



# WisdomTree Announces Third Quarter 2018 Results

**\$22.0 million net income, or \$14.7 million as adjusted**

**\$0.13 diluted EPS for the quarter, or \$0.09 as adjusted**

**Declares \$0.03 quarterly dividend**

NEW YORK, Oct. 26, 2018 (GLOBE NEWSWIRE) -- WisdomTree Investments, Inc. (NASDAQ: WETF), an exchange-traded fund ("ETF") and exchange-traded product ("ETP") sponsor and asset manager today reported net income of \$22.0 million or \$0.13 diluted EPS in the third quarter. Adjusted net income (a non-GAAP measure<sup>1</sup>) was \$14.7 million<sup>1</sup> or \$0.09 diluted EPS<sup>1</sup>. This compares to net income of \$8.0 million or \$0.06 diluted EPS in the third quarter of last year and net income of \$16.7 million or \$0.10 diluted EPS (as adjusted, \$14.3 million<sup>1</sup> or \$0.09 diluted EPS<sup>1</sup>) in the second quarter of 2018.

WisdomTree CEO and President Jonathan Steinberg said, "The asset and wealth management industry continues to evolve with increasing pressure being exerted on legacy product structures and business models. WisdomTree has always operated with an eye towards the future and is well positioned to navigate this environment. Our Modern Alpha™ approach combines the promise of active management with the benefits of the ETF structure to deliver a better investing experience while preserving attractive and sustainable economics for our shareholders. The marriage of our differentiated and strong performing product set, modern distribution approach and technology-driven, award winning solutions program positions WisdomTree for the next wave of growth."

"One highlight stems from product innovations in 2013/2014 when WisdomTree launched a suite of fixed income ETFs in the U.S., designed for a rising interest rate environment. These products found the perfect market environment in 2018, performing exactly as designed and attracting significant inflows. This same fixed income product suite has since taken in nearly \$700 million of flows through the first three quarters of the year and remains very well positioned for further growth." Steinberg continued.

|   | Three Months Ended |                  |                   | Change From      |                   |
|---|--------------------|------------------|-------------------|------------------|-------------------|
|   | Sept. 30,<br>2018  | June 30,<br>2018 | Sept. 30,<br>2017 | June 30,<br>2018 | Sept. 30,<br>2017 |
| <b>Consolidated Operating Highlights (\$, in billions):</b> |                    |                  |                   |                  |                   |
| AUM   | \$ 59.1            | \$ 60.0          | \$ 46.4           | (1.4 %)          | 27.5 %            |
| Assets acquired   | n/a                | \$ 17.6          | n/a               | n/a              | n/a               |
| Net inflows/(outflows)                                      | \$ (1.3 )          | \$ (1.3 )        | \$ (0.3 )         | (0.3 %)          | 337.8 %           |
| Average AUM   | \$ 59.5            | \$ 61.3          | \$ 45.2           | (3.0 %)          | 31.5 %            |
| Average advisory fee  | 0.48 %             | 0.48 %           | 0.50 %            | —                | (0.02 )           |

**Consolidated Financial Highlights (\$, in millions, except per share amounts):**

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Operating revenues                      | \$ 72.6 | \$ 74.8 | \$ 57.7 | -2.9 %  | 25.7 %  |
| Net income                              | \$ 22.0 | \$ 16.7 | \$ 8.0  | 31.8 %  | 176.4 % |
| Diluted earnings per share              | \$ 0.13 | \$ 0.10 | \$ 0.06 | \$ 0.03 | \$ 0.07 |
| Operating income margin                 | 29.9 %  | 19.4 %  | 26.4 %  | 10.5    | 3.5     |
| Non-GAAP <sup>1</sup>                   |         |         |         |         |         |
| Net income, as adjusted                 | \$ 14.7 | \$ 14.3 | n/a     | 2.5 %   | n/a     |
| Diluted earnings per share, as adjusted | \$ 0.09 | \$ 0.09 | n/a     | \$ 0.00 | n/a     |
| Operating income margin, as adjusted    | 30.5 %  | 30.0 %  | n/a     | 0.5     | n/a     |

## **Recent Business Developments**

### Company News

- In August 2018, Ally Invest announced the addition of commission-free ETFs to its online trading platform, including WisdomTree's full range of ETFs.
- In September 2018, the Company announced that the WisdomTree Digital Portfolio Developer (DPD) won the 2018 WealthManagement.com Industry Award for "Thought Leadership Initiative" of the Year; and TCA by E\*Trade announced the expansion of its ETF trading platform to include WisdomTree ETFs.
- In October 2018, the Company announced it collaborated with PIMCO on three ETF Model Portfolios in which PIMCO's fixed income ETFs will be added; and AdvisorEngine announced that the Company's Digital Portfolio Developer is now available as a free add-on for Junxure, AdvisorEngine's wholly-owned subsidiary.

### U.S. Listed Product News

- In August 2018, the Company announced the launch of the WisdomTree 90/60 U.S. Balanced Fund (NTSX); and the Company announced the launch of two transparent actively managed multifactor funds – the WisdomTree Emerging Markets Multifactor Fund (EMMF) and the WisdomTree International Multifactor Fund (DWMF).
- In October 2018, the Company announced the restructuring of the WisdomTree Emerging Markets Consumer Growth Fund (EMCG) and the WisdomTree Emerging Markets Quality Dividend Growth Fund (DGRE) from index-based to transparent active funds.

### European Listed Product News

- In August 2018, the Company announced the launch of three new currency hedged share classes for the WisdomTree AT1 CoCo Bond UCITS ETF. Investors can now access USD and GBP hedged options on the London Stock Exchange and EUR hedged options on the Borsa Italiana and the Deutsche Börse Xetra; and the Company announced the launch of two new currency hedged share classes of the WisdomTree Enhanced Commodity UCITS ETF, making EUR hedged options available on the Borsa Italiana and Deutsche Börse Xetra, and GBP hedged options available on the London Stock Exchange.
- In October 2018, following the acquisition of ETF Securities in April, the Company successfully completed the migration of all content relating to legacy-ETFS products to the WisdomTree website.

## Canadian Listed Product News

- In August 2018, the Company announced the launch of the WisdomTree Japan Equity Index ETF – hedged (JAPN) and non-hedged (JAPN.B) – and the WisdomTree ICBCCS S&P China 500 Index ETF – non-hedged (CHNA.B) – on the Toronto Stock Exchange.
- In October 2018, the Company announced the launch of the ONE North American Core Plus Bond ETF (ONEB) on the Toronto Stock Exchange.

### ***Assets Under Management and Net Flows***

U.S. listed ETF assets under management (“AUM”) was \$41.6 billion at September 30, 2018, up 0.5% from June 30, 2018 due to market appreciation, largely offset by net outflows. International listed ETPs’ AUM was \$17.6 billion at September 30, 2018, down 5.6% from June 30, 2018 due to market depreciation and net outflows.

### ***Third Quarter Financial Discussion***

The primary reason for the increase in our revenues, expenses and net income this quarter as compared to the third quarter of 2017 is due to our acquisition of the European exchange-traded commodity, currency and short-and-leveraged business (“ETFS”) of ETFS Capital Limited, which was completed on April 11, 2018. We refer to the acquisition throughout this press release as the ETFS Acquisition.

