

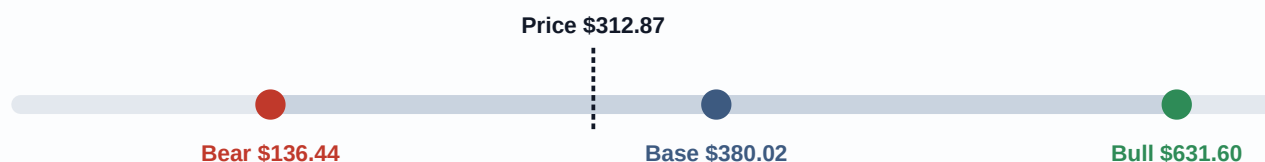
Initiated 2026-09-28 (re-initiation; prior report 2026-09-25 archived) · Price \$312.87 (as of 2026-09-28 12:06 ET, stockanalysis.com) · Mkt cap \$24.64bn · Financials / wealth management platforms · Model: verified

Rating: Buy — Conviction: Low

LPL keeps winning independent advisors (organic NNA 6.4% annualized in August) while absorbing Commonwealth. At 12.9x TTM EBITDA the base case sits about a fifth above the price, and the bull case is roughly twice as far above as the bear case is below. The worry that growth consumes all the cash has eased: H1 2026 operating cash flow was +\$692mm. The call is fragile: most of the upside comes from the exit-multiple method, and a 1pp higher discount rate turns it into a Hold.

Conviction tests (3a-v-c): T1 fail — Buy → Hold at +1pp (base +7.5%) · T2 fail — Gordon method alone +6%, reads Hold · T3 pass · T4 pass

MODEL VALUE RANGE VS PRICE



Business overview

LPL provides brokerage, custody, technology and compliance to independent advisors, RIAs and bank programmes, with \$2.60tn of client assets at August 2026 (60.8% advisory). Revenue was \$16.99bn in FY2025 and \$10.13bn in H1 2026 (+34.9%), reported gross: advisor payout took \$11.2bn of FY2025 revenue. EBITDA was \$2.18bn in FY2025. Three variables drive earnings:

- **Asset levels and flows.** Advisory, commission and asset-based fees move with client assets.
- **Client cash.** Sweep balances earn a spread (ICA net yield 336bp in Q2) that is nearly pure margin. Balances were \$59.1bn at Q1, \$56.9bn at Q2 and \$54.4bn at August.
- **The cost of winning advisors.** Advisor loans rose from \$1.12bn (FY2022) to \$3.68bn (FY2025) and \$3.89bn (Q2 2026).

Competition

LPL competes for advisors against Raymond James, the wirehouses, Osaic and the RIA custodians (Schwab, Fidelity). Pressure shows up first in transition-assistance packages, not client pricing, so the advisor-loan line is the thing to watch.

- **Organic growth vs the closest peer.** Raymond James's domestic private client group took \$21.7bn of net new assets in its June quarter (5.5% annualized). LPL took \$23.1bn in Q2 (4%), recovering to 6.4% in August. LPL is holding pace rather than clearly taking share.
- **Retention.** LPL's asset retention is 97.4% annualized. The Commonwealth conversion in Q4 2026 is expected to keep ~90% of assets.

- **Valuation.** On forward P/E (stockanalysis, 2026-09-28), Raymond James trades at 11.6x, Ameriprise at 10.1x and Schwab at 13.7x, against LPL's 13.8x.

Bull case

1. **Flows compound.** Recruited assets were \$24.9bn in Q2 and organic NNA reached 6.4% annualized in August. Plays out if the move to independence continues and markets hold. *Model: rev_growth*
2. **Commonwealth synergies land.** The run-rate EBITDA estimate is \$435mm and the 2026 core G&A outlook is \$2,140–2,165mm. H1 2026 EBITDA margin was 15.4%, against 12.8% for FY2025. Plays out if the Q4 conversion keeps ~90% of assets. *Model: ebitda_margin*
3. **Cash conversion turns.** H1 2026 operating cash flow was +\$692mm (FY2025: –\$411mm); advisor-loan outlays of \$503mm were close to H1 2025's \$450mm while revenue grew 35%. Plays out if loans grow slower than revenue after Commonwealth retention packages. *Model: nwc_pct_rev*
4. **The multiple holds.** At 12.9x TTM EBITDA, a stable multiple on growing EBITDA is enough. Plays out if the market stops pricing LPL only on rate cuts. *Model: exit_ev_ebitda*

