

Piper Jaffray Companies Reports Third Quarter 2019 Results

MINNEAPOLIS—October 30, 2019—Piper Jaffray Companies (NYSE: PJC) today announced its results for the third quarter ended September 30, 2019.

"Strong performance in advisory services and fixed income brokerage drove our best quarterly results of the year thus far, and we are well positioned to finish the year strong," said Chad R. Abraham, chief executive officer. "We also took important steps in the transformation of our business as we announced the acquisition of Sandler O'Neill in July, completed the acquisition of Weeden & Co. in August, and closed on the sale of our traditional asset management business in September."

Third Quarter 2019 Results

| | U.S. GAAP | | | Adjusted (1) | | |
|--|------------|--------------|--------------|--------------|--------------|--------------|
| | Q3 2019 | vs. Q2-19 | vs. Q3-18 | Q3 2019 | vs. Q2-19 | vs. Q3-18 |
| Net revenues | \$ 200.7 | 16% | -3% | \$ 202.5 | 24% | -1% |
| Net income applicable to Piper Jaffray Companies | \$ 43.2 | 316% | 96% | \$ 23.5 | 24% | -10% |
| Earnings per diluted common share | \$ 3.01 | 318% | 110% | \$ 1.64 | 24% | -4% |

(Dollars in millions, except per share data)

(1) A non-U.S. GAAP ("non-GAAP") measure. For a detailed explanation of the adjustments made to the corresponding U.S. GAAP measures, see "Reconciliation of U.S. GAAP to Selected Summary Financial Information." We believe that presenting our results and measures on an adjusted basis in conjunction with U.S. GAAP measures provides the most meaningful basis for comparison of our operating results across periods.

FINANCIAL & BUSINESS HIGHLIGHTS

- U.S. GAAP net revenues of \$200.7 million in the quarter were driven by strong performance across several of our businesses.
- On a U.S. GAAP basis, our current quarter net income of \$43.2 million and earnings per diluted share of \$3.01 includes the results from our discontinued operations of Advisory Research, Inc. ("ARI"), which generated net income of \$26.1 million and earnings per diluted share of \$1.82 driven by a gain recognized on the sale of this business.
- Our U.S. GAAP net revenues for the year-to-date period increased 6% and pre-tax operating income increased 60%.
- Adjusted net revenues increased 5% on a year-to-date basis and adjusted pre-tax operating income increased 15% compared to the prior year period, reflecting meaningful operating leverage in the business and strong relative performance in advisory services, debt financing and fixed income brokerage.
 - Advisory services revenues are up 12% over the prior year, in a market where the volume and number of global deals were down.
 - Debt financing revenues increased 19% on a year-to-date basis.
 - Fixed income brokerage revenues increased 31% compared to the prior year, driven by strong client demand.

STRATEGIC UPDATES

- On July 9, 2019, we announced the signing of a definitive merger agreement with Sandler O'Neill + Partners, L.P. ("Sandler O'Neill").
 - Adds the leading financial services investment bank with approximately \$300 million of annual revenues to our platform.
 - Integration is in process and we expect to close in January 2020.
- On August 2, 2019, we completed the acquisition of Weeden & Co., L.P. ("Weeden & Co."), an equity execution broker-dealer.
 - Significantly expands account coverage and trading product offerings, building a market-leading equities business.
- We completed the sale of ARI in late-September, which generates net cash proceeds of approximately \$55 million.

TALENT

- Expanded our state and local government practice with the hiring of four senior public finance bankers in Nebraska, meaningfully strengthening our position in this market.
- Strengthened our technology research platform with the hiring of two senior research analysts covering the software sector.

CAPITAL

- Returned \$80.7 million to shareholders on a year-to-date basis through dividends and share repurchases.
 - Paid an aggregate of \$30.4 million, or \$2.14 per share, through quarterly dividends and the annual special dividend.
 - Repurchased approximately 699,000 shares of common stock, or \$50.3 million, at an average price of \$72.07 per share.
- Declared a quarterly cash dividend of \$0.375 per share to be paid to shareholders of record as of November 22, 2019.
- On October 15, 2019, we raised \$175 million of cash in a debt private placement with PIMCO.

U.S. GAAP SELECTED FINANCIAL DATA

The following summarizes our results on a U.S. GAAP basis:

| <i>(Dollars in thousands, except earnings per share)</i> | Three Months Ended | | | % Change vs. | | Nine Months Ended | | % Change |
|--|--------------------|------------------|------------------|--------------|-------------|-------------------|------------------|------------|
| | Sept. 30, 2019 | June 30, 2019 | Sept. 30, 2018 | Q2-19 | Q3-18 | Sept. 30, 2019 | Sept. 30, 2018 | |
| Net revenues | | | | | | | | |
| Advisory services | \$ 106,769 | \$ 75,238 | \$ 113,540 | 42% | -6% | \$ 296,886 | \$ 266,083 | 12% |
| Equity financing | 21,837 | 25,784 | 32,188 | -15% | -32% | 61,148 | 99,868 | -39% |
| Debt financing | 22,963 | 18,204 | 20,936 | 26% | 10% | 54,249 | 45,473 | 19% |
| Investment banking | 151,569 | 119,226 | 166,664 | 27% | -9% | 412,283 | 411,424 | 0% |
| Equity brokerage | 25,120 | 15,775 | 17,804 | 59% | 41% | 56,609 | 54,951 | 3% |
| Fixed income brokerage | 25,769 | 20,083 | 18,170 | 28% | 42% | 69,531 | 53,093 | 31% |
| Institutional brokerage | 50,889 | 35,858 | 35,974 | 42% | 41% | 126,140 | 108,044 | 17% |
| Investment income/(loss) | (1,375) | 17,801 | 5,045 | N/M | N/M | 18,325 | 12,057 | 52% |
| Other financing expenses | (348) | (467) | (1,732) | -25% | -80% | (1,053) | (5,351) | -80% |
| Net revenues | \$ 200,735 | \$ 172,418 | \$ 205,951 | 16% | -3% | \$ 555,695 | \$ 526,174 | 6% |
| Operating expenses | | | | | | | | |
| Compensation and benefits | \$ 126,868 | \$ 102,476 | \$ 133,337 | 24% | -5% | \$ 346,471 | \$ 350,960 | -1% |
| Non-compensation expenses | 52,832 | 49,017 | 44,828 | 8% | 18% | 144,127 | 134,419 | 7% |
| Operating expenses | \$ 179,700 | \$ 151,493 | \$ 178,165 | 19% | 1% | \$ 490,598 | \$ 485,379 | 1% |
| Pre-tax operating income from continuing operations | \$ 21,035 | \$ 20,925 | \$ 27,786 | 1% | -24% | \$ 65,097 | \$ 40,795 | 60% |
| Ratios and margin | | | | | | | | |
| Compensation ratio | 63.2% | 59.4% | 64.7% | | | 62.3% | 66.7% | |
| Non-compensation ratio | 26.3% | 28.4% | 21.8% | | | 25.9% | 25.5% | |
| Pre-tax operating margin | 10.5% | 12.1% | 13.5% | | | 11.7% | 7.8% | |
| Amounts applicable to Piper Jaffray Companies | | | | | | | | |
| Net income from continuing operations | \$ 17,165 | \$ 12,555 | \$ 20,637 | 37% | -17% | \$ 49,281 | \$ 37,117 | 33% |
| Net income/(loss) from discontinued operations | 26,077 | (2,166) | 1,386 | N/M | N/M | 23,772 | 1,735 | N/M |
| Net income | \$ 43,242 | \$ 10,389 | \$ 22,023 | 316% | 96% | \$ 73,053 | \$ 38,852 | 88% |
| Earnings per diluted common share | | | | | | | | |
| Income from continuing operations | \$ 1.20 | \$ 0.87 | \$ 1.34 | 38% | -10% | \$ 3.37 | \$ 2.37 | 42% |
| Income/(loss) from discontinued operations | \$ 1.82 | \$ (0.15) | \$ 0.09 | N/M | N/M | \$ 1.64 | \$ 0.13 | N/M |
| Earnings per diluted common share | \$ 3.01 | \$ 0.72 | \$ 1.43 | 318% | 110% | \$ 5.01 | \$ 2.50 | 100% |

