



# Q2/21 Results

July 30, 2021



# Forward looking statements

This presentation 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: the ultimate duration of the COVID-19 pandemic and its short-term and long-term impact on our business and the global economy; 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; competition in our business; 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 operate and expand our business in non-U.S. markets; and the effect of laws and regulations that apply to our business.

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

- adverse market developments arising from the COVID-19 pandemic could negatively impact our assets under management, resulting in a decline in our revenues and other potential operational challenges;
- declining prices of securities, gold and other precious metals and other commodities can adversely affect our business by reducing the market value of the assets we manage or causing WisdomTree ETP investors 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 including but not limited to a pandemic event such as COVID-19, may negatively impact revenues and operating margins, and may impede our ability to refinance our debt upon maturity or increase the cost of borrowing upon a refinancing;
- competitive pressures could reduce revenues and profit margins;
- 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 investor sentiment toward investing in the products' strategies and our ability to maintain the AUM of these products, as well as the performance of these products and market-specific and political and economic risk;
- a significant portion of our AUM is held in products with exposure to U.S. and international developed markets and we therefore have exposure to domestic and foreign market conditions and are subject to currency exchange rate risks;
- withdrawals or broad changes in investments in our ETPs by investors with significant positions may negatively impact revenues and operating margins;
- over the last few years, we have expanded our business internationally. This expansion subjects us to increased operational, regulatory, financial and other risks;
- many of our ETPs have a limited track record, and poor investment performance could cause our revenues to decline; and
- we depend on third parties to provide many critical services to operate our business and our ETPs. The failure of key vendors to adequately provide such services could materially affect our operating business and harm WisdomTree ETP investors.

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 our Annual Report on Form 10-K for the year ended December 31, 2020.

The forward-looking statements in this presentation represent our views as of the date of this presentation. 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 presentation.

## Overview

- + Clean and strong quarter
- + Continued organic growth, momentum and execution
  - Expanding product offerings
  - Model portfolios
  - Solutions
- + Well-positioned for decentralized finance (“DeFi”)
  - Crypto products
  - Digital assets

## Strong Q2 results

### + Another strong quarter extending a string of strong quarters

- Record AUM and continued organic growth
- Margin expansion
- Flow breadth and depth

### + U.S. Flows

- 4 consecutive quarters and 12 consecutive months of positive flows
- Strength in large blend, emerging markets and China funds
- Greater % of funds with inflows and decreasing % with outflows; more funds reaching scale

### + European Flows

- Meaningful flows into the broader commodity family, UCITS ETFs and thematic

## Continued execution on key initiatives

### Key Initiatives

- + Targeting more than 20 global product launches
- + Continued traction in our Model Portfolios
- + Leader in crypto-currency
- + Innovator and Leader in digital assets

### Execution

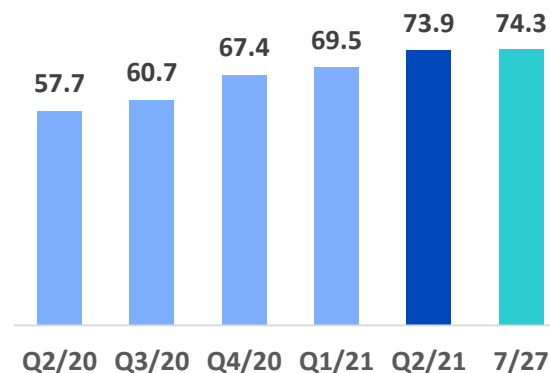
- + **Product development**
  - 11 global launches in new thematic growth, commodities and fixed income categories
  - Enhancements: ESG screening across Europe and enhanced risk screens across U.S. products
- + **Model portfolios**
  - ESG Models and +Crypto models
  - Pipeline remains strong
- + **Digital Assets**
  - Ethereum and Bitcoin listings in Europe
  - Securrency and Onramp investments
  - U.S product filings and more to come

