UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-31720

PIPER SANDLER COMPANIES

(Exact Name of Registrant as specified in its Charter)

Delaware	**30-0168701**
(State or Other Jurisdiction of Incorporation or Organization)	*(IRS Employer Identification No.)*
800 Nicollet Mall, Suite 900	
Minneapolis, Minnesota	**55402**
(Address of Principal Executive Offices)	*(Zip Code)*

(612) 303-6000

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange On Which Registered
Common Stock, par value $0.01 per share	PIPR	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

As of April 30, 2024, the registrant had 17,699,038 shares of Common Stock outstanding.

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Part I. Financial Information

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Consolidated Statements of Financial Condition

(Amounts in thousands, except share data)	March 31, 2024 (Unaudited)	December 31, 2023
Assets		
Cash and cash equivalents	**$ 69,958**	$ 383,098
Receivables from brokers, dealers and clearing organizations	**176,398**	212,004
Financial instruments and other inventory positions owned:		
Financial instruments and other inventory positions owned	**118,753**	341,780
Financial instruments and other inventory positions owned and pledged as collateral	**323,474**	92,777
Total financial instruments and other inventory positions owned	**442,227**	434,557
Investments (including noncontrolling interests of $234,167 and $211,096, respectively)	**325,435**	298,048
Fixed assets (net of accumulated depreciation and amortization of $95,534 and $91,378, respectively)	**57,744**	60,770
Right-of-use lease assets	**67,335**	69,387
Goodwill	**301,760**	301,760
Intangible assets (net of accumulated amortization of $152,848 and $150,487, respectively)	**113,836**	116,197
Net deferred income tax assets	**138,519**	179,207
Other assets	**129,241**	85,955
Total assets	**$ 1,822,453**	$ 2,140,983
Liabilities and Shareholders' Equity		
Short-term financing	**$ —**	$ 30,000
Payables to brokers, dealers and clearing organizations	**3,383**	979
Financial instruments and other inventory positions sold, but not yet purchased	**158,245**	148,980
Accrued compensation	**160,741**	486,145
Accrued lease liabilities	**91,485**	93,727
Other liabilities and accrued expenses	**83,569**	81,679
Total liabilities	**497,423**	841,510
Shareholders' equity:		
Common stock, $0.01 par value:		
Shares authorized: 100,000,000 at March 31, 2024 and December 31, 2023;		
Shares issued: 19,553,656 at March 31, 2024 and 19,553,101 at December 31, 2023;		
Shares outstanding: 15,642,422 at March 31, 2024 and 15,200,149 at December 31, 2023	**195**	195
Additional paid-in capital	**987,195**	988,136
Retained earnings	**461,191**	454,358
Less: Common stock held in treasury, at cost: 3,911,234 shares at March 31, 2024 and 4,352,952 shares at December 31, 2023	**(347,156)**	(356,297)
Accumulated other comprehensive loss	**(850)**	(894)
Total common shareholders' equity	**1,100,575**	1,085,498
Noncontrolling interests	**224,455**	213,975
Total shareholders' equity	**1,325,030**	1,299,473
Total liabilities and shareholders' equity	**$ 1,822,453**	$ 2,140,983

See Notes to the Consolidated Financial Statements

Piper Sandler Companies

Consolidated Statements of Operations

(Unaudited)

(Amounts in thousands, except per share data)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Revenues		
Investment banking	$ **230,523**	$ 184,404
Institutional brokerage	**91,442**	96,313
Interest income	**8,306**	8,712
Investment income	**14,168**	11,115
Total revenues	**344,439**	300,544
Interest expense	**1,383**	2,639
Net revenues	**343,056**	297,905
Non-interest expenses		
Compensation and benefits	**222,446**	199,394
Outside services	**12,422**	12,126
Occupancy and equipment	**16,036**	15,728
Communications	**13,229**	14,311
Marketing and business development	**10,763**	10,052
Deal-related expenses	**6,387**	6,014
Trade execution and clearance	**4,866**	4,914
Intangible asset amortization	**2,361**	4,904
Other operating expenses	**2,124**	4,653
Total non-interest expenses	**290,634**	272,096
Income before income tax expense/(benefit)	**52,422**	25,809
Income tax expense/(benefit)	**2,844**	(7,637)
Net income	**49,578**	33,446
Net income attributable to noncontrolling interests	**7,085**	7,812
Net income attributable to Piper Sandler Companies	$ **42,493**	$ 25,634
Earnings per common share		
Basic	$ **2.74**	$ 1.77
Diluted	$ **2.43**	$ 1.49
Dividends declared per common share	$ **1.60**	$ 1.85
Weighted average number of common shares outstanding		
Basic	**15,499**	14,507
Diluted	**17,504**	17,182

See Notes to the Consolidated Financial Statements

Piper Sandler Companies

Consolidated Statements of Comprehensive Income

(Unaudited)

	Three Months Ended March 31,	
(Amounts in thousands)	**2024**	**2023**
Net income	**$ 49,578**	$ 33,446
Other comprehensive income, net of tax — Foreign currency translation adjustment	**44**	955
Comprehensive income	**49,622**	34,401
Comprehensive income attributable to noncontrolling interests	**7,085**	7,812
Comprehensive income attributable to Piper Sandler Companies	**$ 42,537**	$ 26,589

See Notes to the Consolidated Financial Statements

Piper Sandler Companies
Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

(Amounts in thousands, except share amounts)	Common Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Common Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
Balance at December 31, 2023	**15,200,149**	**$ 195**	**$ 988,136**	**$ 454,358**	**$ (356,297)**	**$ (894)**	**$ 1,085,498**	**$ 213,975**	**$ 1,299,473**
Net income	—	—	—	42,493	—	—	42,493	7,085	49,578
Dividends	—	—	—	(35,660)	—	—	(35,660)	—	(35,660)
Amortization/issuance of restricted stock (1)	—	—	60,185	—	—	—	60,185	—	60,185
Issuance of treasury shares for restricted stock vestings	730,695	—	(61,232)	—	61,232	—	—	—	—
Repurchase of common stock from employees	(288,977)	—	—	—	(52,091)	—	(52,091)	—	(52,091)
Shares reserved/issued for director compensation	555	—	106	—	—	—	106	—	106
Other comprehensive income	—	—	—	—	—	44	44	—	44
Fund capital contributions, net	—	—	—	—	—	—	—	3,395	3,395
Balance at March 31, 2024	**15,642,422**	**$ 195**	**$ 987,195**	**$ 461,191**	**$ (347,156)**	**$ (850)**	**$ 1,100,575**	**$ 224,455**	**$ 1,325,030**
Balance at December 31, 2022	**13,673,064**	**$ 195**	**$ 1,044,719**	**$ 453,311**	**$ (441,653)**	**$ (2,499)**	**$ 1,054,073**	**$ 199,955**	**$ 1,254,028**
Net income	—	—	—	25,634	—	—	25,634	7,812	33,446
Dividends	—	—	—	(50,861)	—	—	(50,861)	—	(50,861)
Amortization/issuance of restricted stock (1)	—	—	67,682	—	—	—	67,682	—	67,682
Issuance of treasury shares for restricted stock vestings	1,584,696	—	(121,284)	—	121,284	—	—	—	—
Repurchase of common stock from employees	(426,031)	—	—	—	(60,831)	—	(60,831)	—	(60,831)
Shares reserved/issued for director compensation	1,398	—	192	—	—	—	192	—	192
Other comprehensive income	—	—	—	—	—	955	955	—	955
Fund capital distributions, net	—	—	—	—	—	—	—	(5,048)	(5,048)
Balance at March 31, 2023	**14,833,127**	**$ 195**	**$ 991,309**	**$ 428,084**	**$ (381,200)**	**$ (1,544)**	**$ 1,036,844**	**$ 202,719**	**$ 1,239,563**

(1) Includes amortization of restricted stock issued in conjunction with the Company's acquisitions.

See Notes to the Consolidated Financial Statements

Piper Sandler Companies
Consolidated Statements of Cash Flows
(Unaudited)

(Amounts in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Operating Activities		
Net income	**$ 49,578**	$ 33,446
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of fixed assets	**4,258**	4,426
Deferred income taxes	**40,688**	(8,191)
Stock-based compensation	**26,825**	27,502
Amortization of intangible assets	**2,361**	4,904
Amortization of forgivable loans	**4,825**	2,614
Decrease/(increase) in operating assets:		
Receivables from brokers, dealers and clearing organizations	**35,606**	173,604
Net financial instruments and other inventory positions owned	**1,595**	(64,989)
Investments	**(27,387)**	(8,019)
Other assets	**(45,859)**	(1,979)
Increase/(decrease) in operating liabilities:		
Payables to brokers, dealers and clearing organizations	**2,404**	(603)
Accrued compensation	**(291,830)**	(362,236)
Other liabilities and accrued expenses	**(250)**	(2,385)
Net cash used in operating activities	**(197,186)**	(201,906)
Investing Activities		
Purchases of fixed assets, net	**(1,275)**	(1,855)
Net cash used in investing activities	**(1,275)**	(1,855)
Financing Activities		
Net change in short-term financing	**(30,000)**	—
Payment of cash dividend	**(35,660)**	(50,861)
Increase/(decrease) in noncontrolling interests	**3,395**	(5,048)
Repurchase of common stock	**(52,091)**	(60,831)
Net cash used in financing activities	**(114,356)**	(116,740)
Currency adjustment:		
Effect of exchange rate changes on cash	**(323)**	845
Net decrease in cash and cash equivalents	**(313,140)**	(319,656)
Cash and cash equivalents at beginning of period	**383,098**	365,624
Cash and cash equivalents at end of period	**$ 69,958**	$ 45,968
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	**$ 1,300**	$ 2,549
Income taxes	**$ 127**	$ 737

See Notes to the Consolidated Financial Statements

NOTE 1 | ORGANIZATION AND BASIS OF PRESENTATION

Organization

Piper Sandler Companies is the parent company of Piper Sandler & Co. ("Piper Sandler"), a securities broker dealer and investment banking firm; Piper Sandler Ltd., a firm providing securities brokerage and mergers and acquisitions services in the United Kingdom ("U.K."); Piper Sandler Finance LLC, which facilitates corporate debt underwriting in conjunction with affiliated credit vehicles; Piper Sandler Investment Group Inc., PSC Capital Management LLC, PSC Capital Management II LLC and PSC Capital Management III LLC, entities providing alternative asset management services; Piper Sandler Hedging Services, LLC, an entity that assists clients with hedging strategies; Piper Sandler Financial Products Inc. and Piper Sandler Financial Products II Inc., entities that facilitate derivative transactions; and other immaterial subsidiaries.

Piper Sandler Companies and its subsidiaries (collectively, the "Company") operate in one reporting segment providing investment banking services and institutional sales, trading and research services. Investment banking services include financial advisory services, management of and participation in underwritings, and municipal financing activities. Revenues are generated through the receipt of advisory and financing fees. Institutional sales, trading and research services focus on the trading of equity and fixed income products with institutions, corporations, government and non-profit entities. Revenues are generated through commissions and sales credits earned on equity and fixed income institutional sales activities, net interest revenues on trading securities held in inventory, profits and losses from trading these securities, and fees for research services and corporate access offerings. Also, the Company has created alternative asset management funds in merchant banking and healthcare in order to invest firm capital and to manage capital from outside investors. The Company records gains and losses from investments in these funds and receives management and performance fees.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). Pursuant to this guidance, certain information and disclosures have been omitted that are included within the complete annual financial statements. Except as disclosed herein, there have been no material changes in the information reported in the financial statements and related disclosures in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

The consolidated financial statements include the accounts of Piper Sandler Companies, its wholly owned subsidiaries, and all other entities in which the Company has a controlling financial interest. Noncontrolling interests represent equity interests in consolidated entities that are not attributable, either directly or indirectly, to Piper Sandler Companies. Noncontrolling interests include the minority equity holders' proportionate share of the equity in the Company's alternative asset management funds. All material intercompany balances have been eliminated.

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and assumptions are based on the best information available, actual results could differ from those estimates.

NOTE 2 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2023 for a full description of the Company's significant accounting policies.

NOTE 3 | RECENT ACCOUNTING PRONOUNCEMENTS

Future Adoption of New Applicable Accounting Standards

Improvements to Reportable Segment Disclosures

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, "Improvements to Reportable Segment Disclosures" ("ASU 2023-07"). This guidance improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for annual periods beginning after December 15, 2023 and interim periods within annual periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently assessing the impact of ASU 2023-07 on its financial statement disclosures.

Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09, "Improvements to Income Tax Disclosures" ("ASU 2023-09"). This guidance enhances the annual income tax disclosure requirements by requiring disaggregated information related to the effective tax rate reconciliation and income taxes paid, as well as other disclosure requirements. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently assessing the impact of ASU 2023-09 on its financial statement disclosures.

NOTE 4 | RECEIVABLES FROM AND PAYABLES TO BROKERS, DEALERS AND CLEARING ORGANIZATIONS

(Amounts in thousands)	March 31, 2024	December 31, 2023
Receivables from brokers, dealers and clearing organizations		
Receivable from clearing organizations	**$ 157,997**	$ 199,143
Receivable from brokers and dealers	**14,635**	9,176
Other	**3,766**	3,685
Total receivables from brokers, dealers and clearing organizations	**$ 176,398**	$ 212,004
Payables to brokers, dealers and clearing organizations		
Payable to brokers and dealers	**$ 3,383**	$ 979
Total payables to brokers, dealers and clearing organizations	**$ 3,383**	$ 979

Under the Company's fully disclosed clearing agreement, all of its securities inventories with the exception of convertible securities, and all of its customer activities are held by or cleared through Pershing LLC ("Pershing"). The Company has established an arrangement to obtain financing from Pershing related to the majority of its trading activities. The Company also has a clearing arrangement with bank financing related to its convertible securities inventories. Financing under these arrangements is secured primarily by securities, and collateral limitations could reduce the amount of funding available under these arrangements. The funding is at their discretion and could be denied. The Company's clearing arrangement activities are recorded net of trading activity. The Company's fully disclosed clearing agreement includes a covenant requiring Piper Sandler to maintain excess net capital of $120 million.

NOTE 5 | FAIR VALUE OF FINANCIAL INSTRUMENTS

Based on the nature of the Company's business and its role as a "dealer" in the securities industry or as a manager of alternative asset management funds, the fair values of its financial instruments are determined internally. The Company's processes are designed to ensure that the fair values used for financial reporting are based on observable inputs wherever possible. In the event that observable inputs are not available, unobservable inputs are developed based on an evaluation of all relevant empirical market data, including prices evidenced by market transactions, interest rates, credit spreads, volatilities and correlations and other security-specific information. Valuation adjustments related to illiquidity or counterparty credit risk are also considered. In estimating fair value, the Company may utilize information provided by third-party pricing vendors to corroborate internally-developed fair value estimates.

The Company employs specific control processes to determine the reasonableness of the fair value of its financial instruments. The Company's processes are designed to ensure that the internally-estimated fair values are accurately recorded and that the data inputs and the valuation techniques used are appropriate, consistently applied, and that the assumptions are reasonable and consistent with the objective of determining fair value. Individuals outside of the trading departments perform independent pricing verification reviews as of each reporting date. The Company has established parameters which set forth when the fair value of securities is independently verified. The selection parameters are generally based upon the type of security, the level of estimation risk of a security, the materiality of the security to the Company's consolidated financial statements, changes in fair value from period to period, and other specific facts and circumstances of the Company's securities portfolio. In evaluating the initial internally-estimated fair values made by the Company's traders, the nature and complexity of securities involved (e.g., term, coupon, collateral, and other key drivers of value), level of market activity for securities, and availability of market data are considered. The independent price verification procedures include, but are not limited to, analysis of trade data (both internal and external where available), corroboration to the valuation of positions with similar characteristics, risks and components, or comparison to an alternative pricing source, such as a discounted cash flow model. The Company's valuation committees, comprised of members of senior management and risk management, provide oversight and overall responsibility for the internal control processes and procedures related to fair value measurements.

The following is a description of the valuation techniques used to measure fair value.

Cash Equivalents

Cash equivalents include highly liquid investments with original maturities of 90 days or less. Actively traded money market funds are measured at their net asset value and classified as Level I.

