

# JMP

Introduction to JMP Group LLC

November 2019

## 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, 2018, as filed with the Securities and Exchange Commission on March 28, 2019, 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
- Well-aligned executive management with ownership of more than 60% of outstanding shares and incentive compensation tied to profitability
- Elected to be treated as a C corporation for tax purposes, rather than as a partnership, as of January 1, 2019

## Recent Developments

- Completed self-tender offer in June, repurchasing 1.8 million common shares, or 9% of outstanding total
- Refinanced 8.00% senior notes in the third quarter, reducing rate to 6.875% and extending maturity by more than six years

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

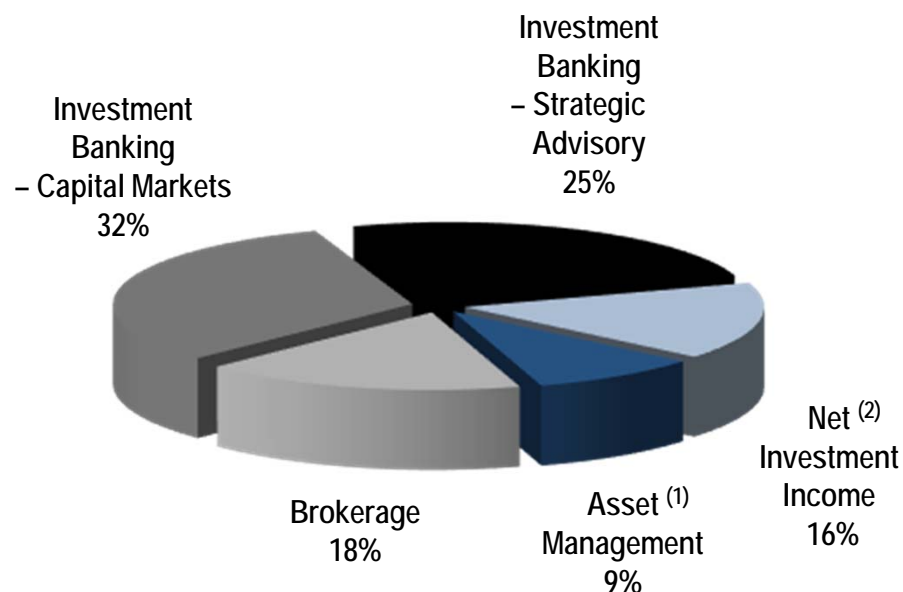
	LTM		2018	
	EPS	ROE	EPS	ROE
<i>(\$ per share)</i>				
Broker-Dealer	\$0.08	7.1%	\$0.37	32.4%
Asset Management Fee Income	(\$0.03)	(6.8%)	(0.03)	(5.9%)
Investment Income	0.55	8.0%	0.34	4.6%
Total Asset Management	0.52	7.1%	0.31	3.9%
Corporate Costs	(0.35)		(0.41)	
Operating Net Income	<u>\$0.24</u>	5.1%	<u>\$0.28</u>	5.5%

<sup>(1)</sup> A non-GAAP financial measure. For more information, see the Form 8-K filed on 10/23/19. 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 higher-margin strategic advisory services
- Asset management growth strategy reoriented toward independent platforms that offer revenue synergies with JMP Group

Composition of LTM Adjusted Net Revenues



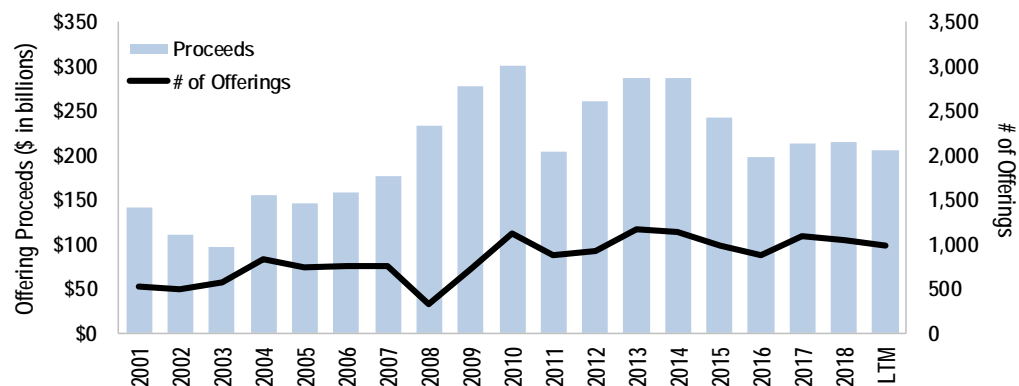
(1) Includes fundraising and other asset management-related fee revenues reported as other income. Excludes all non-controlling interests in asset management fees.  
(2) Excludes net unrealized gains and losses on strategic equity investments and warrants as well as any gains and losses earned on deferred employee compensation invested. Excludes all non-controlling interests in net investment income.

