



**Q3/20 Results**

October 30, 2020



# 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:

- 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, increase the cost of borrowing or result in our debt being called prior to maturity.
- 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, our ability to maintain the AUM of these products, 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 globally. 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.
- 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.

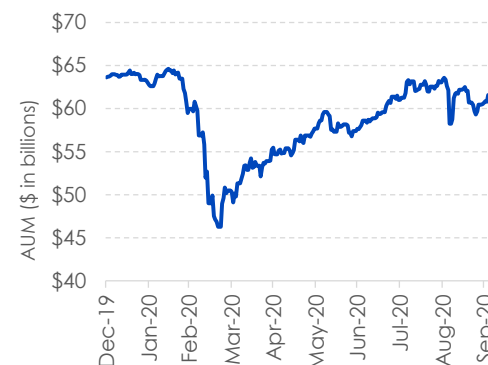
Other factors, such as general economic conditions, including currency exchange rate fluctuations, also may have an effect on the results of our operations. For a more complete description of the risks noted above and other risks that could cause our actual results to differ from our current expectations, please see the section entitled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and Quarterly Reports on Form 10Q for the quarters ended March 31, 2020 and June 30, 2020.

The forward-looking statements in this press release 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.

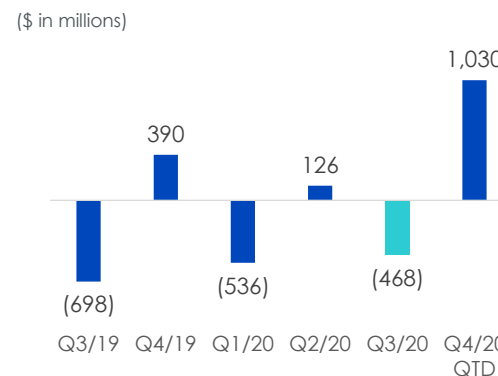
# AUM rebound continued in Q3/20

- **Quarter-end AUM of \$60.7 billion** – up +5.3% sequentially driven by positive market move partially offset by modest outflows. Q4/20 QTD AUM<sup>(1)</sup> up +4.0%
- **Net outflows of (\$468) million in Q3/20** – U.S. listed product inflows were more than offset by energy driven Europe listed product outflows. Q4/20<sup>(1)</sup> off to a strong start with +\$1.0 billion of inflows
- **U.S. listed ETFs generated Q3/20 inflows of +\$575 million representing 7% annualized organic growth driven by accelerated gross sales**
  - + Positive flows in all 3 months of the quarter with momentum back to pre-pandemic levels
  - + Flows driven by funds previously highlighted as well positioned – DGRW (+\$843m), XSOE (+\$404m), WCLD (+\$334m), AGGY (+\$103m)
  - + Continue to battle market sentiment headwinds with nearly 40% of AUM in the bottom 15 flowing Morningstar categories (out of 97 categories)
- **Europe listed ETPs endured Q3/20 outflows of (\$1.0) billion driven by a reversal in energy product demand**
  - + Outflows led by Energy (\$817m) and physical Gold (\$523m) while other physical precious metals (Silver, Platinum, Palladium) generated inflows (+\$160m)
  - + Q4/20<sup>(1)</sup> off to a solid start with +\$854m of inflows driven by physical Gold

## AUM Trends (1)



## Net Flow Trends (1)



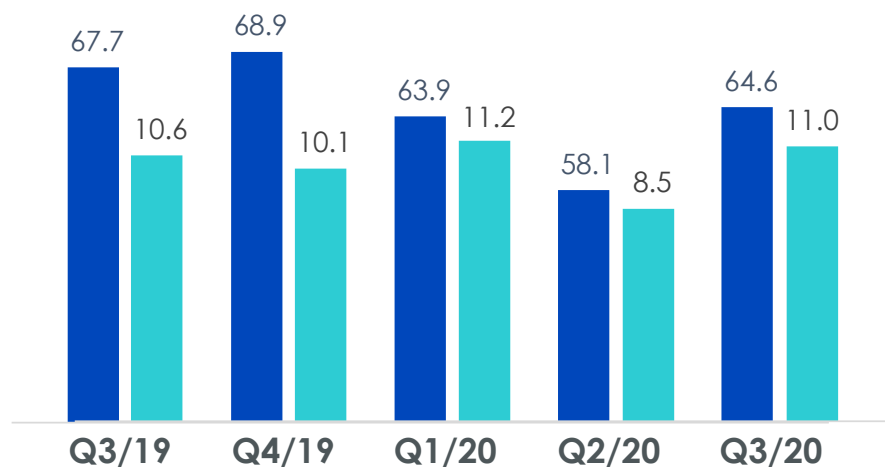
(1) AUM & QTD flows through 10/23/20

# Adjusted Net Income rebounds with higher average AUM/revenues

## Revenue, Income, EPS

(\$ millions)

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



EPS: \$0.02 <sup>(2)</sup> (\$0.17) <sup>(3)</sup> (\$0.06) <sup>(4)</sup> (\$0.09) <sup>(5)</sup> (\$0.01) <sup>(6)</sup>

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

Net Income/ (loss): 4.2    (25.9)    (8.6)    (13.3)    (0.3)

## Highlights/Unusual Items

- \$8.9 million (after-tax) non-cash charge associated with revaluation of deferred consideration (gold payment)
- \$2.3 million (after-tax) impairment to our Thesys investment
- Completed \$25 million add-on to our convertible offering and spent \$4.5 million to repurchase 1.1 million shares

