

**Q3/21 Results**

**October 29, 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 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021.

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.



## Continued Inflow Momentum

- + **4th consecutive quarter of net inflows with stable fee rates quarter-over-quarter**

- On pace for over 6.5% organic growth in 2021
- Ratio of inflowing funds to outflowing funds has increased throughout the year

- + **U.S. Flows**

- Positive flows for last 5 consecutive quarters and 21 of the past 26 months
- 13% annualized organic growth year-to-date
- Strength in U.S. & International Equities, partly offset by EM weakness
- U.S. Efficient Core fund achieved 5-Star Morningstar rating & recognition in the Wall Street Journal

- + **European Flows**

- UCITS have over \$1.2b net inflows YTD and extended a 12-month positive flow streak
- Carbon fund has grown to over \$220m in AUM since its August 27<sup>th</sup> launch

## Continued execution on key initiatives

### Key Initiatives

- + Targeting more than 20 global product launches
- + Continued traction in our model portfolios
- + Leader in crypto-assets
- + Innovator and leader in digital assets

### Execution

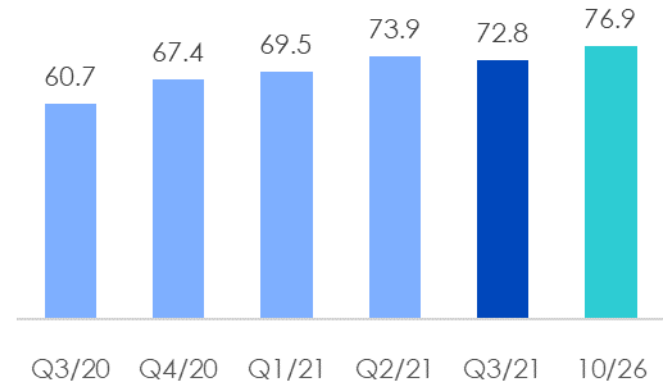
- + **Product development**
  - 14 global launches in new thematic growth, commodities and fixed income categories
  - Robust Q4 product pipeline
- + **WisdomTree Managed Model Portfolios**
  - + Live on BAML & MS, more big wins in pipeline
  - + 10% of US inflows YTD
  - + Bullish inflow outlook as existing mandates scale up & continue to win new partnerships
- + **Digital Assets**
  - Physical Ether and Bitcoin listings in Europe with baskets in the pipeline
  - First Crypto model win with OnRamp & Gemini

## Q3/21 highlights

- + AUM of \$72.8b, down 1.6% as positive flows were offset by negative market movement.
- + Over \$0.5b net inflows for the quarter spanning various asset classes
  - International equity: +\$404m
  - U.S. equity: +\$351m
  - Fixed Income: +\$115m
  - Commodity & Currency \$249m outflows, but mixed bag:
    - + strength in carbon, oil, and enhanced commodities
    - + outflows in gold, aggs, and other metals
- + U.S. inflows in 21 of prior 26 months including 5 straight quarters of net inflows
- + 21 funds over \$1b of AUM
- + Momentum continues into Q4
  - AUM: \$76.9b
  - Inflows: \$971m; ~\$3.7b year to date

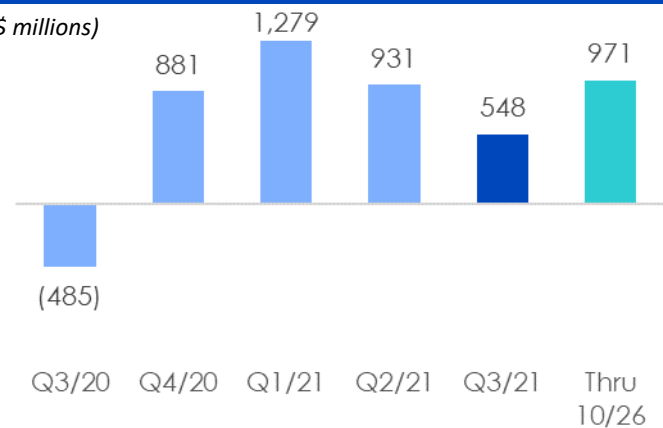
### AUM

(\$ billions)



### Net Inflows

(\$ millions)



## Revisions to Historical Results

- + Advisory fees and fund management and administration expenses previously reported have been restated to conform with our current presentation
- + Line items have been reduced by equal and offsetting amounts with no impact to net income
- + Represents the netting of expense reimbursements collected on behalf of a third party which was previously reported gross in the income statement
- + Historical gross margin percentages, operating income percentages and average advisory fees have also been restated
- + Details for historical periods (2019 thru Q2 2021) are included in the Appendix (slide 15)

