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 June 30, 2023

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 July 27, 2023, the registrant had 17,749,427 shares of Common Stock outstanding.

Piper Sandler Companies

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PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

PART I. FINANCIAL INFORMATION

ITEM 1. *FINANCIAL STATEMENTS.*

Piper Sandler Companies

Consolidated Statements of Financial Condition

(Amounts in thousands, except share data)	**June 30, 2023** (Unaudited)	**December 31, 2022**
Assets		
Cash and cash equivalents	**$ 67,220**	$ 365,624
Receivables from brokers, dealers and clearing organizations	**213,499**	300,463
Financial instruments and other inventory positions owned	**314,606**	282,501
Financial instruments and other inventory positions owned and pledged as collateral	**132,379**	57,478
Total financial instruments and other inventory positions owned	**446,985**	339,979
Fixed assets (net of accumulated depreciation and amortization of $84,359 and $75,759, respectively)	**64,362**	68,220
Goodwill	**301,760**	301,151
Intangible assets (net of accumulated amortization of $140,855 and $131,047, respectively)	**125,829**	135,637
Investments (including noncontrolling interests of $229,341 and $200,687, respectively)	**317,256**	285,726
Net deferred income tax assets	**201,216**	191,002
Right-of-use lease asset	**75,954**	87,730
Other assets	**126,263**	106,025
Total assets	**$ 1,940,344**	$ 2,181,557
Liabilities and Shareholders' Equity		
Long-term financing	**$ 125,000**	$ 125,000
Payables to brokers, dealers and clearing organizations	**1,272**	4,622
Financial instruments and other inventory positions sold, but not yet purchased	**138,948**	60,836
Accrued compensation	**234,289**	565,738
Accrued lease liability	**100,959**	109,771
Other liabilities and accrued expenses	**81,405**	61,562
Total liabilities	**681,873**	927,529
Shareholders' equity:		
Common stock, $0.01 par value:		
Shares authorized: 100,000,000 at June 30, 2023 and December 31, 2022;		
Shares issued: 19,550,835 at June 30, 2023 and 19,544,507 at December 31, 2022;		
Shares outstanding: 15,078,165 at June 30, 2023 and 13,673,064 at December 31, 2022	**195**	195
Additional paid-in capital	**977,483**	1,044,719
Retained earnings	**418,767**	453,311
Less common stock held in treasury, at cost: 4,472,670 shares at June 30, 2023 and 5,871,443 shares at December 31, 2022	**(362,928)**	(441,653)
Accumulated other comprehensive loss	**(765)**	(2,499)
Total common shareholders' equity	**1,032,752**	1,054,073
Noncontrolling interests	**225,719**	199,955
Total shareholders' equity	**1,258,471**	1,254,028
Total liabilities and shareholders' equity	**$ 1,940,344**	$ 2,181,557

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 June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Revenues:				
Investment banking	**$ 183,967**	$ 234,132	**$ 368,371**	$ 491,634
Institutional brokerage	**87,838**	104,942	**184,151**	209,504
Interest income	**3,729**	4,536	**12,441**	8,392
Investment income/(loss)	**15,797**	10,936	**26,912**	(2,138)
Total revenues	**291,331**	354,546	**591,875**	707,392
Interest expense	**2,605**	2,355	**5,244**	4,556
Net revenues	**288,726**	352,191	**586,631**	702,836
Non-interest expenses:				
Compensation and benefits	**189,204**	239,917	**388,598**	487,816
Outside services	**13,456**	14,429	**25,582**	25,605
Occupancy and equipment	**16,020**	15,562	**31,748**	30,098
Communications	**13,047**	13,215	**27,358**	25,640
Marketing and business development	**10,930**	12,238	**20,982**	20,870
Deal-related expenses	**7,505**	8,308	**13,519**	13,852
Trade execution and clearance	**4,854**	5,891	**9,768**	9,926
Restructuring and integration costs	**3,903**	1,609	**3,903**	2,856
Intangible asset amortization	**4,904**	3,393	**9,808**	6,314
Other operating expenses	**10,522**	469	**15,175**	7,062
Total non-interest expenses	**274,345**	315,031	**546,441**	630,039
Income before income tax expense/(benefit)	**14,381**	37,160	**40,190**	72,797
Income tax expense/(benefit)	**(250)**	9,385	**(7,887)**	20,364
Net income	**14,631**	27,775	**48,077**	52,433
Net income/(loss) applicable to noncontrolling interests	**10,677**	6,385	**18,489**	(5,608)
Net income applicable to Piper Sandler Companies	**$ 3,954**	$ 21,390	**$ 29,588**	$ 58,041
Earnings per common share				
Basic	**$ 0.26**	$ 1.53	**$ 2.00**	$ 4.07
Diluted	**$ 0.23**	$ 1.26	**$ 1.73**	$ 3.39
Dividends declared per common share	**$ 0.60**	$ 0.60	**$ 2.45**	$ 5.70
Weighted average number of common shares outstanding				
Basic	**15,066**	14,018	**14,788**	14,248
Diluted	**17,084**	16,920	**17,134**	17,106

See Notes to the Consolidated Financial Statements

Piper Sandler Companies

Consolidated Statements of Comprehensive Income

(Unaudited)

(Amounts in thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net income	**$ 14,631**	$ 27,775	**$ 48,077**	$ 52,433
Other comprehensive income/(loss), net of tax:				
Foreign currency translation adjustment	**779**	(1,310)	**1,734**	(1,996)
Comprehensive income	**15,410**	26,465	**49,811**	50,437
Comprehensive income/(loss) applicable to noncontrolling interests	**10,677**	6,385	**18,489**	(5,608)
Comprehensive income applicable to Piper Sandler Companies	**$ 4,733**	$ 20,080	**$ 31,322**	$ 56,045

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, 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**
Net income	—	—	—	3,954	—	—	3,954	10,677	14,631
Dividends	—	—	—	(13,271)	—	—	(13,271)	—	(13,271)
Amortization/issuance of restricted stock (1)	—	—	6,693	—	—	—	6,693	—	6,693
Issuance of treasury shares for restricted stock vestings	261,531	—	(21,158)	—	21,158	—	—	—	—
Repurchase of common stock from employees	(21,423)	—	—	—	(2,886)	—	(2,886)	—	(2,886)
Shares reserved/issued for director compensation	4,930	—	639	—	—	—	639	—	639
Other comprehensive income	—	—	—	—	—	779	779	—	779
Fund capital contributions, net	—	—	—	—	—	—	—	12,323	12,323
Balance at June 30, 2023	**15,078,165**	**$ 195**	**$ 977,483**	**$ 418,767**	**$ (362,928)**	**$ (765)**	**$ 1,032,752**	**$ 225,719**	**$ 1,258,471**

Continued on next page

Piper Sandler Companies

Consolidated Statements of Changes in Shareholders' Equity - Continued

(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, 2021	**14,129,519**	**$ 195**	**$ 925,387**	**$ 450,165**	**$ (312,573)**	**$ (964)**	**$ 1,062,210**	**$ 164,645**	**$ 1,226,855**
Net income/(loss)	—	—	—	36,651	—	—	36,651	(11,993)	24,658
Dividends	—	—	—	(81,390)	—	—	(81,390)	—	(81,390)
Amortization/issuance of restricted stock (1)	—	—	114,048	—	—	—	114,048	—	114,048
Repurchase of common stock through share repurchase program	(653,029)	—	—	—	(92,945)	—	(92,945)	—	(92,945)
Issuance of treasury shares for restricted stock vestings	854,668	—	(50,934)	—	50,934	—	—	—	—
Repurchase of common stock from employees	(136,440)	—	—	—	(20,927)	—	(20,927)	—	(20,927)
Shares reserved/issued for director compensation	2,038	—	253	—	—	—	253	—	253
Other comprehensive loss	—	—	—	—	—	(686)	(686)	—	(686)
Fund capital distributions, net	—	—	—	—	—	—	—	(13,503)	(13,503)
Balance at March 31, 2022	**14,196,756**	**$ 195**	**$ 988,754**	**$ 405,426**	**$ (375,511)**	**$ (1,650)**	**$ 1,017,214**	**$ 139,149**	**$ 1,156,363**
Net income	—	—	—	21,390	—	—	21,390	6,385	27,775
Dividends	—	—	—	(8,410)	—	—	(8,410)	—	(8,410)
Amortization/issuance of restricted stock (1)	—	—	17,612	—	—	—	17,612	—	17,612
Repurchase of common stock through share repurchase program	(415,358)	—	—	—	(49,991)	—	(49,991)	—	(49,991)
Issuance of treasury shares for restricted stock vestings	10,207	—	(738)	—	738	—	—	—	—
Repurchase of common stock from employees	(2,633)	—	—	—	(331)	—	(331)	—	(331)
Shares reserved/issued for director compensation	3,696	—	465	—	—	—	465	—	465
Other comprehensive loss	—	—	—	—	—	(1,310)	(1,310)	—	(1,310)
Fund capital contributions, net	—	—	—	—	—	—	—	35,462	35,462
Balance at June 30, 2022	**13,792,668**	**$ 195**	**$ 1,006,093**	**$ 418,406**	**$ (425,095)**	**$ (2,960)**	**$ 996,639**	**$ 180,996**	**$ 1,177,635**

(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)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Operating Activities:		
Net income	**$ 48,077**	$ 52,433
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of fixed assets	**8,980**	7,328
Deferred income taxes	**(10,583)**	(2,162)
Stock-based compensation	**41,177**	60,438
Amortization of intangible assets	**9,808**	6,314
Amortization of forgivable loans	**5,399**	4,148
Decrease/(increase) in operating assets:		
Receivables from brokers, dealers and clearing organizations	**86,964**	50,855
Net financial instruments and other inventory positions owned	**(28,894)**	(79,639)
Investments	**(31,530)**	(14,972)
Other assets	**(12,449)**	(31,197)
Increase/(decrease) in operating liabilities:		
Payables to brokers, dealers and clearing organizations	**(3,350)**	(2,830)
Accrued compensation	**(298,361)**	(493,653)
Other liabilities and accrued expenses	**10,129**	(7,338)
Net cash used in operating activities	**(174,633)**	(450,275)
Investing Activities:		
Business acquisitions, net of cash acquired	**—**	(33,044)
Purchases of fixed assets, net	**(4,698)**	(14,357)
Net cash used in investing activities	**(4,698)**	(47,401)
Financing Activities:		
Payment of cash dividend	**(64,132)**	(89,800)
Increase in noncontrolling interests	**7,275**	21,959
Repurchase of common stock	**(63,717)**	(164,194)
Net cash used in financing activities	**(120,574)**	(232,035)
Currency adjustment:		
Effect of exchange rate changes on cash	**1,501**	(3,468)
Net decrease in cash and cash equivalents	**(298,404)**	(733,179)
Cash and cash equivalents at beginning of period	**365,624**	970,965
Cash and cash equivalents at end of period	**$ 67,220**	$ 237,786
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	**$ 5,124**	$ 4,468
Income taxes	**$ 20,206**	$ 45,128

See Notes to the Consolidated Financial Statements

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

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Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

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; 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 Loan Strategies, LLC, which provides management services for primary and secondary market liquidity transactions of loan and servicing rights; 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 U.S. 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, 2022.

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, 2022 for a full description of the Company's significant accounting policies.

Piper Sandler Companies
Notes to the Consolidated Financial Statements
(Unaudited)

Note 3 *Acquisitions*

The following acquisitions were accounted for pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 805, "Business Combinations." Accordingly, the purchase price of each acquisition was allocated to the acquired assets and liabilities assumed based on their estimated fair values as of the respective acquisition dates. The excess of the purchase price over the net assets acquired was allocated between goodwill and intangible assets. The fair value of the retention-related restricted stock was determined using the market price of the Company's common stock on the date of the respective acquisition.

DBO Partners Holding LLC

On October 7, 2022, the Company completed the acquisition of DBO Partners Holding LLC, including its subsidiary, DBO Partners LLC (collectively, "DBO Partners"), a technology investment banking firm. The acquisition expanded the scale of the Company's technology sector and added general partner advisory services.

