

# Q1/19 Results

April 26, 2019



# 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: 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:

- 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 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, 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.
- Withdrawals or broad changes in investments in our ETPs by investors with significant positions may negatively impact revenues and operating margins.
- 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 the performance of these products and our ability to maintain the AUM of these products, as well as investor sentiment toward investing in the products' strategies and market-specific and political and economic risk.
- A significant portion of our AUM is held in ETFs that invest in foreign securities and we therefore have substantial exposure to foreign market conditions and are subject to currency exchange rate risks.
- 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.
- 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 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 fiscal year ended December 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.

# Notable Q1/19 flow highlights

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- **AUM up \$5 billion driven by net inflows and market rebound.** Positive net flows across all regions and well diversified by asset classes
- **\$1.8 billion of Q1/19 inflows ex-DXJ/HEDJ** represents the 2<sup>nd</sup> strongest quarter in 6 years (\$2.0 billion in Q4/18) and **16% annualized organic growth**, more than 2x the ETF industry<sup>(1)</sup>
- **Record quarter for domestic fixed income** with +\$1.4 billion of inflows driven by Floating Rate Treasury Fund (USFR) which generated inflows of +\$1.25 billion
- **Strongest quarter for U.S. Equities in 2+ years**, with inflows of +\$632 million (19% organic growth) driven by MidCap Dividend Fund (DON, +\$313 million) and Quality Dividend Growth Fund (DGRW, +\$175 million)
- **Gold ETPs grew market share.** Europe listed Gold ETPs generated inflows of +\$287 million representing 33% flow market share (compared to 25% AUM market share)
- **Canada growth remains robust**, with inflows of +\$61 million representing 45% organic growth
- **Inflows into Broad Emerging Markets** (+\$124 million) excluding India outflows (-\$200 million)

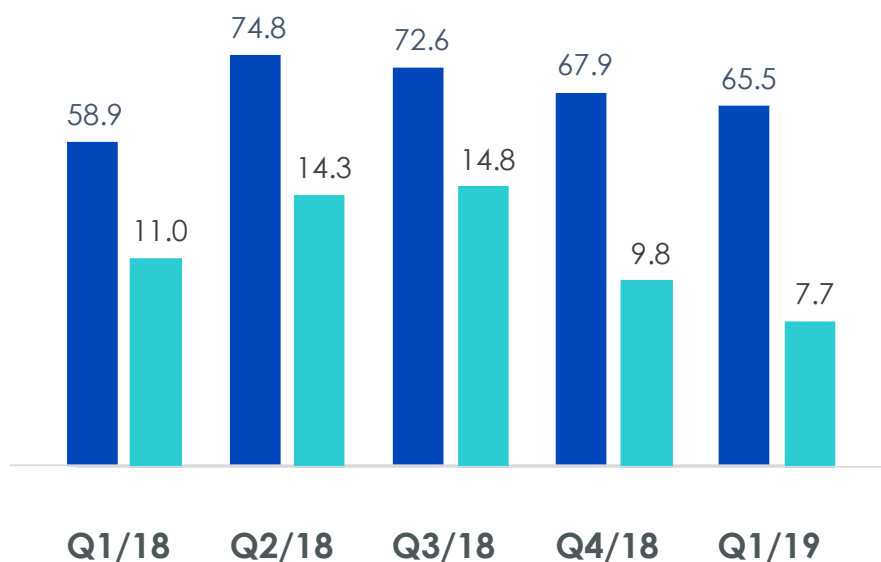
(1) Includes U.S., Europe, Canada listed ETPs

# Financial results impacted by several unusual items

## Revenue, Income, EPS

(\$ millions)

Total Revenue  Adjusted Net Income (non-GAAP) <sup>(1)</sup> 



	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19
EPS:	\$0.07 <sup>(2)</sup>	\$0.10 <sup>(3)</sup>	\$0.13 <sup>(4)</sup>	(\$0.08) <sup>(5)</sup>	\$0.05
Adjusted EPS (non-GAAP) <sup>(1)</sup> :	\$0.08	\$0.09	\$0.09	\$0.06	\$0.05
Net Income:	9.4	16.7	22.0	(11.6)	8.8

## Highlights/Unusual Items

- \$4.3 million (pre-tax) loss from release of tax-related indemnification asset with equal and offsetting amount recognized in income taxes
- \$1.0 million of non-cash tax expense associated with the vesting of stock-based compensation awards
- \$4.4 million (after-tax) gain associated with revaluation of deferred consideration (gold payment)
- \$1.5 million (after-tax) of severance costs
- \$0.6 million (after-tax) impairment associated with the early exit from our Japan office lease
- \$0.3 million (after-tax) of acquisition related costs

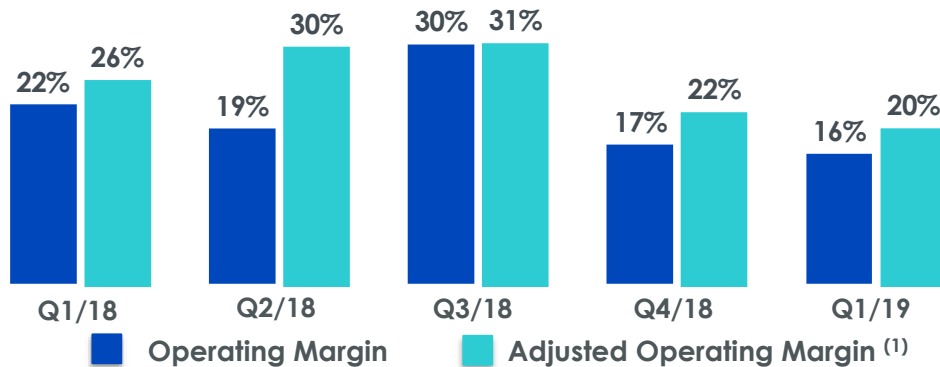


(1) See "Non-GAAP Financial Measurements"  
 (2) Includes \$0.01 of acquisition-related costs  
 (3) Includes \$0.01 of net gains  
 (4) Includes \$0.04 of net gains