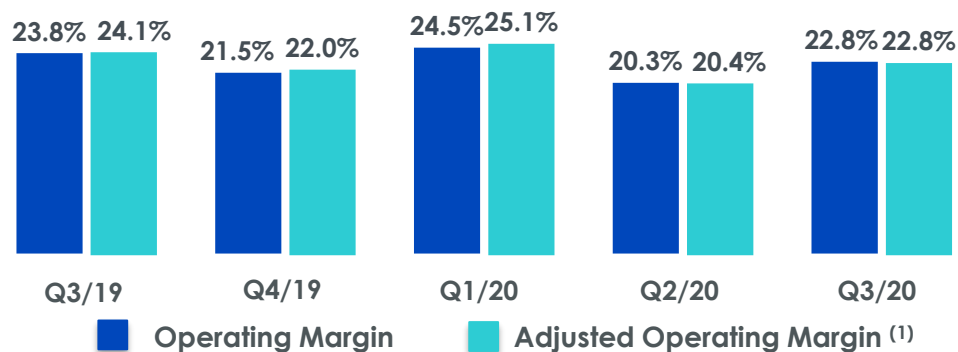


(1) See "Non-GAAP Financial Measurements"  
 (2) Includes \$0.04 of net losses  
 (3) Includes \$0.23 of net losses  
 (4) Includes \$0.13 of net losses

(5) Includes \$0.14 of net losses  
 (6) Includes \$0.08 of net losses

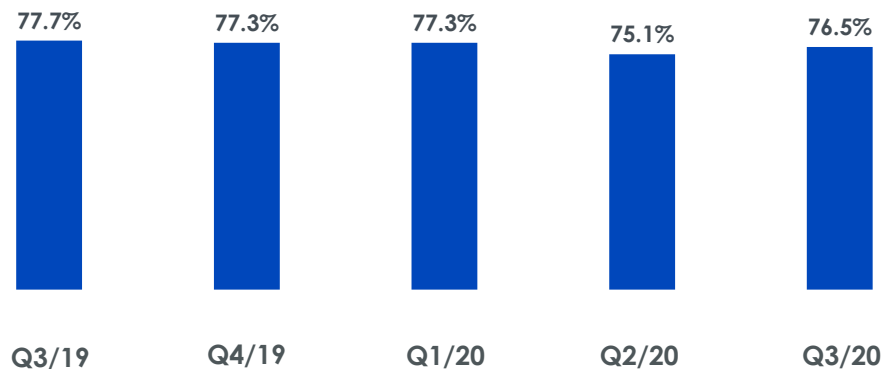
# Operating margins expanded in Q3/20

## Operating Margins



- Adjusted operating margins expanded sequentially reflecting higher revenues and continued well controlled expenses
- Gross margins expanded sequentially driven by higher average AUM
- At current AUM we expect gross margins towards the higher end of the 75-77% guidance range

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

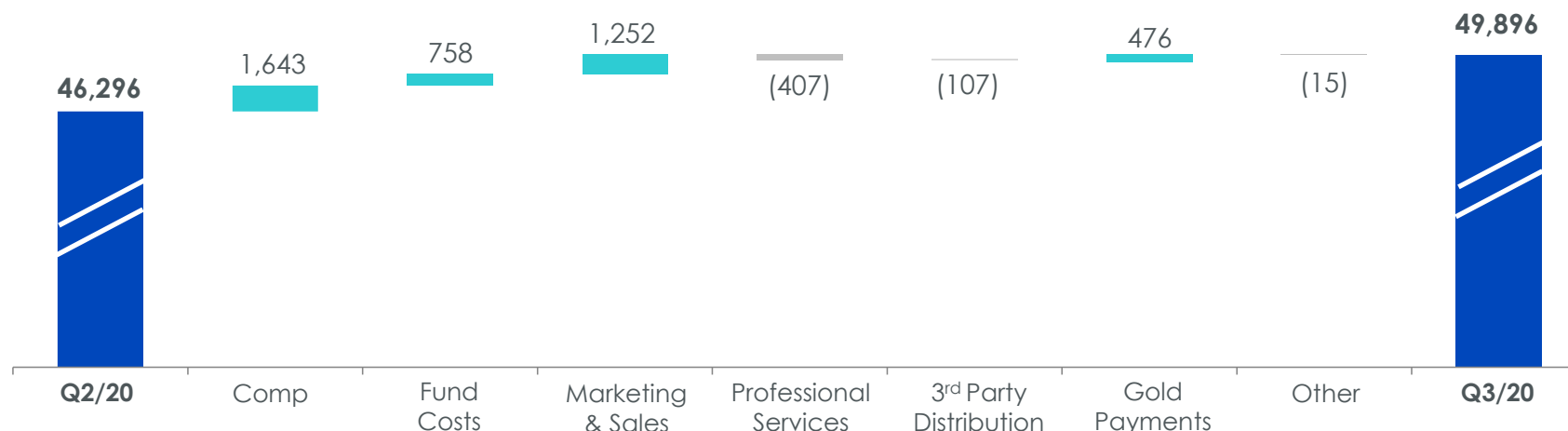


(1) See "Non-GAAP Financial Measurements"

# Discretionary spending remains well controlled

## Expense Base Change – Q2/20 to Q3/20 <sup>(1)</sup>

(\$ in thousands)



