

LPL Financial

Bernstein's 34th Annual Strategic Decisions Conference

May 31, 2018

Notice to Investors: Safe Harbor Statement

Statements in this presentation regarding LPL Financial Holdings Inc.'s (together with its subsidiaries, the Company") future financial and operating results and outlook, including forecasts and statements relating to the Company's future deposit betas (and related gross profit benefit), Core G&A expenses (including outlook for 2018), the amount and timing of NPH annual run-rate EBITDA, future capital deployment capacity, to the Company's future expenses, gross profit, revenues, asset levels, capital plans, usage levels of advisory services and programs, enhancements to and/or future technology offerings, and success in recruiting and onboarding assets from advisors from the broker/dealer network of National Planning Holdings, Inc. ("NPH"), as well as any other statements that are not related to present facts or current conditions or that are not purely historical, constitute forward-looking statements. These forward-looking statements are based on the Company's historical performance and its plans, estimates, and expectations as of May 31, 2018. Forward-looking statements are not guarantees that the future results, plans, intentions, or expectations expressed or implied by the Company will be achieved. Matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, legislative, regulatory, competitive, and other factors, which may cause actual financial or operating results, levels of activity, or the timing of events, to be materially different than those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include: changes in interest rates and fees payable by banks participating in the Company's cash sweep program; the Company's success and strategy in managing cash sweep program fees; changes in general economic and financial market conditions, including retail investor sentiment; fluctuations in the value of advisory and brokerage assets, and the related impact on revenue; fluctuations in the usage levels of advisory services, including the Company's centrally managed advisory platform; effects of competition in the financial services industry and the success of the Company in attracting and retaining financial advisors and institutions; changes in the number of the Company's financial advisors and institutions, and their ability to market effectively financial products and services; ; whether retail investors served by newly-recruited advisors choose to open accounts and/or move their respective assets to a new account at the Company; changes in the growth and profitability of the Company's fee-based business; the effect of current, pending and future legislation, regulation and regulatory actions, including changes in the retail retirement savings area changes made to the Company's offerings and services, and the effect that such changes may have on the Company's gross profit streams and costs; execution of the Company's plans and its success in realizing the expense savings, service improvements and efficiencies expected to result from its initiatives and/or programs, including the NPH acquisition;; and the other factors set forth in Part I, "Item 1A. Risk Factors" in the Company's 2017 Annual Report on Form 10-K, as may be amended or updated in the Company's Quarterly Reports on Form 10-Q or subsequent filings with the SEC. Except as required by law, the Company specifically disclaims any obligation to update any forward-looking statements as a result of developments occurring after May 31, 2018, even if its estimates change, and statements contained herein are not to be relied upon as representing the Company's views as of any date subsequent to May 31, 2018.

*Notice to Investors: Non-GAAP Financial Measures

Management believes that presenting certain non-GAAP financial measures by excluding or including certain items can be helpful to investors and analysts who may wish to use some or all of this information to analyze the Company's current performance, prospects, and valuation. Management uses this non-GAAP information internally to evaluate operating performance and in formulating the budget for future periods. Management believes that the non-GAAP financial measures and metrics discussed herein are appropriate for evaluating the performance of the Company. **Specific Non-GAAP financial measures have been marked with an * (asterisk) within this presentation. Management has also presented certain non-GAAP financial measures further adjusted to reflect the impact of the Company's acquisition of NPH and tax reform. Reconciliations of all such measures can be found on pages 32-36.**

Gross profit is calculated as net revenues, which were \$1,242 million for the three months ended March 31, 2018, less commission and advisory expenses and brokerage, clearing, and exchange fees, which were \$762 million and \$16 million, respectively, for the three months ended March 31, 2018. All other operating expense categories, including depreciation and amortization of fixed assets and amortization of intangible assets, are considered general and administrative in nature. Because the Company's gross profit amounts do not include any depreciation and amortization expense, the Company considers its gross profit amounts to be non-GAAP financial measures that may not be comparable to those of others in its industry. Management believes that gross profit amounts can be useful to investors because it shows the Company's core operating performance before indirect costs that are general and administrative in nature. For a calculation of gross profit, please see page 32 of this presentation.

EPS Prior to Amortization of Intangible Assets is defined as GAAP EPS plus the per share impact of Amortization of Intangible Assets. The per share impact is calculated as Amortization of Intangible Assets expense, net of applicable tax benefit, divided by the number of shares outstanding for the applicable period. The Company presents EPS Prior to Amortization of Intangible Assets because management believes that it can be a useful financial metric to investors because it provides greater insight into the Company's core operating performance by excluding non-cash items that management does not believe impact the Company's ongoing operations. EPS Prior to Amortization of Intangible Assets is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to GAAP EPS or any other performance measure derived in accordance with GAAP. For a reconciliation of EPS Prior to Amortization of Intangible Assets to GAAP EPS, please see page 36 of this presentation.

EBITDA is defined as net income plus interest expense, income tax expense, depreciation, and amortization. The Company presents EBITDA because management believes that it can be a useful financial metric in understanding the Company's earnings from operations. EBITDA is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of profitability or liquidity. For a reconciliation of net income to EBITDA, please see page 34 of this presentation. In addition, the Company's EBITDA can differ significantly from EBITDA calculated by other companies, depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, and capital investments.

Credit Agreement EBITDA is defined in, and calculated by management in accordance with, the Company's credit agreement (the "Credit Agreement") as "Consolidated EBITDA," which is Consolidated Net Income (as defined in the Credit Agreement) plus interest expense, tax expense, depreciation and amortization and further adjusted to exclude certain non-cash charges and other adjustments, including unusual or non-recurring charges and gains and to include future expected cost savings, operating expense reductions or other synergies from certain transactions, including the NPH acquisition. The Company presents Credit Agreement EBITDA because management believes that it can be a useful financial metric in understanding the Company's debt capacity and covenant compliance under its Credit Agreement. Credit Agreement EBITDA is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of profitability or liquidity. For a reconciliation of net income to Credit Agreement EBITDA, please see page 35 of this presentation. In addition, the Company's Credit Agreement EBITDA can differ significantly from adjusted EBITDA calculated by other companies, depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, capital investments, and types of adjustments made by such companies.

Core G&A consists of total operating expenses, excluding the following expenses: commission and advisory, regulatory charges, promotional, employee share-based compensation, depreciation and amortization, amortization of intangible assets, and brokerage, clearing, and exchange. Management presents Core G&A because it believes Core G&A reflects the corporate operating expense categories over which management can generally exercise a measure of control, compared with expense items over which management either cannot exercise control, such as commission and advisory expenses, or which management views as promotional expense necessary to support advisor growth and retention including conferences and transition assistance. Core G&A is not a measure of the Company's total operating expenses as calculated in accordance with GAAP. For a reconciliation of Core G&A against the Company's total operating expenses, please see page 33 of this presentation. The Company does not provide an outlook for its total operating expenses because it contains expense components, such as commission and advisory expenses, that are market-driven and over which the Company cannot exercise control. Accordingly a reconciliation of the Company's outlook for Core G&A to an outlook for total operating expenses cannot be made available without unreasonable effort. Prior to 2016, the Company calculated Core G&A as consisting of total operating expenses, excluding the items described above, as well as excluding other items that primarily consisted of acquisition and integration costs resulting from various acquisitions and organizational restructuring and conversion costs. Beginning with results reported for Q1 2016, Core G&A was presented as including these items that were historically adjusted out.

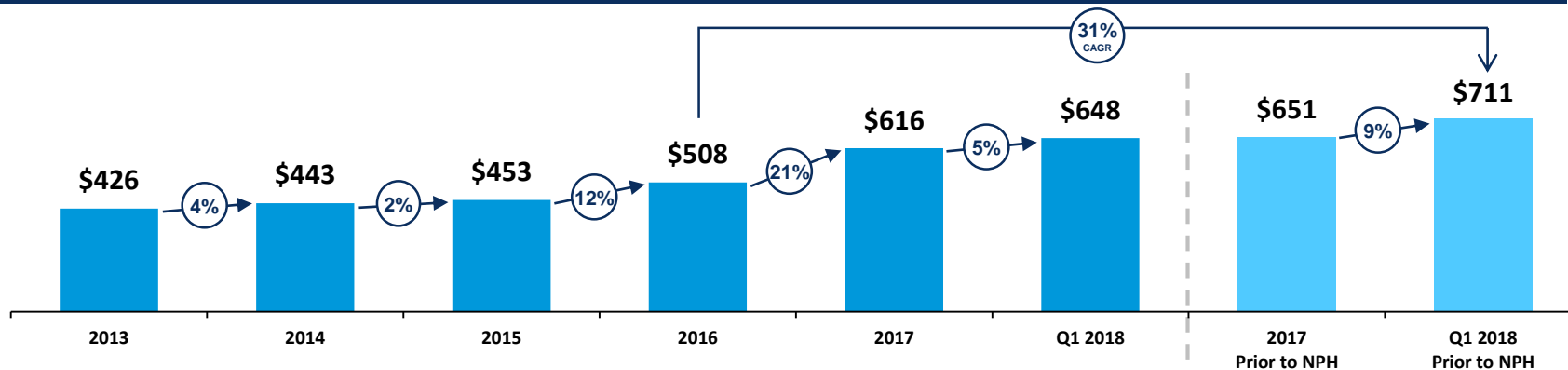
Note on Pro Forma Calculations: This presentation includes pro forma calculations, including EPS prior to the impact of NPH and debt refinancing costs.

THIS PRESENTATION PRESENTS DATA AS OF MARCH 31, 2018, UNLESS OTHERWISE INDICATED.

LPL Overview

Our Value Proposition	Key Markets and Services	Q1 2018 Metrics	
<p>We are a leader in the retail financial advice market and the nation's largest independent broker-dealer⁽¹⁾.</p> <p>Our scale and self-clearing platform enable us to provide advisors with the capabilities they need, and the service they expect, at a compelling price, including:</p> <ul style="list-style-type: none"> • Open architecture offering with no proprietary products • Choice of advisory platforms between corporate and hybrid, as well as centrally managed solutions to support portfolio allocation and trading • ClientWorks technology and Virtual Services that enhance service and operational efficiency • Industry-leading advisor payout rates • Growth capital to expand or acquire other practices 	<p>\$640B+ Retail Assets:</p> <ul style="list-style-type: none"> • Brokerage: \$364B • Corporate Advisory: \$168B • Hybrid Advisory: \$116B <p>16K+ advisors:</p> <ul style="list-style-type: none"> • Independent Advisors: 8,200+ • Hybrid RIA: 5,200+ (420+ firms) • Institutional Services: 2,500+ (810+ banks, credit unions, and clearing clients) 	<p>Q1 Business Metrics</p> <p>Assets: \$648B Advisors: 16,067 Accounts: 5.3M Employees: 3,838</p>	<p>LTM Financial Metrics</p> <p>Average Assets: \$581B Gross Profit*: \$1.6B EBITDA*: \$648M EPS Prior to Intangible Assets*: \$3.37</p>
		<p>Q1 Debt Metrics</p> <p>Credit Agr. EBITDA (TTM)*: \$851M Total Debt: \$2.4B Cost of Debt: 5.01% Net Leverage Ratio⁽²⁾: 2.46x Interest Coverage Ratio: 8.18x</p>	<p>Ratings & Outlooks</p> <p>S&P Rating: BB- S&P Outlook: Stable Moody's Rating: Ba3 Moody's Outlook: Stable</p>

LTM EBITDA* History (\$ millions)



We remain focused on growth and execution to create long-term shareholder value

Grow our Core Business

- + **Leverage the strength of our markets and model**
 - Capitalize on secular trends
 - Expand leadership positions
- + **Enhance advisor experience and capabilities**
 - Deliver best-in-class service, compliance, and technology
 - Expand advisory, custodial, research, and retail investor solutions
- + **Drive organic asset and gross profit* growth**
 - Increase advisor recruiting, productivity, and retention
 - Leverage scale to expand gross profit*
- + **Benefit from rising rates and markets**
 - Capture cash sweep upside from rising rates
 - Grow assets as market levels rise