(5) Includes \$0.14 of net losses

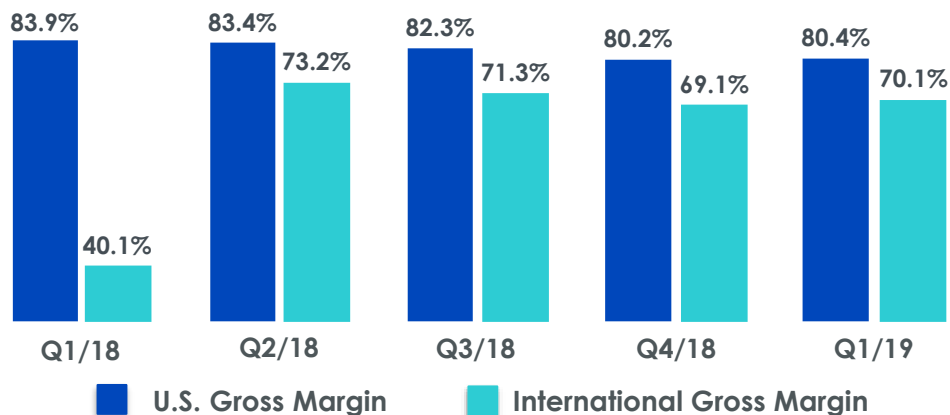
# Operating margins impacted by seasonality, gross margins expand

## Operating Margins



- Adjusted operating margin negatively impacted by lower average AUM, mix shift and seasonally higher compensation costs

## Gross Margins <sup>(1)</sup>

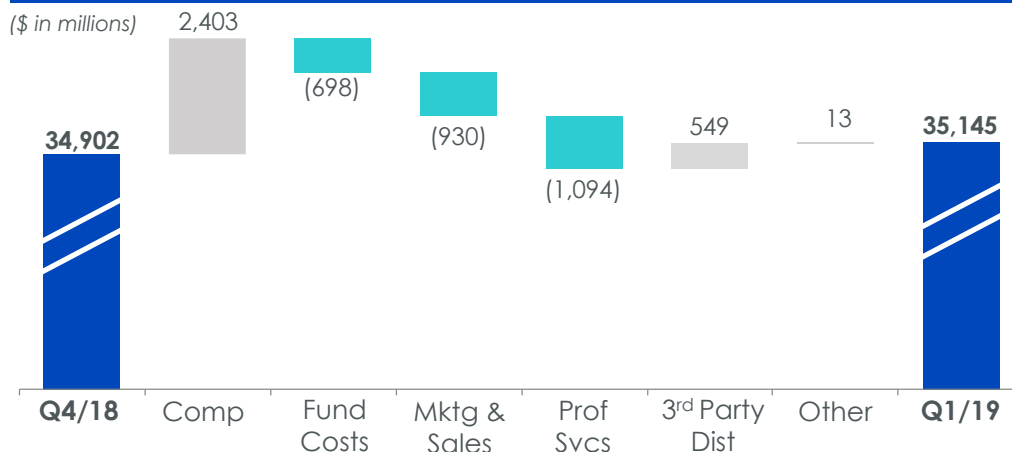


- U.S. gross margins expanded reflecting seasonal items in the prior quarter partially offset by slightly lower average AUM.
- International gross margins expanded reflecting higher average AUM.

(1) See "Non-GAAP Financial Measurements"

# Discretionary expenses well controlled

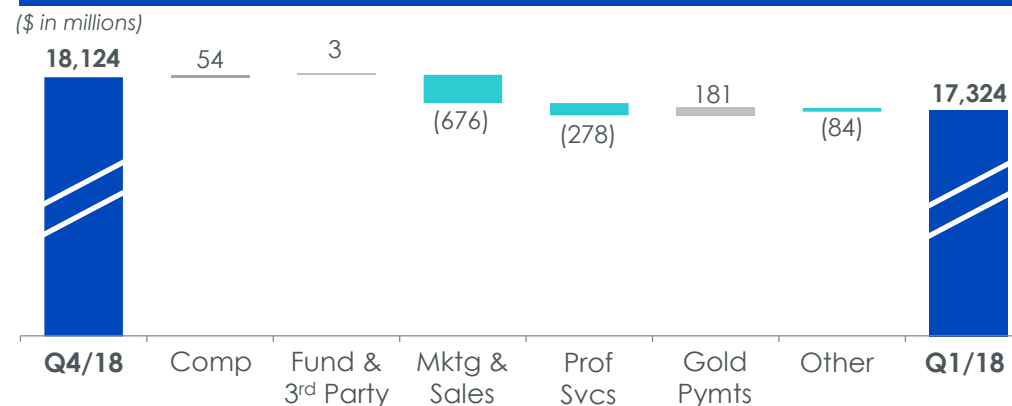
## U.S. Expense Base Change – Q4/18 to Q1/19 <sup>(1) (2)</sup>



## US Segment

- Compensation up on higher incentive accruals, seasonally higher payroll taxes and 401k contributions
- Timing drove a portion of the decline in Sales & Marketing spending
- Third Party Distribution includes some one-time costs

## International Expense Base Change – Q4/18 to Q1/19 <sup>(3)</sup>



## International Segment

- 4% decline in expenses
- Lower marketing and sales spending

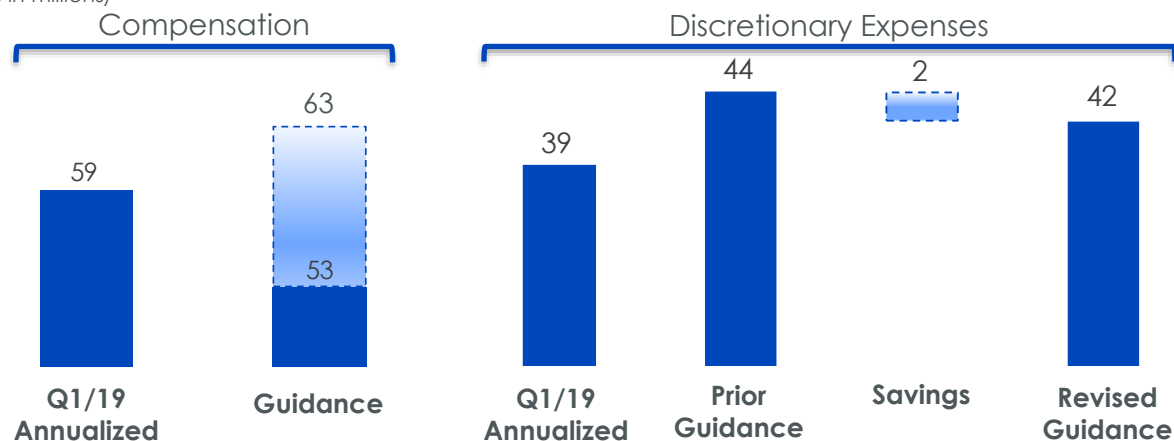


(1) Excludes acquisition-related costs of \$11 in Q1/19 and \$72 in Q4/18  
 (2) Excludes severance costs of \$2.0m in both Q1/19 and Q4/18  
 (3) Excludes acquisition-related costs of \$302 in Q1/19 and \$936 in Q4/18