Financial Instruments and Other Inventory Positions

The Company records financial instruments and other inventory positions owned and financial instruments and other inventory positions sold, but not yet purchased at fair value on the consolidated statements of financial condition with unrealized gains and losses reflected on the consolidated statements of operations.

Equity Securities

Exchange traded equity securities are valued based on quoted prices from the exchange for identical assets or liabilities as of the period-end date. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level I. Non-exchange traded equity securities are measured primarily using broker quotations, prices observed for recently executed market transactions and internally-developed fair value estimates based on observable inputs and are categorized within Level II of the fair value hierarchy.

Convertible Securities

Convertible securities are valued based on observable trades, when available, and therefore are generally categorized as Level II.

Corporate Fixed Income Securities

Fixed income securities include corporate bonds which are valued based on recently executed market transactions of comparable size, internally-developed fair value estimates based on observable inputs, or broker quotations. Accordingly, these corporate bonds are categorized as Level II.

Taxable Municipal Securities

Taxable municipal securities are valued using recently executed observable trades or market price quotations and therefore are generally categorized as Level II.

Tax-Exempt Municipal Securities

Tax-exempt municipal securities are valued using recently executed observable trades or market price quotations and therefore are generally categorized as Level II. Certain illiquid tax-exempt municipal securities are valued using market data for comparable securities (e.g., maturity and sector) and management judgment to infer an appropriate current yield or other model-based valuation techniques deemed appropriate by management based on the specific nature of the individual security and therefore are categorized as Level III.

Short-Term Municipal Securities

Short-term municipal securities include variable rate demand notes and other short-term municipal securities. Variable rate demand notes and other short-term municipal securities are valued using recently executed observable trades or market price quotations and therefore are generally categorized as Level II.

Asset-Backed Securities

Asset-backed securities are valued using recently executed observable trades, when available, and therefore are generally categorized as Level II. Certain asset-backed securities are valued using models where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data. Accordingly, these asset-backed securities are categorized as Level II.

U.S. Government Agency Securities

U.S. government agency securities include agency debt bonds and mortgage bonds. Agency debt bonds are valued by using either direct price quotes or price quotes for comparable bond securities and are categorized as Level II. Mortgage bonds include bonds secured by mortgages, mortgage pass-through securities, agency collateralized mortgage-obligation ("CMO") securities and agency interest-only securities. Mortgage pass-through securities, CMO securities and interest-only securities are valued using recently executed observable trades or other observable inputs, such as prepayment speeds and therefore are generally categorized as Level II. Mortgage bonds are valued using observable market inputs, such as market yields on spreads over U.S. treasury securities, or models based upon prepayment expectations. These securities are categorized as Level II.

U.S. Government Securities

U.S. government securities include highly liquid U.S. treasury securities which are generally valued using quoted market prices and therefore are categorized as Level I. The Company does not transact in securities of countries other than the U.S. government.

Derivative Contracts

Derivative contracts include interest rate swaps, interest rate locks, and U.S. treasury bond futures. These instruments derive their value from underlying assets, reference rates, indices or a combination of these factors. The majority of the Company's interest rate derivative contracts, including both interest rate swaps and interest rate locks, are valued using market standard pricing models based on the net present value of estimated future cash flows. The valuation models used do not involve material subjectivity as the methodologies do not entail significant judgment and the pricing inputs are market observable, including contractual terms, yield curves and measures of volatility. These instruments are classified as Level II within the fair value hierarchy. Certain interest rate locks transact in less active markets and are valued using valuation models that include the previously mentioned observable inputs and certain unobservable inputs that require significant judgment, such as the premium over the Municipal Market Data ("MMD") curve. These instruments are classified as Level III.

Investments

The Company's investments valued at fair value include equity investments in private companies and mutual funds held by a grantor trust for the Company's nonqualified deferred compensation plan. Investments in private companies are valued based on an assessment of each underlying security, considering rounds of financing, the financial condition and operating results of the private company, third-party transactions and market-based information, including comparable company transactions, trading multiples (e.g., multiples of revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA")), discounted cash flow analyses and changes in market outlook, among other factors. These securities are categorized based on the lowest level of input that is significant to the fair value measurement and therefore are categorized as Level II or Level III. Certain underlying securities, as well as investments in mutual funds, are valued based on quoted prices from the exchange for identical assets as of the period-end date. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level I. See Note 8 and Note 14 to our consolidated financial statements for additional information about the Company's nonqualified deferred compensation plan.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

The following table summarizes the valuation of the Company's financial instruments by pricing observability levels defined in FASB Accounting Standards Codification Topic 820, "Fair Value Measurement" ("ASC 820") as of March 31, 2024:

(Amounts in thousands)	Level I	Level II	Level III	Counterparty and Cash Collateral Netting (1)	Total
Assets					
Financial instruments and other inventory positions owned:					
Corporate securities:					
Equity securities	$ 5,272	$ 931	$ —	$ —	$ 6,203
Convertible securities	—	139,126	—	—	139,126
Fixed income securities	—	4,633	—	—	4,633
Municipal securities:					
Taxable securities	—	32,274	—	—	32,274
Tax-exempt securities	—	127,843	276	—	128,119
Short-term securities	—	23,846	—	—	23,846
Asset-backed securities	—	35,276	—	—	35,276
U.S. government agency securities	—	59,354	—	—	59,354
U.S. government securities	3,725	—	—	—	3,725
Derivative contracts	—	41,295	2,754	(34,378)	9,671
Total financial instruments and other inventory positions owned	8,997	464,578	3,030	(34,378)	442,227
Cash equivalents	31,753	—	—	—	31,753
Investments at fair value (2)	75,566	20,000	217,693	—	313,259
Total assets	$ 116,316	$ 484,578	$ 220,723	$ (34,378)	$ 787,239
Liabilities					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	$ 78,867	$ —	$ —	$ —	$ 78,867
Fixed income securities	—	1,638	—	—	1,638
U.S. government agency securities	—	26,286	—	—	26,286
U.S. government securities	47,824	—	—	—	47,824
Derivative contracts	—	35,799	4,571	(36,740)	3,630
Total financial instruments and other inventory positions sold, but not yet purchased	$ 126,691	$ 63,723	$ 4,571	$ (36,740)	$ 158,245

(1) Represents cash collateral and the impact of netting on a counterparty basis. The Company had no securities posted as collateral to its counterparties.

(2) Includes noncontrolling interests of $234.2 million attributable to unrelated third-party ownership in consolidated alternative asset management funds.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

The following table summarizes the valuation of the Company's financial instruments by pricing observability levels defined in ASC 820 as of December 31, 2023:

(Amounts in thousands)	Level I	Level II	Level III	Counterparty and Cash Collateral Netting (1)	Total
Assets					
Financial instruments and other inventory positions owned:					
Corporate securities:					
Equity securities	$ 388	$ —	$ —	$ —	$ 388
Convertible securities	—	131,375	—	—	131,375
Fixed income securities	—	1,645	—	—	1,645
Municipal securities:					
Taxable securities	—	25,744	—	—	25,744
Tax-exempt securities	—	135,886	2,869	—	138,755
Short-term securities	—	7,122	—	—	7,122
Asset-backed securities	—	8,149	—	—	8,149
U.S. government agency securities	—	104,418	—	—	104,418
U.S. government securities	5,895	—	—	—	5,895
Derivative contracts	—	52,611	5,834	(47,379)	11,066
Total financial instruments and other inventory positions owned	6,283	466,950	8,703	(47,379)	434,557
Cash equivalents	343,856	—	—	—	343,856
Investments at fair value (2)	61,601	—	224,280	—	285,881
Total assets	$ 411,740	$ 466,950	$ 232,983	$ (47,379)	$ 1,064,294
Liabilities					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	$ 53,857	$ —	$ —	$ —	$ 53,857
Fixed income securities	—	2,230	—	—	2,230
U.S. government agency securities	—	48,268	—	—	48,268
U.S. government securities	40,437	—	—	—	40,437
Derivative contracts	—	47,032	7,962	(50,806)	4,188
Total financial instruments and other inventory positions sold, but not yet purchased	$ 94,294	$ 97,530	$ 7,962	$ (50,806)	$ 148,980

(1) Represents cash collateral and the impact of netting on a counterparty basis. The Company had no securities posted as collateral to its counterparties.

(2) Includes noncontrolling interests of $211.1 million attributable to unrelated third-party ownership in consolidated alternative asset management funds.

The carrying values of the Company's cash, receivables and payables either from or to brokers, dealers and clearing organizations, and short-term financings approximate fair value due to either their liquid or short-term nature.

The Company's Level III assets were $220.7 million (including noncontrolling interests of $170.9 million) and $233.0 million (including noncontrolling interests of $177.0 million), or 28.0 percent and 21.9 percent of financial instruments measured at fair value at March 31, 2024 and December 31, 2023, respectively. There were $13.2 million and $14.7 million of transfers of financial assets out of Level III for the three months ended March 31, 2024 and 2023, respectively, primarily due to unobservable inputs becoming observable. At March 31, 2024, the Company's Level I investments at fair value included $50.2 million of equity securities subject to contractual sale restrictions, of which $5.2 million will expire in the second quarter of 2024 and $8.6 million will expire in the third quarter of 2024. The sales restrictions on the remaining equity securities are in effect during certain trading windows so long as the securities are owned.

The following table summarizes the changes in fair value associated with Level III financial instruments held at the beginning or end of the periods presented:

	Level III			
	Assets			Liabilities
(Amounts in thousands)	Tax-Exempt Municipal Securities	Derivative Contracts	Investments at Fair Value	Derivative Contracts
Balance at December 31, 2023	**$ 2,869**	**$ 5,834**	**$ 224,280**	**$ 7,962**
Purchases	—	—	12,000	—
Sales	(1,901)	—	—	—
Settlements	—	(2,842)	—	(1,434)
Transfers in	—	—	—	—
Transfers out	—	—	(13,219)	—
Total realized and unrealized gains/(losses)	(692)	(238)	(5,368)	(1,957)
Balance at March 31, 2024	**$ 276**	**$ 2,754**	**$ 217,693**	**$ 4,571**
Balance at December 31, 2022	**$ 3,887**	**$ 4,756**	**$ 191,845**	**$ 1,082**
Purchases	—	—	12,948	—
Sales	—	—	(6,747)	—
Settlements	—	(2,353)	—	140
Transfers in	—	—	—	—
Transfers out	—	—	(14,691)	—
Total realized and unrealized gains/(losses)	9	(1,961)	18,088	2,555
Balance at March 31, 2023	**$ 3,896**	**$ 442**	**$ 201,443**	**$ 3,777**
Unrealized gains/(losses) for assets/liabilities held at:				
March 31, 2024	$ 9	$ 227	$ (834)	$ (288)
March 31, 2023	$ 9	$ (239)	$ 9,066	$ 2,850

Realized and unrealized gains/(losses) related to financial instruments, with the exception of customer matched-book derivatives, are reported in institutional brokerage on the consolidated statements of operations. Realized and unrealized gains/(losses) related to customer matched-book derivatives are reported in investment banking. Realized and unrealized gains/(losses) related to investments are principally reported in investment income on the consolidated statements of operations.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

The following table summarizes quantitative information about the significant unobservable inputs used in the fair value measurement of the Company's Level III financial instruments as of March 31, 2024:

	Valuation Technique	Unobservable Input	Range	Weighted Average (1)
Assets				
Tax-exempt municipal securities	Discounted cash flow	Expected recovery rate (% of par) (3)	0 - 25%	13.4%
Derivative contracts	Discounted cash flow	Premium over the MMD curve in basis points ("bps") (3)	12 - 44 bps	17.9 bps
Investments at fair value (2)	Market approach	Revenue multiple (3)	0 - 10 times	5.4 times
		EBITDA multiple (3)	11 - 17 times	14.4 times
		Market comparable valuation multiple (3)	0 - 2 times	1.3 times
	Discounted cash flow	Discount rate (4)	19 - 25%	21.0%
Liabilities				
Derivative contracts	Discounted cash flow	Premium over the MMD curve in bps (4)	0 - 46 bps	13.6 bps

(1) Unobservable inputs were weighted by the relative fair value of the financial instruments.

(2) As of March 31, 2024, the Company had $217.7 million of Level III investments at fair value, of which $43.9 million, or 20.2 percent, was valued based on a recent round of independent financing.

(3) There is uncertainty in the determination of fair value. Significant increase/(decrease) in the unobservable input in isolation would have resulted in a significantly higher/(lower) fair value measurement.

(4) There is uncertainty in the determination of fair value. Significant increase/(decrease) in the unobservable input in isolation would have resulted in a significantly lower/(higher) fair value measurement.

NOTE 6 | FINANCIAL INSTRUMENTS AND OTHER INVENTORY POSITIONS

(Amounts in thousands)	March 31, 2024	December 31, 2023
Financial instruments and other inventory positions owned		
Corporate securities:		
Equity securities	**$ 6,203**	$ 388
Convertible securities	**139,126**	131,375
Fixed income securities	**4,633**	1,645
Municipal securities:		
Taxable securities	**32,274**	25,744
Tax-exempt securities	**128,119**	138,755
Short-term securities	**23,846**	7,122
Asset-backed securities	**35,276**	8,149
U.S. government agency securities	**59,354**	104,418
U.S. government securities	**3,725**	5,895
Derivative contracts	**9,671**	11,066
Total financial instruments and other inventory positions owned	**$ 442,227**	$ 434,557
Financial instruments and other inventory positions sold, but not yet purchased		
Corporate securities:		
Equity securities	**$ 78,867**	$ 53,857
Fixed income securities	**1,638**	2,230
U.S. government agency securities	**26,286**	48,268
U.S. government securities	**47,824**	40,437
Derivative contracts	**3,630**	4,188
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 158,245**	$ 148,980

At March 31, 2024 and December 31, 2023, financial instruments and other inventory positions owned in the amount of $323.5 million and $92.8 million, respectively, had been pledged as collateral for short-term financing arrangements.

Financial instruments and other inventory positions sold, but not yet purchased represent obligations of the Company to deliver the specified security at the contracted price, thereby creating a liability to purchase the security in the market at prevailing prices. The Company is obligated to acquire the securities sold short at prevailing market prices, which may exceed the amount reflected on the consolidated statements of financial condition. The Company economically hedges changes in the market value of its financial instruments and other inventory positions owned using inventory positions sold, but not yet purchased, interest rate derivatives, U.S. treasury bond futures and options, and equity option contracts.

Derivative Contract Financial Instruments

Customer Matched-Book Derivatives

The Company enters into interest rate derivative contracts in a principal capacity as a dealer to satisfy the financial needs of its customers. The Company simultaneously enters into an interest rate derivative contract with a third party for the same notional amount to hedge the interest rate and credit risk of the initial client interest rate derivative contract. In certain limited instances, the Company has only hedged interest rate risk with a third party, and retains uncollateralized credit risk as described below. These instruments use rates based upon the Secured Overnight Financing Rate ("SOFR") index, the MMD index or the Securities Industry and Financial Markets Association ("SIFMA") index. Similarly, the Company enters into a limited number of credit default swap contracts to facilitate customer transactions. These instruments use rates based upon the Commercial Mortgage Backed Securities ("CMBX") index.

Trading Securities Derivatives

The Company enters into interest rate derivative contracts and uses U.S. treasury bond futures and options to hedge interest rate and market value risks primarily associated with its fixed income securities. These instruments use rates based upon the MMD or SOFR indices. The Company also enters into equity option contracts to hedge market value risk associated with its convertible securities.

Derivatives are reported on a net basis by counterparty (i.e., the net payable or receivable for derivative assets and liabilities for a given counterparty) when a legal right of offset exists and on a net basis by cross product when applicable provisions are stated in master netting agreements. Cash collateral received or paid is netted on a counterparty basis, provided a legal right of offset exists. The total absolute notional contract amount, representing the absolute value of the sum of gross long and short derivative contracts, provides an indication of the volume of the Company's derivative activity and does not represent gains and losses. The following table presents the gross fair market value and the total absolute notional contract amount of the Company's outstanding derivative instruments, prior to counterparty netting, by asset or liability position:

(Amounts in thousands)	March 31, 2024			December 31, 2023		
Derivative Category	**Derivative Assets (1)**	**Derivative Liabilities (2)**	**Notional Amount**	**Derivative Assets (1)**	**Derivative Liabilities (2)**	**Notional Amount**
Interest rate:						
Customer matched-book	**$ 41,233**	**$ 36,081**	**$ 1,363,904**	$ 54,676	$ 49,293	$ 1,356,924
Trading securities	**2,816**	**4,289**	**179,850**	3,769	5,701	196,250
	$ 44,049	**$ 40,370**	**$ 1,543,754**	$ 58,445	$ 54,994	$ 1,553,174

(1) Derivative assets are included within financial instruments and other inventory positions owned on the consolidated statements of financial condition.

