UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File Number: 001-34963

LPL Financial Holdings Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-3717839**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

4707 Executive Drive, San Diego, California 92121

(Address of principal executive offices) (Zip Code)

(800) 877-7210

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock - $0.001 par value per share	LPLA	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
☐ Yes ☒ No

The number of shares of Common Stock, par value $0.001 per share, outstanding as of April 29, 2024 was 74,708,931.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the “Exchange Act”), with the Securities and Exchange Commission (“SEC”). Our SEC filings are available to the public on the SEC’s website at sec.gov.

We post the following filings to our website at lpl.com as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our annual reports on Form 10-K, our proxy statements, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. Copies of all such filings are available free of charge by request via email (investor.relations@lplfinancial.com), telephone ((617) 897-4574) or mail (LPL Financial Investor Relations at 1055 LPL Way, Fort Mill, SC 29715). The information contained or incorporated on our website is not a part of this Quarterly Report on Form 10-Q.

We may use our website as a means of disclosing material information and for complying with our disclosure obligations under Regulation Fair Disclosure promulgated by the SEC. These disclosures are included on our website in the “Investor Relations” or “Press Releases” sections. Accordingly, investors should monitor these portions of our website in addition to following the Company’s press releases, SEC filings, public conference calls and webcasts.

When we use the terms “LPLFH”, “LPL”, “we”, “us”, “our” and “the Company”, we mean LPL Financial Holdings Inc., a Delaware corporation, and its consolidated subsidiaries, taken as a whole, unless the context otherwise indicates.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in Part I, *Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations”* and other sections of this Quarterly Report on Form 10-Q regarding:

- the Company’s future financial and operating results, outlook, growth, plans, business strategies, liquidity, future share repurchases and dividends, including statements regarding future resolution of regulatory matters, legal proceedings and related costs;
- a potential settlement with the SEC related to its civil investigation into the Company’s compliance with records preservation requirements for business-related electronic communications stored on personal devices in connection with an industry-wide review of off-platform communications (the “Off-Channel Investigation”);
- the Company’s future revenue and expense;
- future affiliation models and capabilities;
- the expected closing of the Company’s acquisition of Atria Wealth Solutions, Inc. (“Atria”);
- the expected transition and onboarding of advisors, institutions and assets in connection with our acquisition and recruitment activity;
- market and macroeconomic trends, including the effects of inflation and the interest rate environment;
- projected savings and anticipated improvements to the Company’s operating model, services and technologies as a result of its investments, initiatives, programs and acquisitions; and
- 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 reflect the Company’s expectations and objectives as of May 2, 2024. The words “anticipates,” “believes,” “expects,” “may,” “plans,” “predicts,” “will” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are not guarantees that expectations or objectives expressed or implied by the Company will be achieved. The achievement of such expectations and objectives involves risks and uncertainties that may cause actual results, levels of activity or the timing of events to differ materially from those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include:

- changes in general economic and financial market conditions, including retail investor sentiment;
- changes in interest rates and fees payable by banks participating in the Company’s client cash programs, including the Company’s success in negotiating agreements with current or additional counterparties;
- the Company’s strategy and success in managing client cash program fees;
- 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, 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;
- difficulties and delays in onboarding the assets of acquired or recruited advisors, including the receipt and timing of regulatory approvals that may be required;
- disruptions in the businesses of the Company that could make it more difficult to maintain relationships with advisors and their clients;
- the choice by clients of acquired or recruited advisors not to open brokerage and/or advisory accounts at the Company;
- changes in 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 cost 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;
- the negotiation of the definitive documentation in connection with the settlement of the Off-Channel Investigation;
- changes made to the Company's services and pricing, including in response to competitive developments and current, pending and future legislation, regulation and regulatory actions, and the effect that such changes may have on the Company's gross profit streams and costs;
- execution of the Company's capital management plans, including its compliance with the terms of the Company's amended and restated credit agreement (the "Credit Agreement"), the committed revolving credit facility at our primary broker-dealer subsidiary, LPL Financial LLC (the "Broker-Dealer Revolving Credit Facility"), and the indentures governing the Company's senior unsecured notes (the "Indentures");
- strategic acquisitions and investments, including pursuant to the Company's Liquidity & Succession solution, and the effect that such acquisitions and investments may have on the Company's capital management plans and liquidity;
- the price, availability and trading volumes of shares of the Company's common stock, which will affect the timing and size of future share repurchases by the Company, if any;
- execution of the Company's plans and its success in realizing the synergies, expense savings, service improvements or efficiencies expected to result from its investments, initiatives and acquisitions, expense plans and technology initiatives;
- whether advisors affiliated with Prudential Financial, Inc. ("Prudential") will transition registration to the Company and whether assets reported as serviced by such financial advisors will translate into assets of the Company;
- the failure to satisfy the closing conditions applicable to the strategic relationship agreement between the Company and Prudential, including regulatory approval;
- the performance of third-party service providers to which business processes have been transitioned;
- the Company's ability to control operating risks, information technology systems risks, cybersecurity risks and sourcing risks; and
- the other factors set forth in the Company's most recent Annual Report on Form 10-K, as may be amended or updated in the Company's Quarterly Reports on Form 10-Q.

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 Quarterly Report on Form 10-Q, and you should not rely on statements contained herein as representing the Company's view as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

GLOSSARY OF TERMS

Acquisition Costs: Expenses that include the costs to setup, onboard and integrate acquired entities and other costs that were incurred as a result of the acquisitions.

Adjusted EBITDA: A non-GAAP financial measure defined as EBITDA plus acquisition costs.

Adjusted EPS: A non-GAAP financial measure defined as Adjusted Net Income divided by the weighted average number of diluted shares outstanding for the applicable period.

Adjusted Net Income: A non-GAAP financial measure defined as net income plus the after-tax impact of amortization of other intangibles and acquisition costs.

Basis Point: One basis point equals 1/100th of 1%.

Core G&A: A non-GAAP financial measure defined as total expense excluding the following expenses: advisory and commission; depreciation and amortization; interest expense on borrowings; brokerage, clearing and exchange; amortization of other intangibles; market fluctuations on employee deferred compensation; promotional (ongoing); employee share-based compensation; regulatory charges; and acquisition costs.

Corporate Cash: A component of cash and equivalents that includes the sum of cash and equivalents from the following: (1) cash and equivalents held at LPL Holdings, Inc., (2) cash and equivalents held at regulated subsidiaries as defined by the Company's Credit Agreement, which include LPL Financial LLC and The Private Trust Company, N.A., in excess of the capital requirements of the Company's Credit Agreement, which, in the case of LPL Financial LLC is net capital in excess of 10% of its aggregate debits, or five times the net capital required in accordance with the Uniform Net Capital Rule, and (3) cash and equivalents held at non-regulated subsidiaries.

Credit Agreement: The Company's amended and restated credit agreement.

Credit Agreement EBITDA: A non-GAAP financial measure defined in the 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 and to include future expected cost savings, operating expense reductions or other synergies from certain transactions.

EBITDA: A non-GAAP financial measure defined as net income plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles.

FINRA: The Financial Industry Regulatory Authority.

GAAP: Accounting principles generally accepted in the United States of America.

Gross Profit: A non-GAAP financial measure defined as total revenue less advisory and commission expense; brokerage, clearing and exchange expense; and market fluctuations on employee deferred compensation.

Indentures: The indentures governing the Company's senior unsecured notes.

Leverage Ratio: A financial metric from our Credit Agreement that is calculated by dividing Credit Agreement net debt, which equals consolidated total debt less Corporate Cash, by Credit Agreement EBITDA.

NFA: The National Futures Association.

OCC: The Office of the Comptroller of the Currency.

RIA: Registered investment advisor.

SEC: The U.S. Securities and Exchange Commission.

Uniform Net Capital Rule: Refers to Rule 15c3-1 under the Exchange Act, which specifies minimum capital requirements that are intended to ensure the general financial soundness and liquidity of broker-dealers.

PART I — FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

LPL serves the advisor-mediated marketplace as the nation's largest independent broker-dealer, a leading investment advisory firm and a top custodian. We serve nearly 23,000 financial advisors, including advisors at approximately 1,100 institutions and at approximately 570 registered investment advisor ("RIA") firms nationwide, providing the front-, middle- and back-office support our advisors need. Through our comprehensive platform, we offer integrated technology solutions; brokerage and advisory platforms; clearing, compliance, business and planning and advice services; consultative practice management programs and training; and in-house research to help our advisors deliver advice to their clients and run successful businesses.

We are steadfast in our commitment to the advisor-mediated model and the belief that investors deserve access to personalized guidance from a financial advisor. We believe advisors should have the freedom to choose the business model, services and technology they need and to manage their client relationships. We believe investors achieve better outcomes when working with a financial advisor, and we strive to make it easy for advisors to do what is best for their clients.

We believe that we are the only company that offers the unique combination of an integrated technology platform, comprehensive self-clearing services and access to a wide range of curated non-proprietary products all delivered in an environment unencumbered by conflicts from product manufacturing, underwriting and market-making.

Our Sources of Revenue

Our revenue is derived primarily from fees and commissions from products and advisory services offered by our advisors to their clients, a substantial portion of which we pay out to our advisors, as well as fees we receive from our advisors for the use of our technology, custody, clearing, trust and reporting platforms. We also generate asset-based revenue through our insured bank sweep vehicles, money market account balances and the access we provide to a variety of product providers with the following product lines:

- Alternative Investments
- Annuities
- Exchange Traded Products
- Insurance Based Products
- Mutual Funds
- Retirement Plan Products
- Separately Managed Accounts
- Structured Products
- Unit Investment Trusts

Under our self-clearing platform, we custody the majority of client assets invested in these financial products, for which we provide statements, transaction processing and ongoing account management. In return for these services, mutual funds, insurance companies, banks and other financial product sponsors pay us fees based on asset levels or number of accounts managed. We also earn interest from margin loans made to our advisors' clients, cash and equivalents segregated under federal or other regulations, advisor repayable loans and operating cash, which is included in interest income, net in the condensed consolidated statements of income. A portion of our revenue is not asset-based or correlated with the equity financial markets.

We regularly review various aspects of our operations and service offerings, including our policies, procedures and platforms, in response to marketplace developments. We seek to continuously improve and enhance aspects of our operations and service offerings in order to position our advisors for long-term growth and to align with competitive and regulatory developments. For example, we regularly review the structure and fees of our products and services, including related disclosures, in the context of the changing regulatory environment and competitive landscape for advisory and brokerage accounts.

Significant Events

Entered into a definitive purchase agreement to acquire Atria Wealth Solutions, Inc. ("Atria")

On February 13, 2024, the Company announced that it had entered into a definitive purchase agreement to acquire Atria, a wealth management solutions holding company headquartered in New York. As part of the agreement, Atria will transition its brokerage and advisory assets, currently custodied with its network of broker-dealers, to the Company's platform. The Company expects to close the transaction in the second half of 2024 for an initial purchase price of approximately $805 million with the conversion expected to be completed in mid-2025, subject to receipt of regulatory approval and other closing conditions.

Executive Summary

Financial Highlights

Results for the first quarter of 2024 included net income of $288.8 million, or $3.83 per diluted share, which compares to $338.9 million, or $4.24 per diluted share, for the first quarter of 2023.

Asset Trends

Total advisory and brokerage assets served were $1.4 trillion at March 31, 2024, compared to $1.2 trillion at March 31, 2023. Total net new assets were $16.7 billion for the three months ended March 31, 2024, compared to $24.5 billion for the same period in 2023.

Net new advisory assets were $16.2 billion for the three months ended March 31, 2024, compared to $14.6 billion for the same period in 2023. Advisory assets were $793.0 billion, or 55.0% of total advisory and brokerage assets served, at March 31, 2024, up 28% from $620.9 billion at March 31, 2023.

Net new brokerage assets were $0.5 billion for the three months ended March 31, 2024, compared to $9.9 billion for the same period in 2023. Brokerage assets were $647.9 billion at March 31, 2024, up 17% from $554.3 billion at March 31, 2023.

Gross Profit Trend

Gross profit, a non-GAAP financial measure, was $1.1 billion for the three months ended March 31, 2024, an increase of 5% from $1.0 billion for the three months ended March 31, 2023. See the *"Key Performance Metrics"* section for additional information on gross profit.

Common Stock Dividends and Share Repurchases

During the three months ended March 31, 2024, we paid stockholders cash dividends of $22.4 million and repurchased 296,145 of our outstanding shares for a total of $70.0 million.

Key Performance Metrics

We focus on several key metrics in evaluating the success of our business relationships and our resulting financial position and operating performance. Our key operating, business and financial metrics are as follows:

	As of and for the Three Months Ended		
Operating Metrics (dollars in billions)(1)	March 31, 2024	December 31, 2023	March 31, 2023
Advisory and Brokerage Assets(2)			
Advisory assets	$ 793.0	$ 735.8	$ 620.9
Brokerage assets	647.9	618.2	554.3
Total Advisory and Brokerage Assets	**$ 1,440.9**	**$ 1,354.1**	**$ 1,175.2**
Advisory as a % of total Advisory and Brokerage Assets	55.0%	54.3%	52.8%
Net New Assets(3)			
Net new advisory assets	$ 16.2	$ 20.5	$ 14.6
Net new brokerage assets	0.5	4.2	9.9
Total Net New Assets	**$ 16.7**	**$ 24.7**	**$ 24.5**
Organic Net New Assets			
Organic net new advisory assets	$ 16.2	$ 20.5	$ 13.7
Organic net new brokerage assets	0.5	4.2	7.1
Total Organic Net New Assets	**$ 16.7**	**$ 24.7**	**$ 20.8**
Organic advisory net new assets annualized growth(4)	8.8%	12.4%	9.4%
Total organic net new assets annualized growth(4)	4.9%	8.0%	7.5%
Client Cash Balances			
Insured cash account sweep	$ 32.6	$ 34.5	$ 39.7
Deposit cash account sweep	9.2	9.3	10.2
Total Bank Sweep	**41.8**	**43.8**	**49.9**
Money market sweep	2.4	2.4	2.6
Total Client Cash Sweep Held by Third Parties	**44.2**	**46.2**	**52.5**
Client cash account(5)	2.1	2.0	1.6
Total Client Cash Balances	**$ 46.3**	**$ 48.2**	**$ 54.0**
Client Cash Balances as a % of Total Assets	3.2%	3.6%	4.6%
Net buy (sell) activity(6)	$ 37.8	$ 32.8	$ 36.9

	As of and for the Three Months Ended		
Business and Financial Metrics (dollars in millions)	March 31, 2024	December 31, 2023	March 31, 2023
Advisors	22,884	22,660	21,521
Average total assets per advisor(7)	$ 63.0	$ 59.8	$ 54.6
Share repurchases	$ 70.0	$ 225.0	$ 275.0
Dividends	$ 22.4	$ 22.7	$ 23.6
Leverage ratio(8)	1.65	1.63	1.34

Financial Metrics (dollars in millions, except per share data)	Three Months Ended March 31, 2024	2023
Total revenue	$ 2,832.6	$ 2,417.8
Net income	$ 288.8	$ 338.9
Earnings per share ("EPS"), diluted	$ 3.83	$ 4.24
Non-GAAP Financial Metrics (dollars in millions, except per share data)		
Adjusted EPS(9)	$ 4.21	$ 4.49
Gross profit(10)	$ 1,066.4	$ 1,020.0
Adjusted EBITDA(11)	$ 540.5	$ 566.9
Core G&A(12)	$ 363.5	$ 326.2

(1) Totals may not foot due to rounding.

(2) Consists of total advisory and brokerage assets under custody at the Company's primary broker-dealer subsidiary, LPL Financial LLC ("LPL Financial"). Please consult the *"Results of Operations"* section for a tabular presentation of advisory and brokerage assets.

