

# JMP

## **Introduction to JMP Group LLC**

**April 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 franchise value in consolidating industry
  - Alternative asset manager with nine strategies across five 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 49% of outstanding shares, compared to 27% at time of May 2007 IPO

### Key Data

- 2017 adjusted net revenues and operating EPS of \$123.4 million and \$0.20, respectively
- Quarterly cash distribution of \$0.09 per share announced for 1Q18, in line with 4Q17, for annualized distribution of \$0.36 per share
- Sponsored fund assets under management of \$5.0 billion at 1/2/18

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

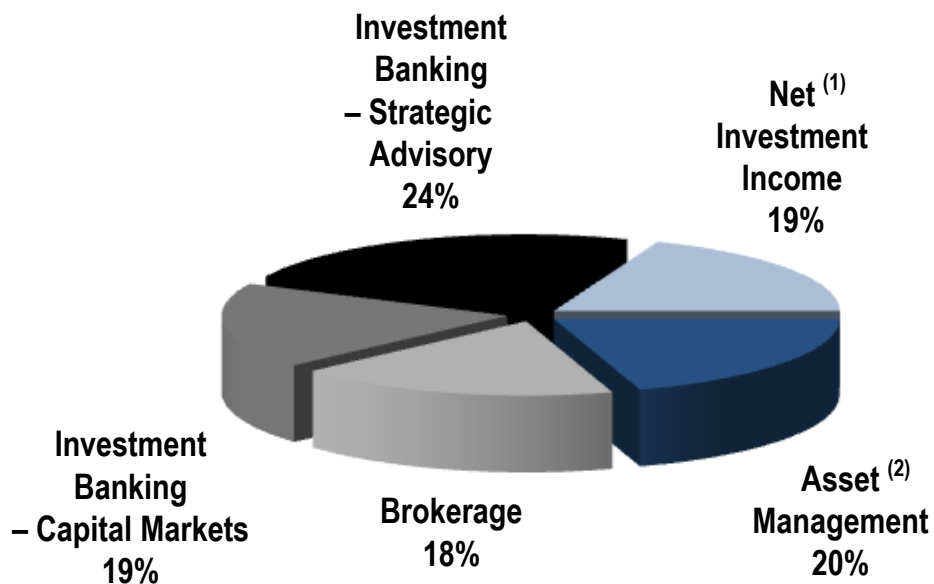
	2016		2017	
	EPS	ROE	EPS	ROE
JMP Securities	\$0.05	7.6%	0.31	28.5%
Asset Management	0.07	11.1%	0.01	0.9%
Operating Platforms	0.13	9.3%	0.32	18.7%
Net Corporate Income	0.35	7.9%	(0.12)	(3.1%)
Operating Earnings	\$0.48	8.2%	\$0.20	3.6%

<sup>(1)</sup> A non-GAAP financial measure. Due to rounding, per share amounts may not sum to totals presented. For more information, see the Form 8-K filed on 11/1/17.