N/M – Not meaningful

Net revenues of \$200.7 million in the third quarter of 2019 increased 16% sequentially and decreased 3% compared to the year-ago quarter.

- **Advisory services** revenues of \$106.8 million in the current quarter reflect strong performance with broad-based contributions from our industry groups. Revenues increased 42% compared to the second quarter of 2019 driven by higher revenue per deal. Compared to the third quarter of 2018, revenues decreased 6% due to fewer completed transactions. We expect to finish the year strong as we execute on our pipeline.
- **Equity financing** revenues of \$21.8 million decreased 15%, during which the overall market fee pool was down approximately 20% compared to the sequential quarter. Equity financing revenues declined 32% compared to the third quarter of 2018 driven by fewer completed transactions.
- **Debt financing** revenues of \$23.0 million increased 26% compared to the sequential quarter and 10% compared to the year-ago period. In the quarter, municipal market issuance volumes increased driven by more refundings resulting from lower interest rates. We expect our momentum to continue into the fourth quarter on the strength of our pipeline.
- **Equity institutional brokerage** revenues of \$25.1 million increased 59% compared to the the second quarter of 2019 and 41% compared to the year-ago quarter. The increase compared to both periods resulted from the addition of Weeden & Co. to our platform.
- **Fixed income institutional brokerage** revenues of \$25.8 million increased 28% compared to the sequential quarter and 42% compared to the year-ago period. Revenues in the quarter reflect strong performance, despite interest rate volatility, driven by robust client activity within our taxable products.
- **Investment loss** of \$1.4 million in the quarter includes amounts attributable to noncontrolling interests. The investment loss primarily relates to our merchant banking portfolio.

Compensation ratio of 63.2% in the third quarter of 2019 increased compared to the sequential quarter which was favorably impacted by higher revenue related to noncontrolling interests in our merchant banking portfolio. The compensation ratio decreased compared to the prior year period due primarily to lower acquisition-related compensation.

Non-compensation expenses of \$52.8 million in the current quarter increased compared to the sequential quarter and third quarter of 2018 resulting from the addition of Weeden & Co., which closed on August 2. Non-compensation expenses in the current quarter also increased compared to the prior-year period due to \$6.1 million of acquisition-related restructuring and integration costs associated with the acquisition of Weeden & Co. and the pending Sandler O'Neill transaction.

Pre-tax operating margin of 10.5% in the current quarter declined from 12.1% in the second quarter of 2019, which was favorably impacted by higher revenues related to noncontrolling interests in our merchant banking portfolio. Pre-tax operating margin in the current quarter declined from 13.5% in the year-ago period due to lower revenues.

Net income and earnings per diluted share of \$43.2 million and \$3.01, respectively, in the third quarter of 2019 increased compared to the sequential quarter and year-ago period. Results in the quarter include net income from discontinued operations of \$26.1 million, or \$1.82 per diluted share, related to our asset management business as we recorded a gain on the sale of ARI in late-September.

NON-GAAP SELECTED FINANCIAL DATA

The following summarizes our results on an adjusted, non-GAAP basis:

| | Three Months Ended | | | % Change vs. | | Nine Months Ended | | % Change |
|---|--------------------|---------------|----------------|--------------|-------|-------------------|----------------|----------|
| | Sept. 30, 2019 | June 30, 2019 | Sept. 30, 2018 | Q2-19 | Q3-18 | Sept. 30, 2019 | Sept. 30, 2018 | |
| <i>(Dollars in thousands, except per share data)</i> | | | | | | | | |
| Adjusted net revenues | | | | | | | | |
| Advisory services | \$ 106,769 | \$ 75,238 | \$ 113,540 | 42% | -6% | \$ 296,886 | \$ 266,083 | 12% |
| Equity financing | 21,837 | 25,784 | 32,188 | -15% | -32% | 61,148 | 99,868 | -39% |
| Debt financing | 22,963 | 18,204 | 20,936 | 26% | 10% | 54,249 | 45,473 | 19% |
| Investment banking | 151,569 | 119,226 | 166,664 | 27% | -9% | 412,283 | 411,424 | 0% |
| Equity brokerage | 25,120 | 15,775 | 17,804 | 59% | 41% | 56,609 | 54,951 | 3% |
| Fixed income brokerage | 25,769 | 20,083 | 18,170 | 28% | 42% | 69,531 | 53,093 | 31% |
| Institutional brokerage | 50,889 | 35,858 | 35,974 | 42% | 41% | 126,140 | 108,044 | 17% |
| Investment income | 403 | 8,162 | 3,169 | -95% | -87% | 10,051 | 9,700 | 4% |
| Other financing expenses | (348) | (467) | (1,732) | -25% | -80% | (1,053) | (5,351) | -80% |
| Adjusted net revenues | \$ 202,513 | \$ 162,779 | \$ 204,075 | 24% | -1% | \$ 547,421 | \$ 523,817 | 5% |
| Adjusted operating expenses | | | | | | | | |
| Adjusted compensation and benefits | \$ 125,798 | \$ 101,147 | \$ 127,423 | 24% | -1% | \$ 341,765 | \$ 327,505 | 4% |
| Adjusted non-compensation expenses | 44,391 | 40,780 | 41,814 | 9% | 6% | 125,553 | 126,636 | -1% |
| Adjusted operating expenses | \$ 170,189 | \$ 141,927 | \$ 169,237 | 20% | 1% | \$ 467,318 | \$ 454,141 | 3% |
| Adjusted pre-tax operating income | \$ 32,324 | \$ 20,852 | \$ 34,838 | 55% | -7% | \$ 80,103 | \$ 69,676 | 15% |
| Adjusted ratios and margin | | | | | | | | |
| Adjusted compensation ratio | 62.1% | 62.1% | 62.4% | | | 62.4% | 62.5% | |
| Adjusted non-compensation ratio | 21.9% | 25.1% | 20.5% | | | 22.9% | 24.2% | |
| Adjusted pre-tax operating margin | 16.0% | 12.8% | 17.1% | | | 14.6% | 13.3% | |
| Adjusted amounts applicable to Piper Jaffray Companies | | | | | | | | |
| Adjusted net income | \$ 23,524 | \$ 18,982 | \$ 26,127 | 24% | -10% | \$ 64,693 | \$ 58,834 | 10% |
| Adjusted earnings per diluted common share | \$ 1.64 | \$ 1.32 | \$ 1.70 | 24% | -4% | \$ 4.47 | \$ 3.83 | 17% |