# Updated expense guidance

## U.S. Segment Compensation <sup>(1)</sup> & Discretionary Expenses <sup>(2)</sup>

(\$ in millions)

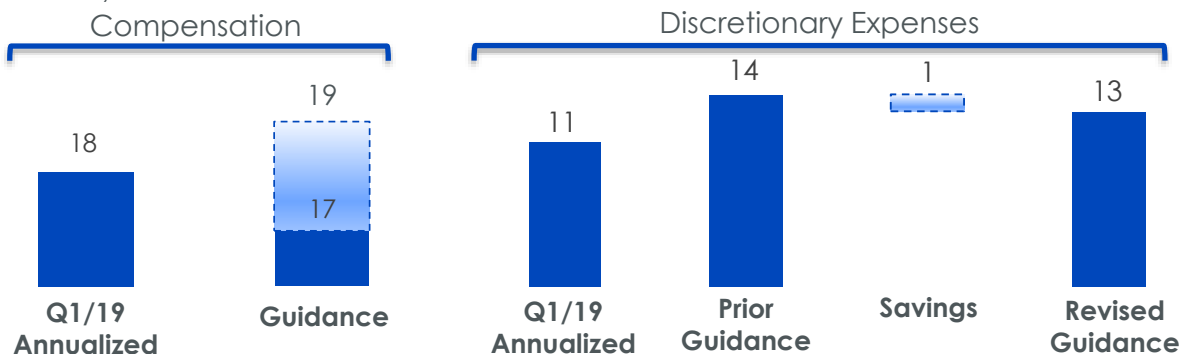


## US Segment

- No changes to prior guidance for gross margin (80-81%), compensation (\$53-63 million) or Third Party Distribution costs (3.5% of advisory fees)
- Identified \$2 million of additional expense efficiencies

## International Segment Compensation <sup>(1)</sup> & Discretionary Expenses <sup>(2)</sup>

(\$ in millions)



## International Segment

- No changes to prior gross margin (70-72%) or compensation guidance (\$17-19 million)
- Identified \$1 million of additional expense efficiencies



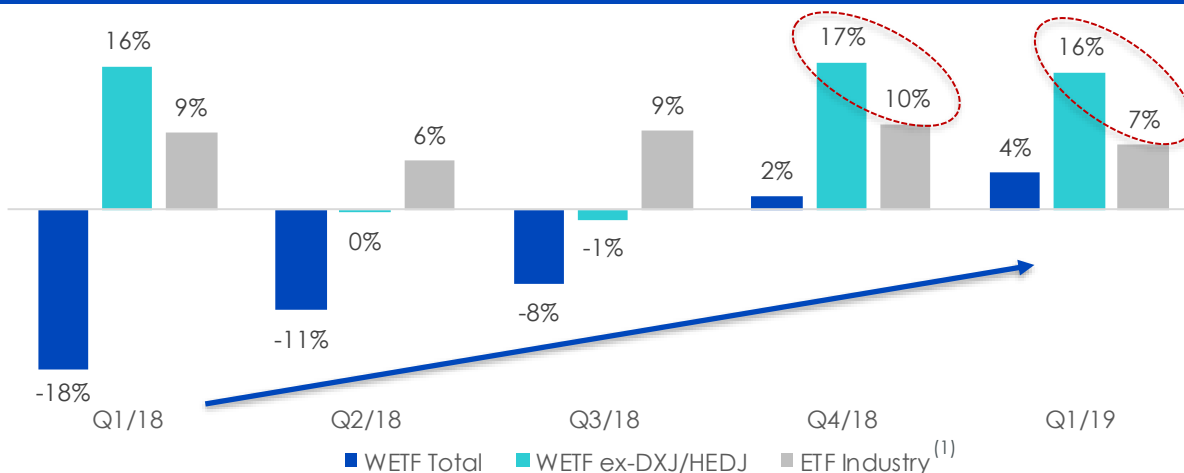
(1) Excludes severance costs  
 (2) Discretionary expenses includes Marketing, Sales and business development, Professional and consulting fees, Occupancy and equipment, Depreciation and amortization and Other

# Well diversified and poised for the next wave of growth

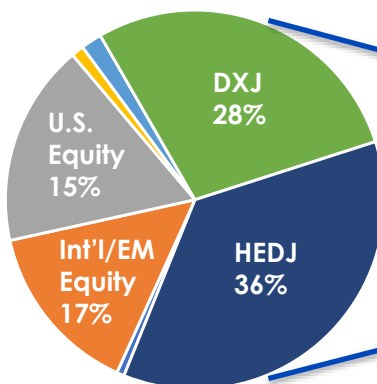
## Improved Growth & Diversification

- Absolute organic growth trends have improved sequentially for several quarters with better AUM diversification and expanded distribution
- Organic growth ex-DXJ/HEDJ has significantly exceeded industry growth rates in 3 of the past five quarters
- AUM is the most diversified it has ever been across product categories and geographies
- DXJ / HEDJ AUM down from nearly 65% of total AUM in mid-'15 to just 12% at the end of Q1/19 at similar firmwide AUM levels
- Balance of strong dollar/weak dollar and risk-on/risk off exposures

