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, 2021

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 No. 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 30, 2021, the registrant had 18,042,719 shares of Common Stock outstanding.

Piper Sandler Companies

Index to Quarterly Report on Form 10-Q

PART I. FINANCIAL INFORMATION

ITEM 1.	FINANCIAL STATEMENTS	3
	Consolidated Statements of Financial Condition	3
	Consolidated Statements of Operations	4
	Consolidated Statements of Comprehensive Income	5
	Consolidated Statements of Changes in Shareholders' Equity	6
	Consolidated Statements of Cash Flows	8
	Notes to the Consolidated Financial Statements	9
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	37
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	62
ITEM 4.	CONTROLS AND PROCEDURES	62

PART II. OTHER INFORMATION

ITEM 1.	LEGAL PROCEEDINGS	62
ITEM 1A.	RISK FACTORS	63
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	63
ITEM 6.	EXHIBITS	64
	SIGNATURES	65

PART I. FINANCIAL INFORMATION

ITEM 1. *FINANCIAL STATEMENTS.*

Piper Sandler Companies

Consolidated Statements of Financial Condition

(Amounts in thousands, except share data)	**June 30, 2021** (Unaudited)	**December 31, 2020**
Assets		
Cash and cash equivalents	**$ 397,510**	$ 507,935
Receivables from brokers, dealers and clearing organizations	**322,245**	221,491
Financial instruments and other inventory positions owned	**309,844**	270,849
Financial instruments and other inventory positions owned and pledged as collateral	**153,437**	130,703
Total financial instruments and other inventory positions owned	**463,281**	401,552
Fixed assets (net of accumulated depreciation and amortization of $71,682 and $74,883, respectively)	**52,840**	43,812
Goodwill	**227,508**	227,508
Intangible assets (net of accumulated amortization of $100,632 and $85,592, respectively)	**134,818**	149,858
Investments (including noncontrolling interests of $126,221 and $94,900, respectively)	**215,130**	183,179
Net deferred income tax assets	**118,820**	104,219
Right-of-use lease asset	**71,884**	82,543
Other assets	**110,301**	75,043
Total assets	**$ 2,114,337**	$ 1,997,140
Liabilities and Shareholders' Equity		
Long-term financing	**$ 175,000**	$ 195,000
Payables to brokers, dealers and clearing organizations	**12,408**	18,591
Financial instruments and other inventory positions sold, but not yet purchased	**195,640**	151,030
Accrued compensation	**469,971**	522,412
Accrued lease liability	**90,175**	99,478
Other liabilities and accrued expenses	**96,173**	84,547
Total liabilities	**1,039,367**	1,071,058
Shareholders' equity:		
Common stock, $0.01 par value:		
Shares authorized: 100,000,000 at June 30, 2021 and December 31, 2020;		
Shares issued: 19,538,044 at June 30, 2021 and 19,533,547 at December 31, 2020;		
Shares outstanding: 14,292,967 at June 30, 2021 and 13,776,025 at December 31, 2020	**195**	195
Additional paid-in capital	**888,811**	847,785
Retained earnings	**349,274**	271,001
Less common stock held in treasury, at cost: 5,245,077 shares at June 30, 2021 and 5,757,522 shares at December 31, 2020	**(283,532)**	(289,359)
Accumulated other comprehensive income/(loss)	**306**	(197)
Total common shareholders' equity	**955,054**	829,425
Noncontrolling interests	**119,916**	96,657
Total shareholders' equity	**1,074,970**	926,082
Total liabilities and shareholders' equity	**$ 2,114,337**	$ 1,997,140

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, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Revenues:				
Investment banking	**$ 387,147**	$ 199,827	**$ 683,221**	$ 358,825
Institutional brokerage	**95,830**	89,339	**205,318**	178,482
Interest income	**1,673**	3,065	**3,730**	9,130
Investment income/(loss)	**26,694**	3,733	**50,462**	(10,093)
Total revenues	**511,344**	295,964	**942,731**	536,344
Interest expense	**2,696**	3,526	**5,476**	7,738
Net revenues	**508,648**	292,438	**937,255**	528,606
Non-interest expenses:				
Compensation and benefits	**325,252**	213,560	**605,580**	401,684
Outside services	**10,593**	9,899	**18,268**	18,338
Occupancy and equipment	**13,720**	13,269	**27,742**	25,507
Communications	**10,026**	11,096	**21,834**	22,730
Marketing and business development	**5,114**	2,588	**7,181**	12,627
Deal-related expenses	**8,710**	11,204	**21,141**	16,144
Trade execution and clearance	**4,207**	4,312	**8,387**	11,463
Restructuring and integration costs	**3,433**	3,724	**3,568**	5,626
Intangible asset amortization	**7,520**	11,637	**15,040**	21,515
Other operating expenses	**6,013**	3,752	**11,587**	19,604
Total non-interest expenses	**394,588**	285,041	**740,328**	555,238
Income/(loss) before income tax expense/(benefit)	**114,060**	7,397	**196,927**	(26,632)
Income tax expense/(benefit)	**27,066**	4,700	**44,340**	(7,074)
Net income/(loss)	**86,994**	2,697	**152,587**	(19,558)
Net income/(loss) applicable to noncontrolling interests	**17,173**	1,243	**33,307**	(6,285)
Net income/(loss) applicable to Piper Sandler Companies	**$ 69,821**	$ 1,454	**$ 119,280**	$ (13,273)
Earnings/(loss) per common share				
Basic	**$ 4.86**	$ 0.11	**$ 8.30**	$ (0.96)
Diluted	**$ 4.12**	$ 0.10	**$ 7.14**	$ (0.96)
Dividends declared per common share	**$ 0.45**	$ 0.20	**$ 2.70**	$ 1.33
Weighted average number of common shares outstanding				
Basic	**14,358**	13,794	**14,366**	13,795
Diluted	**16,951**	14,476	**16,709**	14,444

See Notes to the Consolidated Financial Statements

Piper Sandler Companies

Consolidated Statements of Comprehensive Income

(Unaudited)

(Amounts in thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net income/(loss)	**$ 86,994**	$ 2,697	**$ 152,587**	$ (19,558)
Other comprehensive income/(loss), net of tax:				
Foreign currency translation adjustment	**197**	(68)	**503**	(740)
Comprehensive income/(loss)	**87,191**	2,629	**153,090**	(20,298)
Comprehensive income/(loss) applicable to noncontrolling interests	**17,173**	1,243	**33,307**	(6,285)
Comprehensive income/(loss) applicable to Piper Sandler Companies	**$ 70,018**	$ 1,386	**$ 119,783**	$ (14,013)

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 Income/(Loss)	Total Common Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
Balance at December 31, 2020	**13,776,025**	**$ 195**	**$ 847,785**	**$ 271,001**	**$(289,359)**	**$ (197)**	**$ 829,425**	**$ 96,657**	**$ 926,082**
Net income	—	—	—	49,459	—	—	49,459	16,134	65,593
Dividends	—	—	—	(34,551)	—	—	(34,551)	—	(34,551)
Amortization/issuance of restricted stock (1)	—	—	62,691	—	—	—	62,691	—	62,691
Repurchase of common stock through share repurchase program	(58,519)	—	—	—	(6,218)	—	(6,218)	—	(6,218)
Issuance of treasury shares for restricted stock vestings	823,951	—	(41,500)	—	41,500	—	—	—	—
Repurchase of common stock from employees	(120,222)	—	—	—	(12,735)	—	(12,735)	—	(12,735)
Shares reserved/issued for director compensation	849	—	104	—	—	—	104	—	104
Other comprehensive income	—	—	—	—	—	306	306	—	306
Fund capital distributions, net	—	—	—	—	—	—	—	(10,046)	(10,046)
Balance at March 31, 2021	**14,422,084**	**$ 195**	**$ 869,080**	**$ 285,909**	**$(266,812)**	**$ 109**	**$ 888,481**	**$ 102,745**	**$ 991,226**
Net income	—	—	—	69,821	—	—	69,821	17,173	86,994
Dividends	—	—	—	(6,456)	—	—	(6,456)	—	(6,456)
Amortization/issuance of restricted stock (1)	—	—	19,775	—	—	—	19,775	—	19,775
Repurchase of common stock through share repurchase program	(139,178)	—	—	—	(16,856)	—	(16,856)	—	(16,856)
Issuance of treasury shares for restricted stock vestings	9,287	—	(497)	—	497	—	—	—	—
Repurchase of common stock from employees	(2,874)	—	—	—	(361)	—	(361)	—	(361)
Shares reserved/issued for director compensation	3,648	—	453	—	—	—	453	—	453
Other comprehensive income	—	—	—	—	—	197	197	—	197
Fund capital distributions, net	—	—	—	—	—	—	—	(2)	(2)
Balance at June 30, 2021	**14,292,967**	**$ 195**	**$ 888,811**	**$ 349,274**	**$(283,532)**	**$ 306**	**$ 955,054**	**$ 119,916**	**$ 1,074,970**

Continued on next page

Table of Contents

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 Income/(Loss)	Total Common Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
Balance at December 31, 2019	**13,717,315**	**$ 195**	**$ 757,669**	**$ 258,669**	**$(284,378)**	**$ (872)**	**$ 731,283**	**$ 75,245**	**$ 806,528**
Net loss	—	—	—	(14,727)	—	—	(14,727)	(7,528)	(22,255)
Dividends	—	—	—	(16,066)	—	—	(16,066)	—	(16,066)
Amortization/issuance of restricted stock (1)	—	—	44,195	—	—	—	44,195	—	44,195
Repurchase of common stock through share repurchase program	(128,865)	—	—	—	(9,225)	—	(9,225)	—	(9,225)
Issuance of treasury shares for restricted stock vestings	254,111	—	(12,551)	—	12,551	—	—	—	—
Issuance of treasury shares for deal consideration	34,205	—	1,049	—	1,674	—	2,723	—	2,723
Repurchase of common stock from employees	(94,615)	—	—	—	(8,068)	—	(8,068)	—	(8,068)
Shares reserved/issued for director compensation	1,779	—	116	—	—	—	116	—	116
Other comprehensive loss	—	—	—	—	—	(672)	(672)	—	(672)
Fund capital distributions, net	—	—	—	—	—	—	—	(1,201)	(1,201)
Balance at March 31, 2020	**13,783,930**	**$ 195**	**$ 790,478**	**$ 227,876**	**$(287,446)**	**$ (1,544)**	**$ 729,559**	**$ 66,516**	**$ 796,075**
Net income	—	—	—	1,454	—	—	1,454	1,243	2,697
Dividends	—	—	—	(2,753)	—	—	(2,753)	—	(2,753)
Amortization/issuance of restricted stock (1)	—	—	17,654	—	—	—	17,654	—	17,654
Issuance of treasury shares for restricted stock vestings	17,778	—	(890)	—	890	—	—	—	—
Repurchase of common stock from employees	(3,521)	—	—	—	(189)	—	(189)	—	(189)
Shares reserved/issued for director compensation	5,738	—	299	—	—	—	299	—	299
Other comprehensive loss	—	—	—	—	—	(68)	(68)	—	(68)
Fund capital distributions, net	—	—	—	—	—	—	—	(3)	(3)
Balance at June 30, 2020	**13,803,925**	**$ 195**	**$ 807,541**	**$ 226,577**	**$(286,745)**	**$ (1,612)**	**$ 745,956**	**$ 67,756**	**$ 813,712**

(1) Includes amortization of restricted stock issued as part of deal consideration. See Note 3 for further discussion.