Throughout the press release, including the table above, we present financial measures that are not prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The non-GAAP financial measures include adjustments to exclude: (1) revenues and expenses related to noncontrolling interests, (2) amortization of intangible assets related to acquisitions, (3) compensation and non-compensation expenses from acquisition-related agreements, (4) acquisition-related restructuring and acquisition integration costs, (5) the impact from remeasuring deferred tax assets resulting from changes to the U.S. federal tax code, (6) the impact of the annual special cash dividend paid in the first quarter on earnings per diluted common share, and (7) discontinued operations. Management believes that presenting results and measures on this adjusted basis alongside U.S. GAAP measures provides the most meaningful basis for comparison of its operating results across periods, and enhances the overall understanding of our current financial performance by excluding certain items that may not be indicative of our core operating results. The non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of financial performance prepared in accordance with U.S. GAAP. For a detailed explanation of the adjustments made to the corresponding U.S. GAAP measures, see "Reconciliation of U.S. GAAP to Selected Summary Financial Information."

Adjusted net revenues of \$202.5 million in the third quarter of 2019 increased 24% sequentially driven primarily by strong advisory services revenues and higher equity institutional brokerage revenues resulting from the acquisition of Weeden & Co., which closed on August 2.

Adjusted compensation ratio of 62.1% for the current quarter was flat on a sequential basis and declined compared to the year-ago period driven by our mix of business.

Adjusted non-compensation expenses of \$44.4 million in the current quarter increased compared to the second quarter of 2019 and the year-ago quarter, reflecting the addition of Weeden & Co. to our platform.

Adjusted pre-tax operating margin was 16.0% in the current quarter, up from 12.8% in the second quarter of 2019 due to a combination of higher revenues and the operating leverage in our business. Pre-tax operating margin in the quarter declined from 17.1% in the year-ago period due to a higher non-compensation expense ratio driven by the acquisition of Weeden & Co.

Adjusted net income and adjusted earnings per share of \$23.5 million and \$1.64, respectively, in the current quarter increased compared to the second quarter of 2019 due to higher revenues. Results decreased compared to the year-ago period primarily due to higher non-compensation expenses reflecting the addition of Weeden & Co. to our platform.

TAXES

For the nine months ended September 30, 2019, we recorded a tax benefit of \$5.1 million, related to restricted stock vesting at values greater than the grant price. Excluding the impact of this tax benefit, our non-GAAP effective tax rate was 25.7% for the nine months ended September 30, 2019.

CAPITAL

Dividends

On October 30, 2019, our Board of Directors declared a quarterly cash dividend on the Company's common stock of \$0.375 per share to be paid on December 13, 2019, to shareholders of record as of the close of business on November 22, 2019.

During the quarter, we paid a quarterly cash dividend of \$0.375 per share, totaling \$5.2 million.

For the nine months ended September 30, 2019, we returned an aggregate of \$30.4 million, or \$2.14 per share, to shareholders through regular quarterly dividends and the annual special dividend, which was paid in the first quarter.

Share Repurchases

During the third quarter of 2019, we repurchased approximately 2,000 shares of common stock at an average price of \$73.10 per share from restricted stock award recipients selling shares upon the award vesting to meet their employment tax obligations.

For the nine months ended September 30, 2019, we repurchased approximately 699,000 shares of common stock, or \$50.3 million, at an average price of \$72.07 per share from restricted stock award recipients selling shares upon the award vesting or to meet their employment tax obligations.

Senior Notes

On October 15, 2019, we entered into a note purchase agreement with certain entities advised by Pacific Investment Management Company LLC, under which we issued \$175 million of unsecured fixed rate notes (the "Notes"). The Notes consist of two classes:

- Class A Notes – \$50 million aggregate principal amount, bear interest at a rate of 4.74%, and mature in two years.
- Class B Notes – \$125 million aggregate principal amount, bear interest at a rate of 5.20%, and mature in four years.

We intend to use the proceeds from the Notes for general corporate purposes, including the pending acquisition of Sandler O'Neill.

DEAL INFORMATION

| (Dollars in billions) | Three Months Ended | | | % Change vs. | | Nine Months Ended | | % Change |
|-----------------------------|--------------------|---------------|----------------|--------------|-------|-------------------|----------------|----------|
| | Sept. 30, 2019 | June 30, 2019 | Sept. 30, 2018 | Q2-19 | Q3-18 | Sept. 30, 2019 | Sept. 30, 2018 | |
| Client transactions | | | | | | | | |
| Advisory deals | | | | | | | | |
| Completed (#) | 38 | 46 | 45 | -17% | -16% | 119 | 118 | 1% |
| Aggregate value | \$ 9.3 | \$ 4.8 | \$ 8.5 | 94% | 9% | \$ 26.0 | \$ 18.6 | 40% |
| Equity financing deals | | | | | | | | |
| Bookrun (#) | 9 | 15 | 14 | -40% | -36% | 31 | 46 | -33% |
| Total (#) | 15 | 22 | 19 | -32% | -21% | 49 | 70 | -30% |
| Municipal negotiated issues | | | | | | | | |
| Total (#) | 134 | 134 | 121 | 0% | 11% | 351 | 304 | 15% |
| Par value | \$ 2.8 | \$ 3.1 | \$ 4.1 | -10% | -32% | \$ 7.7 | \$ 8.1 | -5% |

ADDITIONAL INFORMATION

| | Sept. 30, 2019 | June 30, 2019 | Sept. 30, 2018 |
|---|----------------|---------------|----------------|
| Human Capital | | | |
| Full time employees | 1,263 | 1,185 | 1,203 |
| Investment banking managing directors | 90 | 92 | 89 |
| Shareholder Information* | | | |
| Common shareholders' equity (in millions) | \$ 696.7 | \$ 657.7 | \$ 700.2 |
| Common shares outstanding (in millions) | 13.7 | 13.7 | 13.4 |
| Restricted shares outstanding (in millions) | 0.7 | 0.5 | 1.8 |
| Total shares outstanding (in millions) | 14.4 | 14.2 | 15.2 |
| Return on average common shareholders' equity – rolling 12 month ** | 10.1% | 10.6% | 1.2% |
| Adjusted return on average common shareholders' equity – rolling 12 month † | 13.9% | 14.2% | 12.1% |

* Amounts included in shareholder information reflect continuing and discontinued results.

