

# JMP

## **Introduction to JMP Group LLC**

**December 2018**

## Forward-Looking Statements

This presentation, as well as any accompanying comments by JMP Group representatives, contains forward-looking statements that reflect JMP Group's current views with respect to, among other things, the company's operations and financial performance, as well as potential increases in dividends and retained earnings as a result of the proposed reorganization transaction discussed herein. You can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "predicts," "intends," "plans," "estimates," "anticipates" or the negative versions of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. JMP Group believes that these factors include, but are not limited to, those described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the company's Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on March 28, 2018, and in the similarly captioned sections of its other periodic reports filed under the Securities Exchange Act of 1934, as amended. JMP Group undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

## Diversified and Profitable

- Diversified revenue mix and scalable platforms
  - Boutique investment bank with growing franchise value in consolidating industry
  - Alternative asset manager with strategies in six different asset classes
- Headquartered in San Francisco and focused on four growth industries: technology, healthcare, financial services and real estate
- Capital-light business model centered on providing attractive ROE
- Publicly traded partnership provides tax-efficient structure for cash distributions to shareholders
- Ongoing effort to streamline balance sheet and simplify story for existing and prospective investors

### Key Data

- LTM adjusted net revenues and operating EPS of \$142.8 million and \$0.32, respectively
- Monthly cash distribution of \$0.03 per share announced for 4Q18, equating to annualized distribution of \$0.36 per share
- Sponsored fund assets under management of \$5.8 billion at 10/1/18

### Operating EPS by Segment <sup>(1)</sup>

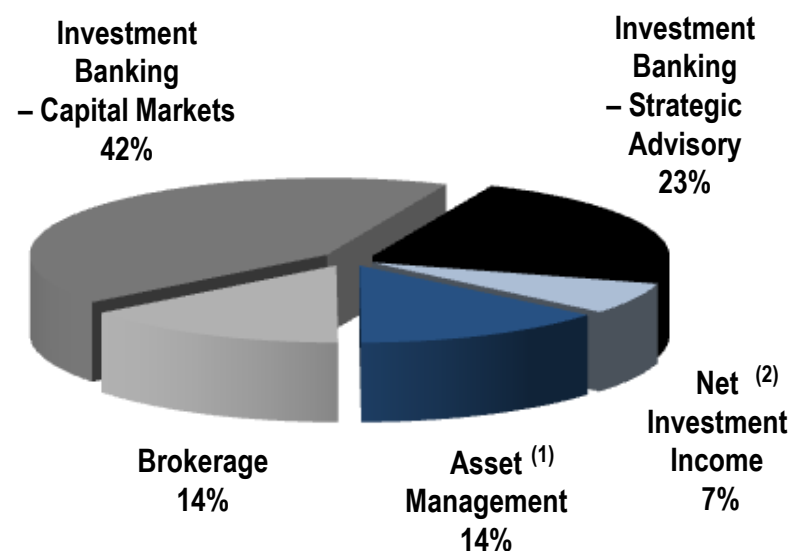
(\$ per share)	LTM		2017	
	EPS	ROE	EPS	ROE
Broker-Dealer	\$0.41	33.0%	\$0.31	28.5%
Asset Management Fee Income	(0.02)	(4.0%)	0.01	0.9%
Investment Income	0.33	4.2%	0.22	2.7%
Total Asset Management	0.31	3.6%	0.22	2.6%
Corporate Costs	(0.40)		(0.33)	
Operating Net Income	<u>\$0.32</u>	6.3%	<u>\$0.20</u>	3.6%

<sup>(1)</sup> A non-GAAP financial measure. For more information, see the Form 8-K filed on 5/2/18. Due to rounding, per share amounts may not sum totals presented.

## Multiple Business Lines

- Focus on revenue growth and margin expansion across all business lines
- Within JMP Securities, pursuit of market share gains as competitors consolidate, exit businesses or reallocate resources
- Increasing portion of total revenues derived from high-margin strategic advisory services
- Asset management business reoriented toward investment in independent platforms that may offer revenue synergies with JMP Group
- Completion of redeployment of idle capital in CLO structures has reintroduced consistent net interest income

