

# JMP

## **Introduction to JMP Group LLC**

**August 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.

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## Mission Statement

***To build a premium-quality, research-centric institutional investment bank and alternative asset manager focused on small- and mid-cap growth companies and their investors***

## Diversified and Profitable

- Capital markets firm with diversified revenue mix and scalable platforms:
  - Boutique investment bank with growing franchise value in consolidating industry
  - Alternative asset manager with ten strategies across 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
- Well-aligned senior management and board of directors own 53% of outstanding shares, compared to 27% at time of May 2007 IPO

### Key Data

- LTM adjusted net revenues and operating EPS of \$142.8 million and \$0.35, respectively
- Monthly cash distribution of \$0.03 per share announced for 3Q18, equating to annualized distribution of \$0.36 per share
- Sponsored fund assets under management of \$5.5 billion at 7/2/18

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

	LTM		2017	
	EPS	ROE	EPS	ROE
JMP Securities	\$0.45	35.8%	\$0.31	28.5%
Asset Management	(0.02)	(5.1%)	0.01	0.9%
Operating Platforms	0.43	23.0%	0.32	18.7%
Net Corporate Income	(0.08)	(2.2%)	(0.12)	(3.1%)
Operating Earnings	\$0.35	6.7%	\$0.20	3.6%

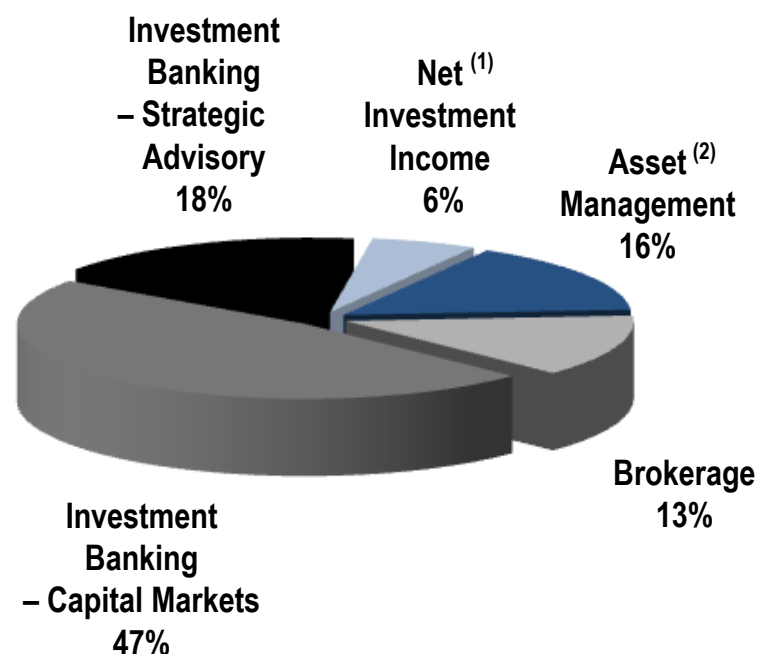
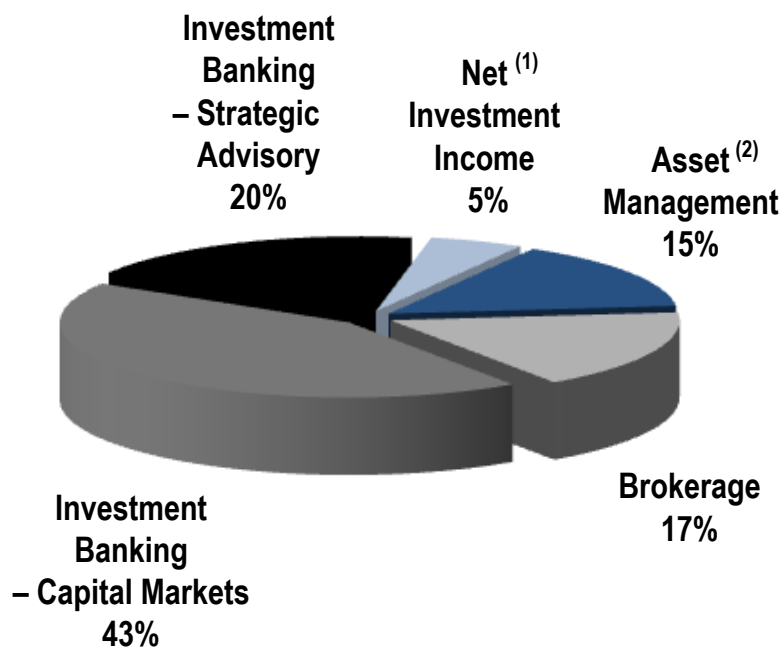
<sup>(1)</sup> A non-GAAP financial measure. For more information, see the Form 8-K filed on 5/2/18. Due to rounding, per share amounts may not sum totals presented.

