



Westwood[®]

July 26, 2017

Westwood Holdings Group, Inc. Reports Second Quarter 2017 Results

AUM From Global and Emerging Market Strategies Reaches Record \$5.1 Billion

DALLAS, July 26, 2017 (GLOBE NEWSWIRE) -- Westwood Holdings Group, Inc. (NYSE:WHG) today reported second quarter 2017 revenues of \$33.8 million compared to \$31.0 million in the second quarter of 2016 and \$32.6 million in the first quarter of 2017, primarily related to higher average assets under management ("AUM") due to market appreciation and performance-based fees of \$1.0 million earned in the second quarter of 2017.

AUM as of June 30, 2017 totaled \$22.6 billion, up from \$21.0 billion and \$22.1 billion at June 30, 2016 and March 31, 2017, respectively. Assets under advisement ("AUA") totaled \$1.0 billion compared to \$322 million and \$1.1 billion at June 30, 2016 and March 31, 2017, respectively.

Compared to the second quarter of 2016, net income increased from \$5.7 million to \$6.9 million. The increase primarily related to higher revenues as noted above. Diluted earnings per share was \$0.83 in the second quarter of 2017 compared to \$0.69 in the second quarter of 2016. Non-GAAP Economic Earnings for the quarter increased from \$10.4 million, or \$1.27 per share, in 2016's second quarter, to \$11.7 million, or \$1.41 per share, in the second quarter of 2017.

Second quarter net income totaled \$6.9 million compared with \$6.1 million in the first quarter of 2017. The increase was driven primarily by higher revenues as noted above, coupled with lower employee compensation costs as a result of seasonal incremental payroll tax and benefit plan matching expenses on cash bonuses paid during the first quarter. Diluted earnings per share of \$0.83 compared to \$0.73 for the first quarter of 2017. Non-GAAP Economic Earnings for the quarter of \$11.7 million, or \$1.41 per share, compared to \$10.6 million, or \$1.28 per share, in the immediately preceding quarter.

Highlights from the second quarter 2017 include:

- ▮ AUM in our global and emerging markets strategies reached a record \$5.1 Billion.
- ▮ Revenues of \$33.8 million increased \$2.8 million from the second quarter of 2016 and \$1.2 million from the first quarter of 2017.
- ▮ All U.S. value strategies provided strong absolute and relative returns, beating their respective benchmarks for the quarter.

Brian Casey, Westwood's President & CEO, commented, "We are pleased that all our U.S. value strategies beat their benchmarks for the quarter with strong absolute and relative returns, continuing the positive momentum since the end of last year. As announced in early July, we were pleased to be appointed the sole sub-investment manager of Aviva Investors' two convertibles fund offerings, as our relationship with Aviva's Global Convertibles Fund transitioned from advisory to discretionary manager."

Westwood's Board of Directors declared a quarterly cash dividend of \$0.62 per common share, payable on October 2, 2017 to stockholders of record on September 8, 2017. At quarter-end, Westwood had \$88.8 million in cash and investments, stockholders' equity of \$151.3 million, and no debt.

Economic Earnings and Economic Earnings per Share ("Economic EPS") are non-GAAP performance measures and are explained and reconciled with the most comparable GAAP numbers in the attached tables.

Westwood will host a conference call to discuss second quarter 2017 results and other business matters at 4:30 p.m. Eastern time today. To join the conference call, dial 877-303-6235 (domestic and Canada) or 631-291-4837 (international). The conference call can also be accessed via our Investor Relations page at westwoodgroup.com and will be available for replay through August 2, 2017 by dialing 855-859-2056 (domestic and Canada) or 404-537-3406 (international) and then entering the passcode 45238707.

About Westwood

Westwood Holdings Group, Inc. provides investment management services to institutional investors, private wealth clients and financial intermediaries. With \$22.6 billion in assets under management (as of June 30, 2017), our firm offers a range of investment strategies including U.S. equities, Master Limited Partnerships (MLPs), Multi-Asset, Global and Emerging Markets equities, and Global Convertible securities portfolios. Access to our strategies is available through separate accounts, commingled funds, the Westwood Funds® family of mutual funds, UCITS funds, and other pooled vehicles. Westwood benefits from significant, broad-based employee ownership and trades on the New York Stock Exchange under the symbol "WHG." Based in Dallas, Texas, Westwood also maintains offices in Toronto, Boston, Omaha, and Houston.