### Composition of LTM Adjusted Net Revenues



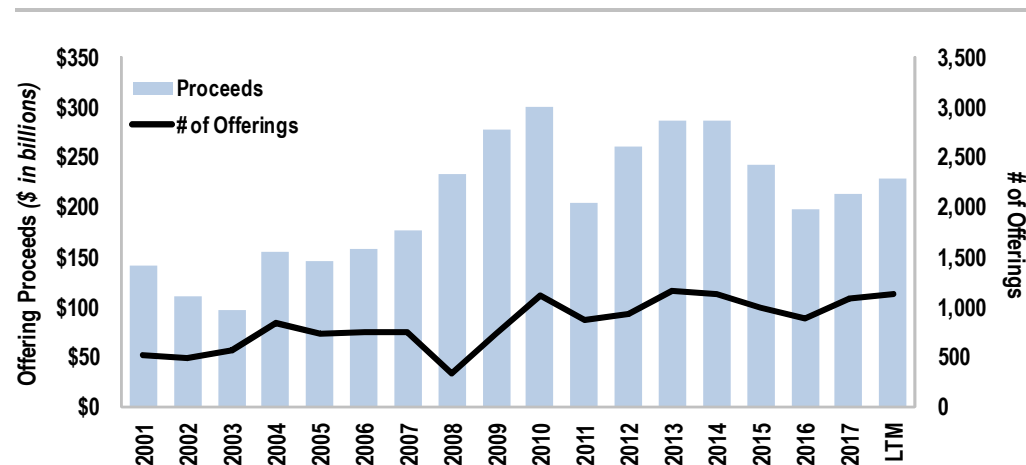
<sup>(1)</sup> Includes fundraising and other asset management-related fee revenues reported as other income. Excludes all non-controlling interests in asset management fees.

<sup>(2)</sup> Excludes net unrealized gains and losses on strategic equity investments and warrants as well as any gains and losses earned on deferred employee compensation invested. Excludes all non-controlling interests in net investment income.

## Compelling Secular Growth Characteristics

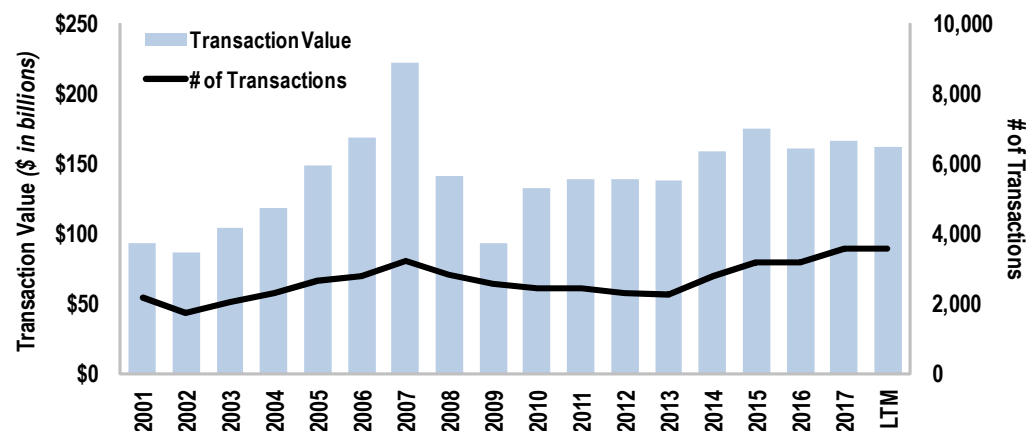
- The number of common equity offerings by U.S. issuers each year has doubled in the past two decades
- JMP Securities has increased its ECM market share materially since 2016, with underwriting revenues rebounding at a faster rate than overall industry fees
- Middle-market M&A activity in recent years has been consistently strong
- JMP Securities has undertaken a multi-year initiative to organically expand the firm's strategic advisory business, making it a growing component of the firm's revenue

### U.S. Common Equity Offerings



### U.S. Mergers & Acquisitions

Transactions with Total Consideration of \$1.0 Billion or Less



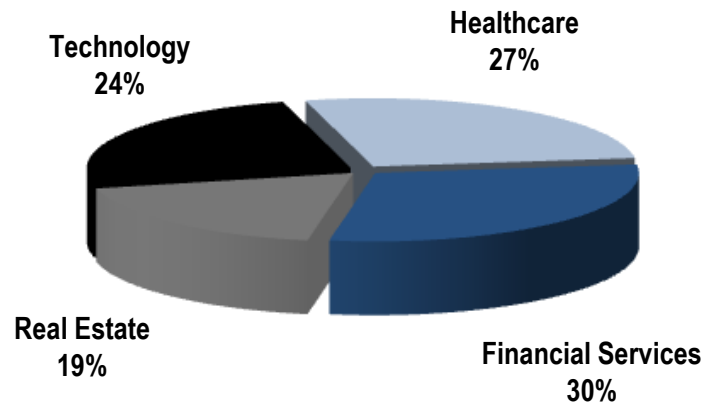
## Four Key Focuses

- **Grow JMP Securities' strategic advisory business**
  - Increase annual advisory fee revenue to more than \$50 million by 2021
  - Add experienced, advisory-focused investment bankers
  - Gain additional visibility among corporate clients with respect to the firm's advisory capabilities
  
