

FINANCIAL SUPPLEMENT

2018 Fourth Quarter

FEBRUARY 14, 2019

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Revenue Metrics (Non-GAAP)

\$ thousands	2018					2017				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
INVESTMENT BANKING										
Investment banking revenue	\$93,924	\$80,042	\$77,510	\$77,586	\$329,062	\$36,553	\$64,106	\$57,383	\$65,532	\$223,614
Advisory										
Revenue	\$14,360	\$14,498	\$22,195	\$30,680	\$81,733	\$4,472	\$7,984	\$13,319	\$15,944	\$41,835
Total transactions	5	10	6	9	30	2	2	7	5	16
Average fee (implied)	\$2,880	\$1,450	\$3,700	\$3,411	\$2,723	\$2,250	\$4,000	\$1,900	\$3,180	\$2,613
Median fee	\$2,300	\$1,325	\$2,094	\$2,300	\$1,800	\$1,703	\$3,760	\$1,622	\$1,600	\$1,600
Transaction value	\$1,078	\$2,984	\$1,712	\$5,115	\$10,889	\$517	\$950	\$1,187	\$12,955	\$15,609
Capital Markets										
Revenue	\$79,564	\$65,544	\$55,315	\$46,906	\$247,329	\$32,082	\$56,122	\$44,064	\$49,588	\$181,780
Total transactions	37	31	31	22	121	23	31	24	27	105
Of which bookrun	28	22	19	13	82	14	18	16	18	66
Average fee (implied)	\$2,151	\$2,113	\$1,784	\$2,132	\$2,044	\$1,396	\$1,810	\$1,838	\$1,837	\$1,731
Median fee	\$1,672	\$1,625	\$1,178	\$1,600	\$1,600	\$964	\$1,449	\$1,368	\$1,500	\$1,200
MARKETS										
Brokerage revenue*	\$114,071	\$113,186	\$101,672	\$123,371	\$452,300	\$52,313	\$66,993	\$89,968	\$103,506	\$312,780
Institutional brokerage	\$82,248	\$83,255	\$73,659	\$88,412	\$327,574	\$44,825	\$52,260	\$66,946	\$77,129	\$241,160
Institutional services	\$31,823	\$29,931	\$28,013	\$34,959	\$124,726	\$7,488	\$14,733	\$23,022	\$26,377	\$71,620
Brokerage revenue per trading day	\$1,870	\$1,769	\$1,614	\$1,959	\$1,802	\$844	\$1,063	\$1,429	\$1,643	\$1,246
# Trading days	61	64	63	63	251	62	63	63	63	251
# Publishing analysts**	54	54	53	51	51	57	57	56	55	55
INVESTMENT MANAGEMENT										
Management fee	\$12,355	\$11,758	\$11,582	\$10,323	\$46,017	\$13,145	\$13,602	\$12,983	\$12,508	\$52,239
Monthly run rate (trailing 3 months)	\$4,100	\$3,933	\$3,867	\$3,433	\$3,833	\$4,367	\$4,533	\$4,333	\$4,167	\$4,350
Incentive income	\$5,197	\$9,363	\$6,910	\$2,277	\$23,747	\$3,060	\$10,969	\$4,597	\$7,402	\$26,028
INVESTED CAPITAL										
Investment Income	\$14,301	\$19,954	\$27,672	\$(5,582)	\$56,346	\$21,626	\$14,192	\$15,949	\$(6,623)	\$45,142
Invested capital breakdown:										
Marketable securities	\$249,500	\$252,562	\$286,935	\$284,415	\$284,415	\$283,058	\$241,729	\$262,587	\$315,557	\$315,557
Private securities	\$190,653	\$182,509	\$201,933	\$202,268	\$202,268	\$220,678	\$211,105	\$218,282	\$184,803	\$184,803
Regulatory capital	\$245,578	\$282,130	\$288,753	\$300,039	\$300,039	\$141,253	\$199,448	\$210,004	\$183,956	\$183,956
Total invested capital	\$685,731	\$717,201	\$777,621	\$786,722	\$786,722	\$644,989	\$652,282	\$690,872	\$684,317	\$684,317

* Brokerage revenue does not include financing revenue. "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

Summary Operating and Other Financial Information (Non-GAAP)