## Q2/21 highlights

- + AUM of \$73.9 billion, +6% driven by market movement and positive flows.
- + \$0.9 billion net inflows for the quarter spanning various asset classes
  - Emerging markets - \$529m
  - International equity - \$397m
  - U.S. equity - \$199m
  - Fixed income - \$168m
  - Mixed results in commodities:
    - + strength in copper and broad industrial metals
    - + outflows in gold, nickel and oil
- + 12 consecutive months of positive inflows in the U.S.
- + 21 funds over \$1B of AUM
- + Momentum continues into Q3
  - AUM: \$74.3b
  - Inflows: \$513m; ~\$2.7b year to date

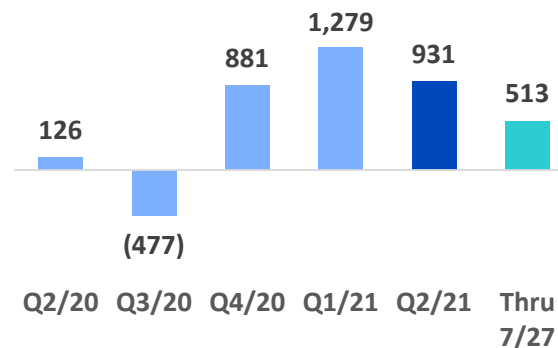
### AUM

(\$ billions)



### Net Inflows

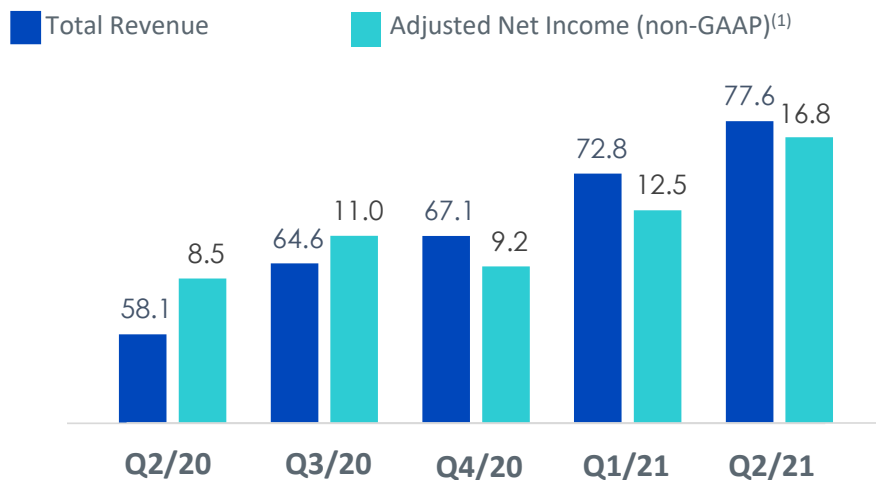
(\$ millions)



## Strong revenue and earnings growth

### Revenue, Income, EPS

(\$ millions)



EPS: (\$0.09)<sup>(2)</sup>    (\$0.01)<sup>(3)</sup>    (\$0.10)<sup>(4)</sup>    \$0.09<sup>(5)</sup>    \$0.11<sup>(5)</sup>

Adjusted EPS (non-GAAP)<sup>(1)</sup>: \$0.05    \$0.07    \$0.06    \$0.08    \$0.10

Net Income/(loss): (\$8.6)    (\$13.3)    (\$0.3)    (\$13.5)    \$15.1

### Highlights/Unusual Items

- + Revenues increased 7% due to higher average AUM, partly offset by a lower average global advisory fee
- + Adjusted earnings increased 34% due to higher revenues
- + \$0.5 million after tax, non-cash gain associated with revaluation of deferred consideration (gold payment) and net \$0.3 million of other non-operating gains



(1) See "Non-GAAP Financial Measurements"