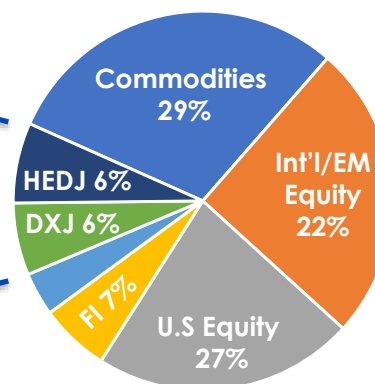
## Absolute & Relative Organic Growth Trends Improving



## Q2/15, \$60 billion



## Q1/19, \$59 billion



(1) ETF Industry includes U.S., Europe, Canada listed ETFs

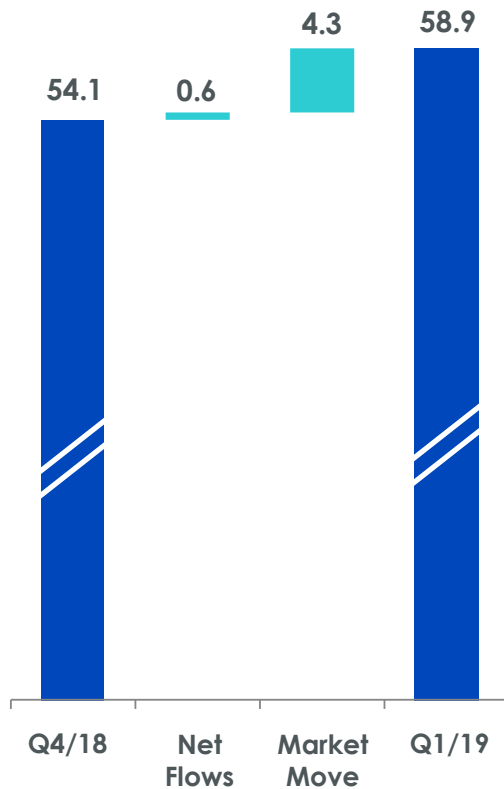


# Appendix

# AUM growth driven by net inflows and market rebound

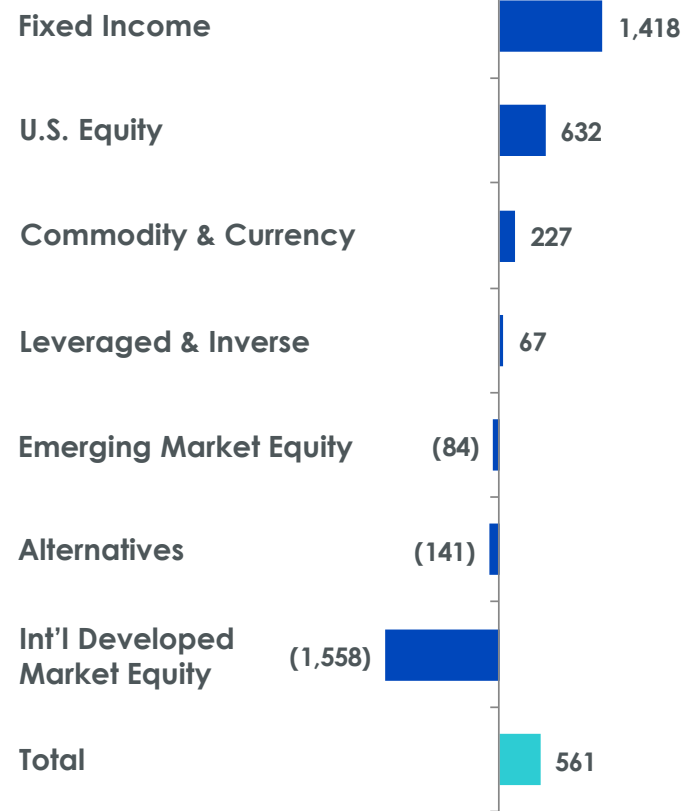
## Quarterly ETF AUM Change

(\$ billions)



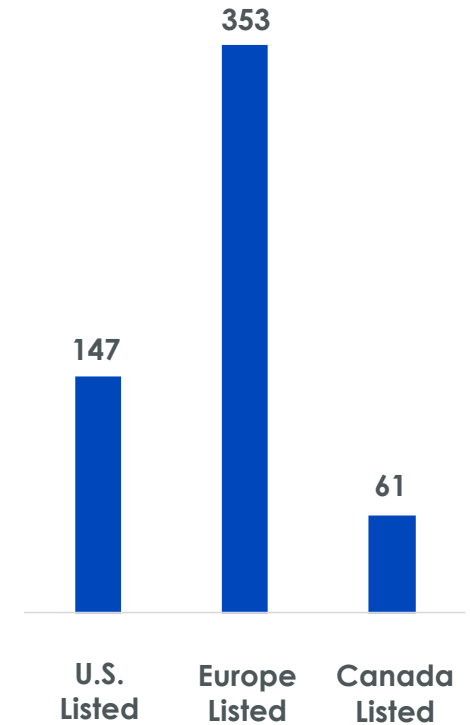
## Q1/19 Net Flows by Category

(\$ millions)



## Q1/19 Net Flows by Region

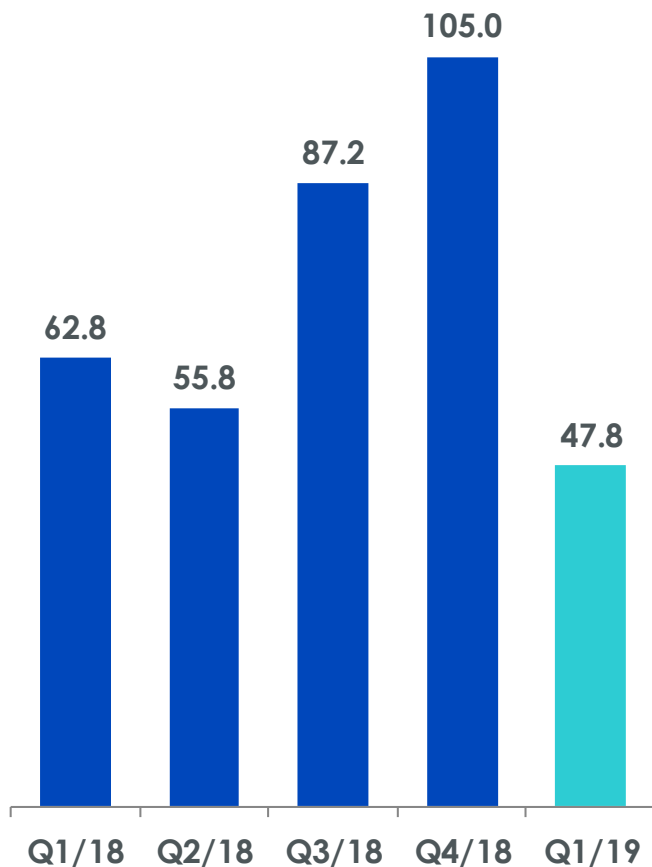
(\$ millions)