## Multiple Business Lines

### Composition of Adjusted Net Revenues

2017

1H18



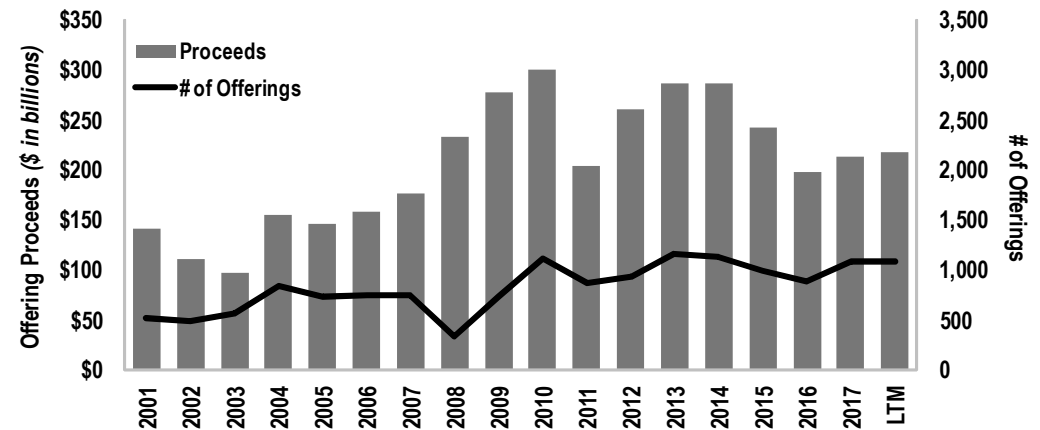
(1) Excludes net unrealized gains and losses on strategic equity investments and warrants as well as any gains and losses earned on deferred employee compensation invested. Excludes all non-controlling interests in net investment income.

(2) Includes fundraising and other asset management-related fee revenues reported as other income as well as management fees earned on HGC and HGC II. Excludes all non-controlling interests in asset management fees.

## A Cyclical Environment

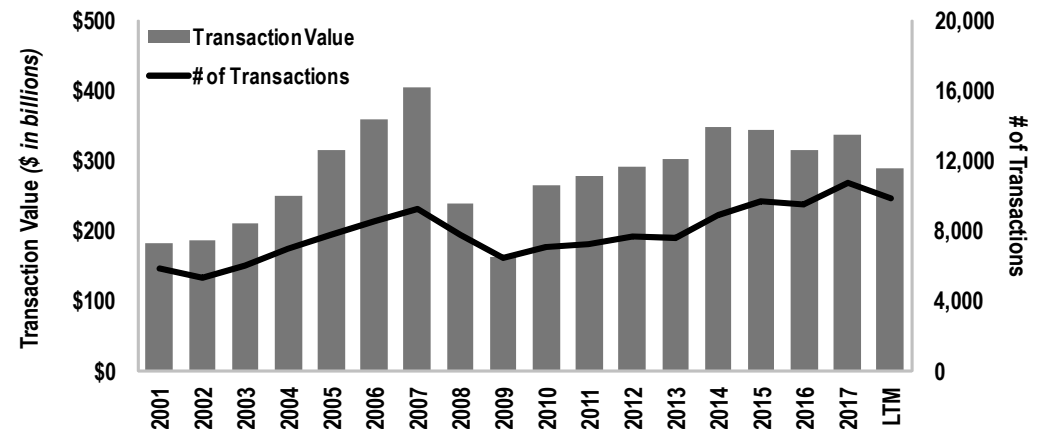
- JPM Securities has increased its ECM market share materially since 2016, with underwriting revenues rebounding at a faster rate than overall industry fees
- The firm is well positioned to benefit if the equity capital markets environment continues to improve

### U.S. Common Equity Offerings



### U.S. Mergers & Acquisitions

Transactions with Total Consideration of \$1.0 Billion or Less



- JPM Securities has undertaken a multi-year initiative to organically grow the firm's strategic advisory business
- The firm's momentum is good, with record M&A revenues in 2016 and another strong year expected in 2018