Bear case

1. **Cuts hit the sweep.** 100bp lower yields on ~\$52bn of sweep balances would cost roughly \$0.5bn of near-pure-margin revenue (est.), and \$4.7bn of cash has left since Q1. Plays out if the Fed cuts and cash keeps sorting out. *Model: ebitda_margin*
2. **Market beta.** Most revenue is asset-based, so a bear market cuts fees within a quarter or two. Plays out in a 20%+ equity drawdown. *Model: rev_growth*
3. **Growth eats the cash.** Advisor loans rose from 13.4% to 21.8% of revenue from FY2022 to FY2025, and FY2025 free cash flow was –\$982mm. Plays out if recruiting competition keeps transition packages rich. *Model: nwc_pct_rev*
4. **Leverage and a trough multiple.** Debt is \$7.5bn (3.24x FY2025 EBITDA, model basis). If bear drivers 1 and 2 coincide, LPL could trade at trough-broker multiples. *Model: exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
Forward P/E (consensus adjusted EPS)	13.8x	n/a (unverified)	Raymond James 11.6x · Ameriprise 10.1x · Schwab 13.7x	stockanalysis.com, 2026-09-28
EV/EBITDA, model basis (EV \$32.11bn: market cap on diluted shares – corporate cash + debt; no leases)	14.7x FY2025 · 12.9x TTM	EBITDA margin FY2021–FY2025 12.1–19.8%	n/a (peers show no EBITDA on this source)	model-inputs.json ; 10-K, Q2 release
FCF yield (operating cash flow – capex, over market cap)	–3.7% TTM (–\$931mm); H1 2026 +\$327mm	FY2023 +\$109mm · FY2024 –\$285mm · FY2025 –\$982mm	n/a (unverified)	FY2025 10-K, Q2 2026 10-Q

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$136.44 · Base \$380.02 · Bull \$631.60 per share, i.e. implied returns of –56.4% / +21.5% / +101.9% vs \$312.87. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits about 72% of the way from the bear case to the base case, so the market is pricing some chance that rate cuts and cash sorting cap earnings.

Re-rating. The base exit multiple of 12.0x is a de-rating: 18% below 14.7x FY2025 and 7% below 12.9x TTM on the same basis. The methods disagree by 30% (exit \$429.31, Gordon \$330.73). Gordon's terminal value is roughly 8x year-5 EBITDA (est.), so the exit method embeds a multiple ~4 turns higher and carries most of the base upside.

Tail, quantified (outside the committed model): revenue +15%, -8%, -2%, +3%, +4%; margin 14% falling to 11%; NWC 24% of revenue; 8x exit; 10% WACC; 2% terminal growth. It gives **\$59.27 (-81%)**.

Balance sheet:

- **Leverage:** net leverage 3.24x FY2025 EBITDA on the model basis (1.91x on the credit-agreement definition, which uses run-rate EBITDA). The base path falls to 2.20x in Year 1.
- **Coverage:** EBITDA covers interest 5.4x.
- **Liquidity:** \$430mm corporate cash; \$276mm drawn on the revolver (capacity n/a, unverified).
- **Maturities:** \$6.2bn of senior notes (4.000–6.750%) due 2027–2035, plus a \$1.02bn term loan A. The 2027 amount is n/a (unverified).
- **Ratings:** n/a (unverified).

Model note: tier `full` , status `built` , verification `verified` (3,207 formula cells matched in LibreOffice). Unverified inputs: none. Assumptions without basis: none. Scenario consistency is `OK` on all 14 rows. Other notes:

- Debt maturities and the senior-note coupon are placeholders in `credit.debt` .
- WACC uses the peer-average beta (0.93), not LPL's own 0.48.
- Base Y1 EPS of \$18.68 is GAAP, in line with H1 2026's \$9.17. There is no EPS guidance; adjusted EPS runs ~23% above GAAP, so consensus is not comparable.
- **Changes from the 2026-09-25 model:** filed revenue (\$16.99bn, not the aggregator's \$16.59bn); TTM EBITDA \$2,482.7mm, not \$2,586.8mm; NWC defined around advisor loans; WACC 8.5% (10Y 5.17%, not 4.75%); terminal growth 3.0%, not 3.5%.

