

April 24, 2017



Ladenburg Thalmann Sends Annual Letter to Shareholders

MIAMI--(BUSINESS WIRE)-- 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:

We are pleased with Ladenburg's 2016 performance in the face of difficult market conditions, as our diversified financial services platform continued to deliver high quality, trustworthy services to meet the varied needs of our clients. With solid performance from our five Independent Brokerage and Advisory Services (IBD) firms that constitute more than 90% of our total revenues, our strategy delivered value for clients and for shareholders.

Over the last year, we continued to grow our IBD business, with Ladenburg's total client assets under administration increasing over 10% from 2015 to \$137.4 billion. We had another successful year of recruiting new advisors to our firms, including adding large groups of advisors from Foothill Securities and Wall Street Financial Group to our Securities America subsidiary, giving us an impressive network of approximately 4,000 independent advisors. Our position as a leader in the IBD space is clear in what we believe is one of the fastest growing and most attractive segments of the financial services industry. While we are certainly cognizant of the impact that regulatory and market change will continue to have on Ladenburg and the industry, including the ongoing uncertainty over the Department of Labor's fiduciary rule, we are confident in Ladenburg's future prospects and look forward to executing on our business plans in 2017 and beyond.

To that end, the company acquired 6,132,124 shares of our common stock in open market purchases in 2016 at a cost of approximately \$14.7 million, representing an average price per share of \$2.41. Ladenburg's directors, senior leadership team and their affiliates are major shareholders in our company, beneficially owning approximately 46.75% of our shares at year-end 2016, and are fully aligned with other investors in building long-term shareholder value.

Following is a review of Ladenburg's business developments and financial highlights for 2016, and additional detail on the company's strategic positioning for future success.

2016 Overview

- Revenues were \$1.1 billion in fiscal 2016, a decrease of 3.9% from the prior year.
- Advisory fee revenues increased 0.3% year-over-year, while investment banking revenues decreased 28%.

- Shareholders' equity at year-end was \$363 million, and we retired approximately \$28.4 million of debt during 2016.
- In 2016, we repurchased 6,132,124 shares of our common stock at a cost of approximately \$14.7 million, representing an average price per share of \$2.41.
- By the end of 2016, we had \$137.4 billion in client assets – an increase of over 10% from \$124.6 billion at December 31, 2015.
- 2016 recurring revenues, consisting of advisory fees, trailing commissions, cash sweep fees and other fees, represented approximately 77% of the revenues from our IBD business, up from approximately 74% in 2015.
- Our investment banking group participated in 61 underwritten offerings that raised approximately \$5.7 billion, and placed 11 registered direct and PIPE offerings that raised an aggregate of approximately \$276 million, for clients in healthcare, biotechnology, energy and other industries.
- Ladenburg's internal wealth management division, Ladenburg Thalmann Asset Management (LTAM), had approximately \$2.1 billion of assets under management and more than 12,000 client accounts at year-end.

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

In 2016, we enhanced our position as a leader in this rapidly growing sector of the financial services industry. Our Securities America and Triad Advisors subsidiaries achieved impressive success in recruiting new advisors to our firms, including the addition of the two large groups of advisors from Foothill Securities and Wall Street Financial Group at Securities America. Ladenburg has been growing market share in the independent channel since entering this business in 2007, and this trend continued in 2016. Client assets under administration increased over 10% to \$137.4 billion, while our advisors continued to grow the advisory side of their businesses with total advisory assets under management increasing 15% over the prior year to \$57.8 billion.

During the past decade, IBDs have played an increasingly important role in providing independent retail advice, financial planning and investment solutions to the mass affluent segment of "Main Street America". We are immensely proud of the work our approximately 4,000 independent advisors do each and every day for what they do matters greatly to our society and to our country. Millions of Americans put their trust in them and in other independent advisors to help them with among the most important issues a family faces – the educating of their children, care for a disabled or elderly family member, or providing for a financially secure retirement.

