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# Jefferies Group LLC – Update for Fixed Income Investors

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July 2019

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# Jefferies Group

- Jefferies Group is a global investment bank engaged in investment banking, sales and trading, and asset management.
  - Jefferies Group is the largest subsidiary under its parent company Jefferies Financial Group, a diversified financial services company.
- Full-Service Capital Markets Platform: Expertise and depth across equities, fixed income and investment banking.
- Client-Focused: Providing investor and issuer clients with the highest quality advice and execution.
- Global Footprint: Sales & trading and investment banking presence across the United States, Europe and Asia.
- Strong, Stable Foundation: Robust long-term capital base, comparatively low leverage and free from dependence upon government support.
- Positioned to Seize Market Share: Having broadened our product offering and hired additional key talent, Jefferies is positioned to grow market share.

# Business Highlights

## Jefferies Group

- Recorded LTM Q2 2019 Net Revenues of \$3.1 billion and Pre-Tax Income of \$383 million.
- Investment Banking revenues have grown at the highest annual rate of all major global investment banks.
- Increases in overall fee market share led to U.S. rankings for FY 2018 of 7<sup>th</sup> in M&A, 6<sup>th</sup> in Equity Capital Markets and 6<sup>th</sup> in Leveraged Finance:

M&A			
Market Share Rank	Investment Bank	Market Share	Δ From FY 2017
1	Goldman Sachs	12.6%	
2	JP Morgan	9.2%	
3	Morgan Stanley	8.6%	
4	Citi	5.2%	
5	Barclays	5.0%	
6	BAML	4.0%	
<b>7</b>	<b>Jefferies</b>	<b>3.9%</b>	<b>↑ From 9</b>
8	Credit Suisse	3.8%	
9	Evercore	3.6%	
10	Lazard	2.6%	

ECM			
Market Share Rank	Investment Bank	Market Share	Δ From FY 2017
1	JP Morgan	12.3%	
2	Goldman Sachs	11.2%	
3	Morgan Stanley	11.0%	
4	BAML	8.0%	
5	Citi	6.3%	
<b>6</b>	<b>Jefferies</b>	<b>4.5%</b>	<b>↑ From 10</b>
7	Credit Suisse	4.4%	
8	Barclays	3.5%	
9	Deutsche Bank	2.7%	
10	RBC	2.7%	

Leveraged Finance			
Market Share Rank	Investment Bank	Market Share	Δ From FY 2017
1	JP Morgan	11.1%	
2	BAML	8.6%	
3	Credit Suisse	7.7%	
4	Barclays	7.2%	
5	Goldman Sachs	6.6%	
<b>6</b>	<b>Jefferies</b>	<b>4.8%</b>	<b>↑ From 7</b>
7	Morgan Stanley	4.8%	
8	Deutsche Bank	4.7%	
9	Citi	4.4%	
10	Wells Fargo	4.3%	

Source: Dealogic. Total U.S. fee pool, no exclusions.

- Poised to make further market share gains and increase operating margin.
- Expanded to include Berkadia and Leucadia Asset Management, both complements to the existing Jefferies Group operating business.

## Jefferies Group: Strategic Update

- Poised to make further market share gains and increase operating margin.
- Our competitive position has strengthened further, as several major competitors have experienced challenges and may face near-term inflection points, which may lead to further industry consolidation, creating additional market share growth opportunities.
- Investment Banking business continues to broaden, and we continue to strengthen and expand our team.
- Equities is recording growth in market share that should accelerate.
- Fixed Income is delivering more consistent revenues and returns, with increased capital efficiency and lower risk, after successful efforts to enhance the team, refocus the business and reduce balance sheet utilization.
  - Jefferies Group assets of \$42.8 billion as of May 31, 2019, down from \$44.1 billion as of May 31, 2015.
  - Fixed Income assets of \$20.9 billion as of May 31, 2019, down from \$22.7 billion as of May 31, 2015.
- Leucadia Asset Management continues to make strategic investments at attractive expected risk adjusted returns.
- Our priorities are revenue growth and margin expansion, while maintaining our discipline around liquidity and risk management.
  - Revenue growth being led by Investment Banking maturation and new hires, as well as Equities and Fixed Income market share gains as capabilities strengthen and competitors reshuffle.
  - Margin expansion will be achieved over time with active efforts to compress support costs and net revenue growth reducing operating expenses as a percent of net revenue and allowing compensation ratio to be reduced.
  - Digitalization effort focused on leveraging technology and innovation to help increase productivity.

# Jefferies Global Footprint

## 30 Principal Offices



Number of Employees <sup>(1)</sup>			
<b><u>By Division</u></b>		<b><u>By Region</u></b>	
Equities	625	Americas	2469
Fixed Income	437	Europe	832
Investment Banking	1083	Asia	295
Corporate & Other	1451	<b>Total</b>	<b>3596</b>
<b>Total</b>	<b>3596</b>		