	2018					2017				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
SUMMARY ECONOMIC INCOME DATA (\$ thousands)										
Economic income revenue	\$241,507	\$234,310	\$226,233	\$207,412	\$909,460	\$128,602	\$171,928	\$182,630	\$183,025	\$666,182
Economic income (loss) attributable to Cowen Inc.	\$24,058	\$21,741	\$22,683	\$7,652	\$76,134	\$5,458	\$11,549	\$8,256	\$(9,422)	\$15,836
Economic income (loss) attributable to common stockholders	\$22,360	\$20,043	\$20,985	\$5,954	\$69,342	\$3,760	\$9,851	\$6,558	\$(11,120)	\$9,044
Economic operating income (loss) attributable to Cowen stockholders	\$25,346	\$23,002	\$23,894	\$8,683	\$80,925	\$6,333	\$12,531	\$9,628	\$(7,891)	\$20,601
RETURN ON AVERAGE COMMON EQUITY										
Return on average common equity*	3.9%	3.4%	3.4%	1.2%	12.1%	0.9%	1.8%	1.3%	(1.2)%	3.1%
PER COMMON SHARE INFORMATION										
Economic income per common share (basic)	\$0.75	\$0.67	\$0.71	\$0.20	\$2.35	\$0.14	\$0.34	\$0.21	\$(0.36)	\$0.31
Economic Income per common share (diluted)	\$0.73	\$0.65	\$0.68	\$0.19	\$2.26	\$0.13	\$0.33	\$0.20	\$(0.36)	\$0.31
Economic operating income per common share (basic)	\$0.86	\$0.77	\$0.81	\$0.30	\$2.74	\$0.23	\$0.44	\$0.31	\$(0.26)	\$0.70
Economic operating income per common share (diluted)	\$0.83	\$0.75	\$0.77	\$0.28	\$2.63	\$0.22	\$0.43	\$0.30	\$(0.26)	\$0.70
EXPENSE RATIOS										
Compensation to revenue ratio	56%	56%	56%	55%	56%	58%	58%	56%	61 %	58%
Non-compensation expenses to revenue ratio	30%	31%	29%	36%	31%	31%	30%	36%	39 %	34%
Fixed non-compensation expense to revenue ratio	14%	15%	16%	18%	16%	19%	17%	18%	19 %	18%
Variable non-compensation expense to revenue ratio	16%	16%	14%	18%	16%	13%	13%	18%	19 %	16%

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

Summary Operating and Other Financial Information (Non-GAAP)

	2018					2017				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
SELECT BALANCE SHEET DATA										
Cowen Inc. stockholders' equity	\$758,787	\$793,207	\$808,244	\$794,407	\$794,407	\$778,258	\$833,905	\$843,516	\$748,019	\$748,019
Common equity	\$657,471	\$691,891	\$706,928	\$693,091	\$693,091	\$676,942	\$732,589	\$742,200	\$646,703	\$646,703
Book value per share	\$22.27	\$23.37	\$24.26	\$24.37	\$24.37	\$24.79	\$23.58	\$23.87	\$21.82	\$21.82
SUMMARY STOCKHOLDERS' EQUITY INFORMATION										
Stockholders' Equity	\$758,787	\$793,207	\$808,244	\$794,407	\$794,407	\$778,258	\$833,905	\$843,516	\$748,019	\$748,019
Less:										
Preferred Stock	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316	\$101,316
Common Equity	\$657,471	\$691,891	\$706,928	\$693,091	\$693,091	\$676,942	\$732,589	\$742,200	\$646,703	\$646,703
OTHER DATA										
Common shares outstanding (end of period)	29,517	29,609	29,143	28,438	28,400	27,312	31,074	31,087	29,632	29,600
Common shares outstanding (average)										
Basic	29,625	29,769	29,610	29,194	29,545	27,061	28,634	31,271	30,934	29,492
Diluted	30,492	30,720	30,844	30,955	30,735	28,401	29,474	32,246	30,934	29,492
Employees, end of period	1,097	1,105	1,131	1,134	1,134	846	1,137	1,148	1,129	1,129

Return on Common Equity (ROCE) Definition

RETURN ON COMMON EQUITY:

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

where:

$$\text{Economic Operating Income Attributable to Common Stockholders} = \text{Economic Income Attributable to Cowen Inc.} - \text{Preferred Dividends} + \text{Depreciation \& Amortization}$$

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

Reconciliation of US GAAP and Economic Income (Unaudited)