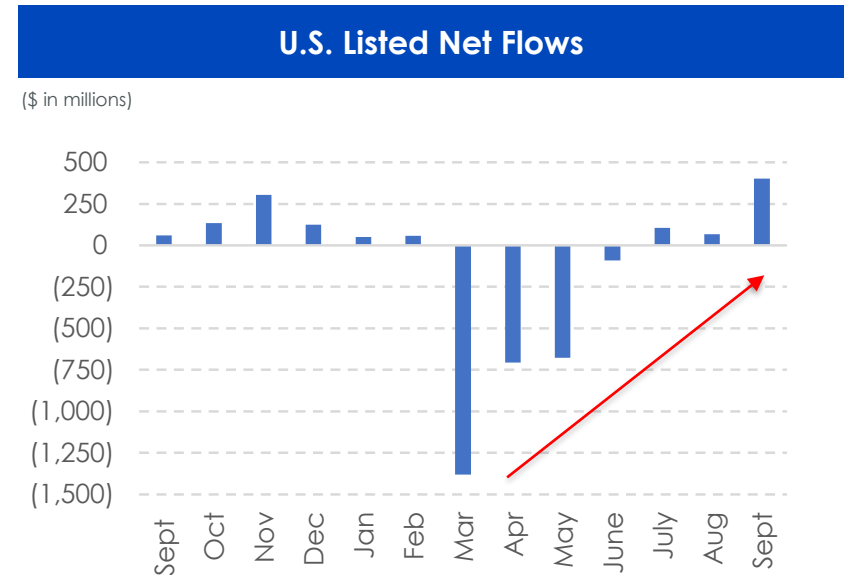
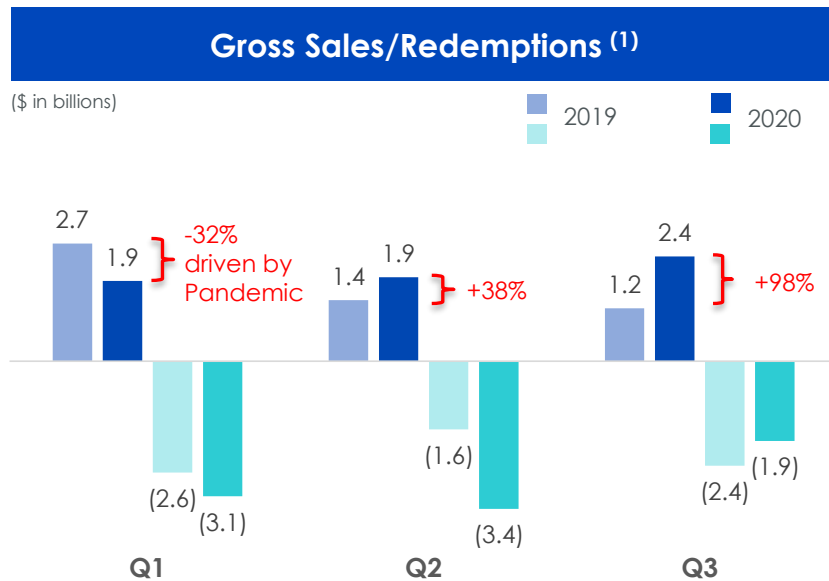
- Operating costs up 7% sequentially but down and 3% from a year ago
- Compensation costs up reflecting continued rebound in operating environment, though full year outlook still below initial guidance range
- Discretionary spending of \$9.8 million remains well controlled. Now anticipate full year discretionary spending<sup>(2)</sup> of approximately \$41 million vs prior guidance of \$44 million (and original guidance of \$51.5 million)
- 16.7% adjusted tax rate in Q3/20. Expect near-term tax rate of approximately 19%

(1) Excludes disposition costs of \$33 in Q2/20

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

# U.S. gross sales & net flow momentum continues to build

- **Strong gross sales results illustrates success from distribution initiatives.** Q3/20 gross sales more than double the same period in 2019 and year-to-date gross sales are trending towards the highest in five years. Redemptions, while lower, remain elevated due to macro headwinds
- **Net flow momentum reestablished.** U.S. listed flows have recovered since the pandemic onset

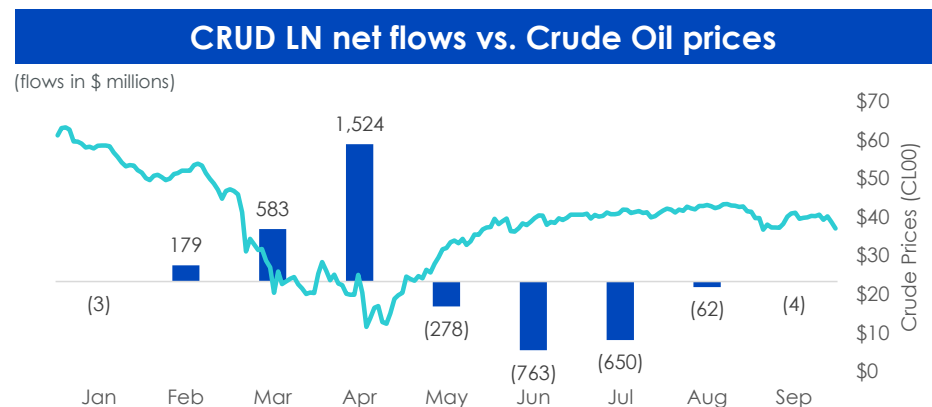


(1) Gross sales/redemptions represent the daily aggregate of funds with net creations/redemptions

# Europe listed flow headwinds in Q3/20 poised for reversal

➤ **Energy product flows have historically showed a strong negative correlation with energy prices**

- ❑ Recent stability in energy prices has brought a stabilization in flow trends
- ❑ Solidly positive YTD flows with clear market leadership during period of disruption



➤ **Gold products positioned to participate in continued demand with further enhancement of platform coming**

- ❑ Beneficiary of strong demand for gold with \$4 billion (+28%) increase AUM year-to-date<sup>(1)</sup>
- ❑ YTD flow market share negatively impacted by pandemic and technical pressures on our low-fee Swiss vaulted fund SGBS
- ❑ Strong start to Q4/20<sup>(1)</sup> with \$728 million of inflows representing 90%+ market share