(3) Consists of total client deposits into advisory or brokerage accounts less total client withdrawals from advisory or brokerage accounts, plus dividends, plus interest, minus advisory fees. We consider conversions from and to brokerage or advisory accounts as deposits and withdrawals, respectively.

(4) Calculated as annualized current period organic net new assets divided by preceding period assets in their respective categories of advisory assets or total advisory and brokerage assets.

(5) During the first quarter of 2024, the Company updated its definition of client cash account balances to exclude other client payables. Prior period disclosures have been updated to reflect this change as applicable.

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

(7) Calculated based on the end of period total advisory and brokerage assets divided by the end of period advisor count.

(8) The leverage ratio is a financial metric from our Credit Agreement and is calculated by dividing Credit Agreement net debt, which equals consolidated total debt less Corporate Cash, by Credit Agreement EBITDA. Credit Agreement EBITDA, a non-GAAP financial measure, is defined by the 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, and to include future expected cost savings, operating expense reductions or other synergies from certain transactions. Please consult the *"Debt and Related Covenants"* section for more information. Below are reconciliations of corporate debt and other borrowings to Credit Agreement net debt as of the dates below and net income to EBITDA and Credit Agreement EBITDA for the trailing twelve-month periods presented (in millions):

Credit Agreement Net Debt Reconciliation	March 31, 2024	December 31, 2023	March 31, 2023
Corporate debt and other borrowings	$ 3,875.5	$ 3,757.2	$ 2,870.2
Corporate Cash(13)	(311.1)	(183.7)	(234.2)
Credit Agreement Net Debt(†)	$ 3,564.5	$ 3,573.5	$ 2,636.0

EBITDA and Credit Agreement EBITDA Reconciliation	March 31, 2024	December 31, 2023	March 31, 2023
Net income	$ 1,016.1	$ 1,066.3	$ 1,050.8
Interest expense on borrowings	207.7	186.8	138.2
Provision for income taxes	358.3	378.5	331.9
Depreciation and amortization	258.1	247.0	210.4
Amortization of other intangibles	112.7	107.2	90.5
EBITDA(†)	$ 1,952.9	$ 1,985.8	$ 1,821.9
Credit Agreement Adjustments:			
Acquisition costs and other(14)(15)	$ 117.2	$ 110.2	$ 42.0
Employee share-based compensation	70.7	66.0	55.3
M&A accretion(16)	17.0	30.3	42.0
Advisor share-based compensation	2.6	2.6	2.6
Credit Agreement EBITDA(†)	$ 2,160.5	$ 2,194.8	$ 1,963.7

	March 31, 2024	December 31, 2023	March 31, 2023
Leverage Ratio	1.65	1.63	1.34

(†) Totals may not foot due to rounding.

(9) Adjusted EPS is a non-GAAP financial measure defined as adjusted net income, a non-GAAP financial measure defined as net income plus the after-tax impact of amortization of other intangibles and acquisition costs, divided by the weighted average number of diluted shares outstanding for the applicable period. The Company presents adjusted net income and adjusted EPS because management believes that these metrics can provide investors with useful insight into the Company's core operating performance by excluding non-cash items and acquisition costs that management does not believe impact the Company's ongoing operations. Adjusted net income and adjusted EPS are not measures of the Company's financial performance under GAAP and should not be considered as alternatives to net income, earnings per diluted share or any other performance measure derived in accordance with GAAP. Below is a reconciliation of net income and earnings per diluted share to adjusted net income and adjusted EPS for the periods presented (in millions, except per share data):

	Three Months Ended March 31,			
	2024		2023	
Adjusted Net Income / Adjusted EPS Reconciliation	**Amount**	**Per Share**	**Amount**	**Per Share**
Net income / earnings per diluted share	$ 288.8	$ 3.83	$ 338.9	$ 4.24
Amortization of other intangibles	29.6	0.39	24.1	0.30
Acquisition costs(14)	9.5	0.13	3.1	0.04
Tax benefit	(10.3)	(0.14)	(7.2)	(0.09)
Adjusted Net Income / Adjusted EPS(†)	**$ 317.5**	**$ 4.21**	**$ 358.9**	**$ 4.49**
Weighted-average shares outstanding, diluted	75.5		80.0	

(†) Totals may not foot due to rounding.

(10) Gross profit is a non-GAAP financial measure defined as total revenue less advisory and commission expense; brokerage, clearing and exchange expense; and market fluctuations on employee deferred compensation. All other expense categories, including depreciation and amortization of property and equipment and amortization of other intangibles, are considered by management to be general and administrative in nature. Because our gross profit amounts do not include any depreciation and amortization expense, we consider our gross profit amounts to be non-GAAP financial measures that may not be comparable to those of others in our industry. We believe that gross profit amounts can provide investors with useful insight into our core operating performance before indirect costs that are general and administrative in nature. Below is a calculation of gross profit for the periods presented (in millions):

	Three Months Ended March 31,	
Gross Profit	**2024**	**2023**
Total revenue	$ 2,832.6	$ 2,417.8
Advisory and commission expense	1,733.5	1,370.6
Brokerage, clearing and exchange expense	30.5	26.1
Employee deferred compensation	2.1	1.1
Gross Profit(†)	**$ 1,066.4**	**$ 1,020.0**

(†) Totals may not foot due to rounding.

(11) EBITDA and adjusted EBITDA are non-GAAP financial measures. EBITDA is defined as net income plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles. Adjusted EBITDA is defined as EBITDA plus acquisition costs. The Company presents EBITDA and adjusted EBITDA because management believes that they can be useful financial metrics in understanding the Company's earnings from operations. EBITDA and adjusted EBITDA are not measures 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. Below is a reconciliation of net income to EBITDA and adjusted EBITDA for the periods presented (in millions):

	Three Months Ended March 31,	
EBITDA Reconciliation	**2024**	**2023**
Net income	$ 288.8	$ 338.9
Interest expense on borrowings	60.1	39.2
Provision for income taxes	85.4	105.6
Depreciation and amortization	67.2	56.1
Amortization of other intangibles	29.6	24.1
EBITDA	**$ 531.0**	**$ 563.8**
Acquisition costs(14)	9.5	3.1
Adjusted EBITDA(†)	**$ 540.5**	**$ 566.9**

(†) Totals may not foot due to rounding.

(12) Core G&A is a non-GAAP financial measure defined as total expense less the following expenses: advisory and commission; depreciation and amortization; interest expense on borrowings; brokerage, clearing and exchange; amortization of other intangibles; market fluctuations on employee deferred compensation; promotional (ongoing); employee share-based compensation; regulatory charges; and acquisition costs. Management presents core G&A because it believes core G&A reflects the corporate expense categories over which management can generally exercise a measure of control, compared with expense items over which management either cannot exercise control, such as advisory and commission expense, 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. Below is a reconciliation of the Company's total expense to core G&A for the periods presented (in millions):

	Three Months Ended March 31,	
Core G&A Reconciliation	**2024**	**2023**
Total expense	$ 2,458.4	$ 1,973.3
Advisory and commission	(1,733.5)	(1,370.6)
Depreciation and amortization	(67.2)	(56.1)
Interest expense on borrowings	(60.1)	(39.2)
Brokerage, clearing and exchange	(30.5)	(26.1)
Amortization of other intangibles	(29.6)	(24.1)
Employee deferred compensation	(2.1)	(1.1)
Total G&A(†)	535.4	456.1
Promotional (ongoing)(14)(17)	(132.3)	(101.2)
Employee share-based compensation	(22.6)	(18.0)
Acquisition costs(14)	(9.5)	(3.1)
Regulatory charges	(7.5)	(7.7)
Core G&A(†)	**$ 363.5**	**$ 326.2**

(†) Totals may not foot due to rounding.

(13) See the *"Liquidity and Capital Resources"* section for additional information about Corporate Cash.

(14) Acquisition costs include the costs to setup, onboard and integrate acquired entities and other costs that were incurred as a result of acquisitions. The below table summarizes the primary components of acquisition costs for the periods presented (in millions):

	Three Months Ended March 31,	
Acquisition costs	**2024**	**2023**
Compensation and benefits	$ 3.9	$ 0.9
Professional services	3.2	1.6
Promotional(17)	2.3	0.2
Other	0.2	0.4
Acquisition costs(†)	**$ 9.5**	**$ 3.1**

(†) Totals may not foot due to rounding.

(15) In March 2024, the Company and the SEC reached a settlement in principle to resolve the SEC's civil investigation of the Company's compliance with records preservation requirements for business-related electronic communications stored on personal devices or messaging platforms that have not been approved by the Company. As a result of this settlement, the Company would pay a $50.0 million civil monetary penalty. The Company recorded $40.0 million in regulatory charges during the three months ended September 30, 2023 to reflect the amount of the penalty that is not covered by the Company's captive insurance subsidiary. See Note 10 - *Commitments and Contingencies*, within the notes to the condensed consolidated financial statements for further detail.

(16) M&A accretion is an adjustment to reflect the annualized expected run rate EBITDA of an acquisition as permitted by the Credit Agreement for up to eight fiscal quarters following the close of such acquisition.

(17) Promotional (ongoing) for the three months ended March 31, 2024 and 2023 includes $8.0 million and $3.2 million, respectively, of support costs related to full-time employees that are classified within compensation and benefits expense in the condensed consolidated statements of income. Promotional (ongoing) for the three months ended March 31, 2024 and 2023 excludes $2.3 million and $0.2 million, respectively, of expenses incurred as a result of acquisitions, which are included in the acquisition costs line item.

Legal and Regulatory Matters

The financial services industry is subject to extensive regulation by U.S. federal and state government agencies as well as various self-regulatory organizations. Compliance with all applicable laws and regulations involves a significant investment in time and resources, and we continue to invest in our compliance functions to monitor our adherence to the numerous legal and regulatory requirements applicable to our business. Any new laws or regulations applicable to our business, any changes to existing laws or regulations, or any changes to the interpretations or enforcement of those laws or regulations may affect our operations and/or financial condition. We seek to participate in the development of significant rules and regulations that govern our industry.

As a regulated entity, we are subject to regulatory oversight and inquiries related to, among other items, our compliance and supervisory systems and procedures and other controls, as well as our disclosures, supervision and reporting. We review these items in the ordinary course of business in our effort to adhere to legal and regulatory requirements applicable to our operations. Nevertheless, additional regulation and enhanced regulatory enforcement has resulted, and may result in the future, in additional operational and compliance costs, as well as increased costs in the form of penalties and fines, investigatory and settlement costs, customer restitution and remediation related to regulatory matters. In the ordinary course of business, we periodically identify or become aware of purported inadequacies, deficiencies and other issues. It is our policy to evaluate these matters for potential legal or regulatory violations and other potential compliance issues. It is also our policy to self-report known violations and issues as required by applicable law and regulation. When deemed probable that matters may result in financial losses, we accrue for those losses based on an estimate of possible fines, customer restitution and losses related to the repurchase of sold securities and other losses, as applicable. Certain regulatory and other legal claims and losses may be covered through our wholly-owned captive insurance subsidiary, which is chartered with the insurance commissioner in the state of Tennessee.

Assessing the probability of a loss occurring and the timing and amount of any loss related to a regulatory matter or legal proceeding, whether or not covered by our captive insurance subsidiary, is inherently difficult and requires judgments based on a variety of factors and assumptions. There are particular uncertainties and complexities involved when assessing the adequacy of loss reserves for potential liabilities that are self-insured by our captive insurance subsidiary, which depends in part on historical claims experience, including the actual timing and costs of resolving matters that begin in one policy period and are resolved in a subsequent period.

Our accruals, including those established through our captive insurance subsidiary at March 31, 2024, include estimated costs for significant regulatory matters or legal proceedings, generally relating to the adequacy of our compliance and supervisory systems and procedures and other controls, for which we believe losses are both probable and reasonably estimable.

The outcome of regulatory or legal proceedings could result in legal liability, regulatory fines or monetary penalties in excess of our accruals and insurance, which could have a material adverse effect on our business, results of operations, cash flows or financial condition. For more information on management's loss contingency policies, see Note 10 - *Commitments and Contingencies*, within the notes to the condensed consolidated financial statements.

Economic Overview and Impact of Financial Market Events

Our business is directly and indirectly sensitive to several macroeconomic factors and the state of the financial markets in the United States. According to the most recent estimate from the U.S. Bureau of Economic Analysis, the U.S. economy grew at an annualized pace of 1.6% in the first quarter of 2024 after growing at an annualized pace of 3.4% in the fourth quarter of last year. Although inflation, rising interest rates and volatile global markets were all headwinds, the U.S. economy added roughly 829,000 jobs in the first quarter of 2024. The unemployment rate averaged 3.8% in the first quarter of 2024, up slightly from the 3.7% average in the prior quarter, but still historically low, indicating a tight labor market. The equity markets rebounded as the Federal Reserve ("Fed") held rates unchanged and prepared markets for future rate cuts. As a result, the S&P 500 returned 10.6% during the first quarter of 2024.

Our business is also sensitive to current and expected short-term interest rates, which are largely driven by Fed policy. During the first quarter of 2024, Fed policymakers maintained the target range for the federal funds rate of 5.25% to 5.50%. To the extent they pursue tighter monetary policy, the Federal Open Market Committee members are expected to take into account the cumulative impacts from higher rates, the inflation trajectory and global financial conditions.

Please consult the *"Risks Related to Our Business and Industry"* section within Part I, *"Item 1A. Risk Factors"* in our 2023 Annual Report on Form 10-K for more information about the risks associated with significant interest rate changes and the potential related effects on our profitability and financial condition.

Results of Operations

The following discussion presents an analysis of our results of operations for the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,		
	2024	2023	% Change
REVENUE			
Advisory	$ 1,199,811	$ 954,057	26 %
Commission:			
Sales-based	385,235	286,072	35 %
Trailing	361,211	317,653	14 %
Total commission	746,446	603,725	24 %
Asset-based:			
Client cash	352,382	418,275	(16 %)
Other asset-based	248,339	203,473	22 %
Total asset-based	600,721	621,748	(3 %)
Service and fee	132,172	118,987	11 %
Transaction	57,258	48,935	17 %
Interest income, net	43,525	37,358	17 %
Other	52,660	33,022	59 %
Total revenue	2,832,593	2,417,832	17 %
EXPENSE			
Advisory and commission	1,733,487	1,370,634	26 %
Compensation and benefits	274,369	233,533	17 %
Promotional	126,619	98,223	29 %
Depreciation and amortization	67,158	56,054	20 %
Occupancy and equipment	66,264	60,173	10 %
Interest expense on borrowings	60,082	39,184	53 %
Brokerage, clearing and exchange	30,532	26,126	17 %
Amortization of other intangibles	29,552	24,092	23 %
Communications and data processing	19,744	17,675	12 %
Professional services	13,279	14,220	(7 %)
Other	37,315	33,421	12 %
Total expense	2,458,401	1,973,335	25 %
INCOME BEFORE PROVISION FOR INCOME TAXES	374,192	444,497	(16 %)
PROVISION FOR INCOME TAXES	85,428	105,613	(19 %)
NET INCOME	$ 288,764	$ 338,884	(15 %)

Revenue

Advisory

Advisory revenue represents fees charged to advisors' clients' advisory accounts on our corporate RIA advisory platform and is based on a percentage of the market value of the eligible assets in the clients' advisory accounts. We provide ongoing investment advice and act as a custodian, providing brokerage and execution services on transactions, and perform administrative services for these accounts. Advisory fees are primarily billed to clients on a quarterly basis in advance, and are recognized as revenue ratably during the quarter. The performance obligation for advisory fees is considered a series of distinct services that are substantially the same and are satisfied daily. As the value of the eligible assets in an advisory account is susceptible to changes due to customer activity, this revenue includes variable consideration and is constrained until the date that the fees are determinable. The majority of these client accounts are on a calendar quarter and are billed using values as of the last business day of the preceding quarter. The value of the eligible assets in an advisory account on the billing date is adjusted for estimates of contributions and withdrawals to determine the amount billed, and accordingly, the revenue earned in the following three-month period. Advisory revenue collected on our corporate RIA advisory platform is proposed by the advisor and agreed to by the client and was approximately 1% of the underlying assets for the three months ended March 31, 2024.