** Rolling 12 month return on average common shareholders' equity is computed by dividing net income from continuing operations applicable to Piper Jaffray Companies' for the last 12 months by average monthly common shareholders' equity.

† Adjusted rolling 12 month return on average common shareholders' equity, a non-GAAP measure, is computed by dividing adjusted net income for the last 12 months by average monthly common shareholders' equity. For a detailed explanation of the components of adjusted net income, see "Reconciliation of U.S. GAAP to Selected Summary Financial Information." Management believes that the adjusted rolling 12 month return on average common shareholders' equity provides a meaningful measure of our return on the core operating results of the business.

Conference Call

Chad R. Abraham, chief executive officer; Debra L. Schoneman, president; and Timothy L. Carter, chief financial officer, will hold a conference call to review the financial results on Wednesday, October 30, 2019, at 9 a.m. Eastern Time (8 a.m. Central Time). The earnings release will be available on October 30, 2019 at the firm's Web site at www.piperjaffray.com. The call can be accessed via webcast or by dialing (888) 810-0209 (toll-free domestic) or (706) 902-1361 (international) and referencing reservation number: 7486788. Callers should dial in at least 15 minutes prior to the call time. A replay of the conference call will be available beginning at approximately noon Eastern Time (11 a.m. Central Time) on October 30, 2019 at the same Web address or by dialing (855) 859-2056 and referencing reservation number: 7486788.

Investor Relations Contact

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About Piper Jaffray

Piper Jaffray is a leading investment bank and institutional securities firm driven to help clients Realize the Power of Partnership®. Through a distinct combination of candid counsel, focused expertise and empowered employees, we deliver insight and impact to each and every relationship. Our proven advisory teams combine deep product and sector expertise with ready access to global capital. Founded in 1895, the firm is headquartered in Minneapolis with offices across the United States and in London, Aberdeen and Hong Kong. www.piperjaffray.com

Cautionary Note Regarding Forward-Looking Statements

This press release and the conference call to discuss the contents of this press release contain forward-looking statements. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements and are subject to significant risks and uncertainties that are difficult to predict. These forward-looking statements cover, among other things, statements made about the outlook for the remainder of the year and 2020 for corporate advisory (i.e., M&A), capital markets, and public finance transactions (including our performance in specific sectors), current deal pipelines (or backlogs), revenue levels from pending and completed transactions (i.e., Sandler O'Neill and Weeden & Co.), areas of potential growth and market share gains for the company (e.g., sectors within corporate advisory or geographic regions within public finance), economic and market conditions (including the outlook for equity markets, municipal issuance, and the interest rate environment), our recruiting pipeline, the state of our equity and fixed income brokerage businesses, anticipated financial results for the remainder of the year and 2020 (including expectations regarding revenue levels, non-compensation expenses, effective tax rate, compensation ratio, compensation and benefits expense, operating margins, return on equity, and earnings per share), our strategic priorities, including growth of investment banking, the payment of our quarterly and special dividends to our shareholders, the expected benefits of our pending acquisition of Sandler O'Neill, or other similar matters.

Forward-looking statements involve inherent risks and uncertainties, both known and unknown, and important factors could cause actual results to differ materially from those anticipated or discussed in the forward-looking statements. These risks, uncertainties and important factors include, but are not limited to, the following:

- revenues from corporate advisory (i.e., M&A) engagements and equity and debt financings may vary materially depending on the number, size, and timing of completed transactions, and completed transactions do not generally provide for subsequent engagements;
- our pending acquisition of Sandler O'Neill is subject to certain regulatory approval and other closing conditions, and as a result, the transaction may not close on the expected timing or at all;
- the expected benefits of our pending acquisition of Sandler O'Neill and of our recently completed acquisition of Weeden & Co. may take longer than anticipated to achieve or may not be achieved in their entirety or at all, and will in part depend on our ability to retain and hire key personnel, and the costs or difficulties relating to the combination of the businesses may be greater than expected and may adversely affect our results of operations;
- market and economic conditions or developments may be unfavorable, including in specific sectors in which we operate, and these conditions or developments, such as market fluctuations or volatility, may adversely affect our business, revenue levels and profitability;
- the volume of anticipated transactions – including corporate advisory (i.e., M&A), equity financing, and debt financing – and the corresponding revenues from the transactions may vary from quarter to quarter significantly, particularly if there is a decline in macroeconomic conditions or the financial markets;
- interest rate volatility, especially if the changes are rapid or severe, could negatively impact our fixed income institutional business and the negative impact could be exaggerated by reduced liquidity in the fixed income markets; and
- our stock price may fluctuate as a result of several factors, including but not limited to, changes in our revenues and operating results.

A further listing and description of these and other risks, uncertainties and important factors can be found in the sections titled "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018, and updated in our subsequent reports filed with the SEC (available at our Web site at www.piperjaffray.com and at the SEC Web site at www.sec.gov).

Forward-looking statements speak only as of the date they are made, and readers are cautioned not to place undue reliance on them. We undertake no obligation to update them in light of new information or future events.

Piper Jaffray Companies

Preliminary Results of Operations (U.S. GAAP – Unaudited)

