April 26, 2018

Ladenburg Thalmann Sends Annual Letter to Shareholders

MIAMI--(BUSINESS WIRE)-- Ladenburg Thalmann Financial Services Inc. (NYSE American: 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:

We are pleased with Ladenburg's robust financial and operational performance throughout 2017, with revenues increasing 15% from the prior year period to $1.27 billion. Ladenburg's success last year validates the strength of our long-term strategy, which envisions continued growth as a leader in the independent retail financial advice industry, complemented by the success of our capital markets and investment banking business.

Beyond the favorable impact of strong market conditions and rising interest rates on our industry, our 2017 performance was driven by the realization of a series of strategic initiatives that are demonstrating meaningful results.

Reflecting confidence in Ladenburg's future and our commitment to shareholder value, in 2017 we acquired more than two million shares of our common stock at a cost of approximately $5.3 million, and initiated a quarterly cash dividend. As major shareholders in Ladenburg, the interests of our directors and senior leadership team are directly aligned with those of investors. We remain laser focused on building long-term value.

Below is a review of Ladenburg's business developments and financial highlights for 2017, as well as details on the company's strategic positioning for future success.

2017 Overview

- Revenues were $1.27 billion in fiscal 2017, an increase of 15% from the prior year.
- Advisory fee revenues increased 21% year-over-year, while investment banking revenues increased 83%.
- Net income attributable to the Company for fiscal 2017 was $7.7 million.
- 2017 EBITDA, as adjusted, was $56.0 million, a 57% increase from the prior year, primarily attributable to increased advisory revenues in our independent advisory and brokerage services business and higher investment banking revenues in our Ladenburg segment.
- At year-end 2017, we had $164.7 billion in client assets, an increase of 20% from $137.4 billion at December 31, 2016.

- 2017 recurring revenues, consisting of advisory fees, trailing commissions, interest income and service fees, represented approximately 80% of revenues from our independent advisory and brokerage services segment, up from approximately 77% in 2016.
- Our investment banking group participated in 81 underwritten offerings that raised approximately $8.3 billion and placed 19 registered direct and PIPE offerings that raised an aggregate of approximately $424 million, for clients in healthcare, biotechnology, energy and other industries.
- Ladenburg's internal wealth management division, Ladenburg Thalmann Asset Management (LTAM), ended 2017 with approximately $2.5 billion of assets under management, providing important investment support to our advisors and their clients.
- We repurchased 2,088,460 shares of our common stock at a cost of approximately $5.3 million, representing an average price per share of $2.52, and initiated a dividend on our common shares.

Ladenburg's Independent Advisory and Brokerage (IAB) Segment

In 2017, Ladenburg and its subsidiaries – including Securities America, Triad Advisors, KMS Financial Services, Securities Service Network (SSN) and Investacorp – continued to recruit successful financial advisors, expand client assets and attract top executive talent to reinforce our industry leadership position.

Revenues in this segment increased 14% compared to 2016, while total client assets under administration grew to $163 billion in 2017, up 20% from 2016. Higher asset levels, combined with strong market conditions, contributed to an increase in fee-based advisory revenue, as advisory assets under management grew 25% to $71.0 billion.

Going beyond the numbers, our performance spotlights three of Ladenburg's distinctive strengths, and various strategic and operational initiatives implemented in recent years that reinforce these strengths. First, we integrate industry-leading intellectual capital, financial capital, technology and other resources into platforms and tools that directly support financial advisors seeking to deliver a personalized, planning-based service experience to clients across the country.

Second, we are an industry-leading innovator of the network model, with a longstanding commitment to supporting the operational autonomy as well as the advisor service model, brand and culture of each of our subsidiaries. This enables us to appeal to the widest possible range of advisor preferences and needs, while offering the enterprise-level stability, security and business growth tools that independent advisors increasingly demand.

Third, our network of approximately 4,300 independent financial advisors emphasizes supporting one of the more underserved retail investor segments in the country, individuals and households with $100,000 to $1,500,000 in net investible assets. This "mass affluent" segment encompasses members of the Millennial, Gen X and Baby Boomer generations, many of whom increasingly see the value of professional financial guidance to help meet their life goals.

In order to best capture the full breadth and depth of our capabilities and strategy, we

officially adopted the term “independent advisory and brokerage (IAB)” firm to characterize each of our subsidiaries in this segment, in preference to the more limiting “independent broker-dealer (IBD)” term traditionally favored by much of the industry.

