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Investment Thesis

- Investing Platform & Tools
- Significant Market Share
- Cost Synergies from AMTD Acquisition
- Growth in RIAs
**Company Overview**

<table>
<thead>
<tr>
<th>What does Charles Schwab do?</th>
<th>How does Charles Schwab generate revenue?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Platform offering discount investment securities</td>
<td>• Net Interest Revenue</td>
</tr>
<tr>
<td>• Wide range of ETFs / mutual funds</td>
<td>• Revenue generated from investing customers’ cash balances in short term securities</td>
</tr>
<tr>
<td>• Subscription based automated investing solution</td>
<td>• Asset Management and Administration Fees</td>
</tr>
<tr>
<td>• Advice, research, retirement plans</td>
<td>• Earned from money market mutual funds, ETFs, and fee-based advisory solutions</td>
</tr>
<tr>
<td>• Service for RIAs to host money management systems for clients and execute trades</td>
<td>• Trading Revenue</td>
</tr>
<tr>
<td></td>
<td>• Commissions made from executing trades for clients</td>
</tr>
</tbody>
</table>
Industry Outlook

Regulation
- Face stiff regulations that most financial institutions are subjected to
- Work under “Best Interest” laws that are somewhat muddled

Interest Rates
- Majority of revenue comes from idle cash invested in short term securities
- Interest rates are likely to remain low as economic indicators look weak

3 Month Treasury

<table>
<thead>
<tr>
<th>Date</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/12/2019</td>
<td>1.58</td>
</tr>
<tr>
<td>11/15/2019</td>
<td>1.56</td>
</tr>
<tr>
<td>11/17/2019</td>
<td>1.54</td>
</tr>
<tr>
<td>11/20/2019</td>
<td>1.52</td>
</tr>
<tr>
<td>11/23/2019</td>
<td>1.50</td>
</tr>
<tr>
<td>11/24/2019</td>
<td>1.49</td>
</tr>
<tr>
<td>11/27/2019</td>
<td>1.48</td>
</tr>
<tr>
<td>11/30/2019</td>
<td>1.44</td>
</tr>
<tr>
<td>12/1/2019</td>
<td>1.44</td>
</tr>
<tr>
<td>12/3/2019</td>
<td>1.44</td>
</tr>
<tr>
<td>12/4/2019</td>
<td>1.44</td>
</tr>
<tr>
<td>12/7/2019</td>
<td>1.44</td>
</tr>
<tr>
<td>12/10/2019</td>
<td>1.44</td>
</tr>
</tbody>
</table>
Industry Outlook

Growth in RIAs

- The number of RIAs set a record high of 12,993
- Since 2001, total industry assets have grown at a CAGR of 8.2%
- RIAs look to steal market share from institutional wealth managers

Rise in Passive Investing

- Many investors are now turning to passive investments such as ETFs and robo advising
- Discount brokers offer investment opportunities at a lower cost than active wealth managers
Company History

1975
Chuck Schwab Creates a Discount Brokerage

1982
24/7 Service

1987
Financial Advisor Service Launches

1996
Low-Cost Online Trading

1997
Schwab is Added to the S&P 500 Index

1998
Charles Schwab Canada Created

2000
Schwab and US Trust Merge

2003
Charles Schwab Bank launches

2005
Checking Meets Investing

2013
Schwab ETF OneSource Launches

2015
Automated and Simple Investing

2019
Schwab acquires assets from USAA

2020
Schwab and TD Ameritrade
Leadership

Walter Bettinger II
President and CEO
President since 2007
CEO since 2008

Peter Crawford
Chief Financial Officer
Joined in 2001 and was appointed his position in 2017

Joseph Martinetto
Chief Operating Officer
Joined in 1997 and was the CFO from 2007 to 2017

Tim Heier
Chief Technology Officer
Joined in 1999, previously VP of Advisor Services

Neesha Hathi
Chief Digital Officer
Joined in 2004, served as the chief operating officer of Schwab Performance Technologies
Company Segments

Investor Services

Advisor Services
Investor Services

Opportunity and Strong Positioning

- Total U.S. Retail Assets: $45+ trillion
- Schwab Client Assets: $4.0T

Low Cost
- $0 commissions, low cost / no-fee advisory offers

Transparency
- Industry’s only Satisfaction Guarantee

Omni-channel
- Serving clients in their channel of choice across physical and digital

Scale
- Operating with highly efficient cost structure, continuing Virtuous Cycle
Advisor Services

Advisor Services Net New Assets ($B)

- 2014: New RIAs, Existing RIAs
- 2015: New RIAs, Existing RIAs
- 2016: New RIAs, Existing RIAs
- 2017: New RIAs, Existing RIAs
- 2018: New RIAs, Existing RIAs
- 2019: New RIAs, Existing RIAs

10.6% CAGR

# of AIT Teams and Average AIT Size ($M)

- 2014: Avg. Team Size ($M), # of Teams
  - Avg. Team Size: $100
  - # of Teams: 136
- 2015: Avg. Team Size ($M), # of Teams
  - Avg. Team Size: $100
  - # of Teams: 170
- 2016: Avg. Team Size ($M), # of Teams
  - Avg. Team Size: $96
  - # of Teams: 166
- 2017: Avg. Team Size ($M), # of Teams
  - Avg. Team Size: $154
  - # of Teams: 227
- 2018: Avg. Team Size ($M), # of Teams
  - Avg. Team Size: $127
  - # of Teams: 231
- 2019: Avg. Team Size ($M), # of Teams
  - Avg. Team Size: $129
  - # of Teams: 235
Competitors