# Industry U.S. listed ETF flows

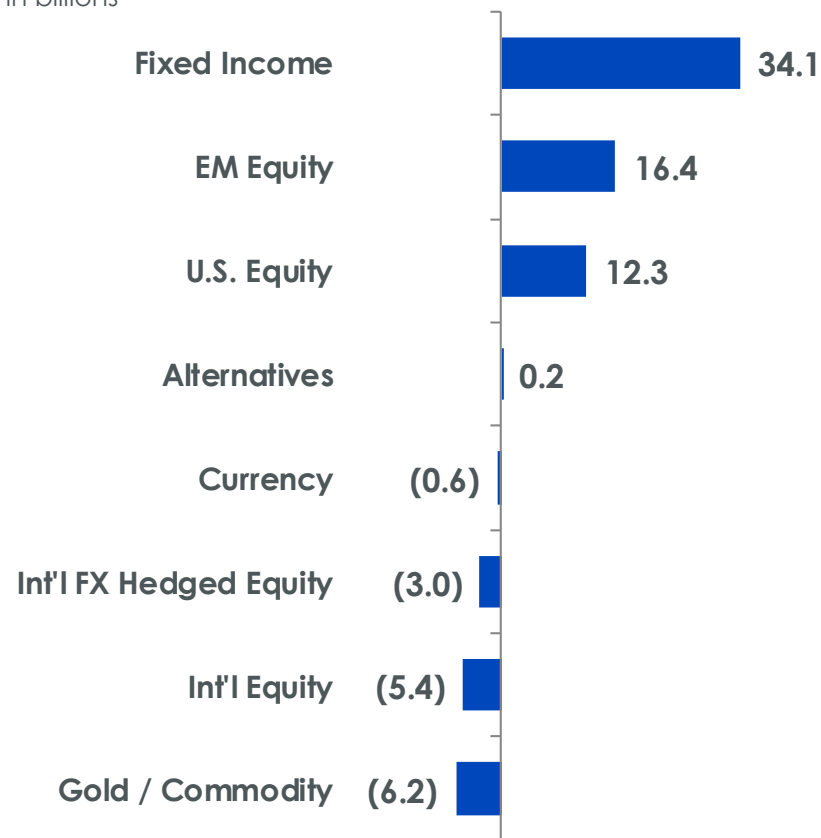
## U.S. ETF Industry Net Inflows

\$ in billions



## Industry Net Inflows by Category Q1/19

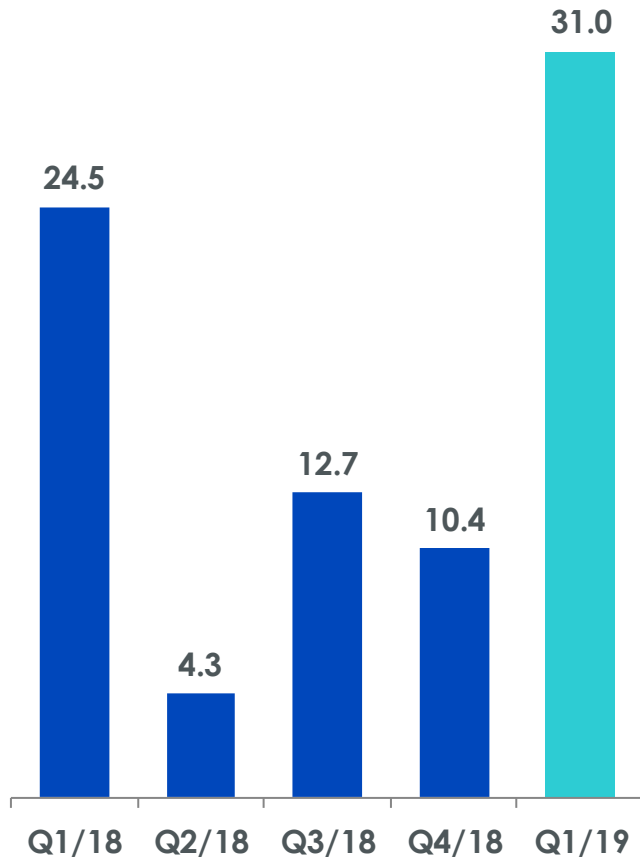
\$ in billions



# Industry Europe listed ETF flows

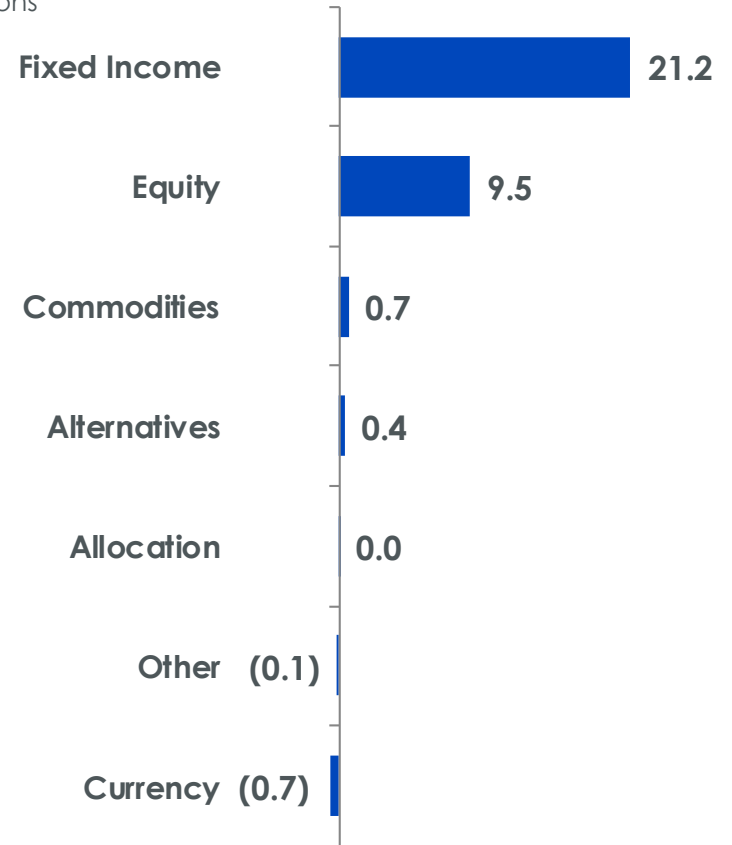
## Europe ETF Industry Net Inflows

\$ in billions



## Industry Net Inflows by Category Q1/19

\$ in billions

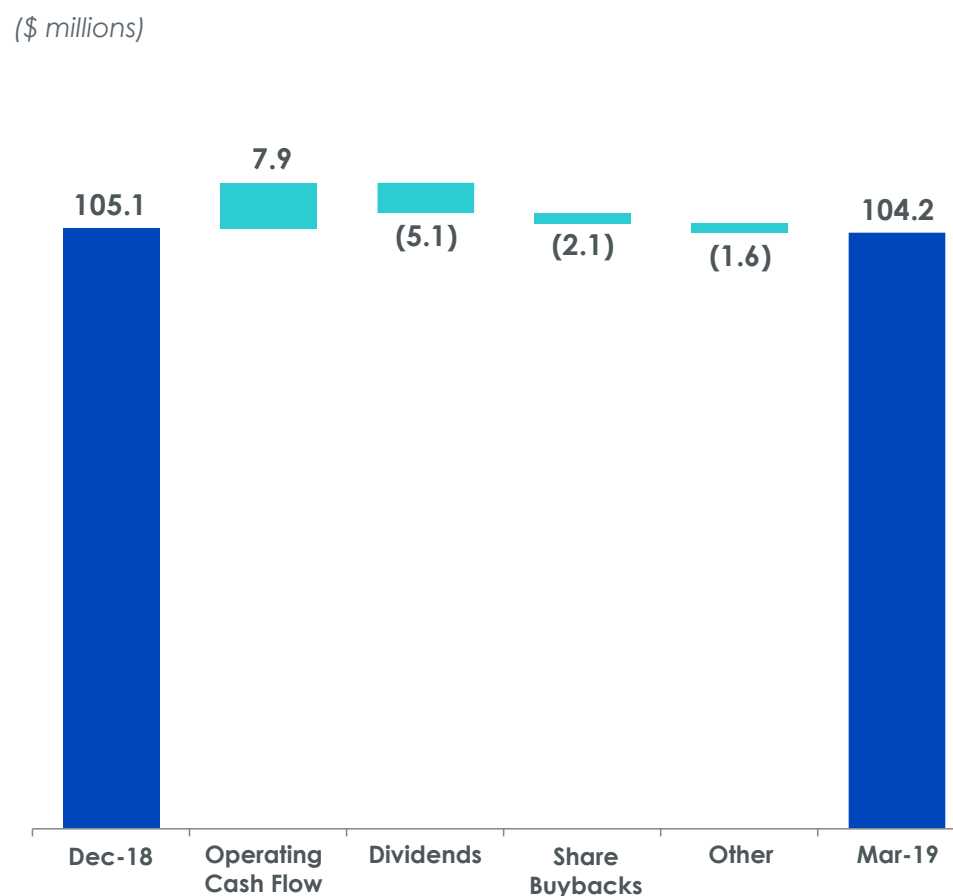


# Balance Sheet

## Balance Sheet

(\$ millions)	Mar. 31, 2019	Dec. 31, 2018
<b>Assets</b>		
Cash and securities <sup>(1)</sup>	\$104.2	\$105.1
Investments <sup>(2)</sup>	57.4	56.8
Accounts receivable	28.1	25.8
Deferred tax asset, net	4.0	7.0
Fixed assets, net	8.9	9.1
Goodwill and intangibles	689.1	689.1
Other assets	28.2	9.7
<b>Total assets</b>	<b>\$919.9</b>	<b>\$902.6</b>
<b>Liabilities</b>		
Fund management and administration	\$26.9	\$22.5
Compensation and benefits	9.2	18.5
Accounts payable and other liabilities	11.1	10.0
Long-term debt	195.2	194.6
Deferred consideration (gold payments)	157.1	161.5
Lease Liabilities	24.4	4.6
<b>Total liabilities</b>	<b>423.9</b>	<b>411.7</b>
Preferred stock	132.6	132.6
Stockholders' equity	363.4	358.3
<b>Total liabilities and stockholders' equity</b>	<b>\$919.9</b>	<b>\$902.6</b>