We also support independent RIA firms that conduct their business through our separate registered investment advisor firms ("Independent RIAs") advisory platform, which allows advisors to engage us for technology, clearing and custody services, as well as access the capabilities of our investment platforms. The assets held under an Independent RIA's investment advisory accounts custodied with LPL Financial are included in total advisory assets and net new advisory assets. However, the advisory revenue generated by an Independent RIA is not included in our advisory revenue. We charge separate fees to Independent RIAs for technology, clearing, administrative, oversight and custody services, which may vary and are included in our service and fee revenue in our condensed consolidated statements of income.

The following table summarizes the composition of advisory assets for the periods presented (in billions):

	March 31, 2024	March 31, 2023	$ Change	% Change
Corporate advisory assets	$ 537.6	$ 415.3	$ 122.3	29 %
Independent RIA advisory assets	255.4	205.6	49.8	24 %
Total advisory assets	$ 793.0	$ 620.9	$ 172.1	28 %

Net new advisory assets are generated throughout the quarter, therefore, the full impact of net new advisory assets to advisory revenue is not realized in the same period. The following table summarizes activity impacting advisory assets for the periods presented (in billions):

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Balance - Beginning of period	$ 735.8	$ 583.1
Net new advisory assets(1)	16.2	14.6
Market impact(2)	41.0	23.2
Balance - End of period	$ 793.0	$ 620.9

(1) Net new advisory assets consist of total client deposits into custodied advisory accounts less total client withdrawals from custodied advisory accounts, plus dividends, plus interest, minus advisory fees. We consider conversions from and to brokerage accounts as deposits and withdrawals, respectively.

(2) Market impact is the difference between the beginning and ending asset balance less the net new asset amounts, representing the implied growth or decline in asset balances due to market changes over the same period of time.

Advisory revenue increased during the three months ended March 31, 2024 as compared to the same period in 2023, due primarily to continued organic growth, which increased advisory asset balances during the period.

Commission

We generate two types of commission revenue: (1) sales-based commissions that are recognized at the point of sale on the trade date and are based on a percentage of an investment product's current market value at the time of purchase and (2) trailing commissions that are recognized over time as earned and are generally based on the market value of investment holdings in trail-eligible assets. Sales-based commission revenue, which occurs when clients trade securities or purchase various types of investment products, primarily represents gross commissions generated by our advisors and can vary from period to period based on the overall economic environment, number of trading days in the reporting period and investment activity of our advisors' clients. We earn trailing commission revenue primarily on mutual funds and variable annuities held by clients of our advisors. See Note 3 - *Revenue*, within the notes to the condensed consolidated financial statements for further detail regarding our commission revenue by product category.

The following table sets forth the components of our commission revenue for the periods presented (in thousands):

	Three Months Ended March 31,			
	2024	**2023**	**$ Change**	**% Change**
Sales-based	$ 385,235	$ 286,072	$ 99,163	35 %
Trailing	361,211	317,653	43,558	14 %
Total commission revenue	$ 746,446	$ 603,725	$ 142,721	24 %

The increase in trailing commission revenue for the three months ended March 31, 2024 compared to 2023 was primarily due to an increase in sales of annuities during the period. The increase in sales-based commission revenue for the three months ended March 31, 2024 compared to 2023 was primarily driven by an increase in sales of annuities and fixed income securities as a result of the higher interest rate environment.

The following table summarizes activity impacting brokerage assets for the periods presented (in billions):

	Three Months Ended March 31,	
	2024	**2023**
Balance - Beginning of period	$ 618.2	$ 527.7
Net new brokerage assets(1)	0.5	9.9
Market impact(2)	29.2	16.7
Balance - End of period	$ 647.9	$ 554.3

(1) Net new brokerage assets consist of total client deposits into brokerage accounts less total client withdrawals from brokerage accounts, plus dividends, plus interest. We consider conversions from and to advisory accounts as deposits and withdrawals, respectively.

(2) Market impact is the difference between the beginning and ending asset balance less the net new asset amounts, representing the implied growth or decline in asset balances due to market changes over the same period of time.

Asset-Based

Asset-based revenue consists of fees from our client cash programs, fees from our sponsorship programs with financial product manufacturers and fees from omnibus processing and networking services (collectively referred to as "recordkeeping"). Client cash revenue is generated on advisors' clients' cash balances in insured bank sweep accounts and money market accounts. We also receive fees from certain financial product manufacturers in connection with sponsorship programs that support our marketing and sales force education and training efforts. Compensation for these performance obligations is either a fixed fee, a percentage of the average annual amount of product sponsor assets held in advisors' clients' accounts, a percentage of new sales or a combination. Omnibus processing revenue is paid to us by mutual fund product sponsors or their affiliates and is based on the value of mutual fund assets in accounts for which the Company provides omnibus processing services and the number of accounts in which the related mutual fund positions are held. Networking revenue on brokerage assets is correlated to the number of positions we administer and is paid to us by mutual fund product sponsors and annuity product manufacturers.

Asset-based revenue for the three months ended March 31, 2024 decreased by $21.0 million compared to 2023, primarily due to a decrease in client cash revenue. Client cash revenue for the three months ended March 31, 2024 decreased compared to 2023 due to lower average client cash balances during the three months ended March 31, 2024 as compared to 2023. For the three months ended March 31, 2024, our average client cash balances decreased to $44.4 billion compared to $55.7 billion in 2023.

Service and Fee

Service and fee revenue is generated from advisor and retail investor services, including technology, insurance, conferences, licensing, business services and planning and advice services, Individual Retirement Account ("IRA") custodian and other client account fees. We charge separate fees to RIAs on our Independent RIA advisory platform for technology, clearing, administrative, oversight and custody services, which may vary. We also host certain advisor conferences that serve as training, education, sales and marketing events for which we charge sponsors a fee. Service and fee revenue for the three months ended March 31, 2024 increased compared to 2023, primarily due to increases in IRA custodian fees, business services and planning and advice services fees, and fees relating to confirmations and error and omission insurance.

Transaction

Transaction revenue includes transaction charges generated in both advisory and brokerage accounts from mutual funds, exchange-traded funds and fixed income products. Transaction revenue for the three months ended March 31, 2024 increased compared to 2023, primarily due to increases in the number of transactions and transaction charges for fixed income products, partially offset by a decrease in charges for managed assets.

Other

Other revenue primarily includes unrealized gains and losses on assets held by us in our advisor non-qualified deferred compensation plan and model research portfolios and other miscellaneous revenue, which is not generated from contracts with customers. Other revenue for the three months ended March 31, 2024 increased compared to 2023, primarily due to unrealized gains on assets held in our advisor non-qualified deferred compensation plan, which are based on the market performance of the underlying investment allocations chosen by advisors in the plan, and a related increase in dividend income on assets held in our advisor non-qualified deferred compensation plan.

Expense

Advisory and Commission

Advisory and commission expense consists of the following: payout amounts that are earned by and paid out to advisors and institutions based on advisory and commission revenue earned on each client's account, production-based bonuses earned by advisors and institutions based on the levels of advisory and commission revenue they produce, compensation and benefits paid to employee advisors, share-based compensation expense from equity awards granted to advisors and institutions based on the fair value of the awards at grant date and the deferred advisory and commission fee expense associated with mark-to-market gains or losses on the non-qualified deferred compensation plan offered to our advisors.

The following table sets forth our payout rate, which is a statistical or operating measure, for the periods presented:

	Three Months Ended March 31,		
	2024	**2023**	**Change**
Payout rate	86.64%	86.19%	45 bps

Our payout rate for the three months ended March 31, 2024 increased slightly compared to 2023, primarily due to the effect of acquisitions during the prior year.

Compensation and Benefits

Compensation and benefits expense includes salaries, wages, benefits, share-based compensation and related taxes for our employees, as well as compensation for temporary workers and contractors. The following table sets forth our average number of employees for the periods presented:

	Three Months Ended March 31,		
	2024	**2023**	**Change**
Average number of employees	8,724	7,124	22%

Compensation and benefits expense for the three months ended March 31, 2024 increased by $40.8 million compared to 2023, primarily due to an increase in average headcount.

Promotional

Promotional expense includes business development costs related to advisor recruitment and retention, costs related to hosting certain advisory conferences that serve as training, sales and marketing events, and other costs that support advisor business growth. Promotional expense for the three months ended March 31, 2024 increased by $28.4 million compared to 2023, primarily due to increases in recruited assets and advisors that led to higher costs to support transition assistance and retention.

Depreciation and Amortization

Depreciation and amortization expense relates to the use of property and equipment, which includes internally developed software, hardware, leasehold improvements and other equipment. Depreciation and amortization expense for the three months ended March 31, 2024 increased by $11.1 million compared to 2023, primarily due to our continued investment in technology to support integrations, enhance our advisor platform and experience, and support onboarding of institutions.

Interest Expense on Borrowings

Interest expense on borrowings includes the interest associated with the Company's senior notes, senior secured Term Loan B ("Term Loan B") and revolving credit facilities; amortization of debt issuance costs; and fees associated with the Company's revolving lines of credit. Interest expense on borrowings for the three months ended March 31, 2024 increased by $20.9 million compared to 2023, primarily due to increased interest rates on our Term Loan B and revolving credit facilities and higher outstanding debt balances. See Note 9 - *Corporate Debt and Other Borrowings, Net,* within the notes to the condensed consolidated financial statements for further detail.

Provision for Income Taxes

Our effective income tax rate was 22.8% and 23.8% for the three months ended March 31, 2024 and 2023, respectively. The Company's effective income tax rate differs from the federal corporate tax rate of 21.0%, primarily as a result of state taxes, reserves for uncertain tax positions and non-deductible expenses. Our effective income tax rate is reduced by tax benefits received from income tax credits as well as share-based compensation vesting and exercises. The decrease in our effective tax rate for the three months ended March 31, 2024 was primarily driven by lower pre-tax income during the first quarter of 2024 as compared to the prior year.

Liquidity and Capital Resources

We have established liquidity and capital policies intended to support the execution of strategic initiatives, while meeting regulatory capital requirements and maintaining ongoing and sufficient liquidity. We believe liquidity is of critical importance to the Company and, in particular, to LPL Financial, our primary broker-dealer subsidiary. The objective of our policies is to ensure that we can meet our strategic, operational and regulatory liquidity and capital requirements under both normal operating conditions and under periods of stress in the financial markets.

Liquidity

Our liquidity needs are primarily driven by capital requirements at LPL Financial, interest due on our corporate debt and other capital returns to stockholders. Our liquidity needs at LPL Financial are driven primarily by the level and volatility of our client activity. Management maintains a set of liquidity sources and monitors certain business trends and market metrics closely in an effort to ensure we have sufficient liquidity. We believe that based on current levels of cash flows from operations and anticipated growth, together with available cash balances and external liquidity sources, we have adequate liquidity to satisfy our short-term and long-term working capital needs, the payment of all of our obligations and the funding of anticipated capital expenditures.

Parent Company Liquidity

LPL Holdings, Inc. (the "Parent"), the direct holding company of our operating subsidiaries, considers its primary sources of liquidity to be dividends from and excess capital generated by LPL Financial, as well as capacity for additional borrowing under its $2.0 billion secured revolving credit facility, which it has the ability to borrow against for working capital and general corporate purposes.

Dividends from and excess capital generated by LPL Financial are primarily generated through our cash flow from operations. Subject to regulatory approval or notification, capital generated by regulated subsidiaries can be distributed to the Parent to the extent the capital levels exceed regulatory requirements and internal capital thresholds. During the three months ended March 31, 2024, LPL Financial paid dividends of $120.0 million to the Parent. No such dividends were paid during the three months ended March 31, 2023.

We believe Corporate Cash, a component of cash and equivalents, is a useful measure of the Parent's liquidity as it represents the capital available for use in excess of the amount we are required to maintain pursuant to the Credit Agreement. Corporate Cash is the sum of cash and equivalents from the following: (1) cash and equivalents held at the Parent, (2) cash and equivalents held at regulated subsidiaries as defined by the Credit Agreement, which include LPL Financial and The Private Trust Company, N.A. ("PTC"), in excess of the capital requirements of the 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.

The following table presents the components of Corporate Cash (in thousands):

	March 31, 2024	December 31, 2023
Cash and equivalents	$ 1,102,270	$ 465,671
Cash at regulated subsidiaries	(1,038,241)	(410,313)
Excess cash at regulated subsidiaries per the Credit Agreement	247,033	128,327
Corporate Cash	**$ 311,062**	**$ 183,685**
Corporate Cash		
Cash at the Parent	$ 30,781	$ 26,587
Excess cash at regulated subsidiaries per the Credit Agreement	247,033	128,327
Cash at non-regulated subsidiaries	33,248	28,771
Corporate Cash	**$ 311,062**	**$ 183,685**

Corporate Cash is monitored as part of our liquidity risk management. We target maintaining approximately $200 million in Corporate Cash, which covers approximately 12 months of principal and interest due on our corporate debt.

We actively monitor changes to our liquidity needs caused by general business volumes and price volatility, including higher margin requirements of clearing corporations and exchanges, and stress scenarios involving a sustained market downturn and the persistence of current interest rates. We believe that based on current levels of operations and anticipated growth, our cash flow from operations, together with other available sources of funds, which include five uncommitted lines of credit, the revolving credit facility established through our Credit Agreement and the committed revolving credit facility of LPL Financial, will provide us with adequate liquidity to satisfy our short-term and long-term working capital needs, the payment of all of our obligations and the funding of anticipated capital expenditures.

We regularly evaluate our existing indebtedness, including potential issuances and refinancing opportunities, based on a number of factors, including our capital requirements, future prospects, contractual restrictions, the availability of refinancing on attractive terms and general market conditions. As of March 31, 2024, the earliest principal maturity date for our corporate debt with outstanding balances is in 2026 and our revolving credit facilities and uncommitted lines of credit mature between 2024 and 2026.

Share Repurchases

We engage in a share repurchase program that was approved by our Board of Directors (the "Board"), pursuant to which we may repurchase our issued and outstanding shares of common stock from time to time. Purchases may be effected in open market or privately negotiated transactions. Our current capital deployment framework remains focused on investing in organic growth first, pursuing acquisitions where appropriate and returning excess capital to stockholders. We repurchased 296,145 shares for a total of $70.0 million during the three months ended March 31, 2024. As of March 31, 2024, we had $830.0 million remaining under our existing repurchase program. As a result of our planned acquisition of Atria, we paused share repurchases during the quarter. Subsequent to closing of the transaction, we will evaluate resuming share repurchases, consistent with our existing capital management strategy. The timing and amount of share repurchases, if any, is determined at our discretion within the constraints of our Credit Agreement, applicable laws and consideration of our general liquidity needs. See Note 11 - *Stockholders' Equity*, within the notes to the condensed consolidated financial statements for additional information regarding our share repurchases.

Common Stock Dividends

The payment, timing and amount of any dividends are subject to approval by LPLFH's Board of Directors (the "Board"), as well as certain limits under our Credit Agreement. See Note 11 - *Stockholders' Equity*, within the notes to the condensed consolidated financial statements for additional information regarding our dividends.