(1) As of 11/30/18

# Global Full-Service Capabilities

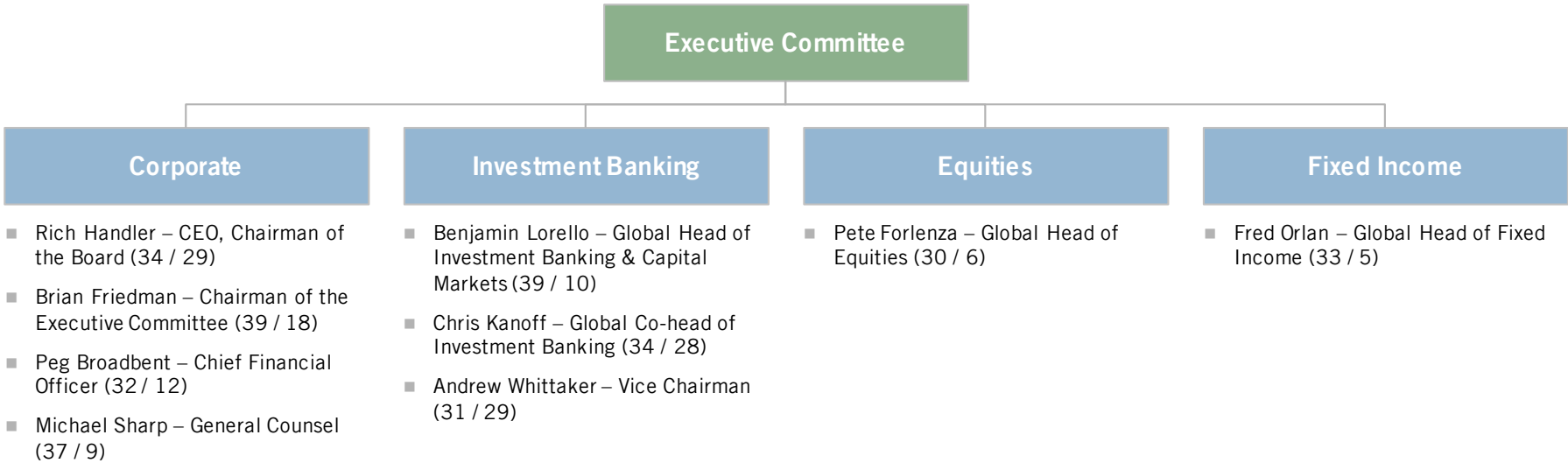
Investment Banking			Equities		Fixed Income		Leucadia Asset Management <sup>(1)</sup>	
Consumer	Energy	Equity Capital Markets	Cash Equities	Electronic Trading	Leveraged Credit	Investment Grade	quantPORT	Weiss Multi-Strategy
Financials	Healthcare	Debt Capital Markets	Listed Derivatives	Prime Services	Emerging Markets	MBS / ABS / CMBS	Core-Commodity	Schonfeld Fundamental
Industrials	TMT	M&A	ETFs	Convertibles	Rates	Municipals	Topwater	GEEOF
REGAL	Financial Sponsors	Restructuring	Wealth Management	Research	ETFs	Desk Research	Lake Hill	
Public Finance	Mortgage Banking (Berkadia)				Foreign Exchange			

(1) Represents investments in strategies listed in this chart.

# Executive Committee

- Made up entirely of internal senior managers, the Executive Committee (“EC”) provides insight, perspective and guidance for the day-to-day operations and strategic direction of their respective businesses and the firm as a whole.
- Executive and senior management are actively involved in the risk management process in which they receive daily risk reports showing risk metrics and large exposures in addition to weekly risk meetings with real time discussions as needed. The Treasury Group prepares a weekly balance sheet and cash capital analysis and reviews with Market Risk and Executive Committees.
- The 9 members of the EC have combined industry experience of 309 years, with 146 years (average over 16 years) at Jefferies.

*\* (Years of Experience / Years at Jefferies)*



Note: Years at Jefferies includes experience at acquired predecessor (e.g., Broadview).



# Earnings Update – Second Quarter 2019 and Last Twelve Months

## Second quarter ending May 31, 2019 performance:

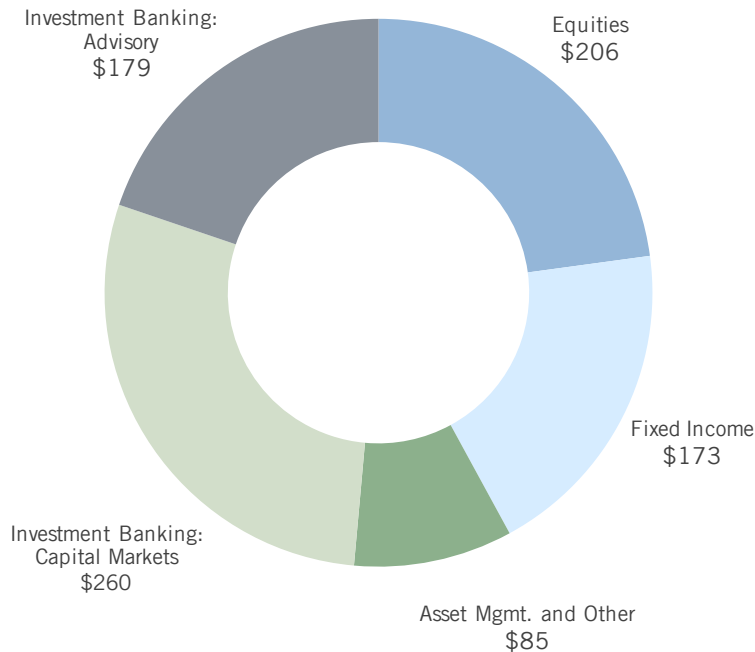
- Net Revenues: \$902 million
- Pre-Tax Earnings: \$155 million
- Net Earnings: \$110 million
- Revenues by Source:

## Last twelve months ending May 31, 2019 performance:

- Net Revenues: \$3,127 million
- Pre-Tax Earnings: \$383 million
- Net Earnings: \$278 million
- Revenues by Source:

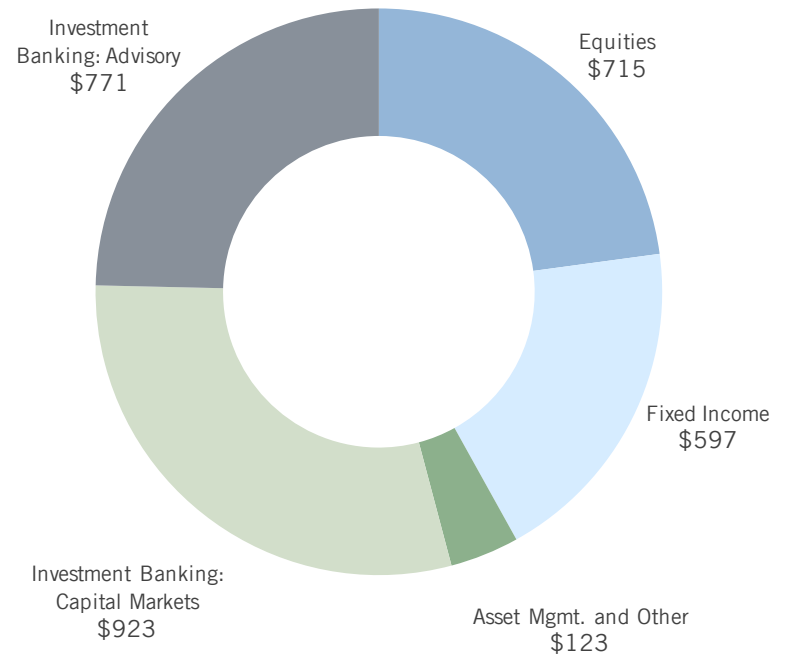
(\$ Millions)

### NET REVENUES BY SOURCE



(\$ Millions)

### NET REVENUES BY SOURCE



# Operating Results

(\$ Millions)

Jefferies Group LLC				
	FYE Nov. 30,			LTM
	2016	2017	2018	5/31/2019
Equities	\$597	\$674	\$666	\$715
Fixed Income	654	618	560	597
<b>Total Sales and Trading</b>	<b>1,252</b>	<b>1,293</b>	<b>1,225</b>	<b>1,312</b>
Equity	235	345	455	427
Debt	305	649	636	496
Capital Markets	540	994	1,090	923
Advisory	654	770	820	771
Other Investment Banking	(108)	20	4	6
<b>Total Investment Banking</b>	<b>1,085</b>	<b>1,784</b>	<b>1,914</b>	<b>1,699</b>
<b>Other</b>	<b>1</b>	<b>93</b>	<b>45</b>	<b>69</b>
<b>Total Capital Markets</b>	<b>2,338</b>	<b>3,170</b>	<b>3,184</b>	<b>3,080</b>
Asset Management Fees	24	19	21	21
Investment Return	61	21	17	71
Allocated Net Interest	(8)	(12)	(39)	(45)
<b>Total Asset Management</b>	<b>76</b>	<b>28</b>	<b>(1)</b>	<b>47</b>
<b>Net Revenues</b>	<b>2,415</b>	<b>3,198</b>	<b>3,183</b>	<b>3,127</b>
Non-Compensation Expenses	816	864	1,037	1,058
Compensation and Benefits	1,569	1,829	1,736	1,686
<b>Total Expenses</b>	<b>2,385</b>	<b>2,693</b>	<b>2,774</b>	<b>2,744</b>
<b>Earnings Before Taxes &amp; Noncontrolling Interests</b>	<b>\$30</b>	<b>\$505</b>	<b>\$410</b>	<b>\$383</b>

Note: In the first quarter of 2018, we made changes to the presentation of our "Revenues by Source" to better align the manner in which we describe and present the results of our performance with the manner in which we manage our business activities and serve our clients. For a further discussion of these changes, see Jefferies Group LLC's Form 8-K filed on March 20, 2018. In addition, in the fourth quarter of 2018, Jefferies Financial Group transferred to us capital investments in certain separately managed accounts and funds. Due to this transfer, we have made changes to the presentation of our "Revenues by Source" in the fourth quarter of 2018 and are including investment income from capital invested in these separately managed accounts and funds within the asset management revenues. We have presented all operating periods to reflect results on a comparable basis, as reported in the Jefferies Group public filings.

## Balance Sheet and Funding Overview

- We continue to manage the size of our balance sheet in response to market conditions and volatility.
  - Tangible Gross Leverage <sup>(1)</sup> at 5/31/2019: 9.4x
  - Inventory was \$16.1 billion at 5/31/2019
- Our long-standing liquidity and funding principles have maintained the strength and soundness of our platform across market cycles:
  - Owning inventory that is comprised of liquid assets that turn over regularly, with a minimal amount of Level 3 Financial Instruments Owned.
  - Maintaining a sound, long-term capital base and reasonable leverage relative to our business activity.
  - Short-term secured funding that is readily and consistently available through clearing houses, or fixed for periods of time that exceed the expected tenure of the inventory they are funding.
  - Assessing capital reserves and maintaining liquidity (including intraday liquidity) to withstand adverse changes in the trading or financing markets.
  - Entering into partnerships and joint ventures with complementary long-term partners to pursue business opportunities that otherwise would exceed our capital capacity or risk tolerance.

(\$Millions)	As of May 31, 2019
Unsecured Long-Term Debt	\$ 5,265
Total Stockholders' Equity	6,179
<b>Total Capitalization</b>	<b>\$ 11,444</b>

(1) Tangible gross leverage ratio and tangible gross assets are non-GAAP financial measures. Tangible gross leverage ratio equals tangible gross assets divided by tangible member's equity. Tangible gross assets equals total assets less goodwill and identifiable intangible assets. Tangible member's equity represents total member's equity less goodwill and identifiable intangible assets. The tangible gross leverage ratio is used by rating agencies in assessing our leverage ratio.