Previously disclosed results for the third quarter of 2017 within our Consolidated Statements of Operations have been reclassified to conform with our current presentation. These reclassifications had no effect on previously reported net income.

### ***Operating Revenues***

#### *Advisory Fees*

Advisory fees of \$71.7 million increased 25.1% from the third quarter of 2017 primarily due to the ETFS Acquisition, partly offset by lower average AUM of our U.S. Business segment. Advisory fees decreased 2.8% from the second quarter of 2018 primarily due to lower average AUM of our U.S. Business segment, partly offset by the recognition of a full quarter of advisory fees from the ETFS Acquisition which was completed on April 11, 2018.

Our average global advisory fee was 0.48%, 0.48% and 0.50% during the third quarter of 2018, second quarter of 2018 and third quarter of 2017, respectively. The change as compared to the third quarter of 2017 was due to the ETFS Acquisition and a change in product mix.

#### *Other Income*

Other income of \$0.9 million increased 111.6% from the third quarter of 2017 primarily due to creation/redemption fees earned from the ETFS exchange-traded products. Other income was essentially unchanged from the second quarter of 2018.

### ***Margins***

Gross margin for our U.S. Business segment was 82.3%<sup>1</sup> in the third quarter of 2018 as

compared to 83.3%<sup>1,2</sup> in the third quarter of 2017 and 83.4%<sup>1</sup> in the second quarter of 2018. The decline as compared to the prior periods was primarily due to lower AUM levels, coupled with new regulatory expenses and costs associated with recent product launches. Gross margin for our International Business segment was 71.3%<sup>1</sup> in the third quarter of 2018 as compared to 40.0%<sup>1</sup> in the third quarter of 2017 and 73.2%<sup>1</sup> in the second quarter of 2018. The change in gross margin for our International Business segment from the third quarter of 2017 was due to the ETFS Acquisition. The decline from the second quarter of 2018 was primarily due to expenses associated with recent product launches.

Operating income margin on a consolidated basis was 29.9% in the third quarter of 2018 (as adjusted 30.5%<sup>1</sup>) as compared to 26.4% in the third quarter of 2017 and 19.4% in the second quarter of 2018 (as adjusted 30.0%<sup>1</sup>).

Pre-tax margin on a consolidated basis was 37.9% in the third quarter of 2018 as compared to 26.8% in the third quarter of 2017 and 29.7% in the second quarter of 2018.

### ***Operating Expenses***

Total operating expenses were \$50.9 million for the third quarter of 2018, up 19.7% from the third quarter of 2017 and down 15.6% from the second quarter of 2018. Operating expenses increased from the third quarter of 2017 primarily due to the ETFS Acquisition. The decline from the second quarter of 2018 was primarily due to lower acquisition-related costs which were \$0.5 million in the third quarter of 2018 and \$7.9 million in the second quarter of 2018, respectively.

- Compensation and benefits expense decreased 10.0% from the third quarter of 2017 to \$17.5 million due to lower incentive compensation within our U.S. Business segment, partly offset by higher compensation of our International Business segment due to the ETFS Acquisition. These expenses decreased 9.1% from the second quarter of 2018 primarily due to lower incentive compensation within our U.S. Business segment. Headcount of our U.S. Business segment was 151, 155 and 165 and our International Business segment was 76, 76 and 43 at September 30, 2018, June 30, 2018 and September 30, 2017, respectively.
- Fund management and administration expense increased 40.8% from the third quarter of 2017 to \$15.3 million due to higher average AUM of our International Business segment primarily associated with the ETFS Acquisition. These expenses increased 4.6% from the second quarter of 2018 primarily due to the recognition of a full quarter of expense from the ETFS Acquisition which was completed on April, 11, 2018. We had 84 U.S. listed ETFs and 451 International listed ETPs at the end of the quarter.
- Marketing and advertising expense was essentially unchanged from the third quarter of 2017. These expenses decreased 14.3% from the second quarter of 2018 to \$3.2 million due to lower levels of spending in our U.S. Business segment, as previously disclosed.
- Sales and business development expense was essentially unchanged from the third quarter of 2017. These expenses decreased 15.6% from the second quarter of 2018 to \$3.8 million primarily due to lower spending on sales related activities in our U.S.

Business segment, as previously disclosed.

- Contractual gold payments expense was \$2.9 million during the third quarter of 2018, which was associated with the payment of 2,375 ounces of gold at an average daily spot price of \$1,213 per ounce. For the period April 11 through June 30, 2018, we recognized \$2.7 million of contractual gold payments expense associated with the payment of 2,085 ounces of gold at an average daily spot price of \$1,302 per ounce.
- Professional and consulting fees increased 86.9% and 24.0% from the third quarter of 2017 and second quarter of 2018, respectively, to \$1.9 million due to higher professional and corporate consulting-related expenses in our U.S. Business segment.
- Occupancy, communications and equipment expense increased 25.0% from the third quarter of 2017 to \$1.7 million due to office space associated with the ETFS Acquisition, as well as higher real estate taxes. These expenses increased 9.4% from the second quarter of 2018 due to higher real estate taxes.
- Third-party distribution fees increased 98.2% from the third quarter of 2017 to \$1.4 million primarily due to a new distribution relationship announced in the fourth quarter of 2017. These expenses decreased 15.5% from the second quarter of 2018 primarily due to lower fees paid to our third-party marketing agent in Latin America.
- Acquisition-related costs decreased 94.2% from the second quarter of 2018 to \$0.5 million and primarily included costs associated with the integration of ETFS. Costs incurred in the prior quarter included professional advisor fees payable upon completion of the ETFS Acquisition, a write-off of our office lease and compensation and other integration costs.
- Other expenses increased 31.9% from the third quarter of 2017 to \$2.3 million primarily due to higher International Business segment office expenses associated with an increase in headcount from the ETFS Acquisition. These expenses were essentially unchanged from the second quarter of 2018.

#### ***Other Income/(Expenses)***

- Interest expense increased 16.6% from the second quarter of 2018 to \$2.7 million primarily due to the recognition of a full quarter of expense as borrowing under our term loan commenced on April 11, 2018.
- We recognized a gain on revaluation of deferred consideration of \$7.7 million during the third quarter of 2018 as compared to a gain of \$9.9 million recognized in the second quarter of 2018. The gain arose in the current quarter as the price of gold decreased when compared to the price on June 30, 2018, the date on which the deferred consideration was last measured. The magnitude of any gain or loss recognized is highly correlated to the magnitude of the change in the price of gold.
- Interest income was essentially unchanged from the third quarter of 2017. This item increased 17.5% from the second quarter of 2018 to \$0.7 million due to higher paid-in-

kind (“PIK”) interest on a note receivable from AdvisorEngine Inc.

- Other net gains of \$0.1 million recognized in the third quarter of 2018 arose from the recognition of an insurance claim reimbursement, partly offset by miscellaneous foreign exchange losses. We reported other net losses of \$0.5 million in the third quarter of 2017 which were primarily associated with our short-term investment grade bond portfolio and miscellaneous foreign exchange losses. Other net losses of \$0.5 million reported in the second quarter of 2018 were primarily due to the sale of gold earned from management fees paid by physically-backed gold ETPs, as well as miscellaneous foreign exchange losses.