LPL Financial Liquidity

LPL Financial relies primarily on client payables to fund margin lending. LPL Financial maintains additional liquidity through external lines of credit totaling $1.2 billion at March 31, 2024. LPL Financial also maintains a line of credit with the Parent.

External Liquidity Sources

The following table presents amounts outstanding and available under our external lines of credit at March 31, 2024 (in millions):

Description	Borrower	Maturity Date	Outstanding	Available
Senior secured, revolving credit facility	LPL Holdings, Inc.	March 2026	$ 401	$ 1,599
Broker-dealer revolving credit facility	LPL Financial LLC	July 2024	$ —	$ 1,000
Unsecured, uncommitted lines of credit	LPL Financial LLC	None	$ —	$ 75
Unsecured, uncommitted lines of credit	LPL Financial LLC	September 2024	$ —	$ 50
Secured, uncommitted lines of credit	LPL Financial LLC	March 2025	$ —	$ 75
Secured, uncommitted lines of credit	LPL Financial LLC	None	$ —	unspecified
Secured, uncommitted lines of credit	LPL Financial LLC	None	$ —	unspecified

Capital Resources

The Company seeks to manage capital levels in support of its business strategy of generating and effectively deploying capital for the benefit of our stockholders.

Our primary requirement for working capital relates to funds we loan to our advisors' clients for trading conducted on margin and funds we are required to maintain for regulatory capital and reserves based on the requirements of our regulators and clearing organizations, which also consider client balances and trading activities. We have several sources of funds that enable us to meet increases in working capital requirements that relate to increases in client margin activities and balances. These sources include cash and equivalents on hand, the committed revolving credit facility of LPL Financial and proceeds from repledging or selling client securities in margin accounts. When an advisor's client purchases securities on margin or uses securities as collateral to borrow from us on margin, we are permitted, pursuant to the applicable securities industry regulations, to repledge, loan or sell securities, up to 140% of the client's margin loan balance, that collateralize those margin accounts.

Our other working capital needs are primarily related to loans we are making to advisors and timing associated with receivables and payables, which we have satisfied in the past from internally generated cash flows.

We may sometimes be required to fund capital requirements necessary to effect client transactions in securities markets and cash sweep balances held at third-party banks that arise from the delayed receipt of client funds. These capital requirements are funded either with internally generated cash flows or, if needed, with funds drawn on our uncommitted lines of credit at LPL Financial or one of our revolving credit facilities.

Our broker-dealer subsidiaries are subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1 under the Exchange Act), which requires the maintenance of minimum net capital. LPL Financial, our primary broker-dealer subsidiary, computes net capital requirements under the alternative method, which requires firms to maintain minimum net capital equal to the greater of $250,000 or 2% of aggregate debit balances arising from client transactions.

The following table presents the net capital position of the Company's primary broker-dealer subsidiary (in thousands):

	March 31, 2024
LPL Financial LLC	
Net capital	$ 328,479
Less: required net capital	18,070
Excess net capital	$ 310,409

Payment by our broker-dealer subsidiaries of dividends greater than 10% of their respective excess net capital during any 35-day rolling period requires approval from FINRA. In addition, each broker-dealer subsidiary's ability to pay dividends would be restricted if its net capital would be less than 5% of aggregate customer debit balances.

LPL Financial also acts as an introducing broker-dealer for commodities and futures. Accordingly, its trading activities are subject to the National Futures Association's ("NFA") financial requirements and it is required to maintain net capital that is in excess of or equal to the greatest of NFA's minimum financial requirements. The NFA was designated by the Commodity Futures Trading Commission as LPL Financial's primary regulator for such activities. Currently, the highest NFA requirement is the minimum net capital calculated and required pursuant to the SEC's Uniform Net Capital Rule.

Our subsidiary PTC is also subject to various regulatory capital requirements. Failure to meet the respective minimum capital requirements can result in certain mandatory and discretionary actions by regulators that, if undertaken, could have substantial monetary and non-monetary impacts on PTC's operations.

Supplemental Guarantor Financial Information

The Company filed a registration statement on Form S-3 to register, among other things, non-convertible debt securities that may be offered by LPL Holdings, Inc. (the "Issuer"), a wholly owned subsidiary of LPL Financial Holdings Inc. ("LPLFH" and together with the Issuer, the "Obligor Group"), and full and unconditional guarantees by LPLFH of such debt securities. The debt securities issued by the Issuer pursuant to such registration statement are fully and unconditionally guaranteed by LPLFH. LPLFH is a Delaware holding corporation that manages substantially all of its operations through investments in subsidiaries. See Note 1 - *Organization and Description of the Company* and Note 9 - *Corporate Debt and Other Borrowings, Net*, within the notes to the condensed consolidated financial statements for additional information.

Pursuant to Rule 3-10 of Regulation S-X under the Securities Act of 1933, as amended, the following tables present unaudited summarized financial information for the Obligor Group on a combined basis. Balances and transactions between the Obligor Group have been eliminated. Financial information for non-guarantor subsidiaries, which includes all other subsidiaries of the Issuer, has been excluded and intercompany balances and transactions between the Obligor Group and non-guarantor subsidiaries are presented on separate lines. The summarized financial information below should be read in conjunction with the Company's condensed consolidated financial statements contained herein as the summarized financial information for the Obligor Group may not be indicative of results of operations or financial position of the Issuer or LPLFH had they operated as independent entities.

The following tables present the summarized financial information for the periods presented (in thousands):

	LPL Holdings, Inc. & LPL Financial Holdings Inc.
	Three Months Ended March 31,
Combined Summarized Statements of Income	**2024**
Revenues(1)	$ 49,734
Revenues from non-guarantor subsidiaries	5,335
Advisory and commission expense(1)	49,140
Interest expense on borrowings	59,158
Expenses from non-guarantor subsidiaries	3,509
Loss before provision for income taxes	(68,692)
Net loss	(53,128)

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(1) Revenues primarily include unrealized gains and losses on assets held in the non-qualified deferred compensation plan offered to advisors and employees, while advisory and commission expense includes the deferred advisory and commission fee expense associated with mark-to-market gains or losses on the non-qualified deferred compensation plan offered to advisors.

Combined Summarized Statements of Financial Condition	LPL Holdings, Inc. & LPL Financial Holdings Inc. March 31, 2024	December 31, 2023
Cash and equivalents	$ 30,781	$ 26,587
Other receivables, net	3,330	2,793
Property and equipment, net	155,133	154,920
Goodwill	1,251,908	1,251,908
Other intangibles, net	88,467	95,461
Receivables from non-guarantor subsidiaries	152,179	153,377
Other assets	1,050,215	1,017,289
Corporate debt and other borrowings, net	3,853,794	3,734,111
Accounts payable and accrued liabilities	64,793	53,817
Payables to non-guarantor subsidiaries	77,292	76,683
Other liabilities	1,091,363	986,274

Debt and Related Covenants

The Credit Agreement contains a number of covenants that, among other things, restrict, subject to certain exceptions, our ability to:

- incur additional indebtedness or issue disqualified stock or preferred stock;
- declare dividends, or other distributions to stockholders;
- repurchase equity interests;
- redeem indebtedness that is subordinated in right of payment to certain debt instruments;
- make investments or acquisitions;
- create liens;
- sell assets;
- guarantee indebtedness;
- engage in certain transactions with affiliates;
- enter into agreements that restrict dividends or other payments from subsidiaries; and
- consolidate, merge or transfer all or substantially all of our assets.

Our Credit Agreement allows us to pay dividends and distributions or repurchase our common stock only when certain conditions are met. In addition, our revolving credit facility requires us to be in compliance with certain financial covenants as of the last day of each fiscal quarter. The financial covenants require the calculation of Credit Agreement EBITDA, as defined in, and calculated by management in accordance with, the Credit Agreement. The Credit Agreement defines Credit Agreement EBITDA 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, and to include future expected cost savings, operating expense reductions or other synergies from certain transactions.

As of March 31, 2024, we were in compliance with our Credit Agreement financial covenants, which include a maximum Consolidated Total Debt to Consolidated EBITDA Ratio (as defined in the Credit Agreement) or “Leverage Ratio” and a minimum Consolidated EBITDA to Consolidated Interest Expense Ratio (as defined in the Credit Agreement) or “Interest Coverage”. The breach of these financial covenants would be subject to certain equity cure rights. The required ratios under our financial covenants and actual ratios were as follows:

Financial Ratio	March 31, 2024 Covenant Requirement	Actual Ratio
Leverage Ratio (Maximum)	4.0	1.65
Interest Coverage (Minimum)	3.0	11.02

Certain restrictive covenants under certain of our Indentures are currently suspended. However, a credit rating downgrade to a below investment grade rating could cause currently suspended restrictive covenants under certain of our Indentures to be automatically reinstated.

See Note 9 - *Corporate Debt and Other Borrowings, Net,* within the notes to the condensed consolidated financial statements for further detail regarding the Credit Agreement.

Contractual Obligations

During the three months ended March 31, 2024, there were no material changes in our contractual obligations, other than in the ordinary course of business, from those disclosed in our 2023 Annual Report on Form 10-K. See Note 9 - *Corporate Debt and Other Borrowings, Net* and Note 10 - *Commitments and Contingencies,* within the notes to the condensed consolidated financial statements, as well as the Contractual Obligations section within Part II, *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations"* in our 2023 Annual Report on Form 10-K, for further detail.

Risk Management

Risk is an inherent part of our business and activities. To effectively manage these risks, we have an enterprise risk management ("ERM") framework that is designed to facilitate the incorporation of risk assessment into decision-making processes across the Company, enable execution our business strategy, and protect our Company and its franchise. This framework aims to ensure policies and procedures are in place and appropriately designed to identify and manage risk at appropriate levels throughout our organization and within various departments. These control mechanisms attempt to ensure that operational policies and procedures are being followed and that our employees and advisors operate within established corporate policies and limits. Please consult the *"Risks Related to Our Technology"* and the *"Risks Related to Our Business and Industry"* sections within Part I, *"Item 1A. Risk Factors"* and the *"Risk Management"* section within Part II, "*Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations"* in our 2023 Annual Report on Form 10-K for more information about our risks, our risk management policies and procedures, the potential related effects on our operations, and our ERM framework.

Operational Risk

Operational Risk is reviewed, monitored and challenged by the Operational Risk Oversight Committee. Operational risk is defined as the risk of loss resulting from failed or inadequate processes or systems, actions by people or external events. Please consult the "*Risk Management"* section within Part II, *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations"* included in our 2023 Annual Report on Form 10-K for more information about the operational risks that we face.

Regulatory and Compliance Risk

The regulatory environment in which we operate is discussed in detail within Part I, *"Item 1. Business"* in our 2023 Annual Report on Form 10-K. In recent years, and during the periods presented in this Quarterly Report on Form 10-Q, we have observed the SEC, FINRA, the U.S. Department of Labor and state regulators broaden the scope, frequency and depth of their examinations and inquiries to include greater emphasis on the quality, consistency and oversight of our compliance systems and programs. Please consult the *"Risks Related to Our Regulatory Environment"* and the *"Risks Related to Our Business and Industry"* sections within Part I, *"Item 1A. Risk Factors"* in our 2023 Annual Report on Form 10-K for more information about the risks associated with operating within our regulatory environment, pending regulatory matters and the potential related effects on our operations.

Critical Accounting Policies and Estimates

In the notes to our consolidated financial statements and in Part II, *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations"* included in our 2023 Annual Report on Form 10-K, we have disclosed those accounting policies that we consider to be most significant in determining our results of operations and financial condition and involve a higher degree of judgment and complexity. There have been no changes to those policies that we consider to be material since the filing of our 2023 Annual Report on Form 10-K. The accounting principles used in preparing our condensed consolidated financial statements conform in all material respects to GAAP.

Item 1. Financial Statements (unaudited)

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
REVENUE		
Advisory	$ 1,199,811	$ 954,057
Commission:		
Sales-based	385,235	286,072
Trailing	361,211	317,653
Total commission	746,446	603,725
Asset-based:		
Client cash	352,382	418,275
Other asset-based	248,339	203,473
Total asset-based	600,721	621,748
Service and fee	132,172	118,987
Transaction	57,258	48,935
Interest income, net	43,525	37,358
Other	52,660	33,022
Total revenue	2,832,593	2,417,832
EXPENSE		
Advisory and commission	1,733,487	1,370,634
Compensation and benefits	274,369	233,533
Promotional	126,619	98,223
Depreciation and amortization	67,158	56,054
Occupancy and equipment	66,264	60,173
Interest expense on borrowings	60,082	39,184
Brokerage, clearing and exchange	30,532	26,126
Amortization of other intangibles	29,552	24,092
Communications and data processing	19,744	17,675
Professional services	13,279	14,220
Other	37,315	33,421
Total expense	2,458,401	1,973,335
INCOME BEFORE PROVISION FOR INCOME TAXES	374,192	444,497
PROVISION FOR INCOME TAXES	85,428	105,613
NET INCOME	$ 288,764	$ 338,884
EARNINGS PER SHARE		
Earnings per share, basic	$ 3.87	$ 4.30
Earnings per share, diluted	$ 3.83	$ 4.24
Weighted-average shares outstanding, basic	74,562	78,750
Weighted-average shares outstanding, diluted	75,463	79,974

See notes to unaudited condensed consolidated financial statements.

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Financial Condition
(In thousands, except share data)
(Unaudited)

ASSETS	March 31, 2024	December 31, 2023
Cash and equivalents	$ 1,102,270	$ 465,671
Cash and equivalents segregated under federal or other regulations	1,610,996	2,007,312
Restricted cash	114,006	108,180
Receivables from clients, net	591,503	588,585
Receivables from brokers, dealers and clearing organizations	103,236	50,069
Advisor loans, net	1,573,774	1,479,690
Other receivables, net	863,119	743,317
Investment securities	57,451	91,311
Property and equipment, net	987,308	933,091
Goodwill	1,840,972	1,856,648
Other intangibles, net	690,767	671,585
Other assets	1,482,137	1,390,021
Total assets	$ 11,017,539	$ 10,385,480
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Client payables	$ 2,486,605	$ 2,266,176
Payables to brokers, dealers and clearing organizations	190,419	163,337
Accrued advisory and commission expenses payable	232,084	216,541
Corporate debt and other borrowings, net	3,853,794	3,734,111
Accounts payable and accrued liabilities	369,244	485,963
Other liabilities	1,615,512	1,440,373
Total liabilities	8,747,658	8,306,501
Commitments and contingencies (Note 10)		
Common stock, $0.001 par value; 600,000,000 shares authorized; 130,704,541 shares and 130,233,328 shares issued at March 31, 2024 and December 31, 2023, respectively	131	130
Additional paid-in capital	2,016,666	1,987,684
Treasury stock, at cost — 55,998,999 shares and 55,576,970 shares at March 31, 2024 and December 31, 2023, respectively	(4,101,055)	(3,993,949)
Retained earnings	4,354,139	4,085,114
Total stockholders' equity	2,269,881	2,078,979
Total liabilities and stockholders' equity	$ 11,017,539	$ 10,385,480

See notes to unaudited condensed consolidated financial statements.