The following financial and operational highlights over the past 15 months underscore the robust momentum we have generated for our Independent Advisory and Brokerage segment:

- ***Ladenburg created new enterprise-level platforms and functions, led by newly-recruited executive talent, to deliver an augmented level of value to our subsidiaries and their advisors***. A prime example is the creation of our new enterprise-level due diligence platform, which enables subsidiaries to benefit from scalable due diligence solutions to supplement their existing resources, and the hiring of Thayer Gallison, a widely recognized due diligence expert, as the head of this platform. Another example is the launch of our new Enterprise Innovation initiative, led by innovation growth strategist Dan Sachar, and encompassing the Ladenburg Innovation Lab, to guide Ladenburg’s technology investments and align transformative new tools and practices with our financial advisors.
- ***We recruited top industry talent to Ladenburg’s senior leadership team to augment key areas of our business***. In particular, in 2017 we completed the groundwork to bring aboard two highly respected industry leaders at the top of this year. John Blood, a fee-based advisory solutions expert, joined Ladenburg in the newly-created role of Senior Vice President of Advisory Services and Solutions, and Erinn Ford, one of the most visible leaders in our industry, especially in the Pacific Northwest region, was appointed to serve as President of our Seattle-based KMS Financial Services.
- ***Our teams implemented multiple enhancements to existing enterprise-level resources to accelerate growth opportunities***. In 2017, we made significant strides in building out Ladenburg Practice Management, the enterprise-level function that partners closely with our IAB subsidiaries and their advisors to identify and roll out strategies, tools and platforms that enable our advisors to more effectively operate their businesses to distinguish their value proposition with clients. An example of this is the launch of our new Behavioral Financial Advice Training Program, which offers a highly structured curriculum and formal behavioral finance credentialing to advisors who seek to incorporate the best elements of this emerging field into their businesses. At the same time, we also continued to enhance our Ladenburg Advantage platform. Its differentiated set of resources and services available through our various affiliated companies focuses on delivering solutions that are strategically adjacent to the work of our financial advisors. The Ladenburg Advantage platform seamlessly enhances their ability to grow their businesses by providing a deeper level of service to clients, with access to Ladenburg’s proprietary research, investment banking and capital markets services, fixed income trading and syndicate products, Highland’s insurance solutions, Premier Trust’s services and LTAM’s turnkey wealth management solutions.
- ***We continue to bring together planning, platforms and expertise from across various areas of our organization to launch new advisor-facing events that further support the success of our subsidiaries and their advisors.*** Last year, we organized and hosted our inaugural ELEVATE conference, an event specifically designed to provide financial advisors affiliated with Ladenburg's subsidiary firms with

the resources and expertise they need to grow their fee-based advisory work on behalf of clients, especially within the context of holistic financial planning services. We believe this first-ever ELEVATE conference, where attendance significantly exceeded initial expectations, provides us with a clear blueprint for organizing other enterprise-level industry events to help our firms and advisors grow.

As we move forward, we are confident that the unique advantages we bring to the IAB industry will enable continued success in recruiting financial advisors and increasing the business of our existing advisors.

We will continue to be opportunistic in identifying potential acquisitions of advisor communities that would fit well with our existing subsidiaries, and businesses that offer a unique solution set or service that can further position our Ladenburg Advantage platform for success to support our IAB firms and their advisors.

Ladenburg's Investment Banking and Capital Markets Business

In 2017, our investment banking revenue increased 83% to $46.5 million, compared to $25.5 million in 2016, primarily due to an increase in equity capital raising and strategic financial advisory services for middle-market companies. We are encouraged by the improved market conditions and will continue to evaluate opportunities to broaden the range of products and services available to our clients.

Our dedicated investment bankers are focused on healthcare and biotechnology companies, as well as the energy and technology sectors. We also seek to capitalize on our distribution network by focusing on yield-oriented equities, such as business development companies (BDCs) and real estate investment trusts (REITs), which have been attractive to both institutional and retail investors. In 2017, our investment banking group raised approximately $8.3 billion through 81 underwritten offerings, and placed 19 registered direct and PIPE offerings that raised an aggregate of approximately $424 million.

We continue to develop our research department, which offers actionable ideas about industries and companies that are not widely evaluated by other investment banks. Whereas other firms have reduced investment research coverage and market making activities for companies with market capitalizations below a certain threshold, our middle-market emphasis enables us to commit both research and sales and trading resources to smaller-capitalization companies. We view this as a key differentiator.

Financial Details, Stock Repurchase Program and Quarterly Cash Dividend

Full year 2017 revenues were $1.27 billion, a 15% increase from revenues of $1.11 billion for the comparable 2016 period. Net income attributable to the Company for fiscal 2017 was $7.7 million, compared to a net loss attributable to the Company of $22.3 million in the comparable 2016 period. Net loss available to common shareholders, after payment of preferred dividends, was $24.8 million, or $0.13 per basic and diluted common share in 2017, compared to a net loss available to common shareholders, after payment of preferred dividends, of $52.7 million, or $0.29 per basic and diluted common share in the comparable 2016 period. The 2017 results included approximately $6.5 million of income tax benefit, $34.4 million of non-cash charges for depreciation, amortization and compensation, $7.4 million of amortization of retention and forgivable loans and $2.7 million of interest expense.

