



LPL FINANCIAL HOLDINGS INC. Q2 2022 EARNINGS KEY METRICS

August 2, 2022

Notice to Investors: Safe Harbor Statement

Statements in this presentation regarding LPL Financial Holdings Inc.'s (together with its subsidiaries, the "Company") future financial and operating results, growth, priorities, business strategies and outlook, including forecasts and statements relating to the Company's future advisory and brokerage asset levels and mix, organic asset growth, deposit betas, Core G&A* expenses (including outlook for 2022), promotional, share-based compensation and depreciation and amortization expenses, Gross Profit* benefits, EBITDA* benefits, payout ratio, client cash balances and yields, service and fee revenue, transaction revenue, investments, capital returns, planned share repurchases, the expected benefits and costs of the acquisition of Waddell & Reed's wealth management business, and the expected timing, costs and benefits of the shift of our sweep overflow to client cash accounts, 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 August 2, 2022. Forward-looking statements are not guarantees that the future results, plans, intentions or expectations expressed or implied by the Company will be achieved. Matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, legislative, regulatory, competitive and other factors, which may cause actual financial or operating results, levels of activity or the timing of events to be materially different from those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include: the spread of COVID-19 and its direct and indirect effects on global economic and financial conditions; changes in interest rates and fees payable by banks participating in the Company's client cash programs; the Company's strategy and success in managing client cash program fees; changes in general economic and financial market conditions, including retail investor sentiment; fluctuations in the levels of advisory and brokerage assets, including net new assets, and the related impact on revenue; the effects of competition in the financial services industry; the success of the Company in attracting and retaining financial advisors and institutions, and their ability to market financial products and services effectively; whether retail investors served by newly-recruited advisors choose to move their respective assets to new accounts at the Company; changes in the growth and profitability of the Company's fee-based offerings; the effect of current, pending and future legislation, regulation and regulatory actions, including disciplinary actions imposed by federal and state regulators and self-regulatory organizations; the costs of settling and remediating issues related to regulatory matters or legal proceedings, including actual costs of reimbursing customers for losses in excess of the Company's reserves; changes made to the Company's services and pricing, and the effect that such changes may have on the Company's Gross Profit* streams and costs; execution of the Company's plans and its success in realizing the synergies, expense savings, service improvements and/or efficiencies expected to result from its investments, initiatives, acquisitions and programs; disruptions in the businesses of the Company that could make it more difficult to maintain relationships with their respective advisors and their clients; and the other factors set forth in Part I, "Item 1A. Risk Factors" in the Company's 2021 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 August 2, 2022, even if its estimates change, and statements contained herein are not to be relied upon as representing the Company's views as of any date subsequent to August 2, 2022.

THIS PRESENTATION INCLUDES DATA AS OF JUNE 30, 2022, UNLESS OTHERWISE INDICATED.

Notice to Investors: Non-GAAP Financial Measures

Management believes that presenting certain non-GAAP financial measures by excluding or including certain items can be helpful to investors and analysts who may wish to use this information to analyze the Company's current performance, prospects and valuation. Management uses this non-GAAP information internally to evaluate operating performance and in formulating the budget for future periods. Management believes that the non-GAAP financial measures and metrics discussed herein are appropriate for evaluating the performance of the Company. **Specific Non-GAAP financial measures have been marked with an asterisk (*) within this presentation. Reconciliations and calculations of such measures can be found in the appendix of this presentation.**

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

Gross profit is calculated as total revenue less advisory and commission expense and brokerage, clearing and exchange expense ("BC&E"). All other expense categories, including depreciation and amortization of property and equipment and amortization of other intangibles, are considered general and administrative in nature. Because the Company's gross profit amounts do not include any depreciation and amortization expense, the Company considers gross profit to be a non-GAAP financial measure that may not be comparable to similar measures used by others in its industry. Management believes that gross profit can provide investors with useful insight into the Company's core operating performance before indirect costs that are general and administrative in nature. For a calculation of gross profit, please see the appendix of this presentation.

Core G&A consists of total expense less the following expenses: advisory and commission; depreciation and amortization; amortization of other intangibles; brokerage, clearing and exchange; interest expense on borrowings; loss on extinguishment of debt; promotional; acquisition costs; employee share-based compensation; and regulatory charges. Management presents core G&A because it believes core G&A reflects the corporate expense categories over which management can generally exercise a measure of control, compared with expense items over which management either cannot exercise control, such as advisory and commission, or which management views as promotional expense necessary to support advisor growth and retention, including conferences and transition assistance. Core G&A is not a measure of the Company's total expense as calculated in accordance with GAAP. For a reconciliation of core G&A to the Company's total expense, please see the appendix of this presentation. The Company does not provide an outlook for its total expense because it contains expense components, such as advisory and commission, that are market-driven and over which the Company cannot exercise control. Accordingly, a reconciliation of the Company's outlook for core G&A to an outlook for total expense cannot be made available without unreasonable effort.

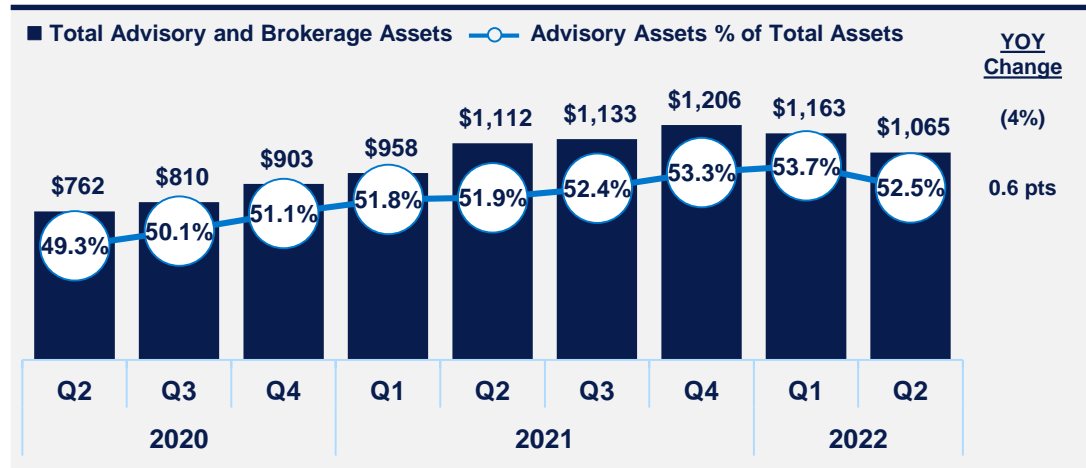
EBITDA is defined as net income plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles. The Company presents EBITDA because management believes that it can be a useful financial metric in understanding the Company's earnings from operations. EBITDA is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP. For a reconciliation of net income to EBITDA, please see the appendix of this presentation.

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 Credit Agreement EBITDA to net income, please see the appendix of this presentation.

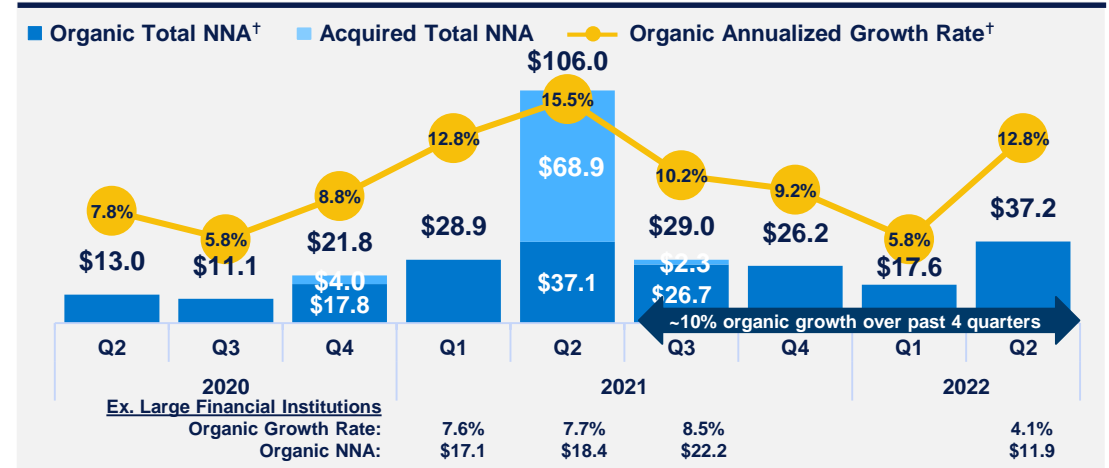
THIS PRESENTATION INCLUDES DATA AS OF JUNE 30, 2022, UNLESS OTHERWISE INDICATED.

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

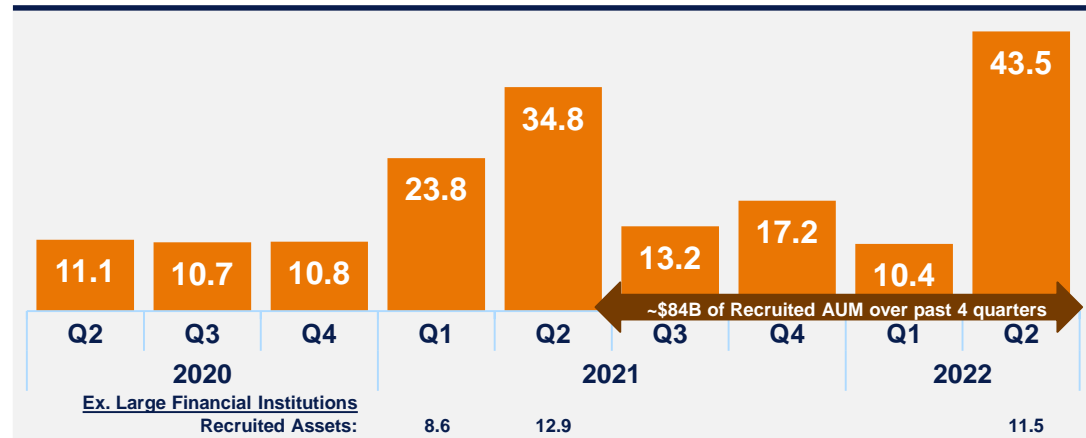
Total Advisory and Brokerage Assets (\$B)



Total Net New Assets (\$B)



Recruited Assets⁽¹⁾ (\$B)



AUM % Retention Rate⁽²⁾ (Quarterly Annualized)



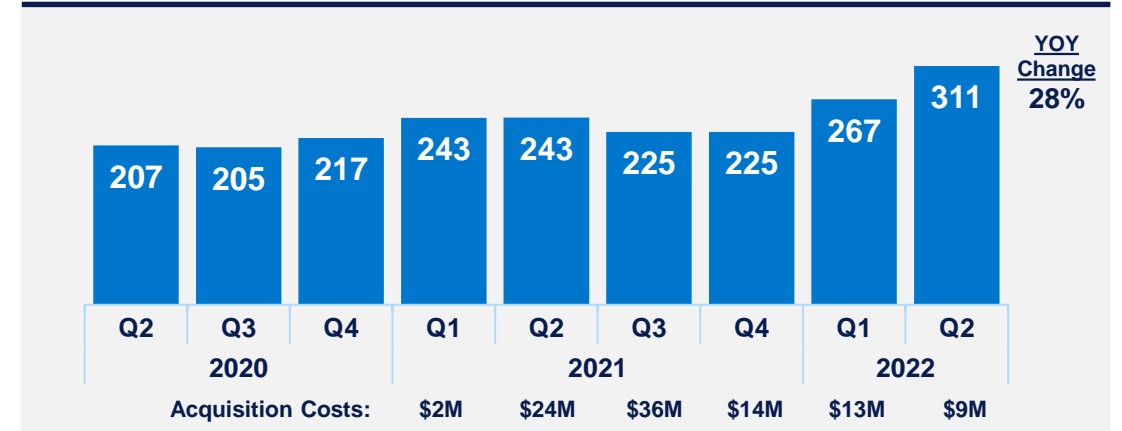
† Prior to Q4 2021, net new assets and net new assets growth rates exclude the addition of Waddell & Reed

...And solid financial results

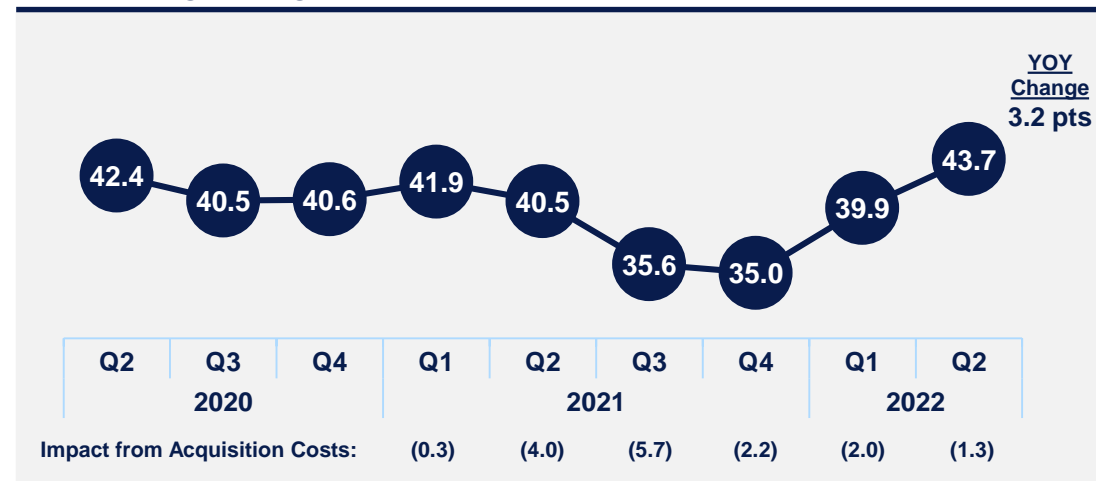
Gross Profit* (\$M)