The purchase price of $66.3 million consisted of cash consideration of $64.6 million and contingent consideration of $1.7 million, as detailed in the net assets acquired table below. As part of the acquisition, the Company granted 368,957 restricted shares valued at $39.9 million on the acquisition date. The restricted shares are subject to graded vesting, beginning on the second anniversary of the acquisition date, so long as the applicable employee remains continuously employed by the Company for such period. Compensation expense will be amortized on a straight-line basis over the requisite service period of five years. As discussed in Note 14, the Company also entered into acquisition-related compensation arrangements with certain employees of $17.4 million in restricted stock for retention purposes. These restricted shares are subject to ratable vesting and employees must fulfill service requirements in exchange for the rights to the restricted shares. Compensation expense will be amortized on a straight-line basis over the requisite service period (a weighted average service period of 4.9 years). As both restricted share grants compensate employees for future services, the value of the shares is not part of the purchase price.

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, which is included in the purchase price. The remaining $5.0 million may be earned by certain employees, whom are now employees of the Company, in exchange for service requirements. As this amount compensates employees for future services, the value is not part of the purchase price. Amounts estimated to be payable, if any, will be recorded as compensation expense on the consolidated statements of operations over the requisite service period. If earned, the DBO Earnout will be paid by March 31, 2025.

The Company recorded $57.3 million of goodwill on the consolidated statements of financial condition, all of which is expected to be deductible for income tax purposes. In management's opinion, the goodwill represents the reputation and operating expertise of DBO Partners. Identifiable intangible assets purchased by the Company consisted of customer relationships with an acquisition-date fair value of $10.4 million.

Transaction costs of $0.4 million were incurred for the three and six months ended June 30, 2022, and are included in restructuring and integration costs on the consolidated statements of operations.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition, including measurement period adjustments:

(Amounts in thousands)

Assets	
Cash and cash equivalents	$ 575
Fixed assets	1,353
Goodwill	57,337
Intangible assets	10,390
Right-of-use lease asset	3,760
Other assets	414
Total assets acquired	73,829
Liabilities	
Accrued compensation	1,167
Accrued lease liability	3,760
Other liabilities and accrued expenses	2,603
Total liabilities assumed	7,530
Net assets acquired	$ 66,299

Stamford Partners LLP ("Stamford Partners")

On June 10, 2022, the Company completed the acquisition of Stamford Partners, a specialist investment bank offering mergers and acquisitions advisory services to European food and beverage and related consumer sectors. The acquisition expanded the Company's presence in Europe. The purchase price consisted of cash consideration, and restricted stock was granted for retention purposes.

The Company recorded $7.3 million of goodwill on the consolidated statements of financial condition, none of which is expected to be deductible for income tax purposes. In management's opinion, the goodwill represents the reputation and operating expertise of Stamford Partners. Identifiable intangible assets purchased by the Company consisted of customer relationships with an acquisition-date fair value of $1.8 million.

Cornerstone Macro Research LP

On February 4, 2022, the Company completed the acquisition of Cornerstone Macro Research LP, including its subsidiary, Cornerstone Macro LLC (collectively, "Cornerstone Macro"), a research firm focused on providing macro research and equity derivatives trading to institutional investors. The acquisition added a macro research team and increased the scale of the Company's equity brokerage operations.

The purchase price of $34.1 million consisted of cash consideration of $32.5 million and contingent consideration of $1.6 million, as detailed in the net assets acquired table below. As part of the acquisition, the Company granted 64,077 restricted shares valued at $9.7 million on the acquisition date. The restricted shares are subject to graded vesting on the fourth and fifth anniversaries of the acquisition date, so long as the applicable employee remains continuously employed by the Company for the respective vesting period. As these shares contain service conditions, the value of the shares is not part of the purchase price. Compensation expense will be amortized on a straight-line basis over the requisite service period of five years.

The Company also entered into acquisition-related compensation arrangements with certain employees of $10.7 million, which consisted of restricted stock ($7.5 million) and forgivable loans ($3.2 million), for retention purposes. As employees must fulfill service requirements in exchange for the rights to the restricted shares, compensation expense will be amortized on a straight-line basis over the requisite service period (a weighted average service period of 3.4 years). See Note 14 for further discussion. The loans will be forgiven, so long as the applicable employee remains continuously employed for the loan term. Compensation expense will be amortized on a straight-line basis over the respective loan term (a weighted average period of 3.6 years).

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

Additional cash of up to $27.8 million may be earned if a net revenue target is achieved during the performance period from July 1, 2022 to December 31, 2023. Of the total amount, up to $6.0 million may be earned by Cornerstone Macro's equity owners with no service requirements. If earned, this amount will be paid by March 31, 2024. The Company recorded a $1.6 million liability as of the acquisition date for the fair value of this contingent consideration, which is included in the purchase price. Adjustments to this liability after the acquisition date are recorded as non-compensation expense on the consolidated statements of operations. As of June 30, 2023, the Company expects the maximum amount of $6.0 million will be earned and has accrued the full amount related to this additional cash payment. 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. As this amount compensates employees for future services, the value is not part of the purchase price. Amounts estimated to be payable, if any, will be recorded as compensation expense on the consolidated statements of operations over the requisite service period. If earned, amounts will be paid by June 30, 2025 and June 30, 2026. As of June 30, 2023, the Company has accrued $2.3 million related to this additional cash payment. The Company recorded $0.5 million and $0.3 million in compensation expense related to this additional cash payment for the six months ended June 30, 2023 and 2022, respectively.

The Company recorded $9.6 million of goodwill on the consolidated statements of financial condition, all of which is expected to be deductible for income tax purposes. In management's opinion, the goodwill represents the reputation and operating expertise of Cornerstone Macro. Identifiable intangible assets purchased by the Company consisted of customer relationships with an acquisition-date fair value of $19.0 million.

Transaction costs of $0.1 million and $0.7 million were incurred for the three and six months ended June 30, 2022, respectively, and are included in restructuring and integration costs on the consolidated statements of operations.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition, including measurement period adjustments:

(Amounts in thousands)

Assets	
Cash and cash equivalents	$ 6,885
Receivables from brokers, dealers and clearing organizations	2,941
Fixed assets	286
Goodwill	9,574
Intangible assets	19,000
Right-of-use lease asset	7,026
Other assets	4,451
Total assets acquired	50,163
Liabilities	
Accrued compensation	4,672
Accrued lease liability	7,026
Other liabilities and accrued expenses	4,401
Total liabilities assumed	16,099
Net assets acquired	$ 34,064

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Pro Forma Financial Information

The results of operations of DBO Partners, Stamford Partners and Cornerstone Macro have been included in the Company's consolidated financial statements prospectively beginning on the respective acquisition dates. The acquisitions have been fully integrated with the Company's existing operations. Accordingly, post-acquisition revenues and net income are not discernible. The following unaudited pro forma financial data is presented on a combined basis and includes DBO Partners and Cornerstone Macro. Pro forma financial information for Stamford Partners is not presented as the acquisition is not material.

Based on the respective acquisition dates, the unaudited pro forma financial data assumes that the DBO Partners and Cornerstone Macro acquisitions had occurred on January 1, 2021, the beginning of the prior annual period in which the acquisitions occurred. Pro forma results have been prepared by adjusting the Company's historical results to include the results of operations of DBO Partners and Cornerstone Macro adjusted for the following significant changes: amortization expense was adjusted to account for the acquisition-date fair value of intangible assets; compensation and benefits expenses were adjusted to reflect the restricted stock issued as part of the respective acquisition, the restricted stock and forgivable loans issued for retention purposes, the earnouts with service conditions, and the cost that would have been incurred had certain employees been included in the Company's employee compensation arrangements; and the income tax effect of applying the Company's statutory tax rates to the results of operations of the respective acquisitions. The Company's consolidated unaudited pro forma information presented does not necessarily reflect the results of operations that would have resulted had the acquisitions been completed at the beginning of the applicable period presented, does not contemplate client account overlap and anticipated operational efficiencies of the combined entities, nor does it indicate the results of operations in future periods.

(Amounts in thousands)	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Net revenues	$ 369,734	$ 767,318
Net income applicable to Piper Sandler Companies	20,348	64,288

Note 4 *Financial Instruments and Other Inventory Positions Owned and Financial Instruments and Other Inventory Positions Sold, but Not Yet Purchased*

(Amounts in thousands)	June 30, 2023	December 31, 2022
Financial instruments and other inventory positions owned:		
Corporate securities:		
Equity securities	**$ 515**	$ 1,490
Convertible securities	**147,138**	94,552
Fixed income securities	**17,919**	4,103
Municipal securities:		
Taxable securities	**26,529**	28,389
Tax-exempt securities	**168,569**	151,465
Short-term securities	**36,050**	14,386
U.S. government agency securities	**35,494**	28,874
U.S. government securities	**3,509**	3,800
Derivative contracts	**11,262**	12,920
Total financial instruments and other inventory positions owned	**$ 446,985**	$ 339,979
Financial instruments and other inventory positions sold, but not yet purchased:		
Corporate securities:		
Equity securities	**$ 82,151**	$ 15,376
Fixed income securities	**8,599**	3,894
U.S. government securities	**46,817**	36,415
Derivative contracts	**1,381**	5,151
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 138,948**	$ 60,836

At June 30, 2023 and December 31, 2022, financial instruments and other inventory positions owned in the amount of $132.4 million and $57.5 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

The Company uses interest rate and credit default swaps, interest rate locks, U.S. treasury bond futures and options, and equity option contracts as a means to manage risk in certain inventory positions. The Company also enters into interest rate and credit default swaps to facilitate customer transactions. Credit default swaps use rates based upon the Commercial Mortgage Backed Securities ("CMBX") index. The following describes the Company's derivatives by the type of transaction or security the instruments are economically hedging.

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. The instruments use rates based upon the London Interbank Offered Rate ("LIBOR") index, the Municipal Market Data ("MMD") index or the Securities Industry and Financial Markets Association ("SIFMA") 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, LIBOR or SIFMA 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:

	June 30, 2023			**December 31, 2022**		
(Amounts in thousands) **Derivative Category**	**Derivative Assets (1)**	**Derivative Liabilities (2)**	**Notional Amount**	**Derivative Assets (1)**	**Derivative Liabilities (2)**	**Notional Amount**
Interest rate						
Customer matched-book	**$ 49,952**	**$ 44,366**	**$ 1,365,558**	$ 55,414	$ 49,838	$ 1,354,881
Trading securities	**1,435**	**428**	**113,200**	5,186	1,082	134,750
	$ 51,387	**$ 44,794**	**$ 1,478,758**	$ 60,600	$ 50,920	$ 1,489,631

(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.

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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 June 30,		Six Months Ended June 30,	
Derivative Category	**Operations Category**	**2023**	**2022**	**2023**	**2022**
Interest rate derivative contract	Investment banking	**$ (182)**	$ (617)	**$ (10)**	$ (860)
Interest rate derivative contract	Institutional brokerage	**3,932**	2,478	**(3,077)**	11,683
Equity option derivative contract	Institutional brokerage	**11**	—	**—**	—
		$ 3,761	$ 1,861	**$ (3,087)**	$ 10,823

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 June 30, 2023, the Company had $8.5 million of uncollateralized credit exposure with these counterparties (notional contract amount of $152.5 million), including $5.9 million of uncollateralized credit exposure with one counterparty.

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.

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 are therefore 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.

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 categorized as Level I. The Company does not transact in securities of countries other than the U.S. government.

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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 MMD curve. These instruments are classified as Level III.

Investments

The Company's investments valued at fair value include equity investments in private companies. 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.

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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 June 30, 2023:

	Valuation Technique	Unobservable Input	Range	Weighted Average (1)
Assets				
Financial instruments and other inventory positions owned:				
Municipal securities:				
Tax-exempt securities	Discounted cash flow	Expected recovery rate (% of par) (3)	0 - 25%	13.4%
		Current yield (3)	10%	10%
Derivative contracts:				
Interest rate locks	Discounted cash flow	Premium over the MMD curve in basis points ("bps") (3)	3 - 47 bps	29.7 bps
Investments at fair value:				
Equity securities in private companies (2)	Market approach	Revenue multiple (3)	1 - 8 times	5.2 times
		EBITDA multiple (3)	11 - 18 times	15.0 times
		Market comparable valuation multiple (3)	1 - 2 times	1.5 times
	Discounted cash flow	Discount rate (4)	20 - 25%	21.2%
Liabilities				
Financial instruments and other inventory positions sold, but not yet purchased:				
Derivative contracts:				
Interest rate locks	Discounted cash flow	Premium over the MMD curve in bps (4)	10 - 42 bps	16.5 bps

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

(2) As of June 30, 2023, the Company had $208.8 million of Level III investments at fair value, of which $75.3 million, or 36.1 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.