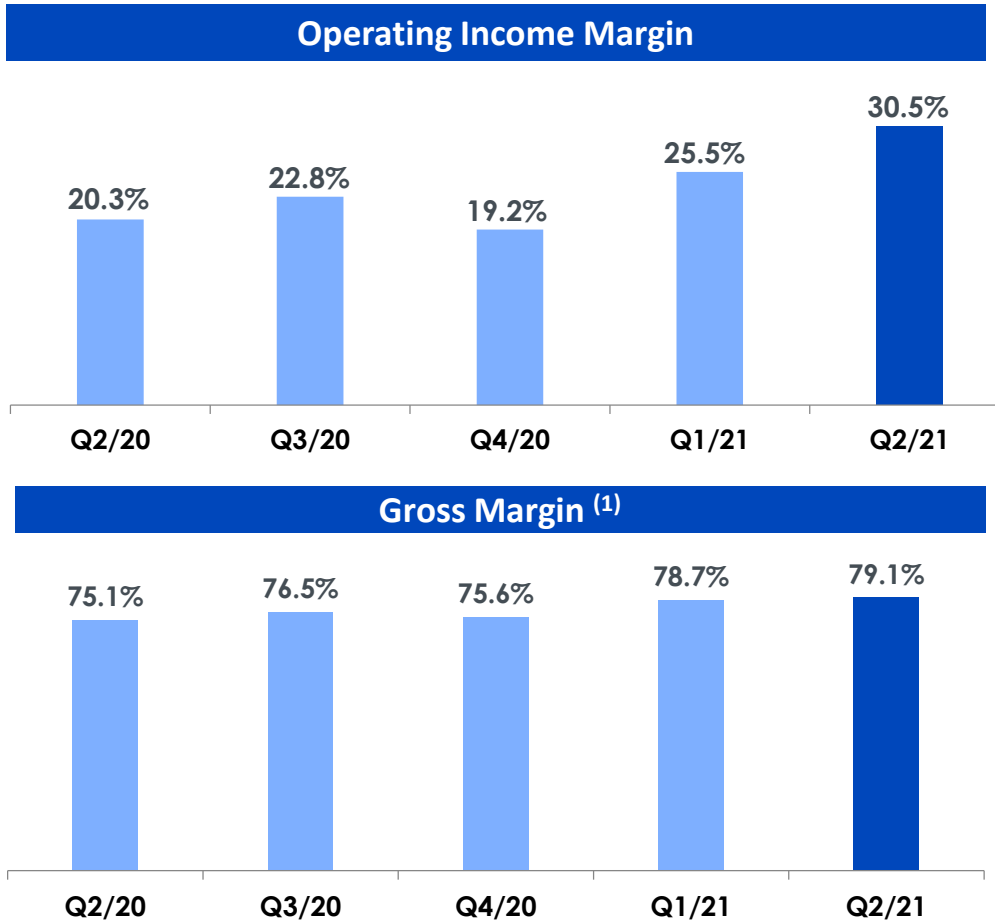
(2) Includes \$0.14 of net losses

(3) Includes \$0.08 of net losses

(4) Includes \$0.16 of net losses

(5) Includes \$0.01 of net gains

## Expanding operating margins and gross margins



+ Operating margin in excess of 30% due to higher revenues

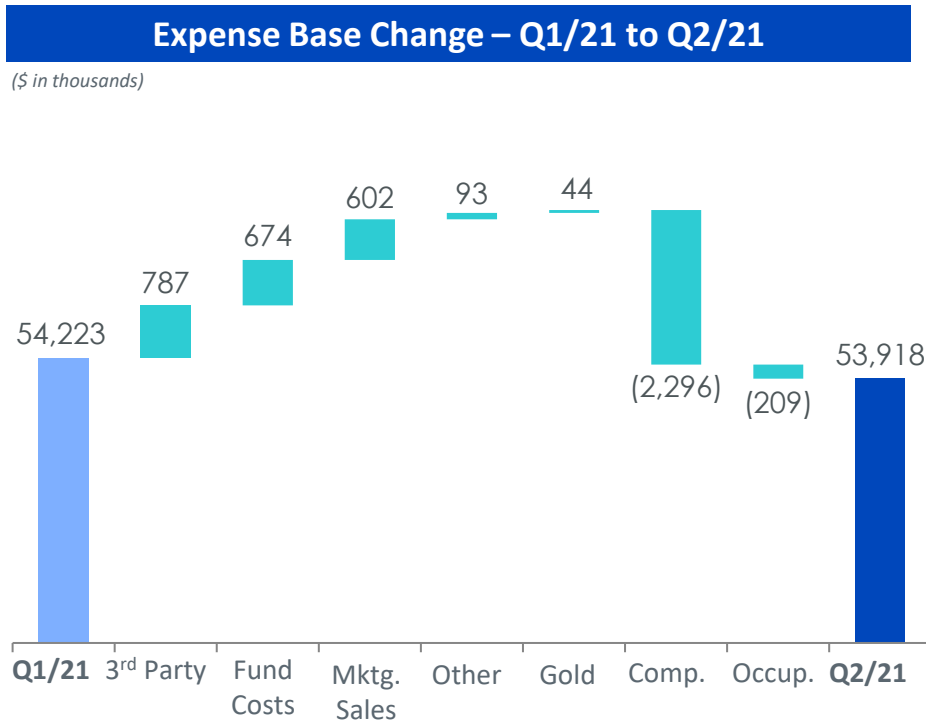
+ Gross margins increased due to higher average AUM

*Updated guidance: Gross margins expected to be 78%-79% (an increase from prior guidance of 77%-78%)*

(1) See "Non-GAAP financial measurements"



# Expenses well controlled



- + Higher fees paid to our third-party marketing agent in Latin America
- + Higher fund costs due to higher average global AUM
- + Higher marketing and sales due to timing
- + Lower compensation expense from reduced stock-based compensation and prior quarter seasonal payroll taxes
  - *Full year guidance remains at top end of \$75-\$85 million range.*