EBITDA* (\$M)



Operating Margin (EBITDA* as a % of Gross Profit*)



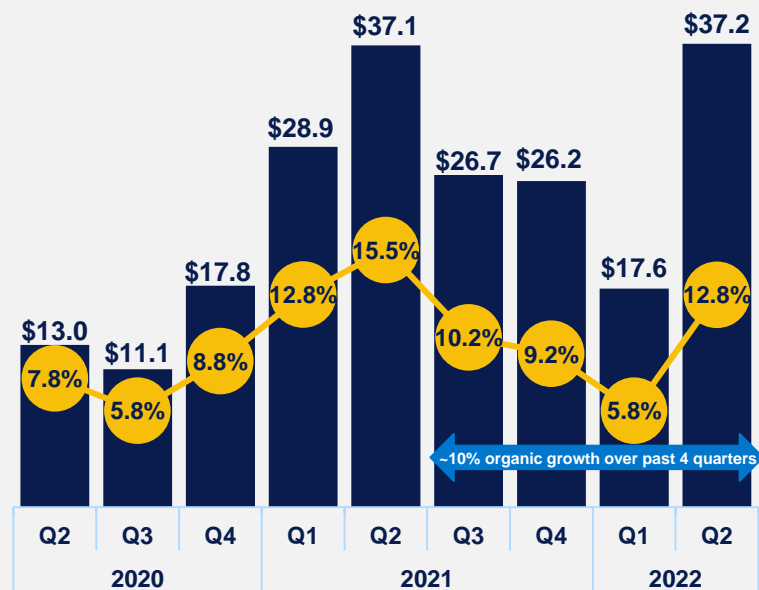
EPS Prior to Amortization of Intangible Assets and Acquisition Costs*



We continued to drive solid organic growth with a Net New Asset growth rate of ~13% in Q2 and ~10% for the past year

Total Organic Net New Assets (\$B)

■ Organic Total NNA[†]
 — Organic Annualized Growth Rate[†]

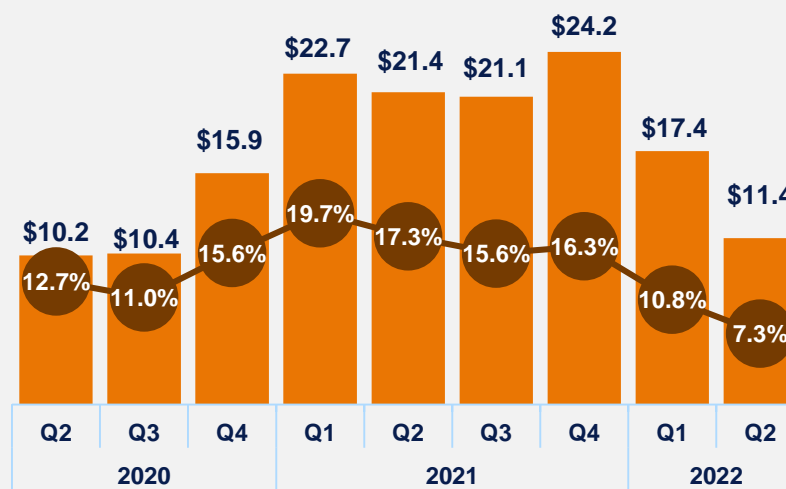


Ex. Large Financial Institutions

Organic Growth Rate:	7.6%	7.7%	8.5%	4.1%
Organic NNA:	\$17.1	\$18.4	\$22.2	\$11.9

Organic Net New Advisory Assets⁽³⁾ (\$B)

■ Organic Advisory NNA[†]
 — Organic Annualized Growth Rate[†]



Ex. Large Financial Institutions

Organic Growth Rate:	15.4%	14.7%	6.5%
Organic NNA:	\$17.7	\$18.3	\$10.1

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

■ Organic Brokerage NNA[†]
 — Organic Annualized Growth Rate[†]



Ex. Large Financial Institutions

Organic Growth Rate:	(0.5%)	0.1%	0.9%	1.3%
Organic NNA:	(\$0.6)	\$0.1	\$1.1	\$1.8

Net Brokerage to Advisory Conversions ⁽⁵⁾ (B):	\$1.6	\$2.0	\$2.6	\$3.3	\$3.2	\$3.1	\$3.4	\$2.9	\$1.8
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† Prior to Q4 2021, net new assets and net new assets growth rates exclude the addition of Waddell & Reed

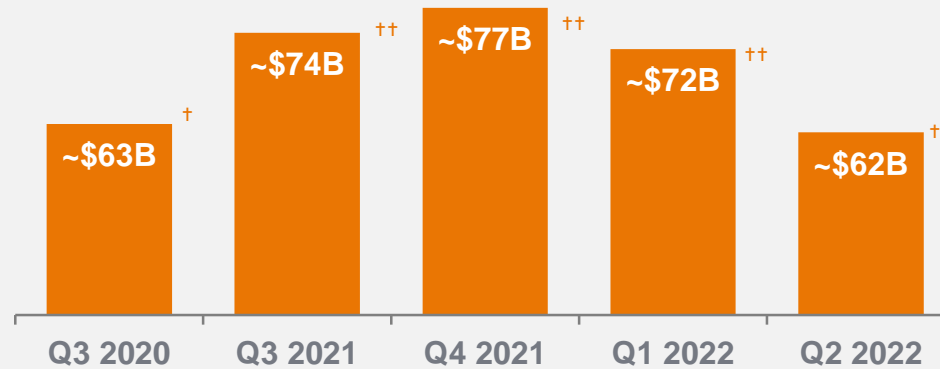
Waddell & Reed update: Integration is substantially complete

Transaction Details at Signing

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

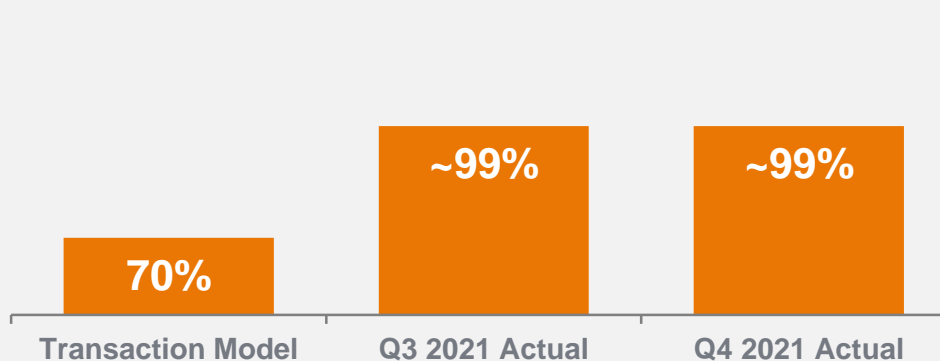
Retention Update

Waddell & Reed's wealth management client assets decreased to ~\$62B driven by equity markets



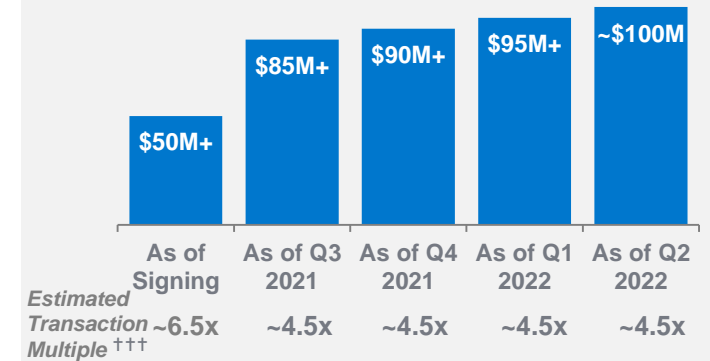
Final asset retention rate from Waddell & Reed was ~99%

- Waddell & Reed asset onboarding was completed in Q4 2021

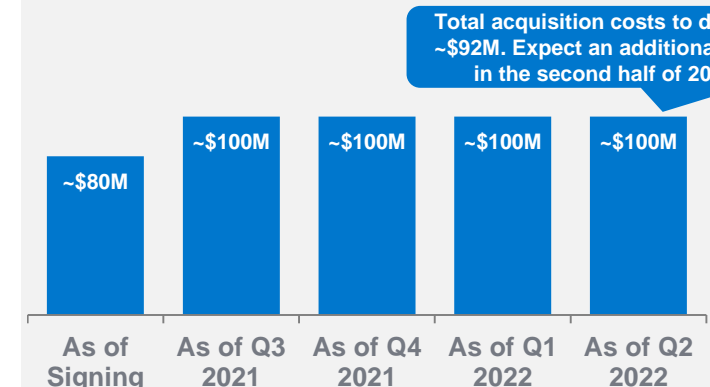


Financial Update

Estimated run-rate EBITDA* expectations are ~\$100M



Acquisition costs are estimated to be ~\$100M

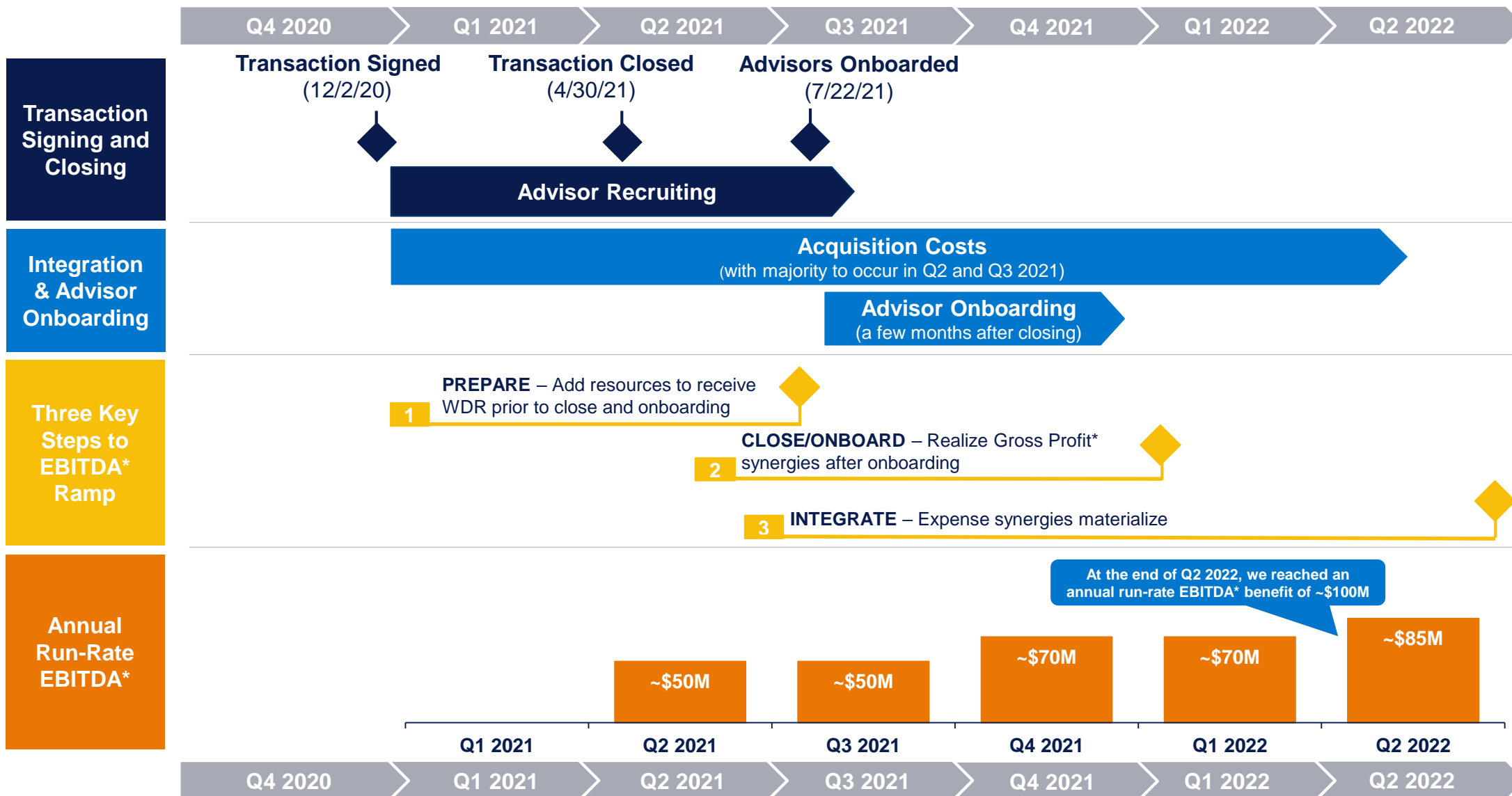


[†] Q3 2020 as reported by Waddell & Reed in its Earnings Release

^{††} Waddell & Reed client assets shown include ~\$2B of retirement assets, which LPL does not include in total asset reporting, and ~\$1B of assets that did not convert