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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 June 30, 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	$ 515	$ —	$ —	$ —	$ 515
Convertible securities	—	147,138	—	—	147,138
Fixed income securities	—	17,919	—	—	17,919
Municipal securities:					
Taxable securities	—	26,529	—	—	26,529
Tax-exempt securities	—	164,679	3,890	—	168,569
Short-term securities	—	36,050	—	—	36,050
U.S. government agency securities	—	35,494	—	—	35,494
U.S. government securities	3,509	—	—	—	3,509
Derivative contracts	—	50,060	1,327	(40,125)	11,262
Total financial instruments and other inventory positions owned	4,024	477,869	5,217	(40,125)	446,985
Cash equivalents	37,167	—	—	—	37,167
Investments at fair value (2)	97,066	—	208,837	—	305,903
Total assets	$ 138,257	$ 477,869	$ 214,054	$ (40,125)	$ 790,055
Liabilities					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	$ 82,151	$ —	$ —	$ —	$ 82,151
Fixed income securities	—	8,599	—	—	8,599
U.S. government securities	46,817	—	—	—	46,817
Derivative contracts	—	44,064	730	(43,413)	1,381
Total financial instruments and other inventory positions sold, but not yet purchased	$ 128,968	$ 52,663	$ 730	$ (43,413)	$ 138,948

(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 $229.3 million attributable to unrelated third party ownership in consolidated alternative asset management funds.

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The following table summarizes the valuation of the Company's financial instruments by pricing observability levels defined in ASC 820 as of December 31, 2022:

(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	$ 1,490	$ —	$ —	$ —	$ 1,490
Convertible securities	—	94,552	—	—	94,552
Fixed income securities	—	4,103	—	—	4,103
Municipal securities:					
Taxable securities	—	28,389	—	—	28,389
Tax-exempt securities	—	147,578	3,887	—	151,465
Short-term securities	—	14,386	—	—	14,386
U.S. government agency securities	—	28,874	—	—	28,874
U.S. government securities	3,800	—	—	—	3,800
Derivative contracts	—	55,844	4,756	(47,680)	12,920
Total financial instruments and other inventory positions owned	5,290	373,726	8,643	(47,680)	339,979
Cash equivalents	323,143	—	—	—	323,143
Investments at fair value (2)	82,047	—	191,845	—	273,892
Total assets	$ 410,480	$ 373,726	$ 200,488	$ (47,680)	$ 937,014
Liabilities					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	$ 15,376	$ —	$ —	$ —	$ 15,376
Fixed income securities	—	3,894	—	—	3,894
U.S. government securities	36,415	—	—	—	36,415
Derivative contracts	—	49,838	1,082	(45,769)	5,151
Total financial instruments and other inventory positions sold, but not yet purchased	$ 51,791	$ 53,732	$ 1,082	$ (45,769)	$ 60,836

(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 $200.7 million attributable to unrelated third party ownership in consolidated alternative asset management funds.*

The Company's Level III assets were $214.1 million (including noncontrolling interests of $162.9 million) and $200.5 million (including noncontrolling interests of $148.7 million), or 27.1 percent and 21.4 percent of financial instruments measured at fair value at June 30, 2023 and December 31, 2022, respectively. There were $14.7 million of transfers of financial assets out of Level III for the six months ended June 30, 2023, primarily due to unobservable inputs becoming observable. At June 30, 2023, the Company's Level I investments at fair value included $25.7 million of equity securities subject to contractual sale restrictions. The sale restrictions will expire in the third quarter of 2023.

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

(Amounts in thousands)	**Balance at March 31, 2023**	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses)	Unrealized gains/ (losses)	**Balance at June 30, 2023**	**Unrealized gains/ (losses) for assets/ liabilities held at June 30, 2023**
Assets									
Financial instruments and other inventory positions owned:									
Municipal securities:									
Tax-exempt securities	**$ 3,896**	$ —	$ —	$ —	$ —	$ —	$ (6)	**$ 3,890**	**$ (6)**
Derivative contracts	**442**	25	—	—	—	(25)	885	**1,327**	**950**
Total financial instruments and other inventory positions owned	**4,338**	25	—	—	—	(25)	879	**5,217**	**944**
Investments at fair value	**201,443**	6,188	—	—	—	—	1,206	**208,837**	**1,206**
Total assets	**$ 205,781**	$ 6,213	$ —	$ —	$ —	$ (25)	$ 2,085	**$ 214,054**	**$ 2,150**
Liabilities									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	**$ 3,777**	$ (2,429)	$ —	$ —	$ —	$ 2,429	$ (3,047)	**$ 730**	**$ 21**
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 3,777**	$ (2,429)	$ —	$ —	$ —	$ 2,429	$ (3,047)	**$ 730**	**$ 21**

(Amounts in thousands)	**Balance at March 31, 2022**	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses)	Unrealized gains/ (losses)	**Balance at June 30, 2022**	**Unrealized gains/ (losses) for assets/ liabilities held at June 30, 2022**
Assets									
Financial instruments and other inventory positions owned:									
Municipal securities:									
Tax-exempt securities	**$ 264**	$ —	$ —	$ —	$ —	$ —	$ (5)	**$ 259**	**$ (5)**
Derivative contracts	**9,150**	—	(2,525)	—	—	2,525	2,973	**12,123**	**4,771**
Total financial instruments and other inventory positions owned	**9,414**	—	(2,525)	—	—	2,525	2,968	**12,382**	**4,766**
Investments at fair value	**134,795**	28,600	—	—	—	172	5,449	**169,016**	**5,621**
Total assets	**$ 144,209**	$ 28,600	$ (2,525)	$ —	$ —	$ 2,697	$ 8,417	**$ 181,398**	**$ 10,387**
Liabilities									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	**$ 1,120**	$ (570)	$ —	$ —	$ —	$ 570	$ 495	**$ 1,615**	**$ 1,065**
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 1,120**	$ (570)	$ —	$ —	$ —	$ 570	$ 495	**$ 1,615**	**$ 1,065**

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(Amounts in thousands)	Balance at December 31, 2022	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses)	Unrealized gains/ (losses)	Balance at June 30, 2023	Unrealized gains/ (losses) for assets/ liabilities held at June 30, 2023
Assets									
Financial instruments and other inventory positions owned:									
Municipal securities:									
Tax-exempt securities	$ 3,887	$ —	$ —	$ —	$ —	$ —	$ 3	$ 3,890	$ 3
Derivative contracts	4,756	25	(2,353)	—	—	2,328	(3,429)	1,327	1,108
Total financial instruments and other inventory positions owned	8,643	25	(2,353)	—	—	2,328	(3,426)	5,217	1,111
Investments at fair value	191,845	19,136	(6,747)	—	(14,691)	(728)	20,022	208,837	10,272
Total assets	$ 200,488	$ 19,161	$ (9,100)	$ —	$ (14,691)	$ 1,600	$ 16,596	$ 214,054	$ 11,383
Liabilities									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	$ 1,082	$ (1,493)	$ 140	$ —	$ —	$ 1,353	$ (352)	$ 730	$ 572
Total financial instruments and other inventory positions sold, but not yet purchased	$ 1,082	$ (1,493)	$ 140	$ —	$ —	$ 1,353	$ (352)	$ 730	$ 572

(Amounts in thousands)	Balance at December 31, 2021	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses)	Unrealized gains/ (losses)	Balance at June 30, 2022	Unrealized gains/ (losses) for assets/ liabilities held at June 30, 2022
Assets									
Financial instruments and other inventory positions owned:									
Municipal securities:									
Tax-exempt securities	$ 247	$ —	$ —	$ —	$ —	$ —	$ 12	$ 259	$ 12
Derivative contracts	726	450	(2,525)	—	—	2,075	11,397	12,123	12,123
Total financial instruments and other inventory positions owned	973	450	(2,525)	—	—	2,075	11,409	12,382	12,135
Investments at fair value	142,286	39,673	(18,252)	—	(172)	12,936	(7,455)	169,016	5,419
Total assets	$ 143,259	$ 40,123	$ (20,777)	$ —	$ (172)	$ 15,011	$ 3,954	$ 181,398	$ 17,554
Liabilities									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	$ 1,898	$ (570)	$ 680	$ —	$ —	$ (110)	$ (283)	$ 1,615	$ 1,615
Total financial instruments and other inventory positions sold, but not yet purchased	$ 1,898	$ (570)	$ 680	$ —	$ —	$ (110)	$ (283)	$ 1,615	$ 1,615

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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.

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

Note 6 *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, or municipal debt obligations, 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 June 30, 2023 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 June 30, 2023. 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 the Secured Overnight Financing Rate ("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	$ 288,967
Other assets	445
Total assets	$ 289,412
Liabilities	
Other liabilities and accrued expenses	$ 4,870
Total liabilities	$ 4,870

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 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 $1.2 billion at June 30, 2023 and December 31, 2022. The Company's exposure to loss from these VIEs is $11.3 million, which is the carrying value of its capital contributions recorded in investments on the consolidated statements of financial condition at June 30, 2023. The Company had no liabilities related to these VIEs at June 30, 2023 and December 31, 2022. Furthermore, the Company has not provided financial or other support to these VIEs that it was not previously contractually required to provide as of June 30, 2023.

Note 7 *Receivables from and Payables to Brokers, Dealers and Clearing Organizations*

(Amounts in thousands)	**June 30, 2023**	**December 31, 2022**
Receivable from clearing organizations	**$ 194,691**	$ 285,957
Receivable from brokers and dealers	**15,478**	10,942
Other	**3,330**	3,564
Total receivables from brokers, dealers and clearing organizations	**$ 213,499**	$ 300,463

(Amounts in thousands)	**June 30, 2023**	**December 31, 2022**
Payable to brokers and dealers	**$ 1,272**	$ 4,622
Total payables to brokers, dealers and clearing organizations	**$ 1,272**	$ 4,622

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 from trading activity. The Company's fully disclosed clearing agreement includes a covenant requiring Piper Sandler to maintain excess net capital of $120 million.

Note 8 *Investments*

The Company's investments include investments in private companies and partnerships.

(Amounts in thousands)	**June 30, 2023**	**December 31, 2022**
Investments at fair value	**$ 305,903**	$ 273,892
Investments at cost	**281**	509
Investments accounted for under the equity method	**11,072**	11,325
Total investments	**317,256**	285,726
Less investments attributable to noncontrolling interests (1)	**(229,341)**	(200,687)
	$ 87,915	$ 85,039

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

At June 30, 2023, 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.

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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 9 *Other Assets*

(Amounts in thousands)	**June 30, 2023**	December 31, 2022
Fee receivables	**$ 51,699**	$ 42,645
Forgivable loans, net	**17,644**	20,667
Prepaid expenses	**14,489**	18,664
Income tax receivables	**16,235**	—
Other (1)	**26,196**	24,049
Total other assets	**$ 126,263**	$ 106,025

(1) As of December 31, 2022, the Company had a $7.5 million financing receivable included in other assets. This balance was written off in the second quarter of 2023 as it was deemed uncollectible. The write-off is included in other operating expenses on the consolidated statements of operations.

Note 10 *Short-Term Financing*

The Company has an unsecured $75 million revolving credit facility with U.S. Bank N.A. The credit agreement will terminate on December 19, 2025, unless otherwise terminated, and is subject to a one-year extension exercisable at the option of the Company. 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 June 30, 2023, there were no advances against this credit facility.