(2) Long-term debt at May 31, 2019 excludes \$648.4 million of our 8.500% senior notes and \$557.9 million of our 2.375% Euro Medium Term Notes, as these notes mature July 15, 2019 and May 20, 2020, respectively, and \$188.8 million of our outstanding borrowings under our senior secured revolving credit facility ("Revolving Credit Facility").

# Balance Sheet Overview

(\$ Millions)

Jefferies Group LLC			
Balance Sheet as of 5/31/2019			
Assets		Liabilities and Equity	
Cash & Cash Equivalents	\$ 4,213	Short-term Borrowings	\$ 510
Cash & Securities Segregated	543	Financial Instruments Sold, Not Yet Purchased	10,113
Financial Instruments Owned	16,096	Securities Loaned	2,328
Loans to and Investments in Related Parties	951	Securities Sold Under Agreements to Repurchase	8,862
Securities Borrowed	7,714	Other Secured Financings	1,266
Securities Purchased Under Agreements to Resell	4,027	Payables to Brokers, Dealers and Clearing Organizations	2,466
Receivables from Brokers, Dealers and Clearing Organizations	3,895	Payables to Customers	3,138
Receivables from Customers	1,788	Accrued Expenses and Other Liabilities	1,296
Fees, Interest and Other Receivables	434	Long-term Debt	6,660
Premises and Equipment	316	Total Liabilities	\$ 36,639
Goodwill	1,642	Total Jefferies Group LLC Member's Equity	6,173
Other Assets	1,199	Noncontrolling Interests	6
		Total Equity	\$ 6,179
<b>Total Assets</b>	<b>\$ 42,818</b>	<b>Total Liabilities and Equity</b>	<b>\$ 42,818</b>
Leverage: <sup>(1)</sup>	6.9x		
Tangible Gross Leverage: <sup>(2)</sup>	9.4x		

Note: As presented in Jefferies public filings.

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

(2) Tangible gross leverage ratio (a non-GAAP financial measure) equals total assets of \$42,818 million less goodwill and identifiable intangible assets of \$1,818 million divided by tangible Jefferies Group LLC member's equity of \$4,355 million. Tangible Jefferies Group LLC member's equity represents total Jefferies Group LLC member's equity of \$6,173 million less goodwill and identifiable intangible assets of \$1,818 million. The tangible gross leverage ratio is used by rating agencies in assessing our leverage ratio.

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**Capital, Funding & Liquidity**

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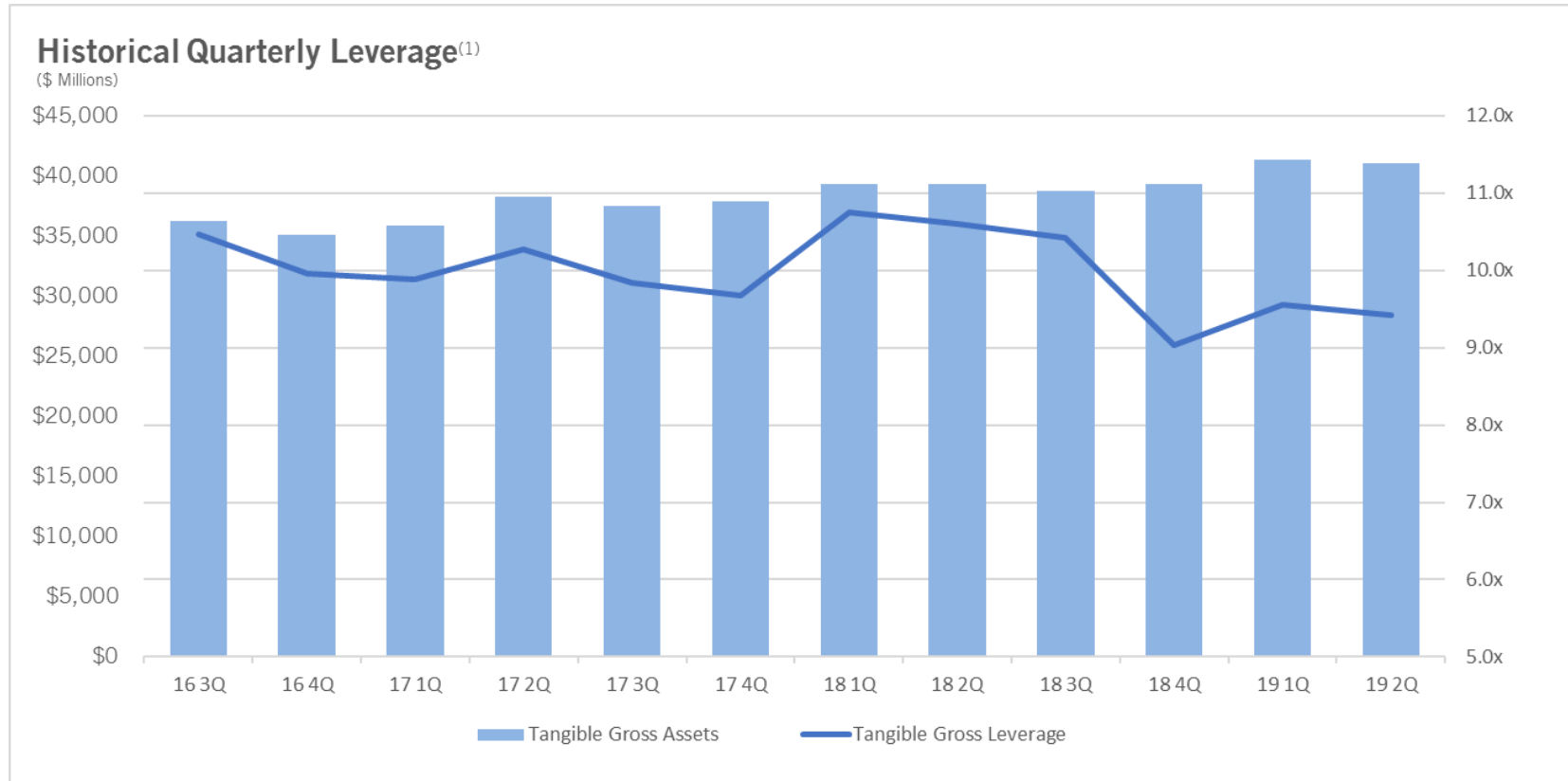
# Liquidity and Funding Principles

