

# COWEN

## LETTER FROM THE CEO



While 2019 feels like a distant memory, the strategic actions we implemented have put us in a solid position to perform well during the COVID-19 pandemic and beyond. Not only did Cowen generate record revenues in 2019, but we further simplified our business, diversified revenues, and positioned the firm for consistent profitability for the long term by making investments in our investment advisory capabilities, hiring new teams in banking and markets, and improving our technology and infrastructure. When the COVID-19 crisis hit in the first quarter of 2020, we moved rapidly to protect the health and safety of our team as we transitioned to operating remotely while seamlessly continuing to serve our clients. As we adapt to this new normal, we do not know what shape the recovery is going to take, but we believe we will continue to gain market share by helping our clients Outperform as they tackle new challenges.

### **DEAR SHAREHOLDERS, PARTNERS, COLLEAGUES AND FRIENDS:**

During rapid change and uncertainty, organizations like Cowen, with strong, connected cultures, draw on their values as guiding tenets to make tough decisions. The COVID-19 health crisis is one of those times, as the spreading pandemic has shut down a significant portion of the global economy. Looking back, the month of March 2020 felt more like a quarter, or maybe even a year. Yet, this time has also been rich in opportunities, as we do our best to learn to forge connections and sustain our lives in new ways. Early in March, when the enormity of the pandemic became more evident, we moved quickly, prioritizing the health and safety of our team and our families in all of the decisions we made. We worked tirelessly and collaboratively across the

## THE DECISION CAME DOWN TO ONE OVERRIDING FACTOR: KEEPING OUR PEOPLE HEALTHY.

entire platform to ensure that we were able to continue delivering high-quality engagement for our clients as we implemented our robust Business Continuity Plan. By mid-March over 80% of our staff globally were sheltering in place, well ahead of most of our peers. Starting in the third week in March, more than 98% of Cowen's 1,300-plus employees were working remotely.

The decision to move to a fully remote workforce was not an easy one. At the time, our actions were well beyond the government's recommended precautions. Our management team debated whether we were taking too much risk to the continuity of our business relative to the perceived health threat. The decision came down to one overriding factor: keeping our people healthy. Given the escalation of the crisis, particularly in cities where Cowen operates, we are thankful to have made the right decision early and for the foresight to have an in-depth Business Continuity Plan in place. The decision took courage, but the values to which Cowen ascribes allowed no other choice. In normal times, our ideals operate in the background like a compass giving us direction. In a crisis, our values come front and center as a roadmap to help us navigate the uncertainty.

At Cowen, we view everything we do through the lens of our core values of **Vision, Empathy, Sustainability, and Tenacious Teamwork**, or **VEST**.

**VISION:** In early March, we envisioned a worst-case scenario: the virus spreading throughout our entire organization unless we took decisive, precautionary measures. Everyone's health and safety far outweighed any potential risk of business interruption or concern that we might appear in the public eye to be panicking. Because we followed our vision, we realized a best-case scenario: taking care of our collective health so we could continue to see to the needs of others. Thanks to foresight and planning, we experienced a seamless transition not only to remote working, but also ensuring that the incredible trading volumes during this period (more than four times the daily average) were appropriately processed, cleared and settled.

**EMPATHY:** As the connective tissue of our organization, empathy enables us to function at a high level, even when we are physically separated. In times of stress, empathy also provides a sense of mission and greater purpose—of knowing that we are truly present for each other and our clients. Specifically, we put empathy into action with our corporate clients who suddenly needed to think through their own contingency planning and to strategize confidentially with trusted advisors at Cowen about specific scenarios they were facing—particularly around raising capital. Empathy also focused our attention on our communities, using our network to help others in need. This included raising money for front-line health care workers as well as working with a portfolio company in one of our funds to provide much needed iPads to hospitals. In addition, Cowen employees have engaged in countless individual acts of empathy during the crisis, reflecting the true nature of our organization collectively.