= Asset and gross profit* growth



Execute with Excellence

- + **Drive greater efficiency and productivity**
 - Continuously improve over time
 - Prioritize growth investment opportunities
- + **Embed quality and innovation in our operations**
 - Create extraordinary service and technology outcomes
 - Ongoing improvements in our operations over time
- + **Balance financial strength and flexibility**
 - Keep capital structure strong and flexible for changes to environment and strategic opportunities
 - Allocate capital to create long-term shareholder value
- + **Increase investor understanding and confidence**
 - Expand and clarify key disclosures
 - Deliver strong results

= Operating leverage and capital allocation



Create Long-Term Shareholder Value

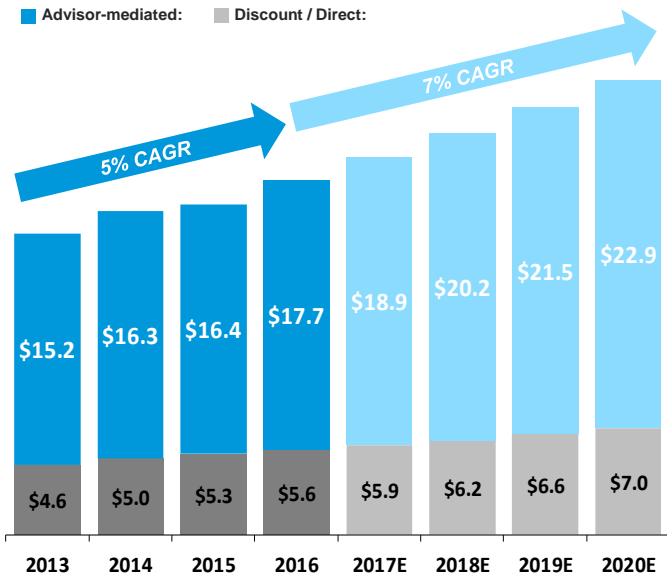
LPL Investment Highlights: Significant opportunities to grow and create long-term shareholder value

- 1 Attractive market with secular industry tailwinds**
- 2 Established market leader with scale advantages**
- 3 Organic growth opportunities through net new assets and ROA**
- 4 Positively levered to rising interest rates and equity markets**
- 5 Disciplined expense management driving operating leverage**
- 6 Capital light business model with significant capacity to deploy**
- 7 Opportunity to consolidate fragmented core markets through M&A**

Demand for financial advice is growing, and the independent channel is gaining share

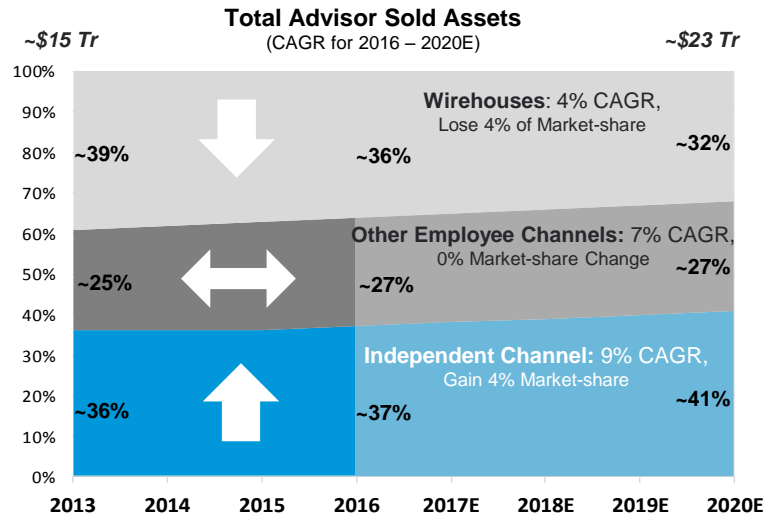
Growing demand for advice

Projected Growth in US Retail Investment Market (\$T)



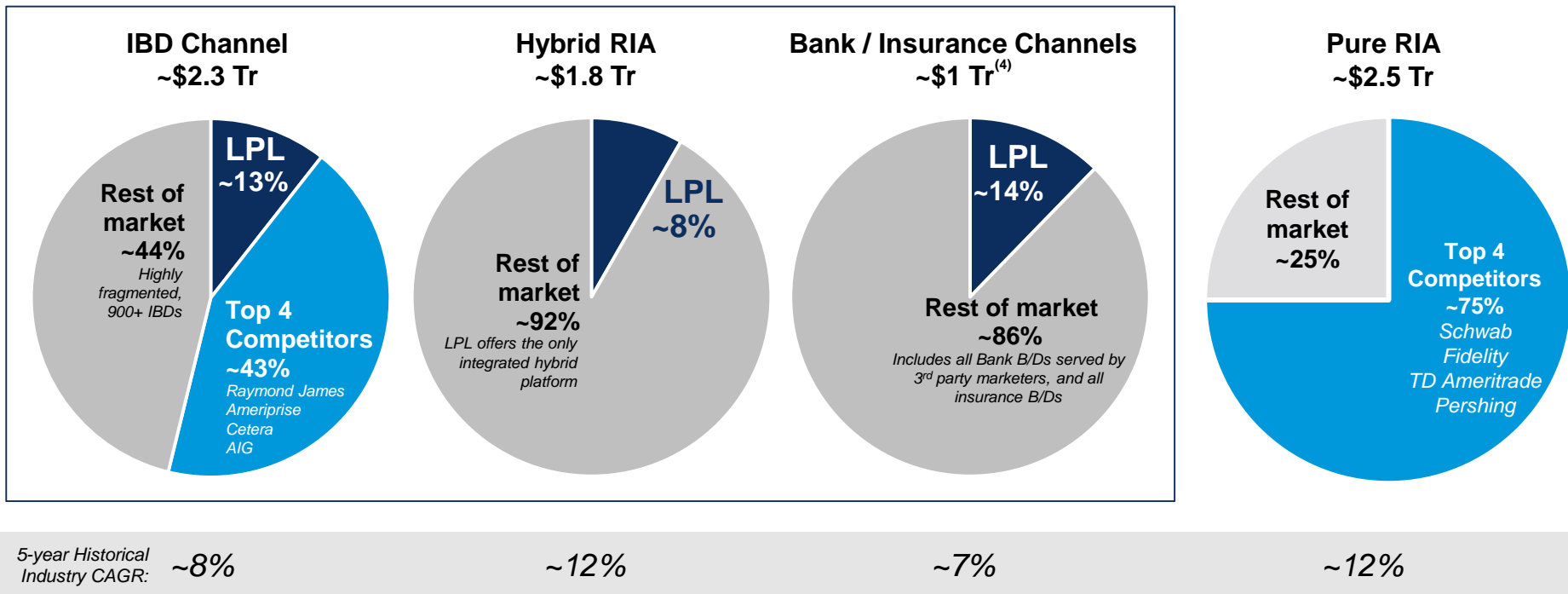
Trend towards independence expected to continue

The Independent channel continues to gain share versus employee models



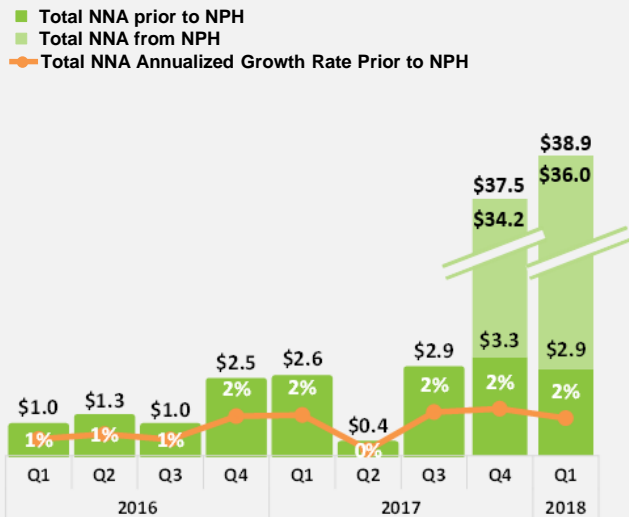
We are a leader in our core markets and have room to grow

Our Core Markets⁽³⁾

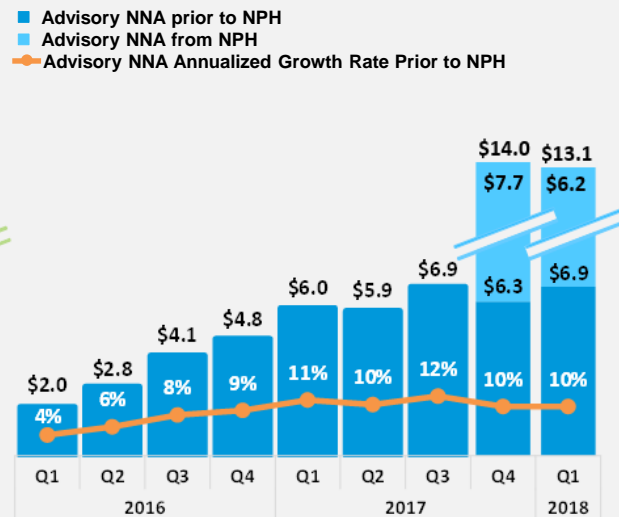


Total Net New Assets continued to grow in Q1 2018, both from organic new assets and NPH

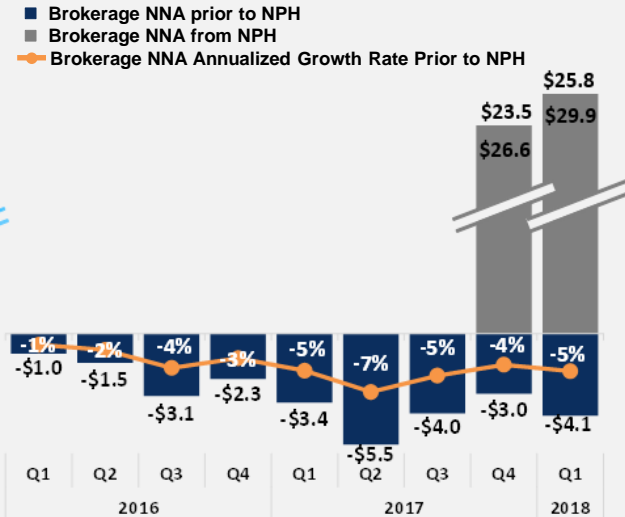
Total Net New Assets (\$ billions)



Net New Advisory Assets⁽⁵⁾ (\$ billions)



Net New Brokerage Assets⁽⁶⁾ (\$ billions)

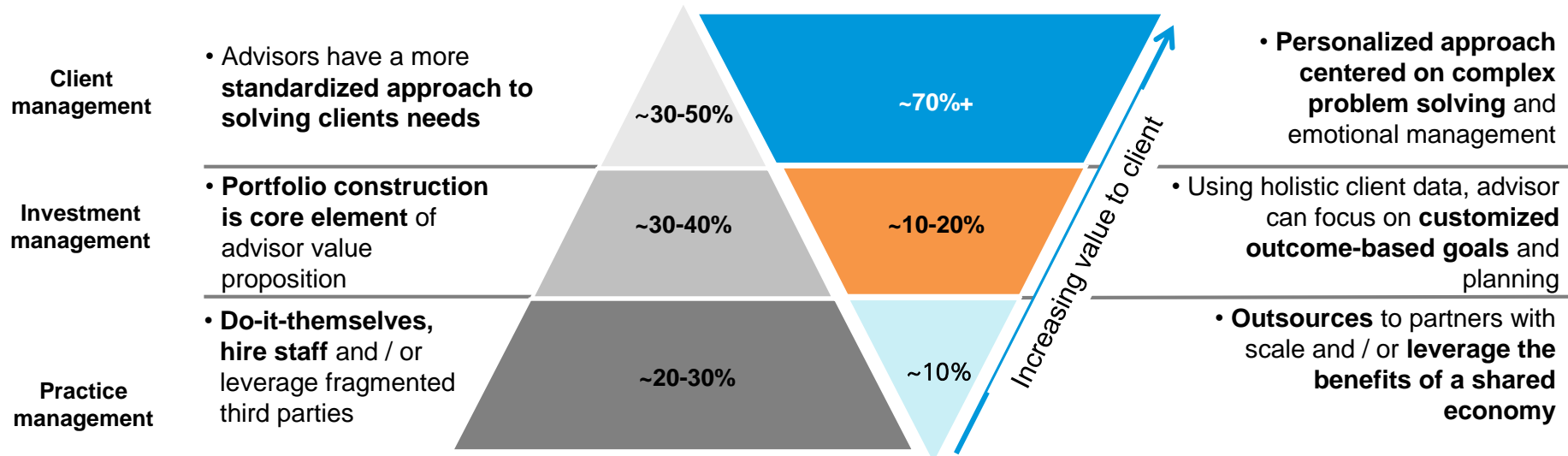


Net Brokerage to Advisory Conversions (billions)⁽⁷⁾: \$1.0 \$1.4 \$1.3 \$1.7 \$2.3 \$2.0 \$1.9 \$2.1 \$2.5