The Company's committed short-term bank line financing at June 30, 2023 consisted of a one-year $80 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 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 8, 2023. The Company pays a nonrefundable commitment fee on the unused portion of the facility on a quarterly basis. At June 30, 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 has established reserves for potential losses that are probable and reasonably estimable that may result from pending and potential legal actions, investigations and regulatory proceedings. Reasonably possible losses in excess of amounts accrued at June 30, 2023 are not material. 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 be more developed before a loss 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 reserves 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 its established reserves, that pending legal actions, investigations and regulatory proceedings will be resolved with no material adverse effect on the consolidated statements of financial condition, results of operations or cash flows of the Company. However, if during any period a potential adverse contingency should become probable or resolved for an amount in excess of the established reserves, 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. 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.

The SEC is conducting an investigation of the Company regarding compliance with recordkeeping requirements for business-related communications sent over unapproved electronic messaging channels. The SEC has brought several recent enforcement actions relating to recordkeeping practices, and it is currently conducting numerous similar investigations of other registered broker dealers and registered investment advisors. The Company is cooperating with the investigation. No loss contingency has been reflected in the Company's consolidated financial statements at this time. Management is currently unable to estimate a range of reasonably possible loss related to this investigation.

Note 12 *Restructuring and Integration Costs*

The Company incurred the following restructuring and integration costs:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands)	**2023**	**2022**	**2023**	**2022**
Vacated leased office space	**$ 896**	$ —	**$ 896**	$ —
Severance, benefits and outplacement	**2,937**	137	**2,937**	588
Total restructuring costs	**3,833**	137	**3,833**	588
Integration costs	**70**	1,472	**70**	2,268
Total restructuring and integration costs	**$ 3,903**	$ 1,609	**$ 3,903**	$ 2,856

Note 13 *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 six months ended June 30, 2023, the Company declared and paid quarterly cash dividends on its common stock, aggregating $1.20 per share, and a special cash dividend on its common stock of $1.25 per share. The special cash dividend relates to the Company's fiscal year 2022 results. Total dividends paid, including accrued forfeitable dividends paid on restricted stock vestings, were $64.1 million for the six months ended June 30, 2023.

On July 28, 2023, the board of directors declared a quarterly cash dividend on its common stock of $0.60 per share to be paid on September 8, 2023, to shareholders of record as of the close of business on August 25, 2023.

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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 or 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 June 30, 2023
May 6, 2022	$150.0 million	December 31, 2024	$138.2 million
January 1, 2022	$150.0 million	December 31, 2023	$—

The following table summarizes the Company's repurchase activity:

	Six Months Ended June 30,	
	2023	**2022**
Shares repurchased pursuant to repurchase authorizations		
Common shares repurchased	**—**	1,068,387
Aggregate purchase price (in millions)	**$ —**	$ 142.9
Average price per share	**$ —**	$ 133.79
Shares repurchased from employees related to employment tax obligations		
Common shares repurchased	**447,454**	139,073
Aggregate purchase price (in millions)	**$ 63.7**	$ 21.3
Average price per share	**$ 142.40**	$ 152.86

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 six months ended June 30, 2023 and 2022, the Company issued 1,846,227 shares and 864,875 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 applicable to noncontrolling interests is deducted from consolidated net income to determine net income applicable to the Company. There was no other comprehensive income or loss attributed to noncontrolling interests for the six months ended June 30, 2023 and 2022.

Note 14 *Compensation Plans*

Stock-Based Compensation Plans

The Company has four outstanding stock-based compensation plans: the Amended and Restated 2003 Annual and Long-Term Incentive Plan (the "Incentive Plan"), the 2019 Employment Inducement Award Plan (the "2019 Inducement 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 of June 30, 2023:

Restricted stock related to compensation plans	
Annual grants	744,764
Sign-on grants	108,926
Inducement grants	63,797
2019 Inducement Plan	47,353
2020 Inducement Plan	564,792
2022 Inducement Plan	161,030
Total restricted stock related to compensation plans	1,690,662
Restricted stock related to acquisitions (1)	1,044,452
Total restricted stock	2,735,114
Restricted stock units	181,193
Stock options	156,667

(1) Includes restricted stock with service conditions issued in conjunction with all acquisitions since January 1, 2020. See Note 3 for further discussion.

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 (1.9 million shares remained available for future issuance under the Incentive Plan as of June 30, 2023). 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").

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The Company's Annual Grants are made each year in February. Annual Grants vest ratably over three years in equal installments. The 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 the 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 the 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 2022 for its February 2023 Annual Grant. If an equity award related to the 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 and Stamford Partners. 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**
2023	100%	100%	200%
2022	75%	75%	150%
2021	75%	75%	150%
2020	75%	75%	150%
2019	75%	75%	150%

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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 June 30, 2023, the expected payout leverage for the performance condition portion of the award by grant year is as follows:

Grant Year	Expected Payout Leverage
2023	35%
2022	—%
2021	75%

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
2023	2026	4.35%	47.5%
2022	2025	1.80%	43.8%
2021	2024	0.23%	43.2%
2020	2023	1.40%	27.3%
2019	2022	2.50%	31.9%

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 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 are subject to graded vesting, generally beginning on the third anniversary of the grant date through August 2, 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. (collectively "Sandler O'Neill"). 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 are subject to ratable vesting over a three-year vesting period.

The Company established the 2022 Inducement Plan in conjunction with its acquisition of 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 June 30,		Six Months Ended June 30,	
(Amounts in millions)	**2023**	**2022**	**2023**	**2022**
Stock-based compensation expense	**$ 12.8**	$ 27.6	**$ 40.1**	$ 59.3
Forfeitures	**0.2**	0.3	**0.8**	0.3
Tax benefit related to stock-based compensation expense	**3.0**	3.7	**8.1**	7.1

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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, 2022	**4,219,826**	**$ 92.43**
Granted	300,749	154.10
Vested	(1,766,180)	84.19
Canceled	(19,281)	150.30
June 30, 2023	**2,735,114**	**$ 104.13**

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, 2022	**188,328**	**$ 115.16**
Granted	48,931	177.75
Vested	(56,066)	86.01
Canceled	—	—
June 30, 2023	**181,193**	**$ 141.08**

As of June 30, 2023, there was $112.4 million of total unrecognized compensation cost related to restricted stock and restricted stock units expected to be recognized over a weighted average period of 3.1 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, 2022	**81,667**	**$ 99.00**	**5.1**	**$ 2,547,194**
Granted	75,000	170.76		
Exercised	—	—		
Canceled	—	—		
Expired	—	—		
June 30, 2023	**156,667**	**$ 133.35**	**7.0**	**$ 2,471,243**
Options exercisable at June 30, 2023	**81,667**	**$ 99.00**	**4.6**	**$ 2,471,243**

As of June 30, 2023, there was $3.2 million of unrecognized compensation cost related to stock options expected to be recognized over a weighted average period of 4.6 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 and 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 $16.4 million and $15.9 million as of June 30, 2023 and December 31, 2022, 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 addition to restricted stock granted under the 2020 Inducement Plan in conjunction with the 2020 acquisitions of Valence and TRS, additional cash may be earned by certain employees if a revenue threshold is exceeded during the respective three-year post-acquisition period to the extent they are employed by the Company at the time of payment. Amounts estimated to be payable, if any, will be recorded as compensation expense on the consolidated statements of operations over the requisite performance period.

If earned, the amount related to the acquisition of Valence (the "Valence Earnout") will be paid in the third quarter of 2023. As of June 30, 2023, the Company has accrued $9.5 million related to this additional cash payment. The Company recorded $0.3 million and $1.6 million in compensation expense related to the Valence Earnout for the three months ended June 30, 2023 and 2022, respectively, and $1.7 million and $3.1 million for the six months ended June 30, 2023 and 2022, respectively.

If earned, the amount related to the acquisition of TRS (the "TRS Earnout") will be paid by April 3, 2024. As of June 30, 2023, the Company expects the maximum amount of $7.0 million will be earned and has accrued $5.4 million related to this additional cash payment. The Company recorded $0.6 million in compensation expense related to the TRS Earnout for the three months ended June 30, 2023 and 2022, and $1.1 million for the six months ended June 30, 2023 and 2022.

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

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Notes to the Consolidated Financial Statements

(Unaudited)

Note 15 *Earnings Per Share ("EPS")*

Basic earnings per common share is computed by dividing net income applicable 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 computation of EPS is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands, except per share data)	**2023**	**2022**	**2023**	**2022**
Net income applicable to Piper Sandler Companies	**$ 3,954**	$ 21,390	**$ 29,588**	$ 58,041
Shares for basic and diluted calculations:				
Average shares used in basic computation	**15,066**	14,018	**14,788**	14,248
Stock options	**20**	12	**23**	18
Restricted stock units	**140**	208	**149**	204
Restricted shares	**1,857**	2,682	**2,175**	2,636
Average shares used in diluted computation	**17,084**	16,920	**17,134**	17,106
Earnings per common share:				
Basic	**$ 0.26**	$ 1.53	**$ 2.00**	$ 4.07
Diluted	**$ 0.23**	$ 1.26	**$ 1.73**	$ 3.39

The anti-dilutive effects from stock options and restricted shares were immaterial for the three and six months ended June 30, 2023 and 2022.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

Note 16 *Revenues and Business Information*

The Company's activities as an investment bank and institutional securities firm constitute a single business segment. The substantial majority 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 June 30,		Six Months Ended June 30,	
(Amounts in thousands)	**2023**	**2022**	**2023**	**2022**
Investment banking				
Advisory services	**$ 129,775**	$ 169,660	**$ 270,439**	$ 380,559
Corporate financing	**36,923**	29,237	**63,728**	48,423
Municipal financing	**17,269**	35,235	**34,204**	62,652
Total investment banking	**183,967**	234,132	**368,371**	491,634
Institutional brokerage				
Equity brokerage	**50,435**	51,375	**104,266**	101,180
Fixed income services	**37,403**	53,567	**79,885**	108,324
Total institutional brokerage	**87,838**	104,942	**184,151**	209,504
Interest income	**3,729**	4,536	**12,441**	8,392
Investment income/(loss)	**15,797**	10,936	**26,912**	(2,138)
Total revenues	**291,331**	354,546	**591,875**	707,392
Interest expense	**2,605**	2,355	**5,244**	4,556
Net revenues	**288,726**	352,191	**586,631**	702,836
Non-interest expenses	**274,345**	315,031	**546,441**	630,039
Pre-tax income	**$ 14,381**	$ 37,160	**$ 40,190**	$ 72,797
Pre-tax margin	**5.0 %**	10.6 %	**6.9 %**	10.4 %

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

Note 17 *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 June 30, 2023, net capital calculated under the SEC rule was $182.6 million, and exceeded the minimum net capital required under the SEC rule by $181.6 million.

The Company's committed short-term credit facility, revolving credit facility and its Class B senior notes 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 United Kingdom, is subject to the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority. As of June 30, 2023, 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 June 30, 2023, 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, 2022, 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, 2022, 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 U.S. generally accepted accounting principles ("GAAP"). These non-GAAP financial measures include adjustments to exclude (1) revenues and 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, (5) restructuring and integration costs related to acquisitions and/or headcount reductions and (6) the income tax expense 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 applicable 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 United States and Europe. We operate through one reportable business segment. Refer to our Annual Report on Form 10-K for the year ended December 31, 2022 for a full description of our business, including our business strategy.

During 2022, we completed the following acquisitions as part of our growth strategy:

- On October 7, 2022, we completed the acquisition of DBO Partners Holding LLC, including its subsidiary, DBO Partners LLC (collectively, "DBO Partners"), a technology investment banking firm. The transaction expanded the scale of our technology sector and added general partner advisory services.

- On June 10, 2022, we completed the acquisition of Stamford Partners LLP, a specialist investment bank offering mergers and acquisitions advisory services to European food and beverage and related consumer sectors. The transaction expanded our presence in Europe.

- On February 4, 2022, we completed the acquisition of Cornerstone Macro Research LP, including its subsidiary, Cornerstone Macro LLC (collectively, "Cornerstone Macro"), a research firm focused on providing macro research and equity derivatives trading to institutional investors. The transaction added a macro research platform and increased the scale of our equity brokerage operations.