See Notes to the Consolidated Financial Statements

Piper Sandler Companies

Consolidated Statements of Cash Flows

(Unaudited)

(Amounts in thousands)	**Six Months Ended June 30, 2021**	**2020**
Operating Activities:		
Net income/(loss)	**$ 152,587**	$ (19,558)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	**5,867**	5,324
Deferred income taxes	**(14,601)**	(11,700)
Stock-based compensation	**78,532**	50,351
Amortization of intangible assets	**15,040**	21,515
Amortization of forgivable loans	**2,871**	1,821
Decrease/(increase) in operating assets:		
Receivables from brokers, dealers and clearing organizations	**(100,754)**	282,480
Net financial instruments and other inventory positions owned	**(17,119)**	151,467
Investments	**(31,951)**	14,750
Other assets	**(27,271)**	(42,412)
Increase/(decrease) in operating liabilities:		
Payables to brokers, dealers and clearing organizations	**(6,183)**	27,391
Accrued compensation	**(47,879)**	(111,350)
Other liabilities and accrued expenses	**2,120**	4,233
Net cash provided by operating activities	**11,259**	374,312
Investing Activities:		
Business acquisitions, net of cash acquired	**—**	(393,522)
Purchases of fixed assets, net	**(14,883)**	(6,619)
Net cash used in investing activities	**(14,883)**	(400,141)
Financing Activities:		
Increase in short-term financing	**—**	50,012
Repayment of Valence Notes	**(20,000)**	—
Payment of cash dividend	**(41,007)**	(18,819)
Decrease in noncontrolling interests	**(10,048)**	(1,204)
Repurchase of common stock	**(36,170)**	(17,482)
Net cash provided by/(used in) financing activities	**(107,225)**	12,507
Currency adjustment:		
Effect of exchange rate changes on cash	**424**	(809)
Net decrease in cash and cash equivalents	**(110,425)**	(14,131)
Cash and cash equivalents at beginning of period	**507,935**	250,018
Cash and cash equivalents at end of period	**$ 397,510**	$ 235,887
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	**$ 5,554**	$ 7,511
Income taxes	**$ 59,907**	$ 554

See Notes to the Consolidated Financial Statements

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

Index

Note 1	Organization and Basis of Presentation	10
Note 2	Summary of Significant Accounting Policies	10
Note 3	Acquisitions	11
Note 4	Financial Instruments and Other Inventory Positions Owned and Financial Instruments and Other Inventory Positions Sold, but Not Yet Purchased	15
Note 5	Fair Value of Financial Instruments	17
Note 6	Variable Interest Entities	24
Note 7	Receivables from and Payables to Brokers, Dealers and Clearing Organizations	25
Note 8	Investments	25
Note 9	Other Assets	26
Note 10	Short-Term Financing	26
Note 11	Long-Term Financing	26
Note 12	Legal Contingencies	27
Note 13	Restructuring and Integration Costs	27
Note 14	Shareholders' Equity	28
Note 15	Compensation Plans	29
Note 16	Earnings Per Share	34
Note 17	Revenues and Business Information	35
Note 18	Net Capital Requirements and Other Regulatory Matters	35
Note 19	Income Taxes	36

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. and PSC Capital Management 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, 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, and profits and losses from trading these securities. Also, the Company has created alternative asset management funds in merchant banking and energy 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, 2020.

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, 2020 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 equity consideration and retention-related restricted stock was determined using the market price of the Company's common stock on the date of the respective acquisition.

SOP Holdings, LLC

On January 3, 2020, the Company completed the acquisition of SOP Holdings, LLC and its subsidiaries, including Sandler O'Neill & Partners, L.P. (collectively, "Sandler O'Neill"), a full-service investment banking firm and broker dealer focused on the financial services industry. The transaction was completed pursuant to the Agreement and Plans of Merger dated July 9, 2019. The purchase price was $485.0 million, for which the Company was entitled to receive $100.0 million of tangible book value, subject to a final adjustment as of the closing date. The acquisition of Sandler O'Neill expanded the Company's advisory services revenues, diversified and enhanced scale in corporate financings, added a differentiated fixed income business, and increased scale in the equity brokerage business.

The net assets acquired by the Company are described below. As part of the purchase price, the Company granted 1,568,670 restricted shares valued at $124.9 million as equity consideration on the acquisition date. These restricted shares are generally subject to ratable vesting over three years 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 of three years.

The Company also entered into acquisition-related compensation arrangements with certain employees of $113.9 million which consisted of restricted stock ($96.9 million) and restricted cash ($17.0 million) for retention purposes. The retention-related awards are also subject to vesting restrictions and employees must remain continuously employed by the Company for the respective vesting period. Compensation expense related to these arrangements will be amortized on a straight-line basis over the requisite service period of 18 months, three years or five years (a weighted average service period of 3.7 years).

The Company recorded $94.4 million of goodwill on the consolidated statements of financial condition, of which $93.4 million is expected to be deductible for income tax purposes. In management's opinion, the goodwill represents the reputation and operating expertise of Sandler O'Neill. Identifiable intangible assets purchased by the Company consisted of customer relationships and the Sandler trade name with acquisition-date fair values of $72.4 million and $85.4 million, respectively.

Transaction costs of $0.2 million and $1.1 million were incurred for the three and six months ended June 30, 2020, respectively, 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	$	27,420
Receivables from brokers, dealers and clearing organizations		192,675
Fixed assets		6,789
Goodwill		94,360
Intangible assets		157,800
Investments		685
Right-of-use lease asset		39,607
Other assets		9,628
Total assets acquired		528,964
Liabilities		
Accrued compensation		71,398
Accrued lease liability		39,613
Other liabilities and accrued expenses		16,441
Due to Sandler O'Neill (1)		40,673
Total liabilities assumed		168,125
Net assets acquired	$	360,839

(1) Represents the amount of excess tangible book value received by the Company on the date of acquisition.

The Valence Group ("Valence")

On April 3, 2020, the Company completed the acquisition of Valence, an investment bank offering mergers and acquisitions advisory services to companies and financial sponsors with a focus on the chemicals, materials and related sectors. The transaction was completed pursuant to the share purchase agreement dated February 20, 2020, as amended. The acquisition added a new industry sector and expanded the Company's presence in Europe.

The net assets acquired by the Company are described below. As part of the purchase price, the Company entered into unsecured promissory notes with the former owners totaling $20.0 million (the "Valence Notes"), as discussed in Note 11. The Valence Notes were repaid in the first quarter of 2021. The Company also granted 647,268 restricted shares valued at $31.2 million as equity consideration on the acquisition date. In addition, the Company entered into acquisition-related compensation arrangements with certain employees of $5.5 million in restricted stock for retention purposes. Both the equity consideration and retention-related restricted shares are subject to graded vesting, beginning on the third 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.

Additional cash may be earned by certain employees if a revenue threshold is exceeded during the 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 will be paid by July 3, 2023.

The Company recorded $33.3 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 Valence. Identifiable intangible assets purchased by the Company consisted of customer relationships with an acquisition-date fair value of $14.8 million.

Transaction costs of $0.7 million and $2.0 million were incurred for the three and six months ended June 30, 2020, respectively, 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:

(Amounts in thousands)

Assets		
Cash and cash equivalents	$	8,181
Fixed assets		256
Goodwill		33,300
Intangible assets		14,800
Right-of-use lease asset		3,279
Other assets		4,190
Total assets acquired		64,006
Liabilities		
Accrued lease liability		3,279
Other liabilities and accrued expenses		10,393
Total liabilities assumed		13,672
Net assets acquired	$	50,334

TRS Advisors LLC ("TRS")

On December 31, 2020, the Company completed the acquisition of TRS, an advisory firm offering restructuring and reorganization services to companies in public, private and government settings. The transaction was completed pursuant to the Equity Purchase Agreement dated December 8, 2020. The acquisition expanded the scale of the Company's restructuring advisory business.

The net assets acquired by the Company are described below. In addition to cash consideration, as part of the purchase price, the Company granted 145,952 restricted shares valued at $14.7 million as equity consideration on the acquisition date. The equity consideration restricted shares are subject to graded vesting, beginning on the third 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. In addition, the Company entered into acquisition-related compensation arrangements with certain employees of $2.9 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 of three years.

Additional cash of $7.0 million may be earned by certain employees if a revenue threshold is exceeded during the 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 will be paid by April 3, 2024. As of June 30, 2021, the Company expects the maximum amount will be earned and has accrued $1.1 million related to this additional cash payment.

The Company recorded $12.2 million of goodwill on the consolidated statements of financial condition, all of which is expected to be deductible for income tax purposes. The final goodwill recorded on the Company's consolidated statements of financial condition may differ from that reflected herein as a result of measurement period adjustments. In management's opinion, the goodwill represents the reputation and operating expertise of TRS. Identifiable intangible assets purchased by the Company consisted of customer relationships with an acquisition-date fair value of $5.3 million.

Transaction costs of $0.1 million were incurred for the six months ended June 30, 2021, 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	$ 7
Goodwill	12,199
Intangible assets	5,300
Right-of-use lease asset	1,818
Other assets	6,215
Total assets acquired	25,539
Liabilities	
Accrued lease liability	1,818
Other liabilities and accrued expenses	7
Total liabilities assumed	1,825
Net assets acquired	$ 23,714

Pro Forma Financial Information

The results of operations of Sandler O'Neill, Valence and TRS 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 Valence and TRS. Based on the respective acquisition dates, the unaudited pro forma financial data assumes that both the Valence and TRS acquisitions had occurred on January 1, 2019, 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 Valence and TRS adjusted for the following significant changes: interest expense was adjusted to reflect the debt incurred by the Company to fund a portion of the Valence purchase price; 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 purchase price, the restricted stock issued for retention purposes, and the cost that would have been incurred had Valence and TRS 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 Valence and TRS. 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, 2020**	**Six Months Ended June 30, 2020**
Net revenues	$ 297,828	$ 551,074
Net income/(loss) applicable to Piper Sandler Companies	2,322	(13,955)

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, 2021	December 31, 2020
Financial instruments and other inventory positions owned:		
Corporate securities:		
Equity securities	**$ 5**	$ 1,349
Convertible securities	**145,284**	146,088
Fixed income securities	**1,643**	18,432
Municipal securities:		
Taxable securities	**51,968**	6,267
Tax-exempt securities	**103,175**	67,944
Short-term securities	**75,466**	28,592
Mortgage-backed securities	**248**	13
U.S. government agency securities	**59,636**	9,146
U.S. government securities	**1,077**	100,275
Derivative contracts	**24,779**	23,446
Total financial instruments and other inventory positions owned	**$ 463,281**	$ 401,552
Financial instruments and other inventory positions sold, but not yet purchased:		
Corporate securities:		
Equity securities	**$ 117,147**	$ 105,190
Fixed income securities	**257**	18,789
U.S. government securities	**71,607**	21,669
Derivative contracts	**6,629**	5,382
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 195,640**	$ 151,030

At June 30, 2021 and December 31, 2020, financial instruments and other inventory positions owned in the amount of $153.4 million and $130.7 million, respectively, had been pledged as collateral for short-term financings.

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.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

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 associated with its fixed income securities. These instruments use rates based upon the MMD index, LIBOR or the SIFMA index. The Company also enters into equity option contracts to hedge market value risk associated with its convertible securities.

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

(Amounts in thousands)	June 30, 2021			December 31, 2020		
Derivative Category	**Derivative Assets (1)**	**Derivative Liabilities (2)**	**Notional Amount**	**Derivative Assets (1)**	**Derivative Liabilities (2)**	**Notional Amount**
Interest rate						
Customer matched-book	**$ 176,894**	**$ 168,414**	**$ 1,711,490**	$ 233,116	$ 223,218	$ 1,955,131
Trading securities	**348**	**1,212**	**184,025**	—	4,225	55,375
Equity options						
Trading securities	**—**	**6**	**2,209**	—	—	—
	$ 177,242	**$ 169,632**	**$ 1,897,724**	$ 233,116	$ 227,443	$ 2,010,506

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

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

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

(Amounts in thousands)		Three Months Ended June 30,		Six Months Ended June 30,	
Derivative Category	**Operations Category**	**2021**	**2020**	**2021**	**2020**
Interest rate derivative contract	Investment banking	**$ (135)**	$ (200)	**$ (1,151)**	$ (932)
Interest rate derivative contract	Institutional brokerage	**(2,166)**	434	**3,095**	(1,593)
Equity option derivative contracts	Institutional brokerage	**(37)**	822	**123**	—
		$ (2,338)	$ 1,056	**$ 2,067**	$ (2,525)

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, 2021, the Company had $20.1 million of uncollateralized credit exposure with these counterparties (notional contract amount of $159.9 million), including $17.2 million of uncollateralized credit exposure with one counterparty.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

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 are 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 committee, comprised of members of senior management and risk management, provides 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 Owned

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

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

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

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

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

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

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.

Mortgage-backed securities – Mortgage-backed securities are valued using observable trades, when available. Certain mortgage-backed securities are valued using models where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data. To the extent we hold, these mortgage-backed securities are categorized as Level II. Certain mortgage-backed securities collateralized by residential mortgages are valued using cash flow models that utilize unobservable inputs including credit default rates, prepayment rates, loss severity and valuation yields. As judgment is used to determine the range of these inputs, these mortgage-backed securities are categorized as Level III.

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.

Derivative contracts – Derivative contracts include interest rate swaps, interest rate locks, U.S. treasury bond futures and options, and equity option contracts. These instruments derive their value from underlying assets, reference rates, indices or a combination of these factors. The Company's equity option derivative contracts are valued based on quoted prices from the exchange for identical assets or liabilities as of the period-end date. To the extent these contracts are actively traded and valuation adjustments are not applied, they are categorized as Level I. 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 and partnerships. Investments in private companies are valued based on an assessment of each underlying security, considering rounds of financing, 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")) and changes in market outlook, among other factors. These securities are generally categorized as Level III.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

The following table summarizes quantitative information about the significant unobservable inputs used in the fair value measurement of the Company's Level III financial instruments as of June 30, 2021:

	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) (2)	0 - 25%	13.4%
Derivative contracts:				
Interest rate locks	Discounted cash flow	Premium over the MMD curve in basis points ("bps") (2)	1 - 29 bps	16.9 bps
Investments at fair value:				
Equity securities in private companies	Market approach	Revenue multiple (2)	3 - 5 times	4.2 times
		EBITDA multiple (2)	9 - 13 times	12.6 times
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 (3)	1 - 40 bps	20.9 bps

Uncertainty of fair value measurements:

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

(2) Significant increase/(decrease) in the unobservable input in isolation would have resulted in a significantly higher/(lower) fair value measurement.