# Industry Backdrop

## Attractive Long-Term Growth

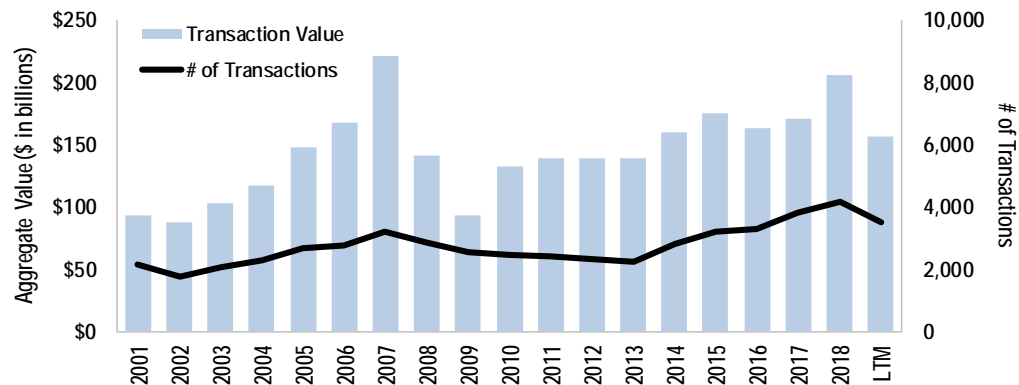
- The number of common equity offerings by U.S. issuers each year has doubled in the past two decades
- While underwriting revenues across the industry have remained relatively flat since 2016, JMP Securities has competed aggressively for ECM market share
- Middle-market M&A activity has been strong in recent years but has slowed in 2019
- 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



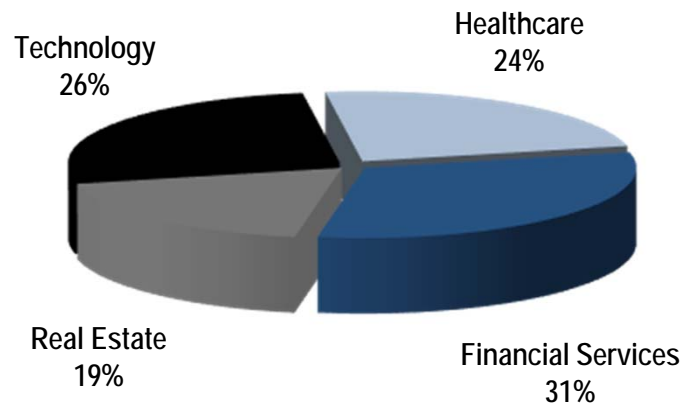
## Four Key Focuses

- Grow JMP Securities' strategic advisory business
  - Increase annual advisory fee revenue organically to more than \$50 million by 2021
  - Continue to add experienced, advisory-focused investment bankers
  - Gain additional visibility among corporate clients with respect to the firm's advisory capabilities
  
- Invest in JMP Securities' institutional equities 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 assets to existing fund strategies that leverage intellectual capital across the JMP Group platform
  - Partner with established asset management firms with near-term capital needs and potential longer-term synergies with JMP Group
  
- Redeploy invested capital
  - Opportunistically reduce \$136 million investment portfolio
  - Reduce long-term debt to \$50 million or less by 2023 through investment sales and earnings