Financial Highlights

	Three Months Ended			Six Months Ended		
(Amounts in thousands, except per share data)	**June 30, 2023**	**June 30, 2022**	**2023 v2022**	**June 30, 2023**	**June 30, 2022**	**2023 v2022**
U.S. GAAP						
Net revenues	**$ 288,726**	$ 352,191	(18.0)%	**$ 586,631**	$ 702,836	(16.5)%
Compensation and benefits	**189,204**	239,917	(21.1)	**388,598**	487,816	(20.3)
Non-compensation expenses	**85,141**	75,114	13.3	**157,843**	142,223	11.0
Income before income tax expense/(benefit)	**14,381**	37,160	(61.3)	**40,190**	72,797	(44.8)
Net income applicable to Piper Sandler Companies	**3,954**	21,390	(81.5)	**29,588**	58,041	(49.0)
Earnings per diluted common share	**$ 0.23**	$ 1.26	(81.7)	**$ 1.73**	$ 3.39	(49.0)
Ratios and margin						
Compensation ratio	**65.5 %**	68.1 %		**66.2 %**	69.4 %	
Non-compensation ratio	**29.5 %**	21.3 %		**26.9 %**	20.2 %	
Pre-tax margin	**5.0 %**	10.6 %		**6.9 %**	10.4 %	
Effective tax rate	**(1.7)%**	25.3 %		**(19.6)%**	28.0 %	
Non-GAAP[(1)]						
Adjusted net revenues	**$ 277,370**	$ 345,642	(19.8)%	**$ 566,596**	$ 707,435	(19.9)%
Adjusted compensation and benefits	**176,964**	216,787	(18.4)	**360,108**	442,908	(18.7)
Adjusted non-compensation expenses	**74,030**	68,323	8.4	**139,336**	128,794	8.2
Adjusted operating income	**26,376**	60,532	(56.4)	**67,152**	135,733	(50.5)
Adjusted net income applicable to Piper Sandler Companies	**20,246**	44,066	(54.1)	**62,542**	100,620	(37.8)
Adjusted earnings per diluted common share	**$ 1.13**	$ 2.47	(54.3)	**$ 3.49**	$ 5.59	(37.6)
Adjusted ratios and margin						
Adjusted compensation ratio	**63.8 %**	62.7 %		**63.6 %**	62.6 %	
Adjusted non-compensation ratio	**26.7 %**	19.8 %		**24.6 %**	18.2 %	
Adjusted operating margin	**9.5 %**	17.5 %		**11.9 %**	19.2 %	
Adjusted effective tax rate	**18.2 %**	25.2 %		**2.1 %**	24.1 %	

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 June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net revenues:				
Net revenues – U.S. GAAP basis	**$ 288,726**	$ 352,191	**$ 586,631**	$ 702,836
Adjustments:				
Revenue related to noncontrolling interests	**(12,981)**	(8,174)	**(23,285)**	1,349
Interest expense on long-term financing	**1,625**	1,625	**3,250**	3,250
Adjusted net revenues	**$ 277,370**	$ 345,642	**$ 566,596**	$ 707,435
Compensation and benefits:				
Compensation and benefits – U.S. GAAP basis	**$ 189,204**	$ 239,917	**$ 388,598**	$ 487,816
Adjustment:				
Compensation from acquisition-related agreements	**(12,240)**	(23,130)	**(28,490)**	(44,908)
Adjusted compensation and benefits	**$ 176,964**	$ 216,787	**$ 360,108**	$ 442,908
Non-compensation expenses:				
Non-compensation expenses – U.S. GAAP basis	**$ 85,141**	$ 75,114	**$ 157,843**	$ 142,223
Adjustments:				
Non-compensation expenses related to noncontrolling interests	**(2,304)**	(1,789)	**(4,796)**	(4,259)
Restructuring and integration costs	**(3,903)**	(1,609)	**(3,903)**	(2,856)
Amortization of intangible assets related to acquisitions	**(4,904)**	(3,393)	**(9,808)**	(6,314)
Adjusted non-compensation expenses	**$ 74,030**	$ 68,323	**$ 139,336**	$ 128,794
Income before income tax expense/(benefit):				
Income before income tax expense/(benefit) – U.S. GAAP basis	**$ 14,381**	$ 37,160	**$ 40,190**	$ 72,797
Adjustments:				
Revenue related to noncontrolling interests	**(12,981)**	(8,174)	**(23,285)**	1,349
Interest expense on long-term financing	**1,625**	1,625	**3,250**	3,250
Non-compensation expenses related to noncontrolling interests	**2,304**	1,789	**4,796**	4,259
Compensation from acquisition-related agreements	**12,240**	23,130	**28,490**	44,908
Restructuring and integration costs	**3,903**	1,609	**3,903**	2,856
Amortization of intangible assets related to acquisitions	**4,904**	3,393	**9,808**	6,314
Adjusted operating income	**$ 26,376**	$ 60,532	**$ 67,152**	$ 135,733
Interest expense on long-term financing	**(1,625)**	(1,625)	**(3,250)**	(3,250)
Adjusted income before adjusted income tax expense	**$ 24,751**	$ 58,907	**$ 63,902**	$ 132,483
Income tax expense/(benefit):				
Income tax expense/(benefit) – U.S. GAAP basis	**$ (250)**	$ 9,385	**$ (7,887)**	$ 20,364
Tax effect of adjustments:				
Compensation from acquisition-related agreements	**2,483**	4,470	**5,710**	9,504
Restructuring and integration costs	**1,007**	176	**1,007**	443
Amortization of intangible assets related to acquisitions	**1,265**	810	**2,530**	1,552
Adjusted income tax expense	**$ 4,505**	$ 14,841	**$ 1,360**	$ 31,863
Net income applicable to Piper Sandler Companies:				
Net income applicable to Piper Sandler Companies – U.S. GAAP basis	**$ 3,954**	$ 21,390	**$ 29,588**	$ 58,041
Adjustments:				
Compensation from acquisition-related agreements	**9,757**	18,660	**22,780**	35,404
Restructuring and integration costs	**2,896**	1,433	**2,896**	2,413
Amortization of intangible assets related to acquisitions	**3,639**	2,583	**7,278**	4,762
Adjusted net income applicable to Piper Sandler Companies	**$ 20,246**	$ 44,066	**$ 62,542**	$ 100,620

(Amounts in thousands, except per share data)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Earnings per diluted common share:				
Earnings per diluted common share – U.S. GAAP basis	**$ 0.23**	$ 1.26	**$ 1.73**	$ 3.39
Adjustment for inclusion of unvested acquisition-related stock	**(0.05)**	(0.14)	**(0.16)**	(0.29)
	$ 0.18	$ 1.12	**$ 1.57**	$ 3.10
Adjustments:				
Compensation from acquisition-related agreements	**0.57**	1.11	**1.33**	2.07
Restructuring and integration costs	**0.17**	0.08	**0.17**	0.14
Amortization of intangible assets related to acquisitions	**0.21**	0.16	**0.42**	0.28
Adjusted earnings per diluted common share	**$ 1.13**	$ 2.47	**$ 3.49**	$ 5.59
Weighted average diluted common shares outstanding:				
Weighted average diluted common shares outstanding – U.S. GAAP basis	**17,084**	16,920	**17,134**	17,106
Adjustment:				
Unvested acquisition-related restricted stock with service conditions	**808**	937	**811**	886
Adjusted weighted average diluted common shares outstanding	**17,892**	17,857	**17,945**	17,992

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 2023

We believe U.S. monetary policy will remain a critical factor impacting the economy and financial markets throughout the remainder of the year. The U.S. Federal Reserve further increased its short-term benchmark interest rate in the second quarter of 2023 and is expected to increase and hold rates higher for the remainder of the year as it continues its tightening measures. Higher interest rates and persistent inflation combined with labor shortages, capital and liquidity concerns in the commercial banking sector, tightened commercial bank lending standards, supply and demand imbalances and geopolitical tensions, including the war in Ukraine, continue to strain the economy. While these factors continue to contribute to muted activity in the financial markets, lower business confidence and economic uncertainty, client activity has started to show modest improvements within advisory services and corporate financing.

We experienced a lower level of advisory services activity, particularly with our depository clients, in the second quarter of 2023, reflective of the ongoing challenging market conditions. We expect the reduction in depository institution activity to continue for the remainder of the year as a result of current company and portfolio valuations, a lack of clarity around credit quality and an uncertain regulatory capital framework. However, we expect to benefit from the longer-term outlook for depository institution consolidation and an increase in capital markets activity. Our overall outlook for advisory services has improved as we have a number of larger announced deals expected to close in the second half of the year, as well as a strong pipeline of deals that have started the sale process. We expect our advisory services revenue for the second half of 2023 to be better than the first half of the year.

Equity financing market activity continued to improve in the second quarter of 2023 with lower volatility levels and an increase in investor demand for new issuances. However, market activity continues to remain below historical levels. We anticipate our capital markets activity will continue to build as we progress through the remainder of the year as clients require access to capital in order to execute on their strategic plans.

The equity markets experienced lower volatility and moderated volumes during the second quarter of 2023, which we believe will continue in the near-term. We expect our equity brokerage revenues in the second half of 2023 to be largely consistent with the first half of the year.

Market conditions for our fixed income services business continued to be challenging in the second quarter of 2023 driven by a steeper inverted yield curve and uncertainty in expectations regarding the terminal level of interest rates. The current market dynamics resulted in lower client activity, particularly among our depository clients as banking institutions continue to focus on building liquidity and evaluating their capital and funding position. While we expect our near-term outlook to remain challenging, we anticipate more clarity on interest rates as the year progresses which should provide a turning point to more constructive fixed income markets.

Our municipal financing business continued to experience challenging market conditions in the second quarter of 2023 driven by higher interest rates and volatility, as well as weakened investor demand. In the first half of 2023, overall market negotiated issuances decreased approximately 20 percent from the prior-year period, reflective of the significant decline across the industry. Our results continue to be disproportionately impacted relative to overall market issuances due to our meaningful presence in the high-yield specialty sector and our middle market focus within the governmental business. We expect our municipal financing revenues to improve modestly during the second half of the year.

Results of Operations

Financial Summary for the three months ended June 30, 2023 and June 30, 2022

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 June 30,			As a Percentage of Net Revenues for the Three Months Ended June 30,	
(Amounts in thousands)	**2023**	**2022**	**2023 v2022**	**2023**	**2022**
Revenues:					
Investment banking	**$ 183,967**	$ 234,132	(21.4)%	**63.7 %**	66.5 %
Institutional brokerage	**87,838**	104,942	(16.3)	**30.4**	29.8
Interest income	**3,729**	4,536	(17.8)	**1.3**	1.3
Investment income	**15,797**	10,936	44.4	**5.5**	3.1
Total revenues	**291,331**	354,546	(17.8)	**100.9**	100.7
Interest expense	**2,605**	2,355	10.6	**0.9**	0.7
Net revenues	**288,726**	352,191	(18.0)	**100.0**	100.0
Non-interest expenses:					
Compensation and benefits	**189,204**	239,917	(21.1)	**65.5**	68.1
Outside services	**13,456**	14,429	(6.7)	**4.7**	4.1
Occupancy and equipment	**16,020**	15,562	2.9	**5.5**	4.4
Communications	**13,047**	13,215	(1.3)	**4.5**	3.8
Marketing and business development	**10,930**	12,238	(10.7)	**3.8**	3.5
Deal-related expenses	**7,505**	8,308	(9.7)	**2.6**	2.4
Trade execution and clearance	**4,854**	5,891	(17.6)	**1.7**	1.7
Restructuring and integration costs	**3,903**	1,609	142.6	**1.4**	0.5
Intangible asset amortization	**4,904**	3,393	44.5	**1.7**	1.0
Other operating expenses	**10,522**	469	N/M	**3.6**	0.1
Total non-interest expenses	**274,345**	315,031	(12.9)	**95.0**	89.4
Income before income tax expense/(benefit)	**14,381**	37,160	(61.3)	**5.0**	10.6
Income tax expense/(benefit)	**(250)**	9,385	N/M	**(0.1)**	2.7
Net income	**14,631**	27,775	(47.3)	**5.1**	7.9
Net income applicable to noncontrolling interests	**10,677**	6,385	67.2	**3.7**	1.8
Net income applicable to Piper Sandler Companies	**$ 3,954**	$ 21,390	(81.5)%	**1.4 %**	6.1 %

N/M – Not meaningful

For the three months ended June 30, 2023, we recorded net income applicable to Piper Sandler Companies of $4.0 million. Net revenues for the three months ended June 30, 2023 were $288.7 million, an 18.0 percent decrease compared with $352.2 million in the year-ago period. In the second quarter of 2023, investment banking revenues were $184.0 million, down 21.4 percent compared to $234.1 million in the prior-year period, primarily resulting from a decrease in advisory services revenues, as well as lower municipal financing revenues, offset in part by higher corporate financing revenues. For the three months ended June 30, 2023, institutional brokerage revenues were $87.8 million, down 16.3 percent compared with $104.9 million in the second quarter of 2022, primarily resulting from lower fixed income services revenues. For the three months ended June 30, 2023, net interest income was $1.1 million, compared to $2.2 million in the prior-year period. In the second quarter of 2023, we recorded investment income of $15.8 million, compared to $10.9 million in the second quarter of 2022. In the current quarter, we recorded higher gains on our investments and the noncontrolling interests in the alternative asset management funds that we manage. Non-interest expenses were $274.3 million for the three months ended June 30, 2023, down 12.9 percent compared with $315.0 million in the prior-year period, primarily due to decreased compensation expenses resulting from lower revenues.