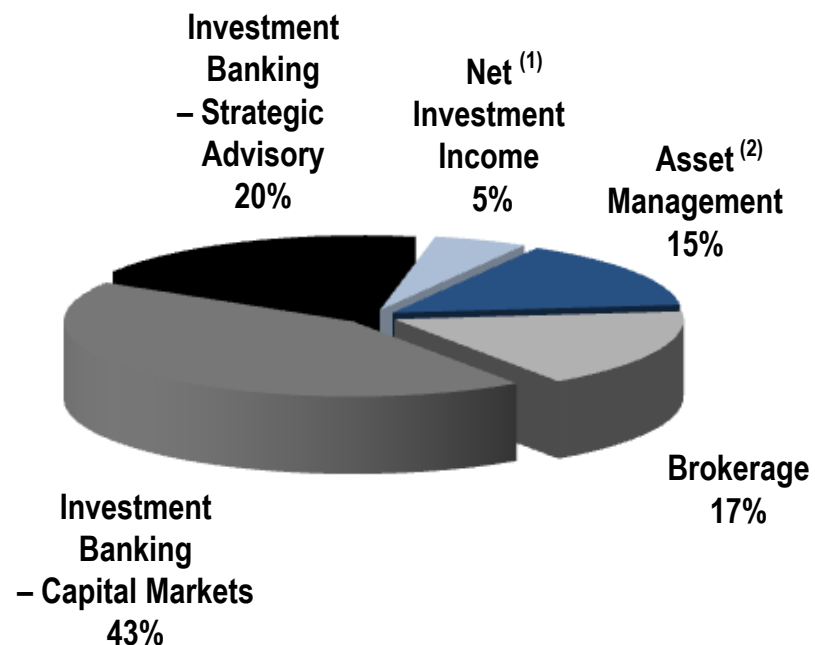
## Multiple Business Lines

### Composition of Adjusted Net Revenues

2016



2017



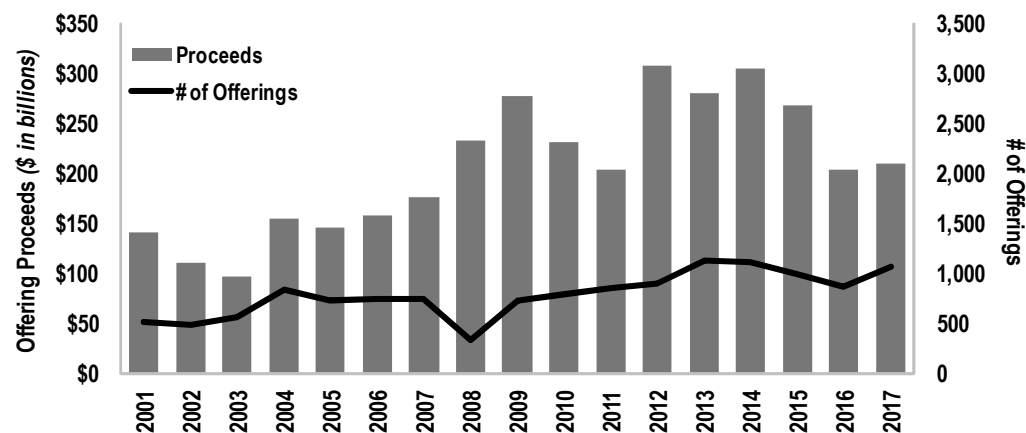
<sup>(1)</sup> Excludes net unrealized gains and losses on strategic equity investments and warrants as well as any gains and losses earned on deferred employee compensation invested. Excludes all non-controlling interests in net investment income.

<sup>(2)</sup> 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

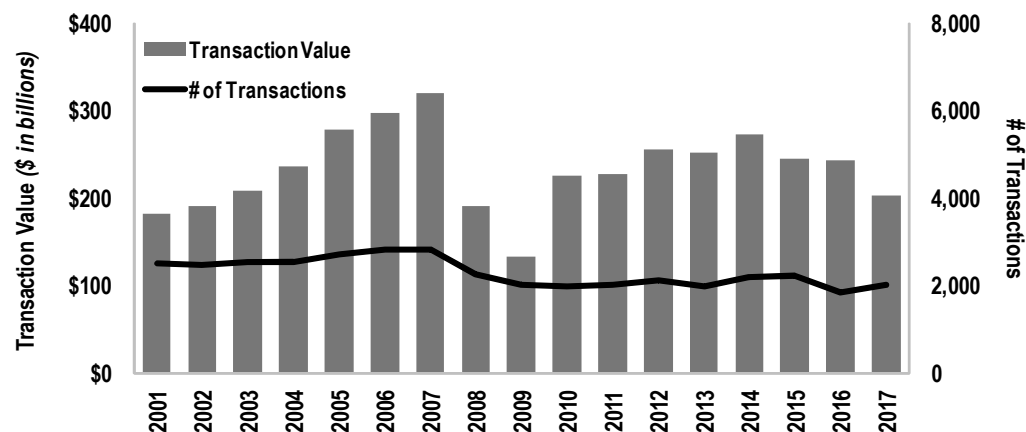
- **JMP Securities increased its ECM market share materially in 2017, with underwriting revenues rebounding at a faster rate than overall industry fees**
- **The firm is well positioned to benefit if the equity capital markets environment continues to improve**

### U.S. Common Equity Offerings



### U.S. Mergers & Acquisitions

Transactions with Total Consideration of \$1.0 Billion or Less



- **JMP 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 for 2016 and another strong year in 2017**