RELATIVE VALUE VS PEERS

Metric	LPLA	RJF	AMP	SCHW	Peer median	vs median
P/E (TTM)	26.1x	13.8x	12.1x	17.6x	13.8x	+89%
P/E (forward)	14.5x	11.5x	10.2x	13.4x	11.5x	+26%
PEG	0.6x	0.6x	0.8x	0.6x	0.6x	-5%
P/B	4.5x	2.4x	6.9x	3.8x	3.8x	+18%
Dividend yield	0.4%	1.4%	1.4%	1.3%	1.4%	-1.0pp
FCF yield	-3.6%	4.7%	18.3%	6.4%	6.4%	-10.1pp

P/E (TTM)

Company	P/E (TTM)
LPLA	26.1x
SCHW	17.6x
RJF	13.8x
AMP	12.1x

P/E (forward)

Company	P/E (forward)
LPLA	14.5x
SCHW	13.4x
RJF	11.5x
AMP	10.2x

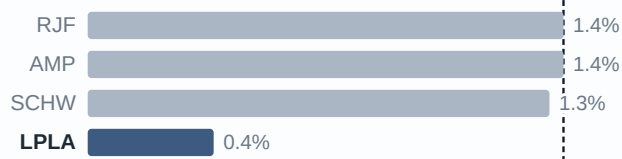
PEG

Company	PEG
AMP	0.8x
SCHW	0.6x
RJF	0.6x
LPLA	0.6x

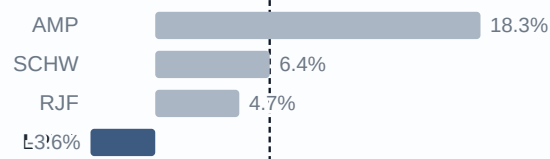
P/B

Company	P/B
AMP	6.9x
LPLA	4.5x
SCHW	3.8x
RJF	2.4x

Dividend yield



FCF yield



As of 2026-10-09. One source and one definition for every company: aggregator TTM and consensus-forward multiples, lease-inclusive EV. Not the model's own EV basis (see the report's valuation table). Quotes taken 11:40-11:58 ET on 2026-10-09 with the market open, so multiples reflect intraday prices. Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-09.

Notes. EV/EBITDA is not available on the source for LPL or any of its peers, so it is omitted. FCF yield for brokers and wealth platforms is distorted by client-cash and sweep-balance flows; compare it with care.