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

We reached an annual run-rate EBITDA* benefit of ~\$100M at the end of Q2 2022



Our Services Group has grown to ~3,900 subscriptions with annualized revenue of ~\$32M in Q2

Business Services

Professional Services

- **Digital and employee-powered solutions** that provide practice management expertise to increase practice-level growth and operational efficiency
- Higher revenue and higher cost due to **full support from an LPL team**
- Subscriptions average **\$1,500+ per month**
- **Current Portfolio:** Business Strategy Services[†], Marketing Solutions and Admin Solutions

Business Optimizers

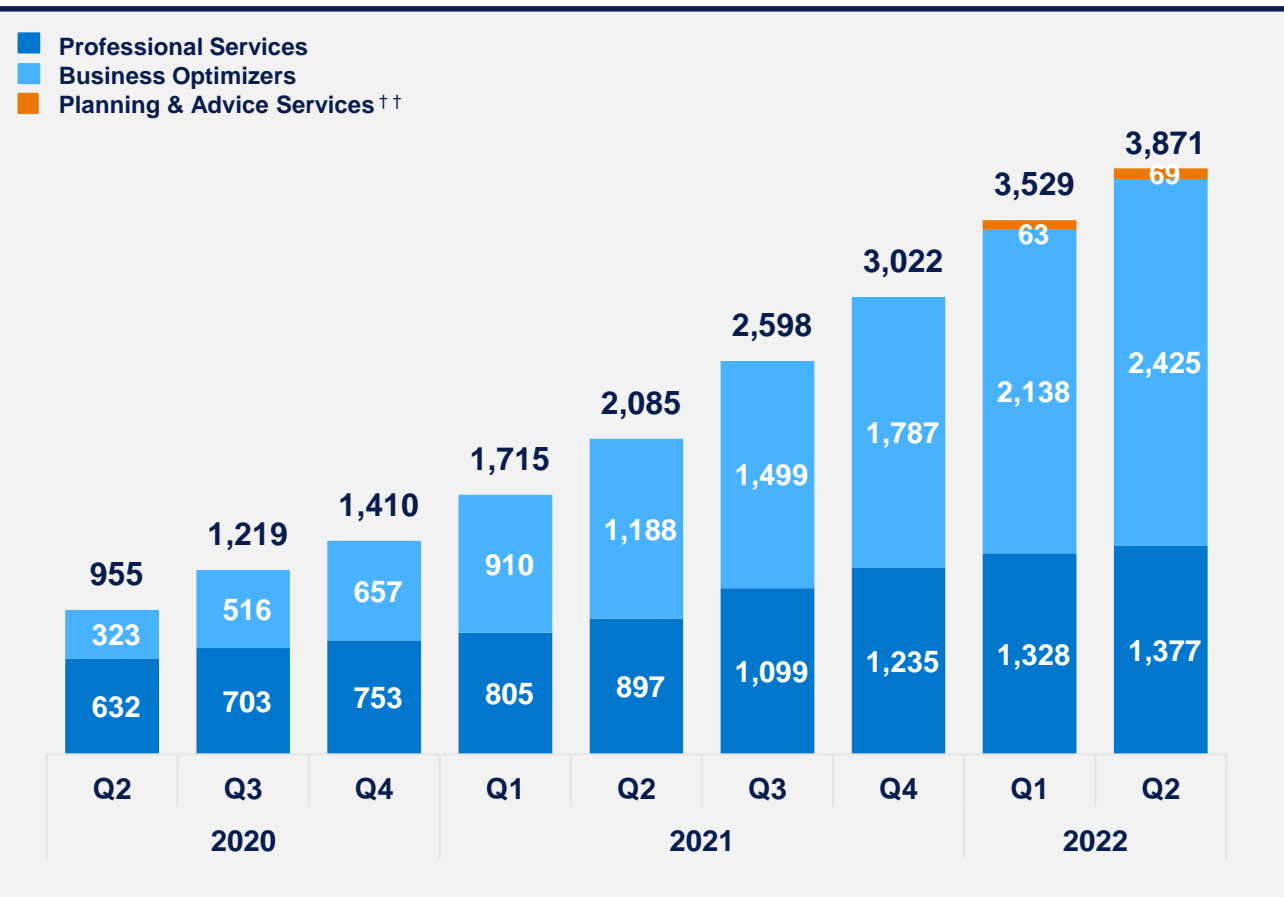
- **Digital solutions** that provide risk mitigation and business continuity services to support practice operations and succession planning
- Lower revenue and lower cost since they **deliver digital capabilities**
- Subscriptions average **\$100+ per month**
- **Current Portfolio:** M&A Solutions, Digital Office[†], Resilience Plan and Assurance Plan
- **In Development:** Client Engage and Bookkeeping

Planning & Advice Services

Planning and Advice

- **Digital and employee-powered solutions** that help advisors expand the breadth and depth of their advice
- Helps advisors increase marketplace differentiation while limiting additional complexity and risk
- Plans can average **~\$1,000 per month**
- **Current Portfolio:** Paraplanning
- **In Development:** Tax Planning and High Net Worth Services

Services Group Subscriptions

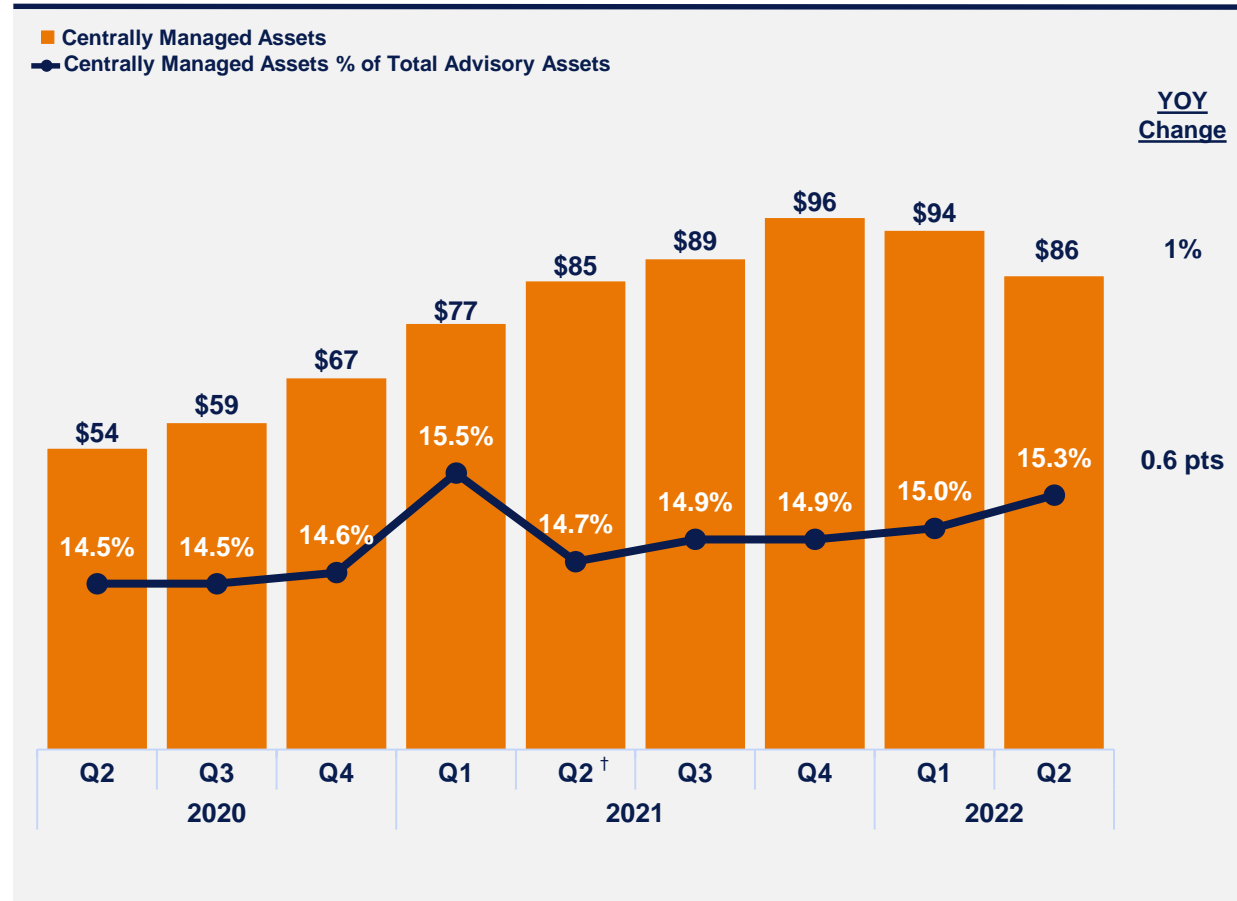


[†] Based on feedback from advisors, CFO Solutions was rebranded as Business Strategy Services and Remote Office was rebranded as Digital Office to better align with the breadth of the offering to advisors

^{††} Subscriptions are the number of advisors using the service

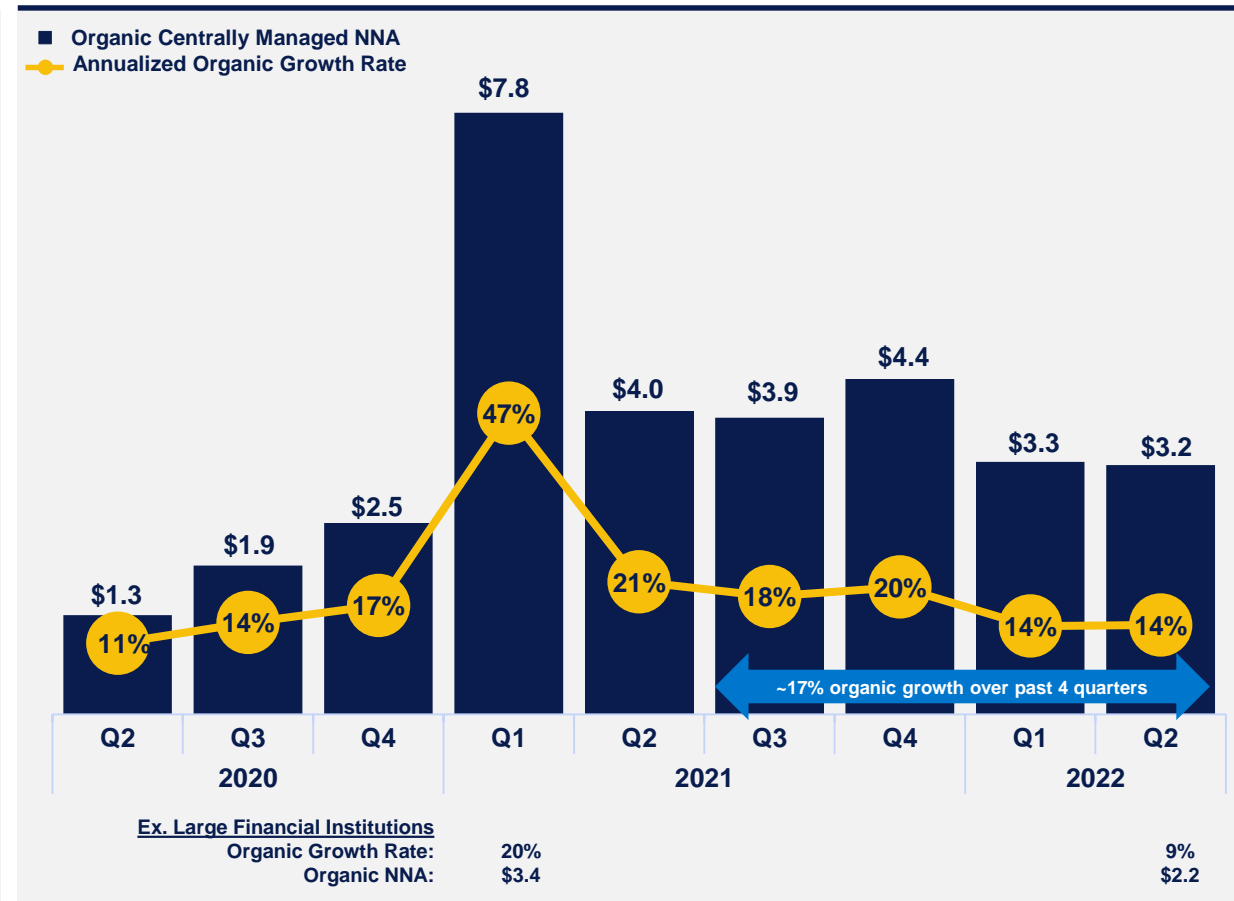
Centrally Managed Assets grew at a 14% organic growth rate in Q2

Centrally Managed Assets⁽⁶⁾ (\$B)