**SUSTAINABILITY:** As a central tenet, ensuring the long-term health of the firm and the importance of building and maintaining relationships, sustainability enhances resilience. We drew upon this value to provide comfort and direction amid turmoil. It spurred us to ensure that we were bringing the full weight of the firm—from research to banking to trading to investment management—to every challenge and opportunity. Many of the

# 98%

COWEN EMPLOYEES WORKING  
REMOTELY BY LATE MARCH 2020

# +46%

INCREASE IN RESEARCH  
REPORTS PRODUCED (1Q20, Y/Y)

# 43

INVESTMENT BANKING  
TRANSACTIONS COMPLETED  
(1Q20)

# 143%

INCREASE IN COWEN'S BUYSIDE  
TRADING VOLUME (MARCH 2020  
VS. PRIOR 12M AVG)

strategic actions we made over the past few years by following our mantra of Simpler, Fewer, Deeper have enabled us to build a more resilient organization. None of us could have predicted a pandemic like COVID-19, but our focus and agility have empowered us to continue performing at a very high level even during this period of unprecedented economic disruption. Sustainability also comes from being well capitalized and from having made good decisions about how to employ our capital wisely in service of our long-term goals. Our mantra that “balance sheets are meant to be seen, not heard” is what led us to reduce our public market exposures over the past few years. That decision not only made it easier for us to navigate the volatility in March and enabled us to perform significantly better than the markets did generally, but it has positioned us well to participate in the recovery as it emerges.

**TENACIOUS TEAMWORK:** Working together is standard operating procedure in normal times. During periods of elevated stress and dislocation, it's mission critical. Tenacious teamwork allowed us to demonstrate to each other and our clients

that “we’re here for you.” In research, Cowen was among the first to provide insights across the firm and to our clients on the projected impact of COVID-19 during the week of March 9, including information on diagnostics, therapies, and vaccines. We convened global experts to help clients make sense of an evolving pandemic, from the shutdown of the global economy to fiscal and monetary responses. By working together and sharing information, we have promoted diverse thought and fostered healthy debate. Now, amid discussions of economic reopening and recovery, we see it is as our responsibility and a privilege to provide expert opinion and market perspective. Tenacious teamwork also enabled us to maintain our business operations continuously through the market turmoil as our teams in IT and operations, accounting and finance, and legal and compliance moved quickly to ensure that we were able to prosecute our business every minute of every day without interruption. I cannot say enough how thankful all of us are for their tireless efforts on behalf of the entire organization.

# IN THE FACE OF SIGNIFICANT CHALLENGES, COWEN REMAINS A DEDICATED, PASSIONATE, AND CONNECTED TEAM OF PEOPLE LOCATED AROUND THE WORLD, WORKING SAFELY TO HELP OUR CLIENTS IN EVERY WAY WE CAN.

Overall, Cowen remains in a solid financial and operating position today. We have a strong balance sheet, deep relationships with clients for whom we have become an even more critical source of advice and research, a robust markets business that has become one of the go-to organizations for the buy side to seek liquidity, and a differentiated investment management division that has continued to raise assets by helping clients invest in areas we feel have significant tailwinds for the foreseeable future. As we collectively chart a course towards recovery, here are some thoughts about what the new normal looks like for Cowen specifically:

**THE FUTURE IS HERE:** COVID-19 may have upended the business models of many companies, but many of the investment trends that were in place pre-COVID have accelerated. These trends include growth in healthcare and biopharma, the rise of working from home, increased use of robotics, the adoption of direct-to-consumer sales. Cowen has been a leading player in these areas for years and is well positioned to capitalize on their continued growth.

**FUNDAMENTALS MATTER:** The re-emergence of fundamental investing is upon us. Because of COVID-19, model-driven investing based on

historical factors is more uncertain. We are here to help investors make sense of the new normal as it unfolds with our cutting-edge, collaborative research platform. We see tremendous opportunities to help clients invest in fundamental trends that were already in place before the crisis, trends that have accelerated meaningfully. We are doing so in every aspect of our business, from banking to research to investment management.