For more information on Westwood, please visit www.westwoodgroup.com.

For more information on the Westwood Funds®, please visit www.westwoodfunds.com.

Forward-looking Statements

Statements in this press release that are not purely historical facts, including, without limitation, statements about our expected future financial position, results of operations or cash flows, as well as other statements including without limitation, words such as "anticipate," "forecast," "believe," "plan," "estimate," "expect," "intend," "should," "could," "goal," "may," "target," "designed," "on track," "comfortable with," "optimistic" and other similar expressions, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results and the timing of some events could differ materially from those projected in or contemplated by the forward-looking statements due to a number of factors, including, without limitation: the composition and market value of our assets under management; regulations adversely affecting the financial services industry; competition in the investment management industry; our assets under management includes investments in foreign companies; our ability to develop and market new investment strategies successfully; our relationships with current and potential customers; our ability to retain qualified personnel; our ability to maintain effective cyber security; our ability to maintain effective information systems; our ability to pursue and properly integrate acquired businesses; litigation risks; our ability to properly address conflicts of interest; our ability to maintain adequate insurance coverage; our ability to maintain an effective system of internal controls; our ability to maintain our fee structure in light of competitive fee pressures; our relationships with investment consulting firms; the significant concentration of our revenues in a small number of customers; and the other risks detailed from time to time in Westwood's Securities and Exchange Commission filings, including, but not limited to, its annual report on Form 10-K for the year ended December 31, 2016 and its quarterly reports on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Except as required by law, Westwood is not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events.

(WHG-G)

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share and share amounts)
(unaudited)

| | Three Months Ended | | |
|------------------------------------|--------------------|-------------------|------------------|
| | June 30, 2017 | March 31, 2017 | June 30, 2016 |
| REVENUES: | | | |
| Advisory fees: | | | |
| Asset-based | \$ 24,496 | \$ 23,789 | \$ 22,666 |
| Performance-based | 1,031 | 386 | 409 |
| Trust fees | 7,917 | 7,795 | 7,643 |
| Other, net | 312 | 653 | 305 |
| Total revenues | 33,756 | 32,623 | 31,023 |
| EXPENSES: | | | |
| Employee compensation and benefits | \$ 15,557 | \$ 17,717 | \$ 15,108 |
| Sales and marketing | 513 | 477 | 687 |
| Westwood mutual funds | 909 | 863 | 831 |

| | | | |
|---|-----------------|-----------------|-----------------|
| Information technology | 1,883 | 1,756 | 2,201 |
| Professional services | 1,318 | 1,496 | 1,158 |
| General and administrative | 2,993 | 2,544 | 2,526 |
| Total expenses | <u>23,173</u> | <u>24,853</u> | <u>22,511</u> |
| Income before income taxes | 10,583 | 7,770 | 8,512 |
| Provision for income taxes ⁽¹⁾ | 3,687 | 1,706 | 2,851 |
| Net income | <u>\$ 6,896</u> | <u>\$ 6,064</u> | <u>\$ 5,661</u> |
| Other comprehensive income: | | | |
| Foreign currency translation adjustments | 934 | 207 | 157 |
| Total comprehensive income | <u>\$ 7,830</u> | <u>\$ 6,271</u> | <u>\$ 5,818</u> |
| Earnings per share: | | | |
| Basic | \$ 0.84 | \$ 0.75 | \$ 0.71 |
| Diluted | \$ 0.83 | \$ 0.73 | \$ 0.69 |
| Weighted average shares outstanding: | | | |
| Basic | 8,167,277 | 8,065,825 | 8,000,214 |
| Diluted | 8,316,508 | 8,311,382 | 8,172,923 |
| Economic Earnings | \$ 11,710 | \$ 10,607 | \$ 10,387 |
| Economic EPS | \$ 1.41 | \$ 1.28 | \$ 1.27 |
| Dividends declared per share | \$ 0.62 | \$ 0.62 | \$ 0.57 |