- + Discretionary spending well controlled - \$10.9 million.
  - *Full year guidance remains at \$49 million.*



Discretionary spending includes marketing, sales, professional fees, occupancy & equipment, depreciation & amortization, other

# Convertible note issuance

## Why we Issued the Note

- + Dry powder to use opportunistically for organic and inorganic growth initiatives
- + Positions us to act on our pre-existing notes

## Timing

- + Inexpensive capital (1% lower than pre-existing notes)
- + Raised from a position of strength (i.e., high stock price)

## Key Terms

- + Principal: \$150M (settled in cash at maturity or upon conversion)
- + Term: 5 years
- + Rate: 3.25%
- + Conversion price: \$11.04
- + Redemption price: \$14.35

## Concurrent Share Repurchase

- + 4.5M shares (\$30.8M)
- + EPS neutral transaction

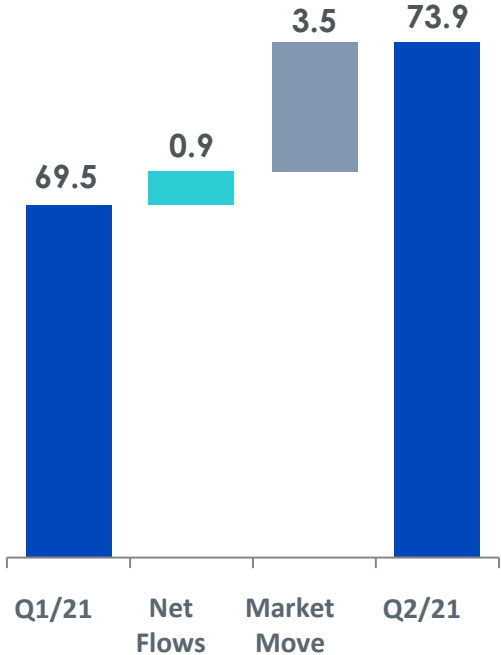
\*\* See Appendix for EPS considerations