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

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

The following table summarizes the valuation of the Company's financial instruments by pricing observability levels defined in FASB Accounting Standards Codification Topic 820, "Fair Value Measurement" ("ASC 820") as of June 30, 2021:

(Amounts in thousands)	Level I	Level II	Level III	Counterparty and Cash Collateral Netting (1)	Total
Assets					
Financial instruments and other inventory positions owned:					
Corporate securities:					
Equity securities	$ 5	$ —	$ —	$ —	$ 5
Convertible securities	—	145,284	—	—	145,284
Fixed income securities	—	1,643	—	—	1,643
Municipal securities:					
Taxable securities	—	51,968	—	—	51,968
Tax-exempt securities	—	102,647	528	—	103,175
Short-term securities	—	75,466	—	—	75,466
Mortgage-backed securities	—	235	13	—	248
U.S. government agency securities	—	59,636	—	—	59,636
U.S. government securities	1,077	—	—	—	1,077
Derivative contracts	—	176,614	628	(152,463)	24,779
Total financial instruments and other inventory positions owned	1,082	613,493	1,169	(152,463)	463,281
Cash equivalents	351,946	—	—	—	351,946
Investments at fair value (2)	20,733	50,074	135,035	—	205,842
Total assets	$ 373,761	$ 663,567	$ 136,204	$ (152,463)	$ 1,021,069
Liabilities					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	$ 117,147	$ —	$ —	$ —	$ 117,147
Fixed income securities	—	257	—	—	257
U.S. government securities	71,607	—	—	—	71,607
Derivative contracts	6	168,658	968	(163,003)	6,629
Total financial instruments and other inventory positions sold, but not yet purchased	$ 188,760	$ 168,915	$ 968	$ (163,003)	$ 195,640

(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 $126.2 million primarily attributable to unrelated third party ownership in consolidated merchant banking funds.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

The following table summarizes the valuation of the Company's financial instruments by pricing observability levels defined in ASC 820 as of December 31, 2020:

(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	$ 330	$ 1,019	$ —	$ —	$ 1,349
Convertible securities	—	146,088	—	—	146,088
Fixed income securities	—	18,432	—	—	18,432
Municipal securities:					
Taxable securities	—	6,267	—	—	6,267
Tax-exempt securities	—	67,944	—	—	67,944
Short-term securities	—	28,592	—	—	28,592
Mortgage-backed securities	—	—	13	—	13
U.S. government agency securities	—	9,146	—	—	9,146
U.S. government securities	100,275	—	—	—	100,275
Derivative contracts	—	232,846	270	(209,670)	23,446
Total financial instruments and other inventory positions owned	100,605	510,334	283	(209,670)	401,552
Cash equivalents	468,091	—	—	—	468,091
Investments at fair value (2)	16,496	5,358	152,995	—	174,849
Total assets	$ 585,192	$ 515,692	$ 153,278	$ (209,670)	$ 1,044,492
Liabilities					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	$ 102,013	$ 3,177	$ —	$ —	$ 105,190
Fixed income securities	—	18,789	—	—	18,789
U.S. government securities	21,669	—	—	—	21,669
Derivative contracts	—	223,737	3,706	(222,061)	5,382
Total financial instruments and other inventory positions sold, but not yet purchased	$ 123,682	$ 245,703	$ 3,706	$ (222,061)	$ 151,030

(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 $94.9 million primarily attributable to unrelated third party ownership in consolidated merchant banking funds.

The Company's Level III assets were $136.2 million and $153.3 million, or 13.3 percent and 14.7 percent of financial instruments measured at fair value at June 30, 2021 and December 31, 2020, respectively. There were $39.7 million and $42.6 million of transfers of financial assets out of Level III for the three and six months ended June 30, 2021, respectively, due to unobservable inputs becoming observable.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

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, 2021**	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses)	Unrealized gains/ (losses)	**Balance at June 30, 2021**	**Unrealized gains/ (losses) for assets/ liabilities held at June 30, 2021**
Assets									
Financial instruments and other inventory positions owned:									
Municipal securities:									
Tax-exempt securities	**$ —**	$ —	$ —	$ 528	$ —	$ —	$ —	**$ 528**	**$ —**
Mortgage-backed securities	**13**	—	—	—	—	—	—	**13**	**—**
Derivative contracts	**1,943**	23	(324)	—	—	302	(1,316)	**628**	**85**
Total financial instruments and other inventory positions owned	**1,956**	23	(324)	528	—	302	(1,316)	**1,169**	**85**
Investments at fair value	**154,521**	6,726	(475)	—	(39,688)	(2,205)	16,156	**135,035**	**14,226**
Total assets	**$ 156,477**	$ 6,749	$ (799)	$ 528	$ (39,688)	$ (1,903)	$ 14,840	**$ 136,204**	**$ 14,311**
Liabilities									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	**$ 119**	$ (203)	$ 29	$ —	$ —	$ 173	$ 850	**$ 968**	**$ 968**
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 119**	$ (203)	$ 29	$ —	$ —	$ 173	$ 850	**$ 968**	**$ 968**

(Amounts in thousands)	**Balance at March 31, 2020**	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses)	Unrealized gains/ (losses)	**Balance at June 30, 2020**	**Unrealized gains/ (losses) for assets/ liabilities held at June 30, 2020**
Assets									
Financial instruments and other inventory positions owned:									
Mortgage-backed securities	**$ 13**	$ —	$ —	$ —	$ —	$ —	$ —	**$ 13**	**$ —**
Derivative contracts	**1,975**	455	(60)	—	—	(395)	(1,911)	**64**	**(379)**
Total financial instruments and other inventory positions owned	**1,988**	455	(60)	—	—	(395)	(1,911)	**77**	**(379)**
Investments at fair value	**120,730**	—	—	—	—	(5,276)	5,161	**120,615**	**5,161**
Total assets	**$ 122,718**	$ 455	$ (60)	$ —	$ —	$ (5,671)	$ 3,250	**$ 120,692**	**$ 4,782**
Liabilities									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	**$ 5,557**	$ (9,606)	$ 20	$ —	$ —	$ 9,586	$ (2,345)	**$ 3,212**	**$ 2,658**
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 5,557**	$ (9,606)	$ 20	$ —	$ —	$ 9,586	$ (2,345)	**$ 3,212**	**$ 2,658**

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

(Amounts in thousands)	**Balance at December 31, 2020**	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses)	Unrealized gains/ (losses)	**Balance at June 30, 2021**	**Unrealized gains/ (losses) for assets/ liabilities held at June 30, 2021**
Assets									
Financial instruments and other inventory positions owned:									
Municipal securities:									
Tax-exempt securities	**$ —**	$ —	$ —	$ 528	$ —	$ —	$ —	**$ 528**	**$ —**
Mortgage-backed securities	**13**	—	—	—	—	—	—	**13**	**—**
Derivative contracts	**270**	23	(580)	—	—	558	357	**628**	**628**
Total financial instruments and other inventory positions owned	**283**	23	(580)	528	—	558	357	**1,169**	**628**
Investments at fair value	**152,995**	8,044	(20,887)	—	(42,617)	16,895	20,605	**135,035**	**15,195**
Total assets	**$ 153,278**	$ 8,067	$ (21,467)	$ 528	$ (42,617)	$ 17,453	$ 20,962	**$ 136,204**	**$ 15,823**
Liabilities									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	**$ 3,706**	$ (3,428)	$ 29	$ —	$ —	$ 3,398	$ (2,737)	**$ 968**	**$ 968**
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 3,706**	$ (3,428)	$ 29	$ —	$ —	$ 3,398	$ (2,737)	**$ 968**	**$ 968**

(Amounts in thousands)	**Balance at December 31, 2019**	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses)	Unrealized gains/ (losses)	**Balance at June 30, 2020**	**Unrealized gains/ (losses) for assets/ liabilities held at June 30, 2020**
Assets									
Financial instruments and other inventory positions owned:									
Mortgage-backed securities	**$ 13**	$ —	$ —	$ —	$ —	$ —	$ —	**$ 13**	**$ —**
Derivative contracts	**8**	750	(60)	—	—	(690)	56	**64**	**64**
Total financial instruments and other inventory positions owned	**21**	750	(60)	—	—	(690)	56	**77**	**64**
Investments at fair value	**132,329**	283	(165)	—	(130)	(5,503)	(6,199)	**120,615**	**(6,424)**
Total assets	**$ 132,350**	$ 1,033	$ (225)	$ —	$ (130)	$ (6,193)	$ (6,143)	**$ 120,692**	**$ (6,360)**
Liabilities									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	**$ 1,563**	$ (12,747)	$ 371	$ —	$ —	$ 12,376	$ 1,649	**$ 3,212**	**$ 3,201**
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 1,563**	$ (12,747)	$ 371	$ —	$ —	$ 12,376	$ 1,649	**$ 3,212**	**$ 3,201**

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 reported in investment banking revenues or 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, 2021 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 which are consolidated by the Company and included on the consolidated statements of financial condition at June 30, 2021. 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. One of these VIEs has $25.0 million of bank line financing available with an interest rate based on prime plus an applicable margin. The assets and liabilities are presented prior to consolidation, and thus a portion of these assets and liabilities are eliminated in consolidation.

(Amounts in thousands)	**Alternative Asset Management Funds**
Assets	
Investments	$ 182,433
Other assets	3,571
Total assets	$ 186,004
Liabilities	
Other liabilities and accrued expenses	$ 12,859
Total liabilities	$ 12,859

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 15 for additional information on the nonqualified deferred compensation plan.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

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 $1.6 billion and $1.8 billion at June 30, 2021 and December 31, 2020, respectively. The Company's exposure to loss from these VIEs is $8.1 million, which is the carrying value of its capital contributions recorded in investments on the consolidated statements of financial condition at June 30, 2021. The Company had no liabilities related to these VIEs at June 30, 2021 and December 31, 2020. 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, 2021.

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

(Amounts in thousands)		**June 30, 2021**		**December 31, 2020**
Receivable from clearing organizations	**$**	**280,933**	$	184,662
Receivable from brokers and dealers		**37,616**		33,514
Other		**3,696**		3,315
Total receivables from brokers, dealers and clearing organizations	**$**	**322,245**	$	221,491

(Amounts in thousands)		**June 30, 2021**		**December 31, 2020**
Payable to brokers and dealers	**$**	**12,408**	$	18,591
Total payables to brokers, dealers and clearing organizations	**$**	**12,408**	$	18,591

Under the Company's fully disclosed clearing agreement, the majority of its securities inventories and all of its customer activities are held by or cleared through Pershing LLC ("Pershing"). The Company has also established an arrangement to obtain financing from Pershing related to the majority of its trading activities, as well as an overnight financing arrangement with a broker dealer 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, 2021**		**December 31, 2020**
Investments at fair value	**$**	**205,842**	$	174,849
Investments at cost		**611**		611
Investments accounted for under the equity method		**8,677**		7,719
Total investments		**215,130**		183,179
Less investments attributable to noncontrolling interests (1)		**(126,221)**		(94,900)
	$	**88,909**	$	88,279

(1) Noncontrolling interests are primarily attributable to unrelated third party ownership in consolidated merchant banking funds.

At June 30, 2021, investments carried on a cost basis had an estimated fair market value of $0.6 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.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

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, 2021**		**December 31, 2020**
Fee receivables	**$**	**60,232**	$	38,840
Accrued interest receivables		**1,469**		1,474
Forgivable loans, net		**10,192**		5,526
Prepaid expenses		**20,568**		14,585
Other		**17,840**		14,618
Total other assets	**$**	**110,301**	$	75,043

Note 10 *Short-Term Financing*

The Company has an unsecured $65 million revolving credit facility with U.S. Bank N.A. The credit agreement will terminate on December 20, 2022, 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, requires the Company's U.S. broker dealer subsidiary to maintain a minimum regulatory net capital of $120 million, limits the Company's leverage ratio, requires maintenance of a minimum ratio of operating cash flow to fixed charges, and imposes certain limitations on the Company's ability to make acquisitions and make payments on its capital stock. At June 30, 2021, there were no advances against this credit facility.

The Company's committed short-term bank line financing at June 30, 2021 consisted of a one-year $100 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 10, 2021. The Company pays a nonrefundable commitment fee on the unused portion of the facility on a quarterly basis. At June 30, 2021, the Company had no advances against this line of credit.