[†] We started the onboarding of Waddell & Reed assets in Q2 2021

Centrally Managed Net New Assets⁽⁷⁾ (\$B)



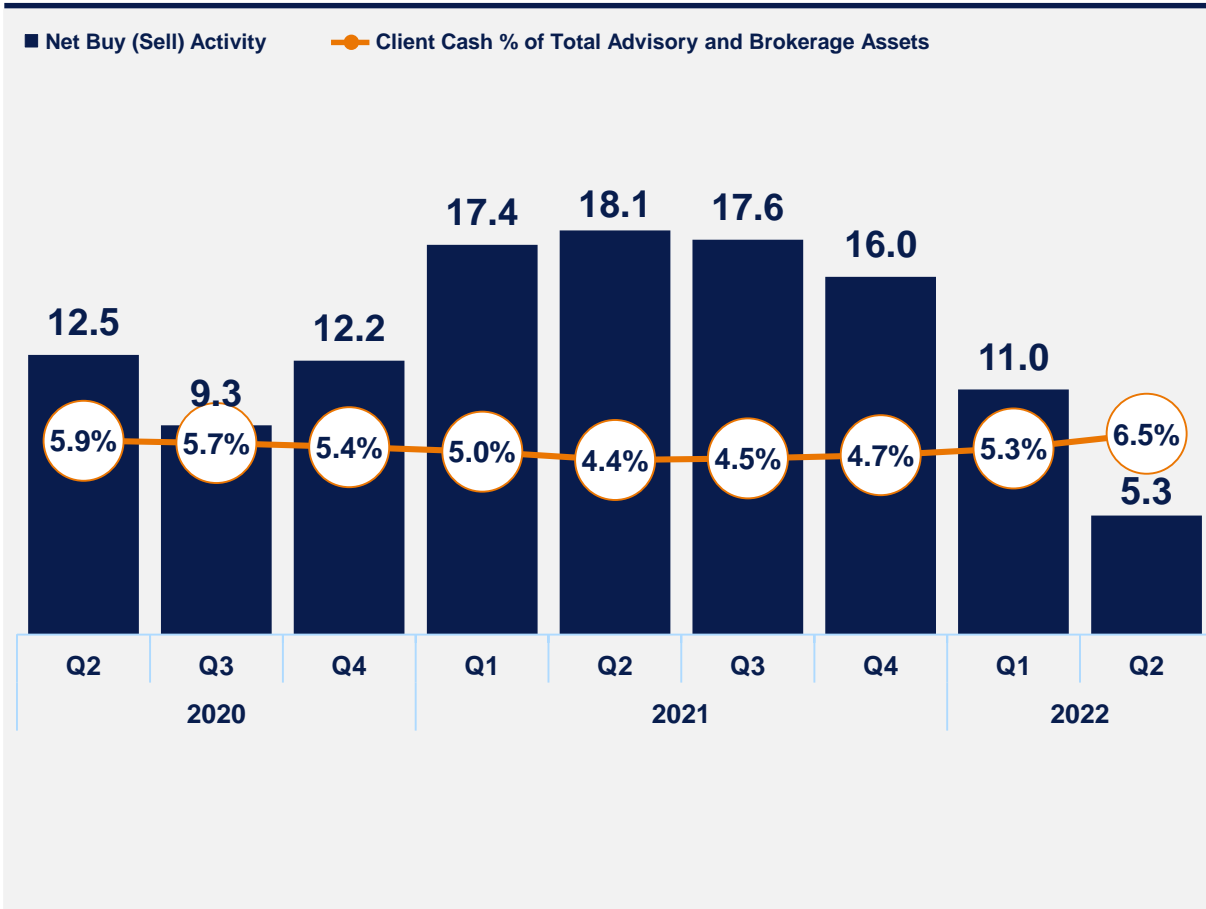
Ex. Large Financial Institutions

Organic Growth Rate: 20%
Organic NNA: \$3.4

9%
\$2.2

Net Buy (Sell) Activity was \$5.3B in Q2; the Payout Rate was 87.0%

Net Buy (Sell) Activity⁽⁸⁾ (\$B)



Payout Rate (%)



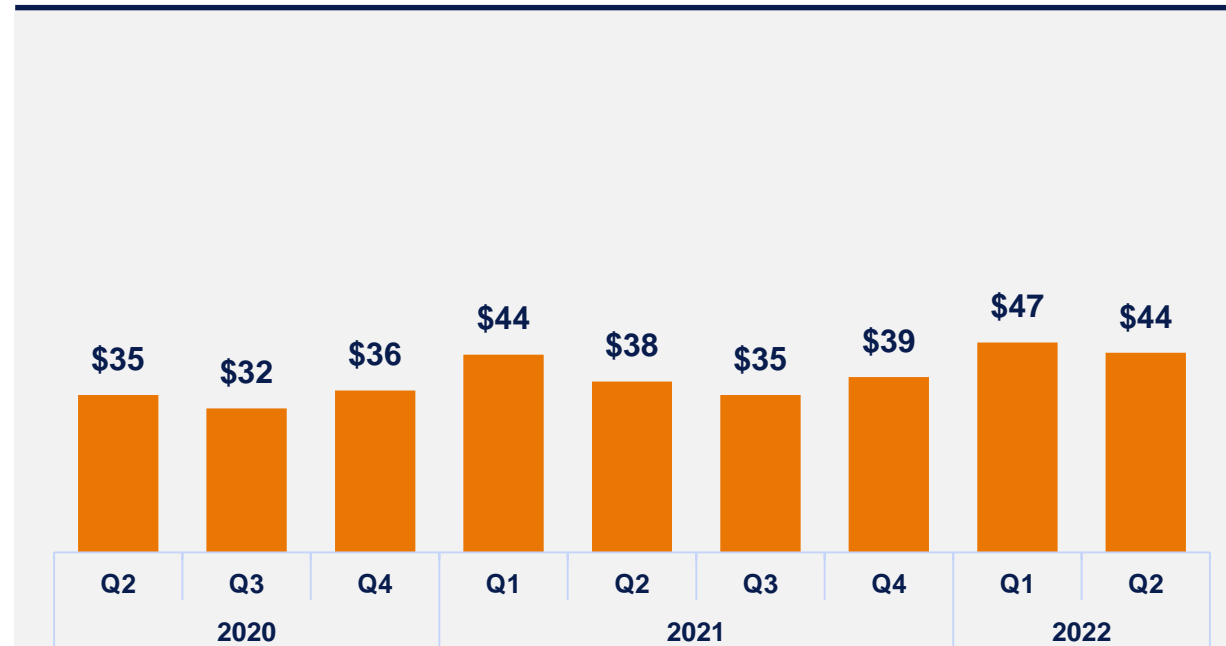
Service and Fee Revenue grew 13% year-over-year, as our advisor and account base continued to grow

Service and Fee Revenue (\$M)



- Revenue from advisor and retail investor services, including: technology, insurance, conferences, licensing, Services Group solutions, and IRA-based fees
- Service and Fee revenue is a function of advisor and account growth and greater adoption of Services Group solutions

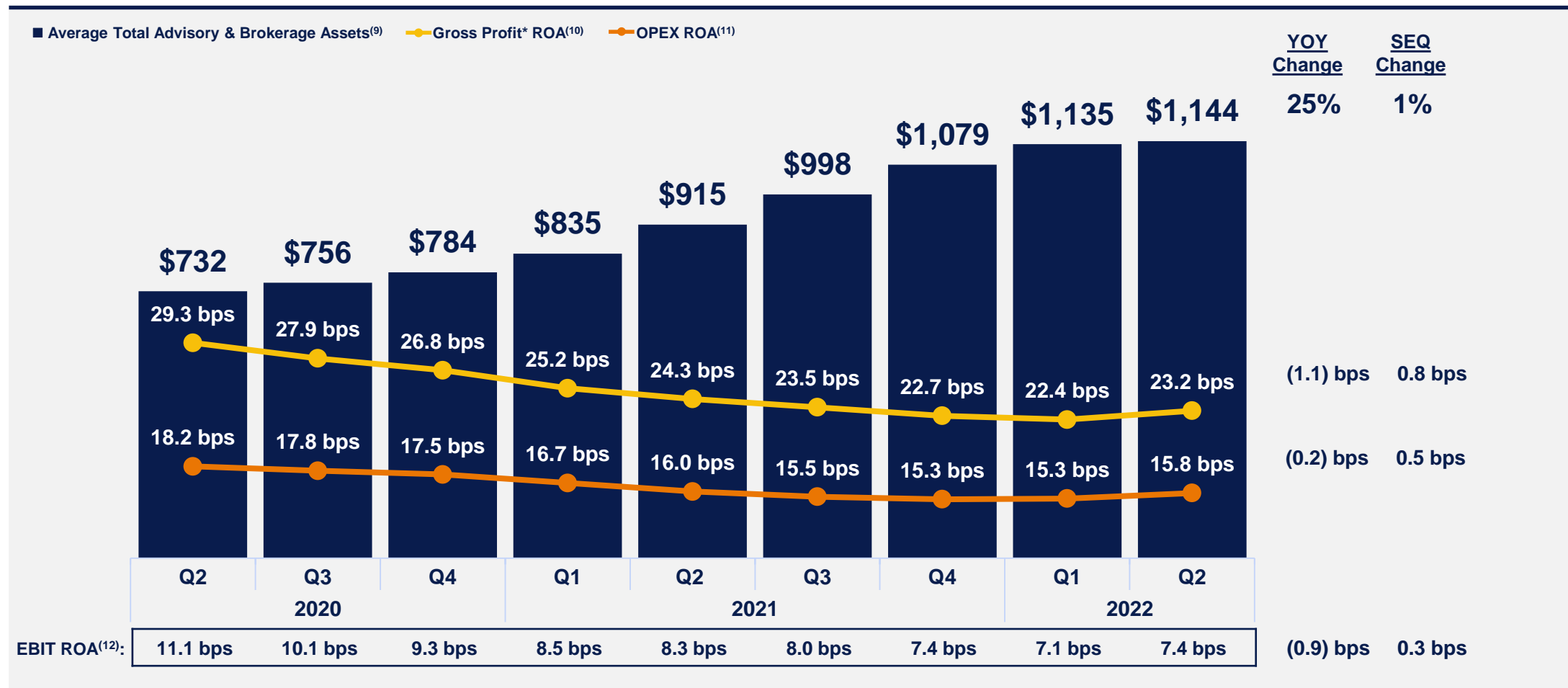
Transaction Revenue (\$M)



- Transaction charges generated in both advisory and brokerage accounts from products including mutual funds, ETFs, and fixed income
- Transaction revenue is a function of trading activity, but is becoming less sensitive to equity market volatility over time as business moves towards No Transaction Fee platforms

We continued to drive solid EBIT ROA in Q2

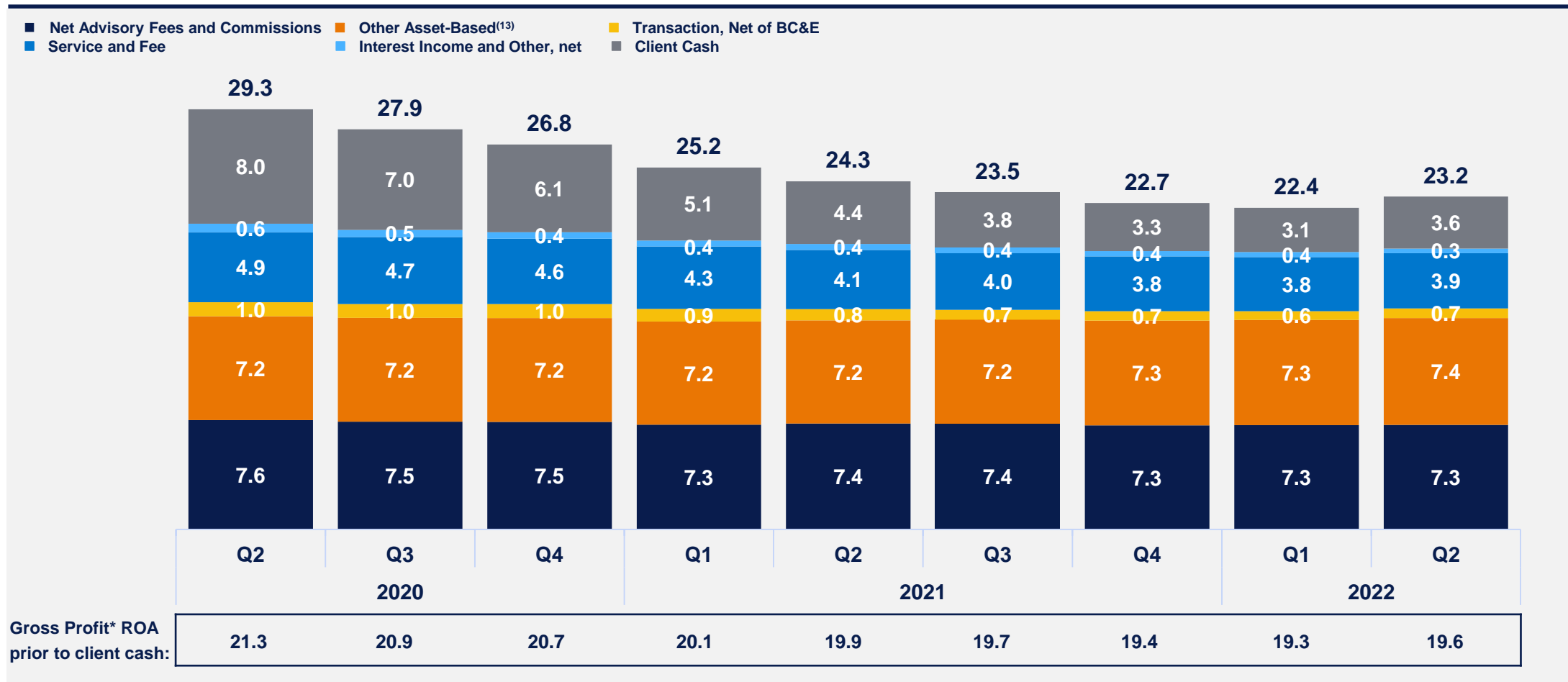
Average Total Advisory & Brokerage Assets (\$B)



Note: All periods are based on the trailing twelve months. EBIT ROA excludes acquisition costs and loss on debt extinguishment.