(2) Derivative liabilities are included within financial instruments and other inventory positions sold, but not yet purchased on the consolidated statements of financial condition.

The Company's derivative contracts do not qualify for hedge accounting; therefore, unrealized gains and losses are recorded on the consolidated statements of operations. The gains and losses on the related economically hedged inventory positions are not disclosed below as they are not in qualifying hedging relationships. The following table presents the Company's unrealized gains/(losses) on derivative instruments:

(Amounts in thousands)		Three Months Ended March 31,	
Derivative Category	**Operations Category**	**2024**	**2023**
Interest rate derivative contract	Investment banking	**$ (84)**	$ 172
Interest rate derivative contract	Institutional brokerage	**311**	(7,009)
Equity option derivative contract	Institutional brokerage	**—**	(11)
		$ 227	$ (6,848)

Credit risk associated with the Company's derivatives is the risk that a derivative counterparty will not perform in accordance with the terms of the applicable derivative contract. Credit exposure associated with the Company's derivatives is driven by uncollateralized market movements in the fair value of the contracts with counterparties and is monitored regularly by the Company's financial risk committee. The Company considers counterparty credit risk in determining derivative contract fair value. The majority of the Company's derivative contracts are substantially collateralized by its counterparties, who are major financial institutions. The Company has a limited number of counterparties who are not required to post collateral. Based on market movements, the uncollateralized amounts representing the fair value of a derivative contract can become material, exposing the Company to the credit risk of these counterparties. As of March 31, 2024, the Company had $5.0 million of uncollateralized credit exposure with these counterparties (notional contract amount of $78.3 million), including $4.6 million of uncollateralized credit exposure with one counterparty.

NOTE 7 | INVESTMENTS

(Amounts in thousands)	**March 31, 2024**	**December 31, 2023**
Investments at fair value	**$ 313,259**	$ 285,881
Investments at cost	**281**	281
Investments accounted for under the equity method	**11,895**	11,886
Total investments	**325,435**	298,048
Less: Investments attributable to noncontrolling interests (1)	**(234,167)**	(211,096)
Total investments attributable to Piper Sandler Companies	**$ 91,268**	$ 86,952

(1) Noncontrolling interests are attributable to unrelated third-party ownership in consolidated alternative asset management funds.

At March 31, 2024, investments carried on a cost basis had an estimated fair market value of $0.3 million. Because valuation estimates were based upon management's judgment, investments carried at cost would be categorized as Level III assets in the fair value hierarchy, if they were carried at fair value.

Investments accounted for under the equity method include general and limited partnership interests. The carrying value of these investments is based on the investment vehicle's net asset value. The net assets of investment partnerships consist of investments in both marketable and non-marketable securities. The underlying investments held by such partnerships are valued based on the estimated fair value determined by management in the Company's capacity as general partner or investor and, in the case of investments in unaffiliated investment partnerships, are based on financial statements prepared by the unaffiliated general partners.

NOTE 8 | VARIABLE INTEREST ENTITIES ("VIEs")

The Company has investments in and/or acts as the managing partner of various partnerships and limited liability companies. These entities were established for the purpose of investing in securities of public or private companies, and were initially financed through the capital commitments or seed investments of the members.

VIEs are entities in which equity investors lack the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities. The determination as to whether an entity is a VIE is based on the structure and nature of each entity. The Company also considers other characteristics such as the power through voting rights or similar rights to direct the activities of an entity that most significantly impact the entity's economic performance and how the entity is financed.

The Company is required to consolidate all VIEs for which it is considered to be the primary beneficiary. The determination as to whether the Company is considered to be the primary beneficiary is based on whether the Company has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE.

Consolidated VIEs

The Company's consolidated VIEs at March 31, 2024 included certain alternative asset management funds in which the Company has an investment and, as the managing partner, is deemed to have both the power to direct the most significant activities of the funds and the right to receive benefits (or the obligation to absorb losses) that could potentially be significant to these funds.

The following table presents information about the carrying value of the assets and liabilities of the VIEs that are consolidated by the Company and included on the consolidated statements of financial condition at March 31, 2024. The assets can only be used to settle the liabilities of the respective VIE, and the creditors of the VIEs do not have recourse to the general credit of the Company. These VIEs have a combined $56.0 million of bank line financing available with interest rates based on SOFR plus an applicable margin. The assets and liabilities are presented prior to consolidation, and thus a portion of these assets and liabilities is eliminated in consolidation.

(Amounts in thousands)	Alternative Asset Management Funds
Assets	
Investments	$ 292,161
Other assets	131
Total assets	$ 292,292
Liabilities	
Other liabilities and accrued expenses	$ 10,931
Total liabilities	$ 10,931

The Company has investments in a grantor trust which was established as part of a nonqualified deferred compensation plan. The Company is the primary beneficiary of the grantor trust. Accordingly, the assets and liabilities of the grantor trust are consolidated by the Company on the consolidated statements of financial condition. See Note 14 for additional information on the Company's nonqualified deferred compensation plan.

Nonconsolidated VIEs

The Company determined it is not the primary beneficiary of certain VIEs and, accordingly, does not consolidate them. These VIEs had net assets approximating $1.1 billion at March 31, 2024 and December 31, 2023. The Company's exposure to loss from these VIEs is $12.2 million, which is the carrying value of its capital contributions recorded in investments on the consolidated statements of financial condition at March 31, 2024. The Company had no liabilities related to these VIEs at March 31, 2024 and December 31, 2023. Furthermore, the Company has not provided financial or other support to these VIEs that it was not previously contractually required to provide as of March 31, 2024.

NOTE 9 | OTHER ASSETS

(Amounts in thousands)	March 31, 2024	December 31, 2023
Fee receivables	**$ 42,569**	$ 27,765
Forgivable employee loans	**12,685**	15,771
Prepaid expenses	**17,444**	22,396
Income tax receivables	**43,893**	5,939
Other	**12,650**	14,084
Total other assets	**$ 129,241**	$ 85,955

NOTE 10 | SHORT-TERM FINANCING

The Company has an unsecured $100 million revolving credit facility with U.S. Bank N.A. The credit agreement will terminate on December 18, 2026, unless otherwise terminated. The interest rate is variable and based on either the federal funds rate or prime plus an applicable margin. This credit facility includes customary events of default and covenants that, among other things, require the Company's U.S. broker dealer subsidiary to maintain a minimum regulatory net capital of $120 million, limit the Company's leverage ratio, require maintenance of a minimum ratio of operating cash flow to fixed charges, and impose certain limitations on the Company's ability to make acquisitions and make payments on its capital stock. At March 31, 2024, there were no advances against this credit facility. At December 31, 2023, there were $30.0 million of advances against this credit facility, with a weighted average interest rate of 5.33 percent.

The Company's committed short-term bank line financing at March 31, 2024 consisted of a one-year $50 million committed revolving credit facility with U.S. Bank N.A., which has been renewed annually in the fourth quarter of each year since 2008. Advances under this facility are secured by certain marketable securities. The interest rate is variable and based on the federal funds rate plus an applicable margin. The facility includes a covenant that requires the Company's U.S. broker dealer subsidiary to maintain a minimum regulatory net capital of $120 million, and the unpaid principal amount of all advances under this facility will be due on December 6, 2024. The Company pays a nonrefundable commitment fee on the unused portion of the facility on a quarterly basis. At March 31, 2024 and December 31, 2023, the Company had no advances against this line of credit.

NOTE 11 | LEGAL CONTINGENCIES

The Company has been named as a defendant in various legal actions, including complaints and litigation and arbitration claims, arising from its business activities. Such actions include claims related to securities brokerage and investment banking activities, and certain class actions that primarily allege violations of securities laws and seek unspecified damages, which could be substantial. Also, the Company is involved from time to time in investigations and proceedings by governmental agencies and self-regulatory organizations ("SROs") which could result in adverse judgments, settlements, penalties, fines or other relief.

The Company accrues for potential losses resulting from pending and potential legal actions, investigations and regulatory proceedings when such losses are probable and reasonably estimable. In many cases, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount or range of any potential loss, particularly where proceedings may be in relatively early stages or where plaintiffs are seeking substantial or indeterminate damages. Matters frequently need to develop before a probability of loss can be determined or range of loss can reasonably be estimated. Given uncertainties regarding the timing, scope, volume and outcome of pending and potential legal actions, investigations and regulatory proceedings and other factors, the amounts of accruals and ranges of reasonably possible losses are difficult to determine and of necessity subject to future revision. Subject to the foregoing, management of the Company believes, based on currently available information, after consultation with outside legal counsel and taking into account any prior accruals, that pending legal actions, investigations and regulatory proceedings will be resolved with no material adverse effect on the financial condition, results of operations or cash flows of the Company, except as described in the next paragraph.

The SEC and the Commodity Futures Trading Commission (the "CFTC") are conducting investigations of the Company regarding compliance with recordkeeping requirements for business-related communications sent over unapproved electronic messaging channels. The SEC and the CFTC have brought numerous enforcement actions relating to recordkeeping practices and are currently conducting numerous similar investigations of other broker dealers and registered investment advisors. The Company is cooperating with the investigations. The Company has engaged in settlement negotiations with the SEC and the CFTC to resolve these investigations and anticipates that the resolution will include the payment of civil money penalties. As of March 31, 2024, the Company has accrued $16.5 million as estimated civil penalties related to these investigations, and recorded a $3.5 million reversal of other operating expenses for the three months ended March 31, 2024.

If during any period a potential adverse contingency becomes probable or is resolved for an amount in excess of the established accrual, the results of operations and cash flows in that period and the financial condition as of the end of that period could be materially adversely affected. At March 31, 2024, the high end of the range of reasonably estimable losses in excess of amounts accrued was approximately $0.5 million. In addition, there can be no assurance that material losses will not be incurred from claims that have not yet been brought to the Company's attention or are not yet determined to be reasonably possible.

NOTE 12 | SHAREHOLDERS' EQUITY

Dividends

The Company's current dividend policy is intended to return a metric based on fiscal year net income to its shareholders. The Company's board of directors determines the declaration and payment of dividends and is free to change the Company's dividend policy at any time.

During the three months ended March 31, 2024, the Company declared and paid both a quarterly and a special cash dividend on its common stock of $0.60 and $1.00 per share, respectively. The special cash dividend related to the Company's fiscal year 2023 results. Total dividends paid, including accrued forfeitable dividends paid on restricted stock vestings, were $35.7 million for the three months ended March 31, 2024.

On April 26, 2024, the board of directors declared a quarterly cash dividend on its common stock of $0.60 per share to be paid on June 7, 2024, to shareholders of record as of the close of business on May 24, 2024.

Share Repurchases

The Company purchases shares of common stock pursuant to share repurchase programs authorized by the Company's board of directors. The Company also purchases shares of common stock from restricted stock award recipients upon the award vesting as recipients sell shares to meet their employment tax obligations.

The following table summarizes the repurchase programs authorized by the Company's board of directors:

Effective Date	Authorized Amount	Expiration Date	Remaining Authorization at March 31, 2024
May 6, 2022	$150.0 million	December 31, 2024	$138.2 million
January 1, 2022	$150.0 million	December 31, 2023	$—

During the three months ended March 31, 2024 and 2023, the Company did not repurchase shares of common stock related to its share repurchase programs.

The following table summarizes the Company's share repurchase activity from employees related to employment tax obligations:

	Three Months Ended March 31,	
	2024	**2023**
Common shares repurchased	**288,977**	426,031
Aggregate purchase price (in millions)	**$ 52.1**	$ 60.8
Average price per share	**$ 180.26**	$ 142.79

Issuance of Shares

The Company issues common shares out of treasury stock as a result of employee restricted share vesting and exercise transactions as discussed in Note 14. During the three months ended March 31, 2024 and 2023, the Company issued 730,695 shares and 1,584,696 shares, respectively, related to these obligations.

Noncontrolling Interests

The consolidated financial statements include the accounts of Piper Sandler Companies, its wholly owned subsidiaries and other entities in which the Company has a controlling financial interest. Noncontrolling interests represent equity interests in consolidated entities that are not attributable, either directly or indirectly, to Piper Sandler Companies. Noncontrolling interests represent the minority equity holders' proportionate share of the equity in the Company's alternative asset management funds.

Ownership interests in entities held by parties other than the Company's common shareholders are presented as noncontrolling interests within shareholders' equity, separate from the Company's own equity. Revenues, expenses and net income or loss are reported on the consolidated statements of operations on a consolidated basis, which includes amounts attributable to both the Company's common shareholders and noncontrolling interests. Net income or loss is then allocated between the Company and noncontrolling interests based upon their relative ownership interests. Net income attributable to noncontrolling interests is deducted from consolidated net income to determine net income attributable to the Company. The Company does not have other comprehensive income or loss attributable to noncontrolling interests.

NOTE 13 | REVENUES AND BUSINESS INFORMATION

The Company's activities as an investment bank and institutional securities firm constitute a single business segment. The Company is organized as one reportable segment in order to maximize the value provided to clients by leveraging the diversified expertise and broad relationships of its experienced professionals across the Company. Substantially all of the Company's net revenues and long-lived assets are located in the U.S.

Reportable financial results are as follows:

	Three Months Ended March 31,	
(Amounts in thousands)	**2024**	**2023**
Revenues		
Investment banking:		
Advisory services	**$ 157,189**	$ 140,664
Corporate financing	**52,581**	26,805
Municipal financing	**20,753**	16,935
Total investment banking	**230,523**	184,404
Institutional brokerage:		
Equity brokerage	**49,488**	53,831
Fixed income services	**41,954**	42,482
Total institutional brokerage	**91,442**	96,313
Interest income	**8,306**	8,712
Investment income	**14,168**	11,115
Total revenues	**344,439**	300,544
Interest expense	**1,383**	2,639
Net revenues	**343,056**	297,905
Total non-interest expenses	**290,634**	272,096
Pre-tax income	**$ 52,422**	$ 25,809
Pre-tax margin	**15.3 %**	8.7 %

NOTE 14 | COMPENSATION PLANS

Stock-Based Compensation Plans

The Company has three outstanding stock-based compensation plans: the Amended and Restated 2003 Annual and Long-Term Incentive Plan (the "Incentive Plan"), the 2020 Employment Inducement Award Plan (the "2020 Inducement Plan") and the 2022 Employment Inducement Award Plan (the "2022 Inducement Plan"). The Company's equity awards are recognized on the consolidated statements of operations at grant date fair value over the service period of the award, less forfeitures.

The following table provides a summary of the Company's outstanding equity awards (in shares or units, as applicable) as of March 31, 2024:

Restricted stock	
Restricted stock related to compensation plans:	
Annual grants	574,078
Sign-on grants	100,224
Inducement grants	48,336
2020 Inducement Plan grants	300,893
2022 Inducement Plan grants	126,608
Total restricted stock related to compensation plans	1,150,139
Restricted stock related to acquisitions (1)	994,179
Total restricted stock	2,144,318
Restricted stock units	152,318
Stock options	156,667

(1) Includes restricted stock with service conditions issued in conjunction with all acquisitions since January 1, 2020.

Incentive Plan

The Incentive Plan permits the grant of equity awards, including restricted stock, restricted stock units and non-qualified stock options, to the Company's employees and directors for up to 10.9 million shares of common stock (1.8 million shares remained available for future issuance under the Incentive Plan as of March 31, 2024). The Company believes that such awards help align the interests of employees and directors with those of shareholders and serve as an employee retention tool. The Incentive Plan provides for accelerated vesting of awards if there is a severance event, a change in control of the Company (as defined in the Incentive Plan), in the event of a participant's death, and at the discretion of the compensation committee of the Company's board of directors.

