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PJC - Q4 2011 PIPER JAFFRAY EARNINGS CONFERENCE CALL

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OVERVIEW:

PJC reported 4Q11 revenues of $99m and non-GAAP net income of $2.1m or $0.11 per diluted common share.

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CORPORATE PARTICIPANTS

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David Trone *JMP Securities - Analyst*

Matt Fischer *Credit Agricole Securities - Analyst*

Brian Hagler *Kennedy Capital - Analyst*

PRESENTATION

Operator

Good morning ladies and gentlemen, and welcome to the Piper Jaffray Company's conference call to discuss the financial results for the fourth quarter and full year 2011. During the question-and-answer session, securities industry professionals may ask questions of Management.

The Company has asked that I remind you that statements on this call that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements that involve inherent risks and uncertainties. Factors that could cause actual results to differ materially from those anticipated are identified in the Company's earnings release and reports on file with the SEC, which are available on the Company's website at www.piperjaffray.com, and on the SEC website at www.sec.gov. As a reminder, this call is being recorded. And now, I would like to turn the call over to Mr. Andrew Duff. Mr. Duff, you may begin your call.

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

Good morning, and thank you for joining us to review our fourth quarter and full-year results. It was a difficult second half to 2011, and our fourth-quarter results were similar to the third quarter, with modest profitability, excluding the goodwill impairment charge. Compared to the third quarter, asset management revenues improved, public finance revenues rebounded, M&A revenues, while down, were solid. Equity financing revenues improved from the low level in the third quarter, but capital raising for IPOs was still largely on hold. Offsetting these improvements was lower institutional brokerage revenues.

We navigated reasonably well against a challenging and volatile operating environment in 2011, achieving positive pre-tax earnings in each quarter during the year on a non-GAAP basis. For the full year, our ROE was 2.3%, compared to 3.4% for 2010. We reduced incentive compensation, commensurate with our performance, and with we further reduced our non-compensation compensations. However we were not able to offset the impact of lower revenues and losses in Asia. Deb will provide more details on our financial performance.

I would like to focus the rest of my remarks on the strategic initiatives that we established in 2010 and our outlook for 2012. We remain committed to our strategy, and we made progress against it in 2011. Also, we remain focused on our key objective to increase the proportion of higher margin, higher return businesses, in order to improve our return on equity. These businesses are public finance, asset management, and M&A. In 2011, they represented 53% of our revenues, up from 50% in 2010.

I'll begin with public finance. With historically strong margins and returns, our public finance business made solid progress toward our goal of building a national franchise. Since 2009, we have expanded into the northeast and southeast, and continued to deepen our presence in Texas. In 2011, we added 10 new senior bankers, and entered Indiana, Pennsylvania, and Tennessee. Also, we expanded our municipal distribution to support our increased origination capability. We now have approximately 150 professionals across the country dedicated to our public finance platform.

And in a difficult environment, we gained market share. In 2011, our PAR value of negotiated issuance was down 15%, while the industry was down 36%. Our market share rose to 3.8%, from 3.1% in 2010. We believe that the investments we continue to make in this business will position us well in the long term.

Now, I will turn to investment banking. The momentum in the fourth quarter of 2010 carried through into the first half of 2011. Our revenues from equity financings in the US increased 30% in the first half of 2011, compared to the first half of 2010. However, in August, the European debt crisis and other macro issues surfaced, and capital raising slowed and didn't recover. Industry-wide in the US, there were 80 IPOs that were priced in the first half of 2011, but only 45 in the second half. We have maintained a strong competitive position, however, and our clients selected us as the book runner on 46% of the US equity financings that we completed in 2011. The number is 60% on our current US file backlog.

As a book runner, we raised $2.4 billion of capital, our second highest level ever. In 2011, we generated 60% of our fees from book run business, up from an average of 41% over the previous eight years. Our 2011 results in Asia were a stark contrast to our profitability in 2010. In the Hong Kong market, a majority of the IPOs typically come to market in the last half of the year. Therefore, the impact of macro-economic issues emerging in the last half of 2011 had a particularly onerous impact on our results.

