

# FINANCIAL SUPPLEMENT

2019 Third Quarter

OCTOBER 24, 2019

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# 1. COWEN INC.

# Revenue Metrics (Non-GAAP) - Cowen Inc.

	2017	2018				2019			
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
<i>\$ thousands</i>									
<b>INVESTMENT BANKING REVENUE</b>	<b>\$223,614</b>	<b>\$93,924</b>	<b>\$80,042</b>	<b>\$77,510</b>	<b>\$77,586</b>	<b>\$329,062</b>	<b>\$82,991</b>	<b>\$104,216</b>	<b>\$70,022</b>
Advisory									
Revenue	\$41,835	\$14,360	\$14,498	\$22,195	\$30,680	\$81,733	\$28,414	\$11,906	\$16,962
Total transactions	16	5	10	6	9	30	9	10	13
Average fee (implied)	\$2,613	\$2,880	\$1,450	\$3,700	\$3,411	\$2,723	\$3,156	\$1,190	\$1,308
Median fee	\$1,600	\$2,300	\$1,325	\$2,094	\$2,300	\$1,800	\$734	\$1,117	\$1,059
Transaction value	\$15,609	\$1,078	\$2,984	\$1,712	\$5,115	\$10,889	\$6,423	\$773	\$926.9
Capital Markets									
Revenue	\$181,780	\$79,564	\$65,544	\$55,315	\$46,906	\$247,329	\$54,577	\$92,358	\$53,060
Total transactions	105	37	31	31	22	121	30	46	30
Of which bookrun	66	28	22	19	13	82	21	32	15
Average fee (implied)	\$1,731	\$2,151	\$2,113	\$1,784	\$2,132	\$2,044	\$1,820	\$2,009	\$1,770
Median fee	\$1,200	\$1,672	\$1,625	\$1,178	\$1,600	\$1,600	\$1,344	\$1,538	\$1,275
<b>MARKETS REVENUE</b>	<b>\$323,573</b>	<b>\$117,203</b>	<b>\$122,492</b>	<b>\$107,258</b>	<b>\$125,537</b>	<b>\$472,490</b>	<b>\$113,261</b>	<b>\$125,276</b>	<b>\$111,746</b>
Brokerage Revenue	\$312,780	\$114,071	\$113,186	\$101,672	\$123,371	\$452,300	\$105,157	\$120,672	\$105,860
Institutional brokerage*	\$241,160	\$82,248	\$83,255	\$73,659	\$88,412	\$327,574	\$76,450	\$88,222	\$74,243
Institutional services	\$71,620	\$31,823	\$29,931	\$28,013	\$34,959	\$124,726	\$28,707	\$32,450	\$31,618
Financing revenue & other**	\$10,793	\$3,132	\$9,306	\$5,586	\$2,166	\$20,190	\$8,104	\$4,604	\$5,886
Markets revenue per trading day	\$1,289	\$1,921	\$1,914	\$1,703	\$1,993	\$1,882	\$1,857	\$1,989	\$1,746
# Trading days	251	61	64	63	63	251	61	63	64
# Publishing analysts***	55	54	54	53	51	51	52	52	53
<b>MANAGEMENT FEE</b>	<b>\$55,387</b>	<b>\$13,126</b>	<b>\$12,486</b>	<b>\$12,386</b>	<b>\$11,178</b>	<b>\$49,176</b>	<b>\$10,431</b>	<b>\$10,468</b>	<b>\$10,907</b>
Monthly run rate (trailing 3 months)	\$4,616	\$4,375	\$4,162	\$4,129	\$3,726	\$4,098	\$3,477	\$3,489	\$3,636
<b>INCENTIVE INCOME</b>	<b>\$26,028</b>	<b>\$5,197</b>	<b>\$9,363</b>	<b>\$6,910</b>	<b>\$2,277</b>	<b>\$23,747</b>	<b>\$16,747</b>	<b>\$4,229</b>	<b>\$14,377</b>
<b>INVESTMENT INCOME</b>	<b>\$45,142</b>	<b>\$14,301</b>	<b>\$19,954</b>	<b>\$27,672</b>	<b>\$(5,582)</b>	<b>\$56,345</b>	<b>\$16,984</b>	<b>\$485</b>	<b>\$16,053</b>
<b>TOTAL REVENUE****</b>	<b>\$666,182</b>	<b>\$241,507</b>	<b>\$234,310</b>	<b>\$226,233</b>	<b>\$207,412</b>	<b>\$909,460</b>	<b>\$233,469</b>	<b>\$244,389</b>	<b>\$217,093</b>