Restricted Stock Awards

Restricted stock grants are valued at the market price of the Company's common stock on the date of grant and are amortized over the requisite service period. The Company grants shares of restricted stock to employees as part of year-end compensation ("Annual Grants") and upon initial hiring or as a retention award ("Sign-on Grants" or "Inducement Grants").

The Company's Annual Grants are made each year in February. Annual Grants vest ratably over three years in equal installments. Substantially all Annual Grants provide for continued vesting after termination of employment, so long as the employee does not violate certain post-termination restrictions set forth in the award agreement or any agreements entered into upon termination. The Company determined the service inception date precedes the grant date for these Annual Grants, and that the post-termination restrictions do not meet the criteria for an in-substance service condition, as defined by FASB Accounting Standards Codification Topic 718, "Compensation — Stock Compensation." Accordingly, restricted stock granted as part of these Annual Grants is expensed in the one-year period in which those awards are deemed to be earned, which is generally the calendar year preceding the February grant date. For example, the Company recognized compensation expense during fiscal year 2023 for its February 2024 Annual Grant. If an equity award related to these Annual Grants is forfeited as a result of violating the post-termination restrictions, the lower of the fair value of the award at grant date or the fair value of the award at the date of forfeiture is recorded within the consolidated statements of operations as a reversal of compensation expense.

Sign-on Grants are used as a recruiting tool for new employees and are issued to current employees as a retention tool. These awards have both cliff and ratable vesting terms, and the employees must fulfill service requirements in exchange for rights to the awards. Compensation expense is amortized on a straight-line basis from the grant date over the requisite service period, generally three to five years. Employees forfeit unvested shares upon termination of employment and a reversal of compensation expense is recorded.

Inducement Grants are issued as a retention tool in conjunction with certain acquisitions. During 2022, the Company granted $9.3 million (65,125 shares) in restricted stock under the Incentive Plan in conjunction with its acquisitions of Cornerstone Macro Research LP, including its subsidiary, Cornerstone Macro LLC (collectively, "Cornerstone Macro") and Stamford Partners LLP. These restricted shares are subject to graded vesting, and employees must fulfill service requirements in exchange for the rights to the restricted shares. Compensation expense is amortized on a straight-line basis over the requisite service period, generally three to four years. Employees forfeit unvested shares upon termination of employment and a reversal of compensation expense is recorded.

Annually, the Company grants stock to its non-employee directors. The stock-based compensation paid to non-employee directors is fully expensed on the grant date and included within outside services expense on the consolidated statements of operations.

Restricted Stock Units

The Company grants restricted stock units to its leadership team ("Leadership Grants"). Restricted stock units will vest and convert to shares of common stock at the end of each 36-month performance period only if the Company satisfies predetermined performance and/or market conditions over the performance period. The performance condition requires the Company to achieve certain average adjusted return on equity targets, as defined in the terms of the award agreements. The market condition requires the Company to achieve a certain total shareholder return ("TSR") relative to members of a predetermined peer group. Under the terms of these awards, the number of units that will actually vest and convert to shares will be based on the extent to which the Company achieves the specified targets during each performance period. The maximum payout leverage by grant year is as follows:

	Maximum Payout Leverage		
Grant Year	**Performance Condition**	**Market Condition**	**Total**
2024	75%	75%	150%
2023	100%	100%	200%
2022	75%	75%	150%
2021	75%	75%	150%
2020	75%	75%	150%

The fair value of the performance condition portion of the award was based on the closing price of the Company's common stock on the grant date. If the Company determines that it is probable that the performance condition will be achieved, compensation expense is amortized on a straight-line basis over the 36-month performance period. The Company reevaluates achievement of the performance condition by grant year each reporting period with changes in estimated outcomes accounted for using a cumulative effect adjustment to compensation expense. Compensation expense will be recognized only if the performance condition is met. Employees forfeit unvested restricted stock units upon termination of employment with a corresponding reversal of compensation expense. As of March 31, 2024, the expected payout leverage for the performance condition portion of the award by grant year is as follows:

Grant Year	Expected Payout Leverage
2024	71%
2023	56%
2022	27%

The market condition must be met for the market condition portion of the award to vest. Compensation expense will be recognized regardless if the market condition is satisfied, and is amortized on a straight-line basis over the 36-month requisite service period (or earlier if age and service conditions are met, as described below). Employees forfeit unvested restricted stock units upon termination of employment with a corresponding reversal of compensation expense. The fair value of the market condition portion of the award was determined on the grant date using a Monte Carlo simulation with the following assumptions:

Grant Year	Vesting Year	Risk-Free Interest Rate	Expected Stock Price Volatility
2024	2027	4.38%	34.3%
2023	2026	4.35%	47.5%
2022	2025	1.80%	43.8%
2021	2024	0.23%	43.2%
2020	2023	1.40%	27.3%

Because the vesting of the market condition portion of the award depends on the Company's TSR relative to a peer group, the valuation modeled the performance of the peer group as well as the correlation between the Company and the peer group. The expected stock price volatility assumptions were determined using historical volatility, as correlation coefficients can only be developed through historical volatility. The risk-free interest rates were determined based on three-year U.S. Treasury bond yields.

The compensation committee of the Company's board of directors included defined retirement provisions in its Leadership Grants. Certain grantees meeting defined age and service requirements will be fully vested in the awards as long as performance and post-termination obligations are met throughout the performance period. These retirement-eligible grants are expensed in the period in which those awards are deemed to be earned, which is the calendar year preceding the February grant date.

Stock Options

On February 15, 2023 and February 15, 2018, the Company granted options to certain executive officers. These options are expensed on a straight-line basis over the required service period of five years, based on the estimated fair value of the award on the respective date of grant. The exercise price per share is equal to the closing price on the respective date of grant plus ten percent. These options are subject to graded vesting, beginning on the third anniversary of the respective grant date, so long as the employee remains continuously employed by the Company. The maximum term of these stock options is ten years.

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The fair value of these stock option awards was estimated on the respective date of grant using the Black-Scholes option-pricing model with the following assumptions:

	February 2023 Grant	February 2018 Grant
Risk-free interest rate	3.94 %	2.82 %
Dividend yield	3.21 %	3.22 %
Expected stock price volatility	38.50 %	37.20 %
Expected life of options (in years)	7.0	7.0
Fair value of options granted (per share)	$ 46.71	$ 24.49

The risk-free interest rate assumption was based on the U.S. Treasury bond yield with a maturity equal to the expected life of the options. The dividend yield assumption was based on the assumed dividend payout over the expected life of the options. The expected stock price volatility assumption was determined using historical volatility, as correlation coefficients can only be developed through historical volatility. The expected life of options assumption was determined using the simplified method due to the Company's limited exercise information. The simplified method calculates the expected term as the midpoint of the vesting term and the original contractual term of the options.

Inducement Plans

Inducement plan awards are amortized as compensation expense on a straight-line basis over each respective vesting period. Employees forfeit unvested shares upon termination of employment and a reversal of compensation expense is recorded.

The Company established the 2019 Employment Inducement Award Plan (the "2019 Inducement Plan") in conjunction with its acquisition of Weeden & Co. L.P. ("Weeden & Co."). On August 2, 2019, the Company granted $7.3 million (97,752 shares) in restricted stock. These restricted shares were subject to graded vesting through August 2, 2023. The Company terminated the 2019 Inducement Plan in August 2023.

The Company established the 2020 Inducement Plan in conjunction with its acquisition of SOP Holdings, LLC and its subsidiaries, including Sandler O'Neill & Partners, L.P. On January 3, 2020, the Company granted $96.9 million (1,217,423 shares) in restricted stock. These restricted shares have both cliff and graded vesting terms with vesting periods of 18 months, three years or five years (with a weighted average service period of 3.7 years). On April 3, 2020, the Company granted $5.5 million (114,000 shares) in restricted stock under the 2020 Inducement Plan in conjunction with its acquisition of The Valence Group ("Valence"). These restricted shares are subject to graded vesting, generally beginning on the third anniversary of the grant date through April 3, 2025. On December 31, 2020, the Company granted $2.9 million (29,194 shares) in restricted stock under the 2020 Inducement Plan in conjunction with its acquisition of TRS Advisors LLC ("TRS"). These restricted shares were subject to ratable vesting through December 31, 2023.

The Company established the 2022 Inducement Plan in conjunction with its acquisition of DBO Partners Holding LLC, including its subsidiary, DBO Partners LLC (collectively, "DBO Partners"). On October 7, 2022, the Company granted $17.4 million (161,030 shares) in restricted stock. These restricted shares are generally subject to ratable vesting over a five-year vesting period.

Stock-Based Compensation Activity

The following table summarizes the Company's stock-based compensation activity:

	Three Months Ended March 31,			
(Amounts in millions)	**2024**		**2023**	
Stock-based compensation expense	**$**	**26.7**	$	27.3
Forfeitures		**0.5**		0.6
Tax benefit related to stock-based compensation expense		**4.0**		5.1

The following table summarizes the changes in the Company's unvested restricted stock:

	Unvested Restricted Stock (in Shares)	Weighted Average Grant Date Fair Value	
December 31, 2023	**2,593,922**	**$**	**104.89**
Granted	202,445		190.36
Vested	(636,937)		116.00
Canceled	(15,112)		133.16
March 31, 2024	**2,144,318**	**$**	**109.46**

The following table summarizes the changes in the Company's unvested restricted stock units:

	Unvested Restricted Stock Units	Weighted Average Grant Date Fair Value	
December 31, 2023	**181,193**	**$**	**141.08**
Granted	33,694		199.39
Vested	(62,569)		103.69
Canceled	—		—
March 31, 2024	**152,318**	**$**	**169.34**

As of March 31, 2024, there was $81.8 million of total unrecognized compensation cost related to restricted stock and restricted stock units expected to be recognized over a weighted average period of 2.7 years.

The following table summarizes the changes in the Company's outstanding stock options:

	Options Outstanding		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)		Aggregate Intrinsic Value
December 31, 2023	**156,667**	**$**	**133.35**	**6.5**	**$**	**6,504,324**
Granted	—		—			
Exercised	—		—			
Canceled	—		—			
Expired	—		—			
March 31, 2024	**156,667**	**$**	**133.35**	**6.3**	**$**	**10,204,800**
Options exercisable at March 31, 2024	**81,667**	**$**	**99.00**	**3.9**	**$**	**8,125,050**

As of March 31, 2024, there was $2.7 million of unrecognized compensation cost related to stock options expected to be recognized over a weighted average period of 3.9 years.

Deferred Compensation Plans

The Company maintains various deferred compensation arrangements for employees.

Mutual Fund Restricted Share Investment Plan

The Mutual Fund Restricted Share Investment Plan is a fully funded deferred compensation plan which allows eligible employees to receive a portion of their incentive compensation in restricted mutual fund shares ("MFRS Awards") of investment funds. MFRS Awards are awarded to qualifying employees in February of each year, and represent a portion of their compensation for performance in the preceding year similar to the Company's Annual Grants. MFRS Awards vest ratably over three years in equal installments. Substantially all MFRS Awards provide for continued vesting after termination of employment so long as the employee does not violate certain post-termination restrictions set forth in the award agreement or any agreement entered into upon termination. Forfeitures are recorded as a reduction of compensation and benefits expense within the consolidated statements of operations. MFRS Awards are owned by employee recipients (subject to aforementioned vesting restrictions) and as such are not included on the consolidated statements of financial condition.

Nonqualified Deferred Compensation Plan

The nonqualified deferred compensation plan is an unfunded plan which allows certain highly compensated employees, at their election, to defer a portion of their compensation. This plan was closed to future deferral elections by participants for performance periods beginning after December 31, 2017. The amounts deferred under this plan are held in a grantor trust. The Company invests, as a principal, in investments to economically hedge its obligation under the nonqualified deferred compensation plan. The investments in the grantor trust consist of mutual funds which are categorized as Level I in the fair value hierarchy. These investments totaled $20.1 million and $18.6 million as of March 31, 2024 and December 31, 2023, respectively, and are included in investments on the consolidated statements of financial condition. A corresponding deferred compensation liability is included in accrued compensation on the consolidated statements of financial condition. The compensation deferred by the employees was expensed in the period earned. Changes in the fair value of the investments made by the Company are reported in investment income and changes in the corresponding deferred compensation liability are reflected as compensation and benefits expense on the consolidated statements of operations.

Acquisition-Related Compensation Arrangements

In conjunction with the 2022 acquisition of DBO Partners, additional cash of up to $25.0 million may be earned (the "DBO Earnout") if a net revenue target is achieved during the performance period from January 1, 2023 to December 31, 2024. Of the total amount, up to $20.0 million may be earned by former partners with no service requirements. The Company recorded a $1.7 million liability as of the acquisition date for the fair value of this contingent consideration. Adjustments to this liability after the acquisition date are recorded as non-compensation expense on the consolidated statements of operations. As of March 31, 2024, the Company does not expect that the portion of the DBO Earnout with no service requirements will be earned. As a result, the Company has no accrual recorded related to this additional cash payment. The remaining $5.0 million may be earned by certain employees, whom are now employees of the Company, in exchange for service requirements. Amounts estimated to be payable, if any, will be recorded as compensation expense on the consolidated statements of operations over the requisite service period. As of March 31, 2024, the Company has no accrual recorded for the portion of the DBO Earnout with service requirements. If earned, the DBO Earnout will be paid by March 31, 2025.

In conjunction with the 2022 acquisition of Cornerstone Macro, additional cash of up to $27.8 million was available to be earned based on achieving a net revenue target during the performance period from July 1, 2022 to December 31, 2023. Of the total amount, up to $6.0 million was available to be earned by Cornerstone Macro's equity owners with no service requirements. As of March 31, 2024, the Company had accrued the maximum amount of $6.0 million related to this additional cash payment, which was subsequently paid on April 1, 2024. The remaining amount may be earned by the equity owners, whom are now employees of the Company, and certain employees in exchange for service requirements. Amounts estimated to be payable, if any, will be recorded as compensation expense on the consolidated statements of operations over the requisite service period, and will be paid by June 30, 2025 and June 30, 2026. As of March 31, 2024, the Company expects $5.5 million will be earned and has accrued $2.7 million related to these additional cash payments. The Company recorded $0.8 million and $0.5 million in compensation expense related to these additional cash payments for the three months ended March 31, 2024 and 2023, respectively.

In conjunction with the 2020 acquisition of TRS, additional cash was available to be earned by certain employees if a revenue threshold was exceeded during the three-year post-acquisition period (the "TRS Earnout"). The Company paid the maximum amount of $7.0 million related to the TRS Earnout in the first quarter of 2024. Amounts payable were recorded as compensation expense on the consolidated statements of operations over the requisite service period. The Company recorded $0.5 million in compensation expense related to the TRS Earnout for the three months ended March 31, 2024 and 2023.

In conjunction with the 2020 acquisition of Valence, additional cash was available to be earned by certain employees if a revenue threshold was exceeded during the three-year post-acquisition period (the "Valence Earnout"). The Company paid $10.0 million related to the Valence Earnout in the third quarter of 2023. Amounts payable were recorded as compensation expense on the consolidated statements of operations over the requisite service period. The Company recorded $1.4 million in compensation expense related to the Valence Earnout for the three months ended March 31, 2023.

In conjunction with the 2019 acquisition of Weeden & Co., the Company granted $10.1 million in restricted cash for retention purposes. Compensation expense was amortized on a straight-line basis over the requisite service period. The restricted cash award was subject to graded vesting, beginning on the third anniversary of the grant date through August 2, 2023. The final payment was made in the third quarter of 2023.

NOTE 15 | EARNINGS PER SHARE ("EPS")

Basic earnings per common share is computed by dividing net income attributable to Piper Sandler Companies by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is calculated by adjusting the weighted average outstanding shares to assume conversion of all potentially dilutive stock options, restricted stock units and restricted shares. The Company uses the treasury stock method to calculate diluted earnings per common share.

The computation of EPS is as follows:

	Three Months Ended March 31,	
(Amounts in thousands, except per share data)	**2024**	**2023**
Net income attributable to Piper Sandler Companies	**$ 42,493**	$ 25,634
Shares for basic and diluted calculations		
Average shares used in basic computation	**15,499**	14,507
Stock options	**37**	25
Restricted stock units	**157**	157
Restricted shares	**1,811**	2,493
Average shares used in diluted computation	**17,504**	17,182
Earnings per common share		
Basic	**$ 2.74**	$ 1.77
Diluted	**$ 2.43**	$ 1.49

The anti-dilutive effects from stock options and restricted shares were immaterial for the three months ended March 31, 2024 and 2023.