- **Continue to invest in JMP Securities' capital markets platform**
  - Protect franchise value derived from position as one of the few remaining independent research boutiques in a consolidating industry
  - ECM market share in the firm's four target industries increased to more than 1.00% for the latest 12 months, versus less than 0.80% for 2016
  
- **Expand asset management platforms**
  - Attract new capital to existing funds with additional capacity
  - Invest in established asset management firms with near-term capital needs and potential longer-term synergies with JMP Group
  
- **Simplify the JMP Group story**
  - Look for opportunities to deconsolidate CLOs, following recent elimination of risk retention rules
  - Continue to evaluate return to C-corp status

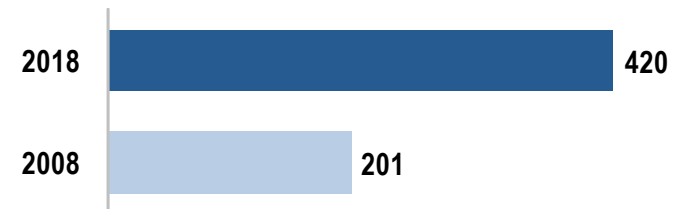
## Coverage of Four Broad Growth Sectors

- Differentiated research key to relationship with institutional brokerage clients in a MiFID II environment and with companies under coverage that may seek investment banking services
- Brokerage platform is a highly effective distribution network for underwritten securities offerings
- Research universe with a median market capitalization of \$1.9 billion

### Distribution of Research Coverage



### Equities Under Coverage



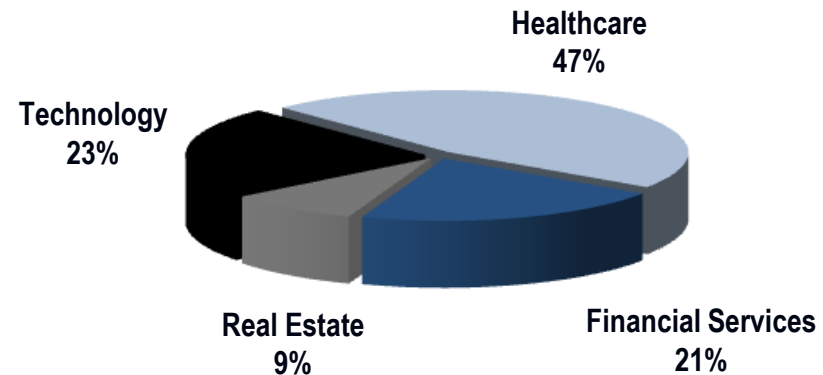
### Publishing Analysts



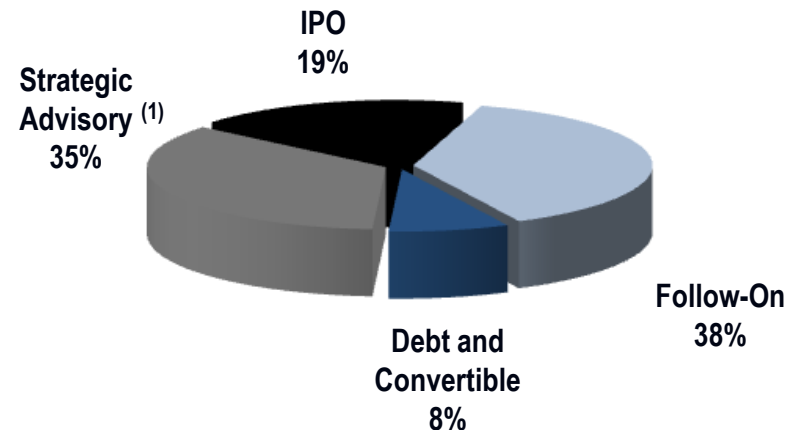
## Diversification in Transaction Volume

- Revenue growth stemming from maturation of senior bankers on an increasingly recognized platform
- Targeting \$50 million of revenue from high-margin strategic advisory and private placement services by 2021
- Strategic advisory is a secular growth business less commoditized than many other investment banking services
- JMP Securities continues to take market share in an active and highly contested ECM environment