## Appendix

# AUM and net inflows

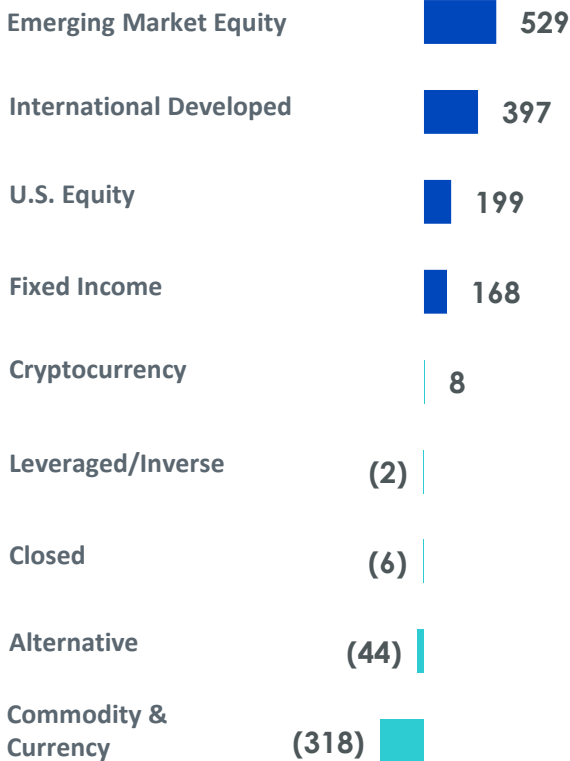
## Quarterly ETF AUM Change

(\$ billions)



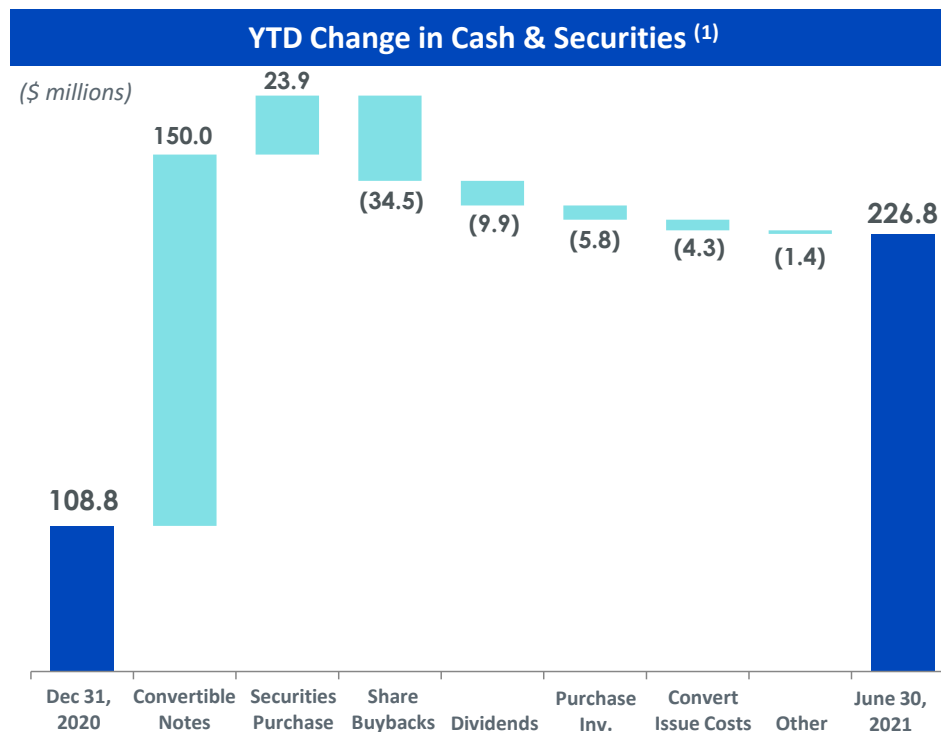
## Q2/21 Net Flows by Category

(\$ millions)