The Company previously issued secured commercial paper to fund a portion of its securities inventory. The Company retired this program in April 2021.

Note 11 *Long-Term Financing*

On October 15, 2019, the Company entered into a note purchase agreement with certain entities advised by Pacific Investment Management Company ("PIMCO"), under which the Company issued unsecured fixed rate senior notes ("Notes") in the amount of $175 million. The Notes consist of two classes, Class A Notes and Class B Notes, with principal amounts of $50 million and $125 million, respectively. The Class A Notes bear interest at an annual fixed rate of 4.74 percent and mature on October 15, 2021. The Class B Notes bear interest at an annual fixed rate of 5.20 percent and mature on October 15, 2023. Interest on the Notes is payable semi-annually. The unpaid principal amounts are due in full on the respective maturity dates and may not be prepaid by the Company.

On April 3, 2020, the Company entered into unsecured promissory notes as part of the acquisition of Valence totaling $20 million. The Valence Notes were repaid in the first quarter of 2021.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

Note 12 *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, 2021 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.

Note 13 *Restructuring and Integration Costs*

The Company incurred restructuring and integration costs for the three and six months ended June 30, 2021, primarily associated with its vacated leased office space in conjunction with its acquisitions of TRS and Valence. The Company incurred restructuring and integration costs for the three and six months ended June 30, 2020, primarily in conjunction with its acquisitions of Sandler O'Neill and Valence.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands)	**2021**	**2020**	**2021**	**2020**
Vacated leased office space	**$ 3,404**	$ 88	**$ 3,404**	$ 88
Severance, benefits and outplacement	**—**	2,043	**—**	2,921
Contract termination	**—**	(640)	**—**	(467)
Total restructuring costs	**3,404**	1,491	**3,404**	2,542
Integration costs	**29**	2,233	**164**	3,084
Total restructuring and integration costs	**$ 3,433**	$ 3,724	**$ 3,568**	$ 5,626

Note 14 *Shareholders' Equity*

Share Repurchases

Effective January 1, 2020, the Company's board of directors authorized the repurchase of up to $150.0 million in common shares through December 31, 2021. During the six months ended June 30, 2021, the Company repurchased 197,697 shares at an average price of $116.71 per share for an aggregate purchase price of $23.1 million related to this authorization. During the six months ended June 30, 2020, the Company repurchased 128,865 shares at an average price of $71.58 per share for an aggregate purchase price of $9.2 million related to this authorization. At June 30, 2021, the Company had $113.8 million remaining under this authorization.

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 Company purchased 123,096 shares and 98,136 shares, or $13.1 million and $8.3 million of the Company's common stock for these purposes during the six months ended June 30, 2021 and 2020, respectively.

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 15. During the six months ended June 30, 2021 and 2020, the Company issued 833,238 shares and 271,889 shares, respectively, related to these obligations. During the six months ended June 30, 2020, the Company also issued 34,205 common shares out of treasury stock for Sandler O'Neill deal consideration, as discussed in Note 3.

Dividends

The Company's current dividend policy includes both a quarterly and an annual special cash dividend. The annual special cash dividend is payable in the first quarter of each year, with the intention of returning a metric based on net income from the previous fiscal year.

During the six months ended June 30, 2021, the Company declared and paid quarterly cash dividends on its common stock, aggregating $0.85 per share, and an annual special cash dividend on its common stock of $1.85 per share, totaling $41.0 million.

On July 30, 2021, the board of directors declared a quarterly cash dividend of $0.55 per share to be paid on September 10, 2021, to shareholders of record as of the close of business on August 27, 2021.

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 primarily represent the minority equity holders' proportionate share of the equity in the Company's merchant banking 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, 2021 and 2020.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

Note 15 *Compensation Plans*

Stock-Based Compensation Plans

The Company has three outstanding stock-based compensation plans: the Amended and Restated 2003 Annual and Long-Term Incentive Plan (the "Incentive Plan"), the 2019 Employment Inducement Award Plan (the "2019 Inducement Plan") and the 2020 Employment Inducement Award Plan (the "2020 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, 2021:

Incentive Plan	
Restricted Stock	
Annual grants	535,198
Sign-on grants	97,787
	632,985
2019 Inducement Plan	
Restricted Stock	96,000
2020 Inducement Plan	
Restricted Stock	1,323,951
Total restricted stock related to compensation	2,052,936
Deal Consideration (1)	1,816,211
Total restricted stock outstanding	3,869,147
Incentive Plan	
Restricted Stock Units	158,393
Incentive Plan	
Stock Options	81,667

(1) The Company issued restricted stock with service conditions as part of deal consideration for the acquisitions of Sandler O'Neill, Valence and TRS. 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 9.4 million shares of common stock (1.4 million shares remained available for future issuance under the Incentive Plan as of June 30, 2021). 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").

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

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 2020 for its February 2021 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.

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. 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 specified targets during each performance period. The maximum payout leverage under these grants is 150 percent.

Up to 75 percent of the award can be earned based on the Company achieving certain average adjusted return on equity targets, as defined in the terms of the award agreements. The fair value of this 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 probability that the performance condition will be achieved is reevaluated 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, 2021, the Company has determined that the probability of achieving the performance condition for each award is as follows:

Grant Year	Probability of Achieving Performance Condition
2021	75%
2020	75%
2019	75%

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

Up to 75 percent of the award can be earned based on the Company's total shareholder return relative to members of a predetermined peer group. The market condition must be met for the awards to vest and compensation cost will be recognized regardless if the market condition is satisfied. Compensation expense is amortized on a straight-line basis over the 36-month requisite service period. Employees forfeit unvested restricted stock units upon termination of employment with a corresponding reversal of compensation expense. For this portion of the awards, the fair value on the grant date was determined using a Monte Carlo simulation with the following assumptions:

Grant Year	Risk-free Interest Rate	Expected Stock Price Volatility
2021	0.23%	43.2%
2020	1.40%	27.3%
2019	2.50%	31.9%
2018	2.40%	34.8%
2017	1.62%	35.9%

Because the market condition portion of the awards vesting depend on the Company's total shareholder return 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, beginning with the February 2018 grant. 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, 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 date of grant. The exercise price per share is equal to the closing price on the date of grant plus ten percent. These options are subject to graded vesting, beginning on the third anniversary of the grant date, so long as the employee remains continuously employed by the Company. The maximum term of these stock options is ten years.

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

Risk-free interest rate	2.82 %
Dividend yield	3.22 %
Expected stock price volatility	37.20 %
Expected life of options (in years)	7.0
Fair value of options granted (per share)	$ 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.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

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 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 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. These restricted shares are subject to ratable vesting over a three-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)	**2021**	**2020**	**2021**	**2020**
Stock-based compensation expense	**$ 43.9**	$ 27.9	**$ 77.6**	$ 49.5
Forfeitures	**1.3**	1.1	**1.3**	1.2
Tax benefit related to stock-based compensation expense	**6.6**	3.9	**10.7**	6.3

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, 2020	**4,312,557**	**$ 74.99**
Granted	339,422	106.39
Vested	(765,569)	80.96
Canceled	(17,263)	88.71
June 30, 2021	**3,869,147**	**$ 76.50**

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, 2020	**146,048**	**$ 85.60**
Granted	62,569	103.69
Vested	(50,224)	92.93
Canceled	—	—
June 30, 2021	**158,393**	**$ 90.43**

As of June 30, 2021, there was $171.3 million of total unrecognized compensation cost related to restricted stock and restricted stock units expected to be recognized over a weighted average period of 2.6 years.

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

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, 2020	**81,667**	**$ 99.00**	**7.1**	**$ 155,167**
Granted	—	—		
Exercised	—	—		
Canceled	—	—		
Expired	—	—		
June 30, 2021	**81,667**	**$ 99.00**	**6.6**	**$ 2,495,744**
Options exercisable at June 30, 2021	**27,222**	**$ 99.00**	**6.6**	**$ 831,904**

As of June 30, 2021, there was $0.7 million of unrecognized compensation cost related to stock options expected to be recognized over a weighted average period of 1.6 years.

Deferred Compensation Plans

The Company maintains various deferred compensation arrangements for employees.

The Mutual Fund Restricted Share Investment Plan is a fully funded deferred compensation plan which allowed 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.

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. Investments in the grantor trust, consisting of mutual funds, totaled $17.9 million and $16.3 million as of June 30, 2021 and December 31, 2020, 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.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

In addition to the 2019 Inducement Plan established in conjunction with its acquisition of Weeden & Co., the Company entered into acquisition-related compensation arrangements with certain Weeden & Co. equity owners, a portion of whom are now employees of the Company. Additional cash of up to $31.5 million may be earned if a net revenue target is achieved during the period from January 1, 2020 to June 30, 2021 ("Weeden Earnout"). Employees must fulfill service requirements in exchange for the rights to the additional payment. Amounts estimated to be payable to employees will be recorded as compensation expense on the consolidated statements of operations over the requisite performance period. The Company recorded a liability as of the acquisition date for the fair value related to non-employee equity owners, and is required to adjust this liability through the statement of operations for any changes after the acquisition date. As of June 30, 2021, the Company has accrued a total of $29.3 million related to this additional cash payment. The Company recorded $2.1 million and $2.2 million in non-interest expenses related to the Weeden Earnout for the three months ended June 30, 2021 and 2020, respectively, and $4.3 million and $19.8 million for the six months ended June 30, 2021 and 2020, respectively. The Weeden Earnout will be paid by September 30, 2021.

Note 16 *Earnings Per Share ("EPS")*

Basic earnings/(loss) per common share is computed by dividing net income/(loss) applicable to Piper Sandler Companies by the weighted average number of common shares outstanding for the period. Diluted earnings/(loss) 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 non-participating 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)	**2021**	**2020**	**2021**	**2020**	
Net income/(loss) applicable to Piper Sandler Companies	**$ 69,821**	$ 1,454	**$ 119,280**	$ (13,273)	
Shares for basic and diluted calculations:					
Average shares used in basic computation	**14,358**	13,794	**14,366**	13,795	
Stock options	**10**	—	**5**	—	
Restricted stock units	**177**	97	**154**	102	
Non-participating restricted shares (1)	**2,406**	585	**2,184**	547	
Average shares used in diluted computation	**16,951**	14,476	**16,709**	14,444	(2)
Earnings/(loss) per common share:					
Basic	**$ 4.86**	$ 0.11	**$ 8.30**	$ (0.96)	
Diluted	**$ 4.12**	$ 0.10	**$ 7.14**	$ (0.96)	(2)

(1) Dividends on non-participating restricted shares are forfeitable until vested.

(2) Earnings per diluted common share is calculated using the basic weighted average number of common shares outstanding for periods in which a loss is incurred.

The anti-dilutive effects from stock options and non-participating restricted shares were immaterial for the six months ended June 30, 2021. The average shares used in the diluted computation excluded anti-dilutive stock options and non-participating restricted shares of 2.9 million for the three and six months ended June 30, 2020.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

Note 17 *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)	**2021**	**2020**	**2021**	**2020**
Investment banking				
Advisory services	**$ 248,668**	$ 85,569	**$ 401,517**	$ 196,795
Corporate financing	**102,401**	83,448	**218,537**	108,624
Municipal financing	**36,078**	30,810	**63,167**	53,406
Total investment banking	**387,147**	199,827	**683,221**	358,825
Institutional brokerage				
Equity brokerage	**34,873**	40,644	**78,107**	88,497
Fixed income services	**60,957**	48,695	**127,211**	89,985
Total institutional brokerage	**95,830**	89,339	**205,318**	178,482
Interest income	**1,673**	3,065	**3,730**	9,130
Investment income/(loss)	**26,694**	3,733	**50,462**	(10,093)
Total revenues	**511,344**	295,964	**942,731**	536,344
Interest expense	**2,696**	3,526	**5,476**	7,738
Net revenues	**508,648**	292,438	**937,255**	528,606
Non-interest expenses	**394,588**	285,041	**740,328**	555,238
Pre-tax income/(loss)	**$ 114,060**	$ 7,397	**$ 196,927**	$ (26,632)
Pre-tax margin	**22.4 %**	2.5 %	**21.0 %**	(5.0)%

Note 18 *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, 2021, net capital calculated under the SEC rule was $257.6 million, and exceeded the minimum net capital required under the SEC rule by $256.6 million.

The Company's committed short-term credit facility, revolving credit facility and its Notes with PIMCO include covenants requiring Piper Sandler to maintain minimum 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, 2021, Piper Sandler Ltd. was in compliance with the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority.

Piper Sandler Companies

Notes to the Consolidated Financial Statements

(Unaudited)

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, 2021, Piper Sandler Hong Kong Limited was in compliance with the liquid capital requirements of the Hong Kong Securities and Futures Commission.