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, 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. Other compensation costs, primarily base salaries and benefits, are more fixed in nature. The timing of incentive compensation payments, which generally occur 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, restricted cash and forgivable loans with service conditions, as well as expense estimates related to revenue-based earnout arrangements:

(Amounts in thousands)	
Remainder of 2023	$ 23,459
2024	41,444
2025	22,671
2026	14,992
2027	9,366
Total	$ 111,932

For the three months ended June 30, 2023, compensation and benefits expenses decreased 21.1 percent to $189.2 million, compared with $239.9 million in the corresponding period of 2022, due to lower revenues. Compensation and benefits expenses as a percentage of net revenues was 65.5 percent in the second quarter of 2023, compared to 68.1 percent in the second quarter of 2022. Excluding the impact of noncontrolling interests, our compensation ratio decreased to 68.6 percent in the second quarter of 2023, compared with 69.7 percent in the second quarter of 2022 due to lower net 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 decreased 6.7 percent to $13.5 million in the second quarter of 2023, compared with $14.4 million in the corresponding period of 2022, primarily due to lower professional fees and legal fees.

Occupancy and Equipment – For the three months ended June 30, 2023, occupancy and equipment expenses were $16.0 million, up slightly compared with $15.6 million in the corresponding period of 2022.

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 June 30, 2023, communication expenses were $13.0 million, down slightly compared with $13.2 million in the corresponding period of 2022.

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 June 30, 2023, marketing and business development expenses decreased 10.7 percent to $10.9 million, compared with $12.2 million in the corresponding period of 2022. The decrease was primarily due to lower 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 and entertainment costs. For the three months ended June 30, 2023, deal-related expenses were $7.5 million, compared with $8.3 million for the three months ended June 30, 2022. 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 June 30, 2023, trade execution and clearance expenses decreased 17.6 percent to $4.9 million, compared with $5.9 million in the corresponding period of 2022. The decrease in trade execution and clearance expenses is reflective of lower trading volumes compared with the second quarter of 2022.

Restructuring and Integration Costs – For the three months ended June 30, 2023, we incurred restructuring and integration costs of $3.9 million. The expenses primarily consisted of $2.9 million of severance benefits related to headcount reductions and $0.9 million for vacated leased office space associated with our acquisitions of Cornerstone Macro and The Valence Group. For the three months ended June 30, 2022, we incurred restructuring and integration costs of $1.6 million, primarily consisting of transaction costs related to our 2022 acquisitions.

Intangible Asset Amortization – Intangible asset amortization includes the amortization of definite-lived intangible assets consisting of customer relationships and internally developed software. For the three months ended June 30, 2023, intangible asset amortization was $4.9 million, compared to $3.4 million for the three months ended June 30, 2022. The increase was primarily due to higher intangible asset amortization expense associated with our acquisition of DBO Partners.

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

(Amounts in thousands)		
Remainder of 2023	$	9,632
2024		9,445
2025		7,887
2026		7,253
2027		3,480
Thereafter		2,732
Total	$	40,429

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 reserve and/or pay out related to legal and regulatory matters. Other operating expenses were $10.5 million in the second quarter of 2023, compared with $0.5 million in the corresponding period in 2022. The increase was primarily due to the write-off of a $7.5 million uncollectible receivable in our municipal financing business.

Income Taxes – For the three months ended June 30, 2023, our provision for income taxes was a benefit of $0.3 million, which included $0.7 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 12.5 percent. The decrease in the effective tax rate was driven by lower non-deductible expenses.

For the three months ended June 30, 2022, our provision for income taxes was $9.4 million, which included a $0.1 million tax benefit related to stock-based compensation awards vesting at values greater than the grant price. Excluding the impact of this benefit and noncontrolling interests, our effective tax rate was 30.7 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) revenues and 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) restructuring and integration costs related to acquisitions and/or headcount reductions. 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:

	Three Months Ended June 30,							
	2023				2022			
		Adjustments (1)				Adjustments (1)		
(Amounts in thousands)	Total Adjusted	Noncontrolling Interests	Other Adjustments	U.S. GAAP	Total Adjusted	Noncontrolling Interests	Other Adjustments	U.S. GAAP
Investment banking								
Advisory services	$ 129,775	$ —	$ —	$ 129,775	$ 169,660	$ —	$ —	$ 169,660
Corporate financing	36,923	—	—	36,923	29,237	—	—	29,237
Municipal financing	17,269	—	—	17,269	35,235	—	—	35,235
Total investment banking	183,967	—	—	183,967	234,132	—	—	234,132
Institutional brokerage								
Equity brokerage	50,435	—	—	50,435	51,375	—	—	51,375
Fixed income services	37,403	—	—	37,403	53,567	—	—	53,567
Total institutional brokerage	87,838	—	—	87,838	104,942	—	—	104,942
Interest income	3,729	—	—	3,729	4,536	—	—	4,536
Investment income	2,816	12,981	—	15,797	2,762	8,174	—	10,936
Total revenues	278,350	12,981	—	291,331	346,372	8,174	—	354,546
Interest expense	980	—	1,625	2,605	730	—	1,625	2,355
Net revenues	277,370	12,981	(1,625)	288,726	345,642	8,174	(1,625)	352,191
Total non-interest expenses	250,994	2,304	21,047	274,345	285,110	1,789	28,132	315,031
Pre-tax income	$ 26,376	$ 10,677	$ (22,672)	$ 14,381	$ 60,532	$ 6,385	$ (29,757)	$ 37,160
Pre-tax margin	9.5 %			5.0 %	17.5 %			10.6 %

(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:

	Three Months Ended June 30,	
(Amounts in thousands)	*2023*	*2022*
Interest expense on long-term financing	*$ 1,625*	*$ 1,625*
Compensation from acquisition-related agreements	*12,240*	*23,130*
Restructuring and integration costs	*3,903*	*1,609*
Amortization of intangible assets related to acquisitions	*4,904*	*3,393*
	21,047	*28,132*
Total other adjustments	*$ 22,672*	*$ 29,757*

Net revenues on a U.S. GAAP basis were $288.7 million for the three months ended June 30, 2023, compared with $352.2 million in the prior-year period. For the three months ended June 30, 2023, adjusted net revenues were $277.4 million, compared with $345.6 million in the second quarter of 2022. 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 June 30,	
	2023	**2022**
Advisory services		
Completed M&A and restructuring transactions	**52**	49
Completed capital advisory transactions	**9**	22
Total completed advisory transactions	**61**	71
Corporate financings		
Total equity transactions priced	**22**	11
Book run equity transactions priced	**21**	9
Total debt and preferred transactions priced	**2**	10
Book run debt and preferred transactions priced	**—**	5
Municipal negotiated issues		
Aggregate par value of issues priced (in billions)	**$ 2.4**	$ 4.8
Total issues priced	**109**	179
Equity brokerage		
Number of shares traded (in billions)	**2.7**	2.8

Investment banking revenues comprise all of the revenues generated through advisory services activities, which include mergers and acquisitions ("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 second quarter of 2023, investment banking revenues decreased 21.4 percent to $184.0 million, compared with $234.1 million in the prior-year period. For the three months ended June 30, 2023, advisory services revenues were $129.8 million, down 23.5 percent compared to $169.7 million in the second quarter of 2022, due to fewer completed transactions and lower average fees, reflecting the continued challenges in the M&A and debt markets driven by macroeconomic uncertainty. The decline in our advisory services activity was largely driven by a significant market-wide reduction in depository institution advisory transactions. During the second quarter of 2023, our activity was principally in the healthcare sector, with solid contributions from the energy & power and restructuring sectors. For the three months ended June 30, 2023, corporate financing revenues were $36.9 million, up 26.3 percent compared with $29.2 million for the three months ended June 30, 2022, driven by increased equity financing activity and more book run equity transactions. The equity financing market improved during the second quarter with lower volatility levels and an increase in investor demand for new issuances. However, overall market activity continues to remain below historic levels. Activity for us during the second quarter of 2023 was principally in the healthcare sector, and we served as book runner on all 14 completed healthcare equity deals. Municipal financing revenues for the three months ended June 30, 2023 were $17.3 million, down 51.0 percent compared to $35.2 million in the prior-year period, driven by a decline in municipal negotiated issuances. Market conditions continue to remain challenging resulting from increased interest rates and volatility, combined with weakened investor demand, which reduced market issuances, particularly refinancing activity and high-yield issuances.

Institutional brokerage revenues comprise all of the revenues generated through trading activities, which consist of facilitating customer trades and executing competitive municipal underwritings, 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 payments for research services.

For the three months ended June 30, 2023, institutional brokerage revenues were $87.8 million, down 16.3 percent compared with $104.9 million in the prior-year period. Equity brokerage revenues were $50.4 million in the second quarter of 2023, down slightly compared with $51.4 million in the corresponding period of 2022, due to a decline in shares traded across the industry stemming from reduced market volatility, which was partially offset by an increase in our market share. For the three months ended June 30, 2023, fixed income services revenues were $37.4 million, down 30.2 percent compared to $53.6 million in the prior-year period, driven by reduced client activity, particularly from our depository clients as they remained focused on liquidity, which reduced their demand for marketable securities. The market conditions for fixed income also remained challenging during the quarter driven by continued interest rate uncertainty.

Interest income represents amounts earned from holding long inventory positions and cash balances. For the three months ended June 30, 2023, interest income decreased to $3.7 million, compared with $4.5 million for the three months ended June 30, 2022.

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 June 30, 2023, we recorded investment income of $15.8 million, compared with $10.9 million in the corresponding period of 2022. In the second quarter of 2023, we recorded higher 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 $2.8 million for the three months ended June 30, 2023 and 2022.

Interest expense represents amounts associated with financing, economically hedging and holding short inventory positions, including interest paid on our long-term financing arrangements, as well as commitment fees on our line of credit and revolving credit facility. For the three months ended June 30, 2023, interest expense increased slightly to $2.6 million, compared with $2.4 million in the prior-year period, reflecting higher funding balances.

Pre-tax margin for the three months ended June 30, 2023 decreased to 5.0 percent, compared to 10.6 percent for the corresponding period of 2022. Adjusted pre-tax margin for the three months ended June 30, 2023 decreased to 9.5 percent, compared with 17.5 percent for the corresponding period of 2022. In the current quarter, the decrease in pre-tax margin on both a U.S. GAAP and adjusted basis was driven by lower net revenues and higher non-compensation expenses.

Financial Summary for the six months ended June 30, 2023 and June 30, 2022

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.