Q2 Gross Profit* ROA increased sequentially, primarily driven by an increase in client cash revenue

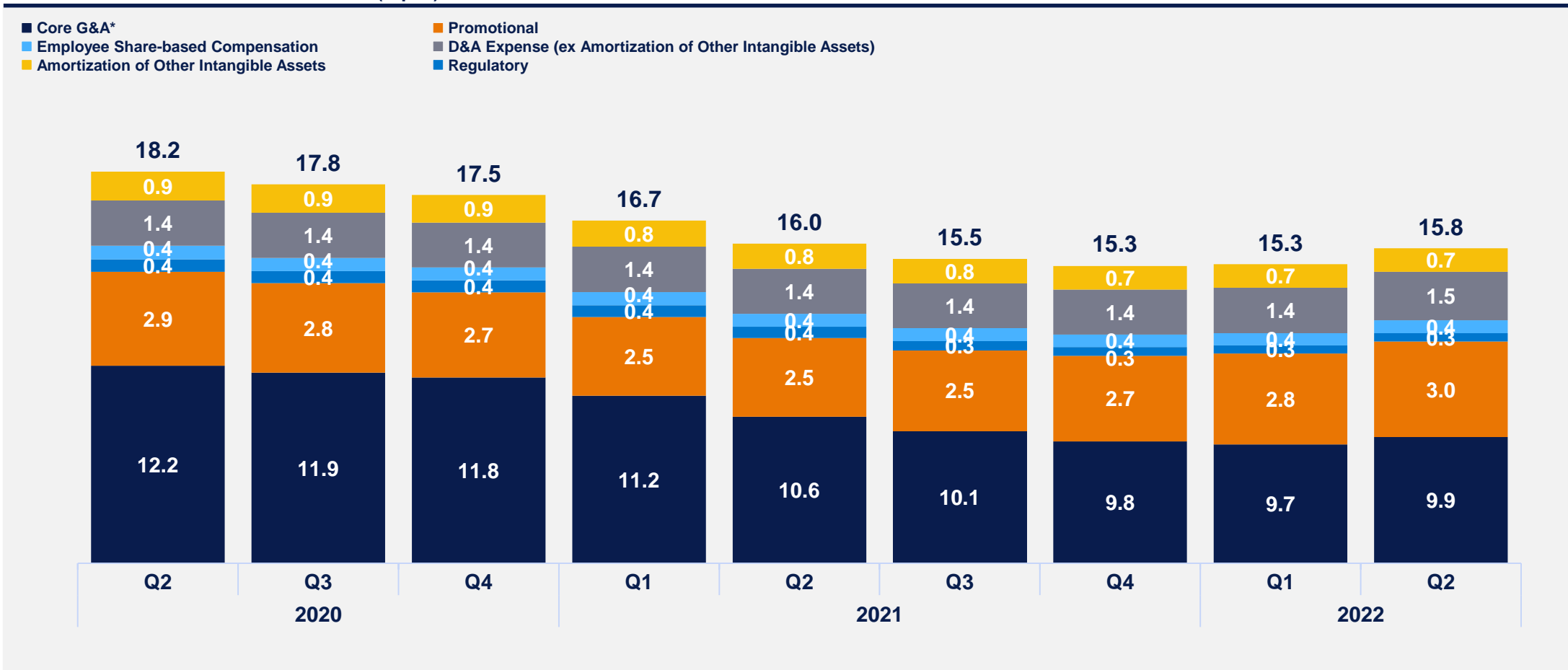
Gross Profit* ROA⁽¹⁰⁾ (bps)



Note: All periods are based on the trailing twelve months

OPEX ROA increased in Q2 as we grow assets and manage expenses

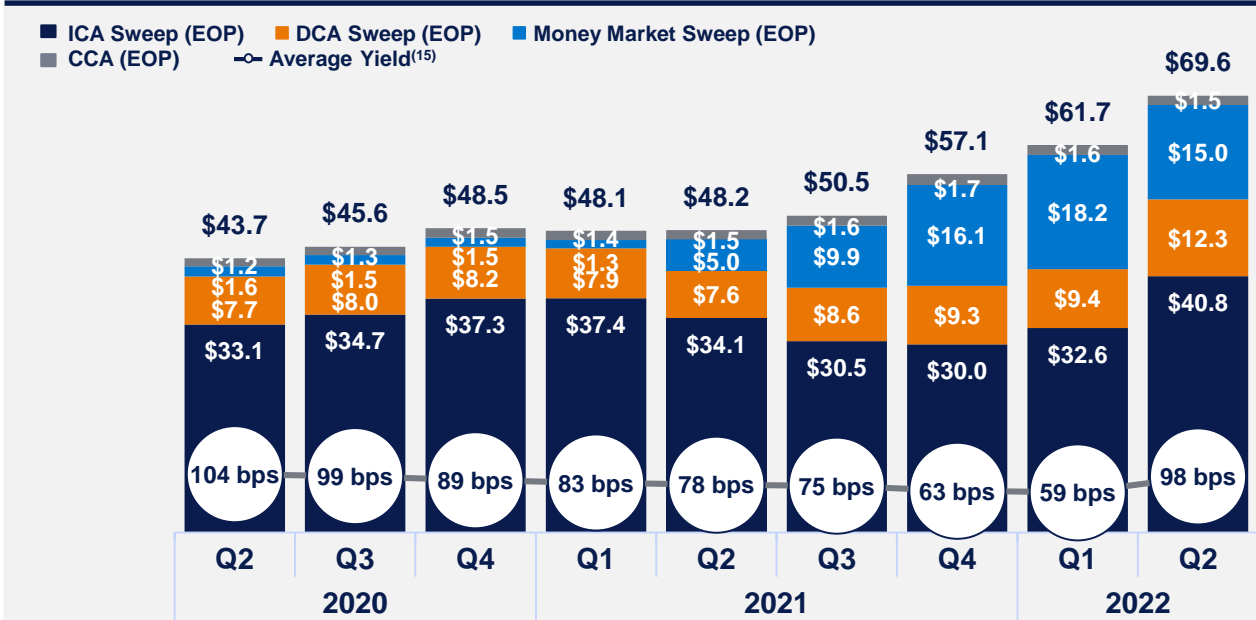
Total OPEX % of Assets⁽¹¹⁾ (bps)



Note: All periods are based on the trailing twelve months

We are well positioned to benefit from rising interest rates

Client Cash Balances⁽¹⁴⁾ (\$B)



Average Yields (in bps)

	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2
ICA Sweep	127	118	108	99	98	101	101	102	134
DCA Sweep	31	38	30	29	24	24	19	24	63
MM Sweep	16	9	5	3	1	3	3	7	44
CCA ⁽¹⁶⁾	35	32	26	19	15	14	12	13	52
Average	104	99	89	83	78	75	63	59	98
Client Cash % of Total Assets	5.7%	5.6%	5.4%	5.0%	4.3%	4.5%	4.7%	5.3%	6.5%

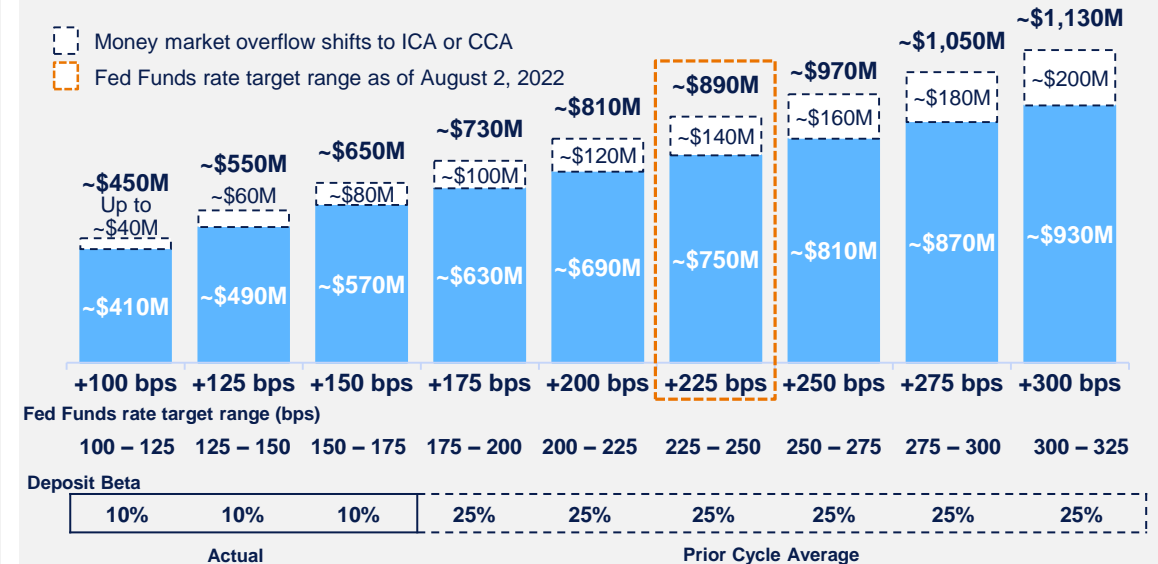
Note: Totals may not foot due to rounding.

† Assumes change based on Q2 2022 end of period cash balances. Gross Profit* benefit is measured relative to a Fed Funds target range of 0 to 25 bps

Annual potential Gross Profit* benefit from rising interest rates

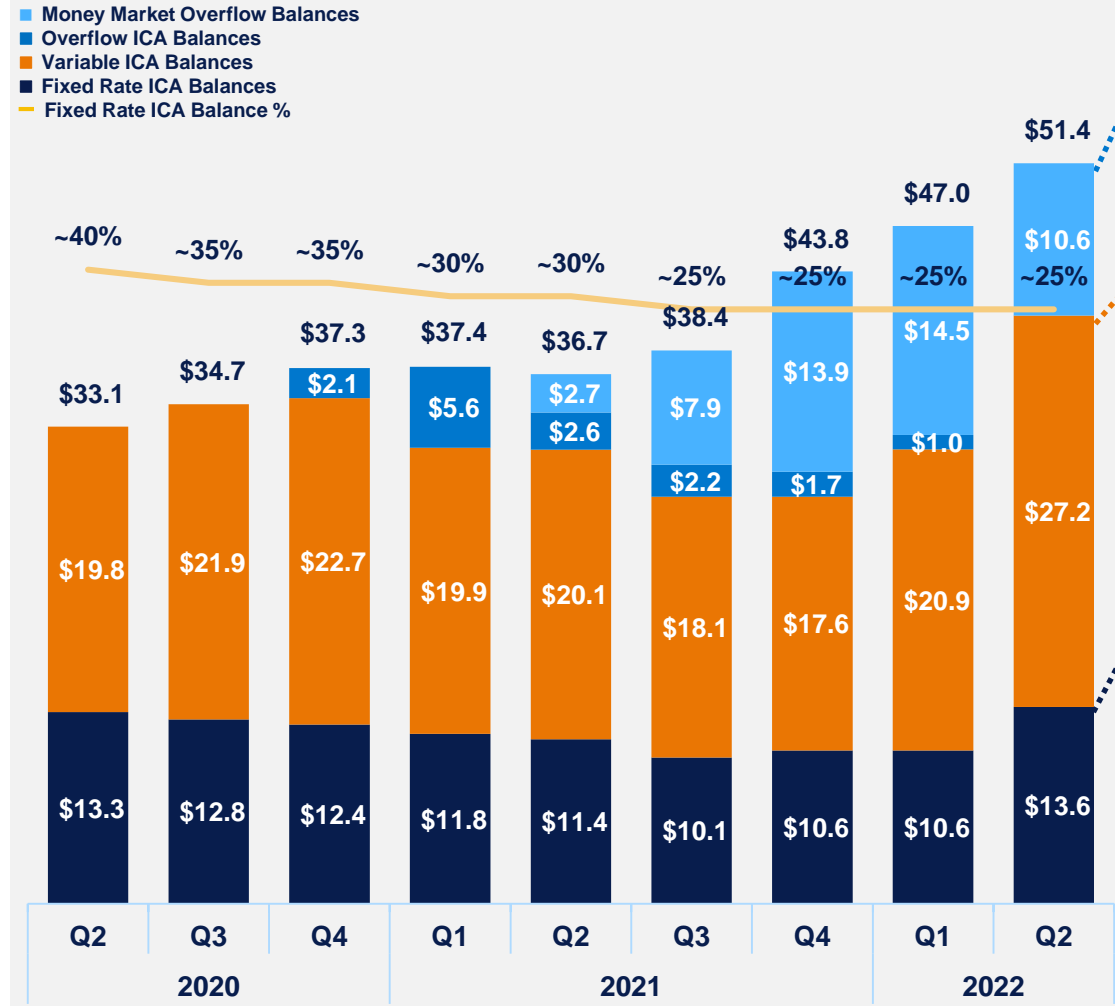
- Over the last interest rate cycle, our deposit beta averaged ~15%
 - Deposit betas were much lower early in the cycle, averaging ~2.5% over the first 4 Fed rate hikes
 - After the first 4 rate hikes, deposit betas averaged ~25%
 - This cycle, deposit betas were consistent on the first 100 bps, and slightly favorable on subsequent hikes
- Applying historical deposit betas to our current cash balances would yield:
 - ~\$60M of Annual Gross Profit* per subsequent rate hike, at a ~25% deposit beta
- Once implemented as the overflow account, the client cash account ("CCA") could provide up to ~\$20M of incremental Gross Profit* for each subsequent 25 bps hike