We expect evolution in the future profile of winning advisor practices

Today: Advisor as wealth manager

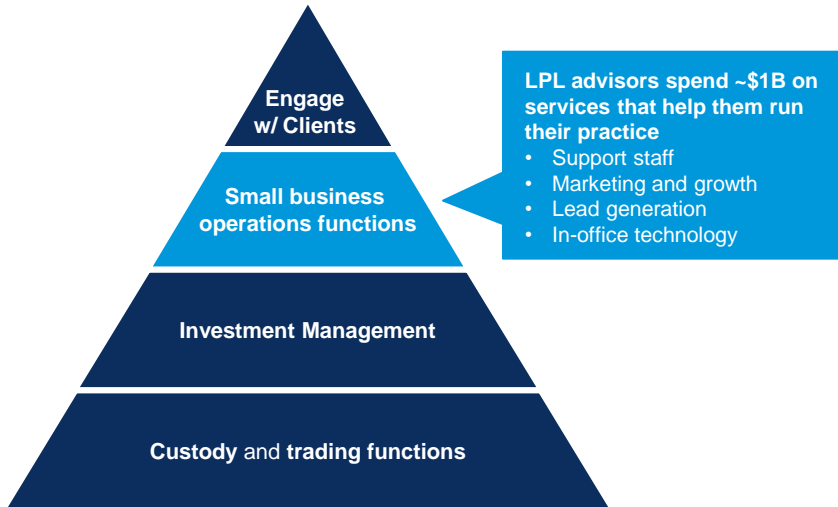
Tomorrow: Advisor as personal CFO



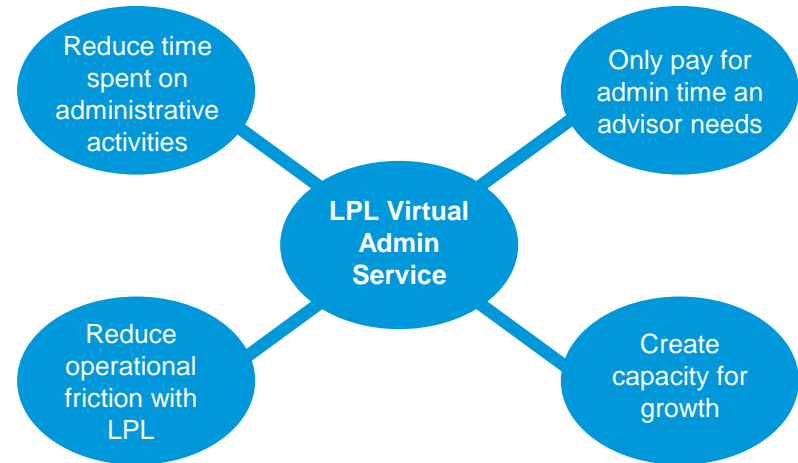
Illustrative allocation of advisors' time

We are leveraging technology and our scale to bring innovation and enhanced performance to the front office

Development of New LPL Front Office Services



Example: LPL Virtual Admin Service launched in 2017

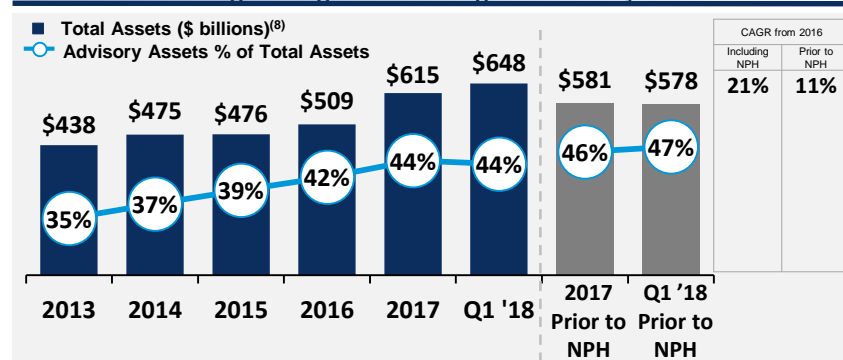


Our business continues to shift from brokerage to advisory

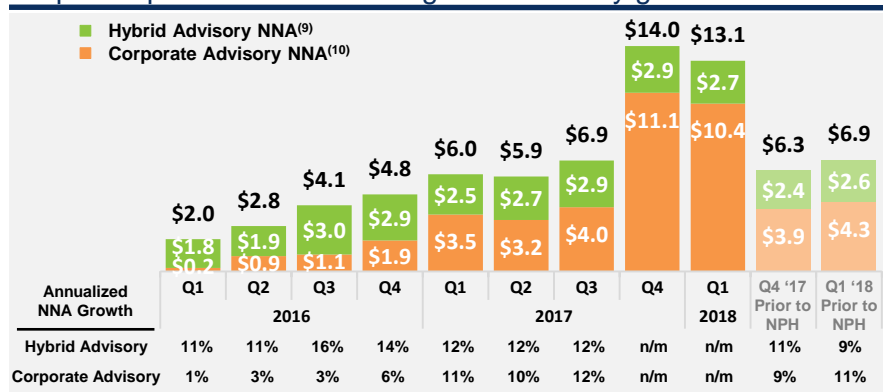
Key points

- Our business has been shifting from Brokerage to Advisory, consistent with industry trends
- While the pace of our mix shift has doubled to ~4% annually (prior to NPH), our average is still below industry levels
- Advisory ROA is ~10 bps higher than Brokerage ROA

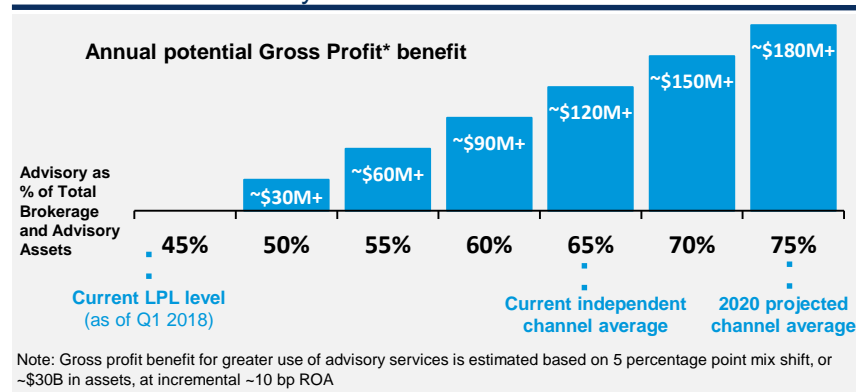
Total assets are growing and shifting to advisory



Corporate platform is now driving most advisory growth



Greater use of advisory services could drive value

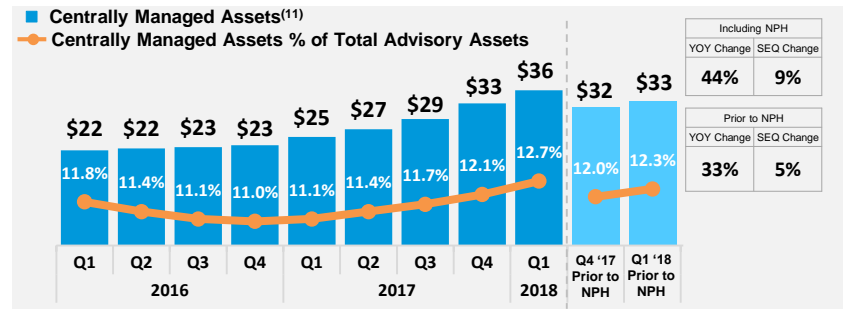


Centrally managed services are growing organically following pricing and capability enhancements

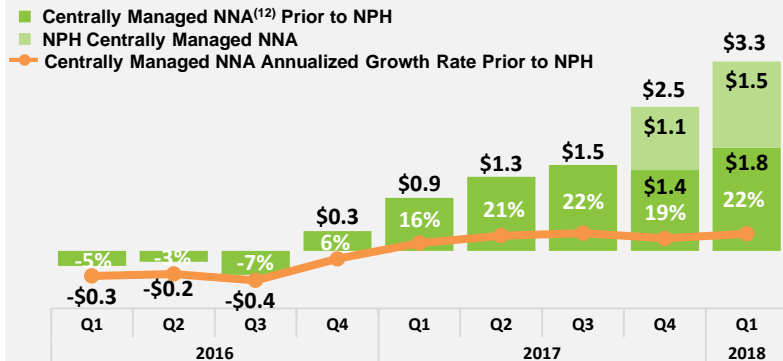
Key points

- Centrally managed platforms enable our advisors to outsource portfolio construction and trading to us, which can free up time to serve clients and grow their practices
- Inflows have been increasing to a ~2% annual increase as a percentage of total advisory assets
- Centrally managed ROA is ~10 bps higher than Advisory overall

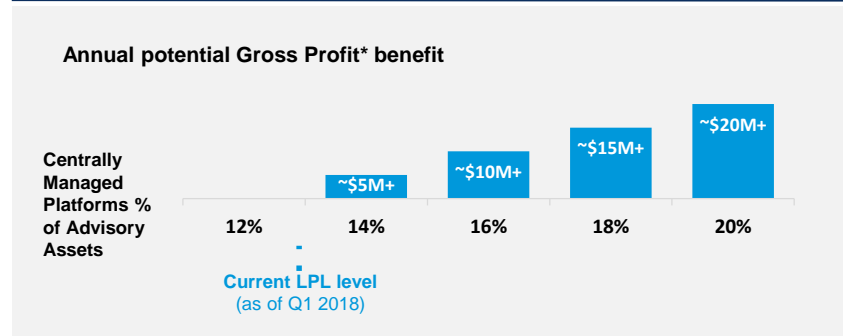
Centrally managed assets are growing



Organic growth has picked up



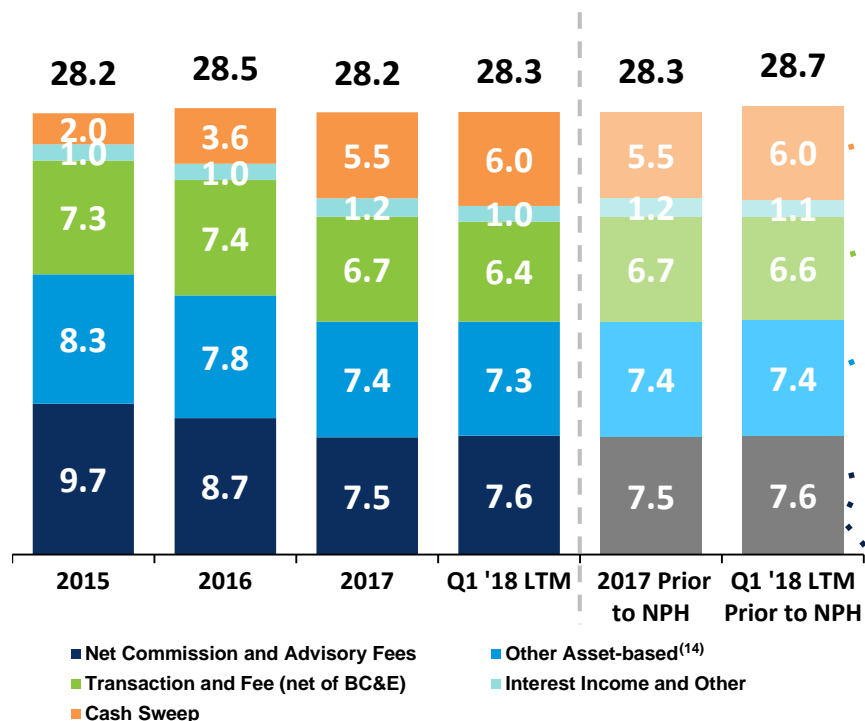
Greater use of centrally managed can create value



Note: Gross Profit benefit for greater use of centrally managed platforms has been estimated based on 2 percentage point mix shift, or ~\$5B in assets, at an incremental ~10 bps ROA

In addition to cash sweep improvements, we have several opportunities to drive organic growth in gross profit ROA

While cash sweep has been the recent driver of our Gross Profit* ROA ⁽¹³⁾ ...