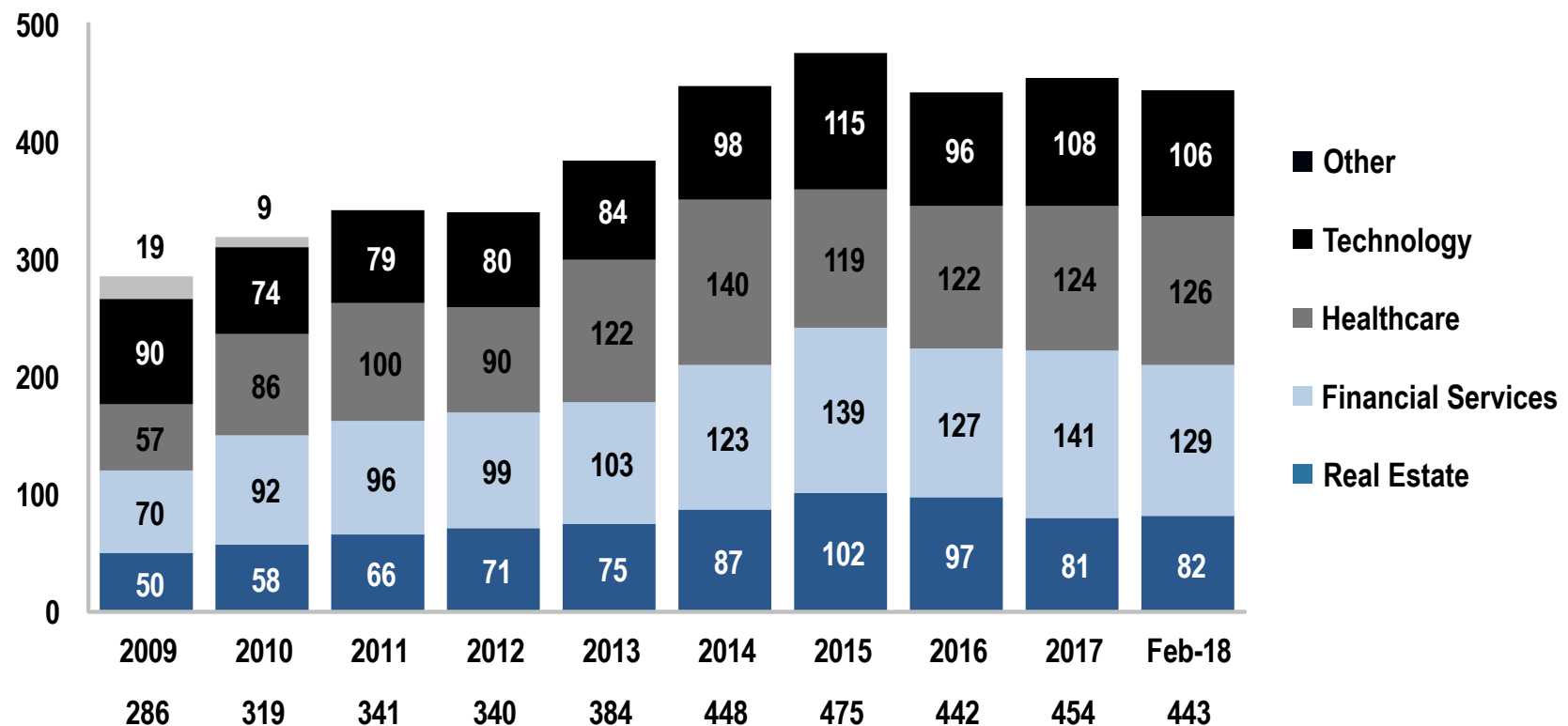
## Four Key Focuses

- **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
  - 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
  
- **Expand asset management platforms**
  - Attract new capital to existing funds with additional capacity
  - Develop new private capital strategies that can leverage relationships across the company to source unique investment opportunities
  
- **Deploy large, investable cash balance**
  - \$0.77 per share in unrestricted cash
  - Formation of new CLOs, future fund commitments, strategic acquisitions or retirement of outstanding debt