Asia remains a compelling long-term growth opportunity. China has emerged as the largest growth capital market in the world, the second largest for middle market companies. The capital raising aligns well with our sector and product expertise. That said, we are committed to reducing our losses in the region despite lower revenues, and in the fourth quarter, we implemented a plan to do that. We reduced our head count by 15% and reduced our non-compensation expenses. We are prepared to take additional actions in 2012, if needed.

Our key focus in investment banking is building our M&A franchise. We successfully transitioned our European team to an M&A-only model, and they made a solid contribution to results in 2011. Furthermore, we believe we can achieve a significant amount of M&A growth through our existing global resources. We selectively added senior talent during 2011, including in Asia, and in the industrial and technology sectors. These actions together should give additional momentum to M&A in 2012.

Finally, advisory research and famco continue to provide a solid foundation for growth in our asset management business. Asset management represents 16% of our revenues, and 48% of our non-GAAP pre-tax operating profit for 2011. We ended the year with $12 billion of assets under management, in a revenue yield excluding performance fees, had a very solid 56 basis points. For the year, all key investment strategies performed well against their respective benchmarks. We more than doubled assets in our mutual funds to $131 million. The assets in the MLP product increased by $1.1 billion, or 73%, which was mainly driven by $900 million in net new assets.

As we look ahead to 2012, we expect a continued challenging operating environment. The European debt crisis, a slowing economy in China, and a slow economic recovery in the US remain the largest factors hindering more robust growth. Against this backdrop, our lowered cost structure should enhance our ability to generate profits, and create even greater operating leverage. And we expect to see more contribution in 2012, as a result of the investments we have made in public finance, asset management, and the changes in M&A. We have a clear strategy, and we will continue to execute it -- against it, in the year ahead. Now I'd like to turn the call over to Deb to review the financial results in more detail.

Debbra Schoneman - *Piper Jaffray Companies - CFO*

Thank you, Andrew. For the fourth quarter, we generated $99 million in revenues and non-GAAP net income of $2.1 million, or $0.11 per diluted common share. These results exclude the goodwill impairment charge. We have a reconciliation to GAAP in our earnings release.

In the fourth quarter, we performed our annual impairment test of goodwill, which resulted in a $120.3 million pre-tax impairment charge. The charge will have no effect on our cash position, or the regulatory capital position of our broker/dealer subsidiaries. A substantial majority of the impaired goodwill was attributable to the 1998 acquisition of our predecessor company by US Bancorp. The impairment represents 100% of the goodwill related to our capital market segment. There was no goodwill impairment associated with the asset management segment.

For the fourth quarter, our business mix shifted more to investment banking and asset management and away from institutional brokerage, compared to the sequential third quarter. We maintained our focus on managing our costs to achieve profitability, even at lower revenue levels.

Macro issues continued to weigh heavily on industry activity levels. Compared to the sequential third quarter, however, we raised more equity capital in the US, and we completed two equity financings in Hong Kong. Public finance PAR issuance increased 25%, and M&A revenues were solid. Institutional brokerage revenues declined to $32 million, down 17% compared to the sequential third quarter. Similar to the industry, we experienced slow client activity in the cash equities business. In addition, fixed income revenues were also lower, though results were mixed, including a negative impact on our aircraft business, due to American Airlines' bankruptcy in November.

Our strategic trading results were profitable, but lower compared to the third quarter, due to several factors, including wider spreads on Build America bond positions and upgrading the credit quality of the tax-exempt portion of the portfolio, to mitigate risks in the uncertain credit markets.

Now I will comment on expenses. Fourth-quarter compensation and benefits expenses were $64 million, down 2% compared to the third quarter of 2011. Our compensation ratio was 64.4%, down from 66.5%, mainly due to lower variable compensation. For the fourth quarter, non-compensation expenses were $34 million on a non-GAAP basis, and in line with our stated goal.