## Q1/19 Change in Cash & Securities <sup>(1)</sup>



(1) Includes securities owned and securities held to maturity

(2) Includes note receivable associated with AdvisorEngine

# Estimated impact from stock-based comp tax changes

- Tax effects of stock-based compensation are recorded in income tax expenses which increases volatility in reported income tax expense
- Awards vesting or being exercised at stock price below/above their grant date price will increase/decrease income tax expense
- On a cash basis, tax windfalls reduce cash taxes while shortfalls are non-cash

(shares and dollars in '000s)

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D = (C-B) x A</b>	<b>E</b>	<b>-D x E</b>
<u>Vest Period</u>	<u># of Shares</u>	<u>Weighted Average Grant Date Price</u>	<u>Vest Date Stock Price (Illustrative)</u>	<u>Tax Windfall/ (Shortfall)</u>	<u>Tax Rate (Illustrative)</u>	<u>(Decrease)/ Increase to Tax Expense</u>
<b>Expected Vestings - 2019</b>						
Q2 2019	103,432	\$9.10	\$7.79	(\$135,999)	26%	\$35,360
Q3 2019	82,120	\$10.16	\$7.79	(\$194,272)	26%	\$50,511
Q4 2019	83,333	\$11.68	\$7.79	(\$324,165)	26%	\$84,283

Note: Analysis above assumes options expiring in 2019 are exercised in the quarter in which they expire. Vesting stock price and tax rate is illustrative.