## Coverage of Four Broad Growth Sectors

- 21 publishing research analysts covering 443 stocks with a median market capitalization of \$1.6 billion
- Emphasis on increasing research coverage enhances JMP Securities' relevance to institutional brokerage customers and grows the number of relationships with potential investment banking clients
- Brokerage platform is a highly effective distribution network for underwritten securities offerings

(# of stocks under coverage)



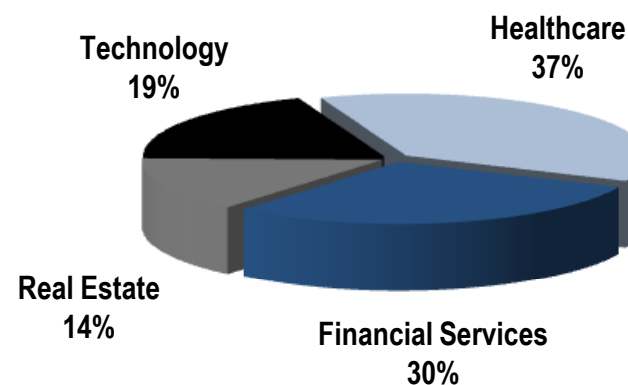
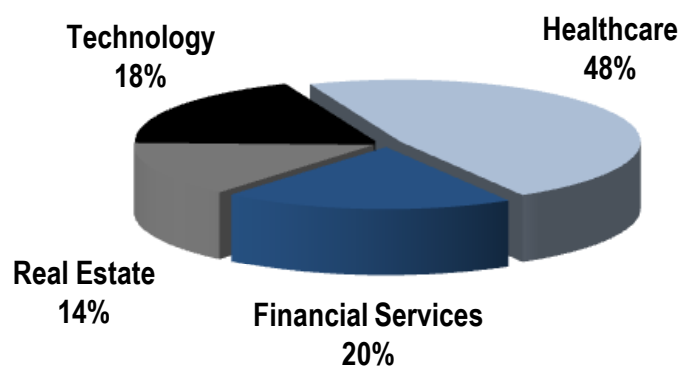


## Diversification in Transaction Volume

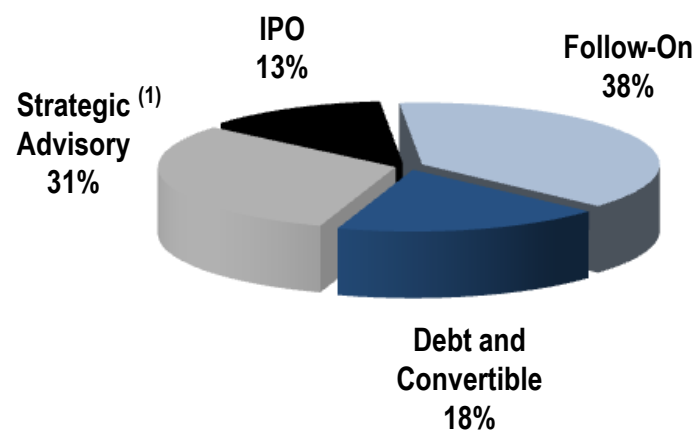
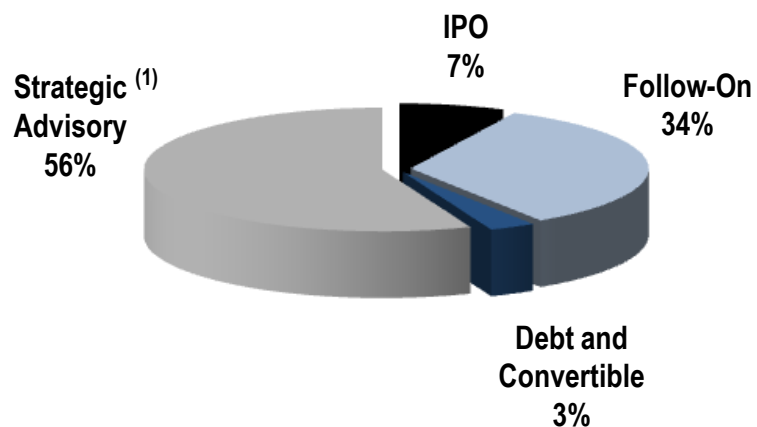
2016 Revenues