| <i>(Amounts in thousands, except per share data)</i> | Three Months Ended | | | Percent Inc/(Dec) | | Nine Months Ended | | Percent Inc/(Dec) |
|--|--------------------|------------------|------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| | Sept. 30, 2019 | June 30, 2019 | Sept. 30, 2018 | 3Q '19 vs. 2Q '19 | 3Q '19 vs. 3Q '18 | Sept. 30, 2019 | Sept. 30, 2018 | |
| Revenues: | | | | | | | | |
| Investment banking | \$151,192 | \$118,739 | \$166,458 | 27.3% | (9.2)% | \$410,992 | \$411,203 | (0.1)% |
| Institutional brokerage | 46,814 | 32,204 | 31,746 | 45.4 | 47.5 | 113,983 | 92,575 | 23.1 |
| Interest | 6,481 | 6,863 | 6,592 | (5.6) | (1.7) | 20,911 | 25,183 | (17.0) |
| Investment income/(loss) | (1,575) | 17,605 | 4,860 | N/M | N/M | 17,622 | 11,355 | 55.2 |
| Total revenues | 202,912 | 175,411 | 209,656 | 15.7 | (3.2) | 563,508 | 540,316 | 4.3 |
| Interest expense | 2,177 | 2,993 | 3,705 | (27.3) | (41.2) | 7,813 | 14,142 | (44.8) |
| Net revenues | 200,735 | 172,418 | 205,951 | 16.4 | (2.5) | 555,695 | 526,174 | 5.6 |
| Non-interest expenses: | | | | | | | | |
| Compensation and benefits | 126,868 | 102,476 | 133,337 | 23.8 | (4.9) | 346,471 | 350,960 | (1.3) |
| Outside services | 7,842 | 8,451 | 8,668 | (7.2) | (9.5) | 24,864 | 26,370 | (5.7) |
| Occupancy and equipment | 9,594 | 8,425 | 8,595 | 13.9 | 11.6 | 26,368 | 25,357 | 4.0 |
| Communications | 7,885 | 6,849 | 6,839 | 15.1 | 15.3 | 22,599 | 21,879 | 3.3 |
| Marketing and business development | 6,528 | 8,089 | 6,260 | (19.3) | 4.3 | 21,355 | 19,676 | 8.5 |
| Deal-related expenses | 6,387 | 6,725 | 7,671 | (5.0) | (16.7) | 17,840 | 18,888 | (5.5) |
| Trade execution and clearance | 3,770 | 1,017 | 2,049 | 270.7 | 84.0 | 6,593 | 6,240 | 5.7 |
| Restructuring and integration costs | 6,143 | 6,395 | — | (3.9) | N/M | 12,538 | 3,498 | 258.4 |
| Intangible asset amortization | 1,229 | 753 | 1,214 | 63.2 | 1.2 | 2,735 | 3,643 | (24.9) |
| Other operating expenses | 3,454 | 2,313 | 3,532 | 49.3 | (2.2) | 9,235 | 8,868 | 4.1 |
| Total non-interest expenses | 179,700 | 151,493 | 178,165 | 18.6 | 0.9 | 490,598 | 485,379 | 1.1 |
| Income from continuing operations before income tax expense/(benefit) | | | | | | | | |
| | 21,035 | 20,925 | 27,786 | 0.5 | (24.3) | 65,097 | 40,795 | 59.6 |
| Income tax expense/(benefit) | 6,717 | (180) | 6,902 | N/M | (2.7) | 10,729 | 4,949 | 116.8 |
| Income from continuing operations | 14,318 | 21,105 | 20,884 | (32.2) | (31.4) | 54,368 | 35,846 | 51.7 |
| Discontinued operations: | | | | | | | | |
| Income/(loss) from discontinued operations, net of tax | 26,077 | (2,166) | 1,386 | N/M | N/M | 23,772 | 1,735 | N/M |
| Net income | 40,395 | 18,939 | 22,270 | 113.3 | 81.4 | 78,140 | 37,581 | 107.9 |
| Net income/(loss) applicable to noncontrolling interests | (2,847) | 8,550 | 247 | N/M | N/M | 5,087 | (1,271) | N/M |
| Net income applicable to Piper Jaffray Companies (a) | <u>\$ 43,242</u> | <u>\$ 10,389</u> | <u>\$ 22,023</u> | <u>316.2%</u> | <u>96.3 %</u> | <u>\$ 73,053</u> | <u>\$ 38,852</u> | <u>88.0 %</u> |
| Net income applicable to Piper Jaffray Companies' common shareholders (a) | <u>\$ 42,442</u> | <u>\$ 10,151</u> | <u>\$ 19,377</u> | <u>318.1%</u> | <u>119.0 %</u> | <u>\$ 69,529</u> | <u>\$ 33,650</u> | <u>106.6 %</u> |

Continued on the next page

Piper Jaffray Companies

Preliminary Results of Operations (U.S. GAAP – Unaudited) – continued

| (Amounts in thousands, except per share data) | Three Months Ended | | | Percent Inc/(Dec) | | Nine Months Ended | | Percent Inc/(Dec) |
|---|--------------------|---------------|----------------|-------------------|-------------------|------------------------|------------------------|-------------------|
| | Sept. 30, 2019 | June 30, 2019 | Sept. 30, 2018 | 3Q '19 vs. 2Q '19 | 3Q '19 vs. 3Q '18 | Sept. 30, 2019 | Sept. 30, 2018 | |
| Amounts applicable to Piper Jaffray Companies | | | | | | | | |
| Net income from continuing operations | \$ 17,165 | \$ 12,555 | \$ 20,637 | 36.7% | (16.8)% | \$ 49,281 | \$ 37,117 | 32.8 % |
| Net income/(loss) from discontinued operations | 26,077 | (2,166) | 1,386 | N/M | N/M | 23,772 | 1,735 | N/M |
| Net income applicable to Piper Jaffray Companies | \$ 43,242 | \$ 10,389 | \$ 22,023 | 316.2% | 96.3 % | \$ 73,053 | \$ 38,852 | 88.0 % |
| Earnings per basic common share | | | | | | | | |
| Income from continuing operations | \$ 1.23 | \$ 0.90 | \$ 1.36 | 36.7% | (9.6)% | \$ 3.46 | \$ 2.41 | 43.6 % |
| Income/(loss) from discontinued operations | 1.87 | (0.15) | 0.09 | N/M | N/M | 1.69 | 0.13 | N/M |
| Earnings per basic common share | \$ 3.09 | \$ 0.75 | \$ 1.45 | 312.0% | 113.1 % | \$ 5.15 | \$ 2.54 | 102.8 % |
| Earnings per diluted common share (b) | | | | | | | | |
| Income from continuing operations | \$ 1.20 | \$ 0.87 | \$ 1.34 | 37.9% | (10.4)% | \$ 3.37 | \$ 2.37 | 42.2 % |
| Income/(loss) from discontinued operations | 1.82 | (0.15) | 0.09 | N/M | N/M | 1.64 | 0.13 | N/M |
| Earnings per diluted common share | \$ 3.01 | \$ 0.72 | \$ 1.43 | 318.1% | 110.5 % | \$ 5.01 | \$ 2.50 | 100.4 % |
| Dividends declared per common share | \$ 0.38 | \$ 0.38 | \$ 0.38 | —% | — % | \$ 2.14 ^(c) | \$ 2.75 ^(d) | (22.2)% |
| Weighted average number of common shares outstanding | | | | | | | | |
| Basic | 13,708 | 13,588 | 13,343 | 0.9% | 2.7 % | 13,502 | 13,248 | 1.9 % |
| Diluted | 14,085 | 14,024 | 13,508 | 0.4% | 4.3 % | 13,882 | 13,444 | 3.3 % |