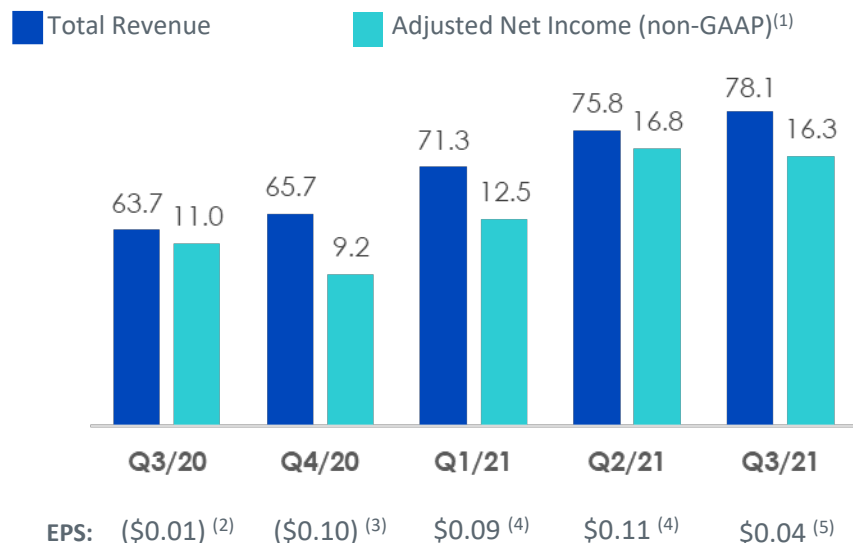
### Illustration - Revision to Q2 2021 Results

	<u>Previously Reported</u>	<u>Netting of Exp. Reimb.</u>	<u>Adjusted</u>
<b>Operating Revenues:</b>			
Advisory fees	\$75,997	(\$1,828)	\$74,169
Other income	1,606	-	1,606
Total revenues	<u>77,603</u>	<u>(1,828)</u>	<u>75,775</u>
<b>Operating Expenses:</b>			
Compensation	20,331	-	20,331
Fund mgmt. & admin	16,195	(1,828)	14,367
Marketing & advertising	3,594	-	3,594
Sales & business development	2,159	-	2,159
Contractual gold payments	4,314	-	4,314
Professional fees	1,921	-	1,921
Occupancy, comm. & equip	1,266	-	1,266
Depreciation & amortization	256	-	256
Third-party distribution fees	2,130	-	2,130
Other	1,752	-	1,752
Total operating expenses	<u>53,918</u>	<u>(1,828)</u>	<u>52,090</u>
Operating income	\$23,685	\$0	\$23,685
Gross margin	79.1%		81.0%
Operating income margin	30.5%		31.3%
Average advisory fee	0.41%		0.40%

# Strong revenue and earnings results

## Revenue, Income, EPS

(\$ millions)



Adjusted EPS (non-GAAP) <sup>(1)</sup> :	Q3/20	Q4/20	Q1/21	Q2/21	Q3/21
	\$0.07	\$0.06	\$0.08	\$0.10	\$0.10

Net income/ (loss):	Q3/20	Q4/20	Q1/21	Q2/21	Q3/21
	(\$0.3)	(\$13.5)	\$15.1	\$17.6	\$5.8

