

# FINANCIAL SUPPLEMENT

2020 Third Quarter

OCTOBER 27, 2020

# TABLE OF CONTENTS

1. **COWEN INC.**
  - REVENUE METRICS (NON-GAAP)
  - SUMMARY OPERATING AND OTHER FINANCIAL INFORMATION (NON-GAAP)
  - RECONCILIATION OF US GAAP AND ECONOMIC INCOME (UNAUDITED)
  
2. **OPERATING CO**
  - REVENUE METRICS (NON-GAAP)
  - SUMMARY OPERATING AND OTHER FINANCIAL INFORMATION (NON-GAAP)
  
3. **ASSET CO**
  - REVENUE METRICS (NON-GAAP)
  - SUMMARY OPERATING AND OTHER FINANCIAL INFORMATION (NON-GAAP)
  
4. **APPENDIX**
  - RETURN ON COMMON EQUITY (ROCE) DEFINITION
  - DEFINITION OF US GAAP TO NON-GAAP MEASURES
  - END NOTES
  - LEGAL NOTICE

## 1. COWEN INC.

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

	2018	2019				2020			
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
<i>\$ thousands</i>									
<b>INVESTMENT BANKING REVENUE</b>	<b>\$329,062</b>	<b>\$81,561</b>	<b>\$103,379</b>	<b>\$69,433</b>	<b>\$96,711</b>	<b>\$351,085</b>	<b>\$99,197</b>	<b>\$190,430</b>	<b>\$185,151</b>
M&A									
Revenue	\$81,733	\$26,984	\$11,021	\$16,373	\$28,773	\$83,152	\$19,773	\$30,983	\$32,476
Total transactions	30	10	9	13	16	48	12	9	10
Average fee (implied)	\$2,724	\$2,698	\$1,225	\$1,259	\$1,798	1,732	\$1,648	\$3,443	\$3,248
Median fee	\$1,800	\$1,117	\$876	\$1,059	\$1,188	\$1,008	\$1,201	\$1,295	\$1,685
Transaction value (in M)	\$10,889	\$7,207	\$716	\$927	\$1,592	\$10,443	\$1,114	\$4,742	\$6,011
Total Capital Markets Revenue	\$247,329	\$54,577	\$92,358	\$53,060	\$67,938	\$267,933	\$79,424	\$159,447	\$152,675
Capital Markets Underwriting <sup>1</sup>									
Revenue	--	\$47,477	\$72,402	\$39,874	\$59,144	\$218,897	\$65,725	\$134,736	\$123,053
Total transactions	--	25	42	22	25	114	24	48	50
Average fee (implied)	--	\$1,899	\$1,724	\$1,812	\$2,366	\$1,920	\$2,739	\$2,807	\$2,461
Median fee	--	\$1,478	\$1,527	\$1,300	\$1,924	\$1,477	\$2,309	\$2,206	\$2,033
Capital Markets Advisory <sup>2</sup>									
Revenue	--	\$7,100	\$19,956	\$13,186	\$8,794	\$49,036	\$13,699	\$24,711	\$29,622
Total transactions	--	5	5	8	9	27	7	7	11
Average fee (implied)	--	\$1,420	\$3,991	\$1,648	\$977	\$1,816	\$1,957	\$3,530	\$2,693
Median fee	--	\$700	\$1,500	\$1,173	\$666	\$900	\$1,350	\$1,880	\$2,250
Total Capital Markets Revenue	\$247,329	\$54,577	\$92,358	\$53,060	\$67,938	\$267,933			
<b>MARKETS REVENUE</b>	<b>\$472,490</b>	<b>\$113,434</b>	<b>\$125,276</b>	<b>\$111,746</b>	<b>\$115,097</b>	<b>\$465,553</b>	<b>\$132,385</b>	<b>\$169,162</b>	<b>\$167,441</b>
Brokerage Revenue <sup>7</sup>	\$467,117	\$111,872	\$124,044	\$110,180	\$113,047	\$459,143	\$132,672	\$167,067	\$167,084
Institutional brokerage <sup>3</sup>	\$327,578	\$78,304	\$89,303	\$75,907	\$80,451	\$323,965	\$97,961	\$119,064	\$113,313
Institutional services	\$139,539	\$33,568	\$34,741	\$34,273	\$32,596	\$135,178	\$34,711	\$48,003	\$53,771
Markets Other Revenue <sup>4</sup>	\$5,373	\$1,562	\$1,387	\$1,725	\$2,051	\$6,725	(\$287)	\$2,095	\$357
Markets revenue per trading day	\$1,882	\$1,860	\$1,991	\$1,749	\$1,798	\$1,849	\$2,135	\$2,685	\$2,616
# Trading days	251	61	63	64	64	252	62	63	64
# Publishing analysts <sup>5</sup>	51	52	52	53	52	52	53	54	54
<b>MANAGEMENT FEE</b>	<b>\$49,175</b>	<b>\$10,430</b>	<b>\$10,468</b>	<b>\$10,907</b>	<b>\$10,492</b>	<b>\$42,297</b>	<b>\$13,320</b>	<b>\$14,402</b>	<b>\$14,636</b>
Monthly run rate for period	\$4,098	\$3,477	\$3,489	\$3,636	\$3,497	\$3,525	\$4,440	\$4,801	\$4,879
<b>INCENTIVE INCOME</b>	<b>\$23,304</b>	<b>\$16,291</b>	<b>\$4,080</b>	<b>\$14,389</b>	<b>\$10,973</b>	<b>\$45,732</b>	<b>(\$4,086)</b>	<b>\$46,375</b>	<b>(\$1,302)</b>
<b>INVESTMENT INCOME<sup>7</sup></b>	<b>\$41,528</b>	<b>\$10,269</b>	<b>\$(2,887)</b>	<b>\$11,734</b>	<b>\$16,611</b>	<b>\$35,726</b>	<b>\$(31,103)</b>	<b>\$140,486</b>	<b>\$(90,488)</b>
<b>OTHER REVENUE</b>	<b>-\$1,169</b>	<b>\$1,159</b>	<b>\$4,318</b>	<b>\$(126)</b>	<b>\$491</b>	<b>\$5,843</b>	<b>\$562</b>	<b>\$(60)</b>	<b>\$(794)</b>
<b>TOTAL REVENUE<sup>6</sup></b>	<b>\$909,017</b>	<b>\$231,582</b>	<b>\$243,402</b>	<b>\$216,517</b>	<b>\$248,325</b>	<b>\$939,827</b>	<b>\$210,562</b>	<b>\$558,700</b>	<b>\$274,287</b>