### Investment Banking Revenues – LTM by Industry



### Investment Banking Revenues – LTM by Transaction



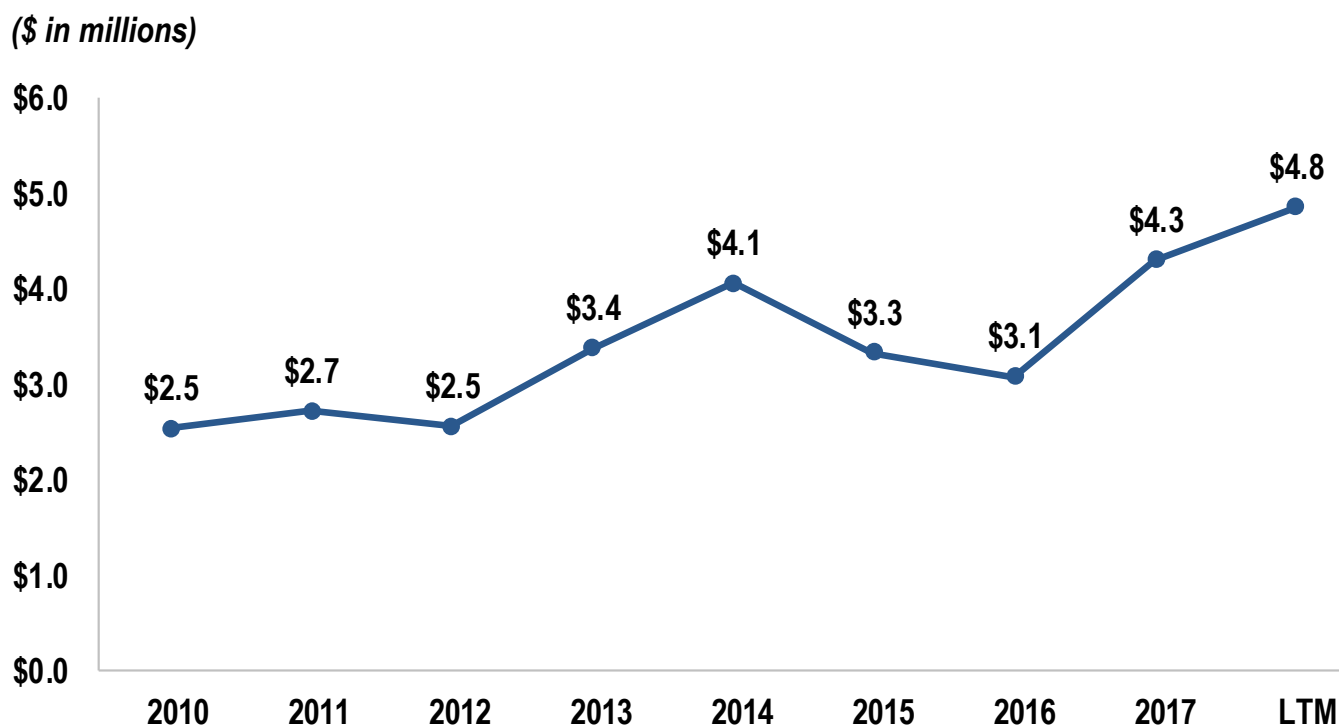
<sup>(1)</sup> Includes private placement revenues.



## Increasing Productivity

- While maintaining headcount in recent years, JMP Securities' investment banking group has materially increased revenue per calling officer <sup>(1)</sup>