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2023						
	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — December 31, 2022	129,656	$ 130	$ 1,912,886	50,408	$ (2,846,536)	$ 3,101,072	$ 2,167,552
Net income	—	—	—	—	—	338,884	338,884
Issuance of common stock to settle restricted stock units	368	—	—	148	(36,602)	—	(36,602)
Treasury stock purchases	—	—	—	1,206	(277,053)	—	(277,053)
Cash dividends on common stock - $0.30 per share	—	—	—	—	—	(23,584)	(23,584)
Stock option exercises and other	62	—	2,466	(13)	477	2,157	5,100
Share-based compensation	—	—	18,636	—	—	—	18,636
BALANCE — March 31, 2023	130,086	$ 130	$ 1,933,988	51,749	$ (3,159,714)	$ 3,418,529	$ 2,192,933

	Three Months Ended March 31, 2024						
	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — December 31, 2023	130,233	$ 130	$ 1,987,684	55,577	$ (3,993,949)	$ 4,085,114	$ 2,078,979
Net income	—	—	—	—	—	288,764	288,764
Issuance of common stock to settle restricted stock units	353	—	—	144	(37,729)	—	(37,729)
Treasury stock purchases	—	—	—	296	(70,005)	—	(70,005)
Cash dividends on common stock - $0.30 per share	—	—	—	—	—	(22,411)	(22,411)
Stock option exercises and other	119	1	5,647	(18)	628	2,672	8,948
Share-based compensation	—	—	23,335	—	—	—	23,335
BALANCE — March 31, 2024	130,705	$ 131	$ 2,016,666	55,999	$ (4,101,055)	$ 4,354,139	$ 2,269,881

See notes to unaudited condensed consolidated financial statements.

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 288,764	$ 338,884
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	67,158	56,054
Amortization of other intangibles	29,552	24,092
Amortization of debt issuance costs	2,675	2,026
Share-based compensation	23,335	18,636
Provision for credit losses	2,668	3,347
Deferred benefit for income taxes	4	(96)
Loan forgiveness	64,605	49,036
Other	9,126	10,218
Changes in operating assets and liabilities:		
Receivables from clients, net	(2,754)	(20,580)
Receivables from brokers, dealers and clearing organizations	(53,167)	4,680
Advisor loans, net	(159,839)	(84,418)
Other receivables, net	(121,596)	(16,457)
Investment securities - trading	32,902	461
Other assets	(59,125)	(52,258)
Client payables	220,429	(562,308)
Payables to brokers, dealers and clearing organizations	27,082	(35,046)
Accrued advisory and commission expenses payable	15,543	(9,513)
Accounts payable and accrued liabilities	(115,129)	(90,011)
Other liabilities	154,473	158,098
Operating lease assets	(805)	(765)
Net cash provided by (used in) operating activities	425,901	(205,920)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(121,024)	(101,252)
Acquisitions, net of cash acquired	(10,171)	(251,338)
Proceeds from maturities of securities classified as held-to-maturity	1,250	1,750
Net cash used in investing activities	(129,945)	(350,840)

Continued on following page

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2024	**2023**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facilities	245,000	135,000
Repayments of revolving credit facilities	(124,000)	—
Repayment of senior secured term loans	(2,675)	(2,675)
Payment of contingent consideration	(46,887)	—
Tax payments related to settlement of restricted stock units	(37,729)	(36,602)
Repurchase of common stock	(70,005)	(275,024)
Dividends on common stock	(22,411)	(23,584)
Proceeds from stock option exercises and other	8,948	5,100
Principal payment of finance leases and obligations	(88)	(70)
Net cash used in financing activities	(49,847)	(197,855)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS, CASH AND EQUIVALENTS SEGREGATED UNDER FEDERAL OR OTHER REGULATIONS AND RESTRICTED CASH	246,109	(754,615)
CASH AND EQUIVALENTS, CASH AND EQUIVALENTS SEGREGATED UNDER FEDERAL OR OTHER REGULATIONS AND RESTRICTED CASH — Beginning of period	2,581,163	3,137,270
CASH AND EQUIVALENTS, CASH AND EQUIVALENTS SEGREGATED UNDER FEDERAL OR OTHER REGULATIONS AND RESTRICTED CASH — End of period	$ 2,827,272	$ 2,382,655
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 43,542	$ 39,870
Income taxes paid	$ 9,205	$ 10,404
Cash paid for amounts included in the measurement of operating lease liabilities	$ 7,055	$ 6,436
Cash paid for amounts included in the measurement of finance lease liabilities	$ 2,175	$ 2,138
NONCASH DISCLOSURES:		
Capital expenditures included in accounts payable and accrued liabilities	$ 24,448	$ 23,753
Lease assets obtained in exchange for operating lease liabilities	$ 3,484	$ 1,700
Contingent consideration liabilities recognized at acquisition date	$ 19,918	$ 41,334

	March 31,	
	2024	**2023**
Cash and equivalents	$ 1,102,270	$ 469,785
Cash and equivalents segregated under federal or other regulations	1,610,996	1,807,283
Restricted cash	114,006	105,587
Total cash and equivalents, cash and equivalents segregated under federal or other regulations and restricted cash shown in the statements of cash flows	$ 2,827,272	$ 2,382,655

See notes to unaudited condensed consolidated financial statements.

NOTE 1 - ORGANIZATION AND DESCRIPTION OF THE COMPANY

LPL Financial Holdings Inc. ("LPLFH"), a Delaware holding corporation, together with its consolidated subsidiaries (collectively, the "Company"), provides an integrated platform of brokerage and investment advisory services to independent financial advisors and financial advisors at institutions (collectively, "advisors") in the United States. Through its custody and clearing platform, using both proprietary and third-party technology, the Company provides access to diversified financial products and services, enabling its advisors to offer personalized financial advice and brokerage services to retail investors (their "clients"). The Company's most significant, wholly owned subsidiaries are described below:

- LPL Holdings, Inc. ("LPLH" or "Parent") is an intermediate holding company and directly or indirectly owns 100% of the issued and outstanding common equity interests of all of LPLFH's indirect subsidiaries, including a captive insurance subsidiary that underwrites insurance for various legal and regulatory risks of the Company.
- LPL Financial LLC ("LPL Financial"), with primary offices in San Diego, California; Fort Mill, South Carolina; Boston, Massachusetts; and Austin, Texas is a clearing broker-dealer and an investment advisor that principally transacts business for its advisors and institutions on behalf of their clients in a broad array of financial products and services. LPL Financial is licensed to operate in all 50 states, Washington D.C., Puerto Rico and the U.S. Virgin Islands.
- LPL Insurance Associates, Inc. operates as an insurance brokerage general agency that offers life and disability insurance products and services for LPL Financial advisors.
- AW Subsidiary, Inc. is a holding company for AdvisoryWorld and Blaze Portfolio Systems LLC ("Blaze"). AdvisoryWorld offers technology products, including proposal generation, investment analytics and portfolio modeling, to both the Company's advisors and external clients in the wealth management industry. Blaze provides an advisor-facing trading and portfolio rebalancing platform.
- PTC Holdings, Inc. ("PTCH") is a holding company for The Private Trust Company, N.A. ("PTC"). PTC is chartered as a non-depository limited purpose national bank, providing a wide range of trust, investment management oversight and custodial services for estates and families. PTC, together with its affiliate Fiduciary Trust Company of New Hampshire, also provides Individual Retirement Account ("IRA") custodial services for LPL Financial.
- LPL Employee Services, LLC and its subsidiary, Allen & Company of Florida, LLC, along with their affiliate Financial Resources Group Investment Services, LLC ("FRGIS"), provide primary support for the Company's employee advisor affiliation model.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These unaudited condensed consolidated financial statements ("condensed consolidated financial statements") are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which require the Company to make estimates and assumptions regarding the valuation of certain financial instruments, acquisitions, goodwill and other intangibles, allowance for credit losses on receivables, share-based compensation, accruals for liabilities, income taxes, revenue and expense accruals and other matters that affect the condensed consolidated financial statements and related disclosures. The condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly the results of operations for the interim periods presented. Actual results could differ from those estimates under different assumptions or conditions and the differences may be material to the condensed consolidated financial statements.

The condensed consolidated financial statements include the accounts of LPLFH and its subsidiaries. Intercompany transactions and balances have been eliminated. The condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2023, contained in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC").

Recently Issued or Adopted Accounting Pronouncements

There are no relevant recently issued accounting pronouncements that would materially impact the Company's condensed consolidated financial statements and related disclosures. There were no new accounting pronouncements adopted during the three months ended March 31, 2024 that materially impacted the Company's condensed consolidated financial statements and related disclosures.

NOTE 3 - REVENUE

Commission

The following table presents total commission revenue disaggregated by product category (in thousands):

	Three Months Ended March 31,	
	2024	2023
Commission revenue		
Annuities	$ 436,473	$ 344,061
Mutual funds	186,540	165,038
Fixed income	48,641	35,267
Equities	35,451	25,890
Other	39,341	33,469
Total commission revenue	$ 746,446	$ 603,725

The following table presents sales-based and trailing commission revenue disaggregated by product category (in thousands):

	Three Months Ended March 31,	
	2024	2023
Commission revenue		
Sales-based		
Annuities	$ 229,077	$ 162,176
Fixed income	48,641	35,267
Mutual funds	43,496	37,477
Equities	35,451	25,890
Other	28,570	25,262
Total sales-based revenue	$ 385,235	$ 286,072
Trailing		
Annuities	$ 207,396	$ 181,885
Mutual funds	143,044	127,561
Other	10,771	8,207
Total trailing revenue	$ 361,211	$ 317,653
Total commission revenue	$ 746,446	$ 603,725

Asset-Based

The following table sets forth asset-based revenue disaggregated by product category (in thousands):

	Three Months Ended March 31,	
	2024	2023
Asset-based revenue		
Client cash	$ 352,382	$ 418,275
Sponsorship programs	134,101	102,470
Recordkeeping	114,238	101,003
Total asset-based revenue	$ 600,721	$ 621,748

Service and Fee

The following table sets forth service and fee revenue disaggregated by recognition pattern (in thousands):

	Three Months Ended March 31,	
	2024	2023
Service and fee revenue		
Over time(1)	$ 102,536	$ 93,029
Point-in-time(2)	29,636	25,958
Total service and fee revenue	$ 132,172	$ 118,987

(1) Service and fee revenue recognized over time includes revenue such as error and omission insurance fees, IRA custodian fees, and technology fees.

(2) Service and fee revenue recognized at a point-in-time includes revenue such as IRA termination fees, account fees, and confirmation fees.

Unearned Revenue

The Company records unearned revenue when cash payments are received or due in advance of the Company's performance obligations, including amounts which are refundable. Unearned revenue increased from $156.2 million as of December 31, 2023 to $206.7 million as of March 31, 2024. The increase in unearned revenue for the three months ended March 31, 2024 is primarily driven by cash payments received or due in advance of satisfying the Company's performance obligations, partially offset by $154.2 million of revenue recognized during the three months ended March 31, 2024 that was included in the unearned revenue balance as of December 31, 2023.

The Company receives cash in advance for advisory services to be performed and conferences to be held in future periods. For advisory services, revenue is recognized as the Company provides the administration, brokerage and execution services over time to satisfy the performance obligations. For conference revenue, the Company recognizes revenue as the conferences are held.

NOTE 4 - ACQUISITIONS

Acquisitions in the Current Period

Entered into a definitive purchase agreement to acquire Atria Wealth Solutions, Inc ("Atria")

On February 13, 2024, the Company announced that it had entered into a definitive purchase agreement to acquire Atria, a wealth management solutions holding company headquartered in New York. As part of the agreement, Atria will transition its brokerage and advisory assets to the Company's platform. The Company expects to close the transaction in the second half of 2024 for an initial purchase price of approximately $805 million and potential contingent consideration of up to $230 million based on future retention. The closing and the conversion, which is expected to be completed in mid-2025, are both subject to receipt of regulatory approval and other closing conditions.

Other Acquisitions

During the three months ended March 31, 2024, the Company completed two acquisitions under the Liquidity & Succession solution, in which the Company buys advisor practices.

Total consideration for these transactions, which were accounted for under the acquisition method of accounting for business combinations, was $22.0 million, which included $9.5 million of cash, and liabilities of $12.5 million for contingent consideration, which represents the acquisition date fair value of the additional cash consideration that may be transferred to the sellers if certain asset growth is achieved in the three to seven years following the closing. This contingent consideration may be settled for amounts up to $84.3 million in the years following the closing.

At March 31, 2024, the Company provisionally allocated $3.9 million of the purchase price to goodwill and $18.1 million to client relationships acquired as part of these acquisitions. The goodwill primarily includes synergies expected to result from combining operations and is deductible for tax purposes. The client relationships were valued using the income approach and assigned useful lives of 14 years. See Note 7 – *Goodwill and Other Intangibles, Net*, for additional information.

Acquisitions Completed in Prior Periods

Acquisition of Financial Resources Group Investment Services, LLC

On January 31, 2023, the Company acquired Financial Resources Group Investment Services, LLC, a broker-dealer and independent branch office, in order to expand its addressable markets and complement organic growth. The Company accounted for the acquisition under the acquisition method of accounting for business combinations, and total consideration for the transaction was $189.2 million, which included an initial cash payment of $143.8 million and a liability of $45.4 million for contingent consideration. The Company allocated $129.7 million of the purchase price to goodwill, $53.5 million to definite-lived intangible assets, $9.0 million to cash acquired and the remainder to other assets acquired and liabilities assumed as part of the acquisition. The goodwill primarily includes synergies expected to result from combining operations and is deductible for tax purposes. See Note 7 – *Goodwill and Other Intangibles, Net*, for additional information.

Other Acquisitions

During the year ended December 31, 2023, the Company completed a total of 19 acquisitions under the Liquidity & Succession solution. The Company also completed the acquisition of Boenning & Scattergood's Private Client Group on January 31, 2023. Certain of these acquisitions have been accounted for as business combinations and certain have been accounted for as asset acquisitions.

Business Combinations

The Company accounted for five Liquidity & Succession transactions under the acquisition method of accounting for business combinations during the year ended December 31, 2023. Total consideration for these transactions was $190.2 million, which included initial consideration of $147.4 million, including $140.3 million of cash and a liability of $42.7 million for contingent consideration. At December 31, 2023, the Company allocated $84.5 million of the purchase price to goodwill and $105.7 million to the definite-lived intangible assets acquired as part of these acquisitions. The goodwill primarily includes synergies expected to result from combining operations and is deductible for tax purposes.

The Company recorded purchase accounting adjustments during the three months ended March 31, 2024 related to acquisitions which were completed during the fourth quarter of 2023 and for which the Company's purchase accounting analysis is ongoing. These adjustments resulted in a $39.6 million increase in customer relationships, a $7.4 million increase in liabilities for contingent consideration, a $12.6 million decrease in technology, and a $19.6 million decrease in goodwill. At March 31, 2024, the Company has provisionally allocated $42.7 million of the purchase price to goodwill and $64.5 million to definite-lived intangible assets acquired. The intangible assets are comprised primarily of client relationships which were assigned useful lives of 15 years. See Note 7 – *Goodwill and Other Intangibles, Net*, for additional information.

Asset Acquisitions

The Company accounted for fifteen other acquisitions as asset acquisitions during the year ended December 31, 2023. These transactions included initial consideration of $180.4 million, including $142.3 million of which was allocated to client relationships and $38.1 million of which was allocated to advisor relationships. These transactions include potential contingent payments of up to $73.1 million in the three years following the closing if certain asset growth is achieved. The Company has not recognized a liability for these contingent payments as the amounts to be paid will be uncertain until a future measurement date. See Note 7 - *Goodwill and Other Intangibles, Net*, for additional information.

NOTE 5 - FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Inputs used to measure fair value are prioritized within a three-level fair value hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

There have been no transfers of assets or liabilities between these fair value measurement classifications during the three months ended March 31, 2024 or 2023.

The Company's fair value measurements are evaluated within the fair value hierarchy, based on the nature of inputs used to determine the fair value at the measurement date. At March 31, 2024 and December 31, 2023, the Company had the following financial assets and liabilities that are measured at fair value on a recurring basis:

Cash Equivalents — The Company's cash equivalents include money market funds and U.S. government obligations, which are short term in nature with readily determinable values derived from active markets.

Cash Equivalents Segregated Under Federal or Other Regulations — The Company's cash equivalents segregated under federal or other regulations include U.S. treasury bills, which are short term in nature with readily determinable values derived from active markets.