1) "Capital Markets Underwriting" includes IPOs, secondary offerings, convertible bonds, ATM offerings and publicly rated debt

2) "Capital Markets Advisory" includes private placements, PIPEs, private debt financings, debt advisory and other advisory fees

3) "Institutional Brokerage" includes: cash and electronic trading, options, ADR, special situations and credit; "Institutional Services" includes: prime services, clearing, securities finance, commission management and recapture.

4) "Markets Other Revenue" includes management fees for Prime Services and miscellaneous fees

5) Includes equity, credit and macro publishing analysts

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

7) For 2Q'20 and prior periods, investment income/losses related to Brokerage are now reflected in the Brokerage Revenue lines

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

	2018	2019					2020		
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
<b>SUMMARY ECONOMIC INCOME DATA (\$ thousands)</b>									
Economic income revenue	\$909,017	\$231,582	\$243,402	\$216,517	\$248,325	\$939,827	\$210,562	\$558,700	\$274,287
Economic income (loss)*	\$68,900	\$13,386	\$14,497	\$4,970	\$10,845	\$43,698	\$(12,580)	\$161,265	\$31,762
Economic operating income (loss)	\$80,483	\$18,341	\$19,447	\$10,051	\$16,298	\$64,137	\$(7,145)	\$166,928	\$37,437
<b>RETURN ON AVERAGE COMMON EQUITY</b>									
Annualized return on average common equity**	11.8 %	10.4 %	10.9 %	5.6 %	9.1 %	9.0 %	(4.1)%	90.0 %	18.6 %
<b>PER COMMON SHARE INFORMATION</b>									
Economic income per share (basic)	\$2.33	\$0.45	\$0.49	\$0.17	\$0.37	\$1.48	\$(0.44)	\$5.76	\$1.15
Economic Income per share (diluted)	\$2.24	\$0.42	\$0.46	\$0.16	\$0.35	\$1.40	\$(0.44)	\$5.50	\$1.06
Economic operating income per share (basic)	\$2.72	\$0.62	\$0.65	\$0.34	\$0.56	\$2.17	\$(0.25)	\$5.97	\$1.35
Economic operating income per share (diluted)	\$2.62	\$0.58	\$0.62	\$0.32	\$0.53	\$2.05	\$(0.25)	\$5.69	\$1.25
<b>NON-INTEREST EXPENSES (EX. D&amp;A)</b>									
Compensation expenses	\$509,619	\$131,945	\$136,409	\$122,619	\$146,562	\$537,535	\$125,707	\$305,082	\$153,786
Non-compensation expenses	\$285,460	\$72,010	\$77,883	\$74,339	\$74,308	\$298,540	\$80,784	\$75,682	\$72,126
Fixed non-compensation expenses (ex. D&A)	\$141,814	\$34,877	\$38,415	\$37,083	\$36,296	\$146,671	\$37,484	\$34,860	\$34,384
Variable non-compensation expenses	\$143,646	\$37,133	\$39,468	\$37,256	\$38,012	\$151,869	\$43,300	\$40,822	\$37,742
<b>DEPRECIATION &amp; AMORTIZATION</b>									
Depreciation	\$6,572	\$1,673	\$1,694	\$1,836	\$2,107	\$7,310	\$2,240	\$2,389	\$3,227
Amortization	\$5,011	\$3,273	\$3,258	\$3,246	\$3,346	\$13,122	\$3,194	\$3,274	\$2,448
<b>EXPENSE RATIOS</b>									
Compensation to revenue ratio	56.1 %	57.0 %	56.0 %	56.6 %	59.0 %	57.2 %	59.7 %	54.6 %	56.1 %
Non-compensation expenses to revenue ratio	31.4 %	31.1 %	32.0 %	34.3 %	29.9 %	31.8 %	38.4 %	13.5 %	26.3 %
Fixed non-compensation expense to revenue ratio (ex. D&A)	15.6 %	15.1 %	15.8 %	17.1 %	14.6 %	15.6 %	17.8 %	6.2 %	12.5 %
Variable non-compensation expense to revenue ratio	15.8 %	16.0 %	16.2 %	17.2 %	15.3 %	16.2 %	20.6 %	7.3 %	13.8 %

\* 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 Unaudited) - Cowen Inc.