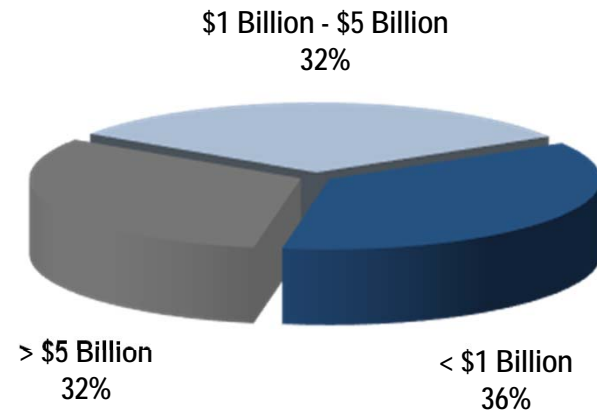
## Coverage of Four Broad Growth Sectors

- Differentiated equity research is key to active relationships with institutional brokerage clients and with companies under coverage that may seek investment banking services
- 18 senior research analysts, 393 covered companies, and a median market capitalization of \$2.1 billion
- Brokerage platform is a highly effective distribution network for underwritten securities offerings

Research Coverage by Sector



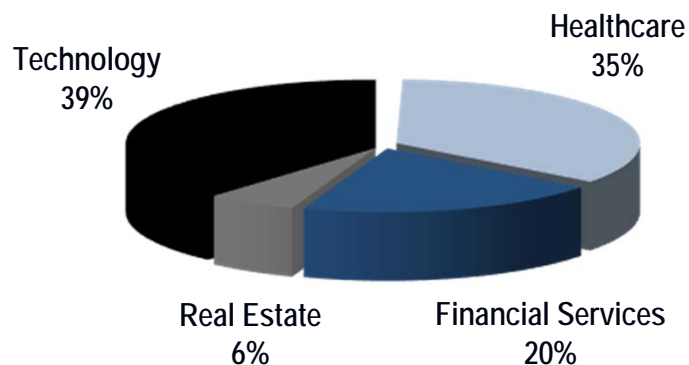
Research Coverage by Market Cap.



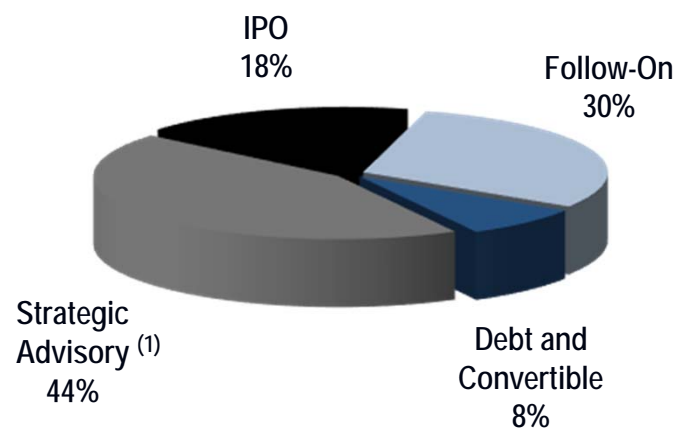
## Diversification in Transaction Volume

- Expected revenue growth from maturation of senior bankers on an increasingly well-known platform
- Targeting \$50 million of revenue from high-margin strategic advisory and private placement services by 2021
- JMP Securities' ECM market share in the technology sector is strong and growing
  - Underwriter of 19, or 22%, of the 85 U.S.-listed technology IPOs since the start of 2018