(1) Our as adjusted tax rate for the first quarter of 2017 of 22.0% included a \$1.0 million discrete tax benefit associated with the adoption of new accounting guidance related to stock-based compensation awards that vested during the first quarter of 2017.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share and share amounts)
(unaudited)

| | Six Months Ended June 30, | |
|---|----------------------------------|-----------------|
| | <u>2017</u> | <u>2016</u> |
| REVENUES: | | |
| Advisory fees: | | |
| Asset-based | \$ 48,285 | \$ 44,481 |
| Performance-based | 1,417 | 409 |
| Trust fees | 15,712 | 15,108 |
| Other, net | 965 | 154 |
| Total revenues | <u>66,379</u> | <u>60,152</u> |
| EXPENSES: | | |
| Employee compensation and benefits | \$ 33,274 | \$ 31,602 |
| Sales and marketing | 990 | 1,015 |
| Westwood mutual funds | 1,772 | 1,527 |
| Information technology | 3,639 | 4,165 |
| Professional services | 2,814 | 2,804 |
| General and administrative | 5,537 | 4,881 |
| Total expenses | <u>48,026</u> | <u>45,994</u> |
| Income before income taxes | 18,353 | 14,158 |
| Provision for income taxes ⁽¹⁾ | 5,393 | 4,975 |
| Net income | <u>\$ 12,960</u> | <u>\$ 9,183</u> |
| Other comprehensive income: | | |
| Foreign currency translation adjustments | 1,141 | 1,460 |

| | | | | |
|---|----|-----------|----|-----------|
| Total comprehensive income | \$ | 14,101 | \$ | 10,643 |
| Earnings per share: | | | | |
| Basic | \$ | 1.60 | \$ | 1.16 |
| Diluted | \$ | 1.56 | \$ | 1.13 |
| Weighted average shares outstanding: | | | | |
| Basic | | 8,118,327 | | 7,931,331 |
| Diluted | | 8,315,722 | | 8,132,941 |
| Economic Earnings | \$ | 22,318 | \$ | 18,480 |
| Economic EPS | \$ | 2.68 | \$ | 2.27 |
| Dividends declared per share | \$ | 1.24 | \$ | 1.14 |

(1) Our as adjusted tax rate for the first six months of 2017 of 29.4% included a \$1.0 million discrete tax benefit associated with the adoption of new accounting guidance related to stock-based compensation awards that vested during the first quarter of 2017.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value and share amounts)
(unaudited)

| | <u>June 30,</u> <u>2017</u> | <u>December 31,</u> <u>2016</u> |
|--|--------------------------------|------------------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 43,143 | \$ 33,679 |
| Accounts receivable | 23,061 | 23,429 |
| Investments, at fair value | 45,665 | 56,485 |
| Other current assets | 1,914 | 2,364 |
| Total current assets | <u>113,783</u> | <u>115,957</u> |
| Goodwill | 27,144 | 27,144 |
| Deferred income taxes | 10,491 | 10,903 |
| Intangible assets, net | 20,414 | 21,394 |
| Property and equipment, net of accumulated depreciation of \$5,089 and \$4,590 | 4,100 | 4,280 |
| Total assets | <u>\$ 175,932</u> | <u>\$ 179,678</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 2,973 | \$ 2,641 |
| Dividends payable | 6,491 | 6,679 |
| Compensation and benefits payable | 9,774 | 17,200 |
| Income taxes payable | 1,989 | 3,148 |
| Total current liabilities | <u>21,227</u> | <u>29,668</u> |
| Accrued dividends | 1,269 | 1,767 |
| Deferred rent | 2,112 | 2,174 |
| Total liabilities | <u>24,608</u> | <u>33,609</u> |
| Stockholders' Equity: | | |
| Common stock, \$0.01 par value, authorized 25,000,000 shares, issued 9,994,408 and outstanding 8,893,466 shares at June 30, 2017; issued 9,801,938 and outstanding 8,810,375 shares at December 31, 2016 | 100 | 98 |
| Additional paid-in capital | 172,096 | 162,730 |
| Treasury stock, at cost - 1,100,942 shares at June 30, 2017; 991,563 shares at December 31, 2016 | (50,868) | (44,353) |
| Accumulated other comprehensive loss | (3,146) | (4,287) |
| Retained earnings | <u>33,142</u> | <u>31,881</u> |