	2018	2019				2020			
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
<b>INVESTED CAPITAL BREAKDOWN</b>									
Operating Co	\$584,454	\$442,459	\$528,908	\$570,987	\$580,600	\$584,832	\$539,867	\$711,762	\$784,204
Asset Co	\$202,268	\$192,341	\$149,036	\$145,019	\$137,000	\$137,726	\$126,683	\$124,421	\$127,713
<b>Total invested capital</b>	<b>\$786,722</b>	<b>\$634,800</b>	<b>\$677,944</b>	<b>\$716,006</b>	<b>\$717,600</b>	<b>\$722,558</b>	<b>\$666,550</b>	<b>\$836,183</b>	<b>\$911,917</b>
<b>SUMMARY STOCKHOLDERS' EQUITY INFORMATION</b>									
<b>Stockholders' Equity</b>	\$794,407	\$814,782	\$817,424	\$817,055	\$809,855	\$809,855	\$782,729	\$901,685	\$911,180
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>\$693,091</b>	<b>\$713,466</b>	<b>\$716,108</b>	<b>\$715,739</b>	<b>\$708,539</b>	<b>\$708,539</b>	<b>\$683,487</b>	<b>\$800,369</b>	<b>\$809,864</b>
<b>Book value per share</b>	<b>\$24.37</b>	<b>\$24.12</b>	<b>\$24.29</b>	<b>\$24.67</b>	<b>\$24.77</b>	<b>\$24.77</b>	<b>\$24.74</b>	<b>\$28.96</b>	<b>\$30.48</b>
<b>Tangible book value per per share</b>	<b>\$21.36</b>	<b>\$17.84</b>	<b>\$18.24</b>	<b>\$18.63</b>	<b>\$18.72</b>	<b>\$18.72</b>	<b>\$18.60</b>	<b>\$22.94</b>	<b>\$24.32</b>
<b>OTHER DATA</b>									
Common shares outstanding (end of period)	28,438	29,581	29,480	29,013	28,610	28,610	27,628	27,642	26,569
Common shares outstanding (weighted average)									
Basic	29,545	29,750	29,769	29,529	29,046	29,525	28,598	27,983	27,663
Diluted	30,735	31,625	31,522	31,264	30,722	31,286	28,598	29,316	29,970
Employees, end of period	1,134	1,223	1,240	1,299	1,291	1,291	1,313	1,294	1,330

# Reconciliation of US GAAP and Economic Income (Unaudited)

## Three Months Ending September 30, 2020

Three Months Ended September 30, 2020

(Dollars amounts in thousands)

	US GAAP		Reclassifications and Adjustments		Economic Income		
	Net income (loss)	Management Reclassifications	Fund Consolidation Reclassifications (k)	Income Statement Adjustments	Total Economic Income/(Loss)	Operating Company	Asset Company
<b>Revenues</b>							
Investment banking	\$ 194,341	\$ (9,190) a, b	\$ —	\$ —	\$ 185,151	\$ 185,151	\$ —
Brokerage	138,483	28,601 c, h	—	—	167,084	167,084	—
Management fees	11,954	2,519 d, e	163	—	14,636	14,374	262
Incentive income (loss)	127	(1,462) e	33	—	(1,302)	(2,621)	1,319
Investment income (loss)	—	(90,488) f	—	—	(90,488)	(90,364)	(124)
Interest and dividends	37,552	(37,552) c	—	—	—	—	—
Reimbursement from affiliates	269	(269) b	—	—	—	—	—
Reinsurance premiums	2,505	(2,505) g	—	—	—	—	—
Other revenue	1,369	(2,160) g	(3)	—	(794)	(796)	2
Consolidated Funds revenues	1,135	—	(1,135)	—	—	—	—
<b>Total revenues</b>	<b>387,735</b>	<b>(112,506)</b>	<b>(942)</b>	<b>—</b>	<b>274,287</b>	<b>272,828</b>	<b>1,459</b>
Interest expense (Economic Income/(Loss)) / Interest and dividend expense (US GAAP)	37,754	(29,467) c	—	(1,152) l	7,135	6,026	1,109
<b>Total net revenues</b>	<b>349,981</b>	<b>(83,039)</b>	<b>(942)</b>	<b>1,152</b>	<b>267,152</b>	<b>266,802</b>	<b>350</b>
<b>Expenses</b>							
Compensation & benefits	153,427	359 i	—	—	153,786	152,829	957
Fixed non-compensation expense	—	37,708 e, j	—	(3,324) m	34,384	34,257	127
Variable non-compensation expense	—	37,742 j	—	—	37,742	37,736	6
Other non-compensation expense	89,636	(89,636) a, b, d, g, i	—	—	—	—	—
Depreciation & amortization	5,682	—	—	(7) n	5,675	5,670	5
Non-controlling interest	—	2,105 j	—	—	2,105	2,105	—
Consolidated Funds expenses	494	—	(494)	—	—	—	—
<b>Total expenses</b>	<b>249,239</b>	<b>(11,722)</b>	<b>(494)</b>	<b>(3,331)</b>	<b>233,692</b>	<b>232,597</b>	<b>1,095</b>
<b>Other income (loss)</b>	<b>(62,396)</b>	<b>64,896 e, f, h</b>	<b>(2,500)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Income taxes expense / (benefit)</b>	<b>8,830</b>	<b>(137)</b>	<b>—</b>	<b>(8,693) o</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds</b>	<b>9,232</b>	<b>(6,284) j</b>	<b>(2,948)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Income (loss) attributable to Cowen Inc.</b>	<b>20,284</b>	<b>—</b>	<b>—</b>	<b>13,176</b>	<b>33,460</b>	<b>34,205</b>	<b>(745)</b>
Less: Preferred stock dividends	1,698	—	—	—	1,698	1,415	283
<b>Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders</b>	<b>\$ 18,586</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 13,176</b>	<b>31,762</b>	<b>32,790</b>	<b>(1,028)</b>
Add back: Depreciation and amortization expense					5,675	5,670	5
<b>Economic Operating Income (Loss)</b>					<b>\$ 37,437</b>	<b>\$ 38,460</b>	<b>\$ (1,023)</b>