\* "Institutional Brokerage" revenue includes: cash equities, electronic trading, options, ADR, special situations and credit; "Institutional Services" revenue includes: prime services, global clearing, securities finance, commission management and commission recapture

\*\* "Other" includes investment income and management fees

\*\*\* Includes equity, credit and macro publishing analysts

\*\*\*\* Total revenue is the sum of investment banking, brokerage, management fee, incentive income, investment income and other revenue

# Summary Operating and Other Financial Information (Non-GAAP) - Cowen Inc.

	2017	2018					2019		
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
<b>SUMMARY ECONOMIC INCOME DATA (\$ thousands)</b>									
Economic income revenue	\$666,182	\$241,507	\$234,310	\$226,233	\$207,412	\$909,460	\$233,469	\$244,389	\$217,093
Economic income (loss)*	\$9,044	\$22,360	\$20,043	\$20,986	\$5,954	\$69,342	\$15,274	\$17,181	\$5,547
Economic operating income (loss)	\$20,601	\$25,346	\$23,002	\$23,894	\$8,683	\$80,925	\$20,230	\$22,133	\$10,629
<b>RETURN ON AVERAGE COMMON EQUITY</b>									
Annualized return on average common equity**	3.1%	15.6%	13.6%	13.7%	5.0%	12.1%	11.5%	11.4%	5.9%
<b>PER COMMON SHARE INFORMATION</b>									
Economic income per share (basic)	\$0.31	\$0.75	\$0.67	\$0.71	\$0.20	\$2.35	\$0.51	\$0.58	\$0.19
Economic Income per share (diluted)	\$0.31	\$0.73	\$0.65	\$0.68	\$0.19	\$2.26	\$0.48	\$0.55	\$0.18
Economic operating income per share (basic)	\$0.70	\$0.86	\$0.77	\$0.81	\$0.30	\$2.74	\$0.68	\$0.74	\$0.36
Economic operating income per share (diluted)	\$0.70	\$0.83	\$0.75	\$0.77	\$0.28	\$2.63	\$0.64	\$0.70	\$0.34
<b>NON-INTEREST EXPENSES (EX. D&amp;A)</b>									
Compensation expenses	\$387,957	\$134,128	\$131,305	\$126,715	\$114,132	\$506,280	\$129,679	\$135,503	\$122,620
Non-compensation expenses	\$225,874	\$72,222	\$71,702	\$65,385	\$74,854	\$284,163	\$75,915	\$78,364	\$74,338
Fixed non-compensation expenses (ex. D&A)	\$120,088	\$34,235	\$34,464	\$34,653	\$37,164	\$140,516	\$38,241	\$38,415	\$37,083
Variable non-compensation expenses	\$105,786	\$37,987	\$37,238	\$30,732	\$37,690	\$143,647	\$37,674	\$39,949	\$37,255
<b>DEPRECIATION &amp; AMORTIZATION</b>									
Depreciation	\$2,065	\$1,582	\$1,662	\$1,653	\$1,674	\$6,572	\$1,674	\$1,694	\$1,836
Amortization	\$9,492	\$1,404	\$1,297	\$1,255	\$1,055	\$5,011	\$3,282	\$3,258	\$3,246
<b>EXPENSE RATIOS</b>									
Compensation to revenue ratio	56%	56%	56%	56%	55%	56%	56%	55%	56%
Non-compensation expenses to revenue ratio	34%	30%	31%	29%	36%	31%	31%	32%	34%
Fixed non-compensation expense to revenue ratio (ex. D&A)	18%	14%	15%	15%	18%	16%	15%	16%	17%
Variable non-compensation expense to revenue ratio	16%	16%	16%	14%	18%	16%	16%	16%	17%

\* Economic Income is after payment of preferred dividends, and in Financial Supplements prior to 2Q'19 this metric was labeled "Economic Income Attributable to Common Shareholders."

