amortization of intangible assets | 16,570 | 16,631 | 16,286 |
| Non-operating interest expense and other | 29,318 | 31,384 | 31,944 |
| Loss on extinguishment of debt | — | 3,156 | — |
| INCOME BEFORE PROVISION FOR INCOME TAXES | 207,632 | 164,999 | 177,986 |
| PROVISION FOR INCOME TAXES | 51,991 | 38,323 | 46,272 |
| NET INCOME | \$ 155,641 | \$ 126,676 | \$ 131,714 |
| Earnings per share, diluted | \$ 1.92 | \$ 1.53 | \$ 1.57 |
| Weighted-average shares outstanding, diluted | 81,166 | 82,695 | 83,844 |
| EPS Prior to Amortization of Intangible Assets(4)(35) | \$ 2.06 | \$ 1.68 | \$ 1.71 |

LPL Financial Holdings Inc.
Operating Measures⁽⁴⁾
(Dollars in billions, except where noted) (Unaudited)

| | Q1 2020 | Q4 2019 | Change | Q1 2019 | Change |
|---|-----------------|-----------------|--------------|-----------------|-------------|
| Market Drivers | | | | | |
| S&P 500 Index (end of period) | 2,585 | 3,231 | (20%) | 2,834 | (9%) |
| Fed Funds Daily Effective Rate (FFER) (average bps) | 123 | 165 | (42bps) | 240 | (117bps) |
| Assets | | | | | |
| Advisory Assets(9) | \$ 322.3 | \$ 365.8 | (12%) | \$ 311.9 | 3% |
| Brokerage Assets(10) | 347.6 | 398.6 | (13%) | 372.1 | (7%) |
| Total Brokerage and Advisory Assets | \$ 669.9 | \$ 764.4 | (12%) | \$ 684.0 | (2)% |
| Advisory % of Total Brokerage and Advisory Assets | 48.1% | 47.8% | 30bps | 45.6% | 250bps |
| Assets by Platform | | | | | |
| Corporate Platform Advisory Assets(11) | \$ 200.7 | \$ 228.3 | (12%) | \$ 191.8 | 5% |
| Hybrid Platform Advisory Assets(12) | 121.6 | 137.5 | (12%) | 120.1 | 1% |
| Brokerage Assets | 347.6 | 398.6 | (13%) | 372.1 | (7%) |
| Total Brokerage and Advisory Assets | \$ 669.9 | \$ 764.4 | (12%) | \$ 684.0 | (2)% |
| Centrally Managed Assets | | | | | |
| Centrally Managed Assets(13) | \$ 46.9 | \$ 52.4 | (10%) | \$ 42.9 | 9% |
| Centrally Managed % of Total Advisory Assets | 14.5% | 14.3% | 20bps | 13.8% | 70bps |

LPL Financial Holdings Inc.
Operating Measures⁽⁴⁾
(Dollars in billions, except where noted) (Unaudited)

| | Q1 2020 | Q4 2019 | Change | Q1 2019 | Change |
|--|----------------|----------------|-------------|----------------|-------------|
| Net New Assets (NNA) | | | | | |
| Net New Advisory Assets(14) | \$ 12.5 | \$ 9.6 | n/m | \$ 4.6 | n/m |
| Net New Brokerage Assets(15) | — | (0.8) | n/m | (0.7) | n/m |
| Total Net New Assets | \$ 12.5 | \$ 8.8 | n/m | \$ 4.0 | n/m |
| Net Brokerage to Advisory Conversions(16) | \$ 2.4 | \$ 1.9 | n/m | \$ 1.4 | n/m |
| Advisory NNA Annualized Growth(17) | 13.6% | 11.4% | n/m | 6.5% | n/m |
| Total NNA Annualized Growth(17) | 6.5% | 4.9% | n/m | 2.5% | n/m |
| Net New Advisory Assets | | | | | |
| Corporate Platform Net New Advisory Assets(18) | \$ 7.4 | \$ 7.5 | n/m | \$ 4.2 | n/m |
| Hybrid Platform Net New Advisory Assets(19) | 5.1 | 2.1 | n/m | 0.4 | n/m |
| Total Net New Advisory Assets | \$ 12.5 | \$ 9.6 | n/m | \$ 4.6 | n/m |
| Centrally Managed Net New Advisory Assets(20) | \$ 2.2 | \$ 2.0 | n/m | \$ 1.0 | n/m |
| Client Cash Balances | | | | | |
| Insured Cash Account Balances | \$ 34.5 | \$ 24.4 | 41% | \$ 21.7 | 59% |
| Deposit Cash Account Balances | 8.7 | 5.0 | 74% | 4.3 | 102% |
| Total Insured Sweep Balances | 43.2 | 29.4 | 47% | 25.9 | 67% |
| Money Market Account Cash Balances | 1.8 | 1.9 | (5%) | 4.8 | (63%) |
| Purchased Money Market Funds | 2.8 | 2.4 | 17% | — | —% |
| Total Money Market Balances | 4.6 | 4.3 | 7% | 4.8 | (4%) |
| Total Client Cash Balances | \$ 47.8 | \$ 33.7 | 42% | \$ 30.7 | 56% |
| Client Cash Balances % of Total Assets | 7.1% | 4.4% | 270bps | 4.5% | 260bps |
| Client Cash Balance Average Fees | | | | | |
| Insured Cash Account Average Fee - bps(21) | 195 | 222 | (27) | 250 | (55) |
| Deposit Cash Account Average Fee - bps(21) | 142 | 184 | (42) | 220 | (78) |
| Money Market Account Average Fee - bps(21) | 58 | 69 | (11) | 77 | (19) |
| Purchased Money Market Fund Average Fee - bps(21) | 29 | 29 | n/m | — | n/m |
| Total Client Cash Balance Average Fee - bps(21) | 168 | 193 | (25) | 220 | (52) |
| Net Buy (Sell) Activity(22) | \$ 0.2 | \$ 9.8 | n/m | \$ 12.9 | n/m |