**COWEN**

# Reconciliation of US GAAP and Economic Income (Unaudited)

## Three Months Ending September 30, 2019

Three Months Ended September 30, 2019

(Dollars amounts in thousands)

	US GAAP		Reclassifications and Adjustments		Economic Income		
	Net income (loss)	Management Reclassifications	Fund Consolidation Reclassifications (k)	Income Statement Adjustments	Total Economic Income/(Loss)	Operating Company	Asset Company
<b>Revenues</b>							
Investment banking	\$ 77,292	\$ (7,859) a, b	\$ —	\$ —	\$ 69,433	\$ 69,433	\$ —
Brokerage	93,995	16,183 c, h	—	—	110,178	110,178	—
Management fees	7,300	3,033 d, e	574	—	10,907	10,321	586
Incentive income (loss)	701	13,675 e	13	—	14,389	15,251	(862)
Investment income (loss)	—	11,735 f	—	—	11,735	10,913	822
Interest and dividends	60,707	(60,707) c	—	—	—	—	—
Reimbursement from affiliates	238	(265) b	27	—	—	—	—
Reinsurance premiums	8,146	(8,146) g	—	—	—	—	—
Other revenue	1,237	(1,389) g	26	—	(126)	(132)	6
Consolidated Funds revenues	2,431	—	(2,431)	—	—	—	—
<b>Total revenues</b>	<b>252,047</b>	<b>(33,740)</b>	<b>(1,791)</b>	<b>—</b>	<b>216,516</b>	<b>215,964</b>	<b>552</b>
Interest expense (Economic Income/(Loss)) / Interest and dividend expense (US GAAP)	56,477	(48,238) c	—	(1,092) l	7,147	5,758	1,389
<b>Total net revenues</b>	<b>195,570</b>	<b>14,498</b>	<b>(1,791)</b>	<b>1,092</b>	<b>209,369</b>	<b>210,206</b>	<b>(837)</b>
<b>Expenses</b>							
Compensation & benefits	120,320	2,299 i	—	—	122,619	121,890	729
Fixed non-compensation expense	—	37,559 e, j	—	(476) m	37,083	36,458	625
Variable non-compensation expense	—	37,256 j	—	—	37,256	37,216	40
Other non-compensation expense	92,046	(92,046) a, b, d, g, i	—	—	—	—	—
Depreciation & amortization	5,082	—	—	—	5,082	5,073	9
Non-controlling interest	—	661 j	—	—	661	661	—
Consolidated Funds expenses	2,516	—	(2,516)	—	—	—	—
<b>Total expenses</b>	<b>219,964</b>	<b>(14,271)</b>	<b>(2,516)</b>	<b>(476)</b>	<b>202,701</b>	<b>201,298</b>	<b>1,403</b>
<b>Other income (loss)</b>	<b>32,342</b>	<b>(26,721) e, f, h</b>	<b>(5,621)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Income taxes expense / (benefit)</b>	<b>1,365</b>	<b>(78)</b>	<b>—</b>	<b>(1,287) o</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds</b>	<b>2,770</b>	<b>2,126 j</b>	<b>(4,896)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Income (loss) attributable to Cowen Inc.</b>	<b>3,813</b>	<b>—</b>	<b>—</b>	<b>2,855</b>	<b>6,668</b>	<b>8,908</b>	<b>(2,240)</b>
Less: Preferred stock dividends	1,698	—	—	—	1,698	1,341	357
<b>Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders</b>	<b>\$ 2,115</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2,855</b>	<b>4,970</b>	<b>7,567</b>	<b>(2,597)</b>
Add back: Depreciation and amortization expense					5,082	5,073	9
<b>Economic Operating Income (Loss)</b>					<b>\$ 10,052</b>	<b>\$ 12,640</b>	<b>\$ (2,588)</b>

**COWEN**



# Reconciliation of US GAAP and Economic Income (Unaudited)

## Nine Months Ending September 30, 2020

Nine Months Ended September 30, 2020

(Dollars amounts in thousands)