N/M — Not meaningful

- (a) Piper Jaffray Companies calculates earnings per common share using the two-class method, which requires the allocation of distributed and undistributed earnings to participating securities. No allocation of undistributed earnings is made for periods in which a loss is incurred, or for periods in which cash dividends exceed net income resulting in an undistributed loss. Distributed earnings (e.g., dividends) are allocated to participating securities. Participating securities include the Company's unvested restricted shares for restricted stock awards granted prior to 2019.
- (b) Earnings per diluted common share is calculated using the basic weighted average number of common shares outstanding for periods in which a loss is incurred, or for periods in which cash dividends exceed net income resulting in an undistributed loss.
- (c) Includes the declaration of a special cash dividend of \$1.01 per share and three quarterly cash dividends totaling \$1.125 per share on the Company's common stock for the nine months ended September 30, 2019.
- (d) Includes the declaration of a special cash dividend of \$1.62 per share and three quarterly cash dividends totaling \$1.125 per share on the Company's common stock for the nine months ended September 30, 2018.

Piper Jaffray Companies

Preliminary Selected Summary Financial Information (Non-GAAP – Unaudited) (1)

| | Three Months Ended | | | Percent Inc/(Dec) | | Nine Months Ended | | Percent Inc/(Dec) |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Sept. 30, 2019 | June 30, 2019 | Sept. 30, 2018 | 3Q '19 vs. 2Q '19 | 3Q '19 vs. 3Q '18 | Sept. 30, 2019 | Sept. 30, 2018 | |
| <i>(Amounts in thousands, except per share data)</i> | | | | | | | | |
| Revenues: | | | | | | | | |
| Investment banking | \$ 151,192 | \$ 118,739 | \$ 166,458 | 27.3% | (9.2)% | \$ 410,992 | \$ 411,203 | (0.1)% |
| Institutional brokerage | 46,814 | 32,204 | 31,746 | 45.4 | 47.5 | 113,983 | 92,575 | 23.1 |
| Interest | 6,481 | 6,863 | 6,592 | (5.6) | (1.7) | 20,911 | 25,183 | (17.0) |
| Investment income | 203 | 7,966 | 2,984 | (97.5) | (93.2) | 9,348 | 8,998 | 3.9 |
| Total revenues | 204,690 | 165,772 | 207,780 | 23.5 | (1.5) | 555,234 | 537,959 | 3.2 |
| Interest expense | 2,177 | 2,993 | 3,705 | (27.3) | (41.2) | 7,813 | 14,142 | (44.8) |
| Adjusted net revenues (2) | <u>\$ 202,513</u> | <u>\$ 162,779</u> | <u>\$ 204,075</u> | <u>24.4%</u> | <u>(0.8)%</u> | <u>\$ 547,421</u> | <u>\$ 523,817</u> | <u>4.5 %</u> |
| Non-interest expenses: | | | | | | | | |
| Adjusted compensation and benefits (3) | \$ 125,798 | \$ 101,147 | \$ 127,423 | 24.4% | (1.3)% | \$ 341,765 | \$ 327,505 | 4.4 % |
| Ratio of adjusted compensation and benefits to adjusted net revenues | 62.1% | 62.1% | 62.4% | | | 62.4% | 62.5% | |
| Adjusted non-compensation expenses (4) | \$ 44,391 | \$ 40,780 | \$ 41,814 | 8.9% | 6.2 % | \$ 125,553 | \$ 126,636 | (0.9)% |
| Ratio of adjusted non-compensation expenses to adjusted net revenues | 21.9% | 25.1% | 20.5% | | | 22.9% | 24.2% | |
| Adjusted income: | | | | | | | | |
| Adjusted income before adjusted income tax expense (5) | \$ 32,324 | \$ 20,852 | \$ 34,838 | 55.0% | (7.2)% | \$ 80,103 | \$ 69,676 | 15.0 % |
| Adjusted operating margin (6) | 16.0% | 12.8% | 17.1% | | | 14.6% | 13.3% | |
| Adjusted income tax expense (7) | 8,800 | 1,870 | 8,711 | 370.6 | 1.0 | 15,410 | 10,842 | 42.1 |
| Adjusted net income (8) | <u>\$ 23,524</u> | <u>\$ 18,982</u> | <u>\$ 26,127</u> | <u>23.9%</u> | <u>(10.0)%</u> | <u>\$ 64,693</u> | <u>\$ 58,834</u> | <u>10.0 %</u> |
| Effective tax rate (9) | 27.2% | 9.0% | 25.0% | | | 19.2% | 15.6% | |
| Adjusted net income applicable to Piper Jaffray Companies' common shareholders (10) | <u>\$ 23,097</u> | <u>\$ 18,504</u> | <u>\$ 22,988</u> | <u>24.8%</u> | <u>0.5 %</u> | <u>\$ 62,071</u> | <u>\$ 51,528</u> | <u>20.5 %</u> |
| Adjusted earnings per diluted common share | <u>\$ 1.64</u> | <u>\$ 1.32</u> | <u>\$ 1.70</u> | <u>24.2%</u> | <u>(3.5)%</u> | <u>\$ 4.47</u> | <u>\$ 3.83</u> | <u>16.7 %</u> |
| Weighted average number of common shares outstanding | | | | | | | | |
| Diluted | 14,085 | 14,024 | 13,508 | 0.4% | 4.3 % | 13,882 | 13,444 | 3.3 % |

N/M — Not meaningful

This presentation includes non-GAAP measures. The non-GAAP measures are not meant to be considered in isolation or as a substitute for the corresponding U.S. GAAP measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with U.S. GAAP. For a detailed explanation of the adjustments made to the corresponding U.S. GAAP measures, see "Reconciliation of U.S. GAAP to Selected Summary Financial Information."

Piper Jaffray Companies

Reconciliation of U.S. GAAP to Selected Summary Financial Information (1) (Unaudited)