### ***Income Taxes***

Our estimated effective income tax rate for the quarter ended September 30, 2018 of 19.9% (as adjusted 27.6%<sup>1</sup>) resulted in income tax expense of \$5.5 million. Our tax rate differs from the federal statutory tax rate of 21% primarily due to the non-taxable gain on revaluation of deferred consideration and a lower tax rate on foreign earnings, partly offset by a valuation allowance on foreign net operating losses and state and local income taxes.

### ***Nine Month Results***

Total operating revenues increased 23.3% to \$206.2 million for the nine months ended September 30, 2018 primarily due to the ETFS Acquisition. Total operating expenses increased 27.0% to \$156.8 million primarily due to expenses associated with the ETFS acquired business. In addition, operating expenses for the nine months ended September 30, 2018 include acquisition-related costs of \$10.4 million.

Other income/(expenses) for the nine months ended September 30, 2018 includes \$5.1 million of interest expense, a gain on revaluation of deferred consideration of \$17.6 million, interest income of \$2.3 million and other net losses of \$0.6 million. Other net losses arose from our short-term investment grade bond portfolio, the sale of gold earned from advisory fees paid by physically-backed gold ETPs and miscellaneous foreign exchange losses. These losses were partly offset by an insurance claim reimbursement. In addition, the prior year period includes a settlement gain of \$6.9 million.

### ***Balance Sheet***

As of September 30, 2018, we had total assets of \$909.8 million which consisted primarily of intangible assets of \$613.3 million, goodwill of \$85.9 million, cash and cash equivalents of \$77.1 million, investments, carried at cost of \$35.2 million, note receivable of \$28.1 million, accounts receivable of \$25.5 million and securities held-to-maturity of \$20.1 million. There were approximately 153.1 million shares of our common stock outstanding as of September 30, 2018. Fully diluted weighted average shares outstanding were 166.6 million for the quarter.

### ***Quarterly Dividend***

Our Board of Directors declared a quarterly cash dividend of \$0.03 per share of our common stock. The dividend will be paid on November 21, 2018 to stockholders of record as of the close of business on November 7, 2018.

## **Conference Call**

WisdomTree will discuss its results and operational highlights during a conference call on Friday, October 26, 2018 at 9:00 a.m. ET. The call-in number will be (877) 303-7209. Anyone outside the U.S. or Canada should call (970) 315-0420. The slides used during the presentation will be available at <http://ir.wisdomtree.com>. For those unable to join the conference call at the scheduled time, an audio replay will be available on <http://ir.wisdomtree.com>.

## **Cautionary Statement Regarding Forward-Looking Statements**

This press release contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, the risks described below. If one or more of these or other risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance. You should read this press release completely and with the understanding that our actual future results may be materially different from any future results expressed or implied by these forward-looking statements.

In particular, forward-looking statements in this press release may include statements about:

- anticipated trends, conditions and investor sentiment in the global markets and ETPs;
- anticipated levels of inflows into and outflows out of our ETPs;
- our ability to deliver favorable rates of return to investors;
- our ability to develop new products and services;
- our ability to maintain current vendors or find new vendors to provide services to us at favorable costs;
- our ability to successfully expand our business into non-U.S. markets;
- competition in our business; and

- the effect of laws and regulations that apply to our business.

Our business is subject to many risks and uncertainties, including without limitation:

- Net outflows in our two largest ETFs – the WisdomTree Europe Hedged Equity Fund and the WisdomTree Japan Hedged Equity Fund – have had, and in the future could continue to have, a negative impact on our revenues.
- Over the last few years, we have expanded our business globally. This expansion subjects us to increased operational, regulatory, financial and other risks.
- The ETFS Acquisition was significant in size relative to our assets and operations and has resulted in significant changes in our business. Our failure to integrate and manage ETFS successfully could materially and adversely affect our business, results of operations and financial condition.
- Declining prices of securities, precious metals and other commodities can adversely affect our business by reducing the market value of the assets we manage or causing customers to sell their fund shares and trigger redemptions.
- Fluctuations in the amount and mix of our AUM, whether caused by disruptions in the financial markets or otherwise, may negatively impact revenues and operating margins, and may impede our ability to refinance our debt upon maturity, increase the cost of borrowing or result in our debt being called prior to maturity.
- We derive a substantial portion of our revenues from a limited number of products, and as a result, our operating results are particularly exposed to the performance of these products and our ability to maintain the AUM of these products, as well as investor sentiment toward investing in the funds' strategies and market-specific and political and economic risk.
- Much of our AUM is held in our U.S. listed ETFs that invest in foreign securities and we therefore have substantial exposure to foreign market conditions and are subject to foreign currency exchange rate risks.
- Many of our ETPs and ETFs have a limited track record, and poor investment performance could cause our revenues to decline.
- We depend on third parties to provide many critical services to operate our business and our ETPs and ETFs. The failure of key vendors to adequately provide such services could materially affect our operating business and harm our customers.

Other factors, such as general economic conditions, including currency exchange rate fluctuations, also may have an effect on the results of our operations. For a more complete description of the risks noted above and other risks that could cause our actual results to differ from our current expectations, please see the section entitled "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2018.

The forward-looking statements in this press release represent our views as of the date of this press release. We anticipate that subsequent events and developments may cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. Therefore, these forward-looking statements do not represent our views as of any date other than the date of this press release.

## About WisdomTree

WisdomTree Investments, Inc., through its subsidiaries in the U.S., Europe and Canada (collectively, "WisdomTree"), is an ETF and ETP sponsor and asset manager headquartered in New York. WisdomTree offers products covering equities, fixed income, currencies, commodities and alternative strategies. WisdomTree currently has approximately \$56.3 billion in assets under management globally.

WisdomTree® is the marketing name for WisdomTree Investments, Inc. and its subsidiaries worldwide.

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<sup>1</sup> See "Non-GAAP Financial Measurements."

<sup>2</sup> Gross margin is now calculated as total operating revenues, less fund management and administration expenses. Gross margin percentage is calculated as gross margin divided by total operating revenues. See "Non-GAAP Financial Measurements" below for additional information. Amounts previously reported as gross margin for the U.S. Business segment have been restated to conform with our current presentation.

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## **WISDOMTREE INVESTMENTS, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share amounts) (Unaudited)**

| Three Months Ended |                  |                   | % Change From    |                   | Nine Months Ended |                   |             |
|--------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------|
| Sept. 30,<br>2018  | June 30,<br>2018 | Sept. 30,<br>2017 | June 30,<br>2018 | Sept. 30,<br>2017 | Sept. 30,<br>2018 | Sept. 30,<br>2017 | %<br>Change |