\*\* See "Return on Common Equity (ROCE) Definition" page

# Summary Operating and Other Financial Information (Non-GAAP) - Cowen Inc.

	2017	2018					2019		
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
<b>INVESTED CAPITAL BREAKDOWN</b>									
Operating Co	\$499,557	\$495,100	\$534,692	\$575,688	\$584,454	\$584,454	\$442,459	\$528,908	\$570,987
Asset Co	\$184,803	\$190,653	\$182,509	\$201,933	\$202,268	\$202,268	\$192,341	\$149,036	\$145,019
<b>Total invested capital</b>	<b>\$684,400</b>	<b>\$685,753</b>	<b>\$717,201</b>	<b>\$777,621</b>	<b>\$786,722</b>	<b>\$786,722</b>	<b>\$634,800</b>	<b>\$677,944</b>	<b>\$716,006</b>
<b>SELECT BALANCE SHEET DATA</b>									
Cowen Inc. stockholders' equity	\$748,019	\$758,787	\$793,207	\$808,244	\$794,407	\$794,407	\$814,782	\$817,424	\$817,055
Common equity	\$646,703	\$657,471	\$691,891	\$706,928	\$693,091	\$693,091	\$713,466	\$716,108	\$715,739
Book value per share	\$21.82	\$22.27	\$23.37	\$24.26	\$24.37	\$24.37	\$24.12	\$24.29	\$24.67
Tangible book value per per share	\$18.77	\$19.25	\$20.40	\$21.28	\$21.36	\$21.36	\$17.84	\$18.24	\$18.63
<b>SUMMARY STOCKHOLDERS' EQUITY INFORMATION</b>									
<b>Stockholders' Equity</b>	<b>\$748,019</b>	<b>\$758,787</b>	<b>\$793,207</b>	<b>\$808,244</b>	<b>\$794,407</b>	<b>\$794,407</b>	<b>\$814,782</b>	<b>\$817,424</b>	<b>\$817,055</b>
Less:									
Preferred Stock	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316
<b>Common Equity</b>	<b>\$646,703</b>	<b>\$657,471</b>	<b>\$691,891</b>	<b>\$706,928</b>	<b>\$693,091</b>	<b>\$693,091</b>	<b>\$713,466</b>	<b>\$716,108</b>	<b>\$715,739</b>
<b>OTHER DATA</b>									
Common shares outstanding (end of period)	29,632	29,517	29,609	29,143	28,438	28,438	29,581	29,480	29,013
Common shares outstanding (average)									
Basic	29,492	29,625	29,769	29,610	29,194	29,545	29,750	29,769	29,529
Diluted	29,492	30,492	30,720	30,844	30,955	30,735	31,625	31,522	31,264
Employees, end of period	1,129	1,097	1,105	1,131	1,134	1,134	1,223	1,240	1,299