2017 Revenues

### By Industry



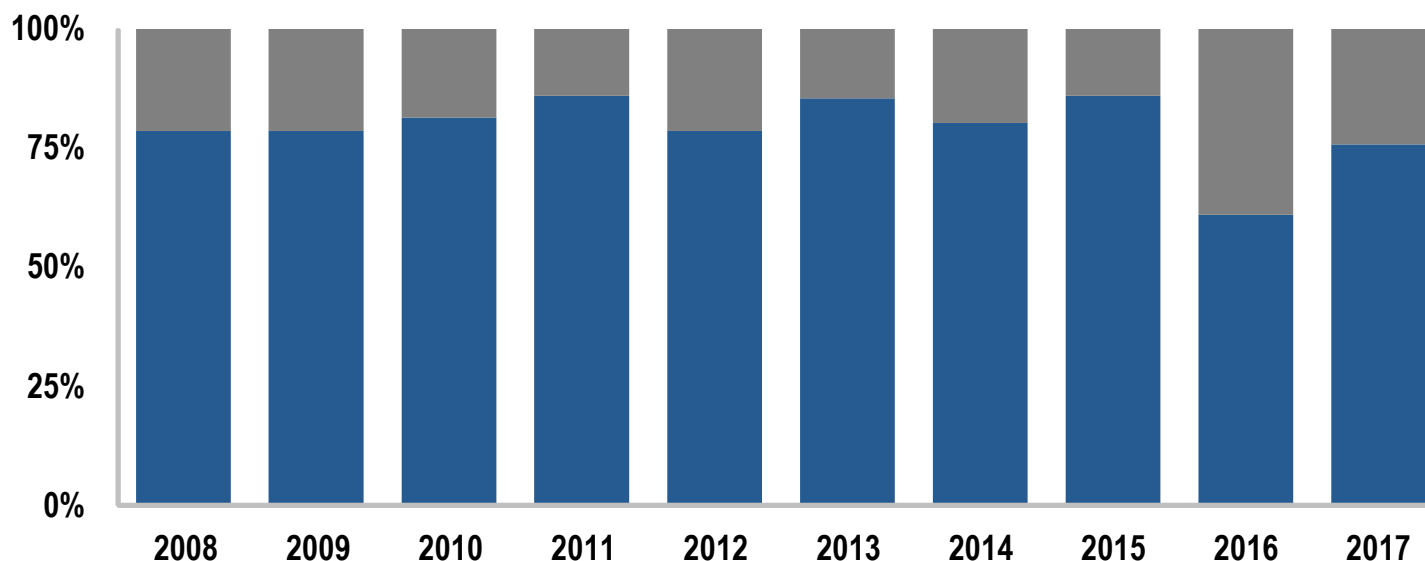
### By Type of Transaction



<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	\$13.5	\$16.1	\$13.7	\$10.3	\$15.7	\$14.6	\$21.7	\$12.5	\$31.0	\$24.0
■ Capital Markets Revenues	49.5	57.8	60.2	61.3	57.2	84.2	86.3	77.3	48.1	74.5
<b>JMP Securities Revenues</b>	<b>\$63.0</b>	<b>\$73.9</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>