LPL Financial Holdings Inc.
Monthly Metrics⁽⁴⁾
(Dollars in billions, except where noted)
(Unaudited)

| | March 2020 | February 2020 | Feb to Mar Change | January 2020 | December 2019 |
|--|-----------------|------------------|----------------------|-----------------|------------------|
| Assets Served | | | | | |
| Advisory Assets(9) | \$ 322.3 | \$ 355.7 | (9.4%) | \$ 369.2 | \$ 365.8 |
| Brokerage Assets(10) | 347.6 | 380.9 | (8.7%) | 397.7 | 398.6 |
| Total Brokerage and Advisory Assets | \$ 669.9 | \$ 736.6 | (9.1%) | \$ 767.0 | \$ 764.4 |
| Net New Assets (NNA) | | | | | |
| Net New Advisory Assets(14) | \$ 4.1 | \$ 4.3 | n/m | \$ 4.0 | \$ 3.8 |
| Net New Brokerage Assets(15) | 0.2 | 0.4 | n/m | (0.6) | (0.9) |
| Total Net New Assets | \$ 4.3 | \$ 4.8 | n/m | \$ 3.4 | \$ 2.9 |
| Net Brokerage to Advisory Conversions(16) | \$ 0.6 | \$ 0.8 | n/m | \$ 0.9 | \$ 0.6 |
| Client Cash Balances | | | | | |
| Insured Cash Account Balances | \$ 34.5 | \$ 24.8 | 39.1% | \$ 24.4 | \$ 24.4 |
| Deposit Cash Account Balances | 8.7 | 5.2 | 67.3% | 4.8 | 5.0 |
| Total Insured Sweep Balances | 43.2 | 30.0 | 44.0% | 29.2 | 29.4 |
| Money Market Account Cash Balances | 1.8 | 1.6 | 12.5% | 1.7 | 1.9 |
| Purchased Money Market Funds | 2.8 | 2.6 | 7.7% | 2.5 | 2.4 |
| Total Money Market Balances | 4.6 | 4.3 | 7.0% | 4.2 | 4.3 |
| Total Client Cash Balances | \$ 47.8 | \$ 34.2 | 39.8% | \$ 33.5 | \$ 33.7 |
| Net Buy (Sell) Activity(22) | \$ (8.2) | \$ 3.9 | n/m | \$ 4.5 | \$ 3.2 |
| Market Indices | | | | | |
| S&P 500 Index (end of period) | 2,585 | 2,954 | (12.5%) | 3,226 | 3,231 |
| Fed Funds Effective Rate (average bps) | 39 | 158 | (119bps) | 155 | 155 |