	US GAAP		Reclassifications and Adjustments		Economic Income		
	Net income (loss)	Management Reclassifications	Fund Consolidation Reclassifications (k)	Income Statement Adjustments	Total Economic Income/ (Loss)	Operating Company	Asset Company
<b>Revenues</b>							
Investment banking	\$ 503,351	\$ (28,573) a, b	\$ —	\$ —	\$ 474,778	\$ 474,778	\$ —
Brokerage	425,069	41,754 c, h	—	—	466,823	466,823	—
Management fees	35,211	5,672 d, e	1,475	—	42,358	41,724	634
Incentive income (loss)	127	40,827 e	33	—	40,987	40,829	158
Investment income (loss)	—	18,895 f	—	—	18,895	32,566	(13,671)
Interest and dividends	127,547	(127,547) c	—	—	—	—	—
Reimbursement from affiliates	777	(827) b	50	—	—	—	—
Reinsurance premiums	18,943	(18,943) g	—	—	—	—	—
Other revenue	4,709	(4,982) g	(21)	—	(294)	(298)	4
Consolidated Funds revenues	4,650	—	(4,650)	—	—	—	—
<b>Total revenues</b>	<b>1,120,384</b>	<b>(73,724)</b>	<b>(3,113)</b>	<b>—</b>	<b>1,043,547</b>	<b>1,056,422</b>	<b>(12,875)</b>
Interest and dividend expense	125,850	(99,971) c	—	(3,394) l	22,485	18,471	4,014
<b>Total net revenues</b>	<b>994,534</b>	<b>26,247</b>	<b>(3,113)</b>	<b>3,394</b>	<b>1,021,062</b>	<b>1,037,951</b>	<b>(16,889)</b>
<b>Expenses</b>							
Compensation & benefits	583,137	1,436 i	—	—	584,573	582,480	2,093
Fixed non-compensation expense	—	111,880 e, j	—	(5,152) m	106,728	106,350	378
Variable non-compensation expense	—	121,864 j	—	—	121,864	121,846	18
Other non-compensation expense	286,666	(286,666) a, b, d, g, i	—	—	—	—	—
Depreciation & amortization	17,324	—	—	(551) n	16,773	16,756	17
Non-controlling interest	—	5,584 j	—	—	5,584	5,584	—
Consolidated Funds expenses	4,793	—	(4,793)	—	—	—	—
<b>Total expenses</b>	<b>891,920</b>	<b>(45,902)</b>	<b>(4,793)</b>	<b>(5,703)</b>	<b>835,522</b>	<b>833,016</b>	<b>2,506</b>
<b>Other income (loss)</b>	<b>54,328</b>	<b>(82,006) e, f, h</b>	<b>27,678</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Income taxes expense / (benefit)</b>	<b>52,589</b>	<b>(342)</b>	<b>—</b>	<b>(52,247) o</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds</b>	<b>(19,843)</b>	<b>(9,515) j</b>	<b>29,358</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Income (loss) attributable to Cowen Inc.</b>	<b>\$ 124,196</b>	<b>—</b>	<b>—</b>	<b>61,344</b>	<b>185,540</b>	<b>204,935</b>	<b>(19,395)</b>
Less: Preferred stock dividends	5,094	—	—	—	5,094	4,160	934
<b>Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders</b>	<b>\$ 119,102</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 61,344</b>	<b>180,446</b>	<b>200,775</b>	<b>(20,329)</b>
Add back: Depreciation and amortization expense	—	—	—	—	16,773	16,756	17
<b>Economic Operating Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>\$ 197,219</b>	<b>\$ 217,531</b>	<b>\$ (20,312)</b>

**COWEN**

# Reconciliation of US GAAP and Economic Income (Unaudited)

## Nine Months Ending September 30, 2019

Nine Months Ended September 30, 2019

(Dollars amounts in thousands)

	US GAAP		Reclassifications and Adjustments		Economic Income		
	Net income (loss)	Management Reclassifications	Fund Consolidation Reclassifications (k)	Income Statement Adjustments	Total Economic Income/(Loss)	Operating Company	Asset Company
<b>Revenues</b>							
Investment banking	\$ 272,103	\$ (17,729) a, b	\$ —	\$ —	\$ 254,374	\$ 254,374	\$ —
Brokerage	302,840	43,255 c, h	—	—	346,095	346,095	—
Management fees	21,480	8,684 d, e	1,640	—	31,804	30,016	1,788
Incentive income (loss)	724	33,479 e	557	—	34,760	33,998	762
Investment income (loss)	—	19,116 f	—	—	19,116	13,827	5,289
Interest and dividends	129,846	(129,846) c	—	—	—	—	—
Reimbursement from affiliates	780	(874) b	94	—	—	—	—
Reinsurance premiums	29,068	(29,068) g	—	—	—	—	—
Other revenue	3,228	2,109 g	14	—	5,351	5,295	56
Consolidated Funds revenues	8,239	—	(8,239)	—	—	—	—
Total revenues	768,308	(70,874)	(5,934)	—	691,500	683,605	7,895
Interest expense (Economic Income/(Loss)) / Interest and dividend expense (US GAAP)	125,089	(101,464) c	—	(3,208) l	20,417	16,371	4,046
<b>Total net revenues</b>	643,219	30,590	(5,934)	3,208	671,083	667,234	3,849
<b>Expenses</b>							
Compensation & benefits	388,611	2,365 i	—	—	390,976	386,593	4,383
Fixed non-compensation expense	—	112,038 e, j	—	(1,664) m	110,374	107,889	2,485
Variable non-compensation expense	—	113,855 j	—	—	113,855	113,728	127
Other non-compensation expense	276,054	(276,054) a, b, d, g, i	—	—	—	—	—
Depreciation & amortization	14,990	(3)	—	—	14,987	14,957	30
Non-controlling interest	—	2,944 j	—	—	2,944	2,944	—
Goodwill impairment	4,100	—	—	(4,100) n	—	—	—
Consolidated Funds expenses	6,229	—	(6,229)	—	—	—	—
<b>Total expenses</b>	689,984	(44,855)	(6,229)	(5,764)	633,136	626,111	7,025
<b>Other income (loss)</b>	82,976	(73,907) e, f, h	(9,069)	—	—	—	—
<b>Income taxes expense / (benefit)</b>	9,615	(48)	—	(9,567) o	—	—	—
<b>Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds</b>	7,188	1,586 j	(8,774)	—	—	—	—
<b>Income (loss) attributable to Cowen Inc.</b>	19,408	—	—	18,539	37,947	41,123	(3,176)
Less: Preferred stock dividends	5,094	—	—	—	5,094	4,058	1,036
<b>Economic Income (Loss)/ Income (loss) attributable to Cowen Inc. common stockholders</b>	\$ 14,314	\$ —	\$ —	\$ 18,539	32,853	37,065	(4,212)
Add back: Depreciation and amortization expense					14,987	14,957	30
<b>Economic Operating Income (Loss)</b>					\$ 47,840	\$ 52,022	\$ (4,182)