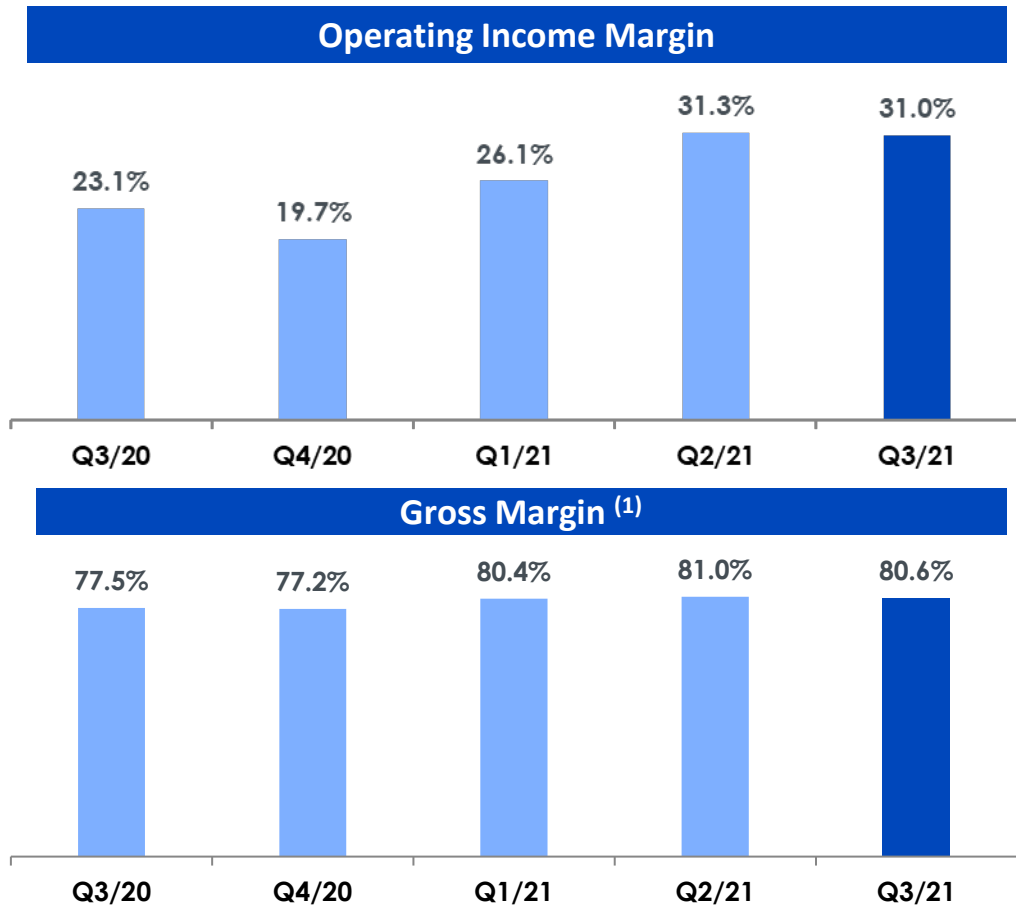
## Highlights/Unusual Items

- + Revenues increased 3% due to higher average AUM and a slightly higher (+1bp) average global advisory fee rate
- + \$15.9m impairment charge from the termination of our New York office lease
- + \$1.7m after tax, non-cash gain associated with revaluation of deferred consideration (gold payment) and \$0.5m of other net non-operating losses



(1) See "Non-GAAP Financial Measurements"  
 (2) Includes \$0.08 of net losses  
 (3) Includes \$0.16 of net losses  
 (4) Includes \$0.01 of net gains  
 (5) Includes \$0.06 of net losses

# Delivering sustainable operating and gross margins



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

+ Gross margins essentially unchanged quarter over quarter

*Updated guidance: Gross margins expected to be 80%-81% vs. prior guidance of 78%-79%*

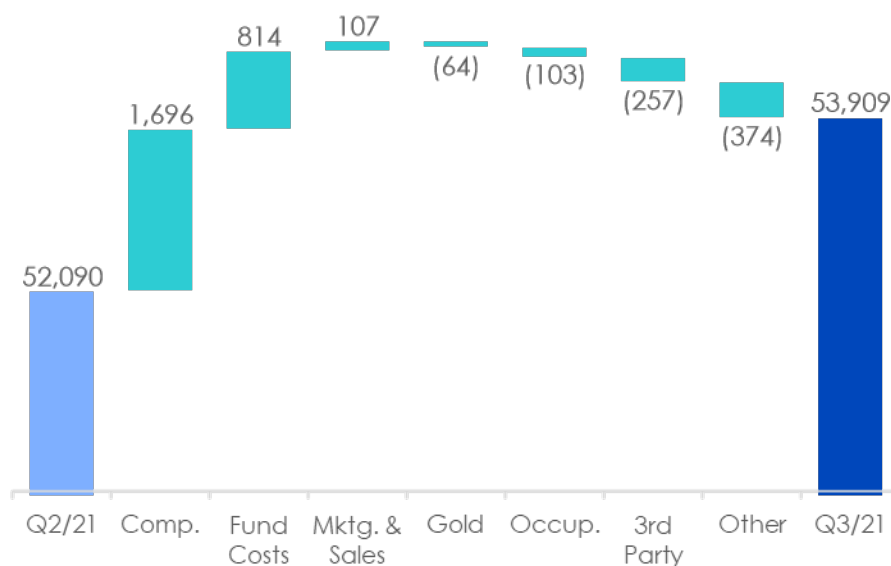
(1) See "Non-GAAP financial measurements"



## Expense well controlled and aligned with revenue growth

### Expense Base Change – Q2/21 to Q3/21

(\$ in thousands)



- + Higher headcount & incentive compensation after strong organic AUM growth.
  - *Guidance Update: Full year compensation now expected to be \$88-\$89m, up from prior \$85m guidance*
- + Higher fund costs due to higher average global AUM
- + Slightly higher marketing and sales expense due to timing
- + Lower occupancy costs from termination of lease in New York
- + Discretionary spending well controlled - \$10.6m quarter-over-quarter
  - *Guidance Update: Full year discretionary spending now expected to be \$44-\$45m, down from prior \$49m guidance*