# Reconciliation of US GAAP and Economic Income (Unaudited)

	Three Months Ended September 30, 2019			
	US GAAP Net Income (Loss)	Adjustments		Economic Income (Loss)
		Other Adjustments (1)	Funds Consolidation (2)	
Revenue				
Investment banking	\$ 77,292	\$ (7,270) (a)	\$ —	\$ 70,022
Brokerage	93,995	11,865 (b)	—	105,860
Management fees	7,300	3,033 (c)	574	10,907
Incentive income	701	13,663 (c)	13	14,377
Investment income	—	16,053 (d)	—	16,053
Interest and dividends	60,707	(60,707) (b)(d)	—	—
Reimbursement from affiliates	238	(265) (e)	27	—
Reinsurance premiums	8,146	(8,146) (f)	—	—
Other revenues	1,237	(1,389) (f)	26	(126)
Consolidated Funds	2,431	—	(2,431)	—
Total revenue	<b>252,047</b>	<b>(33,163)</b>	<b>(1,791)</b>	<b>217,093</b>
Interest expense (Economic Income/(Loss)) / Interest and dividend expense (US GAAP)	56,477	(49,330) (b)(d)	—	7,147
Total net revenues	<b>195,570</b>	<b>16,167</b>	<b>(1,791)</b>	<b>209,946</b>
<b>Expenses</b>				
Non interest expense	217,448	(15,408) (a)(e)(h)(i)	—	202,040
Consolidated Funds expenses	2,516	—	(2,516)	—
<b>Total expenses</b>	<b>219,964</b>	<b>(15,408)</b>	<b>(2,516)</b>	<b>202,040</b>
<b>Total other income (loss)</b>	<b>32,342</b>	<b>(26,721)</b> (c)(d)(i)	<b>(5,621)</b>	<b>—</b>
Income taxes expense / (benefit)	1,365	(1,365) (h)	—	—
Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	2,770	2,787	(4,896)	661
Income (loss) attributable to Cowen Inc.	<b>3,813</b>	<b>3,432</b>	<b>—</b>	<b>7,245</b>
Less: Preferred stock dividends	1,698	—	—	1,698
<b>Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders</b>	<b>\$ 2,115</b>	<b>\$ 3,432</b>	<b>\$ —</b>	<b>5,547</b>
Add: Depreciation and Amortization				5,082
<b>Economic operating income (loss)</b>				<b>\$ 10,629</b>

Note: Refer to End Notes, Definition of GAAP to Non-GAAP Measures and Legal Notice at the end of the Financial Supplement

# Reconciliation of US GAAP and Economic Income (Unaudited)

	Nine Months Ended September 30, 2019			
	Adjustments			
US GAAP	Other	Funds	Economic	
Net Income (Loss)	Adjustments (1)	Consolidation (2)	Income (Loss)	
Revenue				
Investment banking	\$ 272,103	\$ (14,869) (a)	\$ —	\$ 257,234
Brokerage	302,840	28,849 (b)	—	331,689
Management fees	21,480	8,684 (c)	1,640	31,804
Incentive income	724	34,072 (c)	557	35,353
Investment income	—	33,522 (d)	—	33,522
Interest and dividends	129,846	(129,846) (b)(d)	—	—
Reimbursement from affiliates	780	(874) (e)	(94)	—
Reinsurance premiums	29,068	(29,068) (f)	—	—
Other revenues	3,228	2,109 (f)	14	5,351
Consolidated Funds	8,239	—	(8,239)	—
Total revenue	<b>768,308</b>	<b>(67,421)</b>	<b>(5,934)</b>	<b>694,953</b>
Interest expense (Economic Income/(Loss)) / Interest and dividend expense (US GAAP)	125,089	(104,672) (b)(d)	—	20,417
Total net revenues	<b>643,219</b>	<b>37,251</b>	<b>(5,934)</b>	<b>674,536</b>
<b>Expenses</b>				
Non interest expense	679,655	(49,463) (a)(e)(h)(i)	—	630,192
Consolidated Funds expenses	6,229	—	(6,229)	—
<b>Total expenses</b>	<b>689,984</b>	<b>(53,563)</b>	<b>(6,229)</b>	<b>630,192</b>
<b>Total other income (loss)</b>	<b>82,976</b>	<b>(73,907) (c)(d)(i)</b>	<b>(9,069)</b>	<b>—</b>
Income taxes expense / (benefit)	9,615	(9,615) (h)	—	—
Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	7,188	4,530	(8,774)	2,944
Income (loss) attributable to Cowen Inc.	<b>19,408</b>	<b>21,992</b>	<b>—</b>	<b>41,400</b>
Less: Preferred stock dividends	5,094	—	—	5,094
<b>Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders</b>	<b>\$ 14,314</b>	<b>\$ 21,992</b>	<b>\$ —</b>	<b>36,306</b>
Add: Depreciation and Amortization				14,987
<b>Economic operating income (loss)</b>				<b>\$ 51,293</b>