NOTE 16 | NET CAPITAL REQUIREMENTS AND OTHER REGULATORY MATTERS

Piper Sandler is registered as a securities broker dealer with the SEC and is a member of various SROs and securities exchanges. The Financial Industry Regulatory Authority, Inc. ("FINRA") serves as Piper Sandler's primary SRO. Piper Sandler is subject to the uniform net capital rule of the SEC and the net capital rule of FINRA. Piper Sandler has elected to use the alternative method permitted by the SEC rule which requires that it maintain minimum net capital of $1.0 million. Advances to affiliates, repayment of subordinated debt, dividend payments and other equity withdrawals by Piper Sandler are subject to certain approvals, notifications and other provisions of SEC and FINRA rules.

At March 31, 2024, net capital calculated under the SEC rule was $188.8 million, and exceeded the minimum net capital required under the SEC rule by $187.8 million.

The Company's committed line and revolving credit facility include covenants requiring Piper Sandler to maintain a minimum regulatory net capital of $120 million. The Company's fully disclosed clearing agreement with Pershing includes a covenant requiring Piper Sandler to maintain excess net capital of $120 million.

Piper Sandler Ltd., a broker dealer subsidiary registered in the U.K., is subject to the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority. As of March 31, 2024, Piper Sandler Ltd. was in compliance with the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority.

Piper Sandler Hong Kong Limited is licensed by the Hong Kong Securities and Futures Commission, which is subject to the liquid capital requirements of the Securities and Futures (Financial Resources) Rule promulgated under the Securities and Futures Ordinance. At March 31, 2024, Piper Sandler Hong Kong Limited was in compliance with the liquid capital requirements of the Hong Kong Securities and Futures Commission.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following information should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes and exhibits included elsewhere in this Quarterly Report on Form 10-Q. Certain statements in this Quarterly Report on Form 10-Q may be considered forward-looking. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These forward-looking statements include, among other things, statements other than historical information or statements of current conditions and may relate to our future plans and objectives and results, and also may include our belief regarding the effect of various legal proceedings, as set forth under "Legal Proceedings" in Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2023, as updated in our subsequent reports filed with the Securities and Exchange Commission ("SEC"), and under "Legal Proceedings" in Part II, Item 1 of this Quarterly Report on Form 10-Q. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including those factors discussed below under "External Factors Impacting Our Business" as well as the factors identified under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023, as updated in our subsequent reports filed with the SEC, and under "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them in light of new information or future events.

EXPLANATION OF NON-GAAP FINANCIAL MEASURES

We have included financial measures that are not prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP"). Adjustments to these non-GAAP financial measures include (1) the exclusion of investment income and non-compensation expenses related to noncontrolling interests, (2) the exclusion of interest expense on long-term financing from net revenues, (3) the exclusion of amortization of intangible assets related to acquisitions, (4) the exclusion of compensation expenses from acquisition-related agreements, (4) the exclusion of non-compensation expenses from potential regulatory settlements (see Note 11 to our unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information) and (5) the income tax impact allocated to the adjustments. The adjusted weighted average diluted shares outstanding used in the calculation of non-GAAP earnings per diluted common share contains an adjustment to include the common shares for unvested restricted stock awards with service conditions granted pursuant to all acquisitions since January 1, 2020. These adjustments affect the following financial measures: net revenues, compensation expenses, non-compensation expenses, income tax expense/(benefit), net income attributable to Piper Sandler Companies, earnings per diluted common share, total non-interest expenses, pre-tax income and pre-tax margin. Management believes that presenting these results and measures on an adjusted basis in conjunction with the corresponding U.S. GAAP measures provides the most meaningful basis for comparison of our operating results across periods and enhances the overall understanding of our current financial performance by excluding certain items that may not be indicative of our core operating results. The non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of financial performance prepared in accordance with U.S. GAAP.

EXECUTIVE OVERVIEW

Our business principally consists of providing investment banking and institutional brokerage services to corporations, private equity groups, public entities, non-profit entities and institutional investors in the U.S. and Europe. We operate through one reportable business segment in order to maximize the value we provide to clients by leveraging our diversified expertise and broad relationships of the experienced professionals across our company. Refer to our Annual Report on Form 10-K for the year ended December 31, 2023 for a full description of our business, including our business strategy.

Financial Highlights

	Three Months Ended		
(Amounts in thousands, except per share data)	**Mar. 31, 2024**	**Mar. 31, 2023**	**2024 v2023**
U.S. GAAP			
Net revenues	**$ 343,056**	$ 297,905	15.2 %
Compensation and benefits	**222,446**	199,394	11.6
Non-compensation expenses	**68,188**	72,702	(6.2)
Income before income tax expense/(benefit)	**52,422**	25,809	103.1
Net income attributable to Piper Sandler Companies	**42,493**	25,634	65.8
Earnings per diluted common share	**$ 2.43**	$ 1.49	63.1
Ratios and margin			
Compensation ratio	**64.8 %**	66.9 %	
Non-compensation ratio	**19.9 %**	24.4 %	
Pre-tax margin	**15.3 %**	8.7 %	
Effective tax rate	**5.4 %**	(29.6)%	
Non-GAAP[(1)]			
Adjusted net revenues	**$ 333,905**	$ 289,226	15.4 %
Adjusted compensation and benefits	**210,698**	183,144	15.0
Adjusted non-compensation expenses	**67,261**	65,306	3.0
Adjusted operating income	**55,946**	40,776	37.2
Adjusted net income attributable to Piper Sandler Companies	**49,984**	42,296	18.2
Adjusted earnings per diluted common share	**$ 2.79**	$ 2.35	18.7
Adjusted ratios and margin			
Adjusted compensation ratio	**63.1 %**	63.3 %	
Adjusted non-compensation ratio	**20.1 %**	22.6 %	
Adjusted operating margin	**16.8 %**	14.1 %	
Adjusted effective tax rate	**10.7 %**	(8.0)%	

See the "Results of Operations" section for additional information.

(1) Reconciliation of U.S. GAAP to adjusted non-GAAP financial information:

(Amounts in thousands, except per share data)	*Three Months Ended March 31,* 2024	*Three Months Ended March 31,* 2023
Net revenues:		
Net revenues – U.S. GAAP basis	$ 343,056	$ 297,905
Adjustments:		
Investment income related to noncontrolling interests	(9,151)	(10,304)
Interest expense on long-term financing	—	1,625
Adjusted net revenues	$ 333,905	$ 289,226
Compensation and benefits:		
Compensation and benefits – U.S. GAAP basis	$ 222,446	$ 199,394
Adjustment:		
Compensation from acquisition-related agreements	(11,748)	(16,250)
Adjusted compensation and benefits	$ 210,698	$ 183,144
Non-compensation expenses:		
Non-compensation expenses – U.S. GAAP basis	$ 68,188	$ 72,702
Adjustments:		
Non-compensation expenses related to noncontrolling interests	(2,066)	(2,492)
Amortization of intangible assets related to acquisitions	(2,361)	(4,904)
Non-compensation expenses from potential regulatory settlements	3,500	—
Adjusted non-compensation expenses	$ 67,261	$ 65,306
Income before income tax expense/(benefit):		
Income before income tax expense/(benefit) – U.S. GAAP basis	$ 52,422	$ 25,809
Adjustments:		
Investment income related to noncontrolling interests	(9,151)	(10,304)
Interest expense on long-term financing	—	1,625
Non-compensation expenses related to noncontrolling interests	2,066	2,492
Compensation from acquisition-related agreements	11,748	16,250
Amortization of intangible assets related to acquisitions	2,361	4,904
Non-compensation expenses from potential regulatory settlements	(3,500)	—
Adjusted operating income	$ 55,946	$ 40,776
Interest expense on long-term financing	—	(1,625)
Adjusted income before adjusted income tax expense/(benefit)	$ 55,946	$ 39,151
Income tax expense/(benefit):		
Income tax expense/(benefit) – U.S. GAAP basis	$ 2,844	$ (7,637)
Tax effect of adjustments:		
Compensation from acquisition-related agreements	2,492	3,227
Amortization of intangible assets related to acquisitions	626	1,265
Adjusted income tax expense/(benefit)	$ 5,962	$ (3,145)
Net income attributable to Piper Sandler Companies:		
Net income attributable to Piper Sandler Companies – U.S. GAAP basis	$ 42,493	$ 25,634
Adjustments:		
Compensation from acquisition-related agreements	9,256	13,023
Amortization of intangible assets related to acquisitions	1,735	3,639
Non-compensation expenses from potential regulatory settlements	(3,500)	—
Adjusted net income attributable to Piper Sandler Companies	$ 49,984	$ 42,296

(Amounts in thousands, except per share data)	Three Months Ended March 31, 2024	2023
Earnings per diluted common share:		
Earnings per diluted common share – U.S. GAAP basis	**$ 2.43**	$ 1.49
Adjustment for inclusion of unvested acquisition-related stock	**(0.07)**	(0.11)
	$ 2.36	$ 1.38
Adjustments:		
Compensation from acquisition-related agreements	**0.53**	0.76
Amortization of intangible assets related to acquisitions	**0.10**	0.21
Non-compensation expenses from potential regulatory settlements	**(0.20)**	—
Adjusted earnings per diluted common share	**$ 2.79**	$ 2.35
Weighted average diluted common shares outstanding:		
Weighted average diluted common shares outstanding – U.S. GAAP basis	**17,504**	17,182
Adjustment:		
Unvested acquisition-related restricted stock with service conditions	**419**	816
Adjusted weighted average diluted common shares outstanding	**17,923**	17,998

External Factors Impacting Our Business

Performance in the financial services industry in which we operate is highly correlated to the overall strength of macroeconomic conditions, financial market activity and the effect of geopolitical events. Overall market conditions are a product of many factors, which are beyond our control, often unpredictable and at times inherently volatile. These factors may affect the financial decisions made by investors, including their level of participation in the financial markets. In turn, these decisions may affect our business results. With respect to financial market activity, our profitability is sensitive to a variety of factors, including the demand for investment banking services as reflected by the number and size of advisory transactions, equity and debt corporate financings, and municipal financings; the relative level of volatility of the equity and fixed income markets; changes in interest rates and credit spreads (especially rapid and extreme changes); overall market liquidity; the level and shape of various yield curves; the volume and value of trading in securities; and overall equity valuations.

Factors that differentiate our business within the financial services industry also may affect our financial results. For example, our capital markets business focuses on specific industry sectors while serving principally a middle-market clientele. If the business environment for our focus sectors is impacted adversely, our business and results of operations could reflect these impacts. In addition, our business, with its specific areas of focus and investment, may not track overall market trends. Given the variability of the capital markets and securities businesses, our earnings may fluctuate significantly from period to period, and results for any individual period should not be considered indicative of future results.

Outlook for the Remainder of 2024

We believe U.S. monetary policy will remain a factor impacting the economy and financial markets throughout the remainder of 2024. The U.S. Federal Reserve continued to hold its short-term benchmark interest rate steady in the first quarter of 2024. Inflation moderated during the quarter, albeit at a slower pace resulting in uncertainty in the direction of interest rates. The economy continues to be strained from elevated prices for goods and services, labor shortages and tightened lending standards. Geopolitical concerns, including the conflicts in the Middle East and Eastern Europe, could negatively impact financial market activity. Additionally, the 2024 U.S. presidential election may influence the volatility or direction of the markets in the second half of the year based on investors' assessment of the outcome and the overall political outlook in the U.S.

Our advisory services results continue to benefit from our sector and product diversification along with our focus on advising on larger transactions to generate a higher average fee. The outlook for mergers and acquisitions ("M&A") activity has improved as CEO confidence strengthens. We expect our second quarter advisory services revenues to be consistent with the first quarter of 2024 before improving in the second half of the year.

Equity financing activity improved considerably during the first quarter of 2024 to more normalized levels driven by a more accommodative backdrop and increased demand from companies needing to raise capital in order to execute on their strategic plans. The sub-$5 billion equity fee pool increased meaningfully during the quarter and included an outsized contribution from the healthcare sector. If this level of market activity is sustained, we expect client participation will broaden across sectors.

The equity markets experienced muted volatility during the quarter as markets ground higher with indexes hitting new highs. Our client research votes continue to increase, which we believe will drive further market share gains over time. We expect near-term results to be relatively consistent with the first quarter of 2024 and anticipate increased volumes and activity in the second half of the year.

Our client activity within fixed income services is slowly improving, but remains fairly muted as market participants wait for more certainty on interest rates.

Overall market conditions continue to be challenging for our municipal financing business. While interest rates trended higher during the quarter, the market softened for higher yielding specialty municipal debt offerings. Credit spreads have tightened due to increased investor demand resulting in higher municipal negotiated issuance activity among our specialty sector clients. We believe a period of sustained municipal fund inflows and lower interest rates are needed for middle-market issuance volume to increase.

RESULTS OF OPERATIONS

Financial Summary for the three months ended March 31, 2024 and March 31, 2023

The following table provides a summary of the results of our operations on a U.S. GAAP basis and the results of our operations as a percentage of net revenues for the periods indicated:

	Three Months Ended March 31,			As a Percentage of Net Revenues for the Three Months Ended March 31,	
(Amounts in thousands)	**2024**	**2023**	**2024 v2023**	**2024**	**2023**
Revenues					
Investment banking	**$ 230,523**	$ 184,404	25.0 %	**67.2 %**	61.9 %
Institutional brokerage	**91,442**	96,313	(5.1)	**26.7**	32.3
Interest income	**8,306**	8,712	(4.7)	**2.4**	2.9
Investment income	**14,168**	11,115	27.5	**4.1**	3.7
Total revenues	**344,439**	300,544	14.6	**100.4**	100.9
Interest expense	**1,383**	2,639	(47.6)	**0.4**	0.9
Net revenues	**343,056**	297,905	15.2	**100.0**	100.0
Non-interest expenses					
Compensation and benefits	**222,446**	199,394	11.6	**64.8**	66.9
Outside services	**12,422**	12,126	2.4	**3.6**	4.1
Occupancy and equipment	**16,036**	15,728	2.0	**4.7**	5.3
Communications	**13,229**	14,311	(7.6)	**3.9**	4.8
Marketing and business development	**10,763**	10,052	7.1	**3.1**	3.4
Deal-related expenses	**6,387**	6,014	6.2	**1.9**	2.0
Trade execution and clearance	**4,866**	4,914	(1.0)	**1.4**	1.6
Intangible asset amortization	**2,361**	4,904	(51.9)	**0.7**	1.6
Other operating expenses	**2,124**	4,653	(54.4)	**0.6**	1.6
Total non-interest expenses	**290,634**	272,096	6.8	**84.7**	91.3
Income before income tax expense/(benefit)	**52,422**	25,809	103.1	**15.3**	8.7
Income tax expense/(benefit)	**2,844**	(7,637)	N/M	**0.8**	(2.6)
Net income	**49,578**	33,446	48.2	**14.5**	11.2
Net income attributable to noncontrolling interests	**7,085**	7,812	(9.3)	**2.1**	2.6
Net income attributable to Piper Sandler Companies	**$ 42,493**	$ 25,634	65.8	**12.4**	8.6

N/M – Not meaningful

For the three months ended March 31, 2024, we recorded net income attributable to Piper Sandler Companies of $42.5 million. Net revenues for the three months ended March 31, 2024 were $343.1 million, a 15.2 percent increase compared with $297.9 million in the year-ago period. In the first quarter of 2024, investment banking revenues were $230.5 million, up 25.0 percent compared to $184.4 million in the prior-year period, resulting from increases in corporate financing and advisory services revenues, as well as higher municipal financing revenues. For the three months ended March 31, 2024, institutional brokerage revenues were $91.4 million, a 5.1 percent decrease compared with $96.3 million in the first quarter of 2023, primarily due to lower equity brokerage revenues. For the three months ended March 31, 2024, net interest income was $6.9 million, compared to $6.1 million in the prior-year period. In the first quarter of 2024, we recorded investment income of $14.2 million, compared to $11.1 million in the first quarter of 2023. In the current quarter, we recorded higher unrealized gains on our investments and the noncontrolling interests in the alternative asset management funds that we manage. Non-interest expenses were $290.6 million for the three months ended March 31, 2024, up 6.8 percent compared with $272.1 million in the prior-year period, primarily due to increased compensation expenses resulting from higher revenues and profitability.