## Guidance Update

### YTD September – 2021 vs. 2020

	YTD Sept. 2021	YTD Sept. 2020	%
<b>Operating Revenues:</b>			
Advisory fees	\$220,611	\$181,697	
Other income	4,532	2,563	
Total revenues	<u>225,143</u>	<u>184,260</u>	<u>22%</u>
<b>Operating Expenses:</b>			
Compensation	64,985	53,848	
Fund mgmt. & admin	43,495	41,785	
Marketing & advertising	9,525	7,413	
Sales & business development	7,239	7,984	
Contractual gold payments	12,834	12,362	
Professional fees	5,517	3,580	
Occupancy, comm. & equip	3,904	4,805	
Depreciation & amortization	693	760	
Third-party distribution fees	5,346	3,928	
Acquisition and disposition costs	-	416	
Other	5,110	5,204	
Total operating expenses	<u>158,648</u>	<u>142,085</u>	
Operating income	\$66,495	\$42,175	<u>58%</u>
Operating income margin	29.5%	22.9%	<u>+6.6 p.p.</u>
Compensation to revenue	28.9%	29.2%	
Discretionary spending	31,988	29,746	

Expense Item	Revised Guidance	Prior Guidance	Change
Compensation	\$88m-\$89m	\$85m	\$3m-\$4m
Discretionary Spending	\$44m-\$45m	\$49m	(\$4m-\$5m)
Third-Party Distribution	\$7.5m	\$6m	\$1.5m
Tax Rate (Q4 2021)	~22%	19%-20%	2%-3%
Gross Margin (Q4 2021)	80%-81%	78%-79%	2%

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

## 3<sup>rd</sup> Quarter Recap

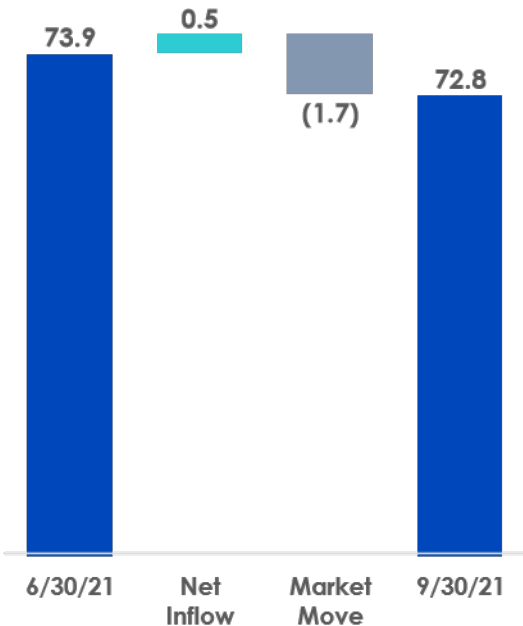
- + Another strong quarter
- + Continued organic growth, momentum and execution
  - 4<sup>th</sup> consecutive quarter of net inflows with strong breadth & depth
  - Expanding product offerings with more to come
  - Model portfolios: traction in current footprint + pending wins in the pipeline
- + Well-positioned for decentralized finance (“DeFi”)
  - Crypto products (both ETPs & models)
  - Digital assets

## Appendix

# AUM and net inflows

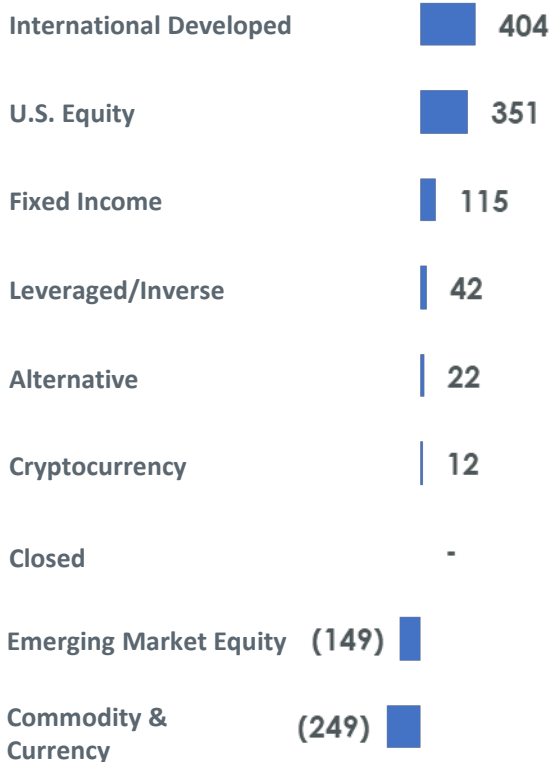
## Quarterly ETF AUM Change

(\$ billions)