**GREAT EXPECTATIONS:** The bar for making the cut as a service provider to our clients just got raised. Our clients have been demanding top-tier trade execution for years. We invested in that technology beginning 8 years ago when we bought Algorithmic Trading Management (ATM). Today, we have a leading independent, non-conflicted equity trading platform, and it is one that cannot be easily replicated.

**CAPITAL IS CRUCIAL:** The business of financing companies ebbs and flows. While it may not be flashy, it is a valuable service which rarely, if ever, goes out of style. In times of crisis, almost every company has to figure out whether it has the financial wherewithal to execute on its revised business plans. At Cowen, we are a leader in providing financing advice and execution to our clients, and that has never been more important than it is now.

In the face of significant challenges, Cowen remains a dedicated, passionate, and connected team of people located around the world, working safely to help our clients in every way we can. Over the past several years we made investments that make us not only more resilient, but better positioned for operating in this environment. However, at this time our responsibility to improve our world broadly extends way beyond the specific things we do for ourselves, our clients and our shareholders. That is why we are using our network to connect key influencers, scientists, doctors and officials with important capital providers that can help accelerate

# SUPPORTING **FRONTLINE WORKERS AND LOCAL COMMUNITIES**

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3,020

PERSONAL CARE KITS  
SUPPLIED TO  
HEALTHCARE WORKERS

2,000

HEALTHCARE WORKERS  
REACHED THROUGH  
OUR EFFORTS

20,400

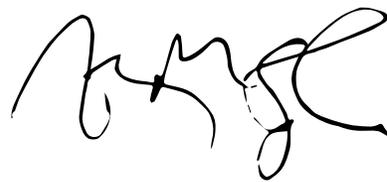
MEALS PROVIDED TO LOCAL  
FOOD BANKS

important medical developments. The social distancing we have been practicing, the testing strategies, and the antiviral treatments and vaccines racing towards development—we believe all of these will ultimately defeat COVID-19. We are proud to be doing our part to bring about that eventuality. The lessons learned from the pandemic, particularly those around the importance of the uniquely human values of empathy and collaboration, will endure into the new normal—and beyond. At Cowen, these are values to which we already subscribe, enabling us to march into the future with confidence, knowing that we are well positioned to help our clients, partners and shareholders make sense of it all. That is what we do best.

We only get to help others because you have entrusted us to shepherd your capital intelligently. Our ability to do the all the things we do every day emanates from that trust and