Investment Banking Revenues – LTM by Industry



Investment Banking Revenues – LTM by Transaction

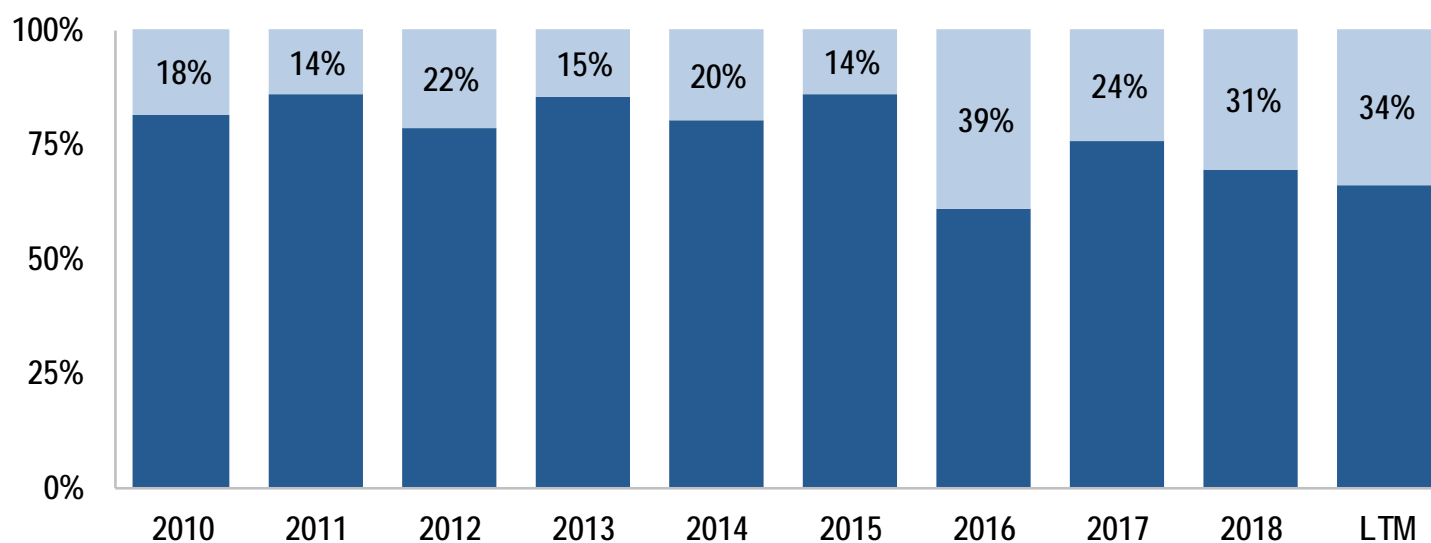


<sup>(1)</sup> Includes private placement revenues.



## 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	\$33.4	\$27.6
Capital Markets Revenues	60.2	61.3	57.2	84.2	86.3	77.3	48.1	74.5	75.4	54.1
<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>\$108.8</b>	<b>\$81.7</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 more than 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:

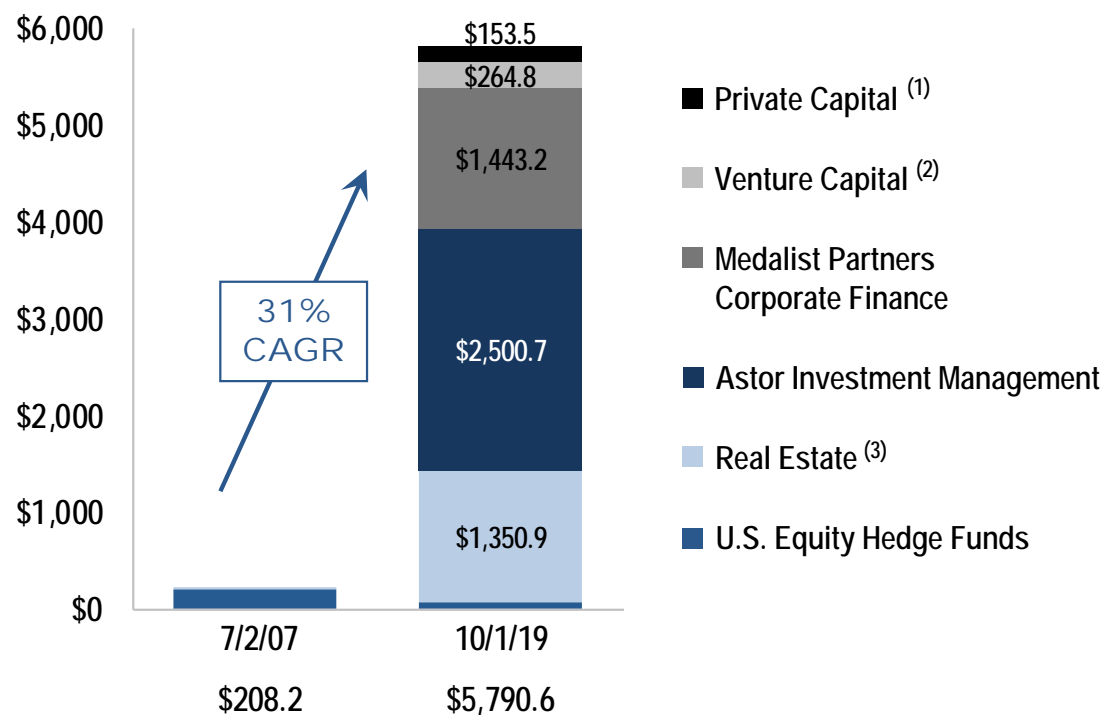
— Freeman & Co.	Oct. 2019	— Caris & Company	Dec. 2012
— Sandler O'Neill + Partners	July 2019	— Milestone Advisors	Dec. 2012
— Cleary Gull	July 2019	— Jefferies Group	Nov. 2012
— GMP Capital	June 2019	— KBW	Nov. 2012
— FIG Partners	Mar. 2019	— ThinkEquity	Nov. 2012
— Bowstring Advisors	Feb. 2019	— Rodman & Renshaw	July 2012
— Leerink Partners	Nov. 2018	— Brigantine Advisors	Feb. 2012
— National Holdings Corporation	Nov. 2018	— McGladrey Capital Markets	Jan. 2012
— Quarton International	Nov. 2018	— Morgan Keegan & Company	Jan. 2012
— Cain Brothers & Company	Aug. 2017	— Ticonderoga Securities	Jan. 2012
— Wunderlich Securities	May 2017	— Citadel Securities	Aug. 2011
— Avondale Partners (Equities)	Mar. 2017	— Signal Hill Capital Group (Equities)	Aug. 2011
— CLSA Americas (Equities)	Mar. 2017	— Soleil Securities	Mar. 2011
— FBR & Co.	Feb. 2017	— Nollenberger Capital Partners	Feb. 2011
— Tudor, Pickering, Holt & Co.	Nov. 2016	— Howe Barnes Hoefler & Arnett	Dec. 2010
— BB&T Capital Markets (Equities)	July 2016	— Tri-Artisan Capital Partners	Dec. 2010
— Sterne Agee CRT	June 2016	— CRT Capital Group	Aug. 2010
— Simmons & Company	Nov. 2015	— Uptada Advisors	Aug. 2010
— MLV & Co.	July 2015	— Thomas Weisel Partners	Apr. 2010
— Sterne Agee Group	Feb. 2015	— Fox-Pitt Kelton	Sep. 2009
— Lazard Capital Markets	Sep. 2014	— Merrill Lynch & Co.	Sep. 2008
— Pacific Crest Securities	July 2014	— Lehman Brothers	Sep. 2008
— Gleacher & Company	July 2014	— Bear Stearns	Mar. 2008
— SWS Group	Apr. 2014	— CIBC World Markets (U.S.)	Nov. 2007
— McColl Partners	June 2013	— Putnam Lovell	June 2007
— Edgeview Partners	June 2013	— Cochran Caronia Waller	May 2007
— Dahlman Rose & Company	Feb. 2013		

## Alternative Investment Products

- Focus on growing fund strategies that leverage intellectual capital across the JMP Group platform
  - Venture capital
    - Harvest Growth Capital III launched
  - Private credit
    - Investing existing capital commitments
  - Real estate
    - JMP Realty Partners II launched
  
- Opportunistically partner with established third-party fund managers in venture capital

Assets Under Management

(\$ 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 strategy.

# Principal Investments



## Capital Deployed in Alternative Assets

- Results for the first nine months of 2019 driven by CLO performance in addition to material contributions from investments in hedge fund Harvest Agriculture Select, Workspace Property Trust, and a real estate private equity fund

(\$ in millions)	Return on Average Equity Invested <sup>(2)</sup>		% of Invested Capital
	2018	YTD '19	
Hedge Funds	(13.0%)	13.7%	4%
Private Capital	7.3%	4.3%	10%
Venture Capital	9.1%	10.5%	5%
CLO Assets	11.0%	11.8% <sup>(3)</sup>	60%
Real Estate	7.9%	22.6%	14%
Principal Investments <sup>(1)</sup>	27.3%	11.6%	8%
<b>Total Invested Capital</b>	<b>9.5%</b>	<b>12.2%</b>	<b>100%</b>

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

<sup>(2)</sup> Returns net of assumed management fees and carried interest. Returns for YTD '19 are annualized.