## Q3/21 Net Flows by Category

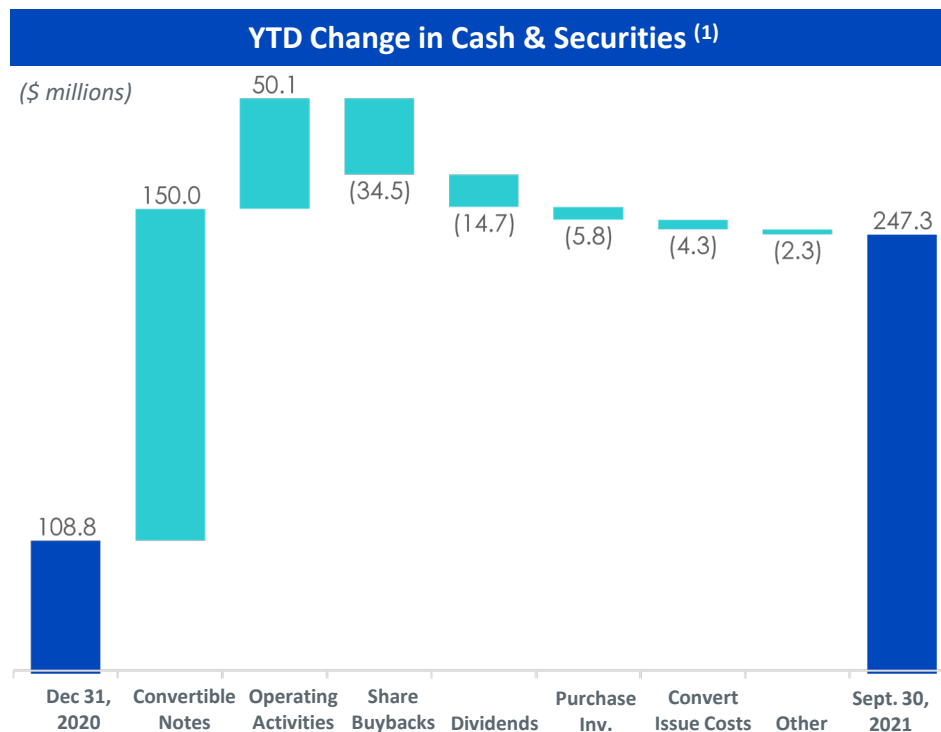
(\$ millions)



## Balance sheet

Balance Sheet		
(\$ millions)	Sept. 30, 2021	Dec. 31, 2020
<b>Assets</b>		
Cash and securities <sup>(1)</sup>	\$247.3	\$108.8
Investments	14.2	8.1
Accounts receivable	32.1	29.5
Deferred tax asset, net	7.6	8.1
Fixed assets, net	0.5	7.6
Goodwill and intangibles	687.1	687.1
Other assets	7.7	20.5
<b>Total assets</b>	<b>\$996.5</b>	<b>\$869.7</b>
<b>Liabilities</b>		
Fund management and administration	\$22.3	\$19.6
Compensation and benefits	24.4	22.8
Accounts payable and other liabilities	12.7	10.2
Convertible notes	318.0	166.6
Deferred consideration (gold payments)	225.0	230.1
Lease Liabilities	0.3	20.5
Other non-current liabilities	0.3	1.0
Total liabilities	603.0	470.8
Preferred stock	132.6	132.6
Stockholders' equity	260.9	266.3
<b>Total liabilities and stockholders' equity</b>	<b>\$996.5</b>	<b>\$869.7</b>