Trading Securities and Securities Sold, But Not Yet Purchased — The Company's trading securities consist of house account model portfolios established and managed for the purpose of benchmarking the performance of its fee-based advisory platforms and temporary positions resulting from the processing of client transactions.

The Company uses prices obtained from independent third-party pricing services to measure the fair value of its trading securities. Prices received from the pricing services are validated when security prices move beyond a certain deviation threshold using various methods including comparison to prices received from additional pricing services, comparison to available quoted market prices and review of other relevant market data including implied yields of major categories of securities. In general, these quoted prices are derived from active markets for identical assets or liabilities. When quoted prices in active markets for identical assets and liabilities are not available, the quoted prices are based on similar assets and liabilities or inputs other than the quoted prices that are observable, either directly or indirectly. For negotiable certificates of deposit and treasury securities, the Company utilizes market-based inputs, including observable market interest rates that correspond to the remaining maturities or the next interest reset dates. At March 31, 2024 and December 31, 2023, the Company did not adjust prices received from the independent third-party pricing services.

Other Assets — The Company's other assets include: (1) deferred compensation plan assets that are invested in life insurance, money market and other mutual funds, which are actively traded and valued based on quoted market prices; and (2) certain non-traded real estate investment trusts, which are valued using quoted prices for identical or similar securities and other inputs that are observable or can be corroborated by observable market data.

Fractional Shares — The Company's investment in fractional shares held by customers is reflected in other assets while the related purchase obligation for such shares is reflected in other liabilities. The Company uses prices obtained from independent third-party pricing services to measure the fair value of its investment in fractional shares held by customers and the related repurchase obligation. Prices received from the pricing services are validated using various methods including comparison to prices received from additional pricing services, comparison to available quoted market prices and review of other relevant market data including implied yields of major categories of securities. At March 31, 2024 and December 31, 2023, the Company did not adjust prices received from the independent third-party pricing services.

Contingent Consideration — The Company measures contingent consideration liabilities at fair value at the acquisition date, as applicable, and thereafter on a recurring basis using unobservable (Level 3) inputs. These contingent consideration liabilities are reflected in other liabilities. See Note 4 - *Acquisitions* for additional information.

Level 3 Recurring Fair Value Measurements

The Company determines the fair value for its contingent consideration obligations using Monte Carlo simulation and discounted cash flows models. Contingent payments are estimated by applying significant unobservable inputs, including forecasted growth rates applied to project future revenue or asset growth and discount rates which are based on the cost of debt and equity. These projections are measured against the performance targets specified in each respective acquisition agreement, which may include growth in assets under management, net new assets, asset conversion or retention, or revenue growth. Significant increases or decreases in the Company's forecasted growth rates over the measurement period or discount rates would result in a higher or lower fair value measurement.

The following table summarizes inputs used in the measurement of contingent consideration (dollars in thousands):

		Quantitative Information About Level 3 Fair Value Measurements			
March 31, 2024	**December 31, 2023**	**Type**	**Valuation Techniques**	**Unobservable Inputs**	**Range**
$ 84,762	$ 114,844	Contingent Consideration	Monte-Carlo Simulation Model	Forecasted Growth Rates	12.0% - 29.5%
				Discount Rate	13.1% - 23.2%
2,500	4,000	Contingent Consideration	Discounted Cash Flow Model	Discount Rate	9.3%
$ 87,262	$ 118,844				

The following table summarizes the changes in fair value for the Company’s Level 3 liabilities during the periods presented (in thousands):

	Three Months Ended March 31,	
	2024	**2023**
Balance - Beginning of period	$ 118,844	$ 3,860
Additions	19,918	41,334
Payments	(51,500)	—
Fair value adjustments	—	86
Balance - End of period	$ 87,262	$ 45,280

Recurring Fair Value Measurements

The following table summarizes the Company's financial assets and financial liabilities measured at fair value on a recurring basis (in thousands):

March 31, 2024	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ 184	$ —	$ —	$ 184
Cash equivalents segregated under federal or other regulations	769,823	—	—	769,823
Restricted cash	110,231	—	—	110,231
Investment securities — trading:				
U.S. treasury obligations	28,029	—	—	28,029
Mutual funds	14,538	—	—	14,538
Equity securities	627	—	—	627
Money market funds	118	—	—	118
Debt securities	—	116	—	116
Total investment securities — trading	43,312	116	—	43,428
Other assets:				
Deferred compensation plan	740,549	—	—	740,549
Fractional shares — investment(1)	197,093	—	—	197,093
Other investments	—	4,270	—	4,270
Total other assets:	937,642	4,270	—	941,912
Total assets at fair value	$ 1,861,192	$ 4,386	$ —	$ 1,865,578
Liabilities				
Other liabilities:				
Securities sold, but not yet purchased:				
Equity securities	$ 74	$ —	$ —	$ 74
U.S. treasury obligations	5	—	—	5
Total securities sold, but not yet purchased	79	—	—	79
Fractional shares — repurchase obligation(1)	197,093	—	—	197,093
Contingent consideration	—	—	87,262	87,262
Total other liabilities	197,172	—	87,262	284,434
Total liabilities at fair value	$ 197,172	$ —	$ 87,262	$ 284,434

(1) Investment in and related repurchase obligation for fractional shares resulting from the Company's dividend reinvestment program ("DRIP").

The following table summarizes the Company's financial assets and financial liabilities measured at fair value on a recurring basis (in thousands):

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ 166	$ —	$ —	$ 166
Cash equivalents segregated under federal or other regulations	720,077	—	—	720,077
Restricted cash	103,226	—	—	103,226
Investment securities — trading:				
Mutual funds	50,518	—	—	50,518
U.S. treasury obligations	25,388	—	—	25,388
Money market funds	107	—	—	107
Equity securities	43	—	—	43
Debt securities	—	32	—	32
Total investment securities — trading	76,056	32	—	76,088
Other assets:				
Deferred compensation plan	677,548	—	—	677,548
Fractional shares — investment(1)	177,131	—	—	177,131
Other investments	—	3,960	—	3,960
Total other assets	854,679	3,960	—	858,639
Total assets at fair value	$ 1,754,204	$ 3,992	$ —	$ 1,758,196
Liabilities				
Other liabilities:				
Securities sold, but not yet purchased:				
Equity securities	$ 487	$ —	$ —	$ 487
Mutual funds	55	—	—	55
Total securities sold, but not yet purchased	542	—	—	542
Fractional shares — repurchase obligation(1)	177,131	—	—	177,131
Contingent consideration	—	—	118,844	118,844
Total other liabilities	177,673	—	118,844	296,517
Total liabilities at fair value	$ 177,673	$ —	$ 118,844	$ 296,517

(1) Investment in and related repurchase obligation for fractional shares resulting from the Company's DRIP.

Fair Value of Financial Instruments Not Measured at Fair Value

The following tables summarize the carrying values, fair values and fair value hierarchy level classification of financial instruments that are not measured at fair value (in thousands):

March 31, 2024	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets					
Cash	$ 1,102,086	$ 1,102,086	$ —	$ —	$ 1,102,086
Cash segregated under federal or other regulations	841,173	841,173	—	—	841,173
Restricted cash	3,775	3,775	—	—	3,775
Receivables from clients, net	591,503	—	591,503	—	591,503
Receivables from brokers, dealers and clearing organizations	103,236	—	103,236	—	103,236
Advisor repayable loans, net(1)	341,091	—	—	257,480	257,480
Other receivables, net	863,119	—	863,119	—	863,119
Investment securities — held-to-maturity securities	14,023	—	13,836	—	13,836
Other assets:					
Securities borrowed	2,671	—	2,671	—	2,671
Deferred compensation plan(2)	7,509	7,509	—	—	7,509
Other investments(3)	4,692	—	4,692	—	4,692
Total other assets	14,872	7,509	7,363	—	14,872
Liabilities					
Client payables	$ 2,486,605	$ —	$ 2,486,605	$ —	$ 2,486,605
Payables to brokers, dealers and clearing organizations	190,419	—	190,419	—	190,419
Corporate debt and other borrowings, net	3,853,794	—	3,784,875	—	3,784,875

December 31, 2023	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets					
Cash	$ 465,505	$ 465,505	$ —	$ —	$ 465,505
Cash segregated under federal or other regulations	1,287,235	1,287,235	—	—	1,287,235
Restricted cash	4,954	4,954	—	—	4,954
Receivables from clients, net	588,585	—	588,585	—	588,585
Receivables from brokers, dealers and clearing organizations	50,069	—	50,069	—	50,069
Advisor repayable loans, net(1)	340,985	—	—	236,888	236,888
Other receivables, net	743,317	—	743,317	—	743,317
Investment securities - held-to-maturity securities	15,223	—	15,079	—	15,079
Other assets:					
Securities borrowed	4,334	—	4,334	—	4,334
Deferred compensation plan(2)	6,217	6,217	—	—	6,217
Other investments(3)	4,695	—	4,695	—	4,695
Total other assets	15,246	6,217	9,029	—	15,246
Liabilities					
Client payables	$ 2,266,176	$ —	$ 2,266,176	$ —	$ 2,266,176
Payables to brokers, dealers and clearing organizations	163,337	—	163,337	—	163,337
Corporate debt and other borrowings, net	3,734,111	—	3,680,199	—	3,680,199

(1) Includes repayable loans and forgivable loans which have converted to repayable upon advisor termination or change in agreed upon terms.

(2) Includes cash balances awaiting investment or distribution to plan participants.

(3) Other investments include Depository Trust Company common shares and Federal Reserve stock.

NOTE 6 - INVESTMENT SECURITIES

The Company's investment securities include debt and equity securities that the Company has classified as trading securities, which are carried at fair value, as well as investments in U.S. government notes, which are held by The Private Trust Company, N.A. to satisfy minimum capital requirements of the OCC. These securities are recorded at amortized cost and classified as held-to-maturity as the Company has both the intent and ability to hold these investments to maturity.

The following table summarizes investment securities (in thousands):

	March 31, 2024	December 31, 2023
Trading securities — at fair value:		
U.S. treasury obligations	$ 28,029	$ 25,388
Mutual funds	14,538	50,518
Equity securities	627	43
Money market funds	118	107
Debt securities	116	32
Total trading securities	$ 43,428	$ 76,088
Held-to-maturity securities — at amortized cost:		
U.S. government notes	$ 14,023	$ 15,223
Total held-to-maturity securities	$ 14,023	$ 15,223
Total investment securities	$ 57,451	$ 91,311

At March 31, 2024, the held-to-maturity securities were scheduled to mature as follows (in thousands):

	Within one year	After one but within five years	After five but within ten years	After ten years	Total
U.S. government notes — at amortized cost	$ 4,969	$ 9,054	$ —	$ —	$ 14,023
U.S. government notes — at fair value	$ 4,901	$ 8,935	$ —	$ —	$ 13,836

NOTE 7 - GOODWILL AND OTHER INTANGIBLES, NET

A summary of the activity impacting goodwill is presented below (in thousands):

Balance at December 31, 2022	$ 1,642,468
Goodwill acquired	214,180
Balance at December 31, 2023	1,856,648
Purchase accounting adjustments	(19,627)
Goodwill acquired	3,951
Balance at March 31, 2024	$ 1,840,972

The Company completed various acquisitions, which were accounted for under the acquisition method of accounting for business combinations and as asset acquisitions, and recorded purchase accounting adjustments during the periods presented. See Note 4 - *Acquisitions*, for additional information.

The components of other intangibles, net were as follows at March 31, 2024 (in thousands):

	Weighted-Average Life Remaining (in years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite-lived intangibles, net(1):				
Advisor and institution relationships	7.3	$ 936,178	$ (632,613)	$ 303,565
Product sponsor relationships	2.0	234,086	(212,053)	22,033
Client relationships	12.8	374,229	(58,487)	315,742
Technology	9.2	20,850	(11,242)	9,608
Total definite-lived intangible assets, net		$ 1,565,343	$ (914,395)	$ 650,948
Other indefinite-lived intangibles:				
Trademark and trade name				39,819
Total other intangibles, net				$ 690,767

(1) During the three months ended March 31, 2024, the Company completed various acquisitions. See Note 4 - *Acquisitions*, for additional information.

The components of other intangibles, net were as follows at December 31, 2023 (in thousands):

	Weighted-Average Life Remaining (in years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite-lived intangibles, net(1):				
Advisor and institution relationships	7.3	$ 935,478	$ (614,277)	$ 321,201
Product sponsor relationships	2.2	234,086	(209,076)	25,010
Client relationships	12.6	313,585	(51,328)	262,257
Technology	8.7	33,460	(10,162)	23,298
Total definite-lived intangibles, net		$ 1,516,609	$ (884,843)	$ 631,766
Other indefinite-lived intangibles:				
Trademark and trade name				39,819
Total other intangibles, net				$ 671,585

(1) During the year ended December 31, 2023, the Company completed various acquisitions. See Note 4 - *Acquisitions*, for additional information.

Total amortization of other intangibles was $29.6 million and $24.1 million for the three months ended March 31, 2024 and 2023, respectively. Future amortization is estimated as follows (in thousands):

2024 - remainder	$ 85,475
2025	104,686
2026	66,429
2027	61,280
2028	55,488
Thereafter	277,590
Total	$ 650,948

NOTE 8 - OTHER ASSETS AND OTHER LIABILITIES

The components of other assets and other liabilities were as follows (dollars in thousands):

	March 31, 2024	December 31, 2023
Other assets:		
Deferred compensation	$ 748,058	$ 683,765
Prepaid assets	177,668	173,039
Fractional shares — investment(1)	197,093	177,131
Deferred tax assets, net	167,446	167,450
Operating lease assets	93,032	93,797
Debt issuance costs, net	7,747	9,065
Other	91,093	85,774
Total other assets	$ 1,482,137	$ 1,390,021
Other liabilities:		
Deferred compensation	$ 746,356	$ 684,178
Unearned revenue(2)	206,698	156,214
Fractional shares — repurchase obligation(1)	197,093	177,131
Operating lease liabilities	121,907	123,477
Finance lease liabilities	105,376	105,465
Taxes payable	100,741	24,522
Contingent consideration	87,262	118,844
Other	50,079	50,542
Total other liabilities	$ 1,615,512	$ 1,440,373

(1) Investment in and related repurchase obligation for fractional shares resulting from the Company's DRIP program.

(2) See Note 3 - *Revenue* for further information.

NOTE 9 - CORPORATE DEBT AND OTHER BORROWINGS, NET

The Company's outstanding corporate debt and other borrowings, net were as follows (in thousands):

	March 31, 2024			December 31, 2023			
Corporate Debt	**Balance**	**Applicable Margin**	**Interest Rate**	**Balance**	**Applicable Margin**	**Interest rate**	**Maturity**
Term Loan B(1)	$ 1,024,525	SOFR+185 bps	7.176 %	$ 1,027,200	SOFR+185 bps	7.206 %	11/12/2026
2027 Senior Notes(1)	400,000	Fixed Rate	4.625 %	400,000	Fixed Rate	4.625 %	11/15/2027
2028 Senior Notes(1)	750,000	Fixed Rate	6.750 %	750,000	Fixed Rate	6.750 %	11/17/2028
2029 Senior Notes(1)	900,000	Fixed Rate	4.000 %	900,000	Fixed Rate	4.000 %	3/15/2029
2031 Senior Notes(1)	400,000	Fixed Rate	4.375 %	400,000	Fixed Rate	4.375 %	5/15/2031
Total Corporate Debt	3,474,525			3,477,200			
Less: Unamortized Debt Issuance Cost	(21,731)			(23,089)			
Corporate debt, net	$ 3,452,794			$ 3,454,111			
Other Borrowings							
Revolving Credit Facility(2)	401,000	ABR+37.5 bps / SOFR+147.5 bps	6.852 %	280,000	ABR+37.5 bps / SOFR+147.5 bps	6.966 %	3/15/2026
Total other borrowings	$ 401,000			$ 280,000			
Corporate Debt and Other Borrowings, Net	$ 3,853,794			$ 3,734,111			

(1) No leverage or interest coverage maintenance covenants.