**Jefferies' long-standing liquidity and funding principles have maintained the strength and soundness of our platform across market cycles.**

- Owning inventory that is composed of liquid assets that turn over regularly, with Level 3 Financial Instruments Owned at approximately 2% of Financial Instruments Owned as of 5/31/2019.
- Maintaining a sound, long-term capital base and reasonable leverage relative to our business activity.
- No material reliance on short-term unsecured funding or customer balances. No commercial paper program.
- Short-term secured funding that is readily and consistently available through clearing houses, or fixed for periods of time that exceed the expected tenure of the inventory they are funding.
- Assessing capital reserves and maintaining liquidity to withstand adverse changes in the trading or financing markets and a firm specific idiosyncratic stress.
- Where appropriate, entering into partnerships and joint ventures with complementary long-term partners to pursue business opportunities that otherwise may exceed our capital capacity or risk tolerance (Jefferies Finance LLC).

## Limited Leverage

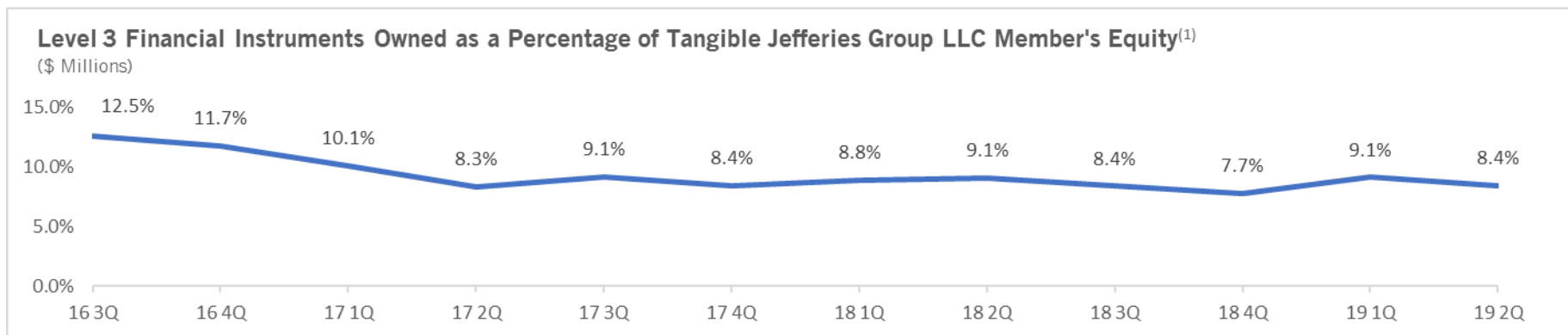
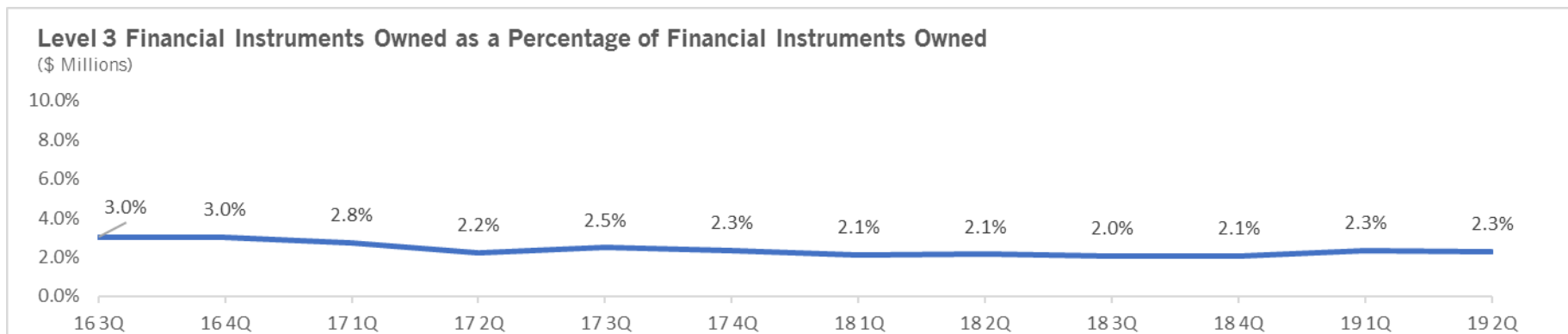
- Jefferies has a long-standing policy of carefully managing balance sheet leverage.
- In periods of stress, Jefferies has demonstrated the ability to rapidly reduce leverage without unduly impacting our business.