**COWEN**

# Adjustments Made to US GAAP Net Income (Loss) to Arrive at Economic Income (Loss)

## **Management Reclassifications**

*Management reclassification adjustments and fund consolidation reclassification adjustments have no effect on economic income. These adjustments are reclassifications to change the location of certain line items.*

- a Economic Income (Loss) presents underwriting expenses net of investment banking revenues.
- b Economic Income (Loss) presents expenses reimbursed from clients and affiliates within their respective expense category but is included as a part of revenues under US GAAP.
- c 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.
- d Economic Income (Loss) presents revenues net of fund start-up costs and distribution fees paid to agents.
- e Economic Income (Loss) recognizes the Company's proportionate share of management and incentive fees and associated share of expenses on a gross basis for certain real estate operating entities, the healthcare royalty business and the activist business. Additionally, carried interest, which the Company applies an equity ownership model to, is recorded in other income (loss) for US GAAP and is shown as incentive income for Economic Income (Loss).
- f Economic Income (Loss) recognizes Company income from proprietary trading (including interest and dividends) for which the majority of this activity is shown in other income (loss) for US GAAP reporting.
- g Economic Income (Loss) recognizes underwriting income from the Company's insurance related activities, net of expenses, within other revenue. The costs are recorded within expenses for US GAAP reporting.
- h Economic Income (Loss) recognizes gains and losses on investments held as part of the Company's facilitation and trading business within brokerage revenues as these investments are directly related to the markets business activities.
- i Economic Income (Loss) presents certain payments to associated banking partners as compensation rather than non-compensation expenses.
- j Economic Income (Loss) presents US GAAP expenses as either Fixed non-compensation or Variable non-compensation expenses. The Company also presents US GAAP Income (loss) attributable to non-controlling interests within total other expenses for Economic Income (Loss).

## **Fund Consolidation Reclassifications**

- k The impacts of consolidation and the related elimination entries of the Consolidated Funds are not included in Economic Income (Loss). Adjustments to reconcile to US GAAP net income (loss) included elimination of incentive income and management fees earned from the Consolidated Funds and addition of investment fund expenses excluding management fees paid, investment fund revenues and investment income (loss).

## **Income Statement Adjustments**

- l Economic Income (Loss) excludes the amortization of discount on convertible debt.
- m Economic Income (Loss) excludes acquisition related adjustments as management does not consider these items when evaluating the performance of the Company.
- n Economic Income (Loss) excludes goodwill and intangible impairment.
- o Economic Income (Loss) excludes income taxes.