Note 19 *Income Taxes*

The Company recorded income tax expense of $27.1 million and $4.7 million for the three months ended June 30, 2021 and 2020, respectively.

The Company recorded income tax expense of $44.3 million and an income tax benefit of $7.1 million for the six months ended June 30, 2021 and 2020, respectively. Income tax expense/(benefit) included a tax benefit of $1.4 million and $0.2 million for the six months ended June 30, 2021 and 2020, respectively, related to stock-based compensation awards vesting at values greater than the grant price.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was enacted by the U.S. federal government on March 27, 2020 in response to the COVID-19 pandemic, contains tax provisions allowing a five-year carry back of any net operating losses incurred during federal tax years 2018, 2019 and 2020, to periods when the corporate federal tax rate was 35 percent. FASB Accounting Standards Codification Topic 740, "Income Taxes," requires companies to recognize the effect of tax law changes in the period of enactment. For the six months ended June 30, 2020, the Company recorded $1.7 million of income tax benefits related to the tax provisions in the CARES Act.

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, 2020 and in our subsequent reports filed with the Securities and Exchange Commission ("SEC"). 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, 2020, 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 and non-compensation expenses from acquisition-related agreements and (5) acquisition-related restructuring and integration costs. 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 the acquisitions of SOP Holdings, LLC and its subsidiaries, including Sandler O'Neill & Partners, L.P. (collectively, "Sandler O'Neill"), The Valence Group ("Valence") and TRS Advisors LLC ("TRS"). These adjustments affect the following financial measures: net revenues, compensation expenses, non-compensation expenses, income tax expense/(benefit), net income/(loss) applicable to Piper Sandler Companies, earnings/(loss) per diluted common share, non-interest expenses, pre-tax income/(loss) 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, 2020 for a full description of our business, including our business strategy.

Financial Highlights

	Three Months Ended			Six Months Ended		
(Amounts in thousands, except per share data)	**June 30, 2021**	**June 30, 2020**	**2021 v2020**	**June 30, 2021**	**June 30, 2020**	**2021 v2020**
U.S. GAAP						
Net revenues	**$ 508,648**	$ 292,438	73.9 %	**$ 937,255**	$ 528,606	77.3 %
Compensation and benefits	**325,252**	213,560	52.3	**605,580**	401,684	50.8
Non-compensation expenses	**69,336**	71,481	(3.0)	**134,748**	153,554	(12.2)
Income/(loss) before income tax expense/ (benefit)	**114,060**	7,397	N/M	**196,927**	(26,632)	N/M
Net income/(loss) applicable to Piper Sandler Companies	**69,821**	1,454	N/M	**119,280**	(13,273)	N/M
Earnings/(loss) per diluted common share	**$ 4.12**	$ 0.10	N/M	**$ 7.14**	$ (0.96)	N/M
Ratios and margin						
Compensation ratio	**63.9 %**	73.0 %		**64.6 %**	76.0 %	
Non-compensation ratio	**13.6 %**	24.4 %		**14.4 %**	29.0 %	
Pre-tax margin	**22.4 %**	2.5 %		**21.0 %**	(5.0)%	
Non-GAAP[(1)]						
Adjusted net revenues	**$ 492,673**	$ 292,667	68.3 %	**$ 906,424**	$ 537,589	68.6 %
Adjusted compensation and benefits	**298,835**	185,772	60.9	**553,103**	344,465	60.6
Adjusted non-compensation expenses	**57,364**	55,128	4.1	**114,112**	112,344	1.6
Adjusted operating income	**136,474**	51,767	163.6	**239,209**	80,780	196.1
Adjusted net income applicable to Piper Sandler Companies	**98,569**	34,492	185.8	**174,048**	59,916	190.5
Adjusted earnings per diluted common share	**$ 5.37**	$ 1.93	178.2	**$ 9.51**	$ 3.35	183.9
Adjusted ratios and margin						
Adjusted compensation ratio	**60.7 %**	63.5 %		**61.0 %**	64.1 %	
Adjusted non-compensation ratio	**11.6 %**	18.8 %		**12.6 %**	20.9 %	
Adjusted operating margin	**27.7 %**	17.7 %		**26.4 %**	15.0 %	

N/M – Not meaningful

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,*** 2021	2020	***Six Months Ended June 30,*** 2021	2020
Net revenues:				
Net revenues – U.S. GAAP basis	***$ 508,648***	*$ 292,438*	***$ 937,255***	*$ 528,606*
Adjustments:				
Revenue related to noncontrolling interests	***(18,192)***	*(2,235)*	***(35,335)***	*4,301*
Interest expense on long-term financing	***2,217***	*2,464*	***4,504***	*4,682*
Adjusted net revenues	***$ 492,673***	*$ 292,667*	***$ 906,424***	*$ 537,589*
Compensation and benefits:				
Compensation and benefits – U.S. GAAP basis	***$ 325,252***	*$ 213,560*	***$ 605,580***	*$ 401,684*
Adjustment:				
Compensation from acquisition-related agreements	***(26,417)***	*(27,788)*	***(52,477)***	*(57,219)*
Adjusted compensation and benefits	***$ 298,835***	*$ 185,772*	***$ 553,103***	*$ 344,465*
Non-compensation expenses:				
Non-compensation expenses – U.S. GAAP basis	***$ 69,336***	*$ 71,481*	***$ 134,748***	*$ 153,554*
Adjustments:				
Non-compensation expenses related to noncontrolling interests	***(1,019)***	*(992)*	***(2,028)***	*(1,984)*
Acquisition-related restructuring and integration costs	***(3,433)***	*(3,724)*	***(3,568)***	*(5,626)*
Amortization of intangible assets related to acquisitions	***(7,520)***	*(11,637)*	***(15,040)***	*(21,515)*
Non-compensation expenses from acquisition-related agreements	***—***	*—*	***—***	*(12,085)*
Adjusted non-compensation expenses	***$ 57,364***	*$ 55,128*	***$ 114,112***	*$ 112,344*
Income/(loss) before income tax expense/(benefit):				
Income/(loss) before income tax expense/(benefit) – U.S. GAAP basis	***$ 114,060***	*$ 7,397*	***$ 196,927***	*$ (26,632)*
Adjustments:				
Revenue related to noncontrolling interests	***(18,192)***	*(2,235)*	***(35,335)***	*4,301*
Interest expense on long-term financing	***2,217***	*2,464*	***4,504***	*4,682*
Non-compensation expenses related to noncontrolling interests	***1,019***	*992*	***2,028***	*1,984*
Compensation from acquisition-related agreements	***26,417***	*27,788*	***52,477***	*57,219*
Acquisition-related restructuring and integration costs	***3,433***	*3,724*	***3,568***	*5,626*
Amortization of intangible assets related to acquisitions	***7,520***	*11,637*	***15,040***	*21,515*
Non-compensation expenses from acquisition-related agreements	***—***	*—*	***—***	*12,085*
Adjusted operating income	***$ 136,474***	*$ 51,767*	***$ 239,209***	*$ 80,780*
Interest expense on long-term financing	***(2,217)***	*(2,464)*	***(4,504)***	*(4,682)*
Adjusted income before adjusted income tax expense	***$ 134,257***	*$ 49,303*	***$ 234,705***	*$ 76,098*
Net income/(loss) applicable to Piper Sandler Companies:				
Net income/(loss) applicable to Piper Sandler Companies – U.S. GAAP basis	***$ 69,821***	*$ 1,454*	***$ 119,280***	*$ (13,273)*
Adjustments:				
Compensation from acquisition-related agreements	***20,275***	*20,970*	***40,272***	*43,313*
Acquisition-related restructuring and integration costs	***2,562***	*3,383*	***2,674***	*4,802*
Amortization of intangible assets related to acquisitions	***5,911***	*8,685*	***11,822***	*16,058*
Non-compensation expenses from acquisition-related agreements	***—***	*—*	***—***	*9,016*
Adjusted net income applicable to Piper Sandler Companies	***$ 98,569***	*$ 34,492*	***$ 174,048***	*$ 59,916*

(Amounts in thousands, except per share data)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Earnings/(loss) per diluted common share:				
Earnings/(loss) per diluted common share – U.S. GAAP basis	$ 4.12	$ 0.10	$ 7.14	$ (0.96)
Adjustment for inclusion of unvested acquisition-related stock	(0.45)	(0.45)	(0.91)	(0.80)
Impact of antidilutive shares in a period of a loss	—	—	—	0.04
	$ 3.67	$ (0.35)	$ 6.23	$ (1.72)
Adjustments:				
Compensation from acquisition-related agreements	1.20	1.45	2.41	3.01
Acquisition-related restructuring and integration costs	0.15	0.23	0.16	0.33
Amortization of intangible assets related to acquisitions	0.35	0.60	0.71	1.11
Non-compensation expenses from acquisition-related agreements	—	—	—	0.62
Adjusted earnings per diluted common share	$ 5.37	$ 1.93	$ 9.51	$ 3.35
Weighted average diluted common shares outstanding:				
Weighted average diluted common shares outstanding – U.S. GAAP basis	16,951	14,476	16,709	14,444
Adjustment:				
Unvested acquisition-related restricted stock with service conditions	1,409	3,401	1,598	3,450
Adjusted weighted average diluted common shares outstanding	18,360	17,877	18,307	17,894

External Factors Impacting Our Business

Performance in the financial services industry in which we operate is highly correlated to the overall strength of economic conditions and financial market activity. 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 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 2021

We expect the economy to continue to improve in 2021 driven by both business and consumer confidence. The U.S. federal government passed legislation in the first quarter of 2021, following the two fiscal stimulus packages in 2020, to provide further support to mitigate some of the economic hardship caused by the COVID-19 pandemic. Future legislative actions and policies by the federal government, such as those related to infrastructure and corporate income taxes, may also impact economic growth.

The U.S. Federal Reserve has maintained its short-term benchmark interest rate, which is close to zero. The level of inflation, which has accelerated in the first half of 2021, will be monitored over several periods before considering an increase in interest rates. The U.S. Federal Reserve has also maintained its quantitative easing measures, which provide stability and liquidity in the markets. In the second half of 2021, a strategy to begin to taper these measures may be announced, depending on the progress of the economic recovery.

Market conditions remained conducive for equity and debt capital raising in the second quarter of 2021 driven by strong equity valuations, low interest rates, reduced market volatility and high demand from investors. We believe that capital raising activity will remain strong, although it may moderate from recent elevated levels.

We experienced a significant increase in the level of advisory services activity in the second quarter of 2021. Ample availability of debt and equity, a favorable interest rate environment, strong business performance and CEO confidence are driving advisory services activity. We believe that our advisory services business is well positioned to continue to benefit from these favorable market conditions. Our pipeline is robust and broad-based across our industry teams. The potential for U.S. federal income tax law changes is an added catalyst and may pull activity forward into 2021.

Lower market volumes resulting from a decline in volatility resulted in lower equity brokerage revenues in the second quarter of 2021. We believe that current market valuations are muting trading activity. We expect equity brokerage volumes to remain somewhat muted as the market lacks catalysts. Also, the market historically experiences a slowdown during the summer months.

In the second quarter of 2021, activity in our fixed income services business continued to be strong as we assisted clients in positioning balance sheets and portfolios in a low interest rate environment within a market with ample liquidity. We anticipate that with the current low rates and uncertain interest rate outlook we will experience further moderation in client activity.

In our municipal financing business, we believe that market issuance volumes, driven by new money issuances as well as continued refinancing activity, will remain robust in the second half of 2021 due to low interest rates and a strong credit outlook. Although issuance volumes within the governmental space have moderated from the record levels in 2020, issuance activity for higher-yielding municipal offerings has increased as a result of strong investor demand and low spreads. Issuer capital needs, interest rate yields, rate stability and client demand will continue to be the principal drivers of the level of municipal finance activity going forward.