### Revenues per Calling Officer

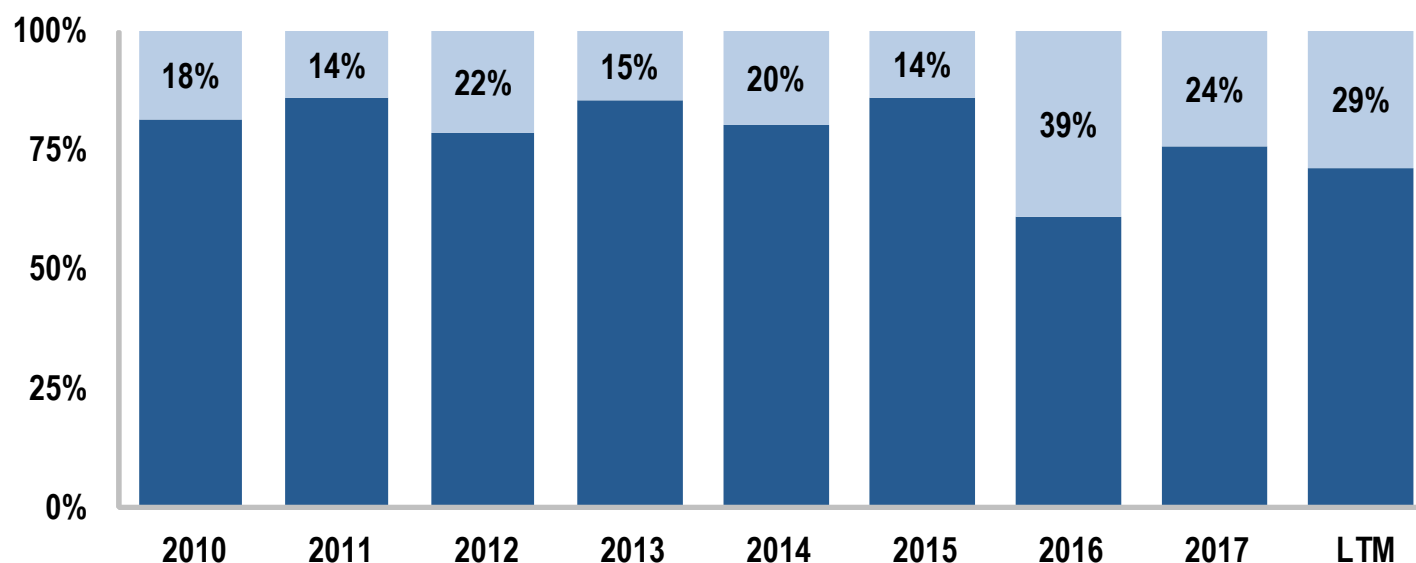


Investment Banking Revenues	\$45.6	\$46.1	\$51.0	\$74.2	\$81.1	\$63.1	\$55.4	\$77.3	\$87.2
Calling Officers (Average)	18	17	20	22	20	19	18	18	18

<sup>(1)</sup> Calling officers consist of Managing Directors and Directors.

## Composition of Revenues

- Total investment banking and institutional brokerage revenues at JMP Securities have shifted toward strategic advisory fees since 2016 as a result of a build-out of the firm's M&A capabilities



(\$ in millions)

■ Advisory Revenues	\$13.7	\$10.3	\$15.7	\$14.6	\$21.7	\$12.5	\$31.0	\$24.0	\$32.7
■ Capital Markets Revenues	60.2	61.3	57.2	84.2	86.3	77.3	48.1	74.5	80.9
<b>JMP Securities Revenues</b>	<b>\$73.8</b>	<b>\$71.6</b>	<b>\$72.9</b>	<b>\$98.8</b>	<b>\$108.0</b>	<b>\$89.8</b>	<b>\$79.1</b>	<b>\$98.5</b>	<b>\$113.6</b>

*Note:* Effective January 1, 2018, JMP Group adopted a new accounting standard that requires a gross presentation of investment banking revenues. Prior to 2018, certain investment banking revenues were presented net of related expenses.

## Franchise Value in Independence

- Following a decade of consolidation among institutional broker-dealers and advisory firms, JMP Securities is among the few remaining independent investment banks with meaningful scale

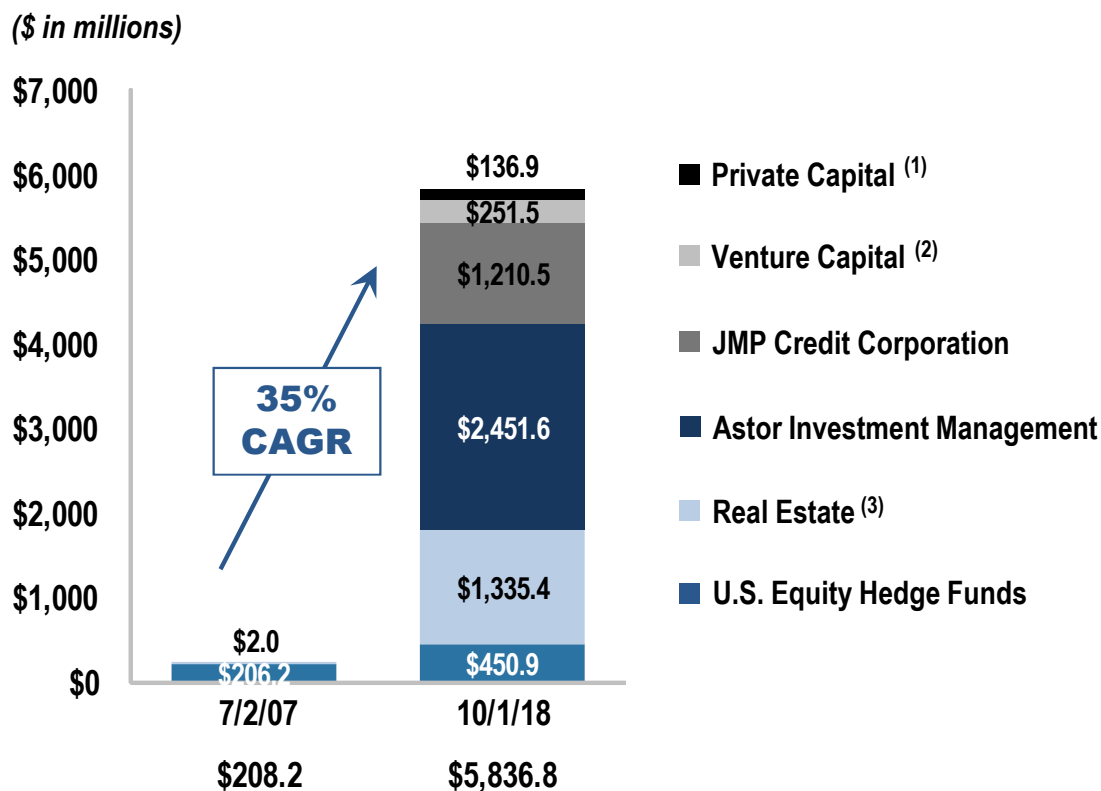
- Selected peer firms acquired or closed since JMP Group's 2007 IPO:

— Leerink Partners	Nov. 2018	— ThinkEquity	Nov. 2012
— Cain Brothers & Company	Aug. 2017	— Rodman & Renshaw	July 2012
— Feltl and Company (Equities)	May 2017	— Brigantine Advisors	Feb. 2012
— Avondale Partners (Equities)	Mar. 2017	— McGladrey Capital Markets	Jan. 2012
— CLSA Americas (Equities)	Mar. 2017	— Morgan Keegan & Company	Jan. 2012
— FBR & Co.	Feb. 2017	— Ticonderoga Securities	Jan. 2012
— Tudor, Pickering, Holt & Co.	Nov. 2016	— Citadel Securities	Aug. 2011
— BB&T Capital Markets (Equities)	July 2016	— Signal Hill Capital Group (Equities)	Aug. 2011
— Sterne Agee CRT	June 2016	— Soleil Securities	Mar. 2011
— Simmons & Company	Nov. 2015	— Nollenberger Capital Partners	Feb. 2011
— MLV & Co.	July 2015	— Howe Barnes Hofer & Arnett	Dec. 2010
— Sterne Agee Group	Feb. 2015	— Tri-Artisan Capital Partners	Dec. 2010
— Lazard Capital Markets	Sep. 2014	— CRT Capital Group	Aug. 2010
— Pacific Crest Securities	July 2014	— Uptata Advisors	Aug. 2010
— Gleacher & Company	July 2014	— Hill Street Capital	May 2010
— SWS Group	Apr. 2014	— Thomas Weisel Partners	Apr. 2010
— McColl Partners	June 2013	— Fox-Pitt Kelton	Sep. 2009
— Edgeview Partners	June 2013	— Merrill Lynch & Co.	Sep. 2008
— Dahlman Rose & Company	Feb. 2013	— Lehman Brothers	Sep. 2008
— Caris & Company	Dec. 2012	— Bear Stearns	Mar. 2008
— Milestone Advisors	Dec. 2012	— CIBC World Markets (U.S.)	Nov. 2007
— Jefferies Group	Nov. 2012	— Putnam Lovell	June 2007
— KBW	Nov. 2012	— Cochran Caronia Waller	May 2007

## Alternative Investment Products

- Long-term strategy to develop a portfolio of distinct strategies in non-correlated asset classes
  - Economic interests in strategies in six different asset classes
  - Mix of on-platform fund strategies and “sponsored” funds
  
- Increasing focus on investments in established third-party fund managers
  - Access to new distribution channels drives growth in assets under management

### Assets Under Management



<sup>(1)</sup> Represents Harvest Capital Credit Corporation (NASDAQ: HCAP) and JMP Capital I.

<sup>(2)</sup> Includes Harvest Growth Capital funds and Harvest Intrexon Enterprise Fund.

<sup>(3)</sup> Represents Workspace Property Trust and JMP Realty Partners I.

## Capital Deployed in Alternative Assets

- Improving results in 2018 driven by redeployment of net cash into CLO assets and principal investments
  - Partially offset by unusual costs in real estate and private capital
- YTD returns have substantially exceeded those of relevant HFRI composite indices