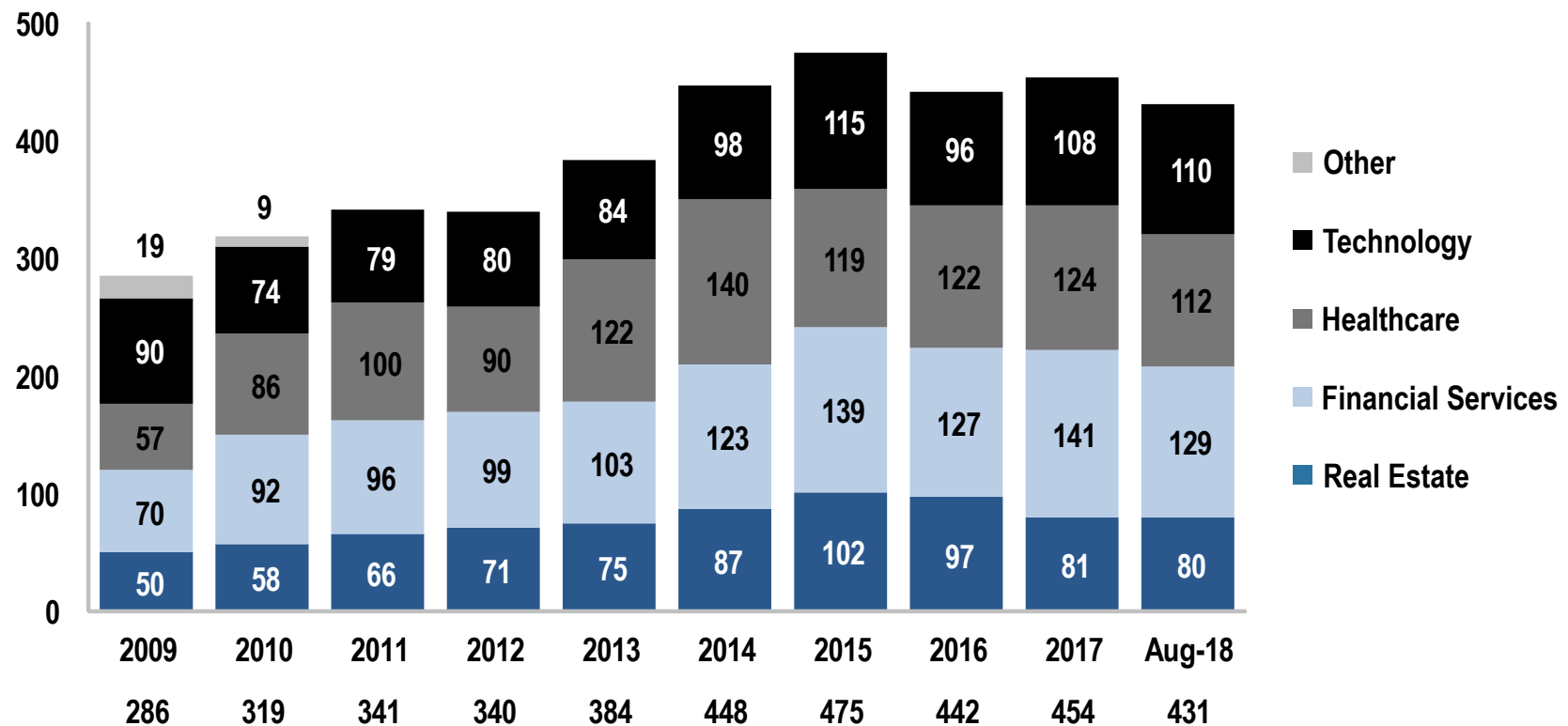
## Four Key Focuses

- **Grow JMP Securities' strategic advisory business**
  - Increase annual M&A fee revenue to more than \$50 million by 2021
  - Add experienced, advisory-focused investment bankers—four hired in 2018 to date
  - 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

- 19 senior research analysts covering 431 stocks with a median market capitalization of \$1.9 billion
- 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

(# of stocks under coverage)



