

April 20, 2015



# Ladenburg Thalmann Sends Annual Letter to Shareholders

MIAMI-- Ladenburg Thalmann Financial Services Inc. (NYSE MKT: LTS; LTS PrA) today announced that the Company sent the following annual letter to its shareholders from the Chairman of the Board, Dr. Phillip Frost, and the Company's President and Chief Executive Officer, Richard J. Lampen:

## Dear Fellow Shareholder:

Ladenburg performed very well in 2014, achieving record revenues, net income and EBITDA, as adjusted, across our businesses. During the year, we continued the progress we've made since 2006 in creating a truly differentiated diversified financial services firm built on a foundation of recurring operating revenues that enable us to invest for the long term in our key business drivers. We have grown our platform to include five independent broker dealers, trust services, asset management, investment banking and wholesale distribution of life insurance products. Together, our businesses produce \$1.1 billion of revenue today on an annualized basis, up from \$31 million ten years ago. This progress reflects the hard work, dedication and success of our 5,000 employees and advisors, many of whom are shareholders of our company.

Our strong 2014 results are further validation of our strategy of growing our complementary and profitable Independent Brokerage and Advisory Services (IBD) businesses and capital markets and investment banking. Both businesses produced strong results, with additional opportunities ahead. Below we provide a review of Ladenburg's business developments and financial highlights for 2014 and how we are positioned for future success.

## 2014 Overview

- 2014 revenues increased 16% to \$921.3 million, a record high up from \$793.1 million in 2013.
- Advisory fees revenues increased by 25% year-over-year, and investment banking revenues increased by 12%.
- 2014 EBITDA, as adjusted, grew to \$61.2 million, an increase of 7% from \$57.2 million in the prior-year period.
- Shareholders' equity grew to \$336.5 million at year end.
- In 2014, we repurchased 2,846,395 shares of our common stock at a cost of approximately \$9.5 million, representing an average price per share of \$3.35.
- By the end of 2014, we had approximately \$125 billion in client assets company-wide and approximately 4,000 financial advisors at the Ladenburg firms, underscoring our role as a leading independent brokerage and advisory services business.

- 2014 recurring revenues, which include advisory fees, trailing commissions, cash sweep fees and certain other fees, represented approximately 71% of revenues from our IBD business. Recurring revenues for this business were approximately 66% for full year 2013.
- Our investment banking group participated in 106 underwritten offerings that raised approximately \$19.1 billion, and placed eight registered direct and PIPE offerings that raised an aggregate of approximately \$214 million, for clients in healthcare, biotechnology, energy and other industries.
- Ladenburg's internal wealth management division, Ladenburg Thalmann Asset Management (LTAM), also recorded a strong year, with approximately \$2 billion in assets under management.
- Acquired KMS Financial Services and Securities Service Network to strengthen our position as a leading network of independent broker-dealer firms.
- Acquired Highland Capital Brokerage, allowing entry into the wholesale life insurance business.
- Premier Trust, our advisor-friendly trust company, also recorded strong growth and reached \$873 million in assets under administration at year end.

### **Ladenburg's Independent Brokerage and Advisory Services (IBD) Business**

Ladenburg's IBD firms drove increased revenues of 13% compared to solid 2013 results. Bolstering our position in, and commitment to, one of the fastest growing sectors of the financial services industry, Ladenburg completed the acquisitions of KMS Financial Services, based in Seattle, Washington in 2014 and completed the acquisition of Securities Service Network (SSN), based in Knoxville, Tennessee, at the beginning of 2015. Ladenburg also acquired Highland Capital Brokerage, a leading independent insurance brokerage firm, based in Birmingham, Alabama, in 2014. With these valuable additions to our company, our leading independent advisor platform now has approximately 4,000 financial advisors and Ladenburg has an annual revenue run rate of approximately \$1.1 billion.