Note: Refer to End Notes, Definition of GAAP to Non-GAAP Measures and Legal Notice at the end of the Financial Supplement



## 2. OPERATING CO

# Revenue Metrics (Non-GAAP) - Operating Co

\$ thousands	2017	2018				2019			
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
<b>INVESTMENT BANKING REVENUE</b>	<b>\$223,614</b>	<b>\$93,924</b>	<b>\$80,042</b>	<b>\$77,510</b>	<b>\$77,586</b>	<b>\$329,062</b>	<b>\$82,991</b>	<b>\$104,216</b>	<b>\$70,022</b>
Advisory									
Revenue	\$41,835	\$14,360	\$14,498	\$22,195	\$30,680	\$81,733	\$28,414	\$11,906	\$16,962
Total transactions	16	5	10	6	9	30	9	10	13
Average fee (implied)	\$2,613	\$2,880	\$1,450	\$3,700	\$3,411	\$2,723	\$3,156	\$1,190	\$1,308
Median fee	\$1,600	\$2,300	\$1,325	\$2,094	\$2,300	\$1,800	\$734	\$1,117	\$1,059
Transaction value	\$15,609	\$1,078	\$2,984	\$1,712	\$5,115	\$10,889	\$6,423	\$773	\$926.9
Capital Markets									
Revenue	\$181,780	\$79,564	\$65,544	\$55,315	\$46,906	\$247,329	\$54,577	\$92,358	\$53,060
Total transactions	105	37	31	31	22	121	30	46	30
Of which bookrun	66	28	22	19	13	82	21	32	15
Average fee (implied)	\$1,731	\$2,151	\$2,113	\$1,784	\$2,132	\$2,044	\$1,820	\$2,009	\$1,770
Median fee	\$1,200	\$1,672	\$1,625	\$1,178	\$1,600	\$1,600	\$1,344	\$1,538	\$1,275
<b>MARKETS REVENUE</b>	<b>\$323,573</b>	<b>\$117,203</b>	<b>\$122,492</b>	<b>\$107,258</b>	<b>\$125,537</b>	<b>\$472,490</b>	<b>\$113,261</b>	<b>\$125,276</b>	<b>\$111,746</b>
Brokerage Revenue	\$312,780	\$114,071	\$113,186	\$101,672	\$123,371	\$452,300	\$105,157	\$120,672	\$105,860
Institutional brokerage*	\$241,160	\$82,248	\$83,255	\$73,659	\$88,412	\$327,574	\$76,450	\$88,222	\$74,243
Institutional services	\$71,620	\$31,823	\$29,931	\$28,013	\$34,959	\$124,726	\$28,707	\$32,450	\$31,618
Financing revenue & other**	\$10,793	\$3,132	\$9,306	\$5,586	\$2,166	\$20,190	\$8,104	\$4,604	\$5,886
Markets revenue per trading day	\$1,289	\$1,921	\$1,914	\$1,703	\$1,993	\$1,882	\$1,857	\$1,989	\$1,746
# Trading days	251	61	64	63	63	251	61	63	64
# Publishing analysts***	55	54	54	53	51	51	52	52	53
<b>MANAGEMENT FEE</b>	<b>\$45,007</b>	<b>\$11,279</b>	<b>\$10,938</b>	<b>\$10,840</b>	<b>\$10,410</b>	<b>\$43,466</b>	<b>\$9,728</b>	<b>\$9,968</b>	<b>\$10,321</b>
Monthly run rate (trailing 3 months)	\$3,751	\$3,760	\$3,646	\$3,613	\$3,470	\$3,622	\$3,243	\$3,323	\$3,440
<b>INCENTIVE INCOME</b>	<b>\$17,872</b>	<b>\$3,039</b>	<b>\$12,321</b>	<b>\$1,859</b>	<b>\$(368)</b>	<b>\$16,851</b>	<b>\$16,637</b>	<b>\$2,633</b>	<b>\$15,384</b>
<b>INVESTMENT INCOME</b>	<b>\$7,204</b>	<b>\$18,233</b>	<b>\$18,476</b>	<b>\$25,779</b>	<b>\$(8,896)</b>	<b>\$53,593</b>	<b>\$16,142</b>	<b>\$(3,141)</b>	<b>\$15,231</b>
<b>TOTAL REVENUE****</b>	<b>\$609,784</b>	<b>\$241,210</b>	<b>\$234,152</b>	<b>\$217,664</b>	<b>\$200,627</b>	<b>\$893,651</b>	<b>\$231,778</b>	<b>\$238,652</b>	<b>\$216,686</b>