## Balance sheet

Balance Sheet		
(\$ millions)	June 30, 2021	Dec. 31, 2020
<b>Assets</b>		
Cash and securities <sup>(1)</sup>	\$226.8	\$108.8
Investments	14.2	8.1
Accounts receivable	34.8	29.5
Deferred tax asset, net	5.6	8.1
Fixed assets, net	7.2	7.6
Goodwill and intangibles	687.1	687.1
Other assets	24.3	20.5
<b>Total assets</b>	<b>\$1,000.0</b>	<b>\$869.7</b>
<b>Liabilities</b>		
Fund management and administration	\$18.6	\$19.6
Compensation and benefits	15.4	22.8
Accounts payable and other liabilities	11.3	10.2
Convertible notes	317.3	166.6
Deferred consideration (gold payments)	226.7	230.1
Lease Liabilities	20.3	20.5
Other non-current liabilities	0.0	1.0
Total liabilities	609.6	470.8
Preferred stock	132.6	132.6
Stockholders' equity	257.8	266.3
<b>Total liabilities and stockholders' equity</b>	<b>\$1,000.0</b>	<b>\$869.7</b>



(1) Includes securities owned and securities held to maturity

## Convertible notes - EPS

Incremental shares issuable when conversion spread is positive are included in diluted EPS computation. Q2 2021 computations shown below:

	<u>Issued 2020 \$175M Notes</u>	<u>Issued 2021 \$150M Notes</u>
<b><u>Conversion Spread</u></b>		
WT price - Average:	\$6.59	\$6.59
Conversion Price	\$5.92	\$11.04
Conversion spread:	\$0.67	\$0.00
<b><u>Potential Shares</u></b>		
Conversion spread:	\$0.67	\$0.00
Underlying shares (1):	29,560,811	13,586,957
Subtotal:	19,908,971	-
WT price - Average:	\$6.59	\$6.59
Dilutive Shares:	3,019,488	-

(1) Represents principal divided by conversion price

## Consolidated financial results

	2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>Revenues</b>						
Advisory fees	\$ 62,950	\$ 57,208	\$ 63,919	\$ 66,105	\$ 71,616	\$ 75,997
Other income	924	918	721	954	1,214	1,606
Total revenues	63,874	58,126	64,640	67,059	72,830	77,603
<b>Expenses</b>						
Compensation and benefits	17,295	17,455	19,098	20,827	22,627	20,331
Fund management and administration	14,485	14,461	15,219	16,350	15,521	16,195
Marketing and advertising	2,468	1,949	2,996	3,715	3,006	3,594
Sales and business development	3,417	2,181	2,386	2,595	2,145	2,159
Contractual gold payments	3,760	4,063	4,539	4,449	4,270	4,314
Professional and consulting fees	1,273	1,357	950	1,322	2,013	1,921
Occupancy, communications and equipment	1,551	1,643	1,611	1,622	1,475	1,266
Depreciation and amortization	256	251	253	261	252	256
Third-party distribution fees	1,355	1,340	1,233	1,291	1,343	2,130
Acquisition & disposition related costs	383	33	--	--	--	--
Other	1,997	1,596	1,611	1,720	1,571	1,752
Total expenses	48,240	46,329	49,896	54,152	54,223	53,918
<b>Operating Income</b>	15,634	11,797	14,744	12,907	18,607	23,685
Interest Expense	(2,419)	(2,044)	(2,511)	(2,694)	(2,296)	(2,567)
Gain/(loss) on revaluation of deferred consideration	(2,208)	(23,358)	(8,870)	(22,385)	2,832	497
Interest Income	163	119	111	351	231	225
Impairments	(19,672)	--	(3,080)	--	(303)	--
Debt extinguishment	--	(2,387)	--	--	--	--
Other gains/(losses)	(2,507)	1,819	744	524	(5,893)	49
<b>Income/(loss) before taxes</b>	<b>(11,009)</b>	<b>(14,054)</b>	<b>1,138</b>	<b>(11,297)</b>	<b>13,178</b>	<b>21,889</b>
Income tax (benefit)/expense	(2,371)	(804)	1,408	2,200	(1,969)	4,259
<b>Net Income/(loss)</b>	<b>\$ (8,638)</b>	<b>\$ (13,250)</b>	<b>\$ (270)</b>	<b>\$ (13,497)</b>	<b>\$ 15,147</b>	<b>\$ 17,630</b>
As adjusted (non-GAAP)						
Total operating expenses	\$ 47,857	\$ 46,296	\$ 49,896	\$ 54,152	\$ 54,223	\$ 53,918
Operating income	\$ 16,017	\$ 11,830	\$ 14,744	\$ 12,907	\$ 18,607	\$ 23,685
Income before income taxes	\$ 14,358	\$ 10,911	\$ 13,242	\$ 11,504	\$ 15,583	\$ 21,253
Income tax expense	\$ 3,134	\$ 2,417	\$ 2,205	\$ 2,281	\$ 3,079	\$ 4,458
Net income	\$ 11,224	\$ 8,494	\$ 11,037	\$ 9,223	\$ 12,504	\$ 16,795
Earnings per share - diluted	\$ 0.07	\$ 0.05	\$ 0.07	\$ 0.06	\$ 0.08	\$ 0.10