# Consolidated Financial Results

	2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>Revenues</b>									
Advisory fees	\$ 53,028	\$ 55,856	\$ 57,293	\$ 60,515	\$ 58,456	\$ 73,778	\$ 71,679	\$ 67,191	\$ 64,840
Other income	339	386	421	458	448	997	891	676	645
Total revenues	53,367	56,242	57,714	60,973	58,904	74,775	72,570	67,867	65,485
<b>Expenses</b>									
Compensation and benefits	17,874	18,421	19,492	25,706	18,832	19,301	17,544	18,838	21,301
Fund management and administration	9,600	10,112	10,862	11,570	10,912	14,621	15,292	15,861	15,166
Marketing and advertising	3,537	3,825	3,314	3,726	3,195	3,778	3,239	3,672	2,680
Sales and business development	2,962	3,389	3,617	3,843	3,813	4,503	3,801	5,036	4,422
Contractual gold payments	--	--	--	--	--	2,715	2,880	2,917	3,098
Professional and consulting fees	1,558	1,221	1,035	1,440	1,636	1,560	1,934	2,854	1,482
Occupancy, communications and equipment	1,353	1,371	1,378	1,313	1,363	1,574	1,722	1,544	1,618
Depreciation and amortization	337	352	353	353	355	337	306	303	269
Third party distribution fees	932	670	710	1,081	1,725	1,666	1,407	1,813	2,400
Acquisition-related costs	--	--	--	4,832	2,062	7,928	456	1,008	313
Other	1,624	1,842	1,729	1,873	1,790	2,261	2,281	2,202	2,053
Total expenses	39,777	41,203	42,490	55,737	45,683	60,244	50,862	56,048	54,802
<b>Operating Income</b>	13,590	15,039	15,224	5,236	13,221	14,531	21,708	11,819	10,683
Interest Expense	--	--	--	--	--	(2,356)	(2,747)	(2,859)	(2,892)
Gain/(loss) on revaluation of deferred consideration	--	--	--	--	--	9,898	7,732	(5,410)	4,404
Interest Income	584	641	773	861	962	612	719	800	779
Impairments	--	--	--	--	--	--	--	(17,386)	(572)
Settlement gain	--	6,909	--	--	--	--	--	--	--
Other gains/(losses)	648	(364)	(501)	(448)	(261)	(501)	118	439	(4,627)
<b>Income before taxes</b>	<b>14,822</b>	<b>22,225</b>	<b>15,496</b>	<b>5,649</b>	<b>13,922</b>	<b>22,184</b>	<b>27,530</b>	<b>(12,597)</b>	<b>7,775</b>
Income tax (benefit)/expense	7,942	10,120	7,520	5,411	4,498	5,460	5,481	(1,033)	(1,049)
<b>Net Income</b>	<b>\$ 6,880</b>	<b>\$ 12,105</b>	<b>\$ 7,976</b>	<b>\$ 238</b>	<b>\$ 9,424</b>	<b>\$ 16,724</b>	<b>\$ 22,049</b>	<b>\$(11,564)</b>	<b>\$ 8,824</b>
Note:									
Stock-based compensation included above	\$ 3,421	\$ 3,530	\$ 3,607	\$ 4,159	\$ 3,309	\$ 3,352	\$ 3,417	\$ 3,177	\$ 3,072

# Segment Financial Results

## U.S. Business Segment

(\$ in thousands)

### U.S. Business Segment

	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19
<b>Revenues</b>					
Advisory fees	\$55,518	\$52,931	\$50,216	\$45,633	\$42,517
Other income	147	162	173	126	106
Total revenues	55,665	53,093	50,389	45,759	42,623
<b>Expenses</b>					
Compensation and benefits	16,371	14,526	13,040	14,370	16,779
Fund management and administration	8,973	8,802	8,915	9,038	8,340
Marketing and advertising	2,843	2,987	2,469	2,704	2,162
Contractual gold payment	--	--	--	--	--
Sales and business development	3,455	3,446	2,778	3,747	3,359
Professional and consulting fees	1,325	1,134	1,544	2,166	1,072
Acquisition-related costs	1,197	6,773	247	72	11
Occupancy, communications and equipment	1,225	1,309	1,423	1,205	1,283
Depreciation and amortization	339	314	282	280	246
Third party distribution fees	1,649	1,621	1,398	1,789	2,338
Other	1,653	1,726	1,678	1,617	1,586
Total expenses	39,030	42,638	33,774	36,988	37,176
<b>Operating Income</b>					
	\$16,635	\$10,455	\$16,615	\$ 8,771	\$ 5,447
Operating margin <sup>(1)</sup>	32.0%	32.4%	33.5%	23.7%	17.5%
Compensation ratio	29.4%	27.4%	25.9%	31.4%	39.4%
Gross Margin <sup>(1)</sup>	83.9%	83.4%	82.3%	80.2%	80.4%

## International Business Segment

(\$ in thousands)

### International Business Segment

	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19
<b>Revenues</b>					
Advisory fees	\$ 2,938	\$20,847	\$21,463	\$21,558	\$22,323
Other income	301	835	718	550	539
Total revenues	3,239	21,682	22,181	22,108	22,862
<b>Expenses</b>					
Compensation and benefits	2,461	4,775	4,504	4,468	4,522
Fund management and administration	1,939	5,819	6,377	6,823	6,826
Marketing and advertising	352	791	770	968	518
Contractual gold payment	--	2,715	2,880	2,917	3,098
Sales and business development	358	1,057	1,023	1,289	1,063
Professional and consulting fees	311	426	390	688	410
Acquisition-related costs	865	1,155	209	936	302
Occupancy, communications and equipment	138	265	299	339	335
Depreciation and amortization	16	23	24	23	23
Third party distribution fees	76	45	9	24	62
Other	137	535	603	585	467
Total expenses	6,653	17,606	17,088	19,060	17,626
<b>Operating Income</b>					
	\$ (3,414)	\$ 4,076	\$ 5,093	\$ 3,048	\$ 5,236
Operating margin <sup>(1)</sup>	NM	24.1%	23.9%	18.0%	24.2%
Compensation ratio	NM	22.0%	20.3%	20.2%	19.8%
Gross Margin <sup>(1)</sup>	40.1%	73.2%	71.3%	69.1%	70.1%

(1) See "Non-GAAP Financial Measurements"



# 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. 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 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.
  - 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 determining adjusted net income and adjusted diluted earnings per share as they introduce volatility in earnings and are not core to our operating business.
  - Non-recurring items: See GAAP to non-GAAP reconciliation.
- *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.