\* Brokerage revenue does not include financing revenue, which is included in investment income. "Institutional Brokerage" revenue includes: cash equities, electronic trading, options, ADR, special situations and credit; "Institutional Services" revenue includes: prime services, global clearing, securities finance, soft dollar and commission recapture

\*\* Includes equity, credit and macro publishing analysts

\*\*\* Total revenue is the sum of investment banking, brokerage, management fee, incentive income and investment income

# Summary Operating and Other Financial Information (Non-GAAP) - Operating Co

\$ thousands	2019	
	Q2	Q3
<b>SUMMARY ECONOMIC INCOME DATA (\$ thousands)</b>		
Economic income revenue	\$238,652	\$216,686
Economic income (loss)*	\$14,757	\$8,289
Economic operating income (loss)	\$19,702	\$13,362
<b>RETURN ON AVERAGE COMMON EQUITY</b>		
Annualized return on average common equity**	12.1%	8.0%
<b>PER COMMON SHARE INFORMATION</b>		
Economic income per share (basic)	\$0.50	\$0.28
Economic Income per share (diluted)	\$0.50	\$0.27
Economic operating income per share (basic)	\$0.66	\$0.45
Economic operating income per share (diluted)	\$0.63	\$0.43
<b>NON-INTEREST EXPENSES (EX. D&amp;A)</b>		
Compensation expenses	\$133,782	\$121,889
Non-compensation expenses	\$77,081	\$73,675
Fixed non-compensation expenses (ex. D&A)	\$37,171	\$36,459
Variable non-compensation expenses	\$39,910	\$37,216
<b>DEPRECIATION &amp; AMORTIZATION</b>		
Depreciation	\$1,686	\$1,827
Amortization	\$3,259	\$3,246
<b>EXPENSE RATIOS</b>		
Compensation to revenue ratio	56%	56%
Non-compensation expenses to revenue ratio	32%	34%
Fixed non-compensation expense to revenue ratio (ex. D&A)	16%	17%
Variable non-compensation expense to revenue ratio	17%	17%

\* Economic Income is after payment of preferred dividends, and in Financial Supplements prior to 2Q'19 this metric was labeled "Economic Income Attributable to Common Shareholders."

\*\* See "Return on Common Equity (ROCE) Definition" page

### **3. ASSET CO**

# Revenue Metrics (Non-GAAP) - Asset Co

	2017	2018					2019		
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
<i>\$ thousands</i>									
<b>MANAGEMENT FEE</b>	\$10,380	\$1,847	\$1,548	\$1,546	\$768	\$5,709	\$703	\$500	\$586
Monthly run rate (trailing 3 months)	\$865	\$616	\$516	\$515	\$256	\$476	\$234	\$167	\$147
<b>INCENTIVE INCOME</b>	\$8,156	\$2,158	-\$2,958	\$5,051	\$2,645	\$6,896	\$110	\$1,596	\$(1,007)
<b>INVESTMENT INCOME</b>	\$37,938	\$(3,932)	\$1,478	\$1,893	\$3,314	\$2,753	\$842	\$3,626	\$822
<b>TOTAL REVENUE</b>	\$56,398	\$297	\$158	\$8,569	\$6,785	\$15,809	\$1,691	\$5,737	\$407