(1) Includes securities owned and securities held to maturity



## Revisions to Historical Results

	<u>Q2 2021</u>	<u>Q1 2021</u>	<u>Q4 2020</u>	<u>Q3 2020</u>	<u>Q2 2020</u>	<u>Q1 2020</u>	<u>Full Year 2020</u>	<u>Full Year 2019</u>
<b>Advisory Fees</b>								
Advisory fees (previously reported)	\$75,997	\$71,616	\$66,105	\$63,919	\$57,208	\$62,950	\$250,182	\$265,652
Less: Amounts collected on behalf of a third party	(1,828)	(1,574)	(1,408)	(891)	(814)	(675)	(3,788)	(1,875)
Advisory fees - Adjusted	<u>\$74,169</u>	<u>\$70,042</u>	<u>\$64,697</u>	<u>\$63,028</u>	<u>\$56,394</u>	<u>\$62,275</u>	<u>\$246,394</u>	<u>\$263,777</u>
<b>Revenues</b>								
Revenues (previously reported)	\$77,603	\$72,830	\$67,059	\$64,640	\$58,126	\$63,874	\$253,699	\$268,403
Less: Amounts collected on behalf of a third party	(1,828)	(1,574)	(1,408)	(891)	(814)	(675)	(3,788)	(1,875)
Revenues - Adjusted	<u>\$75,775</u>	<u>\$71,256</u>	<u>\$65,651</u>	<u>\$63,749</u>	<u>\$57,312</u>	<u>\$63,199</u>	<u>\$249,911</u>	<u>\$266,528</u>
<b>Fund Management &amp; Administration</b>								
Fund Mgmt. & Admin. (previously reported)	\$16,195	\$15,521	\$16,350	\$15,219	\$14,461	\$14,485	\$60,515	\$61,502
Less: Amounts collected on behalf of a third party	(1,828)	(1,574)	(1,408)	(891)	(814)	(675)	(3,788)	(1,875)
Fund Mgmt. & Admin - Adjusted	<u>\$14,367</u>	<u>\$13,947</u>	<u>\$14,942</u>	<u>\$14,328</u>	<u>\$13,647</u>	<u>\$13,810</u>	<u>\$56,727</u>	<u>\$59,627</u>
<b>Operating Expenses</b>								
Operating expenses (previously reported)	\$53,918	\$54,223	\$54,152	\$49,896	\$46,329	\$48,240	\$198,617	\$214,869
Less: Amounts collected on behalf of a third party	(1,828)	(1,574)	(1,408)	(891)	(814)	(675)	(3,788)	(1,875)
Operating expenses - Adjusted	<u>\$52,090</u>	<u>\$52,649</u>	<u>\$52,744</u>	<u>\$49,005</u>	<u>\$45,515</u>	<u>\$47,565</u>	<u>\$194,829</u>	<u>\$212,994</u>
Gross Margin - Previously reported	79.1%	78.7%	75.6%	76.5%	75.1%	77.3%	76.1%	77.1%
Gross Margin - Adjusted	<u>81.0%</u>	<u>80.4%</u>	<u>77.2%</u>	<u>77.5%</u>	<u>76.2%</u>	<u>78.1%</u>	<u>77.3%</u>	<u>77.6%</u>
Operating Income Margin - Previously reported	30.5%	25.5%	19.2%	22.8%	20.3%	24.5%	21.7%	19.9%
Operating Income Margin - Adjusted	<u>31.3%</u>	<u>26.1%</u>	<u>19.7%</u>	<u>23.1%</u>	<u>20.6%</u>	<u>24.7%</u>	<u>22.0%</u>	<u>20.1%</u>
Average Advisory Fee - Previously reported	0.41%	0.42%	0.41%	0.42%	0.41%	0.42%	0.41%	0.45%
Average Advisory Fee - Adjusted	<u>0.40%</u>	<u>0.41%</u>	<u>0.40%</u>	<u>0.41%</u>	<u>0.41%</u>	<u>0.42%</u>	<u>0.40%</u>	<u>0.44%</u>

## Convertible notes - EPS

Incremental shares issuable when conversion spread is positive are included in diluted EPS computation. Q3 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:	\$6.14	\$6.14
Conversion Price	<u>\$5.92</u>	<u>\$11.04</u>
Conversion spread:	<u>\$0.22</u>	<u>\$0.00</u>
<b><u>Potential Shares</u></b>		
Conversion spread:	\$0.22	\$0.00
Underlying shares (1):	<u>29,560,811</u>	<u>13,586,957</u>
Subtotal:	\$6,392,525	-
WT price - Average:	<u>\$6.14</u>	<u>\$6.14</u>
Dilutive Shares:	<u><u>1,041,764</u></u>	<u><u>-</u></u>