➤ **UCITS platform has reached break-even inflection point following recent growth and product rationalization**

(1) Year-to-date AUM & quarter-to-date flows through 10/23/20



# Takeaways & additional highlights

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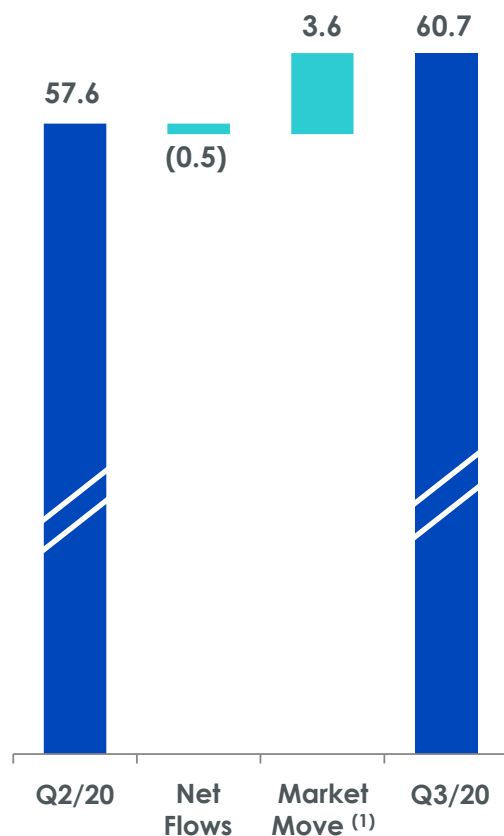
- **Momentum in the business is building and execution has been strong**
  - + U.S. and European product sets both well positioned for growth
- **Planning for a “remote first” work environment**
  - + Aim to reduce office footprint with anticipated annual savings of \$3-4 million beginning in late 2021 or early 2022
- **Tokenization initiative is progressing**
  - + Products will enhance user experience through blockchain technology
  - + Focus on regulatory compliance is the right strategy and aligns with SEC principles

# Appendix

# AUM and net flow trends

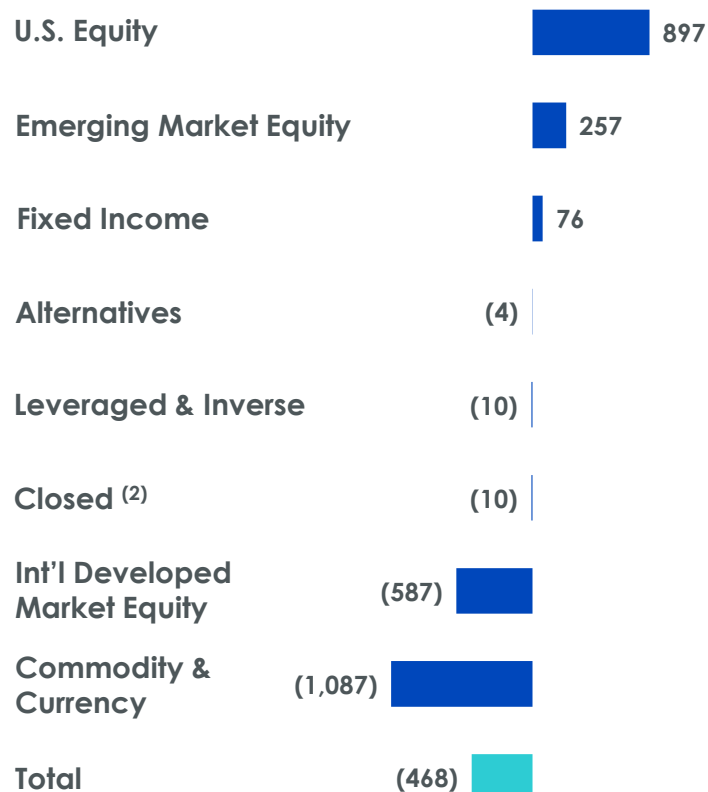
## Quarterly ETF AUM Change

(\$ billions)



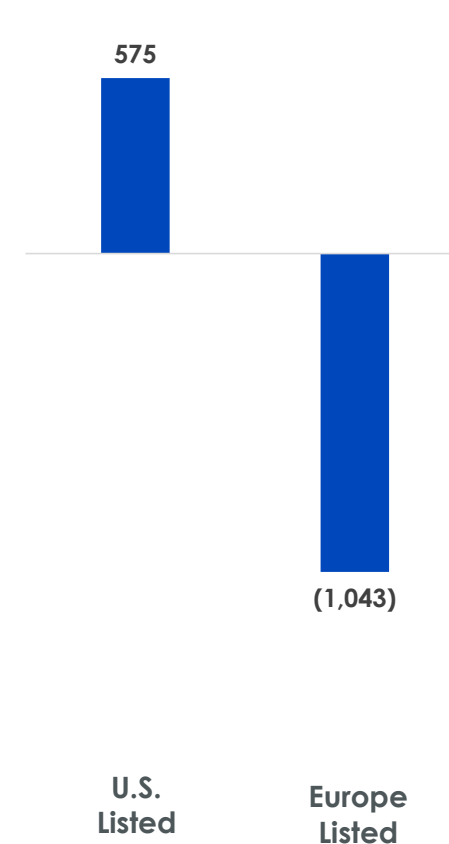
## Q3/20 Net Flows by Category

(\$ millions)



## Q3/20 Net Flows by Region

(\$ millions)