|   |                  |                  |                 |                |                |                  |                  |               |
|---|------------------|------------------|-----------------|----------------|----------------|------------------|------------------|---------------|
| <b>Operating Revenues:</b>                                    |                  |                  |                 |                |                |                  |                  |               |
| Advisory fees   | \$ 71,679        | \$ 73,778        | \$ 57,293       | -2.8 %         | 25.1 %         | \$ 203,913       | \$ 166,177       | 22.7 %        |
| Other income  | 891              | 997              | 421             | 10.6 %         | 111.6 %        | 2,336            | 1,145            | 104.0 %       |
| <b>Total revenues</b>   | <b>72,570</b>    | <b>74,775</b>    | <b>57,714</b>   | <b>-2.9 %</b>  | <b>25.7 %</b>  | <b>206,249</b>   | <b>167,322</b>   | <b>23.3 %</b> |
| <b>Operating Expenses:</b>                                    |                  |                  |                 |                |                |                  |                  |               |
| Compensation and benefits                                     | 17,544           | 19,301           | 19,492          | -9.1 %         | 10.0 %         | 55,677           | 55,787           | -0.2 %        |
| Fund management and administration                            | 15,292           | 14,621           | 10,862          | 4.6 %          | 40.8 %         | 40,825           | 30,574           | 33.5 %        |
| Marketing and advertising                                     | 3,239            | 3,778            | 3,314           | 14.3 %         | -2.3 %         | 10,212           | 10,676           | -4.3 %        |
| Sales and business development                                | 3,801            | 4,503            | 3,617           | 15.6 %         | 5.1 %          | 12,117           | 9,968            | 21.6 %        |
| Contractual gold payments                                     | 2,880            | 2,715            | —               | 6.1 %          | n/a            | 5,595            | —                | n/a           |
| Professional and consulting fees                              | 1,934            | 1,560            | 1,035           | 24.0 %         | 86.9 %         | 5,130            | 3,814            | 34.5 %        |
| Occupancy, communications and equipment                       | 1,722            | 1,574            | 1,378           | 9.4 %          | 25.0 %         | 4,659            | 4,102            | 13.6 %        |
| Depreciation and amortization                                 | 306              | 337              | 353             | -9.2 %         | 13.3 %         | 998              | 1,042            | -4.2 %        |
| Third-party distribution fees                                 | 1,407            | 1,666            | 710             | 15.5 %         | 98.2 %         | 4,798            | 2,312            | 107.5 %       |
| Acquisition-related costs                                     | 456              | 7,928            | —               | 94.2 %         | n/a            | 10,446           | —                | n/a           |
| Other   | 2,281            | 2,261            | 1,729           | 0.9 %          | 31.9 %         | 6,332            | 5,195            | 21.9 %        |
| <b>Total expenses</b>   | <b>50,862</b>    | <b>60,244</b>    | <b>42,490</b>   | <b>-15.6 %</b> | <b>19.7 %</b>  | <b>156,789</b>   | <b>123,470</b>   | <b>27.0 %</b> |
| <b>Operating income</b>                                       | <b>21,708</b>    | <b>14,531</b>    | <b>15,224</b>   | <b>49.4 %</b>  | <b>42.6 %</b>  | <b>49,460</b>    | <b>43,852</b>    | <b>12.8 %</b> |
| <b>Other Income/(Expenses):</b>                               |                  |                  |                 |                |                |                  |                  |               |
| Interest expense  | (2,747 )         | (2,356 )         | —               | 16.6 %         | n/a            | (5,103 )         | —                | n/a           |
| Gain on revaluation of deferred consideration – gold payments | 7,732            | 9,898            | —               | 21.9 %         | n/a            | 17,630           | —                | n/a           |
| Interest income   | 719              | 612              | 772             | 17.5 %         | -6.9 %         | 2,293            | 1,999            | 14.7 %        |
| Settlement gain   | —                | —                | —               | n/a            | n/a            | —                | 6,909            | n/a           |
| Other gains and losses, net                                   | 118              | (501 )           | (500 )          | n/a            | n/a            | (644 )           | (217 )           | 196.8 %       |
| <b>Income before taxes</b>                                    | <b>27,530</b>    | <b>22,184</b>    | <b>15,496</b>   | <b>24.1 %</b>  | <b>77.7 %</b>  | <b>63,636</b>    | <b>52,543</b>    | <b>21.1 %</b> |
| <b>Income tax expense</b>                                     | <b>5,481</b>     | <b>5,460</b>     | <b>7,520</b>    | <b>0.4 %</b>   | <b>27.1 %</b>  | <b>15,439</b>    | <b>25,582</b>    | <b>39.6 %</b> |
| <b>Net income</b>   | <b>\$ 22,049</b> | <b>\$ 16,724</b> | <b>\$ 7,976</b> | <b>31.8 %</b>  | <b>176.4 %</b> | <b>\$ 48,197</b> | <b>\$ 26,961</b> | <b>78.8 %</b> |
| Net income per share – basic                                  | \$ 0.13          | \$ 0.10          | \$ 0.06         |                |                | \$ 0.31          | \$ 0.20          |               |
| Net income per share – diluted                                | \$ 0.13          | \$ 0.10          | \$ 0.06         |                |                | \$ 0.31          | \$ 0.20          |               |
| Weighted average common shares – basic                        | 150,892          | 149,056          | 134,709         |                |                | 145,149          | 134,552          |               |
| Weighted average common shares – diluted                      | 166,622          | 163,346          | 135,933         |                |                | 155,584          | 135,768          |               |

**WISDOMTREE INVESTMENTS, INC. AND SUBSIDIARIES**  
**SEGMENT INFORMATION**  
(in thousands)

**(Unaudited)**

The following tables set forth the pre-tax operating results for the Company's U.S. Business and International Business segments.

**U.S. Business Segment**

|   | Three Months Ended |                  |                   | % Change From    |                   | Nine Months Ended |                   |               |
|---|--------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|---------------|
|   | Sept. 30,<br>2018  | June 30,<br>2018 | Sept. 30,<br>2017 | June 30,<br>2018 | Sept. 30,<br>2017 | Sept. 30,<br>2018 | Sept. 30,<br>2017 | %<br>Change   |
| <b>Operating Revenues:</b>              |                    |                  |                   |                  |                   |                   |                   |               |
| Advisory fees                           | \$ 50,216          | \$ 52,931        | \$ 54,749         | -5.1 %           | -8.3 %            | \$ 158,665        | \$ 159,417        | -0.5 %        |
| Other income                            | 173                | 162              | 140               | 6.8 %            | 23.6 %            | 482               | 371               | 29.9 %        |
| Total revenues                          | <u>50,389</u>      | <u>53,093</u>    | <u>54,889</u>     | <u>-5.1 %</u>    | <u>-8.2 %</u>     | <u>159,147</u>    | <u>159,788</u>    | <u>-0.4 %</u> |
| <b>Operating Expenses:</b>              |                    |                  |                   |                  |                   |                   |                   |               |
| Compensation and benefits               | 13,040             | 14,526           | 16,967            | 10.2 %           | 23.1 %            | 43,937            | 47,947            | -8.4 %        |
| Fund management and administration      | 8,915              | 8,802            | 9,168             | 1.3 %            | -2.8 %            | 26,690            | 26,277            | 1.6 %         |
| Marketing and advertising               | 2,469              | 2,987            | 2,795             | 17.3 %           | 11.7 %            | 8,299             | 9,117             | -9.0 %        |
| Sales and business development          | 2,778              | 3,446            | 3,218             | 19.4 %           | 13.7 %            | 9,679             | 8,652             | 11.9 %        |
| Professional and consulting fees        | 1,544              | 1,134            | 796               | 36.2 %           | 94.0 %            | 4,003             | 3,131             | 27.9 %        |
| Occupancy, communications and equipment | 1,423              | 1,309            | 1,257             | 8.7 %            | 13.2 %            | 3,957             | 3,717             | 6.5 %         |
| Depreciation and amortization           | 282                | 314              | 340               | 10.2 %           | 17.1 %            | 935               | 1,009             | -7.3 %        |
| Third-party distribution fees           | 1,398              | 1,621            | 705               | 13.8 %           | 98.3 %            | 4,668             | 2,302             | 102.8 %       |
| Acquisition-related costs               | 247                | 6,773            | —                 | 96.4 %           | n/a               | 8,217             | —                 | n/a           |
| Other                                   | <u>1,678</u>       | <u>1,726</u>     | <u>1,600</u>      | <u>-2.8 %</u>    | <u>4.9 %</u>      | <u>5,057</u>      | <u>4,871</u>      | <u>3.8 %</u>  |
| Total expenses                          | <u>33,774</u>      | <u>42,638</u>    | <u>36,846</u>     | <u>20.8 %</u>    | <u>-8.3 %</u>     | <u>115,442</u>    | <u>107,023</u>    | <u>7.9 %</u>  |
| Operating income                        | 16,615             | 10,455           | 18,043            | 58.9 %           | -7.9 %            | 43,705            | 52,765            | 17.2 %        |
| <b>Other Income/(Expenses):</b>         |                    |                  |                   |                  |                   |                   |                   |               |
| Interest expense                        | (196 )             | (173 )           | —                 | 13.3 %           | n/a               | (369 )            | —                 | n/a           |
| Interest income                         | 719                | 612              | 772               | 17.5 %           | -6.9 %            | 2,293             | 1,999             | 14.7 %        |
| Settlement gain                         | —                  | —                | —                 | n/a              | n/a               | —                 | 6,909             | n/a           |
| Other gains and losses, net             | 318                | (66 )            | (322 )            | n/a              | n/a               | 26                | 39                | 33.3 %        |
| Income before taxes                     | <u>\$ 17,456</u>   | <u>\$ 10,828</u> | <u>\$ 18,493</u>  | <u>61.2 %</u>    | <u>-5.6 %</u>     | <u>\$ 45,655</u>  | <u>\$ 61,712</u>  | <u>26.0 %</u> |
| Operating income margin                 | 33.0 %             | 19.7 %           | 32.9 %            |                  |                   | 27.5 %            | 33.0 %            |               |