Total stockholders' equity

151,324 146,069

Total liabilities and stockholders' equity

\$ 175,932 \$ 179,678

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

| | Six Months Ended June 30, | |
|---|----------------------------------|--------------|
| | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 12,960 | \$ 9,183 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 479 | 494 |
| Amortization of intangible assets | 980 | 980 |
| Unrealized gains on trading investments | (378) | (425) |
| Stock based compensation expense | 8,065 | 8,083 |
| Deferred income taxes | 437 | (72) |
| Excess tax benefits from stock based compensation | — | (165) |
| Other non-cash, net | — | 276 |
| Changes in operating assets and liabilities: | | |
| Net sales (purchases) of investments- trading securities | 11,198 | 27,945 |
| Accounts receivable | 531 | (1,188) |
| Other current assets | 455 | 981 |
| Accounts payable and accrued liabilities | 266 | (375) |
| Compensation and benefits payable | (6,940) | (11,384) |
| Income taxes payable | (1,178) | (3,889) |
| Other liabilities | (53) | 166 |
| Net cash provided by operating activities | 26,822 | 30,610 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (245) | (994) |
| Net cash used in investing activities | (245) | (994) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Purchases of treasury stock | — | (4,421) |
| Purchase of treasury stock under employee stock plans | (1,326) | (614) |
| Restricted stock returned for payment of taxes | (5,189) | (3,696) |
| Excess tax benefits from stock based compensation | — | 165 |
| Payment of contingent consideration in acquisition | — | (5,562) |
| Cash dividends | (11,674) | (10,282) |
| Net cash used in financing activities | (18,189) | (24,410) |
| Effect of currency rate changes on cash | 1,076 | 1,178 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 9,464 | 6,384 |
| Cash and cash equivalents, beginning of period | 33,679 | 22,740 |
| Cash and cash equivalents, end of period | \$ 43,143 | \$ 29,124 |
| Supplemental cash flow information: | | |
| Cash paid during the period for income taxes | \$ 5,539 | \$ 8,783 |
| Common stock issued for acquisition | \$ — | \$ 3,734 |
| Accrued dividends | \$ 7,760 | \$ 7,160 |
| Accrued purchase of property and equipment | \$ 52 | \$ 332 |
| Tenant allowance included in Property and equipment | \$ — | \$ 1,128 |

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

Reconciliation of Net Income to Economic Earnings

(in thousands, except per share and share amounts)

(unaudited)

Three Months Ended

| | June 30, 2017 | March 31, 2017 | June 30, 2016 |
|---|--------------------------|---------------------------|--------------------------|
| Net Income | \$ 6,896 | \$ 6,064 | \$ 5,661 |
| Add: Stock based compensation expense | 4,168 | 3,897 | 4,080 |
| Add: Intangible amortization | 490 | 490 | 490 |
| Add: Tax benefit from goodwill amortization | 156 | 156 | 156 |
| Economic Earnings | <u>\$ 11,710</u> | <u>\$ 10,607</u> | <u>\$ 10,387</u> |
| Diluted weighted average shares | 8,316,508 | 8,311,382 | 8,172,923 |
| Economic EPS | \$ 1.41 | \$ 1.28 | \$ 1.27 |

Six Months Ended June 30,

| | 2017 | 2016 |
|---|------------------|------------------|
| Net Income | \$ 12,960 | \$ 9,183 |
| Add: Stock based compensation expense | 8,065 | 8,083 |
| Add: Intangible amortization | 980 | 980 |
| Add: Tax benefit from goodwill amortization | 313 | 234 |
| Economic Earnings | <u>\$ 22,318</u> | <u>\$ 18,480</u> |
| Diluted weighted average shares | 8,315,722 | 8,132,941 |
| Economic EPS | \$ 2.68 | \$ 2.27 |

As supplemental information, we are providing non-GAAP performance measures that we refer to as Economic Earnings and Economic EPS. We provide these measures in addition to, not as a substitute for, net income and earnings per share, which are reported on a GAAP basis. Management reviews Economic Earnings and Economic EPS to evaluate Westwood's ongoing performance, allocate resources, and review our dividend policy. We believe that these non-GAAP performance measures, while not substitutes for GAAP net income or earnings per share, are useful for management and investors when evaluating Westwood's underlying operating and financial performance and its available resources. We do not advocate that investors consider these non-GAAP measures without also considering financial information prepared in accordance with GAAP.

We define Economic Earnings as net income plus non-cash equity-based compensation expense, amortization of intangible assets, and deferred taxes related to goodwill. Although depreciation on fixed assets is a non-cash expense, we do not add it back when calculating Economic Earnings because depreciation charges represent an allocation of the decline in the value of the related assets that will ultimately require replacement. In addition, we do not adjust Economic Earnings for tax deductions related to restricted stock expense or amortization of intangible assets. Economic EPS represents Economic Earnings divided by diluted weighted average shares outstanding.

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 [Primary Logo](#)

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