## 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 operating income, operating expenses, income before income taxes, income tax expense, net income and diluted earnings per share.* We disclose adjusted operating income, operating expenses, income before income taxes, income tax expense, net income and 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. We believe presenting these non-GAAP financial measures provides investors with a consistent way to analyze our performance. 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 forward-looking price of gold and changes in the discount rate used to compute the present value of the annual payment obligation may have a material impact on the carrying value of the deferred consideration and our reported financial results. We exclude this item when calculating our non-GAAP financial measurements 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.
  - *Tax shortfalls and windfalls upon vesting and exercise of stock-based compensation awards:* GAAP requires the recognition of tax windfalls and shortfalls within income tax expense. These items arise upon the vesting and exercise of stock-based compensation awards and the magnitude is directly correlated to the number of awards vesting/exercised as well as the difference between the price of our stock on the date the award was granted and the date the award vested or was exercised. We exclude these items when calculating our non-GAAP financial measurements as they introduce volatility in earnings and are not core to our operating business.
  - *Other items:* *Unrealized gains recognized on our investment in Securrency*, impairment charges, interest expense from the amortization of discount arising from the bifurcation of the conversion option embedded in the convertible notes (prior to January 1, 2021, the effective date of Accounting Standards Update 2020-06, Debt – Debt with Conversion and Other Options, Cash Conversion), a loss on extinguishment of debt, the release of a deferred tax asset valuation allowance recognized on interest carryforwards arising from our debt previously outstanding in the United Kingdom, a gain arising from an adjustment to the estimated fair value of consideration received from the exit of our investment in AdvisorEngine and disposition-related costs are excluded when calculating our non-GAAP financial measurements.
- *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 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 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.



# Non-GAAP reconciliation to GAAP results

(\$ in thousands)