**International Business Segment**

|  | Three Months Ended |                  |                   | % Change From    |                   | Nine Months Ended |                   |             |
|--|--------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------|
|  | Sept. 30,<br>2018  | June 30,<br>2018 | Sept. 30,<br>2017 | June 30,<br>2018 | Sept. 30,<br>2017 | Sept. 30,<br>2018 | Sept. 30,<br>2017 | %<br>Change |

| <b>Operating Revenues:</b>                                    |           |           |             |        |         |           |             |          |
|---|-----------|-----------|-------------|--------|---------|-----------|-------------|----------|
| Advisory fees   | \$ 21,463 | \$ 20,847 | \$ 2,544    | 3.0 %  | 743.7 % | \$ 45,248 | \$ 6,760    | 569.3 %  |
| Other income  | 718       | 835       | 281         | -14.0% | 155.5 % | 1,854     | 774         | 139.5 %  |
| Total revenues  | 22,181    | 21,682    | 2,825       | 2.3 %  | 685.2 % | 47,102    | 7,534       | 525.2 %  |
| <b>Operating Expenses:</b>                                    |           |           |             |        |         |           |             |          |
| Compensation and benefits                                     | 4,504     | 4,775     | 2,525       | -5.7%  | 78.4 %  | 11,740    | 7,840       | 49.7 %   |
| Fund management and administration                            | 6,377     | 5,819     | 1,694       | 9.6 %  | 276.4 % | 14,135    | 4,297       | 229.0 %  |
| Marketing and advertising                                     | 770       | 791       | 519         | -2.7%  | 48.4 %  | 1,913     | 1,559       | 22.7 %   |
| Sales and business development                                | 1,023     | 1,057     | 399         | -3.2%  | 156.4 % | 2,438     | 1,316       | 85.3 %   |
| Contractual gold payments                                     | 2,880     | 2,715     | —           | 6.1 %  | n/a     | 5,595     | —           | n/a      |
| Professional and consulting fees                              | 390       | 426       | 239         | -8.5%  | 63.2 %  | 1,127     | 683         | 65.0 %   |
| Occupancy, communications and equipment                       | 299       | 265       | 121         | 12.8 % | 147.1 % | 702       | 385         | 82.3 %   |
| Depreciation and amortization                                 | 24        | 23        | 13          | 4.3 %  | 84.6 %  | 63        | 33          | 90.9 %   |
| Third-party distribution fees                                 | 9         | 45        | 5           | -80.0% | 80.0 %  | 130       | 10          | 1200.0 % |
| Acquisition-related costs                                     | 209       | 1,155     | —           | -81.9% | n/a     | 2,229     | —           | n/a      |
| Other   | 603       | 535       | 129         | 12.7 % | 367.4 % | 1,275     | 324         | 293.5 %  |
| Total expenses  | 17,088    | 17,606    | 5,644       | -2.9%  | 202.8 % | 41,347    | 16,447      | 151.4 %  |
| Operating income/(loss)                                       | 5,093     | 4,076     | (2,819 )    | 25.0 % | n/a     | 5,755     | (8,913 )    | n/a      |
| <b>Other Income/(Expenses):</b>                               |           |           |             |        |         |           |             |          |
| Interest expense  | (2,551 )  | (2,183 )  | —           | 16.9 % | n/a     | (4,734 )  | —           | n/a      |
| Gain on revaluation of deferred consideration – gold payments | 7,732     | 9,898     | —           | -21.9% | n/a     | 17,630    | —           | n/a      |
| Other gains and losses, net                                   | (200 )    | (435 )    | (178 )      | -54.0% | 12.4 %  | (670 )    | (256 )      | 161.7 %  |
| Income/(loss) before taxes                                    | \$ 10,074 | \$ 11,356 | \$ (2,997 ) | -11.3% | n/a     | \$ 17,981 | \$ (9,169 ) | n/a      |
| Operating income margin                                       | 23.0 %    | 18.8 %    | n/a         |        |         | 12.2 %    | n/a         |          |

**WISDOMTREE INVESTMENTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share amounts)

|                 | Sept. 30,<br>2018 | December 31,<br>2017 |
|-----------------|-------------------|----------------------|
|                 | (Unaudited)       |                      |
| <b>ASSETS</b>   |                   |                      |
| Current assets: |                   |                      |

|                                 |            |            |
|---------------------------------|------------|------------|
| Cash and cash equivalents       | \$ 77,125  | \$ 54,193  |
| Securities owned, at fair value | 4,426      | 66,294     |
| Securities held-to-maturity     | —          | 1,000      |
| Accounts receivable             | 25,528     | 21,309     |
| Income taxes receivable         | —          | 6,978      |
| Prepaid expenses                | 5,505      | 3,550      |
| Other current assets            | 303        | 1,007      |
| Total current assets            | 112,887    | 154,331    |
| Fixed assets, net               | 9,723      | 10,693     |
| Note receivable                 | 28,121     | 18,748     |
| Securities held-to-maturity     | 20,199     | 20,299     |
| Deferred tax assets, net        | 2,213      | 1,050      |
| Investments, carried at cost    | 35,187     | 35,187     |
| Goodwill                        | 85,856     | 1,799      |
| Intangible assets               | 613,274    | 12,085     |
| Other noncurrent assets         | 2,304      | 793        |
| Total assets                    | \$ 909,764 | \$ 254,985 |