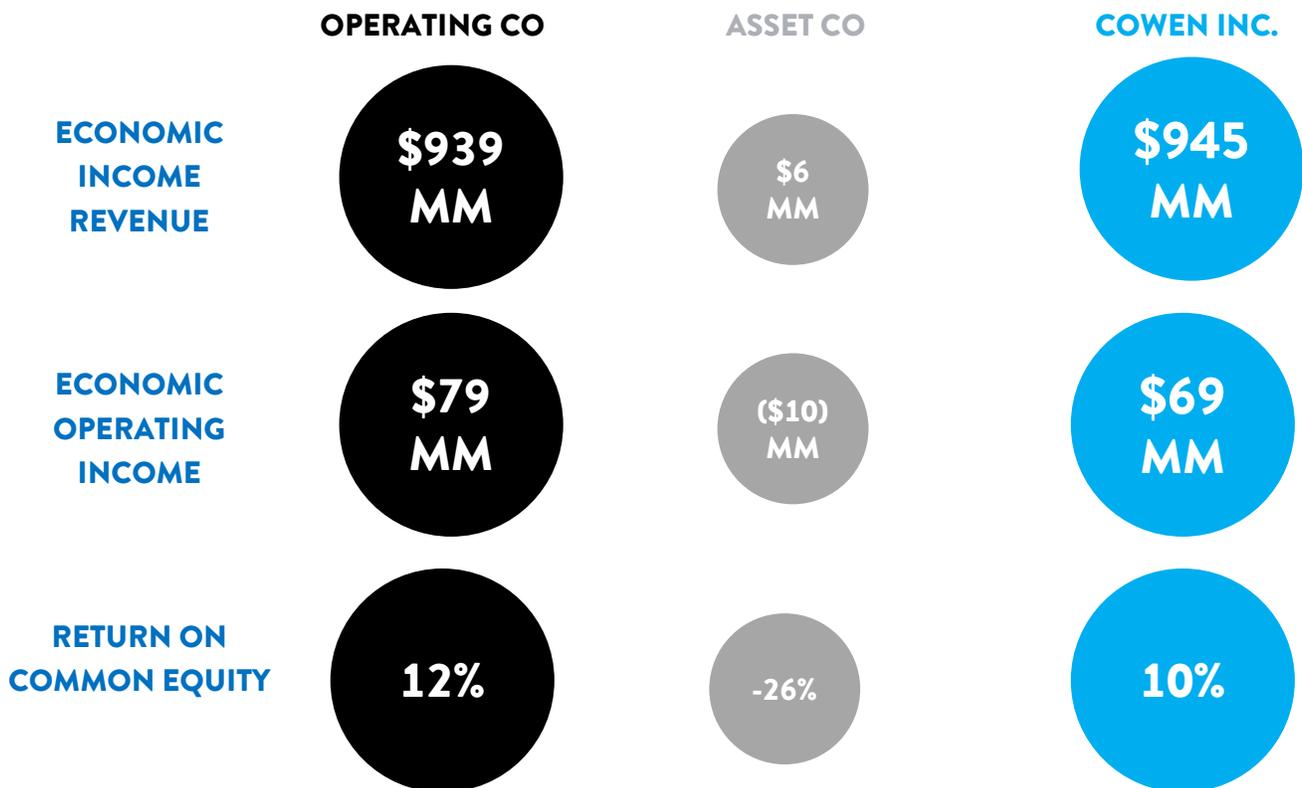
confidence as shareholders. For that, we are grateful and humbled to be doing our part.

With thanks for your continuing support,

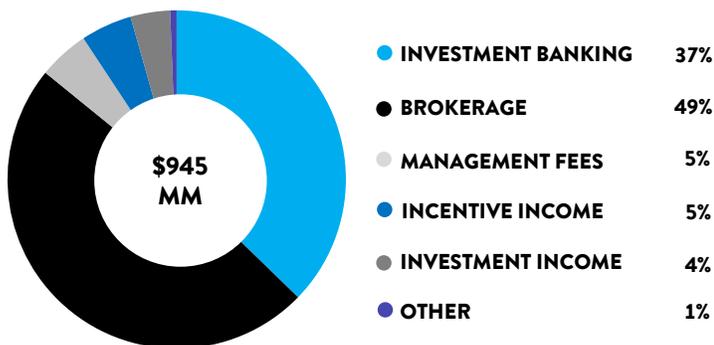


**Jeffrey M. Solomon**  
Chairman and Chief Executive Officer

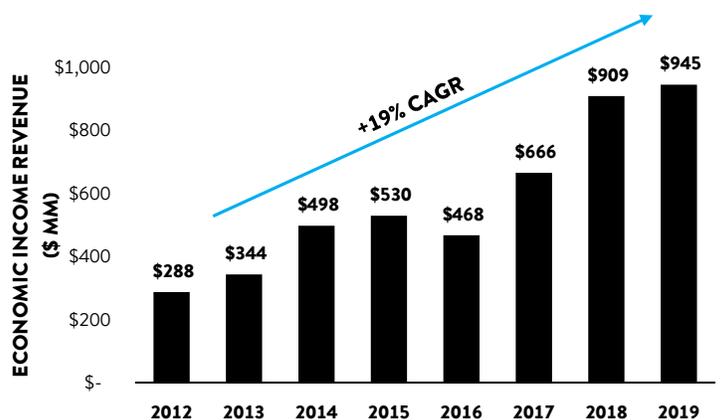
# OUR CORE BUSINESSES (“OPERATING CO”) DRIVE RETURN ON EQUITY



## INCREASED REVENUE DIVERSITY\*



## A GROWING PLATFORM



\* Economic income revenue