# Non-GAAP Financial Measurements

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

(\$ in thousands) Unaudited	Three Months Ended				
	31-Mar 2019	Dec. 31, 2018	Sept. 30, 2018	Jun 30, 2018	Mar 31, 2018
<b>Adjusted net income and diluted earnings per share:</b>					
Net income, as reported	\$ 8,824	\$ (11,564)	\$22,049	\$16,724	\$ 9,424
Add back: Impairments, net of income taxes	572	14,048	--	--	--
Add back: Severance expense, net of income taxes	1,521	1,526	--	--	--
Add back: Acquisition-related costs, net of income taxes	253	812	356	7,489	1,851
Add back/(deduct): Tax shortfalls/(windfalls) up vesting and exercise of stock-based compensation awards	971	(403)	135	3	(269)
Add back / (deduct): Unrealized loss/(gain) on revaluation of deferred consideration	(4,404)	5,410	(7,732)	(9,898)	--
Adjusted net income	7,737	9,829	14,808	14,318	11,275
Weighted average common share - diluted	166,811	166,686	166,622	163,346	136,468
Adjusted earnings per share - diluted	\$0.05	\$0.06	\$0.09	\$0.09	\$0.08
<b>Adjusted operating income margin:</b>					
Operating revenues	\$ 65,485	\$ 67,867	\$72,570	\$74,775	\$58,904
Operating income	10,683	11,819	21,708	14,531	13,221
Add back: Severance expense, before income taxes	2,020	2,014	--	--	--
Add: Acquisition related costs, before income taxes	313	1,008	456	7,928	2,062
Adjusted operating income	\$ 13,016	\$ 14,841	\$22,164	\$22,459	\$15,283
Adjusted operating income margin	19.9%	21.9%	30.5%	30.0%	25.9%
<b>U.S. Segment Gross Margin and Gross Margin Percentage</b>					
Operating revenues	\$ 42,623	\$ 45,759	\$50,389	\$53,093	\$55,665
Less: Fund management and administration	(8,340)	(9,038)	(8,915)	(8,802)	(8,973)
Gross margin	\$ 34,283	\$ 36,721	\$41,474	\$44,291	\$46,692
Gross margin percentage	80.4%	80.2%	82.3%	83.4%	83.9%
<b>U.S. Segment Adjusted Operating Income Margin</b>					
Operating revenues	\$ 42,623	\$ 45,759	\$50,389	\$53,093	\$55,665
Operating income	5,447	8,771	16,615	10,455	16,635
Add back: Severance expense, before income taxes	2,020	2,014	--	--	--
Add back: Acquisition-related costs, before income taxes	11	72	247	6,773	1,197
Adjusted operating income	\$ 7,478	\$ 10,857	\$16,862	\$17,228	\$17,832
Adjusted operating income margin	17.5%	23.7%	33.5%	32.4%	32.0%

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

(\$ in thousands) Unaudited	Three Months Ended				
	31-Mar 2019	Dec. 31, 2018	Sept. 30, 2018	Jun 30, 2018	Mar 31, 2018
<b>International Segment Gross Margin and Gross Margin Percentage</b>					
Operating revenues	\$ 22,862	\$ 22,108	\$22,181	\$21,682	\$ 3,239
Less: Fund management and administration	(6,826)	(6,823)	(6,377)	(5,819)	(1,939)
Gross margin	\$ 16,036	\$ 15,285	\$15,804	\$15,863	\$ 1,300
Gross margin percentage	70.1%	69.1%	71.3%	73.2%	40.1%
<b>International Segment Adjusted Operating Income Margin</b>					
Operating revenues	\$ 22,862	\$ 22,108	\$22,181	\$21,682	n/a
Operating income	5,236	3,048	5,093	4,076	n/a
Add back: Acquisition-related costs, before income taxes	302	936	209	1,155	n/a
Adjusted operating income	\$ 5,538	\$ 3,984	\$ 5,302	\$ 5,231	n/a
Adjusted operating income margin	24.2%	18.0%	23.9%	24.1%	n/a
<b>Adjusted Effective Income Tax Rate</b>					
Income/(loss) before income taxes	\$ 7,775	\$ (12,597)	\$27,530	\$22,184	\$13,922
Add back/(deduct): Unrealized loss/(gain) on revaluation of deferred consideration	(4,404)	5,410	(7,732)	(9,898)	--
Add back: Loss recognized up dreuction of tax indemnification asset	4,310	--	--	--	--
Add back: Severance expense, before income tax	2,020	2,014	--	--	--
Add back: Impairments, before income tax	572	17,386	--	--	--
Add back: Acquisition-related costs, before income taxes	313	1,008	456	7,928	2,062
Adjusted income before income taxes	\$ 10,586	\$ 13,221	\$20,254	\$20,214	\$15,984
Income tax (benefit)/expense	\$ (1,049)	\$ (1,033)	\$ 5,481	\$ 5,460	\$ 4,498
Add back: Tax benefit arising from impairments	--	3,338	--	--	--
Add back: Tax benefit arising reduction in unrecognized tax benefits	4,310	--	--	--	--
Add back/(deduct): Tax windfalls/(shortfalls) upon vesting and exercise of stock-based compensation awards	(971)	403	--	--	269
Add back: Tax benefit arising from severance expense	499	488	--	--	--
Add back: Tax benefit arising from acquisition related costs	60	196	100	439	211
Adjusted income tax expense	\$ 2,849	\$ 3,392	\$ 5,581	\$ 5,899	\$ 4,978
Adjusted effective income tax rate	26.9%	25.7%	27.6%	29.2%	31.1%



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