

LPL Financial Holdings Inc. - Historical Management's Statements of Operations

As of December 31, 2019

(End of Period \$ in thousands, unless noted)	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Gross Profit*									
Sales-based commissions	\$ 193,980	\$ 194,342	\$ 203,531	\$ 190,999	\$ 199,468	\$ 193,545	\$ 196,530	\$ 187,232	\$ 174,052
Trailing commissions	282,940	280,651	275,604	270,360	270,455	293,330	291,555	287,578	251,891
Advisory	533,259	514,363	481,309	453,938	474,102	458,087	438,917	422,388	375,928
Commission and advisory fees	1,010,179	989,356	960,444	915,297	944,025	944,962	927,002	897,198	801,871
Production based payout	(876,654)	(857,384)	(831,178)	(777,889)	(818,382)	(817,211)	(797,785)	(761,537)	(690,811)
Commission and advisory fees, net of payout	133,525	131,972	129,266	137,408	125,643	127,751	129,217	135,661	111,060
Client cash	155,322	162,517	161,815	173,139	147,774	127,174	121,386	104,084	88,333
Other asset-based	133,603	129,623	126,736	123,224	117,907	121,721	117,217	115,253	105,374
Transaction and fee	118,291	121,222	118,335	122,480	119,254	118,941	116,455	116,648	103,145
Interest income and other, net	13,323	13,556	15,583	15,730	13,154	13,460	13,910	8,214	10,805
Total net commission and advisory fees and attachment revenue	554,064	558,890	551,735	571,981	523,732	509,047	498,185	479,860	418,717
Brokerage, clearing, and exchange expense	(15,927)	(16,380)	(15,994)	(16,144)	(16,000)	(15,844)	(15,433)	(15,877)	(15,480)
Gross Profit*	538,137	542,510	535,741	555,837	507,732	493,203	482,752	463,983	403,237
G&A Expense									
Core G&A*	230,182	215,198	210,514	212,520	216,185	209,244	192,148	201,039	194,607
Regulatory charges	7,893	7,905	8,632	7,873	9,593	7,421	8,321	6,440	5,433
Promotional	51,050	61,715	41,423	51,349	45,141	52,628	43,407	67,427	60,066
Employee share-based comp.	7,179	7,414	7,306	7,967	5,045	6,332	6,125	5,606	4,212
Total G&A	296,304	292,232	267,875	279,709	275,964	275,625	250,001	280,512	264,318
EBITDA*	241,833	250,278	267,866	276,128	231,768	217,578	232,751	183,470	138,919
Depreciation and amortization	25,663	24,062	22,584	23,470	21,897	22,838	22,220	20,701	20,138
Amortization of intangible assets	16,631	16,286	16,249	16,168	15,672	15,676	15,682	13,222	9,997
Non-operating interest expense	31,384	31,944	33,957	32,716	31,756	31,705	31,940	29,622	28,894
Loss on extinguishment of debt and other	3,156	-	-	-	-	-	-	-	-
INCOME BEFORE PROVISION FOR INCOME TAXES	164,999	177,986	195,076	203,774	162,443	147,359	162,909	119,926	79,890
PROVISION FOR INCOME TAXES	38,323	46,272	48,984	48,376	42,145	40,494	44,143	26,396	15,792
NET INCOME	\$ 126,676	\$ 131,714	\$ 146,092	\$ 155,398	\$ 120,298	\$ 106,865	\$ 118,766	\$ 93,530	\$ 64,098
Earnings per share, diluted	\$ 1.53	\$ 1.57	\$ 1.71	\$ 1.79	\$ 1.36	\$ 1.19	\$ 1.30	\$ 1.01	\$ 0.69
Weighted-average shares outstanding, diluted	82,695	83,844	85,350	86,742	88,163	89,878	91,684	92,784	92,386
EPS Prior to Amortization of Intangible Assets	\$ 1.68	\$ 1.71	\$ 1.85	\$ 1.93	\$ 1.49	\$ 1.32	\$ 1.42	\$ 1.11	\$ 0.76

*Notice to Investors: Non-GAAP Financial Measures

Gross profit, Core G&A and EBITDA are non-GAAP financial measures. Management believes that presenting certain non-GAAP financial measures by excluding or including certain items can be helpful to investors and analysts who may wish to use some or all of this information to analyze the Company's current performance, prospects, and valuation. Management uses this non-GAAP information internally to evaluate operating performance and in formulating the budget for future periods. Management believes that the non-GAAP financial measures and metrics discussed herein are appropriate for evaluating the performance of the Company.

Gross Profit is calculated as net revenues, which were \$1,448 million for the three months ended December 31, 2019, less commission and advisory expenses and brokerage, clearing, and exchange fees, which were \$894 million and \$16 million, respectively, for the three months ended December 31, 2019. All other expense categories, including depreciation and amortization of fixed assets and amortization of intangible assets, are considered general and administrative in nature. Because the Company's Gross Profit amounts do not include any depreciation and amortization expense, the Company considers its Gross Profit amounts to be non-GAAP 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, 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 below.

EBITDA is defined as net income plus interest and other expense, income tax expense, depreciation and amortization, amortization of intangible assets and loss on extinguishment of debt. The Company presents EBITDA because management believes that it can be a useful financial metric in understanding the Company's earnings from operations. EBITDA is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of profitability or liquidity. 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.

\$ in millions	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Core G&A	\$230	\$215	\$211	\$213	\$216	\$209	\$192	\$201	\$195
Regulatory charges	8	8	9	8	10	7	8	6	5
Promotional	51	62	41	51	45	53	43	67	60
Employee share-based compensation	7	7	7	8	5	6	6	6	4
Total G&A	296	292	268	280	276	276	250	281	264
Commissions and advisory	894	857	838	800	793	822	801	762	698
Depreciation & amortization	26	24	23	23	22	23	22	21	20
Amortization of intangible assets	17	16	16	16	16	16	16	13	10
Brokerage, clearing and exchange	16	16	16	16	16	16	15	16	15
Total operating expense	\$1,248	\$1,205	\$1,161	\$1,135	\$1,123	\$1,152	\$1,104	\$1,092	\$1,008
	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Production based payout	\$876,654	\$857,384	\$831,178	\$777,889	\$818,382	\$817,211	\$797,785	\$761,537	\$690,811
Advisor deferred compensaton expense	17,177	(749)	6,844	21,809	(25,072)	4,739	2,834	160	6,914
Commission and advisory expense	\$893,831	\$856,635	\$838,022	\$799,698	\$793,310	\$821,950	\$800,619	\$761,697	\$697,725
	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Interest income, net of interest expense	\$10,966	\$11,531	\$11,690	\$12,321	\$11,784	\$10,512	\$10,133	\$7,781	\$6,542
Plus: Other Revenue	19,534	1,276	10,737	25,218	(23,702)	7,687	6,611	593	11,177
Less: Advisor deferred compensation expense	(17,177)	749	(6,844)	(21,809)	25,072	(4,739)	(2,834)	(160)	(6,914)
Interest income and other, net	\$13,323	\$13,556	\$15,583	\$15,730	\$13,154	\$13,460	\$13,910	\$8,214	\$10,805

Note: Certain numbers may not foot due to rounding