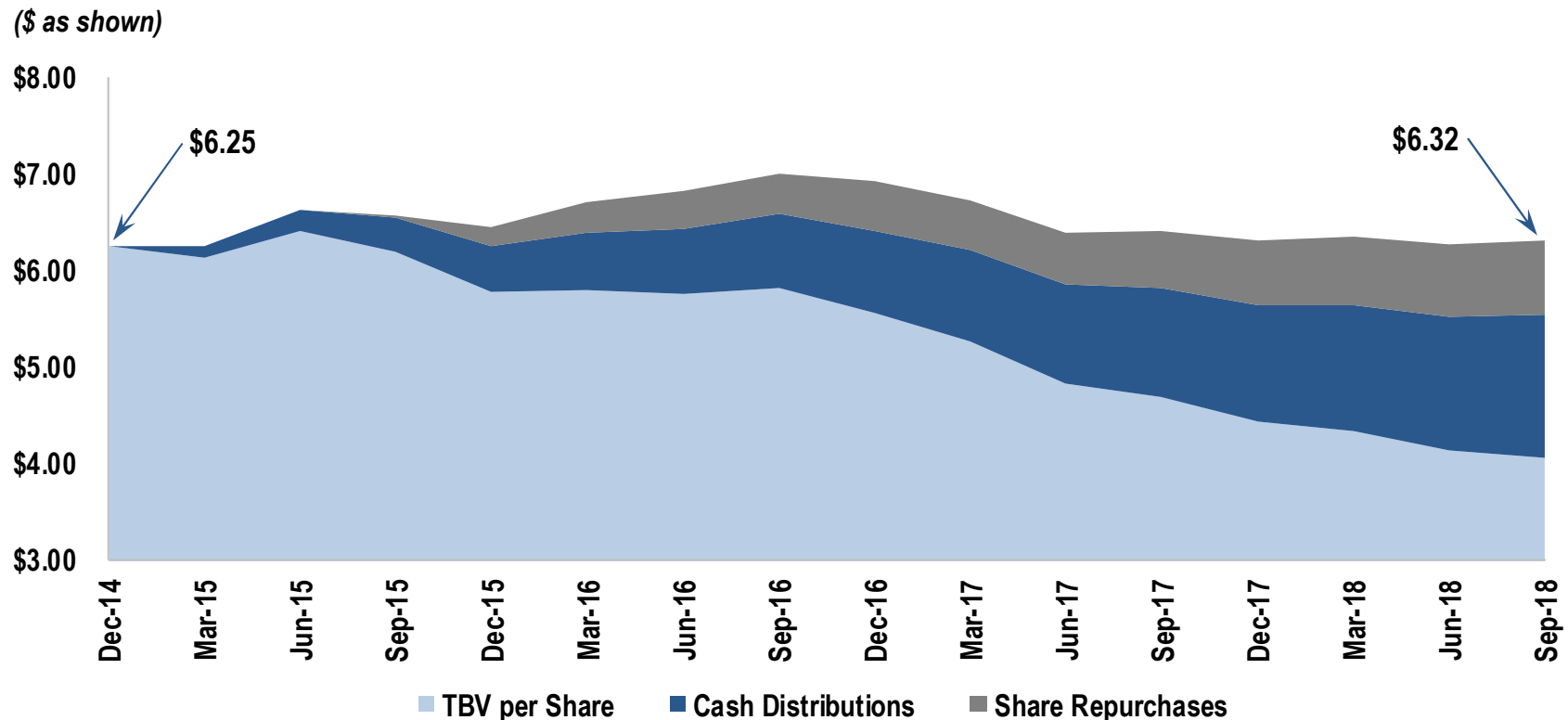
(\$ in millions)	% of Invested Capital	Return on Average Equity Invested <sup>(2)</sup>	
		YTD	2017
Hedge Funds	7%	(8.8%)	10.3%
Private Capital	9%	5.2%	9.0%
Venture Capital	4%	(0.7%)	(0.0%)
CLO Assets	63%	7.8%	7.6%
Real Estate	12%	2.5%	5.4%
Principal Investments <sup>(1)</sup>	6%	23.1%	16.4%
<b>Total Invested Capital</b>	<b>100%</b>	<b>6.4%</b>	<b>7.7%</b>
<i>HFRI Fund Weighted Composite Index</i>		<i>1.4%</i>	<i>8.6%</i>
<i>HFRI Fund of Funds Composite Index</i>		<i>0.9%</i>	<i>7.7%</i>

<sup>(1)</sup> Returns calculated using average cost basis for given period.

<sup>(2)</sup> Returns net of assumed management fees and carried interest.

## Distributions to Shareholders

- Since the company's reorganization as a publicly traded partnership at the beginning of 2015, JMP Group has made monthly cash distributions and has consistently repurchased shares
- While the company's book value has declined, nearly all of the decrease has been offset by the return of substantial capital to shareholders