...We have opportunities to drive organic growth going forward

Cash Sweep Offerings
(e.g. deposit betas in the 25-50% range)

Modernize Practice Management
(e.g. virtual services)

Asset Custody
(e.g. sponsor programs, centrally managed platforms)

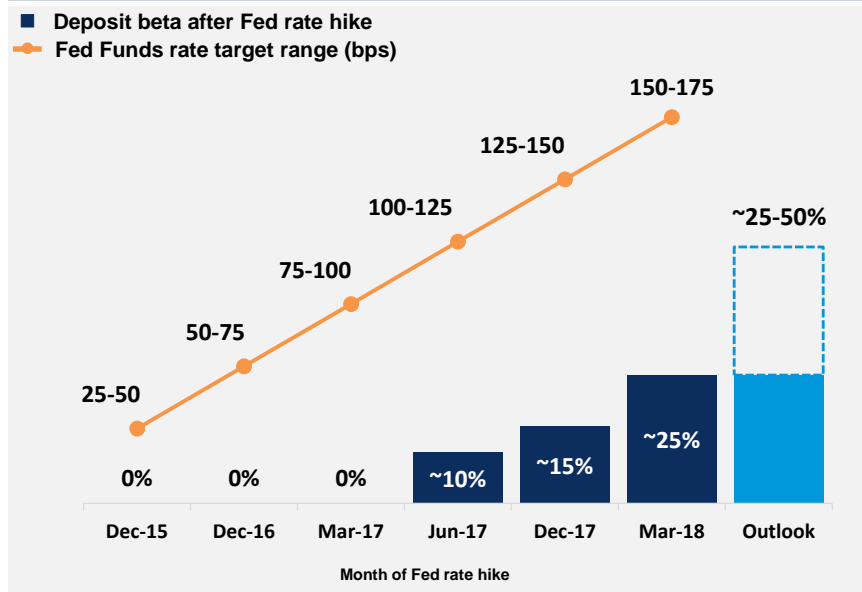
Advisory Services
(e.g. secular brokerage to advisory trend, streamlined conversion process)

Portfolio Construction
(e.g. centrally managed, separately managed, Guided Wealth Portfolios)

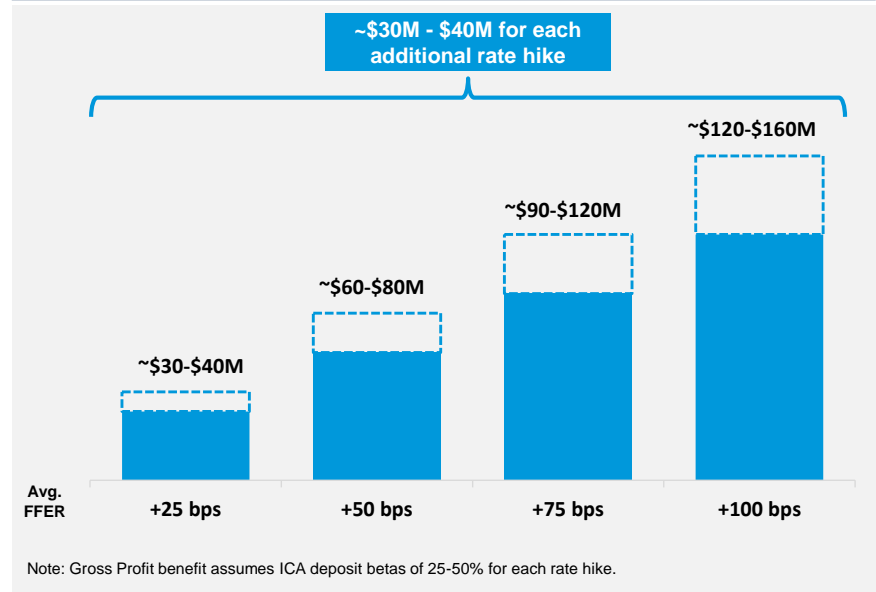
Risk Management
(e.g. aligning corporate and hybrid platforms with the marketplace)

We benefit from rising interest rates

Our ICA deposit betas have been low through this rate cycle

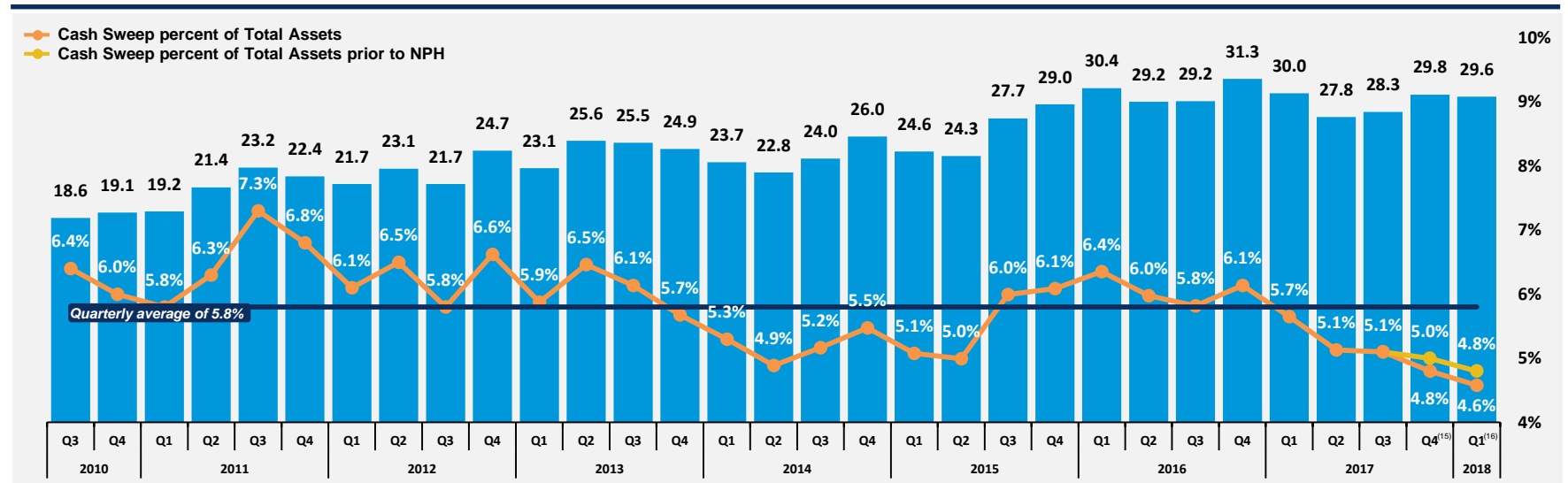


Our outlook translates to annual potential ICA gross profit* benefit from future rate hikes



Cash sweep percent of total assets is currently lower than our long-term average, as clients have been highly engaged in the market

Cash Sweep balances (\$ billions)



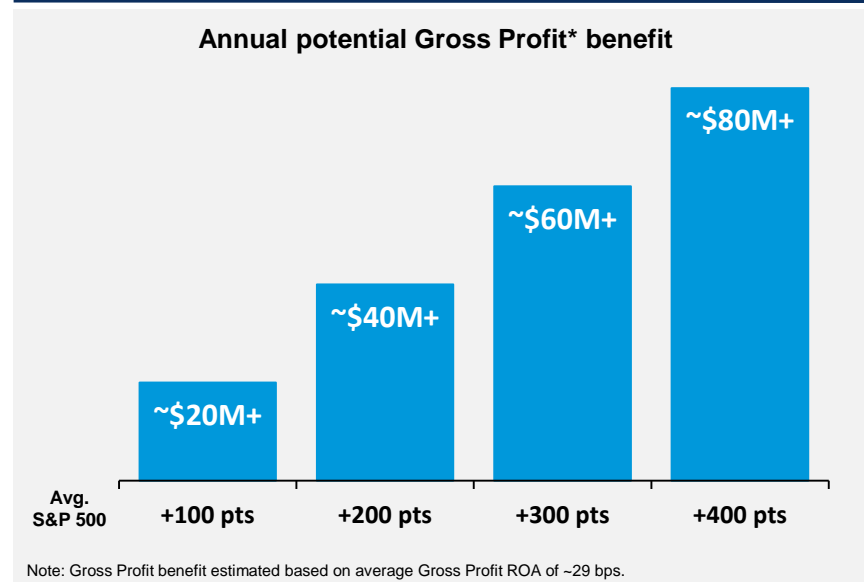
Over the past decade, cash sweep as a percent of total assets has averaged ~6%, with a high of 9.6% (Q4 2008) and a low of 4.6% (Q1 2018)

We also benefit from rising market levels

Key points

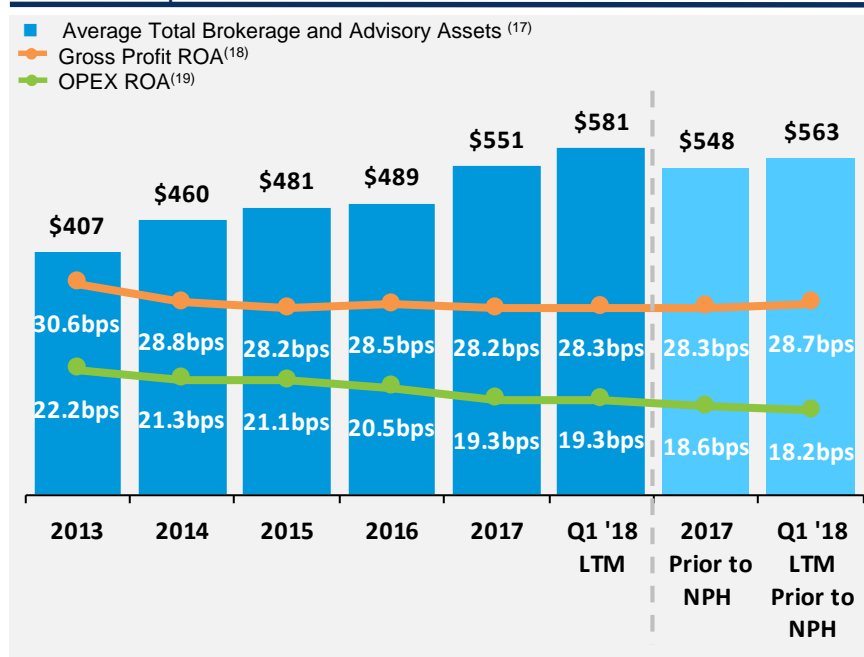
- At the end of Q1 2018, we had ~\$650B of total brokerage and advisory assets invested in a mix of investment products
- The product mix leads to assets with ~60% correlation to movements in the S&P 500 index
- Additionally, our Gross Profit* is ~50% equity market-sensitive, with the rest driven by interest rates, trading, and other capabilities