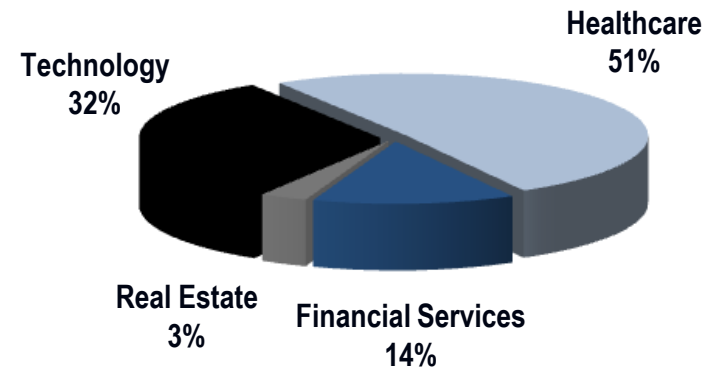
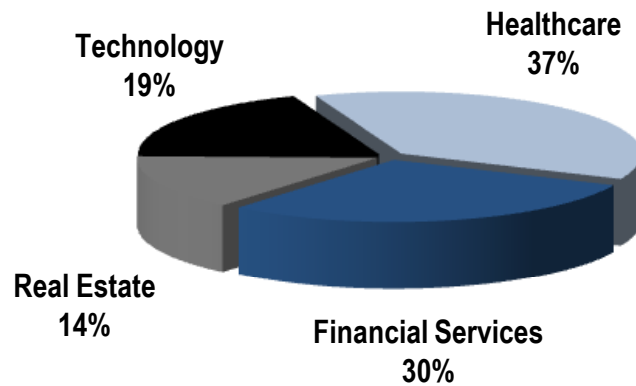


## Diversification in Transaction Volume

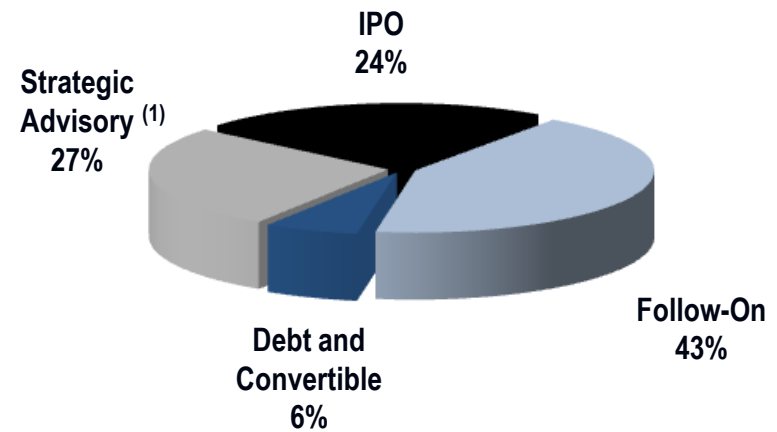
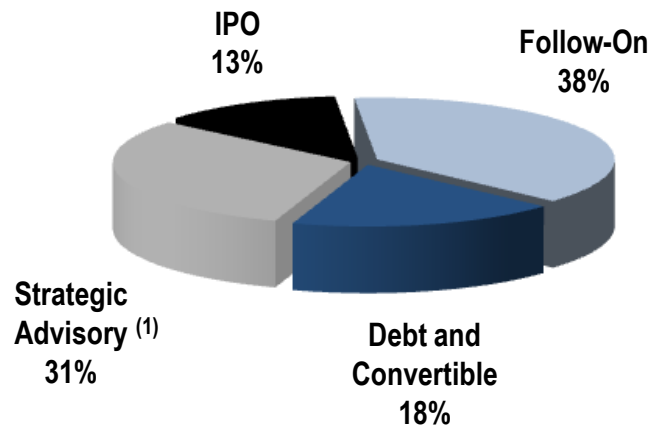
2017 Revenues