(1) Represents principal divided by conversion price



## Consolidated financial results

	2020				2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Revenues</b>							
Advisory fees	\$ 62,275	\$ 56,394	\$ 63,028	\$ 64,697	\$ 70,042	\$ 74,169	\$ 76,400
Other income	924	918	721	954	1,214	1,606	1,712
Total revenues	63,199	57,312	63,749	65,651	71,256	75,775	78,112
<b>Expenses</b>							
Compensation and benefits	17,295	17,455	19,098	20,827	22,627	20,331	22,027
Fund management and administration	13,810	13,647	14,328	14,942	13,947	14,367	15,181
Marketing and advertising	2,468	1,949	2,996	3,715	3,006	3,594	2,925
Sales and business development	3,417	2,181	2,386	2,595	2,145	2,159	2,935
Contractual gold payments	3,760	4,063	4,539	4,449	4,270	4,314	4,250
Professional and consulting fees	1,273	1,357	950	1,322	2,013	1,921	1,583
Occupancy, communications and equipment	1,551	1,643	1,611	1,622	1,475	1,266	1,163
Depreciation and amortization	256	251	253	261	252	256	185
Third-party distribution fees	1,355	1,340	1,233	1,291	1,343	2,130	1,873
Acquisition & disposition related costs	383	33	--	--	--	--	--
Other	1,997	1,596	1,611	1,720	1,571	1,752	1,787
Total expenses	47,565	45,515	49,005	52,744	52,649	52,090	53,909
<b>Operating Income</b>	15,634	11,797	14,744	12,907	18,607	23,685	24,203
Interest Expense	(2,419)	(2,044)	(2,511)	(2,694)	(2,296)	(2,567)	(3,729)
Gain/(loss) on revaluation of deferred consideration	(2,208)	(23,358)	(8,870)	(22,385)	2,832	497	1,737
Interest Income	163	119	111	351	231	225	689
Impairments	(19,672)	--	(3,080)	--	(303)	--	(15,853)
Debt extinguishment	--	(2,387)	--	--	--	--	--
Other gains/(losses)	(2,507)	1,819	744	524	(5,893)	49	(714)
<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>	<b>6,333</b>
Income tax (benefit)/expense	(2,371)	(804)	1,408	2,200	(1,969)	4,259	500
<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>	<b>\$ 5,833</b>
<i>As adjusted (non-GAAP)</i>							
Total operating expenses	\$ 47,182	\$ 45,482	\$ 49,005	\$ 52,744	\$ 52,649	\$ 52,090	\$ 53,909
Operating income	\$ 16,017	\$ 11,830	\$ 14,744	\$ 12,907	\$ 18,607	\$ 23,685	\$ 24,203
Income before income taxes	\$ 14,358	\$ 10,911	\$ 13,242	\$ 11,504	\$ 15,583	\$ 21,253	\$ 20,991
Income tax expense	\$ 3,134	\$ 2,417	\$ 2,205	\$ 2,281	\$ 3,079	\$ 4,458	\$ 4,674
Net income	\$ 11,224	\$ 8,494	\$ 11,037	\$ 9,223	\$ 12,504	\$ 16,795	\$ 16,317
Earnings per share - diluted	\$ 0.07	\$ 0.05	\$ 0.07	\$ 0.06	\$ 0.08	\$ 0.10	\$ 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.
  - *Gains or losses on securities owned:* We account for our securities owned as trading securities which requires these instruments to be measured at fair value with gains and losses reported in net income. In the third quarter of 2021, we began excluding these items when calculating our non-GAAP financial measurements as these securities have become a more meaningful percentage of total assets and the gains and losses introduce volatility in earnings and are not core to our operating business.
  - *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:* Remeasurement of contingent consideration payable to us from the sale of our former Canadian ETF business, 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				
	Sept. 30 2021	Jun. 30 2021	Mar. 31 2021	Dec 31 2020	Sept. 30 2020
<b>Adjusted net income and diluted earnings per share:</b>					
Net income, as reported	\$ 5,833	\$ 17,630	\$ 15,147	\$ (13,497)	\$ (270)
Deduct/Add back: (Gain)/loss on revaluation of deferred consideration	(1,737)	(497)	(2,832)	22,385	8,870
Add back: Impairments, net of income taxes (where applicable)	12,002	--	245	--	2,326
Add back: Losses on securities owned, net of income taxes	1,006	--	--	--	--
Add back: Remeasurement of contingent consideration - sale of former Canadian ETF business	(787)	--	--	--	--
Deduct/Add back: Tax (windfalls)/shortfalls upon vesting and	--	(233)	123	21	50
Deduct: Unrealized gain recognized on our investment in Securrency, net of income taxes	--	(105)	(179)	--	--
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
Deduct: Gain arising from an adjustment to the estimated fair value of consideration received from the exit of our investment in AdvisorEngine	--	--	--	--	(225)
Adjusted net income	\$ 16,317	\$ 16,795	\$ 12,504	\$ 9,223	\$ 11,037
Weighted average common share - diluted	159,213	164,855	161,831	161,138	160,876
Adjusted earnings per share - diluted	\$ 0.10	\$ 0.10	\$ 0.08	\$ 0.06	\$ 0.07