One of the hallmarks of Ladenburg's strategy is that we maintain each of our IBD firms as a separate stand-alone broker-dealer and RIA operating on an entrepreneurial basis under its existing management team. Each of the firms that Ladenburg has acquired has its own special history and culture, which together with the long term relationships between the firm's advisors and its management team and home office staff, are an important part of the "glue" which ties our independent financial advisors to our firms. While we increasingly seek to take advantage of the scale we have created, by sharing technology, back office and other services on an enterprise basis, we never want to lose sight of our commitment to the independence of our subsidiaries. We are committed to open architecture, do not pressure advisors to sell house products and strive to conduct our business in an ethical and socially responsible manner. We make available to our approximately 4,000 advisors a differentiated platform with the widest array of services and resources within the IBD channel — what we refer to as the "Ladenburg Wealth Management Advantage". In addition to preeminent technology and practice management tools, value-added innovations and a full suite of wealth management products, Ladenburg's affiliated advisors have access to all the services and resources of our companies, including: syndicate/capital market products; investment banking services; access to proprietary institutional equity research (we currently cover over

230 companies); a dedicated fixed income trading desk; the advisor-friendly trust services of Ladenburg subsidiary, Premier Trust, Inc.; Highland's insurance solutions and point-of-sale support; and LTAM's asset management services.

It's no surprise that with this model, three successful companies — SSN, KMS and Highland — found new homes as part of Ladenburg, and we remain committed to investing in their growth. The past year also saw strong levels of recruiting at our firms, as we believe Ladenburg has found a niche "sweet spot" leveraging the power of our IBD network's supportive programs and the unique advantages of our wealth management services to attract new high-performing advisors to our IBD firms.

In terms of the macro economic trends, we continue to expect the retirement of nearly 80 million baby boomers and the continued need for related independent financial management and advisory services to support this transition. Our IBD advisors continue to meet with clients that seek truly independent financial advice, and focus on providing the best investment advice for clients from an open architecture platform with a wide variety of products and services.

We would be remiss not to mention that the work of our advisors and employees matters greatly to our country and to our society. Millions of Americans have to take responsibility for educating their children and assuring they will have a financially secure retirement, and their need for independent, unbiased financial advice has never been greater. That is exactly what our advisors do every day and do very well, and it is something all of us at Ladenburg are very proud of.

### **Ladenburg's Investment Banking and Capital Markets Business**

Our investment banking and capital markets business also delivered robust results in 2014, growing revenues by 12%. Our business is primarily focused on raising equity capital for small and mid-sized public companies. Over the past two years this business has performed very well with the support of strong equity markets and the concurrent high levels of capital markets activity. While we recognize the increase in volatility in the equity markets and the uncertainty surrounding interest rates that have characterized recent months, we look forward to building on this success in 2015.

During the past two years, we made investments in our business to better position us to capitalize on future opportunities in the financial markets. We added senior bankers and research analysts to our team, including bringing on talented personnel to our technology and healthcare practices. We see substantial growth opportunities in these sectors, and adding new expertise has been invaluable as we continue to grow and advance Ladenburg's institutional research, sales and trading capabilities.

Across the healthcare, biotechnology, energy, and other sectors, this year our 18 investment bankers participated in 106 underwritten offerings that raised approximately \$19.1 billion and placed eight registered direct and PIPE offerings that raised an aggregate of approximately \$214 million.

We are also continuing our track record in yield-oriented offerings in Mortgage and Equity Real Estate Investment Trusts (REITs), Business Development Companies (BDCs) and Master Limited Partnerships (MLPs). Since 2012, Ladenburg has participated in 206 yield-

oriented offerings, which raised over \$35.4 billion. We now have 16 research analysts on board covering more than 230 companies, and our approximately 28 institutional sales and trading personnel cover investors worldwide and help our clients maximize their full potential.

### **Net Income, Recurring Revenues and Stock Repurchase Program**

Net income attributable to the Company for fiscal 2014 was \$33.4 million, as compared to net loss of \$0.5 million in 2013. This improvement was impacted by Ladenburg's acquisitions of Highland and KMS, which added \$26.2 million and \$19.8 million, respectively, in revenues during 2014 and contributed to a \$23.3 million income tax benefit.

Another reason we've been attracted to the IBD sector is the recurring revenues this business can drive. We define recurring revenues as advisory fees, trailing commissions, cash sweep fees and certain other fees — in 2014 this represented approximately 71% of revenues from the Company's independent brokerage and advisory services business, and we expect that percentage to grow in the future.