## Balance Sheet

<i>(\$ in millions)</i>	9/30/18
<b>Assets</b>	
Cash and Cash Equivalents	\$73.1
Restricted Cash and Deposits	3.8
Marketable Securities Owned, at Fair Value	20.2
<b>Other Investments</b>	
Interests in JMP-Managed Hedge Funds	5.4 <sup>(1)</sup>
Other Equity Investments	10.4
Total Other Investments	15.8
Consolidated CLO Assets	1,214.0 <sup>(2)</sup>
Other Assets	36.6
<b>Total Assets</b>	<b>\$1,363.5</b>
<b>Liabilities and Stockholders' Equity</b>	
Accrued Compensation	\$33.4
Bond Payable, Net of Issuance Costs	83.4
Note Payable	0.8
<b>Consolidated CLO Liabilities</b>	
<b>&amp; Non-Controlling Interest</b>	<b>1,140.3 <sup>(3)</sup></b>
<b>Other Liabilities</b>	
<b>&amp; Other Non-Controlling Interest</b>	<b>18.9</b>
<b>Total Liabilities</b>	<b>1,276.8</b>
<b>Total Equity</b>	<b>86.7</b>
<b>Total Liabilities and Equity</b>	<b>\$1,363.5</b>

- **Net invested capital of \$80.0 million, or \$3.74 per share <sup>(4)</sup>**
- **Debt-to-capital ratio of 49% <sup>(5)</sup>**
  - **\$84.2 million of recourse debt <sup>(5)</sup>**
- **Tangible book value of \$4.06 per share**
  - **Adjusted book value of \$5.07 per share**

<sup>(1)</sup> Private equity investments.

<sup>(2)</sup> Includes \$1.2 billion of loans, \$44.8 million of restricted cash, and other assets.

<sup>(3)</sup> Includes non-controlling interest of \$13.7 million.

<sup>(4)</sup> Sum of unrestricted cash, including certain imminent receivables; marketable securities and hedge fund GP interests less short sales; accrued compensation; short-term debt; bonds payable; CLO securities; other non-marketable securities; and non-controlling interest.

<sup>(5)</sup> Represents long-term debt issued in Jan. 2014 and Nov. 2017. Excludes \$1.1 billion of asset-backed securities, issued by bankruptcy-remote entities, that are non-recourse to JMP Group.

## Income Statement – Operating Net Income

(\$ in millions)	2015	2016	2017	YTD '17	YTD '18
<b>Revenues</b>					
Investment Banking Fees	\$63.1	\$55.4	\$77.3	\$54.8	\$70.3
Net Brokerage Revenues	25.6	23.8	21.1	15.1	14.8
Asset Management-Related Fees <sup>(1)</sup>	23.3	26.2	18.5	14.2	15.4
Net Investment Income <sup>(2)</sup>	19.9	25.7	9.1	7.5	9.4
Loan Loss Provision	0.7	(0.9)	(2.5)	(2.4)	(1.4)
Adjusted Net Revenues	132.6	130.2	123.5	89.2	108.5
<b>Expenses</b>					
Compensation and Benefits <sup>(3)</sup>	91.2	93.0	88.5	66.4	74.8
General, Administrative and Other	28.6	29.0	29.9	22.2	29.5
Total Non-Interest Expenses	119.8	122.0	118.3	88.6	104.4
Oper. Inc. before Taxes	12.8	8.1	5.2	0.6	4.1
Income Tax Expense <sup>(4)</sup>	0.6	(2.3)	0.8	(0.2)	0.6
Operating Net Income	\$12.3	\$10.5	\$4.4	\$0.8	\$3.5
Operating EPS	\$0.55	\$0.48	\$0.20	\$0.03	\$0.16

(1) Includes management fees eliminated upon consolidation of Harvest Growth Capital, Harvest Growth Capital II and Harvest Capital Credit.

(2) Excludes (i) unrealized mark-to-market gains or losses on strategic equity investments and warrant positions and on deferred employee compensation invested, (ii) unrealized losses derived from depreciation and amortization of investments in commercial real estate, (iii) loan loss provisions, (iv) non-controlling interests in net unrealized gains and losses on Harvest Growth Capital and Harvest Growth Capital II, and (v) all non-controlling interests in income and expenses.

(3) Excludes compensation expense related to stock-based awards granted both at the time of the company's IPO and thereafter but accelerates and recognizes deferred compensation.

(4) Prior to 2018, assumes an effective tax rate of 38%. As of 1/1/18, assumes rate of 26%, adjusted for cap on interest rate expense. Rates apply only to taxable subsidiary; effective tax rate varies.



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## Investment Highlights

- Revenue mix shift toward higher-margin businesses with higher market multiples
- Beneficiary of industry consolidation
  - Increasing franchise value of independent, full-service investment banking platform
  - Most recent acquisitions have been by commercial banks at attractive valuations
- Capital-light business model
  - High return on equity at operating platforms
  - Attractive risk-adjusted returns on capital invested in differentiated asset management strategies
  - Significant return of capital since inception through regular cash distributions and share repurchases
- Consistent profitability over nearly two decades and throughout multiple market cycles
- Industry-leading dividend yield
- Initiatives underway to simplify JMP Group story