## 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

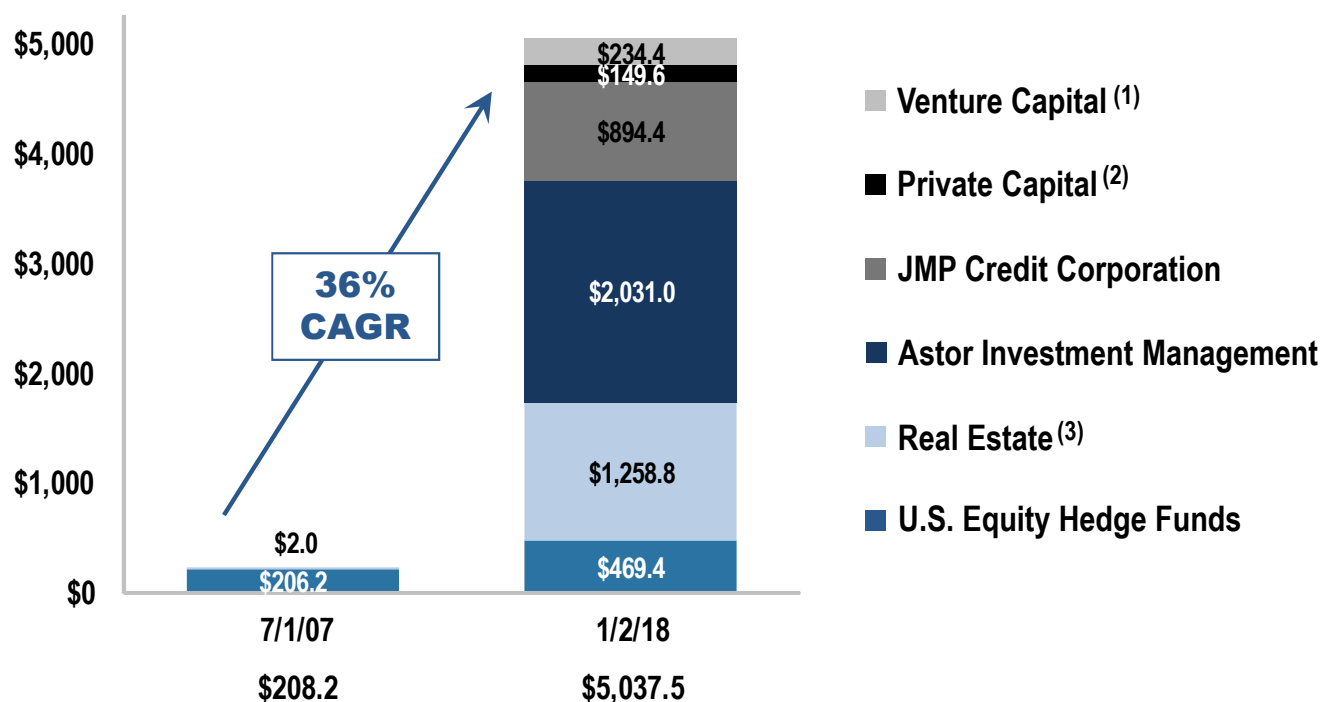
- Selected peer firms acquired or closed since JMP Group's 2007 IPO:

— 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
  - On-platform fund strategies and “sponsored” funds both offer compelling opportunities
- Focus on adding new fund strategies and distribution channels to drive growth in AUM

(\$ in millions)



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

(2) Represents Astor Investment Management, Harvest Capital Credit Corporation (NASDAQ: HCAP) and JMP Capital I.

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

## Client Assets Under Management

(\$ in millions)		1/3/17	1/2/18
<b>Hedge Funds</b>	Harvest Small Cap Partners	\$515.1	\$379.1 <sup>(5)</sup>
	Harvest Agriculture Select	90.6	90.3
		605.7	469.4
<b>Tactical Allocation</b>	Astor Investment Management <sup>(1)(2)</sup>	-	2,031.0
<b>Venture Capital</b>	Harvest Intrexon Enterprise Fund	243.7	68.8 <sup>(6)</sup>
	Harvest Growth Capital Funds	149.3	165.6
<b>Private Capital</b>	Harvest Capital Credit Corporation	134.1	128.4 <sup>(7)</sup>
	JMP Capital I <sup>(3)</sup>	-	21.2
<b>CLO Assets</b>	JMP Credit Corporation <sup>(4)</sup>	1,073.0	894.4
<b>Real Estate</b>	Workspace Property Trust <sup>(2)</sup>	1,281.9	1,233.0 <sup>(7)</sup>
	JMP Realty Partners I	15.3	25.8
<b>Total Client AUM</b>		\$3,503.1	\$5,037.5

(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 10/2/17.