Estimated Interest Rate Sensitivity based on current balances †



ICA balances continued to grow, as demand increased for both fixed and variable contracts

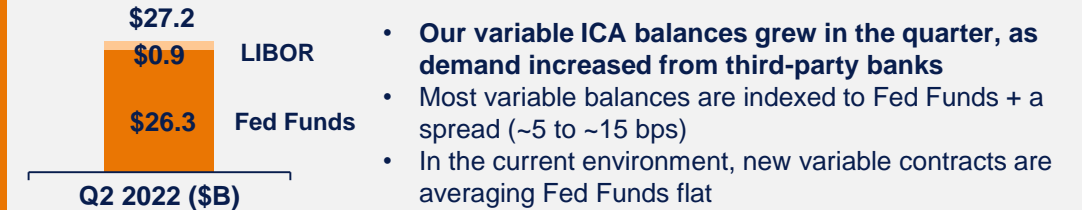
ICA Balances, including Money Market Overflow (\$B)



Overflow balances provide capacity when balances spike

- When ICA balances exceed our fixed and variable contract capacity, we use money market overflow contracts
- In the current interest rate environment, the interest rate earned on money market sweep contracts averages ~45 basis points

Variable balances are mostly indexed to Fed Funds



Fixed rate ICA contracts are laddered over ~4 years

- New contracts:** In Q2, we added ~\$3B of fixed rate balances maturing in 2024-2025, with a ~260 bps yield consistent with the 2-3 year points on the curve when contracted

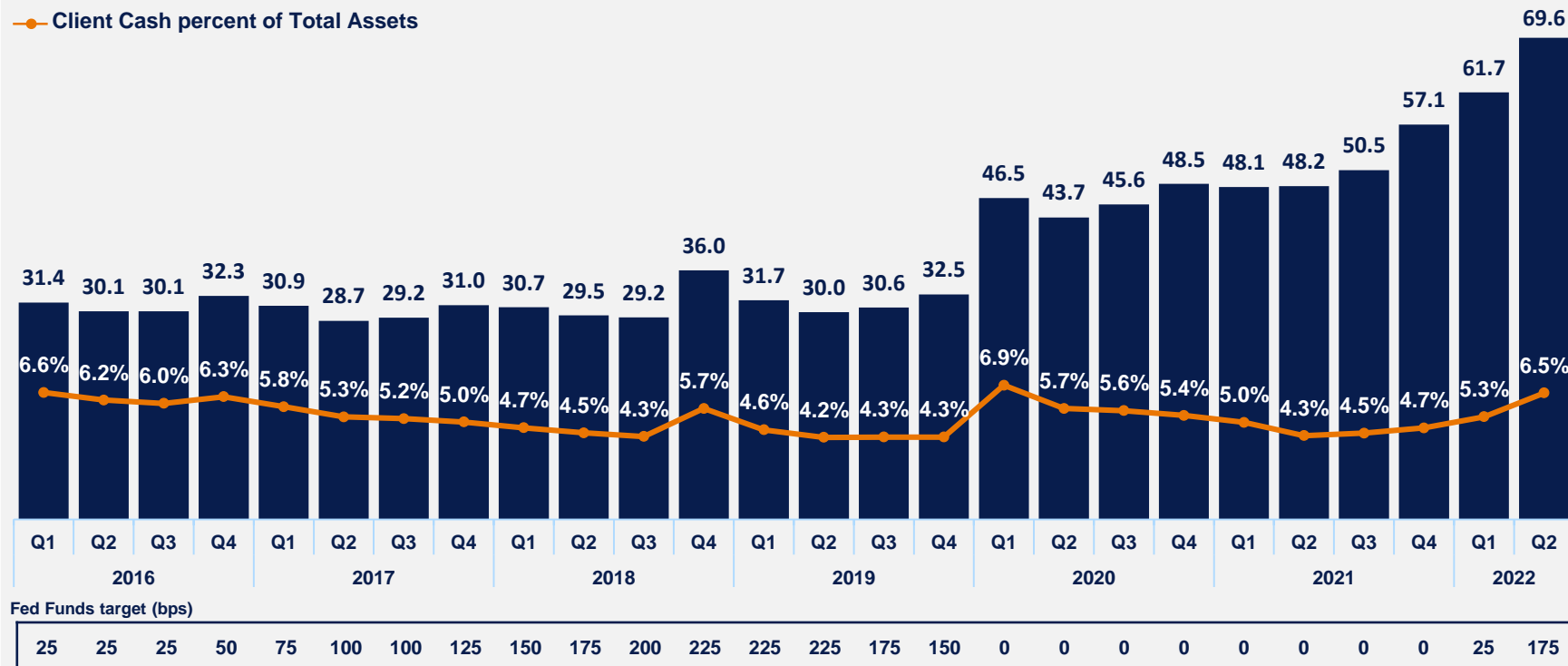


Note: Yields shown on this page are prior to client deposit rates and administrator fees. Money market sweep balances are not subject to these costs.

Our client cash balances are largely operational and increased to 6.5% of total assets in Q2

Client Cash Balances⁽¹⁴⁾ (\$B)

— Client Cash percent of Total Assets



Client cash as a % of assets has averaged ~5%

- Our client cash balances are largely operational
 - Typically small balances used for rebalancing, paying advisory fees, and customer withdrawals
 - This is reflected in the low client cash balances, which average ~5% or ~\$8K per account
- The primary factor that moves that % of client cash up or down is market sentiment rather than rate seeking behavior
 - When clients are fully deployed in the market, the ratio has gone as low as ~4%, like we saw in 2019
- In Q2 2022, cash was 6.5% of client assets, above the long-term average

We remain focused on investing to drive organic growth while delivering long-term operating leverage in our core business

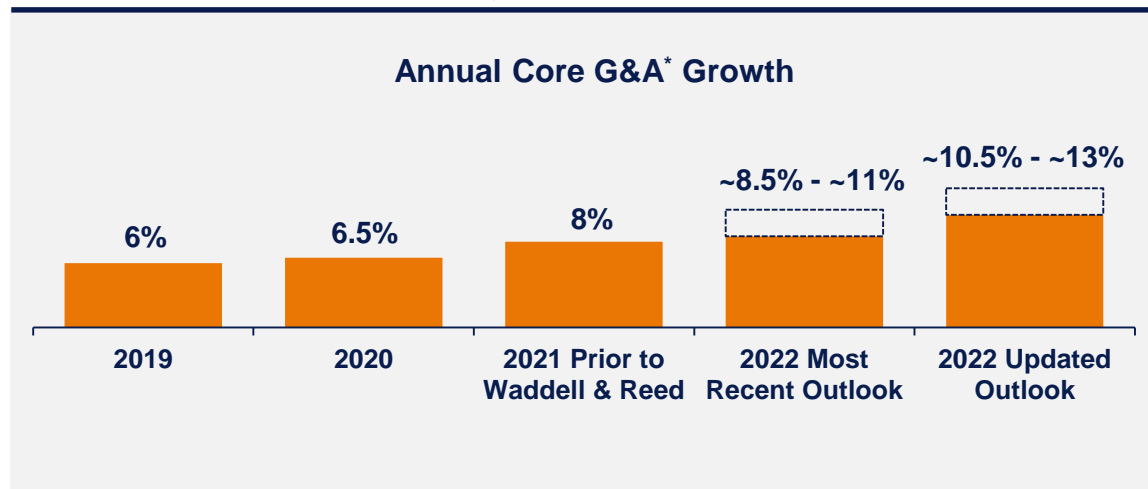
Long-term cost strategy

- Deliver operating leverage in core business
- Prioritize investments that drive additional growth
- Drive productivity and efficiency
- Adapt cost trajectory as environment evolves

2022 Core G&A* context

- Our most recent 2022 Core G&A* outlook range was \$1,150M to \$1,175M
- Given our improved earnings profile, we are accelerating investments to drive and support organic growth, and anticipate up to \$20M of additional Core G&A* in 2022
- This increases our Core G&A* outlook range to \$1,170M to \$1,195M, which translates to 10.5% to 13% year-over-year growth

Recent expense trajectory, prior to acquisitions



Core G&A* outlook

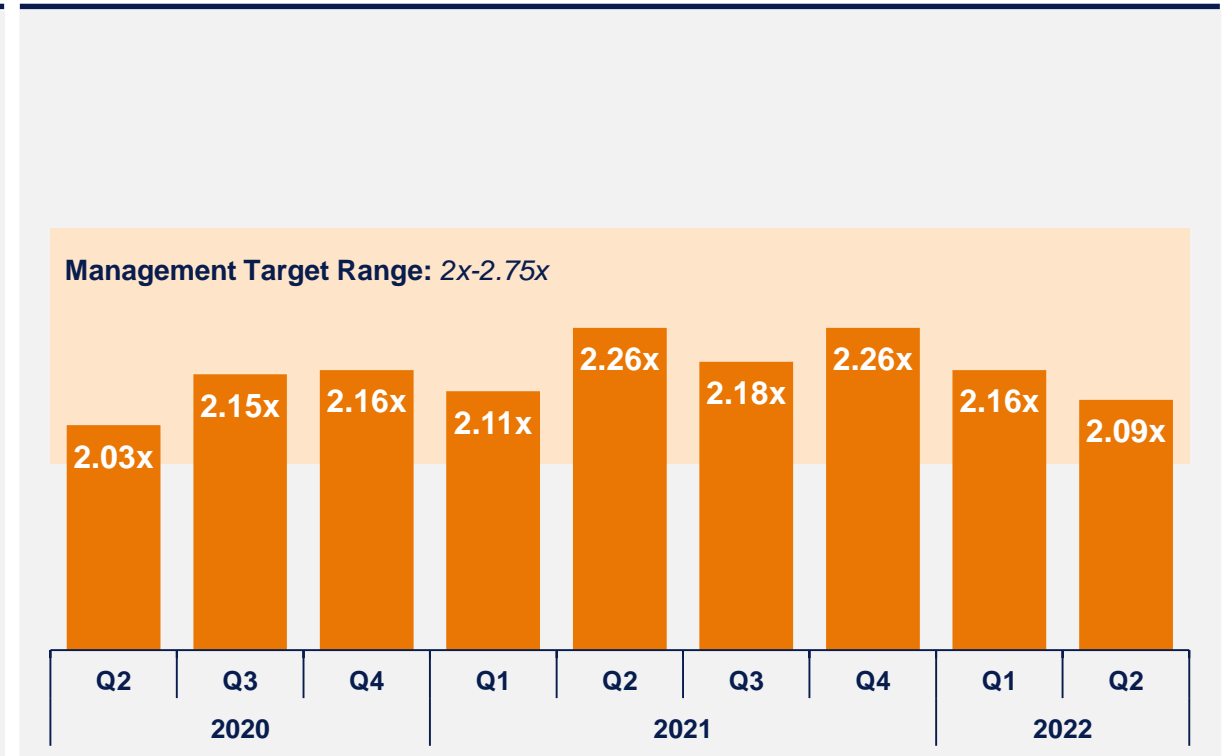
Most Recent 2022 Outlook	\$1,150M to \$1,175M
Accelerated Investment	\$20M
Updated 2022 Outlook	\$1,170M to \$1,195M

Our balance sheet remained strong in Q2...