1H18 Revenues

### By Industry



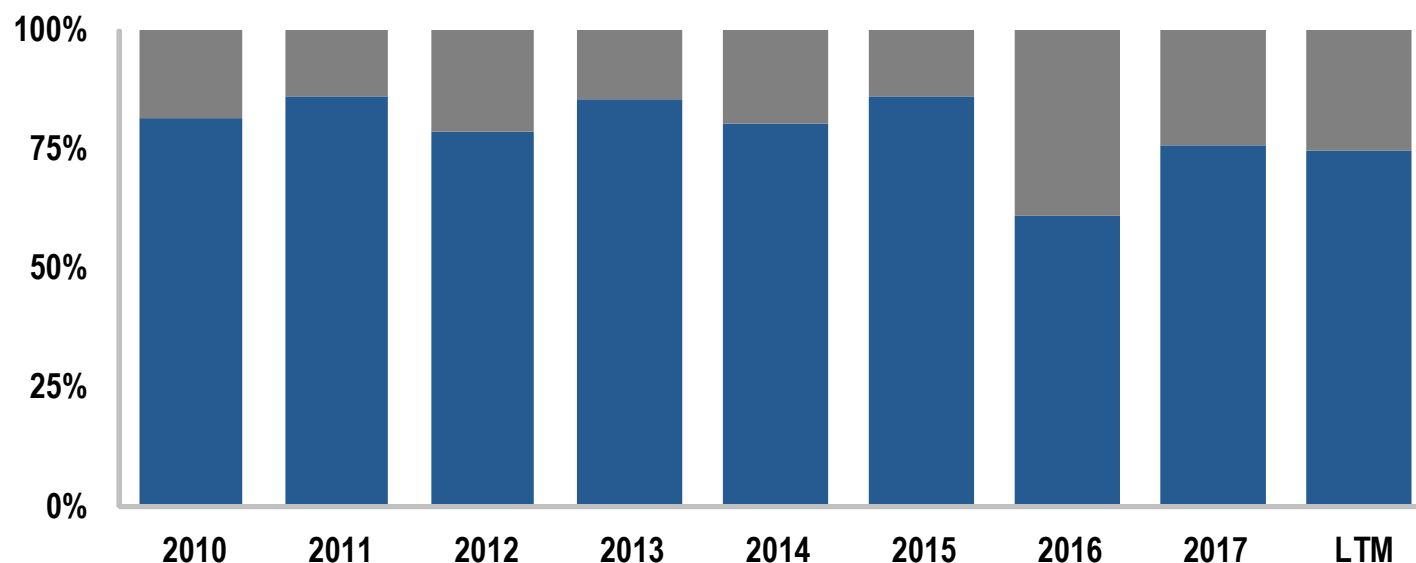
### By Type of Transaction



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

## Composition of Revenues

- Aggregate 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	\$29.4
■ Capital Markets Revenues	60.2	61.3	57.2	84.2	86.3	77.3	48.1	74.5	85.3
<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>\$114.7</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, West Coast-based investment banks

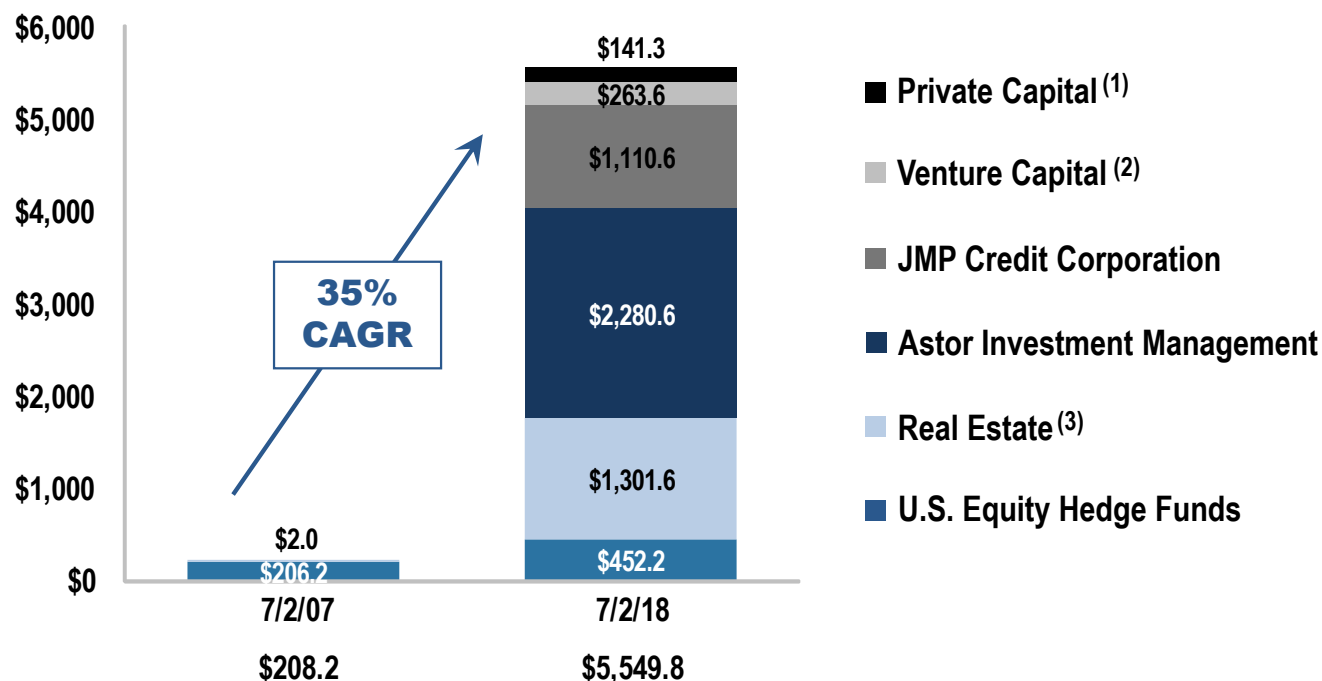
- Selected peer firms acquired or closed since JMP Group's 2007 IPO:

— Cain Brothers & Company	August 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
— BB&T Capital Markets (Equities)	July 2016	— Citadel Securities	Aug. 2011
— Sterne Agee CRT	June 2016	— Signal Hill Capital Group (Equities)	Aug. 2011
— Simmons & Company	Nov. 2015	— Soleil Securities	Mar. 2011
— MLV & Co.	July 2015	— Nollenberger Capital Partners	Feb. 2011
— Sterne Agee Group	Feb. 2015	— Howe Barnes Hofer & Arnett	Dec. 2010
— Lazard Capital Markets	Sep. 2014	— Tri-Artisan Capital Partners	Dec. 2010
— Pacific Crest Securities	July 2014	— CRT Capital Group	Aug. 2010
— Gleacher & Company	July 2014	— Udata Advisors	Aug. 2010
— SWS Group	Apr. 2014	— Hill Street Capital	May 2010
— McColl Partners	June 2013	— Thomas Weisel Partners	Apr. 2010
— Edgeview Partners	June 2013	— Fox-Pitt Kelton	Sep. 2009
— Dahlman Rose & Company	Feb. 2013	— Merrill Lynch & Co.	Sep. 2008
— Caris & Company	Dec. 2012	— Lehman Brothers	Sep. 2008
— Milestone Advisors	Dec. 2012	— Bear Stearns	Mar. 2008
— Jefferies Group	Nov. 2012	— CIBC World Markets (U.S.)	Nov. 2007
— KBW	Nov. 2012	— Putnam Lovell	June 2007
— ThinkEquity	Nov. 2012	— Cochran Caronia Waller	May 2007
— WJB Capital Group	Aug. 2012		

## Alternative Investment Products

- Attractive economics of the alternative asset model provide management fees and profit participation
- 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
- Focus on adding new fund strategies and distribution channels to drive growth in AUM

(\$ in millions)



(1) Represents Harvest Capital Credit Corporation (NASDAQ: HCAP) and JMP Capital I.

(2) Includes Harvest Growth Capital funds and Harvest Intrexon Enterprise Fund.

(3) Represents Workspace Property Trust and JMP Realty Partners I.

## Client Assets Under Management

(\$ in millions)		1/3/17	1/2/18	7/2/18
<b>Hedge Funds</b>	Harvest Small Cap Partners	\$515.1	\$379.1 <sup>(5)</sup>	\$365.4
	Harvest Agriculture Select	90.6	90.3	86.8
		<u>605.7</u>	<u>469.4</u>	<u>452.2</u>
<b>Tactical Allocation</b>	Astor Investment Management <sup>(1)(2)</sup>	-	2,031.0	2,280.6
<b>Venture Capital</b>	Harvest Growth Capital Funds	156.3	175.7	205.6
	Harvest Intrexon Enterprise Fund	243.7	69.9 <sup>(6)</sup>	58.0
<b>Private Capital</b>	Harvest Capital Credit Corporation	139.1	119.1	120.1 <sup>(7)</sup>
	JMP Capital I <sup>(3)</sup>	-	21.2	21.2
<b>CLO Assets</b>	JMP Credit Corporation <sup>(4)</sup>	1,073.0	894.4	1,110.6
<b>Real Estate</b>	Workspace Property Trust <sup>(2)</sup>	1,281.9	1,279.7	1,275.8 <sup>(7)</sup>
	JMP Realty Partners I	15.3	25.8	25.8
<b>Total Client AUM</b>		<u>\$3,515.0</u>	<u>\$5,086.1</u>	<u>\$5,549.8</u>

(1) Investment closed in November 2017.

(2) Asset manager in which JMP has an ownership interest.

(3) Initial fundraising completed in April 2017.

(4) AUM represents par value of loans and cash in CLOs.

(5) Reflects a return of capital in the amount of \$77.5 million on 11/1/17.

(6) Reflects a contractual change in capital base on which management fees are paid.

(7) As of 3/31/18.