S&P growth benefits our Gross Profit*

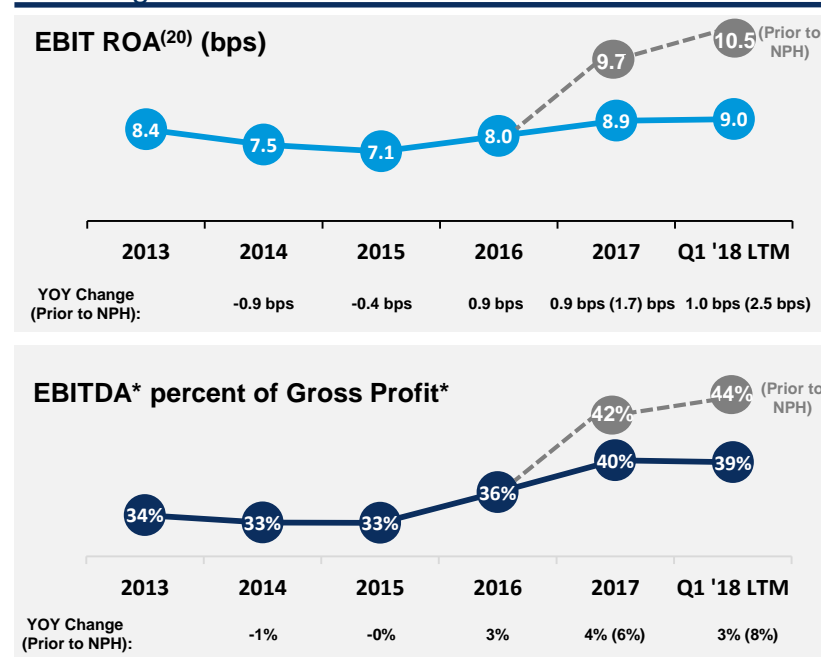


We are focused on generating operating leverage

Over the past 3 years, Gross Profit* ROA has been roughly flat while Opex ROA has declined



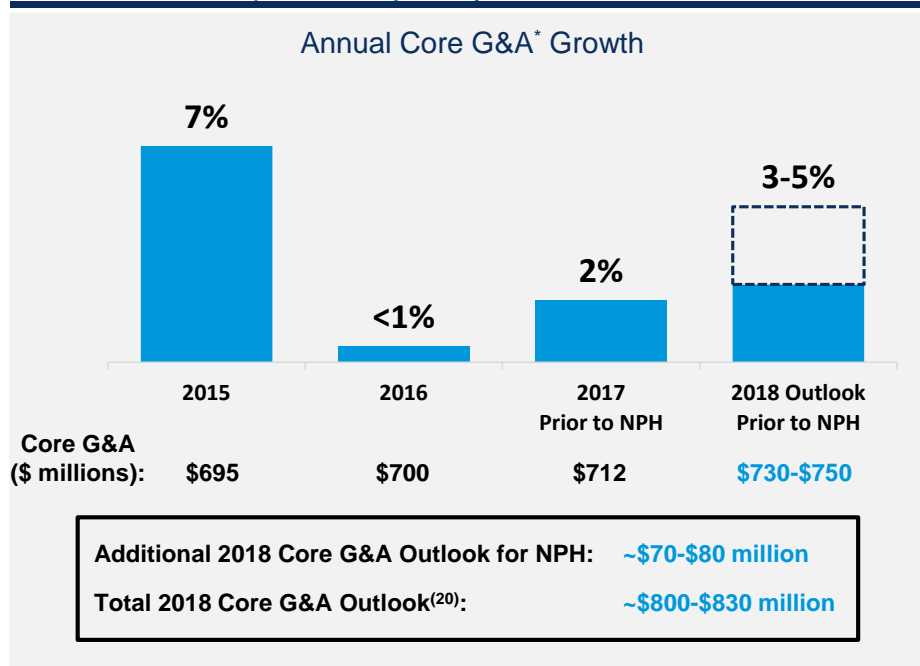
This operating leverage has driven improved returns and margins



Note: Q1 '18 LTM YOY Change is from 2016

Our outlook for 2018 Core G&A* is \$800 to \$830 million, with most year-over-year growth driven by costs to support NPH

Lower Recent Expense Trajectory



Long-term cost strategy

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

2018 Core G&A outlook

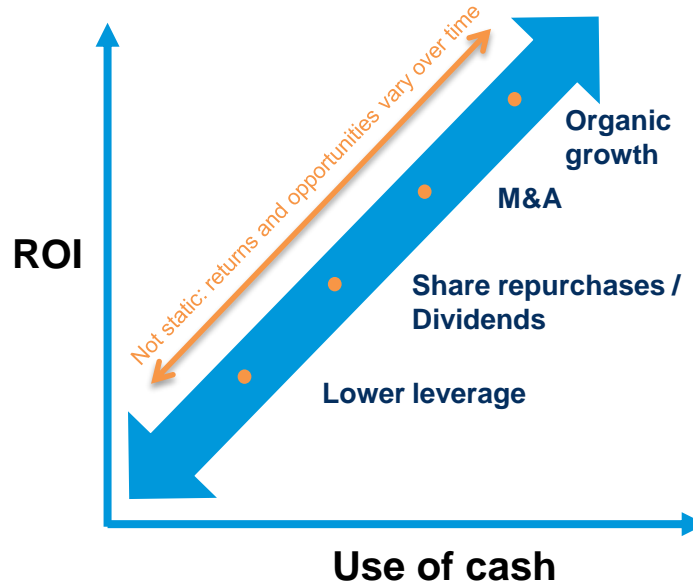
- **Core G&A outlook prior to NPH of \$730-\$750M**
 - We believe we have a larger set of opportunities to invest in organic growth
 - This creates a range slightly wider than we've had historically
- **Total Core G&A outlook including NPH of \$800-\$830M**
 - NPH expense will be inherently more variable than the rest of Core G&A given the timing of advisor and asset onboarding
 - This variability may impact the timing and amount of expense in 2018, but we do not expect it to impact our run-rate estimates for the transaction

Our capital management strategy is focused on driving growth and maximizing shareholder value

Our capital management principles

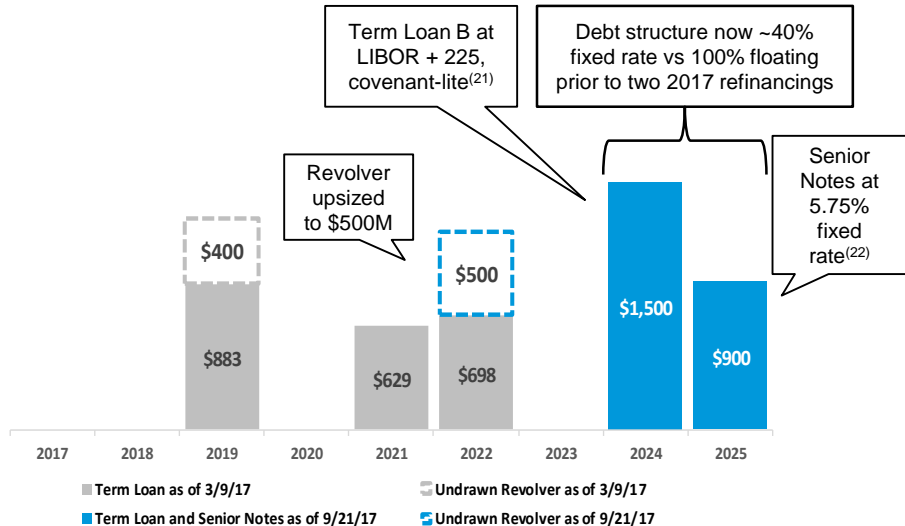
- **Disciplined capital management to drive long-term shareholder value**
- **Maintain a strong and flexible balance sheet**
 - Current management target net leverage range is 3.25x to 3.5x
 - Debt structure was refinanced to be more flexible and support growth
- **Prioritize investments that drive organic growth**
 - Recruiting to drive net new assets
 - Capability investments to add net new assets and drive ROA
- **Position ourselves to take advantage of M&A**
 - Potential to consolidate fragmented core market
 - Stay prepared for attractive opportunities
- **Return excess capital to shareholders**
 - Share repurchases
 - Dividends

Dynamic capital allocation across options



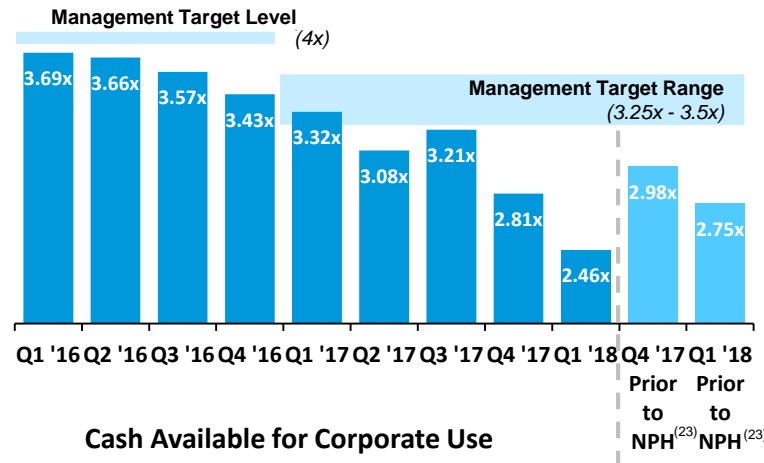
We have positioned our balance sheet to be a source of strength

Refinancings position balance sheet to support growth

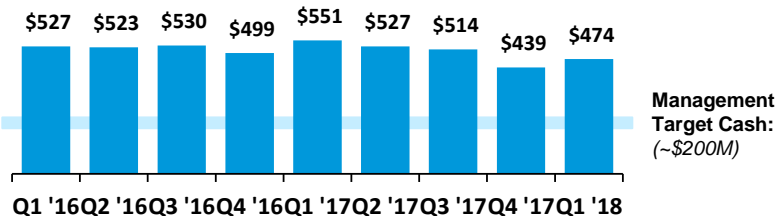


We have been building capacity

Credit Agreement Net Leverage Ratio*



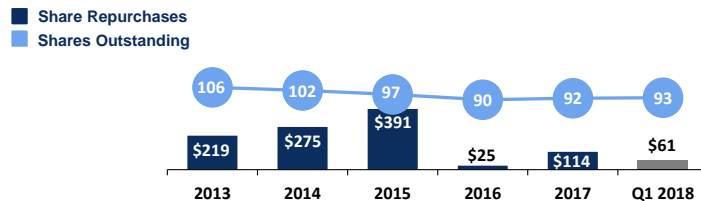
Cash Available for Corporate Use



We have consistently deployed capital to growth and shareholder returns

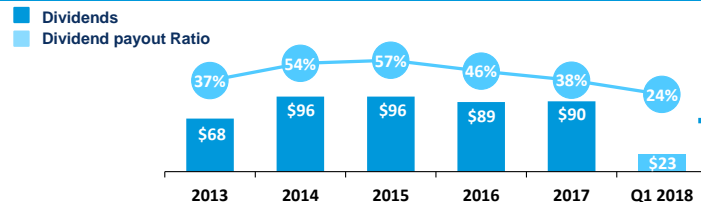
We have allocated capital across potential options

Share Repurchases



Since 2011, we have returned ~\$1.4B through share repurchases and reduced our share count by ~20%