**Company Breakdown**
- Provides online brokerage services tailored to meet various investing and trading needs
- Platform used by self-directed individual investors, financial institutions and corporations

**Statistics**
- Mkt Cap: 26.40B
- P/E: 13.93
- ROE: 23.20%
- Dividend: 2.5%
- Debt/Equity: 79.3%

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**Company Breakdown**
- Specializes in online brokerage and financial services
- Provides products, tools and advice to individual investors who choose to manage their own investments
- Serves customers only in the US

**Statistics**
- Mkt Cap: 9.62B
- P/E: 10.86
- ROE: 15.63%
- Dividend: 1.3%
- Debt/Equity: 39.4%

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**Company Breakdown**
- Privately owned
- Offers leading online brokerage platform, broker/dealer clearing and execution products
- Expanding commission-free lineup to compete with Charles Schwab

**Statistics**
- Mutual Funds AUM: 2086.9B
- Total AUM: 6,854.4B
- Total Number of Mutual Funds: 504
- Total Customer Accounts: 69.2M
Acquisitions

Charles Schwab Acquires TD Ameritrade

- $26 billion acquisition in November 2019, deal will close in the second half of 2020
- Combined firm would hold over $5 trillion in total client assets, making it the second largest firm by self-directed assets behind Fidelity

Charles Schwab Acquires USAA

- $1.8 billion acquisition in July 2019, deal will close mid 2020
Republican sweep is good news for financials

Many financials gain on tax optimism

Beat EPS Quarterly Estimates

Fidelity statement about directing investors’ cash to higher yielding options

Schwab to end online stock, ETF, options commissions

Schwab to acquire TD Ameritrade
Financial Highlights

Organic Asset Growth

+68% Revenue Growth Since 2015

Meaningful Capital Returns
Financial Highlights

Net Interest Margin

Return on Assets

Return on Equity
SWOT Analysis

**Strengths**
- Market share leader
- Advanced research and tools
- Economies of scale
- High quality platform

**Weaknesses**
- Low interest rate environment
- Ultra competitive market
- Domestically focused

**Opportunities**
- Rise in passive investing
- Growth in RIAs
- Upside potential from AMTD acquisition
- Increasing profit margins and cost synergies

**Threats**
- Department of Justice regulations and legal proceedings surrounding AMTD acquisition
- Movement in client assets due to system changes post acquisition
# DCF Model

<table>
<thead>
<tr>
<th></th>
<th>Historical Period</th>
<th>Projection Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Client Assets</td>
<td>$2,284,400.00</td>
<td>$2,505,000.00</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>$1,980.00</td>
<td>$2,272.00</td>
</tr>
<tr>
<td>% of Assets</td>
<td>0.08%</td>
<td>0.06%</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>$105.00</td>
<td>$102.00</td>
</tr>
<tr>
<td>% of Assets</td>
<td>0.02%</td>
<td>0.02%</td>
</tr>
<tr>
<td>Non-Interest Income</td>
<td>$3,457.00</td>
<td>$3,782.00</td>
</tr>
<tr>
<td>% of Assets</td>
<td>0.15%</td>
<td>0.18%</td>
</tr>
<tr>
<td>Non-Interest Expenses</td>
<td>$3,047.00</td>
<td>$3,071.00</td>
</tr>
<tr>
<td>% of Assets</td>
<td>0.17%</td>
<td>0.16%</td>
</tr>
<tr>
<td>Income Before Taxes</td>
<td>$1,599.00</td>
<td>$1,981.00</td>
</tr>
<tr>
<td>% of Assets</td>
<td>0.07%</td>
<td>0.08%</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>23.00%</td>
<td>23.00%</td>
</tr>
<tr>
<td>Less: Income Taxes</td>
<td>$(51,097.4)</td>
<td>$(5981.8)</td>
</tr>
<tr>
<td>Net Income</td>
<td>$3,640.0</td>
<td>$3,786.8</td>
</tr>
<tr>
<td>Discounted Income</td>
<td>$3,397.1</td>
<td>$2,809.9</td>
</tr>
</tbody>
</table>

| Sum of PV Net Cash Flows | $19,300          | $93,827          |
| Terminal Value          | $93,826.7        |
Analyst Recommendations

[Diagram showing consensus rating, 12M Tgt Price, Last Price, Pricing Currency, Return Potential, LTM Return, and 6M, 1Y, 2Y, 5Y, Max ratings with target prices and price spread.]
Recommendation

Buy ___ Shares at $_____ For ____% of Portfolio
Appendix

Challenge the Status Quo to Benefit Investors:

Eliminating Trading Commission for Clients*

Greater Investments, Which Fund Actions to...

Investors Reward Us With More of Their Assets

19% ROE
9% EPS Growth

Outstanding Stockholder Value, and...

Leading to Consistent Financial Results, ...

$211.7B Core NNA
$4.0T Client Assets

$10.7B Revenue, 6% Growth
45.2% Pre-tax Profit Margin