During 2014, Ladenburg repurchased 2,846,395 shares of common stock at a cost of approximately \$9.5 million, representing an average price per share of \$3.35. Since the inception of our stock repurchase program in March 2007, Ladenburg has repurchased 14,096,152 shares at a total cost of approximately \$23.3 million, including purchases of 7,500,000 shares outside our stock repurchase program. During the fourth quarter of 2014, Ladenburg's Board of Directors authorized the repurchase of up to an additional 10,000,000 shares of common stock under our current repurchase program. Importantly, our Board of Directors and senior leadership team are major shareholders in the firm and aligned with Ladenburg's investors in building shareholder value.

### **Continued Recognition and Support for the Women in our Company**

In 2014, we hosted our third annual Ladenburg Institute of Women & Finance (LIWF) symposium in Atlanta, Georgia. We are incredibly proud of Ladenburg's female advisors, and it brings us great pride to see such accomplished, talented people come together to share their experiences and wisdom at this event. In addition to offering advisors solutions for managing their firms more efficiently and strategies for working with clients across all generations, the LIWF introduced new mentors and mentees through our "LIFT" Mentoring Program, whereby younger advisors and career changers are given the opportunity to learn and benefit from the experience of more seasoned advisors throughout the following year, setting their own agendas to speak and meet regularly. We will hold our fourth annual symposium in October 2015 in Chicago, Illinois and are excited to include female advisors from our new IBD firms.

### **A Look Back, and a Look Forward**

This past year, Ladenburg was honored to reflect back on our history with the 135th anniversary of Ladenburg Thalmann & Co. Inc's NYSE membership. Since current leadership took the helm in 2006, we've grown revenues approximately 2,900% and strengthened the company across all of our businesses. We look forward to adding potential new business lines in the future and believe there are still many future synergies between our current businesses.

It is our view that the combination of strong operating results and continued additions to our diversified financial services offerings position us to improve shareholder value for years to come — we are squarely focused on the future, and are enthusiastic about Ladenburg's prospects for ongoing success. We expect to continue to grow organically across the company, and also remain interested in new opportunities to strategically grow our business. As a company focused on driving value for shareholders, we are always considering alternatives to move into complementary businesses within our industry that fit with our current model.

In conclusion, we believe Ladenburg's businesses are increasingly well positioned in the most dynamic growth areas in the financial services industry. We are truly excited about the future. We extend our sincere thanks to our shareholders, financial advisors and employees for their role in positioning us for long-term success. We cannot express enough our gratitude, and look forward to a strong 2015 ahead.

Sincerely,

Phillip Frost, M.D.  
Chairman of the  
Board

Richard J. Lampen  
President & Chief Executive  
Officer

### **About Ladenburg**

Ladenburg Thalmann Financial Services Inc. (NYSE MKT: LTS, LTS PrA) is a publicly-traded diversified financial services company based in Miami, Florida. Ladenburg's subsidiaries include industry-leading independent broker-dealer firms Securities America, Inc., Triad Advisors, Inc., Securities Service Network, Inc., Investacorp, Inc. and KMS Financial Services, Inc. as well as Premier Trust, Inc., Ladenburg Thalmann Asset Management Inc., Highland Capital Brokerage, Inc., a leading independent life insurance brokerage company, and Ladenburg Thalmann & Co. Inc., an investment bank which has been a member of the New York Stock Exchange for 135 years. The company is committed to investing in the growth of its subsidiaries while respecting and maintaining their individual business identities, cultures, and leadership. For more information, please visit [www.ladenburg.com](http://www.ladenburg.com).

*This press release includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding future financial performance, future growth, future growth in the independent broker dealer industry, future demand for financial services, growth of our independent brokerage and advisory services business, growth of our investment banking and capital markets business, recruitment of financial advisors, future acquisitions and future synergies. These statements are based on management's current expectations or beliefs and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied by the statements herein due to changes in economic, business, competitive and/or regulatory factors, and other risks and uncertainties affecting the operation of the Company's business. These risks, uncertainties and contingencies include those set forth in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2014 and other factors detailed from time to time in its subsequent filings with the Securities and Exchange Commission. The information set forth herein should be read in light of such risks.*

*Further, investors should keep in mind that the Company's quarterly revenue and profits can fluctuate materially depending on many factors, including the number, size and timing of completed offerings and other transactions. Accordingly, the Company's revenue and profits in any particular quarter may not be indicative of future results. The Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise.*

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