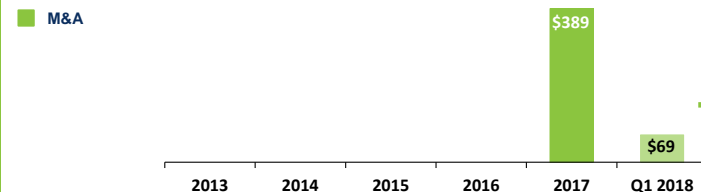
Dividends



Since 2011, we have paid ~\$700M in dividends

Payout ratio ~1.5x S&P Fins average

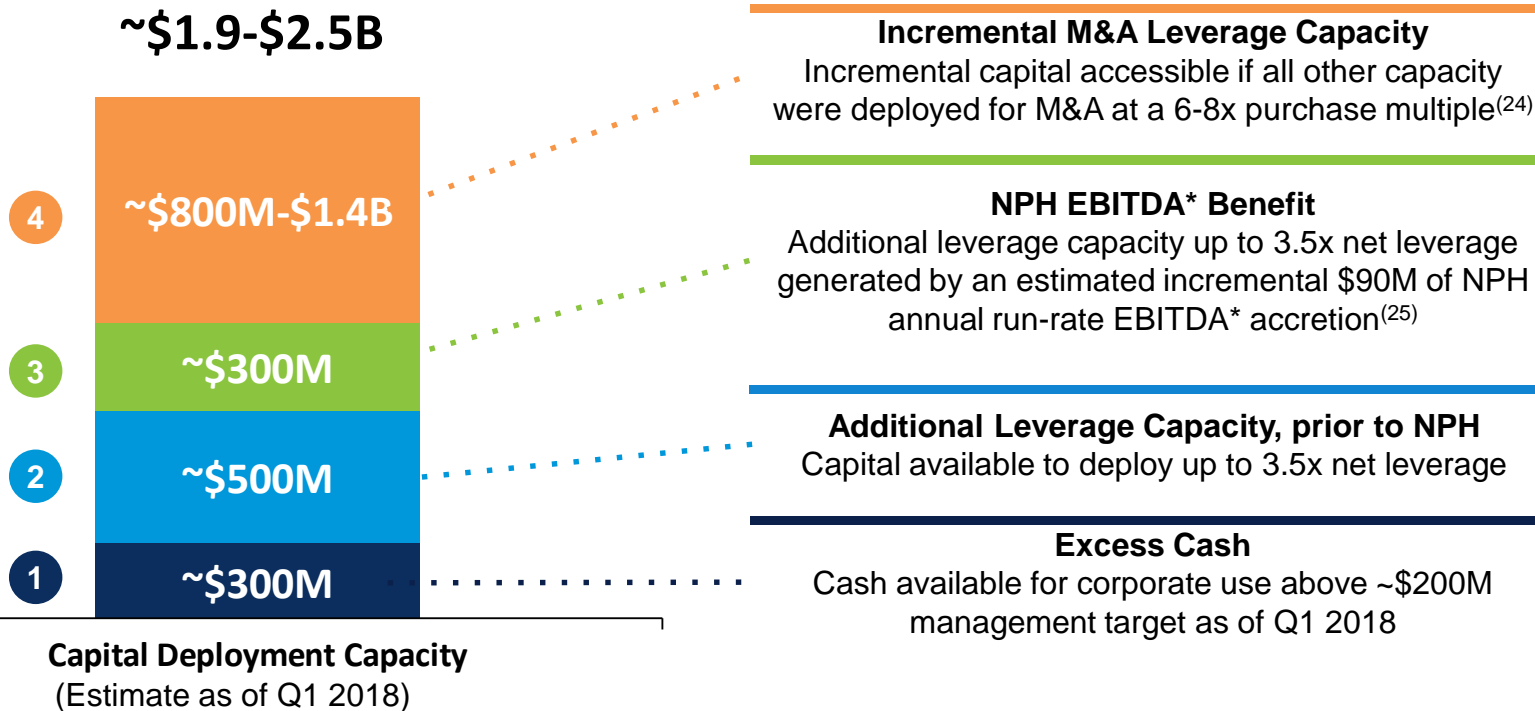
M&A



2017 includes \$325M NPH purchase price and \$64M of onboarding and financial assistance

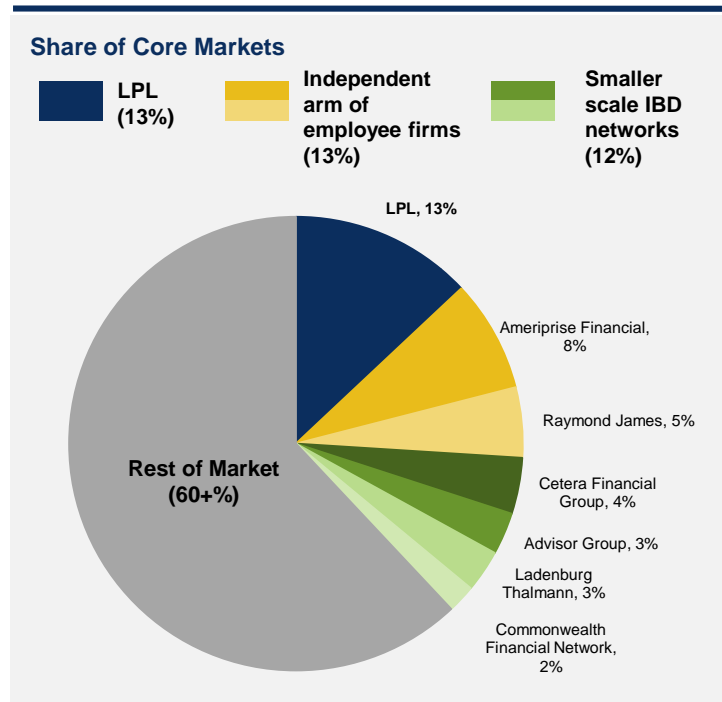
Q1 2018 includes \$69M of NPH onboarding and financial assistance

We have a significant amount of capital deployment capacity



Our core markets are fragmented, with potential for consolidation

Fragmented core markets



Growth potential from consolidation

- Our scale, capabilities, and economics give us **competitive advantages in M&A**
- Our **core markets are fragmented**, with the top ~7 players comprising ~40% of the market
- **Rising cost and complexity** is making it **harder for smaller players** to compete
- Therefore, **we believe consolidation can drive value** by adding scale, increasing our capacity to invest in capabilities, and creating shareholder value
- NPH is a good example of the **potential for future accretive M&A**, so we plan to remain positioned for opportunities that may arise

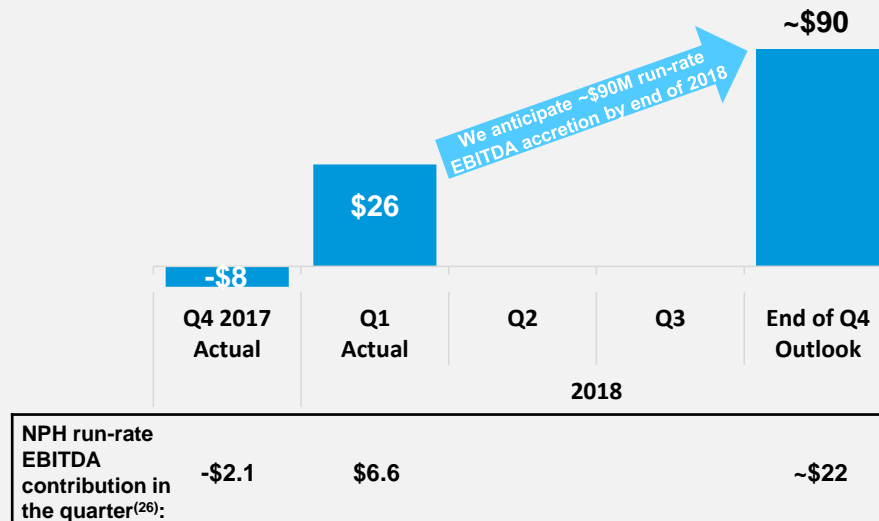
Recap of NPH Acquisition

We acquired NPH in August 2017, and have largely completed onboarding their business

- NPH was an independent broker/dealer network with ~3,200 advisors serving **~\$105B of client assets reportable to LPL**
- The transaction was signed and closed in August 2017, and we paid a **\$325M purchase price**
- ~1,900 advisors joined LPL from NPH, and we expect up to **\$75B of reportable client assets to join** (~\$72B joined through April 2018)
- We anticipate **~\$90M of annual run-rate EBITDA accretion** by the end of 2018, yielding a **purchase multiple of ~4X EBITDA**

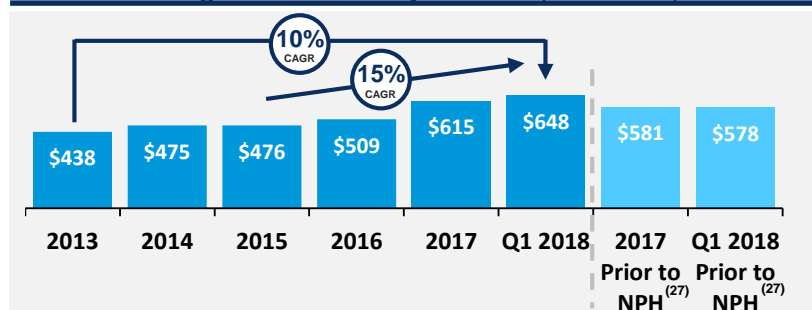
We anticipate ~\$90M run-rate EBITDA accretion by end of 2018

Annualized run-rate EBITDA* Impact (\$ millions)

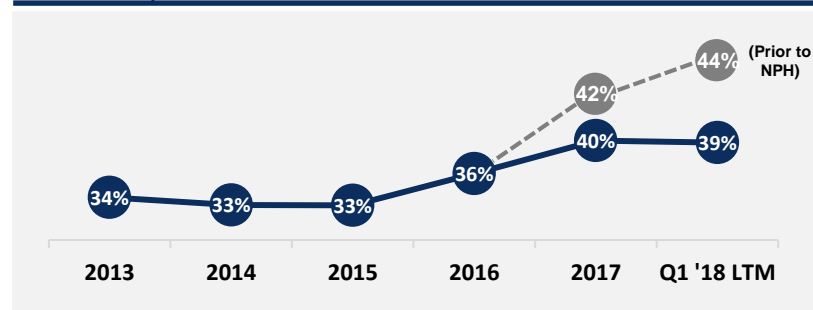


We are focused on executing our strategy and delivering results

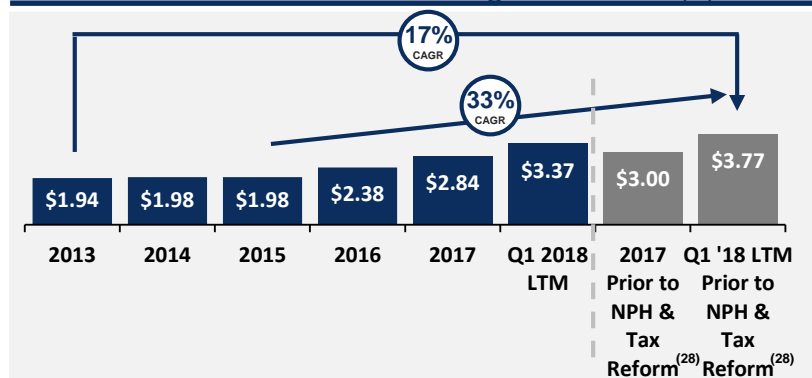
Total Brokerage and Advisory Assets (\$ billions)



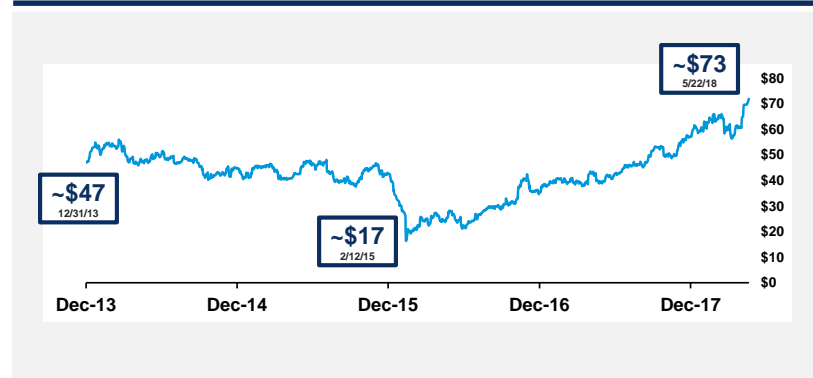
EBITDA* percent of Gross Profit*



EPS Prior to Amortization of Intangible Assets* (\$)