Table of Contents

Results of Operations

Financial Summary for the three months ended June 30, 2021 and June 30, 2020

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)	**2021**	**2020**	**2021 v2020**	**2021**	**2020**
Revenues:					
Investment banking	**$ 387,147**	$ 199,827	93.7 %	**76.1 %**	68.3 %
Institutional brokerage	**95,830**	89,339	7.3	**18.8**	30.5
Interest income	**1,673**	3,065	(45.4)	**0.3**	1.0
Investment income	**26,694**	3,733	615.1	**5.2**	1.3
Total revenues	**511,344**	295,964	72.8	**100.5**	101.2
Interest expense	**2,696**	3,526	(23.5)	**0.5**	1.2
Net revenues	**508,648**	292,438	73.9	**100.0**	100.0
Non-interest expenses:					
Compensation and benefits	**325,252**	213,560	52.3	**63.9**	73.0
Outside services	**10,593**	9,899	7.0	**2.1**	3.4
Occupancy and equipment	**13,720**	13,269	3.4	**2.7**	4.5
Communications	**10,026**	11,096	(9.6)	**2.0**	3.8
Marketing and business development	**5,114**	2,588	97.6	**1.0**	0.9
Deal-related expenses	**8,710**	11,204	(22.3)	**1.7**	3.8
Trade execution and clearance	**4,207**	4,312	(2.4)	**0.8**	1.5
Restructuring and integration costs	**3,433**	3,724	(7.8)	**0.7**	1.3
Intangible asset amortization	**7,520**	11,637	(35.4)	**1.5**	4.0
Other operating expenses	**6,013**	3,752	60.3	**1.2**	1.3
Total non-interest expenses	**394,588**	285,041	38.4	**77.6**	97.5
Income before income tax expense	**114,060**	7,397	N/M	**22.4**	2.5
Income tax expense	**27,066**	4,700	475.9	**5.3**	1.6
Net income	**86,994**	2,697	N/M	**17.1**	0.9
Net income applicable to noncontrolling interests	**17,173**	1,243	N/M	**3.4**	0.4
Net income applicable to Piper Sandler Companies	**$ 69,821**	$ 1,454	N/M	**13.7 %**	0.5 %

N/M – Not meaningful

For the three months ended June 30, 2021, we recorded net income applicable to Piper Sandler Companies of $69.8 million. Net revenues for the three months ended June 30, 2021 were $508.6 million, a 73.9 percent increase compared to $292.4 million in the year-ago period. In the second quarter of 2021, investment banking revenues were $387.1 million, up 93.7 percent compared with $199.8 million in the prior-year period, driven by significantly higher advisory services, as well as increased corporate and municipal financing revenues. For the three months ended June 30, 2021, institutional brokerage revenues increased 7.3 percent to $95.8 million, compared with $89.3 million in the second quarter of 2020, as higher fixed income services revenues were partially offset by lower equity brokerage revenues. For the three months ended June 30, 2021, net interest expense was $1.0 million, compared to $0.5 million in the prior-year period. In the second quarter of 2021, we recorded investment income of $26.7 million, compared with $3.7 million in the prior-year period. In the current quarter, we recorded higher gains on our investment and the noncontrolling interests in the merchant banking funds that we manage. Non-interest expenses were $394.6 million for the three months ended June 30, 2021, up 38.4 percent compared to $285.0 million in the prior-year period, primarily due to higher compensation expenses resulting from increased revenues and profitability.

Consolidated Non-Interest Expenses

Compensation and Benefits – Compensation and benefits expenses, which are the largest component of our expenses, include salaries, incentive compensation, benefits, stock-based compensation, employment taxes, 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. We have granted restricted stock and restricted cash with service conditions as a component of our acquisition deal consideration, which is amortized to compensation expense over the service period.

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

(Amounts in thousands)		
Remainder of 2021	$	42,675
2022		80,019
2023		29,997
2024		22,041
2025		5,295
Total	$	180,027

For the three months ended June 30, 2021, compensation and benefits expenses increased 52.3 percent to $325.3 million, compared with $213.6 million in the corresponding period of 2020, driven by higher revenues and operating profits. Compensation and benefits expenses as a percentage of net revenues was 63.9 percent in the second quarter of 2021, compared with 73.0 percent in the second quarter of 2020. The lower compensation ratio was due to the impact of fixed compensation costs on an increased revenue base.

Outside Services – Outside services expenses include securities processing expenses, outsourced technology functions, outside legal fees, fund expenses associated with our consolidated alternative asset management funds and other professional fees. Outside services expenses increased 7.0 percent to $10.6 million in the second quarter of 2021, compared with $9.9 million in the corresponding period of 2020. The increase was primarily due to higher professional fees.

Occupancy and Equipment – For the three months ended June 30, 2021, occupancy and equipment expenses increased 3.4 percent to $13.7 million, compared with $13.3 million in the corresponding period of 2020.

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, 2021, communication expenses decreased 9.6 percent to $10.0 million, compared with $11.1 million in the corresponding period of 2020 due to a decline in market data services expenses.

Marketing and Business Development – Marketing and business development expenses include travel and entertainment costs, advertising and third party marketing fees. For the three months ended June 30, 2021, marketing and business development expenses increased 97.6 percent to $5.1 million, compared with $2.6 million in the corresponding period of 2020. The increase was driven by higher travel and entertainment costs due to the easing of COVID-19 restrictions.

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, 2021, deal-related expenses were $8.7 million, compared with $11.2 million for the three months ended June 30, 2020. The amount of deal-related expenses is principally dependent on the level 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, 2021, trade execution and clearance expenses were $4.2 million, essentially flat compared with the corresponding period of 2020.

Restructuring and Integration Costs – For the three months ended June 30, 2021, we incurred acquisition-related restructuring and integration costs of $3.4 million, primarily related to vacated leased office space associated with our acquisitions of Valence and TRS. For the three months ended June 30, 2020, we incurred acquisition-related restructuring and integration costs of $3.7 million primarily related to the acquisitions of Sandler O'Neill and Valence. The expenses consisted of $2.2 million of transaction costs, $2.0 million of severance benefits and $0.1 million for vacated leased office space. These expenses were partially offset by a credit of $0.6 million related to previously accrued contract termination costs that were settled favorably.

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, 2021, intangible asset amortization was $7.5 million, compared with $11.6 million for the three months ended June 30, 2020. The decrease was due to lower intangible asset amortization expense related to identifiable intangible assets associated with the acquisition of Sandler O'Neill, partially offset by incremental intangible asset amortization expense related to identifiable intangible assets associated with the acquisitions of Valence and TRS.

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

(Amounts in thousands)		
Remainder of 2021	$	15,040
2022		9,344
2023		7,442
2024		6,292
2025		5,302
Thereafter		5,998
Total	$	49,418

Other Operating Expenses – Other operating expenses 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 $6.0 million in the second quarter of 2021, compared with $3.8 million in the corresponding period in 2020. The increase was primarily due to higher expense related to our charitable giving program driven by higher operating profits, as well as increased insurance costs.

Income Taxes – For the three months ended June 30, 2021, our provision for income taxes was $27.1 million. Excluding the impact of noncontrolling interests, our effective tax rate was 27.9 percent.

For the three months ended June 30, 2020, our provision for income taxes was $4.7 million, which included $2.9 million of income tax expense related to the reversal of income tax credits taken in the first quarter of 2020 related to the tax provisions in the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The CARES Act contained tax provisions allowing a five-year carry back of any net operating losses incurred during federal tax years 2018, 2019 and 2020, to periods when the corporate federal tax rate was 35 percent. Excluding this impact and non-controlling interests, our effective tax rate was 28.4 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 and non-compensation expenses from acquisition-related agreements and (5) acquisition-related restructuring and integration costs. 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,							
	2021				2020			
		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	$ 248,668	$ —	$ —	$ 248,668	$ 85,569	$ —	$ —	$ 85,569
Corporate financing	102,401	—	—	102,401	83,448	—	—	83,448
Municipal financing	36,078	—	—	36,078	30,810	—	—	30,810
Total investment banking	387,147	—	—	387,147	199,827	—	—	199,827
Institutional brokerage								
Equity brokerage	34,873	—	—	34,873	40,644	—	—	40,644
Fixed income services	60,957	—	—	60,957	48,695	—	—	48,695
Total institutional brokerage	95,830	—	—	95,830	89,339	—	—	89,339
Interest income	1,673	—	—	1,673	3,065	—	—	3,065
Investment income	8,502	18,192	—	26,694	1,498	2,235	—	3,733
Total revenues	493,152	18,192	—	511,344	293,729	2,235	—	295,964
Interest expense	479	—	2,217	2,696	1,062	—	2,464	3,526
Net revenues	492,673	18,192	(2,217)	508,648	292,667	2,235	(2,464)	292,438
Non-interest expenses	356,199	1,019	37,370	394,588	240,900	992	43,149	285,041
Pre-tax income	$ 136,474	$ 17,173	$ (39,587)	$ 114,060	$ 51,767	$ 1,243	$ (45,613)	$ 7,397
Pre-tax margin	27.7 %			22.4 %	17.7 %			2.5 %

(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)	**2021**	**2020**
Interest expense on long-term financing	$ 2,217	$ 2,464
Compensation from acquisition-related agreements	26,417	27,788
Acquisition-related restructuring and integration costs	3,433	3,724
Amortization of intangible assets related to acquisitions	7,520	11,637
	37,370	43,149
Total other adjustments	$ 39,587	$ 45,613

Net revenues on a U.S. GAAP basis were $508.6 million for the three months ended June 30, 2021, compared with $292.4 million in the prior-year period. For the three months ended June 30, 2021, adjusted net revenues were $492.7 million, compared with $292.7 million in the second quarter of 2020. 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.

Investment banking revenues comprise all of the revenues generated through advisory services activities, which includes 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 2021, investment banking revenues increased 93.7 percent to $387.1 million, compared with $199.8 million in the prior-year period. For the three months ended June 30, 2021, advisory services revenues were a record $248.7 million, up significantly compared to $85.6 million in the second quarter of 2020, due to more completed transactions and a higher average fee. Advisory services activity increased significantly in the second quarter of 2021 driven by a strong economic recovery, secular changes in business models and a favorable interest rate environment. In the second quarter of 2020, the uncertainty associated with COVID-19, and the potential near- and long-term impacts on the economy, influenced advisory services activity market-wide, as evidenced by the decline in the number of announced deals in the market. The uneven distribution of the number and size of deals results in revenue fluctuations from quarter to quarter. For the three months ended June 30, 2021, corporate financing revenues were $102.4 million, up 22.7 percent compared with $83.4 million for the three months ended June 30, 2020, driven by more completed equity deals. In the second quarter of 2021, market conditions remained conducive for capital raising and activity for us was principally in the healthcare and financial services sectors. We served as book runner on 22 of the 24 healthcare equity deals we completed, and our financial services group executed on a strong flow of debt and preferred financings. Municipal financing revenues for the three months ended June 30, 2021 were $36.1 million, up 17.1 percent compared to $30.8 million in the prior-year period. Market conditions remain robust as low interest rates and a strong credit outlook drove strong new issuance activity. Our results in the second quarter of 2021 were driven by increased levels of issuance activity in our specialty sectors. The increase in revenues from higher-yielding specialty sector offerings has resulted from an improvement in the high yield market, driven by low spreads and strong investor demand. Additionally, our governmental business performed well in the second quarter of 2021, but declined compared to the prior-year period which experienced robust issuance activity, a benefit of the low interest rates and strong investor demand in a more stabilized market environment.

The following table provides investment banking deal information:

(Dollars in billions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Advisory services		
M&A and restructuring transactions	**58**	38
Capital advisory transactions	**40**	17
Corporate financings		
Total equity transactions	**48**	42
Book run equity transactions	**30**	30
Total debt and preferred transactions	**19**	21
Book run debt and preferred transactions	**11**	16
Municipal negotiated issues		
Aggregate par value	**$ 4.3**	$ 5.8
Total issues	**239**	238

Institutional brokerage revenues comprise all of the revenues generated through trading activities, which consist of facilitating customer trades and executing competitive municipal underwritings. Also, we have historically generated trading gains and losses through strategic trading activities in municipal bonds; however, we ceased these activities in the first half of 2020. 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, the timing of payments for research services and the timing of transactions based on market opportunities.

For the three months ended June 30, 2021, institutional brokerage revenues increased 7.3 percent to $95.8 million, compared with $89.3 million in the prior-year period. Equity brokerage revenues were $34.9 million in the second quarter of 2021, down 14.2 percent compared with $40.6 million in the corresponding period of 2020, due to lower volumes and volatility. A lack of catalysts in the market resulted in muted trading activity in the second quarter of 2021. For the three months ended June 30, 2021, fixed income services revenues were $61.0 million, up 25.2 percent compared with $48.7 million in the prior-year period, resulting from strong activity among our financial institution clients driven by excess liquidity. We provided strategic advice to these clients on repositioning their balance sheets and portfolios, maximizing yields and managing risk in a low interest rate environment within a market with ample liquidity.

Interest income represents amounts earned from holding long inventory positions. For the three months ended June 30, 2021, interest income decreased to $1.7 million, compared with $3.1 million for the three months ended June 30, 2020.

Investment income includes realized and unrealized gains and losses on investments, including amounts attributable to noncontrolling interests, in our merchant banking funds, as well as management and performance fees generated from those funds. For the three months ended June 30, 2021, we recorded investment income of $26.7 million, compared with $3.7 million in the corresponding period of 2020. In the second quarter of 2021, we recorded higher gains on our investment and the noncontrolling interests in the merchant banking funds that we manage. Excluding the impact of noncontrolling interests, adjusted investment income was $8.5 million and $1.5 million for the three months ended June 30, 2021 and 2020, respectively.