Unaudited	Three Months Ended				
	Jun. 30 2021	Mar. 31 2021	Dec 31 2020	Sept. 30 2020	Jun. 30 2020
<b>Adjusted net income and diluted earnings per share:</b>					
Net income, as reported	\$ 17,630	\$ 15,147	\$ (13,497)	\$ (270)	\$ (13,250)
consideration	(497)	(2,832)	22,385	8,870	23,358
Deduct: Unrealized gain recognized on our investment in Securrency, net of income taxes	(105)	(179)	--	--	--
Deduct/Add back: Tax (windfalls)/shortfalls upon vesting and	(233)	123	21	50	119
Add back: Impairments, net of income taxes (where applicable)	--	245	--	2,326	--
Add back: Interest expense from the amortization of discount arising from the bifurcation of the conversion option embedded in the convertible notes, net of income taxes	--	--	314	286	42
Deduct: Gain arising from an adjustment to the estimated fair value of consideration received from the exit of our investment in	--	--	--	(225)	(868)
Add back: Loss on extinguishment of debt, net of income taxes	--	--	--	--	1,910
Deduct: Release of deferred tax asset valuation allowance recognized on interest carryforwards arising from debt previously outstanding in the United Kingdom income taxes	--	--	--	--	(2,842)
	--	--	--	--	25
Adjusted net income	\$ 16,795	\$ 12,504	\$ 9,223	\$ 11,037	\$ 8,494
Weighted average common share - diluted	164,855	161,831	161,138	160,876	166,634
Adjusted earnings per share - diluted	\$0.10	\$0.08	\$0.06	\$0.07	\$0.05

(\$ in thousands)

Unaudited	Three Months Ended				
	Jun. 30 2021	Mar. 31 2021	Dec 31 2020	Sept. 30 2020	Jun. 30 2020
<b>Gross Margin and Gross Margin Percentage</b>					
Operating Revenues	\$ 77,603	\$ 72,830	\$ 67,059	\$ 64,640	\$ 58,126
Deduct: Fund management and administration	(16,195)	(15,521)	(16,350)	(15,219)	(14,461)
Gross margin	\$ 61,408	\$ 57,309	\$ 50,709	\$ 49,421	\$ 43,665
Gross margin percentage	79.1%	78.7%	75.6%	76.5%	75.1%

(\$ in thousands)

Unaudited	Three Months Ended				
	Jun. 30 2021	Mar. 31 2021	Dec 31 2020	Sept. 30 2020	Jun. 30 2020
<b>Adjusted Effective Income Tax Rate</b>					
Income/(loss) before income taxes	\$ 21,889	\$ 13,178	\$ (11,297)	\$ 1,138	\$ (14,054)
consideration	(497)	(2,832)	22,385	8,870	23,358
Deduct: Unrealized gain recognized on investment in Securrency, before income taxes	(139)	(237)	--	--	--
Add back: Loss recognized upon reduction of tax-related indemnification asset	-	5,171	-	-	-
Add back: Impairments, before income tax	-	303	-	3,080	-
Add back: Interest expense from the amortization of discount arising from the bifurcation of the conversion option embedded in the convertible notes, before income taxes	-	-	416	379	55
Deduct: Gain arising from an adjustment to the estimated fair value of consideration received from the exit of our investment in	-	-	-	(225)	(868)
Add back: Loss on extinguishment of debt, before income taxes	-	-	-	-	2,387
income taxes	-	-	-	-	33
Adjusted income before income taxes	\$ 21,253	\$ 15,583	\$ 11,504	\$ 13,242	\$ 10,911
Income tax expense/(benefit)	\$ 4,259	\$ (1,969)	\$ 2,200	\$ 1,408	\$ (804)
Add back/(deduct): Tax windfalls/(shortfalls) upon vesting and exercise of stock-based compensation awards	233	(123)	(21)	(50)	(119)
Securrency	(34)	(58)	-	-	-
Add back: Tax benefit arising from reduction of a tax-related indemnification asset	-	5,171	-	-	-
Add back: Tax benefit arising from impairments	-	58	-	754	-
Add back: tax benefit from the amortization of discount associated with the bifurcation of the conversion options debt	-	-	102	93	13
Add back: Release of deferred tax asset valuation allowance recognized on interest carryforwards arising from debt previously outstanding in the United Kingdom	-	-	-	-	477
Add back: Tax benefit arising from acquisition and disposition-related costs	-	-	-	-	8
Adjusted income tax expense	\$ 4,458	\$ 3,079	\$ 2,281	\$ 2,205	\$ 2,417
Adjusted effective income tax rate	21.0%	19.8%	19.8%	16.7%	22.2%





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