Consolidated Non-Interest Expenses

Compensation and Benefits

Compensation and benefits expenses, which are the largest component of our expenses, include salaries, incentive compensation, benefits, stock-based compensation, employment taxes, the reversal of expenses associated with the forfeiture of stock-based compensation, and other employee-related costs. A significant portion of compensation expense is comprised of variable incentive arrangements, including discretionary incentive compensation, the amount of which fluctuates in proportion to the level of business activity, increasing with higher revenues and operating profits and decreasing with lower revenues and operating profits. Other compensation costs, primarily base salaries and benefits, are more fixed in nature. The timing of incentive compensation payments, which is generally in February, has a greater impact on our cash position and liquidity than is reflected on our consolidated statements of operations. In conjunction with our acquisitions, we have granted restricted stock and restricted cash with service conditions, which are amortized to compensation expense over the service period. We have also entered into forgivable loans with service conditions, which are amortized to compensation expense over the loan term. Additionally, expense estimates related to revenue-based earnout arrangements with service conditions entered into as part of our acquisitions are amortized to compensation expense over the service period.

The following table summarizes our future acquisition-related compensation expense for restricted stock and forgivable loans with service conditions, as well as expense estimates related to revenue-based earnout arrangements:

(Amounts in thousands)		
Remainder of 2024	$	29,905
2025		22,132
2026		14,764
2027		9,366
Total	$	76,167

For the three months ended March 31, 2024, compensation and benefits expenses increased 11.6 percent to $222.4 million, compared with $199.4 million in the corresponding period of 2023, due to higher revenues and profitability. Compensation and benefits expenses as a percentage of net revenues was 64.8 percent in the first quarter of 2024, compared to 66.9 percent in the first quarter of 2023. Excluding the impact of noncontrolling interests, our compensation ratio decreased to 66.6 percent in the first quarter of 2024, compared with 69.3 percent in the first quarter of 2023, primarily due to higher revenues and a decrease in acquisition-related compensation expenses.

Outside Services

Outside services expenses include securities processing expenses, outsourced technology functions, outside legal fees, fund expenses associated with our consolidated alternative asset management funds and other professional fees. Outside services expenses increased slightly to $12.4 million in the first quarter of 2024, compared with $12.1 million in the corresponding period of 2023.

Occupancy and Equipment

For the three months ended March 31, 2024, occupancy and equipment expenses increased slightly to $16.0 million, compared with $15.7 million in the corresponding period of 2023.

Communications

Communication expenses include costs for telecommunication and data communication, primarily consisting of expenses for obtaining third-party market data information. For the three months ended March 31, 2024, communication expenses decreased 7.6 percent to $13.2 million, compared with $14.3 million in the corresponding period of 2023, primarily due to lower market data services expenses.

Marketing and Business Development

Marketing and business development expenses include travel and entertainment costs, advertising and third-party marketing fees. For the three months ended March 31, 2024, marketing and business development expenses increased 7.1 percent to $10.8 million, compared with $10.1 million in the corresponding period of 2023. The increase was primarily due to higher travel expenses.

Deal-Related Expenses

Deal-related expenses include costs we incurred over the course of a completed investment banking deal, which primarily consist of legal fees, offering expenses, and travel costs. For the three months ended March 31, 2024, deal-related expenses were $6.4 million, compared with $6.0 million for the three months ended March 31, 2023. The amount of deal-related expenses is principally dependent on the level and mix of deal activity and may vary from period to period as the recognition of deal-related costs typically coincides with the closing of a transaction.

Trade Execution and Clearance

For the three months ended March 31, 2024, trade execution and clearance expenses were $4.9 million, essentially flat compared to the corresponding period of 2023.

Intangible Asset Amortization

Intangible asset amortization includes the amortization of definite-lived intangible assets. For the three months ended March 31, 2024, intangible asset amortization was $2.4 million, compared to $4.9 million for the three months ended March 31, 2023. The decrease was primarily due to lower intangible asset amortization expense associated with our 2022 acquisition of DBO Partners Holding LLC, including its subsidiary, DBO Partners LLC.

The following table summarizes the future aggregate amortization expense of our intangible assets with determinable lives:

(Amounts in thousands)		
Remainder of 2024	$	7,084
2025		7,887
2026		7,253
2027		3,480
2028		2,191
Thereafter		541
Total	$	28,436

Other Operating Expenses

Other operating expenses primarily include insurance costs, license and registration fees, expenses related to our charitable giving program and litigation-related expenses, which consist of the amounts we accrue for and/or pay out related to legal and regulatory matters. Other operating expenses were $2.1 million in the first quarter of 2024, compared with $4.7 million in the corresponding period in 2023. The decrease was primarily due to a $3.5 million reduction in the accrual for estimated civil penalties related to our potential regulatory settlements regarding recordkeeping requirements for business-related communications.

Income Taxes

For the three months ended March 31, 2024, our provision for income taxes was $2.8 million, which included $10.6 million of tax benefits related to stock-based compensation awards vesting at values greater than the grant price and accrued forfeitable dividends paid on vested restricted stock related to acquisitions. Excluding the impact of these benefits and noncontrolling interests, our effective tax rate was 29.7 percent.

For the three months ended March 31, 2023, our provision for income taxes was a benefit of $7.6 million, which included $14.1 million of tax benefits related to stock-based compensation awards vesting at values greater than the grant price and accrued forfeitable dividends paid on vested restricted stock related to acquisitions. Excluding the impact of these benefits and noncontrolling interests, our effective tax rate was 35.9 percent.

Financial Performance

Our activities as an investment bank and institutional securities firm constitute a single business segment.

Throughout this section, we have presented results on both a U.S. GAAP and non-GAAP basis. Management believes that presenting results and measures on an adjusted, non-GAAP basis in conjunction with the corresponding U.S. GAAP measures provides a more meaningful basis for comparison of its operating results and underlying trends between periods, and enhances the overall understanding of our current financial performance by excluding certain items that may not be indicative of our core operating results. The non-GAAP results should be considered in addition to, not as a substitute for, the results prepared in accordance with U.S. GAAP.

The adjusted financial results exclude (1) investment income and non-compensation expenses related to noncontrolling interests, (2) interest expense on long-term financing from net revenues, (3) amortization of intangible assets related to acquisitions, (4) compensation expenses from acquisition-related agreements and (5) non-compensation expenses from potential regulatory settlements. For U.S. GAAP purposes, these items are included in each of their respective line items on the consolidated statements of operations.

The following table sets forth the adjusted, non-GAAP financial results and adjustments necessary to reconcile to our consolidated U.S. GAAP financial results for the periods presented:

(Amounts in thousands)	Three Months Ended March 31, 2024 Total Adjusted	2024 Adjustments (1) Noncontrolling Interests	2024 Adjustments (1) Other Adjustments	2024 U.S. GAAP	2023 Total Adjusted	2023 Adjustments (1) Noncontrolling Interests	2023 Adjustments (1) Other Adjustments	2023 U.S. GAAP
Revenues								
Investment banking:								
Advisory services	$ 157,189	$ —	$ —	$ 157,189	$ 140,664	$ —	$ —	$ 140,664
Corporate financing	52,581	—	—	52,581	26,805	—	—	26,805
Municipal financing	20,753	—	—	20,753	16,935	—	—	16,935
Total investment banking	230,523	—	—	230,523	184,404	—	—	184,404
Institutional brokerage:								
Equity brokerage	49,488	—	—	49,488	53,831	—	—	53,831
Fixed income services	41,954	—	—	41,954	42,482	—	—	42,482
Total institutional brokerage	91,442	—	—	91,442	96,313	—	—	96,313
Interest income	8,306	—	—	8,306	8,712	—	—	8,712
Investment income	5,017	9,151	—	14,168	811	10,304	—	11,115
Total revenues	335,288	9,151	—	344,439	290,240	10,304	—	300,544
Interest expense	1,383	—	—	1,383	1,014	—	1,625	2,639
Net revenues	333,905	9,151	—	343,056	289,226	10,304	(1,625)	297,905
Total non-interest expenses	277,959	2,066	10,609	290,634	248,450	2,492	21,154	272,096
Pre-tax income	$ 55,946	$ 7,085	$ (10,609)	$ 52,422	$ 40,776	$ 7,812	$ (22,779)	$ 25,809
Pre-tax margin	16.8 %			15.3 %	14.1 %			8.7 %

(1) The following is a summary of the adjustments needed to reconcile our consolidated U.S. GAAP financial results to the adjusted, non-GAAP financial results:

Noncontrolling interests – The impacts of consolidating noncontrolling interests in our alternative asset management funds are not included in our adjusted financial results.

Other adjustments – The following items are not included in our adjusted financial results:

(Amounts in thousands)	*Three Months Ended March 31, 2024*	*2023*
Other adjustments		
Interest expense on long-term financing	*$ —*	*$ 1,625*
Other adjustments to total non-interest expenses:		
Compensation from acquisition-related agreements	*11,748*	*16,250*
Amortization of intangible assets related to acquisitions	*2,361*	*4,904*
Non-compensation expenses from potential regulatory settlements	*(3,500)*	*—*
Total other adjustments to total non-interest expenses	*10,609*	*21,154*
Total other adjustments	*$ 10,609*	*$ 22,779*

Net revenues on a U.S. GAAP basis were $343.1 million for the three months ended March 31, 2024, compared with $297.9 million in the prior-year period. For the three months ended March 31, 2024, adjusted net revenues were $333.9 million, compared with $289.2 million in the first quarter of 2023. The variance explanations for net revenues and adjusted net revenues are consistent on both a U.S. GAAP and non-GAAP basis unless stated otherwise.

The following table provides supplemental business information:

	Three Months Ended March 31,	
	2024	**2023**
Advisory services		
Completed M&A and restructuring transactions	**48**	55
Completed capital advisory transactions	**9**	14
Total completed advisory transactions	**57**	69
Corporate financings		
Total equity transactions priced	**25**	19
Book run equity transactions priced	**20**	14
Total debt and preferred transactions priced	**10**	4
Book run debt and preferred transactions priced	**6**	2
Advisory services and corporate financing		
Number of managing directors	**171**	171
Municipal negotiated issues		
Aggregate par value of issues priced (in billions)	**$ 4.0**	$ 2.8
Total issues priced	**86**	81
Equity brokerage		
Number of shares traded (in billions)	**2.6**	2.8

Investment banking revenues comprise all of the revenues generated through advisory services activities, which include M&A, equity and debt private placements, debt and restructuring advisory, and municipal financial advisory transactions. Collectively, debt advisory transactions and equity and debt private placements are referred to as capital advisory transactions. Investment banking revenues also include equity and debt corporate financing activities and municipal financings.

In the first quarter of 2024, investment banking revenues increased 25.0 percent to $230.5 million, compared with $184.4 million in the prior-year period. For the three months ended March 31, 2024, advisory services revenues were $157.2 million, up 11.7 percent compared to $140.7 million in the first quarter of 2023, driven by a higher average fee, which more than offset the decline in completed transactions. During the first quarter of 2024, our activity was broad based across sectors, led by our energy & power group with solid contributions from the financial services, consumer and healthcare sectors. In addition, both our restructuring and debt advisory product teams registered strong results in the quarter. For the three months ended March 31, 2024, corporate financing revenues were $52.6 million, up 96.2 percent compared with $26.8 million for the three months ended March 31, 2023, due to both a higher average fee and more completed corporate financings. Equity financing activity improved significantly during the quarter driven by a more accommodative backdrop and increased demand from companies needing to raise capital, particularly biopharma companies. Activity for us during the first quarter of 2024 was principally in the healthcare sector, and we served as book runner on 19 of the 20 completed healthcare equity deals. In the prior-year period, the overall market activity for equity capital raising was below historic levels. Municipal financing revenues for the three months ended March 31, 2024 were $20.8 million, up 22.5 percent compared to $16.9 million in the prior-year period as we executed more specialty sector financings driven by increased investor demand.

Institutional brokerage revenues comprise all of the revenues generated through trading activities, which principally consist of facilitating customer trades, as well as fees received for our research services and corporate access offerings. Our results may vary from quarter to quarter as a result of changes in trading margins, trading gains and losses, net interest spreads, trading volumes and the timing of fees received for research services.

For the three months ended March 31, 2024, institutional brokerage revenues were $91.4 million, down 5.1 percent compared with $96.3 million in the prior-year period. Equity brokerage revenues were $49.5 million in the first quarter of 2024, down 8.1 percent compared with $53.8 million in the corresponding period of 2023, due to lower volatility and volumes. For the three months ended March 31, 2024, fixed income services revenues were $42.0 million, essentially flat compared to $42.5 million in the prior-year period as interest rate uncertainty continues to mute client activity.

Interest income represents amounts earned from holding long inventory positions and cash balances. For the three months ended March 31, 2024, interest income decreased slightly to $8.3 million, compared with $8.7 million for the three months ended March 31, 2023.

Investment income includes realized and unrealized gains and losses on investments, including amounts attributable to noncontrolling interests, in our alternative asset management funds, as well as management and performance fees generated from those funds. For the three months ended March 31, 2024, we recorded investment income of $14.2 million, compared with $11.1 million in the corresponding period of 2023. In the first quarter of 2024, we recorded higher unrealized gains on our investments and the noncontrolling interests in the alternative asset management funds that we manage. Excluding the impact of noncontrolling interests, adjusted investment income was $5.0 million for the three months ended March 31, 2024, compared with $0.8 million for the three months ended March 31, 2023.

Interest expense represents amounts associated with financing, economically hedging and holding short inventory positions, including interest paid on our short- and long-term financing arrangements, as well as commitment fees on our committed line and revolving credit facility. For the three months ended March 31, 2024, interest expense decreased to $1.4 million, compared with $2.6 million in the prior-year period. The decrease was primarily due to lower interest paid on long-term financing arrangements, as we repaid our $125 million of Class B unsecured fixed rate senior notes upon maturity on October 15, 2023.

Pre-tax margin for the three months ended March 31, 2024 increased to 15.3 percent, compared to 8.7 percent for the corresponding period of 2023. Adjusted pre-tax margin for the three months ended March 31, 2024 increased to 16.8 percent, compared with 14.1 percent for the corresponding period of 2023. In the current quarter, the increase in pre-tax margin on both a U.S. GAAP and adjusted basis was primarily due to higher net revenues.

RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements are set forth in Note 3 to our unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and are incorporated herein by reference.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our accounting and reporting policies comply with U.S. GAAP and conform to practices within the securities industry. The preparation of financial statements in compliance with U.S. GAAP and industry practices requires us to make estimates and assumptions that could materially affect amounts reported in our consolidated financial statements. Critical accounting policies are those policies that we believe to be the most important to the portrayal of our financial condition and results of operations and that require us to make estimates that are difficult, subjective or complex. Most accounting policies are not considered by us to be critical accounting policies. Several factors are considered in determining whether or not a policy is critical, including whether the estimates are significant to the consolidated financial statements taken as a whole, the nature of the estimates, the ability to readily validate the estimates with other information (e.g., third-party or independent sources), the sensitivity of the estimates to changes in economic conditions and whether alternative accounting methods may be used under U.S. GAAP.

We believe that of our significant accounting policies, the following are our critical accounting policies and estimates:

- Valuation of Financial Instruments
- Goodwill and Intangible Assets
- Stock-Based Compensation Plans
- Income Taxes

See the "Critical Accounting Policies and Estimates" section and Note 2 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023 for further information on our critical accounting policies and estimates.

LIQUIDITY, FUNDING AND CAPITAL RESOURCES

We regularly monitor our liquidity position, which is of critical importance to our business. Accordingly, we maintain a liquidity strategy designed to enable our business to continue to operate even under adverse circumstances, although there can be no assurance that our strategy will be successful under all circumstances. Insufficient liquidity resulting from adverse circumstances contributes to, and may be the cause of, financial institution failure.