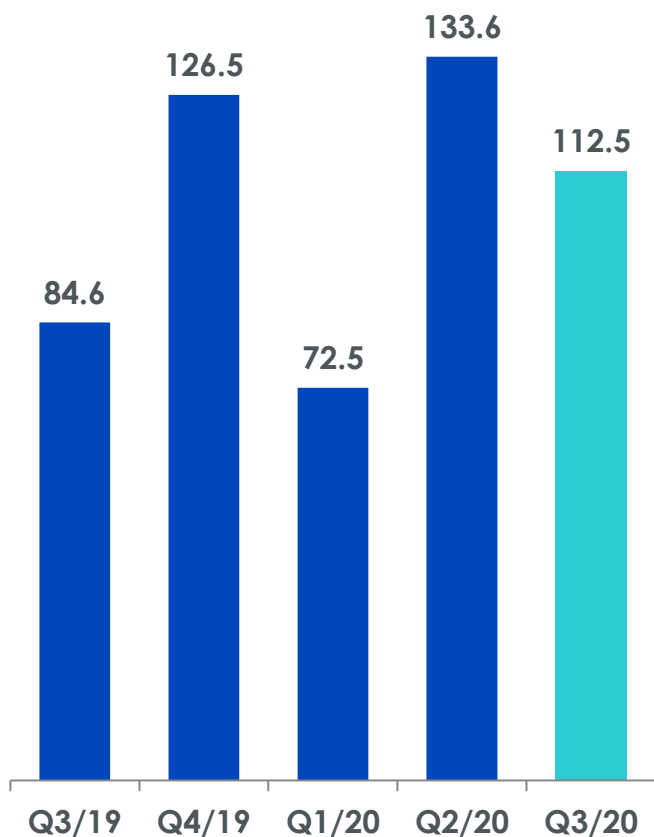
(1) Includes \$46 million reduction from fund closures

(2) Represents outflows from funds prior to the closure. Does not reflect the return of capital due to closure