The comparable 2016 results included approximately $10.0 million of income tax expense, $33.6 million of non-cash charges for depreciation, amortization and compensation, $5.5 million of amortization of retention and forgivable loans and $4.3 million of interest expense.

The independent advisory and brokerage services segment continued to drive recurring revenues. Recurring revenues represented approximately 80% of revenues from independent advisory and brokerage services in 2017, compared to recurring revenues of approximately 77% for 2016.

In 2017, we repurchased 2,088,460 shares of our common stock at a cost of approximately $5.3 million, including 1,850,215 shares repurchased under our stock repurchase program, representing an average price per share of $2.53. Since the inception of our stock repurchase program in March 2007, we have repurchased over 26.9 million shares of our common stock at a total cost of approximately $57.1 million, including purchases outside our stock repurchase program, representing an average price per share of $2.13. As of December 31, 2017, we have the authority to repurchase an additional 8,149,785 shares under our current repurchase plan.

During 2017, we initiated a quarterly cash dividend on our common stock, reflecting our long-term commitment to delivering value for our fellow shareholders while continuing to invest in our business and maintaining our strong capital position. Our $0.01 per share dividend paid shareholders $1.93 million in September 2017 and $1.95 million in December 2017.

Corporate Citizenship Initiatives

While creating long-term shareholder value through profitable growth across our business segments is our top priority, we also stress the importance of Ladenburg serving as a good corporate citizen. We are passionate about helping to drive broader changes that benefit both the financial advisor community, as well as individuals and households across the country who want – and need, more than ever – access to high quality, professional financial guidance to meet their life goals.

Consistent with our company's values, we established the Ladenburg Institute of Women & Finance (LIWF) in 2012 and, since then, we have actively supported its development each year, to transform LIWF into a leading force supporting the entry and success of female advisors into the independent retail financial advice industry.

In 2017, we held our sixth annual Ladenburg Institute of Women & Finance Symposium, an invitation-only event that brings together top women advisors from Ladenburg's independent advisory and brokerage firms to share insights on how female advisors in particular can best position themselves for professional success with respect to ongoing shifts in client expectations, demographics and technology.

On a parallel path, the LIFT Mentoring Program of LIWF, now in its fifth year, continues to play a role in helping younger female advisors in the Ladenburg community. They benefit from the guidance and insights of more experienced female advisors who have already reached a level of significant success, and want to give back to the next generation of women.

In terms of broader industry involvement, Ladenburg continues to work closely with the Financial Services Institute (FSI), with Dick Lampen having recently concluded his term as FSI's Chairman of the Board. We continue to work with the industry's leading association of independent firms and advisors to promote broad access to competent and affordable financial advice, products and services, and a healthier, more business-friendly regulatory environment for independent financial services firms and their advisors.

2018 Outlook

We are confident that Ladenburg's growth prospects for 2018 and beyond are bright. Our disciplined approach in executing on strategic initiatives reinforces our industry leadership, and positions us well to benefit from the favorable financial environment. As always, we remain committed to investing in our core businesses to drive sustainable growth and generate strong returns as we continue to explore opportunities to expand our businesses.

On behalf of the Board of Directors and the management team, we would like to thank all those who contribute to Ladenburg's success. We truly value your continued support and the confidence you have placed in our company.

Sincerely,

Phillip Frost, M.D. Chairman of the Board	Richard J. Lampen President & Chief Executive Officer

About Ladenburg

Ladenburg Thalmann Financial Services Inc. (NYSE American: LTS, LTS PrA) is a publicly-traded diversified financial services company based in Miami, Florida. Ladenburg's subsidiaries include industry-leading independent advisory and brokerage (IAB) firms Securities America, Inc., Triad Advisors, LLC, Securities Service Network, LLC, 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, Ladenburg Thalmann Annuity Insurance Services LLC, a full-service annuity processing and marketing company, and Ladenburg Thalmann & Co. Inc., an investment bank which has been a member of the New York Stock Exchange for over 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.

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 demand for financial services, growth of our independent advisory and brokerage business, growth of our investment banking and capital markets business, the amount and timing of future quarterly dividends on the Company's common stock, future levels of recurring revenue, future acquisitions, future synergies, future investments and future services. 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, including the Department of Labor's rule and exemptions pertaining to the fiduciary status of investment advice providers to 401(k) plan, plan sponsors, plan participants and the holders of individual retirement or health savings accounts, 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, 2017 and other factors detailed from time to time in its other 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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