# Summary Operating and Other Financial Information (Non-GAAP) - Asset Co

\$ thousands	2019	
	Q2	Q3
<b>SUMMARY ECONOMIC INCOME DATA (\$ thousands)</b>		
Economic income revenue	\$5,737	\$407
Economic income (loss)*	\$726	\$(2,742)
Economic operating income (loss)	\$733	\$(2,733)
<b>RETURN ON AVERAGE COMMON EQUITY</b>		
Annualized return on average common equity**	4.8%	(23.9)%
<b>PER COMMON SHARE INFORMATION</b>		
Economic income per share (basic)	\$0.02	\$(0.09)
Economic Income per share (diluted)	\$0.02	\$(0.09)
Economic operating income per share (basic)	\$0.02	\$(0.09)
Economic operating income per share (diluted)	\$0.02	\$(0.09)
<b>NON-INTEREST EXPENSES (EX. D&amp;A)</b>		
Compensation expenses	\$1,721	\$731
Non-compensation expenses	\$1,283	\$663
Fixed non-compensation expenses (ex. D&A)	\$1,244	\$624
Variable non-compensation expenses	\$39	\$39
<b>DEPRECIATION &amp; AMORTIZATION</b>		
Depreciation	\$8	\$9
Amortization	\$(1)	\$0
<b>EXPENSE RATIOS</b>		
Compensation to revenue ratio	30.0%	179.6 %
Non-compensation expenses to revenue ratio	22.4%	162.9 %
Fixed non-compensation expense to revenue ratio (ex. D&A)	21.7%	153.3 %
Variable non-compensation expense to revenue ratio	0.7%	9.6 %

\* Economic Income is after payment of preferred dividends, and in previous Financial Supplements this metric was labeled "Economic Income Attributable to Common Shareholders." Labeling for prior reporting periods has been updated in this Financial Supplement.

\*\* See "Return on Common Equity (ROCE) Definition" page

## 4. APPENDIX

# Return on Common Equity (ROCE) Definition

## RETURN ON COMMON EQUITY:

$$\text{Return on Common Equity} = \frac{\text{Economic Operating Income}}{\text{Average Common Equity}}$$

*where:*

$$\text{Economic Operating Income} = \text{Economic Income} + \text{Depreciation \& Amortization}$$

$$\text{Average Common Equity} = \frac{\text{Common Equity (Beginning of Period)} + \text{Common Equity (End of Period)}}{2}$$

Note: Economic Income is after payment of preferred dividends, and in previous Financial Supplements (prior to 2Q'19) this metric was labeled "Economic Income Attributable to Common Shareholders." Labeling for prior reporting periods have been updated in this Financial Supplement.



# Definition of US GAAP to Non-GAAP Financial Measures

In addition to the results presented in the Company's earnings press release in accordance with accounting principles generally accepted in United States of America ("US GAAP"), the Company presents financial measures that are non-GAAP measures, such as Economic Income (Loss) and Economic Income (Loss) excluding certain non-cash items. The Company believes that these non-GAAP measures, viewed in addition to, and not in lieu of, the Company's reported US GAAP results, provide useful information to investors regarding its performance and overall results of operations. These metrics are an integral part of the Company's internal reporting to measure the performance of its businesses and the overall effectiveness of senior management. Reconciliations to comparable US GAAP measures are available in the schedules included in this financial supplement. The non-GAAP measures presented herein may not be comparable to similarly titled measures presented by other public companies, and are not identical to corresponding measures used in our various agreements or public filings.