(2) The Parent's outstanding balance at March 31, 2024 was comprised of an alternate base rate ("ABR")-based balance of $10.0 million with the applicable margin of ABR + 37.5 bps (8.875%) and a SOFR-based balance of $391.0 million with the applicable margin of SOFR + 147.5 bps (6.800%).

The following table presents amounts outstanding and available under the Company's external lines of credit at March 31, 2024 (in millions):

Description	Borrower	Maturity Date	Outstanding	Available
Senior secured, revolving credit facility	LPL Holdings, Inc.	March 2026	$ 401	$ 1,599
Broker-dealer revolving credit facility	LPL Financial LLC	July 2024	$ —	$ 1,000
Unsecured, uncommitted lines of credit	LPL Financial LLC	None	$ —	$ 75
Unsecured, uncommitted lines of credit	LPL Financial LLC	September 2024	$ —	$ 50
Secured, uncommitted lines of credit	LPL Financial LLC	March 2025	$ —	$ 75
Secured, uncommitted lines of credit	LPL Financial LLC	None	$ —	unspecified
Secured, uncommitted lines of credit	LPL Financial LLC	None	$ —	unspecified

Issuance of 2028 Senior Notes

LPLH issued $750.0 million in aggregate principal amount of 6.750% senior notes on November 17, 2023 at 99.929% ("2028 Senior Notes"). The 2028 Senior Notes are unsecured obligations that will mature on November 17, 2028, and are fully and unconditionally guaranteed on a senior unsecured basis by LPLFH. The Company used the proceeds from the issuance to repay borrowings made under its senior secured revolving credit facility and for general corporate purposes. In connection with the issuance of the 2028 Senior Notes, the Company incurred $6.3 million in costs, which were capitalized as debt issuance costs in the condensed consolidated statements of financial condition.

Credit Agreement

On March 13, 2023, LPLFH and LPLH entered into a sixth amendment agreement to the Company's amended and restated credit agreement (the "Credit Agreement"), which, among other things, replaced LIBOR with SOFR. The Credit Agreement subjects the Company to certain financial and non-financial covenants. As of March 31, 2024, the Company was in compliance with such covenants.

Parent Revolving Credit Facility

On July 18, 2023, LPLH amended its revolving credit facility to, among other things, increase the maximum borrowing from $1.0 billion to $2.0 billion. Borrowings under the revolving credit facility bear interest at a rate per annum ranging from 112.5 to 187.5 basis points over SOFR plus 10 basis points or 12.5 to 87.5 basis points over the alternate base rate (the greatest of (i) the NYFRB Rate plus 1/2 of 1%, (ii) the Prime Rate and (iii) the Adjusted Term SOFR Rate for a one month Interest Period plus 1%, each as defined in the Credit Agreement) depending on the Debt Ratings (as defined in the Credit Agreement). In connection with the amendment of the credit facility, LPLH incurred $5.5 million in costs, which were capitalized as debt issuance costs in the condensed consolidated statements of financial condition.

Broker-Dealer Revolving Credit Facility

On July 18, 2023, LPL Financial, the Company's broker-dealer subsidiary, renewed its committed senior unsecured revolving credit facility that matures on July 16, 2024 and allows for a maximum borrowing of up to $1.0 billion. Borrowings under the credit facility bear interest at a rate per annum equal to 1.25% per annum plus the greatest of (i) SOFR plus 0.10%, (ii) the effective federal funds rate and (iii) the overnight bank funding rate, in each case, as such rate is administered or determined by the Federal Reserve Bank of New York from time to time. In connection with the renewal of the credit facility, LPL Financial incurred $1.7 million in costs, which were capitalized as debt issuance costs in the condensed consolidated statements of financial condition. The broker-dealer credit agreement subjects LPL Financial to certain financial and non-financial covenants. LPL Financial was in compliance with such covenants as of March 31, 2024.

Other External Lines of Credit

LPL Financial maintained five uncommitted lines of credit as of March 31, 2024. Two of the lines have unspecified limits, which are primarily dependent on LPL Financial's ability to provide sufficient collateral. The other three lines have a total limit of $200.0 million, which allow for uncollateralized borrowings. There were no balances outstanding under these lines at March 31, 2024 or December 31, 2023.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Service and Development Contracts

The Company is party to certain long-term contracts for systems and services that enable back-office trade processing and clearing for its product and service offerings.

Guarantees

The Company occasionally enters into contracts that contingently require it to indemnify certain parties against third-party claims. The terms of these obligations vary and, because a maximum obligation is not explicitly stated, the Company has determined that it is not possible to make an estimate of the amount that it could be obligated to pay under such contracts.

LPL Financial provides guarantees to securities clearing houses and exchanges under their standard membership agreements, which require a member to guarantee the performance of other members. Under these agreements, if a member becomes unable to satisfy its obligations to the clearing houses and exchanges, all other members would be required to meet any shortfall. The Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential requirement for the Company to make payments under these agreements is remote. Accordingly, no liability has been recognized for these transactions.

Loan Commitments

From time to time, LPL Financial makes loans to advisors and institutions, primarily to newly recruited advisors and institutions to assist in the transition process, which may be forgivable. Due to timing differences, LPL Financial may make commitments to issue such loans prior to actually funding them. These commitments are generally contingent upon certain events occurring, including but not limited to the advisor or institution joining LPL Financial. LPL Financial had no significant unfunded loan commitments at March 31, 2024 or December 31, 2023.

Legal and Regulatory Matters

The Company is subject to extensive regulation and supervision by U.S. federal and state agencies and various self-regulatory organizations. The Company and its advisors periodically engage with such agencies and organizations, in the context of examinations or otherwise, to respond to inquiries, informational requests and investigations. From time to time, such engagements result in regulatory complaints or other matters, the resolution of which has in the past and may in the future include fines, customer restitution and other remediation. Assessing the probability of a loss occurring and the timing and amount of any loss related to a legal proceeding or regulatory matter is inherently difficult. While the Company exercises significant and complex judgments to make certain estimates presented in its condensed consolidated financial statements, there are particular uncertainties and complexities involved when assessing the potential outcomes of legal proceedings and regulatory matters. The Company's assessment process considers a variety of factors and assumptions, which may include: the procedural status of the matter and any recent developments; prior experience and the experience of others in similar matters; the size and nature of potential exposures; available defenses; the progress of fact discovery; the opinions of counsel and experts; or the potential opportunities for settlement and the status of any settlement discussions. The Company monitors these factors and assumptions for new developments and re-assesses the likelihood that a loss will occur and the estimated range or amount of loss, if those amounts can be reasonably determined. The Company has established an accrual for those legal proceedings and regulatory matters for which a loss is both probable and the amount can be reasonably estimated.

In October 2022, the Company received a request for information from the SEC in connection with an investigation of the Company's compliance with records preservation requirements for business-related electronic communications stored on personal devices or messaging platforms that have not been approved by the Company. In 2023, the SEC proposed a potential settlement, under which the Company would pay a $50.0 million civil monetary penalty. As a result, the Company recorded $40.0 million in other expense in the consolidated statements of income for the year ended December 31, 2023 to reflect the amount of the penalty that is not covered by the Company's captive insurance subsidiary. On March 22, 2024, the Company reached a settlement in principle with the staff of the SEC to resolve its civil investigation. The Company expects to pay the civil monetary penalty of $50.0 million during the second quarter of 2024. The settlement in principle remains subject to the negotiation of definitive documentation and approval by the SEC.

Third-Party Insurance

The Company maintains third-party insurance coverage for certain potential legal proceedings, including those involving certain client claims. With respect to such client claims, the estimated losses on many of the pending matters are less than the applicable deductibles of the insurance policies.

Self-Insurance

The Company has self-insurance for certain potential liabilities through its captive insurance subsidiary. Liabilities associated with the risks that are retained by the Company are not discounted and are estimated by considering, in part, historical claims experience, severity factors, and actuarial assumptions and estimates. The estimated accruals for these potential liabilities could be significantly affected if future occurrences and claims differ from such assumptions and historical trends, so there are particular complexities and uncertainties involved when assessing the adequacy of loss reserves for potential liabilities that are self-insured. Self-insurance liabilities are included in accounts payable and accrued liabilities in the condensed consolidated statements of financial condition. Self-insurance related charges are included in other expense in the condensed consolidated statements of income.

The following table provides a reconciliation of the beginning and ending balances of self-insurance liabilities for the periods presented (in thousands):

	Three Months Ended March 31,	
	2024	**2023**
Beginning balance — January 1	$ 82,883	$ 74,071
Losses incurred	9,306	9,047
Losses paid	(12,205)	(5,725)
Ending balance — March 31	$ 79,984	$ 77,393

Other Commitments

As of March 31, 2024, the Company had approximately $484.9 million of client margin loans that were collateralized with securities having a fair value of approximately $678.9 million that LPL Financial can repledge, loan or sell. Of these securities, approximately $357.2 million were client-owned securities pledged to the Options Clearing Corporation as collateral to secure client obligations related to options positions. As of March 31, 2024, there were no restrictions that materially limited the Company's ability to repledge, loan or sell the remaining $321.7 million of client collateral.

Investment securities on the condensed consolidated statements of financial condition include $8.4 million and $5.5 million of trading securities pledged to the Options Clearing Corporation at March 31, 2024 and December 31, 2023, respectively, and $19.7 million and $19.9 million of trading securities pledged to the National Securities Clearing Corporation at March 31, 2024 and December 31, 2023, respectively.

NOTE 11 - STOCKHOLDERS' EQUITY

Dividends

The payment, timing and amount of any dividends are subject to approval by the Company's Board of Directors (the "Board") as well as certain limits under the Credit Agreement. Cash dividends per share of common stock and total cash dividends paid on a quarterly basis were as follows (in millions, except per share data):

	2024		2023	
	Dividend per Share	**Total Cash Dividend**	**Dividend per Share**	**Total Cash Dividend**
First quarter	$ 0.30	$ 22.4	$ 0.30	$ 23.6

Share Repurchases

The Company engages in a share repurchase program that was approved by the Board, pursuant to which LPLFH may repurchase its issued and outstanding shares of common stock from time to time. Repurchased shares are included in treasury stock on the condensed consolidated statements of financial condition.

During the three months ended March 31, 2024 LPLFH repurchased 296,145 shares of common stock at a weighted-average price of $236.39 for a total of $70.0 million. As of March 31, 2024, the Company had $830.0 million remaining under the existing share repurchase program. As a result of our planned acquisition of Atria, the Company paused share repurchases during the quarter. Future share repurchases may be effected in open market or privately negotiated transactions, including transactions with affiliates, with the timing of purchases and the amount of stock purchased generally determined at the discretion of the Company within the constraints of the Credit Agreement and the Company's general working capital needs.

NOTE 12 - SHARE-BASED COMPENSATION

In May 2021, the Company adopted its 2021 Omnibus Equity Incentive Plan (the "2021 Plan"), which provides for the granting of stock options, warrants, restricted stock awards, restricted stock units, deferred stock units, performance stock units and other equity-based compensation to the Company's employees, non-employee directors and other service providers. The 2021 Plan serves as the successor to the Company's 2010 Omnibus Equity Incentive Plan (the "2010 Plan"). Following the adoption of the 2021 Plan, the Company is no longer making grants under the 2010 Plan, and the 2021 Plan is the only plan under which equity awards are granted. However, awards previously granted under the 2010 Plan will remain outstanding until vested, exercised or forfeited, as applicable.

There were 17,754,197 shares authorized for grant under the 2021 Plan and 11,656,366 shares remaining available for future issuance at March 31, 2024.

Stock Options and Warrants

The Company has not granted stock options or warrants since 2019. The following table summarizes the Company's stock option and warrant activity as of and for the three months ended March 31, 2024:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding — December 31, 2023	546,820	$ 54.81		
Granted	—	$ —		
Exercised	(119,010)	$ 47.30		
Forfeited and Expired	—	$ —		
Outstanding — March 31, 2024	427,810	$ 56.90	3.59	$ 88,684
Exercisable — March 31, 2024	427,810	$ 56.90	3.59	$ 88,684
Exercisable and expected to vest — March 31, 2024	427,810	$ 56.90	3.59	$ 88,684

The following table summarizes information about outstanding stock options and warrants as of March 31, 2024:

	Outstanding			Exercisable	
Range of Exercise Prices	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)	Number of Shares	Weighted-Average Exercise Price
$19.85 - $25.00	60,485	$ 19.85	1.97	60,485	$ 19.85
$25.01 - $35.00	—	$ —	0.00	—	$ —
$35.01 - $45.00	93,509	$ 39.48	2.85	93,509	$ 39.48
$45.01 - $65.00	6,687	$ 45.55	0.93	6,687	$ 45.55
$65.01 - $75.00	130,005	$ 65.50	3.77	130,005	$ 65.50
$75.01 - $80.00	137,124	$ 77.53	4.75	137,124	$ 77.53
	427,810	$ 56.90	3.59	427,810	$ 56.90

The Company recognized no share-based compensation expense related to the vesting of stock options awarded to employees and officers during the three months ended March 31, 2024 and 2023. As of March 31, 2024, there was no unrecognized compensation cost related to non-vested stock options.

Restricted Stock and Stock Units

The following summarizes the Company's activity in its restricted stock awards and stock units, which include restricted stock units, deferred stock units and performance stock units, as of and for the three months ended March 31, 2024:

	Restricted Stock Awards		Stock Units	
	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Units	Weighted-Average Grant-Date Fair Value
Outstanding — December 31, 2023	1,568	$ 187.93	776,604	$ 205.51
Granted	—	$ —	397,845	$ 262.65
Vested	—	$ —	(352,203)	$ 190.54
Forfeited	—	$ —	(6,979)	$ 229.66
Outstanding — March 31, 2024	1,568	$ 187.93	815,267 (1)	$ 239.66
Expected to vest — March 31, 2024	1,568	$ 187.93	644,042	$ 258.09

(1) Includes 90,412 vested and undistributed deferred stock units.

The Company grants restricted stock awards and deferred stock units to its directors and restricted stock units and performance stock units to its employees and officers. Restricted stock awards and stock units must vest or are subject to forfeiture; however, restricted stock awards are included in shares outstanding upon grant and have the same dividend and voting rights as the Company's common stock. The Company recognized $20.3 million and $16.2 million of share-based compensation expense related to the vesting of these restricted stock awards and stock units during the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024, total unrecognized compensation cost for restricted stock awards and stock units was $138.4 million, which is expected to be recognized over a weighted-average remaining period of 2.23 years.

The Company also grants restricted stock units to its advisors and to institutions. The Company recognized share-based compensation expense of $0.7 million related to the vesting of these awards during both the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024, total unrecognized compensation cost for restricted stock units granted to advisors and institutions was $4.5 million, which is expected to be recognized over a weighted-average remaining period of 1.98 years.

NOTE 13 - EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if dilutive potential shares of common stock had been issued. The calculation of basic and diluted earnings per share for the periods noted was as follows (in thousands, except per share data):

	Three Months Ended March 31,	
	2024	2023
Net income	$ 288,764	$ 338,884
Basic weighted-average number of shares outstanding	74,562	78,750
Dilutive common share equivalents	901	1,224
Diluted weighted-average number of shares outstanding	75,463	79,974
Basic earnings per share	$ 3.87	$ 4.30
Diluted earnings per share	$ 3.83	$ 4.24

The computation of diluted earnings per share excludes stock options, warrants and stock units that are anti-dilutive. For the three months ended March 31, 2024 and 2023, stock options, warrants and stock units representing common share equivalents of 162,078 shares and 75,416 shares, respectively, were anti-dilutive.