The majority of our tangible assets consist of assets readily convertible into cash. Financial instruments and other inventory positions owned are stated at fair value and are generally readily marketable in most market conditions. Receivables and payables with brokers, dealers and clearing organizations usually settle within a few days. As part of our liquidity strategy, we emphasize diversification of funding sources to the extent possible while considering tenor and cost. Our assets are financed by our cash flows from operations, equity capital and our funding arrangements. The fluctuations in cash flows from financing activities are directly related to daily operating activities from our various businesses. One of our most important risk management disciplines is our ability to manage the size and composition of our balance sheet. While our asset base changes due to client activity, market fluctuations and business opportunities, the size and composition of our balance sheet reflect our overall risk tolerance, our ability to access stable funding sources and the amount of equity capital we hold.

Certain market conditions can impact the liquidity of our inventory positions, requiring us to hold larger inventory positions for longer than expected or requiring us to take other actions that may adversely impact our results.

A significant component of our employees' compensation is paid in annual discretionary incentive compensation. The timing of these incentive compensation payments, which is generally in February, has a significant impact on our cash position and liquidity.

Our dividend policy is intended to return between 30 percent and 50 percent of our fiscal year adjusted net income to shareholders. Our board of directors determines the declaration and payment of dividends and is free to change our dividend policy at any time. Our board of directors declared the following dividends on shares of our common stock:

Declaration Date	Dividend Per Share	Record Date	Payment Date
Related to 2022:			
February 3, 2023 (1)	$ 1.25	March 3, 2023	March 17, 2023
Related to 2023:			
February 3, 2023	0.60	March 3, 2023	March 17, 2023
May 2, 2023	0.60	May 26, 2023	June 9, 2023
July 28, 2023	0.60	August 25, 2023	September 8, 2023
October 27, 2023	0.60	November 21, 2023	December 8, 2023
February 2, 2024 (1)	1.00	March 4, 2024	March 15, 2024
Related to 2024:			
February 2, 2024	0.60	March 4, 2024	March 15, 2024
April 26, 2024	0.60	May 24, 2024	June 7, 2024

(1) Represents a special cash dividend.

As part of our capital management strategy, we repurchase our common stock over time in order to offset the dilutive effect of our employee stock-based compensation awards and our grants of acquisition-related restricted stock, as well as to return capital to shareholders.

Effective May 6, 2022, our board of directors authorized the repurchase of up to $150.0 million in common shares through December 31, 2024. During the three months ended March 31, 2024, we did not repurchase any shares of our common stock related to this authorization. At March 31, 2024, we had $138.2 million remaining under this authorization.

We also purchase shares of common stock from restricted stock award recipients upon the award vesting as recipients sell shares to meet their employment tax obligations. During the first quarter of 2024, we purchased 288,977 shares of our common stock at an average price of $180.26 per share for an aggregate purchase price of $52.1 million for these purposes.

Leverage

The following table presents total assets, adjusted assets, total shareholders' equity and tangible common shareholders' equity with the resulting leverage ratios:

(Dollars in thousands)	March 31, 2024	December 31, 2023
Total assets	**$ 1,822,453**	$ 2,140,983
Deduct: Goodwill and intangible assets	**(415,596)**	(417,957)
Deduct: Right-of-use lease assets	**(67,335)**	(69,387)
Deduct: Assets attributable to noncontrolling interests	**(234,230)**	(217,411)
Adjusted assets	**$ 1,105,292**	$ 1,436,228
Total shareholders' equity	**$ 1,325,030**	$ 1,299,473
Deduct: Goodwill and intangible assets	**(415,596)**	(417,957)
Deduct: Noncontrolling interests	**(224,455)**	(213,975)
Tangible common shareholders' equity	**$ 684,979**	$ 667,541
Leverage ratio (1)	**1.4**	1.6
Adjusted leverage ratio (2)	**1.6**	2.2

(1) Leverage ratio equals total assets divided by total shareholders' equity.

(2) Adjusted leverage ratio equals adjusted assets divided by tangible common shareholders' equity.

Adjusted assets and tangible common shareholders' equity are non-GAAP financial measures. Goodwill and intangible assets are subtracted from total assets and total shareholders' equity in determining adjusted assets and tangible common shareholders' equity, respectively, as we believe that goodwill and intangible assets do not constitute operating assets that can be deployed in a liquid manner. Right-of-use lease assets are also subtracted from total assets in determining adjusted assets as these are not operating assets that can be deployed in a liquid manner. Amounts attributable to noncontrolling interests are subtracted from total assets and total shareholders' equity in determining adjusted assets and tangible common shareholders' equity, respectively, as they represent assets and equity interests in consolidated entities that are not attributable, either directly or indirectly, to Piper Sandler Companies. We view the resulting measure of adjusted leverage, also a non-GAAP financial measure, as a more relevant measure of financial risk when comparing financial services companies. Our adjusted leverage ratio decreased from December 31, 2023, primarily due to a decline in cash and cash equivalents driven by the payment of annual incentive compensation in the first quarter of 2024.

Funding and Capital Resources

The primary goal of our funding activities is to ensure adequate funding over a wide range of market conditions. Given the mix of our business activities, funding requirements are fulfilled through a diversified range of financing arrangements. We attempt to ensure that the tenor of our borrowing liabilities equals or exceeds the expected holding period of the assets being financed. Our ability to support increases in total assets is largely a function of our ability to obtain funding from external sources. Access to these external sources, as well as the cost of that financing, is dependent upon various factors, including market conditions, the general availability of credit and credit ratings. We currently do not have a credit rating, which could adversely affect our liquidity and competitive position by increasing our financing costs and limiting access to sources of liquidity that require a credit rating as a condition to providing the funds.

Our day-to-day funding and liquidity is obtained primarily through the use of cash from our operating activities, as well as through the use of a clearing arrangement with Pershing LLC ("Pershing"), a clearing arrangement with bank financing, and a bank line of credit, which are typically collateralized by our securities inventory. These funding sources are critical to our ability to finance and hold inventory, which is a necessary part of our institutional brokerage business. The majority of our inventory is liquid and is therefore funded by short-term facilities or cash from our operating activities. Our committed line has been established to mitigate changes in the liquidity of our inventory based on changing market conditions, and is available to us regardless of changes in market liquidity conditions through the end of its term, although there may be limitations on the type of securities available to pledge. Our funding sources are also dependent on the types of inventory that our counterparties are willing to accept as collateral and the number of counterparties available. Funding is generally obtained at rates based upon the federal funds rate.

Pershing Clearing Arrangement

We have established an arrangement to obtain financing from Pershing related to the majority of our trading activities. Under our fully disclosed clearing agreement, all of our securities inventories with the exception of convertible securities, and all of our customer activities are held by or cleared through Pershing. Financing under this arrangement is secured primarily by securities, and collateral limitations could reduce the amount of funding available under this arrangement. We may accommodate non-standard settlement timeframes for our clients, which can impact our funding and collateral balances. Our clearing arrangement activities are recorded net of trading activity and reported within receivables from or payables to brokers, dealers and clearing organizations. The funding is at the discretion of Pershing (i.e., uncommitted) and could be denied without a notice period. Our fully disclosed clearing agreement includes a covenant requiring Piper Sandler & Co., our U.S. broker dealer subsidiary, to maintain excess net capital of $120 million. At March 31, 2024, we had $208.6 million of financing outstanding under this arrangement.

Clearing Arrangement with Bank Financing

We have established a financing arrangement with a U.S. branch of Canadian Imperial Bank of Commerce ("CIBC") related to our convertible securities inventories. Under this arrangement, our convertible securities inventories are cleared through a broker dealer affiliate of CIBC and held by CIBC. We generally economically hedge changes in the market value of our convertible securities inventories using the underlying common stock or the stock options of the underlying common stock. Financing under this arrangement is secured primarily by convertible securities and collateral limitations could reduce the amount of funding available. The funding is at the discretion of CIBC (i.e., uncommitted) and could be denied subject to a notice period. This arrangement is reported within receivables from or payables to brokers, dealers and clearing organizations, net of trading activity. At March 31, 2024, we had $105.5 million of financing outstanding under this arrangement.

Revolving Credit Facility

We have an unsecured $100 million revolving credit facility with U.S. Bank N.A. The credit agreement will terminate on December 18, 2026, unless otherwise terminated. At March 31, 2024, there were no advances against this credit facility.

This credit facility includes customary events of default and covenants that, among other things, require Piper Sandler & Co. to maintain a minimum regulatory net capital of $120 million, limit our leverage ratio, require maintenance of a minimum ratio of operating cash flow to fixed charges, and impose certain limitations on our ability to make acquisitions and make payments on our capital stock. At March 31, 2024, we were in compliance with all covenants.

Committed Line

Our committed line is a one-year $50 million revolving secured credit facility. Advances under this facility are secured by certain marketable securities. The facility includes a covenant that requires Piper Sandler & Co. to maintain a minimum regulatory net capital of $120 million, and the unpaid principal amount of all advances under the facility will be due on December 6, 2024. At March 31, 2024, we had no advances against this line of credit.

The following table presents the average balances outstanding for our various funding sources by quarter for 2024 and 2023:

	Average Balance for the Three Months Ended				
(Amounts in millions)	**Mar. 31, 2024**	**Dec. 31, 2023**	**Sept. 30, 2023**	**June 30, 2023**	**Mar. 31, 2023**
Funding source					
Pershing clearing arrangement	**$ 43.2**	$ 27.5	$ 7.1	$ 26.8	$ 8.5
Clearing arrangement with bank financing	**85.3**	43.5	96.1	99.6	55.2
Revolving credit facility	**4.9**	40.5	—	—	—
Total	**$ 133.4**	$ 111.5	$ 103.2	$ 126.4	$ 63.7

The average funding in the first quarter of 2024 increased to $133.4 million, compared with $111.5 million during the fourth quarter of 2023 and $63.7 million during the first quarter of 2023, primarily due to funding non-standard settlements for certain clients. The increase compared to the fourth quarter of 2023 was also due to higher average balances of convertible securities inventories, partially offset by the repayment of the outstanding balance on our revolving credit facility.

The following table presents the maximum daily funding amount by quarter for 2024 and 2023:

(Amounts in millions)	**2024**	**2023**
First Quarter	**$ 544.2**	$ 146.6
Second Quarter		370.1
Third Quarter		224.2
Fourth Quarter		550.8

Capital Requirements

As a registered broker dealer and member firm of the Financial Industry Regulatory Authority, Inc. ("FINRA"), Piper Sandler & Co. is subject to the uniform net capital rule of the SEC and the net capital rule of FINRA. We have elected to use the alternative method permitted by the uniform net capital rule which requires that we maintain minimum net capital of $1.0 million. Advances to affiliates, repayment of subordinated liabilities, dividend payments and other equity withdrawals are subject to certain approvals, notifications and other provisions of the uniform net capital rules. We expect that these provisions will not impact our ability to meet current and future obligations. At March 31, 2024, our net capital under the SEC's uniform net capital rule was $188.8 million, and exceeded the minimum net capital required under the SEC rule by $187.8 million.

Although we operate with a level of net capital substantially greater than the minimum thresholds established by FINRA and the SEC, a substantial reduction of our capital would curtail many of our capital markets revenue producing activities.

Our committed line and revolving credit facility include covenants requiring Piper Sandler & Co. to maintain a minimum regulatory net capital of $120 million. Our fully disclosed clearing agreement with Pershing includes a covenant requiring Piper Sandler & Co. to maintain excess net capital of $120 million.

At March 31, 2024, Piper Sandler Ltd., our broker dealer subsidiary registered in the U.K., was subject to, and was in compliance with, the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority pursuant to the Financial Services Act of 2012.

Piper Sandler Hong Kong Limited is licensed by the Hong Kong Securities and Futures Commission, which is subject to the liquid capital requirements of the Securities and Futures (Financial Resources) Rule promulgated under the Securities and Futures Ordinance. At March 31, 2024, Piper Sandler Hong Kong Limited was in compliance with the liquid capital requirements of the Hong Kong Securities and Futures Commission.

OFF-BALANCE SHEET ARRANGEMENTS

In the ordinary course of business we enter into various types of off-balance sheet arrangements. The following table summarizes the notional contract value of our off-balance sheet arrangements for the periods presented:

	Expiration Per Period at December 31,						Total Contractual Amount	
(Amounts in thousands)	**2024**	**2025**	**2026**	**2027 - 2028**	**2029 - 2030**	**Later**	**March 31, 2024**	**December 31, 2023**
Customer matched-book derivative contracts (1) (2)	$ 46,190	$ 30,000	$ 6,960	$ 47,244	$ 101,392	$ 1,132,118	**$ 1,363,904**	$ 1,356,924
Trading securities derivative contracts (2)	162,350	12,500	—	—	—	5,000	**179,850**	196,250
Investment commitments (3)	—	—	—	—	—	—	**93,549**	95,142

(1) Consists of interest rate swaps. We have minimal market risk related to these matched-book derivative contracts; however, we do have counterparty risk with one major financial institution, which is mitigated by collateral deposits. In addition, we have a limited number of counterparties (contractual amount of $78.3 million at March 31, 2024) who are not required to post collateral. The uncollateralized amounts, representing the fair value of the derivative contracts, expose us to the credit risk of these counterparties. At March 31, 2024, we had $5.0 million of credit exposure with these counterparties, including $4.6 million of credit exposure with one counterparty.

(2) We believe the fair value of these derivative contracts is a more relevant measure of the obligations because we believe the notional or contract amount overstates the expected payout. At March 31, 2024 and December 31, 2023, the net fair value of these derivative contracts approximated $6.0 million and $6.9 million, respectively.

(3) The investment commitments have no specified call dates. The timing of capital calls is based on market conditions and investment opportunities.

Derivatives

Derivatives' notional or contract amounts are not reflected as assets or liabilities on our consolidated statements of financial condition. Rather, the fair value of the derivative transactions are reported on the consolidated statements of financial condition as assets or liabilities in financial instruments and other inventory positions owned and financial instruments and other inventory positions sold, but not yet purchased, as applicable. For a discussion of our activities related to derivative products, see Note 6 to our unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Investment Commitments

We have investments, including those made as part of our alternative asset management activities, in limited partnerships or limited liability companies that make direct or indirect equity or debt investments in companies. We commit capital and/or act as the managing partner of these entities. We have committed capital of $93.5 million to certain entities and these commitments generally have no specified call dates.

RISK MANAGEMENT

Risk is an inherent part of our business. The principal risks we face in operating our business include: strategic risk, market risk, liquidity risk, credit risk, operational risk, human capital risk, and legal and regulatory risk. The extent to which we properly identify and effectively manage each of these risks is critical to our financial condition and profitability. We have a formal risk management process to identify, assess and monitor each risk and mitigating controls in accordance with defined policies and procedures. The risk management functions are independent of our business lines. Our management takes an active role in the risk management process, and the results are reported to senior management and the board of directors.

The audit committee of the board of directors oversees management's processes for identifying and evaluating our major risks, and the policies, procedures and practices employed by management to govern its risk assessment and risk management processes. The nominating and governance committee of the board of directors oversees the board of directors' committee structures and functions as they relate to the various committees' responsibilities with respect to oversight of our major risk exposures. With respect to these major risk exposures, the audit committee is responsible for overseeing management's monitoring and control of our major risk exposures relating to market risk, credit risk, liquidity risk, legal and regulatory risk, operational risk (including cybersecurity, as further described in Part I, Item 1C "Cybersecurity" in our Annual Report on Form 10-K for the year ended December 31, 2023), and human capital risk relating to misconduct, fraud, and legal and compliance matters. Our compensation committee is responsible for overseeing management's monitoring and control of our major risk exposures relating to compensation, organizational structure, and succession. Our board of directors is responsible for overseeing management's monitoring and control of our major risk exposures related to our corporate strategy. Our Chief Executive Officer and Chief Financial Officer meet with the audit committee on a quarterly basis to discuss our market, liquidity, and legal and regulatory risks, and provide updates to the board of directors, audit committee, and compensation committee concerning the other major risk exposures on a regular basis.