For the fourth quarter, we realized a tax benefit of $2.9 million, of which $1.8 million was attributable to the goodwill impairment charge. The remainder of the benefit mainly resulted from the tax exemption on municipal interests. In the fourth quarter, we re-purchased $6 million, or 294,000 shares of our common stock, at an average price per share of $20.40. For the full year, we acquired $26.5 million, or 803,500 shares of our common stock, 510,000 shares of which was related to employee tax obligations on vesting of equity awards. We have $51.4 million remaining on a share re-purchase authorization which expires on September 30, 2012.

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

That concludes our formal remarks. Operator, we will now open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Devin Ryan, Sandler O'Neill.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Good morning, guys. How are you?

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

Good morning, Devin.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Hi. So within the fixed-income results, I appreciate some of the additional color you just gave, but is it possible to give us any sense of what results would have looked like without the mark within the aircraft business? I'm just trying to get a flavor of maybe what that core business did versus last quarter? I know that there are some different moving parts there, so any additional color would be really helpful, just trying to think about a run rate going forward?

Debbra Schoneman - *Piper Jaffray Companies - CFO*

Looking at the quarter-over-quarter delta, the negative aircraft marks were a significant part of that. They weren't all of that impact, although as I mentioned they were significant. We also experienced a decline in both municipals and other taxable securities, really coming from a challenging trading environment. So it was very mixed across the products.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Okay.

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

Maybe I just add to that, Devin, the tax-exempt market was reasonably volatile in the fourth quarter, too. The ratio to the AAA tax exempt to Treasuries backed up from high 80s, 90s to almost 120 at the end of November, and that's now reverting. So, during the quarter itself, it was relatively challenged.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Okay. Got you. I was just a little bit surprised, given generally rising markets that -- so just so I am clear, the core principal investing, if you will, part of the business, was down from last quarter?

Debbra Schoneman - *Piper Jaffray Companies - CFO*

Correct.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Outside of the aircraft mark?

Debbra Schoneman - *Piper Jaffray Companies - CFO*

That is correct.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Okay. Got it. Great. Then just moving on, with some new regulations that obviously will be impacting some of your larger peers like Volker, and just higher risk ratings on capital in general, I'd love to get a sense, as you're planning for 2012 and beyond, are you planning for any knock-on impacts on your business as a result of some of those? Maybe one would be lower volumes, if liquidity doesn't come back into the system, or even any positives? Just any color from new regulations would help.

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

As you know, a lot of those are oriented towards systematically important organizations, and their capital ratios and/or activities that they're able to continue in. Most of those don't apply directly to us or have a direct impact. The amount of capital and the various asset classes and activity, we cautiously look at potentially an opportunity, if there is going to be fewer participants in areas that we know very well. It may infer increased volatility.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Got you, okay. Great. Can you provide any additional color on the other income loss within capital markets? I think it was $3.2 million. You guys had a gain there, just anything additional would be helpful.

Debbra Schoneman - *Piper Jaffray Companies - CFO*

Within that line item, there are a couple of things. A portion of our long-term debt cost goes there, and typically it is more than offset by revenues and profits on our firm investments, both merchant banking and other firm investments. In the fourth quarter, we had losses on firm investments outside of merchant banking that is what caused that loss.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Okay.

Debbra Schoneman - *Piper Jaffray Companies - CFO*

I would just add there that those were unrealized marks on some fund investments that we had.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Okay. Lastly, just on the comp ratio, obviously this was a challenging revenue year. In the comp ratio I think was higher than what you would have liked. Can you give us any sense of where -- in kind of more normalized revenue environments, is something around 60 or below still the target, and how we should think about that, assuming 2012 is a better revenue year for you guys?

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

The short answer to that is yes. If you look at our history, we hovered around 60, and over time as we remixed the business, particularly asset management, as well as some of principalling activity, the opportunity there is for that to be lower over time, and that's our intention.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Okay. All right, great. Thanks, guys.

Debbra Schoneman - *Piper Jaffray Companies - CFO*

Thank you.