#### **LIABILITIES AND STOCKHOLDERS' EQUITY**

##### **LIABILITIES**

###### Current liabilities:

|   |           |           |
|---|-----------|-----------|
| Fund management and administration payable  | \$ 24,383 | \$ 20,099 |
| Compensation and benefits payable   | 13,728    | 28,053    |
| Deferred consideration – gold payments  | 11,788    | —         |
| Income taxes payable  | 799       | —         |
| Securities sold, but not yet purchased, at fair value   | 2,018     | 950       |
| Accounts payable and other liabilities  | 8,668     | 8,246     |
| Total current liabilities   | 61,384    | 57,348    |
| Long-term debt  | 193,999   | —         |
| Deferred consideration – gold payments  | 144,267   | —         |
| Deferred rent payable   | 4,462     | 4,686     |
| Total liabilities   | 404,112   | 62,034    |
| Preferred stock – Series A Non-Voting Convertible, par value \$0.01; 14,750 shares authorized, issued and outstanding | 132,569   | —         |

##### **STOCKHOLDERS' EQUITY**

###### Common stock, par value \$0.01; 250,000 shares authorized:

Issued and outstanding: 153,083 and 136,996 at September 30, 2018 and December 31, 2017, respectively

|  |         |           |
|--|---------|-----------|
| Additional paid-in capital                 | 1,531   | 1,370     |
| Accumulated other comprehensive income     | 361,900 | 216,006   |
| Retained earnings/(Accumulated deficit)    | 373     | 291       |
| Total stockholders' equity                 | 9,279   | (24,716 ) |
| Total liabilities and stockholders' equity | 373,083 | 192,951   |

\$ 909,764 \$ 254,985

## **WISDOMTREE INVESTMENTS, INC. AND SUBSIDIARIES** **CONSOLIDATED STATEMENTS OF CASH FLOWS** (in thousands) (Unaudited)

|   | <b>Nine Months Ended</b>  |                           |
|---|---------------------------|---------------------------|
|   | <b>Sept. 30,<br/>2018</b> | <b>Sept. 30,<br/>2017</b> |
| <b>Cash flows from operating activities:</b>                                      |                           |                           |
| Net income  | \$ 48,197                 | \$ 26,961                 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                           |                           |
| Advisory fees paid in gold and other precious metals                              | (21,998 )                 | —                         |

|  |            |           |
|--|------------|-----------|
| Contractual gold payments  | 5,595      | —         |
| Gain on revaluation of deferred consideration – gold payments                            | (17,630 )  | —         |
| Stock-based compensation   | 10,078     | 10,558    |
| Deferred income taxes  | (1,251 )   | 3,823     |
| Paid-in-kind interest income   | (1,373 )   | —         |
| Settlement gain  | —          | (6,909 )  |
| Amortization of credit facility issuance costs   | 1,360      | —         |
| Depreciation and amortization  | 998        | 1,042     |
| Other  | 810        | 524       |
| Changes in operating assets and liabilities, net of the effects of the ETFS Acquisition: |            |           |
| Securities owned, at fair value  | (2,735 )   | 1,146     |
| Accounts receivable  | 3,771      | (1,969 )  |
| Income taxes receivable/payable  | 7,654      | (628 )    |
| Prepaid expenses   | (621 )     | (361 )    |
| Gold and other precious metals   | 18,472     | —         |
| Other assets   | 954        | (31 )     |
| Acquisition payable  | —          | (3,545 )  |
| Fund management and administration payable   | 1,998      | 561       |
| Compensation and benefits payable  | (21,025 )  | 115       |
| Securities sold, but not yet purchased, at fair value                                    | 1,068      | (1,249 )  |
| Accounts payable and other liabilities   | (4,122 )   | 1,041     |
| Net cash provided by operating activities  | 30,200     | 31,079    |
| <b>Cash flows from investing activities:</b>   |            |           |
| Purchase of fixed assets   | (45 )      | (253 )    |
| Purchase of securities held-to-maturity  | —          | (3,009 )  |
| Purchase of debt securities available-for-sale   | —          | (76,776 ) |
| Purchase of investments  | —          | (5,000 )  |
| Funding of AdvisorEngine note receivable   | (8,000 )   | —         |
| Proceeds from held-to-maturity securities maturing or called prior to maturity           | 1,096      | 2,162     |
| Proceeds from sales and maturities of debt securities available-for-sale                 | 64,498     | 65,067    |
| Cash paid – ETFS Acquisition, net of cash acquired                                       | (239,313 ) | —         |
| Net cash used in investing activities  | (181,764 ) | (17,809 ) |
| <b>Cash flows from financing activities:</b>   |            |           |
| Dividends paid   | (14,202 )  | (32,825 ) |
| Shares repurchased   | (1,430 )   | (4,178 )  |
| Credit facility issuance costs   | (8,690 )   | —         |
| Preferred stock issuance costs   | (181 )     | —         |
| Proceeds from the issuance of long-term debt   | 200,000    | —         |
| Proceeds from exercise of stock options  | 157        | 53        |
| Net cash provided by/(used in) financing activities                                      | 175,654    | (36,950 ) |
| (Decrease)/increase in cash flows due to changes in foreign exchange rate                | (1,158 )   | 1,179     |
| Net increase/(decrease) in cash and cash equivalents                                     | 22,932     | (22,501 ) |
| Cash and cash equivalents – beginning of period  | 54,193     | 92,722    |
| Cash and cash equivalents – end of period  | \$ 77,125  | \$ 70,221 |
| <b>Supplemental disclosure of cash flow information:</b>                                 |            |           |
| Cash paid for taxes  | \$ 8,759   | \$ 22,130 |
| Cash paid for interest   | \$ 3,351   | \$ —      |

## WisdomTree Investments, Inc. Key Operating Statistics (Unaudited)

U.S. LISTED ETFs (in millions)

|  | Three Months Ended |                  |                   |
|--|--------------------|------------------|-------------------|
|  | Sept. 30,<br>2018  | June 30,<br>2018 | Sept. 30,<br>2017 |

|  |                  |                  |                  |
|--|------------------|------------------|------------------|
| Beginning of period assets                 | \$ 41,340        | \$ 42,886        | \$ 43,183        |
| Inflows/(outflows)                         | (878 )           | (1,231 )         | (619 )           |
| Market appreciation/(depreciation)         | 1,094            | (315 )           | 1,834            |
| End of period assets                       | <u>\$ 41,556</u> | <u>\$ 41,340</u> | <u>\$ 44,398</u> |
| Average assets during the period           | \$ 41,555        | \$ 43,464        | \$ 43,523        |
| Average ETF advisory fee during the period | 0.48 %           | 0.49 %           | 0.50 %           |
| Revenue days                               | 92               | 91               | 92               |
| Number of ETFs – end of the period         | 84               | 81               | 87               |