(1) Tangible gross leverage ratio and tangible gross assets are non-GAAP financial measures. Tangible gross leverage ratio equals tangible gross assets divided by tangible Jefferies Group LLC member's equity. Tangible gross assets equals total assets less goodwill and identifiable intangible assets. Tangible Jefferies Group LLC member's equity represents total Jefferies Group LLC member's equity less goodwill and identifiable intangible assets. The tangible gross leverage ratio is used by rating agencies in assessing our leverage ratio. See Appendix on page 21 for a reconciliation to GAAP measures.

## Level 3 Financial Instruments Owned Overview

- At May 31, 2019, 98% of inventory is Levels 1 and 2, with a minimal amount of Level 3 Financial Instruments Owned.
- At May 31, 2019, Level 3 Financial Instruments Owned represent only 8.4% of tangible Jefferies Group LLC member's equity.

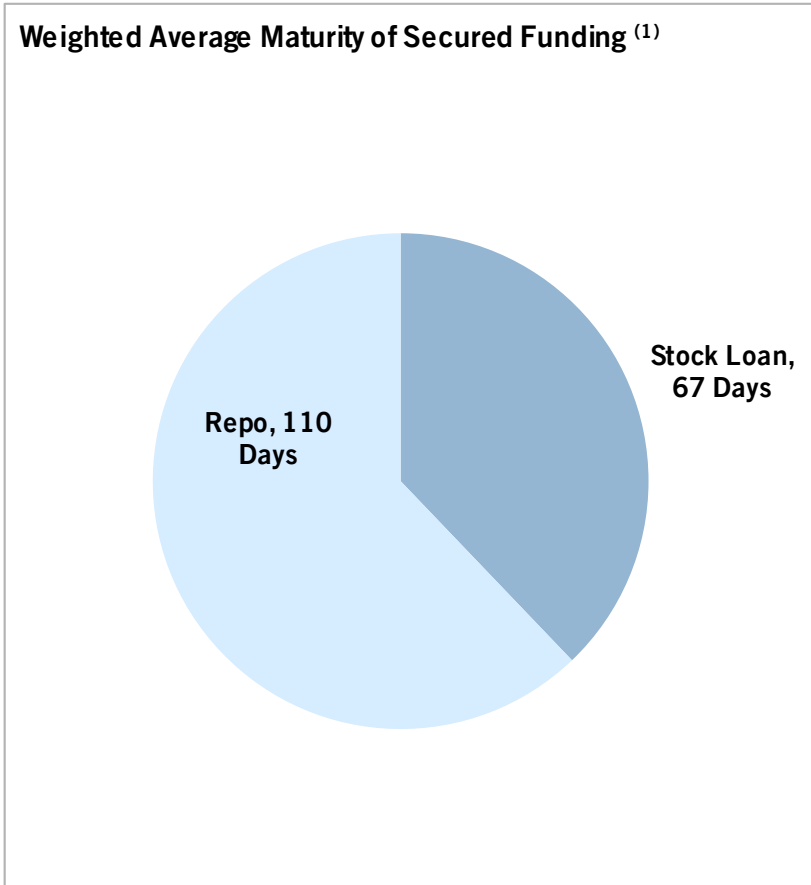
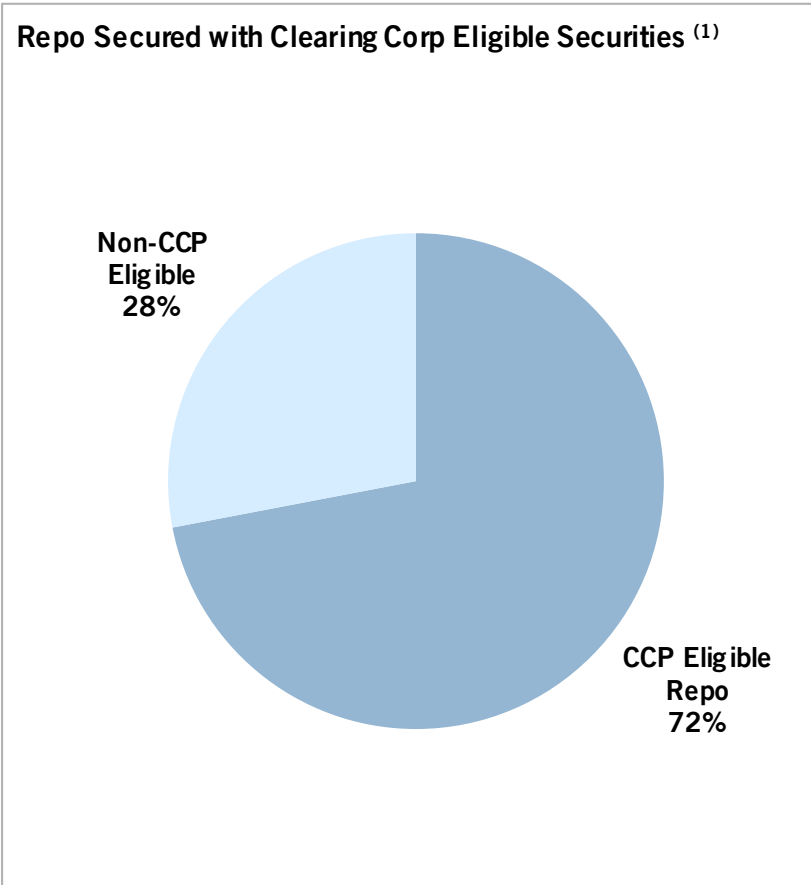


(1) Tangible Jefferies Group LLC member's equity (a non-GAAP financial measure) represents total Jefferies Group LLC member's equity less goodwill and identifiable intangible assets. See Appendix on page 21 for a reconciliation to GAAP measures.



# Secured Funding

**Secured Funding Platform** - Liquid balance sheet funded predominantly via exchanges. Non-clearing corporation eligible collateral funded via tri-party / bilateral repo and stock loan with conservative tenors.