Operator

Joel Jeffrey of KBW.

Joel Jeffrey - *Keefe, Bruyette & Woods - Analyst*

Good morning, guys.

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

Good morning, Joel.

Joel Jeffrey - *Keefe, Bruyette & Woods - Analyst*

Just to follow up quickly on Devon's question, I guess kind of looking at it a different way. You talked about the reduction in variable comp expense. The number that came out this quarter, is that how we should think about the bottom, the baseline fixed number going forward, in terms of comp?

Debbra Schoneman - *Piper Jaffray Companies - CFO*

I wouldn't say that is accurate, because there is still definitely variable compensation that's within that number that is dependent on overall revenue and profitability levels. I do think what you were seeing though, in this quarter, is the impact of those fixed components of compensation, whether it be our support infrastructure, benefits, or certain salary levels, in businesses with lower revenues impacting that comp ratio. But I wouldn't say it's been -- ultimately that level of comp is a four.

Joel Jeffrey - *Keefe, Bruyette & Woods - Analyst*

In terms of your re-purchase activity, you bought back some shares this quarter, and it looks like you've got about $51 million remaining on your current authorization that expires in September. Is it likely if the stock valuation sort of stays at this level that you guys might be more aggressive in terms of re-purchase activity?

Debbra Schoneman - *Piper Jaffray Companies - CFO*

As we've talked about before, our primary goal is to offset dilution from employee equity awards, which we have done, and we are looking for additional ways to go beyond just offsetting dilution.

Joel Jeffrey - *Keefe, Bruyette & Woods - Analyst*

Okay. Lastly, in terms of the -- I appreciate the color you guys gave us on the equity capital markets activity, but can you talk a little bit more about why you guys seem to be picking up more book run deals? Is there anything specific you guys have been focusing on?

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

Yes, that's a multi-year transition and effort that I'd say probably goes back four or five years now. It's our belief and conclusion that you, over time, to really succeed and have the appropriate share to be long-term successful in the business, you have to book run a majority of the activity. Increasingly what's available to co-managers has been on a decline for years.

So it's critical that we get in the book run position. It also reflects the quality of your relationship being a primary advisor to the client. So we have been mindful of that, and all the various industry teams are well aware that's our objective, and we -- it's a component of the discussion at commitment committees, and it's the focus of the business over time.

Joel Jeffrey - *Keefe, Bruyette & Woods - Analyst*

Great, thanks for taking my question.

Operator

David Trone, JMP Securities.

David Trone - *JMP Securities - Analyst*

Hi, good morning. The quick question I had on -- was on marketing and business development. I know that tends to be activity linked, but revenue was flat sequentially, and that was up, marketing and development was up about 12%. Is there anything, any color there?

Debbra Schoneman - *Piper Jaffray Companies - CFO*

The biggest reason for the delta and the increase there is related to some busted deal expenses, so transactions that were not able to come to the market as the market has been slow here for a period of time.

David Trone - *JMP Securities - Analyst*

So, you ate the expenses that you would normally pass along to the client, right?

Debbra Schoneman - *Piper Jaffray Companies - CFO*

Correct.

David Trone - *JMP Securities - Analyst*

Okay. The other thing, too, that I had a question on. On the aircraft mark that you mentioned, I presume that's not something that would be reversible at any point. It's pretty much set in stone?

Debbra Schoneman - *Piper Jaffray Companies - CFO*

When we talk about the marks on the aircraft, some of that was on American Airline positions, but also on our overall EETC Aircraft Business.

David Trone - *JMP Securities - Analyst*

Okay.

Debbra Schoneman - *Piper Jaffray Companies - CFO*

And the majority of those marks were not realized.

David Trone - *JMP Securities - Analyst*

Okay, thanks. Then it looks like over the last two quarters, if you strip out all of the unusual tax items and things like that, it looks like $100 million is kind of your break-even point. In terms of top line, you are pretty much going to break even.