Scenario stress test

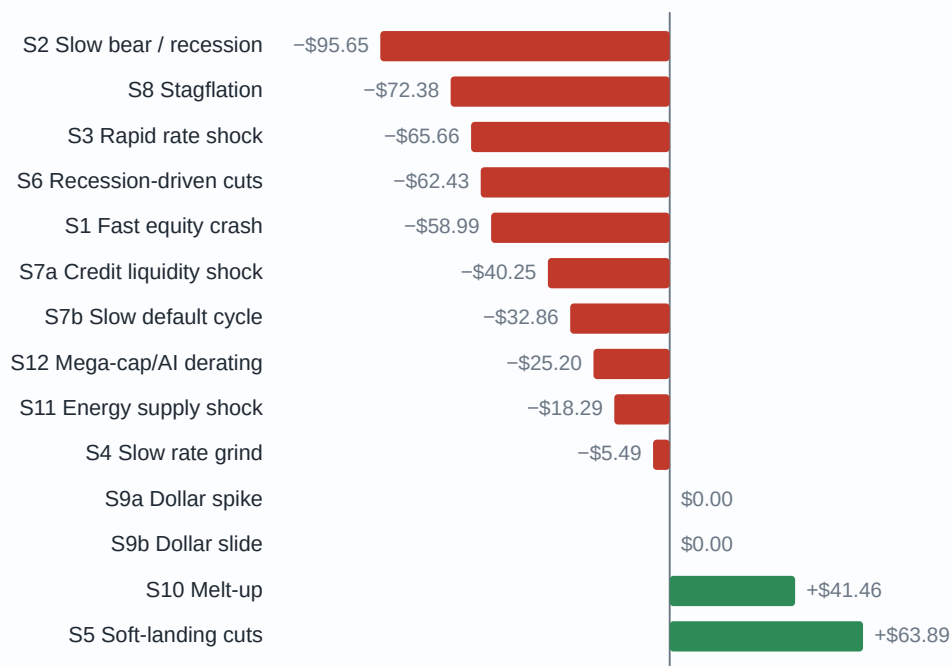
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Asset-based fees reset lower with client assets; de-rating	Med	–\$58.99
S2 Slow bear / recession	–	Lower asset values plus Fed cuts on sweep yields. Well under Base – Bear on purpose: transitory, whereas the bear case is multi-year rate and fee compression	High	–\$95.65
S3 Rapid rate shock	–	Higher sweep yields help margin, but asset values fall and the discount rate rises; net negative	High	–\$65.66
S4 Slow rate grind	±	Sweep-yield gain roughly offsets a higher discount rate	Low	–\$5.49
S5 Soft-landing cuts	±	Cuts take sweep margin, but asset values rise and the discount rate falls; the model nets positive	High	+\$63.89
S6 Recession-driven cuts	–	Worst mix: falling asset values and falling sweep yields together	High	–\$62.43
S7a Credit liquidity shock	–	Asset marks fall and financials de-rate; no near-term funding need	Med	–\$40.25
S7b Slow default cycle	–	Credit-heavy client portfolios mark down; mild de-rating	Med	–\$32.86
S8 Stagflation	–	Real asset values fall over three years and the discount rate rises; high sweep yields cushion margin	High	–\$72.38
S9a Dollar spike	0	No material effect, not modeled — domestic business	—	\$0.00
S9b Dollar slide	0	No material effect, not modeled — as S9a	—	\$0.00
S10 Melt-up	+	Client assets and advisory fees rise with markets	Med	+\$41.46
S11 Energy supply shock	–	Equity drawdown lowers the fee base	Low	–\$18.29
S12 Mega-cap/AI derating	–	Advisory accounts are heavy in mega-cap equities; a leadership unwind lowers the fee base	Low	–\$25.20

Currently active/on watch per the playbook:

- `state.md` lists S3 as partially active and S8, S10 and S11 as on watch.
- The macro log shows S3 fully crossed since 2026-09-24, with ~70% October-hike odds; a hike supports LPL's sweep yields.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- Operating cash flow stays positive through FY2026, with advisor loans growing slower than revenue; or
- Client cash holds $\geq$ \$54bn with the ICA yield $\geq$ 320bp; or
- Organic NNA holds $\geq$ 6% annualized for two quarters.

Downgrades if:

- The ICA yield falls below $\sim$ 280bp with balances still shrinking; or
- Commonwealth retention comes in well below 90%; or
- Advisor loans climb back above $\sim$ 22% of revenue.

Watch items

- **W1:** Commonwealth conversion asset retention, against $\sim$ 90% expected. Source: Q4 2026 release (late January 2027). *Model:* `ebitda_margin`
- **W2:** Client cash and ICA net yield, against \$54.4bn (August) and 336bp (Q2). Source: monthly metrics and the Q3 2026 release (late October 2026). *Model:* `ebitda_margin`
- **W3:** Nine-month operating cash flow positive and advisor loans $\leq$ 19% of TTM revenue, against +\$692mm (H1) and \$3.89bn. Source: Q3 2026 10-Q. *Model:* `nwc_pct_rev`
- **W4:** Organic NNA $\geq$ 4% annualized, against 4% (Q2) and 6.4% (August). Source: Q3 2026 release. *Model:* `rev_growth`

Sources

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- Statistics: LPLA <https://stockanalysis.com/stocks/lpla/statistics/> · RJF <https://stockanalysis.com/stocks/rjf/statistics/> · AMP <https://stockanalysis.com/stocks/amp/statistics/> · SCHW <https://stockanalysis.com/stocks/schw/statistics/> — accessed 2026-09-28
- Repository macro log `logs/macro-2026-09.md` (10Y 5.17%, S3 legs) — read 2026-09-28

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.