LPLA Stock Price



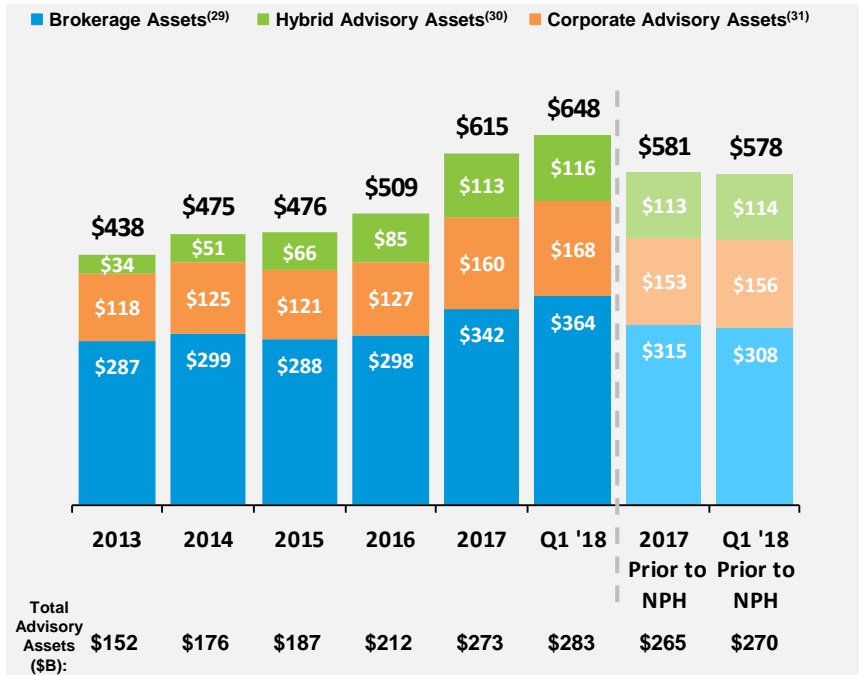
LPL Investment Highlights: Significant opportunities to grow and create long-term shareholder value

- 1 Attractive market with secular industry tailwinds**
- 2 Established market leader with scale advantages**
- 3 Organic growth opportunities through net new assets and ROA**
- 4 Positively levered to rising interest rates and equity markets**
- 5 Disciplined expense management driving operating leverage**
- 6 Capital light business model with significant capacity to deploy**
- 7 Opportunity to consolidate fragmented core markets through M&A**

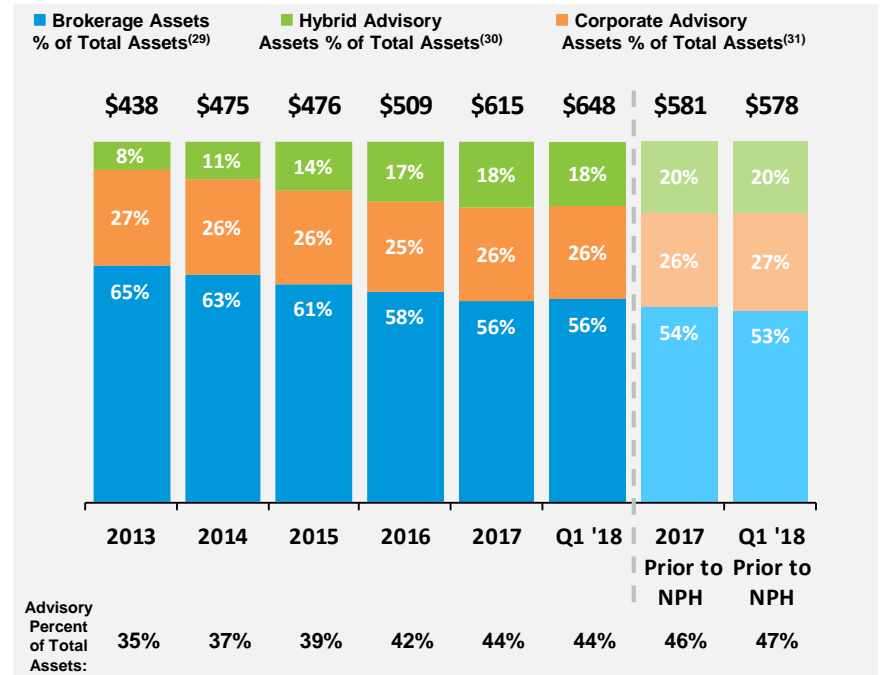
APPENDIX

Total assets continue to increase driven by advisory growth

Both brokerage and advisory assets have grown over time

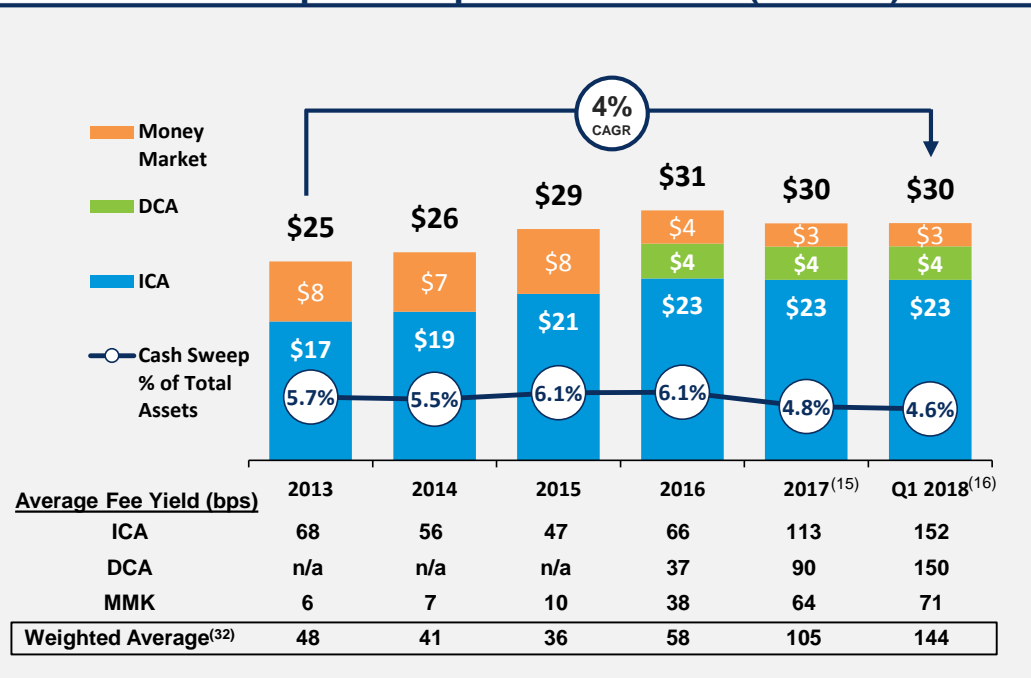


The mix of assets continues to shift towards advisory



Client cash sweep balances position us for earnings growth as rates rise

Client cash sweep end of period balances (billions)



Cash sweep product descriptions

Insured Cash Account (ICA)

- FDIC insured sweep deposits
- Available to brokerage, hybrid advisory, and corporate advisory taxable accounts
- Actively managed portfolio of ~30 bank contracts
- Yield indexed primarily to FFER but also 1ML and 3ML, with a small portion fixed

Deposit Cash Account (DCA)

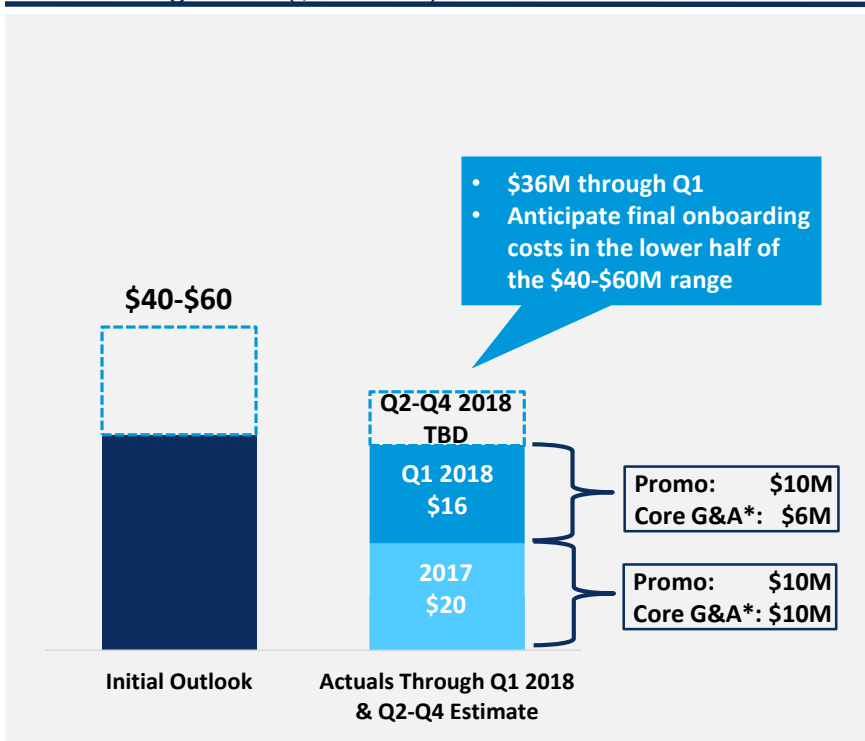
- Launched July 2016
- FDIC insured sweep deposits
- Available to certain advisory individual retirement accounts
- Actively managed portfolio of ~25 bank contracts
- Fee per account indexed to Fed Funds Target Range

Money Market (MMK)

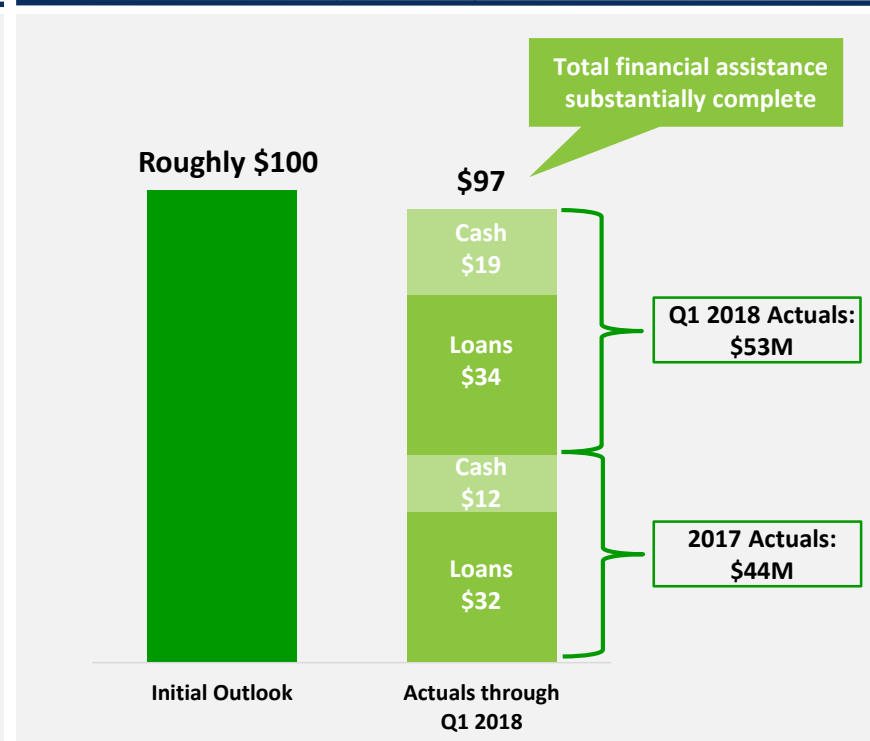
- Third party money market funds
- Most balances in government funds following money market reform
- Yield determined by product manufacturers

NPH onboarding costs and financial assistance through Q1 2018 were consistent with initial outlook

Onboarding Costs (\$ millions)



Financial Assistance (\$ millions)



Calculation of Gross Profit

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

Set forth below is a calculation of Gross Profit for the periods presented on page 4, 14 and 18.