LPL Financial Holdings Inc.
Financial Measures⁽⁴⁾
(Dollars in thousands, except where noted)
(Unaudited)

| | Q1 2020 | Q4 2019 | Change | Q1 2019 | Change |
|--------------------------------------|-------------------|-------------------|-----------|-------------------|-----------|
| Commission Revenue by Product | | | | | |
| Annuities | \$ 245,662 | \$ 244,249 | 1% | \$ 247,453 | (1%) |
| Mutual funds | 156,156 | 150,697 | 4% | 140,662 | 11% |
| Fixed income | 29,125 | 28,642 | 2% | 24,195 | 20% |
| Equities | 37,421 | 21,233 | 76% | 18,364 | 104% |
| Other | 35,080 | 32,099 | 9% | 30,685 | 14% |
| Total commission revenue | \$ 503,444 | \$ 476,920 | 6% | \$ 461,359 | 9% |

Commission Revenue by Sales-based and Trailing Commission

Sales-based commissions

| | | | | | |
|--------------------------------------|-------------------|-------------------|------------|-------------------|------------|
| Annuities | \$ 92,525 | \$ 86,141 | 7% | \$ 95,615 | (3%) |
| Mutual funds | 45,534 | 37,611 | 21% | 34,631 | 31% |
| Fixed income | 29,125 | 28,642 | 2% | 24,195 | 20% |
| Equities | 37,421 | 21,233 | 76% | 18,364 | 104% |
| Other | 23,786 | 20,353 | 17% | 18,194 | 31% |
| Total sales-based commissions | \$ 228,391 | \$ 193,980 | 18% | \$ 190,999 | 20% |

Trailing commissions

| | | | | | |
|-----------------------------------|-------------------|-------------------|-------------|-------------------|-----------|
| Annuities | \$ 153,137 | \$ 158,108 | (3%) | \$ 151,838 | 1% |
| Mutual funds | 110,622 | 113,086 | (2%) | 106,031 | 4% |
| Other | 11,294 | 11,746 | (4%) | 12,491 | (10%) |
| Total trailing commissions | \$ 275,053 | \$ 282,940 | (3%) | \$ 270,360 | 2% |
| Total commission revenue | \$ 503,444 | \$ 476,920 | 6% | \$ 461,359 | 9% |

Payout Rate

| | | | | | |
|---------------------------|---------------|---------------|-----------------|---------------|-------------|
| Base Payout Rate | 82.70% | 82.82% | (12bps) | 82.95% | (25bps) |
| Production Based Bonuses | 2.37% | 3.96% | (159bps) | 2.04% | 33bps |
| Total Payout Ratio | 85.07% | 86.78% | (171bps) | 84.99% | 8bps |

LPL Financial Holdings Inc.
Capital Management Measures⁽⁴⁾
(Dollars in thousands, except where noted)
(Unaudited)

| | Q1 2020 | Q4 2019 |
|--|---------------------|---------------------|
| Cash Available for Corporate Use⁽²³⁾ | | |
| Cash at Parent | \$ 130,964 | \$ 115,252 |
| Excess Cash at Broker-Dealer subsidiary per Credit Agreement | 86,897 | 66,842 |
| Other Available Cash | 18,287 | 21,597 |
| Total Cash Available for Corporate Use | \$ 236,148 | \$ 203,691 |
| Credit Agreement Net Leverage | | |
| Total Debt (does not include unamortized premium) | \$ 2,483,325 | \$ 2,415,000 |
| Cash Available (up to \$300 million) | 236,148 | 203,691 |
| Credit Agreement Net Debt | \$ 2,247,177 | \$ 2,211,309 |
| Credit Agreement EBITDA (trailing twelve months) ⁽²⁴⁾ | \$ 1,085,269 | \$ 1,080,847 |
| Credit Agreement Net Leverage Ratio | 2.07x | 2.05x |

| | March 31, 2020 | | | | |
|--|---------------------|---------------------------|-------------------|---------------|------------|
| | Balance | Current Applicable Margin | Yield At Issuance | Interest Rate | Maturity |
| Total Debt | | | | | |
| Revolving Credit Facility(a) | \$ 66,000 | ABR+25bps(b) | | 3.500% | 11/12/2024 |
| Broker-Dealer Revolving Credit Facility(c) | 50,000 | FFR+125bps | | 2.250% | 7/31/2024 |
| Senior Secured Term Loan B | 1,067,325 | LIBOR+175 bps(d) | | 2.709% | 11/12/2026 |
| Senior Unsecured Notes(e) | 500,000 | 5.75% Fixed | 5.750% | 5.750% | 9/15/2025 |
| Senior Unsecured Notes(e) | 400,000 (f) | 5.75% Fixed | 5.115% | 5.750% | 9/15/2025 |
| Senior Unsecured Notes(g) | 400,000 | 4.625% Fixed | 4.625% | 4.625% | 11/15/2027 |
| Total / Weighted Average | \$ 2,483,325 | | | 4.132% | |