We use internal committees to assist in governing risk and ensure that our business activities are properly assessed, monitored and managed. Our executive financial risk committee manages our market, liquidity and credit risks; oversees risk management practices related to these risks, including defining acceptable risk tolerances and approving risk management policies; and responds to market changes in a dynamic manner. Membership is comprised of senior leadership, including our Chief Executive Officer, President, Chief Financial Officer, Treasurer, Head of Market and Credit Risk, and Head of Fixed Income Trading and Risk. Other committees that help evaluate and monitor risk include underwriting, leadership team and operating committees. These committees help manage risk by ensuring that business activities are properly managed and within a defined scope of activity. Our valuation committees, comprised of members of senior management and risk management, provide oversight and overall responsibility for the internal control processes and procedures related to fair value measurements. Additionally, our operational risk committees address and monitor risk related to information systems and security, legal, regulatory and compliance matters, and third parties such as vendors and service providers.

With respect to market risk and credit risk, the cornerstone of our risk management process is daily communication among traders, trading department management and senior management concerning our inventory positions and overall risk profile. Our risk management functions supplement this communication process by providing their independent perspectives on our market and credit risk profile on a daily basis. The broader objectives of our risk management functions are to understand the risk profile of each trading area, to consolidate risk monitoring company-wide, to assist in implementing effective hedging strategies, to articulate large trading or position risks to senior management, and to ensure accurate fair values of our financial instruments.

Risk management techniques, processes and strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk, and any risk management failures could expose us to material unanticipated losses.

Strategic Risk

Strategic risk represents the risk associated with executive management failing to develop and execute on the appropriate strategic vision which demonstrates a commitment to our culture, leverages our core competencies, appropriately responds to external factors in the marketplace, and is in the best interests of our clients, employees and shareholders.

Our leadership team is responsible for managing our strategic risks. The board of directors oversees the leadership team in setting and executing our strategic plan.

Market Risk

Market risk represents the risk of losses, or financial volatility, that may result from the change in value of a financial instrument due to fluctuations in its market price. Our exposure to market risk is directly related to our role as a financial intermediary for our clients and to our market-making activities. The scope of our market risk management policies and procedures includes all market-sensitive cash and derivative financial instruments.

Our different types of market risk include:

Interest Rate Risk

Interest rate risk represents the potential volatility from changes in market interest rates. We are exposed to interest rate risk arising from changes in the level and volatility of interest rates, changes in the slope of the yield curve, changes in credit spreads, and the rate of prepayments on our interest-earning assets (e.g., inventories) and our funding sources (e.g., short-term financing) which finance these assets. Interest rate risk is managed by selling short U.S. government securities, agency securities, corporate debt securities and derivative contracts. See Note 6 to our unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information on our derivative contracts. Our interest rate hedging strategies may not work in all market environments and as a result may not be effective in mitigating interest rate risk. Also, we establish limits on our long fixed income securities inventory, monitor these limits on a daily basis and manage within those limits. Our limits include but are not limited to the following: position and concentration size, dollar duration (i.e., DV01), credit quality and aging.

We estimate that a parallel 50 basis point adverse change in the market would result in a decrease of approximately $0.2 million in the carrying value of our fixed income securities inventory as of March 31, 2024, including the effect of the hedging transactions.

We also measure and monitor the aging and turnover of our long fixed income securities inventory. Turnover is evaluated based on a five-day average by category of security. The vast majority of our fixed income securities inventory generally turns over within three weeks.

In addition to the measures discussed above, we monitor and manage market risk exposure through evaluation of spread DV01 and the MMD basis risk for municipal securities to movements in U.S. treasury securities. All metrics are aggregated by asset concentration and are used for monitoring limits and exception approvals. In times of market volatility, we may also perform ad hoc stress tests and scenario analysis as market conditions dictate.

Equity Price Risk

Equity price risk represents the potential loss in value due to adverse changes in the level or volatility of equity prices. We are exposed to equity price risk through our trading activities primarily in the U.S. market. We attempt to reduce the risk of loss inherent in our market-making and in our inventory of equity securities by establishing limits on our long inventory, monitoring these limits on a daily basis, and by managing net position levels within those limits.

Foreign Exchange Risk

Foreign exchange risk represents the potential volatility to earnings or capital arising from movement in foreign exchange rates. A modest portion of our business is conducted in currencies other than the U.S. dollar, and changes in foreign exchange rates relative to the U.S. dollar can therefore affect the value of non-U.S. dollar net assets, revenues and expenses.

Liquidity Risk

Liquidity risk is the risk that we are unable to timely access necessary funding sources in order to operate our business, as well as the risk that we are unable to timely divest securities that we hold in connection with our market-making and sales and trading activities. We are exposed to liquidity risk in our day-to-day funding activities, by holding potentially illiquid inventory positions and in our role as a remarketing agent for variable rate demand notes.

Our inventory positions subject us to potential financial losses from the reduction in value of illiquid positions. Market risk can be exacerbated in times of trading illiquidity when market participants refrain from transacting in normal quantities or at normal bid-offer spreads. Depending on the specific security, the structure of the financial product, or overall market conditions, we may be forced to hold a security for substantially longer than we had planned or forced to liquidate into a challenging market if funding becomes unavailable.

See the section entitled "Liquidity, Funding and Capital Resources" for information regarding our liquidity and how we manage liquidity risk.

Credit Risk

Credit risk refers to the potential for loss due to the default or deterioration in credit quality of a counterparty, customer, borrower or issuer of securities we hold in our trading inventory. The nature and amount of credit risk depends on the type of transaction, the structure and duration of that transaction and the parties involved. Credit risk also results from an obligor's failure to meet the terms of any contract with us or otherwise fail to perform as agreed. This may be reflected through issues such as settlement obligations or payment collections.

A key tenet of our risk management procedures related to credit risk is the daily monitoring of the credit quality of our long fixed income securities inventory. These rating trends and the credit quality mix are regularly reviewed with the executive financial risk committee. The following table summarizes the credit rating for our long corporate fixed income securities, taxable and tax-exempt municipal securities, and U.S. government and agency securities as a percentage of the total of these asset classes as of March 31, 2024:

	AAA	AA	A	BBB	BB	Not Rated
Corporate fixed income securities	— %	— %	— %	0.1 %	— %	— %
Taxable and tax-exempt municipal securities	14.5 %	48.0 %	19.4 %	— %	— %	1.0 %
U.S. government and agency securities	— %	16.6 %	— %	— %	— %	0.4 %
	14.5 %	64.6 %	19.4 %	0.1 %	— %	1.4 %

Convertible and preferred securities are excluded from the table above as they are typically unrated.

Our different types of credit risk include:

Credit Spread Risk

Credit spread risk arises from the possibility that changes in credit spreads will affect the value of financial instruments. Credit spreads represent the credit risk premiums required by market participants for a given credit quality (e.g., the additional yield that a debt instrument issued by a AA-rated entity must produce over a risk-free alternative). Changes in credit spreads result from potential changes in an issuer's credit rating or the market's perception of the issuer's creditworthiness. We are exposed to credit spread risk with the debt instruments held in our trading inventory. We enter into transactions to hedge our exposure to credit spread risk with derivatives and certain other financial instruments. These hedging strategies may not work in all market environments and as a result may not be effective in mitigating credit spread risk.

Deterioration/Default Risk

Deterioration/default risk represents the risk due to an issuer, counterparty or borrower failing to fulfill its obligations. We are exposed to deterioration/default risk in our role as a trading counterparty to dealers and customers, as a holder of securities, and as a member of exchanges. The risk of default depends on the creditworthiness of the counterparty or issuer of the security. We mitigate this risk by establishing and monitoring individual and aggregate position limits for each counterparty relative to potential levels of activity, holding and marking to market collateral on certain transactions. Our risk management functions also evaluate the potential risk associated with institutional counterparties with whom we hold derivatives, TBAs and other documented institutional counterparty agreements that may give rise to credit exposure.

Collections Risk

Collections risk arises from ineffective management and monitoring of collecting outstanding debts and obligations, including those related to our customer trading activities. Our client activities involve the execution, settlement and financing of various transactions. Client activities are transacted on a delivery versus payment, cash or margin basis. Our credit exposure to institutional client business is mitigated by the use of industry-standard delivery versus payment through depositories and clearing banks. Our risk management functions have credit risk policies establishing appropriate credit limits and collateralization thresholds for our customers and counterparties.

Concentration Risk

Concentration risk is the risk due to concentrated exposure to a particular product; individual issuer, borrower or counterparty; financial instrument; or geographic area. We are subject to concentration risk if we hold large individual securities positions, execute large transactions with individual counterparties or groups of related counterparties, or make substantial underwriting commitments. Potential concentration risk is monitored through review of counterparties and borrowers and is managed using policies and limits established by senior management.

We have concentrated counterparty credit exposure with three non-publicly rated entities totaling $5.0 million at March 31, 2024. This counterparty credit exposure is part of our matched-book derivative program related to our public finance business, consisting primarily of interest rate swaps. One derivative counterparty represented 92.1 percent, or $4.6 million, of this exposure. Credit exposure associated with our derivative counterparties is driven by uncollateralized market movements in the fair value of the interest rate swap contracts and is monitored regularly by our financial risk committee. We attempt to minimize the credit (or repayment) risk in derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically by senior management.

Operational Risk

Operational risk is the risk of loss, or damage to our reputation, resulting from inadequate or failed processes, people and systems or from external events. We rely on the ability of our employees and our systems, both internal and at computer centers operated by third parties, to process a large number of transactions. Our systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control. In the event of a breakdown or improper operation of our systems or improper action by our employees or third-party vendors, we could suffer financial loss, a disruption of our businesses, regulatory sanctions and damage to our reputation. We also face the risk of operational failure or termination of our relationship with any of the exchanges, fully disclosed clearing firms, or other financial intermediaries we use to facilitate our securities transactions. Any such failure or termination could adversely affect our ability to effect transactions and manage our exposure to risk.

Our operations rely on secure processing, storage and transmission of confidential and other information in our internal and outsourced computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code, internal misconduct or inadvertent errors and other events that could have an information security impact. The occurrence of one or more of these events could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations. We take protective measures and endeavor to modify them as circumstances warrant. A further discussion of our procedures for cybersecurity risk management is included in Part I, Item 1C "Cybersecurity" in our Annual Report on Form 10-K for the year ended December 31, 2023.

In order to mitigate and control operational risk, we have developed and continue to enhance policies and procedures that are designed to identify and manage operational risk at appropriate levels throughout the organization. Important aspects of these policies and procedures include segregation of duties, management oversight, internal control over financial reporting and independent risk management activities within such functions as Risk Management, Compliance, Operations, Internal Audit, Treasury, Finance, Information Technology and Legal. Internal Audit oversees, monitors, evaluates, analyzes and reports on operational risk across the firm. We also have business continuity plans in place that we believe will cover critical processes on a company-wide basis, and redundancies are built into our systems as we have deemed appropriate. These control mechanisms attempt to ensure that operational policies and procedures are being followed and that our various businesses are operating within established corporate policies and limits.

We operate under a fully disclosed clearing model for all of our securities inventories with the exception of convertible securities, and for all of our client clearing activities. In a fully disclosed clearing model, we act as an introducing broker for client transactions and rely on Pershing, our clearing broker dealer, to facilitate clearance and settlement of our clients' securities transactions. The clearing services provided by Pershing are critical to our business operations, and similar to other services performed by third-party vendors, any failure by Pershing with respect to the services we rely upon Pershing to provide could cause financial loss, significantly disrupt our business, damage our reputation, and adversely affect our ability to serve our clients and manage our exposure to risk.

Human Capital Risk

Our business is a human capital business and our success is dependent upon the skills, expertise and performance of our employees. Human capital risks represent the risks posed if we fail to attract and retain qualified individuals who are motivated to serve the best interests of our clients, thereby serving the best interests of our company. Attracting and retaining employees depends, among other things, on our company's culture, management, work environment, geographic locations and compensation. There are risks associated with the proper recruitment, development and rewards of our employees to ensure quality performance and retention.

Legal and Regulatory Risk

Legal and regulatory risk includes the risk of non-compliance with applicable legal and regulatory requirements and loss to our reputation we may suffer as a result of failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to our business activities. We are generally subject to extensive regulation in the various jurisdictions in which we conduct our business. We have established procedures that are reasonably designed to achieve compliance with applicable statutory and regulatory requirements, such as public company reporting obligations, regulatory net capital requirements, sales and trading practices, potential conflicts of interest, anti-money laundering, privacy, and financial and electronic recordkeeping. We have also established procedures that are reasonably designed to achieve compliance with our policies relating to ethics and business conduct. The legal and regulatory focus on the financial services industry presents a continuing business challenge for us.

Our business also subjects us to the complex income tax laws of the jurisdictions in which we have business operations, and these tax laws may be subject to different interpretations by the taxpayer and the relevant governmental taxing authorities. We must make judgments and interpretations about the application of these inherently complex tax laws when determining the provision for income taxes.

EFFECTS OF INFLATION

Because our assets are liquid and generally short-term in nature, they are not significantly affected by inflation. However, the rate of inflation affects our expenses, such as employee compensation, office space occupancy costs, communications charges and travel costs, which may not be readily recoverable in the price of services we offer to our clients. To the extent inflation results in rising interest rates and has adverse effects upon the securities markets, it may adversely affect our financial position and results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The information under the caption "Risk Management" in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 4. Controls and Procedures.

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our principal executive officer and our principal financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (b) accumulated and communicated to our management, including our principal executive officer and our principal financial officer, to allow timely decisions regarding disclosure.

During the first quarter of our fiscal year ending December 31, 2024, there was no change in our system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings.

The discussion of our legal proceedings contained in Note 11 to our unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors.

The discussion of our business and operations should be read together with the risk factors contained in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023. These risk factors describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner.

There have been no material changes to the risk factors disclosed under Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The table below sets forth the information with respect to purchases made by or on behalf of Piper Sandler Companies or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act), of our common stock during the quarter ended March 31, 2024.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares Yet to be Purchased Under the Plans or Programs (1)
Month #1				
January 1, 2024 to January 31, 2024	99,888	$ 167.60	—	$ 138 million
Month #2				
February 1, 2024 to February 29, 2024	189,089	$ 186.94	—	$ 138 million
Month #3				
March 1, 2024 to March 31, 2024	—	$ —	—	$ 138 million
Total	288,977	$ 180.26	—	$ 138 million

(1) Effective May 6, 2022, our board of directors authorized the repurchase of up to $150.0 million of common stock through December 31, 2024.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the quarter ended March 31, 2024, no director or officer of the Company adopted or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K, except as follows:

On February 13, 2024, Debbra L. Schoneman, our President, through the Debbra L Schoneman Revocable Trust, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 14,050 shares of our common stock. The arrangement is effective until March 28, 2025. This Rule 10b5-1 trading arrangement is in accordance with our policies regarding insider trading and actual sale transactions made pursuant to this trading arrangement will be disclosed publicly in Section 16 filings with the SEC in accordance with applicable securities laws, rules and regulations.

Item 6. Exhibits.

Number	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed May 18, 2023).
3.2	Amended and Restated Bylaws (as of February 9, 2023) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed February 10, 2023).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chairman and Chief Executive Officer. *
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. *
32.1	Section 1350 Certifications. **
101	The following financial information from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in iXBRL (inline eXtensible Business Reporting Language): (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to the Consolidated Financial Statements. *
104	The cover page from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in iXBRL and included in Exhibit 101. *

* *Filed herewith.*

** *This information is furnished and not filed for purposes of Section 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.*

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PIPER SANDLER COMPANIES

Date:	May 7, 2024	By	/s/ Chad R. Abraham
		Name	Chad R. Abraham
		Its	Chairman and Chief Executive Officer
Date:	May 7, 2024	By	/s/ Katherine P. Clune
		Name	Katherine P. Clune
		Its	Chief Financial Officer

Exhibit 31.1

CERTIFICATIONS

I, Chad R. Abraham, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Piper Sandler Companies;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2024

/s/ Chad R. Abraham
Chad R. Abraham
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Katherine P. Clune, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Piper Sandler Companies;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2024

/s/ Katherine P. Clune

Katherine P. Clune
Chief Financial Officer

Exhibit 32.1

Certification Under Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of Piper Sandler Companies.

Dated: May 7, 2024

/s/ Chad R. Abraham
Chad R. Abraham
Chairman and Chief Executive Officer

/s/ Katherine P. Clune
Katherine P. Clune
Chief Financial Officer