| | Three Months Ended | | | Nine Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|
| | Sept. 30, 2019 | June 30, 2019 | Sept. 30, 2018 | Sept. 30, 2019 | Sept. 30, 2018 |
| <i>(Amounts in thousands, except per share data)</i> | | | | | |
| Net revenues: | | | | | |
| Net revenues – U.S. GAAP basis | \$ 200,735 | \$ 172,418 | \$ 205,951 | \$ 555,695 | \$ 526,174 |
| Adjustments: | | | | | |
| Revenue related to noncontrolling interests (11) | 1,778 | (9,639) | (1,876) | (8,274) | (2,357) |
| Adjusted net revenues | <u>\$ 202,513</u> | <u>\$ 162,779</u> | <u>\$ 204,075</u> | <u>\$ 547,421</u> | <u>\$ 523,817</u> |
| Compensation and benefits: | | | | | |
| Compensation and benefits – U.S. GAAP basis | \$ 126,868 | \$ 102,476 | \$ 133,337 | \$ 346,471 | \$ 350,960 |
| Adjustments: | | | | | |
| Compensation from acquisition-related agreements | (1,070) | (1,329) | (5,914) | (4,706) | (23,455) |
| Adjusted compensation and benefits | <u>\$ 125,798</u> | <u>\$ 101,147</u> | <u>\$ 127,423</u> | <u>\$ 341,765</u> | <u>\$ 327,505</u> |
| Non-compensation expenses: | | | | | |
| Non-compensation expenses – U.S. GAAP basis | \$ 52,832 | \$ 49,017 | \$ 44,828 | \$ 144,127 | \$ 134,419 |
| Adjustments: | | | | | |
| Non-compensation expenses related to noncontrolling interests (11) | (1,069) | (1,089) | (1,629) | (3,187) | (3,628) |
| Acquisition-related restructuring and integration costs | (6,143) | (6,395) | — | (12,538) | — |
| Amortization of intangible assets related to acquisitions | (1,229) | (753) | (1,214) | (2,735) | (3,643) |
| Non-compensation expenses from acquisition-related agreements | — | — | (171) | (114) | (512) |
| Adjusted non-compensation expenses | <u>\$ 44,391</u> | <u>\$ 40,780</u> | <u>\$ 41,814</u> | <u>\$ 125,553</u> | <u>\$ 126,636</u> |
| Income from continuing operations before income tax expense/ (benefit): | | | | | |
| Income from continuing operations before income tax expense/(benefit) – U.S. GAAP basis | \$ 21,035 | \$ 20,925 | \$ 27,786 | \$ 65,097 | \$ 40,795 |
| Adjustments: | | | | | |
| Revenue related to noncontrolling interests (11) | 1,778 | (9,639) | (1,876) | (8,274) | (2,357) |
| Non-compensation expenses related to noncontrolling interests (11) | 1,069 | 1,089 | 1,629 | 3,187 | 3,628 |
| Compensation from acquisition-related agreements | 1,070 | 1,329 | 5,914 | 4,706 | 23,455 |
| Acquisition-related restructuring and integration costs | 6,143 | 6,395 | — | 12,538 | — |
| Amortization of intangible assets related to acquisitions | 1,229 | 753 | 1,214 | 2,735 | 3,643 |
| Non-compensation expenses from acquisition-related agreements | — | — | 171 | 114 | 512 |
| Adjusted income before adjusted income tax expense | <u>\$ 32,324</u> | <u>\$ 20,852</u> | <u>\$ 34,838</u> | <u>\$ 80,103</u> | <u>\$ 69,676</u> |
| Income tax expense/(benefit): | | | | | |
| Income tax expense/(benefit) – U.S. GAAP basis | \$ 6,717 | \$ (180) | \$ 6,902 | \$ 10,729 | \$ 4,949 |
| Tax effect of adjustments: | | | | | |
| Compensation from acquisition-related agreements | 259 | 282 | 1,467 | 907 | 5,818 |
| Acquisition-related restructuring and integration costs | 1,523 | 1,586 | — | 3,109 | — |
| Amortization of intangible assets related to acquisitions | 301 | 182 | 300 | 665 | 900 |
| Non-compensation expenses from acquisition-related agreements | — | — | 42 | — | 127 |
| Impact of the Tax Cuts and Jobs Act legislation | — | — | — | — | (952) |
| Adjusted income tax expense | <u>\$ 8,800</u> | <u>\$ 1,870</u> | <u>\$ 8,711</u> | <u>\$ 15,410</u> | <u>\$ 10,842</u> |

Continued on next page

Piper Jaffray Companies

Reconciliation of U.S. GAAP to Selected Summary Financial Information (1) (Unaudited)

| | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|------------------|-------------------|-------------------|-------------------|
| | Sept. 30, 2019 | June 30, 2019 | Sept. 30, 2018 | Sept. 30, 2019 | Sept. 30, 2018 |
| <i>(Amounts in thousands, except per share data)</i> | | | | | |
| Net income applicable to Piper Jaffray Companies: | | | | | |
| Net income applicable to Piper Jaffray Companies – U.S. GAAP basis | \$ 43,242 | \$ 10,389 | \$ 22,023 | \$ 73,053 | \$ 38,852 |
| Adjustment to exclude net income/(loss) from discontinued operations | 26,077 | (2,166) | 1,386 | 23,772 | 1,735 |
| Net income from continuing operations | \$ 17,165 | \$ 12,555 | \$ 20,637 | \$ 49,281 | \$ 37,117 |
| Adjustments: | | | | | |
| Compensation from acquisition-related agreements | 811 | 1,047 | 4,447 | 3,799 | 17,637 |
| Acquisition-related restructuring and integration costs | 4,620 | 4,809 | — | 9,429 | — |
| Amortization of intangible assets related to acquisitions | 928 | 571 | 914 | 2,070 | 2,743 |
| Non-compensation expenses from acquisition-related agreements | — | — | 129 | 114 | 385 |
| Impact of the Tax Cuts and Jobs Act legislation | — | — | — | — | 952 |
| Adjusted net income | \$ 23,524 | \$ 18,982 | \$ 26,127 | \$ 64,693 | \$ 58,834 |
| Net income applicable to Piper Jaffray Companies' common shareholders: | | | | | |
| Net income applicable to Piper Jaffray Companies' common shareholders – U.S. GAAP basis | \$ 42,442 | \$ 10,151 | \$ 19,377 | \$ 69,529 | \$ 33,650 |
| Adjustment to exclude net income/(loss) from discontinued operations | 25,583 | (2,104) | 1,221 | 22,789 | 1,735 |
| Net income from continuing operations | \$ 16,859 | \$ 12,255 | \$ 18,156 | \$ 46,740 | \$ 31,915 |
| Adjustment related to participating shares (10) | — | — | — | — | 596 |
| | 16,859 | 12,255 | 18,156 | 46,740 | 32,511 |
| Adjustments: | | | | | |
| Compensation from acquisition-related agreements | 796 | 1,020 | 3,912 | 3,644 | 15,444 |
| Acquisition-related restructuring and integration costs | 4,531 | 4,672 | — | 9,592 | — |
| Amortization of intangible assets related to acquisitions | 911 | 557 | 806 | 1,986 | 2,402 |
| Non-compensation expenses from acquisition-related agreements | — | — | 114 | 109 | 337 |
| Impact of the Tax Cuts and Jobs Act legislation | — | — | — | — | 834 |
| Adjusted net income applicable to Piper Jaffray Companies' common shareholders | \$ 23,097 | \$ 18,504 | \$ 22,988 | \$ 62,071 | \$ 51,528 |
| Earnings per diluted common share: | | | | | |
| Earnings per diluted common share – U.S. GAAP basis | \$ 3.01 | \$ 0.72 | \$ 1.43 | \$ 5.01 | \$ 2.50 |
| Adjustment to exclude net income/(loss) from discontinued operations | 1.82 | (0.15) | 0.09 | 1.64 | 0.13 |
| Income from continuing operations | \$ 1.20 | \$ 0.87 | \$ 1.34 | \$ 3.37 | \$ 2.37 |
| Adjustment related to participating shares (10) | — | — | — | — | 0.04 |
| | 1.20 | 0.87 | 1.34 | 3.37 | 2.41 |
| Adjustments: | | | | | |
| Compensation from acquisition-related agreements | 0.06 | 0.07 | 0.29 | 0.26 | 1.14 |
| Acquisition-related restructuring and integration costs | 0.32 | 0.34 | — | 0.68 | — |
| Amortization of intangible assets related to acquisitions | 0.06 | 0.04 | 0.06 | 0.14 | 0.19 |
| Non-compensation expenses from acquisition-related agreements | — | — | 0.01 | 0.01 | 0.03 |
| Impact of the Tax Cuts and Jobs Act legislation | — | — | — | — | 0.06 |
| Adjusted earnings per diluted common share | \$ 1.64 | \$ 1.32 | \$ 1.70 | \$ 4.47 | \$ 3.83 |