How are you thinking about the year? I know you mentioned some head-count reductions. What would you -- how would you react if this is a year with kind of $400 million in revenue?

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

We have, I think, shown some meaningful progress in our ability to lower our expenses, both comp and non-comp. We remain focused on that, and we are wholly committed to being profitable every quarter year-in and year-out, and improving our ROE over time. We do believe that this potentially is another difficult year with some volatility, and we're going to continue to look at that.

David Trone - *JMP Securities - Analyst*

So, you feel like you're willing and able to reduce the franchise a bit more, if necessary?

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

Yes.

David Trone - *JMP Securities - Analyst*

Okay. On that related point, some of the -- admittedly they are very different companies, but some of the bigger guys that have reported have been cautiously optimistic that the pace of activity seems like it's starting out a little bit better. Are you seeing that in your business? Or not so much?

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

You know what, we'd have a similar view. I need to comment, it's awfully early, and frankly, January can tend to be relatively slow. But there are some trends that suggest the potential here is for improvement. Look at the capital raising in the US.

We've already done a book run IPO and two co-managed follow-ons, where the ratios are in public finance, that would open up the possibility of a fair amount of refundings. In fact, the forward calendar is growing. Yes. It's early, but yes.

David Trone - *JMP Securities - Analyst*

Okay, that's all I have. Thanks a lot.

Debbra Schoneman - *Piper Jaffray Companies - CFO*

Thank you.

Operator

Matt Fischer, CASA.

Matt Fischer - *Credit Agricole Securities - Analyst*

Hi, good morning.

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

Good morning.

Matt Fischer - *Credit Agricole Securities - Analyst*

To follow up on that. In terms of the backlog, you said the forward calendar is growing. Maybe by product, if you can give us a little more granularity in the pipeline. Also, what's in the pipeline? Is this -- how much of it is new versus just deals that have kind of been sitting there, waiting for the markets to stabilize before they would be executed?

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

So, the equity capital pipeline that I would refer to is recent, meaning there is an extended one that is 180 days or older, and I'm not going to refer to that. There's still some possibility in that. But the more current one has 10 on file, six of which were book running.

Our public finance calendar is in reasonable shape. That is sensitive to interest rates and ratios. Those are trending favorably. Again, it's early in January, but they are trending favorably to where that calendar could start to grow, meaningfully.

Matt Fischer - *Credit Agricole Securities - Analyst*

And versus where you were, let's say at the start of 2011, any color there?

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

Well, in public finance, I guess I'd note that was an unusually low quarter for the entire industry. The run rate in capital raised was just under $200 billion and the prior year had been $430 billion. We ended the year as an industry at $295 billion.

Year-over-year, that was a particularly difficult calendar, a lot of it is driven by all the budget issues that started with the federal government going to the state and local level. That feels more constructive currently. Again, it's early.

Matt Fischer - *Credit Agricole Securities - Analyst*

Okay, and then M&A?

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

Earning in the M&A backlog feels solid. We're reasonably confident. Good dialogues going on with the clients. Some mandates recently. It feels solid.

Matt Fischer - *Credit Agricole Securities - Analyst*

Okay. Great, thanks. Then looking at asset management, the assets under management up 10%. You mentioned the $900 million in net new assets. How does that -- and I may have missed this, how does this break down versus kind of asset class?

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

So, the bulk of that I was referring to specifically was our MLP product.

Matt Fischer - *Credit Agricole Securities - Analyst*

Okay.

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

And they had $900 million of net new assets, which was the lion's share of their growth year-over-year, which is a little north of that, some of that being market.

Matt Fischer - *Credit Agricole Securities - Analyst*

Okay.

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

The mix on the rest of the products kind of netted out relatively even. Some net losses. Having said that, the five new mutual funds which we have seeded did grow their assets. They're building longer-term track records. All the products and their track records are actually very strong throughout the year, leaving us in a good position for asset growth.

Matt Fischer - *Credit Agricole Securities - Analyst*

Okay, great. Thank you.

Operator

Brian Hagler, Kennedy Capital.