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, 2021, interest expense decreased to $2.7 million, compared with $3.5 million in the prior-year period, reflecting lower funding balances. Additionally, the $20.0 million of unsecured promissory notes we entered into on April 3, 2020 to fund a portion of the Valence purchase price were repaid in the first quarter of 2021. Excluding the impact of interest expense on long-term financing, adjusted interest expense was $0.5 million and $1.1 million for the three months ended June 30, 2021 and 2020, respectively.

Pre-tax margin for the three months ended June 30, 2021 was 22.4 percent, compared with 2.5 percent for the corresponding period of 2020. Adjusted pre-tax margin for the three months ended June 30, 2021 increased to 27.7 percent, compared with 17.7 percent for the corresponding period of 2020. In the current quarter, the increase in pre-tax margin for both U.S. GAAP and adjusted results was driven by higher net revenues. Also, adjusted pre-tax margin increased due to a lower compensation ratio.

Financial Summary for the six months ended June 30, 2021 and June 30, 2020

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)	**2021**	**2020**	**2021 v2020**	**2021**	**2020**
Revenues:					
Investment banking	**$ 683,221**	$ 358,825	90.4 %	**72.9 %**	67.9 %
Institutional brokerage	**205,318**	178,482	15.0	**21.9**	33.8
Interest income	**3,730**	9,130	(59.1)	**0.4**	1.7
Investment income/(loss)	**50,462**	(10,093)	N/M	**5.4**	(1.9)
Total revenues	**942,731**	536,344	75.8	**100.6**	101.5
Interest expense	**5,476**	7,738	(29.2)	**0.6**	1.5
Net revenues	**937,255**	528,606	77.3	**100.0**	100.0
Non-interest expenses:					
Compensation and benefits	**605,580**	401,684	50.8	**64.6**	76.0
Outside services	**18,268**	18,338	(0.4)	**1.9**	3.5
Occupancy and equipment	**27,742**	25,507	8.8	**3.0**	4.8
Communications	**21,834**	22,730	(3.9)	**2.3**	4.3
Marketing and business development	**7,181**	12,627	(43.1)	**0.8**	2.4
Deal-related expenses	**21,141**	16,144	31.0	**2.3**	3.1
Trade execution and clearance	**8,387**	11,463	(26.8)	**0.9**	2.2
Restructuring and integration costs	**3,568**	5,626	(36.6)	**0.4**	1.1
Intangible asset amortization	**15,040**	21,515	(30.1)	**1.6**	4.1
Other operating expenses	**11,587**	19,604	(40.9)	**1.2**	3.7
Total non-interest expenses	**740,328**	555,238	33.3	**79.0**	105.0
Income/(loss) before income tax expense/(benefit)	**196,927**	(26,632)	N/M	**21.0**	(5.0)
Income tax expense/(benefit)	**44,340**	(7,074)	N/M	**4.7**	(1.3)
Net income/(loss)	**152,587**	(19,558)	N/M	**16.3**	(3.7)
Net income/(loss) applicable to noncontrolling interests	**33,307**	(6,285)	N/M	**3.6**	(1.2)
Net income/(loss) applicable to Piper Sandler Companies	**$ 119,280**	$ (13,273)	N/M	**12.7 %**	(2.5)%

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, 2021, we recorded net income applicable to Piper Sandler Companies of $119.3 million. Net revenues for the six months ended June 30, 2021 increased 77.3 percent to $937.3 million, compared with $528.6 million in the year-ago period. In the first half of 2021, investment banking revenues increased 90.4 percent to $683.2 million, compared with $358.8 million in the prior-year period, driven by robust advisory services and corporate financing revenues, as well as higher municipal financing revenues. For the six months ended June 30, 2021, institutional brokerage revenues increased 15.0 percent to $205.3 million, compared with $178.5 million in the first half of 2020, as higher fixed income services revenues were partially offset by lower equity brokerage revenues. In the first six months of 2021, net interest expense was $1.7 million, compared to net interest income of $1.4 million in the first half of 2020. Net interest expense resulted from a decline in interest income on our long inventory positions. For the six months ended June 30, 2021, we recorded investment income of $50.5 million, compared with an investment loss of $10.1 million in the prior-year period. In the first six months of 2021, we recorded gains on our investment and the noncontrolling interests in the merchant banking funds that we manage. Non-interest expenses were $740.3 million for the six months ended June 30, 2021, up 33.3 percent compared with $555.2 million in the year-ago period, primarily due to higher compensation expenses resulting from increased revenues and operating profits.

Consolidated Non-Interest Expenses

Occupancy and Equipment – For the six months ended June 30, 2021, occupancy and equipment expenses increased 8.8 percent to $27.7 million, compared with $25.5 million in the corresponding period of 2020. The increase was primarily the result of higher software maintenance costs and incremental expenses related to our acquisitions of Valence and TRS.

Marketing and Business Development – For the six months ended June 30, 2021, marketing and business development expenses decreased 43.1 percent to $7.2 million, compared with $12.6 million in the corresponding period of 2020. The decrease was driven by lower travel and entertainment costs related to the COVID-19 pandemic.

Trade Execution and Clearance – For the six months ended June 30, 2021, trade execution and clearance expenses were $8.4 million, compared with $11.5 million in the corresponding period of 2020. The decrease in trade execution and clearance expenses is reflective of higher trading volumes in the first quarter of 2020 driven by record levels of trading volatility during the period.

Other Operating Expenses – For the six months ended June 30, 2021, other operating expenses were $11.6 million, compared with $19.6 million in the corresponding period of 2020. The decrease was due to a $12.1 million fair value adjustment recorded in the first quarter of 2020 related to the earnout for former Weeden & Co. L.P. equity owners who did not transition to our platform following the acquisition in 2019. We recorded the full value of the projected earnout as the non-employee equity owners do not have service requirements. This decrease was partially offset by higher expense related to our charitable giving program driven by higher operating profits.

Income Taxes – For the six months ended June 30, 2021, our provision for income taxes was $44.3 million, which included a $1.4 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 28.0 percent.

For the six months ended June 30, 2020, our provision for income taxes was a benefit of $7.1 million, which included $1.7 million of income tax benefits related to the tax provisions in the CARES Act. Excluding the impact of these benefits and noncontrolling interests, our effective tax rate was 26.5 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,							
	2021				2020			
		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	$ 401,517	$ —	$ —	$ 401,517	$ 196,795	$ —	$ —	$ 196,795
Corporate financing	218,537	—	—	218,537	108,624	—	—	108,624
Municipal financing	63,167	—	—	63,167	53,406	—	—	53,406
Total investment banking	683,221	—	—	683,221	358,825	—	—	358,825
Institutional brokerage								
Equity brokerage	78,107	—	—	78,107	88,497	—	—	88,497
Fixed income services	127,211	—	—	127,211	89,985	—	—	89,985
Total institutional brokerage	205,318	—	—	205,318	178,482	—	—	178,482
Interest income	3,730	—	—	3,730	9,130	—	—	9,130
Investment income/(loss)	15,127	35,335	—	50,462	(5,792)	(4,301)	—	(10,093)
Total revenues	907,396	35,335	—	942,731	540,645	(4,301)	—	536,344
Interest expense	972	—	4,504	5,476	3,056	—	4,682	7,738
Net revenues	906,424	35,335	(4,504)	937,255	537,589	(4,301)	(4,682)	528,606
Non-interest expenses	667,215	2,028	71,085	740,328	456,809	1,984	96,445	555,238
Pre-tax income/(loss)	$ 239,209	$ 33,307	$ (75,589)	$ 196,927	$ 80,780	$ (6,285)	$ (101,127)	$ (26,632)
Pre-tax margin	26.4 %			21.0 %	15.0 %			(5.0)%

(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)	*2021*	*2020*
Interest expense on long-term financing	*$ 4,504*	*$ 4,682*
Compensation from acquisition-related agreements	*52,477*	*57,219*
Acquisition-related restructuring and integration costs	*3,568*	*5,626*
Amortization of intangible assets related to acquisitions	*15,040*	*21,515*
Non-compensation expenses from acquisition-related agreements	*—*	*12,085*
	71,085	*96,445*
Total other adjustments	*$ 75,589*	*$ 101,127*

Net revenues on a U.S. GAAP basis were $937.3 million for the six months ended June 30, 2021, compared with $528.6 million in the prior-year period. In the first half of 2021, adjusted net revenues were $906.4 million, compared with $537.6 million in the first half of 2020. 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.

In the first half of 2021, investment banking revenues were $683.2 million, up 90.4 percent compared with $358.8 million in the corresponding period of the prior year. For the six months ended June 30, 2021, advisory services revenues were $401.5 million, up 104.0 percent compared with $196.8 million in the first half of 2020, due to more completed transactions and higher revenue per transaction. Market conditions were conducive and revenues in the first half of 2021 reflect a significant rebound in advisory services activity compared to the prior-year period. In the first half of 2020, market-wide decreases in completed and announced deals reflected a pause in advisory services activity as companies evaluated the changing and uncertain environment due to COVID-19. For the six months ended June 30, 2021, corporate financing revenues were $218.5 million, up 101.2 percent compared with $108.6 million in the prior-year period, driven by more completed and book run equity deals. Market conditions were favorable for capital raising in the first half of 2021 and we executed transactions in the active equity underwriting market. Activity for us during the first half of 2021 was principally in the healthcare sector, and we served as book runner on 64 of the 68 healthcare equity deals we completed. In the prior-year period, capital raising activity substantially halted in March 2020 as volatility spiked; however, market conditions became favorable for capital raising during the second quarter of 2020 driven by a sharp rebound in valuations combined with lower volatility. Municipal financing revenues for the six months ended June 30, 2021 were $63.2 million, up compared with $53.4 million in the year-ago period. Our revenues increased approximately 18 percent relative to an approximate three percent increase in the overall market based on the par value of municipal negotiated issuances. Our results in the first half of 2021 were due to strong issuance activity in our specialty sectors.

The following table provides investment banking deal information:

	Six Months Ended June 30,	
(Dollars in billions)	**2021**	**2020**
Advisory services		
M&A and restructuring transactions	**107**	82
Capital advisory transactions	**68**	30
Corporate financings		
Total equity transactions	**119**	54
Book run equity transactions	**79**	41
Total debt and preferred transactions	**25**	29
Book run debt and preferred transactions	**12**	19
Municipal negotiated issues		
Aggregate par value	**$ 7.4**	$ 9.5
Total issues	**451**	388

For the six months ended June 30, 2021, institutional brokerage revenues increased to $205.3 million, compared with $178.5 million in the prior-year period. Equity brokerage revenues decreased 11.7 percent to $78.1 million in the first half of 2021, compared with $88.5 million in the corresponding period of 2020. Although volumes and volatility were elevated in the first quarter of 2021, driving robust client activity as investors repositioned based on the improved market outlook, these levels declined during the second quarter of 2021. In the prior-year period, the increased volatility market-wide in the first quarter of 2020 drove a significant increase in volumes as investors repositioned in response to market uncertainty and fund outflows. Volumes and volatility remained at elevated levels in the second quarter of 2020, albeit down from the significant levels experienced in the first quarter of 2020. For the six months ended June 30, 2021, fixed income services revenues were $127.2 million, up 41.4 percent compared with $90.0 million in the prior-year period, as a result of strong client activity driven by excess liquidity. Additionally, results in the first quarter of 2020 include trading losses in municipal securities due to the sharp and sudden market dislocation.

Interest income for the six months ended June 30, 2021 decreased to $3.7 million, compared with $9.1 million in the prior-year period, reflecting lower average long inventory balances.

For the six months ended June 30, 2021, we recorded investment income of $50.5 million, compared with an investment loss of $10.1 million in the year-ago period. In the first six months of 2021, we recorded gains on our investment and the noncontrolling interests in the merchant banking funds that we manage compared with losses in the prior-year period. Lower equity valuations and an uncertain and challenging operating environment for some of our portfolio companies drove the fair value adjustments in our merchant banking portfolio in the first half of 2020. Excluding the impact of noncontrolling interests, adjusted investment income was $15.1 million for the six months ended June 30, 2021, compared with an adjusted investment loss of $5.8 million for the six months ended June 30, 2020.

Interest expense for the six months ended June 30, 2021 was $5.5 million, compared with $7.7 million in the prior-year period. The decrease was due to lower average short inventory balances, as well as lower funding balances. Additionally, the $20.0 million of unsecured promissory notes we entered into on April 3, 2020 to fund a portion of the Valence purchase price were repaid in the first quarter of 2021. Excluding the impact of interest expense on long-term financing, adjusted interest expense was $1.0 million and $3.1 million for the six months ended June 30, 2021 and 2020, respectively

Pre-tax margin for the six months ended June 30, 2021 was 21.0 percent. The negative pre-tax margin of 5.0 percent for the six months ended June 30, 2020 primarily resulted from higher acquisition-related compensation and non-compensation expenses, and intangible asset amortization. Adjusted pre-tax margin for the six months ended June 30, 2021 increased to 26.4 percent, compared with 15.0 percent for the corresponding period of 2020. In the first half of 2021, pre-tax margin on both a U.S. GAAP and adjusted basis was driven by higher revenue levels.