We believe our IBD business is focused on just the right spot – the mass affluent investor. Recent industry data show that households with \$100,000 to \$2 million of investible assets represent around 25% of American households, but well over 40% of retail wealth. Many of our advisors generally work with households with less than \$1,000,000 to \$1,500,000 or so in investible assets, and no one services this important part of our society, Main Street America, better than independent financial advisors like ours. The wirehouse and the regional firms may have some passing interest at the higher asset levels but this is not their focus – they live in a world where at the extreme clients with less than \$250,000 in assets are sent to a call center without any further connection to their advisor. It is why what our

advisors do in providing independent financial advice to these mass affluent households matters so much. Their need for independent, unbiased financial advice has never been greater, and we believe we are well positioned to capitalize on their needs by providing them with world class advisory and financial planning services and innovative wealth management solutions.

We are committed to our network model of firms and will continue to seek to scale our IBD business through aggressive recruiting and by opportunistically acquiring other independent brokerage firms and complementary businesses. Securities America has developed strong expertise in transitioning large groups of financial advisors as part of a transaction where it acquires certain assets of small broker-dealer firms. Securities America has completed 10 such deals since 2008, including the two in 2016, and has developed detailed processes, led by a cross-departmental team of 25 people, to transition such groups effectively. We anticipate there will continue to be similar opportunities to acquire groups of advisors in this manner as increasing compliance costs disproportionately impact small broker-dealers and the level of services and resources they can provide to their advisors.

The scale we have created over the last several years has resulted in increased revenue and expense synergies but very significant opportunities remain. Under the leadership of Adam Malamed, our Executive Vice President and Chief Operating Officer, working closely with Jim Nagengast, Securities America's CEO, and Pat Farrell, Investacorp's CEO, among others, we have undertaken numerous firmwide growth and operational initiatives and collaborative programs. We will continue to focus on building shared services in areas such as technology, insurance, conference planning, procurement and other administrative functions to drive margin expansion, as well as in areas such as legal and regulatory matters, product due diligence, branding and marketing. In recent months we have announced several key appointments. Various executives at our IBD firms have taken on additional enterprise-wide responsibilities as we seek to provide across our entire platform the full reach of the resources and tools we make available to our advisors, including our wealth management program and retirement and advisory services. We thank Doreen Griffith, Securities America's Chief Information Officer (CIO), who was appointed Senior Vice President and CIO at our parent company at year-end, for her oversight of the process of consolidating Ladenburg's IBD firms onto a unified technology platform.

As our industry continues to evolve and innovate, we believe it is crucial that we provide our financial advisors with access to industry-leading and differentiated tools and services that are keenly focused on the growing demands of their clients. By connecting our trusted advisors with all the resources of our sister firms, we provide them with a competitive edge in the marketplace. This Ladenburg Advantage includes trust services through Premier Trust, expert wealth management advice from Ladenburg Thalmann Asset Management, insurance solutions from Highland Capital, investment banking and capital market products, including a dedicated fixed income trading desk, from Ladenburg Thalmann & Co. Inc., and extensive practice management, growth and succession planning tools. As investor demands continue to evolve, the Ladenburg Advantage will seek strategic opportunities to benefit our affiliated advisors and their clients.

We also recognize that our success in future years will rely largely on the energy and dedication of our approximately 1,300 employees and 4,000 financial advisors, and remain committed to investing in their future while managing costs. Our advisors share our respect

for the value of quality advice and innovative products and solutions and constantly strive to find the best solutions available for our clients.

Ladenburg's Investment Banking and Capital Markets Business

The broad market volatility that characterized 2015 carried over into 2016, which when combined with the uncertainty around the 2016 presidential election, resulted in a challenging year for our investment banking and capital markets businesses. Together, renewed concerns over global economic growth and the Fed's first rate hike since the Great Recession contributed to a highly volatile market to start the year. Equity capital raising for small and mid-cap public companies experienced significant decline in 2016 as compared to 2015. Business results improved in the fourth quarter, and we remain encouraged by our pipeline for 2017 and continue to believe we are well positioned to capitalize on opportunities once the market rebounds.

We continue to invest in and broaden our capabilities and expertise across key industries such as healthcare, biotechnology, technology, energy and others. In 2016, our investment banking group participated in 61 underwritten offerings that raised approximately \$5.7 billion and placed 11 registered direct and PIPE offerings that raised an aggregate of approximately \$276 million.