This presentation includes non-GAAP measures. The non-GAAP measures are not meant to be considered in isolation or as a substitute for the corresponding U.S. GAAP measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with U.S. GAAP.

Piper Jaffray Companies

Notes to Non-GAAP Financial Schedules

- (1) Selected Summary Financial Information are non-GAAP measures. Management believes that presenting results and measures on an adjusted basis in conjunction with U.S. GAAP measures provides the most meaningful basis for comparison of its operating results across periods.
- (2) A non-GAAP measure which excludes revenues related to noncontrolling interests (see (11) below).
- (3) A non-GAAP measure which excludes compensation expense from acquisition-related agreements.
- (4) A non-GAAP measure which excludes (a) non-compensation expenses related to noncontrolling interests (see (11) below), (b) acquisition-related restructuring and integration costs, (c) amortization of intangible assets related to acquisitions and (d) non-compensation expenses from acquisition-related agreements.
- (5) A non-GAAP measure which excludes (a) revenues and expenses related to noncontrolling interests (see (11) below), (b) compensation and non-compensation expenses from acquisition-related agreements, (c) acquisition-related restructuring and integration costs and (d) amortization of intangible assets related to acquisitions.
- (6) A non-GAAP measure which represents adjusted income before adjusted income tax expense as a percentage of adjusted net revenues.
- (7) A non-GAAP measure which excludes the income tax benefit from (a) compensation and non-compensation expenses from acquisition-related agreements, (b) acquisition-related restructuring and integration costs and (c) amortization of intangible assets related to acquisitions. This also excludes the impact of a one-time remeasurement of deferred tax assets due to a lower federal corporate tax rate resulting from the enactment of the Tax Cuts and Jobs Act.
- (8) A non-GAAP measure which represents net income earned by the Company excluding (a) compensation and non-compensation expenses from acquisition-related agreements, (b) acquisition-related restructuring and integration costs, (c) amortization of intangible assets related to acquisitions, (d) the impact of the enactment of the Tax Cuts and Jobs Act and (e) the income tax expense allocated to the adjustments.
- (9) A non-GAAP measure which is computed based on a quotient, the numerator of which is adjusted income tax expense and the denominator of which is adjusted income before adjusted income tax expense.
- (10) A non-GAAP measure for which the adjustment related to participating shares excludes the impact of the annual special cash dividend paid in the first quarter.
- (11) Noncontrolling interests include revenue and expenses from consolidated alternative asset management entities that are not attributable, either directly or indirectly, to Piper Jaffray Companies.

Piper Jaffray Companies

Preliminary Data from Discontinued Operations (Unaudited)

Discontinued operations include the operating results of ARI, our traditional asset management business. The following supplementary tables summarize the components of discontinued operations:

Fiscal Year 2019

| (Amounts in thousands) | Three Months Ended | | | Nine Months |
|--|--------------------|----------------------|-------------------|-------------------------|
| | Mar. 31, 2019 | June 30, 2019 | Sept. 30, 2019 | Ended Sept. 30, 2019 |
| Net revenues | \$ 9,290 | \$ 9,317 | \$ 7,939 | \$ 26,546 |
| Operating expenses | 8,139 | 7,382 | 7,068 | 22,589 |
| Intangible asset amortization and impairment | 1,359 | 4,106 ⁽¹⁾ | — | 5,465 ⁽¹⁾ |
| Restructuring costs | — | 696 | 9,572 | 10,268 |
| Total non-interest expenses | <u>9,498</u> | <u>12,184</u> | <u>16,640</u> | <u>38,322</u> |
| Loss from discontinued operations before income tax benefit | (208) | (2,867) | (8,701) | (11,776) |
| Income tax benefit | (69) | (701) | (1,752) | (2,522) |
| Net loss from discontinued operations before gain on sale | (139) | (2,166) | (6,949) | (9,254) |
| Gain on sale, net of tax | — | — | 33,026 | 33,026 |
| Net income/(loss) from discontinued operations | <u>\$ (139)</u> | <u>\$ (2,166)</u> | <u>\$ 26,077</u> | <u>\$ 23,772</u> |

(1) Includes \$2.9 million of intangible asset impairment related to the ARI trade name.

Fiscal Year 2018

| (Amounts in thousands) | Three Months Ended | | | | Year Ended |
|---|--------------------|------------------|-------------------|------------------|-----------------|
| | Mar. 31, 2018 | June 30, 2018 | Sept. 30, 2018 | Dec. 31, 2018 | Dec. 31, 2018 |
| Net revenues | \$ 11,199 | \$ 11,121 | \$ 11,576 | \$ 9,593 | \$ 43,489 |
| Operating expenses | 9,882 | 9,077 | 8,327 | 7,941 | 35,227 |
| Intangible asset amortization | 1,401 | 1,400 | 1,401 | 1,400 | 5,602 |
| Restructuring costs | — | 272 | — | — | 272 |
| Total non-interest expenses | <u>11,283</u> | <u>10,749</u> | <u>9,728</u> | <u>9,341</u> | <u>41,101</u> |
| Income/(loss) from discontinued operations before income tax expense/(benefit) | (84) | 372 | 1,848 | 252 | 2,388 |
| Income tax expense/(benefit) | (69) | 8 | 462 | 600 | 1,001 |
| Net income/(loss) from discontinued operations | <u>\$ (15)</u> | <u>\$ 364</u> | <u>\$ 1,386</u> | <u>\$ (348)</u> | <u>\$ 1,387</u> |