	Six Months Ended June 30,			As a Percentage of Net Revenues for the Six Months Ended June 30,	
(Amounts in thousands)	**2023**	**2022**	**2023 v2022**	**2023**	**2022**
Revenues:					
Investment banking	**$ 368,371**	$ 491,634	(25.1)%	**62.8 %**	70.0 %
Institutional brokerage	**184,151**	209,504	(12.1)	**31.4**	29.8
Interest income	**12,441**	8,392	48.2	**2.1**	1.2
Investment income/(loss)	**26,912**	(2,138)	N/M	**4.6**	(0.3)
Total revenues	**591,875**	707,392	(16.3)	**100.9**	100.6
Interest expense	**5,244**	4,556	15.1	**0.9**	0.6
Net revenues	**586,631**	702,836	(16.5)	**100.0**	100.0
Non-interest expenses:					
Compensation and benefits	**388,598**	487,816	(20.3)	**66.2**	69.4
Outside services	**25,582**	25,605	(0.1)	**4.4**	3.6
Occupancy and equipment	**31,748**	30,098	5.5	**5.4**	4.3
Communications	**27,358**	25,640	6.7	**4.7**	3.6
Marketing and business development	**20,982**	20,870	0.5	**3.6**	3.0
Deal-related expenses	**13,519**	13,852	(2.4)	**2.3**	2.0
Trade execution and clearance	**9,768**	9,926	(1.6)	**1.7**	1.4
Restructuring and integration costs	**3,903**	2,856	36.7	**0.7**	0.4
Intangible asset amortization	**9,808**	6,314	55.3	**1.7**	0.9
Other operating expenses	**15,175**	7,062	114.9	**2.6**	1.0
Total non-interest expenses	**546,441**	630,039	(13.3)	**93.1**	89.6
Income before income tax expense/(benefit)	**40,190**	72,797	(44.8)	**6.9**	10.4
Income tax expense/(benefit)	**(7,887)**	20,364	N/M	**(1.3)**	2.9
Net income	**48,077**	52,433	(8.3)	**8.2**	7.5
Net income/(loss) applicable to noncontrolling interests	**18,489**	(5,608)	N/M	**3.2**	(0.8)
Net income applicable to Piper Sandler Companies	**$ 29,588**	$ 58,041	(49.0)%	**5.0 %**	8.3 %

N/M – Not meaningful

Except as discussed below, the description of non-interest expenses and net revenues as well as the underlying reasons for variances to prior year are substantially the same as the comparative quarterly discussion.

For the six months ended June 30, 2023, we recorded net income applicable to Piper Sandler Companies of $29.6 million. Net revenues for the six months ended June 30, 2023 decreased 16.5 percent to $586.6 million, compared with $702.8 million in the year-ago period. In the first half of 2023, investment banking revenues decreased 25.1 percent to $368.4 million, compared with $491.6 million in the prior-year period, primarily driven by a decrease in advisory services revenues, as well as lower municipal financing revenues, offset in part by higher corporate financing revenues. For the six months ended June 30, 2023, institutional brokerage revenues were $184.2 million, down 12.1 percent compared with $209.5 million in the first half of 2022, as lower fixed income services revenues were partially offset by higher equity brokerage revenues. In the first six months of 2023, net interest income was $7.2 million, compared to $3.8 million in the prior-year period, resulting from an increase in interest income on our cash and long inventory balances. For the six months ended June 30, 2023, we recorded investment income of $26.9 million, compared to an investment loss of $2.1 million in the prior-year period. In the first six months of 2023, we recorded gains on our investments and the noncontrolling interests in the alternative asset management funds that we manage. Non-interest expenses were $546.4 million for the six months ended June 30, 2023, down 13.3 percent compared to $630.0 million in the year-ago period, primarily due to decreased compensation expenses resulting from lower revenues.

Consolidated Non-Interest Expenses

Occupancy and Equipment – For the six months ended June 30, 2023, occupancy and equipment expenses increased 5.5 percent to $31.7 million, compared with $30.1 million in the corresponding period of 2022, primarily due to increased expenses resulting from office space expansion.

Communications – For the six months ended June 30, 2023, communications expenses increased 6.7 percent to $27.4 million, compared with $25.6 million in the corresponding period of 2022, due to higher market data services expenses resulting mainly from incremental costs related to our 2022 acquisitions.

Income Taxes – For the six months ended June 30, 2023, our provision for income taxes was a benefit of $7.9 million, which included $14.8 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 31.9 percent.

For the six months ended June 30, 2022, our provision for income taxes was $20.4 million, which included a $4.6 million tax benefit related to stock-based compensation awards vesting at values greater than the grant price. Excluding the impact of this benefit and noncontrolling interests, our effective tax rate was 31.9 percent.

Financial Performance

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:

	Six Months Ended June 30,							
	2023				2022			
		Adjustments (1)				Adjustments (1)		
(Amounts in thousands)	Total Adjusted	Noncontrolling Interests	Other Adjustments	U.S. GAAP	Total Adjusted	Noncontrolling Interests	Other Adjustments	U.S. GAAP
Investment banking								
Advisory services	$ 270,439	$ —	$ —	$ 270,439	$ 380,559	$ —	$ —	$ 380,559
Corporate financing	63,728	—	—	63,728	48,423	—	—	48,423
Municipal financing	34,204	—	—	34,204	62,652	—	—	62,652
Total investment banking	368,371	—	—	368,371	491,634	—	—	491,634
Institutional brokerage								
Equity brokerage	104,266	—	—	104,266	101,180	—	—	101,180
Fixed income services	79,885	—	—	79,885	108,324	—	—	108,324
Total institutional brokerage	184,151	—	—	184,151	209,504	—	—	209,504
Interest income	12,441	—	—	12,441	8,392	—	—	8,392
Investment income/(loss)	3,627	23,285	—	26,912	(789)	(1,349)	—	(2,138)
Total revenues	568,590	23,285	—	591,875	708,741	(1,349)	—	707,392
Interest expense	1,994	—	3,250	5,244	1,306	—	3,250	4,556
Net revenues	566,596	23,285	(3,250)	586,631	707,435	(1,349)	(3,250)	702,836
Total non-interest expenses	499,444	4,796	42,201	546,441	571,702	4,259	54,078	630,039
Pre-tax income	$ 67,152	$ 18,489	$ (45,451)	$ 40,190	$ 135,733	$ (5,608)	$ (57,328)	$ 72,797
Pre-tax margin	11.9 %			6.9 %	19.2 %			10.4 %

(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:

	Six Months Ended June 30,	
(Amounts in thousands)	*2023*	*2022*
Interest expense on long-term financing	*$ 3,250*	*$ 3,250*
Compensation from acquisition-related agreements	*28,490*	*44,908*
Restructuring and integration costs	*3,903*	*2,856*
Amortization of intangible assets related to acquisitions	*9,808*	*6,314*
	42,201	*54,078*
Total other adjustments	*$ 45,451*	*$ 57,328*

Net revenues on a U.S. GAAP basis were $586.6 million for the six months ended June 30, 2023, compared with $702.8 million in the prior-year period. In the first half of 2023, adjusted net revenues were $566.6 million, compared with $707.4 million in the first half of 2022. 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:

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Advisory services		
Completed M&A and restructuring transactions	**107**	103
Completed capital advisory transactions	**23**	49
Total completed advisory transactions	**130**	152
Corporate financings		
Total equity transactions priced	**41**	15
Book run equity transactions priced	**35**	11
Total debt and preferred transactions priced	**6**	21
Book run debt and preferred transactions priced	**2**	12
Municipal negotiated issues		
Aggregate par value of issues priced (in billions)	**$ 5.1**	$ 8.0
Total issues priced	**190**	333
Equity brokerage		
Number of shares traded (in billions)	**5.5**	5.6

In the first half of 2023, investment banking revenues were $368.4 million, down 25.1 percent compared to $491.6 million in the corresponding period of 2022. For the six months ended June 30, 2023, advisory services revenues were $270.4 million, down 28.9 percent compared with $380.6 million in the first half of 2022, due to fewer completed transactions and lower average fees. During the first six months of 2023, our activity was broad based across sectors. For the six months ended June 30, 2023, corporate financing revenues were $63.7 million, up 31.6 percent compared to $48.4 million in the prior-year period, driven by more equity financings, resulting from lower volatility levels and increased investor demand. Although our equity financings increased from the prior-year period, overall market activity remains below historic levels. Activity for us during the first six months of 2023 was principally in the healthcare sector, and we served as book runner on 22 out of 23 completed healthcare equity deals. Municipal financing revenues for the six months ended June 30, 2023 were $34.2 million, down 45.4 percent compared to $62.7 million in the year-ago period, due to a decline in municipal negotiated issuances as market conditions remain challenging.

For the six months ended June 30, 2023, institutional brokerage revenues decreased 12.1 percent to $184.2 million, compared with $209.5 million in the prior-year period. Equity brokerage revenues increased 3.1 percent to $104.3 million in the first half of 2023, compared with $101.2 million in the corresponding period of 2022, due to market share gains offset in part by a decline in client activity resulting from reduced market volatility. For the six months ended June 30, 2023, fixed income services revenues were $79.9 million, down 26.3 percent compared to $108.3 million in the prior-year period, due to lower client activity driven by interest rate uncertainty. Additionally, our depository institutions client activity declined due to their focus on building liquidity.

Interest income for the six months ended June 30, 2023 increased to $12.4 million, compared with $8.4 million in the prior-year period, reflecting higher interest rates on our cash and long inventory balances.

For the six months ended June 30, 2023, we recorded investment income of $26.9 million, compared to an investment loss of $2.1 million in the year-ago period. In the first six months of 2023, we recorded 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 $3.6 million for the six months ended June 30, 2023, compared with adjusted investment loss of $0.8 million for the six months ended June 30, 2022.

Interest expense for the six months ended June 30, 2023 was $5.2 million, compared with $4.6 million in the prior-year period. The increase was primarily due to higher interest rates on short inventory balances.

Pre-tax margin for the six months ended June 30, 2023 decreased to 6.9 percent, compared to 10.4 percent for the six months ended June 30, 2022. Adjusted pre-tax margin for the six months ended June 30, 2023 decreased to 11.9 percent, compared with 19.2 percent for the corresponding period of 2022. In the first six months of 2023, the decrease in pre-tax margin on both a U.S. GAAP and adjusted basis was driven by lower revenue levels and higher non-compensation expenses.

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, 2022 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 generally are made 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 2021:				
February 10, 2022 (1)	$	4.50	March 2, 2022	March 11, 2022
Related to 2022:				
February 10, 2022	$	0.60	March 2, 2022	March 11, 2022
April 29, 2022	$	0.60	May 27, 2022	June 10, 2022
July 29, 2022	$	0.60	August 26, 2022	September 9, 2022
October 28, 2022	$	0.60	November 23, 2022	December 9, 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

(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 six months ended June 30, 2023, we did not repurchase shares of our common stock related to this authorization. At June 30, 2023, we had $138.2 million remaining under this authorization. Effective January 1, 2022, our board of directors authorized the repurchase of up to $150.0 million in common shares through December 31, 2023, and we repurchased the full amount of this authorization during 2022.

We also purchase shares of common stock from restricted stock award recipients upon the award vesting or as recipients sell shares to meet their employment tax obligations. During the first half of 2023, we purchased 447,454 shares of our common stock at an average price of $142.40 per share for an aggregate purchase price of $63.7 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)	June 30, 2023	December 31, 2022
Total assets	**$ 1,940,344**	$ 2,181,557
Deduct: Goodwill and intangible assets	**(427,589)**	(436,788)
Deduct: Right-of-use lease asset	**(75,954)**	(87,730)
Deduct: Assets from noncontrolling interests	**(229,574)**	(201,541)
Adjusted assets	**$ 1,207,227**	$ 1,455,498
Total shareholders' equity	**$ 1,258,471**	$ 1,254,028
Deduct: Goodwill and intangible assets	**(427,589)**	(436,788)
Deduct: Noncontrolling interests	**(225,719)**	(199,955)
Tangible common shareholders' equity	**$ 605,163**	$ 617,285
Leverage ratio (1)	**1.5**	1.7
Adjusted leverage ratio (2)	**2.0**	2.4

(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. The right-of-use lease asset is also subtracted from total assets in determining adjusted assets as it is not an operating asset that can be deployed in a liquid manner. Amounts attributed 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, 2022, due to a decline in cash and cash equivalents driven by the payment of annual incentive compensation in the first quarter of 2023.

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 short-term and long-term financing. 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. Our clearing arrangement activities are recorded net from 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 June 30, 2023, we had $21.4 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 June 30, 2023, we had $89.2 million of financing outstanding under this arrangement.