- (a) The Revolving Credit Facility is secured and has a borrowing capacity of \$750 million.
- (b) The alternate base rate (ABR) was the effective PRIME rate on March 31, 2020, the date of the borrowing.
- (c) The Broker-Dealer Revolving Credit Facility is unsecured and at LPL Financial, the Company's broker-dealer subsidiary, and has a borrowing capacity of \$300 million.
- (d) The LIBOR rate option is one-month LIBOR rate and subject to an interest rate floor of 0 basis points.
- (e) The Senior Unsecured Notes were issued in two separate transactions; \$500 million in notes were issued in March 2017 at par; the remaining \$400 million were issued in September 2017 and priced at 103% of the aggregate principal amount.
- (f) Does not include unamortized premium of approximately \$8.2 million as of March 31, 2020.
- (g) The Senior Unsecured Notes were issued in November 2019 at par.

LPL Financial Holdings Inc.
Key Business and Financial Metrics⁽⁴⁾
(Dollars in thousands, except where noted)
(Unaudited)

| | <u>Q1 2020</u> | <u>Q4 2019</u> | <u>Change</u> | <u>Q1 2019</u> | <u>Change</u> |
|--|-----------------|-----------------|---------------|-----------------|---------------|
| Advisors | | | | | |
| Advisors | 16,763 | 16,464 | 2% | 16,189 | 4% |
| Net New Advisors | 299 | 115 | n/m | 80 | n/m |
| Annualized commission and advisory fees per Advisor(25) | \$ 261 | \$ 246 | 6% | \$ 227 | 15% |
| Average Total Assets per Advisor (\$ in millions)(26) | \$ 40.0 | \$ 46.4 | (14%) | \$ 42.2 | (5%) |
| Transition assistance loan amortization (\$ in millions)(27) | \$ 27.4 | \$ 26.1 | 5% | \$ 23.2 | 18% |
| Total client accounts (in millions) | 5.8 | 5.7 | 2% | 5.5 | 5% |
| Employees - period end | | | | | |
| | 4,358 | 4,343 | —% | 4,269 | 2% |
| Productivity Metrics | | | | | |
| Advisory Revenue as a % of Corporate Advisory Assets (28) | 1.01% | 1.02% | (1bps) | 1.04% | (3bps) |
| Gross Profit ROA (29) | 30.4bps | 30.7bps | (0.3bps) | 30.8bps | (0.4bps) |
| OPEX as a % of Brokerage and Advisory Assets (30) | 18.3bps | 18.3bps | —%bps | 18.6bps | (0.3bps) |
| EBIT ROA (31) | 12.2bps | 12.4bps | (0.2bps) | 12.1bps | 0.1bps |
| Production Retention Rate (YTD annualized) (32) | 99.0% | 96.5% | 250bps | 96.2% | 280bps |
| Recurring Gross Profit Rate (33) | 88.1% | 85.9% | 220bps | 86.3% | 180bps |
| EBITDA as a % of Gross Profit | 48.7% | 44.9% | 380bps | 49.7% | (100bps) |
| Capital Expenditure (\$ in millions) | | | | | |
| | \$ 34.0 | \$ 52.1 | (35%) | \$ 30.3 | 12% |
| Share Repurchases (\$ in millions) | | | | | |
| | \$ 150.0 | \$ 120.0 | 25% | \$ 125.0 | 20% |
| Dividends (\$ in millions) | | | | | |
| | 19.7 | 20.2 | (2%) | 21.1 | (7%) |
| Total Capital Allocated (\$ in millions) | \$ 169.7 | \$ 140.2 | 21% | \$ 146.1 | 16% |
| Weighted-average Share Count, Diluted | | | | | |
| | 81.2 | 82.7 | (2%) | 86.7 | (6%) |
| Total Capital Allocated per Share(34) | \$ 2.09 | \$ 1.70 | 23% | \$ 1.68 | 24% |