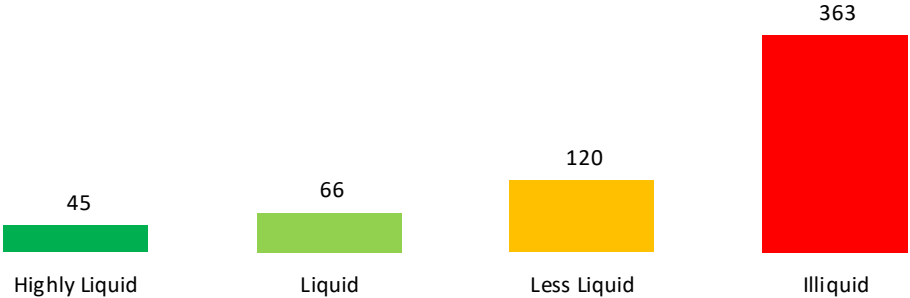
(1) As of 5/31/2019

# Fundability of Collateral

\$MM

	CCP/OMO Eligible	Agency CMO, IG Sovgn, IG Muni, IG Corp, Equity	IG Non-Agency MBS, NIG Non-Agency MBS/ABS, NIG Sovgn, NIG Muni, NIG Corp, Convertibles, Preferred, Mortgage Whole Loan	Corporate Loans, Distressed Debt and Equities, Investments, CLO/CDO Equity	Haircut (%)	Counterparty Depth	Amount (\$MM)	(%) of Book
Highly Liquid	√				0.3%	50	17,105	60%
Liquid		√			3.1%	88	7,883	28%
Less Liquid			√		12.1%	27	2,987	10%
Illiquid				√	18.3%	26	626	2%
							<b>28,601</b>	

## Weighted Average Maturity (Days)

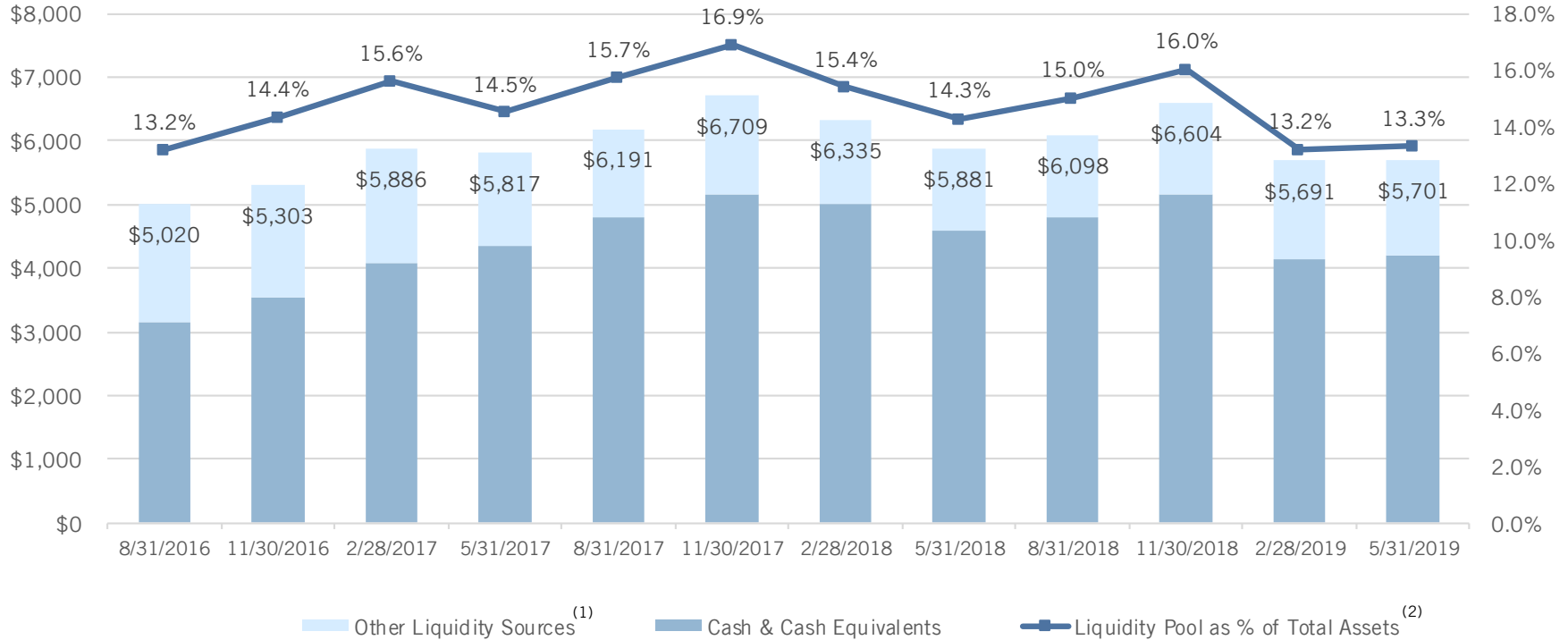


# Liquidity Pool

- Jefferies maintains significant excess liquidity on hand.