# Industry U.S. listed ETF flows

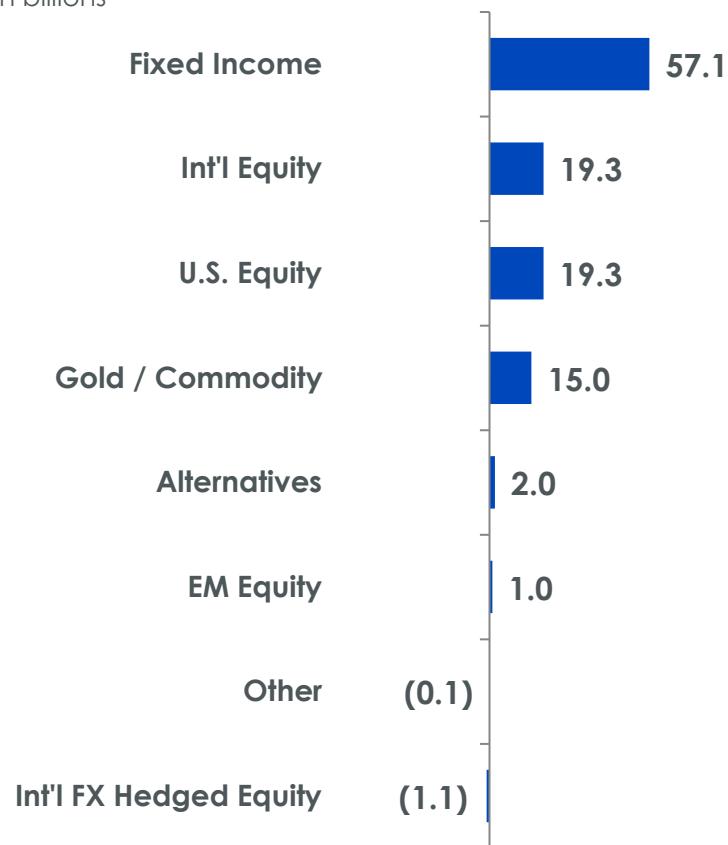
## U.S. ETF Industry Net Inflows

\$ in billions



## Industry Net Inflows by Category Q3/20

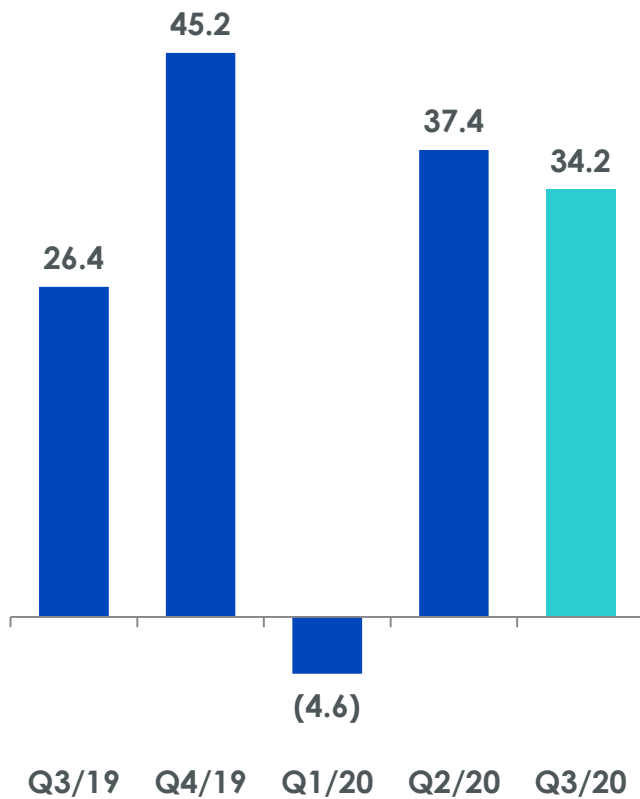
\$ in billions



# Industry Europe listed ETF flows

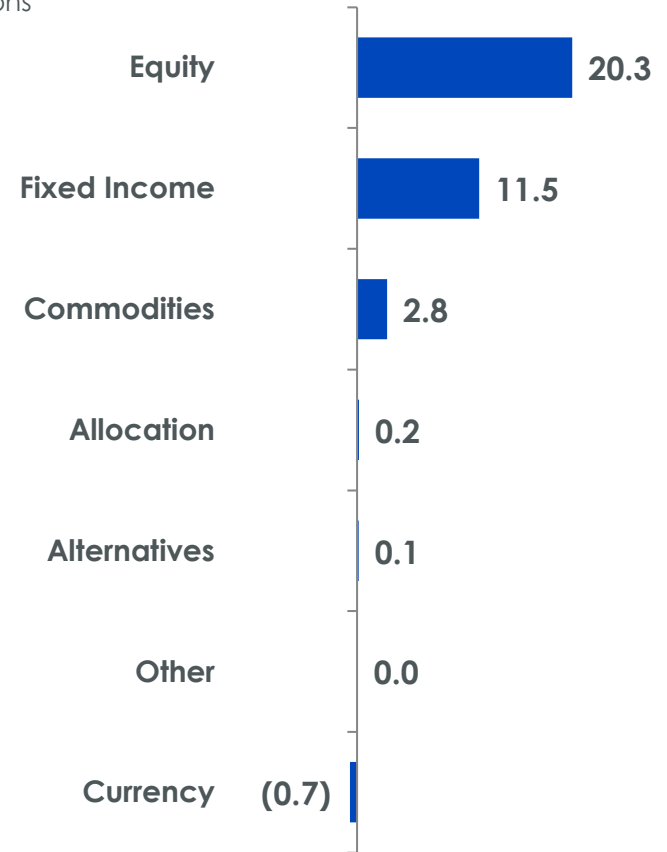
## Europe ETF Industry Net Inflows

\$ in billions



## Industry Net Inflows by Category Q3/20

\$ in billions

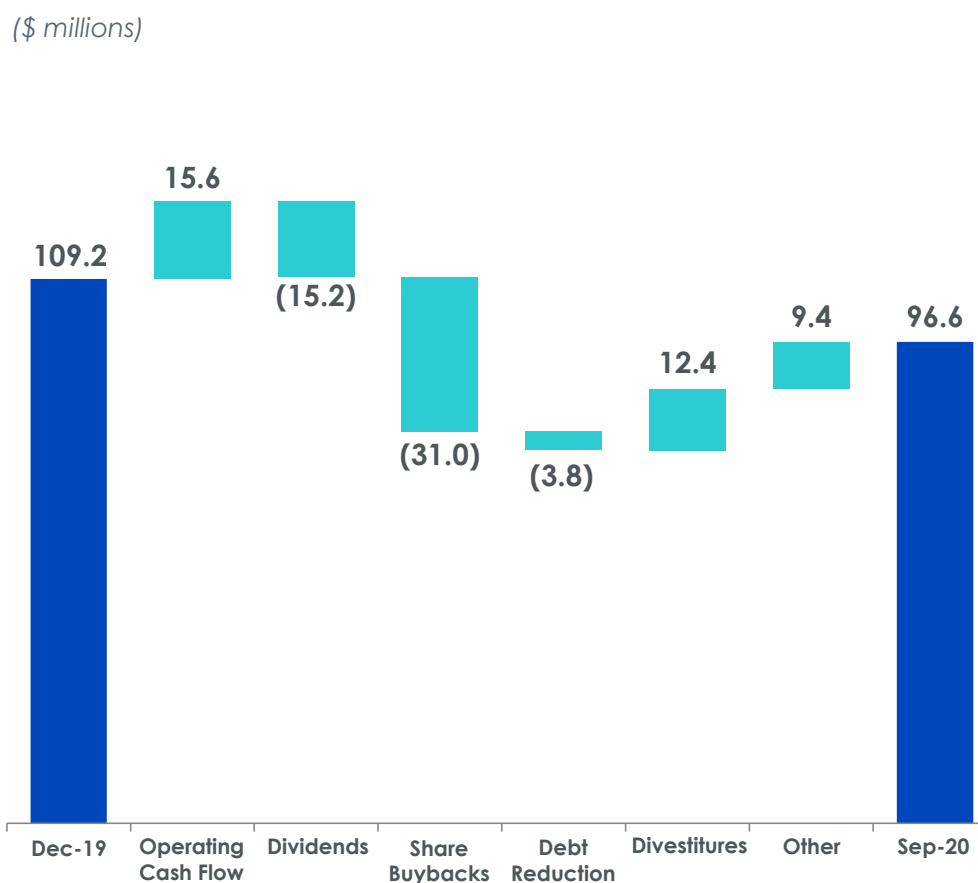


# Balance Sheet

## Balance Sheet

(\$ millions)	Sep. 30, 2020	Dec. 31, 2019
<b>Assets</b>		
Cash and securities <sup>(1)</sup>	\$96.6	\$109.2
Investments <sup>(2)</sup>	8.1	39.4
Accounts receivable	26.2	26.8
Deferred tax asset, net	7.1	7.4
Fixed assets, net	7.7	8.1
Goodwill and intangibles	687.1	689.2
Other assets	22.7	55.1
<b>Total assets</b>	<b>\$855.5</b>	<b>\$935.2</b>
<b>Liabilities</b>		
Fund management and administration	\$22.4	\$22.0
Compensation and benefits	13.9	26.5
Accounts payable and other liabilities	10.4	12.9
Long-term debt	165.8	176.0
Deferred consideration (gold payments)	207.7	173.0
Lease Liabilities	17.8	22.7
Other non-current liabilities	3.2	32.1
<b>Total liabilities</b>	<b>441.2</b>	<b>465.2</b>
Preferred stock	132.6	132.6
Stockholders' equity	281.7	337.4
<b>Total liabilities and stockholders' equity</b>	<b>\$855.5</b>	<b>\$935.2</b>