Corporate Cash⁽¹⁷⁾ (\$M)



Leverage Ratio⁽¹⁸⁾



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

Share Repurchases and Dividends (\$M)



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



APPENDIX

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

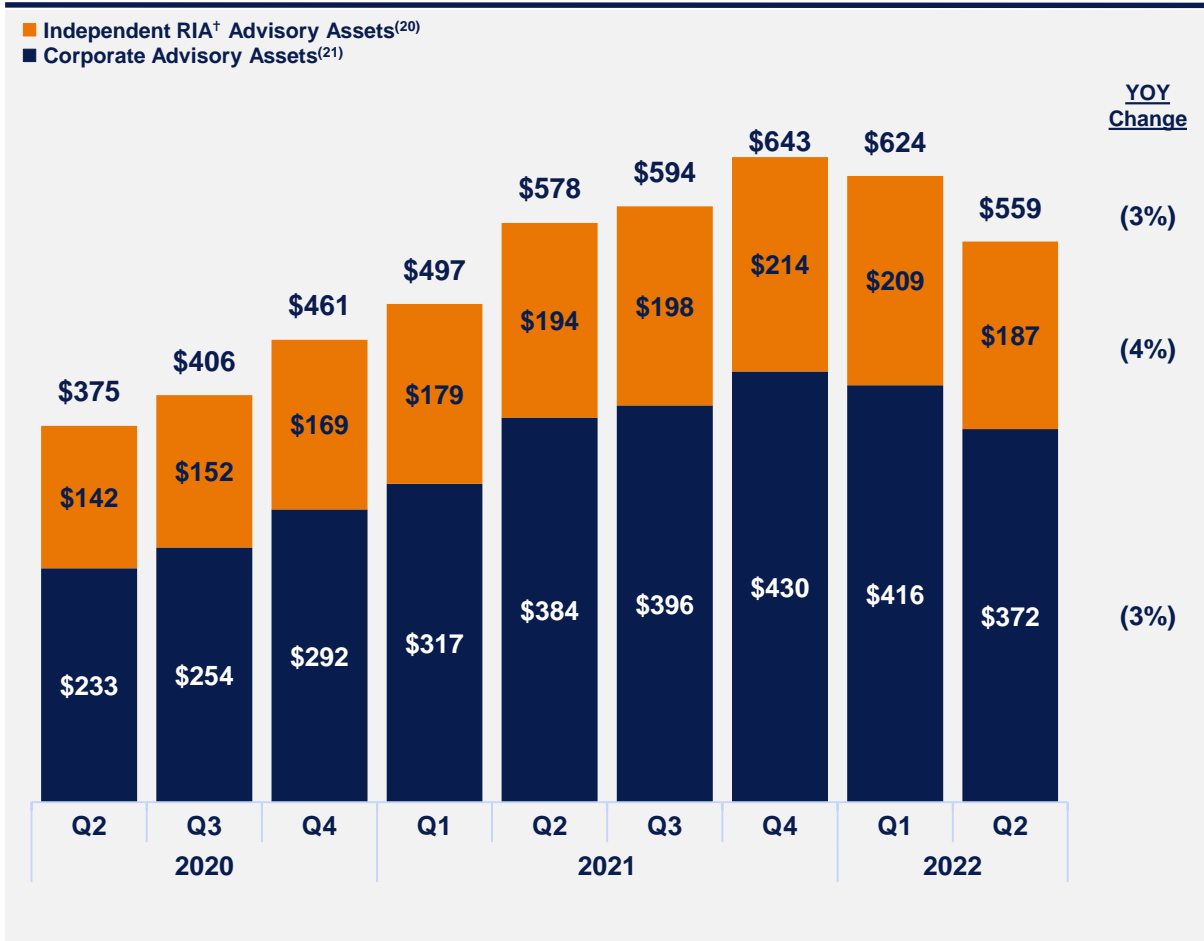
	LPL Total					LPL prior to Waddell†					Waddell Standalone†				
	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Gross Profit*															
Advisory	\$ 846	\$ 960	\$ 997	\$ 1,047	\$ 1,002	\$ 779	\$ 854	\$ 890	\$ 939	\$ 902	\$ 68	\$ 106	\$ 108	\$ 108	\$ 100
Sales-based commissions	250	240	248	240	252	241	231	238	231	242	9	8	10	10	10
Trailing commissions	349	371	364	345	321	336	353	346	328	306	13	18	18	17	15
Advisory fees and commissions	1,445	1,570	1,610	1,633	1,575	1,355	1,438	1,474	1,498	1,450	90	132	136	134	125
Production based payout	(1,247)	(1,368)	(1,410)	(1,406)	(1,370)	(1,175)	(1,256)	(1,292)	(1,287)	(1,260)	(73)	(113)	(118)	(119)	(110)
Advisory fees and commissions, net of payout	197	202	200	227	205	181	183	182	211	190	17	19	18	15	15
Client cash	90	91	82	85	156	90	91	82	84	153	-	-	-	1	4
Other asset-based	190	211	220	212	208	182	192	198	191	191	8	18	22	20	17
Service and Fee	99	105	110	113	113	94	98	103	107	107	6	7	7	6	6
Transaction	38	35	39	47	44	37	32	35	41	39	-	3	5	6	6
Interest income and other, net	11	10	11	8	7	11	10	11	8	7	-	-	-	-	-
Total net advisory fees and commissions and attachment revenue	625	654	663	692	734	595	606	611	643	687	31	48	52	49	47
Brokerage, clearing and exchange expense	(24)	(23)	(20)	(23)	(23)	(19)	(20)	(19)	(21)	(21)	(5)	(3)	(1)	(2)	(2)
Gross Profit*	602	631	643	669	711	575	586	592	622	666	27	45	51	47	45
G&A Expense															
Core G&A	252	271	299	281	286	240	248	276	261	271	12	23	24	20	15
Regulatory charges	7	6	8	7	8	7	6	8	7	8	-	-	-	-	-
Promotional (ongoing) ⁽¹⁹⁾	64	84	86	87	84	57	73	76	79	75	7	10	10	9	9
Employee share-based compensation	11	10	10	13	14	11	10	10	13	14	-	-	-	-	-
Acquisition Costs ⁽¹⁹⁾	24	36	14	13	9	-	-	-	-	-	-	-	-	-	-
Total G&A	358	406	418	402	400	316	337	370	360	368	19	33	34	29	24
EBITDA*	244	225	225	267	311	260	249	222	262	298	8	12	17	18	21

Note: Totals may not foot due to rounding.

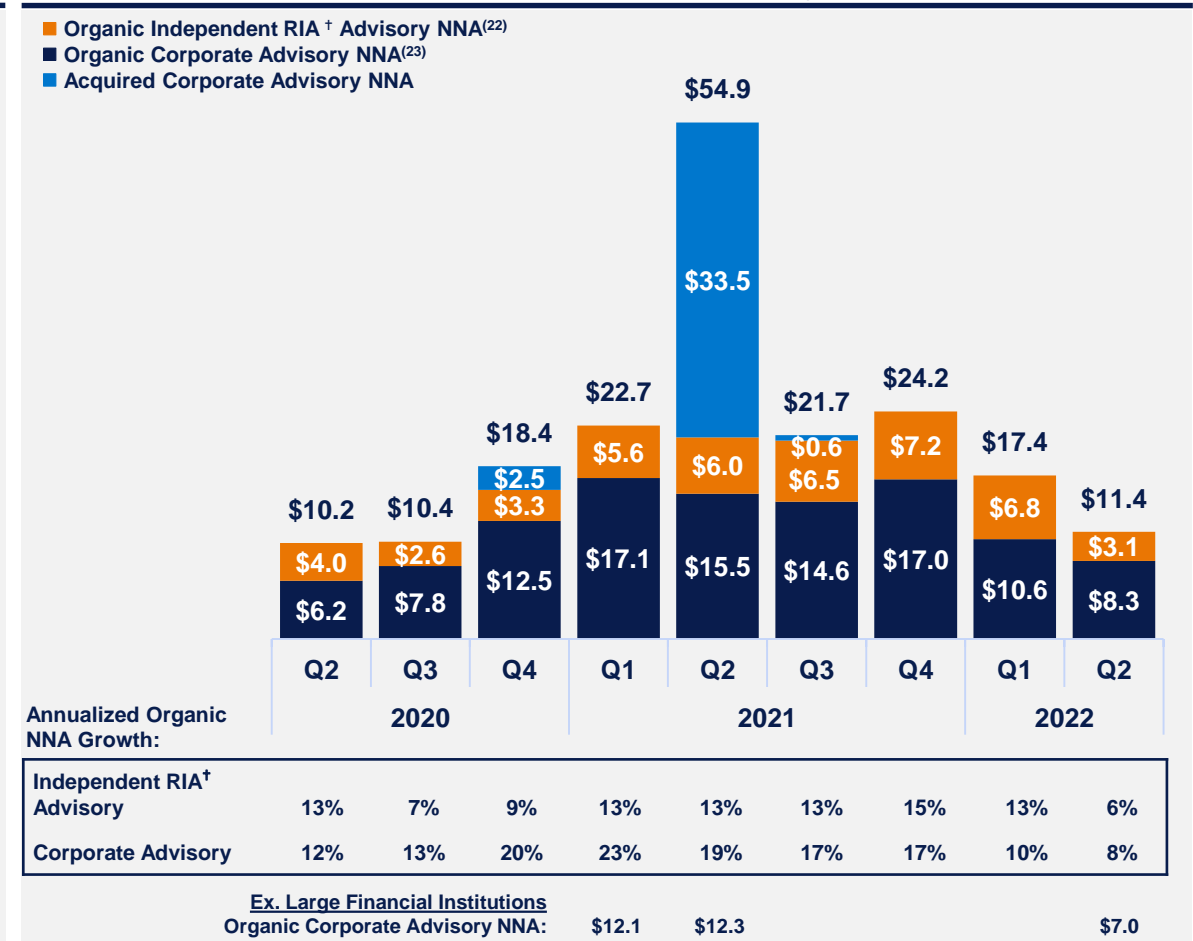
† LPL prior to Waddell and Waddell standalone columns do not include acquisition costs

Corporate and Independent RIA[†] Advisory assets

Corporate and Independent RIA[†] Advisory Asset Mix (\$B)



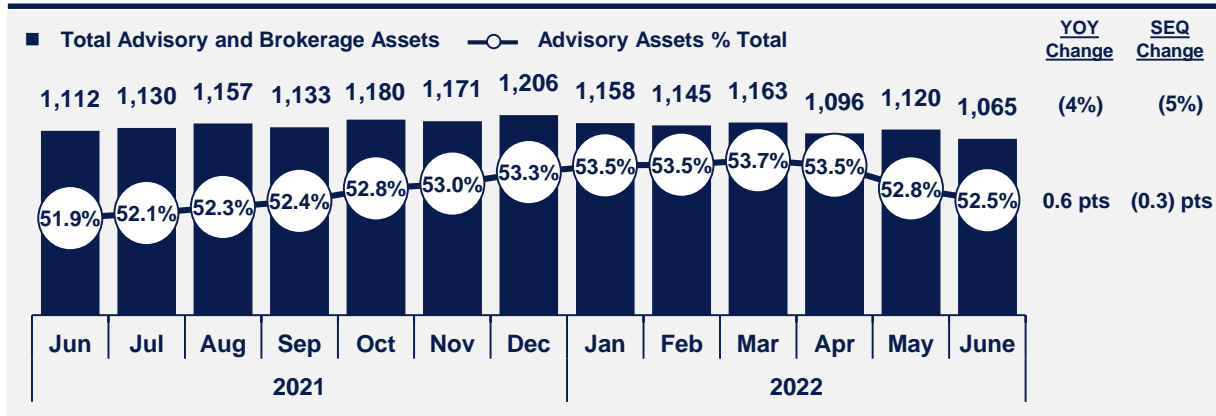
Corporate and Independent RIA[†] Advisory NNA Mix (\$B)



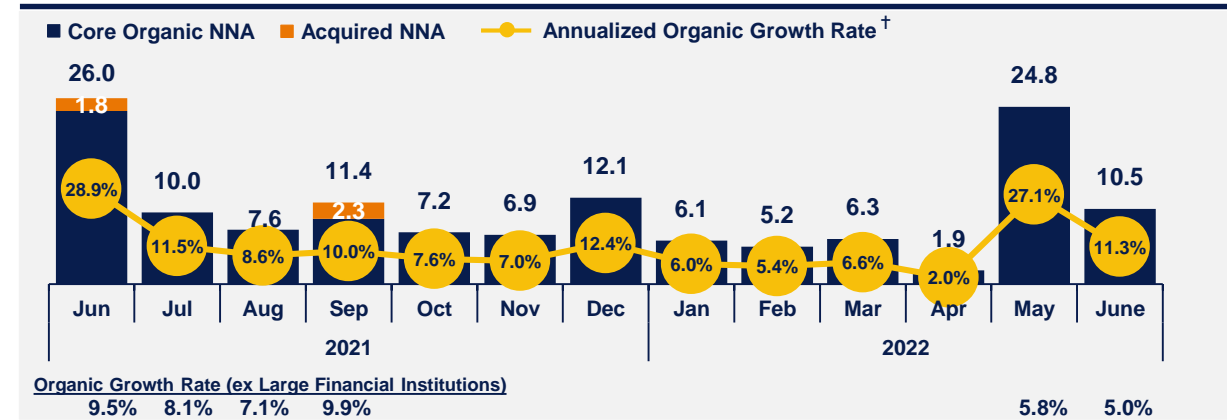
[†] Independent RIA assets consist of the advisory assets of Hybrid advisors who have their own independent RIA license and also manage brokerage assets, as well as the advisory assets of fee-only Independent RIAs