Critical Accounting Policies

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:

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

See the "Critical Accounting Policies" section and Note 2 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020 for further information on our critical accounting policies.

Liquidity, Funding and Capital Resources

Liquidity is of critical importance to us given the nature of our business. Insufficient liquidity resulting from adverse circumstances contributes to, and may be the cause of, financial institution failure. Accordingly, we regularly monitor our liquidity position and 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.

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 adjusted net income from the previous fiscal year to shareholders. This includes the payment of a quarterly and an annual special cash dividend, payable in the first quarter of each year. Our board of directors determines the declaration and payment of dividends on an annual and quarterly basis, 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
January 31, 2020 (1)	$	0.750	March 2, 2020	March 13, 2020
January 31, 2020	$	0.375	March 2, 2020	March 13, 2020
May 1, 2020	$	0.200	May 29, 2020	June 12, 2020
July 31, 2020	$	0.300	August 28, 2020	September 11, 2020
October 30, 2020	$	0.375	November 24, 2020	December 11, 2020
February 4, 2021 (1)	$	1.850	March 3, 2021	March 12, 2021
February 4, 2021	$	0.400	March 3, 2021	March 12, 2021
April 30, 2021	$	0.450	May 28, 2021	June 11, 2021
July 30, 2021	$	0.550	August 27, 2021	September 10, 2021

(1) Represents the annual special cash dividend based on our results from the previous fiscal year.

Effective January 1, 2020, our board of directors authorized the repurchase of up to $150.0 million in common shares through December 31, 2021. During the six months ended June 30, 2021, we repurchased 197,697 shares of our common stock at an average price of $116.71 per share for an aggregate purchase price of $23.1 million related to this authorization. At June 30, 2021, we had $113.8 million remaining under this authorization.

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 2021, we purchased 123,096 shares or $13.1 million of our common stock 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, 2021**	December 31, 2020
Total assets	**$ 2,114,337**	$ 1,997,140
Deduct: Goodwill and intangible assets	**(362,326)**	(377,366)
Deduct: Right-of-use lease asset	**(71,884)**	(82,543)
Deduct: Assets from noncontrolling interests	**(127,741)**	(97,375)
Adjusted assets	**$ 1,552,386**	$ 1,439,856
Total shareholders' equity	**$ 1,074,970**	$ 926,082
Deduct: Goodwill and intangible assets	**(362,326)**	(377,366)
Deduct: Noncontrolling interests	**(119,916)**	(96,657)
Tangible common shareholders' equity	**$ 592,728**	$ 452,059
Leverage ratio (1)	**2.0**	2.2
Adjusted leverage ratio (2)	**2.6**	3.2

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

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

Adjusted assets and tangible common shareholders' equity are non-GAAP financial measures. Goodwill and intangible assets are subtracted from total assets and total shareholders' equity in determining adjusted assets and tangible common shareholders' equity, respectively, as we believe that goodwill and intangible assets do not constitute operating assets that can be deployed in a liquid manner. 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, 2020, due to higher tangible common shareholders' equity driven by strong net income in the first half of 2021.

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 our clearing arrangement with Pershing LLC ("Pershing"), a prime broker agreement and a bank line of credit, and is 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. 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 or the London Interbank Offered Rate ("LIBOR").

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, the majority of our securities inventories 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, 2021, we had less than $0.1 million of financing outstanding under this arrangement.

Prime Broker Arrangement – We have established an overnight financing arrangement with a broker dealer related to our convertible securities inventories. 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 the prime broker 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, 2021, we had $122.2 million of financing outstanding under this prime broker arrangement.

Committed Line – Our committed line is a one-year $100 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 10, 2021. This credit facility has been in place since 2008 and we renewed the facility for another one-year term in the fourth quarter of 2020. At June 30, 2021, we had no advances against this line of credit.

Commercial Paper Program – Piper Sandler & Co. previously issued secured commercial paper to fund a portion of its securities inventory. We retired this program in April 2021.

Revolving Credit Facility – Our parent company, Piper Sandler Companies, has an unsecured $65 million revolving credit facility with U.S. Bank N.A. The credit agreement will terminate on December 20, 2022, unless otherwise terminated, and is subject to a one-year extension exercisable at our option. At June 30, 2021, there were no advances against this credit facility.

This credit facility includes customary events of default and covenants that, among other things, requires Piper Sandler & Co. to maintain a minimum regulatory net capital of $120 million, limits our leverage ratio, requires maintenance of a minimum ratio of operating cash flow to fixed charges, and imposes certain limitations on our ability to make acquisitions and make payments on our capital stock. At June 30, 2021, we were in compliance with all covenants.

The following table presents the average balances outstanding for our various funding sources by quarter for 2021 and 2020:

	Average Balance for the Three Months Ended	
(Amounts in millions)	**June 30, 2021**	**Mar. 31, 2021**
Funding source:		
Pershing clearing arrangement	**$ 5.2**	$ 6.9
Prime broker arrangement	**57.9**	57.2
Commercial paper	**—**	—
Revolving credit facility	**—**	—
Total	**$ 63.1**	$ 64.1

	Average Balance for the Three Months Ended			
(Amounts in millions)	**Dec. 31, 2020**	**Sept. 30, 2020**	**June 30, 2020**	**Mar. 31, 2020**
Funding source:				
Pershing clearing arrangement	$ 16.1	$ 3.3	$ 17.7	$ 117.8
Prime broker arrangement	97.5	90.2	81.9	72.3
Commercial paper	11.4	50.0	50.0	50.0
Revolving credit facility	4.9	29.3	50.0	7.1
Total	$ 129.9	$ 172.8	$ 199.6	$ 247.2

The average funding in the second quarter of 2021 decreased to $63.1 million, compared with $199.6 million during the second quarter of 2020, primarily due to the accumulation of cash from operations. Also, we repaid the outstanding balances under our commercial paper program and revolving credit facility in the second half of 2020.

The following table presents the maximum daily funding amount by quarter for 2021 and 2020:

(Amounts in millions)	**2021**	**2020**
First Quarter	$ 141.5	$ 642.1
Second Quarter	**$ 306.2**	$ 378.3
Third Quarter		$ 401.7
Fourth Quarter		$ 482.3

Long-Term Financing

Senior Notes – On October 15, 2019, we entered into a note purchase agreement ("Note Purchase Agreement") under which we issued unsecured fixed rate senior notes ("Notes") in the amount of $175 million. The initial holders of the Notes are certain entities advised by Pacific Investment Management Company ("PIMCO"). The Notes consist of two classes, Class A Notes and Class B Notes, with principal amounts of $50 million and $125 million, respectively. The Class A Notes bear interest at an annual fixed rate of 4.74 percent and mature on October 15, 2021. The Class B Notes bear interest at an annual fixed rate of 5.20 percent and mature on October 15, 2023. Interest on the Notes is payable semi-annually. The unpaid principal amounts are due in full on the respective maturity dates and may not be prepaid.

The Note Purchase Agreement includes customary events of default and covenants that, among other things, requires Piper Sandler & Co. to maintain a minimum regulatory net capital, limits our leverage ratio and requires maintenance of a minimum ratio of operating cash flow to fixed charges. At June 30, 2021, we were in compliance with all covenants.

Valence Notes – On April 3, 2020, we entered into unsecured promissory notes as part of the acquisition of Valence totaling $20 million (the "Valence Notes"). The Valence Notes were repaid in the first quarter of 2021.

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, 2021, our net capital under the SEC's uniform net capital rule was $257.6 million, and exceeded the minimum net capital required under the SEC rule by $256.6 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 Notes with PIMCO 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, 2021, 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, 2021, 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)	2021	2022	2023	2024 - 2025	2026 - 2027	Later	June 30, 2021	December 31, 2020
Customer matched-book derivative contracts (1) (2)	$ —	$ 17,340	$ 3,020	$ 33,440	$ 21,012	$ 1,636,678	**$ 1,711,490**	$ 1,955,131
Trading securities derivative contracts (2)	153,900	20,750	—	—	—	9,375	**184,025**	55,375
Equity option derivative contracts (2)	2,209	—	—	—	—	—	**2,209**	—
Investment commitments (3)	—	—	—	—	—	—	**85,629**	66,043

(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 $159.9 million at June 30, 2021) 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, 2021, we had $20.1 million of credit exposure with these counterparties, including $17.2 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, 2021 and December 31, 2020, the net fair value of these derivative contracts approximated $18.2 million and $18.1 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 merchant banking activities, in various 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 $85.6 million to certain entities and these commitments generally have no specified call dates.

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

Central banks and regulators in a number of major jurisdictions (e.g., U.S., U.K., European Union, Switzerland and Japan) have convened working groups to find, and implement the transition to, suitable replacements for IBORs. The U.K. Financial Conduct Authority, which regulates LIBOR, has announced that it will not compel panel banks to contribute to LIBOR after 2021. A plan announced in November 2020 would extend the publication of certain USD LIBOR tenors until June 30, 2023, which would allow most legacy USD LIBOR contracts to mature before LIBOR experiences disruptions. We have a limited number of contractual agreements which use LIBOR. We do not expect the transition from LIBOR to a replacement rate to have a significant impact on 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 risks. 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 risks, 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 committee, comprised of members of senior management and risk management, provides 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 $1.5 million in the carrying value of our fixed income securities inventory as of June 30, 2021, 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:

	AAA	AA	A	BBB	BB	Not Rated
Corporate fixed income securities	— %	— %	0.5 %	— %	— %	— %
Municipal securities - taxable and tax-exempt	16.8 %	44.9 %	15.2 %	— %	— %	1.0 %
U.S. government and agency securities	— %	21.6 %	— %	— %	— %	— %
	16.8 %	66.5 %	15.7 %	— %	— %	1.0 %

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 $20.1 million at June 30, 2021. 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 85.8 percent, or $17.2 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. 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 clearing operations. 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 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 leasing costs and communications charges, 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 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 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 Securities and Exchange Commission rules and forms and (b) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding disclosure.

During the second quarter of our fiscal year ending December 31, 2021, 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 Part I, Item 3 "Legal Proceedings" in our Annual Report on Form 10-K for the year ended December 31, 2020 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, 2020. 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, 2020.

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, 2021.

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, 2021 to April 30, 2021)	—		$ —	—	$ 131 million
Month #2 (May 1, 2021 to May 31, 2021)	127,180	(2)	$ 120.82	124,629	$ 116 million
Month #3 (June 1, 2021 to June 30, 2021)	14,872	(3)	$ 124.45	14,549	$ 114 million
Total	142,052		$ 121.20	139,178	$ 114 million

(1) *Effective January 1, 2020, our board of directors authorized the repurchase of up to $150.0 million of common stock through December 31, 2021.*

(2) *Consists of 124,629 shares of common stock repurchased on the open market pursuant to a 10b5-1 plan established with an independent agent at an average price of $120.73 per share, and 2,551 shares of common stock withheld from recipients of restricted stock to pay taxes upon the vesting of the restricted stock at an average price of $124.96 per share.*

(3) *Consists of 14,549 shares of common stock repurchased on the open market pursuant to a 10b5-1 plan established with an independent agent at an average price of $124.34 per share, and 323 shares of common stock withheld from recipients of restricted stock to pay taxes upon the vesting of the restricted stock at an average price of $129.56 per share.*

ITEM 6. *EXHIBITS.*

Exhibit Index

Exhibit Number	Description	Method of Filing
3.1	Amended and Restated Certificate of Incorporation.	(1)
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation.	(2)
3.3	Amended and Restated Bylaws (as of January 3, 2020).	(3)
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, 2021, 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, 2021, formatted in iXBRL.	Filed herewith

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(1) Filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2007, filed with the SEC on August 3, 2007, 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 January 6, 2020, and incorporated herein by reference.

(3) Filed as Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the SEC on January 6, 2020, and incorporated herein by reference.

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 5, 2021	By	/s/ Chad R. Abraham
		Name	Chad R. Abraham
		Its	Chairman and Chief Executive Officer
Date:	August 5, 2021	By	/s/ Timothy L. Carter
		Name	Timothy L. Carter
		Its	Chief Financial Officer

Exhibit 31.1

CERTIFICATIONS

I, Chad R. Abraham, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2021

/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 5, 2021

/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 5, 2021

/s/ Chad R. Abraham

Chad R. Abraham
Chairman and Chief Executive Officer

/s/ Timothy L. Carter

Timothy L. Carter
Chief Financial Officer