Endnote Disclosures

- (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) "Financial advisors" or "Advisors" include registered representatives and/or investment adviser representatives affiliated with LPL Financial LLC, an SEC registered broker-dealer and investment adviser.
- (3) Compliance with the Credit Agreement Net Leverage Ratio is only required under our revolving credit facility.
- (4) Certain information presented on pages 8-15 includes non-GAAP financial measures and operational and performance metrics. For more information on non-GAAP financial measures, please see the section titled "Non-GAAP Financial Measures" that begins on page 3.
- (5) Production based payout is an operating measure calculated as a commission and advisory expense less advisor deferred compensation expense. Below is a reconciliation of production based payout against the Company's commission and advisory expense for the periods presented (in thousands):

| | Q1 2020 | Q4 2019 | Q3 2019 | Q1 2019 |
|--|-------------------|-------------------|-------------------|-------------------|
| Production based payout | \$ 920,835 | \$ 876,654 | \$ 857,384 | \$ 777,889 |
| Advisor deferred compensation expense | (50,040) | 17,177 | (749) | 21,809 |
| Commission and advisory expense | \$ 870,795 | \$ 893,831 | \$ 856,635 | \$ 799,698 |

- (6) Consists of revenues from the Company's sponsorship programs with financial product manufacturers and omnibus processing and networking services, but does not include fees from client cash 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.
- (7) Interest income and other, net is an operating measure calculated as interest income, net of interest expense plus other revenue, less advisor deferred compensation expense. Below is a reconciliation of interest income and other, net against the Company's interest income, net of interest expense and other revenue for the periods presented (in thousands):

| | Q1 2020 | Q4 2019 | Q3 2019 | Q1 2019 |
|---|-----------------|------------------|------------------|------------------|
| Interest income, net of interest expense | \$ 9,542 | \$ 10,966 | \$ 11,531 | \$ 12,321 |
| Plus: Other revenue | (51,218) | 19,534 | 1,276 | 25,218 |
| Less: Advisor deferred compensation expense | 50,040 | (17,177) | 749 | (21,809) |
| Interest income and other, net | \$ 8,364 | \$ 13,323 | \$ 13,556 | \$ 15,730 |

- (8) 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 release for additional information. Below is a reconciliation of Core G&A against the Company’s total operating expenses for the periods presented:

| | Q1 2020 | Q4 2019 | Q3 2019 | Q1 2019 |
|--|---------------------|---------------------|---------------------|---------------------|
| Operating Expense Reconciliation (in thousands) | | | | |
| Core G&A | \$ 223,211 | \$ 230,182 | \$ 215,198 | \$ 212,520 |
| Regulatory charges | 6,157 | 7,893 | 7,905 | 7,873 |
| Promotional | 57,398 | 51,050 | 61,715 | 51,349 |
| Employee share-based compensation | 8,648 | 7,179 | 7,414 | 7,967 |
| Total G&A | 295,414 | 296,304 | 292,232 | 279,709 |
| Commissions and advisory | 870,795 | 893,831 | 856,635 | 799,698 |
| Depreciation & amortization | 26,644 | 25,663 | 24,062 | 23,470 |
| Amortization of intangible assets | 16,570 | 16,631 | 16,286 | 16,168 |
| Brokerage, clearing and exchange | 17,024 | 15,927 | 16,380 | 16,144 |
| Total operating expenses | \$ 1,226,447 | \$ 1,248,356 | \$ 1,205,595 | \$ 1,135,189 |

- (9) Consists of total advisory assets under custody at LPL Financial. Q4 2019 also included advisory assets serviced by investment advisor representatives of Allen & Company of Florida, LLC ("Allen & Company") that were onboarded to LPL Financial's custodial platform in Q4 2019.
- (10) Consists of brokerage assets serviced by advisors licensed with LPL Financial. Q4 2019 also included brokerage assets serviced by advisors licensed with Allen & Company that were onboarded to LPL Financial's custodial platform in Q4 2019.
- (11) Consists of total assets on LPL Financial's corporate advisory platform serviced by investment advisor representatives of LPL Financial or Allen & Company.
- (12) Consists of total assets on LPL Financial's independent advisory platform serviced by investment advisor representatives of separate registered investment advisor firms ("Hybrid RIAs"), rather than of LPL Financial.
- (13) Represents those advisory assets in LPL Financial's Model Wealth Portfolios, Optimum Market Portfolios, Personal Wealth Portfolios, and Guided Wealth Portfolios platforms.
- (14) Consists of total client deposits into advisory accounts, including advisory assets serviced by Allen & Company advisors, less total client withdrawals from advisory accounts. The Company considers conversions from and to brokerage accounts as deposits and withdrawals respectively.
- (15) Consists of total client deposits into brokerage accounts, including brokerage assets serviced by Allen & Company advisors, less total client withdrawals from brokerage accounts. The Company considers conversions from and to advisory accounts as deposits and withdrawals, respectively.
- (16) Consists of existing custodied assets that converted from brokerage to advisory, less existing custodied assets that converted from advisory to brokerage.
- (17) Calculated as annualized current period net new assets divided by preceding period assets in their respective categories of advisory assets or total brokerage and advisory assets.
- (18) Consists of total client deposits into advisory accounts on LPL Financial's corporate advisory platform (FN 11) less total client withdrawals from advisory accounts on its corporate advisory platform.
- (19) Consists of total client deposits into advisory accounts on LPL Financial's independent advisory platform (FN 12) less total client withdrawals from advisory accounts on its independent advisory platform.
- (20) Consists of total client deposits into centrally managed assets accounts (FN 13) less total client withdrawals from centrally managed assets accounts.
- (21) Calculated by dividing revenue for the period by the average balance during the period.
- (22) 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.
- (23) Consists of cash unrestricted by the Credit Agreement and other regulations available for operating, investing, and financing uses.