\$ in millions	Q1 '18 LTM	2017	2016	2015	2014	2013
Total Net Revenue	\$4,488	\$4,281	\$4,049	\$4,275	\$4,374	\$4,141
Commission & Advisory Expense	2,787	2,670	2,601	2,865	2,999	2,848
Brokerage, Clearing and Exchange	58	57	55	53	49	45
Gross Profit	\$1,643	\$1,555	\$1,394	\$1,358	\$1,326	\$1,248
NPH Gross Profit	29	4				
Gross Profit Prior to NPH	\$1,614	\$1,551				

Reconciliation of Core G&A to Total Operating Expense

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

Below are reconciliations of Core G&A against the Company’s total operating expense for the periods presented on page 19, and of Core G&A, prior to the impact of the acquisition of NPH, against the Company’s total operating expense for the same periods:

\$ in millions	2017	2016	2015
Core G&A	\$727	\$700	\$695
Regulatory charges	21	17	34
Promotional	172	149	139
Employee share-based compensation	19	20	23
Other historical adjustments	-	-	13
Total G&A	938	886	904
Commissions and advisory	2,670	2,601	2,865
Depreciation & amortization	84	76	73
Amortization of intangible assets	38	38	38
Brokerage, clearing and exchange	57	55	53
Total operating expense	\$3,787	\$3,655	\$3,933

\$ in millions	2017
Core G&A	\$727
NPH related Core G&A	15
Total Core G&A prior to NPH	\$712

Reconciliation of Net Income to EBITDA

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

Below are reconciliations of the Company’s net income to EBITDA for the periods presented on page 4, and of the Company’s net income prior to the impact of the acquisition of NPH to EBITDA for 2017, as presented on page 4:

\$ in millions	Q1 '18 LTM	2017	2016	2015	2014	2013
NET INCOME	\$284	\$239	\$192	\$169	\$178	\$182
Non-operating interest expense	111	107	96	59	52	51
Provision for Income Taxes	125	126	106	114	117	109
Depreciation and amortization	84	84	76	73	58	44
Amortization of intangible assets	42	38	38	38	39	39
Loss on Extinguishment of debt	1	22	-	-	-	-
EBITDA	\$648	\$616	\$508	\$453	\$443	\$426
NPH related EBITDA expense	63	35				
EBITDA prior to NPH	\$711	\$651				

Reconciliation of Net Income to Credit Agreement EBITDA

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

Set forth below is a reconciliation from the Company’s net income to Credit Agreement EBITDA for the trailing twelve months ended March 31, 2018:

\$ in millions	Q1 2018
NET INCOME	\$284
Non-operating interest expense	111
Provision for Income Taxes	125
Depreciation and amortization	84
Amortization of intangible assets	42
Loss on Extinguishment of debt	1
EBITDA	\$648
Credit Agreement Adjustments	
Employee share-based compensation expense	20
Advisor share-based compensation expense	9
NPH run-rate EBITDA accretion(1)	90
Realized NPH EBITDA Offset(2)	(5)
NPH onboarding costs	68
Other(3)	21
Credit Agreement EBITDA TTM(4)	\$851

Credit Agreement Adjustments include:

- (1) Estimated potential future cost savings, operating expense reductions or other synergies included in Credit Agreement EBITDA in accordance with the Credit Agreement relating to the acquisition of NPH. Such amounts do not represent actual performance and there can be no assurance that any such cost savings, operating expense reductions or other synergies will be realized.
- (2) Represents portion of Credit Agreement EBITDA that management estimates to be attributable to the NPH Acquisition, which is added back to offset NPH run-rate EBITDA accretion, in accordance with the Credit Agreement.
- (3) Items that are adjustable in accordance with the Credit Agreement to calculate Credit Agreement EBITDA, including employee severance costs, employee signing costs, employee retention or completion bonuses, and other non-recurring costs.
- (4) Under the Credit Agreement, management calculates Credit Agreement EBITDA for a four-quarter period at the end of each fiscal quarter, and in so doing may make further adjustments to prior quarters.

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

EPS Prior to Amortization of Intangible Assets is a non-GAAP financial measure. Please see a description of EPS Prior to Amortization of Intangible Assets under “Non-GAAP Financial Measures” on page 3 of this presentation for additional information.

Below are the following reconciliations of EPS Prior to Amortization of Intangibles to GAAP EPS for the periods presented on pages 4 and 26 of this presentation.

	Q1 '18 LTM	2017	2016	2015	2014	2013
GAAP EPS	\$3.07	\$2.59	\$2.13	\$1.74	\$1.75	\$1.72
Amortization of Intangible Assets (\$ millions)	42	38	38	38	39	39
Tax Expense (\$ millions)	(14)	(15)	(15)	(15)	(15)	(15)
Amortization of Intangible Assets Net of Tax (\$ millions)	28	23	23	23	24	24
Diluted Share Count (millions)	92	92	90	97	102	106
EPS Impact	0.30	0.25	0.26	0.24	0.23	0.22
EPS Prior to Amortization of Intangible Assets	\$3.37	\$2.84	\$2.38	\$1.98	\$1.98	\$1.94
Net Income cost of NPH (\$ millions)	45	24				
Net Income impact of Tax Reform (\$ millions)	(9)	(9)				
Diluted Share Count (millions)	92	92				
EPS Impact	0.40	0.16				
EPS Prior to Amortization of Intangible Assets, NPH, and Tax Reform	\$3.77	\$3.00				

Endnotes

- (1) Based on total revenues, Financial Planning magazine June 1996-2017.
- (2) The Company calculates its Net Leverage Ratio in accordance with the terms of its credit agreement.
- (3) The Company's market share was calculated excluding the estimated ~\$135B of Retirement Plan assets that LPL advisors advise.
- (4) ~\$1 Tr does not include \$1 Tr of assets custodied with proprietary bank B/Ds (e.g. Wells Fargo, JP Morgan Chase, etc.)
- (5) Net New Advisory Assets consists of total client deposits into advisory accounts less total client withdrawals from advisory accounts. The Company considers conversions to and from advisory accounts as deposits and withdrawals respectively. Annualized growth is calculated as the current period Net New Advisory Assets divided by preceding period total Advisory Assets, multiplied by four.
- (6) Net New Brokerage Assets consists of total client deposits into brokerage accounts less total client withdrawals from brokerage accounts. The Company considers conversions to and from brokerage accounts as deposits and withdrawals respectively. Annualized growth is calculated as the current period Net New Brokerage Assets divided by preceding period total Brokerage Assets, multiplied by four.
- (7) Net Brokerage to Advisory Conversions consists of existing custodied assets that converted from brokerage to advisory, less existing custodied assets that converted from advisory to brokerage. This includes \$0.2 billion of assets and \$0.3 billion of assets from NPH in Q4 2017 and Q1 2018 respectively.
- (8) Consists of total advisory assets under custody at the Company's broker-dealer subsidiary LPL Financial LLC ("LPL Financial").
- (9) Consists of total client deposits into advisory accounts on LPL Financial's independent advisory platform less total client withdrawals from advisory accounts on its independent advisory platform.
- (10) Consists of total client deposits into advisory accounts on LPL Financial's corporate advisory platform less total client withdrawals from advisory accounts on its corporate advisory platform.
- (11) Centrally Managed Assets represents those Advisory Assets in LPL Financial's Model Wealth Portfolios, Optimum Market Portfolios, Personal Wealth Portfolios, and Guided Wealth Portfolios platforms.
- (12) Consists of total client deposits into Centrally Managed Assets (see FN11) accounts less total client withdrawals from Centrally Managed Assets accounts.
- (13) Represents annualized Gross Profit* for the period, divided by average month-end Total Brokerage and Advisory Assets for the period. Prior to Q4 2017 results, Management calculated Gross Profit ROA by dividing annualized Gross Profit* for the period by Total Brokerage and Advisory Assets at the end of the period.
- (14) Other asset-based revenues consist of revenues from the Company's sponsorship programs with financial product manufacturers and omnibus processing and networking services, but does not include fees from cash sweep programs. Other asset-based revenues are a component of asset-based revenues and are derived from the Company's Unaudited Condensed Consolidated Statements of Income.
- (15) These results include the Company's NPH acquisition of \$1.0 billion in cash sweep balances, including \$0.4 billion of ICA balances, \$0.4 billion of Money Market balances, and \$0.2 billion of DCA balances.
- (16) These results include the Company's NPH acquisition of \$2.0 billion in cash sweep balances, including \$0.9 billion of ICA balances, \$0.7 billion of Money Market balances, and \$0.4 billion of DCA balances.
- (17) Represents the average month-end Total Brokerage and Advisory Assets for the period.
- (18) Represents annualized Gross Profit* for the period, divided by average month-end Total Brokerage and Advisory Assets for the period (see FN17). Prior to Q4 2017 results, Management calculated Gross Profit ROA by dividing annualized Gross Profit for the period by Total Brokerage and Advisory Assets at the end of the period.
- (19) Represents annualized operating expenses for the period, excluding production-related expense (OPEX), divided by average month-end Total Brokerage and Advisory Assets for the period (see FN17). Production-related expense includes commissions and advisory expense and brokerage, clearing and exchange expense. For purposes of this metric, operating expenses includes Core G&A*, Regulatory, Promotional, Employee Share Based Compensation, Depreciation & Amortization, and Amortization of Intangible Assets. Prior to Q4 2017 results, Management calculated OPEX ROA by dividing annualized operating expenses for the period by Total Brokerage and Advisory Assets at the end of the period.
- (20) EBIT ROA is calculated as Gross Profit ROA less OPEX ROA.
- (21) The Company no longer has financial maintenance covenants on its Term Loan B as of March 10, 2017.
- (22) Initial \$500M of senior notes issued in March 2017 at 5.75%; Add-on \$400M senior notes issued in September 2017 above par with yield to worst of 5.115% and coupon rate at 5.75%.
- (23) Represents the Company's Q4 2017 net leverage ratio, plus estimated incremental EBITDA* that it forecasts to be provided by the acquisition of NPH, based on estimated EBITDA* transfer of ~\$85 million.
- (24) Additional leverage capacity is assumed to be generated by acquired EBITDA from an M&A opportunity at a 6-8x purchase multiple for which capital was deployed up to 3.5x net leverage.
- (25) Includes the estimated incremental EBITDA* of ~\$90 million that the Company forecasts to be provided by its acquisition of NPH based on a production transfer rate of approximately 70% with EBITDA equivalent to production transfer rate of approximately 80%.
- (26) Represents the portion of EBITDA that management estimates to be attributable to the NPH Acquisition.
- (27) 2017 Assets Prior to NPH excludes \$34B of NPH assets, and Q1 '18 LTM Assets Prior to NPH excludes \$69 of NPH assets.
- (28) 2017 EPS Prior to Intangible Assets excludes \$0.26 of NPH costs and \$0.10 of tax reform benefit. Q1 2018 LTM EPS Prior to Intangible Assets excludes \$0.29 of NPH costs. 2018 pro forma amounts were calculated using a 28% effective tax rate, which is the midpoint of the Company's expected effective tax rate between 27-29% for 2018. 2017 pro forma amounts were calculated using a 39.5% effective rate, which was the Company's prior expected effective tax rate.
- (29) Consists of brokerage assets serviced by advisors licensed with the Company's broker-dealer subsidiary LPL Financial LLC ("LPL Financial").
- (30) Consists of total assets on LPL Financial's independent advisory platform serviced by investment advisor representatives of separate investment advisor firms ("Hybrid RIAs"), rather than of LPL Financial.
- (31) Consists of total assets on LPL Financial's corporate advisory platform serviced by investment advisor representatives of LPL Financial.
- (32) Calculated by dividing cash sweep revenue for the period by the average client cash sweep balance during the period.