# Principal Investments

## Capital Deployed in Alternative Assets

(\$ in millions)	6/30/18	% of	Return on	
	Net Inv. Cap. per Share	Invested Capital	Average Equity Invested <sup>(2)</sup>	
			1H18	2017
Hedge Funds	\$0.46	6%	(8.0%)	10.3%
Private Capital	0.51	6%	3.7%	9.0%
Venture Capital	0.31	4%	5.1%	(0.0%)
CLO Assets	5.60	70%	4.8%	7.6%
Real Estate	0.74	9%	(5.7%)	7.0%
Principal Investments <sup>(1)</sup>	0.36	4%	18.3%	16.4%
<b>Total Invested Capital</b>	<b>7.97</b>	<b>100%</b>	<b>4.0%</b>	<b>7.8%</b>
<b>Debt</b>	<b>(5.30)</b>	<b>(67%)</b>	<b>(4.0%)</b>	<b>(8.1%)</b>
<b>Total Invested Capital, Net of Debt</b>	<b>2.67</b>	<b>33%</b>	<b>4.7%</b>	<b>7.9%</b>
<b>Free Cash</b>	<b>0.25</b>	<b>3%</b>	<b>0.2%</b>	<b>0.4%</b>
<b>Total Available Net Invested Capital</b>	<b>\$2.92</b>	<b>37%</b>	<b>3.9%</b>	<b>3.8%</b>
<i>HFRI Fund Weighted Composite Index</i>			<i>0.8%</i>	<i>8.6%</i>
<i>HFRI Fund of Funds Composite Index</i>			<i>1.0%</i>	<i>7.7%</i>

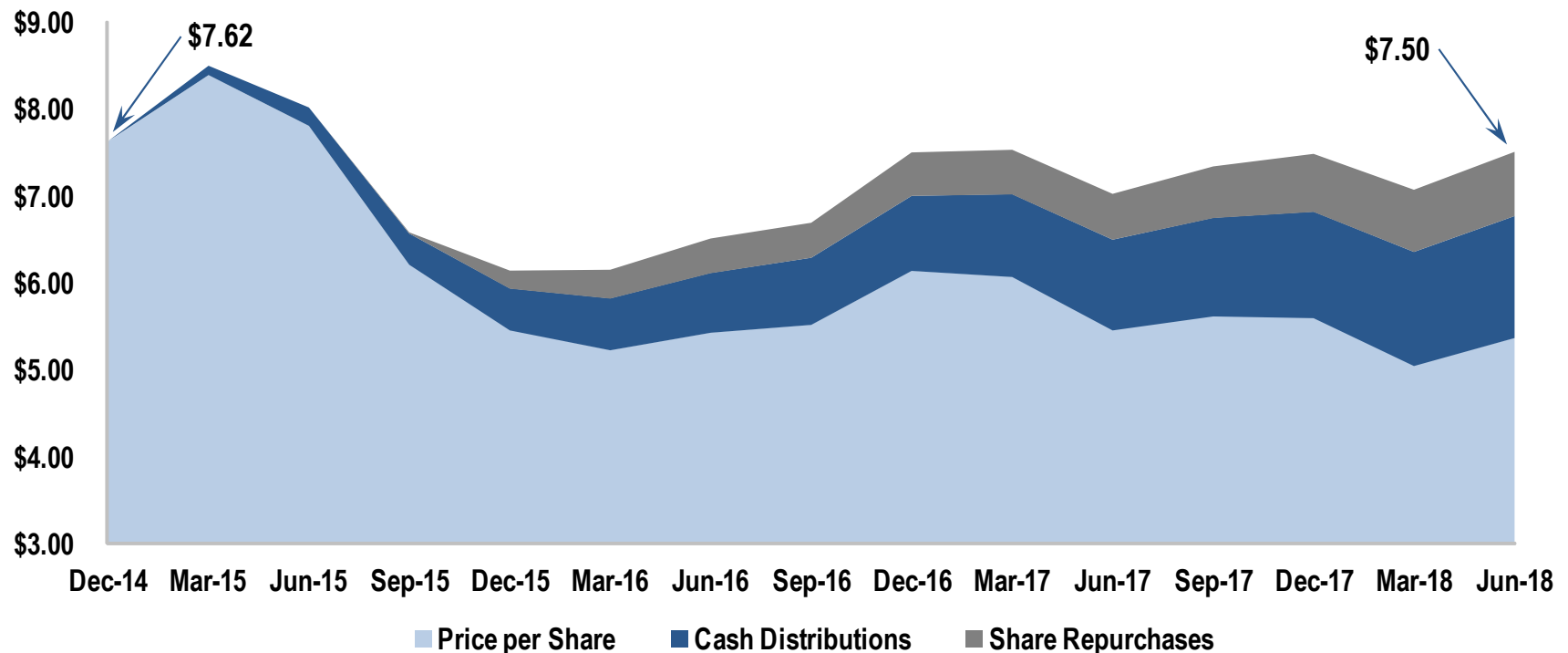
<sup>(1)</sup> Returns calculated using average cost basis for given period.