## Total Liquidity Pool

(\$ Millions)



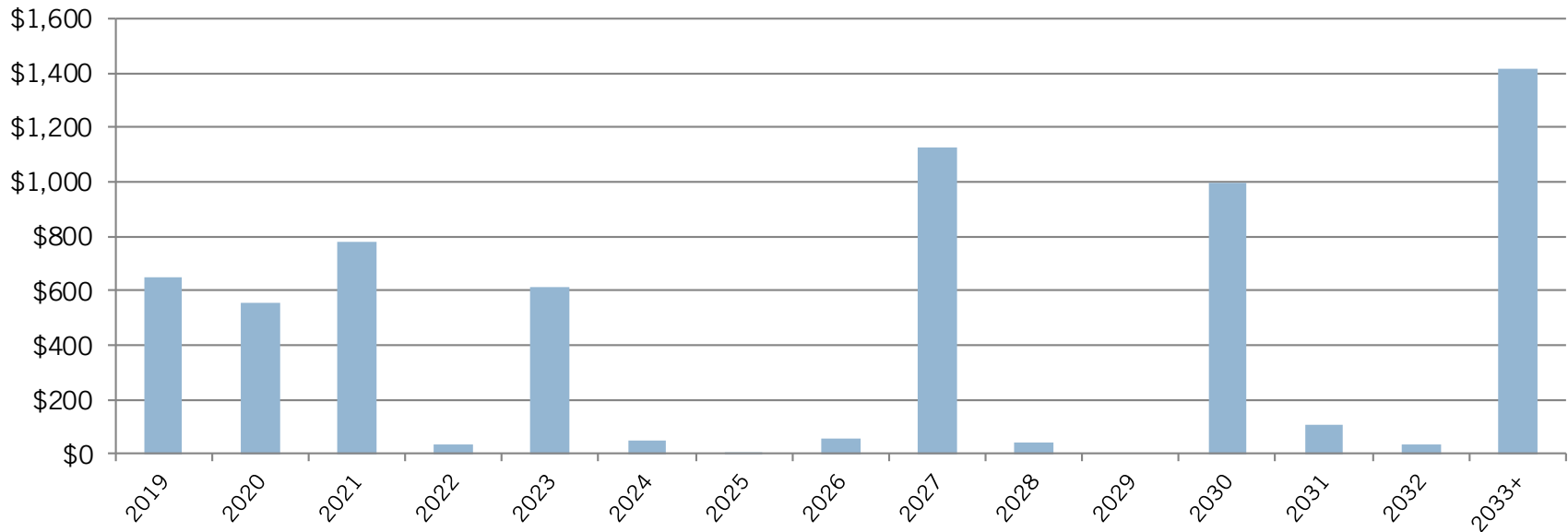
(1) Consists of high quality sovereign government securities and reverse repurchase agreements collateralized by U.S. government securities and other high quality sovereign government securities; deposits with a central bank within the European Economic Area, Canada, Australia, Japan, Switzerland or the USA; and securities issued by a designated multilateral development bank and reverse repurchase agreements with underlying collateral comprised of these securities. In addition, amounts include unencumbered inventory representing an estimate of the amount of additional secured financing that could be reasonably expected to be obtained from our financial instrument owned that are currently not pledged after considering reasonable financing haircuts.

(2) Cash and cash equivalents plus other liquidity sources, divided by total assets.

# Unsecured Long-Term Debt Profile

- As of 5/31/2019, our \$6.5 billion carrying value of unsecured long-term debt had a weighted average maturity of approximately 8.4 years.
- No maturity of unsecured long-term debt in a single year is greater than 20% of outstanding long-term debt.
- 2019 maturity has been pre-funded and will be paid off with existing cash.

Long-Term Unsecured Debt Maturity Schedule  
(\$ Millions)



# Credit Ratings

## Group

Jefferies Group LLC		
Agency	Rating	Outlook
Standard & Poor's	BBB-	Stable
Moody's	Baa3	Stable
Fitch	BBB	Stable

## Subsidiaries

Jefferies LLC		
Agency	Rating	Outlook
Standard & Poor's	BBB	Stable
Moody's	Baa2	Stable

Jefferies International		
Agency	Rating	Outlook
Standard & Poor's	BBB	Stable
Moody's	Baa2	Stable

Note: As of June 2019

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**Appendix**

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## Tangible Assets and Tangible Jefferies Group LLC Member's Equity GAAP Reconciliation

(Amounts in \$ Billions, Except for Ratios)	2016		2017				2018				2019	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Total Assets (GAAP)	38.1	36.9	37.7	40.1	39.4	39.7	41.2	41.1	40.6	41.2	43.1	42.8
Less: Goodwill and Intangibles	(1.9)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
Tangible Gross Assets (Non-GAAP)	36.3	35.1	35.9	38.2	37.5	37.9	39.3	39.3	38.7	39.3	41.3	41.0
Total Jefferies Group LLC Member's Equity (GAAP)	5.3	5.4	5.5	5.6	5.7	5.8	5.5	5.5	5.6	6.2	6.2	6.2
Less: Goodwill and Intangibles	(1.9)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
Tangible Jefferies Group LLC Member's Equity (Non-GAAP)	3.5	3.5	3.6	3.7	3.8	3.9	3.7	3.7	3.7	4.4	4.3	4.4
Gross Leverage(GAAP)	7.2x	6.9x	6.9x	7.2x	7.0x	6.9x	7.5x	7.4x	7.3x	6.7x	7.0x	6.9x
Tangible Gross Leverage (Non-GAAP)	10.5x	10.0x	9.9x	10.3x	9.8x	9.7x	10.8x	10.6x	10.4x	9.0x	9.5x	9.4x

Note: Jefferies tangible gross assets and tangible Jefferies Group LLC member's equity are unaudited non-GAAP financial measures that begin with information prepared in accordance with U.S. GAAP and then are adjusted to exclude goodwill and intangibles. Management believes that the tangible gross assets and tangible Jefferies Group LLC member's equity are common metrics used by many investors in its industry to evaluate performance from period to period.