NOTE 14 - NET CAPITAL AND REGULATORY REQUIREMENTS

The Company's broker-dealer subsidiaries are subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1 under the Exchange Act of 1934, as amended), which requires the maintenance of minimum net capital. The net capital rules also provide that a broker-dealer's capital may not be withdrawn if the resulting net capital would be less than minimum requirements. Additionally, certain withdrawals require the approval of the SEC and the Financial Industry Regulatory Authority ("FINRA") to the extent they exceed defined levels, even though such withdrawals would not cause net capital to be less than minimum requirements. Net capital and the related net capital requirement may fluctuate on a daily basis.

The following table presents the net capital position of the Company's primary broker-dealer subsidiary (in thousands):

	March 31, 2024
LPL Financial LLC	
Net capital	$ 328,479
Less: required net capital	18,070
Excess net capital	$ 310,409

The Company's subsidiary, PTC, also operates in a highly regulated industry and is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have substantial monetary and non-monetary impacts on PTC's operations.

As of March 31, 2024, LPL Financial and PTC met all capital adequacy requirements to which they were subject.

NOTE 15 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

LPL Financial may offer loans to new and existing advisors and institutions to facilitate their relationship with LPL Financial, transition to LPL Financial's platform or fund business development activities. LPL Financial may incur losses if advisors or institutions do not fulfill their obligations with respect to these loans. To mitigate this risk, LPL Financial evaluates the performance and creditworthiness of the advisor or institution prior to offering repayable loans.

LPL Financial's client securities activities are transacted on either a cash or margin basis. In margin transactions, LPL Financial extends credit to the advisor's client, subject to various regulatory and internal margin requirements, which is collateralized by cash and securities in the client's account. As clients write options contracts or sell securities short, LPL Financial may incur losses if the clients do not fulfill their obligations and the collateral in the clients' accounts is not sufficient to fully cover losses that clients may incur from these strategies. To control this risk, LPL Financial monitors margin levels daily and clients are required to deposit additional collateral, or reduce positions, when necessary.

LPL Financial is obligated to settle transactions with brokers and other financial institutions even if its advisors' clients fail to meet their obligation to LPL Financial. Clients are required to complete their transactions on the settlement date, generally two business days after the trade date. If clients do not fulfill their contractual obligations, LPL Financial may incur losses. In addition, the Company occasionally enters into certain types of contracts to fulfill its sale of when-issued securities. When-issued securities have been authorized but are contingent upon the actual issuance of the security. LPL Financial has established procedures to reduce this risk by generally requiring that clients deposit cash or securities into their account prior to placing an order.

LPL Financial may at times hold equity securities on both a long and short basis that are recorded on the condensed consolidated statements of financial condition at market value. While long inventory positions represent LPL Financial's ownership of securities, short inventory positions represent obligations of LPL Financial to deliver specified securities at a contracted price, which may differ from market prices prevailing at the time of completion of the transaction. Accordingly, both long and short inventory positions may result in losses or gains to LPL Financial as market values of securities fluctuate. To mitigate the risk of losses, long and short positions are marked-to-market daily and are continuously monitored by LPL Financial.

NOTE 16 - SUBSEQUENT EVENTS

The Board declared a cash dividend of $0.30 per share on LPLFH's outstanding common stock to be paid on June 4, 2024 to all stockholders of record on May 21, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

We maintain trading securities and securities sold, but not yet purchased in order to facilitate client transactions, to meet a portion of our clearing deposit requirements at various clearing organizations, to track the performance of our research models and in connection with our dividend reinvestment program. Trading securities are included in investment securities while securities sold, but not yet purchased are included in other liabilities on the condensed consolidated statements of financial condition and can include mutual funds, money market funds, debt securities and equity securities. We enter into market risk sensitive instruments for purposes other than trading, which are included in other assets on the condensed consolidated statements of financial condition and can include deferred compensation plan assets invested in life insurance, money market and other mutual funds, investments in fractional shares held by customers, and other non-traded real estate investment trusts. Changes in the value of our market risk sensitive instruments may result from fluctuations in interest rates, credit ratings of the issuer, equity prices or a combination of these factors.

In facilitating client transactions, our trading securities and securities sold, but not yet purchased generally involve mutual funds, including dividend reinvestments. Our positions held are based upon the settlement of client transactions, which are monitored by our Trading and Operations department.

Positions held to meet clearing deposit requirements consist of U.S. government securities and equity securities. The amount of securities deposited depends upon the requirements of the clearing organization. The level of securities deposited is monitored by the settlements group within our Trading and Operations department.

Our Research department develops model portfolios that are used by advisors in developing client portfolios. We maintain securities owned in internal accounts based on these model portfolios to track the performance of our Research department. At the time a portfolio is developed, we purchase the securities in that model portfolio in an amount equal to the account minimum, which varies by product.

In addition, we are subject to market risk resulting from operational risk events, which can require customer trade corrections. We also bear market risk on the fees we earn that are based on the market value of advisory and brokerage assets, as well as assets on which trailing commissions are paid and assets eligible for sponsor payments.

As of March 31, 2024, the fair value of our trading securities was $43.4 million and securities sold, but not yet purchased were not material. The fair value of market risk sensitive instruments entered into for other than trading purposes included within other assets was $941.9 million as of March 31, 2024. See Note 5 - *Fair Value Measurements*, within the notes to the condensed consolidated financial statements for information regarding the fair value of trading securities; securities sold, but not yet purchased; and other assets associated with our client facilitation activities.

Interest Rate Risk

We are exposed to risk associated with changes in interest rates. As of March 31, 2024, $1.4 billion of our outstanding debt was subject to floating interest rate risk. While our senior secured term loan is subject to increases in interest rates, we do not believe that a short-term change in interest rates would have a material impact on our net income given revenue generated by our client cash balances, which is generally subject to the same, but off-setting, interest rate risk.

The following table summarizes the impact of increasing interest rates on our interest expense from the variable portion of our debt outstanding, calculated using the projected average outstanding balance over the subsequent twelve-month period (in thousands):

		Annual Impact of an Interest Rate(†) Increase of			
Corporate Debt and Other Borrowings	**Outstanding Balance at March 31, 2024**	**10 Basis Points**	**25 Basis Points**	**50 Basis Points**	**100 Basis Points**
Term Loan B	$ 1,024,525	$ 1,021	$ 2,551	$ 5,103	$ 10,205
Revolving Credit Facility	401,000	401	1,003	2,005	4,010
Variable Rate Debt Outstanding	$ 1,425,525	$ 1,422	$ 3,554	$ 7,108	$ 14,215

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(†) Our interest rate for our Term Loan B is locked in for one, two, three, six or twelve months as allowed under the Credit Agreement. At the end of the selected periods, the rates will be locked in at the then current rate. The effect of these interest rate locks are not included in the table above.

See Note 9 - *Corporate Debt and Other Borrowings, Net,* within the notes to the condensed consolidated financial statements for additional information.

We offer our advisors and their clients two FDIC insured bank sweep vehicles and a client cash account ("CCA") that are interest rate sensitive. Our FDIC insured sweep vehicles include an (1) insured cash account ("ICA") for individuals, trusts, sole proprietorships and entities organized or operated to make a profit, such as corporations, partnerships, associations, business trusts and other organizations and (2) an insured deposit cash account ("DCA") for advisory individual retirement accounts. Clients earn interest on deposits in the ICA and the DCA while we earn a fee. The fees we earn from cash held in the ICA are based primarily on prevailing interest rates in the current interest rate environment, and are therefore subject to interest rate risk. The fees we earn from the DCA are calculated as a per account fee, and such fees increase as the federal funds target rate increases, subject to a cap.

The Company places ICA sweep overflow into the CCA. These deposits are either used to fund client margin lending or placed in third-party bank or investment accounts, both of which are segregated under federal or other regulations, where they are held as cash or invested in short-term U.S. treasury bills. We earn interest income on these bank deposits and investments in short-term U.S. treasury bills and pay interest to clients on these CCA balances, which are sensitive to prevailing interest rates. This interest income and expense is included in interest income, net in the condensed consolidated statements of income. Changes in interest rates and fees for the deposit sweep vehicles are monitored by our Rate Setting Committee (the "RSC"), which governs and approves any changes to our fees. By meeting promptly around the time of Federal Open Market Committee meetings, or for other market or non-market reasons, the RSC considers financial risk of the deposit sweep vehicles relative to other products into which clients may move cash balances.

Credit Risk

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. We are subject to credit risk from certain loans extended to advisors and institutions when we extend loans with repayment terms to facilitate advisors' and institutions' transition to our platform or to fund business development activities. We are also subject to credit risk when a forgivable loan to an advisor or institution converts to repayable upon advisor or institution termination or change in agreed upon terms.

Credit risk also arises when collateral posted with LPL Financial by clients to support margin lending or derivative trading is insufficient to meet clients' contractual obligations to LPL Financial. Our credit exposure in these transactions consists primarily of margin accounts, through which we extend credit to advisors' clients collateralized by securities in the clients' accounts. Under many of these agreements, we are permitted to sell, repledge or loan these securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover short positions.

As our advisors execute margin transactions on behalf of their clients, we may incur losses if clients do not fulfill their obligations, the collateral in the clients' accounts is insufficient to fully cover losses from such investments and our advisors fail to reimburse us for such losses. Our losses on margin accounts were not material during the three months ended March 31, 2024 and 2023. We monitor exposure to industry sectors and individual securities and perform analyses on a regular basis in connection with our margin lending activities. We adjust our margin requirements if we believe our risk exposure is not appropriate based on market conditions.

We are subject to concentration risk if we extend large loans to or have large commitments with a single counterparty, borrower or group of similar counterparties or borrowers, or if we accept a concentrated position as collateral for a margin loan. Receivables from and payables to clients and stock borrowing and lending activities are conducted with a large number of clients and counterparties and potential concentration is monitored. We seek to limit this risk through review of the underlying business and the use of limits established by senior management taking into consideration factors including current market conditions, the financial strength of the counterparty, the size of the position or commitment, the expected duration of the position or commitment and other positions or commitments outstanding.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective.

Change in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the first quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we have been subjected to and are currently subject to legal and regulatory proceedings arising out of our business operations, including lawsuits, arbitration claims, and inquiries, investigations and enforcement proceedings initiated by the SEC, FINRA and state securities regulators, as well as other actions and claims. See Note 10 - *Commitments and Contingencies,* within the notes to the condensed consolidated financial statements for additional information.

Item 1A. Risk Factors

There have been no material changes in the information regarding the Company's risks, as set forth under Part I, "*Item 1A. Risk Factors"* in the Company's 2023 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below sets forth information regarding repurchases, reported on a trade date basis, during the three months ended March 31, 2024:

Period	Total Number of Shares Purchased	Weighted-Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program (millions)(1)
January 1, 2024 through January 31, 2024	296,145	$ 236.39	296,145	$ 830.0
February 1, 2024 through February 29, 2024	—	$ —	—	$ 830.0
March 1, 2024 through March 31, 2024	—	$ —	—	$ 830.0
Total	296,145		296,145	

(1) On September 21, 2022, the Board authorized a $2.1 billion increase to the amount available for repurchases of LPLFH's issued and outstanding common shares. See *Note 11 - Stockholders' Equity*, within the notes to the condensed consolidated financial statements for additional information.

The repurchases may be executed from time to time, subject to general business and market conditions and other investment opportunities, through open market purchases or privately negotiated transactions, including transactions with affiliates, with the timing of purchases and the amount of shares purchased generally determined at the discretion of the Company within the constraints of the Credit Agreement, applicable laws and consideration of the Company's general liquidity needs.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended March 31, 2024, certain of our officers (as defined in Rule 16a-1(f) under the Exchange Act) entered into contracts, instructions or written plans for the purchase or sale of our common stock that are intended to satisfy the affirmative defense conditions specified in Rule 10b5-1(c) under the Exchange Act ("Rule 10b5-1 trading arrangements"). The table below sets forth certain information regarding such Rule 10b5-1 trading arrangements:

Officer	Date of Plan Adoption	Commencement of Trading Period	Termination of Trading Period[(1)]	Maximum Number of Securities to be Purchased or Sold Pursuant to the Rule 10b5-1 Trading Arrangements	Purchase or Sale
Dan Arnold, President and Chief Executive Officer	March 13, 2024	June 14, 2024	September 12, 2024	20,000	Sale

(1) Represents the outside termination date pursuant to terms of each applicable plan. The agreement governing the applicable plan may terminate earlier pursuant to its terms in certain circumstances outside of the control of the applicable officer, including if all trades under the plan are completed prior to the termination of the trading period.

Item 6. Exhibits

3.1	Amended and Restated Certificate of Incorporation of LPL Investment Holdings Inc., dated November 23, 2010 (incorporated by reference to Amendment No. 2 to the Registration Statement on Form S-1 filed on July 9, 2010, File No. 333-167325).
3.2	Certificate of Ownership and Merger Merging LPL Financial Holdings Inc. with and into LPL Investment Holdings Inc., dated June 14, 2012 (incorporated by reference to the Form 8-K filed on June 19, 2012, File No. 001-34963).
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of LPL Financial Holdings Inc., dated May 8, 2014 (incorporated by reference to the Form 8-K filed on May 9, 2014, File No. 001-34963).
3.4	Seventh Amended and Restated Bylaws of LPL Financial Holdings Inc. (incorporated by reference to the Form 8-K filed on February 20, 2024, File No. 001-34963).
22.1	List of Subsidiary Guarantors and Issuers of Guaranteed Securities.*
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).*
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).*
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.SCH	Inline XBRL Taxonomy Extension Schema*
101.CAL	Inline XBRL Taxonomy Extension Calculation*
101.LAB	Inline XBRL Taxonomy Extension Label*
101.PRE	Inline XBRL Taxonomy Extension Presentation*
101.DEF	Inline XBRL Taxonomy Extension Definition*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LPL Financial Holdings Inc.

Date: May 2, 2024	By: /s/ DAN H. ARNOLD Dan H. Arnold President and Chief Executive Officer
Date: May 2, 2024	By: /s/ MATTHEW J. AUDETTE Matthew J. Audette Chief Financial Officer and Head of Business Operations

Exhibit 22.1

List of Subsidiary Guarantors and Issuers of Guaranteed Securities

As of March 31, 2024, LPL Financial Holdings Inc., a Delaware corporation, has fully and unconditionally guaranteed the 6.750% Senior Notes due 2028 issued by LPL Holdings, Inc., a Massachusetts corporation, pursuant to an offering registered under the Securities Act of 1933, as amended.

Exhibit 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Dan H. Arnold, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LPL Financial Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024

/s/ Dan H. Arnold

Dan H. Arnold
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Matthew J. Audette, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LPL Financial Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024

/s/ Matthew J. Audette

Matthew J. Audette
Chief Financial Officer and Head of Business Operations
(principal financial officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of LPL Financial Holdings Inc. (the “Company”) for the period ending March 31, 2024 as filed with the Securities and Exchange Commission (“SEC”) on the date hereof (the “Report”), I, Dan H. Arnold, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: May 2, 2024

/s/ Dan H. Arnold

Dan H. Arnold
President and Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of LPL Financial Holdings Inc. (the “Company”) for the period ending March 31, 2024 as filed with the Securities and Exchange Commission (“SEC”) on the date hereof (the “Report”), I, Matthew J. Audette, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: May 2, 2024

/s/ Matthew J. Audette

Matthew J. Audette

Chief Financial Officer and Head of Business Operations