Financial Details and Stock Repurchase Program

2016 revenues were \$1.1 billion, a 3.9% decrease from revenues of \$1.2 billion for 2015. Net loss attributable to the Company for fiscal 2016 was \$22.3 million, as compared to net loss attributable to the Company of \$11.2 million in fiscal 2015. Net loss available to common shareholders, after payment of preferred dividends, was \$52.7 million or (\$0.29) per basic and diluted common share in 2016, as compared to net loss available to common shareholders, after payment of preferred dividends, of \$39.3 million or (\$0.21) per basic and diluted common share in 2015. The 2016 results included approximately \$33.6 million of non-cash charges for depreciation, amortization and compensation, \$5.5 million of amortization of retention and forgivable loans, \$4.3 million of interest expense and \$10.0 million of income tax expense. The 2015 results included approximately \$35.8 million of non-cash charges for depreciation, amortization and compensation, \$9.2 million of amortization of retention and forgivable loans, \$5.2 million of interest expense, \$0.3 million of loss on extinguishment of debt and \$0.5 million of income tax benefit.

The IBD sector continued to drive high recurring revenues, which consist of advisory fees, trailing commissions, cash sweep fees and certain other fees. Recurring revenues represented approximately 77% of revenues from our IBD business in 2016, compared to recurring revenues of approximately 74% for 2015.

Ladenburg repurchased 6,132,124 shares of its common stock in 2016 at a cost of approximately \$14.7 million, representing an average price per share of \$2.41. Since the inception of our stock repurchase program in March 2007, Ladenburg has repurchased 25,174,554 shares at a total cost of approximately \$52.8 million, including purchases of 7,500,000 shares outside its stock repurchase program.

Accelerating Business Growth for Female Advisors

In October 2016, we were pleased to host our fifth annual Ladenburg Institute of Women & Finance (LIWF) symposium in Salt Lake City, Utah. LIWF grew out of our commitment to support and invest in the future of female advisors. Our commitment to this mission has resulted in increased recruiting and retention of female advisors across the Ladenburg organization. According to Financial Planning Magazine, three of Ladenburg's broker-dealer affiliates are among the industry leaders in percentage of female advisors: Triad Advisors with 30.5% female advisors, Securities America with 29.4% and KMS Financial Services with 27.7%.

Through the LIWF event, we unite top women advisors from Ladenburg's IBD firms with one goal in mind: to develop and accelerate the success of female financial advisors. The symposium covers practice-building strategies and key issues within the financial advisory industry, while providing a supportive and collaborative forum for women to learn, connect and grow. We are proud of the great work by our sponsors, speakers and network of advisors, and the role they have played in making it easier for female advisors to excel and grow their businesses. We congratulate Jaime Desmond, the COO of Ladenburg Thalmann Asset Management, who was named one of the "50 Most Influential Women in Private Wealth" by Private Asset Management magazine, for her valuable work since 2012 on our LIWF initiatives and the related LIFT mentoring program, now in its fourth year, which pairs seasoned women advisors from Ladenburg's network with rising women advisors and career changers to offer them guidance and direction throughout the year.

Thought Leadership and Industry Involvement

Ladenburg continues to work closely with the Financial Services Institute (FSI), the only organization advocating solely on behalf of independent financial advisors and independent financial services firms. As the 2017 Chairman of the FSI Board, Dick Lampen oversees a group of industry leaders providing insight on industry-wide developments and working to ensure that all individuals have access to competent and affordable financial advice, products and services. Ladenburg looks forward to supporting this expansive network of financial advisors and broker-dealers committed to creating a healthier, more business-friendly regulatory environment for independent financial services firms and their advisors.

Ladenburg continues to be recognized as a top player in the independent brokerage and advisory business, and we believe we are positioned for long-term success and are confident in our ability to generate sustainable shareholder value.

As always, we thank our fellow shareholders and our approximately 5,300 financial advisors and employees, who have all helped us establish Ladenburg as an industry leader and continue to support the firm. We look forward to a strong 2017.

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 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 brokerage and advisory business, growth of our investment banking and capital markets business, future levels of recurring revenue, future acquisitions, future synergies and future service offerings. 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, 2016 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.

View source version on businesswire.com:

<http://www.businesswire.com/news/home/20170424005230/en/>

For Ladenburg Thalmann:
Sard Verbinnen & Co
Brandy Bergman/Emily Claffey/Benjamin Spicehandler
212-687-8080

Source: Ladenburg Thalmann Financial Services Inc.