<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 share price has declined, nearly all of the decline has been offset by the return of capital to shareholders
- JMP Group intends to pay out more than 50% of operating earnings each year

(\$ as shown)



## Balance Sheet

(\$ in millions)	6/30/18
<b>Assets</b>	
Cash and Cash Equivalents	\$50.4
Restricted Cash and Deposits	3.4
Marketable Securities Owned, at Fair Value	21.5
<b>Other Investments</b>	
Interests in JMP-Managed Hedge Funds	5.8 <sup>(1)</sup>
Other Equity Investments	11.1
Total Other Investments	16.9
Consolidated CLO Assets	1,112.2 <sup>(2)</sup>
Other Assets	46.6
<b>Total Assets</b>	<b>\$1,251.0</b>
<b>Liabilities and Stockholders' Equity</b>	
Accrued Compensation	\$18.8
Bond Payable, Net of Issuance Costs	93.1
Note Payable	25.3
<b>Consolidated CLO Liabilities</b>	
<b>&amp; Non-Controlling Interest</b>	<b>1,001.6 <sup>(3)</sup></b>
<b>Other Liabilities</b>	
<b>&amp; Other Non-Controlling Interest</b>	<b>23.5</b>
<b>Total Liabilities</b>	<b>1,162.3</b>
<b>Total Equity</b>	<b>88.7</b>
<b>Total Liabilities and Equity</b>	<b>\$1,251.0</b>

- **Liquid balance sheet**
  - Net liquid assets of \$56.1 million, or \$2.61 per share <sup>(4)</sup>
  - Fixed assets < 1% of total deconsolidated assets
- **Net invested capital of \$93.1 million, or \$4.33 per share, including \$1.42 per share in book value at platform companies <sup>(5)</sup>**
- **Debt-to-capital ratio of 56% <sup>(6)</sup>**
  - \$112.0 million of recourse debt <sup>(6)</sup>
- **Tangible book value of \$4.13 per share**
- **Adjusted book value of \$5.08 per share**

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

<sup>(2)</sup> Includes \$1.1 billion of loans, \$43.3 million of restricted cash, and other assets.

<sup>(3)</sup> Includes non-controlling interest of \$13.9 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 and non-controlling interest.

<sup>(5)</sup> Composed of net liquid assets as well as CLO securities, bonds payable and other non-marketable securities.

<sup>(6)</sup> Represents long-term debt issued in Jan. 2014 and Nov. 2017. Excludes \$978.4 million of asset-backed securities and other borrowings, issued by bankruptcy-remote entities, that are non-recourse to JMP Group.



## Income Statement – Operating Net Income

(\$ in millions)	2015	2016	2017	1H17	1H18
<b>Revenues</b>					
Investment Banking Fees	\$63.1	\$55.4	\$77.3	\$32.7	\$49.2
Net Brokerage Revenues	25.6	23.8	21.1	10.4	10.1
Asset Management-Related Fees <sup>(1)</sup>	23.3	26.2	18.5	10.1	11.7
Net Investment Income <sup>(2)</sup>	19.9	25.7	9.1	4.9	5.4
Loan Loss Provision	0.7	(0.9)	(2.5)	(1.8)	(0.9)
Adjusted Net Revenues	132.6	130.2	123.5	56.3	75.6
<b>Expenses</b>					
Compensation and Benefits <sup>(3)</sup>	91.2	93.0	88.5	42.9	52.5
General, Administrative and Other	28.6	29.0	29.9	15.6	20.8
Total Non-Interest Expenses	119.8	122.0	118.3	58.6	73.3
Oper. Inc. before Taxes	12.8	8.1	5.2	(2.3)	2.2
Income Tax Expense <sup>(4)</sup>	0.6	(2.3)	0.8	(0.8)	0.5
Operating Net Income	\$12.3	\$10.5	\$4.4	(\$1.5)	\$1.8
Operating EPS	\$0.55	\$0.48	\$0.20	(\$0.07)	\$0.08

(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

- **Strong near-term earnings momentum driven by:**
  - An active capital markets environment
  - Continued market share gains in our strategic advisory business
  - Completed redeployment of excess cash back into our CLO strategy
  
- **Beneficiary of industry consolidation**
  - Increasing franchise value of independent, full-service investment banking platform
  
- **Capital-light business model**
  - High return on equity at operating platforms
  - Attractive risk-adjusted returns on capital invested in differentiated asset management strategies
  - Efficient return of capital to shareholders
    - Regular annual cash distribution of \$0.36 per share
    - Approximately 700,000 shares eligible to be repurchased by end of 2018
  
- **Initiatives underway to simplify JMP Group story**