## 2. OPERATING CO

# Revenue Metrics (Non-GAAP Unaudited) - Operating Co

	2018	2019				2020			
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
<i>\$ thousands</i>									
<b>INVESTMENT BANKING REVENUE</b>	<b>\$329,062</b>	<b>\$81,561</b>	<b>\$103,379</b>	<b>\$69,433</b>	<b>\$96,711</b>	<b>\$351,085</b>	<b>\$99,197</b>	<b>\$190,430</b>	<b>\$185,151</b>
M&A									
Revenue	\$81,733	\$26,984	\$11,021	\$16,373	\$28,773	\$83,152	\$19,773	\$30,983	\$32,476
Total transactions	30	10	9	13	16	48	12	9	10
Average fee (implied)	\$2,724	\$2,698	\$1,225	\$1,259	\$1,798	\$1,732	\$1,648	\$3,443	\$3,248
Median fee	\$1,800	\$1,117	\$876	\$1,059	\$1,188	\$1,008	\$1,201	\$1,295	\$1,685
Transaction value (in B)	\$10,889	\$7,207	\$716	\$927	\$1,592	\$10,443	\$1,114	\$4,742	\$6,011
Total Capital Markets Revenue	\$247,329	\$54,577	\$92,358	\$53,060	\$67,938	\$267,933	\$79,424	\$159,447	\$152,675
Capital Markets Underwriting <sup>1</sup>									
Revenue	--	\$47,477	\$72,402	\$39,874	\$59,144	\$218,897	\$65,725	\$134,736	\$123,053
Total transactions	--	25	42	22	25	114	24	48	50
Average fee (implied)	--	\$1,899	\$1,724	\$1,812	\$2,366	\$1,920	\$2,739	\$2,807	\$2,461
Median fee	--	\$1,478	\$1,527	\$1,300	\$1,924	\$1,477	\$2,309	\$2,206	\$2,033
Capital Markets Advisory <sup>2</sup>									
Revenue	--	\$7,100	\$19,956	\$13,186	\$8,794	\$49,036	\$13,699	\$24,711	\$29,622
Total transactions	--	5	5	8	9	27	7	7	11
Average fee (implied)	--	\$1,420	\$3,991	\$1,648	\$977	\$1,816	\$1,957	\$3,530	\$2,693
Median fee	--	\$700	\$1,500	\$1,173	\$666	\$900	\$1,350	\$1,880	\$2,250
<b>MARKETS REVENUE</b>	<b>\$472,490</b>	<b>\$113,434</b>	<b>\$125,276</b>	<b>\$111,746</b>	<b>\$115,097</b>	<b>\$465,553</b>	<b>\$132,385</b>	<b>\$169,162</b>	<b>\$167,441</b>
Brokerage Revenue <sup>7</sup>	\$467,117	\$111,872	\$124,044	\$110,180	\$113,047	\$459,143	\$132,672	\$167,067	\$167,084
Institutional brokerage <sup>3</sup>	\$327,578	\$78,304	\$89,303	\$75,907	\$80,451	\$323,965	\$97,961	\$119,064	\$113,313
Institutional services	\$139,539	\$33,568	\$34,741	\$34,273	\$32,596	\$135,178	\$34,711	\$48,003	\$53,771
Markets Other Revenue <sup>4</sup>	\$5,373	\$1,562	\$1,387	\$1,725	\$2,051	\$6,725	-\$287	\$2,095	\$357
Markets revenue per trading day	\$1,882	\$1,860	\$1,991	\$1,749	\$1,798	\$1,849	\$2,135	\$2,685	\$2,616
# Trading days	251	61	63	64	64	252	62	63	64
# Publishing analysts <sup>5</sup>	51	52	52	53	52	52	53	54	54
<b>MANAGEMENT FEE</b>	<b>\$43,466</b>	<b>\$9,727</b>	<b>\$9,968</b>	<b>\$10,321</b>	<b>\$10,305</b>	<b>\$40,321</b>	<b>\$13,116</b>	<b>\$14,234</b>	<b>\$14,374</b>
Monthly run rate (trailing 3 months)	\$3,622	\$3,242	\$3,323	\$3,440	\$3,435	\$3,360	\$4,372	\$4,745	\$4,791
<b>INCENTIVE INCOME</b>	<b>\$16,270</b>	<b>\$16,131</b>	<b>\$2,615</b>	<b>\$15,251</b>	<b>\$10,603</b>	<b>\$44,600</b>	<b>-\$1,942</b>	<b>\$45,392</b>	<b>-\$2,621</b>
<b>INVESTMENT INCOME<sup>7</sup></b>	<b>\$38,776</b>	<b>\$9,427</b>	<b>\$(6,513)</b>	<b>\$10,912</b>	<b>\$18,789</b>	<b>\$32,615</b>	<b>\$(19,449)</b>	<b>\$142,379</b>	<b>\$(90,364)</b>
<b>OTHER REVENUE</b>	<b>\$(1,619)</b>	<b>\$1,124</b>	<b>\$4,304</b>	<b>\$(132)</b>	<b>\$490</b>	<b>\$5,785</b>	<b>\$562</b>	<b>\$(62)</b>	<b>\$(796)</b>
<b>TOTAL REVENUE<sup>6</sup></b>	<b>\$893,072</b>	<b>\$229,842</b>	<b>\$237,797</b>	<b>\$215,965</b>	<b>\$249,945</b>	<b>\$933,550</b>	<b>\$224,156</b>	<b>\$559,440</b>	<b>\$272,828</b>

1) "Capital Markets Underwriting" includes IPOs, secondary offerings, convertible bonds, ATM offerings and publicly rated debt

2) "Capital Markets Advisory" includes private placements, PIPEs, private debt financings, debt advisory and other advisory fees

3) "Institutional Brokerage" includes: cash and electronic trading, options, ADR, special situations and credit; "Institutional Services" includes: prime services, clearing, securities finance, commission management and recapture.

4) "Markets Other Revenue" includes management fees for Prime Services and miscellaneous fees

5) Includes equity, credit and macro publishing analysts

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

7) For 2Q'20 and prior periods, investment income/losses related to Brokerage are now reflected in the Brokerage Revenue lines