Monthly metrics dashboard through June 2022

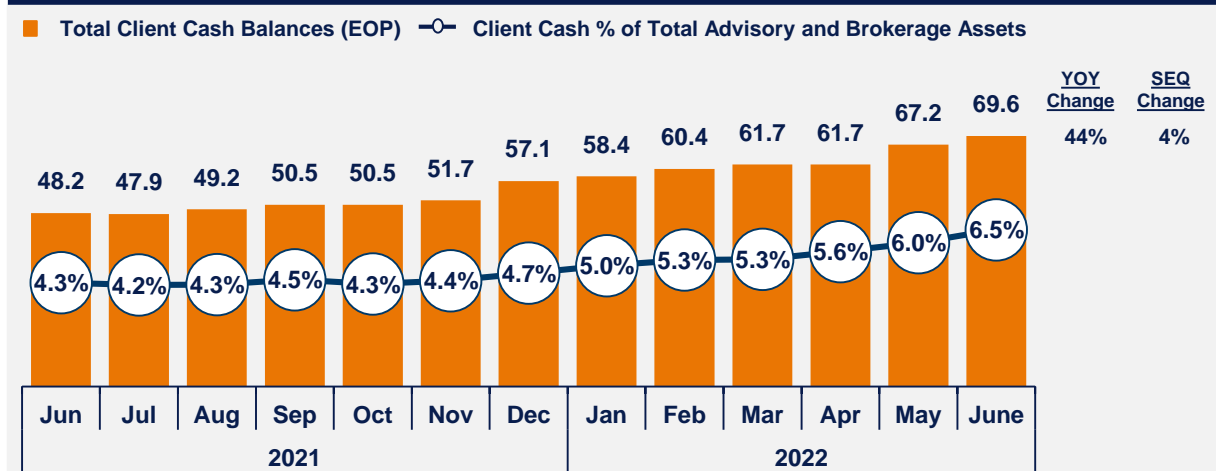
Total Advisory and Brokerage Assets (\$B)



Total Net New Assets (\$B)



Client Cash Balances (\$B)



Net Buy (Sell) Activity (\$B)



[†] Calculated as current period total organic net new assets multiplied by twelve, divided by preceding period total advisory and brokerage assets

Reconciliation

Gross Profit*

Gross profit* is a non-GAAP financial measure. Please see a description of gross profit under “Non-GAAP Financial Measures” on page 3 of this presentation for additional information.

Below is a calculation of gross profit* for the periods presented herein:

\$ in millions	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Total revenue	\$2,039	\$2,066	\$2,094	\$2,021	\$1,898	\$1,708	\$1,581	\$1,460	\$1,367
Advisory and commission expense	1,304	1,374	1,431	1,367	1,273	1,109	1,030	937	860
Brokerage, clearing and exchange expense	23	23	20	23	23	19	18	18	19
Gross Profit	\$711	\$669	\$643	\$631	\$602	\$579	\$534	\$506	\$488

Net Income to EBITDA*

EBITDA* is a non-GAAP financial measure. Please see a description of EBITDA* under “Non-GAAP Financial Measures” on page 3 of this presentation for additional information.

Below are reconciliations of the Company’s net income to EBITDA* for the periods presented herein:

\$ in millions	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Net income	\$161	\$134	\$108	\$103	\$119	\$130	\$112	\$104	\$102
Interest expense on borrowings	29	27	27	27	25	25	25	25	26
Provision for income taxes	52	40	28	35	43	36	34	32	36
Depreciation and amortization	48	45	41	38	37	35	29	28	27
Amortization of other intangibles	21	21	20	22	20	17	17	17	17
EBITDA	\$311	\$267	\$225	\$225	\$243	\$243	\$217	\$205	\$207
	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
EBITDA (trailing twelve months)	\$1,028	\$961	\$936	\$928	\$908	\$872	\$909	\$931	\$976
Credit Agreement adjustments	167	187	214	213	186	83	52	50	51
Credit Agreement EBITDA	\$1,195	\$1,148	\$1,151	\$1,142	\$1,094	\$955	\$961	\$981	\$1,027
Total debt	2,743	2,746	2,839	2,751	2,754	2,357	2,359	2,362	2,365
Total corporate cash	241	270	237	266	278	340	280	252	282
Credit Agreement Net Debt	2,502	2,476	2,602	2,486	2,476	2,016	2,079	2,110	2,082
Leverage Ratio	2.09x	2.16x	2.26x	2.18x	2.26x	2.11x	2.16x	2.15x	2.03x

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

Note: Totals may not foot due to rounding

Reconciliation

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

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

Below are the following reconciliations of EPS prior to amortization of intangible assets and acquisition costs* and adjusted net income* for the periods presented herein:

in millions, except per share data	Q2 2022		Q1 2022		Q4 2021		Q3 2021		Q2 2021		Q1 2021		Q4 2020		Q3 2020		Q2 2020	
	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
Net income / earnings per diluted share	\$161	\$1.97	\$134	\$1.64	\$108	\$1.32	\$103	\$1.26	\$119	\$1.46	\$130	\$1.59	\$112	\$1.38	\$104	\$1.29	\$102	\$1.27
Amortization of other intangibles	21	0.26	21	0.26	20	0.25	22	0.26	20	0.24	17	0.21	17	0.21	17	0.21	17	0.21
Acquisition costs ⁽¹⁹⁾	9	0.11	13	0.16	14	0.17	36	0.44	24	0.29	2	0.03	-	0.00	-	0.00	-	0.00
Tax benefit	(8)	(0.10)	(9)	(0.11)	(9)	(0.11)	(15)	(0.19)	(12)	(0.14)	(5)	(0.06)	(5)	(0.06)	(5)	(0.06)	(5)	(0.06)
Adjusted net income / EPS prior to amortization of intangible assets and acquisition costs	\$183	\$2.24	\$159	\$1.95	\$133	\$1.63	\$145	\$1.77	\$151	\$1.85	\$144	\$1.77	\$124	\$1.53	\$116	\$1.44	\$114	\$1.42
Diluted share count	81.4		81.6		81.7		81.8		81.7		81.6		80.9		80.6		80.1	

Note: Totals may not foot due to rounding

Reconciliation

Core G&A* to Total expense

Core G&A* is a non-GAAP financial measure. Please see a description of Core G&A* under “Non-GAAP Financial Measures” on page 3 of this presentation for additional information.

Below is a reconciliation of total expense to Core G&A* and of Core G&A*, prior to the impact of the acquisition of Waddell & Reed, for the periods presented herein:

\$ in millions	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Total expense	\$1,827	\$1,892	\$1,958	\$1,883	\$1,736	\$1,542	\$1,435	\$1,325	\$1,229
Advisory and commission	1,304	1,374	1,431	1,367	1,273	1,109	1,030	937	860
Depreciation and amortization	48	45	41	38	37	35	29	28	27
Interest expense on borrowings	29	27	27	27	25	25	25	25	26
Brokerage, clearing and exchange	23	23	20	23	23	19	18	18	19
Amortization of other intangibles	21	21	20	22	20	17	17	17	17
Loss on extinguishment of debt	-	-	-	-	-	24	-	-	-
Total G&A	\$400	\$402	\$418	\$406	\$358	\$312	\$317	\$301	\$281
Promotional (ongoing) ⁽¹⁹⁾	84	87	86	84	64	54	48	58	45
Employee share-based compensation	14	13	10	10	11	11	8	7	8
Acquisition costs ⁽¹⁹⁾	9	13	14	36	24	2	-	-	-
Regulatory charges	8	7	8	6	7	8	9	8	6
Core G&A	\$286	\$281	\$299	\$271	\$252	\$236	\$252	\$227	\$222

\$ in millions	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Core G&A	\$286	\$281	\$299	\$271	\$252
Waddell & Reed-related Core G&A	15	20	24	23	12
Total Core G&A prior to Waddell & Reed	\$271	\$261	\$276	\$248	\$240

Note: Totals may not foot due to rounding

Endnotes

- (1) Represents the estimated total advisory and brokerage assets expected to transition to the Company's broker-dealer subsidiary, LPL Financial LLC ("LPL Financial"), associated with advisors who transferred their licenses to LPL Financial during the period. The estimate is based on prior business reported by the advisors, which has not been independently and fully verified by LPL Financial. The actual transition of assets to LPL Financial generally occurs over several quarters including the initial quarter of the transition, and the actual amount transitioned may vary from the estimate.
- (2) Reflects retention of total advisory and brokerage assets, calculated by deducting quarterly annualized attrition from total advisory and brokerage assets, over the prior-quarter total advisory and brokerage assets.
- (3) Consists of total client deposits into advisory accounts (including advisory assets serviced by Allen & Company of Florida, LLC ("Allen & Company") advisors) less total client withdrawals from advisory accounts, plus dividends, plus interest, minus advisory fees. The Company considers conversions from and to brokerage accounts as deposits and withdrawals, respectively. Annualized growth is calculated as the current period organic net new advisory assets divided by preceding period total advisory assets, multiplied by four.
- (4) Consists of total client deposits into brokerage accounts (including brokerage accounts serviced by Allen & Company advisors) less total client withdrawals from brokerage accounts, plus dividends, plus interest. The Company considers conversions from and to advisory accounts as deposits and withdrawals, respectively. Annualized growth is calculated as the current period organic net new brokerage assets divided by preceding period total brokerage assets, multiplied by four.
- (5) Consists of existing custodied assets that converted from brokerage to advisory, less existing custodied assets that converted from advisory to brokerage.
- (6) Represents those advisory assets in LPL Financial's Model Wealth Portfolios, Optimum Market Portfolios, Personal Wealth Portfolios and Guided Wealth Portfolios platforms.
- (7) Consists of total client deposits into centrally managed assets (see EN 6) 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.
- (8) Represents the amount of securities purchased less the amount of securities sold in client accounts custodied with LPL Financial.
- (9) Represents the average month-end total advisory and brokerage assets for the period.
- (10) Represents total trailing twelve-month Gross Profit* for the period, divided by average month-end total advisory and brokerage assets for the period (see EN 9).
- (11) Represents total trailing twelve-month operating expenses for the period, excluding production-related expense ("OPEX"), divided by average month-end total advisory and brokerage assets for the period (see EN 9). Production-related expense includes advisory and commissions expense and brokerage, clearing and exchange expense. For purposes of this metric, operating expenses includes Core G&A*, regulatory, promotional, employee share-based compensation, depreciation & amortization and amortization of other intangibles.
- (12) EBIT ROA is calculated as Gross Profit ROA (see EN 10) less OPEX ROA (see EN 11).
- (13) Consists of revenues from the Company's sponsorship programs with financial product manufacturers and omnibus processing and networking services, but not including fees from client cash programs. Other asset-based revenues are a component of asset-based revenues and are derived from the Company's unaudited consolidated statements of income.
- (14) During the second quarter of 2022, the Company updated its definition of client cash balances to include client cash accounts and exclude purchased money market funds. Client cash accounts 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.
- (15) Calculated by dividing revenue for the period by the average balance during the quarter.
- (16) Calculated by dividing interest income on cash held in client accounts that has been segregated under federal or other regulations for the period by the average client cash account balance, excluding cash held in client cash accounts that has been used to fund margin lending, during the period.
- (17) We define corporate cash, a component of cash and equivalents, as 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 amended and restated credit agreement, which includes LPL Financial and The Private Trust Company, N.A., in excess of the capital requirements of the Company's amended and restated credit agreement (which, in the case of LPL Financial, is net capital in excess of 10% of its aggregate debits, or five times the net capital required in accordance with Exchange Act Rule 15c3-1), and (3) cash and equivalents held at non-regulated subsidiaries.
- (18) The Company calculates its leverage ratio as total debt less total corporate cash, divided by Credit Agreement EBITDA for the trailing twelve months.
- (19) 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 millions	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Compensation and benefits	\$6.7	\$5.7	\$6.0	\$14.8	\$13.9	\$1.7
Professional services	1.9	5.6	6.0	5.8	6.3	0.6
Promotional	0.0	1.9	1.7	12.4	0.2	-
Other	0.3	0.2	0.6	2.9	3.4	0.1
Acquisition costs	\$8.9	\$13.3	\$14.3	\$35.9	\$23.8	\$2.4

- (20) Consists of total assets on LPL Financial's independent advisory platform serviced by investment advisor representatives of separate investment advisor firms ("Independent RIAs"), rather than of LPL Financial.
- (21) Consists of total assets on LPL Financial's Independent RIAs serviced by investment advisor representatives of LPL Financial or Allen & Company.
- (22) 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 Independent RIA Advisory Assets divided by preceding period total Independent RIA Advisory Assets, multiplied by four.
- (23) Consists of total client deposits into advisory accounts on LPL Financial's corporate RIA advisory platform less total client withdrawals from advisory accounts on its corporate advisory platform. Annualized growth is calculated as the current period net new corporate advisory assets divided by preceding period total corporate advisory assets, multiplied by four.