- (24) EBITDA and Credit Agreement EBITDA are non-GAAP financial measures. Please see a description of EBITDA and Credit Agreement EBITDA under “Non-GAAP Financial Measures” on page 3 of this 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 EBITDA and Credit Agreement EBITDA to net income for the periods presented (dollars in thousands):

| | Q1 2020 | Q4 2019 |
|---|---------------------|---------------------|
| EBITDA and Credit Agreement EBITDA Reconciliations | | |
| Net income | \$ 560,123 | \$ 559,880 |
| Non-operating interest expense | 126,603 | 130,001 |
| Provision for income taxes | 185,570 | 181,955 |
| Loss on extinguishment of debt | 3,156 | 3,156 |
| Depreciation and amortization | 98,953 | 95,779 |
| Amortization of intangible assets | 65,736 | 65,334 |
| EBITDA | \$ 1,040,141 | \$ 1,036,105 |
| Credit Agreement Adjustments: | | |
| Employee share-based compensation expense | \$ 30,547 | \$ 29,866 |
| Advisor share-based compensation expense | 2,679 | 2,992 |
| Other | 11,902 | 11,884 |
| Credit Agreement EBITDA (trailing twelve months) | \$ 1,085,269 | \$ 1,080,847 |

- (25) Calculated based on the average advisor count from the current period and prior period.
- (26) Calculated based on the end of period total brokerage and advisory assets divided by end of period advisor count.
- (27) Represents the amortization expense amount of forgivable loans for transition assistance to advisors and financial institutions.
- (28) Represents advisory revenue as a percentage of Corporate Platform Advisory Assets (FN 11) for the trailing twelve month period.
- (29) Represents Gross Profit (FN 4) for the trailing twelve month period, divided by average month-end total brokerage and advisory assets for the trailing twelve month period.
- (30) Represents operating expenses for the trailing twelve month period, excluding production-related expense, divided by average month-end total brokerage and advisory assets for the period. 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 (FN 8), regulatory, promotional, employee share-based compensation, depreciation & amortization, and amortization of intangible assets.
- (31) EBIT ROA is calculated as Gross Profit ROA less OPEX as a % of Total Brokerage and Advisory Assets.
- (32) 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.
- (33) Recurring Gross Profit Rate refers to the percentage of the Company’s gross profit, a non-GAAP financial measure, that was recurring for the trailing twelve month period. Management tracks recurring gross profit, a characterization of gross profit and a statistical measure, which is defined to include the Company’s revenues from asset-based fees, advisory fees, trailing commissions, client cash programs, and certain other fees that are based upon client accounts and advisors, less the expenses associated with such revenues and certain other recurring expenses not specifically associated with a revenue line. Management allocates such other recurring expenses on a pro-rata basis against specific revenue lines at its discretion.
- (34) Capital Allocated per Share equals the amount of capital allocated for share repurchases and cash dividends divided by the diluted weighted-average shares outstanding.

(35) 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 release for additional information. Below is a reconciliation of EPS Prior to Amortization of Intangible Assets to the Company’s GAAP EPS for the periods presented:

| EPS Reconciliation (in thousands, except per share data) | Q1 2020 |
|---|----------------|
| EPS | \$ 1.92 |
| Amortization of Intangible Assets | 16,570 |
| Tax Benefit | (4,640) |
| Amortization of Intangible Assets Net of Tax Benefit | \$ 11,930 |
| Diluted Share Count | 81,166 |
| EPS Impact | \$ 0.15 |
| EPS Prior to Amortization of Intangible Assets | <u>\$ 2.06</u> |