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

\$ thousands	2019			2020		
	Q2	Q3	Q4	Q1	Q2	Q3
<b>SUMMARY ECONOMIC INCOME DATA (\$ thousands)</b>						
Economic income revenue	\$237,797	\$215,965	\$249,945	\$224,156	\$559,440	\$272,828
Economic income (loss)*	\$13,904	\$7,567	\$16,194	\$3,649	\$164,339	\$32,790
Economic operating income (loss)	\$18,849	\$12,639	\$21,641	\$9,077	\$169,996	\$38,460
<b>RETURN ON AVERAGE COMMON EQUITY</b>						
Annualized return on average common equity**	11.2 %	7.5 %	12.9 %	5.6 %	95.7 %	20.2 %
<b>PER COMMON SHARE INFORMATION</b>						
Economic income per share (basic)	\$0.47	\$0.26	\$0.56	\$0.13	\$5.87	\$1.19
Economic Income per share (diluted)	\$0.44	\$0.24	\$0.53	\$0.13	\$5.61	\$1.09
Economic operating income per share (basic)	\$0.63	\$0.43	\$0.75	\$0.32	\$6.07	\$1.39
Economic operating income per share (diluted)	\$0.60	\$0.40	\$0.70	\$0.32	\$5.80	\$1.28
<b>NON-INTEREST EXPENSES (EX. D&amp;A)</b>						
Compensation expenses	\$134,454	\$121,889	\$145,879	\$126,724	\$304,644	\$152,829
Non-compensation expenses	\$76,599	\$73,674	\$72,997	\$81,103	\$75,572	\$72,126
Fixed non-compensation expenses (ex. D&A)	\$37,171	\$36,458	\$36,245	\$37,811	\$34,755	\$34,257
Variable non-compensation expenses	\$39,428	\$37,216	\$36,752	\$43,292	\$40,817	\$37,736
<b>DEPRECIATION &amp; AMORTIZATION</b>						
Depreciation	\$1,686	\$1,827	\$2,101	\$2,234	\$2,383	\$3,222
Amortization	\$3,259	\$3,246	\$3,346	\$3,194	\$3,274	\$2,448
<b>EXPENSE RATIOS</b>						
Compensation to revenue ratio	56.5 %	56.4 %	58.4 %	56.5 %	54.5 %	56.0 %
Non-compensation expenses to revenue ratio	32.2 %	34.1 %	29.2 %	36.2 %	13.5 %	26.4 %
Fixed non-compensation expense to revenue ratio (ex. D&A)	15.6 %	16.9 %	14.5 %	16.9 %	6.2 %	12.6 %
Variable non-compensation expense to revenue ratio	16.6 %	17.2 %	14.7 %	19.3 %	7.3 %	13.8 %

\* 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 Unaudited) - Asset Co

	2018	2019				2020			
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
<i>\$ thousands</i>									
<b>MANAGEMENT FEE</b>	\$5,709	\$703	\$500	\$586	\$187	\$1,976	\$204	\$168	\$262
Monthly run rate for period	\$476	\$234	\$167	\$195	\$47	\$165	\$68	\$56	\$87
<b>INCENTIVE INCOME</b>	\$7,034	\$160	\$1,465	\$(862)	\$370	\$1,132	\$(2,144)	\$983	\$1,319
<b>INVESTMENT INCOME</b>	\$2,753	\$842	\$3,626	\$822	\$(2,178)	\$3,111	\$(11,655)	\$(1,893)	\$(124)
<b>OTHER REVENUE</b>	\$450	\$36	\$15	\$6	\$1	\$58	\$0	\$2	\$2
<b>TOTAL REVENUE</b>	\$15,946	\$1,740	\$5,605	\$552	\$(1,620)	\$6,277	\$(13,594)	\$(740)	\$1,459



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

	2019			2020		
	Q2	Q3	Q4	Q1	Q2	Q3
<i>\$ thousands</i>						
<b>SUMMARY ECONOMIC INCOME DATA (\$ thousands)</b>						
Economic income revenue	\$5,605	\$552	\$(1,620)	\$(13,594)	\$(740)	\$1,459
Economic income (loss)*	\$593	\$(2,597)	\$(5,349)	\$(16,228)	\$(3,074)	\$(1,028)
Economic operating income (loss)	\$599	\$(2,588)	\$(5,343)	\$(16,222)	\$(3,068)	\$(1,023)
<b>RETURN ON AVERAGE COMMON EQUITY</b>						
Annualized return on average common equity**	5.6 %	(24.2)%	(50.0)%	(152.0)%	(39.3)%	(9.6)%
<b>PER COMMON SHARE INFORMATION</b>						
Economic income per share (basic)	\$0.02	\$(0.09)	\$(0.18)	\$(0.57)	\$(0.11)	\$(0.04)
Economic Income per share (diluted)	\$0.02	\$(0.08)	\$(0.17)	\$(0.57)	\$(0.10)	\$(0.03)
Economic operating income per share (basic)	\$0.02	\$(0.09)	\$(0.18)	\$(0.57)	\$(0.11)	\$(0.04)
Economic operating income per share (diluted)	\$0.02	\$(0.08)	\$(0.17)	\$(0.57)	\$(0.10)	\$(0.03)
<b>NON-INTEREST EXPENSES (EX. D&amp;A)</b>						
Compensation expenses	\$1,956	\$729	\$687	\$699	\$438	\$957
Non-compensation expenses	\$1,283	\$665	\$1,311	\$154	\$110	\$133
Fixed non-compensation expenses (ex. D&A)	\$1,244	\$625	\$51	\$146	\$105	\$127
Variable non-compensation expenses	\$39	\$40	\$1,260	\$8	\$5	\$6
<b>DEPRECIATION &amp; AMORTIZATION</b>						
Depreciation	\$8	\$9	\$6	\$5	\$6	\$5
Amortization	\$(1)	\$0	\$0	\$0	\$0	\$0
<b>EXPENSE RATIOS</b>						
Compensation to revenue ratio	34.9 %	132.1 %	N/A	N/A	N/A	66 %
Non-compensation expenses to revenue ratio	22.9 %	120.5 %	N/A	N/A	N/A	9 %
Fixed non-compensation expense to revenue ratio (ex. D&A)	22.2 %	113.2 %	N/A	N/A	N/A	9 %
Variable non-compensation expense to revenue ratio	0.7 %	7.2 %	N/A	N/A	N/A	— %

\* 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.