#### **INTERNATIONAL LISTED ETPs (in millions)**

|  |                  |                  |                 |
|--|------------------|------------------|-----------------|
| Beginning of period assets                 | \$ 18,629        | \$ 2,075         | \$ 1,547        |
| Assets acquired                            | —                | 17,641           | —               |
| Inflows/(outflows)                         | (374 )           | (25 )            | 333             |
| Market appreciation/(depreciation)         | (668 )           | (1,062 )         | 91              |
| End of period assets                       | <u>\$ 17,587</u> | <u>\$ 18,629</u> | <u>\$ 1,971</u> |
| Average assets during the period           | \$ 17,905        | \$ 17,837        | \$ 1,693        |
| Average ETP advisory fee during the period | 0.48 %           | 0.47 %           | 0.60 %          |
| Revenue days                               | 92               | 91               | 92              |
| Number of ETPs – end of the period         | 451              | 445              | 96              |

#### **PRODUCT CATEGORIES (in millions)**

##### **International Developed Market Equity**

|                                    |                  |                  |                  |
|------------------------------------|------------------|------------------|------------------|
| Beginning of period assets         | \$ 20,331        | \$ 22,432        | \$ 24,647        |
| Inflows/(outflows)                 | (1,289 )         | (1,502 )         | (550 )           |
| Market appreciation/(depreciation) | 660              | (599 )           | 1,177            |
| End of period assets               | <u>\$ 19,702</u> | <u>\$ 20,331</u> | <u>\$ 25,274</u> |
| Average assets during the period   | \$ 19,907        | \$ 22,455        | \$ 24,704        |

##### **Commodity & Currency**

|                                    |                  |                  |               |
|------------------------------------|------------------|------------------|---------------|
| Beginning of period assets         | \$ 16,167        | \$ 416           | \$ 464        |
| Assets acquired                    | —                | 16,778           | —             |
| Inflows/(outflows)                 | (434 )           | (99 )            | (1 )          |
| Market appreciation/(depreciation) | (682 )           | (928 )           | 2             |
| End of period assets               | <u>\$ 15,051</u> | <u>\$ 16,167</u> | <u>\$ 465</u> |
| Average assets during the period   | \$ 15,384        | \$ 15,316        | \$ 468        |

##### **U.S. Equity**

|                                    |                  |                  |                  |
|------------------------------------|------------------|------------------|------------------|
| Beginning of period assets         | \$ 14,301        | \$ 13,359        | \$ 12,888        |
| Inflows/(outflows)                 | 347              | 114              | (227 )           |
| Market appreciation/(depreciation) | 539              | 828              | 500              |
| End of period assets               | <u>\$ 15,187</u> | <u>\$ 14,301</u> | <u>\$ 13,161</u> |
| Average assets during the period   | \$ 14,950        | \$ 14,021        | \$ 12,882        |

##### **Emerging Market Equity**

|                                    |                 |                 |                 |
|------------------------------------|-----------------|-----------------|-----------------|
| Beginning of period assets         | \$ 5,643        | \$ 6,289        | \$ 4,828        |
| Inflows/(outflows)                 | (216 )          | (120 )          | 241             |
| Market appreciation/(depreciation) | (81 )           | (526 )          | 205             |
| End of period assets               | <u>\$ 5,346</u> | <u>\$ 5,643</u> | <u>\$ 5,274</u> |
| Average assets during the period   | \$ 5,548        | \$ 6,116        | \$ 5,141        |

##### **Leveraged & Inverse**

|                                    |                 |                 |               |
|------------------------------------|-----------------|-----------------|---------------|
| Beginning of period assets         | \$ 1,531        | \$ 872          | \$ 809        |
| Assets acquired                    | —               | 863             | —             |
| Inflows/(outflows)                 | (61 )           | (71 )           | 130           |
| Market appreciation/(depreciation) | (25 )           | (133 )          | 37            |
| End of period assets               | <u>\$ 1,445</u> | <u>\$ 1,531</u> | <u>\$ 976</u> |
| Average assets during the period   | \$ 1,489        | \$ 1,592        | \$ 867        |

| <b>Fixed Income</b>                               |                 |                 |               |  |
|---|-----------------|-----------------|---------------|--|
| Beginning of period assets                        | \$ 1,411        | \$ 1,101        | \$ 620        |  |
| Inflows/(outflows)                                | 329             | 349             | 86            |  |
| Market appreciation/(depreciation)                | (2 )            | (39 )           | 16            |  |
| End of period assets                              | <u>\$ 1,738</u> | <u>\$ 1,411</u> | <u>\$ 722</u> |  |
| Average assets during the period                  | \$ 1,554        | \$ 1,230        | \$ 659        |  |
| <b>Alternatives</b>                               |                 |                 |               |  |
| Beginning of period assets                        | \$ 578          | \$ 492          | \$ 404        |  |
| Inflows/(outflows)                                | 72              | 66              | 40            |  |
| Market appreciation/(depreciation)                | 24              | 20              | 4             |  |
| End of period assets                              | <u>\$ 674</u>   | <u>\$ 578</u>   | <u>\$ 448</u> |  |
| Average assets during the period                  | \$ 628          | \$ 564          | \$ 427        |  |
| <b>Closed ETPs</b>                                |                 |                 |               |  |
| Beginning of period assets                        | \$ 7            | \$ —            | \$ 70         |  |
| Inflows/(outflows)                                | —               | 7               | (5 )          |  |
| Market appreciation/(depreciation)                | (7 )            | —               | (16 )         |  |
| End of period assets                              | <u>\$ —</u>     | <u>\$ 7</u>     | <u>\$ 49</u>  |  |
| Average assets during the period                  | \$ —            | \$ 7            | \$ 68         |  |
| <b>Headcount – U.S. Business segment</b>          | 151             | 155             | 165           |  |
| <b>Headcount – International Business segment</b> | 76              | 76              | 43            |  |

Note: Previously issued statistics may be restated due to trade adjustments

Source: WisdomTree

## Non-GAAP Financial Measurements

In an effort to provide additional information regarding our results as determined by GAAP, we also disclose certain non-GAAP information which we believe provides useful and meaningful information. Our management reviews these non-GAAP financial measurements when evaluating our financial performance and results of operations; therefore, we believe it is useful to provide information with respect to these non-GAAP measurements so as to share this perspective of management. Non-GAAP measurements do not have any standardized meaning, do not replace nor are superior to GAAP financial measurements and are unlikely to be comparable to similar measures presented by other companies. These non-GAAP financial measurements should be considered in the context with our GAAP results. The non-GAAP financial measurements contained in this release include:

- *Adjusted net income and adjusted diluted earnings per share.* We disclose adjusted net income and adjusted diluted earnings per share as non-GAAP financial measurements in order to report our results exclusive of items that are non-recurring or not core to our operating business. These non-GAAP financial measures exclude the following:
  - Unrealized gains or losses on the revaluation of deferred consideration: Deferred consideration is an obligation we assumed in connection with the ETFS Acquisition that is carried at fair value. This item represents the present value of an obligation to pay fixed ounces of gold into perpetuity and is measured using forward-looking gold prices. Changes in the price of gold may have a material impact on the carrying value of the deferred consideration and our reported net income. We exclude this item when arriving at adjusted net income and adjusted

diluted earnings per share as it is not core to our operating business. The item is not adjusted for income taxes as the obligation was assumed by a wholly-owned subsidiary of ours that is based in Jersey, a jurisdiction where we are subject to a zero percent tax rate.