## 9M/20 Change in Cash & Securities <sup>(1)</sup>



(1) Includes securities owned and securities held to maturity

(2) Includes note receivable associated with AdvisorEngine at 12/31/19

# Consolidated Financial Results - GAAP

	2018				2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Revenues</b>											
Advisory fees	\$ 58,456	\$ 73,778	\$ 71,679	\$ 67,191	\$ 64,840	\$ 65,627	\$ 67,006	\$ 68,179	\$ 62,950	\$ 57,208	\$ 63,919
Other income	448	997	891	676	645	666	712	728	924	918	721
Total revenues	58,904	74,775	72,570	67,867	65,485	66,293	67,718	68,907	63,874	58,126	64,640
<b>Expenses</b>											
Compensation and benefits	18,832	19,301	17,544	18,838	21,301	21,300	18,880	19,280	17,295	17,455	19,098
Fund management and administration	10,912	14,621	15,292	15,861	15,166	15,576	15,110	15,650	14,485	14,461	15,219
Marketing and advertising	3,195	3,778	3,239	3,672	2,680	2,910	3,022	3,551	2,468	1,949	2,996
Sales and business development	3,813	4,503	3,801	5,036	4,422	4,171	4,354	5,329	3,417	2,181	2,386
Contractual gold payments	--	2,715	2,880	2,917	3,098	3,110	3,502	3,516	3,760	4,063	4,539
Professional and consulting fees	1,636	1,560	1,934	2,854	1,482	1,296	1,259	1,604	1,273	1,357	950
Occupancy, communications and equipment	1,363	1,574	1,722	1,544	1,618	1,548	1,549	1,587	1,551	1,643	1,611
Depreciation and amortization	355	337	306	303	269	264	259	253	256	251	253
Third party distribution fees	1,725	1,666	1,407	1,813	2,400	1,919	1,503	1,146	1,355	1,340	1,233
Acquisition & disposition related costs	2,062	7,928	456	1,008	313	33	190	366	383	33	--
Other	1,790	2,261	2,281	2,202	2,053	2,255	1,959	1,816	1,997	1,596	1,611
Total expenses	45,683	60,244	50,862	56,048	54,802	54,382	51,587	54,098	48,240	46,329	49,896
<b>Operating Income</b>	13,221	14,531	21,708	11,819	10,683	11,911	16,131	14,809	15,634	11,797	14,744
Interest Expense	--	(2,356)	(2,747)	(2,859)	(2,892)	(2,910)	(2,832)	(2,606)	(2,419)	(2,044)	(2,511)
Gain/(loss) on revaluation of deferred consideration	--	9,898	7,732	(5,410)	4,404	(4,037)	(6,306)	(5,354)	(2,208)	(23,358)	(8,870)
Interest Income	962	612	719	800	779	818	799	936	163	119	111
Impairments	--	--	--	(17,386)	(572)	--	--	(30,138)	(19,672)	--	(3,080)
Debt Extinguishment	--	--	--	--	--	--	--	--	--	(2,387)	--
Other gains/(losses)	(261)	(501)	118	439	(4,627)	284	843	(2)	(2,507)	1,819	744
<b>Income/(loss) before taxes</b>	<b>13,922</b>	<b>22,184</b>	<b>27,530</b>	<b>(12,597)</b>	<b>7,775</b>	<b>6,066</b>	<b>8,635</b>	<b>(22,355)</b>	<b>(11,009)</b>	<b>(14,054)</b>	<b>1,138</b>
Income tax (benefit)/expense	4,498	5,460	5,481	(1,033)	(1,049)	3,587	4,483	3,525	(2,371)	(804)	1,408
<b>Net Income/(loss)</b>	<b>\$ 9,424</b>	<b>\$ 16,724</b>	<b>\$ 22,049</b>	<b>\$(11,564)</b>	<b>\$ 8,824</b>	<b>\$ 2,479</b>	<b>\$ 4,152</b>	<b>\$(25,880)</b>	<b>\$ (8,638)</b>	<b>\$(13,250)</b>	<b>\$ (270)</b>
Note:											
Stock-based compensation included above	\$ 3,309	\$ 3,352	\$ 3,417	\$ 3,177	\$ 3,072	\$ 3,135	\$ 2,374	\$ 3,009	\$ 3,239	\$ 2,920	\$ 2,844