<sup>(3)</sup> Represents return on investment following March 2019 sale of majority interest in JMP Credit Advisors and resulting deconsolidation of CLO assets and liabilities.

## Balance Sheet

<i>(\$ in millions)</i>	9/30/19	12/31/18 <sup>(1)</sup>
<b>Assets</b>		
Cash	\$48.0	\$80.3
Marketable Securities <sup>(2)</sup>	83.6	95.8
Other Investments <sup>(3)</sup>	34.8	22.5
Loans Held for Investment	4.8	3.6
Operating Lease Right-of-Use Asset	20.3	-
Other Assets	41.8	29.8
Total Assets	\$233.3	\$231.9
<b>Liabilities and Equity</b>		
Accrued Compensation	\$17.9	\$40.2
Bond Payable	82.4	83.5
Note Payable	15.8	0.8
Operating Lease Right-of-Use Liability	26.1	-
Other Liabilities	19.5	21.6
Total Liabilities	161.8	146.1
Total Equity	71.5	85.8
Total Liabilities and Equity	\$233.3	\$231.9

- Debt-to-total capital ratio of 53%
  - \$82.4 million of long-term debt
  
- Tangible book value of \$3.72 per share
  - Adjusted book value of \$4.51 per share

<sup>(1)</sup> Unaudited pro forma results. Presents the balance sheet as though the deconsolidation of JMP Credit Advisors and the related CLOs had occurred in the period ended 12/31/18, in order to enable a comparison to the results for the period ended 3/31/19, when the majority sale of JMP Credit Advisors and the resulting deconsolidation in fact occurred. See Form 10-Q filed 5/14/19.

<sup>(2)</sup> Includes equity investment in Harvest Capital Credit Corporation as well as investments in CLOs managed by Medalist Partners Corporate Finance.

<sup>(3)</sup> Includes investments in hedge, venture and private capital funds managed by JMP Group subsidiaries in addition to other private equity investments.

# Financial Statements



## Income Statement – Operating Net Income

(\$ in millions)	2016	2017	2018	YTD '18	YTD '19
<b>Revenues</b>					
Investment Banking Fees	\$55.4	\$77.3	\$88.1	\$70.3	\$44.8
Net Brokerage Revenues	23.8	21.1	20.7	14.8	13.2
Asset Management-Related Fees <sup>(1)</sup>	26.2	18.5	19.1	15.4	6.3
Net Investment Income <sup>(2)</sup>	25.7	9.1	14.3	9.4	13.4
Loan Loss Provision	(0.9)	(2.5)	(1.6)	(1.4)	(0.4)
Adjusted Net Revenues	130.2	123.5	140.7	108.5	77.3
<b>Expenses</b>					
Compensation and Benefits <sup>(3)</sup>	93.0	88.5	96.0	74.8	51.4
General, Administrative and Other	29.0	29.9	37.8	29.5	27.2
Total Non-Interest Expenses	122.0	118.3	133.7	104.4	78.6
Oper. Inc. before Taxes	8.1	5.2	6.9	4.1	(1.3)
Income Tax Expense <sup>(4)</sup>	(2.3)	0.8	0.9	0.6	(0.3)
Operating Net Income	\$10.5	\$4.4	\$6.0	\$3.5	(\$1.0)
Operating EPS	\$0.48	\$0.20	\$0.28	\$0.16	(\$0.05)

(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.

## 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
  - Recent acquisitions of M&A boutiques and sector-focused investment banks have been completed at attractive valuations
- Capital-light business model
  - Targeting high return on equity at operating platforms through varying market cycles
  - 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
- Potential for improved return on equity and valuation, driven by:
  - Redeployment of invested capital into operating businesses
  - Retirement of long-term debt