# Principal Investments

## Capital Deployed in Alternative Assets

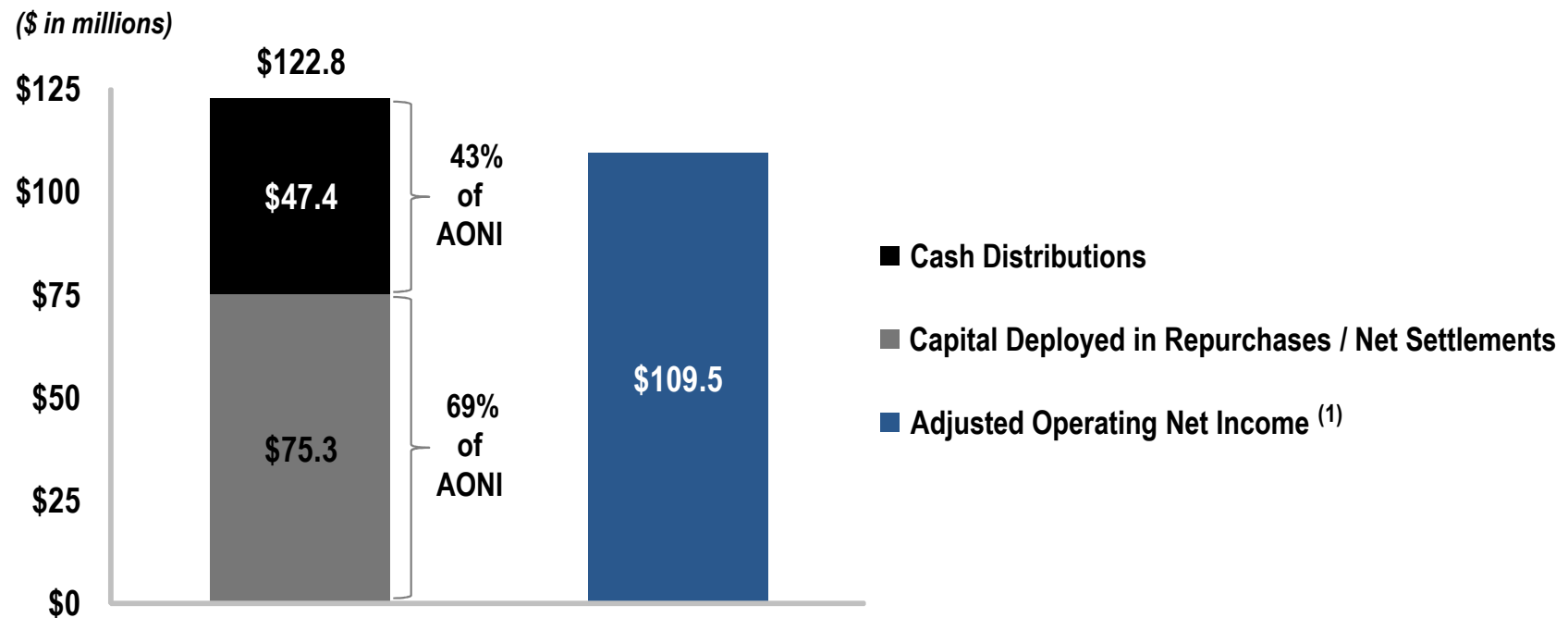
(\$ in millions)	12/31/17	% of	Return on	
	Net Inv. Cap. per Share	Invested Capital	Average Equity Invested <sup>(2)</sup>	
			2017	2016
Hedge Funds	\$0.93	14%	10.3%	(0.7%)
Private Capital	0.46	7%	9.0%	8.5%
Venture Capital	0.30	4%	(0.0%)	11.2%
CLO Assets	3.79	57%	7.6%	19.0%
Real Estate	0.75	11%	7.0%	50.4%
Principal Investments <sup>(1)</sup>	0.39	6%	16.4%	180.9%
<b>Total Invested Capital</b>	<b>6.61</b>	<b>100%</b>	<b>7.8%</b>	<b>17.8%</b>
Debt	(4.41)	(67%)	(8.1%)	(8.1%)
<b>Total Invested Capital, Net of Debt</b>	<b>2.20</b>	<b>33%</b>	<b>7.9%</b>	<b>29.8%</b>
Free Cash	0.87	13%	0.4%	0.4%
<b>Total Available Net Invested Capital</b>	<b>\$3.07</b>	<b>46%</b>	<b>3.8%</b>	<b>23.2%</b>
<i>HFRI Fund Weighted Composite Index</i>			8.6%	5.5%
<i>HFRI Fund of Funds Composite Index</i>			7.7%	0.7%

<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 IPO in May 2007, JMP Group has returned 112% of its adjusted operating net income to stockholders in the form of cash distributions, share repurchases and net settlements of vested RSUs
- As a publicly traded partnership, JMP Group intends to pay out more than 50% of operating earnings annually and to grow its book value per share by 5% to 10% per year in a normalized capital markets environment



<sup>(1)</sup> Excludes financial impact of gains recognized by JMP Credit Corporation on the sale or payoff of loans initially acquired in April 2009.