# 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 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.
  - *Interest expense from the amortization of discount arising from the bifurcation of the conversion option embedded in the convertible notes:* GAAP requires convertible instruments to be separated into their liability and equity components by allocating the issuance proceeds to each of those components. The liability component for convertible instruments that qualify for a derivative scope exception (applicable to our convertible notes) is allocated proceeds equal to the estimated fair value of similar debt without the conversion option. The difference between the gross proceeds received from the issuance of the convertible instrument and the proceeds allocated to the liability component represents the residual amount that is classified in equity. The discount arising from the recognition of the residual amount classified in equity is amortized as interest expense over the life of instrument. We exclude this item when calculating our non-GAAP financial measurements as it is non-cash and distorts our actual cost of borrowing. In addition, in August 2020, the FASB issued ASU 2020-06 *Debt – Debt with Conversion and Other Options, Cash Conversion* which includes the elimination of the requirement to bifurcate conversion options qualifying for a derivative scope exception. Once effective, this interest expense will no longer be recognized.
  - *Other items:* 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, impairment charges, a gain recognized upon sale of our Canadian ETF business and acquisition 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.
- *Adjusted operating income margin.* We disclose adjusted operating income margin as a non-GAAP financial measurement 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				
	Sept. 30 2020	Jun. 30 2020	Mar. 31 2020	Dec. 31 2019	Sept. 30, 2019
<b>Adjusted net income and diluted earnings per share:</b>					
Net income, as reported	\$ (270)	\$ (13,250)	\$ (8,638)	\$ (25,880)	\$ 4,152
Add back: Impairments, net of income taxes	2,326	--	19,672	30,138	--
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 our debt previously outstanding in the United Kingdom	--	(2,842)	--	--	--
Add back: Interest expense from the amortization of discount arising from bifurcation of the conversion option embedded in the convertible notes, net of tax	286	42	--	--	--
Deduct: Gain arising from an adjustment to the estimated fair value of consideration received from Advisor Engine	(225)	(868)	--	--	--
Add back: Acquisition and disposition related costs, net of income taxes	--	25	358	353	154
Add back/(deduct): Tax shortfalls/(windfalls) upon vesting and exercise of stock-based compensation awards	50	119	501	142	30
Deduct: Gain recognized upon sale of our former Canadian Business	--	--	(2,877)	--	--
Add back / (deduct): Unrealized loss/(gain) on revaluation of deferred consideration	8,870	23,358	2,208	5,354	6,306
Adjusted net income	11,037	8,494	11,224	10,107	10,642
Weighted average common share - diluted	160,876	166,634	167,561	167,203	167,163
Adjusted earnings per share - diluted	\$0.07	\$0.05	\$0.07	\$0.06	\$0.06
<b>Adjusted operating income and adjusted operating income margin:</b>					
Operating revenues	\$ 64,640	\$ 58,126	\$ 63,874	\$ 68,907	\$ 67,718
Operating income	14,744	11,797	15,634	14,809	16,131
Add: Acquisition and disposition related costs, before income taxes	--	33	383	366	190
Adjusted operating income	\$ 14,744	\$ 11,830	\$ 16,017	\$ 15,175	\$ 16,321
Adjusted operating income margin	22.8%	20.4%	25.1%	22.0%	24.1%
<b>Adjusted Total Operating Expenses</b>					
Total Operating expenses	\$ 49,896	\$ 46,329	\$ 48,240	\$ 54,098	\$ 51,587
Deduct: Acquisition and disposition-related costs, before income taxes	--	(33)	(383)	(366)	(190)
Adjusted operating expenses	\$ 49,896	\$ 46,296	\$ 47,857	\$ 53,732	\$ 51,397

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

(\$ in thousands) Unaudited	Three Months Ended				
	Sept. 30 2020	Jun. 30 2020	31-Mar 2020	Dec. 31 2019	Sept. 30, 2019
<b>Gross Margin and Gross Margin Percentage</b>					
Operating Revenues	\$ 64,640	\$ 58,126	\$ 63,874	\$ 68,907	\$ 67,718
Deduct: Fund management and administration	(15,219)	(14,461)	(14,485)	(15,650)	(15,110)
Gross margin	\$ 49,421	\$ 43,665	\$ 49,389	\$ 53,257	\$ 52,608
Gross margin percentage	76.5%	75.1%	77.3%	77.3%	77.7%
<b>Adjusted Effective Income Tax Rate</b>					
Income/(loss) before income taxes	\$ 1,138	\$ (14,054)	\$ (11,009)	\$ (22,355)	\$ 8,635
Add back/(deduct): Unrealized loss/(gain) on revaluation of deferred consideration	8,870	23,358	2,208	5,354	6,306
Add back: Loss on extinguishment of debt	--	2,387	--	--	--
Add back: Interest expense from the amortization of discount arising from bifurcation of the conversion option embedded in the convertible notes, net of tax	379	55	--	--	--
Deduct: Gain arising from an adjustment to the estimated fair value of consideration received from Advisor Engine	(225)	(868)	--	--	--
Deduct: Gain recognized upon sale of Canadian Business	--	--	(2,877)	--	--
Add back: Loss recognized upon reduction of tax indemnification asset	--	--	5,981	--	--
Add back: Impairments, before income tax	3,080	--	19,672	30,138	--
Add back: Acquisition and disposition related costs, before income taxes	--	33	383	366	190
Adjusted income before income taxes	\$ 13,242	\$ 10,911	\$ 14,358	\$ 13,503	\$ 15,131
Income tax (benefit)/expense	\$ 1,408	\$ (804)	\$ (2,371)	\$ 3,525	\$ 4,483
Add back: Tax benefit arising from loss on extinguishment of debt	--	477	--	--	--
Add back: Release of deferred tax asset valuation allowance recognized on interest carryforwards arising from our debt previously outstanding in the United Kingdom	--	2,842	--	--	--
Add back: tax benefit from the amortization of discount associated with the bifurcation of the conversion option embedded in the convertible notes	93	13	--	--	--
Add back: Tax benefit arising from impairments	754	--	--	--	--
Add back: Tax benefit arising reduction in unrecognized tax benefits	--	--	5,981	--	--
Add back/(deduct): Tax windfalls/(shortfalls) upon vesting and exercise of stock-based compensation awards	(50)	(119)	(501)	(142)	(30)
Add back: Tax benefit arising from acquisition/disposition related costs	--	8	25	13	36
Adjusted income tax expense	\$ 2,205	\$ 2,417	\$ 3,134	\$ 3,396	\$ 4,489
Adjusted effective income tax rate	16.7%	22.2%	21.8%	25.1%	29.7%



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