- Non-recurring items: Acquisition-related costs of \$0.5 million (or \$0.4 million after-tax) for the third quarter of 2018 and \$7.9 million (or \$7.5 million after-tax) for the second quarter of 2018 are excluded when arriving at adjusted net income and adjusted earnings per share.
- *Adjusted effective income tax rate.* We disclose our adjusted effective income tax rate as a non-GAAP financial measurement in order to report our effective income tax rate exclusive of items that are non-recurring or not core to our operating business. We believe reporting our adjusted effective income tax rate provides investors with a consistent way to analyze our income taxes. Our adjusted effective income tax rate is calculated by dividing adjusted income tax expense by adjusted income before income taxes. See “adjusted net income and adjusted diluted earnings per share” above for information regarding the items that are excluded.
- *Gross margin and gross margin percentage.* We disclose our gross margin and gross margin percentage as non-GAAP financial measurements for our U.S. Business segment and International Business segment because we believe they provide investors with a consistent way to analyze the amount we retain after paying third-party service providers to operate our ETPs. These ratios also assist us in analyzing the profitability of our products. We define gross margin as total operating revenues less fund management and administration expenses. Gross margin percentage is calculated as gross margin divided by total operating revenues.
- *Adjusted operating income margin.* We disclose adjusted operating income margin as a non-GAAP financial measurement on a consolidated basis, as well as for our U.S. Business segment and International Business segment in order to report our operating income margin exclusive of items that are non-recurring or not core to our operating business.

**WISDOMTREE INVESTMENTS, INC. AND SUBSIDIARIES  
GAAP to NON-GAAP RECONCILIATION**

**(in thousands)**

**(Unaudited)**

**Consolidated**

|  | <b>Three Months Ended</b> |                          |                           |
|--|---------------------------|--------------------------|---------------------------|
|  | <b>Sept. 30,<br/>2018</b> | <b>June 30,<br/>2018</b> | <b>Sept. 30,<br/>2017</b> |
| <b>Adjusted Net Income and Diluted Earnings per Share:</b>     |                           |                          |                           |
| Net income, as reported  | \$ 22,049                 | \$ 16,724                | n/a                       |
| Add back: Acquisition-related costs, net of income taxes       | 356                       | 7,489                    | n/a                       |
| Less: Unrealized gain on revaluation of deferred consideration | (7,732 )                  | (9,898 )                 | n/a                       |
| Adjusted net income  | \$ 14,673                 | \$ 14,315                | n/a                       |
| Weighted average common shares - diluted                       | 166,622                   | 163,346                  | n/a                       |

|   |         |         |     |
|---|---------|---------|-----|
| Adjusted net income per share - diluted | \$ 0.09 | \$ 0.09 | n/a |
|---|---------|---------|-----|

| Adjusted Operating Income Margin:                        | Three Months Ended |                  |                   |
|--|--------------------|------------------|-------------------|
|  | Sept. 30,<br>2018  | June 30,<br>2018 | Sept. 30,<br>2017 |
| Operating revenues                                       | \$ 72,570          | \$ 74,775        | n/a               |
| Operating income   | \$ 21,708          | \$ 14,531        | n/a               |
| Add back: Acquisition-related costs, before income taxes | 456                | 7,928            | n/a               |
| Adjusted operating income                                | \$ 22,164          | \$ 22,459        | n/a               |
| Adjusted operating income margin                         | 30.5 %             | 30.0 %           | n/a               |

| Adjusted Effective Income Tax Rate:                                  | Three Months Ended |                  |                   |
|--|--------------------|------------------|-------------------|
|  | Sept. 30,<br>2018  | June 30,<br>2018 | Sept. 30,<br>2017 |
| Income before income taxes   | \$ 27,530          | \$ 22,184        | n/a               |
| Add back: Acquisition-related costs, before income taxes             | 456                | 7,928            | n/a               |
| Less: Unrealized gain on revaluation of deferred consideration       | (7,732 )           | (9,898 )         | n/a               |
| Adjusted income before income taxes                                  | \$ 20,254          | \$ 20,214        | n/a               |
| Income tax expense   | \$ 5,481           | \$ 5,460         | n/a               |
| Add back: Tax benefit arising from acquisition-related costs .       | 100                | 439              | n/a               |
| Less: Tax expense arising from revaluation of deferred consideration | —                  | —                | n/a               |
| Adjusted income tax expense  | \$ 5,581           | \$ 5,899         | n/a               |
| Adjusted effective income tax rate                                   | 27.6 %             | 29.2 %           | n/a               |

### U.S. Business Segment

| Gross Margin and Gross Margin Percentage: | Three Months Ended |                  |                   |
|---|--------------------|------------------|-------------------|
|   | Sept. 30,<br>2018  | June 30,<br>2018 | Sept. 30,<br>2017 |
| Operating revenues                        | \$ 50,389          | \$ 53,093        | \$ 54,889         |
| Less: Fund management and administration  | (8,915 )           | (8,802 )         | (9,168 )          |
| Gross margin                              | \$ 41,474          | \$ 44,291        | \$ 45,721         |
| Gross margin percentage                   | 82.3 %             | 83.4 %           | 83.3 %            |

| Adjusted Operating Income Margin:                        | Three Months Ended |                  |                   |
|--|--------------------|------------------|-------------------|
|  | Sept. 30,<br>2018  | June 30,<br>2018 | Sept. 30,<br>2017 |
| Operating revenues                                       | \$ 50,389          | \$ 53,093        | n/a               |
| Operating income   | \$ 16,615          | \$ 10,455        | n/a               |
| Add back: Acquisition-related costs, before income taxes | 247                | 6,773            | n/a               |
| Adjusted operating income                                | \$ 16,862          | \$ 17,228        | n/a               |
| Adjusted operating income margin                         | 33.5 %             | 32.4 %           | n/a               |

### International Business Segment

| Gross Margin and Gross Margin Percentage: | Three Months Ended |                  |                   |
|---|--------------------|------------------|-------------------|
|   | Sept. 30,<br>2018  | June 30,<br>2018 | Sept. 30,<br>2017 |
| Operating revenues                        | \$ 22,181          | \$ 21,682        | \$ 2,825          |
| Less: Fund management and administration  | (6,377 )           | (5,819 )         | (1,694 )          |
| Gross margin                              | \$ 15,804          | \$ 15,863        | \$ 1,131          |

|                         |        |        |        |
|-------------------------|--------|--------|--------|
| Gross margin percentage | 71.3 % | 73.2 % | 40.0 % |
|-------------------------|--------|--------|--------|

| <b>Adjusted Operating Income Margin:</b>                 | <b>Three Months Ended</b> |                          |                          |
|--|---------------------------|--------------------------|--------------------------|
|  | <b>Sept. 30,<br/>2018</b> | <b>June 30,<br/>2018</b> | <b>June 30,<br/>2017</b> |
| Operating revenues                                       | \$ 22,181                 | \$ 21,682                | n/a                      |
| Operating income   | \$ 5,093                  | \$ 4,076                 | n/a                      |
| Add back: Acquisition-related costs, before income taxes | 209                       | 1,155                    | n/a                      |
| Adjusted operating income                                | \$ 5,302                  | \$ 5,231                 | n/a                      |
| Adjusted operating income margin                         | 23.9 %                    | 24.1 %                   | n/a                      |



Source: WisdomTree Investments, Inc.