## Balance Sheet

<i>(\$ in millions)</i>	12/31/17
<b>Assets</b>	
Cash and Cash Equivalents	\$93.5
Restricted Cash and Deposits	3.4
Marketable Securities Owned, at Fair Value	20.8
Other Investments	
Interests in JMP-Managed Hedge Funds	14.4 <sup>(1)</sup>
Other Equity Investments	13.4
Total Other Investments	27.8
Consolidated CLO Assets	893.4 <sup>(2)</sup>
Deferred Tax Assets	6.0
Other Assets	31.6
Total Assets	\$1,076.5
<b>Liabilities and Stockholders' Equity</b>	
Accrued Compensation	\$43.1
Bond Payable, Net of Issuance Costs	93.1
Consolidated CLO Liabilities & Non-Controlling Interest	820.5 <sup>(3)</sup>
Deferred Tax Liability	2.2
Other Liabilities	
& Other Non-Controlling Interest	21.3
Total Liabilities	980.2
Total Equity	96.3
Total Liabilities and Equity	\$1,076.5

- **Liquid balance sheet**
  - Net liquid assets of \$73.0 million, or \$3.36 per share <sup>(4)</sup>
  - Fixed assets < 1% of total deconsolidated assets
  
- **Net invested capital of \$90.1 million, or \$4.18 per share, including \$1.11 per share in book value at platform companies <sup>(5)</sup>**
  
- **Debt-to-capital ratio of 49% <sup>(6)</sup>**
  - \$93.1 million of recourse debt <sup>(6)</sup>
  
- **Tangible book value of \$4.43 per share**
  
- **Adjusted book value of \$5.23 per share**

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

<sup>(2)</sup> Includes \$842.4 million of loans, \$48.4 million of restricted cash, and other assets.

<sup>(3)</sup> Includes non-controlling interest of \$14.2 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>(4)</sup> Composed of net liquid assets as well as CLO securities, bonds payable and other non-marketable securities.

<sup>(5)</sup> Represents long-term debt issued in Jan. 2014 and Nov. 2017. Excludes \$737.8 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	4Q16	4Q17
<b>Revenues</b>					
Investment Banking Fees	\$63.1	\$55.4	\$77.3	\$13.6	\$22.5
Net Brokerage Revenues	25.6	23.8	21.1	6.8	6.0
Asset Management-Related Fees <sup>(1)</sup>	23.3	26.2	18.5	8.4	4.3
Net Investment Income <sup>(2)</sup>	19.9	25.7	9.0	6.7	1.6
Loan Loss Provision	0.7	(0.9)	(2.5)	(0.1)	(0.1)
Adjusted Net Revenues	132.6	130.2	123.4	35.5	34.2
<b>Expenses</b>					
Compensation and Benefits <sup>(3)</sup>	91.2	93.0	88.4	26.0	22.0
General, Administrative and Other	28.6	29.0	29.9	7.1	7.7
Total Non-Interest Expenses	119.8	122.0	118.3	33.1	29.7
Oper. Inc. before Taxes	12.8	8.1	5.1	2.4	4.5
Income Tax Expense <sup>(4)</sup>	0.6	(2.3)	0.8	(0.5)	1.0
Operating Net Income	\$12.3	\$10.5	\$4.3	\$2.8	\$3.6
Operating EPS	\$0.55	\$0.48	\$0.20	\$0.13	\$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) Assumes an effective tax rate of 38%. As of 1/1/15, rate of 38% applies only to taxable subsidiary of JMP Group; effective tax rate varies.

## Investment Highlights

- Publicly traded partnership structure is unique among peers, allowing for an attractive dividend while funding a growth 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 in a normalized capital markets environment
  - 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
    - One million shares eligible to be repurchased in 2018