(\$ in thousands) Unaudited	Three Months Ended				
	Sept. 30 2021	Jun. 30 2021	Mar. 31 2021	Dec 31 2020	Sept. 30 2020
<b>Gross Margin and Gross Margin Percentage</b>					
Operating Revenues	\$ 78,112	\$ 75,775	\$ 71,256	\$ 65,651	\$ 63,749
Deduct: Fund management and administration	(15,181)	(14,367)	(13,947)	(14,942)	(14,328)
Gross margin	\$ 62,931	\$ 61,408	\$ 57,309	\$ 50,709	\$ 49,421
Gross margin percentage	80.6%	81.0%	80.4%	77.2%	77.5%

(\$ in thousands) Unaudited	Three Months Ended				
	Sept. 30 2021	Jun. 30 2021	Mar. 31 2021	Dec 31 2020	Sept. 30 2020
<b>Adjusted Effective Income Tax Rate</b>					
Income/(loss) before income taxes	\$ 6,333	\$ 21,889	\$ 13,178	\$ (11,297)	\$ 1,138
Deduct/Add back: (Gain)/loss on revaluation of deferred consideration	(1,737)	(497)	(2,832)	22,385	8,870
Add back: Impairments, before income tax	15,853	--	303	--	3,080
Add back: Losses on securities owned, before income taxes	1,329	--	--	--	--
Add back: Remeasurement of contingent consideration - sale of former Canadian ETF business	(787)	--	--	--	--
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: 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
Deduct: Gain arising from an adjustment to the estimated fair value of consideration received from the exit of our investment in AdvisorEngine	--	--	--	--	(225)
Adjusted income before income taxes	\$ 20,991	\$ 21,253	\$ 15,583	\$ 11,504	\$ 13,242
Income tax expense/(benefit)	\$ 500	\$ 4,259	\$ (1,969)	\$ 2,200	\$ 1,408
Add back: Tax benefit arising from impairments	3,851	--	58	--	754
Add back: Tax benefit arising from losses on securities owned	323	--	--	--	--
Add back/(deduct): Tax windfalls/(shortfalls) upon vesting and exercise of stock-based compensation awards	--	233	(123)	(21)	(50)
Deduct: tax expense on unrealized gain on our investment in Securrency	--	(34)	(58)	--	--
Add back: Tax benefit arising from reduction of a tax-related indemnification asset	--	--	5,171	--	--
Add back: tax benefit from the amortization of discount associated with the bifurcation of the conversion options embedded in convertible notes	--	--	--	102	93
Adjusted income tax expense	\$ 4,674	\$ 4,458	\$ 3,079	\$ 2,281	\$ 2,205
Adjusted effective income tax rate	22.3%	21.0%	19.8%	19.8%	16.7%



# Reconciliation of US GAAP to Non-GAAP results

## Three Months ended September 30, 2021

	US GAAP	Gain on Deferred Consideration	Impairment Lease Termination	Loss on Securities Owned	Remeasurement of Contingent Consideration	Non-GAAP
<b>Revenues</b>						
Advisory fees	\$ 76,400	\$ -	\$ -	\$ -	\$ -	\$ 76,400
Other income	1,712	-	-	-	-	1,712
Total revenues	<u>78,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,112</u>
<b>Expenses</b>						
Compensation and benefits	22,027	-	-	-	-	22,027
Fund management and administration	15,181	-	-	-	-	15,181
Marketing and advertising	2,925	-	-	-	-	2,925
Sales and business development	2,935	-	-	-	-	2,935
Contractual gold payments	4,250	-	-	-	-	4,250
Professional and consulting fees	1,583	-	-	-	-	1,583
Occupancy, communications and equipment	1,163	-	-	-	-	1,163
Depreciation and amortization	185	-	-	-	-	185
Third-party distribution fees	1,873	-	-	-	-	1,873
Other	1,787	-	-	-	-	1,787
Total expenses	<u>53,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,909</u>
<b>Operating Income</b>	24,203	-	-	-	-	24,203
Interest Expense	(3,729)	-	-	-	-	(3,729)
Gain/(loss) on revaluation of deferred consideration	1,737	(1,737)	-	-	-	-
Interest Income	689	-	-	-	-	689
Impairments	(15,853)	-	15,853	-	-	-
Debt extinguishment	-	-	-	-	-	-
Other gains/(losses)	(714)	-	-	1,329	(787)	(172)
<b>Income/(loss) before taxes</b>	<u>6,333</u>	<u>(1,737)</u>	<u>15,853</u>	<u>1,329</u>	<u>(787)</u>	<u>20,991</u>
Income tax expense/(benefit)	500	-	3,851	323	-	4,674
<b>Net Income/(loss)</b>	<u>\$ 5,833</u>	<u>\$ (1,737)</u>	<u>\$ 12,002</u>	<u>\$ 1,006</u>	<u>\$ (787)</u>	<u>\$ 16,317</u>





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