Brian Hagler - *Kennedy Capital - Analyst*

Good morning.

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

Good morning.

Brian Hagler - *Kennedy Capital - Analyst*

I guess my main question had to do with what you've seen so far year-to-date in the backlog, which you've addressed. But just a couple more questions. Is there any way you can get more specific on the aircraft mark?

Debbra Schoneman - *Piper Jaffray Companies - CFO*

I guess I would -- as I mentioned earlier, that is -- it was on our entire EETC business, as the entire aircraft market got hit. Once American Airlines filed for bankruptcy, we did take marks on both AMR positions that we held, as well as other aircraft positions.

The majority of the losses were unrealized, although we did realize some losses for certain positions that we chose to get out of. It was a significant part of the quarter-over-quarter delta.

Brian Hagler - *Kennedy Capital - Analyst*

Okay. And then maybe just switching gear to Asia. You mentioned you've taken action to try to improve profitability or improve -- or lose less money there. Can you just talk about how much more flexibility you have, and kind of what the time frame is, if things don't recover there, in a more -- in a stronger way, when you'll take action?

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

It's a priority and a clear focus of ours. It was amazing, on the reversal in business activity 2010 to 2011. As I commented, we did take meaningful action in the fourth quarter. That's complete and in place.

We do have additional plans should the activity not pick up. We have a backlog there. We don't anticipate much of it can come in the first quarter. So it's being very mindful that the run rate expense improvements are in place and we're tracking to them, and that we have a keen eye on those recovering markets and what kind of activity we believe can come.

So we are very focused on it, believe we have improved our position based on lower revenues meaningfully. But we will watch it very closely, and will take more action if we need to.

Brian Hagler - *Kennedy Capital - Analyst*

Okay. Great, thanks.

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

And maybe the final thing I would want to say there is, I do believe in the longer-term opportunity there. It's a very unique market with substantial equity capital needs, and we are well-positioned.

Brian Hagler - *Kennedy Capital - Analyst*

Appreciate it.

Debbra Schoneman - *Piper Jaffray Companies - CFO*

Thank you.

Operator

Devin Ryan, Sandler O'Neill.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Yes, hi. I just had a quick follow-up on the fixed income business. When I'm just looking at this quarter versus last quarter, and then what you guys have been doing previous to maybe these past couple of tough quarters. I mean is there anything that's changed structurally within your business?

I understand that volumes have been way off and that it's been a really tough time for a lot of businesses and products within fixed income. But have you decreased head count there? Is there anything else that, outside of just slower volumes that would be negatively impacting your business relative to the industry? Just trying to get any additional flavor there.

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

No, I don't think there are any other factors there, Devin. I might take you back to the principalling activities in strategic trading. The volatility in the tax exempts was pretty material, coupled with -- I think Deb mentioned this -- a decision we made to upgrade the quality in the portfolio, now 92% or 93% AA, AAA.

That has proven to be a good decision for us. Additionally, BABS, which we're one of the few active participants in that market still, widened very substantially in the quarter, as well. We managed through that. So it was more challenging. Profitable in the quarter, but it was more challenging, versus other times in the year.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Okay.

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

I don't think there's something fundamentally different, if I'm understanding your question.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

No, that was all. I'm just trying to think about kind of where that business is, and its potential. Those comments are helpful.

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

Okay.

Debbra Schoneman - *Piper Jaffray Companies - CFO*

Thank you.

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

We have a lot of confidence in those strategies over time. It was not our most profitable quarter. Operator, you want to check for additional questions, if you would?

Operator

(Operator Instructions)

There are no further questions at this time.

Andrew Duff - *Piper Jaffray Companies - Chairman and CEO*

Okay, then. Why don't I close the call saying we recognize the potential for ongoing volatility in difficult markets. We will take the actions we need to continue our profitability quarter-to-quarter and improving our performance. We are confident of the strategy and we are making progress against it. So thank you all for joining us today.

Operator

This concludes today's conference call. You may now disconnect.