## *Economic Income (Loss)*

Economic Income (Loss) may not be comparable to similarly titled measures used by other public companies. Cowen uses Economic Income (Loss) as a measure of its operating performance, not as a measure of liquidity. Economic Income (Loss) should not be considered in isolation or as a substitute for operating income, net income, operating cash flows, investing and financing activities, or other income or cash flow statement data prepared in accordance with US GAAP. As a result of the adjustments made to arrive at Economic Income (Loss) described below, Economic Income (Loss) has limitations in that it does not take into account certain items included or excluded under US GAAP, including its consolidated funds. Economic Income (Loss) is considered by management as a supplemental measure to the US GAAP results to provide a more complete understanding of its performance as management measures it.

In general, Economic Income (Loss) is a pre-tax measure that:

### *Eliminates*

- (i) the impact of consolidation for consolidated funds and

### *Excludes*

- (ii) goodwill and intangible impairment
- (iii) certain other transaction-related adjustments and/or reorganization expenses and
- (iv) certain costs associated with debt

Economic Operating Income (Loss) is a similar measure but before depreciation and amortization expenses.

In addition, Economic Income (Loss) revenues *include*:

- Investment income that represents the income the Company has earned in investing its own capital, including realized and unrealized gains and losses, interest and dividends, net of associated investment related expenses
  - For US GAAP purposes, these items are included in each of their respective line items
- Management fees, incentive income and investment income earned through the Company's investment as a general partner in certain real estate entities and the Company's investment in the activist business and certain funds
  - For US GAAP purposes, all of these items, are recorded in other income (loss)
- Economic Income (Loss) presents underwriting expenses net of investment banking revenues, expenses reimbursed from clients within their respective expense category and records income from uncrystallized incentive fees. Economic Income (Loss) also records retainer fees, relating to investment banking activities, collectible during the period that would otherwise be deferred until closing for US GAAP reporting.

In addition, Economic Income (Loss) expenses are reduced by reimbursement from affiliates, which for US GAAP purposes is presented gross as part of revenue.

For a more complete description of Economic Income (Loss) and a reconciliation of US GAAP net income (loss) to Economic Income (Loss) for the periods presented and additional information regarding the reconciling adjustments, please see the End Notes in the Financial Supplement.

# End Notes

The following is a summary of the adjustments made to US GAAP net income (loss) to arrive at Economic Income:

- (1) Other adjustments include reclassifications between other income (loss), non-controlling interests and interest and non-interest expenses based on the nature of the respective line item
- (2) Fund consolidation reflects the impact of consolidation. The related elimination entries of the Consolidated Funds are not included in Economic Income. Adjustments include elimination of incentive income and management fees earned from the Consolidated Funds.

Other Adjustments:

- (a) Economic Income (Loss) presents underwriting expenses net of investment banking revenues, expenses reimbursed from clients within their respective expense category. Economic Income (Loss) also records retainer fees, relating to investment banking activities, collectible during the period that would otherwise be deferred until closing for US GAAP reporting.
- (b) Economic Income (Loss) brokerage revenues included net securities borrowed and securities loaned activities which are shown gross in interest income and interest expense for US GAAP.
- (c) Economic Income (Loss) recognizes revenues (i) net of distribution fees paid to agents, (ii) records income from uncrystallized incentive fees and (iii) the Company's proportionate share of management and incentive fees of certain real estate operating entities, the healthcare royalty business and the activist business.
- (d) Economic Income (Loss) recognizes Company income from proprietary trading (including interest and dividends).
- (e) Reimbursement from affiliates is shown as a reduction of Economic Income expenses, but is included as a part of revenues under US GAAP.
- (f) Economic Income (Loss) recognizes underwriting income from the Company's insurance related activities, net of expenses, within other revenue.
- (g) Aircraft lease revenue is shown net of expenses in investment income for Economic Income (Loss).
- (h) Economic Income (Loss) excludes income taxes and acquisition related adjustments as management does not consider these items when evaluating the performance of the segment.
- (i) Economic Income (Loss) recognizes the Company's proportionate share of expenses, for certain real estate operating entities and the activist business, for which the investments are recorded under the equity method of accounting for investments.
- (j) Economic Income (Loss) excludes gain/(loss) on debt extinguishment.