Committed Line – Our committed line is a one-year $80 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 8, 2023. This credit facility has been in place since 2008 and we renewed the facility for another one-year term in the fourth quarter of 2022. At June 30, 2023, we had no advances against this line of credit.

Revolving Credit Facility – Our parent company, Piper Sandler Companies, has an unsecured $75 million revolving credit facility with U.S. Bank N.A. The credit agreement will terminate on December 19, 2025, unless otherwise terminated, and is subject to a one-year extension exercisable at our option. At June 30, 2023, 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 June 30, 2023, we were in compliance with all covenants.

The following tables present the average balances outstanding for our various funding sources by quarter for 2023 and 2022:

	Average Balance for the Three Months Ended	
(Amounts in millions)	**June 30, 2023**	**Mar. 31, 2023**
Funding source:		
Pershing clearing arrangement	**$ 26.8**	$ 8.5
Clearing arrangement with bank financing	**99.6**	55.2
Total	**$ 126.4**	$ 63.7

	Average Balance for the Three Months Ended			
(Amounts in millions)	**Dec. 31, 2022**	**Sept. 30, 2022**	**June 30, 2022**	**Mar. 31, 2022**
Funding source:				
Pershing clearing arrangement	$ 8.5	$ 38.8	$ 19.7	$ 3.8
Clearing arrangement with bank financing	62.3	69.0	83.3	110.3
Total	$ 70.8	$ 107.8	$ 103.0	$ 114.1

The average funding in the second quarter of 2023 increased to $126.4 million compared with $103.0 million during the second quarter of 2022 and $63.7 million during the first quarter of 2023, primarily due to higher average inventory balances.

The following table presents the maximum daily funding amount by quarter for 2023 and 2022:

(Amounts in millions)	**2023**	**2022**
First Quarter	$ 146.6	$ 366.3
Second Quarter	**$ 370.1**	$ 409.5
Third Quarter		$ 996.5
Fourth Quarter		$ 246.2

Long-Term Financing

Our long-term financing consists of $125 million of Class B unsecured fixed rate senior notes ("Class B Notes"). The initial holders of the Class B Notes were certain entities advised by Pacific Investment Management Company ("PIMCO"). The Class B Notes bear interest at an annual fixed rate of 5.20 percent and mature on October 15, 2023. Interest is payable semi-annually. The unpaid principal amount is due in full on the maturity date and may not be prepaid.

The Class B Notes include customary events of default and covenants that, among other things, require Piper Sandler & Co. to maintain a minimum regulatory net capital, limit our leverage ratio and require maintenance of a minimum ratio of operating cash flow to fixed charges. At June 30, 2023, we were in compliance with all covenants.

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 June 30, 2023, our net capital under the SEC's uniform net capital rule was $182.6 million, and exceeded the minimum net capital required under the SEC rule by $181.6 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 short-term credit facility, revolving credit facility and Class B Notes 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 June 30, 2023, 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 June 30, 2023, 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)	**2023**	**2024**	**2025**	**2026 - 2027**	**2028 - 2029**	**Later**	**June 30, 2023**	**December 31, 2022**
Customer matched-book derivative contracts (1) (2)	$ —	$ 12,180	$ —	$ 14,764	$ 111,312	$ 1,227,302	**$ 1,365,558**	$ 1,354,881
Trading securities derivative contracts (2)	36,200	72,000	—	—	—	5,000	**113,200**	134,750
Investment commitments (3)	—	—	—	—	—	—	**96,014**	96,280

(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 $152.5 million at June 30, 2023) 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 June 30, 2023, we had $8.5 million of credit exposure with these counterparties, including $5.9 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 June 30, 2023 and December 31, 2022, the net fair value of these derivative contracts approximated $9.9 million and $7.8 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 4 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 $96.0 million to certain entities and these commitments generally have no specified call dates.

Replacement of Interbank Offered Rates ("IBORs"), including the London Interbank Offered Rate ("LIBOR")

Central banks and regulators in a number of major jurisdictions (e.g., U.S., U.K., European Union, Switzerland and Japan) have implemented replacements for IBORs. Effective July 1, 2023, all LIBOR tenors have ceased publication.

The replacement of LIBOR did not impact our financing arrangements, as each arrangement either transitioned to a replacement rate prior to June 30, 2023 or included terms that identified a replacement rate (e.g., Secured Overnight Financing Rate) that became effective when LIBOR ceased publication.

Our limited number of contractual agreements that previously used LIBOR are principally within our customer matched-book derivatives portfolio. The International Swaps and Derivatives Association ("ISDA") created the IBOR Fallback Protocol to facilitate amending references to benchmark interest rates in derivative contracts governed by Master ISDA Agreements. If a benchmark interest rate is no longer published, it will "fall back" to a new benchmark interest rate in those contracts where both counterparties have agreed to adhere to the protocol. All of our clients have adhered to the protocol as of June 30, 2023. As a result, the transition from LIBOR to a replacement rate did not impact our operations.

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), 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 but not limited to, 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 4 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 $0.4 million in the carrying value of our fixed income securities inventory as of June 30, 2023, 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 and/or at normal bid-offer spreads. Depending on the specific security, the structure of the financial product, and/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, municipal (taxable and tax-exempt), and U.S. government and agency securities as a percentage of the total of these asset classes as of June 30, 2023:

	AAA	AA	A	BBB	BB	Not Rated
Corporate fixed income securities	— %	— %	0.3 %	0.1 %	— %	— %
Municipal securities - taxable and tax-exempt	18.1 %	61.5 %	5.1 %	0.3 %	— %	4.3 %
U.S. government and agency securities	— %	9.8 %	0.1 %	— %	— %	0.4 %
	18.1 %	71.3 %	5.5 %	0.4 %	— %	4.7 %

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 and/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 four non-publicly rated entities totaling $8.5 million at June 30, 2023. 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 69.3 percent, or $5.9 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, which we have experienced, 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.

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 designed to ensure 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 designed to require that our policies relating to ethics and business conduct are followed. 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 second quarter of our fiscal year ending December 31, 2023, 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, 2022. 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, 2022.

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 June 30, 2023.

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 (April 1, 2023 to April 30, 2023)	17,475	$ 136.68	—	$ 138 million
Month #2 (May 1, 2023 to May 31, 2023)	3,948	$ 125.94	—	$ 138 million
Month #3 (June 1, 2023 to June 30, 2023)	—	$ —	—	$ 138 million
Total	21,423	$ 134.70	—	$ 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 5. *OTHER INFORMATION.*

During the quarter ended June 30, 2023, 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.

ITEM 6. *EXHIBITS.*

Exhibit Index

Exhibit Number	Description	Method of Filing
3.1	Amended and Restated Certificate of Incorporation.	(1)
3.2	Amended and Restated Bylaws (as of February 9, 2023).	(2)
10.1	Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (as amended and restated May 17, 2023).†	(3)
10.2	First Amendment to Amended and Restated Credit Agreement, dated April 26, 2023, by and between Piper Sandler Companies and U.S. Bank National Association.	Filed herewith
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chairman and Chief Executive Officer.	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.	Filed herewith
32.1	Section 1350 Certifications.	Furnished herewith
101	The following financial information from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, 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.	Filed herewith
104	The cover page from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, formatted in iXBRL and included in Exhibit 101.	Filed herewith

(1) Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on May 18, 2023, and incorporated herein by reference.

(2) Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 10, 2023, and incorporated herein by reference.

(3) Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on May 18, 2023, and incorporated herein by reference.

† This exhibit is a management contract or compensatory plan or agreement.

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:	August 2, 2023	By	/s/ Chad R. Abraham
		Name	Chad R. Abraham
		Its	Chairman and Chief Executive Officer
Date:	August 2, 2023	By	/s/ Timothy L. Carter
		Name	Timothy L. Carter
		Its	Chief Financial Officer

Exhibit 10.2

FIRST AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT
(Piper Sandler Companies)

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT, dated as of April 26, 2023 (this "Amendment"), is entered into by and between PIPER SANDLER COMPANIES, as the Borrower (the "Borrower") and U.S. BANK NATIONAL ASSOCIATION, as the Lender (the "Lender").

RECITALS

WHEREAS, Borrower and the Lender have entered into that certain Amended and Restated Credit Agreement, dated as of December 20, 2022 (as amended, restated, supplemented or otherwise modified from time to time, the "Agreement"); and

WHEREAS, pursuant to and in accordance with Section 9.2 of the Agreement, the parties hereto desire to amend the Agreement in certain respects as provided herein.

NOW, THEREFORE, based upon the above Recitals, the mutual premises and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned, intending to be legally bound, hereby agree as follows:

SECTION 1. Definitions.

Each capitalized term used but not defined herein has the meaning ascribed thereto in the Agreement.

SECTION 2. Amendments.

(a) Effective as of the date hereof, Section 7.11(c) of the Agreement is hereby amended and restated in its entirety as follows:

(c) The Borrower will maintain, as of the end of each fiscal quarter through (and including) the fiscal quarter ending September 30, 2023, a ratio of cumulative Operating Cash Flow for the period commencing January 1, 2022, through the end of such fiscal quarter to cumulative Consolidated Fixed Charges for the period commencing January 1, 2022, through the end of such fiscal quarter, of at least 2.00 to 1.00. Thereafter, the Borrower will maintain, as of the end of each fiscal quarter, commencing with the fiscal quarter ending December 31, 2023, a ratio of Operating Cash Flow to Consolidated Fixed Charges, in each case computed on a trailing twelve-month basis, of at least 2.00 to 1.00.

SECTION 3. Agreement in Full Force and Effect as Amended.

Except as specifically amended hereby, all provisions of the Agreement shall remain in full force and effect. This Amendment shall not be deemed to expressly or impliedly waive, amend or supplement any provision of the Agreement other than as expressly set forth herein and shall not constitute a novation of the Agreement.

SECTION 4. Representations and Warranties.

The Borrower hereby represents and warrants as of the date of this Amendment as follows:

(a) this Amendment has been duly executed and delivered by it;

(b) this Amendment constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general principles of equity;

(c) both before and after giving effect to this Amendment, it is in compliance with all of the terms, provisions, covenants and conditions contained in the Agreement and the other Loan Documents; and

(d) there is no Default or Event of Default that is continuing or would result from entering into this Amendment.

SECTION 5. Conditions to Effectiveness.

The effectiveness of this Amendment is subject to receipt by the Lender of executed counterparts (or other evidence of execution, including facsimile signatures, satisfactory to the Lender) of this Amendment.

SECTION 6. Miscellaneous.

(a) This Amendment may be executed in any number of counterparts (including by facsimile), and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument but all of which together shall constitute one and the same agreement. Delivery by facsimile or electronic mail of an executed signature page of this Amendment shall be effective as delivery of an executed counterpart hereof.

(b) The descriptive headings of the various sections of this Amendment are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

(c) This Amendment may not be amended or otherwise modified except as provided in the Agreement.

(d) The failure or unenforceability of any provision hereof shall not affect the other provisions of this Amendment.

(e) Whenever the context and construction so require, all words used in the singular number herein shall be deemed to have been used in the plural, and vice versa, and the masculine gender shall include the feminine and neuter and the neuter shall include the masculine and feminine.

(f) This Amendment represents the final agreement between the parties only with respect to the subject matter expressly covered hereby and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements between the parties. There are no unwritten oral agreements between the parties.

(g) This Amendment shall be governed by and construed in accordance with the substantive laws of the State of Minnesota (without reference to conflict of law principles) but giving effect to Federal laws applicable to national banks.

[Signature Pages Follow]

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first written above.

BORROWER: **PIPER SANDLER COMPANIES**

By: /s/ Kasi V. Subramanian
Name: Kasi V. Subramanian
Title: Treasurer

By: /s/ Timothy L. Carter
Name: Timothy L. Carter
Title: CFO

[Signatures Continue on the Following Page]

LENDER: **U.S. BANK NATIONAL ASSOCIATION**

By: /s/ Christopher Doering
Name: Christopher Doering
Title: Senior Vice President

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: August 2, 2023

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

Exhibit 31.2

CERTIFICATIONS

I, Timothy L. Carter, 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: August 2, 2023

/s/ Timothy L. Carter

Timothy L. Carter
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: August 2, 2023

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

/s/ Timothy L. Carter
Timothy L. Carter
Chief Financial Officer