	Three Months Ended December 31, 2018			
	US GAAP	Adjustments		Economic
		Net Income (Loss)	Other Adjustments (1)	
Revenue				
Investment banking	\$ 92,485	\$ (14,899) (a)	\$ —	\$ 77,586
Brokerage	112,529	10,842 (b)	—	123,371
Management fees	7,322	3,540 (c)	316	11,178
Incentive income	3,020	(758) (c)(a)	15	2,277
Investment income	—	(5,582) (d)(e)	—	(5,582)
Interest and dividends	30,498	(30,498) (d)	—	—
Reimbursement from affiliates	(28)	(43) (f)	71	—
Aircraft lease revenue	343	(343) (e)	—	—
Reinsurance premiums	11,845	(11,845) (g)	—	—
Other revenues	658	(2,076) (g)	—	(1,418)
Consolidated Funds	1,259	—	(1,259)	—
Total revenue	259,931	(51,662)	(857)	207,412
Interest expense	29,270	(22,757) (d)	—	6,513
Total net revenues	230,661	(28,905)	(857)	200,899
Expenses				
Non interest expense	225,947	(34,232) (d)(h)(i)	—	191,715
Consolidated Funds expenses	1,348	—	(1,348)	—
Total expenses	227,295	(34,232)	(1,348)	191,715
Total other income (loss)	778	(1,397)	619	—
Income taxes expense / (benefit)	(280)	280 (d)(k)	—	—
Income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and investment funds	(655)	1,077	1,110	1,532
Income (loss) attributable to Cowen Inc.	\$ 5,079	\$ 2,573	\$ —	\$ 7,652
Less: Preferred stock dividends				1,698
Income (Loss) attributable to Cowen Inc. common stockholders				\$ 5,954
Add: Depreciation and Amortization				2,729
Economic Operating Income (Loss) attributable to Cowen Inc. common stockholders				8,683

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)

	Three Months Ended December 31, 2017			
	US GAAP	Adjustments		Economic
		Net Income (Loss)	Other Adjustments (1)	
Revenue				
Investment banking	\$ 65,532	\$ — (a)	\$ —	\$ 65,532
Brokerage	95,011	8,495 (b)	—	103,506
Management fees	7,658	4,813 (c)	820	13,291
Incentive income	(834)	10,166 (c)(a)	(1,930)	7,402
Investment income	—	(6,623) (d)(e)	—	(6,623)
Interest and dividends	22,116	(22,116) (d)	—	—
Reimbursement from affiliates	229	(286) (f)	57	—
Aircraft lease revenue	715	(715) (e)	—	—
Reinsurance premiums	9,039	(9,039) (g)	—	—
Other revenues	2,414	(2,497) (g)	—	(83)
<i>Consolidated Funds</i>	2,570	—	(2,570)	—
Total revenue	204,450	(17,802)	(3,623)	183,025
Interest expense	23,676	(18,241) (d)	—	5,435
Total net revenues	180,774	439	(3,623)	177,590
Expenses				
Non interest expense	206,090	(21,020) (d)(h)(i)	—	185,070
Consolidated Funds expenses	3,103	—	(3,103)	—
Total expenses	209,193	(21,020)	(3,103)	185,070
Total other income (loss)	(18,528)	5,490 (d)(k)	13,038	—
Income taxes expense / (benefit)	40,646	(40,646) (h)	—	—
Income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and investment funds	(11,621)	1,045	12,518	1,942
Income (loss) attributable to Cowen Inc.	\$ (75,972)	\$ 66,550	\$ —	\$ (9,422)
Less: Preferred stock dividends				1,698
Income (Loss) attributable to Cowen Inc. common stockholders				\$ (11,120)
Add: Depreciation and Amortization				3,229
Economic Operating Income (Loss) attributable to Cowen Inc. common stockholders				(7,891)

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)

	Twelve Months Ended December 31, 2018			
	US GAAP	Adjustments		Economic
		Net Income (Loss)	Other Adjustments (1)	
Revenue				
Investment banking	\$ 357,222	\$ (28,161) (a)	\$ —	\$ 329,061
Brokerage	413,582	38,717 (b)	—	452,299
Management fees	29,658	17,004 (c)	2,513	49,175
Incentive income	3,117	20,578 (c)(a)	52	23,747
Investment income	—	56,346 (d)(e)	—	56,346
Interest and dividends	108,009	(108,009) (d)	—	—
Reimbursement from affiliates	1,038	(1,307) (f)	269	—
Aircraft lease revenue	1,852	(1,852) (e)	—	—
Reinsurance premiums	38,096	(38,096) (g)	—	—
Other revenues	4,504	(5,672) (g)	—	(1,168)
<i>Consolidated Funds</i>	9,838	—	(9,838)	—
Total revenue	966,916	(50,452)	(7,004)	909,460
Interest expense	104,116	(81,103) (d)	—	23,013
Total net revenues	862,800	30,651	(7,004)	886,447
Expenses				
Non interest expense	878,991	(76,970) (d)(h)(i)	—	802,021
Consolidated Funds expenses	8,615	—	(8,615)	—
Total expenses	887,606	(76,970)	(8,615)	802,021
Total other income (loss)	123,742	(88,248) (d)(k)(j)	(35,494)	—
Income taxes expense / (benefit)	15,719	(15,719) (h)	—	—
Income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and investment funds	40,398	1,777	(33,883)	8,292
Income (loss) attributable to Cowen Inc.	\$ 42,819	\$ 33,315	\$ —	\$ 76,134
Less: Preferred stock dividends				6,792
Income (Loss) attributable to Cowen Inc. common stockholders				\$ 69,342
Add: Depreciation and Amortization				11,583
Economic Operating Income (Loss) attributable to Cowen Inc. common stockholders				80,925

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)

	Twelve Months Ended December 31, 2017			
	US GAAP	Adjustments		Economic
		Net Income (Loss)	Other Adjustments (1)	
Revenue				
Investment banking	\$ 223,614	\$ — (a)	\$ —	\$ 223,614
Brokerage	293,610	19,170 (b)	—	312,780
Management fees	33,245	19,549 (c)	2,593	55,387
Incentive income	5,383	18,906 (c)(a)	1,739	26,028
Investment income	—	45,142 (d)(e)	—	45,142
Interest and dividends	49,440	(49,440) (d)	—	—
Reimbursement from affiliates	2,860	(3,157) (f)	297	—
Aircraft lease revenue	3,751	(3,751) (e)	—	—
Reinsurance premiums	30,996	(30,996) (g)	—	—
Other revenues	8,561	(5,330) (g)	—	3,231
Consolidated Funds	7,321	—	(7,321)	—
Total revenue	658,781	10,093	(2,692)	666,182
Interest expense	60,949	(42,061) (d)	—	18,888
Total net revenues	597,832	52,154	(2,692)	647,294
Expenses				
Non interest expense	684,123	(58,935) (d)(h)(i)	199	625,387
Consolidated Funds expenses	12,526	—	(12,526)	—
Total expenses	696,649	(58,935)	(12,327)	625,387
Total other income (loss)	105,779	(74,706) (d)(j)(k)	(31,073)	—
Income taxes expense / (benefit)	44,053	(44,053) (h)	—	—
Income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and investment funds	23,791	3,719	(21,438)	6,072
Income (loss) attributable to Cowen Inc.	\$ (60,882)	\$ 76,717	\$ —	\$ 15,835
Less: Preferred stock dividends				6,792
Income (Loss) attributable to Cowen Inc. common stockholders				\$ 9,043
Add: Depreciation and Amortization				11,558
Economic Operating Income (Loss) attributable to Cowen Inc. common stockholders				20,601

Note: Refer to End Notes, Definition of GAAP to Non-GAAP Measures and Legal Notice at the end of the 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
- (iv) certain costs associated with debt and
- (v) preferred stock dividends

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) recognizes incentive fees during periods when the fees are not yet crystallized 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), redeemable 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 and records income from uncrystallized incentive fees.
- (b) Economic Income (Loss) brokerage revenues included net securities borrowed and securities loaned activities.
- (c) Economic Income (Loss) recognizes revenues (i) net of distribution fees paid to agents and (ii) our 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) Aircraft lease revenue is shown net of expenses in investment income for Economic Income (Loss).
- (f) Reimbursement from affiliates is shown as a reduction of Economic Income expenses, but is included as a part of revenues under US GAAP.
- (g) Economic Income (Loss) recognizes underwriting income from the Company's insurance related activities, net of expenses, within other revenue.
- (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.
- (k) Economic Income (Loss) excludes